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Lagnika Wahrriss Tawakalitou Sedjro, student of the international faculty,
Kursk State Medical University, Kursk, Russia

e-mail: warislagnika8@gmail.com

THE CONTEXT OF MACRO ECONOMICS CRISIS IN BENIN REPUBLIC

Abstract: for the past few years Benin has been suffering from numerous macroeconomics problems like economic recession, low GDP per capita and high level of poverty. These article discusses about the causes, manifestation and solutions to try to solve this economic crisis.

Keywords: macroeconomic problems, causes, solutions and result, Benin

Лагника Вахррисста Тавакалиту Седжро, студент международного факультета Курского государственного медицинского университета, Курск, Россия

e-mail: warislagnika8@gmail.com

ЭКОНОМИЧЕСКИЙ КРИЗИС В БЕНИНЕ

Аннотация: в течение последних нескольких лет Бенин страдает от многочисленных макроэкономических проблем, таких как экономический спад, низкий ВВП на душу населения и высокий уровень бедности. В статье исследуются причины, последствия и решения вышеуказанных проблем.

Ключевые слова: макроэкономические проблемы, причины, решения и результаты, Бенин

Benin's economy is heavily reliant on the informal re-export and transit trade with Nigeria (estimated at approximately 20% of GDP), and on agriculture. Despite a

recent downward trend, the poverty rate remains high, at 46.4% in 2018, with a poverty line of \$1.90 a day in purchasing power parity.

Economic activity accelerated to 6.7% in 2018 from 5.8% in 2017 (a per capita GDP growth rate of 3.8%), driven by vibrant port activity (+8.5% in 2018) and a sound agricultural sector buoyed by record cotton production (+17% in 2018) and the diversification of emerging export sectors (pineapple, cashew nuts). Growth was also driven by the lagged effect of public investments (particularly infrastructure) and a vibrant services sector. Inflation remains moderate at 1% in 2018, in view of the prudent monetary policy implemented at the regional level.

The fiscal deficit (including grants) fell from 5.9% to 4% of GDP between 2017 and 2018 owing to higher revenues and lower capital expenditures. However, the debt-to-GDP ratio increased, from 54.4% in 2017 to 56.8% in 2018. While an adjustment reduced outstanding domestic debt from 32.4% to 30.3% of GDP in October 2018, outstanding external debt increased sharply from 4.4% to 26.5% of GDP.

The current balance deficit (excluding grants) fell from 10.2% in 2017 to 8.5% in 2018, caused by an increase in agricultural exports and a reduction in food imports. The key export products in 2018 were cotton, cashew nuts, and pineapples, while energy and petroleum products made up the bulk of imports [1].

Despite steady, robust economic growth over the past two decades, poverty remains widespread owing to limited growth in per capita terms (only 1.6% on average during 2006–16). National headcount poverty rates were estimated at 40.1% in 2015. Female-headed households experience lower levels of poverty (28% compared to 38% for male-headed ones), but generally women suffer from a lack of economic opportunity and are under-represented in high-level decision-making positions. The education and health sectors account for a significant share of public expenditure (23% and 7%, respectively, on average).

Benin is vulnerable to exogenous shocks: climate hazards, varying terms of trade (cotton and oil prices), and developments in Nigeria—its main trading partner and the main source of its economic activity as 80% of Benin's imports are destined

for Nigeria. The economic recovery in Nigeria, where the recession officially ended in September 2017, drove growth in Benin [2].

Despite some progress in the formal sector, Benin's weak business environment continues to deter domestic and international investors. Benin occupies position 93 on the Logistics performance index and ranks 153 out of 190 countries in the World Bank's Doing business report on business regulation. Benin has recently made progress in "starting a business" and "getting electricity," but must, however, do more in the areas of "getting credit" and "paying taxes." Moreover, despite strides made, Benin continues to grapple with major corruption-related challenges, ranking 85 out of 180 countries on Transparency international Corruption Perceptions Index for 2018, with a score of 40/100 [3].

In December 2016, the new government adopted the Government Action Program, a development plan structured around 45 flagship projects aimed at improving productivity and living conditions. A National Development Plan (NDP) was launched in January 2019 for the 2018-25 period, with the aim of achieving the priority targets of the Sustainable Development Goals (SDG) [4].

Storm water management, nutrition, capacity development, energy, and transport.

The World Bank's Country Partnership Framework with Benin, which is aligned with the government's development plan, covers the period 2018-23 and was approved in July 2018. It revolves around three areas: structural transformation of the economy to promote competitiveness and productivity; investing in human capital; enhancing resilience and reducing climate-related vulnerabilities.

World Bank Group commitments currently stand at \$930 million to finance 13 national projects. A trust fund valued at \$300,000 and six regional projects financed to the tune of \$202 million complete this portfolio.

These projects cover several sectors: budget support, tourism, and urban development, access to potable water, community development and social protection, governance, environment, agriculture, youth employment, etc.

Other projects include the digital rural transformation project, the early childhood development project, the Agricultural competitiveness project, the Tourism

promotion project, and the small town water sensation project. Launched in 2012, the Benin Agricultural Productivity and Diversification Project (PADA), funded by the World Bank (\$31 million) and the Global Food Crisis Response Program (\$15 million), has helped restore and improve the productivity of selected value chains of products—such as rice, aquaculture, pineapples, and cashews—and increase their value added [5].

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