INTERNATIONAL MONETARY FUND AND
INTERNATIONAL DEVELOPMENT ASSOCIATION

BENIN

Decision Point Document Under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative

Prepared by the Staffs of the IMF and IDA[1]

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List of Acronyms

AIDS	Aquired Immune Deficiency Syndrome
AGEFIB	Agence de Financement des Initiatives de Base
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest (Central Bank of West African States)
BOAD	Banque Ouest-Africaine de Développement
CAA	Caisse Autonome d'Amortissement (Autonomous Amortization Fund)
CET	Common External Tariff
CFAF	Franc de la Communauté Financière de l'Afrique (African Financial Community Franc)
DSA	Debt Sustainability Analysis
ECOWAS	Economic Community of West African States
ECVR	Enquête Légère Auprès des Ménages (Household survey in urban areas)
ELAM	Enquête sur les Conditions de Vie en Milieu Rural (Household survey in rural areas)
ESAF	Enhanced Structural Adjustment Facility
HIPC	Initiative for Heavily Indebted Poor Countries
HIV	Human Immunodeficiency Virus
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IMF	International Monetary Fund
INSAE	Institut National de la Statistique et de l'Analyse Economique (National Statistics Office)
NGO	Nongovernmetal Organization
NPV	Net Present Value
OCBN	Organisation Commune Bénin-Niger de Chemins de Fer et des Transports (Benin-Niger Railway Corporation)
ODA	Official Development Aid
OHADA	Organisation pour l'Harmonisation du Droit des Affaires (Organization for the Harmonization of Commercial Laws in Africa)
PRSP	Poverty Reduction Strategy Paper
OPT	Office des Postes et Télécommunications (Postal and Telecommunication Office)
PAC	Port Autonome de Cotonou (Port of Cotonou)
PRGF	Poverty Reduction and Growth Facility
SAC	Structural Adjustment Credit
SAF	Structural Adjustment Facility
SAL	Structural Adjustment Loan
SBEE	Société Béninoise de l'Eau et de l'Electricité (Benin Electricity and Water Company)
SCO	Société de Ciment d'Onigbolo (Cement Company of Onigbolo)
SDD	Social Dimension of Development Program
SOBEMAP	Société Béninoise de Manutention Portuaire (Beninese Ship-handling Company)
SONACOP	Société Nationale de Commercialisation des Produits Pétroliers (National Company for the Distribution of Petroleum Products)
SONAPRA	Société Nationale de Promotion Agricole (National Company for Agricultural Promotion)
SSS	Société Sucrière de Savé (Savé Sugar Company)
UNDP	United Nations Development Program
WAEMU	West African Economic and Monetary Union

I. INTRODUCTION

1. This document presents an assessment of Benin's eligibility to receive assistance under the terms of the enhanced Initiative for Heavily Indebted Poor Countries (enhanced HIPC Initiative) and proposes that the Executive Boards of the International Monetary Fund and IDA approve in principle a decision point for assistance. A debt sustainability analysis (DSA) for Benin was first undertaken in 1997 under the original HIPC Initiative.[2] At that time, it was found that Benin had a satisfactory track record of reform implementation and its external debt situation at the end of 1996 was considered to be sustainable under the original HIPC framework. Following the revision of the criteria of debt sustainability under the enhanced HIPC Initiative, a DSA was conducted in November 1999, which found Benin's external debt at end-1998 to be above the 150 percent threshold for the net present value (NPV) of debt-to-exports ratio.

2. **Benin satisfies the eligibility criteria for assistance under the enhanced HIPC Initiative.** The per capita income of Benin in 1998 is estimated at US$380, which is well below the US$895 operational cutoff for IDA eligibility. Furthermore, Benin is eligible to receive assistance under traditional debt relief mechanisms, is a PRGF and IDA-only country, and does not qualify for IBRD lending. Also, its good economic performance and satisfactory track record of structural reform implementation have justified continued financial support from IDA and the Fund since 1989.[3] The Beninese authorities have also prepared an interim poverty reduction strategy paper (interim PRSP), which lays out plans for developing, implementing, and monitoring a comprehensive poverty reduction strategy with the participation of the civil society and the donor community. The authorities expect to finalize the PRSP by April 2001. In addition to finalizing the PRSP, reaching a completion point would require satisfactory performance under the PRGF-supported program, and adoption and implementation of key structural and social development measures listed in Box 7. Following the completion point, IDA and Fund assistance under the enhanced HIPC Initiative will depend on securing satisfactory assurances from Benin's other external creditors concerning their participation in the Initiative.

3. This paper is organized as follows. Section II presents an overview and an assessment of Benin's adjustment record to date. Section III outlines the macroeconomic, structural and social objectives of the medium-term program. Section IV presents an updated debt sustainability analysis, discusses the debt sustainability targets, reports on the assistance needed to bring the NPV of Benin's external debt to the target level, and examines the possible profile of assistance. It also lists the specific measures that will need to be implemented before Benin reaches its completion point under the enhanced HIPC

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[2] IDA/SecM97-312 and EBS/97/119.

[3] The IMF Executive Board is to discuss a new medium-term program to be supported under an arrangement under the PRGF at the same time as the discussion on the Decision Point Document Under the Enhanced HIPC Initiative.

framework. Section V presents the conclusion of the document, and Section VI suggests issues for discussion by the Executive Directors.

II. BACKGROUND AND CURRENT POLICIES

A. Adjustment Record

4. During the 1980s, the government implemented an economic development model focusing on central planning and the public sector as the main source of growth. This decision led to a major misallocation of resources and a rapid deterioration in Benin's economic and financial situation. By 1988, the government no longer paid salaries regularly and accumulated arrears on domestic and external payments. Also, many public enterprises facing acute financial difficulties stopped operations, while the banking system collapsed and all commercial banks were closed.

5. Faced with a mounting economic and social crisis, the government reversed course and launched an ambitious program of reforms in 1989, which received the support of the international community. The program emphasized the role of the market economy and the private sector. It sought to strengthen economic and financial management, reestablish control over public finances while allocating additional resources for health, education and basic infrastructure, redefine the role of the public sector, establish a strong financial system, and create an environment conducive to private investment. In January 1994, the devaluation of the CFA franc strengthened the adjustment strategy, enhancing the country's external competitiveness and increasing the profitability of the agricultural sector. Successive government programs have been supported by three IDA structural adjustment credits, two Structural Adjustment Facility (SAF) arrangements, and two Enhanced Structural Adjustment Facility (ESAF) arrangements approved in January 1993 and August 1996, respectively (Appendix I). A new Poverty Reduction and Growth Facility (PRGF) arrangement will cover the period April 2000-March 2003, which is to be discussed by the IMF Executive Board at the same time as the HIPC Decision Point Document and Interim PRSP, and IDA is expected to approve a new public expenditure adjustment credit at end-2000.

6. Performance under the adjustment programs has been satisfactory. Real per capita income has steadily improved, the primary fiscal deficit has been considerably reduced, and the overall balance of payments has recorded significant surpluses. Notwithstanding these achievements, the economic and financial situation remains fragile and highly vulnerable to external shocks, while the pace of reform has slowed in some areas, such as public enterprise reform, civil service reform, and the liberalization of the cotton sector; improvements in social services, especially education and health, have been less than expected.

B. Macroeconomic Performance

7. In contrast to the second half of the 1980s, when the economy stagnated, annual real GDP growth rose to 4 percent in the early 1990s and received a further boost to above 5 percent after the CFA franc realignment in 1994. The increase in cotton production has been particularly impressive: it jumped from 109,000 tons in 1988/89 to 360,000 tons in 1997/98. Except for the immediate aftermath of the 1994 devaluation, inflation has remained low.

8. **Fiscal consolidation** has been a major achievement over the last decade. The overall deficit, excluding grants, was reduced from 10.7 percent of GDP in 1989 to 1.3 percent in 1998. In addition, the government settled arrears on domestic payments amounting to the equivalent of 9 percent of 1998 GDP between 1989 and 1998, and cleared all uncontested external arrears, mostly through debt relief granted by official bilateral creditors participating in the Paris Club. These achievements reflect mostly an improvement in government revenue and better controls over government spending.

9. During the period 1989-98, government revenue rose from 9.4 percent of GDP to 15.5 percent as the authorities overhauled the tax system, broadened the tax base, and strengthened tax administration. The most important measures included the introduction in 1994 of a broad-based value-added tax (VAT) with a single rate of 18 percent; the lowering of the tax rate on profits from 48 percent to 38 percent and the elimination of other levies on profits; the introduction of a presumptive profit tax on imports; the streamlining and reduction of taxes on salaries; the introduction of a simplified tax reporting system for small enterprises; the replacement of a multitude of external tariffs with five rates in a range of 0 to 20 percent; the creation of a unit in charge of large taxpayers; the introduction of a single registry number to identify enterprises; the introduction of procedures requiring enterprises to report and pay most taxes directly to the tax administration; and the reduction in tax exemptions and the introduction of procedures to monitor them.

10. Government expenditure fell from 20 percent of GDP in 1989 to 16.8 percent of GDP in 1998. Over the same period, the wage bill declined from 7.7 percent of GDP to 4.7 percent, mainly owing to a reduction in the civil service payroll and a wage freeze until 1992. However, the low level of government expenditure also reflects a limited absorptive capacity in some ministries, and serious shortcomings in monitoring the execution of investment projects. In particular, the authorities have had limited success in increasing public spending for key sectors, in spite of public expenditure reviews in the sectors of rural development, education, health, and transport and public works.

11. **Over the last decade, Benin’s external position has markedly improved.** This reflects strong international financial support, as well as a strengthening of economic management and a strong recovery in commodity exports, especially cotton. However, the trade deficit in goods and services was greatly affected by large variations in the terms of trade. The trade deficit narrowed from 8.7 percent of GDP in 1989 to 7.0 percent in 1994—the time of the CFA franc devaluation— before widening anew to close to 9.2 percent of

GDP in 1998. The terms of trade dropped by 31 percent from 1990 to 1993, before improving by 26 percent until 1998 and then worsening again by an estimated 20 percent in 1999. Yet, in spite of the large deficit, Benin contributed to the net foreign assets of the Central Bank of West African States, as the country received a high level of international financial assistance for investment projects and its adjustment program, and was granted debt relief by Paris Club creditors and other bilateral donors. Benin's strengthened external position allowed the government to remain current on external debt-service payments.

C. Structural Reforms

12. Together with its efforts to strengthen the macroeconomic situation, the government pursued reforms in a number of areas in order to improve the economy's efficiency, create an environment more conducive to private investment, and increase the population's participation in the decision-making process.[4]

Public administration and governance

13. To improve the efficiency of the public administration, the government launched a program of organizational audits in the 1990s and subsequently adopted restructuring plans for the Ministries of Finance, Rural Development, Education, and Health. Also, the organization of ministries was harmonized with the separation of political and administrative responsibilities, and the establishment of permanent secretariats and planning units. In addition, the government created an anticorruption agency to combat corruption in 1998. The government is also preparing a comprehensive ten-year program designed to strengthen and modernize the judicial system in Benin. This program is expected to be adopted during the fourth quarter of 2000 and will be supported by IDA and a number of donors.

14. Recently, the government initiated a process of decentralizing the public administration to ensure a greater participation of the population in local economic development. In particular, the new elected local governments are expected to participate in the preparation of the poverty reduction strategy and be responsible for the design and implementation of local programs. The first municipal elections are scheduled for the fall of 2000. Municipalities are to be financed by taxes on real estate, land, tourism, and motor vehicles, as well as by central government transfers for capital investment. Efforts are under way to introduce by 2001 a harmonized budget classification and accounting system for local administrations.

Civil service reform

15. The reform of the civil service sector has been one of the main elements of the government program since the early 1990s. The objectives have been to contain the wage bill, strengthen the efficiency of the public administration, introduce a career management system for the civil service, tighten control over the payroll, and resolve problems resulting

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[4] Appendix II provides a list of key reforms.

from the salary freeze that lasted from 1986 to 1992. As a result of a voluntary departure program for civil servants and the implementation of more selective hiring policies focusing on education and health, the number of civil servants, excluding military personnel and diplomats, was reduced from 37,200 in 1989 to 30,500 in 1999. The government is also discussing a new pay scale with trade unions before submitting to the National Assembly amendments to the 1998 law on a performance-based staff evaluation and promotion system. In addition, work continues on a unified personnel database for the civil service, which is to consolidate information from the Ministry of Civil Service and the Payroll Department of the Ministry of Finance. To complement these initiatives, the government intends to reform the civil service pension fund, which has come under financial pressure because of the rising number of retirees and the drop in the number of contributing civil servants. After conducting a survey of retired personnel and an audit of the fund, the government is preparing a study that will recommend several options to eliminate the deficit over the medium term.

Financial sector

16. Following the collapse of the financial system at the end of the 1980s, the three state commercial banks and the agricultural savings bank were liquidated and their depositors partially repaid. Since then, five new private banks have been operating under the supervision of the Central Bank of West African States (BCEAO) and the Regional Banking Commission. Banks have generally maintained a strong financial position, with net operating profits estimated at 30 percent of capital and reserves at end-1998. Until recently, banks were highly liquid and invested their excess reserves on the regional interbank market and in bonds issued by the West African Development Bank and governments of the WAEMU. However, given the financial difficulties currently experienced by the cotton sector, the banks' liquidity has tightened, while nonperforming loans doubled during 1999 to an estimated 6 percent of overall credit to the nongovernment sector. While most banks observe the required prudential ratios regarding capital adequacy and liquidity, none observe the ratios concerning the division of risks because of the high level of loans to the cotton sector and its importance in the economy. As for commercial banks, independent savings and loan associations grew rapidly throughout the decade and have become a major source of financing for microprojects, particularly in rural areas. Nevertheless, the largest savings and loan association has recently had difficulties managing the rapid expansion of its activities, and the quality of its loan portfolio has deteriorated. Hence, there is an urgent need to strengthen the recently created agency in charge of the supervision of the savings and loan associations.

Public enterprise reform

17. The government successfully implemented a broad divestiture program over the past decade. Out of the 65 state-owned enterprises included in the privatization and restructuring program launched in 1989, only eight major enterprises remained under state management at end-1999 (railroad, Port of Cotonou, public utilities, cotton and textiles). Also, the fiscal and financial burden of public enterprises was largely eliminated, although the high tariffs of state-owned utilities (electricity generation and distribution, water, and telecommunications)

continue to be a burden for the rest of the economy. Over the last few years, the authorities abolished the monopoly held by the public enterprise SONACOP on the import and distribution of petroleum products, sold 55 percent of the enterprise's capital to a private investor, and established a mechanism for setting oil retail prices based on world market prices. It ended the monopoly of the public enterprise SOBEMAP on container handling in 1998, which forced the enterprise to reduce its costs and improve its services in order to remain competitive. The government also privatized the management of the cement enterprise (SCO), the sugar enterprise (SSS), and the Hotel de la Croix du Sud. In addition, the authorities intend to privatize the two state owned enterprises in the textile industry; split the Office of Post and Telecommunications into two entities; and privatize the telecommunications entity; and privatize the management of the electricity and water company (SBEE).

Private sector development

18. The government achieved substantial progress in establishing a market-based economic system and improving the incentive framework for private sector development. In the early 1990s, the government removed the array of administrative controls on prices and economic activities that had greatly restricted private enterprise development. By 1993, it had adopted a new business law, labor code, and investment code. The authorities also strengthened the role of organizations representing the private sector and opened a single office where economic operators could fulfill all administrative requirements for the creation of private enterprises. Subsequently, Benin ratified the regional treaty for the harmonization of business law in Africa (OHADA) providing for the adoption of Business Law Uniform Acts to be applicable in all states parties to the OHADA treaty, and the establishment of a regional Court of Justice and Arbitration, which is the Court of Appeals for all matters relating to the implementation of the Uniform Acts. Also, a revised labor code further liberalizing the hiring and firing of staff and improving the functioning of the labor market was enacted in 1998.

Infrastructure

19. The transport sector is particularly important in Benin because it is a trade corridor for landlocked WAEMU countries and an essential link between WAEMU countries and Nigeria. The management of the road network has improved with the establishment of an autonomous Road Fund in 1996, which is financed by petroleum taxes, a customs duty on vehicle imports, road tolls, and budget support. The Ministry of Transport now contracts 80 percent of road maintenance to the private sector, which has allowed the ministry to reduce its maintenance staff by 90 percent while increasing the overall efficiency of road maintenance operations. The management of the rail company (OCBN), jointly owned by Benin and Niger, is also to be privatized, although progress has been delayed by the need to reach agreements with Niger. In view of the numerous problems faced by the Port of Cotonou, the government has commissioned a study on privatizing its management.

20. To improve urban infrastructure, the government sought to strengthen local institutions so that they might take charge of their communities in association with nongovernmental organization (NGOs) and local residents. Technical units have been established in the main urban centers of Cotonou, Porto-Novo, and Parakou to program and manage urban services, and technical assistance has been provided with support from IDA. At the same time, fiscal resource mobilization at the local level has been strengthened with the computerization of urban property registers and training for tax collection. In May 1999, IDA approved a credit to further strengthen municipal management, foster community participation, and, thereby, establish the foundation for urban infrastructure rehabilitation.

Water supply

21. Considerable progress was achieved in providing access to clean water. Over the period 1981-98, the percentage of the population having access to drinking water rose from 9 percent to 69 percent in rural areas and from 26 percent to 82 percent in urban areas. The improvement in rural areas resulted from a new policy adopted in 1992, which focused on a decentralized decision-making process, community needs, the adoption of technology resulting in a reduction of cost and maintenance charges, and establishment of reliable networks for maintenance. The policy on rural water supply is implemented by the regional offices of the water works department and relies extensively on partnership with IDA, donors, international and local firms, craftsmen, communication specialists, and NGOs. The Code of Public Hygiene was revised in 1995 to incorporate similar concepts in sanitation.

Agriculture

22. Benin's economy is heavily dependent on agriculture, which directly accounts for 40 percent of GDP and employs 70 percent of the active population. Since the early 1990s, most public enterprises processing agricultural products other than cotton have been either closed or privatized. Also, the agricultural extension services and the technical departments of the Ministry of Agriculture were reorganized. As for cotton, which accounts for a large share of farmers' cash revenue, the government abolished the monopoly of the parastatal cotton company (SONAPRA) in the import and distribution of fertilizers and pesticides, and in the transportation of cotton in 1992. Since then, the authorities have authorized the operation of private ginning companies and the private distribution of inputs to producers. Since 1999, producer representatives have participated in the organization of the bidding process for selecting importers of inputs (fertilizers and pesticides). In June 2000, the government abolished SONAPRA's monopsony on the purchase of seed cotton from producers, and announced plans for the privatization of the enterprise and the implementation of a regulatory framework giving the sector's participants greater responsibilities. These measures should ensure that producers receive a greater share of revenue generated by the sector and, therefore, contribute to reducing poverty in producing areas.

D. Social Policies

23. Until the mid-1990s, social policies in Benin were geared toward improving health and education services. To deal directly with poverty issues, the government adopted the Social Dimension of Development (SDD) program in 1994. The SDD contains four elements: strengthening the national capacity to formulate and implement social policies; monitoring the living conditions of poor and vulnerable groups; promoting community-based development through microprojects; and increasing employment. The government subsequently developed an institutional structure in support of SDD, including a forum for dialogue between the government and civil society and a technical unit in charge of monitoring poverty. The government also initiated a national community development program in 1998. The objective is to ensure in all communities the provision of a common social minimum, defined as a package of services including basic education, food security, primary health care, capacity for generating income, and economic integration. In 1999, the government created 100 pilot units, for which the community development program will be implemented between 2000 and 2002. A first evaluation of the pilot units is planned for December 2000, with a view to broadening the program to about 7,000 community development units. In April 1999, the IDA-funded social fund (AGEFIB) started operating after an 18-month pilot phase. It aims at improving the access to basic social services, and supports income-generating activities and capacity building at the community level.

24. Notwithstanding these initiatives, Benin's performance in the social sector during the 1990s was mixed. The combination of a sustained increase in per capita income and reforms in social policies resulted in an improvement of social indicators in areas ranging from primary education, health services, and water quality to social protection. However, the improvement in living standards is uneven among regions, and poverty is still widespread. According to the available evidence, poverty affected about one-third of the population throughout the 1990s (Box 1).

Education

25. Benin's education system has achieved significant progress in coverage over the past decade. Between 1990 and 1999, the gross primary enrollment ratio rose from 58 percent to 78 percent, reflecting the impact of economic growth, high urbanization, and the priority accorded by the government to basic education. Over this period, the share of primary education in total public spending on education increased from 54 percent to 58 percent. The government has encouraged community participation in education and has promoted private schools to help satisfy the demand for schooling. Increasing attention is being paid to equity and educational quality, as exemplified by the suspension of fee payments for girls in rural areas and efforts to improve textbook availability.

Box 1. Benin: Profile of Poverty

Benin has conducted a series of official household surveys since the mid-1980s. The budget consumption survey of 1986-87 was followed during the 1990s by a series of rural household surveys (ECVR), conducted by the Ministry of Rural Development and supported by UNDP, and urban household surveys (ELAM), undertaken by the National Statistical Institute. While these studies provide key information on poverty in Benin, more research is needed to produce a reliable and robust picture of the incidence and dynamics of poverty. In particular, the methodology used in these surveys raises concerns with regard to the treatment of the nonfood expenditure share in the calculation of the poverty line, the division of Benin into 12 agro-ecological zones, and the comparability of poverty statistics across urban and rural areas and across time. The government is committed to reviewing these issues for the new household surveys conducted in 1999 and 2000.

Incidence of poverty

In the mid-1990s, one-third of the population was estimated to be poor. The depth of poverty, calculated as the average expenditure shortfall of the poor, is estimated at 30 percent, with little differentiation between rural poor and urban poor. However, the incidence of human poverty, defined as the inability to satisfy basic needs, is 47 percent, significantly higher than monetary poverty.

Changes in poverty

On the basis of 1986-87 data, it was estimated that 28 percent of the population fell below the poverty line. The average expenditure shortfall of the poor relative to the poverty line was 29 percent. While these figures suggest that poverty increased between 1986-87 and the mid-1990s, they do not adequately reflect the general trend in living standards over this period for two reasons. Both data points were affected by special economic circumstances: agricultural revenue was unusually high in 1986-87, whereas inflation in the aftermath of the CFA franc devaluation of 1994 had a detrimental impact on the revenue of the poor in 1994. In addition, the study conducted in the mid-1990s used a higher threshold to define the poverty line. Indeed, sustained economic growth and the improvements of the main social indicators (life expectancy, adult literacy rate, primary school enrollment, water access, and health services access) point to a reduction of the incidence of poverty since the late 1980s.

Characteristics of poverty

The poor in Benin are concentrated in rural areas (80 percent of the poor) and suburban areas. Poverty also affects more women than men. In rural areas, the poor are mostly subsistence farmers with inadequate means of production (small plots with low-productivity soil, inadequate rural infrastructure, and lack of labor force as a result of high dependency rates). In the south, lagoon fishermen are among the poorest owing to decreasing fish stock. In the sub-urban zones, the poor are often concentrated in the informal sector and are under- or unemployed. The poor are mostly excluded from public education and health services and cannot afford private services.

Vulnerable groups

The main sources of vulnerability are the lack of employment or revenue opportunities, compounded by poor rural infrastructure, inadequate water supply and sanitation, insufficient access to health services and education, and high dependency rates. In February 1999, a workshop organized by the government with representatives of the civil society identified four highly vulnerable groups:

- abandoned elderly people
- children who are victims of child trafficking (including domestic servants and children smuggled abroad);
- HIV/AIDS victims and their families; and
- women with low revenues (e.g., women heads of household, women living in poor rural areas, and illiterate women).

26. Despite these achievements, the education sector faces many challenges. Since 1996, per capita budgetary expenditure on education has remained constant at about US$12 (Box 2). As a share of GDP, public expenditure on education has averaged only 3 percent, compared with a sub-Saharan average of 4 percent for other HIPC countries and 6 percent to 10 percent for developed countries. Enrollment in rural areas and for girls remains low, averaging only, respectively, 60 percent and 57 percent of the school-age population. In addition, the dropout rate is very high, with only 55 percent of boys and 36 percent of girls who attend school completing primary education. This figure falls to 23 percent for girls in rural areas, where schools prefer enrolling boys who pay school fees. It is estimated that 40 percent of education resources are misallocated as a result of high repetition and dropout rates, which, in turn, result from the high cost of schooling and insufficient staff and facilities in rural areas.

Box 2. Benin: Health and Education Expenditures, 1996-2000

	1996	1997	1998	1999	2000 1/
			(In billions of CFA francs)		
Health	14.4	15.2	17.9	25.5	31.6
Current outlays	7.7	9.8	11.1	13.2	16.6
Personnel	4.0	4.5	5.1	5.0	6.8
Nonpersonnel	3.7	5.3	6.0	8.2	9.7
Investment program	6.8	5.3	6.8	12.3	15.1
Domestically financed	0.6	0.6	1.3	2.1	2.1
Financed from abroad	6.1	4.7	5.5	10.2	13.0
Education	34.5	38.8	40.5	45.0	61.5
Current outlays	29.7	32.6	34.8	38.3	44.4
Personnel	22.2	25.2	25.5	27.0	31.7
Nonpersonnel	7.6	7.4	9.3	11.3	12.6
Investment program	4.8	6.3	5.7	6.7	17.1
Domestically financed	0.4	0.6	1.0	1.2	6.4
Financed from abroad	4.4	5.6	4.7	5.5	10.7
			(In percent of GDP)		
Total expenditure	4.3	4.3	4.3	4.8	5.9
Current outlays	3.3	3.4	3.4	3.5	3.8
Personnel	2.3	2.4	2.2	2.2	2.4
Nonpersonnel	1.0	1.0	1.1	1.3	1.4
Investment program	1.0	0.9	0.9	1.3	2.0
Domestically financed	0.1	0.1	0.2	0.2	0.5
Financed from abroad	0.9	0.8	0.8	1.1	1.5

Sources: Beninese authorities; and Bank and Fund staff projections.

1/ Projections.

27. Beyond the poor outcomes of the system, management of resources is weak, with urban areas having a surplus of teachers and rural schools a deficit, estimated at 2,200 teachers in 1999. Hence, primary schooling could be greatly improved by deploying teachers on the basis of school enrollment. There is also a need to develop secondary and higher education in an efficient, equitable, and financially sustainable fashion. Increased priority for basic education has resulted in a decrease of operating expenditure for other levels of education, and a deterioration in the quality of higher education.

Health

28. Over the past decade, health indicators in Benin have improved substantially (Table 1). Since 1990, infant mortality has declined from 104 to 88 deaths per thousand live births, compared to the sub-Saharan averages of 100 and 91, respectively. Factors behind the improvement include increased access to clean water, immunization coverage, utilization of public health facilities for maternal care, and, more generally, government policies that favor primary health care, and child and maternal health care, and improve the availability of low-cost drugs. These policies resulted in an increase in the proportion of children immunized against DPT 3 at 1 year of age from only 17 percent in 1985 to 81 percent by 1998. The total number of medical consultations in public health facilities for children under 12 months also increased from 0.4 to 1.1 between 1990 and 1996.

29. Despite these improvements, population and health indicators remain very low. Life expectancy is only 53 years. Child malnutrition remains high, with 29 percent of children under 3 underweight, and treatable illnesses, such as malaria and perinatal ailments, account for a large part of infant mortality. Fertility rates and population growth are still high at 6.3 percent and 2.8 percent, respectively. Modern contraceptive use remains a low 11.7 percent, and maternal mortality remains high at 500 per 100,000. HIV prevalence among the adult population is estimated at 3.3 percent. More than 200,000 people are estimated to be infected with the virus, and the number of orphans is rising. HIV prevalence will rise rapidly without an adequate and intensified policy response.

30. Segments of the population remain inadequately serviced by the public health system. While, countrywide, an estimated 30 percent of the population does not have access to health facilities, the proportion is much higher for families living in rural areas, and especially those in the northern provinces, where immunization rates are low. Also, between 15 percent and 30 percent of the population cannot afford the cost of health care, and relies instead on home treatments and drugs purchased on the open market.

31. From 1994 to 1999, total public health expenditures have increased, both as a proportion of the national budget and per capita (from US$5 in 1994 to US$7 in 1999). However, expenditure remains low, at only 10 percent of public expenditure and 1.7 percent of GDP. Over the same period, private expenditures increased from about US$6 to US$20 per capita per year, and the private health sector, both for-profit and not-for-profit, has grown rapidly in urban areas. These trends present challenges to the role of the public sector and to public health policy. They create the need for greater regulation, improved

targeting of public resources to the needs of disadvantaged populations, broader alternatives to the direct public provision of services in urban areas, insurance schemes to assist the poor to cope with the cost of catastrophic illness, and greater partnership with the private sector to improve health outcomes of the population, in particular with regard to maternal health, malaria, and HIV.

III. Policy Outlook

A. Medium-Term Policies

32. To consolidate the progress made over the past ten years, the government has prepared a broad medium-term program for which it is seeking support from the Fund under an arrangement under the Poverty Reduction and Growth Facility (PRGF) and from IDA under a Public Expenditure Reform Credit. The program focuses on three key policy components: (a) financial stability; (b) implementation of structural reforms to promote private sector development and thus set the stage for high and sustainable growth; and (c) pursuit of social policies to improve health and education, and reduce poverty. The program also emphasizes good governance, especially through more efficient use of public resources and the fight against fraud; regional integration within the WAEMU, as well as within the Economic Community of West African States (ECOWAS), and the decentralization of policy to ensure greater involvement of local governments and communities in their economic and social development.

B. Macroeconomic and Fiscal Policies

33. The macroeconomic objectives for the period 2000-03 are to achieve an average real GDP growth of about 5–6 percent per annum, keep inflation below 3 percent, and generate a small surplus in the balance of payments. The government intends to keep the overall fiscal position, including grants, in balance, while increasing budgetary allocations in areas with a strong poverty reduction impact. The monetary authorities will also continue to pursue a prudent credit policy.

34. To achieve sustained economic growth will require a large increase in investment and the pursuit of structural reforms. Hence, the government will seek to raise investment from 17½ percent in 1999 to more than 20 percent in 2003, with the private sector and the public sector contributing equally to the increase. This will also require implementing policies leading to higher domestic saving, especially for the private sector, which currently has a saving rate of slightly above 1 percent of GDP.

35. The medium-term budgetary framework is based on increasing the revenue-to-GDP ratio from 15.7 percent in 2000 to 16.5 percent in 2003, and maintaining a broadly stable ratio of government expenditure to GDP, before utilization of the additional resources resulting from the HIPC Initiative. This approach assumes a small decline of external grants and loans from 3.1 percent of GDP in 2000 to 2.5 percent in 2003. Accordingly, the primary

balance is projected to improve in the 2000–03 period by about 0.5 percent of GDP, and the overall deficit, excluding grants, would decline by about 1 percentage point of GDP; including grants, the overall fiscal position will be balanced.

36. On the revenue side, the government will continue to strengthen the tax and customs administrations, broaden the tax base through the reduction of tax exemptions, and combat tax fraud and evasion, while harmonizing customs tariffs and indirect taxation in line with the reforms adopted by the WAEMU. On the expenditure side, the government will embark on a reform of its budget system aimed at increasing the effectiveness of public spending in order to attain development goals and alleviate poverty. The main aspects of the reform, which will be supported by IDA through a public expenditure reform credit, are to increase the responsibility of the line ministries for the preparation and execution of their budgets, move to program-based budgeting within a multiyear framework, and set performance indicators and execution rates to monitor and evaluate expenditures. Preliminary performance indicators for five ministries (Health, Education, Transport, Rural Development, and Environment) are expected to be developed and adopted during 2000. To accompany this reform, the government is implementing a fully computerized budget management and reporting system, which will allow the treasury to keep its accounts up to date and enhance the capacity for internal and external budget auditing, including performance auditing. Further measures to increase the effectiveness and transparency of public expenditure include the development of an anticorruption strategy and the harmonization of budget regulations within the WAEMU.

37. Assistance under the enhanced HIPC Initiative will complement ongoing efforts to combat poverty by improving health and education levels and build momentum toward the achievement of the development goals to be determined in the PRSP. The resources to be made available under the enhanced HIPC Initiative during the period 2000-18 would amount to about US$380 million in nominal terms, which on average, is equivalent to one half of 1 percent of GDP and more than 14 percent of current education and health expenditures. Before the floating completion point, the Fund and IDA are expected to provide interim assistance estimated at US$4.9 million and US$5.5 million, respectively. It is also expected that the AfDB, European Union, EIB, and OPEC fund will grant interim assistance, while Paris Club creditors are contemplating doing so. Box 3 shows indicative allocations for health and education spending for 2000 and 2001. Additional allocations for 2000 will be for specific programs to be discussed with Fund and World Bank staffs and included in a supplementary budget that the authorities intend to submit to the National Assembly this summer. In the coming years, resources made available under the HIPC Initiative will be for programs included in the medium-term expenditure framework under preparation for the social sectors, and specifically identified in annual budgets. The Fund and World Bank staffs will monitor the preparation and execution of these programs.

Box 3. Benin: Health and Education Expenditures and Debt Service, 1996-2003

	1996	1997	1998	1999	2000	Projections 2001	2002	2003
	(In billions of CFA francs)							
Total social expenditures	...	...	...	...	108.8	125.8	...	...
Health expenditures	14.4	15.2	17.9	25.5	31.6	37.2	...	...
Education expenditures	34.5	38.8	40.5	45.0	61.5	70.7	...	...
New programs to be financed partly by HIPC assistance 1/	...	...	...	...	5.0	20.0	25.0	25.0
Debt service paid	35.2	36.2	39.1	42.5	...	...	...	...
Debt service due 2/	47.1	44.1	40.1	42.5	46.0	44.5	44.6	44.5
Debt service due after traditional debt relief 3/	...	...	...	42.4	46.0	44.0	44.4	42.4
Debt service due after HIPC assistance 4/	...	...	...	...	41.4	30.0	27.6	25.2
	(In percent of GDP)							
Total social expenditures	...	...	...	...	6.2	7.5	...	...
Health expenditures	1.3	1.2	1.3	1.7	2.0	2.2	...	...
Education expenditures	3.1	3.1	3.0	3.1	3.9	4.1	...	...
New programs to be financed partly by HIPC assistance 1/	...	...	...	...	0.3	0.9	0.8	0.8
Debt service paid	3.1	2.9	2.9	2.9	...	...	...	...
Debt service due 2/	4.2	3.5	2.9	2.9	2.9	2.6	2.4	2.2
Debt service due after traditional debt relief 3/	...	...	...	2.9	2.9	2.6	2.4	2.1
Debt service due after HIPC assistance 4/	...	...	...	...	2.6	1.8	1.5	1.2
Memorandum item:								
GDP (in billions of CFA francs)	1,130.5	1,247.1	1,360.6	1,463.3	1,586.1	1,716.7	1,854.6	2,004.4

Sources: Beninese authorities, and Bank and Fund staff projections.

1/ The additional resources liberated by assistance under the HIPC Initiative will allow an increase in social expenditures. For 2000, additional outlays will be presented in a supplementary budget. For the long term, the PRSP will define the poverty programs to be financed by assistance under the HIPC Initiative.
2/ Excludes provisions for passive debt.
3/ DSA projections assuming full use of traditional debt relief mechanisms at end-1998.
4/ Projections for 2000 are based on assumption of interim assistance provided by IDA and IMF.

C. Structural, Institutional, and Social Reforms

38. In addition to the continued implementation of sound macroeconomic policies and the strengthening of public resource management, the government will pursue implementation of the structural reforms described in Section II, which are crucial to achieving a high rate of

economic growth and reducing poverty.[5] In particular, over the coming three years, the government intends to complete the liberalization of the cotton sector with the privatization of SONAPRA; the privatization of the telecommunications activity; and management of the water and energy company (SBEE); the involvement of the private sector in the management of the Port of Cotonou; and the privatization of two textile enterprises. These measures will be accompanied by the liberalization of the retail prices of oil products, and the adoption of a regulatory framework for the price of water and energy.

39. The government will pursue the strengthening of public administration and implement its decentralization policy. In that context, the government's antipoverty program will be increasingly implemented at the local level, while the national poverty dialogue, goals, and policies will be coordinated by the central government.

Education

40. The 1992 Education Policy and Sector Strategy Declaration, updated during the 1997 Education Roundtable, will continue to provide the strategic framework for education. The priority remains achieving universal school enrollment and improving learning outcomes in primary education. A key objective is to reduce repetition rates to free up space where class size is too large and to improve basic quality standards. To that end, the government will announce the suppression of repetition for the first grade, a transitory year between preschool and primary education, and evaluate the impact of that measure at the end of the school year 2000–01. In addition, the authorities will develop, in collaboration with IDA, an action plan to reduce repetition between grades 2 and 6 to less than 15 percent over a three-year horizon and to increase the rate of students' completing primary education to 70 percent over a five-year horizon. The government will also eliminate cost barriers and bring schools closer to home to boost school enrollment of girls and in the poorest areas. Key measures include abolishing school fees in rural areas for both boys and girls, compensating schools in rural areas for the loss of revenue from school fees, allocating the budget for school construction toward underserved areas, and developing a mechanism to fund communities seeking to fill vacancies by hiring their own teachers. To implement these policies, the Ministry of Education will, in collaboration with IDA, elaborate the mechanism and criteria for the compensation of schools in rural areas for the loss of revenues from school fees, define the concept of underserved communities, compile information on the cost of school construction in each community, and specify the procedure for identifying teacher vacancies and recruiting teachers by communities.

Health

41. The government's strategy to improve health outcomes comprises five components: (a) decentralization to improve coverage, (b) strengthening of resource management, (c) integrated treatment of diseases, (d) improvement of reproductive health, and (e) prevention of sexually transmitted diseases, including HIV/AIDS. Over the coming

[5] Appendix II lists future milestones in structural and social policies.

12 months, the authorities will focus on improving the health sector management and raising the immunization coverage. The adoption of a system of annual health sector performance review, including the development of a performance review manual, will improve the assessment of government health policies. The government will also raise the budgetary allocation for the improvement of reproductive health and the prevention of HIV/AIDS to at least CFAF 500 million in 2001, and adopt a strategy to fight HIV/AIDS. In addition, it is committed to meeting the targets for the immunizing of children at the age of 1 against DPTP3 and measles, while limiting the differences in immunization coverage across regions.

Social development

42. The government has laid out its plan for the preparation of a poverty reduction strategy in the interim PRSP. It will continue to promote community development and encourage private initiatives and employment creation through income-generating microprojects, professional development, and labor-intensive public work programs, which have a significant impact on reducing poverty. In addition, the authorities are committed to bringing legislation in line with the International Convention on Children's Rights, ratified in August 1990, and the International Convention to Eliminate All Forms of Discrimination Against Women, ratified in March 1992. The government will present the family code to the National Assembly, and will implement a new action plan to enhance the economic and social role of women. Other priorities include the strengthening of domestic capacities for formulating, executing, and monitoring social policies, and the conduct of household surveys, small-scale surveys, qualitative participatory research, and social risk analysis to improve the assessment of the living conditions of the most vulnerable groups.

IV. Debt Sustainability Analysis and HIPC Assistance

A. Debt Sustainability Analysis

43. The debt sustainability analysis (DSA) was prepared jointly by the Beninese authorities and IDA and Fund staffs. The debt estimates and net present value (NPV)[6] calculations are based on external public and publicly guaranteed debt data as of end-December 1998.[7] The authorities provided the data on a loan-by-loan basis, for which internal consistency was checked.[8] In addition, an exercise was conducted to reconcile the data with information provided by creditors. The macroeconomic and balance of payments

[6] The NPV of debt is calculated using the average currency-specific commercial interest reference rate (CIRR) for the six-month period ended December 31, 1998 and converted into U.S. dollars with the 1998 end-of-period exchange rate.

[7] In the context of the HIPC Initiative, the coverage of the external debt excludes short-term debt, except long-standing arrears on short-term debt.

[8] Multilateral debt has been reconciled with creditors, but debt owed to a few official creditors remains to be reconciled. This is relevant in particular for "passive debt" as described in Box 6. Appendix III provides a discussion of debt data issues.

projections used in this DSA and agreed with the authorities are summarized in Box 4. The sustainability of Benin's external debt was assessed with regard to both the NPV of debt-to-exports and the NPV of debt-to-revenue ratios at end 1998 and Benin's eligibility for enhanced HIPC assistance was determined by the outcome of the former criterion.[9] The exchange and interest rates used for the calculation of the debt data are provided in Table 4.

Box 4. Benin: Main Assumptions in the Debt Sustainability Analysis (DSA)

Growth

- The economy is projected to improve its growth performance of 4.9 percent in 1999 to about 5 ½ percent over 2001-03. Exports, in particular of cotton products, are projected to continue to be an important determinant of growth, but an increasing share of growth is expected to be driven by domestic sectors – in particular agriculture, trade, construction, and services.

- The investment-to-GDP ratio is projected to increase from 17.1 percent in 1998 to 22 percent in 2018 and the domestic saving rate is projected to rise from 11.3 percent in 1998 to 14.6 percent in 2003, and close to 20 percent in 2018, as government finances are strengthened and domestic investment opportunities deepen.

Exports and imports

- After a strong export performance in 1999, owing to a reduction in cotton stocks, merchandise export growth is projected to slow to somewhat less than real GDP growth because of the constraints in the cotton sector. The projections of export prices are based on the IMF's World Economic Outlook and the World Bank's Commodity Division forecasts.

- Driven by higher investment needs, the volume of imports is expected to grow slightly faster than real GDP growth. Import prices are based on IMF's World Economic Outlook and World Bank's Commodity Division projections.

Capital account

- Project grants are projected to remain constant in real terms.
- Net foreign direct investment is projected to increase from 1 percent of GDP in 2000 to 2.6 percent in 2018.
- Benin is expected to continue to receive substantial concessional financing. This support is estimated at 5.2 percent (US$130 million) of GDP in 1999, and projected to be 1.9 percent of GDP in 2018 (US$187 million).
- No financing gap is projected for 2000-18.

[9] Box 5 describes revisions made to export data since the 1997 DSA.

44. **Composition of external debt.** At the end of 1998, and after full application of traditional debt-relief mechanisms, the nominal value of Benin's public and publicly guaranteed external debt amounted to US$1,360 million (Table 3). This debt stock is estimated at US$848 million[10] in end-1998 terms, or 218 percent of exports, equaling 226 percent of government revenue and 35 percent of GDP.[11] About 71 percent[12] of the end-1998 debt stock is held by multilateral creditors,[13] with IDA the largest single creditor, accounting for about 32 percent of the total debt (Figure 1 and Table 5). That is more than twice the exposure of the second-largest creditor, the AfDB, with about 14 percent of the total. France and the IMF are the third-and fourth-largest creditors, accounting for 10 percent and 9 percent of the total, respectively. Of the official bilateral debt, about 80 percent is to Paris Club creditors (US$204 million), with 37 percent contracted on ODA terms. About three-fourths of Paris Club debt is pre-cutoff-date debt. At the end of 1998, Benin had no commercial debt outstanding.

45. **Arrears.** At the end of 1998, accumulated arrears on the principal and interest payments, including moratorium interests, amounted to US$49 million,[14] of which US$21.6 million on pre-cutoff-date debt due to Argentina. In June 1999, Benin reached an agreement with this creditor to buy back the total of its obligations with a discount of 84 percent.

46. **Comparison with previous DSA.** Between end-1996, the point of reference for the previous debt sustainability analysis,[15] and end-1998, the point of reference for the present updated DSA, the total external public and publicly guaranteed debt of Benin in NPV terms, including passive debt, decreased by 7.7 percent from US$1,044 million at end-1996 to US$963.6 million at end-1998. The lower NPV of debt reflects the shift to grant financing rather than loans from official creditors, and the appreciation of the U.S. dollar, which lowers the U.S. dollar value of the total debt. These two factors are only partially offset by the decline in market interest rates (and, hence, the discount rates used in the calculations) between 1996 and 1998, and the high level of loan disbursements in recent years by multilateral creditors, most significantly from IDA and the AfDB.

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[10] After full application of traditional debt-relief mechanisms.

[11] Benin is therefore only eligible for assistance under the export-based criterion.

[12] All the numbers expressed in this section are in net present value terms, unless otherwise indicated.

[13] Multilateral creditors include the BCEAO. Within the West African states, the consolidated amount of interest payments accumulated by a member on its negative position with the Central Bank accumulated before 1994 is counted as external debt and qualifies for reduction within the enhanced HIPC Initiative. For Benin, this amounts to below US$4 million.

[14] This includes assessed late interest charges.

[15] IDA/SecM97-312 (7/10/97) and EBS/97/119.

Box 5. Revisions Made to Export Data Since the 1997 DSA

A significant volume of transit trade passes through Benin en route to neighboring countries, particularly Nigeria. The methodological basis for the recording of merchandise in balance of payments statistics is the change of ownership principle, as set out in the *Balance of Payments Manual* (fifth ed.). As pure transit trade does not involve a change in ownership vis-à-vis residents of the economy through which the merchandise passes, this trade should not be recorded in balance of payments statistics. In the case of Benin, owing to a lack of data on ownership, the BCEAO has been recording in the balance of payments statement merchandise entering the country relating to transit trade on the basis of customs data.

For the purpose of the enhanced HIPC Initiative, the BCEAO's estimate of the value of transit merchandise is subtracted from the export and import figures shown in the balance of payments. The services-related costs of the transit trade—mainly transportation and insurance—rendered by enterprises in Benin have been estimated at 10 percent of the value of excluded exports and, hence, added to the trade in services data. Customs duties, indirect taxes and fees levied by the customs department on the merchandise transiting the Beninese territory are recorded in the balance of payments under "current transfers, general government."

The described adjustments reduce total exports of goods and services by 40 percent over the period 1996-98. Consequently, the ratio of external debt in NPV terms to exports of goods and services was raised from 158 percent to 218 percent.

47. **Passive debt.** Benin has a small number of loans for which a creditor has not requested debt service (Box 6). These loans have not been taken into account in the DSA. Where there have been recent efforts by bilateral creditors to claim their debts and reach an agreement, those debts have been included in the current debt sustainability analysis on the assumption that they will be rescheduled on terms at least as favorable as Naples terms. Also, the staff has received no information of any significant contingent liabilities of the government as of end-1998.

Box 6. Passive Debt

The passive debt represents loans made by bilateral official creditors with the joint governments of Nigeria and Benin, to two public enterprises (SCO and SSS) owned by both governments. The two governments assumed these debts when the enterprises defaulted on their loans. However, the loans were part of successive Paris Club rescheduling agreements with Nigeria in the 1980s, and were excluded from debt relief granted to Benin by Paris Club creditors. However, the authorities have not yet reached an understanding with Nigeria on the level and status of these obligations.

Based on data available at end-1992, the passive debt is estimated at US$283 million in nominal terms at end-December 1998. The net present value of this passive debt is estimated at US$93 million after an assumed stock-of-debt operation on Naples terms (67 percent NPV reduction) at the end of 1998.

48. **Paris Club reschedulings.** Benin has benefited from four Paris Club rescheduling agreements—in 1989, 1991, 1993, and 1996. On October 24, 1996, the Paris Club granted Benin a stock-of-debt operation on Naples terms on all loans contracted before the cutoff date of March 31, 1989, topping up the concessionality of previously rescheduled loans to 67 percent. Benin has since concluded bilateral rescheduling arrangements with all its Paris Club creditors, with the exception of Italy; the delay is due to difficulties in agreeing on the clearance of certain arrears on short-term credits (estimated at US$12.3 million). The elements of the Paris Club agreements were used for the present DSA. In addition, Benin is negotiating an agreement with Russia within the Paris Club framework.[16] The main elements of the agreement with Russia have been discussed in principle and incorporated in the DSA, and it will likely be signed this year.

49. **Comparable treatment.** The authorities still have to reach agreements to reschedule official bilateral debt with creditors not participating in the Paris Club with comparable treatment to Naples terms. The baseline scenario simulates that a stock-of-debt operation under Naples terms took place in December 1998 for all pre-cutoff-date debt.

50. **Baseline assumptions.** The baseline scenario for the balance of payments (Box 4) and the debt outlook assumes that Benin will pursue sound macroeconomic and financial policies, and implementation of the previously outlined structural reforms. A heightened emphasis on issues of poverty reduction and environmentally sustainable development will require in the short term significant investment, using mainly imported inputs. The greater diversification of Benin's productive basis, the prudent management of its external debt, and a track record of successful fiscal management will allow Benin to gradually reduce its dependence on concessional credits after 2010.

51. **Growth and balance of payments.** These projections assume that real GDP growth will be sustained at 5-6 percent a year, above the population growth rate of close to 3 percent, so as to allow a clear improvement of living standards and have an appreciable effect on the level of poverty. Under these projections, and assuming continued fiscal consolidation, the current account deficit, which will reach 7.2 percent of GDP in 2000 because of the adverse movement of the terms of trade, is expected to gradually decline to below 3 percent of GDP. After the completion of the programs supported by the Fund under arrangement under the PRGF and following a period to allow Benin to establish its market credentials, the country may have access to private financing. Net external official financing, therefore, is expected to remain the sole source of financing until 2010, with private direct investment and private loans playing an increasing role in financing the current account deficit after that point.

52. **Debt sustainability indicators.** The baseline projection assumes a hypothetical stock-of-debt operation on Naples terms with non-Paris Club creditors at end-1998 on all eligible debt. Based on the assumptions outlined above and after the full application of

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[16] This implies a 70 percent up-front reduction of all debt outstanding, after converting it at the rate of one Russian ruble per 0.6 U.S. dollar, followed by a 67 percent NPV reduction on the remaining pre-cutoff-date debt.

traditional debt-relief mechanisms, Benin's external debt ratios would gradually improve and remain at sustainable levels through most of the projection period. The NPV of debt-to-exports ratio would stabilize at about 100 percent after 2010 and fall gradually below this level thereafter, owing to the increasing importance of nonconcessional borrowing after that time. By 2018, nonconcessional borrowing is expected to account for almost one-third of total new borrowing, and its NPV will be about 7 percent of the NPV of total outstanding debt, and equivalent to about 6 percent of average exports of goods and services (Table 6).

53. **Sensitivity analysis.** The concentration of Benin's exports in the cotton sector poses an important risk for the economy. Exports of cotton and cotton products account for more than 80 percent of total exports and are expected to remain as important in the future, despite the efforts by the authorities to diversify the economy's exports. One risk that the economy faces is that cotton exports will fall below the baseline projections, either because of a further fall in prices or because of a production shortfall due, for example, to adverse weather conditions. Staff estimates indicate that a sustained drop of cotton exports of 20 percent, if financed by new concessional borrowing, will increase the NPV of debt-to-export ratio over the projection period by almost 40 percentage points (Table 10) and would increase the debt-service ratio by about 3 percentage points. A deterioration in external financing conditions would have somewhat greater impact: if Benin were to attract 50 percent less grants than assumed in the baseline scenario and substitute them with concessional loans, this would add about 50 percentage points to the average NPV of debt-to-export ratio over the projection period and would leave the debt-service ratio somewhat more than 3 percentage points higher (Table 10). The sensitivity analysis indicates that Benin would be unlikely to again face an unsustainable debt burden, based on the assumptions of the analysis.

B. Assistance Under the Enhanced HIPC Initiative

Required assistance

54. **Debt targets.** While Benin did not qualify for debt relief under the original HIPC framework, as documented in the DSA submitted to the Boards of IDA and the Fund of a previous DSA in July 1997, it does qualify as a retroactive case under the enhanced HIPC Initiative. From the baseline scenario, it appears that the NPV of debt-to-export ratio as of end-1998 would be at 218 percent—significantly above the 150 percent target. On that basis, Benin's external debt situation, even after the assumed full application of traditional debt relief mechanisms, would not be sustainable, allowing Benin to qualify under the enhanced Initiative (Table 3). In NPV terms, assistance of US$265 million would be required to bring Benin's external debt to a sustainable level.

55. **Burden sharing**. The cost of providing the enhanced assistance would be shared proportionately among Benin's creditors[17] based on their NPV exposure at end-1998 after application of Naples terms. Of the US$265 million, the multilateral share would amount to US$189 million, or 71 percent, while bilateral creditors would provide the

[17] See: "Issues Note on Participation of Official Bilateral Creditors:" IDA/SecM2000-137 (03/29/2000) and EBS/00/59.

remaining US$77 million (Table 13). Preliminary calculations suggest that Paris Club creditors would need to provide up to 85 percent of NPV debt reduction on eligible debt to meet their full share of the additional assistance. Among multilateral creditors, IDA's share of US$84.4 million is the largest, followed by the African Development Bank (US$37.6 million). The IMF will contribute US$24.3 million and other multilateral creditors would provide about US$44 million in enhanced HIPC assistance. Total assistance would entail a common reduction factor of 31.3 percent based, on the NPV of debt outstanding at end-1998.

C. Assumed Modalities of Assistance

56. **Status of creditor participation.** IDA and Fund staffs have initiated consultations with the multilateral creditors of Benin and with the Paris Club regarding the action they would take for Benin under the enhanced HIPC Initiative. Multilateral development banks (MDBs) met at the World Bank on April 3-4,[18] and, the staffs explained the methodology, data, and recommendations in the debt sustainability analysis for Benin. All MDBs indicated their agreement in principle, pending endorsement of the enhanced HIPC Initiative by their respective Boards, already secured by the EU and BOAD.

57. **Assumptions.** In the following assessment for illustrative purposes of debt sustainability after assistance under the enhanced HIPC Initiative, these assumptions and calculations were made regarding the delivery of assistance and interim assistance:[19]

- **Floating completion point.** To reach the floating completion point, the Boards of IDA and the Fund have to be satisfied with the progress in meeting the conditions summarized in Box 7. The authorities estimate that Benin will be able to fulfill all conditions for reaching the completion point by mid-2001.[20]

- **IDA's HIPC Initiative assistance** would total US$84.4 million in NPV terms, equivalent to a total debt-service saving of US$124 million over the next 15 years until 2014 (Table 14). Immediately following the approval of Benin's decision point by the Boards of IDA and the Fund, IDA will begin providing interim assistance as a 50 percent reduction on Benin's debt service to IDA, and continue providing debt-service relief in the same manner after Benin reaches its completion point under the Initiative. In the event Benin's other creditors have not fully confirmed their

[18] See: "The Chairman's Summary of the Multilateral Development Bank's Meeting", IDA/SecM2000-168 (04/12/2000).

[19] Both the assumptions and the resulting debt projections for Benin after enhanced HIPC assistance are provisional until creditors formally agree with the Beninese authorities on their specific modalities for the delivery of assistance.

[20] In view of Benin's track record and since it is a retroactive case, a one-year implementation period of the PRSP is not a requirement for completion point assistance.

agreement to provide debt relief in accordance with the Initiative by the completion point, IDA may continue to provide interim assistance if so approved by the Executive Directors. In any case, the amount of interim relief would not exceed one-third of the overall relief to be provided by IDA. The proposed modality would provide 6.4 percent of the required reduction in NPV of debt during the interim period, and the remaining after the completion point.[21]

- The **IMF** is assumed to deliver interim assistance from July 2000 onward. It is proposed that the assistance provided be geared toward smoothening the time profile of Benin's debt service to the IMF. The bulk of the relief would be accorded between 2001 and 2003, when Benin's obligations to the Fund are greatest. It is therefore assumed that until then the Fund will deliver US$4.9 million as interim assistance. This assistance corresponds to 20 percent of total IMF HIPC assistance and 2 percent of total HIPC assistance. The share will increase in 2002 and 2003 to a maximum of 20 percent, with the full amount of assistance being disbursed by end-2007. This delivery profile steadies average annual debt service due to the IMF at about 2.0 percent of exports until 2007 (Table 15).

- It is assumed that the AfDB, the European Union, EIB, and OPEC Fund would deliver interim assistance as well. Based on the modalities announced by multilateral development banks during their consultations at the World Bank on April 3-4, 2000. It is assumed that, at decision point, the EU and EIB would cancel identified loans, and that OPEC Fund would provide a concessional rescheduling of debt with reduced interest rates.

- All remaining multilateral creditors are assumed to provide assistance from the completion point onwards. BADEA, BCEAO, ECOWAS, and IsDB would provide a concessional rescheduling of debt with reduced interest rates, while BOAD and IFAD would deliver their share of relief through a 50 percent reduction in debt service payments until the required NPV reduction is achieved.

[21] This recommendation fulfills the requirements outlined in the document "Heavily Indebted Poor Countries (HIPC) Initiative: Note on Modalities for Implementing HIPC Debt Relief Under the Enhanced Framework" adopted by the Board on January 25, 2000. That is: the full share of IDA's debt relief is delivered within 20 years after the decision point; IDA would provide annually relief of not less than 50 percent of IDA debt service due on the amounts disbursed and outstanding as of December 31, 1998, and the interim relief ceiling of one-third of overall relief is respected.

Box 7. Benin: Measures and Objectives to Reach the Floating Completion Point

I. POVERTY REDUCTION

- Prepare the poverty reduction strategy paper through a participatory process.
- Adopt and implement a system of monitoring and evaluating poverty.

II. MACROECONOMIC

- Maintain a stable macroeconomic environment, as evidenced by satisfactory performance under a program supported by an arrangement under the PRGF.

III. STRUCTURAL

Government financial management

- Establish a medium-term expenditure allocation program and set performance indicators for the ministries of Education, Health, Transport, Rural Development, and Environment.
- Produce treasury balance on a monthly basis with a delay of no more than 30 days.

Governance

- Adopt an anticorruption strategy.

Cotton sector

- Adopt a strategy to privatize the public enterprise SONAPRA, after its monopsony is abolished.

IV. SOCIAL

Health

- Adopt a medium-term expenditure program for the expansion of basic health services which includes as benchmarks:
  - ➢ an increase in the internal budgetary financing for the improvement of reproductive health and the prevention of HIV/AIDS to at least CFAF 500 million in the budget 2001; and
  - ➢ the attainment of a rate of 85 percent of children at 1 year of age, who are immunized against DPTC3, reaches at least 85 percent, and at least 75 percent in each region; the percentage of children at 1 year of age, who are immunized against measles, reaches at least 80 percent, and at least 70 percent in each region.
- Adopt a monitoring and evaluation system for the health sector.
- Present a strategy plan to fight HIV/AIDS to the National Assembly.

Education

- Adopt a medium-term expenditure program for the expansion of basic education services, which includes as benchmarks:
  - ➢ the elimination of schools fees for all pupils in all rural schools, and provision of grants to rural schools to compensate for the loss of revenue from school fees; and
  - ➢ the provision of grants to local communities prepared to assume the responsibility for hiring teachers to fill school vacancies.
- Eliminate repetition at grade 1.

- For **Paris Club** bilateral creditors, a stock-of-debt operation under Cologne terms is projected at the completion point, although some creditors are contemplating providing interim assistance. In addition to the debt relief contemplated under the enhanced HIPC Initiative, several creditor countries of the Paris Club announced their intention to forgive all or part of the official claims on Benin.

- **Non-Paris Club bilateral creditors** are assumed to deliver their share of relief on terms comparable to the Paris Club's Cologne terms. Likewise, no interim assistance is projected. The Beninese authorities intend to continue to seek the participation of non-Paris Club creditors and will send a new request in writing after the decision point.

D. Debt Sustainability After Enhanced HIPC Assistance

58. **Impact of the enhanced HIPC assistance.** Taking into account the assistance under the enhanced HIPC Initiative, the ratio of NPV debt to exports is projected to fall to below 130 percent in 2004 and remain below 100 percent from 2011 throughout the projection period (Table 8). The debt relief proposed under the enhanced HIPC Initiative is expected to provide about US$380 million in debt-service savings over the 2000-18 period or US$20 million annually until 2018. Debt service due after enhanced HIPC is projected to fall below 10 percent of exports in 2002 and remain below this level thereafter (Table 9). The fiscal burden of debt would also decline, with the ratio of debt service to government revenue falling from 17 percent in 1998 to less than 5 percent by 2006, and declining steadily thereafter (Table 10).

V. Conclusions

59. The staffs of the IMF and IDA are of the view that the Beninese authorities' macroeconomic management and structural reforms have been satisfactory, and that Benin has made a substantive commitment to reduce poverty in the Interim PRSP in a broad and participatory manner. The government has benefited from earlier work on poverty alleviation, and expanded the approach to encompass members of civil society, the private sector, and representatives of the donor community. The staffs of the IMF and IDA are also of the view that the authorities have made substantive progress on developing a comprehensive understanding of the multidimensional aspects of development and incorporating this into government policies. Assistance under the enhanced HIPC Initiative would thus complement ongoing efforts to combat poverty by improving health and educational levels and provide a greater momentum toward the achievement of the development goals to be determined in the PRSP.

60. In addition to the continued implementation of sound macroeconomic policies, institutional and structural reforms will be crucial to sustaining a high rate of economic

growth, which underpins the authorities' interim poverty reduction strategy, and to improving the effectiveness, transparency, and accountability of public expenditures. The staffs are encouraged by the government's intention to reduce direct public intervention in productive sectors, particularly cotton, continue reforms of public enterprises, and promote private sector development. The staffs also strongly support the increasing reliance on local communities to implement the government's antipoverty program. This will help to ensure the effectiveness of additional resources in improving the living standards of the poor.

VI. Issues for Discussion

61. Executive Directors may wish to focus on the following issues and questions:

62. **Eligibility and decision point.** Management and staff believe that Benin is eligible for relief under the enhanced HIPC Initiative and recommend approval of a decision point based on the country's commitment to reduce poverty as indicated in the Interim PRSP, and on the implementation of PRGF- and IDA-supported programs. Do Executive Directors agree?

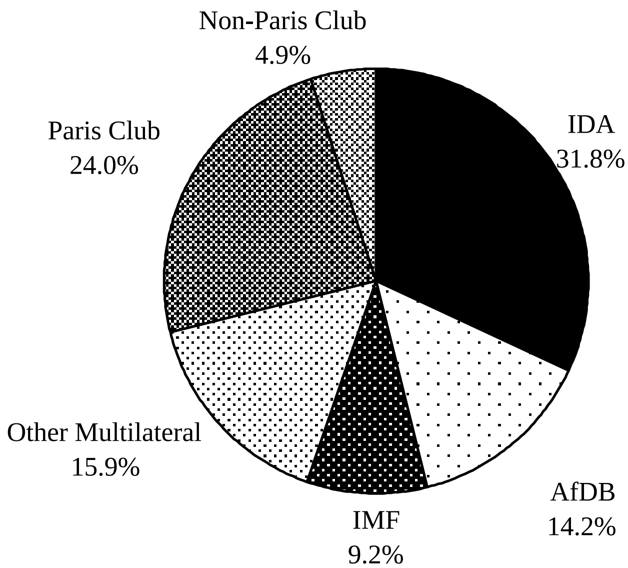
63. **Debt sustainability target and assistance.** Consistent with a reduction in Benin's NPV of debt-to-export ratio to 150 percent, total assistance under the enhanced HIPC Initiative is estimated at US$265 million in 1998 NPV terms. Do Executive Directors agree? The cost shares based on proportional burden sharing for IDA and the IMF are, respectively, US$84.4 million and US$24.3 million (equivalent to SDR 18.2 million in NPV terms). In order to accelerate the provision of debt relief, the staff and management recommend that IDA and the IMF provide interim assistance in line with the guidelines.[22] Do Executive Directors also endorse the suggested amounts and delivery profiles of assistance under the enhanced Initiative for the IMF and IDA, respectively?

64. **Floating completion point.** The staff and management believe that Benin has achieved macroeconomic stability and is designing a comprehensive policy framework to fight poverty. In view of this track record, they recommend a floating completion point, which would be reached when the Executive Boards of the Fund and IDA have been satisfied with the progress in meeting the conditions specified in Box 7. Do the Executive Directors agree with this recommendation?

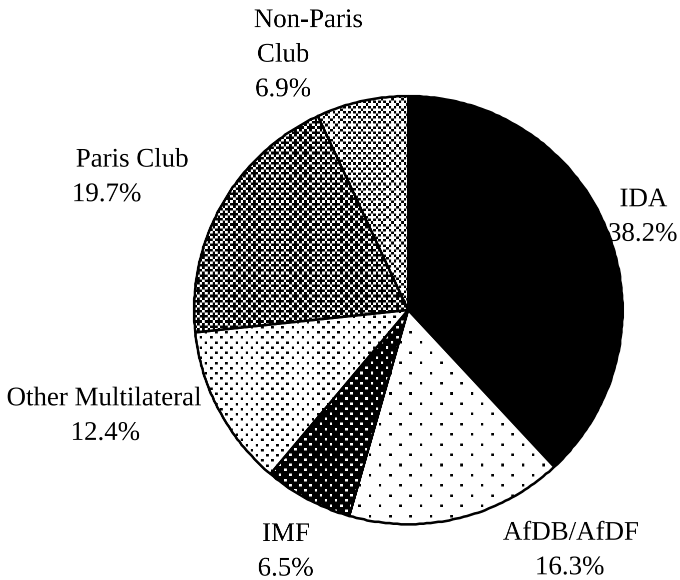
[22] IDA/R200-4 (1/10/2000) entitled "Heavily Indebted Poor Countries (HIPC) Initiative: Note on Modalities for Implementing HIPC Debt Relief under the Enhanced Framework".

Figure 1. Benin: Stock of External Debt, End-December 1998 1/

Net Present value of debt: US$ 848.4



Nominal Value of debt: US$ 1,360.1

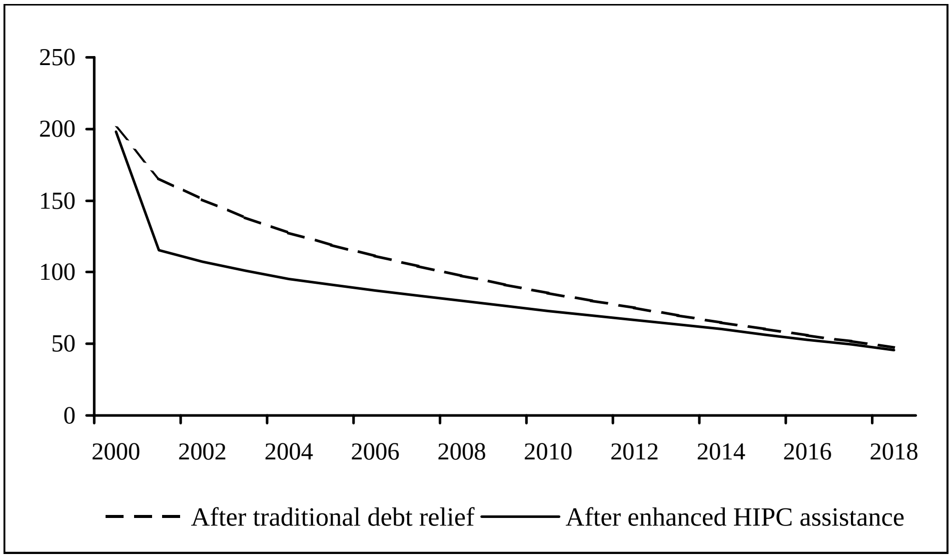


Sources: Beninese authorities and staff estimates

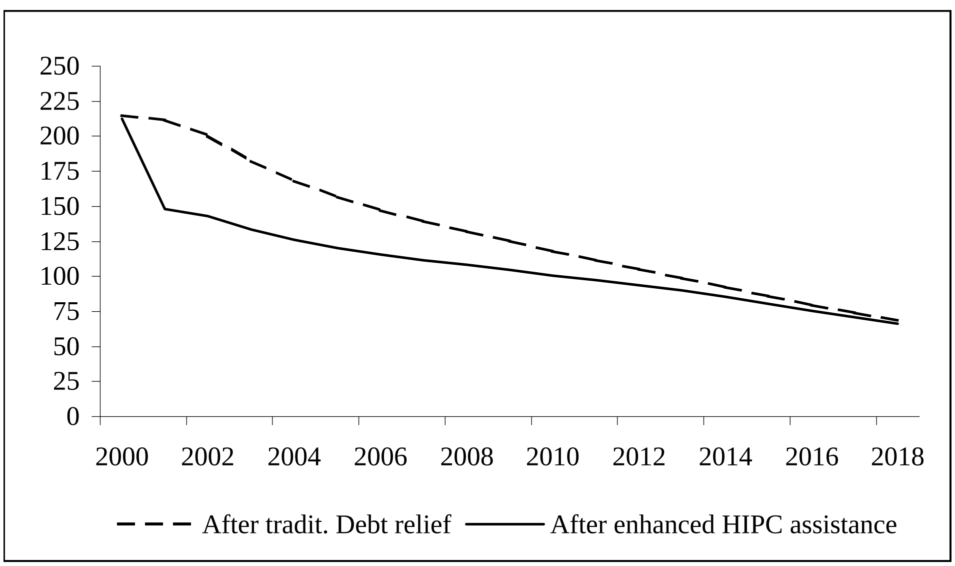
1/ After full use of traditional debt relief mechanisms.

Figure 2. Benin

NPV of Debt to Revenue Ratio After Traditional Debt Relief
and Enhanced HIPC Assistance



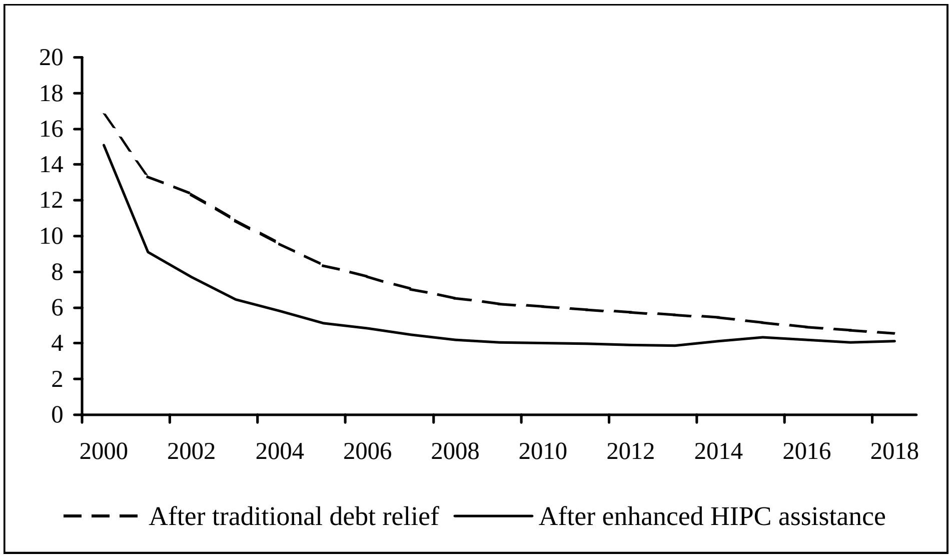
NPV of Debt to Exports Ratio After Traditional Debt Relief
and Enhanced HIPC Assistance



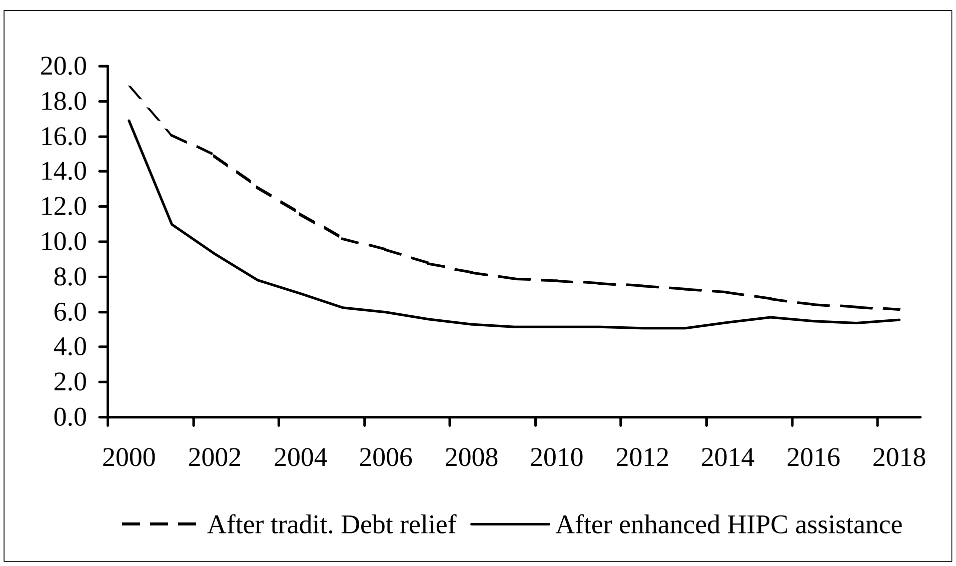
Sources: Beninese authorities; and staff estimates.

Figure 3. Benin

Debt Service Before and After Enhanced HIPC Assistance
(In percent of government revenue)



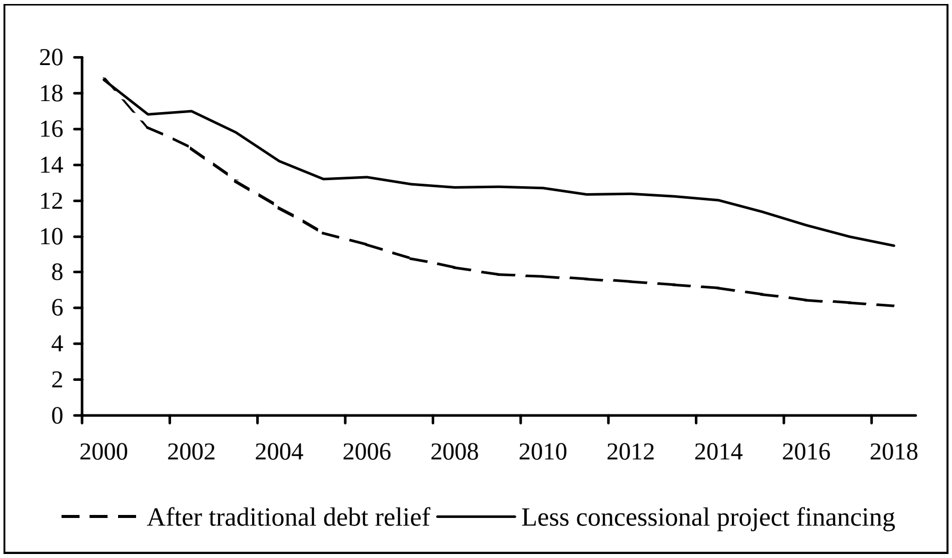
Debt Service Before and After Enhanced HIPC Assistance
(In percent of exports)



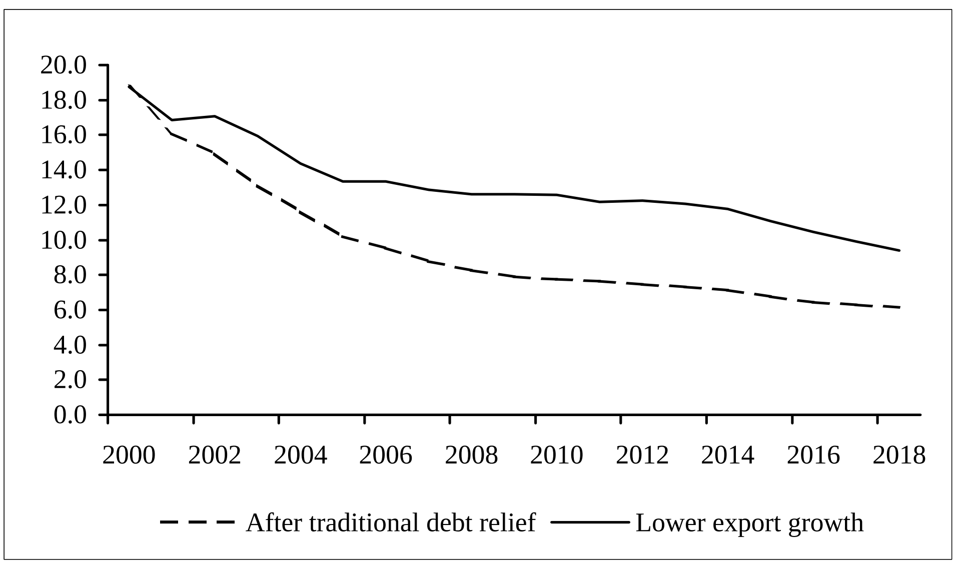
Sources: Beninese authorities; and staff estimates.

Figure 4. Benin

Sensitivity Analysis: Debt Service with Less Concessional Financing
(In percent of exports)



Sensitivity Analysis: Debt Service with Lower Export Growth
(In percent of exports)



Sources: Beninese authorities; and staff estimates.

Table 1. Benin: Social Development Indicators, 1990 and 1998

	1990		1998 1/	
	Benin	Average for Sub-Saharan Africa	Benin	Average for Sub-Saharan Africa
GNP per capita (in current U.S. dollars)	360	540	380	480
Life expectancy (years)	52	50	53	51
Infant mortality (per 1,000 births)	104	100	88	91
Urban population (in percent of total population)	34 2/	28	41	33
Population with access to safe water (in percent)	50 3/	...	72	47
Urban	79 3/	...	82	74
Rural	35 3/	...	69	32
Illiteracy (in percent of population aged 15 and higher)	74	50	66	42
Male	62	40	52	34
Female	85	59	79	50
Gross primary enrollment (in percent of school-age population)	58	76	78	77
Male	78	83	98	84
Female	39	68	57	69

Sources: Government of Benin; and World Bank, *World Development Indicators*, 1999 and 2000 (all other data are taken from various World Development Reports).

1/ 1998 or latest available statistic.
2/ 1989.
3/ 1988.

Table 2. Benin: Macroeconomic, Structural, and Social Indicators, 1990-99

	1990	1993	1994	1995	1996	1997	1998 Est.	1999 Est.
Income indicators								
GDP growth (annual percentage change)	3.2	3.5	4.4	4.6	5.5	5.7	4.5	4.9
Income per capita indicators								
GNP per capita, Atlas method (in current US$)	360	380	350	350	360	380	380	380
Sectoral shares of the economy								
Agriculture, value added (in percent of GDP)	36.1	33.8	33.5	34.0	37.7	38.4	38.6	38.4
Industry, value added (in percent of GDP)	13.2	13.4	14.7	14.6	13.7	13.9	13.5	13.7
Services, etc., value added (in percent of GDP)	46.5	47.2	46.8	45.4	42.7	41.0	41.4	40.8
Investment and savings								
Gross domestic investment (in percent of GDP)	14.2	15.4	15.8	19.6	17.1	18.5	17.1	17.6
Gross national savings (in percent of GDP)	13.3	12.3	14.3	14.1	11.8	11.1	11.3	11.8
Inflation and public sector								
Average consumer prices (percentage change)	1.1	0.4	38.5	14.5	4.9	3.8	5.8	0.3
Government revenue (in percent of GDP)	10.7	13.2	12.8	14.9	15.2	14.6	15.5	16.0
Total government expenditure (in percent of GDP)	19.9	17.8	19.8	22.1	19.5	18.8	16.8	17.1
Budget primary balance 1/	-6.1	-1.9	-3.8	-4.5	-1.9	-2.5	0.0	-0.2
External sector indicators								
Exports of goods and services (in percent of GDP)	13.5	12.9	19.4	19.4	19.2	16.2	17.3	16.4
Imports of goods and services (in percent of GDP)	22.2	23.4	26.2	29.5	29.8	29.1	27.8	28.6
Current account balance, incl. off. transfers (in percent of GDP)	-2.2	-3.1	-1.5	-5.5	-5.3	-7.4	-5.8	-5.8
Current account balance, excl. off. transfers (in percent of GDP)	-5.1	-5.3	-3.6	-6.9	-7.1	-8.6	-6.4	-7.0
Social indicators								
Population, total (in million)	4.7	5.2	5.3	5.5	5.6	5.8	6.0	6.1
Life expectancy at birth, total (years)	51.9	...	...	...	...	53.4	...	...
Mortality rate, infant (per 1,000 live births)	104	...	...	94	...	88	...	...
School enrollment, primary (percent gross)	58	61	64	67	69	73	76	...
Social spending, education, per capita (in US$)	12.1 2/	10.0	8.4	7.4	12.0	11.5	11.4	11.9
Social spending, health, per capita (in US$)	8.4 2/	6.2	6.5	4.3	5.0	4.5	5.1	6.7

Sources: Beninese authorities; and Bank and Fund staff estimates.

1/ Total revenue minus all expenditure, excluding interest.
2/ 1992.

Table 3. Benin: External Debt Indicators, 1998-2018 1/

									Averages	
	1998	1999	2000	2001	2005	2010	2015	2018	1999-2008	2009-2018
					(In millions of U.S. dollars)					
Nominal debt stock	1,360.1	1,349.6	1,346.3	1,352.9	1,418.4	1,538.6	1,614.9	1,634.1	1,400.4	1,589.0
Multilateral	1,052.0	1,047.6	1,041.7	1,037.8	1,049.5	1,124.8	1,131.5	1,140.8	1,052.3	1,129.4
Official bilateral	308.1	302.0	304.6	315.1	368.9	413.8	430.1	417.8	348.1	422.3
Of which: Paris Club	235.2	237.0	240.2	251.3	312.0	368.5	393.7	385.2	289.1	383.1
Of which: Post-cutoff	54.2	56.1	59.4	70.9	140.7	225.3	292.3	323.6	116.6	271.1
Of which: ODA	20.0	32.8	47.2	64.2	140.7	225.3	292.3	323.6	112.1	271.1
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	53.3	75.6	0.0	37.2
Nominal debt before trad. debt relief	1,432.3	1,419.0	1,410.5	1,412.5	1,463.6	1,574.7	1,655.1	1,682.2	1,451.9	1,628.4
NPV of debt	848.4	835.7	830.1	830.2	857.3	933.3	1,009.7	1,029.8	852.6	984.6
Multilateral	602.9	601.0	595.9	589.5	578.7	623.0	636.7	648.2	588.5	633.0
Official bilateral	245.5	234.7	234.1	240.8	278.6	310.3	320.0	306.6	264.2	314.5
Of which: Paris Club	203.7	199.7	198.7	204.8	244.7	282.8	297.4	285.6	230.0	290.3
Of which: Post-cutoff	50.0	45.5	44.1	49.9	96.2	158.6	210.4	234.9	81.2	194.0
Of which: ODA	15.2	23.2	32.3	43.4	96.2	158.6	210.4	234.9	77.0	194.0
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	53.0	75.0	0.0	37.0
NPV of debt before trad. debt relief	963.6	949.6	938.4	933.6	944.1	1,005.5	1,077.4	1,099.8	946.2	1,054.1
					(In percent of exports of goods and services) 2/					
NPV of debt 3/	218.3	221.0	214.8	211.7	156.8	118.0	85.9	68.7	177.5	96.0
Of which: multilateral 3/	155.1	159.0	154.2	150.3	105.9	78.8	54.2	43.3	123.2	62.0
Debt service	11.6	17.1	18.8	16.1	10.2	7.8	6.7	6.1	12.8	7.1
					(In percent)					
NPV of debt-to-revenue ratio 4/	225.8	226.0	200.2	165.3	119.0	85.4	60.4	47.5	144.0	68.2
NPV of debt-to-GDP ratio	35.0	36.3	34.7	31.8	23.4	17.4	12.7	10.2	27.0	14.2
Nominal debt-to-GDP ratio	56.7	51.8	48.8	45.7	35.9	25.7	17.5	13.7	39.9	20.1
Grant element in total debt	36.6	37.6	37.5	37.4	36.5	34.0	33.0	32.9	36.7	33.4
Grant element in new borrowing		45.5	44.2	44.6	41.4	37.6	36.3	36.0	42.5	36.7
Memorandum items:					(In millions of U.S. dollars)					
Exports of goods and services	398.9	390.3	369.9	416.2	590.9	851.0	1,275.4	1,607.5	532.1	1,157.4
Three-year backward-looking ave.	388.7	378.1	386.4	392.2	546.5	790.9	1,175.0	1,498.6	498.7	1,072.0
Central government revenue	375.7	369.7	414.5	502.1	720.4	1,093.4	1,672.1	2,166.3	638.5	1,517.4

Sources: Beninese authorities; and staff estimates.

1/ All debt indicators refer to public and publicly guaranteed (PPG) debt after full use of tradtional debt-relief mechanisms and already identified program loans.

2/ As defined in IMF *Balance of Payments Manual* , 5th edition, 1993.

3/ Based on a three-year average of exports on the previous year (e.g. export average over 1997-99 for NPV of debt-to-exports ratio in 1999).

4/ Revenues are defined as central government revenues, excluding grants.

Table 4. Discount Rate and Exchange Rate Assumptions 1/

	Discount Rates 1/ 2/ (In percent per annum)	Exchange Rates 2/ (Currency per U.S. dollar)
Currency		
Algerian dinar	5.25	58.04
Austrian schillings	5.28	11.88
Belgian franc	5.59	34.84
Canadian dollar	6.25	1.55
CFA franc 3/	5.36	566.35
Swiss franc	4.05	1.39
Chinese yuan	6.23	3.20
Deutsche mark	5.16	1.69
Danish kroner	5.64	6.42
European currency unit	5.00	0.86
Spanish peseta	5.31	143.65
Finnish markaa	5.35	5.13
French franc	5.36	5.66
Italian lira	5.58	1672.40
Japanese yen	2.22	120.55
Kuwaiti dinar	5.25	0.30
Norwegian kroner	6.54	7.47
Netherland guilders	5.78	1.90
Portugese escudo	5.25	182.15
Saudi Arabian rial	5.25	3.75
Special Drawing Rights	5.25	0.72
Swedish kroner	5.66	8.08
Russian ruble	6.23	0.60
Pound Sterling	6.81	0.60
U.S. Dollar	6.23	1.00

Sources: OECD and IMF, International Financial Statistics.

1/ The discount rates used are the average commercial interest reference rates (CIRRs) for the respective currencies over the six-month period ended December 1998.
2/ For all currencies for which the CIRRs are not available - with the exception of the CFA Franc - the SDR discount rate is used as the proxy.
3/ For the CFA franc, the French franc CIRRs is used as a proxy.

Table 5. Benin: Nominal and NPV Debt Outstanding, End-December 1998

	Nominal Debt		NPV of Debt		Nominal Debt After Traditional Relief 1/			NPV of Debt After Traditional Relief 1/		
	US$ millions	Percent of total debt	US$ millions	Percent of total debt	US$ millions	Percent of total debt	Percent of multilateral debt	US$ millions	Percent of total debt	Percent of multilateral debt
Total	**1,432.3**	**100.0**	**963.6**	**100.0**	**1,360.1**	**100.0**		**848.4**	**100.0**	
Multilateral creditors	**1,052.0**	**73.4**	**602.9**	**62.6**	**1,052.0**	**77.3**	**100.0**	**602.9**	**71.1**	**100.0**
IDA	546.8	38.2	269.9	28.0	546.8	40.2	52.0	269.9	31.8	44.8
IMF	93.5	6.5	77.8	8.1	93.5	6.9	8.9	77.8	9.2	12.9
AfDB/AfDF	233.4	16.3	120.1	12.5	233.4	17.2	22.2	120.1	14.2	19.9
BADEA	8.9	0.6	8.7	0.9	8.9	0.7	0.8	8.7	1.0	1.4
BOAD	37.3	2.6	37.3	3.9	37.3	2.7	3.5	37.3	4.4	6.2
ECOWAS	6.8	0.5	7.6	0.8	6.8	0.5	0.7	7.6	0.9	1.3
EU	37.6	2.6	21.7	2.3	37.6	2.8	3.6	21.7	2.6	3.6
IFAD	39.2	2.7	19.8	2.1	39.2	2.9	3.7	19.8	2.3	3.3
IsDB	34.7	2.4	27.9	2.9	34.7	2.6	3.3	27.9	3.3	4.6
OPEC	9.6	0.7	8.5	0.9	9.6	0.7	0.9	8.5	1.0	1.4
BCEAO	4.1	0.3	3.8	0.4	4.1	0.3	0.4	3.8	0.4	0.6
Bilateral creditors	**380.3**	**26.6**	**360.6**	**37.4**	**308.1**	**22.7**		**245.5**	**28.9**	
Paris Club	**281.8**	**19.7**	**278.6**	**28.9**	**235.2**	**17.3**		**203.7**	**24.0**	
Belgium	2.6	0.2	2.4	0.3	2.6	0.2		2.4	0.3	
Canada	0.5	0.0	0.5	0.0	0.5	0.0		0.5	0.1	
France	86.5	6.0	86.9	9.0	84.5	6.2		84.9	10.0	
Germany	3.0	0.2	3.7	0.4	3.0	0.2		3.7	0.4	
Italy	47.4	3.3	46.6	4.8	47.4	3.5		31.5	3.7	
Japan	32.5	2.3	26.9	2.8	32.5	2.4		26.9	3.2	
Netherlands	10.7	0.7	11.8	1.2	10.7	0.8		11.8	1.4	
Norway	30.2	2.1	31.0	3.2	30.2	2.2		31.0	3.6	
Russia	60.6	4.2	60.6	6.3	18.2	1.3		4.9	0.6	
United Kingdom	4.5	0.3	5.2	0.5	4.5	0.3		5.2	0.6	
United States	3.2	0.2	3.2	0.3	1.1	0.1		1.1	0.1	
Non-Paris Club	**98.5**	**6.9**	**82.0**	**8.5**	**72.9**	**5.4**		**41.7**	**4.9**	
Argentina	21.6	1.5	21.6	2.2	7.2	0.5		7.1	0.8	
China	33.6	2.3	22.6	2.3	33.6	2.5		13.3	1.6	
Czech Republic	7.7	0.5	7.7	0.8	2.6	0.2		2.5	0.3	
DRC	2.8	0.2	2.8	0.3	0.9	0.1		0.9	0.1	
Kuwait	24.7	1.7	19.9	2.1	24.7	1.8		16.1	1.9	
Libya	6.3	0.4	6.0	0.6	2.1	0.2		0.7	0.1	
Niger	1.7	0.1	1.3	0.1	1.7	0.1		0.9	0.1	
North Korea	0.1	0.0	0.1	0.0	0.1	0.0		0.1	0.0	
Commercial debt	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**		**0.0**	**0.0**	

Sources: Beninese authorities; and World Bank and Fund staff estimates.

1/ Reflects the external debt situation after the full use of traditional debt-relief mechanisms, and assuming at least comparable treatment from official bilateral creditors in 1998.

Table 6. Benin: Net Present Value of External Debt After Full Use of Traditional Debt-Relief Mechanisms, 1998-2018 /1
(In millions of U.S. dollars

	1998	1999	2000	2001	2002	2003	2005	2008	2010	2015	2018	Averages 1999-2008	Averages 2009-2018
NPV of total debt /2	848.4	835.7	830.1	830.2	831.8	836.7	857.3	902.8	933.3	1,009.7	1,029.8	852.6	984.6
NPV of old debt	848.4	818.0	792.1	767.9	741.8	717.5	675.9	622.7	584.5	457.3	368.5	712.8	494.1
Official bilateral and commercial	245.5	226.4	216.4	211.7	205.4	203.0	194.7	174.1	159.5	113.1	72.6	200.1	125.3
Paris Club	203.7	191.4	181.0	175.7	169.5	167.1	160.9	143.9	132.0	90.5	51.6	165.9	101.1
Post-cutoff date	50.0	37.2	26.4	20.9	15.2	14.4	12.3	9.7	7.8	3.5	0.9	17.2	4.8
Of which: ODA	15.2	14.9	14.6	14.3	14.0	13.7	12.3	9.7	7.8	3.5	0.9	12.9	4.8
Pre-cutoff date	153.7	154.2	154.6	154.8	154.3	152.7	148.5	134.1	124.2	87.0	50.7	148.8	96.3
Of which: ODA	26.9	27.2	27.4	27.7	28.0	28.3	28.9	25.0	22.3	15.2	10.8	27.5	17.3
non-ODA	126.8	127.0	127.2	127.1	126.3	124.4	119.6	109.2	101.9	71.8	39.8	121.3	79.0
Other official bilateral	41.7	35.0	35.5	36.0	35.9	35.9	33.8	30.3	27.5	22.6	21.0	34.2	24.2
Post-cutoff date	18.3	18.4	18.5	18.7	18.2	17.8	14.9	10.1	6.5	0.6	0.0	15.8	2.6
Of which: ODA	18.3	18.4	18.5	18.7	18.2	17.8	14.9	10.1	6.5	0.6	0.0	15.8	2.6
Pre-cutoff date	23.4	16.6	17.0	17.3	17.7	18.1	19.0	20.2	21.0	22.0	21.0	18.4	21.5
Of which: ODA	12.8	13.1	13.5	13.9	14.2	14.7	15.5	16.9	18.0	19.9	20.0	14.9	19.2
non-ODA	10.6	3.5	3.5	3.5	3.5	3.5	3.4	3.3	3.1	2.1	1.0	3.4	2.3
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Multilateral	602.9	591.6	575.7	556.2	536.4	514.5	481.2	448.6	424.9	344.2	295.9	512.7	368.8
IDA	269.9	274.5	278.7	281.3	282.4	282.6	280.1	272.0	261.8	220.0	187.3	278.7	231.6
IMF	77.8	72.2	62.1	49.1	35.5	21.2	4.8	0.0	0.0	0.0	0.0	25.7	0.0
AfDB/AfDF	120.1	120.4	120.4	120.1	119.6	118.8	117.7	114.9	111.3	95.2	85.1	118.3	100.1
Others	135.1	124.5	114.4	105.7	98.8	92.0	78.5	61.7	51.8	28.9	23.5	89.9	37.0
NPV of new debt	0.0	17.7	37.9	62.3	90.0	119.2	181.4	280.1	348.8	552.4	661.3	139.9	490.5
Memorandum items:													
Exports of goods and services 3/	398.9	390.3	369.9	416.2	457.1	501.6	590.9	732.7	851.0	1,275.4	1,607.5	532.1	1,157.4
Three-year export average 4/	388.7	378.1	386.4	392.2	414.4	458.3	546.5	682.7	790.9	1,175.0	1,498.6	498.7	1,072.0
Government revenues 5/	375.7	369.7	414.5	502.1	552.4	605.0	720.4	924.5	1,093.4	1,672.1	2,166.3	638.5	1,517.4
GDP	2,425.1	2,304.1	2,393.7	2,611.9	2,852.8	3,113.7	3,657.2	4,597.9	5,363.9	7,926.2	10,055.1	3,312.7	7,233.6
NPV of debt-to-exports ratio 6/	218.3	221.0	214.8	211.7	200.7	182.6	156.8	132.2	118.0	85.9	68.7	177.5	96.0

Sources: Beninese authorities; and World Bank and Fund staff estimates.

1/ Refers to public and publicly guaranteed external debt only and assumes a stock-of-debt operation on Naples terms (67 percent NPV reduction) at the end of 1998, and at least comparable action by other official bilateral creditors.

2/ Discounted on the basis of the average commercial interest reference rate for the respective currency, derived over the six-month period prior to the latest date for which actual data are available (base date). The conversion of currency-specific NPVs into U.S. dollars occurs for all years at the base date exchange rate.

3/ As defined in IMF *Balance of Payments Manual* , 5th edition, 1993.

4/ Backward-looking average (e.g., average over 1997-99 for exports in 1999).

5/ Revenues are defined as central government revenues, excluding grants.

6/ NPV of debt in percent of three-year average of exports of goods and services.

Table 7. Benin: Main Assumptions on Macroeconomic Framework, 1997-2018

(In percent of GDP, unless otherwise indicated)

	1997	1998	1999 Est.	2000	2001	2002	2003	2004	2005	2010	2015	2018	1998-2008	2009-2018
				Projected									Average	
Economic growth and inflation														
Real GDP (percentage change)	5.7	4.5	4.9	5.6	5.7	5.6	5.6	5.3	5.4	5.5	5.6	5.7	5.3	5.6
Real GDP per capita (percentage change)	2.8	1.6	2.0	2.7	2.9	2.7	3.3	2.5	2.5	2.6	2.7	2.8	2.5	2.7
Average inflation (in percent)	3.8	5.8	0.3	3.0	2.5	2.5	2.0	2.0	2.0	2.0	2.0	2.0	2.4	2.0
National accounts														
Gross domestic investment	18.5	17.1	17.6	18.8	19.2	20.0	20.3	20.4	21.0	21.4	21.6	22.0	19.8	21.6
Of which: private	11.8	11.4	11.6	12.0	12.3	12.8	12.9	13.0	13.6	13.7	13.7	13.7	12.8	13.7
Gross national savings	11.1	11.3	11.8	11.6	12.7	13.8	14.6	15.1	16.0	17.1	18.6	19.5	14.2	18.1
Government revenue	14.6	15.5	16.0	15.7	16.0	16.3	16.5	16.6	16.7	17.2	17.8	18.1	16.4	17.6
Government expenditures	18.8	16.8	17.1	19.2	18.6	18.8	18.9	18.8	18.8	18.9	19.2	19.4	18.5	19.1
Overall government balance 1/	-4.2	-1.3	-1.1	-3.5	-2.6	-2.5	-2.5	-2.2	-2.1	-1.7	-1.4	-1.3	-2.1	-1.5
Balance of payments														
Exports of goods and services 2/	16.2	17.3	16.4	15.3	15.9	16.0	16.1	16.1	16.2	15.9	16.1	16.0	16.1	16.0
Imports of goods and services 2/	29.1	27.8	28.6	28.2	27.6	27.0	26.6	26.2	25.9	24.7	23.5	22.8	26.7	23.8
Current account balance, incl. off. Transfers	-7.4	-5.8	-5.8	-7.2	-6.5	-6.2	-5.7	-5.3	-5.1	-4.3	-3.0	-2.5	-5.6	-3.4
Current account balance, excl. off. Transfers	-8.6	-6.4	-7.0	-8.0	-7.2	-6.2	-5.7	-5.3	-5.1	-4.3	-3.0	-2.5	-5.9	-3.4
Gross official reserves (in months of imports) 3/	12.2	11.8	17.4	...	...	...	...	...	...	...	...	...	...	...
Exports volume growth (percentage change) 4/	-18.4	18.9	21.7	-5.5	4.2	4.4	3.9	3.9	3.8	3.9	3.9	4.0	6.1	3.9
Import volume growth (percentage change) 4/	5.3	6.6	2.9	5.3	6.2	6.1	6.1	5.8	5.9	6.0	6.1	6.2	5.7	6.1
Terms of Trade (percentage change)	-2.0	6.0	-20.4	-3.1	13.2	5.5	5.7	4.5	4.0	3.4	4.7	2.5	2.2	3.7

Sources: Beninese authorities; and staff estimates and projections.

1/ Payment order basis.
2/ Exports (imports) of goods and services as defined in the IMF Balance of Payments Manual (5th ed. 1993) as percentage of GDP.
3/ Imports of goods and services.
4/ Total merchandise exports (imports).

Table 8. Benin: Net Present Value of External Debt After Full Use of Traditional Debt-Relief Mechanisms and Enhanced HIPC Assistance, 1998-2018
(In millions of U.S. dollars, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2005	2010	2015	2018	1999-2008	2009-2018
	Actual	Estimate				Projections					Averages	
I. After traditional debt relief 1/												
1. NPV of total debt (2+5) 2/	848.4	835.7	830.1	830.2	831.8	836.7	857.3	933.3	1,009.7	1,029.8	852.6	984.6
2. NPV of outstanding debt (3+4)	848.4	818.0	792.1	767.9	741.8	717.5	675.9	584.5	457.3	368.5	712.8	494.1
3. Official bilateral and commercial	245.5	226.4	216.4	211.7	205.4	203.0	194.7	159.5	113.1	72.6	200.1	125.3
3a. Paris Club	203.7	191.4	181.0	175.7	169.5	167.1	160.9	132.0	90.5	51.6	165.9	101.1
3b. Other official bilateral	41.7	35.0	35.5	36.0	35.9	35.9	33.8	27.5	22.6	21.0	34.2	24.2
3c. Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Multilateral	602.9	591.6	575.7	556.2	536.4	514.5	481.2	424.9	344.2	295.9	512.7	368.8
5. NPV of new borrowing	...	17.7	37.9	62.3	90.0	119.2	181.4	348.8	552.4	661.3	139.9	490.5
Memorandum items:												
NPV of debt-to-GDP ratio (percent)												
Total debt (2+5)	35.0	36.3	34.7	31.8	29.2	26.9	23.4	17.4	12.7	10.2	27.0	14.2
Outstanding debt (3+4)	35.0	35.5	33.1	29.4	26.0	23.0	18.5	10.9	5.8	3.7	23.1	7.4
NPV of debt-to-exports ratio (percent) 3/												
Total debt (2+5)	218.3	221.0	214.8	211.7	200.7	182.6	156.8	118.0	85.9	68.7	177.5	96.0
Outstanding debt (3+4)	218.3	216.4	205.0	195.8	179.0	156.6	123.7	73.9	38.9	24.6	151.8	50.3
NPV of debt-to-revenue ratio (percent)												
Total debt (2+5)	225.8	226.0	200.2	165.3	150.6	138.3	119.0	85.4	60.4	47.5	144.0	68.2
Outstanding debt (3+4)	225.8	221.2	191.1	152.9	134.3	118.6	93.8	53.5	27.3	17.0	124.3	35.8
II. After enhanced HIPC assistance 4/												
1. NPV of total debt (2+5) 2/	848.4	835.7	821.2	579.9	593.6	612.4	657.5	795.1	945.8	992.8	686.4	896.6
2. NPV of outstanding debt (3+4)	848.4	818.0	783.3	517.6	503.7	493.2	476.2	446.2	393.4	331.5	546.6	406.1
3. Official bilateral and commercial	245.5	226.4	216.4	130.7	124.5	122.8	116.4	89.1	58.1	35.6	137.5	66.8
3a. Paris Club	203.7	191.4	181.0	108.6	102.8	101.5	97.8	78.3	52.6	30.6	115.4	59.4
3b. Other official bilateral	41.7	35.0	35.5	22.0	21.7	21.3	18.6	10.8	5.5	5.0	22.1	7.4
3c. Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Multilateral	602.9	591.6	566.9	386.9	379.1	370.4	359.8	357.2	335.3	295.9	409.1	339.3
5. NPV of new borrowing	...	17.7	37.9	62.3	90.0	119.2	181.4	348.8	552.4	661.3	139.9	490.5
Memorandum items:												
NPV of debt-to-GDP ratio (percent)												
Total debt (2+5)	35.0	36.3	34.3	22.2	20.8	19.7	18.0	14.8	11.9	9.9	22.0	12.8
Outstanding debt (3+4)	35.0	35.5	32.7	19.8	17.7	15.8	13.0	8.3	5.0	3.3	18.2	6.0
NPV of debt-to-exports ratio (percent) 3/												
Total debt (2+5)	218.3	221.0	212.5	147.9	143.3	133.6	120.3	100.5	80.5	66.2	144.0	86.5
Outstanding debt (3+4)	218.3	216.4	202.7	132.0	121.5	107.6	87.1	56.4	33.5	22.1	118.3	40.8
NPV of debt-to-revenue ratio (percent)												
Total debt (2+5)	225.8	226.0	198.1	115.5	107.5	101.2	91.3	72.7	56.6	45.8	118.6	61.4
Outstanding debt (3+4)	225.8	221.2	189.0	103.1	91.2	81.5	66.1	40.8	23.5	15.3	98.9	29.0
III. After Enhanced HIPC assistance assumed committed unconditionally 5/												
1. NPV of total debt (2+5) 2/	583.1	582.9	574.9	579.9	593.6	612.4	657.5	795.1	945.8	992.8	636.5	896.6
2. NPV of outstanding debt (3+4)	583.1	565.2	536.9	517.6	503.7	493.2	476.2	446.2	393.4	331.5	496.7	406.1
3. Official bilateral and commercial	168.7	149.6	139.7	130.7	124.5	122.8	116.4	89.1	58.1	35.6	122.1	66.8
3a. Paris Club	140.0	127.7	117.2	108.6	102.8	101.5	97.8	78.3	52.6	30.6	115.4	59.4
3b. Other official bilateral	28.7	22.0	22.4	22.0	21.7	21.3	18.6	10.8	5.5	5.0	22.1	7.4
3c. Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Multilateral	414.4	415.6	397.3	386.9	379.1	370.4	359.8	357.2	335.3	295.9	374.5	339.3
5. NPV of new borrowing	...	17.7	37.9	62.3	90.0	119.2	181.4	348.8	552.4	661.3	139.9	490.5
Memorandum items:												
NPV of debt-to-GDP ratio (percent)												
Total debt (2+5)	24.0	25.3	24.0	22.2	20.8	19.7	18.0	14.8	11.9	9.9	19.9	12.8
Outstanding debt (3+4)	24.0	24.5	22.4	19.8	17.7	15.8	13.0	8.3	5.0	3.3	16.0	6.0
NPV of debt-to-exports ratio (percent) 3/												
Total debt (2+5)	150.0	154.2	148.8	147.9	143.3	133.6	120.3	100.5	80.5	66.2	131.0	86.5
Outstanding debt (3+4)	150.0	149.5	139.0	132.0	121.5	107.6	87.1	56.4	33.5	22.1	105.2	40.8
NPV of debt-to-revenue ratio (percent)												
Total debt (2+5)	155.2	157.7	138.7	115.5	107.5	101.2	91.3	72.7	56.6	45.8	105.8	61.4
Outstanding debt (3+4)	155.2	152.9	129.5	103.1	91.2	81.5	66.1	40.8	23.5	15.3	86.1	29.0

Sources: Beninese authorities; and World Bank and Fund staff estimates and projections.

1/ Reflects the external debt situation after the full use of traditional debt-relief mechanisms, and assuming at least comparable treatment from official bilateral creditors in 1998.

2/ Discounted on the basis of currency-specific average commercial interest reference rates (CIRRs), over the six-month period June-December 1998.

3/ In terms of simple historical three-year average of exports of goods and nonfactor services.

4/ Assumes interim relief under the enhanced initiative in July 2000 - June 2001 and full delivery of assistance from July 2001.

5/ The NPV of debt shows the results of the (hypothetical) unconditional commitment of enhanced HIPC Initiative assistance as of end-1998.

Table 9. Benin: Debt-Service Payments on Public and Publicly Guaranteed External Debt, 1999-20
(In millions of U.S. dollars, unless otherwise indicatec

	1999	2000	2001	2002	2003	2005	2010	2015	2018
Total debt service before full application o traditional debt relief 1	79.3	81.8	78.7	79.3	70.9	64.3	68.6	87.0	99.6
Debt service on outstanding debt	75.9	73.9	69.9	69.7	65.9	56.9	51.4	49.3	48.3
Principal	53.7	53.4	51.0	51.9	49.1	41.8	40.0	41.7	43.4
Multilateral	31.3	35.9	39.2	39.2	40.8	32.3	29.9	30.8	29.4
AfDB/AfDF	3.2	3.5	4.0	4.2	4.6	4.3	6.0	7.1	6.9
IDA	5.8	6.3	8.2	9.9	11.0	13.0	16.4	19.4	19.8
IMF	9.2	13.4	16.0	15.9	16.1	6.4	0.0	0.0	0.0
Others	13.2	12.4	11.0	9.1	9.0	8.5	7.3	4.2	2.6
Official bilatera	22.4	17.6	11.8	12.8	8.3	9.5	10.1	10.9	13.9
Paris Club	18.3	13.2	7.8	8.1	4.1	5.1	6.1	10.1	13.9
Post-cutoff date	11.6	6.4	1.0	1.0	1.1	1.5	1.2	1.0	0.9
Pre-cutoff date	6.7	6.7	6.8	7.1	3.0	3.6	4.9	9.1	13.0
Other official bilatera	4.1	4.4	4.1	4.7	4.3	4.4	4.0	0.7	0.0
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	22.3	20.4	18.9	17.8	16.8	15.1	11.5	7.6	4.9
Multilateral	11.5	10.9	10.2	9.6	9.0	7.9	5.8	4.0	3.3
AfDB/AfDF	2.2	2.2	2.1	2.0	1.9	1.7	1.4	1.1	0.9
IDA	4.1	4.2	4.1	4.1	4.0	3.8	3.3	2.6	2.1
IMF	0.5	0.4	0.3	0.3	0.2	0.0	0.0	0.0	0.0
Others	4.7	4.3	3.8	3.4	3.1	2.5	1.3	0.5	0.3
Official bilatera	10.7	9.6	8.7	8.2	7.8	7.2	5.6	3.6	1.6
Paris Club	10.1	9.0	8.2	7.8	7.4	6.9	5.5	3.6	1.6
Other official bilateral	0.6	0.6	0.5	0.5	0.4	0.3	0.1	0.0	0.0
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service on new borrowing	0.5	1.0	1.6	2.3	3.0	5.2	14.3	33.6	46.4
Debt service on rescheduled amounts	2.9	7.0	7.2	7.2	2.1	2.2	2.8	4.1	4.9
Total debt service after full application of traditional debt relief	66.9	69.4	67.0	68.3	65.8	60.2	66.1	86.1	98.6
Principal	44.8	48.3	46.4	47.8	45.3	39.8	45.5	63.0	75.4
Interest	22.0	21.1	20.6	20.5	20.5	20.5	20.6	23.1	23.2
Memorandum items:									
Debt-service ratio on public debt before tradit. debt relief 2/	19.6	20.2	17.2	15.8	13.7	10.5	7.7	6.5	5.9
Debt-service ratio on public debt after tradit. debt relief 2/	17.1	18.8	16.1	14.9	13.1	10.2	7.8	6.7	6.1
Debt-service on public debt before tradit. debt relief (percent of fiscal revenue)	20.7	18.1	14.2	13.0	11.4	8.6	6.0	5.0	4.4
Debt-service on public debt after tradit. debt relief (percent of fiscal revenue)	18.1	16.7	13.3	12.4	10.9	8.4	6.0	5.1	4.6
Sensitivity analysis									
Debt-service ratio on public debt after tradit. debt relief Lower export growth 2/	17.1	18.8	16.9	17.1	15.9	13.3	12.6	11.1	9.4
Debt-service ratio on public debt after tradit. debt relief Less concessional project financing 2/	17.1	18.8	16.8	17.0	15.8	13.2	12.7	11.4	9.5

Sources: Beninese authorities; and staff estimates and projections.

1/ Based on debt due and outstanding at end-199

2/ As a percentage of current-year exports of goods and services.

Table 10. Benin: Key Public External Debt-Sustainability Indicators, 1998-2018
(In percent, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004	2005	2010	2015	2018	1999-2008	2009-2018
	Actual	Estimate	Projections									Averages	
Key ratios after traditional debt relief 1/													
Debt-to-GDP ratio	56.1	58.6	56.2	51.8	47.8	44.3	41.2	38.8	28.7	20.4	16.3	44.2	23.0
NPV of debt-to-GDP ratio	35.0	36.3	34.7	31.8	29.2	26.9	24.9	23.4	17.4	12.7	10.2	27.0	14.2
NPV of debt-to-exports ratio 2/	218.3	221.0	214.8	211.7	200.7	182.6	168.3	156.8	118.0	85.9	68.7	177.5	96.0
NPV of debt-to-revenues ratio	225.8	226.0	200.2	165.3	150.6	138.3	127.4	119.0	85.4	60.4	47.5	144.0	68.2
Debt-service ratio 3/	16.1	17.1	18.8	16.1	14.9	13.1	11.6	10.2	7.8	6.7	6.1	12.8	7.1
Debt-service to revenue ratio	17.0	18.1	16.7	13.3	12.4	10.9	9.6	8.4	6.0	5.1	4.6	11.1	5.4
Sensitivity analysis: impact of													
Lower cotton exports													
NPV of debt-to-export ratio	218.3	221.0	214.8	243.1	249.4	245.8	233.0	222.3	157.4	110.4	88.3	222.0	125.2
Debt service ratio	16.1	17.1	18.8	16.9	17.1	15.9	14.4	13.3	12.6	11.1	9.4	15.2	11.4
Less available concessional financing													
NPV of debt-to-export ratio	218.3	221.0	214.8	241.2	246.2	241.5	228.0	218.6	175.0	138.6	110.3	221.7	148.0
Debt-service ratio	16.1	17.1	18.8	16.8	17.0	15.8	14.2	13.2	12.7	11.4	9.5	15.2	11.6
Memorandum items:													
NPV of debt after tradit. debt relief	848.4	835.7	830.1	830.2	831.8	836.7	844.8	857.3	933.3	1,009.7	1,029.8	852.6	984.6
Debt-service after tradit. debt relief	64.0	66.9	69.4	67.0	68.3	65.8	63.6	60.2	66.1	86.1	98.6	64.2	80.3
Key ratios after enhanced HIPC assistance													
Debt-to-GDP ratio 4/	56.1	58.6	56.2	51.8	47.8	44.3	41.2	38.8	28.7	20.4	16.3	44.2	23.0
NPV of debt-to-GDP ratio 4/	24.0	25.3	24.0	22.2	20.8	19.7	18.7	18.0	14.8	11.9	9.9	19.9	12.8
NPV of debt-to-exports ratio 2/ 4/	150.0	154.2	148.8	147.9	143.3	133.6	126.2	120.3	100.5	80.5	66.2	131.0	86.5
NPV of debt-to-revenues ratio 4/	155.2	157.7	138.7	115.5	107.5	101.2	95.5	91.3	72.7	56.6	45.8	105.8	61.4
Debt-service ratio 3/	16.1	17.1	16.9	11.0	9.3	7.8	7.0	6.2	5.2	5.7	5.5	9.2	5.3
Debt-service to revenue ratio	17.0	18.1	15.1	9.1	7.7	6.5	5.8	5.1	4.0	4.4	4.1	8.1	4.1
Memorandum items:						(In millions of U.S. dollars)							
NPV of debt after HIPC assistance 4/	583.1	582.9	574.9	579.9	593.6	612.4	633.3	657.5	795.1	945.8	992.8	636.5	896.6
Debt service after HIPC assistance	64.0	66.9	62.5	45.7	42.5	39.1	38.5	36.9	43.9	72.8	89.2	44.7	61.9
GDP	2,425.1	2,304.1	2,393.7	2,611.9	2,852.8	3,113.7	3,390.6	3,657.2	5,363.9	7,926.2	10,055.1	3,312.7	7,233.6
Exports of goods and nonfactor services 5/	388.7	378.1	386.4	392.2	414.4	458.3	501.9	546.5	790.9	1,175.0	1,498.6	498.7	1,072.0
Exports of goods and nonfactor services 6/	398.9	390.3	369.9	416.2	457.1	501.6	547.1	590.9	851.0	1,275.4	1,607.5	532.1	1,157.4
Central government revenue	375.7	369.7	414.5	502.1	552.4	605.0	663.4	720.4	1,093.4	1,672.1	2,166.3	638.5	1,517.4

Sources: Beninese authorities; and World Bank and Fund staff estimates and projections.

1/ Reflects the external debt situation after the full use of traditional debt-relief mechanisms, and assuming at least comparable treatment from official bilateral creditors in 1998.
2/ In terms of a simple historical three-year average of exports of goods and nonfactor services.
3/ In terms of current-year exports of goods and nonfactor services.
4/ The NPV of debt shows the results of the (hypothetical) unconditional commitment of enhanced HIPC initiative assistance as of end-1998.
5/ Simple historical three-year average of exports of goods and nonfactor services.
6/ Current-year exports of goods and nonfactor services.

Table 11. Benin: Balance of Payments, 1998-2018
(In millions of U.S. dollars)

	1998	1999	2000	2001	2002	2003	2005	2010	2015	2018
		Est.	Projections							
Trade balance	-211.4	-230.7	-274.3	-263.2	-270.6	-280.8	-305.4	-402.3	-489.4	-567.3
Exports, f.o.b	239.2	230.2	210.8	245.6	271.9	302.7	363.7	539.7	844.3	1080.4
Cotton and textile	201.9	192.9	172.6	204.5	226.7	253.1	304.2	452.3	715.8	918.5
Oil	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	35.0	37.4	38.2	41.2	45.2	49.6	59.5	87.5	128.5	161.9
Imports, f.o.b	-450.6	-460.9	-485.1	-508.9	-542.5	-583.5	-669.2	-942.0	-1333.7	-1647.6
Of which										
Petroleum products	-63.6	-67.0	-82.1	-69.6	-69.0	-73.6	-83.3	-119.8	-173.2	-216.7
Services (net)	-31.6	-58.8	-35.3	-42.2	-42.4	-44.8	-50.3	-70.0	-95.7	-114.3
Credit	159.7	160.1	159.2	170.5	185.2	199.0	227.2	311.2	431.1	527.1
Debit	-191.3	-218.9	-194.4	-212.7	-227.6	-243.8	-277.5	-381.2	-526.8	-641.4
Income (net)	-13.4	6.2	-19.7	-21.4	-14.8	-15.2	-15.5	-14.0	-9.6	2.2
Of which										
Interest due on government debt	-25.4	-18.8	-26.2	-25.9	-19.4	-20.3	-22.0	-25.3	-29.0	-24.4
Current transfers (net)	123.1	144.5	155.2	155.1	148.3	158.5	179.2	238.5	318.0	378.2
Unrequited private transfers	71.5	74.0	90.5	96.5	103.6	111.2	126.8	171.5	231.7	277.3
Public current transfers	51.6	70.5	64.7	58.6	44.6	47.3	52.4	67.0	86.4	100.9
Current account	-133.3	-138.7	-174.0	-171.8	-179.6	-182.2	-192.0	-247.7	-276.6	-301.1
Capital account	61.7	64.5	65.2	77.0	83.6	90.6	99.6	107.1	115.0	120.4
Official project grants	61.7	64.5	65.2	77.0	83.6	90.6	99.6	107.1	115.0	120.4
Debt cancellation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial account (net)	69.7	277.8	90.9	106.9	109.4	106.2	109.3	163.1	189.6	211.9
Medium- and long-term public capital	26.9	29.0	17.2	25.7	27.4	31.4	33.9	37.3	33.5	24.1
Disbursements	61.4	67.4	50.2	54.1	58.8	63.9	70.4	75.7	81.6	85.6
Project loans	46.7	50.4	50.2	54.1	58.8	63.9	70.4	75.7	81.6	85.6
Program loans	14.8	16.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization due	-34.6	-38.4	-33.0	-28.4	-31.4	-32.6	-36.5	-38.4	-48.1	-61.5
Medium- and long-term private capital	18.1	31.2	25.3	30.4	35.5	39.9	49.8	76.4	117.5	155.0
Deposit money banks	25.7	16.6	22.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term capital	-8.5	26.3	25.6	50.8	46.5	35.0	25.6	49.4	38.5	32.8
Errors and omissions 1/	7.5	174.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-1.8	185.3	-17.9	12.2	13.4	14.6	16.9	22.4	27.9	31.2
Financing	1.8	-185.3	17.9	-12.2	-13.4	-14.6	-16.9	-22.4	-27.9	-31.2
Change in net foreign assets (- increase)	-9.1	-185.3	17.9	-12.2	-13.4	-14.6	-16.9	-22.4	-27.9	-31.2
Of which										
Net use of Fund resources	-4.0	1.0	1.8	-4.5	-4.4	-15.7	-8.3	-7.5	0.0	0.0
Loans	0.0	9.9	14.8	10.9	11.0	0.0	0.0	0.0	0.0	0.0
Repayments	-4.0	-8.9	-13.0	-15.4	-15.4	-15.7	-8.3	-7.5	0.0	0.0
Change in external arrears (+ increase)	-50.9	-21.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Principal	-3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	-47.0	-21.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief obtained	61.9	21.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Sources: Beninese authorities; and staff estimates and projections.

1/ At end-1999, the BCEAO completed the sorting out of the large volume of notes from all countries in the zone that it had in its vaults, which led to a large increase in net foreign assets of the central bank, with a counterpart in errors and omissions.

Table 12. Benin: External Debt Service After Full Use of Traditional Debt-Relief Mechanisms and Enhanced HIPC Assistance , 1999-2018
(In millions of U.S. dollars, unless otherwise indicated)

	1999	2000	2001	2002	2003	2004	2005	2010	2015	2018	1999-2008	2009-2018
	Estimate		Projections								Averages	
Total debt service	66.9	69.4	67.0	68.3	65.8	63.6	60.2	66.1	86.1	98.6	64.2	80.3
after traditional debt relief 1/												
Multilateral	42.8	46.7	49.4	48.7	49.7	45.5	40.2	35.7	34.9	32.7	42.9	35.1
Of which												
IDA	9.8	10.5	12.3	13.9	15.0	15.8	16.8	19.7	22.0	21.9	14.7	21.3
IMF	9.7	13.8	16.3	16.1	16.2	11.6	6.4	0.0	0.0	0.0	9.5	0.0
AfDB/AfDF	5.4	5.6	6.0	6.1	6.5	6.3	6.0	7.5	8.2	7.8	6.1	7.9
Others	17.9	16.7	14.8	12.5	12.1	11.9	10.9	8.6	4.6	3.0	12.5	5.9
Official bilateral	23.6	21.7	15.9	17.3	13.1	14.4	14.9	16.0	17.6	19.5	17.1	17.3
Paris Club	21.0	20.3	14.6	15.3	11.2	11.5	12.0	13.1	15.7	17.9	14.7	15.0
Of which												
ODA	1.4	1.4	1.4	1.4	1.5	1.6	1.9	3.3	2.9	2.7	2.1	3.0
Non-Paris Club	2.6	1.4	1.4	2.0	2.0	2.9	2.9	3.0	1.9	1.6	2.4	2.3
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service on new borrowing	0.5	1.0	1.6	2.3	3.0	3.7	5.2	14.3	33.6	46.4	4.3	27.9
Total debt service	66.9	62.5	45.7	42.5	39.1	38.5	36.9	43.9	72.8	89.2	44.7	61.9
after enhanced HIPC assistance 2/												
Multilateral	42.8	39.8	30.9	27.7	28.3	25.9	22.4	19.3	29.4	32.7	27.5	24.0
Of which												
IDA	9.8	7.9	6.1	6.9	7.4	7.9	8.4	9.8	22.0	21.9	8.1	15.5
IMF	9.7	11.4	11.0	10.5	10.2	7.4	4.9	0.0	0.0	0.0	6.8	0.0
AfDB/AfDF	5.4	4.5	3.5	3.6	3.7	3.6	3.4	4.2	4.6	7.8	3.9	4.8
Others	17.9	16.1	10.2	6.8	6.9	7.1	5.7	5.3	2.9	3.0	8.9	3.8
Official bilateral	23.6	21.7	13.3	12.5	7.8	8.9	9.3	10.3	9.8	10.1	12.9	10.0
Paris Club	21.0	20.3	12.3	11.0	6.3	6.4	6.9	7.9	8.9	9.9	10.9	8.7
Of which												
ODA	1.4	1.4	1.4	1.4	1.5	1.6	1.9	3.3	2.9	2.7	2.1	3.0
Non-Paris Club	2.6	1.4	0.9	1.5	1.5	2.4	2.4	2.4	0.8	0.2	2.0	1.3
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt service on new borrowing	0.5	1.0	1.6	2.3	3.0	3.7	5.2	14.3	33.6	46.4	4.3	27.9
Memorandum items:												
Exports of goods and nonfactor services	378.1	386.4	392.2	414.4	458.3	501.9	546.5	790.9	1,175.0	1,498.6	498.7	1,072.0
Debt-service ratio after tradit. debt relief 3/	17.1	18.8	16.1	14.9	13.1	11.6	10.2	7.8	6.7	6.1	12.8	7.1
Debt-service ratio after HIPC assistance 3/	17.1	16.9	11.0	9.3	7.8	7.0	6.2	5.2	5.7	5.5	9.2	5.3

Sources: Beninese authorities; and World Bank and Fund staff estimates and projections.

1/ Reflects the external debt situation after the full use of traditional debt relief mechanisms, and assuming at least comparable treatment from official bilateral creditors in 1998.
2/ After assumed assistance under the enhanced HIPC Initiative (see text for detailed assumptions).
3/ Debt service in percent of current-year exports of goods and nonfactor services.

Table 13. Benin: Projected Assistance Under the HIPC Initiative 1/

NPV of Debt-to-Exports Target (In percent)	Total Assistance 2/ (In millions of U.S. dollars) Total	Bilateral 3/	Multilateral	Common reduction factor at the completion point 4/ (In percent)	Required NPV debt reduction on bilateral debt, assuming comparable action based on overall exposure 5/ (In percent)
150	265	77	189	31.3	
Memorandum items:					
NPV of debt 6/	848	245	603		
Paris Club	204				77
of which pre-cutoff debt non-ODA	127				83
Non-Paris Club bilaterals	42				77
of which pre-cutoff debt non-ODA	11				108
3-year average of exports	389	...	...		
Current-year exports	399	...	...		
NPV of debt-to-exports ratio 7/	218	...	...		

Sources: Beninese authorities and staff estimates and projections.

1/ The proportional burden sharing approach is described in "HIPC Initiative--Estimated Costs and Burden Sharing Approaches" (EBS/97/127, 7/7/97 and IDA/SEC M 97-306, 7/7/97).

2/ Reflects the full use of traditional debt-relief mechanisms, and assuming at least comparable treatment by other official bilateral creditors at the end of 1998.

3/ Includes official bilateral creditors and commercial debt.

4/ Each multilateral's NPV reduction at the completion point in percent of its exposure at the decision point.

5/ Includes traditional debt relief.

6/ Based on 1998 data after full application of traditional debt-relief mechanisms.

7/ Based on the three-year export average (backward-looking average) ending in the year preceding the decision point (i.e., 1996-98)

Table 14. Benin: Possible Delivery of IDA Assistance Under the HIPC Initiative, 2000-15
(In millions of U.S. dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
IDA debt service before HIPC relief	10.5	12.3	13.9	15.0	15.8	16.8	16.9	17.7	18.1	19.2	19.7	20.4	21.5	21.7	21.9	22.0
Principal	6.3	8.2	9.9	11.0	11.9	13.0	13.2	14.0	14.6	15.8	16.4	17.3	18.5	18.9	19.1	19.4
Interest	4.2	4.1	4.1	4.0	3.9	3.8	3.7	3.6	3.5	3.4	3.3	3.2	3.0	2.9	2.7	2.6
IDA debt service after HIPC relief	7.9	6.1	6.9	7.4	7.9	8.4	8.4	8.8	9.0	9.5	9.8	10.1	10.7	10.8	15.4	22.0
Principal	4.7	4.1	4.9	5.4	5.9	6.5	6.6	7.0	7.2	7.8	8.2	8.6	9.2	9.4	13.5	19.4
Interest	3.1	2.1	2.0	2.0	1.9	1.9	1.9	1.8	1.7	1.7	1.6	1.6	1.5	1.4	1.9	2.6
IDA assistance 1/	2.7	6.2	7.0	7.5	7.9	8.5	8.5	8.9	9.1	9.6	9.9	10.3	10.8	10.9	6.4	0.0
Principal	1.6	4.1	5.0	5.5	6.0	6.5	6.6	7.1	7.3	7.9	8.3	8.7	9.3	9.5	5.6	0.0
Interest	1.1	2.1	2.0	2.0	2.0	1.9	1.9	1.8	1.8	1.7	1.6	1.6	1.5	1.4	0.8	0.0
Memorandum item:																
IDA debt relief as percent of IDA debt service due (in percent)	25.3	50.3	50.3	50.3	50.3	50.3	50.3	50.3	50.3	50.3	50.3	50.3	50.3	50.3	29.4	0.0
Interim assistance 2/	5.4															
Interim relief as percent of total	6.4															

Sources: Beninese authorities; and IDA staff estimates.

1/ Total debt service reduction of US$124.3 million in nominal terms corresponding to US$84.4 million in NPV terms, using end-1998 discount and exchange rates.
2/ In net present value (NPV) terms; assuming a decision point in July 2000 and a completion point in July 2001.

Table 15. Benin: Possible Delivery of IMF Assistance Under the HIPC Initiative, 2000-09 1/

(In millions of US dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Delivery schedule of IMF assistance (in percent of total assistance)	20.0	10.0	20.0	20.0	15.0	5.0	5.0	5.0	0.0	0.0
Debt service due on current IMF obligations 2/	7.7	16.0	15.9	15.9	12.0	8.6	6.1	3.7	2.5	2.0
Of which : principal	7.0	15.1	15.0	15.2	11.4	8.0	5.6	3.1	1.9	1.4
interest	0.7	0.9	0.8	0.7	0.7	0.6	0.6	0.6	0.6	0.5
IMF assistance─deposits into Benin's account 1/										
Interim assistance	4.9									
Completion point assistanc		19.5 3/								
IMF assistance under the HIPC Initiative─drawdown schedule 4/	2.4	5.3	5.7	6.0	4.2	1.5	1.4	1.3	0.0	0.0
Of which : IMF assistance without interes	2.4	4.9	4.9	4.9	3.6	1.2	1.2	1.2	0.0	0.0
Estimated interest earnings	0.0	0.4	0.8	1.1	0.5	0.3	0.2	0.1	0.0	0.0
Debt service due on current IMF obligations after IMF assistance 5/	5.2	10.7	10.2	9.9	7.9	7.1	4.8	2.4	2.5	2.0
Share of debt service due on current IMF obligations covered by IMF assistance (in percent) 4/	31.8	33.0	35.9	37.7	34.6	17.5	22.4	36.3	0.0	0.0
Memorandum items:										
Proportion of each repayment falling due during the period to be paid by HIPC assistance from the principal deposited in Benin's account	34.9	32.1	32.3	32.0	32.1	15.3	21.9	38.7	0.0	0.0
Total debt service due 2/ 6/	39	69	67	68	66	64	60	61	60	60
Share of total debt service covered by IMF assistance (in percent) 4/	6.2	7.6	8.5	8.8	6.3	2.4	2.3	2.2	0.0	0.0
Debt service due on current IMF obligations after IMF assistance 4/ (in percent of exports)	1.3	2.7	2.8	2.4	1.7	1.4	0.9	0.4	0.4	0.3

Source: IMF, Treasurer's Department.

1/ Total IMF assistance under the HIPC Initiative is US $ 24.3 million, calculated on the basis of data available at the decision point, excluding interest earned on the Benin's account and on committed but undisbursed amounts as described in footnotes 3 and 4.
2/ As of June 30, 2000.
3/ Disbursement is projected at the assumed completion point in July 2001; the interest earnings calculation reflects this.
4/ Includes estimated interest earnings on (1) amounts held in Benin's account; and (2), up to the completion point, amounts committed but not yet disbursed. It is assumed that these amounts earn a rate of return of 5.25 percent in U.S. dollar terms; actual interest earnings may be higher or lower. Interest accrued on (1) during a calendar year will be used toward the first repayment obligation(s) falling due in the following calendar year except in the final year, when it will be used toward payment of the final obligation(s) falling due in that year. Interest accrued on (2) during the interim period will be used toward the repayment of obligations falling due during the three years after the completion point. The completion point is assumed to be in July 2001.
5/ Total obligations less HIPC Initiative assistance.
6/ After traditional debt-relief mechanisms.

Table 16. HIPC Initiative: Status of Country Cases Considered Under the Initiative
June 2000

Country	Decision Point	Completion Point	NPV of Debt-to-Export Target (in percent)	Assistance Levels 1/ (In millions of U.S. dollars, present value) Total	Bilateral	Multilateral	IMF	World Bank	Percentage Reduction in NPV of Debt 2/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)	Satisfactory Assurances from Other Creditors
Completion point reached under enhanced framework											
Uganda				1,003	183	820	160	517	40	1,950	
original framework	*Apr. 97*	*Apr. 98*	*202*	*347*	*73*	*274*	*69*	*160*			*Received*
enhanced framework	*Feb.00*	*May 00*	*150*	*656*	*110*	*546*	*91*	*357*			*Being sought*
Decision point reached under enhanced framework											
Bolivia				1302	425	876	84	194	30	2,060	
original framework	*Sep. 97*	*Sep. 98*	*225*	*448*	*157*	*291*	*29*	*53*			*Received*
enhanced framework	*Feb.00*	*Floating*	*150*	*854*	*268*	*585*	*55*	*141*			*Being sought*
Mauritania	Feb.00	Floating	137 3/	622	261	361	47	100	50	1,200	Being sought
Mozambique				1,970	1,235	736	141	434	72	4,300	
original framework	*Apr. 98*	*Jun. 99*	*200*	*1716*	*1076*	*641*	*125*	*381*			*Received*
enhanced framework	*Apr. 00*	*Floating*	*150*	*254*	*159*	*95*	*16*	*53*			*Being sought*
Senegal	Jun. 00	Floating	133 3/	452	193	259	42	116	18	800	Being sought
Tanzania	Apr. 00	Floating	150	2,026	1,006	1,020	120	695	54	3,000	Being sought
Completion point reached under original framework											
Guyana	Dec. 97	May 99	107 3/	256	91	165	35	27	24	410	Received
Decision point reached under original framework											
Burkina Faso 4/	Sep. 97	Apr. 00	205	229	32	196	22	91	27	400	Being sought
Côte d'Ivoire	Mar. 98	Mar. 01	141 3/	345	163	182	23	91	6 5/	800	Being sought
Mali	Sep. 98	Spring 00	200	128	37	90	14	44	10	250	Being sought
Total assistance provided/committed				8,333	3,626	4,705	688 6/	2,309		15,170	
Preliminary HIPC document issued 7/											
Cameroon	...	...	150	1,466	1,047	358	41	197	30	2,700	...
Ethiopia	...	...	200	636	225	411	22	214	23	1,300	...
Guinea	...	...	150	638	256	383	37	173	34	1,148	...
Guinea-Bissau	...	...	200	300	148	153	8	73	73	600	...
Honduras	...	...	137 3/	569	208	361	18	85	18	1,024	...
Nicaragua	...	...	150	2,507	1,416	1,091	32	188	66	5,000	...
No assistance required under original framework--to be reassessed under enhanced framework											
Benin	Jul. 97	...	...	...	...	...	...	...	...	...	...

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance levels are at countries' respective decision or completion points, as applicable.
2/ In percent of the net present value of debt at the decision or completion point (as applicable), after the full use of traditional debt-relief mechanisms.
3/ Eligible under fiscal criteria; figures provided show the ratios of debt-to-exports that correspond to the targeted debt-to-revenue ratio. For Guyana and Cote d'Ivoire, a 280 percent NPV of debt-to-revenue ratio was targeted at the completion point; for Honduras, Mauritania and Senegal, a 250 percent ratio was targeted at the decision point.
4/ Includes additional assistance required to meet 205 percent debt-to-exports target at completion point. Topping up from the assistance levels indicated in the September 1997 decision point document is based on the completion point document issued in June and subject to Board approval.
5/ Nonreschedulable debt to non-Paris Club official bilateral creditors and the London Club, which was already subject to a highly concessional restructuring, is excluded from the NPV of debt at the completion point in the calculation of this ratio.
6/ Equivalent to SDR 512 million at an SDR/USD exchange rate of 0.744.
7/ Figures are based on preliminary assessments at the time of the issuance of the preliminary HIPC document; and are subject to change. Assistance levels for Ethiopia and Guinea-Bissau were based on the original framework and applied at the completion point; for Nicaragua, Tanzania, Guinea, and Honduras, targets are based on the enhanced framework and assistance levels are at the decision point.

BENIN: ADJUSTMENT RECORD UNDER THE IDA STRUCTURAL ADJUSTMENT CREDITS

1. Benin completed three structural adjustment credits between 1989 and 1999. The first structural adjustment credit (SAL I) over US$45 million was adopted in 1989 as a two-tranche operation. It supported a comprehensive program of market-based reforms for the Benin economy. A major political and social crisis in the second half of 1989 delayed program implementation, but disbursement started again in early 1990. Credit closing, originally anticipated for March 1990, was extended to December 1990. SAL I sought to reduce the public sector's role in the economy, reinforce public sector resource management by improving investment programming and the management of a reduced number of public enterprises remaining in the government's portfolio, restructure the banking system as a basis for resuming effective financial intermediation, and reform incentive policies to promote private sector activity. Despite these problems, SAL I recorded important progress in civil service reduction, fiscal system, and public enterprises reform, banking system restructuring and improving the incentive framework for the private sector.

2. Following democratic elections in April 1991, a second structural adjustment credit (SAL II) over US$55 million was signed with the incoming government. This three-tranche operation was closed with a delay of one and a half years in December 1994, and only after several waivers were granted. SAL II supported both macroeconomic and structural reforms. The macroeconomic objectives of SAL II were generally met, helped by a cotton boom brought about by improved sectoral policies. GDP growth exceeded the program projections, the current account deficit was less than the target figures, and inflation rose above the figure foreseen in the program only in the aftermath of the devaluation of the CFA franc in early 1994. In addition, SAL II continued the structural reform program supported by SAL I. Substantial progress was achieved in three areas. The fiscal situation of the government strengthened, the trade regime was liberalized, and a new private commercial banking sector emerged. The implementation of the program proceeded slower than planned in the elimination of permanent civil service positions, the reform of the public enterprises, the cleanup of failed banks, the revision of labor, investment, and commerce codes, and the redesigning of the government's social strategy.

3. A third structural adjustment operation (SAL III) of over US$40 million was designed in 1995 to consolidate the progress made over the first two adjustment credits, and to support the private sector supply response following the devaluation of the CFA franc. The credit was closed in January 1999, more than two years behind schedule. After the approval of this two-tranche operation in June 1995, the program implementation was soon delayed due to lack of political support for the reform measures, and regained momentum only in May 1998. In December 1998, the conditions for second tranche release were considered as met after two waivers were granted to take account of changing circumstances. SAL III supported private sector development with reforms in the areas of tax and trade, the regulatory framework, and public enterprise divestiture, and emphasized the need for public sector reforms to ensure adequate provision of basic social services. Not all of these objectives were achieved. Most tax and trade reforms were implemented, some of them as conditions for SAL III approval, and

the regulatory framework improved with the enactment of new business laws and a new labor code. While budgetary procedures were partially reformed and allocations to social sectors increased, actual expenditure improved only marginally and the quality of the Public Investment Program remained unsatisfactory, procurement procedures were still inefficient despite a new procurement code, and there was lack of progress in the public administration and civil service reform. The divestiture program took longer than planned but was eventually completed for its most important parts with the major exception of the public cotton monopsony (SONAPRA). Over 1994-97, the government took further steps to liberalize the cotton sector by authorizing input distribution and cotton ginning and exporting by private companies. This limited liberalization of the cotton sector, carried out within a still highly administrative environment, led to mixed results. SONAPRA continued to rely on an administrative allocation of seed cotton among private ginning companies, while cotton producers received a low share of international prices. More recently, producer representatives have started participating in the preparation for input contracts. In June 2000, the government abolished SONAPRA's monopsony on the purchase of seed cotton from producers, and announced plans for the privatization of the enterprise and the implementation of a regulatory framework giving the sector's participants greater responsibilities.

BENIN: KEY STRUCTURAL MEASURES—PAST REFORMS AND FUTURE MILESTONES

A. CAPACITY BUILDING AND GOVERNANCE

Reforms

- Restructuring of the Ministries of Finance, Rural Development, Education, and Health (1993-94).
- Establishment of the anti-corruption agency (1998) and creation of committee to develop national anticorruption strategy (2000).
- Adoption of five devolution laws by the National Assembly to create 77 financially autonomous municipalities (1998).
- Preparation of quarterly reports on budget execution by municipalities (1999).

Future milestones

- Upgrading of the "*Chambre des Comptes*" to audit budget execution (2000).
- Implementation of a monitoring system for local budgets (2000).
- Creation of a liaison committee between public and private sectors (2000).
- Adoption of sectoral strategy for the judiciary (2000).
- Implementation of the WAEMU code of good governance (2001).
- Promotion of decentralization of resource allocation and management at the level of local administrations to improve effectiveness of public service (2000-02).

B. Fiscal and Expenditure Management

Reforms

- Initiation of budget reforms (1989).
- Introduction of a three-year rolling public investment program (PIP) (1989).
- Rationalization of public expenditures (1989-91).
- Standardization and simplification of budgetary processes (1993-2000).
- Simplification of tax system (1994-2000).
- Strengthening of the custom and tax administration (1994-2000).
- Public expenditure reviews in rural development, education, health, and transport and public works (1996-97).
- Restructuring of unit in charge for large taxpayers (1999).
- Implementation of the WAEMU common external tariff (2000).

Future milestones

- Completion of computerization of financial administrations systems (2000).
- Strengthening the administrative control function of the budget process (2000).
- Implementation of new budget procedures including program budgets by ministry (2000-01).
- Promotion of triennial budget framework (2000-01).
- Strengthening of budget management, accountability, and transparency (2000-02).
- Strengthening of the management capacity of local administrations through training, accountability and decentralization of the budget process (2000-02).

C. Civil Service

Reforms

- Census of civil service retirees.
- Adoption of voluntary departure program for civil servants and implementation of more restrictive hiring policies (1994-99).
- Adoption of a new performance-based compensation system for the civil service (1999).
- Computerization of the civil service database (1999).

Future milestones

- Approval by the Assembly and implementation of the new compensation system for the civil service based on performance incentives (2000).
- Creation of single civil service database (2000).

D. Financial Sector

Reforms

- Restructuring of the financial system, including the liquidation of three state-owned banks and creation of five private commercial banks (1988-89).
- Rehabilitation of the network of rural and saving associations, implementation of full management autonomy, and reform of regulatory framework (1989).
- Implemented the WAEMU banking, legal and supervisory framework (1990).
- Creation of the WAEMU Banking Commission (1990).
- Creation of the Federation of Rural Savings and Loan Cooperative, FECECAM, (1993).
- Liberalization of the insurance sector (1997).

- ***Future milestones***
- Strengthening of the regulatory framework of Rural and Saving Institution (2000).
- Implementation of the new WAEMU banking supervisory framework (2000).
- Implementation of the regional law on insurance (CIMA code) (2000).

E. Public Enterprises and Privatization

Reforms

- Privatization and restructuring program of 65 state-owned enterprises (1998).
- Reduction of the number of public enterprises from 100 in 1989 to less than 10 (1989-99).
- Privatization of the management of the Hotel de la Croix du Sud (1999).
- Completion of the sale of 55 percent of the capital of SONACOP (1999).

Future milestones

- Adoption of strategy for the privatization of telecommunication and the liberalization of postal and related financial services (1999).
- Privatization of the telecommunication company (2000).
- Adoption of strategy of reform of water and energy sectors and privatization of management of water and energy company (2000).
- Privatization of SONAPRA (2000-01).
- Preparation of a new investment code in collaboration with the WAEMU member states (2000-02).
- Participation of private sector in management of Port of Cotonou (2001).

F. Private Sector Development

Reforms

- Abolishment of imports licensing (1990-93).
- Adoption of a new commercial law, labor code, and investment code, and elimination of price controls on most goods and services (1990-93).
- Adoption of liberal import tariff schedule (1995).
- Implementation of new progressive tax on salaries and wages (1996).
- Adoption of four region-wide business laws (1998).
- Adoption of new labor code (1998).
- Implementation of Value-Added-Tax (1998).
- Unification of the statistical tax on imports (1998-99).
- Implementation of the WAEMU common external tariff (2000).

Future milestones

- Announcement of new pricing policies in telecommunication, water, and electricity sectors (2000).
- Preparation of new investment code in cooperation with other WAEMU countries (2000-02).
- Implementation of new mechanism for retail price adjustments in petroleum product sector (2000-03).

G. Transport and Mining

Reforms

- Privatization of most operations at the Port of Cotonou (1994).
- Establishment of an autonomous road fund (1996).
- Suppression of SOBEMAP monopoly on container handling at the Port of Cotonou (1998).
- Appointment of commission to revise the mining code in line with international practice (1999).

Future milestones

- Implementation of a computerized management system for the port operations (2000).
- Finalization of a development strategy for the mining sector (2000).
- Engagement of private sector in the management of the Port of Cotonou (2001).

H. Water and Sanitation Policies

Reforms

- Adoption of a new policy framework adopted for rural areas (1992).
- Revision of the Code of Public Hygiene incorporating similar concepts as for rural water policies (1995).

Future milestones

- Decentralization strategy transferring ownership and management of rural water and sanitation services to municipalities.

I. Cotton Sector and Agriculture sector

Reforms

- Elimination of SONAPRA's monopoly on imports of all inputs for cotton products (1992).
- Opening of cotton ginning to the private sector (1994).
- Transfer of palm plantations to farmers' cooperatives (1997).
- Creation of producer associations and promotion of their involvement in marketing of cotton (1999).
- Transfer of the responsibility of arranging imports of inputs to the private sector.

Future milestones

- End of SONAPRA's monopsony on the primary marketing of seed cotton (2000).
- Strengthening of managerial capacities of producers' associations (2000).
- Liberalization of the seed cotton price (2000).
- Privatization of ONAB's commercial and industrial activities (2000).

J. Education

Reforms

- Adoption of the General Educational Convention (1990).
- Adoption of sectoral strategy document (1992).
- Adoption of quality primary education initiative (1998).
- Completion of school infrastructure inventory at the primary and secondary levels (1999).

Future milestones

- Adoption of strategy for education sector (2000-01).
- Adoption of action plan to reduce repetition rates in grade 2 to grade 6 to less than 15 percent over three years and increase rate of students finishing primary education to 70 percent over five years (2000-01).
- Elimination of repetition at grade 1 (2000-01)
- Elaboration of a plan to support the construction of schools in deprived areas (2000-02).
- Elimination of school fees for all pupils in rural areas and provision of grants to rural schools to compensate this loss of revenue (2000-01).
- Provision of grants to local communities prepared to take on responsibility for hiring teachers for school vacancies (2000-01).

K. Health

Reforms

- Adoption of the Expanded Program of Immunization (1989).
- Creation of independent central drug supply agency (1992).
- Adoption of Population Policy Declaration (1996).
- Launch of the creation of health districts (1999).

Future milestones

- Completion of midterm review of the national health policy (2000).
- Adoption of strategic plan on HIV/AIDS epidemic (2000-01).
- Adoption of sector wide performance review and designing of system of annual performance reviews for the health sector (2000-01).

L. Social Development

Reforms

- Adoption of the Social Dimensions of Development Program (1994).
- Implementation of household survey (1994-96).
- Adoption of National Community Development Program for 1998 to 2002 (1998).
- Creation of 100 pilot community development units (1999).

Future milestones

- Adoption of National Policy to enhance the economic and social role of women (2000).
- Adoption of Poverty Reduction Strategy Paper (2001).
- Implementation of development plan for each of the 100 pilot community development units (2000-02).

BENIN: DEBT DATA ISSUES

Benin's external public debt is managed by the Caisse Autonome d'Amortissements (CAA), which is responsible for contracting and servicing foreign loans. With a few exceptions, most notably the Fund, the CAA receives transfers from the treasury to service the external obligations. IMF obligations are serviced by the BCEAO, which debits the treasury's account at the BCEAO. Similarly, the BCEAO directly debits the treasury's account for repayment of the consolidated interest charges on the negative international reserve position that Benin accrued in the early 1990s.[1]

The CAA's database is comprehensive and up-to-date. Given the recent conclusion of a stock-of-debt operation with Paris Club members, which involved extensive reconciliation of Benin's and donors' data, few discrepancies were noted when preparing the DSA. In total, more than 95 percent of Benin's external debt is considered to be reconciled with creditor data. The agency was able to provide detailed information on a loan-by-loan basis, including the terms of the loans (effective date, interest rates, maturity, etc.), the amount disbursed, and arrears. Creditor sources, which overall were not significantly different from CAA's numbers, were systematically retained for debt owed to the multilateral creditors. Staff estimates were used for debt for which negotiations have not been concluded in the context of the last Paris Club agreement (that was the case for debt to Italy and Russia) and for which substantial reconciliation of the data and agreement on the terms had been reached in principle. Also, for debt to other official bilateral creditors, the assumption of a debt reduction on Naples terms was applied. Future interest and exchange rates are based on the WEO projections. Regarding obligations to Argentina, a debt buyback operation at a discount of 84 percent was concluded and implemented in 1999; hence, the actual payments were used.

The CAA continues to improve its debt management capabilities and expect to complete the modernization of its operations during 2000. The agency is presently receiving technical assistance from several donors for training and updating its hardware and software. The equipment has been acquired and the data management software, CS-DRMS is being upgraded to the most recent version available. As part of the comprehensive budget reform, all operational accounts of the CAA will be transferred to the treasury, to become a fully integrated part of the government operations.

[1] The DSA relied on BCEAO data on both loans, as well as the service paid by the BCEAO on behalf of the treasury from a nonresident bank in the context of the restructuring of the banking system.