INTERNATIONAL MONETARY FUND

IMF Country Report No. 19/398

# BENIN

December 2019

## FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR EXTENSION, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA—PRESS RELEASE; AND STAFF REPORT

In the context of the Fifth Review under the Extended Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on October 29, 2019, with the officials of Benin on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on November 19, 2019.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the Internal Development Association.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of Benin*
Memorandum of Economic and Financial Policies by the authorities of Benin*
Technical Memorandum of Understanding*
*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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INTERNATIONAL MONETARY FUND

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Press Release No. 19/458
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December 13, 2019

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700 19th Street, NW
Washington, D. C. 20431 USA

**IMF Executive Board Completes Fifth Review Under the Extended Credit Facility Arrangement and Approves US$22 Million Disbursement for Benin**

- The Executive Board's decision enables an immediate disbursement of US$22 million to Benin.
- Performance under the program was very satisfactory during the 5th review.
- The authorities and the IMF mission agreed on fiscal policy measures for the 2020 budget to secure key program objectives and maintain the deficit below 2 percent of GDP next year.

Benin's three-year arrangement under the Extended Credit Facility (ECF) for SDR111.42 million (about US$154.2 million or 90 percent of the country's quota at the time of approval of the arrangement) was approved on April 7, 2017 (see Press Release No.17/124). It aims at supporting the country's economic and financial reform program and focuses on raising living standards and preserving macroeconomic stability.

On December 13, 2019, the Executive Board of the International Monetary Fund (IMF) completed the 5th review of the three-year arrangement with Benin on a lapse of time basis.[1] The completion of the review enables a disbursement of SDR15.917 million (about US$22 million), bringing total disbursements under the arrangement to SDR 95.502 million (about US$132.2 million). In completing the review, the Executive Board also approved Benin's request for a four-month technical extension and the introduction of adjustors to the end-December 2019 quantitative performance criteria (QPCs) on revenue, basic primary balance, and net domestic financing.

Program implementation continues to be very satisfactory. All end-June 2019 QPCs and the September 2019 structural benchmark were met. The macroeconomic and structural policies outlined by the authorities are adequate to pursue the program's objectives, and risks to program implementation are deemed manageable.

[1] The Executive Board takes decisions under its lapse of time procedure when it is agreed by the Board that a proposal can be considered without convening formal discussions.

Benin's economic performance remains strong despite a less supportive external environment and the border closure with Nigeria. Real GDP is expected to slow down to 6.4 percent in 2019. However, growth should bounce back in 2020 and remain sustained over the medium term, buttressed by vigorous cotton production, construction, and port activity.

The 2020 draft budget targets a fiscal deficit of 1.8 percent of GDP, with a fiscal adjustment of ¼ percent of GDP relative to 2019. This adjustment, based on revenue mobilization and a rationalization of the wage bill, is expected to protect capital and social spending. Maintaining the fiscal deficit below 3 percent of GDP in 2020 and beyond, in line with the WAEMU regional deficit norm, is key to put the debt ratio on a firm downward trajectory.

The significant increase in the share of external debt in total debt in the past two years warrants caution. The recent debt reprofiling operation and the Eurobond issuance have contributed to lowering borrowing costs, diversifying the financing structure, and extending debt maturity. However, these operations can also generate new vulnerabilities that will need to be mitigated through an enhanced debt management strategy and continued capacity improvements at the debt management office.

INTERNATIONAL MONETARY FUND

# BENIN

November 26, 2019

## FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR EXTENSION, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA

## KEY ISSUES

**Context.** Program implementation continues to be good, with all end-June 2019 quantitative performance criteria (QPCs) and the September structural benchmark (SB) being met. Economic activity is expected to remain strong this year and next despite the closure of the border with Nigeria. The draft budget, which entails a fiscal adjustment of ¼ percent of GDP, should bring the fiscal deficit below 2 percent of GDP in 2020.

**Program Objectives.**

- Maintain fiscal discipline to place the public debt ratio on a firm declining path.
- Improve domestic revenue mobilization to support development spending, including priority social expenditure and investment in infrastructure.
- Strengthen debt management capacity and achieve a prudent balance between external and domestic debt.
- Foster financial stability by addressing the low aggregate profitability of the banking sector and restructuring two public banks.
- Enhance economic governance and anti-corruption frameworks.

**Staff View.** Staff supports the completion of the fifth review under the ECF arrangement. Staff also supports the request for a four-month technical extension; the proposed introduction of adjustors to the end-December 2019 QPCs on revenue, basic primary balance, and net domestic financing; a prior action on the submission of a budget consistent with the program; and the addition of a SB related to the adoption of the 2020 tax package. Completion of this review will release a disbursement equivalent to SDR 15.917 million.

Approved By
**Dominique Desruelle (AFR) and Mary Goodman (SPR)**

Discussions on the Fifth Review under the Extended Credit Facility (ECF) Arrangement were held in Cotonou during October 24 - November 5. The mission team comprised Messrs. Luc Eyraud (head), Goran Amidzic, Mohamed Camara and Ms. Aissatou Diallo (all AFR), Mr. Mouhamadou Sy (FAD), Mr. Karim Barhoumi (Resident Representative), and Mr. Joseph Houessou (Economist at the Res. Rep. Office). Mr. Mohamed-Lemine Raghani (Executive Director OED) and Mr. Romao Lopes Varela (Advisor OED) participated in some meetings of the mission. The mission met with Mr. Abdoulaye Bio Tchané, Minister of State of Planning and Development; Mr. Romuald Wadagni, Minister of Economy and Finance; Mr. Alain Komaclo, BCEAO National Director; and senior economic and financial officials. Ms. Christelle Ndome-Yandun provided assistance for the preparation of this report.

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# BACKGROUND

1. **The ECF-supported program is on track.** On June 21, 2019, the Executive Board completed the fourth review under the three-year ECF arrangement. Directors welcomed the strong performance under the program. All semi-annual quantitative performance criteria (QPCs) and structural benchmarks (SBs) have been met since the beginning of this program.

2. **In July 2019, the statistical institute INSAE published revised national accounts data.** Past GDP levels were revised upward by about 37 percent (Annex I). This rebasing led to large downward revisions of all GDP ratios, including the debt, fiscal deficit, government revenue, and current account ratios.

3. **Post-elections protests have abated**. Social unrest followed the parliamentary election of April 2019, in which the opposition parties did not participate after the electoral commission assessed they had failed to comply with requirements of the new electoral code. Calm has now returned to the country. In October 2019, representatives of majority and opposition parties met to reignite the political dialogue and formulate crisis exit strategies. In November, Benin's parliament adopted a revision of the constitution meant to modernize public institutions, including by improving gender balance in the public sector through the introduction of quotas, creating a court of auditors, and aligning the calendars of local, legislative and presidential elections.

4. **At end-August 2019, Nigeria decided unilaterally to close the border with some neighboring countries, including Benin.** The Nigerian authorities motivated their decision by the need to curb smuggling into Nigeria and spur local production. The closure was initially expected to last one month, but the border was still closed at the time of the drafting of the report (early November 2019). The Beninese authorities have made it a priority to resolve the issue promptly.

# RECENT DEVELOPMENTS

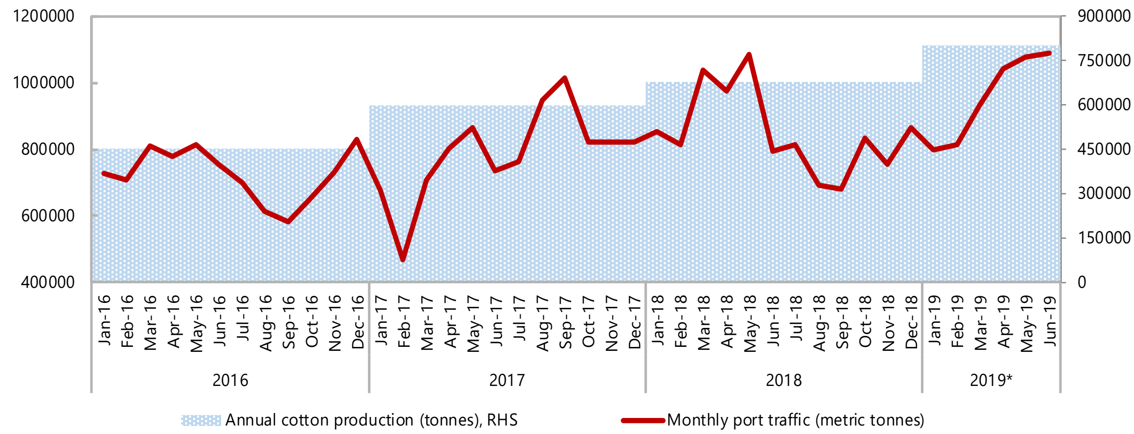
*Benin continued to display a strong macroeconomic and fiscal performance in the first half of 2019.*

5. **The growth momentum was strong in the first months of the year.** Conjunctural indicators for the first semester suggest an acceleration of economic activity, in part driven by the agricultural sector and the port (Text Figure 1). Partly due to the high agriculture production and lower water utility prices, inflation has been on a declining trend, with the CPI falling by 1.7 percent in September relative to one year earlier.

6. **Fiscal outturns overperformed targets at end-June 2019.** Over the first semester, the cumulative fiscal deficit including grants was contained at CFAF 30.4 billion (0.4 percent of annual GDP), significantly below the CFAF 71.7 billion initially foreseen under the program. Cumulative revenue overperformed by 0.2 percent of GDP (CFAF 522.8 billion, compared to a target of CFAF 505.5 billion), with both tax and nontax revenues exceeding expectations. Spending remained lower than budgeted, mainly due to the slow execution of externally-financed capital expenditure.

Preliminary data for the third quarter shows a shortfall of customs revenue of about CFAF 10 billion due to the border closure.

**Text Figure 1. Cotton Production and Port Activity**




* 2019 cotton production is a forecast and subject to revisions

Sources: Benin authorities

**7. The 2018 current account deficit has been revised down significantly both in nominal terms and in percent of GDP.** Revised estimates of the balance of payments (BoP) show a smaller current account deficit than previously estimated, as a result of a better measurement of trade activities (informal re-exports and freight services). The 2018 deficit now accounts for 4.5 percent of GDP (compared to 6.0 percent of GDP in the previous report, using the rebased GDP). In addition, the new data reveals that the current account deteriorated by 0.3 percent of GDP in 2018 because of a surge in informal imports of fuel.[1]

**8. Bank capitalization improved in the course of 2018.** The aggregate capital adequacy ratio of banks increased from 7.6 percent at end-June 2018 to 8.2 percent at end-December 2018, while remaining below the regulatory threshold of 8.6 percent required for end-2018 (Table 10). Credit concentration declined from 103.3 percent at end-June 2018 to 90.4 percent at end-December 2018. However, credit and liquidity risks remain elevated. The ratio of gross NPLs to total loans increased from 18.9 percent at end-June 2018 to 21.6 percent at end-December 2018. Liquid assets as a share of total assets are at their lowest levels since 2005 (12.5 percent at end-December 2018).

# OUTLOOK AND RISKS

**9. The Beninese economy is expected to grow rapidly in 2019, notwithstanding the closure of the border with Nigeria**. Cotton production and port activity continue to support growth this year. The border closure should affect the economy negatively through several channels,

[1] After cracking down on fuel smuggling in 2017, the authorities shifted gears in 2018 by taxing the sale of informal fuel. The new approach coincided with a rebound in informal fuel imports.

including a contraction of re-export activities and higher oil prices (Box 1). Staff assumes that the border will reopen before the end of 2019—an assumption shared by the authorities and the national BCEAO. Thus, 2019 GDP growth has been revised down to a still high 6.4 percent from 6.7 percent in IMF Country Report 19/203.[2] Relatedly, the current account is projected to deteriorate from 4.5 percent of GDP in 2018 to 4.9 percent of GDP in 2019.

### Box 1. Trade Relations Between Benin and Nigeria

The Beninese economy is deeply interconnected with Nigeria, which is one of its largest trading partners. A number of commodities like rice, poultry, and used cars are imported in Benin and then re-exported to Nigeria. In 2018, informal re-exports accounted for almost a half of Beninese' exports and represented 11 percent of GDP. In addition, Nigeria is the main source of imported fuel (kpayo), which represents more than half of total fuel consumption in Benin. Kpayo prices are relatively low compared to international prices given fuel subsidies provided in Nigeria.

Bilateral trade benefits both countries. For Benin, the fuel import business is an important source of income and employment for poor households (Golub and others 2019[1]). Trade with Nigeria is also a key source of government revenues. On average, revenues raised at customs in Benin represented about 40 percent of tax revenue in 2018 or 4 percent of GDP, a third of which is related to imports for re-exports. With regard to Nigeria, there are also clear gains from greater intraregional trade in terms of income generation and poverty reduction (Cadot and others 2018[2]).

[1] Golub, S., A. A. Mbaye and C. A. Diop, 2019, "Benin's Informal Trading with Nigeria," Chapter 8 of Benin Institutional Diagnostic WP19/BID09.

[2]Cadot, O., M. Ferrantino, J. Gourdon and D. Reyes, 2018, "Reforming Non-Tariff Measures: From Evidence to Policy Advice." World Bank.

**10. Medium-term prospects continue to be favorable.** Cotton production, construction, and transport, which are the main drivers of economic growth, are expected to continue expanding vigorously next year. Under the assumption that the border with Nigeria reopens promptly, growth is assumed to remain at its potential, estimated above 6½ percent in IMF Country Report 19/203, in 2020 and beyond. In light of the international commodity price forecasts and inflation projections in the euro area, inflation is projected to remain below the WAEMU 3 percent ceiling over the medium term. Continued fiscal discipline should ensure that the budget deficit remains below the WAEMU criterion of 3 percent of GDP, placing public debt on a firm downward path. The current account

[2] Staff projections assume a three month-border closure (until end-November 2019), which is estimated to lower 2019 GDP growth by half a percent, all else being equal. Compared to IMF Country Report 19/203, growth is revised down by 0.3 percent, because some positive factors partly offset the negative effect of the border closure, including changes in sector weights following the GDP rebasing and a better measurement of the value added of the public sector.

balance is expected to improve, driven by strong exports and the public investment scaling-down from the 2017 peak level.

**11. Risks to the outlook are tilted to the downside** (Annex II). At the national level, uncertainty remains elevated, although political protests have abated. The local elections, planned for April 2020, may trigger a resurgence of social unrest, which could adversely affect the macroeconomic performance. In addition, a prolonged closure of the border with Nigeria would take a heavy toll on Benin's exports, growth and fiscal revenues. The April 2021 presidential elections may generate public spending pressures next year. Unresolved banking sector vulnerabilities may also pose fiscal risks if not handled carefully and in timely manner. At the regional level, a contagion of security risks, which have intensified in neighboring countries, could generate budgetary costs related to security spending and revenue losses. At the global level, the main risks could originate from rising protectionism and weaker-than-expected global growth.

# POLICY DISCUSSIONS

*Discussions focused on (i) the main parameters of the 2020 budget and revenue mobilization efforts; (ii) the revised debt management strategy; (iii) the reform of the investor protection framework; and (iv) the soundness of the financial sector.*

## A. Creating Fiscal Space for Development Programs

**12. The draft budget aims at bringing the fiscal deficit below 2 percent of GDP in 2020**. The draft budget targets a fiscal deficit of 1.8 percent of rebased GDP and entails a fiscal adjustment of ¼ percent of GDP relative to 2019 (Text Table 1).[3] The deficit target is within the WAEMU deficit ceiling and will place the debt ratio on a downward trajectory. The budget includes a revenue mobilization effort estimated at ¼ percent of GDP, essentially on domestic tax revenue; customs revenues are assumed to remain stable in percent of GDP given the

**Text Table 1. Benin: 2020 Draft Budget**
(percent of GDP)

| | 2019 Prel. | 2020 Authorities Draft Budget |
|---|---|---|
| **Revenues and grants** | 14.4 | 14.5 |
| Tax revenues | 11.2 | 11.4 |
| Nontax revenues | 2.1 | 2.1 |
| | | |
| **Total expenditure and net lending** | 16.7 | 16.3 |
| *of which:* capital expenditure | 5.4 | 5.5 |
| wage bill | 4.8 | 4.5 |
| | | |
| Overall balance (Commit. basis, with arrears recognition) | -2.3 | -1.8 |
| **Overall balance (Commit. basis, without arrears recognition)** | -2.0 | -1.8 |

Sources: Benin authorities and IMF staff estimates and projections.
Note: Arrears to suppliers were accumulated before 2016 and recognized in 2019.

[3] Excluding the statistical recognition of arrears, the 2019 deficit is estimated at 2.0 percent of the rebased GDP.

uncertainties.[4] On the spending side, the plan is to continue to rationalize the wage bill, while protecting social and capital spending.[5]

**13. On the revenue side, the budget foresees an ambitious tax effort**. With the rebasing of national accounts, the tax ratio was revised down to 11 percent of GDP—a low level in Sub-Saharan Africa and compared to the WAEMU convergence criterion of 20 percent of GDP. The authorities agreed to a revenue mobilization effort equivalent to ½ percent of GDP at end-2019 (new SB). The revenue package is based on durable tax measures, focused on income and real estate taxes (Text Table 2, and MEFP ¶41). To be prudent, the expected yield of this tax package is set at ¼ percent of GDP in the draft budget and the program. In case the new revenue measures yield more than ¼ percent of GDP, any in-year windfall could be reallocated to capital and social expenditure as part of a supplementary budget.

**Text Table 2. Benin: Expected Gains from Revenue Measures in 2020**

| | **Expected gains** (in percent of GDP) |
|---|---|
| **(1) Tax policy** | |
| Capital income taxes | 0.2 |
| Taxes on financial and nonfinancial assets | 0.1 |
| Consumption taxes | 0.1 |
| **(2) Revenue admnistration** | |
| Mobile payment of the *TVM* [1], generalization of electronic invoicing system of VAT, and other administrative measures. | 0.1 |
| **(3) = (1) + (2) Total revenue mobilization effort between 2019 and 2020** | **0.5** |

[1] *Taxes on vehicules (Taxe sur les Vehicules a Moteur,* TVM)

Sources: Benin authorities and IMF staff estimates.

**14. On the expenditure side, priority is given to protecting development spending**. Until 2019, a large part of the fiscal adjustment under the program has relied on the reduction of the capital expenditure-to-GDP ratio. As discussed in IMF Country Report 19/203, a preferable strategy would be to achieve fiscal consolidation through greater domestic revenue mobilization. This strategy will be implemented next year: the tax effort and wage bill savings foreseen for 2020 will

[4] In the first half of 2019, customs revenues were broadly on target. For 2020, staff's central scenario assumes a constant ratio of customs revenue to GDP. Next year's forecasts are subject to both downside risks (e.g., if the border closure is prolonged or if corrective measures are taken to reduce informality) and upside risks (e.g., if there is a "catch-up effect" after the border reopens and customs revenue pick up).

[5] The wage bill ratio is expected to decline by 0.3 percent of GDP in 2020 as a result of (i) the effect of the measures taken in the 2019 budget (see IMF Country Report 18/364); (ii) the extension of the "bancarization" of payments (through wire rather than paid cash at the counter) to military personnel; and (iii) the rationalization of the diplomatic service (MEFP ¶43).

enable to maintain constant the ratios of capital and social expenditures to GDP.[6] The nominal increase in capital spending seems feasible, given the progress made by the authorities in upgrading their investment management framework, as highlighted in the 2019 IMF Public Investment Management Assessment Update report. With regard to social expenditure, the authorities are phasing in their universal healthcare insurance system (ARCH). In 2019, they started a pilot phase in three regions, testing the system on the poorest. The insurance is expected to be progressively expanded to the rest of the population and become fully operational by 2022. For 2020, the extension will cover all extreme poor, accounting for 17 percent of the total population; its cost, estimated at 0.3 percent of GDP, is included in the draft budget.[7]

**15. Should the border closure extend to 2020 and revenues fall short of expectations, the authorities stand ready to take offsetting measures in year.** A prolonged border closure would require fiscal adjustment relative to the draft budget plan. The authorities, who are firmly committed to the 2020 deficit target, agreed to slow down the execution of capital expenditure in case revenues underperform in the first months of 2020 (MEFP ¶42). Nonetheless, fully compensating the revenue shortfall with spending cuts may not be feasible if the border closure extends beyond the first quarter of next year. Indeed, the loss of customs revenues could be very large—representing 1.3 percent of GDP on an annualized basis, more than a third of the domestically-financed capital expenditure budget (projected at 3.2 percent of GDP in 2020). In the event the border remains durably closed, the next review of the program in the spring 2020 will provide an opportunity to revisit the issue with the authorities.

## B. Fostering Prudent Debt Management

**16. The public debt-to-GDP ratio is expected to stabilize this year after five years of continued increase.** This positive development results from a combination of factors, including the significant decline in the fiscal deficit, strong economic growth, and the absence of new guarantees delivered by the government in 2019. Ensuring that debt remains on a declining path afterwards will require strict adherence to medium-term fiscal discipline, in particular by keeping the fiscal deficit below 3 percent of GDP, in line with the WAEMU criterion.

**17. The risk of debt distress remains moderate**. The rebasing of the national accounts led to a sharp downward revision of the debt-to-GDP ratio. However, debt sustainability improved only

[6] Beyond 2020, baseline fiscal projections assume that fiscal consolidation will rely on the reduction of the ratio of public investment to GDP over 2021-24. This is because the medium-term tax projections are based on the conservative assumption of constant tax ratio and unchanged tax policy. However, like in 2020, a more desirable approach would be to focus on greater revenue mobilization.

[7] As discussed in IMF Country Report 19/203, the insurance system is expected to be self-financed, except for the extremely poor population who will benefit from a public subsidy to cover their insurance premium. Therefore, no additional budgetary cost (beyond 0.3 percent of GDP) is expected in subsequent years.

modestly, because the liquidity indicators, which are expressed in percent of taxes or exports, have not been significantly affected by the rebasing (see updated Debt Sustainability Analysis (DSA)).[8]

**18. The greater reliance on external financing has created new risks and operational challenges.** Following the 2018 debt reprofiling operation and the 2019 issuance of a Eurobond, the composition of debt has changed significantly, with external debt accounting for nearly 60 percent of total debt in 2019, compared to 40 percent in 2017. Although external borrowing can help diversify the financing mix and improve debt terms, it creates new risks (e.g., exchange rate risk) or change their nature (e.g., rollover risk). Box 3 in IMF Country Report 19/203 describes a number of reforms of the debt management framework meant to better monitor and mitigate these vulnerabilities.

**19. In response to these new challenges, the authorities are in the process of revising their medium-term debt management strategy (MTDS).** The previous MTDS targeted a balanced composition between domestic and external debt. The new MTDS, covering the period 2020-24, will be published by end-2019. It will include a new target range of 55-60 percent for the share of external debt (MEFP ¶ 46 and 47). The debt management agency has computed the target range using the IMF/WB Analytical Tool that assesses the costs and risks of alternative debt issuance strategies (Annex III). The composition target will be reflected in operational plans, prepared on an annual basis and attached to the draft budget.

**20. Beyond the revision of the debt management strategy, the authorities are also introducing functional changes in the debt management office** (MEFP ¶ 16). At the organizational level, the agency has restructured its operations department to achieve a more rigorous monitoring and control of disbursements and repayments. Portfolio managers are now specialized by type of lender (domestic banks, foreign banks, donors) to enhance efficiency. Following the audit conducted by AFRITAC West in 2015, the agency has aligned its structure with the "front, middle and back office" model, consistent with international best practices. Second, efforts have been made to enhance capacity. The agency has recruited bilingual staff with qualifications in statistics and forecasting. Its staff receives regular training provided by technical partners and IMF technical assistance. Third, the agency website has been revamped and its information is updated regularly.

**21. The impact of future infrastructure projects on debt sustainability will need to be carefully assessed, monitored, and managed.** More than half of the Government Action Plan projects are expected to be financed by the private sector, partly through Public Private Partnerships (PPPs). A PPP law was enacted in 2016. As of end-2019, no PPP has been signed yet, although some infrastructure projects in the energy sector are at the feasibility study stage. Staff recognizes that some public support may be needed to attract private investors, but its implications on public debt

[8] The GDP rebasing was mostly reflected in an upward revision of private consumption, not exports.

and contingent liabilities should be carefully considered. The mission reiterated that future PPPs should be properly reflected in fiscal accounts, and their fiscal risks assessed.[9]

## C. Enhancing Governance and Fighting Corruption

**22. Despite recent progress, perceptions of governance weaknesses adversely impact Benin's competitiveness and attractiveness for foreign investors**.[10] According to the 2018 Global Competitiveness Report, Benin's index lies below the SSA average, and corruption is described as the second most problematic factor for doing business in the country, after constraints on access to financing. So far, no project has been initiated under the Compact with Africa sponsorship. Nonetheless, positive steps have been observed in recent years. The most recent survey of Transparency International—the Global Corruption Barometer Africa 2019—finds that public perception of corruption has improved significantly since 2015: 44 percent of the population in Benin think that the government is doing a good job at fighting corruption compared to 19 percent in 2015. Also, the 2020 Doing Business Report of the World Bank noted an improvement of four places of Benin's overall ranking, mainly due to a progress in the areas of insolvency procedures, contract enforcement, property registration, and construction permits.

**23. Enhancing the investor protection regime could contribute to changing these perceptions.** Benin's framework presents some weaknesses noted by international surveys, including a lack of transparency and insufficient safeguards against the misuse of funds by managers (Annex IV). The authorities are in the process of adopting a new investment code (currently at Parliament), which will address some of these issues (MEFP¶54). Further reforms could focus on (i) improving the dissemination of information (to be made available on the websites of national agencies in charge of promoting foreign investment in the country) in order to enable investors to better evaluate investment conditions in the country; (ii) strengthening the protection of minority shareholders to better involve them in major business decisions; and (iii) increasing scrutiny over management teams' activities.

**24. The authorities could also take measures to increase the effectiveness of their AML/CFT framework.** The assessment report of Benin's compliance with the AML/CFT standards by the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA)—which highlights significant deficiencies in the AML/CFT framework—is expected to be approved in May

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[9] The construction of a pipeline carrying crude oil from Niger to Benin's Cotonou port is expected to take place in 2020-21, with a start of operations scheduled in 2022. The construction cost for the Beninese portion is estimated at about USD $1 billion. The project will be managed and financed entirely by a private company owned by international shareholders. The Beninese government is not involved financially in the project and is not liable in case the project does not advance according to plan (MEFP ¶51).

[10] International competitiveness and doing business indicators as well as the Global Corruption Barometer Africa should be interpreted with caution since their methodology generates margins of error for each governance estimate and they are based on surveys of perceptions by enterprises, citizens, and experts. Estimates reflect the relative, not the absolute, performance of a country.

2020.[11] The authorities have initiated a plan to address past GIABA's recommendations, including by increasing financial support for the CENTIF, improving reporting of suspicious transactions, and establishing a national agency in charge of managing confiscated criminal assets. The authorities should step-up their efforts in improving the effective implementation of the AML/CFT framework and address the deficiencies identified in the recent draft GIABA report, including by enhancing the prevention and enforcement against money laundering and financial crimes.

**25. Benin has progressively built an anti-corruption legal and institutional framework, but meaningful steps need to be taken to improve its implementation**. In line with the IMF recommendations of June 2019, the anti-corruption strategy should be adopted, and resources should be mobilized for its implementation, including to enhance the prevention and enforcement against corruption offenses. The operational independence of the National Anti-Corruption Authority should be strengthened, and its activity reports published. Benin should also meet its obligations under the United Nations Convention against Corruption with respect to the upcoming implementation review.

**26. Another priority area for governance is trade facilitation**. The lack of clarity and automation of the formalities required for importers and exporters creates risks of negotiations and illegal payments between customs agents and individuals seeking to circumvent the rules. Accelerating the digitalization of trade procedures and simplifying them could reduce trade informality and increase customs revenue, by enhancing control and making formal transactions less burdensome.

**27. Finally, fiscal governance reforms are key to fostering fiscal transparency and ensuring that public funds are spent efficiently.** The mission followed up on the implementation of the recommendations made in IMF Country Report 19/203. With respect to revenue administration, the process of modernizing payment processes is ongoing, including the online submission of financial statements of companies. Regarding the consolidation of the treasury single account (TSA), an IMF Technical Assistance mission is scheduled to visit Benin in December in order to support the implementation and impact analysis of the TSA (March 2020 SB). Finally, in the area of public investment management, agents in charge of controlling public procurement have been appointed in all line ministries, public institutions, and local governments this spring.

## D. Strengthening the Banking Sector

**28. Important reforms are underway to address the weaknesses of the Beninese banking sector**. As mentioned in previous reports, the banking sector is shallow and suffers from a structurally weak profitability, low liquidity, poor credit quality, and elevated credit concentration. Important reforms are phased in at the regional level, including the move to Basel II/III prudential standards and new bank accounting rules (IFRS 9). In the context of these reforms, Beninese banks have recently made considerable recapitalization efforts. The few small banks that are still

[11] The draft report was discussed during GIABA November 2019 Plenary, but its adoption was postponed until May 2020 in order to improve its quality.

noncompliant with the statutory minimum level of capital of CFAF 10 billion are undergoing restructuring. Regarding microfinance institutions (MFIs), the authorities continue their efforts to formalize unauthorized institutions and close nonviable ones. To obtain a better purview of the current state of the MFI sector, the authorities have conducted a 2019 census of the sector and are in the process of analyzing the collected data.

**29. The formalization of real estate guarantees has started and could significantly improve banks' profitability.** In April 2019 the authorities adopted a decree facilitating the conversion of occupancy permits into real estate titles that are recognized as collateral by the regulator (MEFP ¶ 34). As of end-October, about 600 guarantees have been formalized, corresponding to CFAF 72 billion (0.9 percent of GDP) of underlying collateral. This will allow banks to recover some provisions and repurpose them towards more profitable activities. In addition, given that the lack of adequate collateral is one of the main obstacles to lending to SMEs, this reform could also reduce credit concentration. Beninese banks are very supportive of this reform, but emphasized the need to improve the efficiency of notaries, who manage the formalization procedure.

**30. To better channel savings towards development projects, the authorities are in the process of establishing a Caisse des Depots et Consignations (CDC).** This type of institution, which exists in several francophone countries, manages a pool of dedicated savings (e.g. deposits associated with legal contracts, court-ordered consignments, and some public funds). Its mandate is to finance long-term investment and support public policies, mostly in the area of economic development. In the case of Benin, an added benefit of the CDC could be to lower the cost of term deposits in banks.[12] The authorities have hired an international consulting firm to assist with the operationalization of the CDC, which will progressively start its activities in 2020 after the government validates its business model (MEFP ¶ 31-33).

**31. The authorities are assessing the best merger option for two public banks .** As mentioned in the previous staff report, two small public banks, after having recorded repeated losses in 2015-17, are in the process of being merged. The aggregate capital shortfall for both banks at end-2018 (relative to the CFAF 10 billion norm) represents less than half a percent of GDP. The authorities have hired an international audit company to assess various merger options. The technical work is still ongoing and will be presented to IMF staff when finalized (MEFP ¶30). The mission reiterated that the selected option should be consistent with international best practices, including minimizing the cost for the state while preserving financial stability (see description of the principles in IMF Country Report 19/203).

[12] The CDC will manage some of the funds of the social security fund, thereby reducing its market power with banks. At the same time, if the CDC withdraws some deposits from commercial banks to reallocate funds to infrastructure projects, this may pressure banks' liquidity position in the short term.

# DATA ISSUES AND CAPACITY DEVELOPMENT

**32. Conjunctural data**. To facilitate effective economic surveillance, staff stressed the need to improve the availability, timeliness and comprehensiveness of high-frequency indicators. This is all the more important that the level of international investors' scrutiny has increased following the Eurobond issuance. The authorities have started publishing a quarterly conjunctural note in English in the first half of 2019.

**33. Extension of debt coverage to SOEs**. Staff stressed the importance of extending the DSA coverage to SOEs (see updated DSA report). The authorities are assessing the scope for consolidating central government fiscal accounts with the financial statements of the SOEs (with the help of AFRITAC WEST), which they see as a prerequisite before incorporating SOE debt in total debt.

**34. Capacity development (CD)**. Benin's medium-term CD strategy focuses mainly on (i) enhancing domestic revenue mobilization (both revenue administration and tax policy), (ii) improving budgeting, public expenditure efficiency, and cash management, (iii) and upgrading real, government, and external sector statistics (see Annexes IV and V of IMF Country Report 19/203). In FY2019, several important diagnostic missions delivered a comprehensive assessment of the customs, tax administrations and tax policy, helping design the revenue mobilization strategy under the program. Technical assistance on national accounts was also provided to the INSAE to finalize the GDP rebasing. For FY2020, the authorities will receive a Fiscal Transparency Evaluation and a Medium-Term Revenue Strategy (MTRS) mission, with the aim of strengthening medium-term budgeting. The MTRS will help design a comprehensive reform plan that relies on consistent and realistic tax policy and revenue administration measures. This plan will take into account the country's development needs as well as the gradual convergence of the tax ratio towards the WAEMU regional criterion of 20 percent of GDP.

# PROGRAM CONDITIONALITY AND MODALITIES

**35. Performance under the program continues to be strong.** All end-June 2019 QPCs and the indicative target for priority social spending have been met. The authorities also met the end-September SB on the diagnostic of obstacles to trade.

**36. The program remains on track despite the nonobservance of some indicative targets (IT) in September 2019.** Revenues exceeded their target at-end September, despite the border closure. The deviation from the IT on primary balance reflects a faster-than-anticipated execution of the domestically-financed capital budget in the third quarter, which is expected to be offset in the last months of the year. Finally, the concentration of debt repayments in the last quarter should ensure that the net domestic financing QPC is met at end-December.

**37. Modified QPCs for end-December 2019.** To account for the effect of the unexpected border closure with Nigeria, staff supports the authorities' request for a modification of the end-

December 2019 QPCs on revenue, basic primary balance, and net domestic financing in the form of temporary adjustors (Technical Memorandum of Understanding ¶ 13, 17, and 21), calibrated to revise the QPCs in proportion to the number of months of closure over October-December 2019. Staff estimates that the border closure entails a loss of customs revenues of about CFAF 10 billion per month. The September 2019 revenue loss is not covered by the adjustor and will be compensated by the past overperformance of domestic taxes. However, a closure of two, three or four months (until the end of 2019) will require adjusting the QPCs through (i) a reduction in the floors on revenue and basic primary balance, and (ii) an equivalent increase in the domestic financing ceiling. Besides the adjustors, no change is proposed in the underlying targets relative to IMF Country Report 19/203.

**38. Technical extension of the program.** The current ECF arrangement will expire on April 6, 2020. The authorities' letter of intent requests a four-month technical extension to provide sufficient time for the completion of the sixth and final review under the arrangement and the related disbursement.

**39. The main parameters of the 2020 budget proposal are secured by a prior action and a new SB**. Like in previous years, a prior action will ensure that the 2020 budget submitted to the parliamentary commission is consistent with the program. In addition, the adoption of the 2020 tax package will be subject to a SB (MEFP Table 2).

**40. The program is consistent with regional policies**. By ensuring that all first-order convergence criteria (deficit, debt, and inflation) are met, Benin's Fund-supported program is aligned with economic policies at the WAEMU level. In particular, it is consistent with the strategy to strengthen reserves and, more generally, enhance regional external stability, as discussed in IMF Country Report 19/90.

**41. Financing assurances are adequate.** The program is fully financed until its end (April 2020). Benin has a track record of meeting its obligations to the Fund and has adequate capacity to repay it. At end-September 2019, outstanding Fund credit (including the GRA) was around 98.00 percent of quota or SDR 120.97 million. The debt service payments to the Fund will remain manageable, with obligations peaking in 2020 at 0.9 percent of government revenue.

**42. Safeguards assessments.** The updated safeguards assessment of the BCEAO completed in 2018 found that the central bank had maintained a strong control environment, audit arrangements were in broad conformity with international standards, and the financial statements were prepared in accordance with International Financial Reporting Standards (IFRS 9). The BCEAO has recently enhanced the oversight role of its audit committee in line with the recommendations of the assessment.

# STAFF APPRAISAL

**43. Performance under the program continues to be very satisfactory**. All QPCs at end-June 2019 and the September SB were met. The macroeconomic and structural policies outlined in the Memorandum of Economic and Financial Policies (MEFP) are adequate to pursue the program's objectives.

**44. Benin's economic growth continues to be strong despite a less supportive external environment and the border closure with Nigeria**. Real GDP is expected to slow down to 6.4 percent in 2019. However, growth should bounce back in 2020 and remain sustained over the medium term, buttressed by vigorous cotton production, construction, and port activity.

**45. Maintaining the fiscal deficit below 3 percent of GDP in 2020 and beyond will put the debt ratio on a firm downward trajectory**. Staff welcomes the authorities' draft 2020 budget, which targets a fiscal deficit well below the WAEMU deficit criterion and entails a fiscal adjustment of ¼ percent of GDP relative to 2019. Medium-term fiscal discipline is essential to secure debt sustainability.

**46. The 2020 budget places appropriate emphasis on revenue mobilization**. The expected tax effort will generate resources to support development programs and strengthen the government's ability to repay debt. On the expenditure side, the composition of the budget is broadly adequate, with the envelope dedicated to priority social spending and capital expenditure remaining stable in percent of GDP despite the fiscal adjustment.

**47. Enhanced debt management is necessary to mitigate the risks associated with greater reliance on external financing**. The significant increase in the share of external debt in total debt in the past two years warrants caution. The recent debt reprofiling operation and the Eurobond issuance have contributed to lowering borrowing costs, diversifying the financing structure, and extending debt maturity. However, they also create new vulnerabilities. Staff welcomed the authorities' decision to update the medium-term debt strategy and pursue organizational reforms at the debt agency.

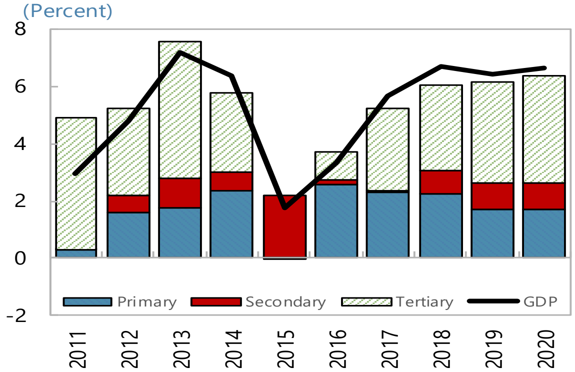
**48. Staff supports the authorities' request for completion of the fifth review of the ECF supported program**. Staff also supports the request for a four-month technical extension of the program; the proposed modification of the end-December 2019 QPCs on revenue, primary balance, and domestic financing; as well as the addition of a prior action and a new SB.

## Figure 1. Benin: Recent Developments, 2011–20[1]

Growth has increased since 2016, pulled primarily by the tertiary sector…

**Contribution to GDP Growth**

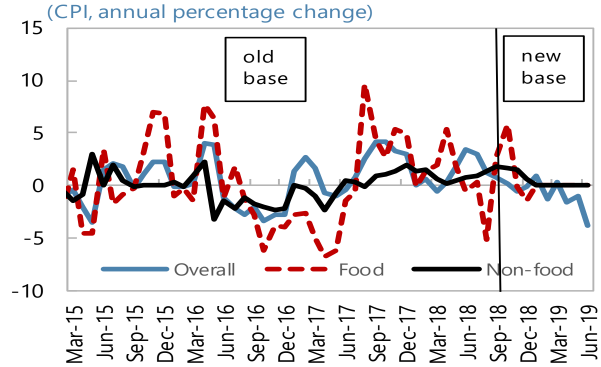
(Percent)




…and inflation has remained subdued.

**Inflation**

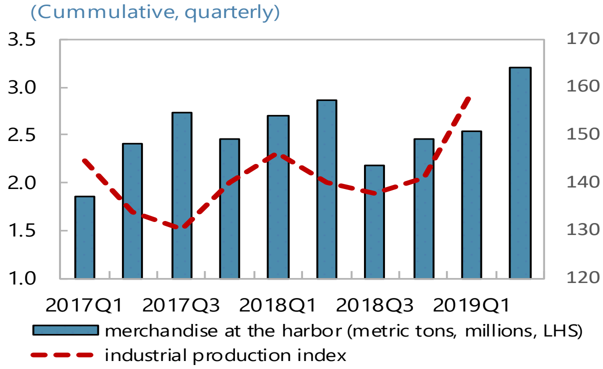
(CPI, annual percentage change)




Industrial production has picked up since mid-2017.

**Economic Activity**

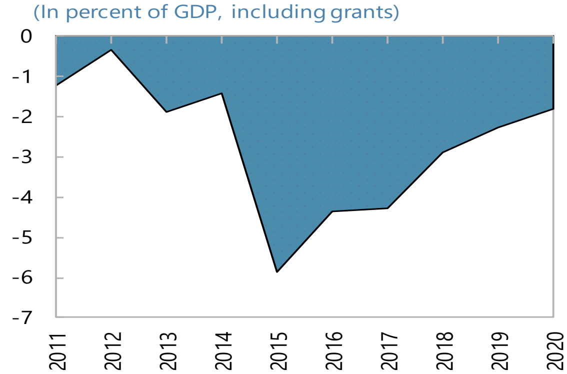
(Cummulative, quarterly)




The fiscal deficit has improved significantly under the program.

**Overall Fiscal Balance**

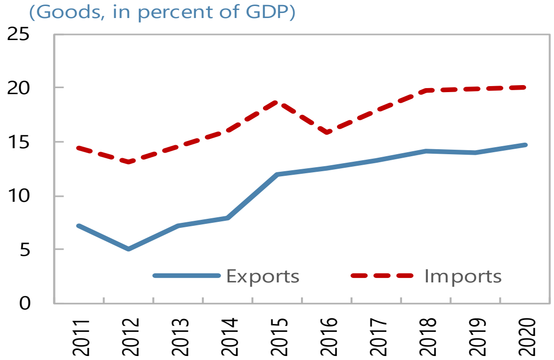
(In percent of GDP, including grants)



Since 2016 imports have gone up…

**International Trade**

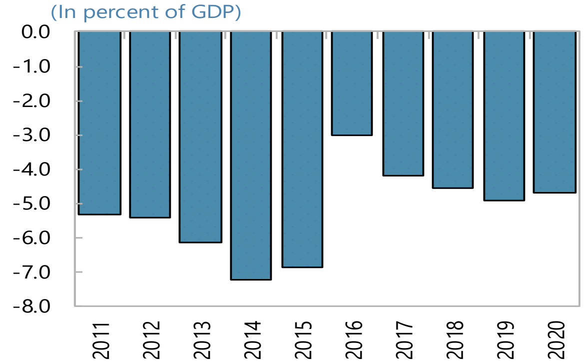
(Goods, in percent of GDP)




…which has deteriorated the current account deficit.

**Current Account Balance**

(In percent of GDP)



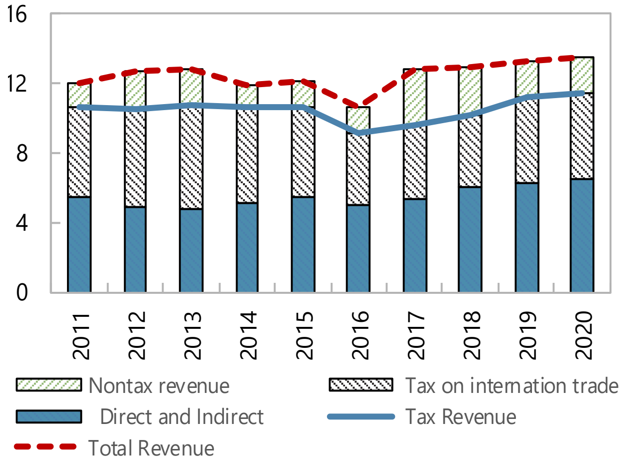
Sources: Beninese authorities and IMF staff calculations.

1/Projections start in 2018 for real and external data and in 2019 for fiscal data.

## Figure 2. Benin: Fiscal Developments and Projections, 2011–20[1]

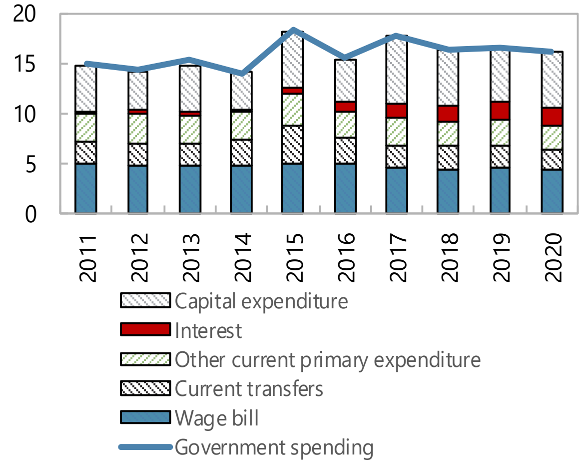
Improved tax revenues...

### Revenue
(percent of GDP)



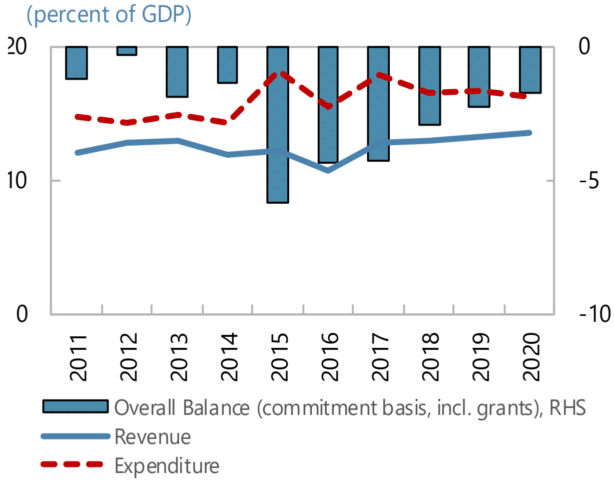

combined with a scaling down of public investment...

### Expenditure
(percent of GDP)



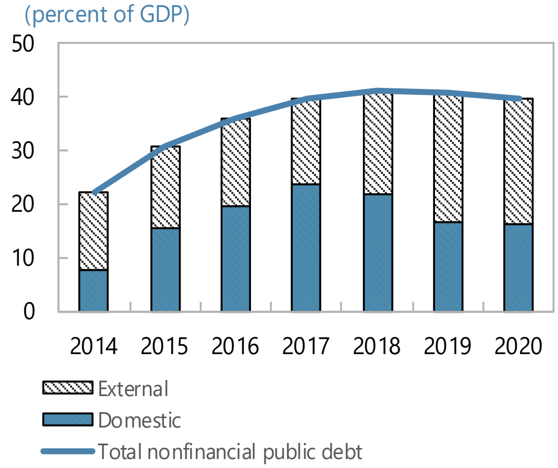

...led to improved fiscal positions in 2018 and 2019.

### Overall fiscal deficit
(percent of GDP)




Government debt is expected to peak in 2018-19.

### Total Government Debt
(percent of GDP)

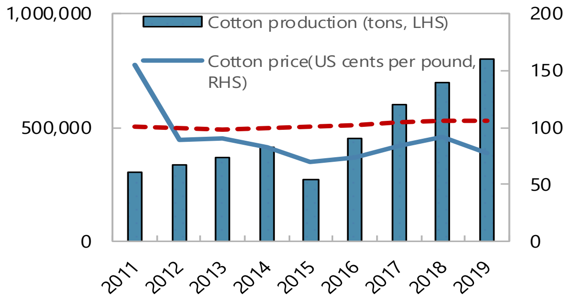



Sources: Beninese authorities and IMF staff calculations.
1/Projections start in 2019.

## Figure 3. Benin: Real and External Developments, 2006–19[1]

Cotton production rose in recent years...

### Cotton Production and Price

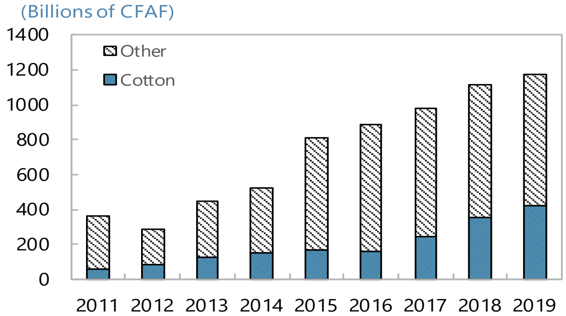



... but prices have declined since the second half of 2018.

### International Cotton Prices
(US cents per pound)

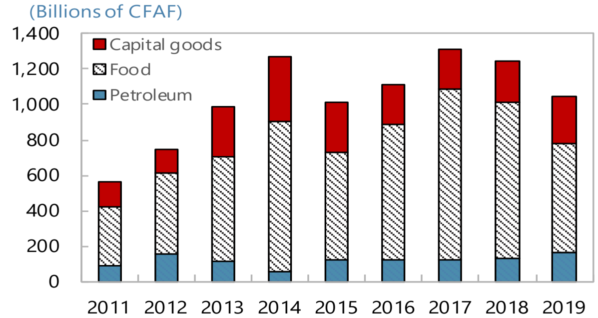

Total exports have increased continuously...

### Composition of Exports
(Billions of CFAF)



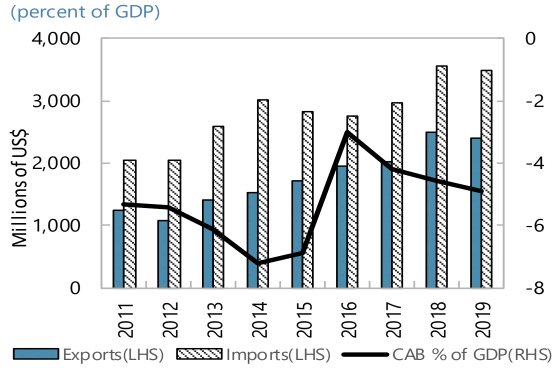

... while imports have decreased in 2018.

### Composition of Imports
(Billions of CFAF)



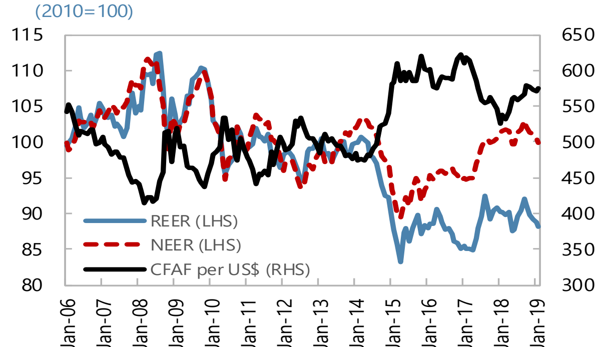

The current account has deteriorated since 2017.

### Current Account Balance
(percent of GDP)




While the CFA franc depreciated against the US dollar in 2018, the real effective exchange rate remained broadly stable.

### Exchange Rates
(2010=100)




Sources: Beninese authorities and IMF staff calculations.
1/Projections start in 2018.

## Table 1. Benin: Selected Economic and Financial Indicators, 2017–24

| | 2017 | 2018 [1] | | | 2019 [1] | | | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Act. | EBS/19/203/ Original GDP | EBS/19/203/ Rebased GDP | Est. | EBS/19/203/ Original GDP | EBS/19/203/ Rebased GDP | Prog. | Projections | | | | |
| | | | | | (Annual percentage change) | | | | | | | |
| National income | | | | | | | | | | | | |
| GDP at current prices | 5.3 | 7.6 | 7.6 | 7.4 | 8.3 | 8.3 | 5.6 | 8.0 | 9.2 | 9.1 | 9.2 | 9.1 |
| GDP at constant prices | 5.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 6.4 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 |
| GDP deflator | -0.4 | 0.9 | 0.9 | 0.7 | 1.6 | 1.6 | -0.8 | 1.2 | 2.2 | 2.2 | 2.1 | 2.1 |
| Consumer price index (average) | 1.8 | 1.0 | 1.0 | 0.8 | 1.7 | 1.7 | -0.6 | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Consumer price index (end of period) | 3.0 | 0.0 | 0.0 | -0.1 | 1.7 | 1.7 | 1.8 | 1.9 | 2.0 | 2.0 | 2.0 | 2.0 |
| Central government finance | | | | | | | | | | | | |
| Total revenue | 26.6 | 8.9 | 8.9 | 8.9 | 8.1 | 8.1 | 8.1 | 9.7 | 9.1 | 9.1 | 9.2 | 9.1 |
| Expenditure and net lending | 21.3 | -0.9 | -0.9 | -0.9 | 6.9 | 6.9 | 6.9 | 5.3 | 8.6 | 8.0 | 9.0 | 7.5 |
| External sector | | | | | | | | | | | | |
| Exports of goods and services | 0.7 | 21.3 | 21.3 | 18.1 | 18.3 | 18.3 | 1.6 | 10.0 | 13.5 | 10.9 | 8.9 | 8.7 |
| Imports of goods and services | 5.6 | 9.8 | 9.8 | 14.7 | 11.7 | 11.7 | 2.9 | 6.2 | 8.1 | 6.5 | 7.4 | 7.4 |
| Terms of trade (minus = deterioration) | 1.5 | 0.9 | 0.9 | 2.4 | 0.8 | 0.8 | -0.8 | 0.0 | 0.0 | 0.0 | 0.7 | 0.5 |
| Nominal effective exchange rate (minus = depreciation) | … | … | … | … | … | … | … | … | … | … | … | … |
| Real effective exchange rate (minus = depreciation) | … | … | … | … | … | … | … | … | … | … | … | … |
| | | | (Change in percent of beginning-of-period broad money, unless otherwise indicated) | | | | | | | | | |
| Money and credit | | | | | | | | | | | | |
| Net domestic assets | 6.4 | -3.4 | -3.4 | -4.2 | -10.4 | -10.4 | -10.7 | … | … | … | … | … |
| Domestic credit | 8.8 | 9.3 | 9.3 | 1.1 | 7.7 | 7.7 | 5.5 | … | … | … | … | … |
| Net claims on central government | 7.6 | -2.7 | -2.7 | -3.7 | 0.6 | 0.6 | 0.1 | … | … | … | … | … |
| Credit to the nongovernment sector | 1.2 | 12.0 | 12.0 | 4.8 | 7.1 | 7.1 | 5.4 | … | … | … | … | … |
| Broad money (M2) | 1.0 | 5.6 | 5.6 | 4.8 | 8.3 | 8.3 | 5.6 | … | … | … | … | … |
| | | | | | (Percent of GDP) | | | | | | | |
| National accounts | | | | | | | | | | | | |
| Gross investment | 24.0 | 28.4 | 20.7 | 26.4 | 28.4 | 20.4 | 26.6 | 27.2 | 27.5 | 27.9 | 28.3 | 28.8 |
| Government investment | 6.7 | 7.7 | 5.6 | 5.6 | 7.2 | 5.2 | 5.4 | 5.5 | 5.3 | 5.2 | 5.2 | 5.2 |
| Nongovernment investment | 17.3 | 20.7 | 15.1 | 20.8 | 21.2 | 15.2 | 21.2 | 21.7 | 22.2 | 22.6 | 23.1 | 23.6 |
| Gross domestic saving | 16.5 | 17.8 | 13.0 | 18.9 | 18.8 | 13.5 | 19.1 | 20.4 | 21.5 | 22.8 | 23.6 | 24.3 |
| Government saving | 1.7 | 2.9 | 2.2 | 2.2 | 2.7 | 1.9 | 2.0 | 2.8 | 2.6 | 2.7 | 2.7 | 2.8 |
| Non-government saving | 14.8 | 14.8 | 10.8 | 16.7 | 16.1 | 11.6 | 17.1 | 17.6 | 18.9 | 20.1 | 20.9 | 21.5 |
| Gross national saving | 19.8 | 20.1 | 14.7 | 21.8 | 20.6 | 14.8 | 21.7 | 22.5 | 22.9 | 23.6 | 24.2 | 25.0 |
| Consumption | 83.5 | 82.2 | 60.1 | 81.1 | 81.2 | 58.4 | 80.9 | 79.6 | 78.5 | 77.2 | 76.4 | 75.7 |
| Government consumption | 8.4 | 11.0 | 8.1 | 8.1 | 11.0 | 7.9 | 8.3 | 7.8 | 7.8 | 7.8 | 7.8 | 7.8 |
| Non-government consumption | 75.2 | 71.2 | 52.0 | 73.0 | 70.2 | 50.5 | 72.7 | 71.8 | 70.7 | 69.5 | 68.7 | 67.9 |
| Central government finance | | | | | | | | | | | | |
| Total revenue (excluding grants) | 12.8 | 17.8 | 13.0 | 13.0 | 17.7 | 12.8 | 13.3 | 13.5 | 13.5 | 13.5 | 13.5 | 13.5 |
| Expenditure and net lending | 17.9 | 22.5 | 16.5 | 16.5 | 22.3 | 16.0 | 16.7 | 16.3 | 16.2 | 16.0 | 16.0 | 15.8 |
| Primary balance [2] | -3.6 | -2.6 | 1.9 | -1.9 | -2.1 | -1.5 | -1.5 | -1.0 | -0.7 | -0.6 | -0.6 | -0.6 |
| Basic primary balance [3] | -1.1 | 0.3 | 0.2 | 0.2 | 1.6 | 1.2 | 1.2 | 1.4 | 1.6 | 1.7 | 1.7 | 1.7 |
| Overall fiscal deficit (commitment basis, excl. grants) | -5.1 | -4.8 | 3.5 | -3.5 | -4.5 | -3.2 | -3.4 | -2.8 | -2.7 | -2.5 | -2.5 | -2.3 |
| Overall fiscal deficit (commitment basis, incl. grants) | -4.3 | -4.0 | 2.9 | -2.9 | -3.0 | -2.2 | -2.3 | -1.8 | -1.7 | -1.5 | -1.5 | -1.3 |
| Central government debt [4] | 39.6 | 56.1 | 41.0 | 41.0 | 54.1 | 38.9 | 41.1 | 40.1 | 37.5 | 36.2 | 35.1 | 33.9 |
| of which domestic arrears stock | | | | | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| External sector | | | | | | | | | | | | |
| Balance of goods and services | -7.5 | -10.6 | -7.8 | -7.5 | -9.6 | -6.9 | -7.5 | -6.8 | -5.9 | -5.1 | -4.8 | -4.5 |
| Current account balance (incl. grants) | -4.2 | -8.3 | -6.0 | -4.5 | -7.8 | -5.6 | -4.9 | -4.7 | -4.5 | -4.3 | -4.1 | -3.8 |
| Current account balance (excl. grants) | -4.4 | -8.5 | -6.2 | -4.8 | -8.2 | -5.3 | -5.2 | -5.0 | -4.8 | -4.5 | -4.3 | -4.0 |
| Overall balance of payments [6] | 2.3 | 3.7 | 2.7 | 2.7 | 6.4 | -4.6 | 4.2 | 3.1 | 3.2 | 3.4 | 3.6 | 2.5 |
| Nominal GDP (billions of CFA francs) | 7,375.3 | 5,792.0 | 7,922.0 | 7,922.0 | 6,272.0 | 8,720.1 | 8,368.4 | 9,036.4 | 9,865.4 | 10,764.3 | 11,751.3 | 12,818.9 |
| Nominal GDP (millions of US$) | 12,697.2 | 10,432.0 | 14,268.9 | 14,268.9 | 10,934.0 | 14,930.0 | 14,327.9 | 15,435.6 | 17,014.1 | 18,704.0 | 20,535.7 | 22,566.9 |
| CFA francs per U.S. dollar (period average) | 580.9 | 553.1 | 555.2 | 555.2 | 560.5 | 560.5 | 584.1 | 585.4 | 579.8 | 575.5 | 572.2 | 568.0 |
| Total non-financial public sector debt (percent of GDP) [5] | 39.7 | 56.8 | 41.5 | 41.5 | 54.7 | 39.2 | 41.4 | 40.4 | 37.8 | 36.4 | 35.3 | 34.1 |
| of which government guarantees (percent of GDP) | 0.1 | 0.6 | 0.5 | 0.5 | 0.6 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 |
| Population (millions) | 11.2 | 11.5 | 11.5 | 11.5 | 11.8 | 11.8 | 11.8 | 12.1 | 12.5 | 12.8 | 13.2 | 13.6 |
| Nominal GDP per capita (U.S. dollars) | 1136 | 908 | 1242 | 1242 | 926 | 1264 | 1213 | 1271 | 1363 | 1457 | 1556 | 1664 |

Sources: Beninese authorities; IMF staff estimates and projections.

[1] The comparison of GDP ratios across vintages should take into account the recent rebasing of National Accounts. To facilitate the comparison, the columns for EBS/19/203 are presented in both original and rebased GDPs.

[2] Total revenue (excluding grants) minus current primary expenditure, capital expenditure, and net lending.

[3] Total revenue (excluding grants) minus current primary expenditure and capital expenditure financed by domestic resources.

[4] Includes arrears stock.

[5] Data include central government debt, government guarantees, and domestic arrears.

[6] In 2024, the decline in the overall balance of payments reflects the first repayment of the 2019 eurobond.

## Table 2. Benin: Consolidated Central Government Operations, 2017–24
(Billions of CFA francs)

| | 2017 | 2018 | | 2019 | | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Act. | EBS/19/203 | Est. | EBS/19/203 | Prog. | Projections | | | | |
| | | | | (Billions of CFA francs) | | | | | | |
| Total revenue (excluding grants) | 944.4 | 1028.6 | 1028.6 | 1112.4 | 1112.4 | 1220.0 | 1331.4 | 1452.7 | 1585.9 | 1729.9 |
| Tax revenue | 712.8 | 811.4 | 811.4 | 935.6 | 935.6 | 1030.0 | 1124.5 | 1227.0 | 1339.5 | 1461.1 |
| Tax on international trade | 316.0 | 331.9 | 331.9 | 421.5 | 412.1 | 444.0 | 484.7 | 528.9 | 577.4 | 629.9 |
| Direct and indirect taxes | 396.8 | 479.4 | 479.4 | 514.1 | 523.4 | 586.0 | 639.8 | 698.1 | 762.1 | 831.3 |
| Nontax revenue | 231.6 | 217.2 | 217.2 | 176.8 | 176.8 | 190.0 | 206.9 | 225.7 | 246.4 | 268.8 |
| Total expenditure and net lending | 1318.1 | 1305.9 | 1305.9 | 1395.7 | 1395.7 | 1469.2 | 1595.2 | 1723.3 | 1878.2 | 2019.8 |
| Current expenditure | 820.2 | 857.8 | 857.8 | 944.2 | 944.2 | 969.2 | 1070.6 | 1161.6 | 1265.0 | 1350.9 |
| Current primary expenditure | 713.8 | 731.8 | 731.8 | 790.3 | 790.3 | 806.9 | 878.5 | 958.5 | 1046.4 | 1141.5 |
| Wage bill | 337.3 | 356.7 | 356.7 | 397.7 | 397.7 | 405.9 | 441.9 | 482.2 | 526.4 | 574.2 |
| Pensions and scholarships | 95.6 | 92.2 | 92.2 | 99.3 | 99.3 | 103.0 | 112.1 | 122.4 | 133.6 | 145.7 |
| Current transfers | 166.6 | 179.4 | 179.4 | 173.1 | 173.1 | 186.5 | 203.0 | 221.5 | 241.8 | 263.8 |
| Expenditure on goods and services [1] | 114.3 | 103.6 | 103.6 | 120.2 | 120.2 | 111.5 | 121.4 | 132.5 | 144.6 | 157.7 |
| Interest | 106.4 | 126.0 | 126.0 | 153.9 | 153.9 | 162.3 | 192.1 | 203.1 | 218.6 | 209.5 |
| Domestic debt | 88.4 | 108.8 | 108.8 | 121.9 | 121.9 | 123.4 | 129.2 | 136.7 | 148.6 | 146.6 |
| External debt | 18.0 | 17.1 | 17.1 | 32.0 | 32.0 | 38.9 | 62.9 | 66.3 | 70.0 | 62.9 |
| Capital expenditure and net lending | 497.9 | 448.2 | 448.2 | 451.5 | 451.5 | 500.0 | 524.6 | 561.7 | 613.2 | 668.9 |
| Capital expenditure and net lending | 491.5 | 445.6 | 445.6 | 451.5 | 451.5 | 500.0 | 524.6 | 561.7 | 613.2 | 668.9 |
| Financed by domestic resources | 313.0 | 279.1 | 279.1 | 220.4 | 220.4 | 285.8 | 291.4 | 307.2 | 335.4 | 365.9 |
| Financed by external resources | 178.5 | 166.5 | 166.5 | 231.1 | 231.1 | 214.2 | 233.2 | 254.5 | 277.8 | 303.0 |
| Net lending | 6.4 | 2.5 | 2.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall balance (commitment basis, incl. grants) [1] | -316.5 | -230.1 | -230.1 | -190.5 | -190.5 | -161.4 | -168.3 | -166.3 | -178.5 | -165.7 |
| Primary balance [2] | *-267.3* | -151.4 | -151.4 | -129.4 | -129.4 | -86.9 | -71.8 | -67.5 | -73.7 | -80.4 |
| Basic primary balance [3] | *-82.4* | 17.6 | 17.6 | 101.7 | 101.7 | 127.4 | 161.5 | 186.9 | 204.1 | 222.6 |
| Change in arrears and float | -5.3 | -0.4 | -0.4 | 9.1 | 9.1 | -16.4 | -16.4 | -16.4 | -10.0 | -10.0 |
| External debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Domestic debt (net) | -5.3 | -0.4 | -0.4 | 9.1 | 9.1 | -16.4 | -16.4 | -16.4 | -10.0 | -10.0 |
| of which: net change in arrears stock [1] | | | | 19.1 | 19.1 | -6.4 | -6.4 | -6.4 | 0.0 | 0.0 |
| Overall balance (cash basis, excl. grants) | -364.4 | -281.4 | -281.4 | -274.3 | -274.3 | -265.5 | -280.2 | -287.0 | -302.4 | -299.9 |
| Financing | 364.4 | 281.4 | 281.4 | 274.3 | 274.3 | 265.5 | 280.2 | 287.0 | 302.4 | 299.9 |
| Domestic financing | 185.9 | -51.4 | -51.4 | -289.0 | -289.0 | 74.5 | 77.1 | 64.3 | 56.2 | 138.0 |
| Bank financing | -69.6 | -57.1 | -57.1 | 13.8 | 13.8 | 23.7 | 19.6 | 1.5 | -12.3 | 63.3 |
| Net use of IMF resources | 17.9 | 14.1 | 14.1 | 11.9 | 11.9 | 1.4 | -9.4 | -7.2 | -8.5 | -11.0 |
| Disbursements | 25.8 | 23.0 | 23.0 | 24.4 | 24.4 | 12.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Repayments | -7.9 | -8.8 | -8.8 | -12.5 | -12.5 | -11.1 | -9.4 | -7.2 | -8.5 | -11.0 |
| Other [4] | -87.4 | -71.2 | -71.2 | 1.9 | 1.9 | 22.3 | 29.0 | 8.8 | -3.8 | 74.3 |
| Nonbank and regional financing | 255.5 | 5.7 | 5.7 | -302.8 | -302.8 | 50.8 | 57.5 | 62.7 | 68.5 | 74.7 |
| Privatization | 0.0 | -8.0 | -8.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Restructuring | -7.0 | -1.7 | -1.7 | -2.0 | -2.0 | -2.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other [5] | 262.5 | 15.4 | 15.4 | -300.8 | -300.8 | 52.8 | 57.5 | 62.7 | 68.5 | 74.7 |
| External financing | 178.5 | 332.7 | 332.7 | 563.3 | 563.3 | 191.0 | 203.1 | 222.7 | 246.1 | 161.9 |
| Borrowing and Grants | 230.3 | 361.5 | 361.5 | 601.5 | 601.5 | 262.2 | 285.5 | 311.5 | 340.0 | 369.7 |
| Project financing | 178.5 | 166.5 | 166.5 | 231.1 | 231.1 | 214.2 | 233.2 | 254.5 | 277.8 | 303.0 |
| Grants | 43.3 | 31.2 | 31.2 | 67.5 | 67.5 | 74.0 | 80.6 | 87.9 | 96.0 | 104.7 |
| Loans | 135.3 | 135.3 | 135.3 | 163.6 | 163.6 | 140.2 | 152.6 | 166.6 | 181.8 | 198.3 |
| Budgetary assistance | 51.7 | 195.0 | 195.0 | 45.4 | 45.4 | 48.0 | 52.3 | 57.0 | 62.3 | 66.6 |
| Grants | 14.0 | 16.0 | 16.0 | 25.3 | 25.3 | 13.8 | 15.0 | 16.4 | 17.9 | 19.5 |
| Loans | 37.8 | 179.0 | 179.0 | 20.1 | 20.1 | 34.2 | 37.2 | 40.6 | 44.4 | 47.1 |
| Eurobond issuance | | | | 325.0 | 325.0 | | | | | |
| Amortization due | -51.8 | -28.8 | -28.8 | -38.2 | -38.2 | -71.2 | -82.4 | -88.8 | -93.9 | -207.7 |
| Statistical discrepancy | 0.0 | 0.0 | 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 |
| Nominal GDP | 7,375 | 5,792 | 7,922 | 6,272 | 8,368 | 9,036 | 9,865 | 10,764 | 11,751 | 12,819 |

Sources: Beninese authorities; IMF staff estimates and projections.

[1] For 2019, arreas to suppliers of CFA 19.06 billions are included in expenditure and deficit relative to EBS/18/364. Arrears were accumulated before 2016 and recognized in 2019.

[2] Total revenue (excluding grants) minus current primary expenditure, capital expenditure, and net lending.

[3] Total revenue (excluding grants) minus current primary expenditure and capital expenditure financed by domestic resources.

[4] Includes financing by Beninese banks.

[5] Includes financing by regional banks.

## Table 3. Benin: Consolidated Central Government Operations, 2017–24
(percent of GDP)

| | 2017 | 2018 [1] | | | 2019 [1] | | | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Act. | EBS/19/203 Original GDP | EBS/19/203/ Rebased GDP | Est. | EBS/19/203 Original GDP | EBS/19/203/ Rebased GDP | Prog. | Projections | | | | |
| | | | | | | (Percent of GDP) | | | | | | |
| Total revenue exluding grants | 12.8 | 17.8 | 13.0 | 13.0 | 17.7 | 12.8 | 13.3 | 13.5 | 13.5 | 13.5 | 13.5 | 13.5 |
| Tax revenue | 9.7 | 14.0 | 10.2 | 10.2 | 14.9 | 10.7 | 11.2 | 11.4 | 11.4 | 11.4 | 11.4 | 11.4 |
| Tax on international trade | 4.3 | 5.7 | 4.2 | 4.2 | 6.7 | 4.8 | 4.9 | 4.9 | 4.9 | 4.9 | 4.9 | 4.9 |
| Direct and indirect taxes | 5.4 | 8.3 | 6.1 | 6.1 | 8.2 | 5.9 | 6.3 | 6.5 | 6.5 | 6.5 | 6.5 | 6.5 |
| Nontax revenue | 3.1 | 3.8 | 2.7 | 2.7 | 2.8 | 2.0 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 |
| Total expenditure and net lending | 17.9 | 22.5 | 16.5 | 16.5 | 22.3 | 16.0 | 16.7 | 16.3 | 16.2 | 16.0 | 16.0 | 15.8 |
| Current expenditures | 11.1 | 14.8 | 10.8 | 10.8 | 15.1 | 10.8 | 11.3 | 10.7 | 10.9 | 10.8 | 10.8 | 10.5 |
| Current primary expenditures | 9.7 | 12.6 | 9.2 | 9.2 | 12.6 | 9.1 | 9.4 | 8.9 | 8.9 | 8.9 | 8.9 | 8.9 |
| Wage bill | 4.6 | 6.2 | 4.5 | 4.5 | 6.3 | 4.6 | 4.8 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 |
| Pensions and scholarships | 1.3 | 1.6 | 1.2 | 1.2 | 1.6 | 1.1 | 1.2 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Current transfers | 2.3 | 3.1 | 2.3 | 2.3 | 2.8 | 2.0 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 |
| Expenditure on goods and services [2] | 1.5 | 1.8 | 1.3 | 1.3 | 1.9 | 1.4 | 1.4 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| Interest | 1.4 | 2.2 | 1.6 | 1.6 | 2.5 | 1.8 | 1.8 | 1.8 | 1.9 | 1.9 | 1.9 | 1.6 |
| Domestic debt | 1.2 | 1.9 | 1.4 | 1.4 | 1.9 | 1.4 | 1.5 | 1.4 | 1.3 | 1.3 | 1.3 | 1.1 |
| External debt | 0.2 | 0.3 | 0.2 | 0.2 | 0.5 | 0.4 | 0.4 | 0.4 | 0.6 | 0.6 | 0.6 | 0.5 |
| Capital expenditure and net lending | 6.8 | 7.7 | 5.7 | 5.7 | 7.2 | 5.2 | 5.4 | 5.5 | 5.3 | 5.2 | 5.2 | 5.2 |
| Capital expenditure | 6.7 | 7.7 | 5.6 | 5.6 | 7.2 | 5.2 | 5.4 | 5.5 | 5.3 | 5.2 | 5.2 | 5.2 |
| Financed by domestic resources | 4.2 | 4.8 | 3.5 | 3.5 | 3.5 | 2.5 | 2.6 | 3.2 | 3.0 | 2.9 | 2.9 | 2.9 |
| Financed by external resources | 2.4 | 2.9 | 2.1 | 2.1 | 3.7 | 2.7 | 2.8 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 |
| Net lending (minus = reimbursement) | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall balance (commitment basis, incl. grants) [2] | -4.3 | -4.0 | -2.9 | -2.9 | -3.0 | -2.2 | -2.3 | -1.8 | -1.7 | -1.5 | -1.5 | -1.3 |
| Primary balance [3] | -3.6 | -2.6 | -1.9 | -1.9 | -2.1 | -1.5 | -1.5 | -1.0 | -0.7 | -0.6 | -0.6 | -0.6 |
| Basic primary balance [4] | -1.1 | 0.3 | 0.2 | 0.2 | 1.6 | 1.2 | 1.2 | 1.4 | 1.6 | 1.7 | 1.7 | 1.7 |
| Change in arrears and float | -0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | -0.2 | -0.2 | -0.2 | -0.1 | -0.1 |
| External debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Domestic debt (net) | -0.1 | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | -0.2 | -0.2 | -0.2 | -0.1 | -0.1 |
| of which: net change in arrears stock [2] | | | | | 0.3 | 0.2 | 0.2 | -0.1 | -0.1 | -0.1 | 0.0 | 0.0 |
| Overall balance (cash basis, excl. grants) | -4.9 | -4.9 | -3.6 | -3.6 | -4.4 | -3.1 | -3.3 | -2.9 | -2.8 | -2.7 | -2.6 | -2.3 |
| Financing | 4.9 | 4.9 | 3.6 | 3.6 | 4.4 | 3.1 | 3.3 | 2.9 | 2.8 | 2.7 | 2.6 | 2.3 |
| Domestic financing | 2.5 | -0.9 | -0.6 | -0.6 | -4.6 | -3.3 | -3.5 | 0.8 | 0.8 | 0.6 | 0.5 | 1.1 |
| Bank financing | -0.9 | -1.0 | -0.7 | -0.7 | 0.2 | 0.2 | 0.2 | 0.3 | 0.2 | 0.0 | -0.1 | 0.5 |
| Net use of IMF resources | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.0 | -0.1 | -0.1 | -0.1 | -0.1 |
| Other [5] | -1.2 | -1.2 | -0.9 | -0.9 | 0.0 | 0.0 | 0.0 | 0.2 | 0.3 | 0.1 | 0.0 | 0.6 |
| Nonbank and regional financing | 3.5 | 0.1 | 0.1 | 0.1 | -4.8 | -3.5 | -3.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Privatization | 0.0 | -0.1 | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Restructuring | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other [6] | 3.6 | 0.3 | 0.2 | 0.2 | -4.8 | -3.4 | -3.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| External financing | 2.4 | 5.7 | 4.2 | 4.2 | 9.0 | 6.5 | 6.7 | 2.1 | 2.1 | 2.1 | 2.1 | 1.3 |
| Borrowing and Grants | 3.1 | 6.2 | 4.6 | 4.6 | 9.6 | 6.9 | 7.2 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 |
| Project financing | 2.4 | 2.9 | 2.1 | 2.1 | 3.7 | 2.7 | 2.8 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 |
| Grants | 0.6 | 0.5 | 0.4 | 0.4 | 1.1 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| Loans | 1.8 | 2.3 | 1.7 | 1.7 | 2.6 | 1.9 | 2.0 | 1.6 | 1.5 | 1.5 | 1.5 | 1.5 |
| Budgetary assistance | 0.7 | 3.4 | 2.5 | 2.5 | 0.7 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Grants | 0.2 | 0.3 | 0.2 | 0.2 | 0.4 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Loans | 0.5 | 3.1 | 2.3 | 2.3 | 0.3 | 0.2 | 0.2 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Eurobond issuance | | | | | 5.2 | 3.7 | 3.9 | | | | | |
| Amortization due | -0.7 | -0.5 | -0.4 | -0.4 | -0.6 | -0.4 | -0.5 | -0.8 | -0.8 | -0.8 | -0.8 | -1.6 |
| *Financing gap* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Memorandum items:* | | | | | | | | | | | | |
| Total revenue and grants | 13.6 | 18.6 | 12.9 | 13.6 | 19.2 | 13.8 | 14.4 | 14.5 | 14.5 | 14.5 | 14.5 | 14.5 |
| Revenue | 12.8 | 17.8 | 12.3 | 13.0 | 17.7 | 12.8 | 13.3 | 13.5 | 13.5 | 13.5 | 13.5 | 13.5 |
| Grants | 0.8 | 0.8 | 0.6 | 0.6 | 1.5 | 1.1 | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Total central government debt | 39.6 | 56.1 | 41.0 | 41.0 | 54.1 | 38.9 | 41.1 | 40.1 | 37.5 | 36.2 | 35.1 | 33.9 |
| of which domestic arrears stock | | | | | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Total nonfinancial public sector debt [7] | 39.7 | 56.8 | 41.5 | 41.5 | 54.7 | 39.2 | 41.4 | 40.4 | 37.8 | 36.4 | 35.3 | 34.1 |
| GDP (billions of CFA francs) | 7,375 | 5,792 | 7,922 | 7,922 | 6,272 | 8,720 | 8,368 | 9,036 | 9,865 | 10,764 | 11,751 | 12,819 |

Sources: Beninese authorities; IMF staff estimates and projections.

[1] The comparison of GDP ratios across vintages should take into account the recent rebasing of National Accounts. To facilitate the comparison, the columns for EBS/19/203 are presented in both original and rebased GDPs.

[2] For 2019, areas to suppliers of CFA 19.06 billions are included in expenditure and deficit relative to EBS/18/364. Arrears were accumulated before 2016 and recognized in 2019.

[3] Total revenue (excluding grants) minus current primary expenditure, capital expenditure, and net lending.

[4] Total revenue (excluding grants) minus current primary expenditure and capital expenditure financed by domestic resources.

[5] Includes financing by Beninese banks.

[6] Includes financing by regional banks.

[7] Data include central government debt, government guarantees, and domestic arrears.

## Table 4. Benin: Consolidated Central Government Operations, 2019–20
(Billions of CFA francs)

| | 2019 [1] | | | | | | | | 2020 [1] | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Q1 | | Q2 | | Q3 | | Year | | Q1 | Q2 | Q3 | Year |
| | EBS/19/203 | Est. | EBS/19/203 | Est. | EBS/19/203 | Est. | EBS/19/203 | Prog. | Proj. | Proj. | Proj. | Proj. |
| | (Billions of CFA francs) | | | | | | | | | | | |
| Total revenue (excluding grants) | 235.1 | 250.2 | 505.5 | 522.8 | 762.5 | 779.6 | 1112.4 | 1112.4 | 272.0 | 568.8 | 913.9 | 1220.0 |
| Tax revenue | 192.6 | 206.9 | 428.1 | 433.2 | 646.0 | 640.5 | 935.6 | 935.6 | 222.7 | 474.5 | 770.5 | 1030.0 |
| Tax on international trade | 86.3 | 90.8 | 195.5 | 187.7 | 290.1 | 268.1 | 421.5 | 412.1 | 104.2 | 204.0 | 333.5 | 444.0 |
| Direct and indirect taxes | 106.4 | 116.1 | 232.6 | 245.4 | 355.9 | 372.3 | 514.1 | 523.4 | 118.5 | 270.5 | 437.0 | 586.0 |
| Nontax revenue | 42.4 | 43.3 | 77.4 | 89.6 | 116.5 | 139.2 | 176.8 | 176.8 | 49.3 | 94.3 | 143.5 | 190.0 |
| Total expenditure and net lending | 254.4 | 288.2 | 611.5 | 564.3 | 972.0 | 913.8 | 1395.7 | 1395.7 | 335.9 | 712.2 | 1050.2 | 1469.2 |
| Current expenditure | 199.9 | 205.2 | 426.7 | 433.7 | 665.5 | 672.6 | 944.2 | 944.2 | 246.0 | 476.2 | 711.4 | 969.2 |
| Current primary expenditure | 177.6 | 268.9 | 360.5 | 520.8 | 557.2 | 793.0 | 790.3 | 790.3 | 219.2 | 402.1 | 604.9 | 806.9 |
| Wage bill | 100.7 | 107.0 | 196.8 | 194.2 | 277.5 | 284.8 | 397.7 | 397.7 | 109.0 | 209.0 | 308.3 | 405.9 |
| Pensions and scholarships | 24.5 | 107.0 | 49.2 | 194.2 | 83.0 | 284.8 | 99.3 | 99.3 | 25.6 | 48.9 | 75.1 | 103.0 |
| Current transfers | 33.6 | 36.2 | 70.2 | 88.8 | 129.7 | 143.4 | 173.1 | 173.1 | 52.9 | 90.3 | 134.3 | 186.5 |
| Expenditure on goods and services [2] | 18.9 | 18.7 | 44.3 | 43.6 | 67.0 | 80.0 | 120.2 | 120.2 | 31.7 | 53.8 | 87.2 | 111.5 |
| Interest | 22.3 | 20.2 | 66.2 | 62.5 | 108.3 | 95.8 | 153.9 | 153.9 | 26.8 | 74.1 | 106.5 | 162.3 |
| Domestic debt | 16.6 | 16.3 | 56.2 | 50.2 | 85.9 | 75.2 | 121.9 | 121.9 | 16.6 | 56.3 | 78.5 | 123.4 |
| External debt | 5.7 | 3.9 | 10.0 | 12.3 | 22.4 | 20.6 | 32.0 | 32.0 | 10.2 | 17.8 | 28.0 | 38.9 |
| Capital expenditure and net lending | 54.5 | 83.0 | 184.8 | 130.7 | 306.5 | 241.3 | 451.5 | 451.5 | 90.0 | 236.0 | 338.8 | 500.0 |
| Capital expenditure | 54.7 | 81.6 | 184.8 | 130.7 | 307.8 | 241.0 | 451.5 | 451.5 | 90.0 | 236.0 | 338.8 | 500.0 |
| Financed by domestic resources | 41.9 | 65.5 | 100.6 | 100.9 | 157.6 | 186.9 | 220.4 | 220.4 | 70.1 | 164.2 | 216.0 | 285.8 |
| Financed by external resources | 12.7 | 16.1 | 84.2 | 29.8 | 150.1 | 54.0 | 231.1 | 231.1 | 19.9 | 71.8 | 122.8 | 214.2 |
| Net lending (minus = reimbursement) | 0.0 | 1.4 | 0.0 | -0.1 | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall balance (commitment basis, excl. grants) | -19.3 | -38.0 | -106.0 | -41.6 | -210.8 | -134.2 | -283.3 | -283.3 | -63.9 | -143.4 | -136.3 | -249.2 |
| Primary balance [3] | 3.0 | -17.8 | -39.8 | 20.9 | -102.5 | -38.4 | -129.4 | -129.4 | -37.1 | -69.3 | -29.8 | -86.9 |
| Basic primary balance [4] | 15.6 | -0.3 | 44.5 | 50.7 | 47.7 | 15.9 | 101.7 | 101.7 | -17.2 | 2.5 | 93.0 | 127.4 |
| Change in arrears | -2.5 | 0.0 | -5.0 | 0.0 | -7.5 | 0.0 | 9.1 | 9.1 | 0.0 | -8.2 | 0.0 | -16.4 |
| External debt | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Domestic debt (net) | -2.5 | 0.0 | -5.0 | 0.0 | -7.5 | 0.0 | 9.1 | 9.1 | 0.0 | -8.2 | 0.0 | -16.4 |
| Overall balance (cash basis, excl. grants) | -21.8 | -43.3 | -111.0 | -43.6 | -218.2 | -133.7 | -274.3 | -274.3 | -63.9 | -151.5 | -136.3 | -265.5 |
| Financing | 21.8 | 43.3 | 111.0 | 43.6 | 218.2 | 133.7 | 274.3 | 274.3 | 63.9 | 151.5 | 136.3 | 265.5 |
| Domestic financing | 15.0 | 27.6 | -38.0 | -50.4 | -158.5 | -68.0 | -289.0 | -289.0 | 54.5 | 112.7 | 48.4 | 74.5 |
| Bank financing | 46.5 | -86.2 | 113.4 | -281.2 | 68.6 | 17.5 | 13.8 | 13.8 | 41.3 | 86.3 | 8.8 | 23.7 |
| Net use of IMF resources | 3.0 | -3.2 | 6.0 | -5.6 | 8.9 | 4.0 | 11.9 | 11.9 | 0.3 | 0.7 | 1.0 | 1.4 |
| Disbursements | 6.1 | 0.0 | 12.2 | 0.0 | 18.3 | 12.8 | 24.4 | 24.4 | 3.1 | 6.3 | 9.4 | 12.5 |
| Repayments | -3.1 | -3.2 | -6.3 | -5.6 | -9.4 | -8.8 | -12.5 | -12.5 | -2.8 | -5.6 | -8.3 | -11.1 |
| Other [5] | 43.5 | -83.0 | 107.4 | -275.6 | 59.7 | 13.5 | 1.9 | 1.9 | 40.9 | 85.6 | 7.8 | 22.3 |
| Nonbank financing | -31.5 | 113.8 | -151.4 | 230.8 | -227.1 | -85.5 | -302.8 | -302.8 | 13.2 | 26.4 | 39.6 | 50.8 |
| Privatization | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Restructuring | -0.5 | -0.9 | -1.0 | -0.9 | -1.5 | -0.9 | -2.0 | -2.0 | 0.0 | 0.0 | 0.0 | -2.0 |
| Other [6] | -31.0 | 114.7 | -150.4 | 231.7 | -225.6 | -84.6 | -300.8 | -300.8 | 13.2 | 26.4 | 39.6 | 52.8 |
| External financing | 6.9 | 15.7 | 149.0 | 94.0 | 376.7 | 201.7 | 563.3 | 563.3 | 9.4 | 38.8 | 87.9 | 191.0 |
| Project financing | 12.7 | 16.1 | 84.2 | 29.8 | 150.1 | 54.1 | 231.1 | 231.1 | 19.9 | 71.8 | 122.8 | 214.2 |
| Grants | 0.0 | 9.8 | 34.3 | 11.1 | 51.9 | 28.7 | 67.5 | 67.5 | 7.7 | 23.1 | 29.0 | 74.0 |
| Loans | 12.7 | 6.3 | 49.9 | 18.7 | 98.3 | 25.4 | 163.6 | 163.6 | 12.2 | 48.7 | 93.8 | 140.2 |
| Amortization due | -5.8 | -4.3 | -19.2 | -17.6 | -23.5 | -22.2 | -38.2 | -38.2 | -10.4 | -32.9 | -48.6 | -71.2 |
| Budgetary assistance | 0.0 | 3.9 | 3.9 | 3.9 | 10.1 | 3.9 | 45.4 | 45.4 | 0.0 | 0.0 | 13.7 | 48.0 |
| Grants | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 25.3 | 25.3 | 0.0 | 0.0 | 0.0 | 13.8 |
| Loans | 0.0 | 3.9 | 3.9 | 3.9 | 10.1 | 3.9 | 20.1 | 20.1 | 0.0 | 0.0 | 13.7 | 34.2 |
| Use of eurobond proceeds | 0.0 | 0.0 | 80.0 | 78.0 | 240.0 | 165.9 | 325.0 | 325.0 | 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 | 0.0 | 0.0 |
| *Memorandum item:* | | | | | | | | | | | | |
| Grants | 9.8 | 9.8 | 34.3 | 11.1 | 51.9 | 28.7 | 92.8 | 92.8 | 7.7 | 23.1 | 29.0 | 87.8 |
| GDP (billions of CFA francs, annual) | 6,272 | 8,368 | 6,272 | 8,368 | 6,272 | 8,368 | 6,272 | 8,368 | 9,036 | 9,036 | 9,036 | 9,036 |

Sources: Beninese authorities; IMF staff estimates and projections.

[1] Data are computed on a cumulative basis.

[2] For 2019, areas to suppliers of FCFA 19.6 billions are included in expenditure and deficit relative to EBS/18/364. Arrears were accumulated before 2016 and recognized in 2019.

[3] Total revenue (excluding grants) minus current primary expenditure, capital expenditure, and net lending.

[4] Total revenue (excluding grants) minus current primary expenditure and capital expenditure financed by domestic resources.

[5] Compared to EBS/18/364, the recomposition of the financing reflects the issuance of the eurobond and the related reduction in domestic borrowing.

[5] Includes financing by Beninese banks.

[6] Includes financing by regional banks.

# Table 5. Benin: Balance of Payments, 2017–24
## (Billions of CFA francs)

| | 2017 | 2018 [1] | | | 2019 [1] | | | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Act. | EBS/19/203/ Original GDP | EBS/19/203/ Rebased GDP | Est. | EBS/19/203/ Original GDP | EBS/19/203/ Rebased GDP | Prog. | Projections | | | | |
| | (Billions of CFA francs) | | | | | | | | | | | |
| Current account balance | -308.3 | -478.4 | -478.4 | -360.3 | -486.7 | -486.7 | -410.5 | -424.2 | -447.6 | -461.7 | -483.0 | -490.1 |
| Excluding budgetary assistance grants | -322.3 | -494.4 | -494.4 | -376.3 | -512.0 | -512.0 | -435.8 | -449.5 | -472.9 | -487.0 | -508.3 | -515.4 |
| Balance of goods and services | -553.0 | -614.2 | -614.2 | -594.7 | -601.2 | -601.2 | -631.5 | -618.2 | -585.8 | -547.1 | -559.0 | -571.3 |
| Credit | 1172.0 | 1279.3 | 1279.3 | 1384.3 | 1513.9 | 1513.9 | 1405.8 | 1546.5 | 1755.2 | 1945.7 | 2118.6 | 2304.0 |
| Debit | -1725.0 | -1893.5 | -1893.5 | -1979.0 | -2115.1 | -2115.1 | -2037.3 | -2164.6 | -2341.0 | -2492.8 | -2677.6 | -2875.3 |
| Trade balance [2] | -344.0 | -280.7 | -280.7 | -447.3 | -230.9 | -230.9 | -489.3 | -477.2 | -431.9 | -376.6 | -388.6 | -390.8 |
| Exports, f.o.b. | 975.6 | 1085.5 | 1085.5 | 1116.1 | 1312.0 | 1312.0 | 1175.3 | 1329.3 | 1530.6 | 1713.0 | 1877.4 | 2052.8 |
| Cotton and textiles | 243.9 | 354.7 | 354.7 | 354.6 | 461.2 | 461.2 | 424.4 | 578.4 | 716.1 | 833.1 | 927.0 | 984.2 |
| Other | 731.7 | 730.8 | 730.8 | 761.6 | 850.7 | 850.7 | 750.9 | 750.9 | 814.5 | 879.9 | 950.4 | 1068.6 |
| Imports, f.o.b. | -1319.6 | -1366.1 | -1366.1 | -1563.4 | -1542.8 | -1542.8 | -1664.6 | -1806.5 | -1962.4 | -2089.6 | -2265.9 | -2443.6 |
| Services (net) | -209.0 | -333.5 | -333.5 | -147.4 | -370.3 | -370.3 | -142.2 | -140.9 | -154.0 | -170.5 | -170.5 | -180.4 |
| Credit | 196.4 | 193.8 | 193.8 | 268.1 | 201.9 | 201.9 | 230.5 | 217.2 | 224.6 | 232.8 | 241.3 | 251.2 |
| Debit | -405.4 | -527.4 | -527.4 | -415.6 | -572.3 | -572.3 | -372.7 | -358.1 | -378.6 | -403.2 | -411.7 | -431.6 |
| Income (net) | -27.9 | -10.9 | -10.9 | -43.3 | -29.6 | -29.6 | -59.5 | -68.1 | -93.9 | -99.3 | -105.1 | -100.2 |
| *Of which:* interest due on central government debt | -18.0 | -17.1 | -17.1 | -17.1 | -32.0 | -32.0 | -32.0 | -38.9 | -62.9 | -66.3 | -70.0 | -62.9 |
| Current transfers (net) | 272.7 | 146.7 | 146.7 | 277.7 | 144.1 | 144.1 | 280.5 | 262.0 | 232.2 | 184.6 | 181.1 | 181.3 |
| Unrequited private transfers | 35.9 | 41.5 | 41.5 | 41.4 | 53.2 | 53.2 | 55.3 | 73.8 | 73.8 | 82.1 | 91.2 | 101.4 |
| Public current transfers | 236.8 | 105.2 | 105.2 | 236.3 | 90.9 | 90.9 | 225.3 | 188.2 | 158.4 | 102.5 | 89.9 | 79.9 |
| *Of which:* budgetary assistance grants | 14.0 | 16.0 | 16.0 | 16.0 | 25.3 | 25.3 | 25.3 | 25.3 | 25.3 | 25.3 | 25.3 | 25.3 |
| Capital and financial account balance | 470.2 | 750.0 | 750.0 | 653.9 | 889.4 | 889.4 | 763.7 | 705.5 | 761.0 | 823.2 | 903.8 | 805.9 |
| Capital account balance | 43.3 | 31.2 | 31.2 | 31.2 | 67.5 | 67.5 | 67.5 | 74.0 | 80.5 | 87.7 | 95.8 | 104.5 |
| Financial account balance | 426.9 | 718.8 | 718.8 | 622.6 | 821.9 | 821.9 | 696.2 | 631.5 | 680.5 | 735.5 | 808.0 | 701.4 |
| Medium- and long-term public capital | 125.2 | 289.5 | 289.5 | 289.5 | 149.4 | 149.4 | 149.4 | 139.8 | 145.4 | 159.2 | 176.2 | 85.5 |
| Disbursements | 177.0 | 318.3 | 318.3 | 318.3 | 187.7 | 187.7 | 187.7 | 211.0 | 227.8 | 248.0 | 270.1 | 293.2 |
| Project loans | 139.3 | 139.3 | 139.3 | 139.3 | 167.6 | 167.6 | 167.6 | 176.8 | 190.6 | 207.4 | 225.8 | 246.2 |
| *Of which:* central government project loans | 135.3 | 135.3 | 135.3 | 135.3 | 163.6 | 163.6 | 163.6 | 140.2 | 152.6 | 166.6 | 181.8 | 198.3 |
| Budgetary assistance loans | 37.8 | 179.0 | 179.0 | 179.0 | 20.1 | 20.1 | 20.1 | 34.2 | 37.2 | 40.5 | 44.3 | 47.0 |
| Amortization due [3] | -51.8 | -28.8 | -28.8 | -28.8 | -38.2 | -38.2 | -38.2 | -71.2 | -82.4 | -88.8 | -93.9 | -207.7 |
| Foreign direct investment | 98.1 | 129.2 | 129.2 | 102.4 | 155.0 | 155.0 | 116.4 | 140.5 | 153.2 | 167.0 | 182.4 | 199.0 |
| Portfolio investment | 54.5 | 123.6 | 123.6 | 54.0 | 329.1 | 329.1 | 250.9 | 162.6 | 177.2 | 172.3 | 163.4 | 185.0 |
| Other medium- and long-term private capital | 61.4 | 72.6 | 72.6 | 72.6 | 86.5 | 86.5 | 76.7 | 91.2 | 109.4 | 131.3 | 157.8 | 154.8 |
| Deposit money banks | -17.9 | -21.8 | -21.8 | -21.6 | -20.6 | -20.6 | -19.5 | -19.9 | -19.9 | -19.9 | -19.9 | -19.9 |
| Short-term capital | 105.6 | 125.7 | 125.7 | 125.7 | 122.5 | 122.5 | 122.2 | 117.5 | 115.3 | 125.7 | 148.2 | 97.0 |
| Errors and omissions | 8.4 | -55.5 | -55.5 | -77.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Overall balance [3] | 170.3 | 216.1 | 216.1 | 216.1 | 402.7 | 402.7 | 353.2 | 281.3 | 313.4 | 361.5 | 420.8 | 315.8 |
| Change in net foreign assets, BCEAO (- = increase) | -170.3 | -216.1 | -216.1 | -216.1 | -402.7 | -402.7 | -353.2 | -281.3 | -313.4 | -361.5 | -420.8 | -315.8 |
| *Financing gap* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | (Percent of GDP, unless otherwise indicated) | | | | | | | | | | | |
| *Memorandum items:* | | | | | | | | | | | | |
| Current account balance (incl. budgetary assistance grants) | -4.2 | -8.3 | -6.0 | -4.5 | -7.8 | -5.6 | -4.9 | -4.7 | -4.5 | -4.3 | -4.1 | -3.8 |
| Current account balance (excl. budgetary assistance grants) | -4.4 | -8.5 | -6.2 | -4.8 | -8.2 | -5.9 | -5.2 | -5.0 | -4.8 | -4.5 | -4.3 | -4.0 |
| Balance of goods and services | -7.5 | -10.6 | -7.8 | -7.5 | -9.6 | -6.9 | -7.5 | -6.8 | -5.9 | -5.1 | -4.8 | -4.5 |
| Trade balance | -4.7 | -4.8 | -3.5 | -5.6 | -3.7 | -2.6 | -5.8 | -5.3 | -4.4 | -3.5 | -3.3 | -3.0 |
| Exports | 13.2 | 18.7 | 13.7 | 14.1 | 20.9 | 15.0 | 14.0 | 14.7 | 15.5 | 15.9 | 16.0 | 16.0 |
| Imports | -17.9 | -23.6 | -17.2 | -19.7 | -24.6 | -17.7 | -19.9 | -20.0 | -19.9 | -19.4 | -19.3 | -19.1 |
| Income and current transfers (net) | 3.3 | 2.3 | 1.7 | 3.0 | 1.8 | 1.3 | 2.6 | 2.1 | 1.4 | 0.8 | 0.6 | 0.6 |
| Capital account balance | 0.6 | 0.5 | 0.4 | 0.4 | 1.1 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 |
| Financial account balance [3] | 5.8 | 12.4 | 9.1 | 7.9 | 13.1 | 9.4 | 8.3 | 7.0 | 6.9 | 6.8 | 6.9 | 5.5 |
| Overall balance [3] | 2.3 | 3.7 | 2.7 | 2.7 | 6.4 | 4.6 | 4.2 | 3.1 | 3.2 | 3.4 | 3.6 | 2.5 |
| International price of cotton (Cotlook "A" Index, U.S. cents a lb.) | 83.6 | 91.4 | 83.6 | 91.4 | 83.7 | 83.7 | 76.8 | 73.3 | 77.8 | 78.7 | 78.7 | 78.7 |
| International price of oil (U.S. dollars a barrel) | 52.8 | 68.3 | 52.8 | 68.3 | 59.2 | 59.2 | 60.5 | 55.5 | 54.1 | 53.8 | 54.3 | 55.2 |
| WAEMU gross official reserves (in $US billions) | 12.4 | 15.4 | 12.4 | 15.4 | 17.2 | 17.2 | 16.6 | 16.4 | 18.0 | 19.6 | 23.7 | 28.7 |
| WAEMU gross official reserves (months of WAEMU imports of GS) | 4.1 | 4.5 | 4.1 | 4.5 | 4.8 | 4.8 | 4.7 | 4.3 | 4.4 | 4.4 | 5.0 | 5.3 |
| WAEMU gross official reserves (in percent of broad money) | 3.4 | 3.8 | 3.4 | 3.9 | 4.1 | 4.1 | 4.2 | 3.8 | 3.8 | 3.8 | 4.1 | 4.6 |
| GDP (billions of CFA francs) | 7,375 | 5,792 | 7,922 | 7,922 | 6,272 | 8,720 | 8,368 | 9,036 | 9,865 | 10,764 | 11,751 | 12,819 |

Sources: Beninese authorities; IMF staff estimates and projections.

Note: ... = not available.

[1] The comparison of GDP ratios across vintages should take into account the recent rebasing of National Accounts. To facilitate the comparison, the columns for EBS/19/203 are presented in both original and rebased GDPs.

[2] Excludes re-exports and imports for re-export.

[3] In 2024, the decline in the financial account and overall balance of payments reflects the first repayment of the 2019 eurobond.

## Table 6. Benin: Monetary Survey, 2017–20
(Billions of CFA francs)

| | 2017 | 2018 [1] | | 2019 [1] | | 2020 |
|---|---|---|---|---|---|---|
| | Act. | EBS/19/203 | Est. | EBS/19/203 | Prog. | Proj. |
| | | | (Billions of CFA francs) | | | |
| Net foreign assets | 994.9 | 1185.4 | 1185.4 | 1609.0 | 1547.1 | 1932.7 |
| Central Bank of West African States (BCEAO) | 208.2 | 424.3 | 424.3 | 827.2 | 766.4 | 1132.2 |
| Banks | 786.7 | 761.1 | 761.1 | 781.8 | 780.6 | 800.6 |
| Net domestic assets | 1112.8 | 1130.2 | 1023.5 | 900.5 | 786.3 | 586.9 |
| Domestic credit | 1526.8 | 1855.4 | 1550.5 | 2025.2 | 1671.7 | 1826.9 |
| Net claims on central government | 195.8 | 271.5 | 118.1 | 285.3 | 120.0 | 129.1 |
| Credit to the nongovernment sector [2] | 1331.0 | 1584.0 | 1432.4 | 1739.9 | 1551.8 | 1697.9 |
| o/w: Credit to the private sector | 1222.7 | 1375.7 | 1326.7 | 1531.6 | 1446.0 | 1592.1 |
| Other items [3] | 414.1 | 497.6 | 526.9 | 897.2 | 532.9 | 541.9 |
| o/w: Other items (net) | 63.7 | 91.3 | 180.6 | 100.7 | 180.6 | 180.6 |
| Broad money (M2) | 2107.6 | 2224.4 | 2209.0 | 2408.8 | 2333.4 | 2519.6 |
| Currency | 533.5 | 520.2 | 520.2 | 563.4 | 549.6 | 593.4 |
| Bank deposits | 727.8 | 817.1 | 817.1 | 884.8 | 863.1 | 932.0 |
| Other deposits | 846.3 | 887.0 | 871.6 | 960.6 | 920.7 | 994.2 |
| | | | (Change, in percent of beginning-of-period broad money) | | | |
| Net foreign assets | -5.3 | 9.0 | 9.0 | 19.2 | 16.4 | 16.5 |
| Central Bank of West African States (BCEAO) | 8.2 | 10.3 | 10.3 | 18.2 | 15.5 | 15.7 |
| Banks | -13.5 | -1.2 | -1.2 | 0.9 | 0.9 | 0.9 |
| Net domestic assets | 6.4 | 0.8 | -4.2 | -10.4 | -10.7 | -8.5 |
| Domestic credit | 8.8 | 15.6 | 1.1 | 7.7 | 5.5 | 6.7 |
| Net claims on central government | 7.6 | 3.6 | -3.7 | 0.6 | 0.1 | 0.4 |
| Credit to the nongovernment sector | 1.2 | 12.0 | 4.8 | 7.1 | 5.4 | 6.3 |
| Other | 2.4 | 4.0 | 5.4 | | 0.3 | 0.4 |
| o/w: Other items (net) | -0.9 | 1.3 | 5.5 | 0.0 | 0.0 | 0.0 |
| Broad money (M2) | 1.0 | 5.5 | 4.8 | 8.3 | 5.6 | 8.0 |
| Currency | 0.0 | -0.6 | -0.6 | 2.0 | 1.3 | 1.9 |
| Bank deposits | 1.6 | 4.2 | 4.2 | 3.1 | 2.1 | 3.0 |
| Other deposits | -0.5 | 1.9 | 1.2 | 3.3 | 2.2 | 3.1 |
| *Memorandum items:* | | | | | | |
| Velocity of broad money | 3.5 | 2.7 | 3.7 | 2.7 | 3.7 | 3.7 |
| Broad money as share of GDP [4] | 28.6 | 38.4 | 27.9 | 38.4 | 27.9 | 27.9 |
| Credit to the nongovernment sector,(year-on-year change of end-December credit stock, in percent)[1] | 1.9 | 19.0 | 7.6 | 9.8 | 8.3 | 9.4 |
| Credit to the private sector (year-on-year change of end-December credit stock, in percent) | -0.2 | 12.5 | 8.5 | 11.3 | 9.0 | 10.1 |
| Nominal GDP (billions of CFA francs, annual) | 7,375 | 5,792 | 7,922 | 6,272 | 8,368 | 9,036 |
| Nominal GDP growth (annual change in percent) | 5.3 | 7.6 | 7.4 | 8.3 | 5.6 | 8.0 |

Sources: BCEAO; IMF staff estimates and projections.

[1] Changes to the EBS/19/203 partly reflect a new structure of the monetary framework ("other items" were moved from M2 to net domestic assets, and their components were marginally changed) to align it with IFS presentation.

[2] Including credit to the private sector and to other non-financial public sector.

[3] Including deposits excluded from broad money, securities other than shares excluded from broad money, loans, financial derivatives, insurance technical reserves, and shares and other equity.

[4] The comparison of GDP ratios across vintages should take into account the recent rebasing of National Accounts. To facilitate the comparison, the columns for EBS/19/203 are presented in the rebased GDP.

**Table 7. Benin: Schedule of Disbursements Under the ECF Arrangement**

| Date Available | Amount | Conditions Necessary for Disbursement |
|---|---|---|
| April 7, 2017 | SDR 15.917 million | Executive Board approval of the ECF arrangement. |
| October 31, 2017 | SDR 15.917 million | Observance of end-June 2017 performance criteria, and completion of the first review under the arrangement. |
| April 30, 2018 | SDR 15.917 million | Observance of end-December 2017 performance criteria, and completion of the second review under the arrangement. |
| October 31, 2018 | SDR 15.917 million | Observance of end-June 2018 performance criteria, and completion of the third review under the arrangement. |
| April 30, 2019 | SDR 15.917 million | Observance of end-December 2018 performance criteria, and completion of the fourth review under the arrangement. |
| October 31, 2019 | SDR 15.917 million | Observance of end-June, 2019 performance criteria, and completion of the fifth review under the arrangement. |
| March 23, 2020 | SDR 15.918 million | Observance of end-December 2019 performance criteria, and completion of the sixth review under the arrangement. |
| Total | SDR 111.42 million | |

Source: International Monetary Fund.

## Table 8. Benin: Indicators of Capacity to Repay the Fund, 2019–33[1]

### (In millions of SDRs; Reporting Year: January to December)

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| IMF obligations based on existing credit (millions of SDRs) | | | | | | | | | | | | | | | |
| Principal | 3.2 | 13.8 | 11.7 | 9.0 | 10.6 | 13.8 | 15.9 | 15.9 | 15.9 | 8.0 | 3.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Charges and interest[2] | 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 | 0.0 | 0.0 |
| IMF obligations based on existing and prospective drawings (millions of SDRs) | | | | | | | | | | | | | | | |
| Principal | 3.2 | 13.8 | 11.7 | 9.0 | 10.6 | 13.8 | 20.7 | 22.3 | 22.3 | 14.3 | 9.6 | 1.6 | 0.0 | 0.0 | 0.0 |
| Charges and interest | 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 | 0.0 | 0.0 |
| Total obligations based on existing and prospective credit[3] | | | | | | | | | | | | | | | |
| Millions of SDRs | 3.2 | 13.8 | 11.7 | 9.0 | 10.6 | 13.8 | 20.7 | 22.3 | 22.3 | 14.3 | 9.6 | 1.6 | 0.0 | 0.0 | 0.0 |
| Billions of CFA francs | 2.6 | 11.1 | 9.4 | 7.3 | 8.6 | 11.1 | 16.7 | 18.0 | 18.0 | 11.6 | 7.7 | 1.3 | 0.0 | 0.0 | 0.0 |
| Percent of government revenue | 0.2 | 0.9 | 0.7 | 0.5 | 0.5 | 0.6 | 0.9 | 0.8 | 0.8 | 0.5 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Percent of exports of goods and services | 0.2 | 0.7 | 0.6 | 0.4 | 0.4 | 0.5 | 0.7 | 0.7 | 0.7 | 0.4 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Percent of debt service | 0.9 | 3.2 | 2.5 | 1.9 | 2.2 | 2.3 | 3.5 | 3.7 | 4.8 | 2.1 | 1.3 | 0.2 | 0.0 | 0.0 | 0.0 |
| Percent of GDP | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Percent of quota | 11.3 | 9.6 | 7.4 | 8.7 | 11.3 | 16.8 | 18.1 | 18.1 | 11.7 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Outstanding IMF credit[3] | | | | | | | | | | | | | | | |
| Millions of SDRs | 133.7 | 135.8 | 124.2 | 115.1 | 104.5 | 90.7 | 70.0 | 47.8 | 25.5 | 11.1 | 1.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Billions of CFA francs | 108.0 | 109.7 | 100.2 | 93.0 | 84.4 | 73.3 | 56.6 | 38.6 | 20.6 | 9.0 | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Percent of government revenue | 9.7 | 9.0 | 7.5 | 6.4 | 5.3 | 4.2 | 3.0 | 1.8 | 0.9 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Percent of exports of goods and services | 7.7 | 7.2 | 6.0 | 5.1 | 4.3 | 3.4 | 2.4 | 1.5 | 0.7 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Percent of debt service | 36.0 | 32.0 | 26.8 | 24.2 | 21.3 | 14.9 | 11.7 | 8.0 | 5.5 | 1.6 | 0.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Percent of GDP | 1.3 | 1.2 | 1.0 | 0.9 | 0.7 | 0.6 | 0.4 | 0.3 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Percent of quota | 108.0 | 109.7 | 100.3 | 93.0 | 84.4 | 73.3 | 56.6 | 38.6 | 20.6 | 9.0 | 1.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net use of IMF credit (millions of SDRs) | 28.7 | 2.1 | -11.7 | -9.0 | -10.6 | -13.8 | -20.7 | -22.3 | -22.3 | -14.3 | -9.6 | -1.6 | 0.0 | 0.0 | 0.0 |
| Disbursements (including prospective ones) | 31.8 | 15.9 | 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 |
| Repayments and repurchases | 3.2 | 13.8 | 11.7 | 9.0 | 10.6 | 13.8 | 20.7 | 22.3 | 22.3 | 14.3 | 9.6 | 1.6 | 0.0 | 0.0 | 0.0 |
| *Memorandum items:* | | | | | | | | | | | | | | | |
| Charges and interest, after assumed subsidies (millions of SDRs) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Nominal GDP (billions of CFA francs) | 8,368 | 9,036 | 9,865 | 10,764 | 11,751 | 12,819 | 13,958 | 15,170 | 16,451 | 17,834 | 19,303 | 20,877 | 22,550 | 24,337 | 26,253 |
| Exports of goods and services (billions of CFA francs) | 1,406 | 1,518 | 1,657 | 1,808 | 1,974 | 2,153 | 2,345 | 2,549 | 2,764 | 2,996 | 3,243 | 3,507 | 3,788 | 4,088 | 4,410 |
| Government revenue (billions of CFA francs) | 1,112 | 1,220 | 1,331 | 1,453 | 1,586 | 1,730 | 1,884 | 2,123 | 2,315 | 2,508 | 2,722 | 2,960 | 3,232 | 3,232 | 3,232 |
| Debt service (billions of CFA francs) | 300 | 343 | 375 | 385 | 397 | 490 | 482 | 483 | 376 | 553 | 609 | 657 | 710 | 790 | 853 |
| Net Foreign Assets Central Bank (billions of CFA francs) | 766 | 842 | 924 | 1,015 | 1,114 | 1,223 | 1,343 | 1,475 | 1,619 | 1,778 | 1,952 | 2,143 | 2,353 | 2,584 | 2,837 |
| CFA francs/SDR (period average) | 807.4 | 807.4 | 807.4 | 807.4 | 807.4 | 807.4 | 807.4 | 807.4 | 807.4 | 807.4 | 807.4 | 807.4 | 807.4 | 807.4 | 807.4 |
| Quota (millions of SDRs) | 123.8 | 123.8 | 123.8 | 123.8 | 123.8 | 123.8 | 123.8 | 123.8 | 123.8 | 123.8 | 123.8 | 123.8 | 123.8 | 123.8 | 123.8 |

Sources: IMF staff estimates and projections.

[1] Data are projections

[2] : "On May 24, 2019, the IMF Executive Board approved a modified interest rate setting mechanism which effectively sets interest rates to zero on ECF and SCF through June 2021 and possibly longer. The Board also decided to extend zero interest rate on ESF until end June 2021 while interest rate on RCF was set to zero in July 2015. Based on these decisions and current projections of the SDR rate, the following interest rates are assumed beyond June 2021: 0/0/0/0 percent per annum for the ECF, SCF, RCF and ESF, respectively. The Executive Board will review the interest rates on concessional lending by end-June 2021 and every two years thereafter."

[3] Total debt service includes IMF repurchases and repayments.

## Table 9. Benin: Gross External Requirement, 2018–21
(in billions of CFAF)

| | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|
| **Total financing requirement** | 405.1 | 474.1 | 520.7 | 555.2 |
| Current account deficit | 376.3 | 435.8 | 449.5 | 472.9 |
| Medium and long-term debt | 28.8 | 38.2 | 71.2 | 82.4 |
| Of which public debt | 28.8 | 38.2 | 71.2 | 82.4 |
| **Total financing sources** | 364 | 614 | 566 | 616 |
| Others (net) | 104 | 103 | 98 | 95 |
| | | | | |
| **Increase in gross reserves** | 188.5 | 324.9 | 257.7 | 304.0 |
| Rescheduled debt and arrears clearance | 0.00 | 0.00 | 0.00 | 0.00 |
| Errors and omissions | 0.00 | 0.00 | 0.00 | 0.00 |
| | | | | |
| **Total financing needs** | 229.3 | 184.7 | 212.7 | 243.7 |
| | | | | |
| **Official financing** | 229.3 | 184.7 | 212.7 | 243.7 |
| IMF | 22.5 | 23.1 | 1.4 | -9.4 |
| Prospective purchases | 25.0 | 25.7 | 12.5 | 0.0 |
| Repurchases | -2.5 | -2.6 | -11.1 | -9.4 |
| Official creditors | 206.8 | 161.6 | 211.3 | 253.1 |

Source: Beninese authorities; IMF staff estimates and projections.

[1]Excluding grants

# Table 10. Benin: Financial Soundness Indicators, 2012–18

| | 2012 Dec. | 2013 Dec. | 2014 Dec. | 2015 Dec. | 2016 Dec. | 2017 Dec. | 2018 [1] June | 2018 [1] Dec. |
|---|---|---|---|---|---|---|---|---|
| Regulatory capital to risk-weighted assets | 9.2 | 9.5 | 9.0 | 7.9 | 9.3 | 11.9 | 7.6 | 8.2 |
| Core capital to risk-weighted assets | 7.9 | 7.2 | 7.1 | 5.2 | 7.4 | 10.2 | 6.7 | 7.2 |
| Provisions to risk-weighted assets | 8.6 | 11.4 | 12.1 | 15.6 | 16.0 | 16.4 | 12.2 | 12.6 |
| Capital to total assets | 4.8 | 4.5 | 4.0 | 2.7 | 3.7 | 4.7 | 4.5 | 5.1 |
| Composition and quality of assets | | | | | | | | |
| Total loans to total assets | 47.4 | 47.7 | 46.1 | 39.0 | 39.6 | 43.5 | 47.3 | 46.1 |
| Concentration: Credit to the 5 largest borrowers | 61.1 | 56.3 | 103.9 | 175.7 | 99.6 | 91.6 | 103.3 | 90.4 |
| Credit by sector [2] | | | | | | | | |
| Agriculture, Forestry, and Fishing | 2.1 | 2.0 | 1.6 | 3.2 | 1.9 | 1.8 | 2.4 | 4.4 |
| Extractive Industries | 0.7 | 1.7 | 1.8 | 2.1 | 2.6 | 1.5 | 1.8 | 1.2 |
| Manufacturing | 10.1 | 11.2 | 11.7 | 12.5 | 15.0 | 15.2 | 12.1 | 12.2 |
| Electricity, Water, and Gas | 2.8 | 3.3 | 2.5 | 3.0 | 5.0 | 4.4 | 2.9 | 4.3 |
| Buildings and Public Works | 7.5 | 9.4 | 12.0 | 14.9 | 16.3 | 17.0 | 13.8 | 27.9 |
| Commerce, Restaurants, and Hotels | 40.2 | 36.9 | 34.4 | 29.9 | 28.2 | 24.1 | 23.8 | 18.7 |
| Transportation and Communication | 10.3 | 9.6 | 7.5 | 6.0 | 6.2 | 5.9 | 4.5 | 3.9 |
| Financial and Business Services | 5.7 | 5.2 | 5.6 | 4.9 | 7.9 | 8.0 | 2.9 | 3.4 |
| Other Services | 20.6 | 20.8 | 22.8 | 23.5 | 16.7 | 22.1 | 35.8 | 23.9 |
| Non-Performing Loans (NPLs) | | | | | | | | |
| Gross NPLs to Total loans | 18.6 | 21.2 | 21.5 | 22.1 | 21.8 | 19.4 | 18.9 | 21.6 |
| Provisioning rate | 46.8 | 48.0 | 49.0 | 55.0 | 64.0 | 66.4 | 70.0 | 66.5 |
| Net NPLs to total loans | 10.8 | 12.3 | 12.3 | 11.3 | 9.1 | 7.5 | 6.5 | 8.5 |
| Net NPLs to capital | 106.2 | 130.9 | 140.8 | 161.2 | 96.9 | 69.2 | 68.6 | 77.2 |
| Earnings and profitability | | | | | | | | |
| Average cost of borrowed funds | 3.3 | 3.3 | 3.1 | 3.1 | 3.2 | 3.0 | … | 3.2 |
| Average interest rate on loans | 9.5 | 9.1 | 8.4 | 8.3 | 7.8 | 7.4 | … | 7.5 |
| Average interest margin [3] | 6.2 | 5.8 | 5.3 | 5.2 | 4.6 | 4.3 | … | 4.3 |
| After-tax return on average assets (ROA) | 0.0 | 0.4 | 0.9 | 0.3 | 0.0 | 0.0 | … | 0.1 |
| After-tax return on average equity (ROE) | -0.6 | 5.6 | 14.4 | 4.9 | 0.5 | 0.4 | … | 1.9 |
| Noninterest expenses/net banking income | 68.9 | 69.9 | 60.9 | 63.7 | 73.2 | 76.9 | … | 74.8 |
| Salaries and wages/net banking income | 28.4 | 29.8 | 26.2 | 27.5 | 32.3 | 33.9 | … | 32.4 |
| Liquidity | | | | | | | | |
| Liquid assets to total assets | 22.9 | 21.9 | 23.0 | 18.9 | 16.2 | 14.5 | 14.4 | 12.5 |
| Liquid assets to total deposits | 35.7 | 34.7 | 36.7 | 30.9 | 28.0 | 24.4 | 21.8 | 19.3 |
| Total loans to total deposits | 80.7 | 84.1 | 82.2 | 72.6 | 79.4 | 84.4 | 82.3 | 83.4 |
| Total deposits to total liabilities | 64.3 | 63.1 | 62.7 | 61.1 | 57.9 | 59.2 | 66.3 | 64.6 |
| Demand deposits to total liabilities [4] | 27.4 | 26.9 | 26.6 | 25.9 | 24.4 | 26.3 | 30.8 | 29.4 |
| Term deposits to total liabilities | 36.8 | 36.2 | 36.1 | 35.2 | 33.5 | 32.9 | 35.5 | 35.1 |

Source: BCEAO.

Note: … = not available.

[1] The first year of data reporting in accordance with Basel II/III and Revised Chart of Accounts (Interim Data)

[2] Identified sectors represent at least 80 percent of credit

[3] Excluding taxes on banking operations.

[4] Including savings accounts.

# Annex I. Rebasing of National Accounts

**1. In 2019, the Beninese authorities rebased their national accounts.** In addition to updating the base year from 2007 to 2015, the National Institute of Statistics and Economic Analysis (INSAE) implemented the System of National Accounts 2008. As such, the rebasing exercise relied on enhanced GDP compilation methods, which improved data quality and ensured its coherent methodological treatment. This allowed the authorities to better capture changes in the economy structure and consumption habits in recent years.

**2. Following the rebasing, the GDP trajectory was revised upward by nearly 37 percent.** The magnitude of the changes reflects a much higher agricultural output than previously captured, largely consumed by households, and to a lesser extent exported (subsistence consumption is mostly informal, and as such, is difficult to be captured in official statistics). As a result, sectoral contribution to GDP changed—primary, secondary and tertiary sectors now contributed 26.4, 16.4, and 49.2 percent in 2015, compared to 22.5, 20.6 and 45.7 percent under the previous base year. In addition, while GDP growth rates have remained identical for most past years, they have marginally accelerated in 2015, 2016 and 2018, but decelerated in 2017, when compared to the GDP growth rates prior to the rebasing exercise.

**3. The GDP rebasing has significantly reduced the ratios of the macroeconomic framework** (holding other factors constant[1]): (i) the 2019 public deficit was revised down from 3.0 percent of GDP (in IMF Country Report 19/203) to 2.2 percent; (ii) the tax ratio was updated from 14.9 percent of GDP to 10.7 percent in 2019, placing Benin within the third decile of low-income countries; (iii) public debt was revised down from 54.7 to 39.2 percent of GDP in 2019, positioning Benin below the average of low-income countries (45.0 percent of GDP); and (iv) the current account deficit in 2019 was revised down from 7.8 to 5.6 percent of GDP.

[1] To isolate the pure effect of the GDP rebasing, the comparison between pre- and post-rebasing ratios uses, for the numerator of the ratio, the nominal values of the variables projected in IMF Country Report 19/203 and, for the nominal GDP denominator, the deflator growth and real GDP growth forecasts done in the same report.

# Annex II. Benin: Risk Assessment Matrix[1]

| Source of Risks | Relative Likelihood/ Time Horizon | Excepted Impact if Realized | Recommended Policy Response |
|---|---|---|---|
| **External Risks** | | | |
| Rising protectionism and retreat from multilateralism | **High**<br>**Short to Medium Term** | **Low**<br>Would reduce exports; although impact likely to be limited given the high share of informal exports | Accelerate reforms to diversify exports; enhance competitiveness; access new markets; pursue efforts to promote regional integration and regional trade |
| Weaker-than-expected global growth | **High**<br>**Short to Medium Term** | **Medium**<br>Negative impact on Benin exports, which would transmit to growth and fiscal position | Strengthen the business climate to diversify export markets; preserve fiscal space for countercyclical policy; reinforce the resilience of the banking sector by building up capital buffers |
| Intensification of regional security risks | **Medium**<br>**Short to Medium term** | **Medium**<br>Security risks from neighboring countries could impact domestic stability, trade, tourism; tighten financing conditions on regional market, and result in immigration flows | Create fiscal space for security spending; develop further food security strategy; ensure prudent debt management to contain financing needs |
| Adverse developments coming from Nigeria | **High**<br>**Short to Medium Term** | **High**<br>Slower recovery and adverse security situation would reduce trade revenues and growth; fuel subsidy cuts in Nigeria can cause price spikes in Benin; a prolonged border closure would impact trade and customs revenue | Accelerate the structural transformation of the economy to lower its dependence on Nigeria; improve the business environment to support private sector growth and diversification |
| Sharp tightening of global financial conditions | **High**<br>**Short Term** | **Low**<br>A tightening of the ECB policy would be transmitted to financial conditions of the WAEMU region due to the peg to the euro; and raise sovereign debt service | Reduce non-priority spending to accommodate higher interest bill and preserve programmed fiscal targets; bolster investors' confidence through domestic revenue mobilization, and prudent investment and debt policy; mobilize concessional financing |
| **Domestic Risks** | | | |
| Rise in interest rates on regional financial markets | **Medium**<br>**Short to Medium Term** | **Medium**<br>Higher costs of domestic borrowing for the government | Rely predominantly on concessional financing; optimize debt portfolio; adjust public investment level to reduce borrowing needs, if necessary |
| Adverse weather conditions | **Medium**<br>**Short to Medium Term** | **High**<br>Adversely affect agricultural output and exports; increase subsidy needs; and reduce the population's living standards | Develop further food security strategy; strengthen resilience through irrigation and productivity in agriculture; mitigate the impact on the poor through targeted fiscal transfers and other types of public spending |
| Policy implementation risks, due to social-political disturbances, elections or pressures from interest groups | **Medium**<br>**Short to Medium Term** | **High**<br>Interruption of the reform agenda; lower revenue mobilization and higher current expenditure, resulting in a deterioration of the fiscal position | Build coalition of stakeholders to support the reform program; implement contingency plans, such as offsetting cuts in non-priority spending; reprioritize public investment; strengthen governance |
| Intensification of financial sector vulnerabilities | **Medium**<br>**Short to Medium Term** | **Medium**<br>A surge in non-performing loans could deteriorate confidence and lower capital, affecting banking sector stability and credit to the private sector | Step up the monitoring of financial sector developments. Consult with the regional banking commission and communicate with banks on measures needed to ensure a prompt resolution of NPLs and adequate capitalization |

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term (ST)" and "medium term (MT)" are meant to indicate that the risk could materialize within 1 and 3 years, respectively.

# Annex III. Setting a Prudent Anchor for the Composition of Government Debt

1. **The authorities are in the process of updating their Medium-Term Debt Strategy (MTDS).** The previous MTDS, which was prepared in 2017, covers the period 2017-21. It targets a balanced composition between domestic and external debt. However, the recent debt operations (debt reprofiling and Eurobond issuance) have significantly changed the debt composition, with the share of domestic debt falling from 60 percent of the total debt in 2017-18 to 40 percent today. In light of these developments and the newly acquired access to international markets, the authorities are preparing a new MTDS, which will cover the period 2020-24.

2. **One of the main objectives of the exercise is to determine a new composition target for the public debt portfolio**. According to the *Revised Guidelines for Public Debt Management* IMF/World Bank (2014)[1], the main objective of a debt composition target is to ensure that the government's financing needs and its payment obligations are met at the lowest possible cost over the medium to long run, consistent with a prudent degree of risk. Therefore, the main criterion is to minimize the cost-risk tradeoff.

3. **The calibration of the composition target needs to take into account a wide range of risks.** Public debt portfolios face several types of risks, including refinancing, exchange rate, liquidity, and interest rate risks.[2] The level of risk exposure is impacted by the portfolio composition, in particular the share of debt denominated in foreign vs. domestic currency, short-term relative to long-term debt, and variable vs. fixed interest rates.

4. **The joint IMF/WB MTDS analytical tool can help debt managers tailor the debt composition to strike the right balance between costs and risks.** This Excel-based tool, which is provided to country authorities in the context of IMF Technical Assistance, computes standard cost and risk indicators for different combinations of debt strategies and under various interest and exchange rates assumptions, with the aim to identifying the best debt composition.[3] The inputs include existing debt, macroeconomic and market variables as well as data related to the financing

[1] IMF Policy Paper, available at http://www.imf.org/external/pp/ppindex.aspx.

[2] *Refinancing risk r*efers to the risk that debt will have to be refinanced at higher-than-expected cost or, in extreme cases, cannot be refinanced at all. *Exchange rate risk* refers to the risk of increases in the cost of debt arising from changes in exchange rates. *Liquidity risk* refers to the risk that the volume of liquid assets decreases quickly following an unanticipated cash flow obligation and/or a possible difficulty in raising cash through borrowing in a short period of time. *Interest rate risk* refers to a situation where the increase in the cost of debt is triggered by changes in interest rates.

[3] The effective use of the tool is conditioned on basing its projections on realistic macroeconomic and financial assumptions. The tool is as good as its underlying assumptions. In particular, assumptions on the interest, exchange and GDP growth rates, as well as the scope of the gross financing needs (e.g., below-the-line operations) have a significant impact on the results.

and cash buffers. The output worksheets present key variables for debt stocks and flows, as well as risk indicators for each strategy.

5. **The Beninese authorities have used the IMF/WB MTDS analytical tool to revise their medium-term debt composition target**. The new MTDS 2020-24 will target a share of external debt to total debt in the range of 55 to 60 percent in the medium term. In 2024, the share of external debt is expected to decline below 55 percent as a result of the first repayment of the Eurobond.

6. **The DSA framework also calls for caution regarding the growing weight of external debt.** The DSA does not substitute for the use of the IMF/WB analytical tool, which is the main instrument to assess alternative debt issuance strategies. Nonetheless, the DSA can inform on the response of sustainability indicators to a change in debt composition—in particular the two indicators that are currently the closest to their thresholds (the external debt service-to-export ratio and the external debt service-to-revenue ratio). An illustrative scenario assuming that the share of external debt increases to 70 percent in 2020 (from nearly 60 percent in 2019) shows that excessive reliance on non-concessional external financing could possibly place Benin at high risk of debt distress, with the ratio of debt service-to-revenue exceeding its threshold under both the baseline and extreme shock scenarios.[4]

[4] The scenario assumes an increase in external borrowing by $500 million in 2020 at unchanged level of total public debt (meaning that domestic borrowing decreases accordingly), relative to the baseline. The additional external borrowing is assumed to be incurred at non-concessional terms with an interest rate of 6 percent and a maturity of 7 years.

# Annex IV. Upgrading the Investor Protection Framework in Benin

**1. Investor protection frameworks shield investors against a wide range of risks.** To simplify, risks can be grouped into three main categories. First, the *protection of minority shareholders against majority shareholders* measures the rights and legal protections of minority shareholders against unfair treatment afforded under the law that companies must abide by. Second, the *protection of investors against directors* describes safeguards against directors' misuse of corporate assets for personal gain. Finally, the *protection of investors against the state* captures various types of risks related to government actions, including risks of expropriation, breach of government contractual payment obligations, or unexpected and frequent changes in laws and regulations.

## A. Protection of Minority Shareholders

**2. International experience shows that the protection of minority shareholders can be strengthened by complying with a few core principles.** These include: (i) ensuring adequate shareholder rights and role in major corporate decisions; (ii) facilitating access to corporate documents; and (iii) requiring greater corporate transparency regarding activities and transactions and clarifying ownership and control structures.

**3. In recent years, several countries have conducted successful reforms in this area**. For instance, in 2019 Sudan gave minority shareholders a more prominent role in major corporate decisions such as large transactions, issuance of new shares and appointment of auditors (2019 WB Doing Business report). In 2019, P.R. China increases minority shareholder's rights and role in major corporate decisions and mandated corporations to provide more information on control structures (2019 WB Doing Business report).

**4. Benin has also made progress in the protection of minority investors.** In 2015, with the introduction of the revised OHADA Uniform Act on commercial companies, Benin strengthened minority investor protections to introduce greater requirements for disclosure of related-party transactions to the board of directors. In addition, in 2017, Benin established two commercial courts to handle commercial complaints**.**

**5. Nonetheless, the authorities could consider reviewing the legal framework applicable to companies (particularly public limited companies**). These measures could include involving shareholders in major purchase or disposal of assets; providing a mandatory offer to remaining shareholders when a new entity acquires a controlling stake in the company; and requiring disclosure of direct and indirect beneficial ownership.[1]

[1] These recommendations should be adopted at the OHADA level.

## B. Protection Against Directors

**6. Legal reforms can strengthen the protection of investors against directors and managers.** Best practices include: (i) requiring pre-approval safeguards for transactions with interested parties (e.g., shareholder consultation and review by an independent auditor), (ii) ensuring shareholders' ability to sue and hold directors liable for self-dealing, (iii) ensuring that a court can set aside transactions upon a successful claim by shareholders, and (iv) providing disclosure of business activities in periodic filings (for example, through annual reports).

**7. Some countries have made considerable strides in investor protection**. In 2019, Djibouti strengthened investor protections by modifying its Code of Commerce as well as its Code of Civil Procedure—the amendments provide that related-party transactions must be approved by companies' general assembly meeting excluding interested members, and that an interested director can be held liable when the transaction is unfair or prejudicial to the other shareholders (2019 WB Doing Business report). In 2018, Kenya passed a legislation that increased corporate transparency requirements. The law gives more agenda-setting power to shareholders and disclose board member activities in other companies, executive compensation and audit reports (2018 WB Doing Business report).

**8. Benin has also achieved some progress in this area.** Recent reforms described in the previous section (revised OHADA Uniform Act on commercial companies, and creation of commercial courts) have strengthened the protection of investors against managers—in addition to strengthening the rights of minority shareholders.

**9. More can be done to protect investors against directors in Benin**. Measures could include: introducing the concept of independent and non-executive board members; setting up an audit committee at the board of directors; and providing annual information on the primary employment of board members and their positions in other boards of directors.

## C. Protection Against Government Actions[2]

**10. Investors need assurances that the institutional and policy framework will remain stable and predictable.** Best practices in this area includes: (i) using national justice system to start the complaint (for example, through commercial courts); (ii) launching a claim procedure with the International Center for Settlements of Investment Disputes (ICSID)[3] of the World Bank, and

[2] Obligations apply to both parties, with investors also expected to comply with their obligations to the state. For instance, articles 67 and 68 of the Beninese's investment code foresees sanctions related to breaches of the tax or customs codes.

[3] The ICSID Convention entered into force in Benin in 1966.

(iii) making use of World Bank guarantee products where available (for example, the IDA Partial Risk Guarantee (PRG) or MIGA guarantee).

**11. Some countries strive to provide this type of stable and predictable environment**. The 2014 investment code of the Kingdom of Jordan provides for dispute settlement provisions that give foreign investors access to arbitration in the event of a dispute with the authorities (for example, protection from expropriation and breach of contract), as well as a guarantee of free transfer of capital and profits.[4] In addition, the 2015 investment code of Rwanda introduced provisions that any dispute arising between a foreign investor and one or more public organs in connection with a registered investment enterprise shall be amicably settled; when an amicable settlement cannot be reached, parties shall refer the dispute to an arbitration agency as agreed upon in a written agreement between both parties.[5]

**12. The Beninese government is preparing a new investment code, currently at parliament**. The previous investment code already included protections, including by providing compensation to investors in case of breach of contract with the government. The draft version of the new investment code is expected to (i) implement bilateral agreements with partner countries on investor protection, including those meant to achieve fair, equal and nondiscriminatory treatment of foreign investors, (ii) establish provisions for dispute settlements at the national, regional, and international level, and (iii) foresee sanctions in case of breach of the code. However, the use of World Bank guarantees (Partial Risk Guarantees) seems to be inexistent in Benin (according to the ICSID database). Also, information on these instruments is limited in the country (for instance, when looking at the websites of the commercial courts and the investment promotion agency APIEX).

**13. The authorities should continue their efforts to lower risks for investors**. Setting up an intuitional framework that support business climate and good governance is key. This could be done, in particular, by improving the efficiency of the bureaucracy, simplifying regulations and procedures, and enforcing the country's international investment agreements.

[4] See Article 43 of the investment code available at http://www.atwanlaw.com/library/99.pdf

[5] See Article 9 of the investment code available at http://rdb.rw › publications › Investment Promotion Law 2015.

# Appendix I. Letter of Intent

**THE MINISTER**

Cotonou, November 26, 2019

**TO**

Madame Kristalina GEORGIEVA
Managing Director
International Monetary Fund
Washington, DC 20431, USA

Dear Madame Georgieva:

I am pleased to inform you that Benin has made significant progress in implementing the Government Action Program (GAP). Implementation of the GAP, along with the introduction of important structural reforms in the context of the economic and financial program (2016-2019) concluded with the International Monetary Fund (IMF), have led to sustained economic growth. This growth has been achieved in a context of low inflation, control of the budget deficit, and a favorable medium-term outlook for the current account balance.

The economic recovery that began in 2016 is ongoing. In 2018, it was essentially driven by cotton production, port activity, and public investment. Growth will remain robust in 2019, in part owing to strong performance in the agricultural, public constructions, and retail sectors. Inflation is expected to be negative in 2019 at -0.6 percent owing to a substantial increase in agricultural output and a decline in water utility prices.

The budget deficit (including grants) was held at 2.9 percent of GDP in 2018, well below the initially programmed level (4.7 percent of GDP), essentially reflecting a decrease in spending. In 2019, we expect the deficit to shrink further and fall to 2.3 percent of GDP. For 2020, the goal is to keep the deficit under 2 percent of GDP, in line with the West African Economic and Monetary Union (WAEMU) fiscal convergence criterion.

Finally, the current account deficit (including grants) deteriorated slightly in 2018 owing to better accounting of informal imports, which increased significantly. Exports continued their strong growth, driven mainly by agricultural production and an increase in exports of cashew nuts. Nevertheless, the current deficit remains fairly low at 4.5 percent of GDP.

The attached Memorandum of Economic and Financial Policies (MEFP) describes the progress made in the implementation of the economic and financial program supported by the Extended

Credit Facility (ECF) arrangement and presents the additional measures that we expect to take to shore up our achievement of the main objectives for 2019 and 2020. In this context, we propose a prior action relating to the submission to the parliamentary commission of a 2020 budget that is consistent with the program's objectives and a new structural benchmark related to the inclusion of fiscal measures to increase revenue by CFAF 45 million in the draft 2020 budget approved by the government.

Overall, the results of the economic and financial program are very satisfactory. All of the quantitative performance criteria for end-June 2019 and the continuous performance criteria have been met. The structural benchmark for September concerning the diagnostic assessment of barriers to trade was met on time.

The government is convinced that the measures and policies outlined in the attached MEFP are adequate to achieve the objectives of its program. It will take all additional measures that may be necessary to this end and will consult the IMF on the adoption of such measures and prior to any revision of the policies outlined in the attached MEFP, in accordance with the Fund's policies concerning such consultations. The government will provide IMF staff with any information that may be needed to monitor implementation of the program and achievement of the program objectives, as set out in the attached Technical Memorandum of Understanding (TMU). The government authorizes the IMF to publish this letter and its attachments on its external website, as well as the IMF staff report, following approval by the IMF Executive Board of the fifth review under the ECF arrangement.

The government would therefore like to request the completion of the fifth review under the ECF arrangement and the disbursement of SDR 15.917 million (around $22.055 million). Finally, in view of the expiration of the ECF arrangement on April 6, 2020, we hereby request that the arrangement be extended until July 31, 2020. This extension is needed to provide enough time for the completion of the sixth and final review under the arrangement and the related disbursement. We remain committed to implementing sound macroeconomic policies.

Sincerely yours,

/s/
**Romuald WADAGNI**
Minister of Economy and Finance

Attachments (2):

1. Memorandum of Economic and Financial Policies
2. Technical Memorandum of Understanding

# Attachment I. Memorandum of Economic and Financial Policies for 2019-2020

This report is an update of the Memorandum of Economic and Financial Policies (MEFP) of May 2019, attached to the staff report for the fourth review of the ECF-supported program. The document describes recent economic developments in Benin and sets out the policies that the government intends to implement in the second half of 2019 and in 2020. The aim of these policies is to facilitate the continuation of fiscal consolidation and domestic revenue mobilization efforts, as well as to strengthen domestic and external economic stability. Implementation of the quantitative performance criteria and structural benchmarks up to end-June 2019 will be assessed in this MEFP.

## RECENT ECONOMIC DEVELOPMENTS

**1.** The Beninese economy is continuing to experience dynamic growth. In 2018, growth was driven by the record level of cotton and vegetable production and strong port activity. The tertiary sector (port activity in particular) and the primary sector (agriculture in particular) were the main contributors to growth, estimated at 6.7 percent. Economic activity continued to accelerate in the first half of 2019, driven by the agricultural, trade, and construction sectors. Inflation, affected by strong agricultural production and a decline in prices for public utilities, in particular water, followed a downward trend, dropping by 1.4 percent during the first nine months of 2019 compared to the same period in the previous year.

**2.** On August 20 Nigeria decided unilaterally to close the border with Benin.[1] This closing of the border had a negative impact on customs revenues, and it is expected to result in a slight slowdown in growth in 2019, which is expected to reach 6.4 percent.

**3.** The quarterly trade data recently published by the National Institute of Statistics and Economic Analysis (INSAE) confirm that exports of goods grew in the second quarter of 2019, with an increase of 22.4 percent compared to the first quarter. They are driven mainly by sales of cotton, and to a lesser extent by higher sales of edible nuts, such as cashew nuts. Imports of goods declined in the second quarter of 2019, posting a drop of 32.1 percent compared to the first quarter. Reforms aimed at boosting the technical capacities of farmers, expanding farmland, and distributing higher-quality seeds resulted in an increase in agricultural output, which also led to a contraction in food imports. In the second half of the year, a slight downturn in informal exports to Nigeria is expected, which could lead to a deterioration in the current account in 2019.

**4.** The rebasing of the national accounts led to a reduction in the ratio of public debt to GDP. It is now estimated at 41.4 percent of GDP in 2019. This year is expected to mark a shift in

[1] This measure affects not just Benin, but also Niger, Chad, and Cameroon.

the trajectory of public debt. After five years of upward movement, debt as a percentage of GDP is expected to stabilize in 2019 as a result of the fiscal consolidation and sustained economic growth. Benin's risk of debt distress is considered to be moderate and remains unchanged from the results of the previous debt sustainability analysis (DSA) performed in May 2019.

**5.** In the banking sector, banks' overall capital ratio improved in the second half of 2018 (from 7.6 percent in June 2018 to 8.2 percent at end-December 2018), while remaining below the regulatory threshold of 8.625 percent required for end-2018. The concentration of the banks' loan portfolio (loans to the 5 largest borrowers/equity capital) declined considerably, falling from 103.3 percent at end-June 2018 to 90.4 percent at end-December 2018. Nevertheless, credit and liquidity risks remain high. The high level of nonperforming loans persists – its level rose from 18.9 percent at end-June 2018 to 21.6 percent at end-December 2018. The liquidity ratio (liquid assets as a percentage of total assets) is at the lowest level since 2005 (12.5 percent at end-December 2018).

# IMPLEMENTATION OF THE 2019 PROGRAM

## A. Program Performance

**6.** Program implementation is very satisfactory. The available data and information show that all the quantitative performance criteria (QPCs) at end-June 2019 were met. As far as the structural benchmarks are concerned, the only one set for end-September, regarding the diagnostic assessment of barriers to trade, was met. The status of the QPCs at end-June 2019 is as follows:

- *Net domestic financing (NDF) of the government,* defined as the sum of net bank credit to the government and net nonbank financing of the government, amounted to CFAF -50.4 billion under a ceiling of CFAF -38 billion.

- *The basic primary fiscal balance,* defined as the difference between total fiscal revenue and basic primary fiscal expenditures, amounted to CFAF 50.7 billon with a floor set at CFAF 44.5 billion.

- *Total government revenue,* which includes tax and nontax revenue – but excludes foreign grants, the revenue of autonomous entities, and privatization proceeds – amounted to CFAF 522.8 billion, compared to a floor of CFAF 505.5 billion.

## B. Rebasing of the National Accounts

**7.** We rebased our national accounts in 2019. In addition to updating the base year from 2007 to 2015, we also implemented the *System of National Accounts 2008*. As such, the rebasing exercise made use of improved GDP compilation methods, which strengthened the quality of data and ensured consistent methodological treatment. This allows for a better understanding of changes in the structure of national economic activity and changes in consumption behavior since 2015.

**8.** Following the rebasing exercise, the trajectory of Benin's GDP was revised upward by almost 37 percent. The size of the change reflects higher agricultural output than before, which was largely consumed by households, and to a lesser extent, was exported.

## C. Execution of the 2019 Budget and Expenditure and Revenue Program

**9.** Fiscal consolidation continued in the first half of 2019. The containment of expenditure and the improvement in domestic resource mobilization led to an estimated fiscal deficit (on a commitment basis, grants included) of CFAF 30.4 billion (0.4 percent of GDP in 2019). The sharp reduction in the fiscal deficit in the first half of 2019 can be explained primarily by the underperformance of externally financed public investment. The mobilized revenue at end-June 2019 amounted to CFAF 522.8 billion, compared to an initial program target of CFAF 505.5 billion. This strong revenue performance is explained by the very good performance of nontax revenue (CFAF 89.6 billion, compared to an initial target of CFAF 77.4 billion), and domestic tax revenue (direct and indirect), which made up for the shortfall in customs revenue.

**10.** The strong performance of domestic tax revenues is explained by the successful mobilization of revenues under the 2019 Budget Law. Tax expenditures are expected to decrease by an amount equivalent to 0.7 percent of GDP in 2019 and **before end-November 2019 we will put into place a mechanism for the monitoring and verification of investments benefiting from exemptions**. In addition, the budget provided for the adoption of other tax-related measures such as a withholding tax on hydrocarbon sales carried out in Benin by nonresidents, enlargement of the base of the visitors' tax in hotels and similar establishments, as well as the transfer of responsibility for collection of the tax to the Directorate General of Taxes (DGI), and an increase in the rate of the tax on tobacco and cigarettes.

**11.** Reforms aimed at modernizing the financial authorities continue. At the DGI, the key reforms are focused on modernizing the procedures and means of payment in the first half of 2019, including:

- The rollout of the tax management system (SIGTAS) at three Taxation Centers for Medium-Sized Enterprises (CIMEs), namely the Coastal 1, Coastal 2, and Borgou-Alibori CIMEs as of February 1, 2019 through the Project to Support the Growth of Domestic Revenue in Benin (PAARIB). This rollout marked the launch of the electronic filing system for tax returns. Electronic payment via the e-service platform has been added to the electronic filing capability, thus completing the electronic procedures available at these centers. This reform enables medium-sized enterprises to file and pay taxes electronically, thereby making tax procedures more flexible. It provides the DGI with access to a database of taxpayer returns and allows for limited contact between taxpayers and tax agents.

- The launch of the "e-Balance Sheet" platform in June 2019 for the online filing of businesses' financial statements. This reform is intended to: (i) allow for the collection and safekeeping of financial statements; (ii) provide for access to a reliable database; (iii) facilitate the handling of financial statements; (iv) reduce the cost of collecting taxes; and (v) improve user services and correct unequal treatment. The reform also offers a number of advantages for: (i) taxpayers (by reducing the stress of meeting filing deadlines as much as possible and speeding up filing procedures, reducing the cost of the production of financial statements, and obtaining an electronic filing certification online); and (ii) other partners of the DGI, including the Central Bank of West African States (BCEAO), INSAE, and the Commercial Court (through electronic collection of financial statements and easier use of data contained in these statements).

**12.** With regard to customs, progress was made in effective implementation of the one-stop foreign trade window (Guichet unique du commerce exterieur, GUCE), with the objective to minimize the use of paper documents in customs clearance operations. Since the first six months of 2018: (i) the GUCE portal is available; (ii) the interface between the GUCE and the goods tracking system to improve cargo monitoring is operational; and (iii) import intentions are now centralized in the GUCE, which, among other things, will help us improve our customs revenue forecasts. We intend to continue the serious efforts to improve the collection rate for customs revenues. Indeed, customs authorities collect only 5 percent of the duties resulting from the detection of infractions during the control process. We are committed to ensuring that the Directorate General of Customs (DGD) has an effective collection service and is vigorously pursuing the procedures and penalties provided for by law. **In order to build the capacity of the customs service to assess and mitigate risks, we have decided to strengthen the statistical monitoring service by adding new statisticians to the staff (before end-December 2019).**

**13.** With a view to rationalizing public expenditure, since 2016 we have consolidated the wage bill. The key measures implemented to hold back the pace of wage bill increases have included: (i) the biometric census of civilian personnel, which identified 1,355 ghost workers; (ii) use of the banking system for bonuses and allowances not included on pay slips since 2017; and (iii) the repeal of several decrees and regulations that systematically granted benefits. The savings realized through these measures are being allocated in part to provide for the settlement of salary commitments of previous governments to civil servants.

**14.** We will continue to improve the effectiveness of public investment. A recent IMF technical assistance mission in February 2019 noted progress in the planning of public investment with: (i) the adoption of a decree aimed at formalizing the technical and organizational procedures for the management of public investment; (ii) the linking of various planning tools (the Government Action Program, the National Development Plan, the Growth for Sustainable Development Program, etc.); and (iii) the improved coordination between local government investment plans and those of the central administration. Progress was also noted in the allocation and execution of public investments. Nevertheless, there are still some weaknesses, including: (i) the procurement plans and statistics on public procurement are not comprehensive; (ii) the information systems are not coordinated and lack sufficient interfaces; and (iii) the ex-ante evaluation of projects is still inadequate. We will continue to carry out the recommendations contained in the follow-up report on evaluation of public investment management with a view to improving their effectiveness.

## D. Public Debt Management

**15.** With a view to diversifying the sources of financing, in March 2019 we issued our first Eurobond, which was met with great success in the market. The amount of the issuance was 500 million euros (equivalent to 3.9 percent of GDP), with a weighted maturity of 6 years, an interest rate of 6 percent, and a 3-years repayment plan, over the period 2024-2026. The terms of the Eurobond are better than those of securities issued in the regional financial market during the same period, such as the 5-year bond issued by the Beninese government in the regional market at the beginning of March 2019 at an interest rate of 6.99 percent, for example. The Eurobond issuance did not result in an increase in overall debt, since it was offset entirely by a decline in domestic borrowing. Ultimately, the debt sustainability analysis confirms the moderate risk of debt distress, which has not changed since the conclusion of the May 2019 DSA.

**16.** With a view to providing for better management of public debt, the *Caisse Autonome d'Amortissement* (the Autonomous Amortization Fund, or CAA) has undertaken various reforms related to technical capacity building. This year, it undertook the recruitment of an Audit and Compliance director, as well as an Audit Service manager. The audit team worked on: (i) the drafting and adoption of an internal audit charter; (ii) the preparation of a risk map; and (iii) the operational risk management procedure. The CAA also undertook the creation of a project monitoring department responsible for disbursements, tracking the progress of projects, and the review of project portfolios by the lender and sectoral ministry. With regard to reporting, the CAA website has also been completely redesigned and information is updated regularly. Statistical bulletins and some public debt documents are published in English to make them accessible to international investors. A new monthly bulletin in English has been prepared for their use.

## E. Public Enterprise Reform

**17.** Public enterprises continue to be a burden on the government budget owing to their weak economic and financial performance. New auditors have been appointed at the 189 public enterprises and government offices. The government has also validated the new draft law on public enterprises. This law, which has been submitted to the National Assembly but has not yet been adopted, covers the creation, organization, and operation of public enterprises and aims to improve their governance and thus their economic and financial performance. The future law calls for close government monitoring of the economic and financial position of public enterprises. Public enterprises will henceforth be required to transmit their financial statements –

accompanied by audit reports – to the Ministry of Economy and Finance by the prescribed deadline. Moreover, a consolidated report on the economic and financial position of public enterprises will be attached to future budget laws once the law has been adopted.

**18.** To limit the impact of public enterprises on the budget, the government also plans to define a dividend policy for each enterprise in order to make them accountable for achieving results while ensuring financial management consistent with their development. The government has concluded performance contracts with the Autonomous Port of Cotonou and the Société Béninoise d'Énergie Électrique (SBEE) with support from the Millennium Challenge Corporation. We plan to expand this measure to other public enterprises once the new law has been passed.

## F. Governance Reforms

**19.** In the area of public audit, important steps have been taken in the context of reforming the administrative control bodies. The objective of this reform is to facilitate the creation of a performance culture in the government and step up the fight against impunity by reorganizing the control bodies and implementing measures aimed at their professionalization, by: (i) making the Inspectorate General of Finance (IGF) the central body responsible for the operational coordination of the activities of the government's internal audit units and for monitoring the actions taken by the various ministries in response to the main audit recommendations; (ii) putting the sectoral ministries back at the center of the ministries' internal control system; (iii) finding a long-term solution to the shortage of quality human resources within the government's internal audit bodies; (iv) reducing the vulnerability of audit institutions and increasing their contribution to the effectiveness of services; and (v) providing auditors with sufficient resources to perform their assignments. To that end, the government overhauled the regulatory framework with the issuance of three decrees. The new texts formalize a paradigm shift and provide for transitioning from the "inspection-verification" approach to the "internal audit" concept in all its forms. In addition, the aim of the new "internal audit" approach is to bring value added to managers, particularly through advisory assistance, with a view to attaining the strategic, operational, and regulatory objectives. The proposed texts will also enable Benin to adopt international standards and overcome the institutional and regulatory obstacles hindering the effectiveness of internal control and audit activities within the government of Benin.

**20.** In the judicial area, important reforms have been undertaken this year. Two commercial courts were created and then inaugurated in 2018 following: (i) the identification of buildings to house the Commercial Court of Cotonou and the Court of Commercial Appeals of Porto Novo; and (ii) the appointment of professional and consular judges, and the official installation of the courts in those two jurisdictions. In addition, the Court for the Suppression of Economic and Terrorism Crimes (CRIET), which was installed in August 2018, is now operational. Its objective is to curb terrorism-related and economic crimes, as provided for in the criminal legislation in force, as well as suppress drug trafficking and related crimes.

**21.** Within the context of strengthening the governance of public enterprises, in September 2019 we granted a delegated management contract to the Beninese Electricity Company (SBEE) in order to improve its management. In October 2019 we decided to place the *Société Nationale de Commercialisation des Produits Pétroliers* (the National Company for the Marketing of Petroleum Products, or SONACOP) under temporary management with the aim of resolving the difficulties related to its operations and financial losses. In order to reduce losses in the collection of electricity payments, this year we introduced a new electronic system for making electricity payments via MTN Mobile.

**22.** To combat corruption, efforts are underway thanks to the initiatives undertaken by the National Anti-Corruption Authority (ANLC) to implement the asset declaration regime laid out in the 2011 Anti-Corruption Law. In particular, the ANLC's measures are intended, among other things, to: (i) ensure that penalties are imposed by responsible courts if the assets of individuals covered by the law are not declared or in case of false or misleading declarations; and (ii) allow the online declaration of assets. In February 2019, Parliament passed the Law on Strengthening Public Governance. This law allows the state to hold any official responsible who through his acts and actions misleads the government with a negative impact on public finances. We will strengthen the enforcement of the rule of law, the judicial system, and the general anti-corruption framework in order to improve governance. In particular, we will strengthen the National Anti-Corruption Authority by improving its human, technical, and logistical capacities, and by enhancing its independence and financial autonomy with a sufficient budget allocation. In July 2019 a committee composed of staff from the Ministry of Justice and the National Unit for the Handling of Financial Information (CENTIF) prepared a draft decree on the creation of the Beninese agency for the management and recovery of seized and confiscated assets.

**23.** Finally, with regard to the observance of international governance standards, Benin ratified the United Nations Convention against Corruption in 2005, followed by the African Union Convention against Corruption and the Economic Community of West African States (ECOWAS) anti-corruption protocol. The ANLC is also in the process of preparing an action plan for implementing the recommendations made following the assessment of the National Integrity System (SNI) carried out by Transparency International in 2016 with the support of the European Union. In addition, in June 2018 Parliament adopted the new law on combating money laundering and the financing of terrorism, which will enable Benin to harmonize and strengthen its national regulations in conformity with the new measures under way in the WAEMU, in order to fight financial crimes. Lastly, the evaluation by the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) is under way and will be finalized during the plenary session in December 2019. We are committed to continuing to strengthen our AML/CFT regime and to carrying out the recommendations from the GIABA evaluation, including those concerning politically exposed persons.

## G. Business Environment

**24.** Improving the business environment is necessary in order to support the development of the private sector and to achieve stronger and more inclusive growth in Benin. To make Benin an attractive destination for investors, a new investment promotion mechanism was put in place in 2017, which streamlined the institutional and regulatory framework for investment promotion in Benin. At the strategic level, an Interministerial Investment Promotion Committee was created to improve government coordination on issues related to the business environment and to provide a coordinated response to the needs and expectations expressed by investors. At the operational level, the Agency for the Promotion of Investment and Exports (APIEX) has been restructured to become the sole gateway for investors and a showcase for the promotion of investments and exports in Benin. The APIEX is thus: (i) the one-stop window for business creation, making it possible to shorten the business creation time to three hours; (ii) the technical body responsible for reviewing applications for approval under the Investment Code; (iii) the Executive Secretariat of the Public-Private Partnership (PPP) Support Unit; (iv) the focal point for the implementation of the Doing Business reforms; (v) the administrative authority for the special economic zones; and (vi) the export information and facilitation center.

**25.** In the context of business creation, the two key measures that have been undertaken in 2019 are the simplification of the procedures for declaring the existence of a business and the elimination of the procedure for the physical verification that the business name is unique. The tax payment process has been improved by the establishment of an electronic payment procedure (which is also available to large and medium-sized enterprises), the strengthening of the provisions regarding the single business tax, and a reduction in the tax from CFAF 400,000 to CFAF 150,000 in 2019. We also introduced an income tax credit for businesses that use certified electronic cash registers.

**26.** In addition, in 2018 Parliament adopted a law on hiring that aims to promote job creation. This law has corrected a number of legal loopholes, particularly those relating to hiring for trial periods, which has long been unregulated, and the types of contracts, including fixed-term contracts, that can be renewed indefinitely. Moreover, the new law allows foreigners to work under open-ended contracts, whereas previously they had access only to fixed-term contracts. The law also eases the licensing conditions and sets a maximum limit of 9 months of compensation in the event of dismissal deemed abusive by the courts.

**27.** The reforms pertaining to cross-border trade involve an interconnection between the Nigerian and Beninese customs services, the introduction of an online system for making complaints, the creation of an informational website for users regarding customs clearance conditions, and the establishment of a working group responsible for defining customs clearance standards and streamlining customs procedures. With regard to the protection of minority investors, the time period for the handling of cases dropped from 750 days in 2017 to 57 days in 2018. We will facilitate access to commercial case law by making information concerning business law and judicial decisions available online.

**28.** In the area of protecting property titles, we made amendments and additions to the land code in 2017; this led to the adoption of Law 2017-15 of August 10, 2017. This new law provides for a reduction in the time required to obtain property titles and, in the case of foreign investors, the lifting of restrictions on the acquisition of real property. The National State Land and Land Tenure Agency (ANDF) has carried out a number of actions related to placing the Cotonou land-use registry online, the creation of separate online folders for notaries (which enable them to track progress in the handling of their applications), and the establishment of deadlines for the issuing of property transfer deeds by the ANDF. As part of the reforms of construction permits, a memorandum, intended for the Association of Architects, was issued to clarify the costs of providing certificates of membership. Likewise, Order 2017-131 of December 18, 2017, provides for a clarification of the minimum requirements that need to be met in order for construction permits to be issued. In addition, the Minister of Economy and Finance issued an order in June 2019 (1908) on the creation of a commission for the handling of complaints regarding the transfer of ownership. The establishment of this commission will allow for an improvement in Benin's Doing Business ranking, among other things.

## H. Financial Sector

**29.** The main components of the capital regulations according to Basel II/III became effective in January 2018, including the definition of tier 1 capital, tier 2 capital, and the capital conservation buffer. The Basel II/III provisions that were recently introduced are being implemented gradually, starting on January 1, 2018. The new prudential framework takes an incremental approach in order to absorb the new requirements with regard to the minimum capital, leverage, concentration requirements, etc. The framework specifies that the capital adequacy ratio in 2019 should not be below 8.625 percent. These standards are considered essential to safeguarding a sufficient buffer of high-quality capital, as well as strengthening banks' balance sheets. A new banking chart of accounts and an accounting framework for loan loss provisioning in keeping with IFRS 9 were also introduced in January 2018. The standards on liquidity ratios aligned with the Basel II/III principles are being prepared at the regional level.

**30.** Two small public banks have reported repeated losses in recent years. The government has put into place a restructuring plan for these two banks. We are currently hoping to perform a merger of these two institutions with the aim of reaching a critical size in order to comply with the minimum capital requirement established in the WAEMU. The merger will also make it possible to take advantage of synergies, in particular by making use of the nationwide network of one of the banks. We have hired an international auditing firm to evaluate the various options and their cost to the public purse. We are in the process of selecting, in consultation with the IMF team, a type of merger that will enable the new bank to comply with prudential standards for capital and to regain its financial viability. We will ensure that the merger option that is chosen will be the least expensive in terms of public resources and that the merger will be in line with international best practices with regard to governance, financial reporting, risk management, control, operations, and strategy. We are then planning put into place a restructuring plan for the merged bank, which will be presented to the Banking Commission after it has been finalized.

**31.** To modernize the financial sector, we have also, by Law 2018-38 of September 2018, reactivated the *Caisse de Dépôts et Consignations* (Deposit and Consignment Fund, or CDC), which was created on August 31, 1973, by Order 073-60. A Steering Committee for the Operationalization of the CDC was established in January 2019 pursuant to an order issued by the Minister of Economy and Finance and a recruitment notice for its senior members was issued. In addition, we have signed a contract with an international consulting firm for the purpose of: identifying the resources of the CDC; drafting a business plan; defining an investment approach and risk management policy; and putting into place a governance framework and human resources management, as well as an information system. The gradual rollout of the CDC's activities is planned for 2020.

**32.** The essential mission of the CDC is to receive, and conserve movable assets deposited with it and to return them to their rightful owners. It is thus responsible for administering deposits and consignments, providing services related to the cash and funds whose management is entrusted to it, and receiving administrative and court-ordered consignments and sureties. In general, the CDC has general interest missions in supporting the public policies of the central and local governments, particularly in the areas of economic and social development. To achieve them, the CDC pursues investment and risk management policies and strategies that should enable it to create jobs and generate yields above the average cost of government borrowing. To this end it is adopting prudential rules in line with best practices for investment and risk management.

**33.** At the practical level, in the context of modernizing the financial sector of Benin, the CDC will enable us to: (i) hold equity in companies that we wish to support or from which we wish to receive dividends, like any shareholder; (ii) work alongside the banking system by making deposits in banks at reduced costs; (iii) participate in the financing of social projects; and (iv) assist effectively in the financing of the economy by making public securities more attractive (proposed purchase of public securities at low rates by the CDC).

**34.** To strengthen the land reform and formalize the collateral used in lending activities, we created the National State Land and Land Tenure Agency in 2016, which, among other things, handles the conversion of occupancy permits into real estate titles. The initiative included in the 2016 Supplementary Budget Law to eliminate recording fees was successful, and the number of real estate titles recorded has grown. We will also work to advance the electronic recording of real estate titles – which has already been completed for the city of Cotonou – by extending the process to the entire country. In May 2019 we adopted a decree to facilitate the conversion of occupancy permits into real estate titles – which are recognized as collateral by the banking regulator. This should result in a steep decline in the level of banks' provisions and an improvement in their financial condition. We also established a Trade and Personal Property Credit Register (RCCM) and are planning to provide electronic access to the register. In addition, the implementation of these measures will enable banks to reduce the level of provisions and ultimately increase their capacity to lend to the private sector.

**35.** Spurred by the BCEAO, a support mechanism has been put into place for the financing of small and medium-sized enterprises/small and medium-sized industries (PME/PMI), or a PME mechanism in the WAEMU. The establishment of such a mechanism was necessary owing to the important role played by PMEs in the economic fabric of the countries in the Union. According to the governments, these businesses account for between 80 percent and 95 percent of the enterprises surveyed, while most of the studies indicate that it is difficult for these businesses to gain access to financing, and to medium- and long-term credits in particular. The mechanism is focused on four main areas, including: (i) the promotion of PMEs; (ii) improvement of the management of these enterprises; (iii) the refinancing of bank loans to PMEs; and (iv) the diversification of financial instruments adapted for their financing. In this regard, it is expected that various actors will be involved in the implementation of a number of actions. For the governments, these include the adoption of measures aimed at providing incentives and simplified procedures to encourage the emergence of PMEs (setting aside a proportion of public procurement for PMEs, the development of subcontracting, etc.). The purpose of the support and oversight structures with regard to PMEs is to provide upstream assistance in meeting the eligibility conditions and to perform ex-post monitoring after financing has been obtained. They should then work downstream to ensure the proper use of bank credits, the smooth implementation of business plans, and compliance with deadlines, which will allow for a reduction in the risk of default on payment. As for the lending institutions, they will finance the PMEs, either directly or in collaboration with the support and oversight structures of these enterprises. For its part, the BCEAO will take action with regard to the terms of financing offered to PMEs, by making bank credits to these enterprises more attractive through appropriate refinancing (at a rate of 2.5 percent). In Benin, the official ceremony launching the mechanism took place in August 2018. Its operationalization is under way.

**36.** We believe that the microfinance sector is key to promoting access by small enterprises to the financial system. To preserve its viability and credibility, we have adopted a ministerial decision for microfinance institutions aimed at strengthening their supervision and the granting of authorizations. Progress has been made in closing unauthorized microfinance institutions (MFIs). In addition, the regional financial inclusion strategy is being implemented. Steps have also been taken to rehabilitate the microfinance sector, particularly by improving the quality of financial and accounting information through the implementation in 2016 of the centralized IT solution for monitoring decentralized financial systems (SICS-SFD). In operational terms and with regard to supervision of the sector, in the course of 2018, the National Decentralized Financial Systems Surveillance Agency (ANSSFD) continued implementing the microfinance sector rehabilitation strategy document, which is based on the following three pillars: (i) application of the law to all authorized decentralized financial systems; (ii) application of the law to all entities operating illegally; and (iii) continued strengthening of the stability and balanced operation of the decentralized finance sector with a view to ensuring its long-term sustainability. Between

2013 and 2019, a total of 240 unauthorized MFIs received formal authorization, while 17 unviable MFIs were closed.

**37.** To promote the sector, the National Microfinance Fund (FNM) has prepared a new strategic plan for 2017-2021, founded on the following three strategic pillars: (i) facilitating access to appropriate financial resources for microfinance institutions; (ii) building operational capacity and promoting social and technological interventions; and (iii) strengthening governance and the sustainability of FNM actions. In addition, the government, through the Ministry for Social Affairs and Microfinance (MASM), has begun preparing the FinScope survey, the first stage in the Making Access to Financial Service Possible (MAP) process, which is to culminate in the development of a national financial inclusion strategy in line with the regional financial inclusion strategy developed by the BCEAO. Finally, financial inclusion will be strengthened with the implementation in 2019 of the microfinance component of the Insurance to Build Human Capital (ARCH) project.

# PROGRAM FOR 2020

**38.** The objective of the three-year program (2017-2020) signed by the IMF and the government of Benin is to lay the foundation for accelerated and inclusive growth while preserving macroeconomic stability and public debt sustainability. Implementation of the reforms is expected to: (i) create more fiscal space through the mobilization of additional domestic resources; (ii) enhance the efficiency of public expenditure, particularly investments; and (iii) improve governance and the business environment with a view to stimulating private sector activity.

**39.** Our macroeconomic framework envisages growth of 6.7 percent in 2020, supported essentially by the strong performance of the agricultural sector in general, and cotton production in particular, construction and port traffic activities. Inflation should remain moderate and well below the WAEMU target of 3.0 percent. In 2020 we are expecting an improvement in the current account deficit, projected at 4.7 percent of GDP. This improvement will be driven primarily by a significant increase in exports, due above all to higher cotton exports and lower growth in imports resulting from the scaling down of food imports.

## A. 2020 Budget and Expenditure and Revenue Program

**40.** In December 2019, the National Assembly will pass the 2020 Budget Law in accordance with the draft submitted by the government and the program objectives. The fiscal deficit, on a commitment basis (grants included), is expected to reach 1.8 percent of GDP in 2020 compared to 2.3 percent in 2019 (2.0 percent when unpaid debt to suppliers identified during a recent audit is excluded). Consequently, the fiscal adjustment between 2019 and 2020 is estimated at 0.25 percent of GDP. Total government revenue (including grants) is expected to amount to 14.5 percent of GDP, while total expenditure would be contained at 16.3 percent of GDP.

**41. The 2020 Budget Law is based on fiscal measures estimated at CFAF 45 billion.** The key fiscal measures include: (i) raising the minimum flat tax of CFAF 50,000 applied to the corporate tax; (ii) elimination of the registration fee exemption for real estate transfers; and (iii) widespread rollout of electronic cash registers. All these tax policy measures, coupled with the pursuit of revenue agency reforms, are expected to result in the mobilization of CFAF 1,220.0 billion in government revenue in 2020. We will continue the mobilization of tax revenue with the aim of creating additional fiscal space to finance public investment and priority social spending.

**42.** Should the revenue generated by the tax reforms fall short of the budget forecasts, as a first step the government will slow down the execution of public investment. If, however, there is a significant shortfall in revenues collected – due to a prolonged closure of the border with Nigeria in 2020, for example – we will study, in consultation with the IMF, the possibility of increasing the fiscal deficit target in order to protect social spending and priority investments.

**43.** In the area of public expenditure, the reforms initiated with the aim of ensuring its rationalization will be continued in 2020. As for the management of the wage bill, the reforms include: (i) use of the banking system for the payment of salaries and bonuses to military personnel; (ii) the recall of all financial attachés from Benin's diplomatic missions abroad; and (iii) cutting back on the number of diplomatic missions (closing/merging of posts, etc.).

**44.** In addition, a pilot phase of the insurance component of the government's social protection project – Insurance to Build Human Capital (ARCH) – began in 2019, targeting extremely poor populations (300,000 people) and expanding to the general population between 2020 and 2022. The government will cover the entire insurance premium for those in extreme poverty and will provide a partial subsidy (up to 40 percent) for the premium paid by populations categorized as impoverished but not in extreme poverty. In 2020 the health insurance component will be expanded to include all people in extreme poverty and the National Social Protection Agency (ANPS) will be equipped and its information system will be rolled out. The budget cost of the ARCH program is estimated at 0.3 percent of GDP. The insurance system is based on an innovative mechanism for targeting poor populations and the establishment of a single social register in cooperation with the World Bank. The other components of the ARCH program are improvement of skills, access to credit, and underwriting of a retirement pensions for around 1.8 million people who are working primarily in the informal sector.

**45.** Several measures are under way in the implementation of the Treasury Single Account (TSA). They include: (i) the adoption of a regulatory framework for the TSA in 2015; (ii) the interconnection and modernization of the unit responsible for the management of correspondent accounts; and (iii) a partial inventory of public accounts in the books of commercial banks in 2017 and an update in 2018. Nevertheless, we are encountering technical and operational difficulties related to the interface of the Treasury's computer system with the BCEAO system. In addition, we need to be sure that the effective implementation of the TSA will not have an impact on the banking system. To this end, **we will conduct a study to evaluate the impact of the withdrawal of public funds from commercial banks and their placement**

**in the TSA on the stability of the banking system (before end-March 2020).** An AFRITAC West mission will visit Cotonou in December for the purpose of supporting us in the operational implementation of the TSA, and in particular in analyzing the impact of the movement of bank accounts to the TSA.

## B. Public Debt Management

**46.** The Autonomous Amortization Fund is in the process of revising Benin's medium-term debt strategy, which will be published before end-2019. It includes a new target for the composition of public debt that reflects recent debt operations (reprofiling and issuance of a Eurobond). The previous medium-term debt strategy, which covered the period 2017-2021, aimed at reaching a balance between the amount of domestic debt and external debt. External debt has now reached 60 percent of total debt, however, so there needs to be a strategy with a new optimal target for the composition of public debt. The new medium-term debt strategy (2020-2024) therefore targets a relatively stable level of external debt that will account for between 55 and 60 percent of total debt during the period 2020-2023 and between 50 and 55 percent in 2024.

**47.** The document is updated each year to better take into account the financing specificities of the current budget. Thus, an annual debt strategy for 2020 has been prepared and attached to the draft 2020 budget law. It shows how the government plans to choose between issues in the domestic market and those in the international market. In addition to the cost of financing, the structure of the portfolio takes into account the exposure to different kinds of risks, including exchange risk during this process.

**48.** In order to strengthen the monitoring of securities issued and developments in the international market, the CAA plans to acquire a Bloomberg terminal with a view to improving financial information. In addition, an investor communications and relations department will be created in early 2020 to analyze the markets. The market analysis unit will be responsible for the use of the Bloomberg terminal. It should be stressed that Benin is constantly working to improve its public debt management system. These various reforms and improvements earned Benin's Ministry of Finance the Global Markets award for the top public debt management office in sub-Saharan Africa in 2019.

## C. Infrastructure Projects and Public-Private Partnerships

**49.** Following the establishment of the legal and regulatory framework for public-private partnerships (PPP) by Law 2016-24 of June 28, 2017, the government adopted implementing decrees to take account of the new institutional framework for the promotion of investment in Benin. The institutional framework has entered into effect, thanks in particular to technical assistance from the World Bank. Analysis of the options for financing GAP projects has led to the compilation of a catalog of PPP projects. In accordance with international best practices, we will ensure that: (i) investments in PPPs are included in the budget documents and public finance statistics; and (ii) liabilities relating to PPPs are assessed and annexed to the budget law. We will analyze the fiscal risks relating to these PPP projects. Finally, in 2018 we established a unit within the Ministry of Economy and Finance for the management of fiscal risks related to PPPs. We are now working on capacity building in order to make the unit fully operational.

**50.** The government has entered into preliminary discussions with the People's Republic of China on a future partnership to finance the construction of the Glodjigbé International Airport. At this stage, the financing packages and schedules of works have not yet been finalized. We are continuing with all of the preliminary analyses for the financing of the projects, and we will discuss them with the IMF teams when they have been finalized. We remain determined to take adequate measures to ensure that the financing of this project is reflected in the public accounts in accordance with international best practices, that the risks on public finances are minimized, and that public debt sustainability is not jeopardized.

**51.** In January 2019, Niger and Benin signed a bilateral agreement for the construction of an oil pipeline to transport crude oil from southeast Niger to the Port of Cotonou, covering a distance of 1,980 km. It will require a transit connection of around 1,980 km, 675 km of which will cross Benin. The construction of the pipeline is expected to take 24 months and the preliminary excavation work is expected to begin in January 2020 and last until end-2021. The pipeline is expected to go online in January 2022, with a projected service life of 22 years (2022-2043). The total cost of the project for the Beninese portion is estimated at US$1.05 billion (CFAF 608 billion) and it will be financed entirely by the West African Oil Pipeline (Benin) Company S.A. (WAPCO BENIN, a private company). WAPCO BENIN is expected to take out a bank loan to finance 80 percent of the total project cost, while the remaining 20 percent of the project cost will be financed using the company's own funds. No financing will be provided by the Beninese government. We are planning to benefit from this project through: (i) transit fees, which are expected to total US$884.6 million (CFAF 680 billion) over the entire period of its operation; and (ii) tax revenues (VAT and other fees and taxes) in the amount of US$109 million (CFAF 535.2 billion).

## D. Business Environment

**52.** Benin improved its ranking in the 2020 Doing Business report, reaching 149th out of 190 countries in terms of ease of doing business, compared to 153rd place (51.42 points) in the previous report, which means that it moved up four places. We are committed to continuing to strengthen the business environment to favor private companies. To this end, since 2018 we have elaborated an action plan to improve the business environment, which defines actions in the short-term, medium-term, and long-term.

**53.** The major reforms in 2020 concern the following:

- Official registration of the creation of a business entirely online;

- Integration of major public utilities into the information and credit platform;
- Adoption of a decree on minimizing the use of paper documentation;
- Minimizing the use of paper documents in the building permit process;
- A draft decree on the regulation of building permits and demolition permits;
- A draft decree on organization of the profession of engineer and consulting engineer and establishing a national order of civil engineers in Benin.

**54.** Under the new arrangement, a specific institutional framework for implementing the Doing Business reforms has been adopted, along with a matrix of annual actions to be implemented. Two draft laws designed to facilitate private investment have been finalized and submitted to Parliament for adoption. One draft law contains amendments to the investment code and the other focuses on the promotion and development of micro-, small- and medium-sized enterprises in Benin. The innovations introduced in the new Investment Code include:

- simplification of the approval mechanisms (three mechanisms with clear and precise incentives during the startup and operating periods, two alternative mechanisms to further encourage investors interested in the priority sectors of the national economy);
- professionalization of the processing of accreditation files, and time limit on the technical decision;
- improvement of the investment monitoring system;
- incorporation of international best practices for the preparation of investment codes and, in particular, the comments provided by the United Nations Conference on Trade and Development (UNCTAD) on the existing code;
- structuring of incentives in such a way as to make Benin more competitive and ensure the consistency of its investment code provisions with the series of exemptions granted investors in the special economic zones, as well as with the specific government assistance initiatives designed to promote national entrepreneurship;
- the establishment of a system for the promotion of private investment and the protection of investors' rights at the national, regional, and international levels.

**55.** The reforms undertaken in the area of facilitating international trade aim at: (i) the establishment of a more rapid and less burdensome computerized process for the customs clearance of imports and exports; (ii) the integration of customs and control services at the Port of Cotonou (PAC); (iii) delegation of the management of the PAC to the Port of Antwerp; and (iv) implementation of the one-stop foreign trade window (GUCE).

## E. Financial System

**56.** We also intend to continue building the capacity of the judges and courts to rule on financial matters. The new commercial tribunal in Cotonou is now operational. These courts will help to resolve business disputes. As in previous years, the BCEAO has, in the context of its training program for the judicial profession, undertaken to help build the capacity of judges and magistrates in matters relating to the WAEMU financial regulations.

**57.** To promote financial inclusion in Benin, the government plans to take measures such as the creation of permanent mechanisms for the mobilization of resources by microfinance institutions and improved promotion and coordination of the microfinance sector.

## F. Quantitative Performance Criteria and Structural Benchmarks

**58.** The structural benchmarks for 2019 and 2020, as well as their macroeconomic justifications, are described in the table. The sixth program review is expected to be completed on or after March 23, 2020.

## Table 1. Benin: Status of Quantitative Performance Criteria and Indicative Targets, 2019[1]
### (Billions of CFA francs)

| | March 31, 2019 | | | June 30, 2019 | | | September 30, 2019 | | | December 31, 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Indicative Targets | | | Performance Criteria | | | Indicative Targets | | | Performance Criteria |
| | Prog. | Prel. | Status | Prog. | Prel. | Status | Prog. | Prel. | Status | Prog. |
| A. Quantitative performance criteria[2] | | | | | | | | | | |
| Net domestic financing of the government (ceiling)[3] | 15.0 | 27.6 | Not Met | -38.0 | -50.4 | Met | -158.5 | -68.0 | Not Met | -289.0 |
| Basic primary balance (excluding grants) (floor) | 15.6 | -0.3 | Not Met | 44.5 | 50.7 | Met | 47.7 | 15.9 | Not Met | 101.7 |
| Total revenue (floor) | 235.1 | 250.2 | Met | 505.5 | 522.8 | Met | 762.5 | 779.6 | Met | 1112.4 |
| B. Continuous quantitative performance criteria (ceilings) | | | | | | | | | | |
| Accumulation of external payments arrears | 0.0 | | Met | 0.0 | 0.0 | Met | 0.0 | 0.0 | Met | 0.0 |
| Ceiling on the present value of new external debt contracted or guaranteed by the government | 468.9 | 458.0 | Met | 797.0 | 458.0 | Met | 797.0 | 797.0 | Met | 797.0 |
| Accumulation of domestic payments arrears | 0.0 | 0.0 | Met | 0.0 | 0.0 | Met | 0.0 | 0.0 | Met | 0.0 |
| Contracts by the government for the prefinancing of public investments projects | 0.0 | 0.0 | Met | 0.0 | 0.0 | Met | 0.0 | 0.0 | Met | 0.0 |
| C. Memorandum Items[2] | | | | | | | | | | |
| Priority social expenditure (floor) | 37.2 | 38.2 | Met | 82.5 | 84.3 | Met | 140.7 | 137.1 | Not Met | 180.0 |
| Budgetary assistance | 0.0 | 3.9 | | 3.9 | 3.9 | | 10.1 | 3.9 | | 45.4 |

Sources: Beninese authorities; IMF staff estimates and projections.

[1] The terms in this table are defined in the Technical Memorandum of Understanding (TMU).

[2] The performance criteria and indicative targets are cumulative from the beginning of the calendar year. To account for the temporary closure of the border with Nigeria, the end-December 2019 QPC will be adjusted, subject to limits specified in the TMU (with a reduction in the floor on revenue and basic primary balance, and an equivalent increase in the domestic financing ceiling).

[3] If the amount of disbursed external budgetary assistance net of external debt service obligations falls short of the program forecast, the ceiling on net domestic financing will be adjusted pro-tanto, subject to limits specified in the TMU. If the amount of disbursed external budgetary assistance net of external debt service obligations exceeds the program forecast, the ceiling will be adjusted downward by the excess disbursement unless it is used to reduce domestic payment arrears.

**Table 2. Benin: Structural Benchmarks for 2018-20**

| Measures | Dates | Rationale | Status |
|---|---|---|---|
| Submit a 2019 budget that is consistent with the ECF-supported program to the parliamentary commission for consideration. | **Prior action for Third Review** | Preserve fiscal sustainability. | Met |
| Government should submit a 2020 budget consistent with the ECF-supported program to the parliamentary commission. | **Prior action for Fifth Review** | Preserve fiscal sustainability. | Met |
| **Revenue mobilization** | | | |
| Limit the granting of special conventions outside the investment code to exceptional cases after decision by the Council of Ministers. | June 2018 (continuous thereafter) | Boost revenue collection. | Met |
| Implement a plan to strengthen tax compliance. | June 2018 | Boost tax revenues by improving tax compliance-risk management. | Met |
| The 2019 adopted budget eliminates tax expenditures equivalent to CFAF 60 billion. | December 2018 | Boost tax revenues. | Met |
| The Ministry of Finance implements the system of control and verification of the investments envisaged under the frameworks of the code of investment and the special economic zones (MEFP ¶10). | November 2019 | Rationalize exemptions and fight tax fraud. | |
| Strengthen the research and statistics office within the customs administration by staffing it with statistics personnel with a view to improving risk analysis, the monitoring of exemptions, and fraud detection (MEFP ¶12). | December 2019 | Improve customs revenues and fight customs fraud. | |

**Table 2. Benin: Structural Benchmarks for 2018-20 (continued)**

| Measures | Dates | Rationale | Status |
|---|---|---|---|
| Adopt a 2020 budget that includes a tax package with revenue-raising measures equivalent to CFAF 45 billion (MEFP ¶41). | December 2019 | Foster revenue mobilization. | |
| **Public financial management** | | | |
| Prepare and adopt in the Council of Ministers a plan for the reorganization and professionalization of the administrative control bodies of the State. | June 2018 | Improve economic governance. | Met |
| Prepare monthly cash flow forecasting plans and comprehensive quarterly budget performance evaluations. | June 2018 | Improve budget information. | Met |
| Adopt a comprehensive and high-level regulatory text for public investment, as agreed under the PIMA evaluation. | September 2018 | Improve public investment management and help identify governance weaknesses. | Not met (implemented in November 2018) |
| Prepare an updated audit of the stock of past debt due by the government to domestic suppliers at end of December 2018.[1] | January 2019 | Enhance fiscal transparency. | Met |
| Perform an impact assessment of the transfer of government deposits from commercial banks to the Treasury Single Account (MEFP ¶45). | March 2020 | Reduce fiscal and financial risks. | |

[1]The unpaid services to suppliers were inherited from the previous governments.

**Table 2. Benin: Structural Benchmarks for 2018-20 (concluded)**

| Measures | Dates | Rationale | Status |
|---|---|---|---|
| **Financial Inclusion** | | | |
| The Ministry of Finance should establish a credit bureau. | December 2018 | Improve crisis management. | Met |
| The Ministry of Finance should adopt a decision to strengthen the implementation of the regulatory framework for the licensing and supervision of microfinance institutions. | December 2018 | Promote financial inclusion. | Met |
| **State-owned enterprises reform** | | | |
| Complete the data collection of SOEs' debt and operationalize the monitoring framework. | September 2018 | Better monitor contingent liabilities and improve public debt management. | Met |
| Set performance contracts with key SOEs. | December 2018 | Improve SOEs' contribution to government revenues. | Met |
| **Trade** | | | |
| Perform a diagnostic assessment of the main trade barriers, based on the framework used for the notification stage of the WTO Trade Facilitation Agreement. | September 2019 | Facilitate trade. | Met |

# Attachment II. Technical Memorandum of Understanding

**1.** This Technical Memorandum of Understanding (the "Memorandum") defines the performance criteria, quantitative benchmarks, and structural benchmarks of the Republic of Benin's program supported by the Extended Credit Facility (ECF). It also specifies the frequency and deadlines for data reporting to the staff of the International Monetary Fund (IMF) for program monitoring purposes.

## PROGRAM ASSUMPTIONS

**2. Exchange rates under the program.** For the purposes of this Memorandum, the value of transactions denominated in foreign currencies will be converted into the domestic currency of Benin (the CFA franc, or CFAF), based on the exchange rates agreed upon for the program projections. The key exchange rates are presented below.[1]

| | |
|---|---|
| CFAF/US$ | 557.6 |
| CFAF/euro | 655.96 |
| CFAF/SDR | 785.4 |

## DEFINITIONS

**3.** Unless otherwise indicated, "government" is understood to mean the central government of the Republic of Benin and does not include any political subdivisions (such as local governments), the central bank, or any other public or government-owned entity with autonomous legal personality not included in the government's flow-of-funds table (Tableau des opérations financières de l'État, TOFE).

**4.** The definitions of "debt" and borrowing for the purposes of this Memorandum are set out in point 8 of IMF Executive Board Decision No. 6230-(79/140), as subsequently amended on December 5, 2014 by Executive Board Decision No. 15688-(14/107):

a. **Debt** is understood to mean a current – as opposed to a contingent – liability, created under a contractual agreement for the provision of value in the form of assets (including currency) or services, which requires the obligor to make one or more payments in the form of assets (including currency) or services at some future point(s) in time, and these payments will discharge the principal and/or interest liabilities incurred under the contract. Debt can take a number of forms; the primary ones being as follows:

   i. loans, that is, advances of money to the obligor by the lender made on the basis ofan undertaking that the obligor will repay the funds in the future (including

[1] Exchange rates as of August, 19, 2017.

deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the seller in the future (such as repurchase agreements and official swap arrangements);

ii. suppliers' credits, that is, contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided;

iii. leases, that is, arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments that cover the operation, repair, or maintenance of the property; and

iv. Treasury bills and bonds issued in Communauté Financière Africaine (CFA) francs on the West African Economic and Monetary Union's (WAEMU) regional market, which are included in public debt for the purpose of this Memorandum.

Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from failure to make payment under a contractual obligation that constitutes debt are also debt. Failure to make payment on an obligation that is not considered debt under this definition (for example, payment on delivery) will not give rise to debt.

b. The present value of the loan will be calculated using a single discount rate set at 5 percent.

c. For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD LIBOR is 2.63 percent and will remain fixed for the duration of the program. The spread of six-month Euro LIBOR over six-month USD LIBOR is -294 basis points. The spread of six-month JPY LIBOR over six-month USD LIBOR is -260 basis points. The spread of six-month GBP LIBOR over six-month USD LIBOR is -197 basis points. For interest rates on currencies other than Euro, JPY, and GBP, the spread over six month USD LIBOR is -200 basis points.2 Where the variable rate is linked to a benchmark interest rate other than the six-month USD LIBOR, a spread reflecting the difference between the benchmark rate and the six-month USD LIBOR (rounded to the nearest 50 bps) will be added; and (d) Domestic debt is defined as debt denominated in CFA francs.

d. "External debt" is defined as debt denominated in any currency other than the CFA franc

# QUANTITATIVE PERFORMANCE CRITERIA

## A. Ceiling on Net Domestic Financing of the Government

***Definitions***

**5.** Net domestic financing (NDF) of the government is defined as the sum of (i) net bank credit to the government, defined below; and (ii) net nonbank financing of the government, including the proceeds of the sale of government assets, which includes proceeds from the divestiture of shares of public enterprises, that is, privatizations, Treasury bills, and other securitized obligations issued by the government and listed in CFA francs on the WAEMU regional financial market, and any BCEAO credit to the government, including any drawings on the CFA franc counterpart of the Special Drawing Rights (SDR) allocation.

**6.** Net bank credit to the government is defined as the balance between the debts and claims of the government vis-à-vis the central bank and local commercial banks. The scope of net credit to the government is that used by the BCEAO and is in keeping with general IMF practice in this area. It implies a definition of government that is broader than the one indicated in paragraph 2. Government claims include the CFA franc cash balance, postal checking accounts, customs duty bills, and all deposits with the BCEAO and commercial banks of government-owned entities, except for industrial or commercial public agencies (EPIC) and government corporations, which are excluded from the calculation. Government debt to the banking system includes all debt to the central bank and local commercial banks, including Treasury bills and other securitized debt.

**7.** The data deemed valid within the framework of the program will be the figures for net bank credit to the government and for the net amount of Treasury bills and bonds issued in CFA francs on the WAEMU regional financial market, calculated by the BCEAO, and the figures for nonbank financing calculated by the Treasury of Benin.

**8.** Gross external budgetary assistance is defined as grants, loans, and non-earmarked debt relief operations (excluding project-related loans and grants, use of IMF resources, and debt relief under the Heavily Indebted Poor Countries (HIPC) and Multilateral Debt Relief (MDRI) Initiatives. Net external budgetary assistance is defined as the difference between gross external budgetary assistance and the sum of total debt service obligations on all external debt (defined as the sum of interest payments and amortizations on all external loans, including interest payments and other charges to the IMF and on project-related loans, but excluding repayment obligations to the IMF), and all payments of external arrears.

***Performance Criteria and Indicative Targets***

**9.** The ceiling on net domestic financing of the government (cumulative since January 1 of the same year) is set as follows: CFAF 74.7 billion at end-March 2018; CFAF 190.9 billion at end-June 2018; CFAF 103,0 billion at end-September 2018; and CFAF 118.8 billion at end December 2018. These ceilings are performance criteria for end-June and end-December 2018, and an indicative target for end-September 2018.

**10.** The ceiling on net domestic financing of the government (cumulative since January 1 of the same year) is set as follows: CFAF 15 billion at end-March 2019; CFAF -38.0 billion at end-June 2019; CFAF -158.5 billion at end-September 2019; and CFAF – 289.0 billion at end December 2019. These ceilings are performance criteria for end-June and end-December 2019, and an indicative target for end-September 2019.

***Adjustments***

**11.** Net domestic financing of the government will be adjusted if net external budgetary assistance exceeds or falls short of the program projections indicated in paragraph 10:

- If, at the end of a quarter, net external budgetary assistance exceeds the total projected amounts (cumulative since January 1 of the same year) by more than CFAF 5 billion, the NDF ceiling will be lowered by an amount equivalent to that excess, minus CFAF 5 billion.

- If at the end of a quarter, net external budgetary assistance falls short of the projected amounts (cumulative since January 1 of the same year), the NDF ceiling will be increased by an amount equivalent to this shortfall, within the following limits: the increase may not exceed CFAF 15 billion at end-June 2018 and CFAF 25 billion at end-December 2018. The same rule applies for 2019.

**12.** For the purposes of calculating the adjustment to the NDF ceiling, the following amounts are projected in the program:

- The amounts of gross external budgetary assistance (cumulative since January 1 of the same year) projected in the program are CFAF 22.6 billion at end-March 2018; CFAF 22.6 billion at end-June 2018; CFAF 39.6 billion at end-September 2018; and CFAF 55.4 billion at end-December 2018.

- The amounts of gross external budgetary assistance (cumulative since January 1 of the same year) projected in the program are CFAF 0 billion at end-March 2019; CFAF 3.9 billion at end-June 2019; CFAF 10.1 billion at end-September 2019; and CFAF 45.4 billion at end-December 2019.

**13.** The ceiling on the net domestic financing will be increased by an amount equivalent to the shortfall in customs revenue compared to the program's projections (CFAF 412 billion for 2019) in the event of a prolonged Benin/Nigeria border closure. The adjuster will be capped at CFAF 10 billion if the Benin/Nigeria border closure lasts until the end of October 2019, CFAF 20 billion if it lasts until the end of November 2019 and CFAF 30 billion if it lasts until the end of December 2019.

## B. Floor of the Basic Primary Fiscal Balance

***Definition***

**14.** The basic primary fiscal balance is defined as the difference between total fiscal revenue (tax and nontax) and basic primary fiscal expenditure (on a commitment basis). Basic primary fiscal expenditure is defined as fiscal (current plus capital) expenditure minus (a) interest payments on domestic and external debt; and (b) capital expenditure financed by external grants and loans. Grants are excluded from revenue and net government lending is excluded from fiscal expenditure.

***Performance Criteria and Indicative Targets***

**15.** The floor of the basic primary fiscal balance (cumulative since January 1 of the same year) is a balance of not less than CFAF -69.7 billion at end-March 2018; CFAF -47.5 billion at end-June 2018; CFAF -20.3. billion at end-September 2018; and CFAF +3.9 billion at end-December 2018. The floors for end-June 2018 and end-December 2018 are performance criteria and the floor for end-September 2018 is an indicative target.

**16.** Similarly, the floor of the basic primary fiscal balance (cumulative since January 1 of the same year) is a balance of not less than CFAF +15.6 billion at end-March 2019; CFAF +44.5 billion at end-June 2019; CFAF 47.7 billion at end-September 2019; and CFAF 101.7 billion at end-December 2019. The floors for end-June 2019 and end-December 2019 are performance criteria and the floor for end-September 2019 is an indicative target.

***Adjustments***

**17.** The floor of the primary budget balance will be adjusted downwards by an amount equivalent to the customs revenue deficit compared to the program projections (CFAF 412 billion for 2019) in the event of a prolonged Benin/Nigeria border closure. The adjuster will be capped at CFAF 10 billion if the Benin/Nigeria border closure lasts until the end of October 2019, CFAF 20 billion if it lasts until the end of November 2019 and CFAF 30 billion if it lasts until the end of December 2019.

## C. Floor of Total Government Revenue

***Definition***

**18.** Total government revenue includes tax and nontax revenue, as shown in the TOFE, but excludes external grants, revenue of autonomous agencies, and privatization receipts.

***Performance Criteria and Indicative Targets***

**19.** The floor on total government revenue (cumulative since January 1 of the same year) is set at an amount that is not less than CFAF 204.8 billion at end-March 2018; CFAF 445.5 billion at end-June 2018; CFAF 701.1 billion at end-September 2018; and CFAF 1021.6 billion at end-December 2018. The floors for end-June and end-December 2018 are performance criteria and the floor for end-September 2018 is an indicative target.

**20.** The floor on total government revenue (cumulative since January 1 of the same year) is set at an amount that is not less than CFAF 235.1 billion at end-March 2019; CFAF 505.5 billion at end-June 2019; CFAF 762.5 billion at end-September 2019; and CFAF 1112.4 billion at end-

December 2019. The floors for end-June and end-December 2019 are performance criteria and the floor for end-September 2019 is an indicative target.

***Adjustments***

**21.** The government revenue floor will be adjusted downward by an amount equivalent to the shortfall in customs revenue compared to the program projections (CFAF 412 billion for 2019) in the event of a prolonged Benin/Nigeria border closure. The adjuster will be capped at CFAF 10 billion if the Benin/Nigeria border closure lasts until the end of October 2019, CFAF 20 billion if it lasts until the end of November 2019 and CFAF 30 billion if it lasts until the end of December 2019.

## D. Non-Accumulation of New Domestic Payments Arrears by the Government

***Definition***

**22.** Domestic payments arrears are defined as domestic payments due but not paid by the government after a 90-day grace period, unless the payment arrangements specify a longer repayment period. The Autonomous Amortization Fund (CAA) and the Treasury record and update the data on the accumulation and reduction of domestic payments arrears. The definitions of debt given in paragraph 4a, of domestic debt in paragraph 4d, and of the government in paragraph 3 apply here.

***Continuous Performance Criteria***

**23.** The government undertakes not to accumulate any new domestic payments arrears. The non-accumulation of new domestic payments arrears will be continuously monitored throughout the program.

## E. Non-Accumulation of External Payments Arrears by the Government

***Definition***

**24.** External public payments arrears are defined as payments due but not paid by the government as of the due date specified in the contract, taking into account any applicable grace periods, on the external debt of the government or external debt guaranteed by the government. The definitions of debt given in paragraph 4a, of external debt in paragraph 4e, and of the government in paragraph 3 apply here.

***Continuous Performance Criterion***

**25.** The government undertakes not to accumulate any external public payments arrears, with the exception of arrears related to debt that is the subject of renegotiation or rescheduling. The performance criterion on the non-accumulation of external public payments arrears will be continuously monitored throughout the program.

## F. Ceiling on the Present Value of New External Debt Contracted or Guaranteed by the Government with a Maturity of One Year or More

***Definition***

**26.** This performance criterion applies not only to debt as defined in paragraph 4a, but also to commitments contracted or guaranteed by the government (including lease-purchase contracts) for which no value has been received. This criterion also applies to private sector debt guaranteed by the government, which constitutes a contingent liability of the government. As indicated in paragraph 4e, external debt excludes Treasury bills and bonds issued in CFA francs on the WAEMU regional market.

**27.** The term "government" used for this performance criterion and for the performance criterion on the contracting or guaranteeing by the government of new external debt, includes the government, as defined in paragraph 3, local governments, and all public enterprises, including administrative public agencies (EPA), scientific and technical public agencies, professional public agencies, and enterprises jointly owned by the Beninese government with the governments of other countries.

***Continuous Performance Criterion***

**28.** The present value of new external borrowing contracted or guaranteed by the government in 2019 will not exceed a cumulative amount of CFAF 797 billion. Changes to this ceiling may be made (subject to approval by the IMF Executive Board) based on the results of the public debt sustainability analysis prepared jointly by the staffs of the World Bank and the IMF.

## G. Ceiling on Pre-Financing Contracts for Public Investments

***Definition***

**29.** Pre-financing contracts are defined as contracts pursuant to which the following steps are taken concurrently: (i) the government entrusts a private entity with the responsibility for executing public works, financed by a loan to the entity from a domestic commercial bank or group of commercial banks; (ii) the Minister of Finance guarantees this loan and signs an unconditional and irrevocable agreement to replace the private entity to honor the full amount of principal and interest of the loan, which are automatically paid from the Treasury's account at the BCEAO. The concept of government used for this performance criterion is the one defined in paragraph 3.

***Continuous Performance Criterion***

**30.** The government undertakes not to enter into any pre-financing contracts during the program. This performance criterion on pre-financing contracts for public investments will be continuously monitored throughout the program.

# INDICATIVE TARGETS

## H. Floor for Priority Social Expenditures

**31.** Priority social expenditures are determined in line with the priority programs identified in the GAP. These expenditures consist of selected (nonwage) expenditures in the following sectors, inter alia: health; energy, water, and mines; agriculture; livestock and fisheries; social affairs; education; and living standards. The execution of these expenditures is monitored on a payment order basis during the program through the Integrated Government Finance Management System (SIGFIP).

***Definition***

**32.** The indicative target for priority social expenditures is defined as the total amount (cumulative since January 1 of the same year) of the payment orders issued under the budget lines indicated in Table 1 below.

**Table 1. Priority Social Expenditure Categories**

| Budget code | Description |
|---|---|
| 25 | Ministry of Economy and Finance |
| 36 | Ministry of Health |
| 37 | Ministry of Energy |
| 76 | Ministry of Water and Mines |
| 39 | Ministry of Agriculture Livestock, and Fisheries |
| 46 | Ministry of SMEs and the Promotion of Employment |
| 26 | Ministry of Justice |
| 52 | Ministry of Labor and Public Affairs |
| 41 | Ministry of Social Affairs and Microfinance |
| 44 | Ministry of Higher Education and Scientific Research |
| 27 | Ministry of Plan and Development |
| 62 | Ministry of Nursery School and Primary School Education |
| 63 | Ministry of Secondary and Technical Education and Vocational Training |
| 60 | Ministry of Domestic and Public Security |
| 51 | Ministry of Infrastructure and Transport |
| 34 | Ministry of Living Standards and Sustainable Development |
| 40 | Ministry of Tourism, Culture and Sport |

***Indicative Target***

**33.** The indicative target for priority social expenditures (cumulative since January 1 of the same year) is set as follows: CFAF 15.0 billion at end-March 2018, CFAF 50.0 billion at end-June 2018; CFAF 101.0 billion at end-September 2018; and CFAF 167.0 billion at end-December 2018.

**34.** The indicative target for priority social expenditures (cumulative since January 1 of the same year) is set as follows: CFAF 37.2 billion at end-March 2019, CFAF 82.5 billion at end-June 2019; CFAF 140.7 billion at end-September 2019; and CFAF 180.0 billion at end-December 2019.

# INFORMATION FOR PROGRAM MONITORING

## I. Data on Performance Criteria and Indicative Targets

**35.** To facilitate effective program monitoring, the authorities will provide IMF staff with the following data:

Every month:

- Data on any loan (terms and creditors) contracted or guaranteed by the government, in the first week after the end of the month;
- Monthly consumer price index, within two weeks of the end of the month;
- The TOFE, including revenue, detailed data on net domestic financing of the government (bank and nonbank domestic financing, including claims held by the nonbank private sector); and data on the basic primary fiscal balance, including data generated by SIGFIP, within six weeks of the end of the month;
- Data on the balance, accumulation, amount (stock), and repayment of public domestic and external payments arrears, including in the event that these arrears amount to zero, within six weeks of the end of the month;
- The monetary survey, within eight weeks of the end of the month.

Every quarter:

- Data pertaining to the amount of exceptional payment orders or other exceptional measures, within six weeks of the end of the quarter; and
- Data pertaining to priority social expenditures, within six weeks of the end of the quarter.

## J. Other Information

**36.** The authorities will provide IMF staff with the following data:

Every month:

- Bank supervision indicators for bank and nonbank financial institutions within eight weeks of the end of the month.

Every quarter:

- Data on the implementation of the public investment program, including detailed information on sources of financing, within four weeks of the end of the quarter; and

- Data on the stock of external debt, external debt service, the signing of external loan agreements and disbursements of external loans, within twelve weeks of the end of the quarter.

On an ad hoc basis:

- In the quarter when they become available: a copy of the budget law and its supplementary documents; a copy of the most recent budget review law; as well as any decree or law pertaining to the budget or the implementation.

# BENIN

November 26, 2019

## FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, REQUEST FOR EXTENSION, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA —DEBT SUSTAINABILITY ANALYSIS

Approved By
**Dominique Desruelle and, Mary Goodman, (IMF) and Marcello Estevão (IDA)**

Prepared by the staffs of the International Monetary Fund (IMF) and the International Development Association (IDA).

**Benin: Joint Bank-Fund Debt Sustainability Analysis**

| | |
|---|---|
| **Risk of external debt distress** | *Moderate* |
| **Overall risk of debt distress** | *Moderate* |
| **Granularity in the risk rating** | *Some space to absorb shock* |
| **Application of judgment** | *No* |

*Benin remains at moderate risk of* ***external debt*** *distress. The rating is unchanged from the previous May 2019 DSA. All the projected external debt burden indicators remain below their thresholds under the baseline, but the ratio of the present value (PV) of external debt to exports exceeds its threshold in the case of an extreme shock to exports.*[1]

*With regard to* ***public and publicly guaranteed (PPG) debt (external plus domestic)****, the overall risk of debt distress remains also moderate because of the external debt rating. Nonetheless, the PV of public debt-to-GDP ratio remains below its prudent benchmark in the baseline and shock scenarios.*

[1] Under the revised Debt Sustainability Framework for Low-Income Countries, Benin's Composite Indicator is 2.962 based on the October 2019 WEO and the CPIA score released in 2019, corresponding to the medium debt-carrying capacity.

# PUBLIC DEBT COVERAGE

**Text Table 1. Benin: Subsectors of the Public Sector**

| | Subsectors of the public sector | Sub-sectors covered |
|---|---|---|
| 1 | Central government | X |
| 2 | State and local government | |
| 3 | Other elements in the general government | |
| 4 | o/w: Social security fund | |
| 5 | o/w: Extra budgetary funds (EBFs) | |
| 6 | Guarantees (to other entities in the public and private sector, including to SOEs) | X |
| 7 | Central bank (borrowed on behalf of the government) | X |
| 8 | Non-guaranteed SOE debt | |

**Text Table 2. Benin: Magnitude of the Contingent Liability Tailored Stress Test**

| | | | | | |
|---|---|---|---|---|---|
| 1 | The country's coverage of public debt | The central government, central bank, government-guaranteed debt | | | |
| | | Default | | Used for the analysis | Reasons for deviations from the default settings |
| 2 | Other elements of the general government not captured in 1. | 0 | percent of GDP | 0.0 | |
| 3 | SoE's debt (guaranteed and not guaranteed by the government) 1/ | 2 | percent of GDP | 0.6 | |
| 4 | PPP | 35 | percent of PPP stock | 2.6 | |
| 5 | Financial market (the default value of 5 percent of GDP is the minimum value) | 5 | percent of GDP | 5.0 | |
| | Total (2+3+4+5) (in percent of GDP) | | | 8.2 | |

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

1. **In the Debt Sustainability Analysis (DSA) of Benin, public debt covers both the debt of the central government as well as the guarantees provided by the central government.**[2] The DSA classifies external and domestic debt based on the currency criterion, given data constraints that prevent the use of the residency criterion. Debt to the IMF owed by the Central Bank is included in external debt.

2. **The authorities completed an audit about the stock of unpaid claims held by the private sector on the government in January 2019.** The authorities found a stock of arrears to suppliers of 0.2 percent GDP incurred before 2016. This amount of arrears was added to the 2019 debt stock. The current fiscal projections also assume a gradual clearance of the arrears over 2020-22 at a pace of 0.1 percent of GDP per year.

3. **The debt of state-owned enterprises (SOEs) and subnational governments are not included in the baseline analysis but are captured in the contingent liability shock**. Because SOEs can entail contingent liabilities for the government and create fiscal risks, it is important to have an exhaustive overview of their financial situation.[3] The authorities have made progress in the area of monitoring in past

[2] Government domestic arrears are also included see below.

[3] In the context of the Government Action Program, the authorities are contemplating several key projects of infrastructure, including some conducted through SOEs. For instance, the government has started discussions with the Chinese authorities to build a new international airport. At this stage, the amount, financing scheme, and

(continued)

years, by collecting financial information on SOEs. In early 2019, they produced an estimate of 0.6 percent of GDP for the non-guaranteed commercial debt of 13 state-owned companies at end-2018.[4] For end-2019, SOE non-guaranteed commercial debt is projected at 0.5 percent of GDP. Also, to address contingent liability risks, the authorities are in the process of adopting a new law on SOEs that aims at improving their governance and indirectly their economic and financial performance. In the context of the current DSA, the following approach is taken:

- All *guaranteed* SOE debt is included in the debt stock in the baseline.
- *Non-guaranteed* SOE debt is captured as contingent liability shock. This shock is set at 0.6 percent of GDP (to reflect the information collected on SOE debt).
- Further work is needed to properly and fully incorporate SOEs in the DSA baseline, including consolidating the general government fiscal accounts with the financial statements of the SOEs (both on the revenue and expenditure sides). The authorities see this consolidation as a prerequisite before incorporating SOE debt into total debt (in the baseline) and are working with AFRITAC WEST to establish a work program.

# BACKGROUND ON DEBT

**4. The recent rebasing of national accounts has significantly improved the fiscal and debt ratios.** In July 2019, the authorities published revised national accounts, with the past GDP trajectory being revised upward by 37 percent. Such exercise has led to a sharp downward revision of all fiscal ratios, in particular the public debt ratio which was revised down from 54.7 percent of GDP to 41.4 percent in 2019. However, the ratios of the DSA that are expressed in terms of taxes and exports remained unchanged or have only marginally improved. Indeed, taxes are unaffected by the rebasing, while the upward revision of the GDP was mostly based on an increase in private consumption, not exports.

**5. Benin's public debt has increased rapidly since 2014.** Total public debt (external plus domestic) increased from 22.3 percent in 2014 to 41.5 percent in 2018.[5] The increase was primarily due to higher domestic debt, which tripled over three years, growing from 7.8 percent of GDP in 2014 to 23.7 percent of GDP in 2017. Such a rise in the domestic debt was essentially driven by the scaling-up of public investment. Over 2015-17, the authorities have increasingly relied on the domestic and regional financial market to finance public investment projects at non-concessional terms. With the debt reprofiling of October 2018, the stock of domestic debt declined, and is estimated at 22.2 percent of GDP in 2018. As for external debt, the increase was relatively small over the 2014-18 period (4.8 percent of GDP), reaching 19.3 percent of GDP in 2018.

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calendar are unknown. When information is available, this project will be reflected in the DSA to the extent that it impacts public debt and, more generally, fiscal sustainability.

[4] Guarantees on SOE debt provided by the central government are already included in public debt.

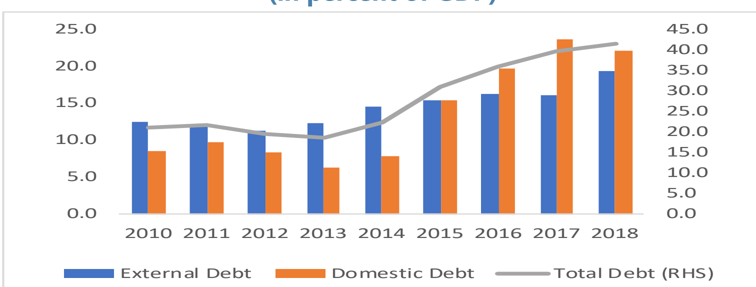
[5] In the paper, debt stocks are measured at the end of the year. For instance, 2018 debt refers to the debt at the end of 2018.

(continued)

**6. The debt service burden is relatively high in Benin.** The ratio of debt service to revenue stands at 55 percent in 2019 and is expected to decrease to around 48 percent on average in the medium term and 22 percent in long run. By comparison, the debt service is projected to account for 29 percent of revenue, on average, in WAEMU countries and 22 percent in all low-income developing countries in 2019.[6]

**7. Financial conditions have eased on the regional money and interbank markets since April 2019.** Broad money growth remained buoyant in the first half of 2019 on the back of a pickup of net domestic assets, including credit to the private sector which grew by 9.5 percent y-o-y. While bank liquidity was broadly stable, banks started to lower the volume and pricing of their bids for BCEAO refinancing in the second quarter. As a result, the weighted average auction rate on the money market has declined to around 3 percent thereby remaining in the lower half of the BCEAO's monetary policy corridor. The average weekly rate on the interbank market has also declined to below the BCEAO's maximum refinancing rate since April, although transaction volumes have not increased significantly. Meanwhile, access on the regional sovereign security market has continued to be good, with average subscription rates close to 90 percent coupled with some lowering of yields and lengthening of the average maturity. Against this background, the September 2019 Monetary Policy Committee Meeting left policy rates unchanged.

**Text Figure 1. Benin: Central Government Debt 2010–18**
**(in percent of GDP)**




Sources: Authorities' data and staff calculations.

## STRUCTURE OF DEBT

**8. Benin issued its first Eurobond in March 2019.** The Eurobond amounted to EUR 500 million (equivalent to 3.9 percent of 2019 GDP) and was two times oversubscribed, attracting EUR 1.1 billion in demand. The issuance was done at favorable terms (see Box 1).

**9. The Eurobond, combined with the 2018 debt reprofiling, has titled the composition of the public debt towards external debt.** In 2016 and 17, Benin's domestic debt accounted for more than half of total debt (about 60 percent of total debt at end-2017). The October 2018 debt reprofiling operation, which issued cheap and long-term external debt to buy back more expensive and shorter-maturity domestic debt, started to rebalance the composition of the debt stock. As of end-December 2018, external debt represented around 47 percent of the total debt, while the domestic debt accounted for 53

[6] See IMF DSA Database for LICs.

percent of the debt. Then, with the March 2019 Eurobond issuance, the share of external debt increased even more to 58 percent of total debt for 2019.

**10. Because of this change in the composition, the authorities are in the process of updating their Medium-Term Debt Strategy (MTDS).** The previous MTDS that covered the 2017-21 period, targeted a 50-50 split between domestic and external debt. This split is now outdated following the recent debt operations. The new MTDS 2020-24, which will be published at end-2019, targets a share of external debt to total debt in the range of 55 to 60 percent in the medium term (see Annex III of the fifth review staff report). The document will be implemented on an annual basis through an operational plan that takes into account the specificities of the budget financing. The projected debt composition of the current DSA is broadly consistent with the new MTDS 2020-24.

**11. Benin's external public debt is essentially owed to multilateral and bilateral creditors.** As of end 2018, Benin's external debt owed to multilateral creditors represented around 66 percent of total external debt against 33 percent held by bilateral creditors. However, the share of the multilateral debt decreased after the issuance of the Eurobond (which is commercial debt) in March 2019. The ratio of multilateral debt to external debt is projected at around 56 percent at end-2019. In addition, the share of concessional loans should decrease and represent 52 percent of total external debt at end-2019.

**12. Domestic public debt is dominated by government securities issued in the regional bond market.** Benin's domestic public debt has increased significantly between 2014 and 2017, driven mainly by the increasing reliance on the regional bond market to raise funds. About 80 percent of domestic liabilities consisted of government securities issued on the regional financial market at end-2018. Such debt is non-concessional and is associated with roll-over and interest rate risks.

**Text Table 3. Benin: Structure of External Debt, Estimated at end 2018 (in CFAF billion)**

| Creditors | 2018 |
|---|---|
| *Multilateral Creditors* | 1021.0 |
| IDA | 541.2 |
| FAD (African Development Fund) | 244.4 |
| Others | 235.4 |
| *Bilateral Creditors* | 511.0 |
| Others | 317.3 |
| People's Republic of China | 166.9 |
| Kuwait | 26.8 |

Sources: Beninese authorities and IMF staff calculations.

**Text Table 4. Benin: Structure of Domestic Debt, Estimated at end 2018 (in CFAF billion)**

| Creditors | 2018 |
|---|---|
| Other local banks | 292.6 |
| Bonds | 1267.0 |
| T-bills | 160.1 |
| Total domestic debt | 1719.7 |

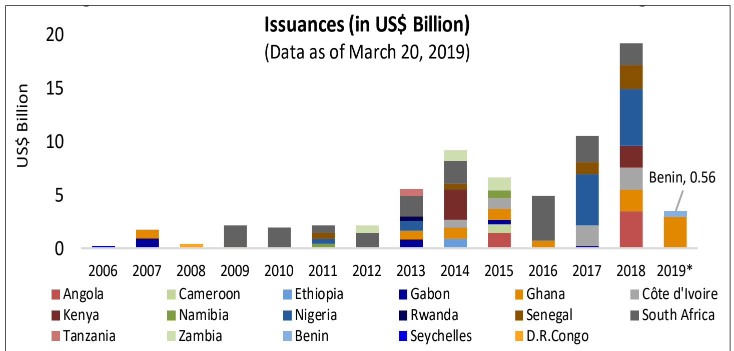
Sources: Beninese authorities and IMF staff calculations.

## Box 1. Benin's First Eurobond Issuance

**Accommodative global financial conditions have narrowed spreads and boosted capital inflows to sub-Saharan Africa's (SSA) frontier markets since 2009-10.** Unconventional monetary policies in advanced economies have produced a prolonged episode of ultra-low global interest rates and extremely low volatility in financial markets, since 2009-10. This, in turn, has contributed to a revival of favorable global funding conditions and widespread financial risk-taking, as developed market investors searched for yield to meet targeted return.

**Taking advantage of the benign global financial environment, Benin issued its first Eurobond in 2019 and became the 17th country in SSA to tap international capital markets to meet its financing needs (Text Figure 1).** The Eurobond was issued in March 2019, for an amount of EUR 500 million at a yield of 6 percent with a weighted maturity of 6 years. Terms compare very favorably to issuances by Benin on the regional market over the same period (7.0 percent for a 5-year bond issued in early-March 2019).

**Text Figure 1: Sub-Saharan African Frontier Market: International Sovereign Bond**



Source: Bloomberg

**While Eurobond issuance provides the Beninese government with access to longer-term financing at favorable rates, it also leads to some rebalancing of risks.** The exchange rate risk is estimated to be moderate in the short to medium term given the peg between the FCFA and the euro. The comparison of refinancing risks between the Eurobond and regional issuances, however, is more difficult to assess. On the one hand, the regional market can become very illiquid when bigger WAEMU economies (such as Senegal and Cote d'Ivoire) borrow, leaving limited space for Benin. On the other hand, international markets may shut down for frontier markets in case of a reversal in global risk appetite.[1] Nonetheless, the refinancing risk is expected to decrease over the short term, given the improved access to longer-term financing. At the same time, over the medium-term or once the Eurobond comes close to maturity, refinancing risk is expected to increase.

[1] Faster-than-expected normalization of monetary policies of advanced economies, a strong economic slowdown in the United States, or adverse spillover effects of U.S.-China trade tensions are examples of major events that could result in a decompression of spreads and reversals of capital flows going to frontier markets. This could make the rollover of the Eurobond more difficult and could raise debt servicing costs.

# BACKGROUND ON MACROECONOMIC FORECASTS

**13. Macroeconomic assumptions have been slightly updated compared to the May 2019 DSA** (Text Table 5). Benin's 2019 GDP growth was revised from 6.7 to 6.4 percent as a result of the closure of the border with Nigeria, which is assumed to reopen by the end of 2019. Inflation was revised down to -

0.6 percent in 2019, due to high agricultural production and lower prices in water utilities. Medium-term prospects are strong, driven by the lagged effect of the public investment scaling-up, greater participation of the private sector, strong agricultural production, and the development of new sectors such as tourism and digital economy.

- After rebasing, the 2019 primary deficit declined to 0.4 percent of GDP (compared to 0.6 percent of GDP in 2019 AIV/4th review report). The fiscal position is expected to continue improving over the medium term, with the primary surplus estimated at 0.3 percent of GDP in 2024.

- The non-interest current account deficit is expected to decline gradually in the medium to long term, thanks to the implementation of fiscal consolidation plan and structural reforms to boost competitiveness. Higher exports would result from larger cotton production. Imports should also remain contained due to the scaling-down of public investment and the increase in agricultural production, which should reduce food imports.

**14. Risks to the baseline are tilted to the downside.** On the fiscal position, the main risks include extra spending pressures related to the political cycle as well as failures to implement key reforms, in particular in the area of revenue administration and the adoption of tax measures. An extended closure of the crossing border with Nigeria, unresolved banking sector problems, a possible contagion of security risks could all worsen Benin's fiscal position. On growth, achieving the expected performance will require that the authorities rigorously implement measures that intent to increase the agricultural production capacity and structural reforms that aim at improving business environment and governance.

**Text Table 5. Benin: Macroeconomic Projections**

| | DSA 2018 | | | | DSA 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2018 | Aver.2019-24 | 2029 | 2039 | 2019 | Aver.2020-24 | 2029 | 2039 |
| | *(Percent of GDP, unless otherwise indicated)* | | | | *(Percent of GDP, unless otherwise indicated)* | | | |
| GDP growth (percent) | 6.7 | 6.7 | 6.0 | 5.0 | 6.4 | 6.7 | 5.9 | 5.0 |
| GDP deflator (percent) | 0.8 | 1.8 | 2.5 | 2.9 | -0.6 | 2.0 | 2.5 | 2.9 |
| Non-interest current account balance | 8.0 | 5.7 | 4.4 | 1.7 | 4.2 | 3.6 | 3.0 | 1.4 |
| Primary balance | 1.8 | -0.3 | -0.9 | -0.9 | 0.4 | -0.2 | -0.3 | -0.3 |
| Exports | 22.1 | 26.6 | 29.1 | 29.1 | 17.5 | 18.4 | 26.1 | 26.1 |
| Revenues and grants | 18.6 | 19.3 | 19.7 | 20.6 | 14.4 | 14.5 | 14.9 | 15.6 |

Sources: Beninese authorities and IMF staff calculations.

# COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

| | |
|---|---|
| Country | Benin |
| Country Code | 638 |
| Debt Carrying Capacity | Medium |

| Final | Classification based on current vintage | Classification based on the previous vintage | Classification based on the two previous vintages |
|---|---|---|---|
| Medium | Medium<br>2.962 | Medium<br>2.981 | Medium<br>2.981 |

Note: Until the October 2018 WEO vintage is released, the previous vintage classification and corresponding score are based solely on the CPIA per the previous framework.

## Applicable Thresholds

| APPLICABLE | |
|---|---|
| **EXTERNAL debt burden thresholds** | |
| **PV of debt in % of** | |
| Exports | 180 |
| GDP | 40 |
| **Debt service in % of** | |
| Exports | 15 |
| Revenue | 18 |

| APPLICABLE | |
|---|---|
| **TOTAL public debt benchmark** | |
| PV of total public debt in percent of GDP | 55 |

## Cut-off Values of the CI

| New framework | | | | |
|---|---|---|---|---|
| | Cut-off values | | | |
| Weak | CI ≤ | 2.69 | | |
| Medium | 2.69 | < CI ≤ | 3.05 | |
| Strong | CI > | 3.05 | | |

**Calculation of the CI Index**

**Calculation of the CI Index**

| Components | Coefficients (A) | 10-year average values (B) | CI Score components (A*B) = (C) | Contribution of components |
|---|---|---|---|---|
| CPIA | 0.385 | 3.482 | 1.34 | 45% |
| Real growth rate (in percent) | 2.719 | 5.731 | 0.16 | 5% |
| Import coverage of reserves (in percent) | 4.052 | 38.402 | 1.56 | 53% |
| Import coverage of reserves^2 (in percent) | -3.990 | 14.747 | -0.59 | -20% |
| Remittances (in percent) | 2.022 | 1.237 | 0.03 | 1% |
| World economic growth (in percent) | 13.520 | 3.499 | 0.47 | 16% |
| CI Score | | | 2.962 | 100% |
| CI rating | | | Medium | |

# REALISM TOOLS

**15. The growth projection for 2019 is consistent with the path predicted by the growth and fiscal adjustment tool** (Figure 4). There is no deviation between baselines projections and the growth path with LIC's typical multiplier of 0.4. The deviation in 2020 can be explained by several factors:

- The authorities are implementing an ambitious public investment scaling plan, which peaked in in 2017-18. Given the traditional long lags of investment multipliers, we expect the positive growth effects to persist at least until 2019-20.[7]

- The revitalizing of the cotton production will be transmitted to the secondary sector in 2019 and beyond, through the ginned cotton activity, as well as higher export revenues. The cotton activity should remain dynamic in 2019, impacting export revenues and growth in 2020. Furthermore, port activities have been dynamic in 2019 and are expected to remain strong in the medium term.

- A number of large public-private infrastructure projects of the Government's Action Program are expected to start in 2020.

**16. The fiscal adjustment path is assessed to be realistic despite being in the upper end of the historical distribution**. Fiscal consolidation is expected to amount to about 2.5 percent of GDP between 2017 and 2020. This is high by historical standards (Figure 4). However, the adjustment will be mostly

[7] See computation of the size and persistence of fiscal multipliers in Sub-Sahara Africa *Regional Economic Outlook* October 2017.

achieved through a scaling down of public investment, which increased by about 3 percent of GDP between 2016 and 2017.

**17. The comparison between public and private investment projections across DSA vintages is impacted by the national accounts rebasing.** Using rebased GDPs for the current and the previous DSAs, the trend of the public and private investment would remain unchanged. Benin's medium-term outlook continues to be favorable, with economic growth projected at 6.7 percent over 2020-24, led by rising private investment. At the same time, the public investment ratio is expected to decline over the medium-term.

**18. Relative to the 2018 DSA, the drivers of debt dynamics show a higher external debt path, compensated by lower domestic debt.** The increase in the external debt stock reflects the March 2019 Eurobond issuance. The authorities also decided to reduce domestic financing by the same amount to leave the 2019 public debt stock unchanged.

# RISK RATING AND VULNERABILITIES: EXTERNAL DEBT SUSTAINABILITY RESULTS

**19. The external debt burden indicators remain below the policy-dependent thresholds in the baseline scenario.** Under the baseline, all debt indicators remain below their relevant policy-dependent thresholds. The PV of total PPG external debt is expected to stabilize at about 17.9 percent of GDP on average over 2019–24, reaching 5.4 percent of GDP in 2039. Thus, the ratio would remain below the corresponding threshold of 40 percent of GDP throughout the projection period.

**20. However, the ratio of the present value of external debt to exports exceeds its threshold in the case of an extreme shock to exports.** The PV of Public and Publicly Guaranteed (PPG) external debt-to-exports ratio breaches the threshold under the most extreme stress test (MX shock, standard and tailored) in 2021 and 2022. Compared to the May 2019 DSA, the breach is shorter (2 years instead of 4 in the previous vintage). Also, the debt service to exports ratio records a one-off breach under the exports shock. Such a breach is mainly explained by the first repayment of the Eurobond. Other indicators—the debt-to-GDP ratio and debt service indicators— remain below their thresholds under the extreme shock scenarios. Overall, the breach of the PV of Public and Publicly Guaranteed (PPG) external debt-to-exports ratio under the most extreme stress test is what motivates the assessment of moderate risk for external debt.

**21. Supplementary modules indicate that Benin has some space to absorb shocks and faces moderate market financing pressures.** To add granularity to the moderate risk rating Benin is assessed as having "some space" to absorb shocks, mainly due to the rise in the external debt service-to-revenue indicator from 2024-26 (Figure 5). This indicates that the assessment of moderate risk of external and overall debt distress is fairly robust. However, Benin's EMBI spread (estimated at around 592 bps. as of September 30, 2019) breaches the benchmark of 570 bps. (Figure 6), which means that Benin may face liquidity pressures due to deteriorating market sentiment.

# RISK RATING AND VULNERABILITIES: PUBLIC DEBT SUSTAINABILITY RESULTS

22. **Total PPG debt (external plus domestic) remains below its respective benchmark under the baseline and shock scenarios.** The overall risk of debt distress remains moderate. Total debt does not show any breach in the baseline and shock scenarios. Relative to the previous DSA which showed a small breach of the ratio of PV of public debt to GDP under the real GDP shock scenario, there is no breach for this indicator in the current DSA. The rebasing of GDP is the main factor explaining this improvement.

23. **Despite the absence of breach, the moderate risk rating for PPG external debt motivates the moderate risk rating for total debt.** Other factors of vulnerability include: the fast increase in domestic debt in past years; the relatively high ratio of debt service to revenue; and the possibility of contingent liabilities related to SOEs.

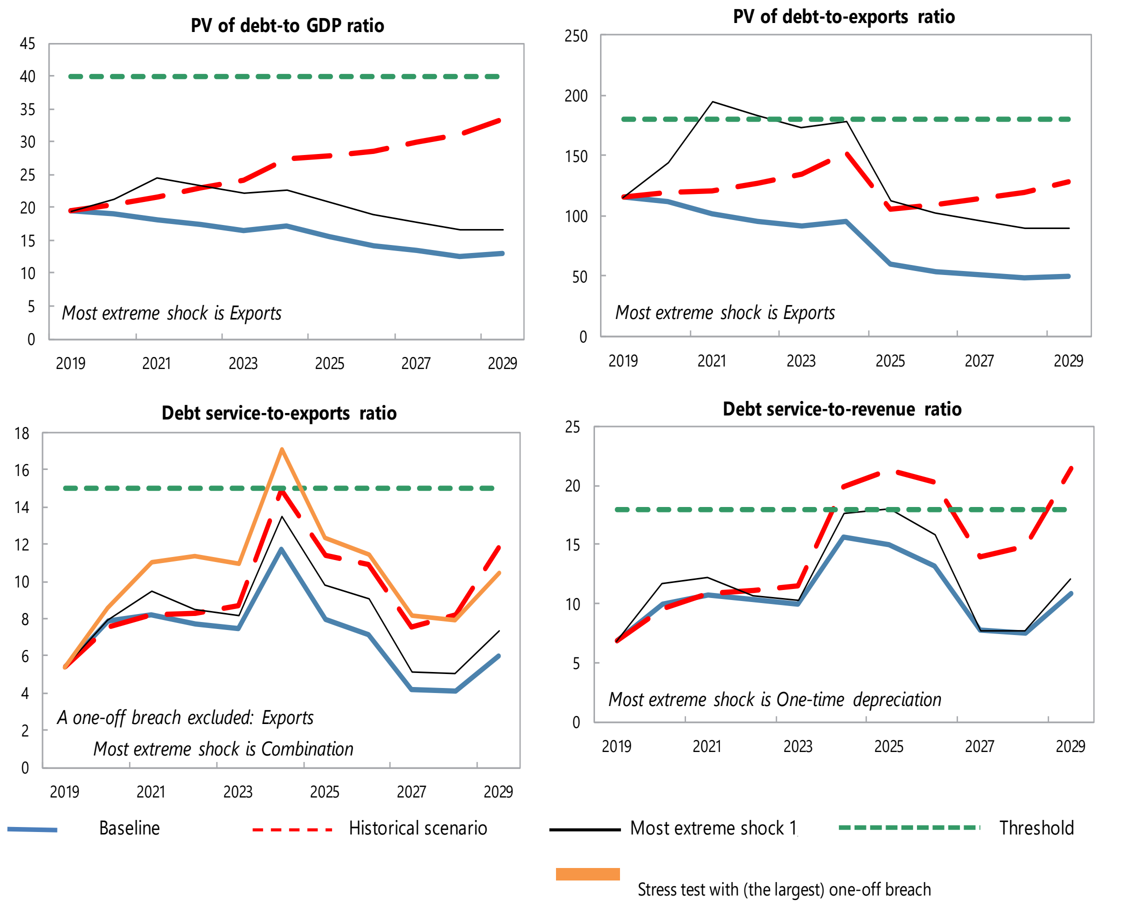
# CONCLUSION

24. **The updated DSA confirms that Benin stands at moderate risk of external and overall public debt distress**. The ratings are unchanged relative to the 2019 Article IV/4th review report (EBS/19/203). Medium-term fiscal consolidation and improved debt management are needed to maintain debt sustainability.

25. **The rebasing of national accounts has not fundamentally changed the debt sustainability analysis**. Despite the sharp decline in the public debt ratio to GDP, the rebasing of the national accounts does not lead to a significant improvement in debt sustainability. This is mainly because the liquidity ratios, which are expressed as a share of exports or revenues, have not been impacted significantly by the exercise.

26. **The authorities concur broadly with staff's assessment.** The authorities remain committed to strengthening debt sustainability by adhering to medium-term fiscal consolidation, conducting sound public investment management, and enhancing debt management capacity.

## Figure 1. Benin: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2019–2029




| Customization of Default Settings | Size | Interactions |
|---|---|---|
| **Tailored Tests** | | |
| Combined CLs | Yes | |
| Natural Disasters | n.a. | n.a. |
| Commodity Prices 2/ | n.a. | n.a. |
| Market Financing | No | No |

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

| Borrowing Assumptions for Stress Tests* | Default | User defined |
|---|---|---|
| **Shares of marginal debt** | | |
| External PPG MLT debt | 100% | |
| **Terms of marginal debt** | | |
| Avg. nominal interest rate on new borrowing in USD | 2.6% | 2.6% |
| USD Discount rate | 5.0% | 5.0% |
| Avg. maturity (incl. grace period) | 23 | 23 |
| Avg. grace period | 5 | 5 |

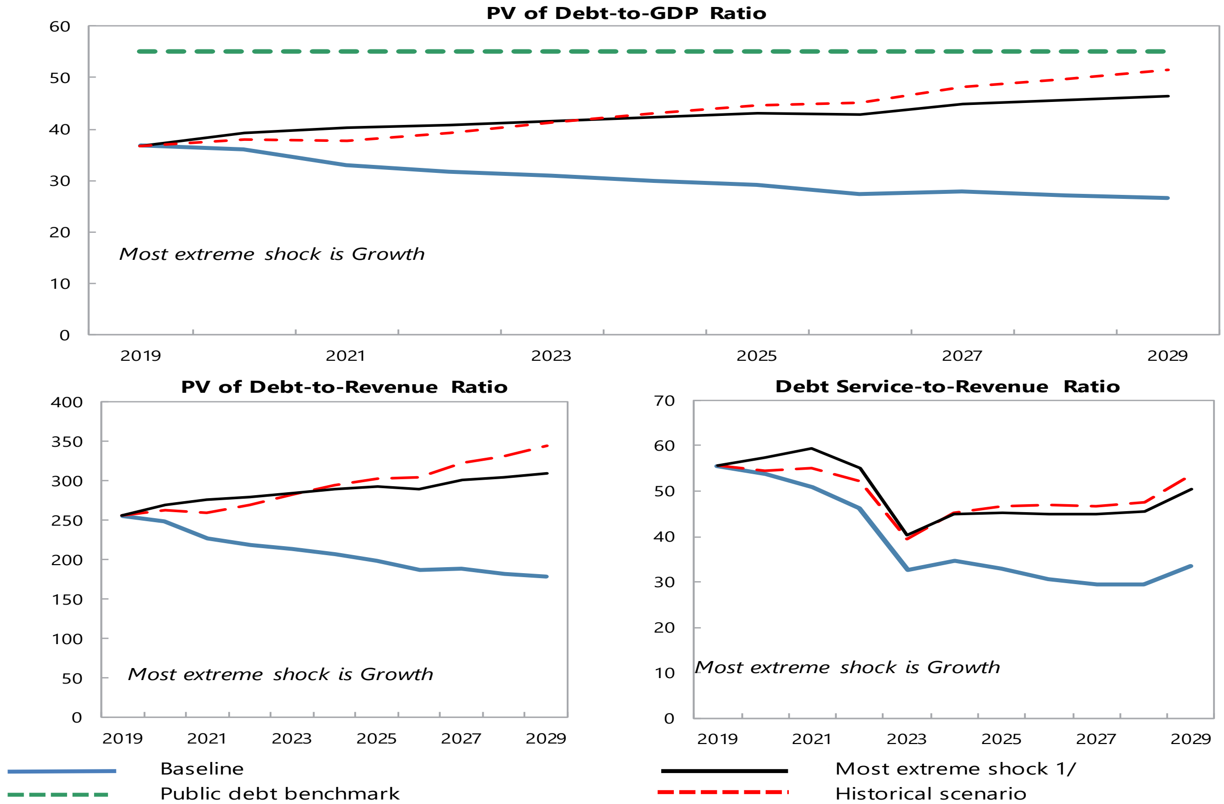
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

## Figure 2. Benin: Indicators of Public Debt Under Alternative Scenarios, 2019–29



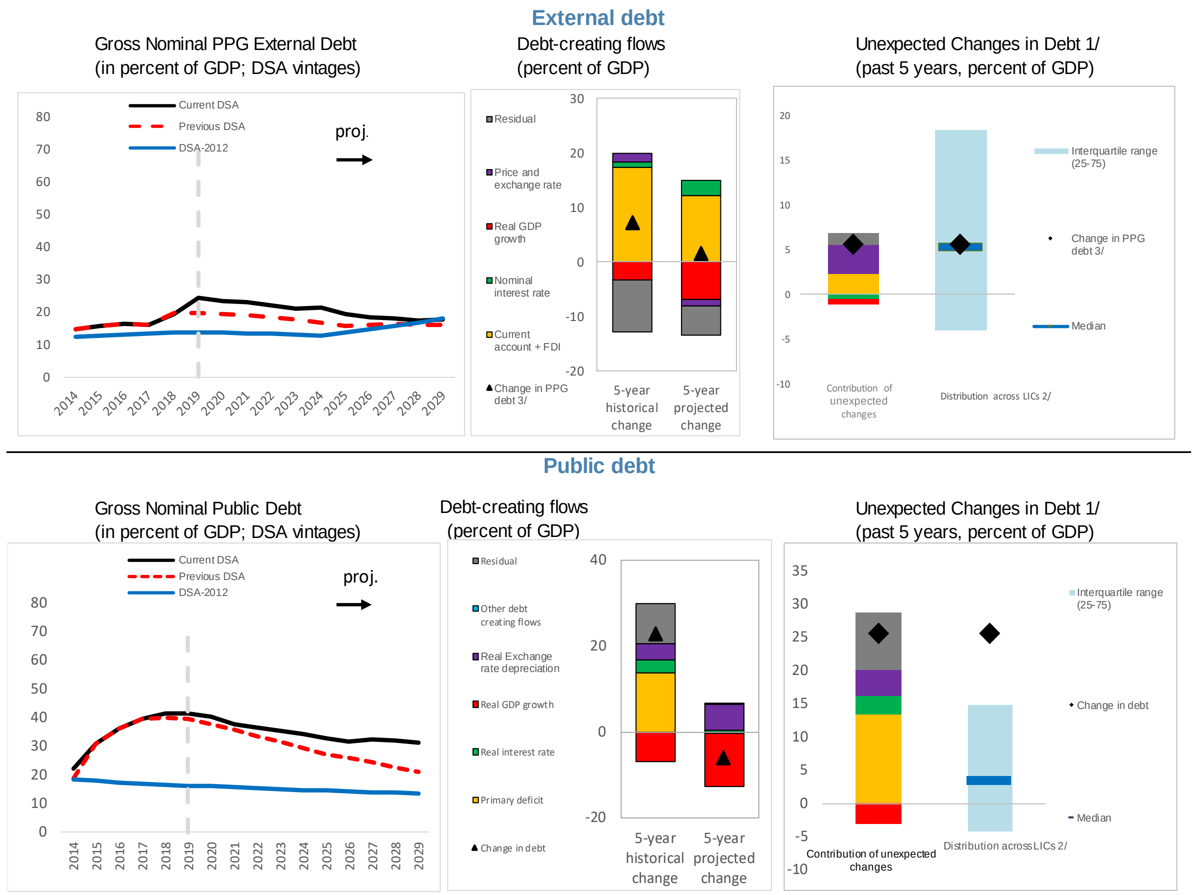

| Borrowing Assumptions for Stress Tests* | Default | User defined |
|---|---|---|
| **Shares of marginal debt** | | |
| External PPG medium and long-term | 42% | 42% |
| Domestic medium and long-term | 55% | 55% |
| Domestic short-term | 3% | 3% |
| **Terms of marginal debt** | | |
| **External MLT debt** | | |
| Avg. nominal interest rate on new borrowing in USD | 2.6% | 2.6% |
| Avg. maturity (incl. grace period) | 23 | 23 |
| Avg. grace period | 5 | 5 |
| **Domestic MLT debt** | | |
| Avg. real interest rate on new borrowing | 5.3% | 5.3% |
| Avg. maturity (incl. grace period) | 7 | 7 |
| Avg. grace period | 3 | 3 |
| **Domestic short-term debt** | | |
| Avg. real interest rate | 4.0% | 4.0% |

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

## Figure 3. Benin: Driver of Debt Dynamics – Baseline Scenario



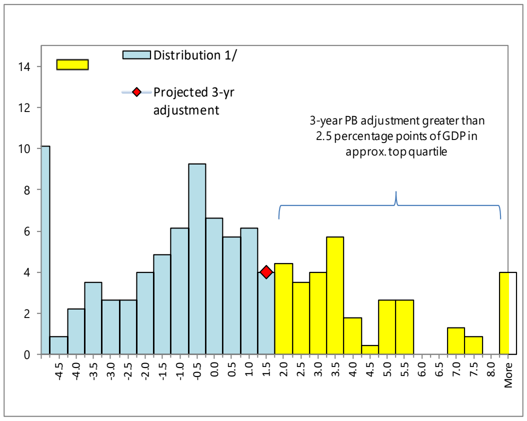

1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

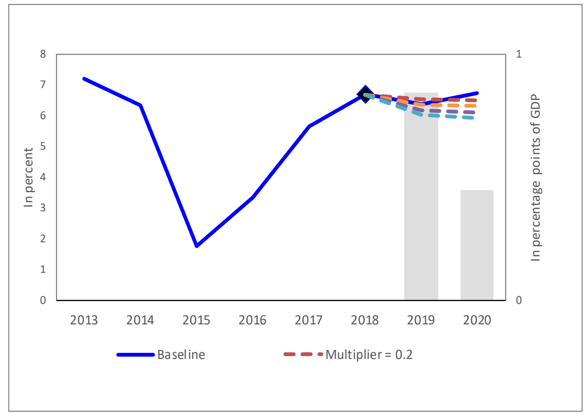
## Figure 4. Benin: Realism Tools

### 3-Year Adjustment in Primary Balance
(Percentage points of GDP)



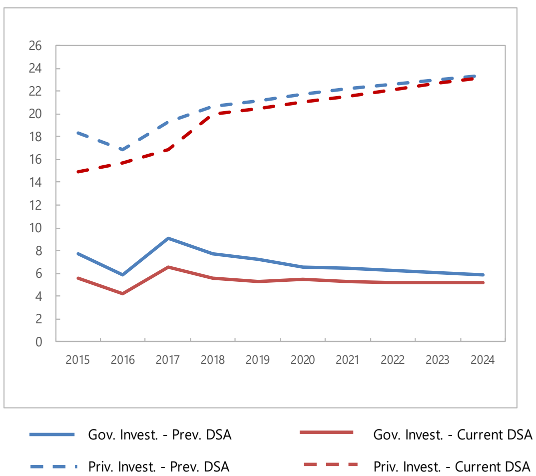

1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

### Fiscal Adjustment and Possible Growth Paths 1/




1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

### Public and Private Investment Rates
(% of GDP)




### Contribution to Real GDP growth
(percent, 5-year average)

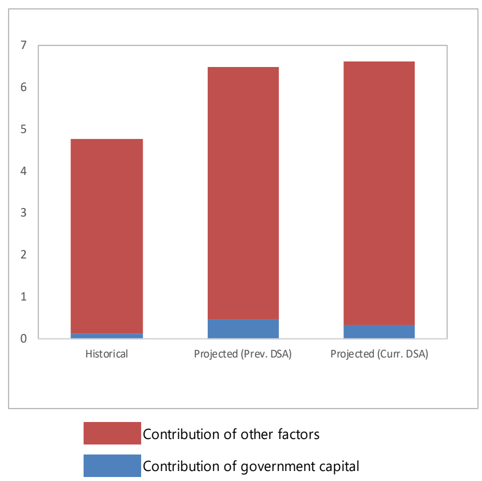
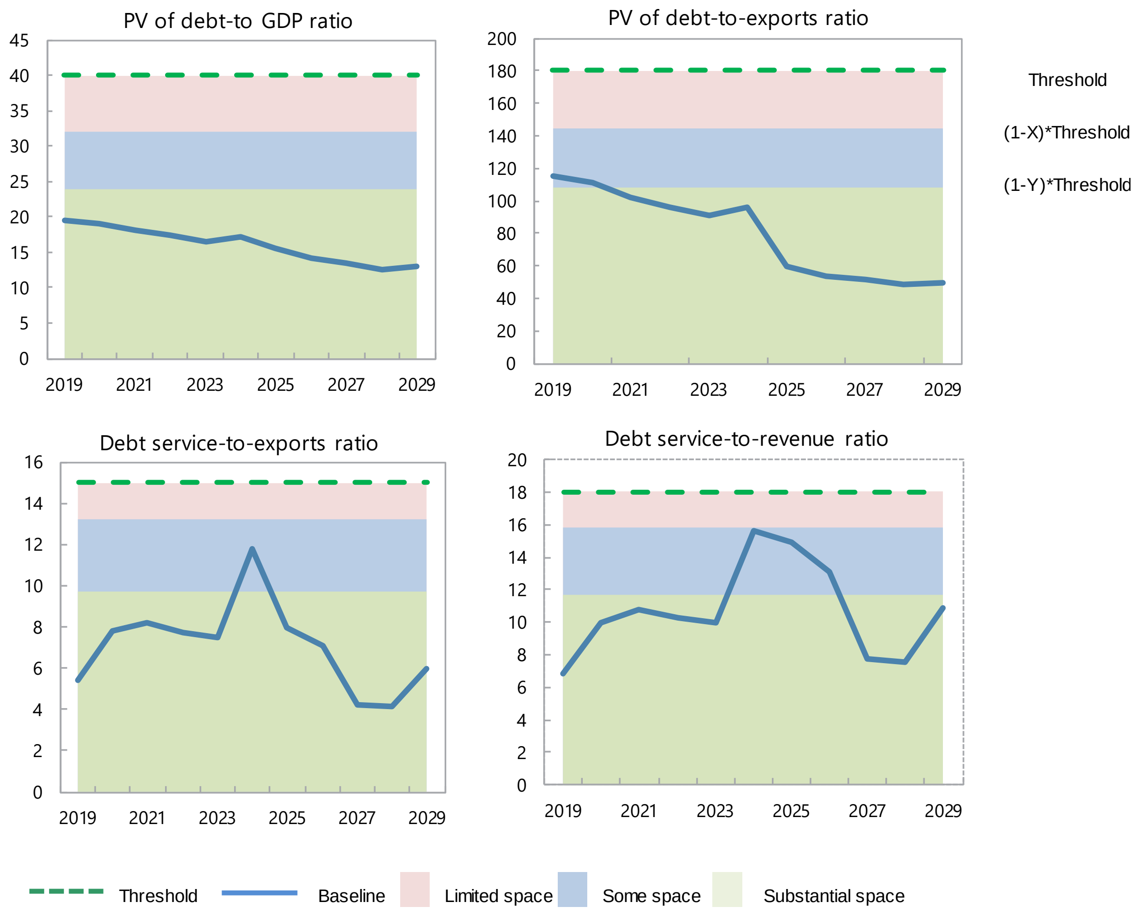


**Figure 5. Benin: Qualification of the Moderate Category, 2019–29 1/**



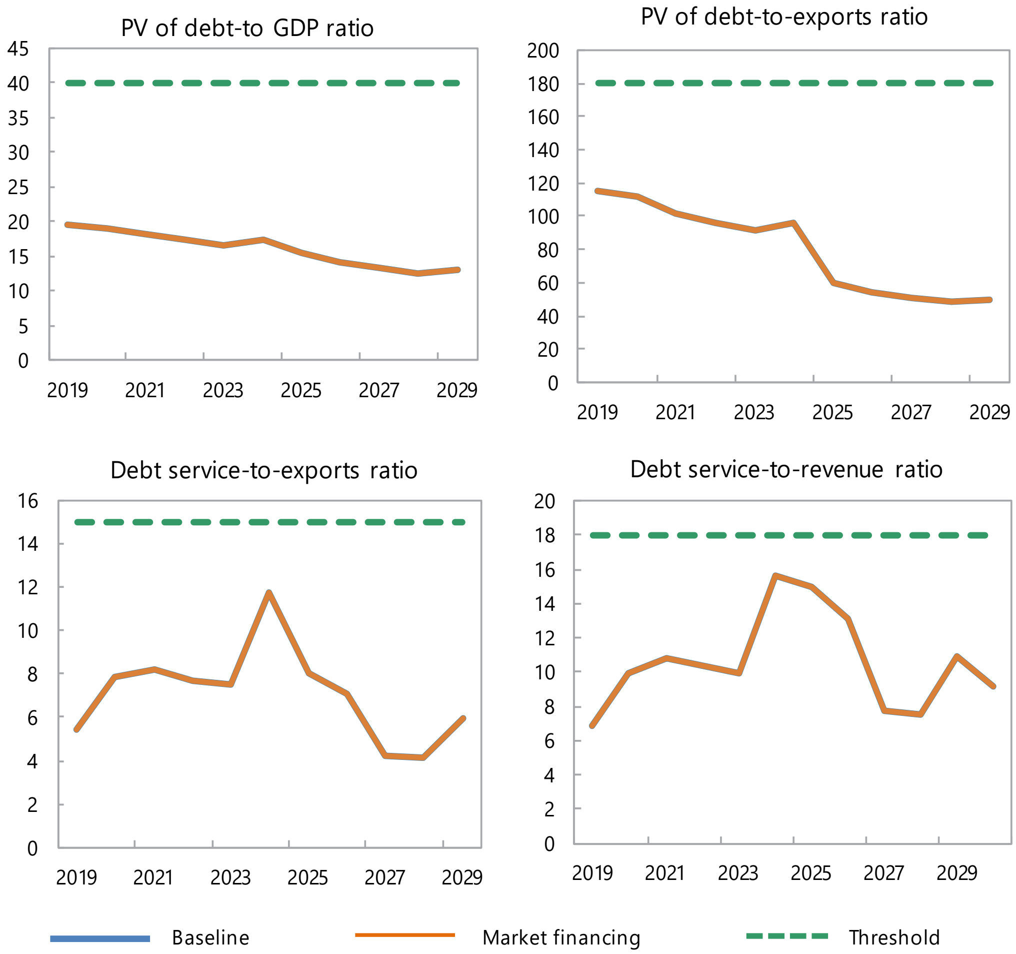

Sources: Country authorities; and staff estimates and projections.

1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

## Figure 6. Benin: Market-Financing Risk Indicators, 2019–29

| | GFN 1/ | EMBI 2/ |
|---|---|---|
| Benchmarks | 14 | 570 |
| Values | 8 | 592 |
| Breach of benchmark | No | Yes |
| Potential heightened liquidity needs | Moderate | |

1/ Maximum gross financing needs (GFN) over 3-year baseline projection horizon.
2/ EMBI spreads correspond to the latest available data.




Sources: Country authorities; and staff estimates and projections.

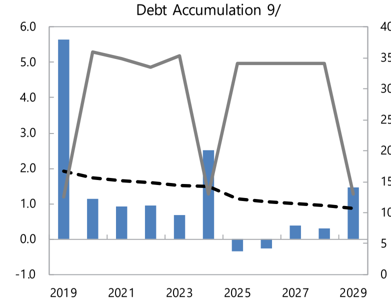
# Table 1. Benin: External Debt Sustainability Framework, Baseline Scenario, 2016–39

(In percent of GDP, unless otherwise indicated)

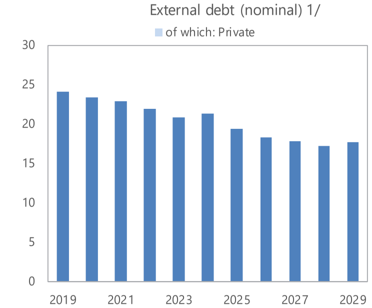
| | Actual | | | Projections | | | | | | | | Average 8/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2029 | 2039 | Historical | Projections |
| **External debt (nominal) 1/** | 16.3 | 16.1 | 19.3 | 24.2 | 23.4 | 22.9 | 22.0 | 20.8 | 21.3 | 17.7 | 8.8 | 14.0 | 20.5 |
| ***of which: public and publicly guaranteed (PPG)*** | 16.3 | 16.1 | 19.3 | 24.2 | 23.4 | 22.9 | 22.0 | 20.8 | 21.3 | 17.7 | 8.8 | 14.0 | 20.5 |
| | | | | | | | | | | | | | |
| Change in external debt | 0.8 | -0.3 | 3.3 | 4.8 | -0.8 | -0.5 | -0.9 | -1.2 | 0.5 | 0.5 | -0.6 | | |
| **Identified net debt-creating flows** | 1.5 | 1.7 | 1.5 | 2.3 | 1.6 | 1.6 | 1.3 | 1.2 | 1.0 | 1.3 | 0.8 | 3.4 | 1.4 |
| **Non-interest current account deficit** | 2.8 | 3.9 | 4.3 | 4.5 | 4.3 | 3.9 | 3.7 | 3.5 | 3.3 | 3.1 | 2.6 | 5.3 | 3.5 |
| Deficit in balance of goods and services | 6.7 | 7.5 | 7.5 | 7.5 | 6.8 | 5.9 | 5.1 | 4.8 | 4.5 | 0.9 | 0.9 | 8.6 | 3.6 |
| Exports | 16.6 | 15.9 | 17.5 | 16.8 | 17.1 | 17.8 | 18.1 | 18.0 | 18.0 | 26.1 | 26.1 | | |
| Imports | 23.3 | 23.4 | 25.0 | 24.3 | 24.0 | 23.7 | 23.2 | 22.8 | 22.4 | 27.0 | 27.0 | | |
| Net current transfers (negative = inflow) | -3.9 | -3.7 | -3.5 | -3.4 | -2.9 | -2.4 | -1.7 | -1.5 | -1.4 | -2.4 | -2.4 | -3.3 | -2.3 |
| *of which: official* | -3.4 | -3.2 | -3.0 | -2.7 | -2.1 | -1.6 | -1.0 | -0.8 | -0.6 | -1.4 | -1.4 | | |
| Other current account flows (negative = net inflow) | 0.0 | 0.1 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 4.6 | 4.1 | 0.0 | 2.2 |
| **Net FDI (negative = inflow)** | -1.0 | -1.3 | -1.3 | -1.4 | -1.6 | -1.6 | -1.6 | -1.6 | -1.6 | -1.6 | -1.6 | -1.6 | -1.5 |
| **Endogenous debt dynamics 2/** | -0.4 | -0.9 | -1.6 | -0.8 | -1.1 | -0.8 | -0.8 | -0.7 | -0.8 | -0.2 | -0.2 | | |
| Contribution from nominal interest rate | 0.2 | 0.2 | 0.2 | 0.4 | 0.4 | 0.6 | 0.6 | 0.6 | 0.5 | 0.7 | 0.2 | | |
| Contribution from real GDP growth | -0.5 | -0.9 | -1.0 | -1.2 | -1.5 | -1.4 | -1.4 | -1.3 | -1.3 | -0.9 | -0.4 | | |
| Contribution from price and exchange rate changes | -0.1 | -0.3 | -0.8 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| **Residual 3/** | -0.6 | -2.0 | 1.8 | 2.5 | -2.4 | -2.1 | -2.3 | -2.4 | -0.5 | -0.9 | -1.5 | -2.6 | -1.5 |
| *of which: exceptional financing* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| | | | | | | | | | | | | | |
| **Sustainability indicators** | | | | | | | | | | | | | |
| **PV of PPG external debt-to-GDP ratio** | ... | ... | 13.8 | 19.4 | 19.1 | 18.1 | 17.4 | 16.4 | 17.2 | 13.0 | 5.4 | | |
| **PV of PPG external debt-to-exports ratio** | ... | ... | 79.2 | 115.5 | 111.4 | 102.0 | 96.1 | 91.2 | 96.0 | 49.6 | 20.8 | | |
| **PPG debt service-to-exports ratio** | 3.7 | 6.7 | 3.5 | 5.4 | 7.8 | 8.2 | 7.7 | 7.5 | 11.7 | 6.0 | 2.0 | | |
| **PPG debt service-to-revenue ratio** | 5.7 | 8.3 | 4.7 | 6.8 | 9.9 | 10.8 | 10.3 | 10.0 | 15.6 | 10.9 | 3.4 | | |
| Gross external financing need (Billion of U.S. dollars) | 0.3 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 0.9 | 1.1 | 1.2 | | |
| | | | | | | | | | | | | | |
| **Key macroeconomic assumptions** | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 3.3 | 5.7 | 6.7 | 6.4 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 5.9 | 5.0 | 4.3 | 6.4 |
| GDP deflator in US dollar terms (change in percent) | 0.4 | 1.7 | 5.3 | -5.6 | 0.9 | 3.3 | 3.0 | 2.9 | 3.0 | 2.5 | 2.9 | -0.2 | 1.7 |
| Effective interest rate (percent) 4/ | 1.1 | 1.6 | 1.5 | 2.0 | 1.9 | 3.0 | 3.0 | 3.0 | 2.6 | 4.5 | 2.2 | 1.5 | 3.4 |
| Growth of exports of G&S (US dollar terms, in percent) | 13.8 | 2.8 | 23.6 | -3.5 | 9.7 | 14.6 | 11.7 | 9.5 | 9.6 | 8.5 | 8.0 | 8.7 | 13.0 |
| Growth of imports of G&S (US dollar terms, in percent) | -2.5 | 7.7 | 20.0 | -2.1 | 6.0 | 9.2 | 7.3 | 8.0 | 8.2 | 8.5 | 8.0 | 6.1 | 9.2 |
| Grant element of new public sector borrowing (in percent) | ... | ... | ... | 12.6 | 35.9 | 34.9 | 33.5 | 35.4 | 13.0 | 13.0 | 30.9 | ... | 28.6 |
| Government revenues (excluding grants, in percent of GDP) | 10.6 | 12.8 | 13.0 | 13.3 | 13.5 | 13.5 | 13.5 | 13.5 | 13.5 | 14.4 | 15.3 | 12.3 | 13.8 |
| Aid flows (in Billion of US dollars) 5/ | 0.1 | 0.1 | 0.1 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.3 | 0.3 | | |
| Grant-equivalent financing (in percent of GDP) 6/ | ... | ... | ... | 1.9 | 1.7 | 1.6 | 1.6 | 1.5 | 1.5 | 0.9 | 0.4 | ... | 1.4 |
| Grant-equivalent financing (in percent of external financing) 6/ | ... | ... | ... | 25.3 | 56.0 | 56.7 | 56.1 | 60.1 | 30.0 | 27.3 | 60.0 | ... | 48.5 |
| Nominal GDP (Billion of US dollars) | 12 | 13 | 14 | 14 | 15 | 17 | 19 | 21 | 23 | 34 | 75 | | |
| Nominal dollar GDP growth | 3.8 | 7.4 | 12.4 | 0.4 | 7.7 | 10.2 | 9.9 | 9.8 | 9.9 | 8.5 | 8.0 | 4.2 | 8.2 |
| | | | | | | | | | | | | | |
| **Memorandum items:** | | | | | | | | | | | | | |
| PV of external debt 7/ | ... | ... | 13.8 | 19.4 | 19.1 | 18.1 | 17.4 | 16.4 | 17.2 | 13.0 | 5.4 | | |
| In percent of exports | ... | ... | 79.2 | 115.5 | 111.4 | 102.0 | 96.1 | 91.2 | 96.0 | 49.6 | 20.8 | | |
| Total external debt service-to-exports ratio | 3.7 | 6.7 | 3.5 | 5.4 | 7.8 | 8.2 | 7.7 | 7.5 | 11.7 | 6.0 | 2.0 | | |
| PV of PPG external debt (in Billion of US dollars) | | | 2.0 | 2.8 | 2.9 | 3.1 | 3.2 | 3.4 | 3.9 | 4.4 | 4.1 | | |
| (PVt-PVt-1)/GDPt-1 (in percent) | | | | 5.6 | 1.1 | 0.9 | 1.0 | 0.7 | 2.5 | 1.5 | 0.0 | | |
| Non-interest current account deficit that stabilizes debt ratio | 2.0 | 4.2 | 1.1 | -0.3 | 5.0 | 4.4 | 4.6 | 4.7 | 2.8 | 2.6 | 3.3 | | |

| Definition of external/domestic debt | Currency-based |
|---|---|
| Is there a material difference between the two criteria? | Yes |

Debt Accumulation 9/




External debt (nominal) 1/




Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

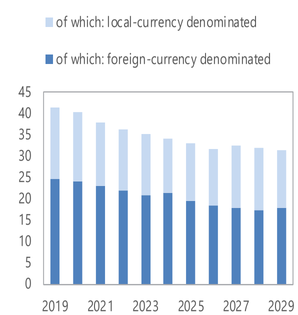
9/ The peak in 2019 and the negative debt accumulation in 2024-26 partly reflect the Eurobond operation.

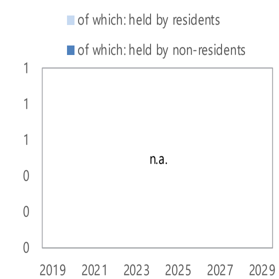
# Table 2. Benin: Public Sector Debt Sustainability Framework, Baseline Scenario, 2016–39

| | Actual | | | | | Projections | | | | | | | | Average 6/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2029 | 2039 | Historical | Projections |
| **Public sector debt 1/** | 22.3 | 30.9 | 36.1 | 39.7 | 41.5 | 41.4 | 40.4 | 37.8 | 36.4 | 35.3 | 34.1 | 31.4 | 25.1 | 27.0 | 35.1 |
| **of which: external debt** | 14.5 | 15.5 | 16.3 | 16.1 | 19.3 | 24.2 | 23.4 | 22.9 | 22.0 | 20.8 | 21.3 | 17.7 | 8.8 | 14.0 | 20.5 |
| Change in public sector debt | 3.8 | 8.6 | 5.2 | 3.7 | 1.8 | -0.1 | -1.0 | -2.6 | -1.4 | -1.1 | -1.2 | -0.4 | -0.7 | | |
| **Identified debt-creating flows** | 1.9 | 6.9 | 3.6 | 0.7 | 0.7 | 0.4 | -1.5 | -1.9 | -1.7 | -1.6 | -1.7 | -0.4 | -0.6 | 1.3 | -0.9 |
| **Primary deficit** | 1.4 | 5.0 | 3.4 | 2.8 | 1.3 | 0.4 | 0.0 | -0.2 | -0.3 | -0.3 | -0.3 | -0.3 | -0.3 | 1.8 | -0.2 |
| Revenue and grants | 12.6 | 12.6 | 11.1 | 13.6 | 13.6 | 14.4 | 14.5 | 14.5 | 14.5 | 14.5 | 14.5 | 14.9 | 15.6 | 13.3 | 14.6 |
| *of which: grants* | 0.7 | 0.4 | 0.5 | 0.8 | 0.6 | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 0.5 | 0.3 | | |
| Primary (noninterest) expenditure | 13.9 | 17.6 | 14.5 | 16.3 | 14.9 | 14.8 | 14.5 | 14.3 | 14.2 | 14.2 | 14.2 | 14.5 | 15.2 | 15.1 | 14.4 |
| **Automatic debt dynamics** | 0.5 | 1.9 | 0.2 | -2.1 | -0.5 | 0.0 | -1.5 | -1.7 | -1.4 | -1.3 | -1.4 | -0.1 | -0.2 | | |
| Contribution from interest rate/growth differential | -1.5 | 2.5 | -0.7 | -1.5 | -2.7 | -0.6 | -2.7 | -3.1 | -2.8 | -2.6 | -2.6 | -1.0 | -0.7 | | |
| *of which: contribution from average real interest rate* | -0.4 | 2.9 | 0.3 | 0.4 | -0.2 | 1.9 | -0.1 | -0.6 | -0.4 | -0.3 | -0.4 | 0.7 | 0.6 | | |
| *of which: contribution from real GDP growth* | -1.1 | -0.4 | -1.0 | -1.9 | -2.5 | -2.5 | -2.6 | -2.5 | -2.4 | -2.3 | -2.2 | -1.8 | -1.2 | | |
| Contribution from real exchange rate depreciation | 2.0 | -0.6 | 0.9 | -0.6 | 2.2 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| **Other identified debt-creating flows** | 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 | 0.0 | 0.0 |
| Privatization receipts (negative) | 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 | | |
| Recognition of contingent liabilities (e.g., bank recapitalization) | 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 | | |
| Debt relief (HIPC and other) | 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 | | |
| Other debt creating or reducing flow (please specify) | 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 | | |
| **Residual** | 1.9 | 1.7 | 1.6 | 3.0 | 1.0 | 0.1 | 1.7 | 0.7 | 1.6 | 1.8 | 1.8 | 0.9 | 0.3 | 1.1 | 1.1 |
| **Sustainability indicators** | | | | | | | | | | | | | | | |
| **PV of public debt-to-GDP ratio 2/** | ... | ... | ... | ... | 36.5 | 36.8 | 36.0 | 33.0 | 31.7 | 30.9 | 30.0 | 26.6 | 21.7 | | |
| **PV of public debt-to-revenue and grants ratio** | ... | ... | ... | ... | 269.0 | 255.5 | 248.6 | 227.5 | 218.9 | 212.8 | 206.6 | 178.8 | 139.6 | | |
| **Debt service-to-revenue and grants ratio 3/** | 38.2 | 43.2 | 48.4 | 40.2 | 64.7 | 55.6 | 53.7 | 50.9 | 46.2 | 32.6 | 34.8 | 33.4 | 23.6 | | |
| Gross financing need 4/ | 6.2 | 10.5 | 8.8 | 8.2 | 10.1 | 8.3 | 6.2 | 6.2 | 6.1 | 4.8 | 5.5 | 4.6 | 3.3 | | |
| **Key macroeconomic and fiscal assumptions** | | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 6.4 | 1.8 | 3.3 | 5.7 | 6.7 | 6.4 | 6.7 | 6.7 | 6.7 | 6.7 | 6.7 | 5.9 | 5.0 | 4.3 | 6.4 |
| Average nominal interest rate on external debt (in percent) | 1.3 | 1.5 | 1.2 | 1.7 | 1.4 | 2.1 | 1.9 | 3.0 | 2.9 | 3.0 | 2.6 | 4.5 | 2.2 | 1.5 | 3.4 |
| Average real interest rate on domestic debt (in percent) | 2.3 | 3.1 | 4.2 | 6.8 | 5.5 | 7.7 | 7.3 | 5.8 | 7.0 | 7.2 | 6.3 | 9.6 | 6.7 | 1.8 | 8.8 |
| Real exchange rate depreciation (in percent, + indicates depreciation) | 18.3 | -3.7 | 6.3 | -3.9 | 16.1 | ... | ... | ... | ... | ... | ... | ... | ... | 4.1 | ... |
| Inflation rate (GDP deflator, in percent) | -0.2 | 0.9 | 0.7 | -0.4 | 0.7 | -0.7 | 1.2 | 2.3 | 2.3 | 2.3 | 2.3 | 2.5 | 2.9 | 1.8 | 1.9 |
| Growth of real primary spending (deflated by GDP deflator, in percent) | 1.8 | 28.6 | -14.8 | 18.9 | -3.0 | 6.2 | 4.0 | 5.3 | 6.0 | 6.7 | 6.7 | 6.4 | 5.5 | 5.6 | 6.2 |
| Primary deficit that stabilizes the debt-to-GDP ratio 5/ | ... | ... | -1.8 | -0.9 | -0.5 | 0.5 | 1.0 | 2.4 | 1.1 | 0.8 | 0.9 | 0.1 | 0.4 | -1.1 | 0.7 |
| PV of contingent liabilities (not included in public sector debt) | 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 | | |

| | |
|---|---|
| **Definition of external/domestic debt** | **Currency-based** |
| **Is there a material difference between the two criteria?** | **Yes** |

Public sector debt 1/




Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt. Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

## Table 3. Benin: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2019–29 (in percent)

| | Projections 1/ | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** |
| **PV of debt-to GDP ratio** | | | | | | | | | | | |
| **Baseline** | 19 | 19 | 18 | 17 | 16 | 17 | 16 | 14 | 13 | 13 | 13 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2019-2029 2/ | 19 | 20 | 22 | 23 | 24 | 27 | 28 | 29 | 30 | 31 | 33 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 19 | 20 | 21 | 20 | 19 | 20 | 18 | 16 | 15 | 14 | 15 |
| B2. Primary balance | 19 | 21 | 23 | 22 | 21 | 21 | 20 | 18 | 17 | 16 | 17 |
| B3. Exports | 19 | 21 | 24 | 23 | 22 | 23 | 21 | 19 | 18 | 17 | 17 |
| B4. Other flows 3/ | 19 | 20 | 20 | 19 | 18 | 19 | 17 | 15 | 15 | 14 | 14 |
| B5. One-time 30 percent nominal depreciation | 19 | 24 | 19 | 18 | 17 | 18 | 16 | 14 | 14 | 13 | 14 |
| B6. Combination of B1-B5 | 19 | 23 | 21 | 20 | 19 | 20 | 18 | 16 | 15 | 15 | 15 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 19 | 22 | 22 | 21 | 20 | 20 | 19 | 18 | 17 | 16 | 17 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | 19 | 19 | 18 | 17 | 16 | 17 | 16 | 14 | 13 | 13 | 13 |
| **Threshold** | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| **PV of debt-to-exports ratio** | | | | | | | | | | | |
| **Baseline** | 116 | 111 | 102 | 96 | 91 | 96 | 60 | 54 | 51 | 48 | 50 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2019-2029 2/ | 116 | 120 | 121 | 127 | 134 | 153 | 106 | 109 | 115 | 119 | 128 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 116 | 111 | 102 | 96 | 91 | 96 | 60 | 54 | 51 | 48 | 50 |
| B2. Primary balance | 116 | 121 | 128 | 121 | 114 | 118 | 75 | 69 | 66 | 63 | 64 |
| B3. Exports | 116 | 144 | **195** | **183** | 174 | 179 | 113 | 103 | 96 | 90 | 90 |
| B4. Other flows 3/ | 116 | 117 | 112 | 106 | 100 | 105 | 65 | 59 | 56 | 53 | 54 |
| B5. One-time 30 percent nominal depreciation | 116 | 111 | 83 | 78 | 74 | 80 | 49 | 44 | 42 | 40 | 42 |
| B6. Combination of B1-B5 | 116 | 132 | 102 | 118 | 112 | 118 | 73 | 66 | 62 | 59 | 61 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 116 | 130 | 121 | 115 | 109 | 114 | 73 | 67 | 65 | 62 | 64 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | 116 | 111 | 102 | 96 | 91 | 96 | 60 | 54 | 51 | 48 | 50 |
| **Threshold** | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 |
| **Debt service-to-exports ratio** | | | | | | | | | | | |
| **Baseline** | 5 | 8 | 8 | 8 | 7 | 12 | 8 | 7 | 4 | 4 | 6 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2019-2029 2/ | 5 | 8 | 8 | 8 | 9 | 15 | 11 | 11 | 8 | 8 | 12 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 5 | 7 | 7 | 7 | 7 | 11 | 8 | 7 | 4 | 4 | 6 |
| B2. Primary balance | 5 | 8 | 9 | 9 | 9 | 13 | 9 | 8 | 5 | 5 | 7 |
| B3. Exports | 5 | 9 | 11 | 11 | 11 | **17** | 12 | 11 | 8 | 8 | 10 |
| B4. Other flows 3/ | 5 | 7 | 8 | 7 | 7 | 11 | 8 | 7 | 5 | 5 | 6 |
| B5. One-time 30 percent nominal depreciation | 5 | 7 | 7 | 6 | 6 | 10 | 8 | 7 | 3 | 3 | 5 |
| B6. Combination of B1-B5 | 5 | 8 | 9 | 8 | 8 | 14 | 10 | 9 | 5 | 5 | 7 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 5 | 8 | 9 | 8 | 8 | 12 | 8 | 7 | 5 | 5 | 6 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | 5 | 8 | 8 | 8 | 7 | 12 | 8 | 7 | 4 | 4 | 6 |
| **Threshold** | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| **Debt service-to-revenue ratio** | | | | | | | | | | | |
| **Baseline** | 6.8 | 9.9 | 10.8 | 10.3 | 10.0 | 15.6 | 14.9 | 13.1 | 7.7 | 7.5 | 10.9 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2019-2029 2/ | 7 | 10 | 11 | 11 | 12 | **20** | **21** | **20** | 14 | 15 | **22** |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 7 | 10 | 11 | 11 | 10 | 17 | 17 | 15 | 9 | 9 | 12 |
| B2. Primary balance | 7 | 10 | 12 | 12 | 12 | 17 | 16 | 15 | 10 | 10 | 13 |
| B3. Exports | 7 | 9 | 10 | 11 | 10 | 16 | 16 | 15 | 11 | 10 | 13 |
| B4. Other flows 3/ | 7 | 9 | 10 | 10 | 9 | 15 | 15 | 14 | 9 | 8 | 12 |
| B5. One-time 30 percent nominal depreciation | 7 | 12 | 12 | 11 | 10 | 18 | **18** | 16 | 8 | 8 | 12 |
| B6. Combination of B1-B5 | 7 | 10 | 12 | 11 | 10 | 17 | 17 | 16 | 9 | 9 | 13 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 7 | 10 | 11 | 11 | 11 | 16 | 16 | 14 | 8 | 8 | 12 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | 7 | 10 | 11 | 10 | 10 | 16 | 15 | 13 | 8 | 8 | 11 |
| **Threshold** | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

## Table 4. Benin: Sensitivity Analysis for Key Indicators of Public Debt, 2019–29 (in percent)

| | Projections 1/ | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
| **PV of Debt-to-GDP Ratio** | | | | | | | | | | | |
| **Baseline** | 37 | 36 | 33 | 32 | 31 | 30 | 29 | 27 | 28 | 27 | 27 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2019-2029 2/ | 37 | 38 | 38 | 39 | 41 | 43 | 45 | 45 | 48 | 50 | 52 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 37 | 39 | 40 | 41 | 42 | 42 | 43 | 43 | 45 | 46 | 46 |
| B2. Primary balance | 37 | 39 | 41 | 39 | 38 | 37 | 36 | 34 | 35 | 34 | 33 |
| B3. Exports | 37 | 38 | 39 | 37 | 36 | 35 | 34 | 32 | 32 | 31 | 30 |
| B4. Other flows 3/ | 37 | 37 | 35 | 33 | 32 | 32 | 31 | 29 | 29 | 28 | 28 |
| B5. One-time 30 percent nominal depreciation | 37 | 39 | 35 | 32 | 31 | 29 | 27 | 25 | 24 | 23 | 21 |
| B6. Combination of B1-B5 | 37 | 38 | 38 | 37 | 37 | 36 | 35 | 34 | 34 | 34 | 33 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 37 | 43 | 40 | 39 | 38 | 37 | 36 | 34 | 34 | 33 | 32 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | 37 | | | | | | | | | | |
| **Public debt benchmark** | **55** | **55** | **55** | **55** | **55** | **55** | **55** | **55** | **55** | **55** | **55** |
| **PV of Debt-to-Revenue Ratio** | | | | | | | | | | | |
| **Baseline** | 255 | 249 | 227 | 219 | 213 | 207 | 199 | 187 | 188 | 182 | 179 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2019-2029 2/ | 255 | 263 | 260 | 270 | 283 | 295 | 303 | 305 | 322 | 332 | 344 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 255 | 270 | 276 | 279 | 285 | 290 | 293 | 290 | 301 | 304 | 310 |
| B2. Primary balance | 255 | 268 | 280 | 271 | 264 | 257 | 248 | 234 | 233 | 226 | 221 |
| B3. Exports | 255 | 262 | 268 | 258 | 250 | 242 | 232 | 218 | 216 | 208 | 202 |
| B4. Other flows 3/ | 255 | 255 | 240 | 231 | 224 | 217 | 209 | 196 | 196 | 190 | 186 |
| B5. One-time 30 percent nominal depreciation | 255 | 273 | 241 | 225 | 213 | 201 | 187 | 169 | 164 | 153 | 144 |
| B6. Combination of B1-B5 | 255 | 260 | 264 | 257 | 253 | 248 | 241 | 229 | 231 | 226 | 222 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 255 | 298 | 276 | 266 | 260 | 253 | 243 | 230 | 229 | 222 | 217 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | 255 | | | | | | | | | | |
| **Debt Service-to-Revenue Ratio** | | | | | | | | | | | |
| **Baseline** | 56 | 54 | 51 | 46 | 33 | 35 | 33 | 31 | 29 | 29 | 33 |
| **A. Alternative Scenarios** | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2019-2029 2/ | 56 | 55 | 55 | 52 | 39 | 45 | 47 | 47 | 47 | 48 | 54 |
| **B. Bound Tests** | | | | | | | | | | | |
| B1. Real GDP growth | 56 | 57 | 59 | 55 | 40 | 45 | 45 | 45 | 45 | 45 | 50 |
| B2. Primary balance | 56 | 54 | 54 | 52 | 37 | 42 | 43 | 41 | 39 | 37 | 39 |
| B3. Exports | 56 | 54 | 51 | 47 | 34 | 36 | 34 | 32 | 32 | 32 | 36 |
| B4. Other flows 3/ | 56 | 54 | 51 | 47 | 33 | 35 | 33 | 31 | 30 | 30 | 34 |
| B5. One-time 30 percent nominal depreciation | 56 | 51 | 51 | 47 | 34 | 39 | 37 | 34 | 30 | 30 | 34 |
| B6. Combination of B1-B5 | 56 | 53 | 55 | 51 | 36 | 41 | 41 | 39 | 37 | 35 | 38 |
| **C. Tailored Tests** | | | | | | | | | | | |
| C1. Combined contingent liabilities | 56 | 54 | 56 | 50 | 36 | 45 | 43 | 40 | 38 | 33 | 37 |
| C2. Natural disaster | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C3. Commodity price | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| C4. Market Financing | | | | | | | | | | | |

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.