IMF Country Report No. 24/356

# BENIN

December 2024

## FIFTH REVIEWS UNDER THE EXTENDED FUND FACILITY AND THE EXTENDED CREDIT FACILITY ARRANGEMENTS, AND SECOND REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT—PRESS RELEASE, STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR BENIN

In the context of the Fifth Review under the Extended Fund Facility and the Extended Credit Facility Arrangements, and the Second Review under the Resilience and Sustainability 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 December 17, 2024, following discussions that ended on October 17, 2024, with the officials of Benin on economic developments and policies underpinning the Fund-supported program under the Extended Fund Facility and the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on December 6, 2024.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the World Bank.
- A **Staff Statement** updating information on recent developments.
- A **Statement by the Executive Director** for Benin.

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**International Monetary Fund**
**Washington, D.C.**

PRESS RELEASE

PR24/481

# BENIN: IMF Executive Board Completes Fifth Reviews of Extended Fund and Extended Credit Facilities and Second Review of Resilience and Sustainability Facility

**FOR IMMEDIATE RELEASE**

- The IMF Executive Board today completed the Fifth Review of Benin's Extended Fund Facility (EFF) and the Extended Credit Facility (ECF) and the Second Review under the Resilience and Sustainability Facility (RSF). The decision allows for an immediate disbursement of about US$80 million.

- The 2025 budget recently adopted by Parliament targets compliance with the West African Economic and Monetary Union (WAEMU) fiscal deficit norm of 3 percent of GDP, supported by sustained domestic revenue mobilization and scaling up social spending.

- A key challenge ahead for Benin is to further strengthen inclusive policies for an economic transformation that generates jobs and benefits all Beninese.

**Washington, DC** – **December 17, 2024:** The Executive Board of the International Monetary Fund (IMF) completed the Fifth Reviews under the 42-month blended Extended Fund Facility (EFF) and the Extended Credit Facility (ECF) arrangements, and the Second Review under the Resilience and Sustainability Facility (RSF) arrangement. The EFF/ECF was approved by the IMF Executive Board in July 2022 (see PR 22/252) and complemented by the RSF in December 2023 (see PR 23/452).

The completion of the reviews allows for the immediate disbursement of SDR 31.2 million (about US$41 million) under the EFF/ECF—bringing total disbursements under the program to SDR 431.4 million (about US$565 million)—and of SDR 29.7 million (about $39 million) under the RSF arrangement.

New industries are emerging in Benin, with higher value-added goods' exports and momentum in information technology and tourism. Economic activity is estimated to have expanded by 6.4 percent year-over-year in the first half of this year; growth is expected to remain strong in the near term. The balance of payments has deteriorated temporarily, due to large investments, including related to the special economic zone (SEZ). It is expected to recover gradually as the transformation of local commodities at the SEZ boosts exports.

Program performance has been robust, with all end-June 2024 quantitative targets met, and structural benchmarks (under the EFF/ECF) completed. On the RSF front, the authorities have implemented climate budget tagging under the 2025 budget and adopted a predictable price adjustment mechanism for fuel products and the related compensatory mechanism. Water tariff reform in urban areas is now expected by early 2025. Benin's partners pledged financial support for the country's climate agenda at the recent COP29.

Following the Executive Board discussion on Benin, Mr. Okamura, Deputy Managing Director, and acting chair, issued the following statement[1]:

"Sound macroeconomic management and steadfast reform implementation over the past several years have underpinned promising signs of economic transformation in Benin, including strong growth, credit rating upgrades and continued support from development partners. The authorities should nonetheless remain vigilant to risks stemming from global and regional uncertainties, which calls for deliberate contingency planning.

"Parliament adopted the 2025 budget targeting compliance with the West African Economic and Monetary Union's (WAEMU) fiscal deficit norm of 3 percent of GDP while scaling up social spending, with next year expected to be the last year of fiscal consolidation under the current economic cycle. Fiscal adjustment will continue to be revenue-based and anchored in the Medium-Term Revenue Strategy. Rebalancing the debt portfolio towards domestic debt over time, as contemplated under the recently developed Medium-Term Debt Strategy, together with the authorities' proactive debt management, will help mitigate external refinancing risks.

"The adoption of a predictable mechanism for fuel products that accounts for the specificities of Benin's local fuel market as well as the related compensatory mechanism is welcome. Early implementation of those schemes will be important.

"The authorities should strengthen further Benin's anti-corruption framework to preserve hard-won macroeconomic gains and lay the foundations for private sector-led inclusive growth. Remaining vigilant vis-à-vis public and non-public financial sector risks will help preserve macroeconomic stability and limit contingent liability risks.

"A key challenge ahead for Benin is to maintain the reform momentum and further strengthen inclusive policies for an economic transformation that generates jobs and benefits all Beninese. In this context, the full operationalization of the social registry will facilitate the coordination of various social assistance programs and improve targeting of vulnerable households across regions.

"Steadfast implementation of the authorities' climate change agenda under the Resilience and Sustainability Facility (RSF) will complement the EFF/ECF in supporting overall socio-economic resilience in Benin. This will also help Benin capitalize on climate finance pledges by its development partners at the recent COP29, following the climate finance roundtable in Cotonou."

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[1] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings-up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

INTERNATIONAL MONETARY FUND

# BENIN

December 6, 2024

## FIFTH REVIEWS UNDER THE EXTENDED FUND FACILITY AND THE EXTENDED CREDIT FACILITY ARRANGEMENTS, AND SECOND REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT

## EXECUTIVE SUMMARY

**Context**. Benin's macroeconomic performance appears robust 2½ years into the EFF and ECF arrangements. There are promising signs of economic transformation, with higher value-added exports and momentum in information and communications technology and tourism. The 2025 budget—the last year of fiscal adjustment under the current economic cycle—targets compliance with the WAEMU fiscal deficit norm of 3 percent of GDP. Benin's reform program has gained traction with development partners, with budget support consistently exceeding expectations—complementing robust tax collection—and investor confidence re-affirmed by several sovereign credit upgrades. A key challenge ahead for Benin is to maintain the reform momentum and further strengthen inclusive policies for an economic transformation that generates jobs and benefits all Beninese. The authorities are pressing ahead with their reform agenda—with caution, appropriately.

**Program performance under EFF/ECF and RSF arrangements.** Program performance under the EFF/ECF has been robust, with all QPCs and ITs for the review period met and the two structural benchmarks (SBs) completed. On the RSF front, the authorities have implemented budget tagging under the draft 2025 budget. They also adopted a predictable mechanism for pump prices and the related compensatory mechanism. However, the reform of water tariffication in urban areas has been delayed. Benin's partners pledged financial support for the country's climate agenda at the November COP29.

**Policy discussions.** Policy discussions under the Fifth EFF/ECF and Second RSF Reviews focused on i) anchoring the 2025 budget in credible and sustainable policies; ii) further strengthening institutions to safeguard macroeconomic gains; iii) advancing reforms aimed at improving the pricing of energy and water resources; and iv) fostering the catalytic role of the RSF arrangement.

Approved By
**Annalisa Fedelino (AFR) and Niamh Sheridan (SPR)**

Discussions were held in Cotonou, Benin during October 8–17, 2024. The mission comprised Mr. Lonkeng (head), Mr. Some (Resident Representative), Mr. Bennouna and Ms. Tawk (all AFR), and Messrs. Hynes (SPR), Kisat (FAD), Houessou (local economist). Mses. Gardes-Landolfini (MCM) and von Thadden-Kostopoulos (FAD) participated remotely in meetings related to climate finance and water tariffs respectively. The mission was supported from headquarters by Ms. Eckling, and from the local office by Ms. Nononsi. Ms. Boukpessi (OED) attended the meetings in-person. The mission met with Senior Minister of Economy and Finance Wadagni, Senior Minister of Development and Coordination of the Governmental Action Bio Tchané, National Director of the Central Bank of West African States (BCEAO) Assilamehoo, and other senior government officials. The team also met with the Head of Opposition, the Finance Commission of the National Assembly in Porto Novo, the civil society, university students, the association of women entrepreneurs and a farmers' association, the donor community, and other stakeholders.

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**BOX**



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**ANNEXES**



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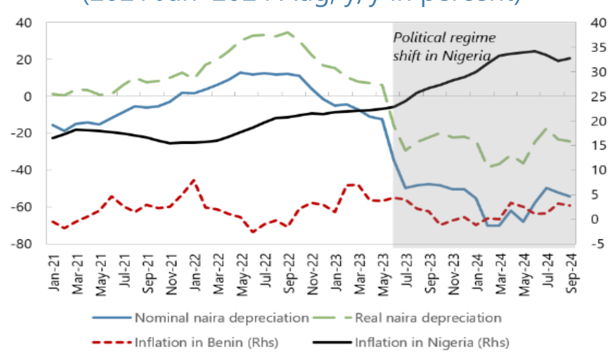
# CONTEXT

1. **Benin's macroeconomic performance appears strong 2½ years into the EFF and ECF arrangements.** There are promising signs of economic transformation with higher value-added exports and momentum in services, including information and communications technology (ICT) and tourism. The authorities' reform program, encompassing an appropriately calibrated fiscal policy, has gained traction from development partners, with budget support consistently exceeding program expectations, complementing robust tax collection; and it has helped reaffirm investor confidence as mirrored in improvements in sovereign credit ratings (now at B+ by Fitch and BB- by S&P).

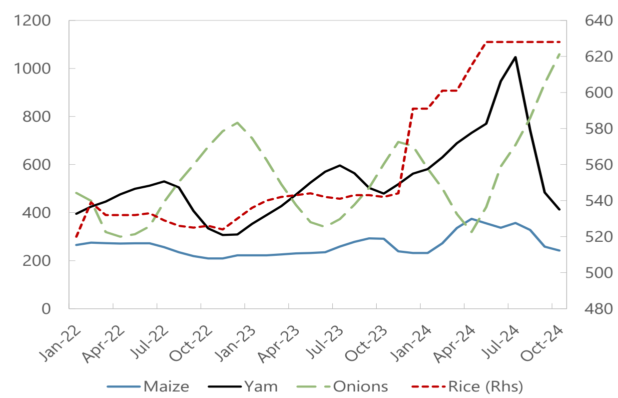
2. **However, regional, and global headwinds are compounding domestic challenges.** Policy shifts in Nigeria, including the resulting sharp depreciation of the naira, could significantly erode Benin's external competitiveness vis-à-vis its giant neighbor and take a toll on transit trade (Text Figure 1a and Annex II). While aggregate inflation has come down, sustained increases in prices of some staples, reportedly due in part to exports to neighboring countries amid regional security challenges, is disproportionately affecting low-income households. The government's ban on illicit trade is likely contributing to the recent decline in selected prices (Text Figure 1b). Benin remains vulnerable to climate-related events and faces security challenges in the North bordering Burkina Faso.

**Text Figure 1a. Nominal and Real Depreciation of Naira vis-à-vis CFAF**
(2021 Jan–2024 Aug, y/y in percent)




Sources: Beninese authorities and IMF staff calculations.

**Text Figure 1b. Prices of Main Staples in Benin**
(2023 Jan-2024 Jul, CFAF per Kg)




3. **The authorities are pressing ahead with their reform agenda—appropriately with caution—despite these challenges.** The 2025 Budget targets compliance with the WAEMU deficit norm of 3 percent of GDP, supported by domestic revenue mobilization (DRM) and continued spending efficiency and prioritization. A key challenge ahead for Benin is to maintain the reform momentum and further strengthen inclusive policies for an economic transformation that generates jobs and benefits all Beninese. Such a comprehensive approach is likely to foster social acceptability of reforms over the political cycle. On the RSF front, following a multi-stakeholder climate finance roundtable held in Cotonou in July, Benin's partners pledged financial support to the country's

climate agenda during the November COP29, unlocking the catalytic role of the RSF (Box 1). Reform measures under the RSF are underway, albeit with some delay.

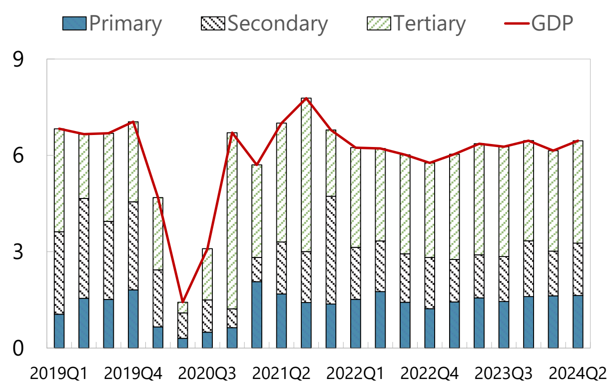
# RECENT ECONOMIC DEVELOPMENTS

**4. The Beninese economy has proven remarkably resilient to large shocks.**

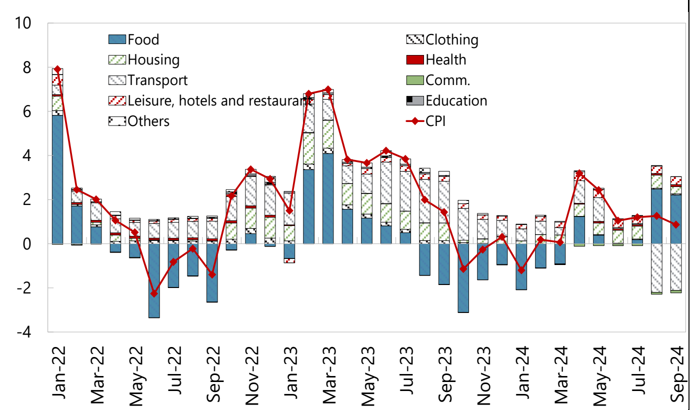
- **Real GDP growth** is estimated at 6.4 percent (y/y) in 2024:H1, mainly driven by agroindustry, construction, textile, and trade as well as ICT and tourism (Text Figure 2a). While port activity is expanding, it has remained below its level before the Niger border closure.
- **Inflation** declined to around 1.5 percent (y/y) in the first ten months of 2024 (Text Figure 2b), as prices of smuggled gasoline normalized following sharp fuel price adjustments by the new administration in Nigeria.
- **The current account deficit** is estimated to have widened to 6.4 percent of GDP in 2023, 0.5 ppt higher than projected at the Fourth Review. This reflects higher SEZ-related imports of services in areas such as training and consultancy, complementing physical capital. The overall BoP balance for 2023 remains broadly unchanged from the Fourth Review despite the widening in the current account deficit, due to lower private sector capital outflows for pre-paid imports of machinery than previously thought.

**Text Figure 2. Recent Economic Developments, 2019-2023**

**Text Figure 2a. Contributions to Growth**
(2019Q1-2024Q2, percentage points)




**Text Figure 2b. Contributions to Inflation**
(January 2022-September 2024, y/y in percent)




Sources: Beninese authorities and IMF staff calculations.

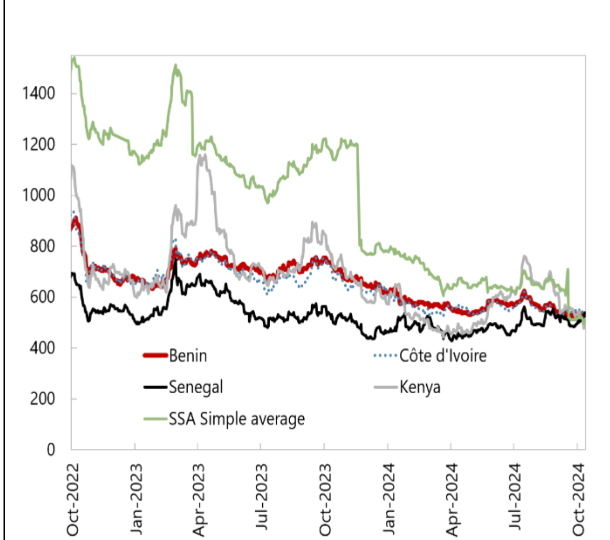
- **Credit** to the private sector continued to expand, reaching 15 percent (y/y) at end July, buoyed by construction, trade, and transport. NPLs have continued to trend down (3.7 percent, y/y, at end-June, from 6.2 percent a year ago). EMBI spreads declined to 517 bps as of end-October, similar to larger sovereigns in the region (Text Figure 3).

**5. Fiscal performance through end-August was strong, reflecting authorities' continued tax collection efforts** (Text Table 1).

- Tax revenues increased by 11 percent (y/y), supported by a notably strong performance in international taxes on the back of higher investment-related imports and the move to transactional values at customs. Non-tax revenues also rose substantially, driven by improved digitalization of systems used to collect administrative fees.

- Current primary expenditure was nearly flat in real terms, with a significant increase in interest expenses (19.1 percent y/y) given costlier regional financing and accrued interest on the February Eurobond. Domestically financed capital expenditure rose, reflecting improved local capacity in projects execution and prudent external borrowing. While execution of externally financed capital expenditure has lagged, the authorities expect it to catch up in 2024Q4.

**Text Figure 3. Sovereign Spreads, 2022-2024**
(Basis Points)




Sources: Bloomberg Professional Services; and IMF staff calculations.

**Text Table 1. Fiscal Outturns at End-August 2024**

| | CFAF billion | Percent of GDP | Percent change (y/y) | Distance to end-year projections, CFAF billion |
|---|---|---|---|---|
| **Total revenue and grants** | **1,242.0** | **9.6** | **11.6** | **-739.3** |
| Total revenue | 1,204.3 | 9.3 | 12.4 | -689.5 |
| Tax revenue | 1,074.7 | 8.3 | 11.0 | -640.7 |
| Nontax revenue | 129.5 | 1.0 | 26.5 | -48.9 |
| Grants | 37.7 | 0.3 | -9.9 | -49.8 |
| Project grants | 37.7 | 0.3 | -9.9 | **-29.0** |
| Budgetary grants | 0.0 | 0.0 | 0.0 | **-20.8** |
| | | | | |
| **Total expenditure and net lending** | **1,590.9** | **12.3** | **0.8** | **-869.8** |
| Current expenditure | 924.7 | 7.1 | 3.6 | -521.1 |
| Current primary expenditure | 726.2 | 5.6 | 0.1 | -487.1 |
| Wage bill | 373.3 | 2.9 | 5.5 | -235.7 |
| Pensions and scholarships | 66.3 | 0.5 | 3.2 | -44.1 |
| Current transfers | 223.6 | 1.7 | -5.4 | -126.7 |
| Expenditure on goods and services | 63.0 | 0.5 | -11.6 | -80.5 |
| Interest | 198.5 | 1.5 | 19.1 | -34.0 |
| | | | | |
| Capital expenditure | 671.5 | 5.2 | -1.8 | -343.4 |
| Financed by domestic resources | 425.1 | 3.3 | 17.0 | -137.4 |
| Financed by external resources | 246.4 | 1.9 | -23.1 | -206.0 |
| Net lending | -5.3 | | | -5.3 |
| | | | | |
| **Overall balance (commitment basis, incl. grants)** | **-348.9** | **-2.7** | **-25.2** | **-130.5** |

Source: Beninese Authorities; and IMF staff calculations.

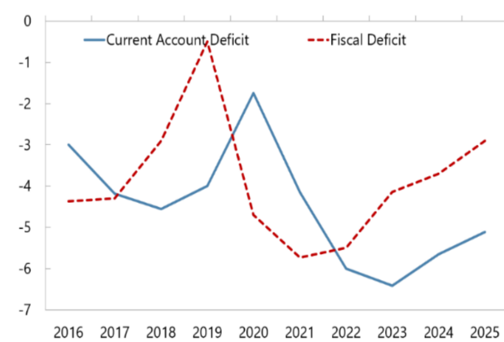
**6. The authorities are relying largely on proceeds from the recent Eurobond to finance the 2024 budget, as envisaged at the Fourth Review.** They have scaled down planned domestic borrowing, relying on the Eurobond proceeds for financing the 2024 budget. Public debt has been revised up by 0.4 ppt to 54.9 percent of GDP for 2023, reflecting an end-2023 disbursement that was previously recorded in 2024. It is projected to decline to 54 percent by end-2024, owing to ongoing fiscal consolidation.

# OUTLOOK AND RISKS

**7. The medium-term macroeconomic outlook remains broadly in line with the Fourth Review** (Text Table 2).

- Growth forecasts for 2024–25 are unchanged at 6.5 percent, driven by infrastructure projects and private investment, ICT and tourism. Headline inflation is expected to recede to 2 percent in 2024 (from 2.7 percent in 2023), reflecting the normalization of smuggled gasoline prices due in part to the depreciation of the naira. Over the medium term, growth is forecasted at its estimated potential of 6 percent, with inflation stabilizing at 2 percent, consistent with the euro peg.
- The current account deficit is projected to narrow to 5.7 percent of GDP in 2024, a 0.3 ppt improvement from the 4th Review, despite a slight worsening in terms of trade in the interim. This adjustment reflects a narrower trade deficit due to higher exports from the SEZ and a downward revision to prepaid (delayed) imports in 2023 and therefore lower expected imports in 2024 and 2025 (imports are recorded in the BoP when they are delivered). The narrower trade deficit is somewhat counteracted by a wider services deficit due to SEZ-related services imports. The current account deficit is expected to narrow further in 2025 as terms of trade improve and fiscal consolidation continues (Text Figure 4). It would hover around 4–5 percent of GDP over the medium term as exports from the SEZ gradually increase and the services deficit moderates.
- The projected overall balance for 2024 and 2025 has been revised downward in line with high frequency data on NFA holdings. The extent of foreign holdings build-up for prepaid imports in 2023—that were expected to be drawn down in 2024–25 as imports are delivered—was over-estimated at the time of the 4th Review. In fact, some of the outflows in 2023 were partly to finance a larger deficit of services (by 1.6 percent of GDP). This has led to an inter-temporal shift in the balance of payments position.
- Notwithstanding the SEZ-driven inter-temporal shift, reserve accumulation is broadly consistent with the level foreseen at the time of program approval. To prevent a potentially over-optimistic view on the outlook, the SEZ was not factored into macroeconomic projections at the start of

**Text Figure 4. Twin Deficits**
(Percent of GDP)



Sources: Beninese authorities and IMF staff calculations.

the EFF/ECF arrangements. The subsequent development of the zone has led to a temporary deterioration of the balance of payments due to front-loaded imports of machinery and services from 2023. It is expected to improve over time as investment moderates and higher value-added exports increase, as started in 2024. Budget needs and balance of payments needs have moved in tandem, partly reflecting Benin's large infrastructure projects under the Government's Action Program.

- Benin continues to be assessed at moderate risk of overall and external debt distress, with limited space to absorb shocks (see DSA). Benin's Debt Sustainability Analysis (DSA) assessment is broadly unchanged from the Fourth Review, with all projected external debt burden indicators below high-risk thresholds under the baseline scenario, except for a temporary breach to the debt service-to-revenue ratio that occurred following a Liability Management Operations (LMO) completed in 2024Q1. While stress tests indicate vulnerabilities to commodity shocks and shifts in market sentiment, Benin's sustained revenue mobilization efforts, alongside active debt management and a borrowing strategy that continues to prioritize concessional borrowing, reduce the risk of debt distress.

**8. Risks to the outlook are balanced overall** (Annex I).

- On the downside, naira depreciation beyond an uncertain tipping point could significantly erode Benin's external competitiveness vis-à-vis Nigeria (Annex II). Persistent regional security challenges could exacerbate the illicit trade of staples and exert pressure on food prices, potentially leading to social discontent. Benin remains vulnerable to extreme climate events.

**Text Table 2. Key Macroeconomic Indicators**
(in percent of GDP, unless otherwise indicated)

| | Average 2017-19 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Estimates | | | | Projections | | | | | |
| Real GDP (percent change) | 6.4 | 3.8 | 7.2 | 6.3 | 6.4 | 6.5 | 6.5 | 6.2 | 6.2 | 6.0 | 6.0 |
| CPI inflation, average (percent) | 0.6 | 3.0 | 1.7 | 1.4 | 2.7 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Overall fiscal balance (commitment basis, incl grants) | -2.6 | -4.7 | -5.7 | -5.5 | -4.1 | -3.7 | -2.9 | -2.9 | -2.9 | -2.9 | -2.9 |
| Tax revenue | 10.2 | 10.5 | 11.0 | 12.2 | 12.9 | 13.2 | 13.7 | 14.1 | 14.5 | 14.9 | 15.2 |
| Primary expenditure | 14.8 | 17.1 | 17.6 | 18.2 | 17.6 | 17.2 | 16.9 | 17.3 | 17.7 | 18.1 | 18.5 |
| Current account balance | -4.2 | -1.7 | -4.2 | -6.0 | -6.4 | -5.7 | -5.1 | -4.5 | -4.3 | -4.1 | -4.0 |
| Public debt | 40.6 | 46.1 | 50.3 | 54.2 | 54.9 | 54.0 | 52.6 | 51.5 | 50.5 | 49.6 | 48.8 |

Sources: Beninese authorities and IMF staff estimates

- On the upside, the normalization of Benin-Niger trade relationships, including the full operationalization of the hydrocarbon pipeline and a restoration of transit trade activity would generate additional custom revenues and increase private incomes. An orderly development of the SEZ, and a sustained expansion of the Port of Cotonou, could boost FDI further, create jobs and generate more higher value-added exports. The formalization of trade with Nigeria could also foster higher value-added activities in Benin over the medium term.

# PROGRAM PERFORMANCE

**9. Program performance remains strong, with all end-March Indicative Targets (ITs) and end-June 2024 quantitative performance (QPCs) met** (Text Table 3). Tax revenues overperformed their target slightly, while priority social spending was 25 percent higher than programmed, due to frontloaded spending on the school feeding program ahead of school returns in September, and spending on sanitation and health. The basic primary balance exceeded the program's floor, and domestic financing was below its ceiling. The present value of external debt was CFAF 606 billion, below its ceiling. Benin did not accumulate any domestic or external arrears. The standard continuous performance criteria on the non-introduction of exchange restrictions and multiple currency practices have all been met.

**10. The authorities met the two SBs for the review period** (Table 12). They closed around 60 percent of public bank accounts in commercial banks (779 out of total of 1,298 from the list surveyed in August 2023) and repatriated the balances (CFAF 96 billion) to the TSA (*end-June SB*). The authorities adopted decrees that give effect to the 2020-09 *HCPC* law *(Haut Commissariat à la Prévention de la Corruption)*, meeting the related end-June 2024 SB. The authorities are also making progress towards their other reform commitments due later under the program.

**11. The implementation of some reform measures (RMs) under the RSF has been delayed.** The authorities implemented climate budget tagging, with the 2025 budget mainstreaming climate change costs (RM4). Following FAD TA, the authorities adopted a comprehensive fuel subsidy reform that accounts for the specificities of Benin's local fuel market (RM11), and the related compensatory mechanism to protect vulnerable households, leveraging the social registry (RSU) for which an operationalization manual has been finalized following public consultation (RM12). However, while the authorities have conducted a study updating water tariffs in urban areas—unchanged since 2009—a mechanism for water tariffication in urban areas (RM6) is now expected to be completed by early 2025, allowing time to fully incorporate a financial equilibrium model in the design of the tariff (¶34, ¶35 and Table 13).

**Text Table 3. Quantitative Performance Criteria and Indicative Targets, 2024-25[1]**

(Billions of CFAF)

| | March 31, 2024 | | | June 30, 2024 | | | September 30, 2024 | December 31, 2024 | March 31, 2025 | June 30, 2025 | September 30, 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | IT | | | PC | | | IT | PC | IT | PC | IT |
| | Prog. | Prel. | Status | Prog. | Prel. | Status | Prog. | Prog. | Prog. | Prog. | Prog. |
| **A. Quantitative performance criteria[2]** | | | | | | | | | | | |
| Basic primary balance (floor)[3] | 15.7 | 140.5 | Met | 22.2 | 51.2 | Met | 90.9 | 114 | 43.2 | 82.7 | 44.0 |
| Net domestic financing (ceiling)[4] | 204 | -300.3 | Met | 258.2 | -187.6 | Met | -173.3 | -248.5 | 6 | 9.9 | 362.2 |
| **B. Continuous quantitative performance criteria (ceilings)** | | | | | | | | | | | |
| Accumulation of external payments arrears | 0.0 | 0.0 | Met | 0.0 | 0.0 | Met | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Accumulation of domestic payments arrears | 0.0 | 0.0 | Met | 0.0 | 0.0 | Met | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Ceiling on the present value of new external debt contracted or guaranteed by the government [5] | 620 | 552 | Met | 620 | 606.0 | Met | 1,055 | 1,055 | 620 | 620 | 620 |
| **C. Indicative Targets[2]** | | | | | | | | | | | |
| Tax revenue (floor) | 392.1 | 403.8 | Met | 816.6 | 822.7 | Met | 1,220.5 | 1,711.4 | 443.1 | 923.0 | 1,366.0 |
| Priority social expenditure (floor) [6] | 24.1 | 25.6 | Met | 55.5 | 69.7 | Met | 114.4 | 185.1 | 25.5 | 58.8 | 123.6 |

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.

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

[4]Includes on-lending from the BCEAO related to the IMF disbursement. 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

[5] Excludes debt management operations which result in a reduction of the present value of overall external debt, and/or an improvement of the overall public external debt service profile (TMU

[6] Includes internally and externally financed expenditures related to government interventions that directly reduce poverty in the areas of education, health and nutrition, social safety nets, access

# POLICY DISCUSSIONS

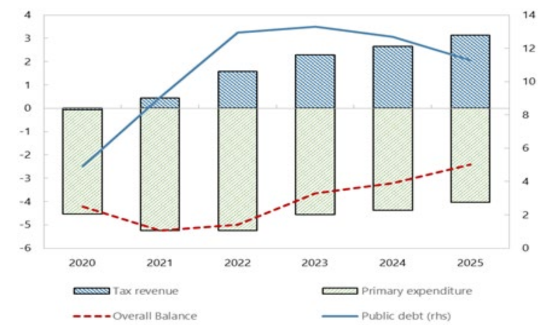
## A. Fiscal Policy: Staying the Course Pre-Election

***Looking Back: DRM has Created Space for Social Spending***

**12. After an appropriately strong counter-cyclical response to unprecedented shocks during 2020–2022, Benin started rebuilding buffers in 2023.** Public debt increased by 13.7 ppts of GDP between 2019 and 2022, as the primary deficit deteriorated by 5 ppts of GDP (from a surplus of 1.1 percent of GDP to a deficit of 3.9 percent of GDP), in response to the pandemic and the Russian war in Ukraine (Text Figure 5). The authorities started rebuilding policy buffers in 2023; fiscal consolidation is set to continue to ensure convergence to the WAEMU deficit norm of 3 percent of GDP by 2025 (¶17).

**Text Figure 5. Fiscal Policy Over the Recent Economic Cycle**

(Change from 2020, Percent of GDP)

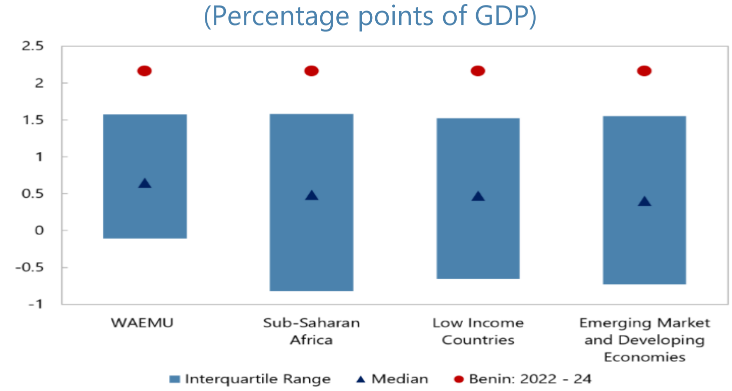



Source: Beninese Authorities; and IMF staff calculations.

**13. The fiscal adjustment has been revenue based, underpinned by the Medium-Term Revenue Strategy (MTRS).** Benin's tax-to-GDP ratio is set to increase by 2.2 ppts of GDP by end-2024 from program inception in 2022. This would place the country in the tail of the distribution of 3-year cumulative changes in the tax-to-GDP ratio among peers and various country groupings (Text Figure 6). The authorities' exceptional tax collection effort under the program, supported by both the digitalization of the tax system and frontloaded tax policy measures under the EFF/ECF arrangements, also reflects catching-up from a relatively low base (Benin's tax-to-GDP ratio stood at only 11 percent prior to the program, well-below peers).

**Text Figure 6. Cumulative 3-year Change in Tax-to-GDP Ratios: Benin vs. Peer Countries**

(Percentage points of GDP)




Sources: IMF World Economic Outlook database and IMF staff calculations.
Note: The interquartile range (IQR) is the difference between the 75th and 25th percentiles. The lower and upper end of each bar correspond to the 25th and 75th percentiles for the corresponding country grouping, respectively. IQR and median are calculated across 3-year changes in tax-to-GDP from 2000-2024 for the country groups shown above.

**14. The broadening of the tax base has created fiscal space for critical social spending.** The authorities' school feeding program (with technical support from the World Food Program) is providing free meals to 95 percent of rural primary schools (more than 1.3 million children). Lower secondary school is now tuition-free for girls across all Benin's 77 communes (estimated 2 million girls). A pilot to extend the measures for girls in upper secondary school was launched in 20 communes in the 2023/24 school year, with planned extension to all communes over time. The government has also supported farmers with subsidies on fertilizers to fend off food security risk.

### *Closing the 2024 Budget*

**15. Robust budget execution through end-August keeps the authorities on track to achieve the planned fiscal consolidation in 2024.** The projected deficit of 3.7 percent of GDP (from 4.1 percent in 2023) will be achieved through tax collection (about 0.4 ppt of GDP) with moderation in capital expenditure offsetting the increase in interest expenses and current primary spending (Text Table 4). Social spending is being preserved in the adjustment process (priority social spending increased by 15 percent (y/y) through September 2024).

**Text Table 4. Overall Fiscal Adjustment**
(Percent of GDP)

| | 2024 | 2025 |
|---|---|---|
| **Overall adjustment (A+B+C)** | **0.4** | **0.8** |
| **A. Revenue** | **0.4** | **0.5** |
| Tax measures | 0.4 | 0.5 |
| Non-tax measures | 0.0 | 0 |
| **B. Grants** | **-0.1** | **-0.1** |
| **C. Expenditure** | **0.2** | **0.4** |
| Current expenditure | -0.5 | -0.3 |
| Capital expenditure reprioritization | 0.6 | 0.7 |

Source: Beninese Authorities; and IMF staff calculations.

**16. High uncertainty calls for continued prudence in budget execution for the remaining two months of the year.** Given a high uncertainty environment, a continued phased approach to public investment projects is recommended, in line with authorities' stance so far.

### *Anchoring the 2025 Draft Budget in Credible and Inclusive Policies*

**17. The 2025 draft budget targets an overall fiscal deficit of 2.9 percent of GDP.**

- The baseline deficit target entails a consolidation effort of 0.8 ppt of GDP, which while twice as large as last year's, is slightly lower than the average adjustment of the two preceding years (Text Figure 5). The consolidation will be achieved through additional revenue mobilization and moderation in capital expenditure to offset the increase in current primary spending, including social spending (¶19, Text Table 4).

- However, should tax outturns exceed their target in 2024, staff recommended that the authorities save the additional resources to smooth out the fiscal consolidation path (the adjustment in 2025 would be equal to 2024's at 0.6 ppt of GDP if the authorities exceed the tax revenue forecast by 0.2 ppt of GDP, as they currently envisage).

**18. The consolidation will be revenue-based in 2025, considering Benin's large development needs.**

- The adjustment will be partly underpinned by a new tax package amounting to ½ percent of GDP. Revenue administration and tax policy measures are estimated to yield 0.4 percent and 0.1 percent of GDP, respectively, with the former equally split between domestic and international taxation (Text Table 5). Revenue measures were informed by Benin's MTRS. The size of the menu of additional measures reflects the authorities' revenue mobilization objectives and momentum in tax collection under the program.

- Considering the relatively low VAT C-efficiency and CIT and PIT *productivity* in Benin compared to WAEMU peers—despite having comparable tax rates (SIP-II, Country Report No. 22/246)[1]—and the frontloading of tax policy measures in the first year of the EFF/ECF arrangements, staff consider the authorities' strategy to rely on well-identified revenue administration measures to achieve the 2025 tax target as appropriate, but encourage them to stand ready to deploy contingency revenue measures should the yields of the currently contemplated ones fall short of expectations (¶21).

**Text Table 5. Estimated Yields from Additional Tax Measures in 2025**

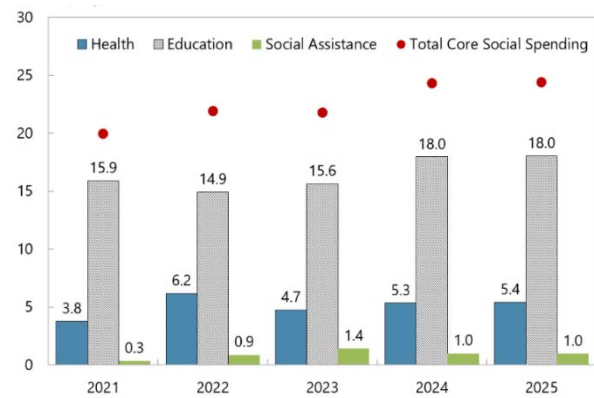
(Billions of CFAF and percent of GDP)

| | Nominal | % of GDP |
|---|---|---|
| **Net Additional Yields Relative to the Previous Year (A+B)** | **69.6** | **0.5** |
| A. Domestic taxation, *of which* | 38.1 | 0.3 |
| New administrative measures | 23.0 | 0.2 |
| Expanding the tax base by using data from the latest firm census | 10.0 | 0.07 |
| Increased product marking of products subject to excise taxes (e.g., tobacco) | 7.0 | 0.05 |
| Effective application of the 5% levy on transactions of individuals operating on the e-MECeF invoicing platform | 3.0 | 0.02 |
| Effective implementation of the ongoing simplification of property taxation | 2.0 | 0.01 |
| Continuation of teleprocedures in small business tax centers | 1.0 | 0.01 |
| New tax policy measures | 7.1 | 0.1 |
| Effective taxation on gambling activities (resumption of IBET gambling platform) | 3.0 | 0.02 |
| Withholding of 100% of VAT revenue from legal entities with revenues less than CFA 50 million | 2.3 | 0.02 |
| Taxation of new markets (registration of taxpayers and collection of tax incorporated into the rent) | 1.8 | 0.01 |
| Impact of existing tax measures (e.g., increase in the withholding tax for non-resident service providers, 5% levy on transactions on the e-MECeF platform) | 8.0 | 0.06 |
| B. International taxation measures, *of which* | 31.5 | 0.2 |
| New administrative measures (e.g., product marking of petroleum products) | 8.0 | 0.1 |
| Impact of existing tax measures | 23.5 | 0.2 |
| Expansion of the application of transaction values at customs | 14.0 | 0.1 |
| Increased transactions through single window for foreign trade / proper handling of solid and liquid bulk | 9.5 | 0.1 |

[1] See SIP-II of *Benin: Selected Issues* (Country Report No. 22/246).

**19. The authorities are extending measures to fend off food security risks and expanding the social safety net using savings generated elsewhere in the budget.** They are expanding the coverage of their flagship school feeding program to all rural primary schools (0.2 percent of GDP), which together with keeping subsidies on fertilizers (0.2 percent of GDP), would help alleviate food security concerns. Tuition-free schooling for girls in upper secondary school could be expanded to additional communes as fiscal space is created, given its potentially significant socio-economic benefits. The World Bank-sponsored *GBESSOKÉ* conditional cash transfers program will also be rolled out to 150,000 vulnerable households, with transfers equaling CFA 190,000 per beneficiary (total cost of 0.2 percent of GDP). In sum, core social spending—on health, education, and social assistance—is expected to account for 24.4 percent of budgeted spending in 2025 compared to 20 percent prior to the EFF/ECF arrangements (Text Figure 7). Spending containment includes savings through bulk purchase of goods and services and the moderation of capital expenditure as previous public investments mature and yield dividends (Text Table 4). Despite its anticipated reduction, capital expenditure is projected at 7.2 percent of GDP in 2025, still slightly above WAEMU's median of 6.9 percent of GDP.

**Text Figure 7. Core Social Spending**
(As fraction of total spending, percent)



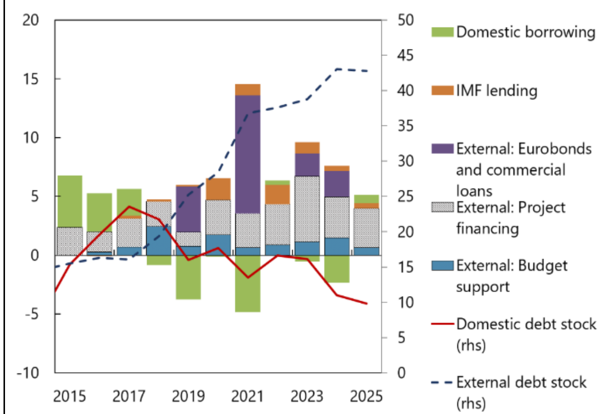

Sources: Source: Beninese authorities and IMF staff calculations.
Note: 2024 and 2025 data are budgeted spending.

**20. Security spending is expected to continue to be in line with the authorities' civilian approach to security risk.** Security-related expenditures are projected at 1.1 percent of GDP in 2025, roughly unchanged from 2024. A large part (around 60 percent) of the security spending envelope is dedicated to enhancing the provision of basic public services in vulnerable communities (e.g., improving water services and rehabilitation of sanitation systems), while about 15 percent is spent on supporting the agricultural sector (promoting competitiveness, aquaculture, and development of hydro-agricultural perimeters) in vulnerable communities. The remaining envelope is spent on recruitment, training, and deployment of police officers in vulnerable areas, and defense and security infrastructure.

**21. Contingency planning for 2025 is of paramount importance.** Preserving the planned fiscal adjustment in the face of unanticipated shocks requires continued prudent budget execution. In case negative shocks materialize or the envisaged revenue measures do not generate the expected yields, the authorities should implement additional revenue measures (informed by the MTRS) and delay non-priority investment projects while preserving priority social spending.

## B. Rebalancing the Financing Mix Towards Domestic Debt

Text Figure 8. Budget Financing Mix
(Percent of GDP)




Sources: Beninese authorities, IMF staff calculations.
Note: IMF financing is considered external debt in the DSA but domestic borrowing in the macroeconomic framework, given belonging to the WAEMU monetary union.

**22. The authorities' Medium-Term Debt Strategy (MTDS) envisages reduced reliance on external financing.** Benin has increased its reliance on external borrowing to finance its budget since accessing the international capital market in 2019 (Text Figure 8). Despite often more favorable external financing conditions and having over half of total debt in Euro to which the CFA is pegged, the authorities are cognizant of risks stemming from higher exposure to external debt, including rollover risks. The authorities submitted their recently updated MTDS to Parliament together with the 2025 budget for implementation from 2025. It aims to increase the overall share of domestic debt by 2029 by scaling up the share of domestic financing for its budget, favoring medium to long-term issuances. This shift will require alleviating absorptive capacity constraints on the regional security market (net domestic financing is expected at 1.1 percent of GDP in 2025, the highest level since 2018, with large amortization of external debt due). In this regard, the authorities plan to collaborate with other WAEMU countries on reforms to deepen the regional securities market.

**23. In the context of enhancing debt management, Benin has obtained a Policy-Based Guarantee (PBG) with the World Bank.** The authorities would leverage the guarantee to contract a commercial loan, potentially channeling the proceeds to liability management on external and domestic debt, to limit increases in debt. They will conduct such an operation only if it generates present value savings and/or improves the overall debt profile, while maintaining the moderate risk of external debt distress under the DSA (TMU ¶14). The authorities should maintain their MTDS objective to rebalance Benin's debt portfolio towards domestic sources overtime.

## C. Strengthening Social Safety Nets and Improving Fiscal Governance

**24. The authorities are committed to undertaking a comprehensive gap analysis of existing social protection programs.** Given expanding social programs and the need to strengthen social safety nets further, the authorities will develop and publish a mapping of existing social protection programs, identifying the main vulnerabilities addressed by each program and beneficiaries, and including a quantification of coverage gaps and overlaps, and the associated policy and financing implications ***(proposed new Structural Benchmark for end October-2025)***.

**25. The continued streamlining of public bank accounts in commercial banks will support Treasury Single Account (TSA) reform.** The authorities are continuing to improve the technical and operational framework of the TSA. To accelerate the closure of public bank accounts that remain open in commercial banks, the authorities will regulate debit movements of those accounts as part of the budget execution process for public agencies in 2025.

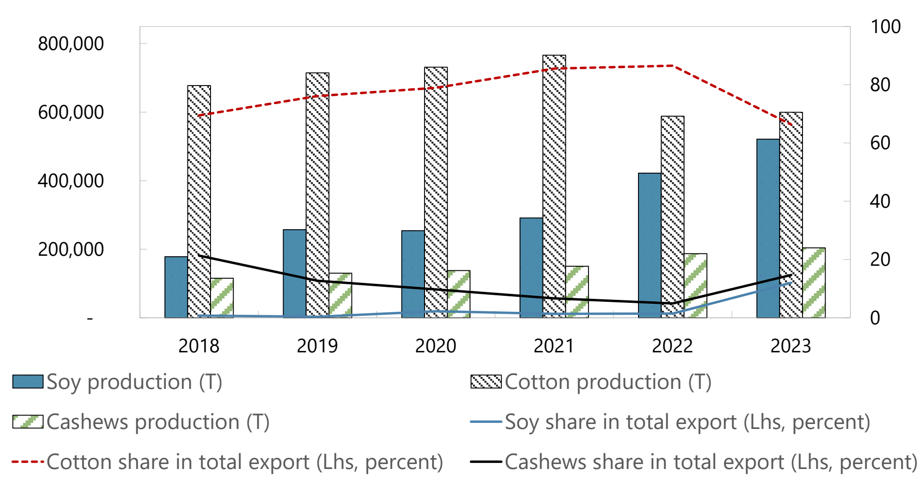
**26. The law governing the establishment of the public financial management (PFM) framework is being revised.** Benin implemented the 2009 WAEMU harmonized PFM framework through the Organic Budget Law adopted in 2013. The law established the PFM framework and laid out basic rules for budgeting and execution. A process to revise the organic law is underway to provide a legal basis for the innovations in public financial governance adopted over the years, including under Fund-supported programs.

## D. Promoting Policies to Foster Sustainable Inclusive Growth and Safeguard Macroeconomic Gains

**27. The authorities see the special economic zone as a key plank of Benin's economic transformation.**

- There are promising signs of economic transformation; the SEZ has started generating higher value-added exports. Farmers are taking advantage of the new local market for raw commodities to expand and diversify their production beyond cotton to include soy and cashew. The transformation of those commodities at the SEZ is already generating higher value-added exports, with the shares of soy and cashew in total exports on the rise (Text Figure 9).

**Text Figure 9. Expansion and Diversification of Cash Crops**




Source: Beninese Authorities; and IMF staff calculations.

- The authorities are providing technical support to the organization of farmers to ensure they can have an informed bargaining with SEZ operators on the supply and price of commodities. Such a process would help level the playing fields among the producers of commodities and SEZ operators, ultimately align incentives and sustain the value chain.

**28. Advancing broad-based horizontal policies would support economic transformation beyond the industrial zone.**

- The authorities reform drive has supported improvement in Benin's business environment as illustrated by the rapidly increasing number of firms (by almost twofold since 2008). However, informality is still predominant. The Agency for the Development of Small and Medium-sized Enterprises (ADPME) is working to bridge the gap and support SMEs growth including through capacity development and access to market and finance.
- In line with recommendations from the June 2024 Article IV consultation and Benin's commitment to transparency and tax expenditure rationalization, the authorities will publish annually, by April 2025, the list of companies operating in the industrial zone, specifying the tax regime granted and the related benefits along with the volume of potential investment expected (***newly proposed Structural Benchmark for end April-2025***). The list should be updated annually. Moreover, the authorities should conduct a full cost-benefit analysis of the industrial zone over the medium-term.

**29. Benin should pursue its digital transformation.** As documented in the June 2024 Article IV, the authorities are expanding the digitalization of government services. The full operationalization of the online social registry (RSU) and use of mobile money for transferring funds to households enrolled in the *GBESSOKÉ* program would foster inclusion and access to digital services. The authorities are advancing the technical and legal work for operationalizing e-procurement country-wide. Such efforts, in combination with the continued digitalization of the tax system (¶13, Text Table 5), would improve the targeting and reach of social protection programs, bolster revenue mobilization, and improve the efficiency of government services overall.

**30. Benin's sound macroeconomic management over the past years has generated tangible gains that are worth preserving.** Benin has made significant strides in fiscal transparency, ranking second only to South Africa in budget transparency in SSA. Expanded digitalization in recent years, including in the tax system, has curtailed corruption opportunities. The authorities have committed to further strengthen Benin's anti-corruption framework (¶31) and are continuing progress on AML/CFT reforms (MEFP ¶22). The authorities envisage revisiting and amending the organic public finance law (no 2013-14) (¶26). Following the IMF governance diagnostic, they developed and published a homegrown governance action plan in consultation with the civil society to foster accountability.[2] Beyond sound technical design, explaining the rationale of reforms to the wider public could enhance their social acceptability (see *World Economic Outlook, October 2024*)[3] and limit the risk of reversal.

[2] PLAN-DACTION-GOUVERNANCE_AVEC-NIVEAU-DE-MISE-EN-OEUVRE.pdf.

[3] https://www.imf.org/-/media/Files/Publications/WEO/2024/October/English/text.ashx.

**31. There is scope to strengthen the effectiveness of Benin's anti-corruption framework further.** While the June 2024 decrees giving effect to the HCPC law were marked improvements in Benin's anti-corruption framework, the underlying 2020-09 HCPC law deviates from international standards on institutional safeguards on political interference. The authorities are committed to amending the 2020-09 law to strengthen procedures for appointment and dismissal of the High Commissioner and enhance the agency's operational independence (MEFP ¶20).

## E. Safeguarding Financial Stability

**32. Remaining vigilant vis-à-vis financial sector risks will promote financial stability and support sustainable growth.**

- While the bank solvency ratio was around 17 percent as of December 2023 (from 15.4 percent in June 2023), one bank failed to meet the regulatory capital adequacy ratio of 11.5 percent. The envisaged capital injection (of CFAF 10 billons) is expected to allow compliance of the second undercapitalized bank with the capital adequacy ratio. The Banking Commission is closely assessing scenarios to bring the former bank in compliance with prudential norms.

- The BCEAO is following up with five of the twelve local undercapitalized bank subsidiaries, representing 35 percent of the total assets. They have submitted their compliance plans, which the BCEAO is examining for alignment with the minimal regulatory capital by end-2026.

**33. The government should reduce its involvement in the financial sector over time.** The public financial sector has progressively expanded in Benin, with public bank (*Banque Internationale pour l'Industrie et le Commerce* - BIIC) and *Caisse des Dépôts et Consignations du Bénin* (CDCB) total assets reaching nearly 20 percent of GDP in 2023 (see 2024 Article IV consultation). This expansion is set to continue, with the planned acquisition of Société Générale (SG) Benin's shares by the government (SG's assets represented 4.6 percent of total banking sector's assets in Benin as of end-2023, or 2.4 percent of GDP). As SG Benin has a wide presence across Benin, the government intends to acquire the bank to smooth out the transition to private sector ownership within a limited time frame (this transaction is yet to be reflected in the fiscal accounts). The authorities believe that their strategy helps leverage SG's large network across Benin while avoiding disruptions. Staff cautioned against fiscal risks associated with state involvement in the financial sector as well as potential implications for efficiency, and in this regard, supports the government's intention to subsequently privatize the bank. Continued transparency in the operations of public financial institutions is also warranted.

## F. Advancing the Climate Agenda and Catalyzing Climate Finance

**34. The authorities have made progress towards the RSF reform measures (RMs), though one of them has been delayed.**

- They issued a ministerial decree in early-2024 mandating the production of annual climate budget note as part of the budget process, meeting RM4 for end-October 2024.[4] The note for the FY2025 budget has been prepared and issued to the public; it elaborates the process through which climate costs are integrated into ministries' budgets and provides ministry-level forecasts of adaptation and mitigation-related expenditures from 2025-27. The process includes: (i) a formulation phase involving the preparation of a multiyear budget that includes climate-related priorities, (ii) a budgeting phase whereby ministries calculate and incorporate climate change- related costs into their budget proposals, and (iii) an execution phase consisting of ring-fencing and subsequently reporting on climate-related expenditures (adaptation and mitigation) by ministry. The ministry in charge of the environment—representing 40 percent of total climate-related expenditures for FY2025—is a key stakeholder and part of the institutional architecture that is used to manage the climate budget tagging process, including the National Committee on Climate Change.

- As part of the water tariffs reform in urban areas, the authorities conducted a study updating the tariff of water in urban areas (which have been unchanged since 2009), with the goal to ensure the financial sustainability of Benin National Water Company (*SONEB-Société Nationale des Eaux du Bénin*). While this is an important achievement, further work is needed to establish a water pricing mechanism, notably incorporating a financial equilibrium model which accounts for (among other factors) additional capital expenditure needs to expand access. The completion of this reform measure (*RM6 for end-September 2024*) is now expected by 2025:Q1.

- Electricity tariff reforms (*RM13 for end-January 2025*) and the removal of key obstacles to support development of renewable energy (*RM14 for end-January 2025*) are underway. Specifically, a technical study has been conducted to inform the revision of electricity tariffs for 2024–25 in accordance with costs and is being reviewed by the national electricity regulatory authority. The authorities are also developing an atlas of renewable energy. The next step is the identification of renewable energy producing zones based on their proximity to the grid and geographical conditions and institutionalization of a framework to resell excess renewable energy back into the grid.

**35. The comprehensive fossil fuel subsidy reform and the related compensatory mechanism (*RM11–12*) have been implemented.**

- The authorities conducted additional analyses following FAD-TA, to better account for the specificities of Benin's local fuel market. Those specificities include: (1) the government's recent adoption of a tendering model for fuel imports—which guarantees a fixed price of imported fuels for 12 months; and (2) the large informal market (accounting for more than half of fuel consumption in Benin).

[4] Decree N 217/2024. The climate note as part of the FY2025 budget is available here: https://budgetbenin.bj/storage/2024/10/Note-d-analyse-de-l-integration-du-climat-dans-le-budget-de-l-Etat-PLF-2025.pdf.

- The authorities have conducted a study to evaluate the tendering model based on experience since its introduction in January 2024 (in line with FAD TA recommendations). The study suggests that the tendering mechanism has ensured lower prices (inclusive of all tax and margins) of fuel products across all fuel products (petrol, diesel, gas) in 2024 in Benin compared to the previous system that relied on (variable) spot international prices. The new tendering system has therefore helped shelter the budget from international oil prices volatility in 2024 to date as intended by the authorities, generating subsidy savings. Staff recommended that the authorities continue evaluating the tendering system, given the dynamic nature of oil markets and the length of oil prices cycles.

- The authorities also adopted an inter-ministerial order institutionalizing a predictable pricing mechanism going forward. The new pricing mechanism involves a floor price (based on the tender prices for gasoline, diesel and LPG) with a tolerance band of 4 percent (a committee will propose an increase in the pump price to the government if the price implied by international oil prices deviates from the one implied by the tendering system by more than 4 percent). The mechanism also entails downward adjustment to pump prices—under tighter conditions than for pump price hikes. The government could deviate from the committee's proposal if the escape clause (defined by preset parameters in the inter-ministerial order) is triggered. The frequency of pump prices adjustment will be quarterly.[5]

- The authorities have also established a compensatory mechanism to protect the vulnerable following the adoption of the fuel price mechanism (RM12). The authorities adopted a decree defining the modalities of the RSU and finalized its operationalization manual following public consultation.

**36. Benin is pursuing efforts to catalyze climate finance under the RSF while further technical progress is needed for the development of a climate information architecture**.

- A climate finance roundtable held in Cotonou in July 2024 identified workstreams for scaling climate finance in Benin (Box 1), and COP29 was the opportunity to showcase the significant progress and coordinated efforts of development partners engaged in various initiatives.

- In view of implementing RM15 regarding the climate information architecture, an inter-ministerial committee has been established to develop a transition taxonomy—a reference framework for private sector climate investment—tailored to the specific needs and specificities of Benin. So far, the committee has conducted a stock-take of existing taxonomies in the region and assessed the need for policy-based targets. Developing the taxonomy as well as establishing a climate data collection mechanism, which will be coordinated by the National Statistics and Demography Institute, must be accelerated considering its inherent technical and operational complexity. Since this arrangement requires the adoption of an *arrêté* (ministerial decision)

[5] The committee structure includes a supervisory committee (with the Minister of Finance as the Chairman), and a technical committee led by a representative of the petroleum industry professional group,

under the 2022 legal framework governing the Institute's mission, a data needs assessment and enhanced institutional coordination is needed.

### Box 1. Catalyzing climate Finance under the RSF [1/]

**Beninese authorities have accelerated efforts to catalyze climate financing.** Benin has made significant progress in the private climate finance space, with the development of an SDG bond framework and issuance of a €500 million 12-year SDG bond in 2021, a partial credit guarantee from AfDB to mobilize €350 million in SDG loan in 2023, the creation of the *Caisse des Dépôts et Consignations du Bénin* and the recent EBRD membership. Meeting climate-related financing needs, however, requires a substantial increase in the amount of financing from private sources, in the context of the USD 10 billion estimated financing gap by 2030 to achieve the goals set in its Nationally Determined Contribution (NDC). Successful collaborations between the public and private sector and designing innovating financial instruments while preserving debt sustainability are critical.

**A roundtable—jointly convened by the Government of Benin, the IMF, and the World Bank in July 2024 in Cotonou—aimed at further catalysing financial resources by expanding the group of partners and programs to address Benin's climate-related challenges.** The discussion covered current opportunities and barriers and included over 100 participants, including officials from various ministries and agencies, representatives from development partners, and the domestic, regional, and international private sector, including banks.

Beninese officials highlighted the government's strategic goals for climate change adaptation and mitigation, the country's leadership in climate finance, robust interministerial collaboration, and efficient carbon credit governance. They presented 20 high-priority climate projects, estimated at EUR 5 billion by 2026, with each project categorized by sustainable development goal.

**Authorities and partners have made progress on the following financing options:**

- **(i)** the monetization of carbon credits including the issuance of a note to finance initial projects in regenerative agriculture and renewable energy, supported by credit enhancement instruments,
- **(ii)** a project preparation facility to formalize a programmatic approach to climate finance, focusing on early identification, pre-feasibility studies, and pipeline development for adaptation,
- **(iii)** additional budget support and policy lending, based on a common policy matrix,
- **(iv)** the establishment of a blended green facility, the Benin Green Investments Vehicle, under the AfDB's African Green Banks Initiative, and additional innovative financing and credit enhancement mechanisms,
- **(v)** the establishment of a one-stop window, to further develop intermediated lending to local banks.

**Benin's partners announced financial commitments to the country's climate action on the occasion of COP29 on November 15, 2024.**[2/]

1/ Prepared by Charlotte Gardes-Landolfini (MCM).

2/ International Financial Institutions and development partners support the Republic of Benin in establishing a country' climate finance platform

# PROGRAM ISSUES

**37. EFF/ECF financing assurances.** Financing needs under the program remain unchanged, with the program fully financed for the upcoming 12-month period. In 2024, the Eurobond proceeds after LMO were used to largely finance the budget, helping boost Benin's contribution to BCEAO pooled reserves. The disbursements will contribute to WAEMU pooled reserves at the BCEAO.

**38. Benin continues to mobilize higher-than-programmed budget support under the ECF/EFF arrangements** (Text Table 6). Budget support expectations were revised up to US$287 million for 2024 (from US$256 million at the Fourth Review), with upside potential. They consist of US$205 million from the World Bank (including US$55 million from the CAT-DDO), US$62 million from the African Development Bank and US$20 million from Agence Française de Développement. Projected Fund disbursements will help recoup Benin's contribution to WAEMU pooled reserves, as the country drew down reserves in 2023 due to large investment, including SEZ-related. Budget support projections for 2025 were also revised upwards by US$25 million compared to the Fourth Review.

**Text Table 6. Burden Sharing[1]**
(Cumulative 2022-25, in CFAF Billions)

| | Program approval | Second Review | Third Review | Fourth Review | Fifth Review |
|---|---|---|---|---|---|
| **Financing gap** | **755** | **821** | **847** | **898** | **929** |
| **Budget support** | **343** | **402** | **433** | 484 | 515 |
| Grants | 175 | 57 | 53 | 51 | 50 |
| Loans | 168 | 345 | 380 | 433 | 465 |
| **IMF[2]** | **396** | **403** | **397** | **398** | **397** |
| **Memo items** | | | | | |
| Financing gap (% GDP)[3] | 6.5 | 6.9 | 7.1 | 7.5 | 7.2 |
| IMF share of financing gap (% total gap) | 52 | 49 | 47 | 44 | 43 |

1/ Based on firm commitments (with upside potential).
2/ Changes in IMF financing exclusively due to changes in SDR exchange rate movements.
3/ Increase in the financing gap since program approval related mainly to a wider current account.

**39. Program monitoring.** Program performance for the EFF/ECF and RSF arrangements will be monitored through semi-annual program reviews based on quantitative performance criteria, indicative targets (Table 7), structural benchmarks (Table 12), and reform measures (Table 13). Structural conditionality was augmented with two SBs, one on transparency around SEZ-related tax incentives (¶28), and another one on a holistic mapping of existing social protection programs to identify gaps in coverage and inform social protection policy going forward (¶24).

**40. Safeguards assessment.** The latest safeguard assessment of the BCEAO, completed in August 2023, found that the institution continues to have well-established audit arrangements and a strong control environment. The BCEAO is in the process of addressing the safeguards assessment's recommendations.

**41. Capacity to repay the Fund remains adequate but subject to risks amid heightened economic uncertainty** (Table 9). These include regional developments, ToT deterioration, tightening of financing conditions, and climate-related shocks. The total amount of outstanding credit from the Fund including the new RSF arrangement will amount to 588.5 percent of quota in 2024 and increases to 656.2 percent of quota in 2025.[6] Total obligations based on existing and prospective credit (including RSF arrangement) will peak at 0.5 percent of GDP (3.2 percent of total revenues excluding grants and 1.9 percent of exports) in 2025. Benin's savings, generated from the new Fund's charges and surcharges policy, effective as of Nov 1, should reach US$19 million over the period 2024-30. The authorities' continued commitment to fiscal responsibility and renewed focus on social and climate issues are important mitigating factors.

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6 The total amount of outstanding credit from the Fund without the new RSF arrangement will peak at 548.5 percent of quota in 2024.

**42. Data provision and capacity development.** The CD strategy will continue to focus on supporting the authorities' reform priorities through mainstreaming climate considerations in policymaking under the RSF arrangement, including through improving fiscal transparency and reporting and enhancing climate-sensitive maintenance methodologies of public assets, debt management, and upgrading national accounts and government finance statistics. CD on the compilation of Balance of Payments statistics will also be prioritized.

# STAFF APPRAISAL

**43. Benin's macroeconomic performance appears robust 2½ years into the EFF and ECF arrangements.** The growth momentum is expected to continue into 2025, supported by promising signs of economic transformation, with higher value-added exports and flourishing ICT and tourism. Policy shifts in Nigeria, while presenting important opportunities for Benin over the medium term, could erode the competitiveness of local businesses and take a toll on transit activity. The regional security situation continues to pose a challenge. Benin remains vulnerable to weather-related events. The authorities should remain vigilant vis-à-vis the socio-economic and financial fallout from these shocks.

**44. Maintaining the momentum in tax collection, building on the Medium-Term Revenue Strategy, will support convergence to the WAEMU regional fiscal norm of 3 percent of GDP in 2025 while protecting critical development needs.** Spending reprioritization will also be important to ensure fiscal consolidation does not undermine social cohesion. In this regard, updating regularly and fully operationalizing the social registry will improve the targeting of expanded social assistance programs.

**45. Rebalancing the debt portfolio towards domestic debt overtime, as contemplated under the recently developed Medium-Term Debt Strategy, will mitigate external refinancing risk.** While Benin is at moderate risk of debt distress, the share of external debt has increased significantly since the country accessed the international capital market in 2019. A rebalancing of financing towards domestic sources over time is warranted; it will ultimately require deepening the regional bond market in conjunction with peer WAEMU countries, in the context of declining financing needs.

**46. The authorities should accelerate the implementation of reform measures aiming at enhancing resilience to climate change.** Efforts to mainstream climate considerations in budget preparation and policymaking are welcome. Enhancing the climate financial information architecture will support private climate finance. Benin's partners stand ready to provide financial support to the country's climate agenda, as recently committed at COP29. The authorities should maintain the momentum through steadfast implementation of reform measures under the RSF.

**47. Strengthening the anticorruption framework further will solidify the institutional foundations of inclusive private sector-led growth.** The authorities should continue improving the legal and institutional anti-corruption framework, notably by strengthening the independence of the High Commissioner of the anti-corruption agency, to better align it with international best practices. More broadly, it will be important to design mechanism to preserve hard-won macroeconomic gains over the political cycle. The planned revision of the public finances organic law is welcomed in this regard.

**48. The authorities should continue advancing broad-based horizontal policies to support economic transformation beyond the industrial zone.** In this regard, it would be important to level the playing field among SEZ and non-SEZ participants. The authorities should ensure transparency in SEZ-related incentives and seek to rationalize tax expenditures over time, informed by a full cost-benefit analysis over the medium-term.

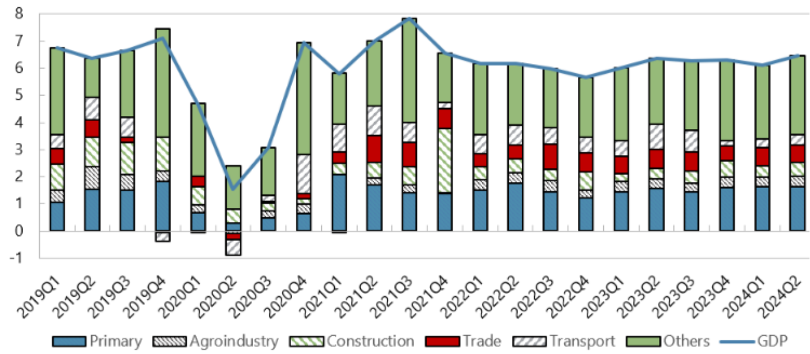
**49. Continued vigilance by supervisory authorities is needed to preserve soundness of the public financial sector.** The authorities should remain vigilant vis-à-vis the impact of policy shifts in Nigeria on the financial system. Transparency in the operations of public financial institutions and efforts to bring the under-capitalized banks in conformity with prudential norms should be maintained. The government should gradually reduce its footprint in the financial sector. This includes moving swiftly, yet orderly, to private ownership after the pending State acquisition of SG Benin.

**50. Given continued strong program performance and commitment to reforms, staff recommends the completion of the Fifth Reviews under the EFF and ECF arrangements and the Second Review under the RSF arrangement.**

## Figure 1. Benin: Recent Developments, 2019-24

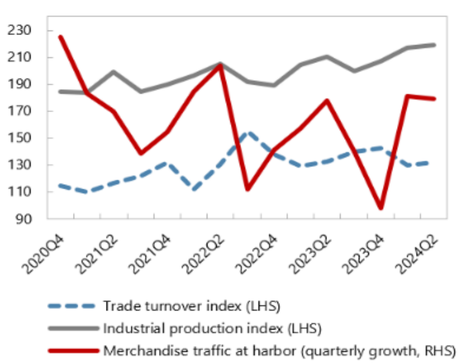
*Growth has been steady over the last 10 quarters and mainly supported by agriculture, trade, and construction.*

**Decomposition of Growth** (Percent)




*While expanding, traffic at the Port of Cotonou has remained below its level prior to the Niger border closure.*

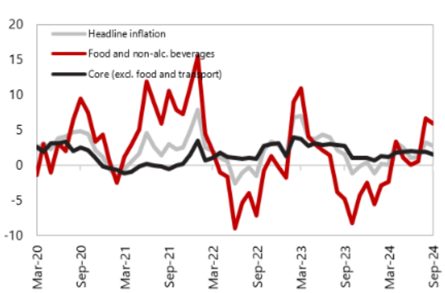
**Economic Activity**
(Indices, basis, 2015 = 100 and Quarterly Growth Rate, percent)




**Import and Export Volumes at the Port of Cotonou** (Average Daily Volumes per month; Metric Tons)

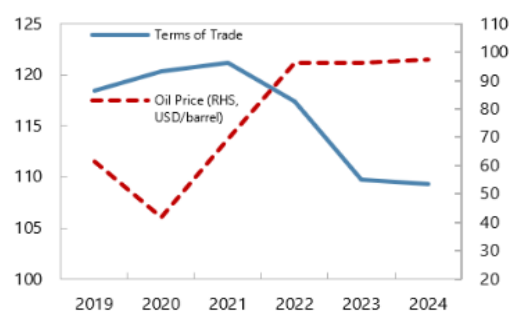

*Food prices have increased amid regional security challenges.*

**Inflation**
(CPI, Percent Change, Year-on-Year)




*Terms of trade are expected to be near-flat in 2024 as the decline in the international price of cotton are offset by lower food prices, with oil prices nearly flat.*

**Terms of Trade (Total)**

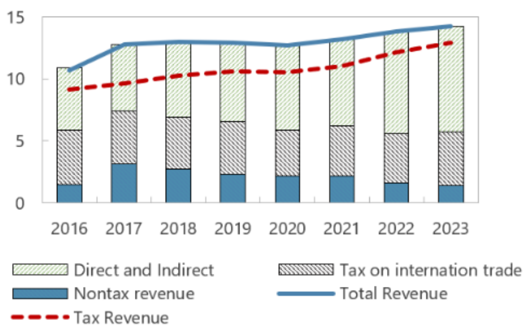



Sources: Beninese authorities; BCEAO; PortWatch; and IMF staff calculations.

## Figure 2. Benin: Fiscal Developments, 2016-23

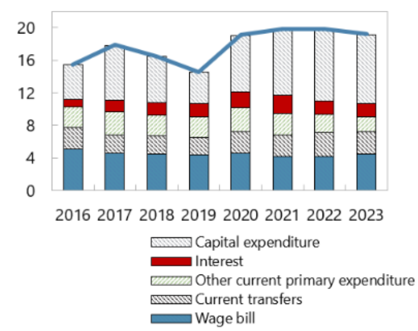
*Tax revenues have increased steadily…*

**Revenue**
(percent of GDP)



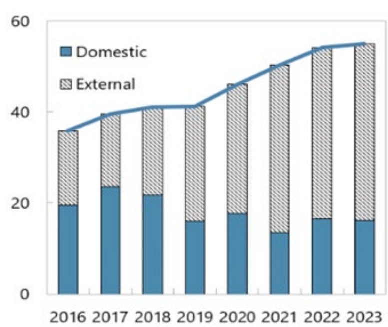

*…supporting the authorities' infrastructure drive to alleviate growth bottlenecks.*

**Expenditure**
(percent of GDP)



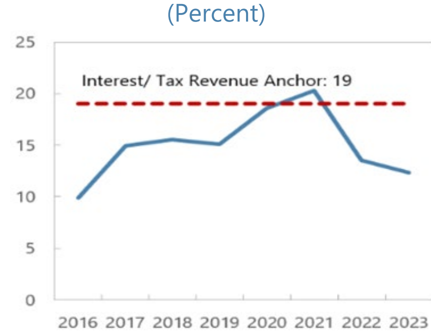

*Total government debt has stabilized following the post-COVID increase; external debt has accelerated since access to international capital.*

**Total Government Debt**
(Percent of GDP)



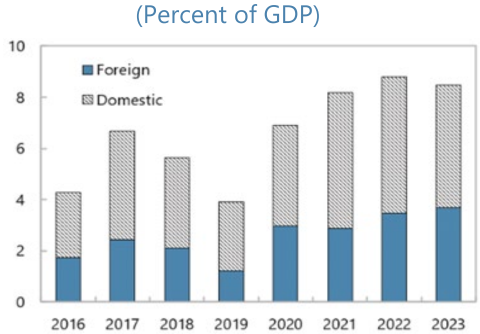

*The interest-to-tax revenue ratio, a key program anchor, is on a downward trajectory.*

**Interest to Tax Revenue Ratio**
(Percent)



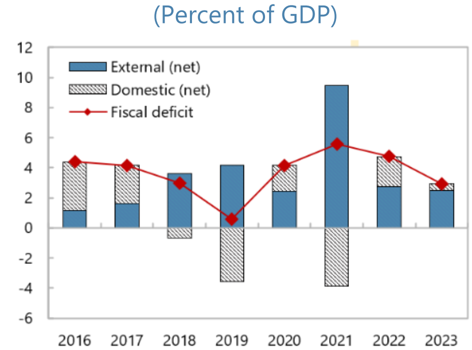

*Public investment is persistently higher than pre-COVID-19, with increased financing from domestic sources..*

**Capital Expenditure by Financing Source**
(Percent of GDP)




*The fiscal deficit has narrowed steadily following the fiscal accomodation during the crisis; it has been mostly financed from external sources.*

**Financing of the Fiscal Deficit**
(Percent of GDP)

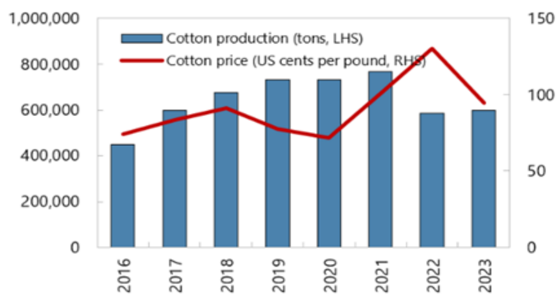



Sources: Beninese authorities and IMF staff calculations.

## Figure 3. Benin: Real and External Sector Developments, 2016-24

*Cotton production stagnated in 2023 due to weather-related shocks and diversification of commodity production to take advantage of the SEZ*

### Cotton Production and Price




*... while cotton prices are stabilizing at a lower level compared to 2021.*

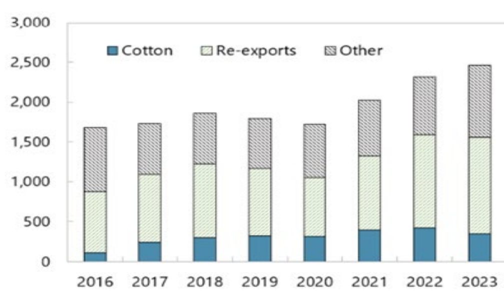
### International Cotton Prices

(US cents per pound)


*Exports rose in 2023 despite the decline in cotton export receipts, due to other domestic exports such as cashew nuts and rising re-exports.*

### Composition of Exports

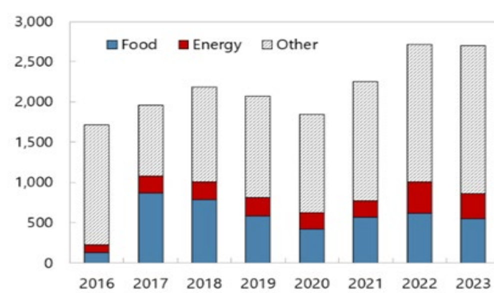
(Billions of CFAF)




*Energy imports and food imports fell in 2023 reflecting a decline in international prices.*

### Composition of Imports

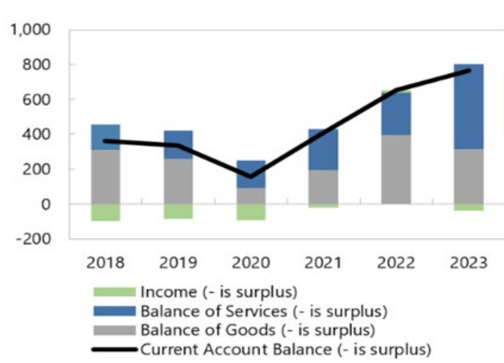
(Billions of CFAF)




*The current account deficit widened in 2023, reflecting a sharp increase in services import related to the Special Economic Zone*

### Composition of Current Account Deficit

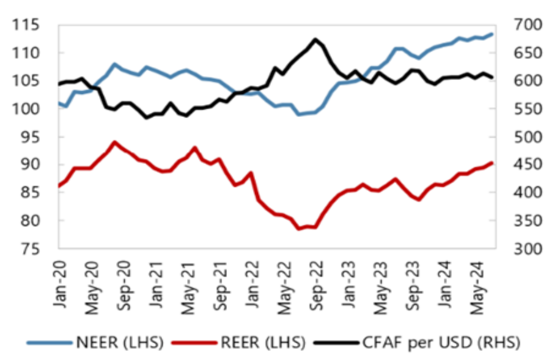
(Billions of CFAF)




*Both the nominal and real effective exchange rates continue to appreciate (on y-o-y basis).*

### Exchange Rates

(2010=100)




Sources: Beninese authorities, WEO, Bloomberg, and IMF staff calculations. Some data for 2022 is preliminary.

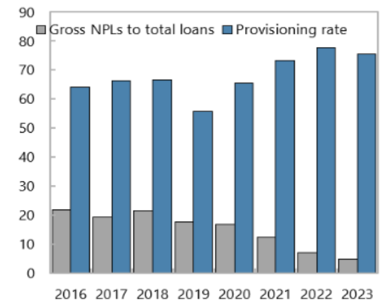
## Figure 4. Benin: Financial Sector Developments, 2016-23

*The banking system remains well capitalized overall, although one bank remains undercapitalized.*

### Capital Adequacy Ratio
(Percent of risk-weighted assets)

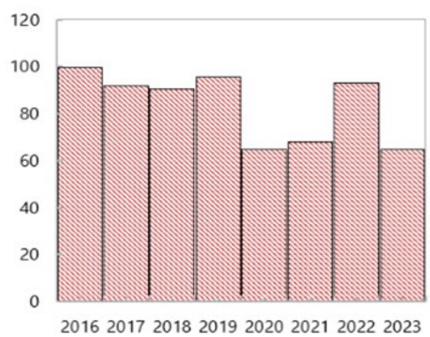

*The quality of the credit portfolio continues to improve, with still high provisioning.*

### Gross NPLs to Total Loans and Provisioning Rate
(Percent)



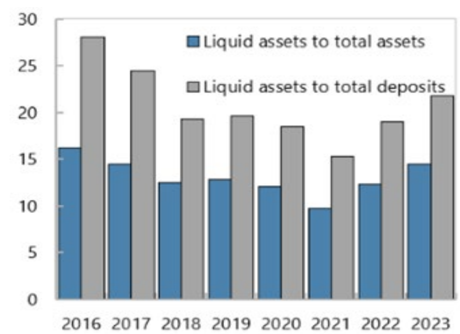

*The sector's lending concentration has sharply decreased in 2023 …*

### Concentration: Credit to the Five Largest Borrowers
(Percent of total assets)



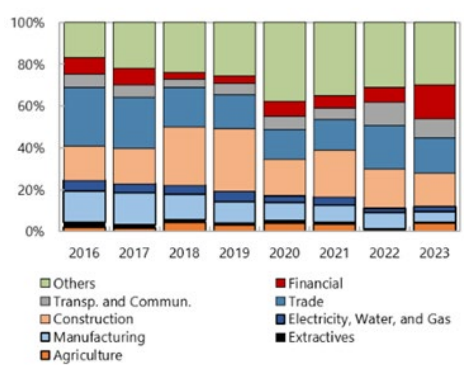

*… while liquidity has continued its upward trend in 2023 after a decline in recent years.*

### Liquid Assets as a Share of Total Assets/Deposits
(Percent)



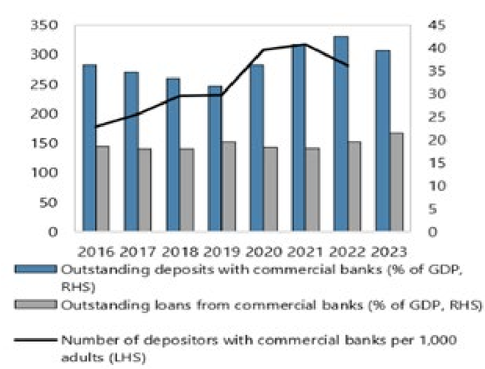

*Lending to the agriculture sector and financial services increased in 2023, while lending to trade and construction sectors has remained at its 2022 level.*

### Credit Provided, by Sector
(Percent)




*Access to and use of banking sector services seems to have stabilized in recent years.*

### Commercial Bank Deposit and Loan Composition
(Percent of GDP and per 1,000 adults)




Sources: Beninese authorities, BCEAO, and IMF staff calculations.

## Table 1. Benin: Selected Economic and Financial Indicators, 2019-29

| | 2019 | 2020 | 2021 | 2022 | 2023 | | 2024 | | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Est. | Fourth Review | Est. | Fourth Review | Proj. | Projections | | | | |
| **National Income and Prices** | | | | | (annual percent change) | | | | | | | | |
| Real GDP per capita | 3.8 | 1.0 | 4.2 | 3.4 | 3.4 | 3.4 | 3.6 | 3.6 | 3.5 | 3.1 | 3.1 | 2.9 | 2.8 |
| Real GDP | 6.9 | 3.8 | 7.2 | 6.3 | 6.4 | 6.4 | 6.5 | 6.5 | 6.5 | 6.2 | 6.2 | 6.0 | 6.0 |
| Nominal GDP | 6.5 | 6.8 | 8.9 | 10.7 | 10.0 | 10.0 | 8.7 | 8.6 | 8.7 | 8.3 | 8.3 | 8.1 | 8.1 |
| GDP deflator | -0.3 | 2.9 | 1.6 | 4.1 | 3.4 | 3.4 | 2.0 | 1.9 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Consumer price index (average) | -0.9 | 3.0 | 1.7 | 1.4 | 2.7 | 2.7 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Consumer price index (end of period) | 0.3 | 1.2 | 5.0 | 2.9 | 0.4 | 0.4 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| **External Sector** | | | | | | | | | | | | | |
| Terms of trade (minus = deterioration) | 5.1 | 1.5 | 0.8 | -3.1 | 0.1 | -6.6 | 1.9 | -0.4 | 1.9 | 1.5 | 1.0 | 1.1 | 1.1 |
| Real effective exchange rate (minus = deterioration) | -3.1 | 3.8 | -0.8 | -8.7 | 4.9 | 4.7 | ... | ... | ... | ... | ... | ... | ... |
| **Money and Credit** | | | | | | | | | | | | | |
| Credit to the private sector | 11.9 | -5.7 | 9.2 | 21.4 | 19.7 | 19.7 | 15.0 | 15.0 | ... | ... | ... | ... | ... |
| Broad money (M2) | 6.0 | 17.3 | 16.7 | 13.0 | -0.4 | -0.4 | 8.7 | 8.6 | ... | ... | ... | ... | ... |
| | | | | | (percent of GDP, unless otherwise indicated) | | | | | | | | |
| **Central Government Finance** | | | | | | | | | | | | | |
| Total revenue | 12.9 | 12.7 | 13.2 | 13.8 | 14.3 | 14.3 | 14.6 | 14.6 | 15.1 | 15.5 | 16.0 | 16.4 | 16.8 |
| *of which: Tax revenue* [1] | *10.6* | *10.5* | *11.0* | *12.2* | *12.9* | *12.9* | *13.2* | *13.2* | *13.7* | *14.1* | *14.5* | *14.9* | *15.2* |
| Grants | 1.2 | 1.7 | 0.9 | 0.5 | 0.8 | 0.8 | 0.7 | 0.7 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 |
| Total expenditure and net lending | 14.6 | 19.1 | 19.9 | 19.8 | 19.2 | 19.2 | 18.9 | 19.0 | 18.6 | 19.0 | 19.4 | 19.8 | 20.2 |
| Overall balance (commitment basis, including grants) | -0.5 | -4.7 | -5.7 | -5.5 | -4.1 | -4.1 | -3.7 | -3.7 | -2.9 | -2.9 | -2.9 | -2.9 | -2.9 |
| Overall balance (cash basis, including grants) | -0.6 | -4.2 | -5.6 | -4.7 | -4.9 | -4.9 | -3.7 | -3.7 | -2.9 | -2.9 | -2.9 | -2.9 | -2.9 |
| Domestic financing, net | -3.6 | 1.7 | -3.9 | 2.0 | 0.4 | 0.4 | -1.9 | -1.9 | 1.1 | -0.4 | -0.1 | 0.7 | 1.0 |
| External financing, net | 4.2 | 2.4 | 9.5 | 2.7 | 4.4 | 4.4 | 5.6 | 5.6 | 1.8 | 3.3 | 3.0 | 2.2 | 1.9 |
| **External Sector** | | | | | | | | | | | | | |
| Balance of goods and services | -5.0 | -2.8 | -4.4 | -5.9 | -6.2 | -6.7 | -6.4 | -6.2 | -5.7 | -5.1 | -5.0 | -4.9 | -4.9 |
| Exports of goods and services | 24.9 | 22.4 | 23.5 | 24.5 | 23.2 | 23.9 | 24.6 | 24.4 | 25.0 | 25.7 | 25.8 | 26.0 | 26.1 |
| Imports of goods and services | -29.9 | -25.1 | -27.8 | -30.4 | -29.3 | -30.6 | -31.1 | -30.6 | -30.7 | -30.8 | -30.8 | -31.0 | -31.0 |
| Current account balance, including official transfers | -4.0 | -1.7 | -4.2 | -6.0 | -5.9 | -6.4 | -6.0 | -5.7 | -5.1 | -4.5 | -4.3 | -4.1 | -4.0 |
| Overall balance of payments | 0.5 | 3.4 | 6.1 | 0.2 | -3.6 | -3.5 | 3.1 | 1.4 | 0.7 | 3.0 | 1.6 | 1.1 | 0.9 |
| **Public Debt (End Period)** | | | | | | | | | | | | | |
| Total public debt | 41.2 | 46.1 | 50.3 | 54.2 | 54.5 | 54.9 | 53.9 | 54.0 | 52.6 | 51.5 | 50.5 | 49.6 | 48.8 |
| External public debt | 25.3 | 28.4 | 36.8 | 37.6 | 38.4 | 38.8 | 42.8 | 43.0 | 42.8 | 42.7 | 42.4 | 41.4 | 40.0 |
| Domestic public debt | 16.0 | 17.7 | 13.5 | 16.6 | 16.1 | 16.1 | 11.1 | 11.1 | 9.8 | 8.8 | 8.1 | 8.2 | 8.8 |
| **Memorandum Items** | | | | | | | | | | | | | |
| Nominal GDP (CFAF billions) | 8,432 | 9,009 | 9,810 | 10,855 | 11,935 | 11,935 | 12,970 | 12,956 | 14,081 | 15,255 | 16,525 | 17,870 | 19,322 |
| Nominal GDP (US$ billions) | 14.4 | 15.7 | 17.7 | 17.4 | 19.7 | 19.7 | 21.3 | 21.5 | 23.6 | 25.6 | 27.7 | 29.9 | 32.3 |
| Nominal GDP per capita (US$) | 1,171.0 | 1,239.7 | 1,361.8 | 1,306.0 | 1,433.1 | 1,433.1 | 1,510.2 | 1,524.5 | 1,620.7 | 1,711.0 | 1,796.7 | 1,884.4 | 1,976.2 |
| US$ exchange rate (average) | 585.9 | 574.8 | 554.2 | 622.4 | 606.5 | 606.5 | 608.3 | 602.0 | ... | ... | ... | ... | ... |
| International price of cotton (Cotlook "A" Index, U.S. cents a lb.) | 77.9 | 71.9 | 101.2 | 130.1 | 95.0 | 95.0 | 98.1 | 87.3 | 85.8 | 86.4 | 87.0 | 87.0 | 87.0 |
| International price of oil (U.S. dollars a barrel) | 61.4 | 41.8 | 69.2 | 96.4 | 80.6 | 80.6 | 78.6 | 81.3 | 72.8 | 70.2 | 68.6 | 67.6 | 67.0 |

Sources: Beninese authorities; and IMF staff estimates and projections.

[1] Projections from 2022 onward reflect reclassification of taxes on the use or permission to use goods or to carry out activities as tax revenues (71 billion in 2022) to align with WAEMU/GFS practices.

## Table 2. Benin: Consolidated Central Government Operations, 2019-29[1]
(Billions of CFA Francs)

| | 2019 | 2020 | 2021 | 2022 | 2023 | | 2024 | | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Fourth Review | Est. | Fourth Review | Proj. | Projections | | | | |
| **Total Revenue and Grants** | **1,185.7** | **1,296.3** | **1,387.7** | **1,553.2** | **1,795.1** | **1,795.1** | **1,977.5** | **1,981.3** | **2,211.0** | **2,456.6** | **2,727.2** | **3,019.7** | **3,343.5** |
| Total revenue | 1,088.0 | 1,142.1 | 1,295.7 | 1,498.6 | 1,701.3 | 1,701.3 | 1,890.0 | 1,893.8 | 2,128.2 | 2,359.0 | 2,638.0 | 2,923.2 | 3,239.2 |
| Tax revenue [2] | 893.3 | 947.8 | 1,082.3 | 1,320.7 | 1,537.9 | 1,537.9 | 1,711.4 | 1,715.4 | 1,935.4 | 2,150.2 | 2,395.3 | 2,661.7 | 2,936.0 |
| Tax on international trade | 358.0 | 331.5 | 397.4 | 429.8 | 517.0 | 517.0 | 578.0 | 578.6 | 656.9 | 734.6 | 820.6 | 914.1 | 1,017.4 |
| Direct and indirect taxes | 535.3 | 616.3 | 684.9 | 890.9 | 1,020.9 | 1,020.9 | 1,133.4 | 1,136.8 | 1,278.4 | 1,415.6 | 1,574.7 | 1,747.5 | 1,918.5 |
| Nontax revenue [2] | 194.8 | 194.2 | 213.4 | 177.8 | 163.4 | 163.4 | 178.6 | 178.4 | 192.8 | 208.8 | 242.8 | 261.5 | 303.2 |
| Grants | 97.7 | 154.2 | 92.0 | 54.6 | 93.8 | 93.8 | 87.5 | 87.5 | 82.8 | 97.6 | 89.2 | 96.5 | 104.3 |
| Project grants | 66.8 | 46.9 | 54.6 | 54.6 | 84.0 | 84.0 | 66.7 | 66.7 | 63.1 | 76.3 | 66.1 | 71.5 | 77.3 |
| Budgetary grants | 30.8 | 107.3 | 37.4 | 0.0 | 9.8 | 9.8 | 20.8 | 20.8 | 19.7 | 21.3 | 23.1 | 25.0 | 27.0 |
| **Total Expenditure and Net Lending** | **1,227.3** | **1,719.9** | **1,949.4** | **2,149.4** | **2,289.8** | **2,289.8** | **2,457.3** | **2,460.7** | **2,619.3** | **2,899.0** | **3,206.5** | **3,537.9** | **3,903.8** |
| Current expenditure | 900.8 | 1,095.6 | 1,145.1 | 1,198.1 | 1,276.0 | 1,276.0 | 1,458.7 | 1,445.1 | 1,603.7 | 1,786.0 | 1,955.2 | 2,143.3 | 2,315.0 |
| Current primary expenditure | 766.2 | 919.4 | 925.2 | 1,019.5 | 1,085.8 | 1,085.8 | 1,226.8 | 1,213.3 | 1,368.7 | 1,524.9 | 1,670.3 | 1,836.4 | 1,988.7 |
| Wage bill [3] | 369.7 | 416.5 | 407.8 | 458.5 | 540.4 | 540.4 | 613.4 | 609.0 | 670.2 | 724.6 | 776.7 | 839.9 | 910.1 |
| Pensions and scholarships | 90.5 | 92.9 | 90.5 | 92.9 | 97.0 | 97.0 | 111.9 | 110.4 | 121.2 | 146.5 | 158.7 | 171.6 | 185.6 |
| Current transfers | 180.9 | 233.0 | 259.2 | 320.6 | 323.4 | 323.4 | 351.4 | 350.3 | 415.4 | 475.3 | 530.5 | 574.7 | 622.5 |
| Expenditure on goods and services | 125.1 | 176.9 | 167.6 | 147.4 | 125.1 | 125.1 | 150.0 | 143.6 | 161.9 | 178.5 | 204.4 | 250.2 | 270.5 |
| Interest | 134.6 | 176.3 | 219.9 | 178.7 | 190.2 | 190.2 | 231.9 | 231.9 | 234.9 | 261.1 | 284.9 | 306.9 | 326.3 |
| Domestic debt | 106.8 | 105.7 | 153.1 | 84.1 | 80.3 | 80.3 | 106.6 | 106.2 | 77.5 | 84.6 | 87.2 | 94.8 | 105.3 |
| External debt | 27.8 | 70.6 | 66.8 | 94.5 | 109.9 | 109.9 | 125.3 | 125.6 | 157.5 | 176.5 | 197.7 | 212.1 | 221.0 |
| Capital expenditure | 330.4 | 622.4 | 802.6 | 954.9 | 1,011.9 | 1,011.9 | 998.7 | 1,015.6 | 1,015.7 | 1,113.0 | 1,251.2 | 1,394.7 | 1,588.8 |
| Financed by domestic resources | 228.3 | 356.4 | 519.0 | 577.9 | 574.5 | 574.5 | 546.3 | 563.1 | 543.4 | 609.6 | 730.7 | 831.8 | 980.2 |
| Financed by external resources [4] | 102.1 | 266.0 | 283.7 | 377.0 | 437.4 | 437.4 | 452.4 | 452.4 | 472.3 | 503.4 | 520.5 | 562.9 | 608.6 |
| Net lending | -3.9 | 1.8 | 1.7 | -3.6 | 1.9 | 1.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Overall Balance (Commitment Basis, Incl. Grants)** | **-41.6** | **-423.6** | **-561.7** | **-596.2** | **-494.7** | **-494.7** | **-479.9** | **-479.4** | **-408.3** | **-442.4** | **-479.2** | **-518.2** | **-560.3** |
| Primary balance [5] | -4.6 | -401.5 | -433.8 | -472.2 | -398.3 | -398.3 | -335.4 | -335.0 | -256.2 | -278.9 | -283.5 | -307.8 | -338.4 |
| Basic primary balance [6] | 93.5 | -133.7 | -148.5 | -98.8 | 41.0 | 41.0 | 117.0 | 117.4 | 216.1 | 224.5 | 237.0 | 255.1 | 270.3 |
| Change in arrears | 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 |
| 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 | 0.0 |
| Domestic debt (net) | 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 |
| *of which: net change in arrears stock* | *19.1* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | 0.0 | 0.0 | 0.0 |
| Float | -7.3 | 48.7 | 15.3 | 82.2 | -86.3 | -86.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Overall Balance (Cash Basis, Incl. Grants)** | **-48.9** | **-374.9** | **-546.4** | **-514.0** | **-581.0** | **-581.0** | **-479.9** | **-479.4** | **-408.3** | **-442.4** | **-479.2** | **-518.2** | **-560.3** |
| **Financing** | **48.9** | **374.9** | **546.4** | **514.0** | **581.0** | **581.0** | **479.9** | **479.4** | **408.3** | **442.4** | **479.2** | **518.2** | **560.3** |
| Domestic financing | -302.9 | 156.4 | -380.8 | 216.1 | 52.1 | 52.1 | -242.4 | -250.3 | 159.2 | -65.0 | -8.6 | 120.4 | 198.2 |
| Bank financing | 7.7 | 259.4 | -123.4 | 78.1 | -14.6 | -14.6 | -385.1 | -175.0 | 88.8 | -232.8 | -173.9 | -58.3 | 5.0 |
| Net use of IMF resources | 14.5 | 168.1 | 94.2 | 176.2 | 114.4 | 114.4 | 54.0 | 44.3 | 67.1 | -36.7 | -58.3 | -76.4 | -86.2 |
| *Disbursements* | *25.7* | *171.3* | *94.2* | *181.6* | *122.8* | *122.8* | *98.5* | *89.7* | *121.6* | *0.0* | *0.0* | *0.0* | *0.0* |
| *o/w RSF* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *48.0* | *39.7* | *79.4* | *0.0* | *0.0* | *0.0* | *0.0* |
| *Repayments* | *-11.2* | *-3.2* | *0.0* | *-5.4* | *-8.3* | *-8.3* | *-44.5* | *-45.4* | *-54.5* | *-36.7* | *-58.3* | *-76.4* | *-86.2* |
| Other [7] | -6.8 | 91.2 | -217.6 | -98.1 | -129.0 | -129.0 | -439.1 | -219.3 | 21.6 | -196.1 | -115.5 | 18.2 | 91.2 |
| Nonbank and regional financing [8] | -310.6 | -103.0 | -257.4 | 138.0 | 66.7 | 66.7 | 142.7 | -75.3 | 70.4 | 167.8 | 165.2 | 178.7 | 193.2 |
| External financing | 351.9 | 218.5 | 927.3 | 297.9 | 528.9 | 528.9 | 722.3 | 729.7 | 249.2 | 507.4 | 487.8 | 397.8 | 362.1 |
| Project financing [4] | 35.2 | 219.1 | 229.0 | 322.3 | 353.5 | 353.5 | 385.7 | 385.7 | 409.2 | 427.1 | 454.4 | 491.4 | 531.4 |
| Budgetary assistance | 33.3 | 49.9 | 28.2 | 96.1 | 126.0 | 126.0 | 156.2 | 171.1 | 71.6 | 76.3 | 82.6 | 89.3 | 36.7 |
| SDG Loan | 0.0 | 0.0 | 0.0 | 0.0 | 229.6 | 229.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| SDG/Eurobond issuance | 325.0 | 0.0 | 983.9 | 0.0 | 0.0 | 0.0 | 456.2 | 451.5 | 0.0 | 208.5 | 209.2 | 0.0 | 0.0 |
| Amortization due | -41.7 | -50.5 | -313.9 | -120.5 | -180.2 | -180.2 | -275.8 | -278.6 | -231.6 | -204.6 | -258.4 | -183.0 | -205.9 |
| Deposit accumulation | | | | | | | 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 | 0.0 |
| Nominal GDP | 8,432 | 9,009 | 9,810 | 10,855 | 11,935 | 11,935 | 12,970 | 12,956 | 14,081 | 15,255 | 16,525 | 17,870 | 19,322 |

Sources: Beninese authorities; and IMF staff estimates and projections.

[1] Consolidated central government includes government entities whose operations are include in the table of government financial operations (TOFE). Does not include any local governments, the central back, or any other public or government-owned entity that has autonomous legal status.

[2] Projections from 2022 onward reflect reclassification of taxes on the use or permission to use good or to carry out activities as tax revenues (71 billion in 2022) to align with WAEMU/GFS practices.

[3] 2020-27 includes wages of wages of trainee "aspirant" employees previously reflected in goods and services.

[4] Projections from 2022 onward include financing from BOAD.

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

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

[7] Includes financing by Beninese banks.

[8] Includes financing by regional commercial banks.

## Table 3. Benin: Consolidated Central Government Operations, 2019-29[1]

(Percent of GDP)

| | 2019 | 2020 | 2021 | 2022 | 2023 | | 2024 | | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Fourth Review | Est. | Fourth Review | Proj. | Projections | | | | |
| **Total Revenue and Grants** | **14.1** | **14.4** | **14.1** | **14.3** | **15.0** | **15.0** | **15.2** | **15.3** | **15.7** | **16.1** | **16.5** | **16.9** | **17.3** |
| Total revenue | 12.9 | 12.7 | 13.2 | 13.8 | 14.3 | 14.3 | 14.6 | 14.6 | 15.1 | 15.5 | 16.0 | 16.4 | 16.8 |
| Tax revenue [2] | 10.6 | 10.5 | 11.0 | 12.2 | 12.9 | 12.9 | 13.2 | 13.2 | 13.7 | 14.1 | 14.5 | 14.9 | 15.2 |
| Tax on international trade | 4.2 | 3.7 | 4.1 | 4.0 | 4.3 | 4.3 | 4.5 | 4.5 | 4.7 | 4.8 | 5.0 | 5.1 | 5.3 |
| Direct and indirect taxes | 6.3 | 6.8 | 7.0 | 8.2 | 8.6 | 8.6 | 8.7 | 8.8 | 9.1 | 9.3 | 9.5 | 9.8 | 9.9 |
| Nontax revenue [2] | 2.3 | 2.2 | 2.2 | 1.6 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 | 1.5 | 1.5 | 1.6 |
| Grants | 1.2 | 1.7 | 0.9 | 0.5 | 0.8 | 0.8 | 0.7 | 0.7 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 |
| Project grants | 0.8 | 0.5 | 0.6 | 0.5 | 0.7 | 0.7 | 0.5 | 0.5 | 0.4 | 0.5 | 0.4 | 0.4 | 0.4 |
| Budgetary grants | 0.4 | 1.2 | 0.4 | 0.0 | 0.1 | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| **Total Expenditure and Net Lending** | **14.6** | **19.1** | **19.9** | **19.8** | **19.2** | **19.2** | **18.9** | **19.0** | **18.6** | **19.0** | **19.4** | **19.8** | **20.2** |
| Current expenditure | 10.7 | 12.2 | 11.7 | 11.0 | 10.7 | 10.7 | 11.2 | 11.2 | 11.4 | 11.7 | 11.8 | 12.0 | 12.0 |
| Current primary expenditure | 9.1 | 10.2 | 9.4 | 9.4 | 9.1 | 9.1 | 9.5 | 9.4 | 9.7 | 10.0 | 10.1 | 10.3 | 10.3 |
| Wage bill [3] | 4.4 | 4.6 | 4.2 | 4.2 | 4.5 | 4.5 | 4.7 | 4.7 | 4.8 | 4.8 | 4.7 | 4.7 | 4.7 |
| Pensions and scholarships | 1.1 | 1.0 | 0.9 | 0.9 | 0.8 | 0.8 | 0.9 | 0.9 | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 |
| Current transfers | 2.1 | 2.6 | 2.6 | 3.0 | 2.7 | 2.7 | 2.7 | 2.7 | 3.0 | 3.1 | 3.2 | 3.2 | 3.2 |
| Expenditure on goods and services | 1.5 | 2.0 | 1.7 | 1.4 | 1.0 | 1.0 | 1.2 | 1.1 | 1.2 | 1.2 | 1.2 | 1.4 | 1.4 |
| Interest | 1.6 | 2.0 | 2.2 | 1.6 | 1.6 | 1.6 | 1.8 | 1.8 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |
| Domestic debt | 1.3 | 1.2 | 1.6 | 0.8 | 0.7 | 0.7 | 0.8 | 0.8 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 |
| External debt | 0.3 | 0.8 | 0.7 | 0.9 | 0.9 | 0.9 | 1.0 | 1.0 | 1.1 | 1.2 | 1.2 | 1.2 | 1.1 |
| Capital expenditure | 3.9 | 6.9 | 8.2 | 8.8 | 8.5 | 8.5 | 7.7 | 7.8 | 7.2 | 7.3 | 7.6 | 7.8 | 8.2 |
| Financed by domestic resources | 2.7 | 4.0 | 5.3 | 5.3 | 4.8 | 4.8 | 4.2 | 4.3 | 3.9 | 4.0 | 4.4 | 4.7 | 5.1 |
| Financed by external resources [4] | 1.2 | 3.0 | 2.9 | 3.5 | 3.7 | 3.7 | 3.5 | 3.5 | 3.4 | 3.3 | 3.2 | 3.2 | 3.2 |
| Net lending | 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 |
| **Overall Balance (Commitment Basis, Incl. Grants)** | **-0.5** | **-4.7** | **-5.7** | **-5.5** | **-4.1** | **-4.1** | **-3.7** | **-3.7** | **-2.9** | **-2.9** | **-2.9** | **-2.9** | **-2.9** |
| Primary balance [5] | -0.1 | -4.5 | -4.4 | -4.4 | -3.3 | -3.3 | -2.6 | -2.6 | -1.8 | -1.8 | -1.7 | -1.7 | -1.8 |
| Basic primary balance [6] | 1.1 | -1.5 | -1.5 | -0.9 | 0.3 | 0.3 | 0.9 | 0.9 | 1.5 | 1.5 | 1.4 | 1.4 | 1.4 |
| Change in arrears | 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 |
| 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 | 0.0 |
| Domestic debt (net) | 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 |
| *of which: net change in arrears stock* | *0.2* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | *0.0* | 0.0 | 0.0 | 0.0 |
| Float | -0.1 | 0.5 | 0.2 | 0.8 | -0.7 | -0.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Overall Balance (Cash Basis, Incl. Grants)** | **-0.6** | **-4.2** | **-5.6** | **-4.7** | **-4.9** | **-4.9** | **-3.7** | **-3.7** | **-2.9** | **-2.9** | **-2.9** | **-2.9** | **-2.9** |
| **Financing** | **0.6** | **4.2** | **5.6** | **4.7** | **4.9** | **4.9** | **3.7** | **3.7** | **2.9** | **2.9** | **2.9** | **2.9** | **2.9** |
| Domestic financing | -3.6 | 1.7 | -3.9 | 2.0 | 0.4 | 0.4 | -1.9 | -1.9 | 1.1 | -0.4 | -0.1 | 0.7 | 1.0 |
| Bank financing | 0.1 | 2.9 | -1.3 | 0.7 | -0.1 | -0.1 | -3.0 | -1.4 | 0.6 | -1.5 | -1.1 | -0.3 | 0.0 |
| Net use of IMF resources | 0.2 | 1.9 | 1.0 | 1.6 | 1.0 | 1.0 | 0.4 | 0.3 | 0.5 | -0.2 | -0.4 | -0.4 | -0.4 |
| *Disbursements* | 0.3 | 1.9 | 1.0 | 1.7 | 1.0 | 1.0 | 0.8 | 0.7 | 0.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| *o/w RSF* | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | 0.3 | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| *Repayments* | -0.1 | 0.0 | 0.0 | 0.0 | -0.1 | -0.1 | -0.3 | -0.4 | -0.4 | -0.2 | -0.4 | -0.4 | -0.4 |
| Other [7] | -0.1 | 1.0 | -2.2 | -0.9 | -1.1 | -1.1 | -3.4 | -1.7 | 0.2 | -1.3 | -0.7 | 0.1 | 0.5 |
| Nonbank and regional financing [8] | -3.7 | -1.1 | -2.6 | 1.3 | 0.6 | 0.6 | 1.1 | -0.6 | 0.5 | 1.1 | 1.0 | 1.0 | 1.0 |
| External financing | 4.2 | 2.4 | 9.5 | 2.7 | 4.4 | 4.4 | 5.6 | 5.6 | 1.8 | 3.3 | 3.0 | 2.2 | 1.9 |
| Project financing [4] | 0.4 | 2.4 | 2.3 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 2.9 | 2.8 | 2.8 | 2.8 | 2.8 |
| Budgetary assistance | 0.4 | 0.6 | 0.3 | 0.9 | 1.1 | 1.1 | 1.2 | 1.3 | 0.5 | 0.5 | 0.5 | 0.5 | 0.2 |
| SDG Loan | 0.0 | 0.0 | 0.0 | 0.0 | 1.9 | 1.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| SDG/Eurobond issuance | 3.9 | 0.0 | 10.0 | 0.0 | 0.0 | 0.0 | 3.5 | 3.5 | 0.0 | 1.4 | 1.3 | 0.0 | 0.0 |
| Amortization due | -0.5 | -0.6 | -3.2 | -1.1 | -1.5 | -1.5 | -2.1 | -2.2 | -1.6 | -1.3 | -1.6 | -1.0 | -1.1 |
| Deposit accumulation | | | | | | | 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 | 0.0 |
| Nominal GDP | 8,432 | 9,009 | 9,810 | 10,855 | 11,935 | 11,935 | 12,970 | 12,956 | 14,081 | 15,255 | 16,525 | 17,870 | 19,322 |
| **Memo Items** | | | | | | | | | | | | | |
| Interest-to-tax revenue ratio (percent) | 15 | 19 | 20 | 14 | 12 | 12 | 14 | 14 | 12 | 12 | 12 | 12 | 11 |
| Wage bill to tax ratio (percent) | 41 | 44 | 38 | 35 | 35 | 35 | 36 | 35 | 35 | 34 | 32 | 32 | 31 |

Sources: Beninese authorities; and IMF staff estimates and projections.

[1] Consolidated central government includes government entities whose operations are include in the table of government financial operations (TOFE). Does not include any local governments, the central back, or any other public or government-owned entity that has autonomous legal status.

[2] Projections from 2022 onward reflect reclassification of taxes on the use or permission to use good or to carry out activities as tax revenues (0.7 percent of GDP in 2022).

[3] 2020-27 includes wages of wages of trainee "aspirant" employees previously reflected in goods and services.

[4] Projections from 2022 include financing from BOAD.

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

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

[7] Includes financing by Beninese banks.

[8] Includes financing by regional commercial banks.

## Table 4. Benin: Balance of Payments, 2019-29[1]

(Billions of CFA Francs)

| | 2019 | 2020 | 2021 | 2022 | | 2023 | | 2024 | | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Fourth Rev. | Est. | Fourth Rev. | Proj. | Fourth Rev. | Proj. | Projections | | | | |
| **Current account balance** | **-337.3** | **-157.3** | **-407.4** | **-663.0** | **-651.4** | **-704.2** | **-765.6** | **-778.2** | **-732.6** | **-720.4** | **-680.8** | **-706.6** | **-728.8** | **-776.4** |
| Current Account Balance (Excl. Budget Support Grants) | -368.1 | -264.6 | -444.8 | -663.0 | -651.4 | -714.1 | -775.5 | -798.9 | -753.4 | -740.1 | -702.2 | -729.7 | -753.8 | -803.4 |
| Trade balance[1] | -260.4 | -89.7 | -195.4 | -396.9 | -396.6 | -442.1 | -314.0 | -530.1 | -413.2 | -382.2 | -359.0 | -375.6 | -416.8 | -460.3 |
| Exports, f.o.b.[1] | 1,790.9 | 1,720.5 | 2,019.9 | 2,316.4 | 2,316.7 | 2,390.9 | 2,457.0 | 2,785.9 | 2,733.0 | 3,050.0 | 3,415.8 | 3,718.1 | 4,060.9 | 4,413.3 |
| *Of which: re-exports* | *841.3* | *739.1* | *925.1* | *917.0* | *1,166.6* | *1,050.1* | *1,206.6* | *1,221.2* | *1,206.6* | *1,329.8* | *1,436.4* | *1,547.7* | *1,663.8* | *1,798.9* |
| *Of which: cotton* | *325.5* | *319.3* | *400.6* | *421.6* | *421.6* | *349.7* | *349.9* | *406.2* | *386.4* | *430.5* | *491.5* | *539.5* | *625.2* | *661.4* |
| Imports, f.o.b.[1] | -2,051.4 | -1,810.2 | -2,215.4 | -2,713.3 | -2,713.3 | -2,833.0 | -2,771.0 | -3,315.9 | -3,146.2 | -3,432.2 | -3,774.8 | -4,093.6 | -4,477.7 | -4,873.7 |
| *Of which: fuel* | *-223.0* | *-199.9* | *-194.9* | *-382.9* | *-329.7* | *-302.7* | *-295.9* | *-342.3* | *-342.2* | *-293.8* | *-271.6* | *-256.6* | *-242.9* | *-231.1* |
| Services (net) | -162.4 | -160.5 | -232.6 | -253.0 | -241.6 | -294.2 | -489.8 | -305.7 | -392.1 | -422.4 | -417.3 | -449.5 | -464.6 | -483.1 |
| Income (net) | -41.5 | -69.7 | -105.0 | -112.2 | -112.2 | -85.5 | -129.9 | -97.1 | -97.0 | -109.3 | -122.2 | -127.0 | -124.1 | -134.2 |
| Current transfers (net) | 127.1 | 162.6 | 125.5 | 99.0 | 99.0 | 117.5 | 168.0 | 154.6 | 169.7 | 193.5 | 217.6 | 245.5 | 276.8 | 301.2 |
| Private transfers | 77.6 | 55.0 | 76.9 | 100.4 | 100.4 | 107.7 | 111.9 | 133.8 | 148.9 | 173.8 | 196.2 | 222.4 | 251.8 | 274.2 |
| Public transfers | 49.4 | 107.6 | 48.7 | -1.4 | -1.4 | 9.8 | 56.1 | 20.8 | 20.8 | 19.7 | 21.3 | 23.1 | 25.0 | 27.0 |
| **Capital Account Balance** | **116.3** | **100.5** | **143.8** | **115.3** | **112.6** | **129.4** | **129.4** | **116.1** | **116.1** | **116.8** | **134.4** | **129.1** | **139.6** | **150.9** |
| **Financial Account Balance (+ = Inflow)** | **262.6** | **361.8** | **858.2** | **557.2** | **557.2** | **139.6** | **221.4** | **1,069.1** | **795.2** | **706.5** | **1,005.8** | **843.0** | **791.4** | **798.4** |
| Direct investment | 112.0 | 87.6 | 168.1 | 205.2 | 205.2 | 190.0 | 190.0 | 210.0 | 213.2 | 227.1 | 263.8 | 306.5 | 340.3 | 377.7 |
| Portfolio investment[2] | 125.0 | 76.4 | 503.8 | 131.3 | 176.9 | -47.0 | -52.5 | 306.2 | 301.5 | 0.0 | 208.5 | 209.2 | 0.0 | 0.0 |
| Medium- and long-term public capital | 168.4 | 324.3 | 182.5 | 297.9 | 305.6 | 528.9 | 528.9 | 266.1 | 278.2 | 249.2 | 298.9 | 278.7 | 397.8 | 362.1 |
| Project loans | 35.2 | 219.1 | 229.0 | 322.3 | 322.3 | 353.5 | 353.5 | 385.7 | 385.7 | 409.2 | 427.1 | 454.4 | 491.4 | 531.4 |
| Budgetary assistance loans | 33.3 | 49.9 | 28.2 | 96.1 | 96.1 | 126.0 | 126.0 | 156.2 | 171.1 | 71.6 | 76.3 | 82.6 | 89.3 | 36.7 |
| SDG Loan | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 229.6 | 229.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortization due | -41.7 | -50.5 | -313.9 | -120.5 | -120.5 | -180.2 | -180.2 | -275.8 | -278.6 | -231.6 | -204.6 | -258.4 | -183.0 | -205.9 |
| Other Medium- and long-term private capital | -142.7 | -126.5 | 3.9 | -77.2 | -130.5 | -532.4 | -445.0 | 286.8 | 2.3 | 230.2 | 234.6 | 48.6 | 53.4 | 58.5 |
| Errors and omissions | 3.9 | 2.0 | 2.8 | 0.0 | 2.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Overall Balance** | **45.6** | **306.9** | **597.5** | **9.4** | **21.1** | **-435.2** | **-414.8** | **407.0** | **178.7** | **102.8** | **459.4** | **265.5** | **202.2** | **172.9** |
| **Financing** | **-45.6** | **-306.9** | **-597.5** | **-9.4** | **-21.1** | **435.2** | **414.8** | **-457.5** | **-228.7** | **-145.0** | **-459.4** | **-265.5** | **-202.2** | **-172.9** |
| Change in gross foreign assets, BCEAO excl. RSF ('-' = Increase) | -31.0 | -138.8 | -495.5 | 166.8 | 155.2 | 549.7 | 529.2 | -502.0 | -274.1 | -199.5 | -496.1 | -323.8 | -278.7 | -259.1 |
| Use of IMF resources, net | -14.5 | -168.1 | -94.2 | -176.2 | -176.2 | -114.4 | -114.4 | 44.5 | 45.4 | 54.5 | 36.7 | 58.3 | 76.4 | 86.2 |
| Debt relief[3] | 0.0 | 0.0 | -7.8 | 0.0 | 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** | **50.4** | **50.0** | **42.2** | **0.0** | **0.0** | **0.0** | **0.0** |
| IMF EFF/ECF | | | | | | 0.0 | 0.0 | 50.4 | 50.0 | 42.2 | | | | |
| **Residual Gap** | | | | | | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| IMF RSF | | | | | | 0 | 0.0 | 48.0 | 39.7 | 79.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change in gross foreign assets, BCEAO incl. RSF ('-' = Increase) | | | | | | 549.7 | 529.2 | -550.0 | -313.8 | -278.9 | -496.1 | -323.8 | -278.7 | -259.1 |
| | | | | | | (Percent of GDP) | | | | | | | | |
| **Current Account Balance** | **-4.0** | **-1.7** | **-4.2** | **-6.1** | **-6.0** | **-5.9** | **-6.4** | **-6.0** | **-5.7** | **-5.1** | **-4.5** | **-4.3** | **-4.1** | **-4.0** |
| Trade balance of goods[1] | -3.1 | -1.0 | -2.0 | -3.7 | -3.7 | -3.7 | -2.6 | -4.1 | -3.2 | -2.7 | -2.4 | -2.3 | -2.3 | -2.4 |
| *Exports, f.o.b.[1]* | *21.2* | *19.1* | *20.6* | *21.3* | *21.3* | *20.0* | *20.6* | *21.5* | *21.1* | *21.7* | *22.4* | *22.5* | *22.7* | *22.8* |
| *Imports, f.o.b.[1]* | *-24.3* | *-20.1* | *-22.6* | *-25.0* | *-25.0* | *-23.7* | *-23.2* | *-25.6* | *-24.3* | *-24.4* | *-24.7* | *-24.8* | *-25.1* | *-25.2* |
| Services | -1.9 | -1.8 | -2.4 | -2.3 | -2.2 | -2.5 | -4.1 | -2.4 | -3.0 | -3.0 | -2.7 | -2.7 | -2.6 | -2.5 |
| Income | -0.5 | -0.8 | -1.1 | -1.0 | -1.0 | -0.7 | -1.1 | -0.7 | -0.7 | -0.8 | -0.8 | -0.8 | -0.7 | -0.7 |
| Current transfers | 1.5 | 1.8 | 1.3 | 0.9 | 0.9 | 1.0 | 1.4 | 1.2 | 1.3 | 1.4 | 1.4 | 1.5 | 1.5 | 1.6 |
| Capital account | 1.4 | 1.1 | 1.5 | 1.1 | 1.0 | 1.1 | 1.1 | 0.9 | 0.9 | 0.8 | 0.9 | 0.8 | 0.8 | 0.8 |
| Financial account | 3.1 | 4.0 | 8.7 | 5.1 | 5.1 | 1.2 | 1.9 | 8.2 | 6.1 | 5.0 | 6.6 | 5.1 | 4.4 | 4.1 |
| **Overall Balance** | **0.5** | **3.4** | **6.1** | **0.1** | **0.2** | **-3.6** | **-3.5** | **3.1** | **1.4** | **0.7** | **3.0** | **1.6** | **1.1** | **0.9** |
| *Memorandum items:* | | | | | | | | | | | | | | |
| International price of cotton (Cotlook "A" Index, U.S. cents a lb.) | 77.9 | 71.9 | 101.2 | 130.1 | 130.1 | 95.0 | 95.0 | 98.1 | 87.3 | 85.8 | 86.4 | 87.0 | 87.0 | 87.0 |
| International price of oil (U.S. dollars a barrel) | 61.4 | 41.8 | 69.2 | 96.4 | 96.4 | 80.6 | 80.6 | 78.6 | 81.3 | 72.8 | 70.2 | 68.6 | 67.6 | 67.0 |
| Nominal GDP (CFAF billion) | 8,432 | 9,009 | 9,810 | 10,855 | 10,855 | 11,935 | 11,935 | 12,970 | 12,956 | 14,081 | 15,255 | 16,525 | 17,870 | 19,322 |

Sources: Beninese authorities; IMF staff estimates and projections.

[1] Includes re-exports and imports for re-export.

[2] 2025 portfolio flows relate to projected Eurobond issuance.

[3] Includes the IMF debt service relief of CFAF 196.86 billion from the five tranches of Catastrophe Containment and Relief Trust (CCRT).

## Table 5. Benin: Monetary Survey, 2019-29

| | 2019 | 2020 | 2021 | 2022 | 2023 | | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Fourth Rev. | Est. | Projections | | | | | |
| | | | | | (CFAF billion) | | | | | | | |
| **Net foreign assets** | **1233.1** | **1549.3** | **2131.3** | **2152.8** | **1734.1** | **1734.1** | **2047.8** | **2326.8** | **2822.9** | **3146.7** | **3425.4** | **3684.5** |
| Central Bank of West African States (BCEAO) | 314.4 | 269.8 | 138.2 | -165.6 | -559.3 | -559.3 | -335.2 | -177.9 | 318.2 | 642.0 | 920.7 | 1179.8 |
| Banks | 918.7 | 1279.5 | 1993.1 | 2318.4 | 2293.4 | 2293.4 | 2383.1 | 2504.7 | 2504.7 | 2504.7 | 2504.7 | 2504.7 |
| **Net domestic assets** | **1108.9** | **1198.6** | **1075.3** | **1471.5** | **1875.9** | **1875.9** | **1871.1** | **1932.2** | **1791.4** | **1851.6** | **1979.7** | **2159.9** |
| Domestic credit | 1449.9 | 1720.9 | 1712.8 | 2126.2 | 2534.3 | 2534.3 | 2867.2 | 3170.8 | 3627.6 | 4121.7 | 4644.3 | 5208.1 |
| Net claims on central government | -200.6 | 58.8 | -64.6 | 9.9 | -17.5 | -17.5 | -17.5 | -17.5 | -17.5 | -17.5 | -17.5 | -17.5 |
| Credit to the nongovernment sector[1] | 1650.5 | 1662.1 | 1777.4 | 2116.3 | 2551.7 | 2551.7 | 2884.7 | 3188.2 | 3645.1 | 4139.1 | 4661.7 | 5225.5 |
| Of which: Credit to the private sector | 1485.0 | 1399.7 | 1528.9 | 1856.1 | 2220.9 | 2220.9 | 2553.8 | 2857.4 | 3314.2 | 3808.3 | 4330.9 | 4894.7 |
| Other items[2] | 341.0 | 522.3 | 637.5 | 654.8 | 658.4 | 658.4 | 996.1 | 1238.5 | 1836.2 | 2270.1 | 2664.6 | 3048.2 |
| **Broad money (M2)** | **2342.0** | **2747.9** | **3206.5** | **3624.3** | **3610.0** | **3610.0** | **3918.9** | **4259.0** | **4614.2** | **4998.3** | **5405.1** | **5844.4** |
| Currency | 569.4 | 713.7 | 764.5 | 868.5 | 817.5 | 817.5 | 887.5 | 964.5 | 1044.9 | 1131.9 | 1224.0 | 1323.5 |
| Bank deposits | 878.4 | 1040.5 | 1393.8 | 1655.9 | 1762.1 | 1762.1 | 1913.0 | 2078.9 | 2252.3 | 2439.8 | 2638.4 | 2852.8 |
| Other deposits | 894.2 | 993.8 | 1048.2 | 1099.9 | 1030.3 | 1030.3 | 1118.5 | 1215.6 | 1317.0 | 1426.6 | 1542.7 | 1668.1 |
| | | | | | (Change, in percent of beginning-of-period broad money) | | | | | | | |
| **Net foreign assets** | **2.2** | **13.5** | **21.2** | **0.7** | **-11.6** | **-11.6** | **8.7** | **7.1** | **11.6** | **7.0** | **5.6** | **4.8** |
| Central Bank of West African States (BCEAO) | -5.0 | -1.9 | -4.8 | -9.5 | -10.9 | -10.9 | 6.2 | 4.0 | 11.6 | 7.0 | 5.6 | 4.8 |
| Banks | 7.1 | 15.4 | 26.0 | 10.1 | -0.7 | -0.7 | 2.5 | 3.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net domestic assets** | **3.9** | **3.8** | **-4.5** | **12.4** | **11.2** | **11.2** | **-0.1** | **1.6** | **-3.3** | **1.3** | **2.6** | **3.3** |
| Domestic credit | -4.6 | 11.6 | -0.3 | 12.9 | 11.3 | 11.3 | 9.2 | 7.7 | 10.7 | 10.7 | 10.5 | 10.4 |
| Net claims on central government | -14.4 | 11.1 | -4.5 | 2.3 | -0.8 | -0.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Credit to the nongovernment sector | 9.9 | 0.5 | 4.2 | 10.6 | 12.0 | 12.0 | 9.2 | 7.7 | 10.7 | 10.7 | 10.5 | 10.4 |
| Other items | -8.4 | 7.7 | 4.2 | 0.5 | 0.1 | 0.1 | 9.4 | 6.2 | 14.0 | 9.4 | 7.9 | 7.1 |
| **Broad money (M2)** | **6.0** | **17.3** | **16.7** | **13.0** | **-0.4** | **-0.4** | **8.6** | **8.7** | **8.3** | **8.3** | **8.1** | **8.1** |
| Currency | 2.2 | 6.2 | 1.9 | 3.2 | -1.4 | -1.4 | 1.9 | 2.0 | 1.9 | 1.9 | 1.8 | 1.8 |
| Bank deposits | 2.8 | 6.9 | 12.9 | 8.2 | 2.9 | 2.9 | 4.2 | 4.2 | 4.1 | 4.1 | 4.0 | 4.0 |
| Other deposits | 1.0 | 4.3 | 2.0 | 1.6 | -1.9 | -1.9 | 2.4 | 2.5 | 2.4 | 2.4 | 2.3 | 2.3 |
| **Memorandum items:** | | | | | | | | | | | | |
| Velocity of broad money | 3.7 | 3.5 | 3.3 | 3.2 | 3.3 | 3.3 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 | 3.4 |
| Broad money (percent of GDP) | 27.8 | 30.5 | 32.7 | 33.4 | 30.2 | 30.2 | 30.2 | 30.2 | 30.2 | 30.2 | 30.2 | 30.2 |
| Credit to the private sector (annual percentage change) | 11.9 | -5.7 | 9.2 | 21.4 | 19.7 | 19.7 | 15.0 | 11.9 | 16.0 | 14.9 | 13.7 | 13.0 |
| Nominal GDP (CFAF billion) | 8,432 | 9,009 | 9,810 | 10,855 | 11,935 | 11,935 | 12,956 | 14,081 | 15,255 | 16,525 | 17,870 | 19,322 |
| Nominal GDP growth (annual percentage change) | 6.5 | 6.8 | 8.9 | 10.7 | 10.0 | 10.0 | 8.6 | 8.7 | 8.3 | 8.3 | 8.1 | 8.1 |

Sources: BCEAO; IMF staff estimates and projections.

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

[2] 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.

## Table 6. Benin: External Financing Requirements and Sources, 2022-25

| | 2022 | 2023 | 2024 | 2025 | Cumulative 2022-25 |
|---|---|---|---|---|---|
| | | Projections | | | Projection |
| | (CFAF billion, unless otherwise indicated) | | | | |
| **1. Gross financing requirements** | **975** | **664** | **1,261** | **1,117** | **4,016** |
| Current account balance (excl. grants) | 651 | 775 | 753 | 740 | 2,920 |
| Debt Amortization (excl. regional market securities/IMF) | 121 | 180 | 279 | 232 | 811 |
| IMF Repurchases/repayments | 5 | 8 | 45 | 54 | 114 |
| Change in NFA (excl. IMF) ("+" = increase) | 195 | -300 | 183 | 91 | 168 |
| Errors and Omissions | 3 | 0 | 0 | 0 | 3 |
| **2. Available financing** | **680** | **405** | **1,019** | **983** | **3,087** |
| Foreign direct investment (net) | 205 | 190 | 213 | 227 | 835 |
| Other net flows [1] | 114 | -222 | 353 | 284 | 529 |
| *of which: Eurobond* | *0* | *0* | *451* | *0* | 451 |
| Project (official external) | 360 | 437 | 452 | 472 | 1,722 |
| *Grants* | *55* | *84* | *67* | *63* | 268 |
| *Loans* | *306* | *353* | *386* | *409* | 1,454 |
| **3. Financing Gap (1-2)** | **295** | **259** | **242** | **134** | **929** |
| Budget support (Multilateral) | 96 | 136 | 192 | 91 | 515 |
| *Grants* | *0* | *10* | *21* | *20* | *50* |
| *Loans* | *96* | *126* | *171* | *72* | *465* |
| Vaccination Support (WB) | 17 | *0* | *0* | *0* | *17* |
| Exceptional Financing | 182 | 123 | 50 | 42 | 397 |
| IMF | 182 | 123 | 50 | 42 | 397 |
| IMF share of financing gap (% total gap) | 62 | 47 | 21 | 32 | |
| **Residual Gap** | **0** | **0** | **0** | **0** | **0** |
| **4. IMF RSF Disbursement** | 0 | 0 | 40 | 79 | 119 |

Source: Beninese authorities; IMF staff estimates and projections

[1] Includes portfolio investment, SDG financing, private investment, and capital account (excl grants).

## Table 7. Benin: Quantitative Performance Criteria and Indicative Targets, 2024-25[1]

(Billions of CFA Francs)

| | March 31, 2024 | | | June 30, 2024 | | | September 30, 2024 | December 31, 2024 | March 31, 2025 | June 30, 2025 | September 30, 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | IT | | | PC | | | IT | PC | IT | PC | IT |
| | Prog. | Prel. | Status | Prog. | Prel. | Status | Prog. | Prog. | Prog. | Prog. | Prog. |
| A. Quantitative performance criteria[2] | | | | | | | | | | | |
| Basic primary balance (floor)[3] | 15.7 | 140.5 | Met | 22.2 | 51.2 | Met | 90.9 | 114 | 43.2 | 82.7 | 44.0 |
| Net domestic financing (ceiling)[4] | 204 | -300.3 | Met | 258.2 | -187.6 | Met | -173.3 | -248.5 | 6 | 9.9 | 362.2 |
| B. Continuous quantitative performance criteria (ceilings) | | | | | | | | | | | |
| Accumulation of external payments arrears | 0.0 | 0.0 | Met | 0.0 | 0.0 | Met | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Accumulation of domestic payments arrears | 0.0 | 0.0 | Met | 0.0 | 0.0 | Met | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Ceiling on the present value of new external debt contracted or guaranteed by the government [5] | 620 | 552 | Met | 620 | 606.0 | Met | 1,055 | 1,055 | 620 | 620 | 620 |
| C. Indicative Targets[2] | | | | | | | | | | | |
| Tax revenue (floor) | 392.1 | 403.8 | Met | 816.6 | 822.7 | Met | 1,220.5 | 1,711.4 | 443.1 | 923.0 | 1,366 |
| Priority social expenditure (floor) [6] | 24.1 | 25.6 | Met | 55.5 | 69.7 | Met | 114.4 | 185.1 | 25.5 | 58.8 | 123.6 |

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.

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

[4] Includes on-lending from the BCEAO related to the IMF disbursement. 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.

[5] Excludes debt management operations which result in a reduction of the present value of overall external debt, and/or an improvement of the overall public external debt service profile (TMU clause 14).

[6] Includes internally and externally financed expenditures related to government interventions that directly reduce poverty in the areas of education, health and nutrition, social safety nets, access to electricity, water and sanitation, microfinance, and security and civil protection. Excludes salary expenditures.

## Table 8. Benin: Financial Stability Indicators, 2016-23

(Percent)

| | 2016 Dec. | 2017 Dec. | 2018 [1] Dec. | 2019 June | 2019 Dec. | 2020 June | 2020 Dec. | 2021 June | 2021 Dec. | 2022 June | 2022 Dec. | 2023 June | 2023 Dec. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Regulatory capital to risk-weighted assets | 9.3 | 11.9 | 8.2 | 9.6 | 10.4 | 10.0 | 14.4 | 13.4 | 14.2 | 14.6 | 16.3 | 15.4 | 17.0 |
| Core capital to risk-weighted assets | 7.4 | 10.2 | 7.2 | 8.7 | 9.7 | 9.3 | 13.6 | 12.6 | 13.3 | 13.8 | 15.2 | 14.4 | 16.0 |
| Provisions to risk-weighted assets | 16.0 | 16.4 | 12.6 | 11.1 | 10.3 | 11.4 | 11.3 | 10.1 | 8.4 | 9.3 | 6.7 | 5.6 | 4.9 |
| Capital to total assets | 3.7 | 4.7 | 5.1 | 5.6 | 5.4 | 4.7 | 6.7 | 6.4 | 6.4 | 7.6 | 6.4 | 6.4 | 6.3 |
| Composition and quality of assets | | | | | | | | | | | | | |
| Total loans to total assets | 39.6 | 43.5 | 46.1 | 47.5 | 48.5 | 45.3 | 42.5 | 40.9 | 37.6 | 40.9 | 44.4 | 45.8 | 48.0 |
| Concentration: Credit to the 5 largest borrowers to capital | 99.6 | 91.6 | 90.4 | 99.6 | 95.5 | 94.9 | 64.6 | 76.9 | 67.8 | 65.0 | 92.7 | 66.7 | 64.7 |
| Credit by sector [2] | | | | | | | | | | | | | |
| Agriculture, Forestry, and Fishing | 1.9 | 1.8 | 4.4 | 2.6 | 3.1 | 3.6 | 4.0 | 4.3 | 3.6 | 4.3 | 0.4 | 4.0 | 4.0 |
| Extractive Industries | 2.6 | 1.5 | 1.2 | 1.0 | 0.9 | 1.4 | 1.1 | 1.4 | 0.8 | 1.4 | 1.1 | 0.6 | 0.6 |
| Manufacturing | 15.0 | 15.2 | 12.2 | 11.0 | 10.2 | 10.5 | 8.7 | 7.5 | 8.2 | 7.5 | 7.8 | 5.1 | 5.1 |
| Electricity, Water, and Gas | 5.0 | 4.4 | 4.3 | 5.2 | 5.2 | 4.8 | 3.2 | 4.9 | 4.0 | 4.9 | 1.9 | 2.2 | 2.2 |
| Buildings and Public Works | 16.3 | 17.0 | 27.9 | 28.8 | 30.0 | 27.7 | 17.6 | 20.7 | 22.4 | 20.7 | 18.6 | 15.6 | 15.6 |
| Commerce, Restaurants, and Hotels | 28.2 | 24.1 | 18.7 | 18.7 | 15.9 | 15.3 | 14.3 | 14.4 | 14.4 | 14.4 | 21.0 | 17.8 | 17.0 |
| Transportation and Communication | 6.2 | 5.9 | 3.9 | 5.0 | 5.6 | 6.3 | 6.0 | 6.7 | 5.7 | 6.8 | 11.0 | 9.1 | 9.1 |
| Financial and Business Services | 7.9 | 8.0 | 3.4 | 3.3 | 3.5 | 5.9 | 7.2 | 9.0 | 6.1 | 9.0 | 7.2 | 16.0 | 16.0 |
| Other Services | 16.7 | 22.1 | 23.9 | 24.4 | 25.7 | 24.5 | 37.8 | 31.0 | 34.9 | 31.0 | 31.1 | 29.6 | 29.6 |
| Non-Performing Loans (NPLs) | | | | | | | | | | | | | |
| Gross NPLs to Total loans | 21.8 | 19.4 | 21.6 | 20.2 | 17.7 | 16.4 | 16.8 | 14.9 | 12.6 | 14.9 | 7.2 | 6.2 | 4.8 |
| Provisioning rate | 64.0 | 66.4 | 66.5 | 59.0 | 55.9 | 64.6 | 65.5 | 70.9 | 73.3 | 70.9 | 77.6 | 76.6 | 75.6 |
| Net NPLs to total loans | 9.1 | 7.5 | 8.5 | 9.4 | 8.6 | 6.5 | 6.5 | 4.8 | 3.7 | 4.8 | 1.7 | 1.5 | 1.2 |
| Net NPLs to capital | 96.9 | 69.2 | 77.2 | 80.0 | 77.8 | 62.4 | 41.4 | 31.0 | 21.7 | 26.2 | 11.8 | 11.0 | 9.3 |
| Earnings and profitability | | | | | | | | | | | | | |
| Average cost of borrowed funds | 3.2 | 3.0 | 3.2 | ... | 2.4 | ... | 1.4 | ... | 2.2 | ... | 2.2 | ... | 3.5 |
| Average interest rate on loans | 7.8 | 7.4 | 7.5 | ... | 6.4 | ... | 6.8 | ... | 5.4 | ... | 6.1 | ... | 7.8 |
| Average interest margin [3] | 4.6 | 4.3 | 4.3 | ... | 4.0 | ... | 5.4 | ... | 3.2 | ... | 3.9 | ... | 4.3 |
| After-tax return on average assets (ROA) | 0.0 | 0.0 | 0.1 | ... | 0.5 | ... | 0.6 | ... | 1.0 | ... | 1.1 | ... | 1.4 |
| After-tax return on average equity (ROE) | 0.5 | 0.4 | 1.9 | ... | 7.0 | ... | 7.6 | ... | 13.9 | ... | 14.0 | ... | 18.0 |
| Noninterest expenses/net banking income | 73.2 | 76.9 | 74.8 | ... | 78.5 | ... | 67.0 | ... | 64.3 | ... | 59.6 | ... | 55.6 |
| Salaries and wages/net banking income | 32.3 | 33.9 | 32.4 | ... | 32.9 | ... | 27.6 | ... | 27.1 | ... | 24.1 | ... | 23.1 |
| Liquidity | | | | | | | | | | | | | |
| Liquid assets to total assets | 16.2 | 14.5 | 12.5 | 11.7 | 12.8 | 11.5 | 12.1 | 9.0 | 9.7 | 9.0 | 12.3 | 13.2 | 14.4 |
| Liquid assets to total deposits | 28.0 | 24.4 | 19.3 | 16.8 | 19.6 | 18.0 | 18.4 | 13.3 | 15.2 | 13.3 | 19.0 | 20.3 | 21.8 |
| Total loans to total deposits | 79.4 | 84.4 | 83.4 | 77.9 | 82.3 | 79.5 | 72.9 | 67.7 | 65.2 | 67.7 | 72.8 | 74.0 | 75.2 |
| Total deposits to total liabilities | 57.9 | 59.2 | 64.6 | 69.3 | 65.4 | 63.7 | 65.5 | 67.6 | 63.4 | 67.6 | 64.6 | 64.9 | 66.3 |
| Demand deposits to total liabilities [4] | 24.4 | 26.3 | 29.4 | 31.3 | 28.5 | 27.0 | 30.0 | 29.5 | 31.8 | 29.6 | 32.5 | 31.7 | 32.5 |
| Term deposits to total liabilities | 33.5 | 32.9 | 35.1 | 38.0 | 36.9 | 36.7 | 35.5 | 38.0 | 31.7 | 38.0 | 32.2 | 33.3 | 33.8 |

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] Credits reported to the Central Risk Office

[3] Excluding taxes on banking operations.

[4] Including savings accounts.

# Table 9. Benin: Indicators of Capacity to Repay the IMF, 2024-46[1]

| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| **Fund Obligations Based on Existing Credit (millions of SDRs)** | | | | | | | | | | | |
| Principal | 56.7 | 68.0 | 45.7 | 72.6 | 94.9 | 102.1 | 88.6 | 71.1 | 73.9 | 28.1 | 2.8 |
| Charges and interest | 17.1 | 13.6 | 12.4 | 12.0 | 10.8 | 9.1 | 7.3 | 5.5 | 3.7 | 2.3 | 1.7 |
| **Fund Obligations Based on Existing and Prospective Credit (millions of SDRs)** | | | | | | | | | | | |
| Principal | 56.7 | 68.0 | 45.7 | 72.6 | 94.9 | 107.0 | 100.9 | 86.1 | 88.8 | 43.0 | 17.7 |
| GRA | - | - | - | 26.9 | 41.0 | 49.4 | 53.8 | 53.8 | 55.5 | 26.9 | 11.1 |
| PRGT | 56.7 | 68.0 | 45.7 | 45.7 | 53.9 | 57.6 | 47.1 | 32.3 | 33.3 | 16.1 | 6.6 |
| RSF | - | - | - | - | - | - | - | - | - | - | - |
| Charges and interest | 17.3 | 17.4 | 20.0 | 19.6 | 18.4 | 16.7 | 14.6 | 12.5 | 10.3 | 8.5 | 7.5 |
| **Total Obligations Based on Existing and Prospective Credit** | | | | | | | | | | | |
| Millions of SDRs | 74.0 | 85.4 | 65.7 | 92.2 | 113.3 | 123.7 | 115.5 | 98.5 | 99.1 | 51.5 | 25.2 |
| Millions of U.S. dollars | 98.5 | 114.5 | 88.4 | 124.1 | 152.8 | 166.9 | 155.9 | 133.0 | 133.8 | 69.5 | 34.0 |
| Percent of exports of goods and services | 1.9 | 1.9 | 1.3 | 1.7 | 2.0 | 2.0 | 1.7 | 1.3 | 1.3 | 0.6 | 0.3 |
| Percent of government revenue | 3.1 | 3.2 | 2.2 | 2.8 | 3.1 | 3.1 | 2.6 | 2.0 | 1.8 | 0.9 | 0.4 |
| Percent of GDP | 0.5 | 0.5 | 0.3 | 0.4 | 0.5 | 0.5 | 0.4 | 0.4 | 0.3 | 0.2 | 0.1 |
| Percent of quota (principal) | 45.8 | 54.9 | 36.9 | 58.7 | 76.7 | 86.4 | 81.5 | 69.5 | 71.8 | 34.8 | 14.3 |
| GRA (percent of quota) | - | - | - | 21.7 | 33.1 | 39.9 | 43.4 | 43.4 | 44.8 | 21.7 | 8.9 |
| PRGT (percent of quota) | 45.8 | 54.9 | 36.9 | 36.9 | 43.6 | 46.5 | 38.0 | 26.1 | 26.9 | 13.0 | 5.4 |
| RSF (percent of quota) | - | - | - | - | - | - | - | - | - | - | - |
| **Outstanding Fund Credit Based on Existing and Prospective Credit** | | | | | | | | | | | |
| Millions of SDRs | 728.6 | 812.3 | 766.6 | 694.0 | 599.0 | 492.0 | 391.2 | 305.1 | 216.3 | 173.3 | 155.6 |
| GRA | 287.6 | 322.7 | 322.7 | 295.8 | 254.8 | 205.4 | 151.6 | 97.9 | 42.3 | 15.4 | 4.4 |
| PRGT | 391.5 | 341.1 | 295.3 | 249.6 | 195.7 | 138.1 | 91.0 | 58.7 | 25.4 | 9.3 | 2.6 |
| RSF | 49.5 | 148.6 | 148.6 | 148.6 | 148.6 | 148.6 | 148.6 | 148.6 | 148.6 | 148.6 | 148.6 |
| Millions of U.S. dollars | 970.0 | 1,089.6 | 1,031.1 | 934.0 | 807.8 | 664.0 | 527.9 | 411.8 | 291.9 | 233.8 | 210.0 |
| Percent of exports of goods and services | 18.5 | 18.5 | 15.7 | 13.1 | 10.4 | 7.9 | 5.8 | 4.2 | 2.7 | 2.0 | 1.7 |
| Percent of government revenue | 30.8 | 30.6 | 26.0 | 21.1 | 16.5 | 12.2 | 8.8 | 6.2 | 4.0 | 2.9 | 2.4 |
| Percent of GDP | 4.5 | 4.6 | 4.0 | 3.4 | 2.7 | 2.1 | 1.5 | 1.1 | 0.7 | 0.5 | 0.4 |
| Percent of quota | 588.5 | 656.2 | 619.2 | 560.5 | 483.9 | 397.5 | 316.0 | 246.5 | 174.7 | 140.0 | 125.7 |
| GRA | 232.3 | 260.7 | 260.7 | 238.9 | 205.8 | 165.9 | 122.5 | 79.0 | 34.2 | 12.5 | 3.5 |
| PRGT | 316.2 | 275.5 | 238.5 | 201.6 | 158.1 | 111.5 | 73.5 | 47.4 | 20.5 | 7.5 | 2.1 |
| RSF | 40.0 | 120.0 | 120.0 | 120.0 | 120.0 | 120.0 | 120.0 | 120.0 | 120.0 | 120.0 | 120.0 |
| **Net Use of Fund Credit (millions of SDRs)** | 55.3 | 83.7 | (45.7) | (72.6) | (94.9) | (107.0) | (100.9) | (86.1) | (88.8) | (43.0) | (17.7) |
| Disbursements and purchases | 111.9 | 151.7 | - | - | - | - | - | - | - | - | - |
| Repayments and repurchases | 56.7 | 68.0 | 45.7 | 72.6 | 94.9 | 107.0 | 100.9 | 86.1 | 88.8 | 43.0 | 17.7 |
| **Memorandum Items:** | | | | | | | | | | | |
| Exports of goods and services (millions of U.S. dollars) | 5,250 | 5,880 | 6,578 | 7,142 | 7,785 | 8,455 | 9,142 | 9,882 | 10,680 | 11,539 | 12,461 |
| Government revenue (millions of U.S. dollars) | 3,146.0 | 3,560.7 | 3,959.7 | 4,419.8 | 4,894.0 | 5,422.8 | 6,001.9 | 6,611.3 | 7,277.0 | 8,005.9 | 8,802.8 |
| Nominal GDP (millions of U.S. dollars) | 21,523 | 23,559 | 25,607 | 27,686 | 29,917 | 32,348 | 34,967 | 37,789 | 40,828 | 44,100 | 47,624 |
| Average exchange rate: SDR per U.S. dollars | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| 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 |

| | 2035 | 2036 | 2037 | 2038 | 2039 | 2040 | 2041 | 2042 | 2043 | 2044 | 2045 | 2046 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. | Proj. |
| **Fund Obligations Based on Existing Credit (millions of SDRs)** | | | | | | | | | | | | |
| Principal | 2.0 | 2.0 | 2.0 | 3.0 | 2.0 | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 | - | - |
| Charges and interest | 1.6 | 1.5 | 1.4 | 1.3 | 1.2 | 1.1 | 1.1 | 1.0 | 0.9 | 0.8 | 0.8 | 0.8 |
| **Fund Obligations Based on Existing and Prospective Credit (millions of SDRs)** | | | | | | | | | | | | |
| Principal | 15.0 | 14.9 | 14.9 | 15.8 | 14.9 | 13.9 | 14.9 | 14.9 | 14.9 | 14.9 | 6.9 | - |
| GRA | 4.4 | - | - | - | - | - | - | - | - | - | - | - |
| PRGT | 2.6 | - | - | - | - | - | - | - | - | - | - | - |
| RSF | 7.9 | 14.9 | 14.9 | 15.8 | 14.9 | 13.9 | 14.9 | 14.9 | 14.9 | 14.9 | 6.9 | - |
| Charges and interest | 7.0 | 6.5 | 5.8 | 5.2 | 4.6 | 4.0 | 3.4 | 2.8 | 2.1 | 1.5 | 1.0 | 0.8 |
| **Total Obligations Based on Existing and Prospective Credit** | | | | | | | | | | | | |
| Millions of SDRs | 22.0 | 21.3 | 20.7 | 21.1 | 19.5 | 17.9 | 18.2 | 17.6 | 17.0 | 16.4 | 7.9 | 0.8 |
| Millions of U.S. dollars | 29.7 | 28.8 | 27.9 | 28.4 | 26.3 | 24.1 | 24.6 | 23.8 | 22.9 | 22.1 | 10.7 | 1.0 |
| Percent of exports of goods and services | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 |
| Percent of government revenue | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 |
| Percent of GDP | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Percent of quota (principal) | 12.1 | 12.0 | 12.0 | 12.8 | 12.0 | 11.2 | 12.0 | 12.0 | 12.0 | 12.0 | 5.6 | - |
| GRA (percent of quota) | 3.5 | - | - | - | - | - | - | - | - | - | - | - |
| PRGT (percent of quota) | 2.1 | - | - | - | - | - | - | - | - | - | - | - |
| RSF (percent of quota) | 6.4 | 12.0 | 12.0 | 12.8 | 12.0 | 11.2 | 12.0 | 12.0 | 12.0 | 12.0 | 5.6 | - |
| **Outstanding Fund Credit Based on Existing and Prospective Credit** | | | | | | | | | | | | |
| Millions of SDRs | 140.6 | 125.8 | 110.9 | 95.1 | 80.2 | 66.4 | 51.5 | 36.6 | 21.8 | 6.9 | - | - |
| GRA | - | - | - | - | - | - | - | - | - | - | - | - |
| PRGT | - | - | - | - | - | - | - | - | - | - | - | - |
| RSF | 140.6 | 125.8 | 110.9 | 95.1 | 80.2 | 66.4 | 51.5 | 36.6 | 21.8 | 6.9 | - | - |
| Millions of U.S. dollars | 189.8 | 169.7 | 149.7 | 128.3 | 108.3 | 89.5 | 69.5 | 49.5 | 29.4 | 9.4 | - | - |
| Percent of exports of goods and services | 1.4 | 1.2 | 1.0 | 0.8 | 0.6 | 0.5 | 0.3 | 0.2 | 0.1 | 0.0 | - | - |
| Percent of government revenue | 2.0 | 1.6 | 1.3 | 1.1 | 0.8 | 0.6 | 0.5 | 0.3 | 0.2 | 0.0 | - | - |
| Percent of GDP | 0.4 | 0.3 | 0.3 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | - | - |
| Percent of quota | 113.6 | 101.6 | 89.6 | 76.8 | 64.8 | 53.6 | 41.6 | 29.6 | 17.6 | 5.6 | - | - |
| GRA | - | - | - | - | - | - | - | - | - | - | - | - |
| PRGT | - | - | - | - | - | - | - | - | - | - | - | - |
| RSF | 113.6 | 101.6 | 89.6 | 76.8 | 64.8 | 53.6 | 41.6 | 29.6 | 17.6 | 5.6 | - | - |
| **Net Use of Fund Credit (millions of SDRs)** | (15.0) | (14.9) | (14.9) | (15.8) | (14.9) | (13.9) | (14.9) | (14.9) | (14.9) | (14.9) | (6.9) | - |
| Disbursements and purchases | - | - | - | - | - | - | - | - | - | - | - | - |
| Repayments and repurchases | 15.0 | 14.9 | 14.9 | 15.8 | 14.9 | 13.9 | 14.9 | 14.9 | 14.9 | 14.9 | 6.9 | - |
| **Memorandum Items:** | | | | | | | | | | | | |
| Exports of goods and services (millions of U.S. dollars) | 13,453 | 14,499 | 15,609 | 16,800 | 18,078 | 19,450 | 20,906 | 22,467 | 24,141 | 25,937 | 27,864 | 29,931 |
| Government revenue (millions of U.S. dollars) | 9,565.6 | 10,392.1 | 11,241.2 | 12,176.1 | 13,185.7 | 14,275.6 | 15,423.0 | ###### | 18,050.9 | 19,427.0 | 20,908.0 | 22,501.9 |
| Nominal GDP (millions of U.S. dollars) | 51,418 | 55,412 | 59,654 | 64,207 | 69,093 | 74,337 | 79,900 | 85,867 | 92,266 | 99,131 | 106,494 | 114,393 |
| Average exchange rate: SDR per U.S. dollars | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 |
| 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 |

Source: IMF staff calculations.

Note: Benin belongs to Group B for RSF financing terms.

## Table 10. Benin: Access and Phasing Under the EFF/ECF Arrangements, 2022-25

| Availability date | Amount (SDR Million) | | | Percent of Quota[1] | | | Conditions for disbursement/purchases |
|---|---|---|---|---|---|---|---|
| Availability date | Total | ECF | EFF | Total | ECF | EFF | |
| July 8, 2022 | 108.30 | 36.10 | 72.20 | 87.48 | 29.16 | 58.32 | Executive Board approval of the ECF/EFF arrangements |
| November 21, 2022 | 108.30 | 36.10 | 72.20 | 87.48 | 29.16 | 58.32 | Observance of end-June 2022 performance criteria, and completion of the first review under the arrangements. |
| May 1, 2023 | 50.82 | 16.94 | 33.88 | 41.04 | 13.68 | 27.36 | Observance of end-December 2022 performance criteria, and completion of the second review under the arrangements. |
| November 1, 2023 | 101.58 | 33.86 | 67.72 | 82.06 | 27.36 | 54.70 | Observance of end-June 2023 performance criteria, and completion of the third review under the arrangements. |
| May 1, 2024 | 31.20 | 10.40 | 20.80 | 25.20 | 8.40 | 16.80 | Observance of end-December 2023 performance criteria, and completion of the fourth review under the arrangements. |
| November 1, 2024 | 31.20 | 10.40 | 20.80 | 25.20 | 8.40 | 16.80 | Observance of end-June, 2024 performance criteria, and completion of the fifth review under the arrangements. |
| May 1, 2025 | 26.20 | 8.70 | 17.50 | 21.16 | 7.03 | 14.14 | Observance of end-December 2024 performance criteria, and completion of the sixth review under the arrangements. |
| October 31, 2025 | 26.458 | 8.849 | 17.609 | 21.37 | 7.15 | 14.22 | Observance of end-June 2025 performance criteria, and completion of the seventh review under the arrangements. |
| Total | 484.058 | 161.349 | 322.709 | 391.00 | 130.33 | 260.67 | |

Sources: IMF Staff Estimates

1/ Benin's quota is 123.8 million SDR.

## Table 11. Benin: Schedule of Disbursements Under the RSF Arrangement, 2024-25

| Availability Date | Amount | | Total Amount | | EFF/ECF Review | Conditions for Access |
|---|---|---|---|---|---|---|
| | SDR Millions | Percent of Quota[1] | SDR Millions | Percent of Quota | | |
| **May 1, 2024** | 9.904 | 8 | 19.808 | 16 | **4th EFF/ECF Review** | Reform measure 1 implementation |
| | 9.904 | 8 | | | | Reform measure 7 implementation |
| **November 1, 2024** | 9.904 | 8 | 39.616 | 32 | **5th EFF/ECF Review** | Reform measure 4 implementation |
| | 9.904 | 8 | | | | Reform measure 6 implementation |
| | 9.904 | 8 | | | | Reform measure 11 implementation |
| | 9.904 | 8 | | | | Reform measure 12 implementation |
| **May 1, 2025** | 9.904 | 8 | 49.52 | 40 | **6th EFF/ECF Review** | Reform measure 5 implementation |
| | 9.904 | 8 | | | | Reform measure 10 implementation |
| | 9.904 | 8 | | | | Reform measure 13 implementation |
| | 9.904 | 8 | | | | Reform measure 14 implementation |
| | 9.904 | 8 | | | | Reform measure 15 implementation |
| **October 31, 2025** | 9.904 | 8 | 39.616 | 32 | **7th EFF/ECF Review** | Reform measure 2 implementation |
| | 9.904 | 8 | | | | Reform measure 3 implementation |
| | 9.904 | 8 | | | | Reform measure 8 implementation |
| | 9.904 | 8 | | | | Reform measure 9 implementation |
| Total | 148.56 | 120.0 | | | | |

Sources: IMF Staff Estimates

1/ Benin's quota is 123.8 million SDR.

## Table 12. Benin: Remaining Structural Benchmarks Under the Current EFF/ECF Arrangements, 2023–25

| Reform area | Structural benchmark | Due date | Status |
|---|---|---|---|
| **Public Financial Management** | Publish all the criteria for the appraisal and selection of major investment projects, along with feasibility studies. | End-December 2023 | Met |
| **Transparency** | Establish and operationalize a committee within the court to monitor implementation of its audit recommendations | End-February 2024 | Met |
| | Publish the audit reports of three high-stake public contracts executed during 2022-24. | End-June 2025 | - |
| | Publish annually the list of companies operating in the industrial zone, specifying the tax regime granted and the related benefits along with the volume of potential investment expected | End-April 2025 | Newly proposed SB |
| **AML-CFT** | Establish a legal framework which requires the collection and verification of beneficial ownership information of landholders at the time of transfer of land and the publication of this beneficial ownership information on a government website | End-April 2024 | Met |
| **Anti-corruption** | Operationalize the HCPC (*Haut Commissariat à la Prévention de la Corruption*) and strengthen its legal framework to ensure its independence and powers, in consultation with IMF staff | End-June 2024 | Met |
| **Public Financial Management** | Update the list of bank accounts of public organizations before the end of August 2023 and close at least half of those subject to the obligation to deposit funds in the Treasury and not benefiting from an exemption authorization from the MEF, while repatriating the balances to the public Treasury, no later than the end of June 2024 | End-June 2024 | Met |
| **Business climate** | Extend the online land registry (e-cadaster) to completely cover the city of Cotonou, and systematically update land transactions in the e-cadaster | End-April 2025 | - |
| | Create and operationalize a single electronic window to promote investment and accelerate export facilitation, including by providing approval under the investment code and export support for small and medium-size enterprises. | End-February 2025 | - |
| **Social policies** | In line with the government's highly social mandate, develop and publish on the website of the Ministry in charge of Social Affairs a mapping of social protection programs, identifying the main vulnerabilities addressed by each program and beneficiaries, and including a quantification of coverage gaps and overlaps, and the associated policy and financing implications. | End-October 2025 | Newly proposed SB |

## Table 13. Benin: RSF Reform Matrix

| | Focus | Area | Reform Measure | Due date | Status |
|---|---|---|---|---|---|
| **Pillar 1. Mainstreaming the climate agenda in policy making and PFM/PIM processes** | | | | | |
| **RM1** | **A, M** | **PIM Decree and Appraisal Methodology** | Government to amend the regulatory framework governing PIM (Decree 2021-586) in order to include climate concerns in the various stages of PIM, notably identification, appraisal, selection and ex-post evaluation, and to update accordingly the September 2019 public investment manual. | End-March 2024 | Met |
| **RM2** | **A, M** | **Maintenance** | Government to adopt by end 2024 a methodology to integrate climate vulnerabilities in maintenance policy for key infrastructure assets (roads, buildings) and to pilot this policy in three selected large sectoral ministries, ensuring that the funds allocated to maintenance of non-financial fixed assets within the 2026 draft budget (submitted in October 2025) and within the 2026 budget of Société des Infrastructures Routières et de l'Aménagement du Territoire (SIRAT) are determined on the basis of this maintenance policy. | End-October 2025 | |
| **RM3** | **A, M** | **State-Owned Enterprises** | Government to adopt an implementing decree of Law 2020-20 on State Owned Enterprises to put in place an appropriate legal framework to integrate climate concerns and to relatedly publish a first annual report on SOEs (in accordance with article 65 of Law 2020-20) including analysis of (i) the contribution of SOE strategies to climate adaptation and mitigation efforts (ii) the risks related to climate change affecting SOEs. | End-October 2025 | |
| **RM4** | **A, M** | **Climate Budget Tagging** | Government to adopt an implementing order of decree 2020-495 on the calendar for budget works to set the list of budget documents to be produced each year and henceforth institutionalize the production each year of a climate budget brief. Operationalize the reform starting with the budget preparation process for FY25, with involvement of Ministry in charge of Environment and with counterparts in sectoral ministries. | End-October 2024 | Met |

## Table 13. Benin: RSF Reform Matrix (continued)

| | Focus | Key challenge | Reform Measure | Due date | Status |
|---|---|---|---|---|---|
| **Pillar 2. Enhancing adaptation to climate change and strengthening population's resilience** | | | | | |
| **RM5** | **A** | **Water Resources** | (1) Adopt a revised decree of the National Water Council, which would include a mandate to monitor groundwater and surface water resources and equip the Council with sufficient human and financial resources to discharge its mission; and (2) Realize a strategic groundwater assessment and have the National Water Council Supervise and validate this assessment. | End-April 2025 | |
| **RM6** | **A** | **Water Tariffs in Urban Areas** | Institutionalize a mechanism for water tariffication in urban areas based on the following parameters: (i) a tariff study; (ii) a transparent tariff structure in conformity with international good practices and (iii) a financial equilibrium model. | End-September 2024 | Now expected by early 2025 |
| **RM7** | **A** | **Local Government** | Government to propose an amendment to the 2024 budget law setting the principle of taking into account community-identified climate priorities in the criteria for allocation of transfers to local authorities, whether they take place in the current framework of FADeC – Fund for Support for Communal Development – or within the framework of the new Communal Investment Fund that will replace FADeC, and simulate the implementation of this mechanism for the 2024 FADeC. | End-March 2024 | Met |
| **RM8** | **A** | **Social protection** | Integrate information on climate risks into the Social Registry (RSU), in particular for municipalities identified as being at high risk of flooding. | End-October 2025 | |
| **RM9** | **A, M** | **Agriculture** | Government to adopt a decree to establish an agricultural insurance scheme leveraging existing programs (FNDA), including climate risk mitigation strategies, with a minimum objective of covering by September 2025 two main products amongst the ones identified in the May 2023 feasibility study to the benefit of a minimum of 100,000 producers. | End-September 2025 | |
| **RM10** | **A, M** | **Building codes** | Government to adopt in Council of Ministers a draft building code (*projet de loi portant loi-cadre sur la construction et l'habitation*) incorporating technical standards favoring adaptation to future climatic conditions, including with respect to expected climate-hazards' magnitude and frequency, and favoring low carbon and climate resilient options for planning, technical design, maintenance, and inspections, as well as requisite secondary legislation. | End-March 2025 | |

## Table 13. Benin: RSF Reform Matrix (concluded)

| | Focus | Key challenge | Reform Measure | Due date | Status |
|---|---|---|---|---|---|
| **Pillar 3. Supporting mitigation efforts** | | | | | |
| **RM11** | **M** | **Comprehensive fossil fuel subsidy reform** | Adopt a comprehensive reform of fossil fuel subsidies, in consultation with IMF staff, by: i) conducting a comprehensive assessment of the new "tender" model for fuel imports, quantifying its costs and benefits, and assessing the risks associated with the competitiveness of the fuel import market, supply guarantees for imported petroleum products, and the timing of the tender, among others; ii) reorganizing the pricing structure for petroleum products, highlighting, where appropriate, subsidies and tax expenditures, and establishing a new tax structure; iii) defining the parameters of a predictable pricing mechanism based on the specific features of the Beninese hydrocarbon market, as well as the timing of its implementation; and iv) adopting and publishing an inter-ministerial order (Ministry of Economy and Finance and Ministry of Industry and Commerce) introducing a transitional arrangement for closing the gap between the pump price and the new formula price starting in January 2025, prior to implementing a formula-based periodic price adjustment mechanism before the adoption of the 2026 budget (November 2025). | End-November 2024 | met |
| **RM12** | **M** | **Social protection in relation to fuel subsidy reform.** | i) Establish a compensatory mechanism to limit the effect of fuel subsidy reform on vulnerable groups using the Social Registry (RSU); ii) adopt an implementation framework for the RSU which defines the Management Information System (MSI) governance structure and provides detailed operational guidance, while ensuring adequate financial, human, and material resources to the unit responsible for the operationalization of the RSU. | End-November 2024 | met |
| **RM13** | **M** | **Electricity tariff reform** | Design and adopt a comprehensive and gradual electricity tariff reform to fully remove electricity subsidies and reflect cost-recovery levels, with the first phase to be implemented in 2025. | End-January 2025 | on-track |
| **RM14** | **M** | **Support to renewable energy** | Remove key obstacles to development of renewable energy (RE) by adopting regulations and decisions to (i) putting in place a connection cost policy supporting connection for RE generation and (ii) committing to carrying out regular assessments of the flexibility of the grid and issues related to renewable integration. | End-January 2025 | on-track |
| **Pillar 4. Mobilizing private sector financing for climate change** | | | | | |
| **RM15** | **A, M** | **Mobilizing climate finance from the private sector** | Enhance the climate financial information architecture by the adoption by way of decree (arrêté) by the Ministry of Economy and Finance, and subsequent implementation of two complementary frameworks: i) a climate-related taxonomy (reference framework for private sector climate investment) covering mitigation and adaptation needs across key sectors defining financing and climate-related targets and private financing instruments; and ii) a climate mitigation and adaptation data collection and dissemination mechanism, connected to the taxonomy, across key sectors for private companies and key economic infrastructures. This mechanism will be coordinated and implemented by the National Statistics and Demography Institute, requiring the adoption of an arrêté under the 2022 legal framework governing the Institute's missions. | End-May 2025 | |

A= Adaptation; M=Mitigation

# Annex I. Risk Assessment Matrix (RAM)[1]

| Source of Risks | Relative Likelihood/ Time Horizon | Excepted Impact if Realized | Recommended Policy Response |
|---|---|---|---|
| **External Risks** | | | |
| Repeated extreme climate events | **Medium**<br>**Short to Medium Term** | **High**<br>Extreme climate events could disrupt schools in remote areas and affect water supply and sanitation. Climate risks to agriculture could compound other social and security challenges. | Strengthen resilience to climate change and recourse to sustainable agriculture while enhancing private sector participation to climate financing; mitigate the immediate impact on the poor including through targeted transfers and emergency assistance. |
| Intensification of regional conflicts | **High**<br>**Short to Medium Term** | **High**<br>Escalation of the conflict in Gaza and Israel, Russia's war in Ukraine, and other regional conflicts could potentially disrupt transit activity, FDIs and public finances, and complicate policy implementation. | Enhance State presence in communities at risk through improved access to basic public services; improve public spending efficiency and commit to a credible medium-term fiscal consolidation. |
| Higher commodity price volatility | **Medium**<br>**Short to Medium Term** | **High**<br>Higher commodity prices and tighter financial conditions could add to purchasing power erosion and delay addressing pre-existing social challenges. | Rely on cost-effective targeted measures in response to the food and energy price shock and reduce non-priority spending to preserve programmed fiscal targets; bolster investors' confidence through careful communication on policy actions, and maintain prudent debt policy and management; mobilize more concessional financing. |
| Adverse developments in Nigeria | **High**<br>**Short to Medium Term** | **High**<br>Slower recovery would reduce trade revenues, and growth in Nigeria, Benin's main trading partner, with adverse impact on Benin's re-exports, customs revenue, and informal trade. | Move away gradually from the transit-centered "entrepot" growth model; improve the business environment to support economic diversification and private sector development. |
| **Domestic Risks** | | | |
| Policy implementation risks, due to widespread social discontent and political instability | **Medium**<br>**Short Term** | **High**<br>Social tensions could increase political polarization, undermine economic activity, disrupt the reform agenda, and exert pressure on the budget. | Strengthen social safety nets to mitigate the impact on the poor; enhance the delivery of basic public services; ensure transparency and accountability in public spending and improve the efficiency of public investment. |
| Intensification of financial sector vulnerabilities | **Medium**<br>**Short to Medium Term** | **Medium**<br>A surge in non-performing loans (e.g., due to exposure to Niger) could deteriorate confidence and lower capital, affecting banking sector stability and credit to the private sector. | Enhance monitoring of financial sector developments; consult with the WAEMU 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 II. Benin—Impact of Recent Policy Shifts in Nigeria[1]

*The new Nigerian administration (Nigeria is Benin's main trade partner) has made substantial policy changes since taking over in the summer of 2023. These include a reform to the foreign exchange market, the phasing out of fuel subsidies and easing of previous import restrictions. The naira has since depreciated by more than 50 percent in nominal terms (about 25 percent in real terms) vis-à-vis the CFA franc and pump prices were increased by about 60 percent cumulatively. This annex explores different channels through which its neighbor's policy shift could impact the Beninese economy.*

1. **Benin has strong economic ties with Nigeria.** More than 70 percent of Benin's exports are destined for Nigeria, with nearly 25 percent of imports originating there (Tables 1a,b). Exports have mostly taken the form of re-exports, leveraging the strategic position of the Port of Cotonou.

**Table 1a. Benin's Export Share by Trade Partner**
(Percent)

| | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| **Africa** | **77.9** | **75.9** | **76.4** | **80.7** |
| **Non WAEMU** | **69.9** | **69.8** | **71.3** | **75.3** |
| *of which* Nigeria | 67.9 | 68.5 | 69.2 | 72.8 |
| **WAEMU** | **7.9** | **6.0** | **5.1** | **5.5** |
| *of which* Niger | 3.0 | 2.1 | 2.0 | 1.2 |
| **Asia** | **18.9** | **20.1** | **21.2** | **17.7** |
| *of which* Bangladesh | 7.5 | 10.9 | 11.7 | 1.5 |
| *of which* India | 3.9 | 3.4 | 2.8 | 0.0 |
| **Others** | **3.2** | **4.1** | **2.4** | **1.5** |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

**Table 1b. Benin's Import Share by Trade Partner**
(Percent)

| | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| **Africa** | **43.6** | **41.4** | **38.5** | **33.8** |
| **Non WAEMU** | **34.7** | **30.6** | **31.1** | **27.1** |
| *of which* Nigeria | 28.2 | 25.8 | 25.4 | 22.7 |
| **WAEMU** | **9.0** | **10.8** | **7.4** | **6.7** |
| *of which* Togo | 5.3 | 7.0 | 4.1 | 3.4 |
| **Asia** | **31.7** | **28.9** | **34.5** | **40.9** |
| *of which* India | 10.1 | 8.4 | 12.1 | 12.0 |
| *of which* China | 8.2 | 8.3 | 8.8 | 11.1 |
| **Others** | **24.7** | **29.8** | **26.9** | **25.3** |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

Sources: BCEAO, and IMF staff calculations.
Note: Imports and exports include official trade statistics after adjusting for informal trade flows and re-export activity.

2. **Informal trade has traditionally resulted from policy interventions in Nigeria and porous borders have incentivized bi-directional smuggling.** While formal statistics report relatively limited trade between the two countries, trade between the two nations has been predominantly informal, with estimates suggesting that unrecorded trade accounts for 90 percent of the total. Oil products make up three quarters of informal imports (despite authorities attempts to reduce smuggled fuel, the so-called *Kpayo* accounts for 50 percent of fuel consumption in Benin) while illicit exports are primarily made up of food staples, such as rice (62 percent) and maize (16 percent).

3. **Benin's transit-centered growth model and reliance on smuggled gasoline exposes the country to policy shifts in Nigeria.** The new administration in Nigeria has made important policy shifts since the summer of 2023. The reform of the FX market has led to a 50 percent nominal depreciation of the naira vis-à-vis the CFA franc (25 percent in real terms). While Benin has traditionally enjoyed some structural advantage vis-à-vis its giant neighbor, due to the strategic position of the Port of Cotonou, the depreciation of the naira beyond an uncertain tipping point

[1] Prepared by William Hynes (SPR) and Hicham Bennouna (AFR).

(coupled with an easing of longstanding food import restrictions in Nigeria) could significantly erode Benin's external competitiveness relative to Nigeria. Due to still prevalent informal trade, the initial impact would be much larger than implied by official trade statistics.

**4. The impact on the Beninese economy depends on various elasticities of substitution.** Beyond traditional channels of import substitution (by Nigerian consumers) and erosion of price competitiveness for Beninese businesses, there are a few important peculiarities that shape the impact of the naira's depreciation. These include the role of re-export activities, which account for more than a third of Benin's imports. The reduction of Benin's imports destined to Nigeria (re-exports) due to a weaker naira would reduce transit activity at the Port of Cotonou, a traditional engine of growth for the Beninese economy. Beyond the broader macroeconomic impact, this could disproportionately affect households relying on income from transit. The impact of cheaper imports from Nigeria on Benin's competitiveness will depend on the elasticity of substitution between Beninese and Nigerian products. While cheaper imports could improve the purchasing power of households in the near term, it would erode the competitiveness of local firms in Benin.

**5. There are some tentative signs of weaker re-export activity to Nigeria as a result of the naira's depreciation, albeit with other regional developments also playing a role**. Imports of rice, Benin's largest export to Nigeria, were 40 percent lower year-on-year in Q1 2024. There has also been a decline in the volume of imported meat and vehicles, other products that are re-exported to Nigeria (Figure 1). Reduced imports of these goods may signal lower transit trade to Nigeria, consistent with more subdued activity in the Port of Cotonou, but may are also associated with other regional developments, such as closure of the Niger border, which are reducing broader re-export activity.

**6. On a more positive note, policy developments in Nigeria may be encouraging more formal trade between the two countries.** While the vast majority of exports to Nigeria remain informal, there was a sharp increase in formal exports (primarily rice and palm oil) from Benin to Nigeria in Q2 2024, suggesting that the relaxation of Nigerian import restrictions may be encouraging more official exports and re-exports from Benin (see Figure 2). This development is an indication that Beninese imports are not only driven by a motivation to avoid import restrictions through the porous border, but also Nigeria's dependence on Beninese agricultural produce and the Port of Cotonou's capacity to process high levels of imports.

**Figure 1. Benin Imports for Re-export**
(Volume index, 2022q1=100)

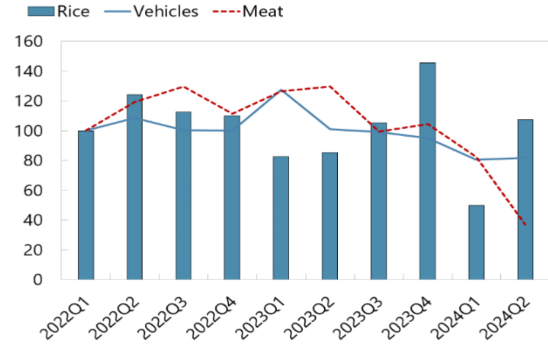
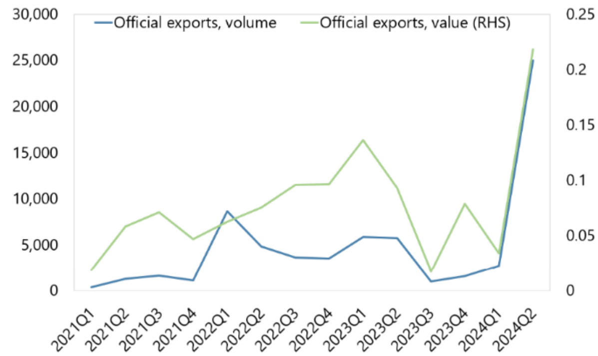



**Figure 2. Benin Formal Trade with Nigeria**
(Volume, tons) (Percent of GDP)




Sources: INSTAD, Beninese authorities and IMF staff calculations
Note: Volume for Q4 2021 imports estimated using growth in price terms due to absence of volume data in that quarter

7. **While there is no evident aggregate increase in imports from Nigeria despite their increased competitiveness vis-à-vis domestic production, there have been significant increases in import volumes in specific markets.** Imports of Nigerian beverages rose sharply in 2023, as did building materials like cement (Figure 3). Business associations in Benin have pointed to the extremely challenging environment for Beninese firms in these sectors. There has also been an impact on foreign tourism, with trips to Benin less affordable for Nigerians who represent 50 percent of foreign visitors.

8. **With regard to Benin's main import from Nigeria, the ongoing phasing out of fuel subsidies in Nigeria has implications for fuel pricing in Benin.** Historically, cheaper smuggled gasoline (*kpayo*)—estimated to account for about 80 percent of household gasoline consumption in Benin—has contributed to lower transport costs. It has also made it harder for the Beninese government to increase fuel pump prices, as households tend to rely more on informal gasoline consumption as its price falls further below the official pump price, which in turns lowers fuel tax revenues. While declining in price due to the depreciation, *kpayo* has remained above its historical level, partly reflecting wider margins being retained by smugglers and stringent controls over the Nigerian border. The resulting gradually transition from smuggled fuel products to formal is likely to entail short-term social costs in Benin (Figure 4).

**Figure 3. Selected Benin Imports from Nigeria**
(Monthly values, USD)

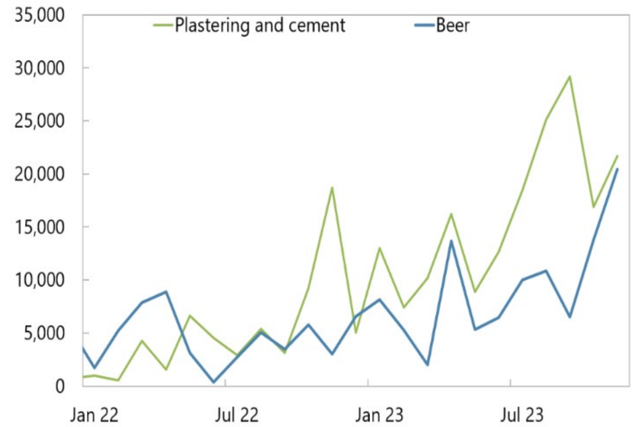
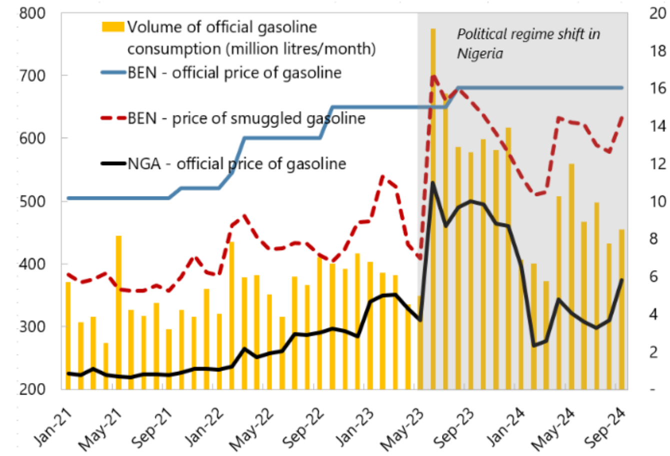



**Figure 4. Prices of Gasoline in Benin and Nigeria**
(FCFA/liter)




Sources: WEO, Central Bank of Nigeria, INSTAD, UN Comtrade, and IMF staff calculations.

9. **Policy shifts in Nigeria present an opportunity to accelerate export diversification (products and partners) already underway.** Formalizing Benin's economic ties with Nigeria would curb rent-seeking and may lead to higher-value added trade between the two nations.

10. **To counter risks to its competitiveness, Benin must continue harnessing its comparative advantage and transforming its economy.** The CFA franc being pegged to the euro limits adjustment to structural improvements. Although this would take time to bear fruit, Benin should continue harnessing the strategic position of the Port of Cotonou and its arable land. More broadly, continued investment in human capital development and improvement in the business climate are essential to achieve broader and long-lasting competitiveness gains. Finally, reduced informal trade provides an opportunity to formalize trade between the two nations and curb rent-seeking. This would also help deliver greater diversification of trade partners (the SEZ is already allowing Benin to export higher value-added exports to new markets).

# Appendix I. Letter of Intent

Cotonou, December 6, 2024

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431
USA

Dear Madame Managing Director:

I am pleased to inform you that we continue to make significant progress in the implementation of our economic and financial program supported by the IMF through the arrangements under the Extended Fund Facility (EFF) and the Extended Credit Facility (ECF). In particular, we have met all quantitative targets at end-March and end-June 2024 and implemented all structural measures agreed with IMF staff under the EFF/ECF program. We are thus approaching the final year of the program with serenity.

We remain fully committed to the implementation of our climate reform agenda under the Resilience and Sustainability Facility (RSF), approved by the IMF Executive Board in December 2023 to complement the EFF/ECF arrangement in strengthening Benin's socio-economic resilience. To that end, we have implemented key reform measures under the RSF and we are pursuing those efforts. We place particular emphasis on mobilizing climate financing (including the monetization of carbon credits), leveraging the catalytic role of the RSF, including financial commitments by our partners during the recent COP29.

As you are aware, Madam Managing Director, Benin has had to endure two major shocks since last year: (i) the closure of the border with Niger, in accordance with ECOWAS' decision following the coup d'état of July 2023 in that country, and (ii) the increase in hydrocarbon prices from Nigeria combined with the sharp depreciation of the Naira against the CFA franc. Fortunately, in the face of these shocks, the Beninese economy has shown tremendous resilience thanks to sound macroeconomic management and resolve in reform implementation over the past several years. After a robust performance of 6.4 percent in 2023, we recorded economic growth of 6.4 percent in the first half of this year, mainly driven by strong public and private investments, particularly in the industrial zone in the latter case.

The draft budget law for the 2025 fiscal year, which we submitted to Parliament, provides for the continuation of fiscal consolidation consistent with the WAEMU deficit norm of 3 percent of GDP for the first time since COVID-19. Fiscal consolidation continues to be driven by tax revenue mobilization, guided by our medium-term revenue mobilization strategy. At the same time, we remain committed to strengthening our strategy to rationalize current public spending while increasing priority social spending.

We continue to make significant progress on our structural reform agenda. In our fight against corruption, we have operationalized the anti-corruption agency (*Haut-Commissariat à la Prévention de la Corruption – HCPC*), a key recommendation of the governance diagnostic conducted by the

IMF. We intend to further strengthen the anti-corruption legal framework. Moreover, beyond other governance reforms under the EFF/ECF, we are operationalizing our homegrown governance action plan, developed in consultation with civil society, to implement other key recommendations from the Fund's governance diagnostic.

We are also implementing our climate agenda, supported since December 2023 by the Resilience and Sustainability Facility. We have integrated climate action into the budget process and are working to accelerate efforts to catalyze private capital for climate financing. We have embarked on a comprehensive reform of fossil fuel subsidies, including a predictable pricing mechanism that takes into account the specificities of Benin's local fuel market.

The government is convinced that the measures and policies outlined in the Memorandum of Economic and Financial Policies (MEFP, Attachment I) are adequate to achieve the objectives of its program. It will take all appropriate additional measures if necessary. The Government will consult with IMF staff on the adoption of these measures and before making changes to the policies contained in this Memorandum, in accordance with the Fund's rules for such consultations.

We will carry out the commitments outlined in the MEFP and agree to provide the IMF with information on the implementation of the agreed measures and program execution, as provided in the Technical Memorandum of Understanding (TMU, Attachment II). In light of the level of program implementation to date and the commitments set out in the MEFP, the government is requesting: (i) the conclusion of the fifth review under the Extended Fund Facility and the Extended Credit Facility and the disbursement of SDR 31.2 million (or 25.2 percent of Benin's quota); of which SDR 10.4 million under the ECF and SDR 20.8 million under the EFF; and (ii) the conclusion of the second review of the Resilience and Sustainability Facility (RSF) and the disbursement of SDR 29.7 million (24 percent of Benin's quota).

In order to implement those priorities and support its credibility in the international community and in the eyes of our people, the Government intends to maintain a productive relationship with its development partners and with various stakeholders. To this end, we will remain closely engaged with the IMF to support our strategy to promote growth through investment in human capital and infrastructure.

In line with the government's objective of promoting transparency, we consent to the publication of this letter, its attachments, and the staff report associated with our request for support.

Please accept, Madam Managing Director, the assurances of my highest consideration.

/s/

Romuald Wadagni
Minister of State, Minister of Economy and Finance

Attachments (2):
1. Memorandum of Economic and Financial Policies (MEFP)
2. Technical Memorandum of Understanding (TMU)

# Attachment I. Memorandum of Economic and Financial Policies

## CONTEXT

**1. Our sound macroeconomic management and sustained commitment to reforms since 2016 have helped us face repeated shocks that have persistently hit countries around the world since 2020, and strengthened our social and economic resilience.** Our strong fiscal position entering the crisis episode that started with Covid-19, allowed us to deploy strong counter-cyclical fiscal policy, anchored in transparency and performance-based management, and continue our fiscal consolidation to rebuild policy buffers and ensure gradual convergence towards the regional overall fiscal deficit norm of 3 percent of GDP by 2025.

**2. The Beninese economy has proven to be very resilient, with robust growth over the years despite multiple shocks** related to COVID-19, the Russia's war on Ukraine, the ECOWAS decision to close borders with Niger (following the coup in that country on July 26, 2023), the depreciation of the Nigerian currency, etc. GDP growth is projected at 6.5 percent in 2024, against 6.4 percent in 2023 and 6.3 percent in 2022.

**3. Our economic and financial program (2022-2025), supported by the International Monetary Fund under the Extended Fund Facility (EFF), the Extended Credit Facility (ECF), and the Resilience and Sustainability Facility (RSF),** has delivered solid results since its implementation. The transformational reforms implemented so far are already yielding tangible results in governance and macroeconomic and fiscal management. All quantitative targets at end-June and structural benchmarks for the fifth review of the EFF/ECF program have been met. We are also firmly moving forward with our agenda under the RSF arrangement approved by the IMF Executive Board at end-2023. The catalytic dimension of this program is currently being explored, through ongoing initiatives to generate additional climate finance sources (see Para 30).

**4. It is important to notice that IMF support continues to catalyze additional budget support beyond our expectations**. In addition, S&P's recent upgrade of our sovereign credit rating to "BB-" and our membership of the EBRD will continue to support our economic and social development strategy and our medium-term economic policy choices.

## Recent Economic Developments and Outlook

**5. Overall, the Beninese economy has been resilient in** the **face of multiple shocks:**

- Economic growth in the first half of 2024 was at 6.4 percent, supported by agriculture, agroindustry, construction, trade, and tourism.
- Preliminary data from the BCEAO suggest a larger deterioration in the current account balance in 2023 than initially anticipated, with a deficit of 6.4 percent in 2023 (compared to 6.0 percent in 2022), due to higher imports of equipment and services related in part to the industrial zone, and delays in the repatriation of export proceeds.

**6. The medium-term economic outlook remains promising.** Economic growth is expected to stabilize at around 6.5 percent in 2024-25, mainly driven by the expansion of the port of Cotonou, continued strengthening of the industrial sector, major infrastructure projects under PAG (2021-26), and continued improvement in the business climate.

**7. The economic outlook remains surrounded by risks, including:**

***Downside risks:***

- Macroeconomic policy shifts in Nigeria, including the devaluation of the Naira, could erode Benin's external competitiveness vis-à-vis Nigeria;
- Rising global oil and food prices, which could generate inflationary pressures and increase the risk of food insecurity, could complicate fiscal trade-offs and also put pressure on external accounts;
- The deterioration of the security situation in the Sahel;
- Risks related to climate change, including from, *inter alia*, the recurrence of floods, droughts and uneven distribution of rainfall.
- Maintaining the momentum of reforms ahead of the presidential elections in 2026 would require greater resolve.

**Upside risks:**

- A continuation of the recent operationalization of the Niger-Benin oil pipeline has potential to generate economic benefits and additional tax revenues;
- An orderly development of the SEZ and sustained expansion of the Port of Cotonou could further stimulate FDI and create jobs.

## Consolidating Fiscal Adjustment While ensuring Sustainable Financing for Socioeconomic Development

***Execution of the 2024 budget***

**8. We met all quantitative targets under the EFF/ECF arrangements at end-March 2024 and end-June 2024.** The QPCs on the basic primary balance and net domestic financing as well as the ceiling on new external debt contracts were all met with comfortable margins (Table 1). At end-June, we had achieved a basic primary balance of CFAF 51.2 billion (or 0.39 percent of GDP), more than double the program indicative target of CFAF 22.5 billion (0.17 percent of GDP). We collected at end-June 2024 CFAF 822.7 billion in tax revenue, slightly above our indicative target, owing to the effectiveness of various tax policy and tax administration measures, in particular, measures to digitalize the collection of tax revenues. Despite the concentration of interest expenses in the first half of the year due to debt service schedules, current public expenditure remained stable with the acceleration of the execution of priority social spending, which reached CFAF 69.7 billion, against a target of CFAF 55.5 billion (indicative target).

***Convergence to the WAEMU Deficit Norm by 2025***

**9. We are committed to continuing fiscal consolidation in 2025 to align the deficit with the WAEMU convergence norm.** The draft budget law for the 2025 fiscal year, submitted to Parliament in October 2024, aims to further reduce the fiscal deficit by 0.8 percentage points to 2.9 percent of GDP by 2025, in line with the WAEMU norm of 3 percent of GDP. Revenues are expected to continue to grow compared to 2024 (+0.5 percentage points of GDP), driven by domestic taxes. We will continue to rationalize expenditure, by containing the increase in current expenditure and by rigorously monitoring the evolution of capital expenditure to achieve our fiscal consolidation objectives. Over the medium term, we remain committed to pursuing sound fiscal management in line with the WAEMU convergence criteria, supported by domestic revenue mobilization efforts and improving expenditure efficiency. This will put public debt on a downward trajectory, further reducing risks.

**10. Domestic revenue mobilization, which is the backbone of the 2022-2025 EFF/ECF program, remains a key focus of public action.**

- **Improving domestic revenue mobilization remains a key pillar of our fiscal reform program**, guided by the Medium-Term Revenue Strategy (MTRS). The implementation of the MTRS has already helped increase tax revenues and will continue to serve as a benchmark for future reforms (Text Table 1)**.** The digitization of public services that we have begun continues to improve revenue collection by gradually expanding the tax base.

- **The scope of rationalization of tax expenditures should continue to expand.** After the notable progress already made in streamlining tax expenditures - particularly the VAT on certain public services, the wage processing tax, and the motor vehicle tax on certain public structures - we will continue this effort, in accordance with the WAEMU directives and the MTRS. We plan to evaluate some exemption measures by 2025, including VAT and customs duty exemptions on new imported, manufactured, or sold new vehicles, coaches, and minibuses of all categories intended for use in public transportation.

**11. Improving the effectiveness of public spending through several levers remains a priority:**

- **Rationalization of current expenditures**. Although fiscal adjustment is strongly driven by the pursuit of improvement in domestic revenue mobilization, important measures are also being developed in the expenditure side. These include: (i) the effective application of grouping of public supply orders, (ii) the adoption of a policy of purchasing IT equipment from manufacturers with an effect of economy of scale, (iii) the ongoing gradual migration of public services housed in leased infrastructures to newly constructed administrative buildings, (iv) containment of maintenance and operating activities fees through a competitive costing approach and the principle of justification of first franc induced by the transition to the program budget, etc. Those represent efficient tools to enhance expenditure rationalization.

- ***Public investment efficiency.*** Since end-December 2023, we have systematically published all the criteria for the appraisal and selection of major public investment projects, as well as the related feasibility study reports**.**

**12. Our fiscal targets remain consistent with our macroeconomic projections, and we are confident that they are reasonable and achievable.** While the 2025 budget law contains only a few additional tax measures, we are convinced that the tax reforms of recent years are yet to yield the full impact. The comprehensive review of the General Tax Code two years ago has made it possible to insert important tax policy measures into the tax reference system that are gradually being implemented. We have also developed a set of contingency measures that we plan to activate in the event of difficulties, with a view to achieving our fiscal path (3.7 percent of GDP in 2024 and 2.9 percent of GDP in 2025). Should adjustment be required, priority social spending will be protected.

**Text Table 1. Estimated Additional Impacts of Tax Measures in 2025**
(CFAF billions)

| | Nominal | % of GDP |
|---|---|---|
| **Net Additional Yields Relative to the Previous Year (A+B)** | **69.6** | **0.5** |
| A. Domestic taxation, *of which* | 38.1 | 0.3 |
| New administrative measures | 23.0 | 0.2 |
| Expanding the tax base by using data from the latest firm census | 10.0 | 0.07 |
| Increased product marking of products subject to excise taxes (e.g., tobacco) | 7.0 | 0.05 |
| Effective application of the 5% levy on transactions of individuals operating on the e-MECeF invoicing platform | 3.0 | 0.02 |
| Effective implementation of the ongoing simplification of property taxation | 2.0 | 0.01 |
| Continuation of teleprocedures in small business tax centers | 1.0 | 0.01 |
| New tax policy measures | 7.1 | 0.1 |
| Effective taxation on gambling activities (resumption of IBET gambling platform) | 3.0 | 0.02 |
| Withholding of 100% of VAT revenue from legal entities with revenues less than CFA 50 million | 2.3 | 0.02 |
| Taxation of new markets (registration of taxpayers and collection of tax incorporated into the rent) | 1.8 | 0.01 |
| Impact of existing tax measures (e.g., increase in the withholding tax for non-resident service providers, 5% levy on transactions on the e-MECeF platform) | 8.0 | 0.06 |
| B. International taxation measures, *of which* | 31.5 | 0.2 |
| New administrative measures (e.g., product marking of petroleum products) | 8.0 | 0.1 |
| Impact of existing tax measures | 23.5 | 0.2 |
| Expansion of the application of transaction values at customs | 14.0 | 0.1 |
| Increased transactions through single window for foreign trade / proper handling of solid and liquid bulk | 9.5 | 0.1 |

***Rebalancing the Composition of Financing Towards Domestic Debt While Ensuring Sustainable Financing***

**13. The medium-term debt strategy (2024-2026) prioritizes prudent borrowing and proactive debt management** to keep the risk of debt distress moderate. During the period 2024-2026, depending on market conditions, our financing strategy will aim to reduce our dependence on external financing by mobilizing the regional domestic market and prioritizing government securities with long maturities to contain refinancing risk at a prudent level. For external financing, to meet our financing needs, we will continue to give preference to concessional loans, in particular budgetary support, followed by commercial loans denominated in euro at fixed interest rates. As part of the government's climate agenda, special attention will be given to the mobilization of sustainable borrowing on good terms. As part of our proactive debt management strategy, we may carry out an international borrowing operation covered by a partial guarantee provided by the International Development Association (IDA). We are committed to carrying out the transaction only if it has a positive impact on our debt, in particular savings in net present value without deteriorating our debt profile. We will carry out the operation after consultation with IMF staff.

**14. We will continue to strengthen the technical and operational framework for the Treasury single account (TSA).** There are currently 1,511 bank accounts held by public entities, of which 1,402 have no special authorization from the Ministry of Economy and Finance. Accounting for cases where co-financed investment project contracts required public entities to open an account in a commercial bank, the number of public accounts that should be closed has been revised to 1298. By end-September 2024, we had already closed 60.17 percent of public bank accounts with commercial banks and repatriated the balances to the TSA (**structural benchmark for end-June 2024**). To accelerate the closing of the remaining accounts, a new binding measure will be implemented during the budget execution procedures for public entities in 2025. It will consist in managing debit movements on accounts that have not been closed.

**15. Repatriated balances from closed accounts remain accessible to the original beneficiary entities.** The funds repatriated as part of the operation to close public accounts scattered in commercial banks are transferred to TSA sub-accounts at the Treasury and continue to be managed by the beneficiary entities.

## PROMOTING POLICIES TO FOSTER SUSTAINABLE INCLUSIVE GROWTH AND SAFEGUARD MACROECONOMIC GAINS

### Strengthening Social Safety Nets

**16. We remain committed to strengthening social policies to accelerate progress toward the Sustainable Development Goals (SDGs) and narrow large social needs.** Despite the reduction in poverty, achieved through increased social spending since 2022, continued efforts are needed to reduce inequalities between regions and income groups. Our Single Social Registry will enhance targeting of the populations benefiting from social assistance programs, and offers enormous opportunities to reducing social inequalities. We will step up the implementation of social interventions to protect the most vulnerable groups, including by:

- **In the health sector:** we will pursue the implementation of all measures under way to facilitate access to care, with modernized technical platforms. In particular, for vulnerable segments of the population, we will reduce the cost of treatment for people with chronic kidney disease, by implementing, starting in 2025, a policy of exemption from customs duties and taxes and value-added tax (VAT) on dialysis kits (about CFAF 1.7 billion). In fact, the input costs for dialysis care appeared to be high, with the risk of jeopardizing the ability of people with chronic kidney disease to access treatment.

- **In the education sector:** we are accelerating the education of children, including young girls, by increasing resources to accelerate the implementation of our education programs, particularly the National Integrated School Feeding Program (PNASI) and the National Program for Accelerating the Education and Well-Being of Young Girls. In the 2025 budget law, we have incorporated the necessary resources for the full extension of our Integrated School Feeding Program (PNASI) to all primary schools in rural areas for the 2024-2025 school year. Beyond the gains related to the retention of students in schools, the integrated school feeding program is an instrument that helps fend-off food security and safety risks. The school feeding policy will continue, along with a more comprehensive nutrition program that aims to take care of the child from pregnancy follow-up onwards. In addition, a policy to improve the pupil-teacher ratio is under way to ensure better supervision of children.

- **Social protection:** As part of our holistic social policy, we designed and launched the implementation of the Insurance for Human Capital Development (ARCH). The training component of the program is aimed primarily at craftsmen in the informal sector. We have already established a database of 1720 artisan trainers and intend to roll out a vast training program targeting craftsmen in areas identified as high needs. A first cohort of 2676 artisans will be trained in 2024 with several waves of training to follow, following the council of ministers' approval of trainers in October 2024; similar initiatives will follow. In line with our highly social mandate, we will develop and publish on the Ministry in charge of Social Affairs website a detailed mapping of existing social protection programs by identifying the main vulnerabilities addressed by each program and the beneficiaries, including the quantification of coverage gaps and overlaps, and the associated policy and financing implications. (***New SB for end-October 2025***).

## Accelerating Structural Reforms

**17. We will continue to modernize our administration, in particular by dematerializing public services through digitalization.** We are pursuing the digital transformation of our country through the digitalization of public services in all socio-economic sectors. This dynamic, which cuts across the entire public administration, has had a major impact on the organization of revenue administration agencies with revenues almost entirely administered digitally. The pace of dematerialization of public services is sustained with an average of fifty e-services per year in recent years.

**18. We see industrialization through SEZs as a key element of our economic transformation.** The structural transformation of the economy, one of the pillars of our government action since 2016, is based on strengthening the industrial sector. Our investment attractiveness policy, built around the development of industrial zones is designed to bring an impetus to promote industrial development. In line with our strategy of continued improvement of transparency and rationalization of tax expenditures, we will publish by April 2025 the list of companies operating in the industrial zone, specifying the tax regime granted and the related benefits along with the volume of potential investment expected (***new SB for end-April 2025***). We intend to update the list annually.

## Strengthening Governance, Transparency, Rule of Law and AML/CFT Framework

**19. We have accelerated the implementation of our recently adopted and published our homegrown Governance Action Plan.**[2] The twenty-one reform measures identified under the governance diagnostic are being implemented, in line with the recommendations of the governance diagnostic report. The action plan is subject to periodic reports to ensure monitoring of its implementation. Among these reforms, we operationalized the HCPC (Haut-Commissariat à la Prévention de la Corruption), with the effective adoption of the implementing texts and the effective appointment of the High Commissioner and his senior staff (**structural benchmark for end-June 2024*)***. In addition, the government recently adopted an assets declaration decree with the list of authorities and public officials subject to the obligation to declare.

**20. We intend to continue improving the legal and institutional anti-corruption framework in Benin, particularly the "prevention" dimension for which the HCPC is responsible**. To this end, we will submit to the National Assembly by end-October 2025 a draft amendment to Law 2020-09 of April 23, 2020 creating the HCPC, focusing on the following main points: (i) the procedures for the appointment of the head of HCPC based on pre-established and publicly available criteria ; (ii) the procedures for the dismissal and suspension of the head of HCPC indicating specific grounds on which dismal and suspension may be based.

**21. We will continue reforms to improve fiscal transparency.** We will conclude by April 2025 the electronic procurement process. In addition, we commit to conduct a periodic audit of high-stakes public contracts with the assistance of independent auditors and to publish the reports on a government website. In particular, we will continue the process of finalizing the independent audit of at least three high-stakes government contracts executed between 2022 and 2024 with a view to publishing the audit reports by end-June 2025 on the website of the Public Procurement Regulatory Authority ***(structural benchmark for end-June 2025).*** Currently, the provisional reports are subject to counter-observations from the audited entities.

**22. We are strengthening our efforts to address the deficiencies in Benin's AML/CFT framework based on the recommendations of the 2021 mutual evaluation report.** Recent steps include the enactment of the law on combating money laundering, financing of terrorism, and the financing of the proliferation of weapons of mass destruction, and the conduct of sectoral money laundering/terrorism financing risk assessments. To reduce the money laundering risks identified in the real estate sector, we implemented in April 2024 a legal framework requiring the collection, verification, and publication of beneficial ownership (BO) information of landowners at the time of land transfer. Furthermore, we have already adopted a draft action plan for the effective implementation of this decree, which will set deadlines for the collection and verification by notaries of the BO information.

## Remaining Vigilant Against Increased Financial Sector Risk Exposure

[2] https://finances.bj/plan-dactions-de-mise-en-oeuvre-des-recommandations-de-la-mission-du-diagnostic-de-la-gouvernance-au-benin/

**23. We will prudently manage potential risks stemming from increased government involvement in the financial sector.** The role of the public financial sector has significantly increased in recent years with the creation in 2020 of the Caisse des Dépôts et Consignations (CDCB) and the state-owned bank BIIC, which have recently become the top financial institutions in Benin in terms of financial assets. While we appreciate their important contribution to the diversification of sources of public and private projects financing, we pledge to exercise greater vigilance in monitoring them with the view to prevent the underlying financial risks, despite the soundness of their financial stability indicators.

**24. Société générale Benin: we have adopted a proactive approach to the overall strategy of disengagement of Société Générale from Africa**. Indeed, "Société Générale Bénin" is a public limited liability company under Beninese law, 94.10 percent owned by the Société Générale Group. The Bank is recording positive growth dynamics, including with a net result in 2023 growing by 9.2 percent compared to 2022. However, as part of its overall strategy of disengagement from certain activities (Switzerland, UK) and from the African continent, Société Générale Group has decided to withdraw from Benin (as is already the case in several countries in the region). Given the company assets and the growth dynamics, several international investors have expressed their interest to acquire the Société Générale. In this context, the Government has decided to exercise a right of pre-emption to smooth out the transition to private sector ownership within the same year and strengthening the solidity of the West African financial center.

### Safeguarding Macroeconomic Gains

**25. Our sound macroeconomic management in recent years has yielded tangible gains that deserve to be preserved.** Our commitment to the structural transformation of the economy is accompanied by a strategy to improve transparency in all areas of public management. An annual action plan is instituted for that purpose to anchor budget transparency including civil society involvement in the process of constructing and implementing the budget law. As a result, we made significant progress in fiscal transparency, ranking just below South Africa for fiscal transparency in Africa. Our efforts in recent years to promote digitization, notably in the tax system, have indeed reduced the scope for fraud and tax evasion.

**26. Benin has fully implemented the WAEMU harmonized public financial management framework of 2009, including the reforms directive on the Budget Law**. The organic Law No. 2013-14 of September 27, 2013, which enshrined the internalization of this directive in the legal framework for public financial management in Benin, introduced several innovations in public finance governance. Benin has transitioned to program budget management since January 1, 2022. A process of revising the organic law is under way to provide a legal basis for all these innovations initiated by Benin on the sidelines of reform implementation.

## BUILDING RESILIENCE TO CLIMATE CHANGE.

**27. We are making progress in implementing our climate reform agenda under the RSF-supported program (Table 3).** In line with our objective to gradually extend budget climate tagging methodology to all sectors, focal points have been set up within each ministry within the Directorate of Planning, Administration, and Finance. Specific capacity-building sessions have been organized to enable them to relay the methodology within their sector. Particular emphasis is placed on sequencing climate-tagging activities through the stages of the budget process. In the preparation of the draft budget law 2025, the climate tag was applied, and a climate anchor analysis note was prepared and transmitted to the IMF teams ***(RSF reform measure 4, due end-October 2024)***

**28. We will identify measures to improve climate change adaptation and resilience of the population and to support climate change mitigation efforts**.

- ***Urban water pricing.*** We have made progress in the implementation of this reform measure. The government has conducted a study updating water tariffs—unchanged since 2009—to reflect costs and charges dynamics, pending to institutionalize a fully-fledged mechanism for water tariffication in urban areas. The new updated rates ratified by our Government following the results of the study carried out are presented, by tier, as follows (Text Table 2):

**Text Table 2: Updated Rates of Water in Urban Areas**

| ***CFAF/m3*** | **2009 rates** (VAT excluded) | **Updated rates** (VAT excluded) | **Updated rates** (VAT included) |
|---|---|---|---|
| **Tier 1** | 198 | 517 | 610 |
| **Tier 2** | 453 | 575 | 679 |
| **Tier 3** | 658 | 835 | 985 |

We are committed to pursue this reform in the coming months to establish a dynamic pricing mechanism of water tariffs in urban areas which is sustainable under a financial equilibrium model ***(RSF reform measure 6 for end-September 2024).***

- ***Building code.*** In September 2024, we adopted in the Council of Ministers a draft law establishing the framework law on construction and housing, incorporating technical standards that promote adaptation to future climate conditions, particularly with regard to the scope and frequency of anticipated climate risks (heat waves) and promoting low-carbon and climate-resilient options for planning, engineering design, maintenance, and inspections. We will also prepare draft decrees implementing the law pending adoption by Parliament ***(RSF reform measure 10 scheduled for end-March 2025).***

**29. We will also continue to support climate change mitigation efforts through the implementation of a comprehensive reform of electricity and fossil fuel subsidies.**

- **Fossil fuel subsidies**. In line with our commitments under the RSF program, we have adopted a predictable pricing mechanism for petroleum products that will help reduce the informal oil sector while protecting the budget from international oil prices volatility. The mechanism capitalizes on the benefits highlighted by the evaluation of our new "tendering" model for fuel imports adopted at end-2023 and offers predictability on the evolution of the pump prices, while taking into account the specificities of the Beninese fuel market. This will be governed by a committee comprising both public and private sector representatives ***(RSF reform measure 11 for end-November 2024).*** At the same time, we have established a mechanism to compensate the vulnerable groups following the implementation of this reform (***RSF reform measure 12 for end-November 2024).***

- **Electricity tariff reform**. We are advancing in the design and adoption of a comprehensive electricity tariff reform that should gradually and fully eliminate electricity subsidies and reflect cost recovery levels, with the first phase to be implemented in 2025 ***(RSF reform measure 13 for end-January 2025).*** We have completed the studies and received comments from the National Regulatory Council, which are currently being reviewed for consideration in the final report.

**30. We are continuing our efforts to mobilize climate finance under the RSF, including from development partners and the private sector**. In constant collaboration with the technical and financial partners, we are staying the course to share the results of the work during the CoP, with a view to obtaining firm financial commitments. The remaining priorities include: i) the monetization of carbon credits and the mobilization of the private sector, ii) the mobilization of additional budget support financing with a multi-donor matrix, etc. Our action remains consistent with the challenges posed by climate change, particularly in the eight key sectors of socioeconomic development defined in the National Adaptation Plan.

## PROGRAM MONITORING

**31. Program monitoring will be based on performance criteria (Table 1), structural benchmarks (Table 2), and reform measures (Table 3).** Indicators and reporting requirements are defined in the attached Technical Memorandum of Understanding (TMU). The authorities will provide the IMF with the data and statistics provided in the TMU, as well as any other information they deem useful or requested by the IMF for program monitoring purposes. In accordance with the Articles VIII obligations, Benin maintains an exchange system free of multiple currency practices and restrictions on the making of payment and transfers for current international transactions.

**32. The IMF-supported program under the EFF/ECF and RSF will be monitored through joint semiannual reviews by the IMF's Executive Board.** Semi-annual reviews under the EFF/ECF will be based on end-June and end-December PCs and ITs for end-March and end-September. RSF reviews will be informed by the assessment of implementation of the reform measures outlined in Table 3.

## Table 1. Benin: Proposed Quantitative Performance Criteria and Indicative Targets, 2024–25

| | March 31, 2024 | | | June 30, 2024 | | | September 30, 2024 | December 31, 2024 | March 31, 2025 | June 30, 2025 | September 30, 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | IT | | | PC | | | IT | PC | IT | PC | IT |
| | Prog. | Prel. | Status | Prog. | Prel. | Status | Prog. | Prog. | Prog. | Prog. | Prog. |
| **A. Quantitative performance criteria**[2] | | | | | | | | | | | |
| Basic primary balance (floor)[3] | 15.7 | 140.5 | Met | 22.2 | 51.2 | Met | 90.9 | 114 | 43.2 | 82.7 | 44.0 |
| Net domestic financing (ceiling)[4] | 204 | -300.3 | Met | 258.2 | -187.6 | Met | -173.3 | -248.5 | 6 | 9.9 | 362.2 |
| **B. Continuous quantitative performance criteria (ceilings)** | | | | | | | | | | | |
| Accumulation of external payments arrears | 0.0 | 0.0 | Met | 0.0 | 0.0 | Met | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Accumulation of domestic payments arrears | 0.0 | 0.0 | Met | 0.0 | 0.0 | Met | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Ceiling on the present value of new external debt contracted or guaranteed by the government[5] | 620 | 552 | Met | 620 | 606.0 | Met | 1,055 | 1,055 | 620 | 620 | 620 |
| **C. Indicative Targets**[2] | | | | | | | | | | | |
| Tax revenue (floor) | 392.1 | 403.8 | Met | 816.6 | 822.7 | Met | 1,220.5 | 1,711.4 | 443.1 | 923.0 | 1,366.0 |
| Priority social expenditure (floor)[6] | 24.1 | 25.6 | Met | 55.5 | 69.7 | Met | 114.4 | 185.1 | 25.5 | 58.8 | 123.6 |

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.

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

[4] Includes on-lending from the BCEAO related to the IMF disbursement. 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

[5] Excludes debt management operations which result in a reduction of the present value of overall external debt, and/or an improvement of the overall public external debt service profile (TMU

[6] Includes internally and externally financed expenditures related to government interventions that directly reduce poverty in the areas of education, health and nutrition, social safety nets, access

## Table 2. Benin: Remaining Structural Benchmarks Under the Current EFF/ECF Arrangements, 2023–25

| Reform area | Structural benchmark | Due date | Status |
|---|---|---|---|
| **Public Financial Management** | Publish all the criteria for the appraisal and selection of major investment projects, along with feasibility studies. | End-December 2023 | Met |
| **Transparency** | Establish and operationalize a committee within the court to monitor implementation of its audit recommendations | End-February 2024 | Met |
| | Publish the audit reports of three high-stake public contracts executed during 2022-24. | End-June 2025 | - |
| | Publish the list of companies operating in the industrial zone, specifying the tax regime granted and the related benefits along with the volume of potential investment expected | End-April 2025 | Newly proposed SB |
| **AML-CFT** | Establish a legal framework which requires the collection and verification of beneficial ownership information of landholders at the time of transfer of land and the publication of this beneficial ownership information on a government website | End-April 2024 | Met |
| **Anti-corruption** | Operationalize the HCPC (*Haut Commissariat à la Prévention de la Corruption*) and strengthen its legal framework to ensure its independence and powers, in consultation with IMF staff | End-June 2024 | Met |
| **Public Financial Management** | Update the list of bank accounts of public organizations before the end of August 2023 and close at least half of those subject to the obligation to deposit funds in the Treasury and not benefiting from an exemption authorization from the MEF, while repatriating the balances to the public Treasury, no later than the end of June 2024 | End-June 2024 | Met |
| **Business climate** | Extend the online land registry (e-cadaster) to completely cover the city of Cotonou, and systematically update land transactions in the e-cadaster | End-April 2025 | - |
| | Create and operationalize a single electronic window to promote investment and accelerate export facilitation, including by providing approval under the investment code and export support for small and medium-size enterprises. | End-February 2025 | - |
| **Social policies** | In line with the government's highly social mandate, develop and publish on the website of the Ministry in charge of Social Affairs a mapping of existing social protection programs, identifying the main vulnerabilities addressed by each program and beneficiaries, and including a quantification of coverage gaps and overlaps, the associated financing implications and policies. | End-October 2025 | Newly proposed SB |

## Table 3. Benin: RSF Reform Matrix

| | Focus | Area | Reform Measure | Due date | Status |
|---|---|---|---|---|---|
| **Pillar 1. Mainstreaming the climate agenda in policy making and PFM/PIM processes** | | | | | |
| **RM1** | **A, M** | **PIM Decree and Appraisal Methodology** | Government to amend the regulatory framework governing PIM (Decree 2021-586) in order to include climate concerns in the various stages of PIM, notably identification, appraisal, selection, and ex-post evaluation, and to update accordingly the September 2019 public investment manual. | End-March 2024 | Met |
| **RM2** | **A, M** | **Maintenance** | Government to adopt by end 2024 a methodology to integrate climate vulnerabilities in maintenance policy for key infrastructure assets (roads, buildings) and to pilot this policy in three selected large sectoral ministries, ensuring that the funds allocated to maintenance of non-financial fixed assets within the 2026 draft budget (submitted in October 2025) and within the 2026 budget of Société des Infrastructures Routières et de l'Aménagement du Territoire (SIRAT) are determined on the basis of this maintenance policy. | End-October 2025 | |
| **RM3** | **A, M** | **State-Owned Enterprises** | Government to adopt an implementing decree of Law 2020-20 on State Owned Enterprises to put in place an appropriate legal framework to integrate climate concerns and to relatedly publish a first annual report on SOEs (in accordance with article 65 of Law 2020-20) including analysis of (i) the contribution of SOE strategies to climate adaptation and mitigation efforts (ii) the risks related to climate change affecting SOEs. | End-October 2025 | |
| **RM4** | **A, M** | **Climate Budget Tagging** | Government to adopt an implementing order of decree 2020-495 on the calendar for budget works to set the list of budget documents to be produced each year and henceforth institutionalize the production each year of a climate budget brief. Operationalize the reform starting with the budget preparation process for FY25, with involvement of Ministry in charge of Environment and with counterparts in sectoral ministries. | End-October 2024 | Met |

## Table 3. Benin: RSF Reform Matrix (continued)

| | Focus | Key challenge | Reform Measure | Due date | Status |
|---|---|---|---|---|---|
| **Pillar 2. Enhancing adaptation to climate change and strengthening population's resilience** | | | | | |
| **RM5** | **A** | **Water Resources** | (1) Adopt a revised decree of the National Water Council, which would include a mandate to monitor groundwater and surface water resources and equip the Council with sufficient human and financial resources to discharge its mission; and (2) Realize a strategic groundwater assessment and have the National Water Council Supervise and validate this assessment. | End-April 2025 | |
| **RM6** | **A** | **Water Tariffs in Urban Areas** | Institutionalize a mechanism for water tariffication in urban areas based on the following parameters: (i) a tariff study; (ii) a transparent tariff structure in conformity with international good practices and (iii) a financial equilibrium model. | End-September 2024 | Now expected by early-2025 |
| **RM7** | **A** | **Local Government** | Government to propose an amendment to the 2024 budget law setting the principle of taking into account community-identified climate priorities in the criteria for allocation of transfers to local authorities, whether they take place in the current framework of FADeC – Fund for Support for Communal Development – or within the framework of the new Communal Investment Fund that will replace FADeC, and simulate the implementation of this mechanism for the 2024 FADeC. | End-March 2024 | Met |
| **RM8** | **A** | **Social protection** | Integrate information on climate risks into the Social Registry (RSU), in particular for municipalities identified as being at high risk of flooding. | End-October 2025 | |
| **RM9** | **A, M** | **Agriculture** | Government to adopt a decree to establish an agricultural insurance scheme leveraging existing programs (FNDA), including climate risk mitigation strategies, with a minimum objective of covering by September 2025 two main products amongst the ones identified in the May 2023 feasibility study to the benefit of a minimum of 100,000 producers. | End-September 2025 | |
| **RM10** | **A, M** | **Building codes** | Government to adopt in Council of Ministers a draft building code (*projet de loi portant loi-cadre sur la construction et l'habitation*) incorporating technical standards favoring adaptation to future climatic conditions, including with respect to expected climate-hazards' magnitude and frequency, and favoring low carbon and climate resilient options for planning, technical design, maintenance, and inspections, as well as requisite secondary legislation. | End-March 2025 | |

## Table 3. Benin: RSF Reform Matrix (concluded)

| | Focus | Key challenge | Reform Measure | Due date | Status |
|---|---|---|---|---|---|
| | | | **Pillar 3. Supporting mitigation efforts** | | |
| **RM11** | **M** | **Comprehensive fossil fuel subsidy reform** | Adopt a comprehensive reform of fossil fuel subsidies, in consultation with IMF staff, by: i) conducting a comprehensive assessment of the new "tender" model for fuel imports, quantifying its costs and benefits, and assessing the risks associated with the competitiveness of the fuel import market, supply guarantees for imported petroleum products, and the timing of the tender, among others; ii) reorganizing the pricing structure for petroleum products, highlighting, where appropriate, subsidies and tax expenditures, and establishing a new tax structure; iii) defining the parameters of a predictable pricing mechanism based on the specific features of the Beninese hydrocarbon market, as well as the timing of its implementation; and iv) adopting and publishing an inter-ministerial order (Ministry of Economy and Finance and Ministry of Industry and Commerce) introducing a transitional arrangement for closing the gap between the pump price and the new formula price starting in January 2025, prior to implementing a formula-based periodic price adjustment mechanism before the adoption of the 2026 budget (November 2025). | End-November 2024 | Met |
| **RM12** | **M** | **Social protection in relation to fuel subsidy reform.** | i) Establish a compensatory mechanism to limit the effect of fuel subsidy reform on vulnerable groups using the Social Registry (RSU); ii) adopt an implementation framework for the RSU which defines the Management Information System (MSI) governance structure and provides detailed operational guidance, while ensuring adequate financial, human, and material resources to the unit responsible for the operationalization of the RSU. | End-November 2024 | Met |
| **RM13** | **M** | **Electricity tariff reform** | Design and adopt a comprehensive and gradual electricity tariff reform to fully remove electricity subsidies and reflect cost-recovery levels, with the first phase to be implemented in 2025. | End-January 2025 | On-track |
| **RM14** | **M** | **Support to renewable energy** | Remove key obstacles to development of renewable energy (RE) by adopting regulations and decisions to (i) putting in place a connection cost policy supporting connection for RE generation and (ii) committing to carrying out regular assessments of the flexibility of the grid and issues related to renewable integration. | End-January 2025 | On-track |
| | | | **Pillar 4. Mobilizing private sector financing for climate change** | | |
| **RM15** | **A, M** | **Mobilizing climate finance from the private sector** | Enhance the climate financial information architecture by the adoption by way of decree (arrêté) by the Ministry of Economy and Finance, and subsequent implementation of two complementary frameworks: i) a climate-related taxonomy (reference framework for private sector climate investment) covering mitigation and adaptation needs across key sectors defining financing and climate-related targets and private financing instruments; and ii) a climate mitigation and adaptation data collection and dissemination mechanism, connected to the taxonomy, across key sectors for private companies and key economic infrastructures. This mechanism will be coordinated and implemented by the National Statistics and Demography Institute, requiring the adoption of an arrêté under the 2022 legal framework governing the Institute's missions. | End-May 2025 | |

A = Adaptation; M = Mitigation

# Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) sets out the understandings regarding the definitions of the performance criteria (PCs) and indicative targets (ITs) that will be applied under Benin's program supported by a 42-month EFF/ECF (2022–2025), as described in the Memorandum of Economic and Financial Policies (MEFP) and its attached tables. It also specifies the frequency and deadlines for data reporting to the staff of the International Monetary Fund (IMF) for program monitoring purposes. Reviews will assess quantitative targets as of specified test dates and on a continuous basis. The TMU also covers some elements of monitoring of the Fund-supported program under the Resilience and Sustainability Facility (RSF).

## PROGRAM ASSUMPTIONS

2. **Exchange rates under the program.** For the purposes of this TMU, 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 key exchange rates below as of December 31, 2021 (Table 1).

**Table 1. Exchange Rates** (End of Period, 2021)

| | |
|---|---|
| CFAF/US$ | 580.3 |
| CFAF/€ | 655.96 |
| CFAF/SDR | 811.4 |

## DEFINITIONS

3. Unless otherwise indicated, "government" is understood to mean the central government of the Republic of Benin and does not include any local governments, the Central Bank, or any other public or government-owned entity that has autonomous legal status and whose operations are not included in the table of government financial operations (*Tableau des opérations financières de l'État, TOFE*).

4. The definitions of "debt" and borrowing for the purposes of this TMU 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 several forms; the primary ones being as follows:

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

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 loans 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 SOFR is 3.29 percent and will remain fixed for the duration of the program. [1] The spread of six-month Euro LIBOR over six-month USD SOFR is -50 basis points. The spread of six-month GBP SONIA over six-month USD SOFR is 50 basis points. For interest rates on currencies other than Euro and GBP, the spread over six months USD SOFR is 0 basis point. Where the variable rate is linked to a benchmark interest rate other than the six-month USD SOFR, a spread reflecting the difference between the benchmark rate and the six-month USD SOFR (rounded to the nearest 50 bps) will be added.

d. Domestic debt is defined as debt denominated in CFA franc other than the debt contracted from BOAD. External debt is defined as debt denominated in any currency other than the CFA franc. For program purposes, BOAD loans are considered as external debt.

# QUANTITATIVE PERFORMANCE CRITERIA

## A. Floor on the Basic Primary Fiscal Balance (Excluding Grants)

***Definition***

5. The basic primary fiscal balance is defined as the difference between total fiscal revenue on a cash basis (tax and nontax) and basic primary fiscal expenditure. 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 (on a payment order basis). Grants are excluded from revenue in this definition and net government lending is excluded from fiscal expenditure.

6. The balances at end-December 2024 and end-June 2025 (PCs) and the balances at end-September 2024 and end-March and end-September 2025 (ITs) must be equal to or greater than the amounts indicated in Table 1 of the MEFP.

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

***Definition***

7. Net domestic financing of the government is defined as the sum of (i) the net position (difference between the government's claims and debt) vis-à-vis the central bank and commercial banks and (ii) financing of the government through the issuance (net of redemptions) of securities to individuals or legal entities outside the banking system or to nonresident banks domiciled in the West African Economic and Monetary Union (WAEMU).

[1]/ The program reference rates and spreads are based on the "average projected rate" for the six-month USD SOFR over the following 10 years from the October 2024 World Economic Outlook (WEO).

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. Net domestic financing at end-December 2024 and end-June (PCs) and the balances at end-September 2024 and end-March and end-September 2025 (ITs) must be equal to or less than the amounts indicated in Table 1 attached to the MEFP.

## C. Non-Accumulation of New Domestic Payment Arrears by the Government

***Definition***

10. Domestic payment 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 Debt Management Fund (CADG, Former 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 4 and of the government in Paragraph 3 apply here.

***Continuous Performance Criteria***

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

## D. Non-Accumulation of External Payment Arrears by the Government

***Definition***

12. 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 4d, and of the government in paragraph 3 apply here.

***Continuous Performance Criterion***

13. The government undertakes not to accumulate any external public payment 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 payment arrears will be continuously monitored throughout the program.

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

***Definition***

14. 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. This performance criterion does not apply to IMF disbursements.

15. The contracting of debt for use in debt management operations[2] that once the DMO is completed result in a reduction of the present value (present value savings) of overall external public debt and/or in improvement of the overall public external debt service profile will be excluded from the ceiling up to the amount used for external DMOs. In the calculation of the present value savings for the debt operations, the discounted future stream of payments of debt service due on the portion of the newly issued debt instrument used for external DMOs (including all costs associated with the operation) will be compared with the discounted future stream of debt service due on the instrument it replaces using a discount rate of 5 percent and these amounts will not be capped by the nominal value of the debt. Improvement in the overall public external debt profile is to be understood as elimination of near- to medium-term spikes in repayments that may give rise to rollover risks, without adversely affecting the DSA risk rating. As indicated in paragraph 4d, external debt excludes Treasury bills and bonds issued in CFA francs on the WAEMU regional market.

16. The term "government" used for this performance criterion and for the performance criterion on the new external debt contracted by the government, includes the government, as paragraph 3.

17. This performance criterion also covers government-guaranteed debt of local governments and all public enterprises, including administrative public agencies (EPA), scientific

[2] Debt management operations (DMOs) are defined as the repayment or refinancing of the principal of outstanding public debts prior to or at their maturity dates.

and technical public agencies, professional public agencies, and enterprises jointly owned by the Beninese government with the governments of other countries.

***Adjustor***

18. The ceiling on the amount of new debt contracted or guaranteed by the government will be adjusted upward by the present value of the portion of the commercial loan contracted using the World Bank Policy-Based Guarantee (approved in October 2024) that is used for early repayment of domestic debt, provided that the operation results in a reduction of the present value (present value savings) of overall public debt and/or an improvement in the overall public debt profile, while maintaining the DSA ratings for overall and external risk of debt distress at "moderate".

***Continuous Performance Criterion***

19. The present value of new external borrowing contracted or guaranteed by the government should not exceed CFAF 1055 billion in 2024, effective on July 1 (Table 2). 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.

**Table 2. Borrowing Plan in 2024**
(Billions of CFA francs)

| PPG external debt | Volume of new debt in 2024 | | PV of new debt in 2024 (program purposes) | |
|---|---|---|---|---|
| | FCFA billion | Percent | FCFA billion | Percent |
| **By sources of debt financing** | **1,479.7** | **100** | **1054.7** | **100** |
| ***Concessional debt, of which*** | **904.3** | **61** | **509.0** | **48** |
| Multilateral debt | 759.6 | 51 | 420.5 | 40 |
| Bilateral debt | 144.7 | 10 | 88.5 | 8 |
| ***Non-concessional debt, of which*** | **575.4** | **39** | **545.7** | **52** |
| Semi-concessional | 140.2 | 10 | 110.5 | 11 |
| Commercial terms | 435.2 | 29 | 435.2 | 41 |

## INDICATIVE TARGETS

## A. Floor on Tax Revenue

***Definition***

20. Tax revenue includes revenues collected on a cash basis by revenue-collection departments. The data are reported in the Government Financial Operations Table (statistical TOFE) prepared monthly by the Economic and Financial Programs Monitoring Unit of the Ministry of Economy and Finance.

21. The revenue will be calculated cumulatively from the beginning of the calendar year. Revenue collections at end-September, and end-December 2024, as well as end-March, end-June, and-September2025 and must be equal to or greater than the amounts indicated in Table 1 attached to the MEFP. The tax revenue floor is an IT for the entire duration of the program.

## B. Priority Social Spending

22. Priority social expenditure includes expenditure executed from the State budget (from both domestic and external resources), excluding salary expenditure and relating mainly to public interventions in the areas of education, health and nutrition, the establishment of social safety nets, access to electricity, water and sanitation, microfinance (small and medium enterprises), as well as security and to civil protection. Priority social spending (PSE) is very selective and captures only spending that directly reduces poverty.

23. Priority social expenditure will be monitored on a payment order basis under the program. The indicative target applies to the execution of expenditure (not the allocation). The indicative target for the central government priority social spending floor will be calculated cumulatively from the beginning of the calendar year.

24. This indicative target will be monitored through the table of quarterly expenditure provided by the Ministry of Economy and Finance. A detailed list of priority expenditure items is provided in Table 4:

## Table 4. Priority Social Spending Coverage

| Agriculture | Education | Social Affairs | Health | Sanitation and nature protection | Energy |
|---|---|---|---|---|---|
| -National Agricultural Development Fund;<br>-Food safety;<br>-Control of fishery products exploitation standards;<br>-Support for rural economic growth;<br>-Support for agricultural productivity of small farms;<br>-Support for agricultural diversification and food production;<br>-Development of market gardening;<br>-Development of agricultural infrastructure in grassroots communities.<br>-Development of irrigated areas in rural areas;<br>-Soil protection and rehabilitation;<br>-Development of lowlands;<br>-Strengthening storage capacities;<br>-Food security and resilience building;<br>-Nutrition. | -School canteen program;<br>-Free schooling at the primary level;<br>-Provision of school books;<br>-Free schooling for girls in secondary school;<br>-Scholarships for students in technical and vocational high schools and colleges;<br>-Construction and equipment of educational infrastructures in the three levels of education;<br>-University works (catering, transport, accommodation, etc.);<br>-Scholarships and university assistance;<br>-Support program for doctoral students;<br>-Scholarships for the training of trainers;<br>-Reinforcement of social infrastructures. | -Cash transfer to the household;<br>-Micro-credits to the poorest for the promotion of income generating activities;<br>-Support to national solidarity;<br>-Promotion of the family.<br>-Regulation and management of child adoption processes;<br>-Promotion at the base;<br>-Support for people with disabilities;<br>-Capacity strengthening, training and learning center for people with disabilities;<br>-Support for the elderly;<br>-Social welfare. | -Vaccination and primary health care;<br>-Blood transfusion;<br>-Screening and treatment of diseases covered by the State*;<br>-Construction and equipment of hospitals;<br>-Development of traditional medicine and pharmacopoeia;<br>-Reproductive health;<br>-Health care for the indigent;<br>-Community health; | -Modernization of the efficient waste collection system.<br>-Storm water sanitation.<br>-Protection against coastal erosion;<br>-Social housing development.<br>-Forest protection expenditures.<br>-Incentives for reforestation;<br>-Expenditures to promote the substitution of wood energy for domestic gas. | - Electrification of rural localities;<br>- Development of renewable energy and energy efficiency;<br>- Development of conventional energy;<br>- Reinforcement and extension of electrical networks;<br>- Biomass electricity;<br>- Strengthening resilience to climate change impacts. |
| **Sport** | **Security and civil protection** | **Infrastructure and Transportation** | **Water and mining** | **Justice** | **Employment** |
| -Development of the practice of sport at the grassroots level;<br>-Promotion of school and university sports;<br>-Sports competitions;<br>-Leisure and association life | -Disaster prevention and management;<br>-Integrated management of border areas;<br>-Maintenance and management of the population register | -Development of rural roads;<br>-Small bridges and various works of crossing of lowlands and others | -Drinking water supply;<br>-Water supply system.<br>-Development of multifunctional hydraulic infrastructures | -Child and youth safeguarding expenses.<br>-Food for prisoners.<br>-Social reintegration of prisoners | -Various internship programs managed by the ANPE;<br>-Training-entrepreneurship of young people |

*Assistance to hemodialysis patients; screening and treatment of ulcer, pneumo-pathobiology, fight against tuberculosis, AIDS, hepatitis, non-communicable diseases, leprosy, malaria, sickle cell anemia. subsidies to hospitals. etc.

***Indicative Target***

25. Priority Social spending at end-September, and end-December 2024, as well as end-March, end-June, and end-September 2025 must be equal to or greater than the amounts indicated in Table 1 of the MEFP.

# INFORMATION FOR PROGRAM MONITORING

## A. Data on Performance Criteria and Indicative Targets

26. To facilitate effective program monitoring, the authorities will provide IMF staff with the following data in excel format:

***Monthly:***

- Data on any loan (terms and creditors) contracted or guaranteed by the government, in the first week after the end of the month of entry into force of these loans;
- Monthly consumer price index, within two weeks of the end of the month;
- The TOFE, including revenue on a cash basis, 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, within six weeks of the end of the month;
- Data on the balance, accumulation, amount (stock), and repayment of public domestic and external payment arrears, including in the event that these arrears amount to zero, within six weeks of the end of the month;
- The monetary survey, produced by the BCEAO, within eight weeks of the end of the month.

***Quarterly***:

- The price structure of petroleum products;
- The employment index and the traffic of merchandise at the Port of Cotonou, within 25 days of the end of the month;
- The Industrial production index and the turnover index, within three months of the end of the quarter;

- High priority social spending (Table 4), including health, education, social protection and security, by functional classification of expenditure, within eight weeks after the end of the quarter;

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

- Stock-flow adjustment table;

- National account statistics, within three months of the end of the quarter.

- Total new Eurobond issuances provided on quarterly basis, within two weeks after the end of the quarter.

## B. Other Information

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

- Financial soundness indicators, produced semi-annually by the BCEAO, within eight weeks of the end of the semester.

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

- Update of the PPP projects catalog and the amounts of contracted projects, within eight weeks of the end of the quarter.

- Execution of the investment budget, within eight weeks of the end of the quarter.

- 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.

- Data on debt management operations being envisaged, including: i) debt on new debt contracted (amount, tenor, coupon rate, maturity, grace period), ii) data on debt that will be retired (amount, tenor, coupon rate, discount at purchase, maturity, grace period), iii) the breakdown of present value savings associated with the debt management operation and its impact on the overall debt profile, for the forecast horizon of 20 years, and vi) the fees associated with the new debt contracted, and the fees associated with the debt management operation.

- Data on military and security spending, within eight weeks of the end of the quarter.

- Balance of payments data, produced by the BCEAO, within ten months of the end of the year.

- More generally, the authorities will report to the IMF staff any information needed for effective monitoring of the implementation of economic policies.

28. With respect to the RSF, the authorities will provide IMF staff with all deliverables (legal texts, manuals, methodologies, etc.) referred to in each reform measure. In addition, the authorities will provide additional information to facilitate assessment of the following RMs:

- RM5 (Water governance): staffing and budget allocation to the National Water Council.
- RM6 (Water tariffication in urban areas): preparatory studies leading to the adoption of the new water tariffication mechanism.

# BENIN

December 6, 2024

## FIFTH REVIEWS UNDER THE EXTENDED FUND FACILITY AND THE EXTENDED CREDIT FACILITY ARRANGEMENTS, AND SECOND REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT—DEBT SUSTAINABILITY ANALYSIS

Approved By
**Annalisa Fedelino and Niamh Sheridan (IMF), and Manuela Francisco and Abebe Adugna (IDA)**

Prepared by the staff of the International Monetary Fund (IMF) and the International Development Association (IDA)[1]

*Benin's overall and external public debt remains at moderate risk of debt distress, unchanged from the previous DSA (June 2024). All projected external debt burden indicators remain below high-risk thresholds under the baseline scenario, except for a temporary breach to the debt service-to-revenue ratio that occurred following a Liability Management Operations (LMO) completed in 2024Q1, using a third of the proceeds of 2024 Eurobond. While the Eurobond's proceeds are largely substituting for costlier domestic financing, additional external debt has further limited the space to absorb shocks. External debt burden indicators breach high-risk thresholds in selected stress tests, particularly for export and market financing shocks. High debt service-to-revenue ratio leaves debt vulnerable to revenue underperformance or shifts in market sentiment that could increase rollover costs. Alongside sustained revenue mobilization efforts, a borrowing strategy that continues to prioritize concessional terms, active debt management, and an updated medium-term debt strategy that rebalances the debt portfolio towards more domestic debt would reduce the risk of debt distress.*

| Benin: Joint Bank-Fund Debt Sustainability Analysis | |
|---|---|
| ***Risk of external debt distress*** | *Moderate*[2] |
| ***Overall risk of debt distress*** | *Moderate* |
| ***Granularity in the risk rating*** | *Limited space to absorb shocks* |
| ***Application of judgment*** | *No* |

[1] Prepared by the IMF and the World Bank. This DSA follows the Guidance Note of the Join Bank-Fund Debt Sustainability Framework for Low Income Countries, February 2018.

[2] Benin retains a medium-rated debt-carrying capacity, given the 2.98 Composite Indicator, which is based on the April 2024 WEO and the 2022 CPIA.

# PUBLIC DEBT COVERAGE

1. **This Debt Sustainability Analysis (DSA) covers central government and central bank debt as well as guarantees provided by the central government (Text Table 1)**[3]. Central bank debt borrowed on behalf of the government (i.e., debt to the IMF) is included as external debt. External debt is defined on a currency basis owing to data limitations, except for debt from the regional development bank (BOAD), which is included as external debt for the purpose of the DSA.

**Text Table 1. Benin: Public Debt Coverage Under the Baseline Scenario**

| | 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 | |

2. **Debt coverage remains comprehensive but does not include non-guaranteed SOE debt and the non-financial debts of other government entities.**[4] Benin received a high score for sectoral coverage on the IDA Debt Reporting heat map for 2023. Although public debt does not include non-guaranteed SOE debt, the authorities have published information on the outstanding stock of non-guaranteed SOE debt (comprising 15 SOEs), which stood at 2.8 percent of GDP at end-2023. They also included details on on-lending to SOEs in quarterly debt bulletins in 2023, as part of IDA's Sustainable Development Finance Policy (SDFP) and most recent Development Policy Operations. Also, under the SDFP, the Debt Management Office and the Directorate in charge of SOEs (General Directorate of State Participations and Denationalization, DGPED) established a monitoring system following the adoption by ministerial order of a risk-based framework for granting SOE guarantees. The authorities also published details on the non-financial debt held by local governments, including communes (e.g., supplier credit or debt to the central government), which was estimated 0.3 ppt of GDP at end-2021. These entities have not contracted financial debt and cannot do so without the agreement of the central government. The authorities see consolidating the general government's fiscal accounts as an important prerequisite for broadening debt coverage, particularly incorporating the financial statements of the SOEs (both on the revenue and expenditure sides) for inclusion in the DSA. Expanding this coverage of fiscal accounts remains

[3] Debt on-lent to SOEs is also included as part of central government borrowing.

[4] Other non-financial government debts would include items as defined by GFSM 2001/2014, including accounts payable, claims toward social security, deposits of public entities held within the Treasury, appropriations relating to letters of comfort, and actuarial liabilities for civil servants' pensions.

an important medium-term capacity development priority being supported by AFRITAC-West.[5] The authorities also recently prepared and annexed to the 2024 budget law a quantitative fiscal risk assessment. The statement assessed risks from SOEs; it reported positive net income from these entities from 2020–22.[6]

**Text Table 2. Benin: Contingent Liability 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 | 0.3 | Local debt not capured in the debt stock based on end-2021 estimate. |
| 3 | SoE's debt (guaranteed and not guaranteed by the government) 1/ | 2 percent of GDP | 2.8 | The stock of SOE's debt not captured in the central government sector is estimated at 2.8 percent of GDP at end-2023. |
| 4 | PPP | 35 percent of PPP stock | 2.4 | |
| 5 | Financial market (the default value of 5 percent of GDP is the minimum value) | 5 percent of GDP | 5 | |
| | Total (2+3+4+5) (in percent of GDP) | | 10.5 | |

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%.

3. **The contingent liabilities shock has been calibrated to reflect risks associated with debt not captured in the baseline and other risks.** The total shock stands at 10.5 percent of GDP and includes 2.8 percent of GDP in SOE debt based on the latest available yearly data (end-2023), 0.3 percent of GDP for local government debt based on the latest reported estimate, 2.4 percent of GDP for PPPs based on the capital stock from the World Bank's PPP database (6.8 ppts of GDP), and the default setting for financial market risk (5.0 percent of GDP) (Text Table 2).[7] Benin's debt policy and management score was rated at 4.5 out of 6 in the 2022 and 2024 CPIA evaluations, with higher values corresponding to debt management strategies more conducive to minimizing budgetary risks and ensuring debt sustainability.

# BACKGROUND

## A. Recent Debt Developments

4. **Public debt increased significantly over the past years, due to counter-cyclical fiscal policy, with external debt rising as a share of total debt.** The increase in Benin's overall debt (by 13.7 ppts of GDP between 2019 and 2023) was driven by an appropriately large fiscal accommodation during 2019–22,in response to extraordinary shocks (COVID-19 and the war in

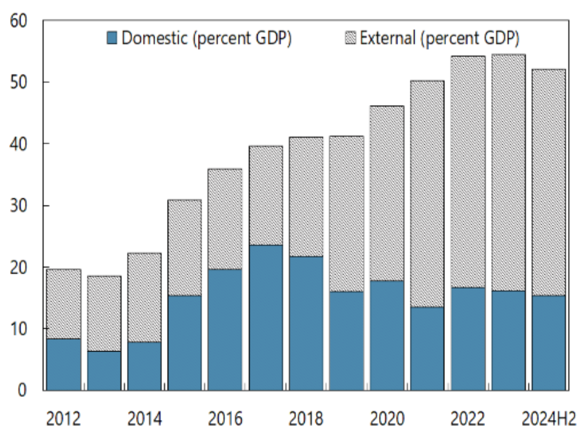
[5] See Annex IX in Benin: 2022 Article IV Consultation and Requests for an Extended Arrangement under the Extended Fund Facility and an Arrangement under the Extended Credit Facility (IMF Country Report 22/245).

[6] *Déclaration sur Les Risques Budgétaires, PLF 2024.*

[7] Contingent liabilities have not materialized from these entities in recent years.

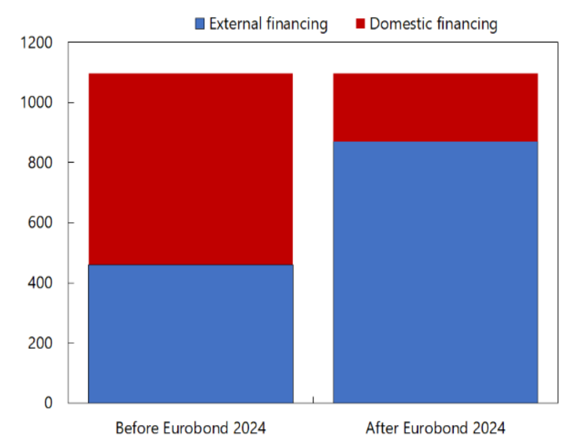
Ukraine).[8] Public debt as a share of GDP reached 54.9 percent in 2023 (revised up from 54.5 percent of GDP at the Fourth Review to account for an end-2023 disbursement that was initially captured in 2024) despite revenue-based fiscal consolidation, as preemptive issuances were partly held as cautionary reserves. By June 2024, total debt was estimated at 52.1 percent of GDP (Text Figure 1a), comprised mostly of external debt (71 percent of total debt) given the US$750 million Eurobond Moringa[9] in 2024Q1, one-third of which was used for liability management operations, while the rest of the proceeds were used for budget financing. Multilateral debt made over half of external debt in 2024H2, compared to about 36 percent in 2023, reflecting continued prioritization of concessional borrowing. Consistent with their financing plans, the authorities are using the remainder of the Eurobond proceeds to finance the 2024 budget: they are using the Eurobond proceeds to substitute domestic debt —planned borrowing on the regional security market has been reduced by 65 percent (Text Figure1b).

**Text Figure 1a. Benin: Composition of Debt**
(Percent of GDP)




Sources: Beninese authorities, CAGD.

**Text Figure 1b. Benin: 2024 Financing Plan**
(CFAF Billions)




Sources: Beninese authorities, CAGD.

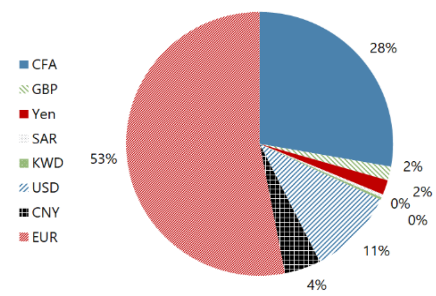
5. **Regional financing conditions slowly improved during the year, allowing Benin to issue domestic debt on favorable terms.** After reaching 8.3 percent in February 2024, interest rates in the regional market trended down to 6.9 percent in September 2024 (dropping further from 7.8 percent in August 2024). Benin notably issued about 70 CFA billion of domestic debt on the regional market in May 2024 with an average 7.3-year maturity and a 7.1 percent coupon rate and about CFAF 11 billion in October at an average 3-year maturity and 6.9 percent coupon rate. Domestic debt remains within the limit set in the 2024 financing plan.

[8] Benin does not currently have any arrears vis-à-vis external creditors. Public domestic debt arrears are commitments to domestic suppliers that were validated in a 2019 audit (totaling 0.1 ppt of GDP as of end-June 2022), which do not suggest government solvency or liquidity problems given their small size.

[9] Eurobond "Moringa", Benin's debut US dollar bond, was issued by Benin on February 7, 2024, for US 750 million.

**6. The authorities are crafting a Medium-Term Debt Strategy (MTDS) that seeks to reduce reliance on external financing and active liability management.** Even though more than half of their debt portfolio is comprised of debt in Euro to which the CFA is pegged (Text figure 2), and that external conditions are currently more favorable compared to the regional market, the authorities are cognizant of the risks stemming from higher exposure to external debt, including rollover risks. They seek in their MTDS to increase the overall share of domestic debt from 28 to about 32 percent by 2029, constrained by the low absorption capacity in the regional securities market. They are also exploring reforms that would deepen the regional security market, in coordination with other WAEMU countries.

**Text Figure 2. Benin: Currency Composition of Debt**
(Percent of total)




Sources: Beninese authorities, CAGD.

**7. The World Bank approved in October 2024 a Policy-Based Guarantee (PBG) for Benin.** The PBG is part of a financing package from the International Development Association (IDA). It amounts to €200 million and is expected to help mobilize €500 million in long-term commercial financing. This is the first IDA guarantee approved since the World Bank Group guarantee platform was launched in July 2024. Benin has indicated its intention to use the proceeds of the commercial financing raised with the support of the PBG for liability management operations, provided the financial transaction generates NPV savings and does not deteriorate the country's both external and overall debt profiles.

## B. Macroeconomic Assumptions

**8. Macroeconomic assumptions underlying the DSA projections are consistent with the Fourth EFF/ECF Review baseline, broadly unchanged from the Fourth Review DSA (June 2024)** (Text Table 3). The baseline holds the same assumptions for growth projections compared to the previous DSA, reflecting robust macroeconomic performance during the first half of the year. The momentum is expected to continue in the coming quarters, driven by the expansion of the Special Economic Zone (SEZ) that is expected to generate higher value-added exports, as well as the emergence of new services, such as ICT and tourism. The main assumptions are as follows:

- **Real GDP Growth.** Growth in 2024 and 2025 is still estimated at 6.5 percent (unchanged from Fourth Review DSA), supported by the expansion of the agroindustry, construction, textile and trade, the burgeoning ICT and tourism sectors, and the pickup in the activity of the port of Cotonou. These performing sectors, alongside continued infrastructure projects and private investment related to the SEZ, will support economic activity in the medium term. Forecasts for medium- term growth[10] remain unchanged at around 6 percent but could be higher if absorptive capacity constraints are alleviated, including adequate labor supply to meet the needs of the transforming economy.

- **Inflation and GDP deflator.** Inflation for 2024 is now projected at 2 percent, from 2.8 percent at the Fourth Review, as inflation has come down to 1.5 percent (y/y) by 2024Q3 given the prices of smuggled gasoline prices normalized following initial sharp fuel price adjustments by the new Nigerian administration, more than offsetting some of the increases in prices of staples. However, the GDP deflator is only slightly lower in 2024 due to terms of trade deterioration, but averages 2.2 percent over 2024-29, in line with the previous DSA. The GDP deflator is expected to converge around 2 percent over the long term.

- **Primary fiscal balance.** Projections for the primary fiscal balance are unchanged from the Fourth Review DSA at -1.9 percent of GDP in 2024, underpinned by continued revenue mobilization and moderation in capital expenditure growth, while higher interest payments reflect current regional financing conditions, and interest accrued on the recent Eurobond. The baseline continues to assume that the overall fiscal deficit would converge to the regional WAEMU fiscal norm of 3 percent of GDP in 2025, as envisaged from EFF/ECF inception.

- **Revenues and grants.** Revenues and grants for 2024 at 15.3 percent of GDP, broadly unchanged to the Fourth Review DSA, on the back of continued strong revenue mobilization in 2024H1. Revenue mobilization will be underpinned by the Medium-Term Revenue Strategy (MTRS), that seeks to expand the tax base and improve the overall efficiency of the tax system. Over the long term, tax and non-tax revenue will continue to grow modestly, towards the WAEMU regional tax-to-GDP target of 20 percent.

- **Total expenditure.** Total expenditure is broadly unchanged in the near-term at 19 percent of GDP in 2024 (compared to 18.9 in the previous DSA), reflecting Benin's large development needs.

- **Fiscal adjustment.** The baseline overall deficit is still projected at 3.7 percent of GDP in 2024, in line with the previous DSA, as the frontloading of fiscal consolidation in 2023 (1.4 ppts of GDP) allowed for a smaller consolidation in 2024.

- **Current account deficit.** The current account deficit is estimated to have widened to 6.4 percent in GDP in 2023 (compared to 5.9 percent in the previous DSA), given higher SEZ-related import of services in areas such as training and consultancy, complementing physical capital. It expected to narrow to 5.7 percent of GDP in 2024 (versus 6 percent in the previous DSA), despite worsening in terms of trade in the interim, reflecting higher exports from the SEZ and a downward revision to prepaid (delayed) imports in 2023 that would lower expected imports in

[10] Potential growth is unchanged from the 3rd Review EFF/ECF and embeds the climate assumptions of the 3rd Review's Debt Sustainability Analysis, that are informed by the scenario analysis of the World Bank Climate Country and Development Report (CCDR).

2024. Exports were revised up in 2023, reflecting higher than anticipated re-export activity. Exports' forecasts were also revised upwards over the medium term, reflecting projected improvements related to the SEZ expansion. The current account deficit is expected to be financed by FDI and external borrowing. The current account deficit is expected to improve over the medium term, hovering around 4-5 percent of GDP, supported by fiscal consolidation, and as exports from the SEZ continue to increase.

**Text Table 3. Benin: Baseline Macroeconomic Assumptions for Debt Sustainability Analysis**

| | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | Medium-term 2023-28 | Long-term 2029-43 |
|---|---|---|---|---|---|---|---|---|---|
| GDP Growth (percent) | | | | | | | | | |
| Current DSA | 6.3 | 6.4 | 6.5 | 6.5 | 6.2 | 6.2 | 6.0 | 6.3 | 5.7 |
| Previous DSA[1] | 6.3 | 6.4 | 6.5 | 6.5 | 6.2 | 6.2 | 6.0 | 6.3 | 5.7 |
| GDP Deflator (percent) | | | | | | | | | |
| Current DSA | 4.1 | 3.4 | 1.9 | 2.0 | 2.0 | 2.0 | 2.0 | 2.2 | 2.0 |
| Previous DSA | 4.1 | 3.4 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.2 | 2.0 |
| Current account deficit (percent GDP) | | | | | | | | | |
| Current DSA | -6.0 | -6.4 | -5.7 | -5.1 | -4.5 | -4.3 | -4.1 | -5.0 | -4.0 |
| Previous DSA | -6.1 | -5.9 | -6.0 | -6.0 | -4.6 | -4.5 | -4.4 | -5.2 | -4.3 |
| Exports (percent GDP) | | | | | | | | | |
| Current DSA | 24.5 | 23.9 | 24.4 | 25.0 | 25.7 | 25.8 | 26.0 | 25.1 | 26.2 |
| Previous DSA | 24.5 | 23.2 | 24.6 | 25.0 | 25.3 | 25.6 | 25.9 | 24.9 | 26.4 |
| Primary Balance (percent GDP) | | | | | | | | | |
| Current DSA | -3.9 | -2.5 | -1.9 | -1.2 | -1.2 | -1.2 | -1.2 | -1.5 | -1.2 |
| Previous DSA | -3.9 | -2.5 | -1.9 | -1.2 | -1.2 | -1.2 | -1.2 | -1.5 | -1.2 |
| Revenue and grants (percent GDP) | | | | | | | | | |
| Current DSA | 14.3 | 15.0 | 15.3 | 15.7 | 16.1 | 16.5 | 16.9 | 15.9 | 19.0 |
| Previous DSA | 14.3 | 15.0 | 15.2 | 15.7 | 16.1 | 16.5 | 16.9 | 15.9 | 18.9 |
| Total expenditure (percent GDP) | | | | | | | | | |
| Current DSA | 19.8 | 19.2 | 19.0 | 18.6 | 19.0 | 19.4 | 19.8 | 19.2 | 21.7 |
| Previous DSA | 19.8 | 19.2 | 18.9 | 18.6 | 19.0 | 19.4 | 19.8 | 19.1 | 21.7 |
| Overall balance (percent GDP) | | | | | | | | | |
| Current DSA | -5.5 | -4.1 | -3.7 | -2.9 | -2.9 | -2.9 | -2.9 | -3.2 | -2.9 |
| Previous DSA | -5.5 | -4.1 | -3.7 | -2.9 | -2.9 | -2.9 | -2.9 | -3.2 | -2.9 |

1/June 2024 Fourth EFF/ECF Review.

Source: IMF staff estimates and projections

## Table 1. Benin: Decomposition of Public Debt and Debt Service by Creditor, 2023–25[1]

| | Debt Stock (end of period) | | | Debt Service | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2023 | | | 2023 | 2024 | 2025 | 2023 | 2024 | 2025 |
| | *(In US$ millions)* | *(Percent total debt)* | *(Percent GDP)* | *(In US$ millions)* | | | *(Percent GDP)* | | |
| **Total** | 10892 | 100 | 54.9 | 1586 | 1433 | 1406 | 8.0 | 6.6 | 6.0 |
| **External** | 7689.3 | 70.6 | 38.8 | 453 | 699 | 508 | 2.3 | 3.2 | 2.2 |
| Multilateral creditors[2] | 4232 | 38.9 | 21.3 | 136 | 229 | 279 | 0.7 | 1.1 | 1.2 |
| IMF | 885 | 8.1 | 4.5 | | | | | 3.2 | |
| World Bank | 1911 | 17.5 | 9.6 | | | | | | |
| ADB/AfDB/IADB | 544 | 5.0 | 2.7 | | | | | | |
| Other Multilaterals | 892 | 8.2 | 4.5 | | | | | | |
| Arab Bank for Economic Development | 60 | 0.5 | 0.3 | | | | | | |
| BOAD | 318 | 2.9 | 1.6 | | | | | | |
| Nordic Development Fund | 16 | 0.2 | 0.1 | | | | | | |
| ECOWAS Bank for Investment and Development | 64 | 0.6 | 0.3 | | | | | | |
| European Investment Bank | 75 | 0.7 | 0.4 | | | | | | |
| IFAD | 69 | 0.6 | 0.3 | | | | | | |
| OPEC | 35 | 0.3 | 0.2 | | | | | | |
| Islamic Development Bank | 253 | 2.3 | 1.3 | | | | | | |
| Bilateral Creditors | 514 | 4.7 | 2.6 | 69 | 21 | 29 | 0.3 | 0.1 | 0.1 |
| Paris Club | 155 | 1.4 | 0.8 | 4 | 3 | 6 | 0.0 | 0.0 | 0.0 |
| France | 155 | 1.4 | 0.8 | | | | | | |
| Non-Paris Club | 404 | 3.7 | 2.0 | 65 | 18 | 23 | 0.3 | 0.1 | 0.1 |
| China | 244 | 2.2 | 1.2 | | | | | | |
| India | 15 | 0.1 | 0.1 | | | | | | |
| Kuwait | 35 | 0.3 | 0.2 | | | | | | |
| Saudi Arabia | 44 | 0.4 | 0.2 | | | | | | |
| Bonds | 1828 | 16.8 | 9.2 | 97 | 366 | 102 | 0.5 | 1.7 | 0.4 |
| Commercial creditors | 1071 | 9.8 | 5.4 | 151 | 83 | 98 | 0.8 | 0.4 | 0.4 |
| MUFG Bank | 193 | 1.8 | 1.0 | | | | | | |
| RABOBANK | 144 | 1.3 | 0.7 | | | | | | |
| Bank of China | 18 | 0.2 | 0.1 | | | | | | |
| Societe General | 83 | 0.8 | 0.4 | | | | | | |
| UKEF | 54 | 0.5 | 0.3 | | | | | | |
| Banco de Brazil | 30 | 0.3 | 0.2 | | | | | | |
| Deutche Bank | 435 | 4.0 | 2.2 | | | | | | |
| NTXS | 84 | 0.8 | 0.4 | | | | | | |
| BPI France | 17 | 0.2 | 0.1 | | | | | | |
| Credit Suisse | 11 | 0.1 | 0.1 | | | | | | |
| **Domestic**[3] | 3202 | 29.4 | 16.1 | 1134 | 734 | 898 | 5.7 | 3.4 | 3.8 |
| Held by residents, total | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Held by non-residents, total | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| T-Bills | 0 | 0.0 | 0.0 | | | | | | |
| Bonds | 3151 | 28.9 | 15.9 | | | | | | |
| Loans[4] | 51 | 0.5 | 0.3 | | | | | | |
| **Memo items:** | | | | | | | | | |
| Collateralized debt | 0 | | 0.0 | | | | | | |
| Contingent liabilities | 574 | | 2.9 | | | | | | |
| *o/w:* Public guarantees | 9 | | 0.0 | | | | | | |
| *o/w:* Other explicit contingent liabilities[5] | 565 | | 2.8 | | | | | | |
| Nominal GDP | | | 19838 | 19838 | 21706 | 23612 | | | |

1/As reported by Country authorities according to their classification of creditors, including by official and commercial.

2/"Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies

3/Breakdown of debt by resident not availble due to data limitations in tracking holders of regional securities in secondary markets.

4/Includes central bank on lending related to the SDR allocation and guaranteed debt.

5/Estimation of commerical non-guaranteed SOE debt that is not included in the debt stock based on end-2021 estimation.

Sources: Country authorities; and staff estimates and projections.

**9. The authorities continue to mobilize higher-than-projected budget support, consistent with a prudent borrowing strategy that maximizes concessional resources.** Budget support is set to exceed expectations again in 2024 and reach almost 171 billion CFAF (compared to 156 billion in the previous DSA) with potential for more donor lending, therefore making multilateral and concessional financing over half the share of external borrowing. Additional budget support for climate finance may also materialize, following the authorities' reform efforts under the RSF and the recent Climate Roundtable held in Cotonou in July. Projections of grant-equivalent financing are unchanged from the last DSA and remain on a downward trajectory over the long term as a share of GDP as Benin's relative income increases. Key changes from the previous DSA include:

- *Multilateral financing.* The baseline includes financing from the IMF-supported EFF/ECF as well as a possible maximum envelope for the RSF, which would be disbursed over 2024-25 (see below). The DSA also includes financing from the World Bank in line with the latest IDA allocations as well as newly confirmed budget support from the AfDB and AFD.[11] The recent US$54 million Cat-DDO operation has been disbursed, to boost efforts to enhance resilience to climate change and natural disasters.

- *Bilateral and commercial financing.* Financing assumptions for bilateral and commercial financing remain in line with the authorities' borrowing plan and the 2024 debt strategy, which considering disbursements for project financing anticipates financing at longer maturities and some commercial financing.

- *Market financing.* Given the authorities' recent sovereign rating upgrade and successful Eurobond issuance, the DSA continues to assume access to international markets. Market financing assumptions are unchanged, with projections for a 15-year US$350 million SDG bond issuance taking place in 2026 (instead of 2025, given that Eurobond Moringa was issued in 2024) and 2027 on terms similar to SDG financing in 2023.[12] In the long term, it is assumed that international market issuances would average 1 ppt of GDP per year, with terms evenly split between sustainability bonds and Eurobonds. These assumptions are contingent on market conditions, with the potential for additional issuances if conditions improve. The authorities also remain open to additional innovative financing opportunities for climate such as Green/Blue bonds.

- *Domestic financing.* Assumptions for domestic financing are broadly unchanged from the last DSA. The framework still assumes that almost all public gross financing needs will be externally

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[11] Updated IDA assumptions reflect the IDA20 allocations and the fact that Benin has recently graduated to "gap" country status and is no longer eligible for new grants. They also include updates to the terms of IDA financing, including the assumption that a portion of the allocation will be in the form of shorter (12-year) maturity loans during FY23-25.

[12] SDG bond assumptions are cautious and based on the latest SDG issuance in 2023, with a 5.0 percent interest rate and 15-year maturity with scope for improved terms if interest rates improve, compared with Eurobonds which are assumed to have a 8.0 percent interest rate and 14-year maturity (consistent with the most recent issuance and the authorities' prudent debt strategy).

financed in 2024, as the authorities utilize the remaining Eurobond proceeds to substitute domestic financing. Reflecting the MTDS, domestic financing will increase in 2025 to finance a more significant share of the budget. It is expected to remain below its historical average in the medium term but will start picking up over the long term is expected to rely more on domestic sources of financing as the domestic debt market deepens.[13]

**10. Public debt is expected to decline in 2024 and over the medium to long term as a result of fiscal consolidation, a prudent debt strategy, and steady growth**. Debt is expected to be around 54 percent of GDP at end-2024 (similar to the previous DSA), slightly below 2023 levels, as the fiscal consolidation continues. It is projected to decline to 45.6 percent by 2034, supported by fiscal prudence, the expansion of the tax revenue base, and the convergence of growth to its potential. The debt trajectory is underpinned by the authorities implementing a revenue-based fiscal consolidation to ensure convergence to WAEMU regional fiscal norms.

**Text Table 5. Benin: Fifth Review External Borrowing Plan 2024 (Programmed Contracted Debt)**

| PPG External Debt | Volume of new debt in 2024 | | PV of new debt in 2024 (program purposes) | |
|---|---|---|---|---|
| | FCFA billion | Percent | FCFA billion | Percent |
| **By sources of debt financing** | **1,479.7** | **101** | **1054.7** | **100** |
| ***Concessional debt, of which*** | **904.3** | **61** | **509.0** | **48** |
| Multilateral debt | 759.6 | 51 | 420.5 | 40 |
| Bilateral debt | 144.7 | 10 | 88.5 | 8 |
| ***Non-concessional debt, of whic*** | **575.4** | **39** | **545.7** | **52** |
| Semi-concessional | 140.2 | 10 | 110.5 | 11 |
| Commercial terms | 435.2 | 29 | 435.2 | 41 |

Source: Beninese authorities.

**11. Macro-fiscal projections are realistic (Figures 3-4).** The three-year primary adjustment falls below the top quartile for past adjustments in LICs with IMF-supported programs. It remains realistic given Benin's sound macroeconomic management, in addition to its resilient recovery from large shocks. While the growth path exceeds those derived from typical fiscal multipliers for LICs, Benin achieved a frontloaded fiscal consolidation in 2023 that will allow for a small fiscal adjustment of 0.4 ppt in 2024. In addition, the fiscal consolidation is well on course for 2024, as fiscal performance by end-June 2024 has been robust, with authorities mobilizing tax revenue above the

[13] This DSA assumes domestic financing will come mostly in the form of one-to-seven-year bonds with a small portion of longer maturities at rates from 6 to 7 percent, with some upside risks (including to substitute external financing) given recent issuance experience.

program's targets, all the while protecting social spending and public investment. Efforts towards agriculture diversification and industrialization by creating high value-added exports through a Special Economic Zone (SEZ) will also support growth. Meanwhile, the Public and private investment rates are similar to the vintage DSA as is the modest contribution of public investment to growth. Unexpected changes in public debt over the last 5-years can be explained by significant shocks during the sample period, including the 2019 Nigeria border closure, COVID-19, and the war in Ukraine, which heightened food insecurity. In terms of drivers, GDP growth is expected to be debt-reducing in the projections; the real interest rate and primary deficit would be debt-increasing. This is in broadly in line with historical trends, though significant past contributions from residual factors could add to debt. While the decomposition of drivers of debt indicates that residual components largely contributed to unanticipated changes in debt over the past five years, this is consistent with the unanticipated nature of the COVID-19 shock where emergency financing was below-the-line.

**12. Risks to the outlook are balanced overall.**

- On the downside, a persistent depreciation of the Nigerian Naira beyond an uncertain tipping point could erode Benin's external competitiveness with Nigeria, dampening exports. Regional security challenges could exacerbate the illicit trade of essential goods, exerting pressure on food prices and potentially leading to social discontent. Higher oil prices could strain internal and external accounts. Moreover, Benin remains susceptible to natural disasters and acute and chronic climate change risks.

- On the upside, growth could outperform projections if the trade relations between Niger and Benin normalize, leading to a restoration of transit activity and the full operationalization of the hydrocarbon pipeline, which would both generate additional revenue. The sustained expansion of the Port of Cotonou and an orderly development of the Special Economic Zone (SEZ) would boost FDI and income and strengthen Benin's external position. The formalization of trade with Nigeria could also foster higher value-added activities in Benin over the medium-term.

## C. Country Classification and Determination of Stress Test Scenarios

**13. Benin's debt carrying capacity continues to be classified as medium.** Based on a calculation of a composite indicator reflecting factors such as the 2023 WB CPIA index and the April 2024 WEO (real growth rates, reserve coverage, remittances, and world growth), Benin has a CI score of 2.98 (Text Table 6). As a result, this DSA continues to use the same external debt burden thresholds and total public benchmarks for countries with medium debt carrying capacity (Text Table 7).

**Text Table 6. Benin: Calculation of Debt-Carrying Capacity**

| Components | Coefficients (A) | 10-year average values (B) | CI Score components (A*B) = (C) | Contribution of components |
|---|---|---|---|---|
| CPIA | 0.385 | 3.717 | 1.43 | 48% |
| Real growth rate (in percent) | 2.719 | 5.999 | 0.16 | 5% |
| Import coverage of reserves (in percent) | 4.052 | 39.392 | 1.60 | 53% |
| Import coverage of reserves^2 (in percent) | -3.990 | 15.517 | -0.62 | -21% |
| Remittances (in percent) | 2.022 | 0.954 | 0.02 | 1% |
| World economic growth (in percent) | 13.520 | 2.909 | 0.39 | 13% |
| CI Score | | | 2.98 | 100% |
| CI rating | | | Medium | |

**Text Table 7. Benin: Debt Burden Thresholds and Benchmarks**

| EXTERNAL debt burden thresholds | Weak | Medium | Strong |
|---|---|---|---|
| PV of debt in % of | | | |
| Exports | 140 | 180 | 240 |
| GDP | 30 | 40 | 55 |
| Debt service in % of | | | |
| Exports | 10 | 15 | 21 |
| Revenue | 14 | 18 | 23 |

| TOTAL public debt benchmark | Weak | Medium | Strong |
|---|---|---|---|
| PV of total public debt in percent of GDP | 35 | 55 | 70 |

# DEBT SUSTAINABILITY RESULTS

## A. External Debt Sustainability

**14. All external debt burden indicators are below their policy-dependent thresholds in the baseline apart from the one-off breach in the debt-service to revenue ratio in 2024 caused by the liability management operation (Table 1, Figure 1).** The authorities used third of their 2024 Eurobond proceeds for LMO early in the year, reducing principal payments in 2024–26 and 2030-32, and mitigating breaches in the debt service-to-exports ratio and the debt-service-to-revenue ratio over the debt service profile. The operation caused a temporary breach in 2024 in the debt-service-to-revenue ratio, given the large size of the repayment (US$250 million). Meanwhile, the PV of total PPG external debt to GDP remains well below the threshold throughout the projection period, averaging 30.4 percent of GDP in 2025-29 and gradually declining after 2030.[14] The PV of total PPG external debt to GDP will peak at 31 percent of GDP in 2027 (as in the previous DSA). Outside of the LMO breach in 2024, the debt service-to-revenue ratio comes close to breaching the threshold in 2030 at 17.9, at the time of the maturing of the 2030-32 Eurobond, which entails a large repayment. The PV of debt-to-exports and PV of debt service-to-exports ratios both remain below their thresholds, peaking in 2027 respectively.

**15. Stress tests highlight Benin's is particularly vulnerable to an exports shock, or a shock to market financing conditions.** Comparable to the previous DSA, three out of four debt-burden indicators breach their thresholds under certain stress tests, with an export shock being the most severe shock across three out of four indicators. These shocks illustrate risks posed by limited economic diversification which could be mitigated by an orderly expansion of the SEZ. They also highlight rollover risks in case exports come under pressure. The historical scenario is relatively more severe than the baseline because the calibration period of 2014–2023 captures significant downturns in Benin's economy, including the impact of COVID-19, the Nigeria border closure, and the 2015 downturn. Moreover, compared with the historical record, continued efforts to mobilize revenues and active debt management are expected to help stabilize debt levels.

**16. The granularity assessment indicates that Benin has limited space to absorb shocks (Figure 5).** Under the module, which allows qualifying the moderate risk of debt-distress, Benin is assessed as having limited space in the debt service-to-revenue, which would breach the threshold under a median observed shock scenario, resulting in a downgrade to high-risk. The debt service-to-export ratio would also breach the threshold under an extreme shock scenario in 2030, when repayment needs are elevated. In line with the previous DSA, only the debt service-to-revenue indicator had limited space to absorb shocks. The anticipated high export growth for the medium term will create space for the debt-service-to-exports indicator.

**17. The market-financing module suggests that market risks are moderate (Figure 6).** EMBI spreads have fallen below the benchmark, reflecting reaffirmed investor confidence given upgrade in Benin's sovereign credit rating (B+ for Fitch and BB- for S&P). Gross financing needs remain well below the respective benchmark, and potential for heightened liquidity needs is low. The debt-service to revenue and debt service-to-export ratios would exceed their thresholds in 2030 under the market financing shock, given the repayment profile discussed above (which does not incorporate possible liability management operations that would help manage these risks, despite the Beninese authorities' active debt management approach).

**18. Domestic debt remains contained.** Domestic debt has been on a declining trend over the past five years as a share of GDP, reflecting higher reliance on external debt since Benin re-accessed

[14] This DSA includes an update to the PV calculation methodology for existing Eurobond debt, which allows users to replace the PV of existing external debt by the nominal debt stock in instances where the grant element of a loan is zero. This change reduced the PV of external debt by an average of 0.8 ppt of GDP over the projection period and a peak of 2.5 ppt of GDP in 2024.

international markets, coupled with the tightening of financing conditions on the regional bond market in 2023 and in the first half of 2024 (both higher yields and shorter maturities). However, Benin was still able to contract external commercial debt on competitive terms in 2024Q1, and to issue domestic debt at a favorable rate on the regional market in 2024Q2, given the country's strong fundamentals. Domestic debt to GDP should rise over the medium term (albeit it will remain at low levels), as the authorities slowly increase reliance on domestic debt as intended in their medium-term debt strategy (Figure 7). The domestic debt service-to-revenue ratio will stabilize, as tax revenues continue to increase, underpinned by the authorities' MTRS.

## B. Total Public Debt Sustainability

**19. Total public PPG remains below its respective benchmark in the baseline (Figure 2 and Table 2).** The present value of public debt-to-GDP over the next 10 years averages 38.9 percent, well below the 55 percent benchmark and comparable to the previous DSA (39 percent), still reflecting the higher reliance on market-based financing in 2024.

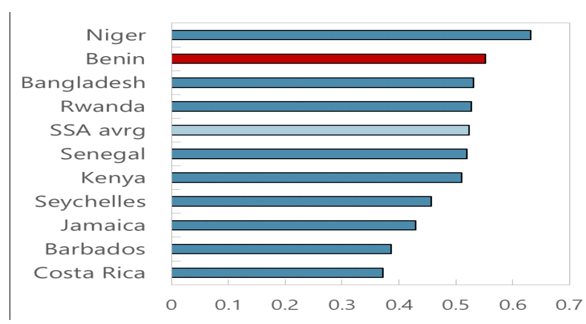
**20. Stress tests indicate that public debt is most vulnerable to commodity price shocks and contingent liabilities.** For the PV of debt-to-GDP ratio, a commodity price shock would be the most extreme shock, with significant increases in the debt-to-revenue ratio. A contingent liability shock would significantly increase the PV of debt-to-revenue ratio.

## C. Climate Change Risks

**21. Benin is one of the most vulnerable countries to climate change.** The country ranks as 23rd most vulnerable out of 185 countries to climate change (Text Figure 3), making climate change a macro-critical risk. Weather-related shocks include extreme heatwaves, floods, and droughts, as well as the risk of coastal exposure.

**22. Economic exposure to climate change is mostly due to the important role of the agriculture sector, as well as the concentration of economic activity in coastal areas.** Natural disaster occurrences expose Benin's agricultural sector to output and losses (for example, in case cotton, cashew, or soy production and exports are adversely affected). Meanwhile, coastal erosion or extreme weather events could disrupt trade at the port of Cotonou and hamper the nascent tourism sector.

**Text Figure 3. Benin: Climate Change Vulnerability Index: Benin vs. Other Countries**




Sources: ND-Gain Vulnerability index and IMF staff calculations. The vulnerability score is between 0-1 (the higher the score the more vulnerable is the country).

**23. Benin's Nationally Determined Contribution (NDC) suggest significant costs to address exposure to climate change.** According to its NDC, Benin would need US$8.6 billion and

US$1.8 billion of financing for mitigation and adaptation, respectively.[15] Private financing is expected to play a role in financing the adaptation and mitigation needs: a climate finance roundtable, co-organized by the IMF and the World Bank, was held in Cotonou in July 2024 to explore avenues for scaling climate finance in Benin. Five workstreams were identified: the monetization of carbon credits, the development of a project preparation facility, additional budget support and policy lending, the establishment of a blended finance facility, and the establishment of a one-shop window to further develop intermediated lending to local banks. Progress is already under way along those workstreams, with expected commitments by Benin's development partners ahead of COP29 in November.

**24. Given Benin's high vulnerability to natural disasters and climate change[16] (particularly from flooding and coastal erosion), a customized natural disaster shock has also been applied**. The stress test is tailored to Benin's exposure to climate shocks and is calibrated to simulate a catastrophic flood event like the one experienced by Benin in 2010, assuming a 4 percent one-off shock to external PPG debt-to-GDP ratio in the second year of the projection period (similar to the losses incurred in 2010), a 3 percent reduction of GDP growth, and a 3.5 percent reduction of export growth. The recent disbursement of US$54 million by the World Bank's-Cat DDO is already included in the baseline, as a financing for climate mitigation. The stress test result reflects a deterioration in Benin's indicators for external debt, highlighting the importance of continued reforms for climate adaptation.

# RISK RATING AND VULNERABILITIES

**25. This DSA finds that Benin remains at moderate risk of external and overall debt distress, unchanged from the previous DSA.** External debt indicators are in line with the previous DSA, but have increased compared to past years, reflecting higher reliance on external borrowing that provides more favorable terms and larger volumes than what is offered on the regional market. However, they remain below their high-risk thresholds and benchmarks in the baseline, apart from the temporary breach that was induced early in 2024 by the sizeable LMO that repaid two Eurobond tranches. Debt levels, though relatively manageable, remain vulnerable to shocks. As shown by the high debt service to revenues ratio, large amortization payments and the low revenue base may pose liquidity risks. A decline in revenues or exports, including from a delay in reform implementation that mobilizes revenue, or boosts exports' competitiveness, alongside shifts in market sentiment that tighten external conditions, would increase borrowing and rollover costs, and heighten debt risks.

[15] Benin 2024 Staff Report, Third Review Under the Extended Arrangement Under the Fund Extended Facility and Arrangement Under the Extended Credit Facility and Request for an Arrangement Under the Resilience and Sustainability Facility.

[16] Under the RSF, Benin is implementing reform measures to enhance resilience to climate change and promote an enabling environment for climate finance. Currently, authorities are preparing decrees for mainstreaming the climate agenda into policymaking and the PFM/PIM process.

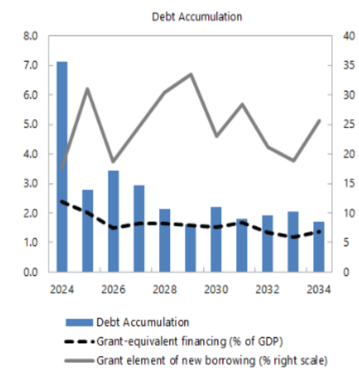
**26. Continued efforts in domestic revenue mobilization, active debt management, coupled with prudent borrowing are crucial for mitigating the risk of debt distress.** Benin has limited space to absorb shocks, with narrow space between the debt service ratios and high-risk thresholds in years where large Eurobond repayments are due. Therefore, continued proactive liability management will facilitate the rollover of these payments while avoiding breaches in debt thresholds. Concessional borrowing will reduce debt servicing burdens, while implementing measures that widen Benin's tax revenue base can help mitigate risks to debt distress. The implementation of a medium-term debt strategy that aims to rebalance overall debt towards domestic financing mix can also create additional space. The authorities should also continue to leverage their existing SDG bond framework to access financing, including climate-related, on more favorable terms.

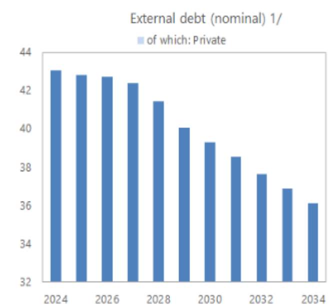
# Table 2. Benin: External Debt Sustainability Framework, Baseline Scenario, 2021–2044
## (In Percent of GDP, Unless Otherwise Indicated)

(In percent of GDP, unless otherwise indicated)

| | Actual | | | Projections | | | | | | | | Average 8/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2034 | 2044 | Historical | Projections |
| **External debt (nominal) 1/** | 36.8 | 37.6 | 38.8 | 43.0 | 42.8 | 42.7 | 42.4 | 41.5 | 40.1 | 36.1 | 26.1 | 24.9 | 40.1 |
| ***of which: public and publicly guaranteed (PPG)*** | 36.8 | 37.6 | 38.8 | 43.0 | 42.8 | 42.7 | 42.4 | 41.5 | 40.1 | 36.1 | 26.1 | 24.9 | 40.1 |
| Change in external debt | 8.4 | 0.8 | 1.2 | 4.3 | -0.2 | -0.1 | -0.3 | -0.9 | -1.4 | -0.8 | -1.2 | | |
| **Identified net debt-creating flows** | 0.6 | 6.4 | 2.1 | 2.5 | 1.7 | 1.2 | 0.9 | 0.8 | 0.7 | 0.9 | -1.4 | 3.2 | 1.1 |
| **Non-interest current account deficit** | 3.4 | 5.2 | 5.7 | 4.7 | 4.0 | 3.3 | 3.1 | 2.9 | 2.8 | 3.0 | -0.9 | 4.2 | 3.3 |
| Deficit in balance of goods and services | 4.4 | 5.9 | 6.7 | 6.2 | 5.7 | 5.1 | 5.0 | 4.9 | 4.8 | 4.9 | 0.0 | 5.6 | 5.1 |
| Exports | 23.5 | 24.5 | 23.9 | 24.4 | 25.0 | 25.7 | 25.8 | 26.0 | 26.1 | 26.2 | 0.0 | | |
| Imports | 27.8 | 30.4 | 30.6 | 30.6 | 30.7 | 30.8 | 30.8 | 31.0 | 31.0 | 31.1 | 0.0 | | |
| Net current transfers (negative = inflow) | -1.3 | -0.9 | -1.4 | -1.3 | -1.4 | -1.4 | -1.4 | -1.4 | -1.4 | -1.4 | -1.4 | -1.5 | -1.4 |
| *of which: official* | -0.5 | 0.0 | -0.5 | -0.2 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | | |
| Other current account flows (negative = net inflow) | 0.3 | 0.3 | 0.4 | -0.2 | -0.3 | -0.4 | -0.5 | -0.6 | -0.6 | -0.4 | 0.6 | 0.2 | -0.4 |
| **Net FDI (negative = inflow)** | -0.3 | -0.1 | 0.0 | -0.8 | -0.8 | -0.9 | -0.9 | -1.0 | -1.0 | -1.1 | 0.0 | -0.4 | -1.0 |
| **Endogenous debt dynamics 2/** | -2.5 | 1.3 | -3.6 | -1.3 | -1.4 | -1.3 | -1.2 | -1.2 | -1.2 | -1.0 | -0.5 | | |
| Contribution from nominal interest rate | 0.7 | 0.8 | 0.7 | 1.0 | 1.1 | 1.2 | 1.2 | 1.2 | 1.1 | 1.0 | 0.9 | | |
| Contribution from real GDP growth | -1.8 | -2.3 | -2.1 | -2.3 | -2.6 | -2.4 | -2.4 | -2.4 | -2.3 | -2.0 | -1.4 | | |
| Contribution from price and exchange rate changes | -1.5 | 2.9 | -2.2 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| **Residual 3/** | 7.8 | -5.7 | -0.9 | 1.8 | -2.0 | -1.3 | -1.3 | -1.7 | -2.1 | -1.7 | 0.2 | -0.5 | -1.4 |
| *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** | ... | ... | 25.6 | 29.9 | 29.9 | 30.6 | 31.0 | 30.7 | 29.9 | 28.0 | 22.3 | | |
| **PV of PPG external debt-to-exports ratio** | ... | ... | 107.3 | 122.7 | 119.7 | 119.3 | 120.3 | 118.1 | 114.4 | 107.0 | ... | | |
| **PPG debt service-to-exports ratio** | 8.7 | 8.5 | 7.7 | 13.4 | 10.0 | 9.7 | 10.7 | 9.9 | 9.8 | 8.8 | ... | | |
| **PPG debt service-to-revenue ratio** | 15.5 | 15.0 | 12.9 | 22.4 | 16.5 | 16.2 | 17.3 | 15.8 | 15.3 | 12.5 | ... | | |
| Gross external financing need (Billion of U.S. dollars) | 0.9 | 1.3 | 1.5 | 1.5 | 1.3 | 1.3 | 1.4 | 1.4 | 1.4 | 2.0 | 1.1 | | |
| **Key macroeconomic assumptions** | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 7.2 | 6.3 | 6.4 | 6.5 | 6.5 | 6.2 | 6.2 | 6.0 | 6.0 | 5.9 | 5.3 | 5.4 | 6.1 |
| GDP deflator in US dollar terms (change in percent) | 5.4 | -7.3 | 6.1 | 2.7 | 2.8 | 2.4 | 1.8 | 1.9 | 2.0 | 2.0 | 2.0 | -0.5 | 2.2 |
| Effective interest rate (percent) 4/ | 3.0 | 2.0 | 2.0 | 2.8 | 2.9 | 2.9 | 3.0 | 3.0 | 3.0 | 2.9 | 3.4 | 1.9 | 2.9 |
| Growth of exports of G&S (US dollar terms, in percent) | 18.6 | 2.8 | 9.9 | 11.8 | 12.0 | 11.9 | 8.6 | 9.0 | 8.6 | 8.0 | -100.0 | 7.1 | 9.3 |
| Growth of imports of G&S (US dollar terms, in percent) | 25.1 | 7.5 | 13.6 | 9.4 | 9.7 | 9.1 | 8.2 | 8.6 | 8.1 | 8.0 | -100.0 | 6.9 | 8.5 |
| Grant element of new public sector borrowing (in percent) | ... | ... | ... | 17.7 | 31.0 | 18.7 | 24.6 | 30.5 | 33.5 | 25.6 | 10.8 | ... | 24.8 |
| Government revenues (excluding grants, in percent of GDP) | 13.2 | 13.8 | 14.3 | 14.6 | 15.1 | 15.5 | 16.0 | 16.4 | 16.8 | 18.5 | 20.7 | 12.7 | 16.7 |
| Aid flows (in Billion of US dollars) 5/ | 0.2 | 0.1 | 0.2 | 0.7 | 0.6 | 0.7 | 0.7 | 0.7 | 0.7 | 0.5 | 0.5 | | |
| Grant-equivalent financing (in percent of GDP) 6/ | ... | ... | ... | 2.4 | 2.0 | 1.5 | 1.6 | 1.7 | 1.6 | 1.4 | 0.7 | ... | 1.6 |
| Grant-equivalent financing (in percent of external financing) 6/ | ... | ... | ... | 23.0 | 38.9 | 28.8 | 32.7 | 39.4 | 43.2 | 36.1 | 31.1 | ... | 33.8 |
| Nominal GDP (Billion of US dollars) | 18 | 17 | 20 | 22 | 24 | 26 | 28 | 30 | 32 | 48 | 99 | | |
| Nominal dollar GDP growth | 12.9 | -1.5 | 12.8 | 9.4 | 9.5 | 8.7 | 8.1 | 8.1 | 8.1 | 8.0 | 7.4 | 5.0 | 8.4 |
| **Memorandum items:** | | | | | | | | | | | | | |
| PV of external debt 7/ | ... | ... | 25.6 | 29.9 | 29.9 | 30.6 | 31.0 | 30.7 | 29.9 | 28.0 | 22.3 | | |
| In percent of exports | ... | ... | 107.3 | 122.7 | 119.7 | 119.3 | 120.3 | 118.1 | 114.4 | 107.0 | ... | | |
| Total external debt service-to-exports ratio | 8.7 | 8.5 | 7.7 | 13.4 | 10.0 | 9.7 | 10.7 | 9.9 | 9.8 | 8.8 | ... | | |
| PV of PPG external debt (in Billion of US dollars) | | | 5.0 | 6.4 | 7.0 | 7.8 | 8.6 | 9.2 | 9.7 | 13.3 | 22.1 | | |
| (PVt-PVt-1)/GDPt-1 (in percent) | | | | 7.1 | 2.8 | 3.4 | 2.9 | 2.2 | 1.6 | 1.7 | 0.8 | | |
| Non-interest current account deficit that stabilizes debt ratio | -5.0 | 4.5 | 4.6 | 0.4 | 4.2 | 3.4 | 3.4 | 3.8 | 4.2 | 3.8 | 0.3 | | |

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




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.

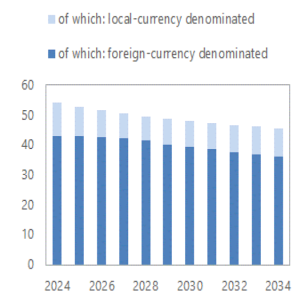
## Table 3. Benin: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020-44

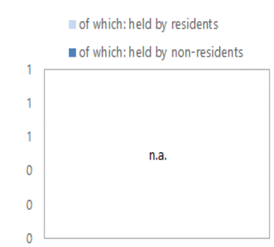
(In Percent of GDP, Unless Otherwise Indicated)

| | Actual | | | | Projections | | | | | | | | Average 6/ | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2034 | 2044 | Historical | Projections |
| **Public sector debt 1/** | 46.1 | 50.3 | 54.2 | 54.9 | 54.0 | 52.6 | 51.5 | 50.5 | 49.6 | 48.8 | 45.6 | 44.4 | 41.7 | 49.2 |
| **of which: external debt** | 28.4 | 36.8 | 37.6 | 38.8 | 43.0 | 42.8 | 42.7 | 42.4 | 41.5 | 40.1 | 36.1 | 26.1 | 24.9 | 40.1 |
| | | 13.5 | 16.6 | 16.1 | 11.0 | 9.8 | 8.8 | 8.1 | 8.1 | 8.7 | 9.5 | 18.2 | | |
| Change in public sector debt | 4.9 | 4.1 | 3.9 | 0.7 | -0.9 | -1.4 | -1.1 | -1.0 | -0.9 | -0.8 | -0.5 | 0.9 | | |
| **Identified debt-creating flows** | 1.4 | 3.9 | 7.1 | 0.1 | -1.0 | -1.4 | -1.1 | -1.0 | -0.8 | -0.8 | -0.5 | 1.0 | 2.5 | -0.8 |
| **Primary deficit** | 2.7 | 3.5 | 3.9 | 2.5 | 1.9 | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.3 | 2.0 | 2.5 | 1.3 |
| Revenue and grants | 14.4 | 14.1 | 14.3 | 15.0 | 15.3 | 15.7 | 16.1 | 16.5 | 16.9 | 17.3 | 19.0 | 21.2 | 13.5 | 17.2 |
| *of which: grants* | 1.7 | 0.9 | 0.5 | 0.8 | 0.7 | 0.6 | 0.6 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | | |
| Primary (noninterest) expenditure | 17.1 | 17.6 | 18.2 | 17.6 | 17.2 | 16.9 | 17.3 | 17.7 | 18.1 | 18.5 | 20.3 | 23.2 | 16.1 | 18.5 |
| **Automatic debt dynamics** | -3.3 | 0.5 | -0.2 | -3.6 | -2.7 | -2.7 | -2.3 | -2.2 | -2.0 | -2.0 | -1.7 | -1.0 | | |
| Contribution from interest rate/growth differential | -0.9 | -2.0 | -3.0 | -2.9 | -2.7 | -2.7 | -2.3 | -2.2 | -2.0 | -2.0 | -1.7 | -1.0 | | |
| *of which: contribution from average real interest rate* | 0.7 | 1.1 | 0.0 | 0.4 | 0.6 | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 1.2 | | |
| *of which: contribution from real GDP growth* | -1.5 | -3.1 | -3.0 | -3.2 | -3.3 | -3.3 | -3.1 | -3.0 | -2.9 | -2.8 | -2.6 | -2.2 | | |
| Contribution from real exchange rate depreciation | -2.4 | 2.5 | 2.7 | -0.8 | ... | ... | ... | ... | ... | ... | ... | ... | | |
| **Other identified debt-creating flows** | 1.9 | -0.1 | 3.4 | 1.2 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.7 | 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 | | |
| 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 | | |
| Debt relief (HIPC and other) | -0.1 | -0.1 | 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) | 2.0 | 0.0 | 3.4 | 1.2 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | |
| **Residual** | 3.5 | 0.3 | -3.2 | 0.6 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.1 | 0.0 |
| **Sustainability indicators** | | | | | | | | | | | | | | |
| **PV of public debt-to-GDP ratio 2/** | ... | ... | ... | 41.5 | 40.8 | 39.8 | 39.6 | 39.3 | 39.0 | 38.7 | 37.7 | 40.6 | | |
| **PV of public debt-to-revenue and grants ratio** | ... | ... | ... | 276.2 | 267.0 | 253.5 | 246.1 | 238.2 | 230.7 | 223.8 | 198.0 | 191.2 | | |
| **Debt service-to-revenue and grants ratio 3/** | 42.5 | 76.7 | 60.7 | 50.5 | 43.7 | 39.2 | 32.9 | 31.3 | 27.6 | 23.1 | 23.9 | 28.8 | | |
| Gross financing need 4/ | 10.8 | 14.2 | 16.0 | 11.4 | 8.5 | 7.4 | 6.5 | 6.3 | 5.8 | 5.2 | 5.8 | 8.1 | | |
| **Key macroeconomic and fiscal assumptions** | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 3.8 | 7.2 | 6.3 | 6.4 | 6.5 | 6.5 | 6.2 | 6.2 | 6.0 | 6.0 | 5.9 | 5.3 | 5.4 | 6.1 |
| Average nominal interest rate on external debt (in percent) | 2.1 | 2.8 | 2.1 | 2.0 | 2.7 | 2.9 | 3.0 | 3.0 | 3.0 | 3.0 | 2.9 | 3.4 | 1.9 | 2.9 |
| Average real interest rate on domestic debt (in percent) | 3.5 | 7.2 | 8.7 | 7.0 | 3.5 | 3.3 | 4.0 | 4.4 | 4.9 | 5.1 | 5.2 | 5.0 | 5.5 | 4.7 |
| Real exchange rate depreciation (in percent, + indicates depreciation) | -9.8 | 9.4 | 8.2 | -2.2 | ... | ... | ... | ... | ... | ... | ... | ... | 3.6 | ... |
| Inflation rate (GDP deflator, in percent) | 2.9 | 1.6 | 4.1 | 3.4 | 1.9 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 1.3 | 2.0 |
| Growth of real primary spending (deflated by GDP deflator, in percent | 36.7 | 10.3 | 9.7 | 2.8 | 4.2 | 4.9 | 8.4 | 8.6 | 8.4 | 8.6 | 7.6 | 15.9 | 8.4 | 7.5 |
| Primary deficit that stabilizes the debt-to-GDP ratio 5/ | ... | -0.7 | 0.0 | 1.8 | 2.8 | 2.6 | 2.3 | 2.2 | 2.1 | 2.0 | 1.8 | 1.1 | 0.4 | 2.1 |
| 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 | | |

| 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/ 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.

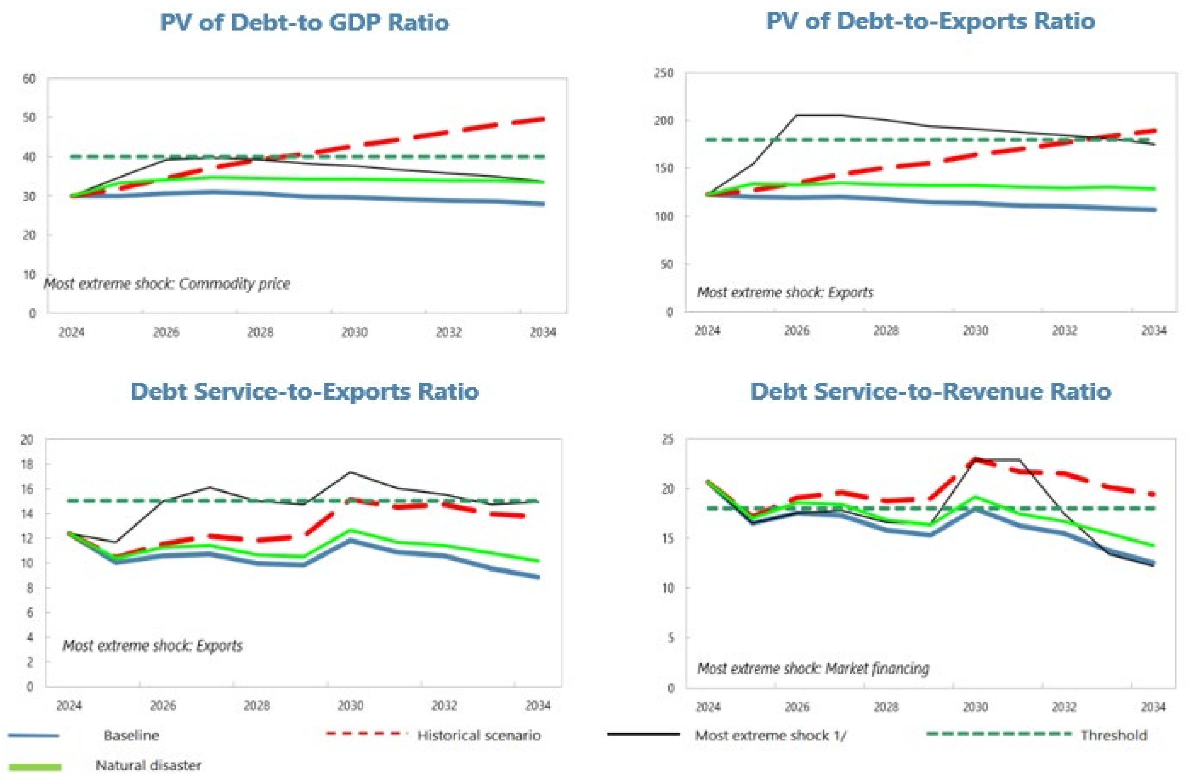
5/ Defined as grants, concessional loans, and debt relief.

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.

## Figure 1. Benin: Indicators of Public Guaranteed External Debt Under Alternatives Scenarios, 2024–2034[2]




| Customization of Default Settings | Size | Interactions |
|---|---|---|
| **Tailored Stress** | | |
| Combined CL | Yes | |
| Natural disaster | Yes | Yes |
| Commodity price | No | No |
| 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 on additional financing needs resulting from the 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 | 2.9% | 2.9% |
| USD Discount rate | 5.0% | 5.0% |
| Avg. maturity (incl. grace period) | 23 | 23 |
| Avg. grace period | 7 | 7 |

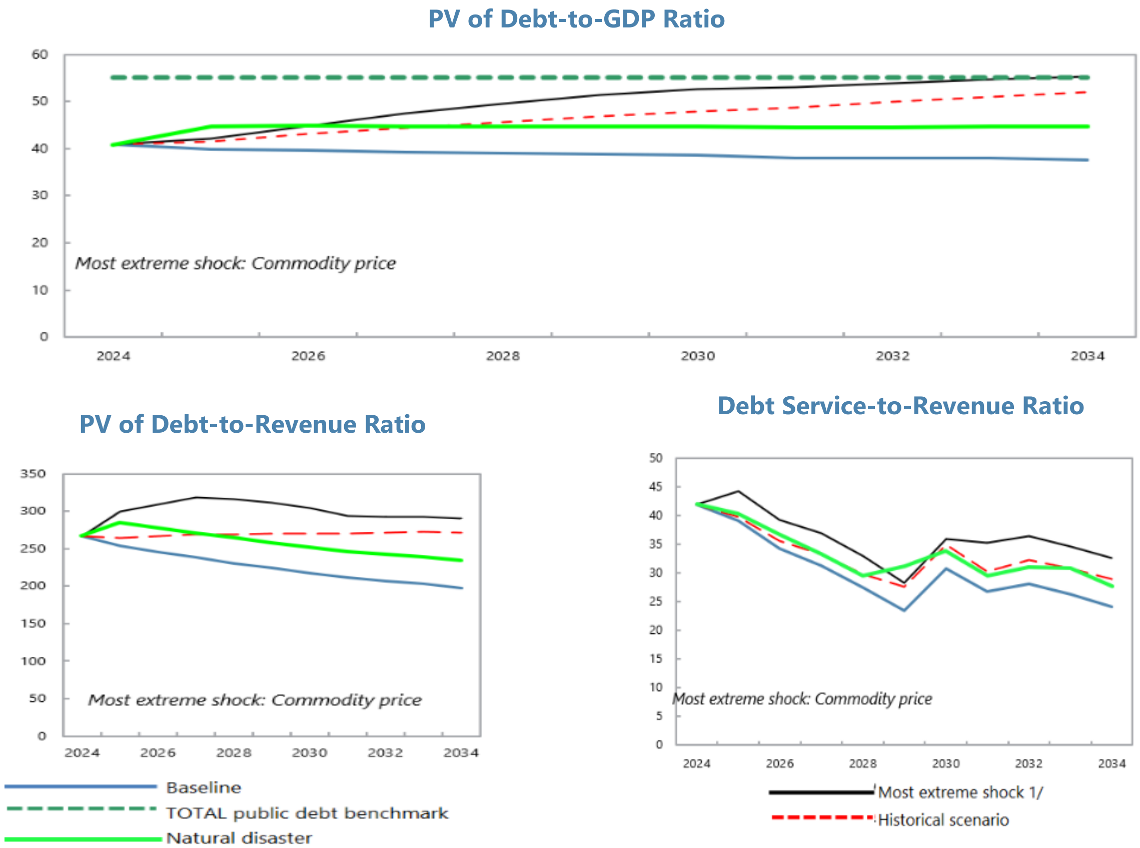
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2032. 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 extreme shock even after disregarding the one-ff 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 Alternatives Scenarios, 2024–2034




| Borrowing assumptions on additional financing needs resulting from the stress tests* | Default | User defined |
|---|---|---|
| **Shares of marginal debt** | | |
| External PPG medium and long-term | 67% | 67% |
| Domestic medium and long-term | 31% | 31% |
| Domestic short-term | 2% | 2% |
| **Terms of marginal debt** | | |
| External MLT debt | | |
| Avg. nominal interest rate on new borrowing in USD | 2.9% | 2.9% |
| Avg. maturity (incl. grace period) | 23 | 23 |
| Avg. grace period | 7 | 7 |
| Domestic MLT debt | | |
| Avg. real interest rate on new borrowing | 5.1% | 5.1% |
| Avg. maturity (incl. grace period) | 4 | 4 |
| Avg. grace period | 3 | 3 |
| Domestic short-term debt | | |
| Avg. real interest rate | 5.4% | 5.4% |

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 2033. 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 extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

# Table 4. Benin: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2024–2035

(In percent)

| | Projections 1/ | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
| **PV of Debt-to GDP Ratio** | | | | | | | | | | | | |
| **Baseline** | 30 | 30 | 31 | 31 | 31 | 30 | 30 | 29 | 29 | 28 | 28 | 28 |
| **A. Alternative Scenarios** | | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 30 | 32 | 35 | 37 | 39 | **41** | **43** | **44** | **46** | **48** | **50** | **52** |
| A2. Alternative Scenario :Natural disaster | 30 | 33 | 34 | 35 | 34 | 34 | 34 | 34 | 34 | 34 | 34 | 34 |
| **B. Bound Tests** | | | | | | | | | | | | |
| B1. Real GDP growth | 30 | 31 | 33 | 34 | 33 | 32 | 32 | 32 | 31 | 31 | 30 | 30 |
| B2. Primary balance | 30 | 32 | 35 | 36 | 35 | 35 | 35 | 34 | 33 | 33 | 32 | 32 |
| B3. Exports | 30 | 33 | 39 | 39 | 39 | 38 | 37 | 36 | 36 | 35 | 34 | 34 |
| B4. Other flows 3/ | 30 | 31 | 32 | 33 | 32 | 31 | 31 | 31 | 30 | 30 | 29 | 29 |
| B5. Depreciation | 30 | 38 | 35 | 36 | 35 | 35 | 34 | 34 | 33 | 33 | 33 | 33 |
| B6. Combination of B1-B5 | 30 | 35 | 36 | 36 | 36 | 35 | 35 | 34 | 33 | 33 | 32 | 32 |
| **C. Tailored Tests** | | | | | | | | | | | | |
| C1. Combined contingent liabilities | 30 | 36 | 36 | 36 | 36 | 36 | 36 | 35 | 35 | 34 | 34 | 34 |
| C2. Natural disaster | 30 | 33 | 34 | 35 | 34 | 34 | 34 | 34 | 34 | 34 | 34 | 34 |
| C3. Commodity price | 30 | 35 | 39 | 40 | 39 | 38 | 38 | 37 | 36 | 35 | 34 | 33 |
| C4. Market Financing | 30 | 33 | 34 | 35 | 34 | 34 | 33 | 32 | 32 | 31 | 31 | 31 |
| **Threshold** | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 |
| **PV of Debt-to-Exports Ratio** | | | | | | | | | | | | |
| **Baseline** | 123 | 120 | 119 | 120 | 118 | 114 | 113 | 111 | 110 | 109 | 107 | 107 |
| **A. Alternative Scenarios** | | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 123 | 127 | 134 | 144 | 151 | 156 | 164 | 170 | 177 | **184** | **189** | **197** |
| A2. Alternative Scenario :Natural disaster | 123 | **134** | **133** | **135** | **133** | **132** | **132** | **131** | **130** | **130** | **129** | **130** |
| **B. Bound Tests** | | | | | | | | | | | | |
| B1. Real GDP growth | 123 | 120 | 119 | 120 | 118 | 114 | 113 | 111 | 110 | 109 | 107 | 107 |
| B2. Primary balance | 123 | 127 | 138 | 138 | 135 | 132 | 132 | 129 | 127 | 126 | 123 | 123 |
| B3. Exports | 123 | 154 | **206** | **205** | **201** | **194** | **191** | **187** | **184** | **181** | 175 | 173 |
| B4. Other flows 3/ | 123 | 124 | 126 | 127 | 124 | 121 | 120 | 117 | 115 | 114 | 112 | 111 |
| B5. Depreciation | 123 | 120 | 109 | 110 | 108 | 105 | 105 | 103 | 102 | 101 | 100 | 101 |
| B6. Combination of B1-B5 | 123 | 144 | 125 | 154 | 151 | 146 | 145 | 143 | 141 | 139 | 136 | 136 |
| **C. Tailored Tests** | | | | | | | | | | | | |
| C1. Combined contingent liabilities | 123 | 142 | 140 | 141 | 138 | 138 | 137 | 134 | 132 | 132 | 129 | 128 |
| C2. Natural disaster | 123 | 134 | 133 | 135 | 133 | 132 | 132 | 131 | 130 | 130 | 129 | 130 |
| C3. Commodity price | 123 | 175 | **184** | 178 | 168 | 157 | 149 | 145 | 142 | 138 | 133 | 131 |
| C4. Market Financing | 123 | 120 | 119 | 121 | 119 | 115 | 114 | 111 | 109 | 108 | 106 | 106 |
| **Threshold** | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 |
| **Debt Service-to-Exports Ratio** | | | | | | | | | | | | |
| **Baseline** | 12 | 10 | 11 | 11 | 10 | 10 | 12 | 11 | 11 | 10 | 9 | 7 |
| **A. Alternative Scenarios** | | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 12 | 10 | 12 | 12 | 12 | 12 | **15** | 15 | 15 | 14 | 14 | 12 |
| A2. Alternative Scenario :Natural disaster | 12 | 10 | 11 | 11 | 11 | 11 | **13** | 12 | 11 | 11 | 10 | 8 |
| **B. Bound Tests** | | | | | | | | | | | | |
| B1. Real GDP growth | 12 | 10 | 11 | 11 | 10 | 10 | 12 | 11 | 11 | 10 | 9 | 7 |
| B2. Primary balance | 12 | 10 | 11 | 12 | 11 | 11 | 13 | 12 | 11 | 11 | 10 | 8 |
| B3. Exports | 12 | 12 | 15 | **16** | 15 | 15 | **17** | **16** | **16** | 15 | 15 | 12 |
| B4. Other flows 3/ | 12 | 10 | 11 | 11 | 10 | 10 | 12 | 11 | 11 | 10 | 9 | 7 |
| B5. Depreciation | 12 | 10 | 11 | 10 | 10 | 10 | 11 | 11 | 10 | 9 | 8 | 6 |
| B6. Combination of B1-B5 | 12 | 11 | 13 | 14 | 13 | 12 | 15 | 14 | 13 | 12 | 11 | 9 |
| **C. Tailored Tests** | | | | | | | | | | | | |
| C1. Combined contingent liabilities | 12 | 10 | 11 | 11 | 11 | 10 | 13 | 12 | 11 | 10 | 10 | 8 |
| C2. Natural disaster | 12 | 10 | 11 | 11 | 11 | 11 | 13 | 12 | 11 | 10 | 10 | 8 |
| C3. Commodity price | 12 | 13 | 14 | 14 | 13 | 12 | 14 | 13 | 12 | 12 | 12 | 9 |
| C4. Market Financing | 12 | 10 | 11 | 11 | 10 | 11 | **15** | **15** | 12 | 9 | 9 | 7 |
| **Threshold** | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| **Debt Service-to-Revenue Ratio** | | | | | | | | | | | | |
| **Baseline** | **21** | 17 | 18 | 17 | 16 | 15 | 18 | 16 | 15 | 14 | 13 | 10 |
| **A. Alternative Scenarios** | | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | **21** | 17 | **19** | **20** | **19** | **19** | **23** | **22** | **22** | **20** | **19** | 16 |
| A2. Alternative Scenario :Natural disaster | 21 | 17 | 19 | 18 | 17 | 16 | 19 | 17 | 17 | 15 | 14 | 11 |
| **B. Bound Tests** | | | | | | | | | | | | |
| B1. Real GDP growth | **21** | 17 | **19** | **19** | 17 | 17 | **20** | 18 | 17 | 15 | 14 | 10 |
| B2. Primary balance | **21** | 17 | **18** | **19** | 17 | 17 | **19** | 18 | 17 | 15 | 14 | 11 |
| B3. Exports | **21** | 17 | **18** | **19** | 18 | 17 | **20** | 18 | 17 | 16 | 16 | 13 |
| B4. Other flows 3/ | **21** | 17 | 18 | 18 | 16 | 16 | **18** | 17 | 16 | 14 | 13 | 10 |
| B5. Depreciation | **21** | **21** | **22** | **21** | **19** | **19** | **22** | **20** | **19** | 17 | 15 | 11 |
| B6. Combination of B1-B5 | **21** | 18 | **20** | **20** | **18** | 18 | **20** | **19** | 18 | 16 | 15 | 11 |
| **C. Tailored Tests** | | | | | | | | | | | | |
| C1. Combined contingent liabilities | **21** | 17 | **19** | **18** | 17 | 16 | **19** | 17 | 17 | 15 | 14 | 11 |
| C2. Natural disaster | **21** | 17 | **18** | 18 | 16 | 16 | **19** | 17 | 16 | 14 | 13 | 10 |
| C3. Commodity price | **21** | **19** | **21** | **22** | **20** | **18** | **21** | **18** | 17 | 16 | 16 | 13 |
| C4. Market Financing | **21** | 17 | 18 | 18 | 17 | 16 | **23** | **23** | 17 | 13 | 12 | 9 |
| **Threshold** | 18 | 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 5. Benin: Sensitivity Analysis for Key Indicators of Public Debt, 2024–2035

(In percent)

| | Projections 1/ | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 | 2033 | 2034 | 2035 |
| **PV of Debt-to-GDP Ratio** | | | | | | | | | | | | |
| **Baseline** | 41 | 40 | 40 | 39 | 39 | 39 | 39 | 38 | 38 | 38 | 38 | 38 |
| **A. Alternative Scenarios** | | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 41 | 42 | 43 | 44 | 45 | 46 | 48 | 48 | 49 | 50 | 51 | 52 |
| A2. Alternative Scenario :Natural disaster | 41 | 45 | 45 | 45 | 45 | 45 | 45 | 44 | 45 | 45 | 45 | 45 |
| **B. Bound Tests** | | | | | | | | | | | | |
| B1. Real GDP growth | 41 | 42 | 45 | 46 | 46 | 47 | 48 | 49 | 50 | 51 | 51 | 52 |
| B2. Primary balance | 41 | 42 | 46 | 46 | 45 | 45 | 44 | 44 | 43 | 43 | 43 | 42 |
| B3. Exports | 41 | 43 | 48 | 47 | 47 | 46 | 46 | 45 | 45 | 44 | 43 | 43 |
| B4. Other flows 3/ | 41 | 41 | 41 | 41 | 41 | 40 | 40 | 40 | 39 | 39 | 39 | 39 |
| B5. Depreciation | 41 | 47 | 45 | 43 | 42 | 40 | 39 | 37 | 35 | 34 | 33 | 32 |
| B6. Combination of B1-B5 | 41 | 41 | 43 | 42 | 42 | 42 | 41 | 40 | 40 | 40 | 39 | 39 |
| **C. Tailored Tests** | | | | | | | | | | | | |
| C1. Combined contingent liabilities | 41 | 49 | 48 | 48 | 47 | 46 | 46 | 45 | 45 | 44 | 44 | 44 |
| C2. Natural disaster | 41 | 45 | 45 | 45 | 45 | 45 | 45 | 44 | 45 | 45 | 45 | 45 |
| C3. Commodity price | 41 | 42 | 45 | 47 | 50 | 51 | 53 | 53 | 54 | 55 | **55** | **56** |
| C4. Market Financing | 41 | 40 | 40 | 39 | 39 | 39 | 39 | 38 | 38 | 38 | 37 | 37 |
| **TOTAL public debt benchmark** | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 | 55 |
| **PV of Debt-to-Revenue Ratio** | | | | | | | | | | | | |
| **Baseline** | 267 | 254 | 246 | 238 | 231 | 224 | 218 | 211 | 207 | 203 | 198 | 196 |
| **A. Alternative Scenarios** | | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 267 | 265 | 267 | 268 | 268 | 268 | 268 | 267 | 268 | 269 | 268 | 272 |
| A2. Alternative Scenario :Natural disaster | 267 | 285 | 278 | 271 | 265 | 258 | 252 | 246 | 243 | 239 | 235 | 234 |
| **B. Bound Tests** | | | | | | | | | | | | |
| B1. Real GDP growth | 267 | 268 | 278 | 276 | 274 | 273 | 272 | 270 | 270 | 271 | 270 | 273 |
| B2. Primary balance | 267 | 270 | 288 | 278 | 269 | 259 | 251 | 242 | 236 | 231 | 224 | 221 |
| B3. Exports | 267 | 272 | 297 | 286 | 276 | 266 | 258 | 249 | 242 | 236 | 227 | 223 |
| B4. Other flows 3/ | 267 | 259 | 258 | 249 | 241 | 233 | 227 | 220 | 215 | 210 | 205 | 202 |
| B5. Depreciation | 267 | 300 | 282 | 263 | 247 | 232 | 218 | 204 | 193 | 184 | 173 | 167 |
| B6. Combination of B1-B5 | 267 | 259 | 267 | 257 | 248 | 240 | 232 | 225 | 219 | 214 | 208 | 205 |
| **C. Tailored Tests** | | | | | | | | | | | | |
| C1. Combined contingent liabilities | 267 | 311 | 300 | 289 | 279 | 268 | 259 | 251 | 244 | 238 | 231 | 228 |
| C2. Natural disaster | 267 | 285 | 278 | 271 | 265 | 258 | 252 | 246 | 243 | 239 | 235 | 235 |
| C3. Commodity price | 267 | 299 | 309 | 319 | 316 | 311 | 304 | 294 | 293 | 292 | 290 | 293 |
| C4. Market Financing | 267 | 254 | 246 | 239 | 232 | 225 | 219 | 211 | 205 | 201 | 196 | 195 |
| **Debt Service-to-Revenue Ratio** | | | | | | | | | | | | |
| **Baseline** | 42 | 39 | 34 | 31 | 28 | 23 | 31 | 27 | 28 | 26 | 24 | 23 |
| **A. Alternative Scenarios** | | | | | | | | | | | | |
| A1. Key variables at their historical averages in 2024-2034 2/ | 42 | 40 | 36 | 33 | 30 | 28 | 35 | 30 | 32 | 31 | 29 | 28 |
| A2. Alternative Scenario :Natural disaster | 42 | 40 | 37 | 33 | 30 | 31 | 34 | 30 | 31 | 31 | 28 | 26 |
| **B. Bound Tests** | | | | | | | | | | | | |
| B1. Real GDP growth | 42 | 41 | 37 | 35 | 31 | 28 | 37 | 33 | 34 | 33 | 31 | 30 |
| B2. Primary balance | 42 | 39 | 36 | 34 | 30 | 29 | 37 | 29 | 30 | 29 | 27 | 25 |
| B3. Exports | 42 | 39 | 35 | 33 | 29 | 25 | 32 | 28 | 29 | 28 | 27 | 25 |
| B4. Other flows 3/ | 42 | 39 | 34 | 32 | 28 | 24 | 31 | 27 | 28 | 27 | 25 | 23 |
| B5. Depreciation | 42 | 39 | 38 | 35 | 31 | 27 | 35 | 31 | 32 | 29 | 26 | 24 |
| B6. Combination of B1-B5 | 42 | 38 | 35 | 33 | 29 | 24 | 35 | 28 | 29 | 27 | 25 | 23 |
| **C. Tailored Tests** | | | | | | | | | | | | |
| C1. Combined contingent liabilities | 42 | 39 | 38 | 34 | 30 | 39 | 33 | 29 | 30 | 31 | 26 | 24 |
| C2. Natural disaster | 42 | 40 | 37 | 33 | 30 | 31 | 34 | 30 | 31 | 30 | 27 | 26 |
| C3. Commodity price | 42 | 44 | 39 | 37 | 33 | 28 | 36 | 35 | 36 | 35 | 33 | 32 |
| C4. Market Financing | 42 | 39 | 34 | 32 | 28 | 24 | 36 | 33 | 30 | 26 | 24 | 23 |

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

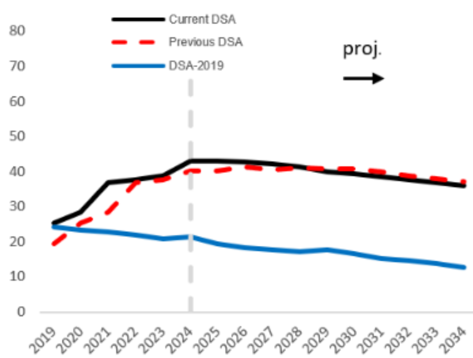
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

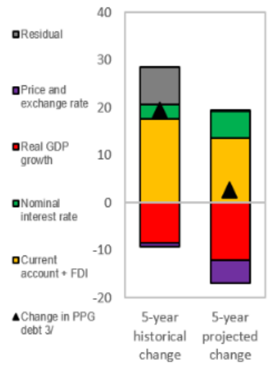
## Figure 3. Benin: Drivers of Debt Dynamics – Baseline Scenario

### External Debt

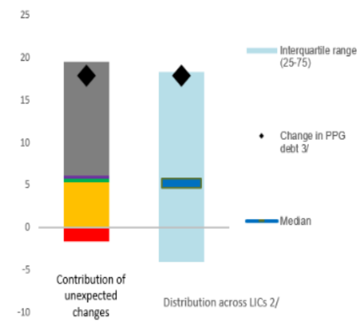
**Gross Nominal PPG External Debt**
(Percent of GDP; DSA vintages)




**Debt-Creating Flows**
(Percent of GDP)

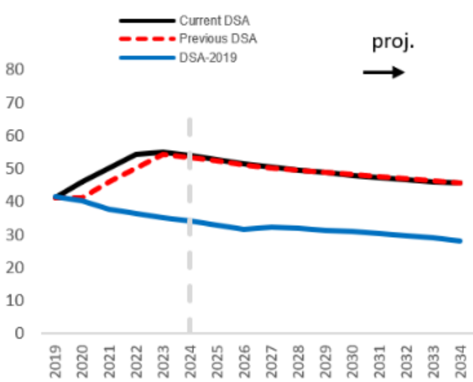



**Unexpected Changes in Debt** 1/
(Past 5 years, percent of GDP)

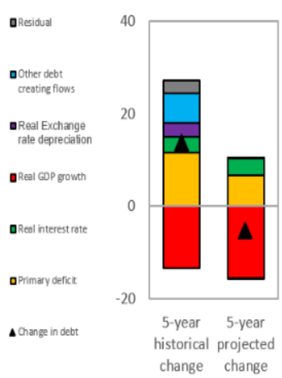



### Public Debt

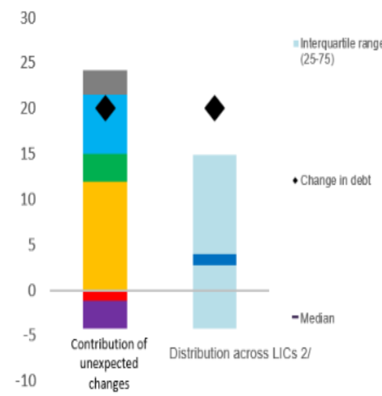
**Gross Nominal Public Debt**
(Percent of GDP; DSA vintages)




**Debt-Creating Flow**
(Percent of GDP)

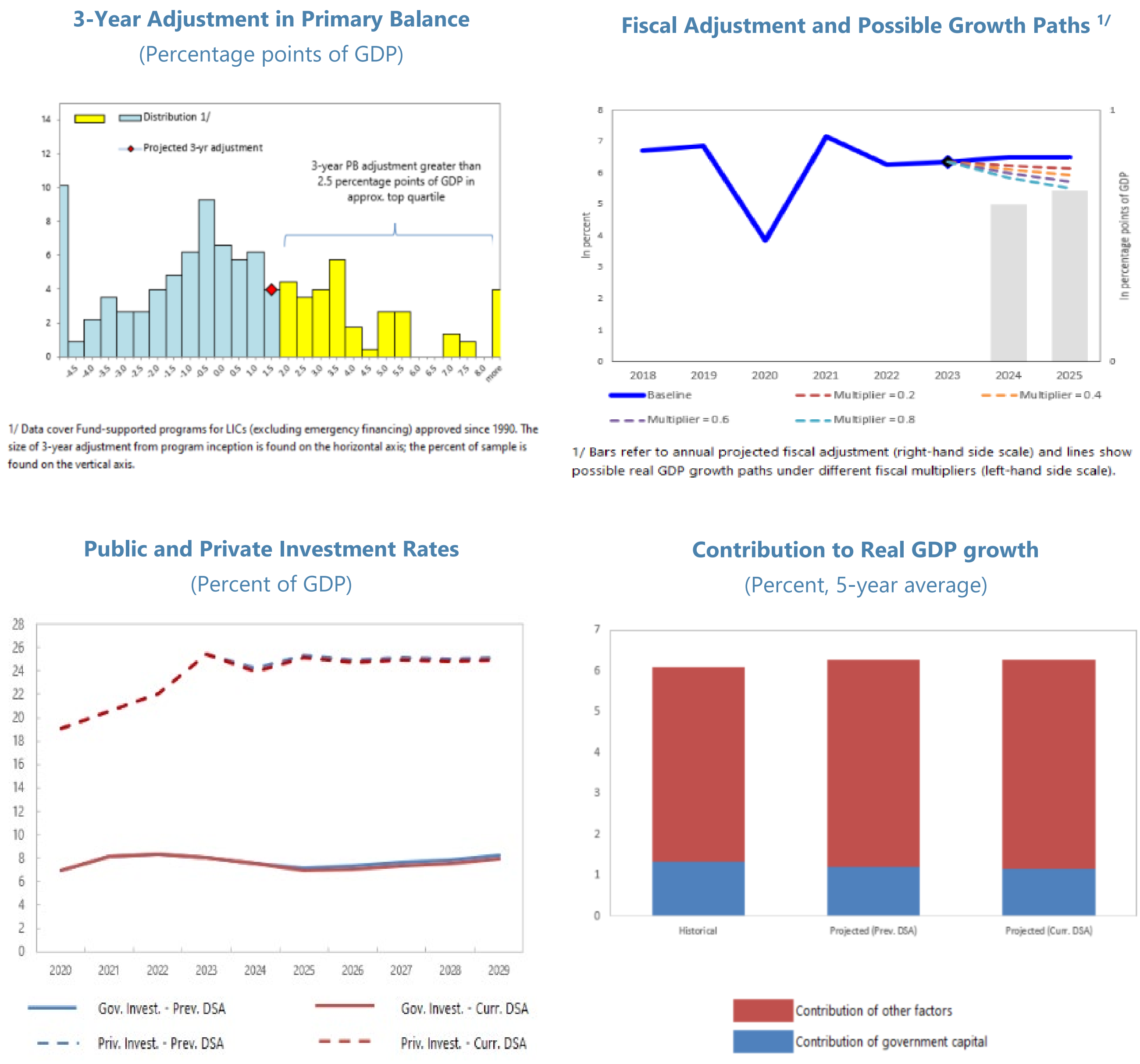



**Unexpected Changes in Debt** 1/
(Past 5 years, percent of GDP)



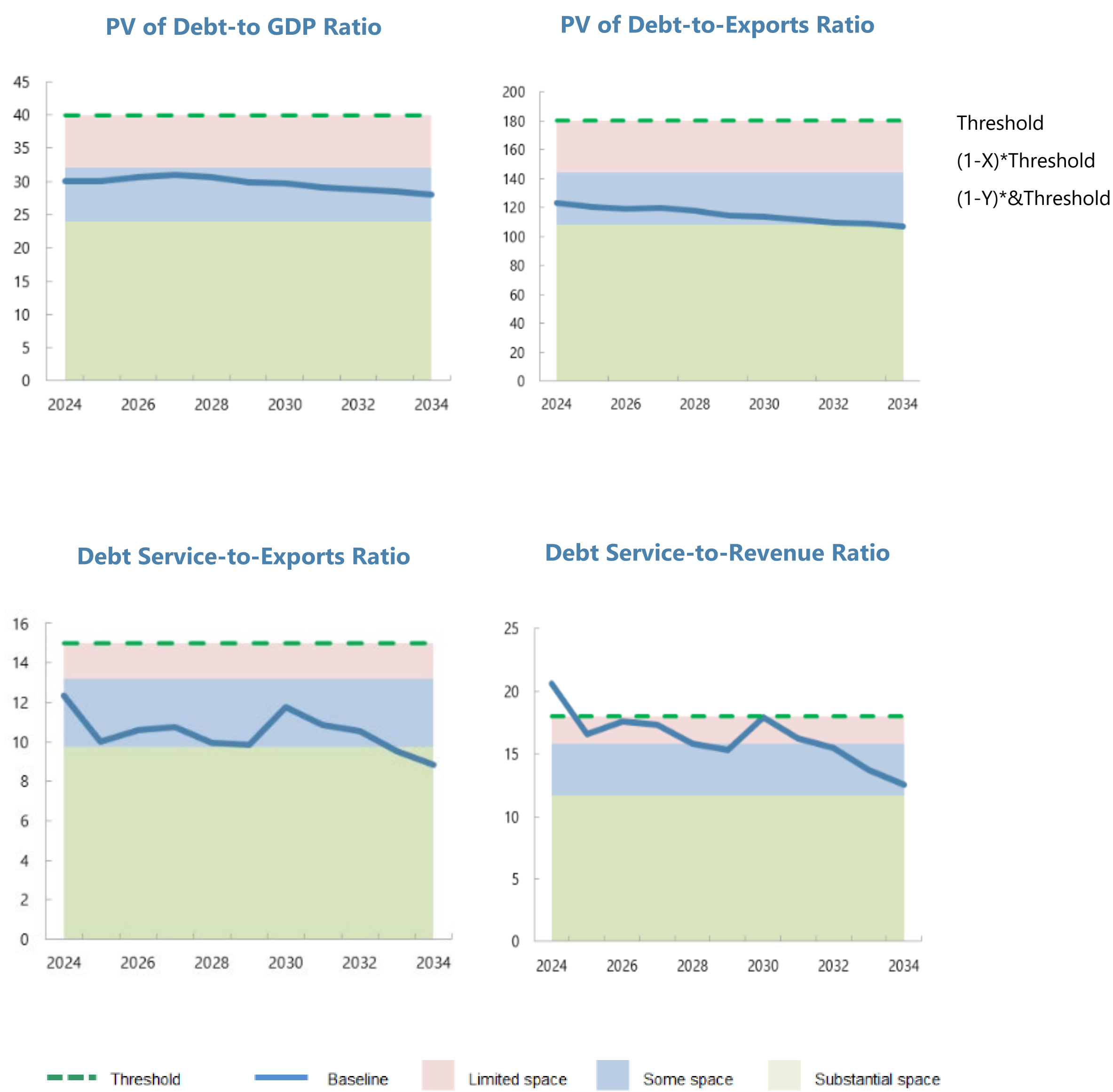

Sources: Country authorities; and staff estimates and projections.
1/ Difference between anticipated and actual contributions on debt ratios.
2/ Distribution across LICs for which LIC DSAs were produced.
3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

## Figure 4. Benin: Realism Tools




Sources: Country authorities; and staff estimates and projections

**Figure 5. Benin: Qualification of the Moderate Category, 2024–2034 1/**




Sources: Country authorities; and staff estimates and projections.

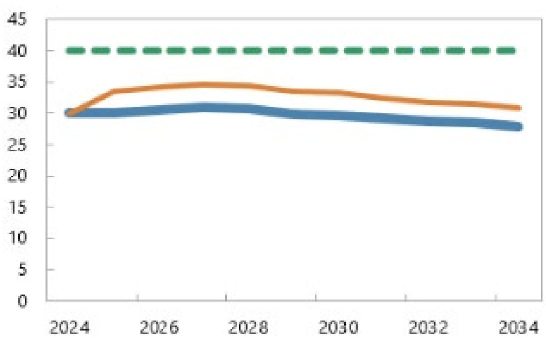
1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

## Figure 6. Benin: Market-Financing Risk Indicators

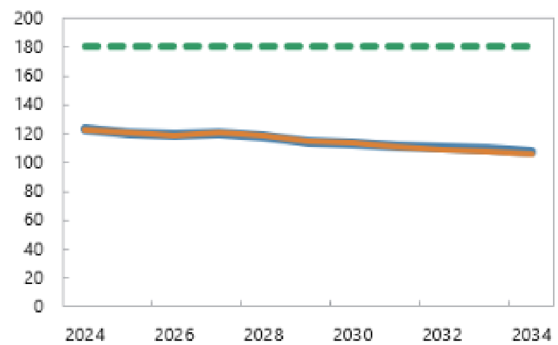
| | GFN 1/ | EMBI 2/ |
|---|---|---|
| Benchmarks | 14 | 570 |
| Values | 8 | 516 |
| Breach of benchmark | No | No |
| Potential heightened liquidity needs | Low | |

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

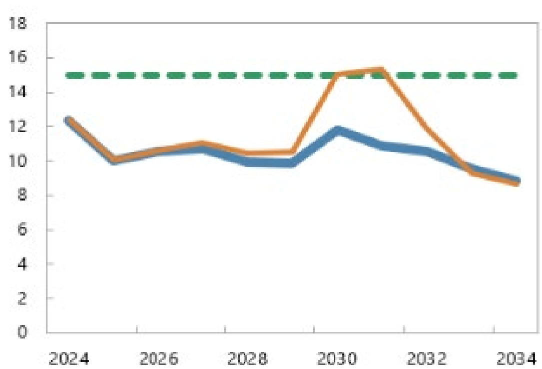
### PV of Debt-to GDP Ratio



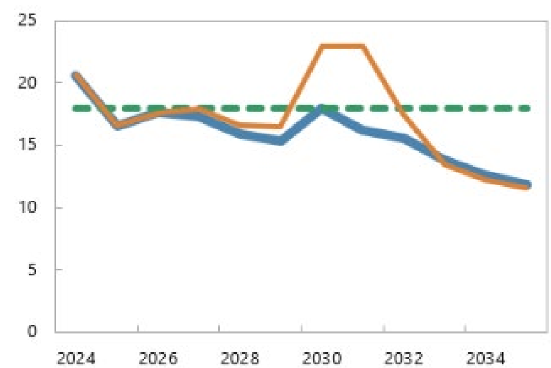

### PV of Debt-to-Exports Ratio




### Debt Service-to-Exports Ratio




### Debt Service-to-Revenue Ratio



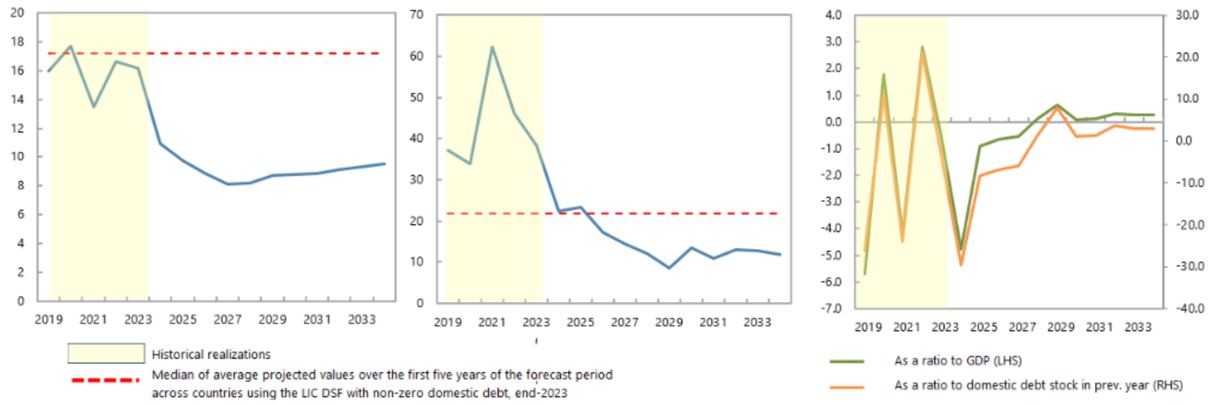

Baseline　Market financing　Threshold

Sources: Country authorities; and staff estimates and projections.

## Figure 7. Benin: Indicators of Domestic Public Debt 2019-2033

(Percent)

**Domestic Debt to GDP Ratio** | **Domestic Debt Service to Revenues Incl. Grants** | **Net Domestic Debt Issuance 1/**




| Borrowing Assumptions (average over 10-year projection) | Value |
|---|---|
| **Shares in new domestic debt issuance** | |
| Medium and long-term | 95% |
| Short-term | 5% |
| **Borrowing terms** | |
| **Domestic MLT debt** | |
| Avg. real interest rate on new borrowing | 5.1% |
| Avg. maturity (incl. grace period) | 4 |
| Avg. grace period | 3 |
| **Domestic short-term debt** | |
| Avg. real interest rate | 5.4% |

Sources: Country authorities; and staff estimates and projections.

Note: 1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

**Statement by the Staff Representative on Benin**
**December 17, 2024**

*This statement provides a factual update on developments since the Staff Report was finalized. The additional information does not change the thrust of the staff appraisal.*

## 1. Budget Execution and Indicative Targets (ITs) for end-September 2024

- The authorities met the end-September 2024 ITs on tax revenue (CFAF 1,223.3 billion versus a target of CFAF 1,220.5 billion) and priority social spending (124.4 versus CFAF 114.4 billion). The present value of new external debt contracted or guaranteed by the government was below its ceiling in September 2024 (CFAF 801.9 billion versus the annual ceiling of CFAF 1,055 billion). Benin did not accumulate any external or domestic arrears.

- While the authorities are well on track to deliver the programmed fiscal consolidation in 2024, supported by buoyant tax revenue (11 percent increase, y/y) and spending restraint (2.3 percent decline, y/y), shifts in the composition of spending (from externally-financed to domestically-financed capital spending) caused the end-September 2024 ITs on the basic primary balance and net domestic financing to be missed (CFAF 68.8 billion versus CFAF 90.9 billion and CFAF -143.5 billion versus CFAF -173.3 billion, respectively).

- The shift to domestically-financed capital expenditure, a trend identified in the Staff Report, reflects improved local capacity in projects execution. The authorities have indicated that they have since put control systems in place to ensure that all end-December 2024 PCs are met.

## 2. 2025 Budget

- Parliament adopted the 2025 budget—the last under the current program—targeting compliance with the West African Economic and Monetary Union's (WAEMU) deficit norm of 3 percent of GDP, with increased allocation for social spending, in line with the Staff Report.

## 3. External sector developments

- The BCEAO (the central bank) now estimates the current account deficit for 2023 at 8.2 percent of GDP, 1.8 percentage points wider than estimated in the Staff Report. The wider current account balance is largely attributed to the wider services deficit (by 1.4 percentage points) due to larger services imports related to the special economic zone than anticipated earlier. Staff assess those deviations to be transitory.

- The estimated overall balance is roughly unchanged, due to higher than previously estimated portfolio and FDI inflows.

- Based on the revised data for 2023, staff now project the current account deficit for 2024 at 6.4 percent of GDP (0.7 percentage points wider than in the Staff Report). The current account deficit is still projected to be in the 4-5 percent of GDP range over the medium-term.

**Statement by Mr. Wautabouna Ouattara, Executive Director for Benin and Mrs. Esso-Solim Boukpessi, Advisor to the Executive Director**

**Tuesday, December 17, 2024**

## Introduction

1. On behalf of the Beninese authorities, we thank Management and Staff for the continued engagement with Benin. Our authorities value the productive policy dialogue held in the context of the Fifth Reviews Under the Extended Fund Facility (EFF) and the Extended Credit Facility (ECF), as well as the Second Review Under the Resilience and Sustainability Facility (RSF). The authorities broadly concur with the thrust of the report as it accurately reflects the progress achieved, the immediate priorities, and the macroeconomic policies and structural reforms required to address the country's challenges.

2. Benin has demonstrated strong commitment to prudent macroeconomic management and a steadfast commitment to reforms, since 2016, through its Government's Action Program—*Programme d'Action du Gouvernement (PAG).* This proactive approach has bolstered social and economic resilience, enabling Benin to navigate global and regional challenges. Recently, these included the closure of its border with Niger due to the Economic Community of West African States (ECOWAS)'s decision following the July 2023 coup, rising hydrocarbon prices, and the depreciation of the Naira against the CFA franc. The economy is also faced with climate-related risks such as floods, extreme heat, and droughts that further complicate the macroeconomic landscape. Despite these domestic and external challenges, the authorities pressed ahead with their reform agenda which supported strong program performance and sustained economic resilience.

3. The authorities' reform efforts are being supported by the ongoing 2022-2025 EFF/ECF and the RSF arrangements. These efforts have driven signs of economic transformation, evidenced by increased value-added exports and growth in service sectors such as information and communications technology (ICT) and tourism. Advancements in governance, macroeconomic, and fiscal management are also positive achievements. Recent upgrades in sovereign credit ratings by Fitch (now at B+) and S&P (now at BB-) further strengthen Benin's economic resilience and support its sustainable development goals. The authorities remain committed to safeguarding the hard-won macroeconomic gains of recent years while implementing their comprehensive reform agenda.

## Implementation of the EFF/ECF and RSF Arrangements

4. Benin's implementation of its IMF-supported programs continues to demonstrate robust performance, with all end-March 2024 Indicative Targets (ITs) and end-June 2024 Quantitative Performance Criteria (QPCs) met. Tax revenue exceeded target, creating fiscal space for priority spending. Consequently, social spending saw a significant increase, in education, sanitation, and healthcare. The primary fiscal balance surpassed expectations—more than double the program indicative target—with prudent domestic financing management, external debt levels remain within agreed thresholds, and no arrears were accumulated. On the structural front, the two

Structural Benchmarks (SBs) set for the period were implemented. These included: (i) closing of public bank accounts (about 60 percent) in commercial banks and repatriating their balances to the Treasury Single Account (TSA), and (ii) enacting critical anti-corruption decrees. These actions underscore a steadfast commitment to ongoing reforms.

5. Significant progress has also been made in climate budget tagging (RM4) and fuel subsidy reforms with the establishment of a predictable mechanism for pump prices (RM11 & RM12) under the RSF arrangement, with adequate measures to protect the vulnerable population. The authorities are advancing the urban water pricing reform (RM6) and have updated the tariffs for the first time since 2009 to better align with current cost structures, with a sustainable, dynamic pricing mechanism expected in the coming months.

**Recent Economic Developments and Outlook**

6. Economic growth reached 6.4 percent in the first half of 2024, driven by agriculture, agroindustry, construction, trade, and tourism. Inflation declined to around 1.5 percent in the first ten months of 2024, as prices of smuggled gasoline normalized following the earlier fuel price adjustments in Nigeria. Private sector credit grew by 15 percent by July 2024, and non-performing loans fell to 3.7 percent in June from 6.2 percent in June 2023. The current account deficit increased to 6.4 percent of GDP in 2023 from 6.0 percent in 2022, reflecting higher service imports in the Special Economic Zone (SEZ), Glo-Djigbé Industrial Zone (GDIZ) and delays in the repatriation of export proceeds.

7. The fiscal performance at end-august 2024, highlighted the authorities' effective tax collection efforts, resulting in an impressive 11 percent year-on-year increase in tax revenues, particularly from higher investment-related imports, higher international taxes, and improved customs valuations. Non-tax revenues also saw a significant rise due to enhanced digitalization of administrative fee collection. Current primary expenditures remained stable in real terms, despite higher interest expenses in the first half of the year due to debt service schedules. Domestically financed capital expenditure increased, reflecting improved project execution and prudent borrowing. Proceeds from the February 2024 Eurobond issuance helped finance the 2024 budget, as envisaged at the time of the Fourth reviews, reducing domestic borrowing plans.

8. The economic outlook for Benin remains promising, with anticipated growth of 6.5 percent in 2024-25, driven by the expansion of the port of Cotonou, industrial sector strengthening, increased tourism activity, major infrastructure projects under PAG 2021-2026, and an improving business environment. Over the medium-term, the authorities anticipate growth exceeding staff's projection of 6 percent and inflation stabilizing at 2 percent. The current account deficit is projected to narrow to 5.7 percent of GDP in 2024, benefiting from higher SEZ exports and adjusted import forecasts, with further narrowing in 2025 as terms of trade improve and fiscal consolidation continues. Despite this positive outlook, risks persist, including potential impacts of policy shifts in Nigeria and further Naira depreciation, rising global oil and food prices, the volatile security situation in the Sahel, and climate change vulnerabilities. However, upside risks such as the normalization of Benin-Niger transit trade, the operationalization of the hydrocarbon pipeline, and the growth of the port of Cotonou and SEZs, are expected to enhance economic benefits. Should

these risks materialize, the government remains committed to proactive measures and appropriate policy responses, building on its track record of policy implementation.

**Macroeconomic Policies and Reforms for Inclusive Growth and Economic Resilience**

***Fiscal and Debt Sustainability***

9. The government remains steadfast in its commitment to fiscal consolidation to meet the Western African Economic and Monetary Union (WAEMU)'s fiscal deficit target of 3 percent of GDP by 2025. The recently approved 2025 budget law by the Parliament aims to reduce the fiscal deficit to 2.9 percent of GDP, aligning with the WAEMU 3 percent convergence criterion. Both revenues and expenditures measures will underpin these efforts. Over the medium term, the government will maintain sound fiscal management, enhance domestic revenue mobilization, and improve expenditure efficiency to place public debt on a downward trajectory.

10. The authorities have boosted domestic revenue mobilization guided by the 2024-2028 Medium-Term Revenue Strategy (MTRS) which broadens the tax base and raises revenues via digitization. Efforts to rationalize tax expenditures will continue, with evaluating exemptions, including VAT and customs duty exemptions on certain new public transportation vehicles. On the spending side, making expenditure more efficient remains a key priority with measures such as consolidating public supply orders and moving public services to new buildings. The authorities underscore the utmost importance of ensuring fiscal sustainability and have contingency measures in place to meet fiscal targets while protecting priority social spending.

11. The authorities continue to strengthen Public Financial Management (PFM) and fiscal risk assessment in line with the WAEMU harmonized PFM framework. They have established criteria for appraising major public investment projects and about 60 percent of public bank accounts have been consolidated into the Treasury Single Account. A mandatory measure to expedite closure of the remaining accounts will be introduced in 2025.

12. The authorities are committed to maintaining the country's moderate risk of debt distress through prudent borrowing and proactive debt management consistent with the 2024-2026 medium-term debt strategy. They aim to reduce reliance on external financing by mobilizing the regional domestic market and prioritizing long-term securities. Moreover, the authorities are prioritizing concessional external financing, especially budgetary support, and fixed-rate commercial loans in global currencies, such as the euros. This strategy also emphasizes sustainable borrowing in line with the government's climate agenda. The authorities are equally considering an international borrowing operation with partial IDA guarantees to secure net present value savings without deteriorating the debt profile and will ensure consultation with IMF staff.

***Strengthening Social Protection***

13. The government is dedicated to advancing social policies to achieve the Sustainable Development Goals (SDGs) and reduce inequalities. Much progress in poverty reduction has been achieved through increased social spending since 2022, but the authorities still believe that further efforts are needed. Consequently, the 2025 budget allocates 41.5 percent of expenditures to social sectors, aiming to further reduce poverty rate from 36.2 percent in 2021 to 33.8 percent in 2025.The

Single Social Registry —*Régistre Social Unique (RSU)*— will improve targeting social assistance in health, education, and social protection. The authorities also remain committed to expand the school feeding program —*Programme National d'Alimentation Scolaire Intégré*— and improve the pupil-teacher ratio. They continue to take steps to reduce the level of informality in the economy; for instance, through the recently launched Insurance for Human Capital Development (ARCH) project, more than 2,000 artisans from the informal sector have been trained.

14. The expanded social safety net initiatives, including the World Bank-sponsored *GBESSOKÉ* cash transfer program, are also being implemented to enhance the core social support. In further support these initiatives, the authorities plan to publish a detailed mapping of social protection programs by October 2025 to identify vulnerabilities, beneficiaries, and coverage gaps, with the aim of strengthening the social protection mechanisms and reducing inequalities across regions and income groups.

***Ensuring Financial Stability***

15. Regional and national authorities are committed to bolstering financial sector stability, recognizing its essential role in economic resilience. Benin's public financial sector has grown significantly with the creation of the *Caisse des Dépôts et Consignations Benin (CDCB)* and the *Banque Internationale pour l'Industrie et le Commerce (BIIC)* in 2020, which serve as the country's leading financial institutions. The government values their contributions to project financing and, despite their sound financial indicators, acknowledges the need for close monitoring to prevent financial and budgetary risks.

16. Taking a proactive stance on Société Générale (SG) disengagement from Africa, the government has exercised its right of pre-emption to acquire SG Benin. This aims to ensure a smooth transition to private ownership within a year and strengthen the stability of the West African financial center. While taking note of staff' recommendations regarding fiscal risks and potential efficiency issues related to state involvement in the sector, the authorities believe this strategy will effectively leverage SG's large network in Benin while minimizing disruptions in the immediate period of SG's disengagement.

***Accelerating Structural Reforms***

The authorities are driving structural reforms through digitalizing public services and advancing industrialization via SEZs. This digital transformation has enhanced public service delivery, with revenue administration now almost entirely digital and around fifty new e-services launched annually. Since 2016, industrialization has been central to economic policy and diversification efforts, exemplified by Glo-Djigbé Industrial Zone (GDIZ) 's investments in high-value agriculture and integrated textile unit. To complement these initiatives and ensure transparency and efficient tax expenditure, the authorities have committed to publish a list of companies operating in the SEZs by April 2025, with annual updates.

***Further Improving Governance and the AML/CFT Framework***

17. Following the 2022 IMF governance diagnostic, Benin adopted and published its homegrown Governance Action Plan which includes twenty-one reform measures. The authorities are expediting the implementation of these reforms, focusing on the rule of law, anti-corruption actions, AML/CFT, and PFM. Key actions include operationalizing the anti-corruption agency—*Haut Commissariat à la Prévention de la Corruption (HCPC)*— with the appointment of the High Commissioner and senior staff in June 2024, and an asset declaration decree. The authorities plan to amend the HCPC law (2020-9 Law) by October 2025, to enhance procedures and independence and better align it with international best practices. Reforms are also underway to enhance budget transparency, including the completion of the e-Procurement process and the publication of audits of high-stakes public contracts.

18. The government is strengthening the AML/CFT framework per the 2021 mutual evaluation report's recommendations. Recent measures include enacting laws against money laundering and terrorism financing, conducting sectoral risk assessments and implementing a legal framework for beneficial ownership verification during land transfers.

### *Enhancing Resilience to Climate Change and Unlocking Climate Finance*

19. Benin's climate reform agenda continues to gain momentum under the RSF arrangement. Climate tagging has been extended to all sectors and integrated into the 2025 budget law. Urban water tariffs have been updated, presented by tier, with a dynamic pricing mechanism that is being finalized. Progress has also been made in the construction sector with the adoption by the council of ministers in September 2024 of a draft law that set standards for climate resilience and low-carbon options for planning, engineering design, maintenance, and inspection.

20. Comprehensive reforms have been undertaken in the electricity and fossil fuel sectors. For fossil fuels, a pricing mechanism has been implemented to reduce the informal oil sector and stabilize the budget, with a compensatory mechanism for vulnerable groups. A tariff reform to eliminate subsidies and ensure cost recovery in electricity is equally advancing, starting in 2025, with feedback from the National Regulatory Council under review.

21. Efforts to catalyze climate finance through the RSF are being intensified. Following a climate finance roundtable in Cotonou in July 2024, Benin secured financial pledges from its partners during COP29, enhancing the catalytic impact of the RSF. Priorities now include monetizing carbon credits, engaging the private sector, and securing additional budget support through a multi-donor matrix, in addition to focusing on the eight primary sectors of socioeconomic development defined in the National Adaptation Plan.

## Conclusion

22. The Beninese authorities have made significant progress in their economic and financial reforms, supported by the EFF/ECF and RSF arrangements. They remain dedicated to the programs' objectives and maintaining momentum. Given their track record, we would appreciate the Executive Board's support for the Fifth Reviews under the EFF and ECF arrangements, and the Second Review under the RSF. The authorities are eager to continue their engagement with the IMF and other partners to advance Benin's economic, social, and climate goals.