

**Benin: Fourth Review under the Extended Fund Facility and the Extended Credit Facility Arrangements, and the First Review under the Resilience and Sustainability Facility, and Request for Modification of a Quantitative Performance Criterion-Press Release; Staff Report; and Statement by the Executive Director for Benin**



# BENIN

December 2024

## STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION, FOURTH REVIEW UNDER THE EXTENDED FUND FACILITY AND THE EXTENDED CREDIT FACILITY ARRANGEMENTS, FIRST REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, AND REQUEST FOR MODIFICATION OF A QUANTITATIVE PERFORMANCE CRITERION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR BENIN

In the context of the 2024 Article IV consultation with Benin, the Fourth Review under the Extended Fund Facility and the Extended Credit Facility Arrangements, and the First 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 June 27, 2024, following discussions that ended on May 8, 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 June 14, 2024.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF and the World Bank.
- A **Statement by the Executive Director** for Benin.

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## BENIN: IMF Executive Board Completes Fourth Review of Extended Fund and Extended Credit Facilities, First Review of Resilience and Sustainability Facility, and Concludes 2024 Article IV Consultation

FOR IMMEDIATE RELEASE

- The IMF Executive Board today completed the Fourth Review of Benin's Extended Fund Facility (EFF) and the Extended Credit Facility (ECF) and the First Review under the Resilience and Sustainability Facility (RSF). The decision allows for an immediate disbursement of about US\$ 67 million. The Board also concluded the 2024 article IV Consultation.
- The Beninese economy has proven remarkably resilient to recent shocks, supported by continued reform drive and a robust government response made possible by policy space created pre-pandemic.
- Program performance has been strong. An important priority going forward is to continue anchoring Benin's growth and development in sustainable and inclusive policies that leave no region nor socio-economic group behind.

**Washington, DC – June 27, 2024:** The Executive Board of the International Monetary Fund (IMF) concluded today the 2024 Article IV consultation<sup>1</sup> with Benin and completed the Fourth Review under the 42-month blended Extended Fund Facility (EFF) and the Extended Credit Facility (ECF) arrangements, and the First 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 400.2 million (about US\$ 526 million)—and of SDR 19.8 million (about US\$ 26 million) under the RSF arrangement. The Executive Board also approved the modification of the quantitative performance criterion on new debt contracted or guaranteed by the government for 2024, with public debt remaining at moderate risk of debt distress.

The Beninese economy has proven remarkably resilient to shocks, leveraging buffers wisely created pre-pandemic and supported by the government's continued reform efforts, with economic activity estimated to have expanded by 6.4 percent in 2023. Growth is expected to remain strong in the coming years, supported by the government infrastructure drive and by private investment, including through the Special Economic Zone. The ongoing reform of education will help prepare the labor force to a transforming economy. This could help harness the demographic dividend and translate the current growth momentum into sustained

<sup>1</sup> Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

job-rich growth over the medium-and-long term. However, regional headwinds could compound global uncertainty and disrupt trade. Benin also remains vulnerable to extreme climate events.

Program performance has been strong, with all end-December 2023 quantitative targets met, and structural benchmarks (under the EFF/ECF), and reform measures (under the RSF), implemented.

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

"Benin's strong reform drive and sound macroeconomic management over the past several years provided policy space to navigate repeated shocks since the pandemic. After a period of warranted policy accommodation, the authorities frontloaded fiscal consolidation last year to start rebuilding policy buffers. Their homegrown reform program is gaining traction with support from international development partners and investors.

"Sound public finances have helped improve overall access to basic public services over time with poverty also declining at the national level, although inequality has persisted across regions and income groups. An important challenge going forward is to continue anchoring Benin's growth and development in policies that will leave no region nor socio-economic group behind. In this context, a swift full operationalization of the social registry will facilitate the coordination of various social assistance programs and improve their targeting to the poor and vulnerable households across regions.

"Benin's large development needs in both core social sectors (education, health and social protection) and non-traditional areas (such as digitalization and climate change) put an extra premium on domestic revenue mobilization. Maintaining the tax collection momentum—anchored in the Medium-Term Revenue Strategy (MTRS)—will support convergence to the West-African Economic and Monetary Union-wide fiscal deficit norm of 3 percent of GDP by 2025, while helping meet the country's development needs in a sustainable manner.

"Contingency planning remains paramount, considering global uncertainty and regional geo-economic and security headwinds. In this context, the authorities should maintain flexibility in budget execution and stand ready to reprioritize public investment in case shocks materialize.

"The authorities should press ahead with ongoing reforms to the rule of law and the anticorruption and AML/CFT frameworks to lay the foundations for private sector-led inclusive growth. Remaining vigilant vis-à-vis public and non-public financial sector risks will preserve macroeconomic stability and limit contingent liability risks.

"Steadfast implementation of the climate change agenda under the Resilience and Sustainability Facility (RSF) will complement the EFF/ECF in supporting overall socio-economic resilience in Benin. Initiatives underway to catalyze private climate finance are welcome developments in this regard. Reforming fuel subsidies in a way that accounts for the specificities of Benin's local fuel market and protect vulnerable groups remains a policy priority."

## **Executive Board Assessment<sup>2</sup>**

Executive Directors agreed with the thrust of the staff appraisal. They commended the Beninese authorities for prudent macroeconomic management and steadfast reform implementation over the past several years, which has provided policy room to strengthen resilience against severe shocks and enabled Benin to regain market access. While the macroeconomic outlook remains robust, the balance of risks is mixed owing to regional and global challenges, as well as climate vulnerabilities. Against this background, Directors encouraged the authorities to sustain strong program ownership and implementation. Supported by technical and financial support from development partners, Benin should continue rebuilding policy buffers and implementing reforms to foster the ongoing growth momentum.

Directors encouraged the authorities to maintain the tax collection momentum—anchored in the Medium-Term Revenue Strategy—to support convergence to the West African Economic and Monetary (WAEMU)'s fiscal deficit norm of 3 percent of GDP by 2025. They noted that continued efforts in domestic revenue mobilization would help finance Benin's large social and development needs while preserving debt sustainability. Directors emphasized the need for careful contingency planning, including through a phased approach to public investment. Prudent borrowing, including a balanced mix of domestic and external debt and continued prioritization of concessional loans, was also emphasized.

Directors encouraged the authorities to continue implementing growth-enhancing reforms, including sustained investment in education and digitalization to prepare the large young population for the jobs of the future. Broad-based economic diversification would facilitate economic transformation and strong growth. Directors also recommended pressing ahead with reforms to enhance the rule of law, anti-corruption and AML/CFT frameworks, building on the homegrown governance action plan, to facilitate private sector-led growth. Directors called for continued vigilance vis-à-vis public and non-public financial sector risks, to preserve macroeconomic stability and contain contingent liability risks.

Directors acknowledged persistent inequality across regions and income groups, notwithstanding overall improvement in access to public services over time and declining poverty at the national level. In this context, they recommended that a swift full operationalization of the social registry would facilitate targeting of various social assistance programs across the country.

Directors were encouraged by the authorities' efforts in mainstreaming climate change into policymaking as well as the initiatives underway to enhance climate resilience and catalyze private climate finance. They underscored the need to reform fuel subsidies, while taking due account for the need for social cohesion and the specificities of Benin's local fuel market.

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<sup>2</sup> 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>.

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

	2019	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029	
					Est.	Third Review	Est.	Third Review	Proj.	Projections				
	(annual percent change)													
<b>National Income and Prices</b>														
Real GDP per capita	3.8	1.0	4.2	3.4	2.7	3.4	3.1	3.6	3.5	3.1	3.1	2.9	2.8	
Real GDP	6.9	3.8	7.2	6.3	5.6	6.4	6.0	6.5	6.5	6.2	6.2	6.0	6.0	
Nominal GDP	6.5	6.8	8.9	10.7	9.2	10.0	9.0	8.7	8.7	8.3	8.3	8.1	8.1	
GDP deflator	-0.3	2.9	1.6	4.1	3.3	3.4	2.8	2.0	2.0	2.0	2.0	2.0	2.0	
Consumer price index (average)	-0.9	3.0	1.7	1.4	3.7	2.7	3.0	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	3.7	0.4	3.0	2.0	2.0	2.0	2.0	2.0	2.0	
<b>External Sector</b>														
Terms of trade (minus = deterioration)	5.1	1.5	1.2	-8.8	-1.5	0.1	0.1	1.9	0.0	0.9	0.5	1.5	1.0	
Real effective exchange rate (minus = deterioration)	-3.1	3.7	-0.8	-8.7	...	4.9	...	...	...	...	...	...	...	
<b>Money and Credit</b>														
Credit to the private sector	11.9	-5.7	9.2	21.4	9.0	19.7	11.0	15.0	...	...	...	...	...	
Broad money (M2)	6.0	17.3	16.7	13.0	9.2	-0.4	9.0	8.7	...	...	...	...	...	
	(percent of GDP, unless otherwise indicated)													
<b>Central Government Finance</b>														
Total revenue	12.9	12.7	13.2	13.8	14.0	14.3	14.5	14.6	15.1	15.4	15.9	16.3	16.7	
of which: Tax revenue <sup>1</sup>	10.6	10.5	11.0	12.2	12.7	12.9	13.2	13.2	13.7	14.0	14.4	14.8	15.1	
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	19.3	19.2	18.9	18.9	18.6	19.0	19.4	19.8	20.2	
Overall balance (commitment basis, including grants)	-0.5	-4.7	-5.7	-5.5	-4.5	-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	-5.1	-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	0.9	0.4	1.1	-1.9	0.2	-1.0	-0.5	0.6	0.9	
External financing, net	4.2	2.4	9.5	2.7	4.2	4.4	2.6	5.6	2.7	3.9	3.4	2.3	2.0	
<b>External Sector</b>														
Balance of goods and services	-5.0	-2.8	-4.4	-6.0	-6.0	-6.2	-5.8	-6.4	-6.4	-5.1	-5.1	-5.1	-5.2	
Exports of goods and services	24.9	22.4	23.5	24.5	22.1	23.2	22.1	24.6	25.0	25.3	25.6	25.9	26.2	
Imports of goods and services	-29.9	-25.1	-27.8	-30.4	-28.1	-29.3	-27.9	-31.1	-31.4	-30.4	-30.7	-31.0	-31.3	
Current account balance, including official transfers	-4.0	-1.7	-4.2	-6.1	-5.8	-5.9	-5.4	-6.0	-6.0	-4.6	-4.5	-4.4	-4.4	
Overall balance of payments	0.5	3.4	6.1	0.1	1.3	-3.6	-0.3	3.1	1.2	2.2	1.8	0.9	0.6	
<b>Public Debt (End Period)</b>														
Total public debt	41.2	46.1	50.3	54.2	53.8	54.5	53.1	53.9	52.5	51.3	50.2	49.3	48.5	
External public debt	25.3	28.4	36.8	37.6	40.3	38.4	40.8	42.8	42.6	42.6	42.3	41.3	39.9	
Domestic public debt	16.0	17.7	13.5	16.6	13.5	16.1	12.2	11.1	9.8	8.7	7.9	8.0	8.5	
<b>Memorandum Items</b>														
Nominal GDP (CFAF billions)	8,432	9,009	9,810	10,855	11,852	11,935	12,922	12,970	14,095	15,271	16,542	17,888	19,342	
Nominal GDP (US\$ billions)	14.4	15.7	17.7	17.4	19.7	19.7	21.5	21.3	23.1	25.0	27.0	29.2	31.5	
Nominal GDP per capita (US\$)	1,171.0	1,239.7	1,361.8	1,306.0	1,430.6	1,433.1	1,524.8	1,510.2	1,586.8	1,667.9	1,752.1	1,836.9	1,922.2	
US\$ exchange rate (average)	585.9	574.8	554.2	622.4	602.7	606.5	599.7	608.3	611.1	611.8	612.7	613.4	614.7	
International price of cotton (Cotlook "A" Index, U.S. cents a lb.)	77.9	71.9	101.2	130.1	95.0	95.0	91.8	98.1	89.8	86.5	86.5	86.5	86.5	
International price of oil (U.S. dollars a barrel)	61.4	41.8	69.2	96.4	80.5	80.6	79.9	78.6	73.7	70.6	68.7	67.8	67.5	

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

<sup>1</sup> 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.



# BENIN

June 14, 2024

## STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION, FOURTH REVIEW UNDER THE EXTENDED FUND FACILITY AND THE EXTENDED CREDIT FACILITY ARRANGEMENTS, FIRST REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, AND REQUEST FOR MODIFICATION OF A QUANTITATIVE PERFORMANCE CRITERION

### EXECUTIVE SUMMARY

**Context.** Benin's strong reform drive and sound macroeconomic management over the past several years have provided policy space to bolster resilience to repeated shocks. The authorities started rebuilding policy buffers last year and recently regained access to the international capital market after a two-year hiatus. Budget support has consistently exceeded expectations. While the country's reform program—supported by the ECF (2017–20) and the ongoing EFF/ECF (2022–25)—has generated tangible macroeconomic dividends and improved aggregate social outcomes, large disparities have persisted across regions and income groups. A key challenge ahead is how to leverage the initial government's impetus to pursue the transition to private sector-led growth that benefits all Beninese.

**Program performance.** Program performance has been robust. All QPCs and ITs were met, and the structural reform agenda, including the reform measures under the RSF arrangement, is advancing as expected.

**Article IV discussions.** Building on the strong performance and prospects under the EFF/ECF and RSF arrangements, Article IV discussions focused on anchoring Benin's continued growth and development in sustainable and inclusive policies. These included: (1) entrenching revenue-based fiscal consolidation to rebuild policy buffers; (2) fostering an enabling environment for private sector-led inclusive growth, including by a) promoting digitalization and economic diversification while mitigating SEZ-related risks; b) recalibrating social policies; c) enhancing governance and tackling corruption; and (3) advancing the climate change agenda.

**Approved By**  
**Annalisa Fedelino**  
**(AFR) and Geremia**  
**Palomba (SPR)**

Discussions were held in Cotonou during April 25–May 8, 2024. The mission comprised Mr. Lonkeng (head), Mr. Zouhar (Resident Representative), Mr. Bennouna, Ms. Tawk, Mr. Issoufou (all AFR), Ms. Bloch (FAD), and Mr. Houessou (local economist). Ms. Thomas and Mr. Rafolisy (LEG) and Ms. Gardes-Landolfini (MCM-climate) joined selected meetings remotely. The mission was supported from headquarters by Mr. Specht and Ms. Eckling, and from the local office by Ms. Nononsi. The mission met with His Excellency President Talon, Senior Minister of Economy and Finance Wadagni, Senior Minister of Development and Coordination of the Governmental Action Bio Tchané, Minister of Justice and Legislation Detchenou, Minister of Environment and Transport, in charge of Sustainable Development Tonato, Minister of Agriculture, Livestock and Fisheries Dossouhoui, Minister of Social Affairs and Micro-Finance Tognifodé, Minister of Energy, Water and Mines Adambi, National Director of the Central Bank of West African States (BCEAO) Assilamehoo, other senior government officials, the civil society, women entrepreneurs, farmers association, university students, the donor community, multilateral and regional development banks, the Banking Association, and other private sector representatives.

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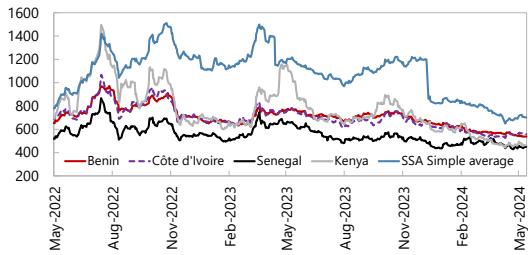
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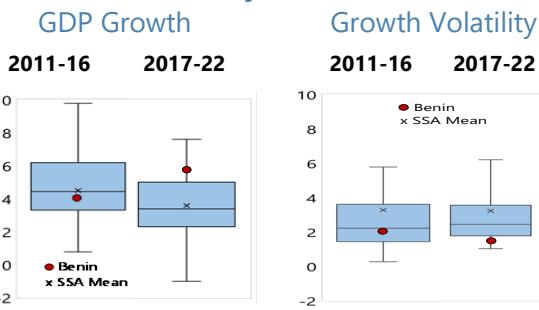
## CONTEXT

**1. Benin's steadfast reform implementation and sound macroeconomic management over the past several years have provided policy space to bolster resilience to severe shocks.** The country's reform program—anchored in the Government Actions Program "Revealing Benin" (2016–2021; and 2021–26) and supported by an ECF (2017–20) and ongoing EFF/ECF (2022–25)—is generating tangible dividends. Benin gained access to the international capital market in 2019 and has consistently been one of the first countries in Sub-Saharan Africa (SSA) to regain investors' confidence following episodes of market freeze, with spreads now trading tightly in the range of larger sovereigns in the region (Text Figure 1a). Economic activity accelerated over the past five years, with less volatile income growth notwithstanding severe shocks (Text Figure 1b).

**Text Figure 1a. Selected Emerging Market Sovereign Bond Spreads (5/1/2022 – 5/13/2024)**



**Text Figure 1b. Higher Growth and Lower Volatility (Percent)**



Sources: Bloomberg; World Economic Outlook (October 2023); and IMF staff calculations.

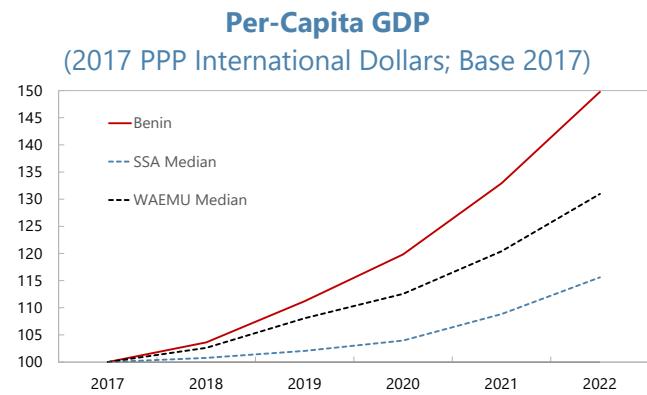
Note: The boxplots indicate, from top to bottom, the maximum, 75th percentile, median, 25th percentile, and minimum values. The Sub-Saharan Africa (SSA) mean for the boxplots excludes oil-exporting countries.

**2. While aggregate social indicators have improved, important disparities have persisted across regions and income groups.** The government's infrastructure drive has led to improved access to basic public services, notably electricity, water, and sanitation. While the poverty rate also declined, it is still above the average for low-middle income countries, with some regions falling further behind (Figure 1). Disparities in social indicators were exacerbated by repeated shocks (COVID-19, food price shocks from Russia's war in Ukraine, border closures) that disproportionately impacted some population groups. While aggregate inflation has declined significantly, low-income households still face high cost of living as prices of some key items in their consumption basket remain elevated amid pressure from illicit exports of staples to neighboring countries.

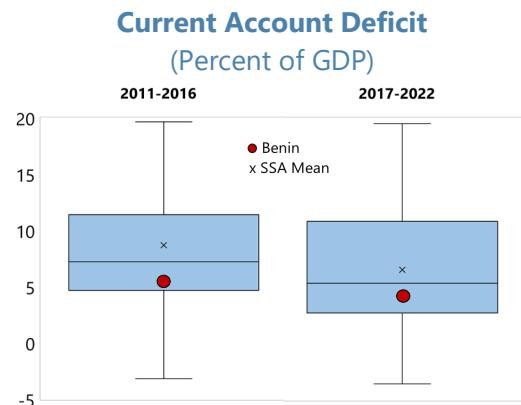
**3. Notwithstanding these challenges, the authorities remain committed to cementing sound macroeconomic management and enhancing Benin's socio-economic resilience, while gradually reducing their footprint in the economy.** They are rebuilding policy buffers and expanding their financing options, including Eurobond issuances and insurances against natural disasters. In addition to important strides in the structural reform agenda under the EFF/ECF, the authorities are stepping up efforts to enhance resilience to climate change, supported by the Resilience and Sustainability Facility (RSF) arrangement approved by the IMF Board in December 2023.

### Figure 1. Benin and SSA Comparators: Evolution of Socio-Economic Indicators, 2012-2022

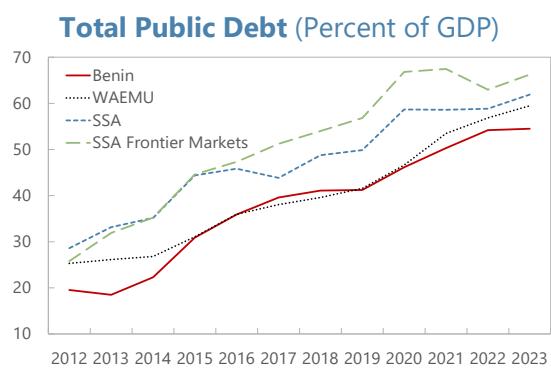
*Benin's per capita income growth over the past 5 years outpaced peers ...*



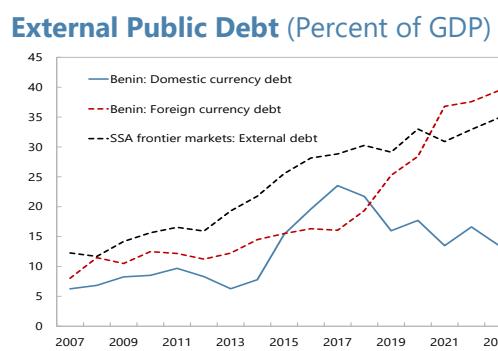
*... with the current account deficit remaining relatively contained*



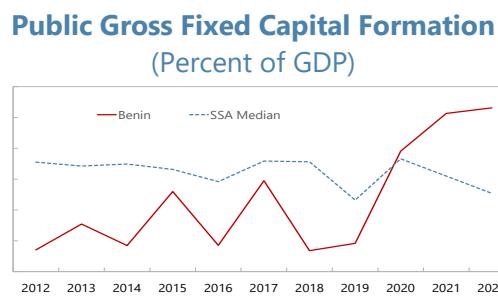
*Public debt has trended up, after nearly-plateauing in the period leading to COVID-19, but has remained below peers...*



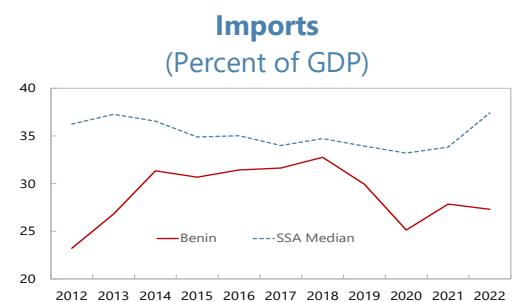
*... with external debt accelerating following Benin's access to the international capital market (and also reflecting financing from official sources), surpassing domestic debt.*



*The government has undertaken large infrastructure projects in recent years ...*



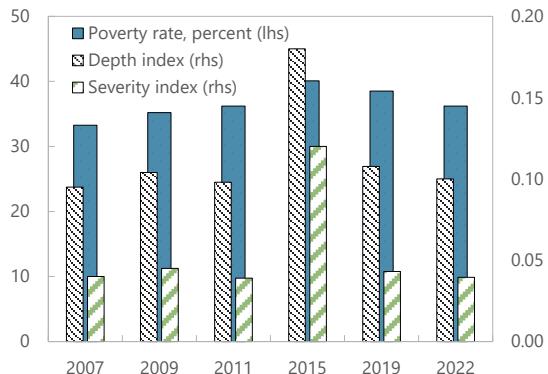
*... leading to a partial recovery in imports after the sharp COVID-related contraction.*



**Figure 1. Benin and SSA Comparators: Evolution of Socio-Economic Indicators, 2012-2022**  
(Concluded)

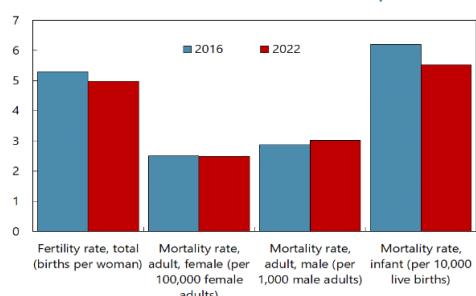
Poverty has declined slightly...

### Poverty Indicators at the National Poverty Line (Percent of Population and Indices)



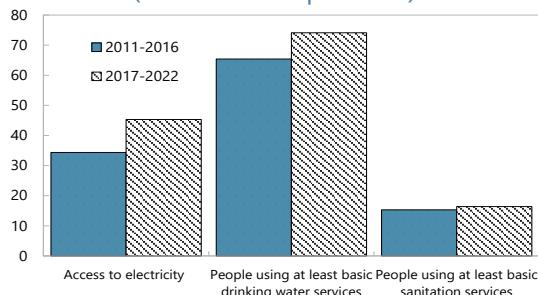
Health indicators improved somewhat ...

### Fertility and Mortality Rates: 2022 (Share of Relevant Group)



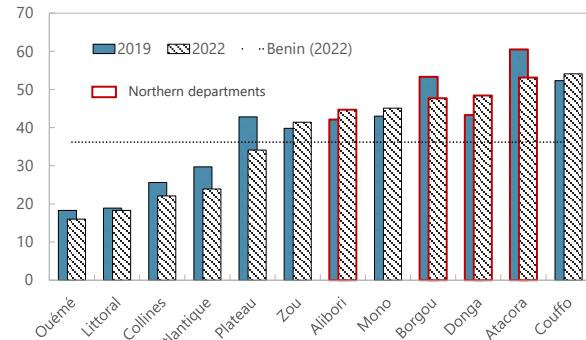
Access to basic infrastructure has improved ...

### Access to Basic Infrastructure (Percent of Population)



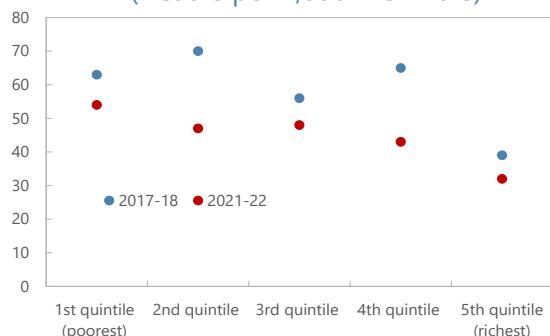
... but large spatial disparities have persisted.

### Poverty Rate by Department (Percent of Population)



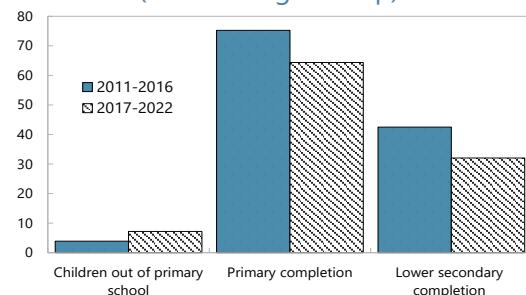
... and while infant mortality declined, it remains higher among the poorest.

### Infant Mortality Rate by Income Quintile (Deaths per 1,000 live Births)



... but primary and secondary education outcomes regressed, partly reflecting shocks' impact.

### Education Outcomes (Share of Age Group)



Sources: World Development Indicators (World Bank); Beninese authorities; and IMF staff calculations.

Note: SSA Frontier Markets are Angola, Cameroon, Côte d'Ivoire, Ethiopia, Gabon, Ghana, Namibia, Kenya, Nigeria, Rwanda, Senegal, South Africa, Tanzania, and Zambia. The boxplot in panel B. indicates, from top to bottom, the maximum, 75<sup>th</sup> percentile, median, 25<sup>th</sup> percentile, and minimum values. The Sub-Saharan Africa (SSA) mean for the boxplot excludes oil-exporting countries.

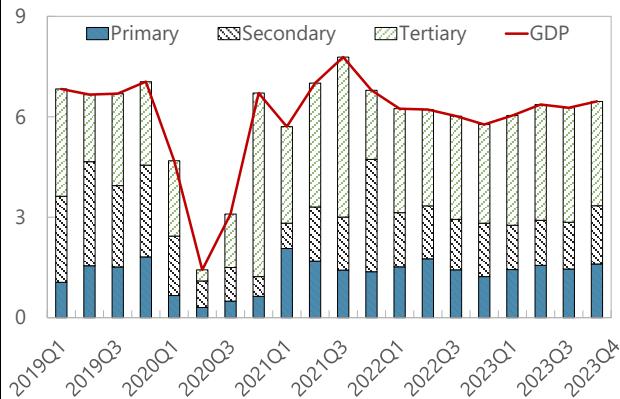
## RECENT ECONOMIC DEVELOPMENTS

### 4. The economy has proven remarkably resilient to shocks.

- **Real GDP growth** is estimated at 6.4 percent (y/y) in 2023, mainly driven by agroindustry, construction, textile, and trade (Text Figure 2a). The expansion of varieties of cash crops offset disruptions in cotton production from floods and extreme heat. The service sector was buoyed by retail trade and tourism, partially compensating for the sharp drop in port activity amid the Niger border closure.
- **Inflation** was around 0.6 percent (y/y) during the first four months of 2024, owing to the reversal in the phase-out of fuel subsidies by the new administration in Nigeria (Text Figure 2b). Despite a good harvest in 2023, the prices of some staples (e.g., maize and rice) have surged, given higher transport costs, restriction of rice exports by India, security concerns complicating access to harvested areas in northern communities, smuggling activity from Nigeria, and demand from local poultry to substitute for imported frozen chicken.

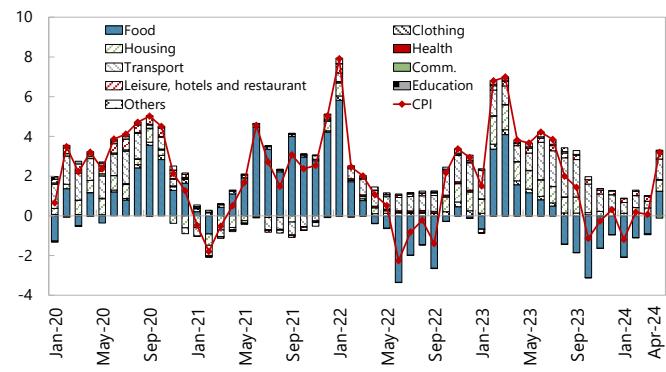
**Text Figure 2. Recent Developments**

**Text Figure 2a. Contributions to Growth**  
(2019Q1-2023Q4, Percentage Points)



Source: Beninese authorities and IMF staff calculations.

**Text Figure 2b. Contributions to Inflation**  
(January 2020-April 2024, y/y)



Source: Beninese authorities and IMF staff calculations.

- **The current account deficit** slightly narrowed to an estimated 5.9 percent of GDP in 2023 (from 6.1 percent in 2022), partly driven by remittances and official transfers. Benin's external position at end-2023 was broadly consistent with the level implied by medium-term fundamentals and desirable policies (Annex I). Despite improvements in the current account and Fund disbursements, the overall balance of payments turned sharply negative in 2023, reflecting significant private sector outflows from prepayment of imports and delayed repatriation of export receipts. The prepaid imports relate to equipment needs for companies in the cotton, telecom, and fuel sectors, for which supply constraints have delayed delivery.

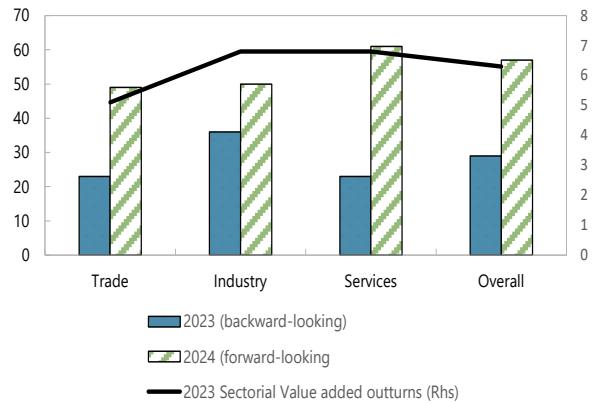
- **Credit** to the private sector in 2023 was higher than initially projected (17 percent, against 9 percent in the Third Review), buoyed by the construction, trade, and transport sectors. This trend is consistent with firms' positive expectations for 2024 (Text Figure 3). NPLs continued to trend down (4.8 percent, y/y, at end-December 2023, from 7.2 percent at end-December 2022).
- **Eurobond issuance.** Benin successfully issued a 14-year US\$750 million Eurobond at 7.96 percent in February 2024, marking its re-entry to the international capital market (Box 1). In April, S&P Global Ratings revised Benin's sovereign credit rating to 'BB-' from 'B+' with stable outlook, on the back of the country's strong outlook, economic resilience and policy prudence. EMBI spreads declined to 538 bps as of end-May (Text Figure 1a).

**5. Fiscal performance through end-December 2023 and into March 2024 was strong, supported by robust tax collection** (Text Table 1). Tax revenues rose by 16.4 percent y/y in 2023 (0.2 percent of GDP above forecasts), supported by strong performance in corporate income taxation and taxes on goods and services, more than offsetting the drop in international taxes amidst Niger border closure. The revenue over-performance was channeled to capital spending, with restraint in current expenditure leading to a lower-than-expected fiscal deficit. Public debt increased slightly, to 54.5 percent of GDP, despite the fiscal adjustment, as preemptive issuances of the size of 1.2 percent of GDP were held as precautionary reserves in 2023. Preliminary data indicates continued strong revenue outturns into 2024Q1 and the overall balance on target.

## OUTLOOK AND RISKS

**6. The medium-term macroeconomic outlook is expected to be stronger than anticipated in the Third Review (Text Table 2).**

**Text Figure 3. Firms' Expectations**  
(Percentage of firms Expecting Good Business Activity in 2023 and 2024, as of December 2023)



Source : Chambre de Commerce et d'Industrie du Benin.

**Text Table 1. Fiscal Outturns, December 2023**

	CFAF bn	Percent of GDP	Distance to Projections, FCFA bn
<b>Total revenue and grants</b>	1795.1	15.0	33.1
Total revenue	1701.3	14.3	40.0
Tax revenue	1537.9	12.9	30.5
Nontax revenue	163.4	1.4	9.5
Grants	93.8	0.8	-6.9
Project grants	84.0	0.7	-6.7
Budgetary grants	9.8	0.1	-0.2
<b>Total expenditure and net lending</b>	2289.8	19.2	0.0
Current expenditure	1276.0	10.7	65.1
Current primary expenditure	1085.8	9.1	57.7
Wage bill	540.4	4.5	19.6
Pensions and scholarships	97.0	0.8	10.4
Current transfers	323.4	2.7	-6.1
Expenditure on goods and services <sup>1</sup>	125.1	1.0	33.8
Interest	190.2	1.6	7.4
Capital expenditure	1011.9	8.5	-63.3
Financed by domestic resources	574.5	4.8	-31.5
Financed by external resources	437.4	3.7	-31.8
Net lending	1.9	0.0	-1.9
<b>Overall balance (commitment basis, incl. grants)</b>	-494.7	-4.1	-33.1

Source: Beninese Authorities; and IMF staff calculations.

Note: + denotes outturns higher than projections. - denotes outturns lower than projections.

- Headline inflation is expected to reach 2 percent (y/y) in 2024 (against 3 percent in the Third Review) as food prices normalize; it would remain at this level over the medium term, consistent with the peg to the euro.
- The growth forecast for 2024-25 has been upgraded by 0.5 ppt to 6.5 percent (nearly flat from 2023), driven by infrastructure projects and private investment, including related to the Special Economic Zone (SEZ). Medium-term growth is unchanged at 6 percent.
- Despite fiscal consolidation, the current account deficit is expected to widen to about 6 percent of GDP in 2024, driven by continued private investment including a one-off effect of projected delivery of prepaid imports (about 2.1 percentage points of GDP); it would hover around 4–5 percent over the medium term, driven by continued improvements in the trade balance as exports from Benin's new export-oriented enterprises (including from the SEZ) come on stream. The current account deficit is expected to be financed by continued inflows from FDI and external borrowing.
- Benin continues to be assessed at moderate risk of external and overall debt distress, with limited space to absorb shocks. Benin's Debt Sustainability Analysis (DSA) assessment is unchanged from the last review, with all external debt burden indicators remaining below high-risk thresholds under the baseline scenario, apart from a temporary breach to the debt service to-revenue ratio in 2024 due to liability management operations. Recommendations from the 2022 Article IV were broadly implemented (Annex VI).

**7. The balance of risks to the outlook is mixed, with headwinds from regional political and security developments, but also upside potential from reform dividends and orderly SEZ development (Annex II).**

**Text Table 2. Key Macroeconomic Indicators, 2020-29**

	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 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	14.0	14.4	14.8	15.1
Primary expenditure	14.8	17.1	17.6	18.2	17.6	17.2	16.9	17.2	17.6	18.1	18.5
Current account balance	-4.2	-1.7	-4.2	-6.1	-5.9	-6.0	-6.0	-4.6	-4.5	-4.4	-4.4
Public debt	40.6	46.1	50.3	54.2	54.5	53.9	52.5	51.3	50.2	49.3	48.5

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

- On the downside, regional developments, if persistent, would compound global uncertainty and further disrupt transit trade. Failure to de-escalate geo-economic tensions between Benin and Niger may delay the reopening of the border (and the full operation of the hydrocarbon pipeline), which would reduce transit trade and custom revenue, and exacerbate illicit trade with

unintended consequences on the cost of living. Higher international oil and food prices could strain internal and external accounts (¶18), compounding food insecurity risks. Benin also remains vulnerable to extreme climate events. Maintaining the reform momentum leading up to the April 2026 presidential elections would require more resolve.

- On the upside, an orderly development of the Special Economic Zone (SEZ) (¶22), together with a sustained expansion of the Port of Cotonou could boost FDI, create jobs and raise income, and strengthen the external position. The completion of large infrastructure projects could catalyze private sector activities.

#### **Authorities' Views**

**8. The authorities see a higher upside to potential growth.** They anticipate improvements in agriculture yields through enhanced agricultural practices and support to farmers, including better access to financing and local markets. They also expect dividends from growing sectors (e.g., ICT and tourism) and a strong catalytic role of their infrastructure push. The authorities are upbeat about the SEZ, including its role in attracting FDI, promoting exports diversification, creating jobs, and ultimately enhancing the economy's resilience to exogenous shocks (¶23).

## **PROGRAM PERFORMANCE**

**9. Program performance remains strong, with all end-September 2023 Indicative Targets (ITs) and end-December 2023 quantitative performance (QPCs) and ITs met** (Text Table 3). The primary balance was comfortably within target. Tax revenues outperformed the PC by about 0.25 percent of GDP, with priority social spending also exceeding target. Domestic financing remained well below its ceiling. The present value of external debt contracts reached CFAF 621.19 billion, marginally above the (baseline) limit of CFAF 620 billion. However, the target adjusted for the additional budget support beyond programmed levels (by CFAF 25 billion in nominal terms; CFAF 14 billion in NPV terms) was met (Third Review; TMU ¶19). Benin did not accumulate any domestic or external arrears. Preliminary data for March 2024 also shows that ITs were all met.

**10. All the three Structural Benchmarks (SBs) were met (Table 12).** The authorities improved public investment management (end-December 2023 SB) and operationalized a committee for monitoring the implementation of audits' recommendations within the Audit Court (end-February 2024 SB). They established a legal framework to address AML/CFT vulnerabilities in the real estate sector (end-April 2024 SB) and they are on track for streamlining public entities' bank accounts (end-June 2024 SB).

**11. The two reform measures (RMs) associated with the First Review under the RSF arrangement have been implemented** (¶38, Table 13).

Text Table 3. Quantitative Performance Criteria and Indicative Targets, 2023-24 <sup>1</sup>														
(Billions of CFAF)														
	March 31, 2023			June 30, 2023			September 30, 2023			December 31, 2023			March 31, 2024	
	Indicative target (IT)			Performance Criteria (PC)			IT			PC			IT	
	Prog.	Actual	Status	Prog.	Adj.	Actual	Status	Prog.	Prel.	Status	Prog.	Adj.	Prel.	Status
<b>A. Quantitative performance criteria<sup>2</sup></b>														
Basic primary balance (floor) <sup>3</sup>	3.8	115.7	Met	-1.6		52.1	Met	-97.6	-19.0	Met	-13.1	-38.1	41.0	Met
Net domestic financing (ceiling) <sup>4</sup>	130	118.3	Met	205	204	-18	Met	372	154.6	Met	348	52.0	Met	204
<b>B. Continuous quantitative performance criteria (ceilings)</b>														
Accumulation of external payments arrears	0.0	0.0	Met	0.0		0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0
Accumulation of domestic payments arrears	0.0	0.0	Met	0.0		0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0
Ceiling on the present value of new external debt contracted or guaranteed by the government	620	103	Met	620		555	Met	620	536	Met	620	635	621	Met
<b>C. Indicative Targets<sup>2</sup></b>														
Tax revenue (floor)	321.5	361.0	Met	694.5		745.2	Met	1,071.9	1,118.7	Met	1,480.0	1,537.9	Met	392.1
Priority social expenditure (floor) <sup>5</sup>	16.4	22.1	Met	50.9		55.7	Met	105.9	108.0	Met	170.1	175	Met	24.1

Sources: Beninese authorities; IMF staff estimates and projections.

<sup>1</sup>The terms in this table are defined in the Technical Memorandum of Understanding (TMU).

<sup>2</sup>The performance criteria and indicative targets are cumulative from the beginning of the calendar year. Tax revenue and priority social expenditure are indicative targets and not performance criteria.

<sup>3</sup>Total revenue (excluding grants) minus current primary expenditure and capital expenditure financed by domestic resources.

<sup>4</sup>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.

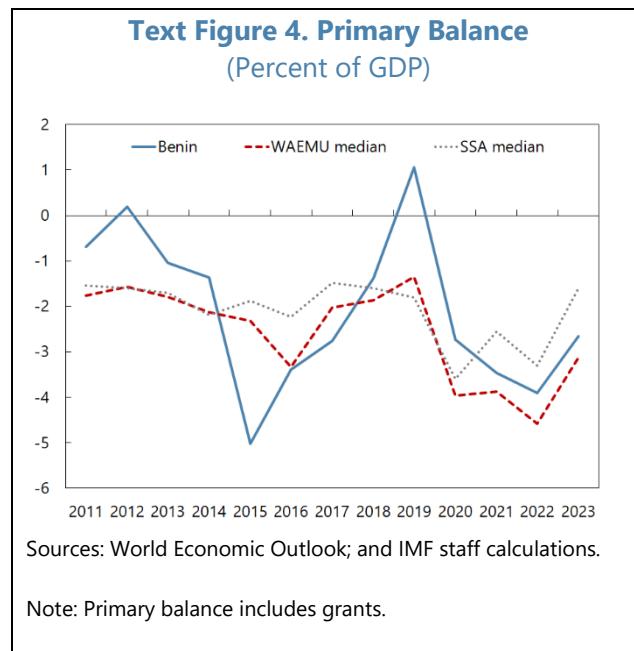
<sup>5</sup>Includes internally and externally financed expenditures related to government interventions that directly reduce poverty in the areas of education, health and nutrition, social safety nets, access to electricity, water and sanitation, microfinance, and security and civil protection. Excludes salary expenditures.

## POLICY DISCUSSIONS

**12. Policy discussions under the EFF/ECF, RSF and Article IV were intertwined and focused on reform priorities to foster sustained inclusive private sector-led growth.** These included: (1) entrenching revenue-based fiscal consolidation to rebuild policy buffers; (2) fostering an enabling environment for private sector-led inclusive growth, including by a) promoting digitalization and economic diversification while mitigating SEZ-related risks; b) recalibrating social policies; c) enhancing governance and tackling corruption; and (3) advancing the climate change agenda. Sustaining ongoing growth in Benin hinges on alleviating capacity constraints in a transforming economy. Harnessing the demographic dividend—Benin’s median age is 18—would require significant investment in education (**Selected Issues Papers (SIP)-IV**), which calls for continued spending prioritization and domestic revenue mobilization. While empirical evidence suggests that Benin has generally outperformed peers in the areas of digitalization (e.g., tax system) (**SIP-II**), and governance (**Annex VII**), further progress is needed to ensure inclusive growth in a transforming economy. Moreover, a full operationalization of the social registry will allow for enhanced coordination and better targeting of expanding social assistance programs (**SIP-III**). On industrial policy, following the government’s earlier initiatives to kickstart the SEZ (launched in 2020), discussions centered on the need for the government to gradually reduce its footprint in the economy to level the playing field among economic agents (**SIP-I**).

## A. Rebuilding Fiscal Buffers

**13. Large policy buffers entering an exceptionally challenging period allowed Benin to deploy a strong counter-cyclical policy response.** The primary balance widened from +1.1 percent of GDP in 2019 to -3.9 percent in 2022, an extend of accommodation—in response to COVID-19 pandemic and Russia's war in Ukraine—that was larger than the WAEMU and SSA median (Text Figure 4). This was possible thanks to relatively low public debt and availability of financing from various sources, including under the RFI/RCF and front-loaded access under the EFF/ECF and the associated catalytic role (¶43). While policy support and financial assistance helped contain the impact of shocks on economic activity, public debt rose—by 13.3 percent of GDP between 2019 and 2023, compared to a median increase of 8 and 3.4 percent of GDP for the WAEMU and SSA respectively.



**14. The authorities have started rebuilding policy buffers to counter future shocks.** They embarked on fiscal consolidation last year, bringing the overall deficit down to 4.1 percent of GDP (from 5.5 percent of GDP in 2022) (Text Table 4). The 1.4 percent of GDP in consolidation was driven by tax collection (0.7 percent of GDP) and current spending restraint:

- Tax buoyancy has reflected reforms implemented over the past years, particularly the digitalization of core tax processes such as standardized invoices, expansion of personal income tax base and rate increases, and the move to transactional values at customs. These and other tax policy reforms permanently increased Benin's tax collection by 0.7 percent of GDP in 2023 (of which 0.3 from direct and indirect taxes, and 0.4 from customs). This is in addition to other non-permanent measures that do not carry over into the 2024 tax base.

**Text Table 4. Primary Deficit**  
(Percent of GDP)

	2023	2024
<b>Overall adjustment (A+B+C)</b>	<b>1.4</b>	<b>0.4</b>
<b>A. Revenue</b>	<b>0.5</b>	<b>0.3</b>
Tax measures	0.7	0.3
Non-tax measures	-0.2	0.0
<b>B. Grants</b>	<b>0.3</b>	<b>-0.1</b>
<b>C. Expenditure</b>	<b>0.7</b>	<b>0.2</b>
Current expenditure	0.3	-0.6
Capital expenditure reprioritization	0.3	0.8

Sources: Beninese authorities, and IMF staff calculations.

Note: Current expenditure is expected to increase in 2024, reflecting higher salaries, transfers, and spending on goods and services. The increase will be offset by a reprioritization in capital expenditure.

b. Spending adjustment reflected prudence in budget execution and grouping of purchases to achieve economies of scale. Security spending declined from 0.5 percent to GDP in 2022 to 0.3 percent of GDP in 2023.

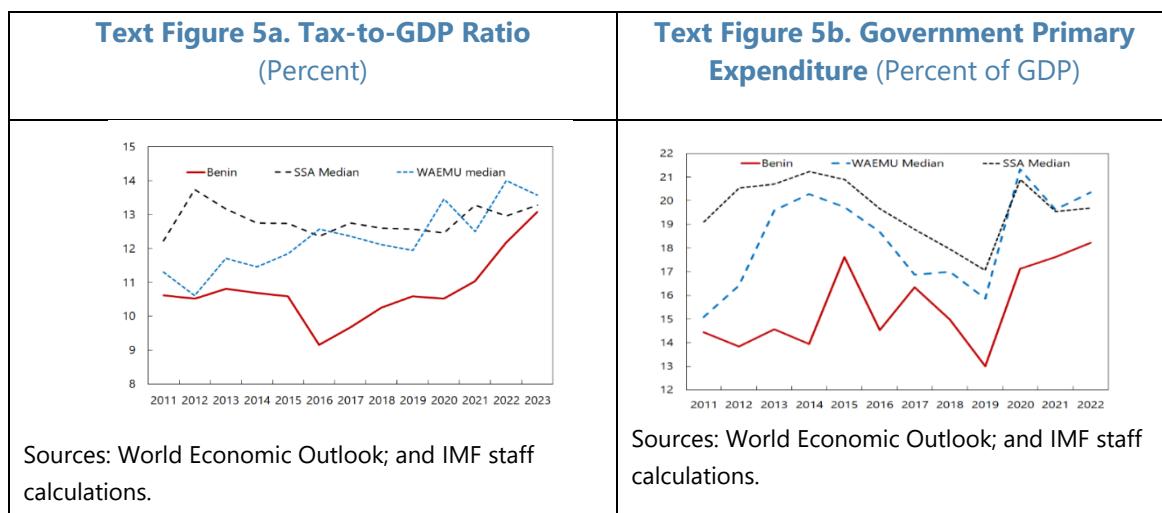
**15. Fiscal consolidation is set to continue in 2024, supporting convergence to the WAEMU deficit norm of 3 percent of GDP by 2025.**

- a. The overall fiscal deficit is expected to decline further to 3.7 percent of GDP in 2024, implying a slightly lower adjustment (0.4 percent of GDP) than envisaged at the time of the Third Review (0.8 percent), owing to frontloading in 2023. Fiscal consolidation will continue to be underpinned by tax collection and moderation in capital expenditure. Staff stressed the importance of sustaining the increase in budget allocations to core social sectors observed so far under the program, to protect social spending in the adjustment process (¶28).
- b. Revenue collection in 2024 will be supported by measures to remove payroll exemptions for public agencies, expand standardized invoices to retail businesses, apply custom duties to the transaction values of imported goods, improve control of customs valuation and strengthen the fight against fraud, yielding about 0.1 percent of GDP each, in addition to smaller-scale measures adding up to another 0.1 percent of GDP.
- c. The 2024 Budget will be largely financed with external borrowing, partly using the 2024 Eurobond proceeds. Amid tighter regional conditions, the 2024's financing plan was revised, including to draw on the remaining Eurobond proceeds after LMO, largely substituting for domestic financing: issuances of treasury bonds on the regional security market for March and April 2024 were cancelled after the Eurobond issuance, and planned issuances of treasury bonds have been revised down significantly (¶41, Box 1).

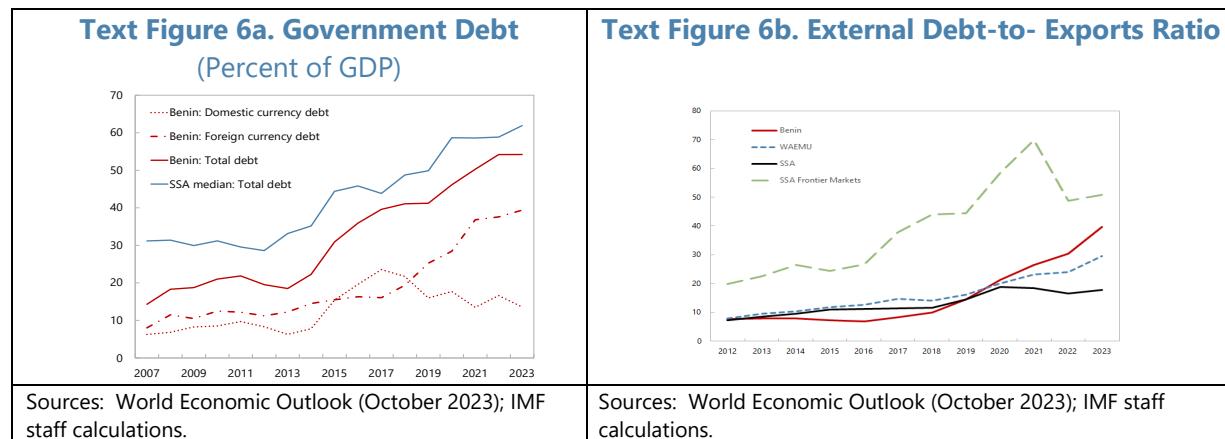
**16. Contingency planning is paramount**, considering headwinds from regional political and security conditions and global uncertainty. Staff underscored the need for a phased approach to non-priority investment projects to preserve the planned size of fiscal adjustment in case of shocks.

## B. Sustainable Development Financing

**17. Benin faces large development needs, with public spending traditionally constrained by a still narrow (albeit expanding) tax base.** Benin's median age of 18 puts a premium on investing in human capital to harness the demographic dividend. Domestic revenue mobilization (DRM) efforts have drastically boosted tax-to-GDP ratio outturns in recent years (Text Figure 5a), providing space for additional spending, though this still remains below regional peers (Text Figure 5b). A key policy challenge is how to continue supporting human capital development while preserving debt sustainability.



**18. While still at moderate risk of distress, public debt has risen over the past decade, driven by external borrowing to complement borrowing from the regional security market and DRM.** Benin has increasingly relied on external debt, with Eurobond issuances (mostly denominated in euro to which the CFAF is pegged) complementing official development assistance since accessing international capital markets in 2019. External debt has surpassed domestic debt since 2020 (Text Figure 6a). In addition to exchange rate risks (swapping USD-denominated debt to Euro can only partially mitigate exchange rate risks), risks to rolling over external debt have increased as large Eurobond issuances put pressures on underdeveloped reserves amid a still-narrow export base (Text Figure 6b). While acknowledging that the tradeoffs between domestic and external debt are not trivial at this juncture, considering costlier and shorter maturity financing on the regional security market, staff recommended a gradual rebalancing towards domestic debt in the medium term, in line with the authorities' Medium Term Debt Strategy (MTDS), to further diversify financing options, mitigate exchange rate risks and contain rollover risks while the export base expands. Staff also emphasized the importance of continuing to rely on concessional external financing to reduce borrowing cost. Benin remains at moderate risk of debt distress (DSA), but debt is vulnerable in case of revenue underperformance or shifts in market sentiment that could increase rollover costs. Sustained revenue mobilization, continued prudent borrowing, and active debt management by the authorities mitigate the risk of debt distress.



**19. Domestic revenue mobilization should be the ultimate source of financing for Benin's large development needs.** In this regard, the authorities have moved forward with the legal and operational framework to implement the tax policy and revenue administration measures set out in the Medium-Term Revenue Strategy (MTRS). The MTRS is articulated around three "strategic pillars": i) enhancing tax compliance and identifying new tax niches; ii) consolidating systems to combat fraud and promote equity; and iii) strengthening tax administrations' capacity. The underlying menu of measures is a mix of tax policy and revenue administration measures; it includes rationalizing tax expenditures, leveraging digitalization to enhance compliance and control, and expanding the application of transactional values at customs. The MTRS steering and technical committees have put together a dashboard to monitor and evaluate the additional revenue collection from each measure against its targeted yield. Staff recommended continued capacity building in customs administration to collect and exploit data to improve revenue projections and conduct risk analysis and control, in line with the authorities' plans.

#### Box 1. Eurobond Issuance and Liability Management Operations (LMOs)

**Benin issued a 14-year US\$750 million Eurobond in February 2024.** The Eurobond came against the background of tightening financial conditions on the regional security market and declining BCEAO reserves. The issuance was more than six times oversubscribed, carrying an interest rate of 7.96 percent, in the range of larger sovereigns with higher credit ratings.

**The authorities have already used a third of the Eurobond proceeds (US\$250 million) for Liability Management**

**Operations.** As part of the authorities' active debt management strategy, US\$250 million were put towards the early repayment of two Eurobonds that were maturing within the next five years:

- 140 million euros (US\$152 million) went towards the repayment of a Eurobond maturing in 2026, with 3 payments due in 2024-2026. As a result of the LMO, about 85 percent of the Eurobond's principal were repurchased (at a 5.75 discount rate), reducing interest payments and the debt service burden to 15 percent to their level prior to LMOs.
- 89 million euros (about US\$98 million) repurchased a tranche of another Eurobond maturing in 2032 (13 percent of the Eurobond principal), and with payments due in 2030-2032. The authorities repurchased at a discount (85 percent of its price, at 4.88 percent discount rate), reducing the Eurobond 2032 outstanding and generating savings of around US\$17 million in principal reduction. Additionally, due to early repayment, interest payments on both Eurobonds declined by US\$28.3 million.
- The remaining Eurobond proceeds are expected to substitute for domestic financing, therefore contributing to the pooled reserves. The proceeds will be used for the 2024 budget, partly replacing domestic financing which has been revised down for the year and minimizing the impact on the DSA.

#### Box 1. Figure 1. Eurobond Moringa 2038 (USD Million)

	Proceeds	Uses
Eurobond 2038	750	
Liability management operations		
• Eurobond 2026		-152
• Eurobond 2032		-98
Total	500	

Source: Beninese authorities; and IMF staff calculations.

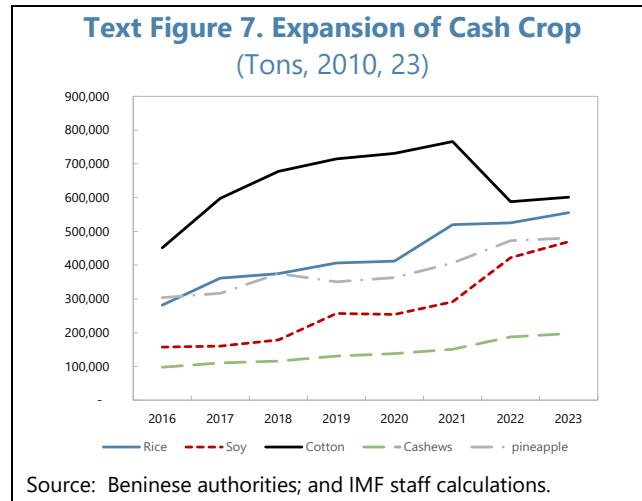
### **Authorities' Views**

**20. The authorities remain confident that tax policy and revenue administration reforms implemented over the previous years have come to fruition and will continue yielding dividends beyond current projections.** They highlighted increased automation of tax processes and synergy between different revenue collection entities as key for cementing the recent strong performance. On debt composition, they indicated that their pending Medium-Term Debt Strategy will aim for a gradual rebalancing towards domestic financing. They also underlined their track record in active debt management to mitigate external rollover risks.

### **C. Promoting Economic Diversification**

**21. Benin's traditional transit-centered growth model is vulnerable to developments in Nigeria, disruptions in trade, and geo-economic fragmentation.** While there are signs of economic transformation, economic diversification remains limited, as reflected in lower export per capita relative to peers, and high concentration of exports in commodities (cotton and cash crops account for more than a third of formal exports) (**SIP-I**).

**22. The authorities launched a special economic zone (SEZ) in 2020, with some factories already operational for local transformation of commodities.** Benin is leveraging the ongoing diversification drive in agriculture, with new commodities such as cashew nuts and soybeans (Text Figure 7) to generate high-value added exports (**SIP-I**). The integrated textile unit in the SEZ is expected to cover every step of the transformation process of cotton lint ginned by local factories. Investment incentives under the SEZ were streamlined to incorporate IMF recommendations (for example, employees' salaries are no longer exempt from taxation, and tax incentives are no longer granted to firms for an unlimited period, and scope of customs and VAT exemptions is reduced). The authorities developed a governance framework for the SEZ to regulate investment incentives, eligibility, and reporting requirements. Staff encouraged the authorities to enhance transparency in the selection and monitoring of SEZ-related incentives and guard against risks, including resources misallocation and over-burdening tax administration.



**23. Advancing broad-based horizontal policies would support the authorities' pursuit for economic transformation.**

- While staff assess Benin's external position to be broadly in line with the level implied by fundamentals and desirable policies, structural bottlenecks remain (**Annex I**). Efforts to enhance human capital development—by scaling up investments in education and health—and improve

the overall business climate would help attract more FDI and accelerate the transition towards private sector-led job-rich growth.

- b. A review of international experiences in a recent IMF Policy Paper on industrial policy<sup>1</sup> suggests that industrial policy should be pursued cautiously. Staff recommended coordinated policies to closely monitor the development of the SEZ and careful evaluation of prerequisites that could help the SEZ deliver on its intended goals. In particular, alleviating absorptive capacity constraints, including adequate labor supply to meet the needs of a transforming economy, is critical. Furthermore, after the initial impetus, the government should gradually reduce its footprint in the economy to level the playing field among market participants and avoid unintended distortions (**SIP-I**).

**24. Staff encouraged the authorities to continue enhancing investment climate outside the SEZ.**

- a. It is paramount to continue addressing traditional growth bottlenecks, including access to markets, finance and electricity, streamlining administrative procedures, and enhancing the regulatory environment. In this regard, the authorities will 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 (***proposed new Structural Benchmark for end February-2025***).
- b. Leveraging digitalization could improve efficiency in key sectors, including revenue collection, education, health, social safety nets and labor force participation. With a vision to position itself as the digital service platform of West Africa, Benin has high GovTech maturity scores relative to comparators, especially in the indicators of online public service provision. Despite recent progress, Benin still faces challenges in internet accessibility and quality, with a persistent digital divide mirrored in significantly lower rates in mobile phone ownership and internet usage across income groups (**SIP-II**).

**Authorities' Views**

**25. The authorities broadly agree with the external sector assessment.** They are concerned that unfair external competition coupled with openness could hamper the development of small and medium-size enterprises and stifle exports.

**26. The authorities are very positive about the SEZ potential.** They see it as transformative for Benin, with strong prospects for job creation, supported by the ongoing expansion of the Port of Cotonou, and the gradual shift to technical education and vocational training. They highlighted their effort in curbing tax expenditure in recent years (from an estimated 2.6 percent of GDP in 2019 to around 1.7 percent of GDP in 2022) and the streamlining of initially more generous SEZ-related

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<sup>1</sup> [Industrial Policy Coverage in IMF Surveillance— Broad Considerations](#).

incentives. They also pointed to unique challenges of industrialization in SSA countries, including the difficulty to import technology due to fear of competition by more established industries.

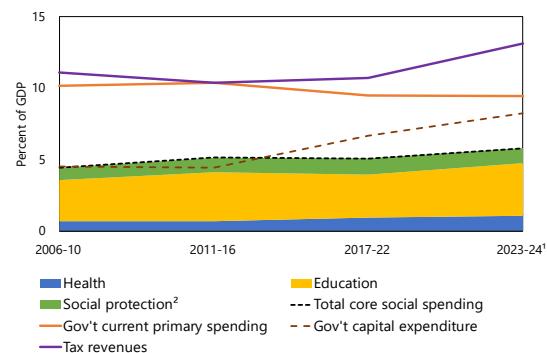
## D. Recalibrating Social Policies to Promote Inclusive Growth

**27. While the poverty rate has declined, granular data point to widening inequality in access to basic services** (Figure 1). The country-wide decline in the poverty rate—by 2.3 percentage points between the pre- and post-pandemic periods—conceals the transition of households in and out of poverty, as well as uneven poverty patterns across regions, with an increased share of poor individuals in some departments. Moreover, disparities in access to basic services and infrastructure (especially electricity and sanitation) across locations and income groups have persisted (**SIP-III**).

**28. Spending on core social sectors remain below peers', but the increase in budget allocations observed in 2023 and 2024 suggests some catching up.** After stagnating at around 5 percent of GDP over two decades, public spending on core social sectors (healthcare, education, and social protection) increased in the past two budget cycles (Text Figure 8). Budget allocations for education specifically increased by over ½ percent of GDP between 2022 and 2024, notwithstanding fiscal consolidation.

**29. There is a need to scale-up investment in education to respond to the needs of the growing young population.** Given elevated fertility and declining child mortality rates, Benin's working-age population is expected to account for more than 50 percent of its population by the year 2100 (**SIP-IV**). Staff analysis suggests that education gaps remain despite great strides in improving Benin's future workforce, by scaling up schools' infrastructure (access to electricity and water) and improving access to education, including through higher availability and quality of teachers (Text Figures 9a, 9b). An application of a recent IMF<sup>2</sup> analysis to Benin estimates additional public investment in education to the tune of 3-4 percent of GDP, for Benin to converge towards its SDG goals by 2030.

**Text Figure 8. Composition of Government Spending (Percent of GDP)**

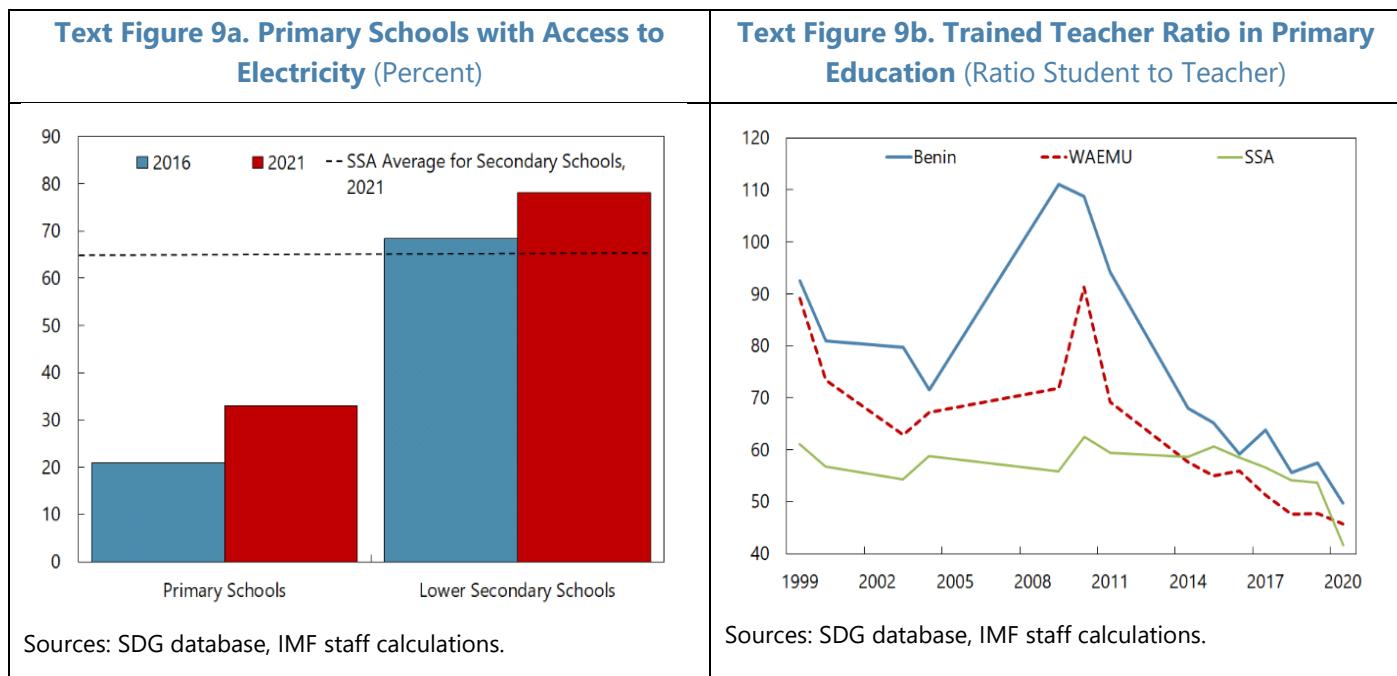


1/ 2023 and 2024 correspond to budgeted (and not actual) spending.

2/ Data for social protection include FNRB budget (pensions).

Sources: The Beninese authorities, WDI, WEO, Benin budget law annex tables and IMF Staff calculations.

<sup>2</sup> "Building Tomorrow's Workforce: Education, Opportunity, and Africa's Demographic Dividend", Sub-Saharan Africa Regional Economic Outlook Analytical Note, International Monetary Fund, April 2024.



**30. The rollout of the social registry (RSU) will enhance targeting of various social assistance programs.** The RSU, currently a static list of households classified as poor and extreme poor, is being used in a dozen programs for targeting purposes; its development into a full-fledged social registry is planned for November 2024. Accelerating the operationalization of the RSU to continuously monitor and update data on the poor and other vulnerable groups will be crucial for coordinating existing policies and implementing targeted strategies adaptable to various shocks. The World Bank is providing technical support in the social protection infrastructure and legal framework, both crucial for developing the reach of the RSU. The authorities are committed to carry out a review of public spending on social protection and a detailed mapping of related programs by 2025 that would support their intended holistic approach (MEFP ¶14).

#### **Authorities' Views**

**31. The authorities re-iterated their commitment to advancing the social agenda by expanding access to health and education services, and promoting formal employment and revenue-generating activities.** They acknowledged the importance of conducting a comprehensive mapping of the social protection system to improve the effectiveness of existing programs and identify gaps in coverage. On education, they pointed to various initiatives underway to promote technical and vocational training, as well as the role of their flagship school feeding program—currently covering 75 percent of public schools—in improving school attendance. They also noted the difficulty to prioritize among competing needs in a resource-constrained environment.

## E. Leveraging the Governance Diagnostic for Inclusive Private Sector Development

**32. Although Benin is better positioned than its regional peers in the areas of governance and business climate reforms, macrostructural gaps remain (Annex VII).<sup>3</sup>** Between 2017 and 2021, macrostructural gaps in business environment widened despite improvements in the areas of administrative burden. On governance, Benin lags its peers in voice and accountability, but improved in government effectiveness, control of corruption and rule of law.

**33. A steadfast implementation of the recently developed governance action plan will further strengthen public institutions.** Building on the IMF governance diagnostic, the action plan identifies 21 measures in the areas of rule of law, anti-corruption, AML/CFT, and PFM. Recent progress includes the creation of a committee for monitoring the implementation of audits' recommendations within the Audit Court (end-February 2024 SB). The law and decrees operationalizing the HCPC (*Haut Commissariat à la Prévention de la Corruption*) are being reviewed with LEG technical support (**SB for end-June 2024**). To reinforce fiscal transparency, authorities will conduct (through independent auditors) the audit of three high-stakes public contracts executed during 2022–24 and publish the audit reports on a governmental website by end June 2025 (**newly proposed SB for end-June 2025**).

**34. The authorities continue to step up their action to address deficiencies in their AML/CFT framework (Box 2).** They have promulgated the AML/CFT Law, conducted sectoral money laundering and terrorism financing risk assessments, and designated AML/CFT supervisors for the designated non-financial sectors. The Council of Minister adopted in April 2024 a decree setting the legal framework for the collection and verification of beneficial ownership (BO) information of landholders at the time of transfer of land and the publication of this BO information on a government website (**SB for end-April 2024**) and will develop an action plan for the operationalization of this decree.<sup>4</sup> They will also adopt the required decrees to implement the AML/CFT law and update the 2018 AML/CFT national strategy.

### 35. Remaining vigilant vis-à-vis financial sector risks will support sustainable growth.

- While the bank solvency ratio was around 15.6 percent as of June 2023, above the norm of 11.5 percent, three banks accounting for less than 6 percent of total banking sector's assets failed to meet the regulatory capital adequacy ratio. The Banking Commission is closely assessing scenarios to bring them in compliance with prudential norms.

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<sup>3</sup> Macrostructural gaps are defined as deviation of a reform indicator value, each year, from its frontier. The frontier is the best global performer in each reform indicator in each year from a sample of 166 emerging market and developing economies with data available over 2002–2021. Lower gaps mean better reform positions relative to the frontier.

<sup>4</sup> [Loi N° 2024-01 du 20 février 2024 | Secrétariat général du Gouvernement du Bénin.](#)

### Box 2. Benin: AML/CFT Framework <sup>1/</sup>

*Benin has made good strides to improve its AML-CFT framework. This box presents the main areas of progress, including measures to combat illicit flows into real estate, one of the most exposed to money laundering risk. It then explores policy options for the way forward.*

- **Benin has made progress in addressing deficiencies in its AML/CFT framework.** A comprehensive evaluation of Benin's AML/CFT framework carried out in 2021 by the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) identified important weaknesses across pillars of effectiveness of the framework. Since then, the authorities have developed an action plan to tackle the identified gaps, which they are implementing.
- **The real estate sector has been a key priority of the reforms, given its exposure to high money laundering risks.** Benin's National Money Laundering and Terrorism Financing Risk Assessment (NRA) 2018 notes high risk of money laundering in real estate due to informality, anonymity, and the prevalent use of cash in land transfers. A sectoral risk assessment for the real estate sector finalized in 2024 assessed the residual risks as 'medium' in light of reforms increasing transparency in land transactions.
- **Given the scale of the sector, traditional AML/CFT controls – such as- imposing preventive measures on real estate agents - may be insufficient or might take time to address the sector's risk exposure.** In its first wave of reforms, Benin put in place institutional measures to mitigate money laundering risks affecting designated non-financial sectors, including real estate, through the designation of AML/CFT supervisors as well as capacity building efforts for private intermediaries involved in land transfers. However, given the vast size and informality of the sector, these measures by themselves may not be enough to effectively mitigate money laundering risks.
- **Benin has therefore introduced a beneficial ownership (BO) register for real estate, as a novel, cost-effective complement to traditional AML/CFT measures.** The register, which will be hosted by the National Agency for Domain and Land (ANDF) will hold BO information collected during land transfers. Transparency of BO information mitigates money laundering risks by preventing anonymous land ownership. By shining a light on the 'real' owners of property, this reform can help the authorities identify the integration of illicit funds in real estate and thus disrupt criminals and corrupt actors from profiting from their criminal activity through property ownership.
- **The application of BO to real estate is nascent, with Benin being a pioneer in the region.** BO reforms were introduced in public procurement following the COVID-19 pandemic, as a safeguard against corruption, collusion, and conflict of interest. While around 40 countries (including Benin) now include BO transparency requirements in public procurement, the extension of BO transparency to real estate is novel: only a few jurisdictions including the United Kingdom, United States, and Canada (British Columbia) have introduced some requirements for the submission of BO information during land transfers so far. While such measures could be usefully adopted by countries where illicit proceeds originate, widespread informality in the land sector and limited property rights could be impediments to such reforms in many countries. Benin therefore provides an important example where the authorities have built on the momentum from broader homegrown land reform (including formalization and digitalization of land processes) to introduce BO requirements for land transfers.
- **Going forward, Benin should continue to tailor mitigation measures to the evolving financial integrity risks facing the country.** The authorities' updated risk understanding at the national level will form the base for a new national risk mitigation strategy. Ensuring improved application of preventive controls by reporting entities, operationalizing of the central BO registry, and increasing enforcement against money laundering and terrorism financing in line with Benin's risk profile will continue to be key pillars of future AML/CFT efforts. The real estate BO registry is an important instance of innovation to mitigate identified risks, which will provide valuable experience for future AML/CFT reforms.

1/ Prepared by Indulekha Thomas (LEG).

- The BCEAO is following up with banks to improve their minimal regulatory capital to comply by end-2026 with the new regulation establishing the threshold at CFAF 20 billions (from CFAF 10 billions), adopted in January 2024. As of June 2023, five of the twelve local subsidiaries, representing 35 percent of the total assets, were below the new required level. Banks are required to transmit their compliance plans to the Minister in charge of Finance, the Banking Commission and the BCEAO by July 2024.

### **36. Recent growth in public financial institutions calls for increased vigilance (Annex V).**

Two leading public financial institutions have emerged in Benin's financial system: (i) the public bank

BIIC, and (ii) the Caisse des Dépôts et Consignations du Bénin (CDCB). BIIC's assets increased from 1.5 percent of GDP in 2019 to 11.2 percent in 2023, and CDCB to 8.7 percent of GDP by 2022. The two financial institutions have been instrumental in financing strategic public and private projects falling under the Government Action Program (PAG), which implies growing exposure to medium- and long-term lending. The BIIC increased its use of risk-sharing mechanisms through guarantee funds mechanisms (FAGACE, African Guarantee Fund) and CDCB to limit exposure to credit and concentration risks and will start publishing its annual report this year to increase transparency. Unlike BIIC, CDCB is under the supervision of the MoF's General Inspection of Finance and the Supreme Audit Institution (SAI) but is yet to undergo an audit.

#### **Authorities' Views**

**37. While acknowledging challenges posed by an evolving public financial sector, the authorities pointed to continued progress in governance and to sound financial indicators and their strong vigilance.** They highlighted the high level of reform implementation achieved through the completion of PAG I (2016-21) as well as ongoing implementation of PAG II (2021-2026), which would help cement good governance and support their anti-corruption efforts. They indicated that the financial sector's rapid expansion has helped increase and diversify sources of financing of PAG II projects that support economic transformation, given their deliberate low reliance on PPPs. They noted that BIIC is under the supervision of the regional Banking Commission and pointed to its relatively low NPLs level (well-below the industry's average). The authorities and BIIC underscored ongoing initiatives to enhance monitoring and ensure continued compliance with prudential regulations, including through strengthening internal capacity.

#### **F. Building Resilience to Climate Change**

**38. The authorities are implementing reform measures under the RSF arrangement to enhance resilience to climate change and promote an enabling environment for climate finance.** This includes mainstreaming climate agenda in policymaking and PFM/PIM process (Table 13).

- They have amended the regulatory framework governing PIM to integrate climate considerations in the various stages of PIM, notably identification, appraisal, selection, and *ex-post* evaluation. They have also updated accordingly the September 2019 public investment manual (*RM1 for end-March 2024*).<sup>5</sup>
- The 2024 budget law adopted by parliament sets the principle of taking into account community-identified climate priorities in the criteria for allocation of transfers to local authorities.<sup>6</sup> The authorities finalized simulations to assess the implementation of this mechanism for the attributions of FADeC 2024—Fund for Support for Communal Development (*RM7 for end-March 2024*).

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<sup>5</sup> [DECRET N° 2024-854 DU 27 MARS 2024 fixant le cadre général de gestion des investissements publics | Direction Générale du Budget - Bénin \(budgetbenin.bj\)](#)

<sup>6</sup> [Bénin-Loi de finances 2024.pdf \(impots.bj\)](#)

### Box 3. Fuel Subsidies

A recent FAD technical assistance (TA) mission evaluated fuel pricing in Benin and started exploring reform options. The TA estimated the budgetary cost of fuel subsidies in 2023 at 0.4 percent of GDP, in line with estimates under the program (about 0.5 percent of GDP). The mission identified shortcomings in the pricing policy and identified potential reform areas. Additional work is needed to evaluate the authorities' new fuel import scheme that entails price hedging..

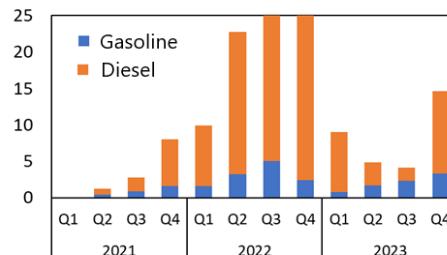
- The dependency of Benin's fuel supply (both formal and informal<sup>1</sup>) on external markets makes the country vulnerable to exogenous shocks and fluctuations in international oil prices and pump pricing in Nigeria.**

Although the oil sector in Benin operates under a liberalized framework, pump prices are regulated monthly by an inter-ministerial commission. The price ceiling is set based on a formula, which parameters are outlined in a presidential decree institutionalizing the fuel pricing mechanism since 2004 (parameters include international market conditions and price gaps between formal and informal markets to encourage purchasing from formal/regulated pumps).

- The fuel pricing policy in Benin has resulted in tax expenditures over the past years, as pump prices often fall below the actual cost of supply, with the government indirectly subsidizing fuel through foregone revenue collection.** The recent increase in global oil prices due to supply crises led the Beninese government to subsidize fuel products, both directly by importing diesel and re-selling it to retailers at a lower price, and indirectly, by foregoing revenue collection on fuel products. While the direct subsidies were limited to the 2022 fuel supply crisis, the government has continued to indirectly subsidize fuel through tax expenditures, which amounted to 0.4 percent of GDP in 2023 (Box 3 Figure 1).
- The government implemented in January 2024 a hedging mechanism that guarantees the price of imported fuel for a period of 12 months to ensure continued fuel delivery and protect consumers from fluctuations in international prices.** This mechanism centralizes import of fuel products around a single company (one for each type of fuel), selected through a tender in the form of an open bid. The selected companies import fuel and redistributes to other firms operating in the sector at a price set through the tendering process (fixed for 12 months). While this new model has allowed for predictability of the supply cost of fuel products (Cost, Insurance, Freight, or CIF price), other elements of the price formula (including those related to taxation) have remained unchanged. These elements could be revised to avoid discrepancies in the fuel price adjustment policy and help streamline tax collection.
- The widespread use of smuggled gasoline (*kpayo*) prompted the Beninese government to implement a project focusing on mini-gas stations.** This initiative aims to replace roadside bottle sales of smuggled gasoline with safer infrastructure by making 10,000 "mini-stations" available to sellers that operate in the informal fuel market. By collaborating with organizations representing over 50,000 smugglers, the government seeks to address challenges in *kpayo* distribution (especially related to health risks and accidents) and collect data for informed policymaking. While specific operational details are still being defined, the project aims to formalize the sector and enhance fuel accessibility, particularly in underserved areas.

**A recent FAD TA mission has evaluated the policies for setting fuel prices and started identifying measures to address these challenges while achieving a sustainable medium-term budget balance.** A preliminary evaluation of the pricing policy highlights discrepancies, such as the opaque accounting of subsidies due to divergence between reported and actual cost and lack of clarity in some aspects of taxation, potentially conflicting with policy objectives. Additionally, the adjustment mechanism for targeted pump prices has resulted in subsidies, with a "consensual value"<sup>2</sup> included in the price formula, obscuring the actual fiscal expenditure. Box 3 Table 1 summarizes the mission's preliminary findings and recommendations.

**Box 3. Figure 1. Indirect subsidies to gasoline and diesel, by quarter, 2021-2023 (CFAF billion)**



Sources: Beninese authorities; and IMF staff calculations

**Box 3. Table 1. Key Preliminary Findings and Recommendations from Ongoing FAD TA Mission on Fuel Subsidies Reform in Benin**

<b>Findings</b>	<b>Recommendations</b>
Fuel subsidies are not systematically documented, not making tax expenditure explicit.	<ul style="list-style-type: none"> <li>→ Reorganize the price structure to make tax expenditures explicit by calculating reference prices without tax exemptions.</li> <li>→ Eliminate the “consensual value” and apply base rates (customs duty, VAT, excise on fuel) to all products. Apply any tax refund on VAT in cases where tax expenditures are planned.</li> </ul>
At the time of approving the adjusted price formula to arrive at the targeted pump price, the reported CIF price corresponded to the subsidized price and not the actual CIF price, making subsidy accounting opaque.	<ul style="list-style-type: none"> <li>→ Make explicit references to the true Platts price and the direct subsidies applied in the published pricing formula.</li> </ul>
Margins of fuel distribution companies and other cost parameters are not determined based on periodic market studies.	<ul style="list-style-type: none"> <li>→ Periodically conduct studies to assess the supply costs listed in the price structure.</li> </ul>
Lack of clarity on some taxation elements in the price formula.	<ul style="list-style-type: none"> <li>→ Streamline LPG taxation by introducing VAT, which can be funded by reducing the new infrastructure levy, which seems excessive at the current level.</li> <li>→ Improve sectoral data collection for better monitoring and informing policymaking.</li> </ul>
Hedging fuel import prices can offer protection against price volatility, but it could also entail costs and risks that countries must carefully evaluate and manage to ensure the effectiveness of their risk management strategies.	<ul style="list-style-type: none"> <li>→ Conduct a study to take stock of the recently implemented hedging mechanism that fixes CIF fuel prices for 12 months.</li> </ul>

1/ The gasoline market is largely dominated by informal suppliers from Nigeria, historically benefiting from Nigeria's subsidies.

2/ The “consensual value” is a price—potentially different from the market price—to which ad valorem tax rates included in the fuel pricing formula are applied, instead of using the true tax base determined by the CIF price. As this “consensual value” is often below CIF prices, this means that taxes collected on fuel products are typically lower than they should be, resulting in tax expenditures.

Source: “Evaluating the Pricing Policy of Fuel Products in Benin”, FAD TA report (forthcoming) prepared by Fabiana Machado, Nicolò Bird, Carolina Bloch et Ignatius de Bidegain.

- An FAD TA to support fuel subsidy reform (RM11 and 12 for end-October 2024) took place in January/February 2024. While the TA formulated recommendations to improve the institutional foundations of the current pricing mechanism, follow-up work is needed to evaluate the current fuel supply system in Benin entailing an oil hedge (Box 3). The RM was modified based on preliminary findings of IMF TA (being finalized), reflecting the reorganization of the Beninese fuel market from end-2023, and making explicit reference to a transition period (during which there will be step increases in fuel prices) leading up to the full implementation of a new automatic pricing mechanism.

**39. The authorities remain committed to promoting private climate finance, under the RSF arrangement.** They are working on designing a climate information architecture (RM15), having set up a dedicated steering committee which includes CDCB. Benin is setting the ground for developing a climate-related taxonomy framework (data collection, links to national and regional climate-related priorities) that will include adaptation and transition investment targets and criteria, and a climate change mitigation and adaptation data collection and dissemination mechanism tailored to its capacity and needs. The authorities are also proceeding with the African Development Bank's technical support to establish a green finance facility, which may result in the creation of a blended financing instrument. A joint IMF/World Bank roundtable is expected in Cotonou in 2024H2, gathering international financial institutions and development partners to leverage each institution's expertise to mobilize additional climate finance.

#### **Authorities' Views**

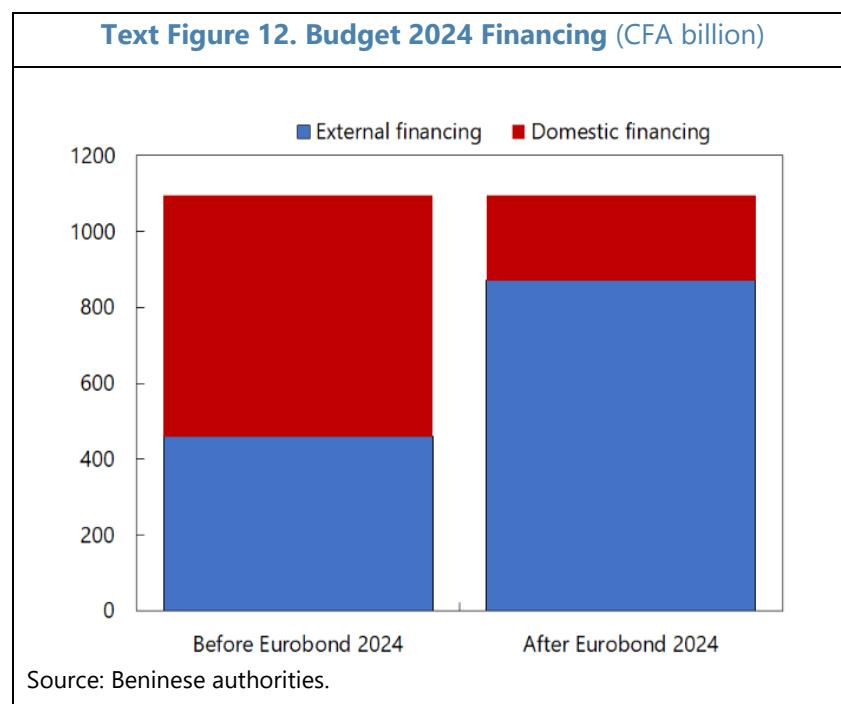
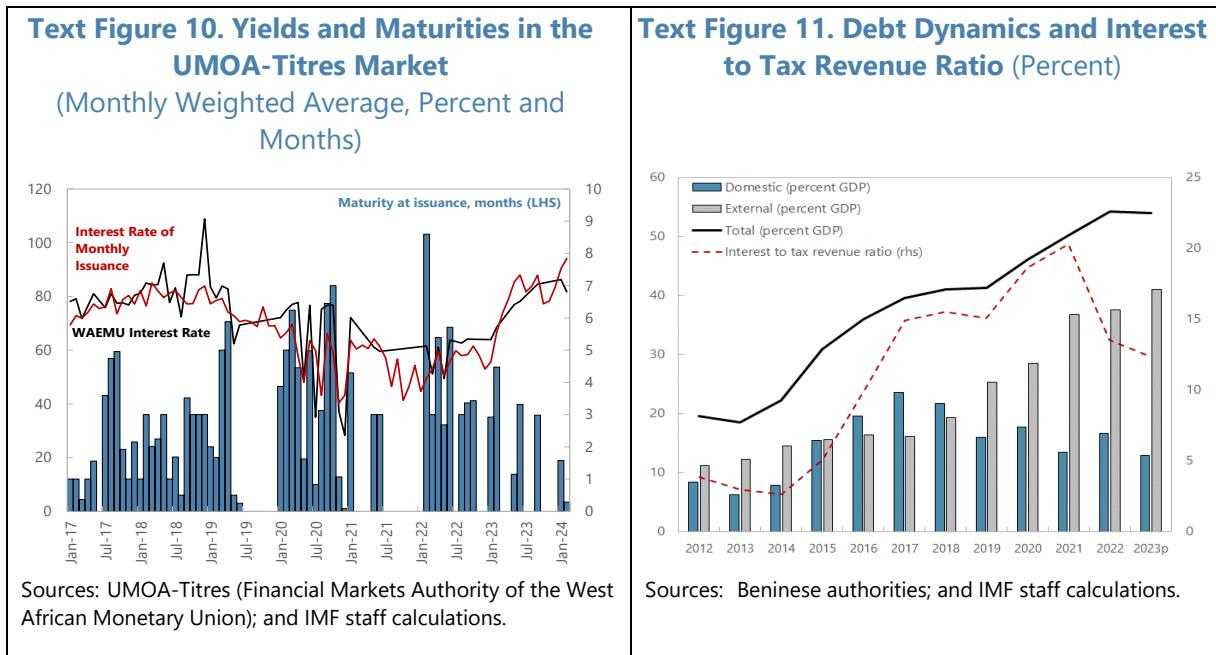
**40. The authorities reiterated their commitment to reform measures under the RSF arrangement.** With FAD support, they developed a roadmap that identifies 37 actions towards a climate-sensitive budgeting of maintenance policy for key infrastructure assets (*RM2 for end-October 2025*). They are conducting a tariff study prior to designing and adopting a comprehensive and gradual electricity tariff reform without electricity subsidies and reflecting cost-recovery levels (*RM13 for end-January 2025*). They intend to leverage TA to ensure the robust implementation of reform measures, including from the World Bank on social safety nets and national disaster risk management, the IMF on the climate information architecture (i.e., *RM15 for end-May 2025*), the African Development Bank on climate finance (pipeline of projects and green finance facility), and the Swiss Cooperation on agricultural insurance.

## **PROGRAM ISSUES**

#### **41. A temporary recalibration of the debt limit under the program is warranted.**

- While contributing to regional reserves and budget financing, the Eurobond was sizeable (around 3.5 percent of GDP), leaving very limited wiggle room under the 2024 ceiling on the PV of external debt contracts under the program. Keeping the limit unchanged would constrain growth-inducing externally financed projects and prospective LMO operations.
- Additionally, domestic borrowing could become constrained: interest rates have risen, and maturity shortened (Text Figure 10). While there had also been temporary failed auctions in 2023, they were resolved eventually as the BCEAO provided exceptional liquidity.

- While the Eurobond worsened the profile of debt service-to-revenues in the DSA, the authorities' proactive LMO in March helped circumvent a breach in 2025 and 2026 and smoothed out the debt service profile in 2030–2032 (see DSA). It also generated savings, as the underlying Eurobonds were purchased at a discount (Box 1).



- The temporary nature of DSA breach from LMO, combined with the authorities' established track record in proactive debt management and ongoing DRM efforts (the tax-to-interest ratio has fallen significantly under the program; Text Figure 11), provide scope for increasing the debt limit temporarily in 2024.
- Staff proposes a modification to the continuous PC for the PV of new external debt contracted or guaranteed by government by raising the limit for 2024 from 620 to 1,055 billion CFAF to accommodate the 2024 Eurobond issuance, given that the proceeds not used for LMO operations will be fully used to substitute for domestic financing (¶15; Text Figure 12), and that the proposed increase maintains Benin firmly at moderate risk of external debt distress (DSA).

**42. EFF/ECF financing assurances.** Notwithstanding the recent Eurobond which was used for LMO and to substitute domestic financing, financing needs under the program remain unchanged, with the Eurobond boosting Benin's contribution to BCEAO pooled reserves. The program remains fully financed for the upcoming 12-month period, with good prospects for the remainder of the program. The disbursements will contribute to WAEMU pooled reserves at the BCEAO with the CFAF counterparty used for budget support. Considering large amortizations due in 2024 and tight conditions on the regional security market, Fund disbursements will help meet the fiscal financing gap. The positive BOP balance in 2024 and 2025 reflects the unwinding of Benin's foreign assets that were accumulated in 2023 as outflows were incurred in that year and the corresponding imports into Benin delayed. Projected Fund disbursements keep the level of reserves accumulated over 2022–25 broadly in line with expectations at program approval.

**43. Burden sharing.** Benin continues to mobilize budget support above programmed levels under the EFF/ECF, improving burden sharing (Text Table 5). Budget support in 2023 exceeded Third Review projections by about US\$12 million. It included US\$150 million from the World Bank, US\$19 million from Agence Française de Development and about US\$41 million from the African Development Bank. For 2024, the authorities expect to access another US\$150 million from the World Bank and another US\$19 million from Agence Française de Development, US\$33 million in budget support grants from the European Union, and potential additional budget support from Banque Africaine de Developpement up to US\$65 million. In addition, the WB's Catastrophe Deferred Drawdown (CAT-DDO) contingent financing instrument under the DPO (US\$54 million) was disbursed in 2024Q1 as a natural disaster contingency measure. Staff commended authorities' efforts in successfully mobilizing budget support and emphasized the importance of continuing to prioritize external borrowing on concessional terms.

**44. Program monitoring.** Program performance for both EFF/ECF and RSF arrangements will continue to be monitored through semi-annual program reviews based on QPCs/ITs (Table 7), SBs

**Text Table 5. Burden Sharing<sup>1</sup>**  
(Billion CFA Francs)

	Program approval	Second Review	Third Review	Fourth Review
<b>Financing gap</b>	755	821	847	898
<b>Budget support</b>	343	402	433	484
Grants	175	57	53	51
Loans	168	345	380	433
Vaccination support (WB)	17	17	17	17
<b>IMF<sup>2</sup></b>	396	403	397	398
<b>Memo items</b>				
Financing gap (% 2023 GDP) <sup>3</sup>	6.5	6.9	7.1	7.5
IMF share of financing gap (% total gap)	52	49	47	44

1/ Based on firmly committed budget support with the potential for upside.

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.

Source: Beninese authorities; and IMF staff calculations.

(Table 12), and RMs (Table 13). Structural conditionality has been augmented with two new SBs to support the authorities' ongoing effort to strengthen transparency and enhance the business climate (¶23–24).

**45. Safeguards assessment.** The 2023 update assessment of the BCEAO found that the institution continues to have a robust control environment with strong governance arrangements. All recommendations from the 2018 safeguards assessment have been implemented. Financial reporting and external audit arrangements remain in line with international practices.

**46. Capacity to repay the Fund remains adequate, although with risks amid heightened economic uncertainty** (Table 9). These include regional developments, ToT deterioration, tightening of financial conditions, as well as climate-related shocks. The total amount of outstanding credit from the Fund including the new RSF arrangement will amount to 596.5 percent of quota in 2024 and increases to 656.2 percent of quota in 2025.<sup>7</sup> Total obligations based on existing and prospective credit (including RSF arrangement) will peak at 0.6 percent of GDP (3.4 percent of total revenues excluding grants and 2.2 percent of exports) in 2028.

**47. Data provision has some shortcomings but is broadly adequate for surveillance** (Annex III). The authorities are addressing data gaps through TA from the Fund and other development partners.

**48. The CD strategy will continue to focus on supporting the authorities' reform priorities** through implementing the MTRS, mainstreaming climate considerations in policymaking under the RSF arrangement, addressing AML/CFT vulnerabilities in the real estate sector and upgrading national account, external sector, and government finance statistics (Annex IV). Development partners stand ready to support the reform agenda under the RSF arrangement.

#### **Authorities' Views**

**49. The authorities agreed with the focus of the envisaged CD program but stressed the need to further tailor CD to Benin's specific circumstances.** They are committed to reinforcing TA coordination and continued implementation of the main TA recommendations.

## **STAFF APPRAISAL**

**50. The Beninese economy has proven remarkably resilient, with steadfast reform implementation and sound policy management over the past several years providing policy space to respond to significant shocks.** The growth momentum is expected to continue in the near term, supported by public and private investment, including SEZ-related. Higher medium-term growth hinges on the country's ability to alleviate capacity constraints, including adequate labor supply to meet the needs of a transforming economy. After the initial impetus, a gradual reduction

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<sup>7</sup> The total amount of outstanding credit from the Fund without the new RSF arrangement will peak at 548.5 percent of quota in 2024.

of the government's footprint in the economy would support broad-based private sector-led growth that benefits all Beninese.

**51. While strong macroeconomic performance has led to a reduction in poverty at the national-level, continued efforts are needed to alleviate inequality in access to basic services, which has persisted across regions and income groups.** In this regard, accelerating the operationalization of the social registry to monitor and update data on the poor and other vulnerable groups will be crucial for coordinating various social assistance programs. Moreover, with a median age of 18, continued increase in budget allocations to education and expansion of digitalization could help harness the demographic dividend. A gradual phase-out of fuel subsidies and move to a more predictable pricing mechanism for fuel products over time would help channel scarce resources to social sectors.

**52. Preserving momentum in tax collection will support fiscal consolidation towards the WAEMU's regional fiscal norm of 3 percent of GDP by 2025 while sheltering critical spending.** The operationalization of the Medium-Term Revenue Strategy should continue to ensure sustainable financing of Benin's large development needs. Maintaining a prudent borrowing strategy and ensuring a balanced mix between external and domestic financing would help preserve fiscal sustainability and mitigate rollover risks.

**53. The authorities should pursue the implementation of reform measures aiming at enhancing resilience to climate change.** Efforts for mainstreaming climate change in policymaking should be pursued. Enhancing the climate financial information architecture will support private climate finance.

**54. The authorities should give priority to broad-based horizontal policies to level the playing field among economic agents and support economic transformation.** An orderly development of the SEZ requires coordinated policies and careful evaluation of pre-conditions for success. The authorities should continue rationalizing tax expenditures and ensure transparency in the selection of SEZ-related incentives. Pursuing ongoing efforts to enhance governance will lay the foundations for inclusive private sector development.

**55. Continued vigilance by supervisory authorities is needed to preserve soundness of the public financial sector.** Transparency in the operations of public financial institutions, including timely publication of their financial statements and audit reports, is also warranted. These steps will help limit contingent liability risks.

**56. Benin's external position at end-2023 was broadly in line with the level implied by fundamentals and desirable policies.** Continued steadfast implementation of the government's reform agenda would foster external competitiveness. In this regard, recent advances in strengthening the AML/CFT framework are welcome—and should be sustained. The authorities should finalize the legislation operationalizing the anti-corruption agency, in line with the IMF Governance Diagnostic.

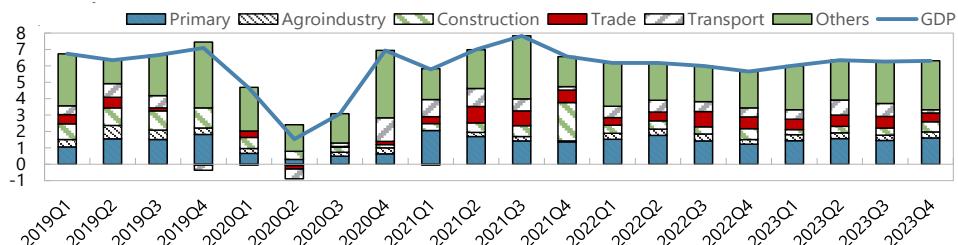
**57. Given continued strong program performance and commitment to reforms, staff recommends the completion of the Fourth Review under the EFF and ECF arrangements and the First Review under the RSF, with the modification of QPC for the recalibration of the debt limit.**

**58. Staff recommends that the next Article IV consultation with Benin to be held on the 24-month cycle.**

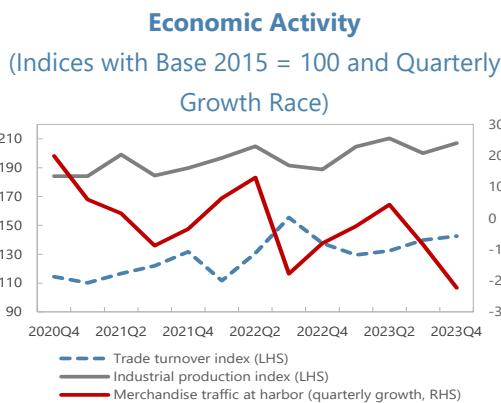
## Figure 2. Recent Developments, 2019-23

*Growth has mainly been supported by agriculture, trade, and transport.*

### Decomposition of Growth

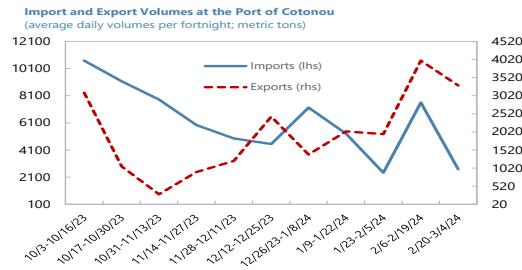


*Industrial production and trade have performed strongly, partially offsetting the effect of Niger border closure on merchandise traffic at the Port of Cotonou.*



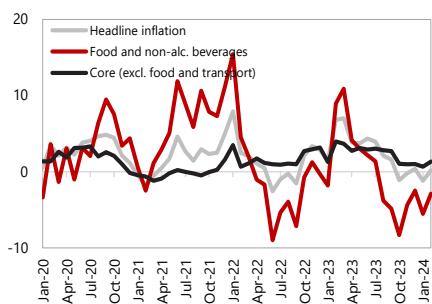
*Food prices have declined sharply, offsetting the impact of soaring transport costs on overall inflation.*

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

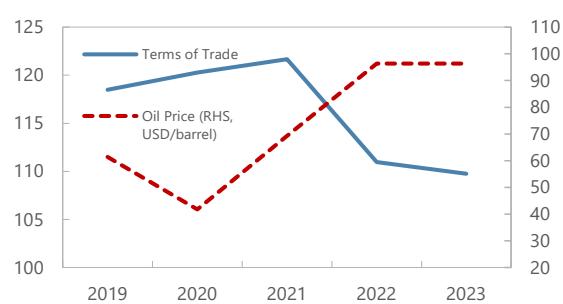


*Terms of trade deteriorated sharply in 2023 owing to higher oil prices.*

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



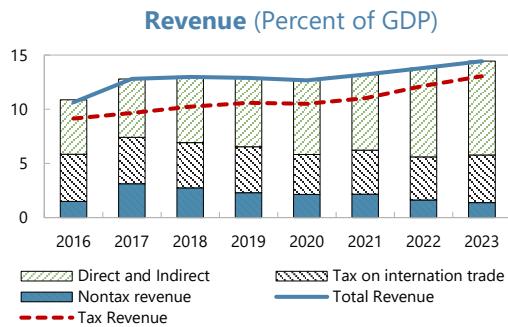
### Terms of Trade (Total)



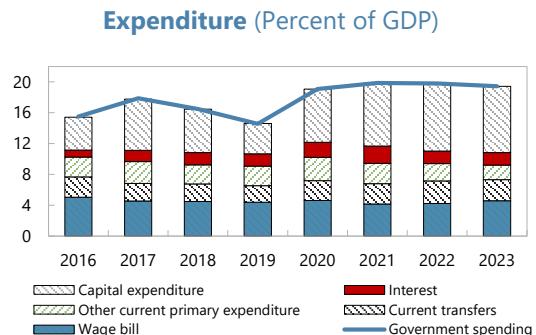
Sources: Beninese authorities; BCEAO; PortWatch; and IMF staff calculations.

### Figure 3. Fiscal Developments, 2016-23

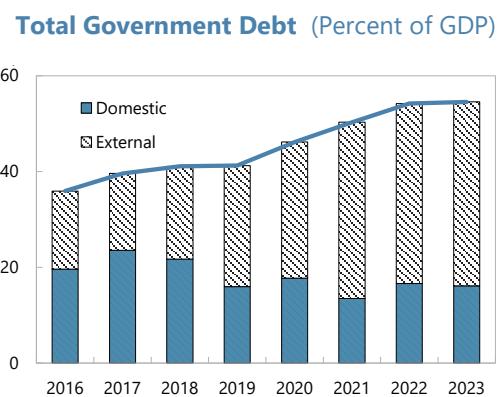
*Tax collection has continued to be buoyant...*



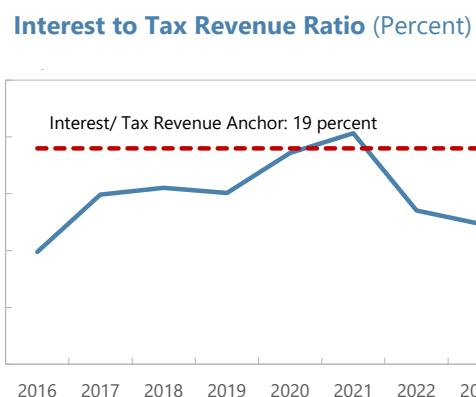
*...and capital expenditure has continued to get the lion share of spending.*



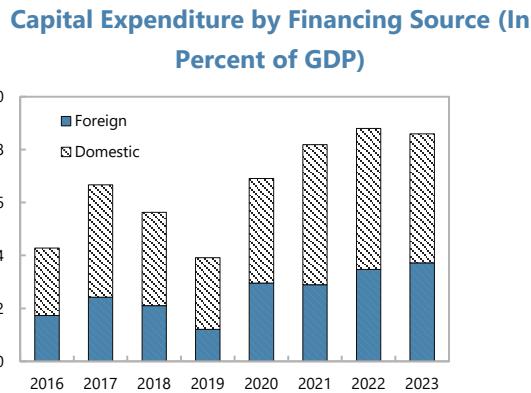
*Public debt stabilized in 2023 following increases during fiscal expansion ...*



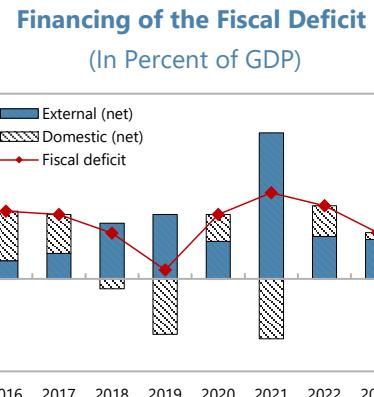
*... and the interest-to-tax revenue ratio declined, falling below the program anchor.*



*The increase in capital expenditure in 2023 was mostly domestically financed ...*



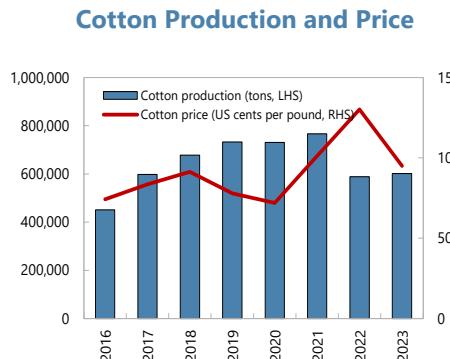
*... while the deficit, which declined, continued to be mainly externally financed.*



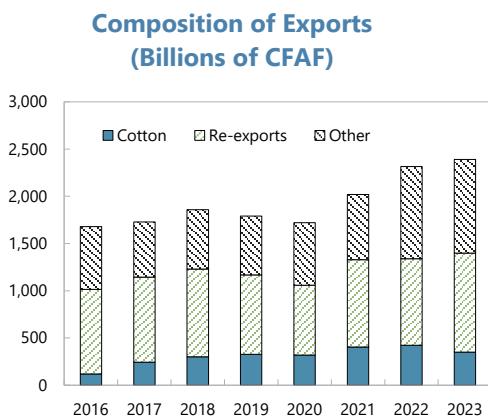
Sources: Beninese authorities and IMF staff calculations.

### Figure 4. Real and External Sector Developments, 2016-24

*Cotton production slightly increased in 2023 although still below its historical level observed during 2017-21 due to weather-related shocks...*



*Cotton export receipts slightly declined in 2023, contributing to overall lower exports.*



*... narrowing the current account deficit.*

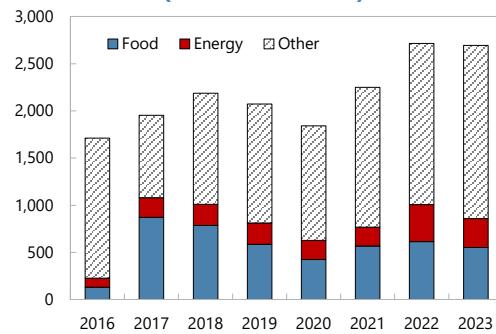
*... while the price of cotton slightly declined in 2023 from its recent peak in 2022.*

### International Cotton Prices (US Cents PER Pound)



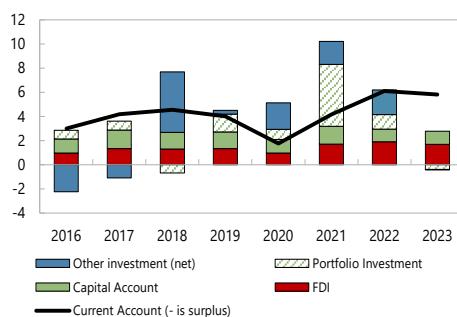
*Imports stabilized in 2023, partly reflecting continued food and energy prices pressures...*

### Composition of Imports (Billions of CFAF)

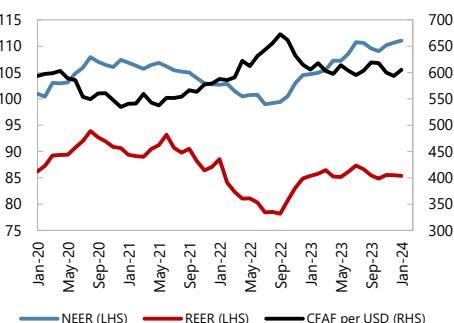


*The CFA franc appreciated against the US dollar in 2023, and both the nominal and real effective exchange rates continue to appreciate (on y-o-y basis).*

### Current Account Deficit and Financing Sources (Percent GDP)



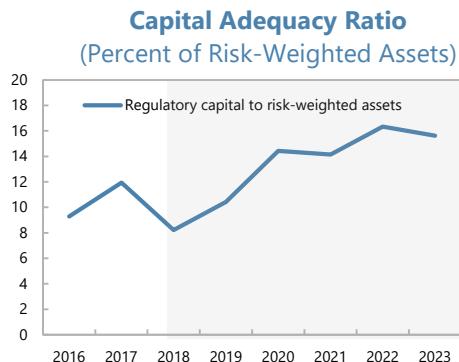
### Exchange Rates (2010 = 100)



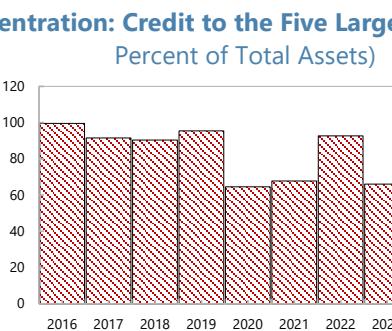
Sources: Beninese authorities, WEO, Bloomberg, and IMF staff calculations. Some data for 2022 is preliminary.

### Figure 5. Financial Sector Developments, 2016-23

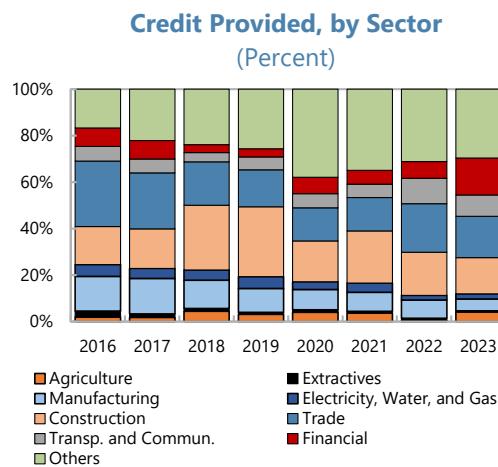
Although slightly declining in 2023, the banking system remains well capitalized overall.



The sector's lending concentration remained elevated but decreased in 2023 ...

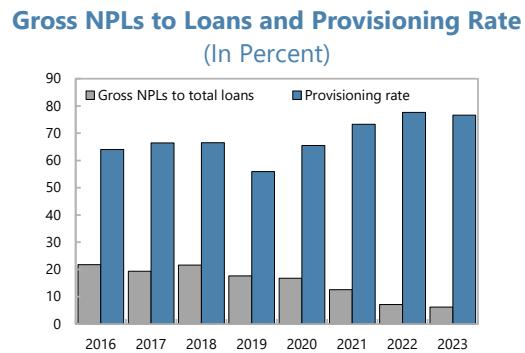


Lending to the agriculture sector and financial services increased in 2023, while lending to trade and construction sectors has remained at its 2022 level.

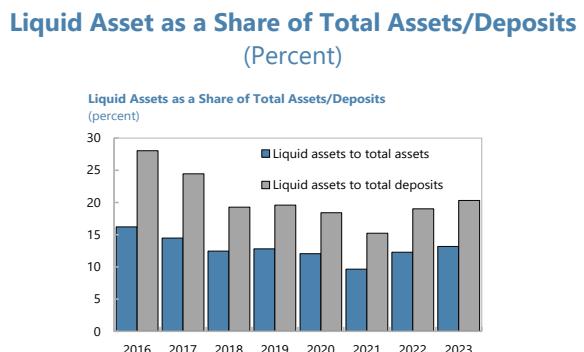


Sources: Beninese authorities, BCEAO, and IMF staff calculations.

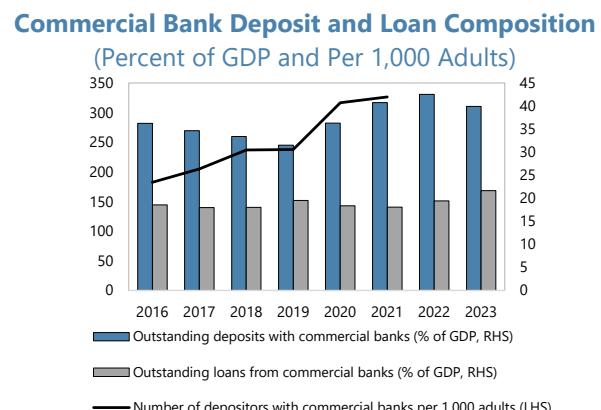
The quality of the credit portfolio continues to improve, with still high provisioning.



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



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



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

	2019	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
					Est.	Third Review	Est.	Third Review	Proj.	Projections			
<b>National Income and Prices</b>													
Real GDP per capita	3.8	1.0	4.2	3.4	2.7	3.4	3.1	3.6	3.5	3.1	3.1	2.9	2.8
Real GDP	6.9	3.8	7.2	6.3	5.6	6.4	6.0	6.5	6.5	6.2	6.2	6.0	6.0
Nominal GDP	6.5	6.8	8.9	10.7	9.2	10.0	9.0	8.7	8.7	8.3	8.3	8.1	8.1
GDP deflator	-0.3	2.9	1.6	4.1	3.3	3.4	2.8	2.0	2.0	2.0	2.0	2.0	2.0
Consumer price index (average)	-0.9	3.0	1.7	1.4	3.7	2.7	3.0	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	3.7	0.4	3.0	2.0	2.0	2.0	2.0	2.0	2.0
<b>External Sector</b>													
Terms of trade (minus = deterioration)	5.1	1.5	1.2	-8.8	-1.5	0.1	0.1	1.9	0.0	0.9	0.5	1.5	1.0
Real effective exchange rate (minus = deterioration)	-3.1	3.7	-0.8	-8.7	...	4.9	...	...	...	...	...	...	...
<b>Money and Credit</b>													
Credit to the private sector	11.9	-5.7	9.2	21.4	9.0	19.7	11.0	15.0	...	...	...	...	...
Broad money (M2)	6.0	17.3	16.7	13.0	9.2	-0.4	9.0	8.7	...	...	...	...	...
(percent of GDP, unless otherwise indicated)													
<b>Central Government Finance</b>													
Total revenue	12.9	12.7	13.2	13.8	14.0	14.3	14.5	14.6	15.1	15.4	15.9	16.3	16.7
of which: Tax revenue <sup>1</sup>	10.6	10.5	11.0	12.2	12.7	12.9	13.2	13.2	13.7	14.0	14.4	14.8	15.1
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	19.3	19.2	18.9	18.9	18.6	19.0	19.4	19.8	20.2
Overall balance (commitment basis, including grants)	-0.5	-4.7	-5.7	-5.5	-4.5	-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	-5.1	-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	0.9	0.4	1.1	-1.9	0.2	-1.0	-0.5	0.6	0.9
External financing, net	4.2	2.4	9.5	2.7	4.2	4.4	2.6	5.6	2.7	3.9	3.4	2.3	2.0
<b>External Sector</b>													
Balance of goods and services	-5.0	-2.8	-4.4	-6.0	-6.0	-6.2	-5.8	-6.4	-6.4	-5.1	-5.1	-5.1	-5.2
Exports of goods and services	24.9	22.4	23.5	24.5	22.1	23.2	22.1	24.6	25.0	25.3	25.6	25.9	26.2
Imports of goods and services	-29.9	-25.1	-27.8	-30.4	-28.1	-29.3	-27.9	-31.1	-31.4	-30.4	-30.7	-31.0	-31.3
Current account balance, including official transfers	-4.0	-1.7	-4.2	-6.1	-5.8	-5.9	-5.4	-6.0	-6.0	-4.6	-4.5	-4.4	-4.4
Overall balance of payments	0.5	3.4	6.1	0.1	1.3	-3.6	-0.3	3.1	1.2	2.2	1.8	0.9	0.6
<b>Public Debt (End Period)</b>													
Total public debt	41.2	46.1	50.3	54.2	53.8	54.5	53.1	53.9	52.5	51.3	50.2	49.3	48.5
External public debt	25.3	28.4	36.8	37.6	40.3	38.4	40.8	42.8	42.6	42.6	42.3	41.3	39.9
Domestic public debt	16.0	17.7	13.5	16.6	13.5	16.1	12.2	11.1	9.8	8.7	7.9	8.0	8.5
<b>Memorandum Items</b>													
Nominal GDP (CFAF billions)	8,432	9,009	9,810	10,855	11,852	11,935	12,922	12,970	14,095	15,271	16,542	17,888	19,342
Nominal GDP (US\$ billions)	14.4	15.7	17.7	17.4	19.7	19.7	21.5	21.3	23.1	25.0	27.0	29.2	31.5
Nominal GDP per capita (US\$)	1,171.0	1,239.7	1,361.8	1,306.0	1,430.6	1,433.1	1,524.8	1,510.2	1,586.8	1,667.9	1,752.1	1,836.9	1,922.2
US\$ exchange rate (average)	585.9	574.8	554.2	622.4	602.7	606.5	599.7	608.3	...	...	...	...	...
International price of cotton (Cotlook "A" Index, U.S. cents a lb.)	77.9	71.9	101.2	130.1	95.0	95.0	91.8	98.1	89.8	86.5	86.5	86.5	86.5
International price of oil (U.S. dollars a barrel)	61.4	41.8	69.2	96.4	80.5	80.6	79.9	78.6	73.7	70.6	68.7	67.8	67.5

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

<sup>1</sup> 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<sup>1</sup>**  
(Billions of CFA Francs)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029		
					Third Review	Est.	Third Review	Proj.	Projections				
<b>Total Revenue and Grants</b>	<b>1,185.7</b>	<b>1,296.3</b>	<b>1,387.7</b>	<b>1,553.2</b>	<b>1,761.9</b>	<b>1,795.1</b>	<b>1,965.4</b>	<b>1,977.5</b>	<b>2,214.4</b>	<b>2,451.9</b>	<b>2,722.2</b>	<b>3,014.3</b>	<b>3,337.7</b>
Total revenue	1,088.0	1,142.1	1,295.7	1,498.6	1,661.2	1,701.3	1,875.7	1,890.0	2,123.4	2,353.9	2,632.5	2,917.4	3,232.9
Tax revenue <sup>2</sup>	893.3	947.8	1,082.3	1,320.7	1,507.4	1,537.9	1,708.0	1,711.4	1,930.4	2,144.9	2,389.5	2,655.6	2,929.4
Tax on international trade	358.0	331.5	397.4	429.8	531.0	517.0	595.0	578.0	656.3	734.0	819.9	913.5	1,016.7
Direct and indirect taxes	535.3	616.3	684.9	890.9	976.4	1,020.9	1,112.9	1,133.4	1,274.1	1,410.9	1,569.7	1,742.1	1,912.7
Nontax revenue <sup>2</sup>	194.8	194.2	213.4	177.8	153.8	163.4	167.7	178.6	193.0	209.0	243.0	261.8	303.5
Grants	97.7	154.2	92.0	54.6	100.7	93.8	89.7	87.5	91.0	98.0	89.6	96.9	104.8
Project grants	66.8	46.9	54.6	54.6	90.7	84.0	66.7	66.7	71.0	76.4	66.2	71.6	77.4
Budgetary grants	30.8	107.3	37.4	0.0	10.0	9.8	23.0	20.8	20.0	21.7	23.5	25.4	27.4
<b>Total Expenditure and Net Lending</b>	<b>1,227.3</b>	<b>1,719.9</b>	<b>1,949.4</b>	<b>2,149.4</b>	<b>2,289.8</b>	<b>2,289.8</b>	<b>2,443.5</b>	<b>2,457.3</b>	<b>2,623.1</b>	<b>2,894.7</b>	<b>3,201.9</b>	<b>3,533.1</b>	<b>3,898.6</b>
Current expenditure	900.8	1,095.6	1,145.1	1,198.1	1,341.1	1,276.0	1,462.4	1,458.7	1,605.3	1,759.7	1,912.3	2,106.4	2,274.0
Current primary expenditure	766.2	919.4	925.2	1,019.5	1,143.5	1,085.8	1,257.4	1,226.8	1,366.2	1,497.3	1,626.1	1,804.5	1,954.2
Wage bill <sup>3</sup>	369.7	416.5	407.8	458.5	560.0	540.4	620.2	613.4	669.6	722.1	770.6	840.7	911.0
Pensions and scholarships	90.5	92.9	90.5	92.9	107.4	97.0	123.5	111.9	121.6	147.0	159.2	172.2	186.2
Current transfers	180.9	233.0	259.2	320.6	317.3	323.4	348.9	351.4	398.8	446.6	499.5	541.2	586.3
Expenditure on goods and services	125.1	176.9	167.6	147.4	158.9	125.1	164.8	150.0	176.3	181.6	196.8	250.4	270.8
Interest	134.6	176.3	219.9	178.7	197.7	190.2	205.0	231.9	239.0	262.4	286.2	301.9	319.8
Domestic debt	106.8	105.7	153.1	84.1	97.0	80.3	85.9	106.6	75.8	81.8	84.2	85.4	95.5
External debt	27.8	70.6	66.8	94.5	100.7	109.9	119.1	125.3	163.2	180.6	201.9	216.5	224.3
Capital expenditure	330.4	622.4	802.6	954.9	948.7	1,011.9	981.1	998.7	1,017.8	1,135.0	1,289.6	1,426.7	1,624.6
Financed by domestic resources	228.3	356.4	519.0	577.9	543.0	574.5	528.7	546.3	538.1	631.0	768.6	863.2	1,015.4
Financed by external resources <sup>4</sup>	102.1	266.0	283.7	377.0	405.7	437.4	452.4	452.4	479.7	503.9	521.1	563.5	609.3
Net lending	-3.9	1.8	1.7	-3.6	0.0	1.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Overall Balance (Commitment Basis, Incl. Grants)</b>	<b>-41.6</b>	<b>-423.6</b>	<b>-561.7</b>	<b>-596.2</b>	<b>-527.9</b>	<b>-494.7</b>	<b>-478.1</b>	<b>-479.9</b>	<b>-408.8</b>	<b>-442.8</b>	<b>-479.7</b>	<b>-518.7</b>	<b>-560.9</b>
Primary balance <sup>5</sup>	-4.6	-401.5	-433.8	-472.2	-430.9	-398.3	-362.8	-335.4	-260.7	-278.4	-283.2	-313.8	-345.9
Basic primary balance <sup>6</sup>	93.5	-133.7	-148.5	-98.8	-25.2	41.0	89.6	117.0	219.0	225.5	237.9	249.7	263.3
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	-82.2	-86.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Overall Balance (Cash Basis, Incl. Grants)</b>	<b>-48.9</b>	<b>-374.9</b>	<b>-546.4</b>	<b>-514.0</b>	<b>-610.1</b>	<b>-581.0</b>	<b>-478.1</b>	<b>-479.9</b>	<b>-408.8</b>	<b>-442.8</b>	<b>-479.7</b>	<b>-518.7</b>	<b>-560.9</b>
<b>Financing</b>	<b>48.9</b>	<b>374.9</b>	<b>546.4</b>	<b>514.0</b>	<b>610.1</b>	<b>581.0</b>	<b>478.1</b>	<b>479.9</b>	<b>408.8</b>	<b>442.8</b>	<b>479.7</b>	<b>518.7</b>	<b>560.9</b>
Domestic financing	-302.9	156.4	-380.8	216.1	108.1	52.1	148.6	-242.4	24.0	-153.3	-89.6	107.4	177.3
Bank financing	7.7	259.4	-123.4	78.1	-7.5	-14.6	22.5	-385.1	-131.0	-321.3	-255.0	-71.5	-16.1
Net use of IMF resources	14.5	168.1	94.2	176.2	114.5	114.4	53.7	54.0	58.8	-374	-59.5	-79.5	-89.2
Disbursements	25.7	171.3	94.2	181.6	123.0	122.8	97.9	98.5	115.4	0.0	0.0	0.0	0.0
o/w R\$F	0.0	0.0	0.0	0.0	0.0	0.0	47.8	48.0	72.5	0.0	0.0	0.0	0.0
Repayments	-11.2	-3.2	0.0	-5.4	-8.6	-8.3	-44.3	-44.5	-56.6	-37.4	-59.5	-79.5	-89.2
Other <sup>7</sup>	-6.8	91.2	-217.6	-98.1	-122.0	-129.0	-31.2	-439.1	-189.8	-283.9	-195.5	8.0	73.1
Nonbank and regional financing <sup>8</sup>	-310.6	-103.0	-257.4	138.0	115.6	66.7	126.1	142.7	155.0	168.0	165.4	178.9	193.4
External financing	351.9	218.5	927.3	297.9	502.0	528.9	329.5	722.3	384.8	596.1	569.3	411.4	383.6
Project financing <sup>4</sup>	35.2	219.1	229.0	322.3	315.0	353.5	385.7	385.7	408.8	427.6	454.9	491.9	531.9
Budgetary assistance	33.3	49.9	28.2	96.1	118.9	126.0	110.2	156.2	54.6	76.4	82.7	89.4	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	0.0	456.2	0.0	214.1	213.9	0.0	0.0
Amortization due	-41.7	-50.5	-313.9	-120.5	-161.4	-180.2	-166.4	-275.8	-78.6	-121.9	-182.1	-170.0	-185.1
Deposit accumulation								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	11,852	11,935	12,922	12,970	14,095	15,271	16,542	17,888	19,342

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

<sup>1</sup> Consolidated central government includes government entities whose operations are included in the table of government financial operations (TOFE). Does not include any local governments, the Central Bank, or any other public or government-owned entity that has autonomous legal status.

<sup>2</sup> 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.

<sup>3</sup> 2020–27 includes wages of trainee “aspirant” employees previously reflected in goods and services.

<sup>4</sup> Projections from 2022 onward include financing from BOAD.

<sup>5</sup> Total revenue (excluding grants) minus current primary expenditure, capital expenditure, and net lending.

<sup>6</sup> Total revenue (excluding grants) minus current primary expenditure and capital expenditure financed by domestic resources.

<sup>7</sup> Includes financing by Beninese banks.

<sup>8</sup> Includes financing by regional commercial banks.

**Table 3. Benin: Consolidated Central Government Operations, 2019-29<sup>1</sup>**  
 (Percent of GDP)

	2019	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
					Third Review	Est.	Third Review	Proj.					Projections
<b>Total Revenue and Grants</b>	<b>14.1</b>	<b>14.4</b>	<b>14.1</b>	<b>14.3</b>	<b>14.9</b>	<b>15.0</b>	<b>15.2</b>	<b>15.2</b>	<b>15.7</b>	<b>16.1</b>	<b>16.5</b>	<b>16.9</b>	<b>17.3</b>
Total revenue	12.9	12.7	13.2	13.8	14.0	14.3	14.5	14.6	15.1	15.4	15.9	16.3	16.7
Tax revenue <sup>2</sup>	10.6	10.5	11.0	12.2	12.7	12.9	13.2	13.2	13.7	14.0	14.4	14.8	15.1
Tax on international trade	4.2	3.7	4.1	4.0	4.5	4.3	4.6	4.5	4.7	4.8	5.0	5.1	5.3
Direct and indirect taxes	6.3	6.8	7.0	8.2	8.2	8.6	8.6	8.7	9.0	9.2	9.5	9.7	9.9
Nontax revenue <sup>2</sup>	2.3	2.2	2.2	1.6	1.3	1.4	1.3	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	0.8	0.7	0.5	0.5	0.5	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
<b>Total Expenditure and Net Lending</b>	<b>14.6</b>	<b>19.1</b>	<b>19.9</b>	<b>19.8</b>	<b>19.3</b>	<b>19.2</b>	<b>18.9</b>	<b>18.9</b>	<b>18.6</b>	<b>19.0</b>	<b>19.4</b>	<b>19.8</b>	<b>20.2</b>
Current expenditure	10.7	12.2	11.7	11.0	11.3	10.7	11.3	11.2	11.4	11.5	11.6	11.8	11.8
Current primary expenditure	9.1	10.2	9.4	9.4	9.6	9.1	9.7	9.5	9.7	9.8	9.8	10.1	10.1
Wage bill <sup>3</sup>	4.4	4.6	4.2	4.2	4.7	4.5	4.8	4.7	4.8	4.7	4.7	4.7	4.7
Pensions and scholarships	1.1	1.0	0.9	0.9	0.9	0.8	1.0	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	2.8	2.9	3.0	3.0	3.0
Expenditure on goods and services	1.5	2.0	1.7	1.4	1.3	1.0	1.3	1.2	1.3	1.2	1.2	1.4	1.4
Interest	1.6	2.0	2.2	1.6	1.7	1.6	1.6	1.8	1.7	1.7	1.7	1.7	1.7
Domestic debt	1.3	1.2	1.6	0.8	0.8	0.7	0.7	0.8	0.5	0.5	0.5	0.5	0.5
External debt	0.3	0.8	0.7	0.9	0.8	0.9	0.9	1.0	1.2	1.2	1.2	1.2	1.2
Capital expenditure	3.9	6.9	8.2	8.8	8.0	8.5	7.6	7.7	7.2	7.4	7.8	8.0	8.4
Financed by domestic resources	2.7	4.0	5.3	5.3	4.6	4.8	4.1	4.2	3.8	4.1	4.6	4.8	5.2
Financed by external resources <sup>4</sup>	1.2	3.0	2.9	3.5	3.4	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
<b>Overall Balance (Commitment Basis, Incl. Grants)</b>	<b>-0.5</b>	<b>-4.7</b>	<b>-5.7</b>	<b>-5.5</b>	<b>-4.5</b>	<b>-4.1</b>	<b>-3.7</b>	<b>-3.7</b>	<b>-2.9</b>	<b>-2.9</b>	<b>-2.9</b>	<b>-2.9</b>	<b>-2.9</b>
Primary balance <sup>5</sup>	-0.1	-4.5	-4.4	-4.4	-3.6	-3.3	-2.8	-2.6	-1.8	-1.8	-1.7	-1.8	-1.8
Basic primary balance <sup>6</sup>	1.1	-1.5	-1.5	-0.9	-0.2	0.3	0.7	0.9	1.6	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
<b>Overall Balance (Cash Basis, Incl. Grants)</b>	<b>-0.6</b>	<b>-4.2</b>	<b>-5.6</b>	<b>-4.7</b>	<b>-5.1</b>	<b>-4.9</b>	<b>-3.7</b>	<b>-3.7</b>	<b>-2.9</b>	<b>-2.9</b>	<b>-2.9</b>	<b>-2.9</b>	<b>-2.9</b>
<b>Financing</b>	<b>0.6</b>	<b>4.2</b>	<b>5.6</b>	<b>4.7</b>	<b>5.1</b>	<b>4.9</b>	<b>3.7</b>	<b>3.7</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>
Domestic financing	-3.6	1.7	-3.9	2.0	0.9	0.4	1.1	-1.9	0.2	-1.0	-0.5	0.6	0.9
Bank financing	0.1	2.9	-1.3	0.7	-0.1	-0.1	0.2	-3.0	-0.9	-2.1	-1.5	-0.4	-0.1
Net use of IMF resources	0.2	1.9	1.0	1.6	1.0	1.0	0.4	0.4	0.4	-0.2	-0.4	-0.4	-0.5
Disbursements	0.3	1.9	1.0	1.7	1.0	1.0	0.8	0.8	0.8	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	0.4	0.5	0.0	0.0	0.0	0.0
Repayments	-0.1	0.0	0.0	0.0	-0.1	-0.1	-0.3	-0.3	-0.4	-0.2	-0.4	-0.4	-0.5
Other <sup>7</sup>	-0.1	1.0	-2.2	-0.9	-1.0	-1.1	-0.2	-3.4	-1.3	-1.9	-1.2	0.0	0.4
Nonbank and regional financing <sup>8</sup>	-3.7	-1.1	-2.6	1.3	1.0	0.6	1.0	1.1	1.1	1.1	1.0	1.0	1.0
External financing	4.2	2.4	9.5	2.7	4.2	4.4	2.6	5.6	2.7	3.9	3.4	2.3	2.0
Project financing <sup>4</sup>	0.4	2.4	2.3	3.0	2.7	3.0	3.0	2.9	2.8	2.8	2.8	2.8	2.8
Budgetary assistance	0.4	0.6	0.3	0.9	1.0	1.1	0.9	1.2	0.4	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	0.0	3.5	0.0	1.4	1.3	0.0	0.0
Amortization due	-0.5	-0.6	-3.2	-1.1	-1.4	-1.5	-1.3	-2.1	-0.6	-0.8	-1.1	-1.0	-1.0
Deposit accumulation	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
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	11,852	11,935	12,922	12,970	14,095	15,271	16,542	17,888	19,342
<b>Memo Items</b>													
Interest-to-tax revenue ratio (percent)	15	19	20	14	13	12	12	14	12	12	12	11	11
Wage bill to tax ratio (percent)	41	44	38	35	37	35	36	36	35	34	32	32	31

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

<sup>1</sup> Consolidated central government includes government entities whose operations are included in the table of government financial operations (TOFE). Does not include any local governments, the Central Bank, or any other public or government-owned entity that has autonomous legal status.

<sup>2</sup> 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).

<sup>3</sup> 2020-27 includes wages of trainee "aspirant" employees previously reflected in goods and services.

<sup>4</sup> Projections from 2022 include financing from BOAD.

<sup>5</sup> Total revenue (excluding grants) minus current primary expenditure, capital expenditure, and net lending.

<sup>6</sup> Total revenue (excluding grants) minus current primary expenditure and capital expenditure financed by domestic resources.

<sup>7</sup> Includes financing by Beninese banks.

<sup>8</sup> Includes financing by regional commercial banks.

**Table 4. Benin: Balance of Payments, 2019-29<sup>1</sup>**  
(Billions of CFA Francs)

	2019	2020	2021	2022		2023		2024		2025	2026	2027	2028	2029
				Third Rev.	Est.	Third Rev.	Proj.	Third Rev.	Proj.					Projections
<b>Current account balance</b>	<b>-337.3</b>	<b>-157.3</b>	<b>-407.4</b>	<b>-668.7</b>	<b>-663.0</b>	<b>-684.9</b>	<b>-704.2</b>	<b>-697.9</b>	<b>-778.2</b>	<b>-840.8</b>	<b>-704.1</b>	<b>-748.6</b>	<b>-786.2</b>	<b>-857.9</b>
Current Account Balance (Excl. Budget Support Grants)	-368.1	-264.6	-444.8	-668.7	-663.0	-694.9	-714.1	-720.9	-798.9	-860.8	-725.7	-772.1	-811.6	-885.3
Trade balance <sup>1</sup>	-260.4	-89.7	-195.4	-441.2	-396.9	-446.3	-442.1	-454.4	-530.1	-577.9	-423.9	-462.8	-419.6	-407.9
Exports, f.o.b. <sup>1</sup>	1,790.9	1,720.5	2,019.9	2,226.0	2,316.4	2,218.9	2,390.9	2,422.8	2,785.9	3,068.7	3,379.3	3,704.4	4,064.5	4,449.9
Of which: re-exports	841.3	739.1	925.1	918.0	917.0	1,059.0	1,050.1	1,200.8	1,221.2	1,347.1	1,469.8	1,600.4	1,715.9	1,844.0
Of which: cotton	325.5	319.3	404.7	421.6	421.6	298.7	349.7	307.9	406.2	426.5	467.6	509.4	590.5	632.1
Imports, f.o.b. <sup>1</sup>	-2,051.4	-1,810.2	-2,215.4	-2,667.2	-2,713.3	-2,665.2	-2,833.0	-2,877.3	-3,315.9	-3,646.6	-3,803.2	-4,167.2	-4,484.2	-4,857.9
Of which: fuel	-223.6	-199.4	-198.2	-382.9	-382.9	-299.6	-302.7	-283.9	-342.3	-311.0	-287.1	-269.4	-255.9	-245.2
Services (net)	-162.4	-160.5	-232.6	-247.0	-253.0	-269.8	-294.2	-294.1	-305.7	-329.0	-357.5	-385.8	-498.1	-592.6
Income (net)	-41.5	-69.7	-105.0	-107.6	-112.2	-74.9	-85.5	-85.6	-97.1	-109.3	-122.2	-127.0	-124.2	-134.2
Current transfers (net)	127.1	162.6	125.5	127.2	99.0	106.0	117.5	136.2	154.6	175.4	199.5	227.0	255.7	276.9
Private transfers	77.6	55.0	76.9	127.2	100.4	96.0	107.7	113.2	133.8	155.4	177.9	203.5	230.3	249.5
Public transfers	49.4	107.6	48.7	0.0	-1.4	10.0	9.8	23.0	20.8	20.0	21.7	23.5	25.4	27.4
<b>Capital Account Balance</b>	<b>116.3</b>	<b>100.5</b>	<b>143.8</b>	<b>121.5</b>	<b>115.3</b>	<b>135.9</b>	<b>129.4</b>	<b>115.9</b>	<b>116.1</b>	<b>124.7</b>	<b>134.5</b>	<b>129.2</b>	<b>139.7</b>	<b>151.1</b>
<b>Financial Account Balance (+=Inflow)</b>	<b>262.6</b>	<b>361.8</b>	<b>858.2</b>	<b>556.8</b>	<b>557.2</b>	<b>706.7</b>	<b>139.6</b>	<b>546.8</b>	<b>1,069.1</b>	<b>890.0</b>	<b>900.3</b>	<b>919.9</b>	<b>799.9</b>	<b>814.1</b>
Direct investment	112.0	87.6	168.1	205.2	205.2	197.2	190.0	209.1	210.0	223.7	259.9	301.9	335.2	372.0
Portfolio investment <sup>2</sup>	125.0	76.4	503.8	147.7	131.3	0.0	-47.0	0.0	306.2	0.0	214.1	213.9	0.0	0.0
Medium- and long-term public capital	168.4	324.3	182.5	297.9	297.9	502.0	528.9	329.5	266.1	384.8	382.0	355.5	411.4	383.6
Project loans	35.2	219.1	229.0	322.3	322.3	315.0	353.5	385.7	385.7	408.8	427.6	454.9	491.9	531.9
Budgetary assistance loans	33.3	49.9	28.2	96.1	96.1	118.9	126.0	110.2	156.2	54.6	76.4	82.7	89.4	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	-161.4	-180.2	-166.4	-275.8	-78.6	-121.9	-182.1	-170.0	-185.1
Other Medium- and long-term private capital	-142.7	-126.5	3.9	-94.0	-77.2	7.5	-532.4	8.2	286.8	281.5	44.3	48.6	53.4	58.5
Errors and omissions	3.9	2.0	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Overall Balance</b>	<b>45.6</b>	<b>306.9</b>	<b>597.5</b>	<b>9.7</b>	<b>9.4</b>	<b>157.6</b>	<b>-435.2</b>	<b>-35.2</b>	<b>407.0</b>	<b>173.8</b>	<b>330.8</b>	<b>300.5</b>	<b>153.5</b>	<b>107.3</b>
<b>Financing</b>	<b>-45.6</b>	<b>-306.9</b>	<b>-597.5</b>	<b>-9.7</b>	<b>-9.4</b>	<b>-280.7</b>	<b>435.2</b>	<b>-15.0</b>	<b>-457.5</b>	<b>-216.7</b>	<b>-330.8</b>	<b>-300.5</b>	<b>-153.5</b>	<b>-107.3</b>
Change in gross foreign assets, BCEAO excl. RSF ("+" = Increase)	-31.0	-138.8	-495.5	166.5	166.8	-289.2	549.7	-59.2	-502.0	-273.3	-368.2	-360.0	-233.0	-196.5
Use of IMF resources, net	-14.5	-168.1	-94.2	-176.2	-176.2	8.6	-114.4	44.3	44.5	56.6	37.4	59.5	79.5	89.2
Debt relief <sup>3</sup>	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
<b>Financing Gap</b>						<b>123.0</b>	<b>0.0</b>	<b>50.2</b>	<b>50.4</b>	<b>42.8</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
IMF EFF/ECF						123.0	0.0	50.2	50.4	42.8				
<b>Residual Gap</b>						<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
IMF RSF						0	0.0	47.8	48.0	72.5	0.0	0.0	0.0	0.0
Change in gross foreign assets, BCEAO incl. RSF ("+" = Increase)						-289.2	549.7	-107.0	-550.0	-345.8	-368.2	-360.0	-233.0	-196.5
(Percent of GDP)														
<b>Current Account Balance</b>	<b>-4.0</b>	<b>-1.7</b>	<b>-4.2</b>	<b>-6.2</b>	<b>-6.1</b>	<b>-5.8</b>	<b>-5.9</b>	<b>-5.4</b>	<b>-6.0</b>	<b>-6.0</b>	<b>-4.6</b>	<b>-4.5</b>	<b>-4.4</b>	<b>-4.4</b>
Trade balance of goods <sup>1</sup>	-3.1	-1.0	-2.0	-4.1	-3.7	-3.8	-3.7	-3.5	-4.1	-4.1	-2.8	-2.8	-2.3	-2.1
Exports, f.o.b. <sup>1</sup>	21.2	19.1	20.6	20.5	21.3	18.7	20.0	18.7	21.5	21.8	22.1	22.4	22.7	23.0
Imports, f.o.b. <sup>1</sup>	-24.3	-20.7	-22.6	-24.6	-25.0	-22.5	-23.7	-22.3	-25.6	-25.9	-24.9	-25.2	-25.1	-25.1
Services	-1.9	-1.8	-2.4	-2.3	-2.3	-2.3	-2.5	-2.3	-2.4	-2.3	-2.3	-2.3	-2.8	-3.1
Income	-0.5	-0.8	-1.1	-1.0	-1.0	-0.6	-0.7	-0.7	-0.7	-0.8	-0.8	-0.8	-0.7	-0.7
Current transfers	1.5	1.8	1.3	1.2	0.9	0.9	1.0	1.1	1.2	1.2	1.3	1.4	1.4	1.4
Capital account	1.4	1.1	1.5	1.1	1.1	1.1	1.1	0.9	0.9	0.9	0.9	0.8	0.8	0.8
Financial account	3.1	4.0	8.7	5.1	5.1	6.0	1.2	4.2	8.2	6.3	5.9	5.6	4.5	4.2
<b>Overall Balance</b>	<b>0.5</b>	<b>3.4</b>	<b>6.1</b>	<b>0.1</b>	<b>0.1</b>	<b>1.3</b>	<b>-3.6</b>	<b>-0.3</b>	<b>3.1</b>	<b>1.2</b>	<b>2.2</b>	<b>1.8</b>	<b>0.9</b>	<b>0.6</b>
<i>Memorandum items:</i>														
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	91.8	98.1	89.8	86.5	86.5	86.5	86.5
International price of oil (U.S. dollars a barrel)	61.4	41.8	69.2	96.4	96.4	80.5	80.6	79.9	78.6	73.7	70.6	68.7	67.8	67.5
Nominal GDP (CFAF billion)	8,432	9,009	9,810	10,855	10,855	11,852	11,935	12,922	12,970	14,095	15,271	16,542	17,888	19,342

Sources: Beninese authorities; IMF staff estimates and projections.

<sup>1</sup>Includes re-exports and imports for re-export.<sup>2</sup>2025 portfolio flows relate to projected Eurobond issuance.<sup>3</sup>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	
					Third Rev.	Est.	Projections						
	(CFAF billion)												
<b>Net foreign assets</b>	<b>1233.1</b>	<b>1549.3</b>	<b>2131.3</b>	<b>2152.8</b>	<b>2442.0</b>	<b>1734.1</b>	<b>2284.1</b>	<b>2629.9</b>	<b>2998.0</b>	<b>3358.0</b>	<b>3591.0</b>	<b>3787.6</b>	
Central Bank of West African States (BCEAO)	314.4	269.8	138.2	-165.6	0.6	-559.3	-107.8	122.7	490.8	850.8	1083.8	1280.4	
Banks	918.7	1279.5	1993.1	2318.4	2441.5	2293.4	2391.9	2507.2	2507.2	2507.2	2507.2	2507.2	
<b>Net domestic assets</b>	<b>1108.9</b>	<b>1198.6</b>	<b>1075.3</b>	<b>1471.5</b>	<b>1515.4</b>	<b>1875.9</b>	<b>1638.8</b>	<b>1633.5</b>	<b>1620.9</b>	<b>1645.3</b>	<b>1819.5</b>	<b>2062.7</b>	
Domestic credit	1449.9	1720.9	1712.8	2126.2	2293.3	2534.3	2867.2	3171.8	3629.0	4123.3	4646.3	5210.4	
Net claims on central government	-200.6	58.8	-64.6	9.9	9.9	-17.5	-17.5	-17.5	-17.5	-17.5	-17.5	-17.5	
Credit to the nongovernment sector <sup>1</sup>	1650.5	1662.1	1777.4	2116.3	2283.4	2551.7	2884.7	3189.3	3646.4	4140.8	4663.7	5227.9	
Of which: Credit to the private sector	1485.0	1399.7	1528.9	1856.1	2023.2	2220.9	2553.8	2858.4	3315.6	3809.9	4332.9	4897.0	
Other items <sup>2</sup>	341.0	522.3	637.5	654.8	777.9	658.4	1228.4	1538.4	2008.1	2478.0	2826.7	3147.7	
<b>Broad money (M2)</b>	<b>2342.0</b>	<b>2747.9</b>	<b>3206.5</b>	<b>3624.3</b>	<b>3957.5</b>	<b>3610.0</b>	<b>3922.9</b>	<b>4263.3</b>	<b>4618.9</b>	<b>5003.4</b>	<b>5410.6</b>	<b>5850.3</b>	
Currency	569.4	713.7	764.5	868.5	948.3	817.5	888.4	965.4	1046.0	1133.0	1225.2	1324.8	
Bank deposits	878.4	1040.5	1393.8	1655.9	1808.1	1762.1	1914.9	2081.1	2254.6	2442.3	2641.1	2855.7	
Other deposits	894.2	993.8	1048.2	1099.9	1201.0	1030.3	1119.7	1216.8	1318.3	1428.0	1544.3	1669.8	
(Change, in percent of beginning-of-period broad money)													
<b>Net foreign assets</b>	<b>2.2</b>	<b>13.5</b>	<b>21.2</b>	<b>0.7</b>	<b>8.0</b>	<b>-11.6</b>	<b>15.2</b>	<b>8.8</b>	<b>8.6</b>	<b>7.8</b>	<b>4.7</b>	<b>3.6</b>	
Central Bank of West African States (BCEAO)	-5.0	-1.9	-4.8	-9.5	4.6	-10.9	12.5	5.9	8.6	7.8	4.7	3.6	
Banks	7.1	15.4	26.0	10.1	3.4	-0.7	2.7	2.9	0.0	0.0	0.0	0.0	
<b>Net domestic assets</b>	<b>3.9</b>	<b>3.8</b>	<b>-4.5</b>	<b>12.4</b>	<b>1.2</b>	<b>11.2</b>	<b>-6.6</b>	<b>-0.1</b>	<b>-0.3</b>	<b>0.5</b>	<b>3.5</b>	<b>4.5</b>	
Domestic credit	-4.6	11.6	-0.3	12.9	4.6	11.3	9.2	7.8	10.7	10.7	10.5	10.4	
Net claims on central government	-14.4	11.1	-4.5	2.3	0.0	-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	4.6	12.0	9.2	7.8	10.7	10.7	10.5	10.4	
Other items	-8.4	7.7	4.2	0.5	3.4	0.1	15.8	7.9	11.0	10.2	7.0	5.9	
<b>Broad money (M2)</b>	<b>6.0</b>	<b>17.3</b>	<b>16.7</b>	<b>13.0</b>	<b>9.2</b>	<b>-0.4</b>	<b>8.7</b>	<b>8.7</b>	<b>8.3</b>	<b>8.3</b>	<b>8.1</b>	<b>8.1</b>	
Currency	2.2	6.2	1.9	3.2	2.2	-1.4	2.0	2.0	1.9	1.9	1.8	1.8	
Bank deposits	2.8	6.9	12.9	8.2	4.2	2.9	4.2	4.2	4.1	4.1	4.0	4.0	
Other deposits	1.0	4.3	2.0	1.6	2.8	-1.9	2.5	2.5	2.4	2.4	2.3	2.3	
<b>Memorandum items:</b>													
Velocity of broad money	3.7	3.5	3.3	3.2	3.1	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	33.4	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	9.0	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	11,852	11,935	12,970	14,095	15,271	16,542	17,888	19,342	
Nominal GDP growth (annual percentage change)	6.5	6.8	8.9	10.7	9.2	10.0	8.7	8.7	8.3	8.3	8.1	8.1	

Sources: BCEAO; IMF staff estimates and projections.

<sup>1</sup> Including credit to the private sector and to other non-financial public sector.<sup>2</sup> 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 Projection
(CFAF billion, unless otherwise indicated)					
<b>1. Gross financing requirements</b>	<b>975</b>	<b>582</b>	<b>1,532</b>	<b>1,156</b>	<b>4,245</b>
Current account balance (excl. grants)	663	714	799	861	3,037
Debt Amortization (excl. regional market securities/IMF)	121	180	276	79	655
IMF Repurchases/repayments	5	8	45	57	115
Change in NFA (excl. IMF) ("+" = increase)	186	-321	413	160	438
Errors and Omissions	0	0	0	0	0
<b>2. Available financing</b>	<b>680</b>	<b>323</b>	<b>1,305</b>	<b>1,039</b>	<b>3,347</b>
Foreign direct investment (net)	205	190	210	224	829
Other net flows <sup>1</sup>	115	-304	642	335	788
<i>of which: Eurobond</i>	0	0	456	0	456
Project (official external)	360	437	452	480	1,730
<i>Grants</i>	55	84	67	71	276
<i>Loans</i>	306	353	386	409	1,453
<b>3. Financing Gap (1-2)</b>	<b>295</b>	<b>259</b>	<b>227</b>	<b>117</b>	<b>898</b>
Budget support (Multilateral)	96	136	177	75	484
<i>Grants</i>	0	10	21	20	51
<i>Loans</i>	96	126	156	55	433
Vaccination Support (WB)	17	0	0	0	17
Exceptional Financing	182	123	50	43	398
IMF	182	123	50	43	398
IMF share of financing gap (% total gap)	62	47	22	36	
<b>Residual Gap</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>4. IMF RSF Disbursement</b>	0	0	48	73	121

Source: Beninese authorities; IMF staff estimates and projections

<sup>1</sup> Includes portfolio investment, SDG financing, private investment, and capital account (excl grants).

Table 7. Benin: Quantitative Performance Criteria and Indicative Targets, 2023-25<sup>1</sup>

(Billions of CFA Francs)

	March 31, 2023			June 30, 2023			September 30, 2023			December 31, 2023			March 31, 2024			June 30, 2024			September 30, 2024			December 31, 2024			March 31, 2025					
	Indicative target (IT)			Performance Criteria (PC)			IT			PC			IT			PC			IT			PC			IT			PC		
	Prog.	Actual	Status	Prog.	Adj.	Actual	Status	Prog.	Prel.	Status	Prog.	Adj.	Prel.	Status	Prog.	Prel.	Status	Prog.	Revised	Prog.	Revised	Prog.	Revised	Prog.	Revised	Prog.	Revised	Prog.	Revised	
<b>A. Quantitative performance criteria<sup>2</sup></b>																														
Basic primary balance (floor) <sup>3</sup>	3.8	115.7	Met	-1.6		52.1	Met	-97.6	-19.0	Met	-13.1	-38.1	41.0	Met	15.7	140.5	Met	22.2	90.9	...	114	...	43.2		82.7					
Net domestic financing (ceiling) <sup>4</sup>	130	118.3	Met	205	204	-18	Met	372	154.6	Met	348		52.0	Met	204	-300.3	Met	258.2	-173.3	...	-248.5	...	6		9.9					
<b>B. Continuous quantitative performance criteria (ceilings)</b>																														
Accumulation of external payments arrears	0.0	0.0	Met	0.0		0.0	Met	0.0	0.0	Met	0.0		0.0	Met	0.0	0.0	Met	0.0	0.0	...	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	Met	0.0		0.0	Met	0.0	0.0	Met	0.0	0.0	...	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 <sup>5</sup>	620	103	Met	620		555	Met	620	536	Met	620	635	621	Met	620	552	Met	620	620	1,055	620	1,055	620		620		620		620	
<b>C. Indicative Targets<sup>2</sup></b>																														
Tax revenue (floor)	321.5	361.0	Met	694.5		745.2	Met	1,071.9	1,118.7	Met	1,480.0		1,537.9	Met	392.1	402.9	Met	816.6	1,220.5	...	1,711.4	...	443.1		923.0					
Priority social expenditure (floor) <sup>5</sup>	16.4	22.1	Met	50.9		55.7	Met	105.9	108.0	Met	170.1		175	Met	24.1	25.6	Met	55.5	114.4	...	185.1	...	25.5		58.8					

Sources: Beninese authorities, IMF staff estimates and projections,

<sup>1</sup>/ The items in this Table are defined in the Technical Memorandum of Understanding (TMU).<sup>2</sup>/ The performance criteria and indicative targets are cumulative from the beginning of the calendar year.<sup>3</sup>/ Total Revenue (excluding grants) minus current primary expenditure and capital expenditure financed by domestic resources.<sup>4</sup>/ Includes on-lending from the BCEAO related to the IMF disbursement. If the amount of disbursed external budgetary assistance debt service obligations fall 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 excess disbursement.<sup>5</sup>/ 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.<sup>6</sup>/ The revised ceiling on the present value of new external debt contracted or guaranteed by the government will become effective on July 1, 2024.

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

	2016 Dec.	2017 Dec.	2018 <sup>1</sup> Dec.	2019 June	2019 Dec.	2020 June	2020 Dec.	2021 June	2021 Dec.	2022 June	2022 Dec.	2023 June
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	15.6
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	14.6
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
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
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
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	66.1
Credit by sector <sup>2</sup>												
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
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
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
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
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
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
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
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
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
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
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
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
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	10.9
Earnings and profitability												
Average cost of borrowed funds	3.2	3.0	3.2	...	2.4	...	1.4	...	2.2	...	2.2	...
Average interest rate on loans	7.8	7.4	7.5	...	6.4	...	6.8	...	5.4	...	6.1	...
Average interest margin <sup>3</sup>	4.6	4.3	4.3	...	4.0	...	5.4	...	3.2	...	3.9	...
After-tax return on average assets (ROA)	0.0	0.0	0.1	...	0.5	...	0.6	...	1.0	...	1.1	...
After-tax return on average equity (ROE)	0.5	0.4	1.9	...	7.0	...	7.6	...	13.9	...	14.0	...
Noninterest expenses/net banking income	73.2	76.9	74.8	...	78.5	...	67.0	...	64.3	...	59.6	...
Salaries and wages/net banking income	32.3	33.9	32.4	...	32.9	...	27.6	...	27.1	...	24.1	...
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
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
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
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
Demand deposits to total liabilities <sup>4</sup>	24.4	26.3	29.4	31.3	28.5	27.0	30.0	29.5	31.8	29.6	32.5	31.7
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

Source: BCEAO.

Note: ... = not available.

<sup>1</sup> The first year of data reporting in accordance with Basel II/III and Revised Chart of Accounts (Interim Data).<sup>2</sup> Credits reported to the Central Risk Office<sup>3</sup> Excluding taxes on banking operations.<sup>4</sup> Including savings accounts.

**Table 9. Benin: Indicators of Capacity to Repay the IMF, 2024-46**  
(CFAF Billions)

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	
	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.													
<b>Fund Obligations Based on Existing and Prospective Credit (millions of SDRs)</b>																								
Principal	56.7	68.0	45.7	72.6	96.6	108.0	100.9	86.1	86.1	43.0	18.7	15.5	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	13.9	6.4	-	
GRA	-	-	-	26.9	42.7	49.4	53.8	53.8	53.8	26.9	11.1	4.4	-	-	-	-	-	-	-	-	-	-	-	
PRGT	56.7	68.0	45.7	45.7	53.9	58.6	47.1	32.3	32.3	16.1	6.6	2.6	-	-	-	-	-	-	-	-	-	-	-	
RSF	-	-	-	-	-	-	-	-	-	1.0	8.4	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	14.9	13.9	6.4	-	
Charges and interest	20.2	24.6	27.1	26.5	24.8	21.3	18.4	15.7	12.9	10.6	9.4	8.7	8.1	7.3	6.6	5.9	5.2	4.5	3.7	3.0	2.3	1.7	1.5	
<b>Total Obligations Based on Existing and Prospective Credit</b>																								
Millions of SDRs	76.8	92.6	72.8	99.1	121.4	129.4	119.3	101.7	99.0	53.6	28.1	24.2	22.9	22.2	21.5	20.8	20.0	19.3	18.6	17.9	16.2	8.1	1.5	
Millions of U.S. dollars	102.1	123.3	97.2	132.6	162.9	173.8	160.2	136.6	133.0	72.1	37.7	32.5	30.8	29.8	28.9	27.9	26.9	25.0	24.0	21.7	10.9	2.0	-	
Percent of exports of goods and services	1.9	2.1	1.5	1.9	2.2	2.1	1.8	1.4	1.3	0.6	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.0	-
Percent of government revenue	3.3	3.5	2.5	3.1	3.4	3.3	2.8	2.1	1.9	0.9	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.0
Percent of GDP	0.5	0.5	0.4	0.5	0.6	0.6	0.5	0.4	0.3	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Percent of quota (principal)	45.8	54.9	36.9	58.7	78.1	87.3	81.5	69.5	69.5	34.8	15.1	12.5	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	11.2	5.2	-	
GRA (percent of quota)	-	-	-	21.7	34.5	39.9	43.4	43.4	43.4	21.7	8.9	3.5	-	-	-	-	-	-	-	-	-	-	-	-
PRGT (percent of quota)	45.8	54.9	36.9	36.9	43.6	47.4	38.0	26.1	26.1	13.0	5.4	2.1	-	-	-	-	-	-	-	-	-	-	-	-
RSF (percent of quota)	-	-	-	-	-	-	-	-	-	-	0.8	6.8	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	12.0	11.2	5.2	-
<b>Outstanding Fund Credit Based on Existing and Prospective Credit</b>																								
Millions of SDRs	738.5	812.3	766.6	694.0	597.3	489.3	388.4	302.4	216.3	173.3	154.6	139.2	124.3	109.4	94.6	79.7	64.9	50.0	35.2	20.3	6.4	-	-	
GRA	287.6	322.7	322.7	295.8	253.1	203.7	149.9	96.1	42.3	15.4	4.4	-	-	-	-	-	-	-	-	-	-	-	-	-
PRGT	391.5	341.1	295.3	249.6	195.7	137.0	89.9	57.7	25.4	9.3	2.6	-	-	-	-	-	-	-	-	-	-	-	-	-
RSF	59.4	148.6	148.6	148.6	148.6	148.6	148.6	148.6	148.6	148.6	147.6	147.6	139.2	124.3	109.4	94.6	79.7	64.9	50.0	35.2	20.3	6.4	-	-
Millions of U.S. dollars	981.4	1,081.6	1,023.6	928.4	801.5	657.3	521.8	406.2	290.6	232.8	207.7	186.9	167.0	147.0	127.1	107.1	87.2	67.2	47.2	27.3	8.6	-	-	-
Percent of exports of goods and services	18.7	18.8	16.2	13.4	10.6	8.0	5.8	4.2	2.8	2.0	1.7	1.4	1.2	1.0	0.8	0.6	0.5	0.3	0.2	0.1	0.0	-	-	-
Percent of government revenue	31.6	31.1	26.6	21.6	16.9	12.5	9.0	6.3	4.1	3.0	2.4	2.0	1.7	1.3	1.1	0.8	0.6	0.4	0.3	0.2	0.0	-	-	-
Percent of GDP	4.6	4.7	4.1	3.4	2.7	2.1	1.5	1.1	0.7	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.0	0.0	-	-	-	-
Percent of quota	596.5	656.2	619.2	560.5	482.5	395.2	313.7	244.2	174.7	140.0	124.9	112.4	100.4	88.4	76.4	64.4	52.4	40.4	28.4	16.4	5.2	-	-	-
GRA	232.3	260.7	260.7	238.9	204.4	164.5	121.1	77.6	34.2	12.5	3.5	-	-	-	-	-	-	-	-	-	-	-	-	-
PRGT	316.2	275.5	238.5	201.6	158.1	110.7	72.7	46.6	20.5	7.5	2.1	-	-	-	-	-	-	-	-	-	-	-	-	-
RSF	48.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0	119.2	112.4	100.4	88.4	76.4	64.4	52.4	40.4	28.4	16.4	5.2	-	-	-	-
<b>Net Use of Fund Credit (millions of SDRs)</b>	45.0	49.2	(72.8)	(99.1)	(121.4)	(129.4)	(119.3)	(101.7)	(99.0)	(53.6)	(28.1)	(24.2)	(22.9)	(22.2)	(21.5)	(20.8)	(20.0)	(19.3)	(18.6)	(17.9)	(16.2)	(8.1)	(1.5)	
Disbursements and purchases	121.8	141.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayments and repurchases	76.8	92.6	72.8	99.1	121.4	129.4	119.3	101.7	99.0	53.6	28.1	24.2	22.9	22.2	21.5	20.8	20.0	19.3	18.6	17.9	16.2	8.1	1.5	
<b>Memorandum Items:</b>																								
Exports of goods and services (millions of U.S. dollars)	5,255	5,758	6,319	6,904	7,552	8,236	8,942	9,689	10,496	11,367	12,275	13,253	14,283	15,376	16,550	17,809	19,161	20,595	22,132	23,782	25,551	27,449	29,485	
Government revenue (millions of U.S. dollars)	3,107.1	3,474.9	3,847.6	4,296.7	4,756.2	5,259.1	5,821.1	6,412.5	7,058.6	7,766.0	8,539.4	9,279.5	10,081.5	10,905.4	11,812.6	12,792.2	13,849.9	14,963.3	16,182.2	17,513.4	18,848.5	20,285.4	21,831.8	
Nominal GDP (millions of U.S. dollars)	21,322	23,066	24,962	26,999	29,162	31,464	34,012	36,756	39,712	42,895	46,322	50,013	53,898	58,024	62,452	67,205	72,305	77,716	83,520	89,744	96,421	103,583	111,267	
Average exchange rate: SDR per U.S. dollars	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	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	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 <sup>1</sup>		Conditions for disbursement/purchases	
	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**

<b>Availability Date</b>	<b>Amount</b>		<b>Total Amount</b>		<b>EFF/ECF Review</b>	<b>Conditions for Access</b>
	SDR Millions	Percent of Quota <sup>1</sup>	SDR Millions	Percent of Quota		
<b>May 1, 2024</b>	9.904	8	19.808	16	<b>4th EFF/ECF Review</b>	Reform measure 1 implementation
	9.904	8				Reform measure 7 implementation
<b>November 1, 2024</b>	9.904	8	39.616	32	<b>5th EFF/ECF Review</b>	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
<b>May 1, 2025</b>	9.904	8	49.52	40	<b>6th EFF/ECF Review</b>	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
<b>October 31, 2025</b>	9.904	8	39.616	32	<b>7th EFF/ECF Review</b>	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 Arrangement, 2023–25**

<b>Reform area</b>	<b>Structural benchmark</b>	<b>Due date</b>	<b>Status</b>
<b>Public Financial Management</b>	Publish all the criteria for the appraisal and selection of major investment projects, along with feasibility studies.	End-December 2023	Met
<b>Transparency</b>	Establish and operationalize a committee within the audit 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	Newly proposed SB
<b>AML-CFT</b>	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
<b>Anti-corruption</b>	Operationalize the HCPC ( <i>Haut Commissariat à la Prévention de la Corruption</i> ) and strengthen its legal framework to ensure its independence and powers, in consultation with IMF staff	End-June 2024	On track
<b>Public Financial Management</b>	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	On track
<b>Business climate</b>	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	Newly proposed SB

**Table 13. Benin: RSF Reform Matrix**

	<b>Focus</b>	<b>Area</b>	<b>Reform Measure</b>	<b>Due date</b>	<b>Status</b>
<b>Pillar 1. Mainstreaming the climate agenda in policy making and PFM/PIM processes</b>					
<b>RM1</b>	<b>A, M</b>	<b>PIM Decree and Appraisal Methodology</b>	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
<b>RM2</b>	<b>A, M</b>	<b>Maintenance</b>	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	On track
<b>RM3</b>	<b>A, M</b>	<b>State-Owned Enterprises</b>	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 publish accordingly, a first annual report on SOEs (in the sense of article 65 of aforementioned 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	
<b>RM4</b>	<b>A, M</b>	<b>Climate Budget Tagging</b>	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	

**Table 13. Benin: RSF Reform Matrix (Continued)**

<b>Focus</b>	<b>Key challenge</b>	<b>Reform Measure</b>	<b>Due date</b>	<b>Status</b>	
<b>Pillar 2. Enhancing adaptation to climate change and strengthening population's resilience</b>					
<b>RM5</b>	<b>A</b>	<b>Water Resources</b>	(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	
<b>RM6</b>	<b>A</b>	<b>Water Tariffs in Urban Areas</b>	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	
<b>RM7</b>	<b>A</b>	<b>Local Government</b>	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
<b>RM8</b>	<b>A</b>	<b>Social protection</b>	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	
<b>RM9</b>	<b>A, M</b>	<b>Agriculture</b>	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	
<b>RM10</b>	<b>A, M</b>	<b>Building codes</b>	Government to adopt in Council of Ministers a draft building code ( <i>projet de loi portant loi-cadre sur la construction et l'habitation</i> ) 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)**

	<b>Focus</b>	<b>Key challenge</b>	<b>Reform Measure</b>	<b>Due date</b>	<b>Status</b>
<b>Pillar 3. Supporting mitigation efforts</b>					
RM11	M	<b>Comprehensive fossil fuel subsidy reform</b>	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 submission of the 2026 budget in November 2025.	End-November 2024	on track
RM12	M	<b>Social protection in relation to fuel subsidy reform.</b>	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	
RM13	M	<b>Electricity tariff reform</b>	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	<b>Support to renewable energy</b>	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	
<b>Pillar 4. Mobilizing private sector financing for climate change</b>					
RM15	A, M	<b>Mobilizing climate finance from the private sector</b>	Enhance the climate financial information architecture by the adoption by way of decree ( <i>arrêté</i> ) 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 <i>arrêté</i> under the 2022 legal framework governing the Institute's missions.	End-May 2025	

A= Adaptation; M=Mitigation

## Annex I. External Sector Assessment

**Overall Assessment:** The external position of Benin in 2023 was broadly consistent with the level implied by fundamentals and desirable policies. The current account deficit narrowed from 6.1 percent of GDP in 2022 to an estimated 5.9 percent of GDP in 2023 driven by declines in imports, and improvements in net income balance (primary and secondary income) as investment income debit decreased while remittances and government grants and budget support improved. The current account deficit is expected to widen in 2024, driven by an increase in imports explained by the delivery of imported equipment prepaid in 2023.

**Potential Policy Responses:** The planned revenue-based fiscal consolidation, started in 2023, towards a gradual convergence to the overall fiscal deficit of 3 percent of GDP in line with the WAEMU stance would help reduce external imbalances over the medium term. Preserving financial stability and continuing to strengthen the AML/CFT framework would help sustain financial flows. Ongoing efforts to bolster the institutional foundations of private sector-led inclusive growth and orderly development of the SEZ would support economic diversification—by attracting foreign private capital investment into export-oriented manufacturing—and improve resilience to shocks.

### Foreign Assets and Liabilities: Position and Trajectory

**Background.** The Net International Investment Position (NIIP) is based on the latest available data (2022). NIIP improved to -32 percent of GDP at end-2022, from -39 percent of GDP at end-2021, driven mainly by a significant increase in net Portfolio Investment position. The latter is explained by a significant increase in assets from 20 to 27 percent of GDP. Net FDI and other investment positions stood at -17.6 and -32.7 percent of GDP, respectively, roughly the same as at end-2021.

**Assessment.** Staff assesses the NIIP to be sustainable over the medium term, under the baseline. The NIIP is expected to stabilize over the medium term, bolstered by the projected improvements in the current account. Risks to external sustainability include unanticipated spending needs, a further deterioration in terms of trade, and a slowdown in economic activity, both domestically and in trading partners countries. Nevertheless, mitigating factors to external sustainability risks include the authorities' continued commitment to reform and donors' external financing support.

Data for 2022 (% GDP)	NIIP: -31.9	Gross Assets: 47	Debt Assets: 25.3	Gross Liab.: 78.9	Debt Liab.: 62.2
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### Current Account

**Background.** The CA deficit is estimated to have narrowed to 5.9 percent of GDP in 2023 on the back of a lower import bill and improvements in net income balance (primary and secondary income) as investment income debit decreased while remittances and government grants and budget support improved.

Staff expects CA deficit to widen to about 6 percent of GDP in 2024 largely the result of delivery of prepaid imports. The prepaid imports relate to equipment needs for companies in the cotton, telecom, and fuel sectors, for which supply constraints have delayed delivery. Over the medium term, the CA is expected to average 4.5 percent of GDP. These improvements in the CA balance are expected to be driven by continued

positive impacts on the trade balance of fiscal consolidation and ongoing reforms to boost competitiveness. As fiscal consolidation is expected to end by 2025, improvements in CA balance will be largely driven by improvements in the trade balance expected to be boosted by export-oriented economic activities. However, risks remain given volatile commodity prices amid geo-political tensions which could put pressure on the external balance.

**Assessment.** The CA gap, defined as the difference between the cyclically adjusted CA and the CA norm is estimated at -0.5 percent of GDP. While the former adjusts the CA for temporary factors, including the state of the business cycle and the impact of natural disasters and conflicts, the latter represents the CA for Benin that would be expected based on country fundamentals and if policies are adjusted to their desirable stance at home and abroad. As a result, the EBA CA model suggests that the external position for Benin in 2023 was broadly consistent with the level implied by fundamentals and desirable policies (CA gap between -1 and 1 percent of GDP).

#### Benin: EBA-Lite Model Results, 2023

	CA model 1/	REER model 1/
	(in percent of GDP)	
<b>CA-Actual</b>	<b>-5.9</b>	
Cyclical contributions (from model) (-)	-0.02	
Natural disasters and conflicts (-)	-0.01	
<b>Adjusted CA</b>	<b>-5.9</b>	
<b>CA Norm</b> (from model) 2/	<b>-5.4</b>	
Adjustments to the norm (+)	0.0	
<b>Adjusted CA Norm</b>	<b>-5.4</b>	
<b>CA Gap</b>	<b>-0.5</b>	<b>6.2</b>
o/w Relative policy gap	3.2	
Elasticity	-0.2	
<b>REER Gap</b> (in percent)	<b>2.5</b>	<b>-33.9</b>

1/ Based on the EBA-lite 3.0 methodology  
2/ Cyclically adjusted, including multilateral consistency adjustments.

#### Real Exchange Rate

**Background.** The CFA franc (CFAF), the WAEMU currency union, is pegged to the euro. While the CFAF was on average stable in nominal effective terms over the period 2018-22, Benin's real effective exchange rate (REER) depreciated by 1.4 percent over the same period. However, the REER appreciated by about 5 percent in 2023, driven by the appreciation of the euro (2.6 percent against the US\$).

**Assessment.** The EBA-Lite Index Real Effective Exchange Rate (IREER) model suggests an exchange rate under-valuation of 33.9 percent and an underlying CA gap of 6.2 percent of GDP. In contrast, the EBA-lite CA model suggests REER over-valuation of 2.5 percent at end-2023, given the estimated CA gap of -0.5 percent of GDP and an elasticity of the real exchange rate to the CA deficit of -0.2. As in past external sector assessments, the REER model results are characterized by large residuals, indicating a high degree of uncertainty. As a result, the staff assesses the real effective exchange rate to be overvalued by 3.5 percent based on the CA-model results.

## Capital and Financial Accounts: Flows and Policy Measures

**Background.** Benin's capital control index remains at about 0.6, above the desired level of 0.35, indicating existence of restrictions on capital flows.<sup>1</sup> Net capital inflows are estimated to have decreased to 1.2 percent of GDP in 2023 from 5.1 percent in 2022 (and the historical high level of 8.7 percent observed in 2021 owing to large Eurobond issuance). The drop in 2023 is explained by net portfolio outflows and a decline in foreign direct investment inflows, which more than offset higher external project loans.

The financial account is projected to average 5.8 percent of GDP over 2024-29, slightly above the 5.6 percent of GDP average over 2019-22. FDI is expected to reach an average of 1.8 percent of GDP over 2024-2029 while portfolio investments would recover from their 2023 dip to an average of about 1 percent of GDP over the same period as reforms help improve investor confidence.

**Assessment.** Salient downside risks include a shift in market sentiment, which could lead to higher spreads and rollover costs thereby heightening debt risks and limiting access to international markets. However, fiscal consolidation towards a gradual convergence to the overall fiscal deficit of 3 percent of GDP would help reduce external borrowing needs over the medium term. In addition, preserving financial stability and continuing to strengthen the AML/CFT framework would help sustain financial flows. Moreover, there is upside potential in budget support over the medium term, and an orderly development of the SEZ would help attract more private capital inflows.

## FX Intervention and Reserves Level

**Background.** Benin is part of the WAEMU currency union where the reserves are pooled at the regional level. The WAEMU pooled reserves declined to about 3.2 months of prospective import by end-2023, from 4.2 months in 2022, reflecting large imports from the hydrocarbon projects in Niger and Senegal, increasing and still high food and fuel import prices, continued large fiscal deficits, and tighter global financial conditions. In subsequent years, the reserve import coverage ratio is expected to recover as the CA balance improves amid fiscal consolidation.

**Assessment.** Based on the ARA metric for credit constrained (CC) economies,<sup>2</sup> the level of reserves estimated for end-2023 (3.2 months of imports) is below the level assessed as adequate. Growth-friendly fiscal consolidation and implementation of structural reforms to diversify the region's export base would help rebuild reserves and contribute to consolidate the external position at the WAEMU level. The improving current account, coupled with enhanced prospects for financial inflows (including the recent Eurobond placements by Côte d'Ivoire and Benin) are expected to contribute to a gradual rebuilding of external reserves towards adequate levels.

<sup>1</sup> Based on the latest Financial Account Restriction Index (FARI).

<sup>2</sup> The ARA CC model based on 2022 data (the most recent data point) estimates an adequate range for the level of reserves of 4.0 to 6.0 months of prospective import coverage for the WAEMU, with the lower end calibrated on fragile states and the higher end calibrated on non-resource rich countries.

## Annex II. Risk Assessment Matrix <sup>1</sup>

Source of Risks	Relative Likelihood/ Time Horizon	Excepted Impact if Realized		Recommended Policy Response
<b>External Risks</b>				
		<b>High</b>	<b>High</b>	
Excessive commodity prices volatility	<b>Short to Medium Term</b>	A succession of supply disruptions and demand fluctuations could cause recurrent commodity price volatility, external and fiscal pressures and social and economic instability.		Rely on cost-effective targeted measures in response to the food and energy price shocks and reduce non-priority spending to preserve programmed fiscal targets; conduct a comprehensive fuel subsidies reform to limit the fiscal cost, while strengthening social safety nets to mitigate the impact on the poor.
Intensification of regional conflicts amid security challenges in Sahel	<b>High</b>	<b>High</b>		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.
Systemic financial instability compounding abrupt global economic slowdown	<b>Medium</b>	<b>Medium</b>		Improve the business environment to support economic diversification and private sector development; maintain prudent debt policy and management; and seek more concessional financing.
		<b>Medium</b>	<b>High</b>	
Extreme climate events	<b>Short to Medium Term</b>	Extreme climate events driven by rising temperatures could cause loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, and financial instability.		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.
		<b>Medium</b>	<b>High</b>	
Adverse developments in Nigeria	<b>Short to Medium Term</b>	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.
<b>Domestic Risks</b>				
		<b>Medium</b>	<b>High</b>	
Policy implementation risks due to widespread social discontent and political instability	<b>Short Term</b>	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 of shocks on the poor; enhance the delivery of basic public services; ensure transparency and accountability in public spending and improve the efficiency of public investment.
		<b>Medium</b>	<b>Medium</b>	
Intensification of financial sector vulnerabilities	<b>Short to Medium Term</b>	Reduced liquidity amid monetary policy tightening and a surge in non-performing loans 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.

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

### Annex III. Data Issues

**Table 1. Benin: Data Adequacy Assessment for Surveillance  
Data Adequacy Assessment Rating<sup>1/</sup>**

Assessment	B														
	Questionnaire Results 2/														
	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating								
	B	A	C	C	B	B	B								
Detailed Questionnaire Results															
<b>Data Quality Characteristics</b>															
Coverage	B	A	C	B	B										
Granularity 3/	C		B	C	C										
			C		B										
Consistency			C	B		B									
Frequency and Timeliness	B	A	B	C	B										
Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.															
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.															
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF Review of the Framework for Data Adequacy Assessment for Surveillance, January 2024, Appendix I).															
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.															
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 10%;">A</td> <td>The data provided to the Fund is adequate for surveillance.</td> </tr> <tr> <td>B</td> <td>The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.</td> </tr> <tr> <td>C</td> <td>The data provided to the Fund has some shortcomings that somewhat hamper surveillance.</td> </tr> <tr> <td>D</td> <td>The data provided to the Fund has serious shortcomings that significantly hamper surveillance.</td> </tr> </table>								A	The data provided to the Fund is adequate for surveillance.	B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.	C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.	D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.
A	The data provided to the Fund is adequate for surveillance.														
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.														
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.														
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.														

**1. Rationale for staff assessment.** Data provision has some shortcomings but is broadly adequate for surveillance. Due to limited resources capacity, there are shortcoming in the coverage and consistency of the government finance statistics, including the Government Financial operations (TOFE) and debt statistics—currently limited to the budgetary central government. While there is consistency between the BOP flows and IIP stocks, external data are reported in BPM6 format with a timeliness of about one year after the reference period. Timely production of the balance of payments statistics, improving data quality and granularity of monetary, financial, and external sector data could improve surveillance and sharpen the policy advice.

**2. Changes since the last Article IV consultation.** In June 2022, a new statistical law was promulgated. It sets the legal framework governing the missions of the National Statistics and

Demography Institute (INStaD) and aims to modernize the statistic system in Benin. The authorities have been increasing human, technical and financial capacity to improve compliance with the e-DGGS. INStaD is making progress towards accelerating the adherence to the SDDS including by (i) conducting a review of the SSN to identify the gaps between its current capacity and the SDDS requirements; and (ii) establishing a monitoring unit and scaling up financing to ensure regular publication of statistics and frequently updating of the data dissemination platforms.

**3. Corrective actions and capacity development priorities.** The authorities are addressing data gaps through technical assistance. Capacity development priorities with the Fund include (i) expanding the fiscal data coverage in line with GFSM 2014, (ii) supporting the development of contemporary quarterly national accounts consistent with annual national accounts, (iii) supporting the GDP rebasing and migration to the System of National Accounts (SNA) 2025, and (iv) enhancing capacity to conduct debt sustainability analyses (DSA). Benin, like other WAEMU countries, is in the process of updating and revising the CPI weights.

**4. Other data gaps.** INStaD is making progress to step up the production of statistics and improve their reliability and timeliness, notably environmental, gender and climate statistics, and labor market indicators. This will be partially supported by the ongoing RSF arrangement and the World Bank assistance under the Project of the Harmonization and Improvement of Statistics in West and Central Africa (PHASAOC).

**Table 2. Benin: Data Standards Initiatives**

Benin participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since February 2017.

**Table 3. Benin: Common Indicators Required for Surveillance**  
 (As of June 10, 2024)

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data <sup>6</sup>	Frequency of Reporting <sup>6</sup>	Expected Frequency <sup>4,7</sup>	Benin <sup>8</sup>	Expected Timeliness <sup>4,7</sup>	Benin <sup>8</sup>
Exchange Rates	Jun-24	Jun-24	D	D	D	D	...	1D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	Apr-24	May-24	M	M	M	M	1M	1M
Reserve/Base Money	Apr-24	May-24	M	M	M	M	2M	2M
Broad Money	Apr-24	May-24	M	M	M	M	1Q	2M
Central Bank Balance Sheet	Apr-24	May-24	M	M	M	M	2M	2M
Consolidated Balance Sheet of the Banking System	Apr-24	May-24	M	M	M	M	1Q	2M
Interest Rates <sup>2</sup>	Jun-24	Jun-24	M	M	M	W/M	...	1W
Consumer Price Index	May-24	Jun-24	M	M	M	M	2M	2M
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> -General Government <sup>4</sup>	NA	NA	NA	NA	A	—	3Q	—
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> -Central Government	Mar-24	Apr-24	Q	Q	Q	Q	1Q	2Q
Stocks of Central Government and Central Government-Guaranteed Debt <sup>5</sup>	Mar-24	Apr-24	Q	Q	Q	Q	2Q	6M
External Current Account Balance	Dec-22	Feb-24	A	A	Q	A	1Q	24M
Exports and Imports of Goods and Services	Sep-23	Jan-24	A	A	M	A	12W	6M
GDP/GNP	Dec-23	Mar-23	A	A	Q	A	1Q	12M
Gross External Debt	Mar-24	Apr-24	Q	Q	Q	A	2Q	7M
International Investment Position	Dec-22	Feb-24	A	A	A	A	3Q	24M

<sup>1</sup> Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

<sup>2</sup> Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>3</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup> The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>5</sup> Including currency and maturity composition.

<sup>6</sup> Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than;

<sup>7</sup> Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

<sup>8</sup> Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

## Annex IV. Capacity Development Strategy

*This annex takes stock of recent capacity development (CD) and presents a summary of the CD strategy in support of the authorities' reform priorities for 2024–26, supported by the 42-month blended EFF/ECF and the 24-month RSF.*

- 1. Benin received extensive Fund CD activities over the last two years, which informed policy formulation and implementation** (Table 1). The CD program under the ongoing EFF/ECF arrangement includes technical assistance from both IMF headquarters and the West Africa Regional Technical Assistance Center (AFRITAC-West). It focuses on enhancing revenue mobilization, improving budgeting and public expenditure efficiency and transparency, and upgrading the quality and availability of national account statistics and government finance statistics. A cross-cutting governance diagnostic was also conducted.
- 2. A strong upfront commitment to strengthen revenue mobilization and enhance governance, transparency and the AML/CFT framework—with Fund technical support—set the program on a strong footing.** The authorities consider revenue mobilization the cornerstone of their reform agenda under the National Development Plan (2018–25). They have prepared a Medium-Term Revenue Strategy (MTRS) supported by targeted CD activities to the tax and customs administrations, including to enhance the identification and quantification of fiscal risks and to strengthen the operational framework of the Treasury Single Account (TSA). They conducted a governance diagnostic to support ongoing efforts to ensure effective legal and public finance governance in line with international best practices. A climate-PIMA (C-PIMA) was completed to support the authorities' climate agenda, in complement to the Country Climate and Development Report (CCDR) by the World Bank. The authorities have evaluated their ongoing wage bill reform efforts, including with IMF technical assistance, to ensure that public compensation remains sustainable. They remain committed to adopt a comprehensive fuel subsidy reform informed by Fund TA.
- 3. Going forward, the CD strategy will continue to focus on supporting the authorities' reform priorities** (Table 2). Overall, the understanding between IMF staff and the Beninese authorities is that the CD strategy for FY25–27 will support the implementation of the MTRS. CD will support the authorities' goal to mainstream climate considerations into public financial management and public investment management. It will continue addressing AML/CFT vulnerabilities in the real estate sector and help upgrade the national account and government finance statistics.
- 4. The IMF-supported CD program is complemented by technical support by Benin's development partners in key program areas.** This includes the WB in the areas of social safety nets and human capital development. The World Food Program is supporting the authorities in expanding their flagship school feeding program. Donors also stand ready to support the reform agenda under the RSF, including the World Bank in social safety nets and national disaster risk

management, IMF on climate information architecture, African Development Bank on climate finance, and the Swiss Cooperation on agricultural insurance.

**Table 1. Benin: Completed Technical Assistance, 2022-24**

FY	Completed TA Activity	Department	Number of Missions
2022	Tax and revenue mobilization	FAD	20
	Governance diagnostic and Fiscal Safeguards Review	LEG/FAD/MCM/FIN	4
	PFM-Assets and Liability Management	FAD	3
	Wage Bill Management	FAD	1
	Cash Management and TSA	FAD	5
	Government Finance and Real Sector Statistics	STA	1
	Debt Management	MCM	1
	AML/CFT and Procurement Regulations	LEG	1
2023	Tax and revenue mobilization	FAD	17
	PFM - Fiscal risks	FAD	11
	PFM - C-PIMA	FAD	2
	Government Finance and Real Sector Statistics	STA	4
	Debt Management	MCM	3
2024	Tax and revenue mobilization	FAD	1
	Cash Management and TSA	FAD	1
	PFM-Maintenance methodologies	FAD	1
	Energy Subsidies	FAD	1
	Real Sector Statistics	STA	1
	Debt Management	MCM	3

**Table 2. Benin: Technical Assistance Priorities**

Priorities	Objectives
Revenue Mobilization	<ul style="list-style-type: none"> <li>• Improve tax policy design by supporting the ongoing rationalization of tax expenditures.</li> <li>• Support the implementation of the MTRS.</li> <li>• Strengthen the core tax and customs administrations functions through: improving taxpayer register, strengthening audit functions, leveraging digitalization to upgrade data management and improve tax projections and risk assessments.</li> </ul>
Governance, Rule of Law and Transparency	<ul style="list-style-type: none"> <li>• Address AML/CFT vulnerabilities in the real estate sector.</li> </ul>
Public Financial Management	<ul style="list-style-type: none"> <li>• Improve fiscal transparency and reporting.</li> <li>• Enhance climate-sensitive maintenance methodologies of public assets. Support identification and monitoring of the execution of climate-related expenditure.</li> <li>• Improve integration of climate considerations in the accounts and financial reports of public enterprises.</li> </ul>
Government Finance Statistics and Real Sector Statistics	<ul style="list-style-type: none"> <li>• Improve data compilation practices; and expand the fiscal data coverage to general government in line with <i>GFSM 2014</i>.</li> <li>• Develop quarterly national accounts data on the expenditure side.</li> <li>• Support the National Institute for Statistics and Demography for GDP rebasing and migration to the System of National Accounts of 2025 (SNA 2025).</li> </ul>
Debt Management	<ul style="list-style-type: none"> <li>• Develop and enhance capacity to conduct debt sustainability analyses (DSA).</li> </ul>
Climate information architecture	<ul style="list-style-type: none"> <li>• Developing a climate-related taxonomy framework and a climate change mitigation and adaptation data collection and dissemination mechanism.</li> </ul>

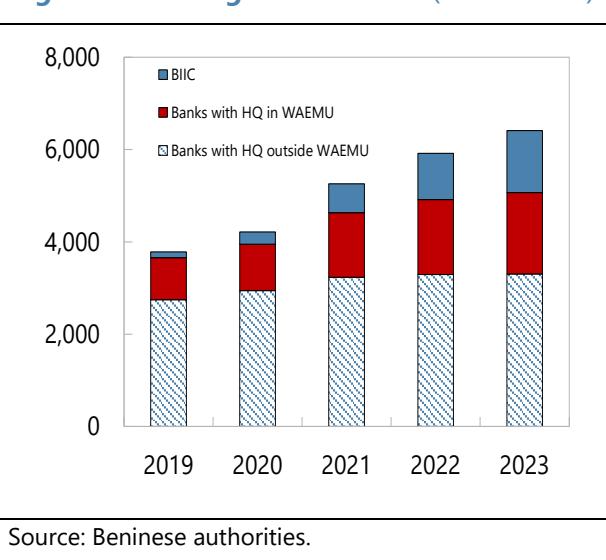
## Annex V. Recent Developments in Public Financial Institutions

The public financial sector has expanded in Benin in recent years, contributing to financing public and private projects falling under the Government Action Program (PAG). While the sector is healthy, with sound financial indicators, the government and supervisory authorities should remain vigilant vis-à-vis risks, including from asset concentration.

**1. Benin's financial sector grew rapidly in recent years.** Total financial sector assets rose from 42 percent of GDP in 2019 to 61 percent in 2023, driven in part by the emergence of two public financial institutions (Annex V Figure 1).

**2. The public bank BIIC has expanded rapidly.<sup>1</sup>** BIIC resulted from the merger of two problem banks in 2020. Its assets increased from 1.5 percent of GDP in 2019 to 11.2 percent in 2023. With its share in total banking sector assets increasing from 3.3 percent in 2019 to 21 percent in 2023, it has become the largest bank in Benin. Together with the public financial credit institution CCDB, it contributes (among other activities) to the financing of public and private projects falling under the Government Action program (PAG 2021–2026), making up for the government's decision to limit recourse to PPPs for which it does not see value for money.

**Figure 1. Banking Sector Assets (CFAF billion)**



**3. Lending among large private banks has expanded a slower pace or leveled off.** These are mainly subsidiaries of foreign banks located outside WAEMU (Annex V Figure 1). The slow increase in their assets was partly due to the administrative ceiling on deposit rates, the application, starting in 2022, of a lower risk division norm (25 percent), and some banks' decision to limit exposure to sovereign and SOEs debt.

**4. BIIC's lending expansion has been supported notably by a mix of regional and country-specific factors.** At the WAEMU level, the BCEAO introduced a decision exempting all banks from complying with the prudential regulation on the ceiling on loans to shareholders—which previously required that cumulative loans to shareholders shall not exceed 20 percent of actual equity capital—thus allowing BIIC to raise its exposure to public sector lending and treasury bills holdings. In addition, BIIC has been significantly relying on government and public sector deposits for its funding.

<sup>1</sup> BIIC's equity is held by the state (51.7 percent), CNSS—the national fund for social security (45.3) percent, and the Port of Cotonou (3 percent).

**5. BIIC financial indicators remain sound.** The public bank has maintained low non-performing loans (NPLs) ratios. NPLs were below 3 percent at end-December 2023, well-below the aggregate level of 5 percent. BIIC is identified as a systemically important institution by the WAEMU Banking Commission.

**6. Moreover, the BIIC has increased its use of risk sharing mechanisms to limit exposure to credit and concentration risks and is strengthening its human resources.** Given the focus on PAG projects, the share of medium- and long-term loans to total BIIC's assets increased from 10 percent in 2020 to 34 percent in 2023, which may raise BIIC exposure to liquidity and maturity mismatch risks. To mitigate this risk, the BIIC is using guarantee funds mechanisms such as FAGACE (African Guarantee Fund) and CDCB. The BIIC management is also in the process of strengthening the bank's technical capacity, information systems, and risk analysis and monitoring capabilities. Starting this year, BIIC will start publishing its annual report to increase transparency.

**7. The establishment of *Caisse des Dépôts et Consignations du Bénin (CDCB)* was established in 2020 to alleviate financial constraints faced in strategic economic projects.**

CDCB was established with the mandate to notably (i) facilitate access to financing for public and private companies, as well as for public projects, the state, and the local authorities, (ii) contribute to lowering interest rates for financing the national economy, and (iii) support the structural transformation of the national economy by carrying out the mandates entrusted to it by the state. CDCB's assets amounted to CFAF 856 billion (8 percent of GDP) at the end of 2022. CDCB's resources were initially constituted by transferring the surpluses of the national fund for social security (CNSS), the resources of the public treasury and the national fund for agricultural development, the trust accounts held by the notaries' chamber and the bailiffs, as well as the guarantees and cautions made by customers to telecom and utilities companies. There is also a FCFA 90 billion contribution from a Special Fund to CDCB resources.

**8. CDCB has played a key role in financing PAG projects (Annex V, Table 1).** Main CDCB operations during 2020–2021 include (i) acquiring equity stakes in Port of Cotonou (PAC) for CFAF 67.7 billion, (ii) financing the public company for digital infrastructure (SBIN) through acquisition of equity stakes (CFAF 10 billion) and lending (CFAF 15 billion), (iii) acquiring stakes in the private textile company BTEX (CFAF 31.8 billion), and (iv) guaranteeing the public bank BIIC for CFAF 25 billion. During 2022, the CDCB's Supervisory Board<sup>2</sup> approved 18 projects for CFAF 192.7 billion (a doubling compared to 2021), divided between the private sector (14 projects amounting to CFAF 91 billion) and the public sector

<b>Table 1. Benin: CDCB Assets</b> (CFAF Billion)			
<i>CFAF billion</i>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Financial investments</b>	<b>534</b>	<b>549</b>	<b>635</b>
Term deposits	168	253	242
Bonds, stocks and treasury bills	366	289	374
Mutual fund	0	7	20
<b>Lending and investment</b>	<b>68</b>	<b>160</b>	<b>286</b>
Aquisition of stakes	68	87	97
Long term loans	0	47	52
Financing lines	0	0	35
Guarantees	0	25	0
Investment	0	0	101
Other	0	1	1
<b>Total Assets</b>	<b>615</b>	<b>795</b>	<b>856</b>

Source: CDCB

<sup>2</sup> The responsibilities of the CDCB's Supervisory Board include the adoption of the annual budget proposal and the prudential model, the review of the corporate governance report, and the reception of all audit inspection reports. It is chaired by the Minister of Economy and Finance.

(4 projects amounting to CFAF 101.7 billion). CDCB is exempt from taxes and is under the supervision of the general inspection of finance (of the MoF) and the supreme audit institution (SAI). It has yet to undergo an audit by the SAI.

**9. There have been sectoral shifts in the composition of bank lending.** The expansion of bank lending has been accompanied by a change in the sectoral composition of loans (Annex V Table 2). Bank lending increased by CFAF 1,145 billion or 88.4 percent between December 2019 and September 2023 (of which 56 percent is due to the public bank BIIC). Five sectors contributed for more than 75 percent to the loans growth: (i) the share of the “real estate and services to firms,” in total lending increased from 2 percent in December 2019 to 14 percent in September 2023, thanks to a 12-fold growth; (ii) the share of “personal loans to consumers” rose to 14.9 percent in September 2023 (against 11.2 percent in December 2019), (iii) the share of “transportation, entrepôts, and communication” almost doubled to 10.3 percent in December 2023; and (iv) the wholesale trade’s share in total lending rose to close to 13 percent. In parallel, lending to some sectors flattened or even declined. The main sectors affected include construction and public works, the utilities sector, and other manufacturing industries.

**Table 2. Benin: Sectoral Decomposition of Banks’ Loans  
in December 2019 and September 2023**  
(CFAF Billion)

	Loans at Dec 2019	Share	Loans at Sept 2023	Share
Real estate and services to enterprises	27	2.1%	342	14.0%
Personal loans	145	11.2%	364	14.9%
Transport, Warehouses and Communications	73	5.6%	251	10.3%
Wholesale trade	139	10.8%	316	12.9%
Retail trade	38	2.9%	115	4.7%
Social services provided to the community	10	0.7%	74	3.0%
Agriculture, Forestry and Fisheries	41	3.1%	96	3.9%
Manufacture of food, beverages and tobacco products	32	2.5%	66	2.7%
Electricity, Gas, and Water	67	5.2%	55	2.3%
Other manufacturing industries	88	6.8%	35	1.5%
Construction Public works	389	30.0%	351	14.4%
Others	248	19.1%	378	15.5%
Total	1296	100.0%	2441	100.0%

Sources: BCEAO; and IMF staff calculations.

**10. The increasing role of the public sector in the financial system calls for more vigilance given the associated risks.** In general, a rapid expansion of lending may carry financial and fiscal risks:

- *Risk of deterioration in banks’ assets quality:* this risk may arise if the screening capacity of loan applications and monitoring of loans are not adequately strengthened in parallel.

- *Liquidity risk:* this stems from the medium- and long-term maturity of the BIIC and CDCB's lending given the nature of the PAG projects in the context of tighter financial conditions in the region.
- *Exposure to sovereign risk:* The rapid expansion of credit to public projects and SOEs may lead to excessive exposure to sovereign risk. Moreover, use of government guarantee schemes can translate into a circumvention of prudential regulations, which may alter the level playing field between public and private banks.
- *Fiscal risks:* Potential fiscal risk may stem from the provision of government guarantees (via CDCB) to the public bank. The financial inter-relations between the state and the public financial institutions, CNSS and PAC may unintentionally lead to emergence of quasi-fiscal activities, the shift of fiscal pressures to public banks and SOEs, and distortive arbitrage opportunities.

**11. Enhancing transparency of the operations of the public financial institutions is key.**

This entails (i) aligning with the IMF Fiscal Transparency standards (*IMF Fiscal Transparency Handbook*, 2018), by quantifying and disclosing government support to the public financial sector at least annually, and regularly undertake an assessment of financial sector stability, (ii) publishing on a timely basis the financial statements of BIIC and CDCB, (iii) conducting an audit of both institutions by the SAI and publish the audits' reports. Implications on debt, fiscal risks and foregone tax revenue should be adequately reported in debt statistics, the fiscal risks statement, and the tax expenditures report.

**12. The authorities should therefore pursue efforts underway to maintain soundness of public financial institutions and enhance transparency.** BIIC and CDCB should accelerate the ongoing efforts to strengthen their technical capacity, information systems, and risk analysis and monitoring capabilities. Timely preparation and disclosure of financial statements, as well as the conduct of audits will enhance transparency. A better clarification and a regular evaluation of the implications of the interrelations between the public sector and the two public institutions will help anticipate and limit contingent liability risks.

## Annex VI. Status of Implementation of Key Recommendations from 2022 Article IV Consultation

Key Recommendations	Status of implementation
<b>Step up revenue collection to create budgetary space for Benin's development needs while preserving debt sustainability</b>	<p>The government has undertaken several reforms to anchor revenue mobilization:</p> <ul style="list-style-type: none"> <li>• A Medium-Term Revenue Strategy (MTRS) was developed and adopted in 2023 to further expand the tax base and improve the overall efficiency of the tax system. This was preceded by a tax expenditure rationalization strategy in November 2022.</li> <li>• The government adopted longstanding reforms in corporate and personal income taxation as part of the 2022 tax code, pursued the digitalization of core tax processes (e.g., standardized invoices), and started moving to transactional values at customs.</li> <li>• The government is ramping up collection of tax arrears (supported by measures to increase compliance and reduce tax evasion and fraud).</li> <li>• New measures were implemented in the 2023 budget, including the move to transactional values at customs, the expansion of standardized invoices and application of the minimum tax on the sale of used vehicles.</li> </ul> <p>These efforts have led to buoyant tax collection in 2022 and 2023, consistently exceeding program expectations under the EFF/ECF, despite significant tax expenditures to limit the impact of surges in the price of imported oil and selected food products—triggered by the war in Ukraine—on the cost of living, and reduction in customs revenue due to the border closure in Niger since 2023:H2. The tax-to-GDP ratio increased by 1.2 percent of GDP between 2021 and 2023 (discounting a one-off reclassification from non-tax to tax that occurred in 2022).</p>
<b>Ensure convergence to WAEMU fiscal deficit norm of 3 percent of GDP</b>	<p>While the WAEMU Commission is still working on a new Convergence Pact, Benin started fiscal consolidation in 2023—as originally envisaged under the EFF/ECF—after three years of warranted fiscal accommodation amidst severe exogenous shocks. The authorities frontloaded fiscal consolidation in 2023 (1.4 percent of GDP), which put them firmly on track to converging to a deficit of no more than 3 percent of GDP by 2025, in line with WAEMU norm.</p>
<b>Strengthen PFM and upgrade government finance and national accounts statistics</b>	<p>The IMF Fiscal Safeguards Review (FSR) conducted in 2022 concludes that Benin's PFM system provides broadly reasonable assurance for the use of Fund resources for budget support. The authorities prepared and annexed to the 2024 budget law a statement with a quantitative fiscal risk assessment incorporating recommendations from IMF technical support, including a revision of the framework for fiscal risk analysis, notably for macroeconomic risks and those related to SOEs and public debt. They also published all the criteria for the appraisal and selection of major investment projects, along with feasibility studies. They are streamlining public bank accounts in commercial banks to support the Treasury Single Account (TSA) reform.</p> <p>The authorities have been working to improve the compilation of government finance data and expand its coverage to general government in line with GFSM 2014, with support from AFRITAC-West. They are preparing quarterly national accounts data on the expenditure side with support from STA.</p>
<b>Ensure debt sustainability to preserve economic stability and bolster Investor confidence</b>	<p>Although debt levels have increased over the past years due to the impact of repeated and severe shocks, the authorities have remained committed to ensuring debt sustainability—public debt stabilized in 2023 and continues to be assessed at moderate risk of debt distress.</p> <p>The authorities continue to adopt a proactive management of their debt portfolio and mobilize budget support (beyond program expectations).</p> <p>They are currently updating their Medium-Term Debt Strategy (MTDS) with technical support from AFRITAC-West (they intend to gradually rebalance their debt portfolio towards domestic financing in their debt strategy). Benin received a high score for sectoral coverage on the IDA Debt Reporting heat map for 2022. 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).</p>
<b>Foster economic transformation and promote private sector investment</b>	<p>The authorities are making strides in macroeconomic management and remain committed to governance reforms to bolster the institutional foundations of private sector-led inclusive growth. However, inequality persists across regions and income groups. Services are still largely dominated by Nigeria-dependent transit-centered model, and agriculture remains vulnerable to weather-related shocks.</p>

<b>Enhance access to finance and mitigate financial sector vulnerabilities</b>	<p>The authorities adopted the national financial inclusion strategy (SNIF; 2023–27) aligned with the WAEMU-wide strategy. They are stepping up efforts to foster financial sector resilience, including by implementing Basel II/III and IFRS9 standards. Against this background, the CAR has continued its upward trend (above the WAEMU median), while NPL ratios were the lowest compared to WAEMU countries at end-June 2023.</p> <p>The Banking Commission resolved the issues at the two formerly undercapitalized banks. However, three small banks, accounting for less than 6 percent of total banking sector's assets, failed to meet the regulatory capital as of end-June 2023. The BCEAO is following up with banks to improve their minimal regulatory capital to comply with the new threshold of FCFA 20 billons, adopted in January 2024.</p>
<b>Advance governance reforms to strengthen institutions and foster inclusive private sector development</b>	<p>The authorities requested an IMF governance diagnostic that was conducted in 2022 and the report was published. Key recommendations of the diagnostic were incorporated as structural conditionality under the EFF/ECF (e.g., the Commercial Court of Appeals was operationalized with staffing, funding, and equipment, and a committee to monitor implementation of audit recommendations established at the Audit Court, in line with international standards). The laws operationalizing the anti-corruption agency are being developed. Furthermore, a homegrown action plan was developed, in consultation with the civil society, to implement other key recommendations of the governance diagnostic.</p> <p>The Government has also embarked on a series of reforms to strengthen its AML/CFT framework, including:</p> <ul style="list-style-type: none"> <li>• Conducting sectoral ML/TF risk assessments.</li> <li>• Operationalizing the Committee for the Coordination of Activities in the Area of AML/CFT (CNCA).</li> <li>• Undertaking legislative amendments to address gaps in the AML/CFT legal framework.</li> <li>• Designating AML/CFT supervisors for the designated non-financial sectors.</li> <li>• Adopting a decree establishing the legal framework for the collection and the publication of the beneficial ownership in the real estate transactions; its implementation will follow.</li> </ul>

## Annex VII. Stock Take on Reform Bundling and Sequencing<sup>1</sup>

*Benin has made great strides in advancing its structural reform agenda in recent years. A backward-looking diagnostic of reform indicators suggests that most of Benin's macrostructural gaps are smaller than averages for Sub-Saharan Africa (SSA) and the West African Economic and Monetary Union (WAEMU) peers but larger than averages for selected aspirational peers. The application of recent IMF framework to Benin suggests that output gains from reducing its macrostructural gaps through reform bundling and sequencing could be large.*

### A. Introduction

**1. Benin is on a strong reform drive.** The country's reform agenda is anchored on the Government Actions Programs (*Programme d'Actions du Gouvernement*; PAG-I 2016-2021 and PAG-II 2021-2026). It has been supported by near-continuous IMF engagement over the past 7 years (Extended Credit Facility during 2017–2020 and Extended Fund Facility/Extended Credit Facility since 2022) and has generated macroeconomic and social dividends. Macroeconomic indicators and access to basic public services have significantly improved, with the latter driven by the government's infrastructure-led development model. As part of the execution of the 2016-2021 PAG-I, many important reforms were implemented in several areas including governance, business regulations, and labor market.

**2. This annex uses the framework in IMF (2023) to conduct a diagnostic of Benin's structural reforms relative to comparators.** Using a comprehensive dataset on structural policies in emerging markets and developing economies (EMDEs), IMF (2023) identified specific reforms and reform packages that can help front-load the growth gains, alleviate policy trade-offs, and support growth-friendly green transition.<sup>2</sup> In the same vein, this analysis uses the same dataset and methodology to ascertain Benin's reform progress between 2017 and 2021 in areas of governance, external sector, credit market, labor market, and business regulations and explores prioritization, bundling, and sequencing of structural reforms, to help boost inclusive growth going forward.

**3. The results show progress made as well as areas where further improvements could be made.** Benin fares better than many of its regional WAEMU (West African Economic and Monetary Union) peers, and Sub-Saharan Africa averages in areas of governance, business regulation, and labor market but lags these comparators in external sector and credit market reforms. When the comparators are narrowed to aspirational peers (as defined by the World Bank), Benin fares better in business regulation and labor market reforms but lags in governance, external sector, and credit

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<sup>1</sup> Prepared by Salifou Issoufou, with support from Markus Karl Friedrich Specht.

<sup>2</sup> Throughout this annex, IMF (2023) refers to Budina, N., Christian Ebeke, Florence Jaumotte, Andrea Medici, Augustus J. Panton, Marina M. Tavares, and Bella Yao. 2023. "Structural Reforms to Accelerate Growth, Ease Policy Trade-offs, and Support the Green Transition in Emerging Market and Developing Economies." International Monetary Fund Staff Discussion Note SDN/2023/007, Washington, DC.

market reforms.<sup>3</sup> As a result, improvements in governance, external sector, and credit market reforms could help boost inclusive growth in the medium term.

**4. The remaining part of this annex is structured as follows.** Section II presents stylized facts on Benin's macrostructural gaps relative to comparators. Section III draws from Section II to propose reform prioritization, bundling, and sequencing to help boost inclusive growth. Section IV concludes.

## B. Stylized Facts: Comparative Overview of Macrostructural Gaps

**5. We applied the methodology in IMF (2023) to Benin (Box 1), using three comparator groups:** Sub-Saharan Africa (SSA); West African Economic and Monetary Union (WAEMU); and lower middle-income (LMICs) countries with a good development precedent, having started from a similar position as Benin (Aspirational: Ghana, Morocco, and Sri Lanka). As a backward-looking exercise, the analysis presented in this annex does not capture reforms undertaken in recent years (PAG-II; 2021–2026), including under the ongoing Fund-supported program.

### Box 1. Methodology

**Measures of macrostructural gaps.** As in IMF (2023), we construct the following structural reform indicators and derive measures of macrostructural gaps—defined as deviation of each indicator value, each year, from its frontier. The frontier is the best global performer in each reform indicator in each year from a sample of 166 EMDEs with data available over 2002–2021 (see Annex VII. Appendix I. for more details). As a result, a smaller gap means a better position or improvements in each reform area. The following indicators used are composite indices of their respective sub-components.

- **Governance:** Political stability, regulatory quality, voice and accountability, government effectiveness, rule of law, and control of corruption.
- **Business Regulation:** Administrative requirements, impartial public administration, and bureaucracy costs.
- **External Sector:** Capital controls, tariffs and non-tariffs barriers, exchange rate controls, financial openness, and freedom of foreigners to visit.
- **Credit Market Regulation:** Private sector credit, interest rate controls, and ownership of banks.
- **Labor Market Regulation:** Hiring and firing regulations and centralized collective bargaining.

<sup>3</sup> Based on a benchmarking suggested in the World Bank Group's 2022 "[Benin Country Economic Memorandum: Accelerating the Growth Momentum and Creating Better Jobs](#)", aspirational countries consist of Ghana, Morocco, and Sri Lanka, a group of lower middle-income countries (LMICs) that set a good development precedent, having started from a similar position as Benin.

### Box 1. Methodology (Concluded)

As in IMF (2023), the first three indicators (governance, business regulation, and external sector) are first-generation reforms while the last two indicators (credit market and labor market regulations) constitute two of the three second-generation reforms. The third indicator included in second-generation reforms are green reforms, which are not discussed in this note.

**IMF (2023) found sizeable contributions of structural reforms in accelerating growth in EMDEs, especially in countries with large macrostructural gaps.** The estimated impact of major structural reforms on output after two (four) years, and in countries where initial productivity gaps are large, is as follows: (i) Governance: 2.7 percent (4 percent); (ii) External sector: 2.4 percent (5 percent); (iii) Business regulation: 1.3 percent (2 percent); and (iv) Domestic credit market: 2 percent (2 percent).

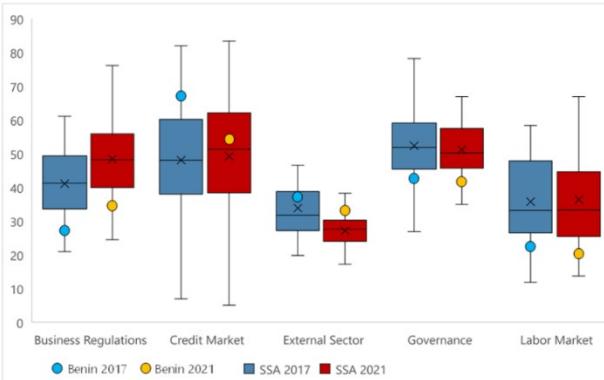
**Moreover, reform bundling and sequencing provide additional output gains.** EMDEs can achieve larger and more front-loaded output gains by implementing first-generation reforms together (governance, business regulation, and external sector). Countries with large initial macrostructural gaps (above median) can gain four percent two years after bundling of first-generation reforms and about eight percent after four years. Impact is much smaller for countries with below median macrostructural gaps. Credit and labor market reforms (second-generation reforms) have larger effect on output when preceded by first generation reforms (up to three percent additional output gains from credit market reform after four years and up to one percent additional employment gain from labor market reform after two years).

## 6. Relative to SSA and WAEMU averages, Benin remains largely better positioned

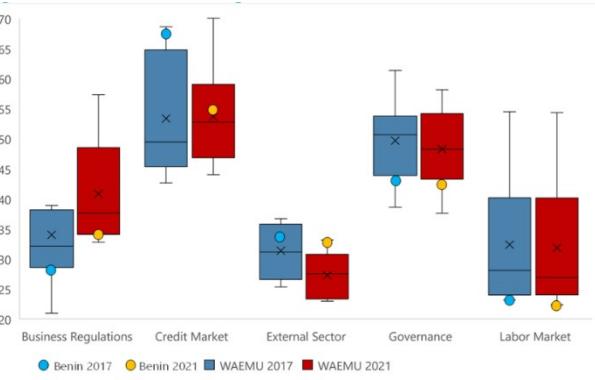
(Figure 1). Macrostructural gaps are lower in business regulation and governance (two of the three first-generation reforms) as well as labor market reforms (one of the three second-generation reforms). Credit market and external sector are the two reform areas where Benin's macrostructural gaps remain higher than SSA's average although there have been improvements between 2017 and 2021. Similar results are observed when the comparison is narrowed to WAEMU countries (Figure 2).

**Figure 1. Benin Versus Regional Averages**

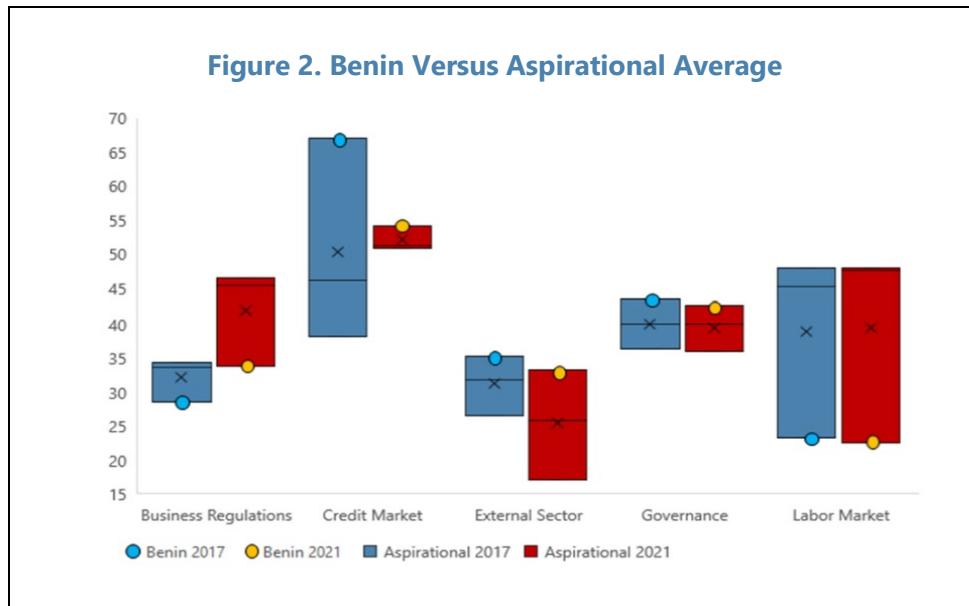
**A. Benin Versus SSA Averages**



**B. Benin Versus WAEMU Average**



**7. Relative to aspirational peers, Benin lags in the areas of governance, in addition to credit market and external sector but fares better in labor market and business regulations (Figure 2).**

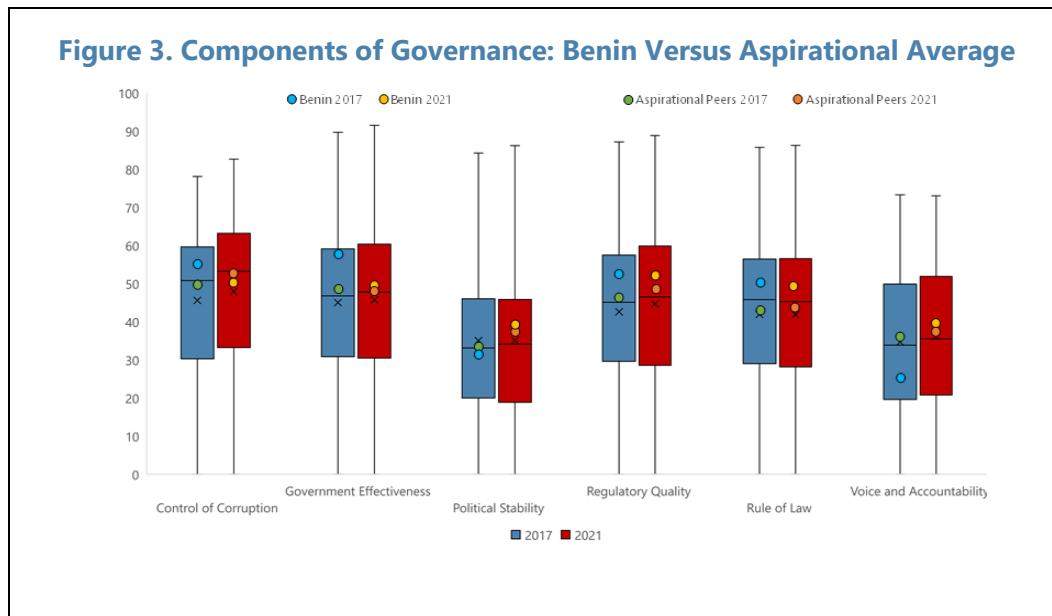


**8. The observed overall positive outcome in business regulations, governance, and labor market reforms relative to SSA and WAEMU reflect Beninese authorities' push for steadfast reform implementation.** As part of the execution of the 2016-2021 Government Action Program (PAG-I), many important reforms were implemented in several areas.

- **Governance:** Notable reforms enacted include the adoption of a new law aimed at modernizing public enterprises to make their governance more efficient, the digitalization of public services through a national public services platform (see SIP-II on digitalization), and a wide-ranging reform of the judicial system aimed at improving its functioning.
- **Business regulations:** The process of transferring property has been digitalized and the national land registry was put online, tax payments have been facilitated through digitalization of filing procedures, and six commercial courts have been established and operationalized. Moreover, the launch of Benin's online business creation platform in early 2020 made Benin the world's fastest place to start a business in 2020.<sup>4</sup>
- **Labor market:** The legal framework for exercising the right to strike was put in place while the provisions of the Labor Code were streamlined by introducing more flexibility and encouraging private sector job creation.

<sup>4</sup> <https://unctad.org/news/how-un-helped-benin-become-worlds-fastest-place-start-business-mobile-phone>

**9. As Benin lags aspirational peers in areas of governance, credit market, and external sector reforms, a look at components of reform indicators could help shed light on specific areas for improvement.** On governance (control of corruption, government effectiveness, political stability, regulatory quality, rule of law, and voice and accountability) Benin's made significant improvement relative to aspirational peers between 2017 and 2021 in government effectiveness and control of corruption (Figure 3).<sup>5</sup> However, macrostructural gaps widened for political stability and voice and accountability, particularly regarding the latter. Spillovers of insecurity from the country's northern neighbors and episodes of internal tensions may have contributed to the widening of the gap on political stability.<sup>6</sup>

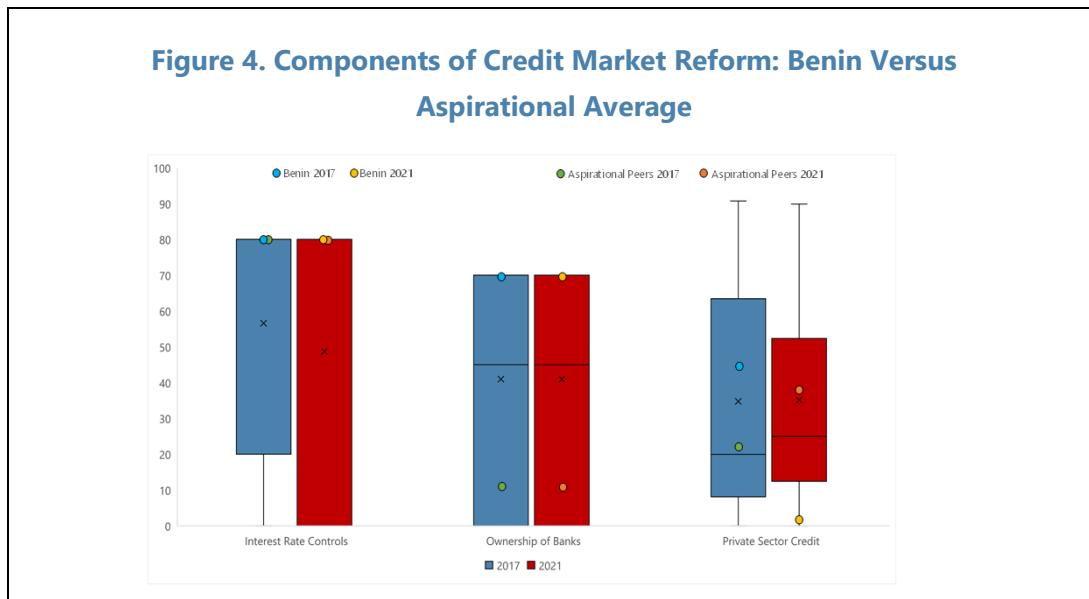


**10. Regarding credit market, ownership of banks and private sector credit are two specific areas where Benin significantly lags aspirational peers (Figure 4).** The macrostructural gaps in ownership of banks have not changed between 2017 and 2021 while those on private sector credit have improved slightly but remain significantly higher than those of aspirational peers. As the credit market is regulated at the regional level (Benin being part of WAEMU), there may be little Benin can do in terms of reform in this area. Nevertheless, Benin could benefit from the example of Sri Lanka which underwent a significant reform of its banking sector as recommended by the IMF and the World Bank (Edirisuriya 2007). The recommendations included, among others, improving private sector participation in the financial sector, removing restrictions on interest rates and loans, and

<sup>5</sup> Benin has made great strides in fiscal transparency in recent years, with a strong position vis-à-vis its peers on the recent Open Budget Survey 2023 (released in May 2024). The country scored 79/100 on the fiscal transparency index – the second highest in Africa behind South Africa and a strong improvement over the 2021 OBS (65 points).

<sup>6</sup> See "[Laws of Attraction: Northern Benin and Risk of Violent Extremist Spillover](#)," a joint report produced by the Conflict Research Unit of Clingendael – the Netherlands Institute of International Relations in partnership with the Armed Conflict Location and Event Data Project (ACLED).

encouraging efficient functioning of financial market with less government interferences.<sup>7</sup> Moreover, the 2023 International Finance Corporation's (IFC) private sector country diagnostic points to limitations in access to finance as one of the five major constraints to developing a more productive and competitive private sector.<sup>8</sup> Some of the areas for improvement suggested in the report to help facilitate access to finance include fostering interoperability in digital payments services across financial services providers and the underlying financial infrastructure, strengthening the regulatory power of the microfinance supervisor to improve trust in financial service providers and leverage intermediation for effective deployment of public programs, and improving the availability and quality of credit history information and extending the pool of available collateral.

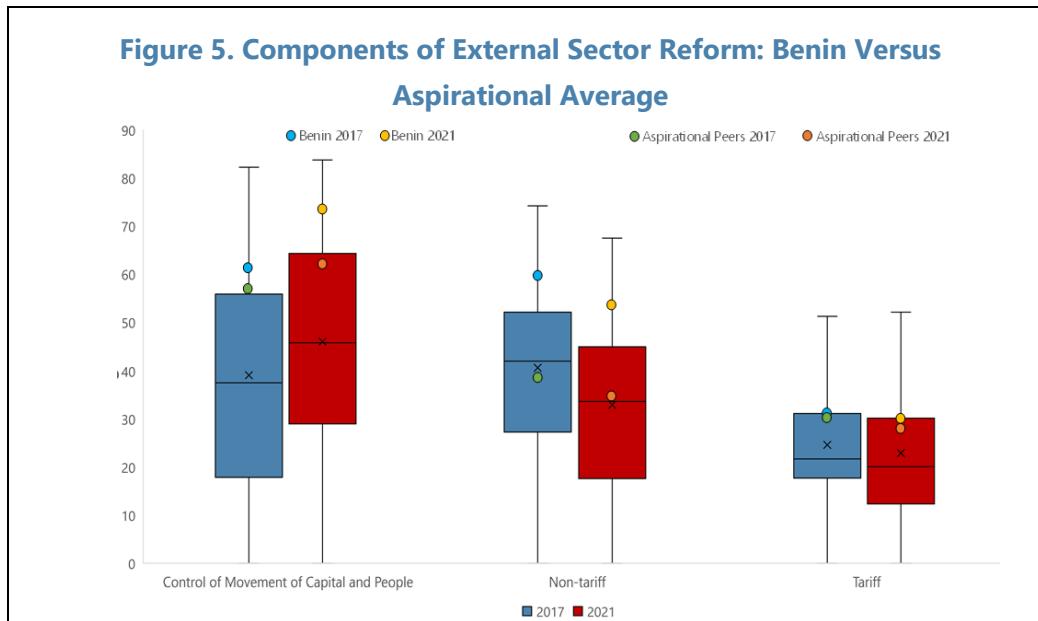


**11. On external sector reform, Benin lags aspirational peers in all three components—control of movement of capital and people, tariff, and non-tariff (Figure 5).** Although there have been improvements in non-tariff structural gaps between 2017 and 2021, Benin remains well above aspirational peers. In addition, structural gaps in control of movement of capital and people widened and remained well above aspirational peers. Benin being part of WAEMU, and the Economic Community of West African States (ECOWAS) could be seen as a limiting factor preventing the country from enacting reforms that could enhance external competitiveness. Notwithstanding, Benin could improve its external sector by limiting the introduction of what appears to be ad-hoc export and import controls. In addition, the IFC's country private sector diagnostic report highlighted the following quick wins in this area, which could help facilitate movement of goods and people and improve external sector competitiveness: (i) establishing a

<sup>7</sup> On April 30, 2024, [Benin's National Assembly adopted a law capping interest rates on loans. The law is a transposition of WAEMU provisions.](#)

<sup>8</sup> The 2023 IFC's Country Private Sector Diagnostic Report for Benin can be found here: <https://www.ifc.org/en/insights-reports/2023/cpsd-benin>. The four other constraints highlighted in IFC's Benin private sector diagnostic include the largely unreliable and expensive energy supply, limited digital and physical connectivity, difficult business environment, and low skill level of the workforce.

transparent framework for freight allocation by revising the allocation mechanism to correct the information asymmetry between shippers and carriers and (ii) improving the land border crossing experience and better communicate border openness and protocols.



## C. Reform Prioritization, Bundling, and Sequencing

**12. As circumstances, policy priorities, and constraints are specific to each country, idiosyncratic factors should drive country specific design of structural reforms.<sup>9</sup>** Given Benin's macrostructural gaps relative to aspirational peers (larger gaps in governance, external sector, and credit market reforms), improvements in those areas could bring sizeable output gains over the medium term. In addition, and as Benin does well in business regulation, **bundling** governance with external sector reforms (two of the three first-generation reforms) could bring more output gains over the medium term. Moreover, pushing for more credit market reform (one of the three second-generation reforms) after implementing the bundled governance and external sector reforms would help with **sequencing** and could bring additional output gains over the medium term. As Benin's macrostructural gaps in governance, external sector, and credit market are all above the EMDEs respective medians, additional output gains for Benin from reform bundling could be as high as four percentage points in two years. Additional gains for Benin from reform sequencing could be as high as three percentage points after four years.

<sup>9</sup> IMF (2023) define episodes of major historical reform as periods for which an improvement in the relevant indicator is at least 2 standard deviations of the distribution of annual changes in the relevant indicator across the whole sample. Examples of a major structural reforms include Rwanda's 2006 governance reforms involving a complete overhaul of regulatory quality and government effectiveness; Mexico's liberalization of trade tariff and nontariff barriers in 2021; and Georgia's 2004 comprehensive streamlining of business regulations and compliance.

## D. Conclusion

**13. As Benin continues to implement its reform agenda for higher and more inclusive growth, a diagnostic of past reform helps pinpoint areas for improvements.** This annex

ascertains reform progress between 2017 and 2021 in areas of governance, external sector, credit market, labor market, and business regulations and proposes prioritization, bundling, and sequencing of structural reforms, to help boost inclusive growth going forward.

**14. The results show that although Benin is better positioned than its regional peers in the areas of governance and business climate reforms, macrostructural gaps remain with respect to aspirational peers.**

Between 2017 and 2021, macrostructural gaps in business environment widened despite improvements in red tape. On governance, Benin has lagged its peers in voice and accountability in 2017 and 2021, but improved in government effectiveness, control of corruption and rule of law over the same period. Labor market reform indicators (hiring and firing, and collective bargaining regulations) show significant improvements in recent years, but external sector competitiveness could be improved, as the indicator measuring free movement of goods and capital has deteriorated in recent years.

**15. Given Benin's macrostructural gaps relative to aspirational peers, improvements in those areas could bring sizeable output gains over the medium term.** Bundling governance with external sector reforms (two of the three first-generation reforms) could bring four percentage points more output gains in two years. Moreover, reform sequencing by pushing for more credit market reform (one of the three second-generation reforms) after implementing the bundled governance and external sector reforms could bring additional output gains to the tune of three percentage points of GDP over the medium term.

**16. Going forward, capitalizing on (and maintaining) the ongoing reform drive remains crucial.** While reforms implemented under PAG-I (2016–21) helped Benin fare better than SSA and WAEMU peers in many areas, gaps remain with respect to aspirational peers. The authorities have maintained their reform momentum under PAG-II (2021–26), supported since 2022 by the IMF's Extended Fund Facility (EFF) and Extended Credit Facility (ECF), and complemented by the Resilience and Sustainability Facility (RSF) since end-2023. Preserving the reform momentum well into the medium and long term (and over the political cycle) would foster long-lasting private sector-led growth that benefits all Beninese.

## Sources and Definition of Structural Reform Indicators

The definition and source of each reform indicator used in the annex follow IMF (2023).

### **Governance**

The governance index is the simple average of the six components of the Worldwide Governance Indicators (WGI): (1) voice and accountability, (2) political stability and absence of violence/terrorism, (3) government effectiveness, (4) regulatory quality, (5) rule of law, and (6) control of corruption.

### **External Sector**

This index is calculated as the simple average of the following of the Fraser Institute's Economic Freedom Database sub-indicators: (1) tariffs, (2) nontariff trade barriers, (3) black-market exchange rate, and (4) control of the movement of capital and people.

### **Credit Market Regulation**

The credit market regulation index is a simple average of three individual components of the Fraser Institute's sub-indicators: (1) ownership of banks, (2) private sector credit, and (3) interest rate controls.

### **Labor Market Regulation**

This index is the simple average of two components of the Fraser Institute's aggregate regulator index: (1) hiring and firing regulation, and (2) centralized collective bargaining.

### **Business Regulation**

The business regulation index is the simple average of three main components of the Fraser Institute Economic Freedom Database: (1) bureaucracy costs, (2) administrative requirements, and (3) impartial public administration.

The above five indices were rescaled to 0 to 1, where a higher value implies higher level of reform quality. Of note, and as in IMF (2023), the external sector, labor market, and business regulations indicators exclude indicators derived from the discontinued World Bank Doing Business Database.

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## Appendix I. Letter of Intent

Cotonou, June 13, 2024

Ms. Kristalina Georgieva  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431  
U.S.A.

Dear Ms. Georgieva:

I am pleased to inform you that, thanks to the increased support from the International Monetary Fund (IMF), our economic and financial program continues to exceed expectations, two years into the Extended Fund Facility (EFF) and Extended Credit Facility (ECF) arrangements. The new Resilience and Sustainability Facility (RSF) arrangement, approved by the IMF Executive Board in December 2023 to complement the EFF/ECF in strengthening socio-economic resilience in Benin is also off to a strong start. In particular, we have met all quantitative targets at end-September and end-December 2023 and implemented all structural measures agreed with Fund staff under the EFF/ECF and RSF.

As you are aware, Benin has had to contend with two major shocks since last year: (i) the closure of the border with Niger, in application of the decisions taken by ECOWAS following the coup in Niger in July 2023; and (ii) the rise in the price of hydrocarbons from Nigeria, coupled with the depreciation of the Naira vis-à-vis the CFA franc. The Beninese economy has fortunately shown considerable resilience in the face of these shocks, supported by sound macroeconomic management and steadfast reform implementation over the past several years. Economic activity in 2023 surprised on the upside, with a growth rate of 6.4 per cent, driven mainly by the agri-food industry and buoyant construction sector amid strong public and private investment.

However, our strong macroeconomic performance is yet to fully translated into a significant improvement in the well-being of all Beninese. In this context, we will continue recalibrating social policies in order to make tangible improvement in the daily lives of the population. The acceleration of the ongoing operationalization of the single Social Register (RSU) will allow us to use it widely across social assistance programs, improving targeting, including for the Insurance for Human Capital Development (ARCH).

We continue to make significant progress in our structural reform agenda. In the area of AML/CFT, we have developed the legal framework for the creation of a register of beneficial owners in the real

estate sector. We also intend to operationalize the anti-corruption agency (HCPC) and strengthen its legal framework to ensure its independence and powers, by the end of June 2024, a key recommendation of the IMF governance diagnostic. In addition to this and other governance reform under the EFF/ECF, we are operationalizing our homegrown governance action plan—developed in consultation with the civil society—to implement other key recommendations from the IMF governance diagnostic.

We have also stepped up the implementation of our climate agenda, supported since last December by the Resilience and Sustainability Facility. In particular, we have integrated climate action into the budget process and are working to accelerate initiatives to catalyze private capital for climate finance. We reiterate our commitment to a comprehensive fuel subsidy reform. We have requested a follow-up technical assistance from the IMF to fine tune the parameters of the reform, including the transition period towards a predictable pricing mechanism. In this regard, we request a modification to the RSF measure on fuel subsidy reform, including to make explicit reference to the transitional arrangement, typical in fuel pricing mechanisms, and to the need to account for the specificities of our local fuel market.

The government trusts 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 apply any additional, appropriate measures that may be required. The government will consult with the Fund on the adoption of these measures and in advance of revisions to the policies contained in this Memorandum, in accordance with rules of the IMF applicable to this type of consultation.

We will carry out the commitments outlined in the MEFP, and we agree to provide the IMF with information on 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, as well as the commitments presented in the MEFP, the government requests (i) the modification of the continuous performance criterion on the PV of new external debt contracts for 2024; (ii) the conclusion of the fourth review under the Extended Fund Facility and the Extended Fund Facility and the disbursement of 31.2 million SDRs (i.e. 25.2 per cent of Benin's quota), including 10.4 million SDRs under the ECF and 20.8 million SDRs under the EFF; and (iii) the conclusion of the first review of the Resilience and Sustainability Facility (RSF) and the disbursement of SDR 19.808 million (16 per cent of Benin's quota).

To implement these priorities and support its credibility with the international community and Benin's population, the government intends to maintain a productive relationship with its development partners and various stakeholders. To that end, we shall remain closely engaged with

the IMF in support of 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 in connection with our request for support.

Sincerely yours,

/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

### **BACKGROUND**

- 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.** Our strong fiscal position entering the crisis episode that started with Covid-19, allowed us to deployed strong counter-cyclical fiscal policy, anchored in transparency and performance-based management. This helped strengthen social and economic resilience, limiting the impact of various crises on our populations. We subsequently frontloaded fiscal consolidation in 2023 to rebuild policy buffers and ensure gradual convergence towards the regional overall fiscal deficit norm of 3 percent of GDP by 2025.
- 2. Despite the Covid-19 shock, the Russo-Ukrainian war, the upsurge in terrorism at our the northern borders, and the ECOWAS decision to close borders with Niger (following the coup** in that country on July 26, 2023), the Beninese economy has proven very resilient, with robust growth year after year. GDP growth is projected at 6.5 percent in 2024, against 6.4 percent in 2023 and 6.3 percent in 2022. After the econoimc recovery in 2021 where growth reached 7.2 percent, following the Covid-19 downturn (3.8 percent in 2020), growth momentum has remained sustained.
- 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 robust performance since its operationalization. Transformational reforms implemented so far, have already yielded tangible results in the areas of governance as well as macroeconomic and fiscal management. As in previous reviews, the EFF/ECF program performance has been robust under the fourth review, with all quantitative targets and structural reforms met. Similarly, the new RSF arrangement approved by the IMF Board of Directors at the end of 2023 is off to a strong start, with a successful implementation of reform measures due by end-March 2024.
- 4. It is gratifying to notice that IMF support continues to catalyze additional budget support beyond our expectations. In addition,** Benin's recent upgrade of sovereign credit rating by S&P to "BB-", and the EBRD membership, contribute to support the country's economic and social development strategy and medium-term economic policy choices.

### **RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK**

- 5. In general, the Beninese economy has proven resilient in the face of multiple shocks:**

- Economic growth in 2023 was higher than expected at 6.4 percent, buoyed by agro-industry, construction and trade.
- The current account balance is estimated to narrow to 5.9 percent in 2023 (from 6.1 percent in 2022), owing to increased exports, official transfers and remittances. However, prepayment of

imports and delayed repatriation of export receipts have adversely affected the overall balance of payments.

- In terms of financing, Benin has mobilized budget support 25 billion CFAF above programmed levels, reflecting in particular the return of some partners to this form of financing. The recent return to international financial markets with the successful issuance of US\$750 million Eurobond on favorable terms is a testimony of investors' confidence in the Beninese economy.

**6. The medium-term economic outlook remains promising.** Economic growth should stabilize around 6.5 percent in 2024-25, mainly driven by the expansion of the port of Cotonou, continued strengthening of the industrial sector, acceleration of major infrastructure projects of the PAG 2021-2026 and continued improvement in the business climate.

**7. However, the economic outlook remains surrounded by downside risks, including:**

- Significant delays in reopening the border with Niger;
- Persistent macroeconomic imbalances in Nigeria and devaluation of the Naira;
- Rising international oil and food prices, which may increase the risk of food insecurity, make budgetary trade-offs more difficult and also affect external accounts;
- A deteriorating security situation in the Sahel;
- Vulnerability to climate change, such as the recurrence of floods and droughts.
- On the other hand, the successful continuation of the recent commissioning of the Niger-Benin oil pipeline could have economic spin-offs in terms of value added and tax revenues.

## **RESTORING BUDGETARY MARGINS WHILE ENSURING SUSTAINABLE FINANCING OF SOCIO-ECONOMIC DEVELOPMENT**

### ***Execution of the budget in 2023***

**8. We have met all the quantitative targets under the EFF/CFE at end-September 2023 and end-December 2023.** The basic primary balance and net domestic financing quantitative performance criteria (QPCs) and the ceiling on new external debt contracts have all been met, with comfortable margins (see Text Table 1).

- Tax revenues in 2023 were slightly above our expectations, as the drop in international taxes amidst Niger border closure, was more than offset by the strong performance of corporate and personal income taxes as well as taxes on goods and services.
- Public spending rose in 2023 by 6.5 percent compared to 2022, in line with the programmed levels under the third review of the program. This reflects higher level of execution of transfers, owing to

strengthening of social measures, and externally financed capital expenditure, while current expenditure was contained thanks to measures aimed at stabilizing current expenditure.

- The fiscal deficit in 2023 reached FCFA 494.7 billion, 4.1 percent of GDP. The basic primary balance recorded a surplus of CFAF 41 billion, well above the target of CFAF -13.1 billion. In terms of financing, we raised €350 million in SDG financing, supported by a partial guarantee from the African Development Bank (ADB), allowing to cover most of the financing needs through net external financing (FCFA 528.9 billion), with limited contribution from the regional market (FCFA 52.1 billion).

### ***Execution of the 2024 Budget***

**9. The ongoing consolidation effort outlined in the 2024 Budget Law will help rebuild up fiscal buffers.** At the end of March 2024, revenue stood at CFAF 459.7 billion, an increase of 12.8 percent compared to 2023Q1. Expenditure increased to 513.1 billion, 6.1 percent higher than 2023. The deficit stood at CFAF 53.4 billion at the end of March 2024, compared with CFAF 75.9 billion at the end of March 2023. The budget execution has so far been in line with the planned fiscal consolidation, driven by continued improvement in revenue collection.

**10. The implementation of the Medium-Term Revenue Strategy (MTRS) has already yielded higher tax revenue collection.** Significant progress has been made in streamlining tax expenditures, with the suppression of various tax exemptions, including removing payroll tax exemptions for public agencies (0.1 percent of GDP) and on the motor vehicle tax on state-owned structures. In line with one of the MTRS pillars on expanding the tax base, we have been leveraging digitalization to increase the number of companies subject to taxation, including the “digital giants”, and expanding normalized invoices to bring small informal operators into the system. We will continue these efforts, in line with WAEMU directives and in line with the strategy currently being implemented. We plan to assess by 2025 some exemption measures, notably the VAT and customs duty exemptions on new vehicles, buses, coaches and minibuses of all categories imported, manufactured, or sold new and intended for public transport.

**11. Improving public spending efficiency remains a priority, supported by several levers.** Since the end of December 2023, we have started systematically publishing the criteria for the appraisal and selection of major public investment projects, along with feasibility studies (**Structural benchmark for the end of December 2023 - met**). To incorporate climate considerations in policymaking, we have (i) amended the regulatory framework (Decree) governing PIM to include climate concerns in the various stages of PIM, and (ii) updated accordingly the public investment management manual (**reform measure 1 by the end of March 2024 – met**). All ministries are now required to take climate aspects into account in their policy and strategy documents. A methodological guide has been developed for this purpose. The eligibility of projects and programs under the Public Investment Program is conditional on the availability of feasibility studies, particularly those related to environmental and social impacts. In addition, we are committed to systematically report on the implementation of climate change-related expenditure in the periodic budget implementation monitoring reports. Similarly, we will gradually extend to all sectors the methodology for climate budget tagging and reinforce human capacities (**reform measure 4 by the end of October 2024**). We will ensure that the budget is balanced and, if necessary, adopt the contingency measures

contemplated in our laws and regulations. Spending prioritization remains sensitive to social spending and public investment spending.

**Text Table 1. Estimated Additional Effects of Tax Measures in 2024**

(FCFA Billion and Percent of GDP)

	Nominal	% of GDP
<b>Net Additional Yields Relative to the Previous Year (A+B+C)</b>	<b>77.9</b>	<b>0.6</b>
<b>A. Domestic taxation, of which</b>	<b>86.1</b>	<b>0.7</b>
<b>New tax policy measures</b>	<b>19.5</b>	<b>0.2</b>
Removing payroll tax exemptions for public agencies (elimination of points 1 and 2 in Article 192 of the General Tax Code)	13.0	0.1
Continuation of efforts to tax the informal sector	2.0	0.0
Effective taxation of digital giants	2.0	0.0
Effective implementation of the current simplification of property taxation and effective use of the single tax identification number (IFU) to collect property taxes	2.5	0.0
Establishment of a 5 percent levy on the transactions of individuals operating on the e-MECeF platform	3.0	0.0
<b>New administrative measures</b>	<b>16.2</b>	<b>0.1</b>
Expansion of standardized invoices to retail businesses	10.0	0.1
Removal of exemption from the late filing penalty for taxpayers in the informal sector who voluntarily file returns for the first time to regularize business conducted in previous tax years	0.1	0.0
Removal of exemption from the late penalty for taxpayers liable for the single property tax who pay the entirety of their debts	0.7	0.0
Amendment of Article 66 of the General Tax Code to introduce withholding at source for the tax on profits for partners in tax-transparent companies	0.5	0.0
Amendment of Article 238 of the General Tax Code to give businesses in the restaurant sector the option of paying VAT on their actual profits	0.9	0.0
Introduction of remote procedures in the Cotonou small business centers (TPS + TFU)	4.0	0.0
<b>Clearance of domestic tax arrears</b>	<b>50.4</b>	<b>0.4</b>
<b>B. International taxation measures, of which</b>	<b>61.9</b>	<b>0.5</b>
Extension to new goods of the application of transaction values	16.0	0.1
Improved control of customs valuation	12.0	0.1
Strengthening the fight against fraud	16.5	0.1
<b>Clearance of custom duties arrears</b>	<b>13.0</b>	<b>0.1</b>
<b>C. Revenue-reducing effects<sup>1</sup></b>	<b>-70.2</b>	<b>-0.5</b>

1/ This corresponds to the negative effects from: border closure with Niger (-8.7 CFAF billion), tax expenditures on fuel and other basic products (-26.5 CFAF billion), implementation of WAEMU tax transition programs and measures to protect local industry (-31 CFAF billion).

### **Ensuring Sustainable Financing**

**12. The medium-term financing strategy (2024-2026) will continue to prioritize prudent borrowing and proactive debt management** to ensure that debt is maintained at a moderate risk of distress. While smoothing out the debt service profile and limiting the refinancing risks, we will continue to give priority to long-maturity financing on favorable terms and external financing on concessional terms and extend the financing maturity in the regional market. We will diversify sources of financing, including (i) to achieve a gradual rebalancing towards domestic debt, and (ii) pursue innovative financing, such as ESG bonds. We also continue to mobilize additional budgetary support from our development partners. Against this background, we request the modification of the continuous performance criterion on the PV of new external debt contracts for 2024 to become

effective on July 1, to accommodate the February 2024 Eurobond issuance in a context of tight financing conditions on the regional security market.

**13. Regarding cash management, we are going to strengthen, with the IMF support, the technical and operational framework of the Treasury single account (TSA).** There are currently 1,511 bank accounts held by public entities, of which 1,402 do not benefit from the derogatory authorization of the Minister of the Economy and Finance. We started closing those bank accounts and intend to close at least half of the accounts listed and repatriate the balances to the TSU by end of June 2024 (**structural benchmark for the end-June 2024**).

## RECALIBRATING SOCIAL POLICIES FOR INCLUSIVE GROWTH

**14. We remain committed to strengthening social policies to accelerate the achievement of the Sustainable Development Goals (SDGs) and address significant social gaps.** Despite poverty reduction, achieved through scaling-up social spending since 2022, continued efforts are warranted to reduce inequalities between regions and income groups. We will step up the implementation of social interventions to target the most vulnerable groups, including through the following measures:

- **In the health sector :** we will (i) ensure sustainable funding for the vaccination program in Benin by gradually increasing resources for the acquisition of vaccines and implementing vaccination activities, with the financial support from GAVI, (ii) support community health policy after gradually scaling-up the Community Health line of FADeC and devolving the necessary resources to communes as envisaged under the PNSC; (iii) and strengthen financial resources for nutrition by increasing the budget allocation to: (i) fight against stunting and malnutrition; (ii) achieve the full coverage of the National Integrated School Feeding Program; and (iii) strength the governance, coordination, steering and monitoring framework for the budgeted action plan under our National Food and Nutrition Policy for the period 2024-2033.
- **In the education sector:** we will accelerate the education of young girls by increasing resources to accelerate the implementation of our National Program to Accelerate the Education and Welfare of Young Girls.
- **In the social protection sector:** considering our holistic social protection approach for 2024-2033, we commit to carry out a review of public spending on social protection and a detailed mapping of social protection programs by 2025, with a clear identification of the channels and the associated main socio-economic risks, the beneficiaries and coverage gaps to better guide public policies for efficiency and to enhance financial, human and physical resources allocation. Similarly, we will continue to operationalize the Single Social Registry (RSU) by implementing a framework that defines the governance structure of the information management system, providing operational guidelines, and ensuring adequate allocation of financial, human, and material resources (**reform measure 12 by end-October 2024**), while strengthening communication and visibility around the RSU.

## STRENGTHEN GOVERNANCE, TRANSPARENCY, THE RULE OF LAW AND THE AML/CFT FRAMEWORK

**15. We have accelerated the implementation of the recently adopted national action plan for governance.** We have identified 21 reform measures based on the governance diagnostic. We intend to operationalize the HCPC and strengthen its legal framework to ensure its independence and powers by the end of June 2024 (***structural benchmark for end-June 2024***).

**16. We will pursue the reforms to enhance budget transparency.** To better align the Court of Audit with the best international standards, a committee has been set up to monitor the implementation of its audit recommendations, and the necessary resources have been made available for its immediate operationalization (***structural benchmark for the end of February 2024 – met***). We intend to complete the e-Procurement process started in 2022. In addition, we commit to systematically audit high-stake public contracts by independent auditors, and to publish the audit reports on a government website. In particular, we will conduct an audit by independent auditors of at least 3 high-stake public contracts executed during 2022-2024 and publish the audit reports by end-June 2025 on the website of the public procurement regulatory authority (***Proposed new structural benchmark for end-June 2025***). We will continue to ensure financial transparency by strengthening compliance of public enterprises with the legal obligation to publish their financial statements.

**17. We have stepped up efforts to close the gaps in Benin's AML/CFT framework, drawing from the recommendations of the Mutual Evaluation Report adopted in 2021.** Recent measures include the enactment of the law on the fight against money laundering, terrorist financing and the proliferation of weapons of destruction, and the conduct of sectoral assessments of money laundering and terrorist financing risks. To reduce the money laundering risks identified in the real estate sector we put in place in April 2024 a legal framework requiring the collection, verification, and publication of beneficial ownership information (BO) of landholders at the time of transfer of land (***structural benchmark for end-April 2024 – met***).<sup>1</sup> Relatedly, we will adopt, by end December 2024, an action plan for the operationalization of this decree, which will set deadlines for the collection and verification by notaries of the BO information.

## BUILDING RESILIENCE TO CLIMATE CHANGE.

**18. The climate reform agenda has been accelerated under the program supported by the Resilience and Sustainability Facility arrangement (Table 3).** We have amended the public investment management framework to include climate concern in the various stages of PIM and updated accordingly the public investment management manual (***reform measure 1 by end March 2024***).<sup>2</sup> We amended the 2024 budget law adopted by parliament to set the principle of considering community-identified climate priorities in the criteria for allocation of transfers to local authorities and assessed the implementation of this mechanism for the attributions of FADeC—Fund for Support for

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<sup>1</sup> [Loi N° 2024-01 du 20 février 2024 | Secrétariat général du Gouvernement du Bénin](#).

<sup>2</sup> [DECRET N° 2024-854 DU 27 MARS 2024 fixant le cadre général de gestion des investissements publics | Direction Générale du Budget - Bénin \(budgetbenin.bj\)](#)

Communal Development (**reform measure 7 by end-March 2024**).<sup>3</sup> We will accelerate the implementation of the roadmap, with the IMF support, for the implementation, by end-2024, of a methodology integrating climate vulnerabilities into key infrastructure maintenance policy, and 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 (**reform measure 2 by end-October 2025**).

**19. We are committed to gradually remove energy subsidies.** Following a recent IMF technical assistance mission on petroleum product pricing mechanisms, we will clarify the parameters of the comprehensive petroleum product reform (**reform measure 11 by end November 2024**) 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; 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 our specific hydrocarbon market, as well as the timing of its implementation; and iv) adopting and publishing an inter-ministerial decree introducing a transitional arrangement for closing the pump price gap starting in January 2025, prior to implementing a new formula-based periodic price adjustment mechanism before the submission of the 2026 budget in November 2025. In addition, we have launched a tariff study in the electricity sector to inform a comprehensive and progressive reform of electricity tariffs to fully remove electricity subsidies and reflect cost-recovery levels (**reform measure 13 by the end-January 2025**).

**20. We are counting on the technical support of development partners to ensure robust implementation of climate-related reform measures,** notably from the World Bank for social safety nets (**reform measure 8 by end October 2025 and reform measure 12 by end October 2024**) and national disaster risk management, the IMF for climate information architecture (**reform measure 15 by end May 2025**), the African Development Bank for climate finance (project pipeline and green finance facility), and the Swiss Cooperation for agricultural insurance (**reform measure 9 by end September 2025**).

## ACCELERATING STRUCTURAL REFORMS

### A. Promoting Economic Diversification

**21.** We will ensure that our industrialization policy is not distortive and in compliance with our revenue mobilisation strategy. We will 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 (**new Structural Benchmark for end February-2025**).

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<sup>3</sup> [Bénin-Loi de finances 2024.pdf \(impots.bj\)](#)

**22.** We will continue to move ahead with the modernization of the administration of public property and lands, through the digitalization of land titles requests, the full coverage of Cotonou by the property registry, and the establishment of a mechanism for systematically updating property transactions (**structural benchmark for end-April 2025**). As well, we will operationalize the 2023-27 National Financial Inclusion Strategy adopted in March 2023 by creating a permanent secretariat and specifying its composition and powers.

## B. Resilient Financial Sector

**23. We will increase our vigilance to strengthen the stability of the financial system, to keep pace with recent changes in our financial system and cope with regional shocks.** The role of the public financial sector has recently grown considerably, with the creation in 2020 of the Caisse de Dépôts et de Consignations (CDCB) and the public bank BIIC, which have recently become Benin's leading financial institutions in terms of financial assets. While appreciating their important contribution to the diversification of funding sources for public and private projects, we are committed to more vigilance in their monitoring, to prevent any financial and budgetary risks, notwithstanding their sound financial stability indicators. Against this background, the central bank will ensure that CDCB's banking activities are subject to banking regulations. Similarly, the financial transparency of BIIC and CDCB will be reinforced, notably through the publication of their financial statements and annual reports.

**24. In addition, a process is underway to bring the undercapitalized banks in compliance with prudential norms.** One of the banks has successfully completed its recapitalization since December 2022, with core capital in compliance with prudential rules. As for the second undercapitalized bank, the minimum regulatory capital was increased to reach FCFA 10 billion, following a modification of the shareholder structure. In its business plan, the bank also foresees an additional increase of 10 billion FCFA in two equal tranches of 5 billion FCFA in 2024 and 2025. The effectiveness of these actions should ultimately contribute to a return to compliance. The banking supervision mission has been strengthened, with particular attention paid to the three banks accounting for less than 6 percent of total banking sector's assets, who failed to meet the regulatory capital adequacy ratio. The Banking Commission is closely assessing scenarios to bring them in compliance with prudential norms.

## C. Modernizing Our Statistics System

**25. The availability of reliable data and their timely publication are essential for informing economic policy decisions.** Benin is committed to accelerating its adherence to the IMF's Special Data Dissemination Standard (SDDS), and to extending the requirements of this standard to all sectors. In fact, the National Summary Data Page (NSDP), accessible on the INStaD website, currently disseminates a set of priority indicators according to the standards of the enhanced General Data Dissemination System (e-GDDS). With SDDS membership, we aim to extend the production and publication timeliness requirements to four new indicator categories. The regular production and dissemination of all other National Statistical System (NSS) indicators, posted on the Open Data dissemination platform, will be strengthened through a series of actions, including: (i) the implementation of a National Quality Assurance Framework; (ii) the generalization of manuals of procedures and methodologies for statistical production to all NSS member structures; (iii) the reinforcement of human capacity resources at the statistical services of the ministries, (iv) the

digitization of all data collection processes from administrative sources within the ministerial statistical systems and (v) the implementation of an interconnection platform for the centralization of public statistics at INStaD.

**26. To this end, INStaD will help to step up the production of statistics in various key areas and improve their reliability and timeliness.** In the short term, these include particularly environmental and climate statistics, tourism, digital technology, employment, and labor market indicators. In the medium term, the statistical information systems of all sectors will benefit from structuring actions carried out under the technical supervision of INStaD, as well as from optimized funding for the intensification of their statistical production. These financial resources come from the Project of the Harmonization and Improvement of Statistics in West and Central Africa (PHASAOC), and the Program for Economic Governance and Service Delivery (PGEDS), both supported by the World Bank, as well as the Project for the Strengthening of Actors and Operationalization of the Ministries' Statistical Information System, under the Government's Action Program (2021-2026).

## PROGRAM MONITORING

**27. The program monitoring will be based on performance criteria (Table 1), structural benchmarks (Tables 2), and reform measures (Table 3).** The indicators and reporting requirements are defined in the attached Technical Memorandum of Understanding (TMU). The authorities will submit data and statistics to the IMF as set out in the TMU, as well as any other information that they consider useful or is requested by the IMF for program monitoring purposes. The authorities agree not to: (1) introduce or intensify restrictions on payments and transfers for current international transactions; (2) introduce or modify multiple currency practices; (3) enter into bilateral payment agreements that are inconsistent with Article VIII of the IMF Articles of Agreement; and (4) impose or intensify import restrictions for balance of payments reasons.

**28. The Fund-supported EFF/ECF and RSF programs will be monitored through joint semi-annual reviews by the IMF Executive Board.** The semi-annual reviews under the EFF/ECF will be based on the performance criteria at end-June and end-December, and on the indicative targets at end-March and end-September. New quantitative performance criteria and indicative targets are being proposed for December 2024, end-June and end-March 2025, respectively. The RSF reviews will be based on the evaluation of implementation of the reform measures set out in Table 3.

**Table 1. Benin: Proposed Quantitative Performance Criteria and Indicative Targets, 2023-25<sup>1</sup>**

	March 31, 2023			June 30, 2023			September 30, 2023			December 31, 2023			March 31, 2024			June 30, 2024			September 30, 2024			December 31, 2024			March 31, 2025			
	Indicative target (IT)			Performance Criteria (PC)			IT			PC			IT			PC			IT			PC			IT			
	Prog.	Actual	Status	Prog.	Adj.	Actual	Status	Prog.	Prel.	Status	Prog.	Adj.	Prel.	Status	Prog.	Prel.	Status	Prog.	Revised	Prog.	Revised	Prog.	Prog.	Prog.	Prog.	Prog.	Prog.	
<b>A. Quantitative performance criteria<sup>2</sup></b>																												
Basic primary balance (floor) <sup>3</sup>	3.8	115.7	Met	-1.6		52.1	Met	-97.6	-19.0	Met	-13.1	-38.1	41.0	Met	15.7	140.5	Met	22.2		90.9	...	114	...	43.2		82.7		
Net domestic financing (ceiling) <sup>4</sup>	130	118.3	Met	205	204	-18	Met	372	154.6	Met	348		52.0	Met	204	-300.3	Met	258.2		-173.3	...	-248.5	...	6		99		
<b>B. Continuous quantitative performance criteria (ceilings)</b>																												
Accumulation of external payments arrears	0.0	0.0	Met	0.0		0.0	Met	0.0	0.0	Met	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	Met	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 <sup>5</sup>	620	103	Met	620		555	Met	620	536	Met	620	635	621	Met	620	552	Met	620		620	1,055		620	1,055		620		620
<b>C. Indicative Targets<sup>2</sup></b>																												
Tax revenue (floor)	321.5	361.0	Met	694.5		745.2	Met	1,071.9	1,118.7	Met	1,480.0		1,537.9	Met	392.1	402.9	Met	816.6		1,220.5	...	1,711.4	...	443.1		923.0		
Priority social expenditure (floor) <sup>5</sup>	164	22.1	Met	50.9		55.7	Met	105.9	108.0	Met	170.1		175	Met	24.1	25.6	Met	55.5		114.4	...	185.1	...	25.5		58.8		

Sources: Beninese authorities; IMF staff estimates and projections.

<sup>1</sup>The terms in this table are defined in the Technical Memorandum of Understanding (TMU).<sup>2</sup>The performance criteria and indicative targets are cumulative from the beginning of the calendar year.<sup>3</sup>Total revenue (excluding grants) minus current primary expenditure and capital expenditure financed by domestic resources.<sup>4</sup>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-ratio, 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.<sup>5</sup>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.<sup>6</sup>The revised ceiling on the present value of new external debt contracted or guaranteed by the government will become effective on July 1, 2024.

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

Reform area	Structural benchmark	Due date	Status
<b>Public Financial Management</b>	Publish all the criteria for the appraisal and selection of major investment projects, along with feasibility studies.	End-December 2023	Met
<b>Transparency</b>	Establish and operationalize a committee within the audit 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	Newly proposed SB
<b>AML-CFT</b>	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
<b>Anti-corruption</b>	Operationalize the HCPC ( <i>Haut Commissariat à la Prévention de la Corruption</i> ) and strengthen its legal framework to ensure its independence and powers, in consultation with IMF staff	End-June 2024	On track
<b>Public Financial Management</b>	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	On track
<b>Business climate</b>	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	Newly proposed SB

**Table 3. Benin: RSF Reform Matrix**

	<b>Focus</b>	<b>Area</b>	<b>Reform Measure</b>	<b>Due date</b>	<b>Status</b>
<b>Pillar 1. Mainstreaming the climate agenda in policy making and PFM/PIM processes</b>					
<b>RM1</b>	<b>A, M</b>	<b>PIM Decree and Appraisal Methodology</b>	Government to amend the regulatory framework governing PIM (Decree 2021-586) 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
<b>RM2</b>	<b>A, M</b>	<b>Maintenance</b>	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	On track
<b>RM3</b>	<b>A, M</b>	<b>State-Owned Enterprises</b>	Government to adopt an implementation decree of Law 2020-20 on State Owned Enterprises to put in place an appropriate legal framework to integrate climate concerns and to relatively publish a first annual report on SOEs (in accordance with article 65 of Law 2020-20) including an analysis of (i) the contribution of SOEs strategies to climate adaptation and mitigation efforts, and (ii) the risks related to climate change affecting SOEs.	End-October 2025	
<b>RM4</b>	<b>A, M</b>	<b>Climate Budget Tagging</b>	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 the Ministry in charge of Environment and with counterparts in sectoral ministries.	End-October 2024	

**Table 3. Benin: RSF Reform Matrix (Continued)**

	<b>Focus</b>	<b>Key challenge</b>	<b>Reform Measure</b>	<b>Due date</b>	<b>Status</b>
<b>Pillar 2. Enhancing adaptation to climate change and strengthening population's resilience</b>					
<b>RM5</b>	<b>A</b>	<b>Water Resources</b>	(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 fulfil its mission; and (2) Realize a strategic groundwater assessment and have the National Water Council Supervise and validate this assessment.	End-April 2025	
<b>RM6</b>	<b>A</b>	<b>Water Tariffs in Urban Areas</b>	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	
<b>RM7</b>	<b>A</b>	<b>Local Government</b>	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
<b>RM8</b>	<b>A</b>	<b>Social protection</b>	Integrate information on climate risks into the Single Social Registry (RSU), in particular for municipalities identified as being at high risk of flooding.	End-October 2025	
<b>RM9</b>	<b>A, M</b>	<b>Agriculture</b>	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	
<b>RM10</b>	<b>A, M</b>	<b>Building codes</b>	Government to adopt in Council of Ministers a draft building code ( <i>projet de loi portant loi-cadre sur la construction et l'habitation</i> ) 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)**

	<b>Focus</b>	<b>Key challenge</b>	<b>Reform Measure</b>	<b>Due date</b>	<b>Status</b>
<b>Pillar 3. Supporting mitigation efforts</b>					
RM11	M	<b>Comprehensive fossil fuel subsidy reform</b>	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 submission of the 2026 budget in November 2025.	End-November 2024	on track
RM12	M	<b>Social protection in relation to fuel subsidy reform.</b>	i) Establish a compensatory mechanism to limit the effect of fuel subsidy reform on vulnerable groups using the Single 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	
RM13	M	<b>Electricity tariff reform</b>	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	<b>Support to renewable energy</b>	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	
<b>Pillar 4. Mobilizing private sector financing for climate change</b>					
RM15	A, M	<b>Mobilizing climate finance from the private sector</b>	Enhance the climate financial information architecture by adopting a 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).

<b>Table 1. Benin: Exchange Rates (End of Period, 2021)</b>	
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.
- b. 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.
- c. The present value of loans will be calculated using a single discount rate set at 5 percent.
- d. 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.<sup>1</sup> The spread of six-month Euro LIBOR over six-month USD SOFR is -50

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<sup>1</sup> 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 April 2024 World Economic Outlook (WEO).

basis points. The spread of six-month GBP SONIA over six-month USD SOFR is 50 basis points.

- e. 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.
- f. 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-June and end-December 2024 (PCs) and the balances at end-September 2024 and end-March and end-June 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

#### *Definitions*

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).

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-June and end-December 2024 (PCs) and the balances at end-September 2024 and end-March and end-June 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. As indicated in paragraph 4d, external debt excludes Treasury bills and bonds issued in CFA francs on the WAEMU regional market.

15. 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.

16. This performance criterion also covers government-guaranteed debt of local governments and all public enterprises, including administrative public agencies (EPA), scientific and technical public agencies, professional public agencies, and enterprises jointly owned by the Beninese government with the governments of other countries.

### ***Continuous Performance Criterion***

17. 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. Benin: Borrowing Plan in 2024**  
(Billions of CFA francs)

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

## INDICATIVE TARGETS

### A. Floor on Tax Revenue

#### *Definition*

18. 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.

19. The revenue will be calculated cumulatively from the beginning of the calendar year. Revenue collections at end-June, end-September, and end-December 2024, as well as end-March and end-June 2025 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

20. 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.

21. 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.

22. 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 3. Benin: Priority Social Spending Coverage**

<b>Agriculture</b>	<b>Education</b>	<b>Social Affairs</b>	<b>Health</b>	<b>Sanitation and nature protection</b>	<b>Energy</b>
<ul style="list-style-type: none"> <li>-National Agricultural Development Fund.</li> <li>-Food safety.</li> <li>-Control of fishery products exploitation standards.</li> <li>-Support for rural economic growth.</li> <li>-Support for agricultural productivity of small farms.</li> <li>-Support for agricultural diversification and food production;</li> <li>-Development of market gardening;</li> <li>-Development of agricultural infrastructure in grassroots communities;</li> <li>-Development of irrigated areas in rural areas.</li> <li>-Soil protection and rehabilitation.</li> <li>-Development of lowlands.</li> <li>-Strengthening storage capacities;</li> <li>-Food security and resilience building;</li> <li>-Nutrition.</li> </ul>	<ul style="list-style-type: none"> <li>-School canteen program;</li> <li>-Free schooling at the primary level;</li> <li>-Provision of school books;</li> <li>-Free schooling for girls in secondary school;</li> <li>-Scholarships for students in technical and vocational high schools and colleges;</li> <li>-Construction and equipment of educational infrastructures in the three levels of education;</li> <li>-University works (catering, transport, accommodation, etc.);</li> <li>-Scholarships and university assistance;</li> <li>-Support program for doctoral students;</li> <li>-Scholarships for the training of trainers;</li> <li>-Reinforcement of social infrastructures.</li> </ul>	<ul style="list-style-type: none"> <li>-Cash transfer to the household;</li> <li>-Micro-credits to the poorest for the promotion of income generating activities;</li> <li>-Support to national solidarity.</li> <li>-Promotion of the family.</li> <li>-Regulation and management of child adoption processes.</li> <li>-Promotion at the base.</li> <li>-Support for people with disabilities;</li> <li>-Capacity strengthening, training and learning center for people with disabilities;</li> <li>-Support for the elderly;</li> <li>-Social welfare.</li> </ul>	<ul style="list-style-type: none"> <li>-Vaccination and primary health care;</li> <li>-Blood transfusion;</li> <li>-Screening and treatment of diseases covered by the State*;</li> <li>-Construction and equipment of hospitals.</li> <li>-Development of traditional medicine and pharmacopoeia.</li> <li>-Reproductive health;</li> <li>-Health care for the indigent;</li> <li>-Community health;</li> </ul>	<ul style="list-style-type: none"> <li>-Modernization of the efficient waste collection system;</li> <li>-Storm water sanitation;</li> <li>-Protection against coastal erosion;</li> <li>-Social housing development;</li> <li>-Forest protection expenditures;</li> <li>-Incentives for reforestation;</li> <li>-Expenditures to promote the substitution of wood energy for domestic gas.</li> </ul>	<ul style="list-style-type: none"> <li>- Electrification of rural localities;</li> <li>- Development of renewable energy and energy efficiency;</li> <li>- Development of conventional energy;</li> <li>- Reinforcement and extension of electrical networks;</li> <li>- Biomass electricity;</li> <li>- Strengthening resilience to climate change impacts.</li> </ul>
<b>Sport</b>	<b>Security and civil protection</b>	<b>Infrastructure and Transportation</b>	<b>Water and mining</b>	<b>Justice</b>	<b>Employment</b>
<ul style="list-style-type: none"> <li>-Development of the practice of sport at the grassroots level;</li> <li>-Promotion of school and university sports;</li> <li>-Sports competitions;</li> <li>-Leisure and association life</li> </ul>	<ul style="list-style-type: none"> <li>-Disaster prevention and management.</li> <li>-Integrated management of border areas;</li> <li>-Maintenance and management of the population register</li> </ul>	<ul style="list-style-type: none"> <li>-Development of rural roads;</li> <li>-Small bridges and various works of crossing of lowlands and others</li> </ul>	<ul style="list-style-type: none"> <li>-Drinking water supply.</li> <li>-Water supply system.</li> <li>-Development of multifunctional hydraulic infrastructures</li> </ul>	<ul style="list-style-type: none"> <li>-Child and youth safeguarding expenses.</li> <li>-Food for prisoners.</li> <li>-Social reintegration of prisoners</li> </ul>	<ul style="list-style-type: none"> <li>-Various internship programs managed by the ANPE;</li> <li>-Training-entrepreneurship of young people</li> </ul>

\*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***

23. Priority Social spending at end-June, end-September, and end-December 2024, as well as end-March and end-June 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**

24. 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

25. 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 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.

26. 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.

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- RM6 (Water tariffication in urban areas): preparatory studies leading to the adoption of the new water tariffication mechanism.



# BENIN

June 14, 2024

## STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION, FOURTH REVIEW UNDER THE EXTENDED FUND FACILITY AND THE EXTENDED CREDIT FACILITY ARRANGEMENTS, FIRST REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY, AND REQUEST FOR MODIFICATION OF A QUANTITATIVE PERFORMANCE CRITERION—INFORMATIONAL ANNEX

Prepared By

The African Department  
(in Consultation with other Departments)

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# RELATIONS WITH THE FUND

(As of May 31, 2024)

**1. Membership Status:** Joined: July 10, 1963; [Article VIII](#)

<b>2. General Resources Account:</b>	<b>SDR Million</b>	<b>%Quota</b>
<u>Quota</u>	123.80	100.00
<u>IMF's Holdings of Currency (Holdings Rate)</u>	423.69	342.24
<u>Reserve Tranche Position</u>	18.44	14.89

<b>3. SDR Department:</b>	<b>SDR Million</b>	<b>%Allocation</b>
<u>Net cumulative allocation</u>	177.82	100.00
<u>Holdings</u>	141.65	79.66

<b>4. Outstanding Purchases and Loans:</b>	<b>SDR Million</b>	<b>%Quota</b>
Emergency Assistance <sup>1</sup>	72.22	58.34
Extended Arrangements	246.00	198.71
RCF Loans	41.26	33.33
ECF Arrangements	300.35	242.61

## 5. Latest Financial Commitments:

### Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RSF	Dec 14, 2023	Jan 07, 2026	148.56	0.00
EFF	Jul 08, 2022	Jan 07, 2026	322.71	246.00
ECF	Jul 08, 2022	Jan 07, 2026	161.35	123.00

### Outright Loans:

Type	Date of Commitment	Date Drawn/Expired	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RFI	Dec 21, 2020	Dec 23, 2020	82.54	82.54
RCF	Dec 21, 2020	Dec 23, 2020	41.26	41.26

<sup>1</sup> Emergency Assistance may include ENDA, EPCA, and RFI.

## 6. Overdue Obligations and Projected Payments to Fund<sup>2</sup>

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2024	2025	2026	2027	2028
Principal	43.15	67.97	45.74	72.63	94.91
Charges/Interest	9.42	16.55	14.42	13.70	12.08
Total	52.58	84.52	60.16	86.33	107.00

## 7. Implementation of HIPC Initiative:

	Enhanced Framework
- Commitment of HIPC assistance	
Decision point date	Jul 2000
Assistance committed	
by all creditors (US\$ Million) <sup>3</sup>	265.00
Of which: IMF assistance (US\$ million)	24.30
(SDR equivalent in millions)	18.40
Completion point date	Mar 2003
- Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	18.40
Interim assistance	11.04
Completion point balance	7.36
Additional disbursement of interest income <sup>4</sup>	1.66
<b>Total disbursements</b>	<b>20.06</b>

**Decision point** - point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

**Interim assistance** - amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

**Completion point** - point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

<sup>2</sup> When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

<sup>3</sup> Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

<sup>4</sup> Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

## **8. Implementation of Multilateral Debt Relief Initiative (MDRI):**

I.	MDRI-eligible debt (SDR Million) <sup>5</sup>	36.06
	Financed by: MDRI Trust	34.11
	Remaining HIPC resources	1.95
II.	Debt Relief by Facility (SDR Million)	

<u>Delivery Date</u>	<u>Eligible Debt</u>		
	<u>GRA</u>	<u>PRGT</u>	<u>Total</u>
January 2006	N/A	36.06	36.06

## **9. Implementation of Catastrophe Containment and Relief (CCR):**

Date of Catastrophe	Board Decision Date	Amount Committed (SDR million)	Amount Disbursed (SDR million)
N/A	Apr 13, 2020	7.43	7.43
N/A	Oct 02, 2020	6.37	6.37
N/A	Apr 01, 2021	5.31	5.31
N/A	Oct 06, 2021	2.12	2.12
N/A	Dec 15, 2021	2.12	2.12

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

## **10. Exchange Rate Arrangements:**

The de-jure and de facto exchange rate arrangements are a conventional peg. Benin is a member of the West African Economic and Monetary Union (WAEMU). The union's common currency, the CFA franc, is pegged to the Euro at a rate of CFAF 655.957 = EUR 1, consistent with the official conversions rate of the French franc to the Euro and the previous fixed rate of the CFA franc to the French franc of CFAF 100= F 1. As of June 1, 1996, Benin and other members of WEAMU accepted the obligations of Articles VIII, section 2(a), 3, and 4 of the IMF's Articles of Agreement. Benin maintains an exchange system free of multiple currency practices and restrictions on the making of payment and transfers for current international transactions.

## **11. Article IV Consultations:**

The last completed Article IV consultation was completed on July 8, 2022, based on staff discussions with the authorities in Cotonou during April 4-13.

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<sup>5</sup> The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

**12. ROSC Assessment:**

A Fiscal Affairs Department (FAD) mission conducted the fiscal module of a Report on Observance of Standards and Codes (ROSC) in May 2001. The mission recommended the adoption of a three-year action plan containing measures to improve expenditure management. The mission also identified a list of actions to be taken quickly to ensure that the authorities could monitor budget execution. The ROSC fiscal transparency module for Benin was circulated to the Board on June 6, 2002 (Country Report No. 02/217). In 2009, the World Bank conducted an Accounting and Auditing ROSC, for which the report was published on April 18, 2009.

**13. Resident Representative:**

Mr. Younes Zouhar assumed his position in Cotonou as Resident Representative in 2020.

## RELATIONS WITH THE WORLD BANK GROUP

**Benin and the World Bank Group**

<https://www.worldbank.org/en/country/benin>

**World Bank Projects**

[Projects \(worldbank.org\)](#)



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Approved By  
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Prepared by the staff of the International Monetary Fund (IMF) and the International Development Association (IDA)<sup>1</sup>

Benin – Joint Bank-Fund Debt Sustainability Analysis	
<b>Risk of external debt distress</b>	Moderate <sup>2</sup>
<b>Overall risk of debt distress</b>	Moderate
<b>Granularity in the risk rating</b>	Limited space to absorb shocks
<b>Application of judgment</b>	No

Benin remains at moderate risk of external and overall debt distress, unchanged from the previous DSA (January 2024). All projected external debt burden indicators remain below high-risk thresholds under the baseline scenario, apart from a temporary breach to the debt service-to-revenue ratio in 2024 due to Liability Management Operations (LMO). Despite the unchanged assessment, the recent Eurobond—partly substituting for costlier domestic financing in a context of tighter conditions on the regional security market—has further limited the space to absorb shocks. External debt burden indicators also 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.

<sup>1</sup> 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.

<sup>2</sup> 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.

*Sustained revenue mobilization efforts, along with continued prudent borrowing that prioritizes concessional terms, active debt management strategy and mainstreaming climate change into policymaking, would mitigate the risk of debt distress. In seeking the most cost-effective financing options, the authorities should also ensure that the financing mix does not leave debt overly exposed to external risk.*

## 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).<sup>2</sup>** 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 fairly comprehensive but does not include non-guaranteed SOE debt and the non-financial debts of other government entities.<sup>3</sup>** 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

<sup>2</sup> Debt on-lent to SOEs is also included as part of central government borrowing.

<sup>3</sup> 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.<sup>4</sup> 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.<sup>5</sup>

**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 captured in the debt stock based on end-2021 estimate.
3 SoE's debt (guaranteed and not guaranteed by the government) 1/ 4 PPP 5 Financial market (the default value of 5 percent of GDP is the minimum value)	2 percent of GDP 35 percent of PPP stock 5 percent of GDP	2.8 2.4 5	The stock of SOE's debt not captured in the central government sector is estimated at 2.8 percent of GDP at end-2023.
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 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).<sup>6</sup> Benin's debt policy and management score was rated at 4.5 out of 6 in the 2021 and 2022 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. Benin's public debt stabilized in 2023, after rising significantly with fiscal accommodation during 2019–22 (by 13 ppts of GDP).**<sup>7</sup> Gross public debt as a share of GDP

<sup>5</sup> 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).

<sup>6</sup> [Déclaration sur Les Risques Budgétaires, PLF 2024](#).

<sup>7</sup> Contingent liabilities have not materialized from these entities in recent years.

<sup>8</sup> 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.

remained nearly flat in 2023 (54.5 percent from 54.3 percent in 2022), despite strong revenue-based fiscal consolidation, due to preemptive issuances partly held as cautionary reserves. External debt further increased, as the authorities contracted a €350 million SDG-loan (about 2 percent of GDP)<sup>8</sup>. External debt increased in 2023, but less than projected at the Third Review stage, as some project disbursements did not materialize fully, reflected in the lower-than-projected outturns for externally financed capital expenditure.

**5. The authorities issued a Eurobond in 2024 amid tightening financial conditions on the regional market and declining BCEAO reserves (Box 1).** Given higher rates and shorter maturities on the regional market, Benin issued a 14-year \$750 million Eurobond (Moringa) in February 2024 at a 7.96 percent interest rate. The Eurobond was then swapped to Euro to reduce exchange rate risks, for a reduced interest rate of 6.4 percent. The issuance was about 6 times oversubscribed and favorably priced, with rates comparable to large EMs with better credit ratings. The authorities used \$250 million of the proceeds towards liability management operations in March (para 6). The remainder of the proceeds will finance the budget, as domestic financing conditions are expected to remain relatively tight for months ahead. Accordingly, the authorities cancelled their previously scheduled issuances on the regional security market for March and April and revised down their planned Treasury issuances by 80 percent. While timely, the large Eurobond (3.5 percent of GDP) has further increased external debt (estimated at 42.8 percent of GDP in 2024), limiting Benin's capacity to absorb further shocks.

**6. Proactive liability management from Eurobond proceeds has helped smooth out the public debt service profile and reduce costs.** The overall public debt service-to-revenue ratio is expected to decline to an average of 28.7 percent in 2024-28 (from 33 percent prior to the Eurobond issuance and the subsequent LMO), also helped by robust revenue performance. On the external side, debt service costs benefited from the repayment of 80 percent of a Eurobond repayment due in 2024–26, and 15 percent of a Eurobond repayment due in 2030-2032. In addition, the 2032 Eurobond repayment was repurchased at 85 percent of its price, generating cost savings of about \$17 million, while the early repayment schedule reduced interest payments for both Eurobonds by about \$28 million.

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<sup>9</sup>This DSA includes all debt service associated with these issuances.

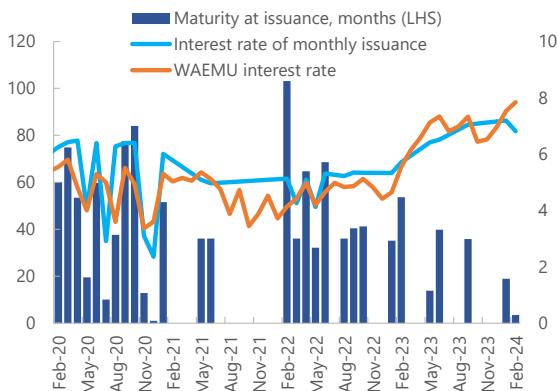
### Box 1. Benin: Financing Conditions on the WAEMU Regional Market

**Financing conditions are tighter in the WAEMU regional market.** Following a rate hike cycle of 150 bps, the BCEAO has kept policy rates unchanged since mid-December 2023. Interest rates have risen on the regional security market, with CFAF 431 billion in sovereign securities auctioned in February at an average maturity and interest rate of about 17 months and 7.8 percent, respectively (from 21 months and 6.5 percent in 2023). The average subscription rate has also dropped to 78 percent (from 95 percent last year).

**Although Benin's borrowing costs have been lower than for some other WAEMU members, the country has seen an increase in rates of its recent issuances.** At 6 percent, the weighted-average interest rate on Benin's entire debt stock remains high, albeit below the WAEMU average of 6.4 percent. As of end-February, Benin had issued 0.4 percent of GDP in 2024 at an average of 7 percent with a weighted-average maturity of 11 months (Figure 1). In 2023, issuances amounted to 2.7 percent of GDP, with an average interest rate of 6.3 percent and maturity of 3 years (against 5.2 percent and 6 years in 2022), with issuances totaling about 5 percent of GDP. Issuances have been fully subscribed except for a sharp drop in the subscription rate in February 2024 (Figure 2). While yield curves exhibit an upward sloping pattern at the aggregate level, Benin's curve shows no discernible pattern for the term structure of interest rates. The significant heterogeneity across WAEMU members in this regard reflects the relatively shallow and illiquid local financial markets, with limited activity in the secondary markets.<sup>1</sup>

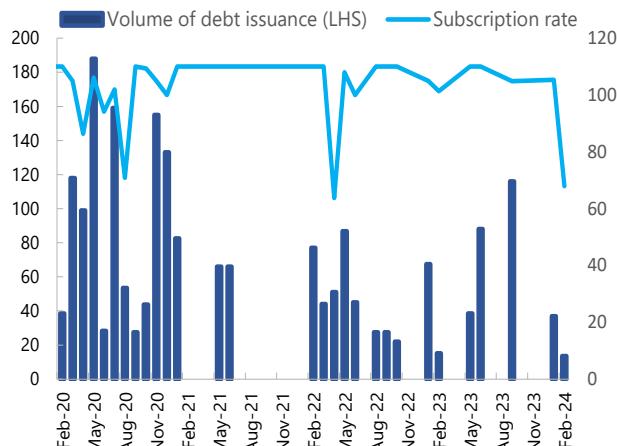
**Figure 1. Yields and Maturities on Debt Issuance, 2020-2024**

(Monthly Weighted Averages; Percent and Months)



Sources: UOMA-Titres and IMF staff calculations.

**Figure 2. Volumes of Issuances and Subscription Rate, 2020-2024 (Billions of CFAF and Percent)**



Sources: UOMA-Titres and IMF staff calculations.

<sup>1</sup>/IMF, 2023, "The WAEMU Regional Market for Government Debt in a Period of Tightening Financial Conditions" (West African Economic and Monetary Union: Selected Issues), IMF Country Report No. 23/103.

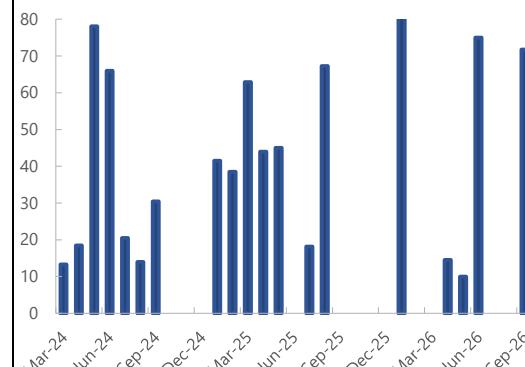
### Box 1. Benin: Financing Conditions on the WAEMU Regional Market (Concluded)

**Short-term rollover needs for Benin in the regional security market seem manageable (Figure 3).** In the near term, rollover needs are not large, and medium-term rollover needs are expected to peak in January 2026 at 0.6 percent of GDP. The authorities have sought to mitigate rollover risks on the regional security market through proactive debt management such as liability issuances throughout 2022 and by issuing at longer maturities (Benin's 2022 issuance of CFAF 150 billion in two tranches of 15 and 20 years marked the first 20-year issuance on the regional market and cemented the country's position as a market front-runner).<sup>2</sup>

**However, constrained market access for large WAEMU sovereign could complicate rollover.** About one third of all debt in the domestic market is coming due in the next two years, with Benin's share of WAMEU-wide debt coming to maturity peaking at 73 percent in May 2025. Given high external risk premia currently paid by WAEMU members with access to international capital markets (i.e., Benin, Senegal, Cote d'Ivoire), liquidity could be constrained in case the larger sovereigns (particularly Cote d'Ivoire) decide to borrow regionally rather than externally at the same time.

<sup>2/</sup> IMF, 2022, Benin: 2022 Article IV Consultation Staff Report (Annex VI: Benin's Access to Capital Markets), *IMF Country Report No. 22/245*.

**Figure 3. Scheduled Monthly Debt Redemptions, 2024-2026**  
(Billions of CFAF)



Sources: UOMA-Titres and IMF staff calculations.

**Table 1. Benin: Decomposition of Public Debt and Debt Service by Creditor, 2023–25<sup>1</sup>**

	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)	(Percent GDP)	(Percent GDP)	(Percent GDP)	
<b>Total</b>	10819	100	54.5	1586	1335	1202	8.0	6.3	5.2
<b>External</b>	7616.5	70.4	38.4	453	662	453	2.3	3.1	2.0
Multilateral creditors <sup>2</sup>	4160	38.4	21.0	136	195	229	0.7	0.9	1.0
IMF	885	8.2	4.5						3.1
World Bank	1839	17.0	9.3						
ADB/AfDB/IADB	544	5.0	2.7						
Other Multilaterals	892	8.2	4.5						
Arab Bank for Economic Development	60	0.6	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	32	20	28	0.2	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	17	22	0.3	0.1	0.1
China	244	2.3	1.2						
India	15	0.1	0.1						
Kuwait	35	0.3	0.2						
Saudi Arabia	44	0.4	0.2						
Bonds	1828	16.9	9.2	97	364	100	0.5	1.7	0.4
Commercial creditors	1071	9.9	5.4	151	82	96	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						
Deutsche 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						
<b>Domestic<sup>3</sup></b>	3202	29.6	16.1	1134	673	749	5.7	3.2	3.2
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	29.1	15.9						
Loans <sup>4</sup>	51	0.5	0.3						
<b>Memo items:</b>									
Collateralized debt	0		0.0						
Contingent liabilities	574		2.9						
o/w: Public guarantees	9		0.0						
o/w: Other explicit contingent liabilities <sup>5</sup>	565		2.8						
Nominal GDP			19838	19838	21259	23055			

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 available 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 commercial 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

## B. Macroeconomic Assumptions

**7. Macroeconomic assumptions underlying the DSA projections are consistent with the Fourth EFF/ECF Review baseline, with some changes from the previous DSA (January 2024)** (Text Table 4). Compared with the previous DSA, the baseline incorporates upgrades in growth projections for the near term, reflecting a more resilient economy than anticipated. Following robust growth in 2023 (6.4 percent), momentum will continue, driven by infrastructure projects and private investment, including related to the Special Economic Zone (SEZ). The main assumptions are as follows:

- **Real GDP Growth.** Growth proved resilient in 2023 (6.4 percent of GDP versus previous projections of 5.6 percent at the Third Review), as strong outturns in agroindustry, construction, and trade in the year offset the adverse effect of the closure of the Niger border. Resilience was supported by the diversification in the agroindustry sector (the expansion of varieties of cash crops offset disruptions in cotton production from floods and extreme heat), and by a strong services sector (retail trade and tourism). Growth in 2024 and 2025 was revised up to 6.5 (from 6 percent), supported by the expected resumption of transit activity following the re-opening of the border with Niger, the ongoing expansion of agroindustry and construction, and continued infrastructure projects and private investment related to the SEZ. These factors will continue to support economic activity in the medium term. Exports have also been revised upward, reflecting the diversification of cash crops and ongoing expansion of the SEZ. Forecasts for medium term growth<sup>9</sup> are expected to remain 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 2.8 percent, from 3 percent at the Third Review), reflecting the dampening effect of declining food and housing prices, and negative base effects from the price of smuggled gasoline following their spike in June 2023 after Nigeria announced its decision to phase out fuel subsidies. As a result, the GDP deflator is slightly lower over the medium-term, averaging 2.2 percent over 2024-29 compared with 2.4 percent in the previous DSA. The GDP deflator is expected to converge around 2 percent over the long term.
- **Primary fiscal balance.** The primary balance (including grants) narrowed slightly to -2.5 percent of GDP (versus previous projections of -2.8 percent) in 2023, reflecting strong tax collection and restraint in current expenditure. It is projected to reach -1.9 percent of GDP in 2024, underpinned by continued revenue mobilization and moderation in capital expenditure growth, but with higher interest payments. In line with the current WAEMU-wide stance, the baseline continues to assume that the overall fiscal deficit would converge to the regional fiscal norm of 3 percent of GDP in 2025.

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<sup>9</sup> Potential growth is unchanged from the 3<sup>rd</sup> Review EFF/ECF and embeds the climate assumptions of the 3<sup>rd</sup> Review's Debt Sustainability Analysis, that are informed by the scenario analysis of the World Bank Climate Country and Development Report (CCDR).

- **Revenues and grants.** Revenues and grants for 2024 at 15.2 percent of GDP, unchanged to the previous DSA, owing partly to strong revenue mobilization in 2023. While part of the tax-overperformance in 2023 was driven by temporary factors (e.g., arrears collection) and may not carry over into the 2024 tax base, tax effort is expected to remain strong in 2024. Over the medium term, revenue mobilization will be underpinned by the new 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 will be unchanged in the near-term at 18.9 percent of GDP in 2024, reflecting Benin's large development needs.
- **Fiscal adjustment.** The baseline overall deficit is now projected at 3.7 percent of GDP in 2024, in line with the previous DSA, due to frontloading in 2023 (1.4 ppts of GDP in fiscal consolidation as opposed to the programmed 1ppt).
- **Current account deficit.** The current account deficit is expected to widen to 6 percent of GDP in 2024 (versus 5.4 in the previous DSA), due to investment-related imports, with improvements are expected in the near-term as exports increase further. The deficit is expected to be financed by FDI and external borrowing. The current account deficit is expected to improve over the medium term, hovering close to 4-5 percent of GDP, supported by fiscal consolidation. Export assumptions in this DSA have been revised upward to account for extensive ongoing reforms to boost competitiveness including the completion of far-reaching projects under the national development plan (PAG-II) like the expansion of the Port of Cotonou, and the Special Economic Zone (SEZ), which should help raise exports in the long term.

**8. Consistent with the authorities' borrowing plan, the DSA continues to assume that the authorities will continue to maintain a prudent borrowing strategy, maximizing concessional resources to the extent possible, while also accounting for the recent increase in market issuances and updated multilateral financing (Text Table 5).** Budget support exceeded expectations in 2023 and is expected to remain significant in 2024, with multilateral and concessional financing making a large share of external borrowing. Projections of grant-equivalent financing have been revised downward, as they are expected to decline on average 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.<sup>10</sup> A US\$54 million Cat-DDO operation has

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<sup>10</sup> 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,

(continued)

also been approved for disbursement, to boost efforts to enhance resilience to climate change, as also supported by the Resilience and Sustainability Facility (RSF).

- *Bilateral and commercial financing.* Financing assumptions for bilateral and commercial financing have been updated based on the authorities' borrowing plan and the 2024 debt strategy, which considering disbursements for project financing anticipates financing at longer maturities and some commercial financing.

**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 <sup>1</sup>	6.3	5.6	6.0	6.0	6.0	5.9	6.0	5.9	5.7
GDP Deflator (percent)									
Current DSA	4.1	3.4	2.0	2.0	2.0	2.0	2.0	2.2	2.0
Previous DSA	4.1	3.3	2.8	2.0	2.0	2.0	2.0	2.4	2.0
Current account deficit (percent GDP)									
Current DSA	-6.1	-5.9	-6.0	-6.0	-4.6	-4.5	-4.4	-5.2	-4.3
Previous DSA	-6.2	-5.8	-5.4	-4.9	-4.8	-4.3	-4.2	-5.9	-3.4
Exports (percent GDP)									
Current DSA	24.5	23.2	24.6	25.0	25.3	25.6	25.9	24.9	26.4
Previous DSA	23.9	22.1	22.1	21.9	21.8	21.8	21.9	21.9	22.9
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	-2.8	-2.1	-1.4	-1.5	-1.5	-1.5	-1.8	-1.4
Revenue and grants (percent GDP)									
Current DSA	14.3	15.0	15.2	15.7	16.1	16.5	16.9	15.9	18.9
Previous DSA	14.3	14.9	15.2	15.7	16.0	16.5	16.9	15.9	19.3
Total expenditure (percent GDP)									
Current DSA	19.8	19.2	18.9	18.6	19.0	19.4	19.8	19.1	21.7
Previous DSA	19.8	19.3	18.9	18.6	18.9	19.4	19.8	19.2	22.1
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	-4.5	-3.7	-2.9	-2.9	-2.9	-2.9	-3.3	-2.9

<sup>1</sup>/January 2024 Third EFF/ECF Review.

Source: IMF staff estimates and projections

- *Market financing.* Given the authorities' access to international capital markets, the DSA continues to assume such access. Given the Eurobond issuance in February, the framework now assumes that the 15-year US\$350 million SDG bond issuance will take place in 2026 (instead of 2025) and 2027 on terms similar to SDG financing in 2023.<sup>11</sup> In the long term, it is assumed that international market issuances would average 1 ppt of GDP in the outer years with terms evenly

including the assumption that a portion of the allocation will be in the form of shorter (12-year) maturity loans during FY23-25.

<sup>11</sup> 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).

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.* Given the recent Eurobond issuance and currently tight regional financing conditions (Box 1), the framework assumes that almost all public gross financing needs will be externally financed in 2024, as the authorities plan to use the remaining Eurobond proceeds to substitute domestic financing. Reflecting higher regional financing costs, domestic financing will remain below its historical average in the medium term but will start picking up from 2028 as Benin over the long term is expected to rely more on domestic sources of financing as the domestic debt market deepens, as part of its medium-term debt strategy.<sup>12</sup>

**9. Public debt is projected to decline over the medium to long term as a result of prudent fiscal policy and steady growth.** Debt is expected to be around 54 percent of GDP at end-2024, reflecting fiscal policy accommodation during crisis episodes, including the protracted COVID-19 pandemic, the war in Ukraine, as well as mitigation spending on security risks. Public debt is projected to decline to 46 percent by 2033 as fiscal deficits are contained and growth converges to its potential. The debt trajectory is predicated on the authorities implementing a revenue-based fiscal consolidation to ensure convergence to WAEMU regional fiscal norms.

**Text Table 4. Benin: Fourth 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
<b>By sources of debt financing</b>	<b>1,479.7</b>	<b>101</b>	<b>1054.7</b>	<b>100</b>
<b>Concessional debt, of which</b>	<b>904.3</b>	<b>61</b>	<b>509.0</b>	<b>48</b>
Multilateral debt	759.6	51	420.5	40
Bilateral debt	144.7	10	88.5	8
<b>Non-concessional debt, of which</b>	<b>575.4</b>	<b>39</b>	<b>545.7</b>	<b>52</b>
Semi-concessional	140.2	10	110.5	11
Commercial terms	435.2	29	435.2	41

Source: Beninese authorities.

<sup>12</sup> 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.

**10. Macro-fiscal projections are realistic (Figures 3-4).** The three-year primary adjustment falls at the top quartile for past adjustments in LICs with IMF-supported programs, which 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's frontloaded fiscal consolidation in 2023 will allow for a small fiscal adjustment in 2024 (the overall deficit is expected to decline from -4.1 to -3.7 percent of GDP). Ongoing efforts in domestic revenue mobilization will protect social spending and public investment. The ongoing efforts for agriculture diversification and to generate 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 previous DSA as is the modest contribution of public investment to growth. While unexpected changes in public debt have been large over the last 5-years, these can be explained by significant shocks during the sample period including the 2019 Nigeria border closure, COVID-19, and the war in Ukraine, which increased import prices and aggravated food insecurity. These have been largely driven by the primary deficit and other debt creating flows. 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. Given the unanticipated tightening in regional financing conditions, domestic financing will be substituted with less costly external financing from the recent Eurobond issuance. External debt therefore increases in the short term, but ultimately with a more manageable debt service profile, as illustrated by the large residual component of unexpected changes in external debt.

**11. The balance of risks to the outlook is mixed.** Spillovers from regional political situation, compounded by elevated global uncertainty, could further disrupt trade, undermine investor confidence, and increase prices. Further tightening of liquidity conditions on the regional security market could complicate medium-term rollover, while a global risk-off episode could tighten external financing conditions. Though a large share Benin's external debt is swapped to Euro, global shocks could increase exchange rate and rollover risks, given underdeveloped reserves amid a still-narrow export base. Moreover, Benin remains susceptible to natural disasters and acute and chronic climate change risks. At the same time, upside risks stem from the sustained expansion of the Port of Cotonou and the orderly development of the Special Economic Zone (SEZ), which would boost FDI and income, and strengthen Benin's external position.

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

**12. Benin's debt carrying capacity continues to be classified as medium.** Based on a calculation of a composite indicator reflecting factors such as the 2022 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 8). 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 9).

**Text Table 5. 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	6.056	0.16	6%
Import coverage of reserves (in percent)	4.052	39.591	1.60	54%
Import coverage of reserves <sup>a2</sup> (in percent)	-3.990	15.674	-0.63	-21%
Remittances (in percent)	2.022	0.933	0.02	1%
World economic growth (in percent)	13.520	2.889	0.39	13%
<b>CI Score</b>			<b>2.98</b>	<b>100%</b>
<b>CI rating</b>			<b>Medium</b>	

**Text Table 6. 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
<b>TOTAL public debt benchmark</b>	<b>Weak</b>	<b>Medium</b>	<b>Strong</b>
PV of total public debt in percent of GDP	35	55	70

**13. Given Benin's high vulnerability to natural disasters and climate change<sup>13</sup> (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 \$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 indicates the importance of continued reforms for climate adaptation.

<sup>13</sup> 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.

# DEBT SUSTAINABILITY RESULTS

## A. External Debt Sustainability

**14. All external debt burden indicators are below their policy-dependent thresholds in the baseline apart from a one-off breach in the debt-service to revenue ratio in 2024, caused by liability management operations (Table 1, Figure 1).** The authorities' proactive LMO approach in 2024 contributed to a reduction in principal payments in 2024–26. This mitigated breaches in the debt service-to-exports ratio over the debt service profile and circumvented a breach in the debt-service-to-revenue ratio in 2030 when a large Eurobond repayment is due. However, the debt servicing undertaken in 2024 was sizeable enough (about 1.3 percent of 2023 GDP) to cause a temporary breach in 2024 in the debt service-to-revenue ratio, but it unwinds immediately in 2025. Meanwhile, the PV of total PPG external debt to GDP remains well below the threshold throughout the projection period, averaging 30 percent of GDP in 2024–28 and gradually declining in 2029.<sup>14</sup> 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 when large Eurobond repayments are falling due. 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 vulnerability to shocks, particularly those related to exports.** 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 and highlight rollover risks in case exports come under pressure. Although the historical scenario is relatively more severe than the baseline, the calibration period of 2013–2022 captures particularly severe periods 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. Comparable to 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.

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<sup>14</sup> 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.

**17. The market-financing module suggests that market risks are moderate (Figure 6).**

Although EMBI spreads are above the benchmark, reflecting the recent global financial market volatility, gross financing needs remain well below the respective benchmark, and potential for heightened liquidity needs is moderate. 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 by design does not incorporate possible liability management operations that would help manage these risks).

## B. Total Public Debt Sustainability

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

**19. 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.

## RISK RATING AND VULNERABILITIES

**20. This DSA finds that Benin remains at moderate risk of external and overall debt distress, unchanged from the previous DSA.** Although external debt indicators have increased more due to increased reliance on external borrowing that provides more favorable terms than the regional market, they remain below their high-risk thresholds and benchmarks in the baseline, apart from a temporary breach induced in 2024 by a 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. Lower than expected revenues or exports, including from policy implementation lags that mobilize revenue, or in case efforts to boost competitiveness take time to materialize, alongside shifts in market sentiment that tighten external conditions, would increase borrowing and rollover costs, and heighten debt risks.

**21. Sustained domestic revenue mobilization, along with a prudent borrowing and continued proactive debt management strategy, are key for mitigating the risk of debt distress.** As highlighted by the granularity assessment, Benin has limited space to absorb shocks owing to the narrow space between the debt service ratios and high-risk thresholds in years where large Eurobond bullet repayments are due. Continuing proactive liability management to facilitate the rollover of these payments, maximizing concessional borrowing, and implementing measures to bring tax revenues closer to Benin's potential will help mitigate risks to debt distress. The authorities should also continue to leverage their existing SDG bond framework to access financing, including

climate-related, on more favorable terms while ensuring a manageable external and domestic financing mix.

### **Authorities' Views**

**22. The authorities agree with the overall assessment that Benin remains at a moderate risk of debt distress,** supported by their active management strategy and their ongoing reforms to expand their revenue and export base. They argued that the liability management operation should be treated as a debt-reducing flow as opposed to the DSA treating it as an early debt service repayment that causes a breach in the debt service-to-revenue ratio in 2024. The authorities emphasized that they will continue to seek lowest cost financing possible in their debt management strategy. They are also of the view that currency risk from external borrowing is limited, given that it is largely held in euros (to which the CFA is pegged). The authorities concurred on the importance of recalibrating debt towards a more balanced mix and noted their ongoing efforts to develop a medium-term strategy that gradually increases the share of domestic debt in total debt. However, they also pointed to challenges on the regional security market that may delay progress towards that objective.

**Table 1. Benin: External Debt Sustainability Framework, Baseline Scenario, 2021–2044**  
 (In Percent of GDP, Unless Otherwise Indicated)

	Actual			Projections								Average 8/		Definition of external/domestic debt	Currency-based
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections		
	36.8	37.6	38.4	42.8	42.6	42.6	42.3	41.3	39.9	35.9	26.0	24.8	39.9		
External debt (nominal) 1/ of which: public and publicly guaranteed (PPG)	36.8	37.6	38.4	42.8	42.6	42.6	42.3	41.3	39.9	35.9	26.0	24.8	39.9	Is there a material difference between the two criteria?  Yes	
Change in external debt	8.4	0.8	0.8	4.4	-0.2	0.0	-0.3	-0.9	-1.4	-0.7	-1.2	24.8	39.9		
Identified net debt-creating flows	2.6	8.5	3.2	5.3	5.0	3.9	3.9	3.9	4.1	4.4	-1.3	5.0	4.3		
Non-interest current account deficit	3.4	5.4	5.2	5.0	4.8	3.4	3.3	3.2	3.3	3.2	-0.9	4.2	3.6		
Deficit in balance of goods and services	4.4	6.0	6.2	6.4	6.4	5.1	5.1	5.1	5.2	5.0	0.0	5.5	5.3		
Exports	23.5	24.5	23.2	24.6	25.0	25.3	25.6	25.9	26.2	26.5	0.0				
Imports	27.8	30.4	29.3	31.1	31.4	30.4	30.7	31.0	31.3	31.5	0.0				
Net current transfers (negative = inflow) of which: official	-1.3	-0.9	-1.0	-1.2	-1.2	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	-1.5	-1.3		
Other current account flows (negative = net inflow)	0.3	0.3	0.0	-0.2	-0.4	-0.4	-0.5	-0.6	-0.6	-0.5	0.4	0.2	-0.5		
Net FDI (negative = inflow)	1.7	1.9	1.6	1.6	1.6	1.7	1.8	1.9	1.9	2.2	0.0	1.5	1.9		
Endogenous debt dynamics 2/	-2.5	1.3	-3.6	-1.3	-1.4	-1.2	-1.2	-1.1	-1.1	-1.0	-0.4				
Contribution from nominal interest rate	0.7	0.8	0.7	1.0	1.2	1.2	1.2	1.2	1.2	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	-1.3				
Contribution from price and exchange rate changes	-1.5	2.9	-2.2	...	...	...	...	...	...	...	...				
Residual 3/	5.8	-7.8	-2.4	-0.9	-5.2	-3.9	-4.2	-4.9	-5.5	-5.2	0.2	-2.4	-4.5		
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Sustainability indicators															
PV of PPG external debt-to-GDP ratio	...	...	24.6	28.9	29.2	30.1	30.5	30.1	29.4	27.7	22.3				
PV of PPG external debt-to-exports ratio	...	...	106.4	117.2	116.8	118.8	119.2	116.3	112.4	104.5	...				
PPG debt service-to-exports ratio	8.7	8.5	7.9	12.6	9.4	9.6	10.6	10.1	9.9	8.7	...				
PPG debt service-to-revenue ratio	15.5	15.0	12.9	21.2	15.5	15.8	17.0	16.0	15.5	12.5	...				
Gross external financing need (Billion of U.S. dollars)	1.3	1.6	1.7	2.1	2.0	1.9	2.1	2.2	2.5	3.6	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	5.9	5.3	5.4	6.1			
GDP deflator in US dollar terms (change in percent)	5.4	-7.3	6.1	1.7	1.6	1.9	1.9	1.8	2.0	2.0	-0.5	1.9			
Effective interest rate (percent) 4/	3.0	2.0	2.0	2.7	2.9	3.0	3.1	3.1	3.0	3.0	3.6	1.9	3.0		
Growth of exports of G&S (US dollar terms, in percent)	18.6	2.6	6.8	15.3	9.6	9.7	9.3	9.4	9.1	8.0	-100.0	6.7	9.4		
Growth of imports of G&S (US dollar terms, in percent)	25.1	7.7	8.7	14.9	9.2	4.9	9.1	9.2	9.0	8.0	-100.0	6.4	8.8		
Grant element of new public sector borrowing (in percent)	...	...	...	19.0	33.8	21.0	26.8	32.6	32.1	25.6	10.8	...	25.7		
Government revenues (excluding grants, in percent of GDP)	13.2	13.8	14.3	14.6	15.1	15.4	15.9	16.3	16.7	18.4	20.6	12.7	16.6		
Aid flows (in Billion of US dollars) 5/	0.2	0.1	0.2	0.7	0.7	0.7	0.7	0.7	0.5	0.5	0.5	...			
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	2.5	2.1	1.6	1.7	1.7	1.5	1.4	0.7	...	1.7		
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	24.4	42.2	30.8	34.8	41.3	42.1	36.2	31.2	...	34.7		
Nominal GDP (Billion of US dollars)	18	17	20	21	23	25	27	29	31	46	96	...			
Nominal dollar GDP growth	12.9	-1.5	12.8	8.3	8.2	8.2	8.2	8.0	7.9	8.0	7.4	5.0	8.1		
Memorandum items:															
PV of external debt 7/	...	...	24.6	28.9	29.2	30.1	30.5	30.1	29.4	27.7	22.3				
In percent of exports	...	...	106.4	117.2	116.8	118.8	119.2	116.3	112.4	104.5	...				
Total external debt service-to-exports ratio	8.7	8.5	7.9	12.6	9.4	9.6	10.6	10.1	9.9	8.7	...				
PV of PPG external debt (in Billion of US dollars)	...	...	4.9	6.2	6.7	7.5	8.2	8.8	9.3	12.8	21.5				
(Pvt-Pvt-1)/GDPt-1 (in percent)	...	...	6.7	2.7	3.4	2.9	2.0	1.6	1.7	0.9	...				
Non-interest current account deficit that stabilizes debt ratio	-5.0	4.6	4.4	0.6	5.0	3.4	3.6	4.1	4.7	3.9	0.3				

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as  $[r - g - p(1+g)]/(1+g+p+gp)$  times previous period debt ratio, with  $r$  = nominal interest rate;  $g$  = real GDP growth rate, and  $p$  = 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.

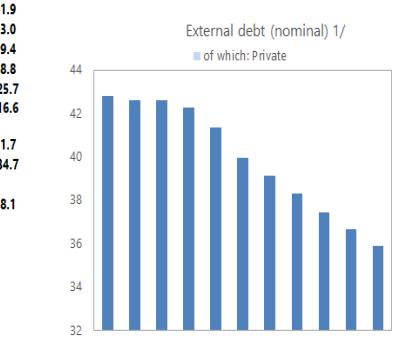
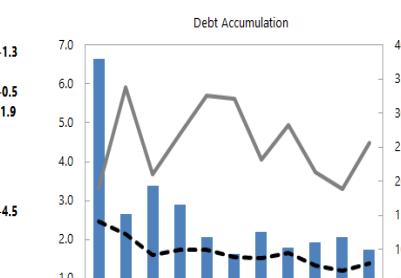
4/ Current-year interest payments divided by previous period debt stock.

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.



	Actual											Projections		Average 6/		Historical	Projections	Definition of external/domestic debt	Currency-based
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034				
Public sector debt 1/ of which: external debt	46.1 28.4	50.3 36.8	54.2 37.6	54.5 38.4	53.9 13.5	52.5 16.6	51.3 16.1	50.2 11.1	49.3 9.8	48.5 8.7	45.2 7.9	43.7 8.0	41.6 8.5	40.9 9.3	43.7 17.7	41.6 24.8	48.9 39.9	Definition of external/domestic debt	Currency-based
Change in public sector debt	4.9	4.1	3.9	0.4	-0.7	-1.4	-1.2	-1.1	-0.9	-0.8	-0.5	-0.5	2.4	-0.9					
Identified debt-creating flows	1.4	3.9	7.1	-1.1	-1.0	-1.4	-1.2	-1.1	-0.9	-0.8	-0.5	0.9	2.5	1.3					
Primary deficit	2.7	3.5	3.9	2.5	1.9	1.2	1.2	1.2	1.2	1.3	1.3	2.0	13.5	17.2					
Revenue and grants	14.4	14.1	14.3	15.0	15.2	15.7	16.1	16.5	16.9	17.3	19.0	21.2							
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	17.6	18.1	18.5	20.3	23.2							
Automatic debt dynamics	-3.3	0.5	-0.2	-3.6	-2.7	-2.7	-2.3	-2.2	-2.1	-2.1	-1.8	-1.1							
Contribution from interest rate/growth differential	-0.9	-2.0	-2.9	-2.9	-2.7	-2.7	-2.3	-2.2	-2.1	-2.1	-1.8	-1.1							
of which: contribution from average real interest rate	0.7	1.1	0.0	0.4	0.6	0.6	0.7	0.7	0.7	0.7	0.7	1.1							
of which: contribution from real GDP growth	-1.5	-3.1	-3.0	-3.2	-3.3	-3.3	-3.1	-3.0	-2.8	-2.8	-2.5	-2.2							
Contribution from real exchange rate depreciation	-2.4	2.5	2.7	-0.7	...	...	...	...	...	...	...	...							
Other identified debt-creating flows	1.9	-0.1	3.4	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	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	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0							
Residual	3.5	0.3	-3.2	1.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0					
Sustainability indicators																			
PV of public debt-to-GDP ratio 2/	...	...	...	40.6	39.8	38.7	38.4	38.0	37.7	37.5	36.6	39.7							
PV of public debt-to-revenue and grants ratio	...	...	...	269.9	260.7	246.3	239.3	231.0	223.6	217.4	192.9	187.3							
Debt service-to-revenue and grants ratio 3/	42.5	76.7	60.7	50.5	41.0	34.4	31.3	28.4	26.1	22.1	22.9	28.0							
Gross financing need 4/	10.8	14.2	16.0	10.1	8.0	6.6	6.2	5.9	5.6	5.1	5.6	7.9							
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	3.1	3.0	3.0	3.0	3.5	1.9	2.9					
Average real interest rate on domestic debt (in percent)	3.5	7.2	8.7	7.0	3.4	3.1	3.4	3.7	4.0	4.2	4.7	4.9	5.5	4.1					
Real exchange rate depreciation (in percent, + indicates depreciation)	-9.8	9.4	8.0	-2.1	...	...	...	...	...	...	...	...	3.6	...					
Inflation rate (GDP deflator, in percent)	2.9	1.6	4.1	3.4	2.0	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	4.0	5.0	8.3	8.6	8.7	8.6	7.5	16.3	8.4	7.5					
Primary deficit that stabilizes the debt-to-GDP ratio 5/	...	-0.7	0.0	2.2	2.6	2.6	2.4	2.3	2.1	2.1	1.8	1.0	0.5	2.2					
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							

Sources: Country authorities; and staff estimates and projections.

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

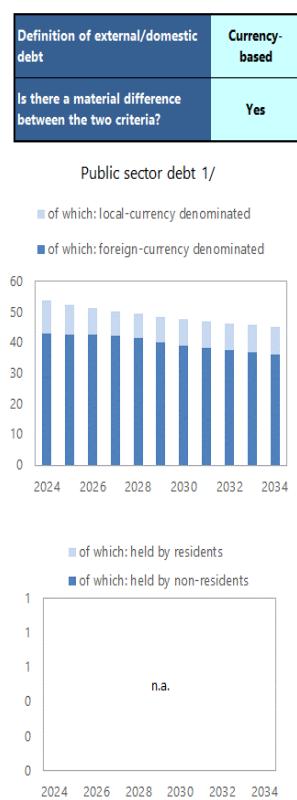
2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

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

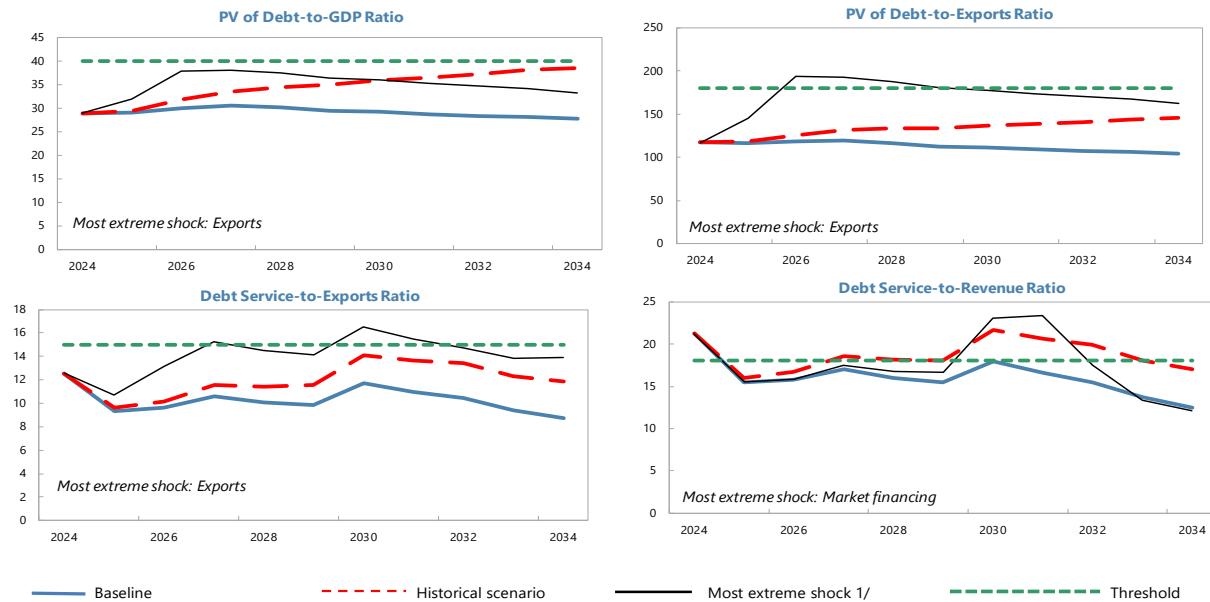
4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

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

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



**Figure 1. Benin: Indicators of Public Guaranteed External Debt Under Alternatives Scenarios, 2024–2034<sup>2</sup>**



Customization of Default Settings		Borrowing assumptions on additional financing needs resulting from the stress tests*	
		Default	User defined
<b>Shares of marginal debt</b>			
External PPG MLT debt		100%	
<b>Terms of marginal debt</b>			
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	

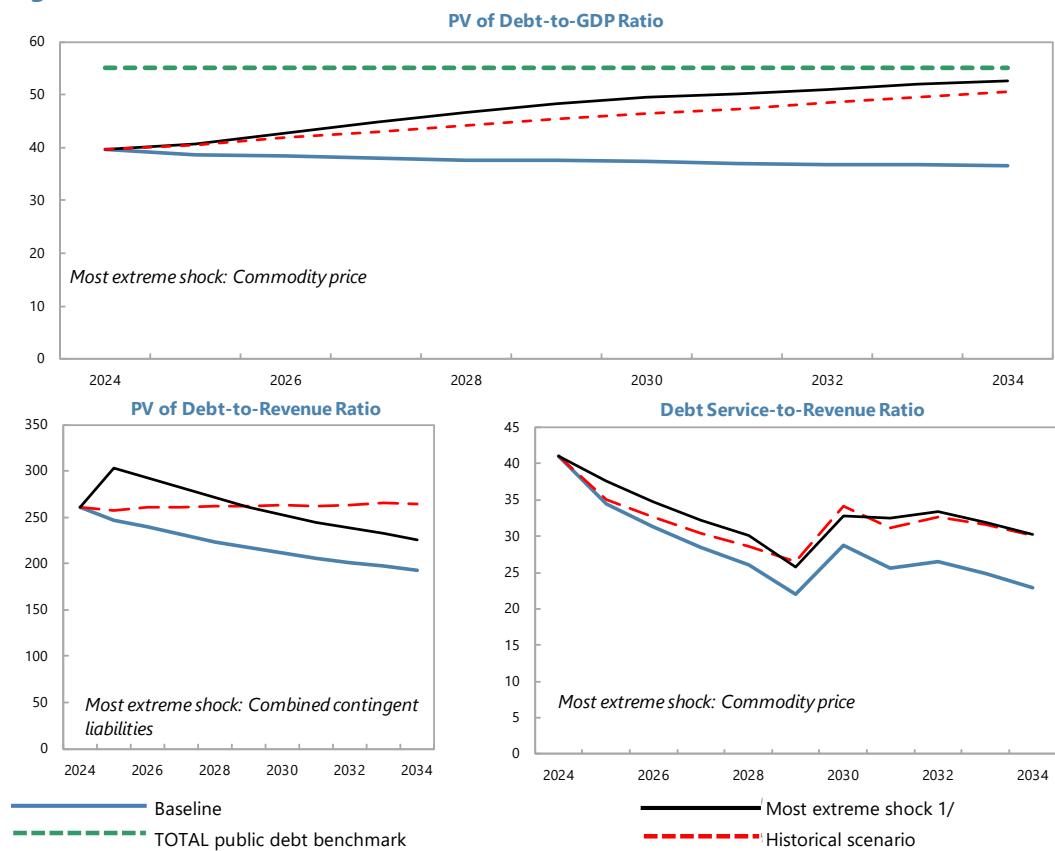
Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

\* 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-off breach, only that stress test (with a one-off breach) would be presented.

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

**Figure 2. Benin: Indicators of Public Debt Under Alternatives Scenarios, 2024–2034**

Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
<b>Shares of marginal debt</b>		
External PPG medium and long-term	70%	70%
Domestic medium and long-term	28%	28%
Domestic short-term	1%	1%
<b>Terms of marginal debt</b>		
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 3. Benin: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2024–2035 (Percent of GDP)**

	Projections 1/											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>PV of debt-to-GDP ratio</b>												
<b>Baseline</b>												
<b>A. Alternative Scenarios</b>	29	29	30	30	30	29	29	29	28	28	28	28
A1. Key variables at their historical averages in 2024–2034 2/	29	29	32	34	35	35	36	36	37	38	39	40
<b>B. Bound Tests</b>	29	30	33	33	33	32	32	31	31	31	30	30
B1. Real GDP growth	29	31	35	35	35	34	34	34	33	33	32	32
B2. Primary balance	29	32	38	38	37	36	36	35	35	34	33	33
B3. Exports	29	30	32	32	32	31	31	30	30	29	29	29
B4. Other flows 3/	29	37	35	35	35	34	34	33	33	33	33	33
B5. Depreciation	29	33	34	34	34	33	33	32	32	31	31	31
B6. Combination of B1–B5	29	33	34	34	34	33	33	32	32	31	31	31
<b>C. Tailored Tests</b>	29	35	36	36	36	36	36	35	34	34	34	34
C1. Combined contingent liabilities	29	32	34	34	34	34	34	34	34	34	34	34
C2. Natural disaster	29	33	37	37	37	36	35	34	34	33	32	32
C3. Commodity price	29	33	34	34	34	33	33	32	31	31	31	31
C4. Market Financing	29	33	34	34	34	33	33	32	31	31	31	31
<b>Threshold</b>	40	40	40	40	40	40	40	40	40	40	40	40
<b>PV of debt-to-exports ratio</b>												
<b>Baseline</b>												
<b>A. Alternative Scenarios</b>	117	117	119	119	116	112	111	109	107	106	105	105
A1. Key variables at their historical averages in 2024–2034 2/	117	118	125	131	133	134	137	138	141	144	145	149
<b>B. Bound Tests</b>	117	117	119	119	116	112	111	109	107	106	105	105
B1. Real GDP growth	117	123	139	138	135	131	131	128	125	124	121	121
B2. Primary balance	117	146	194	193	188	181	178	174	171	168	163	161
B3. Exports	117	120	125	125	122	118	116	114	112	111	108	109
B4. Other flows 3/	117	117	108	109	107	103	102	100	99	99	97	99
B5. Depreciation	117	135	121	142	139	135	133	131	129	127	125	126
B6. Combination of B1–B5	117	140	141	141	137	137	135	132	130	129	127	126
<b>C. Tailored Tests</b>	117	130	133	134	132	130	130	129	128	128	127	128
C1. Combined contingent liabilities	117	155	166	161	153	143	137	133	130	128	124	122
C2. Natural disaster	117	117	119	119	117	113	112	108	106	105	103	104
<b>Threshold</b>	180	180	180	180	180	180	180	180	180	180	180	180
<b>Debt service-to-exports ratio</b>												
<b>Baseline</b>												
<b>A. Alternative Scenarios</b>	13	9	10	11	10	10	12	11	10	9	9	7
A1. Key variables at their historical averages in 2024–2034 2/	13	10	10	12	11	12	14	14	13	12	12	9
<b>B. Bound Tests</b>	13	9	10	11	10	10	12	11	10	9	9	7
B1. Real GDP growth	13	9	10	12	11	11	13	12	11	10	10	8
B2. Primary balance	13	11	13	15	15	14	17	15	15	14	14	11
B3. Exports	13	9	10	11	10	10	12	11	11	10	9	7
B4. Other flows 3/	13	9	10	10	10	10	11	11	10	9	8	6
B5. Depreciation	13	10	12	13	12	12	13	12	12	11	11	8
B6. Combination of B1–B5	13	10	12	13	12	12	14	13	12	12	11	8
<b>C. Tailored Tests</b>	13	9	10	11	11	11	13	12	11	10	9	7
C1. Combined contingent liabilities	13	10	10	11	11	11	13	12	11	10	10	7
C2. Natural disaster	13	11	12	13	12	12	13	12	11	10	10	7
C3. Commodity price	13	9	10	11	11	11	15	15	12	11	11	8
C4. Market Financing	13	9	10	11	11	11	15	15	12	9	8	6
<b>Threshold</b>	15	15	15	15	15	15	15	15	15	15	15	15
<b>Debt service-to-revenue ratio</b>												
<b>Baseline</b>												
<b>A. Alternative Scenarios</b>	21	16	16	17	16	15	18	17	16	14	13	9
A1. Key variables at their historical averages in 2024–2034 2/	21	16	17	19	18	18	22	21	20	18	17	13
<b>B. Bound Tests</b>	21	16	17	19	18	17	19	18	17	15	14	11
B1. Real GDP growth	21	16	17	19	18	17	19	18	17	15	14	11
B2. Primary balance	21	16	17	19	18	17	20	18	17	16	15	12
B3. Exports	21	16	17	19	18	17	20	18	17	16	15	10
B4. Other flows 3/	21	16	16	17	16	16	18	17	16	14	13	10
B5. Depreciation	21	20	20	21	20	19	22	20	19	17	15	11
B6. Combination of B1–B5	21	17	18	19	18	17	20	19	17	16	14	11
<b>C. Tailored Tests</b>	21	16	17	18	17	17	19	18	17	15	14	10
C1. Combined contingent liabilities	21	16	16	18	17	16	19	17	16	15	13	10
C2. Natural disaster	21	17	18	20	19	18	20	18	17	16	15	12
C3. Commodity price	21	17	18	20	19	18	20	18	17	16	15	12
C4. Market Financing	21	16	16	18	17	17	23	23	18	13	12	9
<b>Threshold</b>	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 4. Benin: Sensitivity Analysis for Key Indicators of Public Debt,  
2024–2035 (Percent of GDP)**

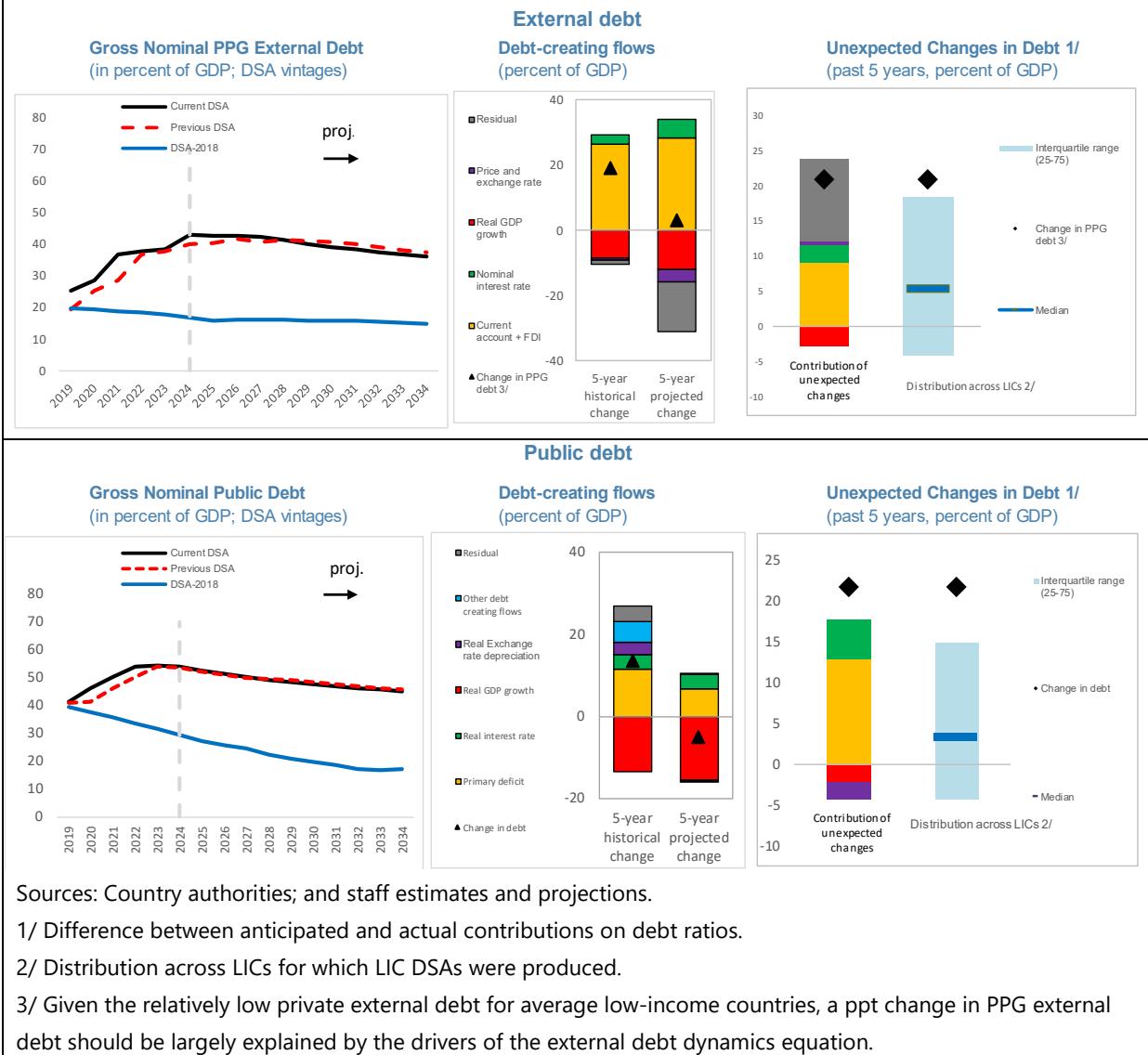
	Projections 1/											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>PV of Debt-to-GDP Ratio</b>												
<b>Baseline</b>	40	39	38	38	38	38	37	37	37	37	37	37
<b>A. Alternative Scenarios</b>												
A1. Key variables at their historical averages in 2024-2034 2/	40	40	42	43	44	45	47	47	48	50	50	52
<b>B. Bound Tests</b>												
B1. Real GDP growth	40	41	44	44	45	46	47	47	48	49	50	51
B2. Primary balance	40	41	45	45	44	44	43	43	42	42	42	41
B3. Exports	40	41	46	45	44	44	44	43	43	42	42	41
B4. Other flows 3/	40	39	40	39	39	39	39	38	38	38	38	38
B5. Depreciation	40	45	44	42	40	38	37	35	34	33	31	31
B6. Combination of B1-B5	40	39	42	41	41	40	40	39	39	39	38	38
<b>C. Tailored Tests</b>												
C1. Combined contingent liabilities	40	48	47	46	46	45	45	44	44	43	43	43
C2. Natural disaster	40	44	44	43	43	43	43	43	43	44	44	44
C3. Commodity price	40	41	43	45	47	48	50	50	51	52	53	54
C4. Market Financing	40	39	38	38	38	38	38	37	37	37	36	36
<b>TOTAL public debt benchmark</b>	55	55	55	55	55	55	55	55	55	55	55	55
<b>PV of Debt-to-Revenue Ratio</b>												
<b>Baseline</b>	261	246	239	231	224	217	212	205	201	198	193	192
<b>A. Alternative Scenarios</b>												
A1. Key variables at their historical averages in 2024-2034 2/	261	257	260	261	262	262	263	262	264	265	265	269
<b>B. Bound Tests</b>												
B1. Real GDP growth	261	261	270	268	266	265	265	263	264	265	264	268
B2. Primary balance	261	263	282	271	262	253	245	237	231	225	219	217
B3. Exports	261	262	284	273	263	255	247	239	233	227	219	215
B4. Other flows 3/	261	251	249	240	232	225	219	212	208	204	198	197
B5. Depreciation	261	290	272	254	237	223	210	196	185	176	166	160
B6. Combination of B1-B5	261	252	260	250	241	233	225	218	212	208	201	199
<b>C. Tailored Tests</b>												
C1. Combined contingent liabilities	261	303	293	282	272	261	253	245	238	233	226	224
C2. Natural disaster	261	277	271	264	257	251	246	240	237	234	230	230
C3. Commodity price	261	280	288	294	293	290	286	278	278	278	277	280
C4. Market Financing	261	246	239	232	225	219	212	205	200	196	191	190
<b>Debt Service-to-Revenue Ratio</b>												
<b>Baseline</b>	41	34	31	28	26	22	29	26	26	25	23	21
<b>A. Alternative Scenarios</b>												
A1. Key variables at their historical averages in 2024-2034 2/	41	35	33	30	29	26	34	31	33	32	30	29
<b>B. Bound Tests</b>												
B1. Real GDP growth	41	36	34	31	29	26	34	31	32	31	30	28
B2. Primary balance	41	34	33	31	28	28	35	28	29	28	26	24
B3. Exports	41	34	32	30	27	23	30	27	28	26	25	24
B4. Other flows 3/	41	34	31	29	26	22	29	26	27	25	23	22
B5. Depreciation	41	34	34	32	30	26	32	29	30	27	25	22
B6. Combination of B1-B5	41	34	32	29	27	23	32	26	27	25	24	22
<b>C. Tailored Tests</b>												
C1. Combined contingent liabilities	41	34	35	31	28	37	31	28	28	29	25	23
C2. Natural disaster	41	35	34	30	28	29	32	28	29	29	26	24
C3. Commodity price	41	38	35	32	30	26	33	32	33	32	30	29
C4. Market Financing	41	34	31	29	27	23	34	32	28	24	23	21

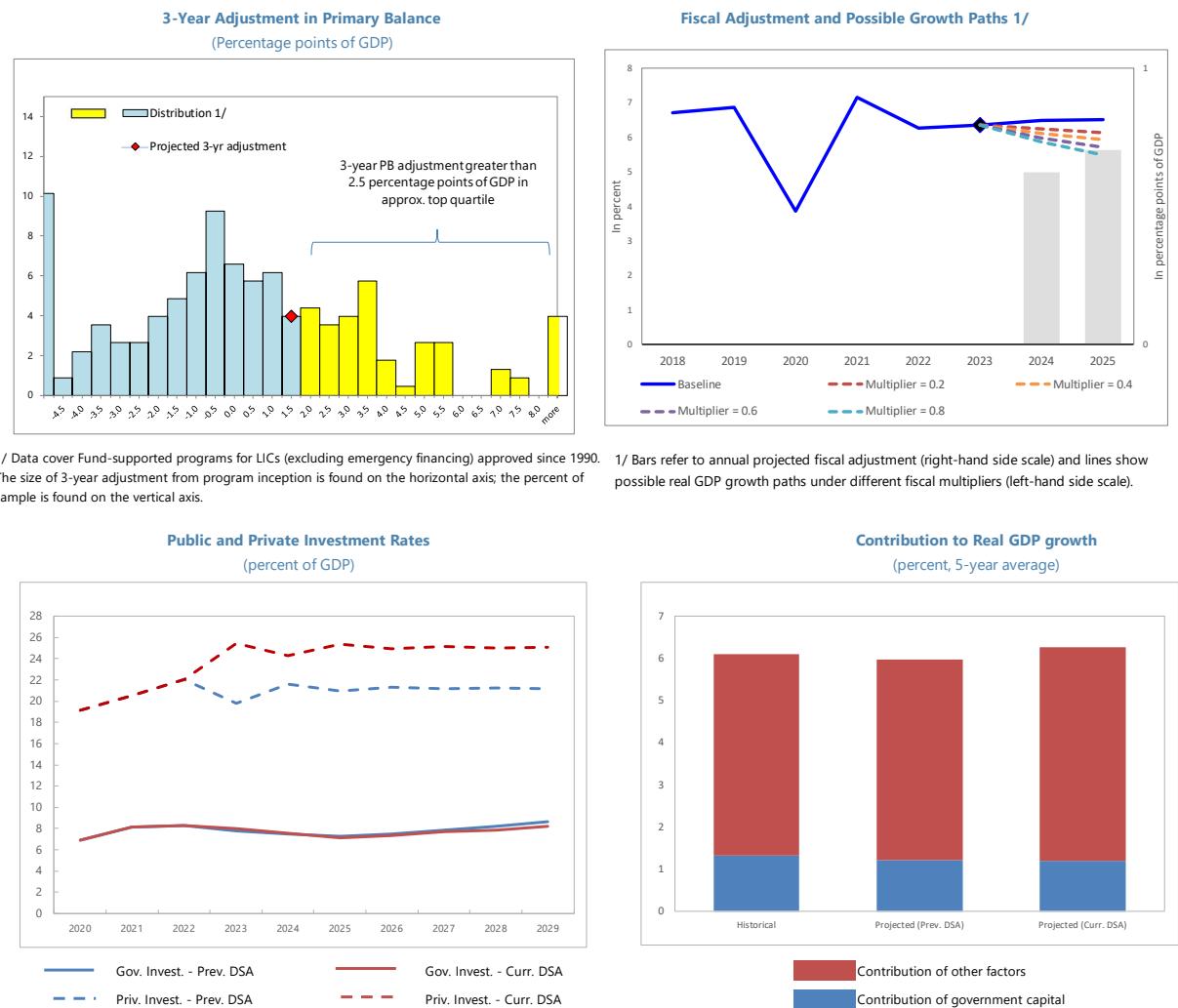
Sources: Country authorities; and staff estimates and projections.

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

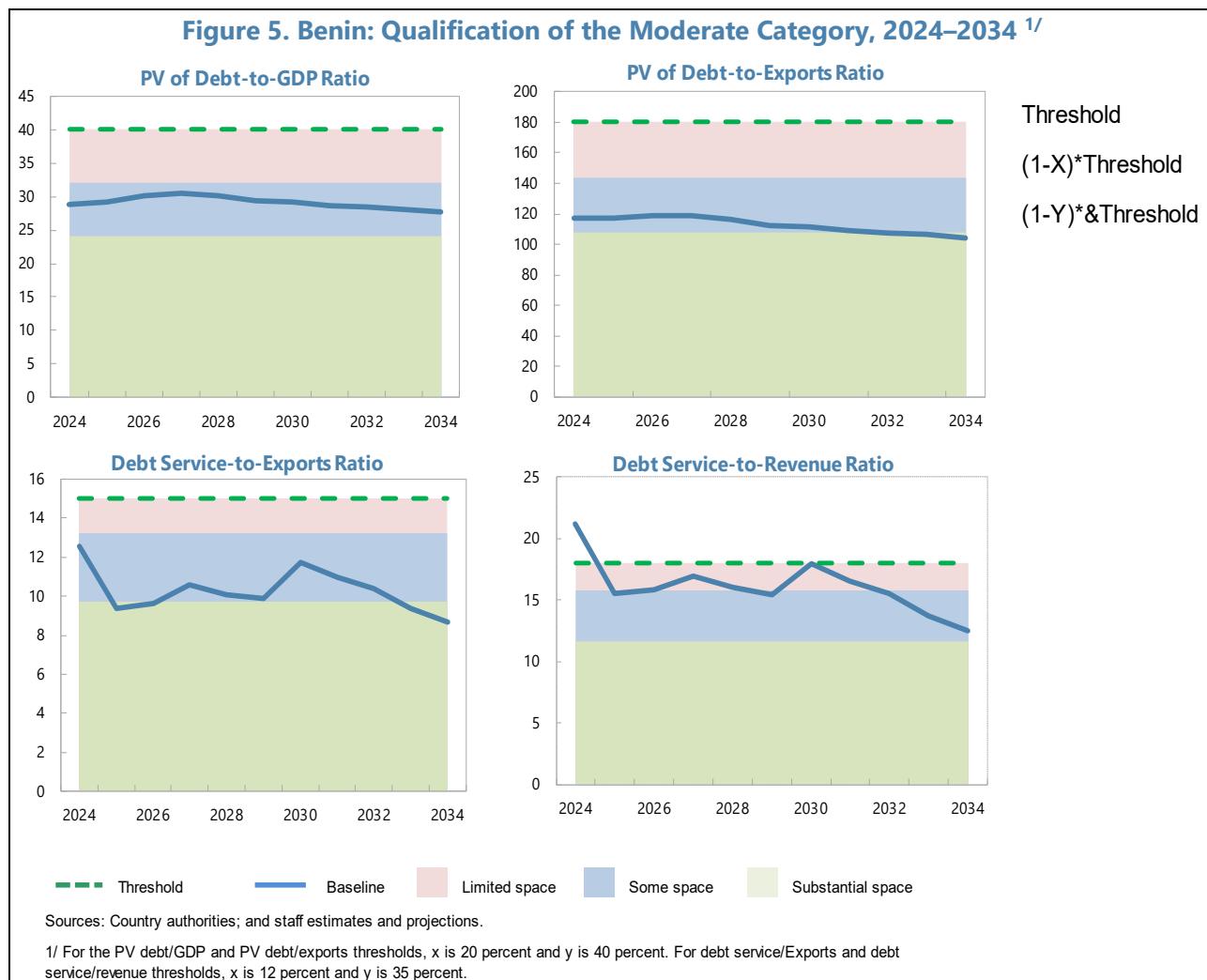
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

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

**Figure 4. Benin: Realism Tools**

Sources: Country authorities; and staff estimates and projections

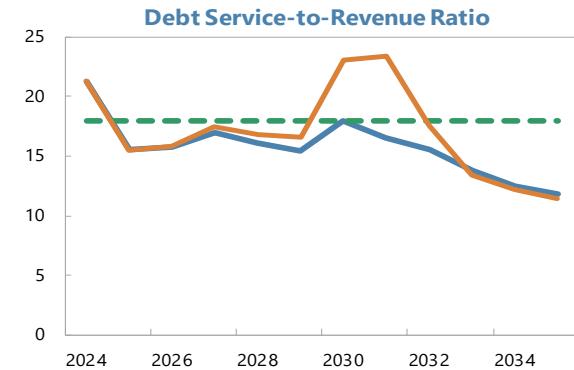
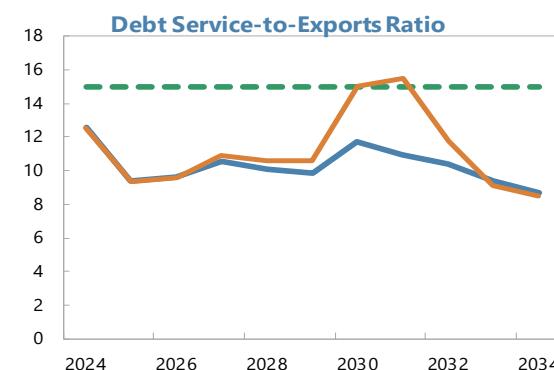
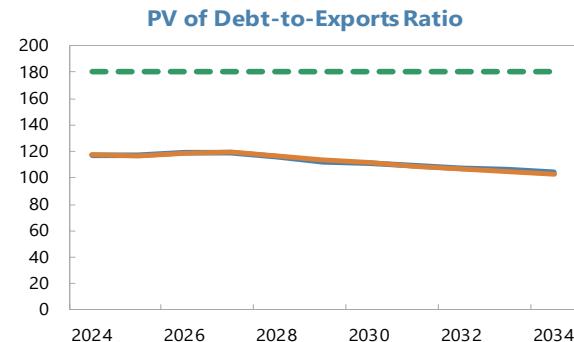
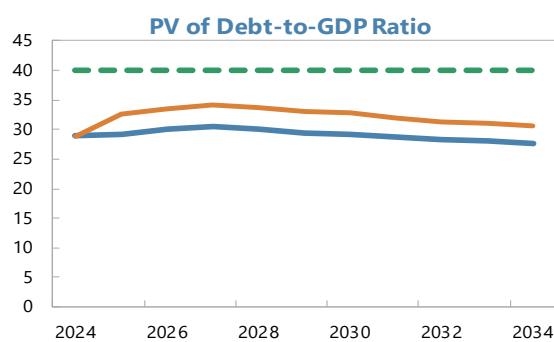


**Figure 6. Benin: Market-Financing Risk Indicators**

Benchmarks	GFN	1/	EMBI	2/
Values	14		570	
Breach of benchmark	8		576	
Potential heightened liquidity needs	No		Yes	
Moderate				

1/ Maximum gross financing needs (GFN) over 3-year baseline projection horizon.

2/ EMBI spreads correspond to the latest available data.



Sources: Country authorities; and staff estimates and projections.

**Statement by Mr. Regis O. N'Sondé, Executive Director for Benin, Mrs. Raguiata Bah,  
Alternative Executive Director and Mrs. Esso-Solim Boukpessi, Advisor to the Executive Director**

**Thursday, June 27, 2024**

## **Introduction**

1. Our Beninese authorities would like to thank the Executive Board, Management, and Staff for the Fund's continued support to Benin. They value the constructive dialogue held under the 2024 Article IV consultation, the fourth reviews of the Extended Fund Facility (EFF) and Extended Credit Facility (ECF) arrangements, and the first review of the Resilience and Sustainability Facility (RSF). The authorities broadly concur with the evaluation of performance under the EFF/ECF and RSF arrangements as well as with the findings and recommendations under the Article IV consultation.
2. The Beninese economy continues to demonstrate resilience in the face of significant challenges. These encompass the repercussions of global shocks such as the Covid-19 pandemic and the war in Ukraine, alongside the deteriorating security situation in the Sahel region. The closure of the border with Niger following the Economic Community of West African States (ECOWAS)'s decision after the July 2023 coup, the increased hydrocarbon prices from Nigeria and the depreciation of the Naira relative to the CFA franc have further negatively impacted the economy. Climate-related vulnerabilities, including floods, extreme heat, and droughts, further add layers of complexity to the economic landscape.
3. The authorities remain unwavering in their commitment to strengthening Benin's socio-economic resilience. They have made significant progress, implementing sound and effective macroeconomic management, bold structural reforms, and infrastructure projects outlined in the Government Actions Program; "Revealing Benin"—*Programme d'action du Gouvernement; "Bénin Révélé"*—from 2016 to 2021 and continuing to 2026. These efforts have been supported by the 2017-2020 ECF, the ongoing 2022-2025 EFF/ECF and the recently approved RSF which aptly complements the EFF/ECF blend. Our authorities are confident that the continued support from the IMF and other partners, along with Benin's recent membership in the European Bank for Reconstruction and Development (EBRD)—as the first sub-Saharan African member—will help further enhance the country's economic and social resilience, promote sustainable growth, and build the country's capacity to withstand the impacts of climate change.

## **Recent Developments and Program Performance**

### *Recent Economic Developments*

4. Benin's economic performance has been strong. Real GDP growth in 2023 was higher than anticipated, at 6.4 percent, driven by gains in agro-industry, construction, textile, and trade

sectors. Increased activities in the service sector, especially retail trade and tourism, offset the reduced port activity following the Niger border closure. Inflation remained subdued at about 0.6 percent year-over-year during the first four months of 2024, partly reflecting lower fuel prices after Nigeria's new administration reversed the phase-out of fuel subsidies. Credit to the private sector exceeded projections, driven by buoyant activities in construction, trade, and transport sectors. Non-performing loans (NPLs) continued to decline, falling from 7.2 percent at end-2022 to 4.8 percent at end-2023. The current account deficit is estimated to have narrowed to 5.9 percent of GDP in 2023 from 6.1 percent in 2022, due to increased exports, remittances, and official transfers. Nonetheless, the overall balance of payments position has been weakened by prepayments for imports and delayed repatriation of export earnings.

5. Fiscal consolidation in 2023 was stronger than projected. Reflecting a revenue overperformance driven by a robust collection of income taxes and taxes on goods and services, as well as a curtailment of current spending, the fiscal deficit is estimated to have narrowed to 4.1 percent of GDP in 2023, compared with 5.2 percent in 2022. This deficit lies below the 4.5 percent of GDP anticipated at the time of the third review. Despite the strong fiscal consolidation gains, public debt increased slightly relative to 2022, by about a quarter of a percentage point to 54.5 percent of GDP, compared to an estimated 53.8 percent of GDP at the time of the third review, partly due to strategic preemptive issuances held as contingency reserves.

6. In February 2024, Benin issued a \$750 million Eurobond at favorable terms, reflecting investors' strong confidence in the country's economic prospects and prudent policies. The proceeds were essentially used for Liability Management Operations (LMOs). The positive momentum was further reinforced by S&P Global Ratings' upgrade of Benin's sovereign credit rating from 'B+' to 'BB-' in April 2024. The Eurobond's issuance has temporarily negatively impacted Benin's profile of debt service-to-revenues in the Debt Sustainability Analysis (DSA) but the authorities' proactive LMO helped prevent any further adverse consequences. To align with the Eurobond issuance, the authorities have requested a modification of the continuous performance criterion for the Present Value (PV) of new external debt contracted or guaranteed by government for 2024. Importantly, the proposed recalibration of the debt limit starting in July 2024 maintains firmly Benin at moderate risk of external debt distress.

### *Program Performance*

7. Program performance continues to be robust. All end-September 2023 indicative targets (ITs) and end-December 2023 quantitative performance criteria (QPCs) were met. These include the floor on the basic primary balance, the ceiling on net domestic financing, and the ceiling on new external debt contracted or guaranteed by the government. Tax revenues and social spending surpassed their respective floors. Domestic financing stayed well below its ceiling. No domestic or external arrears were accumulated.

8. All structural benchmarks (SBs) under the ECF/EFF blended arrangements as well as reform measures (RMs) under the RSF were met. Specifically, all three SBs in the areas of public financial management (PFM), transparency (with the operationalization of a monitoring committee within the Audit Court for audit recommendations), and AML/CFT were successfully implemented. Additionally, the two RMs for the first review under the RSF arrangement have

been executed. These are RM 1 under Pillar 1, which focuses on mainstreaming the climate agenda in policymaking in PFM and public investment management (PIM) processes, and RM 7 under Pillar 2 aimed at enhancing adaptation to climate change and strengthening the population's resilience.

## **Outlook, Policies and Reforms for 2024 and Beyond**

### ***Outlook and Risks***

9. Benin's medium-term economic outlook is favorable, and the authorities expect growth to be higher than staff's projections of 6.5 percent in 2024-25 and 6 percent over the medium term. In addition to the benefits from the expansion of the Port of Cotonou, the strengthening of the industrial sector, the acceleration of major infrastructure projects under the PAG 2021-2026 and the ongoing improvements in the business climate, the authorities anticipate gains from improved farming methods, the expansion of technology and tourism sectors, and the Special Economic Zone (SEZ), which they believe will draw foreign investment, diversify exports, create employment opportunities, and bolster economic resilience. Nonetheless, the authorities agree that this favorable outlook is subject to downside risks, stemming notably from significant delays in the reopening of the border with Niger, persistent macroeconomic imbalances in Nigeria and devaluation of the Naira, and rising international oil and food prices that may exacerbate food insecurity. A deteriorating security situation in the Sahel, and vulnerability to climate change further contribute to the risk profile. On the upside, the recent commissioning of the Niger-Benin oil pipeline could generate substantial economic benefits through increased value-added activities and tax revenues, potentially frustrated by rebel attacks and delays in operating the pipeline.

### ***Strengthening Fiscal and Debt Sustainability***

10. The Beninese authorities intend to pursue their fiscal consolidation plan to rebuild buffers and converge to the Western African Economic and Monetary Union (WAEMU)'s fiscal deficit target of 3 percent of GDP by 2025. Data at end March 2024 suggests that the fiscal deficit stood at CFAF 53.4 billion, a decrease from CFAF 75.9 billion at the end March 2023. Revenues increased by 12.8 percent, twice as fast as expenditure compared to the same period in 2023. For FY 2024 as a whole, the overall fiscal deficit is projected to narrow by 0.4 percent of GDP to 3.7 percent of GDP. The projected consolidation is predicated on current spending restraint and enhanced tax collection following the implementation of the recently adopted 2024-2028 Medium-Term Revenue Strategy (MTRS).

11. Revenue performance would be underpinned by tax policy reforms including (i) digitalizing core tax processes; (ii) broadening the personal and corporate tax base, including for large digital corporations; (iii) incorporating small informal businesses into the tax base; and (iv) implementing rate increases and customs valuation changes. The Beninese authorities are optimistic that the recent strong performance in tax revenues could be further sustained by increased automation of tax processes and synergy between different revenue collection entities. The authorities intend to build on important strides they have made in simplifying tax expenditures and improving the efficiency of public spending. The envisaged measures include

eliminating several tax exemptions, such as those related to payroll taxes for public agencies and motor vehicle taxes on state-owned structures. They also plan to revisit the VAT and customs duty exemptions for new vehicles.

12. As regard expenditures, ongoing efforts to improve the efficiency of public spending remain essential, with a continued focus on social and public investment priorities. The authorities underscore the utmost importance of ensuring fiscal sustainability and stand ready to implement contingency measures, if necessary, in accordance with the country's laws and regulations.

13. Regarding PFM, the IMF's 2022 Fiscal Safeguards Review (FSR) indicated that Benin's PFM system provides a reasonable level of assurance for the use of Fund resources for budget support. The Beninese authorities continue to make progress in strengthening PFM and enhancing fiscal risk assessment, including by disclosing major investment project criteria and streamlining public bank accounts to support the Treasury Single Account (TSA). For the latter, with support from the IMF, the authorities are improving the technical and operational framework of the TSA and are expected to close at least half of the public entity bank accounts lacking proper authorization and repatriate the balances to the TSA by the end of June 2024, as per the related structural benchmark for that period.

14. The country's medium-term financing strategy for 2024-2026 will continue to emphasize prudent borrowing and proactive debt management to keep debt at a moderate risk level. The strategy emphasizes (i) smoothing out the debt service profile and limiting refinancing risks, (ii) prioritizing concessional external financing, (iii) extending the maturity of resources raised on the regional market, and (iv) gradually rebalancing towards domestic debt. Additionally, the strategy explores financing options that align with the country's agreed Environmental, Social, and Governance (ESG) criteria, leveraging Benin's leading role in green finance within the region.

### ***Social Policies for Inclusive Growth***

15. The government remains resolute in its commitment to upholding social policies that drive progress towards achieving the Sustainable Development Goals (SDGs) and narrowing significant social disparities in the country. While commendable progress has been made in reducing poverty through increased social spending since 2022, the authorities recognize that continuing targeted efforts notably in the health, education and social protection areas are essential to reduce inequalities among regions and income groups.

16. The authorities have developed a comprehensive social protection approach for 2024-2033. By 2025, they will review public spending on social protection and conduct a thorough mapping of social protection programs to identify risks, beneficiaries, and coverage gaps. They will continue to operationalize the completed Social Registry—*Régistre Social Unique (RSU)*—to further sustain and strengthen social protection mechanisms.

17. Increased resources will be devoted to community health policies to combat malnutrition and food insecurity and achieve full coverage of the National Integrated School Feeding Program

—*Programme National d’Alimentation Scolaire Intégré (PNASI)*—thereby contributing to improved governance under the country’s 2024-2033 National Food and Nutrition Policy —*Politique Nationale d’Alimentation et de Nutrition (PNAN)*. In the same vein, the authorities endeavor to expedite their education reform measures especially relating to young girls, dedicating more resources to the implementation of the National Program to Accelerate the Education and Welfare of Young Girls —*Programme National d’Accélération de l’Éducation et du Bien-être des Jeunes Filles*.

### ***Enhancing Financial Stability***

18. Regional and national authorities place great importance on strengthening financial sector stability. While the banking system in Benin remains resilient and profitable, three banks are undercapitalized, and efforts are underway to bring these institutions into compliance with prudential norms. The public financial system has rapidly grown in recent years, particularly with the development of two public institutions: *Banque Internationale pour l’Industrie et le Commerce (BIIC)* and *Caisse des Dépôts et Consignations Benin (CDCB)*. These have helped boost and diversify the sources of financing for strategic public and private projects under the PAG II. Despite the sound financial indicators of the BIIC and the CDCB, which should help prevent any financial and budgetary risks, the Government acknowledges that close monitoring by both the Beninese authorities and the regional central bank, BCEAO, is warranted.

19. The authorities have made headways in advancing financial markets development and financial inclusion. In March 2023, the Government adopted a National Financial Inclusion Strategy for 2023-2027. To oversee implementation, a permanent secretariat will be formed, which will focus on developing tools for accurately monitoring financial inclusion actions and indicators.

### **Advancing Structural Reforms**

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

20. The government will continue efforts to improve the effectiveness of government operations, enhance corruption controls, and strengthen the rule of law, building on progress already achieved. The authorities are expediting the implementation of the recently adopted national action plan for governance, which includes twenty-one reform measures notably focused on the rule of law, anti-corruption actions, AML/CFT, and PFM. These measures are informed by the IMF governance diagnostic. The operationalization of the anti-corruption agency—*Haut Commissariat à la Prévention de la Corruption (HCPC)*—is nearing completion, with efforts underway to enhance its legal framework for greater independence and authority. The authorities are also committed to enhancing budget transparency through various reforms, including aligning the Court of Audit with international standards, completing the e-Procurement process, and auditing high-stake public contracts by independent auditors. Financial transparency will be further improved by notably ensuring that public enterprises comply with the legal requirement to publish their financial statements.

21. The authorities intend to step up efforts to address gaps in the AML/CFT framework. They will build on significant measures in train, including the enactment of the AML/CFT Law and the completion of sectoral assessments. The authorities have established a legal framework mandating the collection, verification, and publication of beneficial ownership information for landholders during land transfers. An action plan to operationalize this framework is expected to be adopted by the end of December 2024. Benin is leading the way in applying beneficial ownership transparency to real estate in the region, building on reforms initially introduced in public procurement post-COVID-19 to combat corruption, as detailed in Box 2 of the report.

### *Fostering Economic Diversification*

22. The Beninese authorities welcome the topical Selected Issues Paper on “Economic Transformation and Industrial Policy” and take note of staff’s findings and recommendations. They highlight the launch of the SEZ with the Glo-Djigbé Industrial Zone (GDIZ), investments in high-value agriculture such as cashew nuts and soybeans, and the integrated textile unit in the SEZ as reflections of ongoing diversification efforts. The government commits to maintaining an industrialization policy aligned with their revenue mobilization goals and streamlining investment and export processes through a unified electronic platform.

### **Building Resilience to Climate Change**

23. Benin’s climate reform agenda has gained momentum under the RSF-arrangement. Amendments to the PIM framework and the 2024 budget law reflect the authorities’ dedication to integrating climate considerations into decision-making processes. With IMF support, a roadmap to incorporate climate vulnerabilities into infrastructure maintenance policies is being fast-tracked. Also, reforms to foster a conducive environment for climate finance, leveraging the catalytic role of the RSF and the authorities’ track record, are being implemented. In this context, Cotonou is about to host in July 2024 a joint roundtable by the IMF and World Bank, bringing together international financial institutions and development partners to build on their experience in securing scaled-up climate finance for the country.

24. Decisive steps are being taken to phase out energy subsidies. Following the recent IMF technical assistance on petroleum product pricing mechanisms, the authorities are conducting a comprehensive assessment and restructuring of pricing structures to establish a predictable and sustainable pricing mechanism tailored to the local hydrocarbon market. They have requested a follow-up IMF TA to further fine tune the parameters of the reform, including under the transition period towards a predictable pricing mechanism. In the meantime, they have requested a modification to the RSF measure on fuel subsidy reform (RM 11), including to make explicit reference to the transitional arrangement, and to consider the unique characteristics of the local fuel market. Concurrently, efforts are being made to conduct a review of the tariff structure for the electricity sector, laying the groundwork for reform in this critical area.

### **Conclusion**

25. Our Beninese authorities are steadfast in maintaining macroeconomic stability and ensuring fiscal and debt sustainability while fostering inclusive growth and promoting resilience.

They continue to view Fund-supported programs as pivotal to unlocking additional support and providing a crucial policy anchor to achieve Benin's socio-economic development and climate goals. Considering their highly satisfactory program implementation, and their renewed commitment to the objectives of their reform agenda, the authorities are requesting the completion of the fourth EFF/ECF reviews and modification of the continuous performance criterion for the recalibration of the debt limit, as well as the completion of the first RSF review. We would appreciate Executive Directors' favorable consideration of these requests.