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GRAY/20/3817

December 17, 2020

**Statement by Mr. Bhalla and Ms. Indraratna on Benin
(Preliminary)
Executive Board Meeting
December 21, 2020**

1. We thank staff for a comprehensive set of reports and Mr. Andrianarivelo, Mr. Sylla, Mr. Nguema-Affane and Ms. Boukpepsi for an insightful buff statement.
2. Benin has requested a disbursement under the RCF and a purchase under the RFI equivalent to 100 percent of its quota. The COVID-19 outbreak has had a severe impact on the Beninese economy. The country's external sector has been adversely affected by spillovers from the global and regional environment including its main trading partner Nigeria, while containment costs and relief measures associated with the COVID-19 outbreak have worsened the fiscal balance. Consequently, the outlook for the economy has significantly deteriorated with real GDP growth in 2020 envisaged at 2 percent, against an initial projection of 7 percent prior to the pandemic. The authorities have drawn on ECF funds in May 2020 to help support the initial policy response to the crisis. However, the larger than anticipated impact of the COVID-19 pandemic has created additional fiscal and balance of payment financing needs. The RCF and RFI funding would cover about 35 percent of the financing gap while the remaining 65 percent will be covered by the regional market and other external sources. Benin has also availed IMF debt relief under the CCRT. **We support the authorities' request for a disbursement under the RCF and a purchase under the RFI equivalent to 100 percent of its quota.** We broadly agree with the staff appraisal and recommendations and provide the following remarks for emphasis.
3. We commend the authorities for the swift action taken to contain the spread of the virus and the COVID-19 Response Plan put in place to combat the economic fallout from the crisis. We take positive note that the first pillar of the COVID-19 Response Plan focuses on urgent health and social care needs while the second pillar lays emphasis on supporting the economic recovery process including measures aimed at improving access to finance, promoting economic diversification and supporting

vulnerable segments of the population. However, we note that socioeconomic indicators in mid-2020 have worsened in terms of access to health care - particularly for women, children and the elderly, access to education, food security and poverty. Given the high poverty levels in Benin, it is imperative that the authorities focus their attention on expanding the safety net to protect the vulnerable, including the poor in the informal sector who are not part of the social safety system at present. *Staff comments are welcome.*

4. We take note of the staff assessment that Benin's public debt is expected to remain sustainable in the medium term although risks have intensified. We note that the increase in the fiscal deficit for 2020 mainly reflects the implementation of the COVID-19 response plan and we welcome the authorities' commitment to return to the medium-term fiscal path from 2021 onwards. In order to create fiscal space should downside risks materialize, we concur with staff that going forward, tax collections could be enhanced in line with the Medium -Term Revenue Strategy (MTRS) including improved tax administration, while expenditure rationalization could take place through an identification of non-priority outlays.
5. We encourage the authorities to improve governance and accountability in the public sector and take positive note of the commitments made on the publication and audit of COVID related expenditures. We welcome the publication of key information on procurement contracts including beneficial ownership and validation of delivery on the government's website in December 2020. We look forward to the independent audit by the Accounting Chamber and finalization of the Fiscal Transparency Evaluation (FTE) by June 2021.
6. With these remarks, we wish the Beninese authorities success in their future endeavours.