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December 17, 2020

**Statement by Ms. Shortino and Ms. Robitaille on Benin
(Preliminary)
Executive Board Meeting
December 21, 2020**

We thank staff for the report and Mr. Andrianarivelo, Mr. Sylla, Mr. Nguema-Affane, and Ms. Boukpepsi for their helpful Buff statement. We welcome the authorities' actions towards ameliorating the health and economic consequences of the COVID-19 pandemic. **We support the request for an additional disbursement of \$176 million under the RCF/RFI.** We also welcome the authorities' intention to seek a new UCT program next year to further support the reform process.

We agree that the main priority of fiscal policy during the pandemic should be to address the needs of the most vulnerable. As noted by staff, vaccine coverage for children has dropped and the school dropout rate, particularly among young women, has risen, increasing the potential for scarring effects from the pandemic. Moreover, food imports are projected to fall to their lowest level in nine years. A worsening in nutrition levels could have immediate and long-lasting implications for citizens' health and economic well-being. We therefore welcome that the authorities, with the support of the World Bank, are focusing on expanding the social safety net. *We would welcome more details from staff on how the additional spending measures approved in the supplementary budget will support the health of the most vulnerable, including through vaccinations, and bring down the school dropout rate.*

We caution that the authorities should not rush to withdraw economic stimulus until the recovery is on a stronger footing. We note that the authorities plan to revert to their medium-term fiscal path starting next year and bring the overall fiscal deficit below 3 percent of GDP by 2022. While it is appropriate to undertake fiscal consolidation once the economic recovery is underway, much uncertainty remains around the outlook for 2021. Further, the authorities' downside scenario for 2021 may not be pessimistic enough, with just a 0.5 percent reduction in real GDP growth relative to the baseline.

We agree with staff that, although Benin’s public debt should remain sustainable over the medium term, the room to absorb adverse shocks is low. The authorities should continue to seek concessional financing and long-term borrowing. We recognize that the authorities hope to increase commercial borrowing so as to increase Benin’s integration in global financial markets. *Can staff comment on the risks to debt sustainability from increasing commercial borrowing, particularly given the low level of revenues?*

It will be critical that Benin continue advancing efforts to strengthen governance and transparency of public spending. We are pleased that the authorities have recently begun publishing key information in procurement contracts related to the COVID-19 response that surpass a threshold of about USD\$20 thousand. We welcome the pending completion of the Fiscal Transparency Evaluation and assessment of fiscal risks next year.

We concur with staff that the economic and health crisis strengthens the case for accelerating the development agenda. Increasing the role of the private sector in economic activity should be a key objective. We are therefore encouraged that investment in infrastructure is a priority, and that the government is also working on reforms that improve the business climate and strengthen property rights.