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December 17, 2020

**Statement by Mr. Zhang and Mr. Huang on Benin
(Preliminary)
Executive Board Meeting
December 21, 2020**

We thank staff for the concise reports and Mr. Andrianarivelo, Mr. Sylla, Mr. Nguema-Affane, and Mrs. Boukpepsi for their helpful Buff statement. Since the completion of the final review under the Extended Credit Facility (ECF) arrangement last May, the pandemic continues to have a negative impact on the Beninese economy. Thanks to the authorities' decisive policy actions and Benin's relatively lower integration into the global value chain, the GDP growth in 2020 is expected to remain positive. Given the country's urgent balance of payment need, we support the authorities' request for disbursement under the Rapid Credit Facility (RCF) and purchase under the Rapid Financing Instrument (RFI).

On fiscal policy, we continue to support the authorities' policy actions to strengthen the health sector and support affected households and firms. We take note that a socioeconomic response plan to support formal sector companies is in place. *Could staff shed light on how the authorities are supporting firms in the informal sector, and how the informal businesses could benefit from the public guarantee plan for micro, small, and medium enterprises?* The authorities' commitment to ensure fiscal sustainability, by returning to the regional convergence criterion, is commendable. Given the uncertainty of the pandemic, a contingency plan is necessary in case the downside risks materialize. We are pleased to see that the authorities prepared a downside scenario which allows an increase in the fiscal deficit of 2021. *However, we are not sure whether an increase of 0.1 percent of GDP in the fiscal deficit (from 4.5 percent to 4.6 percent) will be enough to cope with the downside scenario. Staff's comments are welcome.*

On debt sustainability, the risk of debt distress remains moderate, but the space to absorb shocks is further depleted. The authorities' commitment to continue putting debt sustainability as their high priority is welcome. We encourage the authorities to further strengthen their debt management capacity with the help from the Fund's technical support.

A well-calibrated financing strategy is needed to smooth the temporary and sharp increase of external debt service in 2024-25 caused by the Eurobond amortization.

Finally, we commend the authorities' ongoing efforts to ensure the virus-related spending is used appropriately and welcome the authorities' interest in a new Fund program after the presidential election. Raising tax revenue and promoting economic diversification should be priorities under the new Fund program.

With these remarks, we wish the authorities every success in their policy endeavors.