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GRAY/20/3867

December 18, 2020

**Statement by Mr. von Kleist and Ms. Koh on Benin  
(Preliminary)  
Executive Board Meeting 20/124  
December 21, 2020**

**We thank staff for the informative set of reports and Mr. Andrianarivelo, Mr. Sylla, Mr. Nguema-Affane, and Ms. Boukpepsi for the insightful Buff.** We acknowledge that the pandemic has exerted more downward pressure on economic activity than expected at the conclusion of the ECF arrangement in May. We commend the authorities for their swift crisis response, which has helped to alleviate some of the negative impact. We also consider the health and economic support measures under the recent supplementary budget to be warranted. Against this backdrop, **we support the request for a combined RCF/RFI arrangement.** Our support is predicated on the recognition that the authorities are already implementing strong governance safeguards to ensure good use of financing.

The authorities have also demonstrated strong commitment towards preserving macro stability through a reasonably strong performance under the past ECF arrangement amidst a global pandemic. We regret that current conditions precluded discussions for a follow-up UCT-Program.

**We would have welcomed an UCT-quality program in lieu of emergency assistance, which would have better helped support the fragile recovery and fiscal adjustment and anchor the authorities' policies in the upcoming pre-election period.** We take positive note of the authorities' intention to request such a program after the elections, which should foresee a cautious disbursement profile in order to prevent a bunching of repayment obligations to the Fund.

**With regard to the current request, we remain to be fully convinced about the parameters of the requested Fund financing package.** In line with Staff's assessment that

Benin should increase the concessionality of their debt profile to reduce the debt service burden, we are of the view that Benin would have been better advised to seek Fund financing on concessional terms only.

*Could staff comment on which other options have been assessed in the course of the discussions with the authorities, notably the possibility to request access to RCF to the maximum extent possible (i.e. 75 percent of quota)?*

We are not convinced that Benin is well-served by its requested access to **Fund financing above PRGT annual access limits, of which a large fraction consists of GRA resources**, especially in crisis times where uncertainty remains high. In our view, this proposal stands in stark contradiction to staff's recommendation to **prioritize financing on concessional terms as well as extending the maturity profile** (next to strengthened domestic resource mobilization efforts). *Staff's comments are welcome.*

Furthermore, there is reasonable doubt that Benin will continue to meet the criteria of presumed blenders in the next years. Notably, with the materialization of this year's staff projections for GDP growth of 2.0% and carrying forward the population growth rate from 2019 of 2.715%<sup>1</sup>, a moderate decline in economic output per capita can reasonably be expected, most likely to a level below the IDA operational cut-off. *Staff comments would be welcome. Could staff also comment on whether the market access criterion would become applicable (in the foreseeable future) in the case of Benin to qualify as presumed blender?*

**The authorities' fiscal response to the crisis appears overall adequate.** Looking ahead, we call on the authorities to ensure that medium-term fiscal policies firmly contain risks to public debt sustainability and fully adhere to the WAEMU fiscal convergence path. Above the line, the authorities should be prepared to identify and implement additional measures, if needed, given what staff deem to be ambitious revenue targets. As regards below the line, while noting the authorities' ambitions to further tap international capital markets, we urge them to proceed on this endeavor with extreme caution, also given elevated sovereign spreads and an already high external debt service burden (19 % of revenue in 2024/25). To the extent possible, clear preference should be given to seeking donor support on concessional terms. *Could staff provide insights on the budgetary planning for a potential COVID 19 vaccination campaign in 2020?*

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<sup>1</sup> Source: <https://data.worldbank.org/indicator/SP.POP.GROW?locations=BJ>