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Statement by an IMF Staff Mission to Benin

An International Monetary Fund (IMF) mission team, led by Mr. Mbuyamu Matungulu, visited Cotonou during March 3–17, 2008, for the 2008 Article IV consultation discussions and the fourth review of the program supported by the IMF under the Poverty Reduction and Growth Facility (PRGF).¹ The mission held meetings with the President of the Republic, His Excellency Dr. Boni Yayi, the Senior Minister for Development and Public Policy Assessment, Mr. Pascal Koupaki, the Minister of Economy and Finance, Mr. Soule Mana Lawani, the National Director of BCEAO, Mr. Marcel de Souza, and other senior officials of the government and the Central Bank (BCEAO). The mission also held productive discussions with members of the donor community and the private sector and civil society.

The mission issued the following statement in Cotonou:

“In 2007, economic growth edged up to 4.6 percent, underpinned by brisk activity in the service sector on the strength of enhanced Cotonou port competitiveness and good performance in agriculture. However, cotton production was lower than programmed. Average inflation eased to 1.3 percent, despite a spike late in the year in the prices of imported key food commodities, including rice, sugar, and wheat flour. Fiscal performance was better-than-expected owing to strong revenue collection, but investment spending fell short of target due to severe capacity limitations.

“Performance under the PRGF-supported program was broadly satisfactory. All quantitative benchmarks and performance criteria were observed by large margins, and two of four program structural benchmarks were implemented. The missed benchmarks relate to an audit of public finance management information systems, and preparation of a reform

¹ The PRGF is the IMF's concessional facility for low-income countries. PRGF-supported programs are based on country-owned poverty reduction strategies adopted in a participatory process involving civil society and development partners and articulated in the country's Poverty Reduction Strategy Paper. This is intended to ensure that PRGF-supported programs are consistent with a comprehensive framework for macroeconomic, structural, and social policies to foster growth and reduce poverty. PRGF loans carry an annual interest rate of 0.5 percent and are repayable over 10 years with a 5½-year grace period on principal payments.

strategy for the civil service pension fund. The authorities are taking steps to implement these measures.

“For 2008, real GDP is projected to increase by 5.3 percent, also driven by the service sector as port activity further strengthens in response to institutional reforms and capacity expansion efforts. Economic growth would also be supported by a rebound in cotton output. Inflation would likely be in line with the regional target of 3 percent, with the price impact of a good food harvest providing a counter weight to expected higher prices for key imports. The mission concurred with the authorities’ plans for using effectively, in the medium term, the fiscal space created by improved revenue collection and debt relief under enhanced Highly Indebted Poor Countries Initiative and Multilateral Debt Relief Initiative. Discussions focused on measures to improve the efficiency of customs and tax administration, to broaden the tax base, and to address absorptive capacity constraints while preserving the quality of spending.

“Risks to the outlook include further disturbances to the global economy, especially heightened pressures on the price of key imported goods, and delays in implementing the structural reform agenda. Failure to address Benin’s difficult energy situation would also pose risks to the outlook. The mission urged the authorities to ensure that ongoing restructuring of public utilities is promptly followed by much needed infusion of technical expertise, with the involvement of reputed strategic partners. The mission underscored that progress in these areas, and in cotton sector reform, would be key to fostering strong and sustained growth and achieving faster poverty alleviation.

“The mission is grateful for the very open and frank discussions with the authorities of Benin.”