

BUFF/08/179

December 15, 2008

**The Acting Chair's Summing Up
Benin—Fifth Review Under the Poverty Reduction and Growth Facility, and
Request for Waiver of Nonobservance of Performance Criteria
Executive Board Meeting 08/109
December 12, 2008**

Executive Directors welcomed Benin's recent economic performance, noting that the country's economic growth remains one of the highest in the WAEMU region and that Benin continues to meet the Union's convergence criterion on the basic fiscal balance. They also welcomed the fuller pass-through of international food and fuel prices starting in July 2008 and measures to protect the most vulnerable groups, while they encouraged the authorities to adopt more targeted programs as recommended by development partners.

Directors observed that while high food and oil prices are subsiding, the weaker global economic outlook poses considerable risks to the economy. They were reassured by the authorities' renewed commitment to fiscal stability, while allowing higher spending in priority areas. To sustain progress, fiscal reforms aimed at strengthening revenue collection, improving public expenditure management, and bolstering the civil service pension fund are critical.

Directors welcomed the authorities' commitment to maintaining prudent borrowing policies. As Benin has a moderate risk of debt distress, they encouraged the authorities to limit strictly nonconcessional borrowing, including from regional financial markets.

Directors commended the authorities for redoubling their efforts in the structural reform area, which will help strengthen Benin's competitiveness and lead to higher growth. They encouraged the authorities to keep up this reform momentum, particularly in the public utility and port sectors.

Noting the need to improve banks' compliance with prudential requirements, Directors were encouraged by the authorities' commitment to improving banks' compliance in this area. They welcomed the authorities' intention to seek a country-specific FSAP.