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## **Statement by an IMF Staff Mission to Benin**

An International Monetary Fund (IMF) mission visited Cotonou during March 25-April 8, 2009 to conduct the sixth review under the authorities' three-year economic program supported by the IMF's Poverty Reduction and Growth Facility (PRGF). The mission met with the President of the Republic, His Excellency Dr. Thomas Boni Yayi, the Senior Minister for Prospective, Development, and Evaluation of Public Policy, Mr. Pascal Irénée Koupaki, Minister of Economy and Finance, Mr. Soulé Mana Lawani, and other senior officials. It also held fruitful discussions with representatives of the private sector, the banking community, donors, and labor union leaders.

Mr. Joannes Mongardini, IMF mission chief for Benin, issued the following statement in Cotonou on April 8, 2009:

“Benin’s economic activity continued to strengthen in 2008, notwithstanding the negative shocks of the food and fuel price increases, and the global economic crisis. Real GDP growth reached 5 percent, the highest level since 2001, as a result of strong agricultural production, construction, and trade activity. Inflation steadily declined in the last four months of 2008 to an average annual rate of 8 percent, after its peak in August 2008 which reflected the authorities’ policy to let domestic prices fully adjust to higher international food and fuel prices. Fiscal consolidation continued with a significant increase in revenues and a stricter control of government spending in the second half of 2008. The external current account deficit (including grants) narrowed to 8.3 percent of GDP, from 9.9 percent in 2007.

“Performance under the PRGF-supported program was broadly satisfactory. As a result of fiscal consolidation, the target on the basic primary balance was met by a large margin. However, unexpected advances to the electricity company and a reduction of outstanding bills led to a larger-than-expected deterioration of government net financing from the banking system. Notwithstanding the welcome increase in the number of teachers and health workers, the large increase in the wage bill in 2008 is a source of concern, as it reduces the fiscal space for infrastructure spending that is key to sustaining growth. Mixed progress was

made in the implementation of structural reforms. The privatization of a minority stake in the government's ginning company, SONAPRA, was completed, a global strategy to reform the cotton sector was adopted by the government, and the audit of the electronic management system of government spending was concluded. However, the strategy to reform the pension system remains unfinished. On this basis, the mission could recommend the completion of the sixth review under the PRGF arrangement.

"The mission shared the authorities' concerns about the fallout from the global economic crisis on the Beninese economy. Accordingly, economic growth is projected to moderate to 3.8 percent in 2009, as higher food production would partly offset falling export receipts and trade activity with Nigeria, as well as lower consumption out of remittances. Inflation is projected to decline to an average 4 percent in 2009. The global economic crisis has already had a negative impact on customs receipts in the first quarter of 2009, and is likely to lead to a revenue shortfall for the year as a whole. This will require significant additional budgetary support from the donor community to maintain macroeconomic stability and protect priority spending for poverty reduction.

"Looking forward, the authorities expressed their interest in having a new PRGF arrangement with the IMF for the period 2009-12 to support their efforts to mitigate the fallout of the global economic crisis in the short run, and lay the foundation for higher sustainable growth in the medium term. The thrust of the authorities' program will be to accelerate structural reforms with a view to enhancing Benin's productivity and competitiveness, reducing poverty, and moving closer to the attainment of the Millennium Development Goals.

"The mission would like to express its gratitude for the authorities' warm hospitality, the very constructive dialogue, and the close cooperation during its stay in Cotonou."