FOR AGENDA

EBS/11/18

February 2, 2011

To: Members of the Executive Board

From: The Secretary

Subject: **Benin—First Review Under the Three-Year Arrangement Under the Extended Credit Facility, Request for Waiver of Nonobservance of Performance Criterion, Request for Program Extension and Rephasing of Performance Criteria**

Attached for consideration by the Executive Directors is a paper on the first review under the three-year arrangement under the Extended Credit Facility for Benin and Benin's requests for a waiver of nonobservance of a performance criterion, a program extension and rephasing of performance criteria. A draft decision appears on pages 17–19. This paper, together with the update on the ex post assessment of the Fund's longer-term program engagement with Benin (EBS/10/317, 12/22/10), is tentatively scheduled for discussion on **Wednesday, February 16, 2011**. Unless an objection from the authorities of Benin is received prior to the conclusion of the Board's consideration, the document will be published. Any requests for modifications for publication are expected to be received two days before the Board concludes its consideration.

Questions may be referred to Mr. de Zamaroczy (ext. 36934), Mr. Pani (ext. 38536), and Ms. Lundgren (ext. 38237) in AFR.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Thursday, February 10, 2011; and to the African Development Bank, the European Commission, the Islamic Development Bank, and the West African Economic and Monetary Union, following its consideration by the Executive Board.

This document, together with a supplement providing an informational annex, will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities. The supplement, which is not being distributed in hard copy, will also be available in the Institutional Repository; a link can be found in the daily list (http://www-int.imf.org/depts/sec/services/eb/dailydocumentsfull.htm) for the issuance date shown above.

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INTERNATIONAL MONETARY FUND

BENIN

First Review Under the Three-Year Arrangement Under the Extended Credit Facility, Request for Waiver of Nonobservance of Performance Criterion, Request for Program Extension and Rephasing of Performance Criteria

Prepared by the African Department
(In consultation with other departments)

Approved by Michael Atingi Ego and Thomas Dorsey

February 1, 2011

- **Extended Credit Facility (ECF) arrangement:** Benin's three-year arrangement under the ECF was approved on June 14, 2010, in the amount of SDR 74.28 million (120 percent of quota). The last Article IV Consultation was concluded on the same day.
- **Discussions:** Cotonou, September 21–October 4, 2010 and January 13–21, 2011, and Washington, DC, during the Annual Meetings and during December 14–17, 2010. Over the course of these events, Management and staff met with President Boni Yayi, Senior Minister for Development Koupaki, Finance Minister Daouda, other senior government officials, and representatives of the National Assembly, the private sector, the donor community, and the media.
- **Program review:** Program implementation has been mixed in an unfavorable economic environment. The authorities are requesting: (i) a waiver of the missed performance criterion on net domestic financing at end-June 2010; and (ii) a program extension cum rephasing by three months, starting with the second review. Structural reforms are proceeding, but with some delays. Staff supports the authorities' requests and recommends completion of the review.
- **Mission team:** Messrs. de Zamaróczy, El Harrak, Pani, and Ms. Lundgren (all AFR); Mr. Sarr (Resident Representative) and Mr. Houessou (Resident Representative Office). Mr. MacWilliam from the World Bank participated in the missions. Messrs. Rutayisire, Assimaidou, and Nguema-Affane (all OED) also attended key meetings in the field and at headquarters.

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Abbreviations

ASYCUDA	Automated System for Customs Data
BCEAO	*Banque Centrale des États de l'Afrique de l'Ouest* (Central Bank of West African States)
CFAF	*Communauté Financière Africaine Franc* (CFA Franc)
CPI	Consumer Price Index
DGID	*Direction Générale des Impôts et des Domaines* (Tax Directorate)
DGDDI	*Direction Générale des Douanes et Droits Indirects* (Customs Directorate)
ECF	Extended Credit Facility
EPA	Ex Post Assessment
FSAP	Financial Sector Assessment Program
FNBR	*Fonds National des Retraites du Bénin* (National Pension Fund)
GDP	Gross Domestic Product
GPRS	Growth and Poverty Reduction Strategy
GSM	Global System for Mobile Communications
LOI	Letter of Intent
MCM	Monetary and Capital Markets Department, IMF
MDG	Millennium Development Goal
MEFP	Memorandum of Economic and Financial Policies
OCBN	*Organisation Commune Bénin-Niger des Chemins de Fer et des Transports* (Benin-Niger Joint Railways and Transportation Company)
PIP	Public Investment Program
PRGF	Poverty Reduction and Growth Facility
SDR	Special Drawing Rights
SBEE	*Société Béninoise d'Énergie Électrique* (Electricity Company)
TIN	Taxpayer Identification Number
TMU	Technical Memorandum of Understanding
TOFE	*Tableau des Opérations Financières de l'État* (Budget Table)
UNDP	United Nations Development Programme
WAEMU	West African Economic and Monetary Union

EXECUTIVE SUMMARY

Amid unfavorable economic conditions, performance under the Extended Credit Facility (ECF) program has been mixed. Against the backdrop of a slow global recovery, weak domestic demand, and delays in strengthening governance in revenue collection agencies, revenue fell markedly short of program targets in the first half of the year. The end-June performance criterion on net domestic financing was missed, largely because of an unanticipated settlement of outstanding bills and unplanned net lending to state enterprises.

From mid-year, the revenue slippage was addressed partially with corrective actions. Revenue collection efforts intensified in the second half of the year, and expenditure was contained in line with the reduced availability of resources; nevertheless, several end-September and end-December 2010 targets were missed. Throughout the year, structural reforms proceeded, but with some delays.

In September and October 2010, Benin was hit by the worst flooding in 50 years. Beyond the immediate humanitarian needs, the flooding negatively affected growth in 2010. Preliminary estimates of damages and losses are considerable. The findings are expected to set the stage for future discussions of balance of payments financing needs associated with the reconstruction efforts. Financing of such efforts may crowd out some planned new investments.

In light of the disappointing results of 2010 and adverse shocks, the authorities request less ambitious fiscal objectives for 2011, a less sanguine medium-term macroeconomic framework, and an extension of the program. The 2011 budget incorporates a strong revenue drive. However, the protracted economic downturn, the extent of the shortfall in revenue collection in 2010, and possible structural changes in customs revenue all call for a slower adjustment path and an extension cum rephasing of the program by three months.

Achieving the program objectives will require the prompt implementation of the structural reform agenda. Critical reforms, such as the introduction of a one-stop window at the Port of Cotonou, the generalization of the single taxpayer identification number (TIN), and the reform of the civil service and energy sectors should proceed without further delay.

Staff supports the authorities' requests for a waiver of a missed performance criterion, and an extension cum rephasing of the program by three months. Staff recommends the completion of the first review, based on corrective action in the second half of 2010 and strong policy commitments for 2011.

I. RECENT ECONOMIC DEVELOPMENTS

1. **Economic recovery in the wake of the international crisis has been slower than expected**. Preliminary economic indicators suggest that domestic demand, notably investment, has remained weak, while manufacturing has suffered from the lagged impact of last year's poor cotton harvest. Real growth in 2010 is thus estimated at 2.5 percent, compared with program projections of 3.2 percent (Figure 1).

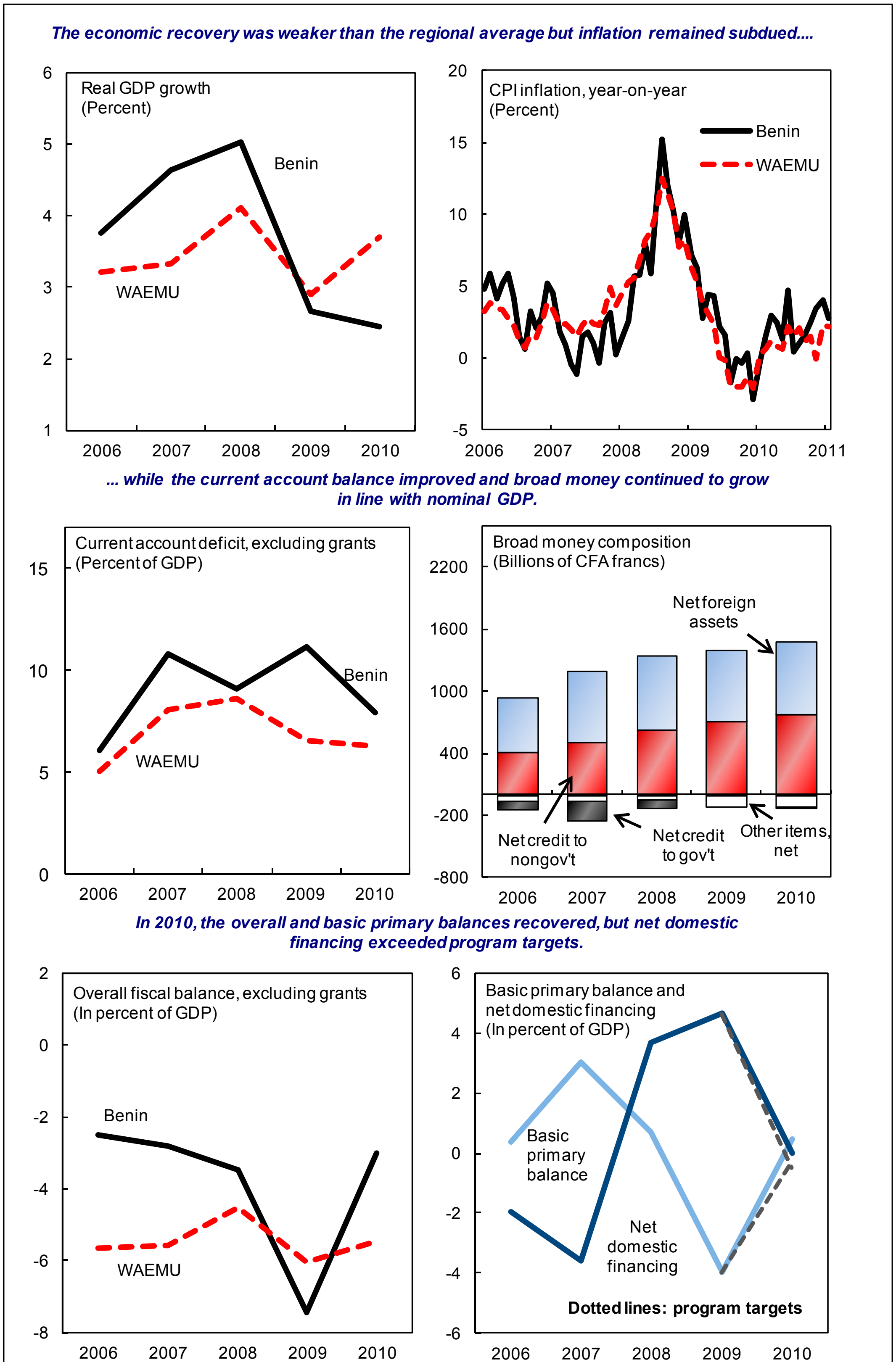
2. **Inflation has remained subdued and the current account improved in 2010.** Reflecting a good staple crop harvest and weak domestic demand, average annual inflation in 2010 was 2.1 percent, below the West African Economic and Monetary Union (WAEMU) convergence criterion of 3 percent. Supported by higher cotton prices, exports improved during the year, while weak domestic demand led to a deceleration of imports. The current account deficit, excluding grants, is thus estimated to have narrowed to 7.9 percent of GDP in 2010, from 11.1 percent in 2009.

3. **The collapse of a number of unauthorized microfinance institutions has not had a measurable impact on the financial sector** (Box 1). Toward the end of June, *ICC Services* and other unauthorized microfinance institutions, which had been running fraudulent "Ponzi" schemes, became insolvent. The collapse of these schemes has had a limited impact on Benin's banking and microfinance sectors. Bank deposits have continued to increase; credit to the private sector has decelerated, but mainly owing to weak demand for credit from enterprises bidding for public investment projects. There has been no increase in nonperforming loans in the banking sector, but a rise in repayment problems has been noted in the microfinance sector.

4. **Banks' capitalization has improved, in line with new WAEMU requirements.** Four banks, of a total of 13 banks, are not in compliance with the new capital requirements, which came into effect at end-2010. The four banks are likely to be asked shortly either to become compliant or to restructure. Compliance with other prudential regulations has remained mixed, and the provisional administration of a severely undercapitalized bank has been extended for six months.

5. **Exceptionally severe floods in September and October spurred a major humanitarian crisis** (Box 2). The inundations affected about two-thirds of the country and many people died. The immediate relief costs amounted to about 1 percent of current expenditure in 2010. A preliminary assessment indicates considerable damages and losses, in particular in the agriculture sector. The findings are expected to set the stage for future discussions of balance of payments financing needs associated with the reconstruction efforts.

Figure 1. Benin: Macroeconomic Performance, 2006–10



Sources: Beninese authorities; and Fund staff estimates.

Box 1. The Collapse of Illegal Microfinance Institutions

During the Article IV consultation mission in March 2010, staff alerted the authorities to the risks posed by a number of unlicensed microfinance institutions running fraudulent "Ponzi" schemes. The fraud, targeted at urban savers, had been growing for many months, but attracted official attention only in June 2010 when the largest institution concerned, *ICC Services*, collapsed. By the time the schemes unraveled, they had collected deposits equivalent to about 5 percent of the 2010 GDP from an estimated 150,000 depositors. According to government data, the average deposit represented one and a half times the annual GDP per capita.

The authorities responded to the emergency by appointing an interministerial crisis committee and by seizing the assets of the entities and of their managers, some of whom were arrested. Reimbursement of a limited number of small depositors from the seized assets started in September. The authorities have said repeatedly, however, that no public funds will be used to reimburse depositors.

At the authorities' request, an MCM technical assistance mission visited Cotonou in September to assess the extent of the crisis and investigate the legal and institutional vulnerabilities that had facilitated its occurrence. The mission found weaknesses in regulation, supervision, and enforcement, and noted that unclear responsibilities and, in some cases, intentional inertia of some senior officials—since then dismissed—had hampered the authorities' response. The mission provided recommendations on how to address the situation and strengthen the legal and supervisory framework, including introducing WAEMU provisions in national legislation; strengthening sanctions (and the enforcement thereof) against the unauthorized collection of deposits; and enhancing the power of intervention of the Central Bank of West African States (BCEAO) and of the Ministry of Finance. Additional contributions will be provided by a follow-up MCM technical assistance mission, and by a Financial Sector Assessment Program (FSAP) scheduled for 2012.

6. **The authorities are finalizing their poverty reduction strategy for 2011–15** (LOI¶39). A preliminary draft of the third Growth and Poverty Reduction Strategy (GPRS III) was presented to donors in December. The new strategy builds on the achievements of the previous one. It focuses on promoting growth and employment by encouraging private-sector activity, and will include a program of priority actions and a system to monitor key target indicators.

Box 2. The 2010 Floods

In September and October, Benin was hit by extraordinary floods, as torrential rainfall combined with exceptionally high water levels caused the Ouémé, Couffo, Mono, and Niger rivers to overflow at the same time. This was the worst flooding in 50 years. The floods lasted more than a month and affected about 680,000 people, with 46 reported deaths and about 150,000 people left homeless. The flooding disrupted the water supply and sanitation systems, prompting a health crisis and an outbreak of cholera. The floods caused extensive damage to crops, livestock and infrastructure; destroyed more than 55,000 houses, 455 schools, production and marketing infrastructure, and other fixed assets (mostly in agriculture); and hampered education and economic activity. Immediate humanitarian relief efforts, coordinated by an interministerial crisis committee, were supported by international aid agencies.

The impact of the floods on economic activity in 2010 was substantial, even though it occurred relatively late in the year. Immediate budgetary cost stemmed mainly from emergency humanitarian relief and the repair of damaged access roads. On account of reconstruction needs, the floods could have major adverse effects on the economy in 2011. Preliminary findings from an assessment conducted jointly by leading donors estimate total damages and losses at some 3 percent of the estimated 2010 GDP, which will require substantial reconstruction efforts in 2011. The authorities hope to finance needed reconstruction efforts primarily through external assistance. However, reconstruction financing may crowd out some planned new investments resulting in a net loss of capital investment that could weaken medium-term growth prospects.

II. Performance Under the Program

7. **Revenue collection in the first half of 2010 was markedly below program target.** Cumulative total revenue collection at end-June was 1.2 percent of GDP below the target and at the same nominal level as in the first half of 2009. This outcome reflected the weak economic activity (as the main sources of revenue, including income taxes, value-added tax (VAT) and customs duties behaved procyclically), delays in improving governance and administrative capacity of the tax collecting agencies (that were expected to increase tax revenue), and a decline in imports for domestic consumption. Revenue collection efforts strengthened in the second half of the year, as a result of a tightening of management at customs and stricter controls. Total revenue thus amounted to 18.4 percent of GDP on a cumulative basis at end-December. Nonetheless, because of higher targets in the second semester, the end-year shortfall represented 2.4 percent of GDP, partly reflecting the effects of floods and protracted strikes at the Ministry of Finance—related revenue losses are estimated at about 0.2 to 0.4 percent of GDP.

8. **The authorities responded to the revenue shortfall by cutting expenditure.** Current expenditure—including wages—at end-June was kept somewhat below program projections, while the implementation of the public investment program (PIP) was considerably scaled back through a systematic review of projects. As a result, end-June total expenditure and net lending remained below program projections.

9. **All end-June quantitative performance criteria were met, except one** (Text Table 1, Figure 2). Both the basic primary balance (the benchmark fiscal policy indicator in Benin) and the overall deficit (on a payment-order basis) remained in line with the program.[1] The indicative target on payment orders issued outside the normal expenditure chain was also met. However, the *adjusted* performance criterion on net domestic financing was missed by 2 percent of GDP mainly owing to the unanticipated settlement of the float and of domestic arrears.[2] Three end-September quantitative indicative targets—on revenue, the basic primary balance, and net domestic financing—were missed because improvements in revenue collection in the third quarter did not match the rise in expenditure.

Text Table 1. Benin: Quantitative Performance Criteria, 2010
(In billions of CFA francs)

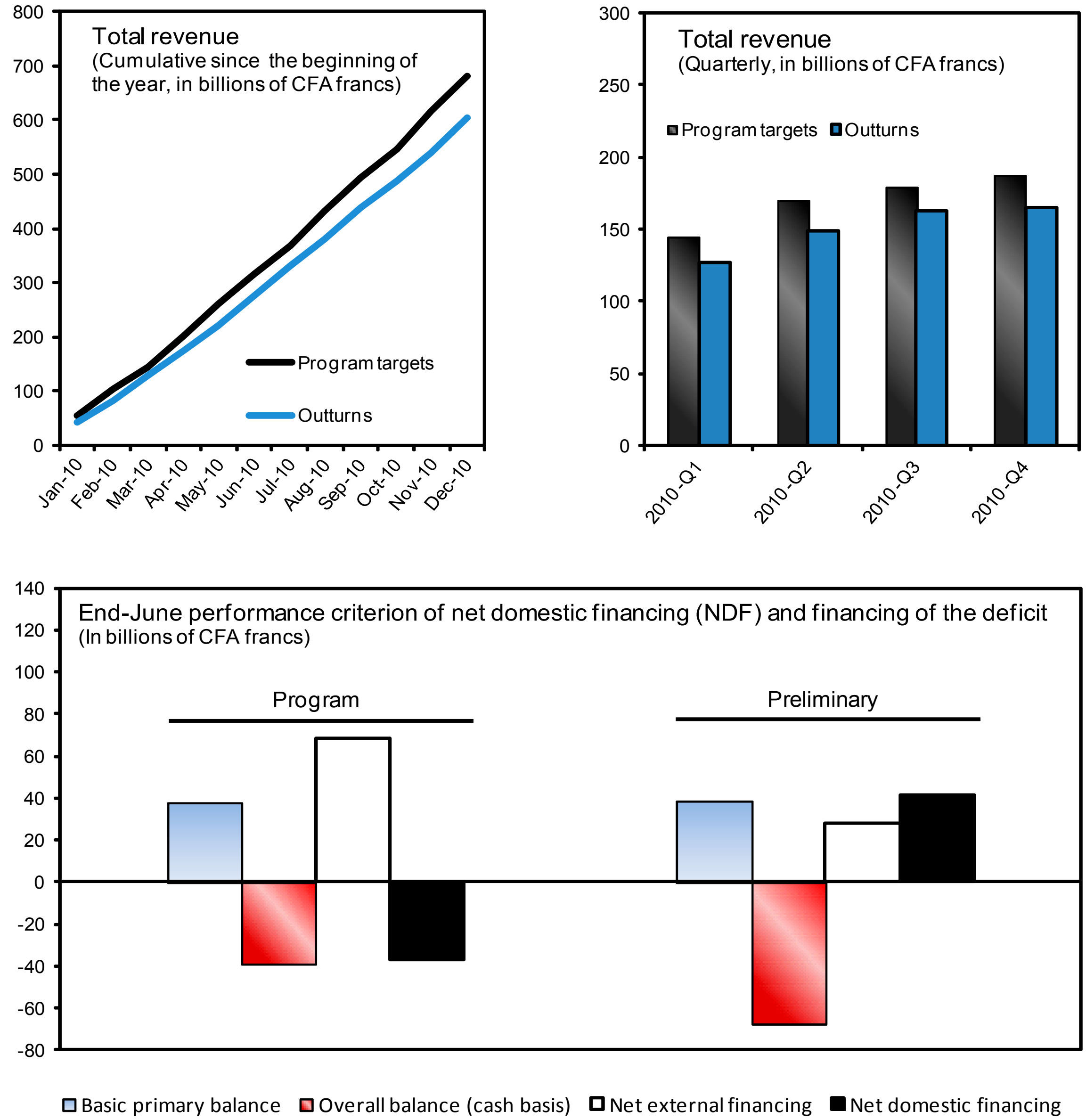
	End-June			End-September			End-December		
	Program	Adjusted program	Prel.	Program	Adjusted program	Prel.	Program	Adjusted program	Prel.
Basic primary balance (floor)	37.8	37.8	38.4	1.9	1.9	-20.3	-10.5	-10.5	15.1
Net domestic financing (ceiling)	-37.0	-27.0	41.3	-25.4	-5.4	36.9	-15.3	-0.1	0.7
Memorandum item:									
Revenue (floor) (indicative target)	315.5	315.5	275.9	494.6	494.6	438.1	681.9	681.9	603.0

Sources: Beninese authorities, and IMF staff estimates.

[1] The overall fiscal deficit, on a payment-order basis, remained in line with the program because (i) the basic primary balance was in line with the program; and (ii) unplanned short-term lending to state-owned enterprises of CFAF 30.7 billion, not included in the basic primary balance, was compensated by lower interest payments by CFAF 6.7 billion and a CFAF 24.0 billion shortfall in externally financed investment.

[2] While the overall fiscal deficit, on a payment-order basis, remained in line with the program, the deficit on a cash basis exceeded program projections by CFAF 28.7 billion, reflecting largely an unanticipated net reduction of CFAF 23.5 billion in the float (outstanding payment orders). Disbursements of external budgetary assistance fell short of program projections by CFAF 10 billion, but the end-June ceiling on net domestic financing was adjusted upward by an equivalent amount, as per the provision of the Technical Memorandum of Understanding (TMU).

Figure 2. Benin: Fiscal Performance Under the Progam, 2010



Sources: Beninese authorities; and Fund staff estimates.

10. **Following the revenue slippage in the first half of the year, the authorities took corrective action** (LOI ¶17–18). The senior management of the customs department was replaced in mid-year; and the enforcement of tax and customs procedures was strengthened, including through a more systematic use of the TIN, improved customs controls at borders and on transit trade, more rigorous control of exemptions, and stronger internal controls in

the tax department. After end-September, new spending commitments were issued only on a case-by-case basis with the specific approval of the Ministry of Finance. The wage bill was kept below the program, and the PIP was scaled down, taking advantage of the noted review of the project portfolio and in line with the reduced availability of counterpart funds. As a result of the aggressive reining in of expenditure in the fourth quarter of 2010, and based on preliminary estimates, the end-December target on the basic primary balance was met, but the one on net domestic financing was missed, as a result of a carryover of some imbalances from mid-year.

11. **Structural reforms were significantly delayed in 2010, with only partial progress in most areas** (LOI ¶29, and 31–35 and attached table). The decrees to implement the new Public Procurement Code were approved by the Council of Ministers in November (instead of September), and provisions to introduce a personal income tax were approved by the National Assembly with the 2011 budget law in December. The extension of ASYCUDA++ to 12 additional customs units is under way, but is expected to be completed only in June 2011 (instead of December 2010). The audit of the information system of the Tax Department (DGID) was completed by the end of 2010 as planned, but the development of a complete, integrated information system could require up to three years. The use of the single TIN has been generalized to all large taxpayers and the use in ASYCUDA++ of non-specific TINs has been discontinued. The extension of the TIN to small-scale businesses and the abolition of temporary TINs, however, will require additional time, possibly up to end-2011.

12. **A recent ex post assessment (EPA) of performance under the 2005–09 Poverty Reduction and Growth Facility (PRGF) program highlighted progress in macroeconomic stabilization but weaknesses in growth performance**. The EPA noted that macroeconomic conditions in Benin had remained stable under the program despite a challenging environment. However, growth had remained below Benin's historical average and performance level in comparable countries, owing to the slow implementation of structural reforms. The current ECF-supported program already addresses several recommendations of the EPA by (i) introducing indicative targets for payment orders issued outside the expenditure chain and priority social expenditure; (ii) focusing structural reforms on improving revenue and customs administration, broadening the tax base, and reforming the civil service; and (iii) promoting privatization.[3] The report noted that progress in these areas will require strong political leadership and strengthened ownership of the reform agenda.

[3] For details, see staff report SM/10/317, dated December 22, 2010.

III. Policy Discussions

A. Overview

13. **Because of the program slippages, staff was not in a position to recommend the conclusion of the first review in early October as initially planned.** Rather, staff agreed with the authorities on a series of lower monthly revenue targets to revive the program. The implementation of enhanced revenue collection efforts from September onward were stymied by the effects of the floods and protracted strikes. Although the agreed monthly revenue flow targets during September-November could not be fully met, the December revenue flow target was exceeded with a margin, as strikes by revenue-collecting civil servants ebbed. With favorable perspectives for revenue performance in January, the authorities believe that they have turned the corner and will be able to continue to strengthen their administrative revenue collection capacity in 2011.

14. **The year 2010 was characterized by change in the transit trade pattern.** Traditionally, the port of Cotonou is a gateway for other countries in the subregion and a conduit for informal trade with neighboring countries. In 2010, the authorities noted a significant increase in the volume of formal transit trade and a concomitant decline in imports declared for domestic consumption—which include imports destined for informal re-export—and hence in customs receipts. This development could possibly be linked to attempts at evading customs tariffs. If these changes were permanent, they could have lasting effects on customs revenue. In general, a permanent decline in the trade for re-export—which could result from trade liberalization in the region—would reduce the volume of imports and hence customs revenue. These risks underscore the need to broaden the tax base.

15. **The short-term economic outlook is less favorable than expected.** The slow and uncertain pace of the global economic recovery has resulted in continued weak inflow of foreign direct investment and budget aid. Economic activity is expected to remain modest, despite some rebound in construction (related to flood-induced reconstruction), an increase in investment, and a stronger demand for services. Real GDP is thus projected to grow by 3.4 percent in 2011, below the program projection of 4.4 percent.

16. **Adverse developments, disappointing performance, lower investments, and the damages caused by the floods in 2010 call for a revision of the medium-term framework.** The disappointing economic performance in 2010 and prolonged economic weaknesses among economic partners will postpone growth recovery by one year. Furthermore, the investments required for reconstruction needed after the 2010 flooding may crowd out some previously planned investments, thus slowing down the growth momentum in the medium-term. Together with lower than expected domestically financed investment and delays in the implementation of the structural reforms agenda, this warrants a somewhat less sanguine growth path in the medium term (5 percent per annum instead of 6 percent in the outer years), which would be consistent with the projected growth trend for the region. Weaknesses in revenue collection and changes in trade patterns imply a slower pace of increase of the revenue-to-GDP ratio in the medium term. The attainment of these revised objectives will

nonetheless require sustained policy and revenue efforts, and a prompt implementation of structural reforms to increase competitiveness and spur private investment.

17. **Against the backdrop described above, staff continued discussions with the authorities at headquarters and in Cotonou in December 2010 and January 2011.** During these discussions, and based on the facts explained above, the authorities requested a partial loosening of the 2011 fiscal targets (for details see ¶21 below) to reflect the revenue shortfalls in 2010 and the impact of the floods. The medium-term framework is also less ambitious. The authorities also asked that the program and all test dates be rephased by three months. Staff supports these requests.

18. **The authorities have maintained a restrained external debt policy and a low debt burden** (19 percent of GDP at end-2010; LOI ¶20). They contracted a dozen relatively small external loans in 2010 on concessional terms. The authorities have also committed to further negotiations of three potential loans, for which the grant element on their current terms would narrowly miss the 35 percent floor, before these loans become legally effective. The authorities have also committed to strengthening their negotiating procedures in the future.

B. Policies for 2011 and the Medium Term

19. **Pursuing the revised medium-term program objectives will require a major effort in revenue mobilization and nonpriority expenditure containment.** Accordingly, the authorities intend to:

- further enhance revenue mobilization in 2011;
- return gradually to the program targets on the basic primary balance and net domestic financing;
- protect priority social expenditure and introduce a monitoring of its execution; and
- accelerate the implementation of structural reforms and strengthen the regulation of microfinance.

20. **The authorities will introduce new policies to bring tax revenue gradually close to 18 percent of GDP by 2014** (LOI ¶33-36). They will (i) curb customs fraud, including by introducing from mid-2011 a one-stop window at the Port of Cotonou, installing a container scanner, improving import value verification by an independent company, and enforcing more rigorous targeted controls on transit trade with the support of electronic technologies; (ii) combat tax evasion through systematic checks on public suppliers, based on the TIN; (iii) establish new regional centers for medium-sized taxpayers; (iv) strengthen cooperation between customs and tax enforcement units; (v) extend the use of the TIN to more categories of individuals and businesses; and (vi) continue to enforce more rigorous controls on the

legal validity of claims for tax exemptions.[4] Altogether, these measures are expected to bring revenue to 18.7 percent of GDP in 2011. Additional revenue gains are expected once the personal income tax becomes effective in 2012.

21. **Nonpriority current expenditure will be contained in line with reduced revenue expectations, but the basic primary balance and net domestic financing will be somewhat relaxed compared to the program.**[5] The end-December 2011 target for the basic primary balance was revised downwards by 0.6 percent of GDP and the target for net domestic financing was revised upwards by 1.6 percent of GDP—in line with external financing now projected to be below program projections. The authorities will improve the budget preparation process and strengthen public expenditure management (LOI ¶28). The wage bill will be maintained in line with program projections, even as other expenditure items are curbed, because its downward flexibility is limited by recently introduced multi-year wage agreements, recruitment needs in the health and education sectors, and the authorities' concerns about social peace.

22. **Investment and priority social spending will be protected.** Sustained public investment in infrastructure will be critical to achieving the medium-term growth objectives, and the effectiveness of the investment portfolio has been enhanced by the systematic review of projects in 2010. Priority social spending, essential to achieving the Millennium Development Goals and to the GPRS III, will be protected against stringent budget constraints by introducing quarterly indicative targets for these items (defined by budget codes) from 2011 (LOI ¶27).

23. **These policies will be supported by a timely implementation of structural reforms** (LOI ¶30, 36-38). The authorities have made good progress towards introducing a one-stop window at the Port of Cotonou by end-June 2011. They also intend to enhance the role of the private sector in providing energy, transportation, and telecommunications. After strengthening the financial situation of the state-owned energy company, SBEE, in 2010,[6] the authorities are planning to adopt a new regulatory framework for the sector by June 2011,

[4] A systematic enforcement of these controls contributed to a significant reduction in tax exemptions granted at customs, which declined from CFAF 40 billion in 2009 to less than CFAF 17 billion in 2010. The policy will continue in 2011. Furthermore, to streamline customs payments, the authorities will require incoming ships to file their manifests while still at anchor.

[5] The 2011 budget, adopted by the National Assembly in December, is broadly consistent with program discussions held in September/October. The revised budget for 2011, contemplated after the January discussions, will target lower revenue and expenditure levels. The authorities consider these revisions compatible with the budget approved by the National Assembly.

[6] Based on preliminary indications, the reforms implemented in 2010 are deemed to have restored a positive net worth for *SBEE* and to enable the company to earn operating profits. These improvements should reduce contingent fiscal liabilities (notably the need for transfers and subsidies), and facilitate investment and the mobilization of capital.

and to open the distribution of electricity to private capital. The privatization of *Bénin Télécoms* is proceeding and the management of the state-owned railway company, *OCBN*, will be outsourced. The authorities are committed to modernizing the civil service. Based on an ongoing review of the compensation system and a stock-taking of current reforms, the authorities are planning to adopt a strategy to reform the civil service and to reform its pension plan in 2011.

24. **The program will continue to be supported by concessional financing from external donors.** In 2011 and 2012, this financing is projected to remain at about the same nominal level reached in 2010 (with a shift from budget support to project financing) reflecting continued difficulties in the domestic economies of some major donor countries. In the medium term, the program assumes a modest but gradual increase in external assistance, albeit below initial program projections.

C. Risks to the Program

25. **Program implementation remains exposed to severe risks.** The authorities' commitment to implementing the fiscal adjustment measures and structural reforms will be tested by growing demands from labor unions and other pressures ahead of the spring 2011 presidential and parliamentary elections. The medium-term economic impact of the 2010 floods could result in higher public expenditure, slower improvements in revenue collection, and additional balance of payments needs arising from additional imports.

IV. Staff Appraisal

26. **The slow economic recovery, the collapse of the Ponzi schemes, the revenue shortfall, and the damages caused by the floods posed major challenges to program implementation in 2010.** One end-June performance criterion, and several end-September and end-December targets were missed, in spite of a significant fiscal effort in the second half of the year. Structural reforms proceeded, but with some delays. The mixed program implementation in 2010 thus reflects a combination of the depth of the economic crisis, adverse shocks, and weak governance.

27. **Notwithstanding these setbacks, the program remains viable in the medium-term—if appropriate policies are pursued in a timely fashion—but its quantitative objectives and pace need to be revised.** Accordingly, medium-term growth and revenue mobilization (and therefore public expenditure and investment) will be somewhat weaker than expected under the program, and will take longer to achieve. Accelerating structural reforms, implementing a robust revenue drive in 2011, and adjusting expenditure to preserve the medium-term fiscal stance will bring the country to a higher growth path, while preserving macroeconomic stability.

28. **The authorities have reiterated their commitment to pursuing the objectives of the program.** A strong fiscal adjustment in the second half of 2010 safeguarded the liquidity situation and brought the end-year outturn close to program targets. New measures will be

introduced in 2011 to strengthen revenue mobilization and control nonpriority spending, while protecting priority social expenditure. The authorities are also committed to accelerating the implementation of critical structural reforms.

29. **Following the collapse of the Ponzi schemes, supervision of microfinance institutions should be strengthened and public awareness should be raised.** In order to preserve confidence in the sector and prevent a repetition of the fraud, regulation and intervention power should be strengthened and brought in line with WAEMU provisions.

30. **In view of the authorities' commitment and corrective actions, staff supports the authorities' requests for** (i) a waiver of non observance of the end-June performance criterion on net domestic financing; and (ii) an extension cum rephasing of the program by three months, starting with the second review. Staff also recommends the completion of the first review.

PROPOSED DECISION

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

1. Benin has consulted with the Fund in accordance with paragraph 4.A.(b) of the arrangement for Benin under the Extended Credit Facility (ECF) (EBS/10/99, 05/28/2010, the "Arrangement") in order to review program implementation, and to reach understandings concerning the conditions for further disbursements.

2. The letter dated January 31, 2011 from the Minister of Economy and Finance (the "January 2011 Letter"), along with its attached Technical Memorandum of Understanding (the "January 2011 TMU"), shall be attached to the Arrangement, and the letter dated May 27, 2010, together with its attachments, shall be read as supplemented and modified by the January 2011 Letter and its attachment.

3. Accordingly, the Arrangement for Benin shall be amended as follows:

   a. Paragraph 1(a) shall be amended by replacing the words "three years" with "thirty nine months".

   b. Paragraph 2(c) shall be amended by deleting the words "June 30, 2011" and replacing them with "June 1, 2011"

   c. A new paragraph 2(d) shall be inserted as follows:

"(d) the fourth disbursement, in an amount equivalent to SDR 10.61 million, will be available on or after December 1, 2011 at the request of Benin, and subject to paragraphs 4 and 5 below;".

d. Paragraph 4.A. shall be amended to read as follows:

"A. the second, third and fourth disbursements under this Arrangement specified in paragraphs 2(b), 2(c) and 2(d) above:

(a) if the Managing Director of the Trustee finds with respect to the second disbursement, the data as of June 30, 2010, with respect to the third disbursement, the data as of March 31, 2011, and with respect to the fourth disbursement, the data as of September 30, 2011 indicate that:

(i) the floor on the basic primary fiscal balance, or

(ii) the ceiling on net domestic financing,

as set out in Table 1 of the MEFP and further specified in the TMU, with respect to the second disbursement, and as set out in Table 1 of the January 2011 Letter and further specified in the January 2011 TMU, with respect to the third and fourth disbursements respectively, was not observed, or"

(b) until the Trustee has determined that with respect to the second disbursement, the first program review referred to in paragraph 38 of the MEFP has been completed, and with respect to the third and fourth disbursements, the second and third program reviews respectively, referred to in paragraph 40 of the January 2011 Letter have been completed.

e. Paragraph 5(a) shall be amended by replacing the words "as specified in Table 1 of the MEFP and further specified in the TMU" with "as specified in Table 1 of the January 2011 Letter, and further specified in the January 2011 TMU."

4. The Fund decides that the first program review specified in paragraph 4.A.(b) of the Arrangement is completed, and that Benin may request the second disbursement referred to

in paragraph 2(b) of the Arrangement, notwithstanding the nonobservance of the end-June 2010 performance criterion on net domestic financing specified in paragraph 4.A.(a)(ii) of the Arrangement, on the condition that the information provided by Benin on performance under this criterion is accurate.

Table 1. Benin: Selected Economic and Financial Indicators, 2007–15

	2007	2008	2009	2010	2011	2012	2013	2014	2015
			Prel.	Projections					
	(Annual percentage change, unless otherwise indicated)								
National income									
GDP at current prices	7.4	12.6	4.7	4.8	5.9	6.8	7.3	7.5	7.5
GDP at constant prices	4.6	5.0	2.7	2.5	3.4	4.3	4.8	5.0	5.0
GDP deflator	2.6	7.2	2.0	2.3	2.4	2.4	2.4	2.4	2.4
Consumer price index (average)	1.3	8.0	2.2	2.1	2.8	2.8	2.8	2.8	2.8
Consumer price index (end of period)	0.3	9.9	-2.9	4.0	1.9	2.8	2.8	2.8	2.8
Central government finance									
Total Revenue	31.4	6.1	-0.9	4.7	7.8	9.2	10.0	8.8	8.2
Expenditure and net lending	29.9	10.0	18.2	-13.2	14.1	5.7	6.7	5.5	6.5
Money and credit									
Net domestic assets [1]	-0.9	25.5	7.1	5.0	8.7	8.8	8.2	6.2	4.6
Domestic credit [1]	-1.5	24.3	12.5	5.0	8.7	8.8	8.2	6.2	4.6
Net claims on central government [1]	-14.4	11.4	6.6	-0.8	1.3	1.0	1.0	-0.9	-1.3
Credit to the nongovernment sector [1]	12.9	12.9	5.9	5.8	7.4	7.7	7.2	7.1	5.9
Broad money (M2)	17.6	28.8	6.2	4.8	5.9	6.8	7.3	7.5	7.5
Velocity (GDP relative to average M2)	3.0	2.8	2.5	2.8	2.8	2.8	2.8	2.8	2.8
External sector (in terms of CFA francs)									
Exports of goods and services	36.7	17.9	-2.1	4.6	9.9	6.9	7.0	7.8	8.2
Imports of goods and services	43.8	7.5	0.7	-0.9	5.4	6.0	5.8	6.0	6.1
Nominal effective exchange rate (minus = depreciation)	3.7	2.3	-1.6	…	…	…	…	…	…
Real effective exchange rate (minus = depreciation)	0.9	4.3	-0.5	…	…	…	…	…	…
	(Percent of GDP, unless otherwise indicated)								
Basic ratios									
Gross investment	20.5	20.0	23.3	18.7	20.3	20.2	21.1	20.8	21.3
Government investment	7.5	5.8	9.6	5.4	6.7	6.2	6.2	6.0	5.9
Nongovernment investment	13.0	14.2	13.6	13.3	13.6	14.1	14.9	14.9	15.4
Gross domestic saving	5.0	6.7	10.0	7.1	9.4	9.6	10.8	10.9	11.9
Government saving	3.9	1.7	1.5	1.6	1.6	1.8	2.5	2.9	3.2
Nongovernment saving	1.1	5.0	8.5	5.5	7.8	7.8	8.3	8.0	8.6
Gross national saving	10.4	12.0	14.4	11.7	14.1	13.7	14.9	15.1	15.9
Central government finance									
Total Revenue	20.6	19.4	18.4	18.4	18.7	19.1	19.6	19.8	20.0
Expenditure and net lending	23.4	22.9	25.8	21.4	23.0	22.8	22.6	22.2	22.0
Primary balance [2]	-1.2	-3.1	-6.9	-2.5	-3.4	-2.7	-2.1	-1.5	-1.2
Basic primary balance [3]	3.1	0.7	-4.0	0.5	-0.5	0.2	0.8	1.3	1.6
Overall fiscal deficit (payment order basis, excl. grants)	-2.8	-3.5	-7.4	-3.0	-4.3	-3.7	-3.1	-2.4	-2.0
Overall fiscal deficit (cash basis, excluding grants)	-3.4	-7.4	-9.2	-3.3	-4.8	-4.1	-3.4	-2.7	-2.4
Debt service in percent of revenue	7.9	2.9	3.7	4.6	5.7	5.1	4.7	3.9	3.6
Total government debt	20.9	26.7	28.1	31.1	31.4	30.2	28.7	27.2	25.7
External sector									
Balance of goods and services	-15.5	-13.3	-13.2	-11.6	-10.9	-10.7	-10.3	-9.9	-9.4
Current account balance (including grants)	-10.1	-8.0	-8.9	-7.0	-6.2	-6.5	-6.2	-5.7	-5.4
Current account balance (excluding grants)	-10.8	-9.0	-11.1	-7.9	-7.2	-7.0	-6.8	-6.2	-5.8
Overall balance of payments	3.2	1.6	-1.6	-0.5	-0.2	-0.5	-0.1	0.7	1.3
Debt-service to exports ratio	9.6	3.2	4.1	5.1	6.2	5.7	5.4	4.6	4.2
Debt-to-GDP (post MDRI)	11.7	16.7	16.3	19.4	18.8	18.4	18.1	17.7	17.6
Nominal GDP (in billions of CFA francs)	2,658.1	2,992.6	3,134.4	3,285.2	3,478.6	3,714.6	3,987.1	4,285.1	4,605.8
CFA francs per U.S. dollar (period average)	479.3	445.5	470.7	501.4	…	…	…	…	…
Population (in millions)	8.9	9.1	9.4	9.6	9.9	10.2	10.5	10.8	11.1
Nominal GDP per capita (in U.S. dollars)	624.8	736.2	709.8	679.4	687.1	710.1	737.7	767.5	798.7

Sources: Beninese authorities; and IMF staff estimates and projections.

Note: … = not available.

[1] Change in percent of beginning-of-period broad money.

[2] Total revenue minus current primary expenditure, capital expenditure, and net lending.

[3] Total revenue minus current primary expenditure and capital expenditure financed by domestic resources.

Table 2a. Benin: Consolidated Central Government Operations, 2007–15

	2007	2008	2009	2010		2011		2012	2013	2014	2015
			Prel.	Prog.	Prel.	Prog.	Rev. Prog.	Projections			
	(Billions of CFA francs)										
Total revenue	548.0	581.3	575.8	681.9	603.0	721.9	650.1	709.9	781.1	850.0	919.9
Tax revenue	446.7	512.2	500.4	575.6	525.9	647.9	578.0	632.3	701.2	766.2	828.6
Tax on international trade	250.1	278.9	259.3	299.7	278.4	340.2	304.0	334.4	371.5	406.8	438.8
Direct and indirect taxes	196.6	233.3	241.2	275.8	247.5	307.7	274.0	297.9	329.8	359.3	389.9
Nontax revenue	101.3	69.1	75.4	106.3	77.1	74.0	72.0	77.6	79.9	83.9	91.3
Total expenditure and net lending	622.4	684.7	809.0	876.0	702.2	920.5	801.0	846.5	903.0	952.2	1,013.7
Current expenditure	423.8	465.1	494.0	555.1	504.4	610.1	568.0	617.0	655.1	696.4	740.0
Current primary expenditure	381.6	454.8	478.4	530.4	486.7	578.9	534.6	580.0	617.2	659.2	702.8
Wage bill	143.1	182.4	225.9	243.2	238.7	270.0	270.0	279.0	294.0	312.0	331.0
Pensions and scholarships	34.3	36.0	39.8	48.4	43.6	54.0	53.0	56.8	61.2	65.8	69.5
Current transfers	106.1	119.3	110.0	120.0	114.1	128.1	107.1	123.0	132.0	141.9	152.5
Expenditure on goods and services	98.1	117.0	102.7	118.8	90.3	126.8	104.5	121.2	130.0	139.5	149.7
Interest	42.2	10.3	15.6	24.6	17.7	31.2	33.4	37.0	37.8	37.2	37.2
Internal debt	0.0	5.6	7.4	15.2	9.6	21.1	23.2	26.9	27.8	27.9	27.6
External debt	42.1	4.8	8.2	9.4	8.1	10.2	10.2	10.1	10.0	9.3	9.6
Capital expenditure and net lending	198.6	219.5	315.1	320.9	197.8	310.3	233.0	229.5	247.9	255.9	273.7
Capital expenditure	198.4	174.7	302.3	320.9	177.2	310.3	233.0	229.5	247.9	255.9	273.7
Financed by domestic resources	85.2	105.3	221.6	161.9	101.2	140.9	133.0	122.7	133.3	133.9	143.9
Financed by external resources	113.2	69.4	80.7	159.0	76.0	169.4	100.0	106.8	114.6	122.0	129.8
Net lending (minus = reimbursement)	0.2	44.8	12.7	0.0	20.6	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (payment order basis, excl. grants)	-74.4	-103.4	-233.2	-194.1	-99.2	-198.5	-151.0	-136.6	-121.9	-102.2	-93.8
Primary balance [1]	*-32.2*	*-93.1*	*-217.6*	*-169.5*	*-81.5*	*-167.3*	*-117.6*	*-99.6*	*-84.1*	*-65.0*	*-56.5*
Basic primary balance [2]	*81.1*	*21.2*	*-124.2*	*-10.5*	*15.1*	*2.1*	*-17.6*	*7.2*	*30.6*	*56.9*	*73.3*
Change in arrears	-30.9	-16.4	-28.3	-17.4	-17.2	-15.0	-17.4	-15.0	-15.0	-15.0	-15.0
External debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic debt (net)	-30.9	-16.4	-28.3	-17.4	-17.2	-15.0	-17.4	-15.0	-15.0	-15.0	-15.0
Float [3]	14.7	-102.8	-26.8	0.0	9.4	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis, excl. grants)	-90.6	-222.6	-288.3	-211.5	-107.0	-213.5	-168.4	-151.6	-136.9	-117.2	-108.8
Financing	61.9	219.2	288.6	187.3	113.1	180.8	168.4	151.6	136.9	117.2	108.8
Domestic financing	-95.9	109.8	146.0	-15.3	0.7	1.1	57.3	41.0	16.9	-19.1	-40.7
Bank financing	-131.7	128.5	80.5	-5.6	-10.1	8.9	17.1	14.7	16.1	-15.1	-23.6
Net use of IMF resources	0.6	8.4	7.4	0.0	8.4	-0.1	16.3	16.2	16.2	-3.1	-4.8
Disbursements	0.6	8.4	7.4	0.0	8.4	0.0	16.5	16.6	16.7	0.0	0.0
Repayments	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.3	-0.5	-3.1	-4.8
Other	-132.4	120.1	73.0	-5.6	-18.5	9.0	0.8	-1.5	-0.1	-12.0	-18.8
Nonbank financing	35.9	-18.7	65.5	-9.7	10.8	-7.7	40.1	26.3	0.8	-4.0	-17.1
Privatization	4.1	4.7	17.9	20.0	15.7	10.0	10.0	10.0	0.0	0.0	0.0
Restructuring	0.7	-11.7	-12.9	-12.0	-22.4	0.0	0.0	0.0	0.0	0.0	0.0
Other	31.1	-11.8	60.6	-17.7	17.5	-17.7	30.1	16.3	0.8	-4.0	-17.1
External financing	157.8	109.3	142.6	202.6	112.4	179.6	111.1	110.6	119.9	136.3	149.4
Project financing	113.2	69.4	80.7	159.0	76.0	169.4	100.0	106.8	114.6	122.0	129.8
Grants	60.6	21.6	28.8	85.0	19.2	90.4	50.0	53.4	57.3	61.6	66.2
Loans	52.6	47.7	52.0	74.0	56.8	79.0	50.0	53.4	57.3	60.4	63.6
Amortization due	0.0	-8.3	-9.4	-17.0	-15.8	-22.7	-22.7	-25.5	-25.9	-21.1	-18.8
Budgetary assistance	44.6	48.3	71.3	60.6	52.2	32.9	33.8	29.3	31.2	35.4	38.4
Grants	18.3	30.4	71.3	60.6	28.9	22.9	33.8	19.3	21.2	22.4	18.4
Loans	26.3	17.9	0.0	0.0	23.3	10.0	0.0	10.0	10.0	13.0	20.0
Statistical discrepancy	28.7	3.4	-0.3	0.0	-6.1	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	24.3 [4]	0.0	32.8 [4]	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
GDP (in billions of CFA francs)	2,658.1	2,992.6	3,134.4	3,305.2	3,285.2	3,529.0	3,478.6	3,714.6	3,987.1	4,285.1	4,605.8

Sources: Beninese authorities; and IMF staff estimates and projections.

[1] Total revenue minus current primary expenditure, capital expenditure, and net lending.
[2] Total revenue minus current primary expenditure and capital expenditure financed by domestic resources.
[3] Net change in the stock of payment orders whose payment has been postponed to the following period, and balance of custodian accounts.
[4] In the revised program projection, this amount has been incorporated into net use of IMF resources and budgetary assistance.

Table 2b. Benin: Consolidated Central Government Operations, 2009–11

	2009	2010							2011			
	Prel.	Q1	Q2		Q3		Q4		Q1	Q2	Q3	Q4
		Prel.	Prog.	Prel.	Prog.	Prel.	Prog.	Prel.	Prog.	Proj.	Prog.	Proj.
	(Billions of CFA francs)											
Total revenue	575.8	127.5	315.5	275.9	494.6	438.1	681.9	603.0	136.6	295.0	464.2	650.1
Tax revenue	500.4	117.2	278.3	246.4	430.3	386.0	575.6	525.9	123.2	265.8	417.1	578.0
Tax on international trade	259.3	55.8	139.6	122.5	220.5	201.3	299.7	278.4	63.1	134.5	216.3	304.0
Direct and indirect taxes	241.2	61.5	138.7	123.9	209.8	184.7	275.8	247.5	60.0	131.4	200.8	274.0
Nontax revenue	75.4	10.3	37.2	29.5	64.4	52.1	106.3	77.1	13.4	29.2	47.1	72.0
Total expenditure and net lending	809.0	173.1	349.0	308.7	593.1	543.3	876.0	702.2	212.4	381.1	586.0	801.0
Current expenditure	494.0	122.0	240.6	220.0	394.8	400.8	555.1	504.4	164.5	295.4	452.7	568.0
Current primary expenditure	478.4	118.2	228.3	214.4	375.0	391.1	530.4	486.7	158.0	281.5	427.7	534.6
Wage bill	225.9	60.1	112.1	105.0	181.0	185.6	243.2	238.7	70.0	130.0	213.3	270.0
Pensions and scholarships	39.8	8.6	22.9	17.9	36.8	31.6	48.4	43.6	13.0	26.5	39.4	53.0
Current transfers	110.0	27.9	46.4	52.2	75.7	98.1	120.0	114.1	40.0	65.0	90.0	107.1
Expenditure on goods and services	102.7	21.7	46.9	39.3	81.5	75.8	118.8	90.3	35.0	60.0	85.0	104.5
Interest	15.6	3.8	12.3	5.6	19.8	9.7	24.6	17.7	6.5	13.9	25.0	33.4
Internal debt	7.4	2.6	7.5	2.6	13.0	5.0	15.2	9.6	5.1	8.5	18.1	23.2
External debt	8.2	1.2	4.8	3.0	6.8	4.7	9.4	8.1	1.4	5.4	6.9	10.2
Capital expenditure and net lending	315.1	51.1	108.4	88.7	198.3	142.5	320.9	197.8	47.8	85.7	133.3	233.0
Capital expenditure	302.3	36.4	108.4	58.0	198.3	122.9	320.9	177.2	47.8	85.7	133.3	233.0
Financed by domestic resources	221.6	16.7	49.5	23.1	117.7	67.3	161.9	101.2	25.0	50.0	85.0	133.0
Financed by external resources	80.7	19.6	58.9	34.9	80.6	55.6	159.0	76.0	22.8	35.7	48.3	100.0
Net lending (minus = reimbursement)	12.7	14.7	0.0	30.7	0.0	19.6	0.0	20.6	0.0	0.0	0.0	0.0
Overall balance (payment order basis, excl. grants)	-233.2	-45.6	-33.5	-32.8	-98.5	-105.2	-194.1	-99.2	-75.8	-86.1	-121.8	-151.0
Primary balance [1]	*-217.6*	*-41.8*	*-21.2*	*-27.2*	*-78.8*	*-95.5*	*-169.5*	*-81.5*	*-69.2*	*-72.2*	*-96.8*	*-117.6*
Basic primary balance [2]	*-124.2*	*-7.4*	*37.8*	*38.4*	*1.9*	*-20.3*	*-10.5*	*15.1*	*-46.4*	*-36.5*	*-48.5*	*-17.6*
Change in arrears	-28.3	-1.3	-5.5	-11.4	-12.6	-14.6	-17.4	-17.2	-3.4	-11.4	-14.4	-17.4
External debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic debt (net)	-28.3	-1.3	-5.5	-11.4	-12.6	-14.6	-17.4	-17.2	-3.4	-11.4	-14.4	-17.4
Float [3]	-26.8	-10.5	0.0	-23.5	0.0	24.5	0.0	9.4	-20.0	-10.0	0.0	0.0
Overall balance (cash basis, excl. grants)	-288.3	-57.4	-39.0	-67.7	-111.1	-95.3	-211.5	-107.0	-99.2	-107.5	-136.2	-168.4
Financing	288.6	66.3	31.5	70.2	75.3	87.5	187.3	113.1	99.2	107.5	136.2	168.4
Domestic financing	146.0	49.6	-37.0	41.3	-25.4	36.9	-15.3	0.7	69.9	72.1	79.7	57.3
Bank financing	80.5	27.7	-37.8	43.3	-20.5	22.7	-5.6	-10.1	55.6	10.9	21.6	17.1
Net use of IMF resources	7.4	0.0	0.0	8.4	0.0	8.4	0.0	8.4	8.4	8.4	16.5	16.3
Disbursements	7.4	0.0	0.0	8.4	0.0	8.4	0.0	8.4	8.4	8.4	16.5	16.5
Repayments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1
Other	73.0	27.7	-37.8	34.9	-20.5	15.6	-5.6	-18.5	47.2	2.5	5.2	0.8
Nonbank financing	65.5	21.9	0.9	-2.0	-4.8	14.2	-9.7	10.8	14.4	61.2	58.1	40.1
Privatization	17.9	17.5	20.0	17.5	20.0	17.5	20.0	15.7	0.0	0.0	4.4	10.0
Restructuring	-12.9	-2.3	-9.1	-9.7	-13.9	-14.8	-12.0	-22.4	0.0	0.0	0.0	0.0
Other	60.6	6.7	-10.1	-9.8	-11.0	11.5	-17.7	17.5	14.4	61.2	53.7	30.1
External financing	142.6	16.7	68.5	28.9	100.7	50.6	202.6	112.4	29.2	35.5	56.5	111.1
Project financing	80.7	19.6	58.9	34.9	80.6	55.7	159.0	76.0	22.8	35.7	48.3	100.0
Grants	28.8	4.7	22.0	8.5	31.0	11.0	85.0	19.2	7.3	11.7	16.3	50.0
Loans	52.0	15.0	36.9	26.4	49.6	44.7	74.0	56.8	15.5	24.0	32.0	50.0
Amortization due	-9.4	-2.9	-0.5	-6.1	-0.8	-9.4	-17.0	-15.8	-4.6	-11.2	-14.8	-22.7
Budgetary assistance	71.3	0.0	10.0	0.0	20.9	4.3	60.6	52.2	11.0	11.0	23.0	33.8
Grants	71.3	0.0	10.0	0.0	20.9	0.0	60.6	28.9	11.0	11.0	23.0	33.8
Loans	0.0	0.0	0.0	0.0	0.0	4.3	0.0	23.3	0.0	0.0	0.0	0.0
Statistical discrepancy	-0.3	-8.9	0.0	-2.4	0.0	7.8	0.0	-6.1	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	7.5	0.0	35.8	0.0	24.3 [4]	0.0	0.0	0.0	0.0	0.0
Memorandum items:												
GDP (in billions of CFA francs)	3,134.4	3,285.2	3,305.2	3,285.2	3,305.2	3,285.2	3,305.2	3,285.2	3,478.6	3,478.6	3,478.6	3,478.6

Sources: Beninese authorities; and IMF staff estimates and projections.

[1] Total revenue minus current primary expenditure, capital expenditure, and net lending.
[2] Total revenue minus current primary expenditure and capital expenditure financed by domestic resources.
[3] Net change in the stock of payment orders whose payment has been postponed to the following period, and balance of custodian accounts.
[4] In the revised program projection, this amount has been incorporated into net use of IMF resources and budgetary assistance.

Table 3. Benin: Consolidated Central Government Operations, 2007–15

	2007	2008	2009	2010		2011		2012	2013	2014	2015
			Prel.	Prog.	Prel.	Prog.	Rev. Prog.	Projections			
	(Percent of GDP)										
Total revenue	20.6	19.4	18.4	20.6	18.4	20.5	18.7	19.1	19.6	19.8	20.0
Tax revenue	16.8	17.1	16.0	17.4	16.0	18.4	16.6	17.0	17.6	17.9	18.0
Tax on international trade	9.4	9.3	8.3	9.1	8.5	9.6	8.7	9.0	9.3	9.5	9.5
Direct and indirect taxes	7.4	7.8	7.7	8.3	7.5	8.7	7.9	8.0	8.3	8.4	8.5
Nontax revenue	3.8	2.3	2.4	3.2	2.3	2.1	2.1	2.1	2.0	2.0	2.0
Total expenditure and net lending	23.4	22.9	25.8	26.5	21.4	26.1	23.0	22.8	22.6	22.2	22.0
Current expenditures	15.9	15.5	15.8	16.8	15.4	17.3	16.3	16.6	16.4	16.3	16.1
Current primary expenditures	14.4	15.2	15.3	16.0	14.8	16.4	15.4	15.6	15.5	15.4	15.3
Wage bill	5.4	6.1	7.2	7.4	7.3	7.7	7.8	7.5	7.4	7.3	7.2
Pensions and scholarships	1.3	1.2	1.3	1.5	1.3	1.5	1.5	1.5	1.5	1.5	1.5
Other primary current expenditure	7.7	7.9	6.8	7.2	6.2	7.2	6.1	6.6	6.6	6.6	6.6
o/w: Current transfers	4.0	4.0	3.5	3.6	3.5	3.6	3.1	3.3	3.3	3.3	3.3
Interest	1.6	0.3	0.5	0.7	0.5	0.9	1.0	1.0	0.9	0.9	0.8
Internal debt	0.0	0.2	0.2	0.5	0.3	0.6	0.7	0.7	0.7	0.7	0.6
External debt	1.6	0.2	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.2	0.2
Capital expenditure and net lending	7.5	7.3	10.1	9.7	6.0	8.8	6.7	6.2	6.2	6.0	5.9
Capital expenditure	7.5	5.8	9.6	9.7	5.4	8.8	6.7	6.2	6.2	6.0	5.9
Financed by domestic resources	3.2	3.5	7.1	4.9	3.1	4.0	3.8	3.3	3.3	3.1	3.1
Financed by external resources	4.3	2.3	2.6	4.8	2.3	4.8	2.9	2.9	2.9	2.8	2.8
Net lending (minus = reimbursement)	0.0	1.5	0.4	0.0	0.6	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (payment order basis, excl. grants)	-2.8	-3.5	-7.4	-5.9	-3.0	-5.6	-4.3	-3.7	-3.1	-2.4	-2.0
Primary balance [1]	*-1.2*	*-3.1*	*-6.9*	*-5.1*	*-2.5*	*-4.7*	*-3.4*	*-2.7*	*-2.1*	*-1.5*	*-1.2*
Basic primary balance [2]	*3.1*	*0.7*	*-4.0*	*-0.3*	*0.5*	*0.1*	*-0.5*	*0.2*	*0.8*	*1.3*	*1.6*
Change in arrears	-1.2	-0.5	-0.9	-0.5	-0.5	-0.4	-0.5	-0.4	-0.4	-0.4	-0.3
External debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic debt (net)	-1.2	-0.5	-0.9	-0.5	-0.5	-0.4	-0.5	-0.4	-0.4	-0.4	-0.3
Float [3]	0.6	-3.4	-0.9	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis, excl. grants)	-3.4	-7.4	-9.2	-6.4	-3.3	-6.1	-4.8	-4.1	-3.4	-2.7	-2.4
Financing	2.3	7.3	9.2	5.7	3.4	5.1	4.8	4.1	3.4	2.7	2.4
Domestic financing	-3.6	3.7	4.7	-0.5	0.0	0.0	1.6	1.1	0.4	-0.4	-0.9
Bank financing	-5.0	4.3	2.6	-0.2	-0.3	0.3	0.5	0.4	0.4	-0.4	-0.5
Net use of IMF resources	0.0	0.3	0.2	0.0	0.3	0.0	0.5	0.4	0.4	-0.1	-0.1
Other	-5.0	4.0	2.3	-0.2	-0.6	0.3	0.0	0.0	0.0	-0.3	-0.4
Nonbank financing	1.3	-0.6	2.1	-0.3	0.3	-0.2	1.2	0.7	0.0	-0.1	-0.4
Privatization	0.2	0.2	0.6	0.6	0.5	0.3	0.3	0.3	0.0	0.0	0.0
Restructuring	0.0	-0.4	-0.4	-0.4	-0.7	0.0	0.0	0.0	0.0	0.0	0.0
Other	1.2	-0.4	1.9	-0.5	0.5	-0.5	0.9	0.4	0.0	-0.1	-0.4
External financing	5.9	3.7	4.5	6.1	3.4	5.1	3.2	3.0	3.0	3.2	3.2
Project financing	4.3	2.3	2.6	4.8	2.3	4.8	2.9	2.9	2.9	2.8	2.8
Grants	2.3	0.7	0.9	2.6	0.6	2.6	1.4	1.4	1.4	1.4	1.4
Loans	2.0	1.6	1.7	2.2	1.7	2.2	1.4	1.4	1.4	1.4	1.4
Amortization due	0.0	-0.3	-0.3	-0.5	-0.5	-0.6	-0.7	-0.7	-0.6	-0.5	-0.4
Budgetary assistance	1.7	1.6	2.3	1.8	1.6	0.9	1.0	0.8	0.8	0.8	0.8
Grants	0.7	1.0	2.3	1.8	0.9	0.6	1.0	0.5	0.5	0.5	0.4
Loans	1.0	0.6	0.0	0.0	0.7	0.3	0.0	0.3	0.3	0.3	0.4
Statistical discrepancy	1.1	0.1	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	0.7 [4]	0.0	0.9 [4]	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Total revenue and grants	23.6	21.2	21.6	25.0	19.8	23.7	21.1	21.1	21.6	21.8	21.8
Revenue	20.6	19.4	18.4	20.6	18.4	20.5	18.7	19.1	19.6	19.8	20.0
Grants	3.0	1.7	3.2	4.4	1.5	3.2	2.4	2.0	2.0	2.0	1.8
Total loan disbursement	3.0	2.2	1.7	2.2	2.4	2.5	1.4	1.7	1.7	1.7	1.8
Overall balance incl. grants (payment order basis)	0.2	-1.7	-4.2	-1.5	-1.6	-2.4	-1.9	-1.7	-1.1	-0.4	-0.2
GDP (in billions of CFA francs)	2,658.1	2,992.6	3,134.4	3,305.2	3,285.2	3,529.0	3,478.6	3,714.6	3,987.1	4,285.1	4,605.8

Sources: Beninese authorities; and IMF staff estimates and projections.

[1] Total revenue minus current primary expenditure, capital expenditure, and net lending.
[2] Total revenue minus current primary expenditure and capital expenditure financed by domestic resources.
[3] Net change in the stock of payment orders whose payment has been postponed to the following period, and balance of custodian accounts.
[4] In the revised program projection, this amount has been incorporated into net use of IMF resources and budgetary assistance.

Table 4. Benin: Balance of Payments, 2007–15

	2007	2008	2009	2010	2011	2012	2013	2014	2015
				Projections					
				(Billions of CFA francs)					
Current account balance	-268.4	-240.2	-277.6	-230.6	-216.6	-241.6	-248.5	-244.4	-248.3
Excluding budgetary assistance grants	-286.7	-270.7	-348.8	-259.5	-250.4	-260.9	-269.7	-266.8	-266.7
Balance of goods and services	-412.8	-397.1	-415.0	-382.5	-378.7	-396.6	-412.4	-424.7	-435.1
Credit	447.7	527.9	517.0	540.9	594.3	635.1	679.4	732.6	792.9
Debit	-860.5	-925.0	-931.9	-923.4	-973.0	-1,031.8	-1,091.8	-1,157.3	-1,228.0
Trade balance [1]	-378.9	-406.4	-348.8	-353.3	-380.0	-414.7	-435.5	-452.6	-466.4
Exports, f.o.b.	241.8	290.1	348.9	363.8	378.1	389.6	415.6	448.7	489.0
Cotton and textiles	66.2	78.9	66.5	80.6	92.0	96.6	97.1	96.4	95.6
Other	175.6	211.2	282.4	283.2	286.1	293.0	318.5	352.3	393.4
Imports, f.o.b.	-620.7	-696.5	-697.7	-717.1	-758.1	-804.4	-851.1	-901.3	-955.4
Of which: petroleum products	-108.0	-66.3	-62.5	-79.9	-87.0	-95.2	-103.4	-110.7	-118.8
Services (net)	-33.9	9.3	-66.2	-29.2	1.3	18.1	23.2	27.9	31.3
Credit	205.9	237.8	168.1	177.0	216.2	245.5	263.8	283.9	303.9
Debit	-239.8	-228.5	-234.2	-206.3	-214.9	-227.4	-240.7	-256.1	-272.6
Income (net)	-4.3	-5.1	-15.5	-0.1	-1.8	-1.4	-0.8	0.4	0.6
Of which: interest due on central government debt	-42.1	-4.8	-8.2	-8.1	-10.2	-10.1	-10.0	-9.3	-9.6
Current transfers (net)	148.7	162.0	152.9	152.1	164.0	156.4	164.6	179.9	186.3
Unrequited private transfers	73.5	73.4	32.4	69.8	72.0	74.2	75.4	83.8	88.0
Public current transfers	75.2	88.6	120.4	82.4	91.9	82.2	89.3	96.1	98.3
Of which: budgetary assistance grants	18.3	30.4	71.3	28.9	33.8	19.3	21.2	22.4	18.4
Capital and financial account balance	305.3	271.2	186.8	213.7	208.3	223.2	244.5	275.0	309.1
Capital account balance	60.6	21.6	28.8	19.2	50.0	53.4	57.3	61.6	66.2
Financial account balance	244.7	249.5	158.0	194.5	158.3	169.8	187.2	213.4	242.9
Medium- and long-term public capital	82.9	66.4	46.6	68.3	31.3	41.9	45.4	56.3	68.8
Disbursements	82.9	74.7	56.0	84.1	54.0	67.4	71.3	77.4	87.6
Project Loans	56.6	56.8	56.0	60.8	54.0	57.4	61.3	64.4	67.6
Of which: Central gvt project loans	52.6	47.7	52.0	56.8	50.0	53.4	57.3	60.4	63.6
Budgetary assistance loans	26.3	17.9	0.0	23.3	0.0	10.0	10.0	13.0	20.0
Amortization due	0.0	-8.3	-9.4	-15.8	-22.7	-25.5	-25.9	-21.1	-18.8
Foreign direct investment	125.3	77.8	48.7	58.2	54.5	70.5	79.7	90.0	101.3
Portfolio investment	32.4	9.4	37.6	30.0	10.0	10.6	11.3	12.1	13.0
Other medium- and long-term private capital	31.6	45.0	5.0	20.0	22.5	26.8	30.7	35.1	39.8
Deposit money banks	-63.6	16.9	-40.2	-20.0	30.0	10.0	10.0	10.0	10.0
Short-term capital	36.1	34.1	27.8	38.0	10.0	10.0	10.0	10.0	10.0
Errors and omissions	49.1	16.9	39.5	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	86.0	47.9	-51.3	-16.8	-8.3	-18.4	-4.0	30.6	60.9
Financing	-86.0	-47.9	51.3	22.9	8.3	18.4	4.0	-30.6	-60.9
Change in net foreign assets, BCEAO (- = increase)	-86.0	-47.9	51.3	22.9	8.3	18.4	4.0	-30.6	-60.9
Of which: net use of Fund resources	0.6	8.4	7.4	8.4	16.3	16.2	16.2	-3.1	-4.8
Memorandum items:				(Percent of GDP, unless otherwise indicated)					
Net reexports	4.3	4.5	3.4	3.5	3.6	3.7	3.8	3.8	3.9
Re-exports	9.8	9.5	7.3	7.6	7.8	8.0	8.1	8.2	8.4
Imports for re-exports	-5.5	-5.0	-3.9	-4.1	-4.2	-4.3	-4.4	-4.4	-4.5
Current account balance (incl. budgetary assistance grants)	-10.1	-8.0	-8.9	-7.0	-6.2	-6.5	-6.2	-5.7	-5.4
Current account balance (excl. budgetary assistance grants)	-10.8	-9.0	-11.1	-7.9	-7.2	-7.0	-6.8	-6.2	-5.8
Balance of goods and services	-15.5	-13.3	-13.2	-11.6	-10.9	-10.7	-10.3	-9.9	-9.4
Trade balance	-14.3	-13.6	-11.1	-10.8	-10.9	-11.2	-10.9	-10.6	-10.1
Exports	9.1	9.7	11.1	11.1	10.9	10.5	10.4	10.5	10.6
Imports	-23.4	-23.3	-22.3	-21.8	-21.8	-21.7	-21.3	-21.0	-20.7
Income and current transfers (net)	5.4	5.2	4.4	4.6	4.7	4.2	4.1	4.2	4.1
Capital account balance	2.3	0.7	0.9	0.6	1.4	1.4	1.4	1.4	1.4
Financial account balance	9.2	8.3	5.0	5.9	4.6	4.6	4.7	5.0	5.3
Overall balance	3.2	1.6	-1.6	-0.5	-0.2	-0.5	-0.1	0.7	1.3
Gross official reserves (imputed reserves, billions of U.S. dollars) [2]	1.2	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.2
(percent of broad money)	56.7	49.0	43.1	40.0	38.4	35.8	34.1	33.3	33.9
WAEMU gross official reserves (billions of U.S dollars)	10.8	10.7	13.6	…	…	…	…	…	…
(percent of broad money)	56.6	55.0	58.7	…	…	…	…	…	…
(months of WAEMU imports of GS) [3]	5.4	6.1	6.9	…	…	…	…	…	…
GDP (in billions of CFA francs)	2,658.1	2,992.6	3,134.4	3,285.2	3,478.6	3,714.6	3,987.1	4,285.1	4,605.8

Sources: Beninese authorities; and IMF staff estimates and projections.

Note: … = not available.

[1] Excludes re-exports and imports for re-export, whose net balance is divided between services and public transfers.

[2] Includes the Special Drawing Rights allocation of SDR 44.75 million, equivalent to CFAF 32.5 billion, in August 2009.

[3] Months of future imports of goods and services.

Table 5. Benin: Monetary Survey, 2007–15

	2007	2008	2009	2010				2011	2012	2013	2014	2015
				Q1	Q2	Q3	Q4					
				Prel.	Prel.	Prel.	Proj.	Projections				
	(Billions of CFA francs)											
Net foreign assets	678.6	709.6	698.5	687.0	710.6	709.4	695.5	657.2	628.8	614.9	635.5	686.4
Central Bank of West African States (BCEAO)	529.7	577.6	526.3	502.7	486.6	528.5	503.4	495.1	476.7	472.7	503.3	564.2
Banks	148.8	132.0	172.1	184.3	224.1	180.9	192.1	162.1	152.1	142.1	132.1	122.1
Net domestic assets	268.5	510.4	597.5	608.3	621.7	638.7	662.7	781.0	907.0	1,033.6	1,136.2	1,217.9
Domestic credit	325.5	555.3	707.4	697.8	723.8	744.6	772.6	890.9	1,016.9	1,143.5	1,246.1	1,327.8
Net claims on central government	-186.7	-79.2	1.3	28.9	44.6	24.0	-8.9	8.3	23.0	39.1	24.0	0.4
Credit to the nongovernment sector	512.2	634.5	706.1	668.9	679.2	720.7	781.5	882.6	993.9	1,104.4	1,222.1	1,327.4
Other items (net)	-57.0	-44.9	-109.9	-89.5	-102.1	-106.0	-109.9	-109.9	-109.9	-109.9	-109.9	-109.9
Broad money (M2)	947.0	1,220.0	1,295.9	1,295.3	1,332.3	1,348.1	1,358.3	1,438.3	1,535.8	1,648.5	1,771.7	1,904.3
Currency	238.5	356.8	332.2	321.4	328.2	329.5	348.1	368.7	393.7	422.5	454.1	488.1
Bank deposits	700.9	854.2	954.9	964.2	992.9	1,009.7	1,001.2	1,060.6	1,133.2	1,217.0	1,308.6	1,407.2
Deposits with postal checking accounts	7.6	8.9	8.9	9.7	11.3	9.0	9.0	9.0	9.0	9.0	9.0	9.0
	(Change in percent of beginning-of-period broad money, unless otherwise indicated)											
Net foreign assets	18.6	3.3	-0.9	-0.9	0.9	0.8	-0.2	-2.8	-2.0	-0.9	1.2	2.9
Central Bank of West African States (BCEAO)	10.7	5.1	-4.2	-1.8	-3.1	0.2	-1.8	-0.6	-1.3	-0.3	1.9	3.4
Banks	7.9	-1.8	3.3	0.9	4.0	0.7	1.5	-2.2	-0.7	-0.7	-0.6	-0.6
Net domestic assets	-0.9	25.5	7.1	0.8	1.9	3.2	5.0	8.7	8.8	8.2	6.2	4.6
Domestic credit	-1.5	24.3	12.5	-0.7	1.3	2.9	5.0	8.7	8.8	8.2	6.2	4.6
Net claims on central government	-14.4	11.4	6.6	2.1	3.3	1.8	-0.8	1.3	1.0	1.0	-0.9	-1.3
Credit to the nongovernment sector	12.9	12.9	5.9	-2.9	-2.1	1.1	5.8	7.4	7.7	7.2	7.1	5.9
Other items (net)	0.6	1.3	-5.3	1.6	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Broad money (M2)	17.6	28.8	6.2	0.0	2.8	4.0	4.8	5.9	6.8	7.3	7.5	7.5
Currency	-2.0	12.5	-2.0	-0.8	-0.3	-0.2	1.2	1.5	1.7	1.9	1.9	1.9
Bank deposits	19.8	16.2	8.2	0.7	2.9	4.2	3.6	4.4	5.0	5.5	5.6	5.6
Deposits with postal checking accounts	-0.2	0.1	0.0	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:												
Velocity of broad money	3.0	2.8	2.5	…	… .	…	2.8	2.8	2.8	2.8	2.8	2.8
Broad money as share of GDP	35.6	40.8	41.3	…	… .	…	41.3	41.3	41.3	41.3	41.3	41.3
Credit to the nongovernment sector (year-on-year change in percent)	25.3	23.9	11.3	-5.3	-3.8	2.1	10.7	12.9	12.6	11.1	10.7	8.6
Nominal GDP (in billions of CFA francs)	2,658.1	2,992.6	3,134.4	3,285.2	3,285.2	3,285.2	3,285.2	3,478.6	3,714.6	3,987.1	4,285.1	4,605.8
Nominal GDP growth (annual change in percent)	7.4	12.6	4.7	4.8	4.8	4.8	4.8	5.9	6.8	7.3	7.5	7.5

Sources: BCEAO; and IMF staff estimates and projections.
Note: … = not available.

Table 6. Benin: Schedule of Disbursements Under the ECF Arrangement, 2010–2013

Amount	Date Available	Conditions Necessary for Disbursement [1]
SDR 10.62 million	June 28, 2010	Disbursed. The Executive Board approved the Three-Year Arrangement on June 14, 2010.
SDR 10.61 million	December 31, 2010	Observance of performance criteria for June 30, 2010, completion of the first review under the arrangement.
SDR 10.61 million	June 1, 2011	Observance of performance criteria for March 31, 2011, completion of the second review under the arrangement.
SDR 10.61 million	December 1, 2011	Observance of performance criteria for September 30, 2011, completion of the third review under the arrangement.
SDR 10.61 million	June 1, 2012	Observance of performance criteria for March 31, 2012, completion of the fourth review under the arrangement.
SDR 10.61 million	December 1, 2012	Observance of performance criteria for September 30, 2012, completion of the fifth review under the arrangement.
SDR 10.61 million	June 1, 2013	Observance of performance criteria for March 31, 2013, completion of the sixth review under the arrangement.
SDR 74.28 million		Total amount

Source: International Monetary Fund.

[1] Other than the generally applicable conditions under the ECF arrangement, including the performance clause on the exchange and trade system.

Table 7. Benin: Indicators of Capacity to Repay the IMF, 2010–23

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
IMF obligations based on existing credit														
(in millions of SDRs)														
Principal	0.0	0.2	0.4	0.6	3.9	6.0	6.9	6.6	6.5	3.1	1.1	0.0	0.0	0.0
Charges and interest	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0
IMF obligations based on existing and prospective drawings														
(in millions of SDRs)														
Principal	0.0	0.2	0.4	0.6	3.9	6.0	9.0	14.1	18.1	15.9	13.8	10.6	5.3	1.1
Charges and interest [1]	0.0	0.0	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.0
Total obligations based on existing and prospective credit [2]														
In millions of SDRs	0.0	0.2	0.7	0.9	4.2	6.3	9.3	14.3	18.3	16.0	13.9	10.7	5.4	1.1
In billions of CFA francs	0.0	0.2	0.5	0.7	3.3	5.0	7.4	11.4	14.6	12.7	11.0	8.5	4.3	0.9
In percent of government revenue	0.0	0.0	0.1	0.1	0.4	0.5	0.7	1.0	1.2	1.0	0.8	0.6	0.3	0.0
In percent of exports of goods and services	0.0	0.0	0.1	0.1	0.5	0.6	0.8	1.2	1.4	1.1	0.9	0.6	0.3	0.1
In percent of debt service [3]	0.0	0.3	0.8	1.1	5.1	7.6	19.3	24.5	27.4	23.7	20.0	15.5	7.8	1.6
In percent of GDP	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.0
In percent of quota	0.0	0.4	1.1	1.4	6.8	10.1	15.0	23.1	29.6	25.9	22.4	17.2	8.7	1.8
Outstanding IMF credit [1]														
In millions of SDRs	35.4	67.0	87.8	97.8	93.9	87.9	78.8	64.8	46.7	30.8	17.0	6.4	1.1	0.0
In billions of CFA francs	26.9	52.0	68.6	76.9	74.2	69.9	62.7	51.5	37.1	24.5	13.5	5.1	0.8	0.0
In percent of government revenue	4.5	8.0	9.7	9.8	8.7	7.6	6.3	4.7	3.1	1.9	1.0	0.3	0.1	0.0
In percent of exports of goods and services	5.0	8.8	10.8	11.3	10.1	8.8	7.2	5.3	3.5	2.1	1.0	0.4	0.1	0.0
In percent of debt service [3]	80.3	92.2	108.2	118.5	114.7	106.2	163.7	111.0	69.9	45.6	24.5	9.2	1.5	0.0
In percent of GDP	0.8	1.5	1.8	1.9	1.7	1.5	1.3	0.9	0.6	0.4	0.2	0.1	0.0	0.0
In percent of quota	57.2	108.3	141.9	158.0	151.7	142.0	127.4	104.7	75.4	49.7	27.4	10.3	1.7	0.0
Net use of IMF credit (millions of SDRs)	10.6	21.0	20.8	20.6	-3.9	-6.0	-9.0	-14.1	-18.1	-15.9	-13.8	-10.6	-5.3	-1.1
Disbursements	10.6	21.2	21.2	21.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	0.0	0.2	0.4	0.6	3.9	6.0	9.0	14.1	18.1	15.9	13.8	10.6	5.3	1.1
Memorandum items:														
Nominal GDP (in billions of CFA francs)	3,285.2	3,478.6	3,714.6	3,987.1	4,285.1	4,605.8	5,009.7	5,448.9	5,921.1	6,434.1	6,991.7	7,597.5	8,255.8	8,971.2
Exports of goods and services (in billions of CFA francs)	540.9	594.3	635.1	679.4	732.6	792.9	873.7	962.9	1,061.1	1,169.3	1,288.6	1,420.0	1,564.9	1,724.5
Government revenue (in billions of CFA francs)	603.0	650.1	709.9	781.1	850.0	919.9	1,000.6	1,088.3	1,182.6	1,285.1	1,396.4	1,517.4	1,648.9	1,791.8
Debt service (in billions of CFA francs) [3]	33.5	56.4	63.4	64.9	64.7	65.8	38.3	46.4	53.1	53.7	55.2	54.8	54.9	56.0

Sources: IMF staff estimates and projections.

[1] Charges of interest projections reflect temporary waiver of interest payments on concessional lending in 2010–11.

[2] Prospective drawings assume the full disbursement of ECF financial support according to the disbursement schedule of the new ECF arrangement approved in June 2010.

[3] Total public debt service, including IMF repurchases and repayments.

Table 8. Benin: Millennium Development Goals

	1990	1995	2000	2005	2008	2015 Target
Goal 1. Eradicate extreme poverty and hunger						
Target: Halve between 1990 and 2015, the proportion of people whose income is less than one dollar a day.						
- Population below US$ 1 a day (percent)	57.0	...	...	47.3	...	28.0
- Population below minimum level of dietary energy consumption (percent)	...	29.0	...	...	...	14.6
Goal 2. Achieve universal primary education						
Target: Ensure that, by 2015, children will be able to complete a full course of primary schooling						
- Net primary enrollment ratio (percent of relevant age group)	41.0	60.0	…	87.0	93.0	100.0
- Percentage of cohort reaching grade 5	55.0	...	75.0	63.0	...	100.0
- Youth literacy rate (percent age 15-24)	64.0	...	...	45.3	53.3	...
Goal 3. Promote gender equality and empower women						
Target: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education by 2015						
- Ratio of girls to boys in primary school (percent)	51.0	…	69.0	80.0	87.0	100.0
- Ratio of girls to boys in secondary school (percent)	42.0	44.0	46.0	57.0	…	100.0
- Proportion of seats held by women in the national parliament (percent)	3.0	7.0	6.0	7.0	11.0	30.0
Goal 4. Reduce child mortality						
Target: Reduce by two-thirds between 1990 and 2015 the under-five mortality rate						
- Under-five mortality rate (per 1,000)	184.0	162.0	144.0	129.0	121.0	65.0
- Infant mortality rate (per 1,000 live births)	111.0	99.0	89.0	81.0	76.0	39.0
- Immunization against measles (percent of children under 12-months)	79.0	65.0	72.0	61.0	61.0	100.0
Goal 5. Improve maternal health						
Target: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.						
- Maternal mortality ratio (modeled estimate, per 100,000 live births)	790.0	690.0	560.0	460.0	410.0	125.0
Goal 6. Combat HIV/AIDS, malaria and other diseases						
Target: Halt by 2015, and begin to reverse, the spread of HIV/AIDS						
- HIV/AIDS prevalence	0.1	0.8	1.3	1.3	1.2	1.9
Target: Halt by 2015, and begin to reverse, the incidence of malaria and other major diseases						
- Incidence of tuberculosis (per 100,000)	77.0	80.0	85.0	89.0	92.0	…
Goal 7. Ensure environmental sustainability						
Target: Halve by 2015 proportion of people without access to safe drinking water						
- Access to improved water source (percent of population)	56.0	61.0	66.0	72.0	75.0	100.0
Goal 8. Develop a global partnership for development						
Target: In cooperation with the private Sector, make available benefits of new technologies, especially information and communications						
- Mobile cellular subscitptions (per 100 people)	0.0	0.0	1.0	8.0	40.0	…

Sources: Beninese authorities and World Bank estimates and projections.

APPENDIX I—LETTER OF INTENT

Cotonou, January 31, 2011

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Mr. Strauss-Kahn:

1. We are pleased to take the opportunity afforded by the first review of the program supported by the Extended Credit Facility (ECF), approved by the Executive Board of the International Monetary Fund (IMF) on June 14, 2010, to bring you up to date on the progress made with its implementation and on recent developments in our economy. This program aims at promoting growth, containing inflation below the convergence criterion of the West African Economic and Monetary Union (WAEMU), implementing a prudent fiscal policy, including broadening the tax base, pursuing a moderate regional monetary policy, and accelerating structural reforms to improve external competitiveness and the business climate.

Introduction

2. The economic context in which we have been pursuing the program has been more unfavorable than anticipated, prompting us to revise the program in agreement with your staff. Preliminary economic indicators for 2010 suggest that economic recovery is slower than expected, as a result of which we have revised our growth forecasts downward for 2010 and the medium term.

3. The less favorable economic developments have been reflected in less robust growth in revenue than anticipated. Nonetheless, we have been able to contain budgetary expenditure to remain above the floor for the basic primary fiscal balance approved in the program for end-June 2010 (Table 1 annexed to this letter). Despite this compression of expenditure, we were unable to meet the ceiling on net domestic financing for the same date. Indeed, we accelerated repayment of the float (*reste-à-payer*), which was therefore higher than projected in the budget, which, combined with cash advances to public enterprises, led us to miss the performance criterion on net domestic financing at end-June 2010.

4. We are continuing to implement our program of structural reforms aimed at broadening the tax base, reducing the risks to the budget arising from subsidies to public enterprises, improving the effectiveness of government finances, and promoting stronger growth. In this context, we have made progress in improving the effectiveness of our revenue agencies, in particular through the generalized use of the single tax identification number

(TIN), and have adopted the implementing decrees for the new public procurement code. We completed the call for bids for the one-stop window at the Port of Cotonou and the contracts have already been signed. Results of the call for bids for the privatization of *Bénin Télécoms* are in the process of being approved. The process of granting a concession for the Benin-Niger railroad network has moved forward significantly. Moreover, we are pursuing the structural reforms programmed for improving the business climate and enhancing the competitiveness of our economy to achieve the growth targets of the program.

5. As you know, our country was shaken by a crisis brought about by illegal financial institutions which fraudulently attracted substantial deposits from the public by promising exorbitant interest rates. The government has undertaken measures to ensure an orderly and transparent resolution of this crisis without making use of the government's financial resources or guarantee. We have benefited from technical assistance from the IMF, the World Bank, and the Central Bank of West African States (BCEAO), that has helped us pinpoint the weaknesses in the regulations and in the supervision system that made it possible for these fraudulent activities to flourish. The government has started the repayment of small depositors through the liquidation of the assets of the illegal financial institutions involved as well as those of their managers. In keeping with the recommendations of the IMF technical assistance mission, which visited Cotonou in September 2010, the government will take the necessary measures to strengthen the regulation and supervision of the microfinance sector. A special committee comprised of representatives from the Presidency and relevant ministries and agencies has been put in place to elaborate an action plan for the speedy implementation of recommendations of the technical assistance report.

6. Because of the unfavorable economic situation, we have held discussions with your staff to extend the program by three months and rephase its review dates accordingly, and to review the program criteria and benchmarks for 2011. The proposed revisions to the program reflect a less ambitious revenue path than initially projected, as a result of developments in 2010. In these circumstances, the government proposes an appropriate reduction in current expenditure in 2011 and 2012, as compared to the initial program. In order to ensure that current economic developments will not have an unfavorable impact on priority social expenditure, the government proposes quarterly indicative monitoring (defined by budget codes) of such expenditure beginning in the first quarter of 2011.

7. In September and October, our country was struck by serious and exceptional flooding, which caused a number of victims and left hundreds of thousands of individuals homeless. The floods affected two-thirds of the country (55 communes out of 77), triggered a health crisis, and severely damaged infrastructure and agricultural harvests. A joint World Bank/UNDP mission visited the country in November to assess the damage caused by the floods and their medium-term impact. As the mission noted, the floods had a major impact on important sectors of the economy, notably agriculture, commerce, and some informal sector services, and will require major recovery and prevention efforts in the medium term. These effects have led us to adjust our medium-term economic and financial program.

8. In December 2010, we forwarded the draft of the third Growth and Poverty Reduction Strategy (GPRS III) for 2011–15 to our technical and financial partners. The strategic pillars of GPRS III are identical to those of GPRS II, but are strengthened in response to the new constraints and challenges facing the country. This strategy will feature a priority action program, a matrix of monitoring indicators, and a system for monitoring priority social expenditures.

9. In view of the foregoing, the government is convinced that the policies and corrective measures set forth in this document will make it possible to meet the revised program targets. For this reason, we are making a series of program-related revision requests, as detailed in paragraph 40.

General economic situation

10. The program was implemented in 2010 in difficult conditions, characterized by the weakness of the global economy. This weakness was reflected in more modest economic growth than projected, slowing the return to high growth in the medium term. We are nevertheless careful to maintain priority social and investment expenditures and ensuring their quality so as not to undermine the achievement of our growth and poverty-reducing objectives for the future.

11. Projected economic growth in 2010 will remain modest in a context of macroeconomic stability. Inflation reached 2.1 percent on average in 2010, compared with 2.2 percent in 2009. Economic activity indicators suggest that real economic growth remained at about 2.5 percent in 2010, against a program forecast of 3.2 percent. This lower-than-projected growth is explained by smaller public investment and a dampening of domestic demand, only partially offset by improved export performance. The current account deficit, excluding grants, was reduced to about 7.9 percent of GDP in 2010. This reduction resulted primarily from the smaller fiscal deficit, slack domestic demand, and an increase in exports. The monetary survey for 2010 indicates annual money supply growth of about 5 percent, in line with the projections for economic activity and inflation.

12. The consolidation of government finances has continued, but fell short of the targets we set for 2010 under the program. This is a reflection primarily of the insufficient revenue collection, which, while on the rise by 4.7 percent from the 2009 level, fell below program targets on the back of weak economic activity. Budgetary expenditure was nevertheless held well below the ceilings programmed for 2010, which made it possible to continue to restore the sustainability of government finances.

Implementation of the economic and financial program

Program implementation during the first half of 2010

13. Despite the difficulties encountered with respect to revenue mobilization, thanks to a firm control of expenditure, we met all the performance criteria for end-June 2010, with the exception of the one for net domestic financing of the government. The exception was associated with the more-rapid-than-expected repayment of the float, and with the net lending we had to extend to public enterprises (in the energy sector in particular) which were experiencing cash flow problems. About a third of this net lending was repaid by the end of the year. We have taken steps to improve the coordination of budget execution between the Budget Department and the Treasury to ensure that net domestic financing of the government is managed in a manner that is consistent with program targets. Revenue amounted to CFAF 275.9 billion at end-June, below the indicative benchmark of CFAF 315.5 billion.

14. In keeping with the spirit of the program, we met this challenge through the firm control of expenditure, while preserving priority social expenditures. Thus, in order to contain expenditure in step with revenue collection, we limited authorizations, for both current expenditure and investment expenditure. We kept the wage bill within the programmed ceilings while still recruiting in the education sector and preserving social peace. In response to the revenue shortfall, we reduced current expenditure by CFAF 20.6 billion and domestically financed investment expenditure by CFAF 26.4 billion. The basic primary fiscal balance at end-June 2010 was therefore met with a margin.

15. We also conducted a systematic review of the portfolio of investment projects in order to improve the effectiveness of capital expenditure and avoid any accumulation of arrears in respect of expenditures already committed. This process, necessitated by the difficult budget situation, slowed the implementation of the Public Investment Program (PIP). As a result of this slowdown, payment authorizations for domestically financed investment expenditure remained more than 50 percent below the program target.

Program implementation during the second half of 2010

16. Unfortunately, the less-favorable-than-projected economic climate and the initial difficulties experienced with mobilizing government revenue were compounded in the second half of the year by extraordinary flooding.

17. Measures were taken, however, by the revenue agencies to increase the pace of revenue collection. They included, for the customs administration, strengthening of targeted controls and monitoring of transit; improved monitoring of cargo; and intensified checking of merchandise by redeploying personnel and strengthening the capacities of the units concerned with combating fraud. For the tax administration, the measures included more

frequent and more intense controls, and an enhanced enforcement of collection actions through increased staff and equipment.

18. Total revenue reached CFAF 603.0 billion at the end of 2010, as compared to the initial target of CFAF 681.9 billion. Current primary expenditure and domestically financed investment expenditure was reduced to CFAF 587.9 billion, as compared to the CFAF 692.3 billion initially programmed. As a result, the criterion for basic primary balance for end-2010 was largely met. This very prudent fiscal policy resulted in a deficit in the overall balance on a cash basis of CFAF 107 billion, equivalent to 3.3 percent of GDP.

19. After delays in the first half of the year in executing the PIP, the pace of payment authorizations picked up in the second half of the year. The number of projects executed during 2010 was nonetheless reduced owing to the decline in available financial resources and the results of the review of the PIP in order to improve its quality. Lower-than-expected revenue and delays in external budget support disbursements also adversely affected externally financed projects. Consequently, expenditure authorized in 2010 fell significantly short of the amounts projected in the program for both domestically and externally financed investments.

20. To preserve debt sustainability, we have pursued a prudent borrowing policy focused on the mobilization of concessional external financing, including budgetary assistance loans from the World Bank for a total of US$30 million under the PRSC-6 program. For the financing of projects in the roads and health sectors, the government has negotiated three slightly non concessional potential loans. However, the government commits to further negotiations of these loans to bring them into compliance with the continuous performance criteria of the program.

Program implementation in 2011

21. Program implementation in 2011 and beyond will be affected by the adverse economic impact of the 2010 floods. Accordingly, we propose to adjust our 2011 program framework.

22. In the wake of the floods, growth is now projected at 3.4 percent in 2011, as compared to 4.4 percent initially projected for 2011, reflecting, on the one hand, the impact of the flooding, and, on the other hand, a weaker than expected global recovery. Despite a limited increase in the price of some agricultural products affected by the floods, inflation is expected to remain moderate. The current account deficit, excluding grants, is projected to narrow slightly to 7.2 percent of GDP in 2011 reflecting an increase in export growth. In this context, the money supply should expand in keeping with the nominal GDP and permit the financing of the private sector.

23. While continuing to pursue the fundamental objectives of the program, the impact of the floods and the revenue shortfall in 2010 have led us to review the quantitative targets of

the program in 2011 and in the medium term. The program objectives will now be pursued with lower revenue and expenditure levels. The projected growth path for the medium term has also been revised downward.

24. The effectiveness of the tax and customs administrations will be emphasized in order to enhance revenue mobilization, which is a major objective of the program. In this context, we will broaden the tax base (including to small-scale businesses), build the capacities of, and improve the synergy between, the tax and customs administrations, extend taxation in the informal sector, and intensify efforts to combat fraud and corruption. In December, the National Assembly adopted the budget for 2011, which broadly supports a stable macroeconomic environment, conducive to growth and poverty reduction. Accordingly, we will keep expenditure in line with revenue developments and ensure that budget execution in 2011 is consistent with the program targets as proposed in this letter of intent.

25. We think that the introduction of the personal income tax and the generalization of the TIN for use by most economic operators will make it possible to improve the performance of the tax administration. To supplement these important reforms, we have: (i) developed a cross-checking tool making it possible to determine the turnover of successful bidders on procurement contracts; (ii) created a tax center for medium-sized enterprises; (iii) adopted procedures for the systematic verification of information provided to customs and to the tax administration in respect of the same taxpayers; (iv) established joint task forces (customs-tax administration) for fight commercial fraud and introduced a joint customs-tax administration oversight committee; (v) strengthened targeted controls by customs and the monitoring of transit trade; (vi) modernized the merchandise valuation procedures at customs; and (vii) increased the inspection and control missions focused on bonded warehouses.

26. Total revenue for 2011 is projected at CFAF 650 billion, equivalent to 18.7 percent of GDP. This forecast takes into account the improvements in the tax and customs administrations, whose contribution to revenue collection will exceed the growth in nominal GDP. We have revised expenditure for 2011 downward, in particular current expenditure, in order to preserve investment expenditure and fiscal balance objectives. These objectives will incorporate the wage bill agreed in the initial program, as well as expenditure to cover the costs of the presidential and legislative elections to be held in the spring. The basic primary fiscal deficit will thus remain modest at -0.5 percent of GDP. The overall fiscal deficit, on a cash basis, will be CFAF 168 billion, which is below the initial program target. External assistance, borrowing on the regional market, and the use of government deposits will finance this deficit while preserving the sustainability of public debt. The government re-confirms its readiness to consult with IMF staff before and during external debt negotiations, to check that contemplated external borrowing conditions are consistent with the concessionality requirement under the program.

27. In order to better protect the execution of priority social expenditures, we have introduced, starting with the 2011 budget, quarterly indicative targets for them. These expenditures comprise certain expenditures in the education, health, agriculture, energy, and water sectors, and mainly benefit the most vulnerable groups of the population. The specific budget lines for monitoring these expenditures are identified and defined in the Technical Memorandum of Understanding (TMU), and the quarterly indicative targets are shown in Table 1.

28. While keeping costs under control, we will enhance the effectiveness and transparency of public financial management by reforming the budget preparation process and by reinforcing capacity in the units involved with the expenditure chain. Accordingly, and in keeping with WAEMU directives, we will continue the reform of the organic law on the budget, whose central focus is performance-based management, with technical assistance from the IMF and other technical partners.

Implementation of structural reforms

29. In the context of reducing poverty and pursuing sustainable growth, the government is continuing to implement structural reforms (Table 2) aimed at enhancing competitiveness and improving the business climate to encourage private investment. These reforms include strengthening the financial viability and productivity of the public enterprises and opening their capital to the private sector, in particular in the key sectors of telecommunications, energy, and transportation. We have thus continued to make progress with the implementation of structural reforms. However, some of them will take longer than projected. Steps will be taken to ensure that these delays do not undermine our development objectives.

30. The goal of establishing an administration for development in the interest of the general public and the private sector will be pursued while keeping the wage bill under control. The development of a civil service reform strategy is in progress, with support from our technical and financial partners, and is expected to be completed on schedule. Two related studies, one on the civil service remuneration system and another taking stock of ongoing reforms in this area, are to be completed by May 2011, and will recommend action plans. In this context, the Council of Ministers will adopt a civil service reform strategy by end-June 2011, and will present to the National Assembly a draft law governing pensions, as envisaged in the program. To reduce the actuarial deficit of the Civil Service Retirement Fund (FNRB), and on the basis of the actuarial audit of the FNRB completed in September 2009, a draft law on the implementation of a new strategy will be examined by the Council of Ministers in June 2011 and will be submitted to the National Assembly by December 2011.

31. The implementing decrees for the new public procurement code (*benchmark for September 2010*) were adopted in the Council of Ministers and signed by the President of the Republic in November, and published in the *Journal Officiel* (official gazette). These decrees

will make it possible to continue improving the effectiveness of expenditure and promoting competition in the private sector.

32. The introduction of a personal income tax (*benchmark for October 2010*) was adopted by the National Assembly with the 2011 budget law in December 2010, and will come into force in 2012.

33. The measures to improve the effectiveness of the revenue agencies are in the process of being implemented. However, some reforms will take longer than anticipated. The generalization of the TIN at customs and taxes (*benchmark for December 2010*) is already in effect for large operators. To further combat fraud, the government plans to extend the issuance of TINs to small operators by establishing registration centers at eight border posts, with support from the African Development Bank (AfDB). These registration centers will be operational by December 2011, taking into account the time lag needed to bring the AfDB support into effect. The use of nonspecific numbers (0000000000000 and 2999999999949) at the level of the ASYCUDA++ computer program has already been abolished (*benchmark for December 2010*). However, we were obliged to create a temporary TIN for the informal sector, pending the installation of computer hardware expected to be financed by the AfDB. The positive impact of abolishing nonspecific numbers within the ASYCUDA++ system will thus not be achieved until December 2011, when the temporary TIN will in turn be eliminated.

34. The customs administration is in the process of extending the ASYCUDA++ system to 12 additional border units (*benchmark for December 2010*). Extension to two new units was completed in October 2010, and the ongoing efforts to extend it to the other units should be completed by end-June 2011.

35. The projects to upgrade the information technology (IT) systems at customs and tax administrations, currently being implemented (*benchmark for December 2010*), will be delayed from the initial timetable. The audit of the Tax Department's IT system, aimed at the adoption of an IT master plan, is in progress. The consulting firm selected for carrying out this task was recruited in October 2010. The development of a comprehensive and integrated IT system at the Tax Department, planned to be undertaken with support from the Canadian International Development Agency (CIDA), began before end-2010, but will take up to three years to reach completion. With regard to the modernization of the IT system at customs, it is already in effect at the Directorate General and in the six main offices. Its extension should be completed by end-June 2011, as explained above.

36. The implementation of a one-stop window for operations at the Port of Cotonou is on track. The company that won the bidding process has begun work and we expect the one-stop window to be operational in the first half of the year, slightly ahead of schedule. The integration of the one-stop window with customs will be completed by end-June 2011, as planned. In addition, we have awarded a contract for import verification and the installation

of scanners to combat fraud. The latter measure, not envisaged in the structural measures of the program, and the one-stop window becoming operational will improve the collection of the financial resources deriving from port and customs operations and reduce waiting times at the port.

37. We are continuing to implement the other structural reforms envisaged under the program for 2011 (Table 2), on which we reported to you in our letter of intent of May 27, 2010. It further bears noting that the outsourcing of the management of the Benin-Niger railroad network is nearing completion, and should make it possible to improve the competitiveness of our economy by unclogging the port, promoting the emergence of dry ports, and facilitating transit trade in goods routed to landlocked countries of the subregion. The results of the call for bids for the privatization of *Bénin Télécoms*, which brought forward two internationally renowned investors each of which has the capacity to improve the efficiency of that company, are in the process of being approved.

38. With regard to the reform of the energy sector, we are continuing our efforts aimed at adopting a new regulatory framework by end-June 2011, with the assistance of our technical partners. We are resolved to provide a framework for the energy sector that will permit the establishment of a regulatory authority and a transparent price-setting system to open up the distribution of electricity to the private sector. In anticipation of the above, the April 2010 financial restructuring of the SBEE has made it possible to improve its financial position and reduce subsidies from the government. The SBEE has stepped up its efforts to combat illegal connections to the grid and is auditing its customer database. The company's management expects these efforts to result in enhanced revenue. In addition, a new office has been created for dealing with industrial users, and the waiting period for connection has been reduced to less than 48 hours for new businesses. Moreover, the waiting list of applicants for connection has been shortened from 20,000 to 4,000. A new power plant with gas turbines is ready to come on stream and will allow for greater and more stable power generation at a lesser cost, as soon as the supply of natural gas from Nigeria becomes operational.

39. In December 2010, we submitted the draft GPRS for 2011–15 to our technical and financial partners. The updated strategy focuses on development issues and issues pertaining to sectoral and local strategies, including the organization of the rural sector and the diversification of agriculture, creating jobs for young people and women, reducing the isolation of agricultural production areas, promoting rural economic growth, building the legal capacities of the poor, and promoting social protection and solidarity. The strategy will be accompanied by a Priority Action Program (PAP) to be finalized in January 2010.

Conclusion

40. The government is convinced that the measures and policies described in this letter are appropriate for achieving the objectives of the program, and reaffirms its commitment to take any additional measures necessary for meeting them. The government therefore requests

(i) a waiver of the nonobservance of the end-June performance criterion on net domestic financing; (ii) completion of the first review under the ECF and the release of the associated disbursement; (iii) an extension and a rephasing of the program by three months; and (iv) the establishment of performance criteria for September 30, 2011. The second review under the ECF will be completed by September 15, 2011 on the basis of the observance of the revised performance criteria for March 31, 2011, and the third review will be completed by March 15, 2012 on the basis of the performance criteria for September 30, 2011. Program monitoring will be based on the performance criteria and structural and quantitative benchmarks defined in Tables 1 and 2 and in the attached TMU. To facilitate program monitoring and evaluation, the government will regularly provide IMF staff with all the information referred to in the updated TMU within the prescribed deadlines.

41. The government will consult with the IMF on its own initiative or at the request of the Managing Director before adopting any additional measure or changing any of the measures included in this letter of intent with a view to achieving program targets. The government authorizes the IMF to publish the Staff Report on the discussions for the first review of the program, as well as this letter.

Sincerely yours,

/s/

Idriss L. DAOUDA
Minister of Economy and Finance

Table 1. Benin: Quantitative Performance Criteria and Indicative Targets, 2010–11
(Billions of CFA francs)

	June 30, 2010			September 30, 2010			December 31, 2010			March 31, 2011	June 30, 2011	Sept. 30, 2011	Dec. 31, 2011
	Performance criteria			Indicative targets			Indicative targets			Performance criteria	Indicative targets	Performance criteria	Indicative targets
	Prog.	Adj. Prog.[1]	Prel.	Prog.	Adj. Prog.[1]	Prel.	Prog.	Adj. Prog.[1]	Prel.	Prog.	Proj.	Prog.	Proj.
A. Quantitative Performance Criteria and Indicative Targets[2]													
Net domestic financing of the government (ceiling)[3 4]	-37.0	-27.0	41.3	-25.4	-5.4	36.9	-15.3	-0.1	0.7	69.9	72.1	79.7	57.3
Basic primary balance (excuding grants) (floor)	37.8	37.8	38.4	1.9	1.9	-20.3	-10.5	-10.5	15.1	-46.4	-36.5	-48.5	-17.6
Memorandum Item: Budgetary Assistance[5]	10.0	10.0	0.0	20.9	49.2[6]	4.3	38.3	69.9[6]	52.2	11.0	11.0	23.0	33.8
B. Continuous Quantitative Performance Criteria (ceilings)													
Accumulation of external payments arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External nonconcessional debt contracted or guaranteed by government with maturities of 0–1 year[7]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External nonconcessional debt contracted or guaranteed by government with maturities of more than one year[7]	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulation of domestic payments arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Indicative Targets													
Total revenue (floor)[2]	315.5	315.5	275.9	494.6	494.6	438.1	681.9	681.9	603.0	136.6	295.0	464.2	650.1
Payment orders issued outside the expenditure chain (ceiling)[8]	4.6	4.6	4.0	7.5	7.5	3.9	10.6	10.6	8.6	2.5	4.6	7.5	10.6
Social priority expenditure (floor)	…	…	…	…	…	…	…	…	…	45.3	77.6	117.3	132.6

Sources: Beninese authorities; and IMF staff estimates and projections.

[1] The performance criterion on net domestic financing is automatically adjusted as indicated in Footnote 3 below (as per Paragraph 8 of the Technical Memorandum of Understanding).
[2] The indicative targets and performance criteria are cumulative from the beginning of the calendar year.
[3] If the amount of disbursed external budgetary assistance net of external debt service obligations falls short of the program forecast, the ceiling on net domestic financing will be adjusted pro tanto, subject to limits specified in the Technical Memorandum of Understanding (Paragraph 8).
[4] If the amount of disbursed external budgetary assistance net of external debt service obligations exceeds the program forecast by more than CFAF 5 billion, the ceiling will be adjusted downward by the excess disbursement beyond CFAF 5 billion, unless it is used to absorb domestic arrears.
[5] Gross disbursements, not adjusted for debt service obligations.
[6] Includes the part of the financing gap that was expected to be covered with nonidentified external budgetary assistance.
[7] Debt is considered nonconcessional if the difference between the present value (PV) of the debt and its nominal value, as a percentage of the nominal value of the debt, is lower than 35 percent.
[8] Exceptional payment procedures: stock of payment orders issued since the beginning of the calendar year and not yet regularized at each test date.

Table 2. Benin: Structural Benchmarks, 2010–11

Measures	Initial date / revised date	Rationale	State of execution
The adoption by the Council of Ministers of all implementing decrees of the Public Procurement Code.	September 30, 2010	The authorities want to create fiscal space for poverty-reduction expenditure and public infrastructure by improving the efficiency of public expenditure.	Achieved with a slight delay. The Council of Ministers adopted the implementing decrees in November 2010.
Submission to the National Assembly of legislation introducing the personal income tax.	October 31, 2010	The authorities aim to contain the decline in revenue by widening the tax base and reducing tax rates, and by improving the rationality of the tax system.	Achieved. The introduction of a personal income tax was adopted by the National Assembly in with the 2011 Budget Law in December 2010.
Extension of the ASYCUDA++ information system to 12 additional regional customs offices.	December 31, 2010 / June 30, 2011	The authorities aim to improve the collection of customs revenue to expand the fiscal space for infrastructure investment and measures to reduce poverty.	Delayed. The extension to two additional border posts was achieved at end-October. The extension to the remaining offices will be achieved by end-June 2011.
(i) Adoption of an information technology (IT) master plan for the tax department (DGID) (after its audit to generalize the TIN); (ii) the development of a complete and integrated information system at the DGID; (iii) the modernization of the information system of the customs department (DGDDI); and (v) its extension to all units.	December 31, 2010 / June 30, 2011	The authorities aim to contain the decline in revenue by improving the performance of the tax and customs administration.	Delayed. (i) The audit of the DGID IT system is in progress. (ii) A consulting firm has been recruited in October 2010 to develop an IT master plan for the DGID but its development will take up to three years. (iii) The modernisation is considered to have been achieved at the Directorate General and in the six main DGDDI offices. (iv) Its extension to all units is in progress, but will be completed by June 2011.
Generalization of the Tax Identification Number (TIN) to all taxpayers and all the units of the tax and customs administration.	December 31, 2010 / December 31, 2011	The authorities aim to contain the decline in revenue by improving the performance of the tax and customs administration.	Delayed. The generalization is already effective for the large taxpayers. The generalization to small operators, with support from the African Development Bank (AfDB), will only become effective in December 2011.
Generalization of the systematic use of the TIN by the DGDDI and the abolition of the use of nonspecific identification numbers at the level of ASYCUDA++ (0000000000000 and 2999999999949).	December 31, 2010 / December 31, 2011	The authorities aim to contain the decline in revenue by improving the performance of the tax and customs administration.	Delayed. The use of the identification numbers (0000000000000 and 2999999999949) has already been abolished, but the abolition of all non-specific numbers within the ASYCUDA++ system will not be achieved until December 2011.
Adoption by decision of the Council of Ministers of a strategy for the reform of the civil service.	June 30, 2011	The authorities aim to limit the expansion of the wage bill and to maintain fiscal space for infrastructure investment and measures to reduce poverty.	In progress. This effort is pursued with the support of our technical and financial partners. Two studies on the remuneration system and civil service reforms are underway and will be completed by end-May 2011.
Implementation of the integration and federation of all the agents at customs and at the Autonomous Port of Cotonou in the one-stop window.	June 30, 2011	The authorities aim to contain the decline in revenue by improving the performance of the tax and customs administration.	In progress. The company that has won the contract for the development of the software at the port has begun work and the one-stop window is expected to become operational within the deadline.
Adoption by decision of the Council of Ministers of a regulatory framework governing the energy sector that will formally sanction the opening of electricity distribution to private investors and the establishment of a regulatory authority and of a system that will guarantee transparency in the electricity price-setting mechanism.	June 30, 2011	The authorities aim to maintain the financial viability of the electricity company (SBEE).	In progress. This effort is pursued with support from the French Development Agency (AFD).
Presentation to the National Assembly of a draft law governing pensions based on the final report on the actuarial audit of the national pension scheme, FNRB.	December 31, 2011	The authorities aim to contain the impact of FRNB's deficit on public finances by strengthening its financial viability.	In progress.

APPENDIX I—ATTACHMENT 1

TECHNICAL MEMORANDUM OF UNDERSTANDING

January 31, 2011

1. This technical memorandum of understanding ("the Memorandum") defines the quantitative performance criteria and benchmarks, and structural benchmarks for the Republic of Benin's program supported by the Extended Credit Facility (ECF). It also sets out the frequency and deadlines for data reporting to the staff of the International Monetary Fund (IMF) for program monitoring purposes.

I. DEFINITIONS

2. Unless otherwise indicated, "government" is understood to mean the central administration of the Republic of Benin and does not include any political subdivisions (such as local governments), the central bank, or any other public or government-owned entity with autonomous legal personality not included in the government's flow-of-funds table (*Tableau des opérations financières de l'État*, TOFE).

3. The definitions of "debt" and "concessional borrowing" for the purposes of this Memorandum are set out in point 9 of IMF Executive Board Decision No. 6230-(79/140), as subsequently amended, including by Executive Board Decision No. 14416-(09/91), effective December 1, 2009:

(a) For the purposes of this Memorandum, debt is understood to mean a direct, that is, not contingent, liability, created under a contractual agreement through the provision of value in the form of assets (including currency) or services, which requires the obligor to make one or more payments in the form of assets (including currency) or services at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

   (i) loans, that is, advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

(ii) suppliers' credits, that is, contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided;

(iii) leases, that is, arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair or maintenance of the property; and

(iv) Treasury bills and bonds issued in *Communauté Financière Africaine* (CFA) francs on the West African Economic and Monetary Union's (WAEMU) regional market, which are included in public debt for the purpose of this Memorandum.

Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (for example, payment on delivery) will not give rise to debt.

(b) A loan is considered concessional if, on the date on which the contract became effective, the ratio of the present value of the loan, based on the reference interest rates, to the nominal value of the loan is less than 65 percent (that is, the grant element of the loan is at least equal to 35 percent of its nominal value). The present value of the loan will be calculated by discounting future payments of interest and principal using the commercial interest reference rates (CIRRs) established by the Organization for Economic Cooperation and Development (OECD). Specifically, the ten-year average of CIRRs reported by the OECD will be used for loans with maturities longer than 15 years, while the six-month average of CIRRs will be used for loans with shorter maturities. To both the ten-year and six-month averages of the reference rate, the margin for different repayment periods will be added, as established by the OECD (0.75 percent for repayment periods of less than 15 years; 1 percent for repayment periods of 15–19 years; 1.15 percent for repayment periods of 20–29 years; and 1.25 percent for repayment periods of 30 years or more).

(c) "Domestic debt" is defined as debt denominated in CFA francs, while "external debt" is defined as debt denominated in any currency other than the CFA franc.

II. Quantitative Performance Criteria

A. Ceiling on Net Domestic Financing of the Government

Definitions

4. Net domestic financing of the government is defined as the sum of: (i) net bank credit to the government, defined below; and (ii) net nonbank financing of the government, including the proceeds of the sale of government assets, which includes proceeds from the divestiture of parts of public enterprises, that is, privatizations, Treasury bills, and other securitized obligations issued by the government and listed in CFA francs on the WAEMU regional financial market, and any Central Bank of West African States (*Banque centrale des États de l'Afrique de l'Ouest*, BCEAO) credit to the government, including any drawings on the CFA franc counterpart of the allocation of Special Drawing Rights (SDRs).

5. Net bank credit to the government is defined as the balance between the debts and claims of the government vis-à-vis the central bank and the national commercial banks. The scope of net credit to the government is that used by the BCEAO and is in keeping with general IMF practice in this area. It implies a definition of government that is broader than the one indicated in paragraph 2. Government claims include the CFA franc cash balance, postal checking accounts, customs duty bills, and all deposits with the BCEAO and commercial banks of government owned entities, with the exception of industrial or commercial public agencies (*établissements publics à caractère industriel et commercial*, EPICs) and government corporations, which are excluded from the calculation. Government debt to the banking system includes all debt to the central bank and the national commercial banks, including Treasury bills and other securitized debt.

6. The figures deemed valid within the framework of the program will be the figures for net bank credit to the government and for the net amount of Treasury bills and bonds issued in CFA francs on the WAEMU regional financial market calculated by the BCEAO and the figures for nonbank financing calculated by the Treasury of Benin.

7. *Gross* external budgetary assistance is defined as grants, loans, and debt relief operations (excluding project-related loans and grants, use of IMF resources, and debt relief under the Highly Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiatives). *Net* external budgetary assistance is defined as the difference between gross external budgetary assistance and the sum of total debt service obligations on all external debt (defined, in turn, as the sum of interest payments and amortizations on all external loans, including interest payments and other charges to the IMF and on project-related loans, but excluding repayment obligations to the IMF), and all payments of external payments arrears.

Adjustments

8. The ceiling on net domestic financing (NDF) of the government will be adjusted if net external budgetary assistance exceeds or falls short of the program projections indicated in paragraph 9:

- If, at the end of a quarter, net external budgetary assistance exceeds the total projected amounts (cumulative since January 1 of the same year) by over CFAF 5 billion, the NDF ceiling will be lowered by an amount equivalent to this excess minus CFAF 5 billion. However, if the excess is entirely or partly allocated to the settlement of domestic arrears above and beyond the program objective specified in paragraph 9, the NDF ceiling will be lowered by an amount equal to the excess net external budgetary assistance compared with program targets, minus the sum of (a) CFAF 5 billion and (b) the excess repayment of domestic arrears compared with program targets.

- If at the end of a quarter, net external budgetary assistance falls short of the projected amounts (cumulative since January 1 of the same year), the NDF ceiling will be increased by an amount equivalent to this shortfall, within the following limits: the increase may not exceed CFAF 5 billion at end-March 2011; CFAF 10 billion at end-June 2011; CFAF 20 billion at end-September 2011; and CFAF 35 billion at end-December 2011.

9. For the purposes of calculating the adjustment to the NDF ceiling, the following amounts are projected in the program:

- The amounts of gross external budgetary assistance (cumulative since January 1 of the same year) projected in the program are: CFAF 11.0 billion at end-March 2011; CFAF 11.0 billion at end-June 2011; CFAF 23.0 billion at end-September 2011; and CFAF 33.8 billion at end-December 2011.

- The amounts of external debt service obligations (cumulative since January 1 of the same year) projected in the program are: CFAF 6.0 billion at end-March 2011; CFAF 16.6 billion at end-June 2011; CFAF 21.7 billion at end-September 2011; and CFAF 32.9 billion at end-December 2011.

- The amounts of settlement of domestic payments arrears (cumulative since January 1 of the same year) projected in the program are: CFAF 3.4 billion at end-March 2011; CFAF 11.4 billion at end-June 2011; CFAF 14.4 billion at end-September 2011; and CFAF 17.4 billion at end-December 2011.

- The amounts of settlement of external payments arrears (cumulative since January 1 of the same year) projected in the program are: CFAF 0 billion at end-March 2011; CFAF 0 billion at end-June 2011; CFAF 0 billion at end-September 2011; and CFAF 0 billion at end-December 2011.

Performance criteria and indicative targets

10. The ceiling on net domestic financing of the government (cumulative since January 1 of the same year) is set as follows: CFAF 69.9 billion at end-March 2011; CFAF 72.1 billion

at end-June 2011; CFAF 79.7 billion at end-September 2011; and CFAF 57.3 billion at end-December 2011. The ceiling is a performance criterion for end-March 2011 and end-September 2011, and an indicative target for end-June 2011 and end-December 2011.

B. Floor for Basic Primary Fiscal Balance

Definition

11. The basic primary fiscal balance is defined as being equal to the difference between total fiscal revenue (tax and nontax) and basic primary fiscal expenditure (on a payment-order basis). Basic primary fiscal expenditure is defined as fiscal (current plus capital) expenditure minus (a) the payments of interest on domestic and external debt; and (b) capital expenditure financed by external grants and loans. Grants are excluded from revenue and net government lending is excluded from fiscal expenditure.

Performance criteria and indicative targets

12. The floor on the basic primary fiscal balance (cumulative since January 1 of the same year) is a balance of not less than: CFAF -46.4 billion at end-March 2011; CFAF-36.5 billion at end-June 2011; CFAF -48.5 billion at end-September 2011; and CFAF -17.6 billion at end-December 2011. The floor is a performance criterion for end-March 2011 and end-September 2011, and an indicative target for end-June 2011 and end-December 2011.

C. Nonaccumulation of New Domestic Payments Arrears by the Government

Definition

13. Domestic payments arrears are defined as domestic payments due but not paid after a 90-day grace period, unless the obligation specifies a longer grace period. The National Amortization Fund (*Caisse Autonome d'Amortissement*, CAA) and the Treasury record and update the data on the accumulation of domestic payments arrears, as well as their settlement. The definitions of debt provided in paragraph 3a, of domestic debt in paragraph 3c, and of government in paragraph 2 apply here.

Continuous performance criterion

14. The government undertakes not to accumulate any new domestic payments arrears. The nonaccumulation of new domestic payments arrears will be continuously monitored throughout the program.

D. Nonaccumulation of External Public Payments Arrears

Definition

15. External public payments arrears are defined as the sum of payments due, but not paid, by the government at the due date specified in the contract, on external debt of, or

guaranteed by, the government. The definitions of debt provided in paragraph 3a, of external debt in paragraph 3c, and of government in paragraph 2 apply here.

Continuous performance criterion

16. The government undertakes not to accumulate any external public payments arrears, with the exception of arrears relating to debt that is the subject of renegotiation or rescheduling. The performance criterion on the non accumulation of external public payments arrears will be continuously monitored throughout the program.

E. Ceiling on the Contracting or Guaranteeing by the Government of New Nonconcessional External Debt Maturing in a Year or More

Definition

17. This performance criterion applies not only to debt as defined in paragraph 3a, but also to commitments contracted or guaranteed by the government (as defined in paragraph 18) (including lease-purchase contracts) for which no value has been received. This criterion also applies to the private sector debt guaranteed by the government, which constitutes a contingent liability of the government. As indicated in paragraph 3c, external debt excludes Treasury bills and bonds issued in CFA francs on the WAEMU regional market. The definition of nonconcessional debt in paragraph 3b applies here.

18. The concept of "government" used for this performance criterion and for the performance criterion on the contracting or guaranteeing by the government of new short-term external debt, includes the government, as defined in paragraph 2, local governments, and all public enterprises, including administrative public agencies (*établissements publics à caractère administratif*), scientific and technical public agencies, professional public agencies, and enterprises jointly owned by the Beninese government with the governments of other countries.

Continuous performance criterion

19. No nonconcessional external borrowing will be contracted or guaranteed by the government for the duration of the program. Changes to the ceiling in question can be made during the course of the program after approval of the IMF Executive Board. Any such changes would be proposed solely for specific investment projects whose financial viability and profitability have been evaluated and approved by a recognized institution, and on condition that the loan does not seriously exacerbate debt vulnerabilities according to the debt sustainability analysis prepared jointly by the staff of the World Bank and the IMF.

20. The government also undertakes not to contract or guarantee any external loan during the implementation of the program without first having determined its concessionality with IMF staff.

F. Ceiling on the Contracting or Guaranteeing by the Government of New Nonconcessional Short-Term External Debt

Definition

21. The definitions in paragraphs 17 and 18 also apply to this performance criterion.

22. Short-term external debt is debt with a contractual term of less than one year. Import- and export-related loans, Treasury bills issued in CFA francs on the WAEMU regional market, normal short-term supplier credits, and debt relief operations are not covered by this performance criterion.

Performance criterion

23. The government undertakes not to contract or guarantee short-term nonconcessional external debt.

24. The government also undertakes not to contract or guarantee any short-term external debt during the implementation of the program without first having determined its concessionality with IMF staff.

25. On December 31, 2010, Benin had no short-term external debt.

III. Indicative Targets

A. Floor for Government Revenue

Definition

26. Total government revenue includes tax and nontax revenue as shown in the TOFE, but excludes external grants, revenue of autonomous agencies, and privatization receipts.

Indicative targets

27. The indicative target for total government revenue (cumulative since January 1 of the same year) is set as follows: CFAF 136.6 billion at end-March 2011; CFAF 295.0 billion at end-June 2011; CFAF 464.2 billion at end-September 2011; and CFAF 650.1 billion at end-December 2011.

B. Ceiling on Exceptional Payment Procedures

Definition

28. Exceptional payment procedures (*ordres de paiement hors de la chaîne de dépenses*) are defined as expenditures of a budgetary nature that are not executed following the stages of expenditure commitment (*engagement*) and validation (*liquidation*) before the payment order (*ordonnancement*) is issued, and that have not been regularized on the test date.

Indicative targets

29. The government undertakes to limit total expenditures (cumulative since January 1 of the same year) effected by exceptional payment procedures to a ceiling of: CFAF 2.5 billion at end-March 2011; CFAF 4.6 billion at end-June 2011; CFAF 7.5 billion at end-September 2011; and CFAF 10.6 billion at end-December 2011.

C. Floor for Priority Social Expenditures

30. Priority social expenditures are determined in line with the priority programs identified in the Growth and Poverty Reduction Strategy for 2011-15 (GPRS III). These expenditures consist of selected (nonwage) expenditures in the following sectors: health; energy and water; agriculture; youth, sports and leisure; family and national solidarity; education, microfinance and employment; and culture, literacy, and the promotion of national languages. Their execution is monitored on a payment-order basis during the program, through the integrated fiscal management system (SIGFiP).

Definition

31. The indicative target for priority social expenditures is defined as the total amount (cumulative since January 1 of the same year) of the payment orders issued under the budget lines indicated in Table 1.

Table 1. Priority Social Expenditure Categories

Budget code	Description
36 and 64	Ministry of Health
37	Ministry of Energy and Water
39	Ministry of Agriculture, Livestock, and Fisheries
40	Ministry of Youth, Sports, and Leisure
41	Ministry of the Family and National Solidarity
44	Ministry of Higher Education and Scientific Research
49	Ministry of Microfinance and for the Employment of Youth and Women
62	Ministry of Maternal and Primary Education
63	Ministry of Secondary, Technical, and Professional Education
68	Ministry of Culture, Literacy, and for the Promotion of National Languages

Indicative targets

32. The indicative target for priority social expenditures (cumulative since January 1 of the same year) is set as follows: CFAF 45.3 billion at end-March 2011; CFAF 77.6 billion at end-June 2011; CFAF 117.3 billion at end-September 2011; and CFAF 132.6 billion at end-December 2011.

IV. Structural Benchmarks

33. The following measures will serve as structural benchmarks under the program:

- Adoption by the Council of Ministers of all implementing decrees for the Public Procurement Code by September 30, 2010;
- Submission to the National Assembly of legislation introducing the personal income tax by October 31, 2010;

- Extension of the ASYCUDA++ information system to 12 additional regional customs offices by June 30, 2011;

- Adoption of an information technology (IT) master plan for the tax department (DGID) (after its audit, to generalize the taxpayer identification number, TIN); development of a complete and integrated information system at the DGID, modernization of the information system of the customs department (DGDDI) and its extension to all units, by June 30, 2011;

- Generalization of the TIN to all taxpayers and to all units of the tax and customs administrations, by December 31, 2011;

- Generalization of the systematic use of the TIN by the DGDDI and the abolition of the use of nonspecific identification numbers at the level of ASYCUDA++ (0000000000000 and 299999999949) by December 31, 2011;

- Adoption by decision of the Council of Ministers of a strategy for the reform of the civil service by June 30, 2011;

- Implementation of the integration and federation of all the agents at customs and at the Autonomous Port of Cotonou in the one-stop window by June 30, 2011;

- Adoption by decision of the Council of Ministers of a regulatory framework governing the energy sector that will formally sanction the opening of electricity distribution to private investors and the establishment of a regulatory authority and of a system that will guarantee transparency in the electricity price-setting mechanism by June 30, 2011; and

- Presentation to the National Assembly of a draft law governing pensions (based on the final report on the actuarial audit of the national pension scheme, FNRB) by December 31, 2011.

V. Information for Program Monitoring

A. Data on Performance Criteria and Indicative Targets

34. To facilitate effective program monitoring, the government will provide IMF staff with the following data:

Every month:

- copies of the contracts and data on any loan (terms and creditors) contracted or guaranteed by the government, in the first week after the end of the month;

- monthly consumer price index, within two weeks of the end of the month;

- the TOFE, including revenue, detailed data on net domestic financing of the government (bank and nonbank domestic financing, including the claims held by the nonbank private sector); and data on the basic primary fiscal balance, including data generated by the SIGFiP, within six weeks of the end of the month;

- data on the balance, accumulation, amount (stock), and repayment of public domestic and external payments arrears, including in the event that these arrears amount to zero, within six weeks of the end of the month; and

- the monetary survey, within eight weeks of the end of the month.

Every quarter:

- data pertaining to the amount of exceptional payment procedures or other exceptional measures, within six weeks of the end of the quarter;

- data pertaining to priority social expenditures, within six weeks of the end of the quarter.

B. Other Information

35. The government will provide Fund staff with the following data:

Every month:

- banking and nonbanking supervision indicators for bank and nonbank financial institutions within eight weeks of the end of the month.

Every quarter:

- data on the implementation of the public investment program, including detailed information on sources of financing, within four weeks of the end of the quarter;

- data on the stock of external debt, external debt service, the signing of external loans and disbursements of external loans, within twelve weeks of the end of the quarter.

On an *ad hoc* basis:

- in the quarter when they become available: a copy of the budget law and its supplementary documents; a copy of the most recent budget execution law; as well as any decree or law pertaining to the budget or implementation of the IMF-supported program.