

IMF Executive Board Completes Fifth Review Under ECF Arrangement for Benin and Approves US\$16.1 Million Disbursement and Arrangement Extension

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The Executive Board of the International Monetary Fund (IMF) today completed the fifth review of Benin's economic program under the Extended Credit Facility (ECF). The decision enables the immediate disbursement of an amount equal to SDR 10.61 million (about US\$16.1 million), bringing total disbursements under the arrangement to the equivalent of SDR 63.67 million (about US\$96.8 million). In completing the review, the Board also approved a request for an extension of the arrangement, which was set to expire in September 2013, through April 2014 to allow for a rephrasing of the final disbursement and associated review. The extension will allow time to implement the authorities' new customs reform agenda.

The ECF arrangement for Benin was approved on June 14, 2010 (see Press Release No. 10/243) for the equivalent of a total of SDR 74.28 million (about US\$113million).

At the conclusion of the Executive Board's discussions, Mr. Shinohara, Deputy Managing Director and Acting Chair, made the following statement:

"Benin's macroeconomic performance under the ECF arrangement continues to be strong. Growth has been higher than expected because of the recovery in commerce and agriculture, and inflation has returned to below 3 percent. The government has addressed its structural reform backlog. Several long-delayed structural benchmarks under the ECF have been implemented, including the use of the taxpayer identification number at customs.

"The economic outlook is generally positive, but subject to internal and external risks arising from heavy dependence on weather conditions and vulnerability to trade policy decisions in Nigeria because an estimated 80 percent of Benin's imports are informally re-exported to Nigeria.

"The authorities remain committed to prudent fiscal policies

which will be complemented by reforms to strengthen the revenue base. In particular, customs reform will be revamped by replacing the overreliance on external customs operators by a new approach that aims at developing customs administration's own capacity. Over the medium-term, the dependency on customs revenues should be reduced by strengthening the domestic revenue base.

"Enhancing the soundness of the financial sector would contribute to economic growth. In this context, it will be important to speed up the resolution of troubled banks, address weaknesses in supervision, and promote easier access to bank credit.

"Accelerated structural reforms are needed to turn the positive 2012 growth outcome into a sustainable trend and to reach the growth rates necessary to reduce poverty in a country with the population growing at 3.5 percent a year. In line with the Poverty Reduction Strategy Paper update currently under preparation, the authorities are rightly focusing on increasing infrastructure investment crucial for accelerating growth. Thanks to prudent fiscal policies, Benin's debt level offers some fiscal space to increase investment. To ensure that the rise in spending delivers results, the quality of spending would also need to be improved further," Mr. Shinohara stated.

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