

**FOR  
INFORMATION**

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To: Members of the Executive Board

From: The Secretary

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Questions: Mr. Toe, AFR (ext. 36557)



**MINISTRY OF ECONOMY AND FINANCE  
OFFICE OF THE MINISTER  
REPUBLIC OF BENIN**

Cotonou, November, 28, 2017

No. 3701/2017/MEF/DC/SGM/CSPEF/SP

Ms. Christine Lagarde  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431 USA

**Re:** Transmission of the summary note of the Program for Growth for Sustainable Development (PC2D) 2017-2021.

Dear Madam Managing Director:

I have the honor to send you the Executive Summary of the Program for Growth for Sustainable Development (PC2D) 2017 -2021.

The Growth Program for Sustainable Development is the document that operationalizes, over the period 2017-2021, the National Development Plan 2018-2025. It is anchored to the Government Action Program (PAG) 2016-2021, whose vision is "to relaunch in a sustainable way the economic and social development of Benin." It is being developed in place of the Growth Strategy for the Reduction of Poverty (SCRIP) and aims to put Benin on the path of sustainable and inclusive growth for the improvement of the well-being of the population.

Convinced that the Government will receive your usual support to achieve its objectives, please accept, Madam Managing Director, the assurance of my highest consideration.

/s/ /official stamp/

Romuald Wadagni



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**MINISTRY OF ECONOMY AND FINANCE**

**REPUBLIC OF BENIN**

***SUMMARY OF THE GROWTH FOR SUSTAINABLE  
DEVELOPMENT PROGRAM  
(PC2D 2017-2021)***

***(Final version)***

November 2017

## I- CONTEXT

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1. Since the early 2000s, Benin has produced several national planning documents outlining the medium- to long-term outlook and plan implementation mechanisms. They embody the development approach set forth in the National Long-Term Perspective Studies (NLPTS)-Benin Alafia 2025, which aspires to make Benin, by 2025: *“a flagship, well governed, united and peaceful country, with a prosperous and competitive economy and cultural and social well-being.”*

2. With regard to international cooperation for development, Benin has undertaken to abide by several international commitments to effective development cooperation and, especially, to create an environment conducive to development and to the eradication of poverty by achieving by 2015 the eight (8) Millennium Development Goals (MDGs).

3. Within that context, like most heavily indebted poor countries (HIPC), Benin first drew up and implemented its interim Poverty Reduction Strategy (PRS) and then went through three generations of poverty reduction strategy, namely: the Poverty Reduction Strategy Paper (PRSP) 2003-2005, the first generation (2007-2009) Growth Strategy for Poverty Reduction (GSPR) and the second generation (2011-2015) GSPR. The various strategies were underpinned by the Government's Strategic Guidelines for Development and national and sectoral policies, strategies and programs and they took into account the international instruments of which Benin is a signatory. Together those strategies serve as an overarching framework for the economic and financial programs, budget support programs and other interventions agreed upon with Benin's technical and financial partners (TFPs).

4. The 2011-2015 GSPR implemented through December 2015 had sought to expedite growth with a view to achieving the MDGs by 2015. On the one

hand, it aimed to consolidate gains from the previous strategy and, on the other, to diversify the economy and step up economic growth so as to accelerate the fight against poverty and Benin's progress toward achieving the MDGs.

5. When implementation of the strategy concluded, the evaluations pointed overall to somewhat mixed results. Despite improvements since 2011, economic growth was not robust enough to make a dent on poverty. As a result, the MDGs were only partially attained. It was therefore decided that that trend had to be reversed.

6. The regime change on April 6, 2016 ushered in a new era of public sector governance with the stated aim of undertaking far-reaching reforms that would further boost economic and social development. Thus, the Government's 2017-2021 vision called for "re-launching the economic and social development of Benin on a sustainable basis." In that connection, the Government adopted its "Benin Revealed" Action Program and began preparing the 2018-2025 National Development Plan (PND) and its first implementation paper, the Growth Program for Sustainable Development (PC2D) 2017-2021, anchored in the Government Action Program (PAG).

7. The PND envisages a Benin in which "all its men and women are fulfilled, glowing with good health, competent and competitive, ready to meet the demands of sustainable development, good governance and collective well-being." In drawing up the PND, the Government aims to consolidate the development guidelines established in the PAG for 2017-2021 and to supplement them with others for 2022-2025. The PND takes the diagnostic assessment and challenges identified for the PAG and adds to them; defines the objectives and paths to go down in 2017-2021; and establishes the challenges, key issues, and guidelines for 2022-2015.

8. The Growth Program for Sustainable Development (PC2D) focuses on the short-term and on implementing the National Development Plan, which is a

ten-year version of the 2025 Benin Alafia Vision aimed at turning Benin into *“a flagship, well governed, united and peaceful country, with a prosperous and competitive economy and cultural and social well-being.”*

9. The PC2D is also anchored in the Government Action Program (PAG) geared to “re-launching the economic and social development of Benin on a sustainable basis” by 2021. To that end, the Government intends to undertake bold actions and reforms, which are likewise shaped by the strategic guidelines of the 2025 Alafia vision.

10. The PC2D also draws its inspiration from the African Union Commission’s Agenda 2063, from the Paris Agreement on Climate Change (COP 21) and from the 2030 Agenda for Sustainable Development (now that the work of internalizing and adapting its targets for Benin has been completed).

11. The PC2D replaces the SCRP. It covers all areas of Government intervention and will address the shortcomings remaining after implementation of the SCRP. It should set the economy on a path to sustainable and inclusive growth. Accompanied by performance evaluation indicators for measuring progress in each year of its implementation and annual reviews conducted jointly by all stakeholders, the PC2D will facilitate strategic consensus-building and dialogue between the Government, TFPs, and others with a stake in the country’s development.

12. A key feature of the methodology used to produce the 2018-2025 PND and the 2017-2021 PC2D is its participatory and inclusive approach involving all the different stakeholders, that is to say, the representatives of ministries and institutions, civil society organizations, the private sector, TFPs, and social partners.

13. To achieve the four strategic objectives of the PND for 2018-2021, and pursuant to the established strategic guidelines, the actions to be taken are

grouped together in the seven (7) operational priorities (*axes opérationnels*) of the PC2D.

14. This summary of the PC2D contains information on: (i) recent advances in socio-economic development in 2011-2015; (ii) development challenges and strategic objectives; (iii) operational priorities of the 2017-2021 PC2D; and (iv) macroeconomic implications.

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## II- RECENT ADVANCES IN SOCIO-ECONOMIC DEVELOPMENT IN BENIN

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15. Recent progress with socio-economic development (2011-2015) is recorded as outcomes of implementing the 2011-2015 SCRP. Broadly, the data show that:

- i) Economic growth averaged 5.3 percent, which is insufficient given population growth of 3.5 percent per year. The growth target for 2015 had been 7.5 percent;
- ii) The prevalence of poverty remains worrisome. Income poverty rose from 36.2 percent in 2011 to 40.1 percent in 2015, whereas it had been thought that implementation of SCRP3 would lower income poverty to 25 percent in 2015. Non-income poverty fell slightly from 30.2 percent in 2011 to 29.4 percent in 2015, but worsened in rural areas.

16. The actions taken to implement SCRP3 revolved around the following five strategic priorities: (i) sustainable acceleration of growth and of the transformation of Benin's economy; (ii) infrastructure development; (iii) more robust promotion of good governance; (iv) higher quality governance; and (v) balanced, sustainable development of the national territory.

17. In the economic sphere, economic activity has been sustained, despite downturns in 2014 and 2015. Real GDP grew from 2011 through 2013 (from 3.5 percent to 6.9 percent) before dipping in 2014 and 2015 (2.1 percent).



18. Public financial management was characterized by an average fiscal deficit, excluding grants, equivalent to 4.38 percent of GDP, rising to 8.5 percent of GDP in 2015: well over the 3 percent ceiling envisaged in the WAEMU multilateral surveillance framework. All WAEMU public financial management directives have been adopted by Benin and the necessary arrangements are made to implement them.

**Table N°1:** Changes in macroeconomic stabilization indicators

Indicators	Results				
	2011	2012	2013	2014	2015
Economic growth rate (%)	3.5	5.4	6.9	6.5	2.1
Inflation rate (%)	2.7	6.7	1.0	-1.1	0.3
Investment rate (%)	20.7	19.3	25.6	28.6	26.1
Wage bill/GDP (%)	14.1	13.7	7.3	6.7	6.9
Overall fiscal deficit (payment order basis and excluding grants) as a % of GDP	-4.3	-2.4	-3.8	-2.9	-8.5
Debt service as a % of exports	3.6	5.7	5.5	2.5	3.5
Tax revenue mobilization rate (%)	93.2	101.8	101.4	93.0	89.2
Current account of the balance of payments as % of GDP	-10.0	-9.6	-14.8	-3.7	-1.7

**Source:** Unit for Monitoring Economic and Financial Programs (CSPEF), National Institute of Statistics and Economic Analysis (INSAE), Office of the Director-General of Economic Affairs (DGAE), 2016

With respect to private sector promotion, performance indicators point to numerous efforts to improve the business environment. That has translated into a higher Doing Business ranking for Benin. Indeed, all the reforms undertaken have moved Benin up the World Bank's Doing Business ladder from 162<sup>nd</sup> place (out of 190 evaluated economies) in 2014 to 155<sup>th</sup> place in

2017. Transit and logistics activities have also been boosted by improvements to the port complex under the first Millennium Challenge Account compact.

19. As regards diversification of the economy, the reforms have led to progress on the trade-logistics front in the sense of facilitating commerce and boosting transit and logistics activities. In the same vein, thanks to Government initiatives, cotton and textile output increased from year to year, following a decline in cotton output in 2009-2010. Thereafter it rose from 136,958 metric tons in 2010 to 393,325.0 tons in 2014, before falling to 269,218.5 tons in 2015.

20. Agricultural GDP growth went from -1.9 percent in 2010 to 7.2 percent in 2015. Despite that increase, national output was not enough to cover the population's needs in vegetable, animal or fish products.

21. With respect to infrastructure development, the major changes recorded were that national electricity coverage increased from 34.9 percent in 2010 to 43 percent in 2015, while the national electrification rate rose from 27.4 percent in 2010 to 33.18 percent in 2015. The drinking water supply rate in rural areas increased between 2010 and 2014, from 57.2 percent in 2010 to 68.1 percent in 2014 (the MDG target for 2015 was 67.3 percent).

22. In education, the stated goal for the past five years has been to promote education geared to development. Here, the actions undertaken have led to progress in terms of educational system governance, enrollment, retention, and quality of education. Gross enrollment rates have increased at all levels, except for Vocational and Technical Education and Training (VTET). However, some work still has to be completed in this sector.

23. In health, the indicators point to lackluster performance despite considerable efforts to build local infrastructure. The use of health services is still weak, indicating that the whole health system needs boosting. The

overall health care facilities attendance rate is 48.9 percent, compared to a target of 80 percent for 2015. On the other hand, attendance at health care facilities by children under five years of age has clearly improved (the rate is 84 percent, compared to a target of 95 percent).

24. As regards governance and strengthening of the rule of law, the combined efforts of the Government and all stakeholders in development brought about (i) improved financial governance; (ii) stronger administrative governance; (iii) enhanced political governance; (iv) an emphasis on peace and security; and (v) promotion of human rights and stronger legal safeguards for the poor. These achievements have, however, in the course of time, been offset by less than satisfactory outcomes in these priority areas of action.

25. As for decentralization and the devolution of powers to local authorities (*déconcentration*), the Government's efforts have triggered a start to the process of preparing the 2D plans of the Ministry for Pre-School and Primary Education (MEMPE), evaluation of the technical potential in municipalities (*communes*) and prefectures for monitoring and evaluation, capacity-building for elected officials and officers in town halls, and ongoing transfers of resources to the municipalities.

26. In natural resource management, the emphasis has been on setting up a protected areas surveillance system, capacity-building in the National Fauna Reserves Management Center (CENAGREF), development of the new forestry policy, updating of the law governing forest management in the Republic of Benin, the transformation of the National Fund for the Environment into the National Fund for Environment and Climate, the establishment of rural timber markets, and reform of the fuel wood energy sector in Benin.

### III- DEVELOPMENT CHALLENGES AND STRATEGIC OBJECTIVES

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27. The “stylized facts” that emerge from this diagnostic assessment of the Beninese economy show that major challenges have still to be confronted in order to lay the foundations for sustainable development. Lessons drawn from the retrospective analysis of the development process in Benin point to four major challenges facing the country that need to be overcome by 2025. They are:

**28. *Challenge No. 1: Improving the overall and sectoral competitiveness of the economy***

One particular feature of the Beninese economy is the preponderance of the tertiary sector. Structural transformation guarantees an increase in the growth rate and a reduction of poverty when proper distribution is assured. All actions taken should strive for a sustained increase in the productivity and competitiveness of the Beninese economy.

**29. *Challenge No. 2: Reducing inequalities in access to basic social services***

To combat poverty effectively, the strategies pursued must not only revive economic growth; they also need to fight inequality by implementing appropriate redistribution policies. Actions to address this challenge will result in healthy, competent and competitive human capital.

**30. *Challenge No. 3: Correcting disparities between different parts of the country***

Income poverty worsened between 2011 (36.2 percent) and end-2015 (40.1 percent), but in rural areas non-income poverty increased as well. Those findings illustrate the extent of poverty in certain municipalities and the need to push a decentralization policy capable of helping grassroots communities

find the resources they need to fight poverty effectively. This will involve sustainable management of living conditions and the environment as well as the emergence of regional development poles.

**31. Challenge No. 4: Improving governance**

Introducing good governance at every level is a prerequisite for building capacity to effectively implement the economic and social policies required to set the country on the path toward economic emergence. To that end, all actions should be geared to consolidating democracy and the rule of law.

**IV- OPERATIONAL PRIORITIES OF THE 2017-2021 PC2D**

32. The 2017-2021 Growth Program for Sustainable Development (PC2D) is the action plan for putting the National Development Plan into effect. It contains seven (7) operational priorities aligned with the 2017-2021 Government Action Program and the strategic objectives of the 2018-2025 PND and their strategic guidelines.

**Table N°2:** ANCHORING OF THE OPERATIONAL PRIORITIES OF THE PC2D AND STRATEGIC OBJECTIVES OF THE PND

OPERATIONAL PRIORITIES OF THE PC2D	STRATEGIC OBJECTIVES OF THE PND
Strengthening the foundation for democracy and the rule of law	Consolidating the rule of law and good governance
Improving governance	
Consolidating the macroeconomic framework and maintaining stability	Increasing, in a sustainable manner, the productivity and competitiveness of the Beninese economy
Stepping up economic growth	

Improving educational performance	Developing healthy, competent and competitive human capital
Strengthening basic social services and social protection	
Achieving balanced and sustainable development of the national territory	Achieving sustainable management of living conditions, the environment and the emergence of regional development poles

**Source:** CSPEF

33. Regarding **democracy and the rule of law**, the goal is consolidation. To that end, the Government intends to focus on: (i) strengthening the political party system; (ii) strengthening State institutions; (iii) strengthening the legal and judicial system; and (iv) strengthening freedom and equitable access to the press.

34. Regarding **governance**, the Government considers that the major challenges are still ensuring effective public administration stripped of corrupt practices and guaranteeing an atmosphere of peace and security. For that reason, it intends to: (i) make public administration dynamic and modern; (ii) manage archives effectively; (iii) boost domestic security and defense of the national territory by providing adequate protection for people and property; and (iv) make diplomacy a genuine tool for development.

35. On the economic front, the goal is to achieve a sustainable increase in the productivity and competitiveness of the Beninese economy. For that, it will be a question, on the one hand, of consolidating and securing the stability of the macroeconomic framework and, on the other, of expediting the structural transformation of the economy.

36. With regard to consolidation of the macroeconomic framework and maintenance of stability, the actions to be undertaken will ensure: (i) proper management of the fiscal deficit and of debt; (ii) control over inflation; (iii)

more effective reform of the public financial management system. The idea will be to: (i) continue strengthening the mobilization of fiscal revenue ; (ii) improve the quality of public expenditure in such a way as to keep current expenditure within the bounds of the domestic and foreign resources that the country can mobilize; (iii) consolidate management of Government-owned enterprises and offices ; (iv) accord priority to the mobilization of soft loans from abroad and the issuance of government securities to cover the Government's financing requirements; (v) limit the exposure of the public debt portfolio to market risk; (vi) improve coordination between economic policy, fiscal policy, and debt policy, in such a way as to improve debt effectiveness and management; (vii) ensure prompt and regular debt servicing; (viii) align public-private partnership initiatives with the national budget; (ix) optimize Government interventions in the securities market; and (x) upgrade revenue collection agencies by computerizing their operations, interconnecting departments and introducing paperless procedures.

37. With respect to enhancing growth, the Government has opted to expedite actions promoting the private sector and structural transformation of the economy. To that end, Government intervention will focus on: (i) improving the business environment; (ii) continuing and completing the structural reforms already under way; and (iii) facilitating access to financing.

38. With regard to structural transformation of the economy, the Government has opted to focus on six (6) strategic sectors which, despite their robust potential, are currently under-exploited. These are: (i) The digital economy; (ii) Agriculture; (iii) Tourism and Culture; (iv) Transportation; (v) Energy and Mines; and (vi) Handicrafts.

39. Here, the Government has (i) divided these strategic sectors into four (4) principal hubs (*domaines de concentration*) for revitalizing the economy; and (ii) identified three (3) priority sectors.

40. The hubs are: (i) Agriculture, livestock and fishing; (ii) Tourism and culture; (iii) The digital economy, telecommunications and information and communication technologies (ICTs); and (iv) Manufacturing industry, handicrafts and commerce. The three priority sectors identified will provide the four hubs with infrastructure. They are: (i) Information and communication technologies (ICTs); (ii) Transport; and (iii) Energy.

41. In addition, in order to achieve this structural transformation of the Beninese economy, further down the road agroindustry will supplement Benin's comparative advantages in the area of services. That could be a by-product of increased productivity in agriculture and the strengthening of infrastructure.

42. To provide enterprise with the qualified human resources tailored to the needs of the economy, the educational system will be geared to the needs of the country and those of businesses. Scientific research will likewise be improved.

43. In social policy, the goal is to develop healthy, competent and competitive human capital. Thus, the emphasis will be on improving educational outcomes and strengthening basic social services and social protection.

44. To ensure harmonious development of the whole of the national territory, the Government has opted for balanced and sustainable development of all parts of the country. The goal pursued is to guarantee sustainable management of living conditions and the environment and the emergence of regional development poles. The actions planned to satisfy that aspiration are: (i) developing and equipping (*viabilisation*) economic hubs and heavily populated areas; (ii) promoting a healthy, sustainable environment resilient to climate change; (iii) promoting the sustainable development of natural resources; (iv) improving land use and habitat management; (v) consolidating advances made in local governance and inter-community cooperation; (vi)



improving disaster and natural hazard management; and (vii) securing borders and strengthening migration management.

## V- MACROECONOMIC IMPLICATIONS OF THE PC2D

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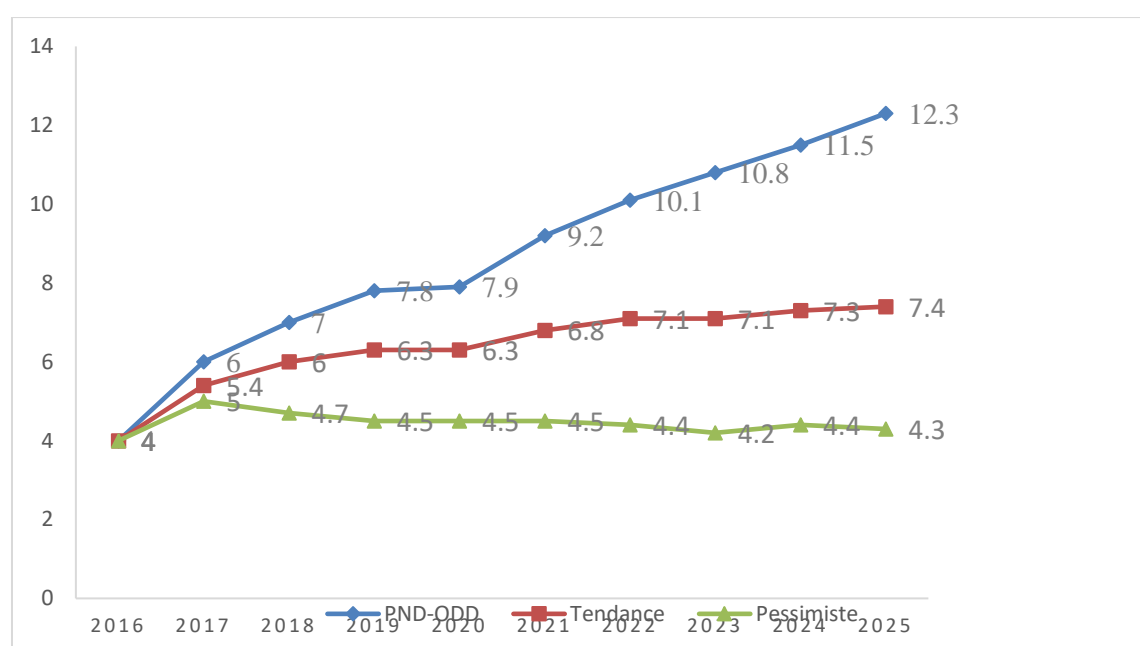
Implementation of all the actions planned in the PC2D framework should put the economy on a promising path to growth. The macroeconomic framework put together in connection with the crafting of the National Development Plan (PND) and the Growth Program for Sustainable Development (PC2D) takes into account recent data contained in a number of programming papers currently being implemented as well as the Government's commitments.

45. More specifically, the framework is consistent with the Government Action Program, especially for 2018-2021. It also takes into account the decision by the Government to use investment to revive the economy.

46. The framework likewise incorporates the 2017-2019 Economic and Financial Program signed with the International Monetary Fund under the Extended Credit Facility.

47. According to the benchmark scenario, the growth rate is expected to rise from 6 percent in 2018 to 6.8 percent in 2021. According to the PND-SDGs scenario, on the other hand, the rate of growth would increase from 7 percent in 2018 to 9.1 percent in 2021. Changes in the rate of growth projected under three scenarios are shown in Figure 1 below:

**Figure 1:** Changes in the growth rate



Source: MEF/DGAE, September 2017 [PND-SDGs Trend Pessimistic]

48. According to the PND-SDGs scenario, fiscal revenue would be equivalent to 15.4 percent of GDP in 2018 and 18.2 percent of GDP in 2021. Expenditure would amount to 25 percent of GDP in 2018 and 21.8 percent of GDP in 2021. Thus, the fiscal deficit excluding grants would be equivalent to 9.6 percent of GDP in 2018 and 3.6 percent of GDP in 2021.

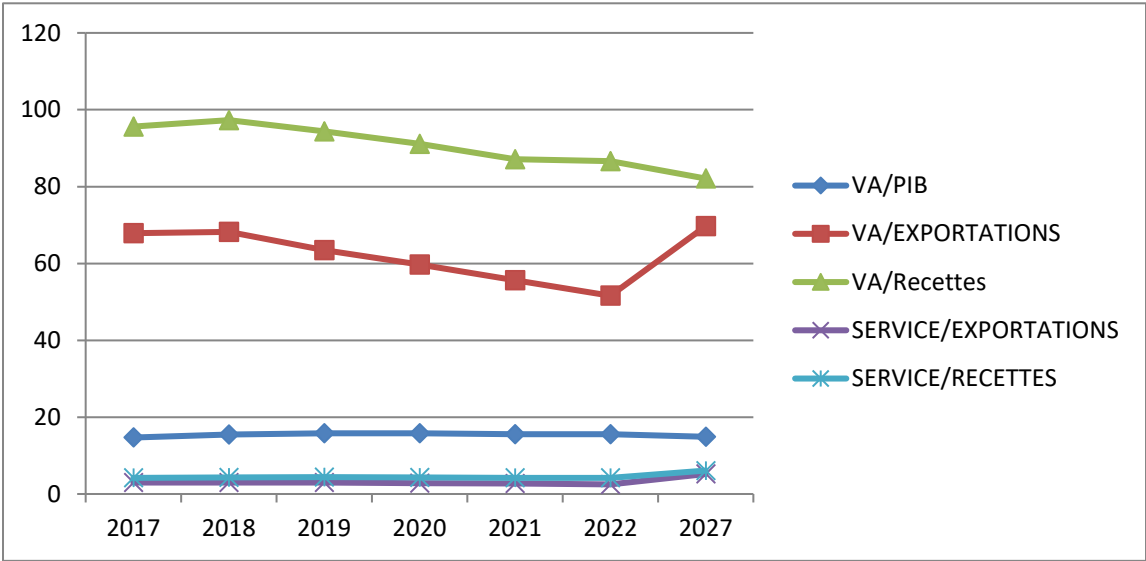
49. As for the debt, debt sustainability analysis based on the principal assumptions of the macroeconomic framework in the PND-PC2D scenario shows that all solvency and liquidity ratios would remain below their respective thresholds.

50. Specifically, (i) the  $PV^1/GDP$  ratio would rise from a minimum of 14.7 percent in 2017 to 15.6 percent in 2021, below the threshold of 40% ; (ii) the  $PV/Exports$  ratio would go from 67.9 percent to 55.6 percent in 2021, well below the threshold of 150 percent; (iii) the  $PV/Government\ revenue$  ratio would fall from 97.3 percent in 2018 to 87.1 percent in 2021, against a

<sup>1</sup>  $PV$  : Present Value of future external debt servicing flows

threshold of 250 percent; (iv) the Debt Service / exports ratio would stay well below the 20 percent threshold during the PC2D implementation period, declining from 3 percent in 2018 to 2.8 percent in 2021; (v) the Debt Service / Government Revenue ratio stays well below the 20 percent threshold in 2017-2037, indicating a high level of sustainability with respect to public finance.

**Figure 2:** Changes in the external debt sustainability indicator

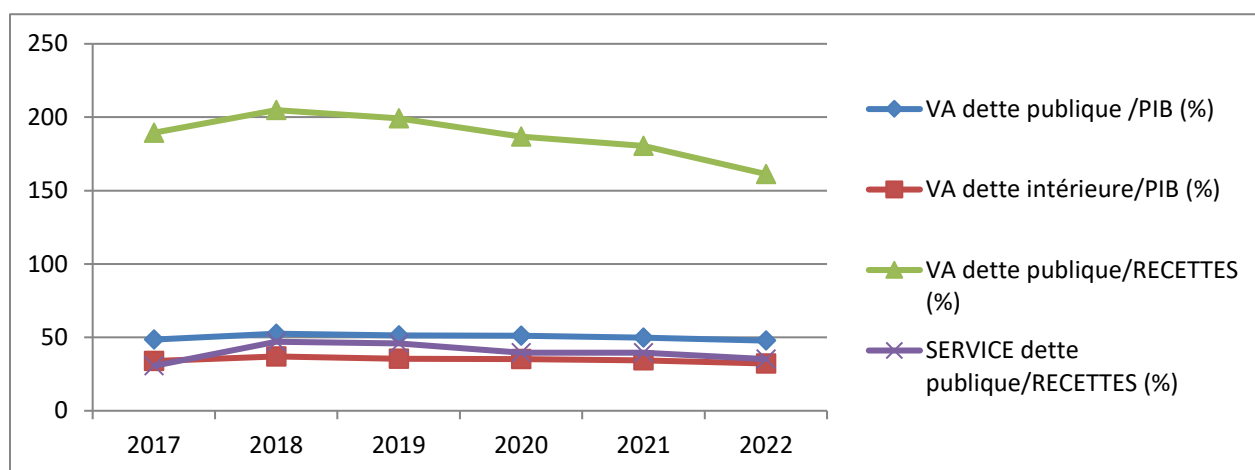


Source: Autonomous Amortization Fund (CAA), November 2017 [Tr. PV/GDP  
PV/Exports PV/Government revenue Debt servicing/exports Debt servicing/ Government revenue]

51. Regarding the domestic debt, the PV/GDP ratio would not go over its benchmark threshold of 56 percent at any point in the period. It would hit its peak of 52.5 percent in 2018, 3.5 percentage points below the threshold. The two other public debt indicators, namely PV/Fiscal revenue (including grants) and Debt Service/Fiscal revenue (including grants), are related to domestic debt during the period in question. They show debt servicing exerting some pressure on short- and medium-term public finance, reflected in a hike in the servicing ratio from 30.6 percent in 2017 to 39.65 percent in 2021.

52. Thus, it would still be the domestic portion of the public debt that could pose a refinancing risk.

**Figure 3:** Changes in the domestic debt sustainability indicator



Source: CAA, November 2017 [Tr. PV of public debt/GDP (%) PV of domestic debt/GDP (%)  
PV of public debt/REVENUE (%) Public debt servicing/REVENUE (%)]

53. **In short, the core scenario of the PC2D provides for sustainable public finance and a sustainable level of public debt.** Given the comfortable margins vis-à-vis sustainability thresholds and based on the new provisions concerning public debt ceilings in IMF-supported programs, Benin's residual financing needs may be financed, to a certain extent, by non-concessionary loans and the regional financial market without substantially altering the country's overall debt risk profile. Nevertheless, emphasis needs to be placed on management of the refinancing risk in respect of local currency-denominated debt.

54. The implementation of the PC2D will take place in the sectors concerned by the various strategies selected. In accordance with the provisions of the Organic Law on Finance Laws (LOLF), program managers will be empowered to this end. They will be technically supported by the Programming and Foresight Departments and the Administration and Finance Departments. The implementation of the actions will be the

subject of a programming through the Multi-Year Spending Programming Documents (DPPD) of the sectoral ministries.

55. With regard to monitoring and evaluation, the institutional framework adopted makes it possible to involve all the stakeholders (Government, private sector, civil society, local authorities, TFPs) and defines the responsibilities of the actors at all levels. For this purpose, the chosen system is organized around two levels: the strategic level and the operational level.

- The strategic level: It comprises two bodies: the Council of Ministers and the Orientation Committee which constitute the bodies of strategic orientations. Strategic level bodies are responsible for providing policy and strategic direction to effectively implement the NDP and PC2D
- The operational level: It is responsible for implementing the guidelines adopted at the strategic level and comprises three bodies: (i) the steering committee, (ii) the sectoral committees for implementation and monitoring and (iii) the decentralized monitoring committees.

56. Thus, the implementation, monitoring and evaluation mechanism of the PND and the PC2D comprises the following five bodies: (i) the Council of Ministers, (ii) the Orientation Committee, (iii) the Comité de Steering (iv) Sectoral Implementation and Monitoring Committees and (v) Decentralized Monitoring Committees.

57. Each year, the implementation of the PC2D will be the subject of a sectoral review (at the level of each sector) and a national review with TFPs and other development actors.

## VI- ANNEX

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**Table 1** : Principal basic assumptions and outcomes in the macroeconomic framework under the trend scenario

Outcomes under the trend scenario	2016	2017	2018	2019	2020	2021	Average 2018_2021
<b>Assumptions for the trend scenario</b>							
<b>International and regional economic environment</b>							
Cotton price (\$/Kg)							
Oil price (\$/barrel)	42.8	55	60	61.5	61.5	61.5	61.125
Naira exchange rate	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Change in agricultural area	-6.3	10.9	3.6	6	6.4	6.4	6
<b>Outcomes of the framework for the trend scenario</b>							
<b>Real sector</b>							
GDP at current market prices	3.7	7.6	8.1	8.5	8.5	9	8.5
GDP at constant market prices (Constant 2007 CFAF)	4	5.4	6	6.3	6.3	6.8	6.4
Change in the deflator (base: Constant 2007 CFAF)	-0.3	2.1	2	2	2.1	2	2
Total revenue	-9	12.7	13	14.2	8.2	9.9	11.3
Total expenditure	-11.6	26.9	-5.4	0.8	3.9	6.7	1.5

<b>Ratios as % of GDP (unless otherwise indicated)</b>							
<b>Real sector</b>							
<b>Investment rate</b>	24.3	26.1	29.3	30	30.9	30.4	30.1
<i>Public</i>	6.7	10.7	8.2	6.8	6.4	6.2	6.9
<i>Private</i>	17.7	15.4	21.1	23.2	24.5	24.2	23.2
<b>GFOT (Govt. financial operations table -TOFE)</b>							
<i>Revenue, excluding grants</i>	14.7	15.4	16	16.9	16.9	17	16.7
<i>Tax revenue</i>	12.6	13.4	14.1	14.9	14.9	15	14.7
<i>Nontax revenue</i>	2.1	1.9	1.9	2	2	2	2
Expenditure and net loans	21.3	25.1	21.9	20.4	19.5	19.1	20.2
<i>Wage bill</i>	7	6.6	6.4	6.3	6.3	6.2	6.3
<i>Wage bill (as a percentage of tax revenue)</i>	55.2	49.4	45.2	42.4	42.4	41.7	42.9
<i>Public investment</i>	5.9	10.1	7.6	6.2	5.9	5.7	6.3
<i>Fiscal contribution to investment</i>	3.5	5.7	4.2	2.8	2.2	1.8	2.8
Fiscal balance (payment order basis, excluding grants)	-6.7	-9.7	-5.9	-3.5	-2.7	-2.1	-3.5
<b>Monetary survey (as a % of GDP)</b>							
Net foreign assets	20.9	6.1	-7.4	-20.2	-33.4	-46.5	-26.9
Domestic credit	19.2	35.1	49.7	63.5	77.8	91.9	70.7
<i>Net Government position</i>	0.5	3.1	2.7	0	-3.2	-6.8	-1.8
<i>Credit to the economy</i>	18.7	31.9	47	63.5	81	98.7	72.5



<b>Foreign trade</b>							
Exports FOB	15.8	17.2	17.1	17.1	17.1	17.3	17.1
Imports FOB	-22.5	-23.4	-23.6	-23.9	-24.2	-24.6	-24.1
Trade balance	-6.7	-6.1	-6.5	-6.8	-7.1	-7.4	-6.9
Current account balance	-7.2	-8.9	-7.8	-9.9	-10.7	-10.8	-9.8
Overall balance	-1.6	-13.3	-7	-7.3	-8	-7	-7.3

*Source: DPC/DGAE/MEF, September 2017*

Table 2: Principal basic assumptions and outcomes in the macroeconomic framework under the optimistic scenario

Outcomes for the optimistic scenario	2016	2017	2018	2019	2020	2021	Average 2018_2021
<b>Assumptions for the optimistic scenario</b>							
<b>International and regional economic environment</b>							
Cotton price (\$/Kg)	1.64	1.87	2.12	2.2	2.27	2.35	2.24
Oil price (\$/barrel)	42.8	60.5	72	73.8	75.48	77.4	74.67
Naira exchange rate	1.64	2.04	2.24	2.28	2.32	2.34	2.3
Change in agricultural area	-6.3	10.9	4.5	7.8	8.3	8.3	7.2
<b>Outcome of the framework for the optimistic scenario</b>							
<b>Real sector</b>							
GDP at current market prices	3.7	8.2	9.1	9.8	10.1	11.5	10.1
GDP at constant market prices (Constant 2007 CFAF)	4	6	7	7.8	7.9	9.2	8
Change in the deflator (base: Constant 2007 CFAF)	-0.3	2.1	2	1.9	2	2.1	2
Total revenue	-9	13.7	14.4	17.5	11.1	16	14.8
Total expenditure	-11.6	27.3	-3.2	8.5	9	11.9	6.5
<b>Ratios as a % of GDP (unless otherwise indicated)</b>							
<b>Real sector</b>							
Investment rate	24.3	26.4	29.9	32.4	33.7	33.9	32.5
Public	6.7	10.7	8.6	8.6	9	9.5	9
Private	17.7	15.7	21.3	23.7	24.6	24.3	23.5
<b>GFOT (Govt. financial operations table –TOFE)</b>							
Revenue, excluding grants	14.7	15.4	16.2	17.3	17.4	18.2	17.3
Tax revenue	12.6	13.5	14.3	15.4	15.5	16.2	15.4

<i>Nontax revenue</i>	2.1	1.9	1.9	1.9	1.9	1.9	1.9
Expenditure and net loans	21.3	25	22.2	21.9	21.7	21.8	21.9
<i>Wage bill</i>	7	6.6	6.3	6.2	6	5.8	6.1
<i>Wage bill (as a percentage of tax revenue)</i>	55.2	48.8	44.1	40.1	38.9	36	39.8
<i>Public investment</i>	5.9	10.1	8	8.1	8.5	9.1	8.4
<i>Fiscal contribution to investment</i>	3.5	5.6	4.1	4.1	4.3	4.6	4.3
Fiscal balance (payment order basis, excluding grants)	-6.7	-9.6	-6	-4.6	-4.2	-3.6	-4.6
<b>Monetary survey (as a % of GDP)</b>							
Net foreign assets	20.9	5.8	-8.5	-22.2	-36.8	-51.9	-29.8
Domestic credit	19.2	35.4	50.8	65.6	81.2	97.4	73.7
<i>Net Government position</i>	0.5	3	2.3	0.3	-1.8	-4.5	-0.9
<i>Credit to the economy</i>	18.7	32.5	48.5	65.3	83.1	101.8	74.7
<b>Foreign trade</b>							
Exports FOB	15.8	17.5	17.6	17.9	18.3	19	18.2
Imports FOB	-22.5	-23.6	-24	-24.4	-25.4	-26.9	-25.2
Trade balance	-6.7	-6.1	-6.4	-6.5	-7.1	-7.9	-7
Current account balance	-7.2	-9.2	-10.2	-11.4	-13.1	-15	-12.4
Overall balance	-1.6	-13.6	-13.8	-14.5	-16.6	-18.9	-15.9

**Source:** DGAE, September 2017

**Table 3:** Changes in external debt sustainability indicators

	Threshold	2017	2018	2019	2020	2021	2022	2027
PV/GDP	<40	14.7	15.5	15.8	15.8	15.6	15.6	14.9
PV/EXPORTS	<150	67.9	68.2	63.5	59.7	55.6	51.6	69.7
PV/Revenue	<250	95.6	97.3	94.4	91.1	87.1	86.6	82.1
DEBT SERVICE/EXPORTS	<20	3.0	3.0	3.0	2.8	2.7	2.5	5.2
DEBT SERVICE/REVENUE	<20	4.2	4.3	4.4	4.3	4.2	4.2	6.1

Source: CAA, November 2017

**Table 4:** Changes in domestic debt sustainability indicators

	2017	2018	2019	2020	2021	2022
PV public debt /GDP (%)	48.5	52.5	51.3	51.1	49.9	47.8
PV domestic debt/GDP (%)	33.8	37.0	35.5	35.3	34.3	32.2
PV public debt/REVENUE (%)	189.30	204.83	199.27	186.88	180.45	161.31
DEBT SERVICE public debt/ REVENUE (%)	<b>30.6</b>	<b>47.01</b>	<b>45.98</b>	<b>39.58</b>	<b>39.65</b>	<b>35.27</b>

Source: CAA, November 2017