EXECUTIVE BOARD MEETING

EBS/20/186

December 10, 2020

To: Members of the Executive Board

From: The Secretary

Subject: **Benin—Requests for Disbursement Under the Rapid Credit Facility and Purchase Under the Rapid Financing Instrument**

Board Action:	Executive Directors' **consideration** (Formal)
Tentative Board Date:	**Monday, December 21, 2020**
Proposed Decisions:	Page 20
Publication:	Yes*
Questions:	Ms. Lahreche, AFR (ext. 36643) Mr. Nguyen-Duong, AFR (ext. 36296) Mr. Amidzic, AFR (ext. 38069) Mr. Pouhe, AFR (ext. 37274) Mr. Ramarozatovo, FAD (ext. 38680) Ms. Arellano Banoni, AFR (ext. 39011) Ms. Jain, AFR (ext. 36286)
Document Transmittal in the Absence of an Objection and in accordance with Board policy:	After Board Consideration—African Development Bank, Islamic Development Bank, West African Economic and Monetary Union, World Trade Organization

***The authorities have indicated that they consent to the Fund's publication of this paper.**

INTERNATIONAL MONETARY FUND

BENIN

December 10, 2020

REQUESTS FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY AND PURCHASE UNDER THE RAPID FINANCING INSTRUMENT

EXECUTIVE SUMMARY

Context. The COVID-19 pandemic has severely affected Benin. The authorities' early and decisive action has helped stave off the spread of the virus, and a sizeable fiscal response has kept a recession at bay. Nevertheless, the economy has suffered a substantial downgrade in its economic outlook, with growth slowing down from 6.9 percent in 2019 to 2 percent in 2020, against an initial projection of 7 percent before the pandemic. Large financing needs, opened by the authorities' fiscal response to the crisis, have given rise to an urgent balance of payments need.

Request for Fund support. In the attached letter of intent, the authorities request support under the RCF/RFI equivalent to 100 percent of quota (SDR 123.8 million, US$ 176 million, FCFA 95.6 billion), including a disbursement under the RCF under the "exogenous shock" window (SDR 41.263 million, 33.33 percent of quota) and a purchase under the RFI under the standard window (SDR 82.537 million, 66.67 percent of quota). The disbursement, which amounts to about 1.1 percent of GDP, would provide timely support to address the urgent fiscal and BOP needs emerging from efforts to tackle the impact of the pandemic. These needs, if left unaddressed, would result in immediate and severe economic disruption and derail the COVID-19 pandemic response implementation. The urgency, together with the heightened uncertainty of the outlook and the practical difficulties of holding comprehensive policy discussions in the current conditions, precludes the design and implementation of a UCT-quality program. The disbursement would be used as a direct budget support, contributing to the identified financing gap and complementing already large external financing from bilateral and multilateral donors and domestic financing. Benin's capacity to repay the Fund is adequate. Staff supports the request.

Macroeconomic policies. The authorities acted swiftly to control the spread of the virus, including by introducing a partial lockdown (cordon sanitaire) and a compulsory quarantine of all people coming to Benin by air, in addition to significantly limiting the transit of people across land borders. To contain the economic impact of the health crisis, they have boosted health care spending, expanded assistance to vulnerable households, and provided support to impacted business. As a result of these measures, fiscal deficit is expected to widen to 5.1 percent of GDP. The authorities are committed to returning to the WAEMU convergence criterion of 3 percent of GDP by 2022.

Approved By
Catriona Purfield (AFR) and Maria Gonzalez (SPR)

Discussions on the Request for Disbursement Under the Rapid Credit Facility and Purchase Under the Rapid Financing Instrument (RCF) Arrangement were held by video conference from Washington D.C. on November 23-25, 2020. The mission team comprised Ms. Amina Lahreche (head), Messrs. Goran Amidzic, Alexandre Nguyen-Duong and Alex Pouhe, and Messes. Vanessa Arellano Banoni and Saanya Jain (all AFR), Mr. Anthony Ramarozatovo (FAD), and Mr. Younes Zouhar (Resident Representative). Mr. Aivo Andrianarivelo (Executive Director) and Ms. Esso Boukpessi (OED) also participated in the mission. The mission met with Mr. Romuald Wadagni, Minister of Economy and Finance and officials in the Ministry of Finance. Ms. Christelle Ndome-Yandun provided editorial assistance for the preparation of this report.

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RECENT ECONOMIC DEVELOPMENTS, OUTLOOK AND RISKS

A. Recent Economic Developments

1. In the six months following the completion of the sixth and final review under the ECF-supported arrangement, the macroeconomic outlook in Benin has further deteriorated (Text Table 1, Text Figure 1, Box 1). The COVID-19 pandemic has had a more severe impact on economic activity than anticipated, despite numerous measures taken to contain the spread of the virus and support affected households and businesses.[1] Benin is also negatively affected by the further downward revision in growth in Nigeria and the WAEMU—the country's main trading partners—by 0.9 and 1.9 percentage points, respectively, compared to the sixth review. In addition, the border with Nigeria remains closed, considerably slowing down trade and reexport activities.[2]

- *Real GDP growth* is projected at around 2 percent in 2020 (compared to 3.2 percent at the time of the sixth review, and almost 7 percent in 2019). These downward revisions to the growth outlook are broadly in line with that experienced in other WAEMU countries and reflect Benin's somewhat lower integration in global value chains. They also reflect the adverse impact of the particularly pronounced economic downturn in Nigeria, a country to which Benin is closely integrated. High frequency data show that economic activity was mostly affected during the second quarter of 2020, due to containment and mitigation measures in Benin and the global economic slowdown. Agriculture, commerce and trade, transport, and the hospitality industry were among the most affected sectors. Some signs of recovery, although fragile, appeared in June 2020, following the gradual reopening of the economy in May 2020.

- *Inflation* has been on the rise, driven by higher food and transport prices, with year-on-year CPI growth reaching 4.8 percent in September 2020.

- *The current account* deficit is expected to widen from 3 percent of GDP at end-2019 to 3.7 percent at end-2020, reflecting a sharp contraction in reexport activities (notably with Nigeria), import and value chains disruptions, lower travel and tourism receipts in addition to diminished inflow of remittances.

- *The fiscal position* is expected to worsen. Despite the authorities' efforts to reprioritize spending, and notwithstanding higher grants from donors, lower revenues—notably international trade

[1] Benin reported its first COVID-19 case on March 16, 2020. As of November 16, the total number of confirmed cases was at 2844, in addition to 43 fatalities. Following a swift implementation of containment and social distancing measures, the authorities have gradually started reopening the economy in early May 2020. The gradual reopening is subject to continued social distancing guidelines and mandatory use of masks, among other measures. For additional information, see IMF's Tracker of Policy Responses to COVID-19.

[2] In August 2019, Nigeria decided unilaterally to close the border with some neighboring countries, including Benin. The Nigerian authorities motivated their decision by the need to curb smuggling and spur local agricultural production. At the time of the sixth review, the assumption was for the border to gradually reopen at the beginning of the second semester of 2020. Following the recent dialogs between the governments of Benin and Nigeria, it is now assumed that the border will reopen in 2021.

taxes and custom duties—and higher public spending are expected to bring the overall 2020 fiscal deficit (commitment basis, including grants) to 5.1 percent of GDP (compared to 3.5 percent of GDP at the time of the sixth review). The increase in the fiscal deficit mainly reflects the implementation of the authorities' COVID-19 response plan. The fiscal deficit amounted to 4.1 percent of GDP at end-September 2020.[3] Benin's sovereign spread remains elevated at around 584 basis points at end-October 2020 (compared to 299 basis points at end-December 2019).

- *The banking system* entered the crisis with slightly improving capital buffers, reflected by the aggregate capital adequacy ratio of banks increasing from 9.6 at end-June 2019 to 10.5 percent at the end-December 2019, above the regulatory threshold of 9.5 percent required for end-2019. The ratio of gross non-performing loans (NPL) to total loans is estimated at 16.4 percent at end-June 2020. The BCEAO also took significant additional steps to meet banks' liquidity needs and mitigate the negative impact of the pandemic on economic activity (Annex I). However, the decision to allow banks not to treat as non-performing the loans of customers faced with COVID-19-related repayment difficulties[4] may temporarily mask the magnitude of NPLs in the banking sector at the end of 2020.

Text Table 1. Benin: Comparison of Selected Economic Indicators 2019-20
(Percent of GDP, unless otherwise indicated)

	2019	2020		
	Est.	5th review[1]	6th review[2]	Proj.
Real GDP (annual percent change)	6.9	6.7	3.2	2.0
GDP Deflator (annual percent change)	-0.3	1.2	1.0	2.5
Consumer price inflation (average, annual percent change)	-0.9	1.0	0.6	3.0
Total revenue	12.9	13.5	12.4	11.3
Grants	1.2	1.0	1.5	2.5
Total expenditure and net lending	14.6	16.3	17.4	19.0
Overall balance (commitment basis, incl. grants)	-0.5	-1.8	-3.5	-5.1
Balance of goods and services	-3.8	-6.8	-5.7	-5.2
Current account balance	-3.0	-4.7	-4.6	-3.7
Overall balance of payments	0.5	3.1	-0.5	0.4
Nominal GDP (CFAF billion)	8,432.2	9,036.4	8,783.6	8,814.2
Nominal GDP (US$ billion)	14.4	15.4	14.9	15.4

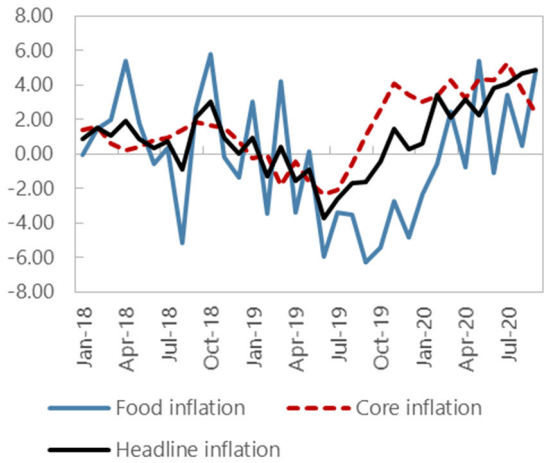
Source: Beninese authorities; IMF staff estimates and projections.
[1] IMF Country report No. 19/398, December 2019
[2] IMF Country report No. 20/175, May 2020

[3] Revenue collection, current expenditure and capital expenditure are estimated at 8.8, 9.0 and 4.6 percent of GDP respectively at end-September 2020.

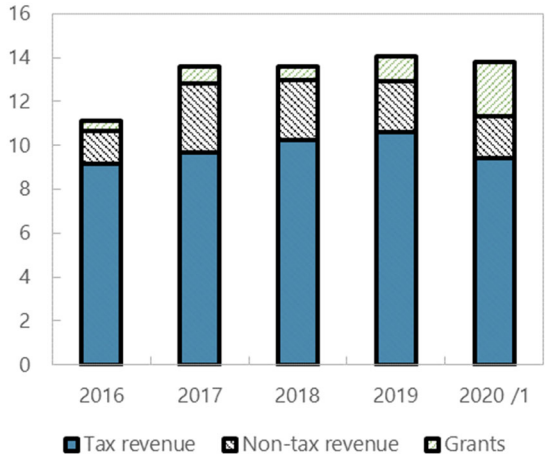
[4] The measures were adopted for a 3-month period and are renewable up to end-2020.

Text Figure 1. Benin: Impact of the COVID-19 Pandemic

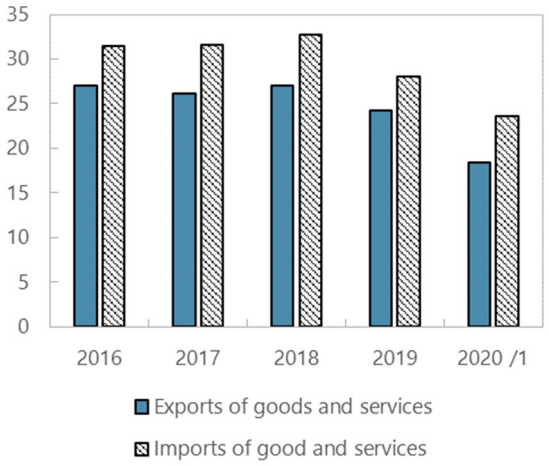
Consumer Price Index, Jan 2018-Sep 2020
(Annual percentage change)



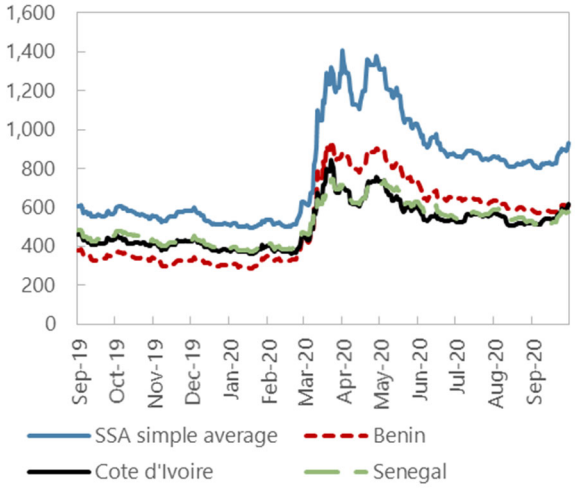
Total Revenue and Grants, 2016-20
(Percent of GDP)



Trades of Goods and Services, 2016-20
(Percent of GDP)



Spreads
(Basis points)



Source: Beninese authorities; IMF staff calculation; Bloomberg LP
1/ Projections

2. The Beninese authorities acted swiftly to contain the spread and mitigate the economic impact of the virus (Text Table 2, Box 2). Cognizant that the impact of the virus will spill over into 2021, they have adopted a set of measures in 2020 amounting to CFAF 323 billion or 3.7 percent of GDP, and extending over multiple years (2020-22).[5] These measures are (i) a health

[5] The majority of the plan has been executed in 2020 (2 percent of GDP, or CFAF 178 billion). About 0.5 percent (CFAF 40 billion) is expected to be executed in 2021, notably in the first semester to support the economic recovery.

preparedness and response plan[6] of CFAF 80 billion for 2020 (0.9 percent of GDP) and CFAF 66 billion for 2021 (0.7 percent of GDP), and (ii) a socio-economic response plan to support formal sector companies (CFAF 82 billion or 0.9 percent of GDP) and vulnerable households—for the latter, through cash transfers, electricity and water bills subsidies, and urgent social projects (CFAF 16 billion or 0.2 percent of GDP). A public guarantee plan of CFAF 85 billion (1.0 percent of GDP) and credit lines and refinancing measures of CFAF 60 billion (0.7 percent of GDP) were established to foster access to finance for micro, small, and medium enterprises.[7] The authorities intend to finance 74 percent of the response plan (CFAF 238 billion or 2.7 percent of GDP) in 2020 as most measures have been executed in 2020 and the remainder will start being implemented in December 2020-early 2021.

3. The authorities mobilized large external resources from development partners in support to their response to the COVID-19 shock. Total additional external budget support reached 2.3 percent of GDP[8], of which 1.2 percent of GDP comprised grants (Text Table 3). IMF support amounted to 0.7 percent of GDP (program augmentation and CCRT). The European Union, IMF and World Bank share the bulk of the budget support, contributing to about 70 percent of all additional budget support by end-September 2020. Benin has also benefited from external funding (about 0.2 percent of GDP) related to projects that were either new, adjusted, restructured, or recommitted in the context of COVID-19. The authorities have declined to participate in the G20 Debt Service Suspension Initiative (¶14).

Text Table 3. Benin: Additional External Budget Support (Loans and Grants) in 2020 [1]
(Relative to the fifth review)

	CFAF billion	Percent of GDP
Initial baseline (fifth review, pre-COVID-19)	**55.9**	**0.6**
of which: External financing (net)	*42.1*	*0.5*
of which: Budgetary grants	*13.8*	*0.2*
Additional external financing (net)[1]	**90.5**	**1.0**
of which: World Bank	*14.1*	*0.2*
of which: IMF [2]	*60.7*	*0.7*
Additional grants[2]	**110.0**	**1.2**
of which: World Bank	*43.4*	*0.5*
of which: European Union	*39.7*	*0.5*
Additional external financing and Grants[2]	**200.5**	**2.3**

Source: Beninese authorities; IMF staff estimates and projections.
[1] Actual and prospective as of end-October 2020.
[2] Including ECF-supported augmentation and CCRT. Excluding the proposed emergency financing under the RCF/RFI.

[6] The health preparedness and response plan, which was developed according to International Health Regulation (IHR) and World Health Organization (WHO) COVID-19 guidelines, proposes a series of measures amounting to CFAF 619 billion (7.3 percent of GDP) for 2020-21.

[7] The National Fund for Agricultural Development (FNDA) will implement the financial measures allocated to small and medium enterprises in the agricultural sector (CFAF 100 billion) and the National Fund for Microfinance (FNM) will operate the use of the credit lines for microfinance institutions (CFAF 10 billion). These measures are described in the minutes of the Council of Ministers of June 10, 2020 and July 29, 2020.

[8] Relative to the fifth review (December 2019).

Box 1. Social Impact of the Pandemic

The COVID-19 pandemic is expected both to curb previously improving socioeconomic trends and be detrimental to inclusiveness. Although it is still early to fully quantify the distributional impacts of the pandemic, socioeconomic indicators through mid-2020 shed some light on the social impact of COVID-19 in Benin.[1]

- *Access to health care*. Women, children, and the elderly have been particularly impacted by the pandemic. Reflecting the impact of the lockdown, curative care services and prenatal consultations declined in the first semester of 2020, compared to the previous year. The hospital and medically supervised delivery rate decreased by 21 percent in the first semester of 2020 compared to 2019. Vaccine coverage for children declined from 91 percent in 2019 to 72 percent in 2020. However, the pandemic has had a limited impact on high priority health care related to malaria, tuberculosis and HIV.

- *Access to education*. The temporary closure of schools (between March 30, 2020 and May 11, 2020) may lead to an increase in the dropout rate, notably for young women. In 2018-19, the dropout rate was estimated at around 21 percent.

- *Access to food and food production*. The pandemic had a negative impact on food security. The accessibility of food products decreased, prices of staple food increased, and nearly half of Beninese households are vulnerable to food insecurity.[2] The pandemic also had a negative impact on food production, livestock and fisheries. Mitigation measures adopted to contain the outbreak reduced the workforce in the primary sector (notably the migrant workforce), delayed soil preparation, and reduced access to animal feed and veterinary inputs. Nearly 15 percent of households working in the agricultural sector were in a situation of severe food insecurity due to the pandemic.

- *Household income and poverty*. The authorities estimate that average household income would decrease in 2020, in part due to large expected gross job losses (up to between 360,000 and 620,000), with the trade, transport and tourism sectors particularly impacted. The poverty rate is projected to increase from 38.5 percent in 2019 to above 45 percent in 2020.

[1] Étude des Impacts Socio-économiques de la COVID-19 au Bénin, Beninese authorities, United Nations, African Development Bank, November 2020.
[2] August 2020 INSAE Surveys.

B. Outlook and Risks

4. Benin's economy is on a gradual recovery path. Real GDP growth is projected at around 5 percent in 2021 (compared to 6 percent at the time of the sixth review) driven by a rebound in tertiary activities, notably in the trade, hotel, restaurant, and transport sectors. The magnitude and speed of the recovery will depend on the evolution of the pandemic, the global outlook (including Nigeria's economic outlook), and the reopening of the border with Nigeria[9] (now expected in 2021). In the medium-term, real GDP growth is projected to return to its pre-COVID-19 levels, averaging 6.5 percent in 2022-25. The current account deficit is expected to stabilize at around 3.9 percent of GDP in the medium-term as reexport activities with neighboring countries progressively resume and private transfers increase.

[9] Discussions between the Nigerian and Beninese authorities have accelerated in the second semester of 2020.

Text Table 2. Benin: Government Response Plan

	2020			2021 [2]	
	6th Review[1]	Proj.	Percent of GDP	Proj.	Percent of GDP
(1) Healthcare response	**60**	**80**	**0.9**	**66**	**0.7**
(2) Assistance to vulnerable households[3]	**50**	**16**	**0.2**	**n.a.**	**n.a.**
Utility bill subsidies	-	6	0.1		
Cash transfers	-	5	0.1		
Other measures (social projects)	-	5	0.1		
(3) Support to impacted businesses	**40**	**82**	**0.9**	**10**	**0.1**
Tax measures	-	21	0.2		
Purchase of assets	-	15	0.2		
Utility bill subsidies	-	4	0.0		
Other subsidies	-	9	0.1		
Other measures	-	9	0.1		
Interest subsidies	-	25	0.3		
of which: agricultural sector [4]	-	*15*	*0.2*		
of which: small and medium enterprises [5]	-	*10*	*0.1*	*10*	*0.1*
(4) = (1) + (2) + (3) Total budgetary cost	**150**	**178**	**2.0**	**76**	**0.8**
(5) Other measures announced in 2020 [6]		**145**	**1.6**		
Credit lines and refinancing		60	0.7		
of which: agricultural sector [4]		*50*	*0.6*		
of which: micro and very small enterprises [7]		*10*	*0.1*		
Government guarantees		85	1.0		
of which: agricultural sector [4]		*35*	*0.4*		
of which: small and medium enterprises		*50*	*0.6*		
(6) = (4) + (5) Total COVID-19 response announced in 2020		**323**	**3.7**	**76**	**0.8**

Source: Beninese authorities; IMF staff estimates

[1] IMF Country Report No. 20/175

[2] Amounts related to the assistance to vulnerable households and measures to support the economy in 2021 are not yet available at the time of the drafting of this report.

[3] Assistance for vulnerable households may increase following the completition of a survey that will help better identify the most vunerable segment of the population (expected by end-December 2020).

[4] The *National Fund for Agricultural Development (FNDA)* is in charge of the implementation.

[5] This measure will extend over three years for a total amount of CFAF 30 billion (CFAF 10 billion per year).

[6] These measures were announced at the Council of Ministers on June 10, 2020 and on July 29, 2020. They will extend over multiple years.

[7] The *National Fund for Microfinance Institutions (FNM)* is in charge of the implementation.

5. Downside risks dominate the outlook. A larger-than-expected impact of the pandemic on the economy, especially if a lockdown or tighter social distancing measures become necessary in Benin or its trading partners, or the worsening of the trade disruption with Nigeria, would weigh heavily on growth and recovery prospects. Should a deteriorating situation require more extensive fiscal measures, this would lead to a worsening of the fiscal outlook. The April-May 2021 presidential election elevates policy implementation risks and may generate revenue losses and public spending pressures, which in turn could complicate the gradual return to a lower fiscal deficit.

The uncertainties affecting international capital markets—including higher pressures on the regional market as fiscal deficits widen across the WAEMU—and uncertainties around donors' economic recovery may affect Benin's external financing prospects. A slower recovery could also weaken banks' balance sheets, leading to a negative macro-financial feedback loop. At the regional level, contagion from security risks, which have intensified in neighboring countries, could generate additional budgetary costs related to security spending and revenue losses. On the external side, high dependence on cotton exports and reexport activities leaves Benin's external position vulnerable to shocks to external demand and agricultural commodity prices. The rain dependent agriculture remains exposed to the vagaries of the weather.

Box 2. The Two Pillars of the COVID-19 Response Plan

Benin's COVID-19 response plan has been designed to mitigate the impact of the health and economic shock as well as to pursue the authorities' medium-term development plan.

- *The first pillar of the COVID-19 response plan* focused on measures designed to address the urgent social and health care needs. The authorities also strengthened the implementation of the insurance component of the social protection project (ARCH) and will extend it to the entire population in 2021. Other priorities include better access to water, the extension of the school feeding programs, the promotion of girls' education, and the improvement of access to maternal health services.

- *The second pillar of the COVID-19 response plan*, which will extend over multiple years (2020-22), mainly focuses on the dual objective of supporting the economic recovery and pursuing a lasting and sustainable economic development. The plan comprises key measures to support access to finance for small and micro enterprises, to help expand the formal sector, strengthen the private sector, promote economic diversification, and support vulnerable segments of the population, in line with the priorities of the National Development Plan.

POLICY DISCUSSIONS

A. Fiscal Policy

6. The authorities' supplementary budget increases the 2020 fiscal deficit to 5.1 percent of GDP as they allow fiscal stabilizers to play and implement new health and economic support measures (Text Table 4). The upward revision of the fiscal deficit by 3.4 percent of GDP relative to the initial budget was approved in the supplementary budget law adopted by Parliament on October 15, 2020. The latter tentatively identifies IMF financing as an option to fill the financing gap. The higher deficit will not entail a breach of the regional fiscal framework, since the application of the 3 percent of GDP ceiling has been temporarily suspended by the WAEMU Head of States on April 27, 2020 in response to the crisis. Relative to the initial budget, the revised budget includes additional current expenditure to support affected households and businesses (1.6 percent of GDP) as well as an increase in capital expenditure and health spending to meet the needs of the social and health sectors (0.6 percent of GDP) as defined in the health COVID-19 response plan. The fiscal deficit also reflects a large shortfall in tax collection from (i) customs (1.5 percent of GDP) due to

subdued port activity and prolonged border closure with Nigeria, and (ii) tax administration (0.8 percent of GDP) as a result of weaker economic growth and temporary revenue measures[1] granted to affected businesses. Staff's budget presentation differs slightly from the 2020 budget Law due to the inclusion into transfers of the interest subsidies included in the agriculture and microfinance credit support program, whereas the budget presents these subsidies as financing items (see ¶2). Staff also expects the execution of domestically financed capital expenditure to be slightly lower than the authorities' projections.[2]

Text Table 4. Benin: Fiscal Framework, 2020

(CFAF billion)

	Budget Law	6th Review[1]	Suppl. Budget Law[2]	Proj.
Total revenue and grants	**1,307.8**	**1,216.7**	**1,217.3**	**1,217.3**
Tax revenue	1,030.0	900.6	829.9	829.9
Tax on international trade	444.0	371.3	315.0	315.0
Direct and indirect taxes	586.0	529.3	514.9	514.9
Nontax revenue	190.0	186.3	168.8	168.8
Grants	87.8	129.7	218.6	218.6
Total expenditure and net lending	**1,469.2**	**1,528.5**	**1,670.6**	**1,670.6**
Current expenditure	969.2	1,059.5	1,113.8	1,138.8
Wage bill	405.9	405.9	394.7	394.7
Pensions and scholarships	103.0	103.0	103.0	103.0
Current transfers	186.5	236.5	233.3	258.3
Expenditure on goods and services	111.5	151.8	193.5	193.5
Interest	162.3	162.3	189.3	189.3
Capital expenditure	500.0	469.0	556.8	531.8
Overall balance (commitment basis, incl. grants)	**-161.4**	**-311.8**	**-453.3**	**-453.3**
Cash adjustment	-16.4	-16.4	-16.4	-16.4
Overall balance (cash basis, incl. grants)	-177.8	-328.2	-469.7	-469.6
Financing	**177.8**	**328.2**	**469.7**	**374.0**
Domestic financing	74.6	208.1	344.7	249.0
Bank financing	23.8	157.3	323.3	228.3
Net use of IMF resources	*1.4*	*69.6*	*172.0*	*70.1*
Other	*22.3*	*87.7*	*151.3*	*158.2*
Nonbank financing	50.8	50.8	21.3	20.7
External financing	103.2	120.1	125.0	125.0
Financing gap	**0.0**	**0.0**	**0.0**	**-95.6**
Proposed RCF/RFI financing[3]				95.6
Financing gap relative to the 6th review				**229.8**
Additional domestic financing, net[4]				40.4
Additional external grants				88.9
Additional external borrowing at concessional terms from donors				4.9
RCF/RFI financing				95.6
Nominal GDP	9,036.0	8,787.0	8,838.3	8,814.2

Sources: Beninese authorities; IMF staff estimates and projections.
[1] IMF Country Report No. 20/175
[2] Includes financing under the RCF/RFI.
[3] Includes emergency financing under the RCF/RFI of 100 percent of Benin's quota (1/3 RCF and 2/3 RFI).
[4] Includes financing in CFAF from the regional market and external creditors.

7. Despite additional financing from development partners and the regional market, staff assesses that a fiscal financing gap of about 1.1 percent of GDP (CFAF 95.6 billion, US$ 176

[1] On the tax policy side, temporary and targeted tax exemptions granted by the authorities are: (i) VAT and customs duties exemptions on sanitary and hygiene products, and on purchases of inputs and equipment related to COVID-19, (ii) full deduction on Corporate Income Tax taxable basis of donations made within the COVID-19 response framework, and (iii) exemption or conversion of the motorized vehicle tax already paid by public transporters into a tax credit. On the revenue administration side, measures are (i) flexibility with tax payment rules (postponing filing dates, non-application of penalties for late payment), (ii) accelerating VAT refunds; (iii) extending payment arrangements and relaxing the terms for paying tax arrears; and (iv) temporarily reducing in-field audits.

[2] This is consistent with the pool of capital projects that could be delayed to early 2021.

million) will remain over the current fiscal year, creating an equivalent and urgent BOP need. To close the 2020 financing gap, the authorities are seeking assistance under the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI). Relative to the sixth review, this would cover about 35 percent of the financing gap (Text Table 5) and the remaining 65 percent would be covered by the regional market (including through a special COVID-19 T-Bill issuance) and additional external sources (loans and grants). Room for maneuver to close the financing gap is small as most public expenditures are already committed and alternative financing sources are very uncertain, would be on non-concessional terms, and would be unlikely to materialize before the first quarter of 2021. While much of the COVID-19 response plan has been implemented in 2020, a significant share will be implemented in early 2021 to support the economic recovery and bolster the next agricultural campaign. The authorities have also temporarily increased their deposits at the BCEAO as a buffer against liquidity risks in early 2021, reflecting continued uncertainty surrounding growth, revenue collections, and unexpected financing shortfalls from development partners and/or from international and regional capital markets ahead of the April/May presidential election; this would help secure that the implementation of COVID-19 relief is implemented as envisaged[3,4] Consequently, absent RCF/RFI support, the end-year float would increase and carry over well into 2021, opening an equivalent BOP gap.[5] This could complicate cash management, at least in the first quarter, disrupt the execution of the 2021 budget as well as the COVID-19 response plan, and undermine Benin's economic recovery.

8. From 2021 onwards, the authorities plan to revert to their medium-term fiscal path, bringing the fiscal deficit under 3 percent of GDP by 2022 (Text Table 6). The authorities' medium-term fiscal program[6] targets a fiscal deficit of 4.5 percent of GDP in 2021, converging below 3 percent of GDP in subsequent years. It assumes the attenuation of the effects of the crisis in 2021 and a gradual economic recovery. The authorities also prepared a downside scenario which allows an increase in the fiscal deficit to 4.6 percent of GDP in 2021 and a return to the 2019 WAEMU convergence criterion after 2023 in the event economic activity is more subdued in 2021 (real GDP growth of 4.5 percent compared to baseline projection of 5 percent), in part due to lower investment and domestic demand ahead of the presidential election in April-May 2021. The credit lines and guarantees established to support the economy during the COVID-19 crisis may create contingent fiscal risks to the budget in future years highlighting the importance of adhering to the WAEMU fiscal convergence path.

[3] The Presidential election is scheduled to take place in April/May 2021. Strong governance commitments on COVID-related support, backed by the countries excellent track record in its past engagement with the Fund, including in governance, will help ensure that spending remains well-targeted.

[4] Average deposits at the BCEAO are projected at around 5.5 percent of GDP in 2020, compared to 5.0 percent of GDP in 2019.

[5] Absent the RCF/RFI, it is expected that a large share of the end-year float would be cleared with domestic resources.

[6] Authorities' Document de Programmation Budgétaire et Économique Pluriannuelle 2021-2023.

Text Table 5. Benin: Sources and Financing of the 2020 Fiscal Gap
(Relative to the 6th review report)

		CFAF billion	Percent of GDP
Source of the fiscal gap	(1) Additional measures in response to COVID-19	178.0	2.0
	of which: spending measures	157.0	1.8
	of which: tax measures	21.0	0.2
	(2) Revenue losses due to COVID-19 and border closure	88.3	1.0
	(3) = (1) + (2) = Fiscal gap	266.3	3.0
Financing of the fiscal gap	(4) Reallocation of spending and savings within the budget	34.5	0.4
	(5) Government deposits (for cash management purposes, "-"= increase in assets)	-75.0	-0.9
	(6) On-lending operations related to the COVID-19 response plan ("-"= increase in assets)[1]	-60.0	-0.7
	(7) Additional grants[2]	88.9	1.0
	(8) Additional domestic financing[3]	175.4	2.0
	(9) Additional external financing[4]	4.9	0.1
	(10) Proposed RCF/RFI financing and CCRT	97.6	1.1
Higher 2020 fiscal deficit[5]	Higher deficit relative to 6th review = (3)-(4)-(7) [above the line] = (5)+(6)+(8)+(9)+(10) [below the line]	142.9	1.6

Source: Beninese authorities; IMF staff calculation.

[1] This corresponds to implementation of the credit lines and refinancing plan of the COVID-19 response plan.

[2] Including the European Union and the World Bank.

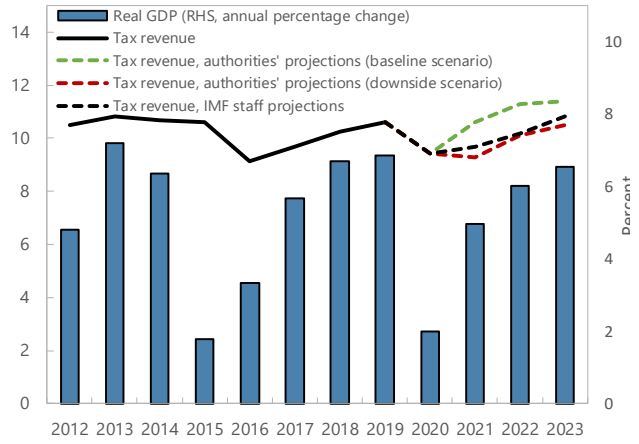
[3] Including the COVID-19 T-bill issuance of CFAF 133 billion.

[4] Including the Islamic Development Bank (ISDB), the African Development Bank (AFDB), and the World Bank.

[5] Cash basis, including grants.

9. The authorities' tax revenue path hinges on a relatively fast recovery and reopening of the border with Nigeria. This compares to a relatively low buoyancy in the past, which has led tax revenue to hover around 10.3 percent of GDP since 2012 (Text Figure 2). In the absence of major tax policy changes in the 2021 budget law, and because of the lagged reaction of revenue collection to the 2020 economic slowdown, staff expects a slower tax revenue recovery. Achieving the medium-term fiscal plans require additional measures. There is room to enhance tax collection, thanks to major administrative reforms initiated by the customs and tax administrations since

Text Figure 2. Benin: Tax revenue, 2012-23
(percent of GDP, unless otherwise indicated)



Sources: Beninese authorities' projections; IMF staff projections and calculation.

2017 to simplify and modernize its operations, and those envisaged in the context of the Medium-Term Revenue Strategy (MTRS) currently being developed in collaboration with the IMF's technical assistance. Staff considers that tax revenues will likely rise more gradually than envisaged in the authorities' budget despite recent reforms (notably on property tax and public procurement taxation processes), and in the absence of a major tax policy reforms for 2021 and given the impact of regional economic uncertainty, including the border closure with Nigeria.

Text Table 6. Benin: Fiscal Framework, 2021-2023
(Percent of GDP, unless otherwise specified)

	2021		2022		2023	
	Auth. Proj.[1]	IMF Proj.	Auth. Proj.[1]	IMF Proj.	Auth. Proj.[1]	IMF Proj.
Total revenue and grants	**13.8**	**12.7**	**14.4**	**13.1**	**14.5**	**13.7**
Tax revenue	10.6	9.7	11.3	10.2	11.4	10.8
Tax on international trade	4.4	3.7	4.8	3.9	4.8	4.2
Direct and indirect taxes	6.2	6.0	6.5	6.3	6.6	6.6
Nontax revenue	2.1	1.9	2.1	1.9	2.1	1.9
Grants	1.1	1.2	1.0	1.0	1.0	1.0
Total expenditure and net lending	**18.3**	**17.2**	**17.3**	**16.1**	**17.1**	**16.2**
Current expenditure	12.1	12.3	11.0	11.1	10.8	10.8
Wage bill	4.3	4.4	4.3	4.4	4.3	4.4
Pensions and scholarships	1.2	1.2	1.2	1.2	1.2	1.2
Current transfers	2.5	2.5	2.1	2.2	2.1	2.2
Expenditure on goods and services	1.8	1.9	1.3	1.3	1.0	1.0
Interest	2.3	2.4	2.2	2.0	2.2	2.0
Capital expenditure	6.2	4.9	6.3	5.0	6.3	5.4
Overall balance (commitment basis, incl. grants)	**-4.5**	**-4.5**	**-2.9**	**-3.0**	**-2.7**	**-2.5**
Cash adjustment	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1
Overall balance (cash basis, incl. grants)	-4.7	-4.7	-3.1	-3.2	-2.7	-2.6
Financing	**4.7**	**4.7**	**3.1**	**3.2**	**2.7**	**2.6**
Domestic financing	4.4	3.8	2.0	2.0	1.7	1.4
Bank financing	-0.6	1.9	1.4	1.4	1.1	0.9
Nonbank financing	5.0	1.9	0.6	0.6	0.6	0.5
External financing	0.3	0.9	1.1	1.1	1.1	1.2
Nominal GDP (CFAF billion)	9,559	9,384	10,414	10,128	11,368	11,000

Source: Beninese Authorities projections; IMF staff projections and calculation.
[1] Authorities' projections under baseline scenario in the "*Document de Programmation Budgétaire et Économique Pluriannuelle 2021-2023* "

10. The authorities plan to continue to rely on a mix of domestic and external financing to finance the deficit in 2021, in line with their Medium-Term Debt Strategy (MTDS). The IMF Executive Board approved the second tranche of debt relief under the Catastrophe Containment and Relief Trust (CCRT), covering the period between October 14, 2020 and April 13, 2021, and providing debt relief for an amount of SDR 4.2 million in 2021.[7] This support notwithstanding, financing needs in 2021 are expected to increase reliance on the regional market at the same time when financing needs of other WAEMU members may remain large, thus adding pressure on the regional market and reserves. Additional concessional donor support may be necessary to ease Benin's budget support needs and preserve Benin's economic achievements, but such support is unlikely to

[7] The approval of the third and fourth tranches of the CCRT (about SDR 7.4 billion in debt service relief for Benin for the rest of 2021) is contingent on the IMF securing additional grant pledges from donors (see EBS/20/146).

materialize ahead of the 2021 presidential election. The authorities have reiterated their interest in a new Fund program following the election to support a renewed medium-term economic development strategy and to align with the future government's priorities. This could help catalyze donor support further.

11. Should the COVID-19 shock last or worsen, the authorities would benefit from expanding their existing contingency plan to cope with financing constraints, while maintaining a sustainable fiscal path. Given Benin's limited fiscal space, additional spending to strengthen the health sector and provide support to vulnerable households and affected businesses, beyond what is already incorporated in the baseline, would mainly need to be financed by a reduction in nonpriority spending or the introduction of new revenue measures.[8] The authorities recognize the importance of identifying lower-priority expenditure and implementing investment only as financing becomes available. They also recognize the need to improve spending efficiency to create fiscal space. Similarly, on the revenue side, a menu of exceptional measures could be prepared. Finally, an increase in the fiscal deficit would need to be carefully calibrated to maintain debt sustainability and comply with the regional fiscal convergence criterion.

B. Debt Sustainability

12. Benin's public debt is expected to remain sustainable in the medium-term, but risks have intensified (see accompanying paper). Public debt amounted to 41.2 percent of GDP at end-2019. It is projected to increase to 45 percent of GDP at end-2020 and stabilize at around 43 percent of GDP in the medium-term. The overall risk of debt distress remains moderate, but room to absorb shocks is very thin and sensitive to external economic and financial conditions. External debt service is expected to temporarily increase from 10.3 percent of revenue in 2023 to above 19 percent of revenue in 2024-25 due to the Eurobond amortization, and, to a lesser extent, the repayment schedule of the funds borrowed under the RFI (Text Table 7). This highlights the need to prioritize financing with longer maturities and concessional terms; this also points to the need to increase revenue collection. While capacity to repay remains adequate[9], deepening international market access and increasing concessional external financing will be necessary to mitigate rollover risks highlighted in the debt sustainability assessment (see Debt Sustainability Analysis annex).

[8] Some potential revenue measures have been discussed with the authorities, including related to exemptions. On the expenditure side, the authorities have classified capital projects that are already ongoing and/or are high priority (including those that aim at protecting the most vulnerable segments of the population) and projects that can be postponed and/or have not yet started.

[9] Capacity to repay the Fund is described in Table 6.

Text Table 7. Benin: Public Debt Service to Revenue, 2019-30

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	Projection											
	(CFAF billion)											
Public debt service	**542**	**650**	**785**	**888**	**960**	**1,150**	**1,171**	**1,260**	**1,277**	**1,295**	**1,333**	**1,441**
External debt service	102	111	125	134	144	308	324	336	265	297	300	322
Domestic debt service	440	540	660	754	816	842	847	924	1,012	999	1,033	1,119
Total revenue	**1,088**	**999**	**1,087**	**1,224**	**1,400**	**1,545**	**1,703**	**1,874**	**2,061**	**2,266**	**2,489**	**2,733**
	(Percent)											
Public debt service to revenue ratio	49.9	65.1	72.2	72.6	68.6	74.5	68.8	67.3	62.0	57.2	53.6	52.7
External debt service to revenue ratio	9.4	11.1	11.5	10.9	10.3	19.9	19.0	18.0	12.8	13.1	12.0	11.8

Source: Beninese authorities; IMF staff projections

13. Benin meets the criteria of presumed blenders. Following the rebasing of the national accounts in 2019, Benin's Gross National Income (GNI) per capita is now above the International Development Association (IDA) threshold while the risk of public debt distress remains moderate.[10] As a result, Benin is now classified as a presumed blender, and is expected to comply with the blend cap on access to concessional resources (in the ratio of 1:2) of PRGT-GRA resources when soliciting Fund financial support.[11]

14. The authorities declined to participate in the Debt Service Suspension Initiative (DSSI). Debt service relief would have been up to US$ 16.1 million (0.1 percent of GDP) for the period end-April to end-December 2020 and up to US$ 15 million (0.1 percent of GDP) for the eligible period of 2021.[12] The authorities raised concerns that the DSSI could damage investors' risk perception and compromise the country' access to credit outside the regional market. The authorities are very keen to deepen access to international markets by increasing external commercial borrowing, while complying with their Medium-Term Debt Strategy (MTDS) framework.

C. Governance Safeguards

15. The authorities are implementing a range of governance safeguards aiming at mitigating risks associated with the measures taken in response to the COVID-19 shock. The commitments under the prospective RCF/RFI will build on the commitments taken in the context of the augmentation under the ECF-supported arrangement and relate to the publication and audit of COVID-related expenditures.

- Since the program augmentation,[13] the authorities have enacted a revised 2020 budget law in October 2020, incorporating COVID-19 related expenditures. Furthermore, ongoing audits are conducted by the General Inspectorate of Finance, the Accounting Chamber, the Economic and

[10] Benin's GNI per capita (US$1,199 in 2019) surpassed the IDA operational cutoff of US$1,175.

[11] IMF finance is drawn from General Resources Account (GRA), which consists of the IMF's quota and borrowed resources and is available to all IMF members; and Poverty Reduction and Growth Trust (PRGT), which borrows from IMF members and on-lends these borrowed resources to low income countries on concessional terms.

[12] The eligible period is defined as January 1, 2021 to end-June 2021.

[13] Sixth review under the ECF-supported arrangement, approved by the IMF Board in May 2020.

Financial Unit, and other private and reputable external auditors. The authorities have published key information on the procurement contracts relating to major projects linked to the COVID-19 response,[14] including information on beneficial ownership and validation of delivery, on the government's website in December 2020.[15] Finally, the budgetary execution process for COVID-19 programs is monitored both by the Ministry of Finance and the Ministry of Health, and the authorities commit to produce and to publish online monthly budget execution reports for the expenditure related to COVID-19.

- In their Letter of Intent, the authorities are reiterating their commitment to ensure that new spending is properly budgeted and that its execution is in line with the international rules of fiscal credibility and transparency. The Accounting Chamber is expected to publish the result of its independent audit of the use and effectiveness of the funds committed by end-June 2021. This audit will be published by the Accounting Chamber in 2021 in its annual activity report and made available on its internet website.

- The authorities also commit to publish online the procurement documents and key contract information[16] related to the major projects implemented under the response plan, also indicating the names of the beneficial owners of the awarded companies, as well as the validation of delivery.

- Given the multi-year nature of the credit support program, the authorities have prepared a memorandum of understanding (MOU) clarifying the timeline of execution of the program and the nature of the transactions with the implementing agencies (FNDA, FNM) and the expected impact on the central government budget. Similarly, they are planning to finalize the Fiscal Transparency Evaluation (FTE) initiated in February 2020 and conduct a comprehensive assessment of fiscal risks by end of June 2021.

- Finally, the authorities have committed to publishing by the end of 2020 the legal framework for the management of public investment as well as the most recent medium-term public investment program.

16. The Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) recently carried out an assessment of Benin against the international AML/CFT standards and the report is due to be discussed and finalized in May 2021. Based on the conclusions of the report, Benin should take the necessary steps to address any deficiencies that are identified. Notably, Benin should ensure that strong measures are in place regarding the transparency of legal entities, including a robust system for identifying and recording beneficial

[14] The procurement threshold for major projects is set at 10 million FCFA.

[15] The information is published on the following official website: https://www.marches-publics.bj/journal-des-marches-publics.

[16] Contract information includes the registration number of the companies, description of the good and services contracted, and amounts contracted.

ownership information (a measure that supports the commitments regarding procurement transparency, outlined in section 8 of the LOI).

ACCESS AND CAPACITY TO REPAY

A. Access Level and Modalities

17. The authorities are requesting support under the RCF/RFI arrangement equivalent to 100 percent of quota (SDR 123.8 million, Text Table 8). This arrangement would comprise of a disbursement under the RCF under the "exogenous shock" window (SDR 41.263 million, 33.33 percent of quota) and a purchase under the RFI under the standard window (SDR 82.537 million, 66.67 percent of quota). The disbursement, which amounts to about 1.1 percent of GDP, would provide timely support to address the urgent fiscal and BOP needs emerging from efforts to address the impact of the pandemic, which, if left unaddressed, would result in immediate and severe economic disruption. It would be used as direct budget support, contribute to about 35 percent of the identified financing gap (relative to the sixth review) and complement other concessional financing. The urgency of the BOP need precludes the design and implementation of a UCT-quality program.

Text Table 8. Benin: Emergency Financing under the RCF and RFI

	Percent of quota	SDR million	CFAF billion	US$ million
Emergency financing	**100.00**	**123.8**	**95.6**	**175.8**
Financing under RCF	33.33	41.3	31.9	58.6
Financing under RFI	66.67	82.5	63.7	117.2
Memorandum items				
Quota	123.8			
US$ exchange rate (end of period)	543.8			
SDR exchange rate (end of period)	772.0			

Source: IMF staff calculation.

18. The authorities expressed their intention to request a program after the elections. The RCF/RFI request is justified by urgent financing need and difficulties in developing a reform program that can be supported a UCT-program given continued elevated uncertainty. The authorities indicated their intention to request a new program based on the priorities and medium-term plan of the new government following the presidential election (April/May 2021).

B. Capacity to Repay and Safeguards Assessment

19. Benin's capacity to repay the Fund is adequate, including due to the country's solid track record of meeting its obligations. Outstanding Fund credit (including the GRA) is projected at around 267.7 percent of quota or SDR 331.4 million. Debt service payments to the Fund will remain manageable, with obligations peaking in 2025 at 3.1 percent of government revenue or 0.4 percent of GDP (Table 6).

20. Safeguard assessment. The BCEAO has only one recommendation outstanding from the 2018 safeguards assessment. This recommendation relates to the strengthening of the risk management function, which is in process. The assessment found that, overall, the central bank has maintained a strong control culture.

STAFF APPRAISAL

21. Benin's swift response to the COVID-19 shock has helped alleviate some of the impact of the crisis on lives and livelihoods. So far, social distancing measures and significant health care investments have helped in limiting the spread of the virus. Despite a sizeable revision in growth, a recession seems to have been avoided, with GDP expected to grow by 2 percent in 2020, followed by a gradual recovery from 2021.

22. Benin's commendable performance has come at the cost of larger public spending, which, in addition to the slowdown in growth that weighed on revenue, resulted in an urgent financing gap. The authorities are implementing additional current transfers to support affected households and businesses and are increasing capital expenditure to meet the needs of the social and health sectors. Concurrently, they are suffering from a slowdown in tax and customs revenue, as the economy slowed down, the borders with Nigeria remained closed, and external demand flagged. Room for maneuver to close the budget financing need is small as most public expenditures are already committed and alternative financing sources are uncertain, would be on less-than-concessional terms, and would be unlikely to materialize before the first quarter of 2021. Consequently, failing to close the financing gap, the end-year float would increase and carry over into 2021. This could complicate cash management, at least in the first quarter, disrupt the execution of the 2021 budget, and undermine Benin's economic recovery.

23. The authorities' medium-term budget framework appropriately targets a gradual convergence towards the WAEMU's budget deficit target of 3 percent in 2022. The gradual recovery expected in 2021 will support this objective, but additional revenue mobilization measures, or prioritization of expenditures, may be needed if the authorities' relatively ambitious revenue targets fail to materialize. As the financing needs are expected to remain relatively large in 2021, staff welcomes the authorities' plan to continue seeking the additional concessional financing sources needed to keep external debt at a moderate risk of distress.

24. Staff supports the authorities' request for a disbursement under the RCF in the amount of SDR 41.263 million (33.33 percent of quota) and under the RFI in the amount of SDR 82.537 million (66.67 percent of quota), to be used for budget support.

Proposed Decisions

The following decisions, which may be adopted by a majority of the votes cast, are proposed for adoption by the Executive Board. Decision 2 is proposed for adoption only in the event that Decision 1 is adopted by the Executive Board.

Decision 1. – Benin—Rapid Financing Instrument

1. Benin has requested a purchase in an amount equivalent to SDR 82.537 million (66.67 percent of quota) under the Rapid Financing Instrument.

2. The Fund notes the intentions of Benin as set forth in the letter from the Minister of Economy and Finance of Benin, dated December 10, 2020, and approves the purchase in accordance with the request.

3. This Decision shall become effective only upon the adoption of Decision No. xx [Decision 2] by the Executive Board.

Decision 2. – Benin —Rapid Credit Facility

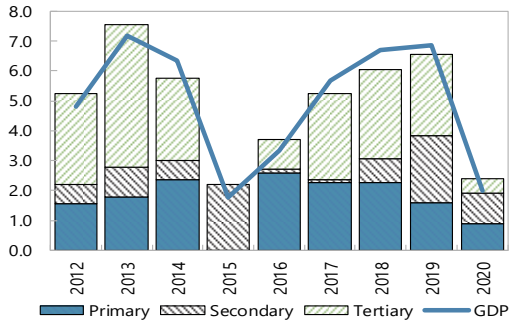
1. Benin has requested a loan disbursement in an amount equivalent to SDR 41.263 million (33.33 percent of quota) under the Rapid Credit Facility of the Poverty Reduction and Growth Trust.

2. The Fund notes the intentions of Benin as set forth in the letter from the Minister of Economy and Finance of Benin, dated December 10, 2020 (the "December 2020 Letter"), and approves the disbursement in accordance with the request.

Figure 1. Benin: Recent Developments, 2012-20

Growth, primarily driven by the tertiary sector over 2016-19, will decelerate in 2020 as the COVID-19 shock negatively impacts the secondary and tertiary sectors.

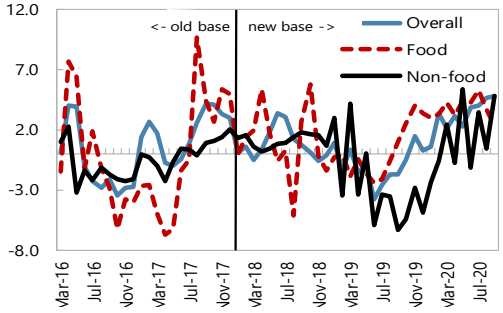
Contribution to GDP Growth
(Percent)



Port activity increased in the first haf of 2020 compared to the previous year.

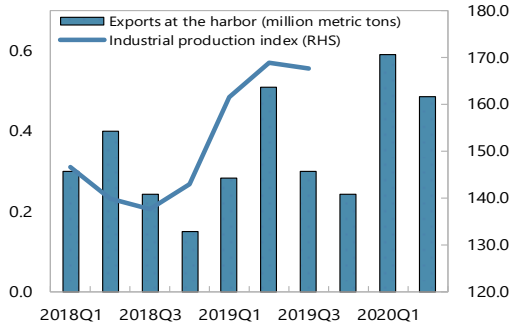
Inflation has picked up slightly this year.

Inflation
(CPI, annual percentage change)



The fiscal deficit narrowed significantly under the 2017-2020 ECF program, but is expected to widen in 2020 due to the COVID-19 shock.

Economic Activity
(Cumulative, quarterly)

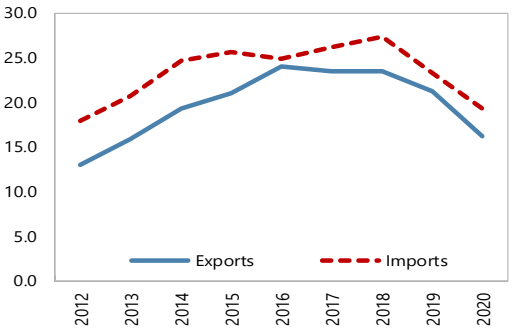


Structurally higher imports...

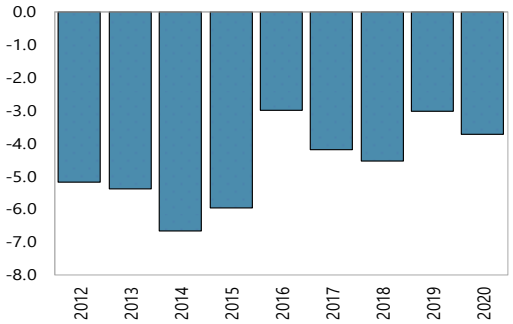
Overall Fiscal Balance
(In percent of GDP, including grants)

...led to a deterioration of the current account deficit.

International Trade
(Goods, in percent of GDP)



Current Account Balance
(In percent of GDP)

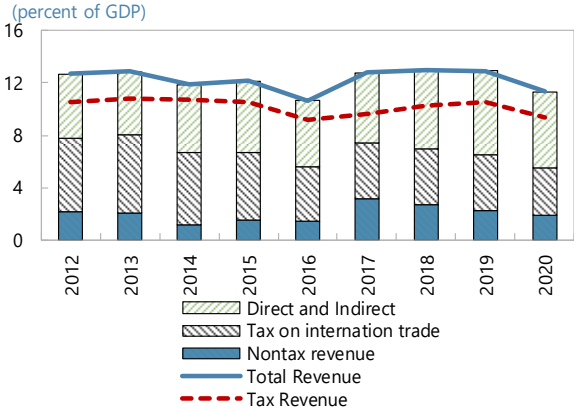


Source: Beninese authorities and IMF staff projections.

Figure 2. Benin: Fiscal Developments and Projections, 2012-20

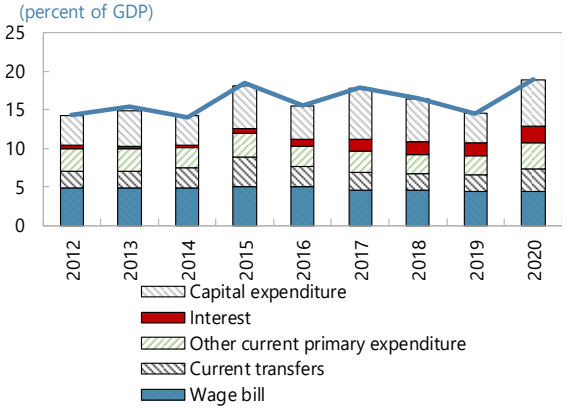
Tax revenues are expected to be negatively impacted by the COVID-19 shock...

Revenue
(percent of GDP)



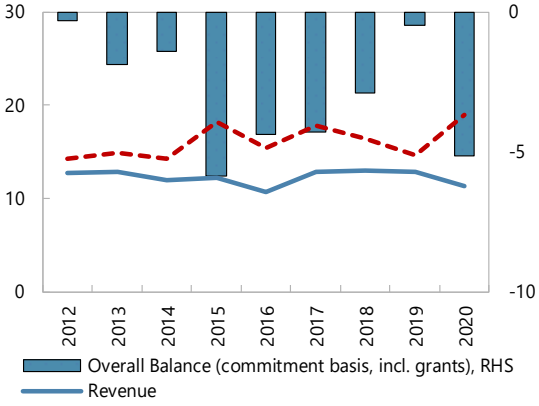
...which, combined with an anticipated increase in expenditure in

Expenditure
(percent of GDP)



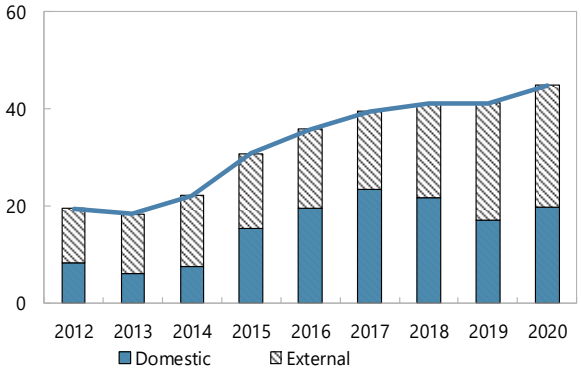
...is expected to worsen the fiscal position in 2020.

Overall fiscal deficit
(percent of GDP)



Government debt is expected to peak in 2020.

Total Government Debt
(percent of GDP)

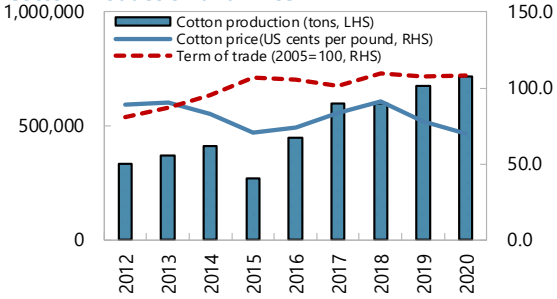


Sources: Beninese authorities and IMF staff calculations.

Figure 3. Benin: Real and External Sector Developments, 2012-20

Cotton production rose in recent years...

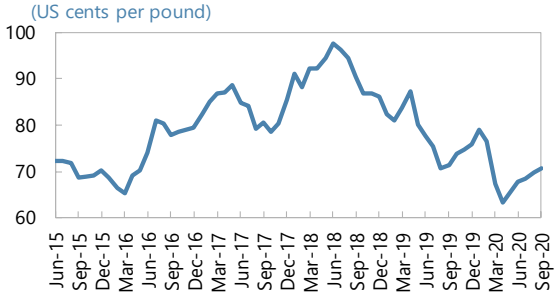
Cotton Production and Price



... but prices, which began to decline in mid-2018, further deteriorated in early-2020 because of the pandemic.

International Cotton Prices

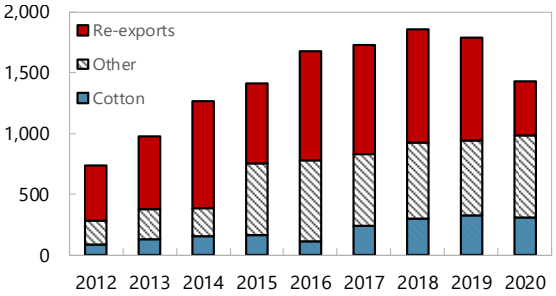
(US cents per pound)



Total exports are expected to fall in 2020

Composition of Exports

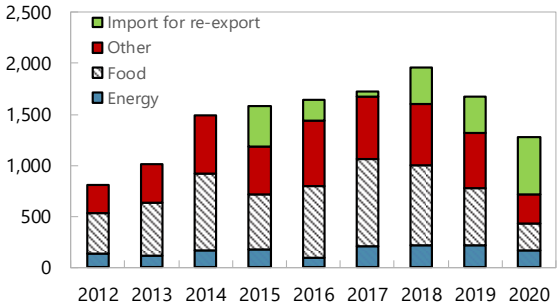
(Billions of CFAF)



... as well as total imports.

Composition of Imports

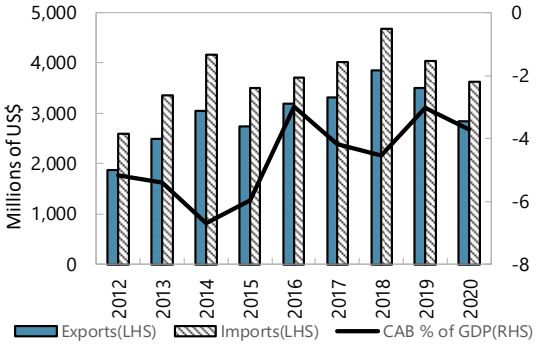
(Billions of CFAF)



The current account is projected to deteriorate in 2020 compared to 2019,

Current Account Balance

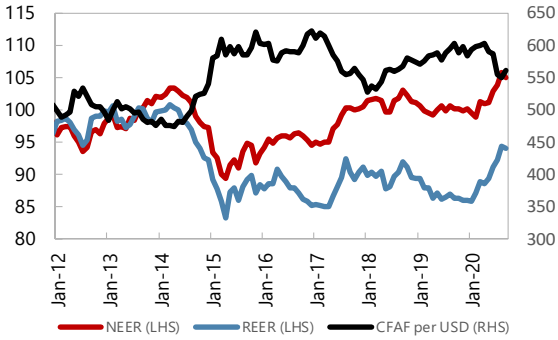
(percent of GDP)



while the CFA franc strengthened early this year after several years of continued depreciation.

Exchange Rates

(2010=100)



Sources: Beninese authorities and IMF staff calculations.

Table 1. Benin: Selected Economic and Financial Indicators, 2018-25

	2018	2019	2020			2021	2022	2023	2024	2025
	Est.		5th Review	6th review	Proj.	Projections				
National income and prices				(Annual percentage change)						
Real GDP	6.7	6.9	6.7	3.2	2.0	5.0	6.0	6.5	6.5	6.5
Nominal GDP	7.3	6.5	8.0	4.2	4.5	6.5	7.9	8.6	8.6	8.5
GDP deflator	0.6	-0.3	1.2	1.0	2.5	1.4	1.8	1.8	1.9	1.9
Consumer price index (average)	0.8	-0.9	1.0	0.6	3.0	2.0	2.0	2.0	2.0	2.0
Consumer price index (end of period)	-0.1	0.3	1.9	0.6	3.0	2.0	2.0	2.0	2.0	2.0
External sector										
Terms of trade (minus = deterioration)	8.2	-2.2	0.0	0.9	0.6	-2.5	-0.6	-0.3	0.1	0.0
Real effective exchange rate (minus = deterioration)	1.9	-3.3	...	...	...	...	...	...	...	...
Money and credit										
Credit to the private sector	8.5	11.9	10.1	2.2	-2.4	4.2	9.4	...	...	...
Broad money (M2)	4.8	6.0	8.0	4.2	4.5	6.5	7.9	...	...	...
Central government finance				(Percent of GDP, unless otherwise indicated)						
Total revenue	13.0	12.9	13.5	12.4	11.3	11.6	12.1	12.7	12.9	13.1
of which: Tax revenue	*10.3*	*10.6*	*11.4*	*10.3*	*9.4*	*9.7*	*10.2*	*10.8*	*11.0*	*11.2*
Grants	0.6	1.2	1.0	1.5	2.5	1.2	1.0	1.0	1.0	0.8
Total expenditure and net lending	16.5	14.6	16.3	17.4	19.0	17.2	16.1	16.2	15.9	15.9
Overall balance (commitment basis, including grants)	-2.9	-0.5	-1.8	-3.5	-5.1	-4.5	-3.0	-2.5	-2.0	-2.0
Overall balance (cash basis, including grants)	-3.0	-0.6	-2.0	-3.7	-5.3	-4.7	-3.2	-2.6	-2.1	-2.1
Domestic financing, net	-0.6	-3.6	0.8	1.3	3.9	3.8	2.0	1.4	2.2	2.1
External financing, net	3.6	4.2	1.1	1.2	1.4	0.9	1.1	1.2	-0.1	-0.1
External sector										
Balance of goods and services[1]	-5.8	-3.8	-6.8	-5.7	-5.2	-4.5	-4.6	-4.3	-4.3	-4.2
Exports of goods and services[1]	27.0	24.3	14.7	21.8	18.5	21.7	23.3	23.0	22.9	22.8
Imports of goods and services[1]	-32.8	-28.1	-20.0	-27.5	-23.6	-26.2	-27.9	-27.4	-27.2	-27.0
Current account balance, including official transfers[1]	-4.6	-3.0	-4.7	-4.6	-3.7	-3.9	-4.1	-3.8	-3.9	-3.8
Overall balance of payments[1,2]	2.5	0.5	3.1	-0.5	0.4	-0.3	0.1	0.3	-1.0	-1.2
Public debt (end period)[3]										
Total public debt	41.1	41.2	40.1	43.3	45.0	45.4	44.5	43.0	41.3	39.6
External public debt	19.4	24.0	23.3	25.1	25.1	24.7	24.5	24.3	23.1	22.0
Domestic public debt	21.7	17.3	16.7	18.3	19.9	20.7	20.0	18.8	18.2	17.6
Memorandum items										
Nominal GDP (CFAF billions)	7,916	8,432	9,036	8783.6	8,814	9,384	10,128	11,000	11,945	12,967
Nominal GDP (US$ billions)	14.3	14.4	15.4	14.9	15.4	17.6	...	...	...	...
Nominal GDP per capita (US$)	1,240.8	1,218.2	1,271.0	1228.7	1,264.6	1,408.7	...	...	...	...
US$ exchange rate (average)	555.2	585.9	585.4	588.5	573.8	533.4	...	...	...	...
International price of cotton (Cotlook "A" Index, U.S. cents a lb.)	91.4	77.9	73.3	69.9	70.0	72.2	72.2	71.4	71.4	71.4
International price of oil (U.S. dollars a barrel)	68.3	61.4	55.5	39.1	41.7	46.7	48.1	49.2	50.2	51.2

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

[1] Includes re-exports and imports for re-export, except for EBS/19/398 for which re-export activities are recorded in current transfers.

[2] In 2024 and 2025, the decline in the overall balance of payments reflects the first repayment of the 2019 eurobond.

[3] The GDP rebasing published in 2019 revised down the public debt ratio by about 15 percentage points (see Annex I of IMF Country Report No. 19/398).

Table 2. Benin: Consolidated Central Government Operations, 2018-25

(CFAF billion)

	2018	2019	2020				2021		2022	2023	2024	2025
		Est.	5th Review	6th Review	Suppl. Budget Law	Proj.	Auth. Proj.	Proj.	Projections			
Total revenue and grants	**1,075.8**	**1,185.7**	**1,307.8**	**1,216.7**	**1,217.3**	**1,217.3**	**1,322.7**	**1,195.2**	**1,323.4**	**1,509.3**	**1,662.9**	**1,800.6**
Total revenue	1,028.6	1,088.0	1,220.0	1,087.0	998.7	998.7	1,214.2	1,086.7	1,223.5	1,400.3	1,544.6	1,702.6
Tax revenue	811.4	893.3	1,030.0	900.6	829.9	829.9	1,013.2	907.0	1,029.6	1,189.7	1,315.8	1,454.3
Tax on international trade	331.9	358.0	444.0	371.3	315.0	315.0	419.0	344.7	392.3	459.1	510.5	567.1
Direct and indirect taxes	479.4	535.3	586.0	529.3	514.9	514.9	594.2	562.3	637.2	730.6	805.3	887.1
Nontax revenue	217.2	194.8	190.0	186.3	168.8	168.8	201.0	179.7	194.0	210.7	228.8	248.3
Grants	47.2	97.7	87.8	129.7	218.6	218.6	108.5	108.5	99.9	108.9	118.3	98.0
Project grants	31.2	66.8	74.0	74.0	94.8	94.8	74.4	74.4	84.2	91.8	99.7	77.8
Budgetary grants	16.0	30.8	13.8	55.7	123.8	123.8	34.1	34.1	15.7	17.1	18.6	20.2
Total expenditure and net lending	**1,305.9**	**1,227.3**	**1,469.2**	**1,528.5**	**1,670.6**	**1,670.6**	**1,753.7**	**1,617.5**	**1,627.3**	**1,784.2**	**1,901.8**	**2,059.9**
Current expenditure	857.8	900.8	969.2	1,059.5	1,113.8	1,138.8	1,156.9	1,155.5	1,123.2	1,189.0	1,279.1	1,378.7
Current primary expenditure	731.8	766.2	806.9	897.2	924.5	949.5	936.1	934.7	919.3	971.9	1,055.5	1,145.8
Wage bill	356.7	369.7	405.9	405.9	394.7	394.7	411.6	411.6	448.2	488.4	530.4	575.8
Pensions and scholarships	92.2	90.5	103.0	103.0	103.0	103.0	111.0	111.0	121.1	131.9	143.2	155.5
Current transfers	179.4	180.9	186.5	236.5	233.3	258.3	238.1	238.1	219.1	238.7	259.3	281.4
Expenditure on goods and services[1]	103.6	125.1	111.5	151.8	193.5	193.5	175.4	174.0	131.0	112.9	122.6	133.1
Interest	126.0	134.6	162.3	162.3	189.3	189.3	220.8	220.8	203.8	217.0	223.6	232.9
Domestic debt	108.8	106.8	123.4	123.4	102.4	102.4	141.0	141.0	152.9	161.0	161.7	170.5
External debt	17.1	27.8	38.9	38.9	86.9	86.9	79.8	79.8	51.0	56.0	61.9	62.4
Capital expenditure	445.6	330.4	500.0	469.0	556.8	531.8	596.8	462.0	504.1	595.3	622.8	681.2
Financed by domestic resources	279.1	228.3	285.8	254.8	321.8	296.8	375.8	241.0	260.2	329.5	334.1	398.4
Financed by external resources	166.5	102.1	214.2	214.2	235.0	235.0	221.0	221.0	243.9	265.8	288.6	282.8
Net lending	2.5	-3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment basis, incl. grants)[1]	**-230.1**	**-41.6**	**-161.4**	**-311.8**	**-453.3**	**-453.3**	**-431.0**	**-422.3**	**-303.8**	**-275.0**	**-238.9**	**-259.3**
Primary balance[2]	-151.4	-4.6	-86.9	-279.2	-482.6	-482.6	-318.7	-310.0	-199.9	-166.9	-133.7	-124.4
Basic primary balance[3]	17.6	93.5	127.4	-65.0	-247.6	-247.6	-97.7	-89.0	44.0	98.9	155.0	158.5
Change in arrears	-0.4	0.0	-16.4	-16.4	-16.4	-16.4	-16.4	-16.4	-16.4	-10.0	-10.0	-10.0
External debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic debt (net)	-0.4	0.0	-16.4	-16.4	-16.4	-16.4	-16.4	-16.4	-16.4	-10.0	-10.0	-10.0
of which: net change in arrears stock[1]	*...*	*19.1*	*-6.4*	*-6.4*	*-6.4*	*-6.4*	*-6.4*	*-6.4*	*-6.4*	*0.0*	*0.0*	*0.0*
Float	-3.7	-7.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis, incl. grants)	**-234.2**	**-48.9**	**-177.7**	**-328.2**	**-469.6**	**-469.6**	**-447.4**	**-438.6**	**-320.2**	**-285.0**	**-248.9**	**-269.3**
Financing	**234.2**	**48.9**	**177.7**	**328.2**	**469.6**	**374.0**	**448.1**	**438.6**	**320.2**	**285.0**	**248.9**	**269.3**
Domestic financing	-51.4	-302.9	74.5	208.1	344.6	249.0	418.4	356.9	204.4	156.3	261.3	277.1
Bank financing	-57.1	-14.0	23.7	131.3	323.3	228.3	-57.2	178.3	143.7	101.3	213.5	225.3
Net use of IMF resources	14.1	14.5	1.4	69.6	172.0	70.1	-5.7	-5.7	-6.9	-8.1	-41.9	-53.0
Disbursements	*23.0*	*25.7*	*12.5*	*74.7*	*175.2*	*73.3*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Repayments	*-8.8*	*-11.2*	*-11.1*	*-5.2*	*-3.2*	*-3.2*	*-5.7*	*-5.7*	*-6.9*	*-8.1*	*-41.9*	*-53.0*
of which : CCRT debt relief	*0.0*	*0.0*	*0.0*	*6.0*	*7.7*	*7.7*	*3.3*	*3.3*	*0.0*	*0.0*	*0.0*	*0.0*
Other[4]	-71.2	-28.5	22.3	61.7	151.3	158.2	-51.5	184.0	150.5	109.3	255.4	278.3
Nonbank and regional financing[5]	5.7	-288.9	50.8	76.8	21.3	20.7	475.6	178.6	60.8	55.0	47.8	51.9
External financing	285.5	351.9	103.2	120.1	125.0	125.0	29.7	81.7	115.8	128.7	-12.4	-7.8
Project financing	135.3	35.2	140.2	140.2	140.2	140.2	146.6	146.6	159.7	173.9	188.9	205.0
Budgetary assistance	179.0	33.3	34.2	51.1	56.0	56.0	29.5	29.5	38.9	42.4	44.9	48.7
Eurobond issuance	0.0	325.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization due	-28.8	-41.7	-71.2	-71.2	-71.2	-71.2	-146.4	-94.4	-82.8	-87.7	-246.1	-261.6
Financing Gap						95.6	0.0	0.0	0.0	0.0	0.0	0.0
of which: RCF/RFI financing						95.6	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items: additional financing relative to the 6th review						**229.8**						
Additional domestic financing						40.4						
Additional external grants						88.9						
Additional external borrowing at concessional terms from donors						4.9						
RCF/RFI financing						95.6						
Nominal GDP	7,916	8,432	9,036	8,784	8,814	8,814	9,559	9,384	10,128	11,000	11,945	12,967

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

[1] For 2019, arrears to suppliers of CFAF 19.1 billion are included in expenditure and deficit (see IMF Country report 19/203). Arrears were accumulated before 2016 and recognized in 2019.

[2] Total revenue (excluding grants) minus current primary expenditure, capital expenditure, and net lending.

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

[4] Includes financing by Beninese banks.

[5] Includes financing by regional commercial banks.

Table 3. Benin: Consolidated Central Government Operations, 2018-25
(Percent of GDP)

	2018	2019	2020				2021		2022	2023	2024	2025
		Est.	5th Review	6th Review	Suppl. Budget Law	Proj.	Auth. Proj.	Proj.	Projections			
Total revenue and grants	**13.6**	**14.1**	**14.5**	**13.9**	**13.8**	**13.8**	**13.8**	**12.7**	**13.1**	**13.7**	**13.9**	**13.9**
Total revenue	13.0	12.9	13.5	12.4	11.3	11.3	12.7	11.6	12.1	12.7	12.9	13.1
Tax revenue	10.3	10.6	11.4	10.3	9.4	9.4	10.6	9.7	10.2	10.8	11.0	11.2
Tax on international trade	4.2	4.2	4.9	4.2	3.6	3.6	4.4	3.7	3.9	4.2	4.3	4.4
Direct and indirect taxes	6.1	6.3	6.5	6.0	5.8	5.8	6.2	6.0	6.3	6.6	6.7	6.8
Nontax revenue	2.7	2.3	2.1	2.1	1.9	1.9	2.1	1.9	1.9	1.9	1.9	1.9
Grants	0.6	1.2	1.0	1.5	2.5	2.5	1.1	1.2	1.0	1.0	1.0	0.8
Project grants	0.4	0.8	0.8	0.8	1.1	1.1	0.8	0.8	0.8	0.8	0.8	0.6
Budgetary grants	0.2	0.4	0.2	0.6	1.4	1.4	0.4	0.4	0.2	0.2	0.2	0.2
Total expenditure and net lending	**16.5**	**14.6**	**16.3**	**17.4**	**19.0**	**19.0**	**18.3**	**17.2**	**16.1**	**16.2**	**15.9**	**15.9**
Current expenditure	10.8	10.7	10.7	12.1	12.6	12.9	12.1	12.3	11.1	10.8	10.7	10.6
Current primary expenditure	9.2	9.1	8.9	10.2	10.5	10.8	9.8	10.0	9.1	8.8	8.8	8.8
Wage bill	4.5	4.4	4.5	4.6	4.5	4.5	4.3	4.4	4.4	4.4	4.4	4.4
Pensions and scholarships	1.2	1.1	1.1	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Current transfers	2.3	2.1	2.1	2.7	2.6	2.9	2.5	2.5	2.2	2.2	2.2	2.2
Expenditure on goods and services[1]	1.3	1.5	1.2	1.7	2.2	2.2	1.8	1.9	1.3	1.0	1.0	1.0
Interest	1.6	1.6	1.8	1.8	2.1	2.1	2.3	2.4	2.0	2.0	1.9	1.8
Domestic debt	1.4	1.3	1.4	1.4	1.2	1.2	1.5	1.5	1.5	1.5	1.4	1.3
External debt	0.2	0.3	0.4	0.4	1.0	1.0	0.8	0.9	0.5	0.5	0.5	0.5
Capital expenditure	5.6	3.9	5.5	5.3	6.3	6.0	6.2	4.9	5.0	5.4	5.2	5.3
Financed by domestic resources	3.5	2.7	3.2	2.9	3.7	3.4	3.9	2.6	2.6	3.0	2.8	3.1
Financed by external resources	2.1	1.2	2.4	2.4	2.7	2.7	2.3	2.4	2.4	2.4	2.4	2.2
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (commitment basis, incl. grants)[1]	**-2.9**	**-0.5**	**-1.8**	**-3.5**	**-5.1**	**-5.1**	**-4.5**	**-4.5**	**-3.0**	**-2.5**	**-2.0**	**-2.0**
Primary balance [2]	-1.9	-0.1	-1.0	-3.2	-5.5	-5.5	-3.3	-3.3	-2.0	-1.5	-1.1	-1.0
Basic primary balance [3]	0.2	1.1	1.4	-0.7	-2.8	-2.8	-1.0	-0.9	0.4	0.9	1.3	1.2
Change in arrears	0.0	0.0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1
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)	0.0	0.0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1
of which: net change in arrears stock [1]	...	*0.2*	*-0.1*	*-0.1*	*-0.1*	*-0.1*	*-0.1*	*-0.1*	*-0.1*	*0.0*	*0.0*	*0.0*
Float	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis, incl. grants)	**-3.0**	**-0.6**	**-2.0**	**-3.7**	**-5.3**	**-5.3**	**-4.7**	**-4.7**	**-3.2**	**-2.6**	**-2.1**	**-2.1**
Financing	**3.0**	**0.6**	**2.0**	**3.7**	**5.3**	**4.2**	**4.7**	**4.7**	**3.2**	**2.6**	**2.1**	**2.1**
Domestic financing	-0.6	-3.6	0.8	2.4	3.9	2.8	4.4	3.8	2.0	1.4	2.2	2.1
Bank financing	-0.7	-0.2	0.3	1.5	3.7	2.6	-0.6	1.9	1.4	0.9	1.8	1.7
Net use of IMF resources	0.2	0.2	0.0	0.8	2.0	0.8	-0.1	-0.1	-0.1	-0.1	-0.4	-0.4
Disbursements	0.3	0.3	0.1	0.9	2.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.4	-0.4
of which : CCRT debt relief	0.0	0.0	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other [4]	-0.9	-0.3	0.2	0.7	1.7	1.8	-0.5	2.0	1.5	1.0	2.1	2.1
Nonbank and regional financing [5]	0.1	-3.4	0.6	0.9	0.2	0.2	5.0	1.9	0.6	0.5	0.4	0.4
External financing	3.6	4.2	1.1	1.4	1.4	1.4	0.3	0.9	1.1	1.2	-0.1	-0.1
Project financing	1.7	0.4	1.6	1.6	1.6	1.6	1.5	1.6	1.6	1.6	1.6	1.6
Budgetary assistance	2.3	0.4	0.4	0.6	0.6	0.6	0.3	0.3	0.4	0.4	0.4	0.4
Eurobond issuance	0.0	3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization due	-0.4	-0.5	-0.8	-0.8	-0.8	-0.8	-1.5	-1.0	-0.8	-0.8	-2.1	-2.0
Financing Gap						1.1	0.0	0.0	0.0	0.0	0.0	0.0
of which: RCF/RFI financing						1.1	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items: additional financing relative to the 6th review						**2.6**						
Additional domestic financing						0.5						
Additional external grants						1.0						
Additional external borrowing at concessional terms from donors						0.1						
RCF/RFI financing						1.1						
Nominal GDP	7,916	8,432	9,036	9,037	8,814	8,814	9,559	9,384	10,128	11,000	11,945	12,967

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

[1] For 2019, arrears to suppliers of CFAF 19.1 billion are included in expenditure and deficit (see IMF Country report 19/203). Arrears were accumulated before 2016 and recognized in 2019.

[2] Total revenue (excluding grants) minus current primary expenditure, capital expenditure, and net lending.

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

[4] Includes financing by Beninese banks.

[5] Includes financing by regional commercial banks.

Table 4. Benin: Balance of Payments, 2018-25
(CFAF billion, unless otherwise indicated)

	2018	2019	2020			2021	2022	2023	2024	2025
		Est.	5th Review[1]	6th Review[2]	Proj.	Projections				
Current account balance	**-360.4**	**-255.8**	**-424.2**	**-400.1**	**-328.6**	**-369.9**	**-411.0**	**-420.8**	**-460.6**	**-489.4**
Current account balance (excl. grants)	-376.4	-286.6	-449.5	-455.8	-452.4	-404.0	-426.7	-437.9	-479.2	-509.5
Trade balance[3]	-308.6	-176.5	-477.2	-415.9	-272.0	-269.1	-285.2	-285.8	-313.0	-329.0
Exports, f.o.b.[3]	1,857.6	1,788.6	1,329.3	1,647.9	1,430.2	1,749.9	2,042.4	2,189.8	2,356.1	2,544.7
Of which: re-exports	*928.6*	*841.3*	*...*	*584.0*	*444.3*	*700.0*	*900.0*	*943.9*	*996.9*	*1,062.0*
Imports, f.o.b.[3]	-2,166.2	-1,965.1	-1,806.5	-2,063.9	-1,702.2	-2,019.0	-2,327.6	-2,475.6	-2,669.1	-2,873.7
Services (net)	-147.4	-140.4	-140.9	-85.0	-182.4	-153.5	-177.2	-188.4	-203.1	-218.7
Income (net)	-30.6	-39.7	-68.1	-50.7	-41.5	-44.2	-47.7	-51.8	-56.3	-61.1
Current transfers (net)[4]	126.3	100.8	262.0	151.5	167.3	96.9	99.2	105.2	111.8	119.4
Private transfers	67.5	70.0	73.8	95.8	43.5	62.8	83.5	88.1	93.2	99.2
Public transfers	58.8	30.8	188.2	55.7	123.8	34.1	15.7	17.1	18.6	20.2
Capital account balance	**109.1**	**106.8**	**74.0**	**155.2**	**109.8**	**89.4**	**99.2**	**106.8**	**114.7**	**92.8**
Financial account balance	**444.7**	**194.6**	**631.5**	**196.6**	**256.9**	**248.2**	**321.5**	**344.1**	**221.0**	**239.4**
Direct investment	102.4	109.6	140.5	85.2	57.3	93.4	110.9	120.4	130.8	141.9
Portfolio investment	-54.0	76.3	162.6	44.9	61.5	65.5	70.7	76.8	83.4	90.5
Medium- and long-term public capital	283.1	41.3	139.8	120.1	125.0	81.7	115.8	128.7	-12.4	-7.8
Project loans	135.3	35.2	176.8	140.2	140.2	146.6	159.7	173.9	188.9	205.0
Budgetary assistance loans	179.0	33.3	34.2	51.1	56.0	29.5	38.9	42.4	44.9	48.7
Amortization due [5]	-28.8	-41.7	-71.2	-71.2	-71.2	-94.4	-82.8	-87.7	-246.1	-261.6
Other Medium- and long-term private capital	113.0	-32.6	188.7	-53.6	13.1	7.6	24.2	18.2	19.3	14.8
Errors and omissions	3.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance [5]	**196.9**	**45.6**	**281.3**	**-48.3**	**38.1**	**-32.4**	**9.8**	**30.1**	**-124.8**	**-157.2**
Change in net foreign assets, BCEAO ('-' = increase)	**-196.9**	**-45.6**			**-38.1**	**32.4**	**-9.8**	**-30.1**	**124.8**	**157.2**
Change in gross foreign assets, BCEAO	-182.7	-31.1			127.6	26.7	-16.6	-38.1	82.9	104.2
Use of IMF resources, net[6]	-14.1	-14.5			-70.1	5.7	6.9	8.1	41.9	53.0
RCF/RFI financing					-95.6	0.0	0.0	0.0	0.0	0.0
Debt relief [7]	0.0	0.0			-7.7	-3.3	0.0	0.0	0.0	0.0
			(Percent of GDP, unless otherwise indicated)							
Current account balance	**-4.6**	**-3.0**	**-4.7**	**-4.6**	**-3.7**	**-3.9**	**-4.1**	**-3.8**	**-3.9**	**-3.8**
Trade balance of goods[3]	-3.9	-2.1	-5.3	-4.7	-3.1	-2.9	-2.8	-2.6	-2.6	-2.5
Exports, f.o.b. [3]	*23.5*	*21.2*	*14.7*	*18.8*	*16.2*	*18.6*	*20.2*	*19.9*	*19.7*	*19.6*
Imports, f.o.b. [3]	*-27.4*	*-23.3*	*-20.0*	*-23.5*	*-19.3*	*-21.5*	*-23.0*	*-22.5*	*-22.3*	*-22.2*
Services	-1.9	-1.7	-1.6	-1.0	-2.1	-1.6	-1.8	-1.7	-1.7	-1.7
Income	-0.4	-0.5	-0.8	-0.6	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5
Current transfers	1.6	1.2	2.9	1.7	1.9	1.0	1.0	1.0	0.9	0.9
Capital account	1.4	1.3	0.8	1.8	1.2	1.0	1.0	1.0	1.0	0.7
Financial account	5.6	2.3	7.0	2.2	2.9	2.6	3.2	3.1	1.9	1.8
Overall balance[5]	**2.5**	**0.5**	**3.1**	**-0.5**	**0.4**	**-0.3**	**0.1**	**0.3**	**-1.0**	**-1.2**
Memorandum items:										
International price of cotton (Cotlook "A" Index, U.S. cents a lb.)	91.4	77.9	73.3	69.9	70.0	72.2	72.2	71.4	71.4	71.4
International price of oil (U.S. dollars a barrel)	68.3	61.4	55.5	39.1	41.7	46.7	48.1	49.2	50.2	51.2
Nominal GDP (CFAF billion)	7,916	8,432	9,036	8,784	8,814	9,384	10,128	11,000	11,945	12,967

Sources: Beninese authorities; IMF staff estimates and projections.

[1] IMF Country report No. 19/398, December 2019.

[2] IMF Country report No. 20/175, May 2020.

[3] Includes re-exports and imports for re-export, except for EBS/19/398 where re-export activities were captured in current transfers.

[4] Re-export activities were captured in current transfers in EBS/19/398 where re-export activities were captured in current transfers.

[5] In 2024 and 2025, the declines in the financial account and overall balance of payments reflect the first repayments of the 2019 eurobond.

[6] Excluding RFC/RFI financing.

[7] Includes the IMF debt service relief of CFAF 11 billion from the Catastrophe Containment and Relief Trust (CCRT) approved on April 13, 2020 and October 2, 2020, corresponding to the period of April 14, 2020 to April 13, 2021.

Table 5. Benin: Monetary Survey, 2018–20

	2018	2019		2020	
	Act.	6th Review[1]	Est.	6th Review[1]	Proj.
			(CFAF Billion)		
Net foreign assets	**1185.0**	**1232.7**	**1232.6**	**1254.0**	**1097.3**
Central Bank of West African States (BCEAO)	423.8	314.0	314.0	335.3	138.7
Banks	761.1	918.7	918.7	918.7	958.7
Net domestic assets	**1024.0**	**1082.8**	**1109.4**	**1158.0**	**1350.7**
Domestic credit	1550.5	1449.9	1449.9	1544.2	1493.3
Net claims on central government	118.1	-200.6	-200.6	-138.9	-121.5
Credit to the nongovernment sector[2]	1432.4	1650.5	1650.5	1683.1	1614.8
Of which: Credit to the private sector	1326.7	1485.0	1485.0	1517.6	1449.3
Other items[3]	526.4	367.1	329.7	386.2	142.6
Broad money (M2)	**2209.0**	**2315.6**	**2342.0**	**2412.1**	**2448.1**
Currency	520.2	543.5	569.4	566.1	595.2
Bank deposits	817.1	878.1	878.4	914.7	918.2
Other deposits	871.6	894.0	894.2	931.3	934.7
		(Change, in percent of beginning-of-period broad money)			
Net foreign assets	**9.1**	**2.1**	**2.2**	**0.9**	**-5.8**
Central Bank of West African States (BCEAO)	10.3	-5.0	-5.0	0.9	-7.5
Banks	-1.2	7.1	7.1	0.0	1.7
Net domestic assets	**-4.3**	**-4.5**	**3.9**	**4.1**	**10.3**
Domestic credit	1.1	-4.5	-4.6	4.1	1.9
Net claims on central government	-3.7	-14.4	-14.4	2.7	3.4
Credit to the nongovernment sector	4.8	9.9	9.9	1.4	-1.5
Other items	5.4	-6.7	-8.4	-0.7	-8.5
Broad money (M2)	**4.8**	**4.8**	**6.0**	**4.2**	**4.5**
Currency	-0.6	1.1	2.2	1.0	1.1
Bank deposits	4.2	2.8	2.8	1.6	1.7
Other deposits	1.2	1.0	1.0	1.6	1.7
Memorandum items:					
Velocity of broad money	3.7	3.7	3.7	3.7	3.7
Broad money (percent of GDP)	27.9	27.5	27.8	27.5	27.8
Credit to the private sector (annual percentage change)	8.5	11.9	11.9	2.2	-2.4
Nominal GDP (CFAF billion)	7,916	8,432	8,432	8,784	8,814
Nominal GDP growth (annual percentage change)	7.3	6.5	6.5	4.2	4.5

Sources: BCEAO; IMF staff estimates and projections.

[1] IMF Country report No. 20/175, May 2020.

[2] Including credit to the private sector and to other non-financial public sector.

[3] Including deposits excluded from broad money, securities other than shares excluded from broad money, loans, financial derivatives, insurance technical reserves, and shares and other equity.

Table 6. Benin: Indicators of Capacity to Repay the Fund, 2020-34[1]

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
IMF obligations based on existing credit (millions of SDRs)															
Principal	0.0	7.4	9.0	10.6	13.8	28.3	37.5	37.5	29.5	24.8	9.2	0.0	0.0	0.0	0.0
Charges and interest[2]	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	0.0	0.0
Total obligations based on existing and prospective credit															
Principal															
Millions of SDRs	0.0	7.4	9.0	10.6	55.1	69.6	45.7	45.7	37.8	33.0	17.5	0.0	0.0	0.0	0.0
Billions of CFA francs	0.0	5.7	6.9	8.1	41.9	53.0	34.9	34.9	28.8	25.2	13.3	0.0	0.0	0.0	0.0
Percent of government revenue	0.0	0.5	0.6	0.6	2.7	3.1	1.9	1.7	1.3	1.0	0.5	0.0	0.0	0.0	0.0
Percent of exports of goods and services	0.0	0.3	0.3	0.3	1.5	1.8	1.1	1.0	0.8	0.6	0.3	0.0	0.0	0.0	0.0
Percent of GDP	0.0	0.1	0.1	0.1	0.4	0.4	0.2	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0
Percent of quota	0.0	6.0	7.3	8.6	44.5	56.2	36.9	36.9	30.5	26.7	14.1	0.0	0.0	0.0	0.0
Charges and interest															
Millions of SDRs	0.4	0.8	0.9	0.9	0.8	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Billions of CFA francs	0.3	0.6	0.7	0.7	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Outstanding IMF credit															
Millions of SDRs	331.4	324.0	315.0	304.3	249.3	179.7	134.0	88.2	50.5	17.5	0.0	0.0	0.0	0.0	0.0
Billions of CFA francs	264.5	247.0	239.2	231.2	189.7	137.0	102.1	67.2	38.4	13.3	0.0	0.0	0.0	0.0	0.0
Percent of government revenue	26.5	22.7	19.6	16.5	12.3	8.0	5.4	3.3	1.7	0.5	0.0	0.0	0.0	0.0	0.0
Percent of exports of goods and services	16.3	12.1	10.1	9.1	6.9	4.6	3.2	1.9	1.0	0.3	0.0	0.0	0.0	0.0	0.0
Percent of GDP	3.0	2.6	2.4	2.1	1.6	1.1	0.7	0.4	0.2	0.1	0.0	0.0	0.0	0.0	0.0
Percent of quota	267.7	261.7	254.4	245.8	201.3	145.2	108.2	71.3	40.8	14.1	0.0	0.0	0.0	0.0	0.0
Net use of IMF credit (millions of SDRs)	211.6	-7.4	-9.0	-10.6	-55.1	-69.6	-45.7	-45.7	-37.8	-33.0	-17.5	0.0	0.0	0.0	0.0
Disbursements (including prospective ones)	211.6	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	0.0
Repayments and repurchases	0.0	7.4	9.0	10.6	55.1	69.6	45.7	45.7	37.8	33.0	17.5	0.0	0.0	0.0	0.0
Memorandum items:															
Nominal GDP (billions of CFA francs)	8,814	9,384	10,128	11,000	11,945	12,967	14,057	15,234	16,502	17,871	19,342	20,934	22,646	24,487	26,472
Exports of goods and services (billions of CFA francs)	1,627	2,041	2,363	2,535	2,730	2,950	3,198	3,466	3,754	4,066	4,400	4,763	5,152	5,571	6,023
Government revenue (billions of CFA francs)	999	1,087	1,224	1,400	1,545	1,703	1,874	2,061	2,266	2,489	2,733	3,000	3,291	3,607	3,952
CFAF/SDR (period average)	798	763	760	760	761	762	762	762	762	762	762	762	762	762	762
Quota (millions of SDRs)	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8

Sources: IMF staff estimates and projections.

[1] Data are projections

[2] On May 24, 2019, the IMF Executive Board approved a modified interest rate setting mechanism which effectively sets interest rates to zero on ECF and SCF through June 2021 and possibly longer. The Board also decided to extend zero interest rate on ESF until end June 2021 while interest rate on RCF was set to zero in July 2015. Based on these decisions and current projections of the SDR rate, the following interest rates are assumed beyond June 2021: 0/0/0/0 percent per annum for the ECF, SCF, RCF and ESF, respectively. The Executive Board will review the interest rates on concessional lending by end-June 2021 and every two years thereafter.

Table 7. Benin: Financial Soundness Indicators, 2012-19

	2012 Dec.	2013 Dec.	2014 Dec.	2015 Dec.	2016 Dec.	2017 Dec.	2018 [1] Dec.	2019 June	2019 Dec.
Regulatory capital to risk-weighted assets	9.2	9.5	9.0	7.9	9.3	11.9	8.2	9.6	10.5
Core capital to risk-weighted assets	7.9	7.2	7.1	5.2	7.4	10.2	7.2	8.7	9.8
Provisions to risk-weighted assets	8.6	11.4	12.1	15.6	16.0	16.4	12.6	11.1	10.2
Capital to total assets	4.8	4.5	4.0	2.7	3.7	4.7	5.1	5.6	5.5
Composition and quality of assets									
Total loans to total assets	47.4	47.7	46.1	39.0	39.6	43.5	46.1	47.5	48.5
Concentration: Credit to the 5 largest borrowers	61.1	56.3	103.9	175.7	99.6	91.6	90.4	99.6	93.5
Credit by sector [2]									
Agriculture, Forestry, and Fishing	2.1	2.0	1.6	3.2	1.9	1.8	4.4	2.6	3.1
Extractive Industries	0.7	1.7	1.8	2.1	2.6	1.5	1.2	1.0	0.9
Manufacturing	10.1	11.2	11.7	12.5	15.0	15.2	12.2	11.0	10.2
Electricity, Water, and Gas	2.8	3.3	2.5	3.0	5.0	4.4	4.3	5.2	5.2
Buildings and Public Works	7.5	9.4	12.0	14.9	16.3	17.0	27.9	28.8	30.0
Commerce, Restaurants, and Hotels	40.2	36.9	34.4	29.9	28.2	24.1	18.7	18.7	15.9
Transportation and Communication	10.3	9.6	7.5	6.0	6.2	5.9	3.9	5.0	5.6
Financial and Business Services	5.7	5.2	5.6	4.9	7.9	8.0	3.4	3.3	3.5
Other Services	20.6	20.8	22.8	23.5	16.7	22.1	23.9	24.4	25.7
Non-Performing Loans (NPLs)									
Gross NPLs to Total loans	18.6	21.2	21.5	22.1	21.8	19.4	21.6	20.2	17.7
Provisioning rate	46.8	48.0	49.0	55.0	64.0	66.4	66.5	59.0	55.9
Net NPLs to total loans	10.8	12.3	12.3	11.3	9.1	7.5	8.5	9.4	8.6
Net NPLs to capital	106.2	130.9	140.8	161.2	96.9	69.2	77.2	80.0	76.2
Earnings and profitability									
Average cost of borrowed funds	3.3	3.3	3.1	3.1	3.2	3.0	3.2	...	2.4
Average interest rate on loans	9.5	9.1	8.4	8.3	7.8	7.4	7.5	...	6.4
Average interest margin[3]	6.2	5.8	5.3	5.2	4.6	4.3	4.3	...	4.0
After-tax return on average assets (ROA)	0.0	0.4	0.9	0.3	0.0	0.0	0.1	...	0.5
After-tax return on average equity (ROE)	-0.6	5.6	14.4	4.9	0.5	0.4	1.9	...	7.0
Noninterest expenses/net banking income	68.9	69.9	60.9	63.7	73.2	76.9	74.8	...	78.5
Salaries and wages/net banking income	28.4	29.8	26.2	27.5	32.3	33.9	32.4	...	32.9
Liquidity									
Liquid assets to total assets	22.9	21.9	23.0	18.9	16.2	14.5	12.5	11.7	12.8
Liquid assets to total deposits	35.7	34.7	36.7	30.9	28.0	24.4	19.3	16.8	19.6
Total loans to total deposits	80.7	84.1	82.2	72.6	79.4	84.4	83.4	77.9	82.3
Total deposits to total liabilities	64.3	63.1	62.7	61.1	57.9	59.2	64.6	69.3	65.4
Demand deposits to total liabilities[4]	27.4	26.9	26.6	25.9	24.4	26.3	29.4	31.3	28.5
Term deposits to total liabilities	36.8	36.2	36.1	35.2	33.5	32.9	35.1	38.0	36.9

Source: BCEAO.

Note: ... = not available.

[1] The first year of data reporting in accordance with Basel II/III and Revised Chart of Accounts (Interim Data)

[2] Identified sectors represent at least 80 percent of credit

[3] Excluding taxes on banking operations.

[4] Including savings accounts.

Annex I. Policy Response of the BCEAO to the COVID-19 crisis

1. Decisive and timely steps taken by the BCEAO prevented tightening of financial conditions on the regional financial markets and mitigated the negative impact of the pandemic on economic activity. The introduced measures aimed at providing additional liquidity, preserving financial stability and supporting the enterprises affected by the crisis.

2. Measures to provide adequate levels of liquidity:

- Shift to a full allotment strategy at a fixed rate of 2.5 percent (the minimum monetary policy rate), which allowed banks to satisfy their liquidity needs fully at a rate about 25 basis points lower than before the crisis;
- Launch of a special 3-month refinancing window at a fixed rate of 2.5 percent for limited amounts of 3-month "COVID-19 T-Bills" to be issued by each WAEMU sovereign to help meet immediate funding needs related to the current pandemic. The amount of such special T-Bills issued by Benin amounted to 1.5 percent of GDP;
- Cut the ceiling and the floor of the monetary policy corridor by 50 basis points, to 4 and 2 percent respectively;

3. Policies to preserve financial stability:

- Extended by one year the five-year period initiated in 2018 for the transition to Basle II/III bank prudential requirements. In particular, the regulatory capital adequacy ratio will remain unchanged at end-2020 from its 2019 level of 9.5 percent, before gradually increasing to 11.5 percent by 2023 instead of 2022 initially planned;

4. Initiatives to support the enterprises affected by the crisis:

- Broadened the collateral framework to access central bank refinancing to include bank loans to prequalified 1,700 private companies;
- Set-up a framework inviting banks and microfinance institutions to accommodate demands from customers with COVID-19-related repayment difficulties to postpone for a 3-month renewable period up to end-2020 debt service falling due, without the need to classify such postponed claims as non-performing;
- Introduced various measures to promote the use of electronic payments.

Appendix I. Letter of Intent

THE MINISTER

Cotonou, December 10, 2020

TO

Madame Kristalina GEORGIEVA
Managing Director
International Monetary Fund
Washington, DC 20431, USA

Dear Madame Georgieva,

1. The Beninese authorities are grateful to the International Monetary Fund (IMF) for its support under the Extended Credit Facility (ECF) arrangement and, more recently, for the augmentation of access approved by the IMF Executive Board on May 15, 2020 at the time of the sixth and final review. The timely and swift increase of access to IMF financing has been crucial in mobilizing additional donor support and securing resources to scale up the health capacities and mitigate the socio-economic effects of the COVID-19 pandemic.

2. The COVID-19 pandemic has had a more severe impact on economic activity than anticipated. It has partially undermined the hard-won macroeconomic and social gains achieved over the past years and is jeopardizing the pursuit of the transformation of the Benin's economy under the Government Action Program (GAP). Compared with the ECF augmentation request in May, economic prospects have further deteriorated, and preliminary data indicate a significant impact of weak global demand, the domestic pandemic containment measures, and to some extent the closure of the border with Nigeria. Almost all economic sectors have been affected. In addition to a significant drop in tourism receipts and remittances, international trade and traffic activity in the port of Cotonou, one of the largest in West Africa, have significantly receded. All of this has led to the worsening of the fiscal and current account deficits. Real GDP growth is projected at 2 percent of GDP in 2020, against 6.9 percent in 2019, causing a significant welfare loss as per capita GDP is expected to decline by about 1 percent.

3. To contain the effects of the COVID-19 crisis, the government has initially rolled out an urgent response plan of CFAF 150 billion (1.7 percent of GDP) to scale up health sector capacities, protect the vulnerable households, and support the private sector. The program revolved around

three pillars: (i) public health measures to combat the pandemic and to support the health care system; (ii) measures to protect the most vulnerable segments of the population; and (iii) economic support and recovery measures directed at the affected businesses. These measures have helped to stave off the spread of the virus and prevented a recession. However, confronted with a larger-than-anticipated impact of the COVID-19 pandemic, the government has found it necessary to introduce additional measures and scale up the budget appropriations to the COVID-19 response plan. For example, the COVID-19 related health spending at end of September amounted to 0.7 percent of GDP, outpacing the envelope planned at the time of the sixth review. The amended response for 2020 has been revised upward to 3.7 percent of GDP. This includes the introduction of guarantee and interest subsidy mechanisms to catalyze bank lending to SMEs in the agricultural and non-agricultural sectors during these difficult times.

4. Furthermore, the COVID-19 crisis has underscored the need to accelerate the development agenda in order to address the large gaps in the social sector and inclusive infrastructure. To this end, the government has scaled up investment by about 0.6 percentage point of GDP in 2020 to support the nascent economic recovery and the timely achievement of the Sustainable Development Goals, and to foster the structural transformation of the economy.

- *Inclusive growth*. The government intends to continue its efforts to foster inclusive growth and achieve a significant reduction in the poverty rate. In particular, the government is planning to accelerate, with support of the World Bank, the implementation of the insurance component of the government social protection project (ARCH). The program will be extended to the entire population in 2021. Priorities include also the generalization of access to water, the extension of the school feeding programs, the promotion of girls' education, and the improvement of access to maternal health services.

- *Economic diversification*. In line with the medium-term development plan, the government strategy for 2020-21 focuses on four key areas: (i) the modernization of the traditional sectors such as the agriculture and the fishing industry, (ii) the development of tourism and digital sectors, (iii) investment in infrastructure such roads, ports, and energy, and (iv) investment in public education and professional training.

- *Private sector development*. The government is determined to continue its policy of support to the development of the private sector and will accelerate the ongoing reforms to tackle the barriers to doing business in the areas of (i) business creation; (ii) access to electricity and water; (iii) obtaining building permits; (iv) payment of taxes and fees; (v) cross-border trade; (vi) access to public contracts; (vii) transfer of property; and (viii) obtaining loans.

5. Given the larger-than-initially anticipated shortfall in tax revenue and the scaling up of the COVID-19 response, the fiscal deficit for 2020 has been revised upward to 5.1 percent of GDP (from 3.5 percent at the time of the sixth review). We have already started raising additional resources in the domestic market as well as from donors to finance the scaling up of the COVID-19 response. Compared to the sixth review, we anticipate an increase in domestic funding by 2.2 percent of GDP

as well as the mobilization of additional support, notably in the form of grants of 1.1 percent of GDP. Despite these additional resources, a financing gap of 1.1 percent of GDP will emerge in the final quarter of 2020. If it is not addressed, the end-year float would increase and carry over well into 2021, complicating cash management, increasing significantly the fiscal pressures and undermining the pace of recovery next year.

6. The government remains committed to maintaining fiscal sustainability and preserving fiscal discipline. The quality of our economic and public sector management has translated into a higher CPIA rating for Benin and we are committed to maintain and improve our performance. In this regard, the 2020 Supplementary Budget Law adopted in October 2020 by the National Assembly takes into account the impact of the crisis on government revenue and ensures a proper budgeting of the additional spending measures. We aim at bringing back the budget deficit within the WAEMU convergence criteria of 3 percent of GDP by 2022, as the crisis abates. To this effect, we have submitted to the National Assembly a draft budget law for 2021 that targets a deficit of 4.5 percent of GDP.

7. Against this background, and given the urgent fiscal and balance of payments needs, the government of Benin requests an additional emergency financing from the IMF under the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI) in the total amount of SDR 123.8 million, equivalent to 100 percent of our quota to cover the balance of payments financing needs arising from the COVID-19 response plan. We are committed to using the additional IMF financing for the sole purpose of responding to the health and economic crisis. We do not intend to introduce or intensify exchange and trade restrictions and other measures or policies that would compound Benin's balance of payments difficulties. With respect to the safeguards assessment, we note that the latest safeguards assessment of the BCEAO was completed in 2018.

8. We reiterate our firm commitment to an effective and transparent implementation of the COVID-19 related spending. In line with our commitments at the time of the ECF augmentation, we have published the list of the major contracts awarded in the context of the fight against the pandemic. We have also published the key information on these contracts, including the beneficial owners of awarded companies , as well as the validation of delivery. We will continue to make sure that spending is properly budgeted and that its execution is in line with the international rules of fiscal credibility and transparency. In this context, we are committed to (i) publishing online on a monthly basis the procurement documents and key contract information relating to the major projects implemented under the response plan, indicating the amounts and the names of the beneficial owners of the awarded companies, as well as the validation of delivery, (ii) ensuring that adequate expenditure controls are in place; (iii) ensuring that the execution of expenditure related to COVID-19 is officially accounted for through monthly budget execution reports that will be published online. In addition, we will entrust the Accounting Chamber (*Cour des comptes*) with the audit of the use and effectiveness of the funds committed. This audit will be published by the Accounting Chamber by end-June 2021 and made available on its internet website.

9. We are firmly committed to advance domestic revenue mobilization and to avoid any tax measure that could reduce tax revenue. We will also continue our efforts to strengthen fiscal transparency and public financial management practices. In this regard, we have prepared a

memorandum of understanding (MOU) to clarify the timeline for the implementation of the government support to credit, as well as the nature of the financial relations between the government and the public entities in charge of its implementation (National Fund for the Agricultural Development and the National Fund for Microfinance). We plan to finalize, with the support of the IMF technical assistance, the Fiscal Transparency Evaluation (FTE) initiated in February 2020 and conduct a comprehensive assessment of fiscal risks by end of June 2021. Finally, we will publish by the end of 2020 the legal framework of the management of public investment as well as the most recent medium-term public investment program.

10. In order to implement these priorities and support its credibility in the international community, Benin intends to maintain its productive relationship with its development partners. To this end, we are planning to maintain our close engagement with the Fund, to support Benin's strategy to promote growth through structural investments in human capital and infrastructure.

11. We authorize the Fund to publish this Letter of Intent and the Staff Report for the request for a disbursement under the RCF/RFI.

Sincerely yours,

/s/

Romuald WADAGNI

Minister of Economy and Finance