Benin: Selected Issues and Statistical Appendix

This Selected Issues paper and Statistical Appendix for **Benin** was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on **September 7, 2004.** The views expressed in this document are those of the staff team and do not necessarily reflect the views of the government of Benin or the Executive Board of the IMF.

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INTERNATIONAL MONETARY FUND

BENIN

Selected Issues and Statistical Appendix

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Approved by African Department

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Contents   Page

Selected Issues

Figures

Text Tables

Statistical Appendix Tables

I. SOURCES OF ECONOMIC GROWTH IN BENIN[1]

A. Background

1.   Benin has had a mixed record of economic growth since 1970: during 1970-79, growth averaged 2.9 percent a year (about the same average rate as other sub-Saharan countries), but was substantially volatile (with a standard deviation of 4.3). The period was characterized by the introduction of central economic planning under a Marxist and military regime. All banks and major industries were nationalized and new public enterprises were set up in most sectors of the economy. Economic growth during that period suffered from the oil crisis, but benefited from heavy public investment program and a strong demand in neighboring countries.[2]

2.   During the 1980s, economic growth averaged 2 percent. This low performance reflected faltering overall economic activity, operating difficulties of public enterprises, declining world commodity prices, and weak fiscal performance. The deterioration in economic growth, together with mismanagement and bad lending policies, culminated in the collapse of the banking system in 1988 and in the building of government arrears, including on wages and salaries for civil servants.

Figure 1. Benin: Real GDP Growth, 1970-2003
(In average annual changes in percent)

3.   In 1989, the country embarked on a new development strategy, changing the orientation of the economy away from the heavy government intervention and controls and emphasizing the central role of the private sector, the return to fiscal discipline, and the rehabilitation of the banking system. The fiscal adjustment and structural reforms implemented during 1989-93 laid the foundations for a sustained private-sector-led-growth; at the same time, a multiparty democracy was established.

4.   Since 1994, sound macroeconomic policies, together with the devaluation of the CFA franc in January 1994 and the implementation of structural reforms, helped Benin achieve a growth rate averaging about 5 percent a year during the period 1994-2003.

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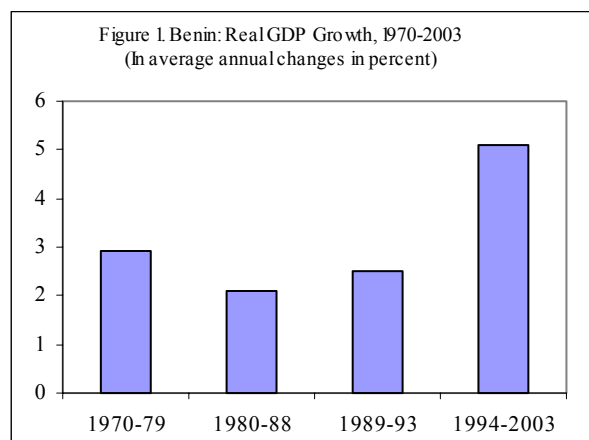
[1] Prepared by Fabien Nsengiyumva
[2] Large projects that were undertaken included the creation of a cement production plant, the planting and processing of sugarcane, the exploitation and refining of offshore oil, and the doubling of capacity at the port of Cotonou.

5.   The structure of Benin's economy has changed only slightly over the period 1970-2003. Available data (see Table I.1) indicate that, although the tertiary sector remains dominant, particularly due to the importance of Benin's trade with Nigeria, its share in nominal GDP has declined from 53 percent during the 1970s to 50 percent over the last ten years, while that of the primary sector has increased in parallel, from 34 percent to 36 percent. The growth of the primary subsector is partly explained by the strong increase in cotton production, which averaged 11 percent per year during 1990-2003. Over the period 1994-2003, growth has derived for 41 percent from the primary sector and for 45 percent from the tertiary sector. The share of the secondary sector has remained small. This sector consists largely of cotton ginning and small enterprises producing basic consumer goods for the local market.

B. Growth Accounting

Basic framework

6.   The growth accounting technique aims at allocating output growth between factor inputs and a residual, which measures the efficiency in the use of those inputs and changes in technology.[3] The growth accounting technique starts with an aggregate production function, which typically is specified as:

$$Y_t = A_t \, K_t^{\alpha} \, L_t^{\beta} \tag{1}$$

where Y is output, K represents physical capital, L is labor, A is the level of technology (also referred to as total factor productivity or simply TFP), t is a time subscript, and α and β are output elasticities with respect to capital and labor, respectively. By taking natural logs and differentiating, we obtain an exact decomposition of growth in real output (gy) into the growth rate of the TFP (gf) and the contribution of physical capital (α.gk) and labor (β.gl):

$$\ln Y_t - \ln Y_{(t-1)} = \ln A_t - Ln\ A_{(t-1)} + \alpha\ [\ln K_t - \ln K_{(t-1)}] + \beta\ [\ln L_t - \ln L_{(t-1)}]$$
or,
$$gy_t = gf_t + \alpha\ .gk_t + \beta.\ gl_t \tag{2}$$

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[3] The technique has received considerable attention for East Asian countries, for which it has been used to explain differences in growth rates across countries. The debate has centered on whether the East Asian miracle was driven primarily by factor accumulation (capital and labor) or total factor productivity (TFP) (see Collins and Bosworth (1996), Krugman (1994), and Sarrel (1997)). More recently, a number of papers have used the technique on sub-Saharan countries. The main results of these studies are summarized in Tahari A. and others (2004). These authors concluded, from their own estimates, that the average real GDP growth in the region during 1960-2002 was driven primarily by factor accumulation with little or no role for TFP, and that the recent increase in growth (during 1997-2002, relative to 1990-96) was accompanied by a pickup in TFP growth, particularly in countries whose programs with the Fund were on track.

with low-case characters representing variables in natural logarithms and a "g" in front of a variable standing for the change in the natural logarithm of the variable (and thus the growth rate of the variable). The decomposition in equation (2) indicates that if we have a good idea about the magnitude of the two output elasticities (α and ß) and the growth rate of the two inputs, we can then derive the growth rate of total factor productivity (gf) and the proportion of the growth of output that is generated by each of the three components on the right side of the equation (2).

7.   According to Bosworth and Collins (2003), growth accounting is subject to three weaknesses. First, the residual considered as total factor productivity can reflect a variety of determinants, in addition to technological innovation, that influence growth but that were not accounted for by the measured increases in factor inputs.[4] Second, the decomposition is sensitive to underlying assumptions about the nature of the production process and/or to measures of changes in output and the inputs. Finally, an accounting decomposition cannot determine the fundamental causes of growth. Despite these limitations, many authors still consider the growth accounting exercise as a useful tool to identify the sources of growth.

Estimating the two output elasticities

8.   In order to determine the output elasticity with respect to each of the two factors of production, we estimate the production function, using the Johansen multivariate cointegration procedure to the series of output, capital, and labor force over the period 1970-2003.[5] The series for the stock of capital was constructed using the perpetual inventory method and assuming a constant depreciation rate of 5 percent and a capital-output ratio of 1.5 in the initial year (1970), in line with assumptions taken by other studies on similar countries. Active population (age 15 and up) was used as a proxy for total labor force. The finding of cointegration would imply the existence of a stable, long-run relationship among the three series. To determine the order of integration of the data series, we use the augmented-Dickey-Fuller (ADF) test on the level of variables as well as on their first differences, both with a constant and/or a deterministic trend. The output and labor force series were found to be nonstationary. Once expressed in first differences, they were found to be stationary, which is an indication that they are both integrated of order 1. In contrast, the series for physical capital was found to be of order 2. Given that the Johansen methodology allows different levels of integration, we assumed all the three series to be cointegrated, and this conjecture was later confirmed through the multivariate cointegration analysis.

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[4] These could include political disturbances, external shocks, institutional changes, and errors in measuring factors of production.

[5] Data on investment in real terms were obtained from the World Economic Outlook (WEO) database for the period 1981-2000. Those for the period 1970-80 were estimated from the WEO data in nominal terms (in the absence of a series in real terms for the period), using the GDP deflator. Data for population of age 15 and up were obtained from World Development Indicators (World Bank). Due to lack of information on education attainment, no adjustment for labor quality was introduced.

9.   The estimation derived the following long-run relationship between output, capital, and labor:

$$y \ = \ 0.50\,k \ + \ 0.47\,l \tag{3}$$

The hypothesis of constant returns to scale (the sum of the two elasticities equal to one) was also tested and could not be rejected. No serious misspecification was detected. However, the estimated speed of adjustment to the long-run equilibrium relationship was found to be negative but very low (7 percent), suggesting a slow adjustment mechanism to any temporary disequilibrium. The estimated output elasticity with respect to physical capital (0.5) is higher than in most studies on low-income countries, which generally ranges from 0.3 to 0.4. This may be due to particular features of the Beninese economy, but also to the low quality of the data used in our estimation.

Sources of growth

10.   Using the value of the two elasticities derived from the estimated long run production function, we conducted a growth accounting exercise over four distinct subperiods: (i) 1970-79, the initial period of centrally planned economy; (ii) 1980-88, a period of mounting crisis of the centrally-planned economic regime; (iii) 1989-93, a period of economic liberalization accompanied by far-reaching structural reforms; and (iv) 1994-2003, which was characterized by higher economic growth, fiscal consolidation, and the continuation of structural reforms.

11.   The results obtained show that, during the 1970s, physical capital accounted for more than half of the overall output growth of 2.9 percent in average (see Table II.2). The contribution of total factor productivity was negative (-0.7) but was characterized by considerable volatility around this average (with a standard deviation of 4.5), reflecting the large variations in the level of real GDP growth. The results also indicate that the slowdown in economic growth experienced in the 1980s was accompanied by a negative contribution of total factor productivity (-0.8). In contrast, the substantial increase in real GDP growth during 1994-2003 was the result of (i) a larger contribution from capital accumulation, reflecting increased private and public investment; and (ii) a positive contribution of total factor productivity, generated by gains in increased efficiency of the factors of production. The turnaround in TFP performance in the recent period could reflect, in large part, progress achieved in implementing structural reforms and could be considered as the growth payoff to the policy changes initiated since the early 1990s. These policies emphasized the reduction of the role and size of the public sector, the elimination of price distortions, the return to fiscal discipline, and the central role of the private sector in economic activity.

12.   The sensitivity of these results to the value of the capital-output elasticity was evaluated, using a value of 0.35 for α (instead of the estimated value of 0.5), corresponding to the mid-value of the range of elasticities generally used in many other studies for low-

income countries and assuming constant returns to scale.[6] Table I.3 indicates that, qualitatively, the growth accounting exercise reaches the same conclusions. However, we could have underestimated the contribution of total factor productivity in recent years, had the output elasticity been lower than the estimated value (0.5).

C. Conclusion

13.   Two conclusions may be drawn in light of the above presentation. First, poor economic policies (through their effect on total factor productivity and capital accumulation) hurt Benin's economic growth during the 1970s and the 1980s. Policies implemented since the early 1990s paved the way for higher growth rate by raising total factor productivity as well as capital accumulation. Second, to reach their objective of a higher and sustained growth rate and reduce poverty, the authorities should (i) accelerate the implementation of structural reforms, as they would be key to raising the efficiency of the economy and the accumulation of factors of production; (ii) encourage private investment, in particular through improved governance and transparency, as it would increase the stock of capital and generate technological spillover effects that could help improve total factor productivity; and (iii) boost the quality of labor through implementation of human capital development programs and increased social expenditures.

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[6] This value for the elasticity of output to capital has been widely used in other studies on developing countries (see for example B. Bosworth and B. M. Collins (2003)).

Table I.1. Decomposition of Benin Growth by Sector During 1970-2003 1/

	1970-80 2/	1981-85 2/	1986-1993	1994-2003
1. Sectoral shares in nominal GDP (in percent)				
Primary sector	33.7	33.1	35.1	36.2
Of which				
Agriculture	---	---	25.7	28.2
Secondary sector	13.8	14.0	13.1	14.2
Tertiary sector	52.5	52.0	51.8	49.6
Commerce	---	---	16.6	18.3
Transport and other services	---	---	8.0	7.7
Public administration	---	---	10.3	6.7
Other services	---	---	16.9	17.0
2. Average real growth per annum				
Primary sector	2.3	5.0	4.5	5.8
Of which				
Agriculture	---	---	5.3	6.6
Secondary sector	2.1	1.2	1.5	5.1
Tertiary sector	3.5	1.5	1.3	4.6
Commerce	---	---	1.6	4.4
Transport and other services	---	---	-1.7	5.1
Public administration	---	---	-0.7	3.5
Other services	---	---	2.6	5.2
GDP at market prices	2.9	2.6	2.5	5.1
3. Sectoral contribution to real GDP growth (in percentage points)				
Primary sector	0.8	1.7	1.6	2.1
Of which				
Agriculture	---	---	1.5	2.2
Secondary sector	0.3	0.2	0.2	0.7
Tertiary sector	1.8	0.8	0.7	2.3
Commerce	---	---	0.3	0.8
Transport and other services	---	---	-0.1	0.4
Public administration	---	---	-0.1	0.2
Other services	---	---	0.4	0.9
GDP at market prices	2.9	2.6	2.5	5.1

1/ EDSS data for the period 1971-85 and desk data for the period 1986-2003
2/ Data on subsectoral value-added are not available for the period 1970-85.

Table I.2. Benin: Sources of Economic Growth During 1970-2003								
With α = 0.5								
	1970-79		1980-88		1989-93		1994-2003	
	Mean	St. dev.	Mean	St. dev.	Mean	St. dev.	Mean	St. dev.
Real GDP growth	2.9	4.3	2.1	3.3	2.5	3.0	5.1	0.6
Contribution of physical capital 1/	2.3	0.8	1.7	1.5	0.9	0.3	2.3	0.4
Contribution of labor force 1/	1.3	0.4	1.3	0.1	1.5	0.1	1.7	0.0
Contribution of total factor productivity 1/	-0.7	4.5	-0.8	3.7	0.0	2.7	1.0	0.6

1/ Percentage points.

Table I.3. Benin: Sources of Economic Growth During 1970-2003								
With α = 0.35								
	1970-79		1980-88		1989-93		1994-2003	
	Mean	St. dev.	Mean	St. dev.	Mean	St. dev.	Mean	St. dev.
Real GDP growth	2.9	4.3	2.1	3.3	2.5	3.0	5.1	0.6
Contribution of physical capital 1/	1.6	0.6	1.1	1.1	0.7	0.2	1.6	0.3
Contribution of labor force 1/	1.7	0.5	1.7	0.2	2.0	0.2	2.2	0.1
Contribution of total factor productivity 1/	-0.4	4.5	-0.7	3.5	-0.2	2.8	1.2	0.5

1/ In percentage points.

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II. THE COTTON SECTOR REFORM IN BENIN AND THE SUBSIDIES BY MAJOR PRODUCING COUNTRIES[7]

14.   The production and export of cotton play a pivotal role in the economy of Benin. Cotton exports constitute on average about three quarters of total annual merchandise exports, and contribute around 7 percent to GDP. An estimated 2 million persons, on a total population of 7 million, depend on the cotton sector for their livelihood. It is by far the most important crop in Benin that is grown and exported on a commercial basis; other crops are produced as subsistence crops or for sale on local markets.

15.   In light of the economic and social importance of the sector, the government has engaged in the last 15 years in a far-reaching reform program, aimed at reducing inefficiencies in the sector so as to enhance cotton production and improve the producers' share in export revenue. In parallel, on the international scene, Benin has recently taken the initiative in the framework of the World Trade Organization (WTO)—together with Burkina Faso, Mali, and Chad—to call for the elimination of subsidies by the world's major cotton-producing countries, as these have been a major source of downward pressure on world prices.[8]

16.   The following sections review the cotton sector reforms and their impact, and give a brief overview of the support mechanisms in major producing countries and their implications for Benin.

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[7] Prepared by Richard Harmsen.

[8] Benin co-sponsored the "Sectoral Initiative in Favor of Cotton" in the current round of WTO multilateral negotiations which was tabled at the WTO Ministerial Conference in Cancun in September 2003. The initiative called for (i) the phasing out of support for cotton production by developed countries, with a view to its total elimination; and (ii) financial compensation for cotton producing LDCs to offset their loss of revenue until support for cotton production has been completely phased out. On July 31, 2004, the General Council of the World Trade Organization (WTO) adopted a decision on the framework for further negotiations in the context of the Doha Round of multilateral trade liberalization. As regards agricultural trade, the decision calls for the elimination of export subsidies, to be implemented by a date that has yet to be agreed. There is also broad agreement on the reduction of trade-distorting domestic support measures for agricultural production, which will need to be specified in future negotiations. A WTO subcommittee on cotton will be established to discuss issues relating to market access, domestic support, and export competition in the cotton sector.

A. The Cotton Sector Reform in Benin

Major phases of the reform

17.   As in other countries in West Africa, the cotton sector in Benin was initially dominated by a state-owned enterprise (SONAPRA), which was responsible for all the major operations in the sector, including the provision import and distribution of inputs to farmers, the purchasing and ginning of cotton lint, and the international marketing of cotton fiber. Domestic producer prices were set by the government. At the end of the 1980s, the government embarked on reforms aimed at modernizing the sector, from a monopolistic and centrally administered system to a more competitive cotton sector. The reform was supported by the World Bank and the French Cooperation.

18.   From 1989 to 1992, some initial efforts were made to improve efficiency within the sector, reduce processing costs, and improve export marketing procedures. In addition to improving the efficiency of SONAPRA, the reforms strengthened producer organizations at the district and regional levels, and improved cotton sector research to introduce higher yielding varieties.

19.   In a second phase of the reform, which started in 1992/93, some key functions operated by SONAPRA were transferred to the private sector. In 1992/93, the transport of seed cotton was privatized, and input importation and distribution were partially transferred to the private sector. In 1995, the government granted licenses to three private companies to gin cotton and export their production; five additional licenses were granted in 1997/98.

20.   In a third phase, which started in 2000, the authorities abolished SONAPRA's seed cotton marketing monopoly, transferred the input supply management to the private sector, and discontinued setting mandatory domestic producer prices.[9] SONAPRA's central role in the sale and delivery of cotton lint to the ginners and the management of the financial flows within the sector were transferred in 2000 to a new body (*Centrale de Sécurisation des Paiements et de Recouvrement*–CSPR), established by the AIC. At the same time, the producer-owned cooperative *Coopérative d'Approvisionnement et de Gestion des Intrants Agricoles* (CAGIA) assumed SONAPRA's role of organizing the procurement of inputs by selecting input distributors through a bidding process. Starting in 2001, the producer price has been freely negotiated between ginners and producer organizations.

21.   In parallel, a strategy for the privatization of SONAPRA's ginning plants was adopted by the government in May 2002; at that time, the private sector controlled about 50 percent of the installed ginning capacity in Benin. In 2003, the authorities, in cooperation

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[9] To that effect, an apex organization (*Association Interprofessionelle de Coton* - AIC) was created at end-1999 to coordinate the stakeholders of the sector (producer organizations, ginners private and SONAPRA, and input importers and distributors).

with the World Bank, recruited an investment bank to help carry out the privatization in full transparency. The privatization process, however, incurred delays and it had not been finalized by mid-June 2004 as scheduled.

22.   Overall, Benin's reform process is the most advanced in the region. Benin has moved away from the integrated state monopoly; private companies account for half of the ginning capacity; and the privatization of SONAPRA, which accounts for the rest, is under way; prices and marketing decisions are negotiated among stakeholders; and the import of inputs are subject to a competitive bidding process.

Reform Summary, 1992-2002	
1992-93	-The transport of seed cotton is subcontracted by SONAPRA to private firms - Private firms can bid for seasonal contracts to provide inputs
1995	The governement grants licenses to three private enterprises to gin cotton and export their production
1997-98	Five additional ginning companies obtain licenses
2000	The CSPR is created by sector participants to take over the primary marketing of seed cotton from SONAPRA, bringing to an end SONAPRA's monopsony
2000-01	End of the monopsony of SONAPRA
2001-02	- The CSPR is solely responsible for input recovery, seed collection, and price determination - Input supply management is transferred to the private sector - Discontinuation of the government's policy of mandatory setting of producer prices.
2002	A strategy for the privatization of SONAPRA is adopted

Difficulties with the reform program

23.   While Benin is well advanced in reforming the cotton sector, the reform process has been affected by various setbacks:

- The accumulation of payments arrears by some ginners in 2001. In order to avoid the recurrence of such problems, the CSPR prohibited ginning companies in arrears from making further purchases of seed cotton and required a downpayment from ginning companies, equivalent to 40 percent of their seed cotton allocation before the beginning of the harvest.

- Irregularities in the provision of inputs. In the last two campaigns, large quantities of inputs were sold outside the competitive bidding process established in the context of the reform. As the inputs did not meet the quality requirements, crop yields suffered; furthermore, the CSPR experienced cash flow problems, resulting in late payments to farmers.

- Dissatisfaction among farmers with the management of some producers' organizations. This has led to the establishment of new organizations and financial imbalances for the existing ones.

- Quota system for ginners. The total annual production capacity of ginners is sizably higher than the level of annual production. To ensure minimum capacity utilization for every ginner, the system of annual cotton seed quotas (proportional to existing installed capacity) has been kept, which prohibits competition among ginners.

24.   The authorities have decided to take action to strengthen the institutions established during the reform process and avoid the recurrence of a parallel circuit for input provision; measures to that effect have been devised with the support of the World Bank, including the adoption, before the start of the 2004/05 harvest season, of a regulatory framework defining the role and responsibilities of the government and the stakeholders. This regulatory framework will establish sanctions against those who operate outside the normal procedure; the absence of such sanctions was viewed as a root cause of the recent disturbances.

25.   However, the next step of the reform—the establishment of a competitive system of contract farming that would allow for decentralized pricing, eliminate the administrative allocation of seed cotton, and encourage competition among ginning companies—still needs to be defined. In the meantime, the authorities are reinforcing the institutional, technical, and commercial capacities of producers with the assistance of the World Bank under the Cotton Sector Reform Project (which started in 2002).

Impact of the reform on production and producer prices

26.   There is no clear impact of the reform on production and producer prices
(Table II.1).[10] Cotton production increased rapidly during the first phase of the reform, more
than trebling from 1990 to 1996; since then, however, production has stagnated.[11] The
producers' share of export revenues, which hovered around 53 percent in the early 1990s,
sharply declined to only 25 percent in 1994, following the devaluation, as the increase in
export prices (in local currency terms) was not fully reflected in domestic prices. In the
following years, the position of the farmers improved, with their share reaching 68 percent in
1999. Since then, however, the domestic share declined, to only 50 percent in 2004—close to
their share in the early 1990s.[12]

B. Subsidies by Major Producing Countries and its Impact on Benin

27.   The prospects for growth of farmer's incomes and rural poverty reduction in Benin
are also affected by developments in the international markets. International cotton prices
and trade are strongly influenced by domestic subsidy schemes and trade restrictions,
including direct producer payments, price supports, export subsidies, import tariffs, and the
preferential import arrangements under the WTO Agreement on Textiles and Clothing. These
subsidies and restrictions reduce world market prices for cotton below the levels that would
prevail in a liberalized environment. In this section, we will review the geographical structure
of world cotton production, the subsidy systems in the United States, the European Union,
and China, and their impact on international prices and on Benin producers.[13]

World cotton production and trade

28.   Table II.2 shows the geographical structure of production, exports, and imports of
cotton fiber in recent years. The largest producers are China, the United States, India,
Pakistan, and Uzbekistan, which together generate more than two-thirds of the volume of
world production. Among these five countries, three countries (China, India, and Pakistan)
have a level of domestic consumption exceeding their domestic consumption. Among the
group of large producers, only the United States and Uzbekistan are sizable net exporters.

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[10] The poverty and social impact analysis (PSIA) of cotton sector reforms, which the
authorities are currently preparing with the assistance of the World Bank, is expected to
provide an analysis of the impact of the reforms later this year.
[11] Cotton production increased by 23 percent in 2002 owing, in particular, to favorable
weather and the higher producer prices during 2001 and 2002.
[12] Domestic costs, other than the price paid to producers, comprise inputs, extension service,
ginning costs, and transportation and insurance.
[13] For a recent comprehensive study of the world cotton market, see John Baffes, *Cotton:
Market Setting, Trade Policies, and Issues*, World Bank Policy Research Working Paper
3218, Washington 2004.

Cotton production in the European Union is relatively small (less than 3 percent of world production) and confined to three countries: Greece, Spain, and Portugal. Benin's production represents less than 1 percent of the volume of world production.

Subsidies in the major cotton-producing countries

29.   The level of assistance to cotton production in major producing countries is monitored by the International Cotton Advisory Committee (ICAC). According to this institution, direct support to cotton production (estimated at US$4.5 billion in 2002) exists in the United States, the European Union, China, Turkey, Brazil, Mexico, and Egypt. In addition, several countries apply import restrictions in the form of import tariffs and quotas.

30.   Financial support to the cotton sector in the **United States** is specified in the 2002 Farm Bill, which provides for agricultural support mechanisms for the period 2002-08. The support mechanisms for cotton production include the following:

- Direct payments. There are direct payments to producers of US$0.0667 per pound of upland cotton, on the basis of specified payment yields and base acres.

- Minimum support price. The bill specifies a target price for upland cotton of US$0.7240 per pound. If national market prices are below the target price, payments are made to cover the difference (so-called counter-cyclical payments, which have been made permanent in the 2002 bill).

- Marketing assistance loans. The government provides to cotton growers interest-bearing short-term market assistance loans related to the volume of production at a rate of US$0.52 per pound. Repayment of a market assistance loan for upland cotton will be effected at a lower rate to the extent that the world market price for cotton is below US$0.52 per pound. In case the producer has not chosen to contract a market assistance loan, he is entitled to a *loan deficiency payment* related to the volume of production, based on the difference between US$0.52 per pound and the world market price.

- Subsidies to exporters and domestic users. If domestic cotton prices exceed world market prices (as specified in the bill), the government pays to exporters and domestic users a subsidy related to the volume of their purchases, based on the difference between the domestic and world market prices.

- Import tariffs and quotas. Finally, the United States maintains a system of tariffs and tariff quotas on the importation of cotton.

31.   The inclusion of cotton in the Common Agricultural Policy (CAP) of the **European Union** dates from 1981, the year of accession of Greece to the European Community. The current regime is based on a *minimal price* per ton for producers and a *guide price* for ginners. The ginners, who pay the minimal price to producers, receive payments based on the volume of production and the difference between the guide price and world market prices.

Since 1995/96, the guide price has been fixed at 1,063 euro per ton, and the minimal price for producers at 1,009.90 euro per ton.[14] Total payments are subject to a ceiling for each member state (the National Guaranteed Quantity), which is equivalent to 782,000 tons of cotton lint for Greece, 249,000 tons for Spain, and 1,500 tons for other countries. In case of excess production at the country level, penalties in the form of reductions in subsidies apply. There are no other support mechanisms for the cotton sector under the CAP. Imports of cotton lint are not subject to tariff or nontariff barriers.

32.   In April 2004, the European Union adopted reforms of the cotton support mechanism in the context of a wider reform plan affecting olive oil, tobacco, and sugar proposed by the European Commission in 2003.[15] The reform emphasizes support to producer incomes rather than product support through the transfer of 65 percent of the current production-related payments (measured on the basis of a reference period) to the single farm payment scheme, starting in 2006. Under this scheme, producers would have more flexibility in the choice of crops. The remaining 35 percent would be transformed in acreage-base payments.

33.   Detailed information on support mechanisms in **China** is not readily available, and existing studies on China's regime reach contradictory conclusions. The ICAC estimated total government support at between $0.8 billion and $2.6 billion during the period 1998-2003, through support prices, export subsidies, and import tariffs.[16] Cheng and Beghin (2003), however, came to the conclusion that China taxed its cotton sector on a net basis by 20 percent during 1997-2000.[17]

The impact of the subsidies on world market prices.

34.   Several studies have assessed the effects of support mechanisms and trade restrictions on world market prices. Although the outcomes vary widely, the studies confirm that the impact of the distorting measures on prices is significant. The Food and Agricultural Policy Research Institute (FAPRI) estimated that the removal of producer subsidies and import barriers would generate the largest gains in exports in Africa: over a ten-year period, exports would be higher than in the baseline scenario by 12.6 percent.[18] Other recent research in this

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[14] This is equivalent to $0.55 per pound at an exchange rate of $1.20 per euro.

[15] See Commission of the European Communities, 2003, *Communication from the Commission to the Council and the European Parliament*, (COM) 2003, 554 final, Brussels.

[16] See International Cotton Advisory Committee, *Production and Trade Policies Affecting the Cotton Industry* , Washington, D.C., 2003.

[17] See Cheng Fang and John Beghin, 2003, *Protection and Comparative Advantage of Chinese Agriculture: Implications for Regional and National Specialization*, in D. Sumner and S. Rozelle, *Agricultural Trade and Policy in China: Issues, Analysis and Implications* (Aldershot).

[18] See Food and Agricultural Policy Research Institute, 2002, *The Doha Round of the World Trade Organization: Liberalization of Agricultural Markets and its Impact on Developing Economies*.

area includes work by the ICAC, Derek Quirk, and Stephen Tokarick.[19] Reflecting the differences in assumptions, periods covered and model specifications, their conclusions differ: Tokarick estimates a price impact of 2.8 percent, Quirke 10.7 percent, and the ICAC a range of 30 percent to 70 percent.[20]

35.	Elimination of the subsidies in the world's major cotton-producing countries would significantly help reduce poverty in Benin, where the cotton sector is the major contributor to the livelihood of one-fourth of the population. The increase in world cotton price would improve the revenue of the farmers by about 20 percent—assuming it is entirely reflecting in a similar increase in the producer price. The result is based on FAPRI study, as it represents a mid-range of estimates. In view of the large differences among the different studies, however, the result should be viewed as preliminary and indicative only.

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[19] See Derek Quirck, 2002 *Trade Distortions and Cotton Markets: Implications for Global Cotton Producers*, Canberra, and Stephen Tokarick (2000), *Measuring the Impact of Distortions in Agricultural Trade in Partial and General Equilibrium*, IMF Working Paper WP/03/110, 2003.

[20] The ICAC emphasizes that the study may overestimate the price effects of removing subsidies, because second-round effects of higher prices (including, for instance, effects on demand for cotton products) are not taken into account.

Table II.1. Benin - Cotton Prices and Production, 1990-2004

Year	Annual Cotton Production 1/			Average Annual Cotton Prices			Farm Gate Prices in Percent of World Prices 5/
	Lint	Fibre	Grain	Lint 2/	Fibre 3/	Grain 4/	
	(In thousands of metric tons)			(In CFAF per kilogramme)			
1990	105	43	60	95	496	35	43
1991	146	59	82	100	478	33	47
1992	177	75	95	100	338	27	63
1993	162	69	89	100	362	31	58
1994	278	116	153	110	976	46	25
1995	266	111	148	140	1,082	34	30
1996	349	143	195	165	908	35	42
1997	349	141	195	200	1,020	35	46
1998	359	151	196	200	852	66	51
1999	335	140	183	225	721	50	68
2000	363	155	197	185	927	33	45
2001	338	144	184	200	776	37	57
2002	415	173	226	200	711	40	63
2003	338	144	182	180	813	43	49
2004	333	140	177	190	853	35	50

Sources: AIC; SONAPRA; and International Financial Statistics

1/ For the crop season ending in the indicated years.
2/ Farm gate price in CFAF per kilo of unginned cotton. The prices quoted are net of contributions to the financing of extension services. In 2003-04, payments for extension services were CFAF 15 per kilo.
3/ Index A: Liverpool prices for delivery at European ports (c.i.f).
4/ Domestic and foreign sales prices as recorded by SONAPRA.
5/ Net receipts by farmers in percent of total revenue from exports and domestic sales of fibre and grain.

Table II.2. Cotton Fiber: World Production, Exports, and Imports, 2001-2003

	2001	2002	2003	2001	2002	2003
	(In thousands of metric tons; year ending July 31)			As a share of the total		
Production						
China	4,420	5,320	4,920	22.7	24.7	25.5
US	3,742	4,420	3,747	19.2	20.5	19.5
India	2,380	2,686	2,313	12.2	12.5	12.0
Pakistan	1,816	1,802	1,736	9.3	8.4	9.0
Uzbekistan	975	1,055	1,022	5.0	4.9	5.3
West Africa	1,039	952	967	5.3	4.4	5.0
European Union	519	517	477	2.7	2.4	2.5
Other	4,569	4,761	4,077	23.5	22.1	21.2
Total	19,460	21,513	19,259	100.0	100.0	100.0
Exports						
US	1,472	2,395	2,591	22.8	36.2	37.4
Uzbekistan	800	810	798	12.4	12.2	11.5
West Africa 1/	675	788	793	10.4	11.9	11.4
Australia	849	662	595	13.1	10.0	8.6
Syria	212	180	120	3.3	2.7	1.7
Tajikistan	110	119	140	1.7	1.8	2.0
Other	2,352	1,664	1,895	36.4	25.1	27.3
Total	6,470	6,618	6,932	100.0	100.0	100.0
Imports						
China	306	203	605	5.3	3.3	9.2
Indonesia	520	550	500	9.0	8.9	7.6
Turkey	285	500	493	5.0	8.1	7.5
India	340	450	467	5.9	7.3	7.1
Mexico	473	383	434	8.2	6.2	6.6
Thailand	360	387	410	6.3	6.3	6.2
Other	3,462	3,681	3,669	60.3	59.8	55.8
Total	5,746	6,154	6,578	100.0	100.0	100.0

Source: ICAC, IMF staff estimates

1/ Benin, Burkina Faso, Cameroon, Chad, Côte d'Ivoire, Mali, Togo.

III. THE MICROFINANCE SECTOR IN BENIN[21]

A. Size and Penetration of the Microfinance Sector

36.   Microfinance institutions in Benin date back to the 1970s when the state-owned agricultural bank established a rural credit union network. After the collapse of the banking system at the end of the 980s, which led to the liquidation of the agricultural bank, the rural credit network was reorganized under an umbrella organization (*Fédération des Caisses d'Epargne et de Crédit Agricole Mutuel*—FECECAM), which to date remains the largest microfinance network in Benin. In parallel, new microfinance institutions were established during the 1990s.

37.   **The microfinance sector in Benin has reached a significant size as a result of a steady growth during the last decade** (Figure III.1 and Table III.1). Total deposits collected by the formal microfinance institutions reached the equivalent of 1.8 percent of GDP and 9 percent of commercial bank deposits at end- 2003 (from about 0.7 percent of GDP and 3 percent of bank deposits in 1993). Likewise, total credit extended by the formal microfinance system stood at the equivalent of 3.3 percent of GDP percent and 22.2 percent of commercial bank credits at end-2003 (from only 0.3 percent of GDP and 6 percent of bank credits in 1993).

38.   **The sector suffered from the deterioration of the financial situation of the FECECAM during 1998-2001, but it has recovered since then**. The FECECAM experienced financial and governance problems in 1998, due to a worsening credit portfolio and weak loan repayments. A rehabilitation program started to be implemented in 1999. The program—which called for a restructuring of the network, the strengthening of internal controls, and improvements in the financial health of the network, including through a temporary freeze on the extension of new credits—has been implemented successfully, allowing the credit activity to resume.[22] As a result, the growth in microfinance deposits and credits, which came to a halt in 1999-2001, resumed subsequently (Figure III.1).[23]

39.   **Microfinance institutions (MFIs) have a significant penetration in the Beninese population.** Total membership of the microfinance institutions at end-2003 amounted to 8 percent of the total population. Moreover, microfinance institutions are widely spread over Benin's territory, and poorer rural areas seem to be well covered (Table III.2). In particular, microfinance institutions have a significant presence in poorer provinces, such as Atacora, Alibori, or Borgou, where the presence of commercial banks is very weak.

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[21] Prepared by Murat Yulek.

[22] The remaining phase of the program mainly involves the completion of the restructuring of the network.

[23] The confidence in the microfinance system appears to have been preserved during 1998-2001, as indicated by the sustained growth of overall microfinance institution membership.

Figure III.1: Membership, Deposits, and Credits of Microfinance Institutions (MFIs) 1/

1/ Percent ratio to total population for membership, and ratio to GDP for deposits and credits.
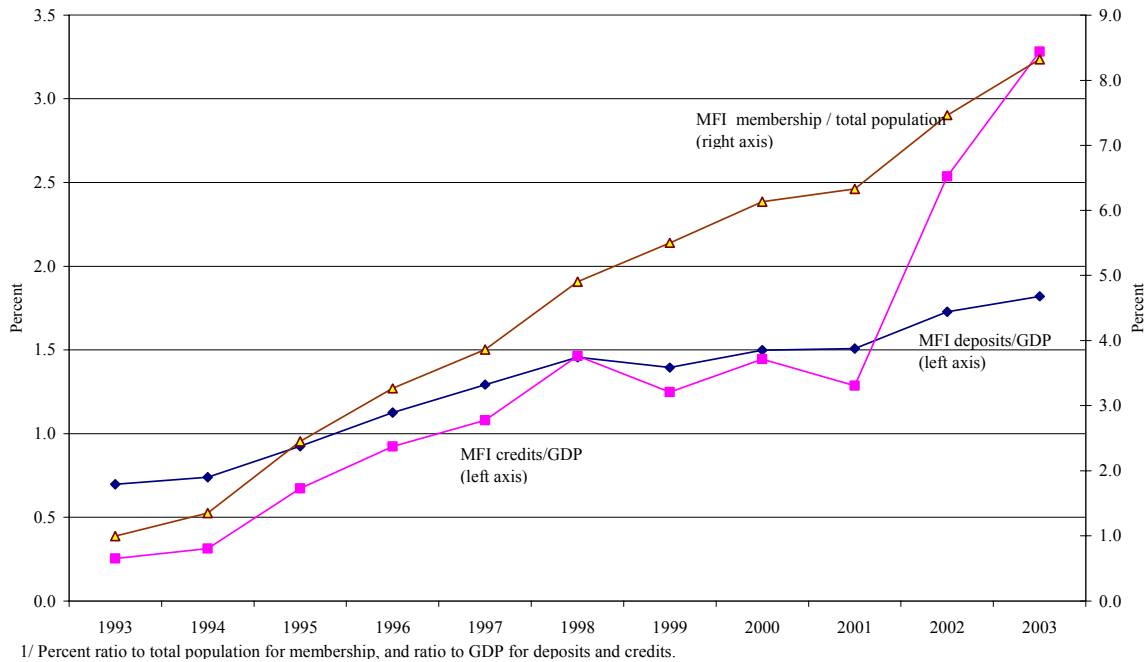
40.   **The sector's outreach to the poor would compare favorably to that in the countries of the region**.[24] The average microfinance deposit in Benin, in 2000, was equivalent to 19.3 percent of per capita GDP, the lowest rate among WAEMU countries, for which the average was 27.1 percent. Average credit was equivalent to 97 percent of per capita GDP, against 122 percent on average among WAEMU countries.[25]

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[24] In the absence of more direct indicators from field studies, the impact of the microfinance sector is crudely measured by statistics on credit and deposit sizes.

[25] However, compared with a broader range of countries, the size of credits in Benin and in the other WAEMU countries would be relatively high; see issue no. 9 of the Microbanking Bulletin (www.mixmbb.org), based on a sample comprising 124 institutions worldwide.

Table III.1. Benin: Indicators of the Microfinance Sector, 2003

Type of Institution	Number of Institutions	Number of Members	Deposits 1/			Credits			Nonperforming loans (in millions of CFAF)
			In millions of CFAF	In percent of 2003 GDP	In percent of bank deposits	In millions of CFAF	In percent of 2003 GDP	In percent of bank credits	
Saving and loan cooperatives	145	449,820	29,409	1.5	7.2	26,358	1.3	8.8	1,077
Of which									
FECECAM	101	415,256	28,085	1.4	6.9	24,609	1.2	8.2	965
Direct credit institutions	16	113,928	7,264	0.4	1.8	39,706	2.0	13.3	766
Of which									
PADME	4	15,590	3,742	0.2	0.9	14,894	0.7	5.0	499
PAPME	4	40,121	2,045	0.1	0.5	14,026	0.7	4.7	215
Others	3	2949	101	0.0	0.0	253	0.0	0.0	0.0
Total	164	566,697	36,774	1.9	9.0	66,317	3.3	22.2	1,843

Source: Ministry of Finance.

1/ For the direct credit institutions, deposits constitute obligatory deposits held by the borrowers.

Table III.2. Benin: Indicators of Geographical Penetration of the MFIs in 2000

Province	Population 1/	Poverty Indicators		MFI institutions 3/	
		Urban areas 2/	Rural areas 2/	Population per institution	Total
Littoral (Cotonou)	735	0.20	…	57	13
Atlantique	726	0.27	0.40	43	17
Collines	466	…	0.28	42	11
Zou	655	0.15	0.13	47	14
Borgou	646	0.25	0.47	38	17
Alibori	487	0.22	0.44	41	12
Mono	385	0.15	0.14	43	9
Couffo	552	0.38	0.37	69	8
Donga	340	0.25	0.42	68	5
Atacora	548	0.34	0.44	61	9
Oueme	779	0.32	0.25	60	13
Plateau	421	…	0.32	70	6
Total	6,739	0.23	0.33	50	134

Sources: Benin Rural Household Survey (ECVR, 2000); and Urban Household Survey
(ELAM, 1999), as reported in the PRSP of Benin (2002); and Yulek (2003).
1/ In thousands.
2/ Defined as the percentage of population with income below the poverty line (in 1999).
3/ Includes only the SLCs that are members of FECECAM, and offices of PADME and PAPME.

B. The Different Types of Microfinance Institutions[26]

41.   There are two main types of formal microfinance institutions: saving and loan cooperatives and unions (SLCs), and credit-only institutions (or direct credit institutions) formed by associations established for specific purposes. While the SLCs constitute the bulk of the microfinance activities in terms of number of organizations, and membership and deposits collected, 60 percent of credits are extended by direct credit.

42.   For the SLCs, deposit collection constitutes the main financial resource. Most SLCs are regrouped under an umbrella organization, the FECECAM, which represents about 80 percent of total microfinance deposits collected and 35 percent of total microfinance credits. Overall, the SLCs constitute 145 of the 164 formal microfinance institutions registered with the Ministry of Finance, and, of the 145 SLCs, 101 are associated with FECECAM (Table III.1).

43.   The direct credit institutions do not collect voluntary deposits and rely on credit lines from donors and NGOs.[27] The major two institutions are PADME (*Projet d'Appui de Développement des Microentreprises*) and PAPME (*Projet d'Appui de Petites et Moyennes*

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[26] There were 164 formal microfinance institutions in Benin recorded in 2003. In addition, according to a census conducted by the Ministry of Finance, there are about 1000 small informal microfinance initiatives. These initiatives have different forms and are known as *tontines*, *banquiers ambulants*, *gardes-monnaie*, and *caisses de solidarité.* The functioning of these informal systems is based on mutual trust between the participants and the sponsors.
[27] However, they require obligatory deposits (generally 10 percent of the loan amount) from their borrowers.

Entreprises), established through donor assistance, including from the World Bank. These two institutions represent 44 percent of total microfinance credit in Benin. They are expanding their geographical coverage, although it remains narrower than that of FECECAM.

C. Regulation and Supervision

44.   The microfinance sector is regulated by the WAEMU-wide PARMEC (Projet d'Appui à la réglementation sur les mutuelles d'Epargne et de Credit) law.[28] The PARMEC law specifies the basic regulatory framework for SLCs' administrative structure and functioning, internal controls and external supervision, information transmission, and taxation status.[29] The PARMEC law focuses on the activities of the SLCs; only the SLCs are granted a full license for microfinance activities, while other institutions are permitted to operate within the framework of five-year agreements they sign with the Ministry of Finance, which are renewable upon mutual consent. The limited coverage of the law creates some heterogeneity within the regulatory framework.[30] Regarding smaller and informal institutions, the law provides for their voluntary registration with the Ministry of Finance, but it does not regulate their activities.

45.   The PARMEC law is supplemented by financial guidelines issued by the Central Bank of the West African States (BCEAO). These guidelines cover prudential ratios, accounting standards, and classification rules for loans. The prevailing prudential norms cover liquidity and stability of financial resources, risk concentration, and a ceiling on the use of resources for nonfinancial activities.

46.   The law grants supervision responsibility to the Ministry of Finance and to the BCEAO. In practice, the Ministry of Finance exercises most of the supervision of the sector in Benin, with some joint inspections with the BCEAO covering the larger institutions. The supervision function of the Ministry of Finance is conducted through the Microfinance Unit (Cellule de Microfinance-MU). The MU reviews annual financial reports from the MFIs and conducts on-site inspections. Supervision is strengthening Benin with the support of the World Bank; during January-September 2003, 48 inspections were conducted, against 18 in 2002.

47.   The financial situation of the sector has improved considerably following the initiation of FECECAM's rehabilitation. Nonperforming loans have been reduced to 5 percent of the total loan portfolio in 2002 and 2003, from 8 percent in 1999.

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[28] Prior to the ratification of the PARMEC law, the activities of the microfinance institutions were regulated by several laws including the cooperative law, the usury law and the banking law. See Ouattara (2003) for the evolution of the microfinance regulation in Benin.

[29] Benin passed the law and issued its application decree in August 1997 and February 1998, respectively.

[30] See Ouattara (2003) for a discussion of this issue.

D. Challenges Ahead

48.   In the short run, it is important that the implementation of the rehabilitation plan for FECECAM—the most important institution of the sector—continues successfully.

49.   In the medium run, the main challenge is to encourage the growth of the microfinance sector while preserving the soundness of microfinance institutions. This will require continued strengthening of the regulation and supervision of the sector. Regarding the regulation of the microfinance institutions, there is a need to ensure homogeneity among SLCs (which are regulated by the PARMEC law) and direct credit institutions (which operate within the framework of agreements between the Ministry of Finance and each institution). To enhance supervision, the respective roles of the BCEAO and the national authorities in that matter will need to be better defined.

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IV. DEVELOPMENTS IN THE EXTERNAL COMPETITIVENESS OF BENIN[31]

50.   This chapter analyses recent trends in Benin's external competitiveness based, on internal and external real exchange rates and other indicators (factor costs and business environment). It also conducts a preliminary analysis of the equilibrium exchange rate, to assess whether the movements in the real effective exchange rate in Benin were consistent with the underlying macroeconomic fundamentals.

A. Evolution of Real Exchange Rates

Real effective exchange rate

51.   The evolution of Benin's real effective exchange rate (REER) in the aftermath of the January 1994 devaluation can be divided into three phases (Figure IV.1): (i) during 1994 and 1995, the REER appreciated (rapidly during 1994, followed by a slower pace in 1995), driven by the surge in domestic wages and prices; (ii) during the period 1996-2000, inflationary pressures were contained, contributing to a stable real effective exchange rate, the slight upward trend in the relative prices being offset by an opposite trend in the nominal exchange rate; and (iii) since 2001, the REER has been appreciating, mainly reflecting the strengthening of the euro against the U.S. dollar.

Benin: Average Annual Change in Real Effective Exchange Rate and its Components (In percent)			
	Jan. 1994 – Dec. 1995	Dec. 1995 – Dec. 2000	Dec. 2000 – Dec. 2003 1/
Real Effective Exchange Rate	18.2	0.3	4.5
Nominal Effective Exchange Rate	3.7	-2.0	4.8
Relative Price Index	13.5	2.2	-0.2

Sources: IMF, Information Notice System; and Fund staff calculations.

52.   **With the recent appreciation of the REER, at end-2003, Benin had preserved about 25 percent of the external competitive gains from the devaluation of the CFA franc in 2004.** Among the countries of the West African Economic and Monetary Union (WAEMU), Benin had the highest appreciation of the REER since the 1994 devaluation (Figure 2). This stemmed from the higher inflation rates in Benin until 2000, compared to its peers in WAEMU (Figure IV.3).

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[31] Prepared by Murat Yulek.

53.   The bilateral real exchange rates with France and the United States, the two countries with whose currency Benin effects most of its trade, shed an interesting light on the evolution of the exchange rate (Figure IV.4).[32]

- Following the devaluation in 1994, there was a continuous real appreciation vis-à-vis France through 2001—some 30 percent cumulatively, half of which after 1995—as **inflation in Benin remained higher than that in France throughout this period, although the CFA franc was pegged to the French currency** (the French franc until 2000; the euro since then).[33]

- **The bilateral real exchange rate with the U.S. was driven by the movements of the parity between the French franc (euro) and the U.S. dollar**, as their relative price index remained largely stable after 1996: the real depreciation vis-à-vis the U.S. during the second half of the 1990s reflected the depreciation of the French franc against the U.S. dollar, the real appreciation since 2001 reflected the appreciation of the euro.

Internal real exchange rates

54.   **The movements in the internal real exchange rates (IRER—the ratio of the prices of nontraded goods to those of tradable goods) shows Benin's inability to reduce the high cost of production to export** (Figure IV.5).[34] In particular, there was a steady real appreciation from the devaluation in 1994 through 1999, attributable to larger increases in the prices of non-traded goods (than in the prices of tradable goods), which burdened the profit of the tradable sector, and thereby hampered the much-needed export diversification of the economy.

B.   Estimating the Equilibrium Real Exchange Rate

55.   In this section, we use the fundamentals approach to the exchange rate to assess whether the movements in the real effective exchange rate in Benin were consistent with the underlying macroeconomic fundamentals.[35] We first estimate the long-run relationship between the effective real exchange rate and its fundamentals, using the cointegration techniques.

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[32] Trade weights for Benin are as follows: France: 27.2 percent; Netherlands: 9.3 percent; Germany: 8.9 percent; U.S.: 8.2 percent; Italy: 7.9 percent; Japan: 7.9 percent; United Kingdom: 5.2 percent; Taiwan Province of China: 5.2 percent; Belgium 4.8 percent; India: 3.5 percent; Austria: 3.1 percent; Australia: 2.5 percent; Spain: 2.4 percent; Argentina: 2.2 percent; Canada: 1.7 percent.

[33] As the CFA franc is pegged to the euro, the path of bilateral real exchange rates and that of relative price indices between Benin and France are identical.

[34] The calculation of the IRER, using two alternative methodologies, is presented in Appendix I. They both present similar trends.

[35] See Edwards (1989 and 1994), Williamson (1994) and Montiel and Hinkle (1999) for discussions of the approach. Hussain (2002) and Mathiesen (2003) are two recent applications to Tanzania and Malawi.

Subsequently, we calculate the path of equilibrium real exchange rates using the estimated parameters and nontransitory components of the determining fundamentals.

56.   Following Edwards' model (1989 and 1994),[36] we include the following variables as the set of fundamentals underlying the equilibrium real exchange rate:[37] the terms of trade, government demand for nontradables, fiscal deficit, capital inflows, and technological progress. The terms of trade drive the real exchange rate through both income and substitution effects, and their net effect is theoretically ambiguous. Regarding government demand for nontradables, we use the ratio of government spending to GDP as a proxy. The expected sign for this variable is ambiguous in the absence of a breakdown of government spending in tradable and nontradable goods (see for example Montiel, (1999)). Regarding fiscal deficit, its increase is expected to appreciate the long-run equilibrium exchange rate through its potential positive impact on domestic prices. Capital inflows would lead to an appreciation of the real exchange rates by their positive effect on the demand for the nontradables. Technological progress is included in the fundamentals to capture the Balassa-Samuelson effect. We use real GDP growth as a proxy for this variable, in the absence of a better measure for the differential in productivity growth between traded and nontraded good sectors.[38] A positive sign is expected for this proxy as a higher real GDP growth rate could be an indication of a differential in productivity growth in favor of the traded good sector.

57.   For the cointegration analysis, each variable has been tested for unit roots. The data set and the results of the unit root tests are presented in Appendix II, along with the results of the Johansen cointegration tests. The estimation results should be interpreted with caution due to data quality problems and the existence of more than one cointegrating equations. The equation presented in Table IV.3 provides the best statistical fit.[39]

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[36] Edwards' model considers a three good (exportables, importables, and nontradables) small open economy with a fixed exchange rate and capital controls.

[37] Due to limitations of the sample size, data availability and stationarity constraints, we limited the explanatory variables to this set.

[38] The real GDP growth series is volatile in the pre-1990 period, and was smoothened using the Hodrick-Prescott filter to obtain a better proxy for the technological progress.

[39] The estimated coefficients represent semi-elasticities in the case of government consumption, fiscal deficit, and capital inflows.

Results of Cointegration Estimations[1]

Dependent Variable: Real Effective Exchange Rate

Variable	Coefficient	
Terms of trade	0.297	*
	(0.059)	
Fiscal deficit	0.065	*
	(0.008)	
Government consumption	-0.016	*
	(0.004)	
Capital flows	0.184	*
	(0.012)	
Technological progress	-0.416	*
	(0.032)	
Constant	-3.762	

1/ Standard errors are in parentheses. * denotes significance at the
1 percent level.

58.   The terms of trade have a positive and significant sign, indicating that their improvement would result in an appreciation of the long-run equilibrium real exchange rate. Government consumption has an unexpected and significant negative coefficient. This could result from the nondistinction between expenditures on tradable and nontradable goods; similar results have already been reported by other empirical studies.[40] The budget deficit and capital inflow variables have each a positive and significant sign, as expected. Finally, the coefficient for technological progress is negative and significant. This is in contrast to the theoretical expectation based on the Balassa-Samuelson effect and to other empirical studies.[41]

59.   Based on the results of the cointegration regression, the equilibrium real exchange rate was computed using the long term components of the fundamentals.[42] Figure IV.6 displays the evolution of the actual and the estimated equilibrium real exchange rate for 1990-2003. It shows that:

•   the actual REER was well above its equilibrium level during 1990-94, suggesting that the 1994 devaluation was warranted;

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[40] See for example Edwards (1994).
[41] The unexpected result could perhaps be explained by the weakness of the proxy used for technological progress.
[42] The long-term components of the variables were computed using the Hodrick-Prescott filter on each series.

- the gap between the actual REER and its equilibrium level narrowed in the years following the devaluation, and the REER was hovering around its equilibrium level during 1996-2001;[43] and

- since 2002, the real effective exchange rate would be above its estimated long-term equilibrium level.

These results, however, should be viewed as preliminary and indicative only, given the weakness in the data.

C. Other Competitiveness Indicators

60.   **Despite the higher appreciation of its REER since 1994, overall, Benin's factor costs do not appear to be higher than in other WAEMU countries**, based on available indicators and subject to data quality issues (Table IV.1). Labor, electricity, and transportation costs in Benin appear to be similar to those in other WAEMU countries; however, there are areas, such as telecommunications and construction, where Benin is at a clear cost disadvantage. In other areas, such as petroleum products and water, Benin seems to have a relative cost advantage.

61.   **Recent trends in factor costs, however—notably public sector wages─are a cause for concern**. Average public sector wages increased by 7.6 percent per annum during the period 1997-2003 (Table IV.2). As salary increases in the public sector are generally replicated in the private sector with a lag, this trend may weigh on the competitiveness of the private sector. Also, the costs of transportation and water appear to have increased significantly during the same period. While there was no increase in the price of telecommunications, these remain the highest in the region.

62.   Based on the data for the crop-year 2000/01, **Benin has a cost advantage, relative to many of the world major cotton producers** (Table IV.3), especially in the agricultural production phase (ginning costs are above average). However, as high subsidies by major producing countries reduce the world market price sizably, Benin cannot fully benefit from this cost advantage.

63.   **The efficiency of the Port of Cotonou has been notoriously low**. This has an important bearing on the overall competitiveness of the country as it is the single most important in- and outlet for Beninese imports and exports, providing transit services to the hinterland and coastal countries (mainly Nigeria). It has not been able to benefit from the recent drop of activity in the port of Abidjan, contrary to its competitors, the ports of Lome and Accra, reportedly because of higher costs and lower efficiency. The authorities have recently started to implement a plan to improve the management of the Port of Cotonou to make it more efficient

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[43] Cumulative inflation in 1994-95, of 60 percent, was larger than in other countries of the WAEMU (45 percent on average), reflecting sizable wage and salary increases in the public sector, as well as adjustments on account of past wage arrears.

and competitive; the resulting efficiency gains have resulted, in May 2004, in the reduction of the congestion surcharge paid by the Port of Cotonou—which, however, remains higher than that for the Port of Lome (Figure IV.7).

64.   Available information on governance and business environment in Benin suggests that **significant improvements in the business environment (regulatory quality, government effectiveness, rule of law, and control of corruption) are needed to strengthen competitiveness** (Table IV.4). In these areas, Benin's indicators, while broadly at par with sub-Saharan African average, remain far below those of successful African economies like Botswana and Mauritius, and newly developing Asian countries such as South Korea and Malaysia. However, Benin's performance is strong regarding political stability and voice and accountability.

D.   Conclusion

65.   Measured by the real effective exchange rate, Benin's export competitiveness has eroded in recent years, with the latest appreciation essentially reflecting the strengthening of the euro, to which the CFA franc is pegged. Competitiveness was also affected by the inability of Benin to reduce the high cost of production for exports. There is also some preliminary evidence that the real appreciation of the exchange rate would have brought it above its underlying equilibrium value.

66.   In the circumstances, there is scope for strengthening competitiveness through the implementation of further structural reforms. Progress in civil service reform could help to maintain continued wage restraint. Further liberalization in the cotton sector could increase competitiveness in the ginning operations. In addition, the divestiture of public utilities, improving management of the Port of Cotonou, streamlining the regulatory framework, and strengthening the judicial system could all help to reduce the cost of doing business, and enhance efficiency. However, these reforms will unavoidably take time to produce results and should not therefore incur delays.

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Figure IV.1. Benin: Effective Exchange Rates, January 1993-April 2004

(Index 1990 = 100)

Relative price index

Real effective exchange rate

Nominal effective exchange rate
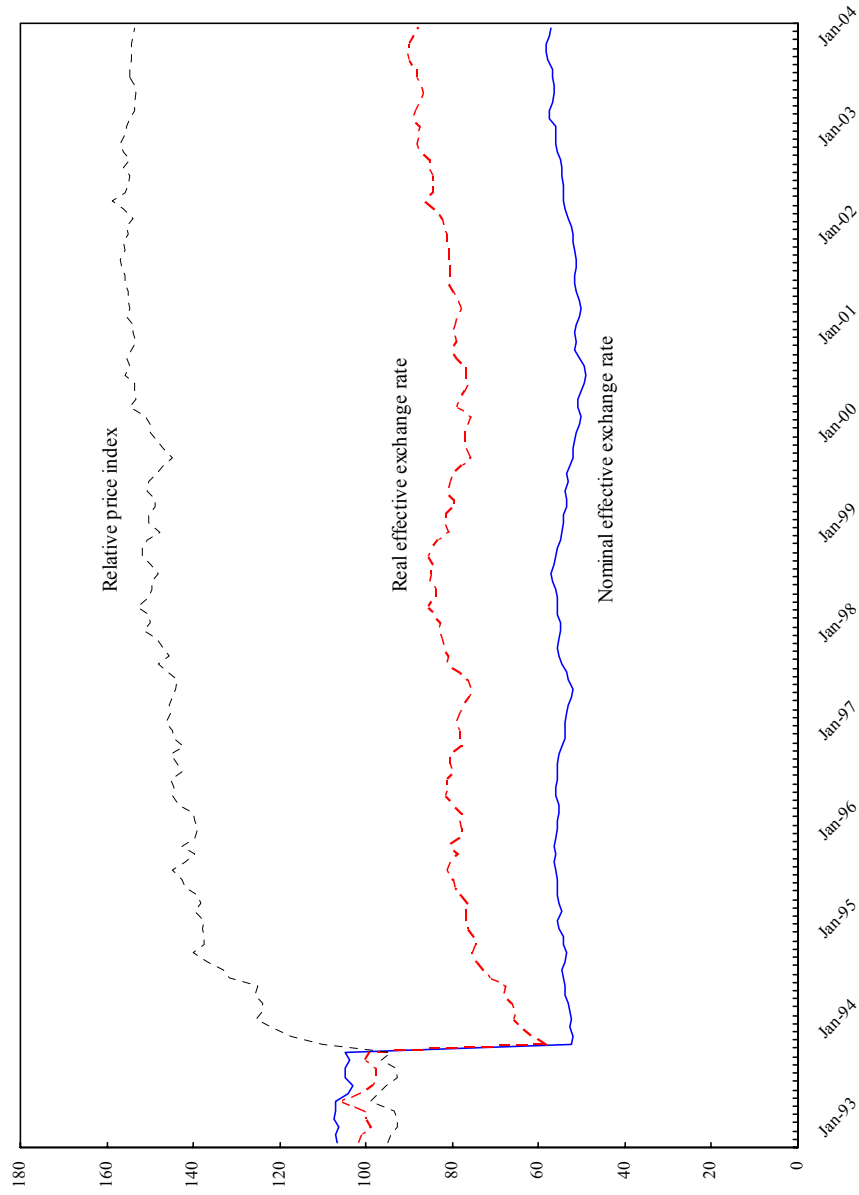
Source: IMF, Information Notice System (INS); and staff estimates.

Figure IV.2. Real Effective Exchange Rates for Selected WAEMU Countries
(Index, 1994 = 100)
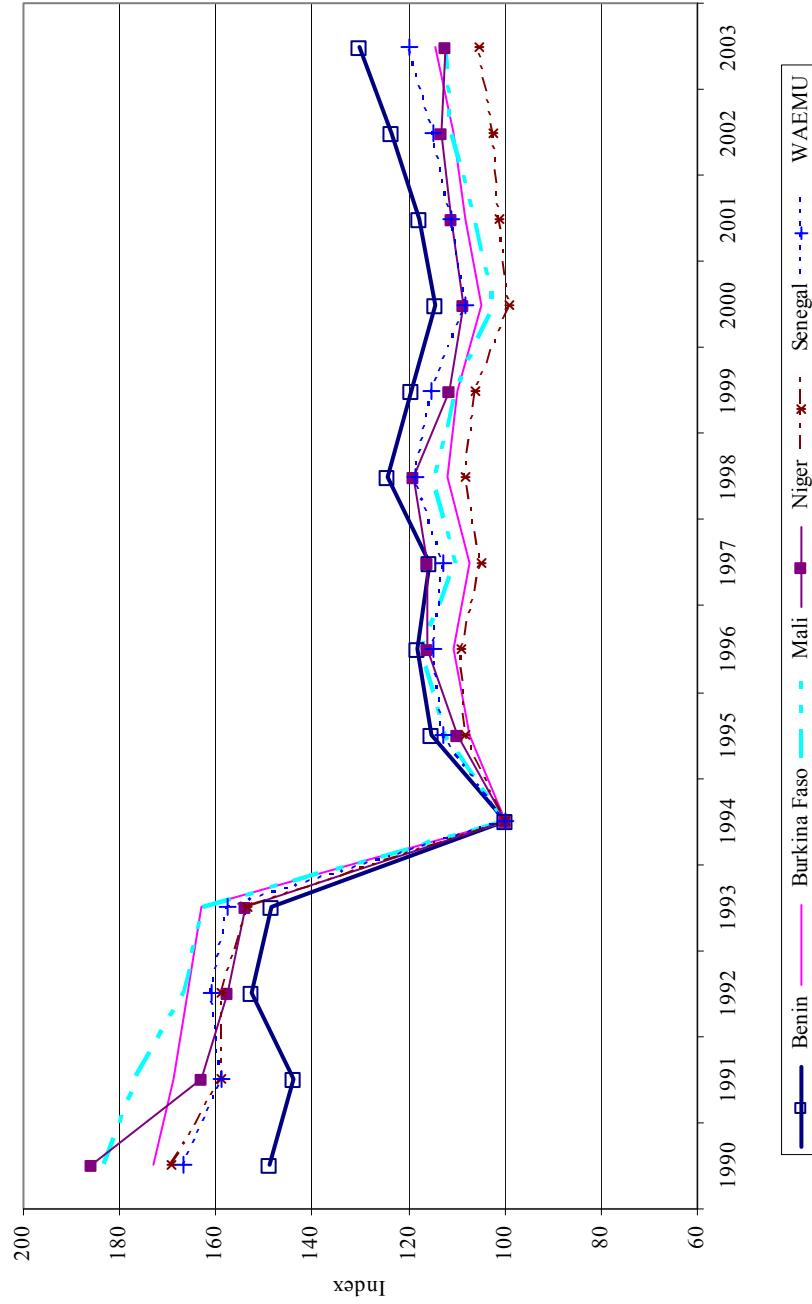
Figure IV.3. Benin Price Index (CPI) Relative to Selected WAEMU Countries
(Index, 1994=100)
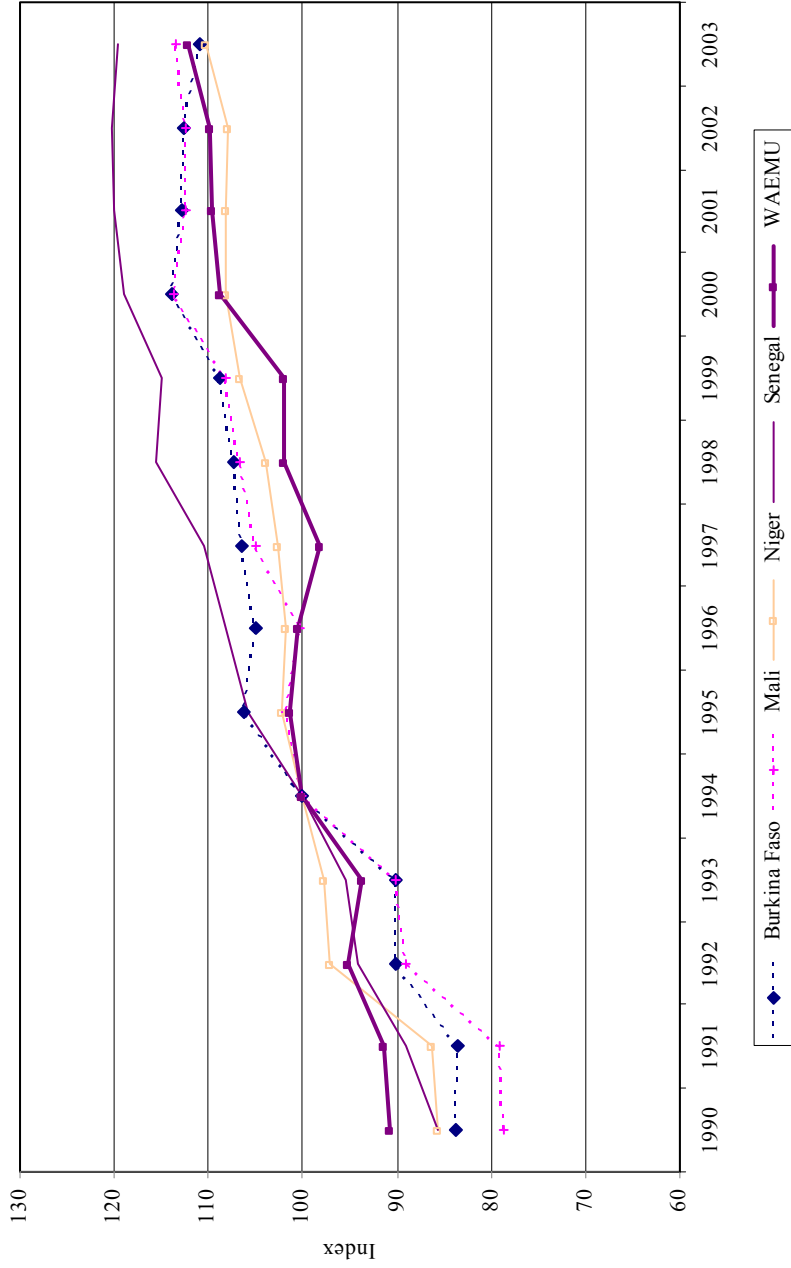
Figure IV.4. Benin: Bilateral Real Exchange Rates (RER) with France and the U.S.A.
(Index, 1994 = 100)

Bilateral RER Benin-France   Bilateral RER Benin-USA   US$ - CFAF nominal exchange rate   Benin-USA relative price index
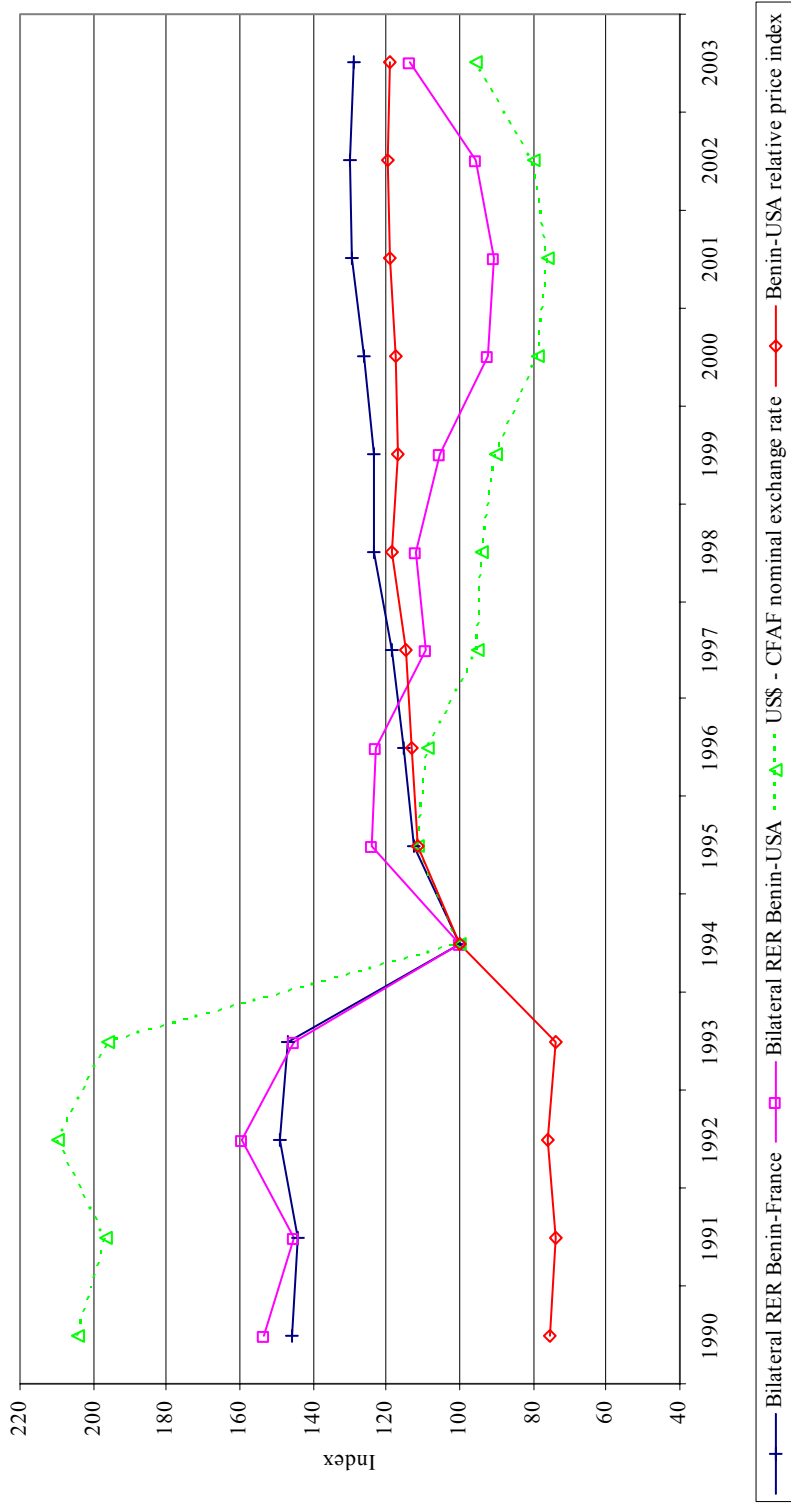
Figure IV.5. Benin: Internal Real Exchange Rate
(Index, 1994 = 100)
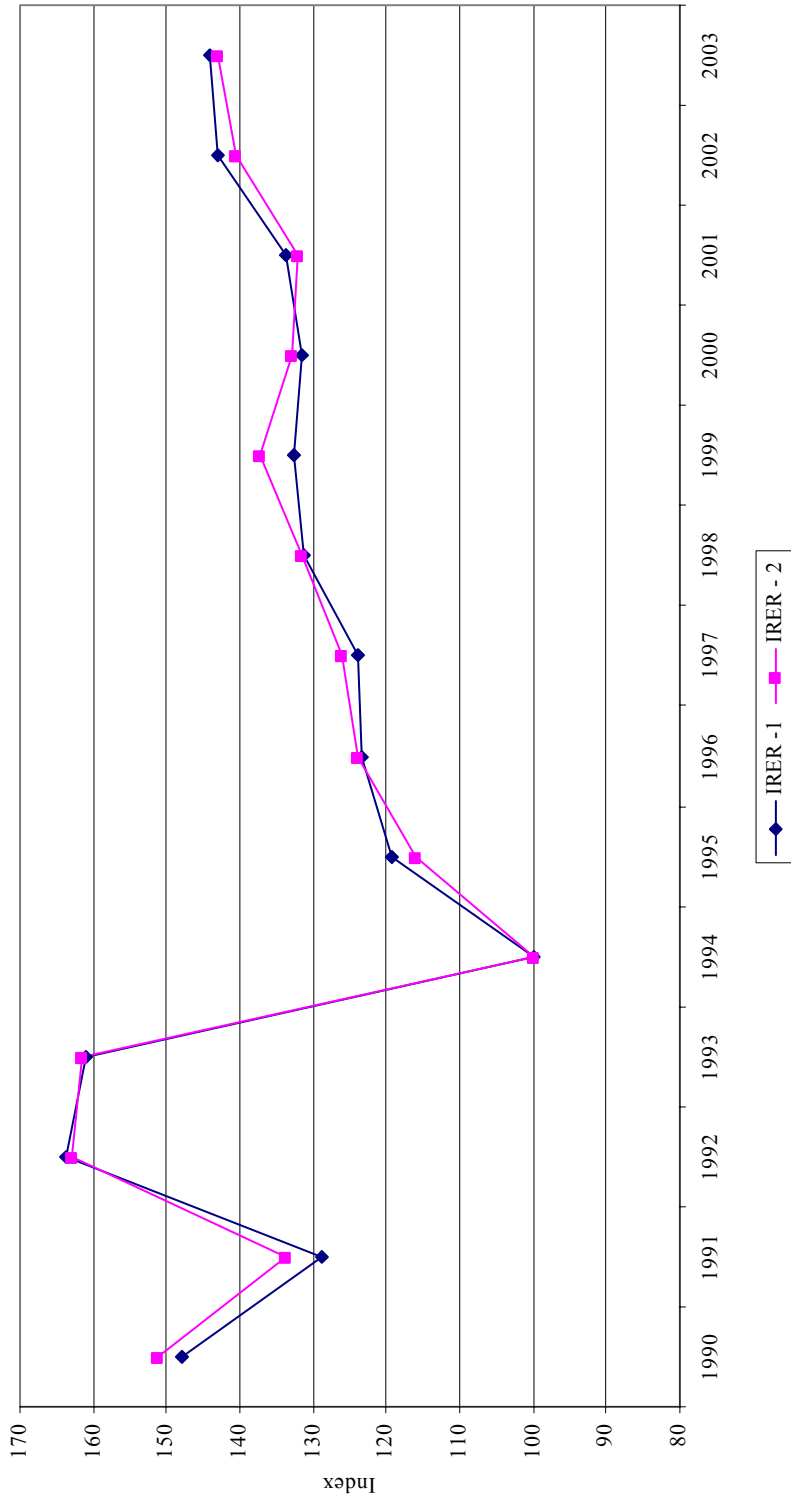
Figure IV.6. Benin: Actual and Estimated Equilibrium Real Effective Exchange Rates (REER) 1/
(Index for both series 2/)
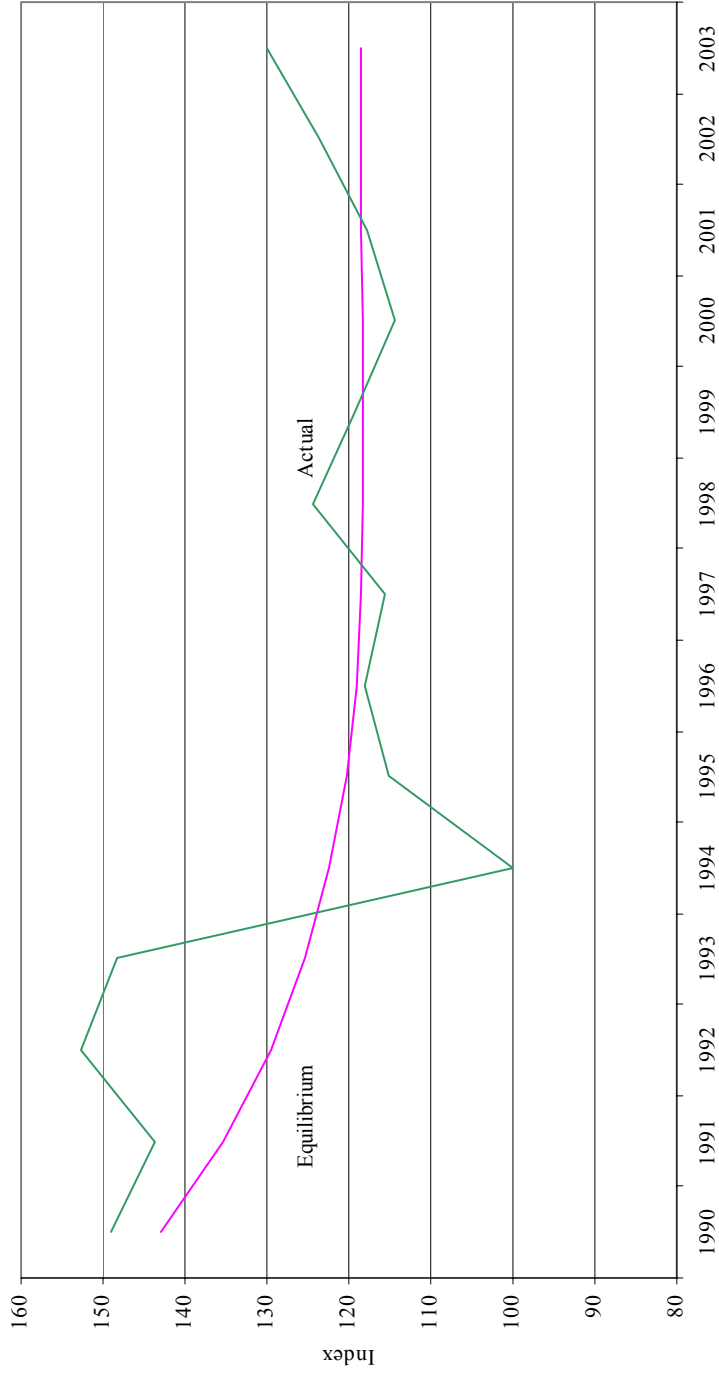
1/ See text for estimation of equilibrium REER.
2/ For the actual REER, 1994=100,

Figure IV.7. Europe - West Africa Trade Agreement (EWATA) Congestion Surcharges
for Cotonou, Lome, and Lagos ports
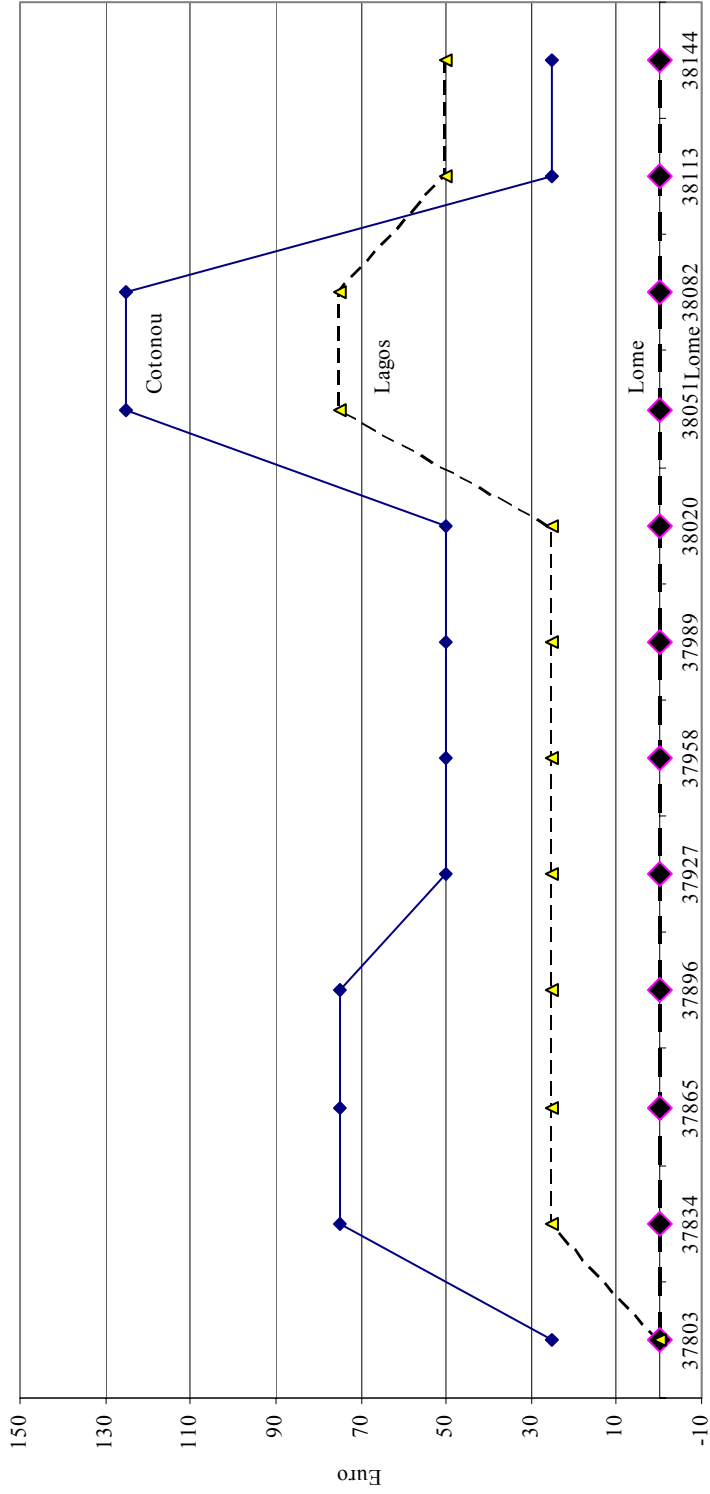
Source: EWATA

Table IV.1. Benin: Factor Costs in Different WAEMU Countries, 2002

AVERAGE FACTOR COST	Benin	Burkina	Ivory Coast	Mali	Niger	Togo	Senegal
Land and construction (CFA/m²):							
- vacant land (urban zones)	2,975	500	...	1.673	3,000	...	45,519
- construction cost (building)	150,000	125,000	100,000	100,000	145,000	80,000	125,000
Labor (CFA/month)							
- Minimum wage	25,000	24,944	36,607	20,965	18,898	13,757	34,800
- Social security contribution 1/	3.6	18.5	...	...	1.6	2.4	5.6
- Employer's contribution 1/	16.4	4.5	...	...	16.4	18.1	8.5
Electricity (CFA/KWh):							
- Low voltage	79	130	56	77	79	60	83
- Medium voltage	57	110	...	...	55	62	80
- High voltage	...	...	...	...	46	...	46
Water (CFA/m³)	290	860	...	311	273	...	631
Telecom (CFA/3min) 2/	66	30	29	51	38	25	50
Petroleum products (CFA/liter) 3/	275	410	490	495	425	310	485
Road transport (CFA/ton km) 4/	34	55	31	34	42	32	34
Rail transport (CFA/ton km) 4/	34	53	27	29	27	40	29
Air transport (CFA/kg) 5/	2,110	2,090	2,140	1,930	2,025	2,140	1,785
Sea transport (CFA/ 20" container) 5/	800,000	…	…	600,000	…	…	549,000

Source: *Senegal: Integrated Framework Diagnostic Trade Integration Study,* World Bank (2002)

1/ In percent.
2/ Local calls, fixed line.
3/ Gasoline, super grade.
4/ Local transport.
5/ To France.

Table IV.2. Benin: Evolution of Factor Costs, 1997-2003

	Average Annual Growth Rate	
	In nominal terms	In foreign currency terms 1/
Minimum wage	3.2	4.2
Average public sector wage and benefits 2/	7.6	8.5
Electricity 3/	1.7	2.6
Water	6.2	7.1
Road transport	6.1	7.1
Railway transport	4.6	5.5
Air transport	0.8	1.7
Sea transport	-1.3	-0.4
Telephone	0.0	0.9

Sources: BCEAO; and Fund staff calculations.

1/ Nominal rate of growth adjusted by the growth in the nominal effective exchange rate.
2/ Includes wages and benefits.
3/ Medium voltage.

Table IV.3. Cotton Production Costs, 2000/01

Country	Cost in U.S. dollar per Hectare 1/			Yield 1/ 2/	Cost in U.S. dollar per Ton 1/		
					Agricultural production cost		
	Agricultural production	Ginning	Total	(Ton per hectare)	Agricultural production	Ginning	Total
Argentina	334	74	408	547	611	134	745
Australia	743	226	969	1,500	495	151	646
Benin	330	154	484	645	512	239	751
Brazil	710	113	823	810	876	140	1,016
Bolivia	500	141	641	690	724	204	929
Bulgaria	266	111	377 .	253	1,051	439	1,490
Burkina Faso	215	…	…	413	521	…	…
Cameron	262	…	…	…	…	…	…
China	788	64	852	1,275	618	50	668
Colombia	955	120	1,075	…	…	…	…
Egypt	1,662	…	…	926	1,795	…	…
India	458	…	…	424	1,079	…	…
Iran	636	64	700	589	1,080	109	1,189
Mali	196	…	…	393	499	…	…
Israel	1,597	334	1,930	1,734	921	192	1,113
Nigeria	420	73	492	182	2,307	398	2,705
Pakistan	716	66	782	728	984	90	1,074
Philippines	630	199	829	1,140	553	175	728
South Africa	558	121	679	901	620	134	754
Sudan	446	161	607	351	1,269	459	1,729
Syria	1,801	280	2,081	1,224	1,471	229	1,700
Tanzania	183	22	205	413	444	53	498
Thailand	183	39	222	625	294	62	356
Turkey	1,103	256	1,358	1,209	912	211	1,123
Uganda	179	53	232	…	…	…	…
U.S.A	745	131	876	655	1,138	200	1,338
Zimbabwe	442	231	673	800	553	289	841
Simple Average	643	141	804	777	827	181	1,034

Source: *Survey of the Cost of Production of Raw Cotton* (September 2001), International Cotton Advisory Committee.
1/ Country averages.
2/ Cotton fiber.

Table IV.4. Governance and Business Environment Indicators for Selected Countries (2002) 1/

	Voice and Accountability	Political Stability	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
WAEMU countries						
Benin	0.03	0.63	-0.62	-0.56	-0.42	-0.61
Burkina Faso	-0.27	-0.10	-0.69	-0.21	-0.55	-0.04
Ivory Coast	-1.25	-2.04	-0.89	-0.36	-1.21	-0.86
Guinea-Bissau	-0.74	-0.47	-1.35	-0.86	-1.00	-0.61
Mali	0.18	-0.10	-0.84	-0.49	-0.54	-0.32
Niger	-0.15	-0.36	-0.18	-0.22	-0.20	-0.17
Senegal	0.15	-0.36	-0.18	-0.22	-0.20	-0.17
Togo	-1.20	0.01	-1.17	-0.63	-0.67	-0.68
Selected other African countries						
Botswana	0.73	0.75	0.87	0.81	0.72	0.76
Mauritius	0.80	0.99	0.53	0.46	0.89	0.53
Tanzania	-0.41	-0.25	-0.51	-0.55	-0.49	-1.00
Ghana	0.01	-0.11	0.01	-0.29	-0.15	-0.40
Uganda	-0.77	-1.46	-0.41	-0.01	-0.84	-0.92
Tunisia	-0.83	0.24	0.65	-0.02	0.27	0.35
Selected Asian countries						
Bangladesh	-0.57	-0.61	-0.53	-1.05	-0.78	-1.12
India	0.38	-0.84	-0.13	-0.34	0.07	-0.25
Malaysia	-0.27	0.51	0.92	0.58	0.58	0.38
South Korea	0.63	0.49	0.84	0.86	0.88	0.33

Source: Kaufmann, Kraay, and Mastruzzi (2003).

1/ The figures are based different surveys on each country standardized such that the average for all countries (198 in total) is zero for each indicator, which individually range between -2.50 and +2.50.

Internal Real Exchange Rate

The internal real exchange rate (IRER) is defined as the ratio of price of nontradable goods to that of tradable goods. As it is not straightforward to categorize the consumption bundle into tradable and nontradable goods, several proxies for the IRER have been used in the literature.[44] Two different proxies were used in this study:

First proxy (IRER 1)

The calculation of this proxy follows Hernandez-Cata et al (1998) and is simply based on the definition of the consumer price index as a weighted average of prices of tradable and nontradable goods:

$$CPI = (P_T)^{\Theta} (P_{NT})^{1-\Theta} \tag{1}$$

where Θ is the share of tradable goods in the CPI basket.

Using the definition of IRER,

$$IRER = P_{NT} / P_T \tag{2}$$

and reorganizing and substituting (1) in (2), the IRER can be expressed as

$$IRER1 = (CPI / P_T)^{1/(1-\Theta)} \tag{3}$$

Import prices were used as a proxy for prices of tradable goods, and the share of imported consumption goods in total private consumption was used as a proxy for Θ.

The Second proxy (IRER2)

The second proxy was based on the three good model[45] of Devarajan, Lewis and Robinson (1993). The model categorizes the economy as producing a domestic good and an exported good. Aggregate income is given by

$$P_y Y = P_d D + P_x X \tag{5}$$

where P_y, P_d and P_x are the GDP deflator, the price of the domestically produced good and the price of the export good, respectively; and, Y, D, and X are total output, output of the domestically produced good, and the output of the exported good (all in real terms), respectively.

A straightforward rearrangement of (5) yields

$$P_d = (P_y - S_x P_x) / (1 - S_x) \tag{6}$$

where S_x is the share of exports in real GDP.

---

[44] Hernandez-Cata et al (1998) and, Hinkle and Nsengiyumva (1997).
[45] The domestically produced good, the imported consumption good and the export good.

The IRER can then be calculated using the standard definition, and using the import prices (P_m) as a proxy for the price of tradable goods:

$$IRER2 = P_d / P_m \tag{7}$$

Estimation of the Equilibrium Real Exchange Rate

Data set

The data set consists of 27 annual observations for each variable, covering the period 1977–2003. The data are taken from the IMF's Economic Data Sharing System (EDSS).

Variables

LnREER: Natural log of real effective exchange rate (REER). REER is calculated by the IMF's Information Notice System (INS) and based on the CPI. The GDP deflator was used to calculate the REER for the period before 1985, as the CPI series is not available for that period in the case of Benin.,.

LnTOT: Terms of trade in natural logs.

GOVCONS: Ratio of government consumption expenditure to GDP.

DEF: The ratio of overall budget deficit to GDP.
CAPINFLO: The ratio of total grants to GDP.

TECHPROG: Real GDP growth (in natural logs) is used as a proxy for technological progress. The series was smoothened using Hodrick-Prescott filter.

Tests for stationarity of the series
The stationarity tests indicate that all series are I(1). The results of ADF tests are presented below.

Series	ADF test statistic 1/	
	Levels	First differences
LnREER	-2.05	-5.55
LnTOT	-2.44	-5.57
GOVCONS	-2.55	-5.37
DEF	-2.59	-5.84
CAPINFLO	-1.70	-5.53
TECHPROG	0.08	-4.53

1/ Critical values for the ADF test statistic (for a sample size of 27) is -3.64, -2.95, and -2.61 at 1, 5, and 10 percent levels respectively.

Johansen cointegration tests: The results of the maximum-Eigen value tests, presented below   (intercept and no trend) suggest that there may be two cointegrating equations.

Hypothesized No. of CE(s)	Eigenvalue	Max-Eigen Statistic	5 Percent Critical Value	1 Percent Critical Value
None **	0.971248	95.82462	39.37	45.10
At most 1 **	0.911033	65.32635	33.46	38.77
At most 2 **	0.777500	40.57637	27.07	32.24
At most 3	0.527585	20.24724	20.97	25.52
At most 4	0.372649	12.58870	14.07	18.63
At most 5 **	0.352469	11.73390	3.76	6.65

** denotes rejection of the hypothesis at the 1% level

Benin: Basic Data, 1996-2003

Area, population, and GDP per capita

Area	112.600 sq. kilometers
Resident population	
Total (2003 est.)	7 million
Growth rate (1996-2003)	3.2 percent
GDP per capita (2003)	US$ 495

	1996	1997	1998	1999	2000	2001	2002	2003
National accounts at current prices				(In billions of CFA francs)				
Gross domestic product	1,137.5	1,258.8	1,377.3	1,469.9	1,605.4	1,738.6	1,878.5	2,020.0
				(In percent of GDP)				
Primary sector	36.9	37.5	38.2	37.8	36.5	35.5	36.0	35.7
Secondary sector	14.3	14.5	13.5	13.7	13.9	14.4	14.3	14.4
Tertiary sector	42.7	41.4	41.4	40.9	41.7	42.1	41.8	41.9
Duties and taxes on imports	6.2	6.6	6.9	7.5	7.9	7.9	7.9	8.1
Consumption	92.4	94.4	93.4	95.2	94.0	93.5	95.3	94.5
Total investment	17.0	18.4	17.0	17.5	18.9	19.2	17.8	18.2
Fixed investment	16.5	18.4	17.0	17.5	18.9	19.2	17.8	18.2
Change in stocks	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Resource gap	9.4	12.8	10.4	12.7	12.9	12.7	13.1	12.7
Gross domestic savings	7.6	5.6	6.6	4.8	6.0	6.5	4.7	5.5
				(Percent change)				
GDP at constant prices	6.0	5.7	4.6	4.7	5.8	5.0	6.0	4.8
Prices								
Implicit GDP deflator	7.0	4.7	4.6	1.9	3.3	3.1	2.0	2.6
Consumer price index (annual average)	4.9	3.7	5.8	0.3	4.2	4.0	2.4	1.5
Central government finances				(In billions of CFA francs)				
Total revenue	171.9	181.9	210.8	234.9	266.2	281.0	318.2	342.9
Total expenditure	220.4	234.4	225.2	258.0	322.5	353.2	383.2	436.4
Of which								
Primary expenditure	127.9	142.3	146.6	175.3	220.7	257.8	298.3	352.7
Overall fiscal balance								
(payment order basis, excl. grants)	-48.5	-52.5	-14.4	-23.1	-56.3	-72.3	-65.1	-93.5
Foreign financing	86.3	63.5	91.1	80.3	73.7	119.6	74.2	83.7
Domestic financing	-18.2	3.5	-26.0	-35.8	13.9	-49.0	11.4	-3.5
Change in external arrears	11.9	7.9	-30.0	-13.3	-14.8	0.0	0.0	0.0
				(In percent of GDP)				
Revenue	15.1	14.5	15.3	16.0	16.6	16.2	16.9	17.0
Primary expenditure	11.2	11.3	10.6	11.9	13.7	14.8	15.9	17.5
Government Investment outlays	6.4	6.9	5.9	6.3	7.6	7.8	6.4	7.2
Overall fiscal balance								
(payment order basis, excl. grants)	-4.3	-4.2	-1.1	-1.6	-3.5	-4.2	-3.5	-4.6

Benin: Basic Data, 1996-2003 (concluded)

	1996	1997	1998	1999	2000	2001	2002	2003
Money and credit	(In billions of CFA francs; end of period)							
Net foreign assets	173.1	215.2	205.4	306.3	352.7	476.8	426.7	365.5
Net domestic assets	108.8	114.9	115.7	127.3	172.9	115.7	143.1	205.5
Credit to the government	60.2	59.0	32.7	-13.6	-12.3	-60.1	-46.5	-47.8
Credit to the economy	65.4	72.0	101.2	154.6	194.0	193.5	224.6	298.7
Other items, net	-16.8	-16.1	-18.2	-13.8	-8.8	-17.7	-35.1	-45.4
Money (M2)	281.9	330.1	321.1	433.6	525.6	592.5	569.8	571.0
Balance of payments	(In billions of CFA francs)							
Exports, f.o.b.	134.3	111.6	141.2	137.0	132.9	153.2	136.4	156.0
Of which								
Cotton	111.8	90.0	119.1	114.2	107.3	115.9	93.3	107.7
Imports, f.o.b.	-227.3	-248.5	-265.8	-291.2	-314.8	-340.1	-354.0	-379.5
Trade balance	-92.9	-136.9	-124.7	-154.2	-181.9	-186.9	-217.6	-223.6
Services (net)	-14.3	-24.2	-18.7	-32.2	-25.8	-34.1	-28.7	-33.0
Income (net)	-23.5	-17.4	-7.9	-9.6	-8.7	-15.6	-18.1	-15.0
Current Transfers (net)	83.4	85.7	72.7	84.9	87.6	120.2	96.2	99.9
Current account	-47.4	-92.8	-78.6	-111.1	-128.8	-116.4	-168.2	-171.7
Financial account (net)	28.6	44.3	42.6	181.3	148.4	178.7	73.5	20.0
Capital account	30.7	49.1	34.9	40.9	32.3	31.8	23.8	110.8
Overall balance	11.9	0.5	-1.1	111.1	52.0	94.0	-70.9	-40.8
	(Percentage change)							
Volume of exports	23.7	-18.4	18.9	25.1	-11.0	-2.8	9.3	5.4
Cotton products	45.0	-23.6	20.8	9.7	-12.3	-0.9	5.6	2.6
Export unit price	-7.4	1.8	6.4	-22.4	9.0	18.6	-18.5	8.5
Ginned cotton	-3.6	-4.3	4.2	-26.1	5.5	11.7	-22.4	13.0
Volume of imports	2.2	5.6	6.5	9.9	0.7	5.0	7.3	5.7
Import unit price	1.5	3.5	0.4	-0.3	7.3	2.8	-3.0	1.5
	(In percent of GDP)							
Current account	-4.2	-7.4	-5.7	-7.6	-8.0	-6.7	-9.0	-8.5
Overall balance	1.0	0.0	-0.1	7.6	3.2	5.4	-3.8	-2.0

Sources: Beninese authorities; and staff estimates.

Table 1. Benin: Gross Domestic Product by Sector of Origin
at Current Prices, 1996-2003

	1996	1997	1998	1999	2000	2001	2002	2003
				(In billions of CFA francs)				
Primary sector	419.2	471.8	526.2	556.3	586.5	617.7	675.7	720.7
Agriculture and forestry	321.0	367.3	419.6	441.4	466.9	482.8	532.6	569.3
Livestock and fishing	98.2	104.5	106.6	114.9	119.6	134.9	143.1	151.4
Secondary sector	162.9	182.1	186.0	201.3	222.9	251.0	269.1	290.3
Manufacturing and handicrafts	101.4	113.8	117.9	127.2	140.8	159.7	170.0	182.5
Construction and public works	47.1	52.5	53.8	58.2	64.2	70.7	76.2	81.9
Mining and petroleum	5.9	5.8	4.0	3.3	3.7	4.0	4.2	4.9
Water, gas, and electricity	8.5	10.0	10.3	12.6	14.3	16.6	18.7	21.0
Tertiary sector	485.4	521.7	570.6	601.5	669.2	732.1	785.4	845.5
Trade	208.9	227.5	245.5	261.8	292.7	318.0	339.0	365.5
Transport and other services	83.9	88.8	96.4	100.9	122.1	139.8	151.6	164.0
Public administration	79.7	84.3	91.1	94.4	100.2	106.8	113.5	121.6
Other services	112.9	121.1	137.6	144.4	154.2	167.5	181.3	194.4
GDP at factor cost	1,067.5	1,175.6	1,282.8	1,359.1	1,478.6	1,600.8	1,730.2	1,856.5
Indirect taxes (net)	70.0	83.2	94.5	110.8	126.8	137.8	148.3	163.5
GDP at market prices	1,137.5	1,258.8	1,377.3	1,469.9	1,605.4	1,738.6	1,878.5	2,020.0
				(In percent of GDP)				
Primary sector	36.9	37.5	38.2	37.8	36.5	35.5	36.0	35.7
Agriculture and forestry	28.2	29.2	30.5	30.0	29.1	27.8	28.4	28.2
Livestock and fishing	8.6	8.3	7.7	7.8	7.4	7.8	7.6	7.5
Secondary sector	14.3	14.5	13.5	13.7	13.9	14.4	14.3	14.4
Manufacturing and handicrafts	8.9	9.0	8.6	8.7	8.8	9.2	9.0	9.0
Construction and public works	4.1	4.2	3.9	4.0	4.0	4.1	4.1	4.1
Mining and petroleum	0.5	0.5	0.3	0.2	0.2	0.2	0.2	0.2
Water, gas, and electricity	0.7	0.8	0.7	0.9	0.9	1.0	1.0	1.0
Tertiary sector	42.7	41.4	41.4	40.9	41.7	42.1	41.8	41.9
Trade	18.4	18.1	17.8	17.8	18.2	18.3	18.0	18.1
Transport and other services	7.4	7.1	7.0	6.9	7.6	8.0	8.1	8.1
Public administration	7.0	6.7	6.6	6.4	6.2	6.1	6.0	6.0
Other services	9.9	9.6	10.0	9.8	9.6	9.6	9.7	9.6
GDP at factor cost	93.8	93.4	93.1	92.5	92.1	92.1	92.1	91.9
Indirect taxes (net)	6.2	6.6	6.9	7.5	7.9	7.9	7.9	8.1
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Institut National de la Statistique et de l'Analyse Economique (INSAE); and staff estimates.

Table 2. Benin: Gross Domestic Product by Sector of Origin
at Constant 1985 Prices, 1996-2003

	1996	1997	1998	1999	2000	2001	2002	2003
	(In billions of CFA francs)							
Primary sector	254.6	269.1	286.6	298.3	317.4	327.2	351.2	366.4
Agriculture and forestry	198.6	211.1	227.3	237.5	255.3	263.0	284.4	297.2
Livestock and fishing	56.0	58.0	59.3	60.8	62.1	64.3	66.8	69.2
Secondary sector	101.7	105.4	105.7	107.9	117.5	128.2	136.1	143.3
Manufacturing and handicrafts	66.2	69.2	69.8	72.8	79.4	86.5	91.3	95.5
Construction and public works	22.1	23.4	23.8	25.2	27.0	28.8	30.5	32.2
Mining and petroleum	6.4	5.4	4.5	0.8	0.9	0.9	1.0	1.0
Water, gas, and electricity	7.1	7.4	7.6	9.1	10.3	12.0	13.3	14.6
Tertiary sector	249.9	263.4	274.7	288.4	300.0	316.2	331.2	347.5
Trade	95.1	101.3	104.0	110.5	115.4	121.7	127.2	133.9
Transport and other services	37.4	39.3	41.7	44.2	46.0	48.8	51.3	53.9
Public administration	51.9	53.4	56.0	57.2	58.9	61.0	62.9	65.4
Other services	65.5	69.4	73.0	76.5	79.7	84.7	89.8	94.3
GDP at factor cost	606.2	637.9	667.0	694.6	734.9	771.6	818.5	857.2
Indirect taxes (net)	33.5	38.2	39.8	45.4	47.7	50.3	52.8	56.0
GDP at market prices	639.7	676.1	706.8	740.0	782.6	821.9	871.3	913.2
	(Annual changes in percent)							
Primary sector	10.4	5.7	6.5	4.1	6.4	3.1	7.3	4.3
Agriculture and forestry	11.9	6.3	7.7	4.5	7.5	3.0	8.2	4.5
Livestock and fishing	5.3	3.6	2.2	2.5	2.1	3.5	4.0	3.5
Secondary sector	8.1	3.5	0.3	2.1	8.9	9.1	6.1	5.3
Manufacturing and handicrafts	12.6	4.6	0.9	4.3	9.0	9.0	5.6	4.6
Construction and public works	0.8	5.7	2.0	5.8	6.9	7.0	6.0	5.5
Mining and petroleum	-10.8	-15.6	-16.7	-82.2	12.5	0.0	7.0	6.0
Water, gas, and electricity	13.4	4.2	2.7	19.7	13.2	16.5	10.5	10.0
Tertiary sector	3.0	5.4	4.3	5.0	4.0	5.4	4.8	4.9
Trade	2.1	6.5	2.7	6.3	4.4	5.5	4.5	5.3
Transport and other services	6.0	5.1	6.1	6.0	4.1	6.0	5.3	5.0
Public administration	1.9	2.9	4.9	2.1	3.0	3.5	3.1	4.0
Other services	3.5	6.0	5.2	4.8	4.2	6.3	6.0	5.0
GDP at factor cost	6.9	5.2	4.6	4.1	5.8	5.0	6.1	4.7
Indirect taxes (net)	-7.2	14.0	4.2	7.4	5.1	5.5	5.0	6.0
GDP at market prices	6.0	5.7	4.6	4.7	5.8	5.0	6.0	4.8

Sources: Institut National de la Statistique et de l'Analyse Economique (INSAE); and staff estimates.

Table 3. Benin: Supply and Use of Resources at Current Prices, 1996-2003

(In billions of CFA francs)

	1996	1997	1998	1999	2000	2001	2002	2003
Supply of resources	1,461.6	1,622.3	1,756.0	1,893.6	2,056.8	2,219.7	2,383.3	2,560.4
Gross domestic product	1,137.5	1,258.8	1,377.3	1,469.9	1,605.4	1,738.6	1,878.5	2,020.0
Imports of goods and nonfactor services	324.1	363.5	378.7	423.7	451.4	481.1	504.8	540.4
Goods	227.3	248.5	265.8	291.2	314.8	340.1	354.0	379.5
Services	96.8	115.0	112.9	132.5	136.6	141.0	150.8	160.9
Use of resources	1,461.6	1,622.3	1,756.0	1,893.6	2,056.8	2,219.7	2,383.3	2,560.4
Gross domestic expenditure	1,244.8	1,419.9	1,520.6	1,656.4	1,813.1	1,959.6	2,124.9	2,276.5
Consumption	1,051.4	1,188.4	1,286.5	1,399.0	1,509.2	1,626.1	1,790.0	1,909.5
Public	120.5	128.4	129.2	147.3	185.6	202.4	243.7	281.3
Private	930.9	1,060.0	1,157.3	1,251.7	1,323.5	1,423.8	1,546.2	1,628.3
Gross investment	193.3	231.6	234.1	257.4	303.9	333.5	334.9	367.0
Fixed and portfolio investment	187.7	231.6	234.1	257.4	303.9	333.5	334.9	367.0
Central government	71.8	85.7	79.9	92.8	122.5	135.3	120.7	144.8
Public enterprises and local authorities	12.9	9.9	9.0	9.4	9.0	9.9	14.3	9.4
Private sector	103.0	136.0	145.3	155.2	172.4	188.3	199.9	212.8
Change in stocks	5.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exports of goods and nonfactor services	216.9	202.4	235.4	237.3	243.7	260.1	258.5	283.8
Goods	134.3	111.6	141.2	137.0	132.9	153.2	136.4	156.0
Services	82.5	90.8	94.2	100.3	110.9	106.9	122.1	127.9
Domestic savings	86.1	70.4	90.8	70.9	96.2	112.5	88.5	110.5
Resource gap	107.2	161.1	143.4	186.5	207.7	221.0	246.4	256.6
Private transfers	34.3	44.9	42.2	45.3	59.5	59.1	55.3	56.4
Public transfers (current)	49.1	40.8	30.5	39.6	28.1	61.1	40.9	43.5
Income paid abroad (net)	-23.5	-17.4	-7.9	-9.6	-8.7	-15.6	-18.1	-15.0
Gross national savings	145.9	138.7	155.5	146.2	175.1	217.1	166.7	195.3
Current account deficit	-47.4	-92.8	-78.6	-111.1	-128.8	-116.4	-168.2	-171.7

Sources: Beninese authorities; and staff estimates.

Table 4. Benin: Supply and Use of Resources at Current Prices, 1996-2003

(In percent of GDP)

	1996	1997	1998	1999	2000	2001	2002	2003
Supply of resources	128.5	128.9	127.5	128.8	128.1	127.7	126.9	126.8
Gross domestic product	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Imports of goods and nonfactor services	28.5	28.9	27.5	28.8	28.1	27.7	26.9	26.8
Goods	20.0	19.7	19.3	19.8	28.1	27.7	26.9	26.8
Services	8.5	9.1	8.2	9.0	8.5	8.1	8.0	8.0
Use of resources	128.5	128.9	127.5	128.8	128.1	127.7	126.9	126.8
Gross domestic expenditure	109.4	112.8	110.4	112.7	112.9	112.7	113.1	112.7
Consumption	92.4	94.4	93.4	95.2	94.0	93.5	95.3	94.5
Public	10.6	10.2	9.4	10.0	11.6	11.6	13.0	13.9
Private	81.8	84.2	84.0	85.2	82.4	81.9	82.3	80.6
Gross investment	17.0	18.4	17.0	17.5	18.9	19.2	17.8	18.2
Fixed and portfolio investment	17.0	18.4	17.0	17.5	18.9	19.2	17.8	18.2
Central government	6.3	6.8	5.8	6.3	7.6	7.8	6.4	7.2
Public enterprises and local authorities	1.1	0.8	0.7	0.6	0.6	0.6	0.8	0.5
Private sector	9.1	10.8	10.5	10.6	10.7	10.8	10.6	10.5
Change in stocks	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exports of goods and nonfactor services	19.1	16.1	17.1	16.1	15.2	15.0	13.8	14.1
Goods	11.8	8.9	10.2	9.3	8.3	8.8	7.3	7.7
Services	7.3	7.2	6.8	6.8	6.9	6.1	6.5	6.3
Domestic savings	7.6	5.6	6.6	4.8	6.0	6.5	4.7	5.5
Resource gap	9.4	12.8	10.4	12.7	12.9	12.7	13.1	12.7
Private transfers	3.0	3.6	3.1	3.1	3.7	3.4	2.9	2.8
Public transfers (current)	4.3	3.2	2.2	2.7	-6.0	-4.9	-7.7	-6.4
Income paid abroad (net)	-2.1	-1.4	-0.6	-0.7	0.0	0.0	0.0	0.0
Gross national savings	12.8	11.0	11.3	9.9	10.9	12.5	8.9	9.7
Current account deficit	-4.2	-7.4	-5.7	-7.6	-8.0	-6.7	-9.0	-8.5

Sources: Beninese authorities; and staff estimates.

Table 5. Benin: Production and Producer Prices of Cotton Products, 1995/96-2002/03

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Production				(In thousands of tons)				
Seed cotton	350.0	349.5	359.2	336.2	363.6	336.6	405.9	337.5
Cotton Seed	141.4	143.9	150.2	138.3	154.6	143.3	167.9	148.0
				(In CFA francs per kilogram)				
Producer prices								
Seed cotton	165	200	200	225	185	200	200	180
Cotton Seed	393	485	476	549	430	465	476	419

Sources: Ministry of Rural Development, Department of Planning and Research; and Société Nationale pour la Promotion Agricole (SONAPRA).

Table 6. Benin: Production and Cultivated Area of Principal Food Crops,
1995/96-2002/2003

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
(In thousands of metric tons)								
Production								
Maize	563	557	701	669	783	750	686	797
Sorghum	119	110	120	138	127	155	165	183
Millet	25	24	27	29	29	36	35	41
Rice (paddy)	18	22	27	36	34	49	55	63
Total cereals	725	713	875	872	973	990	941	1,085
Cassava	1,329	1,453	1,918	2,053	2,109	2,350	2,703	3,155
Yams	1,288	1,326	1,408	1,584	1,647	1,745	1,701	2,151
Beans	74	64	74	67	74	85	78	95
(In thousands of hectares)								
Cultivated area								
Maize	500	513	583	595	625	782	623	685
Sorghum	149	145	149	168	155	126	183	193
Millet	34	34	35	39	38	44	46	51
Rice (paddy)	11	12	14	17	18	23	27	29
Total cereals	694	704	781	819	836	975	879	958
Cassava	158	166	186	189	202	219	240	261
Yams	117	131	130	145	145	156	156	174
Beans	98	98	104	99	113	119	116	135

Source: Ministry of Rural Development, Department of Planning and Research.

Table 7. Benin: Production and Exports of Palm Products, 1996-2003 1/

(In thousands of metric tons)

	1996	1997	1998	1999	2000	2001	2002	2003
Palm oil mills								
Palm fruit processed	35.5	38.1	41.0	9.1	61.4	28.9	18.8	14.6
Palm oil produced	6.8	6.4	6.9	9.1	11.3	5.1	3.2	2.5
Palm kernel produced	1.6	1.4	1.4	2.7	2.7	1.2	0.9	0.7
Palm kernel oil mills								
Palm kernels processed	1.6	0.6	0.6	1.6	1.4	0.6	0.9	0.7
Palm kernel oil produced	0.6	0.2	0.2	0.6	0.5	0.2	0.3	0.2
Palm kernel cake produced	0.8	0.3	2.4	2.8	0.7	0.3	0.4	0.3
Export volumes								
Palm oil	1.1	0.7	13.5	7.9	5.3	2.4	3.0	1.1
Palm kernel oil	0.1	0.1	0.0	1.6	...	...	...	...
Palm kernel cake	0.7	0.0	2.5	2.8	...	...	...	...

Sources: Société Nationale pour l'Industrie des Corps Gras (SONICOG); Central Bank of West African States (BCEAO); Systeme d'Information et d'Analyses Industrielles; and staff estimates.

1/ Operations of SONICOG.

Table 8: SONAPRA's Cost Structure, 1995/96-2002/03 1/
(In CFA francs per kilogram, unless otherwise indicated)

	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Seed cotton								
Producer price of seed cotton	165.0	200.0	200.0	225.0	185.0	200.0	200.0	180.0
Commission and local taxes	171.9	206.9	206.9	228.1	191.2	210.0	210.0	189.0
Transport costs	10.4	9.9	12.5	10.4	8.0	16.0	16.0	24.5
Purchase cost per unit of seed cotton	182.5	217.0	419.3	463.4	384.2	426.0	425.9	393.5
Ginned cotton								
Purchase costs per unit of ginned cotton	452.1	524.5	522.2	559.3	486.3	531.0	541.3	501.6
Ginning costs	40.5	44.7	45.8	47.3	43.6	58.6	59.9	36.0
Financial costs	15.9	12.4	20.5	46.7	36.0	33.1	24.4	29.9
Transport costs	13.0	13.9	14.0	13.0	15.7	23.1	23.0	15.0
Other	67.3	105.1	76.8	145.3	168.3	193.7	...	...
Insurance, freight, and other export costs	16.7	19.3	14.8	15.5	24.3	19.4	17.9	17.7
Total production costs of ginned cotton (f.o.b.)	605.4	719.9	694.1	827.0	774.2	859.0	666.4	600.3
Cottonseed								
Transport costs	9.3	9.8	10.0	17.9	12.1	11.3	5.1	7.5
Other production costs	0.9	1.3	0.4	0.5	0.5	0.7	0.6	0.9
Insurance, freight, and other export costs	4.6	4.6	6.8	5.5	9.0	5.3	1.5	5.1
Total production costs of cottonseed (c.i.f.)	14.8	15.7	17.2	23.9	21.6	17.3	7.2	13.4
Total costs (f.o.b)	599.0	711.6	689.7	829.9	762.6	851.6	637.0	691.0
Variable costs	541.7	638.4	615.3	705.9	645.6	735.8	563.8	691.0
Fixed costs	57.3	73.3	74.4	124.1	117.0	115.8	73.1	77.8
Total costs (c.i.f.)	620.3	735.5	711.3	850.9	795.9	876.3	656.3	713.8
Sales prices								
Seed cotton (producers' price)	165.0	200.0	200.0	225.0	185.0	200.0	200.0	180.0
Ginned cotton	800.5	830.4	899.0	645.3	668.4	804.0	592.0	795.4
Cottonseed	30.8	37.6	75.3	58.1	64.8	67.6	63.6	70.8
Profit per unit								
Seed cotton	2.5	3.0	-19.5	-13.6	-14.4	-26.0	-25.9	-15.7
Ginned cotton	195.1	110.5	204.9	-181.7	-105.9	-55.0	-57.1	95.0
Cottonseed	16.0	21.9	58.1	34.2	43.2	50.2	56.4	57.4
Memorandum items:								
Total profits (in billions of CFAF)	24.2	16.5	20.6	-12.1	-10.4	-0.1	-9.5	-2.2
Contribution to government revenue (in percer	12.1	7.1	20.6	-12.1	-10.4	-0.1	-9.5	-18.4
Total Production of seed cotton ('000 tons)	350.0	349.5	359.2	336.2	363.6	336.6	405.9	337.5

Sources: Société Nationale pour la Promotion Agricole (SONAPRA); and staff estimates
1/ Crop year: October 1 - September 30

Table 9. Benin: Retail Price of Major Petroleum Products, 1996-2003

(In CFA francs per liter)

	1996	1997	1998	1999	2000	2001	2002	2003
Premium gasoline	175	200	220	220	320	350	323	348
Regular gasoline	170	175	195	195	305	325	298	328
Kerosene	100	125	125	125	180	210	188	195
Diesel	135	170	175	175	258	285	263	293

Source: Société Nationale de Commercialisation des Produits Pétroliers (SONACOP); and Ministry of Commerce (MCAT).

Table 10. Benin: Production and Cost of Electricity, 1996-2003

	1996	1997	1998	1999	2000	2001	2002	2003
	(In thousands of kilowatt-hours)							
Production available	289,308	306,890	310,226	369,182	422,301	487,682	535,769	579,785
Of which								
Imported from Ghana	242,617	256,690	252,271	325,361	368,433	431,794	482,643	512,810
Consumption	247,922	264,682	265,971	316,653	361,543	401,718	436,709	474,230
	(In millions of CFA francs)							
Production cost	12,631	12,745	13,898	16,045	19,310	22,944	26,945	30,428
Of which								
Salary	306	353	245	273	368	941	1,076	360
Marketing cost	1,454	1,264	1,966	1,579	1,513	2,296	2,246	2,216
Indirect operating costs	1,406	1,268	1,680	2,160	2,558	2,336	3,781	3,238
Business expenses	1,559	1,901	2,531	3,239	3,837	4,895	5,671	4,857
Total cost	17,049	17,178	20,075	23,023	27,218	32,471	38,643	40,739
Unit cost (in CFA francs per kilowatt-hour)	63.0	64.0	75.0	73.0	75.0	81.0	88.0	86.0
Unit selling price (in CFA francs per kilowatt-hour)	62.0	70.0	70.0	70.0	68.0	72.0	89.0	88.0

Sources: Société Nationale de Commercialisation des Produits Pétroliers (SONACOP); Société Béninoise d'Electricité et d'Eau (SBEE); Sémé oil project; DGID (Ministry of Economy and Finance); and staff estimates.

Table 11. Benin: Transportation Activity, 1996-2003

	1996	1997	1998	1999	2000	2001	2002	2003
			(In thousands of metric tons, unless otherwise indicated)					
Port traffic								
Loading	423.9	370.3	379.0	360.4	398.7	380.5	462.2	469.4
Of which								
Palm products	0.4	2.0	6.0	0.0	0.0	0.0	0.0	24.0
Cotton products	300.5	281.0	293.5	264.5	276.4	220.6	212.0	241.0
Transit	5.7	6.6	6.8	5.3	4.9	6.5	5.6	8.6
Unloading	1,795.8	1,877.9	2,004.6	2,236.2	2,674.8	2,929.3	3,007.7	3,808.9
Of which								
Hydrocarbons	297.7	331.5	434.0	508.6	423.0	323.9	514.7	838.1
Transit	454.4	488.7	588.0	507.2	839.6	984.9	514.7	838.1
Total	2,219.8	2,248.2	2,383.6	2,596.6	3,073.5	3,309.9	3,469.9	4,278.3
Transit	555.6	499.8	594.8	512.5	844.5	1,005.9	1,055.5	1,229.7
Niger	270.7	340.0	414.8	346.5	419.7	513.6	549.7	799.9
Nigeria	94.9	108.0	115.4	118.6	332.2	402.0	350.6	311.4
Burkina Faso	38.6	2.5	22.5	17.6	5.2	14.4	65.1	37.2
Togo	25.9	18.5	13.9	5.8	2.8	5.0	6.3	2.8
Mali	3.5	13.9	9.8	15.3	15.3	28.7	47.0	14.0
Rail traffic								
Passengers (in millions per kilometer)	117.0	121.8	112.0	82.2	156.6	…	…	…
Freight (in millions of tons per kilometer)	269.7	311.3	218.7	269	153.2	…	…	…
Upfreight (in thousands of metric tons)	189.4	226.8	198.6	262.4	154.8	…	…	…
General merchandise	119.6	169.6	169.4	226.0	132.6	…	…	…
To Benin	7.7	13.4	15.8	10.2	6.4	…	…	…
To Niger	111.9	156.2	153.7	215.8	126.2	…	…	…
Hydrocarbons	69.8	57.3	29.2	36.4	22.2	…	…	…
To Benin	29.1	30.5	10.2	36.4	22.2	…	…	…
To Niger	40.7	26.7	18.9	0.0	0.0	…	…	…
Downfreight (in thousands of metric tons)	80.1	81.5	141.5	124.0	117.4	…	…	…
From Benin	74.6	74.8	135.5	117.6	113	…	…	…
From Niger	5.5	6.7	6.0	6.4	4.4	…	…	…

Sources: Ministry of Transportation, Directorate of the Port of Cotonou; Bénin-Niger Railway (OCBN); and staff estimates.

Table 12. Benin: Retail Prices of Selected Products, 1996-2003 1/

	Lump Sugar	Imported Rice	Bread 2/	Maize	Cassava Flour	Beans	Groundnut Oil	Palm Oil
	(In CFA francs per kilogram)						(In CFA francs per liter)	
Dec. 1996	460	334	385	155	192	368	733	387
Dec. 1997	545	394	385	137	200	373	768	500
Dec. 1998	495	419	385	150	197	475	805	478
Dec. 1999	456	395	470	129	244	436	805	525
Dec. 2000	333	410	333	154	262	400	780	480
Dec. 2001	265	375	333	150	370	459	780	510
Dec. 2002	254	350	333	166	...	253	672	523
Dec. 2003	276	335	333	128	...	252	660	552
	(Monthly average)							
1996	469	365	352	159	165	466	725	405
1997	497	370	385	167	204	422	742	393
1998	717	380	385	154	191	431	792	453
1999	468	406	470	134	195	453	807	518
2000	266	406		150	270	441	796	459
2001	...	...	...	...	...	...	...	...
2002	...	...	...	...	...	...	...	...
2003	...	...	...	...	...	...	...	...
	(Annual changes in percent)							
1996	-0.6	22.5	0.6	33.6	34.1	50.8	-4.5	-18
1997	44.3	2.2	0	-17.8	-5.9	-4.7	6.6	29.7
1998	-9.2	6.3	0	9.5	-1.5	27.3	4.8	-4.4
1999	-20.7	6.8	22.1	-13.0	2.1	5.1	1.9	14.3
2000	-43.2	0.0		11.9	38.5	-2.6	-1.4	-11.4
2001	…	…	…	…	…	…	…	…
2002	…	…	…	…	…	…	…	…
2003	…	…	…	…	…	…	…	…

Sources: Central Bank of West African States (BCEAO); Institut National de la Statistique et l'Analyse Economique (INSAE), and
Direction de la Concurrence et du Commerce Interieur/MICPE

1/ Actual market prices.

2/ Industrially processed.

Table 13. Benin: Consumer Price Index in Urban Areas, 1997-2003 1/

(Index, December 1996=100, unless otherwise indicated)

	1997 2/	1998	1999	2000	2001	2002	2003
January	102.1	107.0	111.0	108.7	116.8	119.8	123.4
February	101.7	107.2	109.5	109.7	115.6	119.9	123.8
March	103.0	110.4	108.4	112.2	117.5	120.3	124.2
April	104.9	110.9	111.7	113.2	118.9	122.1	124.7
May	104.6	111.3	112.0	114.4	120.9	121.8	124.8
June	104.1	112.7	110.6	117.3	120.3	123.8	124.2
July	103.9	110.4	110.4	116.4	120.7	126.2	124.4
August	103.4	109.0	111.0	115.8	119.5	122.8	123.0
September	102.6	108.1	109.8	115.1	119.0	121.0	122.4
October	103.3	107.4	109.0	116.9	119.4	121.4	123.9
November	104.8	109.4	108.4	117.1	120.3	123.1	124.5
December	106.2	112.2	108.5	119.2	122.0	123.5	124.4
Average	103.7	109.7	110.0	114.7	119.2	122.1	124.0
Changes in percent	3.7	5.8	0.3	4.2	4.0	2.4	1.5

Source: Institut National de la Statistique et de l'Analyse Economique (INSAE).

1/ Index is based on data covering five major cities.
2/ Harmonized consumer price index of the West African Economic and Monetary Union, based on a 1996 basket covering Cotonou.

Table 14. Benin: Industrial Minimum Legal Wage, 1996-2003

(In CFA francs per hour)

January 1996	117.12
April 1997	126.49
January 1998	126.49
June 1999	126.49
March, 2000	144.23
December, 2000	144.23
December, 2001	144.23
December, 2002	144.23
April, 2003	158.65
December 2003	158.65

Sources: Central Bank of West African States (BCEAO); and Ministry of Labor and Social Affairs.

Table 15. Benin: Consolidated Government Operations 1996-2003

	1996	1997	1998	1999	2000	2001	2002	2003
	(In billions of CFA francs)							
Total revenue	171.9	181.9	210.8	234.9	266.2	281.0	318.2	342.9
Tax revenue	142.6	158.8	182.6	200.8	234.1	247.1	282.5	307.2
Tax on international trade	70.3	82.7	91.3	106.8	126.7	133.2	145.9	159.2
Direct and indirect taxes	72.3	76.1	91.3	94.0	107.4	113.9	136.6	148.0
Nontax revenue	29.3	23.1	28.2	34.0	32.1	33.9	35.7	35.7
Total expenditure	220.4	234.4	225.2	258.0	322.5	353.2	383.2	436.4
Wages	58.2	62.0	64.6	66.2	74.8	80.7	90.1	103.0
Pensions and scholarships	16.9	16.2	16.8	18.3	19.3	20.5	21.5	25.7
Current transfers	8.7	8.9	7.3	20.5	26.8	41.5	73.7	75.7
Other expenditure	36.7	41.2	40.5	42.4	64.7	59.6	58.4	76.9
Investment	71.8	85.7	79.9	92.8	122.5	135.3	120.7	144.8
Budgetary contribution	7.3	13.9	17.4	28.0	35.0	55.4	54.5	71.4
Financed from abroad	64.5	71.8	62.5	64.8	87.4	79.8	66.2	73.4
Net lending (minus = reimbursement)	0.7	-0.7	1.8	4.5	0.3	0.4	3.2	-2.0
Primary balance (narrow definition) 1/	44.0	39.6	64.2	59.6	45.5	23.2	19.9	-9.7
Interest	27.4	21.1	14.3	13.5	14.1	15.2	15.5	12.3
Internal debt	3.2	2.7	2.3	1.9	1.6	1.8	1.2	1.0
External debt	24.1	18.4	12.0	11.6	12.4	13.5	14.3	11.3
Overall balance (payment order basis)	-48.5	-52.5	-14.4	-23.1	-56.3	-72.3	-65.1	-93.4
Change in arrears	-13.7	-7.9	-41.6	-24.6	-30.6	-6.7	-6.7	-5.6
External debt (principal and interest payments)	11.9	7.9	-30.0	-13.3	-14.8	0.0	0.0	0.0
Domestic debt	-25.6	-15.8	-11.6	-11.3	-15.8	-6.7	-6.7	-5.6
Payments during complementary period/float	-5.9	-6.6	-9.0	3.2	-0.6	8.4	-13.8	18.9
Overall balance (cash basis)	-68.1	-66.9	-65.0	-44.5	-87.5	-70.6	-85.5	-80.2
Financing	68.1	66.9	65.1	44.6	87.5	70.6	85.5	80.2
Domestic financing	-18.2	3.5	-26.0	-35.8	13.9	-49.0	11.4	-3.5
Bank financing	-16.7	-1.2	-26.3	-46.3	1.2	-47.8	13.7	-1.5
Net use of Fund resources	9.2	1.1	-2.4	0.6	-2.5	-3.0	-6.8	-3.5
Disbursements	10.1	3.6	0.0	6.1	6.3	7.5	3.6	5.4
Repayments	-0.9	-2.5	-2.4	-5.5	-8.9	-10.5	-10.4	-8.9
Other	-25.9	-2.3	-23.9	-46.9	3.8	-44.7	20.4	2.0
Nonbank financing	-1.5	4.6	0.3	10.5	12.6	-1.3	-2.3	-2.0
External financing	86.3	63.5	91.1	80.3	73.7	119.6	74.2	83.7
Project financing	62.1	69.7	58.0	63.0	74.4	79.8	71.5	73.4
Grants	23.8	42.1	34.9	33.9	25.3	24.5	16.4	35.6
Loans	38.2	27.7	23.0	29.1	49.1	55.3	55.1	37.8
Amortization due	-17.3	-20.5	-20.4	-23.6	-22.9	-17.5	-18.8	-17.9
Program aid	33.5	14.2	17.0	27.6	1.7	41.6	3.7	11.2
Grants	20.6	14.2	8.3	17.2	1.7	21.5	3.7	4.9
Loans	12.9	0.0	8.7	10.4	0.0	20.1	0.0	6.3
Debt relief obtained	8.0	0.0	36.5	13.3	20.5	15.7	17.8	17.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:	(In percent of GDP, unless otherwise stated)							
Total revenue	15.2	14.6	15.5	16.0	16.6	16.2	16.9	17.0
Total expenditure	19.5	18.8	16.6	17.6	20.1	20.3	20.4	21.6
Of which								
Wages	5.2	5.0	4.7	4.5	4.7	4.6	4.8	5.1
Public investment	6.4	6.9	5.9	6.3	7.6	7.8	6.4	7.2
Overall balance (payment order basis, excl. grants)	-4.3	-4.2	-1.1	-1.6	-3.5	-4.2	-3.5	-4.6
Primary balance (narrow definition)1/	3.9	3.2	4.7	4.1	2.8	1.3	1.1	-0.5
Primary balance (broad definition)	3.9	3.2	4.7	4.1	2.8	1.3	-2.6	-4.0
GDP (billions of CFA francs) 2/	1,129.5	1,249.8	1,360.6	1,469.9	1,605.4	1,738.6	1,878.5	2,020.0

Sources: Beninese authorities; and staff estimates

1/ Total revenue minus total expenditure, excluding foreign-financed investment, interest payments, and net lending
2/ In billions of CFA francs

Table 16. Benin: Central Government Revenue, 1996-2003

	1996	1997	1998	1999	2000	2001	2002	2003
	(In millions of CFA francs)							
Taxes on income and profits	43,873	40,037	46,750	46,391	51,692	59,262	68,546	71,308
Individual	10,459	13,186	15,634	17,165	22,596	23,349	26,959	30,319
Corporate	27,070	23,794	26,469	25,621	25,990	33,004	37,554	36,426
Payments of tax arrears on income and profits	2,915	1,171	2,322	1,669	1,227	0.0	921.4	876.1
Other taxes	3,429	1,886	2,325	1,936	1,880	2,909	3,112	3,687
Taxes on payroll and workforce	2,429	2,698	2,899	3,104	3,537	3,869	4,460	5,087
Taxes on property	1,093	1,768	3,573	3,456	3,232	2,831	2,972	3,757
Domestic taxes on goods and services	24,929	31,636	38,031	41,022	48,913	47,909	60,693	67,825
Turnover taxes	12,857	15,066	18,959	22,312	27,845	31,600	41,454	40,775
Excises	3,267	4,591	6,152	6,669	7,352	4,416	4,277	5,868
Taxes on specific services	1,166	1,705	1,800	1,827	3,341	4,307	4,528	7,124
Motor vehicle taxes (vignette)	920	1,000	1,355	1,786	1,400	0	0	0
Arrears of taxes on goods and services	1,214	2,655	2,342	1,603	1,122	510	682	0
Other	5,505	6,619	7,422	6,825	7,854	7,076	9,752	14,058
Taxes on international trade and transactions	70,314	90,765	91,327	106,842	126,699	133,248	145,881	159,215
Customs duties	18,463	26,010	21,985	25,554	39,205	42,618	49,960	49,528
Value-added tax	47,497	59,879	57,063	66,849	69,225	71,033	76,770	80,235
Export duties, including re-exportation tax	270	118	55	19	919	2,439	1,771	1,173
Other	4,084	4,758	12,224	14,420	17,351	17,158	17,381	28,279
Total tax revenue	142,638	166,903	182,579	200,815	234,074	247,119	282,552	307,193
Nontax revenue	29,275	23,097	28,200	34,050	32,142	33,858	35,677	35,741
From nonfinancial public enterprises	12,548	6,210	9,646	11,082	6,229	6,910	6,970	6,970
Contribution to government employees'								
pension fund	8,404	7,632	7,942	8,070	8,500	9,269	10,791	11,155
Repayment on on-lending	4,358	7,026	7,509	9,186	7,306	7,435	5,717	5,717
Other nontax revenue	3,964	2,229	3,103	5,712	10,108	10,244	12,198	11,898
Total revenue	171,913	190,000	210,779	234,865	266,217	280,977	318,229	342,934
	(In percent of GDP)							
Total revenue	15.2	15.2	15.5	16.1	16.6	16.2	17.0	17.0
Taxes on income and profits	3.9	3.2	3.4	3.2	3.2	3.4	3.7	3.5
Payroll taxes	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3
Taxes on property	0.1	0.1	0.3	0.2	0.2	0.2	0.2	0.2
Domestic taxes on goods and services	2.2	2.5	2.8	2.8	3.0	2.8	3.2	3.4
Taxes on international trade	6.2	7.3	6.7	7.3	7.9	7.7	7.8	7.9
	(In percent of total tax revenue)							
Taxes on income and profits	25.5	21.1	22.2	19.8	19.4	21.1	21.5	20.8
Payroll taxes	1.4	1.4	1.4	1.3	1.3	1.4	1.4	1.5
Taxes on property	0.6	0.9	1.7	1.5	1.2	1.0	0.9	1.1
Domestic taxes on goods and services	14.5	16.7	18.0	17.5	18.4	17.1	19.1	19.8
Taxes on international trade	40.9	47.8	43.3	45.5	47.6	47.4	45.8	46.4

Sources: Beninese authorities; and staff estimates.

Table 17. Benin: Central Government Expenditure, 1996-2003

	1996	1997	1998	1999	2000	2001	2002	2003
				(In billions of CFA francs)				
Total expenditure	220.4	234.4	225.2	258.1	322.3	353.2	383.2	436.4
Primary expenditure	127.9	142.3	146.6	175.4	220.6	257.7	298.3	352.7
Salaries, pensions, and scholarships	75.0	78.3	81.4	84.5	94.1	101.2	111.6	128.6
Wage bill	58.2	62.0	64.6	66.3	74.8	80.7	90.1	103.0
Pensions and scholarships	16.9	16.2	16.8	18.3	19.3	20.5	21.5	25.7
Other expenditure and current transfers	45.5	50.1	47.8	62.9	91.5	101.1	132.2	152.6
Budgetary contribution to investment	7.3	13.9	17.4	28.0	35.0	55.4	54.5	71.4
Interest	27.4	21.1	14.3	13.5	14.0	15.3	15.5	12.3
Internal debt	3.2	2.7	2.3	1.9	1.6	1.8	1.2	1.0
External debt	24.1	18.4	12.0	11.6	12.4	13.5	14.3	11.3
Investment expenditure financed from abroad	64.5	71.8	62.5	64.8	87.4	79.8	66.2	73.4
Net lending (- =reimbursement)	0.7	-0.7	1.8	4.5	0.3	0.4	3.2	-2.0
				(In percent of GDP)				
Total expenditure	19.5	18.8	16.6	17.7	20.1	20.3	20.4	21.6
Primary expenditure	11.3	11.4	10.8	12.0	13.7	14.8	15.9	17.5
Salaries, pensions, and scholarships	6.6	6.3	6.0	5.8	5.9	5.8	5.9	6.4
Wage bill	5.1	5.0	4.7	4.5	4.7	4.6	4.8	5.1
Pensions and scholarships	1.5	1.3	1.2	1.3	1.2	1.2	1.1	1.3
Other expenditure and current transfers	4.0	4.2	3.5	4.3	5.7	5.8	7.0	7.6
Budgetary contribution to investment	0.6	1.0	1.3	1.9	2.2	3.2	2.9	3.5
Interest	2.4	1.7	1.1	0.9	0.9	0.9	0.8	0.6
Internal debt	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.0
External debt	2.1	1.5	0.9	0.8	0.8	0.8	0.8	0.6
Investment expenditure financed from abroad	5.7	5.8	4.6	4.4	5.4	4.6	3.5	3.6
Net lending (- =reimbursement)	0.1	-0.1	0.1	0.3	0.0	0.0	0.2	-0.1
				(In percent of total expenditure)				
Total expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Primary expenditure	58.0	60.7	65.1	68.0	68.4	73.0	77.8	80.8
Salaries, pensions, and scholarships	34.1	33.4	36.1	32.8	29.2	28.7	29.1	29.5
Wage bill	26.4	26.5	28.7	25.7	23.2	22.8	23.5	23.6
Pensions and scholarships	7.7	6.9	7.5	7.1	6.0	5.8	5.6	5.9
Other expenditure and current transfers	20.6	22.2	21.2	24.4	28.4	28.6	34.5	35.0
Budgetary contribution to investment	3.3	5.1	7.7	10.8	10.9	15.7	14.2	16.4
Interest	12.4	9.0	6.4	5.2	4.3	4.3	4.1	2.8
Internal debt	1.5	1.1	1.0	0.7	0.5	0.5	0.3	0.2
External debt	11.0	7.8	5.3	4.5	3.8	3.8	3.7	2.6
Investment expenditure financed from abroad	29.3	30.6	27.7	25.1	27.1	22.6	17.3	16.8
Net lending (- =reimbursement)	0.3	-0.3	0.8	1.7	0.1	0.1	0.8	-0.5

Source: Ministry of Finance.

Table 18. Benin: Central Government Investment Expenditure, 1996-2003

(In billions of CFA francs)

	1996	1997	1998	1999	2000	2001	2002	2003
Expenditure	71.8	83.7	77.4	87.1	122.5	135.3	120.7	144.8
Rural development	12.9	16.1	16.6	12.5	16.4	9.2	13.3	19.1
Industry	2.0	2.0	2.0	0.8	0.9	6.0	4.9	2.2
Infrastructure	38.7	40.4	33.3	31.4	48.0	53.2	50.1	51.8
Tourism and commerce	0.3	0.9	1.7	1.6	3.5	2.6	3.3	6.9
Health	6.8	5.3	6.8	12.3	15.0	17.0	12.4	15.4
Education	4.8	6.3	5.7	6.7	10.3	15.8	12.2	11.8
Other	6.3	12.8	11.4	21.8	28.5	31.5	24.4	37.6
Financing	71.8	83.7	77.4	87.1	117.5	121.0	126.0	144.8
Domestic financing	9.8	13.9	16.4	22.3	30.0	41.7	54.5	71.4
National budget	7.1	11.7	15.0	20.0	35.0	55.4	54.5	71.4
CAA/FNI 1/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	2.7	2.2	1.4	2.3	0.0	0.0	0.0	0.0
External financing	62.0	69.8	61.0	64.8	87.5	79.3	71.5	73.4
Grants	23.8	42.1	36.4	30.0	25.3	24.5	16.4	35.6
Loans	38.2	27.7	24.5	34.8	49.1	55.3	55.1	37.8

Sources: Ministry of Planning and Statistics, Directorate for Planning and Technical Assistance; and staff estimates.

1/ CAA = Autonomous Amortization Fund; FNI = National Investment Fund.

Table 19. Benin: Operations of the Social Security Fund, 1996-2002

(In millions of CFA francs)

	1996	1997	1998	1999	2000	2001	2002	2003
Contributions	8,098	9,720	11,126	11,818	12,965	13,828	20,386	...
Family allowances	3,401	4,082	4,673	5,039	5,509	6,534	8,711	...
Workers' compensation	891	1,069	1,224	1,174	1,304	1,711	1,978	...
Retirement	3,806	4,569	5,229	5,600	6,152	7,312	9,697	...
Other revenue	592	1,985	1,801	1,698	10,100	2,235	3,576	...
Total receipts	8,690	11,705	12,927	13,516	23,065	17,792	23,962	...
Benefits	3,699	3,903	4,373	5,196	5,221	5,900	6,626	...
Family allowances	863	783	937	1,056	882	874	861	...
Workers' compensation	121	119	161	185	170	177	157	...
Retirement	2,715	3,001	3,275	3,955	4,169	4,849	5,608	...
Other expenses	1,683	1,547	3,087	2,281	8,819	2,226	3,694	...
Total expenditure	5,382	5,450	7,459	7,477.0	14,039	8,126	10,320	...
Surplus/deficit (-)	3,308	6,255	5,468	6,039.0	9,026	9,666	13,642	...

Source: Social Security Fund (OBSS).

Table 20. Benin: Monetary Survey, 1996-2003

	1996	1997	1998	1999	2000	2001	2002	2003
	(In billions of CFA francs; end of period)							
Net foreign assets	173.1	215.2	205.4	306.3	352.7	479.4	426.7	365.5
Central Bank of West African States (BCEAO)	78.9	87.3	92.7	203.8	261.5	373.8	318.1	294.3
Banks	94.2	127.9	112.7	102.5	91.2	105.6	108.6	71.2
Net domestic assets	108.8	114.9	115.7	127.3	172.9	115.7	143.1	205.5
Domestic credit	125.6	131.0	133.9	141	181.7	133.4	178.2	250.9
Net claims on government	60.2	59.0	32.7	-13.6	-12.3	-60.1	-46.5	-47.8
Credit to the nongovernment sector	65.4	72.0	101.2	154.6	194.0	193.5	224.6	298.7
Other items (net)	-16.8	-16.1	-18.2	-13.7	-8.8	-20.2	-35.1	-45.4
Broad money (M2)	281.9	330.1	321.1	433.6	525.6	592.6	569.8	571.0
Currency	68.9	81.8	74.1	164.5	211.2	222.3	170.9	153.7
Bank deposits	207.7	243.9	242.0	263.8	308.3	360.3	391.9	409.9
Deposits with national post and savings agency	5.3	4.4	5.0	5.2	6.1	8.6	7.0	7.4
	(In percent of beginning-of-period broad money, unless otherwise specified)							
Memorandum items:								
Net foreign assets	11.4	14.9	-3.0	31.4	10.7	24.1	-8.5	-10.7
Net domestic assets	-0.2	2.2	0.2	3.6	10.5	-11.4	4.6	11.0
Domestic credit	1.8	1.9	0.9	2.2	9.4	-9.2	7.6	12.8
Net claims on government	-6.6	-0.4	-8.0	-14.4	0.3	-9.1	2.3	-0.2
Credit to the nongovernment sector	8.4	2.3	8.8	16.6	9.1	-0.1	5.2	13.0
Broad money	11.3	17.1	-2.7	35.0	21.2	12.7	-3.8	0.2
Velocity of broad money (GDP relative to average M2)	4.2	4.1	4.2	3.9	3.3	3.1	3.2	3.5
Credit to the economy (annual change in percent)	48.0	10.1	40.6	52.7	25.5	-0.3	16.1	33.0
Nominal GDP (in billions of CFA francs)	1,129.5	1,249.8	1,360.6	1,463.3	1,605.4	1,738.6	1,878.5	2,020.0

Sources: Central Bank of West African States (BCEAO); and staff estimates.

Table 21. Benin: Summary Account of the Central Bank of West African States (BCEAO), 1996-2003

(In billions of CFA francs; end of period)

	1996	1997	1998	1999	2000	2001	2002	2003
Gross foreign assets	137.1	151.5	147.1	260.8	323.5	431.5	369.6	338.2
Gross claims on central government	53.8	55.1	52.0	52.7	52.8	51.1	45.6	41.9
Advances to the treasury	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Treasury bonds	0.0	0.0	0.0	0.0	1.3	1.1	0.7	0.4
Trust Funds on-lent and Structural Adjustment Facility (SAF)/Enhanced Structural Adjustment Facility (ESAF) loans	53.8	55.1	52.0	52.7	51.5	50.0	44.9	41.5
Other assets	1.3	6.1	2.4	3.7	9.9	7.6	5.5	0.0
Total assets	194.2	212.7	201.5	317.2	386.1	490.2	420.7	380.1
Banknotes and coins outside banks	68.9	81.8	74.1	164.5	211.2	222.3	170.9	151.3
Government deposits and cash	36.6	26.1	32.4	70.1	63.6	111.3	90.3	89.8
Deposits	35.1	25.3	31.5	68.4	60.2	109.2	88.6	87.6
Central government	34.1	25.2	31.3	68.1	59.8	105.7	87.8	87.6
Other public agencies	2.5	0.1	0.2	0.3	0.4	3.5	0.8	0.0
Cash held by the treasury	1.5	0.8	0.9	1.7	3.4	2.1	1.7	2.2
Commercial banks' deposits and cash	17.1	31.9	31.5	16.5	37.1	77.1	86.3	78.0
Deposits	10.9	24.3	25.1	7.8	25.9	63.6	70.3	59.4
Cash	6.2	7.6	6.4	8.7	11.2	13.5	16.0	18.6
Public enterprises deposits	0.5	0.5	0.5	0.6	1.1	2.6	0.6	0.8
Short-term foreign liabilities	4.4	9.1	2.4	1.5	0.7	-0.7	1.8	3.8
SDR allocations	7.0	7.5	7.6	7.9	9.0	8.8	8.7	7.7
Long-term foreign liabilities 1/	53.8	55.1	52.0	56.2	61.3	57.2	49.7	40.1
Other liabilities	5.9	0.7	1.0	0.6	2.2	9.0	14.0	8.6
Total liabilities	194.2	212.7	201.5	317.9	386.2	487.6	420.6	380.1

Source: Central Bank of West African States (BCEAO).

1/ Mainly Trust Fund and outstanding SAF/ESAF loans.

Table 22. Benin: Summary Account of Commercial Banks, 1996-2003

(In billions of CFA francs; end of period)

	1996	1997	1998	1999	2000	2001	2002	2003
Reserves of commercial banks	17.1	31.9	31.5	16.5	37.1	77.1	86.3	78.0
Cash in vault	6.2	7.6	6.4	8.7	11.2	13.5	16.0	18.6
Deposits at Central Bank of West								
African States (BCEAO)	10.9	24.3	25.1	7.8	25.9	63.6	70.3	59.4
Gross foreign assets	142.6	156.5	162.4	170.6	151.0	178.5	170.0	147.4
Gross claims on government	36.9	32.9	30.7	25.9	25.8	23.0	20.6	23.8
Central administration	36.0	32.6	29.6	25.9	25.8	22.3	18.2	19.0
Other public agencies	0.9	0.3	1.1	0.0	0.0	0.7	2.4	4.8
Credit to the nongovernment sector	65.4	72.0	101.2	154.6	194.0	192.8	222.2	293.9
Performing credit	62.9	66.4	97.9	145.6	183.6	184.5	208.2	280.2
Crop credit	5.5	0.0	0.0	2.3	0.5	2.4	19.8	20.4
Other	57.4	66.4	97.9	143.3	118.6	182.1	188.4	259.8
Nonperforming credit	2.5	5.6	3.3	9.0	10.5	8.3	14.0	13.7
Other assets	30.6	20.6	22.3	31.3	27.4	17.5	37.0	31.4
Total assets	291.7	313.9	348.1	398.9	435.4	488.9	536.1	574.5
Private sector deposits	178.1	207.7	207.0	216.1	261.6	304.1	325.0	355.9
Short-term foreign liabilities	48.4	28.6	49.7	68.1	59.8	72.9	61.4	76.2
Banks	7.0	5.1	7.9	24.8	9.4	18.4	19.2	23.6
Call accounts	24.9	13.9	17.4	15.5	18.9	17.9	8.9	5.9
Other	14.5	9.6	24.4	27.8	31.5	36.6	33.3	46.7
Government deposits	27.4	42.7	56.0	74.4	79.4	84.4	95.0	81.7
Central administration	0.8	7.1	21.7	27.5	33.8	34.3	29.5	28.5
Other public agencies	26.6	35.6	34.3	46.8	45.6	50.1	65.5	53.2
Central bank refinancing	2.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term foreign liabilities	0.6	0.8	0.7	2.4	2.3	0.9	1.4	2.5
Other liabilities	35.2	32.8	33.6	37.8	32.3	26.6	53.5	58.0
Total liabilities	291.7	313.6	348.1	398.9	435.3	488.9	536.3	574.5

Source: Central Bank of West African States (BCEAO).

Table 23. Benin: Net Claims on the Central Government, 1996-2003 1/

(In billions of CFA francs; end of period)

	1996	1997	1998	1999	2000	2001	2002	2003
Central Bank of West African States (BCEAO)	19.8	29.1	19.8	-17.1	-10.4	-58.1	-42.2	-45.7
Gross claims on central government	53.8	55.1	52.0	52.7	52.8	51.1	45.6	41.9
Treasury	53.8	55.1	52.0	52.7	52.8	51.1	45.6	41.9
Autonomous Amortization Fund (CAA)								
and the Road Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Central government deposits	27.8	14.7	26.0	62.7	53.2	95.1	87.8	87.6
Treasury	14.7	1.0	21.9	56.2	32.7	65.5	53.9	63.9
Indemnification and Rehabilitation Fund (FIR)	0.0	0.0	0.0	0.2	0.2	0.2	0.2	0.2
CAA	10.2	12.6	3.2	4.6	16.9	25.9	12.6	7.1
Road Funds	1.4	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Cash held by central administration	1.5	0.8	0.9	1.7	3.4	3.5	1.7	2.2
Project-related deposits with the BCEAO	6.2	11.3	6.2	7.1	10.0	14.1	19.4	14.2
Commercial banks	35.2	25.5	7.9	-1.6	-8.0	-12.0	-11.3	-9.5
Gross claims on central government	36.0	32.6	29.6	25.9	25.8	22.3	18.2	19.0
Of which								
Treasury bonds	35.5	32.5	28.7	25.2	20.4	17.0	13.8	10.5
Central government deposits	0.8	7.1	21.7	27.5	33.8	34.3	29.5	28.5
Of which								
Treasury	0.6	4.8	10.5	12.9	20.1	19.3	17.1	18.7
CAA and National Investment Fund (FNI)	0.1	0.8	8.2	8.8	6.5	5.2	4.2	3.8
Private deposits with national post and savings agency	5.3	4.4	5.0	5.2	6.1	9.7	7.0	7.4
Net credit to central government	60.2	59.0	32.7	-13.5	-12.3	-60.4	-46.5	-47.8
Memorandum item:								
BCEAO ceiling for advances to the treasury	20.7	32.8	34.5	34.5	---	---	---	---

Source: Central Bank of West African States (BCEAO).

1/ The government includes the treasury, the Autonomous Amortization Fund (CAA), the National Investment Fund (FNI)
and the Road Fund

Table 24. Benin: Distribution of Credit to the Economy, 1996-2003 1/

(In millions of CFA francs; end of period)

	1996	1997	1998	1999	2000	2001	2002	2003
Short term								
Agriculture	58	139	358	1568	3,631	4,111	6,182	7,613
Industry	2,483	2,618	5,197	6,853	13,639	16,468	14,331	29,630
Construction	2,297	3,127	2,919	3,467	4,130	5,477	5,151	4,207
Transportation	1,013	513	1,378	2,013	1,732	8,352	7,697	15,765
Commerce	18,762	16,340	31,590	51,472	61,693	51,573	73,669	76,404
Services	11,318	11,142	18,712	35,721	35,791	27,417	35,407	45,615
Other	0	0	0	1	465	581	1	1
Total	35,931	33,879	60,154	101,094	121,081	113979	142,438	179,235
Of which								
Public and semipublic enterprises	8,778	2,615	8,712	18,511	…	…	…	…
Medium term								
Agriculture	40	201	4,171	2,381	2,267	2,459	1,927	1,258
Industry	2,315	10,550	6,442	5,169	4,352	3,092	6,709	7,440
Construction	18	338	218	63	27	63	5,027	26
Transportation	866	845	488	1,047	914	5,167	2,774	2,718
Commerce	2,187	3,920	5,223	3,206	5,207	5,300	4,214	3,426
Services	13,880	11,435	11,574	16,272	35,181	26,743	21,564	28,054
Other	0	0	0	0	10	207	602	137
Total	19,306	27,289	28,116	28,138	47,958	43,031	37,817	43,059
Of which								
Public and semipublic enterprises	3,037	2,513	1,144	6,401	…	…	…	…
Long term								
Agriculture	0	0	0	185	160	0	0	24
Industry	0	0	0	0	0	0	0	0
Construction	0	96	0	0	0	0	0	0
Transportation	0	0	0	0	0	0	0	0
Commerce	0	0	0	0	0	0	0	0
Services	148	161	58	128	237	0	0	0
Other	0	0	0	0	0	203	362	134
Total	148	257	58	313	397	203	362	158
Of which								
Public and semipublic enterprises	0	0	0	0	0	0	0	0
Grand total	55,385	61,425	88,328	129,545	169,436	157,213	180,617	222,452
Of which								
Public and semipublic enterprises	11,815	5,128	9,856	24,912	…	…	…	…

Source: Central Bank of West African States (BCEAO).

1/ As reported to the Credit Risk Registry (Centrale des Risques)

Table 25. Benin: Central Bank Lending Rates, January 1999-December 2003

(Percent per annum; end of period, unless otherwise indicated)

	Rediscount Rate (TES)	Special Rate for Advances to Treasury 1/	Repurchase Rate	Average Monthly Money Market Rate (TMM)	Interbank Rate	Auction Rate 2/
1999 January	5.75	4.95	5.25	4.95	3.50-8.25	4.75
February	5.75	4.95	5.25	4.95	3.50-8.25	4.75
March	5.75	4.95	5.25	4.95	3.50-8.25	4.75
April	5.75	4.95	5.25	4.95	3.50-8.25	4.75
May	5.75	4.95	5.25	4.95	3.50-8.25	4.75
June	5.75	4.95	5.25	4.95	3.50-8.25	4.75
July	5.75	4.95	5.25	4.95	3.50-8.25	4.75
August	5.75	4.95	5.25	4.95	3.50-8.25	4.00
September	5.75	4.95	5.25	4.95	3.50-8.25	4.00
October	5.75	4.95	5.25	4.95	3.50-8.25	4.00
November	5.75	4.95	5.25	4.95	3.50-8.25	4.00
December	5.75	4.95	5.25	4.95	3.50-8.25	4.00
2000 January	5.75	4.95	5.25	4.95	3.50-8.25	4.00
February	5.75	4.95	5.25	4.95	3.50-8.25	4.00
March	5.75	4.95	5.25	4.95	3.50-8.25	4.00
April	5.75	4.95	5.25	4.95	3.50-8.25	4.00
May	5.75	4.95	6.00	4.95	3.50-8.25	4.00
June	6.50	4.95	6.00	4.95	3.50-8.25	4.00
July	6.50	4.95	6.00	4.95	3.50-8.25	4.00
August	6.50	4.95	6.00	4.95	3.50-8.25	4.00
September	6.50	4.95	6.00	4.95	3.50-8.25	4.00
October	6.50	4.95	6.00	4.95	3.50-8.25	4.00
November	6.50	4.95	6.00	4.95	3.50-8.25	4.00
December	6.50	4.95	6.00	4.95	3.50-8.25	4.00
2001 January	6.50	4.95	6.00	4.95	3.50-8.25	4.00
February	6.50	4.95	6.00	4.95	3.50-8.25	4.00
March	6.50	4.95	6.00	4.95	3.50-8.25	4.00
April	6.50	4.95	6.00	4.95	3.50-8.25	4.00
May	6.50	4.95	6.00	4.95	3.50-8.25	4.00
June	6.50	4.95	6.00	4.95	3.50-8.25	4.00
July	6.50	4.95	6.00	4.95	3.50-8.25	4.00
August	6.50	4.95	6.00	4.95	3.50-8.25	4.00
September	6.50	4.95	6.00	4.95	3.50-8.25	4.00
October	6.50	4.95	6.00	4.95	3.50-8.25	4.00
November	6.50	4.95	6.00	4.95	3.50-8.25	5.00
December	6.50	4.95	6.00	4.95	3.50-8.25	5.00
2002 January	6.50	4.95	6.00	4.95	3.50-8.25	4.00
February	6.50	4.95	6.00	4.95	3.50-8.25	4.00
March	6.50	4.95	6.00	4.95	3.50-8.25	4.00
April	6.50	4.95	6.00	4.95	3.50-8.25	4.00
May	6.50	4.95	6.00	4.95	3.50-8.25	4.00
June	6.50	4.95	6.00	4.95	3.50-8.25	4.00
July	6.50	4.95	6.00	4.95	3.50-8.25	4.00
August	6.50	4.95	6.00	4.95	3.50-8.25	4.00
September	6.50	4.95	6.00	4.95	3.50-8.25	4.00
October	6.50	4.95	6.00	4.95	3.50-8.25	4.00
November	6.50	4.95	6.00	4.95	3.50-8.25	5.00
December	6.50	4.95	6.00	4.95	3.50-8.25	5.00
2003 January	6.50	4.95	6.00	4.95	3.50-8.25	4.00
February	6.50	4.95	6.00	4.95	3.50-8.25	4.00
March	6.50	4.95	6.00	4.95	3.50-8.25	4.00
April	6.50	4.95	6.00	4.95	3.50-8.25	4.00
May	6.50	4.95	6.00	4.95	3.50-8.25	4.00
June	6.50	4.95	6.00	4.95	3.50-8.25	4.00
July	5.50	4.95	6.00	4.95	3.50-8.25	4.00
August	5.50	4.95	6.00	4.95	3.50-8.25	4.00
September	5.50	4.95	6.00	4.95	3.50-8.25	4.00
October	5.50	4.95	6.00	4.95	3.50-8.25	4.00
November	5.00	4.95	6.00	4.95	3.50-8.25	5.00
December	5.00	4.95	6.00	4.95	3.50-8.25	5.00

Source: Central Bank of West African States (BCEAO).

1/ Reform of lending rate structure, involving the abolition of the preferential discount rate and the creation of a special rate for advances to the treasury.

2/ A weekly auction system on the money market was introduced on October 18, 1993.

Table 26. Benin: Balance of Payments, 1996-2003

	1996	1997	1998	1999	2000	2001	2002	2003
	(In billions of CFA francs)							
Trade balance	-92.9	-136.9	-124.7	-154.3	-181.9	-186.9	-217.6	-223.6
Exports, f.o.b.	134.3	111.6	141.2	137.0	132.9	153.2	136.4	156.0
Cotton	111.8	90.0	119.1	114.2	107.3	115.9	93.3	107.7
Oil	5.8	4.1	1.4	0.9	0.0	0.0	0.0	0.0
Other	16.8	17.5	20.6	21.9	25.6	37.3	43.1	48.3
Imports, f.o.b.	-227.3	-248.5	-265.8	-291.2	-314.8	-340.1	-354.0	-379.5
Of which : petroleum products	-27.6	-28.2	-37.5	-34.4	-46.8	-40.1	-42.3	-43.0
Services and income (net)	-14.3	-41.6	-26.6	-41.8	-34.5	-49.7	-46.8	-48.0
Services	-14.3	-24.2	-18.7	-32.2	-25.8	-34.1	-28.7	-33.0
Credit	82.5	90.8	94.2	100.3	110.9	106.9	122.1	127.9
Debit	-96.8	-115.0	-112.9	-125.3	-136.6	-141.0	-150.8	-160.9
Income	-23.5	-17.4	-7.9	-9.6	-8.7	-15.6	-18.1	-15.0
Of which: interest due on government debt	-24.1	-18.4	-12.0	-11.6	-12.4	-13.5	-14.3	-11.3
Current transfers (net)	83.4	85.7	72.7	84.9	87.6	120.2	96.2	99.9
Unrequited private transfers	34.3	44.9	42.2	45.3	59.5	59.1	55.3	56.4
Public current transfers	49.1	40.8	30.5	39.6	28.1	61.1	40.9	43.5
Current account	-47.4	-92.8	-78.6	-111.1	-128.8	-116.4	-168.2	-171.7
Capital account	30.7	49.1	34.9	40.9	32.3	31.8	23.8	110.8
Public project grants	28.6	49.1	34.9	40.9	32.3	31.8	23.8	43.2
Debt cancellation	2.1	0.0	0.0	0.0	0.0	0.0	0.0	67.6
Financial account (net)	28.6	44.3	42.6	181.3	148.4	178.7	73.5	20.0
Medium- and long-term public capital	38.3	10.2	14.4	19.1	29.5	61.4	39.9	29.8
Disbursements	57.1	30.7	34.8	42.7	52.4	78.9	58.6	47.7
Project loans	44.2	30.7	26.0	32.3	52.4	58.7	58.6	41.4
Program loans	12.9	0.0	8.7	10.4	0.0	20.2	0.0	6.3
Amortization due	-18.8	-20.5	-20.4	-23.6	-22.9	-17.5	-18.8	-17.9
Principal not yet due 1/	--	--	--	--	--	--	--	-67.6
Medium- and long-term private capital	-3.2	11.0	10.7	47.5	53.2	26.0	8.8	18.8
Deposit money banks	0.7	-33.7	15.2	10.2	11.3	-14.4	-3.0	37.4
Short-term capital	-0.1	15.0	-5.0	16.2	-1.6	43.7	19.6	6.4
Errors and omissions	-7.2	41.7	7.4	88.3	56.0	62.0	8.3	-4.8
Overall balance	35.4	0.5	-1.1	111.1	52.0	94.0	-70.9	-40.8
Financing	-11.9	-0.5	1.1	-111.1	-52.0	-94.1	70.9	40.8
Change in net foreign assets (- increase)	-29.7	-8.4	-5.4	-111.1	-57.7	-109.7	53.1	23.8
Of which : net use of Fund resources	9.2	1.1	-2.4	0.6	-2.5	-3.1	-6.8	-3.4
Loans	10.1	3.6	0.0	6.1	6.3	7.5	3.6	5.5
Repayments	-0.9	-2.5	-2.4	-5.5	-8.9	-10.5	-10.4	-8.9
Change in external arrears (+ increase)	11.9	7.9	-30.0	-13.3	-14.8	0.0	0.0	0.0
Interest	11.9	5.1	-2.3	0.0	-4.9	0.0	0.0	0.0
Principal	0.0	2.8	-27.7	-13.3	-9.9	0.0	0.0	0.0
Debt relief obtained	5.9	0.0	36.5	13.3	20.5	15.7	17.8	17.0
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	(In percent of GDP)							
Current account	-4.2	-7.4	-5.7	-7.6	-8.0	-6.7	-9.0	-8.5
Overall balance	1.0	0.0	-0.1	7.6	3.2	5.4	-3.8	-2.0
Memorandum items:	(In billions of CFA francs)							
Reexports	132.3	132.8	103.3	123.0	139.5	147.9	163.9	170.4
Imports for reexports	-94.6	-95.0	-72.4	-86.2	-97.8	-97.8	-114.7	-119.3

Sources: Central Bank of West African States (BCEAO); and staff estimates.
1/ The entry in 2003 is for the stock of debt operation at the completion point.

Table 27. Benin: Balance of Payments, 1996-2003

(In millions of U.S. dollars)

	1996	1997	1998	1999	2000	2001	2002	2003
Trade balance	-181.6	-234.6	-211.3	-250.9	-258.0	-256.4	-313.2	-385.3
Exports, f.o.b.	262.6	191.2	239.2	222.8	188.5	210.2	196.3	268.9
Cotton	218.5	154.1	201.9	185.7	152.2	159.1	134.2	185.7
Oil	11.3	7.1	2.4	1.5	0.0	0.0	0.0	0.0
Other	32.8	30.0	35.0	35.6	36.3	51.2	62.0	83.2
Imports, f.o.b.	-444.2	-425.8	-450.5	-473.7	-446.5	-466.6	-509.5	-654.2
Of which : petroleum products	-53.9	-48.3	-63.6	-56.0	-66.4	-55.0	-60.9	-74.1
Services and income (net)	-74.0	-71.3	-45.0	-68.0	-48.9	-68.2	-67.4	-82.8
Services	-28.0	-41.4	-31.6	-52.4	-36.5	-46.8	-41.3	-56.9
Credit	161.3	155.5	159.7	163.2	157.2	146.7	175.7	220.4
Debit	-189.3	-197.0	-191.3	-215.5	-193.8	-193.5	-217.0	-277.3
Income	-46.0	-29.8	-13.4	-15.6	-12.3	-21.4	-26.0	-25.9
Of which: interest due on government debt	-47.2	-31.5	-20.4	-18.9	-17.5	-18.5	-20.6	-19.4
Current transfers (net)	163.0	146.8	123.1	138.2	124.3	164.9	138.5	172.2
Unrequited private transfers	67.0	76.9	71.5	73.7	84.4	81.1	79.6	97.2
Public current transfers	95.9	69.8	51.6	64.5	39.9	83.8	58.9	75.0
Current account	-92.7	-159.1	-133.2	-180.8	-182.6	-159.7	-242.1	-295.9
Capital account	60.1	84.0	59.2	66.6	45.8	43.6	34.3	191.1
Public project grants	56.0	84.0	59.2	66.6	45.8	43.6	34.3	74.5
Debt cancellation	4.1	0.0	0.0	0.0	0.0	0.0	0.0	116.5
Financial account (net)	55.8	75.9	72.2	295.0	210.5	245.2	105.8	151.0
Medium- and long-term public capital	74.8	17.5	24.3	31.1	41.8	84.2	57.4	51.4
Disbursements	111.6	52.6	58.9	69.5	74.3	108.2	84.4	82.3
Project loans	86.4	52.6	44.1	52.6	74.3	80.5	84.4	71.4
Program loans	25.2	0.0	14.8	16.9	0.0	27.7	0.0	10.9
Amortization due	-36.7	-35.1	-34.6	-38.4	-32.4	-24.0	-27.0	-30.9
Principal not yet due 1/	0.0	0.0	0.0	0.0	0.0	--	--	-116.5
Medium- and long-term private capital	-6.3	18.8	18.1	77.3	75.5	35.7	12.7	32.4
Deposit money banks								
Short-term capital	-0.1	25.7	-8.5	26.3	-2.3	60.0	28.2	11.0
Errors and omissions	-14.0	71.5	12.5	143.7	79.5	85.1	11.9	-8.3
Overall balance	23.3	0.9	-1.8	180.8	73.7	129.0	-102.0	46.2
Financing	-23.3	-0.9	1.8	-180.7	-73.7	0.0	102.0	70.3
Change in net foreign assets (- increase)	-58.1	-14.4	9.1	-180.7	-81.8	0.0	76.4	41.0
Of which : net use of Fund resources	18.0	1.9	-4.0	1.0	-3.6	0.0	-9.7	-5.9
Loans	19.8	6.2	0.0	9.9	9.0	10.3	5.2	9.5
Repayments	-1.8	-4.3	-4.0	-8.9	-12.6	-14.5	-15.0	-15.3
Change in external arrears (+ increase)	23.3	13.5	-50.9	-21.6	-21.0	0.0	0.0	0.0
Interest	0.0	4.8	-47.0	-21.6	-14.0	0.0	0.0	0.0
Principal	23.3	8.7	-3.9	0.0	-7.0	0.0	0.0	0.0
Debt relief obtained	11.5	0.0	61.9	21.6	29.0	21.5	25.5	29.3
Financing gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1/ The entry in 2003 is for the stock of debt operation at the completion point.

Sources: Central Bank of West African States (BCEAO); and staff estimates.

Table 28. Benin: External Trade Indices, 1996-2003

	1996	1997	1998	1999	2000	2001	2002	2003
(1992=100)								
Merchandise exports, f.o.b.								
Value index	384.4	319.4	403.9	391.9	380.2	438.4	390.2	446.3
Volume index	155.8	127.2	151.2	189.2	168.3	163.6	193.1	188.4
Unit value index	246.7	251.1	267.1	207.2	225.9	268.0	218.3	236.9
Merchandise imports, f.o.b.								
Value index	223.9	244.9	261.9	286.9	310.1	335.1	344.3	348.8
Volume index	104.4	110.3	117.5	129.1	130.0	136.6	148.5	151.3
Unit value index	214.4	222.0	222.9	222.3	238.6	245.4	234.9	238.3
Terms of trade index	115.0	113.1	119.8	93.2	95.9	110.6	92.9	99.4
(Annual percentage change)								
Merchandise exports, f.o.b. (excluding reexports)								
Value index	14.5	-16.9	26.5	-3.0	-3.0	15.3	-11.0	14.4
Volume index	23.7	-18.4	18.9	25.1	-11.0	-2.8	9.3	5.4
Unit value index	-7.4	1.8	6.4	-22.4	9.0	18.6	-18.5	8.5
Merchandise imports, f.o.b. (excluding imports for reexports)								
Value index	3.7	9.4	7.0	9.6	8.1	8.0	4.1	7.2
Volume index	2.2	5.6	6.5	9.9	2.0	5.0	7.3	5.7
Unit value index	1.5	3.5	0.4	-0.3	7.3	2.8	-3.0	1.5
Terms of trade index	-8.8	-1.7	5.9	-22.2	2.9	15.4	-16.0	7.0

Sources: Beninese authorities; and staff estimates.

Table 29. Benin: Services, Income, and Private Transfers, 1996-2003

(In billions of CFA francs)

	1996	1997	1998	1999	2000	2001	2002	2003
Services (net)	-14.3	-24.2	-18.7	-25.0	-25.8	-34.1	-28.7	-33.0
Credit	82.5	90.8	94.2	100.3	110.9	106.9	122.1	127.9
Freight and insurance	28.8	31.9	19.3	33.2	18.8	24.4	20.4	21.4
Government operations	9.7	10.5	9.0	13.2	6.9	10.1	8.1	8.9
Tourism	14.0	14.7	37.9	15.9	54.7	46.0	54.8	56.5
Other services	2.3	3.5	21.4	5.8	18.8	21.6	34.4	36.3
Other transport	27.7	30.2	6.6	32.2	11.7	4.8	4.4	4.7
Debit	-96.8	-115.0	-112.9	-125.3	-136.6	-141.0	-150.8	-160.9
Freight and insurance	-56.6	-73.4	-58.8	-80.1	-66.8	-65.8	-77.0	-84.0
Government operations	-10.3	-10.4	0.0	-11.5	-3.8	-4.6	-4.0	-4.1
Tourism	-4.5	-4.6	-11.9	-5.0	-8.7	-12.7	-13.7	-14.3
Other services	-14.5	-15.0	-34.5	-16.5	-50.5	-31.4	-34.2	-35.9
Other transport	-10.9	-11.6	-7.7	-12.2	-6.8	-26.5	-21.9	-22.6
Income	-23.5	-17.4	-7.9	-11.1	-8.7	-15.6	-18.1	-15.0
Credit	3.6	4.0	18.3	4.5	22.2	5.5	17.5	19.3
Debit	-27.1	-21.4	-26.2	-15.6	-30.9	-21.1	-35.6	-34.3
Of which								
Interest on government debt	-24.1	-18.4	-12.0	-11.6	-12.4	-13.5	-14.3	-11.3
Private transfers	34.3	44.9	42.2	45.3	59.5	59.1	55.3	56.4
Credit	39.5	50.1	60.2	53.6	65.0	65.0	65.1	66.4
Debit	-5.2	-5.2	-18.0	-8.3	-5.5	-5.9	-9.8	-10.0

Sources: Central Bank of West African States (BCEAO); and staff estimates.

Table 30. Benin: Direction of Recorded Exports, 1996-2003 1/

	1996	1997	1998	1999	2000	2001	2002	2003
				(In millions of U.S. dollars)				
World	261.9	184.8	232.4	207.1	210.4	187.8	198.0	270.9
Industrial countries	76.6	43.1	52.9	43.6	75.1	53.9	54.5	38.8
Of which								
United States	0.2	0.2	2.6	8.7	8.9	1.1	0.7	0.6
Belgium-Luxembourg	2.5	2.7	3.9	2.4	3.5	n.a..	n.a..	n.a..
France	10.4	2.2	4.8	3.0	2.1	3.0	3.3	4.7
Italy	10.1	8.4	9.1	8.0	38.3	25.0	24.0	11.4
Portugal	22.9	16.0	7.2	5.5	3.8	2.9	2.6	2.7
Spain	7.9	5.4	9.3	7.4	8.0	9.2	7.4	3.9
Switzerland	12.6	1.4	2.5	3.6	0.2	0.0	0.1	0.1
United Kingdom	1.8	2.3	2.9	1.6	1.9	1.0	9.6	4.7
Developing countries	183.7	137.9	179.4	163.0	134.6	133.1	142.7	231.1
Africa	44.2	29.7	46.6	17.0	17.1	21.8	25.2	37.5
Of which								
Burkina Faso	0.4	0.3	0.1	0.9	1.0	1.1	1.2	1.5
Côte d'Ivoire	0.6	2.0	2.1	2.4	0.2	0.3	0.4	0.5
Morocco	22.0	15.6	13.0	4.2	4.8	6.2	6.7	8.5
Niger	3.0	3.5	3.7	5.4	5.1	5.7	8.7	11.1
Nigeria	5.1	1.4	21.3	0.4	0.5	0.5	0.6	0.6
South Africa	8.2	1.6	2.1	0.0	0.0	0.0	0.0	0.0
Togo	3.4	1.5	2.4	0.6	0.7	3.0	3.2	4.1
Asia	75.2	61.0	67.5	92.1	69.8	82.0	108.3	182.2
Of which								
Bangladesh	1.1	6.8	7.1	9.8	2.8	3.1	1.9	4.3
China, P.R.: Mainland	9.2	1.9	2.9	2.9	1.0	0.1	15.5	62.2
India	5.1	2.3	13.4	32.1	36.9	49.9	54.2	68.6
Indonesia	14.3	21.2	14.9	20.8	11.7	10.6	16.0	17.8
Korea	4.8	2.5	0.2	0.0	0.0	0.0	1.1	1.4
Malaysia	4.9	2.7	1.2	1.2	0.7	0.8	0.2	0.3
Thailand	19.9	13.0	16.9	11.0	10.1	11.9	14.5	20.2
Europe	1.0	1.2	1.5	7.0	8.6	13.8	6.5	8.2
Of which								
Turkey	0.2	0.9	0.8	5.8	6.1	10.4	4.6	5.6
Middle East	0.0	1.0	3.2	3.5	4.0	0.6	0.6	0.8
Of which								
Saudi Arabia	0.0	1.0	2.3	2.2	2.8	0.0	0.0	0.0
Western hemisphere	63.3	44.9	60.6	43.3	35.1	15.0	2.0	2.5
Of which								
Argentina	0.0	0.0	0.0	1.7	2.0	0.0	0.0	0.0
Brazil	61.2	44.3	59.7	41.0	28.9	12.1	0.9	1.2
Not specified countries	1.6	3.8	0.1	0.6	0.0	0.0	0.0	0.0
Memorandum items:								
European Union	61.3	40.8	45.8	31.2	65.9	52.4	53.5	37.6
Oil exporting countries	19.6	23.6	38.7	24.7	16.2	11.9	17.2	19.1
Non-oil developing countries	164.1	114.3	140.7	138.3	118.4	121.2	125.4	212.0
Percent distribution				(In percent)				
Industrial countries	29.2	23.3	22.8	21.0	35.7	28.7	27.5	14.3
Developing countries	70.1	74.6	77.2	78.7	63.9	70.9	72.1	85.3
Africa	16.9	16.1	20.0	8.2	8.2	11.6	12.8	13.8
Asia	28.7	33.0	29.0	44.5	33.1	43.7	54.7	67.2
Europe	0.4	0.7	0.6	3.4	4.1	7.4	3.3	3.0
Middle East	0.0	0.6	1.4	1.7	1.9	0.3	0.3	0.3
Western hemisphere	24.2	24.3	26.1	20.9	16.7	8.0	1.0	0.9
				(Annual percent change)				
World	51.0	-29.4	25.8	-10.8	1.5	-10.8	5.4	36.9
Industrial countries	29.7	-43.7	22.7	-17.6	72.5	-28.2	1.1	-28.8
Developing countries	74.5	-24.9	30.1	-9.0	-17.5	-1.1	7.2	62.0
Africa	48.6	-32.8	56.9	-63.5	1.0	27.4	15.8	48.5
Asia	92.2	-18.9	10.6	36.6	-24.4	17.4	32.1	68.3
Europe	6.9	23.1	21.3	374.4	21.8	60.5	-52.7	25.7
Middle East	0.0	0.0	205.4	10.2	14.6	-84.7	5.7	18.1
Western hemisphere	88.0	-28.9	35.0	-28.5	-18.9	-57.4	-86.8	24.3

Source: IMF, Direction of Trade Statistics.

1/ Trade partners data

Table 31. Benin: Direction of Recorded Imports, 1996-2003 1/

	1996	1997	1998	1999	2000	2001	2002	2003
				(In millions of U.S. dollars)				
World	559.1	602.8	639.5	843.2	1,449.4	1,561.6	1,542.4	1,794.2
Industrial countries	323.6	382.8	407.9	453.4	630.8	612.4	647.1	713.9
Of which								
United States	20.4	45.7	42.5	42.8	29.5	35.5	38.8	33.1
Japan	26.3	23.4	29.0	29.0	12.9	10.3	9.3	15.3
Austria	1.0	0.8	0.7	0.8	0.1	6.8	4.4	3.5
Belgium-Luxembourg	10.6	2.7	3.9	2.4	47.3	...	...	...
Denmark	9.6	5.8	3.6	5.6	3.9	4.6	5.6	6.6
France	134.4	162.2	160.7	185.4	237.7	228.2	236.2	261.2
Italy	13.0	17.0	23.8	32.9	43.9	54.7	63.0	57.2
Spain	19.8	26.0	20.8	31.6	34.4	25.2	24.2	26.4
Switzerland	2.3	2.1	1.9	3.5	17.2	23.4	18.0	21.2
United Kingdom	24.4	21.8	34.0	32.6	72.6	52.7	71.7	83.2
Developing countries	231.2	215.3	229.1	385.7	813.9	944.0	889.7	1,073.5
Africa	97.4	99.6	98.5	213.5	191.0	152.6	210.2	263.9
Of which								
Burkina Faso	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Cameroon	2.5	13.9	4.4	8.8	13.3	1.5	1.6	1.9
Côte d'Ivoire	24.6	26.8	29.4	88.3	47.3	33.8	36.7	44.5
Morocco	3.7	3.2	3.8	5.8	6.6	3.3	3.6	4.3
Nigeria	7.3	8.9	1.6	8.5	10.5	11.3	12.0	15.2
South Africa	1.7	3.8	16.5	4.4	0.0	18.9	20.5	24.9
Togo	0.9	4.1	5.7	47.2	54.3	40.9	44.4	53.8
Asia	117.0	105.2	103.2	117.1	593.6	758.1	635.5	755.9
Of which								
Bangladesh	0.5	0.6	0.4	0.2	0.8	0.0	0.4	0.3
China, P.R.: Mainland	23.4	32.5	38.0	43.4	407.4	572.9	463.0	518.2
India	9.4	8.7	20.7	15.7	18.1	49.5	53.7	65.2
Indonesia	2.4	2.0	4.8	7.6	16.8	16.3	17.1	21.6
Korea	9.2	8.7	6.0	5.3	15.2	16.3	17.5	21.2
Malaysia	0.5	0.9	2.0	0.9	1.9	3.5	4.0	4.9
Pakistan	2.2	10.5	4.8	5.6	18.7	14.5	7.6	9.6
Thailand	44.0	16.2	8.5	22.6	64.2	42.4	32.7	81.2
Europe	10.8	6.2	15.9	36.7	15.4	13.8	24.1	29.9
Of which								
Turkey	0.7	1.8	2.6	2.1	1.9	4.5	5.4	7.0
Middle East	1.6	2.0	6.7	7.6	9.2	6.4	6.9	8.6
Of which								
Saudi Arabia	0.7	0.1	0.4	2.5	3.1	3.4	3.6	4.6
Western Hemisphere	4.4	2.3	4.8	10.7	4.7	13.0	13.1	15.2
Of which								
Argentina	0.1	0.4	0.0	0.1	0.1	0.4	1.1	1.4
Brazil	2.2	1.6	4.6	4.6	3.3	10.6	9.7	11.8
Not specified countries	1.6	3.3	1.1	2.0	0.0	2.7	2.9	3.5
Memorandum Items:								
European Union	269.3	305.4	324.3	375.3	568.0	536.7	574.3	635.3
Oil exporting countries	12.2	11.7	8.1	21.0	33.0	33.2	62.2	78.7
Non-oil developing countries	219.0	203.6	221.0	364.7	801.0	910.8	827.5	994.8
				(In percent of total imports)				
Industrial countries	57.9	63.5	63.8	53.8	42.9	39.2	42.0	39.8
Developing countries	41.3	35.7	35.8	45.7	56.8	60.5	57.7	59.8
Africa	17.4	16.5	15.4	25.3	14.4	9.8	13.6	14.7
Asia	20.9	17.4	16.1	13.9	40.4	48.5	41.2	42.1
Europe	1.9	1.0	2.5	4.4	1.0	0.9	1.6	1.7
Middle East	0.3	0.3	1.0	0.9	0.6	0.4	0.4	0.5
Western Hemisphere	0.8	0.4	0.8	1.3	0.3	0.8	0.8	0.8
				(Annual percent change)				
World	-12.1	7.8	6.1	31.9	74.3	7.7	-1.2	16.3
Industrial countries	-15.7	18.3	6.6	11.2	39.1	-2.9	5.7	10.3
Developing countries	-6.9	-6.9	6.4	68.4	116.4	16.0	-5.7	20.7
Africa	-17.6	2.3	-1.2	116.9	-0.8	-20.1	37.7	25.6
Asia	8.1	-10.1	-1.9	13.5	406.8	27.7	-16.2	18.9
Europe	-34.6	-43.1	157.6	131.6	-58.0	-10.3	74.3	24.0
Middle East	77.9	29.1	234.0	12.8	22.0	-30.2	6.6	25.8
Western Hemisphere	1.1	-47.4	106.7	122.0	-55.8	176.4	0.7	15.9

Source: IMF, Direction of Trade Statistics.

1/ Trade partners data reported CIF. These imports include Benin's reexports.

Table 32. Benin: Stock of Public and Guaranteed External Debt, 1996-2003

(In billions of CFA francs, unless otherwise indicated)

	1996	1997	1998	1999	2000	2001	2002 Est.	2003 Est.
Multilateral institutions	531.0	577.5	627.2	656.5	748.7	829.0	757.4	642.2
IMF	52.1	55.1	53.2	56.7	59.2	57.1	47.8	39.6
IDA	272.3	298.4	324.6	359.0	409.1	449.4	419.7	355.4
African Development Bank/Fund	126.6	125.7	156.8	151.4	181.4	205.2	189.2	154.3
Other	80.0	98.3	92.6	89.4	99.0	117.3	100.6	92.9
Bilateral creditors	261.7	225.0	157.0	160.6	188.0	188.0	172.1	151.6
Paris Club 1/	116.5	115.5	86.2	81.1	131.3	136.0	126.1	102.8
France 2/	40.2	39.4	35.7	30.2	41.9	44.0	40.3	32.2
Germany	1.2	1.7	1.7	1.7	1.5	1.7	1.6	1.3
Italy	16.4	16.6	16.6	16.6	20.6	22.3	20.7	16.8
Norway	16.6	16.1	18.1	18.3	20.0	21.0	19.7	16.3
Russia	30.2	29.1	3.6	3.6	13.0	13.8	12.9	10.6
United Kingdom	2.4	2.6	2.6	2.7	2.8	2.9	2.7	2.3
Other	9.5	10.0	7.8	8.0	31.5	30.3	31.0	25.6
Other creditors	145.2	109.5	70.8	79.5	56.7	23.9	46.0	48.8
Total debt outstanding (before HIPC Initiative relief)	792.7	802.5	784.2	817.1	936.7	988.9	929.5	793.8
Memorandum item:								
Debt outstanding (in percent of GDP)	69.7	63.7	56.9	55.6	58.3	57.3	49.5	39.3

Sources: Autonomous Amortization Fund (CAA); and staff estimates.

1/ Russia became a member of the Paris Club in 1997.
2/ Including hospital and postal debt

Table 33. Benin: Debt-Service Obligations on Public and Publicly Guaranteed Debt, 1996-2003

(In millions of CFA francs)

	1996	1997	1998	1999	2000	2001	2002	2003
Interest	24.1	18.4	15.2	11.6	12.7	13.5	14.3	11.3
Multilaterals (excluding IMF)	5.1	5.9	5.6	6.0	6.6	7.3	7.8	5.2
IMF	0.4	0.6	0.3	0.2	0.7	0.3	0.2	0.2
Paris Club (medium-term debt)	11.3	4.7	4.9	4.0	4.7	5.3	4.8	4.0
Other bilateral creditors	5.8	6.0	3.5	0.3	0.4	0.6	0.6	0.6
Short-term debt	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Postal and hospital debt	1.4	1.2	0.9	0.8	0.3	0.0	0.0	0.0
Other	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization	19.7	23.0	22.8	28.8	31.7	28.0	29.0	26.8
Multilaterals (excluding IMF)	8.1	9.8	10.8	12.1	14.4	15.7	16.5	14.9
IMF	0.9	2.5	2.4	5.2	8.9	10.5	10.2	8.9
Paris Club (medium-term debt)	0.9	0.1	3.0	1.0	2.0	0.9	1.4	2.2
Other bilateral creditors	6.1	7.7	3.3	5.3	2.6	0.9	0.9	0.8
Short-term debt	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Postal and hospital debt	2.5	2.9	3.3	5.2	3.8	0.0	0.0	0.0
Other	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total debt service due	43.8	41.4	38.0	40.4	44.4	41.5	43.3	38.1
Interest	24.1	18.4	15.2	11.6	12.7	13.5	14.3	11.3
Amortization	19.7	23.0	22.8	28.8	31.7	28.0	29.0	26.8
Change in arrears (+ increase)	11.9	7.0	-30.0	-13.3	-14.8	0.0	0.0	0.0
Debt relief and cancellation	8.0	0.0	36.5	13.3	20.5	15.7	37.7	33.2
Of which								
Paris Club	5.7	0.0	0.0	0.0	2.2	4.3	3.6	4.6

Sources: Autonomous Amortization Fund (CAA); and Fund staff estimates.

Table 34. Benin: Exchange Rate Developments, 1996-2003

	1996	1997	1998	1999	2000	2001	2002	2003
Exchange rates								
Period averages								
CFA francs per U.S. dollar	511.60	583.70	590.04	614.77	705.00	728.84	694.83	580.13
CFA francs per SDR	742.84	803.17	800.10	840.39	929.70	927.87	899.69	811.15
End-of-period								
CFA francs per U.S. dollar	523.70	598.81	562.20	652.95	704.95	744.31	652.41	572.42
CFA francs per SDR	756.22	807.94	762.34	892.58	918.50	935.42	886.91	850.54
Exchange rate indices (1990=100)								
CFA franc per U.S. dollar	187.91	214.39	216.72	225.80	258.94	267.70	255.20	213.08
CFA franc per SDR	201.06	217.39	216.56	227.46	251.64	251.14	243.51	219.55
Nominal effective exchange rate 1/	55.78	53.66	55.87	53.95	50.66	52.84	55.16	57.42
Real effective exchange rate 1/ 2/	79.40	77.82	83.77	80.88	77.48	79.96	83.80	87.66

Source: IMF, Information Notice System.

1/ Trade weighted.
2/ Deflated by the relative consumer prices.

Table 35. Benin: Summary of the Tax System as of June 2004
(All amounts in CFA francs)

Nature of Tax or Liability	Tax Description, Scope, and Collection Procedure	Exemptions and Deductions	Rates
1. Collected for the central government's general budget			
1.1 Direct tax			
1.1.1 Tax on industrial, commercial, artisanal, and agricultural profits (*impôts sur les bénéfices industriels, commerciaux, artisanaux et agricoles*—IBICAA) (Tax Code Art.1-31)	Levied on the profits from activities carried out within the country. Losses may be carried over for three years. The BMF (minimum profit tax) was abolished in the 1994 Budget Law (BL).	Cooperatives, agricultural credit unions, and mutual associations are exempt. Realized capital gains are exempt if reinvested within three years. Overheads of all types, personnel expenditure, labor, rental of movable and immovable property leased by the enterprise, rent paid by credit takers for the portion representing interest costs, repayments actually made, and repayments deferred in previous and deficit fiscal years are deducted.	Companies: 38 percent. Petroleum companies: 55 percent (1999 BL) Sole proprietorships and mining companies: 35 percent (1999 BL) Artisans: 17.5 percent. For activities other than those of petroleum companies, the minimum annual tax payable is the higher of CFAF 100,000 or 0.5 percent of declared turnover.
	-Introduction, for credit to the central government's general budget, of a prepayment in the form of taxes withheld at source on service providers.		10 percent (1997 BL).
	- Introduction in customs of a lump-sum tax prepayment on any merchandise imports for profit. - Introduction of a special lump-sum prepayment of CFAF 50,000 per imported vehicle, that can be charged against the BIC tax (2000 BL).	Mutual funds and investment trusts are exempt (2000 BL). Also exempt are capital gains realized upon sales of securities and received by individuals (2000 BL). Securities income is deducted from the tax base, without any special prerequisite. Taxpaying individuals and legal entities investing in Benin all or a portion of their profits taxable in Benin are eligible under the terms described in Tax Code Article 47 for BIC and BNC deductions.	3 percent (2004 BL).
1.1.2 Tax on companies' motor vehicles (Tax Code Art. 32 *bis*-32 *quinter*)	Levied annually on company motor vehicles not used in the context of company activities; paid quarterly.	Motor vehicles used solely in the context of company activities.	- Motor vehicles with less than 7 horsepower: CFAF 150,000. - Other categories: CFAF 200,000.

Table 35. Benin: Summary of the Tax System as of June 2004
(All amounts in CFA francs)

Nature of Tax or Liability	Tax Description, Scope, and Collection Procedure	Exemptions and Deductions	Rates
1.1.3 Tax on noncommercial profits (*impôt sur les bénéfices non commerciaux*—BNC) (Tax Code Art. 33-47)	Levied annually on earnings from independent professional activity.	Reasonable expenses necessary for the production of income. No personal exemptions. Profits received by nonbusiness persons from the sale of company rights totaling no less than CFAF 100,000 are exempt.	35 percent. However, there is a minimum tax based on minimum profits determined by applying a coefficient ranging from 9 percent to 25 percent, depending on the type of business generating the turnover.
	Prepayment in the form of taxes withheld at source on service providers.		3 percent (2004 BL).
1.1.4 Progressive tax on salaries and wages (*impôt progressif sur les traitements et salaires*—IPTS) (Tax Code Art. 48-57)	Withheld monthly from gross salaries, emoluments, wages, earnings, bonuses, overtime compensation, professional benefits in cash and in kind, and allowances of all types, including for transportation. Payable on gross income without any deduction for pension fund constitution.	Family allowances and social security assistance and wage increases or allowances for social security reasons. For private sector wages, the portion of these allowances or increases exceeding the amount payable by the Social Security Fund (OBSS) to equally qualified civil servants of the same grade and marital status is not exempt.	Progressive and calculated as follows: _CFAF_ Up to 20,000 — 0 percent 20,001 – 100,000 — 15 percent 100,001-250,000 — 20 percent 250,001-500,000 — 25 percent Over 500,000 — 40 percent Deductions are allowed in proportion to the number of dependent children, as follows: 1 child — 0 percent 2 children — 5 percent 3 children — 10 percent 4 children — 15 percent 5 children — 20 percent 6 children — 23 percent
1.1.5 Payroll tax (*versement patronal sur salaires*—VPS) (Tax Code Art. 58-63, 1996 BL), payable by employers in place of the former payroll and apprenticeship taxes	Individuals and legal entities paying salaries, emoluments, wages, and incidental compensation are liable for this tax.	1. Central and local governments. 2. Public agencies and offices engaged in nonprofit activities. 3. Diplomatic representations and international organizations. 4. Taxpayers liable for the single professional tax (*TPU*).	Single rate of 8 percent. The tax base is the same as for the IPTS.
1.1.6 Tax on income from financial assets	Withheld at source on dividends, interest,	- Interest on sums entered on savings bank	On income from claims: 15 percent of the

Table 35. Benin: Summary of the Tax System as of June 2004
(All amounts in CFA francs)

Nature of Tax or Liability	Tax Description, Scope, and Collection Procedure	Exemptions and Deductions	Rates
(*impôt sur les revenus des capitaux mobiliers*) (Tax Code Art. 72-151)	attendance fees, and other forms of distributions of corporate profits to individuals and legal entities, as well as on any sums or securities allocated at any time whatever to partners and shareholders for any reason other than repayment of their contributions and any hidden distributions whatever.	books; - Interest and any other proceeds of accounts held at credit institutions in the name of the national savings bank; - Interest on investment loans (excluding any commercial loans granted by the banks); and - Income from obligations received by entities residing outside the West African Economic and Monetary Union (WAEMU) zone.	interest on deposits and guarantees. On income from securities (*impôt sur le revenu des valeurs mobilières—IRVM*): 18 percent. The following reductions apply (2000 BL): - For share proceeds: 10 percent; - For bond income: 13 percent; - For lots and redemption premiums paid to creditors and bondholders: 15 percent.
1.1.7 Tax on rental income (*taxe immobilière sur les loyers*—TIL) (Tax Code Art. 198-204)	Levied on gross rental income received by individuals and companies.	None.	Monthly rental income brackets: Up to CFAF 50,000: 10 percent; and Over CFAF 50,000: 20 percent.
1.1.8 General income tax (*impôt général sur les revenus*—IGR) (Tax Code Art. 152-186)	Levied annually on total net personal income from all sources, excluding salaries and wages.	The following deductions are allowed on rental income: the schedular tax, maintenance costs, and interest. A 30 percent deduction is also allowed for management, insurance, and depreciation costs. Personal deductions for dependents are allowed as a percentage of taxable income, ranging from 10 percent for a married taxpayer with no children to 40 percent for a married person with six or more children. The tax is increased by 30 percent for single, widowed, and divorced taxpayers without dependent children. Income of up to CFAF 100,000 per year is exempt. Income from bonds received by persons residing outside the WAEMU zone is exempt.	The general income tax consists of two levies: (a) a fixed levy ranging from CFAF 2,000 to CFAF 15,000 based on income level and with no reference to family obligations; and (b) a progressive levy based on the following scale: CFAF Up to 100,000 Exempt 100,001-600,000 6 percent 600,001-800,000 15 percent 800,001-1,600,000 20 percent 1,600,001-2,500,000 25 percent 2,500,001-3,500,000 30 percent 3,500,001-4,500,000 40 percent 4,500,001-5,500,000 50 percent Over 5,500,000 60 percent

Table 35. Benin: Summary of the Tax System as of June 2004
(All amounts in CFA francs)

Nature of Tax or Liability	Tax Description, Scope, and Collection Procedure	Exemptions and Deductions	Rates
1.1.9 Land tax (*taxe foncière unique*) (Tax Code Art.1084-8)	Levied on the real rental value of taxable property in areas with an Urban Land Register (RFU), where it replaces the FB, the FNB, the TIL, and the land IGR.	Properties belonging to the central and local governments, etc. are exempt. There is a temporary 5-year exemption for exclusively residential buildings.	- For developed property: 6 percent; - For developed rental property: 12 percent, of which 6 percent is for the national budget; - For undeveloped property: 5 percent. However, by deliberation of the elected representatives, the rates can be reduced or raised by up to two points.
1.1.10 Professional tax (*taxe professionnelle unique*—TPU) (Tax Code Art. 1084-9 to 1084-16)	Levied on professional rental values. Applicable to small enterprises with a turnover of less than: - CFAF 40 million for purchases and resales; - CFAF 15 million for services. Applicable in areas with an RFU.	- Central government activities; - Legal entities; - Taxpayers liable for the BNC tax; - Pharmacists; - Construction and public works enterprises; and - Individuals engaging in a profession for which the specifications require full accounting.	- 6 percent of the professional rental value. However, this rate may be reduced or raised by up to two points, by deliberation of the elected representatives; - 6 percent of the tax base in additional contributions by enterprises with a turnover below the limits set by order of the minister responsible for finance, in place of the BIC tax, the IGR, and the VPS.
1.2 Indirect taxes			
1.2.1 Value-added tax (VAT) (Tax Code Art. 219-272)	Levied on the proceeds of sales of goods and services, as well as production and importing. Applicable to entities with a turnover of more than: - CFAF 40 million for those engaged in trading and similar activities; and - CFAF 15 million for those in other activities. May be applicable, by taxpayer option, to: - sales and services effected by entities with an annual turnover below the limits set by order of the minister responsible for finance; and - public passenger transport operations.	- Proceeds shown in Annex 1 of the 2004 Budget Law Ordinance; - Medical consultations, health care, and any medical services, including the transportation of injured persons, as well as services provided during stays in hospitals, clinics, and other similar institutions, excluding care provided by veterinarians; - Composition, printing, and sales of newspapers and periodicals, excluding advertising income; - Sales made by nonprofit associations; - Public or private passenger transport; - Postage stamps, revenue stamps, and other similar assets; - Banking and financial operations subject	Single rate of 18 percent. -Zero for exports.

Table 35. Benin: Summary of the Tax System as of June 2004
(All amounts in CFA francs)

Nature of Tax or Liability	Tax Description, Scope, and Collection Procedure	Exemptions and Deductions	Rates
		to the tax on financial activities (TAF); - Operations subject to the formality of registration; - Sales of original works of art by their authors.	
		-Tax-on-tax deductions. In production and processing operations, wholesale trade imports, deductions are allowed of taxes paid upstream on goods, materials, and equipment that are inputs to taxable activities.	
1.2.2 Tax on financial activities (*taxe sur les activités financières—TAF*) (Tax Code Art. 293-1 to 293-5)	Levied on operations carried out by banks and other financial institutions, excluding those not specifically related to trade in securities and money.	- BCEAO operations; - Operations of lending and credits to the public treasury and local governments; - Operations of credits, loans, advances, deposits on account, commitments, and similar operations carried out between banks and financial institutions, whether or not installed in the Republic of Benin; and - Operations not specifically related to trade in securities and money and that are liable for VAT, such as: sales, rentals, leasing, studies and consultations, transfers of fees, invoicing, and similar operations; - Operations of banks lending to enterprises engaged in the construction of low-cost housing.	10 percent on the value before tax of services, commissions, and interest income.
1.2.3 Insurance tax (*taxe unique sur les contrats d'assurance*) (Tax Code Art. 913-[9]34)	Levied annually on insurance premiums.	Insurance contracts concluded by agricultural mutual insurance companies or funds are exempt, as well as health and life insurance contracts, instruments concerning approved fraternal associations and unions, and craft unions.	Fire: 20.0 percent. Automobiles and miscellaneous risks: 10 percent. Export credit guarantees: 0.25 percent. Transportation insurance: 5 percent.

Table 35. Benin: Summary of the Tax System as of June 2004
(All amounts in CFA francs)

Nature of Tax or Liability	Tax Description, Scope, and Collection Procedure	Exemptions and Deductions	Rates
1.2.4 Tax on petroleum products (Tax Code Art. 249 *bis-256 bis*)	Levied on all sales of petroleum products in Benin (first transfer).	- Products already taxed; and - Exports.	- 65 francs/litre on premium gas; - 55 francs/litre on normal gas; - 20 francs/litre on gasoil - 17 francs/litre on lubricants; and - 23 francs/kilo on grease
1.2.5 Tax on tobacco and cigarettes (Tax Code, new Art. 257 *bis-260 bis*)	Levied on imported and locally manufactured tobacco and cigarettes.	- Tobacco and cigarettes already taxed; and - Exports.	10 percent applied to (2003 BL): - the customs value of imports, plus duties and taxes collected upon entry, excluding VAT; and - local production, on the producer price, excluding VAT.
1.2.6 Tax on beverages (Tax Code, new Art. 261 *bis-268 bis*)	Levied on: - sales of locally manufactured beverages; and - imports of beverages into Benin.	- Noncarbonated water; - Beverages already taxed; and - Exports.	- For nonalcoholic beverages: 3 percent; and - For alcoholic beverages: 10 percent (2003 BL). Applied to: - imports at customs value, plus duties and taxes collected upon entry, excluding VAT; and - local production, on the producer price, excluding VAT.
1.2.7 Tax on wheat flour (*taxe unique sur la farine de blé*) (Tax Code, new Art. 266 *bis-270 bis*)	Levied on locally milled and imported wheat flour.	- Wheat flour already taxed; and - Exports.	1 percent applicable to: - imports at customs value, plus duties and taxes collected upon entry, excluding VAT; and - local production, on the producer price, excluding VAT.
1.2.8 Tax on perfumes and cosmetics (Tax Code, new Art. 271 *bis-275 bis*)	Levied on perfumes and cosmetics, whether locally manufactured or imported.	- Products already taxed; and - Exports.	5 percent applicable to: - imports at customs value, plus duties and taxes collected upon entry, excluding VAT; and - local production, on the producer price,

Table 35. Benin: Summary of the Tax System as of June 2004
(All amounts in CFA francs)

Nature of Tax or Liability	Tax Description, Scope, and Collection Procedure	Exemptions and Deductions	Rates
			excluding VAT.
1.2.9 Tax on cooking oils and fats (Tax Code, new Art. 276-280)	Levied on locally manufactured and imported cooking oils and fats.	- Cooking oils and fats already taxed; and - Exports.	1 percent applicable to: - imports at customs value, plus duties and taxes collected upon entry, excluding VAT; and - local production, on the producer price, excluding VAT.
1.2.10 Tax on gambling (Tax Code Art. 293-6 to Art. 193-8)	Levied on all gambling, excluding those subject to VAT.	Gambling subject to VAT.	5 percent applicable to the selling price of tickets for the various games provided for the public by National Lottery of Benin (LNB).
1.2.11 Road transportation tax (*taxe unique sur les transports routiers*) (Decree 107/DC/SGM/DGID/DLC of March 14, 2002 amending Art. 6 of Decree 166/MFE/DC/SGM/DGID/DLC of March 14, 2001)	Levied annually on vehicles used for public passenger or merchandise transport.	Vehicles with less than four (4) wheels used for public passenger or merchandise transport are exempt.	(1) Vehicles for public passenger transport: 0 to 9 seats: CFAF 38,000; 10 to 20 seats: CFAF 57,000; More than 20 seats: CFAF 86,800. (2) Vehicles for public merchandise transport: 0 to 2.5 metric tons: CFAF 49,500; 2.6 to 5 metric tons: CFAF 57,000; 5.01 to 10,000 metric tons: CFAF 86,800; Over 10,000 metric: CFAF 136,400.
1.2.12 Radio and TV tax (*taxe radiophonique et télévisuelle*) (Tax Code Art. 290-293)	Levied annually on the use of radio and television sets on behalf of the radio and television broadcasting office of Benin.	None.	Annual tax of CFAF 500 per radio set owned by the taxpayer. CFAF 700 for two radio sets. CFAF 900 for three radio sets. CFAF 1,200 for more than three radio sets. CFAF 3,000 per television set.
1.3 Registration and stamp duty			
1.3.1 Registration duty (*droits d'enregistrement*) (Tax Code Art. 541-586)	- Conciliation minutes ; - Unnamed instruments; - Instruments on corporate dissolution	None.	Fixed duty of CFAF 500. Fixed duty of CFAF 1,000.

Table 35. Benin: Summary of the Tax System as of June 2004
(All amounts in CFA francs)

Nature of Tax or Liability	Tax Description, Scope, and Collection Procedure	Exemptions and Deductions	Rates
	without transfer of movable or immovable goods; - Instruments mentioned in Art. 543-544; - Instruments mentioned in Art. 545; - Instruments mentioned in Art. 547; - First instance and Appeals Court divorce judgments and decrees; - Overdrafts granted to business persons and cash facilities; - Consolidated overdrafts, term credits, and any signature commitments, including security deposits, endorsements, documentary credits, and any special assistance; and -Property transfers, leases, capital increases, company mergers, and other transactions, etc.	Claims tradable on the money market. Furniture leasing contracts.	Fixed duty of CFAF 2,000. Fixed duty of CFAF 4,000. Fixed duty of CFAF 4,000 and CFAF 7,000. Fixed duty of CFAF 6,000 (2000 BL). 0.25 percent with a minimum of CFAF 5,000 (1999 BL). Fixed duty of CFAF 6,000.
1.3.2 Inheritance and gift duty (*droits sur les mutations à titre gratuit*) (Taxe Code Art. 593-612)	Levied on the value of property transferred free of charge.	Transfers to the heirs of military personnel and civilians killed on duty are exempt. A CFAF 6 million deduction is allowed for a spouse and for each child (up to six). There is a 25 percent deduction for transfers under a marriage contract.	Set by bracket (on the net value of the property) according to the degree of kinship of recipients, ranging between 3 percent and 45 percent.
1.3.3 Mortgage duty (*droit d'hypothèque*) Code Art. 955-961)	- Registration - Insertion of a deed transferring or extinguishing a real right.	None.	- For a parcel of land valued at less than CFAF 1 million: CFAF 7,700; and - For a parcel of land valued at more than CFAF 1 million: 7.5 per thousand plus a fee of CFAF 200. - On sums mentioned in the deed or, where applicable, on an estimate provided by the parties: 3 per thousand.
1.3.4 Stamp duty (*droits de timbre*)	Levied on:	None.	-Stamp duty of CFAF 50 to CFAF 1,200;

Table 35. Benin: Summary of the Tax System as of June 2004
(All amounts in CFA francs)

Nature of Tax or Liability	Tax Description, Scope, and Collection Procedure	Exemptions and Deductions	Rates
Tax Code Art. 613-777)	- stamped paper, - commercial instruments, - transportation contracts, - sea transport, and - bills of lading.		- Proportional duty of 1 per thousand (1999 BL); and - Fixed duty, depending on the amount, on receipts of: Up to CFAF 100: none; CFAF 101-1,000: 10 percent; CFAF 1,001-5,000: 25 percent; CFAF 5,001-10,000: 50 percent; CFAF 10,001-50,000: 100 percent; Over CFAF 50,000 and per bracket of CFAF 50,000: 30 percent; - Fixed duty of CFAF 2,500 (1998 BL).
1.4 Duty and taxes collected by customs			
1.4.1 Customs duty	Levied on the value of all imports intended for the local market.	- Grants to the central and local governments; - Diplomatic and consular offices; - Equipment and capital goods, arms and ammunition for customs, the police, water and forests, the army, and the gendarmerie; - Grants of objects and articles for the practice of religion; - Investment Code; - Imports of raw materials by local industries; - Personal objects and effects; - Mailings for the Red Cross, the Red Crescent, and aid agencies that have signed an agreement with the government; - Medical samples; and - Funeral objects.	0, 5, 10, and 20 percent (see Art. 7 of Regulation 02/97/CM/UEMOA of 11/28/97).
1.4.2 Community solidarity levy (*prélèvement communautaire de solidarité*-PCS)	Levied ad valorem on merchandise imported from third countries by WAEMU member countries and	- Merchandise in transit; - Merchandise in warehouses;	1 percent (see supplementary Decree 04/96 of May 10, 1996).

Table 35. Benin: Summary of the Tax System as of June 2004
(All amounts in CFA francs)

Nature of Tax or Liability	Tax Description, Scope, and Collection Procedure	Exemptions and Deductions	Rates
	marketed.	- Goods acquired under external financing contracts subject to an exemption clause; - Assistance and grants to the central government and charities; - Merchandise on which the PCS was paid under previous arrangements; - Goods imported by enterprises operating under a stabilized tax system; - Goods with duty-free diplomatic status; and - Petroleum products.	
1.4.3 Statistical tax (redevance *statistique*–RS)	Levied ad valorem on all merchandise imported: - for the local market; - in transit; - for reexport.	- Diplomatic and consular exemptions; - Goods acquired under external financing agreements subject to an explicit exemption clause; and - Merchandise in transit toward landlocked countries.	1 percent (see Regulation 02/2000/CM/UEMOA of June 29, 2000).
1.4.4 Customs stamp (*timbre douanier*)	Levied on all customs operations.	Whenever entry duties or taxes are payable.	- 4 percent of the RS; and - 4 percent of the exit tax, where applicable. - Included in VAT.
1.4.5 Highway maintenance tax (*taxe de voirie*)	Levied ad valorem on all imports and exports.	- Merchandise transported by rail; and - Postal packages.	- 0.15 percent for marketing operations; and - 0.85 percent for all other operations.
1.4.6 Value-added tax (VAT)	Levied ad valorem on imports for commercial purposes.	- Pharmaceuticals and condoms; - Books and teaching materials; - Milk; -Seed products; - Reproductive animals; - Cocoa beans; - Animal food products; and - Electric power.	18 percent.

Table 35. Benin: Summary of the Tax System as of June 2004
(All amounts in CFA francs)

Nature of Tax or Liability	Tax Description, Scope, and Collection Procedure	Exemptions and Deductions	Rates
1.4.7 Information technology tax (*redevance informatique*)	Specially levied on each written declaration.	Marketing operations.	- CFAF 2,000 per declaration. - Included in VAT.
1.4.8 Radio tax (*taxe radiophonique*)	Special license on imports of radio sets.	Articles not intended for the national market.	CFAF 500 each.
1.4.9 Television tax (*taxe télévisuelle*)	Levied ad valorem on imports of television sets.	Articles not intended for the national market.	5 percent.
1.4.10 Transit tax on merchandise (*taxe de circulation sur les marchandises*)	Special tax on the following merchandise when declared to be in transit: - Wool and fine hair fabric; - Synthetic and artificial fiber fabric; - Bed linen, table linen, and other articles; - Cotton fabric; - Tobacco and cigarettes; and - Alcoholic beverages.	Still valid but no longer applied.	Specific taxes ranging from CFAF 200 to CFAF 1,500 per item.
1.4.11 Transit tax on trucks (*taxe de circulation sur camions*)	Special tax on foreign trucks transporting more than 1,500 kilograms in merchandise.		CFAF 5,000 per truck.
1.4.12 Import tax on temporarily exempt goods (*taxe d'importation en franchise temporaire*)	Special tax on foreign passenger vehicles.	Diplomatic and consular exemptions.	CFAF 5,000 per vehicle.
1.4.13 Exit tax (*taxe fiscale de sortie*)	Levied ad valorem on exports.	All products, except cocoa beans, crude petroleum, and precious metals.	Variable.
1.4.14 Guarantee Funds (*Fonds de Garantie*)	Levied ad valorem on merchandise as security deposit for interstate transit operations.	- Diplomatic and consular exemption; and - Vehicles in circulation.	0.25 percent collected for the Chamber of Commerce and Industry of Benin.
1.4.15 Special reexport tax (*taxe spéciale de réexportation—TSR*)	Applied ad valorem on a restrictive list of merchandise in Decree 054/ MFE/DC/SGM/DGDDI/DAR of	Products not listed in Decree 054/ MFE/DC/SGM/DGDDI/DAR of March 1, 2001.	8 percent.

Table 35. Benin: Summary of the Tax System as of June 2004
(All amounts in CFA francs)

Nature of Tax or Liability	Tax Description, Scope, and Collection Procedure	Exemptions and Deductions	Rates
	March 1, 2001.		
1.4.16 Community levy (*prélèvement communautaire*-PC)	Collected ad valorem in the Economic Community of West Africa States (ECOWAS) context on all products from third countries.	- Equipment for foreign aircraft and boats; - Merchandise in warehouses; - Decorations and trophies; - Assistance to the government and charities; - Merchandise on which the PC has already been paid under previous arrangements; - Externally financed public contracts; - Diplomatic and consular exemptions; and - Re-exports by local industries operating under special tax arrangements.	0.5 percent.
1.4.17 Presumptive installment payment (*Acompte forfaitaire*)	Levied ad valorem on imports for commercial purposes.	Noncommercial imports.	5 percent. The tax is not applied when the amount collected by customs exceeds the BIC payable by the importer during the year.
2 Collected for local government budgets			
2.1 Tax on developed property (*contribution foncière des propriétés bâties*—FB) (Tax Code Art. 976-987)	Levied on the rental value of developed property, and uncultivated land intended for industrial or commercial purposes, including fixed assets (buildings).	Exemptions: public buildings, sport buildings, schools, buildings for public worship, and medical and welfare facilities. A five-year exemption is allowed for new buildings. Deductions: 40 percent for houses and 50 percent for factories.	Variable, depending on the area. Example: 25 percent in Ouidah; 20 percent in Lokossa.
2.2 Tax on undeveloped property (*contribution foncière des propriétés non bâties*—FNB) (Tax Code Art. 988-996)	Levied on the market value of undeveloped property, as calculated by the DGID.	Exemption: public properties and land (up to 5 hectares of land owned by individuals). A 30-year exemption applies to the recently cultivated, previously forested areas.	Variable, depending on the area; applicable to the market value of undeveloped property (e.g., 6 percent in Natitingou).

Table 35. Benin: Summary of the Tax System as of June 2004
(All amounts in CFA francs)

Nature of Tax or Liability	Tax Description, Scope, and Collection Procedure	Exemptions and Deductions	Rates
2.3 Land tax (*taxe foncière unique*) (Tax Code Art. 1084-1 to 1084-8)	Levied on the real rental value of taxable property in areas with an urban land register (RFU), where it replaces the FB, the FNB, the TIL, and the land IGR.	Property belonging to the central and local governments and to religious, school, and university establishments. A five-year temporary exemption applies to exclusively residential buildings.	- For developed property: 6 percent; - For developed [rental] property: 12 percent; and - For undeveloped property: 5 percent. However, by deliberation of the elected representatives, the rates can be reduced or raised by up to 2 points.
2.4 Professional tax (*taxe professionnelle unique—TPU*) (Tax Code Art. 1084-9 to 1084-15	Paid by the taxpayers mentioned in 1.1.10 above, this replaces the business license (*patente*) and the liquor license (*licence*) in areas with an RFU.	- Central government activities; - Legal entities; - Taxpayers liable for the BNC tax; - Pharmacists; and - Construction enterprises; etc.	- 6 percent of the professional rental value. However, this rate may be reduced or raised by up to 2 points, by deliberation of the elected representatives; - 6 percent of the tax base in additional contributions by enterprises with a turnover below the limits set by order of the Minister Responsible for Finance, in place of the BIC tax, the IGR, and the VPS.
2.5 Business license tax (*contribution des patentes*) (Tax Code Art. 997-1032)	Levied on individuals and corporations engaged in commercial, industrial, and professional activities.	Enterprises liable for the TPU. Public bodies, civil servants, fishermen, farmers, home-based artisans, and mining concessionnaires, for their raw materials mining and sales. Newly established enterprises are granted a temporary five-year exemption.	Two levies are applicable: - Fixed duty based on the type of activity, the number of employees, and the equipment; and - Proportional duty based on the rental value of professional premises, ranging from 6 percent to 17 percent. Supplementary business license for procurement: 0.25 percent Additional centimes are added to these rates.
2.6 Liquor license tax (*contribution des licenses*) (Tax Code Art. 1033-1038)	Levied on the same terms as the business licence tax mentioned above in 2.5 on enterprises serving alcoholic beverages.	Enterprises liable for the TPU.	Duty calculated on the basis of the enterprise category, determined by the type of activity and the type of beverage marketed. Fixed duty ranges from CFAF 7,000 to CFAF 60,000. Additional centimes are added to these rates.

Source: Ministry of Finance and Economy.