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SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION—STAFF REPORT; AND PRESS RELEASE

In the context of the Sixth Review Under the Extended Credit Facility Arrangement and Request for a Waiver of Nonobservance of a Performance Criterion, the following documents have been released and are included in this package:

- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse of time basis, following discussions that ended on February 20, 2014, with the officials of Benin on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on May 8, 2014
- A **Press Release**

The publication policy for staff reports and other documents allows for the deletion of market-sensitive information.

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May 8, 2014

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR A WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION

EXECUTIVE SUMMARY

This last review of Benin's ECF arrangement confirms the improved growth performance during the program. Real GDP growth is expected to reach about 5½ percent in 2014 for the third consecutive year. This performance has closed the gap in per capita GDP growth between Benin and the Sub-Saharan African (SSA) average which was about 2 percentage points on average between 2005 and 2011.

Thanks to prudent fiscal policy, macroeconomic performance remains satisfactory and progress has been achieved in structural reforms. All performance criteria were met except for the ceiling on non-concessional borrowing. The implementation of the new approach to customs reform is moving ahead well despite some delays.

The government is tackling emerging issues in several areas to reduce risks to the good macroeconomic performance. Weak performance of domestic revenues requires a comprehensive tax administration reform which has been initiated. While non-performing loans (NPLs) in the banking sector have risen since 2012 and might increase further due to problems in a group of companies, they do not constitute a systemic risk. Discussions are underway among the central bank, the government, and the commercial banks on how to limit any further rise in NPLs. After some delays, the government has also initiated steps to develop a new framework for cotton management with more private sector involvement.

Sound policies have created fiscal space for scaling up investment to remove growth bottlenecks, but further reforms are necessary to ensure efficiency and sustainability. To preserve the authorities' achievements under this ECF arrangement, rising investment has to be accompanied by further progress in public financial management (PFM) and integrated into a medium-term framework anchored in debt sustainability. The authorities requested IMF support through a new ECF arrangement.

The scaling up of investment will only lead to sustainable growth if conditions for private sector development are significantly improved. Government efforts are starting to show some results, but broad-based reforms will be necessary to enhance productivity.

Staff recommends completion of the review and supports the authorities' request for a waiver of the performance criterion on non-concessional borrowing.

Approved By
Michael Atingi-Ego (AFR) and Peter Allum (SPR)

Discussions were held in Cotonou from February 10 to 20, 2014. The mission comprised Ms. Dieterich (head), Messrs. Cui and Barhoumi (all AFR), Messrs. Sola and End (FAD), Mr. Bernard (MCM expert), Mr. Farah (resident representative), Mr. Maseda (TGS), and Mr. Leye (TGS expert). Mr. Raabe provided research assistance and Ms. Haddi-Burleson administrative support.

The mission met with President Yayi, Minister of Economy and Finance Gbian, Minister of Development de Souza, National Director of the Central Bank of West African States (BCEAO) Bonou; other senior officials; and representatives of civil society, the private sector, and development partners.

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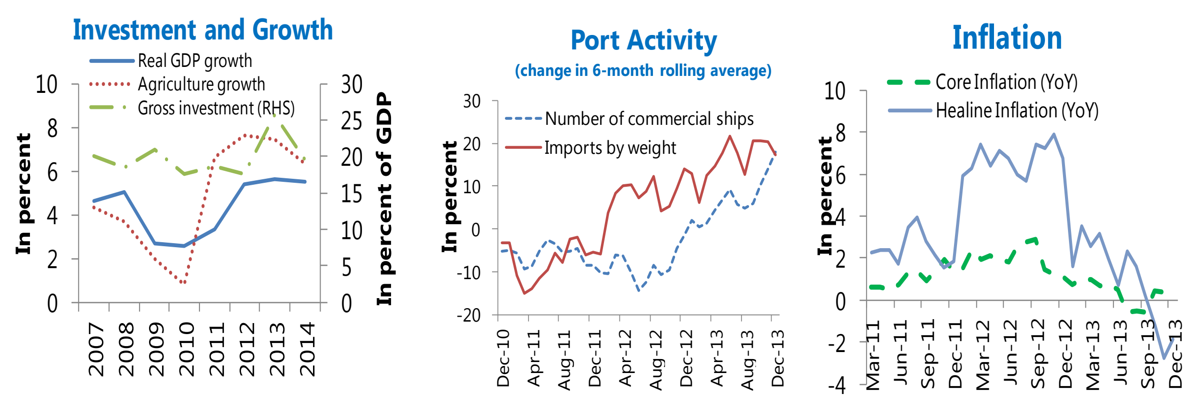
RECENT DEVELOPMENTS AND RISKS

A. Growth Remains Strong Amidst Positive Macroeconomic Conditions

1. **While the overall political situation remains stable, building political consensus has become more difficult.** Political discord has heightened as parliamentary and presidential elections approach in 2015 and 2016, respectively. Parliament rejected the 2014 budget, which is now being executed by a presidential order as permitted under the constitution; draft constitutional amendments also remain divisive. Tensions between the government and an influential businessman, who left the country after being accused of attempting to overthrow the president, have made consensus building between the government and the business community more difficult. Strikes by civil servant unions have adversely affected government operations.

2. **Real GDP growth in 2013 is estimated at about 5½ percent, ½ percentage point higher than forecast.** It was supported by strong agriculture and commerce activities (Figure 1). Private investment is estimated to have increased by about 6 percent of GDP, most of which directed to oil exploration. Cotton production—managed by the government since the 2012/13 campaign—rose by 28 precent, but the quality of the cotton could be affected by delays in processing due to a conflict between the government and ginners over their remuneration (Paragraph 5 in the Letter of Intent (LOI).

Figure 1. Recent Growth and Inflation



Sources: Beninese authorities; IMF staff estimates and projections.

3. **Prudent fiscal policies remain the backbone of Benin's solid macroeconomic performance.** In 2013, the fiscal deficit was in line with projections at about 3½ percent of GDP, and the debt-to-GDP ratio remained below 30 percent. Non-tax revenues benefitted from a sale of a telecommunication license (1 percent of GDP). Customs revenue remained buoyant due to a rise in imports for informal re-exports to Nigeria where new trade barriers were introduced; however, domestic tax revenues continued to underperform. On the expenditure side, capital expenditure was ½ percentage point of GDP higher than projected, while current expenditure remained on track. Net lending exceeded projections by about ½ percentage point of GDP, mainly due to a loan to a state-

owned company in charge of cotton sector management, but it is scheduled to be repaid in 2014 (Tables 2 and 3, Paragraphs 8-11 in the LOI).

4. The current account deficit widened sharply in 2013 due to a surge in imports associated with investments. Higher imports of capital goods related to oil exploration and, to a lesser extent, manufacturing investments widened the current account deficit to about 15 percent of GDP. Foreign inflows, particularly foreign direct investments, limited the deficit of the overall balance of payments to below 1 percent of GDP (Table 4).

5. Although the growth of monetary aggregates was strong, inflation remained subdued. Growth of broad money as well as credit to the government accelerated compared to 2012. However, inflation remained subdued because food prices have declined following a good harvest, and the impact of a cut of fuel subsidies by Nigeria in January 2012 proved transient (Figure 1, Tables 1 and 5).

6. While the banking sector has encountered difficulties, they do not pose systemic risks. The ratio of non-performing loans (NPLs) to total credit increased significantly over the last two years and reached 21 percent by mid-2013 (Table 9), exceeded only by Guinea-Bissau and Mali in the WAEMU region. In parallel, the average capital adequacy ratio declined from 10.3 percent in December 2011 to 8.7 percent in June 2013 and it is estimated to have declined further to 8.5 percent in December 2013, leaving most banks with little equity buffer to the 8 percent minimum capital requirement. Moreover, the significant exposure of six banks (about 1 percent of GDP, or 5.2 percent of their loan portfolio) to a group of companies that face financial difficulties has created additional stress since late 2013, and a few banks may require recapitalization by their private shareholders. However, the recapitalization needs appear manageable in view of the volumes mobilized for recapitalizations in the past, and spillover risks are limited because inter-bank transactions are few.

B. Overall Program Performance is Satisfactory

7. Anchored by prudent fiscal policies, most performance criteria (PCs) as well as most indicative targets for September and December 2013 were met, but the continuous PC on non-concessional external financing was not observed (Paragraph 12-14 and Table 1 in the LOI).

- The PC on non-concessional external financing was exceeded by CFAF 24 billion, reflecting one bilateral official loan and one multilateral loan in water and road sectors (of which a CFAF 5.8 billion loan was approved in early 2014). The average grant element of the two loans was around 29 percent, close to the concessionality threshold, and therefore, these loans raise the Net Present Value (NPV) of Benin’s overall debt by only about 0.03 percent of GDP. Also, the authorities are committed not to approve any non-concessional loans for the remainder of the program (Paragraph 14 and 28 in the LOI), including by reinforcing the monitoring process for new loan engagements.

- Priority social expenditure—an indicative target under the program—was met at end-December, after falling short of the September target by a small margin.

8. The government has also made good progress with the implementation of customs reform—a key structural reform under the program (Paragraph 15 and Table 2 in the LOI).

- Strong progress has been made in developing customs administration's risk management capacity (Structural Benchmarks No. 3 and 4)—a key feature of the new reform approach adopted at the 5th review which re-oriented the reform away from delegating core customs functions to external operators.

- The launching of a tender for scanner services (Structural Benchmark No. 1) has been delayed following recommendations by the World Customs Organization that call for more preparatory work than initially envisaged, including developing detailed technical specifications in line with the needs at the border posts. Realistically, it will take at least 18 months before the scanners will be in place.

- The selection for an external operator for the import valuation assistance (Structural Benchmark No. 2) was delayed. However, a tender for the selection process was launched in April and the contractor is to be chosen by end-May 2014. The delay reflected the government's decision to issue a tender instead of assigning the contract to a company already active in managing the Port of Cotonou.

C. Risks to Sustained Growth Remain in the Medium Term

9. The economic outlook is generally positive, but some risks remain. Manufacturing investment in 2013 is expected to provide some impulse to manufacturing GDP in 2014, which has lagged behind the performance of agriculture and commerce. Further improvement in port management is expected to support port activities. While the authorities believe growth would reach 6½ percent in 2014 due to the aforementioned factors, IMF staff projects a growth rate of 5½ percent in view of uncertainties about the banking sector and risks related to the 2013/14 cotton campaign. Further risks include the possibility of declining external demand, including in Benin's major trade partners (e.g., China and India). The outlook also remains highly sensitive to trade policy decisions in Nigeria, which receives an estimated 80 percent of Benin's imports through informal re-exports.

Also, the dependence of agriculture on weather conditions implies significant uncertainty, including in cotton production. Finally, civil service strikes could create wage pressures after several years of a broadly stable wage bill.

Box 1. Benin's Achievements Under this ECF Arrangement

Benin's program under the ECF (from June 2010 to June 2014) has been generally successful (see panel charts in Figure 2):

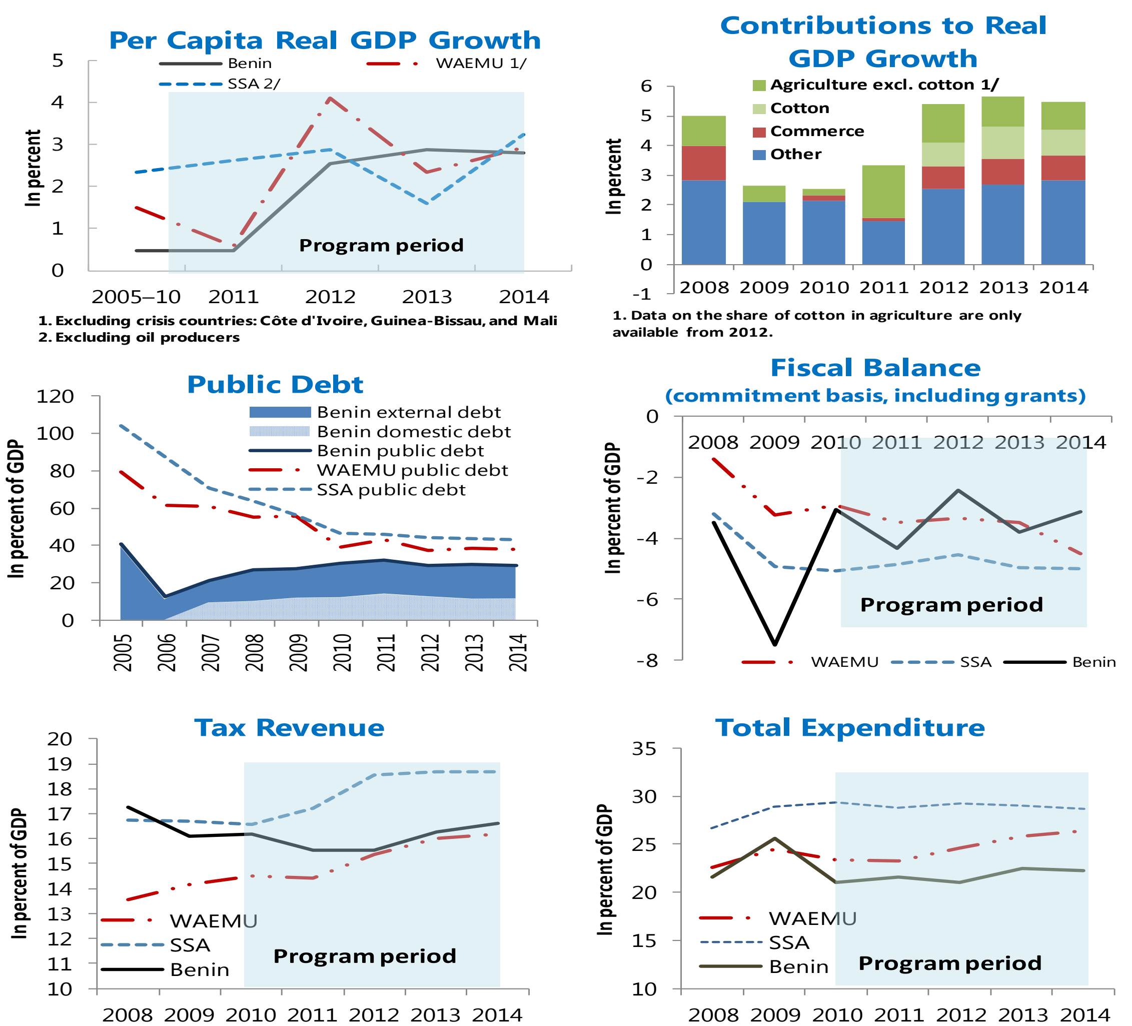
- Fiscal consolidation supported strong growth with macroeconomic stability, leaving Benin's end-2013 debt to GDP ratio 4 percentage points below the SSA average and consistent with a low risk of debt distress. Inflation remained subdued. While social spending targets were missed frequently early in the program, performance has improved thanks to better monitoring.

- While average per capita GDP growth between 2005 and 2011 lagged behind the SSA average by around 2 percentage points, the gap has been closed for 2012–13. Increased cotton production under favorable weather conditions since 2012 partly explained the higher growth, while buoyant port activities also contributed. Thanks to improved port management, the Port of Cotonou has attracted more trade since 2012 despite fierce competition along the West African coast.

- Program objectives to strengthen revenue performance were only partly met. 2013 customs revenues exceed the 2009 pre-program level by about ¾ percentage point of GDP, and prospects are positive in view of progress in implementing a new approach to customs reform, approved at the 5th ECF review. In contrast, domestic revenues declined by about ½ percentage point, leading to an overall tax to GDP ratio only 0.2 percentage point higher over the program period. In view of discussions on a common external tariff for ECOWAS, which would diminish Benin's trade revenues, enhancing domestic revenues would become more important moving forward.

- The implementation of structural reforms has been positive overall despite delays. Progress has been achieved in several areas of public management, including PFM, tax administration, and human resource management. The new approach to customs reform addressed delays in customs reform. However, to sustain strong economic growth, the business environment has to be further improved through broad-based reforms beyond the ECF arrangement's conditionality.

Figure 2. Growth and Fiscal Performance During the Program



Sources: Beninese authorities; IMF staff estimates and projections.

PROGRAM AND POLICY DISCUSSIONS

10. With a generally solid macroeconomic situation, discussions focused on reducing risks for the fiscal outlook and medium-term challenges to further strengthen growth. Stable macroeconomic conditions and improvements in structural reforms have delivered per capita growth above the pre-2011 average. More reforms are needed to keep Benin's pace with the average in SSA and to further reduce poverty.

A. Preserving Strong Fiscal Performance by Reducing Risks

11. The government and staff agreed that the fiscal stance for 2014 remains appropriate. The budget targets a fiscal deficit of 3¾ percent, which is expected to maintain the debt-to-GDP ratio below 30 percent. Total revenues are projected to decline because a moderate rise in tax revenues only partly offsets the decline in non-tax revenues. Total expenditure and net lending would decline by ½ percent of GDP, assuming that the cotton campaign related net lending in 2013 is repaid as scheduled (Paragraph 19 of the LOI). Since the 2014 budget is in line with the program's macroeconomic framework, discussions focused on areas where reforms would reduce risks to the budget, notably domestic revenue performance, banking sector vulnerabilities, and cotton sector reform.

12. The continuous underperformance of domestic revenues increases the budget's dependency on customs revenues and calls for the development of a reform strategy. The strong contribution of predominantly informal sectors like commerce and agriculture to GDP growth explains part of the weak domestic tax performance. However, staff noted that there is scope for reducing exemptions and improving tax administration. While the authorities see little scope for reducing exemptions in view of the fierce competition for trade and investment in the region, they agree with staff on the need to revamp tax administration, including the implementation of the taxpayer identification number, and enhancing compliance, especially for medium-sized taxpayers (Paragraph 22 in the LOI). In this regard, the government asked the IMF's Fiscal Affairs Department to assist with defining a reform strategy to be implemented over the medium run.

13. The authorities and staff agreed that the level of NPLs in the banking sector is a source of concern, even it does not pose systemic risks. Staff noted that NPLs could further increase in view of the banking sector's exposure to a group of companies that face financial difficulties. Although not directly involved in the banks' commercial lending with these companies, the government is working with concerned parties to facilitate the resolution of the problem loans (Paragraph 18 in the LOI). The Banking Commission has intensified on-site supervision and will take necessary action based on these findings. Meanwhile, banks have taken steps to improve loan quality by launching a project to centralize and share loan information given that BCEAO efforts to establish a regional credit information office have not been completed. The BCEAO also emphasized that the high NPLs have not significantly affected the banks' lending activities because several foreign financed projects in manufacturing and tourism offered attractive opportunities for new loans. Improvements in banking supervision are mainly the responsibility of the WAEMU institutions which have identified reform objectives in these areas (see Country Report No. 13/9 and Country Report No. 14/84).

14. Based on preliminary information, the government's management of the cotton campaign was successful, but there is a need to strengthen its transparency. Staff welcomes the government decision to hire an external company to complete an audit of the 2012/13 campaign by spring 2014. It agreed with the authorities on the need to use the audit's findings to ensure transparent recording of the financial flows between the government budget and state-owned enterprises involved in cotton management (Paragraph 25 in the LOI). For the 2013/14 campaign, the government has taken action to limit negative implication from the delays in cotton processing caused by a dispute over remuneration for private ginning companies.

15. For the medium term, the authorities reiterated their commitment to develop a new framework for the cotton sector with more private sector involvement. Staff expressed concern about the fiscal risks arising from the government's involvement in the cotton sector which requires about 2 to 2½ percent of GDP of financing. The government has started preparations to develop a new framework with assistance from external consultants, including the World Bank, which also supports this reform through a programmatic development policy operation. The government is exploring options for the appropriate way of government involvement in the new framework to protect small scale cotton producers by drawing from the experience of other countries in the region (Paragraph 25 in the LOI).

B. Strengthening Growth Performance in the Medium Term

16. In line with the recent PRSP update, the authorities consider raising infrastructure investments as crucial for accelerating growth. The authorities are planning to convene a Round Table with donors and private investors in June 2014 to mobilize financing for ambitious plans to scale up investments, especially in energy and transport, equivalent to around 15 percent of GDP over the next 5 years. To support this process, the authorities are also working on enhancing public-private partnerships. In this context, staff and authorities agreed that improving the business environment will be critical for increasing private investment (Paragraph 23 in the LOI).

17. While prudent fiscal policy created space to increase public investment, the government and staff agreed on the need to integrate it into a medium-term fiscal framework anchored in debt sustainability. Once the availability of additional concessional financing becomes clearer after the Round Table, the discussion on a new ECF arrangement will assess the appropriate size and timing of investment. Staff and the authorities agreed that ongoing negotiations on non-concessional borrowing for all projects need to be well integrated into the investment plan. Further, the phasing of investments will have to take into consideration progress achieved from ongoing government efforts to strengthen PFM (Paragraph 21 in the LOI).

C. Other Issues

18. The latest safeguards assessment of the BCEAO was completed on December 13, 2013 and found that the bank continued to have a strong control environment and has, with the implementation of the 2010 Institutional Reform of the WAEMU, enhanced its governance framework. Specifically, an audit committee was established to oversee the audit and financial reporting processes, transparency has increased with more timely publication of the audited financial statements, and the BCEAO is committed to the implementation of the International Financial Reporting Standards (IFRS) by end-2014. The assessment also identified some limitations in the external audit process and recommended that steps be taken to ensure the adequacy of the mechanism through selection of a second experienced audit firm to conduct joint audits.

STAFF APPRAISAL

19. **Recent policies have strengthened economic growth while preserving macroeconomic stability.** The closing of the gap between Benin's growth performance and its peers in SSA is encouraging. The stable political and macroeconomic environment creates a favorable foundation for an acceleration of growth, if accompanied by further reform efforts.

20. **Addressing weaknesses in the banking sector, strengthening tax administration, and reforming the cotton sector are core reform areas for 2014**. Reforms in these areas will reduce risks to macroeconomic stability and strengthen economic growth.

21. **The government's ambitious plans to scale up investment should be integrated into a medium-term framework, anchored in debt sustainability, and accompanied by reforms in PFM and the business environment.** After prospects for increasing concessional financing are clarified at the June 2014 Round Table, discussions on a new program that the authorities requested will focus on these issues.

22. **Staff supports the completion of the review and the authorities' request for a waiver of the continuous PC on the ceiling of non-concessional borrowing.** All evidence indicates that the program continues to be successfully implemented. The request for the waiver of the performance criterion of non-concessional borrowing can be supported because the concerned amount has little impact on the NPV of Benin's debt level, and the authorities have committed not to approve any non-concessional borrowing for the remainder of the program. Therefore, staff recommends the completion of the sixth and final review under the ECF arrangement.

Table 1. Benin: Selected Economic and Financial Indicators, 2011–19

	2011	2012		2013		2014	2015	2016	2017	2018	2019
		4th Review[1]	Est.	5th Review[2]	Prel.	Projections [6]					
(Annual percentage change, unless otherwise indicated)											
National income											
GDP at current prices	6.0	9.1	11.8	7.7	6.6	7.3	7.9	7.5	7.5	7.5	7.5
GDP at constant prices	3.3	3.5	5.4	5.0	5.6	5.5	5.2	4.8	4.8	4.8	4.8
GDP deflator	2.6	5.5	6.1	2.6	0.9	1.7	2.6	2.6	2.6	2.6	2.6
Consumer price index (average)	2.7	6.6	6.7	2.8	1.0	1.7	2.8	2.8	2.8	2.8	2.8
Consumer price index (end of period)	1.8	7.2	6.8	3.0	-1.8	4.0	2.8	2.8	2.8	2.8	2.8
Central government finance											
Total revenue	0.4	17.2	19.3	8.6	10.1	3.3	8.5	8.3	8.3	8.4	7.8
Expenditure and net lending	7.5	12.0	8.1	11.9	16.7	0.9	9.0	7.0	8.0	7.0	7.5
Money and credit											
Net domestic assets [3]	10.0	10.4	4.7	9.3	10.6	9.0	…	…	…	…	…
Domestic credit [3]	12.8	10.4	4.4	9.3	8.5	9.0	…	…	…	…	…
Net claims on central government [3]	7.1	1.2	-0.6	1.6	0.9	0.2	…	…	…	…	…
Credit to the nongovernment sector [3]	5.7	9.3	5.0	7.7	7.6	8.9	…	…	…	…	…
Broad money (M2)	9.1	7.4	9.0	12.3	17.3	17.1	…	…	…	…	…
External sector (CFA francs)											
Exports of goods and services	-30.8	9.7	32.5	8.1	25.0	2.3	6.7	5.4	5.8	7.0	5.9
Imports of goods and services	-16.4	9.5	24.2	6.5	42.2	-12.8	1.4	9.7	8.9	7.1	7.0
Terms of trade (minus = deterioration)	-0.9	4.4	0.7	1.1	1.4	0.6	-0.4	0.0	-0.9	-0.5	-1.1
Nominal effective exchange rate (minus = depreciation)	1.2	…	-5.1	…	3.7	…	…	…	…	…	…
Real effective exchange rate (minus = depreciation)	-0.7	…	-1.8	…	1.3	…	…	…	…	…	…
(Percent of GDP, unless otherwise indicated)											
National accounts											
Gross investment	18.7	19.1	17.6	19.0	25.6	19.5	19.5	19.6	19.9	20.0	20.2
Government investment	6.6	6.8	5.6	6.6	7.0	6.9	6.8	6.8	6.9	6.9	6.9
Nongovernment investment	12.1	12.2	12.0	12.4	18.6	12.5	12.7	12.8	13.0	13.1	13.3
Gross domestic saving	6.6	6.4	5.2	7.6	6.6	6.4	8.1	7.3	7.0	7.2	7.2
Government saving	2.6	3.2	3.4	3.7	4.0	3.3	3.5	3.8	3.9	4.2	4.2
Non-government saving	4.0	3.2	1.8	3.9	2.6	3.1	4.5	3.6	3.1	3.0	3.0
Gross national saving	10.9	9.6	9.7	10.9	11.1	10.3	12.3	12.7	12.8	13.2	13.4
Consumption	93.4	…	94.8	92.4	93.4	93.6	91.9	92.7	93.0	92.8	92.8
Government consumption	13.1	…	13.3	13.2	13.4	13.2	13.1	13.1	13.1	13.1	13.1
Non-government consumption	80.2	…	81.5	79.3	80.0	80.3	78.8	79.5	79.9	79.7	79.6
Central government finance											
Total revenue	17.6	18.9	18.8	18.9	19.4	18.7	18.8	18.9	19.1	19.2	19.2
Expenditure and net lending	21.9	22.5	21.2	22.0	23.2	21.8	22.0	21.9	22.0	21.9	21.9
Primary balance [4]	-3.9	-3.0	-1.8	-2.5	-3.3	-2.6	-2.7	-2.4	-2.4	-2.1	-2.1
Basic primary balance [5]	-0.1	0.2	0.6	0.8	1.2	0.3	0.6	0.8	0.8	1.1	1.2
Overall fiscal deficit (payment order basis, excl. grants)	-4.3	-3.6	-2.4	-3.1	-3.8	-3.1	-3.3	-3.0	-3.0	-2.7	-2.7
Overall fiscal deficit (cash basis, excl. grants)	-4.9	-4.1	-2.6	-3.5	-3.7	-3.7	-3.6	-3.4	-3.3	-3.0	-3.0
Debt service (percent of revenue)	5.4	6.3	6.7	6.7	6.2	7.9	7.4	7.3	7.2	7.1	6.9
Total government debt	31.9	32.4	29.2	28.4	29.8	29.5	29.0	28.3	27.7	26.9	26.1
External sector											
Balance of goods and services	-12.1	-12.7	-12.5	-11.4	-19.0	-13.0	-11.4	-12.3	-12.9	-12.9	-13.0
Current account balance (incl. grants)	-7.8	-9.5	-7.9	-8.1	-14.5	-9.2	-7.2	-7.0	-7.1	-6.8	-6.8
Current account balance (excl. grants)	-8.1	-10.3	-8.7	-9.1	-14.8	-9.4	-7.5	-7.3	-7.3	-7.0	-7.0
Overall balance of payments	-4.4	-1.8	-2.8	-0.9	-0.8	0.6	0.8	1.1	1.1	1.1	1.0
Debt service-to-exports ratio	6.0	5.7	6.3	6.1	5.5	6.8	6.8	6.8	6.9	6.9	6.7
Debt-to-GDP ratio (post-MDRI)	17.8	17.0	16.6	16.3	18.4	18.0	17.6	17.3	17.0	16.8	16.5
Nominal GDP (billions of CFA francs)	3,443	3,758	3,851	4,155	4,104	4,404	4,751	5,107	5,490	5,902	6,346
CFA francs per U.S. dollar (period average)	471.4	…	510.2	…	493.9	…	…	…	…	…	…
Population (millions)	9.8	9.4	10.1	10.3	10.3	10.6	10.9	11.1	11.4	11.7	11.9
Nominal GDP per capita (U.S. dollars)	747	806	751	810	805	872	933	996	1064	1135	1206

Sources: Beninese authorities; IMF staff estimates and projections.

1 IMF Country Report No. 13/9.

2 IMF Country Report No. 13/286.

3 Change in percent of beginning-of-period broad money.

4 Total revenue minus current primary expenditure, capital expenditure, and net lending.

5 Total revenue minus current primary expenditure and capital expenditure financed by domestic resources.

6 The projections in this table and the following tables do not include the planned scaling up of investments in 2014-18, which is still under discussion.

Table 2a. Benin: Consolidated Central Government Operations, 2011–19

	2011	2012		2013		2014		2015	2016	2017	2018	2019
		4th Review[1]	Est.	5th Review[2]	Prel.	5th Review[2]	Proj.	Projections				
	(Billions of CFA francs)											
Total revenue	605.6	710.0	722.5	784.4	795.5	821.6	821.6	891.8	965.8	1046.0	1133.4	1221.4
Tax revenue	534.7	596.4	598.2	666.0	668.2	732.0	732.0	795.2	862.4	935.3	1014.3	1093.4
Tax on international trade	261.2	299.0	318.1	356.0	371.6	392.8	397.0	429.1	463.7	501.2	541.8	585.7
Direct and indirect taxes	273.5	297.4	280.1	310.0	296.5	339.2	335.0	366.2	398.7	434.1	472.5	507.7
Nontax revenue	70.9	113.6	124.4	118.4	127.3	89.6	89.6	96.6	103.4	110.7	119.0	128.0
Total expenditure and net lending	754.7	845.4	815.7	913.0	952.0	979.0	960.2	1046.9	1120.0	1209.7	1294.1	1391.3
Current expenditure	515.6	588.4	592.5	632.1	632.8	674.8	674.7	724.0	773.0	831.6	887.6	954.2
Current primary expenditure	500.7	565.8	569.3	609.1	612.9	649.1	649.0	695.7	741.6	797.2	850.4	914.5
Wage bill	253.2	279.0	279.4	298.9	300.3	316.9	316.8	341.7	367.3	394.8	424.4	456.4
Pensions and scholarships	48.7	56.8	55.5	62.5	61.2	66.9	66.9	71.0	70.1	75.4	74.5	80.2
Current transfers	109.5	127.0	124.5	137.5	132.3	147.3	147.3	156.8	168.5	181.1	194.7	209.4
Expenditure on goods and services	89.3	103.0	110.0	110.2	119.0	118.0	118.0	126.2	135.7	145.8	156.8	168.6
Interest	14.9	22.6	23.1	23.0	19.9	25.7	25.7	28.3	31.5	34.4	37.2	39.7
Internal debt	7.1	12.6	12.5	12.1	10.1	15.5	15.5	13.2	14.6	15.7	17.0	18.0
External debt	7.8	10.0	10.6	10.9	9.8	10.2	10.2	15.1	16.9	18.7	20.2	21.8
Capital expenditure and net lending	239.1	257.0	223.3	280.9	319.2	304.2	285.5	322.9	346.9	378.1	406.5	437.1
Capital expenditure	226.6	257.0	217.3	272.9	288.1	304.2	304.2	322.9	346.9	378.1	406.5	437.1
Financed by domestic resources	107.5	137.0	129.6	143.0	133.8	160.6	160.6	169.6	183.0	202.3	217.5	233.8
Financed by external resources	119.1	120.0	87.7	129.9	154.3	143.6	143.6	153.3	163.9	175.8	189.0	203.2
Net lending	12.5	0.0	6.0	8.0	31.2	0.0	-18.7	0.0	0.0	0.0	0.0	0.0
Overall balance (payment order basis, excl. grants)	-149.1	-135.4	-93.2	-128.6	-156.5	-157.5	-138.6	-155.1	-154.2	-163.7	-160.8	-169.9
Primary balance [3]	*-134.2*	-112.8	*-70.1*	-105.6	*-136.6*	-131.8	*-112.9*	*-126.8*	*-122.7*	*-129.3*	*-123.6*	*-130.2*
Basic primary balance [4]	*-2.6*	7.2	*23.6*	32.3	*48.8*	11.8	*12.0*	*26.5*	*41.2*	*46.5*	*65.4*	*73.0*
Change in arrears	-11.6	-17.4	-12.2	-17.4	-7.2	-17.4	-17.4	-17.4	-17.4	-17.4	-17.4	-17.4
External debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic debt (net)	-11.6	-17.4	-12.2	-17.4	-7.2	-17.4	-17.4	-17.4	-17.4	-17.4	-17.4	-17.4
Float [5]	-7.8	0.0	5.3	0.0	13.0	0.0	-6.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis, excl. grants)	-168.5	-152.8	-100.2	-146.0	-150.7	-174.9	-162.0	-172.5	-171.6	-181.1	-178.2	-187.3
Financing	166.2	152.8	100.2	146.0	150.7	174.9	162.0	172.5	171.6	181.1	178.2	187.3
Domestic financing	54.7	16.1	6.0	8.9	-25.5	34.1	28.5	29.9	16.7	15.3	1.6	-4.6
Bank financing	100.4	18.7	-9.9	27.7	15.2	42.9	3.3	-3.9	-9.4	-1.8	-5.0	1.0
Net use of IMF resources	18.2	16.2	16.1	7.0	7.5	-3.0	4.9	-4.4	-5.8	-8.6	-10.7	-10.5
Disbursements	18.3	16.5	16.4	7.0	7.9	0.0	7.8	0.0	0.0	0.0	0.0	0.0
Repayments	-0.1	-0.3	-0.3	0.0	-0.4	-3.0	-2.9	-4.4	-5.8	-8.6	-10.7	-10.5
Other	82.2	2.5	-26.0	20.7	7.7	45.9	-1.6	0.5	-3.6	6.8	5.7	11.5
Nonbank financing	-45.7	-2.6	15.8	-18.8	-40.7	-8.8	25.1	33.8	26.1	17.1	6.6	-5.6
Privatization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restructuring	-30.5	0.0	-11.2	-16.7	-15.8	0.0	-15.0	0.0	0.0	0.0	0.0	0.0
Other	-15.2	-2.6	27.1	-2.1	-24.9	-8.8	40.1	33.8	26.1	17.1	6.6	-5.6
External financing	111.5	136.7	94.2	137.1	176.2	140.8	133.5	142.6	154.9	165.9	176.6	192.0
Project financing	119.1	120.0	87.7	129.9	154.3	143.6	143.6	153.3	163.9	175.8	189.0	203.2
Grants	76.8	80.0	43.4	62.3	28.1	73.8	86.2	80.8	86.8	93.3	100.3	107.9
Loans	42.3	40.0	44.3	67.6	126.2	69.8	57.4	72.5	77.1	82.5	88.7	95.3
Amortization due	-17.9	-21.9	-25.0	-33.2	-28.2	-29.2	-29.2	-33.5	-33.1	-32.5	-33.1	-33.5
Budgetary assistance	10.3	38.6	31.5	40.4	50.1	26.3	19.1	22.8	24.0	22.5	20.7	22.2
Statistical discrepancy	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum item:												
GDP (billions of CFA francs)	3443	3758	3851	4155	4104	4463	4404	4751	5107	5490	5902	6346
Priority social spending (billions of CFA francs)	99.0	134.0	138.3	136.0	136.8	…	147.0	…	…	…	…	…

Sources: Beninese authorities; IMF staff estimates and projections.

[1] IMF Country Report No. 13/9.

[2] IMF Country Report No. 13/286.

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

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

[5] Net change in the stock of payment orders whose payment has been postponed to the following period.

Table 2b. Benin: Consolidated Central Government Operations, 2011–14

	2011	2012		2013		2014			
	Year	Year		Year		Q1	Q2	Q3	Year
		4th Review[1]	Est.	5th Review[2]	Prel.	Projections			
	(Billions of CFA francs)								
Total revenue	605.6	710.0	722.5	784.4	795.5	179.7	379.1	590.9	821.6
Tax revenue	534.7	632.2	598.2	666.0	668.2	165.4	345.6	531.9	732.0
Tax on international trade	261.2	334.5	318.1	356.0	371.6	89.9	182.6	286.0	397.0
Direct and indirect taxes	273.5	297.7	280.1	310.0	296.5	75.6	163.0	245.9	335.0
Nontax revenue	70.9	77.8	124.4	118.4	127.3	14.3	33.5	59.0	89.6
Total expenditure and net lending	754.7	843.9	815.7	913.0	952.0	232.3	474.3	722.9	960.2
Current expenditure	515.6	614.2	592.5	632.1	632.8	180.2	343.8	513.3	674.7
Current primary expenditure	500.7	580.1	569.3	609.1	612.9	176.7	333.8	493.3	649.0
Wage bill	253.2	279.0	279.4	298.9	300.3	86.1	158.2	239.4	316.8
Pensions and scholarships	48.7	56.8	55.5	62.5	61.2	17.3	34.9	49.5	66.9
Current transfers	109.5	123.0	124.5	137.5	132.3	50.5	85.1	116.4	147.3
Expenditure on goods and services	89.3	121.3	110.0	110.2	119.0	22.7	55.6	88.0	118.0
Interest	14.9	34.1	23.1	23.0	19.9	3.5	10.0	20.0	25.7
Internal debt	7.1	24.4	12.5	12.1	10.1	1.0	3.5	11.0	15.5
External debt	7.8	9.7	10.6	10.9	9.8	2.5	6.5	9.0	10.2
Capital expenditure and net lending	239.1	229.7	223.3	280.9	319.2	52.1	130.5	209.7	285.5
Capital expenditure	226.6	229.7	217.3	272.9	288.1	52.1	130.5	209.7	304.2
Financed by domestic resources	107.5	122.7	129.6	143.0	133.8	28.2	68.4	112.6	160.6
Financed by external resources	119.1	107.0	87.7	129.9	154.3	23.9	62.1	97.1	143.6
Net lending (minus = reimbursement)	12.5	0.0	6.0	8.0	31.2	0.0	0.0	0.0	-18.7
Overall balance (payment order basis, excl. g	-149.1	-134.0	-93.2	-128.6	-156.5	-52.5	-95.3	-132.0	-138.6
Primary balance [3]	-134.2	*-99.8*	-70.1	-105.6	-136.6	-49.0	-85.3	-112.0	-112.9
Basic primary balance [4]	-2.6	*7.2*	23.6	32.3	48.8	-25.1	-23.2	-14.9	12.0
Change in arrears	-11.6	-17.4	-12.2	-17.4	-7.2	-0.8	-8.7	-13.1	-17.4
External debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic debt (net)	-11.6	-17.4	-12.2	-17.4	-7.2	-0.8	-8.7	-13.1	-17.4
Float [5]	-7.8	0.0	5.3	0.0	13.0	0.0	0.0	0.0	-6.0
Overall balance (cash basis, excl. grants)	-168.5	-151.4	-100.2	-146.0	-150.7	-53.3	-104.0	-145.0	-162.0
Financing	166.2	151.4	100.2	146.0	150.7	53.3	104.0	145.0	162.0
Domestic financing	54.7	47.5	6.0	8.9	-25.5	36.7	56.5	69.8	28.5
Bank financing	100.4	41.1	-9.9	27.7	15.2	4.3	9.7	44.5	3.3
Net use of IMF resources	18.2	15.3	16.1	7.0	7.5	-0.1	7.4	6.2	4.9
Disbursements	18.3	15.6	16.4	7.0	7.9	0.0	7.8	7.8	7.8
Repayments	-0.1	-0.3	-0.3	0.0	-0.4	-0.1	-0.4	-1.6	-2.9
Other	82.2	25.8	-26.0	20.7	7.7	4.4	2.2	38.2	-1.6
Nonbank financing	-45.7	6.4	15.8	-18.8	-40.7	32.4	46.8	25.4	25.1
Privatization	0.0	10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restructuring	-30.5	0.0	-11.2	-16.7	-15.8	-4.8	-7.6	-11.0	-15.0
Other	-15.2	-3.6	27.1	-2.1	-24.9	37.2	54.4	36.4	40.1
External financing	111.5	103.9	94.2	137.1	176.2	16.6	47.5	75.2	133.5
Project financing	119.1	107.0	87.7	129.9	154.3	23.9	62.1	97.1	143.6
Grants	76.8	53.5	43.4	62.3	28.1	14.3	37.3	58.3	86.2
Loans	42.3	53.5	44.3	67.6	126.2	9.6	24.8	38.8	57.4
Amortization due	-17.9	-24.0	-25.0	-33.2	-28.2	-7.3	-14.6	-21.9	-29.2
Budgetary assistance	10.3	20.9	31.5	40.4	50.1	0.0	0.0	0.0	19.1
Grants	10.3	11.6	31.5	40.4	12.8	0.0	0.0	0.0	9.7
Loans	0.0	9.3	0.0	0.0	37.3	0.0	0.0	0.0	9.5
Statistical discrepancy	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum item:									
GDP (billions of CFA francs, annual)	3443	3758	3851	4155	4104	4404	4404	4404	4404

Sources: Beninese authorities; IMF staff estimates and projections.

[1] IMF Country Report No. 13/9.

[2] IMF Country Report No. 13/286.

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

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

[5] Net change in the stock of payment orders whose payment has been postponed to the following period.

Table 3. Benin: Consolidated Central Government Operations, 2011–19

	2011	2012		2013		2014	2015	2016	2017	2018	2019
		4th Review[1]	Est.	5th Review[2]	Prel.	Projections					
				(Percent of GDP)							
Total revenue	17.6	18.9	18.8	18.9	19.4	18.7	18.8	18.9	19.1	19.2	19.2
Tax revenue	15.5	15.9	15.5	16.0	16.3	16.6	16.7	16.9	17.0	17.2	17.2
Tax on international trade	7.6	8.0	8.3	8.6	9.1	9.0	9.0	9.1	9.1	9.2	9.2
Direct and indirect taxes	7.9	7.9	7.3	7.5	7.2	7.6	7.7	7.8	7.9	8.0	8.0
Nontax revenue	2.1	3.0	3.2	2.8	3.1	2.0	2.0	2.0	2.0	2.0	2.0
Total expenditure and net lending	21.9	22.5	21.2	22.0	23.2	21.8	22.0	21.9	22.0	21.9	21.9
Current expenditures	15.0	15.7	15.4	15.2	15.4	15.3	15.2	15.1	15.1	15.0	15.0
Current primary expenditures	14.5	15.1	14.8	14.7	14.9	14.7	14.6	14.5	14.5	14.4	14.4
Wage bill	7.4	7.4	7.3	7.2	7.3	7.2	7.2	7.2	7.2	7.2	7.2
Pensions and scholarships	1.4	1.5	1.4	1.5	1.5	1.5	1.5	1.4	1.4	1.3	1.3
Current transfers	3.2	3.4	3.2	3.3	3.2	3.3	3.3	3.3	3.3	3.3	3.3
Expenditure on goods and services	2.6	2.7	2.9	2.7	2.9	2.7	2.7	2.7	2.7	2.7	2.7
Interest	0.4	0.6	0.6	0.6	0.5	0.6	0.6	0.6	0.6	0.6	0.6
Internal debt	0.2	0.3	0.3	0.3	0.2	0.4	0.3	0.3	0.3	0.3	0.3
External debt	0.2	0.3	0.3	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Capital expenditure and net lending	6.9	6.8	5.8	6.8	7.8	6.5	6.8	6.8	6.9	6.9	6.9
Capital expenditure	6.6	6.8	5.6	6.6	7.0	6.9	6.8	6.8	6.9	6.9	6.9
Financed by domestic resources	3.1	3.6	3.4	3.4	3.3	3.6	3.6	3.6	3.7	3.7	3.7
Financed by external resources	3.5	3.2	2.3	3.1	3.8	3.3	3.2	3.2	3.2	3.2	3.2
Net lending (minus = reimbursement)	0.4	0.0	0.2	0.2	0.8	-0.4	0.0	0.0	0.0	0.0	0.0
Overall balance (payment order basis, excl. grants)	-4.3	-3.6	-2.4	-3.1	-3.8	-3.1	-3.3	-3.0	-3.0	-2.7	-2.7
Primary balance [3]	-3.9	-3.0	-1.8	-2.5	-3.3	-2.6	-2.7	-2.4	-2.4	-2.1	-2.1
Basic primary balance [4]	-0.1	0.2	0.6	0.8	1.2	0.3	0.6	0.8	0.8	1.1	1.2
Change in arrears	-0.3	-0.5	-0.3	-0.4	-0.2	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3
External debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic debt (net)	-0.3	-0.5	-0.3	-0.4	-0.2	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3
Float [5]	-0.2	0.0	0.1	0.0	0.3	-0.1	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis, excl. grants)	-4.9	-4.1	-2.6	-3.5	-3.7	-3.7	-3.6	-3.4	-3.3	-3.0	-3.0
Financing	4.8	4.1	2.6	3.5	3.7	3.7	3.6	3.4	3.3	3.0	3.0
Domestic financing	1.6	0.4	0.2	0.2	-0.6	0.6	0.6	0.3	0.3	0.0	-0.1
Bank financing	2.9	0.5	-0.3	0.7	0.4	0.1	-0.1	-0.2	0.0	-0.1	0.0
Net use of IMF resources	0.5	0.4	0.4	0.2	0.2	0.1	-0.1	-0.1	-0.2	-0.2	-0.2
Other	2.4	0.1	-0.7	0.5	0.2	0.0	0.0	-0.1	0.1	0.1	0.2
Nonbank financing	-1.3	-0.1	0.4	-0.5	-1.0	0.6	0.7	0.5	0.3	0.1	-0.1
Privatization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restructuring	-0.9	0.0	-0.3	-0.4	-0.4	-0.3	0.0	0.0	0.0	0.0	0.0
Other	-0.4	-0.1	0.7	-0.1	-0.6	0.9	0.7	0.5	0.3	0.1	-0.1
External financing	3.2	3.6	2.4	3.3	4.3	3.0	3.0	3.0	3.0	3.0	3.0
Project financing	3.5	3.2	2.3	3.1	3.8	3.3	3.2	3.2	3.2	3.2	3.2
Grants	2.2	2.1	1.1	1.5	0.7	2.0	1.7	1.7	1.7	1.7	1.7
Loans	1.2	1.1	1.2	1.6	3.1	1.3	1.5	1.5	1.5	1.5	1.5
Amortization due	-0.5	-0.6	-0.7	-0.8	-0.7	-0.7	-0.7	-0.6	-0.6	-0.6	-0.5
Budgetary assistance	0.3	1.0	0.8	1.0	1.2	0.4	0.5	0.5	0.4	0.4	0.4
Statistical discrepancy	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Total revenue and grants	20.1	21.8	20.7	21.4	20.4	20.8	20.8	20.9	21.0	21.1	21.1
Revenue	17.6	18.9	18.8	18.9	19.4	18.7	18.8	18.9	19.1	19.2	19.2
Grants	2.5	2.9	1.9	2.5	1.0	2.2	2.0	2.0	2.0	1.9	1.9
Total loan disbursement	1.2	1.3	1.2	1.6	4.0	1.5	1.7	1.7	1.7	1.7	1.7
Overall balance incl. grants (payment order basis)	-1.8	-0.7	-0.5	-0.6	-2.8	-1.0	-1.3	-1.0	-1.0	-0.8	-0.8
GDP (billions of CFA francs)	3443	3758	3851	4155	4104	4404	4751	5107	5490	5902	6346
Priority social spending (Percent of GDP)	2.9	3.6	3.6	3.3	3.3	3.3	…	…	…	…	…

Sources: Beninese authorities; IMF staff estimates and projections.

[1] IMF Country Report No. 13/9.

[2] IMF Country Report No. 13/286.

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

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

[5] Net change in the stock of payment orders whose payment has been postponed to the following period.

Table 4. Benin: Balance of Payments, 2011–19

	2011	2012	2013	2014	2015	2016	2017	2018	2019
		Est.	Prel.	Projections					
	(Billions of CFA francs)								
Current account balance	-268.7	-304.3	-594.1	-403.5	-341.0	-356.6	-388.9	-402.6	-432.5
Excluding budgetary assistance grants	-279.0	-335.8	-606.9	-413.2	-355.3	-371.9	-402.6	-414.4	-445.2
Balance of goods and services	-415.3	-480.1	-780.6	-573.0	-542.4	-628.1	-709.4	-759.9	-823.9
Credit	429.7	569.4	711.5	727.9	776.8	819.1	866.2	927.2	981.8
Debit	-845.0	-1049.5	-1492.1	-1300.8	-1319.2	-1447.2	-1575.6	-1687.1	-1805.6
Trade balance [1]	-245.1	-472.8	-754.3	-533.7	-493.5	-558.6	-650.8	-689.7	-746.7
Exports, f.o.b.	362.1	289.5	445.4	453.9	479.9	506.7	536.2	580.2	622.8
Cotton and textiles	56.8	85.5	120.0	126.0	129.5	132.3	124.8	122.9	110.6
Other	305.2	204.0	325.4	327.9	350.5	374.5	411.4	457.4	512.2
Imports, f.o.b.	-607.2	-762.3	-1199.7	-987.6	-973.4	-1065.4	-1187.0	-1270.0	-1369.5
Petroleum products	-88.6	-159.2	-129.6	-132.7	-138.6	-145.1	-152.8	-162.9	-177.2
Other [2]	-518.6	-603.0	-1070.2	-855.0	-834.9	-920.3	-1034.2	-1107.1	-1192.3
Services (net)	-170.1	-7.3	-26.3	-39.2	-48.9	-69.5	-58.6	-70.2	-77.1
Credit	67.6	279.9	266.1	273.9	296.9	312.3	330.0	346.9	359.0
Debit	-237.8	-287.2	-292.4	-313.2	-345.8	-381.8	-388.6	-417.1	-436.1
Income (net)	-7.3	-24.6	-29.6	-30.9	-36.8	-39.6	-42.4	-45.1	-46.4
Of which: interest due on central government debt	-7.8	-10.6	-9.8	-10.2	-15.1	-16.9	-18.7	-20.2	-21.8
Current transfers (net)	153.9	200.4	216.1	200.4	238.2	311.1	362.9	402.4	437.8
Unrequited private transfers	51.8	70.8	88.7	97.8	108.5	120.3	133.4	147.9	164.0
Public current transfers	102.1	129.7	127.4	102.6	129.7	190.8	229.5	254.5	273.8
Of which: budgetary assistance grants	10.3	31.5	12.8	9.7	14.3	15.3	13.7	11.8	12.7
Capital and financial account balance	37.6	130.6	561.3	429.1	379.9	414.7	449.7	465.3	498.8
Capital account balance	76.8	43.4	28.1	86.2	80.8	86.8	93.3	100.3	107.9
Financial account balance	-39.2	87.2	533.1	343.0	299.1	327.9	356.4	365.0	391.0
Medium- and long-term public capital	28.3	23.2	139.3	41.7	51.6	56.7	62.8	68.5	75.4
Disbursements	46.3	48.3	167.4	70.9	85.1	89.8	95.3	101.5	108.9
Project loans	46.3	48.3	130.2	61.4	76.5	81.1	86.5	92.7	99.3
Of which: central government project loans	42.3	44.3	126.2	57.4	72.5	77.1	82.5	88.7	95.3
Budgetary assistance loans	0.0	0.0	37.3	9.5	8.6	8.7	8.8	8.9	9.5
Amortization due	-17.9	-25.0	-28.2	-29.2	-33.5	-33.1	-32.5	-33.1	-33.5
Foreign direct investment	47.9	62.2	367.7	210.8	112.6	132.1	143.3	143.4	147.1
Portfolio investment	27.9	35.2	43.1	64.7	64.7	64.7	64.8	64.9	64.9
Other medium- and long-term private capital	-5.7	61.7	64.0	56.9	57.7	55.1	54.1	54.7	66.8
Deposit money banks	-140.8	-175.7	-148.3	-137.4	-65.6	-40.4	-44.5	-47.0	-49.2
SDR allocation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term capital	3.1	80.5	67.4	106.2	78.2	59.5	75.8	80.4	86.0
Errors and omissions	78.5	65.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-152.6	-108.0	-32.8	25.6	38.9	58.1	60.8	62.7	66.3
Change in net foreign assets, BCEAO (- = increase)	152.6	108.0	32.8	-25.6	-38.9	-58.1	-60.8	-62.7	-66.3
Of which: net use of IMF resources	18.2	16.1	7.5	4.9	-4.4	-5.8	-8.6	-10.7	-10.5
	(Percent of GDP, unless otherwise indicated)								
Memorandum items:									
Net re-exports	-0.4	4.9	5.7	5.5	4.7	4.9	5.4	5.6	5.5
Re-exports	6.6	11.6	13.1	11.1	11.1	11.7	12.2	12.4	12.3
Imports for re-export	-7.0	-6.7	-7.5	-5.5	-6.5	-6.8	-6.8	-6.8	-6.8
Current account balance (incl. budgetary assistance grants)	-7.8	-7.9	-14.5	-9.2	-7.2	-7.0	-7.1	-6.8	-6.8
Current account balance (excl. budgetary assistance grants)	-8.1	-8.7	-14.8	-9.4	-7.5	-7.3	-7.3	-7.0	-7.0
Balance of goods and services	-12.1	-12.5	-19.0	-13.0	-11.4	-12.3	-12.9	-12.9	-13.0
Trade balance	-7.1	-12.3	-18.4	-12.1	-10.4	-10.9	-11.9	-11.7	-11.8
Exports	10.5	7.5	10.9	10.3	10.1	9.9	9.8	9.8	9.8
Imports	-17.6	-19.8	-29.2	-22.4	-20.5	-20.9	-21.6	-21.5	-21.6
Income and current transfers (net)	4.3	4.6	4.5	3.8	4.2	5.3	5.8	6.1	6.2
Capital account balance	2.2	1.1	0.7	2.0	1.7	1.7	1.7	1.7	1.7
Financial account balance	-1.1	2.3	13.0	7.8	6.3	6.4	6.5	6.2	6.2
Overall balance	-4.4	-2.8	-0.8	0.6	0.8	1.1	1.1	1.1	1.0
International price of cotton (Cotlook "A" Index, U.S. cents a lb.)	154.6	90.5	90.8	89.3	85.0	80.0	76.0	n.a.	n.a.
International price of oil (U.S. dollars a barrel)	104.0	105.0	104.1	99.3	94.2	89.7	86.5	84.4	82.8
Gross official reserves (percent of broad money)	28.7	20.6	16.3	15.2	14.3	14.5	14.6	15.2	15.7
GDP (billions of CFA francs)	3443	3851	4104	4404	4751	5107	5490	5902	6346

Sources: Beninese authorities; IMF staff estimates and projections.

Note: ... = not available.

[1] Excludes re-exports and imports for re-export.

[2] In 2013, the increase in imports is mainly associated with capital goods for oil exploration.

Table 5. Benin: Monetary Survey, 2011–14

	2011	2012				2013				2014
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
							Prel.			Projections
(Billions of CFA francs)										
Net foreign assets	769.2	836.0	872.5	808.3	836.9	916.2	960.1	941.5	952.3	1115.3
Central Bank of West African States (BCEAO)	398.7	439.9	401.8	342.5	290.7	278.1	348.5	311.1	257.8	283.4
Banks	370.5	396.1	470.7	465.7	546.2	638.1	611.6	630.4	694.5	831.9
Net domestic assets	809.3	735.4	807.1	853.3	883.1	995.5	881.5	904.3	1064.8	1246.7
Domestic credit	949.3	859.6	923.6	977.9	1019.0	1127.5	1007	1071.9	1165.6	1347.5
Net claims on central government	91.6	2.3	70.4	84.5	82.6	119.5	49.2	54.4	97.8	101.2
Credit to the nongovernment sector	857.7	857.3	853.2	893.4	936.4	1008.1	958.0	1017.5	1067.7	1246.3
Other items (net)	-140.0	-124.2	-116.5	-124.6	-135.9	-132.0	-125.7	-167.6	-100.8	-100.8
Broad money (M2)	1578.4	1571.4	1679.6	1661.5	1720.0	1911.7	1842	1845.8	2017.1	2362.1
Currency	378.6	398.5	410.1	403.5	405.0	432.4	429.9	438.1	505.3	542.2
Bank deposits	1191.5	1163.9	1260.7	1249.1	1310.1	1469.9	1399	1399.0	1502.7	1810.7
Deposits with postal checking accounts	8.3	8.9	8.8	9.0	4.9	9.4	9.4	8.6	9.1	9.1
(Change in percent of beginning-of-period broad money, unless otherwise indicated)										
Net foreign assets	-0.8	4.2	6.5	2.5	4.3	4.6	7.2	6.1	6.7	8.1
Central Bank of West African States (BCEAO)	-10.6	2.6	0.2	-3.6	-6.8	-0.7	3.4	1.2	-1.9	1.3
Banks	9.7	1.6	6.3	6.0	11.1	5.3	3.8	4.9	8.6	6.8
Net domestic assets	10.0	-4.7	-0.1	2.8	4.7	6.5	-0.1	1.2	10.6	9.0
Domestic credit	12.8	-5.7	-1.6	1.8	4.4	6.3	-0.7	3.1	8.5	9.0
Net claims on central government	7.1	-5.7	-1.3	-0.4	-0.6	2.1	-1.9	-1.6	0.9	0.2
Credit to the nongovernment sector	6.0	-0.2	-0.5	0.9	5.0	4.2	1.3	4.7	7.6	8.9
Other items (net)	-2.8	1.0	1.5	1.0	0.3	0.2	0.6	-1.8	2.0	0.0
Broad money (M2)	9.1	-0.4	6.4	5.3	9.0	11.1	7.1	7.3	17.3	17.1
Currency	2.2	1.3	2.0	1.6	1.7	1.6	1.4	1.9	5.8	1.8
Bank deposits	7.0	-1.7	4.4	3.7	7.5	9.3	5.4	5.2	11.2	15.3
Deposits with postal checking accounts	-0.1	0.0	0.0	0.0	-0.2	0.3	0.3	0.2	0.2	0.0
Memorandum items:										
Velocity of broad money	2.3	...	...	...	2.3	...	...	...	2.2	2.0
Broad money as share of GDP	45.8	...	...	...	44.7	...	...	...	49.1	53.6
Credit to the nongovernment sector (year-on-year change in percent)	11.5	15.9	10.9	11.6	9.2	17.6	12.3	13.1	14.0	16.7
Nominal GDP (billions of CFA francs, annual)	3443	...	...	...	3851	...	...	...	4104	4404
Nominal GDP growth (annual change in percent	6.0	...	...	...	11.8	...	...	...	6.6	7.3

Sources: BCEAO; IMF staff estimates and projections.

Note: ... = not available.

Table 6. Benin: Schedule of Disbursements Under the ECF Arrangement, 2010–14

Amount	Date Available	Conditions Necessary for Disbursement
SDR 10.62 million	June 14, 2010	Disbursed. The Executive Board approved the ECF arrangement on June 14, 2010.
SDR 10.61 million	December 31, 2010	Disbursed. The Executive Board concluded the first review on February 16, 2011.
SDR 10.61 million	June 1, 2011	Disbursed. The Executive Board concluded the second review on September 7, 2011.
SDR 10.61 million	December 1, 2011	Disbursed. The Executive Board concluded the third review on March 27, 2012.
SDR 10.61 million	June 1, 2012	Disbursed. The Executive Board concluded the fourth review on November 9, 2012.
SDR 10.61 million	December 1, 2012	Disbursed. The Executive Board concluded the fifth review on August 28, 2013.
SDR 10.61 million	February 1, 2014	Completion of the sixth review under the arrangement.
SDR 74.28 million		Total amount.

Source: International Monetary Fund.

Table 7. Benin: Indicators of Capacity to Repay the IMF, 2013–24

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
IMF obligations based on existing credit[1]												
(millions of SDRs)												
Principal	0.2	2.7	6.0	8.0	11.9	15.0	13.8	11.7	9.6	5.3	2.1	0.0
Charges and interest[2]	0.0	0.0	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0
IMF obligations based on existing and prospective drawings												
(millions of SDRs)												
Principal	0.2	2.7	6.0	8.0	11.9	15.0	14.8	13.8	11.7	7.4	4.2	1.1
Charges and interest	0.0	0.0	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0
Total obligations based on existing and prospective credit[3]												
Millions of SDRs	0.2	2.8	6.3	8.2	12.1	15.1	15.0	13.9	11.7	7.5	4.3	1.1
Billions of CFA francs	0.1	2.1	4.8	6.4	9.2	11.5	11.3	10.5	8.9	5.7	3.2	0.8
Percent of government revenue	0.0	0.3	0.5	0.7	0.9	1.0	0.9	0.8	0.6	0.4	0.2	0.0
Percent of exports of goods and services	0.0	0.3	0.6	0.8	1.1	1.2	1.2	1.0	0.8	0.5	0.3	0.1
Percent of debt service	0.1	1.7	3.7	5.0	7.8	10.4	11.1	10.9	9.8	6.5	3.8	0.9
Percent of GDP	0.0	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.0	0.0
Percent of quota	0.3	6.4	10.1	13.2	19.6	24.4	24.1	22.4	18.9	12.1	6.9	0.0
Outstanding IMF credit[3]												
Millions of SDRs	87.9	93.9	87.9	79.9	68.0	53.0	38.2	24.4	12.7	5.3	1.1	0.0
Billions of CFA francs	67.6	72.4	68.1	62.1	51.5	40.1	28.9	18.5	9.6	4.0	0.8	0.0
Percent of government revenue	8.5	8.8	7.6	6.4	4.9	3.5	2.4	1.4	0.7	0.3	0.1	0.0
Percent of exports of goods and services	9.5	9.9	8.8	7.6	5.9	4.3	2.9	1.8	0.9	0.3	0.1	0.0
Percent of debt service	58.5	56.9	52.4	49.1	43.5	36.4	28.3	19.2	10.7	4.6	0.9	0.0
Percent of GDP	1.6	1.6	1.4	1.2	0.9	0.7	0.5	0.3	0.1	0.1	0.0	0.0
Percent of quota	109.1	117.0	109.9	100.4	83.2	64.9	46.7	29.9	15.6	6.5	1.3	0.0
Net use of IMF credit (millions of SDRs)	10.4	7.9	-6.0	-8.0	-11.9	-15.0	-14.8	-13.8	-11.7	-7.4	-4.2	-1.1
Disbursements	10.6	10.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and repurchases	0.2	2.7	6.0	8.0	11.9	15.0	14.8	13.8	11.7	7.4	4.2	1.1
Memorandum items:												
Charges and interest, after assumed subsidies	0.1	0.0	0.2	0.2	0.2	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Nominal GDP (billions of CFA francs)	4,104.2	4,404.0	4,751.5	5,107.0	5,489.7	5,901.9	6,345.9	6,793.5	7,273.8	7,788.9	8,339.6	8,928.2
Exports of goods and services (billions of CFA francs)	711.5	727.9	776.8	819.1	866.2	927.2	981.8	1,051.0	1,125.3	1,205.1	1,290.2	1,381.3
Government revenue (billions of CFA francs)	795.5	821.6	891.8	965.8	1,046.0	1,133.4	1,221.4	1,307.5	1,399.9	1,499.1	1,605.1	1,718.4
Debt service (billions of CFA francs)	115.6	127.3	129.8	126.7	118.3	110.4	102.1	96.3	90.5	87.0	85.5	86.0
Net Foreign Assets Central Bank	257.8	283.4	322.3	380.4	441.2	503.9	570.2	626.1	687.5	754.9	828.8	910.1
CFA francs/SDR (period average)	768.9	771.3	774.5	777.7	757.4	757.4	757.4	757.4	757.4	757.4	757.4	757.4
Quota (SDR)	61.9	61.9	61.9	61.9	61.9	61.9	61.9	61.9	61.9	61.9	61.9	61.9

Sources: IMF staff estimates and projections.

[1] Data are actual through end-2013 and are projected after that.

[2] On December 21, 2012 the IMF Board extended through December 31, 2014, the waiver of interest payments for concessional loans that was introduced on January 7, 2010. After 2014, projected interest charges are based on 0.25/0.25/0.5/0.25 percent per annum for the ECF, RCF, SCF, and ESF, respectively. The Fund will review the interest rates for all PRGT facilities by end-2014 and every two years thereafter.

[3] Total debt service includes IMF repurchases and repayments.

Table 8. Benin: Millennium Development Goals, 1990–2015

	Earliest Year	Latest Year	Earliest	Average 1990–99	Average 2000–09	Latest	2015 Target
Goal 1. Eradicate extreme poverty and hunger							
Target: Halve between 1990 and 2015, the proportion of people whose income is less than one dollar a day.							
- Population below US$1.25 a day (percent)	1990	2010	57.0	42.3	46.4	44.2	26.7
- Population below minimum level of dietary energy consumption (percent)	1991	2011	22.0	19.4	13.1	8.0	...
Goal 2. Achieve universal primary education							
Target: Ensure that, by 2015, children will be able to complete a full course of primary schooling							
- Net primary enrollment ratio (percent of relevant age group)	1990	2012	39.3	53.0	84.6	94.9	100.0
- Percentage of cohort reaching grade 5	1990	2011	27.3	38.4	71.0	67.5	100.0
- Youth literacy rate (percent age 15–24)	1992	2010	39.9	39.9	43.8	55.0	100.0
Goal 3. Promote gender equality and empower women							
Target: Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education by 2015							
- Ratio of girls to boys in primary school (percent)	1990	2013	50.1	54.9	75.2	94.9	100.0
- Ratio of girls to boys in secondary school (percent)	1999	2011	44.9	44.9	47.1	61.0	100.0
- Proportion of seats held by women in the national parliament (percent)	1997	2013	7.2	6.8	7.8	8.4	50.0
Goal 4. Reduce child mortality							
Target: Reduce by two-thirds between 1990 and 2015 the under-five mortality rate							
- Under-five mortality rate (per 1,000)	1990	2012	180.7	162.5	123.4	89.5	65.0
- Infant mortality rate (per 1,000 live births)	1990	2012	108.6	98.9	77.6	58.5	35.0
- Immunization against measles (percent of children under 12 months)	1990	2012	79.0	68.1	66.7	72.0	100.0
Goal 5. Improve maternal health							
Target: Reduce by three-fourths, between 1990 and 2015, the maternal mortality ratio							
- Maternal mortality ratio (modeled estimate, per 100,000 live births)	1990	2010	770.0	715.0	480.0	350.0	125.0
Goal 6. Combat HIV/AIDS, malaria, and other diseases							
Target: Halt by 2015, and begin to reverse, the spread of HIV/AIDS							
- HIV/AIDS prevalence	1990	2012	0.3	0.9	1.4	1.1	<2
Target: Halt by 2015, and begin to reverse, the incidence of malaria and other major diseases							
- Incidence of tuberculosis (per 100,000)	1990	2012	128.0	104.4	75.7	70.0	...
Goal 7. Ensure environmental sustainability							
Target: Halve by 2015 proportion of people without access to safe drinking water							
- Access to improved water source (percent of population)	1990	2011	57.1	61.2	70.2	76.0	100.0
Goal 8. Develop a global partnership for development							
Target: In cooperation with the private sector, make available benefits of new technologies, especially information and communications							
- Mobile cellular subscriptions (per 100 people)	1990	2012	0.0	0.0	16.4	89.9	50.0

Sources: Beninese authorities and World Bank estimates and projections.

Table 9. Benin: Financial Stability Indicators, 2011–13

	2011 Mar.	2011 June	2011 Sept.	2011 Dec	2012 Mar.	2012 June	2012 Sept.	2012 Dec.	2013 Mar.	2013 June
(Percent unless otherwise indicated)									Preliminary	
Regulatory capital to risk-weighted assets	10.2	10.4	10.0	10.3	10.9	12.4	11.4	10.2	10.2	8.7
Core capital to risk-weighted assets[1]	9.3	9.7	9.3	9.8	9.9	10.8	10.0	9.0	8.5	7.2
Provisions to risk-weighted assets	12.0	10.7	9.9	10.1	10.5	10.2	9.5	8.3	9.4	9.0
Capital to total assets	5.0	5.5	5.4	5.4	5.6	6.1	6.0	5.6	5.6	4.7
Composition and quality of assets										
Total loans to total assets	49.9	50.1	50.6	50.7	51.1	47.6	48.6	47.4	48.7	47.1
Concentration: Credit to the 5 largest borrowers	106.1	85.5	87.7	60.3	69.2	42.5	38.3	53.2	41.8	46.4
Credit by sector[2]										
Agriculture, Forestry, and Fishing	1.2	1.1	1.1	2.7	3.5	2.0	2.1	2.1	2.4	2.1
Extractive Industries	0.0	0.4	0.5	0.5	1.0	0.8	0.8	0.7	0.6	0.6
Manufacturing	7.4	7.6	6.6	8.3	11.2	7.8	8.8	10.1	9.8	9.6
Electricity, Water, and Gas	2.1	2.3	0.7	0.3	1.0	1.7	2.3	2.8	1.4	2.8
Buildings and Public Works	6.8	7.0	6.9	7.2	7.7	7.6	7.7	7.5	8.5	9.0
Commerce, Restaurants, and Hotels	36.7	36.2	46.7	38.9	31.6	47.1	42.9	40.2	42.8	41.5
Transportation and Communication	11.0	12.2	9.8	9.8	12.2	12.7	12.3	10.3	9.4	9.1
Financial and Business Services	3.2	3.0	4.4	4.5	3.0	3.8	4.0	5.7	5.0	4.3
Other Services	31.6	30.3	23.3	27.8	28.8	16.6	19.2	20.6	20.1	21.0
Non-Performing Loans (NPLs)										
Gross NPLs to total loans	17.4	17.3	16.6	15.6	16.6	17.6	19.3	18.6	19.9	21.0
Provisioning rate	61.2	58.3	57.2	61.0	57.3	54.4	48.0	46.8	47.7	44.6
Net NPLs to total loans	7.5	8.0	7.8	6.7	7.9	8.9	11.0	10.8	11.5	12.8
Net NPLs to capital	74.7	73.4	74.1	62.4	71.7	69.3	90.0	92.5	100.8	128.0
Earnings and profitability[3]										
Average cost of borrowed funds				3.1				3.3		
Average interest rate on loans				10.1				9.5		
Average interest margin[4]				7.0				6.2		
After-tax return on average assets (ROA)				1.1				0.4		
After-tax return on average equity (ROE)				12.8				5.4		
Noninterest expenses/net banking income				61.6				68.5		
Salaries and wages/net banking income				25.5				28.2		
Liquidity										
Liquid assets to total assets	28.0	27.5	27.1	28.0	25.9	23.1	22.9	22.9	23.2	22.2
Liquid assets to total deposits	37.6	37.4	37.3	40.9	38.6	34.4	34.0	35.7	34.5	34.9
Total loans to total deposits	74.9	75.8	76.8	81.8	84.2	78.4	79.6	80.7	80.0	81.8
Total deposits to total liabilities	74.4	73.5	72.8	68.5	67.1	67.2	67.2	64.3	67.3	63.6
Demand deposits to total liabilities[5]	35.9	34.0	32.4	32.0	30.8	31.3	28.3	27.4	30.1	27.6
Term deposits to total liabilities	38.6	39.5	40.4	36.4	36.3	36.0	38.9	36.8	37.2	36.0

Source: BCEAO.

[1] Tier 1 Capital.
[2] Identified sectors represent at least 80 percent of credit
[3] Some account elements available semi-annually.
[4] Excluding taxes on banking operations.
[5] Including savings accounts.

Appendix I—Letter of Intent

REPUBLIC OF BENIN
Fraternité-Justice-Travail

MINISTRY OF ECONOMY
AND FINANCE

The Minister

To :

Madame Christine Lagarde
Managing Director
International Monetary Fund
Washington, DC 20431, USA

Cotonou, May 7, 2014

Subject: Letter of Intent

Madame Managing Director:

1. The government of Benin continues to implement its economic and financial program supported by the Extended Credit Facility (ECF) arrangement to meet its growth and poverty reduction objectives. We would like to take the opportunity of the sixth review to take stock of program implementation at end-December 2013 and outline the policies and reforms that we intend to implement through the end of the ECF arrangement.

2. Program implementation during 2013 has been broadly satisfactory. All performance criteria (PC) and quantitative indicative targets (IT) for end-September 2013 were met, with the exception of an IT on priority social expenditure. The strengthened execution for priority social spending in the fourth quarter of 2013 allowed us to offset the shortfall vis-à-vis the end-September 2013 IT and to meet the end-December 2013 target. At end-December 2013, the PC on the ceiling of nonconcessional external debt could not be met on account of the government's efforts to mobilize the additional external resources required to achieve the Millennium Development Goals (MDGs).

3. The macroeconomic framework remains broadly unchanged, and the government has reaffirmed its commitment to implement the policies and reforms described in this document. In this context, we request a waiver for non-observance of the continuous performance criterion on the ceiling of new non-concessional external debt by the government with maturities of one year or

longer and we request the completion of the sixth review under the ECF arrangement and the related disbursement of Special Drawing Rights (SDRs) in the amount of 10.61 million. In order to accelerate growth and alleviate poverty more efficiently, the government plans to request the technical and financial support of the Fund through a new three-year arrangement, once the current ECF arrangement expires.

Recent Economic Developments and Program Implementation

A. Recent Macroeconomic Developments

4. Real GDP growth reached 5.6 percent in 2013, compared with 5.4 percent in 2012. This growth acceleration resulted mainly from: (i) an increase in cotton and food production; and (ii) strong trade performance. With the easing of inflationary pressures since early 2013, the inflation rate stood at 1.0 percent on average, well below the 3 percent limit under the multilateral surveillance framework of the West African Economic and Monetary Union (WAEMU), compared with 6.7 percent in 2012. The high level of inflation observed in 2012 reflected the impact of the partial removal of fuel subsidies in Nigeria.

5. The government has embarked upon the organization of the cotton campaign, following the March 2012 suspension of the framework agreement governing the sector, due to dysfunctions in the sector's management, which caused a fall in cotton production and hence in the producers' incomes. Cotton production during the 2013–14 campaign is forecast at 306,000 metric tons, compared with 240,000 metric tons in 2012–13. The transfer of production to cotton mills and the ginning operations have experienced a delay which the government is endeavoring to overcome by adopting bold measures and mobilizing all the stakeholders.

6. In 2013, the current account deficit of the balance of payments (excluding grants) significantly widened to 14.8 percent of GDP, from 8.7 percent in 2012, due to a strong increase in imports (in particular capital goods related to oil exploration) and despite a rise in exports, especially cotton. Moreover, the increase in net transfers and capital flows (particularly the direct investment of oil companies) covered this deficit. In the medium term, the oil sector would offer export potential, but it is too soon to predict the likely output volumes due to the uncertainties surrounding the valuation of oil fields.

7. Money supply grew by 17.3 percent in 2013, driven by commercial banks' foreign assets and domestic credit, in line with economic activity. Growth in credit has been satisfactory; however, banks have continued to accumulate non-performing loans (NPLs). The NPL ratio now exceeds

20 percent, the capital adequacy ratio has declined to 8.5 percent, and banks have limited margin for covering their risks and boosting credit. This has taken its toll on the overall profitability of the banking system. Furthermore, doubtful credits originating from one group of companies that are accumulating arrears will further weaken the performance of six banks when the 2013 accounts are concluded, requiring a few banks to consolidate their equity capital. Regarding the two small banks that have been facing problems for several years, one of them is in the process of being merged with another bank; for the other one, a solution is being developed.

B. Implementation of Fiscal Policy in 2013

8. The government pursued its fiscal consolidation policy throughout 2013. Nevertheless, the overall fiscal deficit, on a cash basis and excluding grants, edged up to 3.6 percent of GDP, compared to the 3.5 percent program target. This deficit is the result of higher-than-anticipated externally funded capital expenditure and of net lending to the cotton sector. It was largely financed by foreign resources (grants and concessional loans) and by security issuances in the regional financial market.

9. Revenue performance in 2013 was strong. Revenue reached CFAF 795.5 billion or 19.4 percent of GDP, compared with the CFAF 784.4 billion target, due to strong non-tax revenue and higher-than-anticipated customs revenues.

10. The expenditure outturn in 2013 remained broadly in line with program objectives. Total expenditures and net lending (cash basis) stood at CFAF 952.0 billion, or 23.2 percent of GDP, compared with a forecast of CFAF 913.0 billion. Priority social expenditure was in line with the program target, reaching CFAF 136.8 billion, compared with a target of CFAF 136.0 billion. Strengthening budget execution has continued successfully, thanks to monitoring by the National Directorate for the Control of Government Procurement and the General Directorate of Budget. In particular, the government's efforts have considerably enhanced the execution rate for externally funded projects, which moved from 73.1 percent in 2012 to 118.8 percent in 2013.

11. Fiscal consolidation allowed the pursuit of a prudent debt policy. Public debt changed from 29.2 percent of GDP in 2012 to 29.7 percent at end-December 2013, and the risk of debt distress remains low.

C. Program Performance

12. All performance criteria and quantitative indicative targets for end-September 2013 were met, except for a slight delay in the execution of priority social expenditure (Table 1a). Quantitative performance criteria were observed by a comfortable margin: the government's net domestic financing was CFAF -38.7 billion, compared with a target of CFAF +48.9 billion (adjusted to CFAF +46.2 billion, as indicated in paragraphs 8 and 9 of the TMU for the fifth review); and the basic primary balance was CFAF +65.0 billion, compared with a CFAF +13.4 billion forecast. Furthermore, the indicative target on government revenues was met by a comfortable margin. The reinforcement of the execution of priority social spending in the fourth quarter of 2013 allowed us to offset the shortfall against the indicative target for September 2013 and to meet the target for end-2013.

13. At end-December 2013, the quantitative benchmarks were met. Net government domestic financing stood at CFAF -28.8 billion, compared with a target of FCFA +8.9 billion (adjusted to CFAF -2.0 billion, as indicated in paragraphs 8 and 9 of the TMU for the fifth review), and the basic primary balance reached CFAF +48.8 billion, compared with a CFAF +32.3 billion forecast. Additionally, indicative benchmarks on priority social expenditure, payment orders and revenues were also met.

14. On the other hand, the continuous performance criterion concerning non-concessional external debt could not be met. This in fact turned out at CFAF 49.0 billion (CFAF 43.3 billion at end-December 2013), compared to a ceiling of CFAF 25.0 billion adopted under the program. This development reflects the government's efforts to expedite the implementation of the MDGs in the water and sanitation sector in connection with the "1000 days to achieve the MDGs in Benin initiative". The measures envisaged in this initiative required the mobilization of non-concessional external debt in the amount of CFAF 21.3 billion (ratified in October 2013) for the purpose of strengthening the drinking water supply system in 69 villages in Benin as well as CFAF 5.8 billion for the project for paving roads and providing sanitation for various municipalities in Benin. These projects serve, respectively, the program for the delivery of potable water in rural and semi-urban areas, and the program to support urban management in the Program of Prior Actions for the Poverty Reduction and Growth Strategy. Furthermore, it should be mentioned that the average level of concessionality for these debts (about 29.0 percent) is quite close to the threshold adopted in the debt limit policy (35.0 percent), and the effect on the Net Present Value of the external debt is only about 0.03 percent of GDP. The government has taken all necessary steps to prevent any adoption of non-concessional loans until the end of the program, including strengthened monitoring of new engagements.

15. With respect to the structural benchmarks which related mainly to the new approach to customs administration reform, their implementation has been satisfactory. The two benchmarks associated with risk management have been implemented, as agreed (cf. Table 2). Steps are being taken to implement the two remaining benchmarks.

- The launch of the tender for bids for the purchase of scanners could not be carried out before end-November 2013 because the government had taken a more cautious approach in the interest of ensuring optimal results. The government asked experts from the World Customs Organization to determine requirements in terms of the technical specifications for the scanners, the appropriate number, and details of the tender documentation. The government is currently finalizing the tender documentation based on the expert's recommendations; however, a minimum of 18 months will be required to carry out the process all the way through to the scanners' installation;

- The signing of the contract with the service provider for the certification of the customs valuation program, planned for end-November 2013, will be completed in May 2014. The tender documentation has been prepared, and the call for bids has been launched in April 2014. The delay is mainly due to the change in the approach for the appointment of the service provider that is to support customs administration. The government preferred to launch a more transparent competitive bidding process instead of directly resorting to a reputable provider, as originally intended.

Economic, Financial, and Structural Policies for the Future

16. The government will continue to implement its economic and financial program with a view to achieving its macroeconomic stability and sustainable development objectives. The government's economic policy seeks to support the return of the economy to strong, sustainable, inclusive, and job-creating growth, driven by the private sector. Accordingly, the government will be organizing a Round Table on development financing for Benin in an effort to mobilize the public and private financing necessary to fast-track the Poverty Reduction and Growth Strategy. This Round Table, initially scheduled for March 2014, will be organized in June 2014. The main developments anticipated in the macroeconomic framework, fiscal policy, and structural measures are presented below.

A. Macroeconomic Framework

17. The macroeconomic framework remains broadly in line with the one described in the fifth program review. The growth rate has been revised upward to 5.5 percent for 2014, supported by the current measures to increase agricultural production (including cotton, other cash crops, and food products), to enhance the capacity and competitiveness of the port of Cotonou, and stimulate growth in industrial activity. In 2014, average annual inflation should remain at around the 3 percent limit set in the WAEMU multilateral surveillance mechanism. The current account deficit should decline slightly in 2014, mainly as a result of an increase in exports (cotton, cashews, etc.), and external budget support, and of a decrease in goods and services imports. This deficit should be largely financed by foreign capital.

18. With respect to the fragile situation of the banking sector, the government intends to ensure the soundness of the system by working together with the BCEAO and the WAEMU Banking Commission. Accordingly, the government is exploring ways to provide assistance to banks in resolving problems caused by a major exposure to a group of enterprises in distress, (see Paragraph 7), ruling out any form of subsidy. To strengthen the audit of balance sheets of the most affected banks, the Banking Commission has intensified the on-sight supervision. On the basis of these results, it will decide on individual measures necessary to reinforce the financial stability of these banks.

B. Fiscal Policy

19. The government has committed to maintaining the basic primary balance at CFAF 12.0 billion, or 0.3 percent of GDP, as at end-December 2014. To this end, revenue should reach the target of CFAF 821.6 billion as at end-December 2014, or 18.7 percent of GDP. Total expenditure and net lending should be capped at CFAF 960.2 billion, or 21.8 percent of GDP. In order to reach the objective of CFAF 147.0 billion by end-December 2014, particularly close attention will continue to be paid to priority social expenditure. Furthermore, the government will pursue a prudent debt policy, in line with the economic and financial program, and consistent with preserving debt sustainability. In order to reach the specified fiscal policy goals, the government intends to continue (i) the implementation of the 2013-2016 Customs Services reform based on the new guidelines; and (ii) the improvement of the capacity for revenue mobilization, including the computerization of tax administration in order to reduce the reliance on customs revenue.

C. Structural Reforms

20. The government intends to accelerate the implementation of structural reforms by placing a particular emphasis on Public Financial Management (PFM), strengthening the tax and customs administrations, and improving the business climate. With respect to public financial management, the government has enlisted the support of its technical and financial partners to assess the PFM system with a view to correcting its deficiencies.

21. These assessments, conducted in the first half of 2014, will focus on the process for executing capital expenditure, the comprehensive assessment of the fiscal management system (PEFA), the review of public expenditures in the social sectors—namely, education and health (PEMFAR), as well as the national procurement system (OECD methodology). Upon completion of these assessments, Benin will have an exhaustive analysis of the fiscal management system which will serve as a basis for reforms. This process will inter alia facilitate efforts to address problems in executing government projects and programs with a view to ensuring the effective implementation of the new investment projects expected to result from the Round Table on development financing. Furthermore, the PFM framework will be strengthened by the implementation of the directives adopted by the WAEMU Council of Ministers in June 2009, including the budgetary nomenclature, the government chart of accounts, the General Regulations on Treasury Public Accounting, and the fiscal reporting table (TOFE).

22. With respect to the strengthening of the tax and customs administrations, the implementation of the 2013-2016 strategy for reforming the customs administration will focus on risk analysis. The risk analysis system put in place will be complemented by the computerization of dispute proceedings and the enhancement of post-clearance controls. At the level of the tax administration, the government, with TA from the IMF Fiscal Affairs Department, will work to improve the tax administration's performance through the adoption of reforms to be implemented in the medium term. In addition, further arrangements will be made to computerize the tax and customs services and to broaden the tax base. By the same token, steps will be taken to curb and control the use of exemptions.

23. With regard to achieving improvements in the business climate in the short term, the government intends to continue its efforts to improve Benin's ranking in the World Bank Group's Doing Business system. The main actions envisaged in the short term have to do inter alia with improving indicators such as enforcement of contracts, obtaining construction permits, transferring ownership, setting up businesses, and obtaining credits.

24. With respect to transparency in public financial management, the government intends to complete the audit of eight public enterprises and the 2012/2013 cotton campaign, and to implement its recommendations. The 2013/2014 cotton campaign will also be audited in order to ensure that the physical and financial flows have been managed properly.

25. The government remains determined to implement a new framework agreement for the cotton sector that gives a greater role for the private sector, while safeguarding producers' interests. Discussions on this subject are continuing with the World Bank and the West African Development Bank (BOAD). Developing a new approach requires more time than expected in order to reach a consensus among all stakeholders. Therefore, the government broadened the scope of the TOR of the audit firm examining the 2012/2013 campaign to include a diagnostic assessment of the cotton sector and to provide recommendations. In this context, the government will conduct the 2014/2015 campaign on the basis of the recommendations of the audit for the 2012/2013 campaign.

Growth and Poverty Reduction Strategy

26. The Third-Generation Growth and Poverty Reduction Strategy (SCRP 2011-2015) and its Priority Action Program (PAP) remain reference documents for governmental action. It seeks to improve the lives of the population and to achieve the Millennium Development Goals (MDGs), in particular in the health, primary education, water and sanitation sectors. In accordance with the SCRP implementation process, the PAP is revised each year to take account of new developments, the main recommendations of the joint SCRP review, and new economic policies.

27. The purpose of the PAP is to implement the vision and objectives defined in the SCRP. Accordingly, the 2014 tranche outlines the set of prior actions required to attain the goals of the SCRP during 2014 having due regard for resource constraints. The implementation benchmarks for 2014 are included in the framework for implementing the recommendations set forth in the June 2013 joint review of the SCRP and the actions contained in the document entitled the "1000 days to attain the MDGs in Benin" Initiative. The main prior actions are as follows: (i) strengthening human capital and production support infrastructure; (ii) modernizing agriculture and promoting agro-industry; (iii) promoting youth employment; and (iv) fostering local development. Particularly close attention will be paid to the execution of priority social expenditure in the interest of protecting the most vulnerable parts of the population. The 2014 tranche of the PAP amounts to over CFAF 400.0 billion, including CFAF 147.0 billion for priority social expenditure.

Conclusions

28. The government believes that the measures and policies described in this letter are adequate to achieve the program objectives and reaffirms its commitment to undertaking all additional measures necessary for this purpose. For this reason, it is requesting the completion of the sixth review of the ECF arrangement and the corresponding disbursement.

29. In order to accelerate growth and reduce poverty more effectively, the government intends to request IMF technical and financial assistance through a new three-year ECF arrangement after the current economic and financial program expires.

30. The government authorizes the IMF to publish its staff report in relation to discussions for the sixth review of the program as well as this letter of intent.

Sincerely yours,

/s/
Jonas A. GBIAN
Minister of the Economy and Finance

Table 1. Benin: Quantitative Performance Criteria and Indicative Targets, 2012–13

(Billions of CFA francs)

	March 31, 2012				Sept. 30, 2012				March 31, 2013				June 30, 2013				Sept. 30, 2013				Dec. 31, 2013			
	Performance Criteria				Performance Criteria				Performance Criteria				Indicative Targets				Performance Criteria				Indicative Targets			
	Prog.[1]	Adj. Proj.[2]	Outturn		Prog.	Adj. Proj.[2]	Outturn		Prog.	Adj. Prog.[2]	Outturn		Proj.	Adj. Proj.[2]	Outturn		Prog.	Adj. Prog.[2]	Prel.		Prog.	Adj. Prog.[2]	Prel.	
A. Quantitative performance criteria[3]																								
Net domestic financing of the government (ceiling)[4,5]	48.7	43.5	-75.9	Met	48.6	48.6	2.9	Met	29.0	33.0	45.9	Not Met	48.9	48.9	-16.3	Met	48.9	46.2	-38.7	Met	8.9	-2.0	-25.5	Met
Basic primary balance (excluding grants) (floor)	-20.5	-20.5	39.0	Met	-21.7	-21.7	26.9	Met	-18.7	-18.7	-17.1	Met	5.6	5.6	41.1	Met	13.4	13.4	65.0	Met	32.3	32.3	48.8	Met
Memorandum item : Budgetary assistance[6]	0.0	0.0	14.5		14.6	14.6	14.5		2.7	2.7	0.0		11.3	11.3	11.3		11.3	11.3	11.3		40.4	40.4	50.1	
B. Continuous quantitative performance criteria (ceilings)																								
Accumulation of external payments arrears	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met
External nonconcessional debt contracted or guaranteed by government with maturities of 0–1 year[7]	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met
External nonconcessional debt contracted or guaranteed by government with maturities of more than one year[7,8]	25.0	25.0	4.6	Met	25.0	25.0	12.5	Met	25.0	25.0	17.4	Met	25.0	25.0	17.4	Met	25.0	25.0	17.4	Met	25.0	25.0	43.3	Not Met
Accumulation of domestic payments arrears	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met	0.0	0.0	0.0	Met
C. Indicative targets[3]																								
Total revenue (floor)	148.3	148.3	211.6	Met	515.0	515.0	552.9	Met	172.0	172.0	173.3	Met	387.2	387.2	405.1	Met	574.0	574.0	598.7	Met	784.4	784.4	795.5	Met
Payment orders issued outside the expenditure chain (ceiling)[9]	2.5	2.5	1.5	Met	7.5	7.5	1.6	Met	2.5	2.5	0.7	Met	4.5	4.5	1.6	Met	7.5	7.5	2.9	Met	10.6	10.6	3.7	Met
Priority social expenditure (floor)	46.0	46.0	51.5	Met	104.0	104.0	110.1	Met	50.0	50.0	51.3	Met	81.9	81.9	81.9	Met	110.7	110.7	103.5	Not Met	136.0	136.0	138.7	Met

Sources: Beninese authorities; IMF staff estimates and projections.

[1] Technical Memorandum of Understanding (TMU) of the second review.

[2] The performance criterion on net domestic financing is automatically adjusted as indicated in footnotes 4 and 5 (per Paragraph 8 of the TMU).

[3] The performance criteria and indicative targets are cumulative from the beginning of the calendar year.

[4] If the amount of disbursed external budgetary assistance net of external debt service obligations falls short of the program forecast, the ceiling on net domestic financing will be adjusted *pro-tanto* , subject to limits specified in the TMU (Paragraph 8).

[5] If the amount of disbursed external budgetary assistance net of external debt service obligations exceeds the program forecast by more than CFAF 5 billion, the ceiling will be adjusted downward by the excess disbursement beyond CFAF 5 billion, unless it is used to absorb domestic arrears.

[6] Gross disbursements, not adjusted for debt service obligations.

[7] Debt is considered nonconcessional if the difference between the present value (PV) of the debt and its nominal value, as a percentage of the nominal value of the debt, is lower than 35 percent. The ceiling for this continuous performance criterion was raised with effect from the second program review.

[8] The end-December 2013 figure does not include an amount of CFAF 5.8 billion that was contracted in early 2014.

[9] Exceptional payment procedures: stock of payment orders issued since the beginning of the calendar year and not yet regularized at each test date.

Table 2. Benin: Structural Benchmarks for 2013-14

	Measure	Date/Status	Objective
	Structural Benchmarks		
1.	Launching a tender for the supply, operation and maintenance of a scanner, in line with the recommendations of the Fiscal Affairs Department of the IMF.	November 30, 2013 (in progress)	Improve customs revenue
2.	Signing a contract with a private operator for the program of certification of values at customs, in line with the recommendations of the Fiscal Affairs Department of the IMF.	November 30, 2013 (delayed; tender documents were issued in April 2014; on track to be completed by May 2014)	Improve customs revenue
3.	Put in place a system of risk assessment, using the information of the certificate of inspection for all the declaration oriented to the red channel.	December 31, 2013 (completed)	Improve customs revenue
4.	Preparation of monthly reports on: the conformity of inspections, the orientations of the risk analysis system and the results of the inspections.	January 31, 2014 (completed)	Improve customs revenue

Attachment I. Technical Memorandum of Understanding

May 7, 2014

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

DEFINITIONS

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

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

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

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

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

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

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

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

(b) A loan is considered concessional if, on the date on which the contract became effective, the ratio of the present value of the loan, based on the reference interest rates, to the nominal value of the loan is less than 65 percent (that is, the grant element of the loan is at least equal to 35 percent of its nominal value). The present value of the loan will be calculated by discounting future payments of interest and principal using the commercial interest reference rates (CIRRs) established by the Organization for Economic Cooperation and Development (OECD). Specifically, the 10-year average of CIRRs reported by the OECD will be used for loans with maturities longer than 15 years, while the six-month average of CIRRs will be used for loans with shorter maturities. To both the 10-year and six-month averages of the reference rate, the margin for different repayment periods will be added, as established by the OECD (0.75 percent for repayment periods of less than 15 years, 1.00 percent for repayment periods of 15–19 years, 1.15 percent for repayment periods of 20–29 years, and 1.25 percent for repayment periods of 30 years or more).

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

QUANTITATIVE PERFORMANCE CRITERIA

4. Because the sixth review is the last review under this ECF, the definitions included in this section are limited to the continuous performance criteria that remain part of the program monitoring until the program expires.

A. Non-Accumulation of New Domestic Payments Arrears by the Government

Definition

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

Continuous performance criterion

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

B. Non-Accumulation of External Public Payments Arrears by the Government

Definition

7. External public payments arrears are defined as the sum of payments due, but not paid, by the government at the due date specified in the contract, on external debt of, or guaranteed by, the government. The definitions of debt provided in paragraph 3a, of external debt in paragraph 3c, and of government in paragraph 2 apply here.

Continuous performance criterion

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

C. Ceiling on the Contracting or Guaranteeing by the Government of New Non-Concessional External Debt Maturing in a Year or More

Definition

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

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

Continuous performance criterion

11. No non-concessional external borrowing will be contracted or guaranteed by the government for the duration of the program, except for borrowing with a grant element of at least 20 percent and not exceeding a cumulative amount equivalent of CFAF 25 billion. Changes to this ceiling may be made (subject to approval by the IMF Executive Board) for specific investment projects whose financial viability and profitability have been evaluated and approved by a recognized institution, and on condition that the loan does not seriously exacerbate debt vulnerabilities according to the debt sustainability analysis prepared jointly by the staffs of the World Bank and the IMF.

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

line with the revised guidelines, the interest rate used for the assessment of the concessionality is 5 percent.

D. Ceiling on the Contracting or Guaranteeing by the Government of New Non-Concessional Short-Term External Debt

Definition

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

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

Performance criterion

15. The government undertakes not to contract or guarantee short-term non-concessional external debt.

16. The government also undertakes not to contract or guarantee any short-term external debt during the implementation of the program without first having determined its concessionality with IMF staff. In line with the revised guidelines, the discount rate used for the assessment of the concessionality is 5 percent.

17. On June 30, 2013, Benin had no short-term external debt.

INFORMATION FOR PROGRAM MONITORING

A. Data on Performance Criteria and Indicative Targets

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

Every month:

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

- monthly consumer price index, within two weeks of the end of the month;
- the TOFE, including revenue, detailed data on net domestic financing of the government (bank and nonbank domestic financing, including the claims held by the nonbank private sector); and data on the basic primary fiscal balance, including data generated by the SIGFiP, within six weeks of the end of the month;
- data on the balance, accumulation, amount (stock), and repayment of public domestic and external payments arrears, including in the event that these arrears amount to zero, within six weeks of the end of the month; and
- the monetary survey, within eight weeks of the end of the month.

Every quarter:

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

B. Other Information

19. The government will provide IMF staff with the following data:

Every month:

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

Every quarter:

- data on the implementation of the public investment program, including detailed information on sources of financing, within four weeks of the end of the quarter; and
- data on the stock of external debt, external debt service, the signing of external loans and disbursements of external loans, within twelve weeks of the end of the quarter.

On an *ad hoc* basis:

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

INTERNATIONAL MONETARY FUND

COMMUNICATIONS DEPARTMENT

Press Release No. 14/243
FOR IMMEDIATE RELEASE
May 23, 2014

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Sixth Review Under the Extended Credit Facility Arrangement for Benin and Approves US$16.4 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the sixth review of Benin's economic performance under a program supported by the Extended Credit Facility (ECF) arrangement.[1] The Board's decision, which was taken without a formal meeting and enters into effect today,[2] enables the immediate disbursement of an amount equivalent to SDR 10.61 million (about US$-16.4 million), bringing total disbursements under the arrangement to an amount equivalent to SDR 74.28 million (about US$114.5 million).

In completing the reviews, the Board granted waivers for the nonobservance of the continuous performance criterion on new non-concessional external debt with a maturity of more than one year.

The ECF arrangement for Benin was approved on June 14, 2010 (see Press Release No.10/243) for the equivalent of a total of SDR 74.28 million (about US$114.5 million).

Benin's growth is projected to reach about 5½ percent in 2014 for the third consecutive year. This performance has closed the gap in per capita GDP growth between Benin and the Sub-Saharan African (SSA) average which was about 2 percentage points on average between 2005 and 2011.

Program performance was satisfactory and most criteria were met except for the ceiling on non-concessional borrowing. Thanks to prudent fiscal policy, macroeconomic performance remains satisfactory and progress has been achieved in structural reforms. The

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[1] The ECF is the IMF's main tool for medium-term financial support to low-income countries. Financing under the ECF currently carries a zero percent interest rate, with a grace period of 5½ years, and a maturity of 10 years (http://www.imf.org/external/np/exr/facts/ecf.htm).

[2] The Executive Board takes decisions without a meeting when it is agreed by the Board that a proposal can be considered without convening formal discussions.

implementation of the new approach to customs reform is moving ahead well despite some delays.

Sound policies have created fiscal space for scaling up investment to create favorable conditions for sustainable long-term growth. To preserve the authorities' achievements under this ECF arrangement, rising investment has to be accompanied by further progress in public financial management and integrated into a medium-term framework anchored in debt sustainability. In addition, the government has initiated reforms to strengthen the efficiency of investment spending. Government efforts to enhance the business environment are starting to show some results, but broad-based reforms will be necessary to improve productivity.