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BENIN

FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY AND REQUEST FOR EXTENSION OF THE ARRANGEMENT

In the context of the fifth review under the Extended Credit Facility and request for extension of the Arrangement, the following documents have been released and are included in this package:

- *The staff report for the Fifth Review Under the Extended Credit Facility and request for extension of the Arrangement, prepared by a staff team of the IMF, following discussions that ended on July 12, 2013 with the officials of Benin on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on August 8, 2013. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.*

- *A Press Release summarizing the views of the staff appraisal contained in the staff report.*

- *A Statement by the Executive Director for Benin.*

The documents listed below will be separately released.

Letter of Intent sent to the IMF by the authorities of Benin.*
Technical Memorandum of Understanding.*

*Also included in the Staff Report.

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

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FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY AND REQUEST FOR EXTENSION OF THE ARRANGEMENT

August 8, 2013

EXECUTIVE SUMMARY

Macroeconomic performance was strong in 2012 and the outlook for 2013 is positive. Real growth came in nearly 2 percentage points higher than anticipated for 2012 because of a recovery in commerce and agriculture and is expected to slow only moderately in 2013. Inflation has returned to normal levels since the petroleum price shock in early 2012 when neighboring Nigeria reduced fuel subsidies, and external imbalances were revised downward.

Fiscal policy was prudent, achieving all program targets and leading to a decline in the debt to GDP ratio. Benin's debt position, consistent with low risk of debt distress, has improved further. However, the weak performance of domestic revenue indicates need for reform.

The backlog in structural reforms under the program has been addressed, headlined by the launch of a new approach for customs reform. Problems with customs reform, which delayed the 5th review, have been addressed by developing a new approach that takes into account lessons from a suspended previous reform attempt and international best practices. As the current ECF arrangement expires in September 2013, the authorities request its extension through April 2014 to shift the 6th review test date from March to September, allowing time to advance the new customs reform agenda. Benchmarks for implementing the new approach have been established for the sixth review. Delayed structural benchmarks related to other reform initiatives have been implemented.

Further reforms are needed to consolidate the recently elevated growth rate and to reduce poverty. The strong growth performance in 2012 and the positive outlook for 2013 are driven mainly by successes in the port and the cotton sector. To create the sustainable growth needed to reduce poverty in a country with high population growth, the government is planning to scale up investment. Infrastructure projects to remove bottlenecks to growth will be presented at a Round Table in late 2013. Scaling up investment will require a thorough analysis of fiscal space and will go hand in hand with accelerated structural reforms to improve the quality of spending and the business climate.

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

Prepared By
the African Department (in consultation with other departments)

Discussions were held in Cotonou from July 1 to 12, 2013. The mission comprised Ms. Dieterich (head), Ms. Macario and Mr. Wiseman (all AFR), Mr. Sola (FAD), and Mr. Farah (resident representative). Mr. Atingi-Ego (AFR) participated in part of the mission.

The mission met with President Yayi, Prime Minister Koupaki, 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, members of the National Assembly; and representatives of civil society, the private sector, and development partners.

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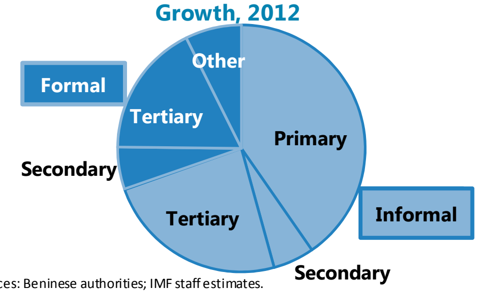
APPENDIX

ECONOMIC DEVELOPMENTS AND RISKS

A. Growth Has Accelerated Amidst Stable Macroeconomic Conditions

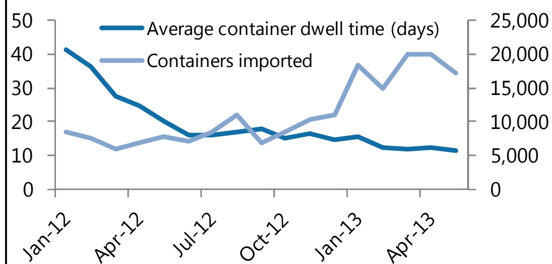
1. **Real growth in 2012 is estimated at about 5½ percent, 2 percentage points higher than forecast.** Agriculture and commerce sectors were the key drivers of growth. Improvements in port administration that led to a decline in dwell time helped boost port traffic and trade-related activities. Favorable weather helped support a good harvest. In particular, cotton output in 2012/13 increased by 20 precent—a notable success for the first season under government management (Table 1; Paragraphs 3 and 4 of the Letter of Intent-LOI).

Sectoral Contribution to Real GDP Growth, 2012



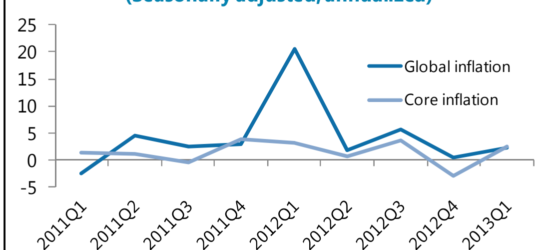
Sources: Beninese authorities; IMF staff estimates.

Dwell Time and Port Traffic



Sources: Beninese authorities; IMF Staff estimates.

Quarterly Inflation Rates
(Seasonally adjusted, annualized)



Sources: Beninese authorities; IMF staff estimates.

2. **Inflation has subsided**. Benin registered uncharacteristically high inflation in 2012 owing to the partial elimination of fuel subsidies in Nigeria, the source of more than 80 percent of Benin's domestic fuel consumption. The shock displayed little momentum and inflation had subsided by the end of the year. Inflation is expected to remain at about 3 percent in 2013, in line with the WAEMU convergence criterion.

3. **The external current account deficit widened moderately in 2012, reflecting import growth that outpaced cotton exports.** However, the capital and financial inflows limited the overall balance of payments deficit to below 3 percent, down from about 4 percent in 2011 (Table 4).

4. **Fiscal policy remained in line with the program**. In 2012, the overall fiscal deficit (on a cash basis, excluding grants) shrunk by about 2¼ percentage points to around 2½ percent of GDP, bringing the debt-to-GDP ratio below 30 percent. Total revenue exceeded projections thanks to the sale of a telecommunications license that was not budgeted and a recovery of customs receipts. However, the buoyancy of domestic revenue remained weak owing to the relatively faster growth of the informal sector and tax exemptions, especially for telecommunication. Expenditure (excluding foreign-financed projects) was in line with projections, but there was under-spending on foreign-financed projects because of weak implementation capacity. So far, total revenue performance has been good in 2013 due in part to the sale of the telecom license (equivalent to 1.2 percent of GDP).

Spending remained on track except for a temporary increase in net lending, which is expected to be unwound before the end of the year (Tables 2 and 3; Paragraphs 7-11 in the LOI).

5. **Although the banking sector remains generally sound despite a temporary rise in non-performing loans (NPLs), its contribution to growth is weak.** System-wide NPLs rose from 18 percent in June 2012 to 21 percent by May 2013, mostly owing to a sharp rise in NPLs of a private bank that accounts for less than 4 percent of the total assets of the banking system. Although this bank's capital adequacy ratio had turned negative in 2012, it has since been recapitalized. Two small problem banks with a combined share of 5 percent of total credit have not been resolved. Credit growth to the private sector turned out below nominal GDP growth in 2012, reflecting the informal character of growth in 2012. The prevalence of information asymmetries and a weak judiciary remain the most significant constraints to further expansion of the banking sector (Tables 5 and 9).

6. **Stalled customs reforms, which delayed the completion of the 5th review, have been revitalized by developing a new reform approach.** Previous customs reform attempts tried to address weak efficiency and governance by hiring external operators to run an import verification program (IVP) (Box 1). After the suspension of the 2011 reform in May 2012, the ministry of finance initially intended to re-launch the reform with a different operator, as elaborated in the Letter of Intent for the 4th review of the ECF. After consultations with all stakeholders, an alternative approach was developed with assistance from the IMF Fiscal Affairs Department (FAD) focused on enhancing the customs administration's own capacity (Paragraph 15 in the LOI).

B. Risks to Sustained Growth Remain Elevated in the Medium Term

7. **The economic outlook is generally positive, but subject to internal and external risks.** Growth is projected at 5 percent in 2013 while inflation is forecast to remain subdued. Heavy dependence on weather conditions implies significant uncertainty in agriculture, typically the largest direct contributor to growth, with significant indirect effects on other sectors. The outlook is also vulnerable to a further deterioration in the global environment, which may reduce export demand. Because an estimated 80 percent of Benin's imports are informally re-exported to Nigeria, its macroeconomic and fiscal performance is highly vulnerable to trade policy decisions in Nigeria. Although slow implementation of structural reforms remains a risk to sustained growth, the Benin Round Table scheduled for late 2013 creates an additional incentive to accelerate reforms.

C. Program Performance Improved, Including on Structural Reforms

8. **All quantitative performance criteria and indicative targets for end-September 2012 (fifth review test date) and end-December (indicative target), were met (Appendix 1, Table 1a).** Due to prudent fiscal policies, all targets were met, including those for priority social spending. For the original end-March 2013 test date for the 6th review, the performance criterion on net domestic financing of the government was breached by CFAF 13 billion, equivalent to 0.3 percent of GDP, owing to government advances to cover operating costs of the cotton campaign

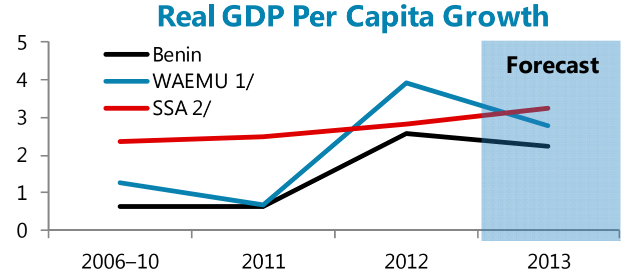
before the remission of export receipts later this year (Paragraphs 12 and 13 in the LOI). However, as the 6th review test date will be shifted from March to September, this will not require a waiver.

9. **The government has addressed its structural reform backlog**. The adoption of a strategy for civil service reform was implemented with delay, but the development of an integrated information system for the Tax Department was on time. Two benchmarks on the application of the tax identification number (set for end-March) were implemented with delay by end-July when staffing problems that prevented the use of the taxpayer identification number for imports at a main border post were resolved. However, staff and the authorities agreed that the original formulation of the benchmark, requiring even small border posts to be equipped with the technology to issue taxpayer identification numbers, would not have been economically viable. Therefore, the requirement of "generalization of the TIN ... to all units of the ... customs administration", as spelled out in the Letter of Intent for the 4th review, was not met. Nevertheless, with around 90 percent of all imports covered, the objective of the benchmark was achieved. Two benchmarks related to the re-introduction of an IVP-based customs administration reform have become redundant with the re-orientation of customs reform (Table 2a and paragraph 14 in the LOI).

POLICY DISCUSSIONS

10. **Discussions focused on policies and reforms to deepen macroeconomic stability and to advance reforms to engender broad-based and sustainable economic growth.** Sound macroeconomic policies have been a major source of stability in the last few years and consolidating this achievement is a core government objective. Although the recent increase in growth has narrowed the gap between Benin's per capita growth rate and the SSA average, more structural reforms are required for a broad-based rise in private sector investment, leading to sustained, strong growth.

Real GDP Per Capita Growth



Sources: WEO; Beninese authorities; IMF staff estimates.

[1] Excluding crisis countries: Côte d'Ivoire, Guinea-Bissau, and Mali

[2] Excluding oil producers

A. Preserving Macroeconomic Stability in a Risky Environment

11. **The authorities remain committed to maintaining prudent fiscal policy.** In 2013, they remain on track to achieve a basic primary fiscal surplus of ¾ percentage points of GDP and to limit the overall fiscal deficit (on a cash basis, excluding grants) to 3½ percent of GDP. This would reduce further Benin's debt-to-GDP ratio to about 28½ percent. The authorities' policy stance preserves the conclusions of the recent debt sustainability analysis for Benin, which shows the country faces low risk of debt distress. For 2014, staff and the authorities reached agreement on the broad aggregates of the fiscal framework (Paragraphs 18 and 19 in the LOI).

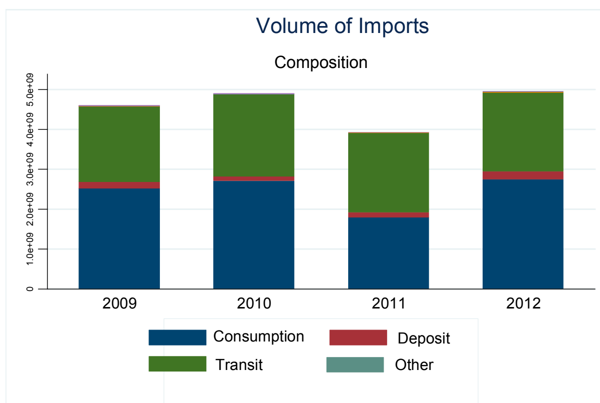
Box 1. Benin: Customs Reforms

Since 1992, Benin has had several Import Verification Programs (IVPs) relying on international customs operators with limited results. The most recent IVP was implemented in April 2011 and the contract was awarded to a Beninese company, jointly with an international private certification company. Contrary to existing practice, the contract was stipulated for 16 years, an unusually long time. It included the following measures:

- Pre-shipment inspection, requiring importers to inspect goods at the port of origin.
- Certification of the weight and value of imported goods.
- Installation of x-ray scanners.
- A tracking system for transit goods.

The IVP contract was suspended in April 2012 after it led to severe disruptions of traffic in the Port of Cotonou. For example, owing to the absence of a risk management system, all containers were scanned before clearance, delaying import procedures. The costs were substantial both for the government and for importers, who had to pay for the scanning of containers. Because competition is intense among ports along the West-African coast, port traffic diverted to ports in neighboring countries.

The implications for customs revenue were dramatic, with customs revenue declining from 8.6 percent of GDP in 2010 to 7.6 percent in 2011 because imports cleared for domestic consumption, which generate the bulk of customs revenue, were most affected by the IVP. The increase in prices for consumption goods triggered social discontent.



Sources: Beninese customs data (SYDONIA++), IMF staff calculations.

Since the suspension, customs have reverted to the pre-IVP practices without pre-shipment inspection or scanning operations. The suspension was followed by improvements in port procedures, reducing dwell time even below the pre-IVP level. Import volumes and customs revenue began to recover in 2012.

12. Staff emphasized that achieving the proposed fiscal objectives will require improving tax revenue and reducing its vulnerability to external shocks. Sluggish domestic revenue has increased the dependency of government revenue on imports, most of which are informally re-exported to Nigeria. Thus, the budget is exposed to trade policy reform in Nigeria. Receipts from telecommunication licenses are only a temporary solution to weak domestic revenue while tax exemptions associated with these licenses reversed the declining trend of tax expenditures. The authorities therefore adopted administrative measures to enhance monitoring and limit the abuse of the tax exemption regime (Paragraph 21 in the LOI). To strengthen revenue performance, the authorities give high priority to

- Advancing reforms envisaged by the new approach to *customs reform,* which should preserve the buoyancy of customs revenue and support economic activity by making the Port of Cotonou more efficient. In particular, the new reform aims at strengthening customs capacity and procedures with the objective of intruding as little as possible in trade flows without compromising revenue collection. In contrast to the old reform approach, private operators are limited to assisting customs administration in clearly-defined areas to strengthen its institutional capacity. As confirmed by FAD, this approach is supported by rising worldwide evidence that perpetual reliance on private operators has led neither to improved governance in customs administration nor to a sustainable increase in revenue. Central elements of the reform are: (i) strengthening custom's capacity for assessing import values; (ii) improving the risk management system; and (iii) strengthening post-clearance controls. The authorities underline that while this new approach will take time and persistence to succeed, investing in the customs administration's own processes and capacity will pay off over time (Paragraph 15 in the LOI).

- Strengthening *domestic revenue*. Although the strong contribution of predominantly informal sectors to growth explains part of the weak domestic revenue, weak tax administration also played a role. Therefore, efforts are ongoing to enhance the information technology system for domestic revenue administration. The authorities have started to develop a reform approach, which would also enhance the business environment (Paragraph 21 in the LOI). While it is too early to assess the revenue impact of these administrative measures, they have the potential to increase domestic tax revenues beyond the conservative medium-term revenue forecast.

13. The authorities committed to reducing their involvement in the cotton sector in the medium-term to minimize risks to the budget. They pointed to ongoing work with the World Bank on defining a new framework based on a zoning model that would allow for more private sector participation. The government will continue to manage the sector in 2013/2014, and it plans to sell part of the output forward to reduce price risks. Meanwhile, the authorities are conducting an audit of the 2012/13 campaign to ensure transparency (Paragraph 21 in the LOI).

14. While the financial sector is generally sound, its contribution to economic growth remains weak. The *Banque Centrale des Etats de l' Afrique de l' Ouest (*BCEAO) underlined that the recent increase in NPL's and the corresponding drop in the capital ratio reflect temporary factors owing to a sharp rise of NPL's in a small bank. The recapitalization of this bank in spring 2013 only partly resolves this problem because a resolution of two other small problem banks is still pending.

The BCEAO pointed out that one of them remains under provisional administration, and efforts are ongoing to recapitalize it. Because the other bank is active in several countries, developing a solution—including finding a strategic investor—requires a regional approach. Efforts to resolve long-standing problems in the two small banks should be accelerated, but at a combined 5 percent of banking system assets they do not represent a significant spillover risk. Regarding financial sector development, weaknesses in the judicial system will only be addressed over time, but the recent decision by the WAEMU Council of Ministers to encourage the establishment of credit bureaus and improvements in the regulatory framework are steps in the right direction. Accelerating reforms to strengthen the business environment will also help create incentives for more formal sector activity with easier access to bank credit (Paragraph 16 in the LOI).

B. Strengthening Growth Performance in the Medium Term

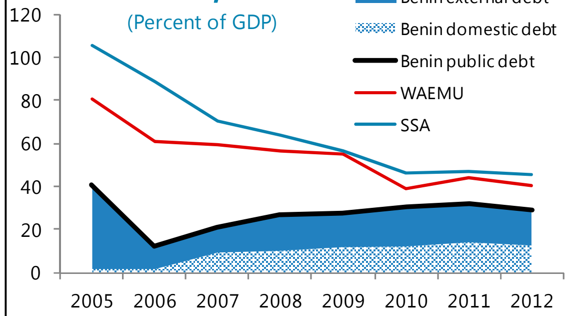
15. Discussions focused on how to preserve the positive 2012/2013 growth dynamics in the medium term. The strong growth performance in 2012 and the positive outlook for 2013 are mainly driven by specific factors in the port and the cotton sector. Although the authorities project a further acceleration of growth in the medium term, staff cautioned that conditions for a sustained, high-growth scenario are not yet in place. Discussions focused on the policies necessary to turn the positive 2012 and 2013 outcome into a sustainable trend and to reach the growth rates necessary to reduce poverty in a country with the population growing at 3.5 percent a year.

16. In line with the Poverty Reduction Strategy Paper (PRSP) update currently under way, the authorities consider increasing infrastructure investment crucial for accelerating growth. In particular, high energy tariffs and unreliable energy supply have become major obstacles for doing business and for achieving PRSP objectives for rural electrification. Improvements in transportation are equally pressing because Benin's economic growth depends on commerce and Benin serves as hub for countries in the hinterlands. To address these needs, the authorities specified strategic infrastructure projects, developed with assistance from the World Bank, which will be promoted at the upcoming Round Table. Considering the limited resources available from development partners, the government is developing a public private partnership (PPP) framework to be presented to private investors at the Round Table, and also wants to rely more on non-concessional loans to finance high-return infrastructure projects.

17. Investments in human capital and better access to economic opportunities are essential to address stubbornly high poverty rates (Table 8). Considering the high population growth, the PRSP update confirmed that improvements in the quality of education and rising enrollment of girls are crucial to reducing poverty. However, more effort is needed to enhance productivity in agriculture, strengthen growth, and narrow the gap between rural and urban living conditions that has been deepening in recent years (Paragraphs 22 to 24 in the LOI).

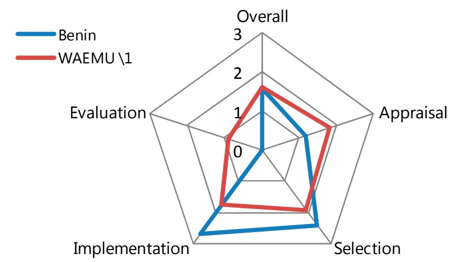
18. Thanks to prudent fiscal policies, Benin's debt level offers some fiscal space to increase investment. The authorities and staff agreed that more analytical work will be needed to assess how much spending can be increased without compromising macroeconomic stability, including an analysis of the tax potential to assess how much investment today can be sustained in the future through maintenance and re-investment. To ensure that the rise in spending delivers results, the quality of spending would need to be improved further. Although Benin was rated at about the WAEMU average for public investment management, weaknesses remain in project appraisal and evaluation. The public expenditure and financial account (PEFA) exercise will provide guidance on reform priorities in public financial management (PFM). Finally, PPPs and non-concessional loans require careful monitoring of risks and the ability to evaluate the diverse financing options available from the private sector.

Public Debt, 2005–12
(Percent of GDP)



Sources: Beninese authorities; WEO; IMF staff estimates.

Public Investment Management Index



Soruce: IMF WP 11/37.
[1] Excl. Guinea-Bissau and Niger.

PROGRAM DESIGN

19. Because the ECF arrangement is set to expire in September 2013, staff proposes extending it to allow the authorities move forward with the new customs reform framework. The delay in the completion of the 5th review and the need to develop a new customs reform blueprint does not permit the completion of the two remaining reviews before the program expires. As a result, the authorities requested extending the arrangement through end-April 2014, in order to shift the test date for the 6th and last review and the associated disbursement from March to September 2013. The program would expire in April 2014 only to allow time for the completion of the review and to initiate discussions for a possible new program, as requested by the authorities. New quantitative performance criteria and indicative targets have been defined for end-September (new test date for the 6th review) and for end-December (Paragraph 2, Tables 1b and 2a of the LOI).

20. Reflecting the importance of customs reform for fiscal revenue and growth, the ECF's monitoring of structural reform progress focuses on customs reform. The detailed action plan, developed in cooperation with the IMF's Fiscal Affairs Department, was endorsed by the council of ministers. In parallel, the Ministry of Economy and Finance established the institutional framework for moving this reform forward—including the monitoring of its implementation (Prior actions for the completion of the 5th review). Structural benchmarks for the 6th review focus on improving the risk management system which is essential for effective and efficient controls, including scanner technology. The authorities are also planning to contract the services of private operators to build customs administration local capacity in import valuation and scanning (LOI Paragraphs 15 and 20 and Table 2b)

STAFF APPRAISAL

21. **Recent policies have strengthened economic growth while preserving macroeconomic stability.** The authorities have enjoyed significant success since the advent of the program in restoring prudent fiscal deficits. Improvements in port operations and the government's successful management of the cotton campaign have played a crucial role in this recovery.

22. **The new reform approach is expected to put customs reform on a solid basis and to facilitate the completion of the delayed 5th program review.** Prior actions implemented for the 5th review (adoption by Cabinet of the customs reform strategy and action plan and the establishment of an institutional reform framework) represent important steps to launch the new regime. The new approach is closely aligned with international best practices and reflects lessons learned from prior reforms. Moving forward with this reform will be crucial for improving the business environment, giving credibility to the government's commitment to enhancing governance, and completing the 6th review successfully.

23. **The authorities are urged to substantially strengthen domestic revenues over the medium term, going beyond the current conservative baseline.** Overreliance on customs revenue increases the government's exposure to Nigeria's trade policy and distorts incentives away from developing domestic production. Therefore, the reform of customs administration needs to be complemented with a comprehensive reform approach for domestic taxes and tax exemptions should return to the declining path they were on before 2012.

24. **To preserve the positive growth momentum, the success of the port and cotton reforms needs to be consolidated and complemented by a comprehensive growth strategy.** The government's focus on investment spending is appropriate. Continued efforts to improve PFM will be crucial to removing bottlenecks to growth. This push should be complemented by improvements in the business environment, including enhanced access to financial sector services, and a thorough analysis of fiscal space for the scaling up of investment which is a priority under the PRSP update. Accelerated and more inclusive growth should improve the stagnating living standard of Benin's poor and leave room for expanded priority social spending.

25. **Enhancing the soundness of the financial sector would strengthen its contribution to economic growth.** Staff commends the recent recapitalization of one bank, progress in establishing a credit bureau, and improvements in the regulatory framework. However, the long delayed resolution of two other small problem banks is important for the enhancement of financial sector soundness. Although the financial sector in Benin is relatively well developed compared to other countries with similar economic fundamentals,[1] improving participation in the formal economy and the efficiency of the judicial system would contribute to economic growth.

26. **Staff supports the completion of the review and request for extension of the arrangement.**

[1] IMF Country Report No. 13/92, p.18

Table 1. Benin: Selected Economic and Financial Indicators, 2011–18

	2011	2012		2013		2014	2015	2016	2017	2018
		4th Review	Prel.	4th Review	Proj.	Projections				
	(Annual percentage change, unless otherwise indicated)									
National income										
GDP at current prices	6.0	9.1	12.1	7.0	7.7	7.4	7.1	7.2	7.2	7.2
GDP at constant prices	3.5	3.5	5.4	3.8	5.0	4.8	4.5	4.5	4.5	4.5
GDP deflator	2.5	5.5	6.3	3.1	2.6	2.6	2.6	2.6	2.6	2.6
Consumer price index (average)	2.7	6.6	6.7	3.3	2.8	2.8	2.8	2.8	2.8	2.8
Consumer price index (end of period)	1.8	7.2	6.8	3.3	3.0	2.8	2.8	2.8	2.8	2.8
Central government finance										
Total revenue	0.4	17.2	19.3	8.0	8.6	4.7	8.2	8.0	8.0	8.0
Expenditure and net lending	7.5	12.0	8.1	7.0	11.9	7.2	7.4	7.6	7.5	7.3
Money and credit										
Net domestic assets [1]	10.0	10.4	4.6	9.7	9.3	10.2	9.3	9.5	8.7	8.5
Domestic credit [1]	12.8	10.4	4.4	9.7	9.3	10.2	9.3	9.5	8.7	8.5
Net claims on central government [1]	7.1	1.2	-0.6	0.5	1.6	2.2	1.7	1.7	1.1	0.8
Credit to the nongovernment sector [1]	5.7	9.3	5.0	9.2	7.7	8.0	7.6	7.9	7.6	7.7
Broad money (M2)	9.1	7.4	8.9	7.0	12.3	13.0	12.9	12.2	10.8	10.5
External sector (CFA francs)										
Exports of goods and services	-6.9	9.7	6.0	8.9	8.1	7.9	6.8	7.5	7.4	6.9
Imports of goods and services	-5.5	9.5	11.8	7.8	6.5	6.5	5.2	6.3	6.4	5.2
Terms of trade (deterioration=-)	-0.7	4.4	1.4	0.6	1.1	-0.4	-0.8	-0.4	0.0	-0.8
Nominal effective exchange rate (minus = depreciation)	1.2	…	-5.1	…	…	…	…	…	…	…
Real effective exchange rate (minus = depreciation)	-0.7	…	-1.8	…	…	…	…	…	…	…
	(Percent of GDP, unless otherwise indicated)									
National accounts										
Gross investment	18.7	19.1	17.7	19.2	19.0	19.4	19.5	19.6	19.9	20.0
Government investment	6.6	6.8	5.6	6.8	6.6	6.8	6.8	6.8	6.9	6.9
Nongovernment investment	12.1	12.2	12.1	12.4	12.4	12.5	12.7	12.8	13.0	13.1
Gross domestic saving	7.8	6.4	5.9	6.6	7.6	8.3	8.8	9.2	9.7	10.3
Government saving	2.6	3.2	3.4	3.4	3.7	3.3	3.4	3.4	3.6	3.7
Nongovernment saving	5.1	3.2	2.6	3.2	3.9	5.0	5.4	5.8	6.1	6.5
Gross national saving	10.9	9.6	9.3	9.6	10.9	11.2	11.7	12.2	12.7	13.3
Central government finance										
Total revenue	17.6	18.9	18.7	19.1	18.9	18.4	18.6	18.7	18.9	19.0
Expenditure and net lending	21.9	22.5	21.1	22.5	22.0	21.9	22.0	22.1	22.1	22.2
Primary balance [2]	-3.9	-3.0	-1.8	-2.9	-2.5	-3.0	-2.8	-2.7	-2.5	-2.4
Basic primary balance [3]	-0.1	0.2	0.6	0.4	0.8	0.3	0.5	0.6	0.7	0.8
Overall fiscal deficit (payment order basis, excl. grants)	-4.3	-3.6	-2.4	-3.4	-3.1	-3.5	-3.4	-3.3	-3.3	-3.2
Overall fiscal deficit (cash basis, excl. grants)	-4.9	-4.1	-2.6	-3.9	-3.5	-3.9	-3.8	-3.7	-3.6	-3.5
Debt service (percent of revenue)	5.4	6.3	6.7	6.1	6.7	7.2	7.7	7.8	7.9	8.0
Total government debt	31.9	32.4	29.1	28.4	28.4	28.3	28.0	27.9	27.7	27.5
External sector										
Balance of goods and services	-10.9	-12.7	-11.8	-12.6	-11.4	-11.1	-10.7	-10.4	-10.2	-9.8
Current account balance (incl. grants)	-7.8	-9.5	-8.5	-9.5	-8.1	-8.2	-7.8	-7.5	-7.2	-6.7
Current account balance (excl. grants)	-8.1	-10.3	-9.3	-10.1	-9.1	-8.6	-8.1	-7.8	-7.5	-6.9
Overall balance of payments	-4.4	-1.8	-2.8	-0.9	-0.9	0.6	1.1	0.8	0.5	0.6
Debt service-to-exports ratio	4.5	5.7	5.9	5.7	6.1	6.2	6.6	6.5	6.5	6.5
Debt-to-GDP ratio (post-MDRI)	17.8	17.0	16.6	17.3	16.3	16.2	16.0	15.9	15.7	15.6
Nominal GDP (billions of CFA francs)	3,443	3,758	3,858	4,023	4,155	4,463	4,782	5,126	5,494	5,890
CFA francs per U.S. dollar (period average)	471.4	…	510.0	…	…	…	…	…	…	…
Population (millions)	9.8	9.4	10.1	9.6	10.3	10.6	10.9	11.1	11.4	11.7
Nominal GDP per capita (U.S. dollars)	747	806.4	753	841	810	855	902	953	1,005	1,062

Sources: Beninese authorities; IMF staff estimates and projections.

[1] Change in percent of beginning-of-period broad money.
[2] Total revenue minus current primary expenditure, capital expenditure, and net lending.
[3] Total revenue minus current primary expenditure and capital expenditure financed by domestic resources.

Table 2a. Benin: Consolidated Central Government Operations, 2010–18

	2010	2011	2012		2013		2014	2015	2016	2017	2018
			4th Review[1]	Prel.	4th Review[1]	Proj.	Projections				
	(Billions of CFA francs)										
Total revenue	603.0	605.6	710.0	722.5	767.0	784.4	821.6	888.6	959.7	1036.6	1119.1
Tax revenue	525.9	534.7	596.4	598.2	685.0	666.0	732.0	791.4	856.0	925.8	1000.3
Tax on international trade	278.4	261.2	299.0	318.1	356.0	356.0	392.8	423.2	456.2	491.7	529.1
Direct and indirect taxes	247.5	273.5	297.4	280.1	329.0	310.0	339.2	368.2	399.8	434.0	471.2
Nontax revenue	77.1	70.9	113.6	124.4	82.0	118.4	89.6	97.2	103.7	110.8	118.8
Total expenditure and net lending	702.2	754.7	845.4	815.7	905.0	913.0	979.0	1051.1	1131.2	1215.9	1305.1
Current expenditure	504.4	515.6	588.4	592.5	632.1	632.1	674.8	726.1	783.0	837.5	899.4
Current primary expenditure	486.7	500.7	565.8	569.3	609.1	609.1	649.1	695.5	747.5	796.4	853.7
Wage bill	238.7	253.2	279.0	279.4	298.9	298.9	316.9	339.5	365.9	387.4	415.3
Pensions and scholarships	43.6	48.7	56.8	55.5	62.5	62.5	66.9	71.7	76.9	82.4	88.3
Current transfers	114.1	109.5	127.0	124.5	137.5	137.5	147.3	157.8	169.1	181.3	194.3
Expenditure on goods and services	90.3	89.3	103.0	110.0	110.2	110.2	118.0	126.5	135.5	145.3	155.8
Interest	17.7	14.9	22.6	23.1	23.0	23.0	25.7	30.6	35.5	41.1	45.7
Internal debt	9.6	7.1	12.6	12.5	12.1	12.1	15.5	18.2	21.3	25.1	28.1
External debt	8.1	7.8	10.0	10.6	10.9	10.9	10.2	12.4	14.2	16.0	17.6
Capital expenditure and net lending	197.8	239.1	257.0	223.3	272.9	280.9	304.2	325.0	348.2	378.4	405.7
Capital expenditure	177.2	226.6	257.0	217.3	272.9	272.9	304.2	325.0	348.2	378.4	405.7
Financed by domestic resources	101.2	107.5	137.0	129.6	143.0	143.0	160.6	170.7	183.7	202.5	217.0
Financed by external resources	76.0	119.1	120.0	87.7	129.9	129.9	143.6	154.3	164.5	176.0	188.6
Net lending	20.6	12.5	0.0	6.0	0.0	8.0	0.0	0.0	0.0	0.0	0.0
Overall balance (payment order basis, excl. grants)	-99.2	-149.1	-135.4	-93.2	-138.0	-128.6	-157.5	-162.5	-171.5	-179.3	-186.0
Primary balance [2]	*-81.5*	*-134.2*	-112.8	*-70.1*	-115.0	*-105.6*	*-131.8*	*-131.9*	*-135.9*	*-138.2*	*-140.3*
Basic primary balance [3]	*15.1*	*-2.6*	7.2	*23.6*	14.9	*32.3*	*11.8*	*22.4*	*28.6*	*37.8*	*48.3*
Change in arrears	-17.2	-11.6	-17.4	-12.2	-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
Domestic debt (net)	-17.2	-11.6	-17.4	-12.2	-17.4	-17.4	-17.4	-17.4	-17.4	-17.4	-17.4
Float [4]	9.5	-7.8	0.0	5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis, excl. grants)	-106.9	-168.5	-152.8	-100.2	-155.4	-146.0	-174.9	-179.9	-188.9	-196.7	-203.4
Financing	111.2	166.2	152.8	100.2	155.4	146.0	174.9	179.9	188.9	196.7	203.4
Domestic financing	-1.2	54.7	16.1	6.0	16.4	8.9	34.1	31.2	33.8	31.3	26.6
Bank financing	-11.9	100.4	18.7	-9.9	8.6	27.7	42.9	36.6	41.3	30.3	25.5
Net use of IMF resources	8.4	18.2	16.2	16.1	16.0	7.0	-3.0	-4.7	-6.2	-9.8	-13.7
Disbursements	8.4	18.3	16.5	16.4	16.5	7.0	0.0	0.0	0.0	0.0	0.0
Repayments	0.0	-0.1	-0.3	-0.3	-0.5	0.0	-3.0	-4.7	-6.2	-9.8	-13.7
Other	-20.3	82.2	2.5	-26.0	-7.4	20.7	45.9	41.3	47.5	40.1	39.2
Nonbank financing	10.7	-45.7	-2.6	15.8	7.8	-18.8	-8.8	-5.4	-7.5	1.1	1.2
Privatization	17.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restructuring	-22.5	-30.5	0.0	-11.2	0.0	-16.7	0.0	0.0	0.0	0.0	0.0
Other	15.7	-15.2	-2.6	27.1	7.8	-2.1	-8.8	-5.4	-7.5	1.1	1.2
External financing	112.4	111.5	136.7	94.2	138.9	137.1	140.8	148.7	155.1	165.4	176.8
Project financing	76.0	119.1	120.0	87.7	129.9	129.9	143.6	154.3	164.5	176.0	188.6
Grants	19.2	76.8	80.0	43.4	65.7	62.3	73.8	81.0	86.0	91.8	98.4
Loans	56.8	42.3	40.0	44.3	64.2	67.6	69.8	73.3	78.5	84.2	90.3
Amortization due	-15.8	-17.9	-21.9	-25.0	-23.0	-33.2	-29.2	-30.9	-33.5	-33.1	-32.5
Budgetary assistance	52.2	10.3	38.6	31.5	32.0	40.4	26.3	25.3	24.1	22.5	20.6
Statistical discrepancy	-4.3	2.3	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)	3,248	3,443	3,758	3,858	4,023	4,155	4,463	4,782	5,126	5,494	5,890
Piority social spending (billions of CFA francs)		99	134	138		136					

Sources: Beninese authorities; IMF staff estimates and projections.

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

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

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

[4] Net change in the stock of payment orders whose payment has been postponed to the following period, and balance of custodian accounts.

Table 2b. Benin: Consolidated Central Government Operations, 2010–13

	2010	2011	2012				2013				
			Q1	Q2	Q3	Year	Q1		Q2	Q3	Year
			Preliminary				4th Review[1]	Prel.	Projections		
	(Billions of CFA francs)										
Total revenue	603.0	605.6	211.6	380.0	552.9	722.5	172.0	173.3	387.2	574.0	784.4
Tax revenue	525.9	534.7	152.4	305.2	451.4	598.2	160.4	159.3	326.7	490.5	666.0
Tax on international trade	278.4	261.2	81.0	156.5	236.9	318.1	85.4	85.2	173.8	262.0	356.0
Direct and indirect taxes	247.5	273.5	71.4	148.7	214.5	280.1	75.0	74.0	153.0	228.5	310.0
Nontax revenue	77.1	70.9	59.2	74.8	101.5	124.4	11.6	14.0	60.5	83.5	118.4
Total expenditure and net lending	702.2	754.7	193.2	398.0	618.0	815.7	221.0	245.8	478.3	695.9	913.0
Current expenditure	504.4	515.6	153.8	289.2	446.5	592.5	171.7	173.5	316.1	464.9	632.1
Current primary expenditure	486.7	500.7	151.1	283.2	434.3	569.3	166.7	171.4	306.7	447.9	609.1
Wage bill	238.7	253.2	70.4	133.0	207.2	279.4	74.5	78.4	153.1	219.3	298.9
Pensions and scholarships	43.6	48.7	16.7	27.7	40.3	55.5	18.4	16.3	30.4	44.2	62.5
Current transfers	114.1	109.5	43.2	75.7	108.1	124.5	50.8	46.4	76.9	107.5	137.5
Expenditure on goods and services	90.3	89.3	20.8	46.8	78.6	110.0	23.0	30.2	46.3	76.9	110.2
Interest	17.7	14.9	2.7	6.0	12.3	23.1	5.0	2.1	9.4	17.0	23.0
Internal debt	9.6	7.1	0.9	1.3	4.9	12.5	3.1	0.1	4.5	9.0	12.1
External debt	8.1	7.8	1.7	4.7	7.4	10.6	1.9	2.0	4.9	8.0	10.9
Capital expenditure and net lending	197.8	239.1	39.4	108.8	171.5	223.3	49.3	72.3	162.2	231.0	280.9
Capital expenditure	177.2	226.6	38.4	107.1	152.1	217.3	49.3	41.7	132.7	211.0	272.9
Financed by domestic resources	101.2	107.5	21.5	62.6	91.7	129.6	24.0	18.9	74.9	112.7	143.0
Financed by external resources	76.0	119.1	17.0	44.4	60.3	87.7	25.3	22.8	57.8	98.3	129.9
Net lending (minus = reimbursement)	20.6	12.5	1.0	1.7	19.4	6.0	0.0	30.5	29.5	20.0	8.0
Overall balance (payment order basis, excl. grants)	-99.2	-149.1	18.4	-18.0	-65.2	-93.2	-49.0	-72.5	-91.1	-121.9	-128.6
Primary balance [2]	-81.5	-134.2	21.1	-12.0	-52.9	-70.1	-44.0	-70.4	-81.7	-104.9	-105.6
Basic primary balance [3]	15.1	-2.6	39.0	34.2	26.9	23.6	-18.7	-17.1	5.6	13.4	32.3
Change in arrears	-17.2	-11.6	-5.1	-9.0	-11.4	-12.2	-4.4	-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	0.0	0.0
Domestic debt (net)	-17.2	-11.6	-5.1	-9.0	-11.4	-12.2	-4.4	-0.8	-8.7	-13.1	-17.4
Float [4]	9.5	-7.8	35.0	-0.5	12.3	5.3	0.0	9.5	0.0	0.0	0.0
Overall balance (cash basis, excl. grants)	-106.9	-168.5	48.3	-27.5	-64.3	-100.2	-53.3	-63.9	-99.8	-135.0	-146.0
Financing	111.2	166.2	-48.3	27.5	64.3	100.2	53.3	63.9	99.8	135.0	146.0
Domestic financing	-1.2	54.7	-75.9	-20.8	2.9	6.0	29.0	45.9	48.9	48.9	8.9
Bank financing	-11.9	100.4	-89.7	-24.3	-10.2	-9.9	28.7	37.3	48.8	59.0	27.7
Net use of IMF resources	8.4	18.2	-0.1	7.9	7.9	16.1	0.0	0.0	0.0	7.0	7.0
Disbursements	8.4	18.3	0.0	8.1	8.1	16.4	0.0	0.0	0.0	7.0	7.0
Repayments	0.0	-0.1	-0.1	-0.1	-0.2	-0.3	0.0	0.0	0.0	0.0	0.0
Other	-20.3	82.2	-89.6	-32.2	-18.1	-26.0	28.7	37.3	48.8	52.0	20.7
Nonbank financing	10.7	-45.7	13.7	3.5	13.1	15.8	0.3	8.6	0.1	-10.1	-18.8
Privatization	17.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restructuring	-22.5	-30.5	-2.2	-5.3	-6.5	-11.2	0.0	-8.5	-10.6	-14.4	-16.7
Other	15.7	-15.2	15.9	8.8	19.6	27.1	0.3	17.1	10.7	4.3	-2.1
External financing	112.4	111.5	27.6	48.3	61.4	94.2	24.3	18.0	50.9	86.1	137.1
Project financing	76.0	119.1	17.0	44.4	60.3	87.7	25.3	22.8	57.8	98.3	129.9
Grants	19.2	76.8	6.8	23.4	25.8	43.4	12.1	6.3	25.3	47.0	62.3
Loans	56.8	42.3	10.1	21.0	34.6	44.3	13.2	16.6	32.5	51.3	67.6
Amortization due	-15.8	-17.9	-3.9	-10.7	-13.5	-25.0	-3.6	-4.8	-18.2	-23.5	-33.2
Budgetary assistance	52.2	10.3	14.5	14.5	14.5	31.5	2.7	0.0	11.3	11.3	40.4
Statistical discrepancy	-4.3	2.3	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, annual)	3247.9	3443.3	3858.3	3858.3	3858.3	3858.3	4154.6	4154.6	8864.8	3760.7	4154.6

Sources: Beninese authorities; IMF staff estimates and projections.

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

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

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

[4] Net change in the stock of payment orders whose payment has been postponed to the following period, and balance of custodian accounts.

Table 3. Benin: Consolidated Central Government Operations, 2010–18

	2010	2011	2012		2013		2014	2015	2016	2017	2018
			4th Review[1]	Proj.	4th Review[1]	Proj.	Projections				
	(Percent of GDP)										
Total revenue	18.6	17.6	18.9	18.7	19.1	18.9	18.4	18.6	18.7	18.9	19.0
Tax revenue	16.2	15.5	15.9	15.5	17.0	16.0	16.4	16.6	16.7	16.9	17.0
Tax on international trade	8.6	7.6	8.0	8.2	8.8	8.6	8.8	8.9	8.9	9.0	9.0
Direct and indirect taxes	7.6	7.9	7.9	7.3	8.2	7.5	7.6	7.7	7.8	7.9	8.0
Nontax revenue	2.4	2.1	3.0	3.2	2.0	2.8	2.0	2.0	2.0	2.0	2.0
Total expenditure and net lending	21.6	21.9	22.5	21.1	22.5	22.0	21.9	22.0	22.1	22.1	22.2
Current expenditures	15.5	15.0	15.7	15.4	15.7	15.2	15.1	15.2	15.3	15.2	15.3
Current primary expenditures	15.0	14.5	15.1	14.8	15.1	14.7	14.5	14.5	14.6	14.5	14.5
Wage bill	7.3	7.4	7.4	7.2	7.4	7.2	7.1	7.1	7.1	7.1	7.1
Pensions and scholarships	1.3	1.4	1.5	1.4	1.6	1.5	1.5	1.5	1.5	1.5	1.5
Current transfers	3.5	3.2	3.4	3.2	3.4	3.3	3.3	3.3	3.3	3.3	3.3
Expenditure on goods and services	2.8	2.6	2.7	2.8	2.7	2.7	2.6	2.6	2.6	2.6	2.6
Interest	0.5	0.4	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.8
Internal debt	0.3	0.2	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.5	0.5
External debt	0.2	0.2	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.3
Capital expenditure and net lending	6.1	6.9	6.8	5.8	6.8	6.8	6.8	6.8	6.8	6.9	6.9
Capital expenditure	5.5	6.6	6.8	5.6	6.8	6.6	6.8	6.8	6.8	6.9	6.9
Financed by domestic resources	3.1	3.1	3.6	3.4	3.6	3.4	3.6	3.6	3.6	3.7	3.7
Financed by external resources	2.3	3.5	3.2	2.3	3.2	3.1	3.2	3.2	3.2	3.2	3.2
Net lending (minus = reimbursement)	0.6	0.4	0.0	0.2	0.0	0.2	0.0	0.0	0.0	0.0	0.0
Overall balance (payment order basis, excl. grants)	-3.1	-4.3	-3.6	-2.4	-3.4	-3.1	-3.5	-3.4	-3.3	-3.3	-3.2
Primary balance [2]	-2.5	-3.9	-3.0	-1.8	-2.9	-2.5	-3.0	-2.8	-2.7	-2.5	-2.4
Basic primary balance [3]	0.5	-0.1	0.2	0.6	0.4	0.8	0.3	0.5	0.6	0.7	0.8
Change in arrears	-0.5	-0.3	-0.5	-0.3	-0.4	-0.4	-0.4	-0.4	-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)	-0.5	-0.3	-0.5	-0.3	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3	-0.3
Float [4]	0.3	-0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis, excl. grants)	-3.3	-4.9	-4.1	-2.6	-3.9	-3.5	-3.9	-3.8	-3.7	-3.6	-3.5
Financing	3.4	4.8	4.1	2.6	3.9	3.5	3.9	3.8	3.7	3.6	3.5
Domestic financing	0.0	1.6	0.4	0.2	0.4	0.2	0.8	0.7	0.7	0.6	0.5
Bank financing	-0.4	2.9	0.5	-0.3	0.2	0.7	1.0	0.8	0.8	0.6	0.4
Net use of IMF resources	0.3	0.5	0.4	0.4	0.4	0.2	-0.1	-0.1	-0.1	-0.2	-0.2
Other	-0.6	2.4	0.1	-0.7	-0.2	0.5	1.0	0.9	0.9	0.7	0.7
Nonbank financing	0.3	-1.3	-0.1	0.4	0.2	-0.5	-0.2	-0.1	-0.1	0.0	0.0
Privatization	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restructuring	-0.7	-0.9	0.0	-0.3	0.0	-0.4	0.0	0.0	0.0	0.0	0.0
Other	0.5	-0.4	-0.1	0.7	0.2	-0.1	-0.2	-0.1	-0.1	0.0	0.0
External financing	3.5	3.2	3.6	2.4	3.5	3.3	3.2	3.1	3.0	3.0	3.0
Project financing	2.3	3.5	3.2	2.3	3.2	3.1	3.2	3.2	3.2	3.2	3.2
Grants	0.6	2.2	2.1	1.1	1.6	1.5	1.7	1.7	1.7	1.7	1.7
Loans	1.7	1.2	1.1	1.1	1.6	1.6	1.6	1.5	1.5	1.5	1.5
Amortization due	-0.5	-0.5	-0.6	-0.6	-0.6	-0.8	-0.7	-0.6	-0.7	-0.6	-0.6
Budgetary assistance	1.6	0.3	1.0	0.8	0.8	1.0	0.6	0.5	0.5	0.4	0.4
Statistical discrepancy	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Total revenue and grants	20.0	20.1	21.8	20.7	21.3	21.4	20.5	20.6	20.7	20.8	20.9
Revenue	18.6	17.6	18.9	18.7	19.1	18.9	18.4	18.6	18.7	18.9	19.0
Grants	1.5	2.5	2.9	1.9	2.2	2.5	2.1	2.0	2.0	1.9	1.9
Total loan disbursement	2.5	1.2	1.3	1.1	1.8	1.6	1.8	1.7	1.7	1.7	1.7
Overall balance incl. grants (payment order basis)	-1.6	-1.8	-0.7	-0.5	-1.2	-0.6	-1.5	-1.4	-1.4	-1.3	-1.3
GDP (billions of CFA francs)	3,248	3,443	3,758	3,858	4,023	4,155	4,463	4,782	5,126	5,494	5,890
Piority social spending (Percent of GDP)		2.9	3.6	3.6		3.3					

Sources: Beninese authorities; IMF staff estimates and projections.

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

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

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

[4] Net change in the stock of payment orders whose payment has been postponed to the following period, and balance of custodian accounts.

Table 4. Benin: Balance of Payments, 2010–18

	2011	2012	2013	2014	2015	2016	2017	2018
		Preliminary			Projections			
	(Billions of CFA francs)							
Current account balance	-269	-326	-336	-367	-371	-382	-396	-396
Excluding budgetary assistance grants	-279	-358	-376	-384	-388	-398	-410	-408
Balance of goods and services	-377	-454	-474	-495	-510	-534	-561	-575
Credit	578	613	662	715	763	820	880	941
Debit	-955	-1,067	-1,136	-1,210	-1,273	-1,354	-1,441	-1,517
Trade balance [1]	-355	-416	-434	-454	-476	-506	-540	-556
Exports, f.o.b.	362	385	417	450	480	517	556	599
Cotton and textiles	57	70	90	88	86	86	84	83
Other	305	315	327	362	394	431	471	516
Imports, f.o.b.	-717	-801	-851	-904	-956	-1,023	-1,096	-1,155
Petroleum products	-89	-94	-107	-106	-106	-106	-107	-109
Other	-628	-707	-744	-798	-850	-917	-989	-1,046
Services (net)	-22	-38	-40	-42	-35	-28	-21	-19
Credit	216	228	245	264	283	303	325	343
Debit	-238	-266	-285	-306	-318	-331	-346	-362
Income (net)	-7	-19	-29	-29	-32	-34	-37	-40
Of which: interest due on central government debt	-8	-11	-11	-10	-12	-14	-16	-18
Current transfers (net)	115	147	167	158	171	186	202	219
Unrequited private transfers	52	58	66	74	83	93	104	116
Public current transfers	64	89	101	84	88	93	98	103
Of which: budgetary assistance grants	10	32	40	18	17	15	14	12
Capital and financial account balance	38	129	297	393	423	422	425	431
Capital account balance	77	43	62	74	81	86	92	98
Financial account balance	-39	85	235	319	342	336	334	332
Medium- and long-term public capital	28	23	38	53	55	58	64	71
Disbursements	46	48	72	82	86	91	97	103
Project Loans	46	48	72	74	77	83	88	94
Of which: central government project loans	42	44	68	70	73	79	84	90
Budgetary assistance loans	0	0	0	8	9	9	9	9
Amortization due	-18	-25	-33	-29	-31	-34	-33	-32
Foreign direct investment	48	62	104	112	120	117	113	110
Portfolio investment	28	34	56	60	65	63	61	59
Other medium- and long-term private capital	-6	62	104	111	119	116	113	109
Deposit money banks	-141	-176	-90	-27	-27	-27	-27	-27
SDR allocation	0	0	0	0	0	0	0	0
Short-term capital	3	81	22	10	10	10	10	10
Errors and omissions	78	89	0	0	0	0	0	0
Overall balance	-153	-108	-39	27	51	39	29	34
Change in net foreign assets, BCEAO (- = increase)	153	108	39	-27	-51	-39	-29	-34
Of which: net use of IMF resources	16	16	7	-3	-4	-6	-9	-11
	(Percent of GDP, unless otherwise indicated)							
Memorandum items:								
Net re-exports	2.8	2.8	2.8	2.8	2.9	2.9	3.0	3.0
Re-exports	6.6	6.5	6.5	6.6	6.7	6.8	6.9	7.0
Imports for re-export	-3.8	-3.7	-3.7	-3.7	-3.8	-3.8	-3.9	-4.0
Current account balance (incl. budgetary assistance grants)	-7.8	-8.5	-8.1	-8.2	-7.8	-7.5	-7.2	-6.7
Current account balance (excl. budgetary assistance grants)	-8.1	-9.3	-9.1	-8.6	-8.1	-7.8	-7.5	-6.9
Balance of goods and services	-10.9	-11.8	-11.4	-11.1	-10.7	-10.4	-10.2	-9.8
Trade balance	-10.3	-10.8	-10.4	-10.2	-9.9	-9.9	-9.8	-9.4
Exports	10.5	10.0	10.0	10.1	10.0	10.1	10.1	10.2
Imports	-20.8	-20.8	-20.5	-20.3	-20.0	-20.0	-19.9	-19.6
Income and current transfers (net)	3.1	3.3	3.3	2.9	2.9	3.0	3.0	3.0
Capital account balance	2.2	1.1	1.5	1.7	1.7	1.7	1.7	1.7
Financial account balance	-1.1	2.2	5.7	7.2	7.1	6.6	6.1	5.6
Overall balance	-4.4	-2.8	-0.9	0.6	1.1	0.8	0.5	0.6
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.
International price of oil (U.S. dollars a barrel)	104.0	105.0	102.5	98.0	93.2	89.6	86.9	84.9
Gross official reserves (percent of broad money)	28.7	20.6	16.3	15.5	15.7	15.2	14.4	14.3
GDP (billions of CFA francs)	3,443	3,858	4,155	4,463	4,782	5,126	5,494	5,890

Sources: Beninese authorities; IMF staff estimates and projections.
Note: ... = not available.

[1] Excludes re-exports and imports for re-export whose net balance is divided between services and public transfers.

Table 5. Benin: Monetary Survey, 2011–14

	2011	2012				2013		2014
		Q1	Q2	Q3	Q4	Q1	Q4	
						Prel.	Proj.	Projections
	(Billions of CFA francs)							
Net foreign assets	769	836	872	808	837	916	888	942
Central Bank of West African States (BCEAO)	399	440	402	343	291	278	252	279
Banks	370	396	471	466	546	638	636	664
Net domestic assets	809	735	807	853	883	996	1,043	1,240
Domestic credit	949	860	924	978	1,019	1,128	1,179	1,376
Net claims on central government	92	2	70	85	83	120	110	153
Credit to the nongovernment sector	858	857	853	893	936	1,008	1,068	1,222
Other items (net)	-140	-124	-117	-125	-136	-132	-136	-136
Broad money (M2)	1,578	1,571	1,680	1,662	1,720	1,912	1,931	2,182
Currency	379	399	410	403	405	432	436	468
Bank deposits	1,191	1,164	1,261	1,249	1,310	1,470	1,486	1,705
Deposits with postal checking accounts	8	9	9	9	5	9	8	8
	(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	3.0	2.8
Central Bank of West African States (BCEAO)	-10.6	2.6	0.2	-3.6	-6.8	-0.7	-2.2	1.4
Banks	9.7	1.6	6.3	6.0	11.1	5.3	5.2	1.4
Net domestic assets	10.0	-4.7	-0.1	2.8	4.6	6.6	9.3	10.2
Domestic credit	12.8	-5.7	-1.6	1.8	4.4	6.3	9.3	10.2
Net claims on central government	7.1	-5.7	-1.3	-0.4	-0.6	2.1	1.6	2.2
Credit to the nongovernment sector	6.0	-0.2	-0.5	0.9	5.0	3.6	7.7	8.0
Other items (net)	-2.8	1.0	1.5	1.0	0.3	0.2	0.0	0.0
Broad money (M2)	9.1	-0.4	6.4	5.3	8.9	11.2	12.3	13.0
Currency	2.2	1.3	2.0	1.6	1.7	1.6	1.8	1.7
Bank deposits	7.0	-1.7	4.4	3.7	7.5	9.3	10.3	11.3
Deposits with postal checking accounts	-0.1	0.0	0.0	0.0	-0.2	0.3	0.2	0.0
Memorandum items:								
Velocity of broad money	2.3	…	…	…	2.3	…	2.3	2.2
Broad money as share of GDP	45.8	…	…	…	44.6	…	46.5	48.9
Credit to the nongovernment sector (year-on-year change in percent)	11.5	15.9	10.9	11.6	9.4	17.2	14.3	14.6
Nominal GDP (billions of CFA francs, annual)	3,443	…	…	…	3,858	…	4,155	4,463
Nominal GDP growth (annual change in percent)	6.0	…	…	…	12.1	…	7.7	7.4

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 three-year 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	Observance of performance criteria for September 30, 2012, and of the continuous performance criteria, and completion of the fifth review under the arrangement.
SDR 10.61 million	February 1, 2014	Observance of performance criteria for September 30, 2013, and of the continuous performance criteria, and 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, 2013–23

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
IMF obligations based on existing credit[1]											
(millions of SDRs)											
Principal	0.4	3.9	6.0	8.0	11.9	15.0	11.6	9.6	7.4	3.2	0.0
Charges and interest[2]	0.0	0.0	0.2	0.2	0.1	0.1	0.1	0.1	0.0	0.0	0.0
IMF obligations based on existing and prospective drawings											
(millions of SDRs)											
Principal	0.4	3.9	6.0	8.0	11.9	15.0	15.9	13.8	11.7	7.4	4.2
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
Total obligations based on existing and prospective credit[3]											
Millions of SDRs	0.4	3.9	6.3	8.2	12.1	15.1	16.0	13.9	11.7	7.5	4.3
Billions of CFA francs	0.3	3.0	4.8	6.4	9.2	11.4	12.1	10.5	8.9	5.7	3.2
Percent of government revenue	0.0	0.4	0.5	0.7	0.9	1.0	1.0	0.8	0.7	0.4	0.2
Percent of exports of goods and services	0.0	0.4	0.6	0.8	1.0	1.2	1.1	0.9	0.7	0.4	0.2
Percent of debt service	0.2	2.5	4.0	5.2	7.8	27.6	28.2	23.1	18.8	11.0	5.8
Percent of GDP	0.0	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.0
Percent of quota	0.6	6.4	10.1	13.2	19.6	24.4	25.9	22.4	18.9	12.1	6.9
Outstanding IMF credit[3]											
Millions of SDRs	87.7	83.8	77.8	69.8	57.9	42.9	31.3	21.7	14.3	11.1	11.1
Billions of CFA francs	67.4	64.6	60.2	54.3	43.8	32.5	23.7	16.5	10.8	8.4	8.4
Percent of government revenue	8.6	7.9	6.8	5.7	4.2	2.9	2.0	1.3	0.8	0.6	0.5
Percent of exports of goods and services	10.2	9.0	7.9	6.6	5.0	3.3	2.2	1.4	0.8	0.6	0.5
Percent of debt service	54.5	54.1	49.5	44.0	37.1	78.4	55.2	36.2	23.0	16.4	15.1
Percent of GDP	1.6	1.4	1.3	1.1	0.8	0.6	0.4	0.2	0.1	0.1	0.1
Percent of quota	108.9	104.4	97.3	87.7	70.8	52.5	38.3	26.6	17.5	13.6	13.6
Net use of IMF credit (millions of SDRs)	10.3	-3.9	-6.0	-8.0	-11.9	-15.0	-15.9	-13.8	-11.7	-7.4	-4.2
Disbursements	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	0.4	3.9	6.0	8.0	11.9	15.0	15.9	13.8	11.7	7.4	4.2
Memorandum items:											
Charges and interest, after assumed subsidies	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP (billions of CFA francs)	4,154.6	4,463.4	4,782.2	5,125.5	5,494.3	5,890.0	6,307.5	6,754.1	7,232.4	7,742.3	8,285.5
Exports of goods and services (billions of CFA francs)	662.3	714.6	763.1	820.0	880.4	972.8	1,075.0	1,187.8	1,312.6	1,450.4	1,602.7
Government revenue (billions of CFA francs)	784.4	821.6	888.6	959.7	1,036.6	1,111.2	1,190.0	1,274.3	1,364.5	1,460.7	1,563.2
Debt service (billions of CFA francs)	123.6	119.5	121.8	123.3	118.0	41.4	42.9	45.4	47.1	51.2	55.7
Net Foreign Assets Central Bank	252.2	278.8	330.2	369.6	398.6	437.7	480.6	527.7	579.4	636.2	698.5
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
Quota (SDR)	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-2012 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 a day (percent)	1990	2011	57	57	43.7	53.9	26.7
- Population below minimum level of dietary energy consumption (percent)	1995	2007	29	29	20.7	18.4	…
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	2008	40.9	55.9	88.6	92.1	100.0
- Percentage of cohort reaching grade 5	1990	2010	27.3	38.4	71.0	63.0	100.0
- Youth literacy rate (percent age 15–24)	1992	2010	39.9	39.9	45.3	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	2011	49.9	54.5	74.7	87.5	100.0
- Ratio of girls to boys in secondary school (percent)	1999	2011	44.3	44.3	46.4	60.2	100.0
- Proportion of seats held by women in the national parliament (percent)	1990	2012	2.9	5.8	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	2011	177.3	160.3	125.2	106.0	65.0
- Infant mortality rate (per 1,000 live births)	1990	2011	106.8	97.8	78.6	67.9	35.0
- Immunization against measles (percent of children under 12 months)	1990	2011	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	2011	3.2	2.4	1.4	1.2	<2
Target: Halt by 2015, and begin to reverse, the incidence of malaria and other major diseases							
- Incidence of tuberculosis (per 100,000)	1990	2011	128.0	104.6	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	2010	57.0	61.4	69.8	75.0	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	2011	0.0	0.0	16.4	85.3	50.0

Sources: Beninese authorities and World Bank estimates and projections.

Table 9. Benin: Financial Stability Indicators, 2010–13

	2010 Dec	2011 Mar.	2011 June	2011 Sept.	2011 Dec	2012 Mar.	2012 June	2012 Sept.	2012 Dec.	2013 Mar.	2013 May
(Percent unless otherwise indicated)										Preliminary	
Regulatory capital to risk-weighted assets	10.0	10.2	10.4	10.0	10.3	10.9	12.4	11.4	10.2	8.6	10.6
Core capital to risk-weighted assets[1]	8.8	9.3	9.7	9.3	9.8	9.9	10.8	10.0	9.0	4.3	5.2
Provisions to risk-weighted assets	11.7	12.0	10.7	9.9	10.1	10.5	10.2	9.5	8.3	...	...
Capital to total assets	5.0	5.0	5.5	5.4	5.4	5.6	6.1	6.0	5.6	...	...
Composition and quality of assets											
Total loans to total assets	51.6	49.9	50.1	50.6	50.7	51.1	47.6	48.6	47.4	48.7	47.0
Concentration: Credit to the 5 largest borrowers	101.9	106.1	85.5	87.7	60.3	69.2	42.5	38.3	53.2	42.6	44.6
Credit by sector[2]											
Agriculture, Forestry, and Fishing	1.0	1.2	1.1	1.1	2.7	3.5	2.0	2.1	2.1	2.4	1.7
Extractive Industries	0.4	0.0	0.4	0.5	0.5	1.0	0.8	0.8	0.7	0.6	0.3
Manufacturing	7.0	7.4	7.6	6.6	8.3	11.2	7.8	8.8	10.1	9.8	8.4
Electricity, Water, and Gas	1.9	2.1	2.3	0.7	0.3	1.0	1.7	2.3	2.8	1.4	1.5
Buildings and Public Works	6.8	6.8	7.0	6.9	7.2	7.7	7.6	7.7	7.5	8.5	8.8
Commerce, Restaurants, and Hotels	36.6	36.7	36.2	46.7	38.9	31.6	47.1	42.9	40.2	42.8	45.8
Transportation and Communication	12.4	11.0	12.2	9.8	9.8	12.2	12.7	12.3	10.3	9.4	9.8
Financial and Business Services	3.6	3.2	3.0	4.4	4.5	3.0	3.8	4.0	5.7	5.0	4.1
Other Services	30.3	31.6	30.3	23.3	27.8	28.8	16.6	19.2	20.6	20.1	19.7
Non-Performing Loans (NPLs)											
Gross NPLs to total loans	15.9	17.4	17.3	16.6	15.6	16.6	17.6	19.3	18.6	20.1	20.5
Provisioning rate	64.8	61.2	58.3	57.2	61.0	57.3	54.4	48.0	46.8	48.2	47.2
Net NPLs to total loans	6.2	7.5	8.0	7.8	6.7	7.9	8.9	11.0	10.8	11.5	12.0
Net NPLs to capital	63.8	74.7	73.4	74.1	62.4	71.7	69.3	90.0	92.5	128.9	108.0
Earnings and profitability[3]											
Average cost of borrowed funds	3.1	...	...	...	3.1	...	...	...	3.3	...	...
Average interest rate on loans	9.8	...	...	...	10.1	...	...	...	9.5	...	...
Average interest margin[4]	6.7	...	...	...	7.0	...	...	...	6.2	...	...
After-tax return on average assets (ROA)	0.8	...	...	...	1.1	...	...	...	0.4	...	...
After-tax return on average equity (ROE)	8.1	...	...	...	12.8	...	...	...	5.4	...	...
Noninterest expenses/net banking income	61.1	...	...	...	61.6	...	...	...	68.5	...	...
Salaries and wages/net banking income	25.4	...	...	...	25.5	...	...	...	28.2	...	...
Liquidity											
Liquid assets to total assets	30.1	28.0	27.5	27.1	28.0	25.9	23.1	22.9	22.9	...	...
Liquid assets to total deposits	40.8	37.6	37.4	37.3	40.9	38.6	34.4	34.0	35.7	...	...
Total loans to total deposits	77.9	74.9	75.8	76.8	81.8	84.2	78.4	79.6	80.7	72.4	71.1
Total deposits to total liabilities	73.9	74.4	73.5	72.8	68.5	67.1	67.2	67.2	64.3	65.0	67.2
Demand deposits to total liabilities[5]	35.4	35.9	34.0	32.4	32.0	30.8	31.3	28.3	27.4	30.0	27.3
Term deposits to total liabilities	38.5	38.6	39.5	40.4	36.4	36.3	36.0	38.9	36.8	37.2	38.8

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 :

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

Cotonou, August 7, 2013

Dear Managing Director:

1. The Government of Benin continues to implement its economic and financial program under the Extended Credit Facility (ECF) to meet its growth and poverty reduction objectives. We would like to take the opportunity of the fifth review to take stock of program implementation at end-June 2013 and outline the policies and reforms that we intend to implement through April 2014.

2. In spite of adverse international developments, program implementation has been broadly satisfactory. All performance criteria and all indicative quantitative targets for end-September 2012 were met. The macroeconomic framework remains broadly unchanged relative to that contained in our October 2012 letter and the government has reaffirmed its commitment to implement the policies and reforms described in this document. In this context, we request the completion of the fifth review under the ECF agreement and the related disbursement of Special Drawing Rights (SDRs) in the amount of 10.61 million, as well as an extension of the ECF arrangement until end-April 2014 to implement the new approach to customs reform, which will be a major pillar of our strategy to enhance fiscal management.

Recent Economic Developments and Program Implementation

A. Recent Economic Developments

Recent macro-economic developments

3. Real GDP growth reached 5.4 percent in 2012, compared with 3.5 percent in 2011. This growth acceleration resulted mainly from: (i) an increase in cotton production, (ii) a surge in the production of food and other cash crops, and (iii) strong trade performance, driven by a pick-up in port activities. Inflation in 2012 stood at 6.7 percent on average, above the 3 percent limit under the multilateral surveillance framework of the West African Economic and Monetary Union (WAEMU), after the partial removal of fuel subsidies in Nigeria. However, it has been on a downward trend since January 2013, and stood at 5.0 percent in May 2013.

4. The government managed the 2012/13 cotton campaign after the suspension of the framework agreement governing the sector in March 2012, due to problems with the sector's management, which were a major handicap to the development of cotton production. The campaign resulted in the production of about 240.000 metric tons of cotton, better than that of the previous campaign.

5. In 2012, the current account deficit of the balance of payments (excluding grants) further increased to 9.3 percent of GDP, from 8.1 percent in 2011, due to higher imports (namely oil products and agricultural inputs) and despite an increase in exports, especially cotton and textiles. Furthermore, the increase in net transfers and capital flows covered this deficit.

6. Money supply increased by 8.9 percent in 2012, driven by commercial banks' foreign assets and credit to the private sector, thanks to a pick-up in activities related to port traffic. At the end of March 2013, money supply grew by 11.2 percent compared to December 2012; and credit to the economy increased by 6.7 percent.

Implementation of fiscal policy in 2012 and in the first quarter of 2013

7. The government pursued its fiscal consolidation policy through all of 2012. The overall fiscal deficit, on a cash basis and excluding grants, was 2.6 percent of GDP, compared with the 4.1 percent forecast. It was financed as anticipated by external resources (grants and concessional loans) and by securities issued on the regional financial market.

8. Revenue performance in 2012 was strong. Revenue reached CFAF 722.5 billion or 18.7 percent of GDP, compared with the CFAF 710.0 billion target, due to strong non-tax revenue,

the surge in customs receipts after the opening of the single window at the Port of Cotonou, and the implementation of reforms that improved port efficiency.

9. Expenditures in 2012 remained in line with program objectives. Total expenditures and net lending (cash basis) stood at CFAF 815.7 billion, or 21.1 percent of GDP, compared with a forecast of CFAF 845.4 billion. Similarly, priority social spending reached CFAF 138.3 billion, compared with a target of CFAF 134.0 billion, thanks to close monitoring of these expenditures.

10. Fiscal consolidation facilitated the pursuit of a prudent debt policy. Public debt decreased from 31.9 percent of GDP in 2011 to 29.1 percent in 2012, and the risk of a debt crisis remains low.

11. Sound fiscal performance continued through the first quarter of 2013. By end-March 2013, total revenue reached CFAF 173.3 billion, compared with a target of CFAF 172 billion, with customs and tax revenues in line with budget forecasts. This performance was supported by port-related reforms and by enhanced inspections carried out by the tax administration, especially on the VAT, the corporate income tax, and the taxes on profits of natural persons. Total expenditure and net lending stood at CFAF 245.8 billion, or 5.9 percent of GDP, compared with a target of CFAF 221.0 billion. This over-expenditure resulted from advances to the cotton sector for the 2013-2014 campaign. Investment expenditures fell short of the objectives because of delays in project implementation. The overall fiscal deficit, on a cash basis and excluding grants, was 1.5 percent of GDP, compared with the 1.3 percent of GDP forecast.

Program performance

12. All performance criteria and indicative benchmarks for end-September 2012 were met (Table 1a). All quantitative performance criteria were observed with comfortable margins. Net domestic financing, for example, was only CFAF +2.9 billion, compared with a target of CFAF +48.6 billion, and the basic primary balance at CFAF +26.9 billion, compared with the CFAF -21.7 billion forecast. Indicative benchmarks for priority social expenditures and revenue were also met.

13. For end-March 2013, the original test date for the sixth review, all performance criteria and indicative benchmarks were met, except the criterion on net domestic government financing. The noncompliance with this criterion results from advances provided to the cotton sector (CFAF 19 billion) to finance campaign expenditures, pending the receipt of cotton export sales. These receipts are expected before end-2013. As the government requested to shift the test date to September, the higher than programmed domestic financing need does not require a waiver.

14. The implementation of structural benchmarks has been satisfactory (Table 2a).

- The development of a comprehensive and integrated information system in tax administration (Direction générale des impôts et des domaines—DGID) began in March 2012, as scheduled.

- The government has made progress in the generalization of the single taxpayer identification number (TIN) to all taxpayers. The use of non-specific identification numbers was significantly reduced. At the Port of Cotonou, their use has been terminated since April 2010. At Hilla-Condji, the use of non-specific identifiers was stopped at the end of July 2013. These two units handle about 90 percent of total imports.

- The civil service reform strategy was adopted in April 2013, instead of as scheduled in December 2012.

15. The government adopted a new approach to customs reform in 2013. Due to the difficulties encountered in the implementation of the new-generation import verification program (IVP) (Programme de vérification des importations), the government suspended and then cancelled the related service contract. These difficulties include the high costs of reform-related services, objections to scanner inspection of goods bound for landlocked countries, the surge in the prices of major consumption goods, and the gradual shift from the Port of Cotonou to competing ports in the sub-region. In this context, two other structural benchmarks (blocking of the following reporting fields in ASYCUDA^{++}: the TIN, inspection certification number, and related customs value, and integration of IVP data at the single window) related to the new-generation IVP, will not be implemented. However, the government has developed, with technical assistance from the IMF's Fiscal Affairs Department (FAD), a new approach for customs reform focused on capacity building in customs administration. In this context, the government has adopted a reform strategy for the period 2013—2016 aimed at three objectives: (i) reinforcing the capacities of the customs administration to fulfill its key functions, (ii) enhancing customs efficiency by equipping the administration with modern and effective-performance tools, including by using capacity-building assistance from private operators for a limited period of time, and (iii) improving the mobilization of customs revenue. This strategy focuses on the reinforcement of the five main functions of a modern customs administration, namely: (i) risk management, (ii) customs valuation control by integrating the new value certification program of imported goods, (iii) pre-clearance inspection by introducing tools such as scanners, scales, and weighbridges, (iv) post-clearance inspection, and (v) customs regime controls, including geolocation for goods in transit. To implement this strategy, the

government has drafted and adopted an action plan. It has also established the institutional framework for reform comprising a strategy and surveillance committee and a steering committee.

16. Progress has also been achieved in other structural reforms. These reforms focused on the civil service, economic governance, the financial sector, and the business environment.

- With regard to the civil service, the major achievements consist in cleaning-up the government's payroll files, consolidating the personnel databases of the Ministry of the Economy and Finance and of the Ministry of Labor and Public Service, adopting by the cabinet the government employees' certification identifier (identifiant de contrôle des agents de l'État), comprising the IFU and the administrative identifier, and establishing working groups and the Steering Committee for Public Service Reform.

- On financial governance, it is worth mentioning the parliamentary approval of budget review laws from 2005 to 2008, as well as the preparation and submission of the 2012 budget execution accounts to the Audit Chamber of the Supreme Court as required by budget rules, the approval by parliament of a new organic budget law in accordance with WAEMU directives, the issuance of four implementation decrees for anti-corruption legislation, including the creation of the National Anti-Corruption Authority. Measures were also taken to enhance investment and social expenditures, including (i) establishing close coordination between line ministries' implementing units and the Budget Department, (ii) processing government contracts within legal deadlines, and (iii) creating a counterpart fund for externally-financed projects. Additionally, the government has decided to organize an audit of public enterprises, including that of the 2012-13 cotton campaign.

- With regard to the financial sector, the government has promulgated three regional pieces of legislation (the framework law on banking regulation, the law on combating the financing of terrorism in WAEMU member countries, and the law imposing sanctions for offences relating to cheques, bank cards and other forms of electronic payment).

- Recent reforms to improve the business environment include (i) establishing a single window (Guichet unique de formalisation des entreprises—GUFE) to speed up the process and reduce the cost of creating a business, (ii) accelerating the settlement of trade disputes by creating three specialized trade chambers within the Cotonou Court, and (iii) facilitating access to credit by designating the Trade and Personal Property Credit Registry as the only registry for all securities and leasing operations.

Economic, Financial, and Structural Policies for the Future

17. 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 and equitable growth, driven by the private sector. This will require consolidating the macroeconomic framework and strengthening structural reforms.

A. Macroeconomic Framework

18. The macroeconomic framework remains broadly in line with the one described in our letter of intent of October 2012, with an upward revision of the growth rate. We now forecast 5.0 percent growth in 2013, supported by the measures under way aimed at increasing agricultural production (including cotton and other cash crops) and enhancing the capacity and competitiveness of the Port of Cotonou. Average annual inflation should fall significantly in 2013 to about 3 percent, the threshold set under WAEMU regional surveillance. The current account deficit should decline slightly in 2013, mainly as a result of an increase in cotton product exports and external budget support, and of a decrease in goods and services imports. This deficit should be largely financed by foreign capital inflows.

B. Fiscal Policy

19. The government is committed to maintaining the basic primary balance at FCFA 32.3 billion, or 0.8 percent of GDP, at end-December 2013. To this end, revenue should reach the target of FCFA 784.4 billion at end-December 2013, or 18.9 percent of GDP, while total expenditures and net loans should be capped at FCFA 913 billion, or 22 percent of GDP. Priority social expenditures will continue to receive special attention in order to reach the target of CFAF 136 billion by end-December 2013. Subsidies provided for the cotton campaign will be limited to those slated in the financing plan adopted by the government. To achieve its fiscal policy goals, the government intends to (i) consolidate the single window at the Port of Cotonou by developing the capacity to share electronic data with the customs administration, (ii) implement the 2013—16 customs reform based on the new approach, and (iii) build tax administration capacity through continued computerization to reduce 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. With regard to customs reform, and in accordance with the action plan adopted, the following measures will be taken (Table 2b).

- Launching the call for bids for the supply, operation, and maintenance of scanners, in line with recommendations by the Fiscal Affairs Department of the IMF (structural benchmark for end-November 2013).

- Signing the contract with a service provider for the certification of values at the customs program, as recommended by the Fiscal Affairs Department of the IMF (structural benchmark for end-November 2013).

- Establishing a risk analysis system by filling out inspection certificates for all declarations placed in the red channel (structural benchmark for end-December 2013) and preparing a monthly report on the results of the inspections, the rationale for the risk classifications, and the outcomes of the associated inspections (structural benchmark for end-January 2014, see TMU paragraph 35).

21. Other reform actions mainly seek to (i) enhance the control of exemptions, (ii) assess the public finance management system using the Public Expenditure Financial Accountability methodology, and (iii) adopt a new public-private partnership framework, developed with support from the World Bank. Along with a stricter fiscal control of exemptions, a report is being prepared on the exemptions granted to mobile phone operators as part of the process of acquiring their licenses. This should serve as the basis for a plan of reduction of exemptions in the future. The government will place a special focus on strengthening the tax administration's contribution to the national budget's resources by (i) building the tax administration's capacity to mobilize domestic resources optimally, (ii) modernizing the tax administration, including computerization of all units, and (iii) pursuing taxation of the informal sector. Further, the government will once again manage the 2013/2014 cotton campaign. It will continue to work with the World Bank to draft a new framework agreement to promote integrated development of the cotton sector by production zones.

Growth and Poverty Reduction Strategy

22. The third-generation Growth and Poverty Reduction Strategy (PRSP III) for 2011-2015 and its Priority Action Program (PAP) remain the documents of reference for government action. The

strategy seeks to improve the populations' living conditions and to reach the Millennium Development Goals (MDGs), especially in the sectors of health, primary education, water, and sanitation.

23. Significant progress was achieved in the implementation of the strategy in 2012. In addition to the satisfactory macroeconomic results, important achievements in the infrastructure and social sectors should be emphasized. With regard to infrastructure, the total length of built or renovated rural roads increased from 643 km in 2011 to 9,749.8 km in 2012, the national electricity coverage rate reached 39.2 percent in 2012, compared with 37.2 percent in 2011, and the rate of access to drinking water in rural areas rose to 63.7 percent in 2012, from 61.0 percent in 2011. In social sectors, indicators of access to social services continued to improve. Thus, the gross school enrolment rate increased to 119.7 percent in 2012, from 112.6 percent in 2011, the rate of access to health services by children aged 0 to 5 rose from 81.2 percent in 2011 to 90.7 percent in 2012. Further, the government introduced a universal health insurance system (Régime d'Assurance Maladie Universelle—RAMU), in order to protect vulnerable groups.

24. In spite of these achievements, with less than a thousand days left before the deadline for achieving the Millennium Development Goals (MDGs), the government is aware that further efforts will be necessary to meet the MDGs, especially in the sectors of health, primary education, water, and sanitation. Therefore, the government intends to place a special emphasis on the priority actions defined to that effect, building in particular on the priority social expenditures mechanism. This will include continued efforts to improve the quality of spending and reallocation of expenditures among spending categories. In addition, the government intends to organize a round table for development financing, in cooperation with the World Bank, in order to scale up investment. A list of projects is being prepared for this event. Therefore the medium-term implications for the fiscal framework will be assessed once the list of investment projects is finalized. They will then be integrated into the medium-term projections.

Conclusion

25. The government is convinced that the measures and policies described in this letter are adequate to reach the objectives of the program and reasserts its commitment to undertake all additional measures necessary to reach these objectives. For this reason, it requests the completion of the fifth review under the ECF arrangement and the associated disbursement. In addition, the government requests the extension of the ECF arrangement expiring in September 2013 to end-April 2014, in order to shift the test date for the sixth and last ECF review and the associated disbursement from March to September 2013, allowing additional time to implement the new

customs reform agenda. In this context, the sixth review of the program is expected to be completed by mid-April 2014, based on compliance with performance criteria for September 30, 2013.

26. Program monitoring will be based on quantitative performance criteria and structural benchmarks for the next six months defined in Tables 1a, 1b, 2a and 2b attached to this letter. To facilitate program monitoring, the government will communicate all relevant information to IMF staff on a regular basis, as indicated in the Technical Memorandum of Understanding (TMU), and any additional information government will deem important or requested by IMF staff.

27. As needed, the government will take all additional steps to reach program objectives. The government will consult the IMF on the adoption of such measures and before any amendment of the measures envisaged herein, in compliance with IMF procedures for such a consultation. The government authorizes the IMF to publish the staff report on discussions concerning the fifth review of the program, as well as this letter of intent.

Sincerely yours,

/s/
Jonas A. Gbian
Minister of Economy and Finance

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

(Billions of CFA francs)

	March 31, 2012				June 30, 2012				Sept. 30, 2012				December 31, 2012				March 31, 2013			
	Performance Criteria				Indicative Targets				Performance Criteria				Indicative Targets				Former Performance Criteria			
	Prog.[1]	Adj. Prog.[2]	Prel.		Proj.	Adj. Proj.[2]	Prel.		Prog.	Adj. Prog.[2]	Prel		Proj.	Adj. Proj.[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	60.7	60.7	-20.8	Met	48.6	48.6	2.9	Met	47.5	43.8	6.0	Met	29.0	33.0	45.9	Not Met
Basic primary balance (excluding grants) (floor)	-20.5	-20.5	39.0	Met	-39.8	-39.8	34.2	Met	-21.7	-21.7	26.9	Met	7.2	7.2	23.6	Met	-18.7	-18.7	-17.1	Met
Memorandum item: Budgetary assistance[6]	0.0	0.0	14.5		14.6	14.6	14.5		14.6	14.6	14.5		20.9	20.9	31.5		2.7	2.7	0.0	
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
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
External nonconcessional debt contracted or guaranteed by government with maturities of more than one year[7]	25.0	25.0	4.6	Met	25.0	25.0	4.6	Met	25.0	25.0	12.5	Met	25.0	25.0	12.5	Met	25.0	25.0	17.4	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
C. Indicative targets[3]																				
Total revenue (floor)	148.3	148.3	211.6	Met	331.3	331.3	380.0	Met	515.0	515.0	552.9	Met	710.0	710.0	722.5	Met	172.0	172.0	173.3	Met
Payment orders issued outside the expenditure chain (ceiling)[8]	2.5	2.5	1.5	Met	4.6	4.6	1.4	Met	7.5	7.5	1.6	Met	10.6	10.6	2.9	Met	2.5	2.5	0.7	Met
Priority social expenditure (floor)	46.0	46.0	51.5	Met	75.0	75.0	82.1	Met	104.0	104.0	110.1	Met	134.0	134.0	138.3	Met	50.0	50.0	51.3	Met

Sources: Beninese authorities; IMF staff estimates and projections.

[1] Technical Memorandum of Understanding 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 Technical Memorandum of Understanding).
[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 Technical Memorandum of Understanding (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] Exceptional payment procedures: stock of payment orders issued since the beginning of the calendar year and not yet regularized at each test date.

Table 1b. Benin: Quantitative Performance Criteria and Indicative Targets, 2013

(Billions of CFA francs)

	Sept. 30 2013	Dec. 31, 2013
	Performance Criteria	Indicative Targets
	Prog.	Proj.
A. Quantitative performance criteria[1]		
Net domestic financing of the government (ceiling)[2, 3]	48.9	8.9
Basic primary balance (excluding grants) (floor)	13.4	32.3
Memorandum item: Budgetary assistance[4]	11.3	40.4
B. Continuous quantitative performance criteria (ceilings)		
Accumulation of external payments arrears	0.0	0.0
External nonconcessional debt contracted or guaranteed by government with maturities of 0–1 year[5]	0.0	0.0
External nonconcessional debt contracted or guaranteed by government with maturities of more than one year[5]	25.0	25.0
Accumulation of domestic payments arrears	0.0	0.0
C. Indicative targets[1]		
Total revenue (floor)	574.0	784.4
Payment orders issued outside the expenditure chain (ceiling)[6]	7.5	10.6
Priority social expenditure (floor)	110.7	136.0

Sources: Beninese authorities; IMF staff estimates and projections.

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

[2] 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 Technical Memorandum of Understanding (Paragraph 8).

[3] 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.

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

[5] 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.

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

Table 2a. Benin: Implementation of Structural Benchmarks for 2010–13

Measure	Initial Date/ Revised Date	Objective	State of Execution
1. Adoption by decision of the Council of Ministers of a strategy for the reform of the civil service.	June 30, 2011 / May 31, 2012 / December 31, 2012	Limit the expansion of the wage bill and maintain fiscal space for investments and priority social expenditures.	Met with delay.
2. Starting the development of a complete and integrated information system at the DGID.	December 31, 2010/ March 31, 2012 / March 31, 2013	Contain the decline in revenue by improving the performance of the tax and customs administrations.	Met.
3. Generalization of the TIN to all taxpayers and all the units of the tax and customs administrations.	December 31, 2010/ December 31, 2011 / March 31, 2013	Contain the decline in revenue by improving the performance of the tax and customs administrations.	Met with delay.
4. Generalization of the systematic use of the TIN by the DGDDI and the cessation of the use of nonspecific identification numbers at the level of ASYCUDA^{++} (0000000000000 to 2999999999949).	December 31, 2010 / December 31, 2011 / March 31, 2013	Contain the decline in revenue by improving the performance of the tax and customs administrations.	Met with delay.
5. Block the following fields in the customs declaration (ASYCUDA^{++}): Taxpayer Identification Number (TIN), inspection certification number (AV), and customs valuation corresponding to the AV.	June 30, 2012 / June 30, 2013	Improve customs revenues.	Not met. Suspended pending implementation of the customs reform program
6. Including the PVI data to the one-stop window to facilitate systematic consistency checks, between the certification and attestation functions during data processing within the one-stop window.	June 30, 2012 / June 30, 2013	Improve customs revenues.	Not met. Suspended pending implementation of the customs reform program

Table 2b. Benin: Prior Actions and Structural Benchmarks for 2013-14

	Measure	Date/Status	Objective
	Prior actions		
1.	Cabinet adoption of the customs reform strategy and action plan for 2013-16, developed with FAD assistance.	Met	Improve customs revenue
2.	Establishing the institutional framework of reform, including an orientation and monitoring board and a steering committee.	Met	Improve customs revenue
	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	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	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	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	Improve customs revenue

ATTACHMENT 1. TECHNICAL MEMORANDUM OF UNDERSTANDING

August 7, 2013

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

A. Ceiling on Net Domestic Financing of the Government

Definitions

4. Net domestic financing of the government is defined as the sum of (i) net bank credit to the government, defined below, and (ii) net nonbank financing of the government, including the proceeds of the sale of government assets, which includes proceeds from the divestiture of parts of public enterprises, that is, privatizations, treasury bills, and other securitized obligations issued by the government and listed in CFA francs on the WAEMU regional financial market, and any Central Bank of West African States (*Banque centrale des États de l'Afrique de l'Ouest*, BCEAO) credit to the government, including any drawings on the CFA franc counterpart of the allocation of Special Drawing Rights (SDRs).

5. Net bank credit to the government is defined as the balance between the debts and claims of the government vis-à-vis the central bank and the national commercial banks. The scope of net credit to the government is that used by the BCEAO and is in keeping with general IMF practice in this area. It implies a definition of government that is broader than the one indicated in paragraph 2. Government claims include the CFA franc cash balance, postal checking accounts, customs duty bills, and all deposits with the BCEAO and commercial banks of government owned entities, with the exception of industrial or commercial public agencies (*établissements publics à caractère industriel et commercial*, EPICs) and government corporations, which are excluded from the calculation. Government debt to the banking system includes all debt to the central bank and the national commercial banks, including treasury bills and other securitized debt.

6. The figures deemed valid within the framework of the program will be the figures for net bank credit to the government and for the net amount of treasury bills and bonds issued in

CFA francs on the WAEMU regional financial market calculated by the BCEAO and the figures for nonbank financing calculated by the Treasury of Benin.

7. Gross external budgetary assistance is defined as grants, loans, and debt relief operations (excluding project-related loans and grants, use of IMF resources, and debt relief under the Highly Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiatives). Net external budgetary assistance is defined as the difference between gross external budgetary assistance and the sum of total debt service obligations on all external debt (defined, in turn, as the sum of interest payments and amortizations on all external loans, including interest payments and other charges to the IMF and on project-related loans, but excluding repayment obligations to the IMF), and all payments of external payments arrears.

Adjustments

8. The ceiling on net domestic financing (NDF) of the government will be adjusted if net external budgetary assistance exceeds or falls short of the program projections indicated in paragraph 9:

- If, at the end of a quarter, net external budgetary assistance exceeds the total projected amounts (cumulative since January 1 of the same year) by over CFAF 5 billion, the NDF ceiling will be lowered by an amount equivalent to this excess minus CFAF 5 billion. However, if the excess is entirely or partly allocated to the settlement of domestic arrears above and beyond the program objective specified in paragraph 9, the NDF ceiling will be lowered by an amount equal to the excess net external budgetary assistance compared with program targets, minus the sum of (a) CFAF 5 billion and (b) the excess repayment of domestic arrears compared with program targets.

- If at the end of a quarter, net external budgetary assistance falls short of the projected amounts (cumulative since January 1 of the same year), the NDF ceiling will be increased by an amount equivalent to this shortfall, within the following limits: the increase may not exceed: CFAF 20 billion at end-September 2013, and CFAF 35 billion at end-December 2013.

9. For the purposes of calculating the adjustment to the NDF ceiling, the following amounts are projected in the program:

- The amounts of gross external budgetary assistance (cumulative since January 1 of the same year) projected in the program are CFAF 11.3 billion at end-September 2013 and CFAF 40.4 billion at end-December 2013.

- The amounts of external debt service obligations (cumulative since January 1 of the same year) projected in the program are CFAF 31.5 billion at end-September 2013 and CFAF 44.1 billion at end-December 2013.

- The amounts of settlement of domestic payments arrears (cumulative since January 1 of the same year) projected in the program are CFAF 13.1 billion at end-September 2013 and CFAF 17.4 billion at end-December 2013.

- The amounts of settlement of external payments arrears (cumulative since January 1 of the same year) projected in the program are CFAF 0 billion at end-September 2013 and CFAF 0 billion at end-December 2013.

Performance criteria and indicative targets

10. The ceiling on net domestic financing of the government (cumulative since January 1 of the same year) is set as follows: CFAF 48.9 billion at end-September 2013 and CFAF 8.9 billion at end-December 2013.The ceiling is a performance criterion for end-September 2013 and an indicative target for end-December 2013.

B. Floor for Basic Primary Fiscal Balance

Definition

11. The basic primary fiscal balance is defined as being equal to the difference between total fiscal revenue (tax and nontax) and basic primary fiscal expenditure (on a payment-order basis). Basic primary fiscal expenditure is defined as fiscal (current plus capital) expenditure minus (a) the payments of interest on domestic and external debt, and (b) capital expenditure financed by external grants and loans. Grants are excluded from revenue and net government lending is excluded from fiscal expenditure.

Performance criteria and indicative targets

12. The floor on the basic primary fiscal balance (cumulative since January 1 of the same year) is a balance of not less than CFAF 13.4 billion at end-September 2013 and CFAF 32.3 billion at end-December 2013. The floor is a performance criterion for end-September 2013, and an indicative target for end-December 2013.

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

Definition

13. 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

14. 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.

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

Definition

15. 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

16. 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.

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

Definition

17. 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.

18. 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

19. 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.

20. 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.

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

Definition

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

22. 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

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

24. 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.

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

INDICATIVE TARGETS

A. Floor for Government Revenue

Definition

26. Total government revenue includes tax and non-tax revenue as shown in the TOFE, but excludes external grants, revenue of autonomous agencies, and privatization receipts.

Indicative targets

27. The indicative targets for total government revenue (cumulative since January 1 of the same year) are set as follows: CFAF 574.0 billion at end-September 2013, and CFAF 784.4 billion at end-December 2013.

B. Ceiling on Exceptional Payment Procedures

Definition

28. Exceptional payment procedures (*ordres de paiement hors de la chaîne de dépenses*) are defined as expenditures of a budgetary nature that are not executed following the stages of expenditure commitment (*engagement*) and validation (*liquidation)* before the payment order (*ordonnancement*) is issued, and that have not been regularized on the test date.

Indicative targets

29. The government undertakes to limit total expenditures (cumulative since January 1 of the same year) effected by exceptional payment procedures to a ceiling of: CFAF 7.5 billion at end-September 2013, and CFAF 10.6 billion at end-December 2013.

C. Floor for Priority Social Expenditures

30. Priority social expenditures are determined in line with the priority programs identified in the Growth and Poverty Reduction Strategy for 2011–15 (GPRS III). These expenditures consist of selected (nonwage) expenditures among other things in the following sectors: health; energy and water; agriculture; youth; sports and leisure; family and national solidarity; education; microfinance and employment; culture; literacy; and the promotion of national languages. Their execution is monitored on a payment-order basis during the program, through the integrated fiscal management system (SIGFiP).

Definition

31. The indicative target for priority social expenditures is defined as the total amount (cumulative since January 1 of the same year) of the payment orders issued under the budget lines indicated in Table 1.

Table 1. Priority Social Expenditure Categories

Budget code	Description
36	Ministry of Health
37	Ministry of Energy, Petroleum and Mineral Research; Water; and Development of Renewable Energy
38	Ministry of Culture, Literacy, Crafts and Tourism
39	Ministry of Agriculture, Livestock, and Fisheries
40	Ministry of Youth, Sports, and Leisure
41	Ministry of the Family, Social Affairs, National Solidarity, and Disabled and Senior Citizens
44	Ministry of Higher Education and Scientific Research
49	Ministry of Microfinance and Employment of Youth and Women
62	Ministry of Maternal and Primary Education
63	Ministry of Secondary, Technical, and Professional Training; and Reconversion and Inclusion of Youth

Indicative targets

32. The indicative targets for priority social expenditures (cumulative since January 1 of the same year) are set as follows: CFAF 110.7 billion at end-September 2013 and CFAF 136.0 billion at end-December 2013.

INFORMATION FOR PROGRAM MONITORING

A. Data on Performance Criteria and Indicative Targets

33. 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

34. 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.

35. The government will provide Fund staff with monthly risk analysis reports, as indicated in the relevant structural benchmark, including the following tables:

Table 2: Results of Inspections

	Selected for Green Channel	Selected for Yellow Channel	Selected for Red Channel	Total
Compliant				
Non-compliant (misdeclaration)				
Not Inspected				
Total				

Table 3: Rationale for Risk Classification

	Selected for Green Channel	Selected for Yellow Channel	Selected for Red Channel	Total
Assigned based on Intelligence				
Global Scoring Method				
Random selection				
Document Inspection (yellow channel)				
Total				

Table 4: Inspection Outcomes by Rationale of Risk Classification

<table>
<tr><th></th><th></th><th>Compliant</th><th>Non-compliant (misdeclaration)</th><th>Not Physically Inspected</th><th>Total</th></tr>
<tr><td rowspan="5">Rationale for Assignment to the Red Channel</td><td>Intelligence</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Global Scoring Method</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Random selection</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Document Inspection (yellow channel)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Total</td><td></td><td></td><td></td><td></td></tr>
</table>

INTERNATIONAL MONETARY FUND

BENIN

August 8, 2013

FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY AND REQUEST FOR EXTENSION OF THE ARRANGEMENT—INFORMATIONAL ANNEX

Prepared By

The African Department
(In consultation with other departments)

CONTENTS

RELATIONS WITH THE FUND

(As of June 30, 2013)

I. Membership Status: Joined: July 10, 1963		Article VIII
II. General Resources Account:	**SDR Million**	**%Quota**
Quota	61.90	100.00
Fund Holdings of Currency	59.62	96.32
Reserve Tranche Position	2.30	3.71
Notes Issuance	...	...
Holdings Exchange Rate	...	...
III. General Resources Account:	**SDR Million**	**%Quota**
Quota	61.90	100.00
Fund Holdings of Currency	59.62	96.32
Reserve Tranche Position	2.30	3.71
Notes Issuance	...	...
Holdings Exchange Rate	...	...
IV. SDR Department:	**SDR Million**	**%Allocation**
Net Cumulative Allocation	59.17	100.00
Holdings	49.69	83.99
V. Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
ECF Arrangements	76.95	124.31

VI. Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Jun 14, 2010	Sep 13, 2013	74.28	53.06
ECF[1]	Aug 05, 2005	Jun 30, 2009	24.77	24.77
ECF[1]	Jul 17, 2000	Mar 31, 2004	27.00	27.00

VII. Projected Payments to Fund [2]

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2013	2014	2015	2016	2017
Principal	0.35	3.93	6.02	7.96	11.94
Charges/Interest	0.00	0.01	0.18	0.17	0.14
Total	0.36	3.94	6.20	8.13	12.08

[1]Formerly PRGF.
[2]When a member has overdue financial obligations outstanding for more than three months the amount of such arrears will be shown in this section.

VIII. Implementation of HIPC Initiative:

	Enhanced Framework
I. Commitment of HIPC assistance	
Decision point date	July 2000
Assistance committed	
by all creditors (US$ million)[1]	265.00
Of which: IMF assistance (US$ million)	24.30
(SDR equivalent in millions)	18.40
Completion point date	March 2003
II. Disbursement of IMF assistance (SDR million)	
Assistance disbursed to the member	18.40
Interim assistance	11.04
Completion point balance	7.36
Additional disbursement of interest income[2]	1.66
Total disbursements	**20.06**

[1]Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence, these two amounts cannot be added.

[2]Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

IX. Implementation of Multilateral Debt Relief Initiative (MDRI):

I.	MDRI-Eligible Debt (SDR million)[1]	36.06
	Financed by: MDRI Trust	34.11
	Remaining HIPC resources	1.95

II. Debt Relief by Facility (SDR million)

	Eligible Debt		
Delivery Date	GRA	PRGT	Total
January 2006	N/A	36.06	36.06

[1]The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

Decision point - point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

Interim assistance - amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

Completion point - point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

X. Implementation of Post-Catastrophe Debt Relief (PCDR): Not Applicable.

XI. Safeguards Assessments:

The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAMU). The most recent safeguards assessment of the BCEAO was completed on March 1, 2010. The 2010 update assessment found that the BCEAO continues to have controls in place at the operational level. The overall governance framework needed nonetheless to be strengthened by the addition of an audit committee to ensure that the Board of Directors exercises appropriate oversight over the control structure, including the audit mechanisms and financial statements. Such committee was established after the completion of the assessment following the Institutional Reform of the WAMU and the BCEAO. Efforts to implement fully the International Financial Reporting Standards reporting framework should also be pursued.

XII. Exchange Arrangement:

Benin is a member of the WAEMU and has no separate legal tender. The union's common currency, the CFA franc, is pegged to the Euro at a rate of CFAF 655.957 = EUR 1, consistent with the official conversions rate of the French franc to the Euro and the previous fixed rate of the CFA franc to the French franc of CFAF 100= F 1. Effective January 1, 2007, the exchange arrangement of the WAEMU countries has been reclassified to the category of conventional pegged arrangement from the category of exchange arrangement with no separate legal tender. The new classification is based on the behavior of the common currency, whereas the previous classification was based on the lack of a separate legal tender. The new classification thus only reflects a definitional change, and is not based on a judgment that there has been a substantive change in the exchange regime or other policies of the currency union or its members. The exchange system common to all member countries of the WAEMU is free of restrictions on payments and transfers for current international transactions subject to IMF jurisdiction.

XIII. Article IV Consultations:

The last completed Article IV consultation discussions were held in Cotonou during July 16–30, 2012. The staff report (Country Report No 13/9; 1/11/13) and selected issues paper were discussed by the Executive Board, and the 2012 Article IV consultation concluded on November 9,, 2012.

XIV. ROSC Assessment:

A Fiscal Affairs Department (FAD) mission conducted the fiscal module of a Report on Observance of Standards and Codes (ROSC) in May 2001. The mission recommended the adoption of a three-year action plan containing measures to improve expenditure management. The mission also identified a list of actions to be taken quickly to ensure that the authorities were able to monitor budget execution. The ROSC fiscal transparency module for Benin was circulated to the Board on June 6, 2002 (Country Report No. 02/217). In 2009, the World Bank conducted an Accounting and Auditing ROSC, for which the report was published on April 18, 2009.

XV. Technical Assistance for the Last Five Years:

A. Headquarters

Department	Type of Assistance	Time of Delivery	Purpose
FAD	Technical assistance	June 16–30, 2008	Conducting a diagnostic of the tax system and preparing a tax policy reform.
FAD	Technical assistance	June 15–26, 2009	Assessing progress in modernizing the tax and customs administration and identifying reform priorities.
MCM	Technical assistance	September 10–24, 2010	Conducting a crisis resolution and financial systems vulnerability assessment.
FAD	Technical assistance	December 1–12, 2011	Improving the tax system and reviewing the modernization reforms of the tax and customs administrations.
MCM	Technical assistance	December 8-21, 2011	Conducting a diagnostic of the financial system.
MCM	Technical assistance	September 6-17, 2012	Conducting a pilot review of financial sector issues to reinforce regular financial sector surveillance.
FAD	Technical assistance	April 25-May 10, 2013	Assessing progress in customs administration modernization, reviewing a new customs reform concept and providing advice on the management of a comprehensive reform program.

B. AFRITAC West

Department	Type of Assistance	Time of Delivery	Purpose
FAD	Technical assistance	2008	Tax Administration
FAD	Technical assistance	2009	Public Expenditure Management
FAD	Technical assistance	2010	Tax Administration
FAD	Technical assistance	2010	Customs Administration

Department	Type of Assistance	Time of Delivery	Purpose
FAD	Technical assistance	2010	Tax Administration
FAD	Technical assistance	2011	Customs Administration
FAD	Technical assistance	2011	Customs Administration (2)
FAD	Technical assistance	2011	Customs Administration (3)
FAD	Technical assistance	2011	Tax Administration
FAD	Technical assistance	2011	Public Expenditure Management
FAD	Technical assistance	2012	Public Expenditure Management
FAD	Technical assistance	2012	Tax Administration
FAD	Technical assistance	2013	Customs Administration
MCM	Technical assistance	2008	Public Debt and Debt Sustainability
MCM	Technical assistance	2010	Public Debt and Debt Sustainability
MCM	Technical assistance	2010	Bank Supervision and Regulation
MCM	Technical assistance	2011	Public Debt and Debt Sustainability
MCM	Technical assistance	2012	Public Debt and Debt Sustainability
STA	Technical assistance	2008	Multisector Statistics
STA	Technical assistance	2009	National Accounts Statistics
STA	Technical assistance	2008	Real Sector Statistics
STA	Technical assistance	2009	National Accounts Statistics
STA	Technical assistance	2010	Government Finance Statistics
STA	Technical assistance	2011	Government Finance Statistics

Department	Type of Assistance	Time of Delivery	Purpose
STA	Technical assistance	2011	Real Sector Statistics
STA	Technical assistance	2011	Real Sector Statistics (2)
STA	Technical assistance	2012	Real Sector Statistics
STA	Technical assistance	2012	Real Sector Statistics (2)
STA	Technical assistance	2012	Government Finance Statistics
STA	Technical assistance	2013	Real Sector Statistics

XVI. Resident Representative:

Mr. Farah assumed his position in Cotonou as Resident Representative on June 20, 2011.

JOINT WORLD BANK-IMF WORK PROGRAM, 2013–14

Title	Products	Timing of Mission	Expected Delivery Date
A. Mutual information on relevant work programs			
Bank work program in the next 12 months	1. Poverty/Gender Assessment		September 2013
	2. PRSC-9		March 2014
	3. Technical Assistance in HR and Payroll System Integration	Semi-annually	Ongoing
	4. Tax policy Note	June 2013	August 2013
	5. Public Investment Policy Note	June 2012	August 2013
	6. Customs Reform Technical Assistance	As needed	Ongoing
IMF work program in the next 12 months	1. Fifth ECF Review	July 2013	August 2013
	2. Sixth ECF Review	January 2014	April 2014
B. Requests for work program inputs			
Fund request to Bank	Provide authorities with best practice guidance on cotton sector models to further improve performance of the sector		Ongoing
Bank request to Fund	Regular updates on macroeconomic performance and assessment letters for PRSC operations		Ongoing
C. Agreement on joint products and missions			
Joint products in the next 12 months	Debt Sustainability Analysis	January 2014	March 2014
	Coordinated assistance on Customs reform		Ongoing

STATISTICAL ISSUES

A. Assessment of Data Adequacy for Surveillance
General: Data provision has some shortcomings, but is broadly adequate for surveillance. Weaknesses exist in the areas of national accounts, public finance, monetary statistics, financial sector prudential indicators, and balance of payments.
Real sector statistics: Inadequate resources and weaknesses in data documentation and methodology hamper the accuracy and reliability of the national accounts. Efforts to address these shortcomings are ongoing. Benin participates in WAEMU's harmonization of statistical methodologies and in the GDDS project for AFRITAC West countries to implement the 1993 SNA. Progress has been slow and the accounts for a few years still need to be converted. The West AFRITAC missions in 2008-13 sought to accelerate the process and support the compilation of the revised accounts. A statistical business register and an industrial production index are being developed, but the implementation has been slower than expected. Consumer price data, measured using the WAEMU harmonized consumer price index, are adequate for surveillance. The methodology for the WAEMU harmonized consumer price index has been revised to be consistent with other WAEMU countries with the assistance of AFRISTAT.
Government finance statistics: The quality of fiscal data is broadly adequate for surveillance, but has some shortcomings in coverage, periodicity, timeliness, and accessibility. The authorities report budgetary central government's "statement of sources and uses of cash" for publication in the Government Finance Statistics Yearbook, one year after the reference year. The October 2008 and July 2009 STA-GFS missions found that the authorities had yet to compile general government GFS to broaden coverage of nonmarket activities controlled by the government, disseminate the GFS within one quarter after the reference quarter, and present the other major GFS reports to facilitate linkages to other macroeconomic datasets (e.g., the balance sheet).
Monetary and financial statistics: Monetary and financial statistics, compiled and disseminated by the BCEAO, are broadly adequate and their institutional coverage is comprehensive, but timeliness of reporting is weak. Accuracy is somewhat hampered by the use of 1990 sorting coefficients to estimate cross border amounts of banknotes among BCEAO countries, which in turn, are used to estimate currency in circulation and to adjust the net foreign assets of each member country. A recent STA technical assistance mission (April 29 – May 10, 2013) recommended significant changes to the estimation of gross foreign assets imputed to the national balance sheet of the BCEAO. Financial sector indicators are available with a significant lag (latest available before mission June 2012) which makes evaluating the current status of the financial sector difficult.
Balance of payments: External statistics are still affected by shortcomings that prevent an accurate and timely assessment of current account transactions and capital and financial flows. Recent improvements in applying the guidelines of the Balance of Payments Manual, Fifth Edition, have not solved the problem. In November 2004, a STA technical assistance mission noted that the human resources devoted to balance of payments statistics by the national agency of the BCEAO were inadequate, and highlighted a series of methodological problems including the use of untested hypotheses and reference bases, the limited coverage of direct investment, and shortcomings in the compilation of net external assets and international investment position. Balance of payments statistics are also disseminated with a lag of almost one year and the international investment position data with a lag of 18 months. Some progress has been achieved

in the reconciliation of regional trade data with those of regional partners, and the compilation of trade statistics has been enhanced by the installation of the ASYCUDA++ customs computer system in all main border customs houses, the port, the airport, and some regional offices. Progress is also needed in improving contacts with reporting bodies and enhancing the management of human and technical resources. Financial account data can be improved by extending the coverage of foreign assets of the private non-banking sector, expanding the surveys of residents' foreign assets, and using other data source, such as Bank of International Settlements (BIS) statistics. The BCEAO has updated the compilation of commercial bank data on payments involving nonresidents; however, these data are not used to produce annual balance of payments statistics. External debt data are broadly adequate for surveillance, but are comprehensive only for public and publicly guaranteed debt. Data are collected by the *Caisse Autonome d'Amortissement* (CAA), which is responsible for signing international loan agreements and servicing the government's external debt obligations. The CAA's database is fairly comprehensive and up-to-date, and contains accurate stock data, and produces projected debt-service flows on a loan-by-loan basis, but regular statements are not received from creditors.	
B. Data Standards and Quality	
Benin commenced its participation in the General Data Dissemination System (GDDS) in 2001; but since then has not updated much of its metadata. Measures have been taken to re-launch this initiative in 2013.	An FAD mission conducted the fiscal module of a Report on Observance of Standards and Codes (ROSC) in May 2001.
C. Reporting to STA	
Standardized Report Forms (in line with the Monetary and Financial Statistical Manual) are still not regularly used to report monetary data to the IMF. Annual data for balance of payments and international investment position are reported to STA with a lag of about one and a half years.	

Benin: Table of Common Indicators Required for Surveillance

(As of September 30, 2012)

	Date of Latest Observation	Date Received	Frequency of Data[7]	Frequency of Reporting[7]	Frequency of Publication[7]
Exchange Rates	Current	Current	D	D	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	4/13	6/13	M	M	M
Reserve/Base Money	4/13	6/13	M	M	M
Broad Money	4/13	6/13	M	M	M
Central Bank Balance Sheet	4/13	6/13	M	M	M
Consolidated Balance Sheet of the Banking System	4/13	6/13	M	M	M
Interest Rates[2]	4/13	6/13	M	M	M
Consumer Price Index	5/13	6/13	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	3/31	7/1	M	M	NA
Stocks of Central Government and Central Government-Guaranteed Debt[5]	12/31	7/1	S	S	NA
External Current Account Balance	2012	5/13	A	A	A
Exports and Imports of Goods and Services	2012	5/13	A	A	A
GDP/GNP	2012	3/13	A	A	A
Gross External Debt	12/31	7/1	A	I	A
International Investment Position[6]	2008	9/10	A	A	A

[1]Any reserve assets pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the national values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.
[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes, and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Includes external gross financial asset and liability position vis-à-vis nonresidents.
[7] Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Semiannually (S); Irregular (I); Not Available (NA).

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August 28, 2013

International Monetary Fund
Washington, D.C. 20431 USA

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

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

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

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

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

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

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

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

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

Statement by Kossi Assimaidou, Executive Directeur for Benin
August 28, 2013

On behalf on my Beninese authorities, I would like to thank Management and staff for the continued support they have received in their ongoing efforts to improve the economic and financial performance of the country. They especially appreciate the advice and assistance provided in the implementation of the program supported by the Extended Credit Facility (ECF).

Program implementation under the present ECF arrangement has been broadly satisfactory, in spite of a number of adverse exogenous developments. All performance criteria and all indicative quantitative targets for end-September 2012 were met. The macroeconomic framework put in place in October 2012 remains unchanged, and my Beninese authorities remain committed to the implementation of the policies under the program. In this context they are requesting the completion of the fifth review and an extension of the ECF arrangement until end-April 2014 so that they can implement the new approach to customs reform, which should help improve fiscal performance significantly.

This new approach has been made necessary due to difficulties encountered in the implementation of the import verification program (IVP) at the Port of Cotonou. It has been developed with technical assistance from the IMF, and is focused on capacity building in customs administration. The new strategy is comprehensive and includes reform measures that cover all aspects of customs administration. To implement this strategy, the government has drafted and adopted an action plan, and has also established the institutional framework for reform comprising a strategy and surveillance committee and steering committee.

Recent economic developments

Since the cancellation of the two management and service contracts in 2012, performance at the port and in the cotton sector has improved significantly under the government supervision. Traffic at the port has returned to its pre-IVP levels and efficiency even improved as dwell time at the port is now shorter than its pre-reform level. This surge in port traffic boosted trade-related activities. Cotton production of the 2012/13 campaign, which the government managed entirely, increased by 20 percent to 240,000 tonnes, thanks to favorable weather conditions and strengthened assistance to cotton producers. The good performance in the two sectors drove economic growth which reached 5.4 percent in 2012. As expected, inflation shot up to 6.9 percent at end-2012 as result of the reduction in petroleum subsidies in Nigeria in early 2012. It subsided in 2013 and stood at 5.0 percent in May 2013. Despite higher exports, notably cotton and textiles, the current account deficit widened due to much higher imports of oil products and agricultural inputs. Nevertheless, the balance of payments deficit declined reflecting strong financial flows.

Fiscal performance in 2012 was better than expected as my authorities steadily pursued the implementation of their fiscal consolidation program. The prudent fiscal policy continued in 2013 with notably revenues at end-March 2013 in line with program targets thanks to reforms at the Port of Cotonou and a strengthening of the tax administration. Expenditures however exceeded the program target due to advances to the cotton sector for the 2013/14 campaign (it is expected that these advances will be repaid by end-2013 with cotton exports receipts). Consequently the overall fiscal deficit was higher than expected at 1.5 percent instead of 1.3 percent. Along with fiscal consolidation, my authorities pursued a prudent debt policy management throughout 2012. Public debt decreased from 31.9 percent of GDP in 2011 to 29.1 percent in 2012 and the risk of a debt crisis remains low.

Money supply increased by 8.9 percent in 2012 and 11.2 percent at end-March 2013 along with traffic recovery at the Port of Cotonou and greater trade-related activities. The banking sector remains generally sound. However, as staff indicates, non-performing loans increased between June 2012 and May 2013 due to a sharp increase in the NPLs of a private bank that accounts for less than 4 percent of the total assets of the banking system. This bank has been recapitalized to meet the capital adequacy ratio.

The implementation of structural reforms has advanced significantly. As noted above, a new approach to customs reform has been put in place. My authorities developed a comprehensive and an integrated information system in the tax administration. In the same vein, the generalization of the single taxpayer identification number (TIN) to all taxpayers has continued. Significant progress was also made in the civil service reform, with notably the adoption of the reform strategy in April 2013. The financial governance framework was strengthened with the creation of a National Anti-Corruption Authority and the issuance of the implementation decrees for the anti-corruption law. Also noteworthy are the measures taken to enhance investment and social spending and the decision to audit public enterprises, including those involved in the 2012/13 cotton campaign. On the legislative front, the Parliament adopted a new organic budget law in accordance with regional directives. In the same vein, three regional pieces of legislation regarding the financial sector were promulgated. Recent reforms to improve the business environment include the establishment of a single window to speed up the process of creating new businesses and the creation of three specialized chambers within the Cotonou Court to accelerate the settlement of trade disputes.

Policies for the remainder of 2013 and beyond

My authorities remain committed to achieving its macroeconomic stability and sustainable development objectives. In this regard, they intend to pursue their economic and financial program aimed at sustaining a strong and equitable growth over the medium-term and improving the populations' living conditions, in accordance with the third-generation Growth and Poverty Reduction Strategy document (PRSP III) for 2011-2015 and the Priority Action Program (PAP). In particular, while significant progress has been made towards achieving the Millennium Development Goals, my authorities recognize that further efforts will be necessary to meet the MDGs on time, especially in the sectors of health, primary education, water and sanitation. Therefore, a special emphasis will be placed on the priority actions defined to that effect, building on the priority social expenditures mechanism.

In addition, my authorities believe that sustaining a high growth rate over the medium-term will require investment in infrastructure, notably for energy and transportation. This will further improve business environment, consolidate recent gains at the port and in the cotton sector and strengthen Benin's position as a transit hub for the countries in the hinterlands. With the assistance of the World Bank, a list of strategic investment projects is being prepared and a public private partnership framework is being developed. Both elements will be presented to private investors at a roundtable for development financing which will take place in November 2013. My authorities will assess the fiscal implications of the final list of projects following this event and integrate them into the medium-term projections. In developing their investment plan, my authorities will remain committed to a prudent debt management.

On the basis of the policies being implemented, real GDP growth in 2013 is forecast to remain high at 5 percent, owing to the ongoing measures to increase agricultural output and enhance the capacity and competitiveness of the Port of Cotonou. Inflation is projected to continue to decline to 3 percent, the inflation threshold in the WAEMU. The current account deficit is projected to decline due to higher cotton export and lower imports. My authorities agree with the staff's assessment of risks to the country's economic outlook, notably those stemming from the dependence on weather and the vulnerabilities to commodity price volatility and trade policy decisions in neighboring Nigeria.

Fiscal policy will focus on achieving the fiscal objectives for 2013. In this regard, my authorities will accelerate the implementation of fiscal reforms by placing a particular emphasis on public financial management and the strengthening of the tax administration in order to increase mobilization of domestic revenue, and reduce reliance on customs revenue. Regarding the customs reform, measures will be taken in accordance with the action plan adopted.

My authorities will continue to strengthen the financial sector framework with a view to increasing its contribution to the country's economic development. They will pursue, as in the past, the resolution of troubled banks in cooperation with the regional banking supervision commission.

Conclusion

Performance under the ECF at end-September has been satisfactory. In light of the good performance under the ECF, and given my authorities' continued commitment to the program, I will appreciate the Executive Board's support for the completion of the fifth review under the ECF, as well as the request for the extension of the arrangement.