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BENIN

July 2025

SIXTH REVIEWS UNDER THE EXTENDED FUND FACILITY AND THE EXTENDED CREDIT FACILITY ARRANGEMENTS, AND THIRD REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR BENIN

In the context of the Sixth Reviews Under the Extended Fund Facility and the Extended Credit Facility Arrangements, and Third Review Under the Resilience and Sustainability Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 18, 2025, following discussions, that ended on April 11, 2025, with the officials of Benin on economic developments and policies underpinning the IMF arrangements under the Extended Fund Facility and the Extended Credit Facility, and the Resilience and Sustainability Facility. Based on information available at the time of these discussions, the staff report was completed on June 3, 2025.
- A **Statement by the Executive Director** for Benin.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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Washington, D.C.

BENIN: IMF Executive Board Completes Sixth Reviews of Extended Fund and Extended Credit Facilities, and Third Review of the Resilience and Sustainability Facility

FOR IMMEDIATE RELEASE

- The IMF Executive Board today completed the Sixth Reviews of Benin's Extended Fund Facility (EFF) and the Extended Credit Facility (ECF) and the Third Review under the Resilience and Sustainability Facility (RSF). The decision allows for an immediate disbursement of about US$ 90 million.
- Benin's successful fiscal reforms supported the convergence to the West African Economic and Monetary Union (WAEMU) fiscal deficit norm of 3 percent of GDP one year ahead of schedule, with sustained domestic revenue mobilization and prioritized social spending. The 2025 budget is designed to sustain this achievement.
- A key challenge ahead for Benin is to preserve the reform momentum and strengthen policies that foster inclusive growth and an economic transformation that benefits all Beninese.

Washington, DC: The Executive Board of the International Monetary Fund (IMF) has completed the Sixth Reviews under the 42-month blended Extended Fund Facility (EFF) and the Extended Credit Facility (ECF) arrangements, and the Third Review under the Resilience and Sustainability Facility (RSF) arrangement. The EFF/ECF was approved by the IMF Executive Board in July 2022 (see PR 22/252) and complemented by the RSF in December 2023 (see PR 23/452).

The completion of the reviews allows for the immediate disbursement of about US$ 36 million (SDR 26.2 million) under the EFF/ECF—bringing total disbursements under the program to about US$ 623 million (SDR 457.6 million)—and of about US$ 54 million (SDR 39.616 million) under the RSF arrangement.

Economic activity in Benin accelerated over the past five years, and markedly in 2024. Growth reached 7.5 percent year-over-year—its highest level yet— and it is expected to remain strong in the medium term. The current account of the balance of payments deteriorated temporarily, due to large professional services imports related to the Glo-Djigbé Industrial Zone (GDIZ). It is expected to recover gradually, as exports from the special economic zones increase and the services deficit continues to moderate over time.

Program performance under the EFF/ECF has been strong, with all end-December 2024 quantitative targets met and structural benchmarks completed. On the RSF front, the authorities adopted new regulations for water resources monitoring, construction, and renewable energy. They also revised electricity tariff regulations to improve the financial sustainability of electricity production and distribution companies. Benin's partners have pledged financial support for the country's climate agenda following COP29 and the 2024 climate finance roundtable. Accordingly, the authorities are working on a climate-related taxonomy that is aimed at further catalyzing climate finance.

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Following the Executive Board discussion on Benin, Mr. Okamura, Deputy Managing Director, and acting chair, issued the following statement:

“Benin’s performance under its Fund-supported arrangements has been strong. Its strong institutional foundation and the authorities’ economic reform drive and sound macroeconomic management have yielded tangible dividends, with high and more stable growth, favorable access to international markets, and continued support from development partners. The authorities should nonetheless remain vigilant to regional and global risks, maintain fiscal discipline and reform momentum, and strengthen inclusive policies.

“Frontloaded fiscal consolidation in 2024 supported Benin’s convergence to the West African Economic and Monetary Union (WAEMU) fiscal deficit norm of 3 percent of GDP, one year in advance. The 2025 budget continues to target compliance with the deficit norm, while the fiscal adjustment remains anchored in the Medium-Term Revenue Strategy. In that context, maintaining the tax collection efforts coupled with prudent spending will preserve fiscal discipline. Rebalancing the debt portfolio toward domestic debt over time while remaining cognizant of refinancing risks, in line with the authorities’ Medium-Term Debt Strategy, and together with continued proactive debt management, will help mitigate external rollover risks.

“The authorities should continue laying the foundation for inclusive private sector-led growth to entrench the ongoing economic transformation. Fiscal transparency and good governance are key to maintaining market confidence. Further efforts are needed to support the development of SMEs. Regularly updating the social registry and developing a comprehensive mapping of social protection programs will improve the efficiency and targeting of social assistance initiatives toward vulnerable households across the country.

“Continued vigilance by supervisory authorities vis-à-vis public and non-public financial sector risks will help safeguard financial stability and limit contingent liability risks.

“The authorities have revised regulations for water resources monitoring, construction, electricity tariffs, and renewable energy in line with their climate agenda. The authorities should accelerate the reforms aimed at enhancing resilience to climate change and continue to advance their agenda under the Resilience and Sustainability Facility (RSF), to promote long-term balance of payments stability and catalyze private-led climate finance.”

BENIN

June 3, 2025

SIXTH REVIEWS UNDER THE EXTENDED FUND FACILITY AND THE EXTENDED CREDIT FACILITY ARRANGEMENTS, AND THIRD REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT

EXECUTIVE SUMMARY

Context. Benin's strong institutional foundation and economic reform drive, combined with sound macroeconomic management, has generated tangible dividends. Economic activity accelerated over the past five years—and markedly in 2024—with promising signs of economic transformation and less volatile income growth. Fiscal consolidation in 2024 supported Benin's convergence to the WAEMU deficit norm of 3 percent of GDP one year in advance—one of only two countries to do so in the WAEMU. The 2025 budget will therefore target a minor adjustment to remain in compliance with the WAEMU deficit norm. The strong reform drive has sustained development partners' engagement and reaffirmed international investors' confidence: budget support continues to consistently exceed expectations, while access to international markets is marked by successful issuances. Going forward, Benin will need to manage socio-political and security challenges, while maintaining the reform and tax collection momentum and strengthening inclusive policies to entrench the ongoing economic transformation.

Program performance under EFF/ECF and RSF. Program performance under the EFF/ECF has been strong, with all QPCs and ITs at end-2024 met and the two structural benchmarks (SBs) for the review implemented. On the RSF front, the authorities met four reform measures due for this review, making important strides in reforming the construction code, water resources, electricity tariffs, and renewable energy regulations.

Policy discussions. Policy discussions under the Sixth EFF/ECF and Third RSF Reviews focused on i) maintaining a strict fiscal stance through credible and sustainable policies in the 2025 budget; ii) strengthening social safety nets; iii) advancing reforms aimed at sustaining economic transformation, enhancing governance, and safeguarding financial stability; and iv) advancing the climate agenda and catalyzing green finance.

Approved By
Annalisa Fedelino (AFR) and Niamh Sheridan (SPR)

Discussions were held in Cotonou during April 1–11, 2025. The mission comprised Mr. Lambert (head), Mr. Some (Resident Representative), Mr. Bennouna and Ms. Tawk (all AFR), and Messrs. Hynes (SPR), Kisat (FAD), Houessou (local economist). Mses. Gardes-Landolfini (MCM) and von Thadden-Kostopoulos (FAD) participated remotely in some RSF-related meetings. The mission was supported from headquarters by Ms. Eckling and Ms. Chu, and from the local office by Ms. Nononsi. Ms. Boukpessi (OED) attended the meetings in-person. The mission met with Senior Minister of Economy and Finance Wadagni, Minister of Health Hounkpatin, National Director of the Central Bank of West African States (BCEAO) Assilamehoo, and other senior government officials. The team also met with representatives of civil society, small and medium enterprises, farmers, the donor community, and other stakeholders.

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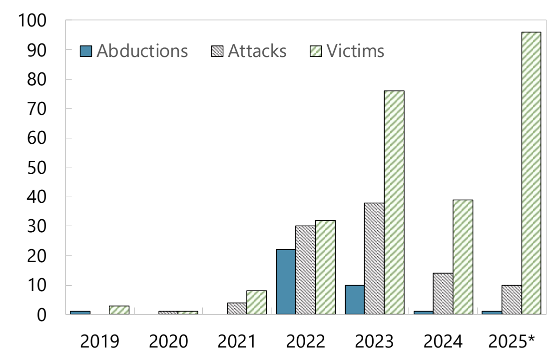
CONTEXT

1. **Benin's strong institutional foundation and economic reform drive, combined with sound macroeconomic management, have generated tangible dividends.** Fiscal consolidation in 2024 resulted in Benin's convergence to the West African Economic and Monetary Union (WAEMU) deficit norm of 3 percent of GDP one year in advance—one of two countries to do so in the WAEMU. Economic activity accelerated over the past five years—and markedly in 2024—with promising signs of economic transformation and less volatile income growth. This has sustained development partners' engagement and international investors' confidence.

2. **The country is gearing up for general elections amid security challenges in the region.** Presidential elections are scheduled to be held in April 2026 following parliamentary elections in January. Opposition figures have expressed concerns about the new electoral code which they deem too restrictive and requested an audit of the electoral list that the government agreed to finance. Incumbent President Patrice Talon has reiterated his promise not to seek a third term in office. Increasing political polarization in the run-up to the elections is adding to regional insecurity challenges, particularly in the North. New terrorist attacks since the beginning of the year have resulted in the loss of lives in the Point Triple area (Text Figure 1). Persistent disparities in social indicators across regions and income groups are disproportionally affecting low-income households. Notwithstanding these challenges, the authorities remain committed to steadfast implementation of their reform agenda, supported by the EFF/ECF and RSF arrangements.

Text Figure 1. Benin: Terrorist Incidents in Benin
(2019–2025*, number of people affected)



*as of April 24, 2025
Sources: Media reports and IMF staff calculations.

RECENT ECONOMIC DEVELOPMENTS

3. **The Beninese economy was stronger than expected despite large shocks.**

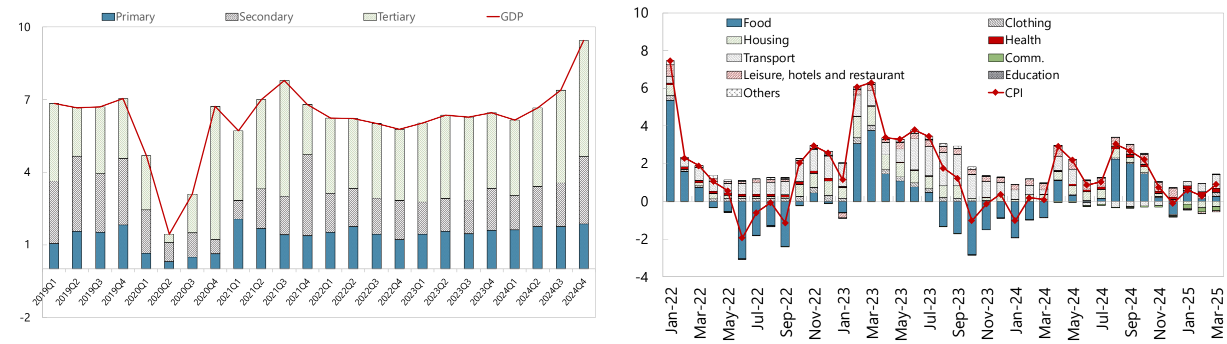
- **Real GDP growth** is estimated to have reached its highest level yet at 7.5 percent (y/y) in 2024, mainly driven by agriculture, construction, and trade (Text Figure 2a). The port of Cotonou (PAC) activity increased by 10 percent in 2024 after collapsing in 2023 (-13 percent) due to the border closure with Niger and policy shifts in Nigeria. The activity accelerated in 2024H2 with the PAC almost operating at full capacity since October.

- **Inflation** declined to around 0.5 percent (y/y) in 2025Q1, as food prices were contained on the back of a good harvest season, the normalization of fuel prices in Nigeria, and government measures to reduce illicit exports of food staples to neighboring countries (Text Figure 2b). The National Statistics Institute rebased the harmonized consumption price index to 2023 in January 2025 (see Annex III).

Text Figure 2. Benin: Recent Economic Developments, 2019-2024

Text Figure 2a. Contributions to Growth
(2019Q1-2024Q4, y/y, percentage points)

Text Figure 2b. Contributions to Inflation
(Jan 2022-Mar 2025, y/y)



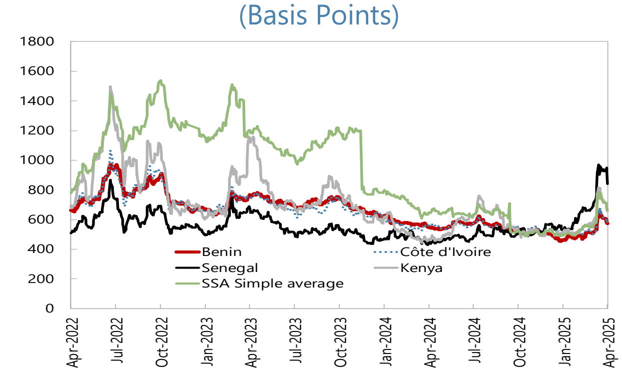
Sources: Beninese authorities and IMF staff calculations.

- **The current account deficit** was estimated at 6.8 percent of GDP in 2024, reflecting a deterioration from the fifth review due to a wider services deficit driven by higher professional services imports related to the Glo-Djigbé Industrial Zone (GDIZ). Goods exports and imports have been revised down for 2024 by 2.5 and 3.1 percentage points of GDP respectively, mainly due to reduced estimates of illicit exports, faster fiscal consolidation, and lower growth in capital goods imports for the GDIZ.

- **Credit** to the private sector slightly decelerated in 2024 to 11 percent (y/y) at end December (compared to 20 percent the previous year), mainly driven by the construction and trade sectors, while non-performing loans have remained low (4 percent at end-December 2024, compared to 4.8 percent at end-December 2023).

- **External borrowing.** In January 2025, Benin issued a 16-year US$ 500 million Eurobond and contracted a 15-year EUR 500 million commercial loan from Deutsche Bank, supported by the World Bank Policy-Based Guarantee for debt management operations (Box 1). EMBI spreads narrowed to below 500 bps earlier in the year but widened to 557 bps by end-May due to increased market volatility (Text Figure 3).

Text Figure 3. Benin: Sovereign Spreads, 2022-2025
(Basis Points)



Sources: Bloomberg Professional Services and IMF staff calculations.

Box 1. Benin: Recent External Borrowing Operations

In January 2025, Benin issued a US$ 500 million Eurobond and contracted a EUR 500 million commercial loan, with a EUR 200 million World Bank's Policy-Based Guarantee (PBG). The Eurobond was issued with a coupon rate of 8.375 percent and a 16-year maturity and was swapped to EUR 486 million to mitigate foreign currency risks. The conditions for the Eurobond currency hedge are fixed for three years and will be renegotiated by the authorities after that. The operation brought down the interest cost to 6.48 percent. The proceeds of the Eurobond are expected to be used for budget financing (Box Table 1). The commercial loan, also covered by another partial guarantee from the African Trade and Investment Development Insurance (ATIDI), carries a favorable rate of 6.02 percent, with a 15-year maturity. As the Eurobond proceeds will be used for budget financing rather than the repayment of external debt, they are expected to contribute to pooled reserves.

The authorities used EUR 250 million of the commercial loan for an external debt management operation (DMO). The DMO enabled the early repayment of 45.3 percent of a 2032 Eurobond, which was repurchased with a 7.4 percent discount, generating savings of almost EUR 20 million. In addition, the DMO lowered the Eurobond's principal, thus reducing interest payments by EUR 92 million between 2025 and 2032. Overall, the operation resulted in net present value savings of about EUR 4.2 million, in addition to the savings from the repurchase of the Eurobond at a discount.

The remainder of the commercial loan will be used for early repayment of domestic debt. The authorities are planning an early repayment of domestic debt maturing between May and August 2025. Given higher borrowing rates and shorter maturities on the regional domestic market, the operation will prevent the issuance of costlier domestic debt to replace maturing debt, thereby improving the country's overall debt profile.

Box 1. Table 1. Benin: Prospective Uses of External Financing in 2025

	Eurobond 2024	Eurobond 2025	Commercial loan 2025
Total principal	US$750 million	US$500 million	EUR500 million
External debt management operations	US$250 million		EUR250 million
Domestic debt management operations			EUR250 million
Budget financing	US$500 million	US$500 million	

4. **End-December data suggests a strong fiscal performance in 2024, supported by robust revenue collection and spending restraint.** Tax revenue increased by 11.9 percent (compared to a nominal GDP growth of 9.1 percent), with strong growth in both taxes on foreign trade (12.5 percent y/y) and direct and indirect taxation (11.7 percent y/y). The improvement in tax collection of 0.3 ppt of GDP was in line with targets in Benin's Medium-Term Revenue Strategy (MTRS) (Text Table 1). Revenue mobilization was driven by administrative and policy measures such as an increased application of transactional values at customs and the removal of payroll tax exemptions for public agencies. Expenditure was nearly flat in real terms, as increases in interest expenses (22.1 percent y/y) from costlier regional financing conditions and interest on Eurobond issuance were partly offset by a decline in capital expenditure (-5.1 percent y/y) and in goods and services spending (-4.1 percent y/y). The overall deficit decreased to 3 percent of GDP, in line with the WAEMU deficit norm, and significantly lower than the 3.7 percent of GDP expected at the time of the fifth review. Public debt as a share of GDP is also estimated to have declined substantially, to 53.4 percent of GDP from 54.9 percent of GDP in 2023, reversing the rising trend of the past decade.

Text Table 1. Benin: Fiscal Outturns, December 2024

	FCFA bn	Percent of GDP	Distance to projections at 5th Review, FCFA bn	Distance to projections at 5th Review, percent of GDP
Total revenue and grants	**1,952.4**	**15.0**	**-28.9**	**-0.2**
Total revenue	1,895.6	14.6	1.8	0.0
Tax revenue	1,721.7	13.2	6.3	0.0
Nontax revenue	173.9	1.3	-4.5	0.0
Grants	56.9	0.4	-30.6	-0.2
Project grants	42.0	0.3	-24.7	-0.2
Budgetary grants	14.9	0.1	-5.9	0.0
Total expenditure and net lending	**2,344.8**	**18.0**	**-115.9**	**-0.9**
Current expenditure	1,389.8	10.7	-55.4	-0.4
Current primary expenditure	1,157.6	8.9	-55.7	-0.4
Wage bill	576.4	4.4	-32.6	-0.3
Pensions and scholarships	98.4	0.8	-12.0	-0.1
Current transfers	373.0	2.9	22.7	0.2
Expenditure on goods and services	109.8	0.8	-33.8	-0.3
Interest	232.2	1.8	0.3	0.0
Capital expenditure	**960.1**	**7.4**	**-55.4**	**-0.4**
Financed by domestic resources	591.9	4.5	28.8	0.2
Financed by external resources	368.2	2.8	-84.2	-0.6
Overall balance (commitment basis, incl. grants)	**-392.4**	**-3.0**	**87.0**	**0.7**

Sources: Beninese Authorities; and IMF staff calculations.

Note: + denotes outturns higher than projections. – denotes outturns lower than projections.

OUTLOOK AND RISKS

5. **The medium-term macroeconomic outlook is expected to remain strong, broadly in line with the fifth review** (Text Table 2).

- Headline inflation is expected to increase to 2.1 percent in 2025 (from 1.2 percent in 2024) due to an expected increase in non-energy import prices and second-round effect from the recent fuel prices increase.
- Growth forecasts for 2025-26 are around 6.5 percent, driven by infrastructure projects and private investment, including ones related to the Special Economic Zone (SEZ) with the construction of about 20 new production units in GDIZ.[1] Over the medium term, growth would

[1] On April 23, 2025, the government adopted a decree creating a second SEZ in Sèmè-Podji.

converge to its potential, estimated at 6 percent, with inflation stabilizing at 2 percent, consistent with the peg to the euro.

- The current account deficit is expected to narrow in 2025 driven by the ongoing normalization of the services deficit but partly counteracted by a slightly wider trade deficit due to worsening terms of trade from lower cotton prices, partially offset by lower oil prices. It would hover around 4–5 percent of GDP over the medium term as exports from the SEZs gradually increase and the services deficit continues to moderate.

- The external position of Benin in 2024 was moderately weaker than the level implied by medium-term fundamentals and desirable policies (see Annex I).

- Benin continues to be assessed at moderate risk of external debt distress (see DSA), with limited space to absorb shocks.

Text Table 2. Benin: Key Macroeconomic Indicators
(Percent of GDP, unless otherwise indicated)

	Average 2017-19	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
						Estimate	Projections					
Real GDP (percent change)	6.4	3.8	7.2	6.3	6.4	7.5	6.7	6.4	6.3	6.2	6.0	6.0
CPI inflation, average (percent)	0.6	3.0	1.7	1.4	2.7	1.2	2.1	2.0	2.0	2.0	2.0	2.0
Overall fiscal balance (commitment basis, incl grants)	-2.5	-4.7	-5.7	-5.5	-4.1	-3.0	-2.9	-2.9	-2.9	-2.9	-2.9	-2.9
Tax revenue	10.1	10.5	11.0	12.2	12.9	13.2	13.7	14.1	14.5	14.9	15.2	15.5
Primary expenditure	14.6	17.1	17.6	18.2	17.6	16.2	16.6	17.2	17.7	18.2	18.6	19.0
Current account balance	-4.2	-1.7	-4.2	-5.7	-8.2	-6.8	-6.0	-5.2	-4.9	-4.7	-4.5	-4.4
Public debt	40.6	46.1	50.3	54.2	54.9	53.4	51.5	50.3	49.4	48.5	47.8	47.1

Sources: Beninese authorities and IMF staff estimates and projections.

6. Risks to the outlook are balanced (Annex II).

- On the downside, regional security challenges could take a toll on transit trade and exacerbate illicit trade with consequences on the cost of living. Political risks could also compound preexisting socioeconomic challenges. Higher international oil and food prices and heightened trade uncertainly amid the ongoing shifts in tariff policies could strain internal and external accounts, including through weaker global demand weighing on commodity exports. Benin also remains vulnerable to extreme climate events.

- On the upside, the normalization of Benin-Niger trade relationships could generate additional customs revenues and reduce the price of some staples. An orderly development of the SEZs, together with a sustained expansion of the Port of Cotonou (¶20) could boost FDI, create jobs and raise income. An increase in U.S. tariffs on traditional textile exporters beyond an uncertain tipping point could potentially boost the external competitiveness of Benin's cotton textiles, as the country continues its expansion of cotton transformation capacity in the GDIZ.[2] The

[2] Exports to the U.S. however represent less than one percent of Benin's total exports.

completion of large infrastructure projects, while leveraging the ongoing formalization of strong economic ties with Nigeria, could unlock growth potential in the medium term.

PROGRAM PERFORMANCE

7. **Performance at end-December 2024 was strong and all quantitative performance criteria (QPCs) and indicative targets (ITs) were met** (Text Table 3). The primary balance comfortably exceeded its floor, while tax revenues outperformed the end-year target by about 0.1 percent of GDP. Domestic financing was well below its ceiling, as the authorities used the Eurobond for budget financing. The present value of external debt contracts reached CFAF 1,042.1 billion, below the adjusted ceiling of CFAF 1,055 billion.[3] Priority social spending, at CFAF 188 billion, was above its floor. Benin did not accumulate domestic or external arrears. The continuous performance criteria on the non-introduction of exchange restrictions and multiple currency practices have all been met.

8. **The authorities are advancing on the structural reform agenda** (¶20, Table 12). They operationalized the "single electronic window" to promote investment and facilitate exports (end-February structural benchmark) and extended the online land registry to completely cover the city of Cotonou (end-April benchmark). They met the end-April structural benchmark (SB) aimed at enhancing transparency around SEZ-related tax incentives. The publication of the audit reports of three high-stake public contracts executed during 2022-24 is also on track (end-June SB).

9. **Four of the six reform measures (RMs) associated with the third review under the RSF were met.** (¶27-29, Table 13). Consistent with their continued efforts to reduce balance of payments (BOP) stability risks, the authorities have adopted new regulations for water resources monitoring, building codes, and renewable energy (RMs 5, 10, 14). They have also revised electricity tariff regulations to improve the financial sustainability of the electricity production and distribution companies (RM 13). The institutionalization of a mechanism for water tariffication in urban areas (RM 6) is expected to be completed in the fall, amid the ongoing restructuring of the water sector. Finally, the authorities have requested technical assistance to design a transition taxonomy and the associated climate finance data collection and dissemination mechanism (RM 15) and complete the RM before the next review.

[3] The recent external debt issuances (Eurobond issuance and commercial loan) are not included in the calculation of the end-2024 present value of external debt contracted, as they were contracted in 2025.

Text Table 3. Benin: Quantitative Performance Criteria and Indicative Targets, 2024-2025[1]
(CFAF Billions)

	June 30, 2024			September 30, 2024			December 31, 2024			March 31, 2025	June 30, 2025	September 30, 2025
	PC			IT			PC			IT	PC	IT
	Prog.	Prel.	Status	Prog.	Prel.	Status	Prog.	Prel.	Status	Prog.	Prog.	Prog.
A. Quantitative performance criteria[2]												
Basic primary balance (floor)[3]	22.2	51.2	Met	90.9	68.8	Not met	114	146.1	Met	43.2	82.7	44.0
Net domestic financing (ceiling)[4]	258.2	-187.6	Met	-173.3	-143.5	Not met	-248.5	-257.5	Met	5.5	9.9	362.2
B. Continuous quantitative performance criteria (ceilings)												
Accumulation of external payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	0.0
Accumulation of domestic payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	0.0
Ceiling on the present value of new external debt contracted or guaranteed by the government[5]	620	606.0	Met	1,055	801.9	Met	1,055	1,042.1	Met	620	620	620
C. Indicative Targets[2]												
Tax revenue (floor)	816.6	822.7	Met	1,220.5	1,223.3	Met	1,711.4	1,721.7	Met	443.1	923.0	1,366.0
Priority social expenditure (floor)[6]	55.5	69.7	Met	114.4	124.4	Met	185.1	188.1	Met	25.5	58.8	123.6

Sources: Beninese authorities; IMF staff estimates and projections.

[1] The terms in this table are defined in the Technical Memorandum of Understanding (TMU).
[2] The performance criteria and indicative targets are cumulative from the beginning of the calendar year.
[3] Total revenue (excluding grants) minus current primary expenditure and capital expenditure financed by domestic resources.
[4] Includes on-lending from the BCEAO related to the IMF disbursement. If the amount of disbursed external budgetary assistance net of external debt service obligations falls short of the program forecast, the ceiling on net domestic financing will be adjusted pro-tanto, subject to limits specified in the TMU. If the amount of disbursed external budgetary assistance net of external debt service obligations exceeds the program forecast, the ceiling will be adjusted downward by the excess disbursement.
[5] Excludes debt management operations which result in a reduction of the present value of overall external debt, and/or an improvement of the overall public external debt service profile (TMU clause 14).
[6] Includes internally and externally financed expenditures related to government interventions that directly reduce poverty in the areas of education, health and nutrition, social safety nets, access to electricity, water and sanitation, microfinance, and security and civil protection. Excludes salary expenditures.

POLICY DISCUSSIONS

A. Maintaining Fiscal Sustainability and Preventing Debt Vulnerabilities

10. **With a frontloaded fiscal consolidation in 2024, Benin converged to the WAEMU overall deficit rule of 3 percent a year in advance.** Following the authorities' spending restraint and revenue mobilization (¶4), the overall deficit declined by 1.1 ppt of GDP in 2024, down from 4.1 percent of GDP in 2023. The deficit reduction (Text Table 4) was driven by improved tax collection (0.3 ppt of GDP, in line with fifth review projections) and a reprioritization in capital expenditure (1.1 ppt of GDP) alongside flat current expenditures as a share of GDP. The nominal increase in current primary expenditure was driven by an increase in current transfers due to higher social spending and a small increase in the wage bill, as anticipated recruitments for specific sectors in 2024 were delayed. Capital expenditure declined as the execution of externally financed projects took longer than projected, caused by delays in disbursements.

Text Table 4. Benin: Overall Fiscal Adjustment
(Percent of GDP)

	2024	2025
Overall balance	**-3.0**	**-2.9**
Overall adjustment (A+B+C)	**1.1**	**0.1**
A. Revenue	**0.3**	**0.5**
Tax measures	0.3	0.5
Non-tax measures	0.0	0.0
B. Grants	**-0.3**	**0.1**
C. Expenditure	**1.1**	**-0.4**
Current expenditure	0.0	-0.8
Capital expenditure reprioritization	1.1	0.3

Source: Beninese Authorities; and IMF staff calculations.

11. **A smaller—though still revenue-led—consolidation is expected for 2025, targeting an overall fiscal deficit of 2.9 percent of GDP.** The consolidation in 2025 will reduce the overall

balance by 0.1 ppt of GDP. Revenue administration and tax policy measures, informed by Benin's MTRS, are expected to yield an additional 0.5 ppt of GDP (Text Table 5). Current expenditure is projected at around 11.5 percent of GDP in the 2025 budget and staff projections (increasing by 0.8 ppt of GDP) amid an expected increase in social spending (¶17), interest expenses, and the wage bill. The projected rise in the wage bill is driven by increased recruitment of defense and security personnel (0.14 percent of GDP), pay scale reclassifications for employees (0.2 percent of GDP), and an anticipated change in status of about 3,000 schoolteachers (named "aspirants") to civil service employees (0.06 percent of GDP). The projected increase in interest expense is explained by external issuances in 2025 and still relatively high borrowing rates on the regional security market. Capital expenditure is expected to decline by 0.3 ppt of GDP, as the decline in domestically financed investment following the completion of some large public investment projects offsets the catch-up of externally financed capital expenditure. The interest-to-tax revenue ratio, a key program anchor, remains well below the cutoff threshold of 19 percent (Figure 2), and is expected to trend downwards over time. The overall fiscal stance for 2025 is assessed as appropriate, as it ensures compliance with the WAEMU deficit rule and incorporates continued revenue mobilization to create space for additional spending needs.

12. Contingency planning is critical in the current shock-prone environment. The authorities are committed to preserve the fiscal adjustment by deploying expenditure control measures (including further rationalizing of expenditures on goods and services) and reprioritizing capital expenditures, while preserving priority social spending (MEFP ¶13). Additionally, in case the revenue measures planned for 2025 do not generate the expected yields, the authorities should accelerate the implementation of tax policy measures already in the pipeline and step up revenue administration measures informed by the MTRS.[4]

13. Going forward, further domestic revenue mobilization efforts will be key to maintain fiscal discipline while creating room for additional social spending. Benin's MTRS targets an annual increase in tax revenues of 0.5 ppt of GDP over 2024-28, culminating in a tax-to-GDP ratio of 15.2 percent by 2028. To meet this goal, revenue collection would benefit from a continued rationalization of tax expenditures, informed by a full cost-benefit analysis, and from a greater formalization of the economy to broaden the tax base. Digitalization efforts, the automation of collection procedures, and the development of a risk-based audit framework should improve the effectiveness of tax administration. Capacity development in these areas could be leveraged as needed. The fiscal space created by higher revenue collection should be used to invest in human capital development, expand the social safety nets, and boost capital expenditure to bolster growth potential in the medium term (¶17).

[4] Revenue administration measures that could be scaled up include improving the withholding of VAT for companies with revenues lower than CFAF 50 million and the establishment of a reporting obligation for e-commerce activities and digital platforms. Additional tax policy measures planned beyond 2025 and aimed at expanding the tax base in the MTRS—for example, a decrease in the synthetic business tax rate from 5 to 3 percent and an increase in the levy on taxpayers not known to the tax authorities from 10 to 12 percent—could also be brought forward to this year if revenue outturns disappoint substantially.

Text Table 5. Benin: Estimated Yield from Additional Tax Measures in 2025
(CFAF Billions and percent of GDP)

	Nominal	% of GDP
Net Additional Yields Relative to the Previous Year (A+B)	**74.20**	**0.52**
A. Domestic taxation, *of which*	30.60	0.22
New administrative measures	4.50	0.03
Effective application of the 5% levy on transactions of individuals operating on the e-MECeF invoicing platform	3.00	0.02
Effective implementation of the ongoing simplification of property taxation	1.50	0.01
New tax policy measures	4.50	0.03
Effective taxation on gambling activities (resumption of IBET gambling platform)	4.00	0.03
Replacement of 5% tax fine on cash payments of more than CFAF 100,000 with a 1% proportional stamp duty	0.50	0.00
Impact of existing tax measures (e.g., increase in the withholding tax for non-resident service providers, improved collection of motor vehicle tax)	21.60	0.15
B. International taxation measures, *of which*	43.60	0.31
New administrative measures (e.g., product marking)	6.00	0.04
New tax policy measures (e.g., revenues from Niger pipeline)	8.10	0.06
Impact of existing tax measures	29.50	0.21
Improved control of customs valuation	13.50	0.10
Expansion of the application of transaction values at customs	10.00	0.07
Proper handling of solid and liquid bulk	6.00	0.04

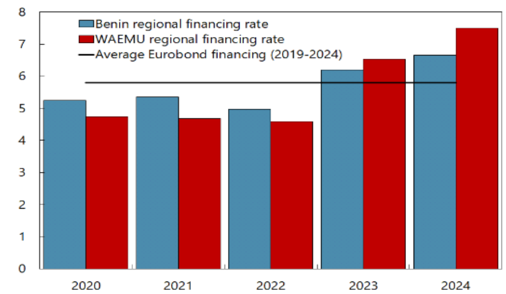
14. The authorities continue to prioritize a civilian approach to security challenges. Security-related expenditures were around 0.9 percent of GDP in 2024 and are projected to increase slightly to 1.1 percent of GDP in 2025. Around 60 percent of security spending in 2024 (and a similar fraction is earmarked for 2025) was dedicated to the improvement of water supply services and sanitation in vulnerable localities, to reduce risks borne by civilians while traveling long distances to procure water.

15. End-year data shows a decline in public debt in 2024. Debt-to-GDP declined from 54.9 percent of GDP in 2023 to 53.4 percent of GDP, marking its first decline since the ramp-up of debt at the onset of the COVID-19 pandemic. The reduction in public debt results from the larger-than-projected fiscal consolidation and was mainly driven by a decline in domestic debt from 16.1 to 13.1 percent of GDP, while external debt increased from 38.8 to 40.3 percent of GDP, in line with the 2024 financing plan which relied on the 2024 Eurobond for budget financing.

16. On the back of costlier regional financing conditions, the share of Benin's external debt has increased. Despite the authorities' recently developed Medium-Term Debt Strategy (MTDS) which aims to gradually rebalance the debt portfolio towards domestic debt, costlier regional financing conditions with shallow markets in the WAEMU and continued access to international capital markets have increased Benin's reliance on often cheaper external debt with longer maturities: financing costs for Benin on the regional securities market, while better than average, have risen from about 5 percent in 2020 to 6.7 percent in 2024, compared to an average 6.3 percent financing cost for SDG and Eurobond issuances in 2024-25 (Text Figure 4).

The preference toward external debt (Figure 2) will continue in 2025 with less than 15 percent of the budget expected to be financed domestically. Nevertheless, the authorities remain intent on gradually rebalancing over time while prioritizing the reduction of refinancing risks: the maturity profile of domestic debt is 4 years, while that of external debt is 10 years on average. They will continue to seek out improving regional financing conditions through enlarging the investor base and improving communications with investors.

Text Figure 4. Benin: Domestic and External Financing Costs
(Percent)



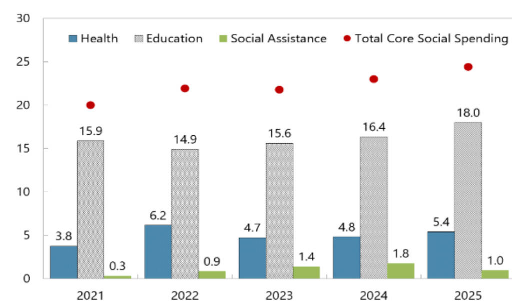
Sources: Bloomberg, UMOA Titres, and IMF staff calculations.

B. Strengthening Social Safety Nets

17. Social spending, supported by robust revenue mobilization, is expected to accelerate in 2025. Core social spending (on health, education, and social protection) rose to 23 percent of budgeted spending in 2024, up from 20 percent prior to the EFF/ECF arrangements (Text Figure 5). It is expected to increase further to 24 percent of total spending driven by initiatives in several areas:

Text Figure 5. Benin: Core Social Spending
(As fraction of total spending, in percent)

Sources: Beninese authorities and IMF staff calculations.



Note: 2025 data are budgeted spending.

- **Education.** The authorities have committed to extending their flagship school feeding program to all rural primary schools by the start of the 2025/26 school year (0.2 percent of GDP) and recently introduced free schooling for the children of "aspirants" teachers. Tuition-free schooling for girls in upper secondary school was also piloted in 20 communes in the 2023/24 school year; primary school for all children and lower secondary school for girls are already free. The results from this pilot could inform an extension to additional communes as fiscal space allows.

- **Health.** Mandatory health insurance was institutionalized through a government decree passed in 2023 and should be fully implemented and enforced by mid-2025. As health insurance is the main component of the government's Insurance for Human Capital Development (ARCH) social assistance program, it is provided free of charge for the extreme poor. While Benin's official development assistance grants have been declining as a share of GDP over the last few years, most of the U.S. Agency for International Development (USAID) projects prior to aid cuts were in the health sector. Accordingly, the Government is planning to reprioritize budget spending to partially cover the remuneration of community health agents (Box 2).

- **Social protection.** The government recently approved a Holistic Social Protection Policy (PHPS), and an accompanying 2024-28 strategy, to guide social assistance policies going forward. Informed by these frameworks, the World Bank-supported *GBESSOKÉ* conditional cash transfers program is expected to be rolled out to an initial cohort of 20,000 vulnerable households by the end of 2025 (MEFP ¶16), with a target of eventually reaching 150,000 households. Subsidies on fertilizers (0.2 percent of GDP) will also be retained to address food security risks.

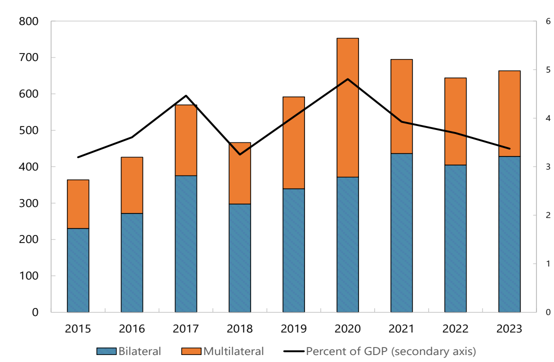
18. The authorities have committed to undertaking a mapping of social protection programs. The mapping, coordinated by the Ministry of Social Affairs and Microfinance, will quantify coverage gaps and overlaps and examine the associated policy and financing implications *(SB for end-October 2025)*. The authorities have drafted preliminary terms of reference outlining the objectives, expected outcomes, and deliverables for this exercise. Continued engagement with development partners would ensure that the mapping is comprehensive and informs future social policies.

19. Regularly updating and operationalizing the social registry (RSU) would help focus social interventions. The RSU, a currently static list of households classified as poor and extreme poor, is being used in 12 programs for targeting purposes and covers around 350,000 households (about 10 percent of the population). The authorities adopted a decree in 2024 refining the modalities of the RSU and expanding the eligibility criteria to include climate-vulnerable individuals, and recently finalized the RSU's operational manual (RM12). The authorities are leveraging an ongoing mapping of flood zones that could be used to calculate an index of vulnerability to climate risks for households already in the RSU (RM8 for end-October 2025). An update to the RSU's beneficiary database, unchanged since 2021, would further improve the targeting and reach of social protection programs. Relatedly, the planned expansion of Single Window for Social Services (GUPS) centers would provide a local entry point for vulnerable households to access social services.

Box 2. Benin: Official Development Assistance Flows

Benin's official development assistance (ODA) grants have been declining as a share of GDP over the last few years. According to OECD data, ODA grants to Benin represented almost 3.7 percent of GDP over the period 2015-19. Official transfers peaked during the COVID-19 pandemic (5 percent of GDP in 2020) and have declined since. The United States has been a key development partner to Benin. Between 2015 and 2023, total bilateral official development aid grants were around US$3.2 billion— with the U.S. contributing over US$1 billion. The U.S. government aid has been targeting access to basic services, particularly health, education, electricity, and water.

Official Development Assistance Grants to Benin
(USD millions, LHS; percent of GDP, RHS)



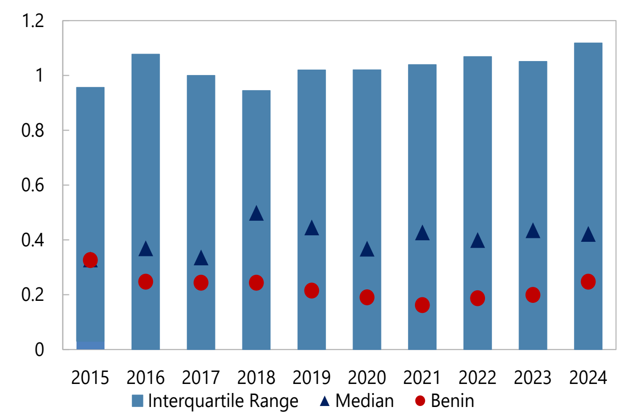
Sources: OECD, WEO database; and IMF staff calculations.

Box 2. Benin: Official Development Assistance Flows (concluded)

The impact of the suspension of USAID is expected to be limited given Benin's relatively small exposure to USAID flows. Benin's exposure to USAID flows is low compared to other SSA countries. Flows managed by USAID in Benin represented 0.25 percent of GDP (US$51 million) in 2024, mostly targeting basic health (52 percent), HIV/AIDS (12 percent), and maternal and child health (9 percent). While flows managed by USAID represented 62 percent of total U.S. assistance, only 15 percent (US$12.5 million or 0.06 percent of GDP) of U.S. ODA flows to Benin were funded by USAID. The USAID suspension could still take a toll on the health sector, as government spending remains relatively low, averaging 1 percent of GDP in 2021-24. The government is planning to redirect certain budget expenditure lines to cover partially the remuneration of community health agents, as part of the national community health policy.

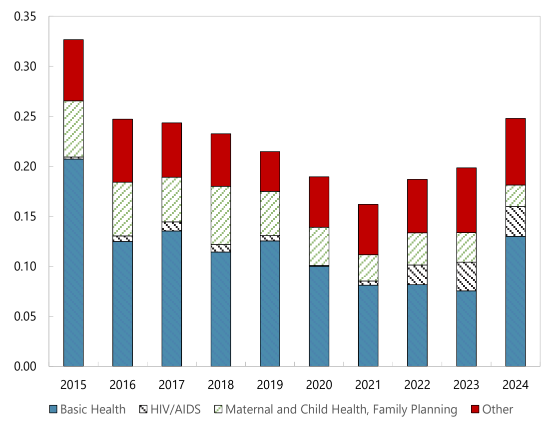
USAID Managed Funds: Benin vs. SSAs

(Percent of GDP)



USAID Managed Funds in Benin

(Percent of GDP)



Sources: foreignassistance.gov, WEO database; and IMF staff calculations.

C. Fostering Economic Transformation, Enhancing Governance, and Safeguarding Financial Stability

20. The authorities are making progress in enhancing economic transparency and encouraging private sector development.

- **Transparency around SEZ-related tax incentives.** The authorities published online the list of 31 companies operating in the industrial zone, specifying the tax regime granted and related benefits along with the volume of potential investment expected, meeting the related end-April SB.[5]

- **Promoting business climate.** APIEX (Benin's agency for promoting Investment and Exports) created a single electronic window, with technical assistance support from UNCTAD and financial support from the UK and the Netherlands. The single window has been operational since March 1, 2025 and aims to promote investment and accelerate export facilitation, notably by granting authorization under the investment code and export support for small and medium-

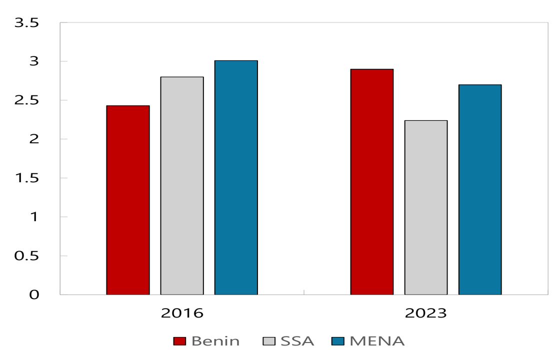
[5] https://investbenin.bj/invest/zes/gdiz/companies

sized enterprises (SMEs) (end-February SB, MEFP ¶18).[6] Staff recommended to continue advancing reforms to foster SMEs growth, leveraging the Agency for the Development of Small and Medium-sized Enterprises (ADPME) by providing financial and non-financial support to SMEs to alleviate constraints to financing and facilitate access to the regional market.

- **Extension of the land registry coverage.** The national land development agency (ANDF) has extended the online land registry "e-foncier Bénin" to twelve large municipalities with all land formality operations carried out only online since January 1, 2025. ANDF has also extended the *e-cadaster* to completely cover the city of Cotonou (end-April SB). The authorities intend to continue modernizing land administration, with the expected coverage of the communes of Parakou and Porto-Novo by the end of 2026 (MEFP ¶17).

- **Expansion of the Port of Cotonou (PAC).** Benin outperformed Middle Eastern and North African (MENA) and sub-Saharan African (SSA) peers in the Logistics Performance Index (LPI) in 2023 (Text Figure 6) and fares well in efficiency in procuring customs and border management clearances.[7] On February 12, 2025, the AfDB and the Port of Cotonou signed a financing agreement of about EUR 98.3 million to modernize the port's equipment and expand its infrastructure. Specifically, the AfDB project loan will build a new 25-hectare terminal along with a 14-hectare parking lot to facilitate logistics within the port. The extension project is part of a PAC master plan (2021-26) to modernize the port's equipment and strengthen its competitiveness in the region. Staff consider efforts to expand the PAC activities and increase its human capital capacities as appropriate but encouraged the authorities to set up a debt management unit within the PAC, and to continue improving the port's financial situation and governance framework.

Text Figure 6. Benin: Logistics Performance Index
(2014–2023, index value)



Sources: World Bank and IMF staff calculations.

[6] Investir au Bénin

[7] The LPI scores countries on six dimensions of trade, including customs performance, infrastructure quality, and timeliness of shipments.

21. The implementation of the authorities' Governance Action Plan is key to improving governance and further reducing corruption. The authorities are advancing with the implementation of their governance action plan to address the recommendations of the governance diagnostic assessment (GDA) report.[8] Following the operationalization in June 2024 of the law creating the High Commission for the Prevention of Corruption (HCPC), the authorities will submit to the National Assembly by end-October an amendment to the 2020-09 law to strengthen merit-based and transparent procedures for the appointment and dismissal of the High Commissioner to enhance the agency's operational independence (MEFP ¶20). Amendments to the penal code to criminalize and sanction acts of corruption consistent with the GDA recommendations are also expected to be approved by Parliament. The authorities are making progress in the implementation of their action plan to operationalize the legal framework on the collection, verification, and publication of beneficial ownership (BO) information to improve transparency of BO in the real estate sector (MEFP ¶22)

22. Efforts are being made to provide more information on State-Owned Enterprises (SOEs) and public procurements (MEFP ¶21). In accordance with the SOE law (No. 2020-20), the authorities will publish the financial statements of the state-owned water and electricity utilities, and the Port of Cotonou (proposed SB for end-October 2025). They are also finalizing the audit of at least three high-stakes public contracts executed between 2022 and 2024 and intend to publish the audit reports by end-June 2025 (SB for end-June 2025). E-procurement is expected to be operationalized by the end of 2025; the associated technical work is at an advanced stage and the legal framework governing e-procurement procedures was approved by the Council of Ministers in April 2025. Separately, the supreme audit institution (*Cour des Comptes*) is finalizing its report for 2022-2023 which will summarize the results of all audits conducted during that period. Collectively, these measures would contribute to improving the accountability and efficiency of government services.

23. The ongoing revision of the organic budget law of 2013 aims to codify recent progress in public finance governance. A consultation process on the new law was launched in October 2024 and ministries are currently suggesting amendments to the draft law (MEFP ¶26). The law sets crucial rules for the preparation, the execution, and the control of the government's budget.

24. Remaining vigilant vis-à-vis financial sector risks is paramount to anchor financial stability and support growth. Staff commended efforts to enhance the capitalization of the banking system and enforce prudential regulations. After bringing one bank into compliance with the capital adequacy ratio norm by end-December 2024, the supervisory authority imposed financial penalties on a second bank during the last quarter of 2024 to accelerate its recapitalization. Preliminary data suggest that three local subsidiaries (out of five originally identified), representing 22.4 percent of total banks' assets, successfully complied with the minimal regulatory capital of CFAF 20 billion by end-December 2024. The banking commission is following up with the remaining two

[8] Benin Governance Diagnostic (Country Report No. 23/191).

subsidiaries, accounting for 11.4 percent of total banks' assets, to meet the regulatory threshold by end-2026, as envisaged by the regulation.

25. The government should prudently manage the potential risks arising from its growing involvement in the financial sector. After the rapid expansion of the state-owned *Banque Internationale pour l'Industrie et le Commerce* (BIIC) since 2020 following the merger of two problem banks that had been previously nationalized, the government decided to reduce its participation in BIIC through a public offering of around 33 percent of its shares in the bank (out of 51.3 percent), raising about CFAF 100 billion (MEFP ¶23).[9] Staff welcome this transaction and its potential positive impact for the development of the regional stock market BRVM (*Bourse Régionale des Valeurs Mobilières*).[10] The transaction reduced direct state participation to around 18.3 percent, with the *Caisse des Dépôts et Consignations du Bénin* (CDCB), the national fund for social security (CNSS) and the Port of Cotonou (PAC), all state-owned, holding 32, 13.3 and 3.4 percent of BIIC's equity, respectively. Following Société Générale's decision to withdraw from Benin, the government decided to acquire the bank's subsidiary through the CDCB, which will then divest the bank once a suitable buyer is identified.[11] Staff cautioned against fiscal risks associated with direct and indirect government's involvement in the financial sector as well as potential implications for efficiency. Continued transparency in the operations of public financial institutions would support the government's efforts to promote private sector-led growth.

D. Advancing the Climate Agenda and Catalyzing Green Finance

26. The adoption of a fossil fuel subsidy reform in December 2024 has led to pump price adjustments. The government signed new contracts for fuel imports for 2025, after a first call for tenders for fuel purchases in 2024, which guarantee a fixed price of imported fuels for 12 months. This tendering system helped shelter the budget from international oil prices volatility in 2024 while reducing costs and limiting illegal fuel smuggling.[12] Diesel and gasoline prices were increased by 3 and 2 percent, respectively, on January 1st, and since then have followed the provisions of the inter-ministerial order institutionalizing a predictable pricing mechanism adopted in December 2024 (RM 11). The limited increase did not require the implementation of mitigating measures. Pump prices have remained unchanged since then in the context of an overall decline in international oil prices. At the same time, the government continues to encourage the organization of the informal fuel sector (accounting for about 80 percent of gasoline consumption) by opening additional mini-gas stations to replace roadside stands.

27. The authorities have made progress in implementing the reform measures due for the 3rd RSF review. Reforms under the RSF support the government's ambitious climate agenda to

[9] The public offering aimed to sell 30.4 to 40 percent of BIIC equity.

[10] BIIC becomes the third listed Beninese company in BRVM after the National lottery (LNB-*La Loterie nationale du Bénin)*, and Bank of Africa Benin.

[11] SG's assets represented 4.6 percent of total banking sector's assets in Benin as of end-2023, or 2.4 percent of GDP.

[12] IMF Country Report No. 24/338.

strengthen climate change adaptation and mitigation efforts, thereby alleviating long-term BOP stability risks.

- **RM 5: Water resources.** A revised decree of the National Water Council was adopted.[13] The decree mandates the water council to monitor both groundwater and surface water and requires a recurrent budget to support the council's operation. A strategic groundwater assessment has been completed and validated by the National Water Council.

- **RM 10: Building codes**. Parliament approved an updated construction code in March 2025 which references climate risks in the building permitting process. To implement the code, the authorities have prepared the requisite secondary legislation, including regulations on construction permits, construction and building safety rules, and a decree on environmental performance. These legislations include multiple provisions incorporating technical standards favoring adaptation to climatic conditions.

- **RM 13: Electricity tariff reform.** On April 17, 2025, the electricity regulator (ARE) adopted a revised regulation overhauling the tariff-setting methodology. Compared to the 2021 tariff-setting framework, the revised version specifies a timeline for tariffs to be finalized every two years by end-September of the last year of the tariff cycle and implemented on January 1st of the following year, provides for exceptional tariff revisions outside the standard two-year cycle in case of negative shocks, and introduces sanctions in case of non-compliance by operators. These provisions ensure that electricity tariffs are free of cross-subsidies and fully reflect cost-recovery levels. It will be important that the forthcoming review of tariffs for 2026-27 conforms to the set deadlines.

- **RM 14: Support to renewable energy.** The authorities adopted regulations that put in place a connection cost policy to support renewable energy generation and created a technical committee to carry out regular assessments of the flexibility of the grid and renewable integration.[14]

28. The authorities are institutionalizing a mechanism for water tariffication in urban areas to advance the reorganization of the water sector (RM 6). The Benin National Water Company (SONEB) is being split into two separate entities, with a restructured SONEB responsible for water distribution and a newly created infrastructure company (SoBIE). Improvements in water service provision for the city of Cotonou will pave the way for an increase in water tariffs in urban areas in line with an updated tariff study conducted by SONEB. Urban water tariffs have been unchanged since 2009. The authorities are also developing a new water tariff regulation that incorporates: i) tariff adjustments that account for infrastructure investment and maintenance costs, ii) a distributional analysis to ensure appropriate compensation to vulnerable households, and iii)

[13] Decree N° 2025-230 enacted May 7, 2025.

[14] Décret N° 2024-1395 du 11 décembre 2024 | Secrétariat général du Gouvernement du Bénin puts in place the connection cost policy, and Arrêté 2025 N° 006 creates the technical committee.

annual tariff adjustments. The underlying analyses will be based on the audited financial statements of SONEB and SoBIE. The completion of this RM is now expected by November 2025.

29. The authorities are pursuing efforts to catalyze climate finance, while further progress for the development of a climate information architecture is underway.

- The authorities prepared a concept note outlining the objectives and methodological foundations of a climate-related taxonomy, conducted an initial review of existing taxonomies in the region, and evaluated the necessity for policy-based targets. However, progress in designing the taxonomy itself, including defining its criteria and ensuring its alignment with Benin's climate change adaptation and transition goals, is still needed, along with the National Statistical Office (INStaD)'s involvement in the creation of a climate data collection mechanism connected to the taxonomy. An upcoming IMF technical assistance (TA) will support the implementation of RM15 while ensuring interoperability with relevant regional and global frameworks.

- Following the climate finance roundtable jointly convened by the Beninese authorities, the IMF, and the World Bank in July 2024, Benin's partners pledged financial support for the country's climate agenda at the November COP29. Bi-monthly meetings have taken place to coordinate diverse financing options outlined in the COP29 announcement. Demonstrating continued momentum in climate action, Benin signed a framework memorandum in April 2025 with development partners (World Bank, AfDB, AIIB, and OPEC Fund for International Development). This agreement aligns efforts behind a common climate policy matrix based on the RSF program's reform package and has been followed by financial commitments from the OPEC Fund (EUR 30 million) and the European Union (EUR 28 million). The authorities and development partners are also collaborating on complementary financing options, including a project preparation facility and a carbon credit monetization mechanism.

30. Progress is being made on the remaining RMs due for the seventh (and final) review. A TA mission is scheduled for mid-2025 to follow up on the piloting of a climate-sensitive maintenance policy for infrastructure assets in three (already identified) ministries (RM2). A draft implementing decree of the SOE law to put in place a legal framework to integrate climate concerns has been submitted to relevant ministries for their assessment (RM3). Finally, a pilot project to operationalize an agricultural insurance scheme was launched in March 2025, which will contribute to improving awareness among beneficiaries and encourage them to subscribe to the scheme (RM9).

PROGRAM ISSUES

31. EFF/ECF financing assurances. The program remains fully financed until its end in January 2026. The 2025 budget will be mostly financed by the recent Eurobond proceeds, helping boost Benin's contribution to BCEAO reserves. The EFF/ECF disbursements will further strengthen WAEMU pooled reserves at the BCEAO in a context of very high regional and international uncertainty requiring buffers in excess of standard metrics.

32. Benin has continued to mobilize higher-than-projected budget support under the EFF/ECF—contributing to an improved burden sharing (Text Table 6). Budget support reached about US$344.5 million (CFAF 208.8 billion versus CFAF 171.1 billion expected) in 2024, exceeding the fifth review projections by US$35.8 million. It included about US$200 million from the World Bank (including US$54 million from a Catastrophe Deferred Drawdown Operation), US$60 million from the African Development Bank (AfDB), and another US$83 million from Agence Française de Development (AFD). For 2025, the authorities project budget support of about CFAF 90 billion from the World Bank (revised upwards by about US$30 million from the fifth review), with upside potential for more.

Text Table 6. Benin: Burden Sharing[1]
(Cumulative 2022-25, CFAF Billions)

	Program approval	Second Review	Third Review	Fourth Review	Fifth Review	Sixth Review
Financing gap	**755**	**821**	**847**	**898**	**929**	**981**
Budget support	**343**	**402**	**433**	**484**	**515**	**566**
Grants	175	57	53	51	50	45
Loans	168	345	380	433	465	521
IMF[2]	**396**	**403**	**397**	**398**	**397**	**398**
Memo items						
Financing gap (% GDP)[3]	6.5	6.9	7.1	7.5	7.2	7.5
IMF share of financing gap (% total gap)	52	49	47	44	43	41

2/Changes in IMF financing due to exchange rate fluctuations.
3/Increase in the financing gap since program approval related to a widening current account and increased reserve accumulation

1/ Based on firm commitments (with upside potential).
2/ Changes in IMF financing exclusively due to changes in SDR exchange rate movements.
3/ Increase in the financing gap since program approval related mainly to a wider current account.
Note: figures reflect the sum of financing projected at each review stage.

33. Program monitoring. Program performance for both the EFF/ECF and RSF is monitored through semi-annual program reviews based on quantitative performance criteria, indicative targets (Table 7), structural benchmarks (Table 12), and reform measures (Table 13). Structural conditionality was augmented with a SB to encourage the publication of financial statements of SONEB, SBEE, SBPE and PAC for the period 2022 to 2024 (GDA recommendation), which would also support the financial analysis underpinning the water and electricity tariff reforms (RMs 6 and 13, ¶27-28).

34. Safeguards assessment. The last assessment of the BCEAO, completed in August 2023, found that the central bank continues to have well-established audit arrangements and a strong control environment. The BCEAO is in the process of addressing the safeguards assessment's recommendations.

35. Capacity to repay the Fund remains adequate, although with risks amid heightened economic uncertainty (Table 9). These include regional developments and tightening of financing conditions. Benin remains vulnerable to climate-related shocks (DSA ¶22-25). The total amount of outstanding credit from the Fund including the new RSF arrangement will amount to 654.9 percent of quota in 2025 before decreasing to 619.2 percent of quota in 2026.[15] Total obligations based on existing and prospective credit (including RSF arrangement) will peak at 0.5 percent of GDP (3.1 percent of total revenues excluding grants and 2.1 percent of exports) in 2028. The authorities' continued commitment to fiscal responsibility and renewed focus on social and climate issues are important mitigating factors.

36. Data provision and capacity development (CD). The CD strategy will continue to focus on supporting the authorities' reform priorities through mainstreaming climate considerations in policymaking under the RSF arrangement, including through enhancing climate-sensitive maintenance methodologies of public assets and the development of a climate information architecture. CD aimed at upgrading the government finance statistics, debt management and enhancing the compilation of the national accounts and the balance of payments statistics will also be prioritized.

STAFF APPRAISAL

37. Benin's strong track record reflects policy and reform efforts built over the last few years, aiming at strengthening the credibility of its policymaking and institutional framework. Macroeconomic performance has remained robust, with record high growth in 2024 and promising signs of economic transformation. Fiscal consolidation in 2024 allowed Benin to attain early convergence to the WAEMU deficit norm of 3 percent of GDP—one of only two countries to do so in the union. The growth momentum is expected to continue over the medium term, with higher value-added goods exports and flourishing ICT and tourism sectors. The strong reform drive has catalyzed development partners' support and reaffirmed international investors' confidence—with budget support consistently exceeding expectations and successful issuances on international markets. Going forward, the authorities should remain vigilant about the socio-economic and financial fallout from the regional security challenges and vulnerability to weather-related shocks.

38. Continuing tax collection efforts, building on the Medium-Term Revenue Strategy, will be critical to maintain fiscal discipline, while addressing key development needs. The authorities should seek to rationalize tax expenditures, based on a full cost-benefit analysis, and are encouraged to leverage capacity development by the Fund. Spending reprioritization will also be important to ensure fiscal consolidation does not undermine social cohesion. In this regard, updating the social registry and developing a comprehensive mapping of social protection programs will improve the targeting and efficiency of expanded social assistance initiatives.

39. Rebalancing the debt portfolio towards domestic debt gradually, as planned in the Medium-Term Debt Strategy, should remain a priority. While Benin is at moderate risk of debt distress, with the authorities appropriately mitigating refinancing and exchange rate risks, the share of external debt has continued to increase and now comprises 75.4 percent of public debt.

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[15] After peaking at 548.5 percent in 2024, the total amount of outstanding credit from the Fund without the RSF arrangement will amount to 534.9 percent of quota in 2025.

Rebalancing financing towards domestic sources will require reforms to broaden the investor base and deepen the regional bond market, in conjunction with peer WAEMU countries.

40. Strengthening public governance is key to foster inclusive private sector-led growth. The authorities should continue improving the legal and institutional anti-corruption framework, notably by strengthening the independence of the High Commissioner of the anti-corruption agency. In this regard, staff welcome the ongoing progress towards amending the organic law 2020-09 relative to the HCPC and encourage the swift adoption of amendments to the penal code to sanction acts of corruption.

41. The authorities should continue advancing reforms to improve fiscal transparency and support economic transformation. Staff welcome the authorities' efforts to ensure transparency of SEZ-related incentives, the operationalization of a single window to promote investment and facilitate exports, and progress made in modernizing land administration. These structural reforms should have positive effects on business climate and tax collection. Further efforts are however needed to support the development of SMEs, including by easing access to the regional market. The timely publication of the financial statements of SOEs and the audit of major public contracts are important to improve accountability. The operationalization of the digital procurement system should boost the efficiency of government services.

42. Continued vigilance by supervisory authorities is paramount to preserve financial sector soundness. Transparency in the operations of public financial institutions and efforts to bring the under-capitalized banks in conformity with prudential norms should be maintained. The government should gradually reduce its footprint in the financial sector and manage risks associated with its direct and indirect involvement in the financial sector.

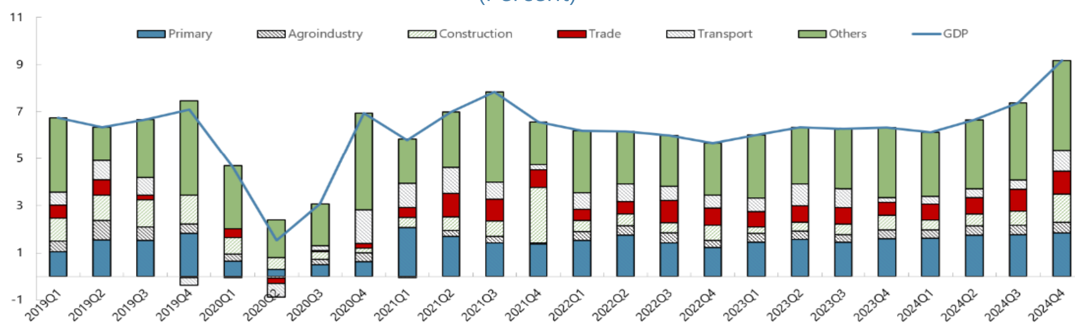
43. The authorities should accelerate reforms aimed at enhancing resilience to climate change and ensuring long-term balance of payments stability. Revised regulations for water resources, construction, and renewable energy are welcome. The forthcoming review of electricity tariffs, following the adoption of a revised methodology, should be completed by the specified deadlines with the new tariffs being implemented on January 1st, 2026. The water tariff reform should reflect the new structure of the water sector and account for infrastructure investment and maintenance costs. Enhancing the climate financial information architecture will support private climate finance. Benin’s partners stand ready to provide financial support to the country’s climate agenda.

44. Given continued strong program performance and commitment to reforms, staff recommends the completion of the Sixth Reviews under the EFF and ECF arrangements and associated disbursements and the Third Review under the RSF and the disbursements associated with RMs 5, 10, 13, and 14.

Figure 1. Recent Developments, 2019–25

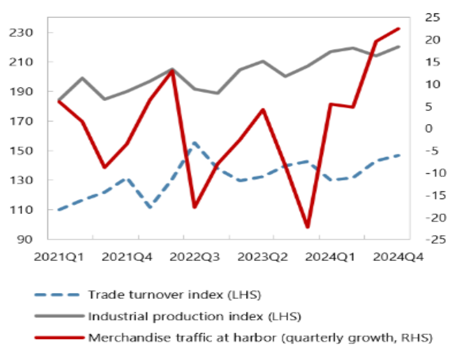
Growth has accelerated in 2024 mainly supported by agriculture, construction and trade.

Decomposition of Growth
(Percent)

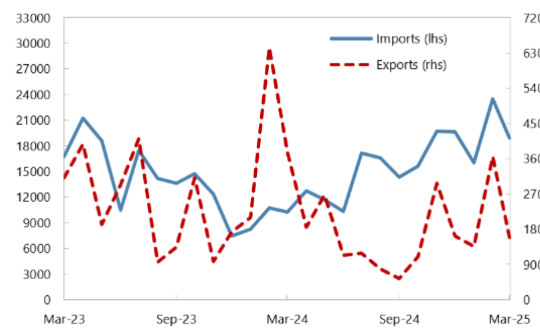


The traffic at the Port of Cotonou has been expanding, almost reaching its full capacity since October 2024, with positive spillovers for trade, while the SEZ has contributed to boost the production of textile and agroindustry sectors.

Economic Activity
(Indices, basis, 2015 = 100 and Quarterly Growth Rate, percent)



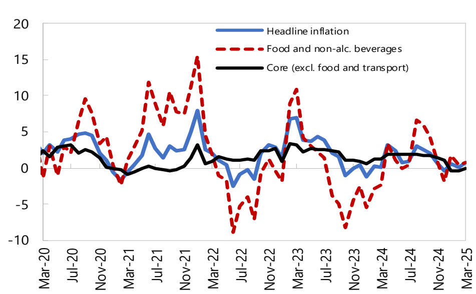
Import and Export Volumes at the Port of Cotonou (Average Daily Volumes per month; Metric Tons)



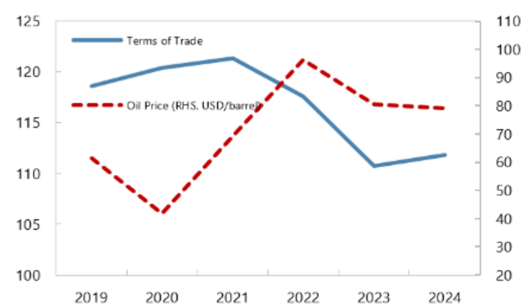
Food prices have been decelerating owing to overall strong harvest and the Government efforts to reduce illicit regional trade amid heightened security challenges.

With oil and food prices moderating, terms of trade were broadly unchanged in 2024, after worsening in the previous two years.

Inflation
(CPI, Percent Change, Year-on-Year)



Terms of Trade (Total)

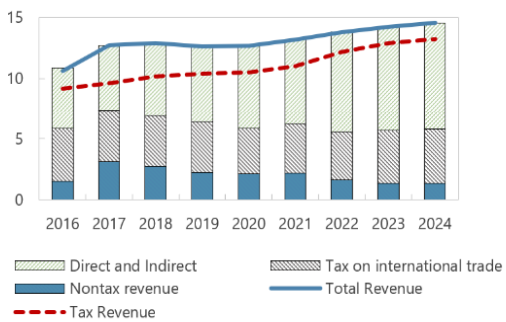


Sources: Beninese authorities; BCEAO; PortWatch; and IMF staff calculations.

Figure 2. Benin: Fiscal Developments, 2016-24

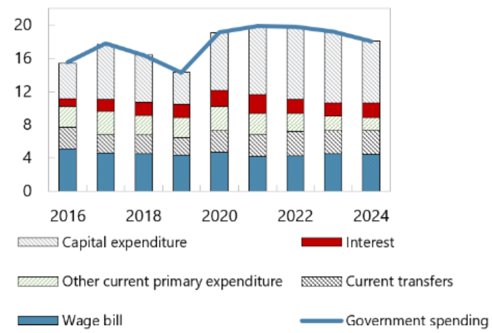
Tax revenues have continued to increase steadily…

Revenue
(Percent of GDP)



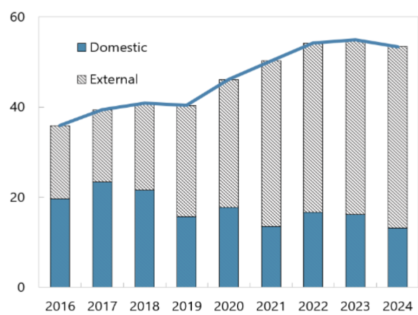
…supporting the authorities' infrastructure drive and efforts to address Benin's developmental needs.

Expenditure
(Percent of GDP)



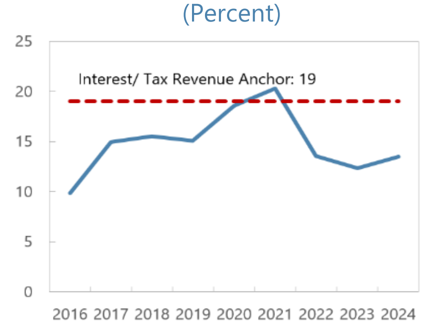
Total government debt declined for the first time since COVID-19, but the share of external debt has risen since Benin's access to international capital markets.

Total Government Debt
(Percent of GDP)



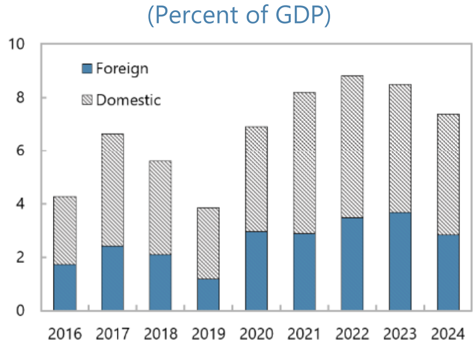
The interest-to-tax revenue ratio remains below the program anchor but increased slightly in 2024 given higher domestic and external interest.

Interest to Tax Revenue Ratio
(Percent)



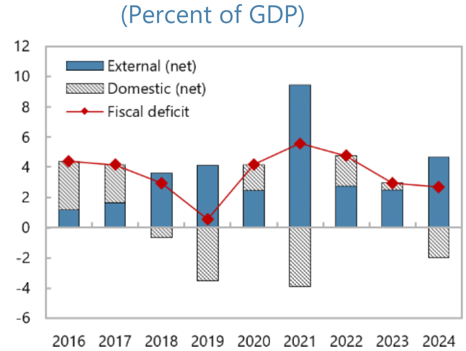
Capital expenditure remains higher than pre-COVID-19, but decreased in 2024 as public investment projects matured.

Capital Expenditure by Financing Source
(Percent of GDP)



The fiscal deficit further narrowed in 2024; it converged to the WAEMU deficit norm of 3 percent, and was financed from external sources.

Financing of the Fiscal Deficit
(Percent of GDP)

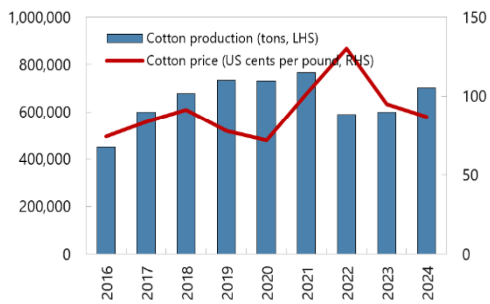


Sources: Beninese authorities and IMF staff calculations.

Figure 3. Benin: Real and External Sector Developments, 2016-24

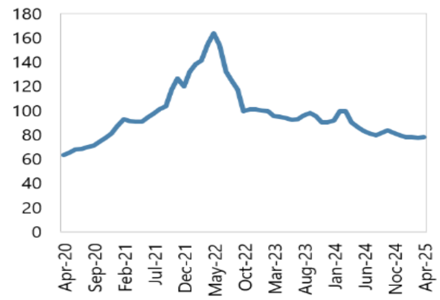
Cotton production recovered in 2024, partly due to more favorable weather conditions, resulting in an improved harvest...

Cotton Production and Price



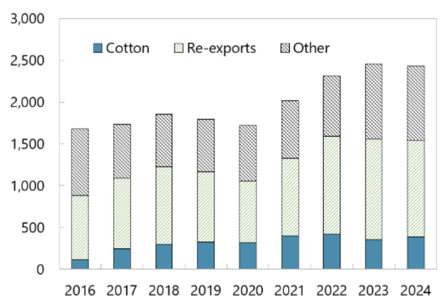
... but cotton prices have continued to trend lower after the highs recorded in 2021.

International Cotton Prices
(US cents per pound)



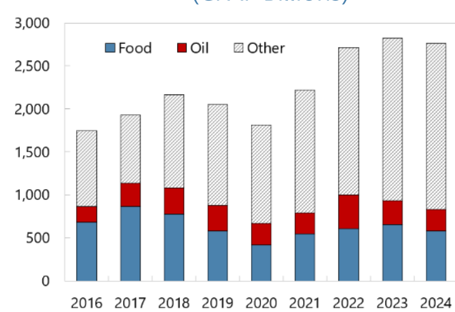
Exports fell slightly in 2024: cotton exports increased marginally and new exports from the SEZ were added, but re-exports and informal trade of other exports were affected by regional developments.

Composition of Exports
(CFAF Billions)



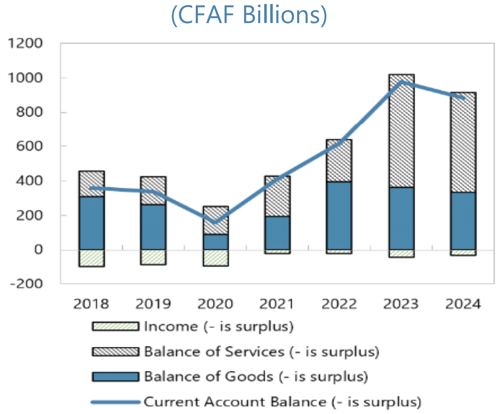
Food and oil imports declined in 2024, reflecting a slight decline in prices of both...

Composition of Imports
(CFAF Billions)



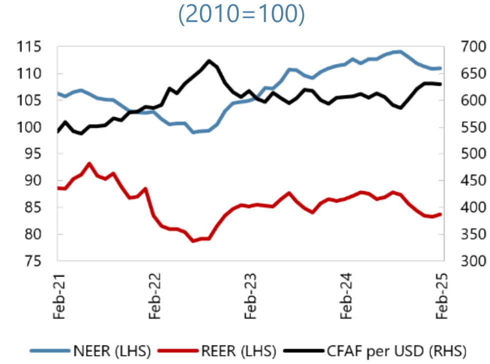
The current account deficit fell in 2024, after rising sharply in 2023 mainly as a result of exceptionally high professional services imports related to the GDIZ.

Composition of Current Account Deficit
(CFAF Billions)



In the second half of 2024, both the real and nominal effective exchange rates began to depreciate, following a broad trend of appreciation since 2022.

Exchange Rates
(2010=100)

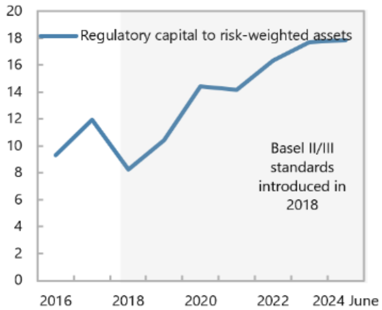


Sources: Beninese authorities, WEO, Bloomberg, and IMF staff calculations. Some data is still preliminary.

Figure 4. Benin: Financial Sector Developments, 2016-24

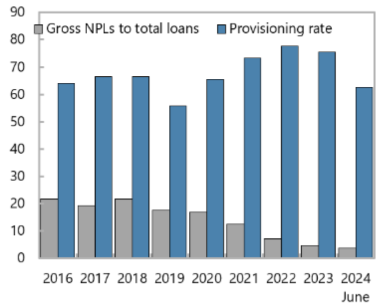
The banking system remains well capitalized overall, although two banks are undercapitalized.

Capital Adequacy Ratio
(Percent of risk-weighted assets)



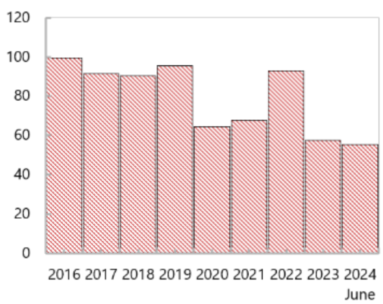
The quality of the credit portfolio continues to improve, while provisioning has been decelerating.

Gross NPLs to Total Loans and Provisioning Rate
(Percent)



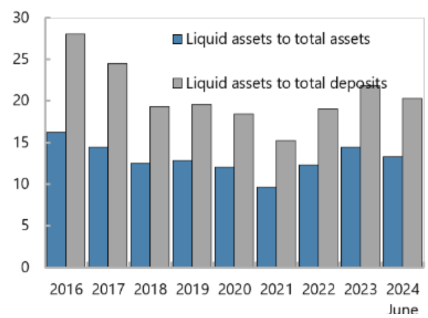
The sector's lending concentration has stagnated in June 2024 after sharply decreasing in 2023 ...

Concentration: Credit to the Five Largest Borrowers
(Percent of total assets)



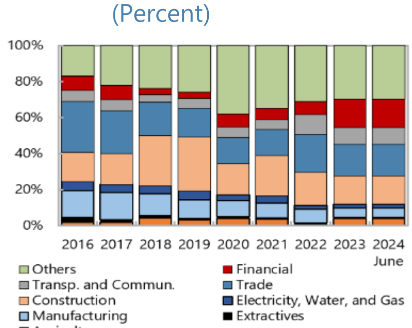
... while liquidity has slightly declined following an upward trend in recent years.

Liquid Assets as a Share of Total Assets/Deposits
(Percent)



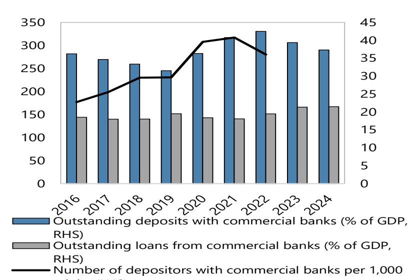
Lending to financial services has recently increased, contributing almost as much as traditional sectors, including trade and construction.

Credit Provided, by Sector
(Percent)



Access to and use of banking sector services seem to have stabilized in recent years.

Commercial Bank Deposit and Loan Composition
(Percent of GDP and per 1,000 adults)



Sources: Beninese authorities, BCEAO, and IMF staff calculations.

Table 1. Benin: Selected Economic and Financial Indicators, 2021-30

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030
			Est.	Fifth Review	Proj.	Fifth Review	Proj.	Projections				
National Income and Prices				(annual percent change)								
Real GDP per capita	4.2	3.4	3.6	3.6	4.5	3.5	3.6	3.3	3.2	3.1	2.8	2.8
Real GDP	7.2	6.3	6.4	6.5	7.5	6.5	6.7	6.4	6.3	6.2	6.0	6.0
Nominal GDP	8.9	10.7	10.0	8.6	9.1	8.7	8.5	8.5	8.4	8.4	8.2	8.2
GDP deflator	1.6	4.1	3.4	1.9	1.6	2.0	1.7	2.0	2.0	2.0	2.0	2.0
Consumer price index (average)	1.7	1.4	2.7	2.0	1.2	2.0	2.1	2.0	2.0	2.0	2.0	2.0
Consumer price index (end of period)	5.0	2.8	0.4	2.0	-0.4	2.0	2.1	2.0	2.0	2.0	2.0	2.0
External Sector												
Terms of trade (minus = deterioration)	0.8	-3.1	-5.8	-0.4	-0.3	1.9	-1.3	2.5	0.2	0.3	0.5	1.8
Real effective exchange rate (minus = deterioration)	-0.8	-8.7	4.6	...	...	...	...	...	...	...	...	...
Money and Credit												
Credit to the private sector	9.2	21.4	19.7	15.0	11.3	11.9	15.0	...	...	...	...	...
Broad money (M2)	16.7	13.0	-0.4	8.6	1.4	8.7	8.5	...	...	...	...	...
				(percent of GDP, unless otherwise indicated)								
Central Government Finance												
Total revenue	13.2	13.8	14.3	14.6	14.6	15.1	15.1	15.4	15.9	16.3	16.7	17.1
of which: Tax revenue [1]	*11.0*	*12.2*	*12.9*	*13.2*	*13.2*	*13.7*	*13.7*	*14.1*	*14.5*	*14.9*	*15.2*	*15.5*
Grants	0.9	0.5	0.8	0.7	0.4	0.6	0.5	0.4	0.4	0.4	0.4	0.4
Total expenditure and net lending	19.9	19.8	19.2	19.0	18.0	18.6	18.5	18.8	19.3	19.6	20.0	20.4
Overall balance (commitment basis, including grants)	-5.7	-5.5	-4.1	-3.7	-3.0	-2.9	-2.9	-2.9	-2.9	-2.9	-2.9	-2.9
Overall balance (cash basis, including grants)	-5.6	-4.7	-4.9	-3.7	-2.7	-2.9	-2.9	-2.9	-2.9	-2.9	-2.9	-2.9
Domestic financing, net	-3.9	2.0	0.4	-1.9	-2.0	1.1	-1.7	0.9	-0.1	0.7	1.1	0.3
External financing, net	9.5	2.7	4.4	5.6	4.7	1.8	4.6	2.0	3.0	2.2	1.8	2.6
External Sector												
Balance of goods and services	-4.4	-5.9	-8.5	-6.2	-7.0	-5.7	-6.2	-5.5	-5.3	-5.3	-5.0	-4.9
Exports of goods and services	23.5	24.5	22.9	24.4	21.0	25.0	21.1	22.0	22.7	23.3	24.0	24.7
Imports of goods and services	-27.8	-30.4	-31.5	-30.6	-28.0	-30.7	-27.3	-27.5	-28.0	-28.5	-29.0	-29.6
Current account balance, including official transfers	-4.2	-5.7	-8.2	-5.7	-6.8	-5.1	-6.0	-5.2	-4.9	-4.7	-4.5	-4.4
Overall balance of payments	6.1	0.1	-3.4	1.4	-1.9	0.7	2.0	0.3	1.8	1.2	1.0	1.9
Public Debt (End Period)												
Total public debt	50.3	54.2	54.9	54.0	53.4	52.6	51.5	50.3	49.4	48.5	47.8	47.1
External public debt	36.8	37.6	38.8	43.0	40.3	42.8	43.5	42.2	41.9	40.8	39.3	38.8
Domestic public debt	13.5	16.6	16.1	11.1	13.1	9.8	8.0	8.2	7.4	7.7	8.4	8.3
Memorandum Items												
Nominal GDP (CFAF billions)	9,810	10,855	11,935	12,956	13,026	14,081	14,135	15,343	16,638	18,035	19,510	21,101
Nominal GDP (US$ billions)	17.7	17.4	19.7	21.5	21.5	23.6	23.2	25.3	27.4	29.7	32.1	34.8
Nominal GDP per capita (US$)	1,361.8	1,306.0	1,435.1	1,524.5	1,524.1	1,620.7	1,598.6	1,694.6	1,782.9	1,874.7	1,966.7	2,062.7
US$ exchange rate (average)	554.2	622.4	606.5	602.0	606.2	...	...	...	...	...	...	...
International price of cotton (Cotlook "A" Index, U.S. cents a lb.)	101.2	130.1	95.0	87.3	86.6	85.8	77.7	80.8	80.9	80.3	80.3	80.3
International price of oil (U.S. dollars a barrel)	69.2	96.4	80.6	81.3	79.2	72.8	66.9	62.4	62.7	63.6	64.3	64.9

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

[1] Projections from 2022 onward reflect reclassification of taxes on the use or permission to use goods or to carry out activities as tax revenues (71 billion in 2022) to align with WAEMU/GFS practices.

Table 2. Benin: Consolidated Central Government Operations, 2021-30[1]

(CFAF Billions)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030
				Fifth Review	Proj.	Fifth Review	Proj.	Projections				
Total Revenue and Grants	**1,387.7**	**1,553.2**	**1,795.1**	**1,981.3**	**1,952.4**	**2,211.0**	**2,202.4**	**2,432.8**	**2,722.1**	**3,019.4**	**3,343.0**	**3,697.2**
Total revenue	1,295.7	1,498.6	1,701.3	1,893.8	1,895.6	2,128.2	2,131.0	2,366.7	2,649.8	2,943.4	3,263.3	3,613.8
Tax revenue [2]	1,082.3	1,320.7	1,537.9	1,715.4	1,721.7	1,935.4	1,937.5	2,156.8	2,405.4	2,679.4	2,957.2	3,261.6
Tax on international trade	397.4	429.8	517.0	578.6	581.6	656.9	662.2	741.8	829.4	926.1	1,031.1	1,146.8
Direct and indirect taxes	684.9	890.9	1,020.9	1,136.8	1,140.0	1,278.4	1,275.2	1,414.9	1,576.0	1,753.3	1,926.1	2,114.7
Nontax revenue [2]	213.4	177.8	163.4	178.4	173.9	192.8	193.5	210.0	244.4	263.9	306.1	352.2
Grants	92.0	54.6	93.8	87.5	56.9	82.8	71.4	66.0	72.3	76.0	79.7	83.5
Project grants	54.6	54.6	84.0	66.7	42.0	63.1	51.4	46.0	49.7	52.1	54.4	56.8
Budgetary grants	37.4	0.0	9.8	20.8	14.9	19.7	20.0	20.0	22.5	23.9	25.3	26.7
Total Expenditure and Net Lending	**1,949.4**	**2,149.4**	**2,289.8**	**2,460.7**	**2,344.8**	**2,619.3**	**2,612.3**	**2,877.7**	**3,204.6**	**3,542.4**	**3,908.8**	**4,309.1**
Current expenditure	1,145.1	1,198.1	1,276.0	1,445.1	1,389.8	1,603.7	1,619.5	1,756.6	1,927.3	2,090.0	2,264.2	2,449.2
Current primary expenditure	925.2	1,019.5	1,085.8	1,213.3	1,157.6	1,368.7	1,357.8	1,515.3	1,670.1	1,831.7	1,982.7	2,145.7
Wage bill [3]	407.8	458.5	540.4	609.0	576.4	670.2	659.3	713.4	773.7	838.6	907.2	981.2
Pensions and scholarships	90.5	92.9	97.0	110.4	98.4	121.2	120.6	146.2	158.6	171.9	186.0	201.1
Current transfers	259.2	320.6	323.4	350.3	373.0	415.4	436.5	499.1	557.1	604.8	655.4	710.1
Expenditure on goods and services	167.6	147.4	125.1	143.6	109.8	161.9	141.3	156.5	180.8	216.4	234.1	253.2
Interest	219.9	178.7	190.2	231.9	232.2	234.9	261.7	241.3	257.2	258.2	281.4	303.5
Domestic debt	153.1	84.1	80.3	106.2	106.6	77.5	92.5	60.0	66.3	51.6	66.2	82.7
External debt	66.8	94.5	109.9	125.6	125.6	157.5	169.1	181.3	190.9	206.6	215.2	220.9
Capital expenditure	802.6	954.9	1,011.9	1,015.6	960.1	1,015.7	992.9	1,121.1	1,277.3	1,452.4	1,644.7	1,859.9
Financed by domestic resources	519.0	577.9	574.5	563.1	591.9	543.4	552.4	645.4	770.0	904.4	1,053.7	1,222.9
Financed by external resources [4]	283.7	377.0	437.4	452.4	368.2	472.3	440.5	475.6	507.3	548.1	591.0	637.0
Net lending	1.7	-3.6	1.9	0.0	-5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance (Commitment Basis, Incl. Grants)	**-561.7**	**-596.2**	**-494.7**	**-479.4**	**-392.4**	**-408.3**	**-409.9**	**-444.9**	**-482.5**	**-523.0**	**-565.8**	**-611.9**
Primary balance [5]	-433.8	-472.2	-398.3	-335.0	-217.1	-256.2	-219.6	-269.7	-297.6	-340.8	-364.1	-391.8
Basic primary balance [6]	-148.5	-98.8	41.0	117.4	146.1	216.1	220.9	206.0	209.7	207.3	226.9	245.2
Change in arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic debt (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: net change in arrears stock	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	0.0	0.0	0.0	0.0
Float	15.3	82.2	-86.3	0.0	43.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance (Cash Basis, Incl. Grants)	**-546.4**	**-514.0**	**-581.0**	**-479.4**	**-348.5**	**-408.3**	**-409.9**	**-444.9**	**-482.5**	**-523.0**	**-565.8**	**-611.9**
Financing	**546.4**	**514.0**	**581.0**	**479.4**	**348.5**	**408.3**	**409.9**	**444.9**	**482.5**	**523.0**	**565.8**	**611.9**
Domestic financing	-380.8	216.1	52.1	-250.3	-257.5	159.2	-235.1	138.5	-24.2	120.4	212.9	59.3
Bank financing	-123.4	78.1	-14.6	-175.0	182.9	88.8	-27.9	-15.0	-190.6	-59.9	17.8	-151.7
Net use of IMF resources	94.2	176.2	114.4	44.3	46.8	67.1	67.7	-37.0	-59.0	-77.3	-87.3	-82.3
Disbursements	*94.2*	*181.6*	*122.8*	*89.7*	*91.2*	*121.6*	*122.7*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
o/w RSF	*0.0*	*0.0*	*0.0*	*39.7*	*39.9*	*79.4*	*80.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Repayments	*0.0*	*-5.4*	*-8.3*	*-45.4*	*-44.3*	*-54.5*	*-55.0*	*-37.0*	*-59.0*	*-77.3*	*-87.3*	*-82.3*
Other [7]	-217.6	-98.1	-129.0	-219.3	136.1	21.6	-95.6	22.1	-131.6	17.4	105.1	-69.4
Nonbank and regional financing [8]	-257.4	138.0	66.7	-75.3	-440.4	70.4	-207.2	153.4	166.4	180.3	195.1	211.0
External financing	927.3	297.9	528.9	729.7	606.0	249.2	645.0	306.5	506.7	402.6	352.9	552.6
Project financing [4]	229.0	322.3	353.5	385.7	326.2	409.2	389.2	429.6	457.5	496.0	536.5	580.3
Budgetary assistance	28.2	96.1	126.0	171.1	208.8	71.6	90.0	90.0	83.2	90.2	37.1	40.1
Commercial Loan	0.0	0.0	229.6	0.0	0.0	0.0	327.9	0.0	0.0	0.0	0.0	0.0
SDG/Eurobond issuance	983.9	0.0	0.0	451.5	437.8	0.0	304.6	0.0	213.2	0.0	0.0	211.0
Amortization due	-313.9	-120.5	-180.2	-278.6	-366.9	-231.6	-466.6	-213.1	-247.2	-183.5	-220.7	-278.8
Of which: Early repayment of Eurobonds					*-151.6*		*-164.0*					
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	9,810	10,855	11,935	12,956	13,026	14,081	14,135	15,343	16,638	18,035	19,510	21,101

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

[1] Consolidated central government includes government entities whose operations are include in the table of government financial operations (TOFE). Does not include any local governments, the central back, or any other public or government-owned entity that has autonomous legal status.

[2] Projections from 2022 onward reflect reclassification of taxes on the use or permission to use good or to carry out activities as tax revenues (71 billion in 2022) to align with WAEMU/GFS

[3] 2020-27 includes wages of wages of trainee "aspirant" employees previously reflected in goods and services.

[4] Projections from 2022 onward include financing from BOAD.

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

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

[7] Includes financing by Beninese banks.

[8] Includes financing by regional commercial banks.

Table 3. Benin: Consolidated Central Government Operations, 2021-30[1]
(Percent of GDP)

	2021	2022	2023	2024		2025		2026	2027	2028	2029	2030
				Fifth Review	Proj.	Fifth Review	Proj.	Projections				
Total Revenue and Grants	**14.1**	**14.3**	**15.0**	**15.3**	**15.0**	**15.7**	**15.6**	**15.9**	**16.4**	**16.7**	**17.1**	**17.5**
Total revenue	13.2	13.8	14.3	14.6	14.6	15.1	15.1	15.4	15.9	16.3	16.7	17.1
Tax revenue [2]	11.0	12.2	12.9	13.2	13.2	13.7	13.7	14.1	14.5	14.9	15.2	15.5
Tax on international trade	4.1	4.0	4.3	4.5	4.5	4.7	4.7	4.8	5.0	5.1	5.3	5.4
Direct and indirect taxes	7.0	8.2	8.6	8.8	8.8	9.1	9.0	9.2	9.5	9.7	9.9	10.0
Nontax revenue [2]	2.2	1.6	1.4	1.4	1.3	1.4	1.4	1.4	1.5	1.5	1.6	1.7
Grants	0.9	0.5	0.8	0.7	0.4	0.6	0.5	0.4	0.4	0.4	0.4	0.4
Project grants	0.6	0.5	0.7	0.5	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Budgetary grants	0.4	0.0	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total Expenditure and Net Lending	**19.9**	**19.8**	**19.2**	**19.0**	**18.0**	**18.6**	**18.5**	**18.8**	**19.3**	**19.6**	**20.0**	**20.4**
Current expenditure	11.7	11.0	10.7	11.2	10.7	11.4	11.5	11.4	11.6	11.6	11.6	11.6
Current primary expenditure	9.4	9.4	9.1	9.4	8.9	9.7	9.6	9.9	10.0	10.2	10.2	10.2
Wage bill [3]	4.2	4.2	4.5	4.7	4.4	4.8	4.7	4.7	4.7	4.7	4.7	4.7
Pensions and scholarships	0.9	0.9	0.8	0.9	0.8	0.9	0.9	1.0	1.0	1.0	1.0	1.0
Current transfers	2.6	3.0	2.7	2.7	2.9	3.0	3.1	3.3	3.3	3.4	3.4	3.4
Expenditure on goods and services	1.7	1.4	1.0	1.1	0.8	1.2	1.0	1.0	1.1	1.2	1.2	1.2
Interest	2.2	1.6	1.6	1.8	1.8	1.7	1.9	1.6	1.5	1.4	1.4	1.4
Domestic debt	1.6	0.8	0.7	0.8	0.8	0.6	0.7	0.4	0.4	0.3	0.3	0.4
External debt	0.7	0.9	0.9	1.0	1.0	1.1	1.2	1.2	1.1	1.1	1.1	1.0
Capital expenditure	8.2	8.8	8.5	7.8	7.4	7.2	7.0	7.3	7.7	8.1	8.4	8.8
Financed by domestic resources	5.3	5.3	4.8	4.3	4.5	3.9	3.9	4.2	4.6	5.0	5.4	5.8
Financed by external resources [4]	2.9	3.5	3.7	3.5	2.8	3.4	3.1	3.1	3.0	3.0	3.0	3.0
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance (Commitment Basis, Incl. Grants)	**-5.7**	**-5.5**	**-4.1**	**-3.7**	**-3.0**	**-2.9**	**-2.9**	**-2.9**	**-2.9**	**-2.9**	**-2.9**	**-2.9**
Primary balance [5]	-4.4	-4.4	-3.3	-2.6	-1.7	-1.8	-1.6	-1.8	-1.8	-1.9	-1.9	-1.9
Basic primary balance [6]	-1.5	-0.9	0.3	0.9	1.1	1.5	1.6	1.3	1.3	1.1	1.2	1.2
Change in arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Domestic debt (net)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
of which: net change in arrears stock	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	0.0	0.0	0.0	0.0
Float	0.2	0.8	-0.7	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance (Cash Basis, Incl. Grants)	**-5.6**	**-4.7**	**-4.9**	**-3.7**	**-2.7**	**-2.9**	**-2.9**	**-2.9**	**-2.9**	**-2.9**	**-2.9**	**-2.9**
Financing	**5.6**	**4.7**	**4.9**	**3.7**	**2.7**	**2.9**	**2.9**	**2.9**	**2.9**	**2.9**	**2.9**	**2.9**
Domestic financing	-3.9	2.0	0.4	-1.9	-2.0	1.1	-1.7	0.9	-0.1	0.7	1.1	0.3
Bank financing	-1.3	0.7	-0.1	-1.4	1.4	0.6	-0.2	-0.1	-1.1	-0.3	0.1	-0.7
Net use of IMF resources	1.0	1.6	1.0	0.3	0.4	0.5	0.5	-0.2	-0.4	-0.4	-0.4	-0.4
Disbursements	1.0	1.7	1.0	0.7	0.7	0.9	0.9	0.0	0.0	0.0	0.0	0.0
o/w RSF	0.0	0.0	0.0	0.3	0.3	0.6	0.6	0.0	0.0	0.0	0.0	0.0
Repayments	0.0	0.0	-0.1	-0.4	-0.3	-0.4	-0.4	-0.2	-0.4	-0.4	-0.4	-0.4
Other [7]	-2.2	-0.9	-1.1	-1.7	1.0	0.2	-0.7	0.1	-0.8	0.1	0.5	-0.3
Nonbank and regional financing [8]	-2.6	1.3	0.6	-0.6	-3.4	0.5	-1.5	1.0	1.0	1.0	1.0	1.0
External financing	9.5	2.7	4.4	5.6	4.7	1.8	4.6	2.0	3.0	2.2	1.8	2.6
Project financing [4]	2.3	3.0	3.0	3.0	2.5	2.9	2.8	2.8	2.8	2.8	2.8	2.8
Budgetary assistance	0.3	0.9	1.1	1.3	1.6	0.5	0.6	0.6	0.5	0.5	0.2	0.2
Commercial Loan	0.0	0.0	1.9	0.0	0.0	0.0	2.3	0.0	0.0	0.0	0.0	0.0
SDG/Eurobond issuance	10.0	0.0	0.0	3.5	3.4	0.0	2.2	0.0	1.3	0.0	0.0	1.0
Amortization due	-3.2	-1.1	-1.5	-2.2	-2.8	-1.6	-3.3	-1.4	-1.5	-1.0	-1.1	-1.3
Of which: Early repayment of Eurobonds					*-1.2*		*-1.2*					
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP	9,810	10,855	11,935	12,956	13,026	14,081	14,135	15,343	16,638	18,035	19,510	21,101
Memo Items												
Interest-to-tax revenue ratio (percent)	20	14	12	14	13	12	14	11	11	10	10	9
Wage bill to tax ratio (percent)	38	35	35	35	33	35	34	33	32	31	31	30

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

[1] Consolidated central government includes government entities whose operations are include in the table of government financial operations (TOFE). Does not include any local governments, the central back, or any other public or government-owned entity that has autonomous legal status.

[2] Projections from 2022 onward reflect reclassification of taxes on the use or permission to use good or to carry out activities as tax revenues (0.7 percent of GDP in 2022).

[3] 2020-27 includes wages of wages of trainee "aspirant" employees previously reflected in goods and services.

[4] Projections from 2022 include financing from BOAD.

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

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

[7] Includes financing by Beninese banks.

[8] Includes financing by regional commercial banks.

Table 4. Benin: Balance of Payments, 2021-30[1]

(CFAF Billions)

	2021	2022	2023		2024		2025		2026	2027	2028	2029	2030
			Fifth Rev.	Est.	Fifth Rev.	Proj.	Fifth Rev.	Proj.			Projections		
Current account balance	**-407.4**	**-617.3**	**-765.6**	**-975.9**	**-732.6**	**-884.3**	**-720.4**	**-844.3**	**-803.6**	**-816.2**	**-855.1**	**-881.1**	**-935.5**
Current Account Balance (Excl. Budget Support Grants)	-444.8	-617.3	-775.5	-985.7	-753.4	-899.2	-740.1	-864.3	-823.6	-838.7	-879.0	-906.4	-962.2
Trade balance[1]	-195.4	-396.6	-314.0	-363.3	-413.2	-334.4	-382.2	-410.6	-386.8	-420.3	-466.7	-482.5	-530.5
Exports, f.o.b.[1]	2,019.9	2,316.7	2,457.0	2,457.0	2,733.0	2,426.7	3,050.0	2,650.1	3,008.2	3,370.9	3,741.4	4,170.0	4,622.8
Of which: re-exports	*925.1*	*1,166.6*	*1,206.6*	*1,206.6*	*1,206.6*	*1,158.7*	*1,329.8*	*1,235.0*	*1,384.2*	*1,539.0*	*1,709.9*	*1,897.4*	*2,094.4*
Of which: cotton	*400.6*	*421.6*	*349.9*	*349.9*	*386.4*	*388.0*	*430.5*	*401.0*	*473.0*	*541.2*	*586.0*	*651.4*	*723.3*
Imports, f.o.b.[1]	-2,215.4	-2,713.3	-2,771.0	-2,820.3	-3,146.2	-2,761.1	-3,432.2	-3,060.7	-3,395.0	-3,791.2	-4,208.2	-4,652.5	-5,153.3
Of which: fuel	*-194.9*	*-329.7*	*-295.9*	*-281.0*	*-342.2*	*-248.3*	*-293.8*	*-225.9*	*-181.7*	*-176.7*	*-172.4*	*-167.4*	*-184.2*
Services (net)	-232.6	-241.6	-489.8	-654.8	-392.1	-582.5	-422.4	-468.8	-458.7	-458.3	-480.5	-498.9	-512.8
Income (net)	-105.0	-78.1	-129.9	-114.8	-97.0	-134.1	-109.3	-129.4	-146.0	-154.8	-156.6	-169.4	-183.3
Current transfers (net)	125.5	99.0	168.0	157.0	169.7	166.8	193.5	164.6	187.9	217.2	248.8	269.7	291.1
Private transfers	76.9	100.4	111.9	148.8	148.9	146.8	173.8	144.6	167.9	194.6	224.9	244.4	264.4
Public transfers	48.7	-1.4	56.1	8.2	20.8	20.0	19.7	20.0	20.0	22.5	23.9	25.3	26.7
Capital Account Balance	**143.8**	**112.6**	**129.4**	**119.5**	**116.1**	**107.0**	**116.8**	**121.9**	**122.6**	**132.8**	**142.1**	**151.8**	**162.1**
Financial Account Balance (+=Inflow)	**860.7**	**514.8**	**221.4**	**448.8**	**795.2**	**531.7**	**706.5**	**1,005.5**	**719.9**	**980.8**	**927.3**	**932.6**	**1,167.9**
Direct investment	168.1	205.2	190.0	260.8	213.2	265.0	227.1	282.7	329.0	382.5	425.4	472.3	524.2
Portfolio investment	503.8	176.9	-52.5	52.6	301.5	139.3	0.0	140.6	0.0	213.2	0.0	0.0	211.0
Medium- and long-term public capital	182.5	305.6	528.9	528.9	278.2	319.8	249.2	504.4	306.5	293.5	402.6	352.9	341.6
Project loans	229.0	322.3	353.5	353.5	385.7	326.2	409.2	389.2	429.6	457.5	496.0	536.5	580.3
Budgetary assistance loans	28.2	96.1	126.0	126.0	171.1	208.8	71.6	90.0	90.0	83.2	90.2	37.1	40.1
Commercial Loan	0.0	0.0	229.6	229.6	0.0	0.0	0.0	327.9	0.0	0.0	0.0	0.0	0.0
Amortization due	-313.9	-120.5	-180.2	-180.2	-278.6	-215.3	-231.6	-302.6	-213.1	-247.2	-183.5	-220.7	-278.8
Other Medium- and long-term private capital	6.3	-172.9	-445.0	-393.6	2.3	-192.4	230.2	77.8	84.5	91.6	99.3	107.4	91.0
Errors and omissions	2.8	2.7	0.0	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall Balance	**599.9**	**12.7**	**-414.8**	**-405.3**	**178.7**	**-245.6**	**102.8**	**283.2**	**38.9**	**297.4**	**214.4**	**203.3**	**394.5**
Financing	**-599.9**	**-12.7**	**414.8**	**405.3**	**-228.7**	**245.6**	**-145.0**	**-325.8**	**-38.9**	**-297.4**	**-214.4**	**-203.3**	**-394.5**
Change in gross foreign assets, BCEAO excl. RSF ('-' = Increase)	-686.4	-189.0	529.2	290.9	-274.1	198.8	-199.5	-270.8	-1.9	-238.5	-137.1	-116.0	-312.2
Use of IMF resources, net	94.2	176.2	114.4	114.4	45.4	46.8	-54.5	-55.0	-37.0	-59.0	-77.3	-87.3	-82.3
Debt relief	-7.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing Gap			**0.0**	**0.0**	**50.0**	**0.0**	**42.2**	**42.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
IMF EFF/ECF			0.0	0.0	50.0	0.0	42.2	42.6					
Residual Gap			**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
IMF RSF			0	0.0	39.7	0.0	79.4	80.1	0.0	0.0	0.0	0.0	0.0
Change in gross foreign assets, BCEAO incl. RSF ('-' = Increase)			529.2	290.9	-313.8	198.8	-278.9	-350.9	-1.9	-238.5	-137.1	-116.0	-312.2
					(Percent of GDP)								
Current Account Balance	**-4.2**	**-5.7**	**-6.4**	**-8.2**	**-5.7**	**-6.8**	**-5.1**	**-6.0**	**-5.2**	**-4.9**	**-4.7**	**-4.5**	**-4.4**
Trade balance of goods[1]	-2.0	-3.7	-2.6	-3.0	-3.2	-2.6	-2.7	-2.9	-2.5	-2.5	-2.6	-2.5	-2.5
Exports, f.o.b.[1]	*20.6*	*21.3*	*20.6*	*20.6*	*21.1*	*18.6*	*21.7*	*18.7*	*19.6*	*20.3*	*20.7*	*21.4*	*21.9*
Imports, f.o.b.[1]	*-22.6*	*-25.0*	*-23.2*	*-23.6*	*-24.3*	*-21.2*	*-24.4*	*-21.7*	*-22.1*	*-22.8*	*-23.3*	*-23.8*	*-24.4*
Services	-2.4	-2.2	-4.1	-5.5	-3.0	-4.5	-3.0	-3.3	-3.0	-2.8	-2.7	-2.6	-2.4
Income	-1.1	-0.7	-1.1	-1.0	-0.7	-1.0	-0.8	-0.9	-1.0	-0.9	-0.9	-0.9	-0.9
Current transfers	1.3	0.9	1.4	1.3	1.3	1.3	1.4	1.2	1.2	1.3	1.4	1.4	1.4
Capital account	**1.5**	**1.0**	**1.1**	**1.0**	**0.9**	**0.8**	**0.8**	**0.9**	**0.8**	**0.8**	**0.8**	**0.8**	**0.8**
Financial Account Balance (+=Inflow)	**8.8**	**4.7**	**1.9**	**3.8**	**6.1**	**4.1**	**5.0**	**7.1**	**4.7**	**5.9**	**5.1**	**4.8**	**5.5**
Direct investment	1.7	1.9	1.6	2.2	1.6	2.0	1.6	2.0	2.1	2.3	2.4	2.4	2.5
Portfolio investment	5.1	1.6	-0.4	0.4	2.3	1.1	0.0	1.0	0.0	1.3	0.0	0.0	1.0
Medium- and long-term public capital	1.9	2.8	4.4	4.4	2.1	2.5	1.8	3.6	2.0	1.8	2.2	1.8	1.6
Project loans	2.3	3.0	3.0	3.0	3.0	2.5	2.9	2.8	2.8	2.8	2.8	2.8	2.8
Budgetary assistance loans	0.3	0.9	1.1	1.1	1.3	1.6	0.5	0.6	0.6	0.5	0.5	0.2	0.2
Commercial Loan	0.0	0.0	1.9	1.9	0.0	0.0	0.0	2.3	0.0	0.0	0.0	0.0	0.0
Amortization due	-3.2	-1.1	-1.5	-1.5	-2.2	-1.7	-1.6	-2.1	-1.4	-1.5	-1.0	-1.1	-1.3
Other Medium- and long-term private capital	0.1	-1.6	-3.7	-3.3	0.0	-1.5	1.6	0.6	0.6	0.6	0.6	0.6	0.4
Overall Balance	**6.1**	**0.1**	**-3.5**	**-3.4**	**1.4**	**-1.9**	**0.7**	**2.0**	**0.3**	**1.8**	**1.2**	**1.0**	**1.9**
Memorandum items:													
International price of cotton (Cotlook "A" Index, U.S. cents a lb.)	101.2	130.1	95.0	95.0	87.3	86.6	85.8	77.7	80.8	80.9	80.3	80.3	80.3
International price of oil (U.S. dollars a barrel)	69.2	96.4	80.6	80.6	81.3	79.2	72.8	66.9	62.4	62.7	63.6	64.3	64.9
Nominal GDP (CFAF billion)	9,810	10,855	11,935	11,935	12,956	13,026	14,081	14,135	15,343	16,638	18,035	19,510	21,101

Sources: Beninese authorities; IMF staff estimates and projections.

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

Table 5. Benin: Monetary Survey, 2019-30

	2019	2020	2021	2022	2023	2024		2025	2026	2027	2028	2029	2030
						Fifth Rev.	Proj.	Projections					
						(CFAF billion)							
Net foreign assets	**1233.1**	**1549.3**	**2131.3**	**2152.8**	**1734.1**	**2047.8**	**1469.0**	**1819.9**	**1821.8**	**2178.2**	**2469.9**	**2760.4**	**3237.2**
Central Bank of West African States (BCEAO)	314.4	269.8	138.2	-165.6	-559.3	-335.2	-625.0	-286.8	-210.9	145.5	437.2	727.8	1204.5
Banks	918.7	1279.5	1993.1	2318.4	2293.4	2383.1	2094.0	2106.7	2032.7	2032.7	2032.7	2032.7	2032.7
Net domestic assets	**1108.9**	**1198.6**	**1075.3**	**1471.5**	**1875.9**	**1871.1**	**2190.6**	**2151.2**	**2488.7**	**2496.3**	**2596.9**	**2720.9**	**2691.0**
Domestic credit	1449.9	1720.9	1712.8	2126.2	2534.3	2867.2	2940.9	3311.5	3744.8	4205.5	4701.4	5224.4	5788.0
Net claims on central government	-200.6	58.8	-64.6	9.9	-17.5	-17.5	168.8	168.8	168.8	168.8	168.8	168.8	168.8
Credit to the nongovernment sector[1]	1650.5	1662.1	1777.4	2116.3	2551.7	2884.7	2772.1	3142.7	3575.9	4036.7	4532.6	5055.5	5619.2
Of which: Credit to the private sector	1485.0	1399.7	1528.9	1856.1	2220.9	2553.8	2472.3	2843.0	3276.2	3736.9	4232.8	4755.8	5319.4
Other items[2]	341.0	522.3	637.5	654.8	658.4	996.1	750.3	1160.3	1256.1	1709.2	2104.5	2503.5	3097.1
Broad money (M2)	**2342.0**	**2747.9**	**3206.5**	**3624.3**	**3610.0**	**3918.9**	**3659.6**	**3971.1**	**4310.5**	**4674.4**	**5066.8**	**5481.3**	**5928.1**
Currency	569.4	713.7	764.5	868.5	817.5	887.5	838.8	910.2	988.0	1071.4	1161.3	1256.3	1358.8
Bank deposits	878.4	1040.5	1393.8	1655.9	1762.1	1913.0	1749.7	1898.6	2060.9	2234.9	2422.5	2620.7	2834.3
Other deposits	894.2	993.8	1048.2	1099.9	1030.3	1118.5	1071.1	1162.3	1261.6	1368.2	1483.0	1604.3	1735.1
	(Change, in percent of beginning-of-period broad money)												
Net foreign assets	**2.2**	**13.5**	**21.2**	**0.7**	**-11.6**	**8.7**	**-7.3**	**9.6**	**0.0**	**8.3**	**6.2**	**5.7**	**8.7**
Central Bank of West African States (BCEAO)	-5.0	-1.9	-4.8	-9.5	-10.9	6.2	-1.8	9.2	1.9	8.3	6.2	5.7	8.7
Banks	7.1	15.4	26.0	10.1	-0.7	2.5	-5.5	0.3	-1.9	0.0	0.0	0.0	0.0
Net domestic assets	**3.9**	**3.8**	**-4.5**	**12.4**	**11.2**	**-0.1**	**8.7**	**-1.1**	**8.5**	**0.2**	**2.2**	**2.4**	**-0.5**
Domestic credit	-4.6	11.6	-0.3	12.9	11.3	9.2	11.3	10.1	10.9	10.7	10.6	10.3	10.3
Net claims on central government	-14.4	11.1	-4.5	2.3	-0.8	0.0	5.2	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the nongovernment sector	9.9	0.5	4.2	10.6	12.0	9.2	6.1	10.1	10.9	10.7	10.6	10.3	10.3
Other items	-8.4	7.7	4.2	0.5	0.1	9.4	2.5	11.2	2.4	10.5	8.5	7.9	10.8
Broad money (M2)	**6.0**	**17.3**	**16.7**	**13.0**	**-0.4**	**8.6**	**1.4**	**8.5**	**8.5**	**8.4**	**8.4**	**8.2**	**8.2**
Currency	2.2	6.2	1.9	3.2	-1.4	1.9	0.6	2.0	2.0	1.9	1.9	1.9	1.9
Bank deposits	2.8	6.9	12.9	8.2	2.9	4.2	-0.3	4.1	4.1	4.0	4.0	3.9	3.9
Other deposits	1.0	4.3	2.0	1.6	-1.9	2.4	1.1	2.5	2.5	2.5	2.5	2.4	2.4
Memorandum items:													
Velocity of broad money	3.8	3.5	3.3	3.2	3.3	3.4	3.6	3.7	3.7	3.7	3.7	3.7	3.7
Broad money (percent of GDP)	27.2	30.5	32.7	33.4	30.2	30.2	28.1	28.1	28.1	28.1	28.1	28.1	28.1
Credit to the private sector (annual percentage change)	11.9	-5.7	9.2	21.4	19.7	15.0	11.3	15.0	15.2	14.1	13.3	12.4	11.9
Nominal GDP (CFAF billion)	8,611	9,009	9,810	10,855	11,935	12,956	13,026	14,135	15,343	16,638	18,035	19,510	21,101
Nominal GDP growth (annual percentage change)	8.1	4.6	8.9	10.7	10.0	8.6	9.1	8.5	8.5	8.4	8.4	8.2	8.2

Sources: BCEAO; IMF staff estimates and projections.

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

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

Table 6. Benin: External Financing Requirements and Sources, 2022-25

	2022	2023	2024	2025	Cumulative 2022-25
		Projections			Projection
	(CFAF billion, unless otherwise indicated)				
1. Gross financing requirements	**932**	**886**	**920**	**1,493**	**4,231**
Current account balance (excl. grants)	617	986	899	864	3,366
Debt Amortization (excl. regional market securities/IMF)	121	180	215	303	819
IMF Repurchases/repayments	5	8	44	55	113
Change in NFA (excl. IMF) ("+" = increase)	186	-291	-239	271	-72
Errors and Omissions	3	2	0	0	5
2. Available financing	**637**	**627**	**645**	**1,340**	**3,250**
Foreign direct investment (net)	205	261	265	283	1,014
Other net flows [1]	72	-71	12	617	630
of which: Eurobond	*0*	*0*	*286*	*305*	591
Project (official external)	360	437	368	441	1,606
Grants	*55*	*84*	*42*	*51*	232
Loans	*306*	*353*	*326*	*389*	1,374
3. Financing Gap (1-2)	**295**	**258**	**275**	**153**	**981**
Budget support (Multilateral)	96	136	224	110	566
Grants	*0*	*10*	*15*	*20*	*45*
Loans	*96*	*126*	*209*	*90*	*521*
Vaccination Support (WB)	17	*0*	*0*	*0*	*17*
Exceptional Financing (excluding RSF)	182	123	51	43	398
IMF	182	123	51	43	398
IMF share of financing gap (% total gap)	62	48	19	28	
Residual Gap	**0**	**0**	**0**	**0**	**0**
4. IMF RSF Disbursement	0	0	40	80	120

Source: Beninese authorities; IMF staff estimates and projections

[1] Includes portfolio investment, SDG financing, private investment, and capital account (excl grants).

Table 7. Benin: Quantitative Performance Criteria and Indicative Targets, 2024-25[1]
(CFAF Billions)

	June 30, 2024			September 30, 2024			December 31, 2024			March 31, 2025	June 30, 2025	September 30, 2025
	PC			IT			PC			IT	PC	IT
	Prog.	Prel.	Status	Prog.	Prel.	Status	Prog.	Prel.	Status	Prog.	Prog.	Prog.
A. Quantitative performance criteria[2]												
Basic primary balance (floor)[3]	22.2	51.2	Met	90.9	68.8	Not met	114	146.1	Met	43.2	82.7	44.0
Net domestic financing (ceiling)[4]	258.2	-187.6	Met	-173.3	-143.5	Not met	-248.5	-257.5	Met	5.5	9.9	362.2
B. Continuous quantitative performance criteria (ceilings)												
Accumulation of external payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	0.0
Accumulation of domestic payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	0.0
Ceiling on the present value of new external debt contracted or guaranteed by the government[5]	620	606.0	Met	1,055	801.9	Met	1,055	1,042.1	Met	620	620	620
C. Indicative Targets[2]												
Tax revenue (floor)	816.6	822.7	Met	1,220.5	1,223.3	Met	1,711.4	1,721.7	Met	443.1	923.0	1,366.0
Priority social expenditure (floor)[6]	55.5	69.7	Met	114.4	124.4	Met	185.1	188.1	Met	25.5	58.8	123.6

Sources: Beninese authorities; IMF staff estimates and projections.

[1]The terms in this table are defined in the Technical Memorandum of Understanding (TMU).

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

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

[4]Includes on-lending from the BCEAO related to the IMF disbursement. If the amount of disbursed external budgetary assistance net of external debt service obligations falls short of the program forecast, the ceiling on net domestic financing will be adjusted pro-tanto, subject to limits specified in the TMU. If the amount of disbursed external budgetary assistance net of external debt service obligations exceeds the program forecast, the ceiling will be adjusted downward by the excess disbursement.

[5] Excludes debt management operations which result in a reduction of the present value of overall external debt, and/or an improvement of the overall public external debt service profile (TMU clause 14).

[6] Includes internally and externally financed expenditures related to government interventions that directly reduce poverty in the areas of education, health and nutrition, social safety nets, access to electricity, water and sanitation, microfinance, and security and civil protection. Excludes salary expenditures.

Table 8. Benin: Financial Stability Indicators, 2016-24

(Percent)

	2016 Dec.	2017 Dec.	2018 [1] Dec.	2019 June	2019 Dec.	2020 June	2020 Dec.	2021 June	2021 Dec.	2022 June	2022 Dec.	2023 June	2023 Dec.	2024 [6] June
Regulatory capital to risk-weighted assets	9.3	11.9	8.2	9.6	10.4	10.0	14.4	13.4	14.2	14.6	16.3	15.4	17.7	17.8
Core capital to risk-weighted assets	7.4	10.2	7.2	8.7	9.7	9.3	13.6	12.6	13.3	13.8	15.2	14.4	16.6	16.7
Provisions to risk-weighted assets	16.0	16.4	12.6	11.1	10.3	11.4	11.3	10.1	8.4	9.3	6.7	5.6	4.5	2.9
Capital to total assets	3.7	4.7	5.1	5.6	5.4	4.7	6.7	6.4	6.4	7.6	6.4	6.4	7.1	7.2
Composition and quality of assets														
Total loans to total assets	39.6	43.5	46.1	47.5	48.5	45.3	42.5	40.9	37.6	40.9	44.4	45.8	48.0	48.1
Concentration: Credit to the 5 largest borrowers to capital	99.6	91.6	90.4	99.6	95.5	94.9	64.6	76.9	67.8	65.0	92.7	66.7	57.7	55.3
Credit by sector [2]														
Agriculture, Forestry, and Fishing	1.9	1.8	4.4	2.6	3.1	3.6	4.0	4.3	3.6	4.3	0.4	4.0	4.0	4.0
Extractive Industries	2.6	1.5	1.2	1.0	0.9	1.4	1.1	1.4	0.8	1.4	1.1	0.6	0.6	0.6
Manufacturing	15.0	15.2	12.2	11.0	10.2	10.5	8.7	7.5	8.2	7.5	7.8	5.1	5.1	5.1
Electricity, Water, and Gas	5.0	4.4	4.3	5.2	5.2	4.8	3.2	4.9	4.0	4.9	1.9	2.2	2.2	2.2
Buildings and Public Works	16.3	17.0	27.9	28.8	30.0	27.7	17.6	20.7	22.4	20.7	18.6	15.6	15.6	15.6
Commerce, Restaurants, and Hotels	28.2	24.1	18.7	18.7	15.9	15.3	14.3	14.4	14.4	14.4	21.0	17.8	17.8	17.8
Transportation and Communication	6.2	5.9	3.9	5.0	5.6	6.3	6.0	6.7	5.7	6.8	11.0	9.1	9.1	9.1
Financial and Business Services	7.9	8.0	3.4	3.3	3.5	5.9	7.2	9.0	6.1	9.0	7.2	16.0	16.0	16.0
Other Services	16.7	22.1	23.9	24.4	25.7	24.5	37.8	31.0	34.9	31.0	31.1	29.6	29.6	29.6
Non-Performing Loans (NPLs)														
Gross NPLs to Total loans	21.8	19.4	21.6	20.2	17.7	16.4	16.8	14.9	12.6	14.9	7.2	6.2	4.8	3.7
Provisioning rate	64.0	66.4	66.5	59.0	55.9	64.6	65.5	70.9	73.3	70.9	77.6	76.6	75.6	62.7
Net NPLs to total loans	9.1	7.5	8.5	9.4	8.6	6.5	6.5	4.8	3.7	4.8	1.7	1.5	1.2	1.4
Net NPLs to capital	96.9	69.2	77.2	80.0	77.8	62.4	41.4	31.0	21.7	26.2	11.8	11.0	8.3	9.5
Earnings and profitability [3]														
Average cost of borrowed funds	3.2	3.0	3.2	…	2.4	…	1.4	…	2.2	…	2.2	…	3.5	…
Average interest rate on loans	7.8	7.4	7.5	…	6.4	…	6.8	…	5.4	…	6.1	…	7.8	…
Average interest margin [4]	4.6	4.3	4.3	…	4.0	…	5.4	…	3.2	…	3.9	…	4.3	…
After-tax return on average assets (ROA)	0.0	0.0	0.1	…	0.5	…	0.6	…	1.0	…	1.1	…	1.4	…
After-tax return on average equity (ROE)	0.5	0.4	1.9	…	7.0	…	7.6	…	13.9	…	14.0	…	18.0	…
Noninterest expenses/net banking income	73.2	76.9	74.8	…	78.5	…	67.0	…	64.3	…	59.6	…	55.6	…
Salaries and wages/net banking income	32.3	33.9	32.4	…	32.9	…	27.6	…	27.1	…	24.1	…	23.1	…
Liquidity														
Liquid assets to total assets	16.2	14.5	12.5	11.7	12.8	11.5	12.1	9.0	9.7	9.0	12.3	13.2	14.4	13.3
Liquid assets to total deposits	28.0	24.4	19.3	16.8	19.6	18.0	18.4	13.3	15.2	13.3	19.0	20.3	21.8	20.3
Total loans to total deposits	79.4	84.4	83.4	77.9	82.3	79.5	72.9	67.7	65.2	67.7	72.8	74.0	75.2	75.0
Total deposits to total liabilities	57.9	59.2	64.6	69.3	65.4	63.7	65.5	67.6	63.4	67.6	64.6	64.9	66.3	65.7
Demand deposits to total liabilities [5]	24.4	26.3	29.4	31.3	28.5	27.0	30.0	29.5	31.8	29.6	32.5	31.7	32.5	29.2
Term deposits to total liabilities	33.5	32.9	35.1	38.0	36.9	36.7	35.5	38.0	31.7	38.0	32.2	33.3	33.8	36.5

Source: BCEAO.

Note: … = not available.

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

[2] Credits reported to the Central Risk Office

[3] Income statement items with half-yearly periodicity

[4] Excluding taxes on banking operations.

[5] Including savings accounts.

[6] Preliminary data

Table 9. Benin: Indicators of Capacity to Repay the IMF, 2025-46

	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
Fund Obligations Based on Existing Credit (millions of SDRs)																						
Principal	69.6	44.1	72.6	94.9	105.5	94.1	76.7	79.5	33.7	8.3	5.0	5.0	5.0	5.9	5.0	4.0	5.0	5.0	5.0	5.0	-	-
Charges and interest	12.6	12.3	11.9	10.8	9.3	7.6	5.8	4.1	2.7	2.0	1.8	1.6	1.4	1.2	1.1	0.9	0.7	0.5	0.3	0.1	0.0	0.0
Fund Obligations Based on Existing and Prospective Credit (millions of SDRs)																						
Principal	69.6	44.1	72.6	94.9	107.0	100.9	86.1	88.8	43.0	17.7	14.0	14.9	14.9	15.8	14.9	13.9	14.9	14.9	14.9	14.9	7.9	-
GRA	-	-	26.9	41.0	49.4	53.8	53.8	55.5	26.9	11.1	4.4	-	-	-	-	-	-	-	-	-	-	-
PRGT	69.6	44.1	45.7	53.9	57.6	47.1	32.3	33.3	16.1	6.6	2.6	-	-	-	-	-	-	-	-	-	-	-
RSF	-	-	-	-	-	-	-	-	-	-	6.9	14.9	14.9	15.8	14.9	13.9	14.9	14.9	14.9	14.9	7.9	-
Charges and interest	13.9	17.2	16.9	15.8	14.2	12.4	10.5	8.6	7.0	6.1	5.6	5.2	4.6	4.1	3.5	3.0	2.4	1.8	1.3	0.7	0.2	0.0
Total Obligations Based on Existing and Prospective Credit																						
Millions of SDRs	83.4	61.4	89.5	110.7	121.2	113.3	96.6	97.4	50.0	23.8	19.6	20.0	19.5	19.9	18.4	16.8	17.2	16.7	16.1	15.6	8.2	0.0
Millions of U.S. dollars	110.8	82.0	119.8	148.6	163.0	152.3	129.8	130.9	67.2	31.9	26.3	26.9	26.2	26.8	24.7	22.6	23.2	22.4	21.7	20.9	11.0	0.0
Percent of exports of goods and services	2.3	1.5	1.9	2.1	2.1	1.8	1.4	1.3	0.6	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
Percent of government revenue	3.2	2.1	2.7	3.1	3.0	2.6	2.0	1.8	0.8	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.0
Percent of GDP	0.5	0.3	0.4	0.5	0.5	0.4	0.3	0.3	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Percent of quota (principal)	56.2	35.7	58.7	76.7	86.4	81.5	69.5	71.8	34.8	14.3	11.3	12.0	12.0	12.8	12.0	11.2	12.0	12.0	12.0	12.0	6.4	-
GRA (percent of quota)	-	-	21.7	33.1	39.9	43.4	43.4	44.8	21.7	8.9	3.5	-	-	-	-	-	-	-	-	-	-	-
PRGT (percent of quota)	56.2	35.7	36.9	43.6	46.5	38.0	26.1	26.9	13.0	5.4	2.1	-	-	-	-	-	-	-	-	-	-	-
RSF (percent of quota)	-	-	-	-	-	-	-	-	-	-	5.6	12.0	12.0	12.8	12.0	11.2	12.0	12.0	12.0	12.0	6.4	-
Outstanding Fund Credit Based on Existing and Prospective Credit																						
Millions of SDRs	810.7	766.6	694.0	599.0	492.0	391.2	305.1	216.3	173.3	155.6	141.6	126.8	111.9	96.1	81.2	67.3	52.5	37.6	22.8	7.9	-	-
GRA	322.7	322.7	295.8	254.8	205.4	151.6	97.9	42.3	15.4	4.4	-	-	-	-	-	-	-	-	-	-	-	-
PRGT	339.5	295.3	249.6	195.7	138.1	91.0	58.7	25.4	9.3	2.6	-	-	-	-	-	-	-	-	-	-	-	-
RSF	148.6	148.6	148.6	148.6	148.6	148.6	148.6	148.6	148.6	148.6	141.6	126.8	111.9	96.1	81.2	67.3	52.5	37.6	22.8	7.9	-	-
Millions of U.S. dollars	1,076.6	1,024.3	929.0	804.0	661.4	525.8	410.1	290.7	232.9	209.1	190.4	170.4	150.4	129.1	109.2	90.5	70.6	50.6	30.6	10.6	-	-
Percent of exports of goods and services	22.0	18.4	14.9	11.6	8.6	6.1	4.4	2.9	2.1	1.8	1.5	1.2	1.0	0.8	0.6	0.5	0.4	0.2	0.1	0.0	-	-
Percent of government revenue	30.8	26.2	21.3	16.6	12.3	8.8	6.2	4.0	2.9	2.4	2.0	1.6	1.3	1.1	0.8	0.6	0.5	0.3	0.2	0.1	-	-
Percent of GDP	4.6	4.0	3.4	2.7	2.1	1.5	1.1	0.7	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.0	0.0	-	-
Percent of quota	654.9	619.2	560.5	483.9	397.5	316.0	246.5	174.7	140.0	125.7	114.4	102.4	90.4	77.6	65.6	54.4	42.4	30.4	18.4	6.4	-	-
GRA	260.7	260.7	238.9	205.8	165.9	122.5	79.0	34.2	12.5	3.5	-	-	-	-	-	-	-	-	-	-	-	-
PRGT	274.2	238.5	201.6	158.1	111.5	73.5	47.4	20.5	7.5	2.1	-	-	-	-	-	-	-	-	-	-	-	-
RSF	120.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0	120.0	114.4	102.4	90.4	77.6	65.6	54.4	42.4	30.4	18.4	6.4	-	-
Net Use of Fund Credit (millions of SDRs)	82.1	(44.1)	(72.6)	(94.9)	(107.0)	(100.9)	(86.1)	(88.8)	(43.0)	(17.7)	(14.0)	(14.9)	(14.9)	(15.8)	(14.9)	(13.9)	(14.9)	(14.9)	(14.9)	(14.9)	(7.9)	-
Disbursements and purchases	151.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repayments and repurchases	69.6	44.1	72.6	94.9	107.0	100.9	86.1	88.8	43.0	17.7	14.0	14.9	14.9	15.8	14.9	13.9	14.9	14.9	14.9	14.9	7.9	-
Memorandum Items:																						
Exports of goods and services (millions of U.S. dollars)	4,895	5,579	6,222	6,912	7,712	8,571	9,270	10,033	10,856	11,739	12,692	13,697	14,766	15,914	17,148	18,474	19,882	21,395	23,019	24,764	26,637	28,649
Government revenue (millions of U.S. dollars)	3,498.5	3,906.8	4,369.5	4,850.7	5,377.1	5,954.5	6,562.7	7,234.5	7,970.9	8,777.0	9,550.6	10,390.2	11,255.1	12,207.8	13,237.8	14,351.0	15,525.6	16,828.7	18,218.3	19,607.2	21,101.9	22,710.6
Nominal GDP (millions of U.S. dollars)	23,205	25,327	27,436	29,721	32,147	34,768	37,592	40,675	43,999	47,581	51,442	55,514	59,846	64,501	69,502	74,875	80,585	86,716	93,300	100,369	107,962	116,116
Average exchange rate: SDR per U.S. dollars	0.8	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Quota (millions of SDRs)	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8	123.8

Source: IMF staff calculations.
Note: Benin belongs to Group B for RSF financing terms.

Table 10. Benin: Access and Phasing Under the EFF/ECF Arrangements, 2022-25

Availability date	Amount (SDR Million)			Percent of Quota[1]			Conditions for disbursement/purchases
Availability date	**Total**	**ECF**	**EFF**	**Total**	**ECF**	**EFF**	
July 8, 2022	108.30	36.10	72.20	87.48	29.16	58.32	Executive Board approval of the ECF/EFF arrangements
November 21, 2022	108.30	36.10	72.20	87.48	29.16	58.32	Observance of end-June 2022 performance criteria, and completion of the first review under the arrangements.
May 1, 2023	50.82	16.94	33.88	41.04	13.68	27.36	Observance of end-December 2022 performance criteria, and completion of the second review under the arrangements.
November 1, 2023	101.58	33.86	67.72	82.06	27.36	54.70	Observance of end-June 2023 performance criteria, and completion of the third review under the arrangements.
May 1, 2024	31.20	10.40	20.80	25.20	8.40	16.80	Observance of end-December 2023 performance criteria, and completion of the fourth review under the arrangements.
November 1, 2024	31.20	10.40	20.80	25.20	8.40	16.80	Observance of end-June, 2024 performance criteria, and completion of the fifth review under the arrangements.
May 1, 2025	26.20	8.70	17.50	21.16	7.03	14.14	Observance of end-December 2024 performance criteria, and completion of the sixth review under the arrangements.
October 31, 2025	26.458	8.849	17.609	21.37	7.15	14.22	Observance of end-June 2025 performance criteria, and completion of the seventh review under the arrangements.
Total	484.058	161.349	322.709	391.00	130.33	260.67	

Sources: IMF Staff Estimates.

[1] Benin's quota is SDR 123.8 million.

Table 11. Benin: Schedule of Disbursements Under the RSF Arrangement, 2024-25

Availability Date	Amount		Total Amount		EFF/ECF Review	Conditions for Access
	SDR Millions	Percent of Quota[1]	SDR Millions	Percent of Quota		
May 1, 2024	9.904	8	19.808	16	**4th EFF/ECF Review**	Reform measure 1 implementation
	9.904	8				Reform measure 7 implementation
November 1, 2024	9.904	8	39.616	32	**5th EFF/ECF Review**	Reform measure 4 implementation
	9.904	8				Reform measure 6 implementation
	9.904	8				Reform measure 11 implementation
	9.904	8				Reform measure 12 implementation
May 1, 2025	9.904	8	49.52	40	**6th EFF/ECF Review**	Reform measure 5 implementation
	9.904	8				Reform measure 10 implementation
	9.904	8				Reform measure 13 implementation
	9.904	8				Reform measure 14 implementation
	9.904	8				Reform measure 15 implementation
October 31, 2025	9.904	8	39.616	32	**7th EFF/ECF Review**	Reform measure 2 implementation
	9.904	8				Reform measure 3 implementation
	9.904	8				Reform measure 8 implementation
	9.904	8				Reform measure 9 implementation
Total	148.56	120.0				

Sources: IMF Staff Estimates

[1] Benin's quota is SDR 123.8 million.

Table 12. Benin: Remaining Structural Benchmarks Under the Current EFF/ECF Arrangements, 2025

Reform area	Structural benchmark	Due date	Status
Transparency	Publish the audit reports of three high-stake public contracts executed during 2022-24.	End-June 2025	On track
	Publish annually the list of companies operating in the industrial zone, specifying the tax regime granted and the related benefits along with the volume of potential investment expected	End-April 2025	Met
	Publish in their respective websites the financial statements for the period 2022 to 2024 of the electricity production and distribution companies (SBPE and SBEE), the water company SONEB, and the Port of Cotonou (PAC).	End-October 2025	Newly proposed SB
Business climate	Extend the online land registry (e-cadaster) to completely cover the city of Cotonou, and systematically update land transactions in the e-cadaster	End-April 2025	Met
	Create and operationalize a single electronic window to promote investment and accelerate export facilitation, including by providing approval under the investment code and export support for small and medium-size enterprises.	End-February 2025	Met
Social policies	In line with the government's highly social mandate, develop and publish on the website of the Ministry in charge of Social Affairs a mapping of social protection programs, identifying the main vulnerabilities addressed by each program and beneficiaries, and including a quantification of coverage gaps and overlaps, and the associated policy and financing implications.	End-October 2025	On track

Table 13. Benin: RSF Reform Matrix

	Focus	Area	Reform Measure	Due date	Status	Prospective BoP Risk Reduction
Pillar 1. Mainstreaming the climate agenda in policy making and PFM/PIM processes						
RM1	**A, M**	**PIM Decree and Appraisal Methodology**	Government to amend the regulatory framework governing PIM (Decree 2021-586) in order to include climate concerns in the various stages of PIM, notably identification, appraisal, selection and ex-post evaluation, and to update accordingly the September 2019 public investment manual.	End-March 2024	Met	*Improved fiscal and external sustainability* -Reduces fiscal costs and contingent liability risks when climate risks materialize and the need for external financing. -Reduces import demand for reconstruction. *Growth and investment promotion* - Increases investor confidence and reduces risks of capital outflows after a climate shock. - Facilitates a quick recovery of growth and net exports. - Enhances financial sustainability of SOEs in the event of climate-related shocks.
RM2	**A, M**	**Maintenance**	Government to adopt by end 2024 a methodology to integrate climate vulnerabilities in maintenance policy for key infrastructure assets (roads, buildings) and to pilot this policy in three selected large sectoral ministries, ensuring that the funds allocated to maintenance of non-financial fixed assets within the 2026 draft budget (submitted in October 2025) and within the 2026 budget of Société des Infrastructures Routières et de l'Aménagement du Territoire (SIRAT) are determined on the basis of this maintenance policy.	End-October 2025	On track	
RM3	**A, M**	**State-Owned Enterprises**	Government to adopt an implementing decree of Law 2020-20 on State Owned Enterprises to put in place an appropriate legal framework to integrate climate concerns and to relatedly publish a first annual report on SOEs (in accordance with article 65 of Law 2020-20) including analysis of (i) the contribution of SOE strategies to climate adaptation and mitigation efforts (ii) the risks related to climate change affecting SOEs.	End-October 2025	On track	
RM4	**A, M**	**Climate Budget Tagging**	Government to adopt an implementing order of decree 2020-495 on the calendar for budget works to set the list of budget documents to be produced each year and henceforth institutionalize the production each year of a climate budget brief. Operationalize the reform starting with the budget preparation process for FY25, with involvement of Ministry in charge of Environment and with counterparts in sectoral ministries.	End-October 2024	Met	

Table 13. Benin: RSF Reform Matrix (continued)

	Focus	Area	Reform Measure	Due date	Status	Prospective BoP Risk Reduction
			Pillar 2. Enhancing adaptation to climate change and strengthening population's resilience			
RM5	**A, M**	**Water Resources**	(1) Adopt a revised decree of the National Water Council, which would include a mandate to monitor groundwater and surface water resources and equip the Council with sufficient human and financial resources to discharge its mission; and (2) Realize a strategic groundwater assessment and have the National Water Council Supervise and validate this assessment	End-April 2025	Met	*Improved fiscal and external resilience* - Enhances public debt sustainability as a result of lower post-disaster reconstruction costs. - Limits the fiscal costs from the water sector. - Improves the economy's resilience to flood risks and weather-related shocks. - Supports agriculture and food security, in turn, reducing dependence on food imports. *Increased productivity, growth, investment, net exports* - Improves external investor confidence. - Enhances productivity.
RM6	**A, M**	**Water Tariffs in Urban Areas**	Institutionalize a mechanism for water tariffication in urban areas based on the following parameters: (i) a tariff study; (ii) a transparent tariff structure in conformity with international good practices and (iii) a financial equilibrium model.	End-September 2024	Expected in November 2025	

Table 13. Benin: RSF Reform Matrix (continued)

	Focus	Key challenge	Reform Measure	Due date	Status	Prospective BoP Risk Reduction
RM7	**A**	**Local Government**	Government to propose an amendment to the 2024 budget law setting the principle of taking into account community-identified climate priorities in the criteria for allocation of transfers to local authorities, whether they take place in the current framework of FADeC – Fund for Support for Communal Development – or within the framework of the new Communal Investment Fund that will replace FADeC, and simulate the implementation of this mechanism for the 2024 FADeC.	End-March 2024	Met	
RM8	**A**	**Social protection**	Integrate information on climate risks into the Social Registry (RSU), in particular for municipalities identified as being at high risk of flooding.	End-October 2025	On track	
RM9	**A, M**	**Agriculture**	Government to adopt a decree to establish an agricultural insurance scheme leveraging existing programs (FNDA), including climate risk mitigation strategies, with a minimum objective of covering by September 2025 two main products amongst the ones identified in the May 2023 feasibility study to the benefit of a minimum of 100,000 producers.	End-September 2025	On track	
RM10	**A, M**	**Building codes**	Government to adopt in Council of Ministers a draft building code (*projet de loi portant loi-cadre sur la construction et l'habitation*) incorporating technical standards favoring adaptation to future climatic conditions, including with respect to expected climate-hazards' magnitude and frequency, and favoring low carbon and climate resilient options for planning, technical design, maintenance and inspections, as well as requisite secondary legislation.	End-March 2025	Met	

Table 13. Benin: RSF Reform Matrix (continued)

	Focus	Key challenge	Reform Measure	Due date	Status	Prospective BoP Risk Reduction
			Pillar 3. Supporting mitigation efforts			
RM11	**M**	**Comprehensive fossil fuel subsidy reform**	Adopt a comprehensive reform of fossil fuel subsidies, in consultation with IMF staff, by: i) conducting a comprehensive assessment of the new "tender" model for fuel imports, quantifying its costs and benefits, and assessing the risks associated with the competitiveness of the fuel import market, supply guarantees for imported petroleum products, and the timing of the tender, among others; ii) reorganizing the pricing structure for petroleum products, highlighting, where appropriate, subsidies and tax expenditures, and establishing a new tax structure; iii) defining the parameters of a predictable pricing mechanism based on the specific features of the Beninese hydrocarbon market, as well as the timing of its implementation; and iv) adopting and publishing an inter-ministerial order (Ministry of Economy and Finance and Ministry of Industry and Commerce) introducing a transitional arrangement for closing the gap between the pump price and the new formula price starting in January 2025, prior to implementing a formula-based periodic price adjustment mechanism before the adoption of the 2026 budget (November 2025).	End-November 2024	Met	*BOP and fiscal resilience to shocks* -Reduces the dependence on expensive energy imports and limits the impact of their volatility on economic activity, inflation and revenues. - Cost recovery would reduce fiscal costs, improve debt sustainability and gradually increase international reserve buffers.
RM12	**M**	**Social protection in relation to fuel subsidy reform.**	i) Establish a compensatory mechanism to limit the effect of fuel subsidy reform on vulnerable groups using the Social Registry (RSU); ii) adopt an implementation framework for the RSU which defines the Management Information System (MSI) governance structure and provides detailed operational guidance, while ensuring adequate financial, human, and material resources to the unit responsible for the operationalization of the RSU.	End-November 2024	Met	

A= Adaptation; M=Mitigation

Table 13. Benin: RSF Reform Matrix
(concluded)

	Focus	Key challenge	Reform Measure	Due date	Status	Prospective BoP Risk Reduction
RM13	**M**	**Electricity tariff reform**	Design and adopt a comprehensive and gradual electricity tariff reform to fully remove electricity subsidies and reflect cost-recovery levels, with the first phase to be implemented in 2025.	End-January 2025	Met	
RM14	**M**	**Support to renewable energy**	Remove key obstacles to development of renewable energy (RE) by adopting regulations and decisions to (i) putting in place a connection cost policy supporting connection for RE generation and (ii) committing to carrying out regular assessments of the flexibility of the grid and issues related to renewable integration.	End-January 2025	Met	
Pillar 4. Mobilizing private sector financing for climate change						
RM15	**A, M**	**Mobilizing climate finance from the private sector**	Enhance the climate financial information architecture by the adoption by way of decree (arrêté) by the Ministry of Economy and Finance, and subsequent implementation of two complementary frameworks: i) a climate-related taxonomy (reference framework for private sector climate investment) covering mitigation and adaptation needs across key sectors defining financing and climate-related targets and private financing instruments; and ii) a climate mitigation and adaptation data collection and dissemination mechanism, connected to the taxonomy, across key sectors for private companies and key economic infrastructures. This mechanism will be coordinated and implemented by the National Statistics and Demography Institute, requiring the adoption of an arrêté under the 2022 legal framework governing the Institute's missions.	End-May 2025	Expected by November 2025	*Investment promotion* -Clarifying climate-related exposures attracts investments by reducing uncertainty, supporting the BoP. *Financial sector resilience.* -Reduces financial sector losses when climate risks materialize, lowering recapitalization needs for banks.

Annex I. External Sector Assessment

Overall Assessment: *The external position of Benin in 2024 was moderately weaker than the level implied by medium-term fundamentals and desirable policies. The current account deficit was estimated at 6.8 percent of GDP in 2024, having reached 8.2 percent in 2023 due to exceptionally high services imports related to the establishment of the Glo-Djigbé Industrial Zone (GDIZ). The estimated narrowing of the deficit in 2024 was primarily driven by a lower services deficit, while the trade deficit also narrowed as fiscal consolidation weighed on import volumes and growth in capital goods imports for the GDIZ moderated. The current account is expected to narrow again in 2025 driven by a further normalization of the services deficit and it is projected to subsequently fall to the 4-5 percent range over the medium-term as exports from the Special Economic Zones (SEZs) accelerate, and terms of trade improve.*

Potential Policy Responses: Revenue-based fiscal consolidation began in 2023 and reduced the overall fiscal deficit to the WAEMU norm of 3 percent in 2024—one year earlier than expected, helping to reduce external imbalances. Further orderly development of the SEZs will support economic diversification beyond commodities and raise value-added exports, as well as help to formalize trade and reduce the reliance on the transit-centered growth model. Preserving financial stability will help to sustain financial flows.

Foreign Assets and Liabilities: Position and Trajectory

Background. The Net International Investment Position (NIIP) is based on the latest available data (2023). NIIP worsened to -44 percent of GDP in 2023, from -38 percent of GDP at end-2022[1]. The NIIP has deteriorated since 2019 by a cumulative 18 percentage points, reflecting the need to fund wider current account deficits. The deterioration in 2023 was driven by a reduction in net portfolio assets to 0.2 percent of GDP from 4 percent of GDP at end-2022, a 1 percentage point increase in net FDI liabilities, and reserve decumulation. These developments in 2023 were partly counteracted by an improvement in the net other investment position, which shrank to -27.8 percent of GDP from -32.1 percent at end-2022, partly due to an increased stock of trade advances (see Current Account section).

Assessment. Staff assesses the NIIP to be sustainable over the medium term. The NIIP is expected to gradually stabilize, bolstered by projected improvements in the current account as exports from the SEZs accelerate. Risks include a deterioration in the terms of trade, unanticipated spending needs, weaker than anticipated growth in exports from the SEZs, and a slowdown in economic activity domestically or among trade partners. Greater diversification of trade partners as a result of the creation of the SEZs and Benin's transition to higher value-added exports should help to mitigate these downside risks, as well as continued commitment to reforms and a prudent external borrowing strategy.

Data for 2023 (% GDP)	NIIP: -44.0	Gross Assets: 36.2	Debt Assets: 24.32	Gross Liab.: 80.1	Debt Liab.: 66.26

Current Account

Background. Benin continues to record current account deficits, reflecting its large investment needs and limited savings possibilities. The development of the GDIZ has contributed to recent widening in the current account deficit, as Benin has imported the capital equipment and services required for its development. The pace of SEZ's development has been considerably faster than anticipated with the first phase beginning in June 2021 and being completed 16 months later, 2 and a half years earlier than expected at the start of the ECF/EFF program.

In 2024, the CA deficit was estimated at 6.8 percent of GDP, down from 8.2 percent in 2023. The exceptionally high 2023 deficit was primarily driven by imports of professional services related to the GDIZ, such as training and consulting. There was also a large accumulation of trade advances in 2023 (2.5 percent of GDP), partly reflecting prepaid imports to be delivered in 2024 and 2025. The estimated narrowing in the current account deficit in 2024 reflected some normalization of services imports. The estimated trade deficit also narrowed slightly, as the GDIZ exports began to increase, fiscal consolidation weighed on import volumes and growth in capital goods imports moderated, despite the delivery of some prepaid imports from 2023. Total goods trade was lower relative to GDP in 2024 as Benin's transit-focused export model was impacted by regional developments, including a prolonged border closure with Niger and reduced competitiveness vis-à-vis Nigeria following depreciation of the naira, which weighed on re-export volumes and informal exports.

Despite a worsening in the terms of trade, staff expects the current account to narrow again to 6 percent in 2025 due to by ongoing moderation of the services deficit, contained fiscal pressures as the WAEMU deficit target is maintained, and increased exports as the operation of the SEZs increasingly begins to bear fruit. The current account deficit is projected to fall into the 4-5 per cent range between 2027 and 2030, supported by an improvement in the terms of trade and ongoing acceleration of exports from the SEZs. Risks to this baseline include a potential weakening in global demand from a ratcheting up of trade tensions and continued regional security threats. Stronger evidence of material export growth from the SEZs also needs to materialize, despite promising signs to date – in this regard, a forthcoming analysis on SEZs' activity will be helpful in assessing progress.

Annex I. Table 1. Benin: Model Estimates for 2024
(in percent of GDP)

	CA model 1/	**REER model** 1/
		(in percent of GDP)
CA-Actual	**-6.8**	
Cyclical contributions (from model) (-)	-0.2	
Additional temporary/statistical factors (-)		
Natural disasters and conflicts (-)	0.3	
Adjusted CA	**-7.0**	
CA Norm (from model) 2/	**-5.3**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**-5.3**	
CA Gap	**-1.7**	**2.3**
o/w Relative policy gap	3.1	
Elasticity	-0.2	
REER Gap (in percent)	**9.8**	**-13.4**

1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Assessment. The CA gap, defined as the difference between the cyclically adjusted CA and the CA norm is estimated at -1.7 percent of GDP. The CA norm represents the deficit that would be expected if policies were adjusted to their desirable stance at home and abroad, while also taking into account Benin's fundamentals. The 1.7 ppt difference between the cyclically adjusted CA deficit and the norm in 2024 implies that Benin's external position was moderately weaker than the level implied by fundamentals and desirable policies (CA gap between -2 percent and -1 percent of GDP).

Given the substantial revision to the estimated current account deficit for 2023 since the External Sector Assessment was last completed, the external position was also re-assessed for 2023. With a CA gap of 3 percentage points in 2023, Benin's external position was weaker than the level implied by fundamentals and desirable policies.

Real Exchange Rate

Background. The CFA Franc (CFAF), the common currency of the WAEMU currency union, is pegged to the euro. The real effective exchange rate appreciated by 1.2 percent in 2024, following a 4.6 percent appreciation in 2023. Despite this appreciation, the REER is broadly in line with its average over the period 2020-2024. On bilateral exchange rates, the CFA appreciated by 66 percent versus the Nigerian naira in 2024, continuing a trend that began in May 2023 with the arrival of a new Nigerian administration and associated policy changes.

Assessment. The EBA-Lite Index Real Effective Exchange Rate (REER) model suggests an exchange rate under-valuation of 13.4 percent and an underlying CA gap of 2.3 percent of GDP. In contrast, the EBA-lite CA model suggests REER over-valuation of 9.8 percent at end-2024, given the estimated CA gap of -1.7 percent of GDP and an elasticity of the real exchange rate to the CA deficit of -0.2. As in past external sector assessments, the REER model results are characterized by large residuals, indicating a high degree of uncertainty. As a result, staff assess the real effective exchange rate to be overvalued by 9.8 percent based on the CA-model results.

Capital and Financial Accounts: Flows and Policy Measures

Background. Benin benefits from strong financial account inflows, partly owing to the country's large Eurobond issuances since first accessing international capital markets in 2019. In 2024, financial inflows were estimated at 6 percent of GDP and have averaged 5.2 percent since 2021. Inflows in 2024 were caused by FDI inflows as well as a 14-year Eurobond issuance of US$750 million, of which one third was used for early repayment of maturing Eurobonds. Despite these inflows, Benin's capital control index remains at about 0.6 (similar to other WAEMU members), above the desired level of 0.35, indicating existence of restrictions on capital flows in the region.

Staff expect financial account inflows of 5 percent in 2025 as a result of the issuance of a US$500 million Eurobond issuance and a EUR 500 million credit line, the latter used for domestic and external debt-management operations.

Assessment. Although Benin's active debt management in recent years has reduced rollover risks in the near term, government external debt now represents 40.3 percent of GDP, making Benin vulnerable to a rise in spreads from a deterioration in global risk sentiment. Preserving financial stability and continuing to strengthen the AML/CFT framework will help sustain financial flows while further orderly development of the SEZs could help attract further foreign direct investment inflows.

FX Intervention and Reserves Level
Background. Benin is part of the WAEMU currency union where the reserves are pooled at the regional level, with a solidarity principle such that all members have full access to reserves without owning a specified share. The WAEMU pooled reserves increased to about 4.5 months of prospective imports by end-2024, from 3.4 months in 2023, reflecting increased prices for key commodity exports in the region and the start of hydrocarbon exports from Niger and Senegal. In 2025, reserves are projected to increase further as terms of trade remain favorable and hydrocarbon exports accelerate in Senegal and Niger, and with significant flows from IMF disbursements. Benin drew down on WAEMU reserves in 2023 and 2024 due to large imports for the establishment of the Special Economic Zone but is projected to contribute to pooled reserves in 2025. **Assessment.** After increasing in 2024, the level of reserves is now above the minimum reserve adequacy threshold estimated for the WAEMU region. However, prior to the recent increase, reserves had been consistently below the minimum adequacy level, partly due to intensive investment in imports required for hydrocarbon projects which are now exporting energy. Looking forward, growth-friendly fiscal consolidation at the regional level, tight monetary policy, and implementation of structural reforms to diversify the region's export base remain important in increasing pooled reserves and stabilizing the external position at the WAEMU level.
[1/] The NIIP for 2022 was also worse than previously estimated at -38 per cent of GDP versus -32 per cent of GDP in the 2023 External Sector Assessment as a result of lower portfolio assets.

Annex II. Risk Assessment Matrix (RAM)[1]

Source of Risks	Relative Likelihood/ Time Horizon	Excepted Impact if Realized	Recommended Policy Response
		External Risks	
Trade policy and investment shocks	**High** **Short to Medium Term**	**Medium** Higher trade barriers or sanctions could reduce external trade, disrupt FDI and supply chains, and trigger further U.S. dollar appreciation, tighter financial conditions and higher inflation.	Enhance regional trade integration to strengthen resilience to shocks, while fostering private sector participation. Preserve hard-won macroeconomic gains by strengthening the institutional foundation of inclusive private sector-led growth.
Deepening geoeconomic fragmentation	**High** **Medium Term**	**Medium** Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, labor mobility curbs, and fracturing technological and payments systems could lead to higher input costs hinder green transition and lower trade and potential growth.	Rely on cost-effective targeted measures and reduce non-priority spending to preserve programmed fiscal targets; maintain prudent debt policy and management; and mobilize more concessional financing.
Climate change	**Medium** **Short to Medium Term**	**High** Extreme climate events driven by rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, lower growth, and financial instability.	Strengthen resilience to climate change and recourse to sustainable agriculture while enhancing private sector participation to climate financing; mitigate the immediate impact on the poor including through targeted transfers and emergency assistance.
Regional conflicts	**High** **Short to Medium Term**	**High** Intensification of conflicts (e.g., in the Middle East, Ukraine, Sahel, and East Africa) or terrorism could potentially disrupt transit activity, FDIs, tourism, supply chains and remittances.	Enhance State presence in communities at risk through improved access to basic public services; improve public spending efficiency and commit to a credible medium-term fiscal consolidation.
Adverse developments in Nigeria	**High** **Short to Medium Term**	**Medium** Slower recovery would reduce trade revenues, and growth in Nigeria, Benin's main trading partner, with adverse impact on Benin's re-exports, customs revenue, and informal trade.	Move away gradually from the transit-centered "entrepot" growth model; improve the business environment to support economic diversification and private sector development; advance the infrastructure projects to expand the port activity and enhance its competitiveness.
		Domestic Risks	
Social discontent and political instability	**Medium** **Short to Medium Term**	**High** Social tensions could increase political polarization, undermine economic activity, disrupt the reform agenda, and exert pressure on the budget.	Strengthen social safety nets to mitigate the impact on the poor; enhance the delivery of basic public services; ensure transparency and accountability in public spending and improve the efficiency of public investment; bolster investors' confidence through careful communication on policy actions.
Financial sector vulnerabilities	**Medium** **Short to Medium Term**	**Medium** A surge in non-performing loans (e.g., due to exposure to Niger) could deteriorate confidence and lower capital, affecting banking sector stability and credit to the private sector.	Enhance monitoring of financial sector developments; consult with the WAEMU Banking Commission and communicate with banks on measures needed to ensure a prompt resolution of NPLs and adequate capitalization.

[1/] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term (ST)" and "medium term (MT)" are meant to indicate that the risk could materialize within 1 and 3 years, respectively.

Annex III. Rebasing of the Harmonized Consumer Price Index

1. **In 2025, the Beninese authorities rebased their Harmonized Consumer Price Index (HCPI).** The National Institute of Statistics and Demography (INStaD) updated the weight and price reference periods of the HCPI from 2014 to 2023. The harmonized methodological guide approved by the WAEMU Conseil of Ministers on December 20, 2024, is aligned with the internationally recommended concepts, methods and practices set out in the 2020 Consumer Price Index Manual. The rebasing exercise enables a more precise measurement of inflation dynamics by extending the geographic coverage of the price index and better capturing changes in the economic structure, including to reflect households' recent consumption habits.

2. **Following the rebasing, the consumption basket weights have significantly changed.** The new HCPI (2023=100) reflects the Classification of Individual Consumption According to Purpose (COICOP) 2018 nomenclature with 13 divisions, instead of 12 in the old consumer price index (2014=100). Changes in the HCPI basket weights reflect changes in households' consumption habits from the recent household's survey (*EHCVM 2021*). Notably, the food weight decreased in favor of hotels, restaurants and communication, while the decline in the transport weight likely reflects better roads quality owing to the government infrastructure projects under PAG I and PAG II (see Table AIII.1). In addition, the weight of alcohol and tobacco more than doubled likely reflecting higher excise duties on imports and consumption of those products.

Annex III. Table 1. Benin: Weighting Structure of the HCPI

(Percent)

	2014=100	2023=100
Food and non-alcoholic beverages	37.5	34.3
Alcoholic beverages, tobacco and narcotics	0.6	1.4
Clothing and footwear	5.1	6.2
Housing, water, electricity, gas and other fuels	10.9	8.4
Furnishings, household equipment and routine household maintenance	2.2	2.5
Health	4.6	6.9
Transport	11.0	10.1
Information and communication	4.4	6.6
Recreation, sport and culture	1.6	1.8
Education services	5.6	2.5
Restaurants and accommodation services	11.6	16.2
Insurance and financial services		0.1
Personal care, social protection and miscellaneous goods and services	4.9	3.2

Sources: Beninese authorities and IMF staff calculations.

3. **The HCPI rebasing has extended the geographic coverage of the index.** The HCPI spans all Benin territory, divided into five major production regions (South-West, South-East, Centre, North-East and North-West). The updated household basket comprises 845 products tracked at 2,583 sale points in 33 regional markets, covering urban and rural areas (see Table AIII.2).

Annex III. Table 2. Benin: Coverage of the new HCPI

	Products	Varieties	Sales point
2014=100	626	8450	2003
2023=100	845	11859	2583

Sources: Beninese authorities and IMF staff calculations.

Appendix I. Letter of Intent

Cotonou, June 3, 2025

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431
USA

Dear Madame Managing Director:

Benin continues to make significant progress in implementing its economic and financial program supported by the IMF ongoing financing arrangements under the Extended Fund Facility (EFF) and the Extended Credit Facility (ECF). We met all quantitative targets at end-December 2024 and implemented all structural measures agreed with IMF staff. Therefore, we are approaching the final review of the program with serenity.

We also continue to successfully implement our climate reform program supported by the Resilience and Sustainability Facility (RSF). We strive to mobilize climate financing including through the monetization of carbon credits. We intend to leverage the catalytic role of the RSF, following the financial pledges of our partners at COP 29 and enshrined in the Memorandum of Understanding signed during the 2025 Spring Meetings of the International Monetary Fund and the World Bank Group.

Benin has faced several large shocks in recent years, including the border closure with Niger and rising fuel prices from Nigeria combined with the sharp depreciation of the Naira against the CFAF. Notwithstanding these shocks, the Beninese economy has proven remarkably resilient owing to sound macroeconomic management and commitment to reforms implementation over the past few years. Economic growth accelerated in 2024 to 7.5 percent, one percentage point above program projections, driven primarily by agroindustry, construction, and trade.

The pursuit of our fiscal consolidation policy supported our convergence to the regional overall fiscal deficit norm of 3 percent of gross domestic product (GDP) in 2024, one year ahead of schedule. The 2025 budget law approved by Parliament in December 2024 targets a further reduction of the fiscal deficit to 2.9 percent of GDP by 2025. Consolidation continues to be supported by tax revenue mobilization, underpinned by our medium-term revenue mobilization strategy. At the same time, we remain committed to strengthening our strategy to rationalize current expenditures, while increasing priority social spending.

We are pressing ahead with our structural reforms. Consistent with our transparent governance and commitment to streamline tax expenditures, we have published the list of companies operating in the industrial zone, specifying the investment regime granted and the related benefits. Regarding the improvement of the business climate, we opened a single electronic window to facilitate investments and exports for small and medium-sized enterprises and expanded the e-cadaster to completely cover the city of Cotonou.

As part of the program supported by the Resilience and Sustainability Facility, we have taken measures to support renewable energies, improved the monitoring and evaluation of groundwater resources, undertaken a comprehensive reform of the water sector to improve water service provision while ensuring the financial equilibrium of the sector, adopted a new building code and requisite secondary legislation incorporating technical standards favoring adaptation to climatic conditions, and implemented an ambitious electricity tariff reform. We are accelerating work to develop a climate-related taxonomy and its related climate data collection and dissemination mechanism to catalyze private climate finance.

The government is convinced that the measures and policies outlined in the Memorandum of Economic and Financial Policies (MEFP, Attachment I) are adequate to achieve the objectives of its program. It will take all appropriate additional measures if necessary. The government will consult with IMF staff on the adoption of these measures and before making changes to the policies contained in this Memorandum, in accordance with the Fund's rules for such consultations.

We will carry out the commitments outlined in the MEFP and agree to provide the IMF with information on the implementation of the agreed measures and program execution, as provided in the Technical Memorandum of Understanding (TMU, Attachment II). In light of the level of program implementation to date and the commitments set out in the MEFP, the government is requesting: (i) the conclusion of the sixth review under the Extended Fund Facility and the Extended Credit Facility and the disbursement of SDR 26.2 million (or 21.16 percent of Benin's quota); of which SDR 8.7 million under the ECF and SDR 17.5 million under the EFF; and (ii) the conclusion of the third review of the Resilience and Sustainability Facility (RSF) and the disbursement of SDR 39.616 million (32 percent of Benin's quota).

In order to implement those priorities and support its credibility in the international community and in the eyes of our people, the government intends to maintain a productive relationship with its development partners and with various stakeholders. To this end, we will remain closely engaged with the IMF to support our strategy to promote growth through investment in human capital and infrastructure.

In line with the government's objective of promoting transparency, we consent to the publication of this letter, its attachments, and the staff report associated with our request for support.

Please accept, Madam Managing Director, the assurances of my highest consideration.

/s/

Romuald Wadagni
Minister of State, Minister of Economy and Finance

Attachments (2):

1. Memorandum of Economic and Financial Policies (MEFP)
2. Technical Memorandum of Understanding (TMU)

Attachment I. Memorandum of Economic and Financial Policies

Context

1. Our sound macroeconomic management and sustained commitment to reforms since 2016 have helped us face repeated shocks that have hit countries around the world since 2020, and have strengthened our social and economic resilience. Our strong fiscal position entering the crisis episode that started with COVID-19, allowed us to deploy strong counter-cyclical fiscal policy, anchored in transparency and performance-based management. Our ongoing policy of fiscal consolidation has enabled us to reach the regional overall fiscal deficit norm of 3 percent of GDP in 2024, a year ahead of schedule.

2. The Beninese economy has proven to be very resilient, with robust growth over the years despite multiple shocks related to COVID-19, Russia's war on Ukraine, the ECOWAS decision to close borders with Niger (following the coup in that country on July 26, 2023), and the depreciation of the Nigerian currency, among others. Real GDP growth is estimated at 7.5 percent in 2024, against 6.4 percent in 2023 and 6.3 percent in 2022.

3. Our economic and financial program (2022-2025), supported by the International Monetary Fund under the Extended Fund Facility (EFF), the Extended Credit Facility (ECF), and the Resilience and Sustainability Facility (RSF), has delivered solid results since its implementation. The transformational reforms implemented so far are already yielding tangible results in governance and macroeconomic and fiscal management. All quantitative targets at end-December 2024 and structural benchmarks for the sixth review of the EFF/ECF program have been met. We are also firmly moving forward with our agenda under the RSF arrangement approved by the IMF Executive Board at end-2023. We are currently leveraging the catalytic role of this program to strengthen the dialog with technical and financial partners and mobilize additional climate financing. Relatedly, the government signed a framework memorandum with several development partners at the 2025 Spring Meetings of the International Monetary Fund and the World Bank Group.

4. It is important to emphasize that the catalytic effect of IMF support continues to result in the mobilization of concessional financing. At the end of December 2024, budget support was more than 20 percent higher than projected at the fifth review. Moreover, our sovereign credit rating performance is improving, while our integration into the international financial sphere is strengthening, as illustrated by our recent membership of the European Bank for Reconstruction and Development (EBRD).

Recent Economic Developments and Outlook

5. Overall, the Beninese economy has been resilient in the face of multiple shocks:

- Economic growth in 2024 was at 7.5 percent, supported by agroindustry, construction, textile, and trade.

- Provisional balance of payments updates suggests a more pronounced deterioration in the current account balance in 2023 than initially anticipated, with a deficit of 8.2 percent in 2023 (compared to 5.7 percent in 2022), due to increased imports of equipment and services related in part to the industrial zone. Preliminary data indicate a reduction in the current account deficit to 6.6 percent in 2024.

6. The medium-term economic outlook remains promising. Economic growth is expected to stabilize at around 7.5 percent in 2025-26, mainly driven by the expansion of the port of Cotonou, and the continued strengthening of the industrial sector, agriculture, major infrastructure projects under PAG (2021-26), alongside continued improvements in the business climate.

7. The economic outlook remains surrounded by risks, including:

Downside Risks

- The deterioration of the security situation in the Sahel could exacerbate pre-existing socio-economic challenges.

- The forthcoming presidential elections in 2026 could increase uncertainty and lead to a slowdown in investment.

- Rising global oil and food prices, which could generate inflationary pressures and increase the risk of food insecurity, could complicate fiscal trade-offs and also put pressure on external accounts.

- Risks related to climate change, including from, *inter alia*, the recurrence of floods, droughts and uneven distribution of rainfall, could affect the performance of the agricultural sector and undermine the growth outlook.

Upside Risks

- A continuation of the recent operationalization of the Niger-Benin oil pipeline has potential to generate economic benefits in terms of value creation and additional fiscal revenues.

- An orderly development of the Special Economic Zones (SEZ), notably the Glo-Djigbé Industrial Zone (GDIZ), and sustained expansion of the Port of Cotonou could further stimulate FDI and create jobs.

Maintaining Fiscal Sustainability While Ensuring Sustainable Financing for Socioeconomic Development

Convergence to WAEMU's Fiscal Deficit Norm in 2024

8. We met all quantitative targets under the EFF/ECF arrangements at end-December 2024 and complied with the WAEMU convergence criterion on the overall deficit a year ahead of schedule. The QPCs on the basic primary balance and net domestic financing, as well as the ceiling on new external debt contracted, were all met with comfortable margins (Table 1). At end-December, we achieved a basic primary balance of CFAF 146.1 billion (or 1.1 percent of GDP), well above the program indicative target of CFAF 114.1 billion (0.9 percent of GDP). We collected at end-December 2024 CFAF 1721.7 billion in tax revenue, slightly above our indicative target, owing to the effectiveness of various tax policy measures, such as the increased application of transactional values at customs, the elimination of tax exemptions on salaries for public agencies, and other tax administration measures, notably the digitization of tax revenue collection. Expenditure remained virtually stable. The increase in interest expenses, due to financing conditions, was partly offset by expenditure control, despite the upward trend in priority social spending, which reached CFAF 188.1 billion, against a target of CFAF 185.1 billion (indicative target). This had allowed us to achieve an overall deficit of 3 percent of GDP, below the 3.7 percent forecast for 2024 and in line with the WAEMU overall deficit norm.

Staying on Course for 2025 and the Medium Term

9. We will stay the course on public finance management in line with WAEMU convergence norms, with a slight fiscal consolidation in 2025. The budget law for the 2025 fiscal year, approved by Parliament in December 2024, aims to further reduce the fiscal deficit (by 0.1 percentage point) to 2.9 percent of GDP in 2025. Revenues are expected to continue to grow compared to 2024 (+0.5 percentage point of GDP at least), driven by domestic taxes. We will continue to rationalize current expenditure and rigorously monitor the evolution of capital expenditure to achieve our fiscal consolidation objectives. Over the medium term, we remain committed to pursuing sound fiscal management in line with the WAEMU convergence criteria, supported by domestic revenue mobilization efforts and improving expenditure efficiency.

10. Domestic revenue mobilization, which is the backbone of the 2022-2025 EFF/ECF program, remains a key focus of public action.

- **Improving domestic revenue mobilization remains a key pillar of our fiscal reform program**, guided by the Medium-Term Revenue Strategy (MTRS). The implementation of the MTRS has already helped increase tax revenues and will continue to serve as a benchmark for future reforms (Text Table 1). The digitization of public services that we have begun continues to improve revenue collection by gradually expanding the tax base.

- **The scope of rationalization of tax expenditures should continue to expand.** After the notable progress already made in streamlining tax expenditures - particularly the VAT on certain public services, the wage processing tax, and the motor vehicle tax for public institutions - we will continue this effort, in accordance with our strategy to streamline tax expenditures developed with IMF support. We plan to evaluate some exemption measures in 2025, including VAT and customs duty exemptions on new vehicles, buses, coaches, and minibuses of all categories that have been imported, manufactured or sold new and intended for use in public transportation.

11. Strengthening social policies, while maintaining the efficiency of public spending remains a priority:

- **Revenue mobilization will enable the strengthening of social safety nets in 2025 (paragraph 16).** Social spending, which has risen significantly in recent years, will account for 41.5 percent of the general budget in 2025, owing to increased government intervention in education, health and social assistance sectors.

- **At the same time, we will continue to maintain discipline in terms of operating expenditure and public investment.** Measures to control operating expenses include: the signing of a framework agreement for the acquisition of IT equipment from manufacturers, the gradual migration of public services from leased offices to the newly constructed administrative building expected in 2025, and the introduction of stock accounting for rigorous monitoring of acquisitions. The expenditure review under the budget law for the 2025 has identified savings, allowing for the stabilization of current expenditure despite the rise in financial expenses due to the mobilization of international financing resources at the beginning of the year. In the event of further adjustments, priority social spending will be protected.

12. Our fiscal targets remain consistent with our macroeconomic projections, and we are confident that they are reasonable and achievable. While the 2025 budget law contains only a few additional tax measures, we are convinced that the tax reforms of recent years are yet to yield their full impact. The comprehensive review of the General Tax Code three years ago has made it possible to insert important tax policy measures into the tax reference system that are gradually coming into full effect.

13. Contingency measures. We have several instruments at our disposal to deal with unanticipated shocks: a special allocation account (disaster prevention and management), the national disaster response fund (FONCAT), and allocations for accidental and unforeseeable expenditure, among others. In the event of lower than forecasted revenue collection, we will use expenditure control measures provided for in the Organic Budget Law and the 2025 budget law to stay on the trajectory set for the fiscal deficit (2.9 percent of GDP in 2025).

Text Table 1. Estimated Additional Impacts of Tax Measures in 2025
(CFAF billions)

	Nominal	% of GDP
Net Additional Yields Relative to the Previous Year (A+B)	**74.20**	**0.52**
A. Domestic taxation, *of which*	30.60	0.22
New administrative measures	4.50	0.03
Effective application of the 5% levy on transactions of individuals operating on the e-MECeF invoicing platform	3.00	0.02
Effective implementation of the ongoing simplification of property taxation	1.50	0.01
New tax policy measures	4.50	0.03
Effective taxation on gambling activities (resumption of IBET gambling platform)	4.00	0.03
Replacement of 5% tax fine on cash payments of more than CFAF 100,000 with a 1% proportional stamp duty	0.50	0.00
Impact of existing tax measures (e.g., increase in the withholding tax for non-resident service providers, improved collection of motor vehicle tax)	21.60	0.15
B. International taxation measures, *of which*	43.60	0.31
New administrative measures (e.g., product marking)	6.00	0.04
New tax policy measures (e.g., revenues from Niger pipeline)	8.10	0.06
Impact of existing tax measures	29.50	0.21
Improved control of customs valuation	13.50	0.10
Expansion of the application of transaction values at customs	10.00	0.07
Proper handling of solid and liquid bulk	6.00	0.04

Rebalancing the Composition of Financing Towards Domestic Debt While Ensuring Sustainable Financing

14. The medium-term debt strategy (2024-2026) prioritizes prudent borrowing and proactive debt management to keep the risk of debt distress at a moderate level. Over the period 2024-2026, and depending on market conditions, our financing strategy will aim to reduce our dependence on external financing by mobilizing financing on the regional domestic market and prioritizing government securities with long maturities, to contain refinancing risk at a prudent level. For external financing, we will continue to prioritize concessional loans, in particular budgetary support, followed by commercial loans denominated in euro at fixed interest rates, to meet our financing needs. As part of the government's agenda to combat climate change, special attention will be given to the mobilization of sustainable borrowing on good terms. As part of our proactive debt management strategy, we carried out an international borrowing operation covered by a partial guarantee provided by the International Development Association (IDA) and used EUR 250 million of the loan to repurchase the 2030-32 Eurobond. The transaction had a positive impact on our debt, by notably generating savings in net present value without deteriorating our debt profile. We carried out this operation after consultation with IMF staff.

15. We will continue to strengthen the technical and operational framework for the Treasury Single Account (TSA). There are currently 1,511 bank accounts held by public entities, of which 1,402 have no special authorization from the Ministry of Economy and Finance. Accounting for cases where co-financed investment project contracts required public entities to open an account in a commercial bank, the number of public accounts that should be closed has been revised to 1298. By end-March 2025, we had already closed 67.95 percent of public bank accounts with commercial banks and repatriated the balances to the TSA. The constraint measure planned for 2025 is being implemented to ensure the continuity of the reform. It will consist in limiting debit movements on accounts that have not been closed.

Promoting Policies to Foster Sustainable Inclusive Growth and Safeguard Macroeconomic Gains

Strengthening Social Safety Nets

16. We remain committed to strengthening social policies to accelerate progress toward the Sustainable Development Goals (SDGs) and close social gaps. The Single Social Register (RSU), our reference tool for managing social interventions, will continue to be our preferred instrument for implementing social protection programs. We are committed to extending its coverage and updating it regularly to maximize its usefulness. Targeting populations benefiting from social assistance programs through the Single Social Registry offers enormous opportunities to reduce social inequalities. We will step up the implementation of social interventions to protect the most vulnerable groups, including through the following measures:

- **In the health sector:** we will pursue the implementation of all measures under way to facilitate access to care, with modernized technical platforms. In particular, the policy of exempting dialysis kits from customs duties and taxes and value-added tax (VAT) is in effect, facilitating access to care for the vulnerable segments of the population (with a reduced cost of dialysis care). Vulnerability factors are constantly monitored, with a view to strengthening public intervention. For instance, the government is planning to redirect certain budget expenditure lines to cover the remuneration of community health agents in certain localities in response to the recent suspension of USAID funding.

- **In the education sector:** we remain committed to the full extension of the National Integrated School Feeding Program (PNASI) for the 2024-2025 school year. The resources allocated for this purpose in the 2025 budget law will be made available to effectively cover all primary schools in rural areas. Beyond the PNASI, the acceleration of girls' education and well-being is the subject of advanced discussions with technical and financial partners. The prospect of structuring a new financing program based on the reduction of gender-based inequalities is currently being examined. In addition, a policy to improve the pupil-teacher ratio remains a priority action area to ensure better supervision of children.

- **Social protection:** As part of our holistic social policy, we have designed and launched the implementation of the Insurance for Human Capital Development (ARCH) program. The training component of the program is aimed primarily at craftsmen in the informal sector. After building a database of 1720 artisan trainers in 2023, a vast training program for craftsmen is being deployed in areas identified as high needs. By the end of December 2024, a total of 3,371 artisans working in nineteen areas identified as having high income potential had been trained. In addition, the productive social safety nets program (GBESSOKÉ), which includes initiatives such as cash transfers for households classified as extremely poor, will be launched in 2025, with a target of 20,000 households at the start of the program. Similarly, the Mandatory Health Insurance (AMO), instituted by the government through decree n°2023-327 of June 21, 2023, will be implemented this year.

- **Mapping of social protection programs**: In line with our "highly social" mandate, we will develop and publish on the website of the Ministry of Social Affairs, a mapping of existing social protection programs by identifying the main vulnerabilities addressed by each program and the beneficiaries, including the quantification of coverage gaps and overlaps, and the associated policy and financing implications (***SB for end-October 2025***).

Accelerating Structural Reforms

17. We will continue to accelerate reforms aimed at modernizing land administration. As part of our implementation of the land reform, we have extended the online cadaster (e-cadaster) to completely cover the city of Cotonou, and we intend to ensure systematic updating of land transactions in the e-cadaster (**SB for end-April 2025**). We intend to maintain this dynamic of transparent and sustainable land management, which is essential for our socio-economic development. We will extend the e-cadaster to cover the communes of Parakou and Porto-Novo by the end of 2026.

18. We see industrialization through SEZs as a key element of our economic transformation. The structural transformation of the economy, one of the pillars of our government action since 2016, is based on strengthening the industrial sector. Our investment attractiveness policy, built around the development of industrial zones is designed to bring an impetus to promote industrial development. In line with our strategy of continued improvement of transparency and rationalization of tax expenditures, we published the list of companies operating in the industrial zone, specifying the tax regime granted and the related benefits along with the volume of potential investment expected (***SB for end-April 2025***). We intend to update the list annually. In addition, we created a single electronic window to promote investment and accelerate export facilitation, notably by granting authorization under the investment code and export support for small and medium-sized enterprises (**SB for end-February 2025**). The single window has been operational since March 1, 2025. We realized the need to communicate among stakeholders on the availability of online services. A ceremony to present the counter and its services is planned for the first half of 2025.

Strengthening Governance, Transparency, Rule of Law, and AML/CFT Framework

19. We have accelerated the implementation of our recently adopted and published national Governance Action Plan. The twenty-one reform measures identified under the governance diagnostic are being implemented, in line with the recommendations of the governance diagnostic report. The action plan is subject to periodic reports to ensure monitoring of its implementation. Among these reforms, we operationalized the HCPC (Haut-Commissariat à la Prévention de la Corruption), with the effective adoption of the implementing texts and the effective appointment of the High Commissioner and his senior staff. In addition, the government recently adopted an assets declaration decree with the list of authorities and public officials subject to the obligation to declare. Significant progress has also been made in implementing a number of other recommendations: i) making the automation of public revenue collection procedures part of an overall approach to combating corruption (extension of SIGIBe to all large and medium-sized companies, online filing of financial statements, etc.); ii) improving tax and customs risk management in response to the specific vulnerabilities of the Beninese economy (introduction of a joint approach to tax risk, appropriate use of tax and customs intelligence, etc.).

20. We intend to continue improving the legal and institutional anti-corruption framework in Benin, particularly the "prevention" dimension for which the HCPC is responsible. To this end, we have initiated the review of Law 2020-09 of April 23, 2020, creating the HCPC, with a view to providing a legislative basis for the procedures for the appointment of the head of HCPC based on pre-established and publicly available criteria, as well as the procedures for the dismissal and suspension of the head of HCPC indicating specific reasons that could lead to dismissal and suspension. We are progressing on revising the text, with a view to submit the amended bill to the National Assembly at the end of October 2025. Once finalized, the HCPC's strategic objectives will be published, and their implementation monitored.

21. We will continue reforms to improve fiscal transparency. We will conclude by December 2025 the process to transition to electronic procurement. Significant progress has been made with the adoption by the Council of Ministers on Wednesday April 9, 2025, of the implementing decree of the public procurement code, which is intended to provide a framework for the electronic procurement procedure. In addition, we commit to conduct a periodic audit of high-stakes public contracts with the assistance of independent auditors and to publish the reports on a government website. In particular, we will continue the process of finalizing the independent audit of at least three high-stakes government contracts executed between 2022 and 2024 with a view to publishing the audit reports by end-June 2025 on the website of the Public Procurement Regulatory Authority ***(SB for end-June 2025).*** Currently, provisional reports that have already passed the stage of counter-observations by the audited structures are awaiting final approval before publication. We are also determined to improve the information available on public companies through the systematic publication of financial statements, as provided for by law 2020-20. In this context, we will publish the financial statements of SONEB, SBEE, SBPE and PAC for the period 2022 to 2024 (**new SB for end-October 2025**).

22. We are strengthening our efforts to address the deficiencies in Benin's AML/CFT framework based on the recommendations of the 2021 mutual evaluation report. Major actions have been taken, in line with the recommendations of the 2021 mutual evaluation report. Recent steps include the enactment of the law on combating money laundering, financing of terrorism, and the financing of the proliferation of weapons of mass destruction, and the conduct of sectoral money laundering/terrorism financing risk assessments. To reduce the money laundering risks identified in the real estate sector, we established in April 2024 a legal framework requiring the collection, verification, and publication of beneficial ownership (BO) information of landowners at the time of land transfer. Furthermore, the real estate sector control and supervision unit set up by the National Agency for Land and Property (ANDF) is already operational. In February 2025, this unit held three training sessions for real estate agents in Cotonou, Ouidah, and Porto-Novo.

Remaining Vigilant Against Increased Financial Sector Risk Exposure

23. We will prudently manage potential risks stemming from increased government involvement in the financial sector. The role of the public financial sector has significantly increased in recent years with the creation in 2020 of the Caisse des Dépôts et Consignations (CDCB) and the state-owned bank BIIC, which have recently become the top financial institutions in Benin in terms of financial assets. While we appreciate their important contribution to the diversification of sources of public and private projects financing, we pledge to exercise greater vigilance in monitoring them with the view to prevent the underlying financial risks, despite the soundness of their financial stability indicators. Accordingly, a major change is underway, with the effective listing of BIIC shares on the regional stock exchange, yielding outstanding results.

24. The government has adopted a proactive approach to the overall strategy of disengagement of Société Générale from Africa. Indeed, "Société Générale Bénin" is a public limited liability company under Beninese law, 94.10 percent of which is owned by the Société Générale Group. The bank has recorded a positive growth dynamic, including with a net result in 2023 growing by 9.2 percent compared to 2022. However, as part of its overall strategy of disengagement from certain activities (Switzerland, UK) and from the African continent, Société Générale Group has decided to withdraw from Benin (as is already the case in several countries in the region). Given the company's assets and the growth dynamics, several international investors have expressed their interest to acquire the Société Générale subsidiary in Benin. In this context, the government has decided to exercise a right of pre-emption to smooth out the transition with the aim of subsequently privatizing the bank as part of the ongoing movement to strengthen the solidity of the West African financial center. The operation is planned to be carried out by CDCB, which will divest the bank as soon as a buyer capable of contributing to the development of the domestic financial center has been identified. In the meantime, the CDCB will ensure that the bank remains profitable, liquid, and well capitalized.

Safeguarding Macroeconomic Gains

25. Our sound macroeconomic management in recent years has yielded tangible gains that deserve to be preserved. Our commitment to the structural transformation of the economy is accompanied by a strategy to improve transparency in all areas of public management. An annual action plan is instituted for that purpose to anchor budget transparency including civil society involvement in the process of preparing and implementing the budget law. We have thus made significant progress in fiscal transparency, ranking first among all French-speaking countries in the world, according to the results of the 2023 Open Budget Survey. Our efforts in recent years to promote digitization of procedures, notably in the tax system, have indeed reduced the scope for fraud and tax evasion.

26. Benin has fully implemented the WAEMU harmonized public financial management framework of 2009, including the reforms directive on the Budget Law. The organic Law No. 2013-14 of September 27, 2013, which enshrined the internalization of this directive in the legal framework for public financial management in Benin, introduced several innovations in public finance governance. Benin has transitioned to program budget management since January 1, 2022. A process of revising the organic law is under way, with internal work being carried out by the administrations that implemented the 2013 organic law, with a view to documenting the points on which the law's provisions will need to evolve. The revision of the organic law will provide a legal basis for all the innovations in public financial management initiated by Benin on the sidelines of reform implementation.

Building Resilience to Climate Change

27. We are making progress in implementing our climate reform agenda under the RSF-supported program (Table 3):

- ***Water resources.*** We adopted, during the Council of Ministers meeting of May 7, 2025, a revised decree of the National Water Council, which gives the Council a mandate to monitor groundwater and surface water and sufficient human and financial resources to carry out its mission. A strategic assessment of groundwater has been completed and validated by the National Water Council (***RSF reform measure 5 for end-April 2025***).

- ***Urban water pricing.*** We are institutionalizing a mechanism for water tariffication in urban areas and are advancing the reorganization of the water sector to ensure its financial sustainability. The National Water Company (Société Nationale des Eaux du Bénin, SONEB) is being split into two entities, with a restructured SONEB in charge of water distribution and an infrastructure company (Société Béninoise des Infrastructures de l'Eau, SoBIE) which was created in 2024. The government has conducted a study updating water tariffs, which date from June 2009 and no longer reflect the realities of costs and charges. The new updated rates ratified by the government will come into force as soon as the offer and quality of services have improved. Tariffs will be revised further from January 1, 2027 (the target date for the completion of the restructuring) to cover the estimated cost of capital that will be borne by SoBIE and will also take into account the redistributive impacts on households in the different brackets. From that date onwards, tariffs will be adjusted annually according to refined forecasts of infrastructure costs and updated impact analyses. Annual tariff updates will be based on the audited financial statements of SoBIE and SONEB to ensure that the updated tariffs maintain the financial health of both companies ***(RSF reform measure 6 for end-September 2024, now expected for end-November 2025).***

- ***Building code.*** On April 3, 2025, the President of the Republic promulgated Law No. 2025-05 establishing the framework law on construction and housing, incorporating technical standards that promote adaptation to future climate conditions, particularly with regard to the scope and frequency of anticipated climate risks (including heat waves) and promoting low-carbon and climate-resilient options for planning, engineering design, maintenance, and inspections. We have prepared draft decrees implementing the law, including revised regulations on construction permits, construction and building safety rules, and a decree on environmental performance ***(RSF reform measure 10 scheduled for end-March 2025).*** As part of the implementation of the decrees, we will prepare technical standards for new and existing constructions focused on climate resilience that provide comprehensive guidance for planning, design, maintenance, and inspections to enhance building durability against climate-related challenges. These technical standards would emphasize: (i) the site selection informed by future climate projections, risk assessment, and integration of sustainable practices, (ii) the use of resilient materials, water efficiency, and innovative structural solutions to withstand extreme weather events, (iii) protocols that ensure buildings remain functional and resilient to natural hazards over time and address wear and tear that could compromise resilience and (iv) risk assessment related to the exposure to natural hazards.

- **Fossil fuel subsidies**. In line with our commitments under the RSF program, we have adopted a predictable pricing mechanism for petroleum products that will help reduce the informal oil sector while protecting the budget from international oil price volatility. The mechanism capitalizes on the benefits highlighted by the evaluation of our "tendering" model for fuel imports adopted at end-2023 and offers predictability on the evolution of the pump prices, while taking into account the specificities of the Beninese fuel market. This mechanism has been in effect since January 2025 ***(RSF reform measure 11 for end-November 2024).*** At the same time, we have established a mechanism to compensate vulnerable groups following the implementation of this reform (***RSF reform measure 12 for end-November 2024).***

- **Electricity tariff reform**. The electricity regulator (ARE) has issued a new tariff regulation that enhances the tariff setting methodology and ensures the absence of subsidies in the electricity sector going forward. Relative to the previous framework, the revised methodology specifies a timeline for tariffs to be finalized by end-September for the next (two year) tariff cycle. It also allows for exceptional tariff revisions in case of negative shocks. These features (among others) should ensure that electricity tariffs fully reflect cost-recovery levels. We are committed to prepare and make available the 2026-27 tariff studies by end-September 2025 in accordance with the new tariff regulation. ***(RSF reform measure 13 for end-January 2025).***

- **Support to renewable energy.** We have adopted a decree (No. 2024-1395) that establishes a connection cost policy to support renewable energy production and created a technical committee to carry out regular assessments of the flexibility of the electricity grid and the integration of renewable energies (***RSF reform measure 14 for end-January 2025***).

- **Green taxonomy and associated climate data collection and dissemination mechanism.** After conducting analyses within a multi-sectoral team, with support from experts with a good knowledge of our Nationally Determined Contributions, we organized a workshop to review the first deliverables of the reform, in which experts from the IMF Monetary and Capital Markets Department took part (remotely). At the end of the workshop, and in consideration of the experts' observations, we requested IMF technical assistance to supervise and monitor the finalization of the taxonomy and the associated climate data collection and dissemination mechanism (***RSF reform measure 15, now expected for end-November 2025***).

28. The other reforms regarding the establishment of an agricultural insurance system, the integration of climate risk information into the RSU, the climate strategy of state-owned enterprises (SOEs), and the maintenance policy for major infrastructures are progressing satisfactorily. We are accelerating the implementation of several other reforms under the RSF arrangement. The operationalization of agricultural insurance has been the subject of a pilot project, officially launched on March 4, 2025, thus initiating an intensive awareness-raising phase for beneficiaries regarding subscription and the establishment of premia, part of which is covered by the state with the support of various financial partners. Regarding the inclusion of climate data in the RSU, a mapping of the most vulnerable municipalities/districts will be used to ensure a comprehensive structuring of the data within the database. In addition, a draft decree implementing the law on State Owned Enterprises, intended to define the legal framework for action by SOEs in favor of climate, has already been initiated and submitted to relevant departments for assessment. The outline of the report highlighting the contribution of SOE strategies to climate adaptation and mitigation efforts is also being finalized. Finally, a TA mission by the IMF Fiscal Affairs Department is scheduled for the second half of July 2025, to follow up on the pilot phase of implementing the infrastructure maintenance methodology by three ministries.

29. We are continuing our efforts to mobilize climate finance under the RSF, including from development partners and the private sector. In constant collaboration with the technical and financial partners, we are leveraging the results of past work presented during the CoP 29 to obtain firm financial commitments. The remaining priorities include: i) the monetization of carbon credits and the mobilization of the private sector, ii) the mobilization of additional budget support financing with a multi-donor matrix, etc. Our action remains consistent with the challenges posed by climate change, particularly in the eight key sectors of socioeconomic development defined in the National Adaptation Plan.

Program Monitoring

30. Program monitoring will be based on performance criteria (Table 1), structural benchmarks (Table 2), and reform measures (Table 3). Indicators and reporting requirements are defined in the attached Technical Memorandum of Understanding (TMU). The authorities will provide the IMF with the data and statistics provided in the TMU, as well as any other information they deem useful or requested by the IMF for program monitoring purposes. In accordance with Article VIII obligations, Benin maintains an exchange system free of multiple currency practices and restrictions on the making of payment and transfers for current international transactions.

31. The IMF-supported program under the EFF/ECF and RSF will be monitored through joint semiannual reviews by the IMF's Executive Board. Semi-annual reviews under the EFF/ECF will be based on end-June and end-December PCs and ITs for end-March and end-September. RSF reviews will be informed by the assessment of implementation of the reform measures outlined in Table 3.

Table 1. Benin: Proposed Quantitative Performance Criteria and Indicative Targets, 2024–25[1]

	June 30, 2024			September 30, 2024			December 31, 2024			March 31, 2025	June 30, 2025	September 30, 2025
	PC			IT			PC			IT	PC	IT
	Prog.	Prel.	Status	Prog.	Prel.	Status	Prog.	Prel.	Status	Prog.	Prog.	Prog.
A. Quantitative performance criteria[2]												
Basic primary balance (floor)[3]	22.2	51.2	Met	90.9	68.8	Not met	114	146.1	Met	43.2	82.7	44.0
Net domestic financing (ceiling)[4]	258.2	-187.6	Met	-173.3	-143.5	Not met	-248.5	-257.5	Met	5.5	9.9	362.2
B. Continuous quantitative performance criteria (ceilings)												
Accumulation of external payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	0.0
Accumulation of domestic payments arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	0.0
Ceiling on the present value of new external debt contracted or guaranteed by the government[5]	620	606.0	Met	1,055	801.9	Met	1,055	1,042.1	Met	620	620	620
C. Indicative Targets[2]												
Tax revenue (floor)	816.6	822.7	Met	1,220.5	1,223.3	Met	1,711.4	1,721.7	Met	443.1	923.0	1,366.0
Priority social expenditure (floor)[6]	55.5	69.7	Met	114.4	124.4	Met	185.1	188.1	Met	25.5	58.8	123.6

Sources: Beninese authorities; IMF staff estimates and projections.

[1] The terms in this table are defined in the Technical Memorandum of Understanding (TMU).

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

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

[4] Includes on-lending from the BCEAO related to the IMF disbursement. If the amount of disbursed external budgetary assistance net of external debt service obligations falls short of the program forecast, the ceiling on net domestic financing will be adjusted pro-tanto, subject to limits specified in the TMU. If the amount of disbursed external budgetary assistance net of external debt service obligations exceeds the program forecast, the ceiling will be adjusted downward by the excess disbursement.

[5] Excludes debt management operations which result in a reduction of the present value of overall external debt, and/or an improvement of the overall public external debt service profile (TMU clause 14).

[6] Includes internally and externally financed expenditures related to government interventions that directly reduce poverty in the areas of education, health and nutrition, social safety nets, access to electricity, water and sanitation, microfinance, and security and civil protection. Excludes salary expenditures.

Table 2. Benin: Remaining Structural Benchmarks Under the Current EFF/ECF Arrangements, 2025

Reform area	Structural benchmark	Due date	Status
Transparency	Publish the audit reports of three high-stake public contracts executed during 2022-24.	End-June 2025	On track
	Publish annually the list of companies operating in the industrial zone, specifying the tax regime granted and the related benefits along with the volume of potential investment expected	End-April 2025	Met
	Publish in their respective websites the financial statements for the period 2022 to 2024 of the electricity production and distribution companies (SBPE and SBEE), the water company SONEB, and the Port of Cotonou (PAC).	End-October 2025	Newly proposed SB
Business climate	Extend the online land registry (e-cadaster) to completely cover the city of Cotonou, and systematically update land transactions in the e-cadaster	End-April 2025	Met
	Create and operationalize a single electronic window to promote investment and accelerate export facilitation, including by providing approval under the investment code and export support for small and medium-size enterprises.	End-February 2025	Met
Social policies	In line with the government's highly social mandate, develop and publish on the website of the Ministry in charge of Social Affairs a mapping of social protection programs, identifying the main vulnerabilities addressed by each program and beneficiaries, and including a quantification of coverage gaps and overlaps, and the associated policy and financing implications.	End-October 2025	On track

Table 3. Benin: RSF Reform Matrix

Key challenge	Reform Measure	Due date	Status
Pillar 1. Mainstreaming the climate agenda in policy making and PFM/PIM processes			
RM1: PIM Decree and Appraisal Methodology	Government to amend the regulatory framework governing PIM (Decree 2021-586) in order to include climate concerns in the various stages of PIM, notably identification, appraisal, selection and ex-post evaluation, and to update accordingly the September 2019 public investment manual.	End-March 2024	Met
RM2: Maintenance	Government to adopt by end 2024 a methodology to integrate climate vulnerabilities in maintenance policy for key infrastructure assets (roads, buildings) and to pilot this policy in three selected large sectoral ministries, ensuring that the funds allocated to maintenance of non-financial fixed assets within the 2026 draft budget (submitted in October 2025) and within the 2026 budget of Société des Infrastructures Routières et de l'Aménagement du Territoire (SIRAT) are determined on the basis of this maintenance policy.	End-October 2025	On track
RM3: State-Owned Enterprises	Government to adopt an implementing decree of Law 2020-20 on State Owned Enterprises to put in place an appropriate legal framework to integrate climate concerns and to relatedly publish a first annual report on SOEs (in accordance with article 65 of Law 2020-20) including analysis of (i) the contribution of SOE strategies to climate adaptation and mitigation efforts (ii) the risks related to climate change affecting SOEs.	End-October 2025	On track
RM4: Climate Budget Tagging	Government to adopt an implementing order of decree 2020-495 on the calendar for budget works to set the list of budget documents to be produced each year and henceforth institutionalize the production each year of a climate budget brief. Operationalize the reform starting with the budget preparation process for FY25, with involvement of Ministry in charge of Environment and with counterparts in sectoral ministries.	End-October 2024	Met

Table 3. Benin: RSF Reform Matrix (continued)

Key challenge	Reform Measure	Due date	Status
Pillar 2. Enhancing adaptation to climate change and strengthening population's resilience			
RM5: Water Resources	(1) Adopt a revised decree of the National Water Council, which would include a mandate to monitor groundwater and surface water resources and equip the Council with sufficient human and financial resources to discharge its mission; and (2) Realize a strategic groundwater assessment and have the National Water Council Supervise and validate this assessment.	End-April 2025	Met
RM6: Water Tariffs in Urban Areas	Institutionalize a mechanism for water tariffication in urban areas based on the following parameters: (i) a tariff study; (ii) a transparent tariff structure in conformity with international good practices and (iii) a financial equilibrium model.	End-September 2024	Now expected by November 2025
RM7: Local Government	Government to propose an amendment to the 2024 budget law setting the principle of taking into account community-identified climate priorities in the criteria for allocation of transfers to local authorities, whether they take place in the current framework of FADeC – Fund for Support for Communal Development – or within the framework of the new Communal Investment Fund that will replace FADeC, and simulate the implementation of this mechanism for the 2024 FADeC**.**	End-March 2024	Met
RM8: Social protection	Integrate information on climate risks into the Social Registry (RSU), in particular for municipalities identified as being at high risk of flooding.	End-October 2025	On track
RM9: Agriculture	Government to adopt a decree to establish an agricultural insurance scheme leveraging existing programs (FNDA), including climate risk mitigation strategies, with a minimum objective of covering by September 2025 two main products amongst the ones identified in the May 2023 feasibility study to the benefit of a minimum of 100,000 producers.	End-September 2025	On track
RM10: Building codes	Government to adopt in Council of Ministers a draft building code (*projet de loi portant loi-cadre sur la construction et l'habitation*) incorporating technical standards favoring adaptation to future climatic conditions, including with respect to expected climate-hazards' magnitude and frequency, and favoring low carbon and climate resilient options for planning, technical design, maintenance and inspections, as well as requisite secondary legislation.	End-March 2025	Met

Table 3. Benin: RSF Reform Matrix (concluded)

Key challenge	Reform Measure	Due date	Status
	Pillar 3. Supporting mitigation efforts		
RM11: Comprehensive fossil fuel subsidy reform	Adopt a comprehensive reform of fossil fuel subsidies, in consultation with IMF staff, by: i) conducting a comprehensive assessment of the new "tender" model for fuel imports, quantifying its costs and benefits, and assessing the risks associated with the competitiveness of the fuel import market, supply guarantees for imported petroleum products, and the timing of the tender, among others; ii) reorganizing the pricing structure for petroleum products, highlighting, where appropriate, subsidies and tax expenditures, and establishing a new tax structure; iii) defining the parameters of a predictable pricing mechanism based on the specific features of the Beninese hydrocarbon market, as well as the timing of its implementation; and iv) adopting and publishing an inter-ministerial order (Ministry of Economy and Finance and Ministry of Industry and Commerce) introducing a transitional arrangement for closing the gap between the pump price and the new formula price starting in January 2025, prior to implementing a formula-based periodic price adjustment mechanism before the adoption of the 2026 budget (November 2025).	End-November 2024	Met
RM12: Social protection in relation to fuel subsidy reform.	i) Establish a compensatory mechanism to limit the effect of fuel subsidy reform on vulnerable groups using the Social Registry (RSU); ii) adopt an implementation framework for the RSU which defines the Management Information System (MSI) governance structure and provides detailed operational guidance, while ensuring adequate financial, human, and material resources to the unit responsible for the operationalization of the RSU.	End-November 2024	Met
RM13: Electricity tariff reform	Design and adopt a comprehensive and gradual electricity tariff reform to fully remove electricity subsidies and reflect cost-recovery levels, with the first phase to be implemented in 2025.	End-January 2025	Met
RM14: Support to renewable energy	Remove key obstacles to development of renewable energy (RE) by adopting regulations and decisions to (i) putting in place a connection cost policy supporting connection for RE generation and (ii) committing to carrying out regular assessments of the flexibility of the grid and issues related to renewable integration.	End-January 2025	Met
	Pillar 4. Mobilizing private sector financing for climate change		
RM15: Mobilizing climate finance from the private sector	Enhance the climate financial information architecture by the adoption by way of decree (arrêté) by the Ministry of Economy and Finance, and subsequent implementation of two complementary frameworks: i) a climate-related taxonomy (reference framework for private sector climate investment) covering mitigation and adaptation needs across key sectors defining financing and climate-related targets and private financing instruments; and ii) a climate mitigation and adaptation data collection and dissemination mechanism, connected to the taxonomy, across key sectors for private companies and key economic infrastructures. This mechanism will be coordinated and implemented by the National Statistics and Demography Institute, requiring the adoption of an arrêté under the 2022 legal framework governing the Institute's missions.	End-May 2025	Now expected by November 2025

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) sets out the understandings regarding the definitions of the performance criteria (PCs) and indicative targets (ITs) that will be applied under Benin's program supported by a 42-month EFF/ECF (2022–2025), as described in the Memorandum of Economic and Financial Policies (MEFP) and its attached tables. It also specifies the frequency and deadlines for data reporting to the staff of the International Monetary Fund (IMF) for program monitoring purposes. Reviews will assess quantitative targets as of specified test dates and on a continuous basis. The TMU also covers some elements of monitoring of the Fund-supported program under the Resilience and Sustainability Facility (RSF).

Program Assumptions

2. **Exchange rates under the program.** For the purposes of this TMU, the value of transactions denominated in foreign currencies will be converted into the domestic currency of Benin (the CFA franc, or CFAF), based on the key exchange rates below as of December 31, 2021 (Table 1).

Table 1. Benin: Exchange Rates (End of Period, 2021)

CFAF/US$	580.3
CFAF/€	655.96
CFAF/SDR	811.4

Definitions

3. Unless otherwise indicated, "government" is understood to mean the central government of the Republic of Benin and does not include any local governments, the Central Bank, or any other public or government-owned entity that has autonomous legal status and whose operations are not included in the table of government financial operations (*Tableau des opérations financières de l'État, TOFE*).

4. The definitions of "debt" and borrowing for the purposes of this TMU are set out in point 8 of IMF Executive Board Decision No. 6230-(79/140), as subsequently amended on December 5, 2014 by Executive Board Decision No. 15688-(14/107):

a. **Debt** is understood to mean a current – as opposed to a contingent – liability, created under a contractual agreement for 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, and these payments will discharge the principal and/or interest liabilities incurred under the contract. Debt can take several 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 seller 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 TMU.

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 also 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. The present value of loans will be calculated using a single discount rate set at 5 percent.

c. For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD SOFR is 3.29 percent and will remain fixed for the duration of the program. [1] The spread of six-month Euro LIBOR over six-month USD SOFR is -50 basis points. The spread of six-month GBP SONIA over six-month USD SOFR is 50 basis

[1] The program reference rates and spreads are based on the "average projected rate" for the six-month USD SOFR over the following 10 years from the October 2024 World Economic Outlook (WEO).

points. For interest rates on currencies other than Euro and GBP, the spread over six months USD SOFR is 0 basis point. Where the variable rate is linked to a benchmark interest rate other than the six-month USD SOFR, a spread reflecting the difference between the benchmark rate and the six-month USD SOFR (rounded to the nearest 50 bps) will be added.

d. Domestic debt is defined as debt denominated in CFA franc other than the debt contracted from BOAD. External debt is defined as debt denominated in any currency other than the CFA franc. For program purposes, BOAD loans are considered as external debt.

Quantitative Performance Criteria

A. Floor on the Basic Primary Fiscal Balance (Excluding Grants)

Definition

5. The basic primary fiscal balance is defined as the difference between total fiscal revenue on a cash basis (tax and nontax) and basic primary fiscal expenditure. Basic primary fiscal expenditure is defined as fiscal (current plus capital) expenditure minus (a) interest payments on domestic and external debt; and (b) capital expenditure financed by external grants and loans (on a payment order basis). Grants are excluded from revenue in this definition and net government lending is excluded from fiscal expenditure.

6. The balance at end-June 2025 (PC) and the balances at end-March and end-September 2025 (ITs) must be equal to or greater than the amounts indicated in Table 1 of the MEFP.

B. Ceiling on Net Domestic Financing of the Government

Definition

7. Net domestic financing of the government (NDF) is defined as the sum of (i) the net position (difference between the government's claims and debt) vis-à-vis the central bank and commercial banks and (ii) financing of the government through the issuance (net of redemptions) of securities to individuals or legal entities outside the banking system or to nonresident banks domiciled in the West African Economic and Monetary Union (WAEMU).

8. Gross external budgetary support is defined as external loans excluding project-related loans and grants, and use of IMF resources. Net external budgetary support is defined as the difference between gross external budgetary support and the sum of total debt service obligations on all external debt (defined 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 arrears.

Performance Criteria and Indicative Targets

9. Net domestic financing at end-June 2025 (PC) and at end-March and end-September 2025 (ITs) must be equal to or less than the amounts indicated in Table 1 attached to the MEFP.

Adjustor

10. Net domestic financing of the government will be adjusted downward (upward) if net external budget support (as defined above) at the end of the quarter exceeds (or falls short of) program projections on a one-to-one basis. Net domestic financing of the government will be adjusted downward (upward) if external budgetary grants at the end of the quarter exceed (or fall short of) program projections on one-to-one basis, with a cap on the upward revision of CFAF 20 billion (about 0.15 percent of GDP).

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

Definition

11. Domestic payment arrears are defined as domestic payments due but not paid by the government after a 90-day grace period, unless the payment arrangements specify a longer repayment period. The Autonomous Debt Management Fund (CADG, Former CAA) and the Treasury record and update the data on the accumulation and reduction of domestic payments arrears. The definitions of debt given in Paragraph 4 and of the government in Paragraph 3 apply here.

Continuous Performance Criteria

12. The government undertakes not to accumulate any new domestic payments arrears. The non-accumulation of new domestic payment arrears will be continuously monitored throughout the program.

D. Non-Accumulation of External Payment Arrears by the Government

Definition

13. External public payments arrears are defined as payments due but not paid by the government as of the due date specified in the contract, taking into account any applicable grace periods, on the external debt of the government or external debt guaranteed by the government. The definitions of debt given in paragraph 4a, of external debt in Paragraph 4d, and of the government in paragraph 3 apply here.

Continuous Performance Criterion

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

E. Ceiling on the Present Value of New External Debt Contracted or Guaranteed by the Government with a Maturity of One Year or More

Definition

15. This performance criterion applies not only to debt as defined in paragraph 4a, but also to commitments contracted or guaranteed by the government (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. This performance criterion does not apply to:

- IMF disbursements.
- The contracting of debt for use in debt management operations[2] that once the DMO is completed result in a reduction of the present value (present value savings) of overall external public debt and/or in improvement of the overall public external debt service profile will be excluded from the ceiling up to the amount used for external DMOs. In the calculation of the present value savings for the debt operations, the discounted future stream of payments of debt service due on the portion of the newly issued debt instrument used for external DMOs (including all costs associated with the operation) will be compared with the discounted future stream of debt service due on the instrument it replaces using a discount rate of 5 percent and these amounts will not be capped by the nominal value of the debt. Improvement in the overall public external debt profile is to be understood as elimination of near- to medium-term spikes in repayments that may give rise to rollover risks, without adversely affecting the DSA risk rating.

As indicated in paragraph 4d, external debt excludes Treasury bills and bonds issued in CFA francs on the WAEMU regional market.

16. The term "government" used for this performance criterion and for the performance criterion on the new external debt contracted by the government, includes the government, as paragraph 3.

17. This performance criterion also covers government-guaranteed debt of local governments and all public enterprises, including administrative public agencies (EPA), scientific

[2] Debt management operations (DMOs) are defined as the repayment or refinancing of the principal of outstanding public debts prior to or at their maturity dates.

and technical public agencies, professional public agencies, and enterprises jointly owned by the Beninese government with the governments of other countries.

Adjustor

18. The ceiling on the amount of new debt contracted or guaranteed by the government will be adjusted upward by the present value of the portion of the commercial loan contracted using the World Bank Policy-Based Guarantee (approved in October 2024) that is used for early repayment of domestic debt, provided that the operation results in a reduction of the present value (present value savings) of overall public debt and/or an improvement in the overall public debt profile, while maintaining the DSA ratings for overall and external risk of debt distress at “moderate”.

19. For 2025, the ceiling on the present value of new external debt contracted or guaranteed by the government (cumulative since January 1, 2025) will be adjusted upward by the present value equivalent of the amount of additional budget support loans beyond the programmed 90 CFA billion, for an amount up to CFA 54 billion at end-December 2025.

Continuous Performance Criterion

20. The present value of new external borrowing contracted or guaranteed by the government should not exceed CFAF 620 billion in 2025 (Table 2). Changes to this ceiling may be made (subject to approval by the IMF Executive Board) based on the results of the public debt sustainability analysis prepared jointly by the staffs of the World Bank and the IMF.

Table 2. Benin: Borrowing Plan in 2025
(FCFA billions)

PPG External Debt	Volume of new debt in 2025		PV of new debt in 2024 (program purposes)	
	FCFA billion	Percent	FCFA billion	Percent
By sources of debt financing	**1,117.3**	**100.0**	**770.3**	**100.0**
Concessional debt, of which	**328.1**	**24.6**	**178.9**	**23.2**
Multilateral debt	270.2	16.4	145.8	18.9
Bilateral debt	57.9	8.1	33.1	4.3
Non concessional debt, of which	**789.2**	**75.4**	**591.4**	**76.8**
Semi-concessional	157.1	11.7	136.8	17.8
Commercial terms[1]	632.1	63.8	454.6	59.0

Sources: Beninese authorities.
[1] Non-concessional debt on commercial terms includes the EUR 500 million commercial loan contracted with the World Bank PBG. The portion of the commercial loan that was used for an external debt DMO has been excluded from the PV of new debt calculation following the IMF-supported program definition (TMU¶15). The limit on the PV of new debt is expected to be adjusted upwards by FCFA 150.4 billion, the equivalent of the portion of the commercial loan expected to be used for the early repurchase of domestic debt (TMU¶18).

Indicative Targets

A. Floor on Tax Revenue

Definition

21. Tax revenue includes revenues collected on a cash basis by revenue-collection departments. The data are reported in the Government Financial Operations Table (statistical TOFE) prepared monthly by the Economic and Financial Programs Monitoring Unit of the Ministry of Economy and Finance.

22. The revenue will be calculated cumulatively from the beginning of the calendar year. Revenue collections at end-March, end-June, and-September 2025 and must be equal to or greater than the amounts indicated in Table 1 attached to the MEFP. The tax revenue floor is an IT for the entire duration of the program.

B. Priority Social Spending

23. Priority social expenditure includes expenditure executed from the State budget (from both domestic and external resources), excluding salary expenditure and relating mainly to public interventions in the areas of education, health and nutrition, the establishment of social safety nets, access to electricity, water and sanitation, microfinance (small and medium enterprises), as well as security and to civil protection. Priority social spending (PSE) is very selective and captures only spending that directly reduces poverty.

24. Priority social expenditure will be monitored on a payment order basis under the program. The indicative target applies to the execution of expenditure (not the allocation). The indicative target for the central government priority social spending floor will be calculated cumulatively from the beginning of the calendar year.

25. This indicative target will be monitored through the table of quarterly expenditure provided by the Ministry of Economy and Finance. A detailed list of priority expenditure items is provided in Table 4:

Table 3. Benin: Priority Social Spending Coverage

Agriculture	Education	Social Affairs	Health	Sanitation and nature protection	Energy
-National Agricultural Development Fund; -Food safety; -Control of fishery products exploitation standards; -Support for rural economic growth; -Support for agricultural productivity of small farms; -Support for agricultural diversification and food production; -Development of market gardening; -Development of agricultural infrastructure in grassroots communities. -Development of irrigated areas in rural areas; -Soil protection and rehabilitation; -Development of lowlands; -Strengthening storage capacities; -Food security and resilience building; -Nutrition.	-School canteen program; -Free schooling at the primary level; -Provision of school books; -Free schooling for girls in secondary school; -Scholarships for students in technical and vocational high schools and colleges; -Construction and equipment of educational infrastructures in the three levels of education; -University works (catering, transport, accommodation, etc.); -Scholarships and university assistance; -Support program for doctoral students; -Scholarships for the training of trainers; -Reinforcement of social infrastructures.	-Cash transfer to the household; -Micro-credits to the poorest for the promotion of income generating activities; -Support to national solidarity; -Promotion of the family. -Regulation and management of child adoption processes; -Promotion at the base; -Support for people with disabilities; -Capacity strengthening, training and learning center for people with disabilities; -Support for the elderly; -Social welfare.	-Vaccination and primary health care; -Blood transfusion; -Screening and treatment of diseases covered by the State*; -Construction and equipment of hospitals; -Development of traditional medicine and pharmacopoeia; -Reproductive health; -Health care for the indigent; -Community health;	-Modernization of the efficient waste collection system. -Storm water sanitation. -Protection against coastal erosion; -Social housing development. -Forest protection expenditures. -Incentives for reforestation; -Expenditures to promote the substitution of wood energy for domestic gas.	- Electrification of rural localities; - Development of renewable energy and energy efficiency; - Development of conventional energy; - Reinforcement and extension of electrical networks; - Biomass electricity; - Strengthening resilience to climate change impacts.
Sport	**Security and civil protection**	**Infrastructure and Transportation**	**Water and mining**	**Justice**	**Employment**
-Development of the practice of sport at the grassroots level; -Promotion of school and university sports; -Sports competitions; -Leisure and association life	-Disaster prevention and management; -Integrated management of border areas; -Maintenance and management of the population register	-Development of rural roads; -Small bridges and various works of crossing of lowlands and others	-Drinking water supply; -Water supply system. -Development of multifunctional hydraulic infrastructures	-Child and youth safeguarding expenses. -Food for prisoners. -Social reintegration of prisoners	-Various internship programs managed by the ANPE; -Training-entrepreneurship of young people

*Assistance to hemodialysis patients; screening and treatment of ulcer, pneumo-pathobiology, fight against tuberculosis, AIDS, hepatitis, non-communicable diseases, leprosy, malaria, sickle cell anemia. subsidies to hospitals. etc.

Indicative Target

26. Priority Social spending at end-March, end-June, and end-September 2025 must be equal to or greater than the amounts indicated in Table 1 of the MEFP.

Information for Program Monitoring

A. Data on Performance Criteria and Indicative Targets

27. To facilitate effective program monitoring, the authorities will provide IMF staff with the following data in excel format:

Monthly:

- Data on any loan (terms and creditors) contracted or guaranteed by the government, in the first week after the end of the month of entry into force of these loans;
- Monthly consumer price index, within two weeks of the end of the month;
- The TOFE, including revenue on a cash basis, detailed data on net domestic financing of the government (bank and nonbank domestic financing, including claims held by the nonbank private sector); and data on the basic primary fiscal balance, within six weeks of the end of the month;
- Data on the balance, accumulation, amount (stock), and repayment of public domestic and external payment arrears, including in the event that these arrears amount to zero, within six weeks of the end of the month;
- The monetary survey, produced by the BCEAO, within eight weeks of the end of the month;

Quarterly:

- The price structure of petroleum products;
- The employment index and the traffic of merchandise at the Port of Cotonou, within 25 days of the end of the month;
- The Industrial production index and the turnover index, within three months of the end of the quarter;
- High priority social spending (Table 4), including health, education, social protection and security, by functional classification of expenditure, within eight weeks after the end of the quarter;

- Data pertaining to the amount of exceptional payment orders or other exceptional measures, within six weeks of the end of the quarter;
- Stock-flow adjustment table;
- National account statistics, within three months of the end of the quarter.
- Total new Eurobond issuances provided on quarterly basis, within two weeks after the end of the quarter.

B. Other Information

28. The authorities will provide IMF staff with the following data:

- Financial soundness indicators, produced semi-annually by the BCEAO, within eight weeks of the end of the semester.
- Data on the implementation of the public investment program, including detailed information on sources of financing within eight weeks of the end of the quarter; and
- Update of the PPP projects catalog and the amounts of contracted projects, within eight weeks of the end of the quarter.
- Execution of the investment budget, within eight weeks of the end of the quarter.
- Data on the stock of external debt, external debt service, the signing of external loan agreements and disbursements of external loans, within twelve weeks of the end of the quarter.
- Data on debt management operations being envisaged, including: i) debt on new debt contracted (amount, tenor, coupon rate, maturity, grace period), ii) data on debt that will be retired (amount, tenor, coupon rate, discount at purchase, maturity, grace period), iii) the breakdown of present value savings associated with the debt management operation and its impact on the overall debt profile, for the forecast horizon of 20 years, and vi) the fees associated with the new debt contracted, and the fees associated with the debt management operation.
- Data on military and security spending, within eight weeks of the end of the quarter.
- Balance of payments data, produced by the BCEAO, within ten months of the end of the year.
- More generally, the authorities will report to the IMF staff any information needed for effective monitoring of the implementation of economic policies.

29. With respect to the RSF, the authorities will provide IMF staff with all deliverables (legal texts, manuals, methodologies, etc.) referred to in each reform measure. In addition, the authorities will provide additional information to facilitate assessment of the following RMs:

- RM5 (Water governance): staffing and budget allocation to the National Water Council.
- RM6 (Water tariffication in urban areas): preparatory studies leading to the adoption of the new water tariffication mechanism.

BENIN

June 3, 2025

SIXTH REVIEWS UNDER THE EXTENDED FUND FACILITY AND THE EXTENDED CREDIT FACILITY ARRANGEMENTS, AND THIRD REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT—DEBT SUSTAINABILITY ANALYSIS

Approved By
Annalisa Fedelino and Niamh Sheridan (IMF), and Manuela Francisco and Abebe Adugna (IDA)

Prepared by the staff of the International Monetary Fund (IMF) and the International Development Association (IDA)[1]

Benin: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	*Moderate*[2]
Overall risk of debt distress	*Moderate*
Granularity in the risk rating	*Limited space to absorb shocks*
Application of judgment	*No*

Benin's overall and external public debt remain at moderate risk of debt distress, unchanged from the previous DSA (December 2024). All projected external debt burden indicators remain below high-risk thresholds under the baseline scenario, except for a temporary breach to the debt service-to-revenue and debt service-to-exports ratios in 2025 due to a debt management operation (DMO) for a Eurobond maturing in 2032. In 2025, Benin issued a new Eurobond for budget financing and contracted a commercial loan with a World Bank's Policy-Based Guarantee (PBG) for a domestic and external debt DMO. Space to absorb shocks is limited, but proactive debt management allowed accommodating additional external borrowing. External debt burden indicators breach high-risk thresholds in selected stress tests, particularly for export and depreciation shocks. High debt service-to-revenue ratio leaves debt vulnerable to revenue underperformance or shifts in market sentiment that could increase rollover costs. Continued revenue mobilization efforts, a borrowing strategy that prioritizes concessional terms, active debt management, and a commitment to rebalance the debt portfolio towards more domestic debt would reduce the risk of debt distress.

[1] Prepared by the IMF and the World Bank. This DSA follows the Guidance Note of the Join Bank-Fund Debt Sustainability Framework for Low Income Countries, February 2018.

[2] Benin retains a medium-rated debt-carrying capacity, given the 3.05 Composite Indicator, which is based on the October 2024 WEO and the 2022 CPIA.

PUBLIC DEBT COVERAGE

1. This Debt Sustainability Analysis (DSA) covers central government and central bank debt as well as guarantees provided by the central government (Text Table 1)[3]. Central bank debt borrowed on behalf of the government (i.e., debt to the IMF) is included as external debt. External debt is defined on a currency basis owing to data limitations, except for debt from the regional development bank (BOAD), which is included as external debt for the purpose of the DSA.

Text Table 1. Benin: Public Debt Coverage Under the Baseline Scenario

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

2. Debt coverage remains comprehensive but does not include non-guaranteed SOE debt and the non-financial debts of other government entities.[4] Benin received a high score for sectoral coverage on the IDA Debt Reporting heat map for 2023. Although public debt does not include non-guaranteed SOE debt, the authorities have published information on the outstanding stock of non-guaranteed SOE debt (comprising 9 SOEs), which stood at 2.3 percent of GDP at end-2024. They also included details on on-lending to SOEs in quarterly debt bulletins in 2024, as part of IDA's Sustainable Development Finance Policy (SDFP) and most recent Development Policy Operations. Under the SDFP, the Debt Management Office and the Directorate in charge of SOEs (General Directorate of State Participations and Denationalization, DGPED) established a monitoring system following the adoption by ministerial order of a risk-based framework for granting SOE guarantees. The authorities have published details on the non-financial debt of local governments, including communes (e.g., supplier credit or debt to the central government), which was estimated 0.3 ppt of GDP at end-2021[5]. These entities have not contracted financial debt and cannot do so without the agreement of the central government. The authorities see consolidating the general government's fiscal accounts as an important prerequisite for broadening debt coverage, particularly incorporating the financial statements of the SOEs (both on the revenue and expenditure sides) for

[3] Debt on-lent to SOEs is also included as part of central government borrowing.

[4] Other non-financial government debts would include items as defined by GFSM 2001/2014, such as accounts payable, claims toward social security, deposits of public entities held within the Treasury, appropriations relating to letters of comfort, and actuarial liabilities for civil servants' pensions.

[5] More up-to-date estimates of non-financial debt of local governments are currently not available.

inclusion in the DSA. Expanding this coverage of fiscal accounts remains an important medium-term capacity development priority being supported by AFRITAC-West.[6] The quantitative fiscal risk assessment annexed to the 2025 budget law reported positive net income from SOEs from 2020–23.[7]

Text Table 2. Benin: Contingent Liability Stress Test

1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	0.3	Local debt not capured in the debt stock based on end-2021 estimate.
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.8	The stock of SOE's debt not captured in the central government sector is estimated at 2.8 percent of GDP at end-2023.
4	PPP	35 percent of PPP stock	2.4	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5	
	Total (2+3+4+5) (in percent of GDP)		10.5	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

3. **The contingent liabilities shock has been calibrated to reflect risks associated with debt not captured in the baseline and other risks.** The total shock stands at 10.5 percent of GDP and includes 2.8 percent of GDP in SOE debt based on the latest available yearly data (end-2023), 0.3 percent of GDP for local government debt based on the latest reported estimate, 2.4 percent of GDP for PPPs based on the capital stock from the World Bank's PPP database (6.8 ppts of GDP), and the default setting for financial market risk (5.0 percent of GDP) (Text Table 2).[8] Benin's debt policy and management score was rated at 4.5 out of 6 in the 2022 and 2024 CPIA evaluations, with higher values corresponding to debt management strategies more conducive to minimizing budgetary risks and ensuring debt sustainability.

BACKGROUND

A. Recent Debt Developments

4. **Public debt decreased in 2024, reversing the rising trend of the last decade.** Total debt contracted to 53.4 percent of GDP in 2024 from 54.9 percent of GDP in 2023, following a frontloaded fiscal consolidation that brought down the overall deficit from 4.1 to 3 percent of GDP (compared to the projected fiscal consolidation of 3.7 percent at the fifth review) and back in line with the WAEMU deficit norm of 3 percent. Prior to that, public debt had increased by 13.7 ppts of GDP between 2019 and 2023, driven by an appropriately large fiscal accommodation during 2019–22 in response to extraordinary shocks. Despite the overall decline in debt, external debt continued

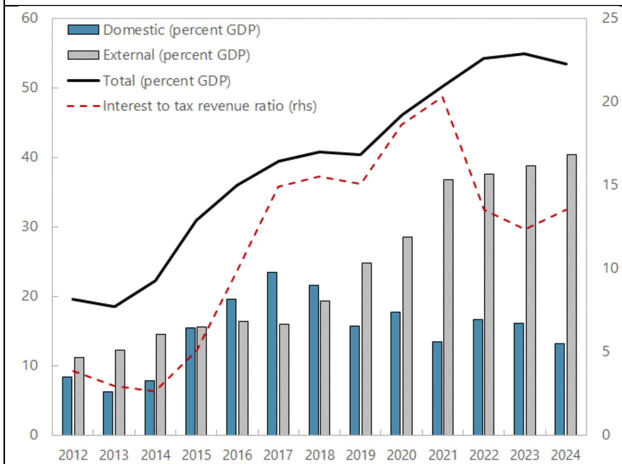
[6] See Annex IX in Benin: 2022 Article IV Consultation and Requests for an Extended Arrangement under the Extended Fund Facility and an Arrangement under the Extended Credit Facility (IMF Country Report 22/245).

[7] *Déclaration sur les Risques Budgétaires, Loi de Finances, Gestion 2025.*

[8] Contingent liabilities have not materialized from these entities in recent years.

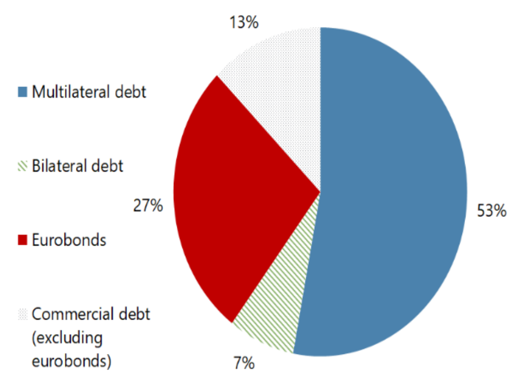
to increase, now comprising 75.4 percent of total debt (Text Figure 1a). As of 2024, multilateral debt made over half of external debt, reflecting continued prioritization of concessional borrowing. Meanwhile, Eurobond issuances – which have increased markedly since Benin's access to international capital markets – make 27 percent of external debt. This includes the US$750 million Eurobond Moringa[9] which was issued in 2024, with one-third of proceeds used for liability management operations (Text Figure 1b).

Text Figure 1a. Benin: Composition of Debt
(Percent of GDP)



Sources: Beninese authorities, CAGD.

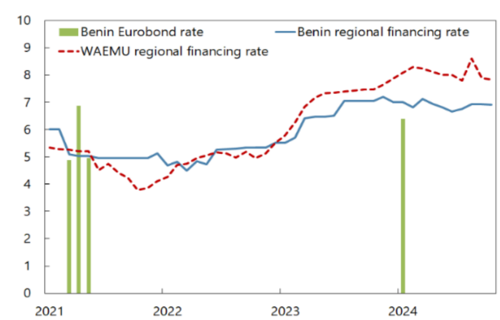
Text Figure 1b. Benin: Composition of External Debt as of 2024
(CFAF Billions)



Sources: Beninese authorities, CAGD.

5. Regional financing conditions improved in 2024 year but remained costlier than external financing. After interest rates reached a WAEMU-average high of 8.3 percent in February 2024, financing costs in the regional market trended down during the rest of the year to 7.8 percent on average by end-2024. Benin benefitted from preferential treatment given its strong fundamentals: its financing costs on the regional market averaged 6.9 percent in 2024, notably lower than the WAEMU average. This allowed it to issue on the regional domestic market in 2024, notably securing an 88-month bond at 7.12 percent in May 2024. However, external borrowing remains more favorable compared to domestic borrowing (Text Figure 2), with Eurobond presenting lower rates

Text Figure 2. Domestic and External Borrowing
(Percent)



Sources: Bloomberg, UMOA-Titres.

[9] Eurobond "Moringa", Benin's debut US dollar bond, was issued by Benin on February 7, 2024, for US$ 750 million.

and longer maturities: Eurobond Moringa was successfully swapped to euro at a 6.4 percent rate, with a maturity of 14 years.

6. **Benin issued a US$500 million Eurobond and contracted a EUR500 million commercial loan that is backed by the WB's Policy-Based Guarantee (PBG) in 2025Q1.** The Eurobond has a 8.375 percent coupon rate and a 16-year maturity, and was promptly swapped to EUR486 million and a 6.48 percent fixed interest rate for the first three years. The commercial loan was issued with a 6.02 percent rate and 15-year maturity and is backed by a EUR200 million World Bank PBG. The PBG is part of a financing package from the International Development Association (IDA) and is the first IDA guarantee approved since the World Bank Group guarantee platform was launched in July 2024.

7. **Benin used EUR250 million of the proceeds of the commercial loan for a debt management operation (DMO).** The authorities conducted a DMO for the early repayment of the 2032 Eurobond, ensuring that the financial transaction generates NPV savings and does not deteriorate the country's both external and overall debt profiles. 45.3 percent of the 2032 Eurobond was repurchased at 92.6 percent of its price, generating savings on purchase of almost EUR20 million. With the reduction of the principal and interest payments following the repurchase, the DMO generated about EUR4.2 million of present value savings (using a discount rate of 5 percent) over 15 years, despite the added debt service of the new commercial loan.

8. **The authorities intend to use the rest of the commercial loan proceeds for an early repayment of domestic debt.** The authorities are planning an early repayment of domestic debt maturing between May and August 2025. As regional securities carry borrowing rates higher than 7 percent (the WAEMU weighted-average interest rate on sovereign security auctions was at 7.9 percent in March 2025) and shorter maturities compared to Eurobonds, the operation will replace costly domestic debt that would have otherwise been issued to replace maturing debt, therefore improving the country's overall debt profile by extending the maturity profile and reducing interest costs.

B. Macroeconomic Assumptions

9. **Macroeconomic assumptions underlying the DSA projections are consistent with the fifth EFF/ECF review baseline, broadly in line with the last DSA (December 2024)** (Text Table 3). The baseline holds similar assumptions for growth projections compared to the previous DSA, reflecting robust macroeconomic performance in 2024 and continued growth momentum. This momentum is expected to continue in the coming years, driven by the expansion of the Special Economic Zone (SEZ) that is expected to generate higher value-added exports, as well as the emergence of new services, including in the ICT and tourism sectors. The main assumptions are as follows:

- **Real GDP Growth.** Growth reached its highest level yet in 2024 at 7.5 percent, supported by the expansion of the agroindustry, construction, textile and trade, the burgeoning ICT and tourism sectors, and the pickup in the activity of the port of Cotonou. Momentum is expected to continue into 2025 and is estimated at 6.7 percent (compared to 6.5 percent from fifth review

DSA). These performing sectors, alongside continued infrastructure projects and private investment related to the SEZ, will support economic activity in the medium term. Medium- term growth[10] is expected to be around 6 percent by 2029, unchanged from previous projections, but there is upside potential in case absorptive capacity constraints are alleviated, including with adequate labor supply and better infrastructure to meet the needs of the transforming economy.

- **Inflation and GDP deflator.** Inflation in 2024 declined to around 1.2 percent (y/y) from 2 percent at the fifth review, on the back of contained food prices (given a good harvest season in 2024), the normalization of fuel prices in Nigeria, and government's measures to reduce illicit exports of food stables to neighboring countries. The GDP deflator is only slightly higher in 2025, and averages 2 percent over 2025-29 (in line with previous DSA) and is expected to converge to around 2 percent over the long term.

- **Primary fiscal balance.** The primary fiscal balance was -1.3 percent in 2024, higher than projected in the fifth review DSA (-1.9 percent of GDP), as continued revenue mobilization and moderation in capital expenditure led to a larger-than-projected fiscal consolidation. As a result, Benin converged back to the WAEMU overall deficit rule of 3 percent in 2024 a year earlier than projected. The baseline continues to assume that the overall fiscal deficit would remain at 3 percent of GDP in 2025 and in the medium term, as envisaged from EFF/ECF inception.

- **Revenues and grants.** Revenues and grants for 2024 were at 15 percent of GDP, slightly lower than in the fifth review DSA, as higher-than-projected revenue was offset by lower grants in 2024. Revenue and grants are projected at 15.6 percent in 2025, broadly in line with previous projections. Revenue mobilization will continue to be underpinned by the Medium-Term Revenue Strategy (MTRS), that seeks to expand the tax base and improve the overall efficiency of the tax system. Over the long term, tax and non-tax revenue will continue to grow modestly, towards the WAEMU regional tax-to-GDP target of 20 percent. In the event of lower-than-expected revenue collection, the authorities have identified additional measures in the MTRS to ensure that the tax collection momentum is sustained.

- **Total expenditure.** Total expenditure in 2024 was lower than projected at the fifth review (18 percent of GDP compared to 19 percent in the fifth review DSA), reflecting restraint on current spending by the authorities, and a large moderation in capital expenditure as public investment projects matured and externally financed projects took longer-than-expected to commence. Total expenditure is expected to average around 19.2 percent in the medium term, reflecting Benin's large development needs.

[10] Potential growth is unchanged from the 3rd Review EFF/ECF and embeds the climate assumptions of the 3rd Review's Debt Sustainability Analysis, that are informed by the scenario analysis of the World Bank Climate Country and Development Report (CCDR).

- **Fiscal adjustment.** The baseline overall deficit is projected at 2.9 percent of GDP in 2025, in line with the previous DSA, with the frontloaded fiscal consolidation in 2024 (1.1 ppts of GDP) implying a much smaller consolidation in 2025 (0.1 ppts of GDP).

- **Current account deficit.** The current account deficit is estimated at 6.8 percent in GDP in 2024 (compared to 5.7 percent in the previous DSA), reflecting a deterioration from the fifth review due to a wider services deficit in 2023, driven by higher professional services imports related to the SEZ. Goods exports and imports were revised down for 2024 by 2.5 and 3.1 percentage points of GDP respectively, mainly due to reduced estimates of illicit trade, a faster fiscal consolidation, and lower growth in capital goods imports from the SEZ. The current account is expected to remain broadly stable in 2025, as the normalization of the services deficit is offset by a wider trade deficit due to capital goods imports for the SEZ and worsening terms of trade. It would hover around 4–5 percent of GDP over the medium term, supported by the fiscal consolidation, and as exports from the SEZ gradually increase and the services deficit moderates.

Text Table 3. Benin: Baseline Macroeconomic Assumptions for Debt Sustainability Analysis

	2022	2023	2024	2025	2026	2027	2028	2029	Medium-term 2025-29	Long-term 2030-43
GDP Growth (percent)										
Current DSA	6.3	6.4	7.5	6.7	6.4	6.3	6.2	6.0	6.3	5.7
Previous DSA[1]	6.3	6.4	6.5	6.5	6.2	6.2	6.0	6.0	6.2	5.7
GDP Deflator (percent)										
Current DSA	4.1	3.4	1.6	1.7	2.0	2.0	2.0	2.0	1.9	2.0
Previous DSA	4.1	3.4	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Current account deficit (percent GDP)										
Current DSA	-5.7	-8.2	-6.8	-6.0	-5.2	-4.9	-4.7	-4.5	-5.1	-4.4
Previous DSA	-6.0	-6.4	-5.7	-5.1	-4.5	-4.3	-4.1	-4.0	-4.4	-4.0
Exports (percent GDP)										
Current DSA	24.5	22.9	21.0	21.1	22.0	22.7	23.3	24.0	22.6	24.7
Previous DSA	24.5	23.9	24.4	25.0	25.7	25.8	26.0	26.1	25.7	26.2
Primary Balance (percent GDP)										
Current DSA	-3.9	-2.5	-1.3	-1.0	-1.3	-1.4	-1.5	-1.5	-1.3	-1.4
Previous DSA	-3.9	-2.5	-1.9	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2	-1.2
Revenue and grants (percent GDP)										
Current DSA	14.3	15.0	15.0	15.6	15.9	16.4	16.7	17.1	16.3	18.9
Previous DSA	14.3	15.0	15.3	15.7	16.1	16.5	16.9	17.3	16.5	19.0
Total expenditure (percent GDP)										
Current DSA	19.8	19.2	18.0	18.5	18.8	19.3	19.6	20.0	19.2	21.8
Previous DSA	19.8	19.2	19.0	18.6	19.0	19.4	19.8	20.2	19.4	21.7
Overall balance (percent GDP)										
Current DSA	-5.5	-4.1	-3.0	-2.9	-2.9	-2.9	-2.9	-2.9	-2.9	-2.9
Previous DSA	-5.5	-4.1	-3.7	-2.9	-2.9	-2.9	-2.9	-2.9	-2.9	-2.9

1/December 2024 Fifth EFF/ECF Review.

Source: IMF staff estimates and projections

Text Table 4. Benin: Decomposition of Public Debt and Debt Service by Creditor, 2024–26 [1]

	Debt Stock (end of period)			Debt Service					
	2024			2024	2025	2026	2024	2025	2026
	(In US$ millions)	*(Percent total debt)*	*(Percent GDP)*	*(In US$ millions)*			*(Percent GDP)*		
Total	11119	100	53.4	3653	1524	1250	17.6	6.5	4.9
External	8386.1	75.4	40.3	655	880	562	3.1	3.8	2.2
Multilateral creditors[2]	4590	41.3	22.1	286	269	246	1.4	1.2	1.0
IMF	924	8.3	4.4				3.1	3.8	2.2
World Bank	2191	19.7	10.5						
ADB/AfDB/IADB	596	5.4	2.9						
Other Multilaterals	880	7.9	4.2						
Arab Bank for Economic Development	58	0.5	0.3						
BOAD	311	2.8	1.5						
Nordic Development Fund	16	0.1	0.1						
ECOWAS Bank for Investment and Development	54	0.5	0.3						
European Investment Bank	98	0.9	0.5						
IFAD	67	0.6	0.3						
OPEC	31	0.3	0.2						
Islamic Development Bank	244	2.2	1.2						
Bilateral Creditors	514	4.6	2.5	74	45	45	0.4	0.2	0.2
Paris Club	244	2.2	1.2	9	11	13	0.0	0.0	0.0
France	244	2.2	1.2						
Non-Paris Club	346	3.1	1.7	65	33	33	0.3	0.1	0.1
China	220	2.0	1.1						
India	13	0.1	0.1						
Kuwait	30	0.3	0.1						
Saudi Arabia	41	0.4	0.2						
Bonds	2201	19.8	10.6	125	406	129	0.6	1.7	0.5
Commercial creditors	1005	9.0	4.8	170	161	142	0.8	0.7	0.6
MUFG Bank	167	1.5	0.8						
RABOBANK	115	1.0	0.6						
Bank of China	21	0.2	0.1						
Societe General	77	0.7	0.4						
UKEF	26	0.2	0.1						
Banco de Brazil	27	0.2	0.1						
Deutche Bank	418	3.8	2.0						
NTXS	78	0.7	0.4						
BPI France	11	0.1	0.1						
Credit Suisse	8	0.1	0.0						
Domestic[3]	2733	24.6	13.1	2998	644	688	14.4	2.8	2.7
Held by residents, total	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Held by non-residents, total	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
T-Bills	0	0.0	0.0						
Bonds	0	0.0	0.0						
Loans[4]	0	0.0	0.0						
Memo items:									
Collateralized debt	0		0.0						
Contingent liabilities	552		2.7						
o/w: Public guarantees	9		0.0						
o/w: Other explicit contingent liabilities[5]	543		2.6						
Nominal GDP			20809	20809	23358	25312			

1/As reported by Country authorities according to their classification of creditors, including by official and commercial.

2/"Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies

3/Breakdown of debt by resident not availble due to data limitations in tracking holders of regional securities in secondary markets.

4/Includes central bank on lending related to the SDR allocation and guaranteed debt.

5/Estimation of commerical non-guaranteed SOE debt that is not included in the debt stock based on end-2021 estimation.

10. **The authorities continue to mobilize higher-than-projected budget support, consistent with a prudent borrowing strategy that maximizes concessional resources.** Budget support exceeded expectations again in 2024 and reached almost CFAF 209 billion (compared to CFAF 171 billion in the previous DSA). As a result, multilateral and concessional financing made over half the share of external borrowing in 2024. Following the 2024 joint IMF-WB Climate Roundtable held in Cotonou, additional budget support for climate finance is likely to materialize in 2025, in line with

the authorities' reform efforts under the RSF. Benin also recently signed a framework memorandum in April 2025 with development partners (World Bank, AfDB, AIIB, and OPEC Fund for International Development), which aligns efforts behind a common climate policy matrix based on the RSF program's reform package. Projections of grant-equivalent financing are unchanged from the last DSA and remain on a downward trajectory over the long term as a share of GDP as Benin's relative income increases. Key changes from the previous DSA include:

- *Multilateral financing.* The baseline includes financing from the IMF-supported EFF/ECF as well as a possible maximum envelope for the RSF, which would be disbursed in 2025 (see below). The DSA also includes financing from the World Bank in line with the latest IDA allocations as well as most up to date budget support information from the AfDB and AFD[11].

- *Bilateral and commercial financing.* Financing assumptions for bilateral and commercial financing have been updated in line with the authorities' financing plan. The recent commercial loan backed with the WB's PBG is expected to be used entirely for debt management operations.

- *Market financing.* Market financing assumptions have been updated to include the recent Eurobond issuance in 2025. Given the authorities' sovereign rating upgrade in 2024 and successful Eurobond issuances, the DSA continues to assume access to international markets. Market financing assumptions have been updated, with projections for a 15-year US$350 million SDG bond issuance taking place in 2027 (instead of 2026, given the Eurobond issuance in January 2025) on terms similar to SDG financing in 2023.[12] In the long term, it is assumed that international market issuances would average 1 ppt of GDP per year, with terms evenly split between sustainability bonds and Eurobonds. These assumptions are contingent on market conditions, with the potential for additional issuances if conditions improve. The authorities also remain open to additional innovative financing opportunities for climate such as Green/Blue bonds.

- *Domestic financing.* Assumptions for domestic financing have been updated given Benin's external issuances in 2025. The framework assumes that almost all public gross financing needs will be externally financed in 2025, as the authorities intend to utilize the 2025 Eurobond proceeds for budget financing. Reflecting the MTDS, domestic financing will increase modestly in the medium term to finance part of the budget. It is expected to remain below its historical

[11] Updated IDA assumptions reflect the IDA20 allocations and the fact that Benin has recently graduated to "gap" country status and is no longer eligible for new grants. They also include updates to the terms of IDA financing, including the assumption that a portion of the allocation will be in the form of shorter (12-year) maturity loans during FY23-25.

[12] SDG bond assumptions are cautious and based on the latest SDG issuance in 2023, with a 5.0 percent interest rate and 15-year maturity with scope for improved terms if interest rates improve, compared with Eurobonds which are assumed to have a 8.0 percent interest rate and 14-year maturity (consistent with the most recent issuances prior to swap and the authorities' prudent debt strategy).

average in the medium term but will start picking up over the long term as the domestic debt market deepens and the investor base widens.[13]

11. Public debt declined in 2024 as a result of the frontloaded fiscal consolidation and is set to decline further over the medium term. Debt reached 53.4 percent of GDP at end-2024 (lower than the previous DSA), due to spending restraint and the frontloaded fiscal consolidation in 2024. It is projected to decline to 44.4 percent by 2035, supported by fiscal prudence, the expansion of the tax revenue base, and the convergence of growth to its potential. The debt trajectory is underpinned by the authorities implementing a revenue-based fiscal consolidation to ensure convergence to WAEMU regional fiscal norms.

Text Table 5. Benin: Sixth Review External Borrowing Plan 2025, (Programmed Contracted Debt)

PPG External Debt	Volume of new debt in 2025		PV of new debt in 2024 (program purposes)	
	FCFA billion	Percent	FCFA billion	Percent
By sources of debt financing	**1,117.3**	**100.0**	**770.3**	**100.0**
Concessional debt, of which	**328.1**	**24.6**	**178.9**	**23.2**
Multilateral debt	270.2	16.4	145.8	18.9
Bilateral debt	57.9	8.1	33.1	4.3
Non concessional debt, of which	**789.2**	**75.4**	**591.4**	**76.8**
Semi-concessional	157.1	11.7	136.8	17.8
Commercial terms[1]	632.1	63.8	454.6	59.0

Sources: Beninese authorities.

1/ Non-concessional debt on commercial terms includes the EUR 500 million commercial loan contracted with the World Bank PBG. The portion of the commercial loan that was used for an external debt DMO has been excluded from the PV of new debt calculation following the IMF-supported program definition. The limit on the PV of new debt is expected to be adjusted upwards by FCFA 150.4 billion, the equivalent of the portion of the commercial loan expected to be used for the early repurchase of domestic debt.

12. Macro-fiscal projections are realistic (Figures 3-4). The three-year primary adjustment falls comfortably below the top quartile for past adjustments in LICs with IMF-supported programs. It remains realistic given Benin's sound macroeconomic management, in addition to its resilient recovery from large shocks. Benin's return to the WAEMU overall deficit norm of 3 percent in 2024 through frontloaded fiscal consolidation implies a smaller fiscal adjustment of 0.1 percent in 2025. As a result, the growth path does not exceed those derived from typical fiscal multipliers for LICs. The authorities will also continue mobilizing tax revenue beyond 2024, all the while protecting social

[13] This DSA assumes domestic financing will come mostly in the form of one-to-seven-year bonds with a small portion of longer maturities at rates from 6 to 7 percent, with some upside risks (including to substitute external financing) given recent issuance experience.

spending and public investment. Efforts towards agriculture diversification and industrialization by creating high value-added exports through the SEZ will also support growth. Meanwhile, the public investment rate is similar to the vintage DSA, as is the consistent contribution of public investment to growth. Private investment has been revised downwards, reflecting historical revisions by the authorities to the composition of growth in 2022 and 2023, while projections for outer years were revised downwards based on investor surveys. Unexpected changes in public debt over the last 5-years can be explained by significant shocks during the sample period, including the 2019 Nigeria border closure, COVID-19, and the war in Ukraine, which heightened food insecurity. In terms of drivers, GDP growth is expected to be debt-reducing in the projections; the real interest rate and current account would be debt-increasing. This is in broadly in line with historical trends, though significant past contributions from residual factors could add to debt. While the decomposition of drivers of debt indicates that residual components largely contributed to unanticipated changes in debt over the past five years, this is consistent with the unanticipated nature of the COVID-19 shock where emergency financing was below-the-line.

13. Risks to the outlook are tilted to the upside.

- On the downside, regional security challenges could adversely affect transit trade and exacerbate illicit trade, with unintended consequences on the cost of living. Political risks could also compound preexisting socioeconomic challenges. Higher international oil and food prices could strain internal and external accounts. Benin also remains vulnerable to extreme climate events.

- On the upside, the normalization of Benin-Niger trade relationships could generate additional custom revenues and reduce the price of some staples. An orderly development of the SEZ, together with a sustained expansion of the Port of Cotonou could boost FDI, create jobs and raise income. An increase in U.S. tariffs on traditional textile exporters beyond an uncertain tipping point could potentially boost the external competitiveness of Benin’s cotton textiles, as the country continues its expansion of cotton transformation capacity in the SEZ. The completion of large infrastructure projects, while leveraging the ongoing formalization of strong economic ties with Nigeria, could unlock growth potential in the medium term.

C. Country Classification and Determination of Stress Test Scenarios

14. Benin’s debt carrying capacity continues to be classified as medium. Based on a calculation of a composite indicator reflecting factors such as the 2023 WB CPIA index and the October 2024 WEO (real growth rates, reserve coverage, remittances, and world growth), Benin has a CI score of 3.05 (Text Table 6). As a result, this DSA continues to use the same external debt burden thresholds and total public benchmarks for countries with medium debt carrying capacity (Text Table 7).

Text Table 6. Benin: Calculation of Debt-Carrying Capacity

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.816	1.47	48%
Real growth rate (in percent)	2.719	6.185	0.17	6%
Import coverage of reserves (in percent)	4.052	39.462	1.60	52%
Import coverage of reserves^2 (in percent)	-3.990	15.573	-0.62	-20%
Remittances (in percent)	2.022	1.610	0.03	1%
World economic growth (in percent)	13.520	2.967	0.40	13%
CI Score			3.05	100%
CI rating			Medium	

Text Table 7. Benin: Debt Burden Thresholds and Benchmarks

EXTERNAL debt burden thresholds	Weak	Medium	Strong
PV of debt in % of			
Exports	140	180	240
GDP	30	40	55
Debt service in % of			
Exports	10	15	21
Revenue	14	18	23

TOTAL public debt benchmark	Weak	Medium	Strong
PV of total public debt in percent of GDP	35	55	70

DEBT SUSTAINABILITY RESULTS

A. External Debt Sustainability

15. **All external debt burden indicators are below their policy-dependent thresholds in the baseline apart from the one-off breach in the debt-service to revenue and debt service-to exports ratios in 2025 caused by the early repayment of a large Eurobond (Table 1, Figure 1).** The temporary breach is due to the debt management operation (DMO) to repay 45.3 percent the 2030-32 Eurobond, which was initially scheduled for repayment starting 2030. The operation resulted in NPV savings of about EUR4 million (¶7).[14] This operation follows another DMO that took place in 2024, when the authorities used US$250 million of their Moringa Eurobond proceeds to reduce principal payments for the 2024–26 Eurobond and the 2030-2032 Eurobond. In addition to mobilizing resources, these two DMOs created fiscal space by preventing the external debt service to revenue ratio to breach its threshold in 2030 and illustrate Benin's proactive debt management. Meanwhile, the PV of total PPG external debt to GDP remains well below the threshold throughout

[14] This estimate does not account for the opportunity cost of foregone IDA lending as a result of the PBG operation.

the projection period, averaging 29.6 percent of GDP in 2025-30 and gradually declining after 2027.[15] The PV of total PPG external debt to GDP will peak at 30.4 percent of GDP in 2025 and reach 30.3 percent of GDP in 2027 (in line with 31 percent of GDP in 2027 in the previous DSA). The PV of debt-to-exports and debt service-to-exports ratios both remain below their thresholds, but debt service-to-exports temporarily breaches the threshold in 2025 given the recent large debt service.

16. Stress tests highlight that Benin's is particularly vulnerable to an exports shock, a commodity price shock, or a one-time depreciation. All four debt-burden indicators breach their thresholds under certain stress tests, with an export shock being the most severe shock for three out of four indicators. The historical scenario is relatively more severe than the baseline because the calibration period of 2014–2023 captures significant downturns in Benin's economy, including the impact of COVID-19, Nigeria's border closure in 2019, and the 2015 downturn. Moreover, compared with the historical record, continued efforts to mobilize revenues and active debt management are expected to help stabilize debt levels. The shocks illustrate risks posed by limited economic diversification which could be mitigated by an orderly expansion of the SEZ, and by continuing to prioritize concessional borrowing to reduce external risks. They also highlight rollover risks in case exports come under pressure.

17. The granularity assessment indicates that Benin has limited space to absorb shocks (Figure 5). Under the module, which allows qualifying the moderate risk of debt-distress, Benin is assessed as having limited space in the debt service-to-revenue, which would breach the threshold under a median observed shock scenario, resulting in a downgrade to high-risk. The debt service-to-revenue ratio, which breaches the baseline threshold in 2025, would record a bigger breach under an extreme shock scenario, when repayment needs are elevated. Like in the previous DSA, only the debt service-to-revenue indicator shows limited space to absorb shocks, highlighting the importance of sustaining revenue mobilization efforts. The anticipated high export growth for the medium term will create space for the debt-service-to-exports indicator.

18. The market-financing module suggests that market risks are moderate (Figure 6). Despite higher market volatility in 2025Q1, EMBI spreads remain below the benchmark as of end-April (after having contracted to below 500 early in the year), reflecting reaffirmed investor confidence given upgrade in Benin's sovereign credit rating (B+ for Fitch and BB- for S&P) in 2024. Gross financing needs remain well below the respective benchmark, and potential for heightened liquidity needs is low. The debt-service to revenue ratio would exceed its thresholds in 2030-2032 under the market financing shock, given the repayment profile discussed above, which does not incorporate possible liability management operations that would help manage these risks, despite the Beninese authorities' proactive debt management approach and their stated intention to repay

[15] This DSA includes an update to the PV calculation methodology for existing Eurobond debt, which allows users to replace the PV of existing external debt by the nominal debt stock in instances where the grant element of a loan is zero. This change reduced the PV of external debt by an average of 0.8 ppt of GDP over the projection period and a peak of 2.5 ppt of GDP in 2024.

the 2032 Eurobond ahead of schedule. In that context, the 2025 DMO improved the debt-service to revenue profile in case of a financing shock, compared to the fifth review DSA.

19. Domestic debt remains low. Domestic debt has been on a declining trend over the past five years as a share of GDP, reflecting higher reliance on external debt since Benin re-accessed international markets, coupled with the tightening of financing conditions on the regional bond market in 2023 and 2024 (both higher yields and shorter maturities). However, Benin was still able to contract external commercial debt on competitive terms both in 2025 and 2024 and issued domestic debt at a favorable rate on the regional market in 2024 (¶5), given the country's strong fundamentals. While the authorities plan to slowly increase reliance on domestic debt (in line with their MTDS), they are also prioritizing the mitigation of refinancing risks through prudent borrowing and DMOs: the average maturity for external debt is 10.6 years in their debt portfolio, versus 3.1 years for domestic debt. Domestic debt to GDP is therefore projected to rise over the long term, albeit remaining at low levels (Figure 7). The domestic debt service-to-revenue ratio will stabilize, as tax revenues continue to increase, underpinned by the authorities' MTRS.

B. Total Public Debt Sustainability

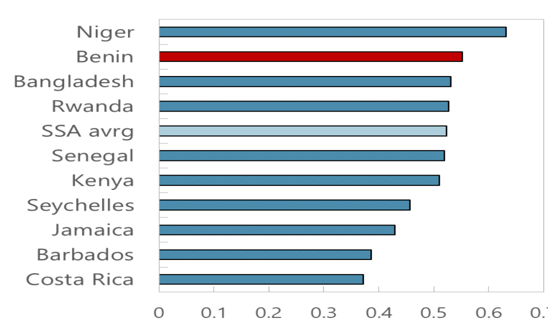
20. Total public PPG remains below its respective benchmark in the baseline (Figure 2 and Table 2). The present value of public debt-to-GDP over the next 10 years averages 37 percent, well below the 55 percent benchmark and comparable to the previous DSA (38.9 percent), still reflecting the higher reliance on market-based financing in 2025.

21. Stress tests indicate that public debt is most vulnerable to commodity price shocks. For the PV of debt-to-GDP ratio, a commodity price shock would be the most extreme shock, while the historical scenario would consistently increase the PV of debt. The debt service-to-revenue ratio remains the most susceptible to shocks, including a depreciation shock.

C. Climate Change Risks

22. Benin is one of the most vulnerable countries to climate change. The country ranks as 23rd most vulnerable out of 185 countries to climate change (Text Figure 3), making climate change a macro-critical risk. Weather-related shocks include extreme heatwaves, floods, and droughts, as well as the risk of coastal exposure.

Text Figure 3. Benin: Climate Change Vulnerability Index: Benin vs. Other Countries



Sources: ND-Gain Vulnerability index and IMF staff calculations. The vulnerability score is between 0-1 (the higher the score the more vulnerable is the country).

23. Economic exposure to climate change is mostly due to the important role of the agriculture sector, as well as the concentration of economic activity

in coastal areas. Natural disaster occurrences expose Benin's agricultural sector to output and losses (for example, in case cotton, cashew, or soy production and exports are adversely affected). Meanwhile, coastal erosion or extreme weather events could disrupt trade at the port of Cotonou and hamper the nascent tourism sector.

24. Benin's Nationally Determined Contribution (NDC) suggest significant costs to address exposure to climate change. According to its NDC, Benin would need US$8.6 billion and US$1.8 billion of financing for mitigation and adaptation, respectively.[16] Private financing is expected to play a role in financing the adaptation and mitigation needs: a climate finance roundtable, co-organized by the IMF and the World Bank, was held in Cotonou in July 2024 to explore avenues for scaling climate finance in Benin. Five workstreams were identified: the monetization of carbon credits, the development of a project preparation facility, additional budget support and policy lending, the establishment of a blended finance facility, and the establishment of a one-shop window to further develop intermediated lending to local banks. Progress is already under way along those workstreams.

25. Given Benin's high vulnerability to natural disasters and climate change[17] (particularly from flooding and coastal erosion), a customized natural disaster shock has also been applied. The stress test is tailored to Benin's exposure to climate shocks and is calibrated to simulate a catastrophic flood event like the one experienced by Benin in 2010, assuming a 4 percent one-off shock to external PPG debt-to-GDP ratio in the second year of the projection period (similar to the losses incurred in 2010), a 3 percent reduction of GDP growth, and a 3.5 percent reduction of export growth. The recent disbursement of US$54 million by the World Bank's-Cat DDO is already included in the baseline, as financing for climate mitigation. The stress test result reflects a deterioration in Benin's indicators for external debt, highlighting the importance of continued reforms for climate adaptation.

RISK RATING AND VULNERABILITIES

26. This DSA finds that Benin remains at moderate risk of external and overall debt distress, unchanged from the previous DSA. External debt indicators are in line with the previous DSA, but have increased compared to past years, reflecting higher reliance on external borrowing that provides more favorable terms and larger volumes than what is offered on the regional market. However, they remain below their high-risk thresholds and benchmarks in the baseline, apart from a temporary breach in 2025 of the external debt service-to-revenue and external debt service-to-exports ratio thresholds, following the DMO to repurchase 45.3 percent of the 2032 Eurobond. Debt

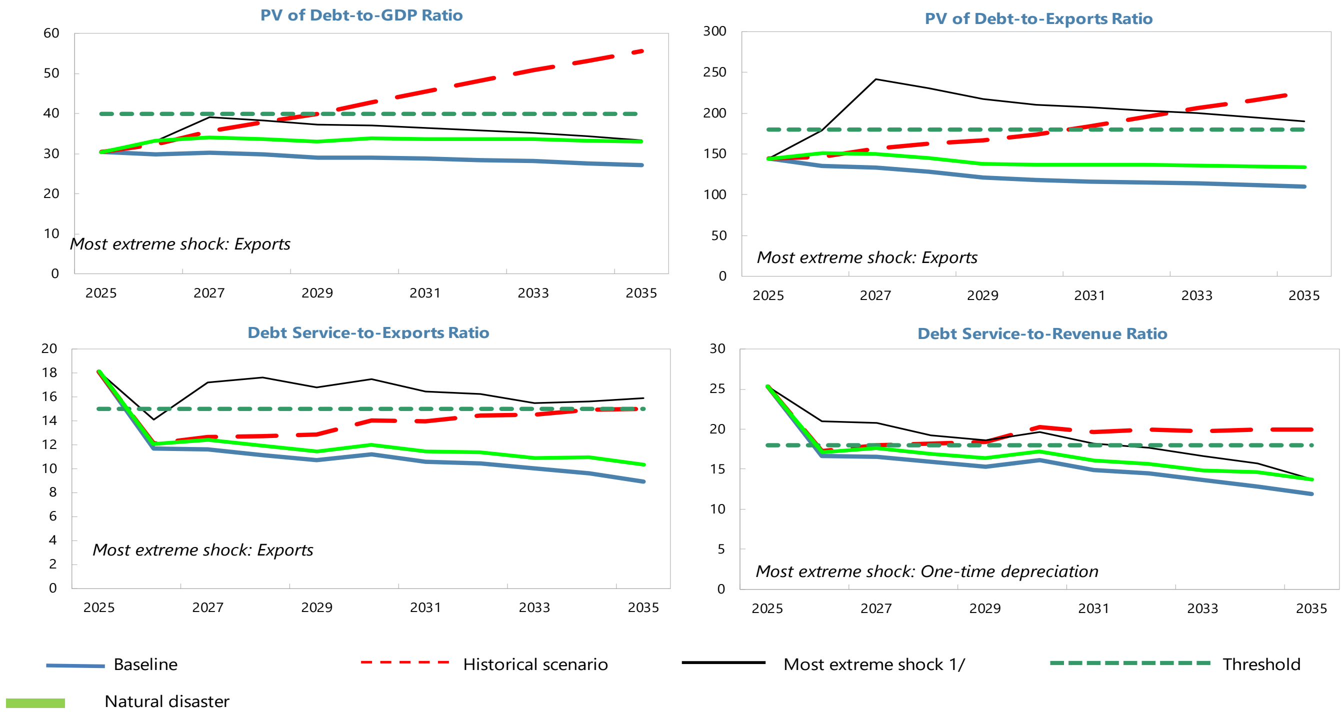
[16] Benin 2024 Staff Report, Third Review Under the Extended Arrangement Under the Fund Extended Facility and Arrangement Under the Extended Credit Facility and Request for an Arrangement Under the Resilience and Sustainability Facility.

[17] Under the RSF, Benin is implementing reform measures to enhance resilience to climate change and promote an enabling environment for climate finance. Currently, authorities are preparing decrees for mainstreaming the climate agenda into policymaking and the PFM/PIM process.

levels, though relatively manageable, remain vulnerable to shocks. As shown by the high debt service to revenues ratio, large amortization payments and the low revenue base may pose liquidity risks. A decline in revenues or exports, including from a delay in reform implementation that mobilizes revenue, or boosts exports' competitiveness, alongside shifts in market sentiment that tighten external conditions, would increase borrowing and rollover costs, and heighten debt risks.

27. Continued efforts in domestic revenue mobilization, active debt management, coupled with prudent borrowing are crucial for mitigating the risk of debt distress. Benin has limited space to absorb shocks, with narrow space between the debt service ratios and high-risk thresholds in years where large Eurobond repayments are due. Therefore, continued proactive liability management will facilitate the rollover of these payments while avoiding breaches in debt thresholds. Concessional borrowing will reduce debt servicing burdens, while implementing measures that widen Benin's tax revenue base can help mitigate risks to debt distress. The implementation of the recently drafted medium-term debt strategy that aims to rebalance overall debt towards domestic financing mix while reducing refinancing risks can also create additional space and mitigate external rollover risks. The authorities are making efforts to deepen the regional domestic market, through diversification of the investor base and better communication with prospective investors. The authorities should also continue to leverage their existing SDG bond framework to access financing, including climate-related, on more favorable terms.

Figure 1. Benin: Indicators of Public Guaranteed External Debt Under Alternatives Scenarios, 2025–2035[2]



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	Yes	
Natural disaster	Yes	Yes
Commodity price	No	No
Market financing	No	No

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.9%	2.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	7	7

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

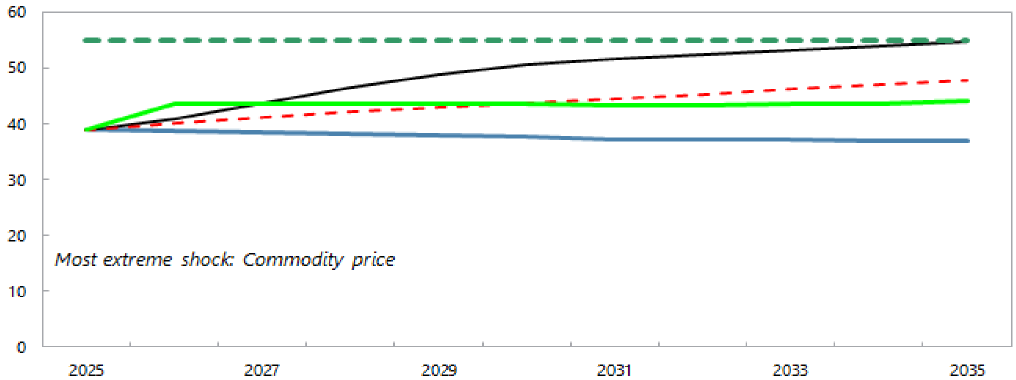
Sources: Country authorities and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-ff breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF Research Department.

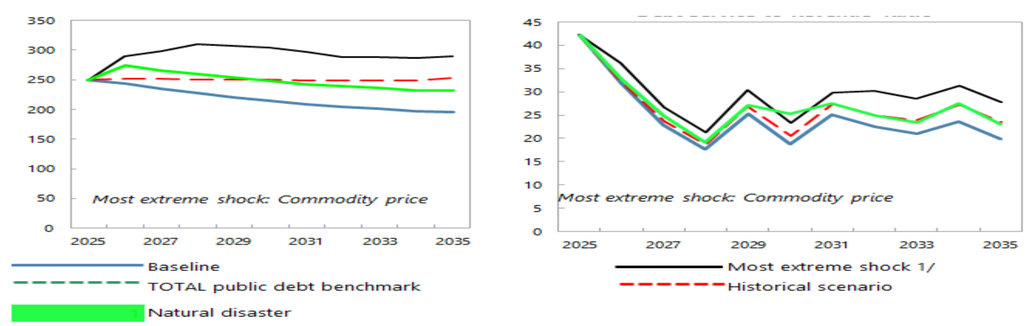
Figure 2. Benin: Indicators of Public Debt Under Alternatives Scenarios, 2025–2035

PV of Debt-to-GDP Ratio



PV of Debt-to-Revenue Ratio

Debt Service-to-Revenue Ratio



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	73%	73%
Domestic medium and long-term	26%	26%
Domestic short-term	1%	1%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.9%	2.9%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	5.1%	5.1%
Avg. maturity (incl. grace period)	4	4
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	5.4%	5.4%

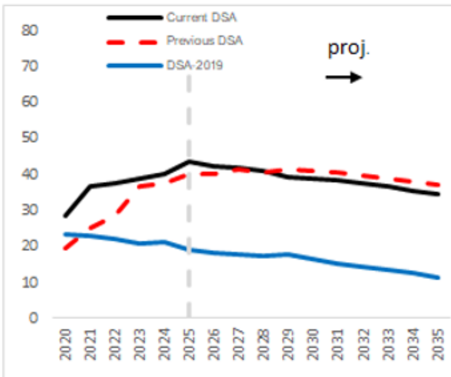
Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

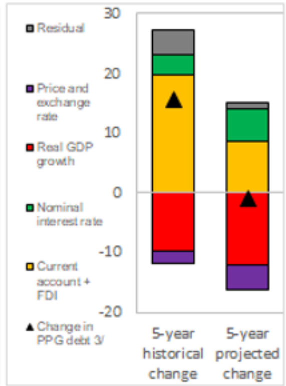
[1/] The most extreme stress test is the test that yields the highest ratio in or before 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Figure 3. Benin: Drivers of Debt Dynamics – Baseline Scenario

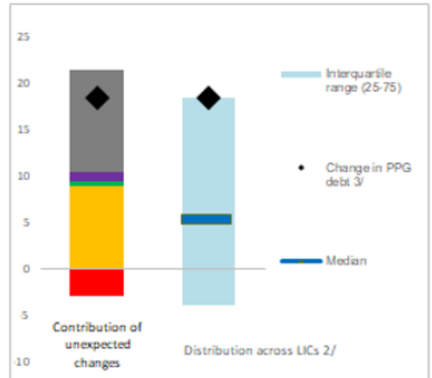
Gross Nominal PPG External Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)

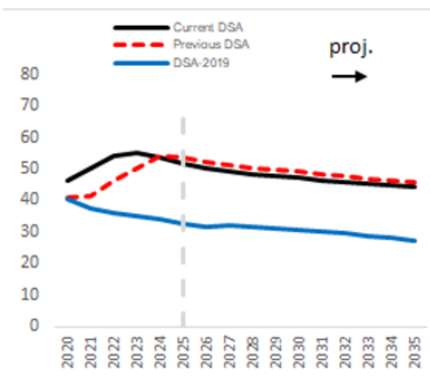


Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)

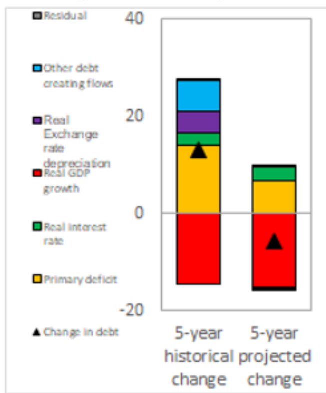


Public Debt

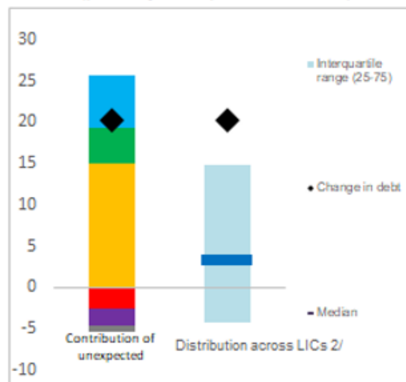
Gross Nominal Public Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)



Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)



Sources: Country authorities; and staff estimates and projections.

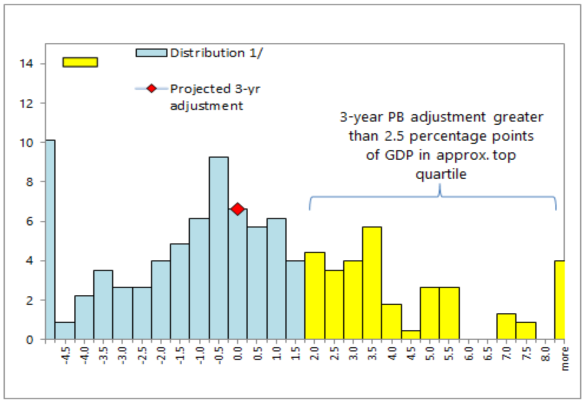
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

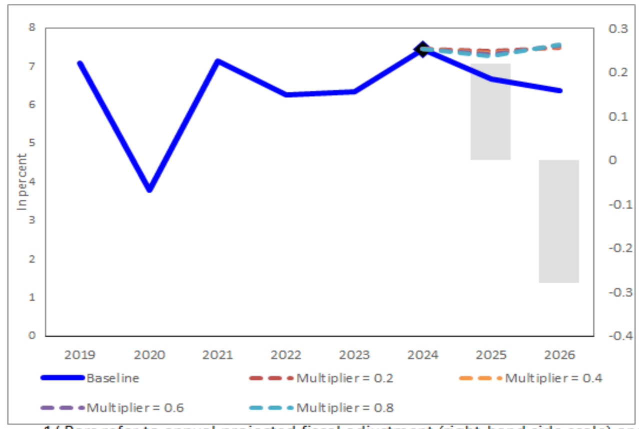
Figure 4. Benin: Realism Tools

3-Year Adjustment in Primary Balance (Percentage points of GDP)



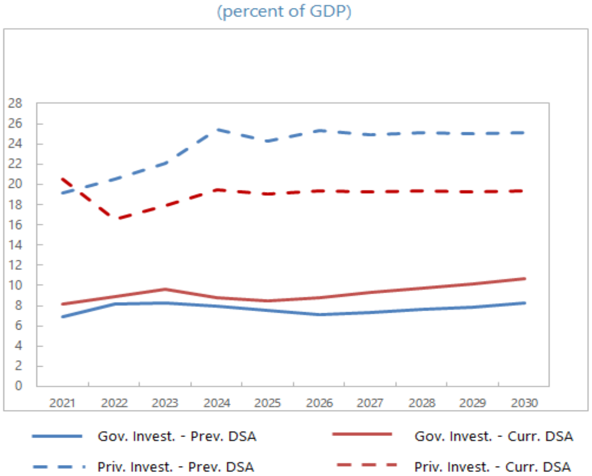
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

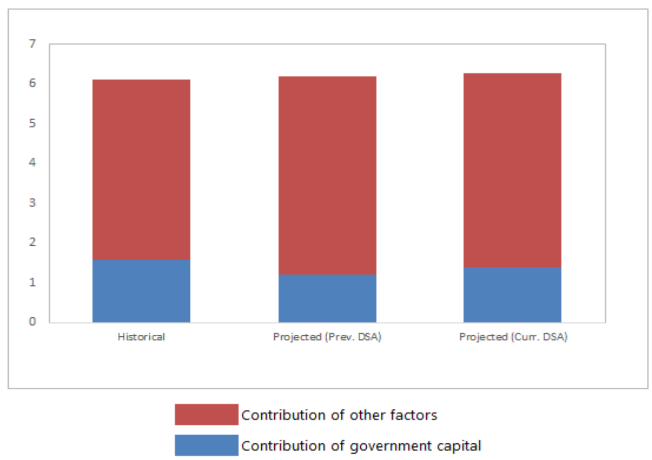


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)

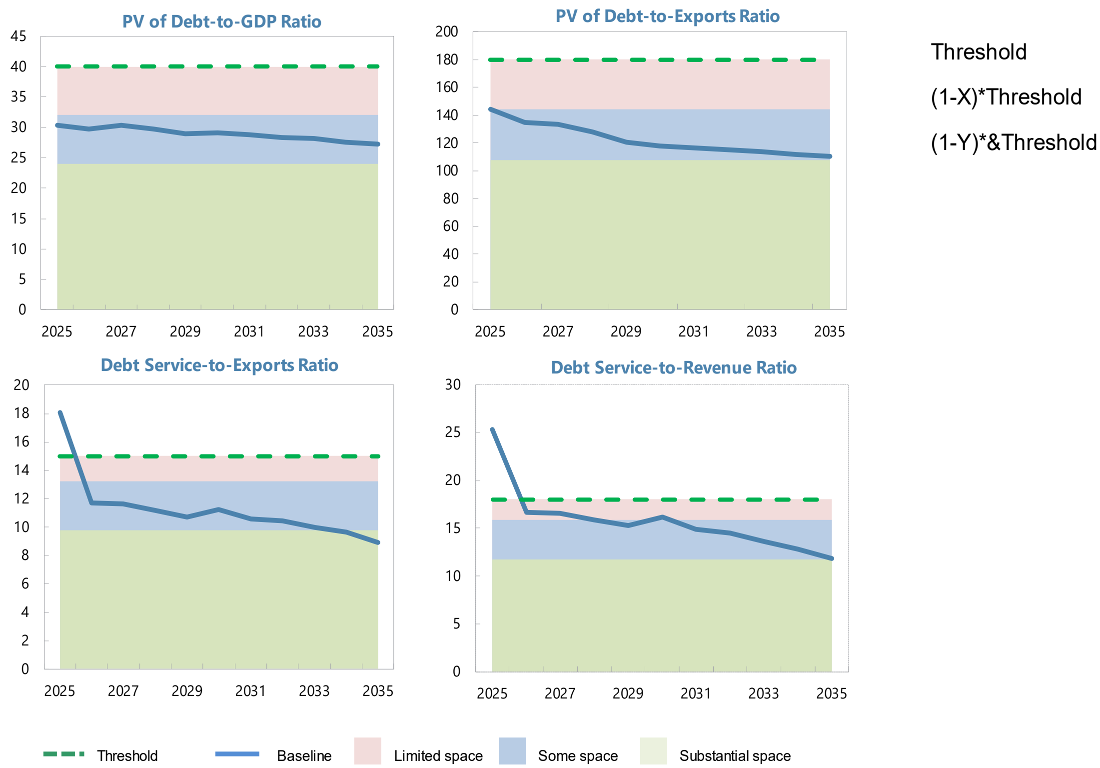


Contribution to Real GDP growth
(percent, 5-year average)



Sources: Country authorities; and staff estimates and projections

Figure 5. Benin: Qualification of the Moderate Category, 2025–2035[1]



Sources: Country authorities; and staff estimates and projections.

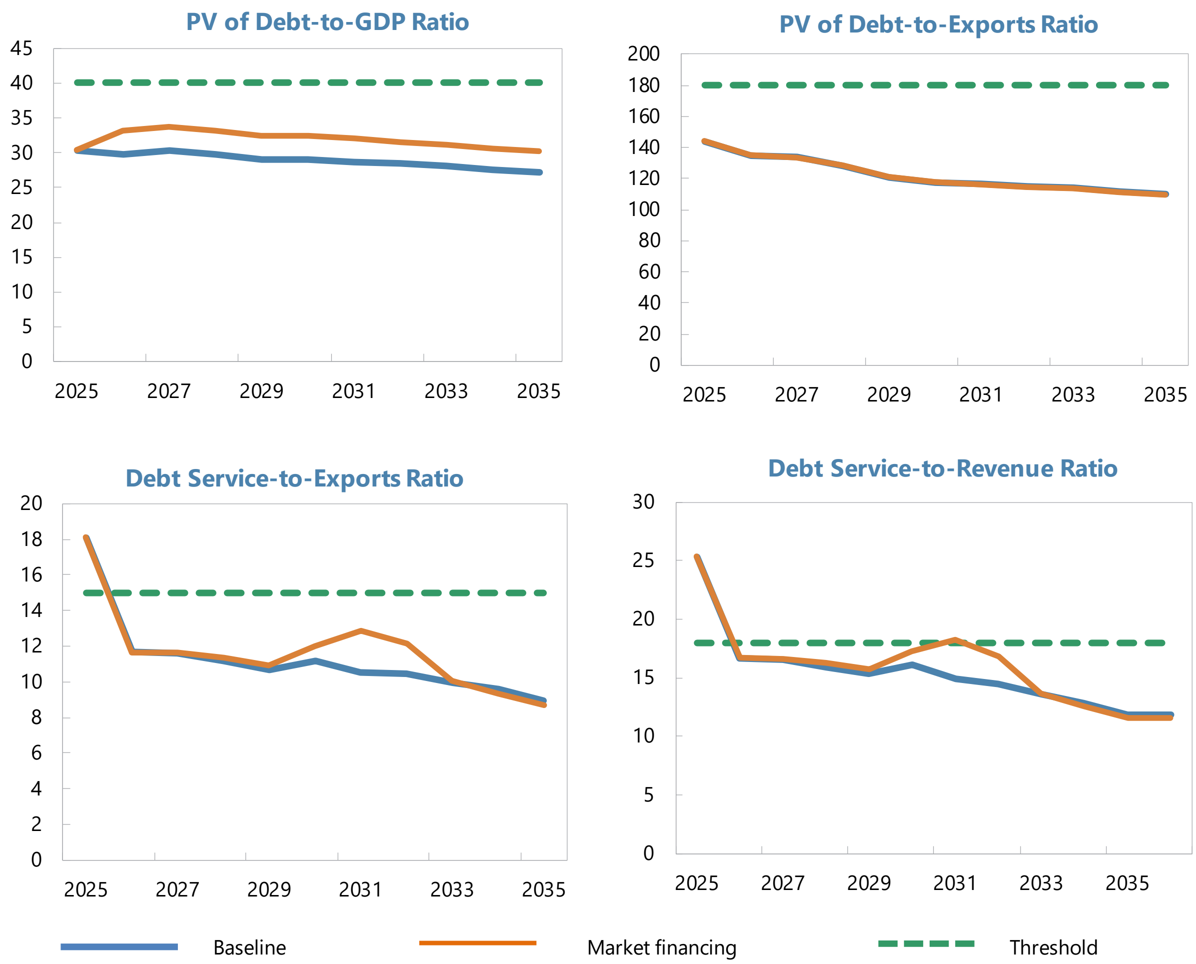
1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

Figure 6. Benin: Market-Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	8	566
Breach of benchmark	No	No
Potential heightened liquidity needs	Low	

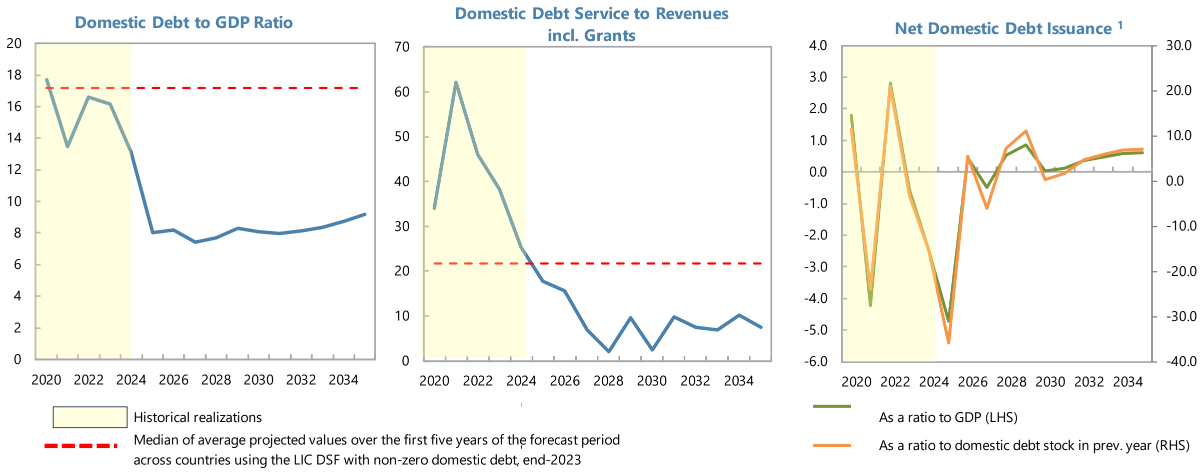
1/ Maximum gross financing needs (GFN) over 3-year baseline projection horizon.

2/ EMBI spreads correspond to the latest available data.



Sources: Country authorities; Bloomberg, and staff estimates and projections.

Figure 7. Benin: Indicators of Domestic Public Debt 2020-2034
(Percent)

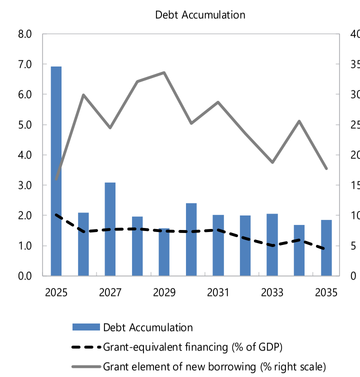


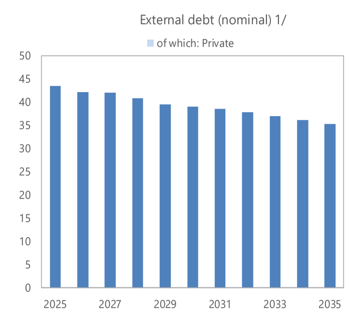
Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	95%
Short-term	5%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	5.1%
Avg. maturity (incl. grace period)	4
Avg. grace period	3
Domestic short-term debt	
Avg. real interest rate	5.4%

Table 1. Benin: External Debt Sustainability Framework, Baseline Scenario, 2022–2045
(In Percent of GDP, Unless Otherwise Indicated)

	Actual			Projections								Average 8/	
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
External debt (nominal) 1/	37.6	38.8	40.3	43.5	42.2	41.9	40.8	39.5	39.0	35.2	24.8	**27.4**	**39.2**
of which: public and publicly guaranteed (PPG)	37.6	38.8	40.3	43.5	42.2	41.9	40.8	39.5	39.0	35.2	24.8	**27.4**	**39.2**
Change in external debt	0.8	1.2	1.5	3.2	-1.3	-0.2	-1.1	-1.4	-0.4	-0.9	-1.2		
Identified net debt-creating flows	5.9	3.8	1.5	1.5	0.5	0.2	0.0	-0.2	-0.2	-0.4	-1.3	**2.9**	**0.0**
Non-interest current account deficit	4.9	7.5	6.2	5.0	4.1	3.8	3.6	3.4	3.4	3.5	-0.8	**4.3**	**3.7**
Deficit in balance of goods and services	5.9	8.5	7.0	6.2	5.5	5.3	5.2	5.0	4.9	4.9	0.0	**5.6**	**5.2**
Exports	24.5	22.9	21.0	21.1	22.0	22.7	23.3	24.0	24.7	24.7	0.0		
Imports	30.4	31.5	28.0	27.3	27.5	28.0	28.5	29.0	29.6	29.6	0.0		
Net current transfers (negative = inflow)	-0.9	-1.3	-1.3	-1.2	-1.2	-1.3	-1.3	-1.3	-1.3	-1.3	-1.3	**-1.4**	**-1.3**
of which: official	0.0	-0.1	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1		
Other current account flows (negative = net inflow)	0.0	0.3	0.4	0.0	-0.2	-0.2	-0.4	-0.3	-0.3	-0.2	0.5	**0.2**	**-0.2**
Net FDI (negative = inflow)	-0.3	-0.1	-2.0	-2.0	-2.1	-2.3	-2.4	-2.4	-2.5	-2.8	0.0	**-0.6**	**-2.5**
Endogenous debt dynamics 2/	1.3	-3.6	-2.6	-1.6	-1.4	-1.3	-1.3	-1.2	-1.1	-1.0	-0.5		
Contribution from nominal interest rate	0.8	0.7	0.6	0.9	1.2	1.1	1.1	1.1	1.1	1.0	0.8		
Contribution from real GDP growth	-2.3	-2.1	-2.6	-2.5	-2.5	-2.4	-2.4	-2.3	-2.2	-2.0	-1.3		
Contribution from price and exchange rate changes	2.9	-2.2	-0.6	...	...	...	...	...	...	...	...		
Residual 3/	-5.1	-2.6	0.0	1.7	-1.8	-0.4	-1.1	-1.2	-0.2	-0.5	0.1	**-0.3**	**-0.5**
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	25.9	30.4	29.8	30.3	29.8	29.0	29.0	27.2	21.0		
PV of PPG external debt-to-exports ratio	...	...	123.5	144.1	135.1	133.6	128.1	120.9	117.8	110.3	...		
PPG debt service-to-exports ratio	8.5	8.0	8.0	18.1	11.7	11.6	11.1	10.7	11.2	8.9	...		
PPG debt service-to-revenue ratio	15.0	12.9	11.6	25.3	16.7	16.5	15.9	15.3	16.1	11.9	...		
Gross external financing need (Billion of U.S. dollars)	1.2	1.8	1.3	1.6	1.1	1.1	1.1	1.1	1.3	1.5	1.1		
Key macroeconomic assumptions													
Real GDP growth (in percent)	6.3	6.4	7.5	6.7	6.4	6.3	6.2	6.0	6.0	6.0	5.4	**5.5**	**6.1**
GDP deflator in US dollar terms (change in percent)	-7.3	6.1	1.6	1.2	2.6	1.9	2.0	2.0	2.0	2.0	2.1	**-0.3**	**2.0**
Effective interest rate (percent) 4/	2.0	2.0	1.7	2.5	3.0	2.9	3.0	2.9	2.9	2.9	3.4	**2.0**	**2.9**
Growth of exports of G&S (US dollar terms, in percent)	2.8	5.6	-0.2	8.6	14.0	11.5	11.1	11.6	11.1	8.1	...	**4.4**	**9.9**
Growth of imports of G&S (US dollar terms, in percent)	7.5	16.9	-2.9	5.3	10.0	10.0	10.5	10.1	10.3	8.1	...	**4.5**	**8.8**
Grant element of new public sector borrowing (in percent)	...	...	...	15.9	29.9	24.4	32.1	33.6	25.2	17.7	9.6	**...**	**25.0**
Government revenues (excluding grants, in percent of GDP)	13.8	14.3	14.6	15.1	15.4	15.9	16.3	16.7	17.1	18.6	21.6	**13.0**	**17.0**
Aid flows (in Billion of US dollars) 5/	0.1	0.2	0.1	0.6	0.6	0.6	0.7	0.7	0.7	0.4	0.2		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	2.0	1.5	1.5	1.5	1.5	1.5	0.9	0.4	**...**	**1.4**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	20.2	37.7	31.1	39.3	41.2	31.7	25.8	19.8	**...**	**32.0**
Nominal GDP (Billion of US dollars)	17	20	21	23	25	27	30	32	35	51	108		
Nominal dollar GDP growth	-1.5	12.8	9.2	8.0	9.1	8.3	8.3	8.2	8.2	8.1	7.6	**5.2**	**8.3**
Memorandum items:													
PV of external debt 7/	...	...	25.9	30.4	29.8	30.3	29.8	29.0	29.0	27.2	21.0		
In percent of exports	...	...	123.5	144.1	135.1	133.6	128.1	120.9	117.8	110.3	...		
Total external debt service-to-exports ratio	8.5	8.0	8.0	18.1	11.7	11.6	11.1	10.7	11.2	8.9	...		
PV of PPG external debt (in Billion of US dollars)			5.6	7.1	7.5	8.3	8.9	9.3	10.1	14.0	22.6		
(PVt-PVt-1)/GDPt-1 (in percent)				6.9	2.1	3.1	2.0	1.6	2.4	1.8	0.8		
Non-interest current account deficit that stabilizes debt ratio	4.2	6.3	4.6	1.9	5.3	4.0	4.7	4.8	3.8	4.3	0.3		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	Yes





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

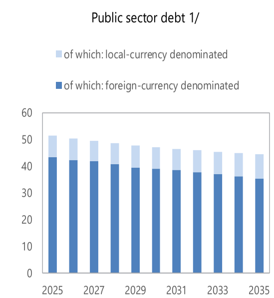
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

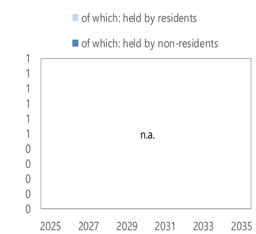
Table 2. Benin: Public Sector Debt Sustainability Framework, Baseline Scenario, 2021-45

(In Percent of GDP, Unless Otherwise Indicated)

	Actual				Projections								Average 6/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2035	2045	Historical	Projections
Public sector debt 1/	50.3	54.2	54.9	53.4	51.5	50.3	49.4	48.5	47.8	47.1	44.4	42.4	44.6	47.4
of which: external debt	36.8	37.6	38.8	40.3	43.5	42.2	41.9	40.8	39.5	39.0	35.2	24.8	27.4	39.2
		16.6	16.1	13.1	8.0	8.2	7.4	7.7	8.3	8.1	9.2	17.6		
Change in public sector debt	4.1	3.9	0.7	-1.5	-1.9	-1.2	-1.0	-0.9	-0.7	-0.7	-0.4	-0.2		
Identified debt-creating flows	3.9	7.1	0.1	-0.6	-1.8	-1.2	-1.0	-0.9	-0.7	-0.7	-0.4	-0.1	2.3	-0.8
Primary deficit	3.5	3.9	2.5	1.3	1.0	1.3	1.3	1.5	1.5	1.5	1.5	1.0	2.5	1.4
Revenue and grants	14.1	14.3	15.0	15.0	15.6	15.9	16.4	16.7	17.1	17.5	18.9	21.8	13.7	17.4
of which: grants	0.9	0.5	0.8	0.4	0.5	0.4	0.4	0.4	0.4	0.4	0.3	0.2		
Primary (noninterest) expenditure	17.6	18.2	17.6	16.3	16.6	17.2	17.7	18.2	18.6	19.0	20.4	22.7	16.3	18.8
Automatic debt dynamics	0.5	-0.2	-3.6	-1.7	-2.8	-2.5	-2.3	-2.4	-2.2	-2.1	-1.9	-1.1		
Contribution from interest rate/growth differential	-2.0	-3.0	-2.9	-3.6	-2.8	-2.5	-2.3	-2.4	-2.2	-2.1	-1.9	-1.1		
of which: contribution from average real interest rate	1.1	-0.1	0.4	0.2	0.5	0.6	0.7	0.5	0.6	0.6	0.6	1.1		
of which: contribution from real GDP growth	-3.1	-3.0	-3.2	-3.8	-3.3	-3.1	-3.0	-2.9	-2.8	-2.7	-2.5	-2.2		
Contribution from real exchange rate depreciation	2.5	2.8	-0.8	1.9	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	-0.1	3.4	1.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	3.4	1.2	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	0.3	-3.2	0.6	-0.9	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.0
Sustainability indicators														
PV of public debt-to-GDP ratio 2/	...	...	...	39.9	39.0	38.6	38.4	38.1	37.9	37.7	37.0	39.0		
PV of public debt-to-revenue and grants ratio	...	...	...	266.1	250.0	243.5	234.8	227.7	221.2	215.3	195.7	179.2		
Debt service-to-revenue and grants ratio 3/	76.7	60.7	50.5	36.6	42.3	31.9	23.0	17.6	24.6	18.2	19.1	26.5		
Gross financing need 4/	14.2	16.0	11.4	6.6	7.6	6.4	5.1	4.4	5.7	4.6	5.1	6.7		
Key macroeconomic and fiscal assumptions														
Real GDP growth (in percent)	7.2	6.3	6.4	7.5	6.7	6.4	6.3	6.2	6.0	6.0	6.0	5.4	5.5	6.1
Average nominal interest rate on external debt (in percent)	2.8	2.1	2.0	1.7	2.6	3.0	3.0	3.0	3.0	2.9	2.9	3.5	2.0	2.9
Average real interest rate on domestic debt (in percent)	7.2	8.7	7.0	3.9	3.6	2.2	3.1	2.0	2.6	2.8	3.6	4.6	5.7	3.0
Real exchange rate depreciation (in percent, + indicates depreciation)	9.4	8.4	-2.2	5.3	...	...	...	...	...	...	...	...	2.8	...
Inflation rate (GDP deflator, in percent)	1.6	4.1	3.4	1.6	1.7	2.0	2.0	2.0	2.0	2.0	2.0	2.1	1.5	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	10.3	9.7	2.8	-0.6	9.1	9.9	9.6	9.2	8.2	8.2	6.5	9.6	8.3	8.3
Primary deficit that stabilizes the debt-to-GDP ratio 5/	...	0.0	1.8	2.7	3.0	2.5	2.3	2.3	2.2	2.1	1.9	1.1	1.5	2.2
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	Yes





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt . Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. Benin: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2025–2036

(In percent)

	Projections 1/											
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
						PV of debt-to GDP ratio						
Baseline	30	30	30	30	29	29	29	28	28	28	27	27
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2025-2035 2/	30	32	36	38	40	**43**	**45**	**48**	**51**	**53**	**56**	**58**
A2. Alternative Scenario :Natural disaster	30	33	34	34	33	34	34	34	34	33	33	33
B. Bound Tests												
B1. Real GDP growth	30	31	33	32	32	32	31	31	31	30	30	29
B2. Primary balance	30	31	35	35	34	34	34	33	33	32	32	31
B3. Exports	30	33	39	38	37	37	36	36	35	34	33	32
B4. Other flows 3/	30	32	34	34	33	33	32	32	31	31	30	29
B5. Depreciation	30	37	35	34	33	34	33	33	33	32	32	31
B6. Combination of B1-B5	30	36	38	37	36	36	36	35	35	34	33	32
C. Tailored Tests												
C1. Combined contingent liabilities	30	36	36	36	35	36	35	35	34	34	33	32
C2. Natural disaster	30	33	34	34	33	34	34	34	34	33	33	33
C3. Commodity price	30	34	39	38	37	37	36	36	35	34	33	31
C4. Market Financing	30	33	34	33	32	32	32	32	31	31	30	30
Threshold	40	40	40	40	40	40	40	40	40	40	40	40
						PV of debt-to-exports ratio						
Baseline	144	135	134	128	121	118	116	115	114	112	110	108
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2025-2035 2/	144	147	157	163	166	174	**184**	**195**	**206**	**215**	**225**	**233**
A2. Alternative Scenario :Natural disaster	144	**151**	**150**	**145**	138	137	137	136	136	135	134	133
B. Bound Tests												
B1. Real GDP growth	144	135	134	128	121	118	116	115	114	112	110	108
B2. Primary balance	144	143	156	149	140	137	137	135	133	130	128	125
B3. Exports	144	179	**242**	**231**	**217**	**210**	**207**	**203**	**200**	**195**	**190**	**184**
B4. Other flows 3/	144	144	151	144	136	132	130	128	127	124	121	118
B5. Depreciation	144	135	122	117	111	108	107	106	105	103	103	101
B6. Combination of B1-B5	144	175	151	**186**	175	170	168	166	164	159	156	152
C. Tailored Tests												
C1. Combined contingent liabilities	144	163	160	153	144	145	142	140	138	136	134	131
C2. Natural disaster	144	151	150	145	138	137	137	136	136	135	135	133
C3. Commodity price	144	**199**	**208**	**191**	172	161	152	149	146	141	137	132
C4. Market Financing	144	135	134	128	121	118	117	115	114	111	110	108
Threshold	180	180	180	180	180	180	180	180	180	180	180	180
						Debt service-to-exports ratio						
Baseline	**18**	12	12	11	11	11	11	10	10	10	9	9
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2025-2035 2/	**18**	12	13	13	13	14	14	14	14	15	15	**16**
A2. Alternative Scenario :Natural disaster	18	12	12	12	11	12	11	11	11	11	10	11
B. Bound Tests												
B1. Real GDP growth	**18**	12	12	11	11	11	11	10	10	10	9	9
B2. Primary balance	**18**	12	12	12	12	12	12	11	11	11	10	10
B3. Exports	**18**	14	**17**	**18**	**17**	**17**	**16**	**16**	**16**	**16**	**16**	**16**
B4. Other flows 3/	**18**	12	12	12	11	12	11	11	10	10	10	10
B5. Depreciation	**18**	12	12	11	10	11	10	10	10	9	8	8
B6. Combination of B1-B5	**18**	13	**16**	**15**	15	**15**	14	14	14	14	13	13
C. Tailored Tests												
C1. Combined contingent liabilities	**18**	12	13	12	11	12	11	11	11	10	10	10
C2. Natural disaster	**18**	12	12	12	11	12	11	11	11	11	10	10
C3. Commodity price	**18**	**15**	**15**	15	14	14	12	12	12	12	12	12
C4. Market Financing	**18**	12	12	11	11	12	13	12	10	9	9	9
Threshold	15	15	15	15	15	15	15	15	15	15	15	15
						Debt service-to-revenue ratio						
Baseline	**25**	17	17	16	15	16	15	14	14	13	12	12
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2025-2035 2/	**25**	17	18	**18**	**18**	**20**	**20**	**20**	**20**	**20**	**20**	**21**
A2. Alternative Scenario :Natural disaster	25	17	18	17	16	17	16	16	15	15	14	14
B. Bound Tests												
B1. Real GDP growth	**25**	17	18	17	17	18	16	16	15	14	13	13
B2. Primary balance	**25**	17	17	18	17	18	16	16	15	14	14	14
B3. Exports	**25**	17	17	18	17	18	17	16	15	15	15	15
B4. Other flows 3/	**25**	17	17	17	16	17	16	15	14	14	13	13
B5. Depreciation	**25**	**21**	**21**	**19**	**19**	**20**	**18**	18	17	16	14	14
B6. Combination of B1-B5	**25**	18	**19**	**19**	18	**19**	17	17	16	16	15	15
C. Tailored Tests												
C1. Combined contingent liabilities	**25**	17	18	17	16	17	16	16	15	14	13	13
C2. Natural disaster	**25**	17	17	16	16	17	16	15	14	14	13	13
C3. Commodity price	**25**	**19**	**20**	**20**	**19**	**19**	17	16	15	15	15	15
C4. Market Financing	**25**	17	17	16	16	17	**18**	17	14	13	12	12
Threshold	18	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Benin: Sensitivity Analysis for Key Indicators of Public Debt, 2025–2036

(In percent)

	Projections 1/											
	2025	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**	**2035**	**2036**
PV of Debt-to-GDP Ratio												
Baseline	39	39	38	38	38	38	37	37	37	37	37	37
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2025-2035 2/	39	40	41	42	43	44	44	45	46	47	48	49
A2. Alternative Scenario :Natural disaster	39	43	44	43	44	44	43	43	44	44	44	44
B. Bound Tests												
B1. Real GDP growth	39	41	43	44	45	46	47	48	49	49	51	52
B2. Primary balance	39	41	45	44	44	44	43	42	42	42	42	42
B3. Exports	39	42	47	46	46	45	44	44	44	43	43	42
B4. Other flows 3/	39	41	42	42	42	41	41	40	40	40	40	40
B5. Depreciation	39	46	45	43	41	39	37	36	35	33	32	32
B6. Combination of B1-B5	39	39	41	41	41	40	40	40	39	39	39	39
C. Tailored Tests												
C1. Combined contingent liabilities	39	47	47	46	46	45	44	44	44	43	43	43
C2. Natural disaster	39	43	44	43	44	44	43	43	44	44	44	44
C3. Commodity price	39	41	44	46	49	51	52	52	53	54	55	**56**
C4. Market Financing	39	39	38	38	38	38	37	37	37	37	37	37
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio												
Baseline	250	243	235	228	221	215	209	204	201	197	196	195
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2025-2035 2/	250	252	252	251	251	250	249	249	250	249	253	256
A2. Alternative Scenario :Natural disaster	250	274	266	260	254	248	243	239	236	232	233	233
B. Bound Tests												
B1. Real GDP growth	250	257	265	264	263	263	261	262	263	263	267	271
B2. Primary balance	250	259	275	266	257	249	240	234	229	223	221	219
B3. Exports	250	263	286	276	266	258	249	243	237	230	226	222
B4. Other flows 3/	250	256	260	251	243	236	229	223	219	213	210	208
B5. Depreciation	250	293	273	255	240	225	210	198	189	178	172	166
B6. Combination of B1-B5	250	248	254	245	238	231	223	218	213	208	206	204
C. Tailored Tests												
C1. Combined contingent liabilities	250	299	287	277	268	258	249	243	237	231	228	226
C2. Natural disaster	250	274	266	260	254	248	243	239	236	232	233	233
C3. Commodity price	250	290	299	309	308	304	297	288	288	286	290	292
C4. Market Financing	250	243	235	228	222	216	209	204	200	196	195	194
Debt Service-to-Revenue Ratio												
Baseline	42	32	23	18	25	18	24	22	20	23	19	22
A. Alternative Scenarios												
A1. Key variables at their historical averages in 2025-2035 2/	42	32	24	19	26	20	27	24	23	26	23	26
A2. Alternative Scenario :Natural disaster	42	33	25	19	26	24	27	24	23	27	22	25
B. Bound Tests												
B1. Real GDP growth	42	33	25	20	27	22	29	27	25	29	25	29
B2. Primary balance	42	32	24	20	27	23	29	24	22	25	22	24
B3. Exports	42	32	24	19	26	20	26	23	22	25	22	25
B4. Other flows 3/	42	32	23	18	25	19	25	22	21	24	20	23
B5. Depreciation	42	33	28	23	29	23	28	26	24	26	22	24
B6. Combination of B1-B5	42	31	24	20	26	20	28	23	21	24	20	23
C. Tailored Tests												
C1. Combined contingent liabilities	42	32	26	20	27	31	27	24	22	26	21	24
C2. Natural disaster	42	33	25	19	26	24	27	24	23	26	22	25
C3. Commodity price	42	36	27	21	30	23	29	29	28	30	27	31
C4. Market Financing	42	32	23	18	25	19	28	24	20	23	19	22

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Statement by Mr. Ouattara Wautabouna, Executive Director for Benin,
Mr. Afolabi Olowookere, Alternate Executive Director and
Mrs. Esso-Solim Boukpessi, Advisor to Executive Director

June 18, 2025

On behalf of the Beninese authorities, we thank the IMF Executive Board, Management, and Staff for their unwavering support and engagement. Our authorities value the insights provided during the Sixth Reviews Under the Extended Fund Facility (EFF) and the Extended Credit Facility (ECF), as well as the Third Review Under the Resilience and Sustainability Facility (RSF).

Benin's robust macroeconomic management, prudent fiscal policies, and steadfast commitment to reforms in recent years, have bolstered its resilience against global, regional, and domestic challenges. These efforts have driven impressive growth and enabled the country to meet the West African Economic and Monetary Union (WAEMU)'s fiscal deficit norm a year ahead of schedule. The IMF programs are supporting the authorities' efforts, yielding solid results in governance, macroeconomic management, and fostering the structural transformation of the Beninese economy.

Recent Economic Developments and Outlook

1. **Real GDP growth reached a record 7.5 percent in 2024, up from 6.4 percent in 2023 and exceeding program projections.** This growth was driven by the agroindustry, construction, and textile sectors, as well as increased activity at the port of Cotonou. The year-on-year inflation rate for the first quarter of 2025 is estimated at 0.5 percent, thanks to a good harvest, normalized fuel prices in Nigeria, and measures to curb illicit food staples exports. The current account deficit reflects increased imports of equipment and services due to ongoing investments in the Special Economic Zone (SEZ), the Glo-Djigbé Industrial Zone (GDIZ). This is expected to improve in the short run as exports increase from the SEZ and services deficit moderate. Credit to the private sector decelerated moderately while non-performing loans remain low at 4 percent. In January 2025, Benin issued a $500 million Eurobond and secured a €500 million loan from Deutsche Bank, supported by the World Bank Policy-Based Guarantee for debt management operations.

2. **Fiscal performance in 2024 was robust, with tax revenue rising impressively by 11.9 percent in line with Benin's Medium-Term Revenue Strategy (MTRS).** This was supported by measures such as enhanced customs valuations and the removal of payroll tax exemptions for public agencies. Additional measures were introduced to reprioritize capital expenditure and restrain overall spending, while ensuring improved allocation to priority social areas. Consequently, the overall deficit declined to 3 percent of GDP, from 4.1 percent of GDP recorded in 2023. This achievement is significantly lower than the expected 3.7 percent, at the time of the fifth reviews allowing the country to meet the WAEMU's norm ahead of schedule. Public debt decreased to 53.4 percent of GDP from 54.9 percent in 2023, reversing a decade-long upward trend. Benin remains at moderate risk of external debt distress.

3. **Benin's medium-term economic outlook is highly promising.** While Staff forecasts growth at around 6.5 percent for 2025-26, the authorities are more optimistic, projecting growth to stabilize at approximately 7.5 percent. This positive forecast is driven by the dynamic expansion of the Port of Cotonou, the strengthening of the industrial sector, advancements in agriculture, and major infrastructure projects. Continued improvements in the business climate enhance this outlook. The authorities' growth projections have consistently outperformed Staff's estimates, highlighting their robust economic management. Indeed, the economy has consistently exceeded 6 percent growth, averaging 6.4 percent from 2017–2019, indicating potential to sustain rates above 7 percent for the next 20 years, driven by past infrastructure investments.

4. Notwithstanding remaining challenges, including the consequences of further deterioration of the security situation in the Sahel, potential investment slowdowns, and climate events, the overall prospects remain positive. The continued operationalization of the Niger-Benin oil pipeline, development of SEZs, and expansion of the port of Cotonou are set to stimulate foreign direct investment, create jobs, and generate substantial fiscal revenues, positioning Benin well for the future.

Program Performance

5. **Performance under the ECF/EFF program has been strong.** All end-December 2024 Quantitative Performance Criteria (QPCs) and Indicative Targets (ITs) were met. The primary balance comfortably exceeded its floor, and tax revenues surpassed the target. Domestic financing was well below its ceiling, thanks to the utilization of the Eurobond for budget support, and priority social spending exceeded its floor. External debt contracts were within limits, Benin did not accumulate any arrears, and all continuous performance criteria were met. On the structural front, the authorities made noteworthy progress. They operationalized the single electronic window to promote investment and facilitate exports, extended the online land registry to cover Cotonou, and enhanced transparency around the SEZ-related incentives. Audit reports for three major public contracts executed during 2022-24 are on track for publication by the end of this month.

6. **The Beninese authorities have made significant strides in their climate reform agenda under the RSF-supported program, successfully meeting four Reform Measures**

(RMs) for this review. Key achievements include (i) adopting a revised decree for the National Water Council to enhance monitoring of groundwater and surface water (RM5), (ii) enacting regulations on construction and housing to bolster climate resilience (RM10), (iii) revising electricity tariff regulations to ensure cost recovery (RM13), and (iv) implementing policies to support renewable energy production (RM14). Progress is well underway to meet the required RMs for the next and final review.

Policy Priorities for the Remainder of 2025 and the Medium-Term

Fiscal Policy and Debt Sustainability

7. **Benin's frontloaded fiscal consolidation efforts continue to yield positive results.** After reaching the 3 percent norm of GDP in 2024, the authorities plan to uphold their commitment to WAEMU convergence norms, with a modest fiscal consolidation and to further reduce the fiscal deficit in 2025 to 2.9 percent of GDP as outlined in the 2025 budget law. The MTRS has already boosted tax revenues and will continue to guide future reforms, including the digitization of public services to enhance revenue collection by expanding the tax base. Efforts to rationalize tax expenditures will continue, and current expenditure will be rationalized and projected at 11.5 percent of GDP, with notable increases in social spending, interest expenses, and the wage bill. Capital expenditure will be rigorously monitored following the completion of large projects. The authorities are prepared to deploy contingency measures to ensure the planned fiscal adjustment in case of unanticipated negative shocks, with several tools available and including implementing expenditure control measures outlined in the Organic Budget Law and the 2025 budget law.

8. **Over the medium term, the Government remains dedicated to sound fiscal management, supported by domestic revenue mobilization efforts and improved expenditure efficiency.** The MTRS aims for a 0.5 percentage point annual increase in tax revenues from 2024 to 2028, targeting a tax-to-GDP ratio of 15.2 percent by 2028. Additional revenue will be invested in human capital, social safety nets, and growth-enhancing capital projects.

9. **The authorities are committed to maintaining the country's moderate risk of debt distress through prudent borrowing and proactive debt management, consistent with the 2024-2026 Medium-Term Debt Strategy.** Benin aims to reduce reliance on external financing by mobilizing the regional domestic market and prioritizing issuance of long-term securities. However, with high regional financing conditions, the focus has shifted to cheaper, longer-maturity external debt, prioritizing concessional external financing and euro-denominated commercial loans at fixed interest rates. This strategy also emphasizes sustainable borrowing in line with the government's climate agenda. The authorities remain committed to gradually rebalancing the debt portfolio while reducing refinancing risks and improving regional financing conditions by expanding the investor base and enhancing communication with investors.

Enhancing Social Safety Nets

10. **Advancing social policies to accelerate progress toward achieving the Sustainable Development Goals and bridging social gaps continues to rank high on the authorities' agenda.** The Single Social Register (RSU) will continue to be the primary tool for managing social programs, with ongoing efforts to expand and update it. Social interventions will be enhanced, including improved access to healthcare and the extension of the national school feeding program (PNASI) to all rural primary schools. Additionally, the Government has launched the Insurance for Human Capital Development (ARCH) program and the productive social safety nets program (GBESSOKÉ), which includes cash transfers, to support extremely poor households. The mandatory health insurance will also be implemented this year.

11. In alignment with the Government's commitment to social welfare with a "highly social mandate" a detailed mapping of existing social protection programs will be developed and published to identify vulnerabilities addressed by each program and quantify gaps and overlaps in coverage. Despite the decline in Benin's Official Development Assistance (ODA) grants as a share of GDP, the Government plans to reprioritize budget spending to partially cover the remuneration of community health agents, especially since most USAID projects prior to the aid cuts were concentrated in the health sector.

Strengthening Financial Sector Stability

12. **Regional and national authorities are committed to bolstering financial sector stability, recognizing the sector's crucial role in economic resilience.** Benin's public financial sector has expanded significantly with the creation of the *Caisse des Dépôts et Consignations Benin (CDCB),* and the state-owned bank, *Banque Internationale pour l'Industrie et le Commerce (BIIC)*, which are now the country's leading institutions in terms of financial assets. Recently, BIIC shares were listed on the regional stock exchange *Bourse Régionale des Valeurs Mobilières (BRVM*), yielding outstanding results. Despite the strong financial indicators, the authorities agree that vigilant monitoring is necessary to mitigate potential financial and budgetary risks.

13. **Following Société Générale's (SG) disengagement from Africa, the Government has exercised its preemption right to acquire SG Benin.** This move aims to ensure a smooth transition to private ownership, through the CDCB maintaining profitability, liquidity, and capitalization until a buyer comes and bolstering the stability of the West African financial center.

Promoting Economic Transformation

14. **The authorities are making significant strides in enhancing economic transparency and fostering private sector development.** Industrialization through SEZs is key to Benin's economic transformation. The authorities published a list of companies in the GDIZ, detailing tax regimes and expected investments, with annual updates planned. Additionally, the Investment and Export Promotion Agency (APIEX) launched a single

electronic window operational since March 2025, to streamline investment and export processes for SMEs. The national land development agency has expanded the online land registry, fully covering Cotonou, with plans to include Parakou and Porto-Novo by 2026. The Port of Cotonou is also undergoing expansion to enhance its infrastructure and competitiveness.

Further Enhancing Governance and the AML/CFT Framework

15. **The authorities are accelerating the implementation of reforms under the national Governance Action Plan, building on recommendations from the IMF governance diagnostic**. Key actions focus on the rule of law, anti-corruption measures, AML/CFT, and PFM. The anti-corruption agency—*Haut Commissariat à la Prévention de la Corruption (HCPC*)—is now operational with appointed leaders and established rules. Mandatory asset declarations for public officials have been implemented, and plans are underway to strengthen anti-corruption laws by reviewing the procedures for appointing and dismissing the leadership of the HCPC. The revised bill, aimed at aligning with international best practices, will be submitted to the National Assembly by October 2025, with the HCPC's objectives to be made public accordingly. Reforms are also underway to enhance budget transparency, including by automating revenue collection and improving tax and customs risk management.

16. **Efforts to address deficiencies in the AML/CFT framework, as identified in the 2021 mutual evaluation report, are ongoing.** Initiatives include enacting laws against money laundering and terrorism financing, conducting sectoral risk assessments, and establishing a legal framework for beneficial ownership information in real estate.

Benin's Climate Agenda and the IMF Resilience and Sustainability Facility

17. **Benin is advancing its climate agenda, leveraging sustainable finance to build resilience across key sectors.** Comprehensive reforms have been undertaken in the electricity and fossil fuel sectors, featuring a predictable fuel pricing mechanism to reduce the informal oil sector and stabilize the budget, removal of electricity subsidies, and support for renewable energy integration. In water management, efforts have been made to enhance the monitoring and evaluation of groundwater resources as well as the institutionalization of a mechanism for water tariffication in urban areas. Bold measures are underway to improve service provision while ensuring the financial viability of the sector. The government has updated water tariffs-which dated from 2009- to reflect current costs and new rates will be implemented once service quality improves, with further revisions from January 1, 2027.

18. Climate resilience is being reinforced in infrastructure and energy with a new construction law that embeds climate-adaptive standards into building codes. In addition, a climate-related taxonomy and its associated climate data collection and dissemination system to guide sustainable investment and policy decisions are being developed with the IMF support. Agricultural insurance is being operationalized through a pilot project, and climate risk information is being integrated into the RSU by mapping vulnerable municipalities. A

climate strategy for SOEs is also in progress, along with a pilot project for an infrastructure maintenance methodology.

19. **Efforts to mobilize climate finance under the RSF are being sustained including through active engagement with development partners and the private sector.** Building on progress made at COP29 in November 2024, the authorities are pushing forward with technical and financial partners to secure firm commitments as outlined in the Memorandum of Understanding signed during the 2025 IMF and World Bank Group Spring Meetings. Key priorities include monetizing carbon credits, attracting private investment, and securing additional budget support through a multi-donor framework. These efforts align well with the climate challenges identified in the National Adaptation Plan's eight priority sectors.

Conclusion

20. Our Beninese authorities continue to demonstrate a strong commitment to press ahead with their economic, financial, and structural reforms supported by the ECF/EFF and RSF arrangements. They highly appreciate the Fund's support in these endeavors. Given the commendable progress achieved under these programs, despite challenging circumstances, and their steadfast commitment to reform efforts going forward, the authorities seek Executive Directors' approval for the completion of the sixth reviews under the ECF and EFF arrangements, and the third review under the RSF arrangement.