



## LIMF Executive Board Completes the First Reviews under the Extended Fund Facility and Extended Credit Facility Arrangements for Benin

December 14, 2022

- IMF Board completed the First Review under the 42-month blended EFF/ECF arrangement for Benin, providing the country with immediate access to about US\$144 million.
- The program is off to a strong start, with all end-June 2022 performance criteria and indicative targets met and all structural benchmarks implemented.
- After three years of warranted policy accommodation to cushion the impact of severe and repeated shocks on the population, Parliament has adopted a budget law resuming the consolidation of public finances next year, while protecting social spending.

**Washington, DC:** On December 14, 2022, the Executive Board of the International Monetary Fund completed the First Review of Benin’s Fund-supported program. The 42-month blended EFF/ECF under High Combined Credit Exposure (HCCE), approved on July 8, 2022 (see [PR 22/252](#)), seeks to help Benin address pressing financing needs, support the country’s National Development Plan centered on achieving the Sustainable Development Goals (SDGs), and catalyze donor support. This review completion allows for the immediate disbursement of SDR 108.30 million (about US\$144 million) toward budget support, bringing total disbursements under the program so far to SDR 216.6 million (about US\$287 million).

The Beninese economy is gaining strength, notwithstanding heightened global uncertainty and increasing regional security risks. Economic activity is projected to expand by 6 percent this year, driven by agroindustry, construction, and port-related activity. The current account deficit would widen to 6.1 percent of GDP, due to high fuel and food prices, compounded by the strong US dollar appreciation. Nevertheless, inflation has remained subdued, owing to a strong harvest season and subsidy measures adopted by the government since Russia’s invasion of Ukraine.

The program is off to a strong start, with all end-June 2022 program’s quantitative performance criteria and indicative targets met with wide margins and structural benchmarks implemented.

Following the Executive Board discussion, Mr. Okamura, Deputy Managing Director and Acting Chair, issued the following statement:

“The authorities’ strong tax collection efforts and spending reprioritization are complementing frontloaded IMF financing under the EFF/ECF, allowing Benin to meet unanticipated spending needs related to the protracted war in Ukraine and spillovers from regional security risks.

“After three years of warranted policy accommodation to contain the impact of severe and repeated shocks, the National Assembly adopted a budget law resuming the

consolidation of public finances next year. The budget allocates substantial resources to critical social and security-related spending.

“The envisaged revenue-based fiscal consolidation will create space for Benin’s large development needs while preserving debt sustainability. It will be supported in the near-term by the authorities’ recent strategy for streamlining tax expenditures, and in outer years by the upcoming Medium-Term Revenue Mobilization Strategy (MTRS) that seeks to further expand the tax base and improve the overall efficiency of the tax system.

“The authorities should continue to fine-tune policy calibration to translate macroeconomic gains in recent years into improved social outcomes. In this context, a fundamental reform of fuel subsidies would help release resources toward human capital development for future generations. Clear communication of policy tradeoffs and targeted support measures to the most vulnerable would be critical to maintain broad support for necessary reforms. The swift operationalization of the recently established social registry would provide the necessary infrastructure to channel support to vulnerable households in the adjustment process.

“Ongoing steadfast implementation of the authorities’ action plan to strengthen the AML/CFT framework, together with efforts to enhance governance and transparency—building on the IMF governance diagnostic once finalized—will bolster the institutional foundations of private-sector led inclusive growth. Promoting access to finance, particularly for small- and medium-sized enterprises, while remaining vigilant vis-à-vis financial sector risks would also be important in this regard. Efforts to mitigate food insecurity and strengthen climate resilience are also needed.”

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