International Monetary Fund

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Benin: Letter of Intent and Memorandum of Economic and Financial Policies

June 8, 2009

LETTER OF INTENT

Cotonou, June 8, 2009

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington, D.C. 20431

Dear Mr. Strauss-Kahn:

1. I am pleased to inform you that, during the second half of 2008, tangible progress has been made in implementing the macroeconomic policies and structural reforms under the program supported by the IMF through the Poverty Reduction and Growth Facility (PRGF), despite the shocks related to the rise in food, fuel, and construction material prices. During this period, all end-December 2008 quantitative performance criteria were met with the exception of domestic financing of the government, which was breached owing to the government's decision to clear outstanding Treasury payment orders accumulated in 2007 and to provide financial assistance to the electricity company (SBEE) to ensure the supply of electricity. To find a solution to the problems of the electricity company, electricity tariffs will be increased by an average 13 percent in June 2009, and the government will perform a financial audit of the electricity company (SBEE) in the fourth quarter of 2009, with the support of development partners. In light of these remedial measures, the government requests a waiver for the nonobservance of this performance criterion and the completion of the sixth review of the program supported by the PRGF arrangement.

2. Among the quantitative indicators, the wage bill exceeded the target, essentially owing to the government's decision to preserve social peace in the face of union wage demands. It granted various benefits, bonuses, and allowances, and recruited public employees in the key sectors of education and health.

3. Of the structural benchmarks, the audit of electronic public expenditure systems, the strategy for comprehensive reform of the cotton sector, and the action plan for improving the public financial management system were completed.

4. I would also like to present the measures that the government has planned for 2009. The fallout from the international crisis on our economy will result in a marked slowdown in the economic growth achieved during the past three years, with real GDP growth of about 4.0 percent in 2009. The inflation rate, which was 8.0 percent at end-December 2008, should move closer to the 3.0 percent level established within the framework of the multilateral surveillance of the WAEMU. In the interest of stepping up growth and more effectively reducing poverty, the government intends to maintain a prudent macroeconomic policy stance and accelerate implementation of its structural

reform program. The government hopes to continue to benefit from financial and technical support from the IMF, including the possibility of a new arrangement following the expiration of the current arrangement in August 2009.

5. Benin will be seriously affected by the international economic crisis over the next two years. Economic growth will weaken as a result of the decline in global demand, falling commodity prices, and diminishing remittances from Beninese migrant workers. This situation has already decreased customs revenue and commercial bank liquidity in the first quarter of 2009. The government is committed to mitigating the adverse effects of the crisis while maintaining the planned level of budgetary expenditure in the 2009 budget. This would increase the level of additional necessary financing for 2009. The financing gap would be CFAF 44 billion according to the latest Fund staff estimates. We are in the process of mobilizing additional budgetary assistance from our development partners to bridge this gap. Given the situation, we wish to request an augmentation of access of SDR 9.29 million (15 percent of our quota) as part of this program review.

6. The government feels certain that the measures and policies described in this memorandum are adequate to achieve the objectives of the program. It is determined to take any further measures that may prove necessary for this purpose. The government will consult with the IMF, either at its own initiative or whenever the Managing Director of the IMF requests such consultation, before adopting any additional measures or changing any of the measures discussed in this memorandum.

7. The government authorizes the IMF to publish its staff report and the attached memorandum on economic and financial policies relating to the sixth review of the program.

Sincerely,

/s/

Soulé Mana LAWANI

ATTACHMENT I

Memorandum on Economic and Financial Policies for 2009

I. INTRODUCTION

1. **The strengthening of economic activity continued in 2008.** The real GDP growth rate stood at 5.0 percent, against a projection of 5.1 percent. This growth can be attributed to the demand on the Nigerian market, strong food production with the implementation of the Emergency Food Security Program, and the expansion of construction activities. However, the growth rate remained below the minimum required for achieving the Millennium Development Goals.

2. **In 2008, the increase in consumer product prices accelerated as international food and fuel prices rose.** The average inflation rate trended upwards, driven by food and fuel, rising to 8 percent compared with 1.3 percent in 2007 and accentuating the deterioration in the inflation differential between Benin and its trading partners. As a result, inflation remained above the 3 percent threshold required under the WAEMU convergence pact.

3. **The external current account balance improved despite the negative effect of the deterioration in the terms of trade**. The external current account deficit excluding grants is estimated at 9.2 percent of GDP in 2008, compared with 10.6 percent in 2007. This improvement can be attributed to increased volumes of cotton exports and the expansion of transit trade; at the same time, the rise in food and fuel prices resulted in a rise in imports. With the improvement in the current account, and in spite of dwindling foreign direct investment and inflows of public capital, official exchange reserves increased to almost 8 months of prospective imports of goods and services.

II. MACROECONOMIC POLICY IN 2008

4. **Fiscal consolidation continued despite the slippage during the first half year owing to expenditure on major works projects (Table 1)**. Overall, revenue and expenditure were in line with program objectives. Total revenue stood at CFAF 581.3 billion in 2008, or 19.5 percent of GDP, compared with a projection of CFAF 578.0 billion (19.4 percent of GDP). Customs revenue shortfalls were largely offset by a significant increase in domestic tax revenues.

5. **Customs revenues were below the program target, standing at** CFAF 278.9 billion in 2008, or 9.3 percent of GDP, a shortfall of 0.3 percent of GDP. This slight shortfall observed despite market-based prices resulted essentially from the decline in import prices in the fourth quarter of 2008. In contrast, compared to 2007, customs revenues increased substantially by about 11.5 percent. This result is attributable to the strong performance of revenues from goods under customs escort; anti-fraud efforts, specifically the

simplification of customs clearance procedures; and the increased administrative capacity of the customs services, particularly owing to the expansion of ASYCUDA++ to seven workstations, limiting the shortfall against the target in 2008.

6. **Domestic tax revenues were higher than program targets.** Domestic revenues totaled CFAF 233.3 billion in 2008, or approximately 7.8 percent of GDP compared with a projected 7.5 percent, an increase of 18.7 percent over the previous year. This performance by the General Directorate of Taxes and Government Property (DGID) is attributable essentially to the domestic tax on industrial and commercial profits (AIB) and the domestic VAT. The strong performance of tax collections reflects the improvement in tax administration, the enhancement of control measures, and sound management of the corporate profit tax (BIC). The authorities thus improved the rational management of staffing levels, strengthened the IT capacity of inspectors, and streamlined the portfolios of the Large Taxpayer Unit (DGE) and the Medium-Sized Enterprise Tax Centers (CIMEs).

7. **Efforts to control expenditure undertaken in the second half of 2008 were continued and made it possible to keep expenditure below the target for 2008**. Total expenditure stood at CFAF 684.7 billion, or 22.9 percent of GDP, compared with a targeted 23.3 percent of GDP and a realization of 22.0 percent in 2007. However, there were primary expenditure overruns in the use of resources allocated to purchases of goods and services, to transfers, and to the wage bill. These overruns are explained by expenditure in support of: (i) the national power company (SBEE) to ensure the availability of electrical power; and (ii) capital and modernization projects in Cotonou and many other localities in the interior. The wage bill target was also exceeded owing to (i) the increase in the various benefits, bonuses, and allowances paid to workers to maintain social peace; and (ii) the recruitment of public employees in the key sectors of education and health. In contrast, domestically financed capital expenditure remained below target.

8. **The overall fiscal deficit (cash basis excluding grants) deepened in 2008,** amounting to CFAF 218.8 billion, or 7.3 percent of GDP (1.9 percentage points off target), as outstanding 2007 balances and advances to the SBEE were cleared. This deficit was financed in part from disbursements of budgetary support under the World Bank's 2007 PRSC IV program (CFAF 17.9 billion) and aid granted by France (CFAF 3.6 billion), Denmark (CFAF 1.7 billion), the European Union (CFAF 16.6 billion), Swiss Cooperation (CFAF 0.6 billion), KFW-Germany (CFAF 1.3 billion), and the Netherlands (CFAF 6.6 billion). The balance was financed by a drawing on government deposits with the banking system of about CFAF 120 billion and a portion of the resources from the privatization of SONAPRA's industrial tools division (CFAF 4.7 billion). The issuance of Treasury bonds and bills in the amount of CFAF 58.1 billion made it possible to replenish a portion of the government's deposits. Wage arrears to permanent public employees were cleared by issuing commercial paper (CFAF 54 billion, 20 billion of which was discounted by the local banks).

9. **All end-December 2008 quantitative performance criteria were met, with the exception of net domestic financing of the government**. Despite measures taken to regulate expenditure during the second half of the year, government deposits were not replenished. They were used to clear outstanding balances accumulated in 2007 and to grant considerable advances to the SBEE to guarantee the supply of electrical power. Among the quantitative indicators, the wage bill was overrun owing to the government's decision to keep social peace in the face of union wage demands.

10. **The monetary situation was characterized by a strengthening of foreign assets and sharp growth of domestic credit, which led to a rapid expansion of the money supply by 29.3 percent, a rate that outstripped nominal GDP growth**. The government's net position with the banking system was substantially eroded owing to drawings on government deposits to finance infrastructure projects and the issuance of Treasury bills in June and September 2008. At the same time, the average quality of bank credit declined slightly between December 2007 and December 2008; the rate of nonperforming loans rose from 8.9 percent to 9.6 percent. The BCEAO maintained a required reserve ratio of 15 percent, the highest level in the WAEMU. On August 16, 2008, it also raised its key intervention rates (the repo rate and discount rate) by a half (1/2) percentage point, to 4.75 percent and 6.75 percent, respectively.

11. **In the area of microfinance policy in 2008,** the Ministry responsible for microfinance and youth employment released more than CFAF 10 billion in microcredits for the very poor (MCPP) and approximately CFAF 6 billion for the National Fund for the Promotion of Youth Employment and Enterprise (FNPEEJ). The latter program created 602 projects in 2008, generating more than 3,000 jobs.

III. IMPLEMENTATION OF STRUCTURAL REFORMS IN 2008

12. **Progress in the implementation of structural reforms was mixed (Table 2)**. The end-December structural benchmarks for the audit of the information management system of public expenditure and the action plan to improve the public financial management system were met. Progress is being made on the structural benchmark relating to the reform of the civil service pension fund (FNRB). The audit of the electronic public expenditure management systems (SIGFIP, ASTER, and WMONEY) commissioned by the government has been completed. The final report was made available in late December 2008. The medium-term strategy to strengthen public financial management was adopted by the government in March 2009. With respect to the strategy to improve the financial position of the FNRB, a study by external consultants was launched on January 19, 2009 and the consultants submitted their final report in April 2009.

13. **The government has engaged with all participants in the cotton sector and the development partners to prepare an overall strategy for reform of the cotton sector**. The government has continued to reform the sector by transferring SONAPRA's industrial tools

division to the new semipublic company SODECO, created in September 2008. The cotton sector has thus reached a new stage at which the objectives for its revitalization and effective contribution to Benin's development require the clarification and redistribution of roles, strengthening of the cotton interprofessional organization, and unequivocal accountability of each stakeholder. Thus the government once again demonstrated its commitment to honor its undertakings regarding the reform of the cotton sector by signing an agreement with the cotton interprofessional organization (AIC) on January 7, 2009.

14. **The government intends to protect the efficiency of the system for the supply of agricultural inputs**, also as part of the implementation of a policy to promote private sector activity. In this context, a shareholders' agreement was signed in December 2008 between the government, SOPIDI (company of importers and distributors of agricultural inputs), and local banks. The government's aim in creating this purchasing pool, in partnership with private operators, is to give Benin the means to provide itself with access to the appropriate quantity of high-quality agricultural inputs in time and at competitive prices, in support of the government's agricultural diversification and promotion policy.

15. **In addition, the Beninese government has withdrawn from Continental Bank-Benin**. In September 2008, the government selected Nigeria's United Bank for Africa (UBA) PLC as the successful bidder for the block of shares held by the Beninese government, SONACOP, and the West African Development Bank (WADB), i.e., 56.4 percent of the share capital of Continental Bank-Benin valued at CFAF 15 billion.

16. **In its reform of telecommunications, the government has opted to strategically open up the capital of Benin Telecoms SA to the private sector**. The consortium, whose assistance will be sought, will have the task of assisting the government in preparing, organizing and carrying out the operation to open up the share capital of Benin Telecoms SA to the private sector. The process has the support of the World Bank's Competitiveness and Integrated Growth Opportunity Project (CIGOP). An international call for bids was issued and the Linkstone Capital Consortium was selected.

17. **As part of the upgrade of the port facilities to improve the competitiveness of the Port of Cotonou (PAC)**, the government has planned the construction of two new terminals to accommodate large capacity container ships with financing from the U.S. Millennium Challenge Account (MCA). The International Finance Corporation (IFC) was asked to handle the licensing process. The related contract for services was signed on November 4, 2008.

18. **The work to install the Information System for the One-Stop Shop for Foreign Trade (SIGUCE) has made substantial progress** with the recruitment of an IT expert to carry out the preliminary study and concept study of the PAC and SIGUCE. Validation of the preliminary study led to the drafting of terms of reference for computerizing the PAC and SIGUCE. The government has also completed the assessment study of the customs system.

The conclusions of the study reiterate the importance of quickly installing the one-stop stop at the Port of Cotonou.

IV. ECONOMIC AND FINANCIAL POLICIES FOR 2009

A. Macroeconomic Framework

19. **The government's economic policy is aimed at keeping the national economy on a path of strong, sustainable growth focusing on the revitalization of the private sector**. This path will require consolidation of the macroeconomic framework and acceleration of the structural reforms in an international context of declining global demand and dwindling migrant remittances. In light of these external constraints, the outlook for the economy is not very promising; indeed the real GDP growth rate is projected to be 3-4 percent in 2009. This lower-than-anticipated level of economic activity reflects the impact of the international financial crisis on exports (including reexports) and tax revenue. Inflation, which was 8 percent in 2008, should come close to the 3-percent level required under the WAEMU convergence criteria in 2009. The drop in inflation reflects declining international food and energy prices, the increase in food production, and prudent management of domestic demand. The slowdown in cotton exports and transit trade, as well as the increase in imports and the decline in migrant remittances, is expected to raise the external current account deficit to a projected 10.3 percent of GDP in 2009, as compared with 9.2 percent in 2008.

20. **The market-based pricing policy remains at the heart of the government's fiscal consolidation policy.** The government's intention is to ease the impact of fluctuations in international prices for mass consumption products by continuing to implement programs that favor the expansion of domestic supply and production of consumer goods, particularly food products. Technical and financial support from the development partners would be essential for this.

21. **The uncertainty resulting from the persistence of the financial crisis will create serious risks for the economy in 2009**. In the short term, these risks are related to the decline in tax revenue, decreasing external financing (particularly migrants' remittances and FDI), and slowing domestic demand in Benin's trading partners, particularly Nigeria, which is feeling the full brunt of the international financial crisis.

B. Fiscal Policy in 2009

22. **In 2009, the government's policy is aimed at consolidating the achievements in macroeconomic stability by strengthening its capacity to regulate and control expenditure in the face of a persistent slowdown in the global economy**. Total public revenue and expenditure should reach 19.4 percent and 25.3 percent of GDP, respectively. The basic primary balance should register a deficit of CFAF 26.5 billion, or 0.8 percent of GDP. The overall fiscal balance (payment order basis, excluding grants) should deteriorate from the 2008 level to CFAF 189.8 billion, equivalent to 5.9 percent of GDP. This is

explained by the downside risks for customs revenue posed by to declining demand in Nigeria, Benin's main trading partner. The government will continue to build basic infrastructure and improve living conditions for the very poor without jeopardizing its fiscal consolidation efforts. The deficit will be financed with the proceeds of the sale of the government's shares in Continental Bank and expected budgetary support from the European Union (EU), World Bank (WB), African Development Bank (AfDB), France, the Netherlands, Denmark, and other bilateral partners. Domestically financed expenditure on public investment should continue to rise, from 3.5 percent of GDP in 2008 to 4.7 percent in 2009.

23. **Fiscal revenue should recover to CFAF 621.5 billion and the tax burden should amount to 16.8 percent of GDP, compared with 17.1 percent in 2008**. This result reflects: (i) the government's decision to reduce some tax rates[1]; (ii) weaker economic growth as a result of the international crisis; and (iii) the declining profitability of businesses. The negative impact of the crisis will be mitigated by the improved performance of the tax agencies, particularly through continuing efforts to combat fraud, measures to expand the domestic tax base, and gradual implementation of the single tax identification number (TIN). On the taxation side, the government intends to increase revenues by: (i) strengthening the partnership between the private sector and the government; and (ii) creating new Small and Medium-sized Enterprise Tax Centers (CIPEs and CIMEs). On the customs side, the authorities have continued to: (i) simplify and expedite customs declaration and clearance procedures; and (ii) expand ASYCUDA++ to twelve additional workstations in the regional customs directorates.

24. **The collection of nontax revenue should increase significantly** owing to the inventory and centralization of revenue collected by various nonfinancial structures within the government, the payment of the mobile telephone license fees, and the tracking of revenues from the loading tax.

25. **Enhancement of the IT systems of the financial agencies will continue in an effort to improve their performance.** In this context, the government will have the DGID's IT system audited and prepare an IT master plan during the fourth quarter of 2009, including the creation of an IT directorate and a communications unit. Furthermore, to improve anti-fraud efforts, the interface between ASYCUDA++ and other software will be pursued; the computerized customs warehouse will begin to operate; and all the regional customs directorates will be computerized in 2009.

26. **Total expenditure and net lending should reach CFAF 811.3 billion in 2009, an increase of 2.4 percent of GDP.** This reflects the government's commitment to increasing growth and improving the living standards of the population. The wage bill should stand at

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[1] The BIC and BNC rates were reduced by about 10 percentage points.

CFAF 193.4 billion, or 6.0 percent of GDP, in line with human resource needs. The fiscal contribution to investment should reach 4.7 percent of GDP in 2009. Overall, capital expenditure should continue to rise to CFAF 299.9 billion, or about 9.4 percent of GDP. In addition, control of public expenditure should be improved by (i) streamlining compliance controls on expenditure commitments; (ii) continuing the reform of the public procurement system; and (iii) emphasizing a program approach to budget execution by the ministries.

C. Money and Credit

27. **The BCEAO's monetary policy will remain in line with the objective of price stability and maintenance of adequate official exchange reserves for the zone**. Broad money should expand by 7.1 percent in 2009 reflecting a significant improvement in the government's net credit position, which will be partially offset by a slight reduction in net foreign assets. Under these conditions credit to the private sector could rise by almost 9 percent.

28. **The BCEAO's key intervention instrument remains its interest rate policy (repo and discount rates)**, which will depend on the impact of the financial crisis on the economies of countries in the zone. The BCEAO will closely monitor inflationary trends and the official exchange reserves and will use the reserve ratio to enhance the effectiveness of its monetary policy if necessary.

29. **The various inspection missions to the banks by the Banking Commission underscore the need to take a number of corrective measures**. Improvements are expected in the areas of corporate governance, information systems, risk management, loan classification, and recording of unrealized loan losses. The authorities intend to enhance banking supervision to improve compliance with prudential ratios and will also endeavor to apply the regulatory framework to the microfinance sector.

30. **As part of the government's microfinance policy** in 2009, particular emphasis will be placed on consolidating the sector with support from the Millennium Challenge Account (MCA) by: (i) enhancing supervision and (ii) increasing public awareness of the application of the laws governing the sector. To this end, 19 new officers hired by the Civil Service Ministry will be assigned to the unit that supervises decentralized financial structures to supplement the existing team of seven professionals. This will increase the frequency of on-site supervision of MFIs.

D. Balance of Payments and External Debt

31. **The external current account deficit, excluding grants, should increase to 10.3 percent of GDP in 2009, compared with 9.2 percent in 2008**, essentially reflecting the decline in the prices and volume of cotton exports (following the poor 2008/09 harvest), the slump in transit trade (associated with slower growth in Nigeria), and the reduction in migrant workers' remittances. At the same time, imports will continue to increase, propelled

by the demand for intermediate and capital goods for public investment projects, despite the fall in food and fuel prices. A reduction in foreign financial flows could lead to a contraction in the financial account surplus and the overall surplus. The BCEAO's reserves should reach 7.2 months of coverage of imports for the following year.

32. **The government applies a prudent borrowing policy.** To protect public debt sustainability, the government has adopted the WAEMU borrowing reference framework, which allows it to limit borrowing levels each year based on the debt ceiling defined in the "national debt strategy."[2] The government gives assurances that new external financing will be only in the form of grants or highly concessional loans and that it does not jeopardize debt sustainability.

E. Structural Policies

33. **The improvement in public financial management will continue in 2009**. An organizational audit of the expenditure chain was started in June and will be completed by end-2009. As part of the strategy to improve the financial position of the civil service pension fund (FNRB), the government will adopt an FNRB reform strategy to ensure the fund's long-term financial sustainability. The recommendations and action plan from the audit of the SIGFIP, ASTER and WMONEY IT systems will form the basis for improving expenditure management. More specifically, the three systems will be integrated by end-April 2010. The partnership between the private sector and the tax administration will have to be further strengthened to enhance the business climate.

34. **As a solution to the energy crisis and to ensure the general competitiveness of the economy, a strategy to reform the energy sector will be implemented with a view to consolidating the SBEE's financial position, increasing capacity, reducing production costs, and improving service quality**. To that end, user rates will be increased in June 2009 by about CFAF 12/Kwh.[3] Moreover, the government will proceed to perform a financial audit of the SBEE in the fourth quarter of 2009, with the support of the technical and financial partners. This audit will seek to identify the causes of the financial difficulties that required large advances from the budget in 2008, as well as more appropriate measures to prevent these problems from arising in the future. The new vision for the energy sector will also include the establishment of an asset management company and a privately–owned distribution company. The strategic approaches to make this new vision a reality are being prepared with the commission established by the WAEMU to find long-term solutions to the energy crisis. A consulting firm will assist the government in implementing this reform.

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[2] A Public Debt Strategy Paper for 2009 is attached to the 2009 Budget Law.

[3] This represents an increase of between 12.6 and 14.0 percent for households, 13.6 percent for businesses, and 12.3 percent for public entities.

35. **Significant progress has been made in privatizing the telecommunications sector.** Linkstone Capital, the investment banking firm recruited, should facilitate the process of opening up the capital of Benin Telecoms SA. The competitiveness of the port will be further strengthened with the implementation of the one-stop-shop and the construction of two new terminals. Based on the terms of reference for computerizing the Autonomous Port of Cotonou (APC) and for SIGUCE, and the customs system assessment study, the government will proceed to set up the one-stop-shop by end-December 2009. With respect to the Port, the government has also decided to use the services of the IFC, whose mission will be to: (i) lay out the structure of the licensing process for building the new wharves; and (ii) conduct a strategic review of the commercial activities of the APC to provide the government with recommendations for a suitable level of private sector involvement and the terms of a more appropriate regulatory framework. A notice of prequalification inviting tenders for construction licenses to build the terminals at the Port was issued in March 2009.

F. Poverty Reduction and Growth Strategy Paper (PRGSP 2007-2009)

36. **As the PRGSP will expire at the end of 2009, the government plans to prepare a new strategy by the end of the year**. The new strategy should build on the achievements of the previous strategies by emphasizing new development concerns and new directions expressed by the grass roots populations and adopted by the government through the various sectoral strategies. To this end, the government intends to strengthen the participatory process through the total and inclusive involvement of all stakeholders in all stages of the process. The new strategy should also address development issues and sectoral and local strategies, which have not been dealt with in depth until now. These issues include the youth and women's employment policy, the problem of social welfare, and the solidarity that could, if necessary, be targeted in a special program complementary to the strategy. Similarly, the organization of rural areas, agricultural diversification, and issues relating to climate change and trade, in the context of economic partnership agreements, could also be covered by programs.

G. Program Monitoring

37. **Program monitoring will be based on quarterly structural and quantitative benchmarks and performance criteria** (Tables 1 and 2). The authorities will report the data necessary for program monitoring to the IMF, in accordance with the Technical Memorandum of Understanding of the fifth review of the PRGF-supported program. During the program period, the authorities will not introduce restrictions on payments and transfers for current international transactions or tighten any such restrictions without first consulting the Fund; introduce or modify multiple currency practices; conclude bilateral payments agreements not compatible with Article VIII of the IMF's Articles of Agreement; or introduce or intensify restrictions on imports for balance of payments purposes.

Table 1. Benin: Quantitative Performance Criteria and Indicative Targets for the Period December 2008–December 2009
(In billions of CFA francs)

	End-December 2008 performance criteria			End March 2009 indicative targets			End-June 2009 indicative targets	End-September 2009 indicative targets	End-December 2009 indicative targets
	Prog.	Adj. Prog.	Est.	Prog.	Adj. Prog.	Prel.	Prog.	Prog.	Prog.
A. Quantitative Performance Criteria and Indicative Targets 1/ (Cumulative since end-December) 1/									
Net domestic financing of the government 2/ 3/	-12.3	-4.4	109.4	-3.0	…	…	-17.7	-9.0	-8.6
Basic primary balance (excluding grants)	14.7	14.7	21.2	42.8	…	…	27.2	-10.5	-24.6
Accumulation of domestic payments arrears 4/	0.0	0.0	0.0	0.0	…	…	0.0	0.0	0.0
Memorandum Item: Budgetary assistance	56.2	48.3	48.3	2.5	…	…	15.3	54.7	80.2
B. Continuous quantitative performance criteria									
Accumulation of external payments arrears	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External debt contracted or guaranteed by government with maturities of 0-1 year	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonconcesional external contracted or guaranteed with maturities of one year or more	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
C. Indicative Targets (Cumulative from beginning of calendar year) (Cumulative since end-December)									
Total revenue	530.1	530.1	581.3	162.4	…	…	306.7	416.1	621.5
Wage bill	171.1	171.1	182.4	40.6	…	…	83.8	134.9	193.4

1/ The targets and performance criteria are cumulative from the beginning of calendar year
2/ The ceiling on domestic financing will be adjusted pro tanto if the amount of disbursed budgetary assistance falls short of the program forecast
3/ If external budgetary assistance exceeds the amount projected in excess of more than CFAF 5 billion, the ceiling will be adjusted downward by the excess disbursement beyond CFAF 5 billion, unless it is used to absorb domestic arrears.
4/ This performance criterion is monitored on a continuous basis.

Table 2. Benin: Structural Benchmarks for 2008–09

Measures	Date	Rationale	Status
Completion of a new (global) reform strategy of the cotton sector	End-December 2008	The government intends to Improve the efficiency of the cotton sector by strengthening the use of targeted subsidies and encouraging diversification to other crops.	Completed with delay
Completion of a strategy to improve public finance management.	End-December 2008	The government intends to strengthen the quality of spending in order to improve its impact on growth and poverty reduction.	Completed with delay
Audit of public finance information management systems (SIGFIP, ASTER and WMONEY)	End-December 2008	The government intends to strengthen public finance management in order to improve the impact of spending on growth and poverty reduction.	Completed
Completion of a strategy to reform the civil service pension fund (FNRB)	End-December 2008	The government intends to reduce the impact of the deficit of the FRNB on public finances by by strengthening its financial sustainability.	Delayed
Extension of ASYCUDA ++ to twelve (12) additional posts (regional customs units/offices).	End-March 2009	The government intends to improve customs collections in order to expand the fiscal space for investment in infrastructure and poverty-reducing measures.	Delayed
Adoption of a strategic information system at the DGID[1], after an audit in order to operationalize the single taxpayer identification function	End-March 2009	The government intends to improve income tax collections in order to expand the fiscal space for investment in infrastructure and poverty-reducing measures.	Delayed

1/ Direction Générale des Impôts et des Domaines.