BENIN

CWA REFORM COMMITMENTS IN 2018	PROGRESS ON REFORM COMMITMENTS SINCE 2018	ADDITIONAL REFORM INITIATIVES	PARTNER SUPPORT
Macroeconomic Framework:			
Macroeconomic stability:			
Maintaining macroeconomic stability	On May 15, 2020, the IMF Executive Board completed the sixth and last review of the ECF Arrangement. The ECF Arrangement was approved on April 7, 2017 for a total of SDR 111.42 million (90 percent of the quota) to support the country's economic and financial reform program. Performance under the program has remained very satisfactory with a strong track record over the three-year program. Authorities expressed interest in continuing their medium-term collaboration with the IMF after the program expired. They are currently negotiating an RCF/RFI with Board expected in December 2020. The Bank and the IMF have been closely collaborating, including in the context of the COVID19 response.	Benin was granted relief on its debt service to the IMF over one year (from April 2020), amounting to US$19 million, as part of the IMF response to the crisis under the Catastrophe Containment and Relief Trust (CCRT).	IMF – supported macro stability through the ECF arrangement. The WB complemented these efforts with DPO-supported policy reforms in the areas described below.
Domestic Revenue Mobilization:			
Dematerialization of fiscal and non-fiscal receipts' procedures and payments to Tax and Customs authorities	Implementation through the Program for Supporting Revenue Mobilization in Benin (Projet d'Appui à l'Accroissement des Recettes Interieures du Benin, PAARIB) To increase compliance with tax procedures and reduce tax evasion, the MEF piloted an electronic system with the aim to improve the exchange of information between the central tax authority (the Direction Générale des Impôts, DGI) and the customs authority (the Direction Générale des Douanes et Droits Indirects, DGDDI). This pilot has now made permanent. An e-services portal, interlinked with the SIGTAS system, has been put in place, allowing taxpayers to complete their payments. In 2019, the government took additional measures including the use of VAT billing devices, which transfer on-time data on a VAT transaction to the tax authorities, and the extension of e-declaration and e-payment to medium-sized enterprises located in Littoral, Atlantique, Bourgou- Aligori Departements (where about 90 percent of all firms are located). Current digital platforms are being enhanced, enabling personal taxpayers to meet their obligations through mobile money transfers and bank electronic cards. With this action, the coverage of electronic platforms for taxpayers will reach the broader population as personal taxpayers will have access to a digital platform to pay various taxes, fines, and fees. Initially, and effective January 2020, the platform covers payments of fees and fines related to vehicles	Tax-related COVID19 measures have been designed to preserve the achieved structural revenue gains. They include the exemption from the motor vehicle tax (TVM) for public transport operators in 2020, the deferral of tax declarations from April to June 2020, and the acceleration of VAT reimbursement. The VAT reimbursements while accelerated are done contemplating the risk-based framework approved in the Budget Law 2020 (see below).	WB-DPO series (2018-2020) Canada Global Affairs (through PAARIB)

Broadening of tax base	The Budget Law (LdF 2020) approved in December 2019 had the following reforms: To broaden the tax base, the authorities eliminated tax expenditures related to the temporary exemption of the registration fee of one percent on all contracts for goods, services, or work supply (LdF 2020); to improve tax revenues, the Government has increased the excise tax rates on alcoholic beverages, tobacco and energy drinks and adjusted the number of excises, in line with WAEMU regulations; They also simplified the income tax structure, including the alignment of the minimum rates on taxation of profit by corporations, micro businesses; and on personal tax payers undertaking industrial or commercial activities. The transfer pricing framework has been enhanced through the adoption of the legislation in the Budget Law and its related regulatory instruments (in 2020), aligned with OECD best practices. In 2018, the Government created a new Tax Policy Unit (TPU) at the DGI to strengthen evidence-based policy making on fiscal matters. The Tax Policy Unit is now operational. The first nine agents joined the TPU in March 2018, and a Head of Unit was appointed in April. The TPU publishes regular reports on tax policy issues for the DGI and the MEF. The newly-created unit is currently developing a tax reference system (TRS) to better quantify tax expenditures.		WB through DPO series 2019-2020 IMF through Afritac Ouest TA and ECF OECD-WB TA on transfer pricing
Public Investment Management (procurement, PPPs, SOEs, utilities):			
Public finance legal framework reinforcement (2018)	New Public Procurement Code (adopted in 2020)		
Operationalization of institutional framework for perennial public investment programming	New PPP framework (the PPP law was adopted in 2017). To improve the financial viability of the electricity sector, the government started the implementation of the financial recovery plan for the sector over the period 2019-2022, including policies to reduce technical and non-technical losses. The plan has been developed from a financial model integrating all key sector parameters that account for the financial equilibrium of the power sector. The adoption of the plan was critical as the government embarked on the installation of new domestic generation capacity. Since its adoption, it has allowed the Ministry of Energy and the SBEE to identify and implement medium-term measures towards the financial equilibrium of the electricity sector encompassing a sound energy mix and a program for reducing both technical and non-technical losses. Management companies for road projects and electricity sector. In the electricity sector, a	In the context of COVID-19, the authorities put in place a moratorium on electricity suspension for those that could not pay the electricity bill for 3 months (May-June).	MCC (Energy compact) World Bank (IPFs and DPOs)

	private administrator, under a management service contract, was hired to manage the SBEE with the aim of improving efficiency. On November 04, 2019, a Management Service Contract (MSC) was awarded to a Canadian company for the management of SBEE following a competitive bidding process. This reform is crucial to improve the financial sustainability of the company and improve efficiency. It allows to transform the SOE into a more competitive public company. In late 2020, Key Performance Indicators for the SBEE have been adopted through the signing of performance-based contract (PBC). The PBC between the government and SBEE is a policy tool to define commitments to implement an agreed Business Plan, and related Key Performance Indicators (KPI) that aim at reducing technical and commercial losses, create accountability and compliance mechanisms. In January 2020, the Parliament adopted a new Electricity Law (Code de l'electricite) which constituted a major step towards achieving the financial viability of the energy sector and promoting the development of electricity from renewable sources of energy The government is also updating a multi-year master plan for generation, transmission, and distribution.		
Business Framework:			
Regulations and Institutions:			
Reinforcement of Doing Business indicator monitoring	Inter-Ministerial Committee liaising with Private Sector (this is spearheaded by the Minister of Finance) The appointment of the Minister of Economy and Finance as direct supervisor of reforms relating to the improvement of the business climate, in particular those related to the Bank's Doing Business index, accelerated the pace of the reform implementation. Similarly technical teams from the BAI/APIex were reinforced with support from MEF staff.		IFC/WB
Rationalization and simplification of procedures	New Company Act Here the digitalization of tax administration described above. In 2020, the implementation of firms online registry was finalized. The Busines creation process was streamline and digitalized with online procedures and payments (www.mon entreprise.bj) and electronic certificates of creation obtained within 3 hours The delivery of the construction was streamlined and computerized Customs procedures were digitalized (www.guce.bj)		

	The land registry and the property registry process (www.enotaire.andf.bj) were rationalized and digitalized Launch of the country’s electronic collateral registry (www.suretés.tccotonou.bj		
Investment Code authorizations	New Investment Code		
Set up Special Economic Zones (SEZs)	Plan being developed		
Investor protection and dispute resolution:			
Operationalization of new commerce jurisdictions	Commercial courts being strengthened: The commercial courts in Cotonou, Parakou and Abomey are fully operational since July 2017. 40% of their decisions completed in 2019 are significantly contributing to improving contract enforcement in Benin.		
Financing Framework:			
Investment risk mitigation:			
Set up zoning system and electronic recording of property titles	Progress has also been made in the property registering with the improvement of the reliability and transparency of the land administration system by publishing official statistics on land transactions and land disputes for the previous calendar year and started delivering a legally binding document within a specific time frame. The recent cadaster completion for Cotonou, Porto-Novo and Lokossa should contribute to enforcement of property rights. The related data are available online. (https://cadastre.bj/). Benin also improved access to credit information with the recent launching a new credit bureau (2019) and improved its Labor Market Regulation through the amendment of the regulations pertaining to fixed-term contracts (2019).		
Reinforce and diversify financing instruments for SMEs and agricultural firms		A socio-economic response plan to mitigate the impact on businesses, the self-employed and households was also put in place. It supports formal sector companies (CFAF 82 billion or 0.9 percent of GDP) and vulnerable households (CFAF 16 billion or 0.2 percent of GDP). A public guarantee plan and credit lines and refinancing measures were established to foster access to finance for micro, small, and medium enterprises. In an effort to contain fiscal pressures, spending related to these recovery plans are expected to stretch throughout the	Several donors in the context of COVID-19

		2020-2022 period and will be adjusted depending on needs	
Mobilization of private and institutional investments:			
Improve Benin's credit rating with debt restructuring and the support of internationally renowned credit rating agencies	The Policy-Based Guarantee operation supported by the WB had a number of impacts beyond debt reprofiling. First, Benin obtained its first international sovereign credit rating (July 2018), which has since also allowed Benin to access Eurobond financing (March 2019, January 2020) at cheaper rates than the regional market. The PBG-supported transaction introduced a new class of investors to Benin. Second, on the latter, it contributed to increase confidence in Benin's borrowing resulting in lower interest costs for regional borrowing. Third, and contributing to Benin's growth and productivity agenda, the loan freed up domestic resources and increased liquidity for the domestic financial sector, helping to reduce crowding out on the domestic banking sector. There was significant increase in credit growth to the private sector. Finally, it also helped improve the debt management unit's capacity to analyze the debt portfolio and honed their negotiations skills with international banking markets. Interviews with representatives of the Ministry of Finance and the Debt Management unit highlighted the above points	On January 12, Benin raised EUR 1 billion (5.7% of GDP) in Eurobonds, in the first African debt issuance on international markets of the year. Benin issued its Eurobond in two tranches: the first tranche of an 11-year maturity and a yield of 4.875 percent for a total of EUR 700 million (FCFA 459 billion) with a 3-years repayment plan over the period 2030-2032; the second tranche of 31-year maturity and a yield of 6.875 percent for a total of EUR 300 million (FCFA 197 billion). Both tranches were oversubscribed, signaling strong investor confidence in Benin and the search for higher yields in Emerging Markets and Developing Economies (EMDEs). Since the COVID-19 outbreak, Benin is the second West African country to issue on international markets following Côte d'Ivoire's issuance in November 2020, of a EUR 1 billion Eurobond of 12-year maturity for an average yield of 5 percent. The current Eurobond issuance has three objectives: (i) reprofile existing external debt, (ii) finance the 2021 budget and (iii) contribute to the flagship projects of the PAG.	WB
Reinforce access to opportunities offered by multilateral and bilateral institutions in order to reduce non-commercial risks for private and institutional investors			