



MINISTÈRE DE L'ÉCONOMIE
ET DES FINANCES

RÉPUBLIQUE DU BÉNIN



Caisse
Autonome
d'Amortissement



PUBLIC DEBT STATISTICS- BENIN

2020 FIRST QUARTER
MARCH 2020

OUTLINE



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Debt service: Debt payments (amortization and interest) that come to maturity during a certain period.

Debt Sustainability Analysis (DSA): Analysis of a country's capability to finance its policy objectives and service the resulting debt without making excessive adjustments that might otherwise jeopardize its stability.

Debt sustainability: Can be considered guaranteed when a country is able to meet all its current and future debt service obligations without debt relief, rescheduling or accumulation of arrears.

Foreign exchange risk: The risk that the value of an investment or instrument could change due to fluctuations in foreign exchange rates.

Interest rate risk: Vulnerability of costs to rising interest rates, such as when variable rates are reviewed and/or fixed-rate debt must be refinanced. It is also the risk that the value of an investment could change as a result of modification in the absolute level of interest rates, the spread between two rates, the shape of the yield curve or any other interest rate relationship.

New loan commitments: New loan commitments refer to new loan agreements signed by the government during the period under review. Only the amount of these new commitments that is disbursed is taken into account in the determination of the outstanding debt for the period under review.

Outstanding public debt: Amount that has been disbursed but has not yet been repaid or cancelled. In other words, it is the total of effective disbursements less principal repayments.

Refinancing risk: A situation in which the borrower cannot use refinancing tools by borrowing to repay existing debt. Countries and entities with maturing debt which require refinancing are generally exposed to this risk.

Residence: An organisation is considered to be resident in a country if it has an economic interest in the economy of the country. The expression "economic interest" means that the organisation in question performs or intends to perform economic activities in the country either for an unlimited period or for a defined period of at least one year.

ACRONYMS

ADF	: <i>Abu Dhabi Fund</i>
AfDB	: <i>African Development Bank</i>
ADF	: <i>African Development Fund</i>
ABEDA	: <i>Arab Bank for Economic Development in Africa</i>
AED	: <i>Dirham of the United Arab Emirates</i>
BOAD	: <i>West African Development Bank</i>
EBID	: <i>ECOWAS Bank for Investment and Development</i>
EUR	: <i>Euro</i>
EIB	: <i>European Investment Bank</i>
FDA	: <i>French Development Agency</i>
FY	: <i>Fiscal Year</i>
GDP	: <i>Gross Domestic Product</i>
IDA	: <i>International Development Association (World Bank)</i>
IFAD	: <i>International Fund for Agricultural Development</i>
IDB	: <i>Islamic Development Bank</i>
ISFD	: <i>Islamic Solidarity Fund for Development</i>
JPY	: <i>Japanese yen</i>
KFAED	: <i>Kuwait Fund for Arab Economic Development</i>
KWD	: <i>Kuwaiti Dinar</i>
OPEP	: <i>Organization of Petroleum Exporting Countries</i>
GBP	: <i>Pound sterling</i>
SOE	: <i>State Owned Enterprises</i>
SAR	: <i>Saudi Riyal</i>
SFD	: <i>Saudi Development Fund</i>
SDR	: <i>Special Drawing Rights</i>
UA	: <i>Unit of Account</i>
USD	: <i>US Dollar</i>
YRMB	: <i>Yuan renminbi</i>

Highlight events



The 2020 fiscal year represents the beginning of Benin Medium Term Debt Strategy (MTDS) implementation for the period of 2020-2024. Benin has pursued the use of good practices and international standards by keeping as debt management pillars, proactivity in the selection of financings and diversification of its creditors base.

2020-2024 MTDS aims to consolidate the achievements so far and defines new targets for debt portfolio indicators, in line with the Government's macroeconomic and development policy. Indeed, the overall financing strategy adopted aims to cover efficiently the State's financing needs over the 2020-2024 period by selecting financing instruments with the most attractive characteristics including interest rates, maturities and non-volatile currencies. The objective is to reduce the exposure of the debt portfolio to refinancing risk (related to short maturities and high costs), while containing within acceptable limits the exposure to exchange rate risk (due to currencies exchange rate volatility).

Benin will continue its efforts to mobilise concessional and semi-concessional resources from traditional multilateral and bilateral creditors. Considering the scarcity of these resources and the increase in financing needs for development projects, the Government plans to diversify its sources of financing through the use of to international commercial banks and the international financial market in case the conditions are competitive and in line with the ongoing debt strategy.

At the local and regional level, Benin will continue making use of the regional public bonds market and banking groups in order to maintain a good balance and ensure proper management of the risks related to the public debt portfolio.

2020 also marks the beginning of the implementation of the Post DeMPA reform plan for public debt management in Benin. The implementation of this reform plan adopted in October 2019 with the support of the World Bank will enable Benin to

strengthen public debt management and ensure its continued compliance with international standards.

At the global level, the world witnessed the beginning of one of the worst health crises in its contemporary history. The COVID-19 outbreak is expected to impact negatively the global economy. The Government took several measures in order to contain the spread of the virus and limit its impact on Benin social and economic life.

Outstanding debt



The outstanding public debt as of March 31st 2020 stood at **3,857.97 billion CFA Francs**, i.e. **6.92 billion USD** versus **3,476.59 billion CFA Francs** as of December 31st 2019. The evolution of the outstanding debt is mainly driven by new disbursements of funds for the implementation of various structuring projects as well as the issuance of new public bonds on the regional market during the period under review, in line with the regional issuance schedule applied for all WAEMU countries.

It should be emphasized that the change in outstanding debt is mainly due to new financing disbursement induced by the physical progression of development projects and the repayment schedules of existing outstandings. The first quarter of each year is known to have few loan repayments.

The outstanding public debt includes **2,161.84 billion CFA Francs (USD 3.88 billion)** in terms of foreign currency debt and **1,696.13 billion Francs CFA (USD 3.04 billion)** as local currency debt. As of end March, external debt and domestic debt represented respectively 56% and 42% of the public debt portfolio. In fact, the share of the external debt has fallen in favour of the domestic debt share compared to their position as at 31 December 2019 (58% for external debt and 42% for domestic debt), in line with the financing strategy adopted by Benin for the year 2020. External debt is expected to remain below 60% of the portfolio over the period 2020-2024.

The public debt ratio (outstanding debt as a percentage of GDP) stood at **43.92%** as of March 31st 2020. External debt and local debt represents respectively **24.61%** and **19.31%** of GDP. (See Table 1 - page 11). Benin public debt ratio remains significantly below the **70%** threshold set for WAEMU countries under the Convergence Pact. The level of this ratio testifies the prudent public debt management and the headroom available to the country for new financings.

The breakdown of the outstanding debt as of March 31st 2020 with regards to the creditor residency criteria is as follow:

- **Non-resident creditors: 2,975.35 billion CFA Francs** (US\$ 5.34 billion). This amount is composed of the debt denominated in foreign currencies, the debt with BOAD and public bond subscriptions by foreign investors on the regional market (investors living outside Benin geographic territory: banks, insurance companies, intermediation companies and other authorised institutions).

- **Resident creditors: 882.62 billion CFA Francs** (US\$ 1.58 billion). These are subscriptions by banks and other Beninese investors to public bonds issued on the regional market (residents living In Benin: banks, insurance companies, management and intermediation companies and other authorised institutions) and direct State loans from local banks.

Debt denominated in local currency consists mainly of public bonds, which represent **84%** of the outstanding domestic debt as of end March 2020 (See Figure 1 - page 12).

Multilateral donors are the main contributors to the external debt (**56.53%**). The World Bank (**29.01%**) and the African Development Fund (**12.13%**) are Benin main external financial partners. Benin external debt is therefore contracted largely on concessional terms, which allows the country to have control on its financing costs (See Figure 2 - page 12).

Benin public debt portfolio includes only one SOE loan supported by the sovereign guarantee of the country for an initial amount of FCFA **27 billion CFA Francs**. The outstanding balance of this loan as of March 31st 2020 was **21.47 billion CFA Francs**.

As of December 31st 2019, The Euro is **Benin main foreign debt currency (55.16%)** followed by the US dollar (**22.30%**). This structure reflects the Government's strategy

to control and mitigate the exposure of the public debt portfolio to exchange rate risk. (See Figure 2 - page 12).

The **Franc CFA (43.96%)** is the **predominant currency** on the **total public debt portfolio** (See Figure 3 - page 13).

Disbursements



New disbursements on foreign currency loans as of March 31st 2020 stood at **54.81 billion CFA Francs**. This amount is made up of funds mobilised mainly from donors such as: FDA, IDA, EBID, international commercial banks... (See Figure 4 - page 13). Regarding local currency loans, new disbursements stood at **15.43 billion CFA Francs** under the reporting period. This amount includes drawings from local banks and BOAD.

The new disbursements over the first quarter of FY 2020 are induced by the physical progress of the various structuring projects.

Disbursements of loans from non-resident creditors (disbursements of foreign currency loans, BOAD and subscriptions by foreign investors to public bonds) amounted to **182.47 billion CFA Francs**, while disbursements of loans from resident creditors stood at **137.78 billion CFA Francs**. The participation of non-resident investors to public bonds was **122.43 billion CFA Francs**, which is equivalent to **48.97%** of the amount of the issuance on the regional market during the first quarter. This demonstrates the interest of these investors in Benin "risk" and confirms the country's credit worthiness.

During the first quarter of FY 2020, Benin raised **250 billion Francs CFA** through treasury bonds on the regional market (See Figure 5 - page 14). This mobilization on the regional market respects the budgetary authorizations contained in the 2020 Financial Act and the mobilization forecasts for the quarter in line with the regional issuance schedule of the WAEMU countries. Moreover, Benin remains a reference issuer on the regional financial market in terms of subscription coverage rates and average yield on its operations.

Debt servicing



Public debt servicing in the short, medium and long term was insured for an amount of **104.17 billion Francs CFA** as of March 31st 2020. The breakdown is as follows: **33.81 billion CFA Francs** for **foreign currency debt** and **70.36 billion Francs CFA** for **local currency debt**.

Repayments of public bonds amounted to **46.28 billion CFA Francs**, including **24.33 billion CFA Francs** for Treasury bonds and **21.95 billion CFA Francs** for Treasury bills (See Table 2 - page 13).

Debt servicing amounted **60.62 billion Francs CFA** for **non-resident creditors** and **43.55 billion Francs CFA** for **resident creditors**.

New loans commitments



During the period under review, Benin entered into new loan agreements¹ for an amount of **214.30 billion CFA Francs** including **156.42 billion CFA Francs** in foreign currency and **57.88 billion CFA Francs** in local currency (See Tables 3 and 4 - page 14). Part of the funding raised at the international level is intended to finance two flagship projects of the Government Actions Plan, namely (i) the construction of the Abomey-Calavi University Hospital Reference Centre, and (ii) the installation of solar-powered

street lighting as part of the « *Asphaltage* » Project.

The total undisbursed balance on external debt was **1,982.73 billion CFA Francs** as of March 31st 2019, against **2,011.36 billion CFA Francs** as of December 31st 2019. (See Table 8 - page 18).

¹ refer to financing agreements signed by the government during the period under review. Only the amount of these new commitments that is disbursed is taken into account in the determination of the outstanding debt for the period under review.

Debt indicators



Debt indicators at the end of March 2020 reflect Benin control of the public debt level. Overall, the sustainability analysis conducted on a regular basis by the IMF shows that **Benin public debt is sustainable** and that **Benin has a moderate risk of debt distress**.

The **Present Value of Debt as a % of GDP** indicator stands at **37.2%** as at end-March 2020, significantly below the limit

of 55% for the indicator in application of the Debt Sustainability Framework for Low-Income Countries developed by the World Bank and the International Monetary Fund.

Debt cost evaluation

The **Interest payments as a % of GDP** indicator, which measures the pressure that debt interest payments exert on wealth creation in a country, remains low at **1.8%**. Moreover, the **weighted average interest rate** on Benin public debt is **4%**.

Exposure to refinancing risk

The **average maturity** of the public debt portfolio stood at **7.6 years**, a slight improvement in comparison to the level as of December 31st 2019 (**7.5 years**). Benin medium-term debt strategy aims to extend the maturity of the debt portfolio. The **debt to be amortised in one year** represents **11.5%** of total debt (compared to **12%** as of December 31st 2019) and **5%** of GDP. This reflects a reduction in the burden of debt servicing on public finances.

Exposure to interest rate risk

Almost all Benin public debt is at a fixed interest rate (**98%**). This means a very low exposure to interest rate risk.

Exposure to exchange rate risk

The exchange rate risk is under control. Indeed, the Euro (which doesn't fluctuate with the Francs CFA) is Benin main external debt currency. The share of loans exposed to exchange rate risks (loans denominated in currencies other than the Euro as a % of the total) stood at **25.1%** as of March 31st 2020, a significant improvement

compared to the level as of December 31st 2019 (**28.07%**). (See Table 5 - page 15 and Table 6 - page 16).

As of March 31, 2020, the portfolio of public bonds was composed of 54 Treasury bonds. With an outstanding debt of **1,424.70 billion of FCFA francs**, the weighted average yield on the public bonds portfolio was **6.20%** for an average residual maturity of **2.56 years** (See Table 7 - page 18).

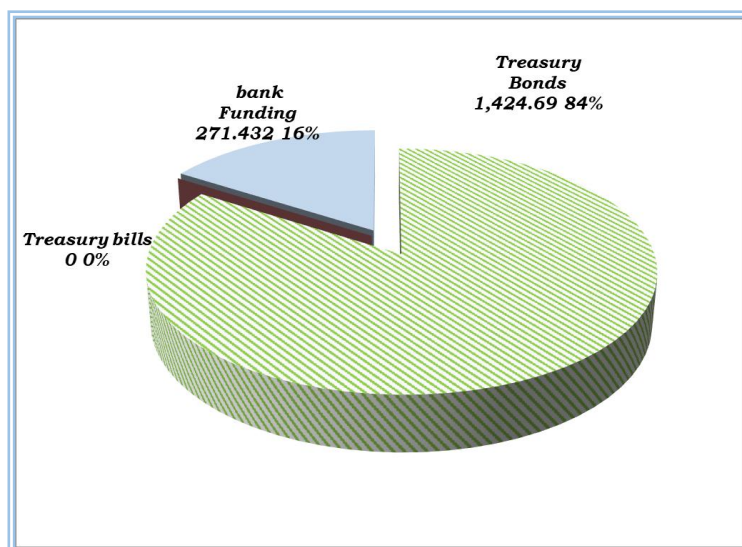
The various indicators presented above show that Benin respects all the debt sustainability criteria both at the sub-regional level (WAEMU standards) and at the international level (IMF, World Bank).

Table 1: Evolution of the outstanding debt (billions of CFA Francs) and the public debt ratios

Sections	2019				2020
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	1 st quarter
Bilateral debt	252.89	263.52	261.22	245.33	259.80
Multilateral debt	1,145.11	1,206.91	1,201.58	1,150.90	1,222.01
Commercial debt	290.08	311.25	283.55	296.47	352.04
Eurobond	327.98	327.98	327.98	327.98	327.98
Outstanding external debt	2,016.06	2,109.66	2,074.33	2,020.68	2,161.84
Treasury bonds	1,256.44	1,289.44	1,261.94	1,190.10	1,424.70
Treasury bills	159.56	169.71	49.45	21.95	0
Local banks	332.20	325.87	348.33	243.87	271.43
Outstanding domestic debt	1,748.20	1,785.02	1,659.72	1,455.91	1,696.13
Outstanding public debt	3,764.26	3,894.68	3,734.05	3,476.59	3,857.97
Debt ratio in foreign currencies	31.81%	24.61	24.75	24.09%	24.61%
Debt ratio in local currency	27.58%	20.82	19.80	17.35%	19.31%
Public debt ratio	59.39%	45.43	44.55	41.44%	43.92%

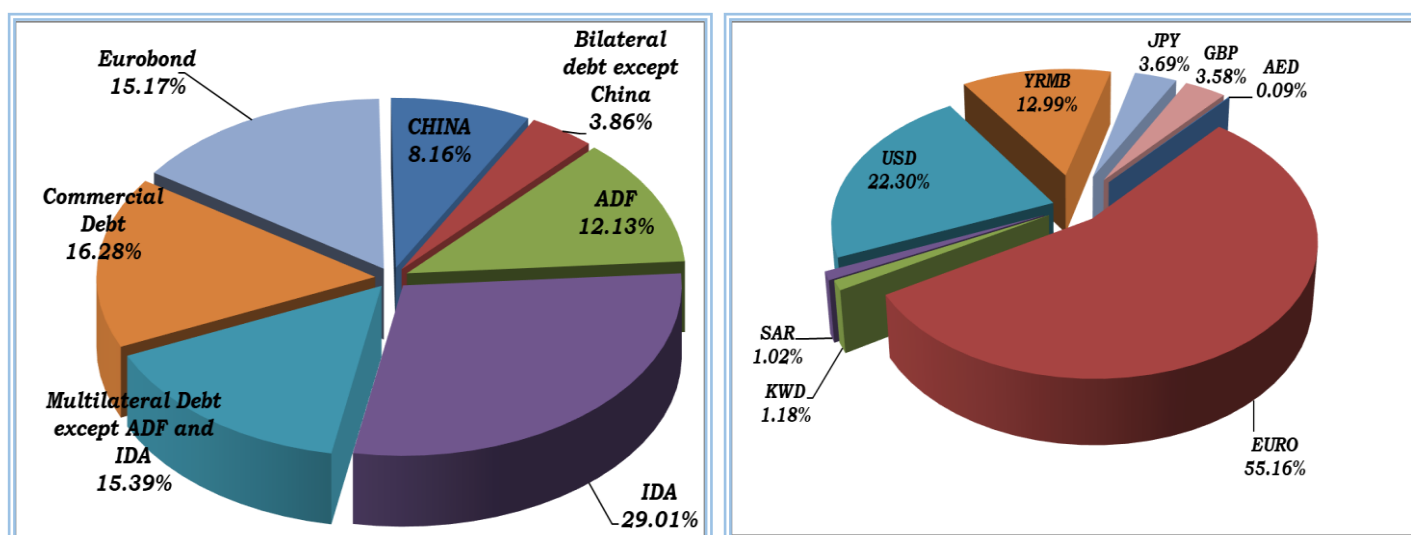
Source : CAA, March 2020

Figure 1: Structure of outstanding debt in local currency (in billions of CFA Francs and in Percentage) as at March 31st 2020



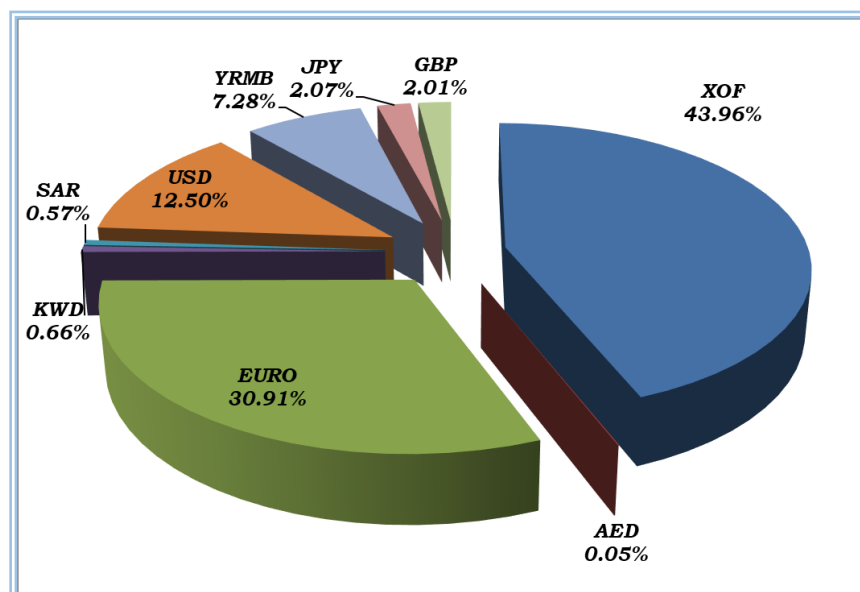
Source : CAA, March 2020

Figure 2: Structure of outstanding debt in foreign currency: by donors and currencies as at March 31st 2020



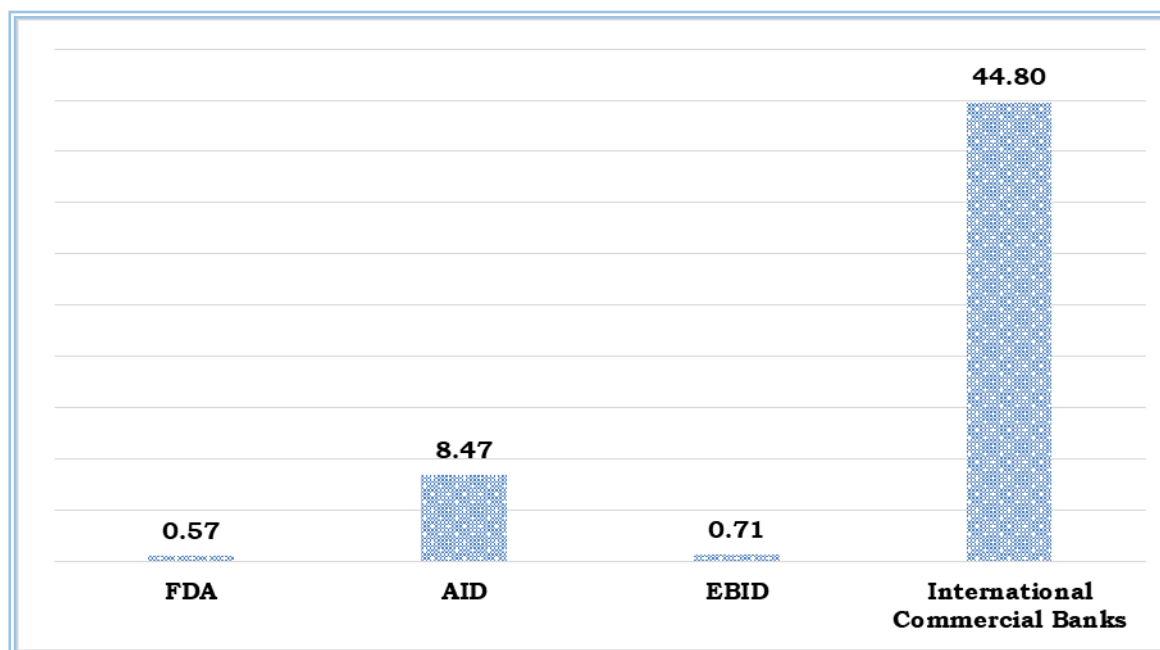
² As the SDR is composed of US dollar (41.73%), Euro (30.93%), Renminbi yuan (10.92%), Yen (8.33%) and GBP (8.09%), it has been broken down into these different currencies.

Figure 3: Structure of outstanding public debt by currency as at March 31^s 2020



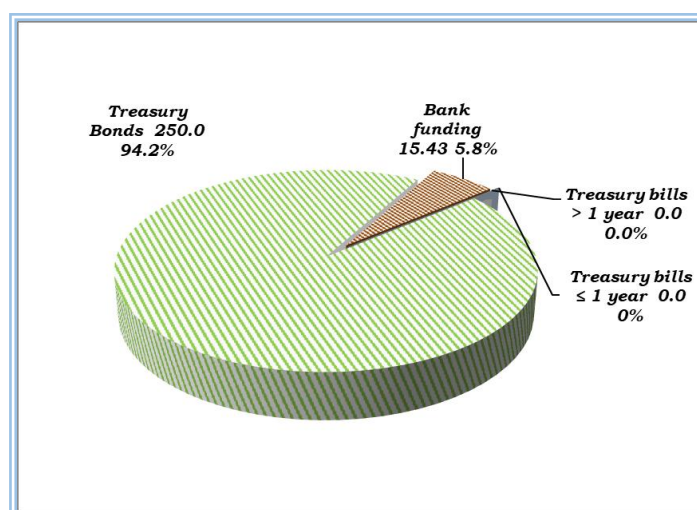
Source : CAA, March 2020

Figure 4: disbursements by lenders in foreign currency as at March 31st 2020 (in billions of Francs CFA)



Source : CAA, March 2020

**Figure 5: Funding raised in local currency as at March 31st 2020
(Billions of CFA Francs and percentage)**



Source: CAA, March 2020

Table 2: Public debt service covered as at March 31st 2020 (billions of CFA Francs)

Creditor Categories	P	I + C	TOTAL
<i>Debt in foreign currencies</i>			
Multilateral debt	3.02	5.00	8.02
Bilateral debt	2.50	1.15	3.64
External debt	1.62	20.53	22.15
Total external debt	7.14	26.68	33.81
<i>Debt in local currency (CFA Francs)</i>			
Public bonds	37.35	8.93	46.28
Local banks	18.01	6.07	24.08
Domestic debt	55.36	15.01	70.36
PUBLIC DEBT	62.49	41.68	104.17

Source: CAA, March 2020

P: Principal; **I:** Interests; **C:** Commissions

Table 3: New commitments as at March 31st 2020 in foreign currencies

Creditors	Amounts (original currency)	Currency	Amount (billion CFA Francs)	Period (year)	Grace period (year)	Interest rates (%)
International Commercial Bank (Project <i>construction of the Abomey-Calavi University Hospital Reference Centre</i>)	175,000,000	EUR	115	11	2.5	4.08
International Commercial Bank (Project <i>installation of solar- powered lamps for street lighting</i>)	20,500,000	EUR	13.5	8.25	1.25	3.01
IDA	9,910,000	EUR	6.50	38	6	0.75%
BIDC	21,100,000	USD	11.77	25	5	2.00%
International Commercial Bank	9,910,000	EUR	6.5	5.67	0.67	4.41%
IDA	4,800,000	EUR	3.15	58.00	6.00	0.75%
Total			156.42			

Source : CAA, March 2020

Table 4: New commitments as at March 31st 2020 in local currency (CFA francs)

Creditors	Amount (billion CFA Francs)	Period (year)	Grace period (year)	Interest rates (%)
Local Banks	26.39	5	2	5.98%
	15.21	8	2	5.95%
	16.28	8	2	5.95%
Total	57.88			

Source : CAA, March 2020

Table 5: Cost and risk indicators of the public debt portfolio at the end of December 2019

		External debt	Domestic debt	Public debt
Nominal debt (in billions of CFA Francs)		2,020.7	1,455.91	3,476.59
Nominal debt (in % of GDP)		24.1	17.4	41.4
debt Present Value (in % of GDP)		17.9	17.4	35.3
Debt Cost	Interest Payment (in % of GDP)	0.5	1.0	1.5
	Weighted average interest rate (%)	2.1	6.1	3.8
Exposure to refinancing risk	Average term to maturity (years) ATM	10.9	2.8	7.5
	Debt to be amortized in one year (in % of public debt)	3.2	24.2	12.0
	Debt amortized in one year (in % of GDP)	0.8	4.2	5.0
Exposure to interest rate risk	Average time to be re-fixed (years) ATR	10.8	2.8	7.4
	Debt to be rescheduled in one year (in % of total)	5.3	24.2	13.3
	Fixed interest rate debt (in % of total)	97.7	100.0	98.7
Exposure to foreign exchange risk	Debt in foreign currency (in term of public debt)			58.1
	Debt in foreign currency excluding Euro (as a % of total)			28.07

Source : CAA, march 2020

Table 6: Cost and risk indicators of Benin public debt portfolio as at March 31st 2020

Cost and risk indicators		External debt	Domestic debt	Public debt
Nominal debt (in billions of CFA Francs)		2,161.8	1,696.1	3,858.97
Nominal debt (in % of GDP)		24.6	19.3	43.9
debt Present Value (in % of GDP)		17.9	19.3	37.2
Debt Cost	Interest Payment (in % of GDP)	0.6	1.2	1.8
	Weighted average interest rate (%)	2.3	6.1	4.0
Exposure to refinancing risk	Average term to maturity (years) ATM	11.2	3.0	7.6
	Debt to be amortized in one year (in % of public debt)	3.3	21.8	11.5
	Debt amortized in one year (in % of GDP)	0.8	4.2	5.0
Exposure to interest rate risk	Average time to be re-fixed (years) ATR	11.1	3.0	7.5
	Debt to be rescheduled in one year (in % of total)	6.6	21.8	13.3
	Fixed interest rate debt (in % of total)	96.4	100.0	98.0
Exposure to foreign exchange risk	Debt in foreign currency (in term of public debt)			56.0
	Debt in foreign currency excluding Euro (as a % of total)			25.1

Source : CAA, March 2020

Figure 6: Public Debt Redemption Profile as at March 31st 2020 (in billions of CFA Francs)

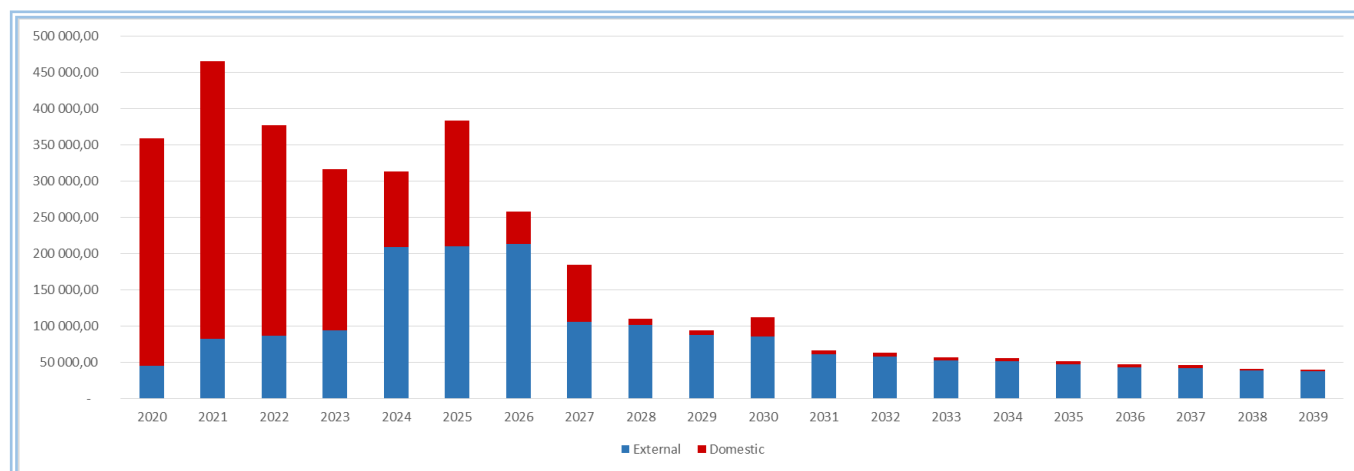


Figure 7: Redemption profile of public bonds as at March 31st 2020 (billions of CFA Francs)

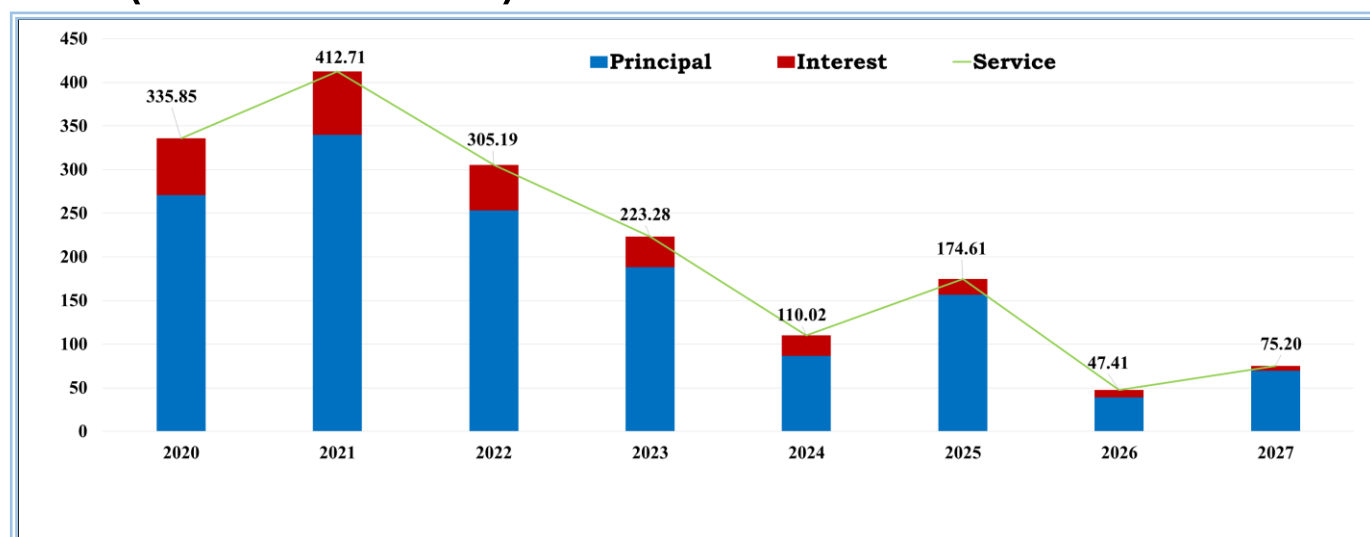


Table 7: Characteristics of the public bonds portfolio as at March 31st 2020

Characteristics	Auction	Syndication	Total
Treasury Bills			
Outstanding (billion CFA Francs)	0	0	0
Active bills	0	0	0
Weighted average rate	0.00%	0	0
Average residual Maturity (years)	0	0	0
Treasury bonds			
Outstanding (billion CFA Francs)	1,190.55	234.14	1,424.70
Active bonds	52	2	54
Weighted average rate	6.14%	6.50%	6.20%
Average residual maturity (years)	2.25	4.12	2.56
Public bonds			
Outstanding (billion CFA Francs)	1,190.55	234.14	1,424.70
Active bonds	52	2	54
Weighted average rate	6.14%	6.50%	6.20%
Average residual maturity (years)	2.25	4.12	2.56

Source: CAA, March 2020

**Table 8: Undisbursed committed balances as at March 31st 2020
for foreign currency debt (in billion CFA Francs)**

	2019				2020
Donnors	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	1 st quarter
Bilateral	752.01	821.40	876.51	894.14	851.39
Multilateral	793.48	945.83	994.53	1117.22	1131.34
TOTAL	1,545.48	1,767.22	1,871.04	2,011.36	1,982.73

Source: CAA, March 2020

PUBLIC DEBT STATISTICS- BENIN

2020 FIRST QUARTER

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