



MINISTRE DE L'ÉCONOMIE
ET DES FINANCES

RÉPUBLIQUE DU BÉNIN



Caisse
Autonome
d'Amortissement



PUBLIC DEBT STATISTICS- BENIN

2020 THIRD QUARTER
OCTOBER 2020



OUTLINE

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Debt service: Debt payments (principal and interest) maturing in a given period.

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

Debt sustainability: is guaranteed when a country is able to meet all its current and future debt services without debt relief, rescheduling or arrears accumulation.

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 related to a rapid increase in interest rates, such as the review of variable rates and/or the refinancing of fixed-rate debt. It is also the risk of change in the value of an investment as a result of fluctuations in the absolute level of interest rates, the spread between two rates or, the shape of the yield curve.

New loan commitments: refer to new loan agreements signed by the Government during the period under review. Only the disbursed amount of these new commitments is considered to determine the outstanding debt for in a given period.

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

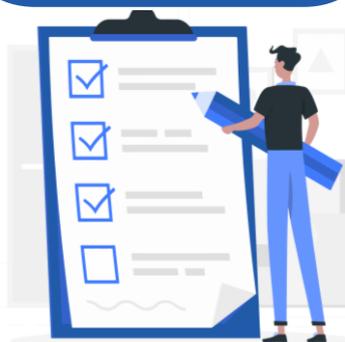
Refinancing risk: refers to the possibility that a borrower would not be able to replace an existing debt obligation with new debt. Countries and entities with debt maturing which require refinancing are usually vulnerable to this risk.

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 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

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

Highlights



The World Bank updated in July 2020, its countries classification by income. Countries performance based on gross national income, is assessed under a four categories scale: *low-income countries*, *lower-middle-income countries*, *upper-middle-income countries* and *high-income countries*. For the first time of its history, **Benin moved up from the low-income category to the lower middle-income category**,

and join African emerging countries such as Côte d'Ivoire, Senegal and Morocco. This upgrade confirms the pace of growth boosted recently by the economic reforms of the Government. The upgrade in Benin's rating is also driven by the increase of the gross national income, which has risen from US\$870 to US\$1,250. ¹

The rating agency Standards and Poor's (S&P) conducted in October 2020, a second assessment of Benin's economic and financial state. Benin maintains once again its "B+ stable outlook" rating, reaffirming the resilience of the national economy to external shocks and the sound management of the COVID-19 crisis, while several African countries ratings have been downgraded. Benin's credit risk perception on the financial markets is thereby improved.

Outstanding debt



Benin's outstanding public debt as of September 30th 2020 stood at **4,290.43 billion CFA Francs** i.e. **7.69 billion USD** against **4,251.44 billion CFA Francs** as of June 30th 2020. The outstanding public debt includes **2,293.44 billion CFA Francs (USD 4.11 billion)** in terms of foreign currency debt and **1,996.99 billion Francs CFA (USD 3.58 billion)** as local currency debt. As of September 30th 2020, the external and the domestic

debts represent respectively 53% and 47% of Benin's public debt. The external debt has decreased compared to the previous year (58% for external debt and 42% for domestic debt as of December 31st 2019), in line with the financing strategy adopted by Benin for the FY 2020.

¹ <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>

The public debt ratio (outstanding debt as a percentage of GDP) stood at **48.54%** as of September 30th 2020. External and domestic debts represent respectively **25.95%** and **22.59%** of GDP. (Table 1 - page 10). Benin's public debt ratio remains significantly below the **70%** threshold set for WAEMU countries, reflecting the prudent debt management and the headroom available for the financing of new development projects. The public debt ratio is expected to fall around **46%** by December 2020.

Furthermore, the level of the debt ratio as of September 2020 is especially driven by:

- disbursements, which were faster than debt servicing during the period under review (due to the progress of the different projects under implementation),
- changes in the macroeconomic framework.

As of September 30th 2020, Benin's public debt owed to **Non-resident creditors** was **3,314.93 billion CFA Francs** (US\$ 5.95 billion)², and **975.49 billion CFA Francs** (US\$ 1.75 billion) for **Resident creditors**.³

Domestic debt consists mainly of public bonds (**84.86%** of its outstanding as of September 2020, *Figure 1 - page 11*) and funding from local banks (**15.14%**).

The external debt is structured as follow:

- multilateral debt represents the most significant part (**56.24%**). The World Bank (**27.04%**) and the African Development Fund (**10.82%**) are Benin main external partners;
- bilateral debt represents **11.48%** of the external debt;
- international commercial banks and the Eurobond 2026 stand for **32.29%** of the external debt.

Benin's external debt is highly concessional due to the predominance of multilateral debt. (Figure 2 - page 11).

As of September 30th 2020, the Euro remained **Benin's main foreign debt currency** (**57.37%**), followed by the US dollar (**21.51%**). This structure reflects the

² (i) debt denominated in foreign currencies, (ii) debt contracted through WADB and (iii) subscriptions of foreign investors to Benin's bonds issuance on the regional market (investors living outside Benin economic territory: banks, insurance companies, brokerage companies and other registered institutions).

³ Subscriptions by banks and other Beninese investors to public bonds issued on the regional market (residents living in Benin: banks, insurance companies, brokerage companies, and other registered institutions) and direct State loans from local banks.

Government's strategy to control and mitigate the exposure of the public debt portfolio to exchange rate risk. (Figure 2 - page 11).

The **Franc CFA (46.55%)** is the **predominant currency** over the public debt portfolio (Figure 3 - page 12).

Contingent liabilities



➤ Sovereign guarantee

Benin's public debt portfolio includes only one sovereign guaranteed loan (entirely disbursed) of **27 billion CFA Francs**. The outstanding balance of this loan as of September 30th 2020 was **18.91 billion CFA Francs**.

➤ Non-guaranteed State-Owned Enterprises' debt:

SOE's portfolio is composed of thirteen (13) enterprises for an outstanding debt of **39.28 billion CFA Francs** as of

December 2019 (table 2, page 13).

➤ Management of risks stemming from contingent liabilities:

The sovereign guaranteed loan represents **0.95%** and **0.21%** respectively of domestic debt and GDP as of September 2020 and is included in the debt portfolio for monitoring purpose. In addition, the SOE which benefits from the guarantee respects the debt service payment on each maturity date.

SOEs' debt represents **0.45%** of GDP and is included in Benin's debt sustainability analysis (shock scenarios of contingent liabilities). In addition, SOEs' debt is jointly monitored by Benin's *Debt Management Agency and Department in charge of SOE*.

As a conclusion, the sovereign guaranteed loan and SOEs' debt do not represent major fiscal risk factors for public finances.

Disbursements



Disbursements on external resources as of September 30th 2020 stood at **171.75 billion CFA Francs (114.85 billion CFA Francs** by June 2020) and is composed of funds mobilised from Benin's main financial partners : FDA, IDA, EBID, international commercial banks ... (Figure 4 - page 12).

Concerning domestic resources, new disbursements (from local banks and WADB) reached **64.87 billion CFA Francs**.

Disbursements as of September 30th 2020 stood at **698.57 billion CFA Francs** for loans financed by non-resident creditors⁴ and **339.68 billion CFA Francs** for resident creditors. Non-resident investors contributed to **58.99% (472.91 billion CFA Francs)** of Benin's issuance on the regional market of public bonds, reflecting their interest and Benin's creditworthiness.

Benin raised **801.62 billion CFA Francs** on the regional market of public bonds, composed of **526.58 billion CFA Francs** of treasury bonds and **275.04 billion CFA Francs** of treasury bills. **535.62 billion CFA Francs** of public bonds issuance (composed of **526.58 billion CFA Francs** in treasury bonds and **9.04 billion CFA Francs** in treasury bills, Figure 5 - page 13) financed the 2020 budget. The short-term bonds (to be repaid within the year, raised through the initiative "COVID BONDS" of the BCEAO and WAMU public bonds Agency) stood at **266 billion CFA Francs**.

Benin remains an issuer of reference on the regional financial market in terms of subscription coverage rates and average yield on its operations.

Debt servicing



Public debt servicing stood at **537.47 billion Francs CFA** as of September 30th 2020, broken down as follow: **98.16 billion CFA Francs** for **external debt** and **439.29 billion Francs CFA** for **domestic debt**.

Repayments of public bonds stood at **379.20 billion CFA Francs**, including **162.47 billion CFA Francs** for Treasury bonds and **216.73 billion CFA Francs** for Treasury bills (Table 2 - page 13).

Repayment to non-resident creditors was **301.92 billion CFA Francs**, and **235.53 billion CFA Francs** for resident creditors.

⁴ disbursements of foreign currency loans, WADB and subscriptions of foreign investors to public bonds

New loans commitments



Benin signed new loan agreements⁵ for an amount of **838.55 billion CFA Francs** including **558.01 billion CFA Francs** in foreign currency and **280.54 billion CFA Francs** in local currency (Table 3 page 14 and Table 4 - page 15). These funds are intended to finance the implementation of various projects in the domains of water access and sanitation, infrastructure development, education, energy, health etc.

The total undisbursed balance on the external debt stood at **2,391.61 billion CFA Francs** as of September 30th 2020 against **2,222.91 billion CFA Francs** as of June 30th 2020.

Debt indicators



Debt indicators at of September 2020 reflect Benin's consistently sound public debt management. The debt indicators forecasted by December 2020 are expected to remain below their respective thresholds.

Debt sustainability

The different Debt Sustainability Analyses conducted jointly with the IMF staff in 2020 show that **Benin's public debt remains sustainable** and that **Benin has an overall moderate risk of debt distress**. This demonstrates the strong resilience of Benin's economy strengthened by recent economic and structural reforms.

Public Debt Stock Indicators

The **Present Value of Debt as a % of GDP** indicator stood at **42.24%** as of September 2020 (against **41.8%** for June 2020), significantly below the limit of 55% for this indicator in line with the Debt Sustainability Framework. The public debt ratio reached **48.54%**, significantly below the Community threshold of **70%**. This ratio is expected to fall around **46%** at the end of 2020, in line with the level of debt servicing and disbursements forecasted by December 2020.

⁵ refer to financing agreements signed by the Government during the period under review. Only the amount of these new commitments that are disbursed is considered in the determination of the outstanding debt for the period under review.

Debt cost evaluation

The **Interest payments as a % of GDP** indicator, which measures the burden of debt interest payments on economic growth, remains low and is stabilised at **1.86%**. Moreover, the **weighted average interest rate** of Benin public debt stood at **4.01%** as of September 2020.

Exposure to refinancing risk

The **average maturity** of the public debt portfolio is **6.92 years**. Benin's medium-term debt strategy aims to extend the maturity of the debt portfolio. The **debt due in one year** represents **15.38%** of total debt and **7.45%** of GDP.

Exposure to interest rate risk

Almost the entire public debt portfolio is at fixed interest rates (**98.5%**). This means a very low exposure to interest rate risk. The **average time to be refixed** indicator⁶ was **6.85 years** as of September 2020.

Exposure to exchange rate risk

Benin's external debt is largely contracted in Euro which does not fluctuate with the CFA franc. The share of loans exposed to exchange rate risks (loans denominated in currencies except the Euro as a % of the total) stood at **22.79%**, **showing a gradual decline** since the end of 2019 (**23.28%** as of June 30th 2020, **25.1%** by the end of March 31st 2020, **28.07%** by December 31st 2019). (Table 5 - page 16 and Table 6 - page 17).

As of September 30th, 2020, the public bonds portfolio was composed of 62 bonds (60 treasury bonds and 2 treasury bills). With an outstanding debt of **1,694.65 billion of CFA francs**, the weighted average yield on public bonds was **5.88%** for an average residual maturity of **3.34 years** (Table 7 - page 18).

The different 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 and World Bank standards).

⁶ Represents the average time remaining before a potential review of the interest rates of the debt portfolio instruments (variable-rate debt and monitoring of the refinancing risk of fixed-rate debt)

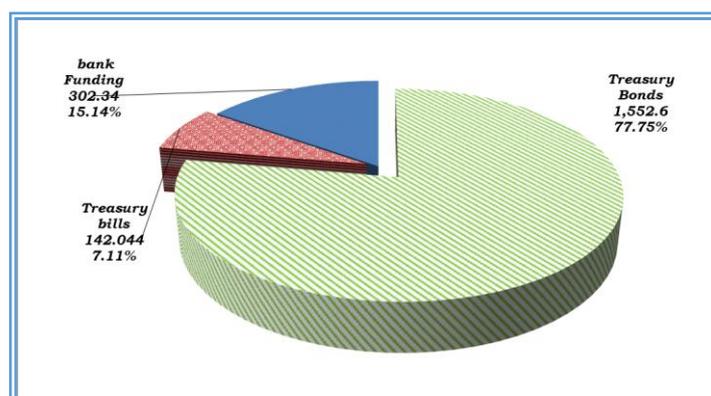
PUBLIC DEBT INDICATORS AND STATISTICS

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	2 nd quarter	3 rd quarter
Bilateral debt	252.89	263.52	261.22	245.33	259.80	281.13	263.22
Multilateral debt	1,145.11	1,206.91	1,201.58	1,150.90	1,222.01	1,258.28	1,289.77
Commercial debt	290.08	311.25	283.55	296.47	352.04	395.93	412.47
Eurobond	327.98	327.98	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	2,263.32	2,293.44
Treasury bonds	1,256.44	1,289.44	1,261.94	1,190.10	1,424.70	1,529.31	1,552.60
Treasury bills	159.56	169.71	49.45	21.95	0	142.04	142.04
Local banks	332.20	325.87	348.33	243.87	271.43	316.77	302.34
Outstanding domestic debt	1,748.20	1,785.02	1,659.72	1,455.91	1,696.13	1,988.12	1,996.99
Outstanding public debt	3,764.26	3,894.68	3,734.05	3,476.59	3,857.97	4,251.44	4,290.43
Debt ratio in foreign currencies	31.81%	24.61	24.75	24.09%	24.61%	25.77%	25.95%
Debt ratio in local currency	27.58%	20.82	19.80	17.35%	19.31%	22.63%	22.59%
Public debt ratio	59.39%	45.43	44.55	41.44%	43.92%	48.40%	48.54%

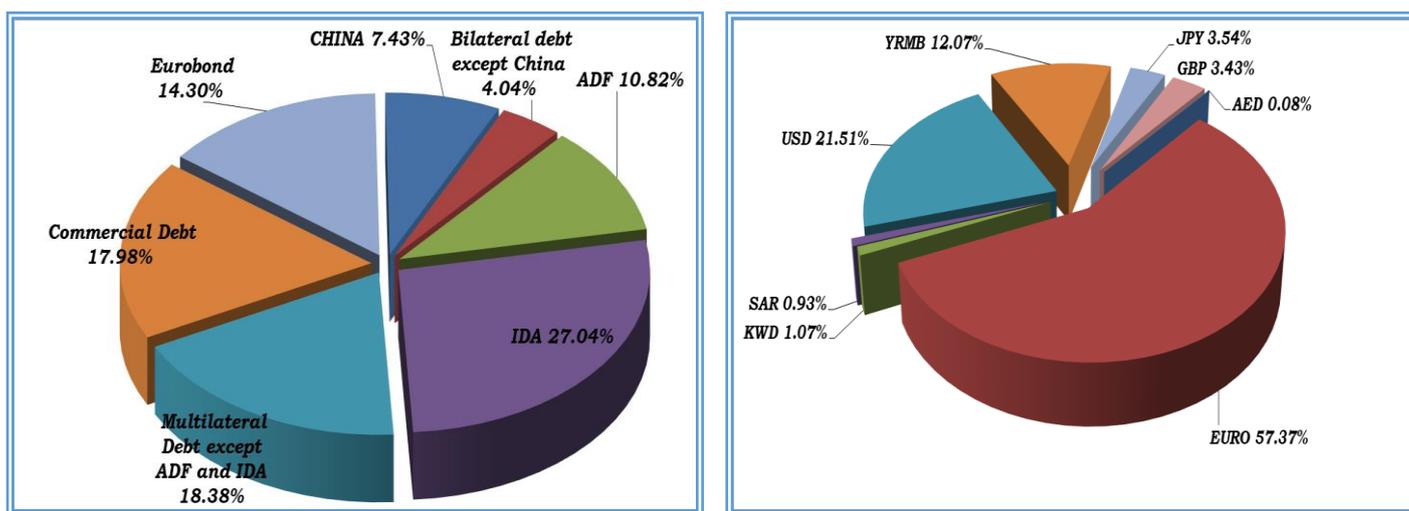
Source : CAA, October 2020

Figure 1: Structure of the outstanding debt in local currency (in billions of CFA Francs and in Percentage) as of September 30th 2020



Source : CAA, October 2020

Figure 2: Structure of the outstanding debt in foreign currency: by donor and currency as of September 30th 2020

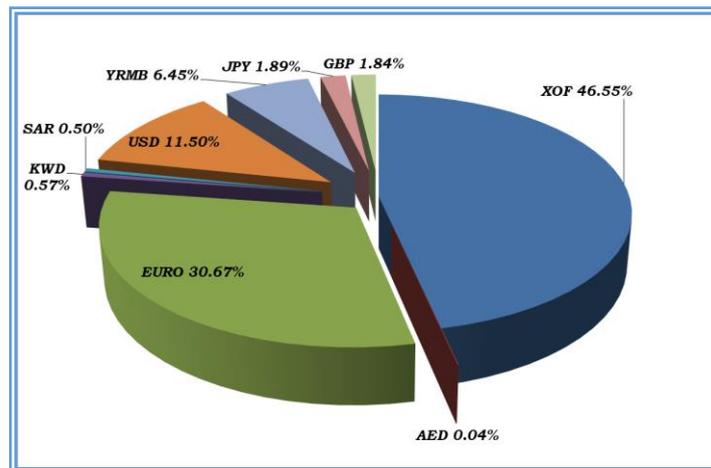


Source : CAA, October 2020

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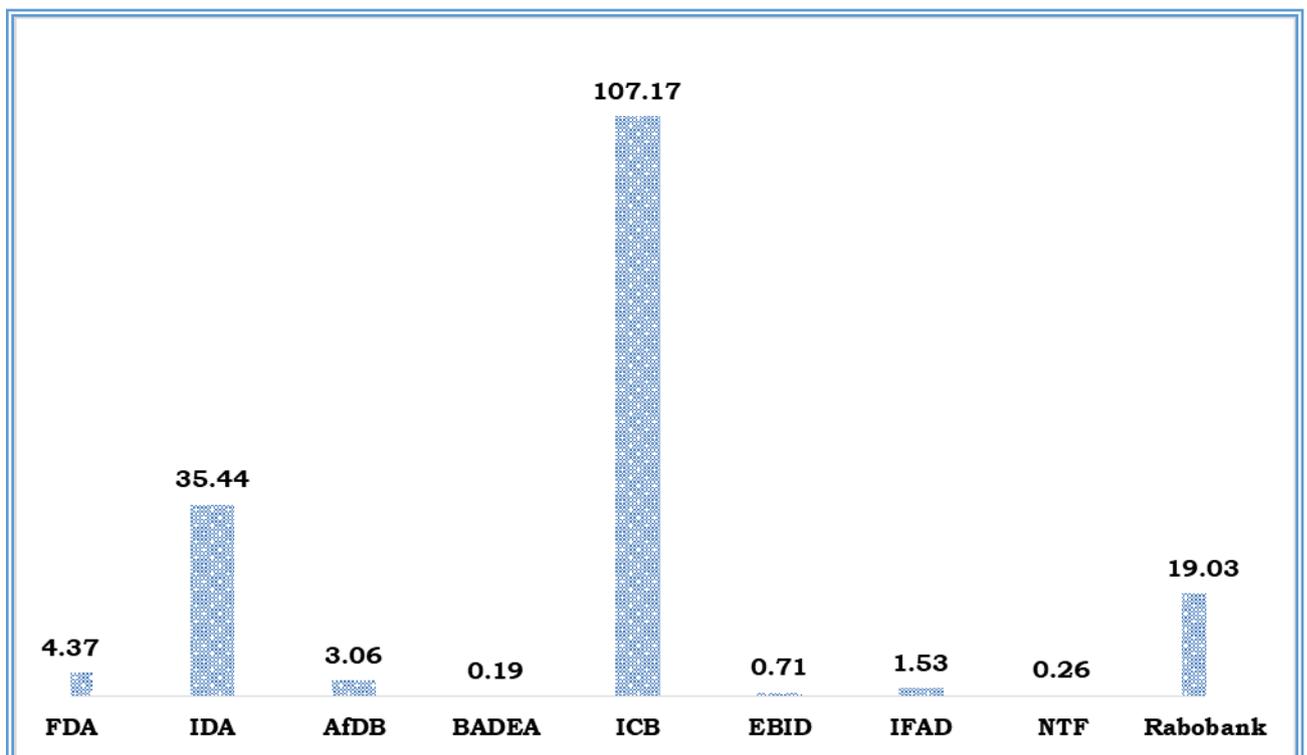
⁷ As the SDR is composed of US dollar (41.73%), Euro (30.93%), Renminbi yuan (10.92%), Yen (8.33%) and GBP (8.09%), it has been broken down into these different currencies.

Figure 3: Structure of the outstanding public debt by currency as of September 30th 2020



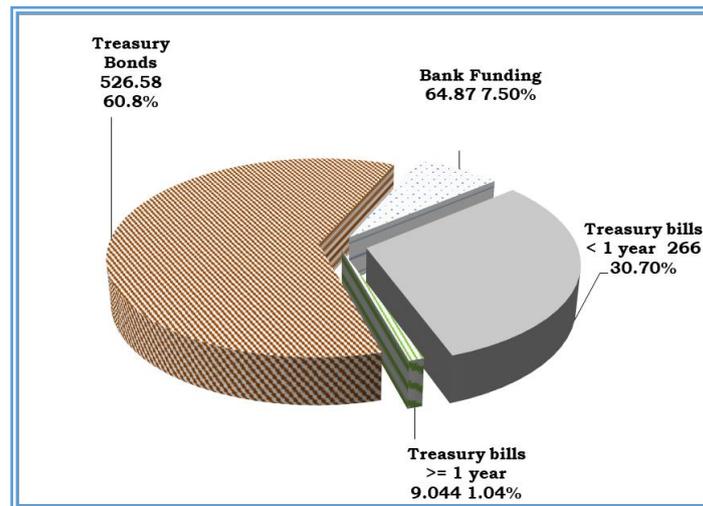
Source : CAA, October 2020

Figure 4: Disbursements by lender in foreign currency as of September 30th 2020 (in billions of Francs CFA)



Source : CAA, October 2020

Figure 5: Funding raised in local currency as of September 30th 2020 (in billions of CFA Francs and percentage)



Source: CAA, October 2020

Table 2: Trend of State-Owned Enterprises Outstanding debt over the 2017-2019 period (in billions of FCFA)

	2017	2018	2019
SOE outstanding debt	55.25	49.93	39.28

Source : CAA, October 2020

Table 3: Public debt servicing as of September 30th 2020 (in billions of CFA Francs)

Creditor Categories	P	I + C	TOTAL
<i>Debt in foreign currencies</i>			
Multilateral debt	14.84	9.68	24.53
Bilateral debt	4.95	4.93	9.89
Commercial debt	13.99	49.76	63.75
Total external debt	33.78	64.38	98.16
<i>Debt in local currency (CFA Francs)</i>			
Public bonds	315.52	63.69	379.20
Local banks	46.36	13.73	60.09
Domestic debt	361.88	77.41	439.29
PUBLIC DEBT	395.66	141.79	537.46

Source: CAA, October 2020

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

Table 4: New commitments as of September 30th 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	1,900,000	EUR	1.25	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%
FDA	40,000,000	EUR	26.24	20	5	0.25
International Commercial Bank	106,183,440	EUR	69.65	12	2	0.42
International Commercial Bank	41,685,156	EUR	27.34	7	2	3.95
IDA	5,200,000	USD	2.90	38	6	0.75
FDA	10,000,000	EUR	6.56	20	5	0.75
IDA	18,300,000	EUR	12.00	38	6	0
IDA	27,300,000	EUR	17.91	38	6	0.75
IDA	146,200,000	EUR	95.90	35	5	variable
BADEA	20,000,000	USD	11.15	26	6	1.25
BADEA	30,000,000	USD	16.73	20	5	2.5
KFW	10,000,000	EUR	6.56	38	6	0.75
Bank of China Limited	167,370,000	EUR	109.79	13	2	Variable
FAD	5,100,000	UC	4.11	40	5	0.75
Total			558.01			

Source : CAA, October 2020

Table 5: New commitments as of September 30th 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%
	14.17	8	2	6%
	8.40	6	1	5.75%
	27.34	6	1	5.50%
	18.03	6	1	5.50%
	3.00	8	2	5.75%
	15	18	5	2.75%
	20	12	3	5.68%
	116.73	8	2	6.75%
Total	280.54			

Source : CAA, October 2020

Table 6: Cost and risk indicators of the public debt portfolio at the end of June 2020

Cost and risk indicators		External debt	Domestic debt	Public debt
Nominal debt (in billions of CFA Francs)		2,263.32	1,988.12	4,251.44
Nominal debt (in % of GDP)		25.77	22.63	48.40
debt Present Value (in % of GDP)		19.17	22.63	41.80
Debt Cost	Interest Payment (in % of GDP)	0.5	1.3	1.8
	Weighted average interest rate (%)	2.1	6	3.9
Exposure to refinancing risk	Average term to maturity (years) ATM	11.0	2.9	7.2
	Debt to be amortized in one year (in % of public debt)	3.3	26.4	14.1
	Debt amortized in one year (in % of GDP)	0.8	6	6.8
Exposure to interest rate risk	Average time to be re-fixed (years) ATR	10.9	2.9	7.1
	Debt to be rescheduled in one year (in % of total)	6.6	26.4	15.9
	Fixed interest rate debt (in % of total)	96.3	100	98.1
Exposure to foreign exchange risk	Debt in foreign currency (in term of public debt)			53.2
	Debt in foreign currency excluding Euro (as a % of total)			23.3

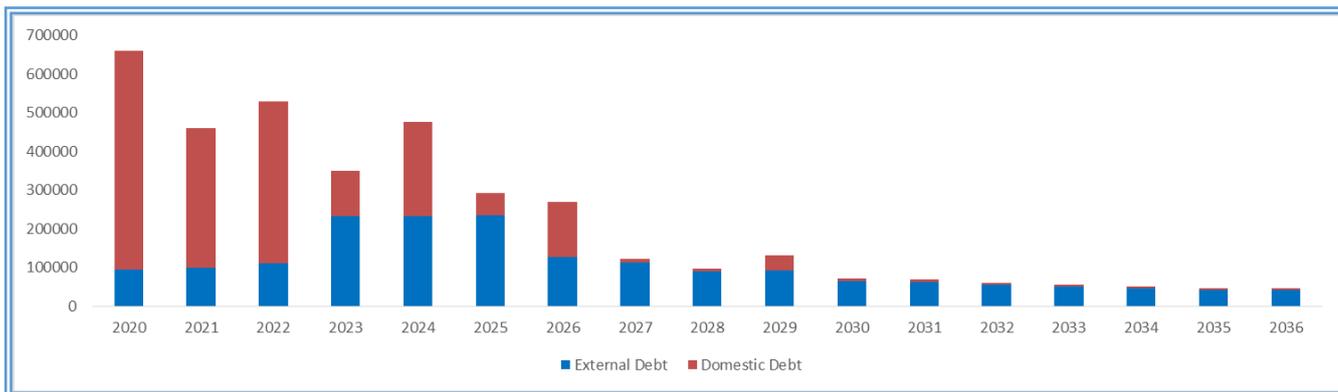
Source : CAA, July 2020

Table 7: Cost and risk indicators of Benin public debt portfolio as of September 2020

Cost and risk indicators		External debt	Domestic debt	Public debt
Nominal debt (in billions of CFA Francs)		2,293.44	1,996.99	4,290.42
Nominal debt (in % of GDP)		25.95	22.59	48.54
debt Present Value (in % of GDP)		19.65	22.59	42.24
Debt Cost	Interest Payment (in % of GDP)	0.61	1.26	1.86
	Weighted average interest rate (%)	2.33	5.94	4.01
Exposure to refinancing risk	Average term to maturity (years) ATM	10.47	2.86	6.92
	Debt to be amortized in one year (in % of public debt)	4.18	28.20	15.38
	Debt amortized in one year (in % of GDP)	1.08	6.37	7.45
Exposure to interest rate risk	Average time to be re-fixed (years) ATR	10.35	2.86	6.85
	Debt to be rescheduled in one year (in % of total)	6.70	28.20	16.73
	Fixed interest rate debt (in % of total)	97.18	100.00	98.50
Exposure to foreign exchange risk	Debt in foreign currency (in term of public debt)			53.45
	Debt in foreign currency excluding Euro (as a % of total)			22.79

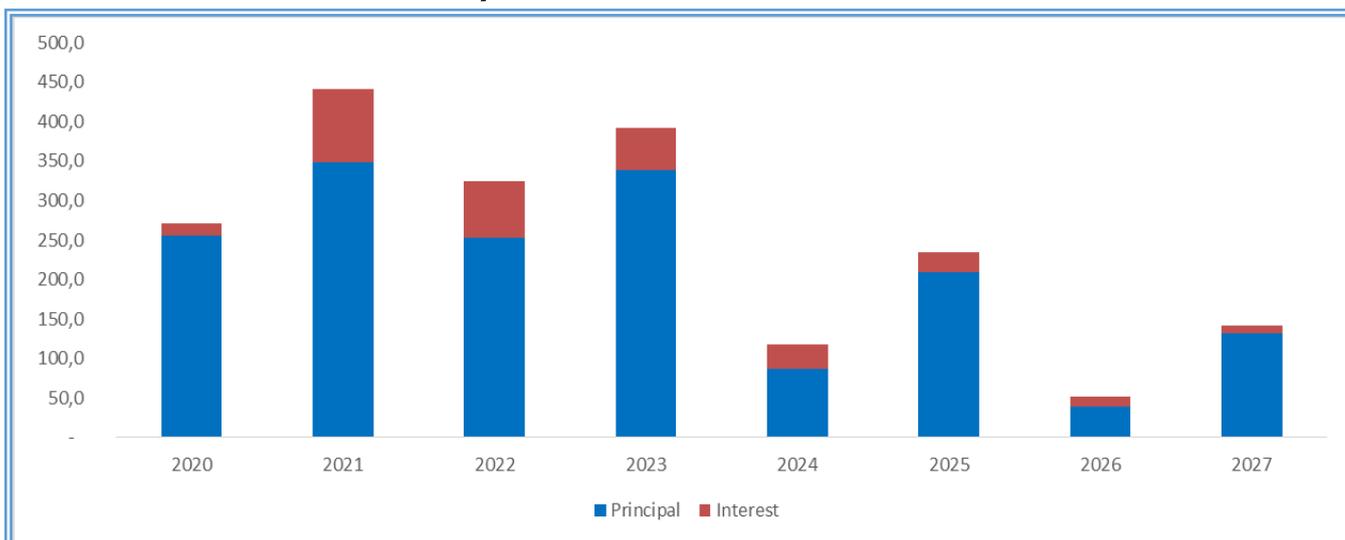
Source : CAA, October 2020

**Figure 6: Public Debt Redemption Profile as of September 2020
(in billions of CFA Francs)**



Source : CAA, October 2020

Figure 7: Redemption profile of public bonds as of September 2020 (in billions of CFA Francs)



Source : CAA, October 2020

Table 8: Characteristics of the public bonds portfolio as of September 30th 2020

Characteristics	Auction	Syndication	Total
Treasury Bills			
Outstanding (billion CFA Francs)	142.04	0	142.04
Active bills	2	0	2
Weighted average rate	2.39%	0	2.39%
Average residual Maturity (years)	0.81	0	0.81
Treasury bonds			
Outstanding (billion CFA Francs)	1,318.46	234.14	1,552.60
Active bonds	58	2	60
Weighted average rate	6.15%	6.50%	6.20%
Average residual maturity (years)	3.39	4.62	3.57
Public bonds			
Outstanding (billion CFA Francs)	1,460.50	234.14	1,694.65
Active bonds	60	2	62
Weighted average rate	5.78%	6.50%	5.88%
Average residual maturity (years)	3.14	4.62	3.34

Source: CAA, October 2020

Table 9: Undisbursed committed balances as of September 30th 2020 for foreign currency debt (in billions of CFA Francs)

Donnors	2019				2020		
	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	1 st quarter	2 nd quarter	3 rd quarter
Bilateral	752.01	821.40	876.51	894.14	851.39	949.89	1,238.36
Multilateral	793.48	945.83	994.53	1,117.22	1,131.34	1,273.02	1,153.25
TOTAL	1,545.48	1,767.22	1,871.04	2,011.36	1,982.73	2,222.91	2,391.61

Source: CAA, October 2020

PUBLIC DEBT STATISTICS- BENIN

2020 THIRD QUARTER

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