IMPORTANT

You must read the following before continuing. The following applies to the Prospectus following this page, and you are therefore required to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THIS PROSPECTUS MAY ONLY BE DISTRIBUTED OUTSIDE THE UNITED STATES AND WITHIN THE UNITED STATES TO "QUALIFIED INSTITUTIONAL BUYERS" (QIBs) AS DEFINED IN AND PURSUANT TO RULE 144A OF THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT) (RULE 144A). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED IN THE ATTACHED DOCUMENT.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT TO QIBs PURSUANT TO RULE 144A.

Confirmation of your Representation: In order to be eligible to view this Prospectus or make an investment decision with respect to the securities, you must be a person who is outside the United States unless you are a QIB in the United States. By accepting the email and accessing this Prospectus, you shall be deemed to have represented to the Republic of Benin, Citigroup Global Markets Limited, Natixis and Société Générale that you and any customers you represent, unless you are QIBs, are not in the United States; the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the U.S., its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any State of the United States or the District of Columbia unless you are a QIB in the United States; and that you consent to delivery of such Prospectus by electronic transmission.

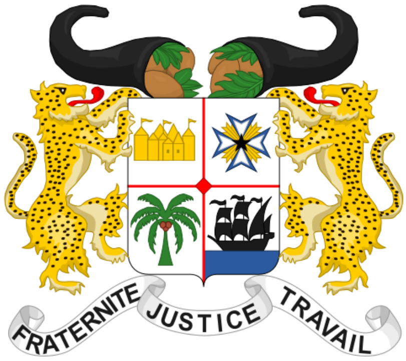
You are reminded that this Prospectus has been delivered to you on the basis that you are a person into whose possession this Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver this Prospectus to any other person.

Any materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the potential offering be made by a licensed broker or dealer and any underwriter or any affiliate of any underwriter is a licensed broker or dealer in that jurisdiction, any offering shall be deemed to be made by the underwriter or such affiliate on behalf of the Republic of Benin in such jurisdiction.

This Prospectus is being distributed only to and directed only at (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **Order**) ; (iii) persons falling within Article 49(2)(a) to (d) of the Order or (iv) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as **relevant persons**). This Prospectus is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Republic of Benin, Citigroup Global Markets Limited, Natixis, Société Générale, any person who controls any such persons, or any of their respective directors, officers, employees, agents or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from Citigroup Global Markets Limited, Natixis or Société Générale.

NOT FOR GENERAL CIRCULATION IN THE UNITED STATES



THE REPUBLIC OF BENIN

EUR500,000,000 5.750% AMORTISING NOTES DUE 2026

ISSUE PRICE: 98.774%

The EUR500,000,000 5.750% Amortising Notes due 2026 (the **Notes**) are issued by the Republic of Benin (the **Republic** or **Benin**). The Notes will bear interest on their outstanding principal amount from time to time. Interest on the Notes will be paid on 26 March in each year. The first payment of interest will be made on 26 March 2020 for the period from and including 26 March 2019 to but excluding 26 March 2020. The Notes will, unless previously redeemed or cancelled, be redeemed in three instalments of EUR166,666,666.66 on 26 March 2024, EUR166,666,666.67 on 26 March 2025 and EUR166,666,666.67 on 26 March 2026. See "*Conditions of the Notes — 7. Redemption and Purchase*". The Notes initially will be sold to investors at a price equal to 98.774% of the principal amount thereof. For a more detailed description of the Notes, see "*Conditions of the Notes*" beginning on page 22.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the Securities Act) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, the Notes are being offered, sold or delivered: (a) in the United States only to qualified institutional buyers (*QIBs*) (as defined in Rule 144A (*Rule 144A*) under the Securities Act) in reliance on, and in compliance with, Rule 144A; and (b) outside the United States in reliance on Regulation S (*Regulation S*) under the Securities Act. Each purchaser of the Notes will be deemed to have made the representations described in "*Plan of Distribution*" and is hereby notified that the offer and sale of Notes to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A or Regulation S.

The Notes have not been and will not be registered under the regulations of the West African Economic and Monetary Union (the *Union Economique et Monétaire Ouest Africaine* or **WAEMU**) or Beninese financial regulations. Unless they are registered and authorised by the financial regulators of the WAEMU and Benin, the Notes cannot be issued, offered or sold in these jurisdictions.

This prospectus (the **Prospectus**) has been approved by the Central Bank of Ireland, as competent authority under the Prospectus Directive. For the purposes of this Prospectus, the expression **Prospectus Directive** means Directive 2003/71/EC (as amended, including by the Directive 2010/73/EU), and includes any relevant implementing measures in a relevant Member State of the European Economic Area). The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to Notes that are to be admitted to trading on the regulated market (the **regulated market of Euronext Dublin**) of the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) or on another regulated market for the purposes of Directive 2014/65/EU (as amended, **MiFID II**) or that are to be offered to the public in any member state of the European Economic Area (**EU Member States**). Application has been made to Euronext Dublin for the Notes to be admitted to the Official List (the **Official List**) and trading on its regulated market. This Prospectus constitutes a prospectus for the purpose of the Prospectus (Directive 2003/71/EC) Regulations 2005 (the **Prospectus Regulations**) (which implement the Prospectus Directive in Ireland). Reference in this Prospectus to being listed (and all date references) shall mean that the Notes have been admitted to trading on the regulated market of Euronext Dublin.

The Notes are expected to be rated on issuance B by Fitch Ratings Ltd. (**Fitch**) and B+ by Standard & Poor's Credit Market Services Europe Limited (**Standard & Poor's**). Each of Fitch and Standard & Poor's is established in the European Union and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such each of Fitch and Standard & Poor's is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) in accordance with the CRA Regulation. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

The Notes will initially be represented by two global certificates in registered form (the **Global Certificates**), one of which will be issued in respect of the Notes offered and sold in reliance on Rule 144A (the **Restricted Global Certificate**) and the other of which will be issued in respect of the Notes offered and sold in reliance on Regulation S (the **Unrestricted Global Certificate**). The Global Certificates will be registered in the name of a nominee of a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream**). It is expected that delivery of the Global Certificates will be made on 26 March 2019 or such later date as may be agreed (the **Closing Date**) by the Republic and the Joint Lead Managers (as defined under "*Plan of Distribution*").

Prospective investors should be aware that none of the statistical information in this Prospectus has been independently verified.

AN INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. PROSPECTIVE INVESTORS SHOULD HAVE REGARD TO THE FACTORS DESCRIBED UNDER THE HEADING "*RISK FACTORS*" ON PAGE 9.

Joint Lead Managers & Joint Bookrunners

CITIGROUP | **NATIXIS** | **SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING**

The date of this Prospectus is 22 March 2019.

The Republic accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Republic (having taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the best of the knowledge and belief of the Republic, the information contained in this Prospectus is true and accurate in every material respect and is not misleading in any material respect and this Prospectus, insofar as it concerns such matters, does not omit to state any material fact necessary to make such information not misleading. The opinions and intentions expressed in this Prospectus with regard to the Republic are honestly held by the Republic, have been reached after considering all relevant circumstances and are based on reasonable assumptions.

The Joint Lead Managers have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Republic in connection with the offering of the Notes. No Joint Lead Manager accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Republic in connection with the offering of the Notes or their distribution.

No person is or has been authorised by the Republic to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Republic or any of the Joint Lead Managers.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Republic or any of the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase the Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Republic. Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Republic or any of the Joint Lead Managers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Republic is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Republic during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

Each potential investor in the Notes must determine the suitability of that investment generally in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the potential investor's currency is not Euro;
- understands thoroughly the terms of the Notes and is familiar with financial markets; and
- is able to evaluate changes in economic conditions, interest rates and other factors that may affect its investment and its ability to bear the applicable risks.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction in which or, to any person to whom, it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Republic and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Republic or the Joint Lead Managers which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of the Notes in the United States, the United Kingdom and the Republic of Benin, see "*Plan of Distribution*".

STABILISATION

IN CONNECTION WITH THE ISSUE OF THE NOTES, SOCIÉTÉ GÉNÉRALE, AS STABILISATION MANAGER (THE *STABILISATION MANAGER*) (OR PERSON(S) ACTING ON BEHALF OF THE STABILISATION MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE CLOSING DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISATION MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILISATION MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION OR ANY OTHER SECURITIES COMMISSION OR OTHER REGULATORY AUTHORITY IN THE UNITED STATES, NOR HAVE THE FOREGOING AUTHORITIES REVIEWED OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

This Prospectus is being submitted on a confidential basis in the United States to a limited number of QIBs for informational use solely in connection with the consideration of the purchase of the Notes. It may not be copied or reproduced in whole or in part nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it is originally submitted.

Each purchaser or holder of interests in the Notes will be deemed, by its acceptance or purchase of any such Notes, to have made certain representations and agreements as set out in "*Plan of Distribution*".

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements contained in this Prospectus, as well as written and oral statements that the Republic and its representatives make from time to time in reports, filings, news releases, conferences, teleconferences, web postings or otherwise, are or may be deemed to be forward-looking statements. Statements that are not historical facts, including, without limitation, statements about the Republic's beliefs and expectations, are forward-looking statements. These statements are based on current plans, objectives, assumptions, estimates and projections. When used in this Prospectus, the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "aims", "seeks", "may", "will", "should", in each case, their negative or other variations or comparable terminology or in relation to discussions of strategy, plans, objectives, goals, future events or intentions, and any similar expressions generally identify forward-looking statements. Therefore, undue reliance should not be placed on them. The Republic has based these forward-looking statements on its current view with respect to future events and financial results. Forward-looking statements speak only as of the date on which they are made and the Republic undertakes no obligation to update publicly any of them in light of new information or future events.

Forward-looking statements involve inherent risks and uncertainties. The Republic cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement.

In addition to the factors described in this Prospectus, including those discussed under the "*Risk Factors*", the following factors, among others, could cause future results to differ materially from those expressed in any forward-looking statements made herein:

- Adverse external factors, such as:
  - changes in international commodity prices or prevailing interest rates, which could adversely affect Benin's balance of payments and budgetary expenditures;
  - changes in the monetary policy applicable in WAEMU countries which could affect inflation and/or growth rates; or
  - recession or low economic growth in Benin's trading partners or changes in the terms on which multilateral lending institutions provide financial assistance to Benin or fund new or existing projects which could decrease exports, adversely affect Benin's economy and, indirectly, reduce tax and other public sector revenues, so adversely affecting the state budget.
- Adverse domestic factors, such as:
  - a decline in foreign direct investment, increases in domestic inflation, high domestic interest rates, exchange rate volatility or an increase in the level of domestic and external debt, which could lead to lower economic growth or a decrease in Benin's international reserves; or
  - trade and political disputes between Benin and its trading partners and other political factors in Benin, which could affect the timing and structure of economic reforms, the climate for foreign direct investment and the pace, scale and timing of privatisations.

GLOSSARY AND CONVENTIONS

The following terms are used to refer to economic concepts that are discussed in this Prospectus:

- Gross domestic product (**GDP**) means the total value of goods and services produced inside a country during the relevant period. Unless otherwise stated references to GDP are to real, rather than nominal, GDP. All historic GDP data presented in this Prospectus is presented on a 2007 basis, except as specifically noted. See "Economy of Benin — GDP Rebasing Project" and "Presentation of Economic and Other Information".
- Imports comprise all goods and services imported from abroad intended either for consumption or for inward processing. Exports comprise all goods and services exported from Benin, which originate from domestic production or internal trade.
- The inflation rate is measured by the year-on-year percentage change in the consumer price index (**CPI**), unless otherwise specified. The CPI measures inflation based on the price of a basket of approximately 600 goods and services weighted according to the National Institute of Statistics and Economic Analysis (**INSAE**) and retail sales data. Year-on-year rates are calculated by comparing the average of the twelve monthly indices for the later period against the average of the twelve monthly indices for the prior period. Up to 31 December 2017, the inflation rate was calculated on the basis of the evolution of prices of products sold in Cotonou. From 2018 onwards, the inflation rate is calculated by analysing price trends in several localities, urban and rural, across the country. This change in methodology must be taken into account in comparing pre-2018 and post-2018 inflation rates. The two series are not comparable because the old series had a 2008-base year while the new series had a 2014-base year. Work is underway to connect the two series.
- The budget deficit is consolidated revenues minus consolidated expenditures of the general Government.

Capitalised terms which are used but not defined in any particular section of this Prospectus will have the meaning attributed thereto in Conditions of the Notes (the **Conditions**) or any other section of this Prospectus.

In addition to the concepts and terms discussed above and in "*Presentation of Economic and Other Information*", in this Prospectus:

- "**ACP Group**" means the African, Caribbean and Pacific Group of States;
- "**ADF**" means the African Development Fund;
- "**ADP Group**" means the *Aéroport de Paris* Group;
- "**AFD**" means the *Agence Française de Développement*;
- "**AfDB**" means the African Development Bank;
- "**AIC**" means the *Association Interprofessionnelle de Coton*;
- "**AP-HP**" means the *Assistance Publique –Hôpitaux de Paris*;
- "**APIEX**" means the Agency for the Promotion of Investments and Exports;
- "**ARCH**" means the Human Capital Strengthening Programme *(Assurance pour le Renforcement du Capital Humain);*
- "**AU**" means the African Union;
- "**BADEA**" means the *Banque Arabe pour le Développement Economique en Afrique*;
- "**BAI**" means the Bureau of Analysis and Investigation ;
- "**BEAC**" means the *Banque des Etats de l'Afrique Centrale*;
- "**BCEAO**" means the *Banque Centrale des Etats de l'Afrique de l'Ouest*;
- "**BIDC**" means the *Banque d'Investissement et de Développement de la CEDEAO*;
- "**BOAD**" means the *Banque Ouest Africaine de Développement*;
- "**BRVM**" means the *Bourse Régionale des Valeurs Mobilières*;
- "**CAPPP**" means the *Cellule d'Appui aux Partenariats Public-Privé*;

- "**CAR**" means the Contribution to Agricultural Research;
- "**CEB**" means the *Communauté Electrique du Bénin*;
- "**CEMAC**" means the *Communauté Economique et Monétaire de l'Afrique Centrale (Central African Economic and Monetary Community);*
- "**CET**" means the Common External Tariff scheme agreed on by the member nations of WAEMU;
- "**CIA World Factbook**" means the Central Intelligence Agency World Factbook as at 21 February 2019;
- "**CIF imports**" means cost, insurance and freight imports.
- "**CIMA**" means the *Conférence Inter-Africaine des Marchés d'Assurance*;
- "**Constitution**" means the Constitution of the Republic of Benin, as adopted on 2 December 1990 (as amended);
- "**Definitive Notes**" has the meaning ascribed to it in the Agency Agreement;
- "**DFSs**" means the Dubai Financial Services;
- "**DGAE**" means the *Direction Générale des Affaires Economiques*;
- "**DGF**" means Deposit Guarantee Fund;
- "**DRGF**" means Deposit and Resolution Guarantee Fund;
- "**DSA**" means Debt Sustainability Analysis;
- "**DTT**" means the Digital Terrestrial Television;
- "**ECF**" means the three-year Extended Credit Facility agreed between the IMF and Benin;
- "**ECOWAS**" means the Economic Community of West African States;
- "**EU**" means the European Union;
- "**FAO**" means the Food and Agriculture Organisation of the United Nations;
- "**FDI**" means Foreign Direct Investment;
- "**FOB exports**" means free on boards exports;
- "**FSRU**" means the Floating Storage Regasification Units;
- "**FTT**" means Financial Transactions Tax;
- "**GAP**" means the Government Action Programme (*Programme d'Actions du Gouvernement*);
- "**GATT**" means the General Agreement on Tariffs and Trade;
- "**GDP**" means the Gross Domestic Product;
- "**Government**" means the President, his ministers and their respective ministries;
- "**GPHC**" means the General Population and Housing Census;
- "**GWh**" means Giga Watts;
- "**HDI**" means Human Development Index;
- "**HIPC**" means Heavily Indebted Poor Countries;
- "**IBRD**" means the International Bank for Reconstruction and Development;
- "**ICT**" means Information and Communications Technology;
- "**IDA**" means the International Development Association;
- "**IDB**" means the Islamic Development Bank;
- "**IFAD**" means the International Fund for Agricultural Development;
- "**IFC**" means the International Finance Corporation;

- “**ILO**” means the International Labour Organisation;
- “**INSAE**” means the *Institut National de la Statistique et de l’Analyse Economique*;
- “**IMF**” means the International Monetary Fund;
- “**IPP**” means the Independent Power Producers;
- “**MAEPD**” means the Multi-Annual Expenditure Programming Document;
- “**MCA**” means the Millennium Challenge Account;
- “**MDRI**” means the Multilateral Debt Relief Initiative;
- “**MDG**” means the Millennium Development Goals;
- “**MFIs**” means the Microfinance Institutions;
- “**MIGA**” means the Multilateral Investment Guarantee Agency;
- “**MM4P**” means Mobile Money for the Poor, a programme of the UNCDF;
- “**MPs**” means the Members of Parliament;
- “**MW**” means Mega Watt;
- “**MWh**” means Mega Watt-hour;
- “**NDP**” means the National Development Plan;
- “**NEER**” means the Nominal Effective Exchange Rate;
- “**NPL**” means Non-performing Loan;
- “**OHADA**” means the *Organisation pour l’Harmonisation en Afrique du Droit des Affaires*;
- “**PC2D**” means the Growth Agenda for Sustainable Development;
- “**PDI2T**” means the Telecommunication, Information and Communication Technology Development Project;
- “**PPP**” means Public-Private Partnership;
- “**President**” means the President of the Republic of Benin from time to time;
- “**REER**” means the Real Effective Exchange Rate;
- “**Republic**” or “**Benin**” or “**Issuer**” means the Republic of Benin;
- “**RGPH4**” means the Fourth General Population and Housing Census;
- “**SBEE**” means the Société Béninoise d’Energie Electrique;
- “**SDGs**” means the Sustainable Development Goals;
- “**SDR**” means Special Drawing Rights, an international type of monetary reserve currency, created by the IMF, which operates as a supplement to the existing reserves of member countries;
- “**SEA**” means a Special Economic Area;
- “**SMEs**” means small and medium-sized enterprises;
- “**SMIs**” means the small and medium-sized industries;
- “**SNA**” means the System of National Accounts adopted by the United Nations;
- “**SODECO**” means the *Société de Développement du Coton*;
- “**SONEB**” means the *Société Nationale des Eaux du Bénin* (National Water Company of Benin);
- “**UNDP**” means the United Nations Development Programme;
- “**UNESCO**” means the United Nations Educational, Scientific and Cultural Organisation;
- “**UNICEF**” means the United Nations Children’s Fund;

- “**US** means the United States of America;
- “**USAID**” means the United States Agency for International Development;
- “**VAT**” means Value Added Tax;
- “**WAEMU**” means the West African Economic and Monetary Union;
- “**WAMU**” means the West African Monetary Union (*Union Monétaire Ouest-Africaine*);
- “**WHO**” means the World Health Organisation; and
- “**WTO**” means the World Trade Organisation.

PRESENTATION OF ECONOMIC AND OTHER INFORMATION

Annual information presented in this Prospectus is based upon 1 January to 31 December periods (which is the fiscal year for the Republic), unless otherwise indicated. Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be the sum of the figures which precede them.

Statistical Information

Statistical information reported herein has been derived from official publications of, and information supplied by, a number of agencies and ministries of the Republic and by the Central Bank of West African States (*Banque Centrale des Etats de l'Afrique de l'Ouest*, **BCEAO**). Some statistical information has also been derived from information publicly made available by the IMF, the World Bank, the WAEMU, and other third parties. Where information has been so sourced, the source is stated where it appears in this Prospectus. The Republic confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Similar statistics may be obtainable from other sources, but the date of publication, underlying assumptions, methodology and, consequently, the resulting data may vary from source to source. In addition, statistics and data published by a ministry or an agency of the Republic may differ from similar statistics and data produced by other agencies or ministries due to differing underlying assumptions or methodology. Certain historical statistical information contained herein is provisional or otherwise based on estimates that the Republic and/or its agencies believe to be based on reasonable assumptions. As described in respect of certain data below, the Republic's official financial and economic statistics are subject to internal review as part of a regular validation process. Accordingly, financial and economic information may be subsequently adjusted or revised. While the Republic does not expect revisions to be material, no assurance can be given that material changes will not be made.

The paragraphs below outline the methodologies and processes for preparing, validating and finalising data with respect to macroeconomic, balance of payments, public debt and public finance figures.

Macroeconomic Data

Preparation of Estimates

Estimates of data on GDP for a given year N are prepared by the Ministry of Economy and Finance of the Republic (**MEF**), acting through the General Directorate for Economic Affairs (*Direction Générale des Affaires Economiques*, **DGAE**), based on reference indicators (including the Harmonised Index of Industrial Production, the Harmonised Index of Consumer Prices and the Revenue Index of Retail Trade). Given that Benin is in a programme with the IMF, macroeconomic data is discussed with the IMF staff. For a given year N, final figures for the national accounts only become available in year N+2. Until such final figures are available in year N+2, the GDP data for a given year N are estimates jointly prepared by the IMF staff and the Ministry of Economy and Finance acting through the DGAE. Such estimates are then verified by the National Institute of Statistics and Economic Analysis (*Institut National de la Statistique et de l'Analyse Economique*, **INSAE**) which prepares provisional national accounts data and final national accounts as further described below.

Agricultural production data are prepared by the Ministry of Agriculture. Estimates for a given year N generally become available in March of year N+1 on the basis of data at the end of year N. These estimates are provided to the IMF and to the INSAE as well as to the DGAE for their estimations.

Preparation of Final National Accounts

The final national accounts are prepared by the INSAE based on statistical and tax returns of companies filed with the tax authorities and other administrative data. The INSAE data review process takes place in two stages, with an intermediary provisional accounts stage preceding the final accounts determination. The final accounts for a given year N are normally completed by the end of June of year N+2.

The process for preparing the final national accounts for a given year N is as follows:

- The INSAE collects administrative data, including statistical and tax returns from companies from July of year N+1 onwards, and enters and processes these statistics. Similarly, the INSAE collects all other administrative sources including detailed data from the State budget and processes them.
- All sources collected are processed according to the System of National Accounts (*Système des Comptes Nationaux*, **SNA**) standard in force (SNA 2008 for current accounts).

- A pre-arbitration phase to retain reliable information is carried out following data processing.
- The next phase consists in carrying out the work of balancing resources and uses, branch accounts and the synthesis of the final national accounts.
- The synthesis of the table of resources and uses (*Tableau des ressources et emplois*) and the table of integrated economic accounts (*Tableau des comptes économiques intégrés*) is prepared before the end of June of year N+2.
- The final macroeconomic data are provided by the INSAE to the Ministry of the Economy and Finance and the IMF and replace previous estimates or provisional data.

Balance of Payments

With respect to balance of payments figures, initial forecasts for a given year N are made by the BCEAO in October and November of year N-1 and then revised in May and June of year N and again in October and November of year N. Estimates are prepared between May and September of year N+1. The Balance of Payments Committee (*Comité de la Balance des Paiements*) of Benin reviews and validates the final balance of payments data for a given year N at the beginning of October of year N+1 at the latest.

Public Debt

With respect to public debt figures, estimates for a given year N are published by the Autonomous Amortisation Fund (*Caisse Autonome d'Amortissement*) and are finalised in March of year N+1 at the latest.

Public Finance

With respect to public finance figures, estimates for a given year N are normally published by the Ministry of Economy and Finance through the Economic and Financial Programmes Monitoring Unit (*Cellule de Suivi des Programmes Economiques et Financiers,* **CSPEF**), which produces the State Financial Operations Table (*Tableau des Opérations Financières de l'Etat*, **TOFE**), and the General Directorate for Budget for figures related to the State budget. The TOFE is published quarterly. The TOFE for a quarter of a given year N is published no later than 45 days after the end of that quarter. Provisional budget data are available after the vote in the National Assembly, which must take place no later than 31 December of year N-1. The General Directorate for Budget produces a quarterly implementation report which is available at the latest at the end of the following quarter.

The IMF's General Data Dissemination Standards

The Republic adheres to the IMF's Enhanced General Data Dissemination Standards which guide members in the dissemination of economic and financial data to the public. Benin participates in the IMF's Enhanced General Data Dissemination System (**e-GDDS**), which is designed to guide all member countries in the provision of their economic and financial data to the public. Such data includes the fiscal, financial and the external sectors as well as socio-demographic data.

By participating in the e-GDDS, Benin has undertaken to:

- use the e-GDDS as a framework for statistical development;
- designate a country coordinator; and
- provide metadata to the IMF describing the current practices and plans for short- and long-term improvements in these practices.

A summary of the methodology under which Benin prepares its metadata can be found on the internet under the IMF's Dissemination Standards Bulletin Board. Benin's metadata can be found on the IMF's website at https://dsbb.imf.org/egdds/country/BEN/category.

The BCEAO Website (www.bceao.int) contains information, relevant legislation, press releases, publications, including statistics, research papers, guidelines and regulations and speeches. Information contained in the above-mentioned websites is not incorporated by reference in this Prospectus and, therefore, does not form part of this Prospectus.

On 27 June 2018, Benin announced its decision to update the base year in its national accounts from 2007 to 2015. This change of base year resulted in an increase of more than 36% in GDP for 2015 to CFAF 6,722 billion, compared to CFAF 4,903.8 billion using the 2007 base. The Government is currently in the process of preparing a restatement of the 2015 national accounts using the 2015 base year. The Government plans to have the national accounts for the 1999-2016 series using the 2015 base year prepared by the end of the first half of 2019 and the 2017 national accounts using the 2015 year base prepared by the end of 2019. All GDP figures used in this

Prospectus are based on constant 2007 prices and all GDP and GDP-based data is presented on a 2007 reference year basis, notwithstanding the Government's plan to change the base year for GDP going forward. See " *Economy — Gross Domestic Product — GDP Rebasing Project* ".

All references in this Prospectus to **CFAF**, **CFA franc** or **XOF** are to the currency of the member states of WAEMU (of which Benin is one), all references in this Prospectus to **USD**, **U.S. dollars** and **US$** are to the currency of the United States of America and all references in this Prospectus to **EUR**, **euro**, **Euro** and "**€**" are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

EXCHANGE RATE HISTORY

The "CFA franc" may designate two different currencies – "XOF" and "XAF" – controlled by two separate central banks (BCEAO and BEAC) but both with same exchange rate relative to the Euro. Benin's currency is the Franc of the African Financial Community (*Franc de la Communauté Financière Africaine,* symbol "XOF"), which is shared by the eight countries of the WAEMU, while the Franc of the Financial Cooperation in Central Africa (*Franc de la Coopération Financière en Afrique centrale,* symbol "XAF") is shared by the six countries of the Central African Economic and Monetary Community (**CEMAC**). Both CFA franc zones operate under a number of key operating principles:

- a fixed parity against the Euro, adjustable if required by economic reasons after consultation with the French Government and unanimous decision of all member countries within each monetary area, namely the CEMAC of which the member countries are Cameroon, the Central African Republic, Chad, Congo (Brazzaville), Equatorial Guinea and Gabon, and the WAEMU, which consists of Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo;
- convertibility of the CFA franc to Euros without any fluctuation margins, at a rate of XOF/XAF 655.957 = €1.00 as of 1 January 1999, which is equivalent to the rate of XOF/XAF 100 = 1 French franc prevailing before that date;
- guarantee of convertibility by the French Treasury through the establishment by each regional central bank of an operations account with the French treasury with market-related yields or charges (these accounts can have a positive or negative balance thus providing, in principle, an unlimited overdraft facility to each central bank);
- free capital mobility between the WAEMU and France and the CEMAC and France; and
- the pooling of 50% of the foreign exchange reserves of each regional monetary area on the operation accounts with the French Treasury.

Solely for convenience, this Prospectus contains historical conversions of certain Euro amounts into U.S. dollars at specified rates. These conversions are solely illustrative, and you should not expect that a Euro amount actually represents a stated U.S. dollar amount or that it could be converted into U.S. dollars at the rate suggested, or any other rate. The following table shows the historical period-end, average, high and low noon buying rates in New York City for cable transfers in foreign currencies as certified by the Federal Reserve Bank of New York for the Euro, expressed in U.S. dollars per one Euro, for the periods and dates indicated.

	U.S. dollar/Euro			
Month	**Period end**	**Average rate(1)**	**High**	**Low**
October 2018	1.1332	1.1488	1.1594	1.1332
November 2018	1.1323	1.1364	1.1459	1.1281
December 2018	1.1456	1.1380	1.1456	1.1300
January 2019	1.1454	1.1418	1.1524	1.1322
February 2019	1.1379	1.1349	1.1474	1.1268
March 2019 (through 1 March 2019)	1.1376	1.1376	1.1376	1.1376

	U.S. dollar/Euro			
Year	**Period end**	**Average rate(1)**	**High**	**Low**
2014	1.2101	1.3297	1.3927	1.2101
2015	1.0859	1.1096	1.2015	1.0524
2016	1.0552	1.1072	1.1516	1.0375
2017	1.2022	1.1301	1.2041	1.0416
2018	1.1456	1.1817	1.2488	1.1281
2019 (through 1 March 2019)	1.1376	1.1385	1.1524	1.1268

(1) The average of the Noon Buying Rates on the last business day of each month (or portion thereof) during the relevant period for annual averages; on each business day of the month (or portion thereof) for monthly average.

Source: Federal Reserve Bank of New York

ENFORCEMENT OF CIVIL LIABILITIES

The Republic is a sovereign state. Consequently, it may be difficult for investors to obtain or realise upon judgments of courts in jurisdictions and/or arbitral tribunals outside Benin (including judgments predicated upon civil liability provisions of the securities laws of the United States or any state or territory within the United States) against the Republic without compliance with the enforcement procedure for foreign judgments in Benin. The Republic has not submitted to the jurisdiction of any courts in respect of the Notes, but instead has agreed to resolve disputes by arbitration in accordance with rules and procedures of the London Court of International Arbitration (**LCIA**). The Republic will irrevocably appoint TMF Global Services (UK) Limited as its authorised agent on whom process may be served in any action arising out of or based on the Notes in an English court permitted by the LCIA rules and in connection with any arbitral proceedings. The Notes are governed by English law.

To the extent that the Republic may in any jurisdiction claim for itself or its assets or revenues immunity from suit, arbitral award, judgment, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Republic or its assets or revenues, the Republic agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction (and consents generally for the purposes of the State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any Proceedings). The Republic does not hereby waive such immunity from execution or attachment in respect of (a) property, including any bank account, used by a diplomatic or consular mission of the Republic or its special missions or delegations to international organisations, (b) property of a military character and under the control of a military authority or defence agency of the Republic or (c) property dedicated to a public or governmental use by the Republic (as distinct from property which is for the time being in use or intended for use for commercial purposes within the meaning of the State Immunity Act 1978).

There is no treaty between the Republic of Benin and the United Kingdom relating to the enforcement of foreign court judgment. However, the Republic of Benin is a contracting State (since May 1974) to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards, also known as the **New York Convention**, under which the Republic is bound to recognise arbitral awards as binding and enforce them in accordance with the rules and procedures of the territory in which the award is relied upon, under the conditions set out in the New York Convention.

The enforcement of foreign arbitration awards in Benin is subject to the following conditions:

- the existence of the foreign award is duly established by the claimant who must produce the original of the award with the arbitral convention and all documents necessary to prove the authenticity of the award; and
- the foreign award is not contrary to international public policy.

The Beninese Courts may refuse to grant "exequatur" if the respondent gives proof that:

- the parties to the arbitration agreement were, under the law applicable to them, legally incapacitated or such agreement is deemed invalid under the governing law chosen by the parties or in the absence of a governing law, under the law of the country in which the arbitral award was made; or
- the party against whom the arbitral award is invoked was not given proper notice of the appointment of the arbitrator or of the arbitration proceedings; it has been impossible for another reason for such party to present its case; or
- the arbitral award relates to a dispute not contemplated in the agreement or not specified within the arbitration clause; however, if the provisions of the arbitral award relating to matters submitted to arbitration can be separated from those relating to matters not submitted to arbitration, the former may be recognised and enforced; or
- the constitution of the arbitral tribunal or the arbitral procedure was not in accordance with the agreement between the parties or, failing such agreement, was not in accordance with the law of the country in which the arbitration took place; or
- the arbitral award has not yet become binding on the parties or has been set aside or suspended by a competent authority of the country in which, or under the law of which, the award was made.

The recognition and enforcement of an arbitral award may also be refused if a Beninese Court declares that:

- according to Beninese law, the dispute is not capable of settlement by arbitration; or
- the recognition and enforcement of the arbitral award would be contrary to public policy in Benin.

CONTENTS

OVERVIEW

The following is an overview of certain information contained elsewhere in this Prospectus. It does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. Prospective investors should also carefully consider the information set forth in "Risk Factors" prior to making an investment decision. Capitalised terms not otherwise defined in this overview have the same meaning as elsewhere in this Prospectus. See "Republic of Benin", "Economy of Benin", "Foreign Trade and Balance of Payments", "Public Finance", "Public Debt" and "Monetary System", among others, for a more detailed description of the Republic.

Overview of the Republic

General

Benin is located in western Africa, in the tropical zone between the Equator and the Tropic of Cancer. It spans 114,763 km^2 with over 125 km of coastline. It borders the Atlantic Ocean in the south, Burkina Faso and Niger in the north, Nigeria in the east, and Togo in the west. While Porto-Novo was officially designated as the political and administrative capital, Cotonou has effectively remained the economic, political and administrative centre and is the most densely populated city of Benin.

Benin achieved independence from France on 1 August 1960. Pursuant to the Constitution in force, which was adopted on 11 December 1990, Benin is a democratic republic based on the separation and balance of executive, legislative and judicial powers.

After being declared a Republic on 4 December 1958, Hubert Maga became the first president of Dahomey (former name of Benin). The country then alternated between civil and military rule until 26 October 1972, when Commander Mathieu Kérékou took power and established a revolutionary military government. The country became the People's Republic of Benin on 30 November 1975, adhering to Marxism-Leninism. The State directed all sectors of the economy, led agricultural reform and developed industrialisation. In February 1990, the National Conference of the Nation's Active Forces (*Conférence Nationale des Forces Vives de la Nation*, the **National Conference**) repealed the Constitution and established new institutions: the role of Prime Minister was created (although the President is not obligated to appoint one), the word "People's" was removed from the country's name, which became the Republic of Benin in March 1990, and new conditions were added regarding eligibility for the presidency of the Republic, in order to prevent former Presidents from running, notably the age limitation of presidential candidates (70 years) and a limitation on the number of mandates (two). Following the presidential election of March 1991, Nicéphore Soglo replaced Mathieu Kérékou as President of the Republic. Mathieu Kérékou was then elected in March 1996 and then re-elected in March 2001. In March 2006, Thomas Yayi Boni was elected President of Benin and then re-elected in 2011. He was succeeded in April 2016 by Patrice Talon. Since 1990, the country has been known for its stable and orderly democratic process.

Following his election in April 2016, Patrice Talon established a "break-up government" with a significant reform agenda, which seeks to implement a series of reforms and projects, notably through public and private investment. The Government's objective is to identify growth-enhancing investments, realise the necessary reforms and develop the infrastructures required to attract and stimulate private investments. See "*The Government Action Programme — Revealing Benin*" and "*Economy — The Government Action Programme*".

Economy

The Republic of Benin is a country with an estimated population of 11,554,473 inhabitants (2018 estimate). It is a member of the WAEMU and the BCEAO. Benin's economy experienced 6.8% growth in real GDP in 2018 (Government estimates), compared to 5.8% in 2017, 4.0% in 2016 and 2.1% in 2015, and the Government expects this growth to accelerate further. The Government expects real GDP to grow by 7.6% on average from 2019 to 2022 on the basis of sustained growth in agricultural production, the progressive economic recovery and stronger demand in Nigeria, an increase in public investments as part of the implementation of the GAP, a better environment for private investment and the growth in secondary and tertiary sectors.

Benin is located in a strategic geographic position in West Africa (linking the WAEMU to Nigeria and constituting a point of entry into inland countries, such as Niger and Burkina Faso) and has 125 km of coastline on the Atlantic Ocean, the economic activity of which is concentrated in the port of Cotonou. Benin was the third largest African producer of cotton in 2017 (596,000 metric tonnes/year), the fourth biggest exporter of cashew nuts in Africa in 2015 (115,000 metric tonnes/year) and the seventh largest palm oil producer in Africa in 2017 (313,800 metric tonnes/year), according to the statistics of Benin's Ministry of Agriculture and the FAO.

Benin's economy is dominated by the tertiary sector, which is driven by the dynamism of trade with Nigeria and includes the banking sector, transport and telecommunication, public administration and other commercial services and accounted on average for about 45.5% of nominal GDP in the 2013-2018 period. The share of the primary sector, mainly composed of the cultivation of cotton, cashew nuts and pineapple, represented on average approximately 22.4% of nominal GDP over the period 2013-2018, while the share of the secondary sector, mainly composed of the energy, and construction sectors, averaged 20.9% of nominal GDP over the same period. The remainder is made up of taxes and charges net of subsidies with an average share of approximately 11.2% of nominal GDP over the same period.

Benin ranked 153rd in the World Bank's "Doing Business" report 2019 compared to 174th in the 2014 report. The country also ranked 13th in the 2018 Mo Ibrahim Index of African Governance, which examines the state of governance in each of the 54 African countries, primarily due to Benin's good performance with respect to the categories of Participation & Human Rights and Safety & Rule of Law.

The Government Action Programme—"Revealing Benin"

In order to support Benin's economic and social development, the Government adopted a national economic and social programme, the GAP for the 2016-2021 period. The GAP, also called "Revealing Benin", stems from a comprehensive institutional, economic and social diagnostic of the country and includes the aspirations of the 2013-2023 plan for the implementation of the African Union's 2063 Agenda, which is a strategic framework for the socio-economic transformation of the continent over the next 50 years.

The GAP is structured around three pillars: (i) the strengthening of democracy, the rule of law and good governance, (ii) the structural transformation of the economy and (iii) the improvement of the living conditions of the population. In order to meet this triple objective, the GAP aims to implement 45 flagship projects, including in the infrastructure (modernisation and extension of the port of Cotonou, construction of an international airport and building and refurbishment of the road and railway networks), tourism (reconstruction of the historical city of Ouidah and development of the Pendjari park), agriculture (development of other sectors such as pineapple and cashew nuts, and development of the lower and middle Ouémé valley) and digital sectors (establishment of a national fibre optic network), 95 priority projects and 19 institutional reforms. In order to finance this ambitious programme, the Government intends to rely largely on public-private partnerships (**PPPs**) after an initial phase of heavy public investment.

Since its inception, the GAP has produced results. Benin recorded strong economic performance in 2016, 2017 and 2018, despite less favourable international conditions and the delayed recovery of the Nigerian economy. Real GDP growth was strong at 4.0% in 2016, supported by growth in the primary sector (+10.7%). The economic performance further improved in 2017, with real GDP growth of 5.8% driven by an improvement in the global and sub-regional economy, expanding agricultural production and the Government's implementation of GAP projects. The Government estimates real GDP growth in 2018 at 6.8%, reflecting an increase in GDP contribution by the secondary sector (+6.7%) and the tertiary sector (+7.5%) and increased port activity. In public finance, there has been an overall improvement in the WAEMU convergence criteria, notably in the overall deficit, the fiscal pressure rate, defined as the ratio of tax revenue to GDP, and the payroll to tax revenue ratio. The overall deficit, including the scheduling basis for grants, decreased from -6.0% in 2016 to -5.9% in 2017, despite a 64.1% increase in public investment and further to -4.8% in 2018, mainly as a result of expenditure restraint, while the fiscal pressure rate rose from 13.3% in 2017 to 14.7% in 2018 and the ratio of payroll to tax revenue decreased from 47.3% in 2017 to 44.2% in 2018.

To achieve the Government's objectives, the GAP is based on a five-year investment programme requiring CFAF 9,039 billion (or approximately US$ 15 billion) over the 2016-2021 period. According to the Government, GAP-related government expenditure amounted to CFAF 289.2 billion in 2016. The amount of GAP funding to be provided in 2017 by the Government was initially budgeted at CFAF 808 billion and was subsequently reduced to CFAF 550 billion as part of the revision of the budgetary framework agreed between the Government and the IMF in the context of the implementation of the ECF programme, with a view to decreasing the projected level of the budget deficit initially set at 12.6% for 2017 to 6%. Actual GAP-related government expenditure amounted to CFAF 531.8 billion, or 96.5% of the revised budgeted amount of GAP-related funding for 2017.

In parallel with the GAP, the Government launched the National Development Plan (**NDP**) 2016-2025. The NDP was designed to provide Benin with a systematic, strategic and operational planning model that satisfies the country's aspirations and serves to guide downstream sustainable development actions to create better living conditions for the population. Its implementation will help to consolidate the implementation of the GAP by ensuring the continuity of development action from one Government to another and also offers the opportunity to ensure the achievement of the priority targets of the Sustainable Development Goals (**SDGs**), which are a set of goals to end poverty, protect the planet and ensure prosperity for all, and the Africa 2063 vision at all levels of the development management process (central, sectoral and local levels). The overall objective of the NDP is to achieve continued, sustainable and inclusive growth of at least 10% beginning in 2025, with a focus on the development of agro-industry, tourism and services within a more effective national and local governance framework through the improvement of human capital and infrastructure. This plan focuses on the following strategies:

- develop healthy, competent and competitive human assets;
- sustainably increase the productivity and competitiveness of Benin's economy;
- ensure the sustainable management of living conditions, the environment and the emergence of regional development centres; and
- consolidate the rule of law and good governance.

Under the direction of the GAP, and in an effort to strengthen its economy’s resilience, Benin has undertaken a series of reforms to transform agricultural products, improve the business climate and strengthen its competitiveness and governance. Some of the key initiatives include: (i) the creation of the Inter-Ministerial Committee for the Promotion of Investments to improve strategic coordination of relations with the private sector, (ii) the reform of the labour code, in particular with regard to the conditions of employment and the determination of severance compensation, (iii) the reform of the investment code, in particular through the granting of specific advantages to projects deemed strategic and the revision of international tax treaties and trade laws, and (iv) the implementation of an action programme to enhance the public finance management system and improve transparency. These far-reaching structural measures were designed with the help of Benin’s international partners, in particular the IMF and the World Bank.

Principal Economic Indicators

The following selected economic and financial information is qualified in its entirety by, and should be read in conjunction with, the detailed information appearing elsewhere in this Prospectus. Data shown for 2018 are estimates.

	2013	**2014**	**2015**	**2016**	**2017**	**2018 (Est)**
Domestic Economy						
Nominal GDP (CFAF billion)	4,524.1	4,799.5	4,903.8	5,084.0	5,382.5	5,800.7
Real GDP (growth rate) (%)	7.2	6.4	2.1	4.0	5.8	6.8
Balance of Payments (CFAF billion)						
Exports of Goods (FOB)	979.1	1,267.3	995.1	1,052.2	1,289.9	NA
Imports of Goods (FOB)	(1,281.4)	(1,618.5)	(1,293.6)	(1,449.1)	(1,784.4)	NA
Overall Balance	99.1	175.1	83.5	(168.0)	(118.3)	NA
Public Finance (CFAF billion)						
Total Revenues (excluding Grants)	795.5	780.8	819.5	745.7	944.4	1,021.7
Total Revenues (including Grants)	836.4	824.8	848.3	780.3	1,001.7	1,076.2
Total Expenditure	952.0	916.5	1,242.3	1,086.3	1,318.1	1,346.2
Overall Balance (excluding Grants)	(156.5)	(135.8)	(422.9)	(340.6)	(373.8)	(324.5)
Public Debt						
Domestic Public Debt (CFAF billion)	467.0	601.5	1,036.9	1,373.4	1,742.8	1,748.5
External Public Debt (CFAF billion)	677.0	860.3	1,043.6	1,139.6	1,184.6	1,532.1
Gross Public Debt (% of GDP)	25.3	30.5	42.4	49.5	54.4	56.7

Source: MEF

Overview of Risk Factors relating to the Republic, the Notes and the Market Generally

An investment in the Notes involves significant risks, including (among others):

- Benin's economic transformation plan depends on the successful implementation of an extensive reform agenda and projects of the GAP, as well as the mobilisation of sufficient fiscal resources, external funding and private sector investments.
- Benin's export revenues have significant exposure to economic developments in Nigeria.
- Benin's economy is dependent on cotton and thus vulnerable to challenges affecting the performance of the cotton sector.
- Benin's economic transformation plans are contingent on the performance of tourism and the digital economy.
- Unsustainable levels of indebtedness could have a material adverse effect on Benin's economy, its sovereign credit ratings and its ability to service its debt, including the Notes.
- Failure to continue to adequately address Benin's infrastructure deficiencies could adversely affect Benin's economic growth prospects.
- Failure to adequately address actual and perceived risks of corruption may adversely affect Benin's economy and ability to attract foreign direct investment.
- Benin may continue to suffer from low FDI flows, which could hamper its economic growth prospects.
- Benin's growth prospects depend on the performance of the power sector.
- Benin's economy and security may be negatively affected by regional challenges.
- Benin faces significant socio-economic challenges, including poverty and health risks.
- A significant portion of Benin's economy is not recorded.
- The 2007-based GDP data published in this Prospectus and the GDP data to be released in the future on the basis of the new 2015 base year may not be comparable.
- Benin's membership in the BCEAO may affect its ability to react to stresses on its economy and may subject it to economic policies that are not in its best interests.
- Any adjustment to, or ending of, the CFAF's currency peg could negatively affect Benin.
- Failure to strengthen the banking and financial sector may constrain Benin's economic growth.
- Benin's natural resources are increasingly subject to challenges requiring the enforcement of a sustainable environmental policy
- Official statistics published by Benin may be more limited and less accurate than those produced by developed countries and, to the extent currently presented as estimates and forecasts, may be materially adjusted in the future once finalised.
- Investing in securities involving emerging market issuers such as Benin involves a higher degree of risk than more developed markets.
- Event of Default;
- Definitive Notes not denominated in an integral multiple of the relevant minimum specified denomination or its equivalent may be illiquid and difficult to trade;
- The Republic is a sovereign state and, accordingly, it may be difficult to obtain or enforce judgments or arbitral awards against it.
- Fluctuations in exchange rates and interest rates may adversely affect the value of the Notes;
- The Republic's credit ratings are subject to revision or withdrawal, either of which could adversely affect the trading price of the Notes;
- As a result of the collective action clause contained therein, the terms of the Notes may be modified or waived without the consent of all the holders of the Notes;
- A change of law could affect the Notes;
- The Notes may be negatively affected by events in other emerging markets, including those in sub-Saharan Africa;

- There is no established trading market for the Notes and any trading market which develops may be volatile;
- There may be interest rate risks that affect the Notes;
- Legal investment considerations may restrict certain investments**.**

Overview of the Terms and Conditions of the Offering

Issuer:	The Republic of Benin
Description of Notes:	EUR500,000,000 5.750% Amortising Notes due 2026 (the **Notes**), to be issued by the Issuer on 26 March 2019 (the **Issue Date**).
Joint Lead Managers:	Citigroup Global Markets Limited Natixis Société Générale
Fiscal Agent:	Citibank, N.A., London Branch
Registrar:	Citigroup Global Markets Europe AG
Issue Price:	98.774%
Issue Date:	26 March 2019
Maturity Date:	26 March 2026
Interest:	5.750% per annum payable annually in arrear on the outstanding principal amount from time to time of the Notes on 26 March of each year, commencing on 26 March 2020.
Yield:	6.000%
Redemption:	The Republic will redeem the Notes in three instalments of EUR166,666,666.66 on 26 March 2024, EUR166,666,666.67 on 26 March 2025 and EUR166,666,666.67 on 26 March 2026. See "*Conditions of the Notes—7. Redemption and Purchase*".
Events of Default:	The Conditions will permit the acceleration of the Notes following the occurrence of certain events of default. See *"Conditions of the Notes — 10. Events of Default"*.
Negative Pledge:	So long as any of the Notes remains outstanding (as defined in the Agency Agreement), the Republic will not create or permit to subsist any Security (other than a Permitted Security) upon the whole or any part of its present or future assets, undertakings or revenues to secure: (i) any of its Public External Indebtedness; (ii) any Guarantees in respect of Public External Indebtedness; or (iii) the Public External Indebtedness of any other Person; without at the same time or prior thereto securing the Notes equally and rateably therewith or providing such other arrangement (whether or not comprising Security) as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement). See *"Conditions of the Notes — 4. Negative Pledge"*.
Cross Acceleration:	An Event of Default will occur when: (i) any other Indebtedness of the Republic becomes due and payable prior to the stated maturity thereof by reason of default; or (ii) any such Indebtedness is not paid at maturity; or (iii) any Guarantee of such Indebtedness is not honoured when due and called upon and, in the case of (ii) or (iii), that failure continues beyond any applicable grace period; *provided that* the amount of Indebtedness referred to in (i) and/or (ii) and/or the amount payable under any Guarantee referred to in (iii) individually or in the aggregate exceeds €20,000,000 (or its equivalent in any other currency or currencies). See *"Conditions of the Notes — 10. Events of Default"*.

Status of the Notes:	The Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 ("*Negative Pledge*")) unsecured obligations of the Republic and rank and will rank *pari passu*, without preference among themselves, with all other unsecured and unsubordinated External Indebtedness (as defined in the Conditions) of the Republic, from time-to-time outstanding, provided, further, that the Republic shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa. See *"Conditions of the Notes — 3. Status"*.
Meetings of Noteholders:	The Conditions contain provisions for calling meetings of Noteholders and, in certain circumstances, holders of other debt securities of the Issuer, to consider matters affecting their interests generally. These provisions permit defined majorities (which may, in certain circumstances, be formed of holders of debt securities of the Issuer other than the Notes) to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority. See *"Conditions of the Notes — 13. Meetings of Noteholders; Conduct of Meetings; Written Resolutions and Electronic Consents"*.
Modification:	The Conditions contain a provision permitting the Notes, Conditions, Agency Agreement and Deed of Covenant to be amended without the consent of the relevant Noteholders to correct a manifest error or to make any modification, which is of a formal, minor or technical nature or which is not materially prejudicial to the interests of the Noteholders. See *"Conditions of the Notes — 13.8. Manifest Error, etc."*.
Taxation:	All payments in respect of Notes by or on behalf of the Republic shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Relevant Jurisdiction (as defined in the Conditions), unless the withholding or deduction of the Taxes is required by law. In that event, the Republic will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction, subject to certain exceptions set out under *"Conditions of the Notes — 8. Taxation"* and "*Taxation*".
Listing and admission to trading:	Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on its regulated market.
Governing Law:	The Agency Agreement, the Deed of Covenant and the Notes and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.
Arbitration:	Any dispute arising out of or in connection with the Notes shall be resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration, as more particularly described in Condition 18 (*Governing Law and Arbitration*). The parties have expressly excluded the jurisdiction of the courts.
Form:	The Notes will be issued in registered form in denominations of EUR100,000 and integral multiples of EUR1,000 in excess thereof. Notes offered and sold in reliance upon Regulation S will be represented by beneficial interests in the Unrestricted Global Certificate and Notes offered and sold in reliance upon Rule 144A will be represented by beneficial interests in the Restricted Global Certificate, each in registered form, without interest coupons attached, deposited with the Common Depositary and registered in the name of a nominee of a common depositary for Euroclear and Clearstream.

	Except in limited circumstances, certificates for the Notes will not be issued to investors in exchange for beneficial interests in the Global Certificates.
Credit Ratings:	The Notes are expected to be rated on issuance B by Fitch and B+ by Standard & Poor's. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Credit ratings included or referred to in this Prospectus have been or, as applicable, may be, issued by Fitch and Standard & Poor's, each of which is established in the EU and is registered under the CRA Regulation.
Selling Restrictions:	The Notes have not been and will not be registered under the Securities Act and are subject to certain restrictions on transfers. See "*Plan of Distribution*" below.
Use of Proceeds:	The net proceeds of the issue of the Notes will be used to finance GAP priority projects included in the Republic's budget in infrastructure, digital economy, electricity and improvement of living conditions.

	Unrestricted Global Certificates	Restricted Global Certificates
ISINs:	ISIN: XS1963478018	ISIN: XS1963477556
	Common Code: 196347801	Common Code: 196347755

RISK FACTORS

Prospective investors should read the entire Prospectus. Investing in the Notes involves certain risks. The Issuer believes that the following factors may affect the Issuer's economy and its ability to fulfil its obligations under the Notes. In addition, factors that are material for the purpose of assessing market risks associated with the Notes are also described below. These factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay principal, interest or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Notes comprise an exhaustive list of the risks inherent in investing in the Notes, and the Issuer may be unable to pay amounts due on the Notes for reasons not described below.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus prior to making any investment decision.

Risks Relating to the Republic

Benin's economic transformation plan depends on the successful implementation of an extensive reform agenda and projects of the GAP, as well as the mobilisation of sufficient fiscal resources, external funding and private sector investments.

In October 2016, the Government adopted the GAP for 2016-2021 period with the stated objective of achieving a structural transformation of the economy to foster sustainable economic and social development in Benin. The Government estimates financial resources required for the implementation of the GAP investment programme at approximately US$ 15 billion over the 2016-2021 period. Given the constraints on its budgetary resources, the Government has earmarked 61% of the financing needed for the GAP (approximately US$ 9.2 billion over five years) to come from private sector investors, in particular through PPP investment projects.

The execution of the GAP is combined with the implementation of extensive structural reforms under an ECF-supported economic and financial programme (2017–2020) with the IMF to help sustain the pace of growth in economic activity. See "*Economy of Benin — Economic Policy — The GAP"*. These reforms are designed to secure the resources necessary from the Government, domestic and external debt providers and private sector investors to finance the large-scale investments required by the GAP. To attract private sector investments, Benin has implemented certain reforms, such as a unified legal and regulatory framework for PPPs through Law n°2016-24 of 28 June 2017, allowing for the implementation of PPP eligible projects, but still needs to significantly improve the business climate and the competitiveness of the Beninese economy. In respect of the debt that Benin needs to raise as part of the large public investment required by the GAP, the IMF noted in its Country Report n°18/364 of December 2018 that given that the implementation of the GAP will accelerate in the coming years, the impact of key infrastructure projects on debt sustainability will need to be carefully assessed and monitored. The amount of GAP funding to be provided in 2017 by the Government was initially budgeted at CFAF 808 billion and was subsequently reduced to CFAF 550 billion as part of the revision of the budgetary framework agreed between the Government and the IMF in the context of the implementation of the ECF programme, with a view to decreasing the projected level of the budget deficit initially set at 12.6% for 2017 to 6%. More generally, increasing public expenditure to support economic growth will require continued efforts from the Government to strengthen public financial management, improve tax and customs revenue collection, improve the quality of public spending and improve project management. There can be no assurance that the Government will succeed in achieving these objectives. The IMF also notes that the Government's reform agenda needs to focus on reducing the efficiency gap in public investment to support implementation of the GAP, as a preliminary analysis of available data on public investment management shows that the efficiency of public investment is relatively low in Benin compared with benchmark countries.

The Government's reform agenda suffered setbacks in April 2017, when the proposal for an extensive revision of the Constitution aimed at fostering transparency and accountability by public office holders failed by three votes to pass in the National Assembly. In July 2018, this proposal was rejected again. Since then the Government has successfully passed reforms by way of individual laws and the Government remains committed to ensuring that all necessary reforms will continue to be implemented. However, the execution risks associated with Benin's domestic politics may delay or alter the timetable envisaged by the Government and thus affect the pace of economic transformation. The legislative elections scheduled for April 2019 may impact the composition of Parliament. See "*The Republic of Benin—Political System—Legislative Power*".

The economic and other assumptions underlying the objectives set forth in the GAP may also not be met due to a number of factors, including uncertainties as to the pace of the structural reforms affecting the public sector;

possible delays in the implementation of the projects of the GAP; possible delays in the effective mobilisation of private sector and external financing, which could cause greater reliance on public debt; and the time needed to eliminate remaining bottlenecks and inefficiencies (in respect of public spending, public infrastructure and business climate). Issues that may adversely affect the implementation of the GAP also include project execution risks, delays or suspensions in scheduled fund disbursements from external sources related to donor oversight programmes, changes in financial commitments of development partners and shortages in resources for management and project maintenance either during or after completion. If any of these risks materialises, it could slow development progress and lead to lower-than-expected growth.

If Benin fails to implement its reform agenda, to efficiently execute GAP-related projects, or to secure appropriate public or external and private sector funding in a timely manner to meet the GAP objectives, it could adversely affect Benin's economic growth performance and ability to service its indebtedness, including the Notes.

Benin's export revenues have significant exposure to economic developments in Nigeria.

Nigeria is a neighbouring country of Benin and by far its largest trade partner. A significant part of Benin's economy comprises re-exports to Nigeria of rice, frozen products, vegetable oils, vehicles and clothing, which accounted for 65.3% of total exports in 2017. The IMF estimates that a 1.0% difference in Nigeria's real GDP growth has a 0.3% effect on the real GDP growth rate of Benin. Accordingly, Benin is vulnerable to adverse developments in Nigeria. In 2015 Benin's real GDP growth rate fell to 2.1% (from 6.4% in 2014), reflecting the negative impact of the 2014-2016 Nigerian recession.

In 2015, FOB exports of goods amounted to CFAF 995.1 billion, as compared to CFAF 1,267.3 billion in 2014, a reduction of CFAF 272.2 billion (-21.5%) reflecting a decrease in the re-exportation of rice and other products to Nigeria (CFAF -217.5 billion or -32.7%). This was primarily due to the unfavourable economic situation in Nigeria in 2015 and the measures taken by the Nigerian authorities to limit imports of certain food products. Exports recovered in 2016, with FOB exports of goods amounting to CFAF 1,052.3 billion, compared to CFAF 995.1 billion in the previous year, representing an increase of CFAF 57.2 billion (+5.7%), due in particular to an increase in the re-exportation of rice and other goods to Nigeria (+CFAF 134.6 billion or +17.6%). In 2017, FOB exports of goods stood at CFAF 1,289.9 billion, representing an increase of 22.6%, and CIF imports stood at CFAF 2,033.8 billion, representing an increase of 19.4%.

In addition, a significant portion of the trade with Nigeria is carried out in the informal sector, which creates opportunities for significant tax evasion and challenges for the management of Benin's public finance. Although the Government has been implementing measures at exit points on the Nigerian border to better control trade with and tax re-exportation activities involving Nigeria, there can be no assurance that these efforts will be effective. Moreover, recent policy statements by Nigerian officials suggest that Nigeria is looking to become self-sufficient in rice and certain other food products, which may have a severe impact in the future on the export earnings that Benin generates from trade with Nigeria.

The Government aims to accelerate the structural transformation of its economy, including with the execution of the GAP, to lessen its dependence on Nigeria and to improve the business environment in order to fuel private sector growth and diversification. However, the success of this objective is subject to a number of uncertainties. See "*—Benin's economic transformation plan is conditioned upon successful implementation of an extensive reform agenda and the mobilisation of sufficient fiscal resources, external funding and private sector investments".* If Benin fails to reduce its dependence on trade with Nigeria, it may have significant negative effects on its economic growth prospects and ability to service its indebtedness, including the Notes.

Benin's economy is dependent on cotton and thus vulnerable to challenges affecting the performance of the cotton sector.

Since the 1960s, Benin's economic performance has been dominated by agriculture, in particular the cotton sector. According to Government estimates, the primary sector represented 22.9% of Benin's nominal GDP in 2018 and 76.3% of Benin's exports in 2017, with cotton alone representing more than 14% of Benin's nominal GDP and 18.8% of its total export revenues in 2017. The cotton sector supports nearly 50% of the active agricultural workforce and generates more than 40% of jobs in rural areas, providing monetary income to approximately 3 million people (including producers, transporters, craftsmen and traders). In 2017, nearly CFAF 80 billion were paid to more than 325,000 farmers and the revenue of transporters operating in the cotton sector was CFAF 50 billion. See "*Economy — Main Sectors of the Beninese Economy — Agricultural Sector — Cotton Sector*".

The significant contribution of the cotton monoculture to Benin's economy makes it vulnerable to the challenges facing the cotton industry. Land fertility in certain cotton-growing areas in Benin is declining, adversely affecting productivity and yields generated on these plots. Increases in revenues derived from cotton have primarily been driven by increases in areas under cotton cultivation. However, given the potential negative impact of extensive agriculture on the environment, there is an urgent need to take steps to ensure increased production without expanding the area under cultivation. To improve the performance of the cotton sector, the Government has implemented measures to help cotton producers increase productivity, such as re-establishing the *Association Interprofessionnelle de Coton* (**AIC**), which initiated a yield improvement programme in 2017 and assists producers by providing professional training and supervision. In addition, Benin seeks to develop its cotton transformation industry in order to move up the value chain. The Government intends to continue working with the AIC to support the installation of new ginning plants and industrial textile units, with the objective to transform at least 50% of domestic cotton production by 2021, compared to more than 20% as of the date of this Prospectus. See "*Economy of Benin — Main Sectors of the Beninese Economy — Agricultural Sector — Cotton Sector*". In addition, the Government is implementing measures designed to support diversification of the agriculture sector through the development of other agricultural products, such as cashew nuts, pineapple, rice, manioc and palm oil.

Furthermore, cotton production is vulnerable to insects and weather conditions. A period of low agricultural production, whether due to poor weather conditions such as drought or flood, or other causes such as diseases, may result in lower yields than anticipated. The economic performance of the cotton sector is also dependent on international demand and commodity prices. As a consequence, cotton prices have fluctuated significantly in the past and may fluctuate in the future. This could affect the overall performance of the cotton sector and reduce Benin's export earnings or the earnings of farmers. Furthermore, there is no assurance that the price of cotton can sustain the high remuneration levels required to incentivise cotton producers. If the price level of cotton falls below such levels, it could have a severe effect on a high number of families who earn a living from operations related to the cotton sector and who could fall below the poverty line due to insufficient income.

There can be no assurance that cotton prices will remain at or above their current level or that efforts to enhance the performance of the cotton sector or to diversify the agriculture of Benin towards other added value crops will be successful. Any decrease in the production, demand for, or the price of cotton or any failure to implement the reforms needed to improve Benin's agriculture could have a material adverse effect on Benin's level of export earnings and, therefore, its ability to service the Notes.

Benin's economic transformation plans are contingent on the performance of tourism and the digital economy.

In part to reduce its dependence on the agricultural sector and trade with Nigeria, Benin seeks to develop the non-agricultural sectors of its economy by encouraging the development of the secondary and the tertiary sectors, in particular its tourism and information and communication technologies (**ICTs**) sectors. The secondary and tertiary sectors as a share of nominal GDP represented 66.3% in 2015, 66.2% in 2016, 66.0% in 2017 and 66.0% in 2018. The secondary sector has grown in real terms by an estimated 10.5%, 2.6%, 10.1% and 7.0% in 2017, 2016, 2015 and 2014, respectively, and by an estimated 6.7% in 2018. The tertiary sector is estimated to have grown in real terms by an estimated 3.0%, 3.8%, 4.2% and 5.7% in 2017, 2016, 2015 and 2014, respectively, and by an estimated 7.5% in 2018.

The Government has identified tourism and ICTs, along with agriculture, as key areas for future growth and the "Revealing Benin" vision relies on the growth of these sub-sectors for the economic transformation of Benin. Because the contribution of the tourism and ICT sub-sectors to Benin's GDP today are not significant, the Government's economic transformation plans are highly dependent on the successful implementation of the structural reforms and flagship projects identified in the GAP. See "*Economy — Economic Policy — The GAP*". In addition, failure to address the bottlenecks affecting economic infrastructure (including inadequate power and water supplies, transportation systems and transformation capabilities), limited credit availability and consumer demand, local shortages of skilled managers and workers or inconsistent Government policies may constrain development or jeopardise the prospects of tourism and ICT sub-sectors as drivers of growth and in turn have a negative effect on economic growth and Benin's ability to service its indebtedness, including the Notes.

Unsustainable levels of indebtedness could have a material adverse effect on Benin's economy, its sovereign credit ratings and its ability to service its debt, including the Notes.

To finance its economic development, Benin has intensified its use of domestic and external debt in recent years. As a result, the Government estimates outstanding public debt at CFAF 3,280.5 billion as of 31 December 2018, with a debt ratio of 56.7% to nominal GDP for 2018, as compared to 54.4% in 2017. The Government estimates total outstanding external debt at approximately CFAF 1,532.1 billion as at 31 December 2018, representing 46.7% of the total debt and 26.5% of estimated nominal GDP. See "*Public Debt — External Public Debt*". Since it reached the completion point under the HIPC initiative in 2003, Benin has been current and has met in a timely manner all payment obligations to its external creditors. As at 31 December 2018, total outstanding domestic debt was estimated to be CFAF 1,748.5 billion (30.2% of nominal GDP). See "*Public Debt — Domestic Public Debt*".

The September 2017 Debt Sustainability Analysis (**DSA**) conducted by the IMF in respect of Benin noted that the present value of Benin's debt as a percentage of GDP remained below the IMF's indicative benchmark of 56%, a level that the IMF links to increased probability of debt distress. The 2018 DSA report confirms that Benin's risk of debt distress remains moderate, but the IMF notes that the level of domestic indebtedness of Benin represents a constraint for the management of public finances. Domestic public debt has recorded a steady increase over the recent years. The Government's increased reliance on the regional financial market to finance public investment projects has, according to the IMF, increased the present value (**PV**) of public debt to 48.1% of GDP in 2018 (compared to 41.9% in 2016), with domestic public debt rapidly rising from 8.6% of GDP to 30.2% of GDP between 2013 and 2018, to account for 53.3% of total public debt in 2018. These issuances were carried out in a challenging market environment that was adversely affected by a one percentage point increase (from 3.5% to 4.5%) in December 2016 in the interest rates applicable to borrowing through the BCEAO marginal lending window and by the tightening of banks' refinancing conditions. This context explains in part the deterioration of borrowing conditions in the domestic debt capital markets, which became more expensive compared to 2016; the average interest rate for treasury bills with a maturity of three months was 6.09% in 2018 (compared to 5.79% in 2017). The average interest rate for treasury bills with a maturity of one year increased from 6.01% in 2017 to 6.23% in 2018.

According to the IMF, the Government needs to strengthen debt management to support medium-term debt sustainability, especially in light of the scaling up of public investment required by the GAP financing needs. In this respect, the Government is working on solutions to re-profile its domestic debt service and has initiated discussions with the World Bank about using an IDA policy based guarantee to raise less expensive and longer-term financing from one or more international banks in order to repurchase short-maturity obligations from its domestic public debt. Between September and December 2018, Benin partially re-profiled its domestic debt service payments with the joint support of the World Bank (through the use of an IDA policy-based partial guarantee) and the African Trade Insurance Agency (through a credit insurance coverage for sovereign default risk). This joint support enabled Benin to raise less expensive and longer-term financing from international commercial banks in the amount of EUR 260 million. The proceeds of this loan, which is repayable over a period of twelve years, were used to partially prepay short maturity domestic public debt. In essence, the Government refinanced a portfolio of 13 bank loans bearing a weighted average interest rate of 7.5%, for a weighted average maturity of 3 years, with a new international bank loan bearing an interest rate of 3.8%, for a weighted average maturity of 7.2 years. The refinancing entails savings of approximately €9.6 million, or CFAF 6.3 billion, in interest payments a year. The Government's objective is to replicate such a refinancing structure with other international banks in order to re-profile all the domestic debt with short maturities and high cost by the end of 2019. If the Government fails to successfully implement its debt strategy, debt levels could rise to unsustainable levels, which may negatively impact Benin's sovereign credit ratings and its ability to service the Notes.

Failure to continue to adequately address Benin's infrastructure deficiencies could adversely affect Benin's economic growth prospects.

According to the IMF January 2018 report, Benin's overall infrastructure is of relatively low quality compared to its regional peers. According to the World Economic Forum's (**WEF**) Global Competitiveness study published in October 2018, Benin lags behind the sub-Saharan Africa average in electricity supply, paved road density and telecommunication infrastructure. Insufficient or inefficient infrastructure reduces the return on trade and economic activity and constrains growth. Progress has been made in many of these sectors in recent years, including through the GAP. However the current state of development in those sectors remains inadequate to support the country's development vision.

The Government has identified Benin's infrastructure weaknesses as an impediment to economic growth and the GAP includes ambitious targets for infrastructure improvements that require significant investments, including through FDI inflows and local private sector investments. For instance, the Government, through the GAP, intends to launch the construction of the new Glo Djigbé international airport, and the modernisation and expansion of the Port of Cotonou. Given that activities that depend directly or indirectly on traffic at the Port of Cotonou represent approximately 20% of nominal GDP, any disruption in the port's expansion or unsuccessful improvement could have a negative effect on the economy. Under the GAP, the Government is also developing various electricity generation, transmission and distribution infrastructure projects (see "*Economy of Benin — Energy and Mining — Electricity*"), significant road connections (see "*Economy of Benin — Infrastructure — Road Transport*") and an ambitious programme of investment in telecommunications infrastructure to support the Government's ambition to foster a leading digital economy sector in Benin (see "*Economy of Benin — Information and Communication Technologies — Telecommunications*"). Failure to continue to significantly improve Benin's infrastructure, through the GAP or otherwise, or to attract investment and funds required for such improvements could adversely impact Benin's economy, competitive ranking and growth prospects, including its ability to meet GDP growth targets and, accordingly, its ability to service the Notes.

Failure to adequately address actual and perceived risks of corruption may adversely affect Benin's economy and ability to attract foreign direct investment.

Although Benin has implemented, and continues to pursue, initiatives to prevent and fight corruption and unlawful enrichment, there have been allegations and incidents of corruption and misuse of public funds in Benin as is the case in other emerging markets. Benin is ranked 85 out of 180 in Transparency International's 2018 Corruption Perceptions Index report published on 30 January 2019 (compared to 95 out of 176 in 2016), 153 out of 190 in the World Bank's "Doing Business 2019" report published on 15 October 2018 (climbing five places since 2016) and 13 out of 54 on the 2018 Mo Ibrahim Index of African Governance.

In September 2007, Benin ratified the African Convention on Preventing and Combating Corruption, which it had signed in 2004. Furthermore, in 2011 the Government adopted Law n°2011-20 regarding corruption. To strengthen transparency and accountability, the Government has undertaken several reforms in connection with the enactment of Law n°2017-04 of 19 October 2017 instituting the public procurement code of the Republic of Benin. In addition, the Court for the Repression of Economic and Terrorism Crimes was established on 27 August 2018 to fight corruption and money laundering. This Court was created by Law n°2018-13 of 2 July 2018 amending and supplementing Law n°2001-37 of 27 August 2002 on the judicial organisation in the Republic of Benin, and has already issued several decisions. See "*Public Finance — Transparency, Fight Against Corruption and Public Procurement Framework*". However, as indicated in the IMF Country Report n°18/364 of December 2018, corruption continues to be a problem for those doing business in Benin and remains a challenge for the Government. Failure to reinforce efforts to prevent or fight corruption in the public sector or perceived risks of corruption in Benin could have an adverse effect on Benin's economy and may have an adverse effect on Benin's ability to attract and/or maintain foreign investment.

Benin may continue to suffer from low FDI flows, which could hamper its economic growth prospects.

Given the constraints on budgetary resources, the Government considers PPPs essential for the financing of the GAP and expects 61% of GAP-related projects (approximately US$ 9.2 billion over five years), to be financed by the international and domestic private sector through PPP projects. Achieving the GAP's growth objective is thus conditional upon high levels and a sustained pace of foreign direct investment. Benin's total FDI, which comprises equity capital and other capital inflows, represented a net capital inflow of CFAF 98.1 in 2017, compared to CFAF 67.8 billion in 2016, CFAF 69.2 billion in 2015 and CFAF 191.8 billion in 2014, according to the BCEAO. According to the UNCTAD World Investment Report 2018, FDI inflows to Africa decreased from US$ 71 billion in 2014 to US$ 57 billion in 2015, US$ 53 billion in 2016, and US$ 42 billion in 2017. Inflows to Africa were expected to rise to US$ 50 billion in 2018. According to the UNCTAD World Investment Report 2018, Africa's commodity dependence will cause FDI to remain cyclical.

According to this report, FDI inflows to Benin in 2015 were US$ 150 million, US$ 132 million in 2016 and US$ 184 million in 2017, compared to FDI inflows in 2017 of US$ 532 million for Senegal, US$ 675 million for Côte d'Ivoire and above US$ 3.0 billion each for countries like Ghana (US$ 3.3 billion), Nigeria (US$ 3.5 billion), and Ethiopia (US$ 3.6 billion). In the absence of a decrease in the perceived risks associated with investing in Benin, including those described in this Prospectus, FDI inflows may continue to remain weak, which could adversely affect Benin's economy and limit sources of funding for infrastructure and other projects which are dependent on significant investment from the private sector. This could, in particular, have an adverse effect on the implementation of the GAP objectives.

Benin has initiated several reforms aimed at improving the business and investment climate to attract FDIs. Benin's participation in the G20 Compact with Africa (**CWA**) programme as from the 2017 IMF/World Bank Annual Meetings is also designed to bolster private sector financing of the GAP. If existing levels of FDI do not increase significantly in the medium term, this would significantly impede the progress of sectors important to Benin's economic growth such as the infrastructure, energy and tourism sectors, which would in turn adversely impact Benin's economy and growth prospects and, accordingly, its ability to service the Notes.

Benin's growth prospects depend on the performance of the power sector.

The lack of sufficient, affordable and reliable energy supply remains an impediment to Benin's economic growth and development. Insufficient power generation, aging or insufficient infrastructure, inadequate funding, weak distribution networks and overloaded transformers result in a high cost of electricity, frequent power outages, high transmission and distribution losses and poor voltage output. In 2018, net electricity production was 20,328 MW, representing a decrease of 77% compared to 2017 (87,605 MW). This decrease can be explained by the relatively cheaper electricity imports, which amounted to 1,299,117 MW in 2018, reflecting an increase in excess of 8.1% compared to 2017. Moreover, Benin had a number of electricity shortages in 2015 and 2016.

Under the GAP, the Government has identified the improvement of electricity generation, transmission and distribution infrastructure as critical elements in meeting economic growth and development objectives, and in 2016 launched a wide-ranging investment programme to increase production capacity by 150 MW by renting electrical power units and by importing 60 MW more from Nigeria, to modernise the SBEE power plants, to construct a new 120 MW power plant on Maria-Gleta site, and to improve the transmission network in order to reduce waste. See "*Economy of Benin — Energy and Mining — Electricity*". The Government adopted a revised electricity code in 2007 allowing various segments of the electricity sector to open up to the private sector. Failure to adequately address the deficiencies in Benin's power generation, transmission and distribution infrastructure and adopt and apply a sustainable pricing policy could lead to lower GDP growth and affect Benin's ability to obtain funding and to attract and maintain FDI, thereby hampering the development of its economy and its ability to service the Notes.

Benin's economy and security may be negatively affected by regional challenges.

Benin has a number of regional trading partners upon which its economy relies heavily. Benin is an active member of the West African regional organisations, such as WAEMU and ECOWAS, which foster more economic integration among their member countries. For example, an important part of the activity of the Port of Cotonou relates to goods traded with Nigeria and other WAEMU member countries, and Benin imports electricity from a number of its neighbouring countries, especially from Togo and Côte d'Ivoire. According to the BCEAO, in 2017 ECOWAS countries represented 73.2% of Benin's exports and 22.8% of its imports. Political instability, social unrest, epidemics and increased fragility are common in the West African region and, among other factors, could result in a reduction in Benin's exports to, and imports from, those countries, or in the spread of social, political or economic problems throughout the region. In particular, the political, economic and social stability of Nigeria, a neighbour of Benin and its largest trading partner, has been, and may continue to be, adversely affected by social unrest, terrorism and political and religious conflicts, which could have an indirect adverse impact on Benin's growth prospects.

The West African region has also been subject to on-going political and security concerns. In particular, the perception of regional instability and insecurity caused by the political situation in Northern Mali has been exacerbated by the presence of Boko Haram in northeast Nigeria and the terrorist attacks by Daesh and Boko Haram and groups claiming affiliation with them in Nigeria, Burkina Faso and Niger since 2015. These regional threats and fragility of Benin's partner countries could have an adverse effect on its growth prospects, which could affect its ability to meet its financial obligations generally and the Issuer's ability to service the Notes.

An outbreak of terrorist attacks or activities in the country and/or in the region could further strain both Government finances and political stability in the country and in the region. These events could have a material adverse impact on the Beninese economy, including declines in FDI and tourism flows or disruptions on Benin's exports and imports to and from the partner countries involved. Any of the foregoing could also lead to the diversion of Government resources towards increased military and security spending, which may reduce overall economic growth and increase Benin's budget deficit.

Benin faces significant socio-economic challenges, including poverty and health risks.

Benin's ranking in the 2018 UNDP HDI report, a composite measure of life expectancy, education, and income, was 163th out of 189 countries, compared to 166th in the 2015 report. This ranking reflects serious challenges in Beninese society, including in meeting expectations of improved living standards, employment, education and health. According to a survey conducted by the INSAE, poverty indicators increased from 36.2% of the population in 2011 to 40.1% in 2015, highlighted by the contraction of consumer spending which is used as a poverty indicator. Benin faces a severe issue of underemployment that concerns 80% of the population aged between 15 and 34 and 66% of the population aged between 35 and 64, according to the Government. Such underemployment implies that significant portions of the population are not employed in a full-time job and do not work all day long or every day, or are significantly underpaid, thus generating situations of poverty. See "*Economy — Main Sectors of the Beninese Economy — Employment — Formal Sector*". In addition, according to the WHO, Benin's healthcare system remains inadequate, due to a number of factors, particularly poor distribution of healthcare facilities throughout the country, which are furthermore underequipped and understaffed, insufficiently trained and poorly managed staff; and an ineffective health care supply system, combined with an inefficient use of medication, and insufficient financial resources, due to inadequate financing and inefficient use of funds received.

The Government has implemented a number of measures to combat poverty and improve the living conditions of the Beninese population, a key objective of the Benin Revealed vision. Under the GAP, the Government is pursuing several reforms and flagship projects designed to foster more inclusive economic growth. These include several projects designed to create wealth and employment, but also a number of projects targeted to address the social and economic needs of the poor, such as the creation of the Abomey-Calavi university health centre in partnership with AP-HP International and the ARCH flagship project, designed to deliver four essential services to the population (See "*Republic of Benin — Health*"). If the Government fails to successfully implement its reforms and to significantly reduce poverty and unemployment in the short- to medium-term, this may create a risk of political and social instability and have adverse effects on the Beninese economy and on Benin's ability to service the Notes.

A significant portion of Benin's economy is not recorded.

A significant portion of Benin's economy, estimated by the Government at more than 68% of total nominal 2017 GDP, is comprised of the informal, or shadow, economy. Informal economic activity is significant in agriculture, a key sector of Benin's economy, as well as in the crafts industries and trade. The informal economy is by definition not recorded and is not or only partially taxed, resulting in a loss of revenue for the Government, ineffective regulation, unreliability of statistical information (including the underestimation of GDP and the contribution to GDP of various sectors) and inability to monitor or otherwise regulate a large portion of the economy. Lack of effective regulation and enforcement in this respect also gives rise to other issues, including health and safety and employment issues. The Government is attempting to address the challenges of the informal economy by streamlining certain laws and regulations. However, there can be no assurance that such reforms will adequately address the issues and bring the informal economy into the formal sector in the short term.

The 2007-based GDP data published in this Prospectus and GDP data to be released in the future on the basis of the new 2015 base year may not be comparable.

On 27 June 2018, Benin announced its decision to update the base year in its national accounts from 2007 to 2015. This change of base year resulted in an increase of more than 36% in nominal GDP for 2015 to CFAF 6,722 billion, compared to CFAF 4,903.8 billion using the 2007 base. See "*Economy — Gross Domestic Product — GDP Rebasing Project*". The Government plans to have the national accounts for the 1999-2016 series using the 2015 base year prepared by the end of the first half of 2019 and the 2017 national accounts using the 2015 year base prepared by the end of 2019. However, there is no guarantee that the restatement and accounting exercise will not take more time than anticipated. Accordingly, unless otherwise noted, all GDP figures used in this Prospectus are based on constant 2007 prices and all GDP and GDP-based data is presented on a 2007 reference year basis, notwithstanding the Government's project to change the base year for GDP going forward. As a result of the change of base year, GDP-related data published in this Prospectus based on the 2007 reference year will not be comparable to data published in future periods that is based on 2015-rebased GDP. Furthermore, the economic trends for the 2015-2017 period shown on the basis of 2007-based GDP data may be different when presented on a 2015-GDP basis and the restatement may result in the weight of the sectors in the economy being different from what is described in this Prospectus.

Benin's membership in the BCEAO may affect its ability to react to stresses on its economy and may subject it to economic policies that are not in its best interests.

As a member of a monetary union, Benin has no independent monetary and exchange rate policies. The country must rely on its own budgetary policy (including wage policy) and structural policies to make its economy more competitive and more resilient to external shocks. The BCEAO sets interest rates and monetary and banking policies for all of the member states of the WAEMU to protect the union from fluctuations in the global market and pegs the CFAF to the Euro. As a result, the BCEAO makes interest rate policy decisions on the basis of Union-wide considerations and the best interests of the WAEMU as a whole, and is unable to make jurisdiction-specific decisions other than amendments to national reserve requirements. BCEAO membership means that Benin is unable to unilaterally carry out monetary policy initiatives such as amending its exchange rate, interest rate or the reserve requirement rate, and requires the BCEAO to do so across the WAEMU. See "*Monetary System — The Franc Zone and the BCEAO*". In the event that it is in the interests of Benin to amend interest rates upwards or downwards in order to stabilise its economy, for example to bolster the economic growth, then it may be unable to do so in a timely manner, or at all. This situation may have an adverse effect on Benin's economy and on its ability to service the Notes. Benin's membership of the BCEAO also means that it may be adversely affected by events in other member States, more severely than would otherwise be the case. This exposure to circumstances in other member States that are out of its control may adversely affect the position of Benin's economy and Benin's ability to service the Notes.

Any adjustment to, or ending of, the CFAF's currency peg could negatively affect Benin.

Benin shares a common currency with the other WAEMU member States, the CFAF (or XOF), within the scope of a longstanding monetary cooperation between France and the WAEMU member States. This cooperation provides, among other things, for a guarantee by the French Treasury of unlimited convertibility of the CFAF and a fixed peg. In exchange for this convertibility guarantee, the BCEAO has the obligation to deposit at least 50% of its currency reserves on an operational account with the French Treasury. The peg of the XOF to the French franc was replaced by a peg to the Euro as from 1 January 1999 at a fixed exchange rate of: 1 Euro = XOF 655.957. Although there is no current evidence of any plan to change this situation or of any difficulties affecting the monetary cooperation between France and the WAEMU member States, there is no assurance that the French Treasury and the WAEMU member States will be able or willing to continue to maintain the peg in the future. For example, the French Treasury's support of the CFAF peg arrangement could be altered or abandoned due to changing political developments in France. A change or abandonment of France's commitment to the convertibility of the CFAF or an abandonment of the Euro by France or possibly a very significant appreciation of the Euro would create uncertainty for the future of the exchange rate arrangement, its ability to support macroeconomic stability, and its status as a credit support. If a stable exchange rate or the peg to the Euro cannot be maintained, this could reduce confidence in Benin's economy, reduce foreign direct investment and adversely affect Benin's finances and economy.

In addition, because of the peg to the Euro, Benin's does not have any flexibility to devalue the CFAF to stimulate Benin's exports, and the BCEAO's ability to independently manage interest rates is constrained. Furthermore, Benin does not control nor have significant influence over the BCEAO, which is a common institution that has regard to the interests of the WAEMU as a whole and not those of any particular member state. See *"—Benin's membership in the BCEAO may affect its ability to react to stresses in its economy and may subject it to economic policies that are not in its best interests*". This lack of flexibility could have an adverse effect on Benin's foreign trade and, in turn, on its economy.

The CFAF peg to the Euro could be subject to devaluation risk under certain macroeconomic conditions. A structural propensity towards a positive inflation differential between the CFAF zone and the Euro area could lead to real exchange rate appreciation for the CFAF. If WAEMU member States collectively agree that devaluation would be an appropriate measure to address real effective exchange appreciation in order to enhance competitiveness, boost exports, and support growth for the region (similar to the 50% devaluation in 1994), then the potential effect could put significant pressure on Benin's ability to make repayments on foreign-currency denominated debt. Any negative variation of the peg would increase the burden of servicing and repaying this debt, which could also increase Benin's risk of debt distress. See "*—Unsustainable levels of indebtedness could have a material adverse effect on Benin's economy, its sovereign credit ratings and its ability to service its debt, including the Notes*" above.

Failure to strengthen the banking and financial sector may constrain Benin's economic growth.

According to the IMF (January 2018 Article IV Report), banks in Benin still face certain structural problems that prevent their participation in the financing of the private sector. While the capitalisation of banks has increased, the high level of the non-performing loans, which stood at 19.47% of total loans at end-December 2017, and the highly concentrated nature of banks' loan portfolios are a source of concern. See "*Monetary System — Banking System*". The review of the performance of the Beninese banking sector by the BCEAO also reveals a number of violations of prudential regulations at the end of December 2015, 2016 and 2017. See "*Monetary System — Banking System — Compliance with Prudential Regulations*". The risk of non-compliance with prudential regulations may be enhanced by the implementation of the Basel II and Basel III standards in the WAEMU region, which have been effective since 1 January 2018. In addition, these revised standards provide for increased ratio requirements, which may have a negative effect on the banking sector's lending capacity and result in a reduction of the supply credit available to the private sector businesses, thus undermining the Government's objective to strengthen the domestic private sector's contribution to the financing of the GAP.

In addition, Benin's banking sector is shallow, dominated by foreign banks and requires substantial reforms to provide the level of credit and access to financial services needed for achieving the country's growth objectives. Poverty reduction objectives may also be affected by the Government's failure to complete the closure of non-approved microfinance institutions, a risk identified in the IMF report. If the Government fails to implement its strategy for the financial sector, this could have a material adverse effect on the contribution of the local private sector to Benin's economy and Benin's ability to service the Notes.

Benin's natural resources are increasingly subject to challenges requiring the enforcement of a sustainable environmental policy.

Benin has a significant agricultural sector and its large rural population depends on natural resources as a basis for farming, energy production and housing. These natural resources are being put under increasing pressure due to deforestation and soil exhaustion resulting from intensive farming and non-sustainable farming practices, as well as erosion and natural hazards. Benin's forest area decreased by 3.83% from 2010 to 2017. According to the

INSAE, Benin's population is expected to grow at an annual rate of approximately 1.1% from 2019 to 2030 (rate of 2.7% in 2016), putting further pressure on its available natural resources.

Benin faces extreme climatic phenomena that could have a negative impact on the agricultural sector and on the economy as a whole. The years 2008 to 2010, then 2012 and 2013 were characterised by major floods, including those of 2010 which were the most serious, given the extent of Benin's territory that was affected (55 municipalities affected out of 77 in the country as a whole) and the number of people affected (680,000 people). In economic terms, the impact of the 2010 floods was estimated at more than CFAF 127 billion in damages, with a 0.8 point decrease in the GDP growth rate according to the Government. Damage (to assets, infrastructure or stocks for example) was estimated at nearly CFAF 78.3 billion and losses (reduced flows, production losses, reduced turnover, costs and expenses incurred as a consequence of the disaster) at nearly CFAF 48.8 billion. The effects of climate change on the cotton and other crops could even further impact the quality and volume of the production as well as its seasonality.

The expected growth of the mining sector in Benin in the coming years may also increase pressure on land use, including on agricultural land as well as the risk of environmental hazards as a result of processes and chemicals used in the extraction and production methods. In addition, the environment in Beninese cities, and especially Cotonou, has deteriorated as a result of industrial and domestic effluent wastes without prior treatment. It is further affected by the lack of an adequate wastewater system, with the poor areas in the cities hardly benefitting from any wastewater equipment. These issues are compounded by the rapid growth of the urban population, which represented 55.2% of the total population of Benin in 2018 according to the CIA World Factbook and is still increasing (from 39% in 2005), which is expected to continue as the country transforms its economy. See *"Economy of Benin — Environment"*. Furthermore, addressing the effects of environmental degradation may entail significant costs. If natural resources deteriorate, or if any environmental policies are not properly implemented or fail to meet the urban population growth rate, this could have an adverse effect on the agricultural sector, food security, public health and the general performance of the economy. Lastly, the deterioration of natural resources could also have a negative impact on tourism, a key priority sector in the GAP, and consequently affect Benin's GDP growth prospects and its ability to service the Notes.

Official statistics published by Benin may be more limited and less accurate than those produced by developed countries and, to the extent currently presented as estimates and forecasts, may be materially adjusted in the future once finalised.

Statistical data appearing in this Prospectus has, unless otherwise stated, been obtained from Government sources and documents. Different departments of the Government of Benin prepare statistics relating to various aspects of the Beninese economy. Benin adheres to the IMF's General Data Dissemination Standards and publishes key official data and statistics and ultimately intends to adopt the IMF's Special Data Dissemination Standards. However, Benin has not yet completed the infrastructure for generating all the relevant data. Accordingly, Benin's official data and statistics are not as accurate and are more limited in scope and published less frequently than is the case for more advanced countries such that adequate monitoring of key fiscal and economic indicators may be difficult. As is the case for many emerging economies, the relative size of the informal sector combined with the rapid growth of the economy and the continuous improvement of the statistical tools of the Government may result in figures cited in this Prospectus becoming outdated relatively quickly. In addition, the statistics prepared by certain governmental departments may not be fully consistent with similar statistics prepared by other departments and the presentation of statistical data may vary from period to period due to the application of different methodologies and processes for validating and finalising such data. See "*Presentation of Economic and Other Information*". Since some of the figures included in this Prospectus for the years 2017, 2018 and beyond remain in estimated or forecast form, no assurance can be given that, upon being validated and finalised in accordance with the relevant methodologies, such figures will not be subjected to material adjustments.

Investing in securities involving emerging market issuers such as Benin involves a higher degree of risk than more developed markets.

Investing in securities of emerging market issuers, such as Benin, generally involves a higher degree of risk than investments in securities of corporate or sovereign issuers from more developed countries. These risks include the possibility of economic, political or social instability that may be caused by many different factors, including, in the case of Benin, declines in the price of primary commodity exports such as cotton and cashews, failure of the Government to implement or maintain the pace of political, fiscal, economic and social reforms, changes in governmental economic, tax or other policies, inflation and financial crises in other emerging market countries that could have an adverse effect on investor appetite for emerging market debt securities as a class. In addition, in a small economy such as Benin, close links may exist among business, industry and the political spheres, which may result in actual or perceived conflicts of interest and these conflicts may be more pronounced than in larger, more diversified economies. Lastly, political, civil or financial instability in Benin, its neighbours or elsewhere in West Africa may have an adverse impact on Benin.

Emerging markets may also experience a greater degree of corruption of government officials, misuse of public funds and administrative errors or delays (in payment or otherwise) than more mature markets. This could affect the ability of the Issuer to meet its obligations under the Notes. Any of the factors above, as well as the volatility in the markets for debt securities similar to the Notes, may adversely affect the liquidity of, and the trading market for, the Notes.

Risks relating to the Notes

Event of Default.

The Conditions contain a provision which, if an Event of Default occurs, allows the holders of at least 25% in aggregate principal amount of the outstanding Notes to declare all the Notes to be immediately due and payable by providing notice in writing to Benin, whereupon the Notes shall become immediately due and payable, at their principal amount with accrued interest, without further action or formality.

The Conditions also contain a provision permitting the holders of at least 50% in aggregate principal amount of the outstanding Notes to notify Benin to the effect that the Event of Default or Events of Default giving rise to any above mentioned declaration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn. Upon such notification, Benin shall give notice thereof to the Noteholders, whereupon the relevant declaration shall be withdrawn and shall have no further effect.

Definitive Notes not denominated in an integral multiple of the relevant minimum specified denomination or its equivalent may be illiquid and difficult to trade.

The Notes have denominations consisting of a minimum of EUR100,000 plus integral multiples of EUR1,000 in excess thereof (the **Authorised Denomination**). It is possible that the Notes may be traded in amounts in excess of the Authorised Denomination that are not integral multiples of the Authorised Denomination. In each case a holder who, as a result of trading such amounts, holds an amount which is less than the Authorised Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the Authorised Denomination such that its holding amounts to the Authorised Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the Authorised Denomination in his account with the relevant clearing system at the relevant time may not receive a certificate in respect of such holding (should certificates be printed) and would need to purchase a principal amount of Notes such that its holding amounts to at least the Authorised Denomination.

If certificates are issued, holders should be aware that certificates which have a denomination that is not an integral multiple of the Authorised Denomination may be illiquid and more difficult to trade than Notes denominated in an integral multiple of the Authorised Denomination.

The Republic is a sovereign state and, accordingly, it may be difficult to obtain or enforce judgments or arbitral awards against it.

The Republic is a sovereign state and has waived only certain immunities and has not submitted to the jurisdiction of any court outside Benin, but instead it has agreed to resolve disputes by arbitration in accordance with rules and procedures of the LCIA. As a result, a LCIA arbitration proceeding is the exclusive forum in which a holder may assert a claim against the Republic. In addition, it may not be possible for investors to effect service of process upon the Republic within their own jurisdiction, obtain jurisdiction over the Republic in their own jurisdiction or enforce against the Republic judgments or arbitral awards obtained in their own jurisdiction. See "*Enforcement of Civil Liabilities*" and "*Condition of the Notes — 18.2. Arbitration*".

Fluctuations in exchange rates and interest rates may adversely affect the value of the Notes.

The Issuer will pay principal and interest on the Notes in EUR. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than EUR. These include the risk that exchange rates may significantly change (including changes due to devaluation of the EUR, or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to EUR, would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal. In addition, investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes.

The Notes have amortising redemption features.

The Notes are amortising obligations and principal on the Notes is scheduled to be repaid in three instalments of EUR166,666,666.66 on 26 March 2024, EUR166,666,666.67 on 26 March 2025 and EUR166,666,666.67 on 26 March 2026.

Holders of Notes may only be able to reinvest monies they receive upon such amortisation in lower-yielding securities than the Notes. Potential investors should consider the reinvestment risk in light of other investments available at the relevant time.

The Republic's credit ratings are subject to revision or withdrawal, either of which could adversely affect the trading price of the Notes.

The Notes are expected to be rated on issuance B by Fitch and B+ by Standard & Poor's. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed herein, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. The Republic has no obligation to inform Noteholders of any revision, downgrade or withdrawal of its current or future sovereign credit ratings. A suspension, downgrade or withdrawal at any time of a credit rating assigned to the Issuer may adversely affect the market price of the Notes. Credit ratings included or referred to in this Prospectus have been issued by Fitch and Standard & Poor's, each of which is established in the European Union and is registered under the CRA Regulation.

In general, European-regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

As a result of the collective action clause contained therein, the terms of the Notes may be modified or waived without the consent of all the holders of the Notes.

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally and for the passing of written resolutions and electronic consents of Noteholders without the need for a meeting. Such provisions are commonly referred to as "collective action clauses". These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting, sign the relevant written resolution or give electronic consent and Noteholders who voted in a manner contrary to the majority.

In the future, the Issuer may issue debt securities which contain collective action clauses in the same form as the collective action clauses in the Conditions. If this occurs, the Notes could be capable of aggregation with any such future debt securities, meaning that a defined majority of the holders of such debt securities (when taken in the aggregate) would be able to bind all holders of all the relevant aggregated series of debt securities, including the Notes.

Any modification or actions relating to any Reserved Matter (as defined in the Conditions), including in respect of payments and other important terms, may be made (a) to the Notes with the consent of the holders of 75% of the aggregate principal amount of the outstanding Notes, and (b) to multiple series of debt securities which may be issued by the Issuer (including the Notes) with the consent of both (i) the holders of at least two thirds of the aggregate principle amount of all outstanding debt securities being aggregated and (ii) the holders of at least 50% in aggregate principal amount of the outstanding debt securities of each series being aggregated. In addition, under certain circumstances, including the satisfaction of the Uniformly Applicable condition (as more particularly described in the Conditions), any such modification or action relating to any Reserved Matter may be made to multiple series of the Issuer's debt securities (including the Notes) with the consent of 75% of the aggregate principal amount of the outstanding debt securities of all affected series, without requiring a particular percentage of the holders of any individual affected debt securities to vote in favour of or approve any proposed modification or action. Any modification or action proposed by the Issuer may, at the option of the Issuer, be made in respect of certain series of the Issuer's debt securities only and, for the avoidance of doubt, the collective action provisions may be used for different groups of two or more debt securities simultaneously. At the time of any proposed modification or action, the Issuer will be obliged, inter alia, to specify which method or methods of aggregation will be used by the Issuer.

There is therefore a risk that the Conditions may be amended, modified or waived in circumstances whereby the holders of debt securities voting in favour of or signing a written resolution or giving an electronic consent in respect of an amendment, modification or waiver may be holders of different series of debt securities and, as such, the majority of Noteholders would not necessarily have voted in favour of or signed a written resolution or given an electronic consent in respect of such amendment, modification or waiver. In addition, there is a risk that the provisions allowing for aggregation across multiple series of debt securities may make the Notes less attractive to purchasers in the secondary market on the occurrence of an Event of Default or in a distress situation.

The Conditions also contain a provision permitting the Notes and the Conditions to be amended without the consent of the Noteholders to correct a manifest error, or where the modification is of a formal, minor or technical nature or is not materially prejudicial to the interests of the Noteholders.

Any such amendment, modification or waiver in relation to the Notes may adversely affect the trading price of the Notes.

A change of law could affect the Notes.

The Conditions are based on English law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes and any such change could materially adversely impact the value of the Notes affected by it.

Risks relating to the Market Generally

The Notes may be negatively affected by events in other emerging markets, including those in sub-Saharan Africa.

Economic distress in any emerging market country may adversely affect prices of securities and the level of investment in other emerging market countries as investors move their money to more stable, developed markets. Financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Benin, adversely affect the Beninese economy or adversely affect the trading price of the Notes. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. Thus, even if the Beninese economy remains relatively stable, economic distress in other emerging market countries could adversely affect the trading price of the Notes and the availability of foreign funding sources for the Government or private sector borrowers.

The disruptions experienced in the international capital markets in recent years have also led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in financing being unavailable for certain entities. Emerging markets may be particularly susceptible to disruptions in the capital markets and the reduced availability of credit or the increased cost of debt, which could result in them experiencing financial difficulty. See "*—Unsustainable levels of indebtedness could have a material adverse effect on Benin's economy, its sovereign credit ratings and its ability to service its debt, including the Notes*" above. In addition, the availability of credit within emerging markets is significantly influenced by levels of investor confidence in such markets as a whole and so any factors that impact market confidence (for example, a decrease in credit ratings or state or central bank intervention) could affect the price or availability of funding within any of these markets.

Adverse developments in other countries in sub-Saharan Africa, in particular, may have a negative impact on Benin if investors perceive risk that such developments will adversely affect Benin or that similar adverse developments may occur in Benin. Risks associated with sub-Saharan Africa include political uncertainty, civil unrest and conflict, increasing terrorism risk, corruption, the outbreak of disease and poor infrastructure. Investors' perceptions of certain risks may be compounded by incomplete, unreliable or unavailable economic and statistical data on Benin, including elements of the information provided in this Prospectus. See "*—Official statistics published by Benin may be more limited and less accurate than those produced by developed countries and, to the extent currently presented as estimates and forecasts, may be materially adjusted in the future once finalised*".

There is no established trading market for the Notes and any trading market which develops may be volatile.

Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on its regulated market. However, there will not be an established trading market for the Notes when issued and one may never develop. If a market does develop it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severe adverse effect on the market value of the Notes.

Any market which develops for the Notes will be influenced by economic and market conditions in Benin and, to varying degrees, interest rates, currency exchange rates and inflation rates in other countries, such as the United States, European Union Member States and elsewhere. Events in Benin, in Africa or elsewhere may cause market volatility, which could adversely affect the liquidity or the price of the Notes. If the Notes are traded after their initial issuance, they may trade at a discount to their offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of Benin. In addition, liquidity may be limited if the Issuer makes large allocations to a limited number of investors.

There may be interest rate risks that affect the Notes.

An investment in the Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Notes, this will adversely affect the value of the Notes.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are suitable legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk based capital or similar rules.

CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes which (subject to modification and except for the paragraphs in italics) will be endorsed on the Certificates issued in respect of the Notes:

The EUR500,000,000 5.750 per cent. Amortising Notes due 2026 (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 15 (*Further Issues*) and forming a single series with the Notes) of the Republic of Benin (the **Republic** or **Benin**) are issued subject to and with the benefit of an agency agreement dated 26 March 2019 (such agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Republic, Citigroup Global Markets Europe AG as registrar (the **Registrar**), Citibank, N.A., London Branch as fiscal agent and principal paying agent (the **Fiscal Agent**) and the other initial paying agents named in the Agency Agreement (together with the Fiscal Agent, the **Paying Agents**) and the other agents named in it (together with the Fiscal Agent, the Registrar and the other Paying Agents, the **Agents**). The holders of the Notes (the **Noteholders**) are entitled to the benefit of a Deed of Covenant (the **Deed of Covenant**) dated 26 March 2019 and made by the Republic. The original of the Deed of Covenant is held by the Common Depositary. The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours by the Noteholders at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement and the Deed of Covenant applicable to them. References in these Conditions to the Fiscal Agent, the Registrar, the Paying Agents and the Agents shall include any successor appointed under the Agency Agreement.

The owners shown in the records of Euroclear and Clearstream of book-entry interests in Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them.

1. FORM, DENOMINATION, REGISTER AND TITLE

1.1 Form and Denomination

The Notes are issued in registered form in amounts of EUR 100,000 and integral multiples of EUR1,000 in excess thereof (referred to as the **Authorised Denomination** of a Note). The Notes will be represented by beneficial interests in global note certificates (the **Global Certificates**) in registered form without interest coupons. The Global Certificates will be exchangeable for Certificates in definitive, fully registered, form (the **Certificates** and each a **Certificate**) without coupons, in the circumstances specified in the Global Certificates. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Noteholders (the **Register**) which the Republic will procure to be kept by the Registrar.

The Notes are not issuable in bearer form.

1.2 Title

Title to the Notes passes only by registration in the Register. The holder of any Note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership or any writing on it, or the previous theft or loss of, the Certificate issued in respect of it) and no Person will be liable for so treating the holder. In these Conditions, **Noteholder** and (in relation to a Note) **holder**, means the Person in whose name a Note is registered in the Register.

The Notes initially offered and sold in reliance on Rule 144A (the **Rule 144A Notes**) will be represented by interests in a Restricted Global Certificate. The Notes initially offered and sold in reliance on Regulation S (the **Regulation S Notes**) will be represented by interests in the Unrestricted Global Certificate. The Global Certificates will each be deposited with, and registered in the name of a nominee for, a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream**).

Ownership of beneficial interests in the Global Certificates will be limited to persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants. Beneficial interests in the Global Certificates will be shown on, and transfers thereof will be effected through, records maintained in book entry form by Euroclear, Clearstream and their participants, as applicable.

For a description of the procedures for transferring title to book-entry interests in the Notes, see "The Global Certificates".

2. TRANSFERS OF NOTES AND ISSUE OF CERTIFICATES

2.1 Transfers

Subject to Conditions 2.4 (*Transfers of Notes and Issue of Certificates—Closed Periods*) and 2.5 (*Transfers of Notes and Issue of Certificates—Regulations*) below, a Note may be transferred in whole or in part in Authorised Denominations by depositing the Certificate issued in respect of that Note, with the form of transfer on the back duly completed and signed, at the specified office of the Registrar or any of the Agents provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of Notes not transferred are Authorised Denominations. Where not all the Notes represented by the surrendered Certificate are the subject of the transfer, a new Certificate in respect of the balance of the Notes will be issued to the transferor.

See *"The Global Certificates"*.

2.2 Delivery of new Certificates

Subject to Conditions 2.4 (*Transfers of Notes and Issue of Certificates—Closed Periods*) and 2.5 (*Transfers of Notes and Issue of Certificates—Regulations*) below, each new Certificate to be issued upon transfer of Notes will, within five business days of receipt by the Registrar or the relevant Agent of the duly completed form of transfer endorsed on the relevant Certificate, be mailed by uninsured mail at the risk of the holder entitled to the Note to the address specified in the form of transfer. For the purposes of this Condition 2, **business day** shall mean a day on which banks are open for business in the city in which the specified office of the Agent with whom a Certificate is deposited in connection with a transfer is located.

Except in the limited circumstances described herein (see "The Global Certificates — Exchange and Registration of Title"), owners of interests in the Notes will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Notes are subject to compliance by the transferor and transferee with the certification procedures described above and in the Agency Agreement and, in the case of notes offered or sold in the United States pursuant to Rule 144A, compliance with the Securities Act Legend.

Where some but not all of the Notes in respect of which a Certificate is issued are to be transferred a new Certificate in respect of the Notes not so transferred will, within five business days of receipt by the Registrar or the relevant Agent of the original Certificate, be mailed by uninsured mail at the risk of the holder of the Notes not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

2.3 Formalities free of charge

Registration of transfer of Notes will be effected without charge by or on behalf of the Republic or any Agent but upon payment (or the giving of such indemnity as the Republic or any Agent may reasonably require) in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

2.4 Closed Periods

No Noteholder may require the transfer of a Note to be registered during the period of 15 days ending on the due date for any payment of principal or interest on that Note.

2.5 Regulations

All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Republic with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests one.

3. STATUS

The Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4 (*Negative Pledge*)) unsecured obligations of the Republic and rank and will rank *pari passu*, without preference among themselves, with all other unsecured and unsubordinated External Indebtedness (as defined in Condition 4 (*Negative Pledge*)) of the Republic from time-to-time outstanding, *provided further*, that the Republic shall have no obligation to effect equal or rateable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other

External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa. The full faith and credit of the Issuer is pledged to the due and punctual payment of the Notes.

4. NEGATIVE PLEDGE

4.1 Negative Pledge

So long as any of the Notes remains outstanding (as defined in the Agency Agreement), the Republic will not create or permit to subsist any Security (other than a Permitted Security) upon the whole or any part of its present or future assets, undertakings or revenues to secure: (i) any of its Public External Indebtedness, (ii) any Guarantees in respect of Public External Indebtedness, or (iii) the Public External Indebtedness of any other Person, without at the same time or prior thereto securing the Notes equally and rateably therewith or providing such other arrangement (whether or not comprising Security) as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement).

4.2 Interpretation

In these Conditions:

External Indebtedness means any Indebtedness (as defined below) expressed or denominated or payable or which, at the option of the relevant creditor may be payable, in any currency other than the lawful currency from time to time of the Republic.

Guarantee means any obligation of a Person to pay the Indebtedness of another Person including, without limitation: an obligation to pay or purchase such Indebtedness; an obligation to lend money or to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness; an indemnity against the consequences of a default in the payment of such Indebtedness; or any other agreement to be responsible for such Indebtedness.

Indebtedness means any obligation (whether present or future) for the payment or repayment of money which has been borrowed or raised (including money raised by acceptances and leasing).

Public External Indebtedness means any External Indebtedness which is in the form of, or is represented by, bonds, notes or other securities with a stated maturity of more than one year from the date of issue which are, or are capable of being, quoted, listed or ordinarily purchased or sold on any stock exchange, automated trading system, over the counter or other securities market.

Permitted Security means:

(i) any Security upon property to secure (A) Public External Indebtedness of the Republic or (B) any Guarantee by the Republic of Public External Indebtedness of any other Person, in either case incurred for the purpose of financing the acquisition or construction of such property and any renewal and extension of such Security which is limited to the original property covered thereby and which (in either case) secures any renewal or extension of the original secured financing;

(ii) any Security securing (A) Public External Indebtedness of the Republic or (B) any Guarantee by the Republic of Public External Indebtedness of any other Person, in either case incurred for the purpose of financing all or part of the costs of the acquisition, construction or development of a project; provided that (X) the holders of such Public External Indebtedness or Guarantee expressly agree to limit their recourse to the assets and revenues of such project or the proceeds of insurance thereon as the sole source of repayments of such Public External Indebtedness and (Y) the property over which such Security is granted consists solely of such assets and revenues; and

(iii) any Security securing the Public External Indebtedness of the Republic or any Guarantee by the Republic of Public External Indebtedness of any other Person which was in existence on 26 March 2019 and any renewal of such Security which is limited to the original property covered thereby and which secures any renewal or extension of the original financing, provided that the principal amount of the Public External Indebtedness secured thereby is not increased.

Person means any individual, company, corporation, firm, partnership, joint venture, association, unincorporated organisation, trust or any other juridical entity, any state or agency of a state or other entity, whether or not having separate legal personality.

Security means any mortgage, pledge, lien, hypothecation, security interest, deed of trust, charge or other encumbrance including, without limitation, anything analogous to the foregoing under the laws of any jurisdiction.

5. INTEREST

5.1 Interest Rate and Interest Payment Dates

The Notes bear interest on their outstanding principal amount from time to time from and including 26 March 2019 (the **Issue Date**) to but excluding the Maturity Date (as defined in Condition 7.1 (*Redemption*)) at the rate of 5.750 per cent. per annum, payable annually in arrear on 26 March in each year (each an **Interest Payment Date**) commencing on 26 March 2020.

5.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. In such event, interest will continue to accrue until whichever is the earlier of:

(a) the date on which all amounts due in respect of such Note have been paid; and

(b) seven days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Fiscal Agent or the Registrar, as the case may be, and notice to that effect has been given to the Noteholders in accordance with Condition 12 (*Notices*).

5.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated by applying the rate of 5.750 per cent. per annum to the then outstanding principal amount represented by each EUR1,000 in Authorised Denomination of the Notes (such EUR1,000 in Authorised Denomination, the **Calculation Amount**) and on the basis of a day count fraction used to calculate the amount of interest payable in respect of each Note of the actual number of days in the relevant period, from and including the date from which interest begins to accrue (the **Accrual Date**), to but excluding the date on which it falls due, divided by the actual number of days from, and including, the Accrual Date to, but excluding, the next following Interest Payment Date. The resulting figure shall be rounded to the nearest cent, with half a cent being rounded upwards. The interest payable in respect of a Note shall be the product of such rounded figure and the amount by which the Calculation Amount is multiplied to reach the Authorised Denomination of the relevant Note, without any further rounding.

6. PAYMENTS

6.1 Payments in respect of Notes

Payment of principal and interest will be made by transfer to the registered account of the Noteholder or by Euro cheque drawn on a bank that processes payments in Euro and mailed to the registered address of the Noteholder by uninsured first class mail (airmail if overseas) if it does not have a registered account. Payments of principal and payments of interest due otherwise than on an Interest Payment Date will only be made against surrender of the relevant Certificate at the specified office of any of the Agents. Interest on Notes due on an Interest Payment Date will be paid to the holder shown on the Register at the close of business on the date (the **record date**) being the fifteenth day before the relevant Interest Payment Date.

For the purposes of this Condition, a Noteholder's **registered account** means the Euro account maintained by or on behalf of it with a bank that processes payments in Euro, details of which appear on the Register at the close of business, in the case of principal, on the second Business Day (as defined below) before the due date for payment and, in the case of interest, on the relevant record date, and a Noteholder's registered address means its address appearing on the Register at that time.

6.2 Payments subject to Applicable Laws

Payments in respect of principal and interest on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*).

6.3 No commissions

No commissions or expenses shall be charged to the Noteholders in respect of any payments made in accordance with this Condition 6.

6.4 Payment on Business Days

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Business Day, for value the first following day which is a Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed, on the Business Day preceding the due date for payment or, in the case of a payment of principal or a payment of interest due otherwise than on an Interest Payment Date, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of an Agent.

Noteholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due if the due date is not a Business Day, if the Noteholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition arrives after the due date for payment.

In this Condition 6, **Business Day** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and a day on which the Trans European Automated Real Time Gross Settlement Express Transfer System (**TARGET2**) is operating and, in the case of presentation of a Certificate, in the place in which the Certificate is presented.

6.5 Partial Payments

If the amount of principal or interest which is due on the Notes is not paid in full, the Registrar will annotate the Register with a record of the amount of principal or interest in fact paid.

6.6 Agents

The names of the initial Agents and their initial specified offices are set out below. The Republic reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents provided that:

(a) there will at all times be a Fiscal Agent and a Registrar; and

(b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be an Agent (which may be the Fiscal Agent) having a specified office in the place required by the rules and regulations of the relevant stock exchange or any other relevant authority.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Noteholders promptly by the Republic in accordance with Condition 12 (*Notices*).

7. REDEMPTION AND PURCHASE

7.1 Redemption

Unless previously redeemed, or purchased and cancelled as provided below, the Republic will redeem the Notes in three instalments on each amortisation date specified in column A below (each an **Amortisation Date**) at the related amortisation amount specified in column B below (each an **Amortisation Amount**) payable as provided in Condition 6 (*Payments*). The outstanding principal amount of the Notes shall be reduced by the Amortisation Amount so paid by the Republic on the relevant Amortisation Date for all purposes with effect from such relevant Amortisation Date such that the outstanding aggregate principal amount of the Notes following such payment shall be as specified in column C below. If payment of the relevant Amortisation Amount is improperly withheld or refused in respect of a Note, the relevant principal amount of such Note will remain outstanding until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day have been paid and (b) the Business Day after the Fiscal Agent has given notice to the Noteholders of receipt of all sums due in respect of such Notes up to that Business Day (except to the extent that there is any subsequent default in payment in accordance with these Conditions). The Notes shall be finally redeemed at their final Amortisation Amount payable on 26 March 2026 (the **Maturity Date**).

	Amortisation	Outstanding

Amortisation Date (A)	Amount (B)	Aggregate Principal Amount of the Notes (C)
Interest Payment Date falling on 26 March 2024	EUR166,666,666.66	EUR333,333,333.34
Interest Payment Date falling on 26 March 2025	EUR166,666,666.67	EUR166,666,666.67
Maturity Date……………………………………	EUR166,666,666.67	EUR 0

In these Conditions, references to **principal** shall, unless the context requires otherwise, be deemed to include any Amortisation Amount and references to the **due date** for payment shall, unless the context requires otherwise, be deemed to include any Amortisation Date.

In the event of any purchase and cancellation of the Notes as provided in Condition 7.2 below, there shall be a corresponding pro rata reduction in the remaining Amortisation Amounts payable in respect of the Notes to reflect the reduction in the outstanding aggregate principal amount of the Notes following such purchase and cancellation, and to provide for the redemption of the remaining Notes in corresponding instalments on each remaining Amortisation Date.

7.2 Purchases

The Republic may at any time purchase Notes in any manner and at any price in accordance with applicable securities laws. All Notes which are purchased by or on behalf of the Republic may be cancelled, held or resold. Any Notes which are cancelled may not be re-issued or re-sold.

8. TAXATION

8.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Republic shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of a Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Republic will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no such additional amounts shall be payable in relation to any payment in respect of any Note:

(a) the holder of which is liable for Taxes in respect of such Note by reason of such holder having some present or former connection with the Relevant Jurisdiction other than the mere holding of the Note; or

(b) which is presented or surrendered for payment more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts on presenting or surrendering the same for payment on the last day of such period of 30 days assuming that day to have been a Business Day (as defined in Condition 6 (*Payments*)).

8.2 Interpretation

In these Conditions:

(a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Fiscal Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Republic in accordance with Condition 12 (*Notices*); and

(b) **Relevant Jurisdiction** means the Republic or any political subdivision or any authority thereof or therein having power to tax.

8.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

9. PRESCRIPTION

Pursuant to applicable Beninese law, any money paid by the Republic to the Fiscal Agent for payment due under any Note that remains unclaimed at the end of five years after the due date for that payment will be repaid to the Republic, and the holder of such Note shall thereafter look only to the Republic for payment.

Claims against the Republic in respect of principal and interest shall become void unless made within a period of five years from the appropriate Relevant Date in the case of interest, and 10 years from the appropriate Relevant Date in the case of principal.

10. EVENTS OF DEFAULT

10.1 Declaration of Acceleration

If any of the following events (each an **Event of Default**) shall have occurred and be continuing:

(a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 15 days in the case of principal or 30 days in the case of interest; or

(b) the Republic fails to perform any other obligations in respect of the Notes, and such failure continues for 45 days after any Noteholder has given written notice thereof to the Republic to remedy the failure and gives a copy of such notice to the Fiscal Agent; or

(c) (i) any other Indebtedness of the Republic becomes due and payable prior to the stated maturity thereof by reason of default; or

(ii) any such Indebtedness is not paid at maturity; or

(iii) any Guarantee of such Indebtedness is not honoured when due and called upon and,

in the case of (ii) or (iii), that failure continues beyond any applicable grace period; PROVIDED THAT the amount of Indebtedness referred to in (i) and/or (ii) and/or the amount payable under any Guarantee referred to in (iii) individually or in the aggregate exceeds €20,000,000 (or its equivalent in any other currency or currencies); or

(d) the Republic ceases to be a member of the International Monetary Fund (**IMF**) or becomes ineligible to use the resources of the IMF; or

(e) the Republic declares a general moratorium on the payment of principal or interest or any additional amounts in respect of all or any part of its Indebtedness; or

(f) for any reason whatsoever, (i) it shall become unlawful for the Republic to perform or comply with all or any of its obligations set out in the Notes, including, without limitation, the payment of interest on the Notes, as a result of any change in law or regulation in the Republic or (ii) the Republic's obligations under the Notes are declared by a court of competent jurisdiction to be no longer binding on, or no longer enforceable against, the Republic;

(g) if the Republic or any of its political sub-divisions acting on behalf of the Republic contests the validity of the Notes; or

(h) if the Republic shall deny any of its obligations under the Notes (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise); or

(i) if any authorisation, consent of, or filing or registration with, any governmental authority necessary for the performance of any payment obligation of the Republic under the Notes, when due, ceases to be in full force and effect or remain valid and subsisting,

then the holders of at least 25 per cent. in aggregate principal amount of the Notes then outstanding may, by notice in writing to the Republic (with a copy to the Fiscal Agent), declare all the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their outstanding principal amount together with accrued interest without further action or formality. Notice of any such declaration shall promptly be given to all other Noteholders by the Republic.

10.2 Withdrawal of Declaration of Acceleration

If the Republic receives notice in writing from holders of at least 50 per cent. in aggregate principal amount of the Notes then outstanding to the effect that the Event of Default or Events of Default giving rise to any above-mentioned declaration of acceleration is or are cured following any such declaration and that such holders wish the relevant declaration to be withdrawn, the Republic shall, give notice thereof to the Noteholders (with a copy to the Fiscal Agent), whereupon the relevant declaration shall be withdrawn and shall have no further effect but without prejudice to any rights or obligations which may have arisen before the Republic gives such notice (whether pursuant to these Conditions or otherwise). No such withdrawal shall affect any other or any subsequent Event of Default or any right of any Noteholder in relation thereto.

10.3 Interpretation

For the purposes of this Condition:

Guarantee shall have the meaning given to it in Condition 4 (*Negative Pledge*); and

Indebtedness shall have the meaning given to it in Condition 4 (*Negative Pledge*).

11. REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Republic may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12. NOTICES

12.1 Notices to the Noteholders

All notices to the Noteholders will be valid if: (A) mailed to them by first class mail or (if posted to an address overseas) by airmail to the holders (or the first of any joint named holders) at their respective addresses in the Register and (B) published in a leading English language newspaper having general circulation in London (which is expected to be the *Financial Times*). The Republic shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice will be deemed to have been given on the fourth day after being so mailed or on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

So long as any of the Notes are represented by the Global Certificates, notices required to be published in accordance with Condition 12 (Notices) may be given by delivery of the relevant notice to Euroclear and Clearstream for communication by them to the relevant accountholders.

13. MEETINGS OF NOTEHOLDERS; CONDUCT OF MEETINGS; WRITTEN RESOLUTIONS AND ELECTRONIC CONSENTS

13.1 Convening Meetings of Noteholders; Conduct of Meetings; Written Resolutions

(a) The Republic may convene a meeting of the Noteholders at any time in respect of the Notes in accordance with the Agency Agreement. The Republic will determine the time and place of the meeting. The Republic will notify the Noteholders of the time, place and purpose of the meeting not less than 21 and not more than 45 days before the meeting.

(b) The Republic or the Fiscal Agent will convene a meeting of Noteholders if the holders of at least 10 per cent. in principal amount of the Notes then outstanding (as defined in the Agency Agreement and described in Condition 13.9 (*Notes controlled by the Republic*)) have delivered a written request to the Republic or the Fiscal Agent (with a copy to the Republic) setting out the purpose of the meeting. The Fiscal Agent will agree the time and place of the meeting with the Republic promptly. The Republic or the Fiscal Agent, as the case may be, will notify the Noteholders within 10 days of receipt of such written request of the time and place of the meeting, which shall take place not less than 21 and not more than 45 days after the date on which such notification is given.

(c) The Republic (with the agreement of the Fiscal Agent) will set the procedures governing the conduct of any meeting in accordance with the Agency Agreement. If the Agency Agreement does not include such procedures, or additional procedures are required, the Republic and the Fiscal Agent will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Republic proposes any modification to the terms and conditions of, or action with respect to, two or more series of debt securities issued by it.

(d) The notice convening any meeting will specify, inter alia;

i. the date, time and location of the meeting;

ii. the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;

iii. the record date for the meeting, which shall be no more than five business days before the date of the meeting;

iv. the documentation required to be produced by a Noteholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Noteholder's behalf at the meeting;

v. any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Notes are traded and/or held by Noteholders;

vi. whether Condition 13.2 (*Modification of this Series of Notes only*), or Condition 13.3 (*Multiple Series Aggregation – Single limb voting*), or Condition 13.4 (*Multiple Series Aggregation – Two limb voting*) shall apply and, if relevant, in relation to which other series of debt securities it applies;

vii. if the proposed modification or action relates to two or more series of debt securities issued by it and contemplates such series of debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group of debt securities;

viii. such information that is required to be provided by the Republic in accordance with Condition 13.6 (*Information*);

ix. the identity of the aggregation agent appointed by Benin (the **Aggregation Agent)** and the calculation agent appointed by Benin (the **Calculation Agent**), if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 13.7 (*Claims Valuation*); and

x. any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of debt securities.

(e) All information to be provided pursuant to Condition 13.1 (*Convening Meetings of Noteholders; Conduct of Meetings; Written Resolutions*) shall also be provided, *mutatis mutandis*, in respect of Written Resolutions and Electronic Consents (as defined in Condition 13.12).

(f) A **record date** in relation to any proposed modification or action means the date fixed by the Republic for determining the Noteholders and, in the case of a multiple series aggregation, the holders of debt securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution.

(g) An **Extraordinary Resolution** means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

(h) A **Written Resolution** means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.

(i) Any reference to **debt securities** means any notes (including the Notes), bonds, debentures or other debt securities (which for these purposes shall be deemed to include any sukuk or other trust certificates representing the credit of the Republic) issued by, or on behalf of, the Republic in one or more series with an original stated maturity of more than one year.

(j) **Debt Securities Capable of Aggregation** means those debt securities which include or incorporate by reference this Condition 13 (*Meetings of Noteholders; Conduct of Meetings; Written Resolutions and Electronic Consents*) and Condition 14 (*Aggregation Agent; Aggregation Procedures*) or provisions substantially in these terms which provide for the debt securities which include such provisions to be capable of being aggregated for voting purposes with other series of debt securities.

13.2 Modification of this Series of Notes only

(a) Any modification of any provision of, or any action in respect of, these Conditions or the Agency Agreement in respect of the Notes may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.

(b) A **Single Series Extraordinary Resolution** means a resolution passed at a meeting of Noteholders duly convened and held in accordance with the procedures prescribed by the Republic and the Fiscal Agent pursuant to Condition 13.1 (*Convening Meetings of Noteholders; Conduct of Meetings; Written Resolutions*) by a majority of:

(i) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the Notes then outstanding; or

(ii) in the case of a matter other than a Reserved Matter, more than 50 per cent. of the aggregate principal amount of the Notes then outstanding.

(c) A **Single Series Written Resolution** means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:

(i) in the case of a Reserved Matter, at least 75 per cent. of the aggregate principal amount of the Notes then outstanding; or

(ii) in the case of a matter other than a Reserved Matter more than 50 per cent. of the aggregate principal amount of the Notes then outstanding.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders.

(d) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Noteholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

13.3 Multiple Series Aggregation – Single limb voting

(a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, provided that the Uniformly Applicable condition is satisfied.

(b) A **Multiple Series Single Limb Extraordinary Resolution** means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Republic and the Fiscal Agent pursuant to Condition 13.1 (*Convening Meetings of Noteholders; Conduct of Meetings; Written Resolutions*), as supplemented if necessary, which is passed by a majority of at least 75 per cent. of the aggregate principal amount of the debt securities then outstanding in respect of all affected series of Debt Securities Capable of Aggregation (taken in aggregate).

(c) A **Multiple Series Single Limb Written Resolution** means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75 per cent. of the aggregate principal amount of the debt securities then outstanding in respect of all affected series of Debt Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of debt securities.

(d) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.

(e) The **Uniformly Applicable** condition will be satisfied if:

(i) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their debt securities, on the same terms for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or

(ii) the amendments proposed to the terms and conditions of each affected series of Debt Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).

(f) It is understood that a proposal under Condition 13.3(a) above will not be considered to satisfy the Uniformly Applicable condition if each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation (or, where a menu of instruments or other consideration is offered, each exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation is not offered the same amount of consideration per amount of principal, the same amount of consideration per amount of interest accrued but unpaid and the same amount of consideration per amount of past due interest, respectively, as that offered to each other exchanging, converting, substituting or amending holder of each affected series of Debt Securities Capable of Aggregation electing the same option from such menu of instruments).

(g) Any modification or action proposed under Condition 13.3(a) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 13.3 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

13.4 Multiple Series Aggregation – Two limb voting

(a) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.

(b) A **Multiple Series Two Limb Extraordinary Resolution** means a resolution considered at separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Republic and the Fiscal Agent pursuant to Condition 13.1 (*Convening Meetings of Noteholders; Conduct of Meetings; Written Resolutions*), as supplemented if necessary, which is passed by a majority of:

(i) at least two thirds of the aggregate principal amount of the debt securities then outstanding in respect of affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(ii) more than 50 per cent. of the aggregate principal amount of the debt securities then outstanding in respect of each affected series of Debt Securities Capable of Aggregation (taken individually).

(c) A **Multiple Series Two Limb Written Resolution** means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Debt Securities Capable of Aggregation, in accordance with the applicable bond documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

(i) at least two thirds of the aggregate principal amount of the debt securities then outstanding in respect of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and

(ii) more than 50 per cent. of the aggregate principal amount of the debt securities then outstanding in respect of each affected series of Debt Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Noteholders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

(d) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Noteholders and holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.

(e) Any modification or action proposed under Condition 13.4(a) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 13.4 may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.

13.5 Reserved Matters

In these Conditions, **Reserved Matter** means any proposal:

(a) to change the date, or the method of determining the date, for payment of principal, interest or any other amount in respect of the Notes, to reduce or cancel the amount of principal, interest or any other amount payable on any date in respect of the Notes or to change the method of calculating the amount of principal, interest or any other amount payable in respect of the Notes on any date;

(b) to change the currency in which any amount due in respect of the Notes is payable or the place in which any payment is to be made;

(c) to change the majority required to pass an Electronic Consent, an Extraordinary Resolution, a Written Resolution or any other resolution of Noteholders or the number or percentage of votes required to be cast, or the number or percentage of Notes required to be held, in connection with the taking of any decision or action by or on behalf of the Noteholders or any of them;

(d) to change this definition, or the definition of Electronic Consent, Extraordinary Resolution, Single Series Extraordinary Resolution, Multiple Series Single Limb Extraordinary Resolution, Multiple Series Two Limb Extraordinary Resolution, Written Resolution, Single Series Written Resolution, Multiple Series Single Limb Written Resolution or Multiple Series Two Limb Written Resolution;

(e) to change the definition of debt securities or Debt Securities Capable of Aggregation;

(f) to change the definition of Uniformly Applicable;

(g) to change the definition of outstanding or to modify the provisions of Condition 13.9 (*Notes controlled by the Republic*);

(h) to change the legal ranking of the Notes or other specified substantive covenants as appropriate, to be determined on a case-by-case basis;

(i) to change any provision of the Notes describing circumstances in which Notes may be declared due and payable prior to their scheduled maturity date, set out in Condition 10 (*Events of Default*);

(j) to change the law governing the Notes, the courts to the jurisdiction of which the Republic has submitted in the Notes, any of the arrangements specified in the Notes to enable proceedings to be taken or the Republic's waiver of immunity, in respect of actions or proceedings brought by any Noteholder, set out in Condition 18 (*Governing Law and Arbitration*);

(k) to impose any condition on or otherwise change the Republic's obligation to make payments of principal, interest or any other amount in respect of the Notes, including by way of the addition of a call option;

(l) to modify the provisions of this Condition 13.5;

(m) except as permitted by any related guarantee or security agreement, to release any agreement guaranteeing or securing payments under the Notes or to change the terms of any such guarantee or security; or

(n) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Republic or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Republic or any other person, which would result in the Conditions as so modified being less favourable to the Noteholders which are subject to the Conditions as so modified than:

    (i) the provisions of the other obligations or debt securities of the Republic or any other person resulting from the relevant exchange or substitution or conversion; or

    (ii) if more than one series of other obligations or debt securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of debt securities having the largest aggregate principal amount.

13.6 Information

Prior to or on the date that the Republic proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 13.2 (*Modification of this Series of Notes only*), Condition 13.3 (*Multiple Series Aggregation – Single limb voting*) or Condition 13.4 (*Multiple Series Aggregation – Two limb voting*), the Republic shall publish in accordance with Condition 14 (*Aggregation Agent; Aggregation Procedures*), and provide the Fiscal Agent with the following information:

(a) a description of the Republic's economic and financial circumstances which are, in the Republic's opinion, relevant to the request for any potential modification or action, a description of the Republic's existing debts and a description of its broad policy reform programme and provisional macroeconomic outlook;

(b) if the Republic shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement. Where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;

(c) a description of the Republic's proposed treatment of external debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other debt securities and its other major creditor groups; and

(d) if any proposed modification or action contemplates debt securities being aggregated in more than one group of debt securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Noteholders in Condition 13.1(d)(vii) (*Convening Meetings of Noteholders; Conduct of Meetings; Written Resolutions*).

13.7 Claims Valuation

For the purpose of calculating the par value of the Notes and any affected series of debt securities which are to be aggregated with the Notes in accordance with Condition 13.3 (*Multiple Series Aggregation – Single limb voting*) and Condition 13.4 (*Multiple Series Aggregation – Two limb voting*), the Republic may appoint a Calculation Agent. The Republic shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the Calculation Agent will calculate the par value of the Notes and such affected series of debt securities. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Notes and each other affected series of debt securities for these purposes, and the same methodology will be promulgated for each affected series of debt securities.

13.8 Manifest error, etc.

The Notes, these Conditions and the provisions of the Agency Agreement may be amended without the consent of the Noteholders to correct a manifest error. In addition, the parties to the Agency Agreement may agree to modify any provision thereof, but the Republic shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Noteholders.

13.9 Notes controlled by the Republic

For the purposes of (i) determining the right to attend and vote at any meeting of Noteholders, the right to give an Electronic Consent, or the right to sign or confirm in writing, or authorise the signature of, any Written Resolution and (ii) this Condition 13 (*Meetings of Noteholders; Conduct of Meetings; Written Resolutions and Electronic Consents*) and (iii) Condition 10 (*Events of Default*), any Notes which are for the time being held by or on behalf of the Republic or by or on behalf of any person which is owned or controlled directly or indirectly by the Republic or by any public sector instrumentality of the Republic shall be disregarded and be deemed not to remain outstanding, where:

(a) **public sector instrumentality** means the BCEAO, the Ministry of Economy and Finance of the Republic, any other department, ministry or agency of the Republic or any corporation, trust, financial institution or other entity owned or controlled by the Republic or any of the foregoing; and

(b) **control** means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Note will also be deemed to be not outstanding if the Note has previously been cancelled or delivered for cancellation or held for reissuance but not reissued or previously become due and payable at maturity or otherwise and the Republic has previously satisfied its obligations to make all payments due in respect of the Note in accordance with its terms.

In advance of any meeting of Noteholders, or in connection with any Electronic Consent or Written Resolution, the Republic shall provide to the Fiscal Agent a copy of the certificate prepared pursuant to

Condition 14.4 (*Certificate*), which includes information on the total number of Notes which are for the time being held by or on behalf of the Republic or by or on behalf of any person which is owned or controlled directly or indirectly by the Republic or by any public sector instrumentality of the Republic and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Noteholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Fiscal Agent shall make any such certificate available for inspection during normal business hours at its specified office and, upon reasonable request, will allow copies of such certificate to be taken.

13.10 Publication

The Republic shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 14.8 (*Manner of publication*).

13.11 Exchange and Conversion

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the Republic's option by way of a mandatory exchange or conversion of the Notes and each other affected series of debt securities, as the case may be, into new debt securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Noteholders at the time notification is given to the Noteholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Noteholders.

13.12 Written Resolutions and Electronic Consents

A Written Resolution may be contained in one document or in several documents in like form, each signed by or on behalf of one or more of the Noteholders.

For so long as any Notes are in the form of a global Note held on behalf of one or more of Euroclear, Clearstream or any other clearing system (the **relevant clearing system(s)**), then approval of a resolution proposed by the Republic given by way of electronic consent communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures (i) by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders or (ii) (where such holders have been given at least 21 days' notice of such resolution) by or on behalf of:

A. in respect of a proposal that falls within paragraphs (b) and (c) of Condition 13.2, the persons holding at least 75 per cent. of the aggregate principal amount of the Notes then outstanding in the case of a Reserved Matter or more than 50 per cent. of the aggregate principal amount of the Notes then outsdtanding, in the case of a matter other than a Reserved Matter;

B. in respect of a proposal that falls within paragraphs (b) and (c) of Condition 13.3, the persons holding at least 75 per cent. of the aggregate principal amount of the debt securities then outstanding in respect of all affected series of Debt Securities Capable of Aggregation (taken in aggregate);

C. in respect of a proposal that falls within paragraphs (b) and (c) of Condition 13.4, (x) the persons holding at least two thirds of the aggregate principal amount of the outstanding debt securities of all affected series of Debt Securities Capable of Aggregation (taken in aggregate); and (y) the persons holding more than 50 per cent. of the aggregate principal amount of the debt securities then outstanding in respect of each affected series of Debt Securities Capable of Aggregation (taken individually),

(in the case of (A), (B) and (C), each an **Electronic Consent**) shall, for all purposes (including Reserved Matters) take effect as (i) a Single Series Extraordinary Resolution (in the case of (A) above), (ii) a

Multiple Series Single Limb Extraordinary Resolution (in the case of (B) above) or (iii) a Multiple Series Two Limb Extraordinary Resolution (in the case of (C) above), as applicable.

The notice given to Noteholders shall specify, in sufficient detail to enable Noteholders to give their consents in relation to the proposed resolution, the method by which their consents may be given (including, where applicable, blocking of their accounts in the relevant clearing system(s)) and the time and date (the Relevant Date) by which they must be received in order for such consents to be validly given, in each case subject to and in accordance with the operating rules and procedures of the relevant clearing system(s).

If, on the Relevant Date on which the consents in respect of an Electronic Consent are first counted, such consents do not represent the required proportion for approval, the resolution shall, if the party proposing such resolution (the **Proposer**) so determines, be deemed to be defeated. Alternatively, the Proposer may give a further notice to Noteholders that the resolution will be proposed again on such date and for such period as shall be agreed with the Republic (unless the Republic is the Proposer). Such notice must inform Noteholders that insufficient consents were received in relation to the original resolution and the information specified in the previous paragraph. For the purpose of such further notice, references to Relevant Date shall be construed accordingly.

An Electronic Consent may only be used in relation to a resolution proposed by the Republic which is not then the subject of a meeting that has been validly convened above, unless that meeting is or shall be cancelled or dissolved.

Where Electronic Consent has not been sought, for the purposes of determining whether a Written Resolution has been validly passed, the Republic shall be entitled to rely on consent or instructions given in writing directly to the Republic (a) by accountholders in the relevant clearing system(s) with entitlements to any global Note and/or (b) where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person identified by that accountholder as the person for whom such entitlement is held. For the purpose of establishing the entitlement to give any such consent or instruction, the Republic shall be entitled to rely on any certificate or other document issued by, in the case of (a) above, the relevant clearing system(s) and, in the case of (b) above, the relevant clearing system(s) and the accountholder identified by the relevant clearing system(s). Any such certificate or other document (i) shall be conclusive and binding for all purposes and (ii) may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream‘s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. The Republic shall not be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

A Written Resolution and/or Electronic Consent (i) shall take effect as an Extraordinary Resolution and (ii) will be binding on all Noteholders and Couponholders, whether or not they participated in such Written Resolution and/or Electronic Consent, even if the relevant consent or instruction proves to be defective.

14. AGGREGATION AGENT; AGGREGATION PROCEDURES

14.1 Appointment

The Republic will appoint an Aggregation Agent to calculate whether a proposed modification or action has been approved by the required principal amount of Notes then outstanding, and, in the case of a multiple series aggregation, by the required principal amount of debt securities then outstanding in respect of each affected series of debt securities. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions or the Agency Agreement in respect of the Notes and in respect of the terms and conditions or bond documentation in respect of each other affected series of debt securities. The Aggregation Agent shall be independent of the Republic.

14.2 Extraordinary Resolutions

If an Extraordinary Resolution has been proposed at a duly convened meeting of Noteholders to modify any provision of, or action in respect of, these Conditions and other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

14.3 Written Resolutions

If a Written Resolution has been proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Notes and, where relevant, each other affected series of debt securities, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

14.4 Certificate

For the purposes of Condition 14.2 (*Extraordinary Resolutions*) and Condition 14.3 (*Written Resolutions*), the Republic will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 13.2 (*Modification of this Series of Notes only*), Condition 13.3 (*Multiple Series Aggregation – Single limb voting*) or Condition 13.4 (*Multiple Series Aggregation – Two limb voting*), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

The certificate shall:

(a) list the total principal amount of Notes outstanding and, in the case of a multiple series aggregation, the total principal amount of each other affected series of debt securities outstanding on the record date; and

(b) clearly indicate the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities which shall be disregarded and deemed not to remain outstanding as a consequence of Condition 13.9 (*Notes controlled by the Republic*) on the record date identifying the holders of the Notes and, in the case of a multiple series aggregation, debt securities of each other affected series of debt securities.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

14.5 Electronic Consents

If approval of a resolution proposed under the terms of these Conditions to modify any provision of, or action in respect of, these Conditions and the terms and conditions of other affected series of debt securities, as the case may be, is proposed to be given by way of Electronic Consent, the Aggregation Agent will, as soon as reasonably practicable after the relevant Electronic Consent has been given, calculate whether holders of a sufficient portion of the aggregate principal amount of the Notes then outstanding and, where relevant, each other affected series of debt securities, have consented to the resolution by way of Electronic Consent such that the resolution is approved. If so, the Aggregation Agent will determine that the resolution has been duly approved.

14.6 Notification

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 14 (*Aggregation Agent; Aggregation Procedures*) to be notified to the Fiscal Agent and the Republic as soon as practicable after such determination. Notice thereof shall also promptly be given to the Noteholders.

14.7 Binding nature of determinations; no liability

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 14 (*Aggregation Agent; Aggregation Procedures*) by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Republic, the Fiscal Agent, the Noteholders and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

14.8 Manner of publication

The Republic will publish all notices and other matters required to be published pursuant to the Agency Agreement including any matters required to be published pursuant to Condition 13 (*Meetings of Noteholders; Conduct of Meetings; Written Resolutions and Electronic Consents*), this Condition 14 (*Aggregation Agent; Aggregation Procedures*) and Condition 10 (*Events of Default*):

(a) in such places and in such manner as may be required by applicable law or regulation and otherwise in accordance with Condition 12; and

(b) in such other places and in such other manner as may be customary.

15. FURTHER ISSUES

The Republic may from time to time without the consent of the Noteholders create and issue further notes, having terms and conditions the same as those of the Notes, or the same except for the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

The Republic does not currently intend to issue further notes forming a single Series with the Notes that have more than a *de minimis* amount of original issue discount (**OID**) for U.S. federal income tax purposes unless (i) such issuance would constitute a “qualified reopening” of the Notes for U.S. federal income tax purposes, or (ii) the further notes are otherwise fungible with the Notes for U.S. federal income tax purposes. However, the determination regarding whether to proceed with any proposed further issue will be made at the time of such further issue and the Republic may decide to proceed, provided, however, that unless any further Notes (i) are part of the same “issue” for U.S. federal income tax purposes, (ii) are issued pursuant to a “qualified reopening” for U.S. federal income tax purposes or (iii) are issued with no more than a *de minimis* amount of OID, such further Notes will have a separate ISIN and Common Code so that they are distinguishable from such Notes.

16. INDEMNITY OF THE FISCAL AGENT AND OTHER AGENTS

The Agency Agreement contains provisions for the indemnification of the Fiscal Agent and the other Agents and for their relief from responsibility. The Fiscal Agent and each other Agent is entitled to enter into business transactions with the Republic without accounting for any profit. The Fiscal Agent and the other Agents are agents of the Republic and none of them is a trustee or fiduciary for any of the holders of the Notes, except in the limited circumstances expressly provided for in the Agency Agreement.

17. CURRENCY INDEMNITY

The Euro is the sole currency of payment for all sums payable by the Republic under or in connection with the Notes. Any amount received or recovered in a currency other than Euro (whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction or otherwise) by any Noteholder in respect of any sum expressed to be due to it from the Republic shall only constitute a discharge of the Republic to the extent of the Euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that Euro amount is less than the Euro amount expressed to be due to the recipient under any Note, the

Republic shall indemnify such recipient against any loss sustained by it as a result. In any event, the Republic shall indemnify the recipient against the cost of making any such purchase. These indemnities constitute separate obligations, independent from the Republic's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder and shall continue in full force and effect despite any judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any judgment or order.

18. GOVERNING LAW AND ARBITRATION

18.1 Governing Law

The Agency Agreement, the Deed of Covenant and the Notes and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.

18.2 Arbitration

Any dispute arising out of or in connection with the Notes, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with the Notes (a **Dispute**) shall be exclusively referred to and finally resolved by arbitration under the Arbitration Rules (the **Rules**) of the London Court of International Arbitration (the **LCIA**).

In relation to any Disputes being resolved by arbitration, the arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator; and a third arbitrator, who shall serve as Chairman, shall be appointed by the LCIA as soon as possible, preferably within 15 days of the appointment of the second arbitrator. If a party fails to appoint an arbitrator within 15 days of receipt of a request from the other party, the appointment of such arbitrator will be made by the LCIA at the request of the relevant party. If all the parties to an arbitration so agree, there shall be a sole arbitrator appointed by the LCIA as soon as possible, preferably within 15 days of such agreement. The seat of arbitration shall be London, England and the language of the arbitration shall be English. Where two or more disputes arise under these Conditions and any other agreement with respect to the Notes, which, in the reasonable opinion of the first tribunal to be appointed in any of the disputes (the **First Tribunal**), are so closely connected that it is expedient for them to be resolved in the same proceedings, the First Tribunal shall have the power to order that the proceedings to resolve the dispute before it shall be consolidated with those to resolve any of the other disputes (whether or not proceedings to resolve those other disputes have yet been instituted), provided that no date for the final hearing of the first arbitration has been fixed. If the First Tribunal so orders, the parties to each dispute which is a subject of its order shall be treated as having consented to their dispute being finally decided:

(a) by the First Tribunal unless the LCIA decides that it would not be suitable or impartial (in which case by a replacement tribunal appointed in accordance with the Rules); and

(b) in accordance with the procedure, at the seat and in the language specified in the arbitration agreement in the contract under which the First Tribunal was appointed, save as otherwise agreed by all parties to the consolidated proceedings or, in the absence of such agreement, ordered by the tribunal in the consolidated proceedings.

18.3 Appointment of Process Agent

The Republic irrevocably appoints the TMF Global Services (UK) Limited as its agent for service of process in any proceedings (**Proceedings**) before the English courts permitted by the Rules in connection with any arbitral proceedings pursuant to Condition 18.2, or in connection with the enforcement of any arbitral award rendered pursuant to Condition 18.2 and agrees that in the event of such agent ceasing so to act, ceasing to be located in England or otherwise being unable or unwilling for any reason to act, it will immediately appoint another person as its agent for service of process in England for such purposes. The Republic agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition shall affect the right to serve Proceedings in any other manner permitted by law.

18.4 Sovereign Immunity

The Republic consents generally in respect of any Disputes to the giving of any relief or the issue of any process in connection with such Disputes including (without limitation but subject as provided in the following paragraph) the making, enforcement or execution against any property whatsoever of any order or judgment which is made or given in such Disputes.

To the extent that the Republic may in any jurisdiction claim for itself or its assets or revenues immunity from suit, arbitral award, judgment, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process in respect of (i) any arbitration proceedings to resolve a Dispute under Condition 18.2 or (ii) any Proceedings, and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Republic or its assets or revenues, the Republic agrees not to claim and irrevocably waives such immunity to the full extent permitted by the laws of such jurisdiction (and consents generally for the purposes of the State Immunity Act 1978 to the giving of any relief or the issue of any process in connection with any such proceedings). The Republic does not hereby waive such immunity from execution or attachment in respect of (a) property, including any bank account, used by a diplomatic or consular mission of the Republic or its special missions or delegations to international organisations, (b) property of a military character and under the control of a military authority or defence agency of the Republic or (c) property dedicated to a public or governmental use by the Republic (as distinct from property which is for the time being in use or intended for use for commercial purposes within the meaning of the State Immunity Act 1978).

18.5 Other Documents

The Republic has in the Agency Agreement and the Deed of Covenant appointed an agent in England for service of process, in terms substantially similar to those set out above. In addition, the Republic has, in such documents, waived certain rights to sovereign immunity and other similar defences which it may have, on terms substantially similar to those set out in Condition 18.4 (*Sovereign Immunity*).

19. RIGHTS OF THIRD PARTIES

No rights are conferred on any person under the Contracts (**Rights of Third Parties**) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

THE GLOBAL CERTIFICATES

The Global Certificates contain the following provisions which apply to the Notes in respect of which they are issued whilst they are represented by the Global Certificates, some of which modify the effect of the Conditions. Terms defined in the Conditions have the same meaning below. 6 below

1. ACCOUNTHOLDERS

For so long as any of the Notes are represented by the Global Certificates, each person (other than another clearing system) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (as the case may be) as the holder of a particular aggregate principal amount of such Notes (each an **Accountholder**) (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg (as the case may be) as to the aggregate outstanding principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes) shall be treated as the holder of such aggregate principal amount of such Notes (and the expression **Noteholders** and references to **holding of Notes** and to **holder of Notes** shall be construed accordingly) for all purposes other than with respect to payments on such Notes, the right to which shall be vested, as against the Republic, solely in the nominee for the relevant clearing system (the **Relevant Nominee**) in accordance with and subject to the terms of the Global Certificates. Each Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Relevant Nominee.

2. CANCELLATION

Cancellation of any Note following its final redemption or purchase by the Republic will be effected by reduction in the aggregate principal amount of the Notes in the register of Noteholders and by the annotation of the appropriate schedule to the relevant Global Certificate.

3. PAYMENTS

Payments of principal and interest in respect of Notes represented by a Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Notes, against presentation and surrender of such Global Certificate to or to the order of the Fiscal Agent or such other Agent as shall have been notified to the holders of the Global Certificates for such purpose.

Each payment in respect of a Global Certificate will be made to the person shown as the holder in the relevant register at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment, where **Clearing System Business Day** means a day on which each clearing system for which the Global Certificate is being held is open for business.

Distributions of amounts with respect to book-entry interests in the Unrestricted Global Certificates held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Fiscal Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

A record of each payment made will be endorsed on the appropriate schedule to the relevant Global Certificate by or on behalf of the Fiscal Agent and shall be *prima facie* evidence that payment has been made.

4. NOTICES

So long as the Notes are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled Accountholders in substitution for notification as required by Condition 12 (*Notices*). Any such notice shall be deemed to have been given to the Noteholders on the fourth day after the day on which such notice is delivered to Euroclear and/or Clearstream, Luxembourg (as the case may be) as aforesaid.

Whilst any of the Notes held by a Noteholder are represented by a Global Certificate, notices to be given by such Noteholder may be given by such Noteholder (where applicable) through Euroclear and/or Clearstream, Luxembourg and otherwise in such manner as the Fiscal Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

5. REGISTRATION OF TITLE

Registration of title to Notes in a name other than that of the Relevant Nominee will not be permitted unless Euroclear or Clearstream, Luxembourg, as appropriate, notifies the Republic that it is unwilling or unable to continue as a clearing system in connection with a Global Certificate. In these circumstances title to a Note may be transferred into the names of holders notified by the Relevant Nominee in accordance with the Conditions, except that Certificates in respect of Notes so transferred may not be available until 21 days after the request for transfer is duly made.

The Registrar will not register title to the Notes in a name other than that of the Relevant Nominee for a period of 15 calendar days preceding the due date for any payment of principal, premium (if any) or interest in respect of the Notes.

If only one of the Global Certificates (the **Exchanged Global Certificate**) becomes exchangeable for Certificates in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Certificates issued in exchange for beneficial interests in the Exchanged Global Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Certificate.

6. TRANSFERS

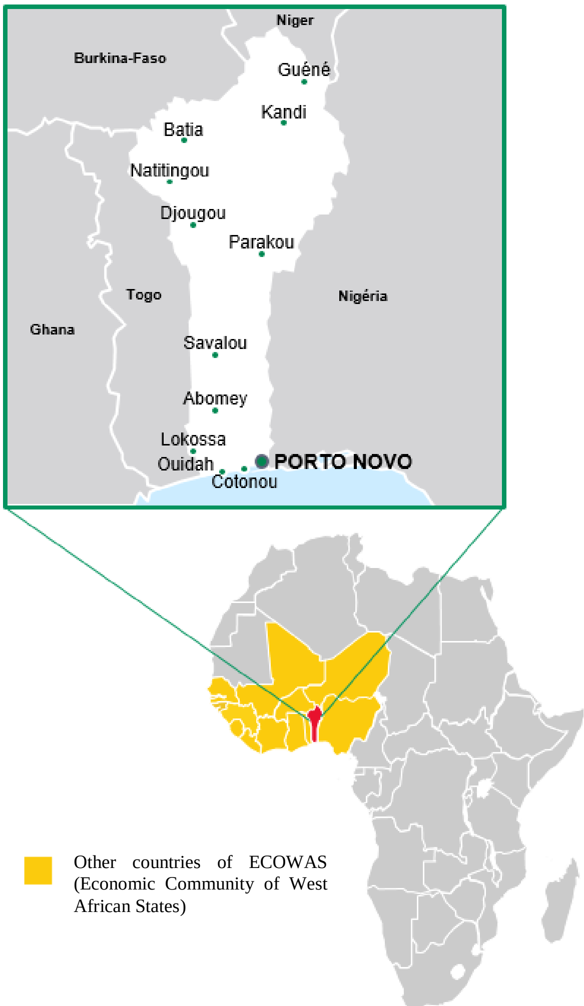
Transfers of book-entry interests in the Notes will be effected through the records of Euroclear, Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear, Clearstream, Luxembourg and their respective direct and indirect participants, as more fully described under "*Clearing and Settlement Arrangements*".

USE OF PROCEEDS

The net proceeds of the issue of the Notes will be used to finance GAP priority projects included in the Republic's budget relating to infrastructure, digital economy, electricity and improvement of living conditions.

THE REPUBLIC OF BENIN

Geography



Benin is located in West Africa in the tropical zone between the Equator and the Tropic of Cancer. It is bordered to the north by the Niger River, which separates it from the Republic of Niger, to the north-west by Burkina Faso, to the west by Togo, to the east by Nigeria and to the south by the Gulf of Guinea.

According to the 2013 GPHC conducted by the INSAE, Benin's surface area is 114,763 km². It extends over 700 km from north to south and has a width ranging from 125 km (along the coast) to 325 km (at the Tanguiéta-Ségbana latitude).

Benin is divided into five natural regions spreading from the South to the North as follows: (i) a coastal plain forming a low sandy strip composed of coastal belts of 2 to 5 km in width and bordered in the north by lagoons, (ii) an intermediary region with clay and sand-based soil and composed of two series of plateaus separated by the clay-rich trough of the Lama, (iii) the granitic and gneissic peneplain in the centre of the country, (iv) the mountainous region to the North-West, characterised by the Atacora range with its peak at 658 m in altitude (Mount Sokbaro), the highest point of the country as well as its reservoir and (v) the sedimentary plains of the North, which drain run-off waters flowing toward the Niger river situated further to the North.

Benin has three climatic zones, spreading from the South to the North: (i) a subequatorial zone with four seasons with 250 days of rain divided into two rainy seasons, the first from March to the end of July and the second from September to mid-November, (ii) a Sudano-Guinean zone in the centre of the country with two seasons and 200 days of rain concentrated from April to October and (iii) a Sudan-like zone with 145 days of rain between May and September.

The country is irrigated by four main rivers fed by tributaries that are comparable in size. These rivers are the Niger River in the north, fed by the Sota, Alibori and Mékrou tributaries; the Pendjari River, which originates in the heights of the Atacora and feeds the Volta in Togo; the Ouémé River, which originates at the foot of the Atacora and collects waters from the Okpara and Zou tributaries, draining them into the Atlantic Ocean via the Cotonou lagoon; and the Mono-Couffo in the southwestern region of the country.

A few isolated primary forests are present in the south and centre of the country. Farmlands, swamplands and the immense palm grove of Lower Benin occupy the rest of the territory.

Although Porto Novo is the official and administrative capital of the Republic of Benin, Cotonou is the economic capital and the most densely populated city.

History

Pre-colonial and Colonial Period

In the 12th century, the region where Benin is now situated was occupied by several socio-political entities, such as kingdoms, chiefdoms and stateless societies. The best known from the 15th to the 18th centuries were the Kingdoms of Alada, Saxé, Danxomè (Abomey), Xogbonou (Porto-Novo), Kétou, in the southern part of present-day Benin, and Niki, Bouwè, Kandi, Kika and Kouandé, in the northern part of the country. The founders of the Kingdoms of Danxomè and Xogbonou, who were in conflict over the conquest of the Alada Kingdom, arrived during the Adja-Fon migration from neighboring Togo (Tado). The rest of present-day Benin was settled by arrivals from present-day Nigeria, Niger, Togo and Burkina Faso. Thus, before the colonial penetration of the 19th century, the country was host to many civilisations built around these kingdoms and forms of political organisation. These political entities had functional urban centres. They had developed a local, sub-regional and international trade system based, from the 17th century onward, on the slave trade until its abolition, notably by

England in 1807 and by France in 1848, and then on the palm oil trade. This trading economy facilitated the establishment of trading posts along the coast, controlled over time by the Portuguese, the English, the French, the Dutch and the Danish.

In 1704, France built a fort at Ouidah and, in 1752, the Portuguese settled in Xogbonou, renamed Porto-Novo in 1782. In 1863-1865, the first French protectorate over the Kingdom of Xogbonou was established with King Sodji (1848-1864) and then contested by his successor, King Dè Mikpon (1864-1872). It was under the reign of King Toffa of Porto-Novo (1874-1908), who was seeking support against the claims of the King of Abomey and attacks by the English stationed in Lagos, that a definitive protectorate treaty was signed between France and the Kingdom of Xogbonou in 1882 and in 1883. Through the treaties of 1868 and 1878, Glèlè, King of Abomey (1858-1889), ceded the Port of Cotonou to the French.

In 1894, France, having vanquished the local kings, created the colony of "Dahomey and its Dependencies". But it was not until 1898 that the borders of present-day Benin were defined following the signature of frontier delimitation treaties with Germany and then England. The territory was named after the Kingdom of Danxomè. Dahomey remained a French colony within the French West Africa (*Afrique-Occidentale francaise*) federation until it declared its independence in 1960.

Independence and the Conférence Nationale des Forces Vives de la Nations

After being declared a Republic on 4 December 1958, Dahomey became independent and adopted a Constitution on 1 August 1960. Hubert Maga became the first president of the Republic. The country then alternated between civil and military rule until 26 October 1972, when Commander Mathieu Kérékou took power and established a revolutionary military government. The country became the People's Republic of Benin on 30 November 1975, adhering to Marxism-Leninism, and the People's Revolutionary Party of Benin was established in the same year. A new Constitution was adopted on 26 August 1977 and remained in effect until 1990. The State directed all sectors of the economy, led agricultural reform and developed industrialisation.

In February 1990, widespread national protests calling for democratic change culminated in the organisation of the National Conference of the Nation's Active Forces (*Conférence Nationale des Forces Vives de la Nation*), which repealed the Constitution and established new institutions for a transitional period. A Prime Minister role was created (even if the President does not have an obligation to appoint one), the word "People's" was removed from the country's name, which became the Republic of Benin in March 1990, and new conditions were added regarding eligibility for the presidency of the Republic, in order to prevent former Presidents from running, notably the age limitation of presidential candidates (70 years) and a limitation on the number of mandates (two). Following the presidential election of March 1991, Nicéphore Soglo replaced Mathieu Kérékou as President of the Republic. Mathieu Kérékou was then elected in March 1996 and then reelected in March 2001. In March 2006, Thomas Yayi Boni was elected president of Benin and then reelected in 2011. He was succeeded as of 6 April 2016 by Patrice Talon.

Benin is known for its stable and orderly democratic process, which began in February 1990, following the National Conference of the Nation's Active Forces. Since then, several presidential, legislative and local elections have sanctioned the devolution of political power. Over the past twenty years, political liberalism has generated three changes in leadership.

Population, Education and Health

Population

According to the 2013 GPHC conducted by the INSAE, the Beninese population was estimated at 10,008,749 inhabitants in 2013, of which 51.2% were women and 48.8% were men. In 2002, the population stood at 6,769,914 inhabitants. The annual intercensal growth rate for the 2002-2013 period was 3.5%. The Government estimates that the population of Benin totalled 11,231,549 inhabitants in 2017 and 11,554,473 in 2018. These projections reflect an average annual growth rate of 2.9% over the 2013-2018 period. The INSAE estimates that the annual growth rate from 2019 to 2030 will be 1.1%.

Benin has a very young population. Nearly 65% of its population is under 25 years of age, and 42% is 14 years or younger, resulting in a median age of 18 years in 2013. In 2018, the population under 25 years reached 7,443,823 people, representing an increase of nearly 900,000 people from 2013 to 2018.

According to the May 2018 edition of the CIA World Factbook, the majority of the population lives in rural areas (55.2%). The two largest cities, Cotonou and Abomey-Calavi, had populations of approximately 757,000 and 682,000 inhabitants, respectively, in 2015.

The country is home to approximately fifty ethnic groups. According to the 2013 GPHC conducted by the INSAE, the largest ethnic groups are the Fon and related groups (38.4%), the Adja and related groups (15.1%), the Yoruba and related groups (12%) and the Bariba and related groups (9.6%). The 2013 GPHC also shows that a variety of religions are practiced in Benin, among them Christianity (48.5%), Islam (27.7%) and Voodoo (11.6%).

In 2015, Benin's HDI was 0.485, placing it in the category of countries with low human development rates and ranking it 166th out of 188 countries and territories. Between 1990 and 2015, Benin's HDI rose from 0.345 to 0.485, representing average annual HDI growth of approximately 1.37%. In 2018, Benin's HDI was 0.515, an increase of 6.1% compared to the 2015 score, and ranked 163rd out of 189 countries. The HDI is developed by the UNDP and provides a summary measure for the evaluation of long-term progress in the three essential dimensions of human development: a long healthy life, access to education and a decent standard of living.

For 2019, Benin is classified in the "low-income" group of the World Bank income group classification. Low-income economies are defined as those with a gross national income per capita, calculated using the World Bank atlas method, of US$ 995 or less in 2017. Benin has also been listed in the "least developed countries" category of the United Nations since 1971.

The table below presents a selection of comparative macroeconomic and demographic statistics for 2018 (unless otherwise indicated) for Benin and certain other African countries:

	Benin	Senegal	Ghana	Nigeria	Côte d'Ivoire
GDP per inhabitant (US$) at current price	971	1,550	1,920	2,240	1,880
GDP growth (annual %)	6.8	6.7	7.6	2.3	7.0
Population growth (annual %)	2.71(1)	2.39(1)	2.17(1)	2.43(1)	1.84(1)
Life expectancy at birth (years) (men/women)	60.9/63.8(1)	60/64.3(1)	64.5/69.6(1)	52.8/55(1)	57.8/60.2(1)
Primary school enrolment rate (% net)	96.4(3)	72.3(1)	85.1(1)	64.1(5)	83.8(2)
Mortality rate of children under five (for 1,000 births)(4)	90	49.1	35.2	124	108

(1) Statistics for 2017.

(2) Statistics for 2015.

(3) Statistics for 2014.

(4) Statistics for 2012.

(5) Statistics for 2010.

Source: IMF, CIA World Factbooks and UNICEF.

Education

The right to education is enshrined in Article 13 of the Constitution of the Republic of Benin, adopted on 11 December 1990. The Constitution also provides that primary school is compulsory and that the Government shall progressively provide free access to public education, thus consolidating Benin's status as one of the most educated countries in West Africa. According to the INSAE, the rate of literacy among people aged 15 and over in Benin was 43.1% in 2013.

In recent years, significant efforts have been made to improve the level of education and develop skills among the population. According to the World Bank, the net primary school enrolment rate stood at 97% in 2017. The net school enrolment rate is the total number of students in the theoretical age group for a given level of education enrolled in that level, expressed as a percentage of the total population in that age group

According to the Ministry of Primary Education (*Ministère en charge des enseignements maternel et primaire*), the gross preschool enrolment rate rose from 3.7% in 2005-2006 to 11.9% in 2011-2012, then to 15.3% in 2015-2016. In 2017-2018, the gross preschool enrolment rate stood at 16.8%. The gross primary school enrolment rate rose from 92.9% in 2005-2006 to 119.7% in 2011-2012 and then to 115.4% in 2015-2016. In 2017-2018, the gross primary school enrolment rate stood at 116.3%. The gross school enrolment rate is the number of students enrolled in a given level of education, regardless of age, expressed as a percentage of the official school-age population corresponding to the same level of education. Therefore, gross school enrolment rate can exceed 100% due to the inclusion of over-aged and under-aged students because of early or late entrants and grade repetition.

Access to general lower secondary education (middle school) increased over the 2006-2016 period. The number of students increased from 360,258 in 2006 to 735,108 in 2016, with an average annual growth rate of 7.4%. The gross enrolment rate increased from 47.4% in 2006 to 68.7% in 2016. From the 2016-2017 school year onwards, enrolment declined from 735,108 in 2016 to 649,660 in 2018. The gross enrolment rate fell by 15 percentage points over the period to 53.7% in 2018. These decreases are due, among other things, to the low results recorded in the 2016 primary school certificate examination, and to low retention of the system, which is characterised by high repetition rates of around 26%, according to the Government.

At the general upper secondary education (high school) level, enrolment has increased at an average annual rate of 12.1% in recent years, rising from 73,592 students in 2005-2006 to 230,016 students in 2015-2016. This increase in enrolment permitted an expansion of coverage at this level of education, for which the gross enrolment rate rose from 16.0% to 44.4% over the same period. The gross enrolment rate was at 35.7% in 2018. In addition to the reasons mentioned above to explain the decline in enrolment and the causes of drop-out in 2018, the phenomenon of pregnancy in schools, for which the Ministry authorities are trying to find solutions, must also be highlighted.

Private establishments contribute to the dynamism of the sub-sector. The share of the private schools in the general lower secondary education was estimated at 13.9% in 2016 and 15.8% in 2018, while it was estimated at 19.6% and 23.6% for the same years in upper secondary schools.

For both cycles as a whole, the parity index between girls and boys was about 0.8 in 2018 compared to 0.7 the previous year. However, disparities persist between different regions. Indeed, the departments of Atacora, Donga, Couffo and Collines had the lowest parity index, at 0.6, while the parity index was estimated at 0.9 and 1 respectively in the Atlantic and Littoral departments.

Due to decreased enrolment in junior technical training programmes, coverage in terms of technical and vocational education, which was already low in 2011, has declined. The number of trainees in the technical and vocational education and training programmes for every 100,000 inhabitants was 322 in 2010 and decreased to 281 in 2015. In addition, for the past five years, technical education has had less than three trainees for every 100 students enrolled in general secondary school, despite efforts to expand capacity, as a result of which there are now 26 technical high schools, in 2018, compared to nine in 2006. Given the pressing problem of youth employment in the country, students' tendency to choose the general curriculum over technical and vocational training poses serious questions as to the attractiveness of this branch of education.

As of 2016, Benin has four public universities, including two multidisciplinary universities (the University of Abomey-Calavi and the University of Parakou) and two specialised universities (the National University of Science, Technology, Engineering and Mathematics and the National University of Agriculture). In 2017, there were 124 private higher education establishments, eight of which were recognised as private universities.

Benin's public universities have experienced mass enrolment in recent years. Between the 2007-2008 and the 2016-2017 academic years, student enrolment rose from 46,671 to 88,871, representing a growth rate of 90.42% over the period in question, or an average annual growth rate of 6.7% in public universities alone. As there are few public universities, private education has become a necessary alternative and accounted for 33,509 students in the 2016-2017 academic year, or 27,3% of students enrolled in higher education.

Despite efforts made with regard to education, disparities linked to gender, income and geographic location persist. While girls and boys have nearly equal access to preschool and primary school and exhibit the same retention rates until the end of primary school, girls are at a disadvantage in terms of access to and participation in secondary school. According to the INSAE, the gender parity index in 2015 was 0.7 in middle school and upper secondary school. In addition, in the case of children from very poor or poor households, the higher the level of education, the lower the participation. According to data from Benin's 2011-2012 Demographic and Health Survey (**DHS**), access of children from the poorest households to higher education was 21.5%. In primary school, there are large disparities between the departments in terms of completion rates. According to Benin's 2011-2012 DHS, in rural areas, the completion rate (six grades completed at the primary school level) was 4.0% in 2006, compared to 5.1% in 2012 and in urban areas, this rate was 6.7% in 2006, compared to 6.4% in 2012. In secondary education, disparities between the departments with regard to access and participation are closely linked to the significant disparities that exist between these departments in terms of education facilities infrastructure.

There were 1,264 private middle schools offering the general secondary school curriculum in the country for the 2016-2017 academic year, which were strongly concentrated in the Atlantique (38%), Littoral (18%) and Ouémé (16%) departments, compared to a total of 18% in the other departments.

In order to address the challenges and constraints Benin is facing in terms of developing quality basic education, the Government adopted in June 2018 an education policy aiming to provide all students and trainees, without distinction of any kind, access to the skills, spirit of entrepreneurship and innovation that will make them fulfilled, competent and competitive citizens capable of contributing to economic growth, sustainable development and national cohesion. This will involve, specifically, strengthening the human and material foundations of the economy through the equal development of human capital as a basis for economic growth, creating an environment that promotes technological development through quality technological education and training that favours the dynamism, initiative and entrepreneurship necessary to build a qualified work force that will serve companies and their productivity, and ensuring continuity in access to knowledge, expertise and professionalism based on a mastery of national and foreign languages in all areas of the sector. In addition, the Government aims to improve the enrolment rate and health conditions by offering to 351,000 pupils in 1,574 municipalities a daily meal at school. This school lunch programme is budgeted to cost CFAF 27 billion for the 2017-2022 period.

The implementation of this new education and training policy will help to achieve the three sectoral objectives: (i) increasing access to equal and inclusive education and training for all, (ii) strengthening the quality of education/training and its effectiveness internally and externally and (iii) improving governance in the sector.

The flagship project of the GAP to improve education and youth employment performances is the creation of an international knowledge and innovation city (*Cité internationale de l'innovation et du savoir*), under the name of Sèmè City. This city will aim to promote the development of centres of excellence in higher education and scientific research as well as facilitate the emergence of national and regional champions in innovative areas, in particular through business incubation. Sèmè City will be designed and developed based on a "smart city" model and will feature state-of-the art learning, residential, commercial and recreational facilities in order to create a pleasant environment to live, learn, work and play built to international standards. It will be built in successive phases over an area of more than 350 ha located in Sèmè-Kpodji, which is a strategic location near the coast between Cotonou and Porto-Novo, and 5 km from the Nigerian border. The Government expects Sèmè City to be operational in 2020. Urban planning for the City started in 2018, and the construction work is expected to start in June 2019. Various academic, research and incubation programmes are being launched from January 2019 onwards, including a bachelor in computer science, a bachelor in design, an incubator with mentoring and training programs for start-ups, a research centre focused on reforestation, biodiversity and agro-forestry, a research centre focused on eco-technologies, a centre for innovative solutions for sustainable and resilient cities, and a research centre to advance knowledge in the modelling of complex urban, "informal" initiatives and transactional systems. The Government's goal is that approximately 130,000 students will have graduated from the schools and universities of Sèmè City by 2030, and that by 2025 over 2,000 start-ups will have been supported and 8,000 jobs created. The total cost of Sèmè City is estimated at approximately CFAF 350 billion, including CFAF 150 billion over the 2018-2022 period. The financing for 2018 is being provided by the national budget (up to approximately CFAF 15 billion) and the World Bank (approximately CFAF 5 billion). Sèmè City is also included in the General Partnership Framework (*Cadre Général de Partenariat*) for the 2018-2021 period, which was entered into between France and Benin on 9 March 2018. See "*Republic of Benin – Foreign Relations*" below.

Health

According to the 2013 GPHC conducted by the INSAE, life expectancy at birth in Benin is 63.84 years (64.74 years in urban areas and 61.88 years in rural areas). In 2017, according to the Health Statistics Directory, acute Malaria was the principal cause of death in healthcare facilities (20.6%), followed by trauma (4.3%), anemia (3.8%), malnutrition (3.5%) and hypertension (3.5%).The prevalence rate of Human Immunodeficiency Virus (**HIV**) infections stood at 1.86% in 2015 compared to 1.09% in 2016 and 1.55% in 2017 according to the Health Statistics Directory for the years 2015, 2016 and 2017. In order to contain the propagation of this disease, the Government has designed and implemented a plan to eliminate mother-to-child transmission of HIV and a system providing care to people living with HIV and giving permanent access to antiretroviral drugs at all treatment centres. The Government has also adopted preventive measures against haemorrhagic fevers such as Lassa and Ebola, which are endemic in certain parts of the West African region. In the first quarter of 2018, 24 cases of Lassa fever, including 9 deaths, were recorded. A second episode began in December 2018 with 9 cases confirmed as of 6 February 2019, but no deaths were recorded.

The infant mortality rate has significantly decreased since 2000. According to the World Bank's estimates, the mortality rate of children under five decreased from 143.2 per thousand births in 2000 to 98.3 per thousand births in 2017. This decrease is likely due to high-impact interventions for children during this period. This includes, most notably, the protection of young children through the distribution of mosquito nets impregnated with insecticide, free treatment of children with malaria, child vaccinations, the promotion of breastfeeding and micronutrient supplementation. According to data from the Multiple Indicator Cluster Survey (**MICS**) completed in 2014, the prevalence of underweight children under the age of five was 18%. In addition, according to the 2013 GPHC, the maternal mortality rate stood at 335.5 deaths for every 100,000 live births in 2010, compared to 397 for every 100,000 live births in 2001. Nevertheless, the rate of decrease was too low to achieve the MDGs target of 125 deaths for every 100,000 live births by 2015. One of the 17 SDGs adopted by the United Nations in Rio de Janeiro in 2012, as part of a new plan for sustainable development by 2030, aims to bring the maternal mortality rate below 70 for every 100,000 live births by 2030.

According to the WHO, Benin's healthcare system remains inadequate, due to a number of factors, particularly:

- poor distribution of healthcare facilities throughout the country, which are furthermore underequipped and understaffed;
- insufficiently trained and poorly managed staff; and
- an ineffective supply system, combined with an inefficient use of medication, and insufficient financial resources, due to inadequate financing and inefficient use of funds received.

A review of the current social security system has also revealed that:

- there are little to no social protection mechanisms in place at the national level for workers in the informal sector, who represent approximately 94% of the active population and account for 68% of GDP;

- public healthcare coverage mechanisms are not coordinated and yield mixed results, with only 8.4% of the population currently covered by health insurance;
- health insurance was not required until the advent of the Universal Healthcare Coverage System (*Régime d'Assurance Maladie Universelle*) for private sector participants in 2012, and very few companies provide coverage for their employees;
- the informal sector is also hindered by the lack of qualification of its participants, the precarious nature of the jobs offered and the prevalence of self-employment, the low level of capitalisation in the sector and the lack of resources available to finance businesses;
- over 98% of the businesses identified are active in the informal sector and have very limited access to financing;
- participants in the informal sector have limited access to the financing of the MFIs; and
- workers in the formal sector have greater access and more opportunities with regard to retirement systems than workers in the informal sector: only a few initiatives on the part of insurers and mutual organisations function on a small scale for participants in the informal sector.

To address these findings, the Government has adopted a new integrated and more inclusive strategy in view of extending social security. This strategy is one of the four components of the ARCH, a flagship reform of the GAP which was adopted in May 2017 and will be tested on a population sample in seven municipalities out of seventy-seven for a 6-month period that will begin at the end of the first quarter 2019. Through the ARCH, the Government intends to deliver four essential services to the population, and more specifically to the poorest persons in agriculture, trade, transport and local craft, which are as follows: (i) professional training, (ii) micro-credit, (iii) pensions and (iv) medical coverage. The core of this new public service will be the Universal Health Coverage System, which will be made mandatory for every Beninese. The four services will be managed through a single platform managed by the National Agency for Social Protection (*Agence nationale de protection sociale*), a new state-owned company to be created in November 2018 and which will be managed by a private insurance company. Following the pilot phase, the ARCH is expected to be formally launched in April 2019. The Government estimates the cost of the ARCH at approximately CFAF 315,000 billion for 2017-2021. To finance this project, a EUR 127 million structured financing was secured from an international bank, partially covered through a 40% World Bank policy-based guarantee.

With regard to health insurance premiums, the Government intends to implement the following initiatives:

(i) the Government will finance the premiums of the poorest Beninese citizens to allow them access to the basic healthcare package, covering 100% of the premiums of those living in extreme poverty and 40% for those living in less extreme poverty;

(ii) the population living in extreme and less extreme poverty will be identified with the support of the INSAE as well as structures responsible for targeting the poorest communities in Benin and managing assistance to them;

(iii) the Government will subscribe for health insurance policies with insurers recruited through a tender process for civil servants, elected officials, members of the Republic's institutions as well as retired Government employees; going forward, such health insurance will be the sole form of healthcare coverage for Government beneficiaries;

(iv) employers in the private sector and the non-poor in the informal sector will subscribe for health insurance policies for themselves and their employees with the insurance company of their choice and will pay the corresponding premiums.

More generally, the GAP foresees the reorganisation of health sector administration and the improvement of the governance of the sector to guarantee to the population broad coverage and a higher quality of health care. Among the actions planned is the creation of a Health System Regulatory Authority (*Autorité de Régulation du Système de Santé*) intended to improve the quality of care and regulating the health system in the public and private sectors (in particular by accrediting practitioners, certifying health establishments, validating the assignment of health personnel, and monitoring and inspecting medical and paramedical practices). In order to provide better health services, the AP-HP is providing technical assistance to evaluate and bring up to standard the technical facilities of all health facilities in Benin. A project management assistance contract with AP-HP has also been entered into for the construction of a 346-bed University Health Centre in Abomey-Calavi, one of the flagship projects of the GAP. This US$202 million project aims to bridging the lack of medical staff in Atlantique (8.4 per 10,000 inhabitants, 3 times below the OMS recommendations), and hosting most of medical disciplines at the same place, including emergency service as well as cardiology and oncology departments. This hospital will be operated by AP-HP International. The works are scheduled to start during the second semester of 2019.

Budget Requirement for the Financing of Health Insurance (one of the four services provided through the ARCH) from 2019 to 2023 (CFAF million)

2019	2020	2021	2022	2023	Total
1,607	25,655	28,190	30,855	33,654	119,961

Political System

The first Beninese Constitution was adopted on 1 August 1960, marking the start of the first Republic. It replaced the former constitutional laws that had governed the Benin's institutions since 1958. This Constitution was repealed when the Government was overthrown by a military coup on 17 December 1967 and replaced by a new one on 31 March 1968. When Mathieu Kérékou came to power, the 1968 Constitution was replaced by a new one on 9 September 1977. The 1977 Constitution remained in effect until 11 December 1990, when a new Constitution was approved by the National Conference of the Nation's Active Forces and adopted by referendum, which Constitution remains in force to date. This Constitution introduced a presidential system giving the President of the Republic broad powers but instituting the separation of powers. Article 125 of the Constitution provides that the judicial power is independent from the legislative and executive powers.

Law n°2018-31 on the electoral code in the Republic of Benin was adopted by the National Assembly on 3 September 2018. It aims to streamline the party system by forcing parties to regroup in large blocs, and to avoid the multiplication of candidates for electoral mandates. The new electoral code in force includes the following innovations, among others: (i) the number of founding members may not be less than 15 per municipality; (ii) once submitted to the Autonomous national Electoral Commission the application file may no longer be modified; (iii) the authorisation to legally carry out political activities must be issued in two phases: a provisional administrative declaration receipt and a final receipt.

The main institutions of the Republic include the President of the Republic, the National Assembly, the Constitutional Court, the High Authority for Audiovisual Media and Communication, the Economic and Social Council and the High Court of Justice.

Political Parties

The national consensus arising from the National Conference of the Nation's Active Forces in February 1990 restored the principle of freedom of association and, by extension, a multi-party political system. To date, 245 political parties and 19 alliances among political parties have been registered. Applications to create 12 new political parties are currently being examined by the Ministry of Home Affairs. The two last decades of the democratic process have shown the limits of political parties, which were weakened after the return to a democratic system by a marked phenomenon of political migration from one political party to another solely for personal career reasons (also known as "political transhumance"), the creation of alliances resembling electoral clubs, financing difficulties, mixed results in presidential elections or the weakness of the opposition, which became fragmented among several small parties. This unsatisfactory picture of the partisan system illustrates the need to rehabilitate the political landscape.

Reform of the party system

In order to tackle these issues, the Government proposed the implementation of a reform of the partisan system in Benin. Law n°2018-23 of 17 September 2018 on the charter of political parties in the Republic of Benin aims to reform Benin's political landscape by promoting the re-composition of political parties and transparency in the financing of political activities. It introduced the following innovations:

- the creation of a National Agency for the Registration and Monitoring of Political Parties (*Agence Nationale d'Enregistrement et de Suivi des Partis Politiques*, **ANESP**): an independent administrative structure with legal status and autonomy as regards its administration and management. Placed under the supervision of the Minister of the Interior, it is intended to be given broad powers and form the backbone of the partisan system;

- the modification of the conditions for the creation of political parties: this law brought the communal college of founding members to at least 15 per town, which is to say a total of 1,155 members nationwide, while the current charter only requires 10 founding members per department, or 120 founding members nationwide;

- the obligation to create and operate departmental headquarters in addition to national headquarters: all political parties will be required to establish functioning headquarters in each of the departments of

Benin. Any failure to comply with this requirement as identified by the prefectural authority will result in such political party losing its public financing;

- the creation of party schools and media: political parties are free to carry out press activities. They may also create schools to train their members, in order to stimulate further civic and political education and encourage the active participation of citizens in public life;

- financing of political parties: in addition to traditional funding, political parties also receive financing from the Government on condition that they fulfil the legal requirements provided in the new political party charter. See "*The Republic of Benin — Political System — Financing of political parties*" above;

- the regulation regarding "political transhumance": in the event of resignation or removal from a political party in accordance with its by-laws and rules of procedure, elected officials may be removed from any political offices they hold. They will also lose any public financing and benefits linked to such offices. However, such elected officials may remain in office until the end of their term; and

- criminal provisions in the new charter: without prejudice to the other criminal provisions in effect in the Republic of Benin, any person that creates, leads or administers a political party in any form or under any name, in violation of the charter, is sentenced to prison or to monetary penalties.

Financing of political parties

The provision of public financing for political parties is provided for in Title III of the new political party charter. These provisions notably concern the rules regarding their financing, their compatibility (obligation to keep regular accounts in accordance with the legal requirements in force) and the procedures for auditing their finances.

There are two main sources of financing: private and public.

Private financing

Private financing of political parties refers to any own resources or external funding of political parties, other than subsidies and other aid received from the State. Political parties finance their activities using their own resources or external funding. Own resources of political parties include member contributions, voluntary contributions and member subscriptions, income from assets owned by the party and revenues from their activities. External funding of political parties includes aid as part of the cooperation between national political parties, loans contracted pursuant to laws and regulations, and donations and gifts.

Political parties are free to determine the amount of member contributions, membership fees, the cost of membership cards and subscriptions. Political parties may receive donations and gifts from any person of Beninese nationality. Donations and gifts from legal entities are prohibited. All aid, donations, gifts and subsidies must be reported to the ANESP and the Supreme Court.

Public Financing

Public financing of political parties refers to any subsidies or other aid received from the State. Political parties that were legally created and are active under the provisions of the charter receive financial aid from the State. The total annual amount allocated for this purpose represents at least 0.5% of national domestic resources for the preceding year. This amount may be increased by decree of the Council of Ministers. However, in the event of a reduction in the Government's general budget own resources, the allocation may be reduced in the same proportion.

Political parties may only receive public financing if they have reached a number of representatives corresponding to one fifth (20%) of the number of representatives making up the National Assembly from a number of electoral districts that is equivalent to at least two fifths (40%) of the total number of electoral districts in the legislative elections preceding the financial year during which the financing is to be acquired for the full term.

Two types of Government subsidies are granted to political parties: (i) parliamentary aid for the social interventions of representatives, which accounts for 30% of the total amount of subsidies; and (ii) aid to finance the activities of political parties, which accounts for 70% of the total amount of subsidies. Such aid is distributed among political parties represented within the National Assembly in proportion to the number of elected representatives on their register.

This distribution does not vary for any reason over the course of a legislative term, even if there is a modification in the number of representatives of a political party.

Executive Power

The executive power includes the President of the Republic and the Government.

The President

Under the terms of the Constitution, the President of the Republic holds the executive power. The President is the Head of Government and, as such, determines and conducts the nation's policy, exercises regulatory power, leads the administration and the Armed Forces and is responsible for national defence.

The President of the Republic is elected for a five-year term by direct universal suffrage through a two-ballot uninominal majority poll and can be re-elected once. The current President of the Republic, Mr. Patrice Talon, was elected on 6 April 2016 with 65.4% of the vote for a term expiring in April 2021. In the event of vacancy in the office of the President of the Republic due to death or any other cause of absolute impairment, the duties of the President, with the exception of certain roles, are temporarily carried out by the President of the National Assembly. The temporary replacement period may not exceed 40 days from the date on which the vacancy was definitively declared. A new President of the Republic must be elected at least 30 days and no more than 40 days after the vacancy is declared, except in the case of *force majeure* duly certified by the Constitutional Court.

The President promulgates laws, and he alone may call a referendum. The President appoints and dismisses members of the Government. The last cabinet reshuffle occurred on 5 June 2018.

The Government

The Government is typically composed of the ministers who are appointed and may be removed by the President of the Republic. The appointment of a Prime Minister is not a constitutional requirement and none has been appointed under the current Government, which is therefore led by the President of the Republic. The current Government is composed of 22 ministers.

Despite Decree n°2005-684 of 3 November 2005 classifying the Route des Pêches as an exclusive tourist area, speculations of all kinds have been concluded until 2019 on this key area for the State, in violation of the law. The results of the investigations carried out highlighted the role of the Minister for Decentralisation, who ordered, on 8 March 2018, the resumption of the consolidation work in the locality, which he entrusted to a former surveyor initially in charge of the said operations at the Ministry. The Minister also instructed the Prefect of the Littoral by radio message to lift the suspension measure previously prescribed. The Prefect effectively lifted the measure on 12 March 2018, and allowed the surveyor to allocate several parcels to various persons, including three parcels registered in the name of a prefect's close relative. The Minister for Decentralisation and the prefect were immediately relieved of their duties, and the case is before the Court for the Repression of Economic and Terorism Crimes. The prefect was subsequently held in provisional custody while formalities are under way to refer the Minister to the High Court of Justice. The Minister for Infrastructures and Transportation have replaced the dismissed Minister until appointment of a new Minister.

Legislative Power

The Beninese Parliament is composed of a single chamber: the National Assembly. It exercises legislative power and controls the action of the Government through oral and written questions, topical questions, committee hearings and parliamentary inquiry.

The National Assembly meets in two regular sessions per year. It is headed by the President of the National Assembly who is elected by the MPs.

The National Assembly sits in Porto-Novo. It is composed of 83 MPs elected by direct universal suffrage through proportional representation for a renewable four-year term. The last elections were held on 26 April 2015. The next elections are scheduled for 28 April 2019 and will be held in accordance with the new framework and rules introduced by law n°2018-23 of 17 September 2018 on the charter of political parties in the Republic of Benin and law n°2018-31 of 9 October 2018 on the electoral code in the Republic of Benin. On 5 March 2019, the Autonomous National Electoral Commission held that only two political parties belonging to the presidential majority fulfilled the requirements to participate in the next elections. The President of the Republic subsequently asked the President of the National Assembly to work with members of the National Assembly to find an alternative solution that would allow broader participation in the 2019 legislative elections. As of the date of this Prospectus, negotiations are under way to explore potential options to achieve this goal.

The President of the Republic and the National Assembly jointly initiate laws. Governmental bills are promulgated by the Government and parliamentary bills by Parliament. The same adoption procedure applies in both cases.

Bills, deliberated upon in the Council of Ministers after the Supreme Court has given its opinion, are sent to the National Assembly. Governmental and parliamentary bills may, at the request of the Government or the National Assembly, be sent to specially designated committees for review. Any governmental or parliamentary bill is examined by the National Assembly.

Before the expiry of the promulgation period (set at 15 days following the transmission of the text by the bureau of the National Assembly to the President and five days in the case of an emergency declared by the National Assembly), the President of the Republic may ask the National Assembly for a second deliberation on the bill or of certain of its articles. In this case, the vote requires an absolute majority of the members of the National Assembly.

If, following such vote, the President of the Republic declines to promulgate the law, the Constitutional Court to which the matter is referred by the President of the National Assembly carries out a conformity check. If the Court declares the law in conformity with the Constitution, the President of the Republic promulgates it. Otherwise, the law is sent to the National Assembly for revision.

Judicial power

The Judiciary is organised in the form of a pyramid the top of which is the Supreme Court. Below it are the three Courts of Appeal (Cotonou, Parakou and Abomey), which have under their responsibility 14 first instance courts. Eleven civil prisons with an estimated capacity of 7,888 prisoners accommodate defendants before their criminal trial and persons sentenced to imprisonment. It should be noted that within the framework of the rehabilitation of children in danger or in conflict with the law, three Child and Adolescent Safeguard Centres (**CSEA**) have been created (Aplahoué, Aglangandan and Parakou, of which only the CSEA of Aglangandan remains functional).

Commercial courts aiming at providing more responsive and timely resolution of business-related questions have been recently established, notably in Cotonou where the commercial court opened its doors in January 2018. The construction for a commercial court of appeal in Porto-Novo were completed in December 2018, and the court is scheduled to be operational in 2019.

<u>The Constitutional Court</u>

The Constitutional Court is the high court of Benin for constitutional matters. It assesses the constitutionality of laws, treaties and international agreements and guarantees fundamental human rights and public freedoms. It is also competent in electoral matters and proclaims the results of referenda. Its decisions are not appealable. The President of the Republic, any member of the National Assembly or any citizen may refer a matter to the Constitutional Court. The Constitutional Court is composed of seven members appointed for a term of five years, renewable only once. Three members are selected by the President of the Republic and four by the bureau of the National Assembly. At least five members of the Constitutional Court must meet specified conditions of competence in the field of law. The President of the Constitutional Court is elected by his or her peers from among the five judges or legal practitioners who are members of the Court.

<u>The Supreme Court</u>

The Supreme Court is the highest court of the administrative, judicial and accounting order of Benin. It also has jurisdiction in local election disputes. The Supreme Court may give opinions on all questions that the President of the Republic and members of the Government may submit to it. It is headed by a president appointed for a period of five years by the President of the Republic from among high-level judges and legal practitioners with at least fifteen years of professional experience.

The Supreme Court is composed of an administrative chamber, a judicial chamber and a chamber of accounts. The chamber of accounts is responsible for the financial and accounting management of funds of the Government, local authorities and public institutions. It is responsible for auditing the accounts of the administration, public industrial and commercial entities, state owned companies, mixed economy companies, social security bodies and subsidised bodies.

<u>Courts of Appeal</u>

The Courts of Appeal are the courts of second instance and hear appeals against first instance judgments. There are three Courts of Appeal in Benin. They are composed of different chambers depending on the matter concerned: one or more civil chambers, a criminal chamber, an administrative chamber, a commercial chamber, a social chamber, and a criminal court.

Judicial control over the use of public funds should be provided for at the first level by the chambers of accounts of the Courts of appeal and is provided at the higher level by the chamber of accounts of the Supreme Court. As of the date of this Prospectus, the chamber of accounts of the courts of appeals has not yet been created. The chamber of accounts of the Supreme Court has been unable, on its own, to address issues of bad governance that have from time to time appeared in the press, reflecting a certain inefficiency of the audit carried out by the chamber of accounts of the Supreme Court. Its status as chamber of a court does not, in fact, give it the full latitude of action with regard to material, financial and human resources at its disposal.

The Government has provided for the creation of a Court of Accounts to give such new institution the autonomy provided for in WAEMU directives on the management of public finances and to establish effective ex-post control vested in an independent financial court with extensive powers and investigative capacities.

First Instance Courts

Conciliation courts are established by district in municipalities and only one conciliation court per municipality is established in other cases. Each court is composed of a president and two assessors. Conciliation courts have jurisdiction in all matters except those specified under law, in particular in civil and criminal matters, and individual labour disputes. As its name suggests, the conciliation court aims to promote conciliation before any substantive debate.

The first instance courts are divided into first class courts (with three located in Cotonou, Porto-Novo and Parakou) and second class courts (with 25 in various municipalities). The first instance court comprises a presiding judge and one or more presiding vice-judges, judges and prosecutors. These courts rule on common law matters and hear in particular criminal, civil and commercial (as a last resort for disputes below CFAF 200,000, otherwise in the first instance for small claims commercial matters), social and administrative matters.

The labour court has jurisdiction over individual labour disputes between a worker and his (former) employer. Any individual labour dispute must be submitted, before any referral to the Labour Court, to the Labour Inspector in order to attempt to reach an amicable settlement.

The court of assises has jurisdiction over crimes when the file is transmitted by an investigating judge. A Court of Assises is established in the jurisdiction of each Court of Appeal.

The High Court of Justice

The High Court of Justice is composed of six MPs elected by their peers, members of the Constitutional Court with the exception of its President, and the President of the Supreme Court. Its President is elected from among its members. The High Court of Justice has jurisdiction to try the President of the Republic and members of the Government in the event of acts described as high treason, offences committed in the exercise of, or in connection with, their respective duties, as well as to try such persons' accomplices in the event of a plot against State security. The ordinary courts retain jurisdiction for offences committed outside the exercise of their official functions.

Local Communities

The territory of Benin is divided into 12 departments (Alibori, Atacora, Atlantique, Borgou, Collines, Couffo, Donga, Littoral, Mono, Ouémé, Plateau, Zou), which are further divided into 77 municipalities.

For the effective implementation of its economic governance program in all regions of Benin, and following recommendations made by various commissions established by previous regimes, the Government decided, by decision of the Council of Ministers of 22 June 2016, to set up a new map of the provincial capitals of the 12 departments of Benin and to appoint 12 new prefects. Twenty-four mission heads have also been appointed and placed at the disposal of the prefects. As part of this initial implementation effort, the prefectures have been provided office space, furniture and office supplies. In order to strengthen the prefects' capacities, an exchange visit took place in France, in the French prefectures, and all mission heads received training in advisory skills. To improve the process, the Government intends to construct 12 administrative centres, one in each provincial capital. This project is expected to cost CFAF 75.5 billion and the construction period is expected to last for two years.

Municipalities have legal personality and financial autonomy. They are governed by an elected council, known as the municipal council. The mayor acts as the executive body of the respective municipality and is assisted by two deputies. The mayor and his deputies are elected by the municipal council from among its members. The budget of each municipality is adopted by a vote of the municipal council. The mayor is in charge of authorising the budget for his or her municipality. Major cities have a special status defined by law, which determines the criteria for its application. Benin has three cities with special status, which are Cotonou, Porto-Novo and Parakou, and 74 municipalities with ordinary status.

Each municipality is divided into local administrative units without legal personality or financial autonomy. Currently, Benin has 546 districts and 5,295 villages or city neighbourhoods, each with sub-municipal administrative bodies, the members of which are appointed under the conditions set out by law. Each district is governed by a district head, who is appointed by the municipal council from among its members and, if possible, from among the elected municipal councilors on the register of the district in question. This appointment is certified by mayoral decree, which officially appoints each district head. The district heads are assisted by a district council composed of heads of city neighborhoods or villages within the district. Villages and city neighborhoods are governed by a head appointed by the village or city neighbourhood council from among its members.

One of the fundamental reforms carried out by Benin was the creation in 2008 of the Municipal Development Support Fund (*Fonds d'Appui au Développement des Communes*, **FADeC**), designed to direct financial transfers from the Government and from technical and financial partners to municipalities, to finance their development plans and improve their financial autonomy. This fund is headed by the National Local Finance Commission (*Commission Nationale des Finances Locales*, **CONAFIL**), a joint national-municipal body in charge of distributing financial resources to the municipalities on the basis of specific, established criteria. Financial transfers to municipalities have increased from year to year, rising from CFAF 1.5 billion in 2007 to CFAF 31.3 billion in 2017 and to CFAF 42.5 billion in 2018. Despite these improvements, these funding levels remain below municipal needs and represent less than 5% of national public expenditures in each year.

Audits are organised annually by the CONAFIL to ensure that these funds are used efficiently, which has permitted the establishment of systems to improve the efficient use of own resources, in general. These systems make it possible to verify the implementation of recommendations and report misappropriation of funds when necessary, particularly in the contract procurement process.

In terms of mobilisation of own resources, the most recent revenues collected by the municipalities, while notable, remain insufficient. Local taxes constitute one part of municipalities' resources. However, local authorities do not have data on the amount of such income generated from most taxes, primarily because the fiscal chain remains under the responsibility of the decentralised and centralised departments of the Government. The principle of a single treasury requires the Government to control all tax information and mechanisms from end to end, and local authorities rarely possess the necessary tools and expertise.

The decentralisation is expected to be followed by the transfer of the financial and human resources necessary to allow decentralised entities to efficiently accomplish their duties. In order to strengthen human resources to promote local development, the creation in 2011 of a Local Government Training Centre (*Centre de Formation pour l'Administration Locale*) was the culmination of a long process of discussion and exchange on the question of training local and municipal officials. The centre's creation has resulted in a majority of mayors and municipal officials having received training in matters such as local tax and administrative, budgetary and account management, which are vital for the day-to-day management of town halls. Training modules on the management of transferred resources (drinking water, sanitation and education for example) are still relatively underdeveloped. Unfortunately, the organisational structure of town halls does not tend to highlight the skills transferred to municipalities and there are few senior managers.

Legal System

As a former French colony, Benin inherited several of the fundamental legal texts and customs of the French civil law system. The main sources of law in Benin are the Constitution, international treaties, laws passed by Parliament and promulgated by the President, as well as Government decrees. The legal and regulatory texts of Benin are published in the Official Gazette (*Journal Officiel*) of the Republic by the General Secretariat of the Government.

As with most of the former French colonies, the French civil code of 1804 constitutes the reference text for all non-criminal aspects of the legal system. It was introduced in the French colonies as of 1833 and contains the basic legislation on family law, property and donation law, civil liability and contracts, as well as the fundamental rules relating to the status of persons. It serves as the basis for many codes in force in Benin, including the nationality code and the civil code.

Beninese business law is also influenced by the country's membership in the OHADA, which was created on 17 October 1993. With 17 member countries, OHADA's primary objective is the harmonisation of commercial and business law. In these fields, Beninese law derives directly from and complies with OHADA regulations and requirements. In addition, the OHADA Treaty created a supranational court to ensure uniform and consistent legal interpretation between the various member countries. Beninese companies therefore fall within the jurisdiction of this court for questions relating to the areas of law covered by OHADA.

Judicial and arbitration proceedings

As of the date of this Prospectus, the Republic of Benin is involved in the following judicial or arbitral proceedings:

- Judicial proceedings are pending since May 2018 before the African Court on Human and Peoples' Rights, before which Mr. Sébastien Germain Ajavon has summoned the Beninese State for compensation for damages arising from an alleged violation of human rights. Mr. Ajavon, a Beninese businessman and political opponent to President Talon, was prosecuted following the discovery in October 2016 of 18 kg of cocaine in a container destined for a company of which he was the legal representative. Mr Ajavon was arrested for eight days and his customs license was suspended. Following his discharge, Mr. Ajavon considered that this procedure had violated his rights and been detrimental to his business and sued the Beninese State before the African Court on Human and Peoples' Rights for compensation in an amount of CFAF 550 billion. The Government believes that Mr Ajavon's claims are without merit. The decision of the African Court on Human and Peoples' Rights is expected in the next three months.

- Judicial proceedings are pending in connection with a dispute between the State and GEE-EMCR, a company that was in charge of the construction of the new seat of the National Assembly. In October 2010, the construction was suspended by the Government due to a lack of security and stability of the building. In March 2016, the court of first instance of Porto Novo ordered the State to pay GEE-EMCR a sum of CFAF 32 billion in damages (including CFAF 16 billion for which provisional execution was ordered, but which has not been paid as of the date of Prospectus). Both parties have appealed the decision, and settlement negotiations between the parties are continuing.

- After a decision from the court of first instance of Cotonou found that Securiport's activities at the Cotonou airport were illegal due to unauthorised data collection, the Government terminated its contract with Securiport. Securiport initiated arbitral proceedings against Benin before the Paris International Chamber of Commerce and is claiming damages amounting to CFAF 85 billion. The arbitral court constituted under the aegis of the Paris Chamber of Commerce and Industry ruled against Benin on 28 January 2019. Formal notification of this decision has not yet been received. Upon receipt, it will enable the Government to assess the prospects for appeal.

- In February 2011, Benin signed a contract with Benin Control SA for the establishment of a New-Generation Import Verification Programme. In December 2014, Benin also concluded a contract with SGS SA for the development and implementation of the Values Certification Programme, with a scope competing with that of the Benin Control SA contract. Benin brought a case before the Court of First Instance of Cotonou for a cancellation of the contract signed with SGS SA, which was granted by a ruling of the court in February 2017. SGS SA appealed against this ruling. Concurrently, on January 2017, SGS SA initiated arbitral proceedings against Benin before the International Chamber of Commerce (**ICC**) of Paris. The arbitral tribunal has asserted jurisdiction by a first award of which Benin is awaiting notification.

- In January 2010, Benin entered into a framework agreement with Pic Network Limited (**Petrolin Group**) for the rehabilitation and operation of the Benin-Niger railway network. Thereafter, Benin asked the Petrolin Group to associate the Bolloré Group in order to accelerate the project. The Bolloré Group signed a memorandum of understanding with Benin and Niger and entered into an exclusivity agreement with Pic Network Limited. A dispute arose between Petrolin Group and the Bolloré Group and was brought before the Beninese courts, which ordered the cessation of Bolloré Group's involvement in the project, absent which the Bolloré Group would be subject to a penalty of CFAF 100 million per day. As of the date of this Prospectus, Bolloré Group's work has effectively stopped. The parties are trying to reach an out-of-court settlement so that Benin may continue the project.

- Arbitral proceedings were initiated before the ICC by the companies Geftrail and Africarail against Benin and Niger, following the decision made by Benin and Niger to enter into a concession agreement with Bolloré Group for the exploitation of the Cotonou-Niamey railway. Benin was notified of this notice of arbitration in November 2015, but in December 2015 the ICC notified Niger and Benin of the request for suspension filed by Geftarail and Africarail. Both companies submitted a settlement offer to Niger. On 29 May 2018, the ICC notified the parties that the suspension period had ended and invited them to file their memoranda. Benin and Niger have jointly appointed their co-arbitrator, but the arbitrators have not been appointed as of the date of this Prospectus.

The Government believes that the claims made against it have no or limited merit and is actively pursuing its defence against these claims. As of the date of this Prospectus, there are no other judicial or arbitral proceedings that could have, or recently have had, a significant impact on the economic and financial situation of the country.

Foreign Relations

Benin's foreign policy is based on the furtherance of the country's sustainable economic and social development, as well as the promotion of peace between nations. In particular, the GAP aims to turn Benin's diplomatic network into an effective tool for raising the country's international profile and mobilising resources for development. In this context, the Government's priorities are as follows: (i) improving the diplomatic action as well as international cooperation, (ii) strengthening consular management and relations with the diaspora and (iii) perfecting information management to protect national interests. These principles and priorities apply to the distinct areas of policy regarding Africa and the rest of the world.

Africa

Benin occupies a strategic position in the West African sub-region, due in particular to its location by the sea, which makes it a gateway and transit corridor for landlocked countries such as Niger and Burkina Faso as well as for Nigeria with which the country shares 773 km of land borders. For this reason, Benin has always endeavoured to nurture and maintain a climate of peace, fraternal and cordial relations with neighbouring countries and other West African countries.

Nigeria

Benin's relations with Nigeria are long standing and concern all aspects of socio-economic life. Historic and sociological factors (in particular, a number of common languages such as Goun, Yoruba, Bariba and Haoussa) have resulted in a close and fraternal relationship between the two populations. In this context, it is a tradition that the first diplomatic visit of the Beninese President-elect is to the Nigerian President and therefore, shortly after his election, President Talon visited his Nigerian counterpart, President Muhammadu Buhari, in August 2016.

According to the World Bank, Nigeria was Africa's largest economy in terms of GDP in 2017, ahead of South Africa and Egypt. Nigeria is also the most populous country in Africa, with a population of approximately 181.2 million in 2015, 186.0 million in 2016 and 190.9 million in 2017. Nigeria is expected to grow significantly in terms of population and GDP in the coming decades, according to PwC ("*Nigeria Looking Beyond Oil*" – March 2016). In 2017, Benin's main export and import market was Nigeria (respectively 65.3% of total exports and 9.7% of total imports). Nigeria is therefore a market that offers enormous opportunity to neighbouring Benin. Commercial transactions between Benin and Nigeria have consisted mainly of the re-export of goods. See "*Foreign Trade and Balance of Payments—Foreign Trade—Principal Trading Partners*". See also "*Risk Factors—Benin's export revenues have significant exposure to economic developments in Nigeria*".

Benin and Nigeria also face border issues, including the fraudulent entry of prohibited products into Nigerian territory and migration of herds. With respect to the fraudulent entry of prohibited products, Nigeria denounced the fraudulent entry of parboiled rice on its territory. This situation, currently under study, is intended to be addressed during a tripartite meeting between Benin, Niger and Nigeria in Abuja, during the second half of 2019.

Côte d'Ivoire

Côte d'Ivoire and Benin maintain strong diplomatic relations and political contact at the highest level, which has been reflected by visits by the heads of State in both countries.

The two countries cooperate in the areas of trade, industry, agriculture, education, culture, security and defense, energy and transportation. One of the main priority actions that they have committed to completing together is the Abidjan-Ouagadougou-Niamey-Gaya-Parakou-Cotonou rail loop. Each of the two countries is host to large communities from the other.

South Africa

Benin maintains strong relations with South Africa, which relations have become increasingly deep and diversified and have been reflected by the multiple contacts between the two countries at the highest level since the opening of the Embassy of Benin in Pretoria in 1999 and the Embassy of South Africa in Cotonou in 2007.

Several technical cooperation agreements have been signed between the two countries in areas such as economy, trade, military, transportation and health. In addition, South Africa has supported Benin in numerous areas, such as transportation, the completion of construction work on the Tourou Airport (Parakou) and the renovation of the Cardinal Bernadin Gantin International Airport (Cotonou).

Morocco

Benin maintains strong diplomatic relations with Morocco, with the two countries maintaining political contact at the highest levels, reflected by King Mohamed VI's visit to Cotonou in 2005 and President Talon's visit to Morocco in the second half of 2018. Benin opened its Embassy in Rabat in 1994; Morocco opened its Embassy in Cotonou in 2016.

300 to 500 Beninese scholarship students are pursuing studies in Moroccan universities, making Morocco the primary foreign destination for scholarship students from Benin. In the area of health, Morocco provided assistance to Benin through the installation of a pediatric oncology unit at the *Hôpital de la Mère et de l'Enfant Lagune*. Morocco also contributes to training Beninese officers and supports Benin in the area of energy, in particular increasing Benin's energy production capabilities and providing technical assistance in designing renewable energy production projects.

Rest of the world

<u>France</u>

The relationship of mutual trust forged by France and Benin since Benin's independence in 1960 provides a solid foundation for cooperation between the two countries. The framework cooperation agreements entered into between France and Benin in February 1975 are still in force and serve as a basis for civil and military cooperation between the two countries, resulting in strong legal stability in Franco-Beninese relations. Benin is also on the short list of the nineteen countries in which France's direct bilateral development aid is concentrated, including through the AFD. See "*Public Debt — Bilateral debt — France (Agence Française de Développement*)".

Relations between France and Benin have been strengthened by bilateral visits. French President Emmanuel Macron received President Talon at the Elysée Palace on 6 March 2018. Prior to such visit, former French President François Hollande received President Talon three times in 2016 (in April, July and December) after having visited Cotonou in July 2015.

During his visit to France in March 2018, President Talon gave a joint press briefing with President Macron at the Elysée Palace, at which both reaffirmed their common desire to give a new impetus to Franco-Beninese cooperation. The guidelines to this effect that were adopted by mutual agreement are confirmed in the General Partnership Framework (*Cadre Général de Partenariat*) for the 2018-2021 period, which was entered into between France and Benin on 9 March 2018. Its strategic focus is in line with the GAP and aim at supporting economic development and job creation, contributing to improving the living conditions of the Benin's people and consolidating democratic governance.

The General Partnership Framework sets out five priorities as follows:

- with respect to public health, the creation of the Abomey-Calavi university health centre for which the French Public Investment Bank (*Banque Publique d'Investissement*) has approved a credit insurance for a financing of up to €175 million;
- with respect to climate change, the implementation of a Programme for Climate Change Adaptation in Cities (*Programme d'Adaptation des Villes aux Changements Climatiques*) which is financed by the AFD for an amount of €58 million;
- with respect to tourism, the rehabilitation of the lakeside city of Ganvié for which the AFD signed a declaration of intent relating to a financing of an amount of €43 million;
- with respect to education, the creation of Sèmè City with the support of French schools;
- with respect to cultural matters, the temporary or definitive restitution of African heritage pieces of arts over a 5-year timeframe.

<u>European Union</u>

Since its independence in 1960, Benin has received more than EUR 900 million of bi-lateral EU aid under successive European Development Fund programs. The focal areas of the EU's development strategy in Benin have remained largely unchanged since 1995.

The EU's Country Strategy Paper for Benin (2008-13) and a multi-annual programme set out the areas of cooperation for a EUR 380.37 million assistance allocation under the 10^{th} European Development Fund: governance, local development and infrastructure, notably regional roads. Further, the EU is using general budget support to assist implementation of the GAP.

The current cooperation strategy between Benin and the EU is defined in the National Indicative Programme 2014-2020 as part of the 11^{th} European Development Fund programming. The total budget for the EU-Benin cooperation for the 2014-2020 period amounts to EUR 372 million or CFAF 244 billion. During this period, the EU will support Benin to improve good governance (EUR 184 million), to enhance sustainable development in the agricultural sector (EUR 80 million) and to achieve better access to energy (EUR 80 million). The EU will also provide support for civil society (EUR 18 million).

The delegation of the EU in Benin authorised the transfer of CFAF 28.9 billion (EUR 44 million) to Benin for the year 2018. This payment supports government policies and reforms in key areas for Benin's economic development, such as good governance, decentralisation and agriculture. This amount represented 2.2% of the general State budget expenditure planned for 2018.

The Americas

Benin maintains good relations with several countries on the American continent, the most important of which is the United States. Cooperation with these countries covers various fields such as diplomacy, development cooperation, military cooperation, economy, trade, health, defence, security, education, scientific research, culture, tourism and agriculture. Benin also has good relations with Cuba, which are limited to diplomacy, health, education and culture. Benin benefits from numerous projects that support the Government's actions in the fight against poverty and the improvement of citizens' living conditions.

Since 1990, relations between Benin and the United States have improved significantly as a result of Benin's commitment to multiparty democracy. Since the National Conference of the Nation's Active Forces in February 1990, the strength of Benin's relationship with the United States has bolstered democracy in Benin, influenced by the United States government's view that meaningful and diversified cooperation is only possible in a context where the human rights are protected.

Closer relations between Benin and the United States led, among other things, to the reopening in December 1991 of the office of the USAID in Cotonou. Benin's relations with the United States concern four essential aspects, namely: (i) political and diplomatic cooperation, (ii) development cooperation, (iii) military cooperation and (iv) scientific and cultural cooperation.

Benin was included in the first compact of the MCA in April 2004 with the signing of a grant agreement for an amount of US$ 307 million. This first compact reduced poverty through the improvement of basic physical and institutional infrastructure and increased private sector investment and activities. This first compact ended on 6 October 2011 with satisfactory results for both parties. On 19 December 2012, Benin qualified to proceed to a second MCA programme amounting to a net amount of US$ 375 million. The entire amount is intended to be allocated to the development of the energy sector in Benin, from production to distribution. As at 31 January 2019, the level of commitments under the second MCA programme amounted to US$ 65 million, representing a commitment rate of 17%. Most of the remaining budget will be invested in strengthening the energy distribution network (US$ 191 million), building the National Distribution Control Centre (US$ 26.7 million), co-financing off-grid electrification projects (US$ 32 million), policy reforms and institutional capacity-building (US$ 36 million), and in the administration, monitoring and evaluation of the above activities (US$ 24 million). These budgets have to be committed within the next two years, and the projects are expected to be completed by 22 June, 2022

The United States is also present in Benin through Peace Corps volunteers who are active in the four traditional areas in which the Peace Corps intervenes: education, health, environment and SMEs. Within the framework of the Humanitarian Assistance Programme of the Embassy of the United States, several grass-roots development projects have been carried out in Benin.

India

Cooperation between Benin and India concerns key sectors, such as health, agriculture, agro-industrial, ICTs, technical assistance, rural water systems and trade. The Government intends to further strengthen its relationship with India to allow Benin to benefit as much as possible from this major Asian power.

China

Cooperation with China concerns key sectors such as health, agriculture, infrastructure (roads and administrative buildings, for example), technical assistance, sanitation, rural water systems, telecommunications, trade and capacity-building.

Relations between Benin and China have intensified over the past twenty years. Several projects and financial aid have contributed to this cooperation, of which the main areas of intervention have been agriculture, communications, health, administrative and socio-economic infrastructure, trade, managerial education and training.

Benin has initiated discussions with China regarding the construction of the new international airport of Glo Djigbé. This project is expected to improve air transport services and will contribute to accelerating the country's economic growth. The total cost of the project is estimated at US$ 964 million and is expected to be financed by China Eximbank. China Airport Construction Group Corporation and Yunnan Construction and Investment Holding would construct the Glo Djigbé airport under the supervision of ADP Group. The Government expects works to begin in 2019 and the airport to be operational in 2022.

International Organisations

A large part of Benin's annual revenue comes from international organisations in the form of concessional lending and grants. As discussed below, Benin has ties with major international organisations through numerous framework agreements and with others through less formalised agreements.

United Nations, World Bank, IMF and WTO

Benin, like other former French colonies that gained independence, became a member of the United Nations in 1960 and a member of the World Bank and the IMF in 1963. Benin also joined the WTO in 1996, having been a member of the organisation it replaced, the GATT, since 1963.

The United Nations support the Government of Benin through the implementation of the United Nations Development Assistance Framework (**UNDAF**), using its expertise in cooperation with national and international partners. The UNDAF is a results-oriented programme framework, based on national priorities, aligned with international development goals (such as the MDGs and SDGs) and taking into account the comparative advantages and the expertise of the agencies of the United Nations.

African Union

Benin is one of the 55 members of the AU, which replaced the Organisation of African Unity. The AU was modelled on the European Union and has had a Parliament (**the Pan-African Parliament**) since March 2004. The stated goal of the AU is to establish a central bank, a court of justice, common defence and a single currency. The day-to-day affairs of the AU are carried out by the AU Commission. In application of Assembly Decision/AU.Dec 605 (XXVII) of the AU, on the financing of the Organisation, a 0.2% tax payable to the AU Commission was introduced on the customs value of goods imported from countries outside the AU. This tax became effective on 1 January 2018 and is levied and paid directly into the bank account of the AU Commission by the member States. The tax is intended to allow the AU to double its personnel and further the implementation of its New Partnership for Africa's Development (*Nouveau Partenariat pour le développement de l'Afrique*, **NEPAD**). The NEPAD is a vision and a strategic framework for Africa, designed to address issues such as the fight against poverty and underdevelopment in Africa. However, a limited number of member States comply with the AU's funding requirements and the AU remains reliant on donor support. In addition, many members are reluctant to make the necessary concessions regarding their sovereignty.

The AU began a large-scale reform process that was launched by the Union Conference during the summit of July 2016, which, once fully implemented, may help to fulfil the aspirations that led to its creation. This reform was entrusted to President Paul Kagame of Rwanda and aims primarily to direct the activities of the AU in specific areas, such as financial autonomy, peace efforts and security.

WAEMU and BCEAO

Benin is a member of the WAEMU, which is an international organisation composed of eight West African countries (Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo). The treaty instituting the WAEMU was signed on 10 January 1994 in Dakar, Senegal, and came into effect on 1 August 1994. The WAEMU is headquartered in Ouagadougou, Burkina Faso, and since May 2017 its Commission has been presided over by the former Nigerien Minister of Economy and Finance and former Commissioner in charge of the Macroeconomic Policy and Internal Taxation Department, Mr. Abdallah Boureima. The Beninese commissioner, Mr. Jonas Gbian, is in charge of agriculture, water resources and environment.

The main objectives of the WAEMU are (i) to harmonise the legal and regulatory framework in order to promote a legal environment conducive to strengthened economic activity in its Member States; (ii) to ensure convergence of macroeconomic performance and policies through a multilateral monitoring procedure; (iii) to create a common market between Member States based on free movement of persons, goods, services and capital and to guarantee the right of establishment, and (iv) to establish and coordinate common sectoral policies.

In its treaty (Articles 91 *et seq*.), the WAEMU provides that its nationals and goods have the right to move freely within the region and are therefore no longer required to use a visa to travel between the WAEMU countries; they must, however, present an identification document at all borders. The treaty also provides for the right of residence and establishment. Nevertheless, in practice, free movement may be hindered by legal obstacles (the treaty provides exceptions to the principle that must be justified by reasons of public policy), administrative obstacles (such as the establishment of complex formalities for certain professions, although the WAEMU issues many directives to promote freedom of establishment in certain sectors, such as the dental sector), and political obstacles (in the event of a disturbance at the border with certain countries). The WAEMU covers 3,506,126 km² and has 120.2 million inhabitants. At constant prices, the GDP growth rate was 6.7% in 2017. (Source: INS/C. WAEMU: June 2018 RSM).

The **BCEAO** is the common central bank of the eight Member States of the WAEMU. See "*Monetary System — The BCEAO*" below.

ECOWAS

Benin is an active member of the ECOWAS, created on 28 May 1975 under the Treaty of Lagos. ECOWAS' headquarters are in Abuja, Nigeria and it includes 15 West African members (Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone and Togo). The mission of the organisation is to promote economic integration in every sector of economic activity, especially industry, transportation, telecommunications, energy, agriculture, natural resources, trade, monetary and financial matters as well as social and cultural matters. In 1993, the ECOWAS Treaty was amended to accelerate the integration process and establish an economic and monetary union to stimulate economic growth and development in West Africa with the following objectives: (i) the cancellation of customs duties for intra-ECOWAS trade and taxes with equivalent effects, (ii) the establishment of a common external tariff, the standardisation of economic and financial policies and (iii) the creation of a single monetary zone. However, regional trade within ECOWAS remains limited due to the lack of harmonisation among member States' economies.

ECOWAS comprises a community of more than 377 million inhabitants, covering an area of 5,112,903 km² and GDP of US$ 556.9 billion in 2017, according to the data provided by the IMF.

General Francis Behanzin, Benin's Police General is currently serving as Commissioner for Political Affairs, Peace and Security within the ECOWAS Commission.

Côte d'Ivoire succeeded Benin and began its four-year term presidency of the ECOWAS Commission as of 1 March 2018.

Council of the Entente (Conseil de l'Entente)

The Council of the Entente (*Conseil de l'Entente*) is a West African regional cooperation organisation created in May 1959, whose objectives are primarily economic. The founding countries were Dahomey (now Benin), Upper Volta (now Burkina Faso), Côte d'Ivoire and Niger. They were joined by Togo in 1966. In 1966, the Council established permanent administrative headquarters in Abidjan, Côte d'Ivoire. A mutual aid and loan guarantee fund is used to help the most disadvantaged members.

ACP Group

Benin is a member of the ACP Group, an organisation created in 1975 by the Georgetown Agreement. The ACP Group is comprised of 79 African, Caribbean and Pacific States, all of them, except Cuba, signatories of the 2000 partnership agreement between the ACP Group and the European Union, officially known as the "ACP-EC Partnership Agreement" or the "Cotonou Agreement" (as amended).

The ACP Group was initially created in order to coordinate its members' cooperation with the European Union. Its objective was to negotiate and implement cooperation agreements with the European Community. Currently, the ACP Group has broadened its scope of activities. Cooperation among its members now goes beyond cooperation for development with the European Union and covers varied sectors at the commercial, economic, political and cultural level, and with diverse international bodies, including the WTO.

AfDB

Benin is a member of the AfDB, whose primary objective is to reduce poverty in its member countries by contributing to their sustainable economic development and social progress. See "*Public Debt — African Development Bank*" below.

CEN-SAD

Benin is a member of the Community of Sahel-Saharan States (**CEN-SAD**), which includes 29 countries. CEN-SAD was created on 4 February 1998 following the Conference of Leaders and Heads of States held in Tripoli, Libya. Its objectives are: (i) the implementation of a global economic union based on a strategy implemented in accordance with a development plan to be integrated in member States' national development plans (including investments in the agricultural, industrial, social, cultural and energy sectors); (ii) the elimination of obstacles hindering unity among its member States through the implementation of common projects and the consent of community member States to grant citizens of member States the same rights and privileges provided in the Constitution of each member State, including: the free movement of people and capital in balance with the interests of its member States' citizens, freedom of residence, work, property and economic activity, the free flow of national goods, merchandise and services, the promotion of external trade through the preparation of implementation of an investment policy for member States, the reinforcement and improvement of land, air and sea transportation and telecommunications between member States, and (iii) the coordination of pedagogical and educational systems at different levels and in cultural, scientific and technical matters.

ECONOMY OF BENIN

Overview

Benin's economy experienced 6.8% growth in real Gross Domestic Product (**GDP**) in 2018 (estimates), compared to 5.8% in 2017, 4.0% in 2016 and 2.1% in 2015. This increase arose from improvements in agricultural production as a result of favourable climatic conditions and an increase in farmed area, improvements in the energy supply, dynamic activity in the telecommunications sector, strengthened anti-fraud, tax evasion efforts and an improvement in global and sub-regional economic conditions, and the Government's implementation of its investment programme. The Government expects real GDP to grow by 7.6% on average over the 2019-2022 period, on the basis of sustained growth in agricultural production, progressive economic recovery and stronger demand in Nigeria, an increase in public investments as part of the implementation of the GAP, an improved environment for private investment and growth in the secondary and tertiary sectors.

Benin's economy is dominated by the tertiary sector, which is driven by the dynamic trade with Nigeria and accounted on average for approximately 45.5% of nominal GDP in the 2013-2018 period. The tertiary sector includes the banking sector, transport and telecommunication, public administration and other commercial services. The share of the primary sector, which is mainly composed of cotton, cashew nut and pineapple cultivation, represented on average approximately 22.4% over the period 2013-2018, while that of the secondary sector, mainly composed of the energy, and construction sectors, averaged 20.9% over the same period. The remainder is made up of taxes and charges net of subsidies with an average share of about 11.2% of nominal GDP over the same period.

In order to bolster Benin's economic and social development, the Government adopted a national economic and social programme for the period 2016-2021, the GAP, also called *Bénin Révélé* (Revealing Benin). With the GAP, the Government intends to set up 45 flagship projects, with a focus on three sectors identified as major potential drivers of growth: tourism, ICT and agriculture. Hence, the weight of these three sectors in the economy of Benin is expected to increase in the next years. The GAP also targets other sectors considered underexploited so far such as education, health, energy, infrastructure and living conditions. See *"The GAP*" below.

The GAP stems from a comprehensive institutional, economic and social diagnostic of the country and reflects the aspirations of the 2013-2023 plan for the implementation of the AU's 2063 Agenda. The Government's intention through this programme is to achieve sustainable economic and social development for Benin through a structural transformation of the economy. Specifically, the programme relies on three pillars: (i) strengthening democracy, rule of law and good governance, (ii) the structural transformation of the economy and reducing dependence on Nigeria, and (iii) accelerating the pace of economic growth in order to improve the living conditions of the population.

In connection with the GAP, in 2017 the Government obtained an ECF-supported economic programme with the IMF to underscore its commitment to macroeconomic stability and to implement its comprehensive reform agenda. See *"The GAP"* below.

The following table presents Benin's main economic indicators between 2013 and 2018:

Indicators	**2013**	**2014**	**2015**	**2016**	**2017**	**2018 (Est.)**
Nominal GDP (in billions of CFAF)	4,524.1	4,799.5	4,903.8	5,084.0	5,382.5	5,800.7
Nominal GDP (in billions of US$)[1]	9.2	9.7	8.3	8.6	9.2	10.4
GDP per capita (in thousands of CFAF)	452.0	463.2	457.2	457.9	468.3	487.5
Real GDP growth rate (in %)	7.2	6.4	2.1	4.0	5.8	6.8
Real GDP growth rate per inhabitant (%)................................	3.4	2.7	-1.4	0.4	2.2	3.2
Gross Fixed Capital Formation (volume change)...........................	45.5	13.5	-3.8	-0.3	18.1	8.6
Inflation rate (WAEMU convergence standard) in %[2]	1.0	-1.1	0.3	-0.8	0.1	-0.8

[1] The exchange rate used is 493.9 US$/CFAF for 2013, 493.6 US$/CFAF for 2014, 591.2 US$/CFAF for 2015, 592.8 US$/CFAF for 2016, 580.9 US$/CFAF for 2017 and 555.2 US$/CFAF for 2018.

[2] Up to 31 December 2017, the inflation rate was calculated on the basis of the evolution of prices of products sold in Cotonou. From 2018 onwards, the inflation rate is calculated by analysing price trends in several localities, urban and rural, across the country. This change in methodology must be taken into account in comparing pre-2018 and post-2018 inflation rates. The two series are not comparable because the old series had a 2008-base year while the new series had a 2014-base year. Work is underway to connect the two series.

Investment rate (%)	27.8	28.6	26.0	21.0	25.5	26.2

Sources: INSAE-DGAE

According to the World Bank's most recent "Doing Business 2019" report, Benin has risen from 174th rank in 2014 to rank 153rd out of 190 in 2019, with improvements in the indicators concerning the ease of starting a business, obtaining a loan and protecting minority investors.

Benin ranked 13th in the 2018 Mo Ibrahim Index of African Governance, which reviews the state of governance in each of the 54 African countries, primarily due to Benin's good performance with respect to the categories Participation & Human Rights and Safety & Rule of Law.

Benin also ranks first among Sub-Saharan countries in the 2017 UN Global Survey on Trade Facilitation and Paperless Trade Implementation, and was the only one to score 80 out of 100. This score is attributed on the basis of several factors such as transparency, formalities, institutional arrangement and cooperation, paperless trade and cross-border paperless trade. The average grade for the sub-Saharan region is under 60%.

Economic Policy – The NDP and the GAP

Prior to the election of President Patrice Talon, Benin's economic policy was based on the second generation of the Growth Strategy for Poverty Reduction (*Stratégie de Croissance pour la Réduction de la Pauvreté*) that covered the 2011-2015 period. Following the 6 April 2016 election, the Government launched an agenda of reforms to further stimulate economic and social development. To this effect, the Government sought to streamline the national planning system and organise its economic policy around two key documents: a document presenting the long-term vision for the economic transformation of Benin, the NDP and a five-year operational plan emphasising priority investments with accompanying measures of the Government (the GAP).

The economic policy of the Government described in the NDP and the GAP is backed by the PC2D, a reference document designed to facilitate a strategic dialogue between the Government and its technical and financial partners, including the IMF, the World Bank and other development partners.

The NDP

The NDP is a systematic, strategic and operational planning model over the 2016-2025 period to guide downstream sustainable development actions and create better living conditions for Benin's population. Its enforcement will help consolidate the implementation of the GAP by ensuring the continuity of development strategy from one government to another and the achievement of the priority targets of the SDGs and the Africa 2063 vision at all levels of the development management process (central, sectoral and local levels).

The overall objective of the NDP is to achieve sustainable and inclusive growth of GDP of at least 10% beginning in 2025 based on the development of agriculture, tourism and services within a more effective national and local governance framework, by focusing on the improvement of human capital and infrastructure.

A strategic analysis of the Beninese economy conducted by the Government in 2016 revealed that important challenges must be met to achieve sustainable development. Drawing lessons from the analysis of Benin's development process, four major challenges were identified, to be met by 2025: (i) improving the overall and sectoral competitiveness of the economy, (ii) reducing inequalities in access to basic social services, (iii) correcting disparities between the different areas of the country, and (iv) improving the management of public affairs.

To address these challenges, the NDP identifies certain strategic objectives to be achieved through the operational focuses set out in the GAP as follows:

PILLARS OF THE GAP	OPERATIONAL FOCUSES OF THE GAP	STRATEGIC OBJECTIVES OF THE NDP
1. Consolidation of democracy, the rule of law and good governance	Strengthening the foundations of democracy and the rule of law	Consolidate the rule of law and good governance
	Improving governance	

2. Structural transformation of the economy	Consolidating the macroeconomic framework and maintaining stability	Sustainably increase the productivity and competitiveness of Benin's economy
	Enhancing economic growth	
	Improving educational performance	Develop healthy, competent and competitive human assets
3. Improvement of people's living conditions	Consolidating basic social services and social protection	Ensure the sustainable management of living conditions, the environment and promote the emergence of regional development centres
	Balanced and sustainable development of the national territory	

The GAP

In October 2016, the Council of Ministers adopted the GAP for the 2016-2021 period. The GAP was designed to give impetus to Benin's economic and social development over this period and was inspired by the necessity to address the deteriorating fiscal situation of Benin, which was compounded by the negative impact of the Nigerian economic recession.

The Pillars of the GAP

The GAP plans for large-scale investments in agriculture, tourism and culture, the digital economy and ICTs, energy, transportation infrastructure and processing facilities, which are key sectors for future economic development in Benin. The GAP is being implemented through a comprehensive reform and investment agenda, comprised of 45 flagship projects (*projets phares*), 95 priority projects and 19 institutional reforms including, in particular:

- in the agricultural sector, the creation of seven regional hubs for agricultural development and improved organisation of sectors involving high value-added products such as pineapple, cashew nuts, cotton, table eggs, vegetable farming, corn, manioc, palm oil and rice;
- in the tourism sector, the development of the Pendjari, the construction of a cultural centre dedicated to voodoo art and the reconstruction of the historic city of Ouidah, in order to make it a main destination for memorial tourism in Africa;
- in the digital economy area, the use of ICTs as a catalyst for economic growth and modernisation, especially through the PDI2T and the implementation of DTT;
- a reform programme to lift the current constraints on private investment and to address private investors' needs;
- policies aiming to promote effective public investments, stimulate private investment in the energy and transport sectors and strengthen the education system and human capital;
- in the transport, logistics and infrastructure sectors, the construction of a new international airport, the construction of roads and the modernisation of the port of Cotonou;
- the modernisation of the energy sector, with the construction of a new power plant;
- a social security programme known as the ARCH, the objective of which is notably to implement universal healthcare coverage;
- an improved access to food and drinking water for all, in rural and in urban areas;
- the construction of a new 346-bed university health centre in Abomey-Calavi operated by AP-HP International to provide a wide range of medical services in a number of disciplines, including emergency medicine, cardiology and oncology; and
- the creation of an international city of innovation and knowledge which will gather universities, research institutions and business incubators.

IMF Support

Following adoption of the GAP, the Government decided to request an arrangement with the IMF to support the objectives of the GAP and ensure international visibility for its reform and structural transformation programmes. On 7 April 2017, the IMF agreed to provide Benin with a three-year US$ 151.0 million ECF to support national economic and financial reform programmes and contribute to the improvement of average living standard and to maintain macroeconomic stability. An initial disbursement of US$ 22.5 million ECF was drawn immediately under the ECF, followed by an additional one of US$ 23.6 million on 1 December 2017, following completion of the first review. Following satisfactory completion of the second review under the ECF programme, Benin received a third disbursement of US$ 22.5 million at the end of June 2018. Similarly, following successful completion of the third review of the programme in October 2018, Benin received a fourth disbursement of US$ 22.5 million in December 2018, bringing total disbursements under the ECF to US$ 91.1 million.

ECF funding will contribute to achieving the following policy recommendations: (i) enable the implementation of reforms needed to broaden the tax base and improve the efficiency of public spending, (ii) strengthen the management of public debt and promote prudent borrowing policies, and (iii) promote the private sector by bolstering institutions and improving the business climate.

As a conclusion of its third review, the IMF noted in its IMF Country Report n°18/364 of December 2018 that Benin's performance under the ECF-supported program remains strong and well aligned with the GAP. As further noted by the IMF, the fiscal position has improved significantly, mainly as a result of expenditure restraint. The growth momentum continues, with a favourable medium-term economic outlook, driven by stronger demand from Nigeria and a better environment for private investment.

GAP Financing Strategy

To achieve its objectives, the GAP is based on a five-year investment programme requiring CFAF 9,039 billion (or about US$ 15 billion) over the 2017-2021 period, of which 61% is earmarked by the Government to be financed by the private sector, including through PPPs. See "*Promotion of Private Investment and PPPs*" below. The remaining 39%, or an amount of CFAF 3,529 billion, is intended to be financed by public resources.

The table below presents the funding requirement for the objectives of the GAP as estimated at the end of 2016 (in CFAF billions):

Period	**(2017-2021)**	**2017**	**2018**	**2019**	**2020**	**2021**
Public (excluding PPPs)	**3,529**	**808**	**727**	**718**	**700**	**576**
Budget contribution and bond issues	2,450	575	524	497	484	370
Loans	750	173	136	150	145	146
Grants	329	60	67	71	71	60
PPP	**5,510**	**341**	**967**	**1,919**	**1,946**	**337**
Total (2017-2021)	**9,039**	**1,149**	**1,694**	**2,637**	**2,646**	**913**

According to the Government, GAP-related government expenditure amounted to CFAF 289.2 billion in 2016. The amount of GAP-funding to be provided by the Government for 2017 was initially budgeted at CFAF 808 billion and was subsequently reduced to CFAF 550 billion as part of the revision of the budgetary framework agreed between the Government and the IMF in the context of the implementation of the ECF programme, with a view to decreasing the projected level of budget deficit initially set at 12.6% for 2017 to 6%. Actual GAP-related expenditure amounted to CFAF 531.8 billion, or 96.5% of the revised budgeted amount of GAP-related funding for 2017.

The amounts of the GAP-related government expenditure for 2018 are not available at the date of this Prospectus, as the contributions obtained from the technical and financial partners are still being confirmed.

Monitoring the Implementation of the GAP

The Government monitors the GAP's implementation through the following entities:

- the Council of Ministers (*Conseil des ministres*), which gives general orientations, examines and approves the implementation reports;
- the Flagship Project Monitoring Committee (*Comité de suivi des projets phares*);
- the Monitoring and Evaluation Committee (*Comité de suivi et d'évaluation*), which focuses on other projects;
- the Sectoral Monitoring Committees (*Comités sectoriels de suivi*) within each ministry;
- the BAI, a technical support structure for the Government based at the Presidency of the Republic in charge of the coordination of the implementing agencies' actions supervision; and

The Presidential Monitoring Units (*Unités Présidentielles de suivi*), which are under the supervision of the Bureau of Analysis and Investigation and which are in charge of monitoring the current implementation of projects and reforms in their respective sectors.

The Government has established fifteen operational independent executive agencies to implement the flagship projects, in order to increase the investment absorption capacities and accelerate the completion of these projects. Agencies provide project management assistance to Ministries.

Results of the GAP 2016-Present - Reforms

The reforms and actions carried out since April 2016 have made it possible for Benin to achieve significant progress at the institutional, economic and social levels. Reforms relating in particular to improving the business climate, reorganising the macroeconomic framework and modernising public administration are presented below:

- Strategic level: the creation of the Inter-Ministerial Committee for the promotion of investments (composed of ministers involved in promoting relations with private and financial partners and who are responsible for strategically and collaboratively responding to investor demands and expectations) has improved strategic coordination of relations with the private sector and follow-up at the level of the Presidency of the Republic.

- Operational level: reforms to facilitate relations with the private sector and promote investment. For example, the APIEX is now the single point of contact for investors in Benin, facilitates the creation of companies and provides guidance and support for investors and exporters.

- Enhancement of the legal and judicial framework to secure investments:
  - adoption of a unified and secure legal framework for PPPs;
  - revision of the public procurement code to enhance efficiency and transparency requirements;
  - introduction of more flexibility in the labor code, in particular with regard to conditions of employment and termination, including the capping of severance compensation;
  - reform of the land code to promote legal security;
  - digitisation of the Land Register (*cadastre foncier*) to facilitate the electronic management of land titles;
  - adoption of a new petroleum code;
  - operationalisation of Commercial Courts, the one in Cotonou already being operational;
  - establishment of a conciliation and mediation framework in the area of tax and customs litigation;
  - adoption of the law on the Credit Information Bureau; and
  - measures to ensure prompt judicial decisions in commercial and administrative disputes.

- Adoption of a legal framework for the development of SEAs:
  - SEAs are designed to enhance the attractiveness of Benin for private investments by building upon Benin's comparative advantages and strategic geographic positioning in the sub-region.
  - SEAs have been identified throughout the national territory, with priority given to the SEAs of Sèmè-Kpodji and Allada. The Sèmè-Kpodji SEA covers a total area of 230 ha, is strategically positioned approximately twenty kilometers from the international port and the future international airport and is served by the country's most important motorway network. The Sèmè site is located 5 km from the Nigerian border and is relatively close to Benin's major cities, Porto-Novo, the political and administrative capital of Benin, and Cotonou, the economic capital and seat of the Republic's major institutions.
  - SEAs offer many investment advantages to investors, including simplified administrative formalities, total exemption from customs duties and taxes, flexible employment contracts, facilitation of issuance of entry visas and economic resident cards, and income repatriation facilities. Two registration regimes are offered at the investor's choice: export scheme No 1 which does not target the Community market and, export scheme No 2, known as the intra-Community trade promotion scheme, which offers the benefit of a certificate of origin and export possibilities from WAEMU Community countries.
  - Reform of the investment code to make it more attractive, in particular by introducing the possibility of granting specific advantages to projects deemed strategic; and
  - Revisions of international tax treaties and trade laws.

- Offering working conditions in line with international standards:
  - adoption of the digital code;
  - modernisation of public administration: procedures, computerisation, digital archiving and dematerialisation (*Smart Gouv*);

- identification of the population through the Administrative Census of Population Identification (*Recensement administratif à vocation d'identification de la population*) for the implementation of a biometric population register;
- implementation of a roadmap for technical education, vocational training, innovation and the ongoing creation of a City of Innovation and Knowledge at Sèmè City;
- implementation of an action programme to enhance public finance management system and improve transparency;
- institutional and IT reforms at the level of the financial authorities (tax and customs) for the electronic processing of files; and
- reform of the supervisory bodies of the administrative authorities.

Results of the GAP 2016-Present – Flagship Projects

In order to limit the budgetary impact of its investment programme, Benin has chosen the PPP option for the implementation of most of its key projects. The first PPPs are being finalised and a broad portfolio of eligible projects already exists. See *"Promotion of Private Investment and PPPs"* below.

The table below sets out the progress of certain GAP flagship projects (2016 to date):

Project	Estimated Cost (US$ million)	Funding	Strategic Partner	Progress of work
Infrastructures				
Construction of a new international airport at Glo-Djigbé	964	Financing completed by Eximbank China	China Airport Construction Group Corporation (construction) Aéroport de Paris Ingénierie (supervision)	Works to begin in 2019 and to be completed by 2022
Construction or rehabilitation of 1,362 km of roads across the country	991	Financing completed by IDB, Banco do Brasil, Ofmas, Soroubat, Colas, NSE	Ebomaf SA Adeoti SARL Ofmas Sogea-Satom	Works in progress and to be completed by 2021
Modernisation and extension of the Port of Cotonou	913	Discussion in progress	Antwerp International (delegated management)	Works to begin in 2019
Construction of the Abomey-Calavi university health centre	202	French Public Investment Bank	AP-HP International Bouygues Bâtiment International	Works to begin during the second semester of 2019
ICTs				
PDI2T project (rehabilitation of 1,060 km of existing arteries and installation of 974 km of new fibre optic routes)	129	Financing completed by Eximbank Chine	Huawei Sofrecom	Works started in 2016 and completed in November 2018 (provisional acceptance)
Deployment of Digital Terrestrial Television infrastructures on the territory	64	Financing completed by BOAD	Startimes	Works started in 2016 and currently in the test phase. Commissioning by end of December 2019

Project	Estimated Cost (US$ million)	Funding	Strategic Partner	Progress of work
Tourism				
Transforming the Pendjari into a reference park in West Africa	26	Financing in progress, and partially financed by GIZ and FSOA	African Parks Network David Bonderman Foundation WYSS Foundation	Works started in 2016 and to be completed in 2021
Rehabilitation the lake city of Ganvié	50	Financing in progress, and partially financed by AFD	AIM	Works started in 2017 and to be completed in 2021
Construction of the 1st Museum of Voodoo Arts, Culture and Civilisation in Abomey	67	Financing in progress	AGimaginairing Smithsonian Institution	Works started in 2016 and to be completed in 2021
Reconstruction of the historic city of Ouidah (historic forts and marina)	263	Financing in progress	AGimaginairing	Works started in 2016 and to be completed in 2021
Agriculture				
Development of alternative value added chains (pineapple, cashew nuts, vegetables cultivation)	309	Discussion in progress	IDB, AfDB, World Bank	Works to begin in 2019 and to be completed in 2022
Development of conventional sectors (rice, maize, cassava, soya)	289	Discussion in progress	IDB, IFAD, World Bank	Works to begin in 2019 and to be completed in 2024
Development of the Lower and Middle Ouémé Valley	242	Discussion in progress	IDB, AfDB, World Bank	Study launched in 2019, works to begin in 2020 and to be completed in 2024

Overall GAP Assessment – Recent Economic Performance

The assessment made by the IMF under the third review of Benin's performance under the ECF programme completed in December 2018 indicates major progress in key economic metrics as well as good macroeconomic prospects:

- Economic growth: the economic growth rate in Benin was 6.8% in 2018 (Government estimates) compared to 5.8% in 2017, 4.0% in 2016 and 2.1% in 2015. Over the last three years, growth was achieved in an environment characterised by price stability, with a negative inflation rate of -0.8% in 2018 (new methodology), well below the 3% WAEMU convergence criterion.

- Public finance: there has been an overall improvement in Benin's compliance with WAEMU convergence criteria, although not all of them have been met. The overall deficit, including the scheduling basis for grants, a key convergence criterion, decreased from -6.0% in 2016 to -5.9% in 2017, despite a substantial 64.1% increase in public investment and further to -4.8% in 2018, mainly as a result of expenditure restraint, according to the IMF Country Report n°18/364 of December 2018. The fiscal pressure rate, another key convergence criterion, rose from 13.3% in 2017 to 14.7% in 2018, while the ratio of payroll to tax revenue decreased from 47.3% in 2017 to 44.2% in 2018.

- Foreign trade: Nigeria's exit from recession and the start of the GAP implementation, as well as the changes in the price of oil and the price of cotton have had a significant effect on Benin's trade flows with the rest of the world. As a result, the current balance of payments deficit increased to 10.4% of GDP in 2018, from 10.0% of GDP in 2017 and 9.4% in 2016, driven by higher imports of capital goods and food products, including those intended for the Nigerian market. See "*Foreign Trade and Balance of Payments*" below.

- Debt ratio: Debt amounted to 54.4% of nominal GDP in 2017 and is estimated at 56.7% in 2018 compared with 49.5% in 2016 and 42.4% in 2015. This rate is well below the 70% threshold set by WAEMU.

Structure of the economy

Benin's economy is dominated by the tertiary sector, which accounted on average for approximately 45.5% of nominal GDP in the 2013-2018 period. The share of the primary sector represented on average approximately 22.4% over the 2013-2018 period while that of the secondary sector was 20.9% over the same period. The remainder is made up of taxes and charges net of subsidies with an average share of approximately 11.2% of nominal GDP over the period.

- The primary sector, composed of agriculture, breeding and hunting, fishing, forestry and logging, contributed 22.9% to nominal GDP in 2018 according to Government estimates, compared to 23.0% in 2017, 23.2% in 2016, 22.5% in 2015 and 21.5% in 2014. Agricultural production consists of the cotton sector, the best-organised sector, as well as value-added crops such as pineapple, cashew nuts, manioc, corn, palm oil and rice. The primary sector grew by 7.3% in 2017 in real value compared to 10.7% in 2016, and -7.2% in 2015. The Government estimates that the primary sector grew by 5.6% in 2018.
- The secondary sector, which includes extractive industries, agri-food industries, other manufacturing industries, electricity, gas, water, buildings and public works, accounted for 21.5% of nominal GDP in 2018 according to Government estimates, as compared to 21.5% of nominal GDP in 2017, 20.1% in 2016, 20.6% in 2015, 20.8% in 2014. The added value of the sector (which is the difference between production and intermediate consumption) increased on average by 6.6% over the period 2016-2018 with a contribution to growth of 1.6%. For 2017, the growth rate of value added in this sector increased to 10.5%. This improvement is the result, on the one hand, of the improvement in the supply of electricity in connection with the rehabilitation of the existing generation capacity and, on the other hand, the launch of construction sites under the GAP. Similarly, manufacturing industries, particularly ginning, benefited from the strong increase in cotton production in the 2016-2017 growing season. For 2018, the growth rate of value added in this sector increased of an estimated 6.7%. For 2019, the Government expects an increase of 13.3% of the growth rate of value added in this sector.
- The tertiary sector, which includes the banking sector, transport and telecommunications, trade, public administration and other commercial services, contributed 44.5% of nominal GDP in 2018 according to Government estimates, as compared to 44.5% in 2017, 46.0% in 2016, 45.7% of in 2015 and 46.1% in 2014. In 2017, service activities recovered mainly as a result of the end of the economic recession in Nigeria, resulting in an 8.5% increase in traffic in tonnage at the Port of Cotonou at the end of December 2017, an improvement in merchandise imports of 10.8% in tonnage in 2017, and a resumption of transport activities and other services. In addition, the good performance of the primary and secondary sectors also contributed to the strong performance of the tertiary sector in 2017 because the agricultural products and those processed in the secondary sector are marketed through the tertiary sector. The growth rate of value added in the tertiary sector increased of an estimated 7.5% in 2018, and the Government expects this trend to continue in 2019.

The table below gives the breakdown of nominal GDP by sector of activity in 2013:

	Primary	Secondary	Tertiary	Taxes and duties net of subsidies	GDP

GDP growth (%)	4.8	8.7	6.1	12.8	7.2
Weight within GDP (%)	21.3	20.8	46.3	11.5	100.0
Contribution to GDP growth (%)	1.1	1.7	2.7	1.7	7.2

Source: DGAE

The table below gives the breakdown of nominal GDP by sector of activity in 2014:

	Primary	**Secondary**	**Tertiary**	**Taxes and duties net of subsidies**	**GDP**
GDP growth (%)	5.4	7.0	5.7	9.0	6.4
Weight within GDP (%)	21.5	20.8	46.1	11.6	100.0
Contribution to GDP growth (%)	1.2	1.4	2.5	1.3	6.4

Source: INSAE

The table below gives the breakdown of nominal GDP by sector of activity in 2015:

	Primary	**Secondary**	**Tertiary**	**Taxes and duties net of subsidies**	**GDP**
GDP growth (%)	-7.2	10.1	4.2	-1.2	2.1
Weight within GDP (%)	22.5	20.6	45.7	11.2	100.0
Contribution to GDP growth (%)	-1.6	2.0	1.9	-0.2	2.1

Source: DGAE

The table below gives the breakdown of nominal GDP by sector of activity in 2016:

	Primary	**Secondary**	**Tertiary**	**Taxes and duties net of subsidies**	**GDP**
GDP growth (%)	10.7	2.6	3.8	-3.0	4.0
Weight within GDP (%)	23.2	20.1	46.1	10.6	100.0
Contribution to GDP growth (%)	2.1	0.6	1.7	-0.4	4.0

Source: DGAE-FMI

The table below gives the breakdown of nominal GDP by sector of activity in 2017:

	Primary	**Secondary**	**Tertiary**	**Taxes and duties net of subsidies**	**GDP**

GDP growth (%)	7.3	10.5	3.0	5.6	5.8
Weight within GDP (%)	23.0	21.5	44.5	11.0	100.0
Contribution to GDP growth (%)	1.6	2.2	1.3	0.7	5.8

Source: DGAE-FMI

The table below gives the breakdown of nominal GDP by sector of activity in 2018:

	Primary	**Secondary**	**Tertiary**	**Taxes and duties net of subsidies**	**GDP**
GDP growth (%)	5.6	6.7	7.5	6.9	6.8
Weight within GDP (%)	22.9	21.5	44.5	11.1	100
Contribution to GDP growth (%)	1.2	1.5	3.3	0.8	6.8

The table below presents the contributions to nominal GDP growth of the various sectors of activity from 2013 to 2018:

	2013	**2014**	**2015**	**2016**	**2017**	**2018 (Est.)**
	(%)					
Primary sector	1.1	1.2	-1.6	2.1	1.6	1.2
Secondary sector	1.7	1.4	2.0	0.6	2.2	1.5
Tertiary sector	2.7	2.5	1.9	1.7	1.3	3.3
Duties and taxes	1.7	1.3	-0.2	-0.4	0.7	0.8
TOTAL GDP	**7.2**	**6.4**	**2.1**	**4.0**	**5.8**	**6.8**

Source: INSAE-DGAE

Gross Domestic Product (GDP)

GDP is a measure of the total value of final products and services produced in a country in a specific year. Nominal GDP measures the total value of final production and services at current prices. Real GDP measures the total value of final production and services at constant prices of a given year, thus allowing historical GDP comparisons that exclude the effect of inflation. Real GDP figures used herein are based on constant 2007 prices and all GDP data is presented on a 2007 reference year basis, notwithstanding the Governmental project that is under way to change the base year of GDP going forward. See "*GDP Rebasing Project*" below.

The table below presents Benin's nominal GDP from 2013 to 2018:

	2013	**2014**	**2015**	**2016**	**2017**	**2018 (Est.)**
Nominal GDP (CFAF billion)	**4,524.1**	**4,799.5**	**4,903.8**	**5,084.0**	**5,382.5**	**5,800.7**

Source: INSAE-DGAE

The table below presents the breakdown of real GDP for each sector of activity from 2013 to 2018:

	2013	2014	2015	2016	2017	2018 (Est.)
				(in %)		
Primary Sector..........................	21.3	21.5	22.5	23.2	23.0	22.9
Secondary Sector......................	20.8	20.8	20.6	20.1	21.5	21.5
Tertiary Sector..........................	46.3	46.1	45.7	46.1	44.5	44.5
Taxes and duties.......................	11.5	11.6	11.2	10.6	11.0	11.1

Source: DGAE

The table below presents the variation in volume of Benin's real GDP by sector of activity from 2013 to 2018:

	2013	2014	2015	2016	2017	2018 (Est.)
				(in %)		
Primary Sector	4.8	5.4	-7.2	10.7	7.3	5.6
Secondary Sector	8.7	7.0	10.1	2.6	10.5	6.7
Tertiary Sector	6.1	5.7	4.2	3.8	3.0	7.5
Taxes and duties net of subsidies	12.8	9.0	-1.2	-3.0	5.6	6.9
Total GDP	**7.2**	**6.4**	**2.1**	**4.0**	**5.8**	**6.8**

Source: INSAE-DGAE

GDP in 2013

In 2013, real GDP grew by 7.2% compared to 4.8% in 2012. This increase was due to an increase in activity in all sectors of the economy.

In the primary sector, economic activity benefited from a good agricultural season.

In the secondary sector, the economic activity also recorded growth as a result, on the one hand, of the improvement in manufacturing production, particularly ginning, which improved due to the 27.9% increase in cotton production during the 2012-2013 growing season and, on the other hand, of the dynamism of activity in the construction sector supported by the strengthening of public investment.

In the tertiary sector, commercial activity benefited from the 17.9% increase in traffic at the Port of Cotonou, notably due to the increase in the port's capacity through the construction of a second dock and the increase in cotton exports.

GDP in 2014

In 2014, GDP grew by 6.4% in line with strong growth observed in activities in all sectors.

The primary sector was mainly driven by the dynamism of the agriculture sector as well as by increased cotton production for export (up 28.0% compared to 2013). However, there were decreases in breeding and hunting activities (down 0.9% compared to 2013) and a slowdown in fishing, forestry and logging activities (1.7% increase in value added in 2014 against an increase of 3.4% in 2013).

In the secondary sector, manufacturing activity remained strong, supported by the agri-food industry (up 9.0% compared to 2013), other manufacturing industries (up 12.6% compared to 2013) and electricity and water (up 11.5% compared to 2013).

The tertiary sector benefited from favourable trends in the primary and secondary sectors. The overall added value of this sector increased by 5.7% compared to 2013. Overall trade in the Port of Cotonou increased by 17.9% compared to 2013.

GDP in 2015

In 2015, real GDP growth was 2.1%, driven by the secondary sector, particularly the agri-food industries.

The primary sector recorded a decrease of 7.2% in 2015, attributable in particular to the underperformance of food agriculture (down 11.5% against an increase of 5.9% in 2014) and to the decline in cotton production (down 31.6% in 2015 against an increase of 28.2% in 2014). The sector's underperformance was due to adverse weather conditions in 2015.

The secondary sector, through the ginning industries, benefited from the significant increase in cotton production in 2014. It grew by 10.1% in 2015 after increasing by 7.0% in 2014.

The tertiary sector grew by 5.7%, due to the dynamism of most of its components, notably transport and telecommunications (4.0%), banks and other financial institutions (9.5%), public administration and social security (13.0%). However, there was a slowdown in the value added of trade and a 4.3% decline in that of other services, due in part to Nigeria’s economic recession.

GDP in 2016

In 2016, real GDP growth amounted to 4.0%, driven by strong performance in the agricultural sector.

The primary sector recorded a growth rate of 10.7% in 2016 compared to a contraction of 7.2% in 2015, resulting from particularly favourable rainfall, an increase in the area planted with both food crops and cotton (production of 451,208 metric tonnes in 2016 against 266,652 metric tonnes in 2015) and the successful introduction of fertilisers.

Added value in the secondary sector increased by 2.6%, driven by the good performance of the agri-food industry as a result of strong results in the primary sector. However, the sector showed a slowdown overall in 2016, caused by the loss of price competitiveness of manufactured products faced with the depreciation of the Nigerian currency, the decline in the construction sector due, among other things, to the electoral context (election year) and the decline in ginning activity due to the underperformance of the cotton sector in 2015 (-31.6%).

Added value in the tertiary sector increased by 3.8% in 2016, slowing down compared with 2015. This slowdown is the consequence of the effects of the elections in Nigeria and Benin and the economic slowdown in Nigeria.

GDP in 2017

In 2017, real GDP growth is estimated by the Government at 5.8% mainly due to an improvement in global and sub-regional economic conditions, an increase in agricultural production and the Government's implementation of its investment programme through the GAP.

The primary sector slowed down to an annual growth of 7.3%, compared to growth of 10.7% in 2016, reflecting a slowdown in food production, which rose by 5.2% following the upturn recorded in 2016 (+13.2%). The 7.3% growth is driven by an improvement in agricultural production as a result of: (i) a generally favourable rainfall situation characterised by regular and well-distributed rains throughout the national territory; and (ii) support from the Government and its development partners in the introduction of agricultural inputs and equipment, particularly seeds, fertilisers and pesticides, as well as the provision of tractors for the best cotton producers. Despite this improvement, the growth of the primary sector was lower than that of 2016 due to the catching-up effect and the exceptional increase in production observed in 2017 after the 7.2% decline observed in 2015.

The secondary sector grew by 10.5% after a growth rate of 2.6% in 2016. This improvement is the result, on the one hand, of the increase in the supply of electrical energy following the rehabilitation of the existing generating facilities and, on the other hand, of the opening of numerous infrastructure construction sites forming part of the GAP. Similarly, manufacturing industries, particularly ginning, benefited from the significant increase in cotton production in the 2016-2017 growing season (+67.6%).

The tertiary sector recorded a 3.0% growth, driven by the trade sector (+5.2%) and that of other services, reflecting the exit from recession in Nigeria and the effective start of the implementation of the investments planned in the 2016-2021 GAP.

GDP in 2018 (estimates)

In 2018, real GDP growth is estimated by the Government at 6.8% compared to 5.8% in 2017. This acceleration in growth was mainly driven by the improvement of activity in the agricultural sector (cotton and food), the revitalisation of the construction sector, the recovery and stronger demand from Nigeria, a better environment for private investment, and increased port activity.

In the primary sector, cotton production is estimated to have increased for a third consecutive year in the 2018-2019 season to 726,931 metric tonnes (estimate), an increase of 22% over the 2017-2018 season. This result was primarily achieved through different yield improvement techniques such as proper soil preparation, timely planting, the combination of organic and chemical fertilizers, the promotion of small-scale mechanisation, the improvement of technical itineraries and the use of fertilizer plants. In terms of food production, the production forecasts of the Ministry of Agriculture also show an improvement compared to the 2017 achievements.

In the secondary sector, activity was mainly driven by cotton ginning factories, in line with the stronger than expected performance of the cotton sector in the 2017-2018 season (+18%). In addition, activity in the construction sector also remained dynamic.

In the services sector, the economy benefited from the recovery in economic growth in Nigeria. The IMF estimates that Nigeria's real GDP growth rate stood at 2.1% in 2018 compared to 0.8% in 2017. As regards port traffic, the Government estimates that, supported by the involvement of the Port of Antwerp in its governance, the Port of Cotonou imports increased by 20% in 2018 compared to 2017. The performance of the primary and secondary sectors also impacted the trends in service activities.

In the telecommunications sector, several projects aimed at strengthening the use, access and quality of telecommunications services and at reducing costs were completed in 2018. These projects included: (i) the deployment of 2,011 km of optical fibres in 67 municipalities; (ii) extension of mobile telephone networks coverage to remote areas; (iii) the effectiveness of DTT and the establishment of a national data centre; and (iv) the launch of electronic identity cards and visas.

The following table shows the distribution of nominal GDP between the different sectors of the economy from 2013 to 2018, expressed in billions of CFAF:

	2013	**2014**	**2015**	**2016**	**2017**	**2018 (Est.)**
			(in billions of CFAF)			
Primary sector	**965.7**	**1,030.2**	**1,103.0**	**1,181.5**	**1,238.9**	**1,328.8**
Food agriculture, Breeding	661.7	681.2	748.0	815.8	862.1	936.0
Breeding, Hunting	165.7	197.5	195.1	199.4	206.4	215.7
Fishing, forestry and logging	138.3	151.5	159.9	166.4	170.4	177.1
Secondary sector	**942.9**	**996.7**	**1,012.3**	**1,023.5**	**1,159.4**	**1,245.7**
Extractive Activities	20.9	39.0	30.1	29.1	33.6	35.5
Agri-Food Industry	365.9	365.9	328.9	332.8	360.7	383.0
Other Manufacturing Industries	218.7	266.5	268.9	270.9	301.3	312.4
Electricity and water	44.2	49.1	42.4	43.6	45.2	47.1
Construction	293.2	276.2	342.0	347.1	418.6	458.7
Tertiary sector	**2,094.0**	**2,213.9**	**2,240.8**	**2,340.3**	**2,397.3**	**2,580.0**
Trade, restaurants and hotels	613.4	633.3	591.6	599.5	646.9	698.2
Transport, Posts and Telecoms	532.5	552.2	542.7	552.0	510.0	564.1
Banks and other financial institutions	60.0	100.3	111.1	125.8	140.8	154.2
Public administration and social security	371.4	386.0	438.5	471.1	477.6	502.0
Education	206.1	214.6	243.7	259.3	263.1	277.1
Health and Social work	40.8	48.7	53.7	56.9	58.1	61.1
Other services	325.1	343.8	331.3	354.7	387.8	421.1
Indirectly measured Financial intermediation service (SIFIM)	-55.3	-65,0	-71.8	-79.0	-87.1	-97.8
Taxes and duties net of subsidies	**521.5**	**558.7**	**547.7**	**538.7**	**586.9**	**646.2**
Total GDP	**4,524.1**	**4,799.5**	**4,903.8**	**5,084.0**	**5,382.5**	**5,800.7**

Sources: INSAE-DGAE

The following table presents the components of Benin's nominal GDP in terms of expenditure between 2013 and 2018:

	2013	**2014**	**2015**	**2016**	**2017**	**2018 (Est.)**
			(in billions of CFAF)			
Domestic demand	**5,118.9**	**5,393.4**	**5,471.4**	**5,790.7**	**6,244.5**	**6,719.5**
Total consumption	**3,860.6**	**4,022.0**	**4,197.8**	**4,724.2**	**4,871.9**	**5,198.7**
Private	3,113.6	3,287.0	3,363.4	3,997.4	4,169.3	4,459.0
Public	747.0	735.0	834,4	726.8	702,7	739.2
Total investments	**1,258.3**	**1,371.4**	**1,273.6**	**1,066.5**	**1,372.6**	**1,520.8**
Gross Fixed Capital Formation	**1,230.3**	**1,372.3**	**1,292.7**	**1,066.5**	**1,372.6**	**1,520.8**
Private	955.4	1,116.2	915.8	759.1	868.3	1007.8

Public	274.9	256.1	376.9	307.4	504.2	513.0
Change in inventories	**28.0**	**-0.9**	**-19.1**	**0.0**	**0.0**	**0.0**
Net external demand	**-595.0**	**-594.0**	**-567.7**	**-706.8**	**- 862.0**	**-918.8**
Export	1,273.6	1,539.5	1,383.9	1,459.4	1,738.6	1,929.9
Import	1,868.6	2,133.5	1,951.6	2,166.2	2,600.6	2,848.8

Sources: INSAE-DGAE

The following table shows the distribution of nominal GDP between the different sectors of the economy from 2013 to 2018 expressed as a percentage of the GDP:

	2013	**2014**	**2015**	**2016**	**2017**	**2018 (Est.)**
			(in billions of CFAF)			
Primary sector	**21.3**	**21.5**	**22.5**	**23.2**	**23.0**	**22.9**
Agriculture	14.6	14.2	15.3	16.0	16.0	16.1
Breeding, Hunting	3.7	4.1	4.0	3.9	3.8	3.7
Fishing, Forestry and Logging	3.1	3.2	3.3	3.3	3.2	3.1
Secondary sector	**20.8**	**20.8**	**20.6**	**20.1**	**21.5**	**21.5**
Extractive Activities	0.5	0.8	0.6	0.6	0.6	0.6
Agri-Food Industry	8.1	7.6	6.7	6.5	6.7	6.6
Other Manufacturing Industries	4.8	5.6	5.5	5.3	5.6	5.5
Electricity and water	1.0	1.0	0.9	0.9	0.8	0.8
Construction	6.5	5.8	7.0	6.8	7.8	7.9
Tertiary sector	**46.3**	**46.1**	**45.7**	**46.0**	**44.5**	**44.5**
Trade, restaurants and hotels	13.6	13.2	12.1	11.8	12.0	12.0
Transport, Posts and Telecoms	11.8	11.5	11.1	10.9	9.5	9.7
Banks and other financial institutions	1.3	2.1	2.3	2.5	2.6	2.7
Public administration and social security	8.2	8.0	8.9	9.3	8.9	8.7
Education	4.6	4.5	5.0	5.1	4.9	4.8
Health and Social work	0.9	1.0	1.1	1.1	1.1	1.1
Other services	7.2	7.2	6.8	7.0	7.2	7.3
Indirectly measured Financial intermediation service (SIFIM)	-1.2	-1.4	-1.5	-1.6	-1.6	-1.7
Taxes and duties net of subsidies	**11.6**	**11.6**	**11.2**	**10.6**	**11.0**	**11.1**
Total GDP	**100**	**100**	**100**	**100**	**100**	**100**

Sources: INSAE-DGAE

GDP Rebasing Project

In April 2016, the Government launched a project to change the base year for Benin's national accounts, known as the "GDP Rebasing Project". The project was carried out by the INSAE with the support of the WAEMU Commission, the IMF and the UN Economic Commission for Africa with the goal of:

- migrating the methodology for preparing the national accounts to the most recent System of National Accounts adopted by the United Nations (the **SNA 2008**, which replaces the SNA 93, the prior reference for preparing national accounts) and providing a more accurate picture of Benin's economic activity;
- complying with best practices to change the base year for the national accounts every five or ten years in order to correct errors resulting from annual estimates ; and
- improving GDP coverage and updating the structure of the economy, by incorporating two new important data sources, namely the Fourth RGPH) completed by Benin in 2013 and the Integrated Modular Household Living Conditions Survey (*Enquête Modulaire Intégrée sur les Conditions de Vie des* ménages, **EMICoV**) completed in 2015.

On 27 June 2018, the Government announced that 2015 would serve as the new base year for the national accounts of Benin, replacing the 2007 base year and that the new accounting method in the process of finalisation allowed Benin to revalue its nominal GDP by more than 36% for 2015. Nominal GDP for 2015 thus increased to CFAF 6,722 billion as a result of the change in base year, compared to CFAF 4,903.8 billion according to the 2007 base. This increase is primarily due to an improvement in the coverage of economic activity, especially in the informal sector and the implementation of changes introduced by the SNA 2008.

The GDP Rebasing Project is part of a dynamic initiated at a continental level for the implementation of the SNA 2008 following the example of countries like South Africa (increase of 4% of GDP), Cameroon (increase of 8% of GDP), Kenya (increase of 25% of GDP), Morocco (increase of 5% of GDP), Nigeria (increase of 60% of GDP) and Senegal (increase of 30% of GDP).

The work carried out by the INSAE may be further supplemented by the conclusions of technical assistance missions from the IMF and the UN Economic Commission for Africa that are ongoing as at the date of this Prospectus. The Government plans to have the national accounts for the 1999-2016 series using the 2015 base year prepared by the end of the first half of 2019 and the 2017 national accounts using the 2015 year base prepared by the end of 2019. See "*Risk Factors — The 2007-based GDP data published in this Prospectus and GDP data to be released in the future on the basis of the new 2015 base year may not be comparable*" above.

Main Sectors of the Beninese Economy

Agricultural Sector

Despite strong dependency on climatic conditions, the predominance of cotton and low productivity, Beninese agriculture remains a major growth driver. Benin has also sought to diversify its agriculture towards other value-added crops such as pineapple, cashew nuts, manioc, palm oil and rice. In 2017, the contribution of the agricultural sector (crop production, breeding, hunting and forestry) to the formation of GDP stood at 23.0% according to Government estimates. The agricultural sector also accounted for 76.3% of the country's total exports in 2017 and employed 42% of the active population, according to the INSAE.

The table below presents Benin's main crop production from 2013 to 2017:

(In thousands of tonnes)	**2013**	**2014**	**2015**	**2016**	**2017**
Cotton	307.3	393.4	269.2	451.2	596.0
Pineapple	358.9	315.8	244.2	303.9	316.3
Cashew nuts	114.5	82.36	225.2	125.7	110.1
Manioc	3,695.5	4,066.7	3,420.7	3,892.3	3,959.5
Palm oil	n/a	310.0	294.5	298.3	313.8
Rice	206.9	234.1	204.3	281.4	361.3

Sources: DSA, Cadre programmatique PSDSA, AIC

The table below shows Benin's main agricultural exports from 2013 to 2017:

Product	**2013**	**2014**	**2015**	**2016**	**2017**
			(in CFAF billions)		
Cotton	105.9	101.9	135.1	107.2	228.2
Pineapple	0.3	0.1	0.3	0.6	1.6
Other fruits	2.2	0.0	2.6	2.8	-
Cashew nuts	30.7	32.4	41.6	22.6	48.2
Other nuts			1.0	0.6	0.2
Manioc	0.1	0.0	0.1	0.1	0.1
Palm oil	1.3	0.3	10.8	7.0	7.8
Rice	1.6	2.1	0.1	0.0	0.0

Other	102.5	44.2	41.0	23.2	103.8

Sources: INSAE, DPP MAEP processing

General Agricultural Policy

The Strategic Plan for Agricultural Development (*Plan stratégique de développement agricole*) defines Benin's agricultural policy for the 2017-2025 period in line with the NDP and the ECOWAS Agricultural Policy (ECOWAP + 10). By 2025, Benin aims to make the agricultural sector dynamic, competitive, attractive, resilient to climate change, a generator of wealth and jobs, and a sector that meets food security and nutrition needs and the economic and social development needs of all segments of the population in an equitable manner.

A diagnostic of the agricultural sector carried out by the Government showed that four major challenges must be addressed to achieve this objective: (i) meeting food and nutritional needs through local production and safeguarding livelihoods, (ii) increasing the population's income, (iii) improving the attractiveness of agricultural activity and rural environment, and (iv) adopting relevant innovations that reduce agriculture's carbon footprint.

To meet these challenges, Benin has chosen five strategic focuses: (i) improving the productivity and production of agricultural sectors, (ii) promoting and structuring value-added chains, (iii) strengthening the resilience of farms facing climate change and improving the food and nutritional security of vulnerable populations, (iv) equitably improving governance of the agricultural sector and food and nutrition security and (v) setting up well-adapted and accessible financing and insurance mechanisms (such as the FADeC) focused on communal and intercommunal structural investments, the National Agricultural Development Fund (*Fonds national de développement agricole*) to support private investments and the Mutual Agricultural Insurance of Benin (*Assurance mutuelle agricole du Bénin*) to cover insurable risks.

The National Plan for Agricultural Investments and Food and Nutritional Security (*Plan National d'Investissement Agricole et de Sécurité Alimentaire*, **PNIASAN**) defines Benin's priorities for the 2017-2021 period in relation to these five focus areas in order to ensure a rapid transformation of Benin's agriculture sector. Taking into account the agriculture component of the GAP, the PNIASAN promotes priority agricultural sectors through a territorial approach with the creation of seven Agricultural Development Hubs (*Pôles de Développement Agricoles*, **PDAs**) designed to optimise agricultural potential and drive a balanced development of the national territory. The promotion of the sectors at the level of each PDA is carried out under the coordination of a Territorial Agency for Agricultural Development (*Agences Territoriales de Développement* Agricole, **ATDAs**) which has communal branches. The State's sovereign functions are separated from those of promoting the sectors and are assumed at a decentralised level by the Departmental Directorates of Agriculture, Livestock and Fisheries (*Direction Départementale de l'agriculture, de l'élevage et de la pêche*). Agricultural Service Centres (*Centre des Services Agricoles*) are the technical instruments of ATDAs, whose aim is to help accelerate the structural transformation of the rural economy and to offer producers, including the most vulnerable, opportunities to significantly improve their livelihoods and living conditions. Agricultural research is being restructured with the setting up of 23 agricultural research centres to develop relevant innovations with a view to contributing to increasing productivity. A National Agricultural Research Programme (*Programme National de Recherche Agricole*) and a Special Investment Programme (*Programme Spécial d'Investissement*) have been designed for this purpose.

In addition, the establishment of the APIEX aims to strengthen Benin's export capacities for agricultural products from Benin by facilitating participation in international fairs, compliance with quality rules and standards (compliance with the maximum pesticide residue limit in fruit) as well as traceability and market research.

As the main driving force behind the economic development of Benin and the creation of wealth and jobs, agriculture has been identified by the Government as a key priority sector in the GAP with the stated goal of diversifying the agriculture sector away from cotton to develop other value-added crops and of achieving self-sufficiency in foodstuffs. The GAP has defined five flagship projects that are being implemented and which should be implemented by 2021 in each of the following areas:

- With regard to the high value-added sectors (pineapple, cashew nuts and fruit and vegetable products), the goal is to expand farmland, improve productivity and develop the processing and export sectors. The cost estimate for this project is CFAF 170 billion. In order to achieve this goal, the Government plans to:
  - increase pineapple yield from 50 to 70 metric tonnes per ha;
  - establish new cashew plantations with grafted plants, and design and implement an industrialisation plan to locally process 50% of raw cashew nuts by 2021; and
  - increase fruit and vegetable production for mass consumption by 25%.

- With regard to the conventional sectors (rice, corn and manioc), the goal is to increase competitiveness to address domestic needs, limit imports and develop processing activities. The cost estimate for this project is CFAF 159 billion. In order to achieve this, the Government plans to:
  - improve rice production through access to quality seeds and specific inputs, water control and access to equipment and innovative techniques, along with improvements in processing techniques and access to markets;
  - improve corn production through access to seeds, inputs and equipment, as well as strengthened processing activities (storage, artisanal and semi-industrial processing and equipment) and easier access to markets; and
  - improve manioc through modernised processing systems, and the facilitation and organisation of the marketing for by-products.
- With regard to the continental aquaculture sector, the goal is to reduce imports of fish products by raising domestic production to 20,000 metric tonnes, compared to 1,700 metric tonnes in 2015. The cost estimate for this project is CFAF 60 billion. In order to achieve this the Government plans to:
  - strengthen production of quality fry and spawners through the installation of two hatcheries to support existing facilities;
  - reinforce access to aquaculture inputs to reach 37,000 metric tonnes of food products extruded in five years;
  - establish aquaculture infrastructure with the appropriate equipment and 500 ha of aquaculture zones must be created; and
  - improve the skills of professionals in this sector.
- With regard to the improvement of the lower and mid Ouémé Valley, the objective is to develop 10,000 ha of farmland and to increase access to the area in order to profit from its potential fertility. The cost estimate for this project is CFAF 133 billion. In order to achieve this the Government plans to:
  - create hydro-agricultural facilities over 10,000 ha;
  - construct access-improving infrastructure (600 km of trails); and
  - enhance this development through the fostering of 5,000 young agriculture entrepreneurs, access to specific inputs, training and professionalisation.
- With regard to the increase in the production of meat, milk and eggs, the goal is to cover all needs in terms of meat, milk and table eggs and to limit imports to 104,000 metric tonnes of meat in 2021, compared to 68,000 metric tonnes in 2015; 172,000 metric tonnes of milk in 2021, compared to 113,000 metric tonnes in 2015; and 25,000 metric tonnes of table eggs in 2021, compared to 15,000 metric tonnes in 2015. The cost estimate for this project is CFAF 67 billion. In order to achieve this the Government plans to:
  - improve access to inputs by increasing food production units, developing poultry farming in villages and providing day-old chicks;
  - develop artificial insemination;
  - implement a National Genetic Improvement Programme (*Programme national d'amélioration génétique*);
  - acquire 40 million vaccines (ITANEW/VPV);
  - improve pasture management and water systems; and
  - build infrastructure for processing (slaughterhouses and dairies) and marketing, and improve animal health by developing the skills of participants in this sector.

Cotton Sector

As Benin's leading export crop, cotton accounted for 14% of nominal GDP in 2017, according to Government estimates. The cotton sector supports nearly 50% of the active agricultural workforce and generates more than 40% of employment in rural areas, providing income to approximately 3 million people (including producers, transporters, craftsmen and traders). In 2017, nearly CFAF 80 billion were paid to more than 325,000 farmers and CFAF 50 billion to transporters.

According to the National Cotton Council of America, Benin is ranked 14th largest world producer of cotton and 3rd largest African producer in 2017. In 2018, cotton production rose to an estimate 726,931 metric tonnes, up 22% compared to the 2017 cotton production of 596,000 metric tonnes, which was in turn up 32% compared to 451,209 metric tonnes in 2016, for areas under cultivation of 418,943 ha in 2016, 530,144 ha in 2017 and 656,461 ha in 2018. Revenues from the cotton sector represented 42% of total export earnings in 2013 and increased to 51% in 2016, and 57% of total export revenues in 2017.

According to the Ministry of Agriculture, cotton production is dominated by small producers whose cultivated land is generally between 0.5 ha and 10 ha, with exploitation between 0.5 ha and 1.0 ha representing approximately 30% of producers. A few modern individual plantations or plantations managed by cooperatives (groups of small producers) exploit areas of more than 50 ha, although this comprises only 5% of producers. During the 2017-2018 growing season, approximately 237,213 cotton plots were developed by 166,644 producers registered in 2,324 Village Cooperatives of Cotton Producers (*Coopératives Villageoises des Producteurs de Coton,* **CVPC**). A medium-sized farm employs seven or eight people and the average size of cotton-cultivated land in the country is 2.2 ha.

Benin's 19 cotton ginning companies produce 60% of Benin's industrial fabric and provide employment to more than 3,500 people each year. These companies are all members of the National Cotton Ginners Council (*Conseil National des Egreneurs de Coton,* **CNEC**) In addition, two oil mills in the south of Benin process cotton seeds.

In respect of cotton fibre processing, of the three factories processing cotton fibre into unbleached fabric and other textile products, the *Compagnie Béninoise des Textiles* (**CBT**) located in Lokossa remains Benin's only functional unit with a capacity of 2,700 metric tonnes. Benin plans to restore the cotton fibre processing industry to satisfy domestic demand and market unbleached fabric and other textile products manufactured in Benin internationally. Processing capacity is expected to increase from the current annual level of 2,700 metric tonnes of the CBT to 12,000 metric tonnes through the rehabilitation of the *Société des Industries Textiles du Bénin* (5,300 metric tonnes) and the *Complexe Textile du Bénin* (4,000 metric tonnes). Discussions are ongoing between the Government and private economic operators for such rehabilitation projects.

As the result of the acceleration of cotton production, the Inter-Professional Cotton Association (*Association Interprofessionnelle de Coton,* **AIC**) expects local processing to improve, supported by the installation of new ginning plants and above all industrial textile units. Benin aims to retain more added value in cotton, with the objective to process at least 50% of raw cotton domestic production, compared to 20% as of the date of this Prospectus. Taking into account the upward trend in cotton production and the ginning capacity of the factories currently in operation, the Ministry of Industry and Trade submitted a communication to the Council of Ministers to request the authorisation to establish a new ginning plant. Following this communication, the Council of Ministers authorized the establishment of a new ginning plant.

The cotton sector in Benin is now self-regulated and managed by the AIC. Until 2002, the Government was exercising oversight of the cotton sector through the *Société Nationale pour la Promotion Agricole* (**SONAPRA**), a state-owned company in charge of coordinating all key functions in the sector and owning ginning plants. Following the decision of the State to liberalise the cotton sector in 2002, the AIC was created in 2005 by various professional organisations involved in the cotton sector, including the CNEC and the Cotton Producers Council. It is composed of actors at various levels of the cotton industry – producers, ginners (processors) and input distributors – and is run by a permanent secretariat. The AIC offers various economic services to its members and provides a framework for dialogue and negotiation between all actors of the industry across professions. The AIC entered into a framework agreement with the government to organise cooperation between the private sector and the State for the development of the sector. As a result of the growing power of the AIC, the government decided to limit the role of the SONAPRA and to entrust its responsibilities to the AIC. In 2007, the SONAPRA sold its ginning plants to various private participants to further withdraw from the cotton sector. However, in 2012, the government terminated the AIC-government framework agreement in order to regain control and oversight of the sector and reflecting the government's desire to limit the influence of the AIC and to reinstate the SONAPRA in its old functions. Upon taking office in April 2016, the Government of President Talon reinstated the AIC-government framework agreement, giving back to the AIC the management of the cotton sector to allow the AIC to implement solutions designed to address producers' needs relating to seeds, inputs and supervision. The Government believed this decision would restore the autonomy of the private sector participants in the sector and that it has contributed to the reinvigoration of the cotton sector. In November 2016, the Government decided to liquidate the SONAPRA.

The AIC is responsible for the production of the cotton seeds that are offered to producers and supports the State's management system by recruiting people specifically dedicated to cotton and with specific profiles. In addition, the Government is cooperating with the AIC with a view to:

- facilitating access to inputs with the measures that permitted the timely deployment of inputs to CVPC;
- intensifying cotton cultivation in certain production regions;
- ensuring timely payment of producers to allow them to recover the cash generated by their efforts;

- promoting incentives such as the cotton farmers' festival and, the coupling of access to food crop fertilisers with cotton cultivation;
- producing and planting of quality seeds; and
- the timely introduction of quality chemical inputs.

For a more efficient management of the cotton sector, the AIC has put in place an operational mechanism based on two regional delegations. Agents are recruited and positioned at the regional level (Regional Delegate AIC, Technician Specialised in Integrated Soil Fertility Management, Technician Specialised in Integrated Pest Management, Technician Specialised in Sustainable Management of Agricultural Mechanisation, Responsible for Statistics, Monitoring and Evaluation), at the local level (Communal Inputs Management Officer, the Cotton Development Company (*Société de Développement du Coton*, **SODECO**) Inputs Implementation Officer, Cotton Pest Recognition Resource Person) and at a village level (Cotton Agricultural Advisor). Approximately 400 people have been recruited to run the AIC management system.

The AIC manages the process for determining the purchase price to seed cotton producers, with the support of the Ministries in charge of agriculture, trade, industry and development. Prices are first negotiated between the CNEC and the Cotton Producers Council with a view to fixing the purchase price to seed cotton producers before the start of the growing season. The AIC reports to the Ministries in charge of agriculture, trade, industry and development on the progress and outcome of the negotiations, and the Ministries then approve the proposed sale prices for the inputs and the purchase price of seed cotton to producers.

In accordance with its regulations, the AIC launches a competitive tender for ginning based on the ginning capacity of the plants and according to the expected production for the year. Based on the results of the tender, the ginning quotas are allocated according to the capacity of each plant, with each company being required to pay a 40% deposit as agreed in the AIC's framework agreement. Those companies that have not complied with this requirement are excluded for the season. Of the 19 ginning companies in Benin, the SODECO group owns 15, which in addition to *Le Label du Coton du Bénin*, have always participated in ginning seasons. The Beninese Industrial Cotton Ginning Company (*Société d'Egrenage Industriel du* Coton du Bénin, of Savalou, the Beninese Cotton Processing Company (*Société Béninoise de Transformation du* Coton, of Parakou and Marlan's Cotton Industries of Nikki were not regularly able to pay the instalments. However, to enable them to be operational, SODECO takes charge of their ginning capacities under specific contracts with them.

Each cotton mill is under contract with its carriers for the transportation of seed cotton. The AIC produces the seeds and contracts with the carriers for distribution to central stores, from which AIC agents at the commune level ensure delivery to the CVPC. The acquisition of inputs follows an international tender procedure, which is organised by SODECO. SODECO's carriers allocate inputs according to the previously identified needs of producers. Each company negotiates directly with exporters, with such negotiation dependent on the volatility of international cotton prices.

Since 2016, the public treasury of Benin has collected a tax known as the Contribution to Agricultural Research (*Contribution à la Recherche Agricole*, **CAR tax**), which is applied on the export of various agricultural goods, including cotton, at 10 CFAF/kg. The amount collected on exports of seeds and cotton fibres amounted to CFAF 2.0 billion in 2017 (CFAF 153.4 million for seeds and CFAF 1.9 billion for cotton fibres), and in 2018, CFAF 728.8 million for seeds and CFAF 2.6 for cotton fibres.

The international price of premium choice cotton increased from 260 CFAF/kg in 2017 to 265 CFAF/kg in 2018. The price of second choice cotton increased from 210 CFAF/kg in 2017 to 215 CFAF/kg in 2018. However, input prices, including fertilisers and insecticides, have remained stable since 2017.

The evolution of the international cotton price impacts Benin's revenues through three channels:

- **Turnover of the cotton ginning industries**. The impact of the international price of cotton through this channel is low because the contribution of the added-value of these industrial units to GDP is limited. For 2018, for example, the Government estimates that a 10% fall in prices would only impact budget revenues for the following year by 0.4%;

- **Prices paid to the producer**. A decrease in the international price of cotton could result in a decrease in the price paid to the producers and thus affect their incentives to produce. This could therefore impact the revenues generated by the CAR tax for cotton seeds and fibres. For 2018, the production is estimated at 726,931 metric tonnes, the revenue generated is estimated at CFAF 10.6 billion for seeds and cotton fibres, or 1.0% of the total expected revenue for 2018;

- **Induced effects of cotton production on the formal sectors of economic activity**. Simulations made by the Government suggest a 10% decrease in cotton production would impact budget revenues for the following year by approximately 0.6%.

Cotton production has continuously increased over the years, from 269,212.48 metric tonnes in 2015 to 726,931 metric tonnes (estimate) in 2018, according to the Ministry of Agriculture, but this increase has been mainly due to the increase in land under cotton cultivation. Yield per ha averaged 1.1 tonnes over 2016-2018, compared to 0.9 tonnes for the 2010-2016 period. Given the negative impact of extensive agriculture on the environment, the Government deemed it urgent to increase production without expanding the area under cultivation. Land fertility in certain cotton-growing areas is declining and so is the productivity. The challenge is to raise soil fertility levels to an average yield of 1.5 tonnes/ha. The positive trends observed in recent years show that the reorganisation measures taken to revive the sector as well as the training of producers on technologies to improve soil fertility are bearing convincing results.

To improve productivity, the AIC has embarked on a yield improvement programme, the implementation of which began in the 2017-2018 season and is planned to intensify in 2018-2019. Under this programme, efforts will be concentrated on producers who already have an interest in better developing the agricultural potential of their farms and whose support will be entrusted to professional agents with proven knowledge of cotton growing, capable of bringing added value to farms through dedicated advice. To enable ginning plants in Benin to have enough seed cotton to operate at full capacity, it is necessary to increase the level of production to at least 612,000 tonnes, which was achieved in 2018 (726,931 metric tonnes, according to estimate).

The technical guidelines recommended for cotton cultivation require cotton growers not only to practice crop rotation but also to leave at least 40 trees per hectare when preparing a new plot for cultivation to fight erosion and to restore the soil. In order to improve soil fertility levels to an average yield of 1.5 tonnes/ha, the Government, in partnership with the AfDB, initiated the Agro-ecological Transition Project in the cotton zones to support producers in achieving this level of productivity.

Cotton is Benin’s only cash crop for which a market is ensured due to the robust institutional framework. Soil fertility management and crop residue recovery models have been proposed due to insufficient crop rotation in some regions. These models take into account the quality of crop residues, their decomposition in the soil to increase soil organic matter and to improve the behaviour of existing plants or crops.

Cashew Nuts

With an annual production of at least 102,000 metric tonnes per year since 2009, Benin ranks 9th among cashew nut exporting countries in the world and 3rd in Africa after Côte d'Ivoire and Guinea Bissau. In 2015, Benin was the 4th largest exporter, with 115,000 metric tonnes, after Côte d'Ivoire (670,000 metric tonnes), Guinea Bissau (204,500 metric tonnes) and Tanzania (182,000 metric tonnes).

The cashew nut sector employs approximately 60,000 agricultural households (3% of agricultural households in Benin) and more than 200,000 people in related sectors (trade, processing and export), according to the Ministry of Agriculture, and contributed 3% to national GDP and 7% to Benin's agricultural GDP in 2017.

Cashew nuts accounted on average for 15% of Benin's export earnings since 2013, making it the second largest export crop after cotton. Land area used for cashew nut cultivation is expanding although yields are still low (300 to 400 kg/ha). Exports of cashew nuts have generated average earnings of CFAF 35 billion per year since 2011 with annual variations generally reflecting weather conditions. Benin cashew nuts are exported in the form of raw nuts and white almonds (obtained after shelling of the cashew nut, the edible almond in the centre of the cashew nut is the main by-product that is popular for its multiple uses) to the international markets (China, Indonesia, Vietnam or the European Union, for example) with an increasing focus on processed white almonds. At the end of 2015, Benin had seven processing units to transform raw nuts into white almonds for export with a cumulative processing capacity of 28,000 metric tonnes, half of which are currently being exploited.

The table below shows Benin’s cashew nut transformation capacities as of today:

Name of the plant	**Installed capacity (in tonnes)**	**Location**
Lumière	2,000	Tchèti
Kake 5	3,000	Savalou
Nad & Co	1,500	Badékparou
UPS	1,500	Calavi
Tolaro Global	3,000	Tourou
Afokantan	2,000	Tchaourou
Fludor	15,000	Bohicon

Total	**28,000**	

Since 2016, the Public Treasury has collected a tax of 60 CFAF/kg under the CAR tax on cashew nuts at customs.

The low utilisation rate of installed capacity is primarily due to (i) the sale price of the white almond which is uncompetitive in relation to the purchase price of the raw nuts, (ii) the low level of contracts between the domestic factories and cashew nut producer organisations to ensure the supply of nuts, (iii) the high fixed cost of managing nut stocks, which limits the constitution of large stocks, and (iv) difficulties for mills to access adequate funding for nut supply.

Development of the cashew nut sector is further constrained by, *inter alia*: (i) low productivity of plantations, (ii) insufficient financing for the needs of participants in the sector, (iii) the low level of local processing of cashew nuts and cashew apples, (iv) the low level of recovery and waste management, (v) difficulties in accessing packaging and energy (water and electricity) and (vi) the failure to meet quality standards.

As part of the implementation of the GAP, the Government has supported improvements in the management of the cashew nut sector. Since 2016, the cashew nut sector has had an inter-branch organisation, namely the National Federation of Cashew Producers of Benin (*Fédération Nationale des Producteurs d'Anacardes du Bénin*, **FENAPAB**), which groups sector participants. In collaboration with this new organisation, the Government encourages the creation of new plantations with grafted plans, the restoration of old plantations, and the implementation of an industrialisation plan to process locally 50% of the raw cashew nuts by 2021 with incentives for processing in line with the ambitions expressed for the cashew nut sector in the GAP. In addition, the Government has undertaken the following initiatives:

- strengthen the operating structures of the sector such that 80% of producers are members of organisations affiliated with the FENAPAB by 2021
- improve average yields from 400 kg/ha in 2017 to 750 kg/ha in 2021;
- install 60,000 ha of new cashew orchards by 2021;
- rehabilitate 100,000 ha of existing orchards with at least 10% of the trees grafted by 2021;
- support research to improve productivity and the kernel output ratio of cashew nuts.

<u>Pineapple</u>

With an average annual production of 312,600 metric tonnes between 2010 and 2014, and a production of 345,060 metric tonnes in 2017, Benin is the 5th largest producer of pineapple in Africa in terms of volumes after Nigeria, Angola, Ghana, and Tanzania, according to FAOSTAT, 2017.

In 2016, pineapple production reached 303,887 metric tonnes, up 24.4% compared to 2015 (244,207 metric tonnes), in line with the 16.0% improvement in productivity compared to 2015. In 2017, pineapple production amounted to 345,060 metric tonnes, an increase of 13.5% compared to 2016, according to the Ministry of Agriculture.

In 2013, pineapple production contributed about 1.2% to nominal GDP and 4.3% to agricultural nominal GDP, ranking third behind cotton (25% of agricultural nominal GDP) and cashew nuts (7.4% of agricultural nominal GDP), according to the INSAE. The soil and climatic conditions of southern and central Benin make these regions conducive to pineapple cultivation and give the fruit good enough quality to support the creation of a Beninese pineapple label.

Pineapple production is dominated by small producers whose cultivated land is generally between 0.5 and 1 ha. Moreover, 67% of producers are in precarious land tenure (tenant farming). A few modern individual plantations or plantations managed by cooperatives (groups of small producers) exploit orchards of more than 5 ha. The structuring of the sector improved with the establishment in 2016 of an inter-branch organisation (*Association Interprofessionnelle de l'Ananas du Bénin*, **AIAB**), in which all pineapple producers participate.

More than 55% of Benin's fresh pineapple production is exported in the sub-region, primarily to Nigeria. Local consumption accounts for 17%, with the rest being used in local (26%) and export (2%) processing units.

The pineapple sector, which has been growing, is subject to certain constraints. These include: (i) difficulties in supplying quality sprouts and appropriate fertilisers and pesticides, (ii) the water deficit, (iii) non-compliance with pesticide application standards, (iv) reduced soil fertility and low plot productivity, (v) poor advisory support and quality control systems, (vi) poor organisation of the sector and insufficient formal business links between participants despite the establishment of the AIAB, (vii) the slow pace and high cost of the certification process and (viii) the low competitiveness of processing units faced with difficulties in accessing quality raw materials, energy and lower cost packaging. These difficulties are compounded by inconsistent pineapple quality and the financial constraints linked to air freight management, both of which limit exports to the European Union (under 2% in 2008) despite the strong demand, as stated in the technical, economic, social and environmental study carried out by the National Pineapple Sector Development Programme (*Programme National de Développement de la Filière Ananas*). These constraints were reflected in the decrease in pineapple exports to the EU: from 3,444 metric tonnes in 2015, to 902 metric tonnes in 2018.

The major challenges facing the pineapple sector for the 2018-2021 period are: (i) the improvement of productivity at the primary and post-harvest level, including processing (ii) the improvement of the competitiveness of the sector's added value chains, (iii) the improvement of business relations and the promotion of business models compatible with agricultural entrepreneurship, (iv) the promotion of the professionalisation of the added value chains' actors on the basis of better governance of the sector, and (v) the improvement of the coordination of interventions and knowledge management at the supply chain level.

Given the importance of the sector, several incentives and reforms have been adopted by the Government to support the sector. For example, following the identification of ethephon pesticide residues in pineapples produced in Benin, the Government decided to suspend pineapple exports to the European Union in 2016 and to help the sector implement corrective measures. During the suspension period, the Central Laboratory for Food Safety Control (*Laboratoire Central de Sécurité Sanitaire des Aliments*) was brought up to standard and certified for laboratory analyses on pineapple, which now facilitates the export of pineapple to the European Union.

Within the framework of the GAP, pineapple production has been targeted as a priority sector and a national pineapple sector development programme has been established. This programme's overall objective is to sustainably improve pineapple production, productivity and competitiveness. Specifically, this involves (i) developing efficient input supply chains; (ii) strengthening technical and management advisory support at the primary and post-harvest levels; (iii) increasing the export capacity of fresh pineapples and derivatives meeting the standards of the regional, European Union and Arab-Muslim markets; (iv) developing inclusive business models that encourage the emergence and growth of businesses by providing services to small producers and processors; (v) strengthening the AIAB's capacity to structure, professionalise and develop economic services for its members and (vi) establishing a knowledge management system, encouraging innovation and monitoring-evaluating the development of the pineapple sector.

By 2021, annual pineapple production is expected to reach 600,000 metric tonnes with a 50-70 tonne/ha improvement in yield and local processing is expected to account for 50% of national production, with a reduction in sorting gaps to achieve the target of 20% within that timeframe.

<u>Manioc</u>

With an average annual production of about 3.8 million metric tonnes, Benin is among the 10th largest manioc producing African countries and fourth in the ECOWAS region behind Nigeria, Ghana and Côte d'Ivoire, according to FAOSTAT, 2017.

The socio-economic study of the manioc sector conducted in 2017 conducted by APRM in 2017 revealed that manioc contributed in excess of 6% to Benin's agricultural GDP in 2016 and constitutes the staple food of more than 50% of the population. With a manioc surplus of 590,771 metric tonnes in 2016, this sector drives a regional market generating approximately CFAF 198 million for Benin's trade balance. Benin exports mainly gari, lafu and cossettes, then imports tapioca (70% of national requirements) and gari (approximately 30% of national requirements), according to the Government.

The manioc sector does not yet have an inter-branch organisation although several categories of participants operate within the different sub-sections of the sector. Existing sector participant organisations, such as manioc and manioc products processing groups or cooperatives, are not all functional. As a consequence, there is generally little interaction between sector participants.

Various problems have been reported by the operators in the manioc sector, including: (i) rudimentary production tools; (ii) manual harvesting; (iii) planting only done through projects and programmes; (iv) under-usage of mineral and organic fertilisers; (v) difficulties of pest control especially in the dry season; (vi) inadequate processing equipment, characterised by the highly variable quality of the resulting by-products; (vii) low yields with high production costs, making the product uncompetitive on the markets of the sub-region; and (viii) low diversification of by-products limiting Benin's offer to gari, tapioca, cossette and lafu.

The aim for the manioc sector is to strengthen production in order to increase volumes and quality to meet national needs by 2021. This will include reaching an annual production of at least 6 million metric tonnes of fresh manioc roots in 2021 compared to average production from 2014 to 2016 of 3,793,018 metric tonnes. This will primarily involve improving productivity to reach an average yield of 20 tonnes/ha by 2021 compared with the 2014-2016 average of 12.7 tonnes/ha.

As part of its GAP-related reform policies, the Government seeks to increase sector performance by:

- guaranteeing access to land to investors in the production and processing links, especially in areas conducive to the development of the sector;

- providing better access to equipment and inputs (certified cuttings (piece of a plant that is used in horticulture for propagation), specific fertilisers, manioc ridging and harvesting equipment, light surface irrigation equipment, financial assistance, etc.);
- facilitating and encouraging the establishment of semi-industrial units in identified agricultural development centres as well as modern processing plants for manioc products to encourage demand as well as the development of the sector; and
- supporting the development of the manioc sector through the following measures: introducing improved varieties of manioc as well as modern technologies and methods of production, harvesting and processing; providing appropriate agricultural advisory services to producers; supporting agricultural entrepreneurship; facilitating access to credit with MFIs; formalising and securing institutional markets for manioc and its products, especially manioc cossette and gari for export; and supporting the structuring and organisation of sector participants.

<u>Palm Oil</u>

Benin is the 7th largest African palm oil producer after Nigeria, Ghana, Côte d'Ivoire, Cameroon, Democratic Republic of the Congo and Angola. Production was estimated at 130,000 metric tonnes in 1995 compared to 280,000 metric tonnes in 2005, and amounted to 310,000 metric tonnes in 2014. In 2015, production fell by 5% to 294,500 metric tonnes before recovering to 298,300 metric tonnes in 2016 and 313,800 metric tonnes in 2017. Palm oil plantations cover approximately 76,000 hectares with more than 85.5% of village plantations and 14.5 % of industrial plantations of the Rural Development Cooperatives (*Coopérative d'Aménagement Rural*).

The entire local palm nut production is processed in Benin by traditional, semi-traditional and industrial processing units. Three modern oil mills with a total annual crushing capacity of 130,000 metric tonnes were created between 1971 and 1974: Agonvy (20 metric tonnes per hour in Ouémé), Houin-Agamè (15 metric tonnes per hour in Mono) and Hinvi (20 metric tonnes per hour in the Atlantic). These industrial units are owned by private operators such as CODA and the Beninese Industry of Oils and Fats (*Industrie Béninoise des Corps Gras*). They produce red oil. Artisanal factories using the artisanal press, are often set up by planters with large palm oil plantations while semi-artisanal factories using the manual press, are set up all over southern Benin.

The Beninese market consumes approximately 60% of national production. The remaining quantity is exported to Nigeria and the neighbouring countries where the price is higher. Nevertheless, oil production in Benin covers only 40% of national demand. The gap is filled by oils imported from Ghana and South East Asian countries which seem to be more competitive than palm oil produced in Benin.

The palm oil sector does not yet have an inter-branch organisation. The most organised link is that of production through the establishment of the National Federation of Palm Oil Producers (*Fédération Nationale des Producteurs du Palmier à Huile*).

The sector remains confronted with problems of renewal of old plantations, the non-generalised use of high-performance seedlings, a predominance of traditional processing with little value given to the potential of palm nuts (low extraction rate) and the poor organisation of marketing.

As part of the measures taken to improve the sector's performance, the State has granted a 50% subsidy on the price of palm-specific fertilisers (KCl, K2SO4) and the regular provision of seeds approved by the Agricultural Research Centre on Perennial Plants (*Centre de Recherche Agricole sur les Plantes Pérennes*) for the production of improved palm oil plants. The facilitation of the implementation of various projects such as the Communal Approach for the Agricultural Market (*Approche Communale pour le Marché Agricole*) for the development of red oil (a variety of palm oil) in some localities of Benin and the construction of storage infrastructure are also part of the measures taken.

For 2018, production is forecast at 340,000 metric tonnes. Under the GAP, the Government is working toward solutions to fill the 60% domestic demand gap and satisfy Nigeria and neighbouring countries such as Mali, Niger and Burkina Faso. The GAP targets palm oil as an important growth sector and promotes a national programme designed to strengthen the agricultural development centres of the south (Plateau, Zou-Couffo, Atlantic-Mono-Ouémé), easier access to improved plants for the renewal and extension of plantations, and the establishment of modern palm oil and derivatives processing units.

<u>Rice</u>

Despite its potential, Benin has a marginal share of Western African rice production, with production in 2016 representing approximately 1.2% of total rice production in the region, and 1.7% in 2017. However, production increased from 34,040 metric tonnes in 2000 to 361,340 metric tonnes in 2017, according to the Ministry of Agriculture. The largest increase, of nearly 50%, was in the 2008-2009, following the 2007-2008 food crisis. This increase has motivated the various actors to transform Benin into a rice producing nation, to reach self-sufficiency and export the surplus to the sub-region.

Rice has become an increasingly important food for the Beninese population, both in urban and rural areas. According to the National Strategy for the Development of Rice Production (*Stratégie Nationale pour le Développement de la Riziculture*), average consumption increased from approximately 3-4 kg per capita per year in the 1960s to nearly 46.1 kg per capita and per year in 2015, according to a study led by AfricaRice.

Local production is sold to developers of white rice processing units, steaming women and foreign traders, mainly from Nigeria (representing approximately 40%). Local rice has no specific distribution channel: a significant part is sold locally by the producers themselves (own consumption and local sales), with wholesalers and retailers selling in urban markets. Two industrial units with a total production capacity of 150 metric tonnes of rice per day are used to shell production. Mechanical shelling was introduced in 2008, particularly semi-industrial shelling, which consists of mini rice mills and huskers of varying capacity and performance installed in several communes.

A number of Beninese private operators import large quantities of rice, mainly from Thailand, to serve the Nigerian market through informal channels, due to the Nigerian authorities' strong protectionist policy regarding rice and several other products. This traffic affects both Benin's export and import levels as well as port and transport services. However, the impact on domestic rice production is negligible due to the strong differentiation between products: the rice re-exported to Nigeria is paraboiled rice and hardly consumed in Benin, where people eat white or flavoured rice. National production mainly suffers from rice imported by Benin, which is considered to be of better quality than locally produced rice.

The sector has an interprofessional organisation, which was established in 2017 and includes producers, processors and traders. The sector faces such challenges as the low level of development of rice cultivation areas, the low quality of processed rice, the difficulties in accessing loans, the low level of security of access to property, particularly in irrigated areas, as well as access to quality inputs and equipment.

In order to improve the sector's performance, the Government has developed a national programme for the sector (2018-2021), which aims to increase production to 600,000 metric tonnes by the end of the period. The goal is to fully cover Beninese rice requirements through local production. The cultivation of rice is included in the GAP as a driver of Benin’s agricultural development, seeking to improve productivity levels, the competitiveness of processed rice as well as the governance and management of the sector.

Energy and Mines

Electricity

Overview

In 2017, 33% of the population had access to electricity, representing 59% of the urban population and 8% of the rural population, according to the Government. In comparison, 27.3% of the population had access to electricity in 2014, representing 49.1% of the urban population and 6% of the rural population. Average time required to get electricity was 90 days in 2017 despite a sharp reduction since 2013. The Government believes that widening and stabilising access to electricity is key to achieving its aim to stimulate economic activity. Over the period 2010-2017, the coverage rate and electrification rate increased from 34.9% to 49.1% and from 25.5% to 29.7% respectively. In addition, measures are being taken to improve the national electrification rate by 2021 to reach 42% in line with the SDGs.

In 2018, net electricity production was 20,350 MWh, representing a decrease of 75% compared to 2017 (81,988 MWh). This decrease can be explained by the relatively cheaper electricity imports, which amounted to 1,299,117 MWh in 2018, representing an increase in excess of 8.1% compared to 2017 (1,202,151 MWh). Electricity production is expected to reach 29,053 MWh in 2019, representing an increase of 43% compared to 2018.

The annual production capacity of Benin is as follows:

Electricity generation capacity	**2013**	**2014**	**2015**	**2016**	**2017**
Production from SBEE power plant (MWh)	5,092	30,049	100,258	162,939	81,988
National consumption (MWh)	1,102,169	1,139,095	1,212,630	1,233,272	1,284,139
Coverage rate (%)	41,0	43,8	46,3	46,5	49.1
Total installed capacity (MW)	**151.9**	**151.0**	**151.0**	**151.0**	**151.5**
Total available capacity (MW).................	**86.5**	**90.0**	**6.0**	**6.0**	**6.5**

Benin has diesel fuel thermal power plants in Porto-Novo (installed capacity of 12 MW), Parakou (installed capacity of 14 MW) and Natitingou (installed capacity of 12 MW), that are owned by the SBEE. Another power plant is located in Cotonou, with an installed power of 28 MW. This plant was out of order as of the date of this Prospectus. A plant located in Parakou, with an installed capacity of 5 MW was also out of order as of the date of this Prospectus. The only gas turbine owned by Benin is a 80 MW gas turbine located in Maria Gléta, which has stopped operating due to excessive operating costs, and for which the Government has no plan as of the date of this Prospectus.

In addition to the installed capacities, Benin rents power from private companies. In 2017, a 180 MW capacity was rented (a 50 MW capacity from APR Energy, a US company, a 100 MW capacity from Aggreko, a British company, and a 30 MW capacity from MRI, a Beninese company), and in 2018, 130 MW were rented (100 MW from Aggreko and 30 MW from MRI).

In 2017, the energy mix favoured thermal power, which was the main source of domestic electricity production (98% of total Beninese electricity production). Hydroelectric power production, generated by the Yériparo plant (currently the only hydroelectric plant on Benin's soil) owned by the SBEE, was 1,215 MWh in 2017. In 2016, the Yériparo hydroelectric plant, was not operational due to a technical breakdown.

Electricity rates are regulated by the Government and vary depending on the type of user (e.g., professional, domestic, low voltage, medium voltage and high voltage).

Regulation of the sector

Until 2018, the electricity market in Benin was regulated by the Beninese-Togolese electricity code of 1968, which granted the CEB the monopoly for electricity generation, transportation and import/exports both in Togo and Benin, with the CEB acting as the sole regulatory implementation agent, planning body and sector developer.

A new electricity code was adopted in 2007, which opened the production sector to IPPs. This code was amended by the two countries in 2015 and, on 3 May 2018, the National Assembly ratified the revised version. The main changes include (i) the opening of the generation market to IPPs; (ii) the revocation of CEB’s sole buyer status.

The CEB's monopoly was terminated on 27 November 2018. Nevertheless, well before that date, the State had already set up electricity production units, as the CEB alone could not cover Benin's electricity demand.

The SBEE uses the interconnected network to supply Benin with electricity from local production units and with electricity imported from abroad, while the CEB is in charge of energy transportation.

The Electricity Regulation Authority (**ARE**) is in charge of the supervision of concession holders and IPPs, and is responsible in Benin for arbitration and litigation between the various parties involved, including consumers.

Initiatives

Benin produces less electricity than it consumes and imports a majority of its energy requirements from sub-Saharan African countries such as Togo (where the CEB operates a hydroelectric plant at Nangbeto), Côte d'Ivoire and Nigeria. See *“Risk Factors — Benin’s growth prospects depend on the performance of the power sector*” above. In order to meet external and domestic electricity demand, the Government intends to reach an installed capacity of about 500 MW by 2021, taking into account the 32.5 MW of Nangbeto's hydroelectric plant managed by the CEB.

The Government’s plans for the electricity sector are set forth in the GAP, the Recovery Plan for the Electricity Sector (*Plan de Redressement du Secteur de l’Electricité*, **PRSE**) and the Comprehensive Plan for the Electricity Subsector (*Plan Directeur du Sous-Secteur de l’Électricité*) in Benin for the year 2035. These documents outline the Government’s plans to strengthen Benin’s energy capacity, develop the power grid and carry out energy management initiatives.

The GAP includes four flagship projects in the energy sector: (i) the modernisation and extension of the thermal sector to ensure affordable access to electricity (CFAF 305 billion), (ii) the development of renewable energies (CFAF 367.5 billion), (iii) the restructuring of the SBEE and its network (CFAF 78 billion) and (iv) the improvement of energy use management (CFAF 10 billion). With respect to the first two projects, the GAP seeks plans to commission two 120 MW dual fuel power plants (one for which the construction started 29 September 2017 and is expected to be completed by the second semester of 2019), the construction of a 20MW power plant in Maria Gléta, the construction of a Floating Storage Regasification Unit (**FSRU**) in the port of Cotonou to fuel gas-fired plants with a total capacity of 300 MW (to supply the Maria Gléta power plants in 2020), the construction of two hydroelectric power plants (50 MW and 30 MW), the expansion of the CEB's Nangbeto hydroelectric dam through the construction of the Adjarala hydroelectric dam in Benin (147 MW) (expected to be commissioned after 2021), as well as the construction of solar photovoltaic power plants (95 MW), and biomass plants (15 MW) (expected to be commissioned after 2021). See *“Promotion of Private Investment and PPPs*” below.

The Comprehensive Plan adopted by the Government in 2017 aims to establish by 2035 an installed capacity of 1,400 MW to satisfy annual electricity demand of approximately 7,200 GWh, the development of an energy transmission and distribution network and the introduction of an electrification programme for towns and cities, with the objective of reaching full electrical coverage in the country by 2035.

The works for interconnection projects with the 161 kV Natitingou-Tanguiéta-Porga and associated posts have not started yet. Works for the 161kV Onigbolo-Parakou, and the Sakété-Porto-Novo have been finished on 27 December 2018. The Bembèrèkè-Kandi-Malanville lines, and the 330 kV Ghana-Togo-Benin interconnection are expected to be commissioned in 2019 and the Nigeria-Niger-Benin/Togo-Burkina Faso interconnection is not started yet but is expected to be commissioned in December 2022. These projects are currently being conducted as part of the West African Power Pool aiming to interconnect the countries of the ECOWAS.

The Government has established a Policy, Comprehensive Plan and Regulatory Framework for the electrification of areas outside the national grid, the implementation of which is intended to bolster rural electrification.

To address the significant gap between urban and rural electrification rates, the Government has taken initiatives as part of the coordinated implementation of the PRSE and the GAP to increase rural electrification. These initiatives include supporting the rural electrification and energy management agency created in 2004 and the Rural Electrification Fund, and creating an environment conducive to off-grid electrification in rural areas, the regulatory framework and action plan for which was adopted by the Government through the Decree N°2018-415 of 12 September 2018 regulating off-grid electrification in the Republic of Benin.

The electricity sub-sector has also experienced financial imbalances over the past twenty years, due to the increase in the price of petroleum products, the cost of importing electricity from neighbouring countries, the absence of an electricity tariff indexation similar to that applied in the marketing of hydrocarbons and inappropriate management.

In 2016, the Government implemented a strategy to improve governance in the electricity sub-sector, based on reforms aimed at: (i) strengthening the organisational structure of the SBEE; (ii) improving the financial situation of the SBEE by clearing the arrears of the State and of the CEB by clearing the SBEE's debts to the CEB; (iii) strengthening the ARE in its mission and operating resources; and (iv) revising the price structure to reflect actual electricity costs and to ensure the economic viability of all participants in the value chain. This new pricing will be designed to include a bracket for low-income households.

Hydrocarbons

Upstream

Oil exploration began in 1964 with Union Oil of California and led to the discovery of the Sèmè oil field off the coast of Benin in 1968. From 1982 to 1998, Benin produced 22 million barrels of oil through the exploitation of the Sèmè field.

Production was shut down in December 1998, due to several factors including the dramatic fall in oil prices on the international market, excessive water production at the expense of oil, cash flow problems making it difficult to properly maintain facilities and pay employees and poor project management.

Exploratory work carried out by oil companies in 2003 allow the subdivision of the Benin Coastal Sedimentary Basin into seventeen oil blocks and revealed the presence of oil in one block and the discovery of two new deposits in another.

Field redevelopment work undertaken in 2014-2015 by Nigeria’s South Atlantic Petroleum, which owns a 100% operating interest in the Sèmè field, to exploit the remaining reserves of Sèmè was unsuccessful due to technical problems as well as price volatility.

Due to the gradual rise in the price of oil, several international oil companies are showing their interest in exploring Benin’s oil blocks and especially for the resumption of production of the Sèmè oil field which could start during the year 2019. A new petroleum code offering more attractive terms to investors is being prepared by the Government. This draft petroleum code was adopted by the National Assembly in January 2019. It was forwarded to the Government which has requested a second review.

Downstream

Benin does not have an oil refinery and therefore imports all the refined oil products it consumes. The import and distribution of refined petroleum products are governed by Decree N°2008-614 of 22 October 2008, which stipulates that the supply, storage, transport and sale of refined petroleum products and their derivatives are the responsibility of the State, which may be exercised directly or indirectly.

In Benin, the Government has authorised 51 companies to import and distribute refined petroleum products. However, only some of them are active. These oil companies source freely on the international market to meet national demand as a priority, but also to ensure re-export to neighbouring countries such as Niger, Burkina Faso, Mali and Chad.

Since 1995, when the oil sector was liberalised in Benin, the former import and distribution monopoly has been exercised indirectly by local and foreign private companies. Benin’s refined oil product distribution network has deteriorated due to the informal market for refined oil products fuelled by large-scale smuggling from Nigeria. The largest fuel distributors are Sonacop, Jehovah Nissi Petroleum, Petrodis, Octogone Stockage Petroliers, MRS, Puma Energy Distribution, Benin Petro and Oryx Benin.

Petroleum products are imported by sea. Once the petroleum products reach the Port of Cotonou, they are transported to depots for storage. The current national storage capacity is 299,868 m^3 for all products combined.

In 2015, according to the report of Benin's Energy Information System, 1,610,244 metric tonnes of petroleum products were imported into Benin. In terms of consumption, the transport sector is the largest consumer of petroleum products with 90.2% of supplies.

The Government has adopted an oil price structure for refined oil products sold in Benin that sets price caps for each refined oil product to reflect changes in the international oil prices and the exchange rate of the dollar. These price caps are revised when a variation of ±4% is observed in the monthly average FOB price of the products. Oil companies may not sell above these caps, but they may sell their products for less.

Mining

Benin has mineral resources and a mining sector that are still largely unexploited. However, the share of mining in Beninese GDP has been increasing over the past decade, rising from 0.2% in 2008 to 1% of GDP in 2015.

The Ministry of Water and Mines manages Benin's mining assets. At the end of 2018, 38 exploration and exploitation permits covering all minerals were in operation, compared to 31 at the end of 2017, some permits having expired in the interim, and 38 in 2016.

The mining code adopted in 2006 seeks to provide investors with legal certainty to conduct their activities safely and under acceptable profitability conditions.

One of the main characteristics of Benin's subsoil is its wealth of building materials, the best known of which are limestone, marble, clay, kaolin, siliceous sand, gravel and ornamental stones. The geological and mining research work carried out in Benin has made it possible to highlight:

- the Atacora gold zone comprising a vein and three alluvial deposits; and several geochemical anomalies;
- the Alibori gold zone;
- iron deposits in Loumbou-Loumbou and Madécali;
- phosphate deposits in Mekrou; and
- tracks of nickel, rutile, zircon, diamond, lithium, Colombo tantalite.

These deposits have not been evaluated, however some construction materials are exploited and the following table presents the changes in mining production between 2013 and 2017:

	2013	**2014**	**2015**	**2016**	**2017**
Dredging sand	310,135 m^3	267,203 m^3	152,773 m^3	325,473 m^3	323,106 m^3
Granite	160,360 metric tonnes	445,594 metric tonnes	375,234 metric tonnes	369,291 metric tonnes	283,135.82 metric tonnes
Limestone	534,720 metric tonnes	379,685 metric tonnes	508,030 metric tonnes	599,714 metric tonnes	692,570 metric tonnes
Laterite	64,813 m^3	200,000 m^3	207,800 m^3	240,650 m^3	432,165 m^3
Clay	43,993 m^3	62,025 m^3	55,022 m^3	42,043 m^3	41,634 m^3

Source: MEM, 2018

Production is expected to increase in the near future compared to prior years, based on several factors including: (i) an increase in building material consumption driven by major infrastructure construction projects (Glo-Djigbé airport, roads, administrative cities, coastal protection, asphalting project, market construction, asphalting in large cities); (ii) the expected establishment of the company Dangote for the exploitation of limestone (the formalities for obtaining the relevant limestone exploration permit are in progress, and should be completed by the end of the first semester 2019); and (iii) an improvement in the management framework for mining activities.

Sand is the main mining product in Benin and comes from marine sedimentary deposits, old or current rivers, and lakes or lagoons. It is available throughout the territory and reserves vary from north to south. Currently, the largest exploitable reserves are in the south of the country, where 40% of exploration permits granted in Benin are located. In 2017, 13 sand quarry mining permits were in operation throughout Benin. Overall, sand production increased from 2015 (152,773 m^3) to 2017 (323,106 m^3), as the demand was driven by the development of major infrastructure projects by the Government .

Granite is the country's second largest mining product, with eight quarries operating in the centre and north of the country. In 2017, eight granite quarry exploitation permits were in operation. In 2016 and 2017, granite production amounted to 369,291 metric tonnes and 283,136 metric tonnes, respectively, representing a decrease of 23.3% attributable to a decrease in demand for aggregates related to the levels reached in road construction sites and the construction of other infrastructures.

Manufacturing

Benin produces a variety of industrial goods, including in particular the following: extractive industry products, agri-food industry products, textile products, leather goods, travel goods and footwear, chemicals, plastics and rubber, glass, pottery, building materials, metal products, metalworking, machinery and transport equipment, and electricity and water. Beninese industry relies mainly on the manufacture of food products (especially beverages), building materials (cement and concrete reinforcing bars) and energy production; the primary industrial activities are in the agri-food sector.

According to the Government, in 2015, the industrial sector comprised more than 600 companies and contributed to the creation of more than 10,500 jobs. 2018 was marked by a 5.9% increase in industrial activity. The industrial sector's share in contribution to GDP is estimated at 12.1% in 2018, representing 56.5% of the value added of the secondary sector.

The main industrial operators include national companies and subsidiaries of multinational companies, including Fludor Benin SA, SBEE, Société Nationale des Eaux du Bénin, Société Béninoise de Brasserie, SCB Lafarge, Société des Ciments du Bénin, Cimbénin SA, Nouvelle Cimenterie du Bénin and Société Industrielle d'Acier du Bénin.

The estimated real added value of manufacturing industry (including the agri-food industry) increased respectively by 10.6%, 8.2%, 4.6 %, 7.2 % and 5.9% in 2014, 2015, 2016, 2017 and 2018. Beninese food industry products are exported to Nigeria, Senegal and other ECOWAS countries, France, Belgium, Turkey, India and China.

Textile, leather goods, travel goods and footwear industries accounted for 2.1% of GDP and 9.7 % of the secondary sector in 2015 and 1.8% of GDP and 9.0 % of the secondary sector in 2014, according to the INSAE. Products from this sector are intended for the national market as well as for export.

Electricity, gas and water production industries accounted for 0.9% of GDP and 4.2% of the secondary sector in 2015 and 1.0% of GDP and 4.9% of the secondary sector in 2014. For 2017 and 2018, this sub-sector's share of GDP accounted for 0.8% of GDP, whereas it accounted for 0.9% in 2016. In the secondary sector, this share is expected to rise to 4.3% in 2016, to an estimated 3.9% in 2017 and 3.8% in 2018, according to the INSAE.

Metal product manufacturing, metal working, machinery and transport equipment industries accounted for 1.14% of GDP and 5.2% of the secondary sector in 2015 and 1.11% of GDP and 5.5% of the secondary sector in 2014, according to the INSAE.

The following table shows the change in added value in the secondary sector between 2013 and 2018:

	2013	**2014**	**2015**	**2016**	**2017**	**2018**
			Variation (in %)			
Secondary sector	8.7	7.0	10.1	2.6	10.5	6.7
Mineral Extraction	-18.9	-200.0	-258.9	-6.1	12.0	5.7
Manufacturing industry including:	13.1	10.6	8.2	4.6	7.2	5.9
Agri-food	2.2	9.0	0.1	6.5	3.1	5.1
Energy and water	-5.0	11.5	-13.7	0.8	5.9	3.0
Construction	16.7	7.4	8.6	-0.5	18.0	8.5

Source: INSAE-DGAE

The following table shows the share of the secondary sector and its main components in nominal GDP in percentages between 2013 and 2018:

	2013	**2014**	**2015**	**2016**	**2017**	**2018**
			As % of GDP			
Secondary sector	20.8	20.8	20.6	20.1	21.4	21.5
Mineral Extraction	0.50	0.80	0.60	0.57	0.62	0.60
Manufacturing industry including:	12.9	13.2	12.2	11.9	12.2	12.1
Agri-food	8.1	7.6	6.7	6.6	6.5	6.6
Energy	1.0	1.0	0.9	0.9	0.9	0.8
Construction	6.5	5.8	7.0	6.8	7.8	7.9

Source: INSAE-DGAE

The following table presents the share of the main components of the secondary sector as a percentage of secondary sector GDP between 2013 and 2018:

	2013	**2014**	**2015**	**2016**	**2017**	**2018**
			As % of secondary sector GDP			

Secondary sector	100	100	100	100	100	100
Mineral Extraction	2.2	3.9	3.0	2.8	2.9	2.8
Manufacturing industry including:	62.0	63.4	59.1	59.0	57.1	56.5
Agri-food	38.8	36.7	32.5	32.5	31.1	30.7
Energy	4.7	4.9	4.2	4.3	3.9	3.8
Construction	31.1	27.7	33.8	33.9	36.1	36.8

Source: INSAE-DGAE

In 2013, the government undertook an analysis of the industrial sector with the objective of establishing a dense, diversified and competitive industrial sector. To achieve this, the Government intends to put in place an appropriate framework. In addition, the industrial development strategy is based on:

- the promotion of basic infrastructure for industrial investment;
- the restructuring or rehabilitation of existing industries;
- the promotion of the supply of local raw materials and packaging to national industries;
- the promotion of a good territorial establishment of industrial enterprises;
- the promotion of small and medium industries;
- the improvement of the institutional, legal, judicial and regulatory environment;
- the strengthening of consultation frameworks;
- the promotion of industrial, managerial and partnership culture; and
- the promotion of quality in industrial enterprises.

Several reforms, measures and actions have been implemented at both the legislative, regulatory and institutional levels. These include the adoption of the Special Economic Zones Act, the reform of the Export and Investment Promotion Agency and the improvement of the business climate.

Benin's industrialisation prospects are based on the development of value chains, the development of local raw materials and the acceleration of sub-regional integration.

Construction Sector

Cement, stacks, concrete, bitumen, electrical cables and wires, sand and gravel, are among the materials used in construction. The level of use of these materials mainly reflects demand stemming from the construction projects initiated by the Government or private contractors.

The construction sector has been marked by sustained growth in added value, which averaged 8.0% between 2014 and 2015.

The overall evolution of the construction indicator, its added value, and the level of construction and public works activity, recorded increases of 7.4% and 8.6%, respectively in 2014 and 2015, driven, *inter alia*, by public investment. This trend slowed in 2016 due to the elections and the unfavourable situation of the sub-regional and national economy (-0.5%). Following the recovery of the sector in 2017 in connection with the implementation of the GAP, activity is expected to have increased by approximately 18% in 2017 and 8.5% in 2018.

International and national groups such as Colas Afrique, Ebomaf, Sogea Satom Bénin, Entreprise Adeoti SARL (**EAS**), Soroubat Succursale, M.R. International (**MRI S.A**) and China Railway No. 5 Engineering Group (**CR5/CREC**) are active in the construction sector in Benin.

Cement Production Estimation 2012-2017

	2013	2014	2015	2016	2017
Cement production (metric tonnes)	1,380,067.8	2,030,789.3	2,280,453.5	2,174,762.5	2,148,119.5

Source: INSAE

Cement production has been steadily increasing since 2012. Volumes increased from 1,343,834 metric tonnes in 2012 to 2,174,762 metric tonnes in 2016, representing an average annual growth rate of 12.8% over the period. In 2017, 2,148,119.5 metric tonnes of cement were produced.

Cement consumption and production is expected to increase significantly in 2018 due to major projects planned by the Government, such as the construction of Glo-Djigbé Airport, the road construction and rehabilitation project, the modernisation and extension of the port of Cotonou, the northern bypass of Cotonou, the creation of Sèmè City and the construction of departmental administrative cities, for example.

Benin does not import grey cement, the installed capacity of grey cement production being higher than the local demand. However, Benin imports white cement because this type of cement, generally used in finishing work, is not produced in Benin.

Financial Sector

Benin's financial sector includes banks, insurance and micro-finance.

<u>Banks and Micro-finance</u>

For more information on the banking sector, see "*Monetary System*" below.

<u>Insurance</u>

The size of the insurance sector in Benin is modest with an estimated turnover of CFAF 51.3 billion in 2017 against CFAF 50.3 billion in 2016, CFAF 46.7 billion in 2015 and CFAF 42 billion in 2014, due to the narrowness of the national insurance market. After a 3.1% drop in turnover in 2014, the sector's overall output resumed its growth rate and grew by 11.2% in 2015, 7.7% in 2016 and 2.0% in 2017. This increase was driven in 2017 by a 6.4% increase in the life insurance segment, which offset the 0.4% decline in the property & casualty (fire, accident, miscellaneous risks) (**P&C**) segment. In 2016, the increase resulted from a marginal increase in the P&C segment (0.4%) and a significant increase in the life insurance segment (24.6%).

The contribution of insurance to GDP (turnover on GDP) remained low, from about 1.06% in 2013 to 0.95% in 2014, then to 0.93% in 2015, to 0.90% in 2016 and to 0.96% in 2017. The insurance penetration rate is in continuous decline over the period due to the faster growth of GDP than that of insurance turnover.

In 2017, Benin had fifteen insurance companies, including eight for the P&C segment, six for the life insurance segment and one agricultural mutual insurer. Insurance activity during the period remained dominated by P&C segment. With revenues of CFAF 32.6 billion in turnover in 2017, the P&C branch represents 63.6% of the total turnover against 36.4% for the life insurance segment with a realisation of CFAF 18.7 billion, although the latter increased by 24.6% in 2016 and 6.4% in 2017.

Benefits and claims paid in 2017 amounted to CFAF 26.1 billion against CFAF 22.6 billion in 2016, CFAF 21.3 billion in 2015 and CFAF 19.7 billion in 2014. This expenditure increased by 8.1% in 2015, 5.9% in 2016 and 15.4% in 2017. This increase in 2017 is explained by the significant increase in P&C segment benefits (22.2%) and life insurance segment benefits (3.8%).

Moreover, reinsurance premium payments amounted to CFAF 7.04 billion in 2016, compared to CFAF 5.7 billion, an increase of 23.3% compared to 2015 and CFAF 6.2 billion in 2014. Reinsurance premiums paid compared to premiums received represented a ratio of 14% in 2016, an increase of approximately 2 percentage points compared to 2015. As of the date of this Prospectus, this ratio is not yet available for fiscal year 2017.

Insurance activity in Benin is regulated by the insurance code established by the **CIMA** in the fourteen member States including Benin. The CIMA code, supplemented by the regulations adopted by the Council of Insurance Ministers, constitutes the single legislation applicable in the insurance sector of the fourteen member States.

The market players are composed on the one hand of insurance companies and on the other of insurance intermediaries (26 licensed brokers and more than 300 general insurance agents). There are three professional associations that participate in market development : the *Association professionnelle des sociétés d'assurances*, the *Association des Courtiers d'assurance du Bénin* and the *Association des agents généraux d'assurance*.

The sector's supervisory bodies are at two levels: at a national level, the Insurance Department, which is a technical department of the Ministry of the Economy and Finance, and at a regional level, the Regional Insurance Control Commission, which is the CIMA community regulator. These two professional organisations regulate the insurance sector by carrying out documentary and on-the-spot checks on insurance bodies such as insurance companies and insurance intermediaries on a permanent basis.

Tourism

In 2018, Benin recorded 294,753 tourist entries, compared to 196,694 tourist entries in 2017. This increase is mainly due to the Government's decision to make the visa for entry into Benin free of charge for nationals of all African countries, and to the implementation of the e-visa. The number of tourist facilities (hotels, bed and breakfasts, campsites or other structures created to receive tourists), increased from 935 in 2013 to 1,137 in 2017. The tourism sector has grown significantly in Benin, becoming the second largest source of employment (with 13,497 direct jobs) and one of the most important sources of revenue.

The following table presents the evolution of the number of tourists in Benin over the 2013-2018 period:

Tourist arrivals by origin	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Africa	61,819	60,115	64,140	64,435	65,227	108,763

America	28,978	19,117	21,476	21,575	21,845	36,321
Asia	40,569	52,764	50,983	51,217	52,009	58,647
Europe	54,092	56,352	54,691	54,943	56,377	78,380
Oceania...	7,727	5,765	3,870	3,888	1,236	12,642
Total	**193,185**	**194,113**	**195,160**	**196,058**	**196,694**	**294,753**

Source: Direction du Développement du Tourisme

The Government believes that tourism could become a strong contributor to GDP in the long term and has adopted tangible measures to encourage tourism, including (i) a visa waiver programme for Africans of all nationalities wishing to travel to Benin for less than 90 days, (ii) the introduction of a simplified e-visa process for all non-Africans, (iii) the planned construction of the Glo-Djigbé international airport and (iv) the creation of a national airline. See "*Infrastructure*" below.

Benin has the potential to offer a unique mix of tourist experiences, unmatched in West Africa and combining leisure tourism with its rich natural parks offering safari opportunities, culture and memorial tourism with its rich historic monuments, and marine tourism with coastline opportunities of choice These resources can be classified into three main categories:

- Areas of natural and environmental interest, with natural resources, flora and fauna and different types of soils. These are the Parc Pendjari, the Parc W, the Kota Falls, the Tanougou Waterfall, the Koussoukouangou Belvedere, the beaches, the Bouche du Roy (mouth of the Mono River in Grand Popo), the Ouidah Lagoon at Casa del Papa in Azizakouê and Lake Nokoué;
- Areas of historical and cultural interest, including: the museums in Abomey; Porto-Novo; Ouidah; Parakou and Natitingou; the slave route; the royal palaces, emblematic of the great kingdoms of Benin, Allada, Abomey, Porto-Novo, Kétou, Kinkinhoué, Dassa-Zoumè, Savalou, Savè, Parakou, Nikki, Djougou; the Tatas Somba, the Taneka Villages, the lakeside village of Ganvié; and traditional Beninese dances and ceremonies; and
- Areas of socio-economic interest, including dyes and weaving, wood sculpture, leatherwork and plastic arts, including in Abomey.

In addition, UNESCO's World Heritage List includes the Royal Palaces of Abomey (since 1985), Pendjari park (July 2017); the oral language Gèlèdé has been on the Representative List of the Intangible Heritage of Humanity since 2001. Furthermore, Benin has recently been a vocal advocate for the repatriation of cultural artefacts from Europe to Africa.

The tourism sector in Benin remains underdeveloped and has not fully exploited its potential. Many tourist facilities, in particular inns and motels, are below international standards and are not classified. The transport system is inadequate and of poor condition, making access to tourist sites challenging. Significant efforts are required in order to facilitate the entry, movement and retention of tourists.

Under the GAP, the Government has identified tourism as one of the key areas for future growth. It aims to make tourism an economic development sector, a creator of wealth and jobs and a tool for Benin's international outreach. The Government estimates that, as a result of expected GAP achievements, tourism will contribute 4.7% to GDP and attract CFAF 377 billion in 2021 (against CFAF 109 billion in 2016, an average annual growth rate of 28%) as well as create 175,000 direct jobs over the year period and 276,000 indirect jobs. The objective of the Government is to attract 700,000 annual tourist entries per year in 2021.

To this effect, the Government is working toward the implementation of the following flagship projects:

- the transformation of the Pendjari into West Africa's leading wildlife park by enriching the natural ecosystem, promoting ecotourism, hunting and luxury tourism. The Government plans to increase animal population and introduce new species such as rhinoceros, cheetah or giraffes, improve the park infrastructure by developing roads and landing strips, and strengthen the park's capacity by training tour guides and developing an integrated tourist circuit. Investment in this project is estimated at US$ 26 million. The Government forecasts that the promotional campaign and the infrastructure improvements should be completed in 2021;
- the rehabilitation of the lakeside city of Ganvié by transforming the city into a model of lakeside tourism, providing an authentic and unique holiday destination. The Government plans to sanitise the lake and improve waste management, rebuild homes using sustainable and environmentally-friendly materials, rehabilitate the floating market and other community facilities, construct a hotel on stilts and redevelop port and mooring facilities. This project cost is estimated at US$ 50 million. The Government forecasts that rehabilitation and clean-up of the lake and the construction of housing and a hotel on stilts should be completed by 2021;

- the development of tourist centres in Abomey and Porto-Novo around the arts, cultures and arenas of voodoo expression (locations dedicated to mask spectacles, dance spectacles and ceremonial ritual performances as well as services dedicated to endogenous divinities) as well as the history of the kingdom of Abomey. This project cost is estimated at US$ 135 million. The Government forecasts that the construction of theatres should be completed by 2021; and
- the reconstruction of the historic city of Ouidah and the slave route to create a destination for memorial tourism in Africa. The Government plans to regenerate the city's historical centre in its original style and redevelop its forts, promote the city's heritage and culture, with a focus on developing a memorial tour and redeveloping its historical trails, and improve tourist facilities, notably by developing recreational areas, footpaths, signage, a parking and a craft village. This project is estimated at US$ 263 million. The Government forecasts that the reconstruction of the historical city should be completed by 2021.

Club Med has signed a letter of intent relating to the construction of a hotel with approximately 400 rooms and suites, public areas, restaurants and sport facilities. Feasibility studies, market studies and architectural plans are in progress. An area of twenty-five hectares has already been secured for the project.

Infrastructure

Road Transport

Benin has a road network of approximately 6,076 km, including, as of the end of December 2018, 2,730 km of paved roads – of which more than 1,017 km were under rehabilitation or reconstruction (compared to 2,329 km in 2015), and an urban road network estimated at approximately 56 km of paved roads throughout the national territory in 2015. It also has 151 bridges and six ferries.

Benin has two main corridors: the North-South corridor and the coastal corridor, Abidjan-Lagos. It also has several transversal corridors such as (i) the Beterou-Tchaourou-Nigeria border road, (ii) the N'dali-Nikki-Tchicandou road, (iii) the N'dali-Djougou-Togo border road, (iv) the Savalou-Cheti-Togo border road, (v) the Djrégbé-Djaworé-Nigerian border road, and (vi) the Natittingou-Boukoumbé-Burkina border road.

From the activity report of the General Department for Infrastructure as at 31 December 2017, the road network condition index is set forth below:

Condition*	**2015**	**2016**	**2017**	**2018**
Good	36%	17%	16%	21%
Average	37%	29%	21%	29%
Poor	14%	45%	44%	38%
Works underway	13%	9%	19%	12%

** The condition of the road network is assessed on the basis of an index that is calculated from the surface degradations recorded on the pavements and a methodology developed by the laboratory of the Ponts et Chaussées de France.*

There was a decline in the condition of the road network from 2015 to 2018, from 73% of the network in good or average condition in 2015 to 50% in 2018. This decline is due to a failure to carry out mechanised routine maintenance work over the last two years. Considering the emergency work undertaken on earth roads as part of the agricultural season, there has been a significant improvement in the condition of the network in 2018 (50% of the road network is in an acceptable condition compared to 37% in 2017), according to the Government.

Recently completed projects are:

- the development and asphalting of the Dogbo-Toviklin-Klouekamey, Dogbo-Lalo-Klouekamey and Klouemamey-Azove Road (77 km);
- the development and asphalting work on RNIE 7: Kandi-Ségbana-Nigeria border (121 km);
- the development and asphalting of Border-Tchetti-Savalou (42 km) and Logozohe-Glazoue (18 km) roads;
- the reconstruction of the Parakou-Djougou Road; and
- the development and asphalting of Tangbo-Zè (17 km) and Ouègbo-Toffo (12 km) roads.

Road transport is the dominant mode of transport for inland freight transport, and even more so for passenger transport. Since 2000, the ground public transport sector in Benin has experienced strong growth, according to the Government, despite the fact that urban public transport is not very developed yet. More specifically, buses, coaches and minibuses operate across the country's territories, linking the various towns and cities. However, motorcycle taxis dominate passenger transport over short distances.

Daily mobility between the cities of Benin is difficult due to a lack of correlation between ever-increasing demand and deteriorating supply, which hampers the mobility of the population. The transport system providing services between metropolitan and secondary cities on the one hand and between secondary cities on the other hand has failed to meet increasing demand because of the maintenance problems on the roads being used. The resolution of such difficulties will come from the development of a fleet acquisition policy, a coherent urban traffic planning (arrangements are under way to set up a study to this effect), the updating of the texts governing land transports, and the formalisation of transport companies.

In this respect, the Government launched the "Benin-Taxi" action programme in 2017. A fleet of taxis was put into service, first in Cotonou and then in other major cities such as Porto-Novo, Abomey-Calavi and Ouidah. After an initial commissioning of 50 new vehicles in July 2017, and given the positive response, the Government authorised the entry into service of 203 additional vehicles. To date, approximately 300 taxis are operational in the country.

Furthermore, the GAP has identified the following flagship projects designed to help address Benin's insufficient or inefficient road infrastructure as follows:

- the 660 km upgrade of urban roads in the country's nine largest urban centres in order to improve traffic flow and households' access to rainwater purification services and to communal facilities, contribute to the regeneration of the main residential and business areas in the cities concerned and to reduce pollution and noise levels in these large urban centres and helping keep the streets clean. This "asphaltage" project is estimated at around US$ 790 million. The first phase of the project, which began in the last quarter of 2018, is scheduled to end by June 2020. It concerns 195 km of roads spread over all the central urban areas of the beneficiary cities. At the date of this Prospectus, the physical execution rate of the project is estimated at 7.81%, compared to a forecast rate of 13.51%;
- the modernisation of the road network in Cotonou by building a bypass to the North-East and a new bridge over lake Nokoué. The objective is to build a motorway bypass skirting the city of Cotonou of about 40 km and construct a bridge over Cotonou lagoon with two four-lane carriageways. This project is estimated at US$ 628 million. The Government forecasts that the works should be completed by 2021;
- the development of the *Route des Pêches* and creation of an environment conducive to the development of tourism. The objective of the project is to upgrade the main road between Adounko and *La Porte du Non Retour* by 22.3 km into an asphalt, four-lane dual carriageway, upgrade the Adounko-Cococodji ramp by 5.2 km into an asphalt, four-lane dual carriageway with a roundabout at the intersection with the RNIE1 at Cococodji, upgrade the Avlékété-Pahou ramp by 5.5 km following the same model, pave the ramp between *La Porte du Non Retour* and *La Bouche du Roi* by 12.8 km and upgrade the ramp between *La Porte du Non Retour* and the RNIE1 for 8 km into an asphalt, two-lane dual carriageway. This project will support the development of tourism and is estimated at US$ 62 million. The Government forecasts that the works should be completed by 2021; and
- the development of the Djougou-Péhunco-Kérou road to promote agricultural and pastoral development and the integration of transport and communication infrastructure to boost trade between countries in the sub-region. The objective of this project is to upgrade and tarmac the Djougou-Péhunco-Kérou-Banikoara road for 212 km. This project will promote regionally-balanced social and economic development and is estimated at US$ 536 million. The Government forecasts that the works should be completed by 2020.

See "*Economy – Promotion of Private Investment and PPPs*" below.

Maritime and River-Lagoon Transport

Benin has a coastline of 125 km with one deep-water seaport in Cotonou. The port of Cotonou plays a critical role for all service activities (e.g., trade, banking, transport, telecommunications) in Benin. All the activities which depend directly or indirectly on traffic at the port represent approximately 20% of GDP. The Port of Cotonou handles approximately 85% of Benin's foreign trade, with traffic estimated at 8.7 million metric tonnes in 2016, of which 86.0% in imports, 6.9% in exports and the rest in transit. This represented a 7.7% decrease compared to 2015. In 2015, traffic amounted to 9.4 million metric tonnes, a decrease of 12.5% compared to 2014 volumes (however 2014 was a particular year. Traffic had reached more than 10 million tonnes, due to additional transhipments because some ports in the region were undergoing rehabilitation. However, traffic increased by 8.5% in 2017 compared to 2016, with traffic estimated at 9.44 million metric tonnes in 2017, of which 88.0% in imports, 9.3% in exports and the rest in transit. In 2018, traffic reached 10,284,451 metric tonnes, including 9,107,774 metric tonnes for imports (including trans-shipment) and 1,176,677 metric tonnes for exports.

As part of the GAP, in order to improve the port's performance, the Government entered into a contract with Antwerp International for the management of the Port of Cotonou, the State remaining sole owner. This contract was signed on 8 January 2018 with a 10-year term. The mandate of Antwerp International, which started on 1 May 2018, covers an initial 3-year term, which may be renewed twice. Antwerp International will evaluate the strengths and weaknesses of each part of the Port of Cotonou to enable the implementation of performance enhancements to help make the Port of Cotonou more competitive and increase port traffic. This is expected to eventually lead to a substantial improvement in port revenues and a sustained strengthening of the competitiveness of the Port of Cotonou.

The GAP also includes a modernisation and extension project for the Port of Cotonou to maximise the efficiency of the port by bringing its infrastructure up to international standards, in order to support national economic growth and facilitate exports. The objective is to redevelop the quays on the northern side of the port (the south quay having already been renovated in partnership with the Millennium Challenge Corporation) to increase handling capacity, develop the quayside and ORYX quay areas, extend the harbor basin, build a new control tower, purchase key equipment (tug, cranes) and build a maritime business centre in Cotonou. This project will increase port-related employment, and strengthen Benin's export capacity and is estimated at US$ 913 million.

See "*Economy – Promotion of Private Investment and PPPs*" below.

Rail Transport

Created in the 1900s, the Beninese railway network underwent significant changes to become the Daho-Niger Common Organisation in 1959, the Benin-Niger Common Organisation of Railways and Transport in 1975, and then BéniRail in 2015 (80% owned by Bolloré, 10% by Benin and 10% by Niger). However, the rail network is not yet fully privatised and the partnership process is still ongoing.

Benin has a railway line of 438 km running through 26 cities. The rail system has 26 stations, 18 of which are operational, the other eight being not operational due to defective railway lines.

In 2014, the most recent year for which figures are available, the volume of goods transported by rail decreased by 18% compared to 2013 and amounted to 38,677 metric tonnes.

A West African loop project may eventually bring Côte d'Ivoire, Burkina Faso, Niger, Benin and Togo together by rail, through 2,700 km of railways across West Africa. In 2015, the Bolloré Africa Logistics group announced its intention to invest EUR 2.5 billion for the development of the railway loop, the objective being to rehabilitate existing and ageing sections and to build others in particular between Niger, Burkina Faso and Benin. However, the Bolloré group has since been divested of the project. For the moment the works are at a standstill and negotiations are underway with a Chinese company.

Air Transport

Benin has only one international airport, the Cardinal Bernardin Gantin International Airport of Cadjèhoun (Cotonou) with a 2,400m runway. Its apron can hold twenty-four aircraft including three large aircraft. In addition, Benin has six smaller aerodromes and landing runways located in Savè, Djougou, Natitingou, Kandi, Parakou and Porga.

Passenger traffic increased by 0.9% in 2017 compared to 2016, decreased by 6.11% in 2016 compared to 2015 (this decrease was due to the fluctuation in the activities of the various airlines, and the high cost of the airlines' fees) and increased by 2.73% in 2015 compared to 2014. In 2018, passenger traffic increased slightly from 500,602 in 2017 to 504,189 in 2018, an increase of 0.72%.

A key flagship project under the GAP is the construction of the new international airport of Glo Djigbé, with a runway measuring 4,250 m x 60 m, high-speed taxiways and connecting roads, parking areas, a passenger terminal capable of handling over 900 passengers per hour at peak time and another cargo terminal capable of processing 12,000 tonnes of freight per year. To reach the airport, the project also includes the construction of a 40 km expressway linking the Route des Pêches to the airport, passing above the RNIE1 at Cocotomey. This project is expected to improve air transport services and to accelerate the country's economic growth. The total cost of the project is estimated at US$ 964 million and is to be financed by China Eximbank. China Airport Construction Group Corporation and Yunnan Construction and Investment Holding will construct the Glo Djigbé airport under the supervision of ADP Group. The Government expects the works to begin in 2019 and the airport to be operational in 2022.

The Government reached an agreement in principle with Rwandan Air to establish a national airline company under Beninese law by way of a joint venture. This airline company will initially have two leased aircrafts and will initially serve destinations in West Africa, before serving more distant destinations such as Paris, Brussels or Istanbul in the medium term.

Environment

Benin's commitment to the conservation and sustainable management of natural resources is reflected in its implementation of comprehensive national legislation and adherence to numerous international agreements. This respect for the environment is enshrined in the country's Constitution and the Government has adopted several ambitious reforms aimed at enhancing transparency in the granting of concessions as well as in requirements for social and environmental impact assessments. The orientation of the GAP is aligned with the 2030 Agenda for sustainable development and the 2015 Paris Climate Conference (**COP 21**).

In 2018, the Ministry of Planning and Development, in collaboration with the United Nations Development Programme, launched the Report on Prioritising Sustainable Development Targets and Objectives in Benin. This report presents the national development context, sets out the 49 priority targets and recommends measures to be taken for the integration of the SDG targets into development policy documents and strategies with a view to achieving the 2030 Agenda. Adopted in 2015, the SDGs are associated with 169 targets and 280 indicators that are binding on all nations and which take into account the realities and levels of development of each country. It is up to each country to set its own targets at the national level in order to meet global ambitions while taking into account its specificities. Benin has committed itself to prioritising these targets of the SDGs.

Recent decades have been marked by numerous environmental challenges related to economic development. For example, the extension of agricultural land in forest areas and protected areas is a common practice in Benin. It is the main cause of rapid loss of vegetation cover and forests, and hence land degradation. To reverse these already critical trends in land cover destruction, a zero tolerance policy for agricultural extension in classified forests and protected areas will be needed. The implementation of such a measure requires strengthening the mechanisms for monitoring land under forest cover and its use through the enhancement of the technical, institutional and equipment capacities of the technical structures in charge of monitoring and managing natural resources, including forests.

As regards water resources, Benin has five main rivers with a total of seventeen tributaries distributed over the four hydrographic networks (Ouémé, Niger, Volta and Mono-Couffo) as well as four main lagoon systems, specifically: the Cotonou, Porto-Novo, Ouidah and Grand-Popo lagoons.

With regard to drinking water management policy, Benin's national strategy document for drinking water supply in rural areas for the period 2017 to 2030 is in line with the SDGs validated in 2015 by the international community. The vision of the Government of Benin for the sub-sector is based on three principles:

- universal access to drinking water for the entire rural population in 2021;
- the professionalisation of drinking water infrastructure management; and
- the strengthening municipal project management for the construction of infrastructure and the supply and distribution of drinking water.

Regarding the access to drinking water, the Government aims to deliver drinking water to 4.5 million additional people in rural areas by 2021, and to 2.7 million people in urban areas. For rural areas, the new institutional framework will set-up a State Agency responsible for achieving the objective and focus the Directorate for Water's role in charge of monitoring. For urban areas, the SONEB will be split into an assets company in charge of the network and an operating company, which will delegate the management of the service to a private operator.

According to the Intergovernmental Panel on Climate Change projections, sea levels are rising and could rise by as much as 0.81m over the 2000-2100 period. The direct effects of rising sea levels could include coastal flooding and intrusion of saline water into rivers and water tables, which could affect settlements, infrastructure, the fishing industry and other economic activities along the coast. Similarly, major changes could occur in the physico-chemical characteristics of inland waters and the biodiversity of coastal ecosystems. According to projections, a slowdown in the land loss regime could also be expected, with a clear trend towards fattening from 2050 onwards. Among the priority projects identified by the Government under the GAP is the Protection against Coastal Erosion Programme, the implementation of which will comprise the following:

- the implementation of the second phase of the coastal protection project east of Cotonou;
- the protection works of the priority segment of the coast in Avlekete and Djegbadji in Ouidah;
- the realisation of protection works between Hillacondji and Grand Popo;
- the carrying out technical, economic, environmental and social feasibility studies for the establishment of a seaside town and the protection of the coastal segment between the mouth of the Mono River and Ouidah ("*La Bouche du Roy*"); and
- the emergency development and stabilisation work on the south bank of the Mono River in Gbêkon, a municipality in Grand Popo.

Information and Communication Technologies

Digital Economy

Together with agriculture and tourism, ICTs are one of the three priority growth sectors of the GAP. Since April 2016, Benin has experienced a revolution in all sectors of the digital economy. The Government intends to transform Benin into a West African digital services hub for accelerated growth and social inclusion by 2021.

Six flagship projects and six structural reforms have thus been identified in the GAP for the digital sector, including the following:

- the e-commerce project: a CFAF 72 billion project which aims to establish regulatory, fiscal, and operational initiatives to promote the use of ecommerce and develop online and mobile payments to accelerate growth and financial inclusion in Benin through, notably the implementation of a universal (multi-sector) eMarket place platform for business-to-business and business-to-consumer goods and services; the establishment of a favourable legal framework; the development of an ecosystem for digital start-ups and support for incubators; and the implementation of an electronic and mobile payment platform;
- the "Smart Government" project: a CFAF 67 billion project which aims to improve the efficiency and openness of the administration, refocusing the public service around its users and promoting good governance and the fight against corruption through the digitalisation of public services, the interconnection and the opening of the administration to e-signature, interoperability, open data, the implementation of e-identity and of the various national and sectoral information systems with a focus on the national register of civil status, human resources management and payroll of Government personnel, and simplification of administrative procedures for users; and
- The Mobile Money for the Poor programme (**MM4P**): established by the United Nations Capital Development Fund (**UNCDF**) in partnership with Australia's aid programme, this project seeks to provide virtual banking services to low-income clients at a reduced cost. Benin became a member of the MM4P in 2015, and since then, MM4P has supported the two largest mobile network operators, multiple MFIs and several banks. MM4P has also funded and shared market data, conducted trainings on digital finance and worked closely with the BCEAO, and the Ministry of Economy and Finance to support their priorities.

The overall digital economy strategy aims to position Benin as a technological hub of the sub-region**.** Two agencies have been created in the digital sector, both attached to the Presidency, but whose actions are supervised by the Ministry in charge of the sector: the Digital Development Agency (*Agence pour le Développement Numérique*) and the Information Services and Systems Agency (*Agence des Services et Systèmes d'Information*). The first focuses on all major telecommunications infrastructure projects and sector reforms. The second, resulting from the transformation of the TICs Beninese Agency (*Agence Béninoise des TIC*), will be involved in all aspects of information technology systems and security, in particular for the Government. This agency has already developed the national information systems master scheme. It is responsible for the execution of flagship projects.

Telecommunications

The telecommunications sector includes two mobile telephone operators (Etisalat Bénin and Spacetel Bénin (**MTN**)), one fixed telephone operator (Bénin Telecoms) and ten Internet access providers. In 2017, investments in the sector, bolstered in particular by the launch of the PDI2T project, amounted to CFAF 60.0 billion, of which CFAF 42.4 billion were for mobile telephony and CFAF 17.6 billion for fixed telephony and the Internet. In 2016, investments amounted to CFAF 46.8 billion, including CFAF 46.4 billion for mobile telephony and CFAF 0.3 billion for fixed telephony.

The sector is dominated by mobile telephony with a turnover of CFAF 236.6 billion in 2017, or 91.1% of the sector's total turnover, which amounted to CFAF 259.8 billion in 2017. In 2016, the turnover of mobile telephony amounted to CFAF 263.1 billion and that of fixed telephony to CFAF 3.0 billion, and CFAF 5.5 billion for the Internet. In 2015, the turnover of mobile telephony amounted to CFAF 232.1 billion and that of fixed telephony to CFAF 12.6 billion.

Fixed and mobile telephony totalled 55,401 and 8,773,044 subscribers, respectively, in 2017. In 2016, the number of fixed and mobile subscribers was 124,883 and 8,892,490, respectively. In 2018 fixed and mobile telephony totalled 55,994 and 9,846,229 subscribers, respectively

The services offered to customers in the sector are 2G/3G/4G mobile telephony, fixed telephony (wireline and wireless), data transmission, fixed and mobile Internet access as well as value-added services (games, multimedia downloads, electronic money). In 2018, fixed network coverage was 50.0% and the mobile network coverage was 87.3%.

In 2018, the number of Internet subscribers amounted to 4,592,019, a decrease of 0.2% compared to 2017.

The following table sets out the number of telephone lines and Internet subscriptions from 2014 to 2018:

Number of Subscribers	2014	2015	2016	2017	2018
Mobile telephone (in millions)	8,660,432	9,323,318	8,892,490	8,773,044	9,846,229
Fixed telephone	195,662	194,666	124,883	55,401	55,994
Internet	1,962,309	2,229,642	2,793,438	4,629,576	4,640,095

Source: Stat ARCEP-Benin

There are nine television channels, ninety-three radio stations, including thirty-seven community radio stations, five religious radio stations and five local rural radio stations. There are some 30 daily, weekly, monthly, bimonthly and quarterly newspapers in the print media.

The execution of the PDI2T and the implementation of the DTT project is in progress.

The PDI2T project concerns national coverage in high-speed and very high-speed internet, mainly in optical fibre, but also in 4G technology. It is declined in six parts as follows:

- the reinforcement of the "National Backbone" (about 2000 km of optical fibre);
- the deployment of the Metro network on the Greater Cotonou (approximately 240 km of optical fibre);
- the deployment of a FTTx access network (optical fibre access as close as possible to users) with the modernisation of existing sub-distributors by Multi-Service Access Nodes (**MSAN**), (125 MSAN in total), and the renovation of the optical fibre coper transport axis (around 230 Km);
- the extension of the long term evolution network with 30 new 4G base stations, mainly in the Greater Cotonou;
- the installation of a redundant IP Multimedia Subsystem core network for enhanced voice/data services to accommodate, in the medium term, 50,000 existing fixed-line subscribers to enable them to access new broadband services over optical fibre; and
- the extension of the IP BTS network for the provision of services to businesses with the construction of a latest-generation data network called IP/MPLS (48 routers in total).

The PDI2T project is nearing completion, as the main works were finalised in November 2018. From November 2018 until September 2019, some tests will be conducted to correct minor problems. The cost of the project is approximately CFAF 40 billion and was financed by the Chinese company Huawei.

The implementation of the DTT project aims at deploying DTT infrastructures throughout the national territory. It is a project in execution since 2016. To date, infrastructure is almost complete in the southern part of the country. The deployment continues in the southern part. The project is scheduled to end in December 2019. The implementation cost of the project is about CFAF 35 billion and is provided by the Chinese company Startimes.

Other structuring projects have started in 2018, primarily linked to the PDI2T project, including a project to secure western Benin's optical fibre called the Western loop (the preparation of the project is completed and the search for financing is continuing with a view to signing a commercial contract), and a project to interconnect 10 universities and research centres by the end of 2019. Projects such as e-identity, e-signature, e-advice, a national data centre, data security or systems for the payment of scholarships and university relief are being implemented. The building that will house this national data centre is almost completed and its commissioning is planned for 2019. The Initial Administrative Census to Population Identification Vocation participates in the implementation of e-Identity and is expected to be operational in 2019. The e-Visa is functional in Benin since 28 April 2018 and has generated CFAF 1.7 billion in the first ten months of its entry in force, according to the Government. Data security will be enforced by the National Agency for Information Systems Security, which is to be operational in 2019, and the drafting of the National Information System Security Policy is planned for 2019.

Employment

Formal sector

According to a survey conducted in 2015 on the basis of the ILO standards, the unemployment rate in Benin stood at 0.7% of the labour force, increasing to 2.3% when taking into account those unemployed people who have stopped seeking employment. According to ILO definitions, unemployment refers to all persons of working age who are not employed, who are looking for work (have carried out job-search activities during a specified recent period), and are currently available for employment. For the purposes of the survey, the unemployed were all persons who met the following four criteria: (i) aged between 15 and 64 years old, (ii) out of employment, (iii) available to work immediately (or at most within 15 days) and (iv) having looked for a job during the month preceding the survey.

Benin does not face a critical issue with respect to unemployment within the meaning of the ILO, but is confronted with underemployment that concerns 80% of the population aged between 15 and 34 and 66% of the population aged between 35 and 64, according to the Government. Underemployment is split into visible and invisible underemployment. Visible underemployment is related to the amount of time spent working; invisible underemployment is related to earnings, i.e., those who work less than 35 hours per week and/or have a job for which they receive less than the minimum wage are considered underemployed. 37.0% of the employed earn less than CFAF 40,000 per month by working more than 35 hours per week. This situation is common among women and people aged 15-24, more than half of whom earn less than the minimum wage without being in a visible underemployment situation.

Each year, approximately 200,000 young people enter the labour market, according to the Government. In rural areas, working activity starts earlier than in urban areas (28.2% compared to 17.6% of those under 20), with a high participation rate of older people (59.1% compared to 51.8% of those over 65).

The main employment sector is comprised of agriculture, breeding and forestry which represent 42% of the labour force, followed by the trade sector (19%), the manufacturing sector (15%). The public administration employs 5% of the labour force.

The table below sets forth the distribution (in percentage) of the employment sector by gender:

	Employment sector (%) of 15-64 year old individuals		
Employment sector	**Men**	**Women**	**Total**
Agriculture, breeding, forestry	50.0	33.0	42.0
Trade	9.0	30.0	19.0
Manufacturing activity	12.0	18.0	15.0
Other services	7.0	11.0	9.0
Public administration, health, education	8.0	3.0	5.0
Transport	7.0	0.0	4.0
Construction	5.0	0.0	3.0
Restaurants	0.0	4.0	2.0
Extractive activities	1.0	0.0	1.0
Water, gas and electricity	1.0	0.0	0.4

Source: EMICoV-2015

Benin’s economic performance remains insufficient to generate sustainable job creation, with more than 100,000 new graduates and 200,000 people entering the job market each year. In order to support employment, the Government has put in place the following measures a part of the implementation of the GAP:

- Law n°2017-05 of 29 August 2017, setting the conditions and procedure for the placement of workers and the termination of employment contracts in the Republic of Benin. This law helps to ease measures to promote the creation of jobs and contains three major innovations:
  - it simplifies the procedure for hiring and terminating employment agreements through the introduction of temporary contracts, part-time contracts, the option to adjust working hours as well as the option to indefinitely renew fixed-term contracts;
  - it facilitates the settlement of labour conflicts: any legal action for compensation following an amicable settlement by a labour inspector is inadmissible. Similarly, the law calls for equal representation of labour bodies — an employer assessor and an employee assessor; and
  - it fixes a cap on severance compensation, which is limited to nine months’ gross salary (thereby avoiding prohibitive costs for dismissal procedures).
- Adoption by the Council of Ministers of a revised National Employment Policy, to update the national employment policy adopted 2011, in particular to provide for solutions to the issue of youth and women's unemployment in Benin through the creation of approximately 500,000 direct and linked jobs.
- The Youth Employment Project (*Projet Emploi des Jeunes*) currently under implementation and due to expire in 2019. It is a development project which aims to improve access to vocational skills and employment opportunities in the crafts, agriculture, processing and tourism sectors for at least 17,500 young people. The particularity of the project is that it targets as beneficiaries young Beninese aged 15 to 35 years with little or no education and underemployed, at least 50% of whom are women in all municipalities of Benin. This project has four components: (i) developing skills through learning, (ii) developing skills in micro-entrepreneurship, (iii) supporting the installation in jobs of young people who have undergone training and (iv) strengthening the institutional capacity of employers.
- A project to set up a one-stop job centre for job supply and demand in perspective.
- A draft law on the orientation of SMEs.
- The ongoing implementation of the support programme for paid employment and the support programme for self-employment. These two programmes are run by the National Employment Agency (*Agence Nationale pour l’Emploi*).
- The establishment and operationalisation of the National Fund for the Promotion of Enterprise and Youth Employment for about ten years.

- The creation of an International City of Innovation and Knowledge, Sèmè City, that will have the infrastructure to house the *Grandes Ecoles* (renown schools), universities, research centres, incubation sites, etc. Through this flagship project, the Government intends to promote the emergence of centres of excellence in higher education and scientific research, foster the emergence of national champions in innovative fields and thus improve the employability of young people.

Labour Unions

Trade unions, union bodies and union confederations in Benin establish their own by-laws and administrative regulations, elect their representatives, manage their activities and determine their action plans. Public authorities do not interfere in any manner that could hinder the freedom of trade unions or their activities. The main trade unions in Benin are the Union Confederation of the Workers of Benin (*Confédération Syndicale des Travailleurs du Bénin*); the Confederation of Autonomous Unions of Benin (*Confédération des Syndicats Autonomes du Bénin*); the General Confederation of the Workers of Benin (*Confédération Générale des Travailleurs du Bénin*); the Confederation of Independent Trade Unions of Benin (*Confédération des Organisations Syndicales Indépendantes du Bénin*); the National Union of the Unions of the Workers of Benin (*Union Nationale des Syndicats des Travailleurs du Bénin*); the Body of United Trade Unions of Benin (*Centrale des Syndicats Unis du Bénin*); and the Body of Private, Parapublic and Informal Sector Trade Unions of Benin, (*Centrale des Syndicats des Secteurs Privé, Parapublic et Informel du Bénin*).

These seven union bodies and confederations receive substantial funding from the Government.

Benin experienced several strikes in 2017, mainly concerning the education sector (primary, secondary and higher education), but also the judiciary (magistrates) and the health sector, which have led to the temporary closure of certain hospital or maternity centres. In 2018, 21 strike motions were filed with the Ministry of Labour and Employment. These motions concerned in particular the justice and education sectors.

Informal Sector

Despite recent efforts to regulate working practices more closely and to expand the tax base, a large portion of the Beninese economy does not form part of the tax base and is made up of the informal economy, where activities remain unrecorded and, as a result, taxes cannot be assessed and remain unpaid. The informal economy includes all economic operators that do not prepare financial statements in accordance with accounting standards. The informal economy in Benin accounts for 68% of GDP.

Informal employment includes employed workers aged 15-64 years with jobs in the informal economy (jobs in any production unit not registered, or not keeping formal accounts or not affiliated to the National Social Security Fund (*Caisse Nationale de Sécurité Sociale,* **CNSS**) or those with informal jobs in the formal sector (jobs in the formal sector whose holders are not declared to the CNSS and do not benefit from annual paid leave or paid sick leave).

The majority of informal jobs are held by men, representing 53.8% of informal workers. Informal jobs are more prevalent in rural areas (52.3%) than in urban areas (47.7%).

The table below sets forth the distribution as a percentage of informal jobs of persons aged 15-64, according to the International Standard Classification of Occupations:

Characteristics of 15-64 year old individuals	**Number of informal jobs**	**Proportion (%) in the category**	**Proportion (%) of employed persons**
Employed workers			
Men	1,062,016	98.0	53.8
Women	910,911	99.3	46.2
Area of residence			
Urban	940,352	97.6	47.7
Rural	1,032,575	99.5	52.3
Educational level			
No level of education	1,192,408	99.9	60.4
Primary	400,263	99.6	20.3
Secondary	326,871	96.1	16.6
Higher education	53,384	80.4	2.7
Total	**1,972,927**	**98.6**	**100.0**

Source: EMICoV-2015

In order to limit the share of the informal sector, the Government is considering the following measures:

- continue educating young people by directing them towards promising jobs;

- put a system in place to regulate labour market expectations, especially in the search for jobs commensurate with qualifications; and
- modernise agriculture and integrate small producers into modern value chains to improve farm incomes and create better jobs.

Child Labour

The 2014 Unicef Multiple Indicator Cluster Survey showed that 42% of children aged 5-11 were engaged in some form of economic activity, mainly in the agricultural sector, for at least one hour a day, compared to 34% of those aged 12-14 for at least 14 hours per week. Whatever the age, the proportion of working children is higher among children living in rural areas and among those who do not attend school than among those living in urban areas and attending school. The higher the mother's level of education, the lower the proportion of children working. Children in the Couffo and Plateau departments account for nearly three quarters of the children working in the 5-11 age group.

The international community has intervened against child labour, notably through the 1999 ILO Convention 182 on the Worst Forms of Child Labour. Benin ratified this convention on 6 November 2001 and thus undertook to combat it and has also joined the ILO Ipec Lutrena programme. Several national laws and regulations prohibit child labour in Benin.

Promotion of Private Investment and PPPs

The GAP envisions that 61% of the project costs of a PPP are to be financed by the private sector. Accordingly, in order to encourage private investment, the Government has been implementing several structural measures to bolster local and international private investment.

In this respect, the Government established a unified legal and regulatory framework for PPPs through Law n°2016-24 of 28 June 2017, allowing the implementation of projects eligible for this mode of financing.

At the institutional level, the central national body that provides technical support at every stage of the contract process for PPP transactions is the CAPPP, reporting to the Presidency of the Republic. The CAPPP has a Policy and Decision-Making Committee and a Technical Secretariat composed of experts in various fields who provide advice on structuring and managing the various risks associated with PPP transactions. The CAPPP Policy and Decision Committee issues technical opinions. At the same time, it is a support unit for the Inter-Ministerial Committee on Investment Promotion which is a committee empowered to respond on a strategic level to the expectations and needs expressed by private partners. The CAPPP uses management procedures and tools to assess budgetary risks, such as the PFRAME (Public Private Partnership Fiscal Risk Assessment Model) developed jointly by the IMF and the World Bank.

At the operational level, the APIEX was restructured in 2018 in order to serve as a single window for investors as: (i) a one-stop shop for business creation and the gateway for investors in Benin; (ii) the technical body in charge of studying applications for approval under the investment code; (iii) the Executive Secretariat of the PPPs Support Unit; (iv) the focal point for the implementation of doing business reforms; (v) the Administrative Authority for Special Economic Zones; and (vi) the Export Information and Facilitation Centre.

An analysis of the financing options for the GAP's flagship projects (based on the economic model for each project) led to the elaboration of a list of PPP projects which are planned according to a rigorous schedule that takes into account priority sectors, private sector offers, the income generation capacity of such projects and budgetary sustainability. The PPP projects span all areas covered by the GAP, such as the following:

Energy Sector (See "*Economy – Electricity*" above)

- Construction for EUR 175 million of a 120 MW dual-fuel (gas and heavy fuel oil) private power plant in Maria-Gléta with partial funding of the AfDB and IFC (construction is scheduled to begin in June 2019);
- Construction for EUR 34 million of a 20MW dual-fuel (gas and liquefied petroleum gas) private power plant (completion of work is expected in 2020) in Maria Gleta;
- US$ 150 million project for the construction of a Floating Storage and Regasification Unit (**FSRU**) for liquefied natural gas linked with a project to construct a liquefied natural gas terminal in Benin, to allow the import, storage and regasification of liquefied natural gas in order to supply natural gas to the thermal power stations of Maria-Gléta for more than 300 MW in 2020 (objective of gas availability from 2020). This terminal should be operational by 2020 and will secure the gas supply in Benin, lower the cost of

energy, offer an alternative to heavy fuel oil and offer possibilities to re-export gas in the region. See *"Electricity"* above;

- US$ 60 million project for the construction of solar and biomass plants with a total capacity of 30 MW (progressive realisation according to the closing of each file on a case by case basis);

- US$ 600 million project for the construction, development and operation of a multi-purpose hydroelectric dam at Dogo Bis on the Ouémé River that will be used for hydroelectric production (128 MW) and hydro-agricultural production (irrigation, breeding and fishing), drinking water supply and flood regulation;

- US$ 307 million project for the construction of an 80 MW hydroelectric power plant at Vossa on the Ouémé River;

- US$ 248 million project for construction of a 23 MW hydroelectric generating station in Bétérou on the Ouémé River.

<u>Infrastructure sector (See "*Economy – Infrastructure*" above)</u>

- Planned construction for US$ 628 million of a bypass motorway for the city of Cotonou involving the construction of a new bridge over Lake Nokoue, consisting of a 2x2-lane road that can be widened to 2x3 lanes while skirting Lake Nokoué (construction to begin in 2019);

- US$ 111 million project for a motorway link between the Sèmè crossroads and Porto Novo involving the construction of a bridge over the Porto Novo lagoon and the construction of a 2x2 lane toll motorway between the Sèmè crossroads and Porto-Novo over a 10 km stretch with the construction of a second bridge over the Porto-Novo lagoon (construction to begin in 2020);

- US$ 913 million project to modernise and extend the Port of Cotonou to increase its current capacity and create a logistics pool to increase efficiency at the port and to support the national economic growth and facilitate the development of exports (construction to begin in 2019);

- US$ 38 million project for the construction of a Maritime Affairs Centre to redevelop and reorganise the Port of Cotonou surrounding area with the construction, outside the port enclosure, of offices, workshops and hotels for the users of the port (construction to begin in 2019).

<u>Housing sector</u>

- the Government plans to build 20,000 economic and social housing units in 14 cities, including 12,960 individual and 7,040 collective housing units. The first phase involves the construction of around 10,000 housing units in Calavi-Ouèdo, Porto-Novo, Parakou, Kandi, Lokossa, Abomey, Natitingou, Djougou, Dassa, Pobè, Aplahoué-Azovè, and Allada.

<u>Water sector</u>

- Significant progress has been made thanks to the implementation of an institutional framework that has enabled the involvement of technical and financial partners. Thus, both in rural and urban areas, major works have started using a programme approach. In rural areas, for the period 2018-2019, CFAF 55 billion of investment are planned to provide water to a population of about 1,000,000 throughout the national territory; external financing mobilised in this framework amounts to CFAF 32 billion thanks to contributions from the World Bank (PEPRAU), the Netherlands (OMIDELTA), India (EXIM BANK) and the Inter-American Development Bank (IDB/UEMOA project). An additional US$ 220 million was approved in May 2018 by the World Bank Board of Directors and will be dedicated to rural drinking water supply.

In addition to the operational focus on PPP solutions for GAP-related projects, the Government plans to introduce comprehensive tax and other incentives both for corporate and individual investors:

- Tax incentives for companies include a reduction in the amount of tax over the first three years for new companies and a 60% reduction in tax for four years for companies that are members of a Chartered Management Center (*Centre de Gestion Agréé*), the possibility of carrying forward losses for three consecutive financial years, the exclusion of taxable profits and capital gains on the disposal of fixed assets when they are intended to be reinvested within the following three months, or the deferral of the taxation of the capital gain of the business to the year of cessation in the event of the takeover of the business by heirs.

- Incentives for individuals include the recognition of losses affecting the liquidation period in the event of the sale or termination of a business, exemption from income tax of depreciation made by the realisation of assets and by deductions from items other than the income statement, reserves or provisions recorded in the balance sheet, and exemption from income tax of distributions of reserves made in the form of capital increases.

FOREIGN TRADE AND BALANCE OF PAYMENTS

Introduction

Balance of Payments

The balance of payments is used to record the value of the transactions carried out between a country's residents and the rest of the world. The balance of payments is composed of:

- the current account, which comprises:
    - net exports of goods and services (the difference in value of exports minus imports);
    - net financial and investment income; and
    - net transfers;
- the capital account, which represents the balance of non-financial assets and capital transfers between residents and non-residents; and
- the financial account, which represents the difference between financial inflows and outflows of direct investments, portfolio investments, derivatives and reserve assets.

Current Account

The current account records (i) flows of goods and services, (ii) flows of primary revenue and (iii) flows of secondary revenue between residents and non-residents. The balance of these accounts is known as the current account balance.

One of the most important components of the current account is the trade balance. The four primary factors that drive the trade balance are:

- the relative rate of economic growth of a country as compared to that of its trading partners generally: if a country's economy grows faster than that of its trading partners, its relative level of consumption of goods and services will tend to increase, and its level of imports will tend to increase at a faster pace than that of its level of exports;

- the relative level of domestic prices against foreign prices, as reflected by the real exchange rate: generally, if a country's domestic prices increase relative to those of its trading partners, there is a tendency for the country's level of exports to decline, and for its level of imports to increase;

- changes in production costs, technology and worker skills: more efficient production will tend to lower production costs, which in turn will tend to lower prices. As prices fall, there will be a tendency for the country's level of exports to increase; and

- changes in consumer tastes, which may affect the demand for a country's goods and services abroad, and the demand for foreign products in the domestic market.

Capital Account

The capital account records primarily the financial flows linked to project grants and includes (i) capital transfers to be received and to be paid between residents and non-residents and (ii) the acquisition and sale of non-financial, non-produced assets (such as intangible assets and tangible assets used in the production of goods and services) between residents and non-residents.

Financial Account

The financial account describes the way in which net financing capacities/needs are allocated or financed. It serves to quantify (i) FDIs, (ii) portfolio investments, (iii) financial derivatives and (iv) other investments.

Balance of Payments

Benin's balance of payments is established by the BCEAO, according to the principles set out in the sixth edition of the IMF's Balance of Payments and International Investment Position Manual and under the supervision of the Balance of Payments National Committee (*Comité National de la Balance des Paiements*), as for all other countries of the WAEMU.

The current account deficit excluding grants narrowed from 2015 to 2016, from 8.2 % of GDP to 7.5 % of GDP. However, in 2017 the deficit widened and reached 10 % of GDP due to the scaling up of investment. This evolution is mainly explained by higher imports of capital goods related to new investments, driven principally by the implementation of the GAP. A gradual improvement of the current account deficit is expected from 2018 onwards as investment and import growth stabilise. The balance of payments data for 2018 were not available as of the date of this prospectus.

External financing is mainly comprised of concessional financing and FDI. External financing of the current account deficit remained relatively stable over recent years. Short-term capital flows and medium- and long-term private loans were equivalent to 1% of GDP. Foreign direct investment inflows were equivalent to 1.5% of GDP in 2016 and are expected to reach 1.9% of GDP during 2017–21. Other capital flows, such as project loans, remained on average at 2.3% of GDP over the period 2014-2016 and are expected to amount to 3% on average during 2017–2021.

In 2015, the foreign exchange reserves of WAMU Member States covered 5.4 months of imports, compared to 4.8 months in 2014, as a result of increased mobilisation of external resources. At the end of 2016, foreign exchange reserves stood at 4.3 months of imports, well above the initial target of 3 months. At the end of 2017, this ratio was 4.7 months of imports. This increase is due to the improved level of repatriation of export earnings and Eurobond issuances. At the end of September 2018, these reserves covered 4.8 months of imports of goods and services.

The table below presents the balance of payments data for Benin from 2013 to 2017 (2018 data is not yet available):

	2013	2014	2015	2016	2017
			(in CFAF millions)		
a. Current account (1+2+3)	**(332,575.6)**	**(437,514.8)**	**(440,464.8)**	**(479,648.0)**	**(539,779.3)**
1. Goods and services	**(424,099.0)**	**(552,370.7)**	**(486,342.7)**	**(581,444.0)**	**(639,935.2)**
Balance of goods	**(302,269.0)**	**(351,251.4)**	**(298,511.4)**	**(396,812.6)**	**(494,566.6)**
Exports of goods FOB	979,125.7	1,267,286.2	995,101.5	1,052,283.0	1,289,870.5
Imports of goods FOB	(1,281,394.7)	(1,618,547.3)	(1,293,613.0)	(1,449,096.1)	(1,784,437.2)
Imports of goods CIF	(1,694,085.3)	(2,073,442.7)	(1,712,393.7)	(1,703,521.0)	2,033,779.8)
Balance of services	**(121,830.0)**	**(201,119.3)**	**(187,831.3)**	**(184,632.0)**	**(145,368.6)**
Credit	254,127.7	236,627.2	203,446.2	209,886.0	193,787.2
Debit	375,957.7	437,746.5	391,277.5	394,518.3	339,155.8
2. Primary income	**(34,087.3)**	**(30,244.6)**	**(38,819.7)**	**(22,398.4)**	**(18,456.1)**
3. Secondary income	**125,610.6**	**145,100.5**	**84,697.7**	**124,194.9**	**118,612.0**
Public administrations	39,037.2	44,030.0	18,222.7	45,792.9	41,382.8
Other sectors	86,573.5	101,070.5	66,475.0	78,402.0	77,229.3
b. Capital account (4+5)	**91,851.7**	**125,205.5**	**74,156.8**	**81,568.0**	**113,884.9**
4. Acquisitions/sale of non-financial assets	**(83.0)**	**(699.3)**	**(209.0)**	**(92.4)**	**(61.1)**
5. Capital transfers	**91,934.7**	**125,904.8**	**74,365.8**	**81,660.0**	**113,946.0**
Public administrations	57,314.5	63,866.0	28,839.8	35,050.0	73,275.0
Debt remission	0.0	0.0	0.0	0.0	0.0
Other sectors	34,620.3	62,038.8	45,526.0	46,610.0	40,671.0
c. Balance of current account and capital account (a+b)	(240,723.9)	(312,309.3)	(366,308.0)	(398,080.0)	(425,894.0)
d. Financial account (6+7+8+9)	**(331,694.5)**	**(480,125.9)**	**(447,583.1)**	**(227,705.0)**	**(303,620.0)**
6. Direct investments	**(149,036.1)**	**(191,804.5)**	**(69,205.1)**	**(67,799.0)**	**(98,128.3)**
7. Portfolio investments	**(19,486.7)**	**(23,946.9)**	**(117,548.6)**	**(50,793.6)**	**(54,519.3)**
8. Derivative financial instruments	**0.0**	**0.0**	**321.0**	**0.0**	**0.0**
9. Other investments	**(163,186.7)**	**(264,374.5)**	**(261,150.4)**	**(109,478.4)**	**(150,972.4)**
Public administration	(173,884.6)	(210,130.5)	(204,904.8)	(107,129.4)	(118,646.0)
Other sectors	10,697.9	(54,244.0)	(56,245.7)	(2,349.0)	(32,326.4)
e. Errors and omissions (net)	**8,106.3**	**7,234.1**	**2,271.4**	**2,361.0**	**3,987.3**
f. Overall balance (c+d-e)	**99,076.9**	**175,050.7**	**83,546.5**	**(168,012.8)**	**(118,287.1)**

Source: BCEAO

Balance of Payments in 2016

The balance of payments recorded a deficit of CFAF 168.0 billion at the end of 2016, after recording a surplus of CFAF 83.5 billion in the previous year.

The current account balance recorded a deficit of CFAF 479.7 billion (9.4% of GDP) in 2016, compared to a deficit of CFAF 440.5 billion in 2015, in connection with an increase in imports of food products.

The balance of trade deficit increased by 32.9% in 2016 compared to the level reached in 2015, in connection with an increase in imports (+CFAF 155.5 billion), which was more significant than the increase in exports (+ CFAF 57.2 billion).

The services deficit decreased by 1.7% compared to 2015, in connection with the decrease in service-related expenditures, with the exception of transportation and travel.

The primary income deficit fell by 42.3% (or CFAF 16.4 billion) in 2016, as a result of a decrease in income paid for direct investments.

With regard to secondary income, the surplus increased by 46.6% compared to 2015 due to workers' remittances received and transfers received by the public administration and private organisations in connection with development aid.

The capital account surplus improved, in particular, with an increase of 9.8% of capital transfers received by the public administration and non-governmental organisations. These transfers mainly consist of donations linked to projects initiated by the Government in partnership with non-governmental organisations, particularly in the field of agriculture.

The financial account showed a net inflow of CFAF 227.7 billion, compared to the CFAF 447.7 billion recorded in 2015, reflecting inflows from foreign direct investments (CFAF 67.8 billion), portfolio investments (CFAF 50.8 billion) and other investments (CFAF 109.1 billion). This decline can be explained in particular by the decrease of the recourse by the Treasury to the regional financial market (the Public Treasury mobilised CFAF 396.5 billion in 2016 against CFAF 599.6 billion in 2015) and the decrease in Benin's net drawdowns (drawdowns on external loans less amortisations) with its financial partners, which amounted to CFAF 70.7 billion in 2016 compared to CFAF 102.5 billion in 2015.

Balance of Payments in 2017

At the end of 2017, the balance of payments showed a deficit of CFAF 118.3 billion, after the CFAF 168.0 billion deficit recorded in 2016, in connection with the increase in imports of food products, which are being re-exported to Nigeria, and capital goods intended for the structuring projects currently being implemented.

The current account recorded a deficit of 9.3% of the GDP (CFAF 539.8 billion), due to the increase in imports, particularly equipment goods, driven by investments in infrastructure.

The balance of goods widened (24.6% compared to 2016), in connection with a 26.5% increase in imports of food products (a portion of which reflects the informal re-export trade with Nigeria) and equipment goods for ongoing infrastructure projects. Exports increased due to the significant increase in cotton production as part of the 2016-2017 campaign.

With regard to imports, the year 2017 witnessed a marked increase in foods products, a portion of which reflects the informal re-export trade with Nigeria, and an increase in equipment for ongoing infrastructure projects.

The balance of services deficit decreased, reaching CFAF 145.4 billion at the end of December 2017, due to decreases in oil prices (international oil prices affect the tariffs charged by shipping companies, airlines and trucks transporting imported goods).

With regard to the primary income balance, the deficit declined in 2017 by 17.6% (CFAF 3.9 billion) compared to 2016 and stood at CFAF 18.5 billion, despite an increase of CFAF 1.6 billion in the investment income deficit. The investment income deficit increased from CFAF 17.5 billion in 2016 to 19.0 billion in 2017. This change reflects the increase in dividends paid on direct investments. Interest paid on public debt increased to CFAF 60.9 billion in 2017.

In terms of secondary income, the surplus decreased by 4.5% in 2017 (CFAF 5.6 billion in 2017), compared to 2016, due to the impact of budget support received by public administrations and workers' remittances.

The capital account surplus rose in 2017 by 39.6% (CFAF 32.3 billion), due to the increase in project grants obtained by the public administration.

The financial account reached CFAF 303.6 billion in 2017 compared to the CFAF 227.7 billion recorded in the previous year, in connection with the increase in inflows from net direct investments and portfolio investment flows.

Foreign Trade

Trade Policy

Benin's international trade policy aims to provide operational solutions to problems in the trade sector and capitalise on Benin's potential. It is based on the following guidelines: (i) the NDP, which proposes strategic options aiming to make Benin's economy prosperous and competitive; (ii) the SDGs; and (iii) priorities 3 and 4 of the GAP, which aim to rehabilitate the macroeconomic framework and improve economic growth.

In order to meet these objectives, the Government has chosen the following initiatives as strategic priorities in international trade:

- Continued rehabilitation of domestic trade;
- Promoting electronic trade;
- Ensuring effective protection of consumer interests;
- Improving the business climate and promoting exports;
- Enhancing the competitiveness of local products;
- Promoting opportunities linked to trade agreements and facilitating exchanges.

Benin's tariff policy is primarily governed by the CET regime of the ECOWAS. The ECOWAS CET requires members to harmonise *ad valorem* tariff rates into five bands: (i) zero duty on social goods such as medicine and publications, (ii) 5% duty on imported raw materials, (iii) 10% duty on intermediate goods, (iv) 20% on finished goods and (v) 35% on finished goods that are manufactured locally and which are considered to require some protection in the interest of promoting local industries. The CET was confirmed in October 2013 in Dakar by ECOWAS Member States Presidents and came into force on 1 January 2015.

FOB Exports and CIF Imports

<u>2015</u>

In 2015, FOB exports of goods amounted to CFAF 995.1 billion after a realisation of CFAF 1,267.3 billion one year earlier, a decrease of CFAF 272.2 billion (-21.5%), in relation to a decrease in the re-export of various products to Nigeria (CFAF -67.1 billion or -10.5%). This development is linked to the unfavourable economic situation in Nigeria in 2015 and the measures taken by the Nigerian authorities to limit imports of certain products.

<u>2016</u>

In 2016, FOB exports of goods stood at CFAF 1,052.3 billion, compared to CFAF 995.1 billion in the previous year, representing an increase of CFAF 57.2 billion (5.7%), due in particular to the re-export of various goods to Nigeria (+CFAF 152.4 billion or +26.4%). The two main exports in 2016 were cotton and cashew nuts, accounting for 58.1% of official export revenues in 2016, compared to 57.1% in the previous year. Benin's economic operators re-export rice, frozen products, vegetable oils, vehicles and clothing to Nigeria (69.4% of exports).

CIF imports amounted to CFAF 1,703.5 billion in 2016, compared to CFAF 1,712.4 billion in 2015, representing a decrease of 0.5%, in line with the cautious market expectations prevailing in 2016. The main goods acquired from non-resident suppliers were, in particular, food products, equipment goods and energy. These goods represented 80.3% of official imports from abroad in 2016.

<u>2017</u>

In 2017, FOB exports of goods stood at CFAF 1,289.9 billion, compared to CFAF 1,052.3 billion in the previous year, representing an increase of CFAF 237.6 billion (+22.6%), due in particular to the re-export of various goods to Nigeria (+CFAF 112.0 billion or +15,4%).

CIF imports stood at CFAF 2,033.8 billion in 2017, compared to CFAF 1,703.5 billion in 2016, representing an increase of 19.4%, in connection with imports of food products, partly for re-export trade, and equipment goods for ongoing projects. The main goods acquired from non-resident suppliers were, in particular, grains, equipment goods and energy.

The table below presents Benin's CIF imports and FOB exports of goods from 2013 to 2017 (2018 data is not yet available):

	(In CFAF millions)				
	2013	**2014**	**2015**	**2016**	**2017**
Exports					
Cotton..	133,406.4	156,237.4	168,432.9	117,486.3	243,674.3
Cashew nuts	30,677.8	32,437.5	42,520.7	23,141.9	48,289.6
Iron, cast iron and steel	34,050.6	26,073.0	19,238.9	12,135.0	9,374.3
Other goods.................................	780,990.9	1,052,538.3	764,909.0	899,519.8	988,532.3
Of which re-exports[3]	531,551.6	641,507.0	555,099.0	762,669.0	n/a
Total	**979,125.7**	**1,267,286.2**	**995,101.5**	**1,052,283.0**	**1,289,870.5**
Imports					
Food products.............................	585,902.6	846,834.3	605,866.9	766,126.9	969,009.4
Equipment goods	280,476.9	366,182.6	283,076.5	222,461.1	218,508.5
Energy products	204,821.0	258,352.5	258,071.3	204,101.1	307,116.3
Intermediary goods	204,670.4	207,909.6	172,392.7	157,726.5	139,497.5
Other products............................	418,214.4	394,163.7	392,986.3	353,105.4	399,648.1
Total	**1,694,085.3**	**2,073,442.7**	**1,712,393.7**	**1,703,521.0**	**2,033,779.8**

Source: BCEAO

Principal Trading Partners

Exports

In 2017, sales within Africa amounted to CFAF 966.3 billion, compared to CFAF 271.2 billion for Asia, CFAF 39.0 billion for Europe and CFAF 13.4 billion for North and Latin America. In 2016, these figures stood at CFAF 878.2 billion for Africa, CFAF 137.0 billion for Asia, CFAF 31.4 billion for Europe and CFAF 5.7 billion for North and Latin America.

Africa is Benin's main market. The continent accounted for 74.9% of sales in 2017, compared to 83.5% in 2016. Africa is followed by Asia, which accounted for 21.0% of sales in 2017, compared to 13.0% in 2016. Europe is next, with a share of 3.0% in 2017, at the same level as in 2016, followed by North and Latin America, which accounted for 1.0% in 2017, compared to 0.54% in 2016.

In Africa, the main export markets are Nigeria (65.3% of total exports and 87.2% of sales in the region in 2017, compared to 69.4% and 83.2%, respectively, in 2016), and the other member countries of the WAEMU (7.7% of total exports and 10.2% of sales in the region in 2017, compared to 12.3% and 14.7%, respectively, in 2016). With respect to Nigeria, the exports are mainly composed of re-exportation of rice, frozen products, vegetable oils, cars and clothes. For the other African countries, Benin mainly exports oil products (13.8% of the exportations according to the BCEAO).

In Asia, Benin's main customers are Vietnam (4.6% of total exports in 2017), Bangladesh (4.2%), Malaysia (3.8%) and India (3.5%). Benin exports cotton (CFAF 211.7 billion in 2017 according to the BCEAO) and cashew nuts (CFAF 48.3 billion in 2017 according to the BCEAO) to Asian countries.

In North and Latin America, goods are shipped mainly to the United States (97.3% of sales to the region in 2017, compared to 72.3% in 2016) and to Canada (0.15% of sales, compared to 4.3% in 2016).

In Europe, the most significant buyers are the Netherlands (16.1% of sales in Europe in 2017, compared to 6.5% in 2016) and Belgium (11.9% of exports to this region in 2017, compared to 8.5% in 2016).

The table below presents the geographic distribution of merchandise FOB exports from 2013 to 2017 (2018 data is not yet available):

	(In CFAF millions)				
Geographic Areas	**2013**	**2014**	**2015**	**2016**	**2017**
Europe	**42,822.7**	**73,492.2**	**39,473.2**	**31,386.1**	**38,952.6**
European Union	**21,601.2**	**64,619.1**	**32,477.8**	**20,315.0**	**31,939.1**
Euro zone	**12,491.9**	**41,568.4**	**24,241.1**	**15,297.8**	**17,458.1**
France...	1,586.1	14,869.4	9,001.8	4,960.3	2,652.7
Germany...	818.3	863.1	1,597.8	671.4	859.8
Italy	381.7	1,072.2	1,567.5	2,361.9	720.8
Netherlands	6,366.9	14,203.7	5,639.7	2,051.6	6,279.0

[3] The most commonly re-exported products are rice, frozen products, vegetable oil, cars and clothes

(In CFAF millions)

Geographic Areas	2013	2014	2015	2016	2017
Belgium	599.0	7,542.4	2,719.6	2,666.1	4,646.9
Other countries	2,739.9	3,017.6	3,714.7	2,586.5	2,299.0
Other Union countries	**9,109.3**	**23,050.7**	**8,236.7**	**5,017.2**	**14,481.0**
United Kingdom	2,110.5	13,795.2	316.7	39.3	83.6
Denmark	5,392.1	9,252.7	7,880.0	4,957.9	14,377.3
Other European countries	**21,221.5**	**8,873.1**	**6,995.4**	**11,071.1**	7,013.5
Switzerland	2,013.5	6,230.6	4,171.5	1,788.9	3,985.7
Russia	0.0	18.5	31.7	133.5	21.7
Other countries	19,208.0	2,624.0	2,792.2	9,148.7	3,006.1
Africa	**776,337.7**	**993,024.3**	**730,797.3**	**878,157.4**	**966,257.4**
WAEMU	**215,365.8**	**222,414.5**	**122,444.6**	**129,315.2**	**98,779.2**
Burkina-Faso	4,314.7	4,090.9	3,636.5	4,540.0	6,560.9
Ivory Coast	11,008.7	11,364.3	7,491.3	9,923.7	9,137.8
Guinea-Bissau	0.0	59,237.3	34,652.2	50,769.2	32.3
Mali	65,692.2	65,919.0	63,780.0	46,307.5	40,641.7
Niger	45,303.7	343.1	885.7	543.9	31,903.7
Senegal	18,907.4	81,356.4	11,988.0	17,221.9	1,826.7
Togo	70,053.6	4,090.9	3,636.5	4,540.0	8,676.1
ECOWAS (excluding WAEMU)	**261,797.2**	**666,739.6**	**584,372.9**	**734,758.2**	**845,736.2**
Nigeria	253,246.7	645,396.9	578,309.6	730,683.9	842,637.2
Ghana	60,587.4	18,283.9	5,527.5	2,867.8	1,773.5
Central African Economic and Monetary Community (CEMAC)	**22,692.0**	**85,095.5**	**6,754.2**	**1,942.2**	**3,206.3**
Cameroon	376.0	1,110.2	1,048.1	427.2	1,101.4
Congo	100.4	493.9	232.1	125.1	284.2
Gabon	388.4	70,510.8	624.8	667.7	765.5
Other African countries	**276,482.7**	**18,774.7**	**17,225.6**	**12,141.8**	**18,535.8**
South Africa	11,956.9	2,457.1	3,763.8	1,466.9	2,913.0
Morocco	993.0	678.4	1,411.9	133.5	926.8
Tunisia	317.3	378.4	685.3	343.4	19.0
Algeria	190.3	663.9	38.5	4.7	19.3
Libya	35.2	24.1	4.2	4.7	0.0
Egypt	6772.2	14,112.3	9,848.0	7,982.0	12,966.8
North and Latin America	**2,137.5**	**10,443.6**	**4,689.7**	**5,725.9**	**13,408.9**
USA	1,615.4	5,765.5	2,540.3	4,139.0	13,044.6
Canada	2.5	165.4	18.0	248.0	20.7
Brazil	64.6	3,909.1	0.0	0.5	7.7
Asia	**157,827.8**	**190,317.9**	**219,944.5**	**137,008.7**	**271,249.8**
Bangladesh	8,662.8	20,777.6	27,457.6	24,797.4	54,069.2
China	59,335.9	46,680.0	19,479.4	16,127.7	33,615.0
India	35,007.3	40,601.2	48,475.0	37,324.6	44,957.8
Malaysia	11,503.7	17,949.7	32,488.4	31,913.7	49,168.7
Pakistan	0.0	2,241.6	10,348.9	4,219.0	2,509.1
Thailand	0.0	2,312.4	3,197.9	1,241.1	255.0
Other countries	**0.0**	**8.1**	**196.6**	**5.2**	**1.9**
Total	**979,125.7**	**1,267,286.2**	**995,101.3**	**1,052,283.3**	**1,289,870.5**

Source: BCEAO

Imports

The geographical distribution of imports was characterised in 2017 by growth in Asia's market share as a supplier of Benin.

The proportion of imports originating from European countries decreased from 25.4% in 2016 to 20.93% in 2017. Asia's market share stood at 48.6% in 2017, compared to 42.1% in 2016. The proportion of imports from African countries fell to 25.9% in 2017 from 28.0% in the previous year. The share represented by North and Latin American countries stood at 4.5%, compared to 4.3% in 2016.

In Europe, France remains the main supplier with 28.2% of purchases from the region in 2017, compared to 35.8% in 2016. Benin imports food products, medicines, intermediate goods and capital goods from Europe.

The same applies to Nigeria for Africa, totaling 37.5% of all orders from the African continent, compared to 35.9% in 2016. Benin also imports food, electricity and petroleum products from other African countries.

In Asia, Benin imports predominantly from India, which accounted for 34.0% and 31.8% of imports from the Asian continent in 2017 and 2016, respectively. Benin's second Asian supplier is Thailand with a 25.8% share of imports in 2017 compared to 26.7% in 2016. Benin imports cereals from Asian countries, along with rice, medicines, intermediate goods and capital goods.

In the Americas, purchases originate mainly from the United States with a 56.3% share of total imports from this region in 2017, compared to 46.0% in 2016. Benin imports petroleum products, intermediate products and capital goods from the Americas.

Benin imports are mostly composed with food products, capital goods and energy (80.3% of the official import according to the BCEAO).

The table below presents the geographic distribution of merchandise CIF imports from 2013 to 2017 (2018 data is not yet available):

(in CFAF millions)

Geographic Area	2013	2014	2015	2016	2017
Europe	**455,733.4**	**573,788.7**	**524,681.9**	**433,248.7**	**425,864.7**
European Union	**431,403.5**	**546,463.8**	**504,296.9**	**405,117.6**	**406,492.5**
Euro zone	**359,054.5**	**430,581.6**	**430,298.5**	**36,769.7**	**376,719.5**
France	165,607.1	149,638.1	173,429.2	155,252.2	120,168.1
Germany	19,444.0	22,338.2	20,914.7	30,546.7	16,100.4
Italy	17,042.2	33,043.3	17,261.2	15,178.9	12,842.4
Netherlands	61,643.4	79,752.5	46,911.2	56,376.0	127,249.1
Belgium	56,467.4	70,875.2	74,111.0	63,749.8	61,950.8
Other Union countries	**72,349.0**	**115,882.2**	**73,998.4**	**39,347.9**	**29,773.0**
United Kingdom	33,945.8	64,843.0	31,005.1	17,117.1	14,724.8
Denmark	5,711.5	19,951.0	6,850.3	4,011.1	3,966.0
Other European countries	**24,329.9**	**27,324.9**	**20,385.0**	**28,131.1**	**19,372.2**
Switzerland	10,218.5	12,667.2	9,024.7	8,320.2	7,743.3
Russia	3,903.5	1,919.6	2,334.5	12,295.7	6,709.0
Africa	**346,367.6**	**560,838.3**	**518,024.9**	**477,650.6**	**526,203.3**
WAEMU	245,053.6	203,014.8	201,579.0	202,713.2	252,587.0
Burkina-Faso	2,993.2	11,498.6	5,132.5	1,433.2	2,758.7
Ivory Coast	38,329.2	33,690.0	40,914.8	24,140.5	39,378.7
Guinea-Bissau	752.0	7,985.2	8,648.6	11,175.2	0.0
Mali	19,250.3	9,188.6	17,202.9	11,172.7	14.2
Niger	14,739.5	9,010.4	14,943.3	13,701.7	39,056.6
Senegal	10,689.8	131,384.3	114,736.9	141,090.0	11,166.7
Togo	158,299.7	11,498.6	5,132.5	1,433.2	157,633.1
ECOWAS (excluding WAEMU)	**54,313.5**	**231,936.2**	**258,700.3**	**183,274.6**	**212,126.1**
Nigeria	37,981.4	217,383.3	245,316.7	171,390.5	197,500.6
Ghana	12,300.1	14,183.0	12,413.5	11,884.1	12,365.8
Central African Economic and Monetary Community (CEMAC)	**8,977.7**	**43,196.2**	**5,210.1**	**8,320.7**	**1,031.7**
Cameroon	4,822.8	8,776.2	1,103.7	2,188.4	608.3
Congo	640.0	94.7	700.4	813.3	188.8
Gabon	132.4	30,703.3	2,602.5	491.4	226.9
Other African countries	**38,022.8**	**82,691.1**	**52,535.5**	**82,372.7**	**60,458.5**
South Africa	13,893.1	14,235.8	5,873.5	8,778.0	13,517.9
Morocco	6,913.5	25,950.5	17,084.5	24,302.8	16,988.9
Tunisia	4,787.1	4,409.0	4,017.8	2,539.5	2,895.3
Algeria	165.9	1,507.6	349.6	924.0	1,167.0
Libya	28.4	10.8	13.6	137.1	2.1
Egypt	2,846.6	3,216.4	2,809.5	2,385.4	3,512.6
North and Latin America	**123,982.9**	**164,312.2**	**100,923.2**	**73,826.8**	**91,008.2**
USA	76,695.1	116,746.4	47,753.4	33,949.9	51,207.2
Canada	7,032.4	6,502.2	5,370.6	4,012.9	2,822.0
Brazil	35,909.6	31,804.0	41,073.3	30,884.4	34,512.2
Asia	**559,859.3**	**772,624.0**	**567,943.4**	**717,052.5**	**988,579.9**
Bangladesh	99.9	52.9	86.4	45.5	68.5
China	137,818.8	141,729.8	162,177.0	132,627.3	138,962.6

(in CFAF millions)

Geographic Area	2013	2014	2015	2016	2017
India	163,639.9	237,704.1	144,472.7	227,919.2	336,332.2
Malaysia	37,294.6	25,448.2	34,637.3	38,372.5	68,903.0
Pakistan	3,154.5	5,163.0	6,560.9	12,093.0	20,363.6
Vietnam	4,180.8	12,567.7	3,975.1	1,760.9	1,284.0
Singapore	43,311.9	29,592.3	33,532.6	15,995.4	21,859.0
Indonesia	3,926.1	9,550.4	4,112.8	8,589.9	27,524.4
Thailand	96,977.3	223,740.3	113,955.4	191,459.1	254,776.1
Other countries	**1,194.9**	**1,879.4**	**820.3**	**1,742.5**	**2,123.8**
Total	**1,487,138.**1	**2,073,442.7**	**1,712,393.7**	**1,703,521.0**	**2,033,779.8**

Source: BCEAO

Foreign Direct Investments

In 2017, Benin recorded a net capital inflow of CFAF 98.1 billion, compared to CFAF 67.8 billion in 2016, CFAF 69.2 billion in 2015 and CFAF 191.8 billion in 2014. The significant decline of FDIs in Benin as of 2015 is due to the end of investments in the oil exploration sector.

The table below presents FDI inflows from 2013 to 2017:

(In CFAF millions)

2013	2014	2015	2016	2017
149,036.1	**191,804.5**	**69,205.1**	**67,799.8**	**98,128.3**

Source: BCEAO

In 2017, the main beneficiary sectors were banks (62.3%) to strengthen equity capital, transportation and storage (19.3%) and wholesale and retail (8.3%). In 2016, the main sectors receiving net capital inflows were transportation and storage (38.1%), wholesale and retail (34.5%), construction (24.6%) and the manufacturing industry (15.2%).

The table below presents gross incoming FDIs per country of origin from 2015 to 2017 for a selected list of countries:

Countries	2015	Countries	2016	Countries	2017
Burkina	0.1%	Burkina	34.7%	Burkina	0.00%
Ivory Coast	2.3%	Ivory Coast	-5.8%*	Ivory Coast	7.50%
Senegal	-6.5%*	Senegal	-0.9%*	Senegal	-0.20%*
Togo	0.2%	Togo	13.1%	Togo	13.80%
Nigeria	-3.4%*	Nigeria	-8.9%*	Nigeria	7.50%
France	91.3%	France	80.2%	France	9.20%
Switzerland	7.2%	Switzerland	-3.3%*	Switzerland	0.20%
United States	-0.3%*	United States	3.4%	United States	10.10%

Source:BCEAO

** The negative sign indicates that the companies in which shareholders from these countries hold shares reported losses*

PUBLIC FINANCE

General

Benin's monetary policy is under the control and authority of the BCEAO. Consequently, the management of tax resources and Government spending is the Government's main economic policy tool.

Public finance in Benin is governed by Directive n°06/2009/CM/WAEMU of 26 June 2009 regarding finance laws within the WAEMU member States, implemented through Law n°2013-14 of 27 September 2013, which provides a legal foundation for result-oriented budget management. Since 2013, the Government has initiated important reforms with the aim of transitioning to programme-based budget execution and adopting accrual-based accounting for the State's financial transactions (see *"Public Finance Management"* below).

Upon taking office in April 2016, the new Government moved swiftly to address the deteriorating fiscal situation compounded by spillover from Nigeria's economic slowdown and requested assistance from the IMF under the ECF to support Benin's economic and financial reform programme. As part of this reform programme and with a view to mobilising the resources necessary for the financing of the GAP, the Government is committed to accelerating reforms needed to broaden the tax base and enhance the efficiency of Government spending, implementing key supportive structural measures to increase the absorption capacity and the efficiency of investment spending, and promoting private sector investment by strengthening institutions and improving the business environment.

The Government is committed to carrying out the structural and governance reforms necessary to facilitate the implementation of the GAP by mobilising the resources required for the financing of its key projects. In this respect, the Government has made revenue mobilisation a priority through a focus on improved public finance management, and tax policy and administration reforms. In addition, given the constraints on budgetary resources, the Government considers PPPs to be an essential part of the financing of the GAP and has earmarked 61% of such financing to come from the private sector. Benin established the legal framework for PPPs in June 2017 (see "*Promotion of Private Investment and PPPs*" above).

The 2016 budget was the last budget for the implementation of the Government's five-year 2012-2016 plan for business and private initiative development. This budget was also intended to cover the entry into force of the SDGs. It projected that Government revenues would be stable compared to 2015 as a result of reduced external resources. In contrast, the budget forecasted an increase of 1.6% in expenditures over the course of the year, based mainly on an increase in ordinary expenditures (62.1% of expenditures) compared to a 15.63% reduction in investment expenditures. The segment of ordinary expenditures that increased the most between 2015 and 2016 (+43.2%) was the debt service burden. The 2016 budget was broken down by sector as follows: 28.3% in education, 26.7% for economic affairs and equipment, 10.3% for health and social protection, 10.3% for defence, order and public security, 9.5% for administration general services, 8.7% in sovereignty, 4.4% for the environment protection and 1.8% for leisure, sports and culture.

The 2017 finance law presented the first budget for the new five-year period 2016-2021. It aimed to promote investments in large-scale agriculture by promoting growth in high value-added sectors (cotton, pineapple, cashew nuts and fruit and vegetable products), developing continental aquaculture, bolstering conventional sectors, promoting the processing industry and professionalising the crafts industry, as well as developing tourism and the digital economy. The 2017 finance law projected a 41.2% increase in revenue and a 48.9% increase in expenditures due to major investment projects, with ordinary expenditures accounting for 44.8% of total Government expenditures and capital expenditures for 51.1%, up 187.8% compared to the 2016 budget. 52% of the budget was provided for the economic affairs sector, and 18% for the environmental protection/housing and collective equipment sector. To finance this budget, the Government planned to raise funds from local banks and by mobilising savings through debt securities to be issued by the Public Treasury on the local market.

In 2018, the Government estimates its revenues to amount to CFAF 1,021.7 billion compared to CFAF 944.4 billion in 2017, an increase of 8.1%, primarily due to the positive impact of the continuation of reforms involving the customs system and the tax directorate. Expenditures are estimated to amount to 1,346.2 billion compared to CFAF 1,318.1 billion in 2017, an increase of 2.1%. This increase in spending would be attributable, among others, to the increase in the current expenditures (CFAF 871.1 billion in 2018 compared to CFAF 820.2 billion in 2017).

The 2019 finance law increasingly directs funding to priority social expenditures, a key objective of the Government, while consolidating budgetary credits around reforms and flagship projects. This remains in line with the fundamental principles that have characterized the Government's budgetary policy since 2016: rigor, transparency, efficient public spending and controlled deficit. The forecasted investment expenditures included in the State budget for 2019 stand at CFAF 439.8 billion and will be used in connection with the implementation through PPPs of major productive projects as well as other projects to be carried out by the *Société des Infrastructures Routières du Bénin and the Société des Patrimoines Immobiliers de l'Etat*. In addition to the 2018 priority sectors (see *"The Priority Budget Sectors in 2018"* below), large investments, reflecting an increase of

8.5% in 2019 compared to 2018, are budgeted to be made in the cultural, tourism and sport, agricultural, digital economy, education and healthcare sectors, reflecting the Government's focus on priority social expenditures affecting people's living standards.

Public Finance Management

In 2009, the Council of Ministers of the WAEMU adopted six new Directives for purposes of harmonising the legal framework for managing public finances in the WAEMU. This new framework institutes, among other things, multi-year expenditure programmes and budgeting by programme and sets out the general principles of the preparation and joint presentation of statistics on the financial transactions of the WAEMU member States. All six directives of the harmonised framework were transposed by Benin into its domestic law. Benin implemented in 2013 Directive n°06/2009/CM/WAEMU of 26 June 2009 regarding finance laws within the WAEMU member States through organic Law n°2013-14 of 27 September 2013, which has given a legal foundation for result-oriented budget management in Benin. Since then, the Government has initiated important reforms with the aim of transitioning to programme-based budget execution and adopting accrual-based accounting for the State's financial transactions.

As part of the implementation of the organic law regarding finance laws, several other regulations concerning the management of public finances have been adopted to give effect to the WAEMU harmonised framework for managing public finances by implementing the following:

- the State Budget Nomenclature established by Decree n°2014-571 of 7 October 2014: this decree sets the fundamental principles of presentation of the general budget, ancillary budgets and special Treasury accounts;
- the State Financial Transactions Table Decree n°2014-573 of 7 October 2014: this decree sets the general principles relating to the preparation and presentation of the statistics on the financial transactions of the WAEMU member States;
- the Accounting Plan of the State established by Decree n°2015-0410 of 2 February 2015: this determines the subject matter of the State's general accounting and the standards, rules and procedures relating to its preparation and the production of the accounts and financial statements, and adopts an accounting plan the basis of which is common to all WAEMU member States; and
- the General Rulebook on Public Accounting established by Decree n°2014-573 of 7 October 2014: it sets the fundamental rules governing the spending of public budgets, accounting, control of finances.

Benin has been receiving technical support for the implementation of the WAEMU public finance framework from several organisations, including the IMF, which carried out technical assistance missions in Benin in April and November 2015 and August 2016. The goal of these missions was notably to help complete a draft of the State Financial Operations Table (*Tableau des Opérations Financières de l'Etat*, **TOFE**), mainly based on the Treasury Accounts (*Balance Générale des Comptes du Trésor*, **BGCT**) and to take stock of the migration process toward the 2009 WAEMU TOFE.

WAEMU Convergence Criteria

The table below presents Benin's performance under the WAEMU convergence criteria for the years indicated:

Criteria	**WAEMU**	**Performance of Benin**					
	Objective/Limit	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Ratio of overall budgetary balance to nominal GDP	≥ -3%	**(2.6)**	**(1.9)**	**(8.0)**	**(6.0)**	**(5.9)**	**(4.8)**
Average annual inflation rate (%)(1)	≤ 3.0%	**1.0**	**(1.1)**	**0.3**	**(0.8)**	**0.1**	**-0.8**
Public Debt (% of GDP) (1).........................	≤ 70.0% in 2019	**25.3**	**30.5**	**42.4**	**49.5**	**54.4**	**56.7**
Ratio of payroll to tax revenue (2)	≤ 35% in 2019	**44.9**	**45.3**	**48.2**	**55.2**	**47.3**	**44.2**
Fiscal pressure rate(2).................................	≥ 20%	**14.8**	**14.6**	**14.5**	**12.6**	**13.3**	**14.7**

Source : Regional Integraion Monitoring Unit (Cellule de suivi de l'intégration régionale), May 2018

(1) First rank criteria

(2) Second rank criteria

Fiscal Policy

The fiscal pressure rate, defined as the ratio of tax revenue to GDP, is intended to measure the Government's efforts to collect taxes in order to meet its spending needs. It is estimated at 14.7% of GDP in 2018, compared to 13.3% of GDP in 2017, and 12.6% of GDP in 2016, well below the 20% threshold set by the WAEMU. The Government's objective is to improve tax collections to reach a rate of 15.1% of GDP by 2021, through the implementation of reforms aimed at modernising the tax and customs administrations, improving their efficiency and streamlining their coordination.

In order to mobilise higher revenues, the 2018 budget law relied on the adoption of certain measures including: (i) strengthened review of tax filings based on better risk assessment and monitoring of large firms; (ii) implementation of penalties for late tax payments; (iii) acceleration of tax litigation cases, (iv) improved tax compliance, (v) the cancellation of certain VAT exemptions, and (vi) a reinforced coordination between tax and customs administration to broaden the tax base. The increase in tax revenues in the 2018 budget also reflected the non-renewal of tax exemptions on GSM licenses for mobile telephone companies, the collection of tax arrears and other special taxes (electronic communications, road fees) and a more effective management of the collection of revenues by all administrative and other related services. The implementation of these measures is ongoing and the Government expects that they will have a tangible impact on total revenues, which are expected to increase by CFAF 88.1 billion, i.e., an increase of 1.4% of GDP in 2019, in accordance with the economic and financial programme currently under way with the IMF supported by the ECF (2017-2020).

The 2019 budget law continues to focus on increasing tax revenue and, to this effect, provides for the following measures: (i) the creation of a tax for the development of sport payable by large companies, the amount of which is set at $1/1000^{th}$ of turnover excluding all taxes of the previous year and is deductible for the computation of income tax; (ii) the creation of a contribution on sales of electronic communication services on networks open to the public, the rate of which is set at 5% of the sales price excluding tax on the service; (iii) the extension of the scope of the tourist tax in hotels and similar establishments and transfer of its collection to the Tax Directorate; (iv) the increase in the tax on tobacco and cigarettes from 40% to 50%; (v) the increase in the tax on exports for cashew nuts, from CFAF 60 to CFAF 70 per kilogram of cashew nuts, and for soybean, from CFAF 10 to CFAF 25 per kilogram of soybean; and (vi) the removal of the exemption from registration fees on contracts and purchase orders.

The Government is also finalising a plan to increase tax revenue collections in the medium term consisting in a temporary suspension of certain real property taxes, customs duties and other taxes whose collection has historically been unsatisfactory due to tax evasion practices. The Government believes that tax evasion is in large part due to the high cost of the taxes concerned. A temporary tax holiday, implemented in 2016, was designed to allow sufficient time for the tax administration to gather information on potential taxpayers by inducing changes in behaviour and encouraging the free reporting of taxable transactions without incurring tax liability. The Government expects that this measure will result in a significant broadening of the tax base, which will allow it to apply materially lower tax rates, thus reducing a key incentive for tax evasion. Based on its estimates, the Government expects that future collections from the relevant taxpayers will significantly increase and will make up for the losses incurred during the suspension period. The Government has not yet decided on a date to terminate the temporary tax holiday and the evaluation of the measure is under-way to determine whether the intended objective has been reached.

The Government is also implementing measures designed to improve customs collections in respect of re-exports of goods to Nigeria, in particular by establishing export exits at the borders between Benin and Nigeria and combating the tax evasions practices of the parties active in that market.

To facilitate the reporting and payment of taxes by taxpayers, the General Directorate for Taxes (*Direction Générale des Impôts*, **DGI**) has set up the integrated tax management system (**Sigtas**). This new information system offers the taxpayer the possibility to use tele-procedures or e-services. Taxpayers can sign up for online filing of tax returns and payment of taxes.

The tax policy and administration reforms undertaken by the State from 2015 to date include the following:

No.	REFORM ACTIONS	OBJECTIVES
1	Creation in 2015 of the Synthetic Professional Tax (*Taxe Professionnelle Synthétique*, **TPS**)	Establish a tax system adapted to micro and small businesses
2	Attachment of the medium-sized businesses tax centre (*Centre des impôts des moyennes entreprises*) to departmental directorates	Improve contributions from medium-sized businesses
3	Creation of two new medium-sized businesses centres in the coastal departments, Ouémé-Plateau	
4	Creation of a platform for the automatic exchange of data between customs, tax and budget authorities (public procurement)	Facilitate data exchange between financial authorities
5	Creation of a data-warehouse and of an analysis and information system	
6	Creation of the national taxpayer register	Control the tax base
7	Increase use of bank accounts for tax payments	Facilitate the payment of taxes for taxpayers

No.	REFORM ACTIONS	OBJECTIVES
8	Establishment of an online tax filing system	Facilitate tax declarations and payments for taxpayers
9	Introduction of the motor vehicle tax	Increase the level of tax revenue
10	Implementation of an online VAT invoicing system	Reduce fraud and tax evasion
11	Implementation of a system alerting taxpayers of tax due dates by SMS	Reduce the tax default rate
12	Establishment of automatic late penalties through the re-configuration of information systems	Reduce the rate of late payment
13	Automatic offsetting of the advance on corporate income (*Accompte sur Impôt assis sur les Bénéfices*, **AIB**) prepayment	Improve the quality of services to taxpayers and ensure fiscal transparency
14	Introduction of a penalty levy payable by taxpayers not known to the tax authorities	Combat fraud and tax evasion
15	Introduction of a second instalment payment based on import profits	
16	Cancellation of certain VAT exemptions	Increase the level of tax revenue
17	Non-renewal of tax exemptions on GSM licenses for mobile telephone companies	
18	Introduction of online payment at the level of large companies	Facilitate payment and reduce the rate of late payment
19	Deployment of the integrated tax and simulated management system (SIGTAS) in 3 medium-sized enterprises centres	Establishment of an online tax deposit system in medium-sized enterprises centres
20	Introduction of online tax filing for medium-sized enterprises	
21	Introduction of the tax for the development of sport due by large companies	Increase the level of tax revenue
22	Introduction of the contribution on the sales of electronic communication services on networks open to the public	
23	Extension of the scope of the residence tax in hotels and similar establishments and transfer of its collection to the Tax Directorate	
24	Raising the tax on tobacco and cigarettes from 40% to 50%	
25	Removal of the tax exemption from registration fees on contracts and purchase orders	

Source: DGI

Transparency, Fight Against Corruption and Public Procurement Framework

According to the 2018 release of the Mo Ibrahim Index of African Governance, Benin scored 63.5 out of 100 on the "Safety & Rule of Law" criterion, which measures corruption in particular, against an average of 52.6 out of 100 in Africa, ranking 15th out of 54 countries in relation to this criteria. According to Transparency International's 2018 Corruption Perceptions Index, Benin ranked 85th out of 180 countries in the world. On 12 October 2011, Benin adopted Law n°2011-20 to strengthen the fight against corruption and other related offences in the Republic of Benin.

The National Anti-Corruption Authority is an autonomous public institution, placed under the supervision of the President, endowed with financial autonomy, created by Law n°2011-20 of 12 October 2011 for the fight against corruption and other related offences in the Republic of Benin, supplemented by Decree n°2012-336 of 2 October 2012 on the powers, organisation and functioning of the National Anti-Corruption Authority. It aims to establish an anti-corruption environment and a society based on civic and ethical values for sustainable development in Benin. The mission of the National Anti-Corruption Authority is to promote and strengthen measures to effectively prevent and combat corruption, promote integrity and accountability, and promote the proper management of public affairs and public property.

On 25 July 2018, Benin enacted Law n°2018-17 of 25 July 2018 on the fight against money-laundering and terrorist financing in the Republic of Benin, which proceeds from the merger of the uniform law on the fight against money laundering with that on the fight against the financing of terrorism. The new law contains new measures such as: (i) the inclusion of specific measures to limit the use of cash in financial transactions, (ii) the inclusion of a component dealing with the fight against the financing of the proliferation of weapons of mass destruction, by taking into account the United Nations Security Council resolutions relating to the prevention, repression and interruption of the proliferation of weapons of mass destruction and its financing, (iii) the integration of provisions relating to the management of risks linked to technological innovation and (iv) the harmonisation of the measures relating to cross-border physical transport declarations of cash with those of the WAEMU community regulation on external financial relations.

The Government is continuing its efforts to improve transparency of the State's transactions and good governance. At the international level, Benin ratified the United Nations Convention against Corruption on 14 October 2004 and the African Union Convention on the Prevention and Fight against Corruption on 20 September 2007. At the regional level, Benin is a member of the Intergovernmental Action Group against Money Laundering in West Africa. Within the OHADA zone, of which Benin is a member country, accounting standards are also being standardised to improve transparency. In addition, the Court for the Repression of Economic and Terrorism Crimes was established on 27 August 2018 to fight corruption and money laundering. This Court was created by Law n°2018-13 of 2 July 2018 amending and supplementing Law n°2001-37 of 27 August 2002 on the judicial organisation in the Republic of Benin, and has already issued several decisions.

The regulatory framework for budgetary transparency in Benin is governed by Decree n°2015-035 of 29 January 2015 instituting the code of transparency in public finance management in the Republic of Benin. This decree (i) defines the principles and obligations for the management of public funds; (ii) sets out the rule of law and democracy principles of legality, transparency, democratic control and accountability in the collection and use of public funds; (iii) determines the missions and responsibilities of the State Institutions in the preservation and use of public funds for the benefit of all; (iv) highlights the short-term and long-term impacts of public finances on the economy; and (v) provides a guarantee of security through the clarity and simplicity of the organisation and procedure for managing public funds. Specifically, this code sets out the State's obligation to publish contracts between the public administration and public or private companies on the one hand, and the main stages of the budgetary procedure and their economic, social and financial implications on the other hand.

Tender procedures are governed by Law n°2017-04 of 19 October 2017 instituting the public procurement code of the Republic of Benin. This public procurement code was designed to further align the Government's public finance management with international best practice, and aims at efficiency and quality in public procurement expenditure, particularly in respect of transparency and the fight against corruption. The code provides for procurement publicity rules, the strengthening of the public procurement control system, measures to simplify public procurement procedures, the extension of the post-contract control period and the strengthening of the sanctions regime and the legal personality of the Public Procurement Regulation Agency (*Autorité de Régulation des Marchés Publics*, **ARMP**).

Since the adoption of the new public procurement code, all contracting authorities have complied with the new publicity rules. Article 63 of the Public procurement code provides that, except in the case of public contracts awarded through a request for quotations, public contracts must be the subject of a call for tenders published in the same terms in the public procurement journal and/or in the daily public service newspaper and, where necessary, in any other widely distributed national and/or international publication and in electronic form.

Among the reforms, the Heads of Public Procurement Control Units previously appointed by contracting authorities within the ministries, State institutions and prefectures are replaced by the Public Procurement Control

Delegates, who report to the National Public Procurement Control Department (*Direction Nationale du Contrôle des Marchés Publics,* **DNCMP**). This measure aims to strengthen the independence of the Heads of the Public Procurement Control Units. Consequently, the National Public Procurement Control Department has recruited new staff to fill these positions and strengthen the capacities of the Departmental Public Procurement Control Departments.

Like the strengthening of the public procurement control system, the use of new measures to simplify public procurement procedures, in particular the quotations procedure, requires the adoption of implementing decrees. To this effect, eleven decrees were adopted by the Council of Ministers on 13 June 2018.

The period of control after performance of the contracts is the period during which the contracting authority, auditors from the National Public Procurement Control Department ARMP auditors and, where applicable, any other auditors may access, for audit and control purposes, accounting documents (sources of financing, statements of invoiced amounts and amounts paid) and tax and customs statements relating to contracts. Under the former code, this period was 3 years. However, in view of their importance for the performance of the controls provided for by the law, this period is extended in the new code to 10 years from the date of final receipt of the contract.

The public procurement code also strengthened the sanctions regime with the extension of the maximum time period for the exclusion of tenderers from 5 to 10 years.

Budget Process

The budgetary process is set out in decree n°2011-554 of 24 August 2011 on the approval of the schedule for the conduct of budgetary work. Each year, the latter is accompanied by an implementing decree issued by the Minister of the Economy and Finance, which determines the schedule of activities to be carried out as part of the preparation of the finance law for the year. With the adoption of Law n°2013-14 of 27 September 2013 relating to the Finance Laws (**LOLF**), the 2011 decree is being reviewed to take into account the innovations contained in the new organic law, such as the budget orientation debate, the technical meeting and the performance review conference, which is designed to evaluate the objectives of the budgetary process based on specified performance indicators.

In accordance with the legislative and regulatory provisions mentioned above, the Minister of Finance prepares the draft finance bill which he submits to the Council of Ministers for adoption. Once adopted, the finance bill is sent to the National Assembly for examination and vote.

The timetable for the National Assembly review process includes two stages: (i) the budgetary orientation debate which takes place no later than 30 June of each year and (ii) the examination of, and vote on, the finance bill. This approach aims to strengthen budget information for the members of the National Assembly. Thus, at the budget formulation stage, members of the National Assembly are aware of the major macroeconomic assumptions as well as the first estimates of credits to be granted to public policies.

The Government also seeks to give the finance law democratic legitimacy. In seeking consensus around the budget document, the Government has enriched the budget calendar by introducing phases of consultations involving the private sector, civil society, trade unions and others. These exchange frameworks make it possible to discuss and improve the Government's proposed policies and budget choices.

After the law has been passed, it is signed into law by the President of the Republic before being put into effect.

The main steps in the budget preparation process are as follows:

- Formulating : The LOLF requires the preparation of multi-annual framework documents to justify the budget choices of the finance law for the year. These documents present the medium-term (three years) changes in the allocations under the Finance Law and their impact on the general balance of public finances. They are referred to in Articles 56 and 57 of the LOLF and are referred to as the Multi-Annual Budgetary and Economic Programming Document (**MBEPD**) and the Multi-Annual Expenditure Programming Document (**MAEPD**).

  The preparation of the first versions of these documents stems from the process of formulating the finance law, which includes the review of sectoral expenditure, the definition of the Government's political guidelines and the preparation of the expected macroeconomic and budgetary frameworks.

- Programming : During the programming phase, the main tools and documents are designed which will allow to make available to sectoral ministries the budgetary ceilings enabling them to draw up their budgets. The main tasks to be carried out in this phase are:
  - Assessment of payroll data;
  - Preparation of the initial MAEPDs; Circulars of the Ministry of Economy and Finance;
  - Preparation of the preliminary report for the Budgetary Orientation Debate;

- Preparation, introduction and adoption of a statement on the decree transmitting the initial MBEPD to the National Assembly;
- Organisation of the Budgetary Orientation Debate at the National Assembly.

- Budgeting**:** During this phase, all the documents indicated in articles 48 and 49 of the LOLF are finalised.

  The General Directorate for Budget (*Direction Générale du Budget,* **DGB**), which controls the preparation of the final draft, steers the development of sectoral performance documents and coordinates the preparation of the Finance Law for the year and the following budget documents: (i) the Economic and Financial Report; (ii) the Forecast Cash Flow Plan for the execution of the State budget; (iii) the Analytical Note on the Development Programme; and (iv) the Indebtedness Strategy Document and other documents.

  The preliminary drafts of the documents thus prepared are submitted to the Council of Ministers for review and, after being adopted, are passed on to the National Assembly for a vote. The National Assembly makes comments and amendments in accordance with the provisions of Article 62 of the LOLF.

Budget Execution Reforms

As regards revenues, the Government is in the process of modernising the revenue collection system, through the computerisation of services, strengthening the fight against fraud and tax evasion, simplification and automation of procedures and strengthening of the capacity of staff, the interconnection of databases (tax-customs-budget) to better apprehend taxpayers, and the enhancement of regional and international cooperation.

As regards expenditures, since April 2016, the Government has been implementing a policy of budgetary rigor aimed at prioritising public expenditure in favour of investments, particularly projects included in the GAP. To ensure the efficiency of public expenditure, several reforms were carried out and others are under review.

Major reforms that have led to the consolidation of public finances include:

- the tightening of the Government's organisation by decreasing the number of ministries from 28 to 22. This measure and the resizing of the scope of activities of certain public services (e.g., merging of directorates, projects) generated savings amounting to CFAF 142 billion in 2016;
- the creation of the official travel unit: prior to 2015, the Government disbursed on average CFAF 15 billion per year to pay for the official travel and medical evacuations; in 2017, this expense amounted to CFAF 1.7 billion;
- the restructuring of the governance framework of the public investment programme: perks and fuel costs were systematically granted in connection with all projects run by state officials on top of the monthly salaries; this double compensation was terminated, generating annual savings of CFAF 8 billion in operating expenses;
- the interconnection of the database for the management of the career of state agents and the payroll database: this reform enables, from automatic cross-checks, to effectively only pay agents known to the Ministry of the Public Service and the Ministry of Finance;
- the biometric census of State civil and military staff; and
- the systematic use of the banking system to process salary payments for the State staff, which took place in two stages: the first stage related to the civil staff including officers in diplomatic positions, and the second related to agents of the Benin armed forces. Benin is the only country in the WAEMU region that has achieved the payment of military salaries through the banking system.

Income and Expenditure

The table below shows the Government's financial transactions for the periods indicated:

	2013	2014	2015	2016	2017	2018[1]	2019 (budgeted)
				(in CFAF billions)			
Total revenue (excluding grants)	**795.5**	**780.8**	**819.5**	**745.7**	**944.4**	**1,021.7**	**1,112.4**
Tax revenues	668.2	701.2	713.1	641.1	712.8	777.7	935.6
Non-tax revenues	127.3	79.5	106.4	104.6	231.6	244.0	176.8
Grants	40.9	44.0	28.8	34.6	57.3	54.5	90.8
Total expenditure	**952.0**	**916.5**	**1,242.3**	**1,086.3**	**1,318.1**	**1346.2**	**1,376.6**
Current expenditure	*632.8*	*653.4*	*845.3*	*781.1*	*820.2*	*871.1*	*925.1*
Current expenses (excluding interest)	*612.9*	*635.1*	*809.0*	*717.8*	*713.8*	*743.4*	*771.2*
Of which: Personnel expenses	*300.3*	*317.4*	*343.4*	*353.8*	*337.3*	*378.3*	*397.7*
Interest on debts	*19.9*	*18.3*	*36.3*	*63.3*	*106.4*	*127.7*	*153.9*
Capital expenditures	*288.1*	*249.6*	*376.9*	*299.6*	*491.5*	*475.0*	*451.5*
On domestic financing	*133.8*	*114.6*	*216.6*	*178.5*	*313.0*	*257.0*	*220.4*
On external financing	*154.3*	*135.1*	*160.3*	*121.1*	*178.5*	*218.0*	*231.1*
Net loans	*31.2*	*13.5*	*20.2*	*5.5*	*6.4*	*0.0*	*0.0*
Primary balance (on own funds)	*48.8*	*31.1*	*(206.1)*	*(150.6)*	*(82.4)*	*21.2*	*120.7*
Overall balance (excluding grants)	**(156.5)**	**(135.8)**	**(422.9)**	**(340.6)**	**(373.8)**	**(324.6)**	**(264.3)**

Source: CSPEF, MEF

[1]*The 2018 data are the latest estimates available. They are subject to slight modifications until the 4th review of the program with the IMF in April 2019.*

Revenue Analysis

Revenue recorded in the budget account includes tax and non-tax revenue. Benin's budgetary resources are essentially based on tax revenues, which represented an average of 83.1% of budgetary revenues between 2013 and 2018.

Budgetary revenues in 2015 amounted to CFAF 819.5 billion, including CFAF 713.1 billion in tax revenues (CFAF 345.7 billion for customs and CFAF 367.4 billion for taxes) and CFAF 106.4 billion in non-tax revenues.

Budgetary revenues in 2016 amounted to CFAF 745.7 billion, compared with CFAF 819.5 billion in 2015, i.e. a decrease of 9% in revenues. This decrease is primarily due to reduced customs revenues in connection with the decline in economic activity in Nigeria, as a result of (i) the collapse of oil prices; (ii) the appreciation of the US dollar combined with the depreciation of the naira, which led to decreased buying power among Nigerian economic operators active in the Port of Cotonou; and (iii) the tightening by Nigeria of restrictions on imports by land of certain revenue-generating goods.

Grants amounted to CFAF 34.6 billion in 2016, compared to CFAF 28.8 billion in 2015, representing an increase of 20.1%.

In 2017, budgetary revenues were CFAF 944.4 billion, compared to CFAF 745.7 billion in 2016, an increase of 26.6% compared to 2016, primarily due to (i) effects of customs reforms, such as the introduction of transactional values, the increase of the adjusted values of certain revenue-generating products such as rice, oils, poultry and fish, the continuation of the extension of SYDONIA WORLD, a customs management software, to all customs units, and the introduction of scanning and tracking processes; (ii) the implementation by the tax authorities of new measures, such as the implementation of a monitoring system for corporate tax returns and the promotion of the use of banks for tax revenues; and (iii) the implementation of the reform with regard to income from the Intermediate Revenue Department and the collection of fees for the use and management of radio spectrum resources. The implementation of the reform with regard to income from the Intermediate Revenue Department aims to capture all revenues collected by the public administration by tracing in the Treasury's books all the operations of the central and deconcentrated administrative entities as well as those of the decentralised collectivities. With regard to the collection of the fee for the use and management of the radio spectrum resources, the two major GSM operators (SPACETEL and ETISALAT) had signed an agreement with Benin, respectively in 2012 and 2013 by which they were granted a total exemption from payment of the fees over a period of four years. As the exemptions they enjoyed came to an end in 2016 and 2017, Benin has decided to resume the invoicing of these licence fees.

For 2018, budgetary revenues are estimated at CFAF 1,021.7 billion compared with CFAF 944.4 billion in 2017, an increase of 8.1% primarily due to the positive impact of the continuation of reforms involving the customs system and the tax directorate. Customs reforms include: (i) the implementation of a new tax management system with a data warehouse equipped with an intelligent business analysis system; (ii) the implementation of certified electronic milling machines; (iii) the use of bank to manage tax revenues for the benefit of large companies with a view to gradually extending them to other taxpayers; (iv) the introduction of online procedures (tele-declaration and tele-payment) generalised to large companies; (v) the reform of the Unique Fiscal Identifier registration system through SIGTAS; (vi) the simplification of procedures for issuing tax certificates; (vii) the introduction of the VAT option for small companies covered by the synthetic professional tax; (viii) the introduction of a new AIB rate of 3% of the customs value plus all duties and taxes payable, with the exception of VAT, for imports of goods made by companies in high-risk categories.

Grants are estimated at CFAF 54.5 billion in 2018 (including the CFAF 28.9 billion transfer from the EU to Benin in 2018, which represents 2.2% of the general State budget expenditure planned for 2018), compared to CFAF 57.3 billion in 2017, representing a decrease of 4.8%.

Expenditure Analysis

Budgetary expenditures include operating expenses (including financial charges associated with external public debt and the remuneration of State agents), investment expenditure, and transfers and direct State expenses.

The total expenditure and net loans amounted to CFAF 1,242.3 billion in 2015. Current expenditure for 2015 amounted to CFAF 845.3 billion and interest on external and domestic debts amounted to CFAF 36.3 billion. Net loans stood at CFAF 20.2 billion.

In 2016, current expenditure was globally in line with budget and decreased by 7.6%. Budgeted capital expenditures from own resources decreased by 17.6% compared to 2015. Capital expenditures financed from external resources decreased by 24.4%, reaching 2.4% of GDP. Thus, over the course of 2016, total expenditures reached CFAF 1,086.3 billion, compared to CFAF 1,242.3 billion in 2015, representing a decrease of 12.6%.

In 2017, total expenditures increased from CFAF 1,086.3 billion in 2016 to CFAF 1,318.1 billion in 2017. Current expenditures increased from CFAF 781.1 billion in 2016 to CFAF 820.2 billion in 2017. Capital expenditures increased by 64.0% from CFAF 299.6 billion in 2016 to CFAF 491.5 billion in 2017, mainly due to the start of works on the GAP projects.

For 2018, total expenditure is estimated at CFAF 1,346.2 billion compared to CFAF 1,318.1 billion and CFAF 1,086.3 billion in 2017 and 2016 respectively. They are composed, on the one hand, of current expenditure amounting to CFAF 871.1 billion and, on the other hand, of capital expenditure estimated at CFAF 475.0 billion.

The Priority Budget Sectors in 2018

In 2018, the second year of implementation of the GAP, the implementation of public policy was strengthened in a number of sectors:

- The infrastructure and transportation sectors: in line with its plan to reduce the infrastructure deficit, to open up isolated areas that are known to have agricultural potential and to facilitate the transportation of agricultural goods, the Government allocated CFAF 91.6 billion in funding to the infrastructure and transportation sectors, representing 18.4% of the total amount of public investment in the 2018 budget.

- The energy and water sector: the Government's ambition for these sectors is to make energy, an essential factor in economic development, and water, an indispensable resource for life and socioeconomic development, available to all households and all sectors of the economy at lower costs. 15.1% of the amount of public investment in the 2018 budget, representing CFAF 75.5 billion, was earmarked for the following objectives: (i) developing sectors of economic activity relating to modern energy sources; (ii) securing the supply of electricity; (iii) using renewable energy sources; (iv) establishing conditions conducive to private investment in the energy sector; (v) providing universal and equal access to drinking water at an affordable price; (vi) promoting and developing water management; (vii) providing quality, sufficient and cost-effective energy services.

- The sanitation sector (living conditions and sustainable development): The Government allocated CFAF 70 billion, or 14.0% of the amount of public investment in the 2018 budget, to the sanitation sector. This amount is intended to cover expenses relating to action carried out in connection with (i) the promotion of land use planning and the efficient and sustainable management of the environment, climate change and natural resources; (ii) the sustainable, integrated management of forests and other natural resources; (iii) the promotion of available administrative buildings and social, affordable housing for as many Beninese citizens as possible.

The 2019 Budget

The 2019 finance law remains in line with the fundamental principles that have characterised the Government's budgetary policy since 2016: rigor, transparency, efficient public spending and controlled deficit.

The forecasted investment expenditures included in the State budget for 2019 stand at CFAF 452 billion, primarily due to the planned implementation of major productive projects, including through PPPs. Other projects are to be implemented by the *Société des Infrastructures Routières du Bénin and the Société des Patrimoines Immobiliers de l'Etat*.

In addition to the 2018 priority sectors, the Govervnment plans to make large investments in priority social sectors, reflecting an 8.5% increase compared to 2018. These expenditures are geared toward a positive impact on people's living conditions and include such sectors as health, tourism, sport, energy, water, agriculture, culture, education, digital economy, and living standards. These investments will focus on (i) the implementation of the pilot phase of the ARCH project, particularly in its "health insurance" and "mobile micro-credit" components and its expansion; (ii) the strengthening of existing social programmes (enhancing the national integrated school meals programme; free measures in the health sector and their extension to new programmes such as palliative care; drug subsidies); and (iii) tax relief measures to promote entrepreneurship.

The table below presents a comparison of 2017, estimates of the 2018 budget and 2019 budget:

(in CFAF billions)	**2017**	**2018 Estimates**	**2019 Budgeted**
Total Revenues	**944.4**	**1,021.7**	**1,112.4**
Tax revenues	712.8	777.7	935.6
Foreign trade taxes	316.0	348.3	421.1
Direct and indirect taxes	396.8	429.4	514.1
Non-tax revenues	231.6	244.0	176.8
Total expenditure and net loans	**1,318.1**	**1,346.2**	**1,376.6**
Current expenditure	820.2	871.1	925.1
Primary current expenditure	713.8	743.4	771.2
Salaries and wages	337.3	378.3	397.7
Pensions and scholarships	95.6	92.8	99.3
Current transfers	166.6	170.0	173.1
Subsidies to the cotton sector	0.0	0.0	0.0
Subsidies to the energy sector	0.0	0.0	0.0
Other current expenditure	114.3	101.2	101.2
Interests	106.4	127.7	153.9
Domestic debt	88.4	111.4	121.9
External debt	18.0	16.3	32.0
Capital expenditure and net lending	497.9	475.0	451.5
Equipment	491.5	475.0	451.5
Financed from domestic resources	313.0	257.0	220.4
Financed from external resources	178.5	218.0	231.1
Net loans (- = reimbursement)	6.4	0.0	0.0
Overall deficit (scheduling basis, excluding grants)	**-373.8**	**-324.6**	**-264.3**
Primary balance	-267.3	-196.8	-110.4
Basic primary balance	-82.4	21.2	120.7
Variation in arrears	-5.3	-10.0	-10.0
External debt	0.0	0.0	0.0
Expenditure for closed financial years (net)	-5.3	-10.0	-10.0
Overall deficit (cash basis, excluding grants)	**-364.4**	**-334.6**	**-274.3**
Financing	**364.4**	**334.6**	**274.3**
Domestic financing	185.9	-54.9	36
Bank financing	-69.6	-58.1	162.1
Net use of IMF resources	17.9	13.3	11.9
Disbursements	25.8	25.0	24.4
Reimbursements	-7.9	-11.7	-12.5
Others	-87.4	-71.4	150.2

(in CFAF billions)	2017	2018 Estimates	2019 Budgeted
Non-bank financing	255.5	3.2	-126.1
Privatisations	0.0	0.0	0.0
Restructurings	-7.0	-7.0	2.0
Others	262.5	10.2	-124.1
External financing	178.5	389.5	238.3
Project-financing	178.5	218.0	231.1
Grants	43.3	37.0	67.5
Loans	135.3	181.0	163.6
Amortisation payable	-51.8	-28.8	-38.2
Budget support	51.7	200.3	45.4
Financing gap	**0.0**	**0.0**	**0.0**
Financing requirement (- = excess)	**0.0**	**0.0**	**0.0**
For the record:			
GDP	*5,371.0*	*5,783*	*6,269.0*

Sources: DGB and IMF Staff (2018)

The table shows only the net financing and does not take into account the principal repayments. According to the Finance Law for 2019, gross financing needs amount to CFAF 665.6 billions.

At the end of September 2018, budgetary resources stood at CFAF 715.5 billion, compared to a forecast of CFAF 707.1 billion, representing an implementation rate of 101.2%. This includes CFAF 566.6 billion in tax revenues (92.5%), for a forecasted CFAF 612.4 billion, and non-tax revenues in the amount of CFAF 148.9 billion (157.2%), for a forecasted CFAF 94.7 billion. This performance is explained by a good level of recovery of various exceptional revenues (+510.4%, a figure that reflects in particular the forced recovery of claims due by Marlan's Cotton Industry to the Beninese State for an amount of CFAF 3.5 billion (Marlan's Cotton Industry did not honor its commitments towards Benin in the previous cotton campaigns leading to the seizure and sale by Benin of Marlan's Cotton Industry's cotton processing plants) and the recovery of the specific tax known as the "development contribution" amounting to CFAF 2.5 billion from the GSM operator Spacetel Benin), fees and forest taxes (302.5%) and income from GSM communication fees (+126.7%), among others.

Extraordinary revenues in an amount of CFAF 70 billion stemmed from the telecommunication operator MTN. This amount is the result of the settlement Benin and MTN reached for their litigation about the amount of the licence fees to be paid at the end of the licence fee payment exemption period for the years 2016 and 2017.

Expenditure at the end of September 2018 amounted to CFAF 940.9 billion, compared to a forecast of CFAF 988.4 billion, representing an implementation rate of 95.2%. Total expenditure includes current expenditure, investment expenditure and net loans from the State. Current expenditure amounted to CFAF 641.8 billion (68.2% of total expenditures) at the end of September 2018 for a forecast of CFAF 630.8 billion, i.e. an implementation rate of 101.7%. Current expenditure includes payroll, pensions and scholarships, current transfers and interest charges.

The payroll was implemented at CFAF 278.1 billion at the end of September 2018, exceeding the CFAF 264 billion target by CFAF 14.1 billion, representing an implementation rate of 105.3%. This acceleration is mainly due to the early commitment of personnel credits in the fourth quarter of 2018 for State agencies and bonuses granted in the fourth quarter of 2018 for employees of ministries and State agencies.

With respect to pensions and scholarships, 90.9% of the quarterly target of CFAF 25.2 billion was met. The difference is linked on the one hand to the non-inclusion of small amount pensions in the bank-based payment system (pensions below CFAF 50,000 are paid on demand outside the banking system), and on the other hand to the low implementation of expenditure relating to school and university allowances (less than CFAF one billion in the first quarter).

As regards current transfers, the implementation rate at the end of September 2018 was CFAF 129.1 billion (101.3% of the CFAF 127.4 billion target set out for the first three quarters). For other current expenditures, the implementation rate was 104.1%, i.e. CFAF 70.7 billion, for a forecast of CFAF 67.9 billion.

Financial charges stemming from public debt reached CFAF 91.3 billion at the end of September 2018, for a forecasted CFAF 93.1 billion, representing an implementation rate of 98.1% in line with the debt service management schedule.

As regards investment expenditure, out of a forecast of CFAF 357.6 billion, CFAF 299.2 billion was implemented at the end of September 2018, i.e. an implementation rate of 83.7%. The delay in the implementation of capital expenditures in the first nine months of 2018 is linked to the low level of implementation of capital expenditure financed from external resources, which stood at CFAF 110.4 billion out of a forecasted CFAF 167.9 billion at the end of September 2018.

Taxation

The Government is committed to improving tax revenue collections and is implementing a number of measures to this effect. See *"Fiscal Policy".*

The General Directorate for Taxes

In accordance with the provisions of Article 104 of Decree n°2017-041 of 25 January 2017 on the allocation, organisation and operation of the Ministry of the Economy and Finance, the DGI is competent with regard to direct taxes and similar taxes, indirect taxes and similar taxes, except those payable on importation or exportation, and registration and stamp duties or similar taxes.

In carrying out its mission, the DGI is responsible for:

- the determination of the tax base, the audit and the collection of all taxes, levies, duties, fines and tax penalties of all kinds provided for or to be provided for by laws and regulations for the benefit of the State and local authorities;
- litigation, claim of equitable relief and relief from taxes, levies, duties, fines and tax penalties of all kinds provided for or to be provided for by laws and regulations for the benefit of the State and local authorities within the limits of its jurisdiction;
- the collection of tax and incidental tax revenues and their repayment to the Treasury, tax audits, the management of tax exemptions and the fight against fraud and tax evasion;
- the preparation of draft laws and regulations concerning taxes for the legislator and the regulatory authority, and the drafting of instructions in application of these general regulations;
- the application of the procurement contracts submitted to the DGI for an opinion;
- the management of the Single Window of Financial Statements which collects and centralises financial information on the companies' annual accounts to ensure intangibility and reliability of financial information and to put an end to the practice of multiple balance sheets;
- the joint preparation by the General Directorate for the Treasury of the agreement relating to the tax and incidental tax revenues collected and paid back to the Public Treasury and the situation of the outstanding amounts to be recovered;
- drawing up administrative and management accounts and forwarding them to the Chamber of Accounts of the Supreme Court for examination; and
- the Single Treasury Account, which is a set of unified accounts giving an accurate picture of the Government assets, and whose main objective is to ensure effective control of the Government's cash flow and facilitate management of the Public Treasury.

Certain Duties and Taxes

Benin's main source of tax revenues is VAT, followed by personal income tax and corporate income tax, representing estimates of CFAF 225.5 billion, CFAF 107.3 billion and CFAF 71.8 billion, respectively, in 2018.

Value Added Tax (VAT)

VAT is applied to activities carried out against payment such as deliveries of goods and provisions of services. Imports, operations carried out by developers and real estate agents, transports and the delivery of materials extracted in Benin are also subject to VAT.

The WAEMU set the basic rate of VAT at between 15% and 20%, with a restricted list of exemptions. In Benin, VAT base rate is 18%.

However, in accordance with WAEMU community standards, WAEMU member States have the option of applying a reduced VAT rate ranging from 5% to 10% for certain products and operations. In Benin, no reduced VAT rate is applied.

Benin's VAT revenues were CFAF 163.7 billion, CFAF 148.8 billion, CFAF 196.3 billion in 2015, 2016 and 2017, respectively. The estimated collection for 2018 is CFAF 225.5 billion.

Personal Income Tax

Benin's personal income tax system includes category-specific taxes: land income; industrial, commercial and agricultural and craft profits; wages and salaries; non-commercial profits; and capital gains.

Personal income tax is a progressive tax with a rate ranging from 0 to 45% and a deduction system for family situation and expenses.

Benin's personal income tax revenues were CFAF 81.8 billion, CFAF 89.7 billion and CFAF 90.2 billion in 2015, 2016 and 2017, respectively. The estimated collection for 2018 is CFAF 107.3 billion.

Corporate Income Tax

The corporate income tax rate is 25% for legal entities having an industrial activity and mining companies and 30% for legal persons other than industries and mining.

Benin's corporate income tax revenues were CFAF 67.2, CFAF 83.4 billion and CFAF 63.4 billion in 2015, 2016 and 2017, respectively. The estimated collection for 2018 is CFAF 71.8 billion.

Export levy on Agricultural Products

The CAR is a tax levied on agricultural products, particularly on cotton fibres and seeds. It was instituted by Law n°2016-2014 of 20 July 2016.

In 2019, export levy on agricultural product is CFAF 10 for each kilogram of seed and cotton fibre, CFAF 70 for each kilogram of cashew nuts and CFAF 25 for each kilogram of soybean.

The CAR enabled the Government to collect CFAF 10.64 billion for the year 2018 compared to CFAF 5.8 billion in 2017. The budget for 2019 provides for CFAF 12.4 billion to be collected over the year.

As for seed and cotton fibres, the amount collected is CFAF 3.3 billion for 2018 compared to CFAF 2.0 billion in 2017 (see "*Economy – Main Sectors of the Beninese Economy – Agricultural Sector – Cotton"* above).

The table below presents the amount of taxes collected for the years 2013 to 2018:

Type of Tax	**Implementation (CFAF billion)**					
	2013	**2014**	**2015**	**2016**	**2017**	**2018 (Estimates)**
Corporate Income Tax	**50.8**	**57.8**	**67.2**	**83.4**	**63.4**	**71.8**
Income Tax	**71.7**	**82.1**	**81.8**	**89.7**	**90.2**	**107.3**
Income Tax – Individual	20.5	14.6	12.8	12.7	14.1	17.2
Capital Gains	10.5	11.7	13.3	17.2	16.1	20.1
Land income	1.8	2.3	2.7	3.6	3.7	5.7
Salaries	38.9	53.5	53.0	56.1	56.2	64.3
Domestic VAT	**122.5**	**144.9**	**163.7**	**148.8**	**196.2**	**225.5**
Excise Duties	**14.2**	**15.9**	**18.0**	**15.0**	**12.7**	**16.2**
Beverage tax	14.1	14.9	15.8	12.8	10.7	13.7
Coffee tax	0.0	0.0	0.0	0.0	0.0	0.0
Wheat flour tax	0.1	0.1	0.1	0.1	0.2	0.2
Tobacco and cigarette tax	0.0	0.8	1.0	0.9	0.8	1.1
Tax / Perfumery products & cosmetics	0.0	0.0	0.0	0.0	0.0	0.0
Tax/Edible oils and fats	0.0	0.0	0.0	0.0	0.0	0.0
Passenger vehicle taxes	0.0	0.0	1.1	0.0	0.0	0.0
Tax/Large-cylinder vehicle	0.0	0.0	0.0	1.3	1.1	1.2
Tax/Scrap	0.0	0.0	0.0	0.0	0.1	0.1
Oil tax	**2.0**	**2.4**	**2.9**	**3.5**	**2.9**	**2.0**

Source: RNI /DGI

PUBLIC DEBT

Overview

To finance its development, Benin has intensified its use of domestic and external debt in recent years. As a result, outstanding public debt amounted to CFAF 3,280.5 billion as of 31 December 2018, with a public debt ratio of 56.7% of nominal GDP for 2018, as compared to 54.4% in 2017.

Public debt comprises domestic and external debt. As of 31 December 2018, the majority of Benin's public debt is domestic debt, which accounts for 53.3% of total public debt. External debt accounts for 46.7% of total public debt, with 67.4% of external debt on concessional terms. The percentage of external debt, which represented more than 90% of total public debt from 2000 to 2006, decreased considerably from 54.2% of GDP in 2000 to 38.6% of GDP in 2004, one year after Benin reached the completion point under the HIPC initiative, and from 39.6% of GDP in 2005 to 10.8% of GDP in 2006, primarily as a result of Benin benefitting from the MDRI. Benin did not benefit from a Reduction and Development Contract (*Contrat de Désendettement et de Développement*) because its debt to France was zero as a result of the debt relief obtained at the HIPC completion point. From 2007, external debt increased in a continuous manner from 11.4% of GDP in 2007, 12.8% of GDP in 2009, 17.9% of GDP in 2014, 22.1% of GDP in 2017 and 26.5% of GDP in 2018. This increase is primarily due to continued borrowing and, to a lesser extent, the deterioration of terms of trade. As of the end of 2018, domestic public debt represented 30.2% of GDP.

The table below sets forth indebtedness ratios for the periods indicated:

	2013	2014	2015	2016	2017	2018 (e)
Population (in millions of inhabitants)	10.0	10.0	10.3	10.7	11.0	11.4
Outstanding public debt (in CFAF billions)	1,144.0	1,461.8	2,080.5	2,513.0	2,927.4	3,280.5*
Nominal GDP at current prices (in CFAF billions)	4,523.8	4,799.5	4,903.8	5,084.0	5,371.0	5,783.0
Public debt / Population (in thousands of CFAF)	114,4	146.4	201.7	235.9	266.1	287.8
Public debt / GDP (as a %)	25.3	30.5	42.4	49.5	54.4	56.7

Sources: *CAA/DGAE/INSAE*

* Of which CFAF 52.5 billion under the Asphaltage facility. The purpose of the Asphaltage facility is to finance the payment of amounts due under the various contracts related to phase 1 of the Asphaltage Project (**Phase 1**), which consists of the construction, layout and maintenance of roads in the nine largest cities of Benin. The facility amounts to EUR 350 million (or CFAF 229.6 billion), has a final maturity of 10 years and a weighted average maturity of 6.25 years. Unlike most project-based loans, the facility amount was fully disbursed upfront, as prevailing market conditions did not allow the lender to keep funds available over the life of the project (2 to 3 years) and to commit these funds in the long-term.

In the second half of 2018, the amount of EUR 350 million was fully disbursed into a segregated account at the BCEAO. Funds may only be withdrawn from such segregated account for payment to identified contractors in connection with Phase 1. The Government is required to inform the lender prior to the withdrawal of any funds and to provide satisfactory evidence as to the actual use of funds within a certain timeframe thereafter. The Government is also subject to information undertakings on the progress of the project. The government expects to allocate all funds for payments to contractors over the course of Phase 1, in the next 2 to 3 years.

As at the end of 2018, the Government had withdrawn CFAF 52.5 billion (equal to EUR 80 million, or 23% of the facility) from the segregated account, which corresponds to the amount set forth in the table above, in accordance with the treatment applied to the facility by the Government in order to fully illustrate the peculiarities of the facility. The majority of the amount available under the facility is held in the form of cash in the above-described BCEAO segregated account, and this cash may not be used for general budgetary purposes. The Government has used the same treatment in its disclosures to rating agencies and the IMF. These institutions have all been notified of the year end-2018 debt figures set out above. The IMF has been notified of the amount drawn as of end-2018, as part of regular data exchanges, but the details of the treatment will only be discussed during the next IMF visit to Benin as customary in the context of the ECF programme.

Given the upfront disbursement of the facility, interest payments accrue on the facility amount in full, and not only on the portion effectively withdrawn by the Government from the segregated account. Interest payments are made, and principal repayments will be made when they are due, directly from government budgetary funds. This debt ranks pari passu with other external liabilities of the Government.

The steady increase in the indebtedness ratio in recent years is due to numerous investments in infrastructure projects, namely road and hydroelectric projects financed through the issuance of Government securities and loans from local banks.

The ambitious public investment programme under the GAP and the corresponding debt financing needs will require Benin to strengthen public debt management to preserve long-term debt sustainability. According to the IMF Country Report n°18/01, Benin's total public debt (both external and domestic) is projected to rise due to the scaling up of public investment under the GAP until 2019. To preserve debt sustainability, the Government is committed to ensuring that the fiscal consolidation programme supported by the ECF continues to be implemented successfully. This programme entails various reforms designed, in particular, to reduce inefficient public expenditure (for example, by reducing the number of ministries), to increase State revenues (by broadening the tax base and by improving collection mechanisms for taxes and customs fees) and to reduce tax and customs fraud (by improving computerisation and implementing a tracking system for goods in transit).

The Government believes that prudent debt management is needed to smooth the long-term debt service profile and safeguard Benin's classification of moderate risk of debt distress under the IMF's latest DSA (see IMF Country Report n°18/364 of December 2018). Based on the above, the Government has initiated an innovative debt reprofiling process. Between September and December 2018, Benin partially re-profiled its domestic debt service payments with the joint support of the World Bank (through the use of an IDA policy-based partial guarantee) and the African Trade Insurance Agency (through a credit insurance coverage for sovereign default risk). This joint support enabled Benin to raise less expensive and longer-term financing from international commercial banks in the amount of EUR 260 million. The proceeds of this loan, which is repayable over a period of twelve years, were used to partially prepay short maturity domestic public debt. In essence, the Government refinanced a portfolio of 13 bank loans bearing a weighted average interest rate of 7.5%, for a weighted average maturity of 3 years, with a new international bank loan bearing an interest rate of 3.8%, for a weighted average maturity of 7.2 years. The refinancing entails savings of approximately €9.6 million, or CFAF 6.3 billion, in interest payments a year. The Government's objective is to replicate such a refinancing structure with other international banks in order to re-profile all the domestic debt with short maturities and high cost by the end of 2019.

Public Debt Management Policies

Following the HIPC and MDRI public debt relief programmes, Benin has adapted its institutional framework to WAEMU community norms and international standards. The Government is committed to pursuing a sustainable debt policy as part of its overall public finance management programme to facilitate the implementation of the GAP and accelerate the pace of economic growth. The objective of the Government's public debt management strategy is to ensure that (i) the State's financing needs and its payment obligations are met at the lowest possible cost over the medium- and long-term; (ii) the risk associated with the public debt portfolio is maintained at a prudent level; (iii) the debt viability and sustainability indicators remain below the IMF and WAEMU thresholds; and (v) the development of the State's securities markets is fostered.

As part of the implementation of the Government's public debt management strategy, the following regulations were enacted:

- Decree n°2016-1255 of 31 March 2016 on the procedures for granting and managing State guarantees, which defines the conditions under which State guarantees can be granted;
- Decree n°2015-5061 of 6 October 2015 on the delimitation of powers and responsibilities of the Treasury and Public Accounting Department (*Direction Générale du Trésor et de la Comptabilité Publique,* **DGTCP**) and of the Autonomous Amortisation Fund (*Caisse Autonome d'Amortissement,* **CAA**) with respect to public debt management: this decree helped facilitate the reorganisation of the CAA and the DGTCP regarding their back, middle and front offices and to clearly delimit the role of each of these offices in the public debt management process;
- Decree n°2008-721 of 22 December 2008 on the delimitation of powers with respect to public debt management, which clarify the role of each participant in the debt management process;
- Decree n°2008-720 of 22 December 2008 amending and supplementing decree no. 2003-260 of July 31, 2003 which relates to the responsibilities, organisation and functioning of the National Indebtedness Commission (*Commission Nationale d'Endettement,* **CNE**); and
- Decree n°2003-260 of 31 July 2003 relating to the responsibilities, organisation and functioning of the CNE.

The various reforms undertaken aim at achieving the objectives set by the Government. They are mainly based on Regulation n°09/2007/CM/WAEMU of 4 July 2007 relating to the reference framework for public debt policy and public debt management in WAEMU member states, on the IMF and World Bank guidelines on public debt management as well as on various technical assistance reports and evaluations available. Reforms include:

- preparation and adoption of a debt and public debt management policy;

- preparation of the DSA at least once a year;
- preparation of a debt strategy document that is annexed to the finance law;
- the delimitation of tasks between the various actors responsible for public debt management;
- the reorganisation of services relating to front, middle and back office functions;
- the introduction of transparency rules relating to public debt (development of the statistical bulletin and of the report on the public debt management and other published documents and regular updates on the CAA website "www.caabenin.org");
- implementation of procedures for granting State guarantees;
- implementation of a framework for monitoring the debt of public companies and local authorities; and
- enhancement of systems for preserving and securing public debt data.

All these reforms were evaluated by the World Bank through the public debt management performance assessment tool (**DeMPA**) in May 2017. This assessment concluded that Benin has a comprehensive legal framework and a comprehensive and good quality medium-term debt management strategy, consistent with the financing plan. Similarly, in terms of coordination with macroeconomic policies, the DeMPA evaluation confirmed the integration of the results of a DSA into the budget process. The reforms also demonstrate a clear organisational separation of tasks for the main functions of debt management.

IMF Debt Sustainability Analysis and Forecasts

The IMF uses a framework for conducting public and external DSAs to help detect, prevent, and resolve potential debt crises. The DSA framework analyses a country's capacity to finance its policy objectives and service its debt without having to make unduly large adjustments to its fiscal policy, which could otherwise compromise its stability.

The DSA framework has the following three objectives:

(i) assess the current debt situation, its maturity structure, whether it has fixed or floating rates, whether it is indexed, and by whom it is held;

(ii) identify vulnerabilities in the debt structure or the policy framework far enough in advance so that policy corrections can be introduced before payment difficulties arise; and

(iii) in cases where payment difficulties have emerged, or are about to emerge, examine the impact of alternative debt-stabilising policy paths.

The DSA analyses the sustainability of a country's total public debt and total external debt, both of which have a baseline scenario based on macroeconomic projections accounting for the Government's intended policies. The IMF applies a series of sensitivity tests to the baseline scenarios to provide a probabilistic upper bound for the debt dynamics under various assumptions regarding policy variables, macroeconomic developments, and financing costs. The paths of debt indicators under the baseline scenarios and the stress tests allow the IMF to assess a country's vulnerability to a payments crisis.

The September 2017 DSA conducted by the IMF in respect of Benin noted that the present value of Benin's debt as a percentage of GDP remained below the IMF's indicative benchmark of 56%, a level that the IMF links to increased probability of debt distress. The December 2018 DSA report confirms that Benin's risk of debt distress remains moderate. Benin's debt as a percentage of GDP also remains below the WAEMU convergence criteria of 70% of GDP. In the most extreme shock scenario modelled by the IMF, the peak present value of the debt-to-GDP ratio exceeds 50% but remains below the 56% threshold and the WAEMU convergence criteria of 70% of GDP. Overall, the IMF assessed the dynamics in total public debt as being consistent with a moderate risk of debt distress as per the Joint World Bank-IMF Debt Sustainability Framework for Low-Income Countries.

In its Country Report of January 2018, the IMF noted that the rapid increase in domestic debt in recent years calls for strict adherence to the programmed fiscal consolidation path to preserve long-term debt sustainability. The Government's increased reliance on the regional financial market to finance public investment projects has increased the present value of public debt to 48.4% of GDP in 2017. Given the importance of its domestic debt, which includes regional borrowing with shorter maturities, higher interest rates, and lower grace periods, hence its higher weight on the stock of total debt, the IMF notes that the Government's ongoing efforts to strengthen public debt management should be sustained and that Benin should seek longer maturity obligations when issuing securities in the regional financial market.

The IMF's assessment criteria for Benin include a global ceiling on the present value of new external debt contracted or guaranteed by the Government, in an amount of CFAF 468,942 billion as of the date of this Prospectus; there is no individual limit on either non-concessional or concessional external borrowing. The Government intends to continue complying with these IMF assessment criteria.

Based on IMF staff estimates and projections as set out in its Country Report of January 2018, Benin's overall fiscal deficit (on a commitments basis, including grants) as a percentage of GDP is expected to decline from a projected 4.7% for 2018 to become balanced in 2021, before moving to a projected overall surplus for 2022; central government debt is expected to decrease from 55.4% of GDP for 2018 to a projected 36.4% of GDP for 2023; central government revenues are expected to increase from a budgeted 17.6% of GDP for 2018 to projected 18.9% of GDP for 2022; and central government expenditures are expected to decrease from a budgeted 23.7% of GDP for 2018 to a projected 19.0% of GDP for 2022. There can be no assurance that any of the expected, targeted or projected aggregates as prepared by the IMF will be achieved by Benin, and actual results may be materially different from such targets and projections.

Public Debt

The table below sets forth the breakdown of public debt as of 31 December of each indicated year and estimates for 2018:

	2013	**2014**	**2015**	**2016**	**2017**	**2018 (Est.)**
	(CFAF billions, excluding percentages)					
External Debt						
Multilateral Creditors......................	565.84	699.1	821.4	910.7	958.5	1,021.0
IDA (World Bank)	264.4	335.5	409.3	473.9	500.3	541.2
AfDB..	129.4	173.1	199.0	216.4	237.2	244.4
IDB...	61.5	61.9	66.5	68.7	65.1	72.7
IFAD	37.0	39.5	42.5	41.0	37.9	35.7
Others (primarily BADEA and BIDC)..	73.5	89.1	104.2	110.8	118.0	127.0
Bilateral Creditors	91.1	161.1	222.1	228.9	208.0	241.7
People's Republic of China...........	66.4	101.9	147.4	150.6	136.6	166.9
Kuwait Fund for Arab Economic Development	0.0	24.4	29.7	32.8	28.7	26.8
AFD	3.9	3.2	2.4	1.6	6.3	9.6
Others*...	20.8	31.6	42.7	44.0	36.5	38.4
Commercial Debt	-	-	-	-	18.1	269.4
RABOBANK	-	-	-	-	18.1	46.3
Re-profiling Programme	-	-	-	-	-	170.6
Asphaltage Project	-	-	-	-	-	52.5
Total External Debt.........................	677.0	860.3	1,043.6	1,139.6	1,184.6	1,532.1
% Nominal GDP..............................	15.0%	17.9%	21.3%	22.4%	22.1%	26.5%
Domestic Debt						
Statutory Overdraft............................	0	0	0	0	0	0
Banking Debt (including BOAD and BCEAO)..	131.6	150.1	222.2	362.1	450.4	321.3
Treasury Bills....................................	219.1	312.7	231.7	161.5	159.4	160.1
Treasury Bonds	116.3	138.8	583.1	849.8	1,133.1	1,267.0
Total Domestic Debt........................	467.0	601.5	1,036.9	1,373.4	1,742.8	1,748.5
% Nominal GDP..............................	10.3%	12.5%	21.1%	27.0%	32.5%	30.2%

Source: CAA

(*) Includes the debt to India's EXIMBANK (CFAF 15.2 billion), the Abu Dhabi Development Fund (CFAF 2.3 billion) and the Saudi Fund for Development (CFAF 20.9 billion).

NB: The debt to the IMF is managed by the BCEAO and the debt service is carried out by the debit mechanism of the Public Treasury's account opened in the books of the BCEAO. See "Relation with Creditors — Multilateral Debt — International Monetary Fund" below.

The table below sets forth Benin's public debt service for external and domestic debt, excluding debt to the IMF, for the periods indicated:

	2013	**2014**	**2015**	**2016**	**2017**	**2018 (Est.)**
	(CFAF billions)					
External						
Principal.......................................	24.2	22.0	23.3	24.3	51.8	28.78
Interest	7.6	8.2	10.3	11.9	18.0	17.15
Total...	**31.8**	**30.2**	**33.7**	**36.2**	**69.8**	**45.93**
Domestic						
Principal.......................................	276.0	304.6	263.0	212.2	293.0	560.73
Interest	26.6	22.5	30.5	51.4	88.4	111.35
Total...	**302.6**	**327.1**	**293.6**	**263.6**	**381.4**	**672.09**
Total	**334.4**	**357.3**	**327.2**	**299.8**	**451.2**	**718.01**

Source: CAA

The ratio of public debt service to Government revenues increased from 28.1% in 2017 to 34.1% in 2018 after reaching levels of 16.7%, 15.2% and 20.3% in 2014, 2015 and 2016 respectively.

The table below sets forth debt repayment profiles over the next ten years (IMF debt excluded), based on outstanding amounts at 31 December 2018. These profiles do not take into account cash flows relating to future domestic and external financing.

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
					(CFAF billions)						
External											
Principal............	34.0	53.9	70.2	75.7	78.6	80.6	81.8	81.9	82.2	81.3	74.2
Interest	23.2	22.7	21.5	19.9	18.2	16.6	14.8	13.1	11.4	9.8	8.2
Total..................	**57.2**	**76.6**	**91.8**	**95.6**	**96.8**	**97.2**	**96.6**	**95.0**	**93.7**	**91.1**	**82.4**
Domestic											
Principal............	386.2	328.7	408.3	248.4	142.2	67.1	44.6	34.2	36.1	7.2	5.2
Interest	96.6	82.5	62.0	36.8	21.2	12.3	8.1	5.4	3.3	1.2	1
Total..................	482.8	411.2	470.4	285.2	163.4	79.4	52.7	39.6	39.4	8.4	6.2
Total	**540.0**	**487.8**	**562.2**	**380.8**	**260.2**	**176.6**	**149.3**	**134.6**	**133.1**	**99.5**	**88.6**

Source: CAA

The table below sets forth the maturity profile of external and domestic debt as of 31 December 2018:

	Less than 1 year	1 to 5 years	5 to 10 years	10+ years
External Debt......................	0.0%	0.9%	5.2%	93.9%
Domestic Debt....................	12.3%	64.7%	17.6%	5.4%
Total Debt...........................	6.6%	34.9%	11.8%	46.7%

Source: CAA

The average maturity of the total public debt portfolio at the end of 2018 was 7.6 years; that of external debt was 13.0 years and that of domestic debt was 3.0 years. The average interest rate of the total debt portfolio was 4.0% at the end of 2018, of which 1.5% for external debt and 6.1% for domestic debt.

The table below sets forth total public debt by currency as of 31 December of each of the indicated years:

Currency (in CFAF billions)	2013	%	2014	%	2015	%	2016	%	2017	%	2018 (e)	%
US$	60.7	5.3	77.4	5.3	82.2	3.9	84.9	3.4	55.5	1.9	61.9	1.9
EUR...................	26.5	2.3	33.2	2.3	36.1	1.7	35.2	1.4	58.1	2.0	399.9	12.2
CFAF	467.0	40.8	601.5	41.1	1,036.9	49.8	1,373.4	54.7	1,742.8	59.5	1,748.5	53.3
Saudi Riyal (AED)	1.2	0.1	2.1	0.1	2.4	0.1	3.5	0.1	2.6	0.1	2.3	0.1
Kuwaiti Dinar (KWD)	20.0	1.8	24.4	1.7	29.7	1.4	32.8	1.3	28.7	1.0	26.8	0.8
Riyal saoudien (SAR)	1.3	0.1	5.0	0.3	14.7	0.7	14.7	0.6	18.4	0.6	20.9	0.6
Renminbi Yuan (RMBY)	59.1	5.2	93.5	6.4	144.7	7.0	150.6	6.0	136.6	4.7	166.9	5.1
Special Drawing Rights (SDR).....	508.1	44.4	624.8	42.7	733.9	35.3	818.1	32.6	884.8	30.2	853.4	26.0
Total	**1,144.0**	**100.0**	**1,461.8**	**100.0**	**2,080.5**	**100.0**	**2,513.1**	**100.0**	**2,927.4**	**100.0**	**3,280.6**	**100.0**

Source: CAA

Public debt is primarily denominated in CFAF for 53.3% of total public debt as of 31 December 2018, compared to 12.7% of total public debt denominated in US dollars and 20.2% in euros as of such date. Debt in US dollars is primarily owed to the BIDC and the BADEA and represents 27.3% of external debt and 12.7% of total public debt.

The table below lists Benin's issuances of securities outstanding as of 31 December 2018. These securities include public offerings, fungible treasury bonds (*Obligations Assimilables du Trésor*) and fungible treasury bills (*Bons Assimilables du Trésor*).

OUTSTANDING GOVERNMENT SECURITIES AS OF 31 DECEMBER 2018

Issuance date	Designation	Nominal outstanding amount (in CFAF millions)	Interest rate	Maturity or redemption date
Domestic securities				
Public offerings (Bond Issuance)				
28/02/2017	TPBJ 6.50% 2017-2027 (10 years)	171.546.8	6.5	07/04/2027
23/04/2018	TPBJ 6.50% 2018/2025	62.596.3	6.5	27/05/2025
Total Bond Issuances		**234.143.1**		
Fungible treasury bonds (*Obligations Assimilables du Trésor*) (OAT)				
09/10/2014	OAT- 7 years	34.029.6	6.5	10/10/2021
18/03/2015	OAT- 7 years	35.200.0	6.5	19/03/2022
18/06/2015	OAT- 3 years	26.400.0	6.5	19/03/2022
30/07/2015	OAT- 5 years	16.500.0	6.2	31/07/2020
28/08/2015	OAT- 5 years	22.000.0	6.2	31/07/2020
27/10/2015	OAT- 5 years	16.500.0	6.2	31/07/2020
02/12/2015	OAT- 7 years	132.000.0	6.5	03/12/2022
17/12/2015	OAT- 5 years	55.000.0	6.2	18/12/2020
12/01/2016	OAT- 3 years	25.000.0	5.5	13/01/2019
15/03/2016	OAT- 3 years	27.500.0	5.5	16/03/2019
28/06/2016	OAT-7 years	150.000.0	6.1	29/06/2023
02/09/2016	OAT- 5 years	29.547.2	5.5	05/09/2021
13/10/2016	OAT- 5 years	44.000.0	6.0	14/10/2021
03/11/2016	OAT- 5 years	25.000.0	6.0	14/10/2021
10/05/2017	OAT- 3 years	11.980.0	6.0	11/05/2020
25/07/2017	OAT- 5 years	65.431.0	6.1	26/07/2022
09/08/2017	OAT- 3 years	15.634.0	6.0	10/08/2020
30/08/2017	OAT- 3 years	2.404.0	6.0	31/08/2020
30/08/2017	OAT- 5 years	12.575.0	6.1	31/08/2022
30/08/2017	OAT- 7 years	12.521.0	6.3	31/08/2024
21/09/2017	OAT- 3 years	8.349.0	6.0	22/09/2020
21/09/2017	OAT- 5 years	2.330.0	6.1	22/09/2022
21/09/2017	OAT- 7 years	5.239.0	6.3	22/09/2024
21/09/2017	OAT- 10 years	4.416.0	6.5	22/09/2027
18/10/2017	OAT- 3 years	14.060.0	6.0	22/09/2020
07/12/2017	OAT- 3 years	19.153.0	6.0	08/12/2020
01/02/2018	OAT-3 year	5.004.0	6.0	02/02/2021
15/02/2018	OAT-3 year	6.838.0	6.0	02/02/2021
15/03/2018	OAT-5 years	10.228.0	6.1	16/03/2021
15/03/2018	OAT-3 years	8.110.0	6.0	16/03/2023
26/04/2018	OAT-3 years	21.916.7	6.0	27/04/2021
26/04/2018	OAT-5 years	3.934.0	6.1	27/04/2023

24/05/2018	OAT-3 ans	9.639.0	6.0	16/03/2021
05/07/2018	OAT-3 ans	35.885.0	6.0	09/07/2021
06/09/2018	OAT-5 ans	35.221.0	6.1	07/09/2021
06/09/2018	OAT-3 ans	18.019.0	6.3	07/09/2023
18/09/2018	OAT-3 ans	16.500.0	6.1	19/09/2021
25/10/2018	OAT-3 ans	13.322.0	6.1	17/09/2021
29/11/2018	OAT-3 ans	16.500.0	6.1	30/11/2021
14/12/2018	OAT-3 ans	18.991.0	6.0	11/05/2020
Total Fungible Treasury Bonds		**1.032.876.6**		
Fungible treasury bills (*Bons Assimilables du Trésor*) (BAT)				
11/01/2018	BAT - 12 months	19.998.0	Multiple	10/01/2019
13/04/2018	BAT - 12 months	22.000.0	Multiple	15/04/2019
21/06/2018	BAT - 12 months	22.000.0	Multiple	20/06/2019
05/07/2018	BAT - 12 months	41.114.0	Multiple	07/07/2019
10/07/2018	BAT - 12 months	27.500.0	Multiple	09/07/2019
09/08/2018	BAT - 6 months	27.500.0	Multiple	07/02/2019
Total Fungible Treasury Bills		**160.112.0**		
External securities:				
None				
Total Outstanding Securities as of 31 December 2018		**1.427.131.7**		

Source: DGTCP/DTr

External Public Debt

External debt has increased continuously since the achievement of the HIPC completion point in 2003. External debt represented 12.8% of GDP in 2009, 22.4% of GDP in 2016, 22.1% of GDP in 2017 and 26.5% of GDP as of 31 December 2018. This increase was primarily due to new borrowings and the depreciation of the CFAF against the US$.

External debt is comprised of bilateral debt, multilateral debt and commercial debt.

At the end of December 2018, the total amount of external public debt was estimated at CFAF 1,532.1 billion, an increase of 29.3% compared to CFAF 1,184.6 billion in 2017, which represented an increase of 3.9% compared to CFAF 1,139.6 billion in 2016, which already represented an increase of 9.2% compared to CFAF 1,043.6 billion in 2015. The increase in 2018 is attributable, on the one hand, to new commercial bank loans, incurred notably in connection with the debt re-profiling programme (CFAF 170.5 billion) and with the "asphaltage" road infrastructure programme (drawdrown in an amount of CFAF 52.5 billion) and, on the other hand, to drawings made under pre-2018 debt facilities with lenders such as the World Bank (CFAF 50 billion) and Rabobank (CFAF 28.2 billion).

Multilateral creditors hold the largest share of external debt in 2018, with 66.6% of total external debt in 2018 compared to 80.9% in 2017 and 79.9% in 2016. They held CFAF 1021.0 billion in 2018 compared to CFAF 958.5 billion in 2017 and CFAF 910.7 billion in 2016, an increase of 6.5% in 2018 compared to 2017. The principal multilateral creditors are the IDA, the AfDB, the IDB and the IFAD.

Bilateral creditors (including commercial and non-commercial creditors) held 33.4% of external debt in 2018 compared to 19.1% in 2017 and 20.1% in 2016. They held CFAF 511.1 billion in 2018 compared to CFAF 226.1 billion in 2017 and CFAF 228.9 billion in 2016. China is the most significant bilateral creditor with outstanding debt of CFAF 166.9 billion in 2018 compared to CFAF 136.6 billion in 2017, an increase of 22.2% on a year-on-year basis. In 2018, China accounted for 32.65% of total bilateral creditor debt. Chinese loans have an average maturity of 20 years.

Commercial creditors held 17.6% of total external debt in 2018 compared to 1.5% in each of 2017 and 0% in 2016, and non-commercial creditors held 15.8% of total external debt in 2018.

At 31 December 2018, external debt service payments due in a total amount of CFAF 46.0 billion were paid in full. The Government has always honoured all its debt payment obligations to external creditors on time.

Benin benefitted from the HIPC and was declared eligible for the reinforced HIPC initiative in 2000. The country reached the decision point in 2000 and exited the reinforced HIPC initiative in 2003 by reaching the completion point. Multilateral debt was treated in accordance with the MDRI.

Domestic Public Debt

Domestic debt is comprised of (i) public securities, (ii) debt due to the BOAD, (iii) contractual debt due to local Beninese banks, (iv) commercial debt as part of the direct financing of local banks pursuant to mandates granted by the State to the BOAD to use funds to finance several priority projects. Domestic debt is denominated in CFAF.

At 31 December 2017, total domestic debt amounted to CFAF 1,742.8 billion compared to CFAF 1,373.4 billion in 2016 and CFAF 1,036.9 billion in 2015. In 2017, this debt primarily consists of bond issuances of CFAF 1,133.1 billion, or 65.0% of domestic debt, followed by local banks excluding State securities of CFAF 450.4 billion, or 25.8% of domestic debt, and Treasury bills for CFAF 159.4 billion, or 9.1% of domestic debt.

At 31 December 2018, total domestic debt amounted to CFAF 1,748.5 billion compared to CFAF 1,742.8 billion in 2017 and CFAF 1,373.4 billion in 2016. This debt primarily consists of bond issuances of CFAF 1,267.0 billion, or 72.5% of domestic debt, followed by local banks excluding State securities of CFAF 321.3 billion, or 18.4% of domestic debt, and Treasury bills for CFAF 160.1 billion, or 9.2% of domestic debt.

Domestic debt is held by Beninese banks (including the BOAD).

Treasury bills and Treasury bonds are issued on the auction market. Treasury bill issues are multi-rate. Each tenderer offers his subscription and his rate. The nominal value of the bill is CFAF 1,000,000. At the closing of the auction, the Public Treasury evaluates the offers and accepts bids representing rates that allow a return in the desired range. For Treasury bond issues, the Treasury determines the coupon based on maturity and market conditions. The nominal amount of each Treasury bond is CFAF 10,000. Each tenderer offers his offer with a discount on the price. At the close of the auction, the Treasury appreciates the offers and retains the bids in the price limit that allow him not to go into debt at a high yield.

The present value of public debt decreased to 48.1% of GDP in 2018 compared to 48.4% in 2017, but Benin's domestic public debt rapidly grew from 8.6% of GDP to 30.2% of GDP between 2013 and 2018, to account for 53.3% of total public debt in 2018, as a result of the Government's increased reliance on the regional financial markets to finance public investment projects. These regional debt issuances were carried out in a challenging market environment that was adversely affected by a one percentage point increase (from 3.5% to 4.5%) in the interest rates applicable to borrowing through the BCEAO marginal lending window and by the tightening of banks' refinancing conditions. This context explains in part the deterioration of borrowing conditions, which became more expensive, compared to 2016 and remain unchanged in 2018. The average interest rate for Treasury bills with a maturity of three months was 6.09% in 2018 (compared to 5.79% in 2017). The average interest rate for Treasury bills with a maturity of one year increased from 6.01% in 2017 to 6.23% in 2018. There was no issuance of Treasury bills with a maturity of six months in 2018.

As mentioned above, the Government obtained the joint support of the World Bank (through the use of an IDA policy-based partial guarantee), and of the African Trade Insurance Agency (through a credit insurance coverage for sovereign default risk) to raise less expensive and longer-term financing from international banks in the amount of EUR 260 million to re-profile Benin's domestic debt. The proceeds of that new loan have been used to prepay short-maturity domestic public debt. In essence, the Government refinanced a portfolio of 13 bank loans bearing a weighted average interest rate of 7.5%, for a weighted average maturity of 3 years, with a new international bank loan bearing an interest rate of 3.8%, for a weighted average maturity of 7.2 years. The refinancing entails savings of approximately €9.6 million, or CFAF 6.3 billion, in interest payments a year. The Government's objective is to replicate such a refinancing structure with other international banks in order to re-profile all the domestic debt with short maturities and high cost by the end of 2019.

Relations with Creditors

Concessional and Non-Concessional Debt

Compared to non-concessional debt, concessional debt is characterised by loans with lower interest rates, longer maturities and relatively long grace periods. A key objective of Benin's public debt strategy is to prioritise the use of concessional external loans.

Benin's policy is to ensure strict compliance with debt service payment requirements with all its creditors.

Multilateral debt

The primary multilateral debt creditors, according to the share of the outstanding amount as at the end of 2018, are the World Bank (53.1%), the AfDB (23.9%) and the IDB (7.1%).

Paris Club

Benin's first recourse to the Paris Club dates back to 22 June 1989. In total, Benin's external debt was subject to six debt treatments by the Paris Club. These different transactions involved the rescheduling and cancellation of a portion of Benin's external debt to Paris Club creditor countries.

Benin reached the completion point under the reinforced HIPC initiative on 20 March 2003 (with IDA) and on 24 March 2003 (with the IMF). Following the HIPC completion point, representatives of creditor countries in the Paris Club met and agreed to recommend to their Governments a reduction of Benin's total debt due to the commitment Benin showed in implementing an overall economic programme and establishing a base for sustainable economic growth and an overall reduction of poverty.

On 23 April 2003, Benin enjoyed the last treatment of its Paris Club debt. It became the eighth country to benefit from a reduction of its debt owed to Paris Club members under the reinforced HIPC initiative after Uganda, Bolivia, Mozambique, Tanzania, Burkina Faso, Mauritania and Mali.

The details of Benin's recourses to Paris Club debt treatment are set forth in the table below:

	Terms		
Dates	**Countries (decisions of debt reduction)**	**Cancellation Rate**	**Debt amounts cancelled**
22/06/1989	Toronto	33%	US$ 69.7 million
18/12/1991	London	50%	US$ 76 million
21/06/1993	London	50%	US$ 12 million
24/10/1996	Naples	67%	US$ 140 million
24/10/2000	Cologne	90%	US$ 5 million
23/04/2003	HIPCI	100%	US$ 60 million
Total			**US$ 362.7 million**

Source: *Paris Club (www.clubdeparis.org)*

International Monetary Fund

Benin has been a member of the IMF since 10 July 1963 and regularly benefits from the IMF's technical and financial assistance.

To date, Benin has concluded three programmes with the IMF under the ECF. The first programme, concluded on 5 August 2005 for a total of approximately SDR 24.8 million, ended on 30 June 2009. The second programme, concluded on 14 June 2010 for an amount equivalent to SDR 74.3 million ended on 3 June 2014. All disbursements under these two programmes were made and were timely repaid.

On 7 April 2017, the Government entered into a third programme, a three-year ECF agreement with the IMF for an amount equivalent to SDR 111.4 million (approximately US$ 151.0 million, or 90% of Benin's share of entitlement), in support of Benin's economic and financial reform programme.

The ECF agreement concluded with the IMF in 2017 contains structural and policy reforms that the Government intends to implement in every sector of public financial management. These reforms include:

- strengthening fiscal policy and improving the performance of tax and customs authorities in order to further increase revenue;
- improving the functioning of the chain of public spending, namely strengthening multi-year budgeting, cash management and project execution tracking;
- gradually increasing absorptive capacities to increase investment;
- continuously improving the public procurement system;
- strengthening public debt management and encouraging private sector investment; and
- reinforcing institutions and improve the business climate, while maintaining debt sustainability.

On October 2018, the IMF successfully completed its third review under the third ECF arrangement with Benin. The IMF staff found the performance under the ECF-supported programme to be broadly satisfactory, with all programme monitoring indicators (quantitative and structural) set for end-June 2018 being met (the continuous quantitative performance critierion on nonaccumulation of new domestic arrears was breached over March-June due to an institutional oversight but was waived by the IMF). A report from the IMF regarding Benin's performance under the ECF-support programme was published on 19 November 2018. Following this third review under the ECF programme, the IMF disbursed a further US$ 22.0 million to Benin, bringing total disbursements under the ECF arrangement to about US$ 88.1 million.

On 31 December 2018, total outstanding indebtedness to the IMF amounted to CFAF 74.7 billion.

World Bank

Benin has continuously maintained good relations with the World Bank Group. The World Bank Group plays a key role in the implementation of Benin's economic and social development programme through its institutions, the IBRD, the IDA, the IFC and the MIGA and its special funds.

The World Bank's operations in Benin began with the financing of the Grand Hinvi plant oil mill in 1969 for an amount of US$ 4.5 million. From 1969 to 1980, the Bank granted total financing of US$ 15.1 million for the industrial sector. In the same period, road infrastructure financing by the World Bank amounted to US$ 39.8 million. The agricultural sector received financing of US$ 7.8 million over the same period. In the 1969 to 1980 period, the World Bank contributed financing for the industry and road and port infrastructure sectors.

During the period from 1972 to 1990, Benin's near-insolvency forced the Government to adopt austerity measures in the mid-1980s and to conclude, in June 1989, a Structural Adjustment Programme (**SAP**) with the IMF and the World Bank. In this respect, in 1985 Benin obtained a loan of SDR 5,100,000 from the IDA in order to finance the technical assistance project for economic and planning of these austerity measures. In 1987, the World Bank provided financing for the recovery of public and semi-public companies for a total amount of SDR 12,800,000. Over this decade, Benin received total financing of approximately SDR 244,200,000 from the World Bank.

During the 2000-2010 period, the World Bank financed several projects in a total amount of SDR 630,000,000. Projects spanning several sectors of Benin's economy benefitted from the World Bank's support in an amount of SDR 240,000,000: SDR 111,800,000 were dedicated to projects in the health sector, SDR 94,140,000 were used in the energy sector and SDR 33,390,000 were allocated to the agriculture sector.

In connection with the new challenges associated with reaching the SDGs, the World Bank Group's partnership with Benin, which covers the 2013-2017 period, is based on three major pillars:

- governance and strengthening of the public sector's capacities;
- sustainable growth, competitiveness and employment; and
- access to essential social services and social inclusion.

Over this period, the portfolio included 15 national projects representing a commitment of US$ 715.5 million in addition to US$ 50 million for the financing of Benin's following projects: the Agricultural Diversification Support Project (*Projet d'Appui à la Diversification Agricole*), the Support to the Protected Areas Management Project (*Projet d'Appui à la Gestion des Aires Protégées*), the Global Partnership for Education Programme (*Partenariat Mondial pour l'Education*) and the Protected Areas Management Project (*Projet de gestion des Forêts et Terroirs Riverains*).

As part of the implementation of the GAP, the World Bank has pledged to Benin financing of US$ 482 million for the 2018-2023 period. The projects of the GAP which will benefit from World Bank financing for the period 2018-2023 will be financed from this amount. The Government also intends to use additional resources from the funding facility funds at scale and from funds which have not yet been identified for the period 2018-2023. This financing is primarily intended for the implementation of the GAP.

On 15 June 2018, the World Bank approved financing of US$ 220 million to support the Government in its efforts to provide universal access to water for rural communities, in accordance with the rural water supply universal access programme ("*Programme Aqua Vie*") contained in the GAP. The programme was concluded for a term of 38 years with a 6-year grace period and an interest rate of 0.75%. The financing will help increase access to water supply services through the construction of 270 new piped rural water supply systems, and the rehabilitation and expansion of approximately 360 existing systems. Approximately 1.6 million people living in rural areas are intended to benefit from the programme through the construction of 34,500 new household connections and 3,300 new standpipes.

The World Bank's current portfolio in Benin stands at more than US$ 700 million and includes approximately 20 projects currently being implemented and approximately 10 projects currently being prepared, which will be implemented as part of the GAP. These projects span many sectors, namely the urban development, local development, environment, telecommunications, youth employment, nutritional health, capacity reinforcement, energy, drinking water access and transportation sector.

Lately, to finance the ARCH project, a flagship reform of the GAP, Benin has secured from an international commercial bank structured financing in an amount of EUR 127 million, which is partially covered through a 40% World Bank policy-based guarantee (see "*The Republic of Benin – Population, Education and Health – Health*" above).

Also, Benin partially re-profiled its domestic debt service payments with the joint support of the World Bank (through the use of an IDA policy-based partial guarantee) and the African Trade Insurance Agency (through a credit insurance coverage for sovereign default risk). This joint support enabled Benin to raise less expensive and longer-term financing from international commercial banks in the amount of EUR 260 million.

Currently, cooperation with the IFC and the MIGA remains in the early stages.

African Development Bank

Cooperation between Benin and the AfDB goes back to 1973. The AfDB's involvement in Benin is carried out primarily through the ADF, which is the concessional arm of the AfDB Group. Benin also benefits from loans and grants from the AfDB to finance development projects in the sectors such as road infrastructure, agriculture, energy.

The total amount of financing (loans and grants) obtained from the AfDB amounted to CFAF 735.7 billion as at 31 December 2018. Projects financed by the ADF in Benin include:

- the project for the rehabilitation of the Lomé-Cotonou road and the facilitation of transportation on the Abidjan-Lagos-phase corridor for an amount of CFAF 52.3 billion, including a loan of CFAF 27.8 billion signed on 2 December 2011 for a period of 50 years with a 10-year grace period (this project is ongoing);
- the agricultural infrastructure support project in the Ouémé valley (**PAIA-VO**) for an amount of CFAF 30.5 billion, including a loan of CFAF 29.8 billion signed on 9 January 2014 for a period of 50 years with a 10-year grace period (this project is ongoing);
- the first phase of the Budgetary Support Programme for the Benin Energy Sector (*Programme d'Appui Budgétaire au Secteur de l'Energie au Bénin*) (**PASEBE I**) for an amount of CFAF 16.4 billion signed on 23 October 2017.

The overall performance of Benin's portfolio in the AfDB's books is deemed moderately satisfactory with an average grade of 3 out of a scale from 0 to 4 attributed by the AfDB in its country strategy document.

The AfDB does not finance any private sector projects in Benin. The sectoral breakdown of the portfolio reflects the predominance of transportation infrastructure, followed by agriculture and energy. The AfDB is one of the primary finance providers for the Beninese agriculture and transportation sectors.

The new 2017-2021 Country Strategy Paper (**CSP**) of the AfDB for Benin is being implemented in the context of the implementation of the GAP for the 2016-2021 period. It was prepared on the basis of consultations with authorities and various stakeholders, namely during the Bank's missions to Benin in July 2016, April 2017 and July 2017, and the visit of President Patrice Talon to the Bank in January 2017.

The principal objective of the AfDB's strategy in Benin over the 2017-2021 period is, through support for the GAP's implementation, to allow the structural transformation of the Beninese economy for inclusive growth generating decent jobs, while ensuring the transition toward a green economy. It was agreed to centre the AfDB's 2017-2021 strategy around two pillars: (i) the development of agricultural value chains and agro-industry and (ii) the reinforcement of infrastructure to support competitiveness and regional integration.

For the implementation of the 2017-2021 CSP, the Bank will use the full range of its operational instruments, namely project loans, budgetary and institutional support, economic and sector work (**ESW**) and dialogue about policies and guarantees. The financing of the Bank's strategy over the 2017-2021 period will be based in large part on the ADF's country allocations.

Outstanding debt to the AfDB as of 31 December 2018 was CFAF 244.4 billion, or 7.6% of the public debt portfolio. It is comprised of 15 active projects in the road infrastructure sector, the rural sector, energy and sanitation. In 2018, Benin signed a loan agreement of CFAF 5 billion and obtained a grant of CFAF 4 billion from the AfDB to finance the Project for the Restructuring and Extension of the SBEE Allocation and Distribution System (*Projet de Restructuration et d'Extension du Système de Répartition et de Distribution de la SBEE*) (**PRESREDI**). Benin also signed a loan agreement of CFAF 3.8 billion and obtained a grant of CFAF 1.7 billion from the AfDB to finance the Program of Support to the Economic Competitiveness of Benin (*Programme d'Appui à la compétitivité Economique du Bénin*) (**PACEB**).

In terms of outlook, the AfDB's financing represents the second source of external financing after the World

Bank as part of Benin's medium term debt management strategy. The implementation of the 2017-2021 CSP will be further facilitated by the opening of AfDB's national office in Benin, approved by the AfDB Board of Directors in February 2017. As Benin has moderate risk of indebtedness, it can access, on a case by case basis, the AfDB's sovereign loan window subject to the limit of non-concessional debt as defined in the programme concluded with the IMF.

West African Development Bank

The BOAD is the common development financing institution of the States of the WAEMU. It was created by an Agreement signed on 14 November 1973 and became operational in 1976.

Pursuant to Article 2 of its By-laws, the BOAD is an international public organisation whose mission is to promote the balanced development of member States of the WAEMU and contribute to the economic integration of West Africa.

In 1982, Benin benefitted for the first time from the BOAD's support in the hydraulic sector.

Currently, cooperation with the BOAD is underway through several development projects in particular in the water, electrical energy and road sectors.

The BOAD's financing was obtained from its two primary arms: (i) the Development and Cohesion Fund (*Fonds de Développement et de Cohésion*), which is a concessional arm (lower rates and longer terms than market funding) and (ii) the merchant arm.

Funding from the Development and Cohesion Fund has allowed Benin to finance several public development projects (infrastructure to support production, rural development and food security, social projects, etc.) for the population. For example:

- the construction project of the 161 KV Bembèrèkè-Kandi-Malanville electrical interconnection line signed on 21 January 2011 for an amount of CFAF 20 billion and a term of 27 years with a 6-year grace period (this project is ongoing);
- the Food Security through the Development of the Slums and Reinforcement of Storage Capacities (*Sécurité Alimentaire par l'Aménagement des Bas-Fonds et le Renforcement des Capacités de Stockage*) project signed on 2 November 2010 for an amount of CFAF 9 billion and a term of 27 years with a 6-year grace period (this project is ongoing);
- the development and asphalting project of the Djougou-Ouaké-Frontière road of Togo signed on 2 November 2010 for an amount of CFAF 8 billion and a term of 27 years with a 9-year grace period. The project was completed on 31 October 2017;
- the road paving and sanitation project in the Abomey-Calavi municipality signed on 15 July 2011 for an amount of CFAF 6.5 billion and a term of 27 years with a 9-year grace period. This project was completed on 31 December 2018.

The merchant arm provides financing through market resources, investment and service transactions. These transactions include projects promoted by the private sector, public industrial and commercial companies and financial institutions. Financing obtained from this arm includes, among others:

- a construction project for a dual thermal power plant of 120 MW at Maria Gleta (first phase of the thermal power plant of 400 MW) signed on 7 April 2015 for an amount of CFAF 10 billion and a term of 10 years with a 3-year grace period (this project is ongoing);
- the development and asphalting project of structural roads: Comé – Lokossa – Dogbo and Bretelle Zounhouè – Athiémé – Togo border (71 km), Savalou – Tchetti – Togo border (42 km) and Bretelle Logozohè – Glazoué (17 km) and Djèrègbè – Dja – Owodé Nigeria border (9.67 km) signed on 31 March 2014 for an amount of CFAF 25 billion and a term of 12 years with a 3-year grace period (this project is ongoing).

The breakdown by sector of BOAD's commitments to Benin from 1982 to 2018 is set forth in the table below:

Sectors	Commitment amount in CFAF
Agriculture	27,131,500,000
Sanitation	100,330,000,000
Water	14,997,000,000
Energy	41,122,000,000

Road	153,780,050,485
Rural	20,357,000,000
Social	11,250,000,000
Others	8,946,000,000
Total	**377,913,550,485**

Source: CAA

The total amount was disbursed to Benin according to the level of progress of the projects within each sector.

At 31 December 2018, outstanding debt to the BOAD was CFAF 104.2 billion, or 3.2% of the public debt portfolio and represents 22 active projects in sectors such as road infrastructure, sanitation and energy. In terms of outlook, BOAD financing represents one the principal domestic sources of financing as part of Benin's medium term debt management strategy.

Islamic Development Bank

Benin is a member country of the IDB. Cooperation between Benin and the IDB dates back to 1985. The IDB involvement in Benin is centred around three objectives: (i) promoting Islamic institutions, (ii) reducing poverty and (iii) contributing to cooperation among member countries. These objectives are carried out through loans (through different instruments of Islamic finance) and grants to finance development projects in the sectors of road infrastructure, water, sanitation, education, microfinance, etc. The total amount of financing (loans and grants) granted by the IDB amounts to approximately CFAF 657 billion for the period from 1985 to 2018.

Projects financed by the IDB include:

- the Bétérou – Tchaourou – Nigeria border road construction project, signed on 8 August 2016 for an amount of CFAF 44.7 billion and a period of 19 years and a 4-year grace period (this project is ongoing);
- the Université Polytechnique d'Abomey construction project and the second phase of the Université d'Agriculture de Kétou construction project, signed on 7 April 2016 for an amount of CFAF 88.4 billion and a period of 19 years and a 4-year grace period (this project is ongoing);
- the construction project of a 120 MW thermal power plant at Maria Gleta (Phase 1) in Benin signed on 10 December 2014 for an amount of CFAF 61.2 billion (this project is ongoing);
- the development project of small irrigated areas for an amount of CFAF 9.7 billion and a period of 30 years with a 10-year grace period (this project is ongoing); and
- the Integrated Microfinance Support Project (*Projet d'Appui Intégré à la Microfinance*) for an amount of CFAF 5 billion and a period of 25 years and a 7-year grace period (this project is ongoing).

Relations between Benin and the IDB were reinforced by the visit of President Patrice Talon to Saudi Arabia. On Monday, 21 November 2016, the Head of State and member of the Beninese delegation, including the Minister of State responsible for planning and development, the Minister of the Economy and Finance and the Minister of Foreign Affairs were received at the IDB's headquarters in Jeddah, Saudi Arabia, by the President of the IDB Group. This meeting allowed an opportunity for the two leaders to review the cooperation between Benin and the IDB and to discuss measures to increase the institution's involvement in Benin. Following this meeting, a memorandum on the IDB's future agreements and financing for several development sectors was signed by the President of the Republic and the President of the IDB Group.

Outstanding debt owed to the IDB as of 31 December 2018 was CFAF 72.7 billion, or 2.3% of the public debt portfolio. It is made up of seven active projects, primarily in the sectors of road infrastructure, education and energy. In 2018, Benin signed two loan agreements for a total amount of CFAF 65.1 billion to finance the Cotonou-Niamey corridor, Béroubouay – Malanville axis rehabilitation project

International Fund for Agricultural Development

Cooperation with the IFAD started in 1978 and enabled to support a number of programmes and projects in the agricultural sector in Benin.

IFAD is involved mainly in the agricultural sector. It aims essentially through its actions to:

- improve the access of small and medium-sized rural households to adapted financial services;
- improve the income of small farmers and market gardeners and strengthen resilience to climate change by integrating them into sustainable value chains for the production, distribution and sale of flowers, rice, soy, pineapple, cassava and corn;

- assist farmers' organisations and local associations to take part in steering and managing economic development in their municipalities.

IFAD has financed several projects that are currently being implemented:

- the market gardening development support project (*projet de soutien au développement du Maraichage)*, which costs CFAF 13.7 billion, with a term of 40 years and a 5-year grace period for an interest rate of 0.75%;
- the rural financial services development project (*projet de développement des services financiers ruraux adaptés*) at a cost of CFAF 7.65 billion, with a term of 40 years and a 10-year grace period for an interest rate of 0.75 %;
- the agricultural development and market access support project (*projet d'appui au développement agricole et à l'accès au marché*), which was partially financed by the IFAD through a US$ 15.5 million loan and US$ 15.5 million grant.

As of 31 December 2018, Benin's debt stock to IFAD amounted to CFAF 35.7 billion.

Bilateral Debt

China

China is Benin's principal bilateral creditor with an outstanding amount of CFAF 166.9 billion as of 31 December 2018. The most significant agreements signed with China relate to:

- The Adjarala hydroeletric dam construction project signed on 18 December 2015 for an amount of CFAF 138.0 billion for a term of 20 years with a 7-year grace period;
- The Akassato-Bohicon road rehabilitation project signed on 5 October 2012 for an amount of CFAF 129.0 billion and a term of 20 years with a 7-year grace period; and
- The project to reinforce the drinking water supply system in Savè, Dassa-Zoumè, Glazoué and surrounding areas signed on 23 August 2017 for an amount of CFAF 50.7 billion for a term of 20 years with a 7-year grace period.

Benin has initiated discussions with China regarding the construction of the new international airport of Glo Djigbé. This project will improve air transport services and will contribute to accelerating the country's economic growth. The total cost of the project is estimated at US$ 964 million and is expected to be financed by China Eximbank. China Airport Construction Group Corporation and Yunnan Construction and Investment Holding would construct the Glo Djigbé airport under the supervision of ADP Group. The Government expects the airport to be operational in 2022.

Kuwait Fund for Arab Economic Development (Kuwait Fund)

Co-operation with the Kuwait Fund dates back to 1978 with the "Third Road Project" project amounting to approximately CFAF 3.7 billion. In Benin, the Kuwait Fund operates mainly in the fields of road infrastructure, energy and health.

The last projects signed with the Kuwait Fund are (i) the Construction and Equipment Project of the Tchaourou Hospital and six health centres signed on 31 July 2015 for an amount of CFAF 8.5 billion and a term of 24 years with a 5-year grace period and (ii) the Three Cities Project (financing of the water supply in three cities of Benin) signed on 28 January 2019 for an amount of 5 million Kuwaiti Dinars, equivalent to about US$ 17 million and a term of 25 years including a 5-year grace period.

The signing of the last loan brings to 14 the number of loans extended by the Kuwait Fund to Benin, where the Fund previously provided 13 loans totaling about 36 million Kuwaiti Dinars, equivalent to about US$ 122.4 million to participate in the financing in projects in the transport, water and power sectors of the economy.

As of 31 December 2018, Benin's outstanding debt to the Fund amounts to CFAF 26.8 billion.

France (Agence Française de Développement, AFD)

Cooperation between Benin and the AFD dates back to 1990, and has included loans, project grants and budgetary assistance. The AFD provides Benin with financial and technical support in several sectors, including the rural sector, road infrastructure, education, agriculture and energy.

The total amount of financing (loans and grants) obtained from the AFD from 1990 to 31 December 2018 amounts to approximately CFAF 250 billion. Projects financed by the AFD include:

- the SBEE network restructuring and extension project in the Abomey-Calavi municipality and the Atlantique department, signed on 23 January 2015 for an amount of CFAF 13.1 billion and a term of 20 years with a 5-year grace period;

- the Hillside Agricultural Development Support Project (*Projet d'Appui au Développement Agricole des Collines*), signed on 16 February 2015 for an amount of CFAF 7.2 billion and a term of 20 years with a 3-year grace period; and
- the Secondary Education Support Project (*Projet de Soutien à l'Enseignement Secondaire*, **SEnS**) in Benin, signed on 2 July 2015 for a grant of CFAF 9.8 billion.

In 2018, the AFD has disbursed €17.4 million (CFAF 11.4 billion) since the beginning of the year to support development projects in Benin.

Outstanding debt to the AFD as of 31 December 2018 was CFAF 9.6 billion, or 0.3% of the public debt portfolio. It is made up of 13 active projects, primarily in the education, energy and rural sectors.

The Netherlands

In 2015, The Netherlands suspended its financial aid relating to the Multiannual Support Programme for the Water and Sanitation Sector (**PPEA II**), which confirmed the conclusions of the audit previously carried out by the Beninese State. It appeared that bribery had tainted the financial execution of PPEA II. In consideration of the Government's commitment to transparency in the management of borrowing resources, Netherlands decided to resume its support to PPEA II through the Water Transition Fund, which was completed in 2018. The Government has also obtained The Netherlands' financial support of a new programme called OMI DELTA funded by the same partner.

No other aid has been suspended by any other bilateral partner of Benin.

External Debt due to Commercial Creditors

At the end of 2018, external debt to commercial creditors amounted to CFAF 269.4 billion compared to zero for 2016 and CFAF 18.1 billion for 2017. External debt to commercial creditors represented 17.2% of external debt at the end of 2018 and was made up of four loans with long-term maturities (beyond 10 years) contracted from:

- RABOBANK in 2017 to finance (i) the second phase of the project to protect the coast east of Cotonou and (ii) the project to protect the coast west of Cotonou, for a total amount of approximately CFAF 107.7 billion and one loan in 2018 to finance the second phase of the project to protect the coast east of Cotonou for CFAF 16.4 billion;

- An international commercial bank to finance the reprofiling operation on domestic debt (see "Overview" in this section);

- An international commercial bank to finance the Phase 1 of Project Asphaltage, a road transportation "flagship project".

- An international commercial bank to finance project ARCH (see "*The Republic of Benin – Population, Education and Health – Health*" above).

State Owned Enterprises

There are twelve enterprises owned by the Beninese State. Of these enterprises, six have incurred debt with Beninese banks, for a total amount of CFAF 51.0 billion as of 31 December 2018, representing 1% of Benin 2018 GDP. This total amount is distributed as follows:

- SONEB (*Société Nationale des Eaux du Bénin*): CFAF 4,523,492,387;
- SBEE: CFAF 14,862,814,505;
- SONACOP: CFAF 814,878,070;
- PAC: CFAF 25,739,672,479;
- CNERTP: CFAF 121,220,857; and
- SOBEMAP: CFAF 4,932,000,000.

As part of the monitoring of public enterprise debt, a joint *Caisse Autonome d'Amortissement-Direction Générale des Participations de l'Etat et de la Dénationalisation* (**CAA-DGPED**) commission was set up, whose mission is to periodically review the debt situation from State owned enterprises.

Circular N/Ref.951-c 2018 of 26 March 2018 requires public enterprises to report the situation of their debt that is not guaranteed by the State. State owned enterprises may not incur loans from external creditors without first obtaining a State guarantee. As of the date of this Prospectus, no such loans have been incurred.

MONETARY SYSTEM

The Franc Zone and the BCEAO

Benin has been a member of the Franc zone since its independence in 1960 and a member of the WAMU since 1962. The WAMU consists of eight member States, namely Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo, and has its own central bank, the BCEAO.

The Franc Zone

The Franc zone is composed of 14 French-speaking countries of sub-Saharan Africa, the Comoros and France. Built on the close historical ties between France and the African countries of the Franc zone, the Franc zone is the result of the common will of these countries to maintain an institutional framework that contributes to macroeconomic stability. Like the BEAC and the Central Bank of the Comoros, the BCEAO has an operational account on the books of the French Treasury, which guarantees the convertibility of its CFAF. The peg of the CFAF to the French Franc was replaced by a peg to the Euro from 1 January 1999, with a fixed exchange rate of 1 Euro = CFAF 655.957. The substitution of the French Franc for the Euro did not affect the monetary cooperation mechanism of the Franc zone.

The monetary cooperation between France and the African countries of the Franc zone is governed by four fundamental principles: (i) a guarantee by the French Treasury of unlimited convertibility of the three central banks' currencies, (ii) a fixed peg, (iii) free transferability, and (iv) centralisation of currency reserves. In exchange for this guarantee of convertibility, each of the central banks of the Franc zone is required to deposit at least 50% of its currency reserves in an operational account with the French Treasury (this rate is set at 65% for the Central Bank of the Comoros). The management of the operational accounts is governed by agreements between the French authorities and representatives of the member States of the three central banks. These accounts are operated as current accounts opened at the French Treasury, are remunerated and may, in exceptional circumstances, have a debit balance. The convertibility guarantee comes into play when the operational account is overdrawn. Several preventive measures, provided for in each of the operational account agreements, are put into place to avoid any overdrafts, such as direct debits by the BCEAO from foreign currency cash (other than amounts in the operational account), the use by member States of their SDR with the IMF, or the exchange of their SDR for cash.

Cooperation between France and the African countries of the Franc zone is the subject of regular meetings between French and African officials, in particular the bi-annual meeting of the Finance Ministers and Central Bank Governors of the Franc zone.

The BCEAO

The BCEAO is an international public institution with its headquarters in Dakar, Senegal, and a national branch in each WAMU member State. It is the issuance institution shared by the members States of the WAMU. It is governed by the bylaws annexed to the WAMU Treaty. In all WAMU member States, it enjoys privileges and immunities required to fulfil its role that are usually only granted to international financial institutions. The BCEAO is managed by a Governor. The Governor is appointed by the Conference of Heads of States and Governments for a renewable six-year term.

The institutional reform of the WAMU and of the Central Bank which came into force in 2010 strengthened the independence of the BCEAO and established a better division of roles and responsibilities between the different WAMU and BCEAO entities. These entities are as follows:

The WAMU Council of Ministers, in which every member State of the WAMU is represented by two ministers and has only one vote cast by its Finance Minister, is responsible for implementing the general guidelines and decisions made by the Conference of Heads of States and Governments, which is the WAMU supreme body. The WAMU Council of Ministers is also responsible for defining the regulatory framework for the financial and banking system and for defining the WAMU exchange rate policy.

The Monetary Policy Committee is responsible for defining monetary policy.

The Board of Directors is in charge of the issues relating to the management of the BCEAO, in accordance with its bylaws and is assisted by an Audit Committee.

The Governor is responsible for the management of the BCEAO and implements the monetary policy defined by the Monetary Policy Committee.

The National Credit Councils are consultation committees at the member State level, composed of representatives of the administration and of the principal associations or socio-professional groups. The National Credit Councils issue opinions and recommendations on the functioning of the banking system to better address the concerns of local economic actors in the implementation of credit and monetary policy.

As an issuing institution and monetary authority, the BCEAO maintains numerous relationships with banks and financial institutions in coordination with the member States of the WAMU. These relationships consist mainly of supervising the banking system and granting and monitoring credit. As part of its implementation of monetary policy, the BCEAO regulates liquidity on the WAMU interbank market. The assistance granted by the BCEAO to credit institutions includes advances secured by negotiable debt instruments, as well as discounts, acquisitions, sales, repurchases or loans secured by guarantees on claims against WAMU member States, businesses and individuals.

In addition to its main task of issuing the common currency in each of the WAMU member States, the BCEAO is responsible for (i) defining and implementing monetary policy within the WAMU, (ii) ensuring the stability of the banking and financial system of the WAMU, (iii) promoting the smooth functioning and ensuring the supervision and security of payment systems in the WAMU, (iv) implementing the exchange rate policy under conditions set by the Council of Ministers, (v) managing the official exchange reserves of the member States and (vi) supervising the banking activity of the WAMU. The principal objective of the BCEAO is to ensure price stability. The operational objective of price stability is defined as an annual inflation rate of the West African Economic and Monetary Union (WAEMU) within a margin of plus or minus 1.0% around a central value of 2.0%. The BCEAO also supports the member States' economic policies to promote healthy and sustainable growth.

Monetary policy tools include setting reference rates and establishing the system of mandatory reserves. Their implementation takes into account developments in the WAMU's internal and external economic and financial environment, in particular the situation of the Euro zone. Due to the peg of the CFAF to the Euro, monetary policies in the Franc zone closely follow those of the European Central Bank. Slight differences in economic policy will nevertheless occur, insofar as the BCEAO takes into account the economic situation of its members, such as inflationary pressures, the results of agricultural campaigns, the trends in credits to the economy and bank liquidity.

With respect to the monitoring of credit institutions, a community supervisory institution, the Banking Commission, was created on 24 April 1990 for the WAMU. It is chaired by the Governor of the BCEAO and is entrusted with the supervision of the organisation and control of the banking system in the WAMU.

The current regulation of the banking sector is based on several texts, namely the banking law and its implementing provisions, memoranda from the Banking Commission, regulations governing the banking and financial sector, prudential regulations and instructions and notices to credit institutions.

The WAMU is characterised in particular by the adoption of regulation of external financial relations common to all member States. This regulation provides that current payments to foreign countries are executed according to the principle of freedom. Financial payments and capital movements between the WAMU and foreign countries, as well as foreign exchange transactions within the WAMU, can only take place through the BCEAO, the postal administration, a licensed intermediate bank or a licenced money changer.

Inflation

The table below sets out certain information on inflation rates in Benin for the periods indicated:

Inflation (CPI)	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Benin (annual average)	1.0	-1.1	0.3	-0.8	0.1	-0.8
WAEMU (annual average)..........	1.5	-0.1	1.0	0.3	0.8	

Sources: INSAE, BCEAO

Up to 31 December 2017, the inflation rate was calculated on the basis of the evolution of prices of products sold in Cotonou. From 2018 onwards, the inflation rate is calculated by analysing price trends in several localities, urban and rural, across the country. This change in methodology must be taken into account in comparing pre-2018 and post-2018 inflation rates. The two series are not comparable because the old series had a 2008-base year while the new series had a 2014-base year. Work is underway to connect the two series.

In 2015, inflation was at 0.3% on average, due to easing oil and food prices on international markets.

In 2016, Benin experienced a period of disinflation of -0.8% on average, due to lower prices for imported oil products and the positive results of the agricultural campaign in Benin.

In 2017, inflation increased slowly to reach an annual average of 0.1%, as a result of price increases in the "Transport" component, due to the rise of oil prices on international markets, which was offset by the changes in prices in the "food products" component thanks to the results of food production. The Government programme foresees an acceleration of economic growth with a modest acceleration of inflation.

In 2018, the inflation rate stood at -0.8% (according to the new methodology), largely below the 3% WAEMU community standard prescribed by WAEMU. The Government foresees an acceleration of economic growth in connection with the implementation of the GAP with a modest acceleration of inflation.

The IMF expects inflation in Benin to remain below the 3% WAEMU target ceiling until 2019. The Franc zone as a whole has historically shown low inflation, due to the relative stability of the regional currency and the monetary policy of the BCEAO.

WAEMU Foreign Exchange Reserves

Foreign exchange reserves are centralised by the BCEAO and organised according to a principle of solidarity among WAEMU member States, subject to the conditions set out in the operational account agreements. There is no distribution of reserves between member States.

The table below sets out certain information on the WAEMU's foreign exchange reserves in months of imports for each of the years indicated:

	2013	**2014**	**2015**	**2016**	**2017**	**2018 (Q3)**
Reserves in billions of CFAF	6,574.0	7,033.6	7,487.0	6,529.4	7,184.2	8,559.5
Reserves in months of imports	4.7	4.8	5.4	4.3	4.7	4.8

Sources: BCEAO

In 2015, the foreign exchange reserves of the WAEMU member States covered 5.4 months of imports, compared to 4.8 months in 2014, thanks to the increased mobilisation of external resources. At the end of 2016, foreign exchange reserves stood at 4.3 months of imports, well above the initial target of 3 months but lower than the 5.4 months coverage in 2015. This decrease is due to the effects of infrastructure investments. At the end of 2017, this ratio was 4.7 months of imports, an increase from the 4.3 months achieved in 2016. This increase is due to the improvement in the level of repatriation of export earnings and Eurobond issuances. At the end of March 2018, these covered 5.5 months of imports of goods and services, due primarily to the repatriation by Côte d'Ivoire and Senegal of the proceeds of Eurobonds raised on international markets. At the end of September 2018, these reserves covered 4.8 months of imports.

Money Supply

The table below sets out certain information on Benin's monetary position, including foreign exchange reserves, as at the end of the periods indicated:

(*in billions of CFAF*)	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Net foreign assets	1,014.9	1,192.9	1,273.0	1,108.5	990.2	1,187.1
Central bank	213.1	258.8	303.3	40.1	203.6	426.0
Commercial banks	801.8	934.2	909.7	1,068.4	786.7	761.1
Net domestic assets	**940.6**	**1,087.5**	**1,119.5**	**1,336.3**	**1,520.3**	**1,543.9**
Net credit to the State	**-164.8**	**-128.2**	**-131.2**	**30.5**	**189.3**	**-40.0**
Central bank	13.8	2.7	-43.4	13.9	-69.3	-226.1
Commercial banks	-178.6	-131.0	-87.7	16.6	258.6	186.1
Credit to the economy	**1,105.4**	**1,215.4**	**1,250.6**	**1,305.8**	**1,331.0**	**1,584.0**

Other items (net)	**-294.7**	**-314.9**	**-306.4**	**-355.0**	**-398.9**	**-518.0**
Money supply (M2)	**1,660.8**	**1,965.5**	**2,086.1**	**2,089.8**	**2,111.6**	**2,213.0**
Currency outside banks	504.0	630.0	605.9	526.4	527.0	513.7
Deposits	1,184.1	1,327.1	1,469.8	1,552.9	1,574.1	1,688.7
Other deposits (postal accounts)	8.6	8.5	10.5	10.5	10.5	10.5
Change in percentage as at 31 December						
Net foreign assets		17.5	6.7	-12.9	-4.8	28.2
Net domestic assets		15.6	2.9	19.4	25.3	11.0
Net credit to the State		-22.2	2.3	-123.2	520.7	-121.1
Central bank		-80.7	-1,707.4	-132.0	-598.6	226.3
Commercial banks		-26.7	-33.1	-118.9	1,457.8	-28.0
Credit to the economy		10.0	2.9	4.4	12.5	19.0
Money supply		18.3	6.1	0.2	-0.1	4.8

Source: BCEAO

The monetary situation was consolidated over 2014 to 2018, with a money supply of CFAF 2,213.0 billion at the end of December 2018. The growth of the money supply resulted in an increase in credit to the economy, which rose to CFAF 1,584.0 billion at the end of 2018 from CFAF 1,331.0 billion at the end of 2017 and CFAF 1,305.8 billion at the end of 2016. The increase in credit to the economy benefited cement factories, construction companies, telecommunications companies, oil products distributors and companies specialising in the agri-food industry. Net foreign assets increased to CFAF 1,187.1 billion at the end of 2018 from CFAF 990,2 billion at the end of 2017, reflecting higher cotton fibre exports (which in turn resulted from the increase in seed cotton production for the 2016-2017 growing season) and external resource mobilisation efforts. Net credit to the State decreased from CFAF 189.3 billion at the end of 2017 to CFAF -40.0 billion at the end of 2018. This evolution reflects the decrease in the central administration's indebtedness vis-a-vis local primary banks, in connection with the new mobilisation of external resources.

Exchange Rates

Due to its membership in the WAEMU, Benin applies external financial relations regulations based on the principle of freedom.

The common currency of the WAMU is the CFAF, which is pegged to the Euro at a fixed exchange rate of 1 Euro = CFAF 655.957. This rate has been fixed and has not changed since the introduction of the Euro. Prior to this, it was pegged to the French Franc.

According to the BCEAO, the REER of the WAEMU zone fell by 2.1% in the third quarter of 2018 compared to the same period in 2017. This reflects a gain in the WAEMU's competitiveness mainly due to the inflation differential favourable to the WAEMU (-3.0%) compared with its partners, tempered by an increase in the NEER (+0.8%). The change in the NEER in the third quarter of 2018 reflects the annual appreciation of the CFAF against the currencies of most of the WAEMU zone's partner countries, notably the Ghanaian Cedi (+2.9%), the South African rand (+5.7%), the Canadian dollar (+3.3%)), the Swiss Franc (+ 1.2%) and the Chinese Renminbi

(+1.1%). Over the same period, the inflation rate in the Union stood at 0.9% compared to an average of 3.9% in partner countries.

Monetary Policy

Following its session held on 4 September 2013, the BCEAO's Monetary Policy Committee decided to lower each of the BCEAO reference rates (the minimum interest rate for submission to open market operations (*taux d'intérêt minimum de soumission aux operations d'open market)* and the interest rate of the marginal lending window (*taux d'intérêt du guichet de prêt marginal*)) by 25 basis points. The minimum interest rate for submission to open market operations was lowered from 2.75% to 2.50% and the marginal lending rate was fixed at 3.5%, lowered from the previous rate of 3.75%. This initiative was aimed at lower bank interest rates for clients and improving financing conditions for the economy.

In 2014 and 2015, the Monetary Policy Committee decided to maintain the BCEAO's reference rates in force at the levels set in September 2013 due to favourable monetary conditions characterised by a decrease in interbank market rates and inflation forecasts in line with monetary policy objectives.

In 2016, the Monetary Policy Committee decided to maintain the minimum interest rate for submission to open market operations at 2.50%, the rate in force since September 2013, thus continuing the accommodating trend in BCEAO monetary policy. However, in order to boost the interbank market and generally improve the functioning of the WAEMU's monetary market, the Committee decided to expand the spread between the minimum interest rate for submission to open market operations and the interest rate of the marginal lending window by one percentage point. Thus, the interest rate of the marginal lending window was raised from 3.50% to 4.50%, effective as of 16 December 2016.

Effective 16 March 2017, to accompany the implementation of measures aiming to improve the functioning of the interbank market, the Monetary Policy Committee decreased the reserves requirement coefficient applicable to banks within the WAEMU by 200 basis points, from 5.0%, the rate in effect since 16 March 2012, to 3.0%.

As at 31 December 2018, the reserves requirement coefficient was 3.0%. Reference rates have been maintained at 2.5% for the minimum interest rate for submission to open market operations and 4.5% for the marginal lending window interest rate.

Banking System

Banking Environment

Benin's banking system is regulated by the BCEAO and the Banking Commission of the WAMU. As of 31 December 2017, there were 14 banks operating in Benin, with total assets of CFAF 3,491.5 billion, as compared to CFAF 3,594.6 billion as of 31 December 2016, according to the BCEAO. These assets represented 169% of deposits and 231% of the outstanding loans of the banking sector. In March 2018, the number of banks operating in Benin increased to 15, as a result of the establishment of a branch by Société Nigérienne de Banque (Sonibank). As of 30 June 2018, the 15 banks operating in Benin had total assets of CFAF 3,257.2 billion.

The banking sector is dominated by foreign banks: 10 credit institutions are controlled by international banking corporations and five belong to regional banks (ECOBANK, UBA, DIAMOND BANK, Coris Bank International and Société Nigérienne de Banque (Sonibank)). Three of the banks operating in Benin are branches established by CBAO Attijariwafa Bank Group, Coris Bank International and Sonibank. No bank is controlled by the State, except for the one bank which is temporarily controlled by the State due to financial difficulties, as described below.

The table below presents information on the assets and income of Benin's banking sector as at the dates indicated:

	31 December					30 June
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
	(in CFAF billions)					
Commercial banks asset by maturity						
Total assets	2,529.4	2,897.2	3,331.4	3,594.6	3,491.5	3,257.2
Deposits	1,584.4	1,816.8	2,032.6	2,084.7	2,060.6	2,029.4
Income	9.11	24.13	-3.89	-10.11	1.6*	6.6
Capital	132.4	178.4	167.4	182.3	213.8	213.8

Sources: BCEAO, Credit institutions (*) provisional income

The banking sector of Benin is relatively segmented: the five leading credit institutions held 70.46% of the national banking sector's total assets and 71.17% of deposits as of 30 June 2018, and the five leading credit institutions held 73.81% of the national banking sector's total assets and 72.12% of deposits as of 31 December 2017.

The banking environment in Benin is stable, except in respect of one bank which has been encountering difficulties since May 2012. This bank is not affiliated with any banking group and is controlled by foreign shareholders. As of 31 December 2017, this bank accounted for 0.61% of the banking sector's total assets and 0.74% of total loans granted by the banking system. The restructuring of the bank began in May 2012 with a decision of the Banking Commission to put it under provisional administration. Following the deterioration of this bank's financial situation and non-compliance with prudential standards, particularly that of the bank's minimum share capital, the Government decided to temporarily take control of the bank in 2014 to help address its financial difficulties. In 2018, the bank filed a request with the Banking Commission to modify its shareholding structure to reflect the control of the bank by the State.

Banking Sector Performance

The minimum share capital requirement for banks operating in the WAEMU region was increased to CFAF 10 billion in 2015. On the basis of the prudential statements filed as at 30 June 2018, the Banking Commission, during its extraordinary session held on 14 December 2018, requested the five non-complying institutions to comply with this prudential standard by 30 June 2019 at the latest. The five institutions represent 17.61% of the assets of Benin's banking sector.

According to the BCEAO, the capital adequacy ratio (core capital to risk-weighted assets) of Benin's banks, which is calculated on the basis of Basel I principles (Cooke ratio), stood at 12.42% in 2017 and 7.62% in June 2018 (this figure is based on the provisional data as at 30 June 2018, and this level will improve with the final situation as at 31 December 2018), as compared to a minimum capital adequacy ratio set by the banking regulator at 8%. The expected increases in share capital following the injunction orders issued by the Banking Commission to the six banks that are in breach of the minimum share capital requirement will have a positive effect on the level of the capital adequacy ratio.

With regards to the quality of the banks' loan portfolios, several banks in Benin have suffered increases in the number of NPLs in their portfolios and the IMF notes in its Country Report n°18/01 a persistently high level of NPLs. In 2017, the gross NPL rate was 19.47%. The net deterioration rate, defined as the ratio of debt net of provisions to credits, was 7.5% at 31 December 2017, compared to 9.14% at 31 December 2016 and 11.31% at 31 December 2015. It stood at 6.54% at 30 June 2018.

Lending transactions are more common than issuances of negotiable debt securities. Loans represent 43% of the sector's total balance sheet. Securities transactions accounted for 24% of total assets and 41% of deposits according to the BCEAO.

During four stress tests organised by the BCEAO between 2015 and 2017, Beninese banks were found to be resilient in terms of solvency standards. The table below presents information on the performance of Benin's banking sector from 2013 to June 2018 as at the dates indicated below:

	31 December					30 June
	2013	**2014**	**2015**	**2016**	**2017**	**2018**
Result indicators						
Capital adequacy ratio (%)*	8.51	8.61	9.53	9.53	12.42	7.62
Equity capital/assets weighted according to risk (Core capital/RWA)	6.3	6.79	7.58	7.57	10.70	6.68
Asset quality						
Gross non-performing loans / total loans (%) ..	21.7	21.92	23.82	21.44	19.47	18.89
Provisions / gross non-performing loans (%) ...	50.62	50.08	59.23	63.16	66.46	69.98

**The capital adequacy ratio is equal to equity capital divided by risk-weighted asset, calculated in accordance with Basel I.*

Sources: BCEAO

As at 30 June 2018, Benin's banking system showed a negative cash position of CFAF 389.3 billion compared to a CFAF 565.2 billion cash deficit in 2017, reflecting a decrease in cash requirements.

Indicators of financial stability in the Benin's banking sector as of the indicated dates are shown in the table below:

	As at 31 December 2015	**As at 31 December 2016**	**As at 31 December 2017**	**As at 30 June 2018**
Capital Standards (%)				
Regulatory capital/Risk-weighted assets	9.53	9.53	12.42	7.62

Core capital/Risk-weighted assets* ..	7.58	7.57	10.7	6.68
General provisions/ Risk-weighted assets	15.41	15.56	16.39	12.19
Equity capital/Total assets................	3.96	3.77	4.88	6.57
Composition and quality of the assets...				
Gross distressed credits/Total credits	23.82	21.44	19.47	18.89
General provisions/Gross distressed credits..	59.23	63.16	66.46	69.98
Total credits / Total deposits.............	63.80	68.38	73.37	82.26

**Tier 1 Capital*

Sources: BCEAO

Compliance with Prudential Regulations

According to the BCEAO, compliance of banks in Benin with prudential regulations is generally satisfactory. However, six banks are in breach of the minimum share capital requirement of CFAF 10 billion. During its extraordinary session held on 14 December 2018, the Banking Commission issued injunction orders to these banks to comply with this prudential standard by 30 June 2019 at the latest. As of the date of this Prospectus, six banks appear not to have reached the regulatory threshold. The situation will be assessed by the Banking Commission on the basis of the prudential declarations as at 30 June 2019. The increase in the number of banks not complying with this prudential standard in 2018 (only three banks were not complying with the standards in 2017) is explained by the implementation of new rules for determining the elements eligible for core capital, in relation to the entry into force of the new prudential framework applicable to credit institutions and financial companies of the WAEMU.

The table below presents the number of banks that are not compliant with prudential regulations and the number of breaches committed by such banks at the indicated dates:

	December 2015	**December 2016**	**December 2017**	**30 June 2018**
Number of non-compliant banks as at the dates indicated..	5	4	2	6
1- Minimum share capital representation (min: CFAF 10 billion)*.......................................	2	2	2	6
2- Risk coverage ratio (min.: 8 %)......................	2	2	1	3
3- Risk division coefficient:				
Limitation of individual risks (max.: 75 %)	5	4	1	0
Limitation of large risks (max.: 8 x FPE)............	2	2	1	0
4- Liquidity coefficient (min.: 75 %)	1	1	1	2
5- Coverage of medium- and long term liabilities by stable resources (min.: 50 %)..........................	2	2	1	1
6- Loans to directors (max.: 20% of FPE)	2	1	0	1
Total number of violations................................	16	14	7	13

**The 10 billion share capital requirement is applicable as of 1 January 2018. Before this date, the requirement was CFAF 5 billion. The information entered represents the average amount of banks' core capital at 31 December each year.*

Sources: BCEAO

Basel II and Basel III Implementation in the WAMU

During its session held on 24 June 2016, the WAMU Council of Ministers adopted the following regulations:

- Decision n°013/24/06/2016/CM/WAMU on the prudential framework applicable to WAMU credit institutions and financial companies;
- Decision n°014/24/06/2016/CM/WAMU relating to the supervision of parent credit institutions and financial institutions in the WAMU on a consolidated basis.

These new regulations, which entered into force on 1 January 2018, were presented to the banking and accounting professions in 2016 and 2017. The implementation of the new prudential requirements has been spread out over the next five years from 2018 to 2022 so that institutions may progressively comply with them.

The regulations were supplemented by five circulars, listed below, adopted by the WAMU Banking Commission during its meeting on 27 September 2017:

- Circular n°01-2017/CB/C relating to the governance of WAMU credit institutions and financial companies;
- Circular n°02-2017/CB/C relating to the exercise conditions of the duties of administrators and directors in WAMU credit institutions and financial companies;
- Circular n°03-2017/CB/C relating to the internal control of WAMU credit institutions and financial companies;
- Circular n°04-2017/CB/C relating to risk management in WAMU credit institutions and financial companies;
- Circular n°05-2017/CB/C relating to the management of compliance with applicable standards by WAMU credit institutions and financial companies.

These provisions are designed to implement the Basel II and Basel III standards within the prudential framework applicable to credit institutions and financial companies in the WAMU. Reports by the credit institutions and financial companies were due by 30 April 2018. In the Cotonou banking sector, all credit institutions and financial companies submitted their respective reports on the reporting platform.

Financing of the Economy

The WAEMU Council of Ministers adopted the framework document of policy and regional strategy for financial inclusion in the WAEMU on 24 and 25 June 2016, along with a corresponding roadmap and budget. Elaborated in the context of the prominent role of microfinance and the solid expansion of financial services via mobile phones, this strategy aims at ensuring access to a diversified range of suitable and affordable products and financial services over the next five years to 75% of the WAEMU adult population.

The strict banking rate is the ratio between the number of natural persons holding deposit or credit accounts in banks, postal services, savings banks and the Treasury on the adult population. The extended banking rate also takes into account natural persons holding accounts with the MFIs. According to the information available, from 2014 to 2016, the strict banking rate rose from 26.3% to 26.7%, while the extended banking rate was 63.1% in 2016 compared to 64.6% in 2014.

As for the overall rate of use of financial services, which is defined as the sum of the extended banking rate plus the rate of use of electronic money services reported to the adult population, it is 80.5% in 2016 against 67.3% in 2014.

An analysis of the structure of loans revealed that the tertiary sector absorbed 23.21% of outstanding loans at the end of December 2017 and remains the principal beneficiary of bank financing. The secondary sector ranks second and accounts for 16.17% of bank loans. The share accounted for by the primary sector is 1.73 %.

Medium- and long-term loans, which are essential for real estate investments and other investment projects, represented 46% and 6% respectively, of global outstanding loans declared.

However, the ratio of loans to the private sector/GDP, which represents an indicator of the depth of the financial system, decreased slightly from 23.8% in December 2014 to 22.4% in December 2017, according to the BCEAO's monetary statistics, mainly due to a stronger rise of loans granted to the public sector, within the context of an intensification of investments in infrastructures.

As regards 2018, an analysis of the structure of loans revealed that the "Trade, Wholesale, Retail and Restaurant" and "Building, Public Works" branches absorbed 23.58% and 23.47%, respectively, of loans as at 30 June 2018. The "Agriculture, Forestry and Fishing" branch accounts for 2.87% of bank loans.

Medium- and long-term loans represented respectively 60% and 6% of the total outstanding loans declared at the end of June 2018.

The Government is committed to completing certain ongoing reforms designed to allow banks to increase their contribution to private sector financing. The reforms undertaken concern the promotion of the Credit Information Offices (*Bureau d'Information sur le Crédit,* **BIC**), the implementation of the SMEs support system (see *"Mesofinance*") and the creation of a DGF.

The implementation of BICs aims to reduce the information asymmetry between lenders and borrowers in the credit market, with the effect of improving access to financial services. The stages of implementation of the BIC project are as follows:

- Approval of the company CREDITINFO-VOLO as BIC in the WAMU, on 12 May 2015;
- Launch of CREDITINFO-VOLO activities on 1 February 2016 with the start of production of the platform for the exchange of information between concerned institutions, the BCEAO and the BIC in the WAMU member States having implemented the uniform law regulating the BICs in their internal legal order;
- Promulgation of the Law n°2016-36 of 23 January 2017 regulating the BICs in the Republic of Benin;

- Signature of services delivery between CREDITINFO-VOLO, the BIC approved in the WAMU, and Benin's concerned institutions including banks and large MFIs, on 24 March 2017;
- Start of the collection of customer consent by Benin's concerned institutions and feed into the BIC database; and
- Authorisation to set up a representative office in Benin of CREDITINFO-VOLO (CIV), approved as BIC in the WAMU, obtained by order of the Minister in charge of Finance on 1 February 2018.

The DGF is a community-based economic and financial organisation with legal personality and financial autonomy. It was created (i) to protect the financial institutions' small depositors, (ii) to contribute to financial stability in the WAEMU and (iii) to promote financial literacy in the member States of the WAEMU. The fourth meetings of the Board of Directors of the DGF, held on 11 December 2017 in Dakar, set the terms of the members' contributions to the Fund. All Benin credit institutions have signed and transmitted their membership contracts. As for other concerned persons, in particular the DFSs, the contracts are currently being signed.

The by-laws of the Fund are under review to take into account the financing of the bank crisis resolution actions and to change the name of the Fund. It will become the DRGF. For this purpose, the intervention modalities of the Fund as for the bank crisis resolution actions will be defined. The setup of a contribution system based on the risk profile of each member is contemplated.

Mesofinance

With a view to strengthening the financing of SMEs/SMIs in the WAEMU, the Conference of Heads of States and Governments decided in 2012 to establish a community mechanism. The BCEAO was mandated to propose the mechanism which was adopted by the Council of Ministers in September 2015. The purpose of the mechanism is to remove the constraints on the financing of SMEs/SMIs by amplifying the scope of the support mechanisms for existing financing and to encourage credit institutions to further finance SMEs/SMIs. Its implementation is under the leadership of the Minister in charge of SMEs/SMIs and also involves banks, the Central Bank, the Support and Supervision Structures, the State and the Regional Financial Market.

The mechanism is based on two main pillars:

- eligibility for BCEAO refinancing of loans issued by credit institutions to eligible SMEs/SMIs; and
- reducing the weighting of receivables held on eligible SMEs/SMIs.

To be eligible to the mechanism, companies must be supported by a Support and Supervision Structure which is selected by a Committee established by the BCEAO on 10 October 2018. This Committee, called the Committee for the Identification of Support and Supervision Structures for SMEs and SMIs, is chaired by the representative of the Minister in charge of SMEs/SMIs and comprises representatives of the Ministers of Finance and Development, of the Employers' Union, of the Professional Association of Banks and Financial Institutions (APBEF-Benin), of associations of SMEs/SMIs and of the BCEAO. It is responsible for selecting the Support and Supervision Structures and periodically evaluating their activities.

The official launch of the mechanism at a regional level and in each WAEMU member State took place on 2 August 2018 under the aegis of the Minister of State for Planning and Development and the Minister in charge of SMEs/SMIs. It was attended by the various actors involved in the scheme, including the banking sector, the heads of SMEs and SMIs, as well as the twelve Support and Supervision Structures. It should be noted that some actions are underway to make the mechanism fully operational in Benin during the first quarter of 2019. In particular, discussions were held with the Support and Supervision Structures in order to harmonize a tariff schedule for their services for SMEs and SMIs, with the objective of making support services accessible to beneficiaries.

Microfinance

In addition to the traditional banks, the financing of Benin's economy also relies on MFIs to meet the needs of the less solvent population.

The number of MFIs has increased over the past decade. According to the microfinance institutional census which was conducted in 2011, 721 MFIs were identified, of which: 224 unitary cooperatives; 396 associations and non-governmental organisations; 17 companies; 7 microfinance-based governmental projects; and 77 savings and credit group. Among the 721 institutions, 226 were authorised.

As of 30 September 2018, there were 99 authorised MFIs, of which: 4 companies; 76 unitary cooperatives including 3 network structures; and 19 associations and non-governmental organisations.

Total assets of MFIs amount to CFAF 154.3 billion as of 30 September 2018, as compared to CFAF 146.8 billion one year earlier.

As of 30 September 2018, (i) MFIs had 2,108,142 members or clients compared to 1,919,334 in September 2017, (ii) deposits amounted to CFAF 92.9 billion compared to 94.7 billion one year earlier, (iii) aggregate outstanding credit amounted to CFAF 117.6 billion compared to 99.5 billion in September 2017 and (iv) non-performing loans amounted to CFAF 8.7 billion compared to CFAF 7.6 billion in September 2017.

The issuance of licences to unsustainable institutions during the 2005-2011 period was not matched by a strengthening of their institutional capacities, which led to a deterioration of their operating conditions, linked to a low repayment rate of numerous "bad debtor" enterprises that benefit from microloans.

The MFIs tend to be undercapitalised and often suffer from problems of governance, non-compliance with prudential laws, poor management capabilities, and low-quality information systems.

The Government intends to pursue its efforts with respect to the restructuring and consolidation of the microfinance sector. Significant progress has been made regarding the delivery of licenses, the closing of illicit institutions, the control of documents and the implementation of measures and sanctions imposed on non-compliant MFIs.

Banking Regulation

The regulation of the banking sector is performed by the Banking Commission. This commission is responsible for monitoring the organisation and control of banks and financial institutions. It meets at least once every quarter. It has a secretariat composed of BCEAO officers, who prepare reports and studies concerning compliance by WAMU credit institutions with liquidity and sound management rules.

In order to fulfil its responsibilities, the Banking Commission has the following powers: (i) document inspection and on-site visits of banks and financial institutions, (ii) approval of banks and financial institutions operating on the territory of a WAMU member State, (iii) implementation of administrative measures in case of non-compliance with applicable provisions (warning, injunction, disciplinary measures) and (iv) disciplinary sanctions depending on the seriousness of the violation (warning, reprimand, suspension or ban of some or all operations, limitations on practicing the profession, suspension or resignation of responsible executives, withdrawal of authorisation).

Regional Stock Exchange

On 18 December 1996, the eight member States of the WAEMU established the BRVM. It is a specialised financial institution headquartered in Abidjan which is responsible for organising and ensuring the proper execution of securities transactions and proper information of the public in the WAEMU zone.

The BRVM has the following functions: organising the market, managing the rating and trading of securities, publishing stock prices and stock market information and ensuring the promotion and development of the securities market. The BRMV has a representative from each WAEMU country.

The BRVM is an entirely electronic stock exchange. The central site of the stock exchange in Abidjan ensures all of the quotation, negotiation and information diffusion services. The BRVM is composed of a stock market which has a debt securities compartment and an equity securities compartment.

The Regional Council for Public Savings and Financial Market is the regulatory body of the regional financial market. In 2012, this body strengthened market regulations to safeguard transactions and the interests of market participants.

Stock Market

As of the date of this Prospectus, 45 companies are listed on the BRVM, of which one is from Benin (Bank of Africa - Benin).

The BRVM features two indices to measure the development of the listed companies' stock price: the BRVM 10 index, comprising the 10 most liquid shares, and the BRVM composite index, comprising all companies listed on the BRVM.

The table below shows the evolution of BRVM 10 and of BRVM composite over the past three years:

	2015	**2016**	**2017**	**2018**
BRVM 10	290.38	261.95	219.65	154.36
BRVM Composite.......................	303.93	292.17	243.06	172.24
Total capitalisation (in CFAF billion)..	7,499.67	7,706.27	6,836.2	4,844.6

Source: BRVM, data as of 29 December 2018

Bond Market

The BRVM is one of the most dynamic bond markets in Africa with 44 bond issues listed as of 31 December 2018, for a total market capitalisation of CFAF 3,429.5 billion.

The 44 bonds issues are composed of 26 sovereign bonds, 2 public sector bonds, 12 bonds by regional and international institutions, and 4 Sukuk issues. The sovereign bonds, including the Sukuk issues, are the largest in the market and represent 85% of the total market capitalisation as of 31 December 2018.

Ongoing Reforms

The WAEMU has adopted a 2014-2021 Strategic Plan for the WAEMU regional financial market centred around four key objectives:

- enhancing the attractiveness of the regional financial market and its contribution to financing WAEMU economies;
- strengthening protections for savings, as well as monitoring market participants;
- improving regional and international institutional integration, and the organisation, functioning and financing of all market players; and
- promoting the financial market at the WAEMU level and strengthening inter-African and international cooperation.

The current major reforms aim at ensuring stronger regional integration and increasing significantly the stock market's impact on financing the economy. Since 2013, the BRVM and other stock markets of ECOWAS are working to implement a mechanism for cross-transactions with stock markets in Lagos, Nigeria and Accra, Ghana. In the same vein, other measures include the organisation of an regional analysis and research seminar for brokerage firms (*sociétés de gestion d'intermédiation*) and the signing of an agreement with member States' Chambers of Commerce. The possibility to invest across these three markets should contribute to improving the depth of the WAEMU regional financial market. In addition, the BRVM plans to open a compartment dedicated to SMEs in order to position itself as an alternative to bank financing.

TAXATION

The comments below are of a general nature only and are based on the provisions currently in force. Prospective Noteholders should consult their tax advisers as to the applicable tax laws and specific tax consequences of acquiring, holding and disposing of the Notes.

Benin

Under Beninese law, the Notes are exempt from withholding tax, income tax and other similar taxes imposed by the Republic. As a result, holders of the Notes will not be subject to withholding tax, income tax or other similar taxes in Benin in connection with their purchase, holding or sale of the Notes, including upon the payment of principal or interest.

United States

U.S. Federal Income Taxation

The following summary of certain U.S. federal income tax considerations of the purchase, ownership and disposition of the Notes by a U.S. Holder (as defined below) is based upon the U.S. Internal Revenue Code of 1986, as amended, final, temporary and proposed Treasury Regulations issued thereunder, and published judicial and administrative interpretations thereof, each as of the date hereof, and all of which are subject to change, possibly with retroactive effect.

This summary does not purport to be a complete analysis of all potential tax consequences. This discussion does not address all of the U.S. federal income tax consequences that may be relevant to an investor in light of such investor's particular circumstances or to investors subject to special treatment under U.S. federal income tax laws, such as non-U.S. investors, certain financial institutions, certain U.S. expatriates, insurance companies, retirement plans, dealers in securities or foreign currencies, traders in securities that elect mark-to-market tax accounting, U.S. Holders whose functional currency is not the U.S. dollar, partnerships (or entities treated as partnerships for U.S. federal income tax purposes), or partners therein, tax-exempt organisations, regulated investment companies, real estate investment trusts, persons subject to the alternative minimum tax and persons holding the Notes as part of a "straddle", "hedge", "conversion transaction" or other integrated transaction. In addition, this discussion is limited to persons that purchase the Notes for cash at original issue and at their "issue price" and that hold the Notes as capital assets for U.S. federal income tax purposes.

For purposes of this discussion, the term **U.S. Holder** means a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual that is a citizen or resident of the United States, (ii) a corporation created or organised in, or under the laws of, the United States, any state therein or the District of Columbia, or (iii) otherwise subject to U.S. federal income tax on a net income basis with respect to the Notes

This summary addresses only U.S. federal income tax consequences, and does not address consequences arising under state, local, foreign tax laws or the Medicare tax on net investment income. Prospective purchasers of the Notes should consult their own tax advisers concerning the tax consequences of investing in Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of other tax laws.

Book/tax conformity

U.S. Holders that use an accrual method of accounting for tax purposes (**accrual method holders**) generally are required to include certain amounts in income no later than the time such amounts are reflected on certain financial statements (the **book/tax conformity rule**). The application of the book/tax conformity rule thus may require the accrual of income earlier than would be the case under the general tax rules described below. It is not clear to what types of income the book/tax conformity rule applies, or, in some cases, how the rule is to be applied if it is applicable. Accrual method holders should consult with their tax advisors regarding the potential applicability of the book/tax conformity rule to their particular situation.

Payments of stated interest

Payments of stated interest on the Notes generally will be taxable to a U.S. Holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. Holder's usual method of accounting for U.S. federal income tax purposes. Interest income on a Note generally will constitute foreign source income for U.S. federal income tax purposes and generally will be considered "passive" income, which is treated separately from other types of income in computing the foreign tax credit that may be allowable to U.S. Holders under U.S. federal income tax laws. U.S. Holders should consult their own tax advisers regarding the calculation and availability of foreign tax credits.

A U.S. Holder that uses the cash method of accounting for U.S. federal income tax purposes and that receives a payment of interest will be required to include in ordinary income the U.S. dollar value of the Euro interest payment determined on the date the payment is received, regardless of whether the payment is in fact converted to U.S. dollars.

A U.S. Holder that uses the accrual method of accounting for U.S. federal income tax purposes will accrue interest income on a Note in Euros and translate the amount accrued into U.S. dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the U.S. Holder's taxable year), or at the U.S. Holder's election, at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year within such accrual period if the accrual period spans more than one taxable year), or at the spot rate of exchange on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. Holder that makes this election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the Internal Revenue Service (the **IRS**). A U.S. Holder that uses the accrual method will recognise foreign currency gain or loss, as the case may be, on the receipt of an interest payment made with respect to a Note if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income.

The foreign currency gain or loss generally will be treated as ordinary income or loss and will not be treated as an adjustment to interest income received on the Note.

Original Issue Discount

The Notes are expected to be issued with, and this discussion assumes that the Notes will be issued with, no more than a *de minimis* amount of original issue discount for U.S. federal income tax purposes (**OID**). A U.S. Holder will be required to include any *de minimis* OID in income as stated principal payments are made on the Notes. The amount of OID will generally be considered to be *de minimis* if it is less than 0.25% of the stated principal amount multiplied by the "weighted average maturity" of the Notes. The "weighted average maturity" of a Note is the sum of the following amounts, determined for each installment of principal paid: (i) the number of complete years from the issue date until such principal payment is made, multiplied by (ii) a fraction equal to the amount of such principal payment divided by the Note's stated redemption price at maturity. If the Notes are issued with more than a *de minimis* amount of OID, a U.S. Holder will be required to include any OID in income for U.S. federal tax purposes as it accrues in accordance with a constant yield method based on a compounding of interest, even though the cash attributable to this income will not be received until a Note is sold, exchanged, redeemed or otherwise disposed. OID generally would be accrued in Euros and translated into dollars at the average exchange rate in effect during the interest accrual period (or portion thereof within a U.S. Holder's taxable year). A U.S. Holder generally would recognise foreign currency gain or loss to the extent the amount OID accrued differs from the U.S. dollar value of the Euro amounts when received.

Sale, exchange and redemption of Notes

Generally, upon the sale, exchange or redemption of a Note, a U.S. Holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange, or redemption (less any amount attributable to accrued but unpaid stated interest, which will be taxed as such) and such U.S. Holder's adjusted tax basis in the Note.

A U.S. Holder's adjusted tax basis in a Note generally will be the U.S. dollar value of the purchase price of that Note on the date of purchase increased by the amount of OID, if any, included in the U.S. Holder's income with respect to the Note and decreased by any payments (other than stated interest payments) received by such U.S. Holder with respect to the Note and by payments of principal previously received in respect of such Note. A U.S. Holder's amount realised upon the sale, exchange or retirement of a Note will be the U.S. dollar value of the currency received calculated at the exchange rate in effect on the date the instrument is sold, exchanged or retired. If the Notes are treated as traded on an established securities market, a U.S. Holder that uses the cash method, and if it so elects, a U.S. Holder that uses the accrual method, will determine the U.S. dollar value of the amount realised by translating such amount at the spot rate on the settlement date of the sale. The election available to U.S. Holders that use the accrual method in respect of the purchase and sale of Notes traded on an established securities market must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS. U.S. Holders should consult their own tax advisers about the availability of this treatment (and in the case of accrual basis U.S. Holders, the advisability of making this election).

Subject to the foreign currency rules discussed below, gain or loss realised by a U.S. Holder on a sale or other taxable disposition of a Note generally will be capital gain or loss and will be long-term capital gain or loss if, at the time of such sale or disposition, the Notes have been held for more than one year. Certain non-corporate U.S.

Holders (including individuals) may be eligible for preferential rates of taxation in respect of long-term capital gains. The deductibility of capital losses is subject to limitations.

Gain or loss recognised by a U.S. Holder on the sale, exchange or retirement of a Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which the U.S. Holder held the Note. This foreign currency gain or loss will not be treated as an adjustment to interest income received on the Notes. In addition, upon the sale, exchange or retirement of a Note, a U.S. Holder that uses the accrual method may realise foreign currency gain or loss attributable to amounts received in respect of accrued and unpaid interest. The amount of foreign currency gain or loss realised with respect to principal and accrued interest will, however, be limited to the amount of overall gain or loss realised on the disposition. For a U.S. Holder that uses the accrual method and does not make the election described above, the foreign currency gain or loss may include amounts attributable to changes in exchange rates between the trade date and the settlement date.

Reportable Transactions

A U.S. Holder that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss relating to a Note as a reportable transaction if the loss exceeds $50,000 in a single taxable year if the U.S. Holder is an individual or trust, or higher amounts for other U.S. Holders. In the event the acquisition, ownership or disposition of a Note constitutes participation in a "reportable transaction" for purposes of these rules, a U.S. Holder will be required to disclose its investment to the IRS, currently on Form 8886. Prospective investors should consult their tax advisers regarding the application of these rules to the acquisition, ownership or disposition of Notes.

Specified Foreign Financial Assets.

Certain U.S. Holders that own "specified foreign financial assets" with an aggregate value in excess of $50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. "Specified foreign financial assets" include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which may include Notes issued in certificated form) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. Holders that fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended in whole or in part. Prospective investors should consult their own tax advisers concerning the application of these rules to their investment in the Notes, including the application of the rules to their particular circumstances.

Information reporting and backup withholding

Information returns may be filed with the IRS (unless the U.S. Holder establishes, if requested to do so, that it is an exempt recipient) in connection with payments on the Notes (including, if any, OID accrued in the manner described above), and the proceeds from the sale, exchange or other disposition of Notes. If information reports are required to be made, a U.S. Holder may be subject to U.S. backup withholding if it fails to provide its taxpayer identification number, or to establish that it is exempt from backup withholding. The amount of any backup withholding imposed on a payment will be allowed as a credit against any U.S. federal income tax liability of a U.S. Holder and may entitle the U.S. Holder to a refund, provided the required information is timely furnished to the IRS.

U.S. Holders should consult their own tax advisers regarding any reporting obligations they may have as a result of their acquisition, ownership or disposition of Notes.

The proposed financial transactions tax (FTT)

On 14 February 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common **FTT** in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **Participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has a very broad scope and could, if introduced in its current form, impose a tax at generally not less than 0.1%, determined by reference to the amount of consideration paid on certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt. The mechanism by which the tax would be applied and collected is not yet known, but if the proposed directive or any similar tax is adopted, transactions in the Notes would be subject to higher costs, and the liquidity of the market for the Notes may be diminished.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT proposal remains subject to negotiation between the Participating Member States (excluding Estonia) and the scope of such tax is uncertain. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and/or certain of the Participating Member States may decide to withdraw (in addition to Estonia which already withdrew). Prospective holders of Notes are advised to seek their own professional advice in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Notes

CLEARING AND SETTLEMENT ARRANGEMENTS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream (together, the **Clearing Systems**) currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources that the Republic believes to be reliable, but neither the Republic nor the Joint Lead Managers takes any responsibility for the accuracy of this section. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Republic and any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.*

Clearing Systems

Euroclear and Clearstream

Euroclear and Clearstream have advised the Republic as follows:

Euroclear and Clearstream each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Registration and Form

Book-entry interests in the Notes sold in offshore transactions in reliance on Regulation S, held through Euroclear and Clearstream will be represented by the Unrestricted Global Certificate registered in the name of a nominee of, and held by, a common depositary for Euroclear and Clearstream. Book-entry interests in the Notes sold to QIBs in reliance on Rule 144A will initially be in the form of the Restricted Global Certificate registered in the name of a nominee of, and held by, a common depositary for Euroclear and Clearstream. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of Euroclear and Clearstream, as applicable, to reflect the amounts of Notes held through Euroclear and Clearstream, as applicable. Beneficial ownership of book-entry interests in Notes will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, as applicable.

The aggregate holdings of book-entry interests in the Notes in Euroclear and Clearstream, as applicable, will be reflected in the book-entry accounts of each such institution. Euroclear and Clearstream, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Notes will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the Notes. The Registrar will be responsible for maintaining a record of the aggregate holdings of Notes registered in the name of a common nominee for Euroclear and Clearstream, as applicable, and/or, if individual Certificates are issued in the limited circumstances described under "*The Global Certificates—Registration of Title*" in the Conditions, holders of Notes represented by those individual Certificates. The Fiscal Agent will be responsible for ensuring that payments received by it from the Republic for holders of book-entry interests in the Notes holding through Euroclear and Clearstream are credited to Euroclear or Clearstream, as the case may be.

The Republic will not impose any fees in respect of holding the Notes; however, holders of book-entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear or Clearstream, as applicable.

Clearing and Settlement Procedures

Initial Settlement

Upon their original issue, the Notes will be in global form represented by the two Global Certificates. Interests in the Notes will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Notes through Euroclear and Clearstream accounts will follow the settlement procedures applicable to conventional Eurobonds. Book-entry interests in the Notes will be credited to Euroclear and Clearstream participants' securities clearance accounts on the business day following the Closing Date against payment (value as on the Closing Date).

Secondary Market Trading

Secondary market trades in the Notes will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear or Clearstream, as the case may be, in accordance with their respective procedures. Book-entry interests in the Notes may be transferred within Euroclear and within Clearstream and between Euroclear and Clearstream in accordance with procedures established for these purposes by Euroclear and Clearstream.

General

Neither Euroclear or Clearstream, as applicable, is under any obligation to perform or continue to perform the procedures referred to above, and such procedures may be discontinued at any time.

Neither the Republic nor any of their agents will have any responsibility for the performance by Euroclear or Clearstream, as applicable, or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or the arrangements referred to above.

PLAN OF DISTRIBUTION

The Republic intends to offer the Notes through the Joint Lead Managers and their broker-dealer affiliates, as applicable, named below. Subject to the terms of a subscription agreement dated 22 March 2018 among the Joint Lead Managers and the Republic (the **Subscription Agreement**), each of the Joint Lead Managers has severally agreed to subscribe for, or procure subscriptions for, and the Republic has agreed to issue to each of the Joint Lead Managers, the principal amount of the Notes set forth opposite each Joint Lead Manager's name below:

Joint Lead Managers	**Principal Amount of Notes**
Citigroup Global Markets Limited	EUR166,666,000
Natixis	EUR166,666,000
Société Générale	EUR166,668,000
TOTAL	**EUR500,000,000**

The Republic will also reimburse the Joint Lead Managers in respect of certain of their expenses, and has agreed to indemnify the Joint Lead Managers against certain liabilities (including liabilities under the Securities Act), incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the issue price to the Republic.

The Subscription Agreement provides that the obligations of the Joint Lead Managers to subscribe for, or procure subscriptions for, the Notes are subject to approval of legal matters by counsel and to other conditions. The Joint Lead Managers must subscribe and/or procure subscriptions for all the Notes if they subscribe for or procure subscriptions for any of the Notes. The offering of the Notes by the Joint Lead Managers is subject to receipt and acceptance and subject to the Joint Lead Managers' right to reject any order in whole or in part.

The Republic has been informed that the Joint Lead Managers propose to offer the Notes at the offering price set forth on the cover page of this Prospectus within the United States to persons reasonably believed to be qualified institutional buyers (as defined in Rule 144A) in reliance upon Rule 144A, and outside the United States in reliance upon Regulation S. See "*Transfer Restrictions*" and "*Subscription and Sale*" below. The price at which the Notes are offered may be changed at any time without notice.

Offers and subscriptions of the Notes in the United States will be made by those Joint Lead Managers or their affiliates that are registered broker-dealers under the Securities and Exchange Act of 1934, as amended (the **Exchange Act**), or in accordance with Rule 15a-6 thereunder.

The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States (as defined in Regulation S under the Securities Act) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "*Transfer Restrictions*" and "*– Subscription and Sale*" below.

Accordingly, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

The Notes will constitute a new class of securities of the Republic with no established trading market. The Republic cannot provide any assurances to Noteholders that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for such Notes will develop and continue after this offering. The Joint Lead Managers have advised the Republic that they currently intend to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, the Republic cannot provide any assurances to Noteholders as to the liquidity of or the trading market for the Notes.

In connection with the offering, the Joint Lead Managers may purchase and sell Notes (or beneficial interests therein) in the open market. These transactions may include overallotment, syndicate covering transactions and stabilising transactions. Overallotment involves the sale of Notes (or beneficial interests therein) in excess of the principal amount of Notes to be subscribed for by or through by the Joint Lead Managers in this offering, which creates a short position for the Joint Lead Managers. Covering transactions involve the purchase of the Notes (or beneficial interests therein) in the open market after the distribution has been completed in order to cover short positions. Stabilising transactions consist of certain bids or purchases of Notes (or beneficial interests therein) made for the purpose of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein) while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes (or beneficial interests therein). They may also cause the price of the Notes (or beneficial interests therein) to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The Joint Lead Managers may conduct these transactions in the over-the-counter market or otherwise. If the Joint Lead Managers commence any of these transactions, they may discontinue them at any time.

The Republic expects that delivery of the Notes will be made against payment therefor on the closing date specified on the cover page of this Prospectus, which will be the fifth New York Business Day following the date of this Prospectus (this settlement cycle being referred to as "T+5"). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two days on which banks and financial institutions are open for business in New York (**New York Business Days**), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of this Prospectus or the next succeeding New York Business Days will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of this Prospectus or the next succeeding New York Business Days should consult their own adviser.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory investment management, principal investment, hedging, financing and brokerage activities. The Joint Lead Managers or their respective affiliates may have performed investment banking and advisory services for the Republic and its affiliates from time to time for which they may have received customary fees and expenses. The Joint Lead Managers or their respective affiliates may, from time to time, engage in transactions with and perform advisory and other services for the Republic and its affiliates in the ordinary course of their business. The Joint Lead Managers will be paid a transaction fee to provide this service to the Issuer.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities), including the Notes, and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Republic, as well as lending to the Republic and its affiliates. Certain of the Joint Lead Managers or their affiliates that have a lending relationship with the Republic, currently or in the future, may hedge their credit exposure to the Issuer consistent with their customary risk management policies. Such Joint Lead Managers and their affiliates may hedge such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in securities (potentially including the Notes). Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments, including the Notes.

Subscription and Sale

General

No action has been taken by the Republic or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (a) outside the United States to persons in offshore transactions in reliance on, and in compliance with Regulation S and (b) in the United States to QIBs as defined in the Securities Act, in reliance on, and in compliance with, Rule 144A.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of the Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Each Joint Lead Manager has agreed that it has offered and sold, and will offer and sell, the Notes only in accordance with Rule 903 of Regulation S or Rule 144A. Accordingly, neither such Joint Lead Manager nor its affiliates, nor any persons acting on its or their behalf, have engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Notes

United Kingdom

Each Joint Lead Manager has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the **FSMA**) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Republic; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

West African Economic and Monetary Union

Each Joint Lead Manager has represented and agreed that it will not offer or sell the Notes into the member countries of WAEMU.

United Arab Emirates (excluding the Dubai International Financial Centre)

Each Joint Lead Manager has represented and agreed that the Notes have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Notes to any person in the Dubai International Financial Centre unless such offer is:

a) an "**Exempt Offer**" in accordance with the Markets Rules (**MKT**) module of the Dubai Financial Services Authority Rulebook (the **DFSA Rulebook**); and

b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module of the DFSA Rulebook.

Switzerland

In Switzerland, this Prospectus is not intended to constitute an offer or solicitation to purchase or invest in Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to Article 652a or Article 1156 of the Swiss code of obligations nor a simplified prospectus as such term is understood pursuant to Article 5 of the Swiss Collective Investment Scheme Act, and neither this Prospectus nor any other offering or marketing material relating to the Notes may or will be publicly distributed or otherwise made publicly available in Switzerland.

Neither this Prospectus nor any other offering or marketing material relating to the offering of the Notes has been or will be filed with or approved by any Swiss regulatory authority. The Notes do not constitute a participation in a collective investment scheme in the meaning of the Swiss Collective Investment Schemes Act and are not subject to the approval of, or supervision by, any Swiss regulatory authority, such as the Swiss Financial Markets Supervisory Authority, and investors in the Notes will not benefit from protection or supervision by any Swiss regulatory authority.

TRANSFER RESTRICTIONS

Due to the following significant transfer restrictions applicable to the Notes, investors are advised to consult legal counsel prior to making any reoffer, resale, pledge, transfer or disposal of the Notes.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**), and may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold (1) in the United States only to persons reasonably believed to be qualified institutional buyers (**QIBs**) (as defined in Rule 144A under the Securities Act (**Rule 144A**)) in reliance on, and in compliance with Rule 144A and (2) to persons outside the United States (**foreign purchasers**) in offshore transactions pursuant to Regulation S under the Securities Act.

By its purchase of Notes, each purchaser of Notes will be deemed to:

(a) represent that it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is (i) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (ii) a foreign purchaser;

(b) acknowledge that the Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except as set forth below;

(c) if it is a person other than a foreign purchaser, agree that if it should resell or otherwise transfer the Notes within the time period referred to in Rule 144 under the Securities Act after the original issuance of the Notes, it will do so only (A) (i) to the Issuer, (ii) to a QIB in compliance with Rule 144A, (iii) outside the United States in an offshore transaction in compliance with Rule 903 or 904 of Regulation S under the Securities Act or (iv) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available) but only upon delivery to the Issuer of an opinion of counsel in form and scope satisfactory to the Issuer and (B) in each case in compliance with all applicable securities laws of the States of the United States. No representation can be made as to the availability at any time of the exemption provided by Rule 144A or Rule 144 for the resale of the Notes;

(d) agree that it will deliver to each person to whom it transfers Notes notice of any restriction on transfer of such Notes;

(e) understand and agree that Notes initially offered in the United States to QIBs will be represented by one or more Restricted Global Certificates and that Notes offered outside the United States in offshore transactions pursuant to Regulation S will be represented by one or more Unrestricted Global Certificates;

(f) understand that unless registered under the Securities Act, the Notes (other than those issued to foreign purchasers) will bear a legend to the following effect, unless otherwise agreed by the Issuer and the holder thereof:

THE NOTES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR ANY SECURITIES LAW OF ANY STATE IN THE UNITED STATES OF AMERICA, AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS PERMITTED BY THE FOLLOWING SENTENCES. THE HOLDER HEREOF, BY PURCHASING THE NOTES IN RESPECT OF WHICH THIS CERTIFICATE IS ISSUED, ACKNOWLEDGES AND AGREES, FOR THE BENEFIT OF THE ISSUER, THAT SUCH NOTES MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (A)(l) TO THE ISSUER, (2) IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT THE OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (4) IN A TRANSACTION THAT IS OTHERWISE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 UNDER THE SECURITIES ACT BUT ONLY IF AVAILABLE AND UPON DELIVERY TO THE ISSUER OF AN OPINION OF COUNSEL IN FORM AND SCOPE SATISFACTORY TO THE ISSUER; AND (B) IN EACH CASE IN COMPLIANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES;

(g) acknowledge that the Issuer and the Joint Lead Managers will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements, and agree that if any of the acknowledgments, representations or warranties deemed to have been made by it by its purchase of Notes are no longer accurate, it shall promptly notify the Issuer and the Joint Lead Managers; and

(h) if it is acquiring Notes as a fiduciary or agent for one or more investor accounts, represent that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

GENERAL INFORMATION

Authorisation

The Republic has obtained all necessary consents, approvals and authorisations in the Republic in connection with the issue and performance of the Notes. The issue of the Notes was authorised pursuant to Decree n°2019-071 of 28 February 2019 of the Republic of Benin published in the Official Journal on 11 March 2019.

Listing and Admission to Trading

Application has been made to Euronext Dublin for the Notes to be admitted to the Official List and trading on its regulated market. It is expected that admission of the Notes to trading will be granted on or before the next working day after the Issue Date. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of Euronext Dublin or to trading on the regulated market of Euronext Dublin for the purposes of the Prospectus Directive.

The total expenses related to the admission to trading of the Notes are expected to be approximately €8,000.

Clearing Systems

The Global Certificates have been accepted for clearance through Euroclear and Clearstream. The ISIN for the Unrestricted Global Certificates is XS1963478018 and for the Restricted Global Certificate is XS1963477556. The Common Code for the Unrestricted Global Certificate is 196347801 and for the Restricted Global Certificate is 196347755.

No significant change

Since 31 December 2018, there has been no significant change in the tax and budgetary systems, gross public debt, foreign trade and balance of payments, foreign exchange reserves, financial position and resources and income and expenditure figures of the Republic.

Litigation

Save as referred to in "Republic of Benin – Judicial and arbitration proceedings", the Republic is not, nor has it been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Republic is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or 'profitability' of the Republic.

Documents

For so long as any of the Notes remains outstanding, copies of the following documents will be available for physical inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the specified office of the Fiscal Agent:

(a) the Agency Agreement which includes the forms of the Global Certificates;

(b) the Deed of Covenant ; and

(c) the budget of the Republic for the last two fiscal years.

Joint Lead Managers transacting with the Republic

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Republic and its agencies in the ordinary course of business.

Yield

On the basis of the issue price of the Notes of 98.774% of their principal amount, the yield on the Notes is 6.000% per annum.

Third Party Information

The Republic confirms that where information included in this Prospectus has been sourced from a third party, that information has been accurately reproduced and that as far as the Republic is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. All sources have been cited where used.

Interested Persons

No person involved in the offering of the Notes has any interest in such offering which is material to such offering.

Language

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Issuer Contact Information

Address: Ministry of Economy and Finance
Route de l'Aéroport, Cotonou
Benin

Tel.: +229 21 30 12 47

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon on behalf of the Republic by or on behalf of *Agent Judiciaire du Trésor* of the Republic, and by Cleary Gottlieb Steen & Hamilton, special English and United States counsel for the Republic. Certain legal matters will be passed upon for the Joint Lead Managers by Allen & Overy LLP, special English and United States counsel for the Joint Lead Managers, and by Cabinet d'Avocats Baba Body, special Beninese counsel to the Joint Lead Managers. All statements with respect to Beninese law included in this Prospectus have been passed upon by *Agent Judiciaire du Trésor* of the Republic and are made upon his authority.

THE ISSUER

Republic of Benin
Ministry of Economy and Finance
Route de l'Aéroport, Cotonou
Benin

JOINT LEAD MANAGERS & JOINT BOOKRUNNERS

Citigroup Global Markets Limited
Citigroup Centre
Canada Square, Canary Wharf
London E14 5LB
United Kingdom

Natixis
30, avenue Pierre Mendès France
75013 Paris
France

Société Générale
29, boulevard Haussmann
75009 Paris
France

FISCAL AND PRINCIPAL PAYING AGENT, TRANSFER AGENT

Citibank, N.A., London Branch
5th Floor, Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

REGISTRAR

Citigroup Global Markets Europe AG
Reuterweg 16
60323 Frankfurt am Main
Germany

LEGAL ADVISERS

To the Republic as to English and U.S. law
Cleary Gottlieb Steen & Hamilton LLP
12 rue de Tilsitt
75008 Paris
France

To the Republic as to Beninese law
Agent judiciaire du Trésor
Ministry of Economy and Finance
01 BP; 302 Cotonou Route de l'aéroport
Benin

To the Joint Lead Managers as to English law

Allen & Overy LLP

One Bishops Square
London E1 6AD
United Kingdom

To the Joint Lead Managers as to U.S. law

Allen & Overy LLP

52 avenue Hoche
75008 Paris
France

To the Joint Lead Managers as to Beninese law

Cabinet d'Avocats BABA BODY
02 BP 1516 Cotonou
Cotonou, Cadjèhoun, lot n°1189
rue Memphis, Immeuble ADJIBI
Porte 329
Benin