INTERNATIONAL MONETARY FUND

IMF Country Report No. 16/383

# CÔTE D'IVOIRE

December 2016

## REQUESTS FOR AN EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND AN ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CÔTE D'IVOIRE

In the context of the Requests for an Extended Arrangement Under the Extended Fund Facility and an Arrangement Under the Extended Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 12, 2016, following discussions that ended on October 6, 2016, with the officials of Côte d'Ivoire on economic developments and policies underpinning the IMF arrangements. Based on information available at the time of these discussions, the staff report was completed on November 23, 2016.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association (IDA).
- A **Statement by the Executive Director** for Côte d'Ivoire.

The documents listed below have been or will be separately released:

Letter of Intent sent to the IMF by the authorities of Côte d'Ivoire*
Memorandum of Economic and Financial Policies by the authorities of Côte d'Ivoire*
Technical Memorandum of Understanding*
Economic Development Documents
*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

Copies of this report are available to the public from
International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org  Web: http://www.imf.org
Price: $18.00 per printed copy

**International Monetary Fund**
**Washington, D.C.**

Press Release No. 16/554
FOR IMMEDIATE RELEASE
December 12, 2016

International Monetary Fund
Washington, D.C. 20431 USA

**IMF Executive Board Approves US$658.9 Million Under the ECF and EFF Arrangements for Côte d'Ivoire**

On December 12, 2016 the Executive Board of the International Monetary Fund (IMF) approved two three-year arrangements under the Extended Credit Facility (ECF)[1] and the Extended Fund Facility (EFF)[2] for Côte d'Ivoire for a combined total of SDR 487.8 million (about US$658.9 million, or 75 percent of Côte d'Ivoire's quota) to support the country's economic and financial reform program.

The program will aim to achieve a sustainable balance of payments position, inclusive growth, and poverty reduction by investing in infrastructure and priority social projects. It will also focus on containing current spending, catalyzing official and private financing, and building resilience to future economic shocks.

The Executive Board's decision will enable an immediate disbursement of total amount of SDR 69.686 million (about US$94.1 million). The remaining amount will be phased over the duration of the program, subject to semi-annual reviews.

Following the Executive Board discussion on Côte d'Ivoire, Deputy Managing Director Mr. Furusawa, and Acting Chair, said:

"Côte d'Ivoire's economy has made an impressive turnaround since 2012 and its outlook remains favorable. Nevertheless, reducing poverty and closing human capital and infrastructure gaps will take time, and structural bottlenecks pose challenges. Against this backdrop, the authorities' new economic program under the Extended Credit Facility and

[1] The ECF is a lending arrangement that provides sustained program engagement over the medium to long term in case of protracted balance of payments problems.
[2] The EFF was established to provide assistance to countries: (i) experiencing serious payments imbalances because of structural impediments; or (ii) characterized by slow growth and an inherently weak balance of payments position.

Extended Fund Facility appropriately focuses on inclusive, sustainable growth; structural transformation of the economy; and poverty reduction. The program builds on the solid performance under the previous Fund-supported program in 2011–15 and is expected to catalyze official and private financing.

“The authorities’ goal is to maintain fiscal discipline and strengthen buffers for future shocks, while creating fiscal space for infrastructure and social spending. To this end, improving tax administration and adopting new tax policy measures will help increase revenue mobilization. Containing current spending will be also critical, while prudent public financial and debt management will help ensure debt sustainability. Enhancing surveillance of public enterprises and extending budget coverage to extra-budgetary entities would strengthen control over all government’s activities and improve transparency. Reinforcing the framework for public-private partnerships and pressing ahead with the reform of public enterprises will mitigate fiscal risks.

“The authorities’ measures to recapitalize and strengthen public banks and their efforts to promote financial inclusion will help sustain healthy credit expansion and contribute to private sector-led economic growth.

“Further improvements to the business environment are crucial, particularly in the areas of paying taxes, obtaining permits, and facilitating trade. The authorities’ continued efforts to improve the quality and dissemination of economic statistics would support policy making and private investment.”

**Annex**

**Recent Economic Developments**

Côte d’Ivoire’s economy has achieved an impressive turnaround since 2012. Political normalization, supportive fiscal policy facilitated by extensive debt relief, reforms to improve the business climate, and rising world cocoa prices have enabled a strong rebound in economic activity. Real GDP grew by 9 percent per year on average during 2012–15, driven by investment and consumption, partly reversing a decade-long fall in per capita income.

The robust economic performance since 2012 has not fully shed the socio-economic legacies of decades of sluggish growth compounded by conflict. Significant disparities remain across the country, and in the areas of education attainment, employment and income. As such, the authorities’ 2016-20 National Development Plan (NDP) appropriately prioritizes inclusive and sustainable growth, focusing on structural transformation and improving living standards.

Solid macroeconomic performance continued in the first half of 2016 notwithstanding the impact of a drought on agriculture, and real GDP growth is projected at around 8 percent for the entire year. The budget deficit is projected at 4 percent of GDP in 2016, reflecting higher spending, including for security, health and education. Economic growth is forecast to remain strong over the medium term, averaging 7.7 percent per year during 2017-19, reflecting buoyant domestic demand. Inflation is projected to remain below 3 percent. Reflecting investment-driven imports, the external current account deficit would widen to about 2.5 percent of GDP.

**Program Summary**

Building on progress made under the 2012-15 program (see Press Release No. 11/399), the new three-year program will support the broad objectives of the NDP and help implement a sustainable balance of payments position, inclusive growth, and poverty reduction.

The authorities' program aims to create fiscal space for infrastructure investment and social spending, and strengthen policy buffers; maintain public debt on a sustainable path; facilitate debt restructuring of the national oil refinery and enhance monitoring of the debts of state-owned enterprises; address vulnerabilities in the public banks; improve the business climate; enhance the quality of economic data; and increase Côte d'Ivoire's contribution to the regional foreign exchange reserves pool.

Under the program's planned policies, the government's budget deficit would converge to the West African Economic and Monetary Union norm of 3 percent of GDP by 2019 in order to preserve public debt sustainability and support the regional international reserves pool. Prudent public financial and debt management practices along with public enterprise reform would ensure fiscal sustainability and mitigate fiscal risks. Financial sector polices would focus on reducing vulnerabilities, including in the public banks, and fostering financial inclusion. Structural reforms will improve the business environment. Measures to improve the quality and dissemination of economic statistics will support policy making and investment.

**Background**

Côte d'Ivoire, which became a member of the IMF on March 11, 1963, has an IMF quota of SDR 650.40 million.

For additional information on the IMF and Côte d'Ivoire, see:
http://www.imf.org/external/country/civ/index.htm

## Côte d'Ivoire: Selected Economic Indicators: 2015–20

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| | Est. | Proj. | Proj. | Projections | | |
| | (Annual percentage changes, unless otherwise indicated) | | | | | |
| **National income** | | | | | | |
| GDP at constant prices | 8.9 | 7.9 | 7.9 | 7.8 | 7.3 | 7.2 |
| GDP deflator | 1.8 | 1.0 | 1.4 | 1.9 | 1.9 | 2.0 |
| Consumer price index (annual average) | 1.2 | 1.0 | 1.5 | 2.0 | 2.0 | 2.0 |
| **External sector (on the basis of CFA francs)** | | | | | | |
| Exports of goods, f.o.b., at current prices | 8.0 | 3.3 | 12.2 | 10.8 | 10.0 | 9.9 |
| Imports of goods, f.o.b., at current prices | 11.4 | 7.3 | 14.9 | 12.3 | 11.3 | 10.7 |
| Export volume | 10.6 | 3.1 | 6.2 | 5.9 | 5.4 | 5.1 |
| Import volume | 13.8 | 10.2 | 8.8 | 10.7 | 10.2 | 9.3 |
| Terms of trade (deterioration –) | 3.8 | 2.8 | 0.1 | 3.1 | 3.3 | 3.3 |
| Nominal effective exchange rate | -3.9 | ... | ... | ... | ... | ... |
| Real effective exchange rate (depreciation –) | -4.4 | ... | ... | ... | ... | ... |
| **Central government operations** | | | | | | |
| Total revenue and grants | 18.9 | 11.7 | 11.3 | 11.3 | 9.9 | 10.4 |
| Total expenditure | 21.8 | 16.7 | 9.5 | 9.8 | 8.2 | 9.6 |
| | (Changes in percent of beginning-of-period broad money unless otherwise indicated) | | | | | |
| **Money and credit** | | | | | | |
| Money and quasi-money (M2) | 18.8 | 10.7 | 14.3 | 13.1 | 12.3 | 9.3 |
| Net foreign assets | 3.2 | 0.3 | 4.7 | 4.7 | 3.3 | 1.0 |
| Net domestic assets | 15.6 | 10.4 | 9.6 | 8.5 | 9.0 | 8.3 |
| *Of which*: government | -0.7 | 1.7 | 1.4 | 2.4 | 2.0 | 1.8 |
| private sector | 16.0 | 8.6 | 8.2 | 6.1 | 7.0 | 6.4 |
| Credit to the economy (percent) | 29.6 | 14.7 | 13.4 | 10.1 | 11.9 | 11.0 |
| | (Percent of GDP unless otherwise indicated) | | | | | |
| **Central government operations** | | | | | | |
| Total revenue and grants | 20.2 | 20.7 | 21.1 | 21.4 | 21.5 | 21.7 |
| Total revenue | 18.8 | 19.1 | 19.6 | 19.8 | 19.8 | 20.1 |
| Total expenditure | 23.1 | 24.7 | 24.8 | 24.8 | 24.5 | 24.5 |
| Overall balance, incl. grants, payment order basis | -2.9 | -4.0 | -3.7 | -3.4 | -3.0 | -2.8 |
| Primary basic balance [1/] | -0.4 | -1.6 | 0.1 | 0.6 | 1.0 | 1.3 |
| **Gross investment** | 17.8 | 19.3 | 20.2 | 21.2 | 21.2 | 21.4 |
| Central government | 6.4 | 7.5 | 7.8 | 8.3 | 8.2 | 8.4 |
| Nongovernment sector | 11.4 | 11.9 | 12.4 | 12.9 | 13.0 | 13.0 |
| **Gross domestic saving** | 19.8 | 20.1 | 20.7 | 21.6 | 21.4 | 21.7 |
| Central government | 2.9 | 2.6 | 3.6 | 4.2 | 4.5 | 4.9 |
| Nongovernment sector | 16.9 | 17.5 | 17.1 | 17.4 | 16.9 | 16.8 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Gross national saving** | 16.8 | 17.3 | 17.7 | 18.7 | 18.5 | 18.8 |
| Central government | 3.6 | 3.0 | 4.2 | 4.9 | 5.2 | 5.6 |
| Nongovernment sector | 13.2 | 14.3 | 13.5 | 13.7 | 13.3 | 13.2 |
| **External sector balance** | | | | | | |
| Current account balance (including official transfers) | -1.0 | -2.0 | -2.5 | -2.5 | -2.7 | -2.6 |
| Current account balance (excluding official transfers) | -2.4 | -3.7 | -4.0 | -4.1 | -4.3 | -4.2 |
| Overall balance | 0.3 | -0.3 | 1.0 | 1.1 | 0.7 | 0.2 |
| **Public sector debt** | | | | | | |
| Central government debt, gross | 47.8 | 48.3 | 47.9 | 46.4 | 44.9 | 43.4 |
| Central government debt (excluding C2D) | 40.5 | 42.4 | 43.2 | 42.8 | 42.2 | 41.5 |
| External debt | 29.8 | 28.9 | 28.2 | 27.4 | 26.6 | 25.7 |
| External debt (excluding C2D) | 22.5 | 23.0 | 23.5 | 23.8 | 23.9 | 23.8 |
| External debt-service due (CFAF billions) | 412 | 477 | 523 | 616 | 702 | 764 |
| Percent of exports of goods and services | 5.6 | 6.3 | 6.1 | 6.5 | 6.8 | 6.7 |
| Percent of government revenue | 11.3 | 11.9 | 11.6 | 12.3 | 12.8 | 12.5 |
| Memorandum items: | | | | | | |
| Nominal GDP (CFAF billions) | 19,368 | 21,102 | 23,069 | 25,344 | 27,736 | 30,324 |
| Nominal exchange rate (CFAF/US$, period average) | 591 | ... | ... | ... | ... | ... |
| Nominal GDP at market prices (US$ billions) | 32.8 | 35.9 | 39.7 | 43.8 | 48.2 | 53.1 |
| Population (million) | 23.7 | 24.3 | 25.0 | 25.6 | 26.3 | 27.0 |
| Nominal GDP per capita (CFAF thousands) | 817 | 867 | 924 | 990 | 1,056 | 1,125 |
| Nominal GDP per capita (US$) | 1,382 | 1,477 | 1,589 | 1,709 | 1,835 | 1,970 |
| Real GDP per capita growth (percent) | 6.3 | 5.3 | 5.3 | 5.2 | 4.7 | 4.6 |
| Poverty rate (in percent) | 46.3 | ... | ... | ... | ... | ... |

Sources: Ivoirien authorities; and IMF staff estimates and projections.

[1/] Defined as total revenue minus total expenditure, excluding all interest and foreign-financed investment expenditure.

INTERNATIONAL MONETARY FUND

# CÔTE D'IVOIRE

November 23, 2016

## REQUESTS FOR AN EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND AN ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY

## EXECUTIVE SUMMARY

**Context.** Côte d'Ivoire has experienced an impressive turnaround since 2012, with growth averaging 9 percent during 2012–15, accompanied by prudent fiscal policies and debt management, improved access to capital markets, and the return of foreign direct investment. However, per capita GDP remains below its 1978 peak, poverty continues to be relatively high, and human development indicators have been slow to improve. The authorities' 2016–20 National Development Plan (NDP) aims to consolidate the conditions for strong and inclusive growth and poverty reduction through investment in infrastructure and social sectors, as well as the structural transformation of the economy by the private sector.

**Program objectives and modalities.** Building on progress made under the 2012–15 program, the new three-year program will support the broad objectives of the NDP and address impediments to a sustainable balance of payments position, inclusive growth, and poverty reduction. The program is aimed at creating fiscal space for infrastructure investment and priority social spending through revenue mobilization and containing current spending, as well as catalyzing official and private financing, and building resilience to future economic shocks. It will be supported by the ECF and EFF arrangements with combined access of SDR 487.80 million (75 percent of quota).

**Program policies.** The government's budget deficit would converge to the WAEMU norm of 3 percent of GDP by 2019 in order to preserve public debt sustainability and support the regional international reserves pool. Prudent public financial and debt management practices along with public enterprise reform would ensure fiscal sustainability and mitigate fiscal risks. Financial sector policies would focus on reducing vulnerabilities, including in the public banks, and fostering financial inclusion. Structural reforms will improve the business environment. Measures to improve the quality and dissemination of economic statistics will support policy making and investment.

**Staff views.** Staff supports the authorities' request for the ECF and EFF arrangements. The Letter of Intent and Memorandum of Economic and Financial Policies set out appropriate policies to pursue the program's objectives. Risks to program implementation are manageable assuming the government continues its solid track record for policy implementation as under the previous Fund-supported program.

Approved By
**Roger Nord (AFR) and Peter Allum (SPR)**

Discussions were held in Abidjan during June 24–July 7 and September 21–27, 2016, and in Washington during October 6–9. The mission team comprised Messrs. Dhaneshwar Ghura (head), Michael Gorbanyov, Philippe Palenfo, Ms. Mathilde Perinet (all AFR), Mr. Mesmin Koulet-Vickot (MCM), Mr. Alex Chailloux (SPR), Mr. Benoit Wiest (FAD), Ms. Deirdre Daly (SEC), Mr. Alain Feler (IMF resident representative), and Ms. Amina Coulibaly (local economist). Mr. Regis N'Sonde (OED) participated in the discussions.

## CONTENTS

**ANNEXES**



**APPENDIX**

# Glossary

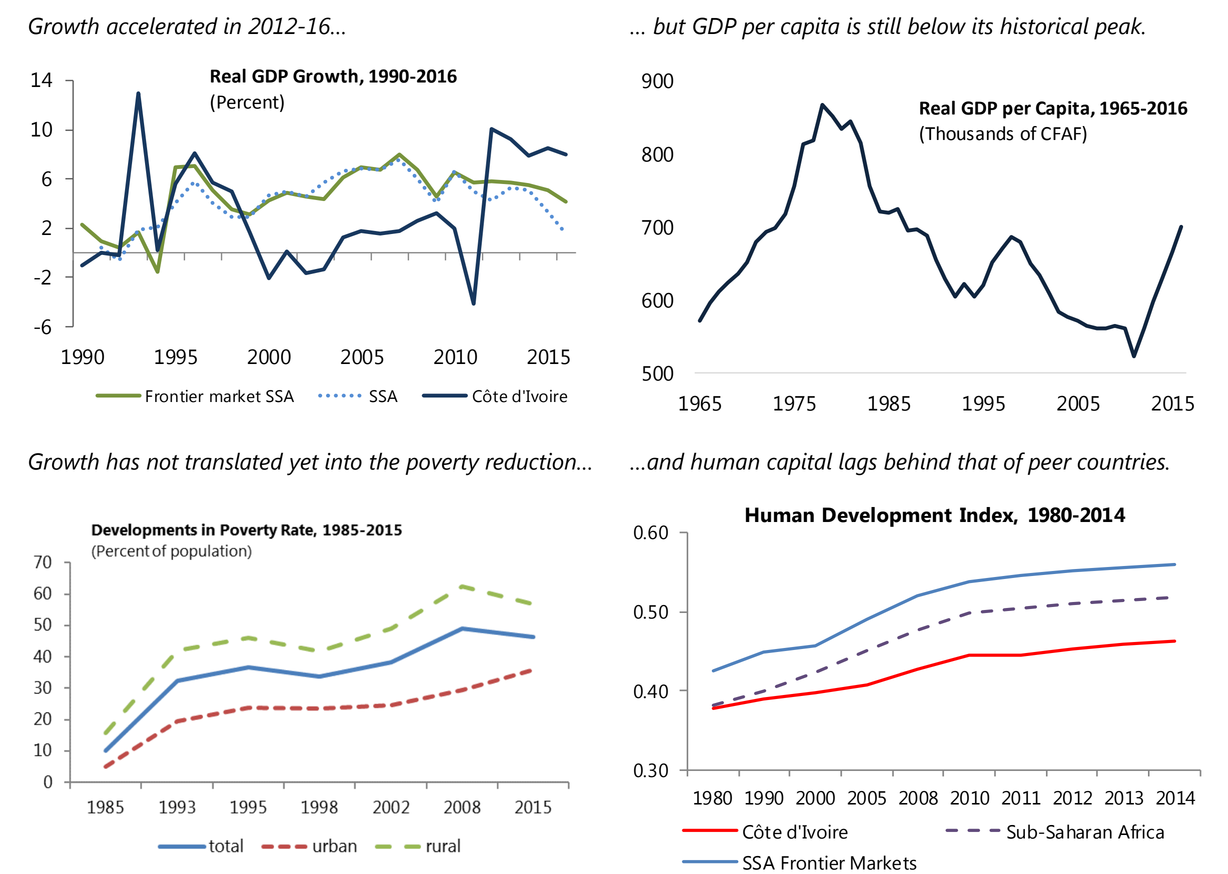
| | |
|---|---|
| AfDB | African Development Bank |
| BADEA | Banque Arabe de Développement Économique |
| BCEAO | Central Bank of West African States |
| C2D | Debt Reduction and Development contract |
| CGRAE | Civil Service Pension Fund |
| CME | Medium-Sized Enterprise Centers |
| CNDP | National Public Debt Committee |
| CNPS | Private Sector Pension Fund |
| DGBF | General Directorate of Budget and Finance |
| DGD | General Directorate of Customs |
| DGTCP | General Directorate of the Treasury and Public Accounting |
| DSA | Debt Sustainability Analysis |
| ECF | Extended Credit Facility |
| EFF | Extended Fund Facility |
| E-GDDS | Enhanced General Data Dissemination System |
| EIB | European Investment Bank |
| EPN | National Public Establishments |
| FDI | Foreign Direct Investment |
| FIRST | Financial Sector Reform and Strengthening Initiative |
| FISF | Financial Inclusion Support Framework |
| GCI | Global Competitiveness Index |
| GFSM | Government Finance Statistics Manual |
| IHPI | Harmonized Industrial Production Index |
| MEFP | Memorandum of Economic and Financial Policies |
| MTAP | Multi-year Technical Assistance Project |
| MTBF | Medium-Term Budget Framework |
| MTEF | Medium-Term Expenditure Framework |
| NDF | Net Domestic Financing |
| NDP | National Development Plan |
| PDESFI | Financial Sector Development Program |
| PFM | Public Financial Management |
| PIMA | Public Investment Management Assessment |
| PINA | National Agricultural Investment Program |
| PRGF | Poverty Reduction and Growth Facility |
| SSA | Sub-Saharan Africa |
| TMU | Technical Memorandum of Understanding |
| TOFE | Tableau des Opérations Financières de l'Etat |
| TSA | Treasury Single Account |
| UNDP | United Nations Development Program |
| WAEMU | West African Economic and Monetary Union |
| WEO | World Economic Outlook |

# CONTEXT

1. **Côte d'Ivoire's economy has achieved an impressive turnaround since 2012.** Political normalization, supportive fiscal policy facilitated by extensive debt relief, reforms to improve the business climate, and rising world cocoa prices have enabled a strong rebound in economic activity. Real GDP grew by 9 percent per year on average during 2012–15, driven by investment and consumption, partly reversing a decade-long fall in per capita income.

2. **The robust economic performance since 2012 has not fully shed the socio-economic legacies of decades of sluggish growth and falling income, compounded by conflict.** Real GDP per capita in 2015 stood at 77 percent of its peak 1978 level, and despite recent gains, poverty remains relatively elevated at 46.3 percent compared with 35 percent in 1995. In addition, significant disparities remain across the country, and in the areas of education attainment, employment and income (Annex I). Furthermore, Côte d'Ivoire ranks below its peers in terms of human development indicators.

**Figure 1. Côte d'Ivoire: Economic Growth and Human Development, 1965–2016**




Sources: Ivoirien authorities; UNDP; and IMF staff estimates.

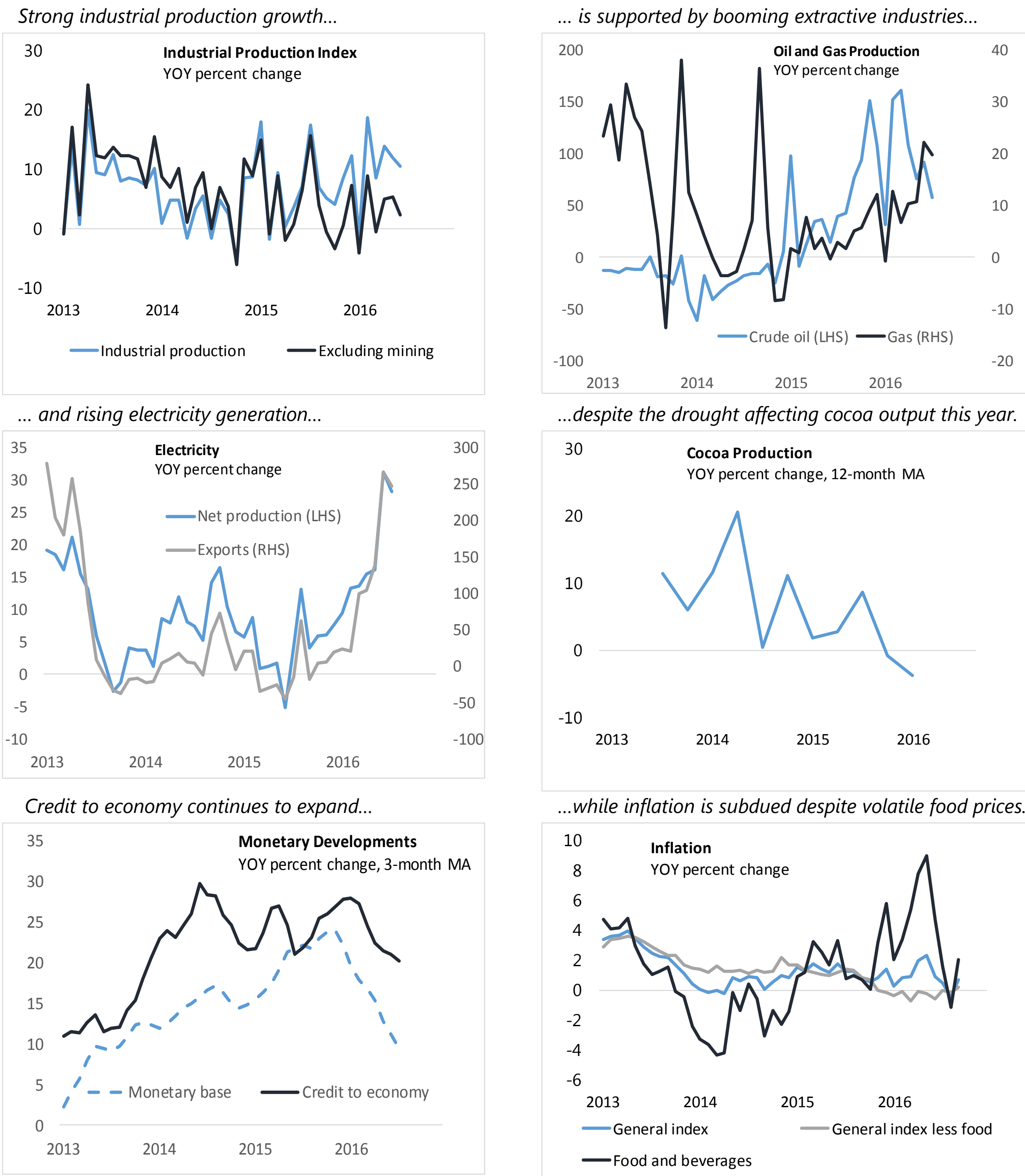
**3. Last year's peaceful presidential election has paved the way for continued economic expansion.** President Ouattara was re-elected for the second five-year mandate in October 2015. A new constitution adopted in the national referendum on October 30, 2016 added more certainty to the political environment. In particular, it introduced a Vice-President position, created a Senate, and amended an Ivoirien nationality provision for presidential candidates. Legislative elections are scheduled for December 18, 2016.

**4. The government has adopted a new National Development Plan (NDP) for 2016–20** (Annex II). The NDP aims to reinforce the quality of governance and institutions, promoting human capital development and social well-being, and accelerating industrialization of the economy. It involves a strategy of further developing infrastructure, fostering deeper local transformation of agricultural output, and reinforcing regional integration and international cooperation. The NDP aspires to deliver strong and inclusive growth, with an ambitious objective of halving poverty by 2020.

# RECENT ECONOMIC DEVELOPMENTS

**5. Extending the gains of 2015, solid economic and fiscal performance continued in 2016.** Strong investment and private consumption contributed to real GDP growth estimated at about 9 percent in 2015 (Table 1). In 2016, booming extractive industries and rising domestic demand have supported activity in the commercial sectors, which should sustain GDP growth at about 8 percent, even as agricultural output is expected to stagnate due to low rainfall. Despite a temporary hike induced by the drought, inflation remained subdued in the first three quarters of 2016 at an average of about 1 percent. Reflecting larger investment-related imports and a drought-induced decline in cocoa exports, the current account deficit is projected to widen to 2 percent of GDP in 2016, despite the improved terms of trade (Table 2). With the fiscal deficit reaching 2.5 percent of the annual GDP in the first eight months of 2016, budget execution has been broadly on track to meeting the annual targets.

**Figure 2. Côte d'Ivoire: Recent Economic Developments, 2013–16**




Sources: Ivoirien authorities; and IMF staff estimates.

# OUTLOOK AND RISKS

**6. The macroeconomic outlook remains favorable, but structural bottlenecks pose challenges to sustaining strong growth.** High world cocoa prices, access to external financing for public and private investments, political stability, and the government's commitment to reforms all augur well for the short-term growth outlook. But sustaining high growth over the medium term will require taking full advantage of the scaled up investments in infrastructure and education and the steadfast implementation of supply-friendly reforms. Inevitably, it will take time to close infrastructure gaps and rebuild human capital after underinvestment and neglect during the years of civil strife (Annex III).

**7. The authorities' NDP targets growth of almost 9 percent on average for 2016–20** (Annex II). Growth is expected to benefit from rising consumption and investment, especially from transport and power generation projects financed in part through public private partnerships (PPPs). Inflation would remain below the WAEMU ceiling of 3 percent. The external current account deficit would widen reflecting an increase in domestic demand, and would be largely financed by FDI and external borrowing.

**8. The program's baseline scenario takes into account the NDP's supportive policies, but also reflects structural bottlenecks and implementation capacity constraints:**

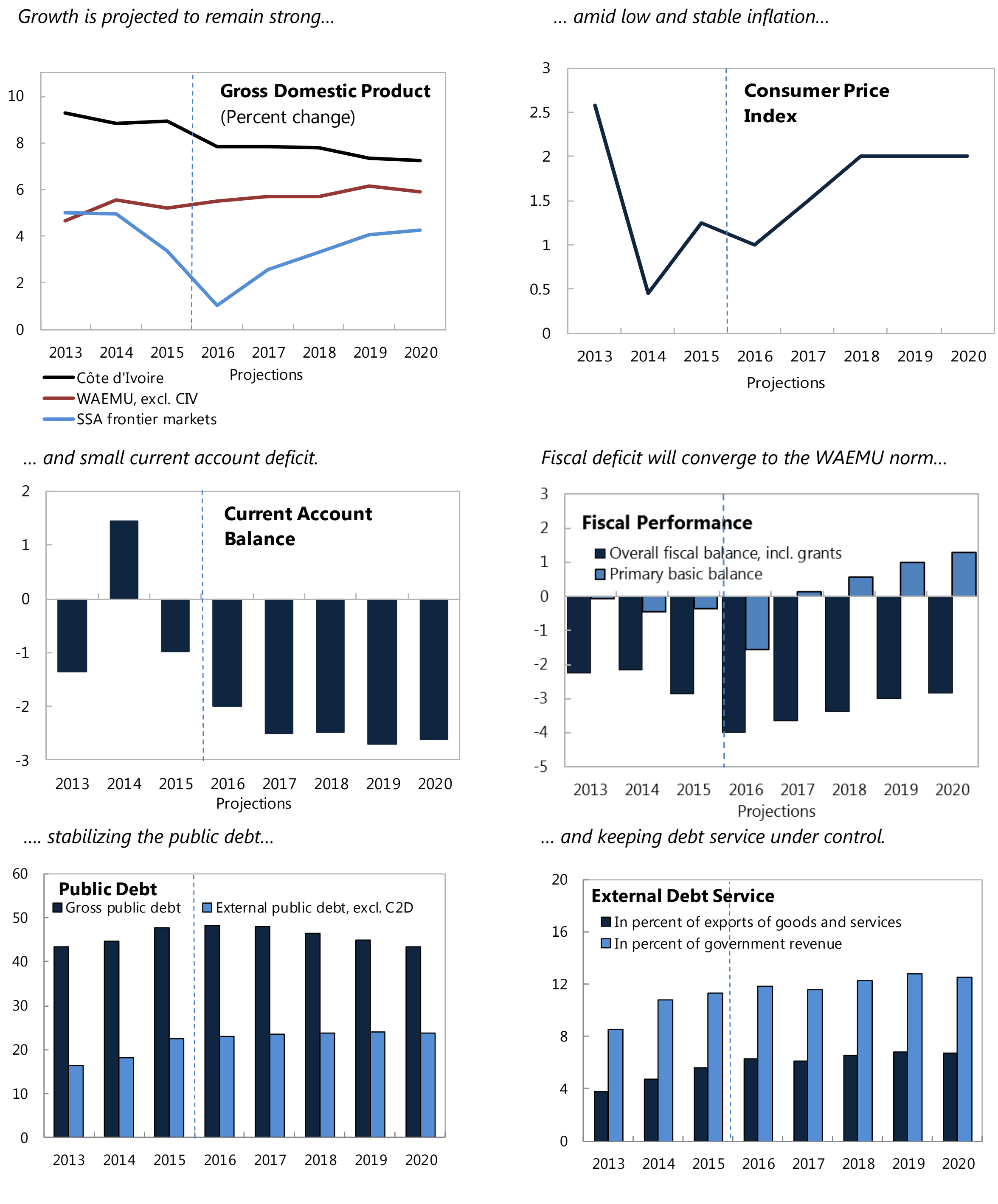
- Booming mining output and steady growth in the tertiary and secondary sectors would sustain robust GDP expansion of nearly 8 percent in 2017. Thereafter, the growth would average about 7½ percent in 2018–19, supported by rising private consumption and investment, and continued build-up of infrastructure.
- Assuming normal rainfall and stable food prices, inflation would be around 2 percent in 2016–19.
- The current account deficit would average around 2½ percent in 2016–19, driven by equipment and intermediary goods imports for infrastructure projects linked to the NDP.

**Côte d'Ivoire: Selected Economic Indicators, 2015–19**
(Percent of GDP unless otherwise indicated)

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| | Est. | Projections | | | |
| GDP growth, percent | 8.9 | 7.9 | 7.9 | 7.8 | 7.3 |
| Inflation, percent | 1.2 | 1.0 | 1.5 | 2.0 | 2.0 |
| Current account balance | -1.0 | -2.0 | -2.5 | -2.5 | -2.7 |
| Total revenue and grants | 20.2 | 20.7 | 21.1 | 21.4 | 21.5 |
| Non-earmarked tax revenues | 15.3 | 15.7 | 16.1 | 16.3 | 16.5 |
| Current expenditure | 16.6 | 17.3 | 16.9 | 16.5 | 16.3 |
| Capital expenditure | 6.4 | 7.5 | 7.8 | 8.3 | 8.2 |
| Fiscal balance (including grants) | -2.9 | -4.0 | -3.7 | -3.4 | -3.0 |
| Public debt | 47.8 | 48.3 | 47.9 | 46.4 | 44.9 |
| Nominal GDP (FCFA billion) | 19,368 | 21,102 | 23,069 | 25,344 | 27,736 |

Sources: Ivoirien authorities; and IMF staff estimates.

**Figure 3. Côte d'Ivoire: Medium Term Outlook, 2013–20**
(Percent of GDP, unless indicated otherwise)




Sources: Ivoirien authorities; and IMF staff estimates.

**9. Risks to the outlook are tilted to the downside, but remain manageable (Annex IV).**

- Tighter and more volatile global financial conditions could increase funding costs of both public and private investment. Setbacks in global policy cooperation reflecting rising populism and nationalism in some large economies could affect international aid and impede export market access. A sharper-than-expected global growth slowdown, particularly in emerging markets, could adversely affect export demand and prices as well as FDI inflows.
- Unfavorable weather conditions could adversely affect agricultural output, exports, and fiscal revenues. Delays in resolving financial difficulties of the national oil refinery, public banks and the private microfinance institution could have an adverse impact on the energy and banking sectors and necessitate additional budget outlays. Further protests related to cost-recovery efforts in the energy sector could put pressure on the budget.[1] The threat of terrorist attacks in the region and the population's impatience for tangible improvements in living standards add to risks to economic growth.[2]
- On the upside, higher-than-projected positive private sector response to the authorities' efforts to strengthen the business climate could lead to higher growth.

# ECONOMIC POLICIES FOR 2017–19

**10. The authorities have requested Fund arrangements to support their development and poverty reduction objectives, address the protracted balance of payments needs, and alleviate the structural impediments to sustainable and inclusive growth.** The key priorities of the economic program to be supported by the Fund are to: (i) create fiscal space for infrastructure investment and social spending, and strengthen policy buffers; (ii) maintain public debt on a sustainable path; (iii) facilitate debt restructuring of the national oil refinery and enhance monitoring of the debts of state-owned enterprises; (iv) address vulnerabilities in the public banks; (v) improve the business climate; (vi) enhance the quality of economic data; and (vi) help Côte d'Ivoire's contribution to the regional foreign exchange reserves pool.

**11. The economic program builds on the achievements and lessons from the previous two Fund-supported programs.** An assessment of the last two PRGF/ECF arrangements shows that they were instrumental in reducing macroeconomic imbalances, normalizing relations with external creditors, and putting the economy back on a solid growth path.[3] This assessment also offers lessons for the design of the new program for Côte d'Ivoire, including the need to enlarge the scope of fiscal monitoring to public entities, better account for macro-criticality, parsimony and capacity in setting conditionality, and improve the quality of economic data.

[1] Peaceful protests in April 2016 over increased electricity bills were followed by new demonstrations in July that turned violent, necessitating security forces' intervention.

[2] Côte d'Ivoire suffered a terrorist attack in March 2016 at a beach resort outside Abidjan with several casualties.

[3] See Annex III of "*Côte d'Ivoire: 2016 Article IV Consultation-Press Release; Staff Report; and Statement by the Executive Director for Côte d'Ivoire*," International Monetary Fund, Country Report No. 16/147, June 2016.

## A. Fiscal Policy: Preserving Stability and Creating Space for Investments

**12. The overall fiscal deficit was moderate over the past 4 years, but closing the infrastructure gap, addressing poverty and security-related threats, and global and domestic risks pose challenges to preserving fiscal stability.** A focus of the 2016–20 NDP is to continue making progress in closing the infrastructure gap, a legacy of the significant under-investment in the 2000s (Annex II). It also aims to reduce poverty and enhance growth inclusion by creating fiscal space to expedite the expansion of the nascent social programs such as universal health coverage, universal schooling for boys and girls ages 6-16 and rural electrification (Annex I). In addition, in response to the terrorist attack last March, the authorities are stepping up security spending, which they view as critical for the successful implementation of their NDP and for sub-regional stability.

**13. The economic program provides room for an increase in the fiscal deficit for investment and security outlays** (Tables 3a and 3b). The program targets an increase in the 2016 budget deficit to 4.0 percent of GDP, up from 2.9 percent of GDP in 2015 (MEFP ¶22). The higher deficit largely reflects a scaling up in domestically-financed public investment consistent with the NDP objectives. It also accommodates extra current spending on health and education programs and maintains adequate security outlays. Meanwhile, the government would rationalize subsidies and current transfers and keep the wage bill under control. On the revenue side, tax administration improvements would increase non-earmarked tax collection (0.4 percent of GDP). Moreover, integrating previously off-budget operations in the fiscal accounts as earmarked[4] taxes and spending would extend the budget envelope (0.9 percent of GDP).

**14. The medium-term fiscal stance will be guided by the objective of complying with the regional deficit ceiling by 2019, while increasing public investments.** The authorities have committed to reducing the deficit to the WAEMU regional ceiling of 3 percent of GDP by 2019. As a first step to it, the program targets fiscal deficit reduction to 3.7 percent of GDP in 2017. This is required both for preserving public debt sustainability and ensuring regional macroeconomic and financial stability. At the same time, the authorities plan to further increase public investments in infrastructure and in other projects under the NDP. To achieve these two objective, the authorities aim for a steady increase in revenue over the medium term while keeping current expenditure under control.

**15. The mobilization of additional domestic revenues is a key part of the strategy to build fiscal space for infrastructure and other priority spending**. Tax revenues (non-earmarked) are projected to increase by 1.2 percentage points of GDP during 2015–19. Increasing revenues will require new tax policy measures on top of the ongoing improvements in tax administration. Despite impressive economic growth of recent years, tax mobilization ratios in Côte d'Ivoire remain low by regional standards. The ongoing and planned tax administration improvements, such as opening two new medium-size enterprise centers in Abidjan by mid-2017 (MEFP Box 3), are projected to

[4] Includes revenues earmarked for the collecting public entity, such as license or registration fees (school registration, hospital fees) and/or to expenditure for specific social or economic policies, such as health, education, training, cultural, or environment policies.

increase non-earmarked revenue collection by 0.4 percent of GDP in 2016 and another 0.2 percent of GDP in 2017. However, these improvements will need to be complemented by new tax policy measures in order to further raise the revenue ratio in 2018–19. For the 2018 budget, staff advised the authorities to focus on rationalizing exemptions and eliminating loopholes both for the VAT and investment code, as well as extending the VAT base to currently excluded sectors such as agriculture and transportation. This work should be informed by the findings of a planned assessment of the economic benefits and fiscal costs of the investment code to be concluded by mid-2017 (MEFP ¶31). In 2019, more structural policy measures should be considered such as enhancing taxation of the real estate and financial sectors.

### Box 1. Côte d'Ivoire: Revenue Mobilization Measures

**Tax collection measures implemented since 2012:**

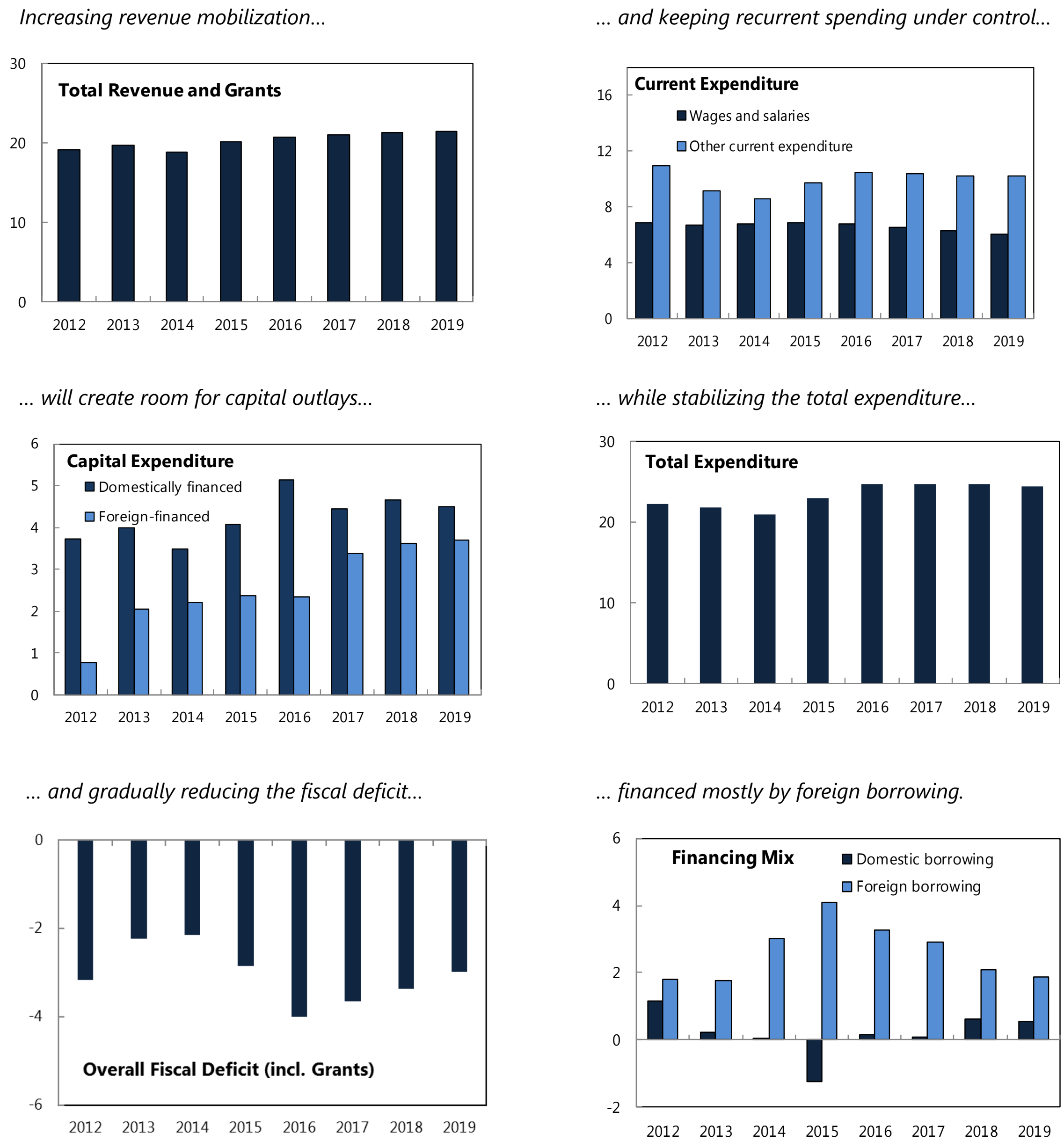
- *Tax administration:* creation of middle tax offices to enhance taxpayers monitoring and improve VAT collection; implementation of a VAT refund system; streamlining of tax procedures by setting up a single tax return form and rolling-out IT system improvements to computerize the land registry and tax audit management;
- *Customs administration:* simplified formalities for economic agents and accelerated customs procedures through automation and institutional enhancements, such as implementation of mobile scanners and computerized checkpoints.
- *Tax expenditure:* A report on tax expenditures was annexed to the 2016 Budget Law.

**On-going measures to improve tax and customs administration efficiency:**

- *Broaden the tax base:* create further middle tax offices and modify the threshold to improve efficiency; enhance calculation of tax expenditures.
- *Streamline tax processes:* improve IT functions and implement paperless procedures such as online tax filing and payment.
- *Customs administration:* adopt a new custom code; strengthen risk analysis and fraud fighting.

**16. Extending budget coverage to extra-budgetary entities and operations will improve fiscal revenues and transparency of public finances.** Including in the central budget the special fuel price surcharge benefiting the national oil refinery SIR will add 0.2 percent of GDP to budget revenue and subventions from 2017 (MEFP ¶27). Fully integrating in the budget coverage the extra-budgetary government entities in the context of the transition to GFSM 2001 reporting standards would add their operations to both revenues and expenditure in the deficit-neutral way (MEFP ¶39).

**Figure 4. Côte d'Ivoire: Fiscal Developments and Projections, 2012–19**
(Percent of GDP, unless indicated otherwise)




Sources: Ivoirien authorities; and IMF staff estimates.

**17. The control of current spending will also be instrumental in creating fiscal space for infrastructure and other priority spending.** Controlling the wage bill, rationalizing current transfers, and reducing security spending would lower the burden of current expenditure over the medium term (MEFP ¶¶25–26). The post-conflict national reconciliation process should allow phasing out emergency security spending in 2017–18 from about ½ percent of GDP. Steadfast implementation of the national strategy to reduce the public wage bill-to-revenue ratio to the regional norm of 35 percent of fiscal revenues should deliver savings of about ¼ percent of GDP per year starting from 2017. It will be achieved through unification of the salary grid across public services and limits on new hiring, wage increases, and promotions (such as increasing the average time in grade required for promotion). Rationalizing subsidies and transfers would keep their level broadly stable over the program period, despite integration of the SIR subsidies into the budget. While rationalizing current expenditure, the government aims to preserve pro-poor spending at a high level of about 9½ percent of GDP in 2016–17.

## B. Public Financial Management (PFM): Deepening Reforms

**18. Progress in major PFM areas will be consolidated over the new program period**. Over the course of the previous Fund-supported program (2012–15), the authorities made important progress in implementing WAEMU PFM directives. They strengthened the PFM legal framework by adopting a new PFM organic law and a transparency code in 2014 and producing a rolling 3-year medium-term budget framework (MTBF) since 2014. Building on this strong record, program budgeting would commence in five pilot ministries. The authorities will also further strengthen budget documentation attached to the annual budget law, specifically on fiscal risk disclosure (including PPPs) and performance of public enterprises (MEFP ¶36).

**19. Staff welcomes the authorities' intention to strengthen surveillance of fiscal risks stemming from public enterprises and PPPs** (MEFP ¶¶27 and 29).

- The authorities will adopt performance contracts starting with 10 public enterprises and monitor their execution, an effort that will be extended to other public enterprises in 2017. Public debt surveillance will be broadened by including the debt service of 12 public companies in a public enterprise database by end-June 2017 and extending it to all public companies by end 2017. Transmission of the board of directors' official reports will be strengthened to alert Budget Ministry on timely basis in case of slippages while the recently created audit committee will continue surveillance.
- With the help of the World Bank, the authorities are preparing a law to strengthen the PPP legal and institutional framework, which will also be informed by a WAEMU directive on this topic, currently under preparation. Technical assistance in the period ahead will (i) undertake a Public Investment Management Assessment (PIMA) of practices and institutional capacity related to public investment management; and (ii) assist the authorities with a PPP Fiscal Assessment Model (PFRAM), developed by the IMF and World Bank, to take an inventory of and monitor fiscal risks stemming from PPP projects.

**20. Integrating the budget and treasury information systems and adopting Treasury Single Account (TSA) would increase transparency of spending procedures and cash management**. Progress in implementing the budget information technology system will be complemented with an interface with the Treasury to enhance fiscal reporting and transparency. Recourse to unorthodox spending procedures—which allows for quick disbursing procedures but hampers the quality of fiscal reporting—will be kept at a minimum. With regard to the treasury single account (TSA) system, the authorities will (i) perform a second review of bank accounts opened in commercial banks; and (ii) make the TSA progressively operational by end-2018 (MEFP ¶40).

### Box 2. Côte d'Ivoire: Pros and Cons of PPPs

While only few PPPs are currently in operation in Côte d'Ivoire, the authorities are seeking larger private sector involvement through PPPs, mostly through user-funded projects, in the context of the NDP. A list of the envisaged projects is displayed on the government's website (www.ppp.gouv.ci) together with more detailed information (estimated cost, status, and projected start date). Experience has shown that there can be significant lags between objective and actual project start date. For example, the construction of metro-rail of Abidjan—which is still in the phase of feasibility studies and discussions on financing modalities—is set to become operational in early 2020, with a 3-year delay.

As Côte d'Ivoire is facing both infrastructure gap and financing constraints, PPPs present opportunities and could be a strong catalyst to implement NDP's objectives. However, they also bear fiscal risks that must be assessed. For user-funded economic infrastructure, the government may provide an explicit guarantee in the form of minimum revenue to the private operator. As the guarantee would be called only in case the minimum revenue is missed, the main challenge is to avoid over-optimistic projections on parameters like traffic expectations or acceptable tariffs. Projects can also contain implicit contingent liabilities, for example if a private contractor faces financial difficulties but a government is still committed to pursuing the project due to its economic and social importance. Should one or both of these risks materialize, there would be budget implications: a recent example relates to a guarantee that was triggered in 2015 on the third bridge due to insufficient traffic relative to contract assumptions (equivalent to 0.07 percent of GDP).

In Côte d'Ivoire main priorities to adequately tackle these risks relate to strengthening the legal and institutional framework in order to (i) better assess fiscal risk stemming from each PPP project; and (ii) enhance planning, review, approval and monitoring of PPP projects for each of the institutions handling public investment.

## C. Debt Management Policy: Ensuring Sustainability

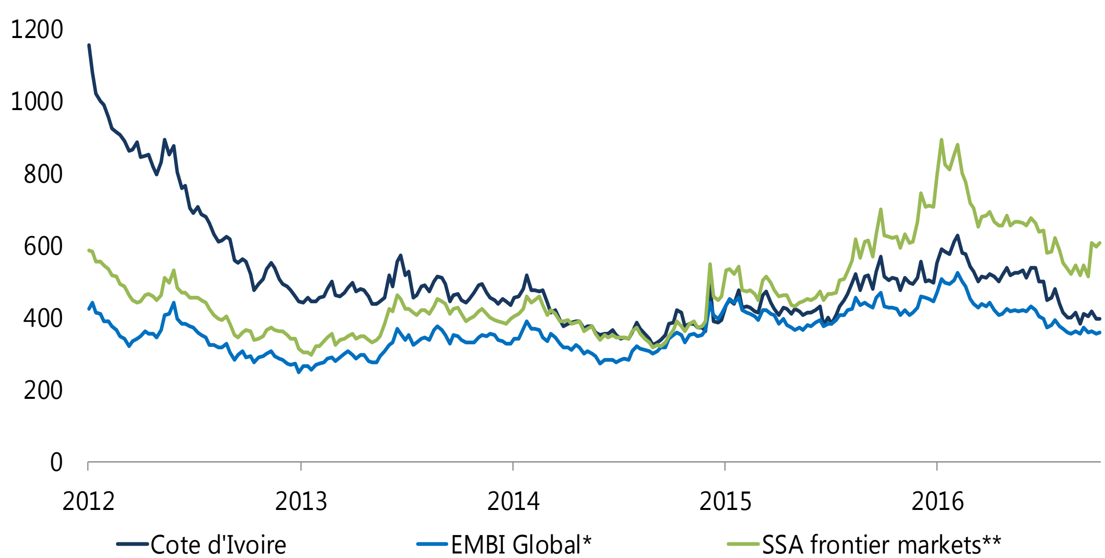
**21. Stabilizing public debt at its current level will be essential to ensuring its long-term sustainability.** Public debt of Côte d'Ivoire reached 48 percent of GDP at end-2015, following three years of steady public debt accumulation. However, about 7 percentage points of it are due, but returned to the country in the form of grants through Debt Reduction and Development contract (C2D). Côte d'Ivoire's moderate risk of debt distress indicates that public debt is broadly sustainable, with all external debt burden indicators standing below their relevant thresholds under the baseline scenario (DSA, Annex V). This assessment takes into account the projection of the total debt-to-GDP ratio (excluding C2D) stabilizing at a level slightly above the policy-based threshold of 38 percent[5] over the medium term and falling below this threshold over the long run. Amid actual and projected strong GDP growth, this path is broadly consistent with reducing the fiscal deficit to 3 percent of GDP by 2019, as the government has committed to under the program, and keeping it below this threshold in the long run.

[5] This low threshold (relative to comparable regional peers) is linked to Côte d'Ivoire's relatively weak Country Policy and Institutional Assessment (CPIA), which has been improving albeit from a low post-conflict base in 2011.

**22. The approach to setting external debt limits under the new program will provide for flexibility in debt management and choice of financing sources.** Consistent with Fund policy on debt limits for programs in low-income countries with moderate risk of debt distress, for each program review date the new program sets single limit to the present value of the new external debt (both non-concessional and concessional) contracted or guaranteed by the government (TMU ¶¶13–19). These limits will ensure that the government's borrowing plans are fully consistent with maintaining external debt sustainability. Within the approved limits, the government will have the flexibility to choose between concessional and non-concessional borrowing and debt instruments to achieve an optimal financing mix. This would also provide room for debt management operations, including those needed to smooth the projected peaks in debt repayments in mid-2020s, when the Eurobonds issued in 2014–15 come due.

**23. Meanwhile, the government is diversifying its sources of deficit financing and building up debt management capacities.** In 2014 and 2015, it successfully placed two Eurobond issues totaling US$ 1.75 billion. Current market interest rates on these Eurobonds compare favorably to that of other African "frontier market" countries. In the regional market, it has extended the range of debt instruments by placing Sukuk bonds of FCFA 150 billion in 2015 and yet another tranche of the same amount in August 2016. Completing the reorganization of the government's debt management unit into front, middle and back office will centralize public debt management operations (MEFP ¶10). This would also support the implementation of the initiatives underway to strengthen public debt management, including the creation of a network of primary dealers for domestic debt issuance and setting up effective centralized cash management operations.

**Figure 5. Côte d'Ivoire: JP Morgan EMBIG Spread**




Sources: Bloomberg and Staff calculations.
Note: * World-wide Emerging market index; ** Average of 15 Selected Sub-Saharan countries.

## D. Financial Sector: Reducing Vulnerabilities and Fostering Inclusion

**24. The banking system remains generally sound and is sustaining rapid credit expansion that meets the demand of the growing economy.** Bank credit is mainly funded by domestic deposits, and excess reserves at the BCEAO remain high. After an exceptionally strong increase by 30 percent in 2015, credit growth to economy is projected to ease to a more sustainable 10–14 percent in 2016–19, which is broadly consistent with and supportive of the projected annual real GDP growth of 7-8 percent (Table 4). The slowdown in credit expansion—to a sustainable pace supportive of the private sector-led economic growth—in part reflects the constraints of the relatively low capital buffers and regional requirements to raise banks' minimum capital. In mid-2016, average capital adequacy ratio of the banking system stood at 8.6 percent, only slightly above the regulatory minimum of 8 percent. While most banks have already complied with the new minimum bank capital requirement of FCFA 10 billion ahead of the mid-2017 deadline, stronger enforcement of capital standards is needed for some weaker banks. The need for all banks to build capital is reinforced by planned regional enhancements from Basel I to Basel II/III regulatory standards. Meanwhile, the share of non-performing loans remained elevated at about 11 percent at end-June 2016, though about 2/3 is covered by provisions (Table 6).

**25. Consistent with the NDP objectives, the government is promoting financial deepening and inclusion.** Only 15 percent of adults have an account in a financial institution, with access to financial services being particularly low for women and in rural areas. In cooperation with the World Bank, the government is working on establishing a consumer protection agency *Observatoire* and a national agency to promote financial inclusion. The *Observatoire* will have three objectives: (i) promote the transparency and comparability of financial services and products; (ii) manage consumers' complaints and provide a mediation mechanism; and (iii) advance financial education. It will manage a comparator of key financial services and products and cover banks, microfinance institutions, mobile money operators, and insurance companies.

**26. The authorities are taking steps to restructure public banks.** Two out of four ailing public banks—savings bank, CNCE, and investment bank, BNI—are considered by the government as systemically important (MEFP ¶46).

- The savings bank, CNCE, has been under temporary administration since mid-2015. Given its importance for financial inclusion, especially in remote rural areas, in March 2016 the government decided to restructure the bank rather than liquidate it. A recapitalization plan, recently submitted to the regional Banking Commission, envisages a mix of bank's own efforts (e.g., land sale and bad loan recovery) and recapitalization from the central budget. The Commission responded that the bank's estimated restructuring costs could be further elaborated. The government has retained a private consultant to assist with the implementation of the restructuring efforts.
- To enhance the liquidity position of the public investment bank, BNI, the authorities will convert the non-transferable government debt held by the bank into marketable securities by end-2016.

- The government's stakes in two smaller public banks are slated for privatization. An external consultant has evaluated the banks' assets and is accompanying the privatization process.

**27. The government is discussing a possible strategy and support for restructuring the loss-making microfinance institution UNACOOPEC with the World Bank.** It is a large cooperative of microfinance networks, with about 670,000 members and a deposit base of FCFA 93 billion, most of them small deposits. Imprudent lending, operating losses, and weak management have wiped out its capital, and it has been under conservatorship since 2013. To ensure its stable operations, UNACOOPEC would need to be restructured and recapitalized (MEFP ¶47).

## E. Structural Reforms: Converging Toward Best Performers

### Public Enterprise Reform

**28. The authorities have adopted a strategy for restoring financial viability of the national oil refinery (SIR) and embarked on its implementation.** An audit completed in early 2016 estimated SIR's debts to local banks and overdue liabilities to suppliers at FCFA 368 billion (about 1.8 percent of GDP). Based on the results of this audit, the authorities adopted a restructuring plan for the company. This plan, once implemented, will facilitate a debt restructuring operation by issuing a guarantee to SIR's restructuring plan. The debt restructuring will eliminate short-term debt largely borne by crude oil suppliers, improve terms of payment and restore a positive net financial result. The ongoing fuel surcharge (*soutien à la marge*) of CFAF 25 per liter benefiting the company will continue to ensure the company's viability. Consistent with sound PFM principles, the government will consolidate this surcharge in the budget starting in 2017 and transfer its proceeds as subsidy to the company. In the context of the new business plan, the ongoing efforts to lower fixed costs will seek to deliver further savings, building on the cost reduction of 6 percent in 2015.

**29. The authorities are aware of the need to accelerate the restructuring and strengthen surveillance of other public enterprises that pose a potential fiscal risks** (MEFP ¶27).

- The authorities will closely monitor the implementation of the restructuring plan for the national oil company, PETROCI, aimed at restoring its profitability.
- The new business plan of the national air carrier Air Côte d'Ivoire, to be adopted by end-2016, is expected to set the timeline for reaching profitability over the medium term. Meanwhile, the government will closely monitor the company's financial situation (SB), as the company will face important financing needs in the near future to upgrade its fleet.
- With regard to the public transportation company, SOTRA, the implementation of the new business plan, that includes the purchase of new buses and operation of new routes, is expected to improve the company's financial position.

### Improving Business Climate

**30. Building on recent improvements in the business climate and corruption indicators, further steps are needed to converge toward best performers** (Annex III). Over the past four years, Côte d'Ivoire has gained 40 positions in the Global Competitiveness Index (GCI), 35 places in the World Bank's survey-based "Doing Business" ranking, and 6 spots in the World Economic Forum's Enabling Trade index. Nevertheless, Côte d'Ivoire continues to rank low in these indices and fell three spots in the latest Doing Business ranking, with particularly low scores in the areas of Paying Taxes and Dealing with Construction Permits. Similarly, Côte d'Ivoire's standing in a number of perceived corruption indices remains below regional averages despite some improvements over the last four years.

**31. Structural reforms envisaged in the NDP will support structural transformation and enhance productivity.** The authorities have set an ambitious objective of making Côte d'Ivoire one of the 50 most attractive economies for doing business in the world. Reforms identified in the NDP appropriately focus on addressing areas where Côte d'Ivoire fares poorly. Planned reforms for 2016–17 include measures to: ease the process for obtaining and managing construction permits; reduce the time and costs associated with contract enforcement; facilitate trading across borders; and streamline the procedures for starting a business. In parallel, additional steps will be taken to address corruption in the public sector, notably through the actions of the High Authority for Good Governance (MEFP ¶¶41–42).

### Energy Sector Reforms

**32. Staff welcomes the ongoing work to raise electric energy supply while curbing the use of heavy vacuum oil (HVO) and ensuring appropriate maintenance of the transmission network**. In line with the NDP objectives, electricity supply should increase by 23 percent by 2017 compared to 2015, mainly owing to the new phases of Azito and Ciprel power generation projects together with the hydro-electricity project of Soubré Dam. Delivering on its diversification strategy, the government plans to implement new projects in the coal sector, as well as renewable energies. Alongside, a major project to rehabilitate electric power substations and transmission lines is on-going and should come in operation in 2018 (MEFP Box 4).

**33. The authorities are aware of the need to ensure financial viability of the energy sector.** Amid public protests, the authorities decided to rescind the electricity price increase of January 2016, and postponed further price adjustment to mid-2017. According to the authorities' analysis, the current price level does not pose a threat to financial viability of the private energy generating company CI-Energies and to the electricity sector equilibrium in general. CI-Energy operating balance for 2015 was negative but still better than planned, owing to an increased availability of natural gas that allowed a reduction in HVO consumption. The authorities are aware that electricity prices should be gradually adjusted to the cost recovery level in order to lower risks to the government's budget and make the sector attractive to new investments in the future.

### Strengthening Statistics

**34. Despite some recent improvements, there are significant weaknesses in the compilation and dissemination of economic statistics.** With the help of IMF technical assistance, the authorities have made good progress in improving national account statistics. They have recently completed and published the final national accounts for 2014 and provisional accounts for 2015. However, the framework for annual national accounts data needs an upgrade, and quarterly GDP data are only produced internally but not yet published, in part due to significant discrepancies with the annual data. There are also weaknesses in public finance and balance of payments statistics, as well as source data in some sectors.

**35. The authorities have committed to further improving quality and timeliness of economic data.** With assistance from the IMF and other development partners, they plan to complete the migration to the System of National Accounts 2008 and a new base year, which should re-align the GDP statistics to the current structure of the economy. The authorities will continue work on reconciling the annual and quarterly national accounts, which should enable quarterly GDP publication. They also plan to upgrade agricultural statistics and implement the Enhanced General Data Dissemination System (MEFP ¶¶49–50).

**36. Staff welcomes the authorities' plans to upgrade their fiscal data to the GFSM 2001 standards**. The timetable for transition to the GFSM 2001 in Côte d'Ivoire was set in 2014 by a Presidential decree transposing a WAEMU directive of 2009. However, the transition is facing delays related to data availability and technical capacity constraints. To expedite the process, the authorities have committed to a three-step approach (MEFP ¶39): (i) fiscal operations of the central government will transition to the GFSM 2001 by end-2016; and (ii) extra-budgetary entities will be integrated by mid-2017; and, finally, other public entities will be integrated in fiscal accounts by end-2018.

## PROGRAM MODALITIES

**37. Program conditionality.** The program will be monitored in semiannual reviews (Table 8) through quantitative performance criteria (PCs), indicative targets (ITs), and structural benchmarks (SBs) (MEFP Tables 1–2). The PCs are set on the overall fiscal balance, net domestic financing, new external debt and non-accumulation of arrears. The ITs are set on the ceiling for spending by the treasury advances, floor for tax revenues, pro-poor spending, arrears clearance, and basic fiscal balance. The PCs and ITs are defined in the TMU.

**38. The program is fully financed**. Financing needs are expected to be met by a combination of donor and Fund support. The projected financing gap for the remainder of 2016 and for 2017 (about 1.5 percent of GDP) will be covered by budget support from the World Bank (about CFAF 123 billion), by the EU (about CFAF 34 billion), and by the proposed disbursements from the Fund under three-year ECF and EFF blended arrangements with access at SDR 487.8 million (75 percent of quota), of which SDR 162.60 million (25 percent of quota) under ECF and

SDR 325.20 million (50 percent of quota) under EFF (Table 8).[6] There are good prospects that there will be adequate financing for the remaining program period.

**39. Program implementation risks are manageable assuming continued adherence to sound policies and stable international environment, and capacity to repay the Fund is adequate.** This reflects the government's satisfactory record in implementing the previous Fund-supported program in 2012–15 and the commitment to the new program expressed by the President and the Government. Risks to the program implementation could increase in case of economic growth setback or deterioration in the global economic environment (Annex IV). In this case, keeping the program on track would require proactive adjustment in macroeconomic policies in consultation with Fund staff. The capacity to repay the Fund is adequate, as confirmed by the country's moderate risk of debt distress, adequate level of BCEAO's international reserves, and strong economic growth outlook.

**40. Safeguards assessment.** The 2013 assessment of the WAEMU regional central bank, BCEAO, found a continuing strong control environment. All recommendations from the assessment have been implemented. These include strengthening the external audit arrangements by appointment of an international firm with ISA experience for the audits of FY 2015–17, reinforcing the capacity of the audit committee with external expertise to oversee the audit and financial reporting processes, and adoption of IFRS starting with the financial year 2015.

# STAFF APPRAISAL

**41. Côte d'Ivoire has experienced an impressive turnaround since 2012.** Political normalization, supportive policies, and favorable cocoa prices contributed to average growth of 9 percent during 2012–15. Nevertheless, per capita GDP remains well below its historical peak. Poverty remains relatively high, and human development indicators lag behind peers. In this context, the authorities' new NDP appropriately prioritizes inclusive, sustainable growth, focusing on structural transformation and improving living standards.

**42. The economic outlook remains favorable, but structural bottlenecks pose challenges to sustaining strong growth.** Growth will benefit from public and private investment under the NDP, especially in transport and energy sectors. But even with scaled-up investment in infrastructure and human capital, it will take time to close the considerable gaps after two decades of underinvestment and neglect. Risks to growth are tilted to the downside but manageable, and mostly relate to adverse movements in export prices, tighter financial conditions raising funding costs for investments, and unfavorable weather conditions.

**43. A new Fund-supported program would contribute to the authorities' growth objectives by addressing impediments to a sustainable balance of payments position and**

---

[6] With GNI per capita of US$1,410 in FY2015, which is above the IDA operational cutoff of US$1,185, Côte d'Ivoire is classified as presumed blender, eligible for accessing both concessional and non-concessional IMF resources.

**inclusive growth.** By addressing protracted balance of payments needs, the program would reduce external financing risks and help catalyze both official development and private financing. The program's prudent fiscal and debt management policies would help allocate sufficient budget resources to investment while rebuilding buffers and ensuring debt sustainability. The program's targets for pro-poor budget spending will contribute to poverty reduction and foster a more equal sharing of the benefits of economic growth.

**44. Fiscal policy would focus on creating space for infrastructure investment and social spending while strengthening buffers.** The authorities should increase revenue mobilization through improving tax administration and adopting new tax policy measures. This includes rationalizing tax exemptions and eliminating loopholes in the investment code starting from 2018. Additional measures could include broadening the tax base, streamlining tax processes, strengthening customs administration, and increasing excise taxes. Current spending should be contained. The authorities are encouraged to extend budget coverage to extra-budgetary entities with a view to strengthening parliamentary control over all government's activities and improving transparency.

**45. Prudent public financial and debt management practices along with public enterprise reform will help ensure debt sustainability and mitigate fiscal risks.** Staff urges the authorities to strengthen the surveillance of public enterprises and PPPs through performance contracts and enhanced monitoring. Measures to strengthen the framework for PPPs and public investment management will ensure that projects under the NDP are implemented efficiently and support growth. Integrated budget and treasury information systems and adoption of the TSA will increase transparency of spending and cash management. The authorities should continue their efforts and vigilance to ensure that debt remains at a sustainable level. Staff welcomes the authorities' plans to gradually enhance the monitoring of public enterprise debt and debt service. Staff calls for steadfast implementation of the strategy to restore the financial viability of the largest national oil refinery (SIR). In addition, the authorities should strengthen surveillance of other public companies that pose fiscal risks, including PETROCI, Air Côte d'Ivoire, and SOTRA.

**46. Measures to address risks stemming from public banks and promote financial inclusion will help the financial sector support growth objectives.** Ongoing efforts to restructure loss-making public banks and micro-financial institutions should help reduce vulnerabilities. The regional central bank recently opened its refinancing window for bank loans to SMEs and efforts to promote financial education will help improve access to finance.

**47. Fostering economic transformation will require further progress in the business climate**. Building on recent gains in the business environment, the authorities should aim to converge toward best performers by focusing on areas where the country continues to rank low, including paying taxes, obtaining permits, and facilitating trade. Ensuring uninterrupted supply of electricity will also be critical to supporting growth. In this regard, ongoing work to build up the electric power capacities and quality of the transmission network is welcome. Finally, the authorities should ensure the financial viability of the electricity sector to attract private sector investment.

**48. Continued efforts to improve the quality and dissemination of economic statistics will support policymaking and private investment.** Staff urges the authorities to address information gaps on several economic sectors, particular subsistence agriculture, construction and services, strengthen the preparation of national account statistics based on up-to-date surveys and improve the dissemination of economic data, including of quarterly GDP. The authorities' plans to upgrade their fiscal data to the GFSM 2001 and integrate all public entities in the budget coverage are welcome.

**49. Staff supports the authorities' request for program under the ECF and EFF arrangements with access equivalent to SDR 487.8 million (75 percent of quota).** The Letter of Intent and Memorandum of Economic and Financial Policies set out appropriate policies to pursue the program's objectives. The capacity to repay the Fund is adequate, and risks to program implementation are manageable given the government's solid track record for policy implementation under the previous Fund-supported program.

## Table 1. Côte d'Ivoire: Selected Economic Indicators, 2013–20

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|
| | | | Est. | Proj. | Proj. | Projections | | |
| | (Annual percentage changes, unless otherwise indicated) | | | | | | | |
| **National income** | | | | | | | | |
| GDP at constant prices | 9.3 | 8.8 | 8.9 | 7.9 | 7.9 | 7.8 | 7.3 | 7.2 |
| GDP deflator | 3.4 | 3.9 | 1.8 | 1.0 | 1.4 | 1.9 | 1.9 | 2.0 |
| Consumer price index (annual average) | 2.6 | 0.4 | 1.2 | 1.0 | 1.5 | 2.0 | 2.0 | 2.0 |
| **External sector (on the basis of CFA francs)** | | | | | | | | |
| Exports of goods, f.o.b., at current prices | -3.8 | 7.7 | 8.0 | 3.3 | 12.2 | 10.8 | 10.0 | 9.9 |
| Imports of goods, f.o.b., at current prices | -3.2 | 0.5 | 11.4 | 7.3 | 14.9 | 12.3 | 11.3 | 10.7 |
| Export volume | -1.7 | 0.2 | 10.6 | 3.1 | 6.2 | 5.9 | 5.4 | 5.1 |
| Import volume | 4.5 | -12.1 | 13.8 | 10.2 | 8.8 | 10.7 | 10.2 | 9.3 |
| Terms of trade (deterioration –) | 3.6 | 6.3 | 3.8 | 2.8 | 0.1 | 3.1 | 3.3 | 3.3 |
| Nominal effective exchange rate | 4.2 | 2.6 | -3.9 | ... | ... | ... | ... | ... |
| Real effective exchange rate (depreciation –) | 4.5 | 1.0 | -4.4 | ... | ... | ... | ... | ... |
| **Central government operations** | | | | | | | | |
| Total revenue and grants | 16.0 | 8.4 | 18.9 | 11.7 | 11.3 | 11.3 | 9.9 | 10.4 |
| Total expenditure | 10.9 | 8.4 | 21.8 | 16.7 | 9.5 | 9.8 | 8.2 | 9.6 |
| | (Changes in percent of beginning-of-period broad money unless otherwise indicated) | | | | | | | |
| **Money and credit** | | | | | | | | |
| Money and quasi-money (M2) | 11.6 | 16.1 | 18.8 | 10.7 | 14.3 | 13.1 | 12.3 | 9.3 |
| Net foreign assets | 0.1 | 4.1 | 3.2 | 0.3 | 4.7 | 4.7 | 3.3 | 1.0 |
| Net domestic assets | 11.5 | 12.0 | 15.6 | 10.4 | 9.6 | 8.5 | 9.0 | 8.3 |
| *Of which*: government | 3.5 | 3.4 | -0.7 | 1.7 | 1.4 | 2.4 | 2.0 | 1.8 |
| private sector | 10.6 | 11.2 | 16.0 | 8.6 | 8.2 | 6.1 | 7.0 | 6.4 |
| Credit to the economy (percent) | 22.6 | 21.7 | 29.6 | 14.7 | 13.4 | 10.1 | 11.9 | 11.0 |
| | (Percent of GDP unless otherwise indicated) | | | | | | | |
| **Central government operations** | | | | | | | | |
| Total revenue and grants | 19.7 | 18.9 | 20.2 | 20.7 | 21.1 | 21.4 | 21.5 | 21.7 |
| Total revenue | 18.4 | 17.1 | 18.8 | 19.1 | 19.6 | 19.8 | 19.8 | 20.1 |
| Total expenditure | 21.9 | 21.0 | 23.1 | 24.7 | 24.8 | 24.8 | 24.5 | 24.5 |
| Overall balance, incl. grants, payment order basis | -2.2 | -2.2 | -2.9 | -4.0 | -3.7 | -3.4 | -3.0 | -2.8 |
| Primary basic balance [1/] | -0.1 | -0.5 | -0.4 | -1.6 | 0.1 | 0.6 | 1.0 | 1.3 |
| **Gross investment** | 18.1 | 17.1 | 17.8 | 19.3 | 20.2 | 21.2 | 21.2 | 21.4 |
| Central government | 6.0 | 5.7 | 6.4 | 7.5 | 7.8 | 8.3 | 8.2 | 8.4 |
| Nongovernment sector | 12.0 | 11.4 | 11.4 | 11.9 | 12.4 | 12.9 | 13.0 | 13.0 |
| **Gross domestic saving** | 21.0 | 22.0 | 19.8 | 20.1 | 20.7 | 21.6 | 21.4 | 21.7 |
| Central government | 3.1 | 2.3 | 2.9 | 2.6 | 3.6 | 4.2 | 4.5 | 4.9 |
| Nongovernment sector | 17.8 | 19.6 | 16.9 | 17.5 | 17.1 | 17.4 | 16.9 | 16.8 |
| **Gross national saving** | 16.7 | 18.6 | 16.8 | 17.3 | 17.7 | 18.7 | 18.5 | 18.8 |
| Central government | 3.8 | 3.5 | 3.6 | 3.0 | 4.2 | 4.9 | 5.2 | 5.6 |
| Nongovernment sector | 12.9 | 15.0 | 13.2 | 14.3 | 13.5 | 13.7 | 13.3 | 13.2 |
| **External sector balance** | | | | | | | | |
| Current account balance (including official transfers) | -1.4 | 1.4 | -1.0 | -2.0 | -2.5 | -2.5 | -2.7 | -2.6 |
| Current account balance (excluding official transfers) | -2.7 | -0.3 | -2.4 | -3.7 | -4.0 | -4.1 | -4.3 | -4.2 |
| Overall balance | 0.4 | 0.4 | 0.3 | -0.3 | 1.0 | 1.1 | 0.7 | 0.2 |
| **Public sector debt** | | | | | | | | |
| Central government debt, gross | 43.3 | 44.8 | 47.8 | 48.3 | 47.9 | 46.4 | 44.9 | 43.4 |
| Central government debt (excluding C2D) | 33.4 | 36.2 | 40.5 | 42.4 | 43.2 | 42.8 | 42.2 | 41.5 |
| External debt | 26.2 | 26.8 | 29.8 | 28.9 | 28.2 | 27.4 | 26.6 | 25.7 |
| External debt (excluding C2D) | 16.3 | 18.3 | 22.5 | 23.0 | 23.5 | 23.8 | 23.9 | 23.8 |
| External debt-service due (CFAF billions) | 243 | 324 | 412 | 477 | 523 | 616 | 702 | 764 |
| Percent of exports of goods and services | 3.8 | 4.7 | 5.6 | 6.3 | 6.1 | 6.5 | 6.8 | 6.7 |
| Percent of government revenue | 8.6 | 10.8 | 11.3 | 11.9 | 11.6 | 12.3 | 12.8 | 12.5 |
| Memorandum items: | | | | | | | | |
| Nominal GDP (CFAF billions) | 15,449 | 17,461 | 19,368 | 21,102 | 23,069 | 25,344 | 27,736 | 30,324 |
| Nominal exchange rate (CFAF/US$, period average) | 494 | 494 | 591 | ... | ... | ... | ... | ... |
| Nominal GDP at market prices (US$ billions) | 31.3 | 35.4 | 32.8 | 35.9 | 39.7 | 43.8 | 48.2 | 53.1 |
| Population (million) | 22.5 | 23.1 | 23.7 | 24.3 | 25.0 | 25.6 | 26.3 | 27.0 |
| Nominal GDP per capita (CFAF thousands) | 686 | 756 | 817 | 867 | 924 | 990 | 1,056 | 1,125 |
| Nominal GDP per capita (US$) | 1,389 | 1,531 | 1,382 | 1,477 | 1,589 | 1,709 | 1,835 | 1,970 |
| Real GDP per capita growth (percent) | 6.7 | 6.2 | 6.3 | 5.3 | 5.3 | 5.2 | 4.7 | 4.6 |
| Poverty rate (in percent) | ... | ... | 46.3 | ... | ... | ... | ... | ... |

Sources: Ivoirien authorities; and IMF staff estimates and projections.

[1/] Defined as total revenue minus total expenditure, excluding all interest and foreign-financed investment expenditure.

## Table 2. Côte d'Ivoire: Balance of Payments, 2013–20

(Billions of CFA francs; unless otherwise indicated)

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|
| | | | Est. | Projections | | | | |
| Current account | -209 | 252 | -192 | -426 | -574 | -636 | -747 | -781 |
| Current account excl. grants | -410 | -52 | -474 | -779 | -917 | -1,033 | -1,199 | -1,262 |
| Trade balance | 1,479 | 1,915 | 1,912 | 1,771 | 1,843 | 1,948 | 2,050 | 2,197 |
| Exports, f.o.b. | 5,951 | 6,411 | 6,922 | 7,150 | 8,021 | 8,885 | 9,774 | 10,744 |
| *Of which:* cocoa | 1,932 | 2,289 | 3,031 | 2,980 | 3,027 | 3,067 | 3,150 | 3,231 |
| *Of which:* crude oil and refined oil products | 1,693 | 1,544 | 1,119 | 1,223 | 1,479 | 1,602 | 1,697 | 1,813 |
| Imports, f.o.b. | 4,472 | 4,496 | 5,010 | 5,378 | 6,178 | 6,936 | 7,724 | 8,546 |
| *Of which:* crude oil | 1,445 | 1,293 | 897 | 889 | 1,115 | 1,247 | 1,359 | 1,490 |
| Services (net) | -1,026 | -1,068 | -1,517 | -1,604 | -1,719 | -1,837 | -1,997 | -2,092 |
| Primary Income (net) | -445 | -449 | -549 | -599 | -661 | -726 | -795 | -867 |
| *Of which:* interest on public debt | 99 | 94 | 152 | 170 | 210 | 229 | 252 | 267 |
| Secondary Income (net) | -217 | -146 | -37 | 5 | -38 | -21 | -5 | -19 |
| General Government | 65 | 124 | 282 | 353 | 343 | 397 | 453 | 481 |
| Other Sectors | -282 | -270 | -320 | -348 | -381 | -418 | -458 | -500 |
| Capital and financial account | 238 | -150 | 243 | 357 | 801 | 904 | 937 | 837 |
| Financial account | 143 | -288 | 114 | 229 | 674 | 778 | 812 | 713 |
| Foreign direct investment | 204 | 209 | 251 | 622 | 761 | 887 | 1,026 | 1,213 |
| Portfolio investment, net | 86 | 463 | 47 | 21 | 23 | 25 | 28 | 30 |
| Acquisition of financial assets | -1 | 14 | 1 | 1 | 1 | 1 | 1 | 1 |
| Incurrence of liabilities | 88 | 449 | 45 | 20 | 22 | 25 | 27 | 29 |
| Other investment, net | -148 | -960 | -184 | -414 | -110 | -134 | -242 | -530 |
| Official, net | 68 | 369 | 669 | 99 | 277 | 338 | 339 | 400 |
| Project loans | 220 | 249 | 328 | 388 | 586 | 667 | 725 | 834 |
| Other loans | 0 | 357 | 585 | 0 | 0 | 0 | 0 | 0 |
| Central government amortization due | -144 | -226 | -231 | -276 | -296 | -316 | -373 | -421 |
| Net acquisition of financial assets | -7 | -12 | -13 | -13 | -13 | -13 | -13 | -13 |
| Nonofficial, net | -216 | -1,329 | -853 | -513 | -387 | -472 | -581 | -930 |
| Errors and omissions | 37 | -27 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overall balance | 65 | 75 | 51 | -70 | 227 | 268 | 190 | 56 |
| Financing | -65 | -75 | -51 | 70 | -227 | -268 | -190 | -56 |
| Reserve assets, includes reserve position in the Fund | -65 | -75 | -51 | -76 | -410 | -458 | -379 | -132 |
| Operations account | -138 | -159 | -96 | -42 | -346 | -375 | -294 | -56 |
| IMF (net) | 72 | 83 | 45 | -34 | -63 | -82 | -85 | -76 |
| Disbursements | 72 | 87 | 73 | ... | ... | ... | ... | ... |
| Repayments | 0 | -3 | -29 | -34 | -63 | -82 | -85 | -76 |
| Financing gap | 0.0 | 0.0 | 0.0 | 145.7 | 183.0 | 189.4 | 188.6 | 75.2 |
| Expected financing (excluding IMF) | ... | ... | ... | 88.5 | 69.2 | 75.9 | 75.4 | ... |
| Residual gap, *of which* | ... | ... | ... | 57.2 | 113.8 | 113.5 | 113.2 | ... |
| IMF-ECF [1/] | ... | ... | ... | 19.1 | 37.9 | 37.8 | 37.7 | ... |
| IMF-EFF [1/] | ... | ... | ... | 38.2 | 75.8 | 75.7 | 75.5 | ... |
| Memorandum items: | | | | | | | | |
| Overall balance (percent of GDP) | 0.4 | 0.4 | 0.3 | -0.3 | 1.0 | 1.1 | 0.7 | 0.2 |
| Current account inc. grants (percent of GDP) | -1.4 | 1.4 | -1.0 | -2.0 | -2.5 | -2.5 | -2.7 | -2.6 |
| Current account exc. grants (percent of GDP) | -2.7 | -0.3 | -2.4 | -3.7 | -4.0 | -4.1 | -4.3 | -4.2 |
| Trade balance (percent of GDP) | 9.6 | 11.0 | 9.9 | 8.4 | 8.0 | 7.7 | 7.4 | 7.2 |
| Gross imputed official reserves (stock - end of year) | 1,300 | 1,559 | 1,791 | 1,811 | 2,208 | 2,653 | 3,008 | 3,132 |
| (months of imports of goods and services) | 2.7 | 2.8 | 3.0 | 2.9 | 3.2 | 3.4 | 3.5 | 3.3 |
| (percent of broad money) | 11.9 | 11.0 | 9.7 | 10.0 | 10.9 | 11.7 | 12.2 | 12.5 |
| WAEMU gross official reserves (billions of US$) | 27.8 | 30.5 | 34.7 | ... | ... | ... | ... | ... |
| (percent of broad money) | 51.8 | 46.2 | 41.1 | ... | ... | ... | ... | ... |
| (months of WAEMU imports of GNFS) | 4.7 | 4.6 | 4.5 | ... | ... | ... | ... | ... |
| Nominal GDP (billions of CFA francs) | 15,449 | 17,461 | 19,368 | 21,102 | 23,069 | 25,344 | 27,736 | 30,324 |
| Exchange rate (CFAF/US$) average | 493.9 | 493.6 | 591.2 | ... | ... | ... | ... | ... |
| Exchange rate (CFAF/US$) end-of-period | 475.6 | 540.3 | 602.5 | ... | ... | ... | ... | ... |

Sources: Ivoirien authorities; and IMF staff estimates and projections.

[1/] In the CFA franc zone, Fund resources are channeled via the regional central bank that provides equivalent domestic currency credit to the relevant government.

## Table 3a. Côte d'Ivoire: Fiscal Operations of the Central Government, 2013–19

(Billions of CFA francs, unless otherwise indicated)

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| | | Est. | Est. | Prog. | Prog. | Projections | |
| Total revenue and grants | 3,039.5 | 3,293.4 | 3,916.8 | 4,375.8 | 4,868.1 | 5,417.6 | 5,954.3 |
| Total revenue | 2,838.0 | 2,989.4 | 3,634.6 | 4,022.6 | 4,525.0 | 5,020.1 | 5,501.6 |
| Tax revenue 1/ | 2,408.6 | 2,573.3 | 2,954.9 | 3,518.0 | 3,908.0 | 4,344.2 | 4,809.7 |
| Non-earmarked taxes | 2,408.6 | 2,573.3 | 2,954.9 | 3,318.2 | 3,711.8 | 4,133.3 | 4,581.5 |
| Direct taxes | 765.5 | 741.1 | 788.4 | 861.5 | 972.5 | 1,116.1 | 1,220.2 |
| Indirect taxes 2/ | 1,643.1 | 1,832.2 | 2,166.5 | 2,456.7 | 2,739.3 | 3,017.3 | 3,361.3 |
| Earmarked taxes 1/ | … | … | … | 199.8 | 196.2 | 210.9 | 228.3 |
| Nontax revenue | 429.5 | 416.1 | 679.8 | 504.6 | 617.0 | 675.9 | 691.9 |
| Grants, *of which* | 201.5 | 304.0 | 282.2 | 353.2 | 343.1 | 397.5 | 452.6 |
| Project grants | 96.2 | 137.0 | 128.6 | 105.6 | 195.5 | 248.9 | 304.0 |
| Total expenditure 3/ | 3,385.6 | 3,669.5 | 4,469.8 | 5,215.3 | 5,710.3 | 6,272.5 | 6,784.2 |
| Current expenditure | 2,451.4 | 2,677.8 | 3,222.7 | 3,643.2 | 3,904.4 | 4,173.7 | 4,508.8 |
| Wages and salaries | 1,038.9 | 1,183.3 | 1,331.6 | 1,434.0 | 1,508.1 | 1,582.8 | 1,667.5 |
| Social security benefits | 252.2 | 258.4 | 255.4 | 275.6 | 305.6 | 336.0 | 368.0 |
| Subsidies and other current transfers 2/ | 325.0 | 304.1 | 414.7 | 357.9 | 421.4 | 463.3 | 507.5 |
| Other current expenditure | 545.2 | 656.1 | 814.8 | 933.5 | 1,030.3 | 1,127.9 | 1,235.7 |
| Expenditure corresponding to eamarked taxes 3/ | … | … | … | 183.3 | 162.8 | 179.0 | 195.9 |
| Crisis-related expenditure | 75.4 | 62.2 | 108.7 | 108.3 | 41.8 | 5.0 | 5.0 |
| Interest due | 214.8 | 213.6 | 297.5 | 350.6 | 434.4 | 479.7 | 529.2 |
| On domestic debt | 115.6 | 119.5 | 145.3 | 180.8 | 224.5 | 250.3 | 277.2 |
| On external debt | 99.1 | 94.2 | 152.2 | 169.8 | 209.9 | 229.4 | 252.0 |
| Capital expenditure | 934.2 | 994.2 | 1,247.3 | 1,572.1 | 1,805.8 | 2,098.8 | 2,275.4 |
| Domestically financed | 618.0 | 608.0 | 790.9 | 1,082.4 | 1,024.2 | 1,183.1 | 1,246.6 |
| Foreign-financed, *of which* | 316.2 | 386.1 | 456.3 | 489.6 | 781.6 | 915.7 | 1,028.8 |
| Foreign loan-financed | 219.9 | 249.1 | 327.7 | 384.0 | 586.2 | 666.8 | 724.8 |
| Primary basic balance | -11.6 | -80.4 | -68.1 | -327.5 | 30.8 | 142.9 | 275.4 |
| Overall balance, including grants | -346.1 | -376.1 | -553.0 | -839.5 | -842.2 | -855.0 | -830.0 |
| Overall balance, excluding grants | -547.5 | -680.1 | -835.2 | -1,192.7 | -1,185.3 | -1,252.4 | -1,282.6 |
| Change in domestic arrears and float (excl. on debt service) | 39.7 | -162.4 | 1.5 | -25.0 | -25.0 | -25.0 | -25.0 |
| Overall balance (cash basis) | -306.3 | -538.5 | -551.5 | -864.5 | -867.2 | -880.0 | -855.0 |
| Financing | 306.3 | 538.5 | 551.5 | 864.5 | 867.2 | 880.0 | 855.0 |
| Domestic financing | 24.3 | 9.0 | -241.6 | 31.8 | 15.8 | 159.5 | 151.1 |
| Bank financing (net) | 134.2 | 131.9 | -151.3 | 75.5 | 2.3 | 113.8 | 106.3 |
| Nonbank financing (net) | -109.9 | -122.9 | -90.3 | -43.6 | 13.4 | 45.7 | 44.8 |
| External financing | 273.9 | 529.4 | 793.0 | 687.0 | 668.5 | 531.0 | 515.3 |
| Financing gap (+ deficit / – surplus) | 0.0 | 0.0 | 0.0 | 145.7 | 183.0 | 189.4 | 188.6 |
| Expected financing (excluding IMF) | … | … | … | 88.5 | 69.2 | 75.9 | 75.4 |
| Residual gap, *of which* | … | … | … | 57.2 | 113.8 | 113.5 | 113.2 |
| IMF-ECF 4/ | … | … | … | 19.1 | 37.9 | 37.8 | 37.7 |
| IMF-EFF 4/ | … | … | … | 38.2 | 75.8 | 75.7 | 75.5 |
| *Memorandum items:* | | | | | | | |
| Nominal GDP | 15,449 | 17,461 | 19,368 | 21,102 | 23,069 | 25,344 | 27,736 |
| External debt (central government) | 4,045 | 4,683 | 5,772 | 6,104 | 6,504 | 6,952 | 7,385 |
| Pro-poor spending (including foreign financed) | 1,337 | 1,622 | 1,770 | 1,998 | 2,217 | 2,435 | 2,634 |

Sources: Ivoirien authorities; and IMF staff estimates and projections.

1/ Includes earmarked taxes from 2016 on.

2/ From 2017, includes the fuel price surchage benefitting the national oil refinery, SIR.

3/ Includes expenditure corresponding to earmarked taxes from 2016 on.

4/ In the CFA franc zone, Fund resources are channeled via the regional central bank that provides equivalent domestic currency credit to the relevant government.

## Table 3b. Côte d'Ivoire: Fiscal Operations of the Central Government, 2013–19

(Percent of GDP, unless otherwise indicated)

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| | | | Est. | Prog. | Prog. | Projections | |
| Total revenue and grants | 19.7 | 18.9 | 20.2 | 20.7 | 21.1 | 21.4 | 21.5 |
| Total revenue[1/] | 18.4 | 17.1 | 18.8 | 19.1 | 19.6 | 19.8 | 19.8 |
| Tax revenue | 15.6 | 14.7 | 15.3 | 16.7 | 16.9 | 17.1 | 17.3 |
| Non-earmarked taxes | 15.6 | 14.7 | 15.3 | 15.7 | 16.1 | 16.3 | 16.5 |
| Direct taxes | 5.0 | 4.2 | 4.1 | 4.1 | 4.2 | 4.4 | 4.4 |
| Indirect taxes[2/] | 10.6 | 10.5 | 11.2 | 11.6 | 11.9 | 11.9 | 12.1 |
| Earmarked taxes[1/] | … | … | … | 0.9 | 0.9 | 0.8 | 0.8 |
| Nontax revenue | 2.8 | 2.4 | 3.5 | 2.4 | 2.7 | 2.7 | 2.5 |
| Grants, *of which* | 1.3 | 1.7 | 1.5 | 1.7 | 1.5 | 1.6 | 1.6 |
| Project grants | 0.6 | 0.8 | 0.7 | 0.5 | 0.8 | 1.0 | 1.1 |
| Total expenditure[3/] | 21.9 | 21.0 | 23.1 | 24.7 | 24.8 | 24.8 | 24.5 |
| Current expenditure | 15.9 | 15.3 | 16.6 | 17.3 | 16.9 | 16.5 | 16.3 |
| Wages and salaries | 6.7 | 6.8 | 6.9 | 6.8 | 6.5 | 6.2 | 6.0 |
| Social security benefits | 1.6 | 1.5 | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 |
| Subsidies and other current transfers[2/] | 2.1 | 1.7 | 2.1 | 1.7 | 1.8 | 1.8 | 1.8 |
| Other current expenditure | 3.5 | 3.8 | 4.2 | 4.4 | 4.5 | 4.5 | 4.5 |
| Expenditure corresponding to eamarked taxes[3/] | … | … | … | 0.9 | 0.7 | 0.7 | 0.7 |
| Crisis-related expenditure | 0.5 | 0.4 | 0.6 | 0.5 | 0.2 | 0.0 | 0.0 |
| Interest due | 1.4 | 1.2 | 1.5 | 1.7 | 1.9 | 1.9 | 1.9 |
| On domestic debt | 0.7 | 0.7 | 0.8 | 0.9 | 1.0 | 1.0 | 1.0 |
| On external debt | 0.6 | 0.5 | 0.8 | 0.8 | 0.9 | 0.9 | 0.9 |
| Capital expenditure | 6.0 | 5.7 | 6.4 | 7.5 | 7.8 | 8.3 | 8.2 |
| Domestically financed | 4.0 | 3.5 | 4.1 | 5.1 | 4.4 | 4.7 | 4.5 |
| Foreign-financed, *of which* | 2.0 | 2.2 | 2.4 | 2.3 | 3.4 | 3.6 | 3.7 |
| Foreign loan-financed | 1.4 | 1.4 | 1.7 | 1.8 | 2.5 | 2.6 | 2.6 |
| Primary basic balance | -0.1 | -0.5 | -0.4 | -1.6 | 0.1 | 0.6 | 1.0 |
| Overall balance, including grants | -2.2 | -2.2 | -2.9 | -4.0 | -3.7 | -3.4 | -3.0 |
| Overall balance, excluding grants | -3.5 | -3.9 | -4.3 | -5.7 | -5.1 | -4.9 | -4.6 |
| Change in domestic arrears (excl. on debt service) | 0.3 | -0.9 | 0.0 | -0.1 | -0.1 | -0.1 | -0.1 |
| Overall balance (cash basis) | -2.0 | -3.1 | -2.8 | -4.1 | -3.8 | -3.5 | -3.1 |
| Financing | 2.0 | 3.1 | 2.8 | 4.1 | 3.8 | 3.5 | 3.1 |
| Domestic financing | 0.2 | 0.1 | -1.2 | 0.2 | 0.1 | 0.6 | 0.5 |
| Bank financing (net) | 0.9 | 0.8 | -0.8 | 0.4 | 0.0 | 0.4 | 0.4 |
| Nonbank financing (net) | -0.7 | -0.7 | -0.5 | -0.2 | 0.1 | 0.2 | 0.2 |
| External financing | 1.8 | 3.0 | 4.1 | 3.3 | 2.9 | 2.1 | 1.9 |
| Financing gap (+ deficit / – surplus) | 0.0 | 0.0 | 0.0 | 0.7 | 0.8 | 0.7 | 0.7 |
| Expected financing (excluding IMF) | … | … | … | 0.4 | 0.3 | 0.3 | 0.3 |
| Residual gap, of which | … | … | … | 0.3 | 0.5 | 0.4 | 0.4 |
| IMF-ECF [4/] | … | … | … | 0.1 | 0.2 | 0.1 | 0.1 |
| IMF-EFF [4/] | | … | … | 0.2 | 0.3 | 0.3 | 0.3 |
| Memorandum items: | | | | | | | |
| External debt (central government) | 26.2 | 26.8 | 29.8 | 28.9 | 28.2 | 27.4 | 26.6 |
| Pro-poor spending (including foreign financed) | 8.7 | 9.3 | 9.1 | 9.5 | 9.6 | 9.6 | 9.5 |

Sources: Ivoirien authorities; and IMF staff estimates and projections.

[1/] Includes earmarked taxes from 2016 on.

[2/] From 2017, includes the fuel price surchage benefitting the national oil refinery, SIR.

[3/] Includes expenditure corresponding to earmarked taxes from 2016 on.

[4/] In the CFA franc zone, Fund resources are channeled via the regional central bank that provides equivalent domestic currency credit to the relevant government.

## Table 4. Côte d'Ivoire: Monetary Survey, 2013–19

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| | | | | Projections | | | |
| | | | (Billions of CFA francs) | | | | |
| Net foreign assets | 1,559 | 1,785 | 1,989 | 2,010 | 2,406 | 2,851 | 3,206 |
| Central bank | 1,300 | 1,559 | 1,791 | 1,811 | 2,208 | 2,653 | 3,008 |
| Banks | 259 | 226 | 198 | 198 | 198 | 198 | 198 |
| Net domestic assets | 3,922 | 4,579 | 5,573 | 6,360 | 7,161 | 7,973 | 8,951 |
| Net credit to the government | 1,307 | 1,490 | 1,445 | 1,576 | 1,691 | 1,917 | 2,134 |
| Central Bank | 646 | 591 | 494 | 489 | 511 | 514 | 513 |
| Bank | 661 | 900 | 951 | 1,087 | 1,180 | 1,403 | 1,621 |
| Credit to the economy | 2,831 | 3,446 | 4,467 | 5,122 | 5,808 | 6,395 | 7,156 |
| Crop credits | 186 | 276 | 390 | 378 | 381 | 386 | 396 |
| Other credit (including customs bills) | 2,644 | 3,171 | 4,077 | 4,744 | 5,427 | 6,009 | 6,761 |
| Other items (net) (assets = +) | -215 | -358 | -339 | -339 | -339 | -339 | -339 |
| Broad money | 5,481 | 6,364 | 7,562 | 8,369 | 9,567 | 10,824 | 12,157 |
| Currency in circulation | 1,748 | 1,878 | 2,137 | 2,366 | 2,704 | 3,060 | 3,437 |
| Deposits | 3,679 | 4,424 | 5,333 | 5,903 | 6,747 | 7,634 | 8,575 |
| Other deposits | 54 | 62 | 91 | 101 | 115 | 130 | 146 |
| Memorandum item: | | | | | | | |
| Velocity of circulation | 2.8 | 2.7 | 2.6 | 2.5 | 2.4 | 2.3 | 2.3 |
| | | | (Changes in percent of beginning-of-period broad money) | | | | |
| Net foreign assets | 0.1 | 4.1 | 3.2 | 0.3 | 4.7 | 4.7 | 3.3 |
| Net domestic assets | 11.5 | 12.0 | 15.6 | 10.4 | 9.6 | 8.5 | 9.0 |
| Net credit to the government | 3.5 | 3.4 | -0.7 | 1.7 | 1.4 | 2.4 | 2.0 |
| Central bank | 0.3 | -1.0 | -1.5 | -0.1 | 0.3 | 0.0 | 0.0 |
| Banks | 3.3 | 4.4 | 0.8 | 1.8 | 1.1 | 2.3 | 2.0 |
| Credit to the economy | 10.6 | 11.2 | 16.0 | 8.6 | 8.2 | 6.1 | 7.0 |
| Broad money | 11.6 | 16.1 | 18.8 | 10.7 | 14.3 | 13.1 | 12.3 |
| | | | (Changes in percent of previous end-of-year) | | | | |
| Net foreign assets | 0.2 | 14.5 | 11.4 | 1.0 | 19.7 | 18.5 | 12.5 |
| Net domestic assets | 16.9 | 16.7 | 21.7 | 14.1 | 12.6 | 11.3 | 12.3 |
| Net credit to the government | 15.3 | 14.1 | -3.0 | 9.1 | 7.3 | 13.3 | 11.3 |
| Central bank | 2.2 | -8.5 | -16.4 | -0.9 | 4.4 | 0.5 | -0.1 |
| Banks | 31.8 | 36.1 | 5.7 | 14.3 | 8.6 | 18.9 | 15.5 |
| Credit to the economy | 22.6 | 21.7 | 29.6 | 14.7 | 13.4 | 10.1 | 11.9 |
| Broad money | 11.6 | 16.1 | 18.8 | 10.7 | 14.3 | 13.1 | 12.3 |

Sources: Central Bank of West African States (BCEAO); and IMF staff estimates and projections.

**Table 5. Côte d'Ivoire: External Financing Requirements, 2013–19**
(Billions of CFA francs)

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|
| | | | Est. | | Projections | | |
| External financing requirements | -588 | -1,136 | -1,397 | -1,014 | -1,239 | -1,380 | -1,538 |
| Current account balance (excluding official transfers) | -410 | -52 | -474 | -779 | -917 | -1,033 | -1,199 |
| Amortization and net acquisition of financial assets | -152 | -238 | -244 | -289 | -309 | -329 | -386 |
| Fund repayments | 0 | -3 | -29 | -34 | -63 | -82 | -85 |
| Private capital, net | 112 | -684 | -555 | 130 | 397 | 440 | 426 |
| Change in official reserves without IMF (- = increase) | -138 | -159 | -96 | -42 | -346 | -375 | -294 |
| Available financing | 588 | 1,136 | 1,397 | 869 | 1,056 | 1,190 | 1,350 |
| Capital transfers | 95 | 139 | 129 | 128 | 127 | 126 | 125 |
| Project financing | 220 | 249 | 328 | 388 | 586 | 667 | 725 |
| Eurobond | 0 | 357 | 585 | 0 | 0 | 0 | 0 |
| Fund disbursements | 72 | 87 | 73 | 0 | 0 | 0 | 0 |
| Official transfers | 201 | 304 | 282 | 353 | 343 | 397 | 500 |
| Financing gap | 0 | 0 | 0 | -146 | -183 | -189 | -189 |
| Expected financing | ... | ... | ... | 88.5 | 69.2 | 75.9 | 75.4 |
| World Bank | ... | ... | ... | 73.4 | 50.0 | 57.8 | 57.3 |
| AfDB | ... | ... | ... | 0.0 | 0.0 | 0.0 | 0.0 |
| EU | ... | ... | ... | 15.1 | 19.2 | 18.1 | 18.1 |
| Residual gap 1/ | ... | ... | ... | 57.2 | 113.8 | 113.5 | 113.2 |
| IMF-ECF Financing | ... | ... | ... | 19.1 | 37.9 | 37.8 | 37.7 |
| IMF-EFF Financing | ... | ... | ... | 38.2 | 75.8 | 75.7 | 75.5 |

Sources: Ivoirien authorities; and IMF staff estimates and projections.

1/ Numbers may not sum up exactly because of rounding.

**Table 6. Côte d'Ivoire: Financial Soundness Indicators for the Banking Sector, 2013–16**
(Percent)

| | 2013 | 2014 | 2015 | 2016 June |
|---|---|---|---|---|
| **Capital adequacy** | | | | |
| Risk-weighted capital to assets ratio | 9.2 | 10.1 | 8.2 | 8.6 |
| **Asset quality** | | | | |
| Total loans/total assets | 55.4 | 53.7 | 55.7 | 54.0 |
| Concentration of loans to the 5 biggest borrowers to capital | 306.2 | 293.1 | 387.9 | 359.6 |
| Nonperforming loans (NPLs) (gross)/total loans | 12.3 | 11.3 | 10.6 | 11.1 |
| Provisions/NPLs | 73.6 | 77.1 | 68.6 | 66.9 |
| NPLs net of provisions/total loans | 3.6 | 2.9 | 3.8 | 4.2 |
| NPLs net of provisions/capital | 49.0 | 28.2 | 47.0 | 48.8 |
| **Earnings and profitability** | | | | |
| Return on assets (net income/total assets) | 1.2 | ... | ... | ... |
| Return on net income (net income/equity) | 17.4 | ... | ... | ... |
| Personnel costs/net revenu | 28.9 | ... | ... | ... |
| **Liquidity** | | | | |
| Liquid assets/total assets | 37.1 | 49.8 | 52.0 | 52.6 |
| Liquid assets/total deposits | 50.0 | 67.5 | 71.0 | 71.1 |
| Loans/deposits | 82.0 | 72.8 | 76.1 | 78.7 |

Source: BCEAO.

## Table 7. Côte d'Ivoire: Indicators of Capacity to Repay the Fund, 2016–25

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Fund obligations based on existing credit** | | | | | | | | | | |
| (In millions of SDRs) | | | | | | | | | | |
| Principal | 19.5 | 85.2 | 109.6 | 113.2 | 112.8 | 120.3 | 81.3 | 56.9 | 37.4 | 14.6 |
| Charges and interest [1/] | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| **Fund obligations based on existing and prospective credit [2/]** | | | | | | | | | | |
| (In millions of SDRs) | | | | | | | | | | |
| Principal | 19.5 | 85.2 | 109.6 | 113.2 | 112.8 | 131.9 | 115.4 | 115.8 | 117.2 | 101.4 |
| Charges and interest [1/] | 0.0 | 0.2 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.4 | 0.3 |
| **Total obligations based on existing and prospective credit [2/]** | | | | | | | | | | |
| In millions of SDRs | 19.5 | 85.4 | 109.9 | 113.7 | 113.4 | 132.5 | 115.9 | 116.2 | 117.5 | 101.6 |
| In billions of CFA francs | 16.1 | 69.7 | 89.6 | 92.3 | 91.7 | 107.2 | 93.8 | 94.1 | 95.2 | 82.3 |
| In percent of government revenue | 0.4 | 1.4 | 1.7 | 1.6 | 1.4 | 1.5 | 1.2 | 1.1 | 1.0 | 0.8 |
| In percent of exports of goods and services | 0.2 | 0.8 | 0.9 | 0.9 | 0.8 | 0.9 | 0.7 | 0.6 | 0.6 | 0.5 |
| In percent of debt service [3/] | 3.7 | 14.1 | 16.8 | 16.4 | 17.1 | 19.4 | 15.4 | 13.7 | 12.2 | 9.3 |
| In percent of GDP | 0.1 | 0.3 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 |
| In percent of quota | 3.0 | 13.1 | 16.9 | 17.5 | 17.4 | 20.4 | 17.8 | 17.9 | 18.1 | 15.6 |
| **Outstanding Fund credit** | | | | | | | | | | |
| In millions of SDRs | 801.1 | 855.2 | 885.0 | 911.2 | 798.4 | 666.4 | 551.1 | 435.3 | 318.2 | 216.8 |
| In billions of CFA francs | 657.9 | 698.1 | 720.9 | 740.3 | 645.7 | 539.5 | 446.1 | 352.4 | 257.6 | 175.5 |
| In percent of government revenue | 15.0 | 14.3 | 13.3 | 12.4 | 9.8 | 7.5 | 5.7 | 4.1 | 2.8 | 1.7 |
| In percent of exports of goods and services | 8.7 | 8.2 | 7.6 | 7.1 | 5.7 | 4.3 | 3.2 | 2.3 | 1.6 | 1.0 |
| In percent of debt service | 151.5 | 141.2 | 135.2 | 131.8 | 120.2 | 97.4 | 73.0 | 51.1 | 33.1 | 19.9 |
| In percent of GDP | 3.1 | 3.0 | 2.8 | 2.7 | 2.1 | 1.6 | 1.2 | 0.9 | 0.6 | 0.4 |
| In percent of quota | 123.2 | 131.5 | 136.1 | 140.1 | 122.8 | 102.5 | 84.7 | 66.9 | 48.9 | 33.3 |
| **Net use of Fund credit (millions of SDRs)** | 50.2 | 54.2 | 29.8 | 26.2 | -112.8 | -131.9 | -115.4 | -115.8 | -117.2 | -101.4 |
| Disbursements | 69.7 | 139.4 | 139.4 | 139.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Repayments and Repurchases | 19.5 | 85.2 | 109.6 | 113.2 | 112.8 | 131.9 | 115.4 | 115.8 | 117.2 | 101.4 |
| Memorandum items: | | | | | | | | | | |
| Nominal GDP (billions of CFA francs) | 21,102 | 23,069 | 25,344 | 27,736 | 30,324 | 33,062 | 35,914 | 38,961 | 42,269 | 45,879 |
| Exports of goods and services (billions of CFA francs) | 7,603 | 8,540 | 9,442 | 10,356 | 11,350 | 12,580 | 13,866 | 15,066 | 16,458 | 17,955 |
| Government revenue (billions of CFA francs) | 4,376 | 4,868 | 5,418 | 5,954 | 6,573 | 7,151 | 7,782 | 8,517 | 9,330 | 10,226 |
| Debt service (billions of CFA francs) | 434 | 494 | 533 | 562 | 537 | 554 | 611 | 689 | 778 | 881 |
| CFA francs/SDR (period average) | 821 | 816 | 815 | 812 | 809 | 810 | 810 | 810 | 810 | 810 |

Sources: IMF staff estimates and projections.

[1/] On October 3, 2016, the IMF Executive Board extended, through December 31, 2018, the interest waiver for concessional loans that was introduced on January 7, 2010. The following rates are assumed beyond 2018: projected interest charges between 2018 and 2020 are based on 0/0/0.25 percent per annum for the ECF, SCF, ESF, and 0/0.25/0.25 percent per annum, respectively, for 2021 and beyond.

[2/] Including the proposed disbursements under the new ECF/EFF.

[3/] Total debt service includes IMF repurchases and repayments.

## Table 8. Côte d'Ivoire: Proposed Schedule of Disbursements and Timing of Reviews Under ECF/EFF Arrangements, 2016–19

| Date of availability | Condition for disbursement | Amount (millions of SDRs) | | | Percent of Quota | | |
|---|---|---|---|---|---|---|---|
| | | Total | ECF | EFF | Total | ECF | EFF |
| December 12, 2016 | Executive Board approval of the ECF/EFF arrangements. | 69.686 | 23.229 | 46.457 | 10.714 | 3.571 | 7.143 |
| April 15, 2017 | Observance of PCs for end-December 2016, continuous PCs and completion of the first review. | 69.686 | 23.229 | 46.457 | 10.714 | 3.571 | 7.143 |
| October 15, 2017 | Observance of PCs for end-June 2017, continuous PCs and completion of the second review. | 69.686 | 23.229 | 46.457 | 10.714 | 3.571 | 7.143 |
| April 15, 2018 | Observance of PCs for end-December 2017, continuous PCs and completion of the third review. | 69.686 | 23.229 | 46.457 | 10.714 | 3.571 | 7.143 |
| October 15, 2018 | Observance of PCs for end-June 2018, continuous PCs and completion of the fourth review. | 69.686 | 23.229 | 46.457 | 10.714 | 3.571 | 7.143 |
| April 15, 2019 | Observance of PCs for end-December 2018, continuous PCs and completion of the fifth review. | 69.686 | 23.229 | 46.457 | 10.714 | 3.571 | 7.143 |
| October 15, 2019 | Observance of PCs for end-June 2019, continuous PCs and completion of the sixth review. | 69.684 | 23.226 | 46.458 | 10.714 | 3.571 | 7.143 |
| | Total | 487.800 | 162.600 | 325.200 | 75.000 | 25.000 | 50.000 |

Côte d'Ivoire's quota is SDR 650.40 million

# Annex I. Dimensions of Poverty[1]

1. **The 2015 poverty survey shows that the poverty rate has declined somewhat to 46.3 percent in 2015 (from 48.9 percent in 2008).** However, as shown in Figure 1, poverty has been on an upward trend since the first recorded poverty survey in 1985. The poverty rate reached an all-time high in 2008, a period marked by civil conflict that destroyed production capacity and led to displacement of civilians.

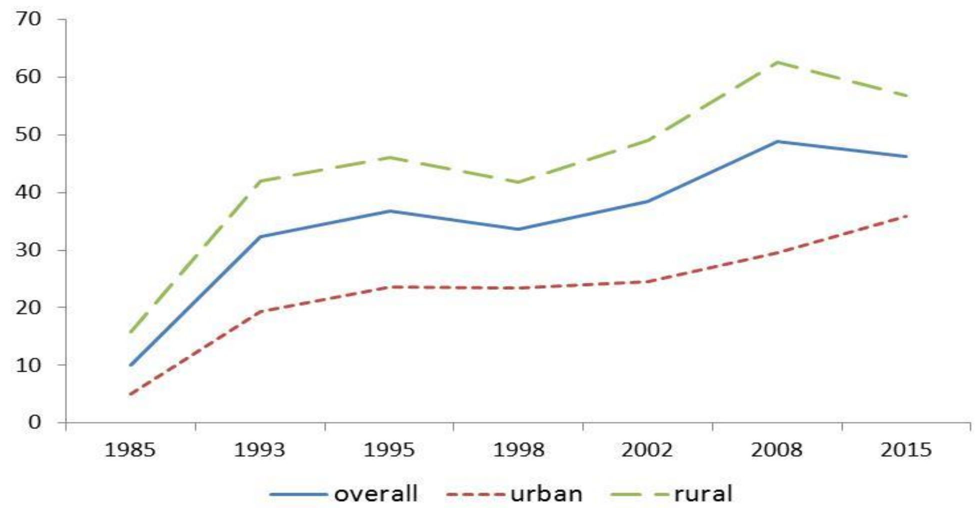
2. **The decline in rural poverty to 56.8 percent in 2015 (from 62.5 percent in 2008) contributed significantly to the recent overall fall in poverty.** Poverty in urban areas, on the other hand, increased sharply to 35.9 percent in 2015 (from 29.5 percent in 2008). Still, poverty remains mostly a rural phenomenon. From a geographical perspective, poverty is most prevalent in the north, while the southern city of Abidjan has the lowest poverty rate.

3. **With about 92 percent of all jobs, the informal sector accounts for the bulk of employment in Côte d'Ivoire.** The formal sector hosts only about 8 percent of all jobs. Poverty is most widespread in the informal sector, where the poverty rate is 37.3 percent (compared to 15.6 percent in the formal sector). Unemployment is mostly an urban phenomenon: the overall unemployment rate currently stands at 6.9 percent, but is as low as 3 percent in rural areas. The youth are overrepresented among the unemployed, with an unemployment rate of 9.6 percent among the 14–35 year-old age group (compared to 3.2 percent for those over 36 years old).

4. **The report also describes the outcomes of a detailed interview with a sample of people regarding their perception of poverty.** About 51 percent of respondents indicated that they did not perceive that poverty reduction was a priority. However, they were optimistic about the future, with 78 percent of them believing that the new administration will lower poverty. Some 88 percent of those interviewed believed that corruption was a major source of poverty.

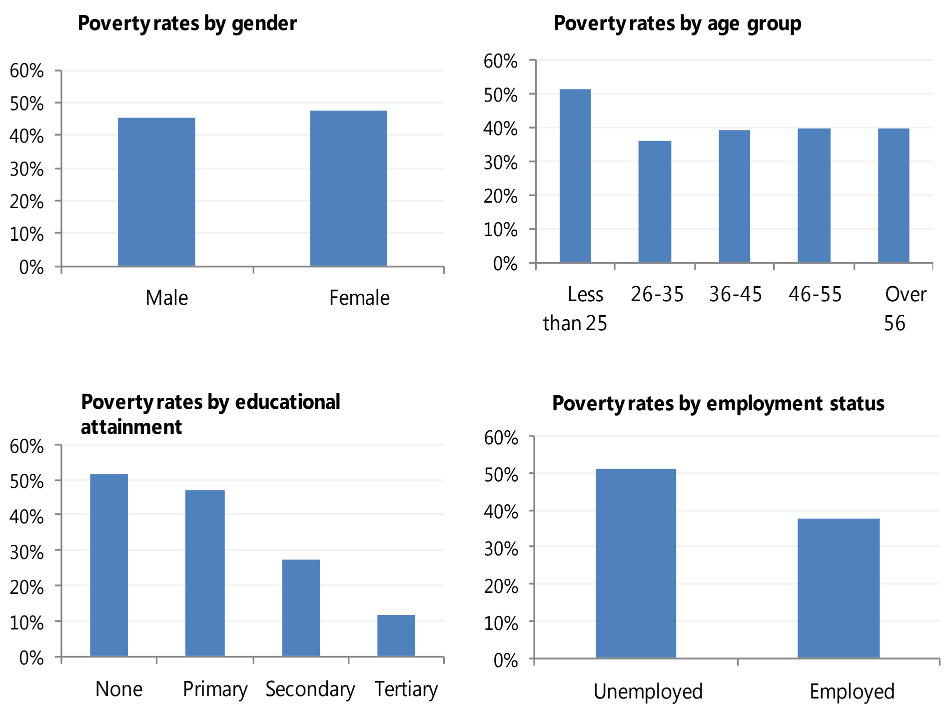
[1] This annex summarizes the 2015 poverty survey (*Enquête sur le niveau de vie des ménages en Côte d'Ivoire*). From January to March 2015, the Ivoirien Statistical Institute surveyed 12,900 Ivoirien households about their living standard, with a particular interest in poverty. The report defines poverty along relative (as opposed to absolute) lines. Back in 1985, the relative poverty line was set at a consumption level of CFA 75,000 per year – such that about 10 percent of the population was classified as "poor". Adjusting this level for inflation, the 2015 poverty line is set at CFA 269,075 per year. Previous poverty surveys were conducted in 1985, 1993, 1995, 1998, 2002, and 2008.

**Figure 1. Côte d'Ivoire: Poverty Rate, 1985–2015**
(Percent of population)




Source: Survey on households' standard of living in Côte d'Ivoire.

**Figure 2. Côte d'Ivoire: Poverty Rates by Population Characteristics**
(Percent)

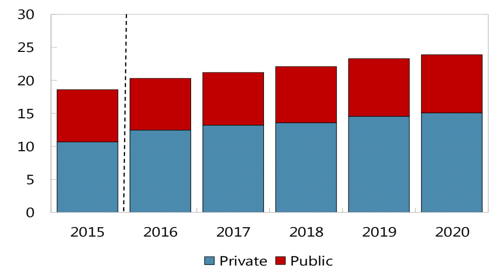



Source: Survey on households' standard of living in Côte d'Ivoire.

# Annex II. 2016–20 National Development Plan

1. **Under the recently launched 2016–20 National Development Plan (NDP), the authorities aim to turn Côte d'Ivoire into an emerging market economy by 2020.** The plan builds on the previous 2012–15 NDP, focusing on structural transformation with the private sector playing a major role through financing and PPP-related projects. In particular, the plan emphasizes enhancing productivity in the agricultural sector and promoting the manufacturing industry. The NDP also aims to improve living standards, ensure that the booming economy creates jobs for the growing young population, enhance gender inclusion, and take climate change into account. The ambitious program targets a growth rate of 8.8 percent over the 2016-20 period.

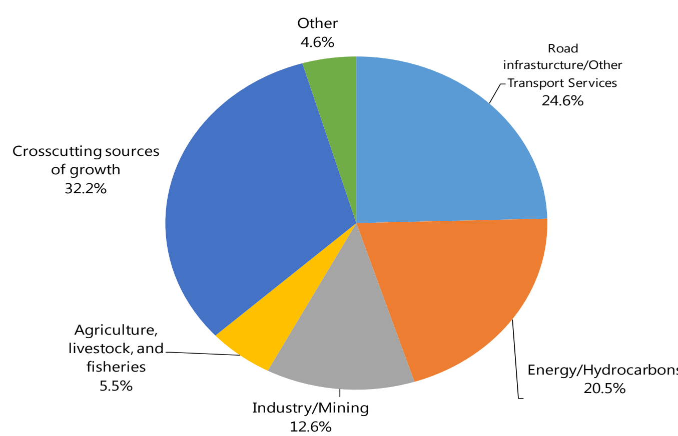
**Figure 1. Côte d'Ivoire: Planned Investment Under 2016–20 National Development Plan**
(Percent of GDP)




Source: Ivoirien authorities.

2. **To support the NDP's objectives, the authorities are planning a significant increase in investment led by the private sector.** They envisage that investment will total US$50 billion (nearly 1.5 times GDP), with 62 percent coming from the private sector. The authorities anticipate private investment will rise over the period reaching about 15 percent of GDP by 2020 from10.7 percent in 2015. Public investment is also expected to increase to 8.8 percent by 2020, compared to 7.9 percent in 2015. Large investments are planned in road and infrastructure and the energy and mining sector as well as in health, education, and security.

**Figure 2. Côte d'Ivoire: Breakdown of 2016–20 National Development Plan Investments**




Source: Ivoirien authorities.
Note: Cross cutting sources includes education, health, budgeting, defense

3. **The NDP has outlined several strategic pillars to focus policy measures:**

- Reinforcing the quality of governance and institutions: includes modernizing and improving public administration, stepping up security measures, and enhancing democratic engagement;
- Accelerating the development of human capital and social well-being: includes improving the quality of education and ensuring that it meets labor market demands, and improving the quality and accessibility of health services;

- Accelerating structural transformation of the economy through industrialization: includes measures to improve the business environment and small- and medium-sized enterprise (SME) access to finance, as well as targeted measures to enhance productivity in key sectors (e.g., agriculture, energy, mining, and tourism);
- Developing infrastructure throughout the country while preserving the environment: includes building road infrastructure, hydropower, and improving postal services and telecommunications.
- Reinforcing regional integration and international cooperation: includes efforts to increase engagement in the regional integration process and promote Ivoirien products and services abroad.

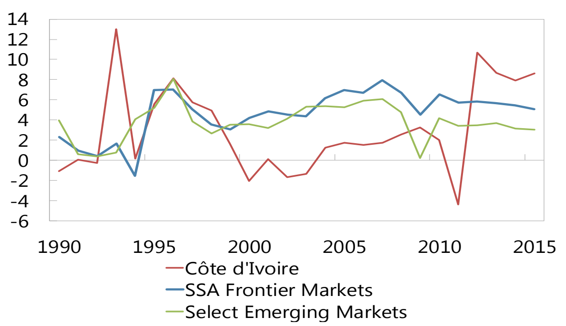
**4. The authorities have also identified additional policy measures to facilitate the implementation of the NDP.** These include: (i) maintaining macroeconomic stability; (ii) publishing a report on shortcomings of the tax system with a view to making Côte d'Ivoire more competitive; (iii) persevering with the tax administration reform addressing tax exemptions and broadening the tax base; (iv) undertaking public financial management reforms; (v) developing an identification system for firms; (vi) improving the quality of economic data, including on FDI and land and natural resources; (vii) operationalizing the credit information office; and (viii) creating marketable securities as a result of reliable land management.

# Annex III. Sustaining Growth

*Côte d'Ivoire's growth over the last four years has been impressive. Although, historically, similar episodes of accelerated growth are not uncommon among African countries, sustaining this performance over the longer term has typically proven more difficult. In order to sustain growth over the medium term, Côte d'Ivoire will need to address key structural bottlenecks including with respect to the business and institutional environment, as well as infrastructure and human capital gaps. The authorities' National Development Plan (NDP) appropriately focuses on addressing these key impediments.*

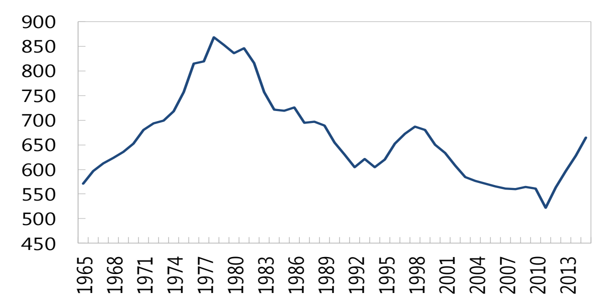
1. **Côte d'Ivoire's economic performance over the last 4 years has been impressive, in sharp contrast to the preceding period marked by conflict and economic stagnation.** Real GDP averaged 8.9 percent during 2012–15, driven by investment and consumption, reversing a decade-long fall in per capita income and exceeding growth in sub-Saharan Africa (SSA) frontier markets and select emerging market (EM) comparators[1] (Figures 1 and 2). However, during the prior period, real GDP growth in Côte d'Ivoire averaged only 2.1 percent, significantly lower than in SSA frontier markets (4.6 percent) and select EM comparators (3.8 percent).

**Figure 1. Côte d'Ivoire: Real GDP Growth, 1990–2015**
(Percent)




Source: IMF WEO.

**Figure 2. Côte d'Ivoire: Real GDP per Capita, 1965–2015**
(Thousands of CFAF)



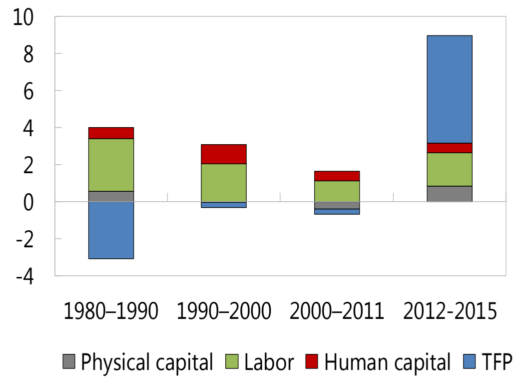

Source: IMF WEO.

2. **Post-conflict recovery and proactive government policies have contributed to economic growth.** A growth decomposition shows that the bulk of Côte d'Ivoire's growth during 2012–15 is explained by the growth accounting residual (Figure 3). This likely reflects a catch up in pent-up demand and a pickup in capacity utilization, as well as improvements in productivity. Key policy efforts that supported productivity gains during this period included: closing infrastructure gaps key areas like energy and transport; enhancing agricultural productivity and crop yields through the National Agricultural Investment Program (PINA); strengthening the business environment; and improving access to education.

[1] SSA Frontier Markets include: Côte d'Ivoire, Ethiopia, Gabon, Ghana, Kenya, Mauritius, Nigeria, Senegal, South Africa, Tanzania, Uganda and Zambia. Select Emerging Markets are those considered in the early stage of being an emerging market economy based on per capita income and include: Philippines, Morocco, Sri Lanka, Egypt, Guatemala, Indonesia, Armenia, Swaziland, El Salvador, Georgia, Paraguay, Tunisia, Albania, Bosnia and Herzegovina, Jordan, Macedonia, FYR, Jamaica, Algeria, Ecuador and Thailand.

**Figure 3. Côte d'Ivoire: Growth Accounting, 1980–2015**

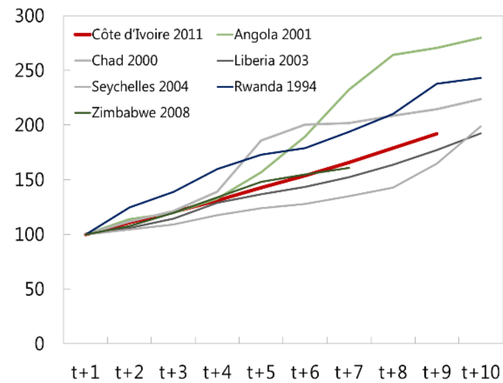
(Percent)




Sources: IMF Staff Calculations.

**Figure 4. Côte d'Ivoire: Growth Accelerations: Cumulative Growth Paths**

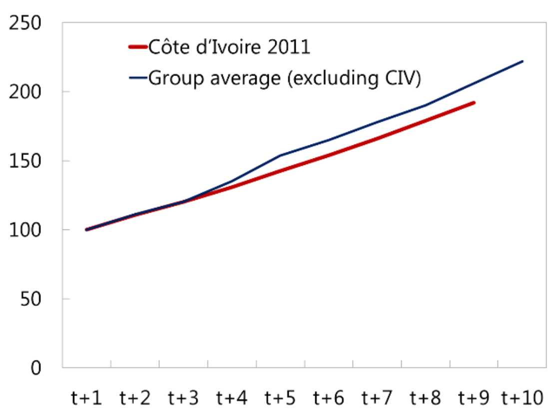
(Real GDP Index, t+1=100)




Source: IMF Staff Calculations.
Note: t+1 is the first year of accelerated growth.

**Figure 5. Côte d'Ivoire: Growth Accelerations: Average Growth Path**

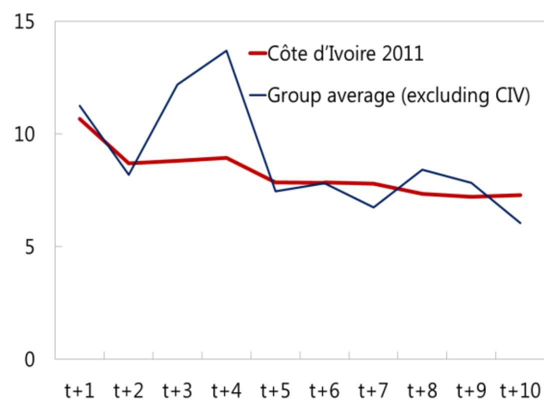
(Real GDP Index, t+1=100)




Source: IMF Staff Calculations.
Note: Growth episodes in the regional average include Rwanda 1994; Chad 2000; Angola 2011; Liberia 2003; Seychelles 2004; Zimbabwe 2008.

**Figure 6. Côte d'Ivoire: Growth Accelerations: Annual Growth Rates**

(GDP, YOY Percent Change)



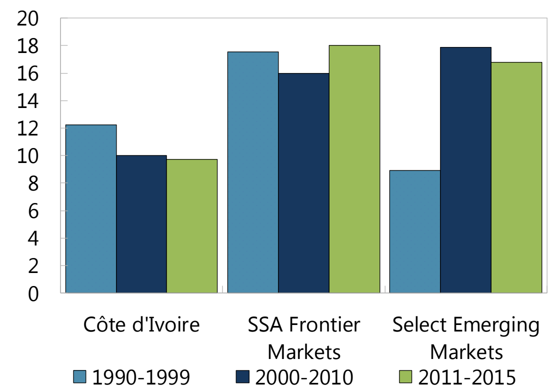

Source: IMF Staff Calculations.
Note: Growth episodes in the regional average include Rwanda 1994; Chard 2000; Angola 2001; Liberia 2003; Seychelles 2004; Zimbabwe 2008.

**3. Episodes of accelerated growth are not uncommon among African countries but sustaining such a strong performance over the longer term has been more difficult.** While data for particular countries and years vary considerably, GDP growth rates projected by staff for Côte d'Ivoire over the medium term (2016–20) are close to the average of growth rates for the other African countries that experienced growth acceleration episodes over the past 25 years (Figures 4 and 5). However, the average growth path for these episodes points to gradual deceleration of economic expansion over time, which is consistent with staff growth projections for Côte d'Ivoire (Figure 6).

**4. Boosting productivity and private investment will help sustain Côte d'Ivoire's strong growth performance going forward, but will require addressing structural bottlenecks.** Evidence from other fast growing African countries indicated that increasing productivity and high private investment levels are crucial to sustaining strong growth over the long run.[2] Despite strong growth in Côte d'Ivoire, private investment has not increased and remains well below SSA frontier markets and select EM comparators (Figure 7). Addressing structural bottlenecks would not only improve productivity but encourage private investment by enhancing returns to economic activity. Key constraints include the weak business environment, poor governance, and infrastructure and human capital gaps.

**Figure 7. Côte d'Ivoire: Average Level of Private Investment Côte d'Ivoire vs. Comparators, 1990–2015**

(Percent of GDP)




Sources: IMF WEO; staff calculations.

**5. Improving the business environment would strengthen competitiveness and facilitate structural transformation and trade.** Côte d'Ivoire ranks 142 (out of 190) in the World Bank's 2017 Doing Business index (Figure 8). Although this is a considerable improvement from its 177th position in 2014, Côte d'Ivoire fell three places between the 2016 and 2017 rankings and remains below peers, particularly in the areas of ease of procedures to pay taxes, permits, and obtaining electricity. Côte d'Ivoire ranks 117 (out of 138) in the World Economic Forum's Enabling Trade index (Figures 9 and 10), as trade is hampered by factors such as burdensome import procedures, tariffs, and poor access to trade finance. Trade logistics performance has also deteriorated in recent years. According to the World Bank's Logistics Performance Index, which ranks countries based on a worldwide survey of global frieght forwarders and express carriers' perception of countries' logisitics "friendliness", Côte d'Ivoire ranked 95th out of 160.

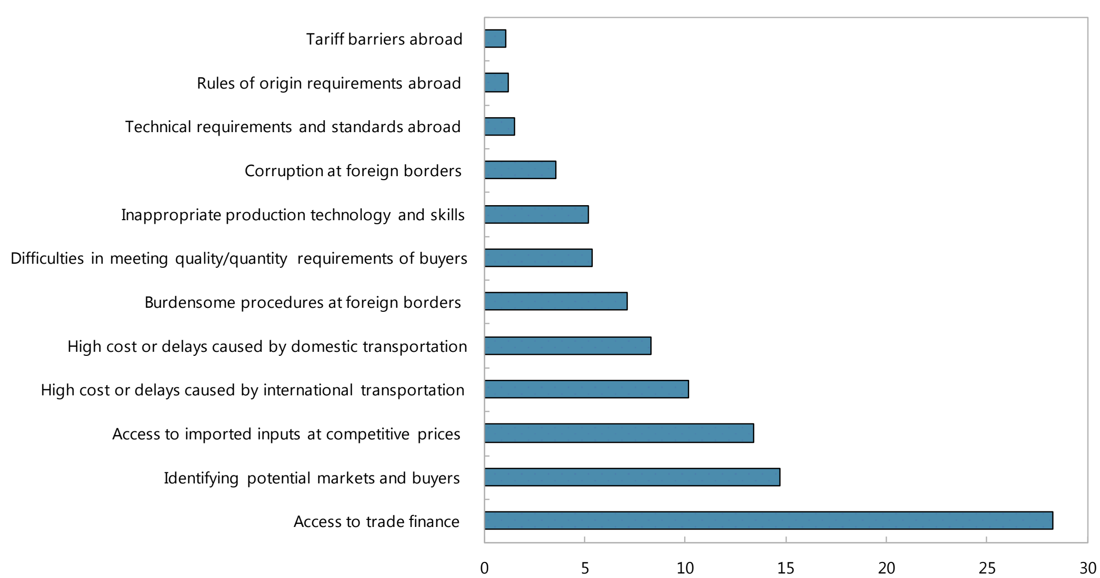
[2] See Chapter 2 of "Regional Economic Outlook: Sub-Saharan Africa," International Monetary Fund, Washington DC, October 2013.

## Figure 8. Côte d'Ivoire: Ease of Doing Business Rankings, 2017


Source: World Bank Doing Business Indicators.
Note: Further away from the center indicates lower rankings.

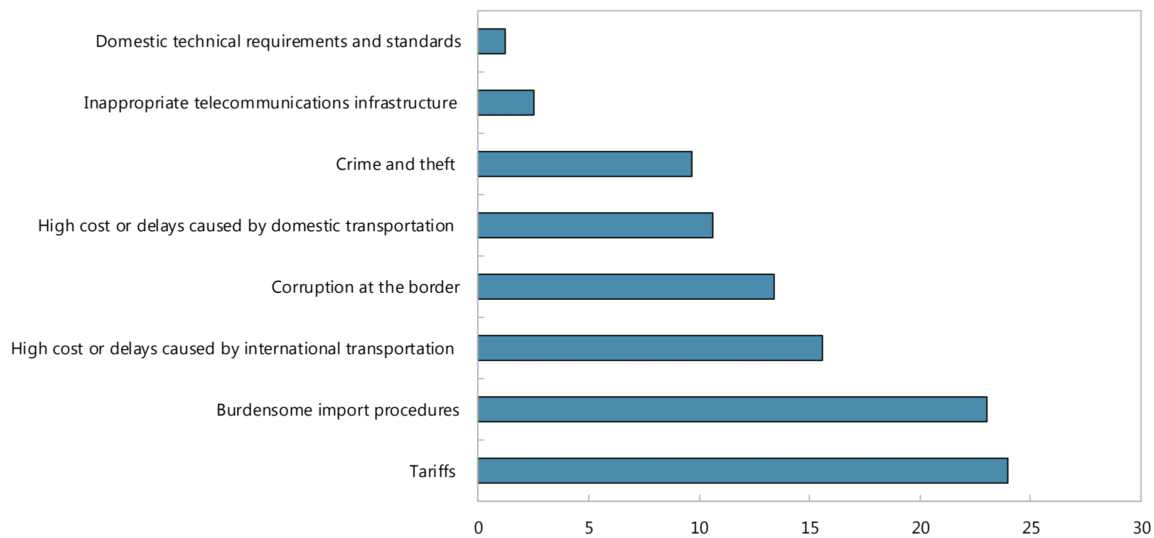
## Figure 9. Côte d'Ivoire: Most Problematic Factors for Exporting

(Percent of responses)




Source: World Economic Forum, the Global Enabling Trade Report, 2014.

**Figure 10. Côte d'Ivoire: Most Problematic Factors for Importing**
(Percent of responses)



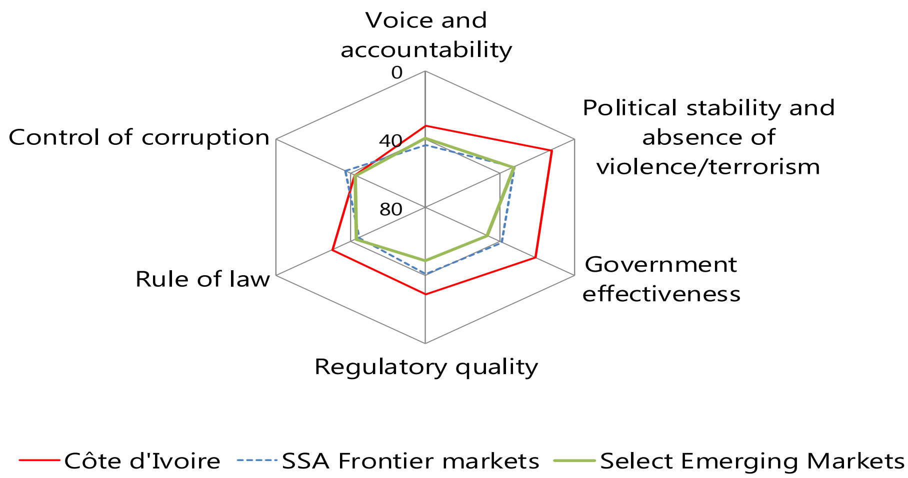

Source: World Economic Forum, the Global Enabling Trade Report, 2014.

**6. Recent improvements notwithstanding, governance needs further strengthening:**

- Although Côte d'Ivoire, which is within the lower half of the Mo Ibrahim Index of African Governance (IIAG) rankings, has exhibited the continent's largest overall governance improvement over the past four years. The country is one of the ten biggest improvers in every category. Côte d'Ivoire scores 48.3 (out of 100) in overall governance according to the IIAG rankings, below the African average (50.1) and the regional average for West Africa (52.4).[3]
- Perceived corruption is high, with Côte d'Ivoire ranking 107 (out of 175) in the Transparency International's 2015 "Corruption Perceptions Index."
- Côte d'Ivoire lags behind comparators in the World Bank's Worldwide Governance Indicator (WGI) index (Figure 11), ranking low in areas such as government effectiveness and regulatory quality.

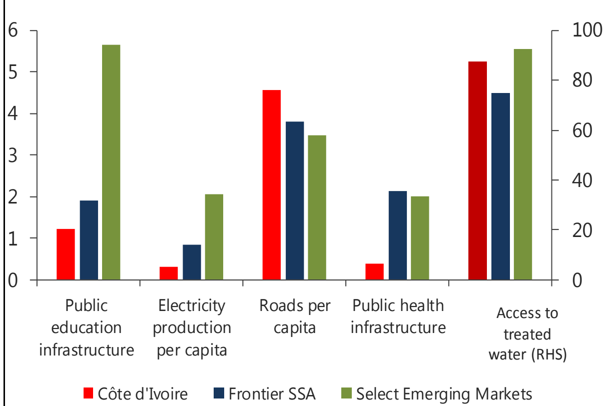
[3] Higher scores are interpreted as a sign of better governance.

**Figure 11. Côte d'Ivoire and Comparators: Governance Indicators**



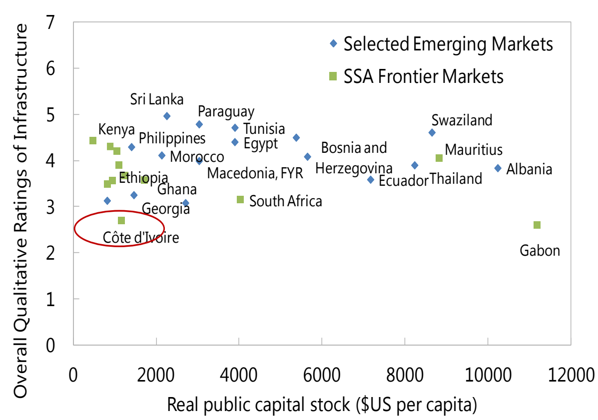

Source: World Bank Governance indicators.
Note: Further away from the center indicated lower randking.

**Figure 12. Côte d'Ivoire: Measures of Infrastructure Access**
(Most Recent Year)




*Units vary to fit scale. Left hand axis: Public education infrastructure is measured as secondary teachers per 1,000 persons; Electricity production per capita as thousands of kWh per person; Roads per capita as km per 1,000 persons; and Public health infrastructure as hospital beds per 1,000 persons. Right hand axis Access to treated water is measured as percent of population.
Sources: World Bank Development Indicators, WEO; and IMF Staff Estimated.

**Figure 13. Côte d'Ivoire: Overall Qualitative Ratings of Infrastructure**
(Index value 1=worst 7=best)




Source: World Economic Forum Global Competitiveness Indicators.

**7. Enhancing infrastructure and human capital will promote private sector development and reduce overall business costs.** Côte d'Ivoire lags behind peers both in terms of the quantity and perceived quality of its infrastructure (Figures 12 and 13). On the human capital side, average schooling has remained relatively flat over the last 20 years and is lower than SSA frontier and select EM averages. The net primary enrollment rate is low at 77 percent, while secondary and tertiary rates are 39 percent and 9 percent, respectively. A recent growth diagnostic study by the Millennium Challenge Corporation also identified key growth constraints related to infrastructure, low skill levels reflected in literacy rates and test scores, and the high cost of moving goods and people due to a declining public transport system as well as geographical challenges.[4]

**8. Further improvements in investment efficiency will enhance the authorities' efforts to address infrastructure gaps.** Though Côte d'Ivoire's public investment remains below peers, it has risen significantly in recent years as the authorities have taken steps to address infrastructure gaps. But, infrastructure quality is low even when compared with peers with similar levels of public capital stock, likely reflecting the damage to infrastructure in the 12 years prior to 2012 marked by socio-political tensions and conflicts. Although addressing these gaps will take time, greater investment efficiency would help the process. A recent study of the West African Economic and Monetary Union (WAEMU) finds that investment efficiency in the region still lags behind peers, with quality of institutions playing a key role.[5] A panel estimation finds that a one-point improvement in the WGI regulatory rating will lead to a 4 percent increase in the investment efficiency score. Côte d'Ivoire scores particularly low in this area (Figure 11), further underscoring the need to strengthen institutions to encourage private investment to support growth.

**9. Planned policies under the NDP should help address these bottlenecks and support sustainable growth.** The authorities' plan to continue to improve the business environment through measures such as enhancing the judicial system and land management; the ease of paying taxes and obtaining credits; and access to SME finance. Efforts to reinforce the quality of governance and institutions include modernizing and improving public administration and enhancing democratic engagement. The plan strives to accelerate the development of human capital both by improving the quality of education and ensuring it meets labor market demands. Over thirty percent of investment under the NDP has been earmarked for infrastructure development including roads, hydro-power, and improving postal and telecommunications.

[4] Other constraints included limited industrial land and poor tax administration.

[5] See West African Economic and Monetary Union Selected Issues (IMF Country Report n° 15/101, March 7, 2015).

## Annex IV. Risk Assessment Matrix (RAM)[1]

| Sources of Risks | Relative Likelihood | Impact if Realized | Recommended Policy Response |
|---|---|---|---|
| Rise in populism and nationalism in large economies | **High** | **Medium/High**<br>Reversals in policy coordination could reduce international aid and impede export market access. | Strengthen regional bond markets and trade, rebuild fiscal buffers through domestic revenue mobilization, and design prudent public investment plans. |
| Sharp rise in global risk premia, with flight to safety | **Medium** | **Medium/High**<br>Tighter or more volatile global financial conditions could increase funding costs for the 2016–20 National Development Plan. | Strengthen regional bond markets and trade, rebuild fiscal buffers through domestic revenue mobilization, and design prudent public investment plans. |
| Significant growth slowdown in China | **Low/ Medium** | **High**<br>Could reduce investments financed by China. | Strengthen the business climate to diversify investor base and exports markets. Preserve fiscal space for countercyclical policy. Strengthen the resilience of the banking sector by building up countercyclical capital buffers. |
| Significant slowdown in other large EMs/frontier economies | **Medium** | **Medium/High**<br>Adverse impact on exports growth. | Strengthen the business climate to diversify investor base and exports markets. Preserve fiscal space for countercyclical policy. Strengthen the resilience of the banking sector by building up countercyclical capital buffers. |
| Structurally weak growth in key advanced and emerging economies | **High/ Medium** | **Medium/High**<br>Adverse impact on growth through less FDI inflows. | Strengthen the business climate to diversify investor base and exports markets. Preserve fiscal space for countercyclical policy. Strengthen the resilience of the banking sector by building up countercyclical capital buffers. |
| Adverse weather conditions | **High/ Medium** | **High**<br>Adversely affect agricultural output and exports, lower cocoa tax revenues, increase subsidy needs, and reduce the population's living standards. | Relax moderately the fiscal position to mitigate the impact on poor through targeted spending. Monitor the second-round effects on inflation. |
| Financial difficulties of public enterprises and public banks | **Medium** | **Low/Medium**<br>Adverse effect on the budget, and banking sector. | Restructure loss-making public companies; enhance monitoring of public enterprises; recapitalize and restructure ailing public banks. |

[1/] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

# Appendix I. Letter of Intent

Ministry at the Prime Minister's office in charge of Economy and Finance

-----------

**THE MINISTER**

Republic of Côte d'Ivoire

------------

Union-Discipline-Travail

No....6210.../MPMEF/DGE/DPPSE/SPEF/AC

Abidjan, November 21, 2016

**The Managing Director**
**International Monetary Fund**

**WASHINGTON DC, 20431**

**Subject:** Letter of Intent

**Dear Madame Managing Director:**

1. **Implementation of the 2012–15 National Development Plan (PND) with IMF support has enabled Côte d'Ivoire to make great strides.** The GDP growth rate averaged 9 percent during the period, placing Côte d'Ivoire among the fastest growing countries in the world. It has been able to achieve this strong economic performance while keeping the fiscal deficit and inflation under control. The business climate and international competitiveness of the economy have also improved significantly according to Côte d'Ivoire's performance in the World Bank's Doing Business Report and the World Economic Forum's Global Competitiveness Report. Implementation of important structural reforms have fostered Côte d'Ivoire's access to international financial markets. In just four years, more than two million jobs have been created, economic and social infrastructure has been strengthened, and the poverty rate has been lowered by around 3 percentage points. Politically, Côte d'Ivoire has consolidated its position at the international level owing to its improved governance, internal stability, and protection of social cohesion, culminating in the return of the African Development Bank, the opening of the office of the International Cocoa Organization (ICCO), and the free and transparent democratic elections held in October 2015. Moreover, Côte d'Ivoire's compact with the Millennium Challenge Corporation (MCC) attests to the progress made in the macroeconomic policy, good governance and transparency spheres.

2. **In support of the implementation of the 2012–15 PND, Côte d'Ivoire concluded an arrangement with the IMF under the Extended Credit Facility (ECF) in November 2011.** This arrangement ended in December 2015, following a one-year extension. Successful implementation of this program has helped to (i) establish a sound macroeconomic framework after external and internal imbalances resulting from the post-electoral crisis; (ii) reduce poverty; (iii) restructure and cancel debt and normalize relations with creditors; (iv) improve business climate; (v) settle domestic arrears; (vi) improve the financial stability of the electricity sector; (vii) ensure adequate incomes for coffee and cocoa producers; and (viii) improve the management of public finances and the debt.

3. **It is in this context that Côte d'Ivoire has adopted a new National Development Plan (2016-2020 PND), which is intended to raise the country to emerging-market status by 2020 and halve poverty.** This plan provides a new framework for economic and social policy. It prioritizes: (i) the strengthening of institutional quality and good governance; (ii) the structural transformation of the economy, based primarily on the acceleration of industrialization, specifically in agroindustry; (iii) the consolidation of the macroeconomic framework; and (iv) the better redistribution of the benefits of growth in order to halve the poverty rate. The PND growth targets are 9.3 percent in 2016, followed by 8.9 percent in 2017 and an average rate of around 8.5 percent from 2018 to 2020. These targets focus on inclusive, equitable, gender and environmentally friendly growth that creates jobs, particularly for young people. Moreover, a particular effort will be made to improve the quality of the educational system, making it accessible to all and aligning it with the needs of the labor market. Finally, emphasis will be put on improving the quality of health services while ensuring accessibility to all via the Universal Medical Coverage (CMU).

4. **In order to reach PND objectives, the three-year economic and financial government program will be based on the following pillars**: (i) preserving room for government fiscal adjustments and ensuring the continuing sustainability of the public debt; (ii) reinforcing public finance administration and the management of public enterprises; (iii) developing the private sector; (iv) stabilizing and developing the financial sector; and (v) reinforcing the statistics production system.

5. **The attached Memorandum of Economic and Financial Policies (MEFP) describes the progress made under the previous economic and financial program covering the period 2012–15 and establishes the government's objectives and policies for the short and medium term.** In support of its strategy, Côte d'Ivoire is requesting IMF arrangements to support the implementation of the government's economic and financial program for the period 2016–19 and the establishment of quantitative performance criteria and structural measures through to December 2017. For this new program, the government is seeking the approval of the Extended

Credit Facility and the Extended Fund Facility (the ECF and EFF) arrangements with combined access of SDR 487.8 million. Moreover, the government is convinced that the policies and measures described in the attached MEFP are adequate to achieve the program objectives. It will take any further measures that may prove necessary to achieve these objectives and will consult with IMF staff prior to taking such measures or making any changes to the policies contained in the memorandum in accordance with the IMF's policies on such consultations.

**6. The Ivoirien authorities agree to provide the IMF with information on the implementation of the measures agreed and program execution, as set out in the attached Technical Memorandum of Understanding, on the dates agreed between the two parties.** Moreover, the government authorizes the IMF to publish and post this letter and its attachments on its website, along with the IMF staff report after completion of the review of the program by the IMF Executive Board.

_______________/s/_______________

**Minister at the Prime Minister's Office in charge of Economy and Finance**
**Adama KONE**

***Attachments:***

- *Memorandum of Economic and Financial Policies*
- *Technical Memorandum of Understanding*

# Attachment I. Memorandum of Economic and Financial Policies 2016–19

November 21, 2016

## CONTEXT

1. **Implementation of the 2012–15 National Development Plan (PND) has been a resounding success in many regards and, according to the international community, the results over the past four years have been impressive.** We have been successful in setting our economy on a path of strong, sustainable growth with the full support of our development partners. We are among the fastest growing countries in the world, with a real GDP growth rate averaging around 9 percent. In just four years we have created more than two million jobs and increased the incomes of most Ivoiriens in rural and urban areas and in both the public and private sectors. These economic results have enabled us to strengthen our economic and social infrastructure, which has helped to improve the living conditions of our citizens. Macroeconomic stability has been restored as fiscal and external balances have been brought under control. Moreover, the business environment has improved significantly. According to the 2016 report of the World Economic Forum, Côte d'Ivoire is one of the most competitive economies in Africa. It rose 25 positions on the 2015–16 Global Competitiveness Index after improving 11 places in the previous classification. At the same time, the 2016 report of the Mo Ibrahim Foundation placed Côte d'Ivoire among the 10 countries that have made the most progress in the area of governance over the past five years. Finally, Côte d'Ivoire's compact with the Millennium Challenge Corporation (MCC) attests to the progress made in the macroeconomic policy, good governance and transparency spheres. There have also been achievements in the development of human capital owing to significant investments in health, education and nutrition. Politically, the reforms implemented have made it possible to restore the rule of law and civil liberties.

2. **The sociopolitical environment continues to improve.** The open, free and transparent presidential elections held on October 25, 2015 took place in a peaceful environment. The government intends to consolidate this environment by holding legislative elections in 2016. Moreover, a referendum on the Constitution was held on October 30, 2016. The new Constitution seeks in particular to strengthen social cohesion and political stability.

3. **Work remains to be done to consolidate our path toward emerging market status by 2020 and to reduce poverty by half.** In this context, the major objectives of our 2016–20 PND are an acceleration of the redistribution of the benefits of growth, particularly for the most

disadvantaged, food self-sufficiency, access to safe drinking water, electrification of all villages with more than 500 inhabitants, education for all, better access to information owing to the "one citizen, one computer, one internet connection" program, a high quality community health system, universal medical coverage, greater representation for women, classification among the top 50 countries in the world in terms of the business climate, and a place of honor among African countries with the highest rankings for good governance, transparency in the management of public resources, and human development.

4. **The 2016–20 PND establishes industry as one of the pillars of the structural transformation of the economy.** It therefore places emphasis on: (i) improvement of the rate of processing of commodities and the development of complete value chains, particularly in the agricultural subsectors; (ii) vocational training and corporate accountability of enterprises; and (iii) diversification of industrial production by capitalizing on the country's comparative advantages. The macroeconomic framework will remain solid and sustainable. The scenario selected is based on strong, inclusive, equitable, gender and environmentally friendly economic growth that creates jobs, particularly for young people. A concerted effort will be made to improve the quality of our educational system, making it accessible to all and aligning it with the needs of the labor market. Finally, we will focus on improving the quality of our health services while ensuring that they are accessible to all via the Universal Medical Coverage (CMU).

5. **To support the PND, Côte d'Ivoire has requested new three-year arrangements under the Extended Credit Facility (ECF) combined with the Extended Fund Facility (EFF).** Implementation of the economic and financial programs supported by the ECF over the period 2011–15 helped to: (i) solidify the macroeconomic framework after the external and internal imbalances resulting from the post-electoral crisis; (ii) reduce poverty; (iii) cancel and restructure debt and normalize relations with creditors; (iv) improve Doing Business indicators; (v) settle domestic arrears; (vi) improve the financial stability of the electricity sector; (vii) ensure adequate incomes for coffee and cocoa producers; (viii) strengthen management of public finances and debt; and (ix) improve monitoring and governance of public enterprises.

6. **The new three-year arrangements are aimed at supporting the government's efforts to consolidate the progress it has made, particularly by maintaining the sustainability of the macroeconomic and fiscal framework for implementation of the 2016–20 PND.** It is aligned with the government's objectives, i.e.: (i) to continue to strengthen the quality of institutions and good governance; (ii) to maintain the stability of the macroeconomic framework; (iii) to accelerate the structural transformation of the economy; and (iv) to halve the poverty rate through a better distribution of the benefits of growth.

This memorandum describes the recent economic developments, lists short-term objectives, and presents the medium-term economic and financial program.

# RECENT ECONOMIC DEVELOPMENTS

**7. Despite sluggish global growth and declining commodity prices, Côte d'Ivoire's real GDP growth rate of 9.2 percent in 2015 was among the highest in the world.** This performance was supported in particular by export-oriented agriculture, mining (oil, gold), construction and public works, and the services sector. Moreover, the external and fiscal balances exceeded forecasts. Dynamic management of the government budget, i.e., keeping expenditure in line with mobilized resources, made it possible to contain the fiscal deficit despite a significant increase in investments and external support. In 2015, an electoral year, the overall fiscal deficit stood at 2.9 percent of GDP (as against the 3.6 percent forecast). The inflation rate of 1.2 percent was well below the community standard of 3 percent in the West African Economic and Monetary Union (WAEMU).

**8. The risk of debt overhang for Côte d'Ivoire remains moderate.** The stock of central government external debt increased from 19.5 percent of GDP at end-2014 to 22.8 percent of GDP at end-2015. The ratio of domestic debt to GDP remained steady at 18.5 percent in 2015. The monitoring of the debt of the public enterprises was stepped up, leading to an improvement in the management of statistics and payments. Thus, the government produces data on guarantees and lent loans, foreign currency loans, past due payments (including the arrears on guaranteed and lent loans), and domestic and external debt. At end-June 2016, the stock of public enterprise debt recorded in the "public enterprise database"[1] totaled 3.5 percent of GDP, of which 0.2 percent of GDP was guaranteed by the government.

**9. Economic activity strengthened through end-June 2016.**

- All sectors of the economy posted strong growth with the exception of the primary sector owing to low rainfall levels. In the secondary sector, the Harmonized Industrial Production Index (IHPI) grew 10.1 percent on average in the first semester of 2016. Industrial activity benefited from advances in mining (+75.5 percent) and the "electricity, gas and water" sector (+14.0 percent). Construction and public works remained buoyant with the forward indicator increasing 8.1 percent on average. In the tertiary sector, the retail business index excluding oil products reflected the increase in sales of 1.0 percent. Transportation also improved with

[1] The database covers all majority government-owned enterprises and the Société Ivoirienne de Raffinage (SIR).

a 8.8 percent increase in the number of commercial travelers, and the telecommunications sector remained solid. Enterprises are choosing Côte d'Ivoire more and more to establish their production units and as a base for exporting to countries in the subregion.

- Budget execution was characterized by solid revenue collection and under-execution of expenditures. Tax revenues exceeded their target by CFAF 7.6 billion. "Total expenditure and net lending" recorded under-consumption, resulting in particular from the low level of execution of externally financed capital expenditure. The execution rate for externally financed investments was 72.1 percent, while the execution of domestically financed investments stood at 83.6 percent. These execution levels result from: (i) the procedures of some of the technical and financial partners, which execute the projects themselves with a delay in the provision of data on the national portion; and (ii) the need for procurement specialists to improve documents preparation so as to further reduce procurement lead times, which fell from 322 days in 2013 to 122 days at end-2015, and thus to achieve the government's target of 88 days. A basic primary surplus of CFAF 85.5 billion was recorded, along with an overall fiscal deficit of CFAF 191.3 billion.
- The money supply grew 11.0 percent, primarily as a result of the increase in credit to the economy (+20.4 percent) and the net government position (+31.4 percent). Net foreign assets declined 10.9 percent.
- In the area of the financial stability of the banking sector, the number of violations by banks of the regulations on the minimum capital requirement of CFAF 10 billion fell from 10 in December 2015 to 7 in June 2016. The latter have a grace period, expiring on June 30, 2017, to comply with the threshold of CFAF 10 billion. However, the capital adequacy ratio stood at 8.6 percent in June 2016, compared with 9.6 percent in June 2015.
- Developments on the labor market continue to be positive, with a 6.2 percent increase in the number of employees in the formal sector. This increase results particularly from the private sector (+6.5 percent), which accounts for 81.3 percent of the net creation of jobs.
- The stock indexes have experienced a modest rally, with the BRVM 10 index up 1.6 percent and the BRVM Composite Index up 15.9 percent compared to end-June 2015. At the same time, stock market capitalization rose 8.3 percent.

**10. Major structural reforms have been implemented.**

- To improve tax collection, the government has introduced significant reforms, for both domestic taxation and border taxation (see Box 1).

### Box 1. Côte d'Ivoire: Tax Reforms Through End-2015

**Domestic taxation**:

- An action plan based on the VAT reform strategy was prepared and implemented with a view to optimizing the yield of this tax. As well, two Medium-Sized Enterprise Centers (CME) were created in the context of efforts to strengthen the effectiveness of the tax administration, and these centers are now operational. The two centers have been a success, significantly reducing the non-filer rate, which fell from 30-35 percent to less than 5 percent in 2015, i.e., the normal rate recorded in the model countries. Moreover, the CMEs have improved the administration's effectiveness in collecting the VAT. According to the IMF's February 2016 technical assistance mission report, DGI VAT collections increased by 0.3 percent of GDP in 2015 as compared to 2014.
- The problem of the accumulation of unrefunded credits, which the government has faced for over 10 years, has been resolved. There are no longer any pending validated VAT credits and the average time for payment has been reduced from 13.7 months in 2013 to 1.1 days at end-December 2015. The government has also improved the transparency of the payments, performing those on a "first in, first out" basis. As well, in the context of the modernization of the tax administration and with a view to facilitating the tracking of VAT credit refund files by clients of the tax administration, the process for the review of VAT credit refund files has been automated, from the filing of the application through to payment. A web interface has been established to allow economic agents to track their cases on-line. Moreover, the tax and customs administrations have been interconnected to automate the exchange of information, particularly on export certificates and taxpayer account numbers, and to reduce the risk of fraud.
- A single tax return form has been created to facilitate the formalities to be completed by economic agents. The single form has reduced the number of procedures and payments from 63 to 24 in a single year, and is now used by 100 percent of enterprises.
- An Electronic Land Registry (LIFE) was established in 2014 to enable real estate professionals to obtain on-line the information they need to conduct their business. This reform should help to improve the performance of the real estate sector and increase the formalization of land registry documents, an indicator of greater mobilization of land taxes. LIFE, which can be defined as a computerized version of the land registry and which is aimed at improving the speed and security of real estate transactions, entered into the consultation phase in January 2014.
- The government has developed a tax audit management application to add greater transparency and improve the quality and results of audits.
- To ensure better tracking of oil revenues, a specific subdirectorate has been created in the General Directorate of Taxes (DGI). It participates in oil product offtakes and ensures timely payments of the government share of offtakes.

**Box 1. Côte d'Ivoire: Tax Reforms Through End-2015** (concluded)

**Border taxation**:

- Electronic management of checks has been computerized at the General Directorate of Customs (DGD) in cooperation with the BCEAO. This measure has made it possible to resolve the problem of a lack of follow-up of NSF checks. The encashment rate for NSF checks increased from 71 percent at end-2014 to almost 100 percent in 2015.
- The government has stepped up verifications of merchandise, with the help of the rehabilitation of border posts, coverage of the entire territory, and the purchase of two mobile x-ray scanners. These purchases, which do not incur additional costs for economic agents and which are operated by customs officers, have opened the DGD to new processes, particularly imaging, and have considerably reduced the risk of smuggling.
- The government has also created a directorate responsible for management of customs procedures with an economic impact, such as temporary admissions, bonded warehousing and exemptions. These provisions, combined with increased controls, resulted in an increase in customs revenues over the 2012–15 period.
- The creation of the One-Stop Shop for Foreign Trade (GUCE) should contribute to simplify formalities for the import of merchandise and reduce the number of documents and delays.

Finally, to better inform the population of the cost of exemptions and their distribution, the government has begun to produce a report on tax expenditures, which is annexed to the Budget Law.

- To improve management of the public debt, the government will complete the reorganization of the Public Debt Directorate in line with international best practices and WAEMU community standards. This new entity will be organized into a front, middle and back office and centralize all public debt and government cash flow management operations.
- The management framework for public enterprise governance has been strengthened. The governing bodies of public enterprises have been established and are managed in accordance with a roadmap for improving governance. Audit and risk management committees have been set up in 39 enterprises out of 43. Moreover, an order setting the threshold for public enterprise borrowing above which the Ministry of Budget approval is necessary was signed in June 2015 with a view to controlling their debt and ensuring their financial viability.
- A general directorate responsible for water has been established within the Ministry of Agriculture to address all issues related to irrigation in a context of climate change.
- The consolidation of the financial sector is continuing. The Caisse Nationale des Caisses d'Épargne (CNCE) was placed under provisional administration in June 2015 and the government took the decision in March 2016 to restructure it. In this context, a strategy was adopted and a call for bids was launched in May 2016 for the recruitment of a consultant

responsible for preparing the bank's overall restructuring plan. The government also made the decision in March 2016 to privatize the Versus Bank and the Banque de l'Habitat de Côte d'Ivoire (BHCI). A consulting bank was recruited to assist the Privatization Committee in the assessment of these banks and in the identification of potential buyers.

- Efforts to improve the business climate continued with the establishment of the One-Stop Shop for Construction Permits to facilitate the procedures for the acquisition of property titles and ensure that applications are processed more rapidly. As well, 10 primary dealers were selected to assist in the efforts to mobilize resources. The Credit Information Bureau (BIC) has been operational since February 2016 and information is available on around 690,000 account holders. In accordance with the provisions of the uniform law on the regulation of the BIC, all establishments subject to the regulations are required to participate in the system for sharing credit information. Moreover, since the enactment of Ordinance No. 2016–20 of January 27, 2016, the prior consent of customers who received loans before the date on which the BIC was created is no longer required for the collection of such information.

# 2016–19 ECONOMIC AND FINANCIAL PROGRAM

## A. Macroeconomic Framework

**11. In accordance with the National Development Plan (2016–20 PND), Côte d'Ivoire's rise to emerging market status will be based on the structural transformation of the economy primarily through the processing of cash crops and acceleration of industrialization in a sound macroeconomic framework.** The 2016–20 PND targets rapid, sustained growth that will enable Côte d'Ivoire to become a middle-income country with better living conditions for the entire population. The development of the agricultural and agroindustry sectors be an essential tool for diversification of the economy and the reduction of vulnerability to exogenous shocks. This will require the development of higher value-added manufacturing industries and coherent land use policies to trigger a process of structural transformation that can lead to a higher level of development based on competitiveness and innovation. The government and institutions of the Republic stand at the center of this structural transformation. It will also require (i) the development of high-quality economic infrastructure that takes into account land use and environmental protection concerns; and (ii) a climate of peace and security that will offer opportunities for the development of international cooperation, regional integration, and participation of the Ivoirien diaspora in Côte d'Ivoire's development.

**12. The National Development Plan (2016–20 PND) anticipates growth of 9.3 percent in 2016, followed by 8.9 percent in 2017 and an average rate of around 8.4 percent from 2018 to 2020.** The performance of the Ivoirien economy during the period 2017–20 will be led by all sectors, but primarily the secondary and tertiary sectors. During this period, these sectors will record average annual growth rates of around 6.4 percent, 9.5 percent and 10.7 percent, respectively, based on an increase in investment, particularly by the private sector, and by conducting large-scale structural measures.

- The primary sector would be led in particular by subsistence agriculture, which should benefit from the effects of the National Agricultural Investment Program (PNIA), and the program for the boosting of subsistence agriculture. Significant resources have been devoted to the modernization of agriculture in order to raise productivity and foster the reallocation of labor towards other sectors, and specifically towards the industrial sector. As regards subsistence agriculture, the government conducted a detailed analysis of food production capacities in order to assess the impact of global warming and to identify urgent structural reforms that can strengthen production capacities. The results of this analysis led to intensified measures, particularly for rice, banana, cassava and yam crops. These measures include: (i) distribution of enhanced seeds and construction of seed centers; (ii) formalization of the retail industry in order to undermine cartels' pressure; (iii) further development of hydro-agricultural infrastructure and installation of huskers; (iv) reinforcement of agricultural vocational education; and (v) creation of market for raw agricultural materials. Funding for this program is reflected in the government budget and the program is implemented in accordance with budget rules.
- The secondary sector would be driven by construction and public works, the development of manufacturing, specifically in agrifood industries, and the growth of mining and energy production. It will also benefit from the development and entry into operation of new industrial zones, particularly in Abidjan.
- As for the tertiary sector, it would benefit from the solid performance of transportation, telecommunications, and banking and financial activities.

**Box 2. Côte d'Ivoire: Strategic Orientations and Expected Outcomes of the 2016–20 PND**

Execution of the 2012–15 PND was a resounding success, and Côte d'Ivoire was among the fastest growing countries in the world, with an average annual real GDP growth rate of 9 percent. The scenario selected is based on strong, mutually supportive, equitable, gender and environmentally friendly growth that creates jobs, particularly for young people.

The aim of the 2016–20 PND, which draws on the lessons from the implementation of the 2012–15 PND, is to raise Côte d'Ivoire to emerging market status by 2020 and reduce the poverty rate by half. The new strategy is based on the structural transformation of the economy. It establishes industry as one of the pillars of this structural transformation by emphasizing: (i) the densification and diversification of industrial production by capitalizing on the comparative advantages enjoyed by Côte d'Ivoire; (ii) improvement of the rate of processing of commodities and the development of comprehensive value chains, particularly in the agricultural subsectors; and (iii) the development of human capital.

Poverty reduction and a better redistribution of the benefits of growth, particularly for the most disadvantaged and most vulnerable, are also a pillar of the strategy.

The government intends, through the implementation of the 2016–20 PND, to pursue wide-ranging structural and sectoral reforms to enable Côte d'Ivoire to become one of the top 50 countries in the world in terms of its business climate by 2020, as established by the World Bank's Doing Business classification. These reforms should also enable Côte d'Ivoire to move into the top tier of African countries in terms of good governance and transparency in the management of public resources. Côte d'Ivoire also intends to become one of the top African countries on the UNDP's Human Development Index.

To achieve these objectives, an overall investment of around CFAF 30,000 billion (or around US$60 billion) over the period 2016-2020 is planned, including CFAF 11,284 billion (US$22.5 billion) for structural public investments and CFAF 18,716 billion (US$37.5 billion) for private investments. The investment rate should increase from 18.7 percent of GDP in 2015 to 23.9 percent in 2020 (public investment will increase from 8 percent in 2015 to 9.4 percent in 2020 and private investment from 10.7 percent in 2015 to 14.5 percent in 2020). The contribution of the private sector to investment, including public-private partnerships (PPPs), should reach 70 percent by 2020.

Investments have been selected carefully from among strong crosscutting drivers of growth (security, governance, justice, health, education and the environment) and vertical drivers of growth (agriculture, energy, mining, hydrocarbons, industry, tourism and the financial sector).

In order to mobilize the resources needed to finance the National Development Plan (2016–20 PND), a successful Consultative Group was held on May 17 and 18, 2016 in Paris.

In the public sector, financing announced by donors totals CFAF 7,700 billion, or US$15.4 billion, including CFAF 6,350 billion (US$12.7 billion) in new financing and CFAF 1,350 billion (US$2.7 billion) in financing already acquired.

In the private sector, the direct interest expressed in investment opportunities presented during the Consultative Group totaled US$19 billion, or CFAF 9,500 billion, pending the completion of the discussions that are to continue over the coming months.

**13. In 2016, the economy is expected to grow 9.3 percent, led by the secondary and tertiary sectors.** The rate of growth of the primary sector should stand at +2.0 percent due to the strong performance of subsistence agriculture (+7.4 percent) following the return of rains. The rate of growth in the secondary and tertiary sectors is expected to stand at +16.8 percent and +10.8 percent, respectively, owing to the performance of energy, construction and public works and mining, as well as transportation services, banking and insurance. On the demand side, growth will be driven by final consumption (+8.0 percent) and the buoyancy of investment (+28.6 percent), in line with the continued improvement of the business climate and the acceleration project implementation.

**14. Foreign trade will be characterized by an overall surplus of 0.8 percent of GDP in 2016** owing to capital inflows.

**15. The money supply is expected to increase 12.9 percent in 2016 in comparison with 2015 owing to an 8.5 percent increase in net foreign assets and an 18.5 percent increase in credit to the economy.** The increase in foreign assets will result from the mobilization of external resources on project loans and foreign direct investment. Credit to the economy will benefit from the confidence of banking sector participants and the positive medium-term outlook, which will offer increasing opportunities.

## B. Employment and Social Policy

**16. The government plans to give priority to the development of human capital and improvement of the well-being of the population.** Inclusive growth, which is the main means of improving the well-being of local populations, will require: (i) the implementation of measures favoring youth employment and support for small rural farmers; (ii) better access to high-quality basic social services to accelerate the achievement of the Sustainable Development Goals (SDGs); and (iii) a social protection system that improves the resilience and productive capacity of poor and vulnerable households.

**17. The government plans to promote the creation of sustainable jobs.** In this context, the Youth Employment Agency created in December 2015 will be responsible for coordinating the actions of the various stakeholders and will address all employment issues, particularly those of young people. The government also plans to adapt training to the needs of the labor market by reforming vocational training. This reform is aimed at: (i) meeting the demand for technical and vocational training; (ii) providing training that is adapted to the skill requirements expressed by the labor market; (iii) strengthening the school/business partnership; (iv) establishing the conditions for the sustainable integration of jobseekers and individuals in precarious circumstances; (v) establishing a mechanism for skills certification in coordination with the business community; and (vi) promoting effective and efficient governance of the Vocational and Technical Training (FTP) system by promoting the autonomy and accountability of training and educational institutions.

**18. The government will endeavor to reduce the inequalities between the social classes and improve the Human Development Index (HDI).** It will continue to deploy its Universal Medical Coverage (CMU) policy, for which the enrollment phase, begun in 2015, is expected to extend over 7 years. It will be accompanied by the implementation of a pilot project in 2017 to verify the effectiveness of the system. Finally, to guarantee its sustainability and viability, the government will monitor its financial soundness and ensure that it is carefully managed. To ensure the quality of the medical services provided, particular emphasis will be placed on the upgrading and expansion of the health centers and the technical support platform. The CMU should help to improve life expectancy at birth and lower infant mortality. Moreover, the government will pursue its policy of access to education for all, decent housing, clean energy, safe drinking water, and a healthy living environment. In this context, there will be a continued focus on increasing pro-poor spending and improving the incomes of farmers by ensuring that they receive fair prices and optimizing product yields. Projects under way to increase financial inclusion should also help to ensure more inclusive growth.

## C. Objectives of the 2016–19 Program

**19. The main aim of the 2016–19 economic and financial program supported by the ECF and EFF is to help the government achieve the objectives of the 2016–20 PND and implement large-scale structural policies.** The annual average growth rate is projected at around 8.8 percent over the period 2016–19 owing to the implementation of a number of large projects in the areas of agriculture, mining, energy, infrastructure and tourism. The government will also pursue structural reforms to consolidate the foundations for good governance established from 2012 to 2015, develop the financial sector, and make the business climate even more attractive.

**20. During the program period, the internal and external balances will be protected**.

- A fiscal deficit of 4.0 percent of GDP is expected in 2016, thereafter declining gradually to 3.0 percent of GDP in 2019.
- Inflation will remain below 3 percent, in line with WAEMU norm.
- The external current account deficit will be held steady under 3 percent of GDP during the 2016–19 period, despite an increase in imports of intermediate and capital goods in support

of investment. However, an overall surplus will be recorded during the period owing in particular to foreign direct investment.

**21. To achieve the objectives of the PND,** the economic and financial program supported by the ECF/EFF will focus on the following pillars: (i) protection of the government's fiscal space, particularly by maintaining debt sustainability; (ii) improvement of public finance and public enterprises management; (iii) development of the private sector; (iv) stabilization and development of the financial sector; and (v) improvement of the statistics system.

## D. Protection of the Government's Fiscal Space and Continued Investment in the Priority Sectors

**22. In the global context of tightening international financial conditions and sluggish global growth, fiscal policy during the period 2016–19 will aim to preserve the government's fiscal space while pursuing structural investment, specifically in basic infrastructure and in the social sectors in accordance with the 2016–20 PND.** The budget outlook is exposed to downside risks. Externally, these include the tightening of international financial conditions and the global slowdown of economy and its impact on export revenues, despite favorable terms of trade and the good results of the PND financing consultation group. Domestically, those are related to the financial position of some public enterprises, risks stemming from the increased recourse to public-private partnerships, and drought. At the same time, consolidation of strong and inclusive economic growth requires a continued effort by the government to: (i) ease bottlenecks in the areas of transportation, communications, energy and agricultural infrastructure; (ii) increase social spending to improve human capital, reduce poverty and prevent pandemics; and (iii) maintain security**.**

In this context, emphasis will be placed on increasing tax revenues by resuming improvements in the effectiveness of tax and customs administrations, by streamlining exemptions, and by resuming current spending control. The medium-term fiscal objectives, based on the program's financial planning, are:

- to raise the tax ratio from 15.7 percent of GDP in 2015 to 17.1 percent of GDP in 2019;
- to increase the public investment rate from 6.6 percent of GDP in 2015 to 7.4 percent in 2016 and then to 8.7 percent in 2019;
- to increase pro-poor spending from 9.4 percent of GDP in 2015 to 9.5 percent in 2016 and 2017.

- to gradually reduce the fiscal deficit from 4.0 percent of GDP in 2016 to regional standard of 3 percent of GDP in 2019.

**23. For 2016, the fiscal deficit is expected to rise owing to additional spending on security.** Tax revenues should total CFAF 3,318.2 billion, a 12.3 percent increase over 2015. Investments aimed at improving the living conditions of the population and strengthening the basis for economic growth are expected to total CFAF 1,547.1 billion, up 24.0 percent from 2015. Additional investments will primarily target security and anti-terrorism spending and the improvement of basic education infrastructure to respond to the need for schooling for all. The externally financed share of projects is expected to total CFAF 484.6 billion, or 30.9 percent of overall funding. This should bring the primary and overall fiscal balances to CFAF -812.1 billion and CFAF -834.5 billion (respectively, -3.9 percent of GDP and -4.0 percent of GDP). Moreover, pro-poor spending is expected to total CFAF 1,998.5 billion as against CFAF 1,770.2 billion in 2015. This spending will be up 12.9 percent compared to 2015, representing 9.5 percent of GDP and cover the various social sectors.

**24. Reforms will be undertaken to broaden the tax base and strengthen the tax and customs administrations in the context of tighter international financial conditions.** The anticipated tax ratio of 16.7 percent of GDP in 2016 should rise to 17.1 percent of GDP by 2019. The actions and initiatives planned to improve tax and customs revenue collection are described in Box 3.

**25. The government will take measures to execute expenditures prudently.** To this end, it will strictly apply the smoothing of budget execution. Meetings of the Treasury Committee will continue in order to make the necessary adjustments to fiscal operations using the integrated IFMIS (SIGFIP).

**26. To the extent possible, the government will give preference to critical public investment expenditures and pro-poor spending**. To ensure sufficient fiscal space, the government plans to streamline current expenditures by enhancing controls over government subscriptions and further managing civil service staffing levels effectively. The government also intends to revise its current strategy for controlling the wage bill by taking account of the strategies and macroeconomic framework of the 2016–20 PND in order to pursue convergence toward the community standard of 35 percent of tax revenues. It will step up measures to rehabilitate and construct basic infrastructure. In accordance with its objective of halving poverty by 2020, the government will continue to give preference to pro-poor spending by increasing its share in the budget, particularly spending on rural electrification, village water supplies, subsistence farming and employment. It is prepared to receive technical and financial support from the development partners, particularly the World Bank, for the definition and financing of these expenditures. Moreover, the government also plans to promote subsistence farming through the mass production of food crops and agroindustry to promote the creation of jobs and combat poverty.

### Box 3. Côte d'Ivoire: Medium-Term Tax and Customs Reforms

The reforms focus on expanding the tax base, simplifying the tax system, and modernizing the tax and customs administrations.

The government intends to review the Investment Code in order to determine the socioeconomic impact of tax exemptions with a view to reducing them and to ensure the relevance of the code's provisions vis-à-vis the objectives set in the PND.

At the same time, the reform efforts undertaken in the tax and customs administrations will be continued to further improve their performance.

In the area of domestic taxation, the reforms will focus on:

*Simplification of the tax system and broadening of the tax base by:*

- creating two new Medium-Sized Enterprise Centers (CME) to enhance taxpayer monitoring and modifying the threshold for coverage by the centers with the long-term objective of aligning with the VAT threshold; and
- better evaluating of tax expenditures with the help of technical assistance from the IMF.

*Modernization of the tax administration by:*

- developing a new IT blueprint for the DGI;
- introducing electronic filing after the success of the single tax return form;
- automating the one-stop shop for the filing of financial statements;
- gradually introducing electronic payments; and
- continuing implementation of the Electronic Land Registry.

In the area of border taxation, the reforms relate to:

- adoption of the new Customs Code;
- continuation of risk analysis;
- purchase and deployment of new scanners at the border; and
- continuation of anti-smuggling capacity building.

**27. The government plans to continue the reform and restructuring of enterprises in the public sector to improve their management and limit subsidies and potential risks for the government budget.** In this context:

- The government will continue to submit the annual report on the economic and financial position of enterprises in the government's portfolio to the Council of Ministers and annex it to the draft budget law.
- The government will step up monitoring of public enterprise debt. It will continue to improve the database on public enterprise debt by including data on debt service for 12 enterprises by end-June 2017. The data for all the enterprises concerned will be included

by end-December 2017. This process will be monitored on a regular basis. A report to be released end-March 2017 will highlight the progress being made and the prospects of achieving the goals set for end-June 2017. Based on this, the government will, by the end of each quarter, produce a summary table on debt service by public enterprises for the previous quarter. Moreover, the government will continue to ensure strict application of Order No. 399/MPMB/DPP of June 1, 2015 setting the threshold for public enterprise borrowing and guarantees.

- The audit committees created by the government within the executive boards of companies will carry on their work in order to allow these boards to monitor and manage the companies more efficiently. The systematic transmission of boards official reports will be strengthened in order to allow the financial supervision to be alerted timely about malfunctions.
- Enterprises in the energy sector will be restructured on the basis of the recommendations of the audits of SIR and PETROCI.
  - PETROCI's financial position is expected to improve in 2016 and the net result should break even or post a surplus with the help of the restructuring plan being implemented. The government will pay particular attention to the monitoring of the plan.
  - SIR's operating income has improved owing to the increase in national demand. Implementation of the recommendations of the audit conducted in 2016 will allow for the proposal of a restructuring plan for the CFAF 368 billon debt with a view to achieving financial stability in the medium term. In this context, the government intends to assist in the restructuring of SIR's debt, which remains a major factor in the deterioration of its financial position. By granting a guarantee, the government will help SIR to leverage adequate resources for the restructuring. It has adopted a communiqué of the Council of Ministers on the aforementioned debt restructuring in October 2016. The repayment of this loan will be backed in part by the margin protection granted by the government to SIR. This information will be entirely tracked in the government budget in accordance with public finance procedures.
- The measures implemented in the electricity sector (see Box 4) should restore its financial stability by end-2016 and help to increase the electricity supply in support of growth, despite the suspension of the January 2016 rate increase.

## Box 4. Côte d'Ivoire: Financial Stability and Development of the Electricity Sector

**Restoration of financial stability**

The financial position of the electricity sector is improving owing to the implementation of the medium-term strategy for its development and the restoration of financial stability, adopted in November 2012

In 2015, the operating deficit totaled CFAF 39.9 billion compared to a forecast of CFAF -53.3 billion, as a result in particular of rate adjustments implemented starting in July 2015 and greater availability of gas, which made it possible to reduce the use of Heavy Vacuum Oil (HVO).

The 2016 operating balance will be consolidated in 2017 and strengthened in 2018 and 2019. The 2016–19 projections include rate adjustments during the entire period.

The operating surplus achieved starting in 2016 should help to finance projects to increase the domestic and external electricity supply and maintain the network in order to respond to domestic and external demand. These projects should make it possible to reach more than 4000 MW in 2020 with an energy mix of 34 percent renewable energies, 50 percent thermal and 9 percent coal.

During the period 2016–17, the government intends to continue its efforts by implementing the following measures:

**To increase supply**

- Continue projects in the coal subsector (development of a new electricity production center at San Pedro consisting of two 700 MW coal power plants).
- Continue to pursue the hydroelectricity option (completion of the Soubré dam, development of other sites on the Bandama, Sassandra, Cavally, and Comoé Rivers).
- Step up the production of renewable energies (implementation of solar, small biomass, and small hydroelectricity projects).
- Continue production of gas-based thermal electricity through the development of combined cycles.
- Implement the liquefied natural gas (LNG) supply project.
- Pursue the project for exploration and development of local natural gas.

**For maintenance of the transportation and distribution networks**

- Implement the project for the rehabilitation and development of the transportation and distribution network throughout the country with the construction of 13 new delivery point substations, more than 2000 km of power lines, and the expansion and enhancement of 14 existing delivery point substations.
- Implement the projects identified in the blueprints, particularly those slated for donor financing: AfDB, EIB, WB and EU.

- The restructuring of public enterprises in the transportation sector will continue.
  - Air Côte d'Ivoire's development will focus on the enhancement of its fleet to reach an optimal size in order to ensure financial profitability in accordance with the new business plan that will be adopted by end-2016. In the long run, implementation of this business plan, which should involve gradual divestment by the government, will allow the company to reach financial stability. In the meantime, a report on the financial situation of Air Côte d'Ivoire will be prepared and submitted to the Minister of Budget and State Holdings every six months.
  - SOTRA's financial position has improved owing to the implementation of the restructuring plan during the period 2012-2015. Based on its business plan, the company's financial position is expected to strengthen and it should be in the black throughout the entire period 2017-2025, owing in particular to the purchase of new buses and the operation of new lines dedicated to intracommunal transport (WIBUS).

- As part of the privatization program, a list of 15 enterprises to be privatized was adopted by the government in December 2012. Three enterprises have been privatized and the process is under way for the others.
- To improve public enterprise management, on June 15, 2016 the government decided in the Council of Ministers to establish performance contracts between the government and these enterprises. These contracts will be used to establish operational, technical, economic and financial performance objectives, in line with the plan for each company and the government's strategic goals, to be achieved by the enterprises over several years, in the form of a 3- to 5-year program of actions. This operation will begin with a pilot phase involving 10 enterprises that will end in December 2016, with gradual deployment following in 2017.

**28. The government plans to implement the recommendations of the various audits of liabilities and public contracts.**

- The government has included all requirements in the budget since 2015 and the execution of these allocations will be reviewed to ensure that no new fuel consumption liability has been created. It will also settle all outstanding armed forces fuel payments to PETROCI by the end of 2016.
- The government will review the audit of outstanding payments on contracts between 1993 and 2012 with a view to their settlement.
- As regards the liabilities from the period 2000–10, which total some CFAF 428 billion, the preliminary validated amount totals CFAF 184 billion. The government will make a decision on

this result to determine the final amount to be paid. The government will develop and adopt the arrears settlement plan. In the meantime, the plan's financial implications have been provisioned in the 2017 government budget as a precautionary measure.

**29. The government will assess all projects financed in the form of Public-Private Partnerships (PPPs).** This will involve adopting a mechanism to inventory and assess all explicit and implicit fiscal risks stemming from PPPs. As well, the government plans to strengthen the capacity of public investment management institutions and strengthen the legal framework applicable to PPPs. The government hopes to benefit from IMF technical assistance in this context in 2017.

**30. As regards the central government debt, the results of the most recent External Debt Sustainability Analysis (DSA) confirms that Côte d'Ivoire's debt remains sustainable and that the risk of debt overhang remains moderate.** In the reference scenario, all of the debt indicators remain below their respective thresholds. However, in stress tests some indicators on the stock of debt would exceed their thresholds in the case of an extreme combined shock. The DSA shows that Côte d'Ivoire remains vulnerable to negative macroeconomic shocks, particularly those affecting exports, the growth rate, and foreign direct investment and underscores the need to avoid a further bunching of maturities in the mid-2020s.

**31. The government 2017–19 fiscal policy will be characterized by a gradual reduction in the overall fiscal deficit in order to reach the WAEMU norm by 2019.** The draft budget for 2017 was adopted by the Government during the Council of Ministers on the 28th of September 2016 with a fiscal deficit of 3.7 percent of GDP. It has been submitted to the National Assembly for a final adoption. The fiscal deficit should decrease from 4.0 percent of GDP in 2016 to 3.0 percent in 2019. This evolution will result from a combination of optimizing fiscal revenue administration and reining in spending. Regarding revenues, the government will optimize tax payment processes by setting up electronic payment system that encompasses wire transfers and mobile payments. It will intensify the fight against fraud by strengthening tax and customs administrations' IT systems. As for fiscal policy, the government has decided, inter alia, to conduct a study reviewing the Investment Code aimed at assessing the impact of fiscal loopholes on economic growth and public finances as well as identifying conditions that would allow the government to achieve the sectorial development objectives defined in the 2016–20 PND. Regarding expenditure, fiscal reforms will curb the growth of operational expenses by improving efficiency in public services. The share of wages relative to fiscal revenues will keep decreasing in accordance with the overall fiscal tightening strategy which will continue to be monitored. A particular emphasis will be on public investments to support government education and health policies and address infrastructure needs underlying strong long term growth. The government intends to gradually streamline public procurement procedures in order to reduce costs and delivery time as well as to improve the access of SMEs to public procurement and the overall efficiency of public investment execution.

**32. The borrowing policy under the 2016–19 program is aimed at lowering the present value (PV) of the total public debt-to-GDP ratio so as to reduce the risk of debt overhang and strengthen resilience to external shocks.** In particular, the borrowing plan will aim to:

- limit debt vulnerabilities and avoid excessive bunching of maturities in the mid-2020s, while bearing in mind potential refinancing and exchange risks;
- mobilize resources on the international financial markets and take into account the potential volatility of these markets and the possible deterioration of lending conditions;
- expand the pool of national and regional creditors and diversify this pool, particularly through the issuance of Sukuk bonds and by working with regional institutions to develop the secondary bond market.

**33. The government will continue to strengthen debt management.** A three-year (2016–18) capacity building plan for all staff in the Debt Directorate, now undergoing reorganization into a front, middle, and back office, will be finalized. It should benefit from technical and financial support from the AfDB, IMF and BADEA. The main training focuses of this plan are risk analysis and management, financial programming, macroeconomic management, the medium-term debt strategy, the debt sustainability analysis and medium-term expenditure framework, financial analysis, cash flow management, legal aspects of debt for economists, and economic aspects of debt for legal experts. Moreover, draft laws and regulations constituting the legal framework for the debt and the procedures of the National Public Debt Committee (CNDP) are being finalized. They involve referrals to the CNDP, its operating framework, and laws and regulations on the approval of loans and public guarantees.

**34. The government will continue to improve public debt management in accordance with international best practices and WAEMU community standards.** It will adopt a bill on the national borrowing and public debt management policy. Moreover, after this law is adopted by the National Assembly, several implementing decrees will be issued, particularly a decree on referrals to the National Public Debt Committee (CNDP).

**35. The government intends to protect its credit rating and its good image in the eyes of investors.** It hopes to benefit from the reorganization of the Debt Directorate into a front, middle, and back office and from the development of the procedures manual for the CNDP. To this end, the government plans to:

- improve the capacities of the CNDP and the Public Debt Directorate;
- perform active cash management;
- continue to improve communications with the market; and
- expand the scope of debt monitoring to the entire public sector. In this context, the government will complete the database on the debt of public entities and majority government-owned corporations by including the debt service. In the medium term, the Public Enterprise Management System (SIGEP) and the Debt Analysis and Management System (SIGADE) will be interconnected to ensure that reliable, real-time information is available.

## E. Improving Public Finance Management

**36. The government will continue to modernize its public finance management system and procedures.** To this end, it will continue (i) adoption of the regulations for the Organic Law on the Budget Law; (ii) finalization of the Program Management Charter; (iii) implementation of the new Budget Information System; (iv) better implementation of the budgetary expenditure commitment plan in coordination with the public contracting plans and the cash flow plan while continuing to reduce recourse to exceptional expenditure procedures; (v) training of public expenditure officials in the central and decentralized departments on the new public finance management system, particularly the MTEFs and Program Budgeting with the start of the pilot phase in five ministries; and (vi) capacity building for the MTEF sectoral committees in the development of performance tools. Moreover, it plans to continue to improve the quality and transparency of budget and accounting information through reporting in the Council of Ministers on budget execution and public procurement operations. To this end, the government will continue its efforts to ensure the quality of the aggregate balance of accounts and, in particular, the clearance of suspense accounts. To follow up on implementation of the new Budget Information System, it will pursue the project for implementing an information system that will provide optimal integration of the budgetary and accounting aspects of the expenditure process, particularly through an interface between SIGFIP and ASTER in December 2017. It will expand the budget documentation to include the risks related to the difficult financial position of some public enterprises and the risks related to PPPs and, in a second phase, publish a report on the performance of public enterprises, which will be annexed to the budget documentation starting in 2018.

**37. The government plans to strengthen the information center for economic agents (CELIOPE)** to ensure greater transparency and good governance. This unit was created within the General Directorate of Budget and Finance (DGBF) to facilitate and improve communications with the private sector. The government remains convinced that better dissemination of information on the budget execution process to economic agents will help to eliminate the creation of extra budgetary liabilities. The actions to be taken include:

- completion and implementation of the CELIOPE management software and training of officials; and
- continuation of the strategy of promoting and publicizing the activities of CELIOPE.

38. **The government will continue to improve the public procurement system.** To this end, it intends to (i) continue its efforts to reduce public procurement delays; (ii) establish public procurement units in the technical ministries and other entities subject to the Public Procurement Code; and (iii) transpose the community directives on Delegated Project Ownership and the Delegation of Public Services into national law. Moreover, the government commits to limit pre-financing contracts in accordance with the public procurement code.

39. **With a view to preparing the TOFE in accordance with the 2001 Government Finance Statistics Manual (GFSM), expansion of the scope of the TOFE is planned for 2017 after the finalization of the minimum framework.** To this end, in accordance with the timetable adopted for the work of the TOFE Committee, the transcription of central government financial operations in accordance with the 2001 GFSM will be effective by December 2016 and extrabudgetary entities will be incorporated by mid-2017. Steps will also be taken to ensure compliance with the formatting of data transmitted by the national public establishments (EPN) and social security institutions. Coverage will be gradually broadened to other units of the administration by end-2018.

40. **Cash flow management will be further modernized and optimized with the implementation of the Treasury Single Account (TSA).** At the end of the pilot phase begun in 2015, which is expected to be completed by June 2017, the closing of the accounts will be accelerated and the inventory of accounts at commercial banks will be updated. The TSA will be brought on line gradually by end-2018. It will help to ensure active cash flow management by the government.

## F. Enhancing the Business Climate and Developing the Private Sector

41. **The government intends to significantly increase the contribution of the industrial sector to the creation of wealth and jobs.** This industrialization requires a deeper understanding of the issues related to the steady improvement of the business climate, enhancement of competitiveness, and development of partnerships.

42. **Building on achievements made in its "Doing Business" reform, the government will continue efforts to improve the business environment** (Box 5). Moreover, the actions of the High Authority for Good Governance in public life will be stepped up through an extensive anti-corruption campaign and control of public procurement. The main measures plan to target: (i) promotion of

public integrity, transparency and accountability; and (ii) enhancement of governance in the strategic sectors (agriculture, oil, mining, education, and health).

**Box 5. Côte d'Ivoire: Business Climate Reform in 2016 and 2017**

Côte d'Ivoire has implemented measures to improve the business environment: "Focus Doing Business." Some of the specific actions to be taken during the period 2016–17 are:

*Starting a business*

- Introduce a single identifier for the registration of businesses in Côte d'Ivoire.
- Make it possible to start businesses on-line in Côte d'Ivoire.
- Place information on the formalities for obtaining business licenses and permits on-line.
- Regularize the status of enterprises already registered by assigning them a single identifier.
- Gradually automate the process for the issuance of business licenses and permits (accreditation, certificates, authorizations, etc.).

*Dealing with construction permits*

- Place all the information relating to construction permits on-line.
- Establish a Virtual One-Stop Shop for Construction Permits.

*Trading across borders*

- Make the One-Stop Shop for Cross-Border Foreign Trade fully operational.
- Expand the scope of conventional and judicial mediation for resolving land disputes.

*Enforcing contracts*

- Reduce the time required for the issuance of court decisions on the enforcement of contracts from 350 days to 200 days.
- Reduce the cost of accessing the courts.

**43. The government will continue to work to improve the productivity and competitiveness of the private sector by reducing factor costs:**

- The economic infrastructure network (telecommunications, transport, and energy) will be further strengthened to support the industrialization policy.
- The establishment of the Industrial Infrastructure Development and Management Agency (AGEDI) and the Industrial Infrastructure Development Fund (FODI) will help to accelerate the rehabilitation of the Yopougon industrial zone and the development of the PK24 industrial zone.
- The construction of new industrial zones is planned in various regions in the context of the development of competitive economic centers.
- The government will continue to promote government-private dialogue by strengthening the Government-Private Sector Consultation Committee (CCESP).

**44. The government plans to further develop the SME/SMI sector and modernize it in order to create more jobs for young people.** The expansion of small and medium-sized enterprises will involve implementation of the SME development program (Phoenix Program). Moreover, the access of SMEs to public contracts will be improved through the implementation of new government procurement measures, particularly in terms of access to financing and public contracts.

## G. Developing the Financial Sector and Financial Inclusion

**45. The government will continue implementation of its Financial Sector Development Program (PDESFI) to promote the stabilization and development of this sector and improve financial inclusion.** For purposes of stabilization, the government will accelerate the resizing of the public banking sector to create an effective sector that is capable of supporting the government's sectoral policies and is aligned with the government's desire to withdraw from the productive sector. The reforms will also involve strengthening supervision of the insurance sector and enhancing transparency and the availability of financial information. For the development of the sector, efforts will focus on financing SMEs and expanding the capital market. Finally, the government will facilitate implementation of the National Financial Inclusion Strategy to increase the use of banking services and access to credit.

**46. The government will complete implementation of its public bank restructuring strategy and will continue to work to improve the soundness of the banking sector.** To this end, out of the four public banks in its portfolio, two will be privatized, one will be restructured and the fourth will be strengthened. In this context, the securitized debt of the last bank will be converted into tradable securities by December 2016. In the case of the banks in which the government has a minority holding, the government will ensure their listing on the Regional Stock Exchange (BRVM) to participate to the vitality of this market and obtain better financing. To improve the capital adequacy of banks, the government will ensure that the BCEAO decision on the increase in minimum regulatory capital is implemented by end-June 2017. It has submitted the plan for the restructuring of the Caisse Nationale des Caisses d'Epargne (CNCE) to the Banking Commission for its opinion and will take into account the Commission's recommendations in the implementation of the plan.

**47. The government will step up the consolidation of the microfinance sector.** The government has asked for assistance from the World Bank via its FIRST (Financial Sector Reform and Strengthening Initiative) and FISF (Financial Inclusion Support Framework) initiatives in the implementation of the National Microfinance Strategy to consolidate the soundness of the microfinance institutions sector and increase the confidence of small savers. In this context, the UNACOOPEC-CI rehabilitation plan will be continued. The government will also continue to encourage the entry of new participants and the development of innovative products, particularly in information and communications technologies (ICTs) via mobile money, in order to promote greater financial inclusion of households.

48. **The government plans to establish a modern regulatory framework promoting a greater and more diversified supply of financial services while enhancing the protection of consumers.** Regarding the diversification of financial services, the government, together with the BCEAO and all participants in the financial sector, will ensure that the Credit Information Bureau (BIC) becomes permanent. Moreover, it will continue to stimulate the activity of the regional stock market and increase its liquidity, as well as enhancing the role of insurance in the mobilization of national savings. To protect consumers, the government will establish a Financial Services Quality Observatory by end-2016 to: (i) promote the transparency and comparability of financial services; (ii) ensure better management of complaints from users of financial services; and (iii) enhance financial education.

# STRENGTHENING THE STATISTICS SYSTEM

49. **The production of statistics and publication of high-quality economic data are essential for better informing decision-makers, market participants, and the general public.** In this context the government plans to implement the Statistics Blueprint mentioned in the 2016–20 PND with assistance from the IMF and the other development partners. The following measures are being implemented: (i) the final annual national accounts for 2014 and the provisional accounts for 2015 were completed and published in September 2016; (ii) continued refining of the quarterly national accounts, in order to have them finalized and published after their evaluation; (iii) migration to the 2008 System of National Accounts; (iv) implementation of a permanent system of agricultural statistics; and (v) implementation of the Enhanced General Data Dissemination System (e-GDDS).

50. **The government is determined to publish quarterly national accounts.** A Multi-year Technical Assistance Project (MTAP) approved by the IMF has enabled work on the quarterly accounts to begin. The government is seeking an assessment mission through technical assistance in order to make sure that the indicators are reliable, exhaustive, and robust.

# PROGRAM FINANCING AND MONITORING

51. **The government estimates that the financing needs for the 2016–19 program will be covered.** Additional financing will be mobilized on the regional money market and with the external partners. For 2016, given the tightening of international financial conditions, the financing needs of the budget will be exclusively covered by recourse to the subregional money and financial markets, particularly through the issuance of a second series of Sukuk bonds in August 2016 and by assistance from the World Bank, the International Monetary Fund, the African Development Bank, the French Development Agency and the European Union. The government will pursue its efforts to develop the subregional public debt market. Primary dealers that have begun operations since March 1, 2016 will

participate in the issuances of public securities and placement of Treasury securities and will ensure the liquidity of the WAEMU secondary market for public securities.

**52. The program will continue to be monitored on a half yearly basis by the IMF Executive Board on the basis of quantitative indicators and criteria and structural benchmarks (Tables 1 and 2).** These criteria and indicators are defined in the attached Technical Memorandum of Understanding (TMU), which includes a summary of the projection assumptions that are the basis for the assessment of some performance. The first half yearly review will be based on data and performance criteria at end-December 2016. It should be completed no later than end-June 2017. To this end, the government plans to:

- refrain from accumulating new domestic arrears and any form of advances on revenues and from contracting nonconcessional external loans other than those specified in the TMU;
- issue public securities only through BCEAO auctions or any other form of competitive bidding on the local and WAEMU financial markets and to coordinate with IMF staff on any new financing;
- not to introduce or intensify restrictions on payments and transfers for current international transactions, introduce multiple currency practices, enter into bilateral payments agreements that are inconsistent with Article VIII of the IMF Articles of Agreement, or introduce or intensify import restrictions for balance of payments purposes; and
- adopt any new financial or structural measures that may be necessary for the success of its policies, in consultation with the IMF.

## Table 1. Côte d'Ivoire: Performance Criteria (PC) and Indicative Targets (IT), ECF/EFF 2016–17 1/

(Billions of CFA francs, unless otherwise indicated)

| | 2016 | 2017 | | | |
|---|---|---|---|---|---|
| | December | March | June | September | December |
| | PC | IT | PC | IT | IT |
| **A. Performance criteria** | | | | | |
| Floor on the overall fiscal balance (incl. grants) | -839.5 | -226.0 | -458.9 | -640.1 | -842.2 |
| Ceiling on net domestic financing (incl. WAEMU paper) | 684.2 | 89.2 | 340.3 | 491.8 | 547.7 |
| Ceiling on the present value of new external debt contracted by the central government ($ million) 2/ | 762.9 | … | 1,534.1 | … | 2,046.6 |
| Ceiling on accumulation of new external arrears by the central government (continuous basis) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Ceiling on accumulation of new domestic arrears by the central government (continuous basis) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **B. Indicative targets** | | | | | |
| Floor on government tax revenue | 3,318.2 | 876.6 | 1,855.5 | 2,719.8 | 3,711.8 |
| Ceiling on expenditures by treasury advance | 197.7 | 44.8 | 97.9 | 145.9 | 194.9 |
| Floor on pro-poor expenditure | 1,998.5 | 516.8 | 1,093.0 | 1,593.2 | 2,216.8 |
| Floor on net reduction of central government amounts payable (- = reduction) | -25.0 | -5.0 | -10.0 | -15.0 | -25.0 |
| Floor on primary basic fiscal balance | -327.5 | 0.3 | -32.2 | -93.5 | 30.8 |
| **Memorandum items:** | | | | | |
| Program grants | 147.6 | 14.8 | 73.8 | 118.1 | 147.6 |
| Program loans | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Project grants | 105.6 | 39.1 | 84.1 | 117.3 | 195.5 |
| Project loans | 387.8 | 173.7 | 293.1 | 358.3 | 586.2 |
| Budget support from the European Union and World Bank. | 88.5 | 0.0 | 0.0 | 0.0 | 69.2 |

Sources: Ivoirien authorities; and IMF staff estimates.
1/ Cumulative amount from January, 1st 2016 for 2016 targets, and from January 1, 2017 for 2017 targets.
2/ Cumulative amount from July, 1st 2016 for 2016 target, and from January 1, 2017 for 2017 target.

| Table 2. Côte d'Ivoire: Structural Benchmarks (SB) for 2016–17 | | | |
|---|---|---|---|
| **Measures** | **Timetable** | **Macroeconomic Rationale** | **Documentation** |
| ***Tax policy and administration*** | | | |
| Conduct a study on the Investment Code | **SB** end-June 2017 | Optimize fiscal potential | Study report |
| Create two new medium-sized enterprise centers (CMEs) in Abidjan and reduce the threshold for coverage by the CMEs | **SB** end-June 2017 | Improve tax collection | Ministerial decree |
| ***Public debt management*** | | | |
| Complete the reorganization of the Debt Directorate in the form of a front, middle and back office in 2016 | **SB** end-December 2016 | Improve public debt management | Reorganization Order |
| Strengthen the public enterprise debt database by including debt service for 12 enterprises | **SB** end-June 2017 | Improve public debt management | Public enterprise debt database |
| By the end of each quarter produce a summary table of public enterprise debt service in the previous quarter based on progress in the data availability | **SB** starting from June 2017 | Enhance monitoring of debt service by public enterprises | Summary debt service table |
| ***Public enterprises*** | | | |
| Every six months submit a report on the financial situation of Air Côte d'Ivoire. | **SB** starting from June 2017 | Reduce budget risks | Report submitted to the Minister of Budget and State Holdings |
| ***Financial sector*** | | | |
| Exchange the securitized debt held by the BNI for marketable securities | **SB** end-December 2016 | Improve the BNI's balance sheet and liquidity | Report on the operation |

# Attachment II. Technical Memorandum of Understanding Arrangements Under the Extended Credit Facility and Extended Fund Facility, 2016–19

November 21, 2016

**1. This Technical Memorandum of Understanding (TMU) describes the quantitative and structural assessment criteria established by the Ivoirien authorities and the staff of the International Monetary Fund (IMF) to monitor the program supported by the Fund's Extended Credit Facility (ECF) and Extended Fund Facility (EFF).** It also specifies the periodicity and the deadlines for the transmission of data to Fund staff for program monitoring purposes.

**2. Unless otherwise specified,** the government is defined in this TMU as the central government of Côte d'Ivoire, including the National Social Security Fund (Caisse Nationale de Prévoyance Sociale, CNPS) and the Civil Service Pension Fund (Caisse Générale de Retraite des Agents de l'État, CGRAE), and Treasury operations for public companies in liquidation; it does not include any local government authorities, the Central Bank of West African States (BCEAO), or any other government-owned entity with separate legal status.

**3. Unless otherwise indicated,** public entities are defined in this TMU as majority government-owned companies, the Société Ivoirienne de Raffinage (SIR), and other public entities receiving earmarked tax and quasi-tax revenues.

# QUANTITATIVE INDICATORS

**4. For program monitoring purposes, performance criteria (PCs) and indicative targets (IT) are set for December 31, 2016 and June 30, 2017; the same variables are indicative targets for March 31, 2017, September 30, 2017, and December 31, 2017.**

The PCs include:

(a) a floor for the overall fiscal balance (including grants);

(b) a ceiling on net domestic financing (including the issuance of securities in francs of the Financial Community of Africa (CFA)—or *Communauté Financière Africaine* in French);

(c) a ceiling on the present value of new external debt (with a maturity of more than one year) contracted by the central government;

(d) a zero ceiling on the accumulation of central government new external arrears; and

(e) a zero ceiling on the accumulation of central government new domestic arrears.

The ITs are:

a) a floor for government tax revenues;

b) a ceiling on expenditures by treasury advance;

c) a floor for "pro-poor" expenditures;

d) a floor for the net reduction of the stock of amounts payables; and

e) a floor for the basic primary balance.

**5. The PCs, ITs and adjustors are calculated** as the cumulative change from January 1, 2016 for the 2016 targets and from January 1, 2017 for the 2017 targets (Table 1 of the Memorandum of Economic and Financial Policies, or MEFP)**.**

## A. Government Tax Revenue (IT)

**6. Total tax revenue is defined** as all fungible tax revenue (excluding earmarked revenue) collected by the General Directorate of Taxes (DGI), the General Directorate of the Treasury and Public Accounting (DGTCP) and the General Directorate of Customs (DGD), as defined in the fiscal reporting table (TOFE).

## B. Pro-poor Expenditures (IT)

**7. Pro-poor expenditures are derived** from the detailed list of "pro-poor expenditures" in the SIGFIP system (see Table 2).

## C. Treasury Advances (IT)

**8. Within the framework of the program, Treasury advances are defined as spending paid for by the Treasury outside normal and simplified execution and control procedures (see Decree No. 1998-716) that have not been subject to prior commitment and authorization**. They exclude the "*régies d'avances*", as set out in the ministerial decree n° 2013-762, as well as the extraordinary procedures set out in decree n° 1998-716 for expenditures financed by external resources, wages, subsidies and transfers, and debt service. The cumulative amount of expenditures by treasury advance as defined by the program will not exceed the cumulative quarterly ceilings representing 10 percent of quarterly budget allocations (excluding externally financed expenditures, wages, subsidies and transfers, and debt service). The nominative and restrictive list of expenditures eligible as treasury advances is as defined by ministerial Decree No. 178/MEF/CAB-01/26 of March 13, 2009.

## D. Primary Basic Fiscal Balance (IT)

**9. The primary basic balance is the difference between** the government's total revenue (excluding grants) and total expenditure (including expenditure corresponding to earmarked revenues) plus net lending, excluding interest payments and externally financed capital expenditure.

Government expenditures are defined as expenditures for which payment orders have been issued and which have been assumed by the Treasury:

| |
|---|
| Fiscal revenue (tax and nontax revenue, excluding grants) – {Total expenditure + Net lending – Interest payments – Externally financed capital expenditure (on a payment order basis for all expenditure items)} |

## E. Overall Fiscal Balance (Including Grants) (PC)

**10. The overall fiscal balance is the difference between** the government's fiscal revenue (including grants other than World Bank and African Development Bank budget support program grants) and total expenditure (including expenditure corresponding to earmarked revenue and net lending). Government expenditures are defined as expenditures for which payment orders have been issued and taken over by the Treasury:

| |
|---|
| {Fiscal revenue (tax and nontax) + (Grants – World Bank budget support grants – AfDB budget support grants)} – {Expenditure + Net lending (on a payment order basis)} |

## F. Net Domestic Financing (PC)

**11. The net domestic financing of the central government is defined** as the sum of (i) the banking system's net claims on the government (including C2D deposits); (ii) net non-bank financing (including proceeds from privatizations and sales of assets, and of correspondent sub-accounts of the Treasury); and (iii) any financing denominated and serviced in Francs of the Financial Community of Africa (CFAF). This ceiling includes a margin of CFAF 10 billion above the net cumulative flow projected for each quarter.

| |
|---|
| Net domestic financing (NDF) = Variation of banking system's net claims on the government (TOFE) + Net non-bank domestic financing (excluding the net variation of amounts payable) + Borrowing denominated and serviced in Francs of the Financial Community of Africa (CFAF) + Financing margin of CFAF 10 billion. |

This ceiling does not apply to new agreements for the restructuring of domestic debt or the securitization of domestic arrears. For any new borrowing over and above a cumulative amount of CFAF 50 billion, the government undertakes to issue government securities only by auction through the BCEAO or by competitive bidding (*appel d'offres compétitif*) on the WAEMU financial market registered with the Regional Council for Public Savings and Financial Markets (CREPMF), in consultation with Fund staff.

**12. The adjustor for the performance criterion on the net domestic financing.** The NDF ceiling will be adjusted upward by the full amount of the difference between the effectively disbursed and the projected budget support from the European Union and the World Bank, projected at FCFA 88.5 billion in 2016 and FCFA 69.2 billion in 2017 (MEFP Table 1).

## G. External Debt (PC)

**13. For program purposes, the definition of debt is set out in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements attached to IMF Executive Board Decision No. 15688-(14/107), adopted on December 5, 2014.[1]**

(a) For the purpose of these guidelines, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

(i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

(ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

(iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of these guidelines, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

(b) Under the definition of debt set out in this paragraph, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

**14. External debt is defined as debt contracted or serviced in a currency other than the franc of the Financial Community of Africa (CFAF).**

**15. The performance criterion (PC) concerning the present value (PV) of new external debt contracted by the central government applies to all external debt (whether or not**

[1] http://www.imf.org/external/pp/longres.aspx?id=4927.

**concessional) contracted or guaranteed,** including commitments contracted or guaranteed for which no value has been received. This performance criterion does not apply to:

- normal import-related commercial debts having a maturity of less than one year;
- rescheduling agreements;
- IMF disbursements.

For program monitoring purposes, external debt is deemed to be contracted or guaranteed once all conditions for its entrance into effect have been met, including approval of the relevant agreement by the government of Côte d'Ivoire (Council of Ministers) if necessary. In the case of the issuance of euro bonds, the amount deemed contracted is the amount subscribed/purchased at the end of the subscription/purchase period as specified in the final clauses of the exchange. For program purposes, the value in U.S. dollars of new external debt is calculated using the average exchange rate for July 2016 in the IMF's International Financial Statistics (IFS) database.

**16. The PV of new external debt is calculated by discounting all future debt service payments (principal and interest) on the basis of a program discount rate of 5 percent** and taking account of all loan conditions, including the maturity, grace period, payment schedule, front-end fees and management fees. The PV is calculated using the IMF model for this type of calculation[2] based on the amount of the loan. A debt is considered concessional if on the date on which it is contracted the ratio of its present value to its face value is less than 65 percent (equivalent to a grant element of at least 35 percent). In the case of loans for which the grant element is zero or less than zero, the PV is set at an amount equal to the face value.

**17. In the case of variable interest rate debt in the form of a reference interest rate plus a fixed margin, the PV of the debt is calculated on the basis of the program reference rate plus a fixed margin (in basis points) specified in the loan agreement.** The program reference rate for the US$ six-month LIBOR is 3.34 percent and will remain unchanged until December 31, 2016. The margin between the euro six-month LIBOR and the US$ six-month LIBOR is -250 basis points. The margin between the yen six-month LIBOR and the US$ six-month LIBOR is -300 basis points. The margin between the pound sterling six-month LIBOR and the US$ six-month LIBOR is -100 basis points. For interest rates applicable in currencies other than the euro, yen and pound sterling, the margin vis-à-vis the US$ six-month LIBOR is -200 basis points.[3] When the variable rate is linked to a reference interest rate other than the US$ six-month LIBOR, a margin corresponding to the difference between the reference rate and the US$ six-month LIBOR (rounded to the closest 50 basis points) is added. For the period January 1, 2017 to December 31, 2017 these rates will be fixed and will remain fixed based on the fall 2016 edition of World Economic Outlook (WEO).

[2] http://www.imf.org/external/np/spr/2015/conc/index.htm.

[3] The program reference rate and margins are based on the "average projected rate" for the US$ six-month LIBOR over a period of 10 years as from the fall 2015 edition of World Economic Outlook (WEO). The rate will be updated each year on the basis of the fall edition of the WEO.

**18. The adjustors for the performance criterion on the PV of new external debt:**

- The program ceiling applicable to the PV of new external debt is adjusted upward up to a maximum of 5 percent of the ceiling on the PV of external debt in cases in which differences vis-à-vis the PC on the PV of new debt are caused by a variation in financing conditions (interest, maturity, grace period, payment schedule, front-end fees, management fees) of the debt or debts. The adjustor may not be applied when the differences are the result of an increase in the face value of the total debt contracted or guaranteed.
- The program ceiling applicable to the PV of new external debt is adjusted upward by the full amount of the new external debt contracted or guaranteed by the government for the purpose of restructuring debt of *Société Ivoirienne de Raffinage* (SIR).

**19. The authorities will inform IMF staff of any planned external borrowing and the conditions on such borrowing before the loans are either contracted or guaranteed by the government.** The current government borrowing plan is summarized in Table 1. In this table, the value in U.S. dollars of the new external debt is calculated on the basis of the average exchange rates for July 2016 (see below).

**Table 1. Summary Table on External Borrowing Program (July 2016–December 2017)**

| External debt contracted or guaranteed | July-December 2016 | | January-June 2017 | | January-December 2017 | |
|---|---|---|---|---|---|---|
| | Volume of new debt, US$ million 1/ | PV of new debt, US$ million 1/ | Volume of new debt, US$ million 1/ | PV of new debt, US$ million 1/ | Volume of new debt, US$ million 1/ | PV of new debt, US$ million 1/ |
| **Source of debt financing** | **1,059.8** | **762.9** | **1,900.6** | **1,534.1** | **2,531.9** | **2,046.6** |
| Concessional debt 2/ | 308.2 | 119.0 | 429.6 | 244.3 | 564.9 | 296.2 |
| Multilateral debt | 44.0 | 17.3 | 410.2 | 236.3 | 432.6 | 250.6 |
| Bilateral debt | 264.2 | 101.7 | 19.4 | 8.0 | 132.3 | 45.6 |
| Non-concessional debt 2/ | 751.6 | 643.9 | 1,471.0 | 1,289.8 | 1,966.9 | 1,750.4 |
| Semi-concessional debt 3/ | 464.1 | 356.5 | 1,105.6 | 924.4 | 1,601.5 | 1,384.9 |
| Commercial terms 4/ | 287.5 | 287.5 | 365.4 | 365.4 | 365.4 | 365.4 |
| **Uses of debt financing** | 1,059.8 | 762.9 | 1,900.6 | 1,534.1 | 2,531.9 | 2,046.6 |
| Infrastructure | 634.9 | 422.8 | 1,513.4 | 1,302.9 | 2,144.7 | 1,815.3 |
| Social expenditure | 125.4 | 47.2 | 38.5 | 22.9 | 38.5 | 22.9 |
| Budget financing | 0.0 | 0.0 | 3.2 | 2.0 | 3.2 | 2.0 |
| Other | 299.5 | 292.9 | 345.4 | 206.2 | 345.4 | 206.2 |

Source: Ivoirien authorities.

1/ Contracting and guaranteeing of new debt. The present value of debt is calculated using the terms of individual loans and applying the 5 percent program discount rate.
2/ Concessional debt is defined as debt with a grant element that exceeds the minimum threshold of 35 percent.
3/ Debt with a positive grant element which does not meet the minimum grant element.
4/ Debt without a positive grant element. For commercial debt, the present value would be defined as the nominal/face value.

### H. External Payments Arrears (PC)

**20. External arrears correspond to the nonpayment of any interest or principal amounts on their due dates (taking into account any contractual grace periods)**. This performance criterion applies to arrears accumulated on external debt contracted by the government and external debt guaranteed by the government for which the guarantee has been called by the creditors. This performance criterion is monitored on a continuous basis.

### I. Amounts Payable, Including Domestic Payment Arrears (IT and PC)

**21. "Amounts payable" (or "balances outstanding") include domestic arrears and floating debt and represent the government's overdue obligations**. They are defined as expenditures assumed (*prise en charge*) by the public accountant, but yet to be paid. For purposes of the program, these obligations include (i) bills due and not paid to nonfinancial public and private companies; and (ii) the domestic debt service.

**22. For program purposes, domestic payment arrears are balances outstanding to suppliers and on domestic debt service**. Arrears to suppliers are defined as overdue obligations of the government to nonfinancial and private companies for which the payment delay exceeds the regulatory delay of 90 days; arrears on the domestic debt service refer to debt service obligations for which the payment delay exceeds 30 days.

**23. Floating debt refers to balances outstanding** for which the payment delay does not exceed the regulatory delay (90 days for debt to nonfinancial companies and 30 days for debt service).

**24. Balances outstanding are broken down** by payer and type, as well as by maturity and length of time overdue (< 90 days, 90–365 days, > 1 year for amounts owing to nonfinancial companies, and <30 days, 30-365 days, > 1 year for amounts owing to financial institutions).

**25. For program purposes, the ceiling on the accumulation of new domestic payments arrears is zero**.

## MEMORANDUM ITEMS

### A. Net Banking System Claims on the Government

**26. Net banking system claims on the government are defined** as the difference between government debts and government claims vis-à-vis the central bank and commercial banks, (including the C2D deposits). The scope of net banking system claims on the government is that used by the BCEAO and is the same as that shown in the Net Government Position (NGP) (including the C2D deposits).

## B. External Financing (Definitions)

**27. Within the framework of the program, the following definitions apply:** (i) project grants refer to non-repayable money or goods intended for the financing of a specific project; (ii) program grants refer to non-repayable money or goods not intended for the financing of a specific project; (iii) project loans refer to repayable money or goods received from a donor to finance a specific project on which interest is charged; and (iv) program loans are repayable money or goods received from a donor and not intended for the financing a specific project on which interest is charged.

## C. Program Monitoring and Data Reporting

**28. A quarterly assessment report on the monitoring of the quantitative performance criteria, indicative targets, and structural benchmarks** will be prepared by the authorities no later than 45 days following the end of each quarter.

**29. The government will report the information specified in Table 3** no later than 45 days following the month-end or quarter-end, except in the case of the information that will be provided later, as specified in Table 3.

**30. The government will report final data provided by the BCEAO within 45 days following the month-end**. The information provided will include a complete, itemized listing of public sector assets and liabilities vis-à-vis: (i) the BCEAO; (ii) the National Investment Bank (*Banque Nationale d'Investissement*, or BNI); and (iii) the banking system (including the BNI).

**31. The government will provide a detailed statement of payment orders and payments on IMF financing related to Ebola expenditures within 45 days of the end of each month.** These expenditures are included in the government budget. The authorities will consult with Fund staff on any proposed new external debt. The authorities will inform Fund staff of the signature of any new external debt contracted or guaranteed by the government, including the conditions on such debt. Data on new external debt, the amount outstanding, and the accumulation and repayment of external payments arrears will be reported monthly within six weeks of the end of each month.

**32. More generally, the authorities will report to the IMF staff any information needed for effective monitoring of the implementation of economic policies**.

## Table 2. Côte d'Ivoire: Pro-Poor Spending (incl. Social Spending), 2014–17

(Billions of CFA Francs)

| | 2014 | 2015 | 2016 Budget | 2017 Budget |
|---|---|---|---|---|
| **Agriculture and rural development** | **140.5** | **111.2** | **96.2** | **103.1** |
| General administration | 62.8 | 47.7 | 49.4 | 51.8 |
| Agriculture promotion and development program | 31.1 | 24.0 | 14.9 | 18.0 |
| Training of supervisory staff | 19.2 | 19.4 | 12.0 | 14.7 |
| Water system works | 27.4 | 9.2 | 6.0 | 4.0 |
| Other investments in the rural area (FRAR, FIMR) | 0.0 | 10.9 | 13.9 | 14.5 |
| **Fishing and animal husbandry** | **8.9** | **9.8** | **9.6** | **10.8** |
| General administration | 4.9 | 6.6 | 5.1 | 5.3 |
| Milk production and livestock farming | 2.7 | 2.7 | 1.9 | 2.0 |
| Fishing and aquaculture | 1.3 | 0.5 | 2.6 | 3.4 |
| **Education** | **818.8** | **991.6** | **1,190.9** | **1,167.1** |
| General administration | 23.5 | 26.2 | 37.0 | 37.7 |
| Pre-schooling and primary education | 307.4 | 399.7 | 520.1 | 474.0 |
| Literacy | 0.4 | 0.3 | 0.6 | 0.6 |
| Secondary education and vocational training | 291.8 | 320.9 | 369.6 | 416.3 |
| University and research | 149.2 | 198.0 | 220.0 | 238.5 |
| Emergency/Presidential program/Education | 46.5 | 46.5 | 43.5 | 0.0 |
| **Health** | **228.9** | **279.5** | **351.9** | **388.8** |
| General administration | 121.8 | 133.4 | 161.6 | 165.0 |
| Primary health system | 47.9 | 62.3 | 74.0 | 101.6 |
| Preventive healthcare (enlarged vaccination program) | 1.2 | 2.9 | 2.9 | 2.8 |
| Disease-fighting programs | 1.4 | 5.3 | 38.7 | 20.6 |
| Infant/mother health and nutrition | 0.7 | 10.7 | 2.4 | 13.3 |
| HIV/Aids | 1.6 | 1.8 | 4.2 | 24.0 |
| Health centers and specialized programs | 34.3 | 43.1 | 48.0 | 61.5 |
| Emergency/Presidential program/Health | 20.0 | 20.0 | 20.0 | 0.0 |
| **Water and De-contamination** | **146.6** | **74.8** | **89.1** | **123.5** |
| Access to drinking water and de-contamination | 103.0 | 32.5 | 38.8 | 81.9 |
| Environmental protection spending | 16.6 | 15.3 | 20.3 | 41.6 |
| Emergency/Presidential program/healthiness and de-contamination | 13.5 | 13.5 | 13.5 | 0.0 |
| Emergency/Presidential program/drinking water | 13.5 | 13.5 | 16.5 | 0.0 |
| **Energy** | **50.6** | **53.6** | **38.4** | **76.1** |
| Access to electricity | 37.1 | 40.1 | 24.9 | 76.1 |
| Emergency/Presidential program/Electricity | 13.5 | 13.5 | 13.5 | 0.0 |
| **Roads and Art Works** | **138.6** | **155.6** | **120.7** | **196.1** |
| Road maintenance | 4.4 | 7.3 | 6.9 | 0.0 |
| Construction of art works | 11.7 | 12.1 | 20.8 | 7.3 |
| Other road projects | 122.5 | 108.0 | 68.0 | 181.6 |
| Emergency/Presidential program/maintenance and development | 0.0 | 28.2 | 25.0 | 0.0 |
| **Social spending** | **25.3** | **28.8** | **24.1** | **36.1** |
| General administration | 19.5 | 23.1 | 17.8 | 20.1 |
| Training for women | 1.1 | 0.5 | 0.5 | 0.7 |
| Orphanages, day nurseries, and social centers | 2.2 | 2.9 | 3.1 | 4.0 |
| Training of support staff | 2.1 | 1.9 | 1.8 | 1.8 |
| Indigents and victims of war or disaster | 0.4 | 0.3 | 0.9 | 9.5 |
| **Decentralization (excl. education, health and agriculture)** | **54.9** | **48.0** | **61.2** | **63.3** |
| Decentralization | 54.9 | 48.0 | 61.2 | 63.3 |
| **Reconstruction** | **1.5** | **14.2** | **5.2** | **15.9** |
| Reconstruction and rehabilitation | 0.0 | 0.1 | 0.2 | 0.4 |
| Emergency/Presidential program | 1.5 | 14.1 | 5.0 | 15.5 |
| **Other poverty-fighting spending** | **8.0** | **3.1** | **11.2** | **36.0** |
| Promotion and insertion of youth | 6.3 | 1.2 | 8.7 | 32.1 |
| Support and follow-up of DSRP | 0.1 | 0.1 | 0.5 | 1.0 |
| Development of tourism and craftmanship | 1.6 | 1.8 | 2.0 | 2.9 |
| **TOTAL** | **1,622.4** | **1,770.2** | **1,998.5** | **2,216.8** |

Source: Ivoirien authorities.

| Table 3. Côte d'Ivoire: Document Transmittal for Program Monitoring | | | |
|---|---|---|---|
| **Sector** | **Type of data** | **Frequency** | **Transmittal deadline** |
| Real sector | Cyclical indicators | Monthly | End of month + 45 days |
| | Provisional national accounts | Annually | End of year + 9 months |
| | Final national accounts | Variable | 60 days after revision |
| | Disaggregated consumer price indices | Monthly | End of month + 45 days |
| Energy sector | Crude oil: offtake report | Quarterly | End of quarter + 45 days |
| | Oil product price structure | Monthly | End of month + 45 days |
| Public finances | Fiscal reporting table (TOFE) | Monthly | End of month + 45 days |
| | Budget execution report | Quarterly | End of quarter + 45 days |
| | Report on the public procurement operations | Quarterly | End of quarter + 45 days |
| | Estimated tax revenue | Monthly | End of month + 45 days |
| | Summary statement of VAT credit refunds | Monthly | End of month + 45 days |
| | Summary statement of tax and customs exemptions | Monthly | End of month + 45 days |
| | Pro-poor expenditures | Monthly | End of month + 45 days |
| | Treasury advances | Monthly | End of month + 45 days |
| | Central government domestic arrears | Monthly | End of month + 45 days |
| | Consolidated Treasury balances outstanding | Monthly | End of month + 45 days |
| | Annual cash flow plan | Annually | End of year + 45 days |
| | Execution of cash flow plan | Quarterly | End of quarter + 45 days |
| | Treasury consolidated trial balance | Quarterly | End of quarter + 45 days |

**Table 3. Côte d'Ivoire: Document Transmittal for Program Monitoring** (concluded)

| Sector | Type of data | Frequency | Transmittal deadline |
|---|---|---|---|
| Domestic debt | Detailed domestic debt statement | Monthly | End of month + 45 days |
| | Breakdown of new domestic loans and guarantees | Monthly | End of month + 45 days |
| | Detailed projected domestic debt service | Quarterly | End of quarter + 45 days |
| | Statement of issuances and redemptions of securities | Monthly | End of month + 45 days |
| External debt | Detailed external debt statement | Monthly | End of month + 45 days |
| | Breakdown of new external loans and guarantees | Monthly | End of month + 45 days |
| | Table of disbursements on new loans | Monthly | End of month + 45 days |
| | Projected external debt service | Quarterly | End of quarter + 45 days |
| Public companies | Debt statement of public companies | Quarterly | End of quarter + 45 days |
| | List of public companies | Quarterly | End of quarter + 45 days |
| Balance of payments | Provisional balance of payments | Annually | End of year +9 months (provisional); end of year + 12 months (final) |
| | Final balance of payments | Variable | TBD |
| Monetary and financial sectors | Banking survey | Monthly | End of month + 45 days (provisional); end of month + 60 days (final) |
| | Summary BCEAO position | Monthly | End of month + 45 days (provisional); end of month + 860 days (final) |
| | Integrated monetary survey | Monthly | End of month + 45 days (provisional); end of month + 60 days (final) |
| | Net government position | Monthly | End of month + 45 days |
| | Bank prudential ratios | Monthly | End of month + 45 days |
| | Financial soundness indicators | Quarterly | End of month + 45 days |
| | Borrowing and lending rates, BCEAO intervention rate, required reserves | Monthly | End of month + 45 days |

# CÔTE D'IVOIRE

November 23, 2016

## REQUESTS FOR AN EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND AN ARRANGEMENT UNDER THE EXTENDED FACILITY—INFORMATIONAL ANNEX

Prepared By

African Department
(In Consultation with other Departments)

## CONTENTS

# RELATIONS WITH THE FUND

(As of October 31, 2016)

Membership Status: Joined March 11, 1963 Article VIII

| **General Resources Account:** | **SDR Million** | **%Quota** |
|---|---|---|
| Quota | 650.40 | 100.00 |
| Fund holdings of currency (Exchange Rate) | 567.99 | 87.33 |
| Reserve tranche position | 82.42 | 12.67 |

| **SDR Department:** | **SDR Million** | **% Allocation** |
|---|---|---|
| Net cumulative allocation | 310.90 | 100.00 |
| Holdings | 109.75 | 35.30 |

| **Outstanding Purchases and Loans** | **SDR Million** | **% Quota** |
|---|---|---|
| RCF loans | 81.30 | 12.50 |
| ECF Arrangements | 653.65 | 100.50 |

**Latest Financial Arrangements:**

| Type | Date of Arrangement | Expiration Date | Amount Approved (SDR Million) | Amount Drawn (SDR Million) |
|---|---|---|---|---|
| ECF | Nov 04, 2011 | Dec. 31, 2015 | 520.32 | 520.32 |
| ECF[1] | Mar 27, 2009 | June 23, 2011 | 373.98 | 230.89 |
| ECF[1] | Mar 29, 2002 | Mar 28, 2005 | 292.68 | 58.54 |

**Overdue Obligations and Projected Payments to Fund**[2]

**(SDR Million; based on existing use of resources and present holdings of SDRs)**:

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| Principal | 3.58 | 85.20 | 109.59 | 113.17 | 112.84 |
| Charges/Interest | 0.03 | 0.27 | 0.27 | 0.27 | 0.27 |
| **Total** | 3.61 | 85.47 | 109.86 | 113.44 | 113.12 |

[1] Formerly PRGF.

[2] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

**Implementation of HIPC Initiative**:

| | | Original Framework | Enhanced Framework | Total |
|---|---|---|---|---|
| I. | Commitment of HIPC assistance | | | |
| | Decision point date | Mar 1998 | April 2009 | |
| | Assistance committed | | | |
| | by all creditors (US$ Million)[3] | 345.00 | 3,109.58 | |
| | *of which*: IMF assistance (US$ Million) | 22.50 | 38.66 | |
| | (SDR equivalent in millions) | 16.70 | 25.85 | |
| | Completion point date: | -- | June 2012 | |
| II. | Disbursement of IMF assistance (SDR Million) | | | |
| | Assistance disbursed to the member | -- | 25.85 | 25.85 |
| | Interim assistance | -- | 15.13 | 15.13 |
| | Completion point balance | -- | 10.72 | 10.72 |
| | Additional disbursement of interest income[4] | -- | 0.57 | 0.57 |
| | **Total disbursements** | -- | 26.42 | 26.42 |

**Implementation of Multilateral Debt Relief Initiative (MDRI)**: Not Applicable

**Implementation of Post-Catastrophe Debt Relief (PCDR)**: Not Applicable

[3]Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

[4] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

**Decision Point**—point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

**Interim Assistance**—amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

**Completion Point**—point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 4 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

**Safeguards Assessments**—the Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAMU). The latest assessment of the BCEAO was completed on December 13, 2013. The assessment found that the bank continued to have a strong control environment and has, with the implementation of the 2010 Institutional Reform of the WAMU, enhanced its governance framework. Specifically, an audit committee was established to oversee the audit and financial reporting processes, transparency has increased with more timely publication of the audited financial statements, and the BCEAO committed to implement IFRS by end-2014. The assessment also identified some limitations in the external audit process and recommended that steps be taken to ensure the adequacy of the mechanism through selection of a second experienced audit firm to conduct joint audits. All recommendations from the assessment have been implemented.

**Exchange Arrangements**:

Côte d'Ivoire is a member of the WAEMU; the exchange system, common to all members of the union, is free of restrictions on payments and transfers for current international transactions (as is the exchange system of Côte d'Ivoire). The common currency, the CFA franc, is pegged to the euro at the rate of €1 = CFAF 655.957.

**Article IV Consultation**:

Côte d'Ivoire is on the 24-month Article IV consultation cycle. The Executive Board concluded the last Article IV consultation with Côte d'Ivoire in May 2016.

**Technical Assistance**:

| | Area | Focus |
|---|---|---|
| **2012** | Government financial statistics (January/February, November/December) | TOFE follow-up |
| | Tax administration (January; September) | Workshop |
| | Customs (February) | Workshop |
| | Tax administration (February; December) | Modernization of fiscal administration in Côte d'Ivoire |
| | Public wage bill management (December) | |
| | Customs (March/April) | Follow-up |
| | Multi-topic (April) | AFRITAC Steering Committee |
| | Fuel pricing (June) | Workshop |
| | National accounts (July, Oct/Nov) | Set up quarterly national accounts |
| | Debt Management (May, September) | Medium Term Debt Strategy (MTDS) |
| | Tax policy (July/August) | Review and diagnosis |
| **2013** | Public expenditure management | Budgeting strategy |
| | Public Debt Management (January/October) | Workshop on Debt sustainability analysis |
| | Customs/tax administration (January) | Workshop |
| | Statistic real sector (January/March/November) | Quarterly national accounts |
| | Strategy and Roadmap to Program Budgeting (January) | Workshop |
| | Cash management (February) | Treasury Single Account |
| | Debt management (February) | Reorganization of the Debt directorate |
| | Government Finance Statistics (March) | Migration to GFSM 2001 |
| | Customs administration (March/September/December) | Modernization of customs administration |
| | Public wage bill management (April) | Regional workshop (AFRITAC) |
| | Multi-topic (April) | AFRITAC Steering Committee |
| | Wage bill management strategy (May) | Budgeting strategy |
| | Medium-term expenditure framework (June) | Budgeting strategy |
| | Accounting (July) | Accrual accounting |
| | Tax policy (August) | VAT reform |
| | Banking sector (August) | Public bank restructuring |
| | Tax administration (September) | Modernization of tax administration |
| | Tax Policy | Follow-up on tax policy reform |
| | Debt management (September) | Update the DSA |
| | Public financial management (September) | Medium-term expenditure framework |
| | National Accounts-AFRITAC (November) | Quarterly GDP |
| | Customs Administration-AFRITAC (May/November) | Risk-based analysis in Customs |
| | Revenue administration (November) | Strengthen tax administration |
| | Public financial management-AFRITAC (November) | Financial information system reform |
| | Government Finance Statistics -AFRITAC (November) | Producing the TOFE based on the trial balance and implementing WAEMU directives |
| | Public financial management-AFRITAC (December) | Support the formulation of a strategy to improve accounting procedures, consistent with WAEMU directives |

| | | |
|---|---|---|
| **2014** | Public Financial Management (January) | Budget execution and spending procedures |
| | Government Finance Statistics -AFRITAC (January) | Producing the TOFE based on the Treasury Accounts and implementing WAEMU directives |
| | Customs administration – AFRITAC (February) | Human resources management |
| | Debt management-AFRITAC (February) | Debt sustainability analysis |
| | Customs Administration -AFRITAC (March) | Modernize customs |
| | Cash management (April) | Treasury Single Account |
| | Multi-topic (April) | AFRITAC Steering Committee |
| | National Accounts-AFRITAC (May) | Quarterly GDP |
| | Tax administration– AFRITAC (May) | VAT management |
| | Customs – AFRITAC (June) | Risk management for control purpose |
| | Banking sector– AFRITAC (June) | Implementation of the Treasury Single Account |
| | Budget management– AFRITAC (June) | Budget classification |
| | Budget management – AFRITAC (July) | Budget Management Information System modernization |
| | Accounting and financial reporting – AFRITAC (July) | Trial balance improvement – AFRITAC (July) |
| | Customs administration – AFRITAC (July/September) | Risk-based management and intelligence |
| | Accounting - AFRITAC (October) | Revenue administration and accounting |
| | National accounts- AFRITAC (October) | Strengthening economic statistics |
| | Public Financial Management | Medium term expenditure framework |
| | Tax Policy | VAT and income tax system |
| | Public Financial Management | Finalization of medium term expenditure framework |
| | Revenue Administration | Tax administration capacity |
| | Public Financial Management | Expenditure chain |
| | Revenue Administration (September) | Setting up a large taxpayers office |
| | Revenue Administration | IT systems for VAT administration |
| **2015** | Revenue Administration | Diagnostic of customs administration |
| | Debt management- AFRITAC (January) | Workshop on Rate of return of government securities |
| | Debt management – AFRITAC (October) | Debt management framework |
| | Customs administration – AFRITAC (January/April) | Risk-based management |
| | Customs administration – AFRITAC (March) | Customs informations |
| | Customs administration – AFRITAC (June) | Exceptional customs procedures |
| | Revenue Administration-AFRITAC (April) | Medium taxpayers directorate |
| | National Accounts-AFRITAC (April/September) | Quarterly GDP |
| | Government Finance Statistics -AFRITAC (April/August) | Producing the TOFE based on the Treasury's accounts and implementing WAEMU directives |
| | Macroeconomics (May) | Technical assistance needs identification |
| | Macroeconomics Analysis and Forecasting (June) | Regional workshop (AFRITAC) |

| | | |
|---|---|---|
| | Macroeconomics (December) | Tax revenue forecasting |
| | Accounting and financial reporting – AFRITAC (May/June) | Improvement of Treasury's Accounts |
| | Customs administration – AFRITAC (June) | Exemption regimes at Customs |
| | Revenue Administration | IT systems for VAT administration |
| | Revenue Administration | Follow-up in tax administration |
| | Public Financial Management | Budget preparation and credibility |
| | Public Financial Management | Revenue forecasting |
| | Public Financial Management | Public accounting |
| | Revenue administration | Tax administration |
| | Tax Policy-AFRITAC (June) | Auditing of large taxpayers |
| | Revenue administration – AFRITAC (December) | Custom administration |
| | Public Financial Management – AFRITAC (May/July) | Budget information system |
| | Public Financial Management – AFRITAC (May/June) | Public accounting |
| | National accounts statistics (July) | GDP |
| **2016 (up to end of October)** | Revenue administration – AFRITAC (January) | Custom administration |
| | Revenue Administration (January) | Tax administration organization |
| | Revenue Administration (February) | Follow-up in tax administration |
| | Revenue Administration (March) | Tax administration IT system and tax procedures |
| | Public Finance Management (April) | Improve budget management |
| | Customs administration – AFRITAC | Risk-based management system assessment |
| | Government Finance Statistics – AFRITAC (April) | Producing a GFSM 2001 based TOFE and expanding its institutional scope |
| | Macroeconomic Statistics (April) | Implementing the e-GDDS and developing a suitable National Summary Data Page |
| | Budget Management (April-May) | Strengthen budget preparation and execution, implement program-based budgeting |
| | National Accounts – AFRITAC Regional Workshop (June-July) | Harmonization of work methods and tools of ERETES National Accounts IT system |
| | Revenue Administration (July) | Assess improvements in organization, enforcement, and HR regime |
| | External Sector Statistics (August-September) | Opening workshop to explain the scope and prepare work plans for the three-year project |
| | Revenue Administration (October) | Strengthen VAT administration |

**Resident Representative**—A Fund resident representative was first posted in Abidjan in 1984. There were interruptions for security reasons in 2005–06 and 2010–11, but a resident representative has been continuously assigned since May 2011.

# JOINT BANK-FUND WORK PROGRAM, 2016–17

(As of October 24, 2016)

| Title | Products | Provisional Timing of Missions | Expected Delivery Date |
|---|---|---|---|
| **A. Mutual Information on Relevant Work Programs in the Next 12 Months** | | | |
| **World Bank Work Program** | | | |
| **Strategy and Operations** | | | |
| | **Active Projects** | | **Closing dates** |
| | CI-Governance and Institutional Dev. | | 30-Nov-16 |
| | Agriculture Sector Support Project | | 30-Oct-17 |
| | Emergency Youth Employment & Skills Dev. Project | | 30-Jun-19 |
| | CI Emergency Infrastructure Renewal | | 31-Jan-20 |
| | CI-Productive Social Safety Net | | 30-Oct-20 |
| | Health Systems Strengthening and Ebola Preparedness Project | | 31-Jan-20 |
| | Transport Sector Modernization and Trade Facilitation Project | | 30-Jun-21 |
| | CI – Emergency Basic Edu Support Project | | 30-Aug-17 |
| | Obsolete Pesticides Management Project | | 30-Oct-20 |
| | Social Inclusion & Improvement of Livelihood | | 17-Oct-17 |
| | REDD+ Readiness Preparation in RCI | | 30-Sep-17 |
| | Abidjan-Lagos Trade and Transport Facilitation Program - APL-2 | | 30-Jun-18 |
| | West Africa Agriculture Prod Program (WAAPP-1B) | | 30-Jun-18 |
| | African Centers of Excellence | | 31-Dec-19 |
| | Sahel Women's Empowerment & Demographics Project | | 30-Jun-19 |
| | CI-Infrastructure for Urban Development and Competitiveness of second Cities | | 6-Mar-17 |
| | Financial Sector Development | | 15-Dec-16 |
| | Urban Water Supply Project | | 10-Jan-17 |
| | Cote d'Ivoire - Electricity Transmission and Access Project | | 31-Mar-17 |
| | Cote d'Ivoire Land Policy Improvement and Implementation Pro | | 20-Oct-17 |
| | CI-DPO Series on Fiscal Management | | 9-Dec-16 |
| | Cashew Value-Chain Competitiveness Project | | 22-Jun-17 |
| | Port-City Integration-Greater Abidjan and Port Development P | | 24-May-18 |
| | Public Financial Management Modernization and Accountability | | 7-Dec-17 |
| | Digital Solutions for Sustainable Development | | 11-Jul-17 |
| | Multisectoral Nutrition Support Project | | 18-Jan-18 |
| | CI-Infrastructure for Urban Development and Competitiveness of second | | 6-Mar-17 |

| | Technical Assistance/Economic Sector Work/Other Analytical | | |
|---|---|---|---|
| | CI- Assessing the impact of crises on human capital | | 17-Oct-16 |
| | Cote d'Ivoire Jobs Agenda | | 30-Sep-16 |
| | Governance and Anti-Corruption Study | | 20-Apr-17 |
| | CI Electricity Access Scale Up Program | | 30-Nov-17 |
| | CI - Universal Health Coverage (FY16) | | 15-Mar-17 |
| | Higher Education Governance & Financing | | 30-Nov-16 |
| | Review of the Cocoa and Cashew Value Chains in Cote d'Ivoire | | 28-Oct-16 |
| | Strengthening Social Protection and Labor Delivery Platforms | | 1-Apr-17 |
| | Cote d'Ivoire - MTDS | | 29-Jul-16 |
| | Cote d'Ivoire Infrastructure Financing | | 15-May-17 |
| | Operational service delivery platform | | 28-Apr-17 |
| **IMF Work Program** | | | |
| | 1st ECF/EFF review mission | | March 2017 |
| | 2nd ECF/EFF review mission | | September 2017 |
| **B. Requests for Work Program Inputs** | | | |
| **Fund requests to Bank** | Periodic updates on budget implications of reforms in the civil service, coffee/cocoa sector, electricity sector, financial sector, as well as an infrastructure master plan. | | Ongoing |
| **Bank requests to Fund** | Regular updates on macro-economic and fiscal projections | | Ongoing |

# AFRICAN DEVELOPMENT BANK (AFDB) GROUP OPERATIONS AND STRATEGY IN CÔTE D'IVOIRE

**Bank Group Portfolio**

Since it started operations in Côte d'Ivoire in 1971, the AfDB has so far approved 73 operations for the country, of which 41 have been fully completed, 14 cancelled, 9 ongoing (3 newly approved). All approved operations amount to a net commitment of UA 1,478 million (CFA F 1,215 billion). AfDB Group-financed operations have been mainly loan-based and channeled, by order of importance, to the multi-sector (24%), the social sector (20,68%), the rural development and agriculture sector (20,40%), transport (17,32%), energy and telecommunications (13,67%), water/sanitation (3,8%) and finance (0,2%). The operations were financed mainly with resources from the ADB window (more than 70%). The bulk of these funds (92, 36%) were directed towards the public sector. It should be noted that funding for the private sector concerns electricity, telecommunications, transport and industry.

After a few years of cooperation based on short-term strategies set out in two country briefs, the Bank normalized its relations with Côte d'Ivoire in 2013 with a medium-term commitment by approving the Country Strategy Paper (CSP) 2013–17 on 4 December 2013. Prepared within a post-conflict context, the CSP has the double objective of contributing to respond to the urgent and pressing need to normalize socio-political life and handle structural development issues, especially in connection with the construction/reconstruction of infrastructure indispensable for building new economic momentum. These two objectives form the two CSP pillars, namely: (i) Strengthen governance and accountability; and (ii) Develop economic support infrastructure. The implementation of the strategy contributed to the achievement of tangible results in terms of social inclusion/cohesion, infrastructure development.

As concerns reinsertion, the strategy contributed decisively to enhancing social cohesion and economic inclusion by supporting the professional integration of nearly 12 500 ex-combatants, the organization of awareness-raising campaigns and measures to facilitate the demarcation of village lands (the absence of which was one of the causes of the conflict). The CSP also contributed to improving the access of the active population, especially youths and women, to decent employment by promoting economic inclusion (matching training to employment and putting 1 000 youths to work in Côte d'Ivoire's 18 municipalities, of which 49.8% women).

At the infrastructure front, the CSP positioned the Bank as a key Côte d'Ivoire partner in terms of support to agricultural sector recovery. Action in this sector involved the development and operationalization of land, rural roads, product pooling centres, rural markets, etc. Regarding transport infrastructure, it is worth mentioning the construction of the Henri Konan Bédié Bridge, which restructured traffic in Abidjan, and the imminent start of works on integrating roads linking Côte d'Ivoire to Mali, Guinea and Liberia (these links will also open up Côte d'Ivoire's North, North-West and West regions). Lastly, in the area of electricity and especially through the private sector window, the Bank participated with other donors in the extension of the AZITO and CIPREL power plants by contributing to the financing of combined cycle facilities that increased the respective capacities from 278 MW to 417 MW (AZITO) and from 210 MW to 321 MW (CIPREL), thus raising the installed capacity by 250 MW. The strategy was also implemented with much flexibility in order to better respond to extremely urgent situations. For instance, a regional programme to fight the Ebola virus which affected three of Côte d'Ivoire's five neighbours was deployed very rapidly.

The table below gives an overview of Bank's active portfolio status in Côte d'Ivoire.

| Status of Bank Active Portfolio as of March 2015—in UA Million (1 UA=1SDR) | | |
|---|---|---|
| **Operations** | **Amount (in UA million)** | **Purpose/Remarks** |
| **On-going projects (public window)** | | |
| Gourou Basin Integrated Management Project (Sanitation of Indenié junction and the Lagoon). | 23 | The ADF Board of Directors on November 24, 2010 approved a grant of UA 23 million to finance this project. This grant was put in place in June 2011. |
| Agricultural infrastructure support project in Indéné-Djuablin Region (PAIA-ID). | 21.6 | The project will contribute to improving food security and reducing poverty in rural areas. Specifically, it aims to increase, on a sustainable basis, the production and productivity of major crops, as well as improve marketing conditions. |
| Youth Employability and Insertion Support Programme. | 18,8 | The project aims to support the most promising employment and vocational training with a view to creating direct jobs for women and youths. The objective is to assist for changing the profile of future labour through reforms (gradual shift to steer the educational system to respond to economic demand and act on rapidly growing labour flows). |
| The Social Inclusion and Cohesion Enhancement Support Programme (budget support). | 30 | The project, approved in June 2014, mainly seeks to support Côte d'Ivoire in its efforts to restore social cohesion, improve social inclusion so as to address the social and psychological damage caused by the past conflict, as well as nip conflicts in the bud to guarantee greater political stability and more equitable economic growth. The main expected outputs are: (i) the socio-economic reintegration of ex-combatants; and (ii) support for the resolution of inter-community conflicts and care of victims. |
| Strengthening systems to protect economies against health shocks (regional operation, approved in October 2014). | 6 | The programme constitutes a response to both the emergency created by the Ebola epidemic, and the need to address the longer term requisites for the economic resilience of the concerned countries and the prevention of similar public health shocks in the future. |

| Status of Bank Active Portfolio as of March 2015—in UA Million (1 UA=1SDR) (continued) | | |
|---|---|---|
| **Operations** | **Amount (in UA million)** | **Purpose/Remarks** |
| Côte d'Ivoire, Liberia, Sierra Leone and Guinea (CLSG) Interconnection Project –Multinationa.l | 33,00 | The project supports the energy sector in the context of a regional operation aimed at interconnecting the power grids of Côte d'Ivoire with other Mano River Union member countries (Liberia, Sierra Leone and Guinea). |
| Road Development and transport Facilitation Programme within the Mano River Union (MRU) countries (Côte d'Ivoire, Guinea and Liberia), December 2014. | 97 | The overall objective of the Programme is to boost the post-conflict economic recovery of the MRU area by improving road infrastructure and promoting intra-community trade. Specifically, the programme seeks to improve transport conditions on the roads concerned in order to reduce transport costs, facilitate the free movement of persons and goods between the three countries and improve the living conditions of programme area communities. |
| Fight back Programme against EBOLA. | 10 | The programme aims to bring the Ebola epidemic to an end and strengthen the critical foundations for effective control of unusual public health events, especially those of the current regional scale. The longer term horizon of the programme is to pave the way for sustainable improvement of systems and capacities for post crisis resilience. |
| The Support to Industrial Competitiveness Enhancement Project (PARCSI). | 10 | Two specific objectives are to support the restructuring and modernization of businesses by conducting a strategic assessment to identify needs and provide technical assistance to 50 firms that have signed up for the programme (out of a total of 270 businesses approached and support the industrial development of the fruit and vegetables sector, with a view to promoting investment in the sector in order to increase the industrial processing rate (which stood at 2% in 2014). |
| Bamako-San Pedro (CIV/Mali) Corridor Road Project. | 70 | The goal is to link Côte d'Ivoire and Mali, in developing the Kani-Boundiali road (140 km) and the construction of check points at the Mali/CI border. The project aims to open up potential agricultural areas and regional headquarters with abundant natural resources by facilitating road transport between these two countries and providing a link between San Pedro Port (PASP) and Mali. |
| Regional African Trade Insurance Agency (ATI) Country Membership Programme (RACMP). | 10 | The main objective of the programe is to strengthen the capacity of Cote d'Ivoire with the necessary financial resources for membership subscription in to the ATI to allow greater underwritten insurance cover for private sector and socio economic development. The expected outcomes are i) Increased participation of the private sector in large scale projects through ATI facilitation; (ii) increased trade flows in Africa; and (iii) ATI attracts additional members. |

| Status of Bank Active Portfolio as of March 2015—in UA Million (1 UA=1SDR) (concluded) | | |
|---|---|---|
| **Operations** | **Amount (in UA million)** | **Purpose/Remarks** |
| **Private sector** | | |
| Project construction of bridge toll Henri Konan BEDIE | 50 | Henri Konan Bédié Bridge is a public private partnership (PPP) based on a Build Operate Transfer (BOT) concession of 30 years. It involves the building of a toll bridge over the Ebrié Lagoon linking the South and North shores of Abidjan. |
| Azito power expansion project | 26 | Expansion of the Azito power plant in Côte d'Ivoire, by converting the existing simple-cycle power plant of 2 x 144 MW gas-fired turbines to a combined-cycle power plant, thereby increasing the capacity of the facility to approximately 430 MW |
| Ciprel power expansion project | 44 | Expansion of the Ciprel power plant to a combined cycle turbine facility in Côte d'Ivoire to be built in two phases: phase A, construction of a gas turbine (111MW of power), phase B deployment of a combined cycle turbine for additional 111MW of generation. The project will increase the capacity of the plant by 222MW. |
| Microcredit Côte d'Ivoire (equity participation and technical assistance) | 1.5 | It is a microfinance project which comprises two parts. The equity participation part was signed on June 2013; the technical assistance part will be signed on November 2013. |
| Sucres & Denrées (SUCDEN) soft commodity programm | EUR 100 million | Provision of two successive Soft Commodity Facilities, the second effective only after full repayment of the first for a maximum exposure of EUR 100 million within a tenor not exceeding 2 years. A Soft Commodity Program (SCP) to support SUCDEN's participation in cocoa value chain financing in Côte d'Ivoire. SUCDEN will use the funds to provide pre-export financing to local suppliers. |

## AfDB's Ongoing Strategy for Côte d'Ivoire

The progress made at mid-term shows that the implementation of the current AfDB's strategy contributed to the achievement of tangible results in terms of development of electricity, agricultural, industrial, and regional integration infrastructure through transport. The CSP mid-term review provides an opportunity for consolidating ongoing actions, while repositioning the Bank in the 2016–20 PND. Following dialogue with the authorities and other stakeholders, it appears that the initial two CSP strategic pillars continue to be well aligned on national priorities. The anchoring point of the Bank's interventions will be the agro-industrial centres being built to accelerate the structural transformation of the agricultural sector and economy in the 2016–20 PND. In this regard, the first pillar will continue to include the existing initiatives and contribute to strengthening economic and social inclusion, competitiveness, and employment in the productive sectors. The second pillar will build on gains in infrastructure made during the first CSP (2013–17), with particular emphasis on infrastructure for transformation of the agricultural sector in agropoles identified in the 2016-2020 PND.

| Indicative Work Program for 2016 and 2017 | | |
|---|---|---|
| **Description** | **Amount (in UA million)** | **Year** |
| Public Finance Management Support project | 8 | 2016 |
| Project to support value chains in the Indénié-Djuablin region | 4 | 2016 |
| Electrical transport network capacity building project | 110 | 2016 |
| Belier agro-industrial pole and Infrastructure Support Project | 80 | 2016 |
| Abidjan Urban transport development Project | 200 | 2017 |
| Project to enhance economic inclusion and the fight against inequalities | 10 | 2017 |
| Project to strengthen the scientific technological and professional skills for the competitiveness of the economy | 30 | 2017 |
| Gourou integrated watershed management project, phase 2 | 100 | 2017 |
| Project to support the initiative for improvement of access to financing for SMEs and financial reforms | 15 | 2017 |
| | | |

# STATISTICAL ISSUES

(As of November 2016)

| I. Assessment of Data Adequacy for Surveillance |
|---|
| **General:** Data provision is broadly adequate for surveillance, even though there are some shortcomings. There are weaknesses in the areas of national accounts, balance of payments, and public finance statistics, as well as in the reconciliation of fiscal and monetary data. Generally, the authorities provide the required statistical indicators to the Fund on a timely basis. In February 2013, Côte d'Ivoire ratified the African Statistics Chart, adopted by the African Union in February 2009 in Addis Ababa to have reliable data for its internal governance, and also for positioning the country in the regional and international trade. The new law organizing national statistics was approved in July 2013. |
| **National Accounts:** Comprehensive national accounts data for 1996 onwards was compiled in line with the 1993 System of National Accounts methodologies, using 1996 as the base year. STA conducted a diagnostic mission on in July 2015 to identify strengths and weaknesses in the area of NA statistics and made a series of recommendations which the authorities have started implementing, especially with regard to the human and financial resources of the National Institute of Statistics (NIS). The NIS has put in place a strategy for implementing the 2008 SNA that will integrate the change to a new base year, address current weaknesses in the national accounts and implement other recommendations of July 2015 mission. Final annual accounts for 2014 and provisional accounts for 2015 are available. Quarterly national accounts are compiled with the Fund support through AFRITAC WEST, but are not published pending further improvements in methodology. |
| **Price Statistics:** A harmonized consumer price index (CPI) has been adopted by all WAEMU members. The current base year (2008) was adopted in 2010. A new CPI (base 2014) covering the whole country will soon be available. |
| **Labor Market Statistics**: Data on employment in the formal sector is published monthly. |
| **Government Finance Statistics:** The authorities provide annual data on the budgetary central government for publication in the *Government Finance Statistics Yearbook*. While no monthly or quarterly fiscal data are provided for publication, they are made available to the IMF African Department, although metadata is lacking. The authorities have committed to addressing weaknesses in coverage of general government units and public enterprises and are making efforts to improve the consistency of fiscal and monetary data. In addition, the authorities are seeking the assistance of AFRITAC WEST to improve the compilation of government finance statistics and to implement the 2009 WAEMU TOFE directive for transition to GFSM 2001. |
| **Monetary and Financial Statistics**: Monetary data for Côte d'Ivoire are prepared by the national agency of the BCEAO, which reports them to STA on a monthly basis with a timeliness of about two months after the reference period. Some shortcomings of the monetary statistics are common to all eight member countries of the WAEMU, while others relate to systemic issues in Côte d'Ivoire's bank and nonbank financing of the operations of the central government and the rest of the public sector. |
| **Financial Soundness Indicators (FSIs)**: Key FSI indicators are provided by BCEAO. |

| Côte d'Ivoire: Statistical Issues (concluded) | |
|---|---|
| **External Sector Statistics:** The national agency of the BCEAO in Abidjan is responsible for compiling and disseminating annual balance of payments statistics and the international investment position. BOP and IIP data are reported to STA in BPM6 format. BCEAO headquarters determines the methodology and calculates international reserves managed for WAEMU countries. With respect to merchandise trade, the customs computer system allows for satisfactory monitoring of trade data, but the coverage of services and transfers, has shortcomings. Concerning the financial accounts, foreign assets of the private nonbanking sector are not adequately covered, while reporting of private capital flows, especially foreign direct investment in Côte d'Ivoire, is weak. There is also not sufficient information on private debt stocks and debt service flows. The IMF's Statistics Department has embarked on a three-year project funded by the Japan Administered Account (JSA) from May 2016 with French speaking countries in West and Central Africa to improve their capacity in producing and disseminating better quality external sector statistics; this project targets 17 countries and will benefit WAEMU member states. | |
| **II. Data Standards and Quality** | |
| Côte d'Ivoire has participated in the General Data Dissemination System (GDDS) since May 2000, and has posted the metadata on the Data Standards Bulletin Board. The authorities have committed to implementing the e-GDDS to improve data dissemination. | No data ROSC is available.<br><br>Côte d'Ivoire regularly reports data to STA for re-dissemination in IMF statistical publications. |

**Côte d'Ivoire: Table of Common Indicators Required for Surveillance**
(As of November 2016)

| | Date of Latest Observation | Date Received | Frequency of Data[6] | Frequency of Reporting[6] | Frequency of Publication[6] |
|---|---|---|---|---|---|
| Exchange Rates | Current | Current | M | M | M |
| International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1] | 07/16 | 10/16 | M | M | M |
| Reserve/Base Money | 07/16 | 10/16 | M | M | M |
| Broad Money | 07/16 | 10/16 | M | M | M |
| Central Bank Balance Sheet | 07/16 | 10/16 | M | M | M |
| Consolidated Balance Sheet of the Banking System | 07/16 | 10/16 | M | M | M |
| Interest Rates[2] | 07/16 | 10/16 | I | M | M |
| Consumer Price Index | 08/16 | 10/16 | M | M | M |
| Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4] | 08/16 | 10/16 | M | M | M |
| Stocks of Central Government and Central Government-Guaranteed Debt[5] | 08/16 | 10/16 | M | M | M |
| External Current Account Balance | 2014 | 9/16 | A | A | A |
| Exports and Imports of Goods and Services | 07/16 | 10/16 | M | M | M |
| GDP/GNP | 2015 | 9/16 | A | A | A |
| Gross External Debt | 08/16 | 10/16 | M | M | M |

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Daily (D), weekly (W), monthly (M), quarterly (Q), annually (A), irregular (I); and not available (NA).

INTERNATIONAL MONETARY FUND

# CÔTE D'IVOIRE

November 23, 2016

## REQUESTS FOR AN EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND AN ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS

Approved By
**Roger Nord and Peter Allum (IMF); and John Panzer (IDA)**

Prepared by the International Monetary Fund and the International Development Association

*This debt sustainability analysis (DSA) concludes that Côte d'Ivoire*[1] *remains at moderate risk of debt distress, in line with the previous DSA carried out in June 2015 for the 8th review under the Extended Credit Facility arrangement (Country Report 15/341). All external debt burden indicators lie below their thresholds under the baseline. Under worst-case stress scenarios, however, all solvency and liquidity indicators in the framework breach their respective thresholds (as was the case in 2015), largely reflecting the legacy of macroeconomic volatility that disrupted the Ivoirien economy prior to 2012 coupled with the fast pickup in economic activity thereafter. The probability approach to risk assessment shows that Côte d'Ivoire remains safely below threshold levels under the baseline, confirming a moderate risk of external debt distress.*[2] *Total public debt indicators (including domestic liabilities), while indicative of a deterioration in Côte d'Ivoire's debt position, point toward a stabilization of public debt in the outer years of the projection period.*

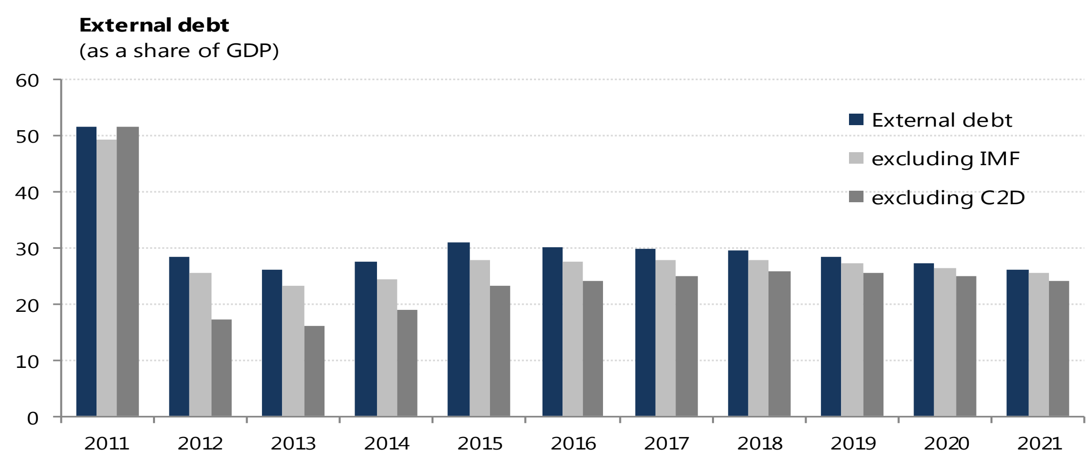
[1] In the LIC-DSA framework Côte d'Ivoire is adjudged as having weak policy performance with a Country Policy and Institutional Assessment (CPIA) average of 3.24 for 2013–15. With the recent progress in the CPIA score (the 3-year average in the last DSA stood at 3.17), Côte d'Ivoire is on the cusp of a medium policy performance category, which would raise the PV policy threshold from 30 to 40 percent of GDP, from 100 to 150 for PV of debt to exports, and from 200 to 250 for the PV to revenue ratio. With a moderate CPIA rating only one indicator would breach the policy threshold (the most extreme shock for the PV of debt to GDP ratio).

[2] The probability approach, recommended for cases where one or more debt indicators come to stand within a ±5 percent band around threshold under the baseline scenario ("borderline cases"), performs an assessment using country-specific CPIA metric indicators (rather than a peer group average).

# BACKGROUND

1. **External public and publicly guaranteed debt stock increased in 2015, reflecting the government's strategy to seek further external financing and donor support for large capital investment projects, in particular for infrastructure development, in the context of its National Development Strategy.**[3] Following the large improvement in its external debt position after the HIPC in 2012, external borrowing has increased from about 28 percent of GDP in 2012 to 31 percent of GDP in 2015. Excluding concessional lending from the IMF and the Caisse Française de Development claims (not counted as external liabilities since the HIPC Initiative completion point), total public and publicly guaranteed external debt has increased modestly from 17.2 percent of GDP in 2012 to 23.4 percent of GDP in 2015. In terms of composition, the external debt has seen the share of multilateral creditors diminish in the total from 25.5 percent in 2014 to 24.1 percent in 2015. The share of official bilateral creditors has also recorded a decline from 18.9 percent of the total to 16 percent. Conversely, the share of commercial creditors has recorded a marked increase, rising from 55.5 percent of the total in 2014 to 60 percent in 2015. It reflected essentially the impact of the US$1 billion Eurobond issuance in 2015 and the gradual shift towards a larger reliance on the private sector for external financing, in a context of stable debt ratings, positive prospects for the Ivoirien economy and attractive funding opportunities (with yields on external issuance similar to those on the WAEMU CFA franc denominated medium-term domestic issuance).

**Figure 1. Côte d'Ivoire: Stock of External Public Debt, 2011–21**
(Percent of GDP)




[3] In this DSA, PPG external debt covers only the central government. It excludes French claims under C2D debt-for-development swaps, which were cancelled in the context of beyond HIPC debt relief. Under the C2D mechanism, debt service due on these claims is returned in the form of grants to the government to finance development projects. In the staff report the flows associated with the C2D process are included in the external and fiscal accounts so as to capture the gross cash flows (debt service and grants). See IMF Country Report nº14/358 and Supp.1, 11/21/2014 for a detailed discussion.

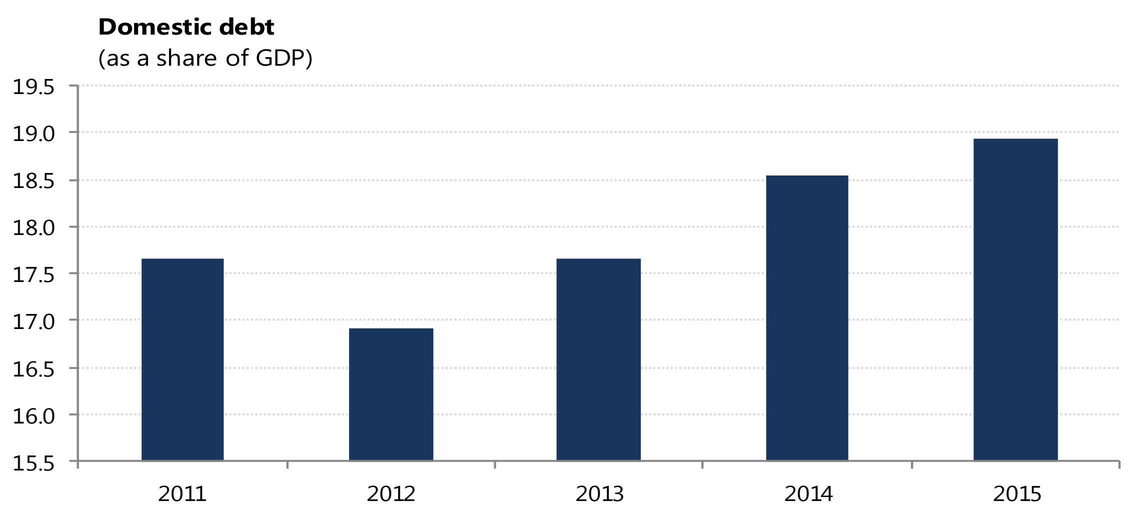
### Text Table 1. Côte d'Ivoire: Composition of External Debt per Creditor Group[1/]

| | 2014 | 2015 | | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Million USD | Percent of total | Percent of GDP | Million USD | | | | | |
| **Total** | **5884.3** | **7241.9** | **100.0** | **23.4** | **8484.1** | **9594.6** | **10872.9** | **11967.9** | **12860.8** | **13511.5** |
| including C2D and FCFA-denominated loans | 8638.2 | 9580.6 | 132.3 | 31.0 | 12521.6 | 13110.0 | 13746.4 | 14508.9 | 15467.9 | 16294.7 |
| **Multilateral creditors** | **1502.4** | **1748.5** | **24.1** | **5.6** | **1744.6** | **1587.6** | **1409.2** | **1238.6** | **1054.1** | **875.6** |
| IMF | 996.9 | 983.8 | 13.6 | 3.2 | 971.3 | 853.2 | 715.2 | 577.5 | 430.1 | 296.6 |
| World Bank | 154.2 | 394.5 | 5.4 | 1.3 | 410.7 | 404.4 | 402.7 | 402.2 | 398.2 | 392.4 |
| AfDB group | 43.6 | 47.0 | 0.6 | 0.2 | 49.2 | 48.7 | 49.0 | 49.4 | 49.5 | 49.4 |
| Other multilaterals | 307.7 | 323.2 | 4.5 | 1.0 | 313.4 | 281.3 | 242.3 | 209.6 | 176.3 | 137.2 |
| **Official bilateral creditors** | **1113.8** | **1161.4** | **16.0** | **3.8** | **1396.5** | **1555.8** | **1740.7** | **1671.1** | **1578.8** | **1253.8** |
| Paris Club | 545.9 | 307.0 | 4.2 | 1.0 | 500.2 | 683.3 | 878.3 | 816.4 | 749.3 | 457.5 |
| Non-Paris Club | 567.9 | 854.4 | 11.8 | 2.8 | 896.2 | 872.5 | 862.4 | 854.7 | 829.5 | 796.2 |
| **Commercial creditors** | **3268.1** | **4323.9** | **59.7** | **14.0** | **4275.2** | **4139.2** | **4051.5** | **3974.9** | **3849.1** | **3695.4** |
| London Club | 3209.7 | 4272.9 | 59.0 | 13.8 | 4221.7 | 4094.7 | 4015.3 | 3947.0 | 3829.7 | 3695.4 |
| Other commercials | 58.4 | 51.0 | 0.7 | 0.2 | 53.5 | 44.5 | 36.2 | 27.9 | 19.4 | 0.0 |
| New debt | | | | | 1067.9 | 2312.0 | 3671.6 | 5083.2 | 6378.8 | 7686.8 |
| ***CHECK*** | ***0.0*** | | ***100*** | | ***0.0*** | ***0.0*** | ***0.0*** | ***0.0*** | ***0.0*** | ***0.0*** |

2. **The domestic public debt has also recorded a steady but modest increase.** From about 17 percent of GDP in 2012, the domestic debt has risen by 2 percentage points to 19 percent of GDP in 2015. About 80 percent of the government domestic liabilities consists of government securities issued to the regional bond market.

### Figure 2. Côte d'Ivoire: Stock of Domestic Public Debt[1/], 2011–15

(Percent of GDP)




Sources: Ivoirien authorities; and IMF staff estimates

1/ Central government only.

# UNDERLYING ASSUMPTIONS AND BORROWING PLANS

**Text Table 2. Côte d'Ivoire: LIC DSA Macroeconomic Assumptions: Comparison with the 2015 LIC DSA**

(Percent of GDP, unless otherwise indicated)

| | *Previous DSA* | | | *Current DSA* | | |
|---|---|---|---|---|---|---|
| | 2016-21 | 2022-27 | 2028-36 | 2016-21 | 2022-27 | 2028-36 |
| Nominal GDP (USD Billion) 1/ | 44.9 | 75.4 | 134.1 | 46.4 | 77.3 | 134.4 |
| Real GDP (y/y % change) | 7.6 | 6.3 | 5.5 | 7.5 | 6.3 | 5.5 |
| **Fiscal (central government)** | | | | | | |
| Revenue and grants 2/ | 21.9 | 22.8 | 23.3 | 21.3 | 22.1 | 23.0 |
| of which: grants | 1.9 | 1.4 | 0.5 | 1.6 | 0.9 | 0.3 |
| Primary expenditure | 23.6 | 24.3 | 24.7 | 23.2 | 23.3 | 23.8 |
| Primary fiscal deficit (excluding C2D grants) | 1.7 | 1.4 | 1.4 | 1.8 | 1.2 | 0.9 |
| **Balance of payments** | | | | | | |
| Exports of goods and services | 42.7 | 45.1 | 57.9 | 37.2 | 39.2 | 43.5 |
| Imports of goods and services | 42.5 | 45.7 | 59.4 | 36.7 | 37.4 | 40.4 |
| Non-interest current account deficit 3/ | 1.4 | 3.3 | 5.8 | 0.9 | 0.5 | 0.5 |
| New foreign direct investment (net inflows) | 3.6 | 3.6 | 2.9 | 3.6 | 3.6 | 2.9 |

Source: Ivoirien authorities and IMF staff estimates
1/ Changes from the 8th review DSA reflects an updated nominal GDP series and revised CFA/USD exchange rate assumptions.
2/ C2D grants are excluded from revenue and grants.
3/ C2D grants are excluded from official transfers.

3. **This DSA is consistent with the macroeconomic framework underlying the Staff Report prepared for the request for three-year EFF/ECF blended arrangements.** The macro framework assumes a gradual convergence towards a more sustainable growth path in the long run, an increasing contribution of domestic demand to GDP, a gradual moderation of investment, offset by an increase in private consumption, and steady progress towards the fiscal target of the government, consistent with Côte d'Ivoire's WAEMU membership commitments. A sustainable budget deficit level alongside the implementation of the structural reforms outlined in the 2016-20 National Development Plan (NDP) will allow a steady expansion of the economy throughout the baseline horizon, and the accumulation of the risk buffers necessary to cushion the effects of external shocks.

4. **Key macroeconomic assumptions are as follows:**

- **Global environment.** The nominal exchange rate (CFA/USD) is assumed to appreciate slightly by about 3 percent over the baseline horizon and stabilize in the medium and long term. The external demand from Côte d'Ivoire's trading partners is projected to be stable.

- **GDP over the medium term.** Growth assumptions have remained roughly stable relative to the last DSA. Nominal GDP is expected to grow on average by 7.5 percent over the horizon 2016-2021, supported initially by a robust investment growth and increasingly by private consumption. Growth is assumed to gradually decelerate to 6.4 percent in 2022–27 as investment normalizes and net trade contribution becomes more negative. Growth is expected to stabilize at 5.5 percent in the long run.

- **The primary fiscal deficit is expected to gradually improve over the baseline.** Somewhat larger than in the 2015 DSA over the horizon 2016–21, its trajectory remains anchored by the gradual convergence towards the 3 percent of GDP target in 2019 and to continue declining thereafter. A steady improvement in the primary fiscal deficit is expected in the medium (1.2 percent) and long run (0.9 percent).

- **The current account deficit is projected to remain relatively stable over time**. As assumed in the previous DSA, the current account deficit is projected to increase in the short run as Côte d'Ivoire transitions gradually to a more domestic driven growth path and later stabilize in the medium and long run.

**Debt strategy and composition**

**5. The authorities' Medium Term Debt Strategy (MTDS) aims at keeping debt at sustainable level consistent with the general objective of public finance of converging to a budget deficit of 3 percent of GDP by 2019.** Optimizing the cost-risk trade off should guide the mobilization of external resources necessary to achieve the NDP objectives. More specifically, for the MDTS objectives for the domestic market are to: lengthen the average duration of the domestic debt, contribute to the development of the domestic debt market, and reduce the cost of local issuance. Regarding external debt, the MTDS objectives are to: increase the share of semi-concessional financing, achieve a regular presence in international markets, limit foreign exchange risk and channel external financing primarily towards infrastructure investment. A set of ongoing initiatives will support the achievement of this strategy and help make debt management operations more efficient, including: the finalization of the operational restructuring of the debt policy directorate (merger of the external and domestic debt units), reinforcement of cash management operations, and setting-up of a network of Primary Dealers to promote the issuance and secondary market trading of the CFA debt issued in the regional market. The operational establishment of the National Council of Public debt will also permit an undertaking of regular reviews of the MTDS including all stakeholders.

**6. The MTDS assumes gradual growth of the domestic share for new financing over the coming years.** Although the breakdown of the debt stock between external and domestic financing will remain relatively stable, the strategy aims to increase the role of domestic financing to support the development of the local market. From 50 percent in 2016, the share of external financing of new loans should decrease to 40 percent in 2020, with concessional and semi concessional loans' share declining from 26 percent to 20 percent, and non-concessional from 25 percent to 20 percent. Conversely, domestic issuance to the regional market is expected to increase from 50 percent to 60 percent of total debt, with long-term debt representing 36 percent of this share and medium-term and short-term debt 24 percent.

# DEBT SUSTAINABILITY ANALYSIS

## A. External Debt

**7. The results of the external DSA confirm that Côte d'Ivoire's debt dynamics are sustainable under the baseline scenario.** The PV of debt-to-GDP ratio, debt-to exports ratio, debt-to-revenue ratio and debt-service to exports ratio remain safely under the debt distress threshold under the baseline with the exception of the debt service-to-revenue ratio. Owing to a spike in debt-service in 2025, which relates to the amortization of a large Eurobond issued in 2015, the debt service-to-revenue ratio gets close to the threshold (Figure 3) in 2025, before moving back decisively below in following years. Although the "historical" scenario in all cases remains well below the threshold, it also surpasses the threshold marginally in 2025 and 2027, before receding. The historical scenario paints a relatively benign picture of debt sustainability, with one caveat: debt creating flows under the historical scenario are driven by the positive current account developments recorded during the crisis, where current account balances were artificially supported by sudden stops in imports (due to foreign exchange shortage and/or sanctions), while agricultural exports continued at a relatively steady pace.[4] The more extreme stress test scenarios, where cumulative shocks of one standard deviation are applied to key macro variables, go above the distress threshold, highlighting not only the legacy of macroeconomic volatility experienced by Côte d'Ivoire prior to 2012 and the rapid pick up in performance since 2012, but also its vulnerability to a repeat of similar episodes. Owing to the temporary breach of the debt service-to-revenue threshold, the probability approach was used to assess whether the risk of debt distress remains moderate.

**8. The probability approach to risk assessment shows that Côte d'Ivoire remains safely below threshold levels under the baseline, confirming a moderate risk of external debt distress.** The probability approach uses a calculated probability of debt distress (expressed in percentage terms) for each debt burden indicator. This probability is compared to a probability threshold of debt distress, which is specific and different from the thresholds used in the traditional approach as they are calculated using more country-specific information to refine the analysis of traditional indicators. Although the distress probability is derived from the same equation used to estimate the traditional external debt thresholds, the probability approach uses individual CPIA scores and average GDP growth rates. The probability approach shows that under the baseline, probability of distress corresponding to each debt burden indicator remains safely below the threshold of debt distress probability.

**9. The baseline scenario depicts external debt vulnerabilities largely similar to the 2015 DSA**. The bunching of maturities corresponding to the Eurobond issuance creates spikes in the debt service indicators (both to exports and revenues) that gradually fade going forward as the total debt burden (stock and service) shrinks gradually as a fraction of GDP in the outer years. This highlights that smoother debt flow patterns, supported by a more active management of the debt stock and issuance strategy would be beneficial for the debt service profile.

[4] In the current (and last DSA) an adjustment to the real GDP and non-interest current account averages of the past 10 years is (was) made to take into account the political crisis in 2011, the mid-point of the averaging period; but this did not involve the complete exclusion of the crisis year from the calculated averages. If the crisis year is excluded, the debt indicators improve under the baseline because past average growth would be higher. For most extreme shock scenarios, the indicators would also improve reflecting lower standard deviations as well as the higher growth average. Under the historical scenario (permanent shock) the indicators would deteriorate reflecting a higher average current account deficit (in the crisis year the current account deficit was lower reflecting collapsed imports).

## B. Total Public Debt

**10. Under the baseline, the addition of domestic public debt to the analysis leads to a slight deterioration of Côte d'Ivoire's debt position.** A slight increase to the stock of domestic public debt in 2015 generated an upward shift of all three debt burden indicators over the first few years of the baseline. The PV of debt-to-GDP ratio, slightly over 40 percent under the baseline, records a gradual decrease after a short-term upward spike in 2022, moving below 40 percent thereafter and towards 30 percent in the long run. Similarly, the PV of debt-to-revenue ratio, starting at 200 in 2016 gradually declines towards 150 in 2026 before settling slightly above 100 percent in the long run. The debt service to revenue ratio, conversely, does not record any improvement going forward, and stabilizes at about 12 percent in the long run. The historical scenario suggests a similar picture of declining debt burden over the long run, and the scenario of constant primary balance a somewhat less favorable, but showing still a picture of stabilizing debt burden over the long run. The most extreme shock scenario, conversely, suggests a clear worsening of the debt vulnerability picture across debt burden indicators.

**11. The PV of total public debt-to-GDP indicator under the baseline breaches its threshold value during the first seven years of the projection period, but vulnerabilities in domestic public debt remain moderate.** The upward revision of domestic public debt stock for 2015 (to 43 percent relative to 40 percent in 2014's DSA), brought about by a revision of the scope of public sector debt is one more step towards a more transparent reporting framework and progress towards a more comprehensive reporting of the overall perimeter of the domestic public debt.[5] The trend in terms of PV of the total public debt shows that beyond 2025, the horizon under which the large bunching of amortization related to recent Eurobond issues will start normalizing, is largely unchanged, pointing towards a stabilization of debt burden indicators (debt service-to-revenue) or an improvement (PV of debt-to-GDP and PV of debt-to-revenue).

# CONCLUSION

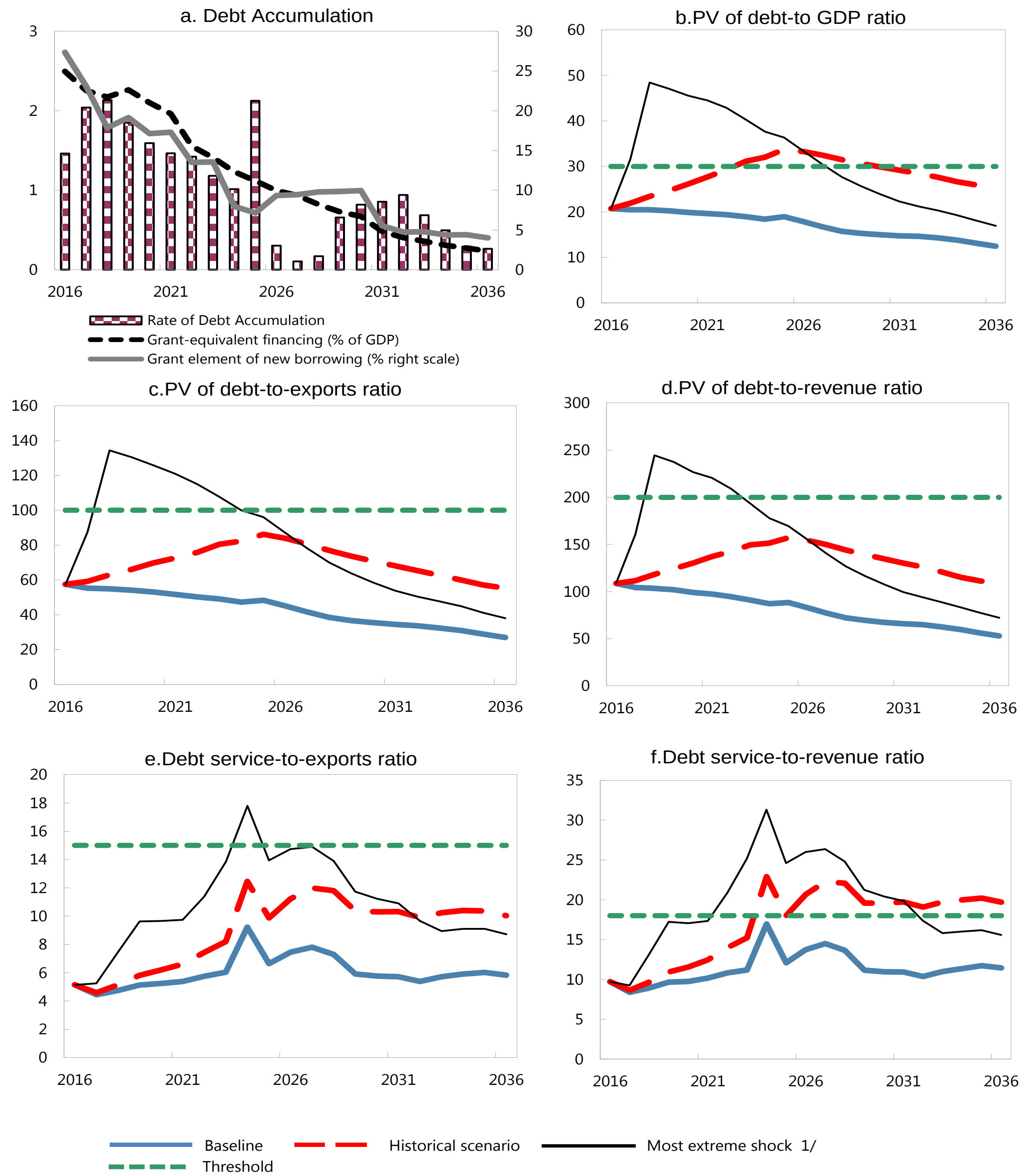
**12. Côte d'Ivoire remains at moderate risk of debt distress in 2016, as in the 2015 DSA.** Under the baseline scenario, all debt burden indicators for external debt remain under their respective debt distress thresholds. The probability approach, used to assess the significance of the approaching of debt-service to revenue ratio close to its threshold in 2024 (though not formally constituting a "near breach") establishes that the debt distress probabilities—attached to Côte d'Ivoire's debt burden indicators—remain largely below threshold levels under the baseline scenario, underscoring that the risk of external debt distress remains moderate. The maximum stress test scenario, reflecting Côte d'Ivoire's legacy of substantial macro-economic volatility, points to vulnerability to a repeat of the political and security challenge of the years 2000–11 under both approaches (standard approach and probability approach). Meanwhile, total PPG debt (including domestic), while above the benchmark for the first 7 years of the baseline, and on a downward trend thereafter, reflects a more transparent reporting of some public sector contingent liabilities, and hence, progress towards a more effective reporting framework of the debt situation, leading to an overall assessment of moderate risk.

[5] The stock of domestic public debt has been revised significantly upward at end-2015 to reflect the recent inclusion of certain past arrears to the BCEAO, including payments to the Fund, other unbudgeted liabilities incurred prior to 2011 (see Debt Sustainability Analysis, Country Report No. 15/341).

**13. Sound macroeconomic policies and an effective medium-term oriented debt management framework are essential to maintaining a sustainable external position.** While the recent increase in external liabilities and domestic debt have served economic growth well, as testified by the large contribution of public investment to vibrant GDP growth in recent years, a more balanced contribution to growth from other expenditure component, like private consumption and private capital spending will help sustain recent gains, avoid growth bottlenecks and entrench debt sustainability. Policies to maintain a sustainable position are also an essential prerequisite to stabilizing debt over time, and enhanced mobilization of domestic revenues achieved through growth-friendly tax reform measures, as well as current spending control would help to achieve this goal. Finally, a medium-term debt management strategy aimed at increasing reliance on domestic source of financing, smoothing out the pattern of debt amortization by avoiding too large refinancing humps, and helping optimize the cost of funding of the sovereign would help maintain a sustainable debt position. Measures aimed at increasing the liquidity of the primary and secondary market of the regionally issued domestic debt, like the creation of a network of primary dealers, will contribute to a more cost-effective effective pricing of Ivoirien sovereign securities. An effective management and monitoring of PPPs will also help contain fiscal risk and contingent liabilities.

**14. The authorities of Côte d'Ivoire broadly concur with the main conclusions of this DSA, and in particular that Côte d'Ivoire's risk of debt distress is moderate.** They noted with satisfaction that in the context of the Fund's new debt limits policy staff considers Côte d'Ivoire's debt monitoring capacity to be adequate; they agreed that it was important to continue to strengthen debt management, to refine the database for public enterprises, and to maintain a prudent borrowing policy. They concurred with staff on the importance of fostering private sector development to preserve high and sustained growth, while maintaining a sound macroeconomic environment. That said, the authorities stressed that they considered that the baseline macroeconomic assumptions used in this report are too conservative and do not sufficiently reflect the future dividends of recent strong economic performance and of the reforms taken since 2012. In particular, they considered that the confirmation of political stability following the peaceful presidential election of October 2015 and constitutional referendum of October 2016 would have a very positive impact on growth. In this reagrd, the authorities would have appreciated the inclusion of another scenario based on higher growth rates driven by a stronger level of private investment.

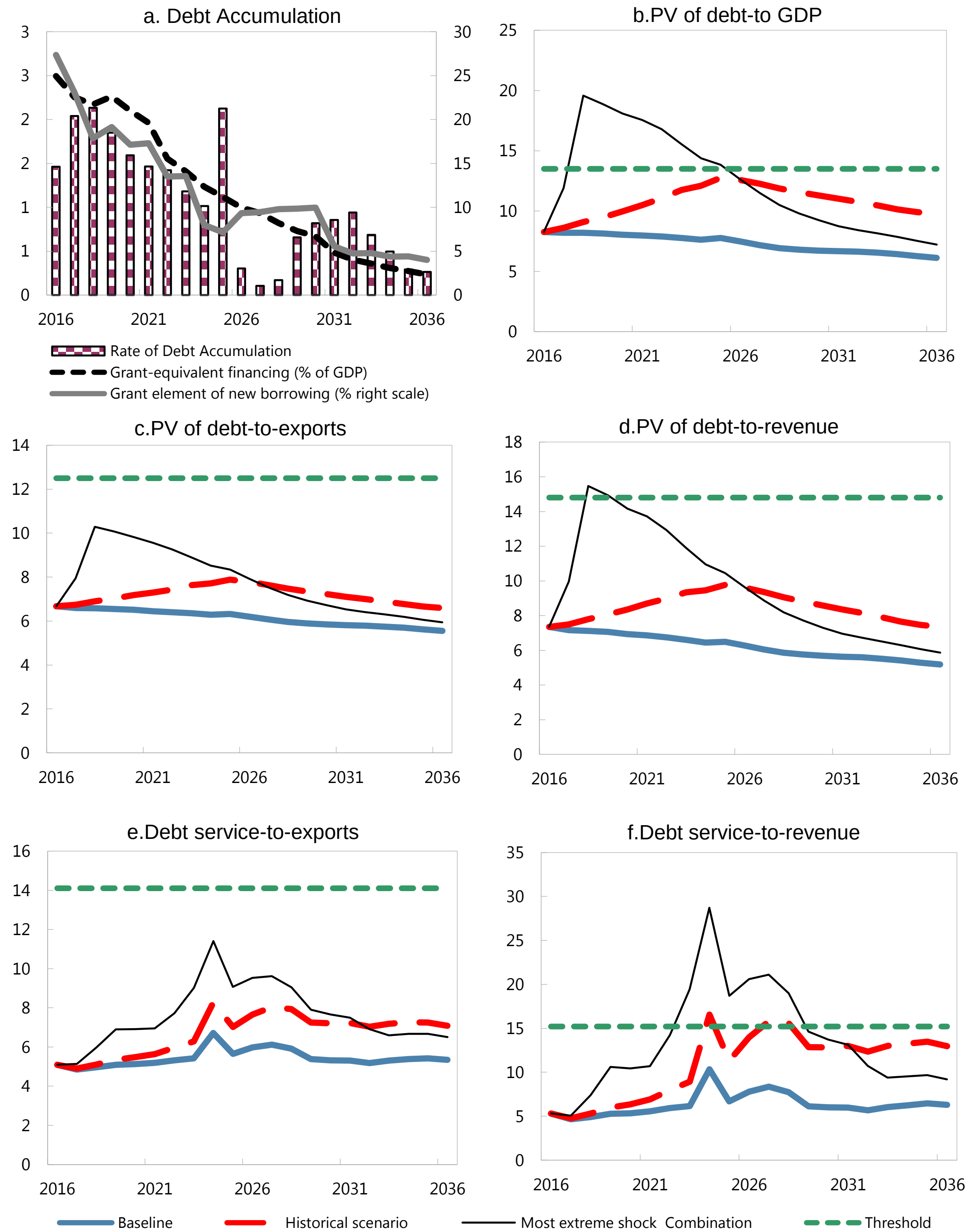
## Figure 3. Côte d'Ivoire: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2016–36[1/]




Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2026. In figure b. it corresponds to a Combination shock; in c. to a Combination shock; in d. to a Combination shock; in e. to a Exports shock and in figure f. to a Combination shock

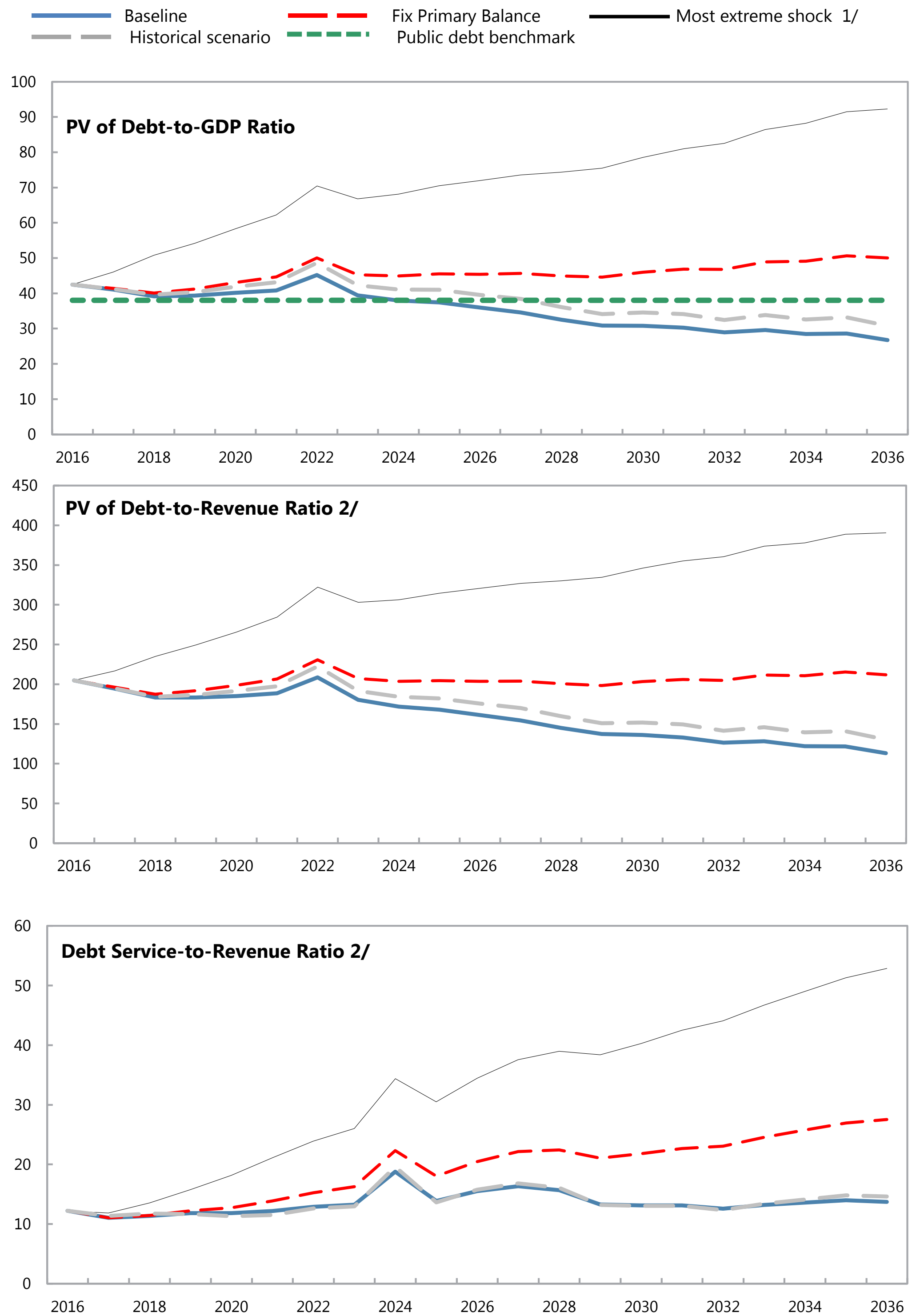
## Figure 4. Côte d'Ivoire: Probability of Debt Distress of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2016–36[1/]




Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2026. In figure b. it corresponds to a Combination shock; in c. to a Combination shock; in d. to a Combination shock; in e. to a Exports shock and in figure f. to a Combination shock

**Figure 5. Côte d'Ivoire: Indicators of Public Debt Under Alternative Scenarios, 2016–36[1/]**




Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2026.

2/ Revenues are defined inclusive of grants.

## Table 1. Côte d'Ivoire: External Debt Sustainability Framework, Baseline Scenario, 2013–36[1/]

(Percent of GDP, unless otherwise indicated)

| | Actual | | | Historical Average 6/ | Standard Deviation 6/ | Projections | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | | | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2016-2021 Average | 2026 | 2036 | 2022-2036 Average |
| **External debt (nominal) 1/** | **29.1** | **36.7** | **32.1** | | | **36.5** | **36.1** | **36.6** | **36.9** | **37.8** | **38.3** | 37.0 | **35.5** | **29.9** | |
| *of which: public and publicly guaranteed (PPG)* | 16.3 | 18.3 | 22.5 | | | 22.2 | 22.5 | 22.8 | 22.9 | 22.8 | 22.8 | 22.7 | 21.4 | 15.8 | |
| Change in external debt | -7.8 | 7.6 | -4.7 | | | 4.5 | -0.5 | 0.5 | 0.3 | 0.9 | 0.5 | 1.0 | -1.5 | -0.6 | |
| Identified net debt-creating flows | -5.3 | -6.0 | 2.7 | | | -3.2 | -3.4 | -3.5 | -3.5 | -3.8 | -4.0 | -3.6 | -3.1 | -3.0 | |
| **Non-interest current account deficit** | **0.1** | **-2.9** | **-0.3** | **-3.9** | **4.0** | **0.5** | **1.0** | **1.0** | **1.1** | **1.0** | **0.7** | 0.9 | **0.6** | **-0.1** | 0.5 |
| Deficit in balance of goods and services | -2.9 | -4.8 | -2.0 | | | -0.8 | -0.5 | -0.4 | -0.2 | -0.3 | -0.7 | -0.5 | -2.2 | -3.8 | -2.6 |
| Exports | 41.5 | 39.3 | 38.2 | | | 36.0 | 37.0 | 37.3 | 37.3 | 37.4 | 38.0 | 37.2 | 39.7 | 46.1 | 41.8 |
| Imports | 38.6 | 34.4 | 36.1 | | | 35.2 | 36.5 | 36.8 | 37.1 | 37.1 | 37.4 | 36.7 | 37.5 | 42.3 | 39.2 |
| Net current transfers (negative = inflow) | 1.4 | 0.8 | 0.2 | 1.5 | 0.8 | 0.0 | 0.2 | 0.1 | 0.0 | 0.1 | 0.2 | 0.1 | 1.5 | 2.3 | 1.7 |
| *of which: official* | -0.4 | -0.7 | -1.5 | | | -1.7 | -1.5 | -1.6 | -1.6 | -1.6 | -1.4 | -1.6 | -0.8 | -0.1 | |
| Other current account flows (negative = net inflow) | 1.6 | 1.1 | 1.6 | | | 1.3 | 1.4 | 1.3 | 1.3 | 1.2 | 1.2 | 1.3 | 1.3 | 1.4 | |
| **Net FDI (negative = inflow)** | **-1.3** | **-1.2** | **-1.3** | **-1.5** | **0.3** | **-2.9** | **-3.3** | **-3.5** | **-3.7** | **-4.0** | **-4.0** | -3.6 | **-3.2** | **-2.7** | -3.2 |
| **Endogenous debt dynamics 2/** | **-4.0** | **-1.9** | **4.2** | | | **-0.7** | **-1.1** | **-1.0** | **-0.9** | **-0.8** | **-0.8** | -0.9 | **-0.4** | **-0.2** | |
| Contribution from nominal interest rate | 1.3 | 1.4 | 1.3 | | | 1.6 | 1.5 | 1.5 | 1.6 | 1.6 | 1.6 | 1.6 | 1.6 | 1.4 | |
| Contribution from real GDP growth | -2.9 | -2.3 | -3.6 | | | -2.3 | -2.6 | -2.5 | -2.4 | -2.4 | -2.4 | -2.5 | -2.0 | -1.6 | |
| Contribution from price and exchange rate changes | -2.4 | -1.1 | 6.5 | | | ... | ... | ... | ... | ... | ... | | ... | ... | |
| **Residual (3-4) 3/** | **-2.5** | **13.6** | **-7.4** | | | **7.7** | **2.9** | **4.0** | **3.8** | **4.7** | **4.5** | 4.6 | **1.6** | **2.4** | 2.5 |
| *of which: exceptional financing* | 0.0 | 0.0 | 0.0 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| PV of external debt 4/ | ... | ... | 31.1 | | | 35.0 | 34.0 | 34.2 | 34.2 | 34.8 | 35.1 | 34.6 | 31.9 | 26.6 | |
| In percent of exports | ... | ... | 81.5 | | | 97.2 | 91.9 | 91.8 | 91.6 | 93.1 | 92.3 | 93.0 | 80.5 | 57.6 | |
| **PV of PPG external debt** | **...** | **...** | **21.5** | | | **20.7** | **20.5** | **20.5** | **20.2** | **19.9** | **19.6** | 20.2 | **17.9** | **12.5** | |
| **In percent of exports** | **...** | **...** | **56.5** | | | **57.5** | **55.3** | **54.9** | **54.2** | **53.2** | **51.6** | 54.4 | **45.0** | **27.0** | |
| **In percent of government revenues** | **...** | **...** | **114.8** | | | **108.7** | **104.4** | **103.3** | **101.9** | **99.1** | **97.3** | 102.4 | **82.9** | **53.1** | |
| **Debt service-to-exports ratio (in percent)** | **11.0** | **7.0** | **8.4** | | | **16.0** | **9.3** | **9.3** | **9.3** | **9.5** | **9.5** | 10.5 | **11.0** | **8.4** | |
| **PPG debt service-to-exports ratio (in percent)** | **2.2** | **2.5** | **3.5** | | | **5.1** | **4.4** | **4.7** | **5.1** | **5.2** | **5.4** | 5.0 | **7.5** | **5.8** | |
| **PPG debt service-to-revenue ratio (in percent)** | **5.0** | **5.7** | **7.0** | | | **9.7** | **8.4** | **8.9** | **9.6** | **9.8** | **10.2** | 9.4 | **13.7** | **11.4** | |
| Total gross financing need (Billions of U.S. dollars) | 2.1 | -0.5 | 3.1 | | | 0.4 | 1.3 | 1.1 | 1.3 | 1.3 | 1.8 | 1.2 | 3.5 | 5.3 | |
| Non-interest current account deficit that stabilizes debt ratio | 7.9 | -10.5 | 4.4 | | | -4.0 | 1.5 | 0.5 | 0.8 | 0.1 | 0.2 | -0.2 | 2.0 | 0.5 | |
| **Key macroeconomic assumptions** | | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 9.3 | 8.8 | 8.9 | 4.4 | 4.7 | 7.9 | 7.9 | 7.8 | 7.3 | 7.2 | 6.9 | 7.5 | 5.9 | 5.5 | 5.9 |
| GDP deflator in US dollar terms (change in percent) | 6.8 | 3.9 | -15.0 | 2.7 | 9.1 | 1.7 | 2.3 | 2.4 | 2.6 | 2.8 | 1.7 | 2.2 | 1.6 | 1.7 | 1.7 |
| Effective interest rate (percent) 5/ | 4.0 | 5.6 | 3.3 | 3.1 | 1.1 | 5.4 | 4.6 | 4.7 | 4.7 | 4.8 | 4.8 | 4.8 | 4.7 | 4.9 | 4.7 |
| Growth of exports of G&S (US dollar terms, in percent) | -0.9 | 7.0 | -10.0 | 4.2 | 8.1 | 3.6 | 13.4 | 11.1 | 10.4 | 10.5 | 10.6 | 9.9 | 9.1 | 8.9 | 9.1 |
| Growth of imports of G&S (US dollar terms, in percent) | 0.7 | 0.9 | -2.8 | 5.3 | 10.9 | 7.0 | 14.3 | 11.4 | 11.1 | 10.0 | 9.6 | 10.6 | 8.6 | 8.7 | 8.6 |
| Grant element of new public sector borrowing (in percent) | ... | ... | ... | ... | ... | 27.4 | 23.1 | 17.9 | 19.2 | 17.1 | 17.3 | 20.3 | 9.3 | 4.0 | 7.9 |
| Government revenues (excluding grants, in percent of GDP) | 18.4 | 17.1 | 18.8 | | | 19.1 | 19.6 | 19.8 | 19.8 | 20.1 | 20.2 | | 21.6 | 23.5 | 22.1 |
| Aid flows (in Billions of US dollars) 7/ | 0.4 | 0.6 | 0.5 | | | 0.6 | 0.6 | 0.7 | 0.8 | 0.8 | 0.8 | | 0.7 | 0.2 | |
| *of which: Grants* | 0.4 | 0.6 | 0.5 | | | 0.6 | 0.6 | 0.7 | 0.8 | 0.8 | 0.8 | | 0.7 | 0.2 | |
| *of which: Concessional loans* | 0.0 | 0.0 | 0.0 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | |
| Grant-equivalent financing (in percent of GDP) 8/ | ... | ... | ... | | | 2.5 | 2.3 | 2.2 | 2.3 | 2.1 | 2.0 | | 1.0 | 0.2 | 0.8 |
| Grant-equivalent financing (in percent of external financing) 8/ | ... | ... | ... | | | 53.3 | 46.8 | 43.9 | 45.9 | 45.8 | 44.2 | | 29.7 | 9.2 | 21.5 |
| *Memorandum items:* | | | | | | | | | | | | | | | |
| Nominal GDP (Billions of US dollars) | 31.3 | 35.4 | 32.8 | | | 35.9 | 39.7 | 43.8 | 48.2 | 53.1 | 57.8 | | 86.3 | 175.3 | 111.6 |
| Nominal dollar GDP growth | 16.7 | 13.1 | -7.4 | | | 9.7 | 10.4 | 10.4 | 10.1 | 10.2 | 8.8 | 9.9 | 7.6 | 7.3 | 7.7 |
| PV of PPG external debt (in Billions of US dollars) | | | 6.9 | | | 7.4 | 8.1 | 9.0 | 9.8 | 10.6 | 11.3 | | 15.4 | 21.8 | |
| (PVt-PVt-1)/GDPt-1 (in percent) | | | | | | 1.5 | 2.0 | 2.1 | 1.9 | 1.6 | 1.5 | 1.8 | 0.3 | 0.3 | 0.8 |
| Gross workers' remittances (Billions of US dollars) | 0.0 | -0.5 | -0.5 | | | -0.5 | -0.6 | -0.7 | -0.7 | -0.8 | -0.9 | | -1.8 | -3.9 | |
| PV of PPG external debt (in percent of GDP + remittances) | ... | ... | 21.9 | | | 21.0 | 20.8 | 20.8 | 20.5 | 20.2 | 19.9 | | 18.2 | 12.7 | |
| PV of PPG external debt (in percent of exports + remittances) | ... | ... | 58.8 | | | 60.0 | 57.7 | 57.3 | 56.4 | 55.4 | 53.7 | | 47.5 | 28.4 | |
| Debt service of PPG external debt (in percent of exports + remittances) | ... | ... | 3.6 | | | 5.4 | 4.6 | 4.9 | 5.3 | 5.5 | 5.6 | | 7.9 | 6.1 | |

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Assumes that PV of private sector debt is equivalent to its face value.

5/ Current-year interest payments divided by previous period debt stock.

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

7/ Defined as grants, concessional loans, and debt relief.

8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

## Table 2. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2016–36

(Percent)

| | Projections | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | **2026** | 2036 |
| **PV of debt-to GDP ratio** | | | | | | | | |
| **Baseline** | 21 | 20 | 20 | 20 | 20 | 20 | **18** | 12 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2016-2036 1/ | 21 | 22 | 23 | 25 | 26 | 28 | **33** | 26 |
| A2. New public sector loans on less favorable terms in 2016-2036 2 | 21 | 21 | 22 | 23 | 23 | 23 | **25** | 25 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2017-2018 | 21 | 22 | 24 | 24 | 23 | 23 | **21** | 15 |
| B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/ | 21 | 26 | 36 | 35 | 34 | 33 | **26** | 14 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018 | 21 | 22 | 25 | 24 | 24 | 23 | **21** | 15 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/ | 21 | 25 | 29 | 29 | 28 | 27 | **22** | 13 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 21 | 32 | 48 | 47 | 46 | 44 | **33** | 17 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/ | 21 | 29 | 29 | 29 | 28 | 28 | **25** | 18 |
| **PV of debt-to-exports ratio** | | | | | | | | |
| **Baseline** | 57 | 55 | 55 | 54 | 53 | 52 | **45** | 27 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2016-2036 1/ | 57 | 59 | 63 | 66 | 70 | 73 | **84** | 55 |
| A2. New public sector loans on less favorable terms in 2016-2036 2 | 57 | 58 | 59 | 61 | 61 | 61 | **63** | 54 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2017-2018 | 57 | 55 | 55 | 54 | 53 | 52 | **45** | 27 |
| B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/ | 57 | 84 | 132 | 128 | 124 | 119 | **88** | 40 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018 | 57 | 55 | 55 | 54 | 53 | 52 | **45** | 27 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/ | 57 | 67 | 79 | 77 | 75 | 72 | **56** | 28 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 57 | 88 | 134 | 130 | 126 | 121 | **87** | 38 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/ | 57 | 55 | 55 | 54 | 53 | 52 | **45** | 27 |
| **PV of debt-to-revenue ratio** | | | | | | | | |
| **Baseline** | 109 | 104 | 103 | 102 | 99 | 97 | **83** | 53 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2016-2036 1/ | 109 | 112 | 118 | 124 | 130 | 137 | **154** | 109 |
| A2. New public sector loans on less favorable terms in 2016-2036 2 | 109 | 109 | 112 | 114 | 114 | 116 | **116** | 107 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2017-2018 | 109 | 113 | 121 | 120 | 116 | 114 | **97** | 62 |
| B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/ | 109 | 134 | 182 | 177 | 169 | 165 | **119** | 58 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018 | 109 | 114 | 124 | 123 | 118 | 116 | **99** | 63 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/ | 109 | 127 | 148 | 145 | 139 | 136 | **103** | 56 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 109 | 161 | 245 | 237 | 227 | 220 | **155** | 72 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/ | 109 | 148 | 147 | 145 | 140 | 138 | **117** | 75 |

## Table 2. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2016–36 (concluded)

(Percent)

| | Projections | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | **2026** | 2036 |
| **Debt service-to-exports ratio** | | | | | | | | |
| **Baseline** | 5 | 4 | 5 | 5 | 5 | 5 | **7** | 6 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2016-2036 1/ | 5 | 5 | 5 | 6 | 6 | 7 | **11** | 10 |
| A2. New public sector loans on less favorable terms in 2016-2036 2 | 5 | 4 | 4 | 5 | 4 | 4 | **7** | 10 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2017-2018 | 5 | 4 | 5 | 5 | 5 | 5 | **7** | 6 |
| B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/ | 5 | 5 | 7 | 10 | 10 | 10 | **15** | 9 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018 | 5 | 4 | 5 | 5 | 5 | 5 | **7** | 6 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/ | 5 | 4 | 5 | 6 | 6 | 6 | **9** | 6 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 5 | 5 | 7 | 9 | 9 | 10 | **15** | 8 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/ | 5 | 4 | 5 | 5 | 5 | 5 | **7** | 6 |
| **Debt service-to-revenue ratio** | | | | | | | | |
| **Baseline** | 10 | 8 | 9 | 10 | 10 | 10 | **14** | 11 |
| **A. Alternative Scenarios** | | | | | | | | |
| A1. Key variables at their historical averages in 2016-2036 1/ | 10 | 9 | 10 | 11 | 12 | 12 | **21** | 20 |
| A2. New public sector loans on less favorable terms in 2016-2036 2 | 10 | 8 | 8 | 9 | 8 | 8 | **14** | 19 |
| **B. Bound Tests** | | | | | | | | |
| B1. Real GDP growth at historical average minus one standard deviation in 2017-2018 | 10 | 9 | 10 | 11 | 11 | 12 | **16** | 13 |
| B2. Export value growth at historical average minus one standard deviation in 2017-2018 3/ | 10 | 8 | 10 | 13 | 13 | 13 | **20** | 13 |
| B3. US dollar GDP deflator at historical average minus one standard deviation in 2017-2018 | 10 | 9 | 11 | 12 | 12 | 12 | **16** | 14 |
| B4. Net non-debt creating flows at historical average minus one standard deviation in 2017-2018 4/ | 10 | 8 | 10 | 12 | 12 | 12 | **17** | 12 |
| B5. Combination of B1-B4 using one-half standard deviation shocks | 10 | 9 | 13 | 17 | 17 | 17 | **26** | 16 |
| B6. One-time 30 percent nominal depreciation relative to the baseline in 2017 5/ | 10 | 12 | 13 | 14 | 14 | 14 | **19** | 16 |
| *Memorandum item:* | | | | | | | | |
| Grant element assumed on residual financing (i.e., financing required above baseline) 6/ | -1 | -1 | -1 | -1 | -1 | -1 | **-1** | -1 |

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

## Table 3. Côte d'Ivoire: Public Sector Debt Sustainability Framework, Baseline Scenario, 2013–36

(Percent of GDP, unless otherwise indicated)

| | Actual | | | | | Estimate | | | | | Projections | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | Average 5/ | Standard Deviation 5/ | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2016-21 Average | 2026 | 2036 | 2022-36 Average |
| **Public sector debt 1/** | 33.8 | 41.9 | 47.6 | | | 44.0 | 43.1 | 41.5 | 42.0 | 43.0 | 44.0 | | 39.5 | 30.1 | |
| *of which: foreign-currency denominated* | 16.3 | 18.3 | 22.5 | | | 22.2 | 22.5 | 22.8 | 22.9 | 22.8 | 22.8 | | 21.4 | 15.8 | |
| Change in public sector debt | -2.8 | 8.1 | 5.7 | | | -3.5 | -0.9 | -1.6 | 0.5 | 1.0 | 0.9 | | -1.4 | -1.9 | |
| Identified debt-creating flows | -2.6 | 0.1 | 0.4 | | | -0.5 | -0.5 | -0.6 | -0.8 | -0.8 | -0.6 | | -0.5 | -0.1 | |
| Primary deficit | 1.2 | 1.3 | 1.6 | 1.0 | 1.2 | 2.5 | 2.2 | 1.9 | 1.5 | 1.4 | 1.5 | 1.8 | 1.0 | 0.9 | 1.0 |
| Revenue and grants | 19.7 | 18.9 | 20.2 | | | 20.7 | 21.1 | 21.4 | 21.5 | 21.7 | 21.6 | 21.3 | 22.3 | 23.6 | 22.6 |
| *of which: grants* | 1.3 | 1.7 | 1.5 | | | 1.7 | 1.5 | 1.6 | 1.6 | 1.6 | 1.4 | | 0.8 | 0.1 | |
| Primary (noninterest) expenditure | 20.9 | 20.1 | 21.8 | | | 23.2 | 23.3 | 23.3 | 23.0 | 23.1 | 23.1 | 23.2 | 23.3 | 24.5 | 23.6 |
| Automatic debt dynamics | -3.8 | -1.1 | -1.0 | | | -2.8 | -2.6 | -2.5 | -2.3 | -2.2 | -2.1 | | -1.5 | -1.0 | |
| Contribution from interest rate/growth differential | -2.9 | -2.7 | -3.0 | | | -2.6 | -2.4 | -2.4 | -2.1 | -2.1 | -2.1 | | -1.6 | -1.0 | |
| *of which: contribution from average real interest rate* | 0.2 | 0.0 | 0.5 | | | 0.9 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 | | 0.7 | 0.7 | |
| *of which: contribution from real GDP growth* | -3.1 | -2.7 | -3.4 | | | -3.5 | -3.2 | -3.1 | -2.8 | -2.8 | -2.8 | | -2.3 | -1.7 | |
| Contribution from real exchange rate depreciation | -0.9 | 1.6 | 1.9 | | | -0.3 | -0.2 | -0.1 | -0.2 | 0.0 | 0.1 | | ... | ... | |
| Other identified debt-creating flows | 0.0 | -0.1 | -0.2 | | | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | |
| Privatization receipts (negative) | 0.0 | -0.1 | -0.2 | | | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | |
| Recognition of implicit or contingent liabilities | 0.0 | 0.0 | 0.0 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | |
| Debt relief (HIPC and other) | 0.0 | 0.0 | 0.0 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | |
| Other (specify, e.g. bank recapitalization) | 0.0 | 0.0 | 0.0 | | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | | 0.0 | 0.0 | |
| Residual, including asset changes | -0.2 | 8.0 | 5.3 | | | -3.0 | -0.4 | -1.0 | 1.3 | 1.8 | 1.5 | | -1.0 | -1.8 | -0.5 |
| **Other Sustainability Indicators** | | | | | | | | | | | | | | | |
| **PV of public sector debt** | ... | ... | 46.6 | | | 42.5 | 41.1 | 39.2 | 39.3 | 40.1 | 40.8 | | 36.0 | 26.8 | |
| *of which: foreign-currency denominated* | ... | ... | 21.5 | | | 20.7 | 20.5 | 20.5 | 20.2 | 19.9 | 19.6 | | 17.9 | 12.5 | |
| *of which: external* | ... | ... | 21.5 | | | 20.7 | 20.5 | 20.5 | 20.2 | 19.9 | 19.6 | | 17.9 | 12.5 | |
| PV of contingent liabilities (not included in public sector debt) | ... | ... | ... | | | ... | ... | ... | ... | ... | ... | | ... | ... | |
| Gross financing need 2/ | 4.8 | 2.6 | 8.8 | | | 11.3 | 6.6 | 5.0 | 3.7 | 4.6 | 6.3 | | 7.0 | 2.1 | |
| PV of public sector debt-to-revenue and grants ratio (in percent) | ... | ... | 230.4 | | | 204.9 | 194.6 | 183.2 | 183.2 | 185.1 | 188.7 | | 161.2 | 113.3 | |
| PV of public sector debt-to-revenue ratio (in percent) | ... | ... | 248.3 | | | 222.9 | 209.4 | 197.8 | 198.3 | 199.7 | 202.2 | | 166.8 | 114.0 | |
| *of which: external 3/* | ... | ... | 114.8 | | | 108.7 | 104.4 | 103.3 | 101.9 | 99.1 | 97.3 | | 82.9 | 53.1 | |
| Debt service-to-revenue and grants ratio (in percent) 4/ | 7.1 | 8.0 | 10.3 | | | 12.2 | 11.0 | 11.3 | 11.8 | 11.8 | 12.2 | 11.7 | 15.5 | 13.7 | 14.2 |
| Debt service-to-revenue ratio (in percent) 4/ | 7.6 | 8.8 | 11.1 | | | 13.3 | 11.9 | 12.2 | 12.8 | 12.7 | 13.0 | 12.7 | 16.1 | 13.8 | 14.6 |
| Primary deficit that stabilizes the debt-to-GDP ratio | 4.0 | -6.8 | -4.0 | | | 6.0 | 3.1 | 3.5 | 1.0 | 0.4 | 0.5 | 2.4 | 2.5 | 2.8 | 1.9 |
| **Key macroeconomic and fiscal assumptions** | | | | | | | | | | | | | | | |
| Real GDP growth (in percent) | 9.3 | 8.8 | 8.9 | 4.4 | 4.7 | 7.9 | 7.9 | 7.8 | 7.3 | 7.2 | 6.9 | 7.5 | 5.9 | 5.5 | 5.9 |
| Average nominal interest rate on forex debt (in percent) | 4.2 | 3.7 | 4.3 | 2.2 | 1.4 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.3 | 4.5 | 4.3 |
| Average real interest rate on domestic debt (in percent) | -1.2 | -1.6 | 0.3 | -1.8 | 1.8 | 1.8 | 1.8 | 1.4 | 1.5 | 1.3 | 1.0 | 1.5 | 1.1 | 1.9 | 1.4 |
| Real exchange rate depreciation (in percent, + indicates depreciation) | -5.6 | 10.5 | 11.3 | -0.5 | 7.8 | -1.2 | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| Inflation rate (GDP deflator, in percent) | 3.4 | 3.9 | 1.8 | 3.5 | 2.1 | 1.0 | 1.4 | 1.9 | 1.9 | 2.0 | 1.9 | 1.7 | 1.6 | 1.7 | 1.7 |
| Growth of real primary spending (deflated by GDP deflator, in percent) | 5.8 | 4.8 | 18.2 | 2.9 | 5.8 | 14.7 | 8.0 | 7.8 | 6.0 | 7.6 | 7.1 | 8.5 | 5.3 | 6.3 | 6.3 |
| Grant element of new external borrowing (in percent) | ... | ... | ... | ... | ... | 27.4 | 23.1 | 17.9 | 19.2 | 17.1 | 17.3 | 20.3 | 9.3 | 4.0 | ... |

Sources: Country authorities; and staff estimates and projections.

1/ [Indicate coverage of public sector, e.g., general government or nonfinancial public sector. Also whether net or gross debt is used.]

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

## Table 4. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public Debt 2016–36

| | Projections | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2026 | 2036 |
| **PV of Debt-to-GDP Ratio** | | | | | | | | |
| **Baseline** | 42 | 41 | 39 | 39 | 40 | 41 | 36 | 27 |
| **A. Alternative scenarios** | | | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 42 | 41 | 40 | 40 | 42 | 43 | 40 | 31 |
| A2. Primary balance is unchanged from 2016 | 42 | 41 | 40 | 41 | 43 | 45 | 45 | 50 |
| A3. Permanently lower GDP growth 1/ | 42 | 42 | 40 | 42 | 44 | 46 | 51 | 79 |
| **B. Bound tests** | | | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviations in 2017-20 | 42 | 46 | 51 | 54 | 58 | 62 | 72 | 92 |
| B2. Primary balance is at historical average minus one standard deviations in 2017-201 | 42 | 41 | 40 | 40 | 40 | 41 | 36 | 27 |
| B3. Combination of B1-B2 using one half standard deviation shocks | 42 | 43 | 43 | 45 | 48 | 51 | 57 | 69 |
| B4. One-time 30 percent real depreciation in 2017 | 42 | 49 | 47 | 46 | 47 | 47 | 43 | 37 |
| B5. 10 percent of GDP increase in other debt-creating flows in 2017 | 42 | 51 | 49 | 49 | 49 | 50 | 44 | 33 |
| **PV of Debt-to-Revenue Ratio 2/** | | | | | | | | |
| **Baseline** | 205 | 195 | 183 | 183 | 185 | 189 | 161 | 113 |
| **A. Alternative scenarios** | | | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 205 | 195 | 184 | 187 | 191 | 197 | 176 | 130 |
| A2. Primary balance is unchanged from 2016 | 205 | 196 | 188 | 192 | 199 | 207 | 204 | 212 |
| A3. Permanently lower GDP growth 1/ | 205 | 197 | 189 | 193 | 200 | 210 | 226 | 333 |
| **B. Bound tests** | | | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviations in 2017-20 | 205 | 217 | 235 | 249 | 266 | 284 | 321 | 391 |
| B2. Primary balance is at historical average minus one standard deviations in 2017-201 | 205 | 195 | 185 | 185 | 187 | 190 | 163 | 114 |
| B3. Combination of B1-B2 using one half standard deviation shocks | 205 | 202 | 197 | 208 | 221 | 235 | 255 | 291 |
| B4. One-time 30 percent real depreciation in 2017 | 205 | 233 | 218 | 216 | 216 | 219 | 191 | 156 |
| B5. 10 percent of GDP increase in other debt-creating flows in 2017 | 205 | 242 | 229 | 227 | 227 | 229 | 195 | 140 |
| **Debt Service-to-Revenue Ratio 2/** | | | | | | | | |
| **Baseline** | 12 | 11 | 11 | 12 | 12 | 12 | 16 | 14 |
| **A. Alternative scenarios** | | | | | | | | |
| A1. Real GDP growth and primary balance are at historical averages | 12 | 11 | 12 | 12 | 11 | 12 | 16 | 15 |
| A2. Primary balance is unchanged from 2016 | 12 | 11 | 11 | 12 | 13 | 14 | 20 | 28 |
| A3. Permanently lower GDP growth 1/ | 12 | 11 | 12 | 12 | 13 | 14 | 22 | 42 |
| **B. Bound tests** | | | | | | | | |
| B1. Real GDP growth is at historical average minus one standard deviations in 2017-20 | 12 | 12 | 14 | 16 | 18 | 21 | 34 | 53 |
| B2. Primary balance is at historical average minus one standard deviations in 2017-201 | 12 | 11 | 11 | 12 | 12 | 12 | 16 | 14 |
| B3. Combination of B1-B2 using one half standard deviation shocks | 12 | 12 | 12 | 12 | 13 | 15 | 26 | 39 |
| B4. One-time 30 percent real depreciation in 2017 | 12 | 13 | 15 | 16 | 17 | 18 | 26 | 29 |
| B5. 10 percent of GDP increase in other debt-creating flows in 2017 | 12 | 11 | 14 | 19 | 19 | 20 | 21 | 18 |

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.

**Statement by Mr. Daouda Sembene, Executive Director for Côte d'Ivoire and Mr. Marcellin Koffi Alle, Senior Advisor to the Executive Director**
**December 12, 2016**

1. Our Ivorian authorities would like to thank the Board, Management and Staff for the Fund's continuous support to their development agenda. Fund engagement has been instrumental in Côte d'Ivoire's turnaround since 2011. Under the Extended Credit Facility (ECF) concluded with the Fund in November 2011—and subsequently extended by one year—in support of the implementation of the 2012–15 National Development Plan (NDP), Côte d'Ivoire made significant inroads in achieving macroeconomic stability, improving economic governance, sustaining strong growth and reducing poverty over the last five years. In addition, the ECF-supported program contributed to catalyzing external financing both from donors and the private sector and helped the authorities achieve the goals set forth in the 2012-15 NDP. Buoyed by public and private investments mainly in infrastructure, growth averaged 9 percent over the 2012-15 period and important strides were also made in accelerating poverty reduction and strengthening socio-political stability.

2. Looking ahead, Côte d'Ivoire has adopted a new National Development Plan (2016-2020 NDP) aimed at embarking the country on a path toward emerging-market status by 2020 and halving poverty. Under the 2016-20 NDP, priority is given to the need to strengthen further institutional quality and good governance, promote structural transformation of the economy, consolidate the macroeconomic framework, and improve the redistribution of the benefits of growth in order to halve the poverty rate. The requested arrangement under the Extended Fund Facility (EFF) and the Extended Credit Facility (ECF) will support the NDP objectives, including by helping to create fiscal space for further enhancing the infrastructure base, make growth more inclusive, and foster economic transformation. The authorities are of the view that a program supported by a blend of resources from the ECF and EFF arrangements will help Côte d'Ivoire to continue reform implementation, notably with a view to strengthening further the business environment as well as the energy and financial sectors.

## Recent Developments and Outlook

3. The Ivorian authorities have demonstrated strong program ownership and an impressive track record in policy implementation under the past ECF-supported program. As a result, macroeconomic indicators have exhibited buoyancy in the recent period. Real GDP has kept its strong momentum and is projected to be strong in 2016, notably on the back of the dynamism of the secondary and tertiary sectors supported by expanding extractive industries and strong domestic demand. Inflation is subdued and should remain well below the WAEMU target of 3 percent at year-end. The fiscal balance has been kept under control thanks to the authorities' prudent management and efforts in revenue mobilization and spending restraints.

4. On the structural front, the authorities have advanced a vast array of reforms in recent years. In this regard, significant changes were introduced in the tax administrations to broaden the tax base, streamline processes, enhance transparency and accountability and combat fraud. The supervisory bodies for public enterprises have been strengthened with the view to better accounting for their activities and financial situations. Further progress has been made in restructuring public banks. In mid-2016, the government decided to privatize two of them, *Versus Bank* and *Banque de l'Habitat*, while restructuring *Caisse Nationale des Caisses d'Epargne* and allow it to better fulfill its strategic role in promoting financial inclusion. Initiatives to improve the business environment witnessed a major step with the inception of the Credit Bureau in February 2016 and the one-stop shop for property licenses.

5. Our authorities concur with staff that the macroeconomic outlook remains favorable and they continue to be committed to stepping up efforts to address the remaining structural bottlenecks for bolstering economic transformation. In order to reach PND objectives, the three-year economic and financial program formulated by the government will build on: (i) preserving room for government fiscal adjustments and ensuring the continuing sustainability of the public debt; (ii) reinforcing public finance administration and the management of public enterprises; (iii) enhancing further an enabling business environment for the private sector; (iv) developing the financial sector; and (v) reinforcing the statistics system.

6. The Consultative Group organized by the authorities in May 2016 in Paris was a success and the financial pledges from donors outstripped the authorities' expectations. Going forward, the authorities intend to continue to diversify their sources of financing while being mindful of the need to preserve debt sustainability.

## Policies and Reforms for 2016-19

7. For the period 2016-19, the Ivorian authorities will pursue an ambitious agenda of economic policies and reforms in line with the NDP objectives. In particular, they will aim to create space for infrastructure investment while preserving medium-term fiscal sustainability and furthering a wide range of structural reforms for economic transformation.

### *Promoting infrastructure investment*

8. The authorities plan to maintain the pace of investment which has contributed to strong growth since 2012. While a greater participation of the private sector is sought in this regard, public financing is still needed for the major projects planned in infrastructure, agriculture, education, health, transport and power generation, some of which will be implemented through PPPs. Consequently, fiscal policy over the period will be characterized by an accommodative deficit of 4 percent of GDP in 2016, 3.7 in 2017 and a gradual tightening toward complying with the regional deficit ceiling of 3 percent by 2019.

9. To maintain their programmed fiscal stance, strengthening domestic revenue mobilization ranks high on our authorities' agenda. Their medium term objective is to raise the tax-to-GDP ratio from 15.7 percent in 2015 to 17.1 in 2019. Measures in this regard

include (i) further expanding the tax base by better monitoring medium-sized enterprises, assessing the Investment Code to streamline exemptions; (ii) modernizing and strengthening the tax administrations through automation, introduction of electronic billing, and the adoption of a new Customs Code. The improvement in tax administration is projected to increase non-earmarked tax collection by 0.4 percent of GDP. The assessment of the economic benefits and fiscal costs of the Investment Code to be concluded by mid-2017 will inform the authorities' actions in this area and help identify additional revenue measures. On the expenditure side, the authorities' guiding principle is to contain non-priority spending to make room for investment, pro-poor spending and security outlays. To this end, they are committed to continue streamlining current expenditures, rationalizing subsidies and current transfers, and exercising stricter control over the wage bill.

10. A set of reforms in Public Financial Management (PFM) will continue to be implemented to create fiscal space in the period ahead and maintain debt sustainability. They include the launch of program budgeting, the provision of additional budget documentation on PPPs-related fiscal risks and public enterprises to the annual budget law and measures to reduce the recourse to exceptional expenditure procedures.

***Ensuring debt sustainability***

11. Our authorities broadly agree with staff conclusion in the DSA, that Côte d'Ivoire "remains at moderate risk of debt distress, in line with the previous DSA carried out in June 2015 for the 8th review under the Extended Credit Facility arrangement". In this regard, the authorities find the macroeconomic assumptions in the baseline scenario too conservative. They would have liked these assumptions to better account for the expected dividends of the recent strong economic performance and progress in advancing far-reaching reforms. In particular, they considered that the peaceful October 2015 presidential election and Constitutional Referendum held in October 2016 would have a strong positive impact on growth, notably by reducing political uncertainty. As previously suggested, the authorities would have also liked staff to include an additional scenario that would be underpinned by stronger growth driven by a higher level of private investment. Going forward, we call on staff to continue working closely with them to explore ways of improving the country's debt distress rating further.

12. The authorities are committed to maintaining debt sustainability through a prudent borrowing along the lines defined in the national medium term debt management strategy. Furthermore, the government will pursue its current strategy in terms of diversifying financing sources with a view to lowering borrowing costs. In addition, efforts to enhance debt management capacities will continue, notably by completing the reorganization of the debt management unit into front, middle and back office, for a better monitoring of debt dynamics.

***Furthering structural reforms for economic transformation***

13. The authorities are cognizant of the need to undertake bold structural reforms in key sectors to underpin their agenda of economic transformation. The objective of accelerating

the transformation of primary products and the industrialization of the economy is backed by a set of reforms and initiatives planned in various sectors, including the financial and energy sectors, the business environment, and the manufacturing sector.

14. As regards the **business climate**, the authorities intend to keep the reform momentum, which helped Côte d'Ivoire improve its ranking in many reports over the past years, including the "Doing Business" report. In this vein, they have identified, with the assistance of the World Bank, an array of reforms to be implemented in 2017, which include further measures to facilitate the starting of a business, making available online all information related to construction permits and measures to enforce contracts and to streamline processes for dispute resolution. Reducing production factor costs is also an important aspect of the strategy to improve the business climate and competitiveness. To this end, the authorities will maintain their efforts in building or revamping physical infrastructure notably roads, telecommunication networks and power plants and energy grids. Efforts to increase electricity supply by 23 percent in 2017 compared to 2015 are on track and should be boosted further as the government pursues its diversification strategy towards renewable energies.

15. Deepening the **financial sector** is, from the authorities' perspective, critical to expand further the private sector, which is the driving force of growth and job creation. In this vein, they attach a particular importance to financial inclusion, and have developed strategies to this end, with the regional central bank *BCEAO*. The now functioning Credit Bureau is a major step in the *BCEAO*'s plan to boost credit to the economy, especially to young entrepreneurs, start-ups and SMEs. In the period ahead, the restructuring process of the troubled public banks should gain traction following the clear options recently taken by the government for each of the entities.

16. Our authorities are committed to enhancing the overall sector of **public enterprises**, especially those playing a strategic role in the economy, such as the national oil refinery (SIR), the national oil company (PETROCI) and the public transportation company (SOTRA). The strategy for restoring financial viability of SIR has been adopted and is being implemented. The other companies undergoing restructuring are being closely monitored and the government is committed to taking needed actions to ensure that public resources are safeguarded.

17. The reforms and initiatives to improve the business climate, lower factor costs and deepen the financial sector should contribute to achieving the authorities' aim to step up the transformation of Côte d'Ivoire into an emerging market economy, while creating job opportunities especially for youth and promoting inclusive growth. The industrialization strategy includes measures aimed at increasing the processing of agricultural products and attracting new investors to recently created industrial parks.

18. The authorities also intend to put emphasis on enhancing **human capital** while better distributing growth dividends to make further inroads in poverty reduction. In this regard, they will take actions to improve the quality of the education system, making it more accessible to all and aligning curricula with the needs of the labor market. Likewise, steps

will be taken to improve the quality of health services while ensuring accessibility to all via the Universal Medical Coverage (*CMU*). The authorities will also overhaul the statistics system to better inform policymaking and, in this endeavor, Fund technical assistance will be welcome.

## Conclusion

19. Past Fund program engagement has provided valuable support for the Ivorian authorities' policy formulation and implementation, thus contributing to the country's strong economic performance in recent years. GDP has been strong and sustained and remarkable progress was also made in addressing the country's structural bottlenecks. Yet, challenges remain, including making growth even more inclusive and further reducing poverty. Our authorities are confident that the policies agreed upon with staff for the period ahead form a comprehensive package for a strong ECF and EFF-supported program, which would help entrench the gains of the past years. They are committed to its implementation with a view to moving Côte d'Ivoire towards an emerging market economy by 2020.

20. In view of the strong reform agenda and the authorities' strong commitment to the objectives of the program, we would appreciate the Board's support to their requests for an Extended Arrangement Under the Extended Fund Facility and an Arrangement Under the Extended Credit Facility.