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SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, AUGMENTATION OF ACCESS, AND TWELVE-MONTH EXTENSION OF THE CURRENT ARRANGEMENT—STAFF REPORT; PRESS RELEASE; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CÔTE D'IVOIRE

In the context of the Sixth Review Under the Extended Credit Facility Arrangement and Requests for Waiver of Nonobservance of Performance Criterion, Augmentation of Access, and Twelve-Month Extension of the Current Arrangement, the following documents have been released and are included in this package:

- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 5, 2014 following discussions that ended on October 2, 2014, with the officials of Côte d'Ivoire on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on November 20, 2014.
- An **Informational Annex** prepared by the IMF.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Press Release** including a statement by the Chair of the Executive Board.
- 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
- Supplement to the Memorandum of Economic and Financial Policies* by the authorities of Côte d'Ivoire
- Technical Memorandum of Understanding*

*Also included in the Staff Report.

The publication policy for staff reports and other documents allows for the deletion of market-sensitive information.

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SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, AUGMENTATION OF ACCESS, AND TWELVE-MONTH EXTENSION OF THE CURRENT ARRANGEMENT

November 20, 2014

KEY ISSUES

Program performance has been strong. All end-June performance criteria and indicative targets under the ECF arrangement were met, and all structural benchmarks were completed, albeit with minor delays. However, there was a nonobservance of the continuous performance criterion on the ceiling on new nonconcessional external debt in July with the issuance of the US$750 million Eurobond (exceeding the US$500 million program ceiling).

Policy discussions: Discussions focused on fiscal and financing policies for 2014 and 2015, and reforms needed to crowd in private sector and sustain high growth rates.

Risks are titled to the downside. A severe Ebola outbreak would constitute the main risk of disruption of economic activity. The run up to the October 2015 presidential elections presents modest risks of weakening of fiscal discipline and structural reform momentum. To mitigate the fiscal risks, revenue projections are built on conservative assumptions and the authorities have identified contingency spending in the budget.

Staff supports the completion of the sixth review under the ECF arrangement and requests for: (i) an augmentation in access; (ii) a 12-month extension of the current ECF arrangement; (iii) a waiver for the non-observance of the performance criterion on new nonconcessional external debt; and (iv) an increase in the ceiling on new nonconcessional external debt in 2015. Completion of the review will result in disbursement of an amount equivalent to SDR 65.04 million (20 percent of quota).

Approved By
A. Aemro Selassie (AFR) and Peter Allum (SPR)

Discussions took place during September 17–October 2, 2014 in Abidjan, Côte d'Ivoire. The staff team comprised Messrs. Lazare (head) and Koulet-Vickot, Ms. Macario (all AFR), Messrs. Dicks-Mireaux (SPR), Queyranne (FAD), and Metreau (STA). Mr. Feler (Resident representative) and Ms. Coulibaly, economist at the Resident representative's office, assisted the mission. Mr. Allé (OED) attended some meetings.

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Glossary

AFD	Agence française de développement
AfDB	African Development Bank
BCEAO	Central Bank of West African States
CFAF	African Financial Community Franc
CGRAE	Civil Service Pension Fund
CNPS	Private Sector Pension Fund
CP	Completion Point
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
EITI	Extractive Industries Transparency Initiative
FAD	Fiscal Affairs Department
FIRST	Financial Sector Reform and Strengthening Initiative
FSAP	Financial Sector Assessment Program
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Country
IFC	International Finance Corporation
IT	Indicative Target
LIC	Low Income Country
MEFP	Memorandum of Economic and Financial Policies
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MTEF	Medium Term Expenditure Framework
NDP	National Development Plan
PC	Performance Criterion
PEMFAR	Public Expenditure Management and Financial Accountability Review
PETROCI	Government-Owned Petroleum Company
PFM	Public Financial Management
PRSP	Poverty Reduction Strategy Paper
SIGFAE	Integrated Personnel Management System
SME	Small and medium-size enterprise
SSA	Sub-Saharan Africa
SIR	National oil refinery
TMU	Technical Memorandum of Understanding
TPCI	Government bonds issued through syndication
VAT	Value-Added Tax
WAEMU	West African Economic and Monetary Union

RECENT DEVELOPMENTS, PROGRAM PERFORMANCE, AND NEAR-TERM OUTLOOK

1. **Growth was strong in the first half of 2014 while inflation remained subdued reflecting lower food prices.** Output expansion is being driven by buoyant agriculture production (including in the cocoa sector where implementation of the 2012 reform coupled with high prices on the international market has resulted in a surge in planters' income), construction activities, and commerce. Inflation remained subdued. Export growth was robust and broad based, while the terms of trade improved due to the combination of higher cocoa prices and a fall in oil prices.

2. **Credit to the private sector has been growing rapidly.** While the rise in credit to the economy (over 25 percent year-on-year to July) is partly explained by borrowing by public enterprises, it also signals a continued gradual increase in private sector investment. Financial intermediation, however, remains limited, with credit to the economy at only about 17 percent of GDP.[1]

3. **Fiscal performance through end-June 2014 was better than programmed.** Revenue collection exceeded the program's target thanks to strong petroleum and cocoa taxes, which more than offset the shortfalls in corporate taxes (partly due to high investment in 2013 and provisioning in the banking sector) and customs duties (owing to administration issues). Spending was below the program target (94.4 percent of the objective) due to an under-execution of externally-funded investment projects and lower than programmed subsidies and transfers. Pro-poor spending was above the program target (106.1 percent). The primary basic balance was in surplus while the program had foreseen a deficit.

4. **Côte d'Ivoire successfully tapped the international bond market for the first time.** The July 2014 10-year $750 million Eurobond was more than six times oversubscribed. The issuance was preceded by positive debut sovereign ratings. These factors contributed to a favorable yield at issue of 5.625 percent, lower than the cost of borrowing on the regional market and lower than that of any other 2014 issue by an African country on the international bond market (*Text Table 1*).

[1] The soundness of the banking system has continued to strengthen with an overall capital adequacy ratio of almost 9 percent, although the capital of a couple of smaller banks is still below 8 percent. Non-performing loans have declined to about 12 percent and are well provisioned (Table 6).

Text Table 1. Sub-Saharan Africa: Credit Ratings (as of November 2014)

	S&P		Moody's		Fitch	
	Rating	Outlook	Rating	Outlook	Rating	Outlook
Cameroon	B	stable			B	stable
Ethiopia	B	stable	B1	stable	B	stable
Gabon	BB-	stable			BB-	stable
Ghana	B-	stable	B2	negative	B	negative
Côte d'Ivoire			**B1**	**positive**	**B**	**positive**
Kenya	B+	stable	B1	stable	B+	stable
Mauritius			Baa1	stable		
Nigeria	BB-	negative	Ba3	stable	BB-	stable
Senegal	B+	stable	B1	stable		
South Africa	BBB-	stable	Baa1	negative	BBB	negative
Uganda	B	stable	B1	stable	B	positive
Zambia	B+	negative	B1	stable	B	positive

Sources: S&P, Moody's, and Fitch.

5. Performance under the program remained strong:

- *All end-June 2014 performance criteria and indicative targets were met.* Nevertheless, there was a nonobservance of the continuous performance criterion on the ceiling on new nonconcessional external debt in July with the issuance of the US$750 million Eurobond (above the program ceiling of US$500 million). The US$250 million excess proceeds were used mostly for easing domestic financing constraints on the regional financial markets and for clearing domestic arrears. The authorities have requested a waiver for the nonobservance of this performance criterion. Staff supports this request because the excess proceeds were used to further the overall objectives of the program: reducing domestic arrears and improving the maturity structure of domestic debt. In addition, the size of the nonobservance is relatively small (0.7 percent of GDP or 3.2 percent of total external debt); moreover, the nonobservance does not have significant impact on Côte d'Ivoire's risk of debt distress or the overall success of the program.

- *All end-June 2014 structural benchmarks were implemented, albeit with minor delays (MEFP Tables 1 and 2.)* Notably, the Council of Ministers adopted in July the draft regulations transposing the remaining four WAEMU directives on public finance; the Minister of Finance adopted a strategy and a time-bound action plan for putting in place a Treasury single account; and the expenditure chain together with the end of year budgetary procedures were reviewed with Fund technical assistance.

- In addition, during the first semester of 2014, the amount of public procurement granted on a non-competitive basis dropped to 5.8 percent of the value of contracts (from 65 percent for the first semester of 2013), while the regulatory framework was strengthened and the delay required for contract approval shortened. The government also closed down a distressed small public bank (*Banque de Financement de l'Agriculture)* on September 30, 2014.

6. On the political front, preparations for the October 2015 elections are starting to dominate. Former President Bedié, head of the PDCI party, has endorsed President Ouattara's candidacy. Some further progress toward political reconciliation has been made, with the return of supporters of former President Gbagbo from exile and steps to return property to these supporters. However, the political landscape remains marked by divisions, including within the former ruling party (FPI) under the Gbagbo administration. These divisions have made it difficult to maintain a durable consensus regarding participation in the new Independent Electoral Commission. Progress toward political reconciliation may also be tested during former President Gbagbo's trial, whose start has been set for July 2015 by the International Criminal Court. Despite sporadic incidents, security continues to improve. The United Nations Security Council has extended UNOCI's mandate until end-June 2015, while indicating it would consider downsizing UNOCI and its possible termination after the October 2015 presidential elections.

7. The near-term macroeconomic outlook remains positive:

- *Real GDP growth is projected to reach 8.0 percent in 2014, slightly below the 8.5 percent previously projected.*[2] Supported by a robust performance in subsistence agriculture, the energy sector, construction, services and commerce, growth is projected to be about 8 percent in 2015 before declining to about 7½ percent in 2016–17.

- *The external current account deficit is projected to narrow to 3.1 percent of GDP in 2014 and about 2 percent of GDP in 2015*. This narrowing would be due to strong cocoa exports and subdued import growth, along with more favorable terms of trade (over 9 percent.). The overall balance would move from a small deficit (0.4 percent of GDP) to a surplus (0.7 percent of GDP), supported by higher FDI and project loans.[3]

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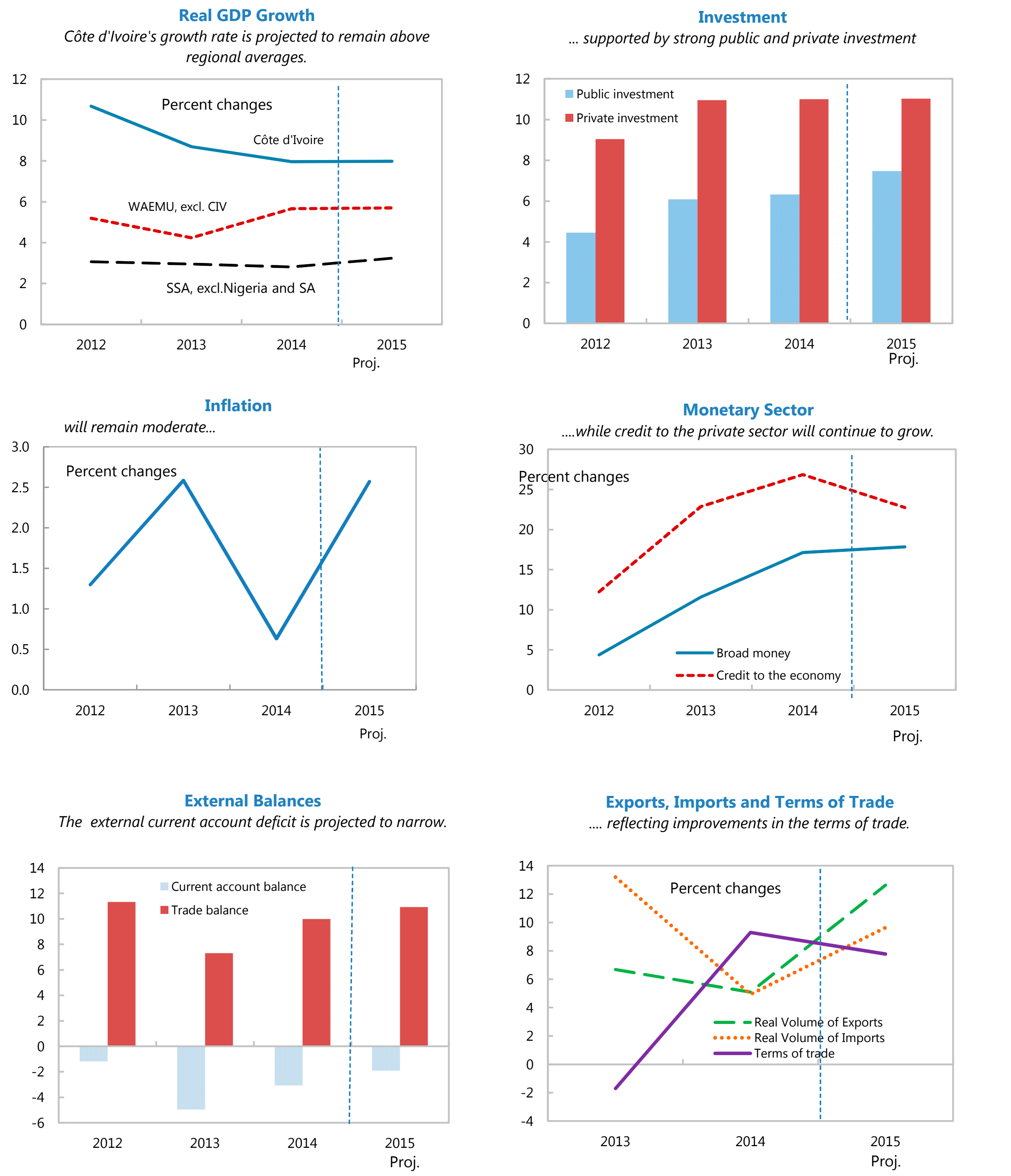
[2] The authorities have also revised down their growth projection for 2014 from 10.0 percent to 9.0 percent. The main difference stems from staff's more conservative projection for commerce and services

[3] The macroframework reflects lower oil prices prevailing in early November 2014. Lower oil prices have an overall positive but limited impact on the economy as Côte d'Ivoire is a small net importer (it imports and exports both crude and refined products). A fuller assessment of the impact of commodity prices and of exchange rate movements will be undertaken at the time of the next review

Figure 1. Côte d'Ivoire: Real and External Sector, 2012–15

(Percent of GDP, unless otherwise indicated)



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

Figure 2. Côte d'Ivoire: Fiscal Developments, 2012–15
(Percent of GDP, unless otherwise indicated)

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

POLICY DISCUSSSIONS

Discussions focused on fiscal and financing policies for 2014 and 2015, and reforms needed to crowd in the private sector and sustain high growth rates over the medium term.

A. Fiscal and Financing Policies for 2014 and 2015

Fiscal and financing policy for the remainder of 2014

8. The authorities have requested a revision of the end-December 2014 fiscal targets in light of recent developments while ensuring that the fiscal stance remains broadly unchanged. Revenue and grants have been revised downward by about 1.2 percent of GDP, reflecting lower performance of corporate (higher private investment in 2013 and provisioning by banks) and imports taxes (lower import prices and persistent tax and customs administration difficulties in the port of Abidjan), and delays in mobilizing project grants. This revenue shortfall would be entirely offset by a decline in total expenditure (mainly foreign-financed projects), leaving the overall deficit unchanged at 2.3 percent of GDP. However, the basic primary deficit would increase slightly to 0.5 percent of GDP (from 0.2 percent of GDP previously projected).

9. Staff welcomed the authorities' commitment to maintain the fiscal position broadly unchanged in 2014, but called on the Treasury to manage carefully its cash plan. In particular, the Treasury is facing a tight although manageable cash position, notably in the last quarter of 2014. This reflects the paying off in the first months of 2014 of the large floating debt accumulated at end-2013 and the back-loading of budget execution in the second semester. The authorities are committed to further improving cash management by implementing the time-bound action plan for establishing a Treasury single account. As a first step, a detailed timeline for closing government accounts held in private banks will be adopted by end December 2014 and implemented in 2015.

Fiscal and financing policy for 2015

10. The authorities have adopted a draft 2015 budget, which foresees a moderate widening of the overall deficit, a new Eurobond issuance, and an increased recourse to nonconcessional external debt.

- The widening of the fiscal deficit to 3.4 percent of GDP aims at supporting growth through higher investment, mostly higher externally-financed capital investment.[4] The draft 2015 budget also includes higher appropriations for the wage bill (fully in line with the medium-term wage bill strategy approved in the spring of 2014 and described in the staff report for the 5th program review), Ebola prevention, presidential elections, further public

[4] This would result from projects carried forward from 2014 but also from the start of two new major infrastructure projects—see below.

bank restructuring, a modest subsidy for the launch of the Health Insurance System (CMU) (Box 1) and a significant provision for unforeseen expenditures. Total revenue would remain unchanged as a share of GDP, reflecting both the absence of significant tax revenue measures in 2015 and conservative projections.

- Following the favorable reception of the 2014 US$ 750 million Eurobond, the governement plans to issue a new Eurobond of US$ 1 billion in the first quarter of 2015 to fund the budget deficit.[5] It also envisages to mobilize additional nonconcessional external financing, given difficulties in identifying adequate external concessional resources for large-scale projects in infrastructure that are needed to underpin sustained growth**.**

11. The authorities are requesting an increase in the program ceiling on new nonconcessional external debt in 2015 to accommodate the investment needs of the public sector (see Text Table 2). In particular, the authorities are requesting: (i) an increase in the existing window[6] for new external nonconcessional debt of US$400 million; and (ii) a further increase to accommodate the new 2015 Eurobond. In addition, they are also requesting a further US$1,620 million allowance in this window to accommodate two large project loans for an extension of the Port of Abidjan (US$800 million) and the rehabilitation and expansion of the electricity distribution network (US$820 million) in the event concessional terms cannot be obtained.[7]

Text Table 2. Nonconcessional External Debt, 2014–15
(Millions of US dollars)

Existing ceiling for energy, infrastructure and transport projects	900
Eurobond (2014)	750
New requests	**1,400**
of which: Eurobond 2015	1,000
Energy, infrastructure and transport projects	400
Total new non-concessional debt	**3,050**
Adjustors	**1,620**
of which: Port of Abidjan	800
Electricity transmission network	820
Total new non-concessional debt (including adjustors)	**4,670**

Sources: Ivoirien authorities; and IMFstaff.

[5] In the event the Eurobond is not issued in 2015, the authorities will mobilize additional financing on the regional market, and, if needed, reduce spending.

[6] The program included an allowance for new external nonconcessional debt (contracted basis) for 2013–14 to accommodate a $900 million pipeline of projects in key sectors. As of end-September 2014, loans for almost $740 million had been contracted for these projects. The revised nonconcessional debt ceiling for 2014–15 (Text Table 2) is calculated on the assumption that financing for the remaining projects, which are currently under discussion, will be contracted shortly.

[7] Terms under discussion on two possible loans could result in a grant element of slightly below the program minimum requirement of 35 percent,

12. The authorities are also requesting an augmentation of access (10 percent of quota) at the time of the sixth ECF review to help finance the balance of payments needs generated by the Ebola prevention plan (see Box 2)**.** The requested augmentation would cover about 40 percent of the amount of Ebola-related spending that the government is planning to make in 2015. Development partners are projected to cover the remainder, with the WorldBank, the African Development Bank, and France having already announced significant financing; if necessary, the government would finance any residual by expenditure reallocation.

13. Staff's views:

- **Staff considers that the fiscal policy in 2015 is broadly appropriate.** First, revenue projections are built on a relatively conservative base, reflecting the predominance of downside risks (see below). Second, the increase in expenditure and the relaxation of the overall deficit are mainly driven by growth-friendly investment in key economically viable infrastructure projects. Third, the draft 2015 budget includes a provision for unforeseen spending (in excess of 0.3 percent of GDP). Lastly, the basic primary balance (the program's fiscal performance criterion) is projected to decline after a temporary increase in 2014. Staff, nevertheless, urged the authorities to remain vigilant and to execute the budget as planned while resisting temptation to further relax the fiscal stance in 2015 despite the electoral context. Staff welcomed the government's decision to covene a commission to study tax policy reform, and stressed that additional tax policy and revenue administration measures should be adopted from 2016 to better mobilize Côte d'ivoire's tax potential and increase the tax revenue to GDP beyond the level projected in the staff report's scenario.
- **Staff supports the authorities' request for an increase in the program ceiling on new nonconcessional external debt, which does not lead to a deterioration in Côte d'Ivoire's risk of external debt distress.**[8] It considers that the Port and electricity network projects would have considerable benefits to the economy, avoiding major bottlenecks to sustained growth, and improving competitiveness; the existing port is overstretched and has led to high costs for importers. The additional $400 million for projects would be available subject to the merits of each project. The Eurobond would help alleviate the government's financing difficulties on the shallow domestic regional market, and, if the terms are favorable, be less costly (as in 2014) although creating additional exchange rate risk. The planned borrowing is also consistent with the government's borrowing strategy to diversify its financing sources and lengthen the maturity structure of its debt.
- **Staff agrees that the fiscal cost of the Ebola plan should be accomodated fully (one-off shock) subject to the availability of financing.** Thus, staff supports the authorities' request for an augmentation of access at the time of the sixth ECF review. It noted the intentions of key stakeholders to cover the residual financing gap.

[8] See accompanying Debt Sustainability Analysis.

- **Looking ahead, staff stressed that financing constraints should be an important consideration in determining fiscal policy objectives**. Staff, in particular, expressed concern over a concentration of maturities, especially in the mid-2020s, and potential rollover and foreign-exchange rate risks. Noting the recent volatility in international financial markets, staff advised that the 2015 Eurobond should be postponed to the extent possible if market conditions do not appear to be sufficiently favorable. Staff called for the effective establishment of primary dealers to foster the development of a secondary market for sovereign financing and deepen the regional market.
- **Staff encouraged the government to take further steps to strengthen cash and public debt management.** The staff encouraged the authorities to forcefully implement the creation of a Treasury single account while paying due consideration to the impact on the liquidity of a few banks. It also encouraged the authorities to put in place a commitment and control plan to avoid persistent strains on the Treasury cash position and any accumulation of domestic arrears. While welcoming the authorities' committment to update by end-2014 the medium-term debt strategy for 2015–19, staff called for the early implementation of the delayed reorganization of the debt department into a front-middle-back office structure for which the authorities have previously asked for further technical assistance. It pressed the authorities to broaden the monitoring of public debt through a centralized database covering public enterprises.
- **Staff called on the authorities to pay close attention to the accumulation of debt by public sector companies and to develop the tools needed to monitor the financial position of the general government and of the public sector**. In the current absence of statistical information on the general government and of the public sector, the ECF-supported program is based on the monitoring of the central government budget. However, the recent accumulation of debt (mostly domestic) by several public sector companies such as the port of Abidjan, the Road Maintenance Fund, the state oil company (Petroci), the refinery (SIR), and the public airline (Air Côte d'Ivoire) is raising fiscal risks even if most of this debt is not benefitting from explicit government guarantees. Staff welcomed the government's intention to monitor developments in public sector companies and to constitute a database, but it urged the government to move more boldly and collect the information necessary to monitor the financial position of the general government and the public sector while ensuring that borrowing by these public entities does not jeopardize debt sustainability.

Box 1. Côte d'Ivoire: Implementation of a Universal Health Insurance

Preparations for the implementation of a universal health care scheme (C*ouverture Maladie Universelle* -- CMU) commenced in 2014. After the adoption of the Universal Health Care Law in March 2014, the government enacted in June a decree creating the National Health Care Authority. Technical discussions are ongoing to define the health risks and medical procedures to be covered, the costs of services to be provided, and patient cost sharing, along with negotiations with industry representatives on the payment of the mandatory contributions by employers and employees.

The reform will be phased in progressively and is expected to have a limited fiscal impact in the short run. The collection of the mandatory contribution is set to start in July 2015, three months prior to the beginning of medical services' reimbursement, scheduled for October 2015. Only about 4 million people are expected to be covered initially in 2015, mainly in the formal sector, which is already covered through voluntary insurance schemes, and in the agriculture export sector. The poorest households ("*indigents*") would not be subsidized in 2015, as enrollment procedures will only be tested in the first semester of 2015, following the completion of the household and employment surveys, expected by end-2014. The government will cover the launching costs of the CMU, estimated at around CFAF 5 billion in 2014, and CFAF 10.5 billion in 2015 (0.03 and 0.05 percent of GDP, respectively). In the medium term, once completely up and running the CMU is expected to be self-financing from contributions, except for the cost of insuring the "*indigents*" which will be covered by the budget.

Box 2. Côte d'Ivoire: The Impact of the Ebola Crisis on Côte d'Ivoire

While there have been no cases of Ebola in Côte d'Ivoire to date, the country remains at risk given its borders with affected countries. To address this risk, the authorities, assisted by the WHO, US Center for Disease Control, and various donors, have put in place plans to prevent the spread of the disease and prepare for treatment if cases were to occur.

In 2014, the authorities initially funded a CFAF 3 billion (about 0.02 percent of GDP) plan focused on prevention measures. They indicated that if more spending was needed, they would reallocate spending from lower priority areas. They subsequently put in place a much larger plan (CFAF 13.5 billion or about 0.1 percentage point of GDP) focused on prevention measures in the districts close to Liberia and Guinea that is fully financed by commitment from the EU, the World Bank, and AfDB. This plan will be implemented partly in 2015.

In addition, a third larger prevention plan (equivalent to CFAF 50 billion or 0.3 percent of GDP) will extend similar prevention measures to the whole territory. The authorities committed themselves to fully using in 2015 the amount resulting from the requested increase in access under the 6th review (10 percent of quota) to fund this plan.

The Ebola outbreak in neighboring countries so far had only a limited impact on Côte d'Ivoire's economy; the only noticeable signs has been a decline in cross-border trade in the West of the country and the cancellation of a few of international conferences in Abidjan.

However, a major outbreak, if it were to occur, could severely affect the economy. In particular, difficulties faced in harvesting cocoa (and other agricultural outputs) would adversely impact GDP, the balance of payments and the fiscal position. Difficulties in collecting budget revenues and the need to increase health related spending would further deteriorate the fiscal position. An outbreak would also likely result in a significant fall in services (e.g., hotel and restaurants), commerce, and transport. Delays in private sector investment would compound the negative impact on growth.

B. Crowding in the Private Sector to Sustain High Growth Rates

Policy discussions focused on business climate reforms, domestic arrears clearance, financial sector reform, and financial situation of the energy sector.

14. The authorities recognize that continuing to achieve high growth rates over the medium term will require a further increase in private sector investment. With a major contribution of government through public investment notably, Côte d'Ivoire has experienced three consecutive years of high economic growth since 2012. The authorities are aware that excessive reliance on government to spur growth is not sustainable and that public investment cannot continue to increase as much in the medium term. The private sector needs to step in and increase investment if high growth rates are going to be sustained:

- **Business climate reforms.** Since 2012, the authorities have made considerable progress in improving the business climate by simplifying and accelerating the process for incorporating companies, creating a commercial tribunal, streamlining regulations, and lowering various transaction fees, (e.g., for opening up a business and registering real estate transfers). These efforts led to a significant improvement in Côte d'Ivoire's ranking in the *Doing Business* survey.[9]

- **Domestic arrears clearance (Box 3).** The authorities are committed to completing the regularization of remaining audited domestic arrears to suppliers before the end of the year, as well to regularizing past securitized debt to the banking and non-banking sectors through an exchange with new marketable securities and paying in cash arrears to suppliers of public entities and local governments (CFAF 17.9 billion or about 0.1 percent of GDP).

- **Financial sector reform.** The authorities intend to further strengthen the public banking sector and, more generally, to deepen financial intermediation to boost credit to companies, particularly small and medium-sized enterprises. In particular, further to the closing down of one public bank in September 2014, the government reiterated its commitment to withdraw from the capital of another public bank in which it holds a minority stake by the end of 2014. In 2015, they plan to further implement the action plan to restructure public banks by adopting various restructuring measures, including the privatization or restructuring of the remaining public banks with a redefinition of the role of the banks that will ultimately stay public. The authorities are also putting in place an organizational structure to implement their financial sector development strategy.

- **Financial situation of the energy sector.** Despite the implementation of a number of measures since 2012, including the recent decision to bill electricity exports at a price close

[9] Côte d'Ivoire's ranking in the 2015 report improved (147th from an adjusted 158th in 2014) and IFC noted that Côte d'Ivoire "was among the 10 economies that improved the most in 2013/2014 in areas tracked by *Doing Business.*"

to marginal costs, the financial position of the energy sector is still under strain. The difficulties, which have resulted in the buildup of cross debts within the sector, have recently been compounded by delays in paying the government budgeted subsidies and by the drop in international refining margins, as well as by unfavorable rainfalls which have reduced low cost hydropower generation. The authorities agreed to address these issues in the short term through the payment of delayed budget subsidies (a CFAF 40 billion payment by end-2014). The government also intends to adopt in 2015 a plan for settling cross debts together with a protocol clarifying the responsibilities of the various stakeholders, including the government, for the payment of heavy fuel (HVO) and subsidies.

Box 3. Côte d'Ivoire: Settlement of Domestic Arrears

Audits of domestic arrears to non-banking sector incurred before 2010 validated an amount of CFAF 152.9 billion (about 1 percent of GDP) for settlement. After the initial payment of CFAF 56.6 billion (of which 51.1 billion in cash) in December 2013, CFAF 27 billion was settled as of end-September 2014 with a 40 percent haircut. The remaining outstanding arrears of CFAF 69 billion include externally-financed projects arrears (CFAF 38.7 billion), social contributions arrears within the public sector (CFAF 11.8 billion), arrears to suppliers (CFAF 12.8 billion), and other arrears (CFAF 5.6 billion). The government is determined to complete through the end of 2014 the regularization of the audited domestic arrears, in particular arrears to suppliers through cash payment and securitization and is confident that donors will soon regularize the arrears on externally-financed projects.

The government also plans to clear the long-standing arrears on securitized debt to the banking and non-banking sector (CFAF 142.1 billion) through the end of 2014. In this regard, the government will propose to restructure the stock of arrears on securitized debt into new marketable instruments. In addition, the government will settle in cash CFAF 17.9 billion of domestic arrears to suppliers recently accumulated by public entities (*Etablissements publics)* and local governments. Finally, discussions are underway to clear the arrears (about CFA 247.7 billion) owed to the BCEAO.

15. Staff's views:

- **Staff congratulated the authorities on the significant improvement in Côte d'Ivoire's ranking in the *Doing Business* Survey**. It noted, however, that while the country has now caught up with the average of Sub-Saharan African countries, it needs further reforms to be on the same footing as the best performers (Figure 3). Key areas of reforms include (i) enforcing the recently-adopted legal framework to prevent and fight corruption, and (ii) improving relations between taxpayers and the customs/tax services.

- **The authorities' plan to clear arrears will provide a strong signal of its commitment to strengthen the private *sect*or and the relation of the government with its suppliers**. At the same time, staff highlighted the need for a comprehensive cataloguing of other possible arrears/unpaid debts so that they could also be eventually regularized.

- **Staff welcomed the actions already taken to restructure public banks.** Staff, however, expressed concern over the delays in implementing the financial sector development strategy.

- **As regards the energy sector, staff noted positive developments that would help improve its financial situation.** In this respect, budgeted sector subsidies will be paid before end-2014 and a plan to settle cross debts and a protocol to assign responsibilities regarding the payment of HVO and of subsidies are positive developments towards improving its financial situation will be adopted in the near future. Nonetheless, staff highlighted that the drop in the refinery profit margin is likely to be durable, and its consequences for the profitability of the refinery need to be addressed.

Figure 3. Côte d'Ivoire: Doing Business and Per-Capita Income in Sub-Saharan African Countries

Sources: World Bank Doing Business Indicators (2013 and 2015 Reports), WEO (2012 and 2014) Per-Capita Income.
Note: Higher "Doing Business" values correspond to lower rankings.

Figure 4. Sub-Saharan Africa: Doing Business Indicators

Sources: World Bank Doing Business Indicators (2013 and 2015 Reports), Country Authorities, IMF staff calculations.
Note: Higher "Distance to Frontier" values correspond to higher rankings. Several methodological changes were introduced in the latest report; therefore, DTF data between 2012 and 2014 are not fully comparable.

C. Strengthening Economic Statistics

16. The authorities and staff agreed that the production of quality economic data needs to be significantly upgraded to strengthen decision-making. While progress in improving data quality has been made, substantially more improvement is needed, in particular on national accounts statistics. Staff identified weaknesses in the 2012 national accounts, the latest year for which final estimates have been produced, concerning the computation of nominal taxes on products along with some questionable evolutions for sectoral value added in real terms which directly affect GDP growth. These were discussed with The National Institute of Statistics, which agreed to review the 2012 national accounts data and correct them as needed.[10] The NIS also agreed to review the compilation methodology used for provisional national accounts. Looking ahead, several improvements in data quality are planned. Following Fund TA on preparing quarterly GDP reports, such reports are expected to be published regularly from 2015 on. The authorities requested a STA technical assistance mission to help plan a comprehensive strengthening of the provision of real sector statistics. In addition to the recently completed 2014 census, a household survey is planned for later this year. While welcoming these commitments, staff called on the authorities to increase human resources at the National Institute of Statistics.

PROGRAM MONITORING, FINANCING AND RISKS

17. The authorities are requesting an extension of the current arrangement through end-December 2015 and an augmentation in access. The extension would provide policy continuity through the forthcoming election period and help finance the balance of payments. The authorities requested that access under the current ECF arrangement be increased by 40 percent of quota (SDR 130.08 million). Of this amount, they requested that 10 percent of quota (SDR 32.52 million) be disbursed upon completion of the 6th review to provide timely support for their strategy to prevent Ebola (Box 2). For the remaining amount, they requested that it will be disbursed in equal amounts under the 7th and 8th reviews. Staff supports these requests. The augmentation under the 6th review would help finance the government's Ebola prevention plans and will be used exclusively for that purpose in 2015.[11]

18. The requested extension of the arrangement would entail two additional reviews. Proposed quantitative performance criteria for end-December 2014 and end-June 2015, for the 7th and 8th reviews, respectively, and structural benchmarks for the seventh review are annexed to the authorities' MEFP. The definitions of the variables monitored are provided in the Technical Memorandum of Understanding (TMU).

[10] This review could not be completed before the end of the mission. The NIS will begin to move from the *1993 SNA* to the *2008 SNA* in 2015, with the assistance of the French INSEE and possibly AFRITAC West, which should be a good opportunity to improve the compilation methods and procedures.

[11] The authorities agreed to provide detailed information on the allocation of the resources.

19. The program is fully financed. The projected financing gaps for 2014 and 2015 (0.6 and 0.7 percent of GDP, respectively) will be covered primarily by budget support from multilateral institutions and by the proposed purchases under the ECF arrangement.

20. Risks to program implementation are tilted to the downside. The main risk affecting program implementation would be the transmittal of the Ebola virus from neighboring countries, with the magnitude of the impact depending on the severity of the Ebola outbreak (see Box 2). Unfavorable developments on international financial markets would also complicate the financing of the program. Unfavorable weather conditions could reduce availability of hydro-energy, raising the cost of energy generation, and risk lowering agricultural output. Additional risks include a weakening of the reform momentum in the run up to the October 2015 elections or weaker than projected private investment. The Risk Assessment Matrix includes further details on these risks and possible policy responses.

STAFF APPRAISAL

21. Côte d'Ivoire's growth performance since 2012—among the highest in Sub-Saharan Africa—is commendable. Per capita income has increased by almost 20 percent cumulatively. Increased revenues in the agricultural sector—due in part to a successful cocoa reform—has resulted in poverty alleviation, while higher public investment has resulted in better access to public services.

22. Program execution under the ECF arrangement has been strong with high growth rates, low fiscal deficits and satisfactory progress in structural reform. Similarly, at end-June 2014, all performance criteria and indicative targets were met and all structural benchmarks were implemented, albeit with minor delays. This overall performance was recognized by the favorable debut sovereign bond ratings and the low yield of the 2014 Eurobond issuance, and the strengthening of Côte d'Ivoire's ranking in the 2015 *Doing Business* survey. Nevertheless, there was a nonobservance of the continuous performance criterion on the ceiling on new nonconcessional external debt in July with the issuance of a larger than programmed Eurobond.

23. Staff supports the authorities' fiscal stance for 2014 and 2015. In particular, as regards 2015, it welcomes the limited expansion in the overall fiscal deficit (coupled with the narrowing of the basic primary deficit) aimed at continuing to support growth through higher public investment. It, nevertheless, urges the authorities to execute the budget as planned and, except in the event of an exogenous shock (such as a severe Ebola outbreak), to resist temptation to further relax the fiscal stance despite the electoral context. Looking ahead, financing constraints and the need to preserve debt sustainability should be key considerations in determining fiscal policy objectives. The authorities should also pay close attention to the contingent fiscal risks involved by higher borrowing by public sector entities, and urgently collect the information necessary for monitoring the financial position of the general government and the public sector in general.

24. Staff welcomes the authorities' intention to regularize domestic arrears. It urges the authorities to forcefully implement the planned treasury single account and to put in place a commitment and control plan to avoid persistent strains on the Treasury cash position and a possible accumulation of domestic arrears.

25. Preserving fiscal sustainability over the medium term will require enhancing revenue mobilization. Staff welcomes the government's work on tax policy reform and urges the authorities to adopt reforms from 2016 on to enlarge the tax base by curtailing widespread exemptions and continue to improve revenue administration, including in the customs area.

26. While the progress achieved in improving Côte d'Ivoire's ranking in the *Doing Business* survey is commendable, further reform is needed to continue strengthening the business climate and crowd in sufficient private investment to sustain high growth rates over the medium term. The staff, in particular, presses the authorities to enforce the recently-adopted legal framework to prevent and fight corruption, and improve relations between taxpayers and the customs/tax services.

27. As regards financial sector reform, staff is encouraged by the steps taken to move forward with the restructuring of public banks, including the closing down of one bank in September 2014. It welcomes the authorities' commitment to withdraw from the capital of another public bank by the end of 2014, it urges them to complete the privatization or restructuring of the public banks in 2015 and to implement the strategy to reform the financial sector.

28. Staff welcomes the authorities' commitment to pay the delayed budget subsidies to the electricity sector and to adopt a comprehensive strategy to clarify financial responsibilities between the sector's various stakeholders. However, it considers that further action is required to improve the financial situation of the energy sector in general over the medium term, and calls for the adoption in the short term of a plan to regularize cross debt.

29. As regards external debt, staff supports the authorities' request for an increase in the new nonconcessional external debt limit under the program. The increase would allow the implementation of key projects that are needed to underpin sustained strong growth, and would overcome financing constraints in the regional market. Nevertheless, it would be important to press ahead with further strengthening of debt management, including an early implementation of planned reorganization of the debt department and by broadening the monitoring of public debt to cover public enterprises and ensuring that borrowing is undertaken at the lowest cost and risk.

30. Staff recommends completion of the sixth review and the disbursement of an amount equivalent to SDR 65.04 million under the ECF arrangement. It supports the authorities' requests for an augmentation in access to Fund resources, a 12-month extension of the current ECF arrangement, a waiver for the non-observance of the performance criterion on new nonconcessional external debt as the size of the nonobservance was small, and for an increase in the program limit for new nonconcessional external debt.

Côte d'Ivoire: Risk Assessment Matrix (RAM)1/			
Sources of Risks	**Relative Likelihood**	**Impact if realized**	**Recommended Policy Response**
Side-effects from global financial conditions: • An abrupt surge in global financial market volatility, as investors reassess underlying risk • A shift to safety away from all emerging markets bonds	**High** **Medium**	**Medium to High** Volatility on global financial markets may complicate the issuance of a Eurobond in 2015; A shift away from emerging market bonds would increase Côte d'Ivoire's cost of issuing on international markets	Careful preparation of the Eurobond issuance, including by assessing the conditions on global markets at the time planned for issuance. Preserve strong fiscal position and reform momentum as a signal to investors
Unfavorable weather conditions could reduce the availability of hydro-energy raising the cost of energy generation, or lowering agricultural output	**Medium**	**Medium** Unfavorable weather conditions would adversely affect the balance of payments (exports), the fiscal position (export taxes on cocoa and increased subsidy to the electricity sector), and the population's living standards (subsistence agriculture and inflation).	Adopt a comprehensive plan to strengthen the financial position of the energy sector. Postpone spending on lower budget priorities to preserve fiscal sustainability.
A few cases of Ebola in Côte d'Ivoire	**High**	**Low to Medium** Slight downturn of growth, somewhat wider fiscal deficit, limited impact on the balance of payments, higher cost of the planned Eurobond	Act quickly to treat and contain the cases to limit contagion; delay the issuance of the Eurobond until the contagion is under control.

Côte d'Ivoire: Risk Assessment Matrix (RAM)1/ (concluded)			
Sources of Risks	**Relative Likelihood**	**Impact if realized**	**Recommended Policy Response**
A widespread outbreak of Ebola in Côte d'Ivoire	**Low**	**High** Sharp decrease of GDP growth and significantly higher fiscal deficit; sizeable deterioration of the balance of payments, due to lower exports (cocoa in particular) and increased demand for food and other imports. Increased difficulties in mobilizing external financing.	Act quickly to contain the outbreak, reallocate fiscal spending from lower priority activities, and increase the overall fiscal deficit as needed. Seek additional external assistance but postpone further access to international financial markets until the country is declared Ebola free.
A deterioration of the socio-political and security situation in the run-up to the October 2015 presidential elections	**Low**	**Low** A weakened socio-political and security situation would adversely affect private sector investment, with a direct impact on growth and employment. The pace of some structural reforms may also be slower	Resist election-related spending pressures, to the extent possible.
Weaker than projected private investment	**Low to Medium**	**High** A weaker than projected private sector response would result in lower growth and employment, and a less optimistic outlook. The resulting lower growth would, everything else being the same, adversely impact debt sustainability.	Sustain the reform momentum and the measures to improve the business climate.

[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.

Table 1. Côte d'Ivoire: Selected Economic Indicators, 2012–17

	2012	2013	2014		2015	2016	2017
	Est.	Est.	Prog.	Proj.		Proj.	
	(Annual percentage changes, unless otherwise indicated)						
National income							
GDP at constant prices	10.7	8.7	8.5	8.0	8.0	7.7	7.5
GDP deflator	4.4	2.0	1.2	4.6	5.1	3.1	2.8
Consumer price index (annual average)	1.3	2.6	1.2	0.6	2.6	2.5	2.5
Consumer price index (end of period)	3.4	0.4	2.0	1.6	1.6	2.5	2.5
External sector (on the basis of CFA francs)							
Exports, f.o.b., at current prices	-4.1	5.7	2.0	12.3	11.7	11.1	10.5
Imports, f.o.b., at current prices	35.8	16.4	9.6	2.6	7.9	13.3	11.6
Export volume	7.9	6.7	3.1	5.1	12.6	8.7	8.9
Import volume	52.0	13.2	11.4	4.9	9.6	8.9	7.5
Terms of trade (deterioration –)	-4.1	-1.7	0.5	9.3	7.8	1.4	0.9
Nominal effective exchange rate	1.7	4.5	...	...	...	...	...
Real effective exchange rate (depreciation –)	2.5	2.5	...	...	...	...	...
Central government operations							
Total revenue and grants	51.9	16.0	14.8	11.5	13.6	9.9	14.0
Total expenditure	38.3	10.9	14.2	11.8	19.5	12.6	11.1
	(Changes in Percent of Beginning-of-Period Broad Money)						
Money and credit							
Money and quasi-money (M2)	4.4	11.6	9.7	17.1	17.8	15.6	15.2
Net foreign assets	-5.5	0.1	-1.2	1.3	4.0	2.0	3.1
Net domestic assets	9.8	11.5	10.9	15.8	13.8	13.6	12.1
Of which : government	5.5	3.5	1.6	2.0	1.1	0.2	0.6
Of which : private sector	5.3	10.6	9.4	13.8	12.7	13.3	11.5
	(Percent of GDP unless otherwise indicated)						
Central government operations							
Total revenue and grants	18.9	19.8	20.8	19.6	19.6	19.4	20.0
Total revenue	18.4	18.5	18.6	17.7	17.7	17.6	18.2
Total expenditure	22.1	22.1	23.1	21.8	23.0	23.3	23.4
Overall balance, incl. grants, payment order basis	-3.1	-2.3	-2.3	-2.3	-3.4	-3.9	-3.5
Primary basic balance [1/]	-1.2	-0.1	-0.2	-0.5	-0.2	-0.4	-0.1
Gross investment	16.5	17.0	18.0	17.3	18.5	19.5	20.1
Central government	4.5	6.1	7.1	6.3	7.5	7.5	7.5
Nongovernment sector	12.0	11.0	10.9	11.0	11.0	12.0	12.7
Gross domestic saving	20.6	16.8	20.2	19.2	21.4	21.7	22.0
Central government	1.9	3.2	3.1	2.7	2.7	2.6	3.1
Nongovernment sector	18.7	13.6	17.0	16.5	18.7	19.1	18.9
Gross national saving	15.3	12.1	14.8	14.2	16.6	17.0	17.3
Central government	1.3	3.8	4.9	4.0	4.1	3.6	4.0
Nongovernment sector	13.9	8.3	9.9	10.2	12.5	13.4	13.3
External sector							
Current account balance (including official transfers)	-1.2	-5.0	-3.2	-3.1	-1.9	-2.5	-2.8
Current account balance (excluding official transfers)	-1.8	-6.3	-5.2	-5.0	-3.8	-4.3	-4.5
Overall balance	-2.6	-0.4	-1.1	-0.4	0.7	-0.8	-0.4
Gross public debt [2/]	44.5	43.6	38.2	39.9	39.4	38.6	38.8
External public debt [3/]	28.0	25.8	26.6	26.5	27.6	27.3	29.1
External public debt (excluding C2D)	17.2	16.4	...	18.9	21.6	22.7	25.6
Public external debt-service due (CFAF billions)	245	243	326	326	386	434	494
Percent of exports of goods and services	3.7	3.5	4.6	4.3	4.5	4.6	4.7
Percent of government revenue	9.7	8.6	10.5	10.7	11.1	11.3	11.2
Memorandum items:							
Nominal GDP (CFAF billions)	13,835	15,346	16,756	17,333	19,670	21,861	24,172
Nominal exchange rate (CFAF/US$, period average)	510	494					
Nominal GDP at market prices (US$ billions)	27.1	31.1	35.0	35.8	40.3	45.0	50.2
Population (million)	23.4	24.1	24.8	24.8	25.5	26.3	27.1
Population growth (percent)	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Nominal GDP per capita (CFAF thousands)	592	638	676	699	770	831	892
Nominal GDP per capita (US$)	1,160	1,291	1,410	1,444	1,578	1,711	1,852
Real GDP per capita growth (percent)	7.7	5.7	5.5	5.0	5.0	4.7	4.5
Poverty rate (in percent)	48.9	...	...	...	...	...	...

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.

[2/] Central government only.

[3/] Currency definition.

Table 2. Côte d'Ivoire: Balance of Payments, 2012–17
(Billions of CFA Francs; unless otherwise indicated)

	2012	2013	2014	2015	2016	2017
	Est.	Est.	Proj.		Proj.	
Current account	-164	-760	-533	-374	-549	-687
Current account excl. grants	-245	-962	-859	-750	-934	-1,099
Trade balance	1,566	1,122	1,731	2,149	2,250	2,392
Exports, f.o.b.	6,189	6,331	6,969	7,846	8,672	9,503
Of which: cocoa	1,722	1,907	2,400	2,392	2,441	2,245
Of which: crude oil and refined oil products	2,004	1,852	1,584	1,475	1,449	1,494
Imports, f.o.b.	4,624	5,209	5,239	5,698	6,422	7,111
Of which: crude oil	1,405	1,435	1,414	1,284	1,363	1,418
Services (net)	-994	-1,162	-1,402	-1,583	-1,760	-1,946
Primary Income (net)	-470	-583	-726	-792	-821	-855
Of which: interest on public debt	153	99	89	114	183	200
Secondary Income (net)	-266	-137	-135	-147	-218	-279
General Government	-22	170	289	335	340	362
Other Sectors	-244	-307	-425	-482	-557	-641
Capital and financial account	-199	821	472	511	364	590
Capital account	0	0	0	0	0	0
Financial account	-199	821	472	511	364	590
Foreign direct investment	161	408	472	580	754	954
Portfolio investment, net	73	1	17	20	22	24
Acquisition of financial assets	-4	0	-1	-1	-1	-1
Incurrence of liabilities	-76	-1	-18	-21	-23	-25
Other investment, net	-433	412	-18	-88	-412	-389
Official, net	-262	76	382	719	322	820
Project loans	54	220	260	462	585	614
Other loans	0	0	353	490	0	482
Central government amortization due	316	144	230	233	263	278
Nonofficial, net	-170	337	-400	-807	-733	-1,208
Errors and omissions	0	0	0	0	0	0
Overall balance	-362	60	-61	137	-185	-97
Financing	362	-60	61	-137	185	97
Reserve assets, includes reserve position in the Fund	362	-60	-38	-269	-162	-285
Operations account	266	-133	-71	-240	-128	-222
IMF (net)	96	72	33	-29	-34	-63
Disbursements	101	72	36	0	0	0
Repayments	-5	0	-3	-29	-34	-63
Financing gap	0	0	99	131	348	382
Memorandum items:						
Overall balance (percent of GDP)	-2.6	0.4	-0.4	0.7	-0.8	-0.4
Current account (percent of GDP)	-1.2	-5.0	-3.1	-1.9	-2.5	-2.8
Trade balance (percent of GDP)	11.3	7.3	10.0	10.9	10.3	9.9
Gross imputed official reserves (stock - end of year)	2,593	2,715	2,793	3,344	3,678	4,270
(months of imports of goods and services)	2.6	2.3	2.2	2.4	2.4	2.5
(percent of broad money)	12.4	11.8	10.4	10.5	10.0	10.1
WAEMU gross official reserves (billions of US$)	29.3	30.4	...	...	...	...
(percent of broad money)	47.4	47.3	...	...	...	...
(months of WAEMU imports of GNFS)	5.0	4.7	...	...	...	...
Nominal GDP (billions of CFA francs)	13,835	15,346	17,333	19,670	21,861	24,172
Exchange rate (CFAF/US$) average	510	494	484			
Exchange rate (CFAF/US$) end-of-period	500	479	491			

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

Table 3a. Côte d'Ivoire: Fiscal Operations of the Central Government, 2012–17
(Billions of CFA francs, unless otherwise indicated)

	2012	2013	2014		2015	2016	2017
	Est.	Est.	Prog.	Proj.	Proj.		
Total revenue and grants	2,621.4	3,039.5	3,488.0	3,390.0	3,851.0	4,231.4	4,822.6
Total revenue	2,540.2	2,838.0	3,110.1	3,064.6	3,474.8	3,846.1	4,410.5
Tax revenue	2,213.0	2,408.6	2,686.6	2,645.9	2,942.4	3,190.3	3,612.9
Direct taxes	720.4	765.5	835.1	785.1	889.4	983.7	1,136.1
Indirect taxes	1,492.5	1,643.1	1,851.5	1,860.8	2,053.0	2,206.6	2,476.8
Nontax revenue	327.2	429.5	423.6	418.6	532.4	655.8	797.7
Grants	81.2	201.5	377.9	325.4	376.2	385.2	412.1
Total expenditure	3,054.0	3,385.6	3,868.0	3,784.8	4,523.1	5,091.9	5,658.9
Current expenditure	2,436.0	2,451.4	2,671.4	2,689.4	3,053.6	3,452.3	3,852.8
Wages and salaries	934.6	1,038.9	1,186.2	1,175.7	1,347.4	1,470.0	1,560.0
Subsidies and other current transfers	410.6	325.0	337.7	312.5	324.6	437.2	531.8
Other current expenditure	572.1	545.2	637.7	687.4	773.5	852.6	1,015.2
Of which: Ebola	0.0	0.0	0.0	2.9	35.5	0.0	0.0
Crisis-related expenditure	56.5	75.4	47.5	47.5	55.6	0.0	0.0
Interest due	233.0	214.8	203.2	207.3	286.5	320.9	329.4
On domestic debt	79.6	115.6	114.7	118.5	172.9	137.6	129.5
On external debt	153.4	99.1	88.6	88.8	113.6	183.3	200.0
Capital expenditure	615.8	934.2	1,196.6	1,095.4	1,469.5	1,639.6	1,806.1
Domestically financed	510.3	618.0	668.8	667.0	784.8	800.5	911.0
Foreign-financed	105.5	316.2	527.8	428.4	684.7	839.0	895.1
Primary basic balance	-170.4	-11.6	-26.8	-81.6	-41.6	-85.8	-23.8
Overall balance, including grants	-432.7	-346.1	-379.9	-394.8	-672.1	-860.5	-836.3
Overall balance, excluding grants	-513.9	-547.5	-757.8	-720.2	-1,048.3	-1,245.8	-1,248.4
Change in domestic arrears and float (excl. on debt service)	190.7	39.7	-100.0	-120.0	-100.0	-55.3	-40.0
Overall balance (cash basis)	-242.0	-306.3	-479.9	-514.8	-772.1	-915.8	-876.3
Financing	307.0	306.3	479.9	514.8	772.1	915.8	876.3
Domestic financing	158.1	32.4	153.1	-185.9	-117.8	87.8	-204.2
Bank financing (net)	192.0	134.2	77.4	-39.3	-97.3	30.0	-130.7
Nonbank financing (net)	-33.9	-101.8	75.7	-146.6	-20.4	57.8	-73.5
External financing	245.7	273.9	210.3	601.8	758.7	480.7	698.3
Financing gap (+ deficit / – surplus)	0.0	0.0	116.6	98.9	131.2	347.3	382.3
Possible financing 2011-14 (excluding IMF)	...	...	56.6	50.5	58.3	0.0	0.0
Program grants and loans	...	...	56.6	50.5	58.3	...	...
Residual gap	...	...	60.0	48.4	72.8	347.3	382.3
Of which : IMF-ECF [1/]	...	...	60.0	48.4	72.8	0.0	0.0
Memorandum items:							
Nominal GDP - Fiscal Year	13,835	15,346	16,756	17,333	19,670	21,861	24,172
External debt (central government)	3,874	4,045	4,456	4,569	5,360	5,705	6,083
Pro-poor spending (including foreign financed)	980.0	1,337.1	1,527.6	1,494.8	1,786.4	...	...

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 3b. Côte d'Ivoire: Fiscal Operations of the Central Government, 2012–17
(Percent of GDP, unless otherwise indicated)

	2012	2013	2014		2015	2016	2017
	Est.	Est.	Prog.	Proj.		Proj.	
Total revenue and grants	18.9	19.8	20.8	19.6	19.6	19.4	20.0
Total revenue	18.4	18.5	18.6	17.7	17.7	17.6	18.2
Tax revenue	16.0	15.7	16.0	15.3	15.0	14.6	14.9
Direct taxes	5.2	5.0	5.0	4.5	4.5	4.5	4.7
Indirect taxes	10.8	10.7	11.0	10.7	10.4	10.1	10.2
Nontax revenue	2.4	2.8	2.5	2.4	2.7	3.0	3.3
Grants	0.6	1.3	2.3	1.9	1.9	1.8	1.7
Total expenditure	22.1	22.1	23.1	21.8	23.0	23.3	23.4
Current expenditure	17.6	16.0	15.9	15.5	15.5	15.8	15.9
Wages and salaries	6.8	6.8	7.1	6.8	6.8	6.7	6.5
Subsidies and other current transfers	3.0	2.1	2.0	1.8	1.7	2.0	2.2
Other current expenditure	4.1	3.6	3.8	4.0	3.9	3.9	4.2
Of which: Ebola	0.0	0.0	0.0	0.0	0.2	0.0	0.0
Crisis-related expenditure	0.4	0.5	0.3	0.3	0.3	0.0	0.0
Interest due	1.7	1.4	1.2	1.2	1.5	1.5	1.4
On domestic debt	0.6	0.8	0.7	0.7	0.9	0.6	0.5
On external debt	1.1	0.6	0.5	0.5	0.6	0.8	0.8
Capital expenditure	4.5	6.1	7.1	6.3	7.5	7.5	7.5
Domestically financed	3.7	4.0	4.0	3.8	4.0	3.7	3.8
Foreign-financed	0.8	2.1	3.1	2.5	3.5	3.8	3.7
Primary basic balance	-1.2	-0.1	-0.2	-0.5	-0.2	-0.4	-0.1
Overall balance, including grants	-3.1	-2.3	-2.3	-2.3	-3.4	-3.9	-3.5
Overall balance, excluding grants	-3.7	-3.6	-4.5	-4.2	-5.3	-5.7	-5.2
Change in domestic arrears (excl. on debt service)	1.4	0.3	-0.6	-0.7	-0.5	-0.3	-0.2
Overall balance (cash basis)	-1.7	-2.0	-2.9	-3.0	-3.9	-4.2	-3.6
Financing	2.2	2.0	2.9	3.0	3.9	4.2	3.6
Domestic financing	1.1	0.2	0.9	-1.1	-0.6	0.4	-0.8
Bank financing (net)	1.4	0.9	0.5	-0.2	-0.5	0.1	-0.5
Nonbank financing (net)	-0.2	-0.7	0.5	-0.8	-0.1	0.3	-0.3
External financing	1.8	1.8	1.3	3.5	3.9	2.2	2.9
Financing gap (+ deficit / – surplus)	0.0	0.0	0.7	0.6	0.7	1.6	1.6
Possible financing 2011-14 (excluding IMF)	...	...	0.3	0.3	0.3	0.0	0.0
Program grants and loans	...	...	0.3	0.3	0.3	...	...
Residual gap	...	...	0.4	0.3	0.4	1.6	1.6
Of which : IMF-ECF [1/]	...	...	0.4	0.3	0.4	0.0	0.0
Memorandum items:							
Change in domestic arrears (excl. on debt service)	1.4	0.3	-0.6	-0.7	-0.5	-0.3	-0.2
External debt (central government)	28.0	26.4	26.6	26.4	27.3	26.1	25.2
Pro-poor spending (including foreign financed)	7.1	8.7	9.1	8.6	...	...	...

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 4. Côte d'Ivoire: Monetary Survey, 2012–17

	2012	2013	2014		2015	2016	2017
	Est.	Est.	Prog.	Proj.	Proj.		
			(Billions of CFA francs)				
Net foreign assets	1,556	1,559	1,493	1,629	1,887	2,039	2,309
Central bank	1,297	1,300	1,234	1,370	1,628	1,780	2,050
Banks	259	259	259	259	259	259	259
Net domestic assets	3,356	3,922	4,521	4,791	5,678	6,706	7,762
Net credit to the government	1,133	1,307	1,389	1,417	1,490	1,507	1,559
Central Bank	632	646	670	696	709	643	612
Bank	501	661	719	721	781	864	947
Credit to the economy	2,308	2,831	3,344	3,589	4,403	5,413	6,418
Crop credits	156	186	183	245	241	245	226
Other credit (including customs bills)	2,152	2,644	3,162	3,344	4,163	5,168	6,192
Other items (net) (assets = +)	-86	-215	-213	-215	-215	-215	-215
Broad money	4,911	5,481	6,014	6,420	7,565	8,744	10,071
Currency in circulation	1,591	1,748	1,917	2,047	2,412	2,788	3,211
Deposits	3,251	3,679	4,038	4,310	5,079	5,870	6,761
Other deposits	69	54	59	63	74	86	99
Memorandum item:							
Velocity of circulation	2.8	2.8	2.8	2.7	2.6	2.5	2.4
			(Changes in percent of beginning-of-period broad money)				
Net foreign assets	-5.5	0.1	-1.2	1.3	4.0	2.0	3.1
Net domestic assets	9.8	11.5	10.9	15.8	13.8	13.6	12.1
Net credit to the government	5.5	3.5	1.6	2.0	1.1	0.2	0.6
Central bank	2.2	0.3	0.5	0.9	0.2	-0.9	-0.4
Banks	3.4	3.3	1.1	1.1	0.9	1.1	1.0
Credit to the economy	5.3	10.6	9.4	13.8	12.7	13.3	11.5
Broad money	4.4	11.6	9.7	17.1	17.8	15.6	15.2
			(Changes in percent of previous end-of-year)				
Net foreign assets	-14.2	0.2	-4.2	4.5	15.8	8.0	13.3
Net domestic assets	16.0	16.9	15.3	22.1	18.5	18.1	15.8
Net credit to the government	29.6	15.3	6.5	8.4	5.2	1.2	3.4
Central bank	19.1	2.2	3.9	7.7	1.9	-9.2	-4.9
Banks	45.9	31.8	9.1	9.1	8.3	10.6	9.6
Credit to the economy	12.4	22.6	18.2	26.8	22.7	22.9	18.6
Broad money	4.4	11.6	9.7	17.1	17.8	15.6	15.2

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

Table 5. Côte d'Ivoire: External Financing Requirements, 2012–16
(Billions of CFA francs)

	2012 Est.	2013 Est.	2014 Prog.	2014 Proj.	2015 Proj.	2016 Proj.
External financing requirements	-125.2	-254.8	-760.0	-1123.6	-1383.0	-1272.1
Current account balance (excluding official transfers)	-244.9	-961.8	-877.7	-858.5	-749.8	-934.0
Amortization[1/]	-316.2	-144.2	-234.4	-229.7	-232.6	-263.3
Fund repayments	5.5	0.0	-3.4	3.4	28.5	34.0
Private capital, net	62.6	744.0	286.7	89.7	-207.5	42.2
Change in net external reserves without IMF (- = increase)	367.7	107.1	68.8	-128.4	-221.6	-151.0
Available financing	133.3	461.9	643.4	938.0	1286.9	946.9
Project financing	54.0	219.9	306.5	259.6	461.8	585.0
Program financing	...	...	0.0	352.6	489.7	0.0
Fund disbursements	101.5	72.4	0.0	36.4	0.0	0.0
Official transfers	-22.1	169.6	336.9	289.4	335.4	361.9
Financing gap	...	...	-116.6	-98.9	-131.2	-347.3
Expected sources of financing	...	...	56.6	57.0	58.3	0.0
World Bank	...	...	25.0	25.0	44.9	0.0
AfDB	...	...	13.9	14.0	1.5	0.0
EU	...	...	17.7	18.0	12.0	0.0
Debt relief	...	...	0.0	0.0	0.0	0.0
Residual gap	...	...	60.0	48.4	72.8	347.3
Possible IMF ECF	...	...	60.0	48.4	72.8	0.0

Sources: Ivoirien authorities; IMF staff estimates and projections.
[1/] In 2012, the amount includes the impact of the HIPC Completion Point.

Table 6. Côte d'Ivoire: Financial Soundness Indicators for the Banking Sector, 2008–14

(Percent, end of period, unless otherwise indicated)

	2008	2009	2010	2011	2012	2013	June 2014
Capital adequacy							
Risk-weighted capital to assets ratio	9.3	10.2	12.5	9.7	8.6	9.2	8.9
Percentage of banks greater or equal to 10 percent	60.0	63.2	52.4	54.5	60.9	62.5	58.3
Percentage of banks below 10 and above 8 percent minimum	10.0	5.3	19.0	13.6	8.7	25.0	4.2
Percentage of banks below 8 percent minimum	30.0	31.6	28.6	31.8	30.4	12.5	20.8
Percentage of banks respecting regional prudential regulations on minimum capital requirements	50.0	52.6	61.9	63.6	65.2	70.8	75.0
Asset quality							
Capital required by regulations to assets ratio	8.6	9.7	11.7	8.9	9.4	10.0	10.0
Capital/total assets	5.9	6.0	6.8	5.4	5.1	5.4	5.1
Total loans/total assets	72.7	69.8	66.9	56.7	57.7	59.5	58.0
Concentration of loans to the 5 biggest borrowers to capital	n.a	n.a	n.a	273.7	276.7	306.2	334.5
Nonperforming loans (NPLs) (gross)/total loans	19.5	17.0	16.4	16.3	15.9	12.7	11.9
Provisions/NPLs	77.3	75.9	74.9	67.3	78.8	73.9	74.4
NPLs net of provisions/total loans	5.2	4.1	4.1	5.3	3.4	3.3	3.3
NPLs net of provisions/capital	nd	nd	nd	55.8	35.2	33.6	34.1
Earnings and profitability							
Return on assets (net income/total assets)	-0.5	2.0	-0.8	-0.3	1.3	2.0	1.6
Return on net income (net income/equity)	-6.8	22.3	-9.4	-4.5	24.2	34.4	27.9
Management							
Personnel costs/net revenu	71.4	82.2	88.4	87.3	79.0	n.a	n.a
Liquidity							
Liquid assets/total assets	42.0	42.1	42.6	50.3	47.7	49.6	49.2
Liquid assets/total deposits	55.4	55.9	55.6	63.2	62.5	65.5	65.6
Loans/deposits	95.8	92.8	87.2	71.3	75.6	79.1	77.3

Source: BCEAO.

Table 7. Côte d'Ivoire: Indicators of Capacity to Repay the Fund, 2014–25

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Fund obligations based on existing credit												
(In millions of SDRs)												
Principal	4.6	39.0	46.2	85.2	109.6	113.2	95.0	87.8	48.8	24.4	4.9	0.0
Charges and interest [1/]	0.0	1.6	1.5	1.3	1.1	0.8	0.6	0.3	0.2	0.1	0.0	0.0
Fund obligations based on existing and prospective credit [2/]												
(In millions of SDRs)												
Principal	4.6	39.0	46.2	85.2	109.6	113.2	112.9	120.3	81.3	56.9	37.4	14.6
Charges and interest [1/]	0.0	1.9	1.9	1.7	1.5	1.2	1.0	0.7	0.4	0.2	0.1	0.0
Total obligations based on existing and prospective credit [2/]												
In millions of SDRs	4.7	40.9	48.1	86.9	111.1	114.4	113.8	121.0	81.7	57.2	37.5	14.7
In billions of CFA francs	3.5	30.6	35.9	64.8	82.5	84.8	84.3	89.7	60.6	42.3	27.8	10.9
In percent of government revenue	0.1	0.8	0.8	1.3	1.5	1.4	1.3	1.3	0.8	0.5	0.3	0.1
In percent of exports of goods and services	0.0	0.4	0.4	0.6	0.7	0.7	0.6	0.6	0.4	0.2	0.1	0.0
In percent of debt service [3/]	1.1	7.9	8.3	13.1	15.5	15.1	15.7	16.2	9.9	6.1	3.6	1.2
In percent of GDP	0.0	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.2	0.1	0.1	0.0
In percent of quota	1.4	12.6	14.8	26.7	34.2	35.2	35.0	37.2	25.1	17.6	11.5	4.5
Outstanding Fund credit												
In millions of SDRs	719.1	777.6	731.4	646.2	536.6	423.5	310.6	190.3	109.0	52.0	14.6	0.0
In billions of CFA francs	535.2	582.5	546.5	481.3	398.7	313.7	230.1	141.0	80.7	38.6	10.8	0.0
In percent of government revenue	15.8	15.1	12.9	10.0	7.4	5.2	3.5	2.0	1.0	0.4	0.1	0.0
In percent of exports of goods and services	7.0	6.8	5.7	4.6	3.5	2.5	1.7	0.9	0.5	0.2	0.1	0.0
In percent of debt service	164.0	151.0	125.8	97.4	74.7	55.8	42.8	25.5	13.2	5.6	1.4	0.0
In percent of GDP	3.1	3.0	2.5	2.0	1.5	1.1	0.7	0.4	0.2	0.1	0.0	0.0
In percent of quota	221.1	239.1	224.9	198.7	165.0	130.2	95.5	58.5	33.5	16.0	4.5	0.0
Net use of Fund credit (millions of SDRs)	76.7	42.3	-46.2	-85.2	-109.6	-113.2	-112.9	-120.3	-81.3	-56.9	-37.4	-14.6
Disbursements	81.3	81.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	4.6	39.0	46.2	85.2	109.6	113.2	112.9	120.3	81.3	56.9	37.4	14.6
Memorandum items:												
Nominal GDP (billions of CFA francs)	17,333	19,670	21,861	24,172	26,428	28,680	30,945	33,318	35,853	38,592	41,565	44,782
Exports of goods and services (billions of CFA francs)	7,654	8,623	9,536	10,458	11,428	12,409	13,914	15,556	17,126	19,097	21,263	23,656
Government revenue (billions of CFA francs)	3,390	3,851	4,231	4,823	5,416	5,985	6,512	7,144	7,833	8,575	9,358	10,211
Debt service (billions of CFA francs)	326	386	434	494	533	562	537	554	611	689	778	881
CFA francs/SDR (period average)	744	749	747	745	743	741	741	741	741	741	741	741

Sources: IMF staff estimates and projections.

[1/] The interest rate on ECF is zero for 2010 -14 and assumed at 0.25 percent thereafter.

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

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

Table 8. Côte d'Ivoire: Proposed Schedule of Disbursements and Timing of Reviews Under the ECF Arrangement, 2011–15
(SDR million)

In percent of quota	Amount	Date of availability	Condition for disbursement
25.00	81.30	November 4, 2011	Executive Board approval of the three-year arrangement under the ECF.
20.00	65.04	April 1, 2012	Observance of PCs for end-December 2011, continuous PCs and completion of the first review under the ECF arrangement.
20.00	65.04	October 1, 2012	Observance of PCs for end-June 2012, continuous PCs and completion of the second review under the ECF arrangement.
15.00	48.78	April 1, 2013	Observance of PCs for end-December 2012, continuous PCs and completion of the third review under the ECF arrangement.
15.00	48.78	December 6, 2013	Observance of PCs for end-June 2013, continuous PCs and completion of the fourth review under the ECF arrangement.
15.00	48.78	April 1, 2014	Observance of PCs for end-December 2013, continuous PCs and completion of the fifth review under the ECF arrangement.
20.00	65.04	October 1, 2014	Observance of PCs for end-June 2014, continuous PCs and completion of the sixth review under the ECF arrangement.
15.00	48.78	April 1, 2015	Observance of PCs for end-December 2014, continuous PCs and completion of the seventh review under the ECF arrangement.
15.00	48.78	October 1, 2015	Observance of performance criteria for end-June 2015, continuous PCs and completion of the eighth review under the ECF arrangement.
160.00	520.32	**TOTAL**	

Appendix I. Letter of Intent

Minister at the Prime Minister's Office in charge of Economy and Finance
OFFICE OF THE MINISTER

Republic of Côte d'Ivoire

Union-Discipline-Work

N° 4985/MPMEF/CAB/

Abidjan, November 18, 2014

The Managing Director
International Monetary Fund

WASHINGTON, DC 20431

Subject: Letter of Intent

Dear Madame Managing Director:

1. Côte d'Ivoire is further repositioning itself on the international stage thanks to its domestic stability, and strengthened governance and social cohesion. This repositioning is illustrated by the return of the African Development Bank to Abidjan. Reforms undertaken in key sectors of the economy, combined with measures in support of businesses, have imparted a strong rate of growth to economic activity. This performance should continue to set Côte d'Ivoire at the forefront of high-growth countries around the world.

2. The attached Memorandum of Economic and Financial Policies (MEFP) describes progress achieved under the program, the outlook and policies for end-2014, and the main guidelines for 2015 and the medium term. All the performance criteria and indicative benchmarks for end-June 2014 under the program supported by the Extended Credit Facility (ECF) have been met. From the macroeconomic standpoint, after GDP growth rates of 10.7 percent in 2012 and 9.2 percent in 2013, the short-term trends at end-June 2014 point to a strong growth of 9% in 2014. This growth would be accompanied by an inflation rate estimated at 0.5 percent, below the WAEMU community norm (3 percent). Our business environment is improving continually, thanks to simplified procedures for setting up businesses, implementation of the new investment code, the launching of a wide-ranging program for the development of industrial zones, the establishment of the commercial court, and the upgrading of the committee for dialogue between the public and private sectors.

3. In accordance with our vision of turning Côte d'Ivoire into an emerging country by 2020, the year 2015 should allow the strong growth dynamic that began in 2012 to solidify. The growth rate is expected to amount to 10 percent with an inflation rate estimated at 2.3 percent. This objective is

based on the implementation of wide-ranging structural measures and the continuation of key investment projects in the context of the National Development Plan (PND 2012–15). Investments are expected to increase by 15.8 percent to reach 17% of GDP in 2015, including 7.7 percent of public investment, consistent with maintaining debt sustainability. The government will continue to facilitate efforts to ensure that the benefits of growth are redistributed among the most vulnerable members of society by boosting pro-poor spending and through job creation.

4. The government will continue to conduct a consistent set of structural reforms, including to strengthen public financial management. In this context, a master plan for fiscal reform will be adopted. In addition, a reform of the financial sector including the restructuring of state-owned banks will be implemented, steps will be taken to achieve financial equilibrium in the electricity sector, as well as to strengthen government and fight corruption. Finally, the government will continue to improve the business climate to ensure that Côte d'Ivoire remains at the forefront of reforming countries.

5. The government has mobilized US$750 million through the issuance of a Eurobond, instead of the US$500 million included in the program, in view of the highly favorable conditions on international financial markets. The proceeds from this loan have served to lengthen the maturity of domestic debt and expedite repayment of domestic arrears, in line with program objectives. Accordingly, the government is requesting a waiver for breaching the continuous performance criterion on new nonconcessional foreign borrowing as well as an increase in the ceiling on the cumulative window for new nonconcessional foreign lending up to US$1.65 billion in 2014.

6. The government will broaden its sources of financing in the context of the debt strategy that aims to ensure the sustainability of public debt in the medium and long term. Taking into account the difficulties for mobilizing sufficient concessional resources to meet our requirements for financing key projects in 2015, the government intends to issue a Eurobond in the amount of US$(01) billion. The government is therefore requesting IMF approval for increasing, in 2015, the cumulative window for new nonconcessional foreign loans by the amount of US$1.4 billion, including US$1 billion for the Eurobond, up to a ceiling of US$3.05 billion in 2015. In addition, we are requesting the option of adjusting this ceiling to take into account two foreign loans for two (2) key projects, in the event that their terms should prove to be nonconcessional. The key projects consist in the extension and modernization of the Autonomous Port of Abidjan for a maximum amount of US$800 million, and the development and rehabilitation of Côte d'Ivoire's electric power grid for a maximum amount of US$820 million.

7. Côte d'Ivoire believes that the policies set forth in the attached Memorandum of Economic and Financial Policies are adequate to achieve the objectives of the program, but will take any

further measures that may become appropriate for this purpose. Côte d'Ivoire will consult with the IMF on the adoption of these measures and in advance to the revisions to the policies contained in the Memorandum of Economic and Financial Policies in accordance with the IMF's policies on such consultation.

8. We are requesting, under the sixth program review under the ECF, the disbursement of financial assistance equivalent to SDR 32.52 million plus an increase in this drawing amounting to 10 percent of our quota, i.e., SDR 32.52 million. This augmentation (SDR 32.52 million) will be used to finance the plan to prevent and fight the Ebola epidemic. In addition, we are requesting that the ECF arrangement be extended through December 31, 2015 and a financial assistance in 2015 equivalent to 30 percent of our quota, i.e. SDR 97.56 million.

9. The Ivoirien authorities consent to the release of this Letter of Intent, the attached Memorandum of Economic and Financial Policies and Technical Memorandum of Understanding, as well as the IMF staff report on the sixth review under the ECF arrangement. We hereby authorize their publication and posting on the IMF's website, after completion of the review of the program by the IMF Executive Board.

Very truly yours,

/s/

Nialé KABA

Minister at the Prime Minister's Office

in charge of Economy and Finance

Attachments:

- *Supplement to the Memorandum of Economic and Financial Policies (MEFP)*
- *Technical Memorandum of Understanding (TMU)*

Attachment I. Côte d'Ivoire: Supplement to the Memorandum of Economic and Financial Policies

November 18, 2014

CONTEXT

1. **After two consecutive years of strong economic growth, the government's commitment to turn Côte d'Ivoire into an emerging country by 2020 is evident.** The reforms undertaken in key economic sectors along with the implementation of measures to support businesses have instilled a sustained growth in economic activity. Thus, after 10.7 percent and 9.2 percent rates of GDP growth in 2012 and 2013, respectively, the economic outlook at end-June 2014 points to sustained growth of 9 percent in 2014, allowing Côte d'Ivoire to maintain its position among the countries with the highest growth rates in the world. Performance under the economic and financial program supported by the Extended Credit Facility (ECF) is in line with its objectives. The business climate is steadily improving with the implementation of structural measures, including streamlined procedures to start up businesses, implementation of a new investment code, launching of a large-scale program for the development of industrial zones, the creation of a commercial court, and the revitalization of the public-private sector consultation committee. These steps have strengthened economic activity, in particular resulting in foreign direct investment of CFAF 185.8 billion and the net creation of 27,056 jobs in the formal sector as of end June 2014. Maintaining the accelerated pace of reform implementation and a good economic performance would make it possible to increase nominal per capita GDP by over 15 percent in two years. These results are buttresses by a program to upgrade infrastructure, especially in the health, education, drinking water supply, sanitation, electrical power, and road sectors.

2. **As regards political developments, Côte d'Ivoire is continuing to reposition itself on the international scene thanks to its internal stability, improved governance, and the preservation of social cohesion.** This repositioning was marked by the return of the African Development Bank in June 2014. Moreover, the government has given strong support to integration projects, with the implementation of major regional infrastructure projects and improved ease of transport. At the national level, steps have been taken to ensure that the October 2015 presidential elections are open and transparent throughout the country.

This memorandum first describes the progress made under the economic and financial program during the first half of 2014, and then presents the main trends for end 2014 and 2015, as well as medium-term prospects.

RECENT ECONOMIC DEVELOPMENTS AND PROGRAM IMPLEMENTATION

A. Recent Developments in the Macroeconomic Environment

3. Economic activity remains buoyant.

- During the first half of 2014, economic activity remained strong in all sectors. In the primary sector, agricultural exports recorded a good performance driven by all product sectors, in particular cocoa (+5.4 percent), cotton seed (+17.7 percent), cashews (+28.2 percent), pineapples (+20.1 percent), and bananas (+18.1 percent). Growth in the secondary sector was fueled by construction and public works (+12.5 percent), manufacturing (+9.4 percent), and the energy sector (+5.1 percent). The tertiary sector was mainly driven by retail trade (+10.9 percent) and air transport services (+25.7 percent).
- Inflation remains moderate, below the convergence criterion of the West African Economic and Monetary Union (WAEMU) of 3 percent. The price index increased on average by 0.2 percent over the same period of 2013, because of improved market supply thanks to the strong performance of subsistence agriculture, buoyed by the implementation of the National Agricultural Investment Program and the government's efforts to facilitate trade.
- Foreign trade (excluding special and exceptional goods) was characterized by improved terms of trade and higher exports and imports. Export volume grew by (+5.6 percent), led by cashews (+90.7 percent), cocoa beans (+1.1 percent), uncombed cotton (+20.3 percent), and rice (+13.6 percent). Imports increased by 3.5 percent, in line with consumer goods such as rice (+18.4 percent), intermediate products (+12 percent), and clinker (1.9 percent).
- Credit to the private sector increased significantly. This growth involved medium-and long-term credits (+14.3 percent), as well as ordinary short-term credits (+5.4 percent). This development reflected the return of economic agents' confidence.
- Formal employment posted a gain (+3.6 percent) compared with end-December 2013, driven by the private (+3.9 percent) and public (+2.5 percent) sectors. In addition, the initial results of the 2013 employment survey indicate a vast majority of jobs (91 percent)[1] in the informal sector.
- The stock market continued to grow, due to the favorable performance of the regional economy and the shift to continuous trading since September 16, 2013. The capitalization of

[1] The final report of the 2013 employment survey is being validated.

the market for shares of the Regional Stock Exchange (BRVM) rose year-on-year by 15.4 percent, with an average increase in trading volume of 48.9 percent.

- This renewed vitality confirms the improved economic outlook of Côte d'Ivoire, which offers an expanding source of opportunities within WAEMU.

4. **The number of business start-ups and private investment has continued to increase.** At end-June 2014, 3,085 businesses were created, an increase of 161 percent over June 2013. Approved investments have also risen by 48 percent since December 2013. Investments have been made mainly in the construction and public works sector, the energy sector, and in extractive industries. Thus, private investment, recorded at 6.7 percent of GDP in 2012 and 7.1 percent of GDP in 2013, was still climbing at end-June 2014. All these good performances, which reflect the government's efforts to promote business opportunities by organizing investment forums and pursuing reforms to streamline business start-up procedures, and its efforts to ensure good governance and fight corruption, have contributed to the continued growth in investment.

5. **Budget execution at end-June 2014 was consistent with objectives.**

- Revenue, recorded at CFAF 1,462.3 billion, exceeded the program objective by CFAF 70.2 billion. This performance was essentially due to higher revenues from export duties and taxes, petroleum, the VAT, and the tax on petroleum products. However, losses were recorded on corporate profit taxes (BIC) tax excluding petroleum, and on import taxes on general merchandise.

- Spending amounted to CFAF 1,802.1 billion, or 106.6 billion less than programmed. This outturn reflects the downward revision of the gas sales price to the electricity sector. Other current expenditures were contained at CFAF 172.5 billion, in line with objectives. As regards investment expenditure (excluding post-crisis spending), it was recorded at CFAF 551.9 billion, or 93.4 percent of the programmed amount. The implementation rate of domestically funded projects was 103 percent, as compared to 84.3 percent for projects funded with external resources. The overall budget deficit (CFAF 143.4 billion) was below the programmed level (310.6 billion), and the basic primary balance was better than expected (+2.7 billion against -135.4 billion).

- The overall budget deficit was covered by financing on the regional market, to the tune of CFAF 641.1 billion, plus CFAF 157.4 billion of external funding.

- Mobilization of external funds and project grants amounted to CFAF 294 billion, as compared to CFAF 338 billion, primarily due to the slower than expected mobilization of certain budget supports, drawings on grants, and project loans.

6. The government successfully launched a debut bond on the international financial market. As part of the process for obtaining a sovereign credit rating, Côte d'Ivoire bond issuances were rated B1 by Moody's B by Fitch. This has opened up new prospects for Côte d'Ivoire, which was able to raise US$750 million at 5.625 percent, as compared to an initial offering of US$500 million at 5.875 percent for its 2014 Eurobond. This issuance was recognized as a great success by the business community, and the access to financing on international markets permitted an improvement in the maturity structure of domestic and external debt, as well as asset-liability management.

7. The government has stepped up implementation of social projects and multiplied initiatives to improve the living conditions of the most vulnerable sectors. Construction of 65,000 public or social housing units initiated by the government has advanced considerably, and the first estates should be delivered before the end of the year. As for employment, the National Employment Policy is being pursued with the adoption of a national strategy for boosting employment which is currently under way. The 2014–15 operational action plan adopted in this area is designed to strengthen and consolidate the different existing programs, such as the PEJEDEC (Youth Skill Development Program), PSR (Special Requalification Program), and the C2D (Debt for Development Swap) employment program. More generally, the monitoring, training, and job placement work of the Agency for Employment Research and Promotion (AGEPE) is regularly evaluated through activity reports. All of these efforts have brought the number of jobs created between January 2011 and August 2014 to 242,987. Thanks to the "Doing Business in Côte d'Ivoire Forum" (ICI 2014), the Women's Support Fund of Côte d'Ivoire (FAFCI), with an initial budget of CFAF 1 billion, has received private sector funding of CFAF 500 billion. In the rural sector, the guaranteed price system, which was set up in the coffee and cocoa sectors and has improved remuneration for producers, has been extended to the cotton and cashew sectors. As a result, the income of one million farmers has been improved, to the benefit of over six million persons. The Rural Investment Fund has continued and expanded its investment in rural areas. Moreover, a tax relief arrangement is being put in place for the rubber plantation sector, which has been hurt by the decline of world rubber prices. In the area of education, the "free schooling for all" policy remains in place. The construction and outfitting of 4,000 classrooms, primarily in rural areas, have improved access to education, especially for girls. Finally, turning to the health sector, health coverage has been improved by the extension of the network of public health centers and by the promotion of free maternal and child health care. All of these combined efforts are reflected in the high rate of execution of pro-poor expenditures (CFAF 706.4 billion, or 104.5 percent) at end-June 2014.

8. The government has begun implementing a series of projects to increase the capacity of public health infrastructure and improve the quality of care provided. To avoid the threat of an Ebola epidemic, two successive contingency plans at a total cost of 57.1 billion have been prepared on the basis of the evolution of the epidemiological situation in the sub-region and the increased risk to Côte d'Ivoire. These different plans have led to the establishment of 16 treatment centers and an analytical laboratory in Abidjan, and to increased prevention measures and efforts to sensitize the entire population.

- Under a third plan under preparation, to cover the 2014–15 period, the response will be expanded to a national scale. It will extend the response capability to 82 health districts, significantly increase the number of treatment centers, and put in place three mobile laboratories. It will also provide for training of more health personnel on how to handle possible cases of infection. It should be noted that there have been no case of Ebola infection reported thus far.

- The coordination and implementation of these different plans is ensured by the Surveillance Committee chaired by the Prime Minister. The Committee's tasks include: (i) defining strategic and policy guidelines for responding to the epidemic; (ii) defining the alert level as the epidemic evolves; (iii) ensuring continuous surveillance of the development of the epidemic both nationally and internationally; (iv) ensuring diplomatic coordination and consultation with stakeholders both within and outside the country; (v) organizing advocacy for the mobilization of national and international resources; and (vi) reporting periodically to the National Security Council on the development of the Ebola virus epidemic.

- The international community has welcomed the Ivoirien government's decision to resume flights to countries of the sub-region affected by Ebola hemorrhagic fever, pursuant to recommendations of WHO and IATA. This decision greatly facilitates action and strengthens the capacity of the international community to respond rapidly to the needs of the countries concerned. It also helps to maintain the vital trade links among the countries of the sub-region.

B. Implementation of the Program

9. The performance criteria and indicative benchmarks at end-June 2014 were observed. More specifically, the basic primary balance was CFAF 2.7 billion, as compared to a programmed deficit of CFAF 135.4 billion. Cash advances were CFAF 47.5 billion, under the CFAF 55.6 billion ceiling. The government also cleared CFAF 328.3 billion in payables from 2013 and previous fiscal years. Overall, budget execution at end-June 2014 resulted in a moderate level of floating debt (CFAF 198.6 billion), leading to a net reduction in payables of CFAF 129.7 billion, as compared to the targeted floor of CFAF 50 billion.

10. Nonconcessional external loans contracted since the start of 2013 amounted to US$746.1 million at end-June 2014, below the US$900 million ceiling. These loans were used to finance key priority projects in the energy, economic infrastructure, and transportation sectors. Repayment of these loans is guaranteed by the flows generated from the operation of these projects, thereby limiting their impact on public finances. Moreover, in July the government successfully raised CFAF 357 billion on the international capital market by issuing a Eurobond, as against the programmed amount of CFAF 250 billion. The proceeds from this borrowing were used to extend the maturity structure of domestic debt and accelerate the repayment of domestic arrears, in accordance with program objectives.

11. The government implemented the end-June 2014 structural benchmarks:

- Four decrees to transpose directives of the West African Economic and Monetary Union (WAEMU) on public finance were adopted by the Council of Ministers on July 9, 2014;
- The strategy to put in place a treasury single account was drafted and the decree implementing this strategy was adopted by the Council of Ministers on July 9, 2014;
- An evaluation of the expenditure chain and procedures for closing the budget year was carried out during January 9-23, 2014, and some of the recommendations made on these issues were implemented, including a reduction in government procurement timelines and establishment of a committee to monitor compliance with these timelines.

12. A committee was set up by the government to monitor the clearance of audited arrears from 2010 and earlier. At end-June, of the validated stock of CFAF 152.9 billion, 40.8 percent had been paid.

13. A regulatory framework for monitoring and supervising government procurement timelines was set up during the first half of 2014. A decree was issued in May 2014 to reduce the timeline for government procurement to 88 working days, and a monitoring committee was set up to monitor compliance with that timeline. Thus, from January to June 2014, the average time for government procurement, from examination of the bidding documents to approval of contracts, was 168 days. Moreover, a considerable decline in the recourse to non-competitive contracts was recorded; they accounted for 5.8 percent of the value of government contracts approved during the first half of 2014 (3.9 percent of the number of approved contracts). The following measures are planned to further strengthen this process gradually shifting to competitive bidding as the standard for government contracting and to further improve the services rendered:

- Completion of efforts to put in place procurement units in seven (7) pilot ministries;
- Completion of the design of simplified bidding documents and procedural manuals;
- Continuation of the training program for the different actors involved in the procurement process.

14. The government is pursuing its policy of putting in place a favorable legal and institutional framework to promote economic activity and small and medium-sized enterprises (SME). As a result of these efforts, Côte d'Ivoire has advanced 11 places in the 2014–15 global competitiveness report published by the World Economic Forum. To accomplish this, the government continued to implement a series of measures that have reduced taxes on business start-ups and streamlined the required procedures.

Box 1. Côte d'Ivoire: Measures adopted to Improve the Business Climate

More specifically, the government has taken the following steps:

- Publication of companies' incorporation notice online on the website of the Investment Promotion Center in Côte d'Ivoire (CEPICI)
- Reduction of companies' fiscal costs in the form of registration fees for a limited liability company (LLC) whose equity does not exceed CFAF 10 million.
- Dissemination of model company statutes or charters.
- Reduction in the time required for incorporation from 8 days (according to "Doing Business") to 2 days.
- Implementation of the optional procedure of using a notary for establishing charters of LLC-type companies.
- Elimination of the minimum capital requirement for LLCs.
- Reduction in the number of procedures for granting construction permits, from 16 to 11, and in the time required from 364 to 87 days.
- Reduction in the time for processing applications to the Ivoirien Electricity Company (CIE), the SECUREL certificate of conformity, the study by the subcontractor and CIE validation, from 24 to 14 days.
- Reduction in the connection time of the Ivoirien Electricity Company (CIE) from 14 to 5 days.
- Reduction in the delivery time of authorizations or permits by AGEROUTE and the Municipal Council from 7 to 4 days.
- Reduction in the preparation time of the notary document from 10 days to 2 days, and in the combined procedure for the registration and publication of the deed by the land registry from 25 to 15 days.
- Reduction in the rate of registration fees on real estate transfers from 7 percent to 6 percent.
- The Electronic Land Register was put online.
- Completion of the electronic publication project between the Chamber of Notaries and the Land Registry for real estate transfers.
- Establishment of private credit bureaus to gather credit data and monitor borrowers.
- Authorization granted to shareholders to hold management liable in the case of harm to the company, of profits collected in error for transactions concluded and approved by the management.
- Making the One-Stop Window for Foreign Trade (GUCE) fully operational.

C. Outlook at end-2014

15. The macroeconomic outlook is for strong economic growth in 2014.

- The GDP growth rate is projected at 9 percent in 2014, thanks to the vitality of all sectors. The primary sector will advance by 4 percent with the robust performance of subsistence agriculture (5.3 percent). The secondary sector will grow by 6.1 percent, driven by the agro-food industry (11.5 percent); construction and public works (20 percent), and other manufacturing industries (12.8 percent), despite a decline in mining (-8.9 percent). The tertiary sector will be spurred on by all of its components, in particular "other services" (13.7 percent) and trade (12 percent).

- The weak rise in prices at end-June 2014 should permit an average inflation rate of 0.5 percent at year-end, well below the WAEMU benchmark of 3 percent.

- The trade balance should remain in surplus thanks to a marked improvement in the terms of trade and exports. Imports would record growth of 13.8 percent, essentially driven by intermediate goods. Exports would increase by 10.9 percent due to increased sales of petroleum products, crude petroleum, palm oil, and agro-food and manufacturing products. The external current account balance will remain in deficit (-1.2 percent of GDP) as forecast in the program. However, the balance of payments is expected to show a surplus.

16. The government will ensure that the budget deficit remains at a moderate level.

17. Total budget revenue (CFAF 3,064.6 billion) will be lower, by CFAF 45.5 billion, than the programmed amount (CFAF 3,110.1 billion). This shortfall will be due to the decrease in direct taxes and oil and gas revenue, as a result of the reduction in the sales price of gas and the appreciation of the US dollar, and taxes on imports.

18. Expenditure will be below the program objectives. Current expenditure will be CFAF 2,373.5 billion, as compared with CFAF 2,365.4 billion projected in the program. As for capital expenditure, it will come in at CFAF 1,095.4 billion instead of an expected CFAF 1,196.6 billion, with an execution rate of 91.5 percent. This result is primarily attributed to the high level of execution of domestically funded expenditures (99.7 percent) and the subsidy to the electricity sector, due to the reduced sales price of gas on CI-26.

19. Financing needs for 2014 are expected to be met. The budget deficit should end up at CFAF 394.9 billion. These needs will be met by net funds raised on the financial market (CFAF 751.5 billion), and by external resources from multilateral and bilateral institutions.

20. To finance major new key structural projects, the government expects to make full use of the window for nonconcessional external loans. In this respect, new agreements should be concluded shortly for project financing, notably for water supply, including for the city of Abidjan (phase 2). All of these loans will be repaid using funds generated these projects.

21. The government has continued its efforts to improve debt management. Since reaching the completion point of the HIPC initiative in 2012, several measures have been adopted to this end (Box 2). Before the end of 2014, a new debt management strategy for 2015-2019 will be prepared and the reorganization of the Public Debt Directorate will begin.

Box 2. Côte d'Ivoire: After HIPC, Debt Under Control

After substantial external debt relief obtained by Côte d'Ivoire following implementation of the HIPC Initiative and the Multilateral Debt Relief Initiative (MDRI), room for new borrowing became available to meet the considerable financing needs of the investment program launched by the President of the Republic so that Côte d'Ivoire could be an emerging country by 2020. The ratio of total public debt to GDP dropped from 67.9 percent in 2011 to 45.1 percent in 2012. It is 34.2 percent, excluding C2D.

However, recourse to borrowing should be on the basis of a borrowing strategy compatible with the government's debt policy. This strategy should be backed by a debt sustainability analysis, to anticipate the development of debt ratios and guarantee a sustainable debt for the country.

Institutional reforms

The government has reformed the institutional framework, to bring public debt management into line with international standards. Thus the National Public Debt Committee (CNDP) was created by decree in November 2011. The CNDP was tasked with: (i) monitoring the implementation of the national debt policy and public debt management; (ii) ensuring they are consistent with the country's development objectives and financial capacity; and (iii) preparing the debt policy and strategy for adoption by the government. To improve public debt management, a decree was issued in January 2014 to reorganize the Public Debt Directorate in line with front office, middle office, and back office operations. This reorganization is designed to centralize public debt operations, and to ensure a link between (i) debt policy and strategy; (ii) fund raising and negotiations; and (iii) management of the debt portfolio.

Box 2. Côte d'Ivoire: After HIPC, Debt Under Control (concluded)

Preparation of a strategy

The government adopted its first debt management strategy in 2013 (2013–17 MTDS), to anticipate the impact of new government financing on debt viability. This MTDS was supported by a Debt Sustainability Analysis (2013 DSA), which revealed a moderate debt risk with a ratio of debt to GDP of 44.1 in 2017.

A second strategy covering 2015–19 should be completed before end-2014. It should enable the government to better monitor the impact of new funding on the sustainability of the public debt. This strategy gives a slight preference to external financing (60 percent of needs), to mitigate the refinancing risk to which the government is exposed because of the short average maturity of its public debt portfolio (6.2 years, with the domestic debt portfolio at 3.8 years and the external debt portfolio at 7.8 years). In addition, due to the narrowness and shallowness of the domestic market, the MTDS provides for moderate recourse to the international financial market. A DSA will be carried out during the last quarter of 2014 to support the implementation of this strategy. The MTDS and the DSA will be systematically updated every year, to have a better idea of the cost and risks of new funding.

Sustainability of public debt

Since November 2012, the date on which external debt arrears, and in particular arrears on the three 2010–32 Eurobond coupons, were restructured, the government has not accumulated new arrears, and is consequently in compliance with the criteria for non-accumulation of external arrears and new domestic arrears. Although the projected level of debt appears high, it is important to note that the impact of new commitments on debt sustainability is quite low, especially since they involve priority projects which studies have shown that their economic profitability is assured. Moreover, a large part of the outstanding external debt is accounted for by C2D, which is covered by the agreement on debt by cancellation and conversion into development projects. The debt to GDP ratio at end-2014 is expected to come in at 36.2 percent or 45.8 percent if C2D is included.

22. The government will monitor implementation of the measures adopted to ensure continued improvement of budget execution. To this end, it will put in place:

- An action plan with a detailed timetable for closing public accounts with commercial banks, and closing all dormant accounts, accounts with low balances, and debit accounts. The government has opted to set up a Treasury Single Account (TSA) with sub-accounts. It will be structured as a principal account with the BCEAO, plus a series of accounts linked to it and also opened with the BCEAO, the ACCD, and possibly with commercial banks. The reason for keeping certain public accounts with commercial banks is to compensate for the gaps in the branch networks of the BCEAO and the ACCD within the country;

- A detailed action plan for implementing the recommendations of assistance missions on government accounts, along with a timetable and quantitative indicators for the settlement of clearing or suspense accounts.

23. The government will take steps to improve the financial situation of the electricity sector. It will settle CFAF 40 billion of the HVO (Heavy Vacuum Oil) subsidy prior to December 31, 2014. It will prepare a protocol defining the procedures for ordering and payment of HVO to avoid further arrears in future. It will adopt a plan for the clearance of cross-debts within the energy sector by end-June 2015.

24. The government will continue the settlement of its audited debt with its suppliers and institutional partners. Implementation of the audited internal debt settlement plan, initiated on December 6, 2013, is ongoing and will be completed by the end of 2014, including through the securitization of remaining claims. Moreover, arrears of donor share and social security contributions will be cleared, and the arrears owed to the banking and nonbanking sector on the securitized debt and the agreed debt will be cleared. In addition, the government will pay the CFAF 18 billion in arrears of the national and local government establishments and institutions before December 31, 2014. Regular settlement of payments due will help support private sector activity and strengthen the relationship between the government and its partners.

25. With regard to the restructuring of public banks, the government intends to restructure a bank in which it has a minority share by the end of 2014.

ECONOMIC AND FINANCIAL PROGRAM FOR 2015 AND MEDIUM-TERM OBJECTIVES

26. In 2015, the government will preserve the stability of the macroeconomic framework and will pursue reforms needed to further improve the business climate and public financial management. The growth rate will rise to 10 percent, with an inflation rate estimated at 2.3 percent. This target is based on key priority investment projects under the National Development Plan (2012–15 PND). With this in mind, the government will again organize the forum entitled "Doing Business in Côte d'Ivoire" in 2015; the latest forum in January 2014 brought over 3,700 participants to Abidjan. Investment should increase by 15.8 percent, to reach 17 percent of GDP in 2015, of which 7.7 percent is public investment, while at the same time maintaining debt sustainability. The government will continue to give priority to redistributing the proceeds of growth to the most vulnerable sectors of the population, by increasing pro-poor expenditures and creating jobs.

A. Macroeconomic Framework

27. The government maintains its commitment to reduce poverty and build the foundations for the emergence of Côte d'Ivoire by 2020, by implementing the 2012–15 PND.

This effort is based on maintaining strong, sustainable, inclusive growth that is gender-sensitive and environment friendly. The government will continue its efforts to boost employment by promoting the financing of innovative projects with a strong community impact. For instance, the National Youth Fund has served as collateral for the direct financing of 51 individual and collective projects for a total amount of CFAF 1 billion. To accomplish this, the government has set the following objectives:

- Implementation of the National Agricultural Investment Program, to attain self-sufficiency and to develop a local agricultural processing industry, and implementation of the new industrial policy based on the promotion of SMEs and SMIs and development of value chains;
- Improvement of the Human Development Index;
- Substantial progress in achieving the Millennium Development Goals in 2015;
- Creation of an even more attractive business climate to maintain the competitiveness of the economy;
- Continuous improvement in governance and anti-corruption efforts, to rejoin the group of leading African countries in this area.

28. To attain these objectives, the government will ensure the successful implementation of the 2012–15 PND, which will be followed by a new 2016–20 PND driven primarily by private investment.

Box 3. Côte d'Ivoire: Review of the National Development Plan

The 2012–15 PND, the frame of reference for Côte d'Ivoire's economic activities, was adopted by the government in March 2012, in order to lay the groundwork to transform Côte d'Ivoire into an emerging country by 2020. Now that it has been implemented for over two years, with follow-up reports in 2012 and 2013, and in accordance with the institutional framework for monitoring the plan, the government has initiated an overall review in order to better prepare the 2016–20 PND.

This review will take place in four major stages, which were preceded by consultations with the actors involved in implementing the PND during August 27-September 3, on the strategic results , i.e.: (i) ministerial reviews to enable each ministry to draw up an intrasectoral diagnostic of implementation of the PND; (ii) local reviews for the primary purpose of measuring local authorities' contributions to achieving the expected results of the PND; (iii) intersectoral discussions involving the government, technical and financial partners, the private sector, and civil society, to analyze the consolidated report of the preceding stages in order to learn from them, make recommendations, and propose strategic guidelines and the concept note for the 2016–20 PND; and (iv), finally, these elements will be used as inputs to the overall review workshop, where decision-makers can discuss key policy issues with each group of stakeholders, leading to the final recommendations and conclusions of the review, to be submitted to the Council of Ministers for adoption.

This review should be completed on November 27, 2014; the main result will be a report containing: (i) an overall assessment of the implementation of the PND by strategic result; and (ii) strategic guidelines and the concept note of the PND, to be used to guide preparation of sector policies and regional development plans.

The summary of these documents, together with the conclusions of several thematic studies, will be key inputs for elaborating the 2016–20 PND, to be adopted by the Council of Ministers in May 2015.

29. Economic development will rely on the renewed vitality of all sectors.

- **The primary sector will evolve positively** in line with the performance of subsistence agriculture, and especially in implementing the National Rice Development Plan (PNDR) under the National Agricultural Investment Program (PNIA). Moreover, the successful elements of the reform of the coffee-cocoa sector will be extended to the cashew and cotton sectors, to increase the income of producers and improve their livelihood. Finally, development of a primary processing industry in implementing the PNIA will diversify production.

- **The secondary sector** will record growth thanks to a robust construction and public works sector, development of manufacturing and agro-food industries spurred by the implementation of the SME and PNIA support strategy, and the take-off of mining and energy production following major investments in these two sectors. Moreover, the development of new industrial zones, support for the development of SMEs, and the sustained buoyancy of private and public demand should buttress the sector's growth.

- **The tertiary sector** will also develop favorably, particularly in transportation and telecommunications. In addition, government support for the development of SMEs and the return of African Development Bank (AfrDB) headquarters to Abidjan will help ensure the growth of the tertiary sector in 2015.

30. **Annual inflation is expected to average 2.3 percent in 2015.** Moderate price increases will benefit from an increase in the local supply of food products, with the implementation of the different agricultural development strategies under the PNIA, and the unimpeded transportation of persons and goods.

31. **In 2015, the current account balance will show a deficit of CFAF 127.5 billion, or -0.7 percent of GDP, as compared to -1.2 percent in 2014, while the trade balance will continue to post a surplus despite an increase in imports, due to the buoyant economy.** The capital and financial operations account will also post a surplus, because of increases in portfolio investment and foreign direct investment. Finally, the overall balance of payments should record a surplus of CFAF 23.3 billion.

32. **Money supply should grow by 8 percent.** This increase will originate from an increase in credits to the economy and in net foreign assets.

B. Fiscal Policy

33. **Fiscal policy will continue to support growth while preserving macroeconomic stability.** To this end, the government will pursue its efforts to improve revenue mobilization and expenditure rationalization, while ensuring a sustainable debt in conducting its short- and medium-term economic policies.

34. **Total revenue in 2015 is projected at CFAF 3,474.8 billion (18.1 percent of GDP), an increase of 13.4 percent over 2014.** This increase is linked to the expected growth of direct and indirect taxes revenues, notably non-oil corporate profits taxes (21.2 percent), VAT (14.5 percent), and payroll taxes (14.7 percent), in comparison with 2014. To achieve these targets, measures have been adopted to improve tax revenue collection. Among these measures, priority is placed on creating Centers of Medium-Sized Enterprises (CME), developing the tax bases of excise taxes on tobacco and beverages by fixing a minimum price, securing local taxes framework, modernizing tax management by introducing online tax returns, and simplifying business tax systems.

35. The government will continue to strengthen the tax revenue collection potential. It will ensure effective implementation of the measures adopted under the program and will take any corrective steps needed to achieve the objective pursued.

36. Expenditure in 2015 will amount to CFAF 4,523.1 billion (23.6 percent of GDP), an increase of 19.5 percent over 2014. This rise in expenditures is largely due to the increase in the government wage bill and the continued growth of public investment. Expenditures reflect the significant increase in investment included in the Public Investment Program (2014–16), the launching of Universal Health Coverage, and costs linked to organization of the elections.

37. The basic primary balance will be equal to CFAF 41.6 billion, -0.2 percent of GDP, as compared to -0.5 percent of GDP in 2014. The overall budget deficit, including grants (excluding grants for the settlement of arrears) should be CFAF 672.1 billion, or -3.5 percent of GDP, as compared to -2.3 percent of GDP in 2014. This increase in the overall budget deficit is due to the high level of investment expenditure funded with external resources.

38. The government will make sure that the measures adopted for the continued improvement of budget execution are implemented. In so doing, it will continue its efforts to rationalize expenditures, by: (i) limiting recourse to cash advances to emergencies; (ii) reducing the number of *régies d'avance* [petty cash or imprest mechanisms]; (iii) establishing benchmark prices; and (iv) reducing public procurement granted on a non-competitive basis.

39. The government will continue to enhance good governance and to step up efforts to fight corruption. To this end, it will reinforce the work of the anti-corruption group by:

- Establishing an anti-corruption observatory and a special court to prevent and fight corruption, once the regulations for their operations are approved;
- Tightening control of government contracting management, and regularly monitoring deadlines in the procurement chain, with a view to identifying corrective actions to ensure the smooth flow of investment expenditure during the year.

C. Improving Management and Strengthening the Long-Term Viability of Public Finances

40. The government, with the assistance of its technical and financial partners, has drawn up a master plan for reforming public finance (Box 4).

Box 4. Côte d'Ivoire: The Master Plan for Reforming Public Finance

On June 5, 2014, the Republic of Côte d'Ivoire adopted a new organic budget law (LOLF), and an organic law integrating a transparency code into public financial management, thereby transposing to the national legal framework the WAEMU directives on the new harmonized public financial management framework. A single reform master plan was prepared to implement these key far-reaching reforms and modernize public financial management. This strategy comprises an action plan, which is estimated to cost more than CFAF 100 billion. Institutional arrangements and tools for guiding the plan of action were proposed to support implementation of this strategy.

The reforms involve the government, public agencies and administrations, and local governments, as well as parliament and the Supreme Court, through its Audit Chamber. They have seven components:

1. **Taxation and management of government revenue.** The objective is to expand the tax base and modernize public management of domestic revenue collection. The target is to increase tax mobilization, and bring the rate to at least 19 percent of GNP.
2. **Planning, programming, budgeting, and management of budget execution.** The general objective is to modernize methods for managing and implementing the government's budget and to present the 2017 proposed budget according to the prescribed LOLF format.
3. **Organization and financial information systems of the expenditure chain.** The objective is to update procedures for monitoring and controlling budget execution in order to rationalize the expenditure chain. This objective is part of the new standards for ensuring the transparent, comprehensive, effective, and efficient execution of government expenditures.
4. **Public procurement.** The objective is to ensure that the normative and institutional systems in Côte d'Ivoire comply with the WAEMU directives. This will involve finalizing the rules for contracting, implementing, and settling procurement by the government and public service organizations and agencies pursuant to the WAEMU directive No. 4/2005.
5. **Government accounting and cash management.** The objective is to implement the PEMFAR (Public Expenditure Management and Financial Accountability Review) recommendations, strengthen implementation of the Treasury single account, and reinforce debt management as part of a government-approved debt strategy, and to introduce the reforms required as a result of transposing the WAEMU directive on the General Regulations on Public Accounting (RGCP) and the State's Chart of Accounts (PCE), which introduce accrual accounting.
6. **Internal and external audit regulations and controls.** The objective is to improve transparency and governance, and ensure the effectiveness of internal and external controls by formalizing and implementing effective regulations consistent with the provisions of the WAEMU directives.
7. **Ensuring effective financial decentralization,** by setting up a procedural framework and by reinvigorating the institutional relationship between local governments and the central government's principal economic and financial stewards. The goal is to adapt the financial, tax, and property systems of local governments to the provisions of WAEMU's 2011 directive and to the Law of 2003, so that they can play their full role in serving as a lever for the economic and social development of the country. Each of the 7 components will be supported by the updating of the relevant legal and regulatory texts.

The first three-year plan (2014–16) describes more than 360 measures, for which implementation will need to be spread over time.

41. The government will continue to reduce subsidies to the electricity sector by making major investments to diversify and increase the power supply. Investments totaling CFAF 5,300 billion will go to building new production facilities or to overhauling existing sites with production units using new types of inputs, including biomass, and improving the network for transporting and distributing electricity. The results of the sector's deficit reduction strategy have allowed for gradual improvement of its financial position and will bring it into equilibrium by 2016. As a result the government will be able to reduce its subsidy to the sector in support of production costs to meet national needs. Additional demands for electricity on the part of bordering countries will continue to be invoiced at the marginal cost of production using HVO.[2]

42. Discussions with the BCEAO will be continued on the treatment of debt.

D. Consolidation and Development of the Financial Sector

43. The government will continue implementing its financial sector development policy. The Financial Sector Development Strategy (FSDS) is based on the two pillars of stability and expansion of the financial sector. To implement it, the government is in the process of adopting a Financial Sector Development Program, known as PDESFI. This program is designed to achieve the following objectives: (i) implement the action plan of the financial sector development strategy; and (ii) design and monitor the implementation of projects to support and develop inclusive finance, the leasing development program in Côte d'Ivoire, and all programs related to the support and development of the country's financial sector, except for the restructuring of the public banking sector.

44. The government intends to complete the restructuring of public banks. The restructuring plan adopted by the government in May 2014 provides in particular for:

- The privatization of the two (2) banks with a minority share. The privatization committee is working to achieve this objective.
- Several restructuring options for the four (4) banks in which the government is a majority shareholder. A program director, under the supervision of a steering committee, will restructure these banks on the basis of clearly defined options. The resizing strategy gives priority to the need to maintain public service functions, especially as regards financing the economy, savings, and the availability of banking services.

[2] HVO: Heavy Vacuum Oil, a liquid fuel used to produce electricity.

- Finalizing the consolidation of the microfinance sector. The action plan adopted for this purpose has four components: (i) consolidation of the regulatory and institutional framework; (ii) strengthening oversight; (iii) restructuring and turnaround of structures in difficulty; and (iv) liquidation of decentralized financing structures for which authorization or approval has been withdrawn. Implementation of this plan, in its final phase, will make it possible to obtain a portfolio of sound, solid, viable structures to assist the government in implementing its policy of ensuring access to financing for the poorest sectors of the population.

45. The government will continue its efforts to develop and disseminate new instruments and to reduce the cost of financial operations. In addition to the law and regulations governing the work of primary dealers (SVT, Treasury Security Specialists), measures adopted to set up credit bureaus, and regulations on repurchase or buyback agreements and issuance of government securities by tender or syndication, the BCEAO will proceed to provide certain bank services free of charge, in order to reduce and gradually rationalize banking terms and costs for customers.

E. Debt Policy and Strategy

46. The government will continue to strengthen public debt management. The medium-term debt management strategy (MTDS 2013–17) will be replaced by a new one for 2015–19, on the basis of monitoring and evaluation of the change in debt during 2014. Furthermore, in 2015 the government intends to complete the establishment of a centralized data base on the public enterprise and government guaranteed public enterprise debt, to improve debt monitoring. Finally, the government will complete the reorganization of public debt management into front, middle, and back offices with IMF technical assistance, to be provided in the first half of 2015, to ensure comprehensive public debt management.

47. The government will continue to expand its financing sources under its debt strategy, with a view to preserving the sustainability of the medium- and long-term public debt. In view of the difficulties in mobilizing sufficient concessional funds to finance our key large-scale structural projects in 2015, a one billion U.S. dollar Eurobond will be issued. Thus, the government is requesting the IMF's approval to increase the cumulative window for new nonconcessional external borrowing by US$1.4 billion in 2015, including one billion U.S. dollars for the Eurobond, up to a ceiling of $3.05 billion U.S. dollars. It is also requesting that this ceiling be adjusted so that it can contract two external loans for two priority projects, in the event that they cannot be contracted on concessional terms. The priority projects are the extension and modernization of the Autonomous Port of Abidjan, for a maximum amount of US$800 million, and the development and rehabilitation of the electricity network of Côte d'Ivoire for a maximum amount of US$820 million.

F. The Private Sector as the Engine of Growth of the National Economy

48. The government will continue to promote the private sector to encourage and increase private investment in the economy. Efforts to reinforce the network of economic infrastructure (telecommunications, road system, energy, and port facilities) will be continued to support economic activity. The creation and extension of industrial zones will also be part of the government's industrialization policy. A project to build a sub-regional hub for hospital services in Côte d'Ivoire, by developing health services and a pharmaceutical industry producing generic medicines, is also under way. Support for research and training structures, and evaluation of the employment policy will serve to guide training programs and to provide companies with skilled labor. The implementation of the National Agricultural Investment Program (PNIA) will improve food security and promote the development of the agro-industrial sector. Finally, the results of the General Population and Housing Census and the survey on the standard of living of households will be used to better define and guide sectoral policies.

49. As regards the business environment, the government will continue to implement new measures to round out the existing arrangements, so that Côte d'Ivoire can join the group of leading African countries with the best business climate, (Box 5).

Box 5. Côte d'Ivoire: Reforms to Improve the Business Climate in 2015

For the third consecutive year, Côte d'Ivoire is continuing its efforts to improve the business climate, with a focus on the "Doing Business" indicators. For this task the country is drawing upon the recommendations of the evaluation team from Doing Business from Washington, DC, which was in Abidjan on July 7–10, 2014, as well as by on-site diagnostic studies by the CEPICI team, and information from a benchmarking mission to Rwanda on September 10–21, 2014. The recommendations of these different teams concerned the consolidation of existing gains, the rationalization of the procedures covered by the business indicators, and the implementation of reforms linked to the indicators. For 2015, action will focus on the following measures:

- Reducing the time for a business to start-up at the CEPICI Single Window to 24 hours.
- Promoting an electronic geographically unified management of the Trade and Personal Property Credit Registry of guarantees (RCCM) with an indexed data base following the names of debtors.
- Promoting the dissemination of information from the Centrale des Risques (credit risk database) of the BCEAO, which will cover the past 3 years.
- Reducing the time for moving import and export merchandise at ports.
- Establishing a legal framework for trade mediation.

Box 5. Côte d'Ivoire: Reforms to Improve the Business Climate in 2015 (concluded)

- Revising Articles 31 and 39 of Decision No. 01/PR on the creation, organization, and functions of commercial courts to give the president of the Commercial Court authority to enforce decisions.
- Encourage the completion of insolvency proceedings conducted by the designated professionals.
- Guarantee the quality of construction by introducing a mechanism for the issuance of a building permit based on risk management.
- Reduce the cost of electricity connections from CFAF 20.47 billion to CFAF 17 million.
- Strengthen the level of security of real estate transactions by incorporating technological solutions and expediting the formalities for real estate transfers by electronic publication.
- Make credit information bureaus operational in Côte d'Ivoire
- Make filing of tax and social security statements paper-free in Côte d'Ivoire.
- Reduce the cost of import and export transactions in the ports.
- Facilitate electronic exchanges of documents among parties.
- Institute and organize a group of mediators on trade and commercial matters.
- Extend to common law jurisdictions the rules of commercial judgments handed down in commercial courts.
- Create a commercial court of appeals.
- Make the public auction market transparent and dynamic.
- Promote settlement of insolvency proceedings within one year.
- Introduce the incorporation of companies on line.
- Put in place a Virtual Single Window for Construction Permits.
- Strengthen the procedures for quality control of electrical materials on the market.
- Introduce a prior, external examination of transactions presenting conflicts of interest, so that the auditors can give their opinion prior to the completion of such transactions.
- Make payment of taxes, tariffs, and social security contributions paper-free in Côte d'Ivoire.

All of these efforts should help improve the rating of Côte d'Ivoire in the 2016 Doing Business report.

50. As part of its efforts to improve the living conditions of the population, the government is planning to institute Universal Health Coverage (CMU), (Box 6).

Box 6. Côte d'Ivoire: Universal Health Coverage (CMU)

CMU is a national health coverage system based on monthly individual contributions, with two different regimes (a contribution-based system called the Basic General Regime (RGB), and a non-contribution-based system, called the Medical Care Regime (RAM), in which the government pays the contributions for the poor).

To make CMU operational by 2015, the National Assembly has adopted a law introducing the CMU as a compulsory health coverage system for people residing in Côte d'Ivoire. The President of the Republic issued a decree to create the National Health Insurance Fund (CNAM) on July 25, 2014.

Implementation of the CMU will begin in 2015 with a pilot population made up of about 4 million persons comprising: (1) wage-earners; (2) retirees in the private sector (through the National Social Security Fund); (3) active government personnel; (4) public sector pensioners (through the General Fund of Retirees and Government Agents and the Mutuelle Générale des Fonctionnaires de Côte d'Ivoire); and (5) agricultural workers that have initiated health coverage mechanisms (in the oil palm and rubber tree sectors).

The funding required to launch this operation amounts to CFAF 15.6 billion to be paid by the government's budget. Thus, CFAF 5.1 billion and CFAF 10 billion have been included in the 2014 and 2015 budgets, respectively. However, some aspects of the program will be covered by the private sector, including enrollment.

51. The government will continue to implement its new industrial policy aimed at increasing the share of the industrial sector in GDP from about 22.3 percent in 2012 to 40 percent in 2020. This policy will rely on the diversification of the industrial fabric by the promotion of SMEs and increasing production and the rate of processing of agricultural products through the PNIA. Already a National Program for Restructuring and Upgrading Industry (PNRMN) has been launched for a total amount of CFAF 152 billion, to strengthen the operating and management capacity of SMEs and SMIs. The rehabilitation of existing industrial zones and creation of new industrial zones is under way, at a total cost of CFAF 75 billion. Finally, considerable investment in the energy sector will serve to respond to the electrical power needs of new companies.

G. Financing and Monitoring of the Program

52. The government believes that the funding needs of the 2015 program will be met. Additional financing will be mobilized on the regional money market, the international financial market, and from foreign partners. As regards the sub-regional money and financial markets, the government intends to raise CFAF 591.8 billion in Treasury notes and bonds, as compared to CFAF 978 billion in 2014. External financing, including budget support, should amount to CFAF 821.8 billion, in particular thanks to the assistance of the World Bank, International Monetary Fund, African Development Bank, European Union, French Development Agency, Islamic Development Bank, and Eximbank China. In addition, the government will issue an Eurobond in 2015 to benefit from favorable financing conditions on international markets. Moreover, the government will continue its bilateral discussions with remaining creditors regarding debt relief under the HIPC initiative of the World Bank and IMF.

53. The government is requesting an extension of the ECF arrangement until December 31, 2015 and an augmentation of access to support its economic and financial program. The government requests that financial support equivalent to SDR 32.52 million plus an augmentation of this drawing of 10 percent of our quota, equivalent to SDR 32.52 million, be made available under the sixth review of the program. The amount of the augmentation (SDR 32.25 million) will be used to finance the plan to prevent and to fight the Ebola fever epidemic. For the fourth year of the program the government requests that financial support equivalent to 30 percent of our quota, equivalent to SDR 97.56 million, be made available under two additional semi-annual reviews. Finally, the government requests a waiver for exceeding the ceiling on new nonconcessional loans resulting from the issuance of a US$750 million Eurobond in 2014, above the US$500 million provided for under the program.

54. The program will continue to be monitored on a biannual basis by the IMF Executive Board on the basis of quantitative indicators and structural benchmarks (Tables 1 and 2). These indicators are defined in the attached Technical Memorandum of Understanding (TMU). The seventh biannual review will be based on end-December 2014 performance criteria and indicative targets, and is expected to be completed by April 1, 2015. The eighth review will be based on end-June performance and indicative targets, and is expected to be completed by October 1, 2015. To this end, the government undertakes to:

- Refrain from accumulating new domestic arrears and from any kind of advances on revenue, and from contracting any nonconcessional external borrowing other than that specified in the TMU;
- Issue government securities only by auction through the BCEAO or in any other form of competitive bidding on the local financial market and the WAEMU market, and to consult with IMF staff on any new financing;
- Refrain from introducing or intensifying any restrictions on payments and transfers related to current international transactions, and from introducing multiple currency practices, or entering into bilateral payment agreements that are inconsistent with Article VIII of the IMF Articles of Agreement, or from imposing or intensifying import restrictions for balance of payments purposes;
- Adopt any new financial or structural measures that may prove necessary for the success of its policies, in consultation with the IMF.

H. Statistics and Capacity Building

55. The development of the statistics system will be continued to better inform government policies and the activities of economic agents. To this end, the 2012–15 statistics master plan, consistent with the 2012-2015 PND, is being implemented. It comprises the following activities in particular: (i) conducting national and sector surveys; (ii) strengthening and monitoring economic indicators; (iii) setting up a data base for the Comprehensive Information Management System; (iv) changing the base year of national accounts and establishing quarterly national accounts; (v) renovating the Harmonized Consumer Price Index (IHPC); and, (vi) preparing a directory of ministerial statistical offices. The work to change the base of the annual national accounts has been initiated with the review of the classifications and a study of the methodological changes to be made. The data from the 2013/2014 General Population and Housing Census (RGPH) are under analysis. The government will also launch the General Agricultural Survey, as well as surveys on living conditions and employment. In 2015, the government will produce the table of government financial operations based on the 2001 Government Financial Statistics Manual. Eventually, Côte d'Ivoire intends to migrate to the Special Data Dissemination Standard (SDDS), as this will enable it to have access on better terms to international financial markets.

56. The government will continue capacity building in the government administration. The National Governance and Capacity-Building Secretariat will focus on capacity building. It will work in cooperation with the various entities to survey needs and skills and to assist these entities in seeking financing from the government and its partners to promote modern and effective government management. The technical assistance needs identified for 2015 comprise the following: (i) modernization of the customs administration, especially economic and risk analysis systems; (ii) support for setting up quarterly accounts; (iii) strengthening the tax administration, and especially the VAT base; (iv) preparation of provisional balances of payment; (v) forecasts of tax revenue; (vi) support for the production of the table of government financial operations in accordance with *GFSM 2001*; and (vii) support for developing economic indicators for the real sector.

Table 1. Côte d'Ivoire: Performance Criteria (PC) and Indicative Targets (IT), ECF 2013–15 1/

(Billions of CFA francs) 2/

	2013			2014									2015			
	Dec			March			June			Sept.	Dec		March	June	Sept.	Dec
	PC	Actual	Status	IT	Actual	Status	PC	Actual	Status	IT	IT	PC	IT	PC	IT	IT
A. Performance criteria																
Floor on primary basic balance	-44.0	-11.6	Met	7.3	7.0	Met	-135.4	2.7	Met	-80.1	-26.8	-81.6	-10.5	-14.4	-108.0	-41.6
Ceiling on net domestic financing (incl. WAEMU paper)[5/]	300.6	169.4	Met	43.6	113.1	Not Met	315.3	286.6	Met	360.2	391.2	107.6	-56.4	96.5	87.9	36.3
Ceiling on new nonconcessional external debt (in $ million)[3/ 4/ 5]	800.0	711.9	Met	900.0	717.3	Met	900.0	738.4	Not Met[3/]	900.0	900.0	1650.0	3050.0	3050.0	3050.0	3050.0
Ceiling on accumulation of new external arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ceiling on accumulation of new domestic arrears	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Indicative targets																
Floor on the overall fiscal balance (including grants)	-453.4	-346.1	Met	-76.1	-81.7	Met[6/]	-310.6	-143.4	Met	-364.5	-379.9	-394.8	-179.3	-331.0	-533.2	-672.1
Ceiling on expenditures by treasury advance	114.3	106.1	Met	19.8	25.8	Met	55.6	54.6	Met	81.5	119.7	124.5	29.4	63.4	107.7	146.1
Floor on pro-poor expenditure	1309.1	1337.1	Met	259.4	300.4	Met	676.7	717.8	Met	1022.3	1521.8	1521.8	292.6	763.3	1153.1	1716.4
Floor on net reduction of government amounts payable (- = reduction)	-50.0	39.7	Not Met	-5.0	-85.8	Met	-50.0	-129.7	Met	-70.0	-100.0	-110.0	-20.0	-50.0	-70.0	-100.0
Floor on government revenue	2,764.5	2,838.0	Met	621.8	659.9	Met	1,392.1	1,462.3	Met	2,167.9	3,110.1	3,064.6	749.5	1,642.2	2,486.4	3,474.8
Memorandum items:																
Net banking sector claims on government	108.8	134.2		11.3	61.5		129.1	122.9		17.4	137.5	9.1	-41.0	-11.9	-35.1	-24.6
Program grants	105.2	105.2		0.0	9.0		82.8	82.8		82.8	156.6	156.6	0.0	73.8	73.8	147.6
Program loans	88.7	61.2		0.0	0.0		0.0	0.0		0.0	56.6	50.5	0.0	0.0	0.0	58.4
Project grants	122.3	96.2		44.3	54.4		123.3	113.7		166.0	221.3	168.8	57.2	114.3	137.2	228.6
Project loans	313.4	219.9		61.3	73.5		170.7	134.1		229.9	306.5	259.6	115.5	230.9	277.1	461.8

Sources: Ivoirien authorities and IMF staff.
Note : The terms in this table are defined in the TMU.
1/ Cumulative change from December 31, 2013 for 2014 targets, and from December 31, 2014 for 2015 targets.
2/ Except for the ceiling on new nonconcessional external debt
3/ Continuous performance criterion. It was breached in July with the $750 million Eurobond issuance.
4/ The new non-concessional external debt will be used for infrastructure, energy, and transport projects.
5/ If concessional terms are not obtained for the Port of Abidjan (US$ 800 million) and electricity network (US$820 million) projects, the ceiling on new nonconcessional external debt will be ajusted upward pro tanto.
6/ See paragraph 10 on the adjustor in the TMU.

Table 2a. Côte d'Ivoire: Structural Benchmarks, 2014–15, ECF			
Sixth Program Review			
Measures	**Macroeconomic rationale**	**Timeframe**	**Status**
Public expenditure management			
No new injection of public funds in the five public banks in difficulty outside a restructuring plan approved by the authorities	Improve financial sector governance and management	SB continuous	**Met**
Finalize and adopt by the Council of Ministers draft regulations transposing the remaining four WAEMU directives on public finance	Improve fiscal management	SB end-June 2014 (rescheduled from end-March 2014)	**Not met** (implemented with delay on July 9, 2014)
Adoption by the Minister of Finance of the strategy for putting in place a Treasury single account, choice of the implementation model and adoption of a time-bound action plan	Improve fiscal management	SB end-June 2014	**Not met** (implemented with delay on July 9, 2014)
Review the expenditure chain and the end-of-year budgetary procedures, with IMF technical assistance	Improve fiscal management	SB end-June 2014	**Met**
Improving the business environment			
Limit the current fiscal year's VAT arrears pending refund to under CFAF 10 billion	Improve the business climate and the confidence of enterprises	SB continuous	**Met**

Table 2b. Côte d'Ivoire: Structural Benchmarks, 2014–15, ECF		
Seventh Program Review		
Measures	**Macroeconomic rationale**	**Timing**
Public expenditure management		
Pay subsidies to support the electricity sector (HVO [Heavy Vacuum Oil]) in the amount of CFAF 40 billion	Reduce fiscal risks	SB end-December 2014
Adopt an action plan to settle cross-debts of the energy sector	Reduce fiscal risks	SB end-June 2015
Adopt a detailed timetable for closing public accounts at commercial banks	Improve cash-flow management	SB end-December 2014
Restructuring of banking sector		
Restructure a state-owned bank	Reduce banking sector vulnerabilities and fiscal risks	SB end-December 2014
Improving the business environment		
Limit the current fiscal year's VAT arrears pending refund to under CFAF 10 billion	Improve business climate	Continuous SB
Implement plan to settle the full range of domestic arrears on audited debt, securitized and agreed debt	Improve business climate	SB end-December 2014

Attachment II. Côte d'Ivoire: Technical Memorandum of Understanding—Arrangement Under the Extended Credit Facility, 2011–15

November 18, 2014

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

QUANTITATIVE INDICATORS

2. **For program monitoring purposes, the performance criteria (PC) and indicative targets (IT) are set for December 31, 2014, and June 30, 2015; the same variables are indicative targets for these variables for March 31, 2015 and September 30, 2015.**

The performance criteria include:

(a) a floor on the primary basic fiscal balance;
(b) a ceiling for 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 new nonconcessional external debt;
(d) a zero ceiling for the accumulation of new external arrears; and
(e) a zero ceiling for the accumulation of new domestic arrears.

The indicative targets are:

a) a floor on the overall fiscal balance (including grants);
b) a ceiling on expenditures by treasury advance;
c) a floor on "pro-poor" expenditures;
d) a floor on the net reduction of the government amounts payables;
e) a floor on total government revenue.

3. **The PCs, the ITs, and the adjustors are calculated** as the cumulative change from December 31, 2013 for the 2014 targets, and December 31, 2014 for the 2015 targets, with the exception of new nonconcessional external loans for which the cumulative change starts from December 31, 2012 (Table 1 of the Memorandum of Economic and Financial Policies, or the MEFP).

A. Government Revenue (IT)

4. **Total government revenue is defined** as all revenue collected by the Tax Administration (DGI), the Directorate-General of the Treasury and Public Accounting Administration (DGTCP), the Customs Administration (DGD), the CNPS, and the CGRAE, and other nontax revenue as defined in the fiscal reporting table (TOFE).

B. Pro-poor Expenditures (IT)

5. **Pro-poor expenditures are derived** from the detailed list of "pro-poor expenditures" in the SIGFIP system (see Table 1).

C. Treasury Advances (IT)

6. **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, and which 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 (PC)

7. **The primary basic fiscal balance is the difference between** the government's total revenue (excluding grants) and total expenditure plus net lending, excluding interest payments and externally-financed capital expenditure, and expenditure related to the Ebola outbreak (on a payment order basis for all expenditure items):

Tax and nontax revenue (excluding grants) – {Expenditure + Net lending – Interest payments – Externally-financed capital expenditure- Expenditure related to the Ebola outbreak (on a payment order basis for all expenditure items)}

8. **The floor on the primary basic fiscal balance will be adjusted** downward (upward) for an excess (shortfall) of external budget support (program grants/loans) relative to the programmed amount.

E. Overall Fiscal Balance (Including Grants) (IT)

9. **The overall fiscal balance is the difference between** the government's total revenue (including grants except World Bank budget support grants- AfDB budget support grants) and total expenditure plus net lending (on a payment order basis):

Tax and nontax revenue + (Grants – World Bank budget support grants – AfDB budget support grants) – {Expenditure + Net lending (on a payment order basis for all expenditure items)}

10. **The floor on the overall fiscal balance will be adjusted** downward (upward) for an excess (shortfall) of project loans relative to the programmed amount.

F. Net Domestic Financing (PC)

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

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

This ceiling does not apply to either new agreements on restructuring domestic debt and securitization of domestic arrears or to new project loans from the Bank for Investment and Development (BIDC) of the Economic Community of West African States (ECOWAS). For any new borrowing over and above a cumulative amount of CFAF 50 billion during 2014, the government undertakes not to issue government securities except by auction through the BCEAO or through competitive public auction (appel d'offres compétitif) on the WAEMU financial markets registered with the Regional Council for Public Savings and Financial Markets (CREPMF), in consultation with Fund staff.

G. New Nonconcessional External Debt (PC)

12. **The definition of debt is set out in Executive Board Decision No.6230-(79/140), Point 9, as revised on August 31, 2009 (Decision No. 14416-(09/91)):** 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, according to a specific schedule; these payments will discharge the obligor of 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 that 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 this guideline, 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 necessary for the operation, repair, or maintenance of the property. Under the definition of debt set out above, 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.

13. **External debt is defined** as debt borrowed or serviced in a currency other than the CFA franc of the Financial Community of Africa (FCFA).

14. **The quantitative performance criterion concerning external debt applies to all nonconcessional external debt, irrespective of maturity, and whether it has been contracted or guaranteed by the government**. It applies not only to the debt as defined above, but also to 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;
- debts to the BIDC, up to the equivalent of CFAF 20 billion, for the period from January 1 to December 31, 2014;
- drawings on the IMF.

15. **A debt is considered concessional if its grant element is at least 35 percent, the net present value (NPV) of the debt being calculated with a 5 percent discount rate**. The government undertakes not to contract or guarantee nonconcessional external debt under the conditions defined in paragraphs 12–15, with the exception of debt constituting rescheduling of maturities and new debt contracted or guaranteed by the government as specified in paragraphs 14 and 17. To this end, the government undertakes to consult with IMF staff on the terms and concessionality of any proposed new debt in advance of contracting such external debt.

16. **A cumulative ceiling for 2013–15 of US$800 million for the period through December 31, 2013, US$1,650 million through December 31, 2014, and US$3,050 million through December 31, 2015 applies to new nonconcessional external loans other than those specified in paragraph 14 (performance criterion).** This ceiling would be applicable to debt-financing of projects, in the energy, infrastructure and transport sectors, and to the issuance of a Eurobond in 2015 for a maximum amount equivalent to U$1 billion. The ceiling on new

nonconcessional foreign borrowing will be adjusted upward to reflect the loans to finance the extension of the Port d'Abidjan for a maximum amount equivalent to US$800 million and for the rehabilitation and expansion of the electric power grid by a maximum amount equivalent to US$ 820 million, if the terms of these loans should prove to be nonconcessional. The government will inform staff in a timely manner before contracting any debt of this type and provide information on the terms of the new debt as well as a brief summary of the projects to be financed and their profitability, including an independent evaluation. The government will report on the use of funds and project implementation (in subsequent MEFPs or to staff). The US dollar value of eligible loans subject to this ceiling will be calculated using the exchange rates at end-August 2013 in the IFS (International Financial Statistics) database of the IMF. The amount of the Eurobond deemed contracted will be the amount subscribed/purchased at the end of the subscription/purchase period as specified under the final terms of exchange. The amounts subscribed/purchased of the Eurobond prior to the end of the subscription/purchase period of the Eurobond will not impact the performance criterion on external debt (paragraph 14).

H. External Payment Arrears (PC)

17. **External arrears are considered to be the nonpayment of any interest or principal amounts on their due dates (taking into account relevant contractual grace periods, if any)**. This performance criterion applies to arrears accumulated under external debt of the government and external debt guaranteed by the government for which the guarantee has been called by creditors, consistent with the definitions given under the external debt criterion (paragraph 15). This performance criterion is monitored on a continuous basis.

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

18. **The "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 the program defi*nition, these obligations represent (i) bills due and not paid to non financial public and private companies; and (ii) the domestic debt service (excluding the BCEAO).

19. **For program purposes, domestic payment arrears are those balances outstanding to nonfinancial public and private companies and the domestic debt service (excluding the BCEAO)**. Arrears to non financial and private companies are defined as overdue obligations to non financial and private companies for which the payment date exceeds the deadline for payment stipulated by the administrative regulations of 90 days; arrears on the domestic debt service refer to debt service obligations for which the payment date exceeds 30 days.

20. **Floating debt refers to those balances outstanding** for which the payment date does not exceed the deadline for payment stipulated by the administrative regulations (90 days for debt to nonfinancial public and private companies and 30 days for debt service to commercial banks, insurance companies, and other financial institutions).

21. **The balances outstanding are broken down** by payer and type, as well as by maturity and length of overdue period (< 90 days, 90–365 days, > 1 year for nonfinancial companies, and <30 days, 30-365 days, > 1 year for financial companies).

22. **For program purposes, the government undertakes:** (i) to reduce the stock of amounts payable by at least CFAF 110 billion in 2014 and CFAF 100 billion in 2015; and (ii) to not accumulate new domestic arrears in fiscal years 2014 and 2015.

MEMORANDUM ITEMS

A. Net Bank Claims on the Government

23. **Net bank claims on the government are defined** as the difference between government debts and government claims with the central bank and commercial banks, (including the C2D deposits). The coverage of net bank 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)

24. **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 certain 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

25. **A quarterly assessment report on the monitoring of the quantitative performance criteria, indicative targets, and structural benchmarks** will be produced by the authorities at the latest within 45 days of the end of each quarter.

26. **The government will report the information specified in Table 2** on a monthly basis, at the latest within 45 days of month-end or quarter-end, unless otherwise indicated. Tables F.3.1, F.3.2, and F.3.3 are updated to take into account the expanded coverage of arrears.

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

28. **The authorities will consult with the Fund staff on any proposed new external debt contracts or government guarantees on new external debt, including leases**. The authorities will inform the Fund staff, following signature, of any new external debt contracted or guaranteed by the government, including the terms of these contracts or guarantees. Data on new external debt, the amount outstanding, and the accumulation and repayment of external payment arrears will be reported monthly within six weeks of the end of each month.

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

Table 1. Côte d'Ivoire: Pro-Poor Spending (incl. Social Spending), 2009–15

	2009	2010	2011	2012		2013		2014	2015
				Budget	Actual	SBL 1/	Actual	Budget	Draft Budget
Agriculture and rural development	**49.2**	**39.1**	**35.2**	**41.4**	**68.2**	**72.1**	**81.7**	**81.9**	**88.6**
General administration	8.5	9.2	7.0	7.7	10.0	16.3	21.4	28.0	33.9
Agriculture promotion and development program	10.6	10.8	10.8	12.0	18.7	15.1	15.9	17.8	23.4
Training of supervisory staff	8.4	8.3	10.3	8.4	13.5	15.7	18.4	16.9	21.5
Water system works	1.5	4.0	3.0	3.4	26.0	16.6	18.3	19.3	9.7
Other investments in the rural area (FRAR, FIMR)	20.2	6.8	4.1	10.0	0.0	8.4	7.7	0.0	
Fishing and animal husbandry	**6.7**	**5.9**	**4.0**	**4.7**	**7.2**	**5.9**	**7.5**	**8.0**	**9.0**
General administration	3.5	3.9	2.7	2.7	4.0	3.8	4.4	4.5	4.6
Milk production and livestock farming	2.3	1.8	1.2	1.5	2.9	0.9	1.7	1.7	2.0
Fishing and aquaculture	1.0	0.2	0.1	0.5	0.4	1.2	1.4	1.9	2.4
Education	**533.1**	**590.1**	**529.2**	**628.6**	**651.2**	**754.6**	**756.3**	**836.3**	**960.9**
General administration	19.6	24.9	24.7	23.6	19.8	19.5	19.5	20.6	25.2
Pre-schooling and primary education	336.7	366.7	301.1	398.2	379.2	454.4	449.2	316.6	403.8
Literacy	0.2	0.2	0.5	0.6	0.5	0.5	0.4	0.4	0.4
Secondary education and vocational training	83.0	83.8	74.2	80.3	74.8	83.7	87.7	296.8	306.9
University and research	93.7	114.5	117.0	113.0	140.0	153.0	156.1	155.4	178.1
Emergency/Presidential program/Education	0.0	0.0	11.7	12.8	36.9	43.5	43.5	46.5	46.5
Health	**118.4**	**113.6**	**120.2**	**138.0**	**169.2**	**205.1**	**197.9**	**267.4**	**310.1**
General administration	45.8	47.7	49.2	55.4	63.9	89.5	71.4	123.0	150.7
Primary health system	30.7	30.0	25.2	34.8	47.5	53.9	70.5	38.7	63.3
Preventive healthcare (enlarged vaccination program)	1.9	1.4	0.4	0.8	2.3	2.6	1.6	2.9	1.5
Disease-fighting programs	1.7	1.5	1.1	1.4	4.0	1.2	1.7	24.8	5.6
Infant/mother health and nutrition	0.8	0.4	0.4	0.6	1.4	0.6	0.8	18.1	10.9
HIV/Aids	10.8	5.9	6.9	8.0	6.4	5.4	1.6	5.6	16.7
Health centers and specialized programs	26.6	26.6	25.7	25.1	31.8	33.9	32.3	34.2	41.4
Emergency/Presidential program/Health	0.0	0.0	11.3	12.0	12.0	18.0	18.0	20.0	20.0
Water and De-contamination	**20.4**	**19.8**	**36.3**	**39.9**	**49.5**	**73.5**	**118.4**	**82.1**	**83.3**
Access to drinking water and de-contamination	4.9	6.0	10.2	10.7	10.8	25.4	69.9	37.0	38.7
Environmental protection spending	15.5	13.8	13.1	13.0	22.4	23.6	24.0	18.1	17.6
Emergency/Presidential program/healthiness and de-contamination	0.0	0.0	13.1	16.2	8.0	11.5	11.5	13.5	13.5
Emergency/Presidential program/drinking water	0.0	0.0	0.0	0.0	8.2	13.0	13.0	13.5	13.5
Energy	**16.5**	**9.7**	**8.8**	**17.0**	**18.8**	**26.7**	**25.5**	**30.1**	**34.9**
Access to electricity	16.5	9.7	8.9	9.0	10.8	13.7	12.5	16.6	21.4
Emergency/Presidential program/Electricity	0.0	0.0	0.0	8.0	8.0	13.0	13.0	13.5	13.5
Roads and Art Works	**39.1**	**45.4**	**33.4**	**47.1**	**51.4**	**101.7**	**80.2**	**112.7**	**118.7**
Road maintenance	0.5	2.4	2.1	5.1	2.3	11.4	8.7	6.0	6.2
Construction of art works	3.0	2.5	1.1	7.5	4.0	22.2	5.6	23.3	20.4
Other road projects	35.6	40.6	22.2	23.5	34.1	52.2	49.9	65.5	67.0
Emergency/Presidential program/maintenance and development	0.0	0.0	8.0	11.0	11.0	16.0	16.0	18.0	25.0
Social spending	**13.6**	**15.0**	**24.7**	**14.1**	**20.0**	**18.1**	**24.3**	**22.4**	**23.6**
General administration	8.6	9.8	8.9	9.0	15.1	13.4	19.1	16.1	17.1
Training for women	0.6	0.7	0.5	0.7	0.7	0.5	0.6	0.9	0.8
Orphanages, day nurseries, and social centers	1.5	2.0	1.9	2.5	2.2	2.1	2.3	3.1	3.1
Training of support staff	1.7	1.9	1.6	1.3	1.6	1.8	1.9	2.0	2.1
Indigents and victims of war or disaster	1.2	0.5	11.8	0.7	0.5	0.4	0.4	0.4	0.5
Decentralization (excl. education, health and agriculture)	**35.1**	**32.0**	**29.0**	**32.1**	**31.7**	**31.8**	**34.5**	**60.0**	**56.1**
Decentralization	35.1	32.0	29.0	32.1	31.7	31.8	34.5	60.0	56.1
Reconstruction	**1.4**	**2.6**	**5.6**	**1.2**	**0.3**	**13.0**	**2.9**	**10.4**	**20.4**
Reconstruction and rehabilitation	1.4	2.6	4.6	1.2	0.3	0.1	0.1	0.0	0.4
Emergency/Presidential program	0.0	0.0	1.0	0.0	0.0	12.9	2.9	10.4	20.0
Other poverty-fighting spending	**9.6**	**11.9**	**16.2**	**15.9**	**13.0**	**6.7**	**7.9**	**10.5**	**10.8**
Promotion and insertion of youth	8.4	8.9	13.7	13.4	7.6	5.1	5.4	8.1	8.2
Support and follow-up of DSRP	0.3	0.2	0.4	0.4	0.5	0.0	0.2	0.6	0.6
Development of tourism and craftmanship	0.9	2.8	2.0	2.1	4.9	1.6	2.3	1.8	2.0
TOTAL	**843.0**	**885.2**	**842.7**	**980.0**	**1,080.5**	**1,309.1**	**1,337.1**	**1,521.8**	**1716.4**

Source: Ivorien authorities.

1/ Supplementary Budget Law.

Table 2. Côte d'Ivoire: Document Transmittals

Detailed tables to be transmitted monthly, quarterly, or annually to the IMF staff. Examples of each of these tables have been provided for illustration. The documents expected monthly are indicated by "M," those expected quarterly by "Q," and those expected annually by "AN." This list is not necessarily exhaustive.

Real sector (R)

General:

Table R.1: Cyclical Indicators *(M)*
Table R.2.1: Macroeconomic Framework *(AN)*
Table R.2.2: Supply-use accounts, current francs *(AN)*
Table R.2.3: GDP in francs (n-1): annual variation in volume *(AN)*
Table R.2.4: GDP deflators year (n-1) *(AN)*
Table R.2.5: Macroeconomic framework, underlying assumptions *(AN)*
Table R3: Price index *(M)*

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Table R.4.1: Summary crude oil and gas production *(M)*
Table R.4.2: Crude oil and gas production – CI11 *(M)*
Table R.4.3: Crude oil and gas production – CI26 *(M)*
Table R.4.4: Crude oil and gas production – CI27 *(M)*
Table R.4.5: Crude oil and gas production – CI40 *(M)*
Table R.4.6: Crude oil and gas – volume, price, and financial flows *(M)*
Table R.4.7: Ivorian Refinery (SIR) activities *(M)*
Table R.4.8: SIR: transfers to warehouses and exports *(M)*
Table R.4.9: Activities of marketers *(M)*
Table R.4.10: Goods released to market by type of tax *(M)*
Table R.4.11: Financial flows in cash, Electricity Sector Asset Management Company (*Société de Gestion du Patrimoine du Secteur Electricité,* SOGEPE) *(M)*
Table R.4.12: Operating financial flows, SOGEPE *(Q)*
Table R.4.13: Crude oil: Shipment report (Q)
Table R.4.14: Petroleum revenue: Structure of maximum sales prices (M).

Coffee/cocoa:

Table R.5.1: Quasi-fiscal levies and fees, and utilization – operations *(Q)*
Table R.5.2: Quasi-fiscal levies and fees, and utilization – investment *(Q)*
Table R.5.3: Investments in funds managed by the Coffee/Cocoa Committee *(Q)*
Table R.5.4: Bank accounts *(Q)*

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Table B.1.3: Exports (source DGD - monthly) *(M)*
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Table B.2.1.a: Exports – quantities *(Q)*
Table B.2.1.b: Exports – unit prices *(Q)*
Table B.2.2.a: Imports – quantities *(Q)*
Table B.2.2.b: Imports – unit prices *(Q)*
Table B.3: Balance of Payments: Summary presentation *(AN)*

Monetary sector (M)

Table M.1: Banks *(M)*
Table M.2: Summary BCEAO position *(M)*
Table M.3: Net government position *(M)*
Table M.4: Changes in net foreign assets (NFA) *(M)*
Table M.5: Integrated Monetary Survey *(M)*
Table M.6: Government liabilities to banks *(M)*

Fiscal sector (F)

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Table F.2: Estimated government tax revenue *(M)*

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Table F.3.3: Treasury balances outstanding - targets/execution *(M)*
Table F.3.4: Clearings and securitizations *(M)*

Domestic and foreign debt:

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Table F.4.2: Total domestic debt *(M)*
Table F.4.3: Negotiable instruments *(M)*
Table F.4.4: Explanation of variances in domestic debt service *(M)*
Table F.5.1: Foreign debt *(M)*
Table F.5.2: Details of foreign debt *(M)*
Table F.5.3: Analysis of projected foreign debt service variances *(M)*
Table F.5.4: Projected debt service (Q)

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Table F.6: Crisis- and election-related expenditures *(M)*

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Table F.9.2: Education and health expenditures – personnel/operations/transfers/ investments *(M)*
Table F.9.3: Subsidies and transfers: Targeted social expenditures *(M)*
Table F.9.4: Execution of social expenditures *(M)*
Table F.9.5: Execution of pro-poor expenditures *(M)*
Table F.9.6: Budget execution report (SIGFIP) detail/category (Q)

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Table F.11: CNPS and CGRAE social security and civil service pension contributions *(M)*
Table F.12: Summary table of expenditures *(M)*
Table F.13: Summary table of nontax revenue and grants *(M)*

VAT credits:

Table F.14.1: Summary statistical statement of VAT credit refunds (monthly) *(M)*

Financing:

Table F.15.1: Issues/redemptions of public debt *(M)*
Table F.15.2: Bridge loans and other Treasury advances *(M)*

Wage bill:

Table F.16.1: Projected wage bill *(Q)*
Table F.16.2: Changes in wage bill *(Q)*

Table F.16.3: Wage bill framing *(AN)*
Table F.16.4: Projected new recruits *(AN)*

Special accounts:

Table F.17.1: ECOWAS levy (PCC) *(AN)*
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Table F.18: Proceeds from privatization and sale of assets *(AN)*

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Table F.20.1: Annual cash flow, resources/expenditures plan *(AN)*
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INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

November 20, 2014

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, AUGMENTATION OF ACCESS, AND TWELVE-MONTH EXTENSION OF THE CURRENT ARRANGEMENT—INFORMATIONAL ANNEX

Prepared By

African Department
(In Consultation with other departments)

CONTENTS

RELATIONS WITH THE FUND

(As of October 31, 2014)

Membership Status: Joined: March 11, 1963 Article VIII

General Resources Account:	**SDR Million**	**%Quota**
Quota	325.20	100.00
Fund holdings of currency (Exchange Rate)	324.20	99.69
Reserve Tranche Position	1.00	0.31

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	310.90	100.00
Holdings	272.76	87.73

Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
RCF loans	81.30	25.00
ECF Arrangements	572.68	176.10

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Nov 04, 2011	Dec 31, 2014	390.24	357.72
ECF [1/]	Mar 27, 2009	June 23, 2011	373.98	230.89
ECF [1/]	Mar 29, 2002	Mar 28, 2005	292.68	58.54

Projected Payments to Fund [2/]

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

	2014	2015	2016	2017	2018
Principal		39.02	46.18	85.20	109.59
Charges/Interest	0.00	1.61	1.50	1.34	1.11
Total	0.00	40.64	47.68	86.54	110.70

Implementation of HIPC Initiative:

I. Commitment of HIPC assistance	Original Framework	Enhanced Framework	Total
Decision point date	Mar 1998	Apr 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)	Framework	Framework	Total
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

[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.

[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.

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

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

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 is committed to IFRS implementation 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. Following this recommendation, the BCEAO has selected a second audit firm to conduct the audit.

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. 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 for program countries.
The Executive Board concluded the last Article IV consultation with Côte d'Ivoire in December 2013. The next Article IV consultation is planned for December 2015.

Technical Assistance:

	Area	Focus
2011	Multitopic (July)	Strengthen the capacities of all the stakeholders involved in the compilation and production of the Table of Financial Operations (TOFE); launch the GFS source data collection; and elaborate a strategy to implement the West African Economic and Monetary Union (WAEMU) common GFS guideline (*Directive n°10/2009/CM/UEMOA, portant TOFE*∗.
	Debt management (July)	Advice on the treatment of domestic debt, in particular government securities.
	Customs administration (August)	Follow-up
	FSAP follow up (August)	Advice on resuming formulation of the financial sector development strategy, managing public debt, and solving banking sector problems.
	Public expenditure management (October)	Diagnostic mission
	Government financial statistics (October/November)	TOFE follow-up
	Public expenditure management	Computerization
	FSAP follow up (November)	Advice on resuming formulation of the financial sector development strategy, managing public debt, and solving banking sector problems.
	National accounts (December)	Assessment of the possibility to develop quarterly national accounts (QNA).

	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)
	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 (September)	Quarterly GDP

	Area	Focus
	Customs Administration-AFRITAC (October)	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
	Customs Administration -AFRITAC (March)	Modernize customs
	Cash management (April)	Treasury Single Account
	National Accounts-AFRITAC (April)	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 (July)	Budget Management Information System modernization
	Accounting and financial reporting – AFRITAC (July)	Trial balance improvement – AFRITAC (July)
	Budget management– AFRITAC (July)	Budget classification
	Customs administration – AFRITAC (September)	Risk-based management and intelligence
	Accounting - AFRITAC (October)	Revenue administration and accounting
	National accounts- AFRITAC (October)	Strengthening economic statistics

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, 2014–15

(As of September 2014)

Title	Products	Provisional Timing of Missions	Expected Delivery Date
A. Mutual Information on Relevant Work Programs			
World Bank work program in the next-12 months	**Operations**:		
	Second Poverty Reduction Support Credit	January to June 2014	Going to the Board December 4, 2014
	Regional Trade Facilitation and Competitiveness DPO		Going to the Board June 2015
	Health Systems Strengthening and Ebola Preparedness Project	October 2014	Going to the Board November 25, 2014
	CI-Emergency Post-Conflict Assistance Project	Mid-December 2014	December 31, 2015
	CI-Governance and Institutional Development		November 30, 2016
	Urgent Electricity Rehabilitation Project		December 22, 2014
	CI-Emergency SME Revitalization		October 31, 2014
	CI-Agriculture Sector Support Project		October 30, 2017
	CI-Emergency Youth Employment & Skills Development Project		June 30, 2015
	CI-Emergency Infrastructure Renewal		December 31, 2016
	Ivory Coast Protected Area Project		December 31, 2014
	CI-Emergency Basic Education Support Project		September 30, 2015
	CI : Parliament Capacity Building		July 09, 2016
	Livelihood Creation & Youth Employment		October 17, 2017
	Côte d'Ivoire - POPs Pesticides Management Project		March 20, 2015
	CI-Productive Social Safety Net		May 28, 2015
	REDD+ Readiness Preparation in RCI		
	Youth Employment and Skills Development		March 30, 2015
	Gazelle Gas Field Development Project		April 30, 2015
	Economic and Sector Work:		
	Côte d'Ivoire Urbanization Review		June 30, 2015
	Côte d'Ivoire Country Statistical Brief		December 18, 2014
	SPF - Identification		November 30, 2014
	Côte d'Ivoire Growth and Competitiveness	Dissemination Workshop Sept 26, 2014	November 28, 2014
	CI- Economic Update (Growth Report)		November 28, 2014
	Assessing the Impact of Crises on HD		December 15, 2015

	Technical Assistance/Other Analytical:		
	Côte d'Ivoire Mining Sector TA		March 16, 2015
	Côte d'Ivoire #10217 Financial Sector Development Strategy		November 28, 2014
	Support to Strengthen PFM Reform Environment		April 30, 2015
	Support to CIV Land Tenure Policy		June 26, 2015
	Support to the Implementation of the PFM Reform		June 30, 2015
	Côte d'Ivoire: Support to BOOST		June 15, 2015
	Côte d'Ivoire Financial Sector TA		June 08, 2015
	CI-e-Governance in Procurement		May 29, 2015
	CI-Poverty Assessment		June 10, 2015
	Governance and Anti-Corruption Study		June 29, 2015
IMF work program in the next 12 months	**Program**:		
	7th ECF review under ECF (March 2015)		
	Staff visit (June 2015)		
	8th ECF review under ECF (September 2015)		
	Technical Assistance:		
	Budget management information system - AFRITAC	December 2014	
	Tax general Directorate Reorganization	November 2014 and first quarter of 2015	
	Tax audit	July and December 2014	
	Customs risk management - AFRITAC	December 2014	
	Government Finance Statistics - AFRITAC	November 2014 and March 2015,	
	Public debt management	December 2014	
	Customs reform strategy	December 2014	
	Tax administration modernization	December 2014	
	VAT gap analysis	First quarter of 2015	
	Budget preparation and expenditure controls	January 2015	
	National accounts	April 2014/2015	2015

Title	Products	Provisional Timing of Missions	Expected Delivery Date
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 71 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 1,399 million (CFA F 1,053 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.

Considering the long period of inactivity of the portfolio (six years) due to the suspension of disbursements to the country, the Bank in 2009: (i) streamlined the portfolio by cancelling the outstanding balance of eight old operations; and (ii) in June 2011, restructured two other operations (PADER-Moyen-Comoé and PVRH). With the prospects of recovery in economic activity since the end of the post-election crisis, particularly the restoration of government services, the portfolio will be improved.

Since the end of the post-election crisis, the Bank approved, in accordance with the pillars of the 2012 Country Brief, five operations, totaling UA 242.2 million (CFA F 182.8 billion). These include: (i) The Emergency Programme to Restore Basic Social and Administrative Services (PURSSAB); (ii) The agricultural infrastructure support project in the region of Indénié-Djuan (PAIA-D); (iii) The Project construction of bridge toll Henri Konan BEDIE; iv) Azito power expansion project (Private sector) and (v) Ciprel power expansion project (Private sector). In 2013 and 2014, 3 new projects, totaling UA 72 million, have been approved by the AFDB Board under the new Country Strategy Paper (CSP) 2013-2014 namely : (i) Youth Employability and Insertion Support Programme, , (ii) Côte d'Ivoire, Liberia, Sierra Leone and Guinea (CLSG) Interconnection Project as indicated above and, support to social cohesion (budget support under preparation).

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

Status of Bank Active Portfolio as of October 2014—in UA Million (1 UA=1SDR)		
Operations	**Amount (in UA million)**	**Purpose/Remarks**
On-going projects (public window):		
Targeted Capacity Building Support	2	Approved in December 2009 under the Fragile States Facility, , the objective of this project is to: (i) strengthen the coordination framework for government interventions; (ii) support implementation of the PRSP; (iii) improve the efficiency of public financial management; and (iv) strengthen good governance.
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.
Emergency Programme to Restore Basic Social and Administrative Services (PURSSAB) and Targeted support to strengthen the capacity of the administration	5.5	The main purpose of this program, approved on June 3, 2011, is to contribute in the national budget to restoring basic social and administrative services, social cohesion and reconciliation as stated in the Government's request. The program seeks to address the country's urgent needs through the restoration of basic health, educational and social welfare services, water and sanitation networks, public administration services, as well as dialogue, social cohesion and reconciliation mechanism.
Agricultural infrastructure support project in Indéné-Djuablin Région (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)

Status of Bank Active Portfolio as of October 2014—in UA Million (1 UA=1SDR) (concluded)		
Operations	**Amount (in UA million)**	**Purpose/Remarks**
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.
Côte d'Ivoire, Liberia, Sierra Leone and Guinea (CLSG) Interconnection Project – Multinational	33,00	The project support 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).
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.

Strategy for Re-engagement by AfDB in Côte d'Ivoire

To assist Côte d'Ivoire in addressing its immense needs, the Bank is committed to a rapid operational re-engagement. Consistent with the AfDB's Fragile States Facility, a Country Brief defines the framework for the Bank's rapid re-engagement in Côte d'Ivoire over the period 2011–12. A full Country Strategy Paper (CSP) has been approved by AFDB Board at the beginning of December 2013. The strategy focused on the following two pillars: (i) Strengthening Governance and Accountability; and (ii) Infrastructure Development in support of Economic Recovery. Pillar 1 aims to create an environment that will foster socio-economic inclusion and address the demands for improved governance and basic service delivery to the population. Pillar 2 aims to promote the optimal use of natural resources through the development of high quality infrastructure in the agriculture, transport and energy sectors, in order to bolster economic recovery.

Indicative Work Program for 2014 and 2015

Description	Amount (in UA million)	Year
- Côte d'Ivoire Guinea-Liberia regional road project (under preparation)	103	2014
- Côte d'Ivoire-Mali regional road Project (under preparation)	7	2014
- Agro-industrial Infrastructure Support Project in the Centre Region	30	2015
- Public Finance Reform Plan Implementation and SME Support Project	10	2015
- San Pedro Regional Port Extension Project (private sector)	50	2015/2016

STATISTICAL ISSUES

(As of October 2014)

I. Assessment of Data Adequacy for Surveillance	
General: Data provision has some shortcomings, but is broadly adequate for surveillance. There are weaknesses in the areas of national accounts and balance of payments and public finance statistics, as well as in the reconciliation of fiscal and monetary data. Generally, the authorities provided the required statistical indicators to the Fund (see attached table) on a timely basis. In February 2013, Côte d'Ivoire approved the African Statistics Chart, adopted 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. A census took place in 2014.	
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. As the base year is dated, the authorities are drafting a plan to implement a new base year and update implicit deflators. Compilation methods for provisional accounts must be revised as well. National accounts up to 2011 (final) and 2012/2103 (provisional) are available. There is ongoing work on quarterly national accounts with Fund support through AFRITAC West, with the first quarterly data projected to be available by end 2015.	
Price statistics: A harmonized consumer price index (CPI) was adopted by all WAEMU members. A new base year (2008) was adopted in 2010. The current CPI only covers the main city (Abidjan), but will be extended to other urban areas in the near future, with support received from the West African Economic and Monetary Union Commission and AFRISTAT.	
Labor market statistics: No such statistics are published regularly.	
Government finance statistics: The authorities compile annual data on the budgetary central government. 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 are working on transposing the 2009 WAEMU Table of Government Financial Operations (TOFE) Directive based on *Government Finance Statistics Manual 2001(GFSM 2001)*. The laws and decrees were approved by the Council of Ministers and await the approval of the Parliament. In addition, the authorities are receiving assistance from AFRITAC to use accounting data, mainly the Treasury Trial Balance for reporting budgetary central government operations, and progressively implementing *GFSM 2001*. The work is now well advanced with having a parallel TOFE based on the trial balance being compiled in addition to the current TOFE. Work is still needed in expanding the coverage of the TOFE to include all the subsectors of the general government.	
Monetary sector statistics: Monetary data for Côte d'Ivoire are prepared by the national agency of the BCEAO and officially released by BCEAO headquarters. Despite recent improvements, monetary statistics continue to have shortcomings. These include inconsistencies in source data and lack of a proper sectorization of the domestic economy to ensure that the BCEAO adheres fully to the methodology of the *Monetary and Financial Statistics Manual*. The 2011, 2013, and 2014 STA missions to the BCEAO headquarters in Dakar, Senegal, made a number of recommendations for addressing the above shortcomings. The missions also assisted BCEAO staff in developing the standardized report forms (SRFs) for the central bank accounts and initiated work on the SRF for reporting the data of other depository corporations (ODCs).	
Financial sector surveillance: The BCEAO has accepted STA's invitation to begin regular reporting of its member countries' FSIs for dissemination on the IMF website.	
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. BCEAO headquarters delineates 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 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 insufficient information on private debt stocks and debt service flows. Latest ESS data available relate to 2010.	
II. Data Standards and Quality	
Côte d'Ivoire participates in the General Data Dissemination System (GDDS) since May 2000, and has posted the metadata on the Data Standards Bulletin Board.	No data ROSC is available.
III. Reporting to STA	
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 2014)

	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]	08/14	10/14	M	M	M
Reserve/Base Money	08/14	10/14	M	M	M
Broad Money	08/14	10/14	M	M	M
Central Bank Balance Sheet	08/14	10/14	M	M	M
Consolidated Balance Sheet of the Banking System	08/14	10/14	M	M	M
Interest Rates[2]	08/14	10/14	I	M	M
Consumer Price Index	08/14	10/14	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	08/14	10/14	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	08/14	10/14	M	M	M
External Current Account Balance	08/14	10/14	M	M	M
Exports and Imports of Goods and Services	08/14	10/14	M	M	M
GDP/GNP	2014	10/14	A	A	A
Gross External Debt	08/14	10/14	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).

CÔTE D'IVOIRE

November 20, 2014

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUESTS FOR WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, AUGMENTATION OF ACCESS, AND TWELVE-MONTH EXTENSION OF THE CURRENT ARRANGEMENT—DEBT SUSTAINABILITY ANALYSIS

Approved By
Abebe Selassie and Peter Allum (IMF) and John Panzer (IDA)

Prepared by the International Monetary Fund and the International Development Association

- *Côte d'Ivoire continues to face a moderate risk of debt distress.*
- *Compared to the last DSA, the current DSA includes (i) additional Eurobond issuances of to $250 million and $1 billion in 2014 and 2015, respectively, (ii) slightly revised disbursement schedules, borrowing terms and amounts on four large project loans, (iii) an increase in the ECF-supported program's new non-concessional external borrowing window, and (iv) excludes French claims which were cancelled in 2012 under debt-for-development swaps (C2D).*
- *The exclusion of the C2D debt and related debt service does not change Côte d'Ivoire's moderate debt distress rating. More specifically, under the baseline scenario, all debt indicators are below their policy-dependent thresholds. However, stress tests point to vulnerabilities to macroeconomic shocks, in particular to negative shocks to growth, exports, FDI and fiscal performance.*
- *External borrowing during 2013–17 is being guided by Côte d'Ivoire's Medium-Term Debt Strategy (MDTS), and is geared towards diversifying financing sources and lengthening the average maturity of debt. The large-scale project loans are expected to provide considerable benefits to the economy and help underpin prospects for sustained strong growth.*
- *The buildup of external debt in the near term, in particular non-concessional debt, should be monitored closely and additional borrowing guided by prudent debt management. It would be important to avoid an excessive concentration of maturities in the mid-2020s, and to take adequate account of rollover and foreign exchange risks.*

- *Sound macroeconomic policies and prudent debt management will be important to maintain a sustainable external position. Key to this will be sound project selection and further reforms to overcome bottlenecks to growth and to enhance the contribution of the private sector, in particular improvements in the business climate. Ongoing measures to strengthen debt management will also help.*

INTRODUCTION

1. **This debt sustainability analysis (DSA) updates the joint Bank-Fund LIC-DSA that was considered by the Executive Board in November 2013 at the 2013 Article IV Consultation and 4th Review under the ECF Arrangement**.[1] For the first time, the DSA excludes French claims which were cancelled in 2012 under debt-for-development swaps. Côte d'Ivoire continues to be assessed as being a weak policy performer (CPIA) and a moderate risk of debt distress. A proposed Eurobond issue equivalent to $1 billion plus $2 billion in non-concessional external borrowing (contractual basis) in 2015, would lead to some deterioration in external debt indicators, but would diversify financing sources (addressing difficulties in raising sufficient resources in the regional financial market) and lengthen the average maturity of debt in line with Côte d'Ivoire's Medium-Term Debt Strategy. However, it would increase foreign exchange and rollover risks, in particular as the new borrowing leads to an increasing concentration of debt service maturities in the mid-2020s.

BACKGROUND

2. **A large share of Côte d'Ivoire's external debt (36.4 percent or $3 billion) at end-2013 represents official French claims under C2D debt-for-development swaps (Contrats de Désendettement et Développement).** In the context of providing beyond HIPC initiative debt relief France effectively cancelled its outstanding ODA claims on Côte d'Ivoire, and this was to be carried out through the C2D process. The C2D mechanism involves returning the debt service due on these claims in the form of grants for the government to use for development projects. This is done through two agreements: one provides for the cancellation of the claims and the other covers the amounts each year that are to be paid as debt service and returned as grants for development projects.[2] For accounting purposes, these claims/debts remain on the creditor/debtor debt stock balance sheets and are reduced in line with the annual debt service payments made under the C2D agreement. For this reason, staff had included the stock of C2D debt in previous DSAs, but following clarification with the relevant authorities that these claims are effectively cancelled this debt and associated debt service payments are excluded in the current DSA.[3]

3. **Following Côte d'Ivoire's attainment of the enhanced HIPC initiative in 2012, external debt sustainability and vulnerability to shocks improved, and this has provided space for the government**

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[1] The DSA was prepared jointly by the staff of the IMF and World Bank, in collaboration with the authorities of Côte d'Ivoire. The 2013 DSA can be found in IMF Country Report nº13/367, December 19, 2013. Due to data limitations, the DSA covers central government debt as regards domestic debt, but total debt for external debt.

[2] In practice these is being done through successive 5-year agreements specifying the amounts due by Côte d'Ivoire on these claims and the use of the amounts for project spending. Côte d'Ivoire pays the debt service due to France which is then returned in the form of grants for use as specified in the C2D agreement.

[3] However, in the staff report the debt service associated with the C2D process is recorded in the fiscal and external tables to capture the gross cash-flows (debt service and grants) associated with C2D and the annual corresponding reduction in external debt. At end-2013, C2D obligations accounted for 36 percent of outstanding external debt. During 2014–25 projected C2D related debt service flows on average account for slightly under 60 percent of total debt service on outstanding loans as of end-2013.

to increase its external borrowing to finance its ambitious investment plan. In 2012, as a result of debt relief stemming from the enhanced HIPC initiative and MDRI, the stock of public and publicly guaranteed (PPG) external debt (excluding C2D debt fell sharply by 63 percent in 2012, and then rose slightly by 12 percent in 2013; at end-2013, the debt stock was $5.25 billion (excluding C2D) (Table 1).[4] However, in terms of GDP the ratio of PPG external debt fell in both 2012 and 2013: from 52.1 percent in 2011 to 17 percent (2012) and 16.4 percent (2013). At end-2013, official bilateral creditors accounted for about 23 percent of PPG external debt, commercial creditors accounted for 50.2 percent, and multilateral creditors 26.8 percent**.**

Figure 1. Côte d'Ivoire: Stock of external public debt, 2010–13

(Percent of GDP)

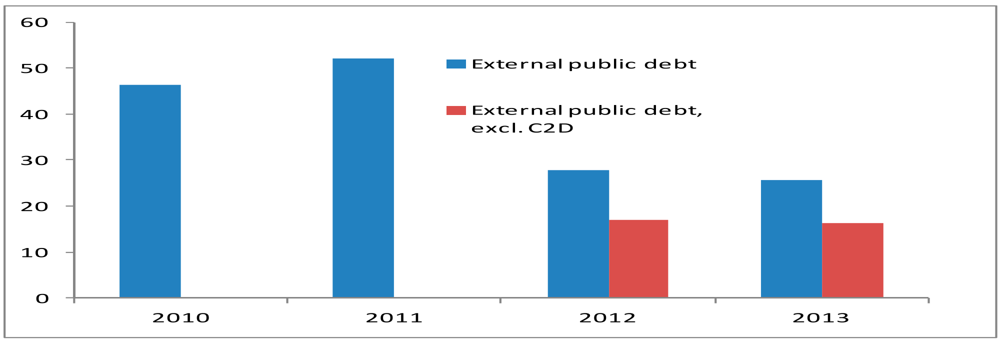


Table 1. Côte d'Ivoire: Composition of External Debt Per Creditor Group[1]

(As of end-2013, nominal)

	Million US dollars	Percent of total	Percent of GDP
Total (excluding C2D)	**5,250**	**100.0**	**16.4**
Including C2D	**8,258**		**25.8**
Multilateral creditors	**1,407**	**26.8**	**4.4**
IMF	**955**	**18.2**	**3.0**
World Bank	**169**	**3.2**	**0.5**
AfDB group	**41**	**0.8**	**0.1**
Other multilaterals	**242**	**4.6**	**0.8**
Official bilateral creditors	**1,205**	**23.0**	**3.8**
Paris Club	670	**12.8**	**2.1**
Non-Paris Club	535	**10.2**	**1.7**
Commercial creditors	**2,638**	**50.2**	**8.2**
London club	2,570	**49.0**	**8.0**
Other commercials	68	**1.3**	**0.2**

Sources : Ivoirien authorities; and IMF staff estimates.

1/Currency definition of external debt.

[4] For the purpose of the DSA, external debt is defined as debt borrowed or serviced in a currency other than the franc of the African Financial Union (*Communauté Financière Africaine*, FCFA). If defined on the basis of residency, the stock of external PPG debt (excluding C2D) would amount to $5.06 billion or 15.8 percent of GDP.

4. Domestic public debt (central government only) was equivalent to 17.3 percent of GDP at end-2013. The bulk of this amount t consisted of government securities issued on the regional bond market (74.2 percent) and debt owed to the BCEAO (15.6 percent). In line with the medium-term debt strategy, the government has undertaken to lengthen the relatively short maturity structure of domestic public debt.

UNDERLYING ASSUMPTIONS

5. The baseline macroeconomic assumptions underlying this DSA are summarized in Box 1 and Table 2. In the staff's baseline projection, growth would be underpinned by public investment, as well private investment in agriculture, mining, housing and services. The growth in output would contribute to the expansion of exports, in particular agricultural production and processing and mining output, areas in which the government continues to implement significant structural reforms. The growth in exports would however be outstripped by imports over the long term, reflecting in part high levels of investment. These assumptions are similar to those in the previous DSA.

6. The borrowing assumptions are consistent with the government's medium-term debt strategy (MTDS) for 2014–17. The government's MTDS envisages a diversification of financing sources, notably a shift from domestic to external borrowing and a lengthening of maturities. This shift in financing sources was in part motivated by the limited funding available on the regional financial market reflecting its shallowness. Thus far external borrowing in 2013 and realized/assumed in 2014, has been somewhat larger than in the MTDS, reflecting a larger issuance of Eurobonds following the favorable reception of the debut bond in 2014.[5] In addition, the authorities have experienced difficulty in identifying external funding for large-scale projects on concessional terms, and have relied more heaviliy on semi-concessional loans during 2013–14 than assumed in the MTDS.

7. The major share of new external borrowing in 2014–15 is accounted for by four large project loans and two Eurobond issues. The four large project loans (for the Soubre hydroelectric dam, Abidjan potable water project, extension of the Port of Abidjan, and extension and rehabilitation of the electricity network),[6] are expected to have a considerable impact on growth prospects, help avoid major bottlenecks, and improve competitiveness; the existing port is overstretched and has led to high costs for importers. The loans have been, or are expected to be, contracted on semi-concessional terms with a grant element in the range of 27–34 percent. The projected strong sustained growth rate in the baseline takes into account the impact of the projects. As regards the Eurobonds, the proceeds of the 2014 Eurobond were used to fund the budget but also for asset-liability management (retirement of domestic debt, repayment of supplier arrears and of the securitized domestic debt). The 2015 Eurobond will help alleviate the government's financing challenges on the shallow regional market. Both Eurobonds would help diversify financing sources and lengthen the maturity of debt.

[5] The MTDS assumed two Eurobond issues of $500 million each compared with the now-envisaged $1.75 billion. The 2014 issuance was preceded by debut sovereign ratings ("B1 with positive outlook" from Moody's and "B with positive outlook" from Fitch) and the July 2014 Eurobond was more than six times oversubscribed. These factors contributed to a favorable yield at issue of 5.625 percent, lower than the cost of borrowing on the regional market and lower than that of any other 2014 issue by an African country on the international bond market.

[6] Of the four project loans only that for the Soubre hydroelectric dam has been contracted thus far (in early 2013).

Box 1. Côte d'Ivoire: Key Baseline Macroeconomic Assumptions

The macroeconomic scenario underlying the current DSA is predicated on socio-political stability, high levels of public investment, and a sustained structural reform effort, including the removal key impediments to growth and improvements in the business climate and governance, which would translate into stronger private investment.

- Staff projects real GDP would grow by 7-8 percent over the medium term, driven by public investment in basic infrastructures and social sectors, and strong private investment in agriculture, mining, housing and services. Growth would moderate to about 5.1 percent over the long run. Over the projection period, growth is expected to be broad-based, with growing contribution from the secondary and tertiary sectors.
- Inflation would remain below the WAEMU 3 percent target.
- The primary fiscal deficit would remain at a moderate level: 1.6 percent of GDP in 2014–19 and 1.1 percent of GDP in 2020–34. Total revenue and grants would increase gradually from 20.5 percent of GDP in 2014–19 to 24 percent of GDP on average in 2020–34, as fiscal reforms are brought to fruition. Primary (non-interest) expenditures would rise from 22.1 percent of GDP in 2014–19 to 25 percent of GDP on average in 2020–34, as a gradual reduction in the wage bill and capital spending would be outweighed by higher outlays on goods and services.
- The trade balance surplus would decline over time, driven by continued strong imports of goods and services, while export growth would slow slightly. The reduction in the trade surplus and an increase in outflows of transfers would lead to a widening of the non-interest current account deficit from 1.8 percent of GDP in 2014–19 to 5 percent of GDP on average in 2020–34. This would be partly financed by higher FDI inflows (3.5 percent of GDP in 2014–19, and 2.2 percent of GDP in the long term).
- New external borrowing is projected to decline over time to 2.6 percent of GDP in 2020–34 from 4.1 percent of GDP in 2014–19. More specifically, the baseline scenario includes the US$750 million Eurobond issued in July 2014, and assumes a new US$1 billion Eurobond issuance in 2015, both would be rolled over in 2024–25. It also incorporates the projected disbursements of four large semi-concessional loans during 2014–17 (in total US$100 million in 2014, US$620.5 million in 2015, US$ 615 million in 2016, and US$513.5 million in 2017) for infrastructure and energy projects (expansion of access to potable water, extension of the Port of Abidjan, the Soubre hydro-electricity dam, rehabilitation and expansion of the electricity transmission network). Finally, it includes a new non-concessional window of US$400 million. While the main source of new borrowing, other than the two Eurobonds, is multilateral and official bilateral creditors during 2014–19, over time this source gradually declines to about 18 percent of total new borrowing during 2030–34 while that of commercial creditors rises to 82 percent.

Table 2. Côte d'Ivoire LIC DSA Macroeconomic Assumptions: Comparison with the Article IV LIC DSA
(Percent of GDP, unless otherwise indicated)

	Previous LIC DSA			Current LIC DSA Update		
	2014	2015	2019-33	2014	2015	2019-34
Nominal GDP ($ Billion) 1/	32.1	35.9	99.4	35.8	40.3	115.2
Real GDP (percent change)	8.2	8.1	5.2	8.0	8.0	5.2
Fiscal (central government)						
Revenue and grants	22.0	21.5	24.1	19.6	19.6	23.8
of which : grants	2.4	2.2	1.0	1.9	1.9	0.7
Primary expenditure	23.0	23.1	25.7	20.9	21.9	24.9
Primary fiscal deficit	1.0	1.6	1.6	1.4	2.3	1.1
Balance of payments						
Exports of goods and services	50.7	50.2	66.8	44.5	45.2	55.4
Imports of goods and services	49.6	50.0	71.4	42.7	42.4	55.3
Non-interest current account deficit	1.7	2.4	6.1	1.9	0.8	4.9
New external borrowing 2/	3.5	2.7	2.8	4.1	5.5	2.7
Net foreign direct investment	3.0	3.0	2.2	2.7	2.9	2.2

Sources: Ivoirien authorities; and IMF staff estimates.

1/ The changes from the Article IV LIC DSA reflect the updated nominal GDP historical series and the revised exchange rate assumptions of CFA/USD.

2/ Includes publicly guaranteed external borrowing.

8. The key changes in the baseline macroeconomic assumptions relative to the Article IV LIC DSA are as follows:

- The authorities have revised the historical series for the nominal GDP and exports upward. This also leads to higher projected GDP and exports because of the base effect; the ratio of exports to GDP is however lower.

- Revenue and expenditure projections have been revised down based on the 2013 outcome, 2014 estimates and 2015 budget projections. The primary fiscal deficit is projected to be slightly higher than previously envisaged, particularly over the medium term.

- External borrowing has been updated to reflect: *(i)* revised disbursement schedules for four large loans (Soubre hydroelectric dam, Abidjan water project, extension of the Port of Abidjan, electricity network), including slightly revised (hardening) terms for the latter three loans and somewhat smaller loans for the Port and electricity network; *(ii)* a larger Eurobond issue in 2014 than previously assumed ($750 compared to $500 million) and a new Eurobond issue in 2015 (US$1 billion); *(iii)* the two Eurobonds (ten-year bullets) are assumed to be rolled over in 2024-25; and *(iv)* a proposed increase in the program's new nonconcessional external borrowing window (US$ 400 million) for 2015.

- The external current account deficit is now expected to be lower than previously projected, reflecting a lower elasticity assumption of imports.

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

9. The results of the external DSA confirm that Côte d'Ivoire's debt dynamics are sustainable (Figure 2; Tables 3a and 3b).[7] They also confirm that Côte d'Ivoire's risk of debt distress has not changed and remains at a moderate level, notwithstanding the higher assumed level of external borrowing. The exclusion of C2D debt and related debt service leads to an improvement in the debt indicators and to provide an appropriate basis of comparison, including to assess whether the additional borrowing would lead to a change in Côte d'Ivoire's risk of debt distress, the previous DSA was rerun excluding C2D (Figure 4). A comparison of the debt indicators in the current and previous DSAs illustrates the impact of the changes in the borrowing and macroeconomic assumptions while removing the impact of excluding C2D.

10. The baseline and stress test debt indicators have for the most part improved somewhat compared to the previous DSA. Compared to the previous DSA, the main changes to the borrowing and macroeconomic assumptions are higher projected non-concessional borrowing, largely on account of the two Eurobond issues in 2014 and 2015, and higher projected levels of exports and GDP which primarily reflects the base effect of upward revisions to historical data rather than significant changes in projected

[7] In the LIC-DSA framework Côte d'Ivoire is rated as a weak performer with a Country Policy and Institutional Assessment (CPIA) average rating for 2011–13 of 3.04.

growth rates. As a result, notwithstanding the higher borrowing, the debt stock indicators improve relative to the last DSA except for the historical scenario: the debt service-to-exports indicators are broadly similar and the debt service-to-revenue indicators show an improvement. Under the historical scenario, all the debt service indicators show deterioration because the use of historical average values for the external primary deficit and nominal GDP growth removes the positive impact on the indicators of the upward revision in projected GDP and exports; for the debt-to-revenue and debt-service-revenue indicators, the deterioration reflects a higher primary fiscal deficit.[8] The stress tests do however indicate that Côte d'Ivoire remains vulnerable to economic shocks, in particular to negative shocks to growth, exports, FDI and fiscal performance.

PUBLIC DEBT SUSTAINABILITY ANALYSIS[9]

11. When domestic public debt is included in the analysis, Côte d'Ivoire's debt situation deteriorates modestly (Figure 3; Table 4a). Public debt indicators would gradually improve over the long term in line with the projected positive macroeconomic prospects. Under the baseline scenario, the PV of total public debt would decrease to 17.6 percent of GDP at the end of the projection period from 30.1 percent of GDP in 2014, while debt service indicators would go up in the medium term before slowing down at the end of the projection period.

12. An analysis of the stress tests of total public debt does not identify additional debt vulnerabilities (Table 4b). In the staff's view, the breach of the indicative policy threshold for the PV of public debt does not reflect an additional vulnerability to those stemming from central government external debt. Indeed, a comparison of the path of the total public debt ratio and the external PPG debt ratio under the stress test shows that the trajectory of debt is driven primarily by external PPG debt rather than a vulnerability specific to domestic debt or private external debt. Furthermore, the breach of the indicative policy threshold of the PV of public debt is also the product of an unrealistic stress test, in this case the low growth bound test.[10]

CONCLUSIONS

13. Côte d'Ivoire remains at a moderate risk of debt distress. This is unchanged from the last DSA in November 2013 (adjusted to exclude C2D obligations); including C2D obligations in the current scenario would also not change the rating (Figure 5). In the baseline scenario, all debt indicators remain below their respective policy-dependent thresholds. However, the stress tests show that the external debt outlook

[8] The larger primary deficit results from the fact that the period covered by 10-year average used in the stress test has changed by one year.

[9] In the current absence of statistical information on the general government and of the public sector, the DSA covers only central government operations.

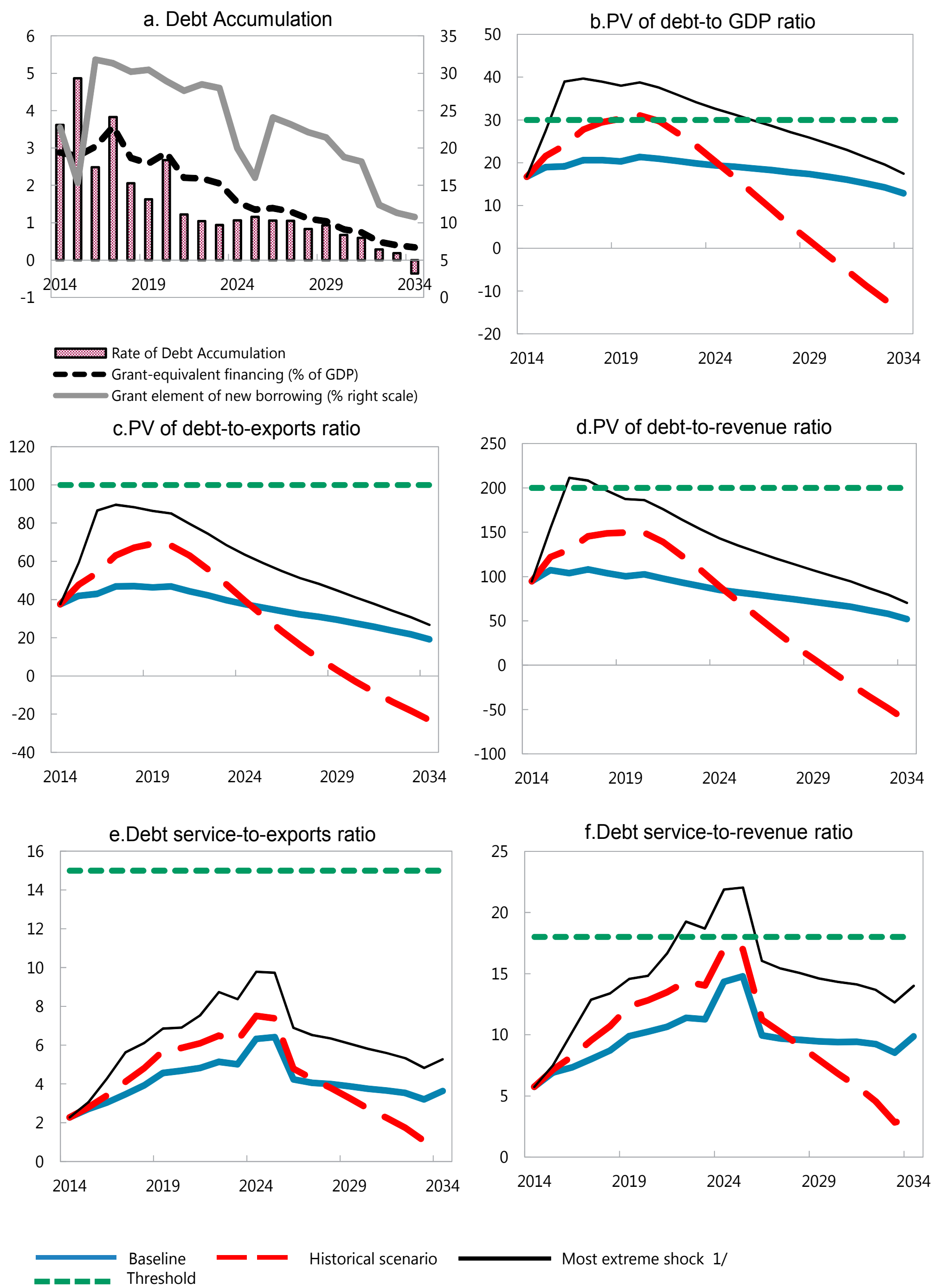
[10] This is unrealistic because the historical series covers an exceptional period (a decade of political crisis and low growth and a heightened volatility in the growth rates stemming from the sharp post-election crisis growth contraction and subsequent strong recovery) that leads to a low mean growth rate and high standard deviation. In addition, there has been a clear structural break in economic policies since 2011.

continues to be vulnerable to adverse macroeconomic shocks, in particular to exports and growth, as well as to fiscal performance. In addition, the buildup of external debt in the near term has an upward impact on the debt indicators. However, the new borrowing should benefit the economy and economic prospects, and also diversifies Côte d'Ivoire's financing sources, lengthens the average maturity of debt and has in part been used to retire debt, securitize other domestic debts, and repay supplier arrears. It has also helped reduce the bunching of maturities arising from restructured post-election crisis arrears.

14. Sound macroeconomic policies and prudent debt management will be important to maintain a sustainable external position. Key to this will be a sustained structural reform effort to overcome bottlenecks to strong growth and to enhance the contribution of the private sector, in particular through improvements in the business climate. As regards public debt management, the government intends to implement further improvements. First, an updated medium-term debt strategy for 2015–19 is to be finalized by end-2014, which would overlap with the second National Development Plan (2016–20). Second, to broaden the monitoring of public debt, a centralised database covering public enterprises, including debt data, will be created in 2015. Third, a planned front-middle-back office re-organization of the debt department, which has been delayed partly because of a need for further technical assistance, is now expected to be completed by mid-2015. However, an excessive concentration of maturities, especially in the mid-2020s should be avoided, and, in particular for the 2014 and proposed 2015 Eurobonds which have bullet repayments, debt management should take adequate account of potential rollover and foreign exchange risks. Also, plans to raise resources on international financial markets, such as the 2015 Eurobond issue, should take account of the potential volatility in these markets and should avoid the issuance to the extent possible when markets conditions are unfavorable. In addition, a deeper regional market would help expand the potential of financing sources, and measures to acheive this, including the establishment of primary dealers and the creation of a secondary market for sovereign financing, are needed.

15. The authorities of Côte d'Ivoire agree with the conclusions of this DSA. However, they consider that the baseline macroeconomic assumptions used in this report are too conservative and do not sufficiently factor in the future dividends of recent progress. In particular, in the authorities' view, the long-term growth rates are too low. The authorities would have appreciated the inclusion of another scenario based on higher growth rates that would have been driven by a stronger level of private and public investment. Such a scenario would have been more in line with their objective to transform Côte d'Ivoire into an emerging country by 2020 and significantly reduce poverty. The authorities believe that they have been implementing appropriate measures to improve the business climate, the capacity to absorb investment, as well as domestic and external resource mobilization, in particular to broaden the tax base, while adopting a prudent approach to current spending. They underscored that for the second year in a row, according to the World Bank's 2015 Doing Business report, Côte d'Ivoire is among the 10 economies that have made the most progress in improving their business climate. The authorities thanked staff for their advice and recommendations presented in the current DSA report. They are committed to continuing to implement a policy of sustainable public debt management and adopting ambitious structural reform policies, while maintaining a sound macroeconomic environment.

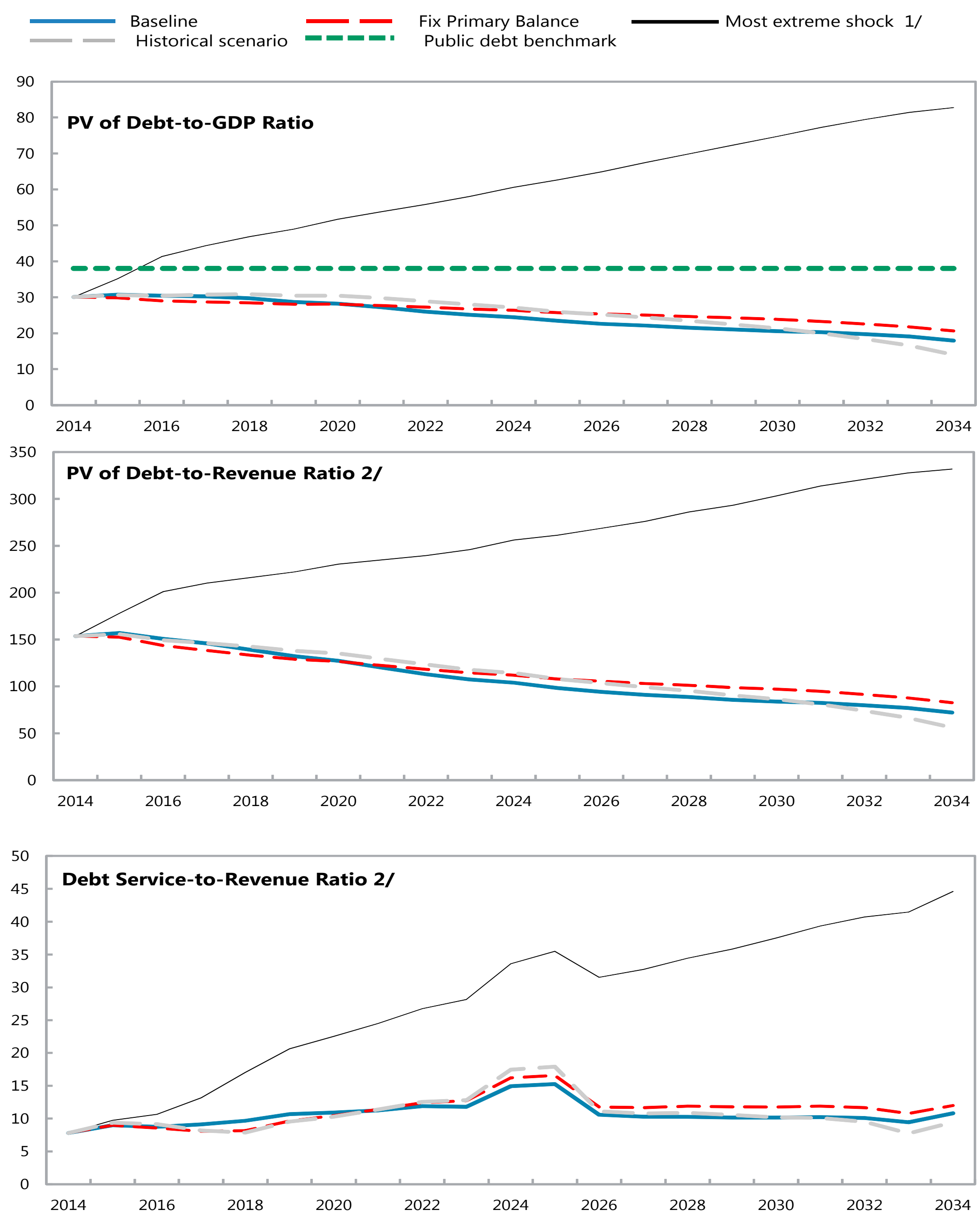
Figure 2. Côte d'Ivoire: Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2014–34 1/



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 2024. In figure b. it corresponds to a Combination shock; in c. to a Exports shock; in d. to a Combination shock; in e. to a Exports shock and in figure f. to a Combination shock

Figure 3. Côte d'Ivoire: Indicators of Public Debt Under Alternative Scenarios, 2014–34 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 2024.
2/ Revenues are defined inclusive of grants.

Table 3a. Côte d'Ivoire: External Debt Sustainability Framework, Baseline Scenario, 2011–34 1/

(Percent of GDP, unless otherwise indicated)

	Actual			Historical 6/	Standard 6/	Projections									
	2011	2012	2013	Average	Deviation	2014	2015	2016	2017	2018	2019	2014-2019 Average	2024	2034	2020-2034 Average
External debt (nominal) 1/	**72.7**	**35.6**	**31.9**			**32.1**	**33.2**	**32.8**	**34.5**	**34.0**	**33.5**		**31.8**	**19.2**	
of which: public and publicly guaranteed (PPG)	52.1	17.0	16.4			18.9	21.6	22.7	25.6	26.1	26.4		27.6	19.2	
Change in external debt	2.6	-37.1	-3.7			0.2	1.1	-0.4	1.6	-0.4	-0.5		-0.8	-3.1	
Identified net debt-creating flows	-12.9	-4.5	-2.2			-1.8	-3.2	-3.0	-3.1	-2.8	-2.1		2.3	3.5	
Non-interest current account deficit	**-12.3**	**-0.2**	**3.5**	**-4.2**	**4.3**	**1.9**	**0.8**	**1.5**	**1.8**	**2.1**	**2.5**		**4.8**	**5.9**	5.0
Deficit in balance of goods and services	-16.5	-4.1	0.3			-1.9	-2.7	-2.0	-1.6	-0.9	-0.6		0.1	-0.4	
Exports	53.8	48.4	45.4			44.5	45.2	44.6	44.0	43.9	43.8		51.7	67.1	56.2
Imports	37.3	44.2	45.6			42.7	42.4	42.5	42.4	43.0	43.2		51.7	66.7	56.1
Net current transfers (negative = inflow)	2.1	1.9	0.9	1.9	0.8	0.8	0.7	1.0	1.2	1.4	1.6		2.9	4.1	3.3
of which: official	0.1	0.2	-1.1			-1.7	-1.7	-1.6	-1.5	-1.4	-1.3		-0.5	0.0	
Other current account flows (negative = net inflow)	2.0	2.0	2.4			3.0	2.8	2.5	2.3	1.6	1.6		1.8	2.3	
Net FDI (negative = inflow)	**-1.1**	**-1.2**	**-2.7**	**-1.7**	**0.5**	**-2.7**	**-2.9**	**-3.4**	**-3.9**	**-3.9**	**-3.9**		**-1.9**	**-1.9**	-2.2
Endogenous debt dynamics 2/	**0.5**	**-3.1**	**-3.1**			**-1.0**	**-1.0**	**-1.1**	**-1.0**	**-0.9**	**-0.7**		**-0.5**	**-0.5**	
Contribution from nominal interest rate	1.9	1.4	1.4			1.2	1.3	1.2	1.2	1.2	1.2		1.0	0.5	
Contribution from real GDP growth	3.0	-7.3	-2.7			-2.2	-2.3	-2.3	-2.2	-2.2	-1.9		-1.5	-1.1	
Contribution from price and exchange rate changes	-4.3	2.7	-1.8			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**15.6**	**-32.6**	**-1.5**			**2.1**	**4.2**	**2.7**	**4.7**	**2.4**	**1.5**		**-3.1**	**-6.5**	
of which: exceptional financing	-0.1	-29.8	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	30.5			30.0	30.5	29.3	29.5	28.5	27.4		23.6	12.9	
In percent of exports	...	...	67.1			67.4	67.6	65.8	67.0	64.9	62.5		45.6	19.2	
PV of PPG external debt	**...**	**...**	**14.9**			**16.7**	**18.9**	**19.2**	**20.6**	**20.6**	**20.3**		**19.4**	**12.9**	
In percent of exports	**...**	**...**	**32.9**			**37.6**	**41.9**	**43.0**	**46.8**	**46.9**	**46.4**		**37.5**	**19.2**	
In percent of government revenues	**...**	**...**	**80.8**			**94.7**	**107.3**	**103.9**	**108.1**	**104.1**	**100.3**		**85.0**	**52.0**	
Debt service-to-exports ratio (in percent)	**26.7**	**9.8**	**10.5**			**5.6**	**5.8**	**6.3**	**6.5**	**6.6**	**7.0**		**7.9**	**3.6**	
PPG debt service-to-exports ratio (in percent)	**4.8**	**1.8**	**2.1**			**2.3**	**2.7**	**3.0**	**3.5**	**3.9**	**4.6**		**6.3**	**3.6**	
PPG debt service-to-revenue ratio (in percent)	**18.3**	**4.6**	**5.1**			**5.7**	**6.9**	**7.3**	**8.0**	**8.7**	**9.9**		**14.3**	**9.9**	
Total gross financing need (Billions of U.S. dollars)	1.2	1.8	2.6			1.4	1.0	1.2	1.1	1.3	1.7		6.7	12.2	
Non-interest current account deficit that stabilizes debt ratio	-15.0	36.9	7.2			1.6	-0.3	1.8	0.2	2.5	3.1		5.5	9.0	
Key macroeconomic assumptions															
Real GDP growth (in percent)	-4.4	10.7	8.7	2.9	4.2	8.0	8.0	7.7	7.5	7.0	6.0	7.4	5.1	5.1	5.1
GDP deflator in US dollar terms (change in percent)	6.6	-3.6	5.4	4.5	6.4	6.7	4.2	3.7	3.7	2.9	3.0	4.0	2.5	2.5	2.5
Effective interest rate (percent) 5/	2.7	2.1	4.6	2.9	0.8	4.3	4.4	4.2	4.2	3.9	3.9	4.1	3.4	2.5	3.2
Growth of exports of G&S (US dollar terms, in percent)	8.5	-4.0	7.5	8.5	7.3	13.0	14.2	10.2	10.1	9.7	9.1	11.1	11.3	10.4	10.8
Growth of imports of G&S (US dollar terms, in percent)	-12.1	26.6	18.2	11.8	12.2	7.7	12.0	11.9	11.1	11.8	9.7	10.7	11.1	10.3	10.9
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	22.7	15.4	31.8	31.3	30.2	30.5	27.0	20.0	10.8	20.8
Government revenues (excluding grants, in percent of GDP)	14.1	18.4	18.5			17.7	17.7	18.4	19.1	19.8	20.3		22.8	24.7	23.3
Aid flows (in Billions of US dollars) 7/	0.1	0.2	0.4			1.2	1.1	1.5	2.5	2.2	2.3		2.3	1.3	
of which: Grants	0.1	0.2	0.4			0.7	0.8	0.8	0.9	0.9	0.9		0.6	0.3	
of which: Concessional loans	0.0	0.0	0.0			0.6	0.3	0.7	1.6	1.3	1.4		1.7	0.9	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			2.9	2.8	3.0	3.6	2.7	2.6		1.5	0.3	1.3
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			45.8	36.7	52.7	46.6	50.7	50.5		31.8	19.1	33.0
Memorandum items:															
Nominal GDP (Billions of US dollars)	25.4	27.1	31.1			35.8	40.3	45.0	50.2	55.2	60.3		87.4	184.5	115.2
Nominal dollar GDP growth	1.9	6.7	14.6			15.2	12.6	11.7	11.5	10.1	9.2	11.7	7.7	7.8	7.7
PV of PPG external debt (in Billions of US dollars)			4.8			5.9	7.7	8.7	10.4	11.4	12.3		17.0	23.8	
(PVt-PVt-1)/GDPt-1 (in percent)						3.6	4.9	2.5	3.8	2.1	1.6	3.1	1.1	-0.4	0.9
Gross workers' remittances (Billions of US dollars)	-0.5	-0.5	-0.6			-0.9	-1.0	-1.2	-1.4	-1.6	-1.8		-3.1	-7.6	
PV of PPG external debt (in percent of GDP + remittances)	...	...	15.3			17.2	19.4	19.7	21.2	21.2	20.9		20.1	13.4	
PV of PPG external debt (in percent of exports + remittances)	...	...	34.5			39.8	44.4	45.7	49.9	50.1	49.7		40.3	20.4	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	2.2			2.4	2.9	3.2	3.7	4.2	4.9		6.8	3.9	

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 3b. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2014–34

(Percent)

	Projections							
	2014	2015	2016	2017	2018	2019	**2024**	2034
PV of debt-to GDP ratio								
Baseline	17	19	19	21	21	20	**19**	13
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	17	22	24	28	29	30	**20**	-16
A2. New public sector loans on less favorable terms in 2014-2034 2	17	20	22	25	26	27	**31**	30
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	17	21	22	24	24	24	**23**	15
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	17	24	31	32	31	31	**27**	15
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	17	20	22	23	23	23	**22**	15
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	17	22	26	27	27	26	**23**	14
B5. Combination of B1-B4 using one-half standard deviation shocks	17	27	39	40	39	38	**33**	17
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	17	27	27	29	29	29	**27**	18
PV of debt-to-exports ratio								
Baseline	38	42	43	47	47	46	**38**	19
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	38	48	54	63	67	69	**39**	-23
A2. New public sector loans on less favorable terms in 2014-2034 2	38	45	48	56	59	61	**60**	45
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	38	42	43	47	47	47	**38**	19
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	38	59	87	90	88	86	**64**	27
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	38	42	43	47	47	47	**38**	19
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	38	49	58	61	61	60	**45**	21
B5. Combination of B1-B4 using one-half standard deviation shocks	38	61	85	88	86	84	**61**	25
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	38	42	43	47	47	47	**38**	19
PV of debt-to-revenue ratio								
Baseline	95	107	104	108	104	100	**85**	52
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	95	122	130	146	149	150	**89**	-63
A2. New public sector loans on less favorable terms in 2014-2034 2	95	115	117	130	131	132	**137**	121
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	95	116	122	127	122	117	**100**	61
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	95	134	170	168	159	152	**117**	59
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	95	114	117	122	117	113	**96**	59
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	95	127	141	142	135	129	**103**	56
B5. Combination of B1-B4 using one-half standard deviation shocks	95	155	211	208	197	187	**143**	70
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	95	151	146	152	147	141	**120**	73

Table 3b. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2014–34 (concluded)

(Percent)

				Debt service-to-exports ratio				
Baseline	2	3	3	3	4	5	**6**	4
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	2	3	3	4	5	6	**8**	1
A2. New public sector loans on less favorable terms in 2014-2034 2	2	3	3	3	4	4	**5**	5
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	2	3	3	3	4	5	**6**	4
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	2	3	4	6	6	7	**10**	5
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	2	3	3	3	4	5	**6**	4
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	2	3	3	4	5	5	**7**	4
B5. Combination of B1-B4 using one-half standard deviation shocks	2	3	4	5	6	7	**9**	5
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	2	3	3	3	4	5	**6**	4
				Debt service-to-revenue ratio				
Baseline	6	7	7	8	9	10	**14**	10
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2014-2034 1/	6	7	8	10	11	12	**17**	3
A2. New public sector loans on less favorable terms in 2014-2034 2	6	7	7	8	9	9	**11**	14
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2015-2016	6	7	9	9	10	12	**17**	12
B2. Export value growth at historical average minus one standard deviation in 2015-2016 3/	6	7	8	11	11	12	**18**	12
B3. US dollar GDP deflator at historical average minus one standard deviation in 2015-2016	6	7	8	9	10	11	**16**	11
B4. Net non-debt creating flows at historical average minus one standard deviation in 2015-2016 4/	6	7	8	9	10	11	**16**	11
B5. Combination of B1-B4 using one-half standard deviation shocks	6	8	10	13	13	15	**22**	14
B6. One-time 30 percent nominal depreciation relative to the baseline in 2015 5/	6	10	10	11	12	14	**20**	14
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	8	8	8	8	8	8	**8**	8

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 4a. Côte d'Ivoire: Public Sector Debt Sustainability Framework, Baseline Scenario, 2011–34

(Percent of GDP, unless otherwise indicated)

	Actual					Estimate	Projections								
	2011	2012	2013	Average 5/	Standard Deviation 5/	2014	2015	2016	2017	2018	2019	2014-19 Average	2024	2034	2020-34 Average
Public sector debt 1/	69.9	33.7	34.2			32.2	33.4	34.0	35.2	35.2	34.8		32.7	24.2	
of which: foreign-currency denominated	52.3	17.2	16.4			18.9	21.6	22.7	25.6	26.1	26.4		27.6	19.2	
Change in public sector debt	6.9	-36.2	0.4			-2.0	1.2	0.6	1.3	0.0	-0.4		-0.5	-1.6	
Identified debt-creating flows	-27.7	-6.1	-1.8			-1.5	-0.6	-0.4	-0.8	-1.0	-0.9		-0.4	0.1	
Primary deficit	2.9	2.4	1.2	0.7	1.3	1.4	2.3	2.0	1.6	1.1	0.9	1.6	1.1	1.3	1.1
Revenue and grants	14.4	18.9	19.8			19.6	19.6	20.2	20.8	21.4	21.7	20.5	23.5	24.9	24.0
of which: grants	0.3	0.6	1.3			1.9	1.9	1.8	1.7	1.6	1.5		0.7	0.2	
Primary (noninterest) expenditure	17.3	21.3	21.0			20.9	21.9	22.2	22.4	22.5	22.6	22.1	24.6	26.2	25.0
Automatic debt dynamics	3.2	-8.4	-3.0			-2.7	-2.8	-2.4	-2.4	-2.1	-1.8		-1.4	-1.2	
Contribution from interest rate/growth differential	2.8	-7.5	-2.2			-2.6	-2.2	-2.0	-2.0	-1.9	-1.6		-1.3	-1.1	
of which: contribution from average real interest rate	0.0	-0.8	0.5			-0.1	0.2	0.4	0.4	0.4	0.4		0.3	0.1	
of which: contribution from real GDP growth	2.9	-6.7	-2.7			-2.5	-2.4	-2.4	-2.4	-2.3	-2.0		-1.6	-1.3	
Contribution from real exchange rate depreciation	0.4	-0.9	-0.8			-0.1	-0.7	-0.4	-0.3	-0.2	-0.2		...	...	
Other identified debt-creating flows	-33.7	0.0	0.0			-0.2	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			-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)	-33.7	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	34.6	-30.1	2.2			-0.5	1.8	1.0	2.0	1.0	0.5		-0.1	-1.7	
Other Sustainability Indicators															
PV of public sector debt	...	...	32.7			30.1	30.7	30.4	30.3	29.7	28.7		24.5	17.9	
of which: foreign-currency denominated	...	...	14.9			16.7	18.9	19.2	20.6	20.6	20.3		19.4	12.9	
of which: external	...	...	14.9			16.7	18.9	19.2	20.6	20.6	20.3		19.4	12.9	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	6.0	3.7	2.7			2.9	4.1	3.8	3.5	3.2	3.2		4.6	4.0	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	165.3			153.7	157.0	150.7	145.8	138.9	132.1		104.0	72.0	
PV of public sector debt-to-revenue ratio (in percent)	...	...	177.0			170.0	174.0	165.1	158.8	150.1	141.7		107.3	72.5	
of which: external 3/	...	...	80.8			94.7	107.3	103.9	108.1	104.1	100.3		85.0	52.0	
Debt service-to-revenue and grants ratio (in percent) 4/	22.1	6.9	7.3			7.8	9.0	8.8	9.1	9.7	10.7		14.9	10.8	
Debt service-to-revenue ratio (in percent) 4/	22.5	7.1	7.8			8.7	10.0	9.6	9.9	10.4	11.5		15.4	10.9	
Primary deficit that stabilizes the debt-to-GDP ratio	-4.0	38.6	0.8			3.4	1.1	1.5	0.3	1.1	1.3		1.6	2.9	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	-4.4	10.7	8.7	2.9	4.2	8.0	8.0	7.7	7.5	7.0	6.0	7.4	5.1	5.1	5.1
Average nominal interest rate on forex debt (in percent)	1.8	1.0	4.3	1.9	1.0	3.8	4.1	3.8	3.9	3.6	3.6	3.8	3.1	2.7	3.0
Average real interest rate on domestic debt (in percent)	0.5	-2.3	0.4	-0.5	2.7	-2.4	-1.3	-0.2	-0.2	0.5	0.3	-0.6	0.4	0.3	0.3
Real exchange rate depreciation (in percent, + indicates depreciation)	0.7	-2.0	-4.8	-1.4	7.7	-0.4	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	1.6	4.4	2.0	2.7	3.0	4.6	5.1	3.1	2.8	2.2	2.4	3.4	2.5	2.5	2.5
Growth of real primary spending (deflated by GDP deflator, in percent)	-16.0	36.7	7.2	2.8	13.2	7.5	12.8	9.5	8.1	7.5	6.8	8.7	6.5	5.2	6.2
Grant element of new external borrowing (in percent)	...	...	...	...	...	22.7	15.4	31.8	31.3	30.2	30.5	27.0	20.0	10.8	...

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.

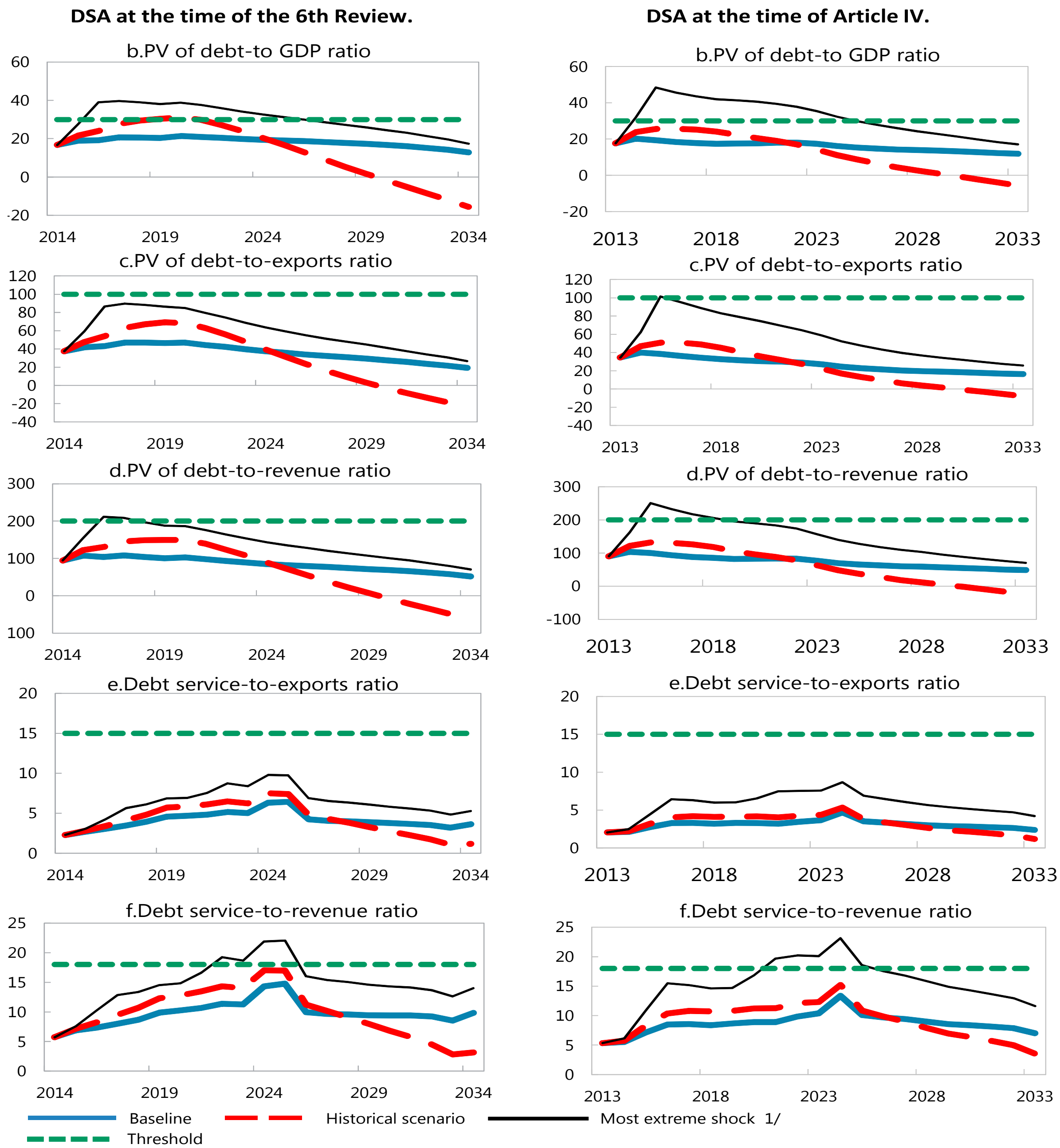
5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 4b. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public Debt, 2014–34

	Projections							
	2014	2015	2016	2017	2018	2019	2024	2034
PV of Debt-to-GDP Ratio								
Baseline	30	31	30	30	30	29	24	18
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	30	31	30	31	31	30	27	14
A2. Primary balance is unchanged from 2014	30	30	29	29	28	28	26	21
A3. Permanently lower GDP growth 1/	30	31	31	32	32	32	36	59
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-2016	30	35	41	44	47	49	61	83
B2. Primary balance is at historical average minus one standard deviations in 2015-2016	30	30	30	30	29	28	24	18
B3. Combination of B1-B2 using one half standard deviation shocks	30	32	33	35	37	39	47	63
B4. One-time 30 percent real depreciation in 2015	30	37	36	35	34	32	27	23
B5. 10 percent of GDP increase in other debt-creating flows in 2015	30	40	39	39	38	36	31	23
PV of Debt-to-Revenue Ratio 2/								
Baseline	154	157	151	146	139	132	104	72
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	154	156	149	146	142	138	114	56
A2. Primary balance is unchanged from 2014	154	152	144	138	133	129	112	83
A3. Permanently lower GDP growth 1/	154	159	155	153	150	148	152	235
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-2016	154	178	201	210	216	222	256	332
B2. Primary balance is at historical average minus one standard deviations in 2015-2016	154	155	149	144	138	131	103	71
B3. Combination of B1-B2 using one half standard deviation shocks	154	162	161	168	173	177	200	254
B4. One-time 30 percent real depreciation in 2015	154	189	178	167	157	148	116	93
B5. 10 percent of GDP increase in other debt-creating flows in 2015	154	205	195	186	176	167	132	91
Debt Service-to-Revenue Ratio 2/								
Baseline	8	9	9	9	10	11	15	11
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	8	9	9	8	8	10	17	9
A2. Primary balance is unchanged from 2014	8	9	9	8	8	10	16	12
A3. Permanently lower GDP growth 1/	8	9	9	10	11	12	21	31
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2015-2016	8	10	11	13	17	21	34	45
B2. Primary balance is at historical average minus one standard deviations in 2015-2016	8	9	9	9	9	11	15	11
B3. Combination of B1-B2 using one half standard deviation shocks	8	10	10	9	9	14	27	34
B4. One-time 30 percent real depreciation in 2015	8	10	12	13	14	16	24	22
B5. 10 percent of GDP increase in other debt-creating flows in 2015	8	9	11	19	19	14	18	14

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.

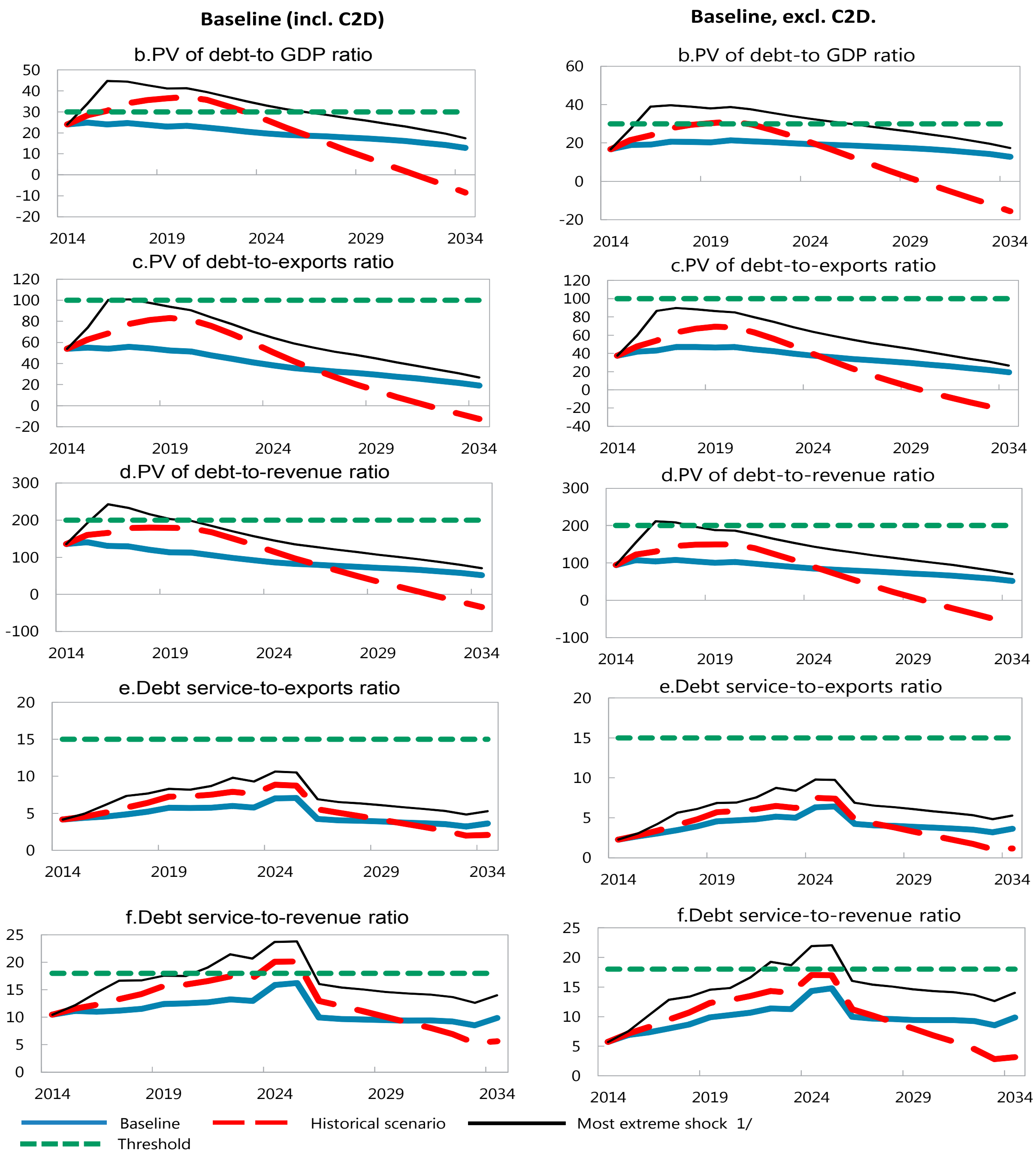
Figure 4. Côte d'Ivoire: Comparison Current Vs. Article IV DSA



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 2024. In figure b. it corresponds to a Combination shock; in c. to a Exports 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 and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2014–34 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 2024. In figure b. it corresponds to a Combination shock; in c. to a Exports shock; in d. to a Combination shock; in e. to a Exports shock and in figure f. to a Combination shock.

INTERNATIONAL MONETARY FUND

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International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Sixth Review under the ECF Arrangement for Côte d'Ivoire, Approves US$94.7 Million Disbursement, and Augments Access and Extends the Arrangement

The Executive Board of the International Monetary Fund (IMF) today completed the sixth review of Côte d'Ivoire's performance under an economic program supported by an Extended Credit Facility (ECF) arrangement. The decision enables the disbursement of SDR 65.04 million (about US$94.7 million, 20 percent of quota), bringing total disbursements under the arrangement to SDR 422.76 million (about US$615.9 million, 130 percent of quota). In completing the review, the Executive Board granted a waiver of the non-observance of the continuous performance criterion on contracting or guaranteeing of new non-concessional external debt.

In addition, the Executive Board approved a twelve-month extension and augmentation of access under the arrangement of SDR 130.08 million (about $189.5 million, 40 percent of quota), including SDR 32.52 million (about $47.4 million, 10 percent of quota) to meet additional balance of payment needs generated by the Ebola prevention plan.

The Executive Board approved the ECF arrangement for Côte d'Ivoire on November 4, 2011 (see Press Release No. 11/399).

Following the Executive Board's discussion on Côte d'Ivoire, Mr. Shinohara, Deputy Managing Director and Acting Chair, made the following statement:

"Recent macroeconomic performance in Côte d'Ivoire has been strong. Growth performance since 2012 has been among the highest in Sub-Saharan Africa and per capita income has increased by almost 20 percent. High public investment has supported growth and improved access to public services. Inflation remains moderate. Program performance under the ECF arrangement has been strong, which was reflected in Côte d'Ivoire's improved ranking in the 2015 *Doing Business* survey, the favorable debut 2014 sovereign bond ratings, and the low yield of the July 2014 Eurobond. Continued commitment to prudent policies and structural reforms will be necessary to increase private sector activity and to sustain high growth to achieve the ambitious goals set in the National

Development Plan. A cautious approach to debt accumulation of non-concessional debt and further strengthening of debt management will be critical to maintain macroeconomic stability.

“The near-term macroeconomic outlook remains positive, driven by continued high public investment and rising private investment. The draft budget for 2015, which includes, in particular, a provision for Ebola prevention is appropriately marked by a limited expansion of the overall fiscal deficit to accommodate growth-friendly investment in key economically viable infrastructure projects. Establishing a Treasury single account will be important going forward. To create fiscal space needed for infrastructure and social spending, priority should be given to mobilizing tax and customs revenues and eliminating exemptions.

“The authorities are taking steps to regularize domestic arrears and to pay delayed budget subsidies to the electricity sector, while also adopting additional measures to improve the financial situation of the energy sector over the medium term. Further structural reforms are necessary to improve the business climate and governance to promote private sector investment and reduce the reliance of the growth strategy on the public sector.”

Statement by Ngueto Tiraina Yambaye, Executive Director for Côte d'Ivoire and Marcellin Koffi Alle, Senior Advisor to the Executive Director

December 5, 2014

The ECF-supported program has proved an appropriate anchor for Côte d'Ivoire's efforts towards achieving the ambitious goals set in its National Development Plan 2012–15. Our Ivorian authorities would like to thank the Board, Management and Staff for their support, which has been instrumental in the dramatic changes that the country underwent over the past years. The fruitful discussions recently held with Staff in Abidjan are further signs of the excellent cooperation between Côte d'Ivoire and the Fund, and the authorities broadly share the thrust of the report put forward.

As end-2014 marks an important milestone, it is worth emphasizing some key achievements recorded since the conclusion of the program in 2011. The authorities' strong resolve and sound policymaking have resulted in strong economic growth starting in 2012, and is projected to reach 8 percent in 2014. The macroeconomic framework has improved significantly. Fiscal policy has favored growth-enhancing public investments, clearing arrears to strengthen the private sector's balance sheets and improving the delivery of key basic services to the populations. The authorities have also implemented major structural reforms in key economic sectors, including the cocoa-coffee sector, energy, the financial sector and the business environment. All these reform efforts have been accompanied by considerable progress in the area of domestic peace and security and in the overall political environment. The positive outlook has helped Côte d'Ivoire successfully tap the international bond market in July 2014 with a 10-year $750 million Eurobond, which was more than six times oversubscribed and secured a historically favorable yield of 5.625 percent at issue.

Yet, the Ivorian authorities are cognizant of the challenges still facing the economy and the country as a whole. For the remainder of 2014 and 2015, they are committed to address key bottlenecks to growth and to continue to lay the foundations for a thriving private sector capable of creating large job opportunities. The government's 2015 budget has been built on these grounds while taking account of the need to maintain the fiscal stance in a context of presidential elections and to preserve long-term debt sustainability. The authorities also intend to pursue their successful efforts of ring-fencing against Ebola. The ECF arrangement continues to serve the country well at this juncture. In particular, an augmentation in access will bolster the authorities' effort that has preserved Côte d'Ivoire from the Ebola crisis to date. The Ivorian authorities have therefore requested the extension of the current ECF program on the basis of their recent performance and as an appropriate anchor for their policies planned for 2015 and ahead. We would value the Board's support in this regard.

Recent Developments and Program Performance

The Ivorian authorities have kept up the momentum and continue to make progress in implementing reforms. As a result, **program performance** continues to be strong as shown by the observance of all end-June performance criteria and indicative targets and the completion of all structural benchmarks, albeit with minor delays. The authorities request a waiver for the nonobservance of the continuous performance criterion on the ceiling on new nonconcessional external debt, which occurred in July with the issuance of the US$750 million Eurobond. The bond that moderately exceeded the US$500 million program ceiling was subscribed at US$ 4.8 billion. With such a success, the authorities saw scope to raise more than planned. They liaised with staff and both parties agreed to use the excess to clear domestic arrears. Furthermore, as assessed by staff, the excess proceeds do not impact Côte d'Ivoire's risk of debt distress and rather help improve the maturity structure of domestic debt.

Key macroeconomic indicators have shown buoyancy over the period under review, though staff and the authorities slightly diverge on growth projections. Staff project real GDP to grow by 8 percent both in 2014 and 2015 against 9 percent and 10 percent from the authorities' side. The harmonization of methodologies agreed upon should help address this issue. Growth will be driven in 2014-15 by the dynamism of all sectors, in particular cocoa, energy, construction, services and commerce. Low food prices have kept inflation subdued. Owing to high revenue, the end-June fiscal stance was strong, better than programmed, and the primary basic balance displayed a surplus against a deficit projected under the program. Pro-poor spending also performed well, exceeding program target. The authorities are working expeditiously to address issues at the custom administration with the view to further enhance revenue collection and hence the fiscal balance. The external position has benefitted from falling oil price and high cocoa price.

As regards structural reforms, the authorities have made progress on many fronts and are committed to continue their efforts in 2015 and ahead. In the fiscal sector, the transposition of the directives on public finances initiated by the West African Economic and Monetary Union (WAEMU) in national laws is in its final stage. A clear strategy and an action plan have been adopted to put in place a Treasury single account. Likewise, notable improvements have been brought to the public procurement sector, bringing the amount of public procurement granted on a non-competitive basis to 5.8 percent of the value of contracts against 65 percent for the first semester of 2013. The restructuring of public banks has reached an important milestone with the closing down on September 30th of the *Banque de Financement de l'Agriculture* (BFA) and the other banks are proceeding with the options adopted by the government. The authorities have also brought major improvements to the business climate. Notable improvements include simplified procedures for incorporating companies, streamlined regulations, settlements of business lawsuits in a commercial tribunal, and lower business registration fees. As a result, the number of business start-ups and private investment has continued to increase and for the second consecutive year, Côte d'Ivoire is ranked among the world's ten countries that stand out as having improved the most in performance on the Doing Business indicators – as indicated by the 2015 Doing Business Report.

Policies in 2015 and the Medium-Term

The authorities' medium-term policies are meant to contribute to the achievement of the overarching goal of the economic transformation of Côte d'Ivoire envisaged in the National Development Plan (NDP). The progress made in the implementation of the NDP 2012–15, which is under review, should serve as a basis for the preparation of the successor NDP 2016-20. Policies for 2015 are consistent with this framework, and will evolve around stepped up efforts to further enhance macroeconomic stability and accelerate reforms. These include pursuing a fiscal policy geared towards growth while preserving debt sustainability, proceeding with the restructuring of public banks and taking steps in the overall financial sector reform and addressing the remaining bottlenecks related to the business climate.

Gearing fiscal policy towards growth while preserving debt sustainability. The authorities' 2015 fiscal stance will be characterized by an increase of the overall deficit to 3.4 percent of GDP from 2.3 percent in 2014. This reflects the financing of key growth-enhancing public investments. While having recourse to debt, the authorities are mindful that the fiscal potential is yet to be realized. In this regard, the government has initiated a commission to study tax policy reform. The aim is to raise the revenue to GDP ratio to support the country's ambitious infrastructure program and to generate high and sustained growth for the years to come. In the meantime, measures for 2015 include the inception of tax collection centers for medium-sized enterprises, developing the tax bases of excise taxes on tobacco and beverages, modernizing tax management by introducing online tax returns, and simplifying business tax systems.

The authorities are of the view that their efforts in financing public investments need to be supplemented by the appropriate external level of external resources if they are to sustain the growth momentum, crowd in the private sector investment and help create jobs especially for the youths. It is in this regard and given the scarcity of concessional resources that they are requesting an increase in the program ceiling on new nonconcessional external debt in 2015. The new window would accommodate the planned 2015 Eurobond and projects in the energy, infrastructure and transport sectors. These have been discussed in detail with Staff who supports the requests, assessing that the new window will not deteriorate Côte d'Ivoire's risk of external debt distress and that the projects would have considerable benefits to the economy.

Going forward, our authorities would like to reaffirm their commitment to preserve the hard-won achievement regarding debt sustainability. In this vein, the authorities take good note of the fact that the new DSA while factoring in the government's planned new nonconcessional borrowing concludes that Côte d'Ivoire remains at a moderate risk of debt distress. The authorities will closely monitor debt developments according to their Medium-Term Debt Strategy (MDTS). Moreover, they will continue their efforts to enhance debt management capacity as well as the institutional framework.

Stepping up financial sector reforms. The closing down of the BFA marked an important step in the government's strategy to divest from the banking sector. This process will be accelerated in the period ahead. The privatization committee has made considerable progress in negotiating with entities interested in acquiring the government's shares in public banks and the authorities expect to close the deals in 2015. In the same vein, the restructuring options chosen for a few of these banks should enter the implementation phase. As regards the broader reform of the financial sector, after conducting the necessary studies, which was a lengthy process, the authorities have adopted the financial sector development strategy. They are now putting in place the organizational structure including all relevant participants to implement the strategy with the support of partners such as the World Bank and the Fund. In this process, the national effort will also reap the benefits of the reforms initiated by the BCEAO for the whole WAEMU financial sector.

Leveraging the improved business climate to create jobs. Making the private sector the main engine of growth remains a major goal on the Ivorian authorities' agenda. To this end, they are pursuing the reforms to further improve the business climate with the aim of ranking Côte d'Ivoire among the leading African countries in this area. Additional measures for 2015 have been identified accordingly, ranging from introducing online incorporation of companies to reducing red tape in import/export procedures. Furthermore, the government is supplementing these actions with initiatives to facilitate the physical settlement of businesses for increased job creation. In this line, it has embarked on a vast program of rehabilitation of industrial zones and the creation of new ones for a total cost of CFAF 75 billion. This effort goes hand in hand with the provision of economic infrastructures notably telecommunications, energy, roads and port facilities. The overarching goal is to diversify the industrial base for job creation, including by promoting SMEs.

Conclusion

Over the past years, Côte d'Ivoire has made considerable progress in enhancing macroeconomic stability and implementing structural reforms to engineer sustained and broad-based growth. In an environment of improved security, the authorities have continued to record a strong performance under the ECF-supported program. The recent period has kept up with this momentum of high growth, backed by buoyant public investment, and important structural reforms that are crowding in increasing private investment, including FDI.

Going forward, the Ivorian authorities are fully aware of the challenges still facing their development agenda. Fostering domestic revenue mobilization to realize the fiscal potential, ensuring the smooth financing of major growth-enhancing infrastructure projects without jeopardizing the hard-won debt sustainability, making growth more inclusive by creating jobs remain among the top challenges. The authorities are committed to take on these endeavors, with the support of the Fund and development partners.