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Côte d'Ivoire: Letter of Intent, Memorandum of Economic and
Financial Policies, and Technical Memorandum of Understanding

November 4, 2009

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LETTER OF INTENT

Abidjan, November 4, 2009

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
Washington DC, 20431

Dear Mr. Strauss Kahn:

- 1. Côte d'Ivoire is making progress towards the complete normalization of its sociopolitical and economic situation.** Advances in the crisis-exit process, through the implementation of the Ouagadougou Political Accord, are expected to lead to the holding of the first round of presidential elections on November 29, 2009.
- 2. The government is implementing its economic program supported under the Poverty Reduction and Growth Facility (PRGF) and its poverty reduction strategy in the context of the HIPC Initiative.** Budget execution is consistent with the framework for rehabilitation of public finance management, through the implementation of the action plan resulting from the Public Expenditure Management and Financial Accountability Review (PEMFAR).
- 3. With regard to execution of the 2009 budget, efforts to raise revenues and bring expenditures under control have resulted in a primary basic surplus in the first half.** Revenue performance was good despite shortfalls related to the suspension of customs duties and the rice development tax. Substantial efforts have been undertaken to bring expenditures under control. However, the subsidy to the electricity sector exceeded the end-June objective. Execution of the large public construction projects is under control, and the government expects remain within the planned CFAF 40 billion envelope while following the institutional framework established in the context of the program to monitor these projects. No extrabudgetary spending was undertaken.
- 4. The overall fiscal balance in the first half of 2009 was under control and the Government intends to pursue its efforts to reach the objectives for the year.** After application of the program adjusters and a technical correction, the fiscal balance at end-June was better than programmed due to the overall good revenue performance and control of expenditure.
- 5. Progress has been made with regard to structural reforms, despite some delays.** Implementation of the structural reforms continued with special emphasis on revenue

collection through efforts against fraud, and the collection of taxes, duties, and fees in the central, northern, and western zones. Since April 2009, the government has been implementing the automatic petroleum product pricing mechanism.

6. **The government has also further normalized relations with its international partners.** The discussions have, in some cases, led to the restructuring of outstanding debt. With respect to the Paris Club, a restructuring agreement has been signed and Côte d'Ivoire received exceptional treatment. Discussions with the Private Creditors Coordination Committee (London Club) were concluded with the signature of a preliminary agreement, and debt restructuring discussions with other commercial creditors were begun.

7. **The government has begun to implement the Poverty Reduction Strategy Paper (PRSP) and the PRSP monitoring framework has been adopted.** Priority action matrixes and sectoral action plans were designed through wide-ranging consultation with sector stakeholders, figures for which will be included in the preparation of multiyear budgets.

8. **There is a strong national consensus in favor of implementing the program supported under the Poverty Reduction and Growth Facility (PRGF), and reaching the completion point under the Heavily Indebted Poor Countries Enhanced Heavily Indebted Poor Countries (HIPC) Initiative as soon as possible.** The government requests two waivers of the performance criteria: on the overall fiscal balance at end-June and the accumulation of new external arrears, and seeks completion of the first program review. Moreover, for technical reasons we request changes in the three program definitions (the overall fiscal balance, accumulation of new external arrears with respect to certain multilateral creditors, and treasury advances) to take effect with the completion of the first program review.

9. **The attached Memorandum of Economic and Financial Policies (MEFP) describes progress made under the economic program for 2009, as well as the objectives for 2009 and 2010.** A supplement to the Technical Memorandum of Understanding (TMU) of March 13, 2009 is also included. In connection with the completion of the first program review, the government requests assistance in the amount of SDR 35.772 million from the IMF under the PRGF, i.e. 11% of quota.

10. **Implementation of the program for 2009 is expected to be broadly satisfactory. The 2010 budget will press ahead with the objectives of the 2009 budget so as to consolidate the economic recovery and reduce poverty.** The 2010 program is designed to achieve real GDP growth of 4 percent; stabilize the annual inflation rate at 3 percent; and slightly increase the overall budget deficit as a percentage of GDP, owing to the increase in social and investment expenditure. Furthermore, revenue collection efforts will be redoubled. The government will do its best assiduously to implement the PRSP measures and the completion point triggers under the HIPC Initiative as soon as possible.

11. **The government is firmly committed to make progress in improving governance and to undertake in-depth structural reforms.** The government will strengthen its efforts to achieve efficiency and transparency in public resource management, within the budget and in the coffee/cocoa and energy sectors. The program envisages the implementation of major reforms of the civil service, the social security system and the financial sector.

12. **The government believes that the policies and measures set forth in this Memorandum are adequate for attaining the program objectives.** The government will adopt any other additional measures that it may deem necessary. The government will consult with IMF staff, whether on its own initiative or at the request of the IMF Managing Director, prior to the adoption of such measures, or in the event of changes to the policies set forth in this Memorandum. The government will provide the IMF with such information as IMF staff may request regarding progress achieved in implementing the economic and financial policies and in attaining the program objectives.

13. **The Ivorian authorities consent to the release to the public of this Letter of Intent, the attached MEFP, and the attached Technical Memorandum of Understanding (TMU), as well as the IMF staff report relating to the request for the first review of the PRGF arrangement.** We hereby authorize their publication and inclusion on the IMF website, following completion of the review by the IMF Executive Board.

Very truly yours,

_____/s/_____

Charles Koffi Diby
 Minister of Economy and Finance

_____/s/_____

Guillaume Kigbafori Soro
 Prime Minister

Attachment I: Supplement to the Memorandum of Economic and Financial Policies
 Attachment II: Supplement to the Technical Memorandum of Understanding

**ATTACHMENT I—CÔTE D’IVOIRE: SUPPLEMENT TO THE MEMORANDUM OF ECONOMIC
AND FINANCIAL POLICIES**

November 2, 2009

This supplement describes implementation of the 2009 economic program set out in the memorandum of March 13, 2009 and presents the main outline of the 2010 program.

I. INTRODUCTION

1. **Côte d’Ivoire is moving towards full normalization of its social, political and economic situation.** Progress in the crisis-exit process, through the implementation of the Ouagadougou Political Accords, is expected to lead to holding the first round of the presidential elections on November 29, 2009. Voter registration began in September 2008 and was completed on June 30, 2009. It covered 75.49 percent of the target population, registering 6.5 million people. After verification of the electoral list by cross-checking data from the registration with historical files, it should be possible to publish the list in October, 2009 and begin organizing the first round of the presidential election. In addition, with a view to consolidating the peace, 8000 mixed staff from the Integrated Command Center (CCI) comprising the defense and security forces (FDS) and the armed forces of the New Forces (FAFN) are being redeployed to ensure the safe conduct of the elections. Furthermore, tax offices are being gradually redeployed throughout the country, expanding activities to cover all taxes and duties. In this regard, the Bouaké Regional Tax Administration and One Stop Shop Automobile Customs Office commenced operations in May 2009. A final solution has been found to the military issues that, to some extent, were holding up the peace process. Demobilization of FAFN ex-combatants has effectively commenced.

2. **The government is implementing its economic program supported by the Poverty Reduction and Growth Facility (PRGF) and its poverty reduction strategy in the context the HIPC Initiative.** Budget management is set within in the framework for rehabilitating public finances and transparency through the implementation of the action plan resulting from the Public Expenditure Management and Financial Accountability Review (PEMFAR) and the publication of quarterly reports on budget execution to the Council of Ministers.

3. **For the first half of 2009, total revenue excluding grants for clearance of external arrears performed well despite shortfalls resulting from the suspension of customs duties and the development tax on rice (CFAF 14 billion at end-June 2009).**

Considerable efforts have been made to control spending. However, subsidies to the electricity sector overran the target by CFAF 19 billion, despite the tariff increase adopted in December 2008, with effect in 2009. Other current expenditures (including social spending, toxic waste, and share participation) overran the target by CFAF 20 billion, mainly because of the settlement through compensation of cross-liabilities of the government and electricity and telephone sectors.

4. **The overall fiscal deficit excluding grants for clearance of external arrears amounted to CFAF 56.1 billion compared to a target (adjusted and corrected) of CFAF 72.5 billion.** For the year 2009, revenue and expenditure projections, based on end-July data, forecast a fiscal deficit (excluding grants for clearance of external arrears) of CFAF 149.8 billion.

5. **The 2010 budget goals are based on the assumptions of the 2010 macroeconomic and budgetary frameworks.** They target real GDP growth of 4 percent, consumer price inflation (*IHPC*) of 3 percent, and an overall budget deficit (including grants, except for external arrears reduction) of 1.6 percent of GDP. The government will apply itself assiduously to fulfill the completion point triggers under the HIPC Initiative as soon as possible. In order to attain these macroeconomic goals, the government will continue the budget reforms initiated under the PEMFAR program, and reforms in the main sectors of the economy and in public administration.

II. RECENT ECONOMIC DEVELOPMENTS

6. **So far, the Ivorian economy has withstood the global crisis and economic recovery is well under way.** Despite the general downturn in global economic activity following the international crisis, the goal of GDP growth of 3.7 percent by the end of December 2009 is still attainable, based on data at end-June 2009. This outcome will depend on the resumption of financial relations with international partners, prudent budgetary policy, significant progress in the reunification of the country and the peace process, and good performance in the primary (+5.9 percent) and tertiary sectors (+3.6 percent), particularly mining, food agriculture, transport and telecommunications. Export agriculture has stagnated. A disease affecting the orchards has slowed growth in the volume of cocoa production. Similarly, structural problems have limited cotton and coffee production. The external current account improved, thanks to the strong performance of cocoa and crude oil prices and the reduction in prices of food imports. After a sharp increase at the beginning of the year, inflation has abated. On a year-on-year basis, inflation eased and was negative 1.8 percent at end-August, reflecting the reduction in international and national food prices and favorable climatic conditions. On an average annual basis over the same period, inflation was 3.1 percent, close to the WAEMU norm of 3 percent. The real exchange rate appreciated as a result of a temporary increase in inflation.

7. **Progress has been made in the area of structural reform.** Implementation of structural reforms has continued with a particular emphasis on revenue mobilization, through anti-fraud efforts and collection of taxes and duties in the former Center-North-West (CNW) zones. In addition, since April 2009, the government has been implementing the automatic petroleum pricing mechanism adopted in February 2009. Lastly, reports on budget execution and on physical and financial flows in the energy and coffee/cocoa sectors continue to be published regularly.

The main reforms undertaken are summarized as follows:

- Since April 14, 2009, pump prices of petroleum products have been set using the automatic pricing mechanism, based on import price parity, adopted by the government on February 27, 2009. In addition, the level of government debt to the refinery (*SIR*) was established by an agreement. A repayment mechanism was adopted and is being implemented in the context of the automatic pricing mechanism. The government has stepped up efforts to combat fraud involving petroleum products, including through chemical marking of liquid products.
- In the coffee/cocoa sector, the government has created a Management Committee and a Reform Committee, which are to propose a new operational framework for the sector. With the aim of ensuring a more remunerative price for producers, the government has reduced the registration duty to 5 percent effective with the 2009/2010 crop season, compared with 10 percent in 2008/2009. Similarly, the single export duty (*DUS*) was reduced to CFAF 210/kg, compared with CFAF 220/kg. In line with its commitment, the government has continued to review in the Council of Ministers and to publish quarterly information on the collection and use of parafiscal levies in the coffee/cocoa sector. The end-June 2009 report included the status of resources allocated for the operations of the Management Committee.
- The government has conducted a Financial Sector Assessment Program (FASP), in cooperation with the International Monetary Fund and the World Bank. It is committed to implementing recommendations endorsed by consensus among the FSAP parties. The government continues to monitor carefully banks that have been the subject of Banking Commission orders.
- In the context of improving the transparency of public enterprise management, the government has stepped up the oversight missions of the Participations and Privatization Directorate and of the General Finance Inspectorate. In this context, the audits of public enterprises that began in 2008 are continuing. Short-list tenders have been held to choose firms to audit ten (10) public enterprises and spending on the crisis-exit program. These audits began in September 2009.
- As regards administrative reform, a census of civil servants is being finalized and should make it possible to set up a “single reference file” at the beginning of 2010.

III. SOCIAL POLICIES AND PRSP IMPLEMENTATION

8. **Implementation of the PRSP got off to a slow start.** Implementation started in 2009 with an increase in pro-poor spending, which at the end-June amounted to CFAF 390 billion (about 3.6 percent of GDP). This spending will rise in 2010.
9. **The preparation of medium-term expenditure frameworks (MTEF) for education and health is under way.** In the context of PRSP implementation, extensive consultation with sector stakeholders resulted in the specification of priority action matrices

and action plans. The costing of these needs and corresponding resource allocations will be issued by the Supervisory Committee before year-end. These will serve as inputs to future medium-term expenditure frameworks (MTEF), which should be finalized by year-end for the Ministries of Education and Health.

10. **As regards education**, based on the Status Report on the National Education System (*RESEN*), the government plans to increase the number of teachers and classes (at a rate exceeding the growth of the school-age population) in order to reduce class size (from 55 on average in 2009) and is considering an expansion of training capacity. In addition, a special effort will be made to ensure, as of the fourth quarter of 2009, that the needs of school feeding programs are covered throughout the country as well as related infrastructure.

11. **With regard to health**, the government has prepared the second National Health Development Plan (*PNDS*) for 2009–11. The goal is to improve the population's access to the health care system while enhancing its effectiveness and efficiency. To this end, the government will progressively rehabilitate and construct the health system infrastructure, particularly rural health care centers, and improve access to essential drugs in line with the PRSP program. By end-2009, the arrears owed by the Public Health Pharmacy (*PSP*) to drug suppliers will be paid in full. Actions will be taken to improve its operations.

12. **The PRSP monitoring framework has been adopted.** The PRSP institutional steering arrangements have been put in place. They consist of three main entities:

- The National Steering Committee (*CNP*), which is the decision-making body for monitoring of the poverty reduction strategy (PRS), is chaired by the Prime Minister. It is responsible for: (i) adjusting/correcting the PRS' strategic orientation, while ensuring consistency with sectoral policies; (ii) examining and approving the annual PRS implementation plan; (iii) ratifying the annual PRS budget; (iv) approving the annual monitoring report on PRS implementation; and (v) will be the final decision-maker as needed.
- The National Supervisory Committee (*CNS*) supervises the activities of the Permanent Technical Secretariat Monitoring the PRS (*STP-SRP*), prepares the decisions of the Steering Committee and provides a framework for intersectoral dialogue. Its task is to: (i) examine the annual PRS implementation plan prepared by the STP; (ii) examine the PRS annual budget; (iii) approve the PRS work plan and budget; (iv) examine the annual monitoring report on PRS implementation; and (v) make the necessary technical and operational decisions in order to ensure consistency between sectoral plans and PRS measures.
- The Permanent Technical Secretariat Monitoring the PRS (*STP-SRP*) is the operational technical unit for monitoring/evaluating implementation, and reports to the CNS. It spearheads the participatory process of PRS coordination between stakeholders, to which it can provide technical support. It is also responsible for monitoring and analyzing the consistency between sectoral policies and the PRS.

13. **The adoption of the institutional framework in August 2009 opens the way for substantial oversight.** It will include the validation of the priority action matrices and action plans for multi-year program budgeting (MTEF) and for the organization of a meeting with development partners to mobilize complementary resources. Developments in PRSP implementation will be covered in a report at end-2009.

IV. IMPLEMENTATION OF THE PRGF-SUPPORTED PROGRAM IN 2009 AND OUTLOOK FOR 2010

A. Budgetary policy and budget execution in 2009

14. **The overall fiscal balance for the first half of the year was better than expected and augurs well for controlled budget execution for the rest of the year.** Revenue exceeded the target by 1/2 percent of GDP and, in line with the program, this surplus will make it possible to increase social and priority spending while also meeting the annual fiscal balance goal.

15. **The good performance of government revenue masks contrasting outcomes on tax and customs revenue.** In the first half of 2009, tax revenue was greater than expected due to: (i) strong collection of the main taxes, VAT, payroll taxes, profit tax and coffee/cocoa registration taxes, which were higher than in the first half of 2008; (ii) higher petroleum production; (iii) maintaining the cocoa export registration tax at 10 percent until the end of the 2008/09 crop season; and (iv) progress made in tax administration reforms. This tax revenue surplus should amount to 1.2 per cent of GDP at the end of the year. However, it should be noted that at end-June accumulated unpaid VAT credits amounted to 0.2 percent of GDP. Customs revenue, on the other hand, fell short by 0.6 percent of GDP in the first half of the year. This shortfall should be reduced to 0.3 percent of GDP by the end of the year. The weak performance is mainly due to the drop in imports of general goods, the continued exemption of rice from customs duties, and certain administrative problems (dockers' strike and revisions to the Import Recording Form) that were subsequently resolved (Box 1).

Box 1: Revenue Measures for 2009

Measures	Status
Taxes (DGI)	
Restoration of the effective functioning of tax and customs administrations in the CNW, in particular the recovery of car registration taxes (<i>vignettes</i>), transport tax, VAT, profit (<i>IS</i>) and income (<i>ITS</i>) taxes, as well as a census and registration of taxpayers.	Tax administration is redeployed in the CNW, resulting in effective operation of the Bouaké Regional Tax Directorate and of the Bouaké One Stop Window Automobile Customs Office responsible for customs clearance of motor bikes and vehicles in the CNW.
More widespread application and control of the standardized VAT invoice with the help of, inter alia, the creation of new control units.	The Tax Administration has increased the number of employees responsible for verifying the standardized invoice by recruiting and training new staff. Verification covers the entire national territory.
Improved tax administration of the petroleum sector (extraction and distribution) with the new unit (<i>sous-direction</i>) for petroleum activities in the <i>DGI</i> . Strengthened verification of “cost-oil” of operators in the sector to determine, inter alia, the government’s share in the production of crude oil and gas.	The Unit for Petroleum Activities has been established and organized. Staff are being trained, a census of taxpayers in the sector has been conducted and verification, particularly of "cost-oil", has started. This assures better management of exemptions in the sector.
Setting up of, or increase in, the level of withholding taxes at source for certain economic agents, notably in agriculture.	Effective for the sawmill and timber sectors.
Better organization of the fight against fraud through strengthened coordination between <i>DGI</i> and <i>DGD</i> , the verification of declarations of warehouse storage, as well as the start up of the risk management unit.	The tax administration is doing everything possible to improve the control and organization of the fight against fraud/evasion through verification of importers and identification of warehouses. The Coordinating Committee for activities to combat tax and customs fraud/evasion is operational.
Customs (DGD)	
Apply better customs verification of oil/gas exports and flows of petroleum products, notably by specifying the measurement methods, using technical documentation of the refinery and of bonded warehouses (<i>entrepôts sous douane</i>), and by color-marking petroleum products subject to special tax regimes.	Establishment of an Extraction/Shipments Committee, which issues monthly extraction/shipment reports. The Société Générale de Surveillance (<i>SGS</i>), which is responsible for the marking of petroleum products subject to special tax regimes, has been operational since July 2009. In addition, SYDAM-World, the customs clearance software, which is an improved version of SYDAM, is helping to streamline exemptions, in order to allow systematic and detailed recording of forgone revenues.

Box 1: Revenue Measures for 2009 (continued)

Measures	Status
Customs (DGD)	
Strengthen efforts to combat fraud/evasion, in particular by basing verification on risk analysis, by making the management of international transit by the border offices and the surveillance of border zones operational.	The Customs Administration has been reorganized to transform the Risk Analysis and Management Bureau (<i>BAGR</i>) into the Directorate for Risk Analysis, Information and Value (<i>DARRV</i>). As part of the activities of this Directorate, all deliveries are systematically subjected to risk analysis, in order to identify possible suspect imports for scanning. In this connection, a capacity-building plan is being formulated by the Directorate, which will make available to customs units (and eventually to the <i>DGI</i>) a database on risks and violations. In addition, the customs administration has been redeployed to the CNW.
Improved verification of values by submitting all containers disembarked at the Autonomous Port of Abidjan to risk analysis to determine those selected for inspection by scanner.	
More effective control over exemptions, by integrating the authorization of exemptions with the customs clearance system and by generating data on forgone revenues. A review of all exemption regimes will be initiated with IMF assistance before June 2009, with a view to their streamlining from January 1, 2010.	<p>The IMF technical assistance mission on verification of exports of petroleum products, monitoring and verification of exemptions took place from March 16 to 27, 2009.</p> <p>The recommendations made in the assistance report are being analyzed with a view to their implementation. A seminar has been scheduled for this purpose in October 2009, to review the existing regulations and recommendations, with a view to applying the new arrangements more efficiently.</p> <p>The government has requested another IMF technical assistance mission before May 2010 to supplement the review, and streamlining exemptions as from the 2011 budget.</p>
Other measures	
Recognition of government debts to the refinery (<i>SIR</i>) in the form of the operating deficit (“ <i>SSH négatif</i> ”), the gas deficit (“ <i>butane</i> ”), and fuel deliveries to the army. Elimination in 2009 of all these deficits by applying the petroleum product pricing mechanism, and by budgeting for any subsidies or operating expenses, and consolidation of the debt vis-à-vis <i>SIR</i> .	<p>A memorandum of understanding in the amount of CFAF 69.2 billion was signed between the government and <i>SIR</i> on December 12, 2008.</p> <p>In order to improve the contribution made to government revenue by taxes on petroleum products, to ensure the financial equilibrium of <i>SIR</i> and to clear accumulated arrears, the government has since April 14, 2009 been implementing the automatic pump pricing mechanism for petroleum products adopted in February 2009. For this purpose, the single specific tax (<i>TSU</i>) on petroleum products, introduced by Ordinance No. 2009–70 of March 26, 2009, provides for a levy to clear this deficit.</p>
Improved collection of social security contributions, in particular the collection of employer contributions from enterprises, including public enterprises.	<p>Data are available on social security contributions from public enterprises.</p> <p>Arrangements are being made for effective payment of amounts owed and for sustainability of the relevant regulations.</p>

Box 1: Revenue Measures for 2009 (concluded)

Measures	Status
Other measures	
Systematic collection of dividends from public enterprises, notably those that manage significant public resources, such as the Autonomous Port of Abidjan and <i>PETROCI</i> .	<i>PETROCI</i> dividends for the financial year 2008 amount to CFAF 35 billion. Mobilization of dividends from public enterprises is effective.

16. Expenditure composition improved but there is still room for improvement.

Spending in the first half of the year exceeded the program target by 0.7 percent of GDP and will continue to do so through the end of the year. As regards current expenditure, the wage bill will be on target, despite mid-year deviations. The subsidy to the electricity sector, through partial relinquishment of gas revenue, exceeded the target by 0.2 percent of GDP for the first half of the year, and should exceed the budget target for 2009 by 0.3 percent of GDP, because of the delay in adopting the necessary measures to restore equilibrium in the sector. Investment expenditure was below target during the first half of the year but should accelerate in the second half, as is generally the case. The implementation of large public works is under control and the government intends to respect the budget envelope of CFAF 40 billion, while complying with the institutional arrangements set up for the monitoring program of these works. There has been no extrabudgetary spending. Fiscal efforts to combat poverty are well under way. To this end, pro-poor spending, which is much higher than in 2008, will meet the program target for the year as a whole, despite some underperformance at mid-year.

Box 2: Evolution of Pro-Poor Spending

	2008	2009	2010
	Actual	Estimated	Budgeted
01 Agriculture and rural development	26 423 582 655	45 126 728 686	65 565 404 142
010 General administration	9 217 865 425	8 540 155 750	9 436 659 725
011 Agriculture promotion and development program	3 409 742 629	9 542 828 135	17 340 288 262
012 Training and formation of supervisory staff	8 341 951 419	8 414 071 400	8 520 543 624
013 Water system works	2 176 746 360	3 700 484 382	11 377 130 512
014 Other investments in rural areas (FRAR, FIMR)	3 277 276 822	14 929 189 019	18 890 782 019
02 Fishing and animal husbandry	6 058 178 898	6 737 105 296	7 245 309 487
020 General administration/training and formation of supervisory staff	3 718 138 737	3 671 154 691	4 223 877 706
021 Milk production and livestock farming	1 895 258 831	2 456 432 765	2 373 459 781
022 Fishing and aquaculture	444 781 330	609 517 840	647 972 000
03 Education	496 906 375 647	536 613 129 403	609 356 708 236
030 General administration	18 666 470 883	18 457 007 143	26 587 546 705
031 Pre-schooling and primary education	313 499 606 361	329 312 068 268	372 273 713 163
032 Literacy	184 985 084	212 364 926	203 264 926
033 Secondary education and vocational training	67 764 756 236	84 824 135 644	97 927 657 612
034 University and scientific research	96 790 557 083	103 807 553 422	112 364 525 830
04 Health	98 335 012 650	118 872 124 628	131 053 089 755
0400 General administration	45 561 052 199	52 226 299 443	58 252 952 335
0401 Primary health system	23 827 627 730	31 682 326 679	35 8886 520 872
0402 Preventive health care (expanded vaccination program)	1 200 214 731	1 465 650 000	1 724 650 000
0403 Disease-fighting programs	1 106 406 109	1 983 395 195	2 036 730 307
0404 Infant and maternal health and nutrition	287 779 475	621 934 791	812 824 015
0405 VIH/AIDS	4 334 740 717	5 316 923 021	6 687 920 671
0406 Health centers and specialized programs	22 017 191 689	24 020 120 499	26 501 491 555
05 Water and sanitation	15 318 944 240	19 492 670 941	38 204 142 626
051 Access to drinking water and sanitation	4 955 116 050	6 994 750 000	19 220 497 290
052 Environmental protection and pollution control	10 363 828 190	12 497 920 941	18 983 645 336
06 Energy	9 586 344 724	9 343 854 636	10 546 369 622
061 Access to electricity	9 586 344 724	9 343 854 636	10 546 369 622
07 Roads and engineering structures	20 348 434 373	33 074 751 845	34 487 382 529
071 Rural road maintenance	45 418 200	2 916 087 700	2 666 373 520
072 Construction of engineering structures	1 423 434 101	4 100 903 704	5 633 710 637
073 Other road works	18 879 582 072	26 057 760 441	26 187 298 372
08 Social affaires	9 155 527 018	12 572 819 312	16 450 138 371
080 General administration	6 357 839 961	7 766 112 556	8 771 170 945
081 Training for women	349 710 328	526 755 000	1 117 030 414
082 Orphanages, day nurseries, and social centers	581 100 208	1 451 308 247	3 268 977 931
083 Training of support personnel	1 153 214 902	1 722 980 658	2 055 298 130
084 Indigent and victims of war or disaster	713 661 619	1 105 662 851	1 237 660 951
09 Decentralization (excluding education, health and agriculture)	30 065 773 210	32 311 642 520	31 057 213 901
091 Decentralization	30 065 773 210	32 311 642 520	31 057 213 901
10 Reconstruction and rehabilitation	10 403 867 663	5 179 296 943	4 448 000 000
101 Reconstruction and rehabilitation	10 403 867 663	5 179 296 943	4 448 000 000
11 Other poverty-fighting spending	4 138 969 179	19 510 338 576	18 944 750 441
111 Promotion and insertion of young people	2 791 637 488	18 429 452 392	16 214 847 947
112 PRSP support and monitoring	133 713 938	123 900 000	120 000 000
113 Development of tourism and handicrafts	1 213 617 753	956 986 184	2 609 902 494
TOTAL	726 772 730 257	838 834 462 786	967 358 509 110
<i>Of which: Treasury-financed</i>	<i>707 065 008 979</i>	<i>794 600 225 756</i>	<i>893 053 065 933</i>
<i>Foreign-financed</i>	<i>19 707 721 278</i>	<i>44 199 169 706</i>	<i>74 305 443 177</i>

17. **The 2009 program will be fully financed and will reflect progress in reducing domestic arrears and in clearing arrears with external creditors.** The government has made efforts to significantly reduce domestic arrears and amounts payable (*restes à payer*) of the Treasury and has made notable progress in negotiations with external creditors.

18. **Domestic/regional financing**

- The government has reduced its debt to the private sector, so as to stimulate economic activity. For this purpose, net repayment on a cash basis of the government's domestic payment arrears amounted to CFAF 52.7 billion (0.5 percent of GDP), compared with a floor of CFAF 30 billion in the program. This operation, which was made possible by budget support from the IMF and the World Bank, allowed payment to all creditors to which the Treasury owed small amounts and to start dealing with the government's large creditors.
- Côte d'Ivoire benefited from the decision taken by the WAEMU Council of Ministers in August to extend to member states the equivalent in CFA francs of the Special Drawing Rights (SDRs) received under the IMF's general allocation. The WAEMU decision envisaged that this pass-through of the allocation, and other financing, would be used to repay domestic arrears in order to clear two thirds of the stock of arrears at end-2008. This new general allocation for Côte d'Ivoire amounted to 241.1 million SDRs, or about CFAF 172.2 billion (1.6 percent of GDP). The IMF's special allocation of SDR 32.0 million, or about CFAF 23 billion, is available.
- The government's domestic financing was achieved exclusively through public issuance of government bonds, as agreed in the program. The government intends to raise a gross amount of CFAF 612 billion on the regional market in 2009. It will also mobilize the CFAF equivalent of the general SDR allocation to continue clearing the government's domestic arrears and to replace other more expensive types of domestic financing.

19. **External financing**

- The government has continued to normalize its financial relations with development partners. Arrears to the AfDB were cleared in March 2009, thanks to a grant from that Bank's Fragile States Facility and a bridge loan from an external partner. In addition, upon reaching the HIPC Initiative decision point in March 2009, Côte d'Ivoire is receiving interim assistance from the IMF and the World Bank. In the case of the EIB, an agreement on restructuring the arrears on EIB's resources was signed on May 19, 2009. It provides for a rescheduling of arrears over seven years, including a three-year grace period, and a the cancellation of CFAF 2.3 billion. In addition, arrears on loans from EDF resources have been cleared using the country's allocation under the 10th EDF in October. Arrears owed at end-2008 to certain multilateral agencies were not cleared as anticipated and new arrears on current debt service were accumulated in 2009. These were settled in September/October 2009 and the government is committed to staying current with these creditors.

- As regards the Paris Club, a restructuring agreement on Cologne terms was signed on May 15, 2009. An immediate cancellation of CFAF 413.8 billion was granted, as well as an exceptional deferral of post-cutoff date arrears, and of scheduled payments and moratorium interest during the consolidation period for rescheduled and deferred amounts.
- Discussions with the Private Creditors Coordination Committee (London Club) which began in October 2008 led to the signing of a preliminary agreement on September 29, 2009, in Paris. The agreement involves the cancellation of 20 percent of the end-2009 stock of claims, with remaining claims to be exchanged for a single type of U.S. dollar-denominated bond. The new bonds will be repaid over 23 years including a six-year grace period, with a coupon interest rate starting at 2.5 percent and rising to 5.75 percent in the fourth year.
- Concerning other commercial debts, the discussions at the beginning of the year with STANDARD BANK New Jersey (2007 Sphynx bond) focused on the plan for clearing the arrears of CFAF 10.3 billion accumulated through end-January 2009, by making monthly payments, which would average CFAF 2.2 billion from February 2009 to July 2009. Normal debt servicing was to resume as soon as these arrears were cleared. However, because of cash flow difficulties, neither the rescheduled arrears nor current debt service payments have been paid, with the exception of a payment of CFAF 1 billion in the second quarter of 2009. In addition, since July 2009 arrears have accumulated in the servicing of the debt to STANDARD BANK New Jersey (2008 Sphynx bond). In the case of the debt to Standard Bank London (BNI bond), an agreement was reached for rescheduling end-2008 arrears of CFAF 10 billion and of the remainder of CFAF 60 billion due, as well as late payment penalties estimated at CFAF 900 million; resulting in a total debt of CFAF 71.0 billion. It was agreed that this debt would be repaid in 26 equal and successive monthly installments of CFAF 2.7 billion from February 28, 2009 to March 28, 2011 inclusive. A payment of CFAF 3.2 billion was made in the first quarter of 2009 and a payment of CFAF 1 billion was made in the second quarter of 2009, after which time payments have been suspended. Discussions on debt restructuring are being held with these commercial creditors, on terms comparable to those provided by the Paris Club and agreed with the Private Creditors Coordination Committee (London Club).

20. **Regarding these three components of our external debt, on September 30, 2009 we publicly announced that we will pursue a restructuring in line with the Paris Club's comparability of treatment requirements and with the IMF's and the World Bank's initiative for Heavily Indebted Poor Countries (HIPC).** We have retained advisors to assist us in this restructuring, which we intend to conduct in a manner fully consistent with the Fund's lending into arrears policy, including information transparency, inter-creditor equity, and dialogue with creditors.

B. Structural reforms in the area of public finance, 2009–10

21. Progress towards budget orthodoxy was reflected in several improvements in the regularization of financing operations:

- Recourse to costly financing from businesses because of cash-flow pressures has been stopped since February 2009;
- Audits of expenditures of the crisis-exit program, financed from own resources, during 2006–08, commenced in September 2009 and the provisional reports will be available before end-2009;
- The preliminary draft budget execution laws (*Lois de régleme*nt) for 2005, 2006 (in September 2008) and 2007 (in February 2009) have been submitted to the Audit Chamber (*Chambre des comptes*) and the preliminary draft budget execution law for 2008 is expected to be finalized in October 2009;
- The performance criterion on the non-accumulation of new domestic arrears under the 2009 budget was respected at end-June 2009;
- A clearance plan for arrears of VAT credits has been adopted.

22. Implementation of the action plan for public financial management has begun.

Implementation of the public finance reform plan, adopted in February 2009 following the PEMFAR technical assistance mission, is organized around a number of strategic pillars. In general, a good start has been made, in particular on improving the legal and institutional framework of the system of public financial management, as well as enhancing transparency in public financial management and public procurement procedures.

23. As regards the legal and institutional framework of the Public Finance Management plan (*GFP*), Côte d'Ivoire is committed to transposing by end-2011 all community directives adopted in March and June 2009 by the WAEMU Council of Ministers. To meet this deadline, certain directives, in particular those relating to budget laws and budget nomenclature, will be fully implemented at the national level during 2010.

24. Considerable progress has been made on transparency in budget execution. On the basis of the reports to the Council of Ministers, quarterly budget execution reports are now posted on the website of the Ministry of Economy and Finance, including statements on pro-poor expenditure and the execution statements of the Rural Investment Fund (FIMR). As regards technology, the interface between the software for expenditure execution (*SIGFIP*) and for public accounting (*ASTER*) should be operational before end-2009. The adoption of a functional budget nomenclature in compliance with the *Government Finance Statistics Manual (GFSM) 2001* will be finalized in the first half of 2010. To this end, the consolidation table linking Ivorian budget nomenclature and *GFSM 2001* has been prepared and the glossary has been approved.

25. **As regards budget discipline, the practice of treasury advances has been contained within the limits specified by the order of the Minister of Economy and Finance, adopted in March 2009.** A software package to manage advances should be in place for the 2010 budget execution. In addition, a medium-term expenditure framework (MTEF) for the ministries of health and national education should be adopted in 2010 for the fiscal year 2011. The MTEF will be extended gradually to cover the other ministries.

26. **With regard to revenue,** the inventory of revenue from fees charged by ministries outside the budget, initially planned for June 2009, remains to be completed. Out of 34 ministries, 20 have been visited resulting in the establishment of 15 revenue sharing procedures (*regimes*) for covering the identified revenues. The streamlining of exemption regimes should continue.

27. **The roadmap for strengthening public procurement, by separating the regulatory, executive, and control functions, has been adopted.** Following the adoption of the new public procurement code in August 2009, the effective establishment of the National Procurement Regulation Authority envisaged by the implementing decree is a priority that is expected to be implemented in the coming weeks. Consideration is being given to the setting of a national public procurement threshold. Calls for tenders will, in future, be systematically published on a quarterly basis.

Box 3: Structural Budget Reforms in 2009

Measures	Status
Revenue	
Budgetization and fiscalization of quasi-fiscal levies on coffee/cocoa earmarked for investment, beginning with the 2010 budget, with the counterpart in investment spending. Improvement of the traceability of resources used for operating costs of the agencies of the sector through their inclusion in reports to the Council of Ministers at end-June 2009 and end-December 2009.	The budget provides for parafiscal resources earmarked for investment in an amount of CFAF billion, of which CFAF 5.1 billion had been used at end-June 2009. The traceability of resources used for operating costs of the agencies of the coffee/cocoa sector has been improved by their inclusion in reports to the Council of Ministers as of June 2009.
Finalization of a detailed inventory of quasi-fiscal and administrative fees charged by ministries (before end-September 2009), with a view to rationalizing and budgetizing them.	The detailed inventory of fees charged by ministries, with a view to rationalizing and budgetizing them, has been finalized by the <i>IGF</i> . As a result, 15 revenue sharing procedures (<i>régies</i>) have been created and seven are being set up. Revenue collected through these amounts to CFAF 441.5 million, including CFAF 248.4 million for the State, as at mid-June 2009. The work to complete the global inventory of all fees is continuing.
Annual publication of the summary of the certified accounts of <i>PETROCI</i> .	Excerpts from the 2008 certified accounts of <i>PETROCI</i> were published in July 2009. It generated a net result of CFAF 41.3 billion, including dividends of CFAF 35 billion.

Box 3: Structural Budget Reforms in 2009 (concluded)

Measures	Status
Revenue	
Preparation of an annual report, submitted to the Council of Ministers, on the financial performance of enterprises in the government's portfolio, and publication of the report after adoption by the Council.	The provisional annual report on the financial performance of enterprises in the government's portfolio is available and will be published after its adoption by the Council of Ministers, before end-2009.
Expenditure	
Strict limitation and monitoring of the use of treasury advances; and no recourse to extrabudgetary expenditures (Table 4 of the MEFP of March 13, 2009 and Technical Memorandum of Understanding (TMU) of March 13, 2009 and the attached TMU supplement ¶14–15).	Treasury advances have been reduced in compliance with Order No. 178 of March 13, 2009 establishing procedures for the use of treasury advances for specific budget lines. Advances at end-June amounted to CFAF 21.2 billion for a programmed ceiling of CFAF 50 billion. No extrabudgetary expenditure was recorded.
Further decentralization of the Integrated Fiscal Management System (<i>SIGFIP</i>) and improvement in the interface between <i>SIGFIP</i> and <i>ASTER</i> (budget execution–accounting) (2009–10).	Decentralization of the Integrated Fiscal Management System (<i>SIGFIP</i>) continued with the connection of five new departments to <i>SIGFIP</i> at end-June 2009. Five more departments will be connected by end-2009. The interface between <i>SIGFIP</i> and <i>ASTER</i> (budget execution-accounting) is being finalized.
Timely submission of the preliminary draft budget execution law to the Audit Chamber (<i>Chambre des comptes</i>) for certification (by end-October 2009 for the 2008 accounts).	The preliminary draft budget execution law for the financial year 2008 is being finalized and will be submitted to the Audit Chamber by end-October 2009.
Phasing in of medium-term expenditure frameworks starting with social ministries (education and health) for the period 2009–11 (end-October 2009).	Preparations are well under way for the introduction of medium-term expenditure frameworks for social ministries (education and health). However, this will only be effective in the 2011 budget. Frameworks will be phased in progressively for other ministries.
Development of an integrated career and payroll management system for military and police (end-2009).	Measures are under way for the creation of a single career and payroll management system for the military and police.

28. **Spending on large public works has been contained and made more transparent in line with program commitments.** Budget allocations for large public works are limited to CFAF 40 billion for each of the financial years 2009 and 2010, mainly for the development of Yamoussoukro, the renovation of *Hôtel Ivoire* and the construction of a third bridge in Abidjan. To improve transparency, five framework agreements signed with the operator will be converted into public procurement contracts before end-October 2009. All framework agreements signed with the operator have, or will have been converted into public procurement contracts, in accordance with the new public procurement code before end-2010.

- The Interministerial Committee established by order 039/PM/Cab of November 13, 2008, started work on May 8, 2009. It provides operational and financial oversight of large public works and ratifies the reports of the General Finance Inspectorate (*IGF*) and the National Bureau for Technical and Development Studies (*BNETD*) on the execution of the public works.
- At its meeting on May 8, 2009, this Committee approved undertaking an audit of the government's debt to the operator. Accordingly, the audit is being conducted by a firm engaged following a short list tender. The validated report is expected by end-2009.
- Instruction No. 001/PM/CAB of November 13, 2008 requires compliance with budget execution procedures in connection with large government investment projects. To this end, two Treasury accounts (revenue and expenditure) have been opened at the Central Bank of West African States (BCEAO) to ensure the traceability and transparency of operations. All the financial procedures established by this instruction have been respected, in particular the recording of the commitment of funds under *SIGFIP*, and payment only by the Treasury.
- In addition, with the application of instruction No. 227/MEF/DGTCP/CE of July 12, 2008, concerning expenditures incurred for priority measures and other emergency operations, the government continues to comply with the principles of good budget execution, in particular with respect to the inclusion in the budget of all crude oil shipments and payments connected with the government's large investment projects.
- The conversion of the framework agreements into public procurement contracts is being undertaken in these stages: (i) finalization of detailed technical studies by the operator; (ii) examination by BNETD of the technical documents received from the operator; (iii) determination of specifications and related prices by BNETD; and (iv) conversion of the agreements into public procurement contracts. Owing to the associated heavy workload, five projects are being converted into public procurement projects by end-October 2009. In addition, in line with the government's commitments, all agreements will be converted into public procurement contracts by end-2010. Similarly, all other works for which there is no specific contract yet and have not yet been executed, will be subjected to tender in accordance with the public procurement code.
- Budget allocations for the government's large investment projects during the financial year 2009 of CFAF 40 billion include reimbursement of the advance of CFAF 15.6 billion provided by the operator in 2008. As of June 30, 2009, payments made reflect commitments of CFAF 23 billion (8 billion for the financial year 2009 and 15 billion for reimbursement of the advance in 2008).

29. **Reforms of the civil service sector have commenced.** The first stage of the civil service reform program—a staff census—is being finalized and should permit, if necessary, the cleaning of civil service records by March 2010, and finalization of the single reference file before end-2010, including not only public civil servants, as originally planned, but also

the police force. Before end-December 2009, the government intends to review its salary obligations, including measures concerning the various revaluations or index-linked increases that had to be postponed, taking into account the structure and compensation parameters of the payroll. On the basis of this study, it undertakes to formulate a medium-term strategy for the structure and efficient, sustainable growth of the payroll (before end-March 2010), taking into account the restructuring and various increases that were postponed. The strategy and its implementation will be discussed during the second program review.

**Box 4: Civil Service Reform Plan and Measures for 2009, and
Commitments for 2010**

Measures	Status
Preparation before end-2009 of a civil service reform program, based on the findings of the organizational studies of ministries, including the appointment of secretary-generals for the ministries.	The proposal for creation of the post of Ministry Secretary-General will be submitted to the Prime Minister and will concern certain ministries. A study is being undertaken to assess the cost of the post in terms of salary. For the time being, former <i>administrateurs</i> will be appointed to this function. Eventually, a section will be created in the National Administration School (<i>ENA</i>) to provide training and the necessary skills.
Increase in the retirement age from 55 to 57 for all civil servants with effect from January 1, 2009, and its further increase in stages to 60 years for all civil servants from 2011.	The increase in the retirement age from 55 to 57 from January 1, 2009 was made official by Decree No. 2009-35 setting the maximum retirement age for certain categories of government civil servants covered by the General Civil Service Statute. The retirement age should be increased to 60 for all civil servants, starting in 2011, with the possible exception of certain specific professions.
Census of civil servants and elimination of ghost workers (before end-October 2009).	There will be a call for tenders to recruit the firm that will set up this government personnel management system (excluding the military and police). The deadline will be March 2010 and the project will be managed by the Governance Grant unit.
Setting up of an integrated government personnel management system (excluding the military and police) (" <i>fichier unique de référence</i> "), to be operational at the start of 2010.	

**Box 4: Civil Service Reform Plan and Measures for 2009, and
Commitments for 2010** (concluded)

Measures	Status
Validation of actuarial, legal, and institutional studies for the Civil Service Pension Fund (<i>CGRAE</i>). Preparation of a plan by end-2009 to restructure the <i>CGRAE</i> (on the basis of the results of the studies, including through institutional strengthening and the introduction of a fully funded pension plan).	The actuarial, legal, and institutional studies for the <i>CGRAE</i> were adopted in the Council of Ministers on August 6, 2009. On this basis, a plan to restructure the <i>CGRAE</i> was prepared (including institutional strengthening and the introduction of a fully funded pension plan). The Interministerial Committee to execute the reform has been established and has proposed a reform project that will be examined in the Council of Ministers. The reform of the social security fund (<i>CNPS</i>) is being finalized and will take effect on January 1, 2010.
Limiting the deficit of <i>CGRAE</i> that is borne by the government's budget in 2009 to CFAF 56.5 billion (compared to CFAF 54.3 billion in 2008), in particular by reducing the operating costs of the management system.	The <i>CGRAE</i> deficit will be kept within the limits established in the government's budget. Proposals for parametric reforms of the general scheme will be submitted to the social partners at the beginning of 2010. The deficit will be limited to CFAF 30.5 billion in the 2010 budget.

30. **Public enterprise restructuring and privatization.** Measures to enhance the monitoring of the portfolio have resulted in a gradual improvement in the earnings of public enterprises. In addition, oversight and monitoring of public companies is through audits and operational verification. Thus, ten (10) state-owned companies are being audited and nine (9 others will be subject to operational verifications in 2009. The audits began in September 2009. Three enterprises had their operations verified over the period from May 28 to July 2, 2009.

31. **Strengthening staff resources for monitoring units.** To speed up the planned operations, more staff are being provided to the Participations and Privatization Directorate and the General Finance Inspectorate. The 2008 annual report on the economic and financial situation of public enterprises and enterprises with public financial participation has been issued and points to the need to ensure payment of the social security contributions to the *CNPS*. At December 31, 2008, the government portfolio consisted of 31 public enterprises and 53 enterprises with public financial participation, for a consolidated capital of CFAF 322 billion. Revenues from public enterprises and enterprises with public participation at end-July 2009 amounted to CFAF 35.8 billion, consisting mainly of net dividends.

32. **From 2005 to 2009, several public enterprises and enterprises with public financial participation underwent financial restructuring.** The enterprises were *SOTRA*, *BNEDT*, *CECP*, *PALM-CI*, *CI-ENGINEERING*, *SICOGI*, *POSTE CÔTE D'IVOIRE*, *I2T*, *SUCRIVOIRE*, *PALMAFRIQUE* and *SUCAF-CI*. An overall strategy for public enterprise portfolio restructuring will be presented during the first half of 2010.

C. Main Goals of the 2010 Budget

33. **The 2010 budget will consolidate the goals of the 2009 budget in order to accelerate economic recovery and combat poverty.** The program for 2010 is designed to: (i) achieve real GDP growth of 4 percent; (ii) stabilize consumer price (*HCPI*) inflation at 3 percent; and (iii) slightly increase the overall budget deficit (excluding grants for clearance of external arrears) to 1.6 percent of GDP, as a result of the increase in pro-poor expenditure of 0.6 percent of GDP and of investment financed from own resources of 0.3 percent of GDP. The government will make every effort to diligently implement the PRSP measures and the HIPC Initiative completion point triggers as soon as possible.

34. **Revenue collection efforts will be redoubled.** The presence of the tax administration will be strengthened in the CNW. In addition, to increase government revenue, a crisis-exit contribution will be introduced, as of January 1, 2010, to finance the rehabilitation necessary for economic recovery. The exemption from duties and taxes on rice will be abolished as of January 1, 2010, in connection with the price decrease on the international market. Efforts to combat tax evasion and fraud will continue in tax (*DGI*) and customs (*DGD*) departments, in particular by Customs through comprehensive oversight of the entire port zone and reinforced oversight at loading sites. These efforts will also involve strengthening risk managements and improving valuations.

35. **The reorientation of expenditure in favor of pro-poor spending and investment will be emphasized.** To increase pro-poor spending, targeted social spending, and investment spending, current expenditures will be restrained by decreasing the subsidy to the electricity sector through forceful implementation of a package of measures (Box 9). In addition, the government will endeavor to restrain the wage bill, including through the census of civil servants and government agents and by strengthening verification of government spending on utilities.

36. **The 2010 budget provides for an increase in investment spending, particularly on rehabilitation of basic socio-economic infrastructure.** The aim is to undertake, amongst other things, maintenance of rural roads, improvement and upgrading of the road network, rural electrification, and village and urban water works. In addition, the government will continue the rehabilitation and equipment of university, school and health facilities, as well as the implementation of programs for the development and promotion of food agriculture. The government's large public works will be contained at their 2009 level of CFAF 40 billion, or 0.3 percent of GDP.

37. **The government is determined to advance structural reforms in public financial management in 2010,** in particular through implementation of the PEMFAR. These will continue to follow nine strategic pillars for improving public financial management. As regards the legal and institutional framework, arrangements are being made to incorporate the WAEMU directives on public finance. In this context, the government intends to adopt the

organic law on public finance before end-2010. In the same timeframe, it will also adopt a decree for revising the Integrated Public Finance Management System (*SIGFIP*). As regards transparency in public finance management, the functional nomenclature reflecting the functional classification in the *Government Finance Statistics Manual 2001 (GFSM 2001)* will be adopted and reflected in the 2012 budget. For this purpose the consolidation table linking the Ivorian budget nomenclature and *GFSM 2001* has been prepared and the glossary of types of expenditure has been approved.

Box 5. Structural Measures in the 2010 Budget

Revenue

Taxes (DGI)

- Completion of the redeployment in the CNW and strengthen the restarting and recovery of revenue collections.
- Strengthening the control of the standardized VAT form (*facture normalisée*) following the increase in staffing.
- In the petroleum sector, completion by the Tax Unit for Petroleum Activities of the census of taxpayers and of the collection of all production sharing agreements.
- Strengthening anti-fraud efforts through the operationalisation of the Coordinating Committee of activities to combat tax and customs fraud, and the implementation of technical assistance recommendations.
- No further increase in VAT credits awaiting reimbursement and reduction of the stock below CFAF 10 billion.

Customs (DGD)

- Inventory and suppression of tax allowances in the course of the first half of 2010. Review of existing rules for exemptions, in particular related to the exit from the crisis, and amendments and application of the new rules from January 2010. Continue the rationalization of exemptions and the systematic and detailed production of forgone revenues, using the SYDAM-World customs software.
- Operationalize the mechanism to fund the VAT credit refunds, in particular through including it in SYDAM-World.
- Strengthening of anti-fraud efforts, in particular following technical assistance recommendations: introduce risk analysis; resumption of the redeployment; intensification of the customs-enterprise partnership; declarations based on actual weights for the 2010/11 coffee/cocoa crop; random checks of loading sites by customs and the exporting enterprises to discourage export fraud; completion of the systematic color-marking of petroleum products by *SGS*; strengthen staff resources to prevent cocoa smuggling through the eastern border; establish a mixed *DGD* and *DGI* unit to assure a better recovery of VAT; establish a computerized system for transit control (with priority for the border with Ghana and Yamoussoukro).
- Capacity strengthening: training of customs officers in appraisal techniques; continued request for technical assistance by experts in customs operations; making available to customs agents (and over time to the *DGI*) a data bank on risks and violations during the 1st half of 2010.

Treasury (DGTCP)

- Completion of the inventory and budgetization of all service fees collected by ministries and identified by the *IGF* and the Revenue Service (*Recette Générale des Finances*).
- Regular monitoring and systematic collection of dividends from public enterprises, based on audit reports.

Box 5. Structural Measures in the 2010 Budget (concluded)

Expenditure

- Rigorous implementation of budget regulations: transfer of credits; alignment of the rhythm of expenditure execution and the treasury situation.
- Improvement of the efficiency of expenditure: reinforcement of controls on consumption and billing of utilities; targeted control of the payroll, especially in the sectors with high employment (education, health, higher education, and police) and in national public entities (*EPN*); reactivation of the *SIGFIP* module on the monitoring of delays in expenditure execution, in particular during the commitment, control and payment phases by the different actors concerned; implementation of the decentralization of *SIGFIP* and of financial control.
- With respect to PRSP implementation, operationalize the priority action matrices to allow the execution of pro-poor spending especially in the ministries of education (expansion of school feeding) and of health (vaccination programs and maintaining the financial equilibrium of the *PSP*), as well as of planned investment spending.
- Preparation and transmittal to the *IGF* by all the general ministry administrators (*DAAF*) of quarterly reports of the physical and financial budget execution.
- Observance of procedures and the strict limitation of exemptions: expenditure execution through *SIGFIP*, including foreign-financed expenditure; limiting recourse to treasury advances to the cases listed in the order of March 2009.
- Reinforcement of public procurement regulations: establish the National Regulator of Public Procurement; systematic publication of public procurement tenders; control of over-the-counter procedures (*procédure de gré à gré*) in procurement; conversion into public procurement contracts of all framework agreements for expenditures on large public works; completion of the consideration of a national threshold for public procurement procedures.
- Elaboration of medium-term expenditure frameworks in the social ministries, with a view to incorporating them in the 2011 budget.
- Adoption of a functional budget nomenclature consistent with the 2001 GFS Manual.

D. Monetary Policy and Financial Sector Reform

38. **Monetary policy continues to be implemented at the regional level.** The government will participate in regional liquidity management in accordance with WAEMU rules, and will plan its issuance of securities on the regional financial and money markets according to the financing needs of the budget. In this context, the government will coordinate and approve changes to the issuance schedule each month and submit them to BCEAO for coordination with other WAEMU zone issuance plans. Before end-2009, the government will approach the BCEAO to seek a restructuring of arrears on the consolidated statutory overdraft. Regarding the WAMU's institutional reform, the government plans to adopt the Banking Law amendments with a view to their ratification before end-December 2009.

39. **The government will adopt additional measures to improve the management of the government securities market.** It will continue to prepare the issuance schedule and intends to adhere to it. The Treasury Committee will regularly update the issuance schedule in the light of monthly cash flow needs. The government will prepare on a monthly basis the

cash flow plan, followed by preparation of the issuance schedule, with a view to closing any monthly gap. In addition, the government will enhance the reliability of cash projections, in particular through more refined projections of domestic resources.

40. **The government also intends to follow up its efforts to help banks in distress:**

- In the case of the *Banque pour le Financement de l'Agriculture (BFA)*, the government will evaluate its financial situation and request an assessment mission from the Banking Commission before end-March 2010. If its financial and prudential situation deteriorates and no strategic partner is identified, the government will take appropriate action. In any event, the government will not inject any new public resources in *BFA*.
- As regards the viability of the bank *Versus*, the government will request an urgent review by the Banking Commission in the first quarter of 2010. If the rate of recovery of overdue debts is not satisfactory, the government will also take appropriate action. In any event, the government will not inject any new public resources in *Versus*.
- For the *Banque de l'Habitat de Côte d'Ivoire (BHCI)*, the government will increase its capital to CFAF 10 billion before end-2010, and will conduct a feasibility study of the policy of housing financing. In light of the findings of this study, the government will define its strategy towards BHCI and its role in the financing of low-cost housing.

Box 6: Financial System Reform Measures in 2009 and 2010

Measures	Status
Develop an action plan for the restructuring of the National Investment Bank (<i>BNI</i>) on the basis of the recommendations of the Banking Commission and those of the financial and operational audit before end-April 2009, and adopt it before end-June 2009.	<p>The action plan for the restructuring of the BNI on the basis of the recommendations of the Banking Commission and those of the financial and operational audit has been adopted.</p> <p>All recommendations were implemented by end-June 2009, except for the study on the role of BNI in the financing of the economy, which will be dealt with in the national strategy for development of the financial sector.</p> <p>In the context of the national strategy for the development of the financial sector, the government will decide its role in BNI, including its role in investment and financing of agriculture. If BNI is to play a role in investment financing, access must be made available to long-term resources.</p>
Regarding the Postal Savings Bank (<i>CNCE</i>), limit the implicit government subsidy related to the “10-day settlements” (<i>nivellements décadaires</i>) to CFAF 10 billion in 2009, in accordance with CNCE’s change of status.	Regarding the <i>CNCE</i> , the implicit government subsidy was CFAF 12.1 billion at end-June 2009. The conversion of the <i>CNCE</i> into a bank was approved at the Banking Commission’s September 2009 session. When the <i>CNCE</i> has become a bank, it will be subject to prudential norms and ratios that are applicable to other banks. Lending operations will be strictly monitored.

41. **The government will continue financial sector reforms (Box 6).** It will establish the National Financial Sector Reform Committee before end-2009. Before June 2010, the government will formulate a strategy for the development and rehabilitation of the financial sector, defining the role to be played by the government. It will continue to rely on the Banking Commission and will be guided by the FSAP recommendations. In particular, the government will continue the restructuring of banks in distress. In order to improve the anti-money laundering (AML) framework, the national law combating the financing of terrorism will be adopted before end-March 2010. The National Financial Intelligence Unit (*CENTIF*) will monitor compliance with the laws on financial discipline, attaching particular importance to awareness raising and training of stakeholders, inter alia, through its website.

42. **In the context of rehabilitation of the microfinance sector,** improvements have been made in the regulatory framework, which relate in particular to:

- The requirement that savings and loan mutual societies or cooperatives and approved structures must be members of the Côte d'Ivoire Interprofessional Association of Decentralized Financial Systems and the introduction of membership dues to that Association;
- The requirement that microfinance institutions which are not mutual societies must obtain the approval of the Board of Directors for loans to executives and employees;
- Limits on loans granted to executives of microfinance institutions as a function of own funds;
- In addition, the terms of reference are available for the audit of accounting, financial, organizational and strategic reorientation of microfinance.

43. **The government is committed to rehabilitating the microfinance sector.** Before end-June 2010, the government will design and implement a plan for the rehabilitation of microfinance institutions and will delete from the mandate of the Microfinance Directorate the reference to the promotion of the sector, because the functions of promotion and supervision are incompatible with one another. The government will exercise off-site supervision of networked microfinance institutions on an individual and non-aggregated basis. In addition, the government will strictly apply the regulatory provision making the start-up of activities conditional on the issuance of the operating authorization and will initiate close supervision or temporary administration of microfinance institutions.

44. **As regards pension schemes, the government will adopt the CNPS reform plan before end-2009.** For the *CGRAE*, the government will: (i) establish before end-2009 the Interministerial Committee for the Reform of the Pension System; (ii) conclude the dialogue with social partners before end-June 2010; and (iii) adopt the parametric reforms of pension schemes, and the institutional reform, with a view to including the impact of these reforms in the 2011 budget. The deficit of the pension operations of the *CGRAE* will be limited to CFAF 30.5 billion in 2010.

E. Governance and Other Structural Reforms

45. **The government is firmly committed to advancing the process of improving governance.** A National Plan for Good Governance and Fight Against Corruption, a draft law on unlawful enrichment, and a draft code of ethics for senior public officials are scheduled to be adopted by the government before the first quarter of 2010. As soon as the legal framework has been created, the government is committed to expediting the adoption of the action plans to implement the above-mentioned reforms.

46. **The government will redouble its efforts to improve the business environment.** In 2009–10, it intends to implement the following actions with the support of development partners (Box 7).

Box 7: Measures to Improve the Business Environment in 2009–10

Measures	Status
Adopt the decree on enforcement (<i>exéquatur</i>) of decisions of Arbitration Boards, thereby expediting the resolution of business disputes and helping to unclog the courts (by end-2009).	Draft decree undergoing approval. Adoption envisaged before end-March 2010, continuation of training of judiciary staff in commercial matters using targeted financial support.
Creation of commercial courts (<i>tribunaux de commerce</i>) (by decree, by end-2009); and training of judiciary staff in commercial matters (2009).	Under way, and creation envisaged before end-June 2010.
Preparation of a reform plan to enhance the efficiency and fairness of the judicial system; and publication of judicial decisions (by end-2009).	Under way, and the Plan should be in place by end-March 2010
Reform of the Law on Competition (<i>Loi sur la concurrence</i>), notably to combat noncompetitive practices (before end-2009).	Under way
Accelerate administrative procedures for processing the reimbursement of VAT credits to enterprises, such that the outstanding stock of verified VAT credits awaiting reimbursement does not exceed CFAF 10 billion during 2009 (compared with CFAF 28.4 billion at end-2008).	The outstanding stock of VAT credits (new procedure) at end-June 2009 was CFAF 35.2 billion. A clearance plan is being implemented to reduce the level and maintain it under CFAF 10 billion, from end-2009.

47. **The Reform of the cocoa/coffee sector is under way in order to raise farmers' incomes and improve transparency in the use of public resources.** The lowering of taxes on cocoa should be accompanied by support measures designed to improve farmers' incomes in line with the program's pro-poor approach. In addition, budgetization of part of the levies on the sector provided CFAF 5.1 billion for the Rural Investment Fund (*Fonds d'Investissement en Milieu Rural-FIMR*) in June 2009.

Box 8: Reforms in the Coffee/Cocoa Sector in 2009–10

Measures	Status
Submission to the Council of Ministers within a time lag of 45 days, and their publication, of quarterly analytical reports on the collection and use of coffee/cocoa levies and on the balances in the bank accounts of the sector's entities, as well as on realized f.o.b export and farmgate prices.	Submissions at end-March and end-June 2009 were produced and published within the time-lag of 45 days. The end-June submission includes the use of operating fees for the coffee/cocoa sector. The government is committed to continuing the production and publication of quarterly submissions within the same time lag and to including in the semi-annual submissions the use of operating fees of the coffee/cocoa sector.
Adoption of a roadmap to prepare and implement a new strategy for the coffee/cocoa sector, comprising a new institutional and regulatory framework, on the basis of existing studies and audits (end-2009).	The strategy for the sector is being finalized and should be the subject of a submission before end-2009.
With the aim of gradually lowering total cocoa taxation to a rate of 22 percent of the c.i.f. price in 2011, a reduction for the 2009/10 crop season of the registration duty from 10 to 5 percent, of the single export duty (DUS) from CFAF 220/kg to CFAF 210/kg, and of other quasi-fiscal levies of at least CFAF 5/kg. Preparation of the transformation of these levies to a single ad valorem tax (before the 2010/11 crop season).	The reductions of registration duties, quasi-fiscal levies and DUS will be effective starting with the 2009/10 crop season, and work on the preparation of an ad valorem tax is continuing. In addition, consideration is being given to ensuring that producers are the primary beneficiaries of the tax relief.

48. **The efforts to improve transparency and efficiency in the energy sector should bear fruit during 2010.** The independent evaluator should finalize the reports for 2006 and 2007 in line with EITI criteria before end-2009, with a view to submitting them for validation. The 2008 report will be finalized before end-September 2010, and the 2009 report will be launched in 2010. As regards the electricity sector, consultations have begun with all stakeholders, with a view to enlisting their help in reducing the deficit in the sector. They should produce decisions no later than the first quarter of 2010. They will combine renegotiation of the price of gas purchases with the three main operators and a revision of the tariff structure without excluding, if necessary, further increases differentiated by category of economic operators concerned in line with the program's pro-poor approach. For the petroleum subsector, the automatic adjustment mechanism for pump prices is operational. However, a price structure review will be conducted before end-2009.

Box 9: Measures in the Energy Sector in 2009–10

Measures	Status
Submission to the Council of Ministers within a time-lag of 45 days—and their publication— of quarterly reports on: physical and financial flows in the crude oil/gas subsector; the production, export, and release for consumption and taxation of petroleum products; and production, costs, and financial flows in the electricity subsector.	The government is committed to continuing the production and publication of the quarterly reports within the same time lag.
Revision of the structure of petroleum product prices based on the recommendations of the recent distribution audit and of 2008 IMF technical assistance (revision of cross-subsidies for transport and butane, quasi-fiscal levies for the national security reserve, the distribution margins, as well as the protective margin for the refineries, before end-September 2009.	The automatic pricing mechanism for prices of petroleum products has been in effect since April 2009. The price structure review is under way.
To limit the deficit of the electricity sector, renegotiation with the gas producers of the price of gas purchases, renegotiation of the export price of electricity, and revision of the tariff structure before end-June 2009; and, if necessary, increasing tariffs before end-2009.	In order to limit the deficit of the sector, the government: (i) has commenced renegotiation of the price of gas purchases with operators and of export prices; (ii) has commenced the study on the tariff structure; and (iii) plans to reduce technical and non-technical losses. All these actions should be completed before end-June 2010.

F. Regional Integration and Trade Policy

49. **The government intends to pursue its participation in regional integration within the WAEMU and ECOWAS, as well as in world trade through the WTO.** The ECOWAS Heads of State have decided to add to their Common External Tariff (CET) a fifth tariff band with a rate of 35 percent. Côte d'Ivoire will contribute to the identification of products to be included in this band. In the context of the Economic Partnership Agreement (EPA) with the European Union, the signing of a interim regional EPA is planned in October 2009. On the issue of accompanying measures, the EPA Development Program (EPADP) has been adopted by the countries of the subregion and the Program of Support for Trade and Regional Integration (*PACIR*) is being implemented. In conjunction with other countries in the subregion and the EU, the government will continue its efforts to prepare financing programs for the EPA.

G. Financing of the 2009–10 Program

50. **In spite of considerable fiscal efforts, the need to reorient expenditures and to clear arrears generates sizable financing needs for the program period 2009–11.** Taking into

account primary basic surplus, the external project financing already identified, and net financing on the WAEMU financial market, the financing need is projected at CFAF 2.809 trillion in 2009, and CFAF 479.9 billion in 2010. To meet these needs, the government is benefiting from multilateral assistance and debt restructuring. Restructuring agreements were reached with the Paris Club and London Club (preliminary), and the government has initiated negotiations on debts to non-Paris Club bilateral creditors and other commercial creditors (Standard Bank–BNI and Sphynx) on terms comparable to the Paris Club. It also hopes to obtain budget support in 2010 from multilateral institutions (IMF, World Bank, AfDB, and EU) and bilateral partners.

51. **The government intends to raise resources on the regional financial market** in 2010 for a net amount of CFAF 155 billion. After a reduction in domestic arrears/amounts payable (*restes à payer*) of CFAF 67 billion in 2009, the government intends to continue this effort with a further reduction of at least CFAF 55 billion in 2010.

V. STATISTICS AND CAPACITY-BUILDING

52. **The government undertakes to continue efforts to improve the statistical system in order regularly to produce high-quality economic and financial data.** For this purpose, the Master Plan for Statistics 2009–13 will be adopted before end-2009 and implemented before end-June 2010. It involves, inter alia: (i) support for national and sectoral surveys; (ii) workshops on the introduction of the data base of the Integrated Information Management System; (iii) revision of the Harmonized Consumer Price Index (HCPI); (iv) preparation of the yearbook of ministerial statistical units; and (v) survey of the informal sector in Abidjan.

53. **Côte d’Ivoire will continue to strengthen its administrative capacity, especially in areas affected by the crisis.** The government will continue to receive assistance from the IMF and other development partners to: (i) strengthen tax and customs administration; (ii) review tax exemptions; (iii) help to implement the action plan for public finance reform; and (iv) improve national accounts with the aim of constructing a social accounting matrix. In order to enhance public debt management, the government intends to implement a capacity-building program, in order to support the design and implementation of a medium-term debt strategy. For this purpose, the government will request IMF technical assistance.

VI. PROGRAM MONITORING

54. **The program will continue to be the subject of semi-annual reviews by the IMF’s Executive Board on the basis of quantitative indicators and structural benchmarks.** These indicators, and the prior actions, are defined in the Technical Memorandum of Understanding (TMU) of March 13, 2009 and the attached supplement. The

second program review will be based on the end-December 2009 performance criteria and is scheduled to be completed by end-March 2010. The second year of the program will cover the period January-December 2010, and performance criteria for June and December 2010 will be set at the time of the second review.

55. **The government has established national frameworks for program monitoring.** To ensure that the three-year program is effectively implemented, the government has set up several interministerial committees. The Interministerial Committee Monitoring the Economic and Financial Program, under the aegis of the Prime Minister—created in March 2009 is operational and is monitoring implementation of the program for 2009–11. It is assisted by the Strategic Unit and the Technical Unit for Monitoring the Economic and Financial Program in the day-to-day monitoring. The Committee will coordinate closely with Treasury Committee data, the work of specific interministerial committees, amongst others, the Coffee/Cocoa Sector Management Committee, the Interministerial Commodities Committee, and the PRSP Committee. In addition, in order to ensure traceability in the execution of large public works, the Interministerial Committee for Monitoring Large Works has been created. Similarly, a set of consistent tools has been adopted to ensure expenditure execution conforming to the existing framework. This Memorandum of Economic and Financial Policies will be disseminated within the government, government agencies, public entities, and Ivorian society.

56. **For the duration of the program, the government undertakes to refrain from external borrowing on non-concessional terms other than specified in the TMU.** For any new domestic borrowing, it undertakes to issue government securities by auction through the BCEAO or through any other form of competitive tendering on the domestic or WAEMU financial market, and to consult with IMF staff. The government also undertakes not to introduce or intensify restrictions on payments and transfers for current international transactions, introduce multiple currency practices, conclude any bilateral payments agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement, or impose or intensify any import restrictions for balance of payments purposes. Moreover, the authorities, in consultation with IMF staff, undertake to adopt any new financial or structural measures that may be necessary for the success of the program.

Table 1. Côte d'Ivoire: Performance Criteria and Indicative Targets, PRGF 2009
(Billions of CFA Francs)

	2008		2009						
	Dec.	March	March	June			Sept.	Dec.	
	Actual	Indicative Target	Actual	PC	PC adjusted	PC adj. & corr.	Actual	Indicative Target	PC
Performance criteria									
Overall balance (including grants) 2/	-61.0	-13.8	13.7	-16.2	-28.2	-72.5	-57.2	-71.8	-137.9
Ceiling on net domestic financing (incl. WAEMU paper) 3/	171.4	30.4	12.0	31.8	43.8	88.2	31.7	77.2	149.6
Ceiling on new nonconcessional external borrowing 4/		0.0	0.0	0.0			0.0	0.0	0.0
Ceiling on accumulation of new external arrears 5/		0.0	0.0	0.0			7.5	0.0	0.0
Ceiling on accumulation of new domestic arrears		0.0	106.8	0.0			0.0	0.0	0.0
Ceiling on extra-budgetary spending 5/		0.0	0.0	0.0			0.0	0.0	0.0
Indicative targets									
Primary basic fiscal balance	33.1	10.2	71.2	68.1		23.8	39.9	91.3	93.3
Ceiling on expenditures by treasury advance		25.0	3.6	50.0			22.0	65.0	82.2
Floor on pro-poor expenditure 6/	726.8	200.5	156.9	398.1			390.0	614.2	838.8
Floor on cash repayment (+) of government domestic arrears	-104.8	12.0	28.6	30.0			52.7	40.0	60.0
Total government revenue	1976.8	420.2	453.2	959.1			1003.7	1495.8	2080.9
Government wage bill	711.7	175.4	176.9	328.1		372.5	388.0	544.2	745.0
Memorandum items:									
Net banking sector claims on government 7/		-0.4	4.0	53.3		75.5	47.9	48.3	104.0
Program grants		16.0	0.0	21.0			6.0	23.0	32.7
Program loans		0.0	0.0	0.0			0.0	0.0	0.0
Project grants		12.7	3.1	12.7			22.9	27.6	48.2
Project loans		2.7	3.1	10.7			18.7	20.8	43.5

1/ Cumulative change from beginning of the year, unless otherwise indicated. See Technical Memorandum of Understanding (TMU) for detailed definitions, including of adjusters.

2/ This floor will be adjusted: i/ downward/upward for higher than programmed external project loans; ii/downward for higher than programmed program loans; iii/ downward for lower than programmed program grants – up to a ceiling of CFAF 40 billion, iv/ upward for a shortfall in program loans in excess of CFAF 40 billion.

3/ Performance criteria for 2009 (numbers for 2008 are reported for comparison only) on the issuance by the central government of all debt instruments in CFAF to domestic and WAEMU financial market creditors and borrowing from the BCEAO. The ceiling excludes domestic arrears and their securitization, rescheduling agreement of central government debt and new borrowing for projects from the regional development banks (BOAD, BIDC). If program loans or grants are lower than programmed, the ceiling will be adjusted upwards in the amount of the shortfall, up to a maximum of CFAF 40 billion. The ceiling includes a margin of CFAF 25 billion over the net cumulative flows projected for each period (see TMU).

4/ Continuous performance criterion on all non-concessional borrowing as defined in the TMU. This ceiling does not apply to normal import-related commercial credits that have a maturity of up to one year; rescheduling agreements; loans from regional development banks BOAD and BIDC of up to CFAF 25 and 20 billion respectively; drawings on the Fund; public offerings in CFAF of government debt initially issued to resident of the WAEMU (see TMU).

5/ Continuous performance criterion (see TMU).

6/ Includes pro-poor expenditure as defined in the classification of the integrated Financial Management System (SIGFRIP); see TMU Table 1.

7/ Net banking system claims on the government represent the difference between government debt and its claims on the central bank and commercial banks as defined in the TMU.

Table 2. Côte d'Ivoire: Indicative Targets, PRGF 2010, Billions of CFA Francs 1/

	2009	2010			
		March	June	Sept.	Dec.
	Prel.	Indicative Target	Indicative Target	Indicative Target	Indicative Target
Indicative targets					
Overall balance (including grants)	-149.8	-38.6	-95.6	-183.8	-180.2
Ceiling on net domestic financing (incl. WAEMU paper)	146.4	15.5	72.9	164.9	132.7
Ceiling on new nonconcessional external borrowing		0.0	0.0	0.0	0.0
Ceiling on accumulation of new external arrears 2/		0.0	0.0	0.0	0.0
Ceiling on accumulation of new domestic arrears		0.0	0.0	0.0	0.0
Ceiling on extra-budgetary spending 2/		0.0	0.0	0.0	0.0
Primary basic fiscal balance	76.9	14.7	14.6	9.5	73.0
Ceiling on expenditures by treasury advance	82.2	15.0	30.0	45.0	60.0
Floor on pro-poor expenditure 3/	838.8	193.4	435.2	725.3	967.0
Floor on cash repayment (+) of government domestic arrear	67.4	0.0	0.0	0.0	0.0
Total government revenue	2145.0	484.8	1046.2	1612.9	2227.0
Government wage bill	749.0	204.1	408.4	613.8	814.1
Memorandum items:					
Net banking sector claims on government 4/	236.1	13.4	23.7	64.5	25.8
Program grants	32.8	43.7	50.0	56.3	99.9
Program loans	0.0	0.0	0.0	0.0	0.0
Project grants	48.2	1.1	2.1	3.2	10.6
Project loans	43.5	10.1	23.9	54.6	75.0

1/ Cumulative change from beginning of the year, unless otherwise indicated. See Technical Memorandum of Understanding (TMU) for detailed definitions, including of adjusters.

2/ Continuous indicative target (see TMU).

3/ Includes pro-poor expenditure, as defined in the classification of the Integrated Financial Management System (SIGFIP); see MEFP Box 2.

4/ Net banking system claims on the government represent the difference between government debt and its claims on the central bank and commercial banks as defined in the TMU.

Table 3. Côte d'Ivoire: Structural Conditionality, 2009 PRGF

Measures	Timetable Structural Benchmarks	Macroeconomic significance
Prior Actions		
<ul style="list-style-type: none"> Eliminate arrears to multilateral institutions and remain up-to-date with debt servicing; produce a monthly cash-flow statement incorporating multilateral debt service payments. 	1st report mid-October 2009	Improve the cash-flow management. Maintain normal financial relations with external creditors and institutions.
<ul style="list-style-type: none"> Inform all creditors, through a public announcement, of the strategy and status of negotiations on external debt restructuring. 		Strengthen transparency and partner confidence
<ul style="list-style-type: none"> Issue the texts reducing the Single Export Duty (DUS) from CFAF 220 to CFAF 210 and the registration fee on cocoa and coffee from 10 percent to 5 percent. 	September 2009	Improve incomes of cocoa farmers and orchard maintenance.
<ul style="list-style-type: none"> Provide IMF staff with copies of the provisional audit report on debt owed to PFO and of the contracts resulting from the modification of the five major public works agreements conforming to the Public Procurement Code. 		Improve expenditure transparency
Structural Benchmarks (SBM) for end-2009		
Tax policy/administration (2009)		
<ul style="list-style-type: none"> Elimination of the practice of advance payment of the DUS on coffee/cocoa, and of any other taxes. 	Continuous SBM	Improve good governance and ensure the government's financing costs are close to market terms.
<ul style="list-style-type: none"> Completion of inventory of service charges/fees by ministries (MEFP ¶26) 	SBM end-June 2009	Improve good governance and transparency
<ul style="list-style-type: none"> Adoption of a plan to rationalize exemptions, including crisis-related regimes (in line with IMF technical assistance), for adoption in the 2010 budget (MEFP ¶ 26) 	SBM end-September 2009	Improve transparency and reduce distortions; improve revenue
<ul style="list-style-type: none"> Implementation of the computerized transit module of SYDAM (SYDONIA) between the Port of Abidjan and the three main border posts 	SBM end-September 2009	Improve transparency and revenue
<ul style="list-style-type: none"> Reduce the outstanding verified and validated VAT credit balance to CFAF 10 billion or less at end-2009, and remain within that ceiling in 2010. 	Continuous SBM	Improve the business climate and the confidence of enterprises
<ul style="list-style-type: none"> Eliminate exemptions on imported rice. 	Starting January 1, 2010	Rationalization of exemptions and improvement in revenues.

Table 3. Côte d'Ivoire: Structural Conditionality, 2009 (concluded)

Measures	Timetable Structural Benchmarks	Macroeconomic significance
Public expenditure management (2009)		
<ul style="list-style-type: none"> Adoption by the government of the 2010 budget tracing all quasi-fiscal levies for investment in the coffee/cocoa sector (MEFP Box 3). 	SBM end-November 2009	Improve governance and transparency
<ul style="list-style-type: none"> Publication within 45 days of quarterly budget execution statements, including pro-poor spending (MEFP ¶24). 	SBM each quarter	Improve monitoring and transparency of budget execution
<ul style="list-style-type: none"> Submission of draft budget execution law (<i>Loi de réglemets</i>) for 2008 to the Audit Office (<i>Chambre de Comptes</i>) for certification and submission to the National Assembly (MEFP ¶21). 	SBM end-October 2009	Improve transparency and <i>ex-post</i> verification of the budget and its execution
<ul style="list-style-type: none"> Formulation of medium-term expenditure frameworks (MTEF) for the education and health ministries (MEFP ¶25). 	SBM end-October 2009	Put in place a medium-term social strategy consistent with the PRSP and the budget framework.
<ul style="list-style-type: none"> Production of a report including different scenarios for reducing subsidies to the electricity sector to CFAF 50 billion in 2010, including the projected reduction of the cost of gas and rate increase. 	SBM end-2009	Limit electricity sector deficit and reduce government subsidies
<ul style="list-style-type: none"> Adoption of the CNPS Reform Plan and the decree establishing the Inter-ministerial Committee in charge of monitoring the reform of the CGRAE. 	SBM end-2009	Limit the deficit and improve long-term fiscal sustainability
<ul style="list-style-type: none"> No new injection of public funds in the two banks in difficulty. 	Continuous SBM	Improve governance and Improve management of the financial sector

Table 4. Côte d'Ivoire: Significant Structural Reforms for 2010

Measures	Timetable	Macroeconomic significance
<ul style="list-style-type: none"> Complete the modification of the four remaining framework agreements for large public works, conforming to the specifications of the Public Procurement Code. 	end-2010	Improve governance and transparency in budget execution
<ul style="list-style-type: none"> Conduct a census of public service personnel and prepare an estimate of the expected impact on the wage bill. 	March 2010	Improve the management of the payroll.
<ul style="list-style-type: none"> Prepare a study on the medium-term wage bill and develop a strategy for it. 	End-2009 March 2010	Improve the management of the payroll.
<ul style="list-style-type: none"> Complete the preparation of the medium-term expenditure frameworks (MTEF) for education and health. 	June 2010	Improve governance and budget management.
<ul style="list-style-type: none"> Submit the EITI reports for 2006 and 2007 for validation and the 2008 report as well as initiate the report for 2009. 	End-2009 September 2010 In 2010	Improve governance and transparency.
<ul style="list-style-type: none"> Implement the CNPS reform and adopt the CGRAE reform plan, and include provisions in the 2011 budget for the agreed measures. 	October 2010	Reduce the deficit of the sector and reduce government subsidies.
<ul style="list-style-type: none"> Request an early mission by the Banking Commission for the 2 banks in difficulty. 	March 2010	Improve management of the financial sector.
<ul style="list-style-type: none"> Implement the microfinance sector reform strategy including a plan to rehabilitate microfinance institutions. 	June 2010	Improve management of the financial sector.

ATTACHMENT II—CÔTE D’IVOIRE: SUPPLEMENT TO THE TECHNICAL MEMORANDUM OF UNDERSTANDING

November 2, 2009

Note: this document is a supplement to the Technical Memorandum of Understanding (TMU) of March 2009. That TMU remains fully valid except for the points as amended below. Changes with respect to the original text appear in italics.

A. Overall fiscal balance (including grants) (performance criterion)

Paragraph 3:

The overall fiscal balance is the difference between the government’s budget revenue (including grants *other than budget support program grants from the World Bank and African Development Bank*) and total expenditure plus net lending (on a payment order basis). It includes crisis-exit spending, which is defined as domestically and externally financed government outlays on the national community reinsertion and rehabilitation program (PNRRC); the redeployment of public administration; the identification process and the elections; and the civil service.

Paragraph 5:

Part or all of the excess revenues from petroleum/gas extraction (including dividends paid by the national petroleum corporation of Côte d’Ivoire, PETROCI, to the government) above the programmed amount will be used to offset revenue shortfalls and/or be allocated to “pro-poor” spending *and/or to “crisis exit” spending as defined in Box 2 of the memorandum of October 2009 and in attached Table 1*, up to a cumulative maximum of CFAF 50 billion. The floor on the overall fiscal balance will be adjusted upward by the remaining excess not used to offset revenue shortfalls or for additional “pro-poor” spending (see Table 1). The remainder of the excess petroleum/gas revenues will be used to reduce the government’s domestic debt, including “balances outstanding” (see paragraphs 11–12).

Paragraph 6:

The petroleum/gas revenues estimate for 2010 is based on: an average crude oil price of US\$76.50 per barrel; a volume of 17.9 million barrels; and an average exchange rate of CFAF 478 = US\$1.

E. External Debt and External payment arrears (performance criterion)

The former paragraph 10 is replaced by the following:

External debt shall have the meaning set out in point 9 of the “Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements,” (IMF Executive Board Decision No. 12274-00/85 dated August 24, 2000). External debt is defined on the basis of

residency. However, for assessment of the program, debt issued by Ivorian entities in CFA francs and held by residents of the member countries of the WAEMU zone shall not be considered to be external debt.

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 under the external debt performance criterion (paragraph 16). This performance criterion monitored on a continuous basis.

Excluded from this performance criterion are:

- *Arrears accumulated under external debt contracted with official bilateral creditors covered under the Paris Club Agreed Minute of May 2009, as well as such debts to non-Paris Club bilateral official creditors that are subject to restructuring.*
- *Arrears accumulated under:*
 - i) the 6 series of “Brady” bonds,*
 - ii) the BNI-Standard Bank (London) 2007 and 2008 notes,*
 - iii) the Sphynx Capital Markets 2007 and 2008 notes, and*
 - iv) any other debt to private creditors, for which the government has publicly announced before completion of the first review under the PRGF arrangement for Côte d’Ivoire that it is seeking restructurings, until the respective restructuring agreements have been reached.*

F. Balances outstanding and domestic payment arrears (quantitative indicator and performance criterion)

Paragraph 12:

Within the framework of the program, the government, in 2009, will (i) undertake a cash reduction of CFAF 60 billion in the stock of balances outstanding as defined in paragraph 11 (quantitative indicator) ; ...

G. Treasury advances (indicative target) and extrabudgetary spending (continuous performance criterion)

Paragraph 14:

Within the framework of the program, Treasury advances are defined as spending paid for by the Treasury outside normal execution and control procedures, and which have not been subject to prior commitment and authorization. They exclude the régies d’avances, *externally-financed expenditure, wages, subsidies and transfers, and debt service* as set out through ministerial decree. The cumulative amount of expenditures by treasury advance as defined by the program will not exceed cumulative quarterly ceilings representing 10 percent

of quarterly budget allocations (excluding externally-financed expenditures, wages, subsidies and transfers, and debt service) (indicative target). 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.

H. New nonconcessional external borrowing (performance criterion).

The first sentence of former paragraph 16 is deleted. One change has been made in the rest of the paragraph:

The quantitative indicators concerning foreign borrowing apply to all nonconcessional external debt (*see paragraph 10*) irrespective of maturity, and whether it has been contracted or guaranteed by the government.

Table 1. Côte d'Ivoire: Crisis Exit Programs 2007-09
(in billions of CFAF unless otherwise indicated)

	2007	2008	2009 Proj.
General crisis-exit efforts	42.8	45.0	30.4
Frontline bonuses	40.1	39.7	26.4
Transition payments <i>Forces Nouvelles</i>	0.0	3.9	0.0
Civil Service program	0.0	0.5	3.0
Financed by government resources	0.0	0.5	3.0
Financed by external resources (EU)	0.0	0.0	0.0
Peace accords	3.6	0.8	1.0
Other	1.4	0.0	0.0
DDR, reinsertion and community rehabilitation (RRC)	7.0	9.0	21.3
Financed by government resources	7.0	5.2	12.1
Financed by external sources	0.0	3.8	9.2
Redeployment of public administration (RPA)	3.5	5.3	10.6
Financed by government resources	3.5	3.6	4.3
Financed by external sources	0.0	1.7	6.3
Identification	11.8	47.9	40.4
Financed by government resources	11.8	41.6	39.6
Operator	0.0		36.0
Financed by external sources	0.0	6.3	0.8
Elections	8.0	12.3	33.6
Financed by government resources	8.0	12.3	17.2
Financed by external sources	0.0	0.0	16.4
National reconciliation program	0.0	2.9	7.5
Financed by government resources	0.0	2.6	7.4
Financed by external sources - AfDB	0.0	0.3	0.1
Supplement to Ouagadougou agreement (APO 4)			5.0
Financed by government resources			5.0
Financed by external sources			0.0
Total	73.1	122.4	148.8
Financed by government resources	73.1	110.3	116.0
Financed by external sources	0.0	12.1	32.8

Source: Ivorian authorities; and IMF staff estimates and projections.