International Monetary Fund

Côte d'Ivoire and the IMF

Press Release:
IMF Executive Board Completes First Reviews Under the ECF and Extended Arrangements for Côte d'Ivoire and Approves US$133.8 Million Disbursement

June 19, 2017

Country's Policy Intentions Documents

E-Mail Notification
Subscribe or Modify your subscription

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

June 1, 2017

The following item is a Letter of Intent of the government of Côte d'Ivoire, which describes the policies that Côte d'Ivoire intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Côte d'Ivoirei, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

Letter of Intent

MINISTRY OF THE ECONOMY AND FINANCE

THE MINISTER

REPUBLIC OF CÔTE D'IVOIRE

No. 2887 MEF/DGE/DPPSE/SDPPE/npj

Abidjan, June 1, 2017

To

The Managing Director of the International Monetary Fund

WASHINGTON DC, 20431

Subject: Letter of intent

Dear Madam Managing Director:

1. **Since 2012 Côte d'Ivoire has returned to strong and steady growth, with an annual average rate of about 9 percent in a stable macroeconomic environment**. The execution of the National Development Plan (2012–15 PND), combined with the implementation of large-scale structural reforms under the 2011–15 economic and financial program, have helped drive and maintain this pace of growth in economic activity. This growth has come with moderate inflation, a fiscal balance that is under control and a favorable trend in the balance of current transactions.

2. **For the first year in which the National Development Plan was implemented (2016–20 PND), Côte d'Ivoire maintained a steady 8.8 percent pace of growth despite low rainfall**. This situation confirms the resilience of the Ivoirien economy. Activity is carried mainly by the manufacturing and services sectors. This performance has been supported by making growth-generating public investments and a dynamic private sector that has benefitted from a clear improvement in medium and long-term loans and the business environment. The effects of the low rainfall on agriculture were minimized by implementing the emergency program to support crop production. The inflation rate was 0.7 percent below the community standard of 3 percent. Moreover, the outlook for growth remains positive despite the internal and external shocks. In 2017, an 8.5 percent growth rate is expected, driven by private investment and domestic consumption. Growth should average about 8.2 percent between 2018 and 2020.

3. **The supplementary Memorandum of Economic and Financial Policies (MEFP), attached hereto, describes the progress made under the economic and financial program supported by arrangements under the Extended Credit Facility and the Extended Fund Facility "ECF-EFF" as of end-December 2016, and also presents the key objectives for 2017 and the medium-term outlook**. The Economic and Financial Program "2016–19 ECF-EFF" is off to a good start. As of end-December 2016, all performance criteria were met. Thus, the overall budget deficit remained in line with the program target of 4.0 percent of GDP by controlling spending against a backdrop of lower revenue than projected. In addition, all the structural benchmarks were implemented before the deadline and several other structural reforms were implemented.

4. **For 2017, it is expected that the Economic and Financial Program will be implemented in a less favorable economic context**. The lower price of cocoa and the higher price of oil may generate revenue losses. Thus, the minimum farm gate price guaranteed for producers was lowered from CFAF 1,100/kg to CFAF 700/kg to take the lower price into account. This measure affects 7 million people, or roughly 30 percent of the population. In addition, social claims may generate additional ad hoc expenses in 2017 and recurrent from 2018. These less favorable economic conditions should cause an adjustment in the projected internal and external balances during the program.

5. **The government took steps to limit the impact of these shocks on the fiscal balance.** A supplementary budget draft law for 2017 will be adopted by the government and submitted to the National Assembly and will take the fiscal adjustments into account. It projects a budget deficit of 4.5 percent of GDP in 2017 versus 3.7 percent projected initially. The government will apply the automatic mechanism for retail gasoline prices, taking into account the necessity to preserve tax revenue that is at least the amount indicated in the 2017 Supplementary Budget. The government will also ensure that the electricity pricing policy is in line with changes in the cost of generating power. Also, beginning in 2018, important tax policy measures will be included in the 2018 and 2019 draft budget laws. These pertain to rationalizing exemptions, optimizing the VAT and income tax adjustments. Thus, tax revenue to GDP ratio would increase from 14.6 percent in 2017 to 14.9 percent in 2018 and 15.2 percent in 2019. The budget deficit target of 3 percent of GDP should be reached in 2019.

6. **Under the "2016–19 EFC–EFF" supported program, we request the completion of the first review, modification of the end-June 2017 performance criteria, and augmentation of access under the arrangements**. For the entire program, we request an augmentation of access of SDR 54.20 million under the ECF and SDR 108.40 million under the EFF (a total increase of SDR 162.60 million or 25 percent of quota). This amount should be evenly split over the sixth reviews

and include an augmentation of the amount available upon completion of the current review by SDR 27.1 million (4.17 percent of quota). Thus, at the completion of the first review under the arrangements the tranche available under the arrangements will be an equivalent of SDR 96.79 million (14.88 percent of quota). This amount would enable Côte d'Ivoire to contain the impacts of the shocks that occurred at the beginning of 2017. We also request modification of the end-June 2017 performance criteria on the overall fiscal balance, on net domestic financing, and on the present value of new external debt contracted by the central government.

7. The Government believes that the policies contained in the attached MEFP are adequate to achieve the objectives of its program. To this end, it will take any further measures that may become appropriate for this purpose. The Government will consult the Fund on the adoption of these measures, and in advance of revisions to the policies contained in the MEFP, in accordance with Fund policies on such consultations. The Government will provide the Fund with any information that may be necessary for monitoring the implementation of program measures and the achievement of program objectives, as set out in the attached Technical Memorandum of Understanding, on the dates agreed between the two parties. The government authorizes the IMF to publish and post this letter and its attachments on its website, along with the IMF staff report after completion of the review of the program by the IMF Executive Board.

Very truly yours,

__________/s/_________________________

Adama KONE
Minister of the Economy and Finance

Attachments:

- Supplementary MEFP
- Technical Memorandum of Understanding

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

June 1, 2017

BACKGROUND

1. **Since 2012, Côte d'Ivoire has returned to strong and steady growth, with an annual average rate of about 9 percent in a stable macroeconomic environment.** The execution of the National Development Plan (2012–15 PND), combined with the implementation of large-scale structural reforms under the 2011–15 economic and financial program, have helped drive and maintain this pace of growth in economic activity. This vitality has come with moderate inflation, a fiscal balance that is under control and a favorable trend in the current account balance.

2. **For the first year in which the National Development Plan was implemented (2016–20 PND), Côte d'Ivoire maintained a steady 8.8 percent pace of growth despite less favorable international economic conditions and low rainfall**. This situation confirms the resilience of the Ivoirien economy. Activity is most buoyant in the industrial and services sectors. This performance has been supported by making public investments, which play a lead role and develop a dynamic private sector that has benefitted from a clear uptick in medium and long-term loans (28.6 percent) and the business environment. The effects of the low rainfall on agriculture were contained by implementing the emergency program to support crop production. This trend should continue into 2017, with an expected 8.5 percent growth rate, driven by private investment and domestic consumption, despite the domestic and external shocks that occurred early in the year.

3. **The government has worked to improve the business environment in an effort to enhance the attractiveness of Côte d'Ivoire**. According to the Doing Business 2016 ranking, Côte d'Ivoire moved up five (5) notches and is now one of the most competitive economies in Africa, and it rose 25 notches in the 2016 World Economic Forum Global Competitiveness Index. There have been major reforms to convert administrative documents and services to electronic formats, including: (i) opening the one-stop shop for construction permits; (ii) placing information for construction permits online; (iii) opening the Credit Information Bureau; (iv) strengthening the legal framework for conducting insolvency proceedings; (v) establishing the activities module for the commercial court management system, the commercial register and real estate credit; and (vi) implementing electronic tax returns. Action already taken as well as planned action should in the medium term thrust Côte d'Ivoire into the Top 50 countries in the world that have carried out the most reforms.

4. **On the political and social level, Côte d'Ivoire is strengthening its new position on the international scene by reinforcing democracy and preserving social cohesion**. Thus, on December 18, 2016 it adopted a new constitution by referendum, with 93.42 percent of votes in favor. This new constitution aims: (i) to strengthen the institutions by establishing a vice president and a senate; and (ii) to ensure lasting social peace. Moreover, Côte d'Ivoire has confirmed its democratic maturity by peacefully organizing the first free, open and transparent legislative elections in the Third Republic. Also, the government is reaffirming its willingness to find suitable solutions to labor-related claims in a peaceful social environment.

5. **The Economic and Financial Program (2016–19 PEF) is off to a good start, and the government intends to continue implementing all the reforms in the 2016–19 Memorandum of Economic and Financial Policies**. As of end-2016, all the performance criteria had been met and the structural benchmarks had been executed on time. For 2017, the Economic and Financial Program is expected to be implemented against a backdrop of lower cocoa prices and higher oil prices, which would result in less revenue. However, adjustments are being considered to preserve the government's fiscal space and maintain the sustainability of the debt. Moreover, the government will continue its efforts: (i) to strengthen the management of public finances and public enterprises; (ii) to improve the business environment and to foster private sector growth; (iii) to improve and develop the financial sector; and (iv) to strengthen the national statistics system. This supplement to the memorandum describes the progress made in the economic and financial program as of end-December 2016 and also presents the key guidelines for 2017 and the medium-term outlook.

RECENT CHANGES AND PROGRAM IMPLEMENTATION

A. Macroeconomic and Financial Framework

6. **Buoyant economic activity continued in 2016 with 8.8 percent growth despite the slowdown in global growth, the fall in key commodity prices and low rainfall**. The economy benefitted from: (i) positive terms of trade, which were 8.3 percent better than in 2015 due to significantly lower import prices; (ii) return on investments made since 2012 in the energy and mining sectors; and (iii) greater confidence of economic operators after the peaceful presidential elections in October 2015. This economic performance is attributed to services and industrial sectors, which posted growth of 15.2 percent and 10.2 percent respectively. The good performance of the industrial sector is due to mining, up sharply by 18.1 percent, strong energy production, up 37.9 percent, and strong improvements in construction and public works and in manufacturing activity. For the service sector, growth was driven by all branches with an improvement of 9.3 percent for transportation, 9.7 percent for telecommunications and 9.1 percent for commercial

activities. For the agriculture sector, the picture is less straightforward due to the poor performance of export agriculture (-8.0 percent) but a good performance for food production (+7.4 percent), which benefitted from the Food Agriculture Stimulus Program. On the demand side, economic growth is driven mainly by end-consumption (+9.3 percent) and investment (+16.7 percent), which benefit from higher household income, the execution of projects that play a leading role at the government level, and the renewed confidence of the private sector, with a 16.5 percent increase in investments in 2016. The inflation rate (0.7 percent) remained well below the 3 percent community standard of the West African Economic and Monetary Union (WAEMU).

7. **The current account balance should post a deficit of 1.1 percent of GDP**. This deficit appears to be due to a lower trade surplus and a slight deterioration of balances for services and primary and secondary income. The deficit is largely financed by flows that do not generate debt, namely project grants and foreign direct investment, at 0.5 percent of GDP and 1.4 percent of GDP respectively.

8. **The overall budget deficit remained in line with the program target of 4.0 percent of GDP as spending was completely under control in the context of less revenue collected than projected**.

- Tax revenue collection is 14.9 percent of GDP versus a target of 15.8 percent of GDP, due to the lower amounts for the VAT, the tax on business profits (BIC), petroleum products and taxes and fees on cocoa exports.
- Total expenditures are estimated at 23.4 percent of GDP versus the projection of 24.8 percent of GDP. This under-consumption is due mainly to the execution levels of investment expenses financed using fewer external and personnel resources than projected.
- The result is a deficit base primary balance equivalent to 1.8 percent of GDP and a total budget shortfall of 3.9 percent of GDP**.**
- This shortfall was covered mainly by funds raised in the WAEMU money and financial markets for a net amount of 915.7 billion, including 265 billion in SUKUKs.

9. **The public sector debt remains sustainable**. The central government outstanding debt remains low. It changed from 42.2 percent of GDP in 2015 to 42.5 percent in 2016 due to financing for infrastructure spending. The level of domestic debt compared to GDP was 19.2 percent versus 18.2 percent of GDP in 2015. Corporate debt monitoring was strengthened through better management of statistics and payments. Thus, as of end-2016, the debt stock of public enterprises posted in the "public enterprise database" is 3.4 percent of GDP, and of that, 0.1 percent of GDP is guaranteed by the government.

10. Money supply was up 12.1 percent, mainly due to domestic lending. In 2016 lending to the economy increased 15.4 percent and reflected stronger support from the banking system to the Ivoirien economy. This improvement is due mainly to regular medium and long-term loans (+28.6 percent). The Net Government Position is up 27.8 percent due to financing for government revenue-generating projects. Net external assets were down by 9.1 percent, mainly due to the low level of repatriation of foreign currency from exports. The government established a committee that consists of the regulatory authorities, commercial banks and economic operators in order to comply with the regulations on repatriating foreign currency.

11. Regarding the financial soundness of the banking sector, the solvency ratio was 8.04 percent, slightly above the 8 percent norm. As of end-December 2016, out of a total of 23 banks subject to prudential regulation, four (4) banks are not in compliance with this norm. The total balance sheet of these banks amounts to 2.3 percent of all subject banks. The implementation of the measure to raise the minimum capital stock of lending institutions should improve the solvency ratio. As part of this measure, thresholds are set at CFAF 10 billion for banks and CFAF 3 billion for financial institutions falling into the banking category. These thresholds apply to licensing applications filed starting July 1, 2015, the date the measure took effect. For institutions already operating as of that date whose capital stock does not meet the above-mentioned thresholds, they have until June 30, 2017 to comply with the new provisions. As of end-December 2016, seven (7) banks did not meet this provision, as opposed to 10 (ten) in 2015. In addition, new solvency norms were established in the new prudential arrangement based on Basel 2 and 3 rules, and they are scheduled to come into effect on January 1, 2018.

12. The Monetary Policy Committee took a series of measures to improve interbank market operations. In December 2016, it decided to expand the corridor formed by the minimum bid rate for tenders to inject liquidities and the marginal window lending rate by one (1) percentage point. Thus, the minimum interest rate for bidding in tenders to inject liquidity remains set at 2.50 percent, the level that has been in effect since September 16, 2013, and the rate applied by the marginal lending facility was raised from 3.50 percent to 4.50 percent on December 16, 2016. Furthermore, in March 2017, the committee decided to lower the required reserves coefficient 200 basis points for reserves applicable to banks, down from 5 percent (the level that had been in effect since March 16, 2012) to 3 percent effective March 16, 2017.

13. In 2016 the Regional Stock Exchange (BRVM) transitioned to live quotes and today it is Africa's most innovative stock market. This distinction was awarded to it at the 9th Forum on Investment in Africa, held on September 19, 2016 in New York. Also, on November 14, 2016, it joined the MSCI Frontier Markets Index of Morgan Stanley Capital International (MSCI). The trend was also positive in terms of trading assets and capitalization. Transactions in the financial market amounted to CFAF 392.6 billion in 2016, up 25.3 percent over 2015. In volume, the number of shares traded rose 71.4 percent. In addition, it became the leading African market for SUKUKs, ahead of Khartoum, by admitting five SUKUKs for an amount of CFAF 766 billion. As for the future, the BRVM is implementing the division for small and medium-sized businesses (SMEs) and intends to launch bonds for the diaspora.

14. The reforms that were implemented and the government's political commitment boosted Côte d'Ivoire's economic attractiveness. The increase in business creation and private investment intentions continued in the Center for the Promotion of Investments in Côte d'Ivoire (CEPICI). Thus, as of end-December 2016, the CEPICI recorded 12,166 new business creation versus 9,534 in 2015, for a 28 percent increase. Also, investment agreements stand at 672 billion and 73 percent of them are Foreign Direct Investments (FDI). In terms of actual figures, the private investment rate was 13.9 percent of GDP in 2016 versus 12.9 percent of GDP in 2015. This reflects government efforts to streamline procedures for starting businesses as well as good governance and the fight against corruption.

Labor and employment policy

15. Employment, particularly among youths, is the centerpiece of government action. Jobs in the modern sector continue to progress considerably. The formal job market is benefitting from a better business environment and buoyant domestic economic activity. Thus, the number of wage earners rose 4.4 percent, which amounts to 38,369 net jobs created in 2016. This favorable trend in formal employment is attributable to both the private sector (+4.7 percent), with +31,828 net jobs, and the public sector (+3.3 percent), for a total of +6,549 net jobs. The private sector's contribution is 83.0 percent in terms of net job creation and remains the main driver of the job market. Moreover, the implementation of the Employment Stimulus Strategy (SRE) and the National Employment Policy (PNE) by the government help promote the creation of decent and lasting jobs. Moreover, the Youth Employment Agency has programs to improve the employability of young people, including vocational training.

16. The government continues to deploy the Universal Health Care Coverage policy and the pilot phase is beginning. To this end, nine university medical centers and nine level-two hospitals were selected. The target population is students, and their coverage is scheduled to begin in the first half of 2017. As a prelude to this stage, the work of upgrading the health facilities that were identified began in November 2016.

17. Côte d'Ivoire is continuing to implement its proactive policy of education for all. To this end, Law No. 2015-635 of September 17, 2015 was enacted, which amends Article 2 of Law No. 95-695 of September 7, 1995, making schooling compulsory for all children from 6 to 16 years old. In implementing this law, 7,523 classrooms are under construction. Also, 7,000 teachers are in training for the 2017–18 school year. The deployment of local middle schools, begun in the 2013–14 school year, provides greater access to this level of schools, especially in rural areas, with the construction of small-scale facilities. In the long run, additional needs will be met to ensure that supply matches the demand for education.

18. Côte d'Ivoire continues to implement its National Health Development Plan (PNDS). Progress was made in the 2012–15 period as follows: (i) the percentage of the population that lives less than 5 km from a health center rose from 44 percent to 67 percent; (ii) immunization coverage among infants from 0 to 11 months old was up to 93.63 percent in 2015 from 62 percent in 2013; (iii) the number of HIV+ pregnant women receiving complete antiretroviral treatment increased by more than 40 percent, and the usage rate of health services was 43.33 percent in 2015 versus 18 percent at the beginning of the period. The government will continue its efforts by implementing the 2016–20 PNDS to ensure that everyone who lives in Côte d'Ivoire, and in particular the most vulnerable, have optimal health conditions to support growth and sustainable development.

Status of program implementation in 2016

19. All program performance criteria for end-December 2016 were met. In particular, the total budget deficit was CFAF -838.1 billion versus a floor level of -839.5 billion, thanks to good control of expenditures. The updated amount of new external debts was $522.2 million versus the projected $762.9 million. However, tax revenue losses contributed to not meeting some indicative benchmarks for the tax revenue floor and the basic primary balance. Moreover, budget execution was completed with a floating debt level of CFAF 305.6 billion versus 226.8 billion in 2015, generating a net increase of unpaid bills of CFAF 78.8 billion versus a floor of 25 billion for their reduction.

20. All program structural benchmarks for end-December 2016 were met:

- The reorganization of the Debt Department into a front-middle-and back-office structure is in effect and was implemented by Order No. 512 MEF/DGTCP/DEMO of December 30, 2016. This order establishes the terms of its permanent reorganization and its duties.
- The securitized debts held by the Banque Nationale d'Investissement (BNI) were exchanged into marketable securities.

- Although they were scheduled for June 2017, two (2) new Medium-Sized Businesses Centers (CMEs) were established in Abidjan by Order No. 856/MPMBPE/DGI of December 2, 2016, and will be operational soon, raising their number to four (4). Also, the eligibility limit for businesses in the CMEs was lowered from CFAF 400 to 200 million.

21. **Major reforms were implemented as well**. They aimed at strengthening fiscal space, better managing the public debt, improving the business environment and improving tax collection.

- For tax policy and administration measures, the government implemented electronic filing and payments after the success of the single form. Electronic filing is now used for companies with turnover of more than 200 million using the following link: www.e-impots.gouv.ci.
- The electronic land register has been rolled out. It is operational and professionals from the sector use it through the following link: http://econsultation.dgi.gouv.ci.
- The One-Stop Shop for Filing Financial Statements was finalized. Financial statements of companies for FY 2012, 2013 and 2014 have been entered, and the statements for FY2015 are now being entered.
- A Tax Policy Unit was set up in the Ministry of the Budget to coordinate and manage tax reform activities in accordance with the recommendations of the IMF technical assistance missions.
- The government established a Medium-Sized Business Department to better monitor operations in the ongoing segmentation of taxpayers, and the Investigation, Crosschecking and Analysis Department to strengthen the control of tax fraud, avoidance, and evasion. In addition, it decentralized tax auditing and gave to the Large Businesses Department, to the Medium-Sized Businesses Department, and to the Department Directors limited authority to audit businesses in their area of jurisdiction. The controls of the Investigation and Audit Department will be limited to companies that operate on the national level, and this department will ensure that tax auditing is mutualized. As a result, audits of companies will be performed more equitably.
- To strengthen the efficiency of public spending, the government reorganized and redefined the missions of the Public Spending Evaluation and Audit Unit to better take the audit dimension into account.
- As part of ongoing efforts to improve public finance management, a system of rotating the key stakeholders in spending was implemented for the payment authorization

officers, budget auditors and financial auditors. Changes were also made in the staff of the General Tax Department (DGI) and the General Customs Department (DGD).

- For public finance management, the work to present the central government's financial transactions according to the Government Finance Statistics Manual (GFSM 2001) is being finalized.
- Regarding procurement, the government issued an order implementing the competitive management framework for government orders lower than the procurement level, set at CFAF 100 million.
- The public enterprises debt database was consolidated and the framework required for including the debt service of said enterprises was implemented.
- Transparency was enhanced with the implementation of an Internet portal that civil servants can use to access their wage information on the website of the General Department of the Budget and Finance (DGBF);
- For public debt management, the 2016–18 three-year plan to strengthen the capacities of all the staff of the Department of Public Debt and Grants (DDPD) was finalized and is available.
- For improving the business environment, information on construction permits has been made available to all users at www.construction.gouv.ci since January 2017.
- An auditor electronic evaluation system was put in place to improve the efficiency of customs control.
- To strengthen the traceability of budget operations for co-financed projects and to improve absorption capacity, the government passed a decree to formalize the management framework for these projects. This decree holds management stakeholders accountable by setting deadlines for each stakeholder in the spending chain and plans to execute spending via the Integrated Financial Management Information System (IFMIS). Thus, in 2016, 8 (eight) World Bank projects were tied into the IFMIS and their expenditures will be executed and managed directly beginning in 2017.

ECONOMIC AND FINANCIAL PROGRAM IN 2017 AND THE MEDIUM TERM

A. Program Objectives for 2017–19

22. The 2016–19 Economic and Financial Program supports the 2016–20 PND, whose purpose is to make Côte d'Ivoire an emerging country by 2020 and lower the poverty rate by half. The 2016–20 PND seeks swift, sustained and environmentally friendly growth for Côte d'Ivoire to become a middle-income country with a better quality of life for the entire population. The new strategy is based on the structural transformation of the economy, mainly through productivity increases in agriculture and subsistence crops, commodity processing, a stronger manufacturing industry, and the development of the digital economy, while preserving a sound macroeconomic framework and sustainable public debt. It also takes into account the desire of the authorities to develop a green economy. In this regard, Côte d'Ivoire intends to ratify the December 2016 global climate agreement made in Paris following COP21.

23. Less favorable economic conditions should result in an adjustment of the domestic and external balances projected during the program period.

- The budget deficit should be 4.5 percent of GDP in 2017 versus 3.7 percent as projected initially, and should be lowered gradually to 3.0 percent of GDP in 2019;
- Inflation should remain below 3 percent in accordance with the WAEMU regional norm;
- The external current account deficit should be under control at less than 3 percent of GDP for the 2017–19 period, while the external overall balance should show a surplus beginning in 2017.

B. Macroeconomic Framework

24. The economic growth targets expected from the implementation of the 2016–20 PND are set at an annual average rate of roughly 8.2 percent between 2018 and 2020. Economic performance for the 2018-2020 period would be driven mainly by the industrial and services sectors, which had average annual growth rates of about 10.7 percent and 8.8 percent respectively. For the agriculture sector, the rate should be 6.4 percent thanks to the benefits of the National Agriculture Investment Program (PNIA) and the food agriculture stimulus program. Substantial resources will be made available to upgrade agriculture to increase productivity and promote the reallocation of labor to other sectors, mainly industry. To reach these goals, the investment rate should rise from 21.5 percent of GDP in 2017 to 23.2 percent in 2020 (private investment would be up from

14.1 percent in 2017 to 15.3 percent in 2020). The private sector share, including Public-Private Partnerships (PPP), should reach 70 percent in 2020. Moreover, the government will continue the structural reforms begun in 2012 to continue developing the financial sector and improving the business environment.

25. Taking the potential impacts of national and international economic conditions into account, the growth rate in 2017 should be 8.5 percent, mainly due to a rebound of the agriculture sector and a strong energy sector:

- **The agriculture sector** should progress due to the rebound of export agriculture and the performance of food agriculture, which benefit from the ongoing implementation of the National Agriculture Investment Program (PNIA).
- **The industrial sector** should improve with the dynamism of construction and public works, the development of manufacturing industries and energy generated by the large investments in this sector. Development of new industrial zones, support for the growth of SMEs and ongoing dynamic private and public demand should support the growth of the sector.
- **The services sector** should improve due to the good performance of the agriculture and industrial sectors. This sector as well should benefit from robust transportation, trade, banking and financial activity and the development of the digital economy.

26. In 2017 annual average inflation is projected to be 1.7 percent below the WAEMU regional norm. The moderate increase in prices is expected to benefit from higher local supply of food with the implementation of the various agriculture development strategies and the smooth transportation of people and goods.

27. The current account balance should show a deficit of 1.8 percent of GDP in 2017 versus 1.1 percent in 2016. The trade balance will continue to show a surplus despite lower cocoa prices and higher imports due to buoyant economic activity. The deficit of the primary and secondary revenue balance should be higher than in 2016.

28. Money supply should increase by 12.2 percent in 2017. This increase would stem mainly from the increase in domestic lending due to buoyant private sector activity. Net external assets should be lower in 2017.

C. Fiscal Policy

29. Fiscal policy for the 2017–19 period seeks to curb the negative effects of the external and domestic shocks with a view to meeting the fiscal deficit target of 3 percent of GDP in 2019. In particular, the objectives are:

- Maintain a credible fiscal policy that is consistent with domestic and external equilibrium, especially by controlling operating expenses and re-prioritizing investment expenditures in a manner consistent with the PND targets, taking into account the new fiscal constraints related to domestic and external shocks;
- Pursue tax administration reforms and adopt tax policy measures to improve collection performance to fund government programs on a priority basis using domestic resources;
- Continue fiscal regulation by aligning credit consumption with the pace of revenue collection to comply with the established fiscal balances.

30. To achieve the fiscal deficit target while meeting social and infrastructure needs, the government intends to harness current expenditures.

- The government will continue to harness current expenditures by efficiently managing civil service staff and updating and implementing the wage bill management strategy and observing the price framework. Thus, the wage bill management strategy should be updated in 2017 to take into account the agreements reached for union claims by employees. Efforts to reinstate labor peace and promote the resumption of work amount to CFAF 17.5 billion (0.07 percent of GDP), and they will impact the budget starting in 2018. However, the focus on the gradual reduction of the wage bill to tax revenue ratio continues by strictly applying the wage bill management strategy. Regarding hiring, priority will be placed on the education and health sectors, and hiring elsewhere will be limited to needs. No more than one person will be hired for every two that leave. Moreover, the government will continue the annual rating system for employees using the Integrated Civil Service Management System (SIGFAE) to serve as a basis for promotions.
- The government will strengthen the framework for using special procedures and will apply Order No. 178/MEF/CAB-01/20 of March 13, 2009 on advances. Wages will continue to be paid using payment orders.
- Regarding investment expenditures, for 2017 and as part of fiscal consolidation following the external shocks, the government intends to prioritize projects taking the strategic nature of the sectors involved into account as well as the degree of project maturity and consistency with the PND. Special attention will be paid to the counterparts of projects funded by the

technical and financial partners. The government will continue exchanges with its technical and financial partners to increase their support in the form of budget supports.

- As part of the government general policy to improve the living conditions of the population, pro-poor spending have always been prioritized in the budget with the aim to halve the poverty rate by 2020. In 2017, pro-poor spending is projected to total 2070.1 billion CFAF (8.8 percent of GDP) versus 2014.8 billion in 2016 (9.4 percent of GDP) because of the impact of downward revisions of fiscal revenues related to macroeconomic shocks, including the fall in cocoa world price and the increase in world oil prices, and because of the subsequent and necessary spending adjustments. However, in pursuit of the social programs defined in the 2016–20 National Development Plan, the government remains committed to give priority to pro-poor spending in the years to come. The priorities for this spending are the education and health sectors, rural electrification and village water systems. The government also intends to promote subsistence agriculture through mass production of subsistence crops and to promote job creation. In this context, it welcomes both technical and financial support from development partners, and especially the World Bank, to identify and fund said expenses.

31. The government also plans to take steps to increase fiscal revenue mobilization and raise it by 0.2 percent of GDP in 2018 and by 0.2 percent of GDP in 2019. In this context, in the short-term the government plans to implement operational measures and organizational reforms to broaden the tax base and improve domestic revenue collection. The operational steps will include the following government action: (i) perform the investment code study to streamline exemptions; (ii) expand electronic procedures to taxpayers whose turnover is less than 200 million and set up payment of taxes using mobile money, especially for the land tax; (iii) resume progress for the targeted census of taxpayers; (iv) make the one-stop shop for filing financial statements operational in order to enter in year N the data from the financial statements of companies from year N-1; (v) strengthen the veracity of financial statements by having a certified accountant approve them before they are filed beginning in October 2017; and (vi) reorganize tax supervision by putting risk analysis in place. Regarding customs duties (fiscalité de porte), the government will: (i) improve customs clearance at land borders, mainly by changing customs clearance procedures and deploying two (2) new scanners at the land border posts by end-2017; (ii) continue risks analysis; (iii) strengthen the supervision of bonded processing systems to ensure that declarations are truthful; and (iv) strengthen international transit control to improve the traceability of goods in transit. By implementing these measures underlying the revenue projections, additional resources can be mobilized, estimated at 0.4 percent of GDP in 2018 and 0.6 percent of GDP in 2019.

32. **The government plans to streamline tax incentives that are granted and implement tax policy measures**. Effective with the 2018 Budget Law, the government will propose: (i) the gradual elimination of VAT exemptions, except for those provided for by the WAEMU directive and in compliance with prior commitments; (ii) the limitation of one-off exemptions to social sectors only and those that involve grants and renewing temporary exemptions; (iii) the implementation of a policy to streamline tax incentives in the investment code based on recommendations from the 2012 balance sheet study; this study will be performed by an internationally-renowned firm and will be finalized in August; (iv) improving the General Income Tax Code; (v) strengthening the regulatory and legislative framework and adopting complementary measures to better control tax optimization, evasion and avoidance; (vi) taking measures on restricted capitalization; and (vii) adjusting excise taxes on beverages upward. In 2019, the government plans to revamp the minimum flat tax (IMF) and the consolidated tax (impôt synthétique). Moreover, as part of improving VAT yields, the government plans to set up an automatic billing monitoring system. By implementing these tax policy measures underlying the revenue projections, additional resources estimated at 0.2 percent of GDP should be generated in 2018 and 0.3 percent of GDP in 2019. In terms of administering taxes, the government will also study the possibility of reviewing the VAT adjustment threshold for businesses that fall under the CME.

33. **The government is continuing its efforts to eliminate fiscal risks related to the establishment of liabilities and to process outstanding liabilities and contracts for the 1993–2010 period**. Regarding liabilities for the 2000–10 period, the government decided to have private firms perform a new audit of the findings of the Office of the Inspector General of Finance (IGF). The terms of reference for this audit are to be finalized by end-November 2017 and have been validated. The processing procedures will be adopted after the final amounts are established. This approach is consistent with the approach used for arrears from the same period and that were paid in full. For outstanding contracts from the 1993-2010 period, audited by the National Procurement Regulation Authority (ANRMP), the early analyses revealed inconsistencies as to the reality of some amounts and double entries with liabilities. This led to further crosschecking to determine the amounts the government actually owed.

34. **For the rest of 2017, the government will adopt a draft supplementary budget and submit it to the National Assembly**. The fiscal targets will be revised to take into account the domestic and external shocks that occurred during the fiscal year:

- The 35 percent drop in cocoa prices caused a downward revision of the Single Export Duty (DUS) and registration tax, whose rate was set at zero as of April 2017 to support producer prices. This lower amount of revenue is estimated to be 0.5 percent of GDP. This tax will be reinstated based on the change in cocoa prices as was the case in the past.

- Higher oil prices would result in less revenue from oil products (0.6 percent of GDP) in accordance with the implementation of the system for setting retail fuel prices.
- Labor claims would generate one-off additional expenditures of 0.6 percent of GDP in 2017 and recurring expenditures of at least 0.07 percent of GDP as of 2018.

35. The government is taking steps to limit the impact of these shocks on the fiscal balance in 2017. Adjustments of 0.5 percent of GDP were made on operating and investment expenditures. Hence, the budget deficit should be 4.5 percent of GDP versus the original projection of 3.7 percent.

36. The fiscal policy in 2018 aims to ensure the sustainability of public indebtedness and maintain control over operating expenses to obtain profit margins from investments that should help strengthen growth and the achievement of the PND objectives.

37. The financing of fiscal policy should take into account the need to grow the private sector and strengthen WAEMU exchange reserves. Regarding domestic financing, the government intends to decrease the use of fundraising in the regional market to preserve private sector access to credit and prevent crowding out. For external financing, the government intends to increase its share to help strengthen exchange reserves at the regional level by resorting to the international market and the donor community. Thus, for 2017, the supplementary gap should be financed essentially through budget support.

Box 1. Côte d'Ivoire: Impact of Exogenous and Endogenous Shocks on the Domestic and External Balances

Since October 2016, Côte d'Ivoire has been dealing with less favorable domestic and international economic conditions with higher oil prices, lower cocoa prices and labor issues that arose in January 2017. In addition, the WAEMU Zone's exchange reserves have declined and are estimated at 4.2 months of imports as of end-2016.

According to the World Economic Outlook (WEO) projections, the average CIF price of cocoa and crude oil should fall by 30.0 percent and rise by 28.9 percent respectively in 2017.

To be sure, these unfavorable events have consequences on the domestic and external balances.

External balance: higher costs for importing crude oil and lower export prices for cocoa should contribute to raising the current deficit from 1.1 percent of GDP in 2016 to 1.8 percent of GDP in 2017. This situation could contribute to lower exchange reserves.

Fiscal balance: lower cocoa prices should result in less revenue collected from the Single Export Duty and from the coffee-cocoa registration tax beginning in the middle growing season (April 2017), and producers are guaranteed a minimum percentage (60 percent) of the CIF price. Fiscal forecasts based on cocoa revenue could therefore decline by 0.5 percent of GDP.

Regarding higher oil prices, the fiscal cost in terms of tax revenue is estimated at roughly 0.7 percent of GDP in 2017, to take into account having the government maintain domestic retail fuel prices in accordance with the adjustments planned in the automatic retail fuel price mechanism.

Also, domestic labor claims by military staff and civil servants should have a one-time impact of 0.6 percent of GDP in 2017 and estimated recurring charges of at least 17.5 billion starting in 2018.

In sum, the combined impact of the change in economic conditions and labor claims should be 1.8 percent of GDP in 2017.

However, to take into account the impact of the shocks and to preserve the sustainability of public finances, the government took specific steps to increase tax revenue mobilization and adjust expenditures.

To this end, the government made budget cuts amounting to 0.7 percent of GDP, primarily in investment spending. Moreover, the government intends to maintain the April 2017 tax rate on fuels for the entire year despite the unfavorable trend in oil prices. This adjustment would bring about a 0.1 percent gain in GDP due to revenue from oil products.

In sum, the fiscal deficit should be 4.5 percent of GDP in 2017 versus an initial target of 3.7 percent of GDP.

For the medium term, the impacts from implementing tax and customs reforms, and efforts to streamline current expenditures and the wage bill in particular, should make it possible to achieve the target budget deficit of 3 percent of GDP as of 2019.

In sum, despite these conditions, the macroeconomic framework should remain sound, mainly due to the various structural reforms.

D. Debt Policy and Strategy

38. **The latest Debt Sustainability Analysis indicates that Côte d'Ivoire is still ranked as having a "moderate risk" of indebtedness**. This analysis shows that Côte d'Ivoire remains vulnerable to negative macroeconomic shocks, in particular those related to exports, the growth

rate, the US dollar exchange rate and foreign direct investment, and it underscores the need to avoid further concentration of maturities in the mid-2020s.

39. The debt policy during the 2017-2019 program aims to contain the increase in the current value of the public debt relative to GDP so as to minimize the risk of over indebtedness and strengthen the ability to withstand external shocks. In particular, in the borrowing plan, it will ensure that there is no excessive concentration of loan maturities in the mid-2020s due to the grouping in 2024–28 of repayments due for the 2014 and 2015 Eurobonds. The debt policy will take refinancing and exchange risks into account, as well as potential financial market volatility and more stringent lending conditions. It will also aim to broaden and diversify the domestic and regional creditor base, mainly by working with the regional institutions to develop the secondary bond market.

40. In the second quarter of 2017 the government plans to carry out a combined debt issuance operation (euro/dollar) in international financial markets and, if market conditions permit, to engage in liabilities management operations involving the 2024 and 2032 Eurobonds. This issuance meets the goals in that it diversifies government sources of funding, alleviates currency risk, and actively manages the public debt.

41. The government will continue to improve public debt management in accordance with international requirements and WAEMU regional standards. The 2016–18 three-year plan to build the capacities of all the staff in the Public Debt Department, now reorganized into a front, middle and back office, will be implemented. It should obtain technical and financial support from the AfDB, the IMF and the Arab Bank for Economic Development in Africa (BADEA). This plan targets the following main areas of training: risk analysis and management; financial programming; macroeconomic management; medium-term debt strategy; debt sustainability analysis and the medium-term expenditure framework; financial analysis; cash management; legal aspects of debt for economists; and economic aspects of debt for legal specialists. Other projects to reform the legal framework of the debt and the procedures of the National Public Debt Committee (CNDP) involve CNDP referrals and operations, as well as reforms that deal with approving loans and issuing public guarantees.

Box 2. Côte d'Ivoire: Reorganization of the Debt Management Directorate Into a Front, Middle and Back office

The reform to reorganize the Public Debt Directorate into the front, middle and back office structure has been in effect since March 2016. All debt management activities were combined into a single entity in accordance with international standards. A procedures manual that includes all the new duties and activities inherent in public debt management was prepared.

This reorganization should bring about more effective public debt management, mainly by making stakeholders accountable, better planning and more active cash management, and monitoring fiscal risks.

The implementation of this reform, whose purpose is to strengthen public debt management, is expected to focus on the organizational and operational levels.

Organizational level

The organizational structure (front, middle and back offices) significantly improves effective interactive connections between the activities of negotiating, planning and registering the debt.

The transfer of the government cash management activity and the establishment of a sub-directorate in charge of Public-Private Partnerships (PPPs) in the Public Debt and Grant Directorate help improve the coordination of decisions and actions that involve government cash and the operational management of the debt. Moreover, this reorganization should strengthen the monitoring of fiscal risks related to PPPs and the debt of public enterprises.

Operational level

The reform provides several improvements, namely:

- Systematic consistency of schedules for paying debt due and forecasts for fiscal revenue, including the timeline for issuing government securities;
- Greater flexibility for the borrowing plan in case of shocks, linked to the medium-term debt management strategy and the debt sustainability analysis;
- Capacity-building and the development of new skills; and
- Accelerating the implementation of the measure to expand the scope of coverage of data on the debt to those of the public sector, including in the long run public enterprises and local governments to better take the vulnerability of public finances into consideration.

E. Structural Reforms

42. To take the change in international prices into account, the government will take the necessary steps to adjust prices in the key sectors. To do so:

- The minimum farm gate price guaranteed to cocoa producers was lowered from CFAF 1,100/kg to CFAF 700/kg to take into account the lower global price of cocoa. This measure affects about one-third of the population;
- The government will apply the automatic retail fuel price mechanism to preserve tax revenue at the minimum of that indicated in the 2017 Supplementary Budget Law. To this end, to preserve SIR's financial situation, it will continue to guarantee the fluctuation of the ex-SIR

price according to international trends. Likewise, the government will ensure that it preserves the April 2017 taxable base and improve it if necessary to ensure that fiscal projections are met;

- For the electricity sector, the government will pursue its efforts to maintain medium and long-term financial balance. To this end, the startup of generation at the Soubré Dam and the combined cycles should help lower medium and long-term generating costs. Efforts will continue to maintain the downward trend of losses due to technical and other factors. Moreover, the government will take action to mobilize the payment arrears owed to the sector. The government will ensure that the pricing policy is in line with changes in generating costs.

Public finance management

43. The government will continue to implement fiscal reforms to upgrade the management of public finances. To do so, it intends to finalize the implementing regulations for the WAEMU fiscal reform directives. These include draft decrees on financial and fiscal supervision, the program management charter, stock accounting and the reform of budget execution circuits and procedures. To transition to program budgets, the government will complete the design of the Budget Information System (SIB), whose main modules should be available at some time in 2017. Moreover, the government will continue the interfacing between the Integrated Public Finance Management System (SIGFiP) and the Accounting Management system (ASTER) by end-December 2017 to incorporate payment into the expenditure chain computer system.

44. The government plans to further improve the effectiveness of public investments, mainly by implementing the validated recommendations that came about from the PIMA (Public Investment Management Assessment) technical assistance. These reforms pertain specifically: (i) to the framework of WAEMU program budget directives; (ii) accrual and asset-based accounting; (iii) the multiyear investment expenditure commitment; and (iv) the management of projects based on Public-Private Partnerships. In this regard, the tool for preparing the Public Investment Program (PIP) will be reconfigured to be able to trace PPPs during implementation. Thus, the next Public Investment Program will include data on current PPPs. Also, the formalization of the process of developing the PIP by preparing and disseminating procedures manuals will strengthen the transparency of project management. To improve the link between the various public investment programming and budgeting tools, consideration is being given to establish a gateway among the different information systems.

Box 3. Côte d'Ivoire: Effectiveness of Public Investments in Côte d'Ivoire

Public investment is a key factor in promoting sustainable and inclusive growth. In Côte d'Ivoire, it is one of the priorities of the 2016–20 National Development Plan, which stresses the construction of growth-generating infrastructure. In this regard, the volume of investments should change from 6.4 percent of GDP in 2015 to 7.9 percent of GDP in 2020.

It is in this context that the government obtained technical assistance from the IMF from November 30 to December 13, 2016 to assess the effectiveness of these investments compared to the PIMA (Public Investment Management Assessment). This analysis framework is based on the assessment of 15 institutions and consists of the following three pillars: (i) public investment planning; (ii) allocation of public investments; and (iii) execution of public investments.

This analysis highlighted the following points:

- The institutional strength of public investment management in Côte d'Ivoire was in line with that of emerging countries. Of the 15 institutions reviewed, four are at the high level in emerging countries, seven are at the same level and four are relatively weaker. The relatively strong institutions are strong in fiscal rules, national and sectoral planning, transparency in execution and project management. The weaknesses are coordination between the central and local/regional governments, Public-Private Partnership (PPP) management and asset accounting.
- In terms of effectiveness measured based on an analysis of available data and discussions, the assessment reveals that Côte d'Ivoire successfully initiated a good dynamic of public investment based on a strategy supported by its PND, while ensuring fiscal sustainability and the transparency of investments that are made. However, effectiveness is generally weaker in the second pillar on the changeover to program budgets, multiyear budgeting, and the Parliament's or the public's access to certain investment-related information.

Recommendations:

- Strengthen the transparency of strategic and financial management as well as the institutional system for PPP projects;
- Improve the link among the various programming and budgeting tools for public investments;
- Provide all stakeholders with an information system that strengthens the management of project implementation;
- Strengthen coordination between the PND and local investment planning;
- Improve the effectiveness of financing and monitoring local government investments in anticipation of the next law on the local government financial system.

45. **The government will continue to improve the procurement system**. To do so, in 2017 it intends to complete the implementation of the Procurement Units (CPMP) in the various ministries. It will proceed incrementally to move procurement procedures from paper to electronic format to facilitate competition in procurement, in particular for SMEs. Moreover, the Integrated Procurement Management System (SIGMAP) will be rolled out to improve accessibility and thus help speed up the processing of procurement transactions. As part of transposing the WAEMU directives, the government also plans to amend the Procurement Code, especially for the problem of delegating

public services and the public project owner agent. Finally, the government will continue to categorize companies and update the benchmark price database.

46. Surveillance and taking into account fiscal risks related to the debt of public enterprises are priorities for the government. Information on the debt stock of all 19 companies involved was incorporated into the public enterprise database. Beginning in June 2017, the government plans to monitor debt service by producing a quarterly summary table of the debt service of twelve (12) enterprises. In the long run, this information will be available in real time through the interconnection between the Public Enterprise Information and Management System (SIGEP) and the Debt Management and Analysis System (SYGADE). Moreover, the government will continue to oversee the enforcement of the order on debt conditions of enterprises in the portfolio. Moreover, in the Council of Ministers it will continue to present the annual report on the economic and financial situation of enterprises in the government portfolio and will continue to annex it to the draft government budget law.

47. The government reorganized the entity in charge of the Government Portfolio to better monitor public enterprises and incorporate a strategic approach to management. This reorganization should produce improvements, primarily with regard to: (i) the implementation of guidelines for equity stakes and management that differ based on the segment, taking into account the objectives of the government as stakeholder and the characteristics of each enterprise; (ii) the development of sectoral expertise to better monitor equity stakes and maintain a strategic, financial and operational dialogue with enterprises; and (iii) establish portfolio development strategies in line with the government's sectoral priorities and the need to improve performance. In addition, portfolio managers will be in charge of ongoing sectoral monitoring based on predefined indicators in performance contracts. Along those same lines, performance contracts will be finalized in 2017 for seven (7) enterprises including CI-Energies. This process will gradually be extended to the entire portfolio. These measures should strengthen the surveillance of all public enterprises.

48. The government plans to continue implementing the government divestiture plan. The government portfolio consists of seventy-nine (79) companies, twenty-eight (28) of which are government-owned and fifty-one (51) of which are companies in which the government has a financial interest. In restructuring public enterprises, from a list of fifteen (15) public enterprises identified, five (5) have been privatized. The privatization process of the remaining ten (10) should continue.

49. **The government plans to take steps to limit the creation of new liabilities**. To this end, it established the Information Unit for Economic Operators **(**CELIOPE) to: (i) provide information on the availability of budget funds; and (ii) provide guidance to economic operators on budget execution procedures, including procurement. The CELIOPE will produce an annual activity report.

50. **The government took steps to limit fiscal risks related to Public-Private Partnerships (PPP)**. In this context, currently no PPP projects are receiving direct government guarantees on debt. Moreover, the government plans to review all projects that are financed with the PPP format. It will inventory and monitor all explicit and implicit fiscal risks that arise from PPPs, in particular using risk analyses available for these projects and strengthening the management capability for this type of investment with the long-term goal of strengthening the legal and institutional framework. Thus, the government will: (i) take an inventory and review all PPP agreements signed by the government and companies in which the government has a majority financial interest; and (ii) identify PPPs that have explicit and implicit fiscal risks. In particular, the government plans to create a database to record direct payments and revenue guarantees for PPPs. Starting in 2018, the Multiyear Fiscal and Economic Programming Paper (DPBEP) will include an analysis on fiscal risks related to PPPs. The government will receive technical support from the International Monetary Fund for this purpose.

51. **Cash management will be further upgraded and optimized with the implementation of the Treasury Single Account (TSA)**. A project team was appointed and an implementation timetable was clearly established. The government will also take an ongoing inventory of accounts opened in commercial banks and will continue to reduce the number of these accounts. It plans to develop the Treasury Single Account Management System starting in September 2017. Thus, the management of the TSA should be operational by end-2018 after the experimental phase. Moreover, the government plans to carry out an analysis to ensure consistency between the procurement plan, the commitment plan and the cash plan.

52. **The government plans to prepare the TOFE (Table of Government Operations) according to the 2001 Government Finance Statistics Manual (GFSM)**. In this regard, the minimum framework is effective with the transcription of central government financial operations according to the 2001 GFSM. The actions will also continue to ensure consistency of the format for data submitted by the National Public Establishments (EPNs) and social security institutions to include them incrementally over the medium term. The scope of coverage will then be gradually expanded to the other public sector units beginning in end-2018.

Financial sector development and financial inclusion

53. The government will continue to implement the Financial Sector Development Strategy, controlled by the Financial Sector Development Program (PDESFI), to build a stable and attractive financial sector that meets the economy's growing financing needs. The main pillars of the strategy are to improve and develop the sector and improve financial inclusion. In this regard, the permanent options for restructuring the public bank portfolio and the microfinance sector will be finalized and implemented. Moreover, the improvement of the business framework, the strengthening of transparency and the availability of financial information and the development of innovative financing for SMEs will continue; the National Financial Inclusion Strategy will be implemented and supervision of the insurance sector will be strengthened. The program should in the long run stabilize financial sector soundness and provide more financing for the economy by strengthening the use of banks and improving access to credit for households and SMEs.

54. The government will finalize the implementation of its policy of resizing the public bank portfolio and will support strengthening banking sector soundness. Of the four (4) public banks in the portfolio, the privatization process of two (2) banks should be completed, with emphasis on the enhancement and trade policy objectives that the government adopted. For the other two (2), one will be restructured and one will be strengthened. The government will ensure that the plans adopted for this purpose are effectively implemented and that the timelines are observed. Moreover, the process of transferring the shares of the last bank in which the government has a minority interest will be completed by listing it on the Regional Stock Exchange (BRVM). Finally, the government will ensure that the BCEAO decision on increasing minimum regulatory capital is implemented by end-June 2017 to strengthen banking system the solvency.

55. The government will complete the recapitalization and restructuring of one of the public banks. The bank's operating losses over the last few years depleted its own funds. The government prepared a bank restructuring plan that was submitted to the Regional Banking Commission in mid-2016. Since then, the government has hired a private consultant to further develop the plans and has begun to implement them. In particular, the government strengthened the bank by injecting liquidity of CFAF 20 billion in 2016. In implementing the plan as agreed, the government will complete the restructuring and recapitalization of the bank by end-March 2018, which is when capital will amount to CFAF 10 billion.

56. The government will continue to improve and strengthen the supervision of the microfinance sector. It will continue to implement the National Microfinance Strategy to strengthen the soundness of the Microfinance Institutions Sector, improve sector governance and boost small saver confidence. Moreover, as part of the World Bank FIRST initiatives (Financial Sector Reform and Strengthening Initiative) and FISF (Financial Inclusion Support Framework), the UNACOOPEC-CI recovery plan will be finalized, along with a sector governance support program that includes the Decentralized Financing Entities and the sector Supervision and Surveillance Authority. The UNACOOPEC recovery plan provides for: (i) making the network compliant by resizing it around the viable banks; (ii) redefining the missions of the lead organization; (iii) creating a financial institution with the lead organization; and (iv) a recapitalization plan over three (3) years without external support. Moreover, the government intends to establish a framework to promote financial inclusion that includes the different stakeholders, in particular users and banks, as well as information and communication technology companies to involve the various stakeholders in the effort to find consensual solutions.

57. The government will continue to put in place a modern regulatory framework to promote the competitiveness of financial services and strengthen consumer protection. Thus, the Observatory for the Quality of Financial Services will be placed in service to: (i) promote transparent and comparable financial services; (ii) better manage user complaints about financial services; and (iii) strengthen financial education. The creation of a financial mediation system in the Observatory should also help improve financial inclusion. Moreover, with the BCEAO and all the stakeholders in the financial sector, the government will strengthen the operation of the Information and Credit Bureau (BIC) by adding and increasing usage rates. In addition, it will continue to boost the activity of the regional stock exchange and increase its liquidity, as well as strengthen the role insurance institutions play in mobilizing national savings.

Public sector

58. The process of restructuring businesses in the energy sector, based mainly on the recommendations of the SIR and PETROCI audits, should accelerate in 2017:

- For PETROCI, net earnings in 2016 should show a surplus after the deficit recorded in 2015. Its financial situation should strengthen in 2017 with the implementation of its restructuring plan, which seeks to concentrate on specific activities in the company; the government will pay special attention to this restructuring plan.
- For SIR, operating performances in 2016 were good. Regarding its financial situation, the implementation of the restructuring plan will convert the short-term debt into long-term debt. The government will guarantee repayment through a transfer of CFAF 20.07/L on the

specific tax on oil products. In addition to refinancing its debt, SIR made efforts to optimize the activity to ensure the company's long-term financial balance.

- In 2016, the government approved the strategy to restructure SIR's debt. This strategy provided for restructuring accumulated debts and arrears of about CFAF 368 billion (figure beginning in May 2016) by contracting a new long-term external loan that would be guaranteed by the government. Repayment of this loan will be financed using some of the proceeds from the tax on oil products already allocated to SIR. In end-2016, the government launched tenders to choose the bank and contract the loan. Based on the results of these procedures, the government will finalize the process of selecting the arranger institution and restructure the debt by end-December 2017. Completing the restructuring of the debt would reduce SIR's financing costs and pave the way to improving its financial capacity.

59. The implementation of the strategic plans of public enterprises in the transportation sector should reinstate balance in the medium term.

- For Air Côte d'Ivoire (ACI), in accordance with its Business Plan, fleet improvement will continue over the 2017–22 period. For financing, capital should climb from 63 billion in 2016 to 130 billion in 2019, and a financing agreement will be made with a bank pool that includes the AfDB. These actions should make this organization financially profitable. Moreover, steps will be taken to produce a twice-yearly report on Air Côte d'Ivoire's financial situation, to be submitted to the Ministry in charge of the Government Portfolio beginning in end-June 2017.
- For SOTRA, net earnings should show a surplus in 2016. Moreover, its business plan for the 2016–20 period was finalized, implementation has already begun, and the government will monitor it carefully. The plan provides for acquiring 2,500 buses. For 2017, a loan agreement was signed with Eximbank India to finance 500 buses. These different actions should help improve its financial situation.

60. The steps taken in the electricity sector should strengthen the sector's financial balance and further increase the supply of electricity. Despite the suspension of the January 2016 rate increase, the operating balance posted a surplus of CFAF 5.3 billion in 2016 versus a deficit of 39.9 billion in 2015. This improvement is due to: (i) the implementation of new export tariffs; (ii) the increase in the supply of natural gas with the additional Foxtrot capacity, thereby reducing the need for HVO; (iii) higher total yield, up from 79 percent in 2015 to 80.4 percent in 2016; and (iv) the production of the CIPREL and AZITO steam cycles with no additional consumption of natural gas. Current hydroelectric projects and those that aim to improve the power distribution network will increase supply to support dynamic growth and meet external demand. Thus, the Soubré (275 MW) hydro power plant, begun in May 2013, should be commissioned incrementally between April and July 2017. In addition, the government commits to settle unpaid bills related to the central government electricity consumption after verification. It also commits to implement a plan to clear arrears contracted by local authorities and public establishments. It will also facilitate the implementation of a plan to clear arrears in public enterprises after verification.

61. **The financial balance of the Pensioners and Civil Servants General Fund (CGRAE) should remain positive despite agreements reached for claims filed by civil servants**. The implementation in 2012 of the CGRAE reform re-established the Fund's sustainability and generated a surplus of the technical management balance beginning in 2013. The agreements reached for the claims filed by civil servants caused some measures in Decision No. 2012-303 of April 4, 2012 to be withdrawn. This situation should lead to a lower technical balance, which would nevertheless continue to record surpluses in the long term.

62. **Reporting by the Coffee Cocoa Council will be improved by publishing information on the website of the Ministry in charge of the Economy and Finance**.

Strengthen the business environment and develop the private sector

63. **The government plans to have the private sector play a major role in implementing the PND, mainly through PPPs.** It plans to increase the contribution of the industrial sector significantly in creating wealth and jobs. This industrialization process requires paying closer attention to issues related to the ongoing improvement of the business environment, strengthening competitiveness and developing public-private partnerships.

64. **Based on reform accomplishments in Doing Business, the government will continue its efforts to improve the business environment**. The key planned reforms are in Box 4. Moreover, the work of the High Authority for Good Governance in public activities will be strengthened by fighting corruption intensively and harnessing procurement. The objectives of the main actions are as follows: (i) foster public integrity, transparency and accountability; and (ii) strengthen the governance of the strategic sectors (agriculture, oil, mining, education and health).

Box 4. Côte d'Ivoire: Improving the Business Environment in 2017 and 2018

Côte d'Ivoire plans to strengthen the attractiveness of its economy by continuing to implement reforms in the business environment "Focus Doing Business" to promote private sector development, which will strengthen its role as a driver of economic growth and provider of jobs.

Thus, in the 2017–18 period, several reforms will be finalized by doing the following:

Creating companies

- Create online companies in Côte d'Ivoire.
- Post information on licenses and business permits online.
- Bring companies that registered long ago into compliance by assigning them a unique identification number.
- Gradually change the issuance of licenses and business permits (approvals, certificates and authorizations) from paper to electronic format.

Border trade

- Finalize the full operation of the Cross-Border and External Trade One-Stop Shop.
- Complete the implementation of the trade information web portal.

Contract execution

- Shorten time frames for enforcing court decisions to 90 days.
- Make the judicial activities module of the Commercial Court operational.

Insolvency

- Set up a website dedicated to the publication of information on insolvency procedures and online auctions.
- Put in place an economic support arrangement for companies in legal redress.

Investor services

- Put the Single Portal for investor services in place.

Payment of taxes and fees

- Implement electronic payment of taxes, fees and social contributions.
- Implement online tax returns.

65. **The government will continue to help improve private sector productivity and competitiveness by lowering factor costs**.

- ➢ The strengthening of the economic infrastructure network (telecommunication, transportation and energy) will continue to support the industrialization policy.
- ➢ The implementation of the Industrial Infrastructure Management and Development Agency (AGEDI) and the Industrial Infrastructure Development Fund (FODI) will help accelerate the rehabilitation of the Yopougon and PK24 industrial zones.

- The construction of new industrial zones is planned in the different regions as part of the development of competitive economic centers.

Moreover, the government will continue to promote the Government-Private Sector dialogue framework by strengthening the Government-Private Sector Dialogue Committee (CCESP).

66. The government will help develop and modernize the SME/SMI sectors to create more jobs, mainly for youths. To develop the network of small and medium-sized enterprises, the SME development program (Phoenix program) will be implemented. Moreover, access to procurement for SMEs will be improved by implementing new government measures for procurement, including access to financing and government contracts.

STRENGTHEN THE STATISTICS SYSTEM

67. The production of statistics and the publication of quality economic data are essential to better inform decision-makers, market operators and the general public. To correct weaknesses in the production of statistics and to make reliable national accounts available on time, the government plans to enlist assistance from the IMF and other development partners:

- Implement the Statistics Master Plan provided for in the 2016–20 PND. A draft announcement from the Council of Ministers was made to support seven (7) ministries per year over three years beginning in 2017 by building human and material resource capacities.
- Implement a permanent system to process financial statements for the ongoing production of the national accounts to shorten the time it takes to publish the national accounts and various indices. To this end, there are plans to develop an IT platform to scan and collect Statistics and Financial Declarations (DSF) electronically in the second half of 2017.
- Implement the Improved General Data Dissemination System. The National Data Summary Page (NSDP) and operator training (contributors, administrators and focal points) in charge of updating the SGDD-a dissemination tool were finalized after the IMF technical assistance mission in the second half of 2016. Online publication of the NSDP will follow.
- Put in place a permanent agriculture statistics system. The terms of reference for this system are now being prepared and should be completed in 2017, and the results of the Census of Farms and Farmers (REEA) should be disseminated.

- ➢ Finalize the work on changing the baseline year and implement the 2008 National Accounting System (SCN). The government authorized funding for the project, which will span the 2017–18 period.

68. The Quarterly National Accounts (CNT) will be produced. The work of upgrading the CNTs continued with support from the AFRITAC West mission in January 2017. This mission's objective was to strengthen the capacities of INS employees in charge of the CNTs for taking ownership of upgrading the CNTs. During this mission, an upgrade timeline was established and the CNTs up to Q1 2017 should be released before end-October 2017.

PROGRAM FUNDING AND MONITORING

69. The government believes that the program funding requirement will be met. For 2017, budget financing requirements will be covered through the sub-regional and international money and financial markets, mainly by issuing a Eurobond and by obtaining loans from the World Bank, the International Monetary Fund, the African Development Bank, the French Development Agency and the European Union. The government will continue its dynamic development of the sub-regional public debt market. Treasury securities specialists, whose activities will include issuing government securities and investments of Treasury Securities, will ensure the liquidity of the WAEMU secondary government securities market.

70. Quarterly monitoring of the program by the IMF Executive Board will continue based on quantitative monitoring criteria and indicators and structural benchmarks (Tables 1 and 2). These criteria and indicators are defined in the attached Technical Memorandum of Understanding (PAT) that includes the summary of projection assumptions, which is the basis for evaluating certain performances. The second semiannual review will be based on data and performance criteria as of end-June 2017. It should be completed no later than end-December 2017. The third semiannual review will be based on data and performance criteria as of end-December 2017 and shall be completed on or after April 15, 2018. To this end, the government agrees to:

- refrain from accumulating new domestic arrears and any form of advances on revenues and from contracting nonconcessional external loans other than those specified in the PAT;
- issue public securities only through BCEAO auctions or any other form of competitive bidding on the local and WAEMU financial markets and coordinate with IMF staff on any new financing;

- not to introduce or intensify restrictions on payments and transfers for current international transactions, introduce multiple currency practices, enter into bilateral payments agreements that are inconsistent with Article VIII of the IMF Articles of Agreement, or introduce or intensify import restrictions for balance of payments purposes; and
- adopt any new financial or structural measures that may be necessary for the success of its policies, in consultation with the IMF.

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

(Billions of CFA francs, unless otherwise indicated)

	2016			2017							
	December			March		June		September		December	
	PC	Est.	Status	IT	Est.	PC	Rev. PC	IT	Rev. IT	IT	PC
A. Performance criteria											
Floor on the overall fiscal balance (incl. grants)	-839.5	-837.9	MET	-226.0	-32.6	-458.9	-493.0	-640.1	-772.9	-842.2	-1,052.0
Ceiling on net domestic financing (incl. WAEMU paper)	684.2	677.6	MET	89.2	-0.3	340.3	-142.7	491.8	24.8	547.7	179.7
Ceiling on the present value of new external debt contracted by the central government ($ million) 2/	762.9	522.2	MET	…	…	1,534.1	1,528.8	…	…	2,046.6	2,043.5
Ceiling on accumulation of new external arrears by the central government (continuous basis)	0.0	0.0	MET	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ceiling on accumulation of new domestic arrears by the central government (continuous basis)	0.0	0.0	MET	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Indicative targets											
Floor on government tax revenue	3,318.2	3,197.7	NOT MET	876.6	894.8	1,855.5	1,760.4	2,719.8	2,568.7	3,711.8	3,435.5
Ceiling on expenditures by treasury advance	197.7	195.7	MET	44.8	35.4	97.9	95.3	145.9	141.4	194.9	188.8
Floor on pro-poor expenditure	1,998.5	2,014.8	MET	516.8	389.4	1,093.0	941.4	1,593.2	1,437.1	2,216.8	2,070.1
Floor on net reduction of central government amounts payable (- = reduction)	-25.0	78.9	NOT MET	-5.0	-151.2	-10.0	-105.7	-15.0	-55.7	-25.0	-75.0
Floor on primary basic fiscal balance	-327.5	-394.9	NOT MET	0.3	246.7	-32.2	-64.2	-93.5	-134.0	30.8	-179.8
Memorandum items:											
Program grants	147.6	147.6		14.8	0.0	73.8	73.8	118.1	73.8	147.6	147.6
Program loans	58.4	58.4		0.0	0.0	80.9	80.9	80.9	80.9	161.7	161.7
Project grants	105.6	105.9		39.1	40.8	84.1	78.2	117.3	117.3	195.5	195.5
Project loans	387.8	262.0		173.7	213.9	293.1	293.8	358.3	410.8	586.2	586.2
Budget support from the European Union, World Bank, and African Development Bank	88.5	89.3		0.0	0.0	0.0	0.0	0.0	0.0	69.2	115.2
Fuel tax revenues	…	343.3		…	64.7	…	150.5	…	228.5	…	322.8

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

Table 2. Côte d'Ivoire: Prior Actions (PA) and Structural Benchmarks (SB) for 2016–17			
Measures	**Timetable**	**Macroeconomic rationale**	**Documentation**
Price adjustment mechanism			
Adjust guaranteed cocoa producer prices in line with international prices consistent with the Public Forward Sales Program (PVAM).	**PA** - **met**	Ensure the long-term sustainability of the coffee/cocoa sector	Communication in the Council of Ministers
Apply the retail fuel price mechanism to preserve fuel tax revenue at a level not below the level in the supplementary budget law.[1]	**New SB (quarterly)**	Improve budget revenue	Interministerial decree
Adjust electricity rates in accordance with the plan discussed with IMF staff.	**New SB** end-July 2017	Recoup the costs of the electricity sector	Communication in the Council of Ministers
Tax policy and administration			
Do not renew the temporary exemptions that expire in end-December 2017 except for those related to grants and the social sectors (education, health).	**New SB** end-December 2017	Improve the collection of taxes and fees	2018 draft budget law
In the Council of Ministers, adopt the upward revision of excise taxes on beverages.	**New SB** end-December 2017	Improve the collection of taxes and fees	2018 draft budget law
Conduct a study of the investment code	**SB** end-September 2017	Optimize tax potential	Study report
Create two new Medium-Sized Enterprise Centers (CMEs) in Abidjan and reduce the threshold for coverage by the CMEs	**SB** end-June 2017	Improve the collection of taxes and fees	Ministerial decree
Public debt management			
Complete the reorganization of the Debt Directorate in the form of a front, middle and back office in 2016	**SB** end-December 2016 - **met**	Improve public debt management	Reorganization order
Strengthen the public enterprise debt database by including debt service for 12 enterprises	**SB end-**June 2017	Improve public debt management	Public enterprise debt monitoring databases
By the end of each quarter produce a summary table of public enterprise debt service in the previous quarter based on progress in the data availability	**SB** starting from end-June 2017	Enhance monitoring of debt service by public enterprises	Summary debt service table

Table 2. Côte d'Ivoire: Prior Actions (PA) and Structural Benchmarks (SB) for 2016–17 (concluded)			
Public enterprises			
Every six months submit a report on the financial situation of Air Côte d'Ivoire.	**SB** (continuous starting from June 2017).	Reduce budget risks	Report submitted to the Minister in charge of the Budget and Government Portfolio
Finalize the SIR debt restructuring plan	**New SB** end-December 2017	Reduce budget risks	Debt restructuring agreement
Public Finance Management			
Develop the PPP database to include the main PPP projects.	**New SB** end-December 2017	Reduce budget risks	Database
Financial sector			
Exchange the securitized debt held by the BNI for marketable securities.	**SB** end-December 2016 - **met**	Improve the BNI's balance sheet and liquidity	Report on the operation
[1] See memorandum item "fuel tax revenues" in Table 1.			

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

June 1, 2017

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

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

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

QUANTITATIVE INDICATORS

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

The PCs include:

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

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

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

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

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

The ITs are:

a) a floor for government tax revenues;

b) a ceiling on expenditures by treasury advance;

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

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

e) a floor for the basic primary balance.

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

A. Government Tax Revenue (IT)

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

B. Pro-poor Expenditures (IT)

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

C. Treasury Advances (IT)

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

D. Primary Basic Fiscal Balance (IT)

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

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

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

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

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

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

F. Net Domestic Financing (PC)

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

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

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

12. The adjustor for the performance criterion on the net domestic financing. The NDF ceiling will be adjusted upward by the full amount of the difference between the effectively disbursed and the projected budget support from the European Union, the World Bank and the African Development Bank projected at CFAF 115.2 billion in 2017 (MEFP Table 1).

G. External Debt (PC)

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

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

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

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

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

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

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

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

15. The performance criterion (PC) concerning the present value (PV) of new external debt contracted by the central government applies to all external debt (whether or not concessional) contracted or guaranteed, including commitments contracted or guaranteed for which no value has been received. This performance criterion does not apply to:

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

For program monitoring purposes, external debt is deemed to be contracted or guaranteed at the date of its approval by the government of Cote d'Ivoire (Council of Ministers). In the case of the issuance of euro bonds, the amount deemed contracted is the amount subscribed/purchased at the end of the subscription/purchase period as specified in the final clauses of the exchange. For program purposes, the value in U.S. dollars of new external debt of 2017 is calculated using the average exchange rate for January 2017 in the IMF's International Financial Statistics (IFS) database.

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

17. In the case of variable interest rate debt in the form of a reference interest rate plus a fixed margin, the PV of the debt is calculated on the basis of the program reference rate plus a fixed margin (in basis points) specified in the loan agreement. The program reference rate for the US$ six-month LIBOR is 3.04 percent and will remain unchanged until December 31, 2017. The margin between the euro six-month LIBOR and the US$ six-month LIBOR is -300 basis points. The margin between the yen six-month LIBOR and the US$ six-month LIBOR is -300 basis points. The margin between the pound sterling six-month LIBOR and the US$ six-month LIBOR is -250 basis points. For interest rates applicable in currencies other than the euro, yen and pound sterling, the margin vis-à-vis the US$ six-month LIBOR is -250 basis points.[3] When the variable rate is linked to a reference interest rate other than the US$ six-month LIBOR, a margin corresponding to the difference between the reference rate and the US$ six-month LIBOR (rounded to the closest 50 basis points) is added. For the period January 1, 2018 to December 31, 2018 these rates will be fixed and will remain fixed based on the fall 2016 edition of World Economic Outlook (WEO).

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

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

[3] The program reference rate and margins are based on the "average projected rate" for the US$ six-month LIBOR over a period of 10 years as from the fall 2016 edition of World Economic Outlook (WEO). The rate will be updated each year on the basis of the fall edition of the WEO.

- The program ceiling applicable to the PV of new external debt is adjusted upward up to a maximum of 5 percent of the ceiling on the PV of external debt in cases in which differences vis-à-vis the PC on the PV of new debt are caused by a variation in financing conditions (interest, maturity, grace period, payment schedule, front-end fees, management fees) of the debt or debts. The adjustor may not be applied when the differences are the result of an increase in the face value of the total debt contracted or guaranteed.
- The program ceiling applicable to the PV of new external debt is adjusted upward by the full amount of the new Eurobond issued by the government up to US$ 1.2 billion.
- The ceiling will exclude external borrowing which is for the sole purpose of refinancing existing public sector debt and which helps to improve the profile of public sector debt.
- The program ceiling applicable to the PV of new external debt is adjusted upward by the total amount of the new external debt contracted or guaranteed by the government for the purpose of restructuring the debt of *Société Ivoirienne de Raffinage* (SIR), up to an equivalent of CFA francs 368 billion, or US$ 596 million, calculated at the January 2017 average exchange rate (CFAF 618.01).

19. The authorities will inform IMF staff of any planned external borrowing and the conditions on such borrowing before the loans are either contracted or guaranteed by the government. The current government borrowing plan is summarized in Table 1. In this table, the value in U.S. dollars of the new external debt is calculated on the basis of the average exchange rates for July 2016 for July-December 2016, and that of January 2017 for January-June 2017 and January-December 2017 (see below).

Table 1. Summary Table on External Borrowing Program (July 2016–December 2017)
(Millions of US dollars)

External debt contracted or guaranteed	July-December 2016		January-June 2017		January-December 2017	
	Volume of new debt, US$ million 1/	PV of new debt, US$ million 1/	Volume of new debt, US$ million 1/	PV of new debt, US$ million 1/	Volume of new debt, US$ million 1/	PV of new debt, US$ million 1/
Source of debt financing	**731.0**	**522.2**	**2,475.9**	**1,528.8**	**3,328.0**	**2,043.5**
Concessional debt 2/	***412.6***	***239.4***	***2,152.5***	***1,224.4***	***2,659.6***	***1,453.6***
Multilateral debt	400.8	243.1	1,653.6	929.6	1,909.1	1,062.8
Bilateral debt	11.8	5.3	498.9	294.8	750.5	390.7
Non-concessional debt	***318.4***	***282.8***	***323.4***	***304.0***	***668.4***	***590.0***
Semi-concessional debt 3/	118.4	82.8	323.4	304.0	581.0	502.5
Commercial terms 4/	200.0	200.0	0.0	0.0	87.5	87.5
Uses of debt financing	**731.0**	**522.2**	**2,475.9**	**1,528.8**	**3,328.0**	**2,043.5**
Infrastructure	205.4	118.4	1,748.2	1,111.8	2,387.5	1,491.8
Social expenditure	0.0	0.0	0.0	0.0	125.4	47.2
Budget financing	0.0	0.0	371.5	219.5	371.5	219.5
Other	525.6	403.8	356.2	197.6	43.7	285.0

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

H. External Payments Arrears (PC)

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

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

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

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

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

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

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

MEMORANDUM ITEMS

A. Net Banking System Claims on the Government

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

B. External Financing (Definitions)

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

C. Fuel tax revenues

28. The fuel tax revenue is defined as revenues from oil products taxation collected by the General Directorate of Customs (DGD) as reported in the fiscal reporting table (TOFE) under the line "taxes sur les produits pétroliers".

D. Program Monitoring and Data Reporting

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

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

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

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

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

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

(Billions of CFA Francs)

	2014	2015	2016	2017 Budget
Agriculture and rural development	**140.5**	**111.2**	**124.0**	**73.3**
General administration	62.8	47.7	58.6	34.8
Agriculture promotion and development program	31.1	24.0	24.5	9.0
Training of supervisory staff	19.2	19.4	10.2	12.2
Water system works	27.4	9.2	17.1	2.9
Other investments in the rural area (FRAR, FIMR)	0.0	10.9	13.6	14.5
Fishing and animal husbandry	**8.9**	**9.8**	**9.1**	**11.9**
General administration	4.9	6.6	5.6	5.8
Milk production and livestock farming	2.7	2.7	2.3	1.6
Fishing and aquaculture	1.3	0.5	1.2	4.6
Education	**818.8**	**991.6**	**1,179.3**	**1,111.7**
General administration	23.5	26.2	32.8	35.1
Pre-schooling and primary education	307.4	399.7	531.1	473.5
Literacy	0.4	0.3	0.6	0.5
Secondary education and vocational training	291.8	320.9	359.9	411.6
University and research	149.2	198.0	211.4	191.1
Emergency/Presidential program/Education	46.5	46.5	43.5	0.0
Health	**228.9**	**279.5**	**330.4**	**379.7**
General administration	121.8	133.4	157.0	164.3
Primary health system	47.9	62.3	59.5	97.7
Preventive healthcare (enlarged vaccination program)	1.2	2.9	4.0	2.8
Disease-fighting programs	1.4	5.3	38.5	20.5
Infant/mother health and nutrition	0.7	10.7	1.4	11.5
HIV/Aids	1.6	1.8	3.2	23.0
Health centers and specialized programs	34.3	43.1	46.9	59.9
Emergency/Presidential program/Health	20.0	20.0	20.0	0.0
Water and De-contamination	**146.6**	**74.8**	**58.6**	**80.3**
Access to drinking water and de-contamination	103.0	32.5	21.6	79.2
Environmental protection spending	16.6	15.3	7.1	1.2
Emergency/Presidential program/healthiness and de-contamination	13.5	13.5	13.5	0.0
Emergency/Presidential program/drinking water	13.5	13.5	16.5	0.0
Energy	**50.6**	**53.6**	**45.5**	**74.8**
Access to electricity	37.1	40.1	32.0	74.8
Emergency/Presidential program/Electricity	13.5	13.5	13.5	0.0
Roads and Art Works	**138.6**	**155.6**	**153.8**	**215.0**
Road maintenance	4.4	7.3	20.1	13.4
Construction of art works	11.7	12.1	8.2	7.8
Other road projects	122.5	108.0	100.6	193.8
Emergency/Presidential program/maintenance and development	0.0	28.2	25.0	0.0
Social spending	**25.3**	**28.8**	**38.4**	**36.3**
General administration	19.5	23.1	31.2	27.5
Training for women	1.1	0.5	1.6	0.7
Orphanages, day nurseries, and social centers	2.2	2.9	3.1	3.6
Training of support staff	2.1	1.9	1.8	1.7
Indigents and victims of war or disaster	0.4	0.3	0.7	2.9
Decentralization (excl. education, health and agriculture)	**54.9**	**48.0**	**55.1**	**63.3**
Decentralization	54.9	48.0	55.1	63.3
Reconstruction	**1.5**	**14.2**	**11.3**	**12.8**
Reconstruction and rehabilitation	0.0	0.1	0.0	0.1
Emergency/Presidential program	1.5	14.1	11.3	12.7
Other poverty-fighting spending	**8.0**	**3.1**	**9.2**	**10.8**
Promotion and insertion of youth	6.3	1.2	6.6	7.2
Support and follow-up of DSRP	0.1	0.1	0.1	1.0
Development of tourism and craftmanship	1.6	1.8	2.5	2.6
TOTAL	**1,622.4**	**1,770.2**	**2,014.8**	**2,070.1**

Source: Ivoirien authorities.

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

Table 3. Côte d'Ivoire: Document Transmittal for Program Monitoring (concluded)			
Sector	Type of data	Frequency	Transmittal deadline
Domestic debt	Detailed domestic debt statement	Monthly	End of month + 45 days
	Breakdown of new domestic loans and guarantees	Monthly	End of month + 45 days
	Detailed projected domestic debt service	Quarterly	End of quarter + 45 days
	Statement of issuances and redemptions of securities	Monthly	End of month + 45 days
External debt	Detailed external debt statement	Monthly	End of month + 45 days
	Breakdown of new external loans and guarantees	Monthly	End of month + 45 days
	Table of disbursements on new loans	Monthly	End of month + 45 days
	Projected external debt service	Quarterly	End of quarter + 45 days
Public companies	Debt statement of public companies	Quarterly	End of quarter + 45 days
	List of public companies	Quarterly	End of quarter + 45 days
Balance of payments	Provisional balance of payments	Annually	End of year +9 months (provisional); end of year + 12 months (final)