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Letter of Intent

**MINISTRY OF ECONOMY AND
FINANCE**

OFFICE OF THE MINISTER



REPUBLIC OF THE COTE D'IVOIRE

Union-Discipline-Travail

N°...06909... MEF/DGE/DPPSE/SDPPE/AJC

Abidjan, November 21, 2018

**Madame Lagarde
The Managing Director
International Monetary Fund
Washington D.C. 20431**

Subject: Letter of Intent

Dear Madame Managing Director,

1. Côte d'Ivoire continues to pursue economic growth supported by a robust macroeconomic framework and sound fiscal policy while main commodity prices have fallen from their 2016 levels. The Cote d'Ivoire economy is expected to record growth of 7.7 percent in 2018 after 7.7 percent in 2017 owing to the successful implementation of the 2016-2020 National Development Plan (PND 2016-2020) and the economy's resilience to external and internal shocks. It is also benefitting from the faster implementation of major public works and the burgeoning development of its agro-industrial potential. Despite unfavorable commodity prices, for cocoa in particular, fiscal policy has remained prudent without compromising public investments and pro-poor expenditure. The budget deficit is therefore expected to improve from 4.5 percent of GDP in 2017 to 4.0 percent in 2018, before reaching the regional norm of 3.0 percent of GDP in 2019. This is helping to maintain internal and external balances despite the deepening current account deficit caused by higher imports of intermediate and capital goods and higher oil prices coupled with the dip in cocoa prices. Inflation is also under control at 0.5 percent. Similarly, the banking system remains strong, with a capital adequacy ratio of 9.8 percent at end-December 2017 after 8.04 percent at the same time in 2016, in line with the increase in equity allocated toward complying with the minimum capital and equity requirements, as well as to prepare for the transition to Basel II and III prudential standards.

2. The strong economic performances coupled with the continuous improvement in the business climate should help make Côte d'Ivoire an attractive investment destination.

The 2018 Doing Business report ranks Côte d'Ivoire first among OHADA member states and third among ECOWAS member states following the country's implementation of structural and sectoral reforms aimed at strengthening governance and promoting the private sector. According to the latest Africa Investment Index (AII) published on March 26, 2018 by Quantum Global, the ongoing improvement in the business climate has made Côte d'Ivoire the most attractive economy in West

Africa for foreign direct investment (FDI). In addition, in the first half of 2018, more than 7,400 businesses had been registered via the Center for the Promotion of Investment (CEPICI) one-stop shop, an increase of 18.4 percent on the same time of 2017. The investment outlook for Côte d'Ivoire is therefore very promising. According to a survey of international investors on financing African growth conducted by Havas Horizons in 2017, the country ranks among the Top 5 most attractive countries in Africa for foreign investors for the period up to 2022.

3. The attached Supplement to the Memorandum of Economic and Financial Policies (MEFP) outlines the progress made at end-2018 and presents the main objectives for end-2018 and end-2019. In keeping with the Government's commitments, the economic and financial program had been broadly well-executed at end-June 2018. All of the program's performance criteria and indicative targets were met in line with the commitments made by the Government. Although some structural benchmarks were not reached within the deadlines set, almost all of them have been implemented with a slight delay.

4. To help reach the objectives set under the PND 2016-2020, the Government intends to continue with fiscal consolidation efforts and ensure strong and inclusive growth, particularly through the sound execution of the Economic and Financial Program. To this end, fiscal policy will focus on improving revenue collection and streamlining expenditure while safeguarding pro-poor expenditure to achieve the program deficit target of 3 percent of GDP in 2019. The Government will improve management of fiscal risk by consolidating the financial stability of the energy sector, increasing oversight of the debt of state-owned enterprises and modernizing the management of PPPs. The modernization of public financial management will continue through, for example, finalization of the latest regulations implementing the laws on the harmonized public financial management framework within the WAEMU. The Government will also oversee implementation of the measures outlined in the Financial Sector Development Plan (PDESFI) to strengthen the robustness of the banking sector and promote financial inclusion. In addition, particular focus will continue to be placed on improving the business climate through the implementation of a new set of reforms for 2018-2020, which envisages to place Côte d'Ivoire among the top countries in the Doing Business ranking by 2020 and in the Top 10 of the biggest reformers worldwide. Côte d'Ivoire should also benefit from the implementation of projects resulting from agreements reached with other technical and financial partners, including the Compact of the Millennium Challenge Corporation (MCC) and the G20 Compact with Africa initiative.

5. Under the 2016-2019 ECF/EFF supported program, we would like to request the conclusion of the fourth review and a disbursement of 96.786 million SDRs, as well as the modification of one performance criterion, two indicative targets, and one structural benchmark, in accordance with the framework adopted in the program context. As the Government repaid more domestic arrears than expected in 2018, the Government is requesting modification of the quantitative performance criterion for the end of December 2018 for the ceiling on net domestic financing. In addition, the Government is requesting modification of two indicative targets, namely the floor on tax revenue and the one on basic fiscal balance for end-December 2018, to reflect the update of tax revenue projections, its partial impact on budget expenditures, as well as the change in the composition of expenditure and its financing. In addition, the Government is requesting the amendment of the structural benchmark for the introduction of a single identification number to better align it with the reform program. The Government is convinced that the policies outlined in

this Memorandum are sufficient to achieve the program's objectives and will take all additional measures that may be necessary to this end. The Government will consult IMF staff before adopting any additional measures and before making changes to any of the policies contained in the Memorandum in accordance with IMF policy in this area.

6. The Government agrees to make available to IMF staff all of the information required to monitor the implementation of the programmed measures and the attainment of the program objectives as outlined in the attached Technical Memorandum of Understanding on the dates agreed by the two parties. The Government also authorizes the IMF to publish and post on its website this letter and its annexes, as well as the report prepared by IMF staff following the program's approval by the IMF Executive Board.

Very truly yours,

_____/s/____

Adama KONE

Minister of Economy and Finance

Attachments: - Supplementary Memorandum of Economic and Financial Policies for 2018–19
- Technical Memorandum of Understanding

Attachment I. Supplementary Memorandum of Economic and Financial Policies for 2018–19

November 21, 2018

BACKGROUND

1. The dynamic economic performance of Côte d'Ivoire continues, characterized by its solid macroeconomic framework and sound fiscal policy in a context of lower prices for key raw materials compared to 2016. The Ivoirien economy should grow by 7.7 percent in 2018, after 7.7 percent in 2017 thanks to the good execution of the National Development Plan ("PND 2016–2020") and its resilience to external and internal shocks. The economy is benefitting from an acceleration in large public construction projects and the emerging development of its agro-industrial potential. Despite unfavorable cocoa prices, fiscal policy has remained prudent but without jeopardizing public investments and pro-poor spending. Therefore, the budget deficit should improve, down from 4.5 percent of GDP in 2017 to 4.0 percent in 2018, and then reach the regional norm of 3.0 percent of GDP in 2019. This policy helps maintain domestic and external balances despite the growing current account deficit at 3.4 percent of GDP in 2018, mainly with substantially greater imports of raw materials and capital goods, after reaching 2.4 percent of GDP in 2017 due to the increase in oil imports in volume and the price of a barrel, as well as lower cocoa prices. Moreover, inflation appears to be controlled at 0.5 percent. Likewise, the banking system remains sound with a 9.8 percent capital adequacy ratio as of end-December 2017 after 8.04 percent for the same period in 2016, due to the higher level of own funds to comply with the standards pertaining to minimum capital stock and own funds, and to prepare for the transition to the Basel 2 and 3 prudential standards.

2. Buoyant economic performance combined with an ongoing improvement in the business environment should help Côte d'Ivoire become an attractive investment destination. The Doing Business 2019 report ranks Côte d'Ivoire in first place among OHADA members and in second place among ECOWAS members. This performance is the result of implementing structural and sectoral reforms to strengthen governance and promote the private sector. The ongoing improvement in the business environment helped make Côte d'Ivoire the most attractive economy in West Africa for foreign direct investment (FDI) according to the latest Africa Investment Index (AII) ranking, published on March 26, 2018 by Quantum Global. In addition, in the first half of 2018, over 7,400 businesses had already registered with the one-stop window of the Investment Promotion Center (CEPICI); this was an 18.4 percent increase over the same period in 2017. Moreover, the investment outlook is very promising for Côte d'Ivoire, which features among the top five most attractive countries in Africa in the perspective to 2022, according to a 2017 study by Havas Horizons of international investors on financing African growth.

3. To maintain this good economic outlook, the government intends to consolidate the sociopolitical environment, strengthen governance and ensure inclusive growth. To improve the environment of peace and social cohesion, the president, on the 58th celebration of the independence of Côte d'Ivoire, issued a general amnesty order that was welcomed by all political stakeholders. Regarding governance, government efforts since 2012 have enabled Côte d'Ivoire to

rise from 136th place in 2013 to 103rd in 2017 according to the latest Transparency International report on the corruption perception index. To make growth more inclusive, the government intends to strengthen the social component of its strategy by implementing a Social Development Program (PSD) for the period from 2018 to 2020. It will continue to deploy universal health coverage and implement the social nets projects in cooperation with the World Bank. It will also oversee the implementation of the law on mandatory education for children from six (6) to sixteen (16) years old. Moreover, the development strategy based on industrialization, mainly the processing of income-generating products such as cocoa and cashews, should promote job creation. Thus, in collaboration with the development partners, the government will pay special attention to the “agropole” projects to develop the agro-industrial sector while promoting employment for youths and women. Moreover, the promotion of “local content” should facilitate market access for small and medium-sized enterprises and foster entrepreneurship.

4. The government will oversee compliance with the commitments made under the Economic and Financial Program “EFP ECF/EFF 2016-2019.” To this end, the government will continue fiscal consolidation by improving revenue collection, streamlining spending with an increase in pro-poor spending, and more effective management of the fiscal risks of public enterprises and public-private partnerships (PPP). The government will continue to upgrade the management of public finances by finalizing the latest regulations of application for the organic laws on the WAEMU harmonized fiscal framework and by implementing them strictly. Moreover, it will place special emphasis on restructuring the debt of Société Ivoirienne de Raffinage (SIR), scheduled for end-December 2018 and on strengthening the financial situation of the energy sector. The government will also oversee the implementation of the measures in the Financial Sector Development Plan (PDESFI) to strengthen banking sector soundness and foster financial inclusion. Moreover, the government will continue to pay special attention to improving the business environment, mainly in terms of dematerialization and lowering the costs of administrative acts, modernizing the judicial apparatus, and implementing tax reforms. Côte d'Ivoire should also take advantage of the implementation of projects based on agreements with other technical and financial partners, and especially the Compact of the Millennium Challenge Corporation (MCC) and the G20 Compact with Africa initiative.

5. First, this supplement to the memorandum describes the progress that has been made under the Economic and Financial Program as of end-June 2018, and second, it presents the general policies for the second half of 2018 and for 2019.

RECENT DEVELOPMENTS AND PROGRAM IMPLEMENTATION

A. Macroeconomic and Financial Framework

6. The government published the final national accounts for 2016 and the provisional accounts for 2017 in September 2018. In 2016, the growth rate remained buoyant at 8.0 percent, and the deflator was -1.1 percent. These published final numbers have had a direct impact on all macroeconomic indicators since 2016. Thus, a change in the actual and projected tax pressure figures was seen, along with the balances (fiscal, current account, etc.) as a percentage of GDP for fiscal years 2016, 2017, 2018 and 2019.

7. Despite the falling price of cocoa and the social demands in the first half of 2017, the real GDP growth rate of Côte d'Ivoire remained among the highest in the world at 7.7 percent, which demonstrates the economy's resilience to external and internal shocks. The reasons for this dynamic performance were the rebound in export agriculture, the revival of the agro-food industries and the good performance of all services. Fiscal adjustments made by the government helped maintain a stable economic environment. The overall fiscal deficit was 4.5 percent of GDP. The inflation rate of 0.7 percent (year over year) remained well below the regional norm of 3 percent. The current account balance nonetheless widened to -2.4 percent of GDP.

8. Economic trends as of end-June 2018¹ attest to good performance.

- High Frequency indicators show a dynamic performance of the secondary and tertiary sectors, supported by domestic demand. For the secondary sector, the increase is the result of performances in the manufacturing industry (+7.2 percent) and the rebound of construction and public works (+17.9 percent) due to the acceleration of public investment projects. Energy production was stagnant (-0.1 percent) due to relatively lower temperatures, even though the demand for energy by industry was up +4.3 percent. However, mining was down (-12.3 percent), mainly due to lower crude oil and natural gas production. The tertiary sector continues to perform well due to strong retail commerce (8.6 percent), land (13.1 percent) and rail transportation (+19.5 percent). For the primary sector, export agriculture was down due to lower cocoa production after an exceptional 2016/2017 season, as well as for bananas and pineapple. However, palm oil exports rose, as did the production of coffee, cotton, cashews, rubber, sugar and cola.
- **Inflation** is 0.5 percent as an annual average, below the 3 percent regional norm.
- **Budget execution** as of end-June 2018 is characterized by an overperformance in revenue and grants of CFAF 41.4 billion compared to the program objective, mainly due to revenue from oil and investment capital that was mobilized sooner than projected and the collection of CFAF 38.3 billion in fees from mobile telephone services, initially expected in fourth quarter. At the same time, there was under-consumption of total expenses and net lending at CFAF 38.5 billion, due to late execution of investment expenditures and prudent management of operating expenses. Thus, the primary baseline balance had a surplus of CFAF 115.1 billion. The fiscal balance posted a deficit of CFAF 278.4 billion, versus a target of CFAF 358.8 billion. This deficit was largely covered by issuing a Eurobond for CFAF 1,115.1 billion in March 2018, which helped obtain the margins needed for a net decrease in amounts payable of CFAF -144.2 billion versus CFAF -99.6 billion projected, as well as repayment of remaining subsidies to public entities (EPNs) and local governments of CFAF -56.6 billion and trimming liabilities to the banking sector.
- **Foreign trade was marked by the deterioration of the terms of trade and higher imports, reflecting the dynamic performance of domestic demand.** The terms of trade are deteriorating (11.5 percent) due to lower export prices (-12.0 percent) mainly due to

¹All the figures are year over year compared to June 2017 unless otherwise indicated.

cocoa beans (-26.7 percent) and rubber (-14.0 percent), which was much greater than for import prices (-0.6 percent). Moreover, imports in value excluding nonrecurring goods were up by 12.8 percent, driven by all the components: consumer goods (+5.9 percent), intermediate goods (+26.3 percent) and capital goods (+12.9 percent). Exports decelerated by 13.1 percent, exacerbated by the drop in volume of agricultural export products other than green coffee. The result is a lower surplus in the trade balance by 55.1 percent compared to the first half of 2017.

- **Despite a favorable inflation differential, the real effective exchange rate (REER)** for the Ivoirien economy was up 2.0 percent compared to the first half of 2017 due to the depreciation of the dollar. However, the REER was down 0.1 percent compared to the previous six months due to the higher value of the dollar.
- **The monetary survey posted a 10.9 percent increase in the money supply**, driven mainly by the increase in domestic credit of 15.7 percent. This change is the result of higher claims against the government (27.8 percent), and credits to the economy (13.1 percent). The change in foreign holdings was 0.5 percent.

9. The public sector debt is sustainable, including with the Eurobond issued in March 2018. Indeed, the outstanding central government debt went from 45.3 percent of GDP as of end-December 2017 to 45.8 percent of GDP in end-June 2018. The level of domestic debt in percent of GDP was 16.5 percent in end-June 2018 versus 19.9 percent as of end-December 2017. The debt sustainability analysis, performed in August 2018 for the period from 2019 to 2039, which is based on covering gross financing needs in the amount of 50 percent in CFAF and 50 percent in foreign currency, indicates that Côte d'Ivoire's risk of debt distress remains moderate. While making sure to preserve this moderate level of risk, the government may adjust the financing strategy if conditions in the regional financial market justify doing so. For public enterprises, as of end-June 2018, the debt stock amounted to 4.5 percent of GDP versus 4.2 percent of GDP as of end-December 2017, of which 0.17 percent of GDP is guaranteed by the government.

10. Banking sector soundness has improved. The solvency ratio was 9.8 percent as of end-December 2017, above the regional standard of 8 percent. As of end-June 2018, the ratio of non-performing loans was 8.7 percent after 9.8 percent as of end-December 2017 and 10.3 percent as of end-June 2017. WAEMU exchange reserves amounted to 5.5 months of imports versus 4.2 months as of end-December 2017. Moreover, just four banks, that represent only 2.5 percent of bank assets, are not in compliance with the minimum capital standard of CFAF 10 billion. Also, the potential liquidation of SAF Cacao is not expected to have a significant impact on the stability of the banking system, because it only accounts for less than 2 percent of outstanding credit.

11. The Regional Stock Exchange (BRVM) is continuing to strengthen its activities with the opening of a dedicated compartment for small and medium-sized enterprises (SMEs). This compartment, created in December 2017, is a leap forward for the WAEMU regional financial market and aims to offer SMEs and businesses with strong potential access to long-term capital to accelerate their growth and turn them into regional champions. Moreover, stock market capitalization was 9,460.4 billion as of end-June 2018 versus 9,108.8 billion as of end-June 2017, driven by the 27.2 percent increase in bond market capitalization. The market remains dynamic with total traded value that is up 13.6 percent for an annual 2.11 percent average monthly turnover of

instruments. Also, despite the 16.7 percent drop in the BRVM index, the average yield rate of securities listed is 8.83 percent, and overall average profitability is 5.08 percent with an average price to earnings ratio (PER) of 13.37 and a risk premium of 1.48 percent.

B. Social Policy and Employment

12. The government's attention is focused on the transition from school to work and employment, particularly among youths. In this context, several projects and programs have been implemented and the results are encouraging. Thus, for a target of 31,912 youths in 2018 as part of the "Training: My Passport to Employment" project, 31,273 youths had been trained as of end-June. For the support program, there are 1,994 youths for an annual target of 4,100 that have been placed in internships or in their first job as follows: 1,291 youths in the Hiring Assistance Program (PAE) and 703 youths in the Youth Employment and Skill Development Project (PEJEDEC). As for the support program, 1,600 youths will be admitted throughout the country. Moreover, the number of salaried employees in the formal sector was up 3.4 percent over December 2017, which amounted to the net creation of 33,054 jobs as of end-June 2018. This advance is attributable mainly to the private sector, with +25,983 net jobs thus contributing 79.0 percent of net jobs created, and it is still the main driver of the job market.

13. The government continues to deploy Universal Health Coverage (CMU). To this end, for a target population of 3,169,382 individuals, 2,281,841 were enrolled as of July 23, 2018, for an enrollment rate of 72 percent. This effort includes indigent households, and 73,866 individuals were identified in more than 1,314 localities. The system for collecting contributions from the formal sector has already been established, and the system for the agricultural and informal sectors will be finalized following a study performed in cooperation with the World Bank and the French Development Agency. Along with the implementation of these programs, an experimental phase involving a population of 150,000 students, divided among five localities, began on April 25, 2017. To this end, 61,028 cards were distributed as of July 23, 2018, so that recipients could obtain services in 28 health centers. In this pilot phase it was decided to accept 30,000 poor people in 2018 with World Bank support. Capitalizing on the achievements of the pilot phase, the CMU should be gradually expanded to everyone beginning in 2019, taking into account the availability of the supply of health care in the localities.

14. As a prelude to deploying the CMU system, the government is prioritizing the implementation of its second National Health Development Plan ("PNDS 2016-2020") to increase the supply of quality care. In this regard, in 2017 several health centers were rehabilitated, built and equipped, and the first radiotherapy center in Côte d'Ivoire was opened, as well as the University Hospital Center in Angré. Moreover, more than 90 percent of the targeted health care personnel recruitment was implemented. In addition, the fight against HIV AIDS was strengthened by significantly increasing Mother Child Transmission Prevention (MCTP) sites and by providing antiretrovirals (ARVs), up 20 percent and 71 percent respectively, in the period from 2015 to 2017. The government also continued the campaign for awareness, vaccination and Long-Lasting Impregnated Mosquito Nets (MILDA), so that the target population covered (pregnant women and children less than one year old) rose from 47 percent in 2015 to 66 percent in 2017.

15. The government continues to strengthen its education system to promote education for all. In strengthening the supply of education, in 2018, a total of 3,797 new primary classrooms

and 137 secondary schools were delivered under Law No. 2015-635 of September 17, 2015, amending article 2 of Law No. 95-695 of September 7, 1995, making schooling mandatory for all children from 6 to 16 years old. Moreover, the government continued its policy of building local junior high schools and work to assist the poor, mainly by distributing free school supplies to students in public primary schools, and through its campaigns to raise the awareness of schooling for girls. Thus, the net access rate to primary education was 72.1 percent for the 2017-2018 school year versus 71.4 percent for the 2016-2017 school year. The net primary school enrollment rate is above 91 percent after the significant increase (+19 percent) of the last five years. For girls specifically, in line with the strategic plan for accelerating schooling of girls, efforts were made to implement infrastructure necessary to welcome and maintain them in the education system. As a result, the proportion of high schools for girls with functional boarding facilities increased from 62.5 percent in 2016 to 64 percent in 2017. Moreover, the gender parity index at the upper high school level increased from 0.69 in 2016 to 0.72 in 2017.

C. Program Implementation in the First Half of 2018

16. All program performance criteria as of end-June 2018 were met in accordance with the government's commitments. The fiscal balance was CFAF -278.4 billion for a programmed deficit of CFAF 358.8 billion, thanks to better revenue collection and spending control. Net internal financing was CFAF -750.1 billion below the ceiling of CFAF 379.5 billion. The present value of the new external debt the government contracted, including the Eurobond issued in 2018, is US\$2,721.7 million, for a revised ceiling of US\$3,972.8 million. Moreover, no external or domestic arrears were accumulated during the execution of the budget as of end-June 2018.

17. All indicative targets as of end-June 2018 were also met. The primary basic balance was 115.1 billion, above the floor of CFAF 17.5 billion. Expenditures executed by cash advance procedures reached CFAF 55.7 billion against a ceiling of CFAF 87.0 billion. The net decline in the stock of "amounts payable" as well as repayment of subsidies to EPNs and local governments was CFAF -200.8 billion for a target floor of CFAF -99.6 billion. With the continuation of the government's social policy, pro-poor spending reached an estimated CFAF 1,122.0 billion against a floor of CFAF 1,010.1 billion, which was CFAF 111.9 billion above the target.

18. Even though several structural benchmarks had not been implemented on time as of end-June 2018, nearly all of them were executed.

- The action plan to improve the monitoring of goods in transit, prepared as scheduled by end-March 2018, was adopted in May 2018;
- The remaining government contribution to the recapitalization of the national savings bank (CNCE) was paid in June 2018, slightly later than the deadline of end-March 2018 in the program;
- The end-June 2018 report on the financial position of Air Côte d'Ivoire was submitted;
- The summary table of the execution of the debt service of public enterprises as of end-March and end-June 2018 was submitted on time;

- The tax revenue from the sale of oil products was not collected at the targeted amount due to the significant increase in the price of crude oil, combined with a lower level of consumption than in the assumptions of the initial projection;
- The action plan to streamline tax exemptions was not adopted due to the preparation of the new draft of the Investment Code, adopted by the Council of Ministers on August 1, 2018.

Moreover, the SIR debt restructuring process has not been finalized yet. However, it should be completed in December 2018.

19. Major reforms have been implemented since the third EFP review.

Price adjustment:

- The guaranteed price of cocoa for producers continues to be adjusted based on international prices in accordance with the mechanism of setting the guaranteed price. Thus, the farmgate price of CFAF 700 was maintained for the entire main 2017/2018 season and the price of CFAF 750 was set for the 2018/19 season on October 1, 2018;
- Retail fuel prices continue to reflect the price adjustment mechanism. However, the need to lower the social cost that resulted from a significant increase in international fuel prices made impossible to preserve all the tax revenue from the sale of oil products in a context of fuel consumption that was lower than projected.

Tax policy:

- In the revision of the 2018 Budget Law, excise taxes on tobacco and alcoholic beverages were adjusted upward by 1 percent and 2 percent respectively;
- The new Investment Code, which is a baseline document in preparing a plan to streamline tax exemptions, was adopted by the Council of Ministers in August 2018;
- The 10-percent tax on exports of cashew nuts was temporarily revised to 3.5 percent to take into account the unfavorable economic situation due to lower external demand in 2018;
- The fight against tax evasion and the indirect transfer of profits abroad continued to be strengthened. In this context, Côte d'Ivoire began to upgrade its transfer price control system by adopting the provisions of article 15 of the tax annex of Law No. 2016-1116 of December 8, 2016 on the 2017 government budget and article 14 of the tax annex of Law No. 2017-870 of December 27, 2017 on the 2018 government budget.

Tax administration:

- Filing tax returns and paying taxes online were extended to all large and medium-sized enterprises. The overall rate of compliance for these enterprises rose from 36 percent in January 2018 to 78 percent in end-August 2018. Regarding collection, taxes and other fees paid online amount to 50.5 percent of domestic tax revenue as of end-August 2018;

- Payments of taxes and fees by mobile phone for taxpayers who pay the property tax and those who are covered by the “impôt synthétique” (simplified taxpayer regime) have been in effect since February 2018;
- Now that the Risk Analysis, Cross-Checking and Investigations Directorate (DERAR) is fully operational, the risk analysis dimension can be included in the tax audits to make them more effective;
- The segmentation of the tax population continued with the establishment of four Medium-Sized Enterprises Centers in Abidjan, coordinated by a Directorate of Medium-Sized Enterprises;
- The tax audit improvement plan was implemented, with special emphasis on audits of tax returns with credit balances with no payments, and selective audits;
- The certification and approval of financial statements has been made mandatory. For 2016, more than 6,700 financial statements were certified or approved, which was 80 percent of them;
- The digitalization of the filing of financial statements entered its active phase when the e-liasse system became operational in 2017. The first financial statements based on FY 2017 results were recorded in the system. As of end-September 2018, 764 financial statements had been entered in the system. This process will enable the tax administration to have updated data for analysis purposes;
- The census of real estate owners and taxpayers of various taxes in several localities was launched to expand the tax base (real estate tax and business taxes);
- The electronic Real Estate Book was put in place for online consultations of real estate documents by all notaries. Thus, the number of real estate documents placed online went up from 172,913 in December 2017 to 194,682 as of end-July 2018;
- The National Committee to Evaluate Tax Spending was put in place on July 28, 2017 by interministerial decree 0015-1/SEPMBPE/MPD/MEF of July 28, 2017 in order to include other entities such as the National Statistics Institute, General Direction of Economy, etc., in the preparation of this document in accordance with community provisions. The purpose of this expansion and inclusiveness of the framework for preparing this report is to make it as comprehensive as possible while improving its analytical aspect; and
- The government introduced quarterly communications on the status of tax exemptions in the Council of Ministers in March 2018 to improve monitoring and online management in accordance with current legislation and policies.

Management of fiscal risks:

- The summary table on monitoring the execution of servicing the debt of the public enterprises was produced for the first half of 2018. It contains updated data for twenty (20) entities versus eighteen (18) in December 2017;

- The strengthened monitoring of the public enterprises provides periodic information on the key activities that have a potential impact, including:
 - The framework agreement for transferring the business activities of the network of service stations of the national oil holding company PETROCI to PUMA ENERGY company, signed on January 10, 2018 as agreements with an impact on the portfolio structure;
 - Strategic interest reports were submitted, including the report on Air Côte d'Ivoire's financial position for the first half of 2018;
 - The periodic updating of the information database of PPP projects.
- An audit of current PPP contracts, the report on which is now being approved, was conducted to evaluate the fiscal impact of government commitments;
- The duties of the Committee in Charge of Preparing the Multiyear Budgetary and Economic Programming Document (DPBEP) were expanded to include preparing the declaration document on fiscal risks. The composition of this committee was also strengthened by incorporating all the other entities to which fiscal risks apply;
- An Analysis and Anticipation Committee (CORA) for fiscal risks was put in place in the General Directorate of the Government Holdings (DGPE) to enable it to play an important role in coordinating and monitoring the fiscal risks of public enterprises;
- The annual report on the economic and financial position of public enterprises was improved, including by the presentation of the impact produced by enterprises in the government portfolio on the development of Côte d'Ivoire, the presentation of the projected performance of public enterprises, the integration of the taxation of these enterprises as part of the support provided by the government of Côte d'Ivoire; and
- The performance contracts signed between the government and seven public enterprises. In accordance with the government's wish to continue this process, work is in progress for a second group of seven enterprises.

Government finance:

- The government adopted the results of the evaluation of the master plan for public finance reforms for the period from 2014 to 2017, as well as the new master plan for the period from 2018 to 2020. The purpose of this new master plan is to strengthen the reforms underway and bolster the governance of public finance management;
- The work of interfacing between the Integrated Public Finance Management system (SIGFiP), the general government accounting management software package and the monitoring of auxiliary accounting (ASTER) was finalized and the data for all the tables that were produced were made consistent;
- The cash advance management module has been completed and is operational. It is currently in the experimental phase;

- The deployment of SIGFiP continued with the connection of 9 new embassies, bringing the total number of embassies connected to SIGFiP to 28;
- A list of the key investment projects in the 2018 budget was prepared and published on the Budget Ministry website to facilitate access to simplified budget information;
- The test phases of the "Preparation of budgetary acts" module of the new integrated budgetary management system, in the context of the program budgets, were validated and improvement is in progress;
- The Integrated Programming Analysis and Monitoring-Evaluation System for projects (SINAPSE) was finalized and is now being implemented in the ministries;
- The updated version of the Public Investment Program for the period from 2018 to 2020 (PIP 2018-2020), which includes the ongoing Public-Private Partnership (PPP) infrastructure projects, is available;
- The installation of public procurement units in all the ministries was completed in the first half of 2018, and they are operational;
- The "public e-contracting" module for entering and validating public tender documents has been in use since July 20, 2018 for some operations in 10 ministries; and
- The Integrated Public Procurement System (SIGMAP), accessible via internet, now connects five (5) communities in the District of Abidjan;
- The revenue component of the Treasury Single Account is operational in the General Directorate of Taxes and the General Directorate of Customs. As of end-August 2018, 904 accounts with commercial banks had been closed.

Energy sector:

- The "Government-Energy Sector" memorandum of understanding was used to clear all arrears of the government and of the EPNs (national public entities) due as of end-2016 in the amount of CFAF 53.2 billion and to ensure budget coverage of the balance of overdue amounts from 2017 by including it in the payments made by the treasury for consumption by the central government, EPNs, public lighting and traffic lights in Abidjan. Effective in 2018, all current validated government invoices are paid regularly.

Business environment and financial sector development:

- On August 2, 2018, the Council of Ministers authorized the ratification of the agreement creating an African continental free trade zone;
- The information on real estate ownership is available in the investor services portal;
- The process of privatizing Banque de l'Habitat de la Côte d'Ivoire (BHCI) was completed with the option of a minority holding on January 14, 2018 by the government and Westbridge;

- The own funds of national savings bank (CNCE) were strengthened by injecting CFAF 13 billion in accordance with its restructuring plan;
- The capital stock of Versus Bank was opened to the Civil Service Pension Fund (CGRAE) by decree of the Council of Ministers on June 27, 2018. The recapitalization amount will be paid by the end of first quarter of 2019 and will bring the bank's capital stock in compliance with the minimum capital regulation; and
- The Agency for the Promotion of Financial Inclusion (APIF) was founded in May 2018 and one of its roles is to adapt the supply of financial services to lower-income populations, to facilitate access to financing and to effectively fight poverty.

ECONOMIC AND FINANCIAL PROGRAM FOR 2018–19

A. Program Objectives for the Rest of 2018 and 2019

20. The government will strengthen the implementation of the PND 2016-2020 to reduce poverty and to reach the goal of becoming an emergent market economy. The socioeconomic policies and programs should be strengthened to make them more effective. To this end, the government will continue to implement its growth strategy based on increasing efficiency of investments in infrastructure and human resources. Moreover, efforts to improve the business and governance environment will be intensified to attract more private investment and improve productivity. In accordance with the policy in the PND 2016-2020, emphasis will be placed on agro-industry, which should promote job creation. The new investment code adopted by the Council of Ministers in 2018 takes this strategic policy into account (Box 1). Moreover, the government will finalize and implement its Social Development Program for 2018-2020 to strengthen its social impact. The results expected from implementing the “mandatory schooling” policy, making health care universal, and strengthening the “social safety nets” project should help reduce inequalities and better meet the basic needs of the most vulnerable.

21. The 2016-2019 Economic and Financial Program aims to support the proper implementation of the PND 2016-2020 in a sound macroeconomic framework. In this regard, the program is based on the following activities:

- Preserve the soundness of the macroeconomic framework and the government's fiscal space, mainly by increasing tax revenue and maintaining debt sustainability;
- Strengthen public financial management and the management of public enterprises;
- Strengthen the business environment and develop the private sector;
- Improve and develop the financial sector; and
- Strengthen the statistics.

Box 1. Presentation of the New Investment Code

The diagnostic assessment of the 2012 investment code revealed some weaknesses, including: (i) inefficient fiscal spending and incentives that are not aligned with investor expectations; (ii) an imbalance between investments and the government's priority sectors, and their concentration in the District of Abidjan; and (iii) the heavy dominance of investments from multinationals.

To address these limits, the Council of Ministers adopted a new investment code and its implementing decree on August 2, 2018. The key reform proposals address the following issues:

Tax optimization

In the investment phase, a full exemption from customs duties and a suspension of the VAT is proposed. However, during the operational phase, a mix of two modes of incentives was adopted, i.e., direct exemption for taxes and tax credits applicable to other taxes owed for the duration of the benefits. Implementing this new code should lower the overall opportunity cost compared to the previous one by 43 percent, in conjunction with the introduction of categories and tax credits and the separate treatment of taxation during the investment and the operational phase.

Eligible sectors

The following sectors are excluded from the incentives in the new investment code: banking and financing; real estate; commerce; tobacco and unregulated professions. However, in accordance with the objectives of the PND 2016–2020, two business categories are eligible. Category 1, consisting of the priority sectors, namely agriculture, agro-industry and health, are exempt from tax. Category 2 consists of all the other business sectors which are eligible for the tax credit.

In close connection with the Competitive Economic Pole Project, the period of the incentive depends on the geographic zone of the investment. Consequently, there are three different zones: (i) zone A, comprised of the District of Abidjan for a period of five years; (ii) zone B, consisting of the regional capitals, Bonoua and Grand-Bassam, for a period of 10 years; and (iii) zone C, consisting of the other population centers for a period of 15 years.

Local content

Local content policy is based on strengthening tax incentives and aims to foster hiring of national managers, subcontracting and the participation of nationals in the capital of the enterprise that is created.

22. While ensuring strong and sustained growth, the objective of the Economic and Financial Program is to preserve the internal and external balances. For 2018, the overall budget deficit should remain in line with the program target. Nonetheless, because of the publication of the final national accounts for 2016 and the provisional accounts for 2017, revisions of the nominal GDP for 2018 and 2019 affected the ratio of the budget deficit as a percentage of GDP, which stands at 4.0 percent for 2018. For 2019, the deficit will be brought down to 3 percent of GDP as initially planned. Inflation should remain below 3 percent, in accordance with the community standard. The current account deficit should remain below 4 percent of GDP.

B. Macroeconomic Framework

23. Dynamic economic activity should continue over 2018–2019. In 2018, the growth rate should be 7.7 percent, driven by the dynamic performance of the secondary and tertiary sectors, which should grow by 8.5 percent and 10.8 percent, respectively. The performance of the secondary sector should be due to buoyant construction and public works and agro-industrial and other

industries, reflecting the beginning of the implementation of the strategy to industrialize the economy. The tertiary sector should benefit from the dynamic performance of all branches of activities. Primary sector growth should be 3.1 percent after 11.2 percent in 2017, due to the slowdown in export agriculture. On the demand side, growth should be driven by final consumption and investment. Thus, the investment rate should be 20.8 percent of GDP in 2018, and of that, 13.3 percent should be attributable to the private sector. In 2019, the growth rate should be 7.8 percent, attributable on the supply side to cash crops, the agrifood industries, oil products, construction and public works, and services, and to investments and final consumption on the demand side.

24. As an annual average, inflation is projected to be 0.5 percent in 2018 and 0.5 percent in 2019, below the regional norm of 3.0 percent.

25. The current account deficit should be contained at roughly 3.5 percent of GDP over the 2018-2019 period and should be 3.4 percent of GDP in 2018 after 2.4 percent of GDP in 2017, due to the decline in the trade surplus and the worsening services deficits, and the deficits of primary and secondary income. For 2019, the deficit would decline to 3.6 percent of GDP due to the improvement in the trade balance.

26. The monetary survey should show an increase in money supply of 8.3 percent and 12.7 percent in 2018 and 2019 respectively, due to higher internal credit and the consolidation of net foreign holdings.

C. Fiscal Policy

27. The government's fiscal policy for the 2018-2019 period seeks to strengthen fiscal consolidation after the efforts made to contain the negative effects of the 2017 external and internal shocks. In particular, the policy aims to:

- Continue to improve tax revenue collection and contain operating expenses to generate sufficient fiscal space needed to finance public investments while increasing spending to fight poverty and curtail social disparities;
- Continue to lower the budget deficit and keep it on a path compatible with the internal and external balances while ensuring that it is compliant with community standards;
- Strengthen the effectiveness of investment spending;
- Strengthen the control of fiscal risks; and
- Make performance the focus of fiscal management with the implementation of program budgets.

28. In 2018 the budget deficit should be 4.0 percent of GDP.

- Total revenue including grants should be CFAF 4,879.4 billion, 20.4 percent of GDP against an initial target of CFAF 4,891.6 billion. Tax-to-GDP ratio should be 15.6 percent, as planned, despite the lower rate of the export duty (DUS) on cashews, down from 10 percent to

3.5 percent, and less revenue projected from taxes on general goods and petroleum products. However, compensatory measures were taken to preserve the program objective in terms of the tax-to-GDP ratio. These included reinstituting the registration tax on cocoa and strengthening monitoring of oil production.

- Total expenditures and net lending should be CFAF 5,833.7 billion against a target of CFAF 5,846.0 billion. Pro-poor spending is estimated at CFAF 2,290.8 billion as projected initially. Investment expenditures should be CFAF 1,658.9 billion against a projected CFAF 1,704.2 billion, for an execution rate of more than 97.3 percent.
- The overall budget deficit in 2018 is expected to be financed through the financial markets in the amount of 1,590.8 billion, divided between external resources (1,115.1 billion Eurobond) and domestic resources (475.6 billion in issuances on the regional market).

29. The 2019 draft budget, adopted by the government on September 26, 2018, posts a budget deficit of 3.0 percent of GDP, which is consistent with program targets. This change would result from the combined effect of optimizing tax collection potential, controlling spending and good management of budget execution. To this end, for 2019:

- Total revenue and grants would be 20.5 percent of GDP. Tax collection ratio, including earmarked taxes, would increase by 0.5 percentage points of GDP to reach 17.0 percent of GDP against 16.5 percent of GDP in 2018.
- Expenditure and net lending would be 23.5 percent of GDP. Operating expenses should be controlled at 4.3 percent of GDP versus 4.7 percent of GDP in 2018. The wage bill should be 6.6 percent of GDP, in accordance with the updated wage bill management strategy. Investment spending is projected to be 6.6 percent of GDP against 6.9 percent of GDP in 2018.
- The government will take the steps necessary to adjust its spending downward to the level of use of grants received under the C2D (excluding budget supports) and not used in 2018.

30. Fiscal regulation will continue making the use of budget credit consistent with the pace of revenue collection, to comply with program objectives. Thus, if revenue collection underperforms, the government will undertake offsetting revenue measures with an equivalent yield or make spending adjustments. The government will strive to preserve pro-poor spending in potential adjustment arbitrations.

31. To mobilize the additional tax revenue estimated at 0.5 percentage points of GDP in 2019 compared to the previous year, the government intends to implement measures in domestic taxation, as well as in customs taxation. These measures should mobilize 0.6 percentage point of GDP in terms of domestic taxation and 0.1 percentage point of GDP of earmarked taxes. However, there would be a reduction of 0.2 percentage point of GDP in terms of customs taxation:

Box 2. Key Tax and Customs Measures to Help Increase Tax Revenue Mobilization in 2019

Domestic taxation:

The planned measures include:

- Establishing a registration fee on cocoa;
- Strengthening collection efforts for the real estate tax;
- Putting cash registers in place to improve VAT management in some taxpayer categories;
- Eliminating some exemptions on investment projects to increase VAT yield;
- Continuing to monitor oil production to improve related revenue collection;
- Gradually eliminating VAT exemptions, except for those listed in the WAEMU Directive and those that comply with previous commitments, and not renewing exemptions that expire in 2018;

Customs taxation:

- Putting in place a Mirror Data Analysis Unit (CADOM) to calculate discrepancies in values and quantities using statistics;
- Establishing a tax of CFAF 20/kg for cottonseed exports;
- For cashew nuts, gradually returning to normal export duty with an increase of (temporary reduced in 2018) rate from 3.5 percent to 7 percent at the beginning of 2019;
- Putting in place an excise tax on luxury vehicles and marble;
- Raising the excise tax on tobacco products by 1 percent to move toward community standards;
- Continuing to strengthen border controls by installing new scanners at the airport;
- Continue risk analysis to reduce risks of fraud for general goods; and
- Implement the action plan to improve customs transit management.

These measures are part of the government's policy to streamline tax exemptions and broaden the tax base while maintaining an environment that attracts investment. Thus, for domestic taxation, the reforms that aim to strengthen the tax administration's efficiency will continue with the revamp of the information system and the implementation of a new system to improve taxpayer-client services and a system to analyze data to ensure that taxes are actually paid at their fair level. This integrated and more secure information system should interconnect the tax administration with other public entities (procurement, the public Treasury, social security fund and construction ministry) and private entities (Public Works Building Laboratory, CIE and SODECI) to better use information from the different databases. As for customs taxation, efforts to strengthen control at the borders will continue with the installation of new scanners at the airport and the rehabilitation of the western border posts to better deal with fraud controls. The interconnection between the General Directorate of Customs (DGD) and the General Directorate of Taxes (DGI) will be strengthened to automate certain consistency controls. In addition, the survey of parafiscal revenues will be finalized in 2018 and will be used as a basis for gradually expanding the scope of tax revenues. Finally, the government will adopt an action plan to streamline exemptions based on the guidelines in the Investment Code.

32. All tax reforms reflect the government's pursuit of a concerted approach with the private sector designed to take advantage of its input as a source of proposals. In this regard, taxpayers, now considered clients of the tax administration, are involved in all matters of interest in an effort to better anticipate their constraints and share government policy guidelines. Thus, the circle of exchanges and analyses (CER), which the DGI and private sector use to debate the key issues, has been reactivated. The private sector continues to work in the Joint Committee to Monitor VAT Credit Refunds and is a member of the Regulatory Council of the National Authority for the Regulation of Procurement (ANRMP). Moreover, the prime minister set up a Tax Reform Committee consisting of government administration officials and the private sector to hold a technical debate on reform proposals to be submitted to the government. This dialogue framework characterized the context for preparing the 2019 tax annex.

33. The government will continue to implement the tax and customs administration reforms to improve the level of VAT and tax revenue collection. The program consists of three major parts as follows: (i) improve the efficiency of the services; (ii) optimize real estate taxation; and (iii) expand the tax base by formalizing informal activity.

The topics of these reforms are:

- Establish the single taxpayer identification number in Côte d'Ivoire. In this regard, the legal framework has been finalized. The generation system has been identified and the software for it has been incorporated into the process of creating enterprises online. The official launch of the single taxpayer identification number will be in October 2018 and will automatically assign a single taxpayer identification number to new enterprises created through the CEPICI single portal for creating enterprises online. Even though the law gives existing enterprises two years to obtain their single taxpayer identification number, the process of re-registering these enterprises will be launched in 2019 with the goal of adding 10,000 of them.
- Establish the requirement for enterprises with turnover greater than 200 million to file tax returns and pay online in order to secure the effective collection of tax revenues while improving the traceability of operations;
- Promote the use of mobile DGI to pay the tax for simplified regime taxpayers and the real estate tax;
- Make the integrated and secure tax information system operational. This system should provide a complete and automatic view of taxpayer files, while controlling cash flow and making it secure. It should also dematerialize relations between the tax administration and users, as well as put in place decision-making tools and incorporate all business fields into a single IT tool;
- Begin the implementation of strategic interconnections with some public and private entities by using the single taxpayer identification number;
- Continue with taxpayers paying the tax for simplified regime taxpayers and real estate tax by mobile telephone;

- Put in place a system to control telecommunications flows to better harness the turnover of economic operators in this sector;
- Finalize a new IT master plan that proposes a global architecture, taking the new automated management environment into account with the purpose of securing all the processes;
- Implement the GED (electronic management of documents) to dematerialize documentation and files to accelerate procedures for issuing administrative acts and monitor taxpayer files in the units;
- Implement a model to project tax revenue, especially for the VAT, the business profit tax (BIC), and the wage and salary tax to improve the ability to project revenue;
- Continue the survey work in high-potential areas and take a census of taxpayers in the city of Abidjan and in the interior to expand the tax base for real estate and miscellaneous taxes;
- Extend the Electronic Real Estate Book to banks and financial institutions to strengthen the mortgage market and make it more secure;
- Take the targeted census of taxpayers and real estate owners at four pilot sites (Plateau, Cocody, Marcory and Assinie);
- Begin to implement a parcel identification system;
- Adopt taxation that fits the development of SMEs to gradually reduce the weight of the informal sector;
- Continue awareness raising efforts in tax compliance; and
- Strengthen the monitoring of yields of CMEs that were created in the segmentation policy according to performance indicators.

Box 3. Set up the Medium-Sized Taxpayer Centers (CME)

To upgrade the tax administration, Côte d'Ivoire began the process of segmenting the taxable population by creating Medium-Sized Taxpayer Centers (CME) in 2014 and the Directorate of Medium-Sized Enterprises (DME) in 2016, in charge of coordinating activities and managing the CMEs.

The CMEs are in charge of the tax base, collection, off-site audits, selective audits and general certification of accounting for enterprises whose annual turnover net of taxes is between two hundred (200) million francs and three (3) billion francs and that fall under their area of jurisdiction.

The CME coverage in general consists of merchants, service providers and industrial companies. The number of enterprises in the CMEs climbed from 1,109 enterprises in 2014 to 2,581 as of end-June 2018.

The breakdown in this coverage according to branches of activity indicates that most taxpayers are in the services sector (48.24 percent) and commerce (32.55 percent). Industry ranks third, with 19.22 percent of taxpayers that fall under the DME.

When the CMEs were made operational between 2014 and end-June 2018, they helped lower the rate of defaulters, improve the results of tax audits and increase collected revenue.

Actually, the default rate went from 18.2 percent for the TVA and 22.22 percent for the ITSs in 2014 to 7.5 percent for the VAT and 8.4 percent for the ITSs as of end-June 2018. The more time an enterprise is in the CMEs after being transferred, the more the default rate improves. Thus, the average default rate is between 3 and 5 percent for enterprises that joined the first two CMEs that began operating in 2015. For the new transfers in 2017 and 2018, the average default rate fell from about 16 percent to 6–8 percent.

The results in terms of tax audits have evolved gradually since 2015 to end-December 2017. The number of completed audits was up, as well as the revenue the audits generated. Moreover, total collection after the audits rose from CFAF 3.1 billion in 2015 to CFAF 7.5 billion in 2017.

Finally, about 76 percent of the enterprises that fall under the CMEs had joined the online payment system (www.e-impots.gouv.ci) as of end-June 2018.

34. The government will continue its policy of streamlining spending by prioritizing leading public investments and pro-poor spending, while avoiding the creation of new liabilities.

- Regarding the control of current expenditures, the government will continue to exercise fiscal regulation of expenditures based on the pace of revenue collection. It will continue its policy to strengthen ex-ante audits performed by the audit entities and its missions of supervising stakeholders in the public expenditure chain. The government will also oversee the implementation of its wage bill control strategy (Box 4). Moreover, the government will continue to ensure strict compliance with Order No. 178/MEF/CAB-01/20 of March 13, 2009 establishing the procedures for the use of cash advances;
- Regarding investment expenditures, the government will continue to prioritize projects in 2018 and 2019. To enhance the effectiveness of these investments, it will continue to consider the maturity and impact on economic activity in the project budgeting phase. It will also oversee the ongoing implementation of the recommendations from the IMF technical assistance mission held in January 2017 on the PIMA assessment with the AFRITAC technical assistance mission in early 2019. The government will continue to pay special attention to monitoring public investments by entering appropriations in the budget to cover the

recurring expenses they generate. Thus, a connection between the program of building classrooms and hiring new teachers is made, while taking training periods into account. The same holds for road infrastructure where a flexibility mechanism was introduced to deal appropriately with minor defects. In health, infrastructure construction and management are incorporated into the overall framework of improving the efficiency of government spending, which should improve the current management pilot project on results in conjunction with the World Bank in some public hospitals;

Box 4. Progress in Implementing the Wage Bill Control Strategy

In May 2014 the government adopted a strategy to control the wage bill for the period from 2014 to 2020 to ensure a controlled evolution of the medium- and long-term wage bill and to ensure compliance with the WAEMU convergence criterion. This strategy is the government's sole frame of reference in terms of improving the salaries of civil servants and government employees.

To comply with the provisions of this strategy, the "wage bill/tax revenue" ratio decreased from 46 percent in 2014 to 41.8 percent in 2016.

However, since 2017, the implementation of the memorandum of understanding on wage claims has led to a new indexed premium with categories and additional charges due to the payment of the stock of arrears for the 2017-2025 period. Moreover, the Obligatory Education Policy requires more hiring than indicated in the strategy.

To contain these impacts, additional measures were taken. These include: (i) hiring auxiliary primary school teachers instead of regular teachers; (ii) revising downward hiring in sectors other than education-training and health through a hiring policy for two career paths instead of hiring for a path adopted in the initial strategy; and (iii) the voluntary departure policy that is part of the military programming law.

In addition to the wage bill control strategy, the government intends to strengthen the system for evaluating civil servants and government employees by adopting an evaluation grid that will establish promotion conditions and procedures for non-management staff and managers in 2020. In the same vein, a directory of jobs and skills will be adopted to ensure greater consistency between the needs and profiles to be hired, thereby helping to ensure closer monitoring of staff levels in the various administrations and institutions. This process should be finalized in 2020.

These provisions help maintain the downward trend in the "wage bill/tax revenue" ratio, which was 41.5 percent in 2017, and projected to be 41.4 percent in 2018 and 39.0 percent in 2019. This dynamic performance should continue and converge at the community standard of 35 percent beginning in 2021.

Moreover, the ongoing dialogue between the unions and government in the Committee to Monitor Memoranda of Understanding on the Social Truce and Wage Claims should prevent potential issues in implementing the strategy.

- The government will deepen its involvement in assisting vulnerable persons while ensuring its efficiency. Thus, pro-poor spending should be 9.63 percent of GDP in 2019 versus 9.56 percent of GDP in 2018 and will mainly target education, health, rural electrification and village water supply. Moreover, to improve the targeting, a technical assistance mission from the World Bank is expected. In addition, the government began operations to identify indigent households as part of the Social Safety Nets projects, which enabled identifying 73,866 households, as of today, in more than 1,314 localities. This process should be extended to the entire country; and

- To prevent potential liabilities, the government will stress awareness and the implementation of sanctions for this purpose. Moreover, sufficient lines of credit are in place to prevent liabilities, in particular for actual consumption of electricity, “fuel for the army” and tuition fees. Moreover, the government will continue to promote and disseminate information on the Information Unit for Economic Operators (CELIOPE), an administrative unit established in the DGBF to provide information at no charge to government providers and suppliers on the existence of budget appropriations and all budget-related operations.

D. Debt Policy and Strategy

35. The national debt policy is the benchmark statutory and regulatory framework that governs the debt of the central and lower levels of government. The objective is to strengthen the system for supervising and managing the public debt. The draft law is being discussed in the Debt Experts Committee (CED) and will be submitted to the National Public Debt Committee (CNDP) for its opinion before adoption.

36. The government aims to consider financing related to public investments and other needs of the government as part of a medium-term debt management strategy (MTDS). This strategy is consistent with the debt sustainability analysis (DSA) that balances the cost and risks of new financing and ensures a moderate risk of debt distress. Given the deterioration of the borrowing conditions in the regional financial market in 2018, for 2019 the government plans to resort to debt in CFAF and foreign currencies in the proportion of roughly 44 percent and 56 percent, respectively. In addition to the financing on financial markets and from banks, domestic financing includes corporate payments, privatization and sales of assets; while external financing incorporates project loans and budget support, including from the IMF. Priority will be given to concessional loans and, if needed, to semi-concessional loans or even loans with commercial terms. The MTDS 2019–2023, now being finalized, envisages meeting gross financing needs in roughly equal proportions with financing instruments in CFAF and foreign currencies. This strategy may be revised if the parameters that determine sustainability change favorably. In any case, the government will aim at limiting exchange risks linked to external loans by prioritizing loans in euros. To this end, on September 6, 2018, the government engaged in a swap to service the debt denominated in US dollars for the 2018–2022 period.

37. The last debt sustainability analysis undertaken by the government indicates that Côte d'Ivoire remains at moderate risk of debt distress. All the solvency and liquidity indicators are below their respective thresholds over the period 2019–2039 thanks to a good economic outlook and an appropriate fiscal policy. However, Côte d'Ivoire remains vulnerable to negative macroeconomic shocks that could relate, in particular to exports, the depreciation of the euro-dollar exchange rate, tighter financing conditions in the international markets and the growth rate.

38. Finally, for 2019, and in accordance with program objectives, the government plans to resort to new external loans limited to \$3,480.5 million in present value terms (including a Eurobond issuance). These loans will be used to finance major structural projects in the following sectors: transport, electricity, drinking water and irrigation of farmland.

39. The government will continue to improve public debt management in accordance with international requirements and WAEMU community standards. To strengthen the legal and institutional framework of the public debt, it plans to finalize the following instruments:

- The draft law on national debt policy and public debt management;
- The draft decree on the procedures for approaching the Ministry of the Economy and Finance for direct government loans;
- The draft decree on the amendment to Decree No. 83-501 of June 2, 1983 on the regulation of conditions for extending loans, management procedures for government approvals and onlending of borrowed funds; and
- The CNDP Procedures Manual.

The interlinkages between the new debt sustainability framework and the fiscal reporting table (TOFE) underscore capacity building needs. Moreover, the implementation of the 2016–18 three-year capacity development plan continues with the training of all staff in the Public Debt Directorate in areas related to the analysis of risk management, financial programming, macroeconomic management, the medium-term debt strategy, the debt sustainability analysis and the medium-term expenditure framework, financial analysis, cash management, legal aspects of the debt for economists and economic aspects of the debt for legal experts.

E. Structural Reforms

Price Regulation

40. To take changes in international prices into account, the government will take the measures necessary to adjust prices in the key sectors involved.

- The decision to temporarily cap basic prices ended on July 18, 2018. However, prices have been increased so as to ensure normal market operation.
- The minimum guaranteed farmgate price to cocoa and cashew producers is set in accordance with the current mechanisms.
- Retail prices of oil products will continue to reflect the price adjustment mechanism while preserving adequate levels of tax revenue in 2019.

Public Finance Management

41. The government will continue to modernize public management in accordance with the 2017–2019 budget reforms implementation strategy. With this in mind:

- Emphasis will be on actions necessary to make the program budgets operational. In this respect, the government will take steps to finalize and adopt the regulations required to frame this new mode of performance-based management and ensure greater stakeholder accountability. These regulations include the decrees on financial and fiscal control, the program management charter, stock accounting and delegated project ownership. Moreover, the functional test and compliance phase of the “Preparation of fiscal

instruments" module in the new Fiscal Information System will be finalized by end-2018 and delivered to the stakeholders. The analysis, design and development work for the "Government Budget Execution" module, which includes an interface sub-module with the ASTER application, are in progress and should be finalized by end-March 2019 so that the test phase can be implemented in 2019;

- The actions already identified for a better link between the public procurement plan, the public expenditure commitment plan and the cash plan will be implemented. These include (i) pegging the procurement schedule to the budget execution schedule; (ii) systematically updating the procurement plan in conjunction with the regulation and budget modifications; and (iii) submitting the public expenditure commitment plan to the Public Debt and Grants Directorate (DDPD) to take the cash plan into account;
- Fiscal risk management will be strengthened by producing a declaration document on fiscal risks to be annexed to the budget law beginning in FY 2019. This document will also improve transparency in fiscal management. In this respect, a citizen budget based on the 2019 budget law will be produced during FY 2019. The government evaluated its fiscal management system using the PEFA methodology. The results of this evaluation will be available and published by end-2018. They will strengthen the fiscal management reforms as they are found in the master plan, which the government adopted for this purpose in 2018; and
- The government will also continue to deploy SIGFiP in the embassies and localities in the interior of the country. Thus, in the framework for improving budget execution monitoring, nine new embassies and four additional localities will be connected to SIGFiP.

42. Capitalizing on its achievements, the government will continue the work of preparing the TOFE according to the 2001/2014 GFSM. To this end, the transcription of the financial operations according to the 2001 GFSM has been done for the central government and social security entities. Likewise, the draft tables of financial assets and liabilities, the debt and the cash flow position were prepared for 2017. The data submitted by the National Public Entities (EPN) in the GFSM 2001 format should be gradually brought into compliance after the first coding, that was done in the first half of 2018. Moreover, Côte d'Ivoire will continue to disseminate fiscal statistics in the GFSM 2001 format as part of the GFS with the IMF Fiscal Affairs Department with the data from 2012 to 2014 after the 2015 and 2016 data. Starting from June 2019, the government will move to the TOFE according to the 2001/2014 GFSM, limited initially to the central government. Subsequently it will expand the scope to the social security entities, to the EPNs and to the sub-national governments. Moreover, the government intends to: (i) proceed to record operations using accruals; (ii) produce all four tables of the Minimum Analysis Framework for the public administrations sector (APUs); and (iii) prepare the table of other economic flows for all the APUs.

43. The government plans to place special emphasis on the effectiveness of its investments. To strengthen transparency in the selection of investment projects, the procedure manual for preparing the Public Investment Program (PIP) should be produced and disseminated to all contracting parties by the first quarter of 2019. The government will also continue to incorporate the various public partnership projects (PPP) underway into the tool for preparing the PIP to obtain a good overview of all public interventions. Moreover, the implementation of the Integrated

Analysis, Programming and Monitoring-Evaluation System (SYNAPSE) in the various ministries will help improve project selection through better targeting. With time, the interconnection between information systems (SIGFIP and SYNAPSE) will enable a better link between the programming phase and the public investment budgeting phase. The implementation of the program budget beginning in 2019 will help improve the execution rates of investment expenditures in commitment authorization (AE) and payment credits (CP) by entering them in the 2019-2021 multiyear expenditure programming documents (DPPD) and in the 2019 budget (budget law). Also, the Public Expenditure Evaluation and Audit Unit (CEADP) plans to perform a check and periodic evaluation of the budget operations of investment projects. Physical monitoring of these projects will support this measure.

44. The government will continue to upgrade its public procurement system. In this regard:

- The procurement code will be revised before March 31, 2019 to include new modes of contracting and new methods of evaluating bids to boost the efficiency of procurement procedures;
- The process of dematerializing procurement procedures will continue as the phase 1 modules are extended to all ministries in end-December 2019. Phase 2 (private sector) will be put in place and tested in 2020 so that the dematerialization process is used everywhere in 2021;
- The National Public Entities and government corporations will be connected to SIGMAP gradually beginning in the first quarter of 2019 so that all of these entities are covered by end-2019; and
- Information and training campaigns on the new simplified procedures will continue, in particular for the managers of procurement units.

45. Including budget risks linked to the debt of the public enterprises and their supervision are priorities for the government. In this regard, the government:

- Will continue to periodically update the public enterprises database (including the service of their debt) so that they are regularly taken into account in the Debt Management and Financial Analysis System (SYGADE);
- With time, will interconnect the Public Enterprises Information and Management System (SIGEP) and SYGADE;
- Will deploy performance contracts that contain pre-identified performance indicators and have the portfolio managers and Monitoring Committee follow up on them;
- Will improve the presentation of the annual reports on the economic and financial position of the public enterprises; and
- Will identify and publish strategic guidelines for its capital interventions by the beginning of 2019.

46. The government will also continue the reforms to improve the management of fiscal risks linked to the Public-Private Partnerships (PPPs). The revision of the PPP institutional framework by Decree No. 2018-359 of March 29, 2018 will help ensure greater autonomy in the management of the National Steering Committee for Public-Private Partnerships (CNP-PPP). In collaboration with the partners in development, the government will oversee the strengthening of the CNP-PPP capacities, mainly in the detailed evaluation frameworks of PPP project. Also, by raising the awareness of the contracting authorities about systematically transmitting signed contracts, combined with the annual review of the PPP portfolio, the database for PPP-type projects will be regularly updated, enhanced by contractual information, including budgetary commitments and income guarantees. Moreover, in an attempt to strengthen the transparency and strategic and financial management of PPP projects, the government will oversee the publication of the annual activity report on PPP implementation and developing the capacities of all PPP stakeholders.

47. The government will continue to deploy the Treasury Single Account (TSA). When it takes effect (scheduled for -2019-), it will help improve cash management. As to the account closings, as of end-August 2018, 904 of 2,745 accounts had been closed. Work is underway to close the other bank accounts, taking operational constraints into consideration. Also, for opening new accounts, the internal Treasury bank will be preferred. For the TSA revenue component, after including the DGI and DGD, deployment will occur in the DGTCP accounting posts beginning in Q4 2018. For the expenditure component, the deployment that is now in progress in the general treasuries will be expanded to the deconcentrated accounting posts, which now have been trained. There will be an evaluation of the pilot phase in December 2018.

Public Sector

48. The government plans to continue implementing the divestment plan for the productive sectors. The recent purchase by CGRAE of capital stock of VERSUS BANK and the disposal of 30 percent of the public financial stake in PALMAFRIQUE bring the number of privatizations and finalized disposals of assets to thirteen (13) of a total of seventeen (17) that the government has approved. The current privatizations and disposals of assets should continue in 2019 in accordance with the government's multiyear plan.

49. The restructuring of enterprises in the hydrocarbon sector should strengthen the sector's financial situation:

- For PETROCI, the financial situation is in balance with the net successive positive results of CFAF 5.38 billion in 2016 and CFAF 13.94 billion in 2017. This dynamic performance should continue due to the beneficial effects of implementing the strategic restructuring plan. With time, this plan should refocus the firm's activities on development and production. In this regard, the operation of disposing of the assets of the network of service stations was closed on September 19, 2018. The privatization of the butane gas distribution business is in progress under the supervision of the Privatization Committee. Moreover, the projects to develop the logistical base should accelerate in the fourth quarter of 2018, with the signing of the strategic partnership. At the end of the restructuring process, many staff members should be reassigned to the new entities, which should in turn lower operating expenses. Moreover, the acceleration of efforts to implement the memoranda of understanding signed with the government and CI-ENERGIES are expected to improve the cash position and the financial health of PETROCI.

- For national oil refinery SIR, the operating balance continues to improve thanks to the combined effect of good business performances and gains in productivity, mainly by lowering expenses. Thus, by benefitting from government support and higher oil prices, the bottom line reached a record level of CFAF 45.4 billion in 2017 after CFAF -8.3 billion in 2016. The process of restructuring the SIR debt should be finalized in December 2018 by raising CFAF 368 billion. With this financing it will be possible: (i) to immediately pay off all debts to suppliers that are currently due; (ii) shorten the time it takes to pay suppliers from 300 to 90 days; and (iii) lower procurement and financial expense costs.

Progress in implementing the restructuring plans for these two enterprises should ensure that their financial situation will be sound over the medium term.

50. Current electricity sector reforms should strengthen financial balance and clear arrears owed to independent power producers (IPP) and gas companies. The operating and cash balances should continue to post surpluses, mainly due: (i) to measures to reduce technical losses and to fighting fraud; (ii) to improvements in collecting internal and external invoices; and (iii) to the fact that heavy vacuum oil (HVO) will not be used with implemented investments. Also, to improve sector balance, special emphasis will be placed on collecting amounts due and clearing arrears. In this regard:

- The memorandum of understanding on the cross debts and claims in the sector, including against the government, is now being implemented. In this context, all overdue amounts from 2016 and earlier in the public sector have been totally cleared. For 2017, arrears for public lighting and traffic lights will be securitized by end-2018. Overdue amounts for the central government and government corporations will be covered in the budget in 2018. Since 2018, payments in respect of central government, in respect of EPNs whose invoices are dealt with by the Government Property Directorate, as well as in respect of public lighting and traffic lights in Abidjan will be paid regularly by the Public Treasury. For government corporations and EPNs whose invoices are not handled by the Government Property Directorate, memoranda have been signed that have led several of them to pay the invoices;
- For collecting overdue amounts for exports, the government will continue its efforts to enable the sector to achieve cash flow stability. In addition, and in an overall approach, the government asked the World Bank to put in place a mechanism to guarantee potential repayments of outstanding balances. Moreover, actions to collect export invoices will be intensified, mainly by signing an agreement with the entries in charge of supplying electricity in the various countries involved; and
- The program to have the commercial banks refinance short-term debts in the electricity sector with a World Bank guarantee, scheduled for last quarter of 2018 will be prioritized for the complete refinancing of bank credit lines and for partially clearing the arrears of the IPPs and gas companies. The financial projections for the sector, prepared on the basis of the CI-Energies development plan, provides for maintaining and strengthening the financial balance, and they show that the stock of arrears should decline gradually with the improvement in the cash flows of the electricity sector and be fully paid by end-2021. These financial projections also show that current invoices are paid and that there is no accumulation of arrears.

51. The government intends to accelerate the completion of projects to further increase the supply of electricity in order to support the dynamic performance of economic activity and develop an energy hub. To achieve the goal of generating 4,000 MW by 2020, the government plans to commission several current hydroelectric and renewable energy plants, as well as facilities to upgrade the power distribution grid. Thus, for the 2018-2020 period, the following are planned: (i) build two new hydroelectric dams (Singrobo and Gribopopoli) with a total capacity of 156 MW; (ii) strengthen fossil-fired generating capacities with the commissioning of new fossil-fired power plants (Azito & Ciprel); (iii) build a coal-fired plant with a capacity of 700 MW; (iv) develop renewable energy projects for a capacity of more than 200 MW; and (v) implement a liquid natural gas (LNG) supply project, with a feasibility study that is scheduled to be completed in the second quarter of 2018. Moreover, the government intends to promote the implementation of solar and biomass projects. To this end, a call for manifestation of interest was issued to build three plants (two for biomass and one solar energy) for a total capacity of 70 MW.

52. The implementation of the strategic plans for public enterprises in the transport sector is continuing.

- For Air Côte d'Ivoire (ACI), the expansion of the company's business continues as its fleet is reinforced. Over the period from 2018 to 2020, the strengthening of its own funds should continue thanks to government support and efforts to optimize the network in accordance with the 2017-2022 business plan. In addition, the government will continue to produce and submit a twice-yearly report on the company's financial situation.
- For SOTRA, in 2017, own funds were strengthened following capitalization. For 2018, there are plans to acquire a second wave of 500 buses, for which a commercial agreement was signed. Moreover, the SOTRA strategic plan should be updated in terms of not complying with the investment assumptions on time in order to sign a performance contract with the government for the 2018-2020 period.

Develop the Financial Sector and Financial Inclusion

53. The regulatory and institutional system and governance will be bolstered to improve and develop the banking sector. To achieve this, the government will support the Crédit Information Bureau (BIC) by fostering exchange frameworks with the regulated institutions. It will encourage in particular the process of integrating the major enterprises, in particular those in the distribution sector in order to strengthen solvency ratios and scoring services that apply to them. In addition, making the Financial Services Quality Observatory operational, whose executive secretary was appointed in 2018, should help bolster user confidence in the financial institutions and promote financial transparency principles. Moreover, the Banking commission will oversee strict compliance with the prudential rules in Basel 2 and 3, which should help strengthen banking system stability.

54. The impact of the liquidation of SAF CACAO on the banking system is limited and measures are being taken to contain potential effects. The amount of credits granted by the banks to SAF-Cacao amount to 1.9 percent of outstanding loans. In anticipation of financial difficulties at SAF-CACAO, since 2017 the 10 exposed banks have provisioned a portion of their claims against this company. Moreover, with the planned sale of SAF-Cacao assets, as part of the

liquidation, the banks should be able to recover a portion of their claims. In addition, in collaboration with the Banking Commission and the BCEAO, the government is overseeing the position of the various banks involved. Thanks to all these steps that have been taken to deal with the SAF-Cacao liquidation, the banking system should remain sound.

55. Efforts to reduce banking sector vulnerabilities should intensify with the implementation of the various restructuring plans.

- For the national savings bank (CNCE), implementation of the recapitalization and restructuring process will continue. With the appointment of a new managing director in December 2017, the Management Committee members were hired through an application process in July 2018. The bank also has the support of international firms in implementing the reforms. Capitalizing on all of these achievements and efforts to lower expenses (by closing branches and voluntary staff departures), efforts to replenish own funds will continue, mainly by disposing of real estate assets and taking measures to strengthen governance. All of these steps, combined with the development of business activity and the significant improvement in the collection rate of doubtful claims should help achieve financial balance and comply with the regulatory prudential ratios as quickly as possible.
- The government increased the capital stock of one of the two other remaining public banks. With this operation, this bank is now able to comply with the minimum capital and own funds regulation. To strengthen this bank's position, the government will oversee the resolution of the legal disputes that are currently pending court consideration. The second bank will continue to be strengthened by continuing the implementation of its strategic plan with the support of an international firm. Thus, in addition to the efforts to improve governments with the arrival of three (3) independent directors on the board of directors and the appointment of a new managing director, this strategic plan makes provision for (i) intensified business activity; (ii) a new identification of missions; and (iii) securing at-risk operations.

56. The government will continue to improve and oversee the microfinance sector. To maintain the proper course of activity in the sector, especially in terms of collecting savings and distributing credit, the government will continue to withdraw the authorizations of entities that are not sustainable so that the only institutions that are admitted into the sector will be authorized, stable, professional and capable of performing over the long run. In addition, awareness campaigns on grouping the Decentralized Financial Systems will continue, to make them sustainable. Also, special attention will be paid to upgrading the sector's supervision and control tools by putting in place the Electronic Internal Control Framework (CECI). This tool should correct the insufficiency in human resources and improve the use of internal control reports.

57. The government will continue to supervise the restructuring and recapitalization of the microcredit network (COOPEC) in accordance with the recovery plan.

- To bring the COOPEC network into compliance, in the first half of 2018, 129 service points were brought into 23 COOPECs that have authorizations of the 135 that are in the network. The creation of the 24th COOPEC that will include the remaining service points will pave the way to the administrative procedure to merge the COOPECs.

- Regarding the recapitalization of own funds in deficit of 27 billion, member contributions are estimated at CFAF 6.5 billion as of June 30, 2018 for a target of CFAF 7 billion by the end of the year. The ongoing efforts, combined with the disposal of some of the network's assets, should make it possible to reach the goal of CFAF 40 billion in 2019.
- In strengthening the IT system, the acquisition of a new integrated and centralized Information and Management System (SIG) is planned, as well as of IT hardware that is essential for it to operate. This system should improve the management and internal control of the lead organization's activities.
- A bank-type financial institution (joint stock corporation type) will be founded with a minimum of CFAF 3 billion in capital stock, divided between the COOPEC network and other institutions. The main purpose of this financial entity will be to centralize and manage the network's surplus resources.

When the process is complete, the lead organization's own funds should show a surplus and the financial entity's capital should be opened to specialized investors.

58. The government will continue to promote financial inclusion. To this end, the government will continue its awareness campaigns to promote the use of banking, targeting the socioprofessional classes, and rural populations in particular. Côte d'Ivoire intends to develop a National Financial Education Strategy with World Bank support. Côte d'Ivoire also plans to capitalize on the arrival in Abidjan of the new headquarters of the sub-Saharan Africa, Middle East and North Africa Regional Office of the Alliance for Financial Inclusion (AFI), one of the main international organizations in promoting financial inclusion and deregulation policies. Moreover, the government will continue to encourage the arrival of new stakeholders and the development of innovative products, especially with FinTech and Mobile Banking, which are now expanding rapidly.

Strengthen the Business Environment and Develop the Private Sector

59. The government plans to increase the private sector's contribution to creating wealth and jobs. To do so, its goal is to make Côte d'Ivoire one of the countries in Africa and the world with the best business environment by implementing its new Reform Agenda for the 2018-2020 period, adopted by the Council of Ministers in September 2018. It will strengthen the partnership with the private sector, including under the G20 Compact with Africa. It will also intensify its efforts to support and promote SMEs, and it will strengthen infrastructure to lower production costs and improve private sector competitiveness. Moreover, the governance system will be upgraded, mainly by: (i) adopting additional regulations to require supervised entities to report holdings; (ii) analyzing and updating returns; (iii) strengthening the capacities of the financial unit of the Abidjan Prosecutor; and (iv) putting a collaboration framework in place between the High Authority for Good Governance and the public investigation entities. In addition, it will oversee the enforcement of the law on anti-money laundering and combatting the financing of terrorism, adopted in 2016.

60. Capitalizing on achievements in Doing Business, the government will oversee the proper implementation of its new Reform Agenda scheduled for 2018-2020 (Box 5). This agenda consists of 54 sectoral reform projects, 39 of which aim directly to produce an impact on the variables and indices of the Doing Business framework, and 15 will help improve the overall business environment in Côte d'Ivoire.

Box 5. Key Measures in the 2018–2020 Reform Agenda

Côte d'Ivoire has made remarkable progress in improving the business environment. In 2019 it ranks 122nd and has climbed 55 places compared to 2014. This performance is due mainly to progress made in implementing measures on the creation of businesses (+160), registering property (+45 places), enforcing contracts (+21 places), getting electricity (+10 places) and issuing construction permits (+27 places).

However, to lift Côte d'Ivoire to the top 50 of the Doing Business ranking by 2020 and to take it to the Top 10 reformers' countries in the world, the government adopted a new reform agenda for the 2018-2020 period, and the main items are listed below.

Starting a business

- Carry out business procedures online and generate a single identification number;
- Set up a business location system for newly created businesses and connect them to the tax unit;
- Put information on business licenses and permits online; and
- Gradually automate the issuance of business licenses and permits (approvals, certifications and authorizations);

Getting electricity

- Connect electricity online and put online the Unit Price Schedules for connection, and give users access to the services of the Electricity Sector (BPU) and a calculator for estimates;
- Put in place a sustainable facility for financing electricity connections for SMEs/SMIs;

Registering property

- Remotely publish real estate transfer documentation; and
- Establish and put in place a single ID for parcels;

Paying taxes

- Dematerialize the process of refunding VAT credits; and
- Dematerialize tax audits;

Issuing construction permits

- Shorten the time frame for issuing compliance certificates from 73 to 10 days;

Getting credit

- Shorten from 30 to 15 days the legal time frame for the cycle to process claims and correct incorrect data in the BIC; and
- Streamline, simplify and reduce the costs and procedures for subscriptions, transfers and cancelations in CIE and SODECI;

Trading across borders

- Finalize full operationalization of the one-stop window for cross border trade; and
- Finish implementation of the trade information web portal;

Enforcing contracts

- Record court acts and decisions online;
- Publish decisions on trade and civil matters rendered at all levels of courts and provide access free of charge; and
- Shorten the periods of time that elapse between the time a case is referred to the courts and the time the pertinent decision is issued.

61. The business environment will be further improved with the facilitation and decrease in costs for businesses to obtain electricity.

To this end, a sustainable economic model to lower the cost of a power connection will be put in place in 2019 after the study that aims to identify financing needs and procedures for businesses to connect them to the power grid. Moreover, the virtual power connection window should be operational as of end-December 2018. In this regard, the Single Investor Services Portal (PUSI) will capture the application for connection and it will be processed by eliminating the responsibility for the client to obtain and submit to Compagnie Ivoirien d'Electricité (CIE) the necessary authorizations from SECUREL, AGEROUTE or city hall.

62. The government plans to continue its efforts to promote and support SMEs.

Thus, after the Agence Côte d'Ivoire-SME (an agency to promote SMEs) is put in place, there will be efforts to create business incubators in Abidjan and Yamoussoukro. Furthermore, to facilitate access to financing for SMEs, two agreements were signed with two private banks for total financing of CFAF fifteen (15) billion, and initiatives are underway to establish an SME guarantee fund. Moreover, the government will oversee the finalization of putting in place and making operational the entrepreneur electronic identification platform. Also, a multiyear program to develop the capacities of managers, executives and associations of SMEs is in progress.

63. The government plans to continue investing to improve the production framework and competitiveness of the private sector.

Following the rehabilitation of the Yopougon industrial zone, technical studies are being performed to upgrade the Koumassi and Vridi industrial zones. As for the new industrial zones, the first improvement phase (62 hectares) is more than 94 percent complete, and lots have been assigned. Moreover, three other phases have been launched and should provide 351 additional hectares to economic operators, and in particular to those that operate in the cement sector in Abidjan. Technical studies should begin in the fourth quarter of 2018 for the industrial zones in the interior. Also, to significantly improve the business environment in the agriculture sector, the government plans to facilitate market access for crops by upgrading transport and logistics infrastructure. Moreover, in implementing the program to promote the competitiveness of the cashew value chain, financed by the World Bank Group, technical studies were performed to upgrade industrial parks dedicated to cashews, mainly in northern and central Côte d'Ivoire.

64. The private sector should also benefit from the implementation of reforms and projects that developed from agreements made as part of the G20 Compact with Africa initiative of the Millennium Challenge Corporation (MCC) and C2D.

For the Compact with Africa initiative, the reform matrix continues to be implemented to improve the country's attractiveness for private investors. In this context, under a bilateral compact with Germany, agreements were signed that identify the procedures for some German companies to invest in Côte d'Ivoire. To further disseminate the Compact with Africa initiative, the reform matrix will be presented to the national private sector organizations so that their expectations are taken into account. For the MCC, a grant agreement in an amount equivalent to CFAF 315 billion was signed on November 7, 2017. The effective date for this grant is planned for the first half of 2019, and it will fund several socioeconomic projects, including the Project for Youth Employability and Corporate Productivity, as well as the Abidjan Transport Project. For C2D, the implementation of the second C2D agreement, scheduled for the 2014-2020 period, will continue in order to carry out the various projects pre-identified jointly with all stakeholders.

STRENGTHEN THE STATISTICAL APPARATUS

65. The government continues to strengthen the National Statistics System to produce quality statistics and publish economic data on time. With support from the technical and financial partners, the government committed to implement the following actions:

- Revise the statistics law to include the essential components of the National Statistics System reform on changing the legal status of the National Statistics Council (CNStat), create the National Statistics Development Fund (FNDS), put in place a centralized system to support sectoral statistics units and a career profile for statisticians in the public sector. There are provisions for making CNStat operational in accordance with the statistics master plan in the PND 2016-2020. To this end, the master plan for statistics will be adopted by the Council of Ministers by December 2018, and the change in the legal status of CNStat and the creation of the National Fund to Finance the Production of Quality Statistics are underway;
- Continue to develop the capacities of ministries to produce quality statistics;
- Regularly publish the data and indicators on the websites of the National Statistics Institute (www.ins.ci) of the Ministry of the Economy and Finance (www.finances.gouv.ci) and on the BCEAO website (www.bceao.int) in accordance with the schedule for dissemination on the Côte d'Ivoire National Summary Data Page (NSDP);
- Produce very frequent indicators for the secondary and tertiary sectors after progress is made. To be sure, revamped indices of industrial production for 2015 and 2016 were calculated and are expected to be fine-tuned in the fourth quarter of 2018 after an additional survey. Moreover, the first turnover indices (ICA) for industry, construction and commerce were calculated. The services index should begin after the preparation methodology draft by AFRISTAT is implemented;
- Finalize the work on changing the baseline year and implement the 2008 National Accounting system (SCN). In particular, there are plans to produce the accounts for the year baseline 2015 in the first quarter of 2019, and the current year of 2016 should be completed in the second quarter of 2019. The reconstruction of the past series of the national accounts up to 2017. Reconstruction (retropolation) will be completed by the end of the third quarter of 2019;
- Perform the Standard of Living Survey (ENV); and
- Conduct the General Census of Population and Housing (RGPH) in 2019. For this purpose, out of a budget of CFAF 19 billion, financed jointly by the government and development partners, CFAF 3 billion has already been disbursed under the 2018 government budget.

66. The government plans to further improve economic and financial programming in Côte d'Ivoire. To this end, it will oversee the implementation of the recommendations validated based on technical assistance from the IMF Institute for Capacity Development, and in particular those on setting up and putting in place the Interministerial Committee in charge of the macro-budgetary framework, to be done in June 2019, and strengthening the economic and financial programming tool based on AFRITAC technical assistance received.

67. The Quarterly National Accounts (QNAs) will continue to be released periodically in accordance with the dissemination schedule. The National Statistics Institute (INS) published the QNAs for the first quarter of 2018 after those for the last quarter of 2017. It will strive to publish the QNAs no later than three (3) months after the quarter ends. Thus, the statistics for the second quarter were disseminated in September 2018.

PROGRAM FINANCING AND MONITORING

68. The program financing requirement will be covered. Financing will be covered mainly by recourse to the regional and international financial markets through medium- and long-term instruments in accordance with the management strategy for the medium-term debt. In this context, primary dealers will continue to take part in issuances, investments of Treasury securities and will ensure that there is liquidity from the secondary WAEMU public securities market. Moreover, assistance is expected from the technical and financial partners, mainly the World Bank, International Monetary Fund, African Development Bank, the French Development Agency and the European Union.

69. The IMF Executive Board will continue to monitor the program twice a year based on quantitative indicators and structural benchmarks (Tables 1, 2 and 3). These indicators are defined in the attached Technical Memorandum of Understanding (TMU). It includes the summary of the projection assumptions, which is the basis for evaluating performance. The fifth semiannual review will be based on data and performance criteria as of end-December 2018. The last review will be based on data and performance criteria as of end-June 2019. To this end, the government agrees:

- to refrain from accumulating new domestic arrears and any form of advance against revenue and from contracting nonconcessional external loans other than those specified in the TMU;
- to issue public securities only by auctions through the BCEAO or any other form of competitive bidding on the local financial market and the WAEMU market, and to consult with IMF staff for any other mode of financing;
- to refrain from introducing or tightening restrictions on payments and transfers relating to current international transactions, introducing multiple currency practices, entering into bilateral arrangements not in accordance with Article VIII of the IMF Articles of Agreement, or imposing or tightening restrictions on imports for balance of payments reasons; and
- to adopt further financial or structural measures that may prove 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 2018–19^{1/}
(Billions of CFA francs, unless otherwise indicated)

	2018						2019 (proposed)			
	June			September	December		March	June	September	December
	PC	Est.	Status	IT	PC	Rev. PC	IT	PC	IT	Proj.
A. Performance criteria										
Floor on the overall fiscal balance (incl. grants)	-358.8	-278.4	MET	-659.1	-954.3		-222.7	-427.3	-614.0	-791.1
Ceiling on net domestic financing (incl. WAEMU paper)	379.5	-750.1	MET	-593.1	-424.2	-402.0	188.1	-108.9	-15.6	97.3
Ceiling on the present value of new external debt contracted by the central government (\$ million)	3,972.8	2,721.7	MET	...	4,472.9		...	2,541.9	...	3,480.5
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
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
B. Indicative targets										
Floor on government tax revenue	1,848.2	1,865.7	MET	2,749.7	3,744.3	3,727.6	907.2	1,990.6	3,013.0	4,145.7
Ceiling on expenditures by treasury advance	87.0	55.7	MET	136.9	198.2		40.4	90.3	142.2	203.7
Floor on pro-poor expenditure	1,010.1	1,122.0	MET	1,534.9	2,290.8		482.0	1,081.6	1,690.1	2,505.5
Floor on net reduction of central government amounts payable (- = reduction)	-99.6	-200.8	MET	-79.6	-50.0		-53.7	-40.5	-32.7	-25.0
Floor on primary basic fiscal balance	17.5	115.1	MET	-17.5	-111.7	-119.7	54.5	72.5	119.0	122.0
Memorandum items:										
Program grants	78.0	79.4		78.0	158.7	158.7	0.0	79.4	79.4	158.7
Program loans	74.5	76.0		74.5	149.0	149.0	0.0	76.2	76.2	152.5
Project grants	92.7	53.5		118.3	144.3	144.3	36.0	71.9	107.9	143.9
Project loans	225.6	248.1		413.9	566.8	566.8	138.9	277.8	416.7	555.6
Budget support from the European Union, World Bank, and African Development Bank	0.0	0.0		0.0	81.0	81.0	0.0	0.0	0.0	68.4
Fuel tax revenues	224.8	195.4		324.7	424.9	394.1	95.1	188.6	287.2	399.9

Sources: Ivoirien authorities; and IMF staff estimates.

1/ Cumulative amount from January 1, 2018 for 2018 targets, and from January 1, 2019 for 2019 targets.

Table 2. Côte d'Ivoire: Structural Benchmarks (SB) due by end-June 2018

Measures	Timetable	Macroeconomic Rationale	Documentation
Price Adjustment Mechanism			
Apply the retail fuel price mechanism to preserve fuel tax revenue at a level not below the level in the supplementary budget law. ¹	SB quarterly Not met at end-June 2018	Improve budget revenue	Inter-ministerial decree
Public Debt Management			
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 quarterly, starting from end-June 2017 Met at end-June 2018	Enhance monitoring of debt service by public enterprises	Summary debt service table
Public Enterprises			
Every six months submit a report on the financial situation of Air Côte d'Ivoire.	SB semi-annual, starting from June 2017 Met at end-June 2018	Reduce budget risks	Report submitted to the Minister in charge of the Budget and Government Portfolio
Finalize the SIR debt restructuring plan.	SB for end-December 2017 Not met; expected in December 2018	Reduce budget risks	Debt restructuring agreement
Financial Sector			
Pay the remainder of government contribution for the recapitalization of the <i>Caisse Nationale des Caisses d'Épargne</i> (CNCE).	SB for end-March 2018 Not met; implemented in June 2018	Strengthen the banking system and promote financial inclusion	Budget execution report
Tax Policy and Administration			
Prepare action plan to improve tracking of merchandise in transit.	SB for end-March 2018 Met	Improve collection of customs duties and fees	Action plan
Prepare action plan to rationalize tax exemptions.	SB for end-June 2018 Not met; proposed as new SB for end-March 2019	Improve tax collection	Action plan
¹ See memorandum item "Fuel tax revenues" in Table 1.			

Table 3. Côte d'Ivoire: Structural Benchmarks (SB) for end-2018 and 2019			
Price Adjustment Mechanism			
Apply the retail fuel price mechanism to preserve fuel tax revenue at a level envisaged in the budget law. ¹	Proposed new SB for end-March, end-June, and end-September 2019	Improve budget revenue	Inter-ministerial decree
Tax Policy and Administration			
Do not renew the temporary exemptions that expire at end-December 2018 except for those related to grants and the social sectors (education, health).	SB for end-December 2018	Improve the collection of taxes and fees	2019 draft budget law
In the Council of Ministers, adopt the 2019 draft budget law aimed at increasing the ratio of tax revenues to GDP by at least 0.4 percentage point between 2018 and 2019.	SB for end-October 2018 Met	Improve the collection of taxes and fees	2019 draft budget law
Audit at least 20 percent of the companies that benefited from a VAT credit refund the previous year.	Proposed new SB for end-June 2019	Improve tax collection and quality of the database	Implementation report
Assign a Single Taxpayer Identification Number to any new business starting in January 2019 and, using the Single Taxpayer Identification Number, re-register 3,000 existing businesses.	Modified SB for end-March 2019	Improve the quality of the database	Implementation report
Adoption by the Council of Ministers of an action plan to rationalize tax exemptions.	Proposed new SB for end-March 2019	Improve tax collection	Action plan
National Statistics			
Adoption by the Council of Ministers of the Strategy for the Development of Statistics to revise the law on statistics and establish the National Council of Statistics.	Proposed new SB for end-December 2018	Improve the production of statistics	Communiqué of the Council of Ministers and Strategy for the Development of Statistics
Public Enterprises			
Set up a Monitoring Committee and a financial performance monitoring dashboard for performance contracts signed at the end of December 2018.	Proposed new SB for end-June 2019	Reduce budget risks	Implementation report and monitoring dashboard
Public Finance Management			
Deploy the Integrated Public Procurement Management System in at least 5 local communities.	Proposed new SB for end-June 2019	Improve Public Finance Management	Implementation report
¹ See memorandum item "Fuel tax revenues" in Table 1.			

Attachment II. Technical Memorandum of Understanding

November 21, 2018

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 June 30, 2018, December 31, 2018, and June 30, 2019; the same variables are indicative targets for March 31, 2019, and September 30, 2019.

- 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 ceiling on expenditures by treasury advance;
 - b) 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, 2017 for the 2017 targets and from January 1, 2018 for the 2018 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 3).

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:

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

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.

12. 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.

13. 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 81.0 billion in 2018 and CFAF 68.4 billion in 2019 (MEFP Table 1).
- Program projections for end-June 2019 include the Government's Eurobond issuance in foreign currency, up to US dollar 880.2 million, an amount equivalent to CFAF 500 billion, calculated at the average exchange rate for August 2018 (US dollar 1 = CFAF 568.0, as defined in paragraph 15). In the event that the government Eurobond issuance in foreign currency is for an amount less than expected or in the absence of an issuance, the end-June

2019 ceiling for net domestic financing (NDF) will be adjusted upwards by the total amount of the difference between the projected issuance and the actual issuance of the Eurobond in foreign currency converted in CFAF at the average exchange rate for August 2018 (US dollar 1 = CFAF 568.0).

G. External Debt (PC)

14. 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.

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

16. 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, (i) the value in U.S. dollars of new external debt of 2018 is calculated using the average exchange rate for January 2018 in the IMF's International Financial Statistics (IFS) database (ii) the value in U.S. dollars of new external debt of 2019 is calculated using the average exchange rate for August 2018 in the IMF's IFS database.

17. 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 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.

18. 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 during the period between January 1, 2018 and December 31, 2018. It will then be 3.44 percent for the period of January 1, 2019 to December 31, 2019. The margin between the euro six-month LIBOR and the US\$ six-month LIBOR is -300 basis points for 2018 and -400 basis points for 2019. The margin between the yen six-month LIBOR and the US\$ six-month LIBOR is -300 basis points for both 2018 and 2019. 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 for 2018 and 2019.¹ When the variable rate is linked to a reference interest rate other than the US\$ six-month LIBOR, a margin corresponding to the

¹The 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.

difference between the reference rate and the US\$ six-month LIBOR (rounded to the closest 50 basis points) is added.

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

- The program ceiling applicable to the PV of new external debt is adjusted upward up to a maximum of 5 percent of the ceiling on the PV of external debt in cases in which differences vis-à-vis the PC on the PV of new debt are caused by a variation in financing conditions (interest, maturity, grace period, payment schedule, front-end fees, management fees) of the debt or debts. The adjustor may not be applied when the differences are the result of an increase in the face value of the total debt contracted or guaranteed.
- The ceiling will exclude external borrowing which is for the sole purpose of refinancing existing public sector external debt and which helps to improve the profile of the repayment schedule.
- 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 CFAF 368 billion, or US\$ 684.07 million, calculated using January 2018 average exchange rate (US\$ 1 = CFAF 537.95).
- Program projections for end-June 2019 include the government's Eurobond issuance in foreign currency, up to an amount equivalent to CFAF 500 billion, or US\$ 880.2 million, calculated at the average exchange rate for August 2018 (US\$ 1 = CFAF 568.0). In the case of an actual Eurobond issuance that would be less than the expected amount or of the non-issuance of Eurobond, the program ceiling applicable to the PV of new external debt at end-June 2019 will be adjusted downward by the total amount of the difference between the projected and the actual Eurobond issuance, calculated at the average exchange rate for August 2018 (US\$ 1 = CFAF 568.0).

20. 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 for 2018 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 Euro-dollar exchange rates of January 2018 (US\$1=EUR 0.82) for January–June 2018 and January–December 2018 (see below). The actual government external borrowing for January–June 2019 is summarized in table 2. In that table, the average dollar value of new external debt is calculated on the basis of the average EUR-Dollar exchange rate for August 2018 (US\$1= EUR 0.87) for January–December 2019.

Table 1. Côte d'Ivoire: Summary Table on External Borrowing Program for January–December 2018
(Millions of US dollars)

	January-June 2018				January-December 2018	
	Program		Actual		Program	
	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/
Sources of debt financing	4,689.1	3,972.8	3,058.3	2,721.7	5,419.7	4,472.9
Concessional debt 2/	1,216.9	698.2	513.4	275.2	1,747.3	1,001.7
Multilateral debt	1,216.9	698.2	360.3	211.6	1,594.3	938.1
Bilateral debt	0.0	0.0	153.0	63.6	153.0	63.6
Non-concessional debt	3,472.2	3,274.6	2,544.9	2,446.5	3,672.4	3,471.2
Semi-concessional 3/	1,399.3	1,201.7	468.5	370.1	1,517.3	1,316.1
Commercial terms 4/	2,072.9	2,072.9	2,076.4	2,076.4	2,155.1	2,155.1
Uses of debt financing	4,689.1	3,972.8	3,058.3	2,721.7	5,419.7	4,472.9
Infrastructure	2,062.5	1,559.8	367.3	287.7	2,464.3	1,788.9
Social Spending	520.7	309.8	310.2	179.7	649.4	384.3
Budget Financing	2,072.9	2,072.9	2,072.9	2,072.9	2,072.9	2,072.9
Other	33.0	30.2	307.9	181.4	233.1	226.8

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.

Table 2. Côte d'Ivoire: Summary Table on External Borrowing Program for January–December 2019
(Millions of US dollars)

	January-June 2019		January-December 2019	
	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/
Sources of debt financing	3,145.5	2,541.9	4,114.3	3,480.5
Concessional debt 2/	635.1	362.2	635.1	362.2
Multilateral debt	635.1	362.2	635.1	362.2
Bilateral debt	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0
Non-concessional debt	2,510.3	2,179.7	3,479.1	3,118.3
Semi-concessional 3/	1,630.1	1,299.5	2,508.9	2,148.1
Commercial terms 4/	880.2	880.2	970.2	970.2
Uses of debt financing	3,145.5	2,541.9	4,114.3	3,480.5
Infrastructure	2,265.2	1,661.7	3,129.0	2,499.8
Social Spending	0.0	0.0	0.0	0.0
Budget Financing	880.2	880.2	880.2	880.2
Other	0.0	0.0	105.0	100.4

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)

21. 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. There will be no accumulation of new external payment arrears. This performance criterion is monitored on a continuous basis.

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

22. “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.

23. 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.

24. 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).

25. 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).

26. 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

27. 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)

28. 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

29. 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

30. 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.

31. 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 of the TMU.

32. 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).

33. 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.

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

Table 3. Côte d'Ivoire: Pro-Poor Spending, 2016–19
(Billions of CFA francs)

	2016	2017	2018	2019
			Budget	Budget
Agriculture and rural development	124.0	84.3	105.9	120.3
General administration	58.6	45.0	55.7	76.0
Agriculture promotion and development program	24.5	5.9	16.2	15.9
Training of supervisory staff	10.2	15.1	13.2	14.4
Water system works	17.1	4.7	7.4	1.4
Other investments in the rural area (FRAR, FIMR)	13.6	13.6	13.4	12.5
Fishing and animal husbandry	9.1	10.2	15.7	17.9
General administration	5.6	6.0	7.9	8.1
Milk production and livestock farming	2.3	2.2	1.0	1.1
Fishing and aquaculture	1.2	1.9	6.8	8.7
Education	1,179.3	1,085.5	1,263.1	1,315.6
General administration	32.8	35.0	32.9	25.6
Pre-schooling and primary education	531.1	480.2	540.1	557.0
Literacy	0.6	0.5	0.5	0.5
Secondary education and vocational training	359.9	357.3	463.4	481.9
University and research	211.4	212.5	226.3	250.6
Emergency/Presidential program/Education	43.5	...	...	...
Health	330.4	338.9	356.1	376.3
General administration	157.0	165.0	175.5	192.0
Primary health system	59.5	70.6	88.1	73.1
Preventive healthcare (enlarged vaccination program)	4.0	1.5	2.0	1.5
Disease-fighting programs	38.5	20.4	29.2	36.1
Infant/mother health and nutrition	1.4	11.3	11.3	12.6
HIV/Aids	3.2	23.3	11.8	18.5
Health centers and specialized programs	46.9	46.8	38.1	42.5
Emergency/Presidential program/Health	20.0	...	...	...
Water and De-contamination	58.6	48.3	107.0	100.0
Access to drinking water and de-contamination	21.6	47.5	96.8	40.4
Environmental protection spending	7.1	0.8	10.2	59.6
Emergency/Presidential program/healthiness and de-contamination	13.5	...	...	...
Emergency/Presidential program/drinking water	16.5	...	...	...
Energy	45.5	113.9	90.1	131.2
Access to electricity	32.0	113.9	90.1	131.2
Emergency/Presidential program/Electricity	13.5	9.2	...	...
Roads and Art Works	153.8	329.4	216.5	296.8
Road maintenance	20.1	22.3	6.6	2.4
Construction of art works	8.2	9.2	0.5	1.0
Other road projects	100.6	297.9	209.4	293.4
Emergency/Presidential program/maintenance and development	25.0	...	...	...
Social spending	38.4	27.2	40.0	39.2
General administration	31.2	19.3	21.9	18.2
Training for women	1.6	0.6	0.4	0.5
Orphanages, day nurseries, and social centers	3.1	3.9	3.4	3.3
Training of support staff	1.8	1.6	1.6	1.5
Indigents and victims of war or disaster	0.7	1.8	12.6	15.6
Decentralization (excl. education, health and agriculture)	55.1	55.0	65.7	76.5
Decentralization	55.1	55.0	65.7	76.5
Reconstruction	11.3	12.7	9.6	9.5
Reconstruction and rehabilitation	0.0	0.0	0.5	0.3
Emergency/Presidential program	11.3	12.7	9.2	9.2
Other poverty-fighting spending	9.2	4.3	21.1	22.3
Promotion and insertion of youth	6.6	2.6	18.7	21.1
Support and follow-up of DSRP	0.1	0.1	1.5	...
Development of tourism and craftsmanship	2.5	1.6	0.9	1.2
TOTAL	2,014.8	2,109.6	2,290.8	2,505.5

Source: Ivoirien authorities.

Table 4. Côte d'Ivoire: Document Transmittal for Program Monitoring

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

Table 4. Côte d'Ivoire: Document Transmittal for Program Monitoring (concluded)			
Sector	Type of data	Frequency	Transmittal deadline
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 (provisional)	Annually	End of year +9 months
	Provisional balance of payments (final)	Annually	End of year + 12 months
Monetary and financial sectors	Banking system statement	Monthly	End of month + 45 days (preliminary); end of month + 60 days (final)
	BCEAO summary statement	Monthly	End of month + 45 days (preliminary); end of month + 60 days (final)
	Monetary sector statement	Monthly	End of month + 45 days (preliminary); end of month + 60 days (final)
	Government net financial position	Monthly	End of month + 45 days
	Banks's prudential ratios	Monthly	End of month + 45 days
	Financial soundness indicators	Quarterly	End of month + 45 days
	Lending and borrowing interest rates, BCEAO intervention rate and compulsory reserves	Monthly	End of month + 45 days