INTERNATIONAL MONETARY FUND

IMF Country Report No. 17/165

CÔTE D'IVOIRE

June 2017

FIRST REVIEWS UNDER EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND AN ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, AND REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA AND AUGMENTATION OF ACCESS—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CÔTE D'IVOIRE

In the context of the first reviews under Extended Arrangement under the Extended Fund Facility and an arrangement under the Extended Credit Facility, and requests for Modification of Performance Criteria and Augmentation of Access, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on June 19, 2017, following discussions that ended on April 23, 2017, with the officials of Côte d'Ivoire on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on June 2, 2017.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association (IDA).
- A **Staff Statement** of June 19, 2017 updating information on recent developments.
- A **Statement by the Executive Director** for Côte d'Ivoire.

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

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

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

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INTERNATIONAL MONETARY FUND

COMMUNICATIONS DEPARTMENT

Press Release No. 17/232
FOR IMMEDIATE RELEASE
June 19, 2017

International Monetary Fund
Washington, D.C. 20431 USA

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

- The country's economic outlook remains strong, with growth projected at about 7 percent in 2017–19.
- Completion of the review enables the disbursement of $134 million.
- The ECF/EFF-supported programs aim at supporting the authorities' efforts to achieve a sustainable balance of payments, inclusive growth, and poverty reduction.

On June 19, 2017, the Executive Board of the International Monetary Fund (IMF) completed the first reviews of Cote d'Ivoire economic program supported by three-year arrangements under the Extended Credit Facility (ECF)[1] and Extended Arrangement under the Extended Fund Facility (EFF).[2] The Board also approved an augmentation of access under the two arrangements by SDR 162.60 million (about US$224.8 million) or 25 percent of the country's quota. Today's Board decision brings total access under the two arrangements to SDR 650.40 million (about US$899.2 million) or 100 percent of quota.

Completion of the review enables the immediate disbursement of SDR 96.786 million (about US$133.8 million), including SDR 27.10 million (about US$37.5 million) following the augmentation. This brings total disbursements under the arrangement so far to SDR 166.472 million (about US$230.1 million).

Côte d'Ivoire's three-year, SDR 487.8 million arrangements (about US$ 674.4 million at the time of approval, the equivalent of 75 percent of Côte d'Ivoire's quota in the IMF) were approved by the IMF Executive Board on December 12, 2016 (see Press Release No. 16/554) to support authorities' efforts to achieve a sustainable balance of payments position; inclusive growth, and poverty reduction; catalyze official and private financing; and build resilience to future economic shocks.

[1] The ECF is a lending arrangement that provides sustained program engagement over the medium to long term in case of protracted balance of payments problems.

[2] The EFF was established to provide assistance to countries: (i) experiencing serious payments imbalances because of structural impediments; or (ii) characterized by slow growth and an inherently weak balance of payments position.

Following the Executive Board discussion, Mr. Furusawa, Acting Chair and Deputy Managing Director, stated:

"Côte d'Ivoire's performance under its Fund-supported program has been satisfactory. The country has been hit by a substantial terms of trade shock and experienced social tensions earlier this year. Nonetheless, the country's economic outlook remains strong, with growth projected at about 7 percent in 2017–19.

"The authorities have appropriately responded to the challenges by lowering the regulated cocoa producer price and adopting fiscal adjustment measures that aim to limit the fiscal deficit to 4.5 percent of GDP in 2017. The authorities have also reaffirmed their commitment to the convergence of the fiscal deficit to the WAEMU norm of 3 percent of GDP by 2019. Fiscal consolidation will be anchored on the implementation of new revenue measures starting in 2018 and containment of current spending while protecting pro-poor outlays.

"The authorities are improving public financial management and strengthening debt management operations with Fund technical assistance. To support fiscal consolidation, the authorities will need to address vulnerabilities in the energy and financial sectors. Structural reforms should also be accelerated to help improve the business climate and sustain robust and inclusive growth."

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

	2015	2016	2017	2018	2019	2020
		Est.		Projections		
	(Annual percentage changes, unless otherwise indicated)					
National income						
GDP at constant prices	8.9	7.7	7.1	7.2	7.1	6.7
GDP deflator	1.8	1.4	2.4	1.7	1.8	1.9
Consumer price index (annual average)	1.2	0.7	2.0	2.0	2.0	2.0
External sector						
Exports of goods, f.o.b., at current prices	8.2	-9.1	4.6	7.9	9.4	10.9
Imports of goods, f.o.b., at current prices	12.6	-14.0	16.9	4.6	9.5	10.5
Central government operations						
Total revenue and grants	18.9	6.6	10.2	11.3	11.1	10.2
Total expenditure	21.8	12.2	12.8	7.3	7.5	9.8
Money and credit						
Money and quasi-money (M2)	18.8	12.1	12.9	12.3	12.4	11.2
Credit to the economy	29.6	15.4	15.3	14.6	14.2	12.9
	(Percent of GDP unless otherwise indicated)					
Central government operations						
Total revenue and grants	20.2	19.8	19.8	20.2	20.6	20.9
Total revenue	18.8	18.4	18.4	18.7	19.0	19.3
Total expenditure	23.1	23.7	24.4	24.0	23.6	23.9
Overall balance, incl. grants, payment order basis	-2.9	-4.0	-4.5	-3.7	-3.0	-3.0
Gross investment	18.2	19.6	20.2	21.3	22.4	23.8
Central government	7.9	8.3	8.8	9.1	9.3	9.7
Nongovernment sector	10.3	11.4	11.4	12.2	13.1	14.2
Gross domestic saving	21.7	22.3	19.7	21.4	22.5	24.1
Central government	2.9	2.2	2.1	3.1	3.8	4.3
Nongovernment sector	18.7	20.1	17.6	18.3	18.7	19.8
External sector balance						
Current account balance	-0.6	-1.1	-3.8	-3.0	-3.0	-2.7
Overall balance	0.0	-1.1	0.2	-0.2	0.4	0.6
Public sector debt						
Central government debt, gross	47.8	48.5	48.7	47.4	46.4	44.5
Central government debt (excluding C2D)	40.5	42.5	43.9	43.7	43.6	42.5
External debt	29.8	28.6	31.6	31.2	31.0	29.9
External debt (excluding C2D)	22.5	22.6	26.8	27.5	28.2	27.9
Memorandum items:						
Nominal GDP (CFAF billions)	19,363	21,146	23,198	25,308	27,596	30,019
Poverty rate (in percent)	46.3	…	…	…	…	…

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

CÔTE D'IVOIRE

June 2, 2017

FIRST REVIEWS UNDER EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND AN ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, AND REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA AND AUGMENTATION OF ACCESS

EXECUTIVE SUMMARY

Context. In late 2016, peaceful legislative elections in December and adoption of a new constitution in the national referendum in October added more certainty to the political environment. However, social tensions arose in early 2017 with soldiers' mutinies and a general strike of civil servants.

Economic outlook. Côte d'Ivoire's economic performance remains strong despite external shocks and domestic events. Growth is projected at about 7 percent per year in 2017–19 and inflation is expected to remain subdued. Falling world cocoa prices and rising oil prices are cutting into export receipts and fiscal revenues. While the current account deficit will worsen in 2017, it would gradually improve over the medium term in view of the programmed fiscal adjustment.

Program policies. The reduction of the regulated cocoa producer price by 36½ percent and fiscal adjustment measures of about 1½ percent of GDP will limit the fiscal deficit to 4.5 percent of GDP in 2017 despite external shocks and domestic social demands. The authorities reaffirmed their commitment to the fiscal deficit converging to the WAEMU norm of 3 percent of GDP by 2019. Fiscal consolidation will be anchored on the reprioritization of current spending, curtailing of investment outlays, and the implementation of new revenue measures starting in 2018 to offset the fiscal losses from the terms of trade shocks.

Staff views. Staff supports the authorities' requests for completion of the first review of the program supported by the ECF and EFF arrangements and augmentation of access under the arrangements by 25 percent of quota (to 100 percent of quota), and modification of performance criteria for end-June 2017. Completion of this review would release the disbursement equivalent to SDR 96.79 million.

Approved By
Dominique Desruelle (AFR) and Peter Allum (SPR)

Discussions were held in Abidjan during March 22–April 6 and in Washington during April 21–23. The mission team comprised Messrs. Dhaneshwar Ghura (head), Michael Gorbanyov, Jose Gijon, Matthieu Bellon, Ms. Mathilde Perinet (all AFR), Mr. Benoit Wiest (FAD), and Mr. Fabio Comelli (SPR). Mr. Marcellin Koffi Alle (OED) participated in the discussions.

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ANNEXES

APPENDIX

Glossary

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

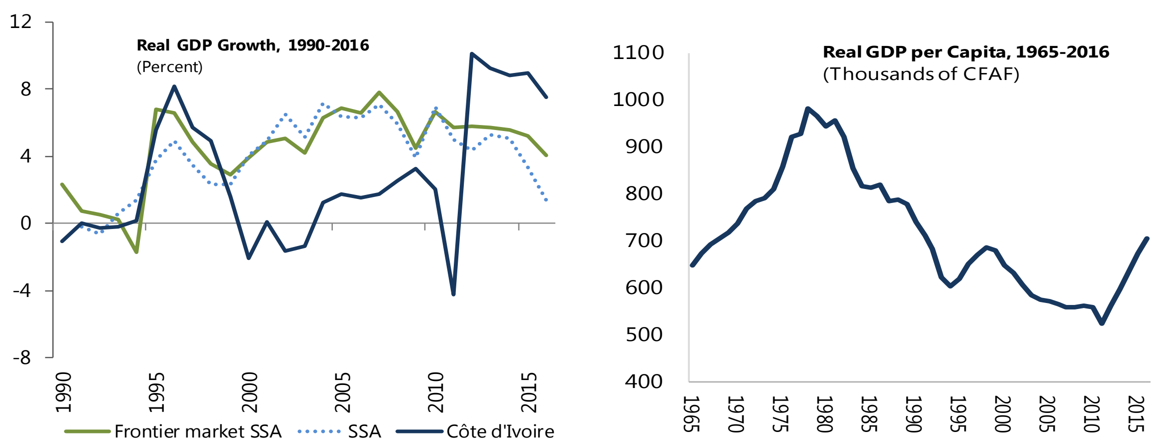
CONTEXT

1. **The ruling coalition retained solid parliamentary majority in the legislative elections in December 2016**. A new constitution, adopted in the national referendum in October, added more certainty to the political environment. It introduced a Vice-President position, created a Senate, and amended an Ivoirien nationality provision for presidential candidates.

2. **Côte d'Ivoire witnessed domestic tensions earlier this year**. Soldiers went on a mutiny in January and May. To restore calm, the government agreed to pay overdue bonuses to soldiers of about 0.6 percent of GDP. Civil servants also went on a strike across the country in January. The strike was suspended when the government agreed to meet their demands for higher pension and social payments at the cost of about 0.1 percent in 2017 and 0.1 percent of GDP from 2018. The government did not recognize the alleged wage arrears of about 1 percent of GDP claimed by unions, and negotiations between the two parties are ongoing.

Figure 1. Côte d'Ivoire: Economic Growth, 1965–2016

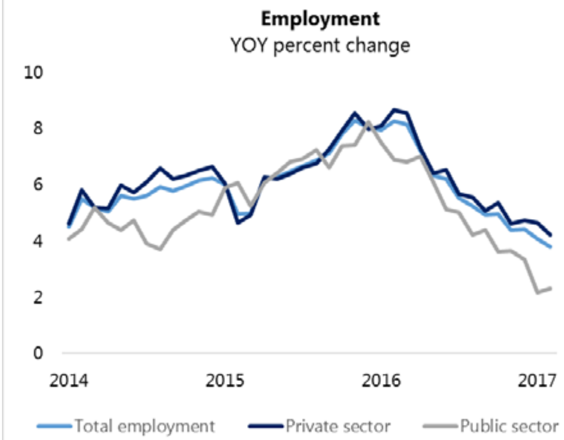
GDP growth was strong in 2012-16… *… but GDP per capita is still below its historical peak.*



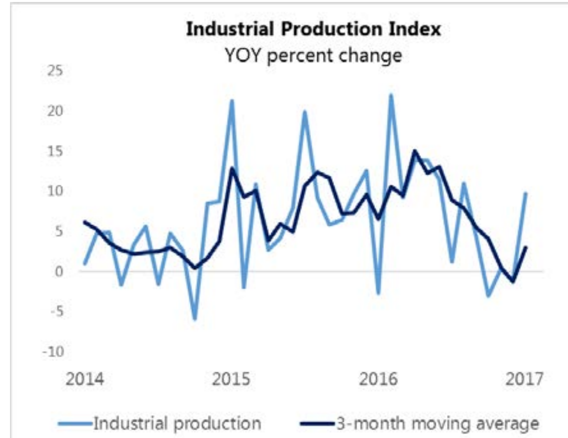
Sources: Ivoirien authorities; UNDP; and IMF staff estimates.

Figure 2. Côte d'Ivoire: Recent Economic Developments, 2014–17

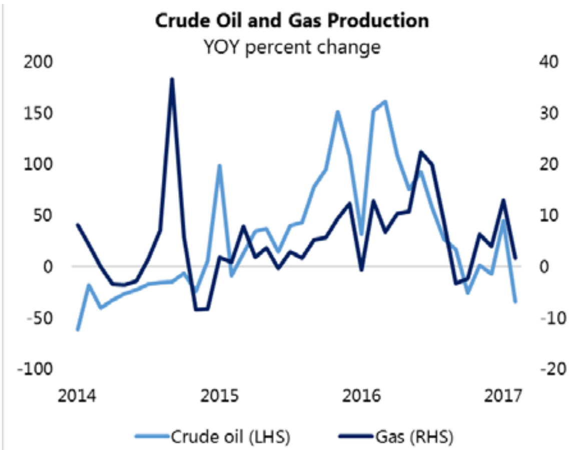
Employment is still growing but at a decelerating pace …



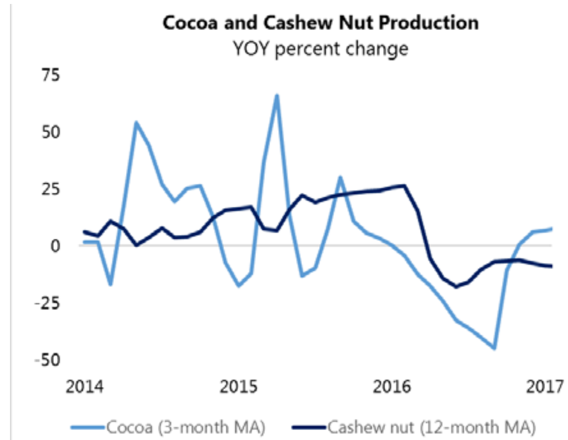
… supported by industrial growth, even if volatile…



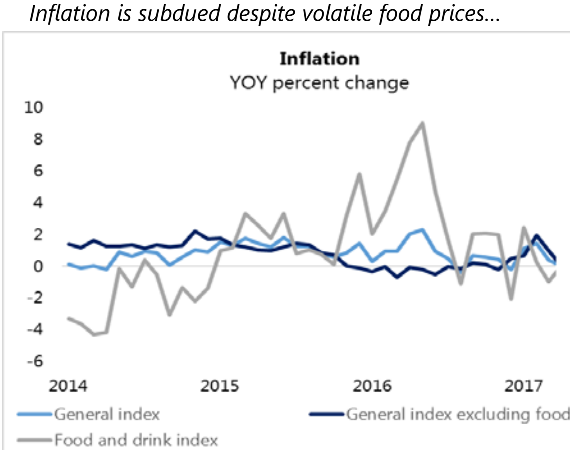
… as the boom in extractive sectors subside…



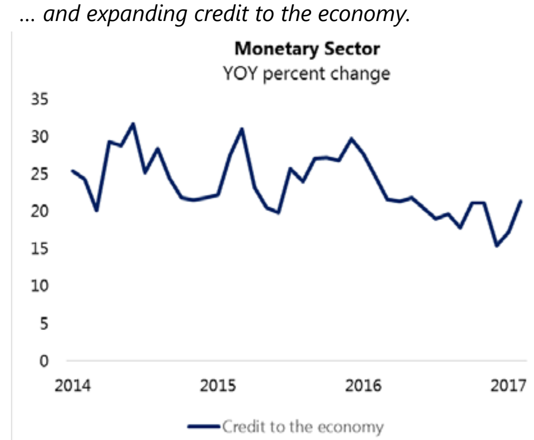
…and agriculture is recovering from the 2016 drought.



Inflation is subdued despite volatile food prices…



… and expanding credit to the economy.



Sources: Ivoirien authorities; and IMF staff estimates.

RECENT ECONOMIC DEVELOPMENTS AND PROGRAM PERFORMANCE

3. **Solid economic growth continued in 2016 and inflation remained low**. Strong investment and private consumption contributed to real GDP growth, estimated at about 8 percent in 2016 (Table 1). Inflation averaged 0.7 percent in 2016 despite a temporary hike induced by the drought. The current account deficit is estimated at 1.1 percent of GDP, reflecting growing investment-related imports and a drought-induced decline in cocoa and cashew nuts exports (Table 2).

4. **The end-December 2016 budget deficit target was met, but fiscal revenues underperformed and unpaid bills increased**. Revenues fell short by 0.6 percent of GDP due to loss of receipts from cocoa and oil tax, as well as lower-than-expected revenues on tobacco and alcohol excises, income tax, and VAT. The program deficit target of 4.0 percent of GDP was met due to containment of expenditures by 0.9 percent of GDP, which included under-execution of foreign-financed investment projects by 0.6 percent of GDP. Unpaid bills and float increased by 0.4 percent of GDP instead of their programmed small reduction (Tables 3a, 3b). The increase in float did not compromise meeting the performance criterion on domestic arrears.

Text Table 1. Côte d'Ivoire: Fiscal Operations of the Central Government, 2016
(Billions of CFA Francs)

	Prog.	Prel.
Total revenue and grants	20.7	19.8
Total revenue	19.1	18.4
Tax revenue	16.7	15.9
Nontax revenue	2.4	2.5
Grants	1.7	1.4
Total expenditure	24.7	23.7
Current expenditure	17.3	17.1
Capital expenditure	7.5	6.7
Domestically financed	5.1	5.0
Foreign-financed, *of which*	2.3	1.7
Foreign loan-financed	1.8	1.2
Overall balance	**-4.0**	**-4.0**
Domestic arrears and float	-0.1	0.4
Overall balance (cash basis)	-4.1	-3.6

Sources: Ivoirien authorities; and IMF staff estimates.

5. **The banking system supported economic growth**. Credit growth slowed from 30 percent in 2015 to a more sustainable 15½ percent at end-2016. Commercial banks increased their credit to government and accumulated foreign assets (Tables 4–5).

6. **Program performance was generally satisfactory at end-2016 and in early 2017**. All end-December and continuous performance criteria (PCs) and structural benchmarks (SBs) were observed, though three indicative targets (IT) were missed. The end-December IT on fiscal revenues was missed by about 0.6 percentage point of GDP due to a shortfall in taxes on external trade and domestic consumption. The IT on the domestic arrears repayment was missed by about 0.5 percentage points of GDP, and that on the primary basic fiscal balance by about 0.3 percentage point of GDP, due to a revenue shortfall. Despite external shocks and domestic events, all ITs for end-March except that on the pro-poor spending appear to have been met (MEFP Tables 1 and 2).

OUTLOOK AND RISKS

7. **The country has been hit by substantial terms of trade shocks**. The WEO price baseline for cocoa has been revised down by 30–35 percent for 2017 and beyond. As cocoa accounts for about 1/3 of the country's goods exports, the price drop—partially offset by higher export volumes—would lower merchandise exports by about 7 percent compared to the baseline from 2017 onward. Second-round effects of the world price drop are projected to affect the economy (Annex I). Alongside, a steady rise in world oil prices since the beginning of 2016 has lowered the taxable base in the fuel sector.

8. **The adverse shocks prompted a downward revision of the macroeconomic outlook**. Staff projects real GDP growth at around 7 percent per year in 2017–19, which is cumulatively lower by 1½ percentage points relative to the program. The authorities are more optimistic and project growth of 8½ percent this year, sustained by good prospects in extractive industries and services and resilient private sector demand (MEFP ¶12). The current account deficit, projected to widen to 3.8 percent of GDP in 2017 owing to lower cocoa export receipts and a widening oil trade deficit, would narrow down to about 3 percent of GDP by 2019 (Figure 3). The projected FDI inflows have been lowered, reflecting a lower-than-expected level in 2016.

Text Table 2. Côte d'Ivoire: Côte d'Ivoire: Selected Economic Indicators, 2016–19

(Percent of GDP unless otherwise indicated

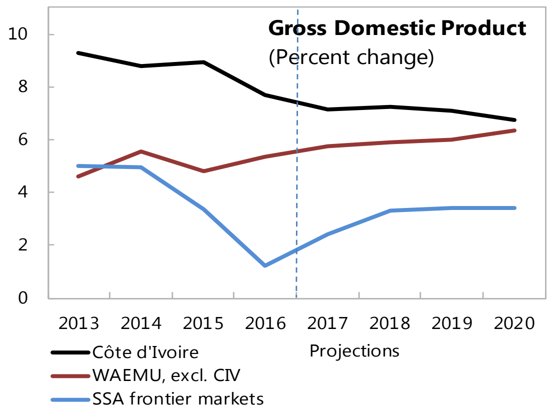
	2016		2017		2018		2019	
	Prog.	Est.	Prog.	Proj.	Prog.	Proj.	Prog.	Proj.
GDP growth, percent	7.9	7.7	7.9	7.1	7.8	7.2	7.3	7.1
Inflation, percent	1.0	0.7	1.5	2.0	2.0	2.0	2.0	2.0
Current account balance	-2.0	-1.1	-2.5	-3.8	-2.5	-3.0	-2.7	-3.0
Total revenue and grants	20.7	19.8	21.1	19.8	21.4	20.2	21.5	20.6
Non-earmarked tax revenues	15.7	15.1	16.1	14.8	16.3	15.2	16.5	15.7
Current expenditure	17.3	17.1	16.9	17.2	16.5	16.6	16.3	16.1
Capital expenditure	7.5	6.7	7.8	7.2	8.3	7.4	8.2	7.6
Fiscal balance (including grants)	-4.0	-4.0	-3.7	-4.5	-3.4	-3.7	-3.0	-3.0
Public debt	48.3	48.5	47.9	48.7	46.4	47.4	44.9	46.4
Nominal GDP (FCFA billion)	21,102	21,146	23,069	23,198	25,344	25,308	27,736	27,596

Sources: Ivoirien authorities; and IMF staff estimates.

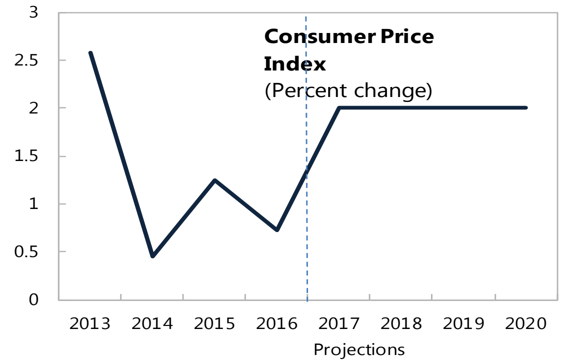
Figure 3. Côte d'Ivoire: Medium-Term Outlook, 2013–20

(Percent of GDP, unless otherwise indicated)

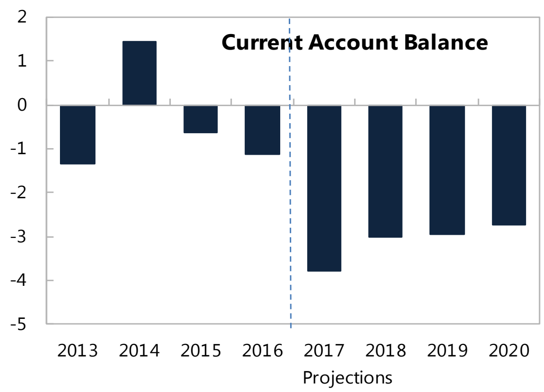
Though still strong, growth is expected to slow down.



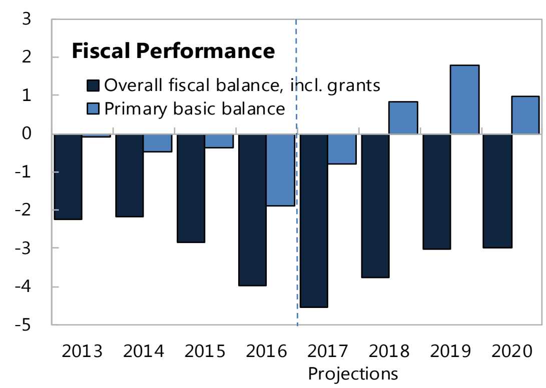
Inflation will remain subdued.



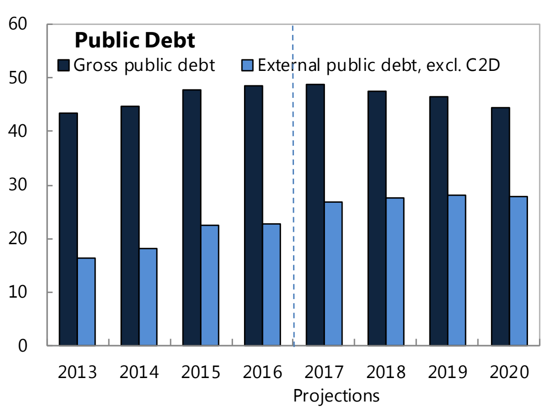
External shocks will widen the current account deficit in 2017.



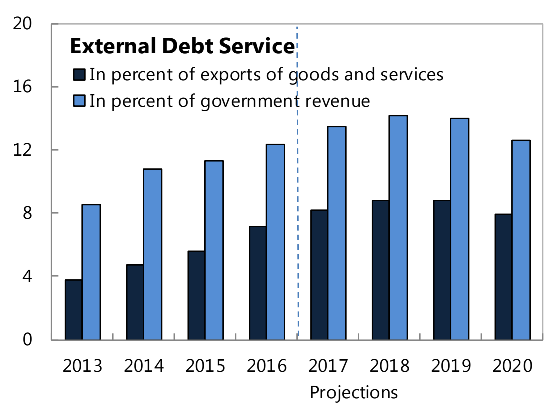
External and domestic shocks will result in higher fiscal deficits in 2017-18.



Public debt will remain under control…



… though debt service costs are rising.



Sources: Ivoirien authorities; and IMF staff estimates.

9. The risks to the baseline macroeconomic outlook are tilted to the downside but, with sound policies, remain manageable (Annex II). The falling cocoa prices can produce deeper and longer-lasting effect on the economy, especially if the downward price trend persists in 2017 amid excessive cocoa supply. Further socio-economic tensions like those that led to soldiers' mutiny and general strike of public employees could discourage private investment and adversely affect growth, while also raising the budget deficit.

ECONOMIC POLICIES FOR 2017–19

10. Meeting the program's objectives despite external shocks and domestic events requires adjustment of macroeconomic policies. The authorities have reaffirmed their commitment to convergence to the WAEMU fiscal deficit norm of 3 percent of GDP by 2019. The staff and authorities agreed to accommodate a higher deficit of 4.5 percent of GDP in 2017 (0.8 percent of GDP above the original program target). This would require policy adjustment measures equivalent to about 1½ percent of GDP in 2017 alone and an additional 0.5 percent of GDP both in 2018 and 2019. Alongside, the authorities will pursue structural reforms aimed at strengthening performance of public enterprises, improving business climate, and promoting private-sector led growth.

11. Economic policies at the WAEMU level and in Côte d'Ivoire are mutually reinforcing for meeting the country's program objectives of maintaining financial stability.[1] Along with Côte d'Ivoire, the WAEMU region has experienced strong growth over the last five years. However, regional vulnerabilities have increased, with public debt on the rise and external buffers shrinking as the common international reserves dropped to 3.7 months of imports coverage at end-2016. To ensure monetary stability, the regional central bank, BCEAO, tightened monetary policy in late 2016. For their part, the Côte d'Ivoire authorities will contribute to rebuilding the common reserves by increasing reliance on external sources of financing in 2017 and converging to the WAEMU fiscal deficit norm of 3 percent of GDP by 2019.

12. The government is managing rising domestic demands. Several groups have been demanding payments and improved living conditions. The authorities are engaged in dialogues with groups seeking payouts and are keen to find suitable lasting solutions to related claims. The authorities' policies are designed to accelerate the recovery in per capita incomes and job growth in the private sector. The creation of fiscal space—by implementing new revenue measures and curtailing low-priority spending and, as needed, reprioritizing capital outlays—would be important to meet demands for better living conditions in a fast-growing economy.

[1] See IMF staff report on common policies of the WAEMU member countries (IMF Country Report No. 17/99).

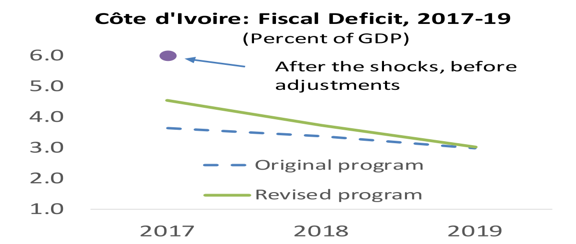
A. Fiscal Policy: Adjusting to Shocks

13. External price shocks and unexpected domestic spending requirements are putting pressures on the fiscal position in 2017 and the medium term. Falling world cocoa prices have reduced cocoa-related fiscal revenues by about 1 percent of GDP. The rise in oil prices relative to 2016 is lowering the fuel tax base, subtracting up to 0.6 percent of GDP from projected fiscal revenues in 2017 and over the medium term.

Côte d'Ivoire: Fiscal Deficit, 2017
(Percent of GDP)

1. Fiscal balance (original program)	**3.7**
2. External and domestic shocks	**2.3**
Cocoa and fuel tax revenue losses	1.6
One-off payments to soldiers	0.6
3. Fiscal balance (pre-adjustment=1+2)	**6.0**
4. Adjustment measures	**1.5**
6. Revised program (= 3 - 4)	**4.5**

Sources: Ivoirien authorities; and IMF staff estimates.



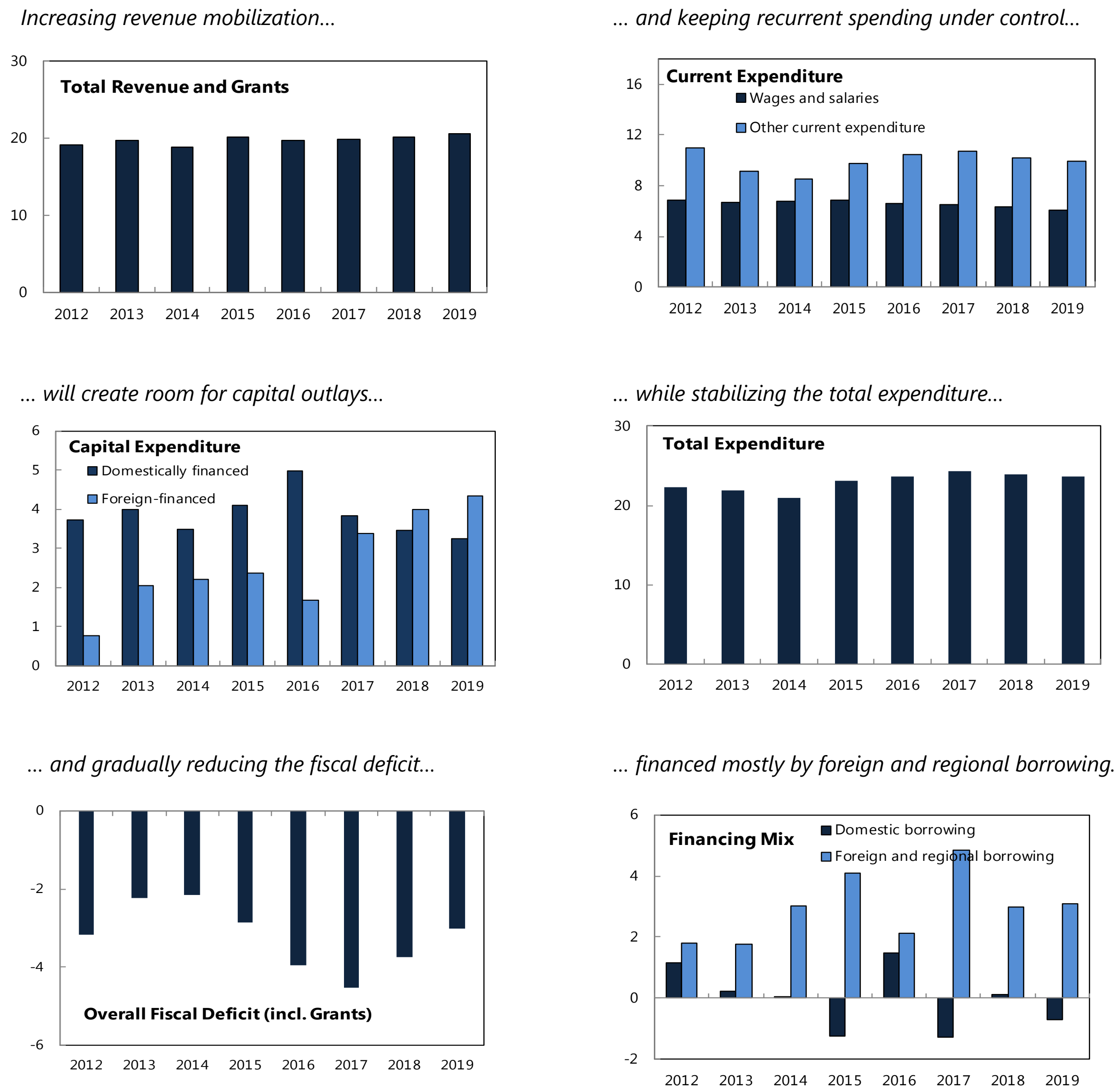
14. Keeping the fiscal deficit under control despite external and domestic shocks requires important adjustment measures. Following the price formula stipulating that the guaranteed cocoa price for farmers should amount to about 60 percent of the world price, the authorities cut the guaranteed price by 36.4 percent (prior action) from April 2017, a difficult measure affecting the lives of about a third of the population. To safeguard the projected fiscal revenues from fuel taxes, the authorities have reactivated the fuel price adjustment mechanism (new SB), and increased gasoline price by 4 percent in May. In addition, the authorities will curtail current expenditure by 0.2 percent of GDP and cut domestic capital outlays by 0.6 percent of GDP (Tables 3a, 3b). These measures will limit the fiscal deficit to 4.5 percent of GDP in 2017.

15. The authorities reaffirmed their commitment to fiscal adjustment over the medium term. They will further curtail domestically-financed capital outlays, reduce and reprioritize current expenditure, and implement new revenues measures. They have committed to phase out VAT exemptions (new SB), limit issuance of other specific tax exemptions, rationalize investment tax incentives and loopholes, raise excise rates on beverages (new SB), adjust income tax, and further improve tax administration (MEFP ¶¶31-32). These measures are expected to boost tax revenue collection progressively by about 0.4 percent of GDP in 2018 and by another 0.5 percent of GDP in 2019. They will secure convergence of the fiscal deficit to 3 percent of GDP in 2019, in line with the WAEMU norm. The completion of the study on the investment code (SB) has been shifted to September 2017, however, to allow the authorities sufficient time to select the consulting firm. The reemergence of fiscal pressures in 2017 or 2018 would call for a more rapid implementation of the agreed revenue measures, further broadening of the VAT tax base, and raising other taxes. On the spending side, authorities could consider additional measures to contain the wage bill and other current expenditure as well as reprioritizing capital outlays.

16. The program provides for resolving the backlog of unpaid bills and float and avoiding arrears. To resolve unpaid bills, the targets for their clearance was increased to 0.2-0.3 percent of GDP in 2017–18. Increasing float did not lead to accumulation of arrears in 2017, and the authorities reaffirmed their commitment to refrain from incurring arrears in the future.

Figure 4. Côte d'Ivoire: Fiscal Developments and Projections, 2012–19

(Percent of GDP, unless indicated otherwise)



Sources: Ivoirien authorities; and IMF staff estimates.

17. **Poverty reduction is a key priority of the government's National Development Plan (NDP), though the external and domestic shocks may pose challenges** (MEFP ¶22). The NDP prioritizes investment to further improve agricultural yields, expand social programs such as universal health coverage, universal schooling for boys and girls ages 6–16 and rural electrification, as well as foster the economic diversification. However, the world cocoa price drop and the reduction in regulated farmer price could hamper the government's poverty reduction efforts. Owing to the decline in cocoa revenues coupled with the need to make one-off payments to soldiers, pro-poor fiscal spending is projected to drop by 0.6 percent of GDP in 2017, but the government is committed to increase them in 2018–20 (MEFP ¶30). The authorities

have cushioned the economic and poverty impact of the cocoa price drop by using about 2/3 of the cocoa industry's stabilization fund (of about 1¼ percent of GDP) to subsidize the farmer regulated prices up to March 2017 and by reducing cocoa-related taxes from April. Over the medium to long term, the extension of the cash transfer program supported by the World Bank is expected to provide a safety net and the appropriate tools to fight poverty.

B. Public Financial Management (PFM): Advancing Reforms

18. The authorities are making good progress on the PFM reform agenda. With the view to fully implementing WAEMU's PFM directives by 2019, they have finalized the new program budgeting classification and presented to the Parliament a new medium-term expenditure framework outline for five pilot ministries for the 2017 budget. Improvements of the information system (IFMIS) are currently on track: the new budgetary information system (SIGFIP) and the interface with the Accounting IT system (ASTER) should be rolled-out by end-2017 (MEFP ¶43). This will allow better tracking of payments and phasing-out of Treasury advances that bypass the regular expenditure authorization procedures.

19. Staff welcomes the authorities' plans to strengthen public investment management (PIM). Following the PIM assessment conducted in December 2016, the authorities will enhance the elaboration and presentation of multi-year public investment program (PIP) by: (i) preparing procedures' manuals to strengthen project management; and (ii) incorporating data from ongoing PPP projects (MEFP ¶44). An important reform of the public tender system entails the creation of procurement units in technical ministries by end-2017. Other reforms include the gradual implementation of paperless public tender procedures and revisions of the public procurement code on concessions (MEFP ¶45).

20. The authorities are strengthening surveillance of fiscal risks stemming from public enterprises and PPPs (MEFP ¶47 and ¶50).

- Performance contracts will be signed with managers of 7 public enterprises, including CI-Energies that oversees the electricity sector, by end-2017. The department in charge of SOE surveillance is being reorganized by strategic sectors to allow portfolio managers to follow performance based on predefined indicators. The public enterprises' debt database, which now includes the debt stock for 19 enterprises, will be further enhanced to include debt service for 12 of them by mid-2017.
- Following Fund technical assistance on fiscal risks from PPPs, the authorities will: (i) review all PPP conventions signed by the government and public enterprises to assess the fiscal risks; and (ii) put in place a PPP database (new SB) to monitor fiscal risks stemming from PPP projects, including contingent liabilities (e.g., in the form of a minimum revenue guarantee). A medium-term objective is to revise the legal and institutional framework for PPPs, with the help of the World Bank. The Medium-Term Budget Framework (MTBF) will include a risk analysis stemming from PPP.

21. Staff encourages the authorities to accelerate the transition to the Treasury Single Account (TSA). Following technical delays, the pilot phase ended in October 2016. A new implementation schedule should allow a full TSA deployment by end-2018 (MEFP ¶51). Meanwhile, staff advised the authorities to proceed with closing of government accounts in commercial banks to centralize cash movements and enhance cash management.

C. Debt Management Policy: Maintaining Sustainability

22. Regional monetary policy tightening increased the cost of financing and reduced liquidity in the regional debt market. In December 2016, the BCEAO increased the lending facility rate from 3.5 percent to 4.5 percent, which widened the spread between the minimum bid rate for the open market refinancing operations and the credit facility rate to 200 basis points. Alongside, the BCEAO limited access to refinancing for banks to twice a bank's capital. In March 2017, however, the central bank partially reversed the tightening by reducing the obligatory reserve requirements on bank deposits from 5 percent to 3 percent.

23. The authorities are in the process of arranging a Eurobond issuance and conducting debt liability management operations to smooth the maturity profile. They plan to issue a long-term US dollar-denominated bond and a medium-term euro-denominated bond, with principal repayments spread over a few years for both bonds. Part of the proceeds will be used to buy back existing external debt securities maturing in 2024 and 2032. This strategy is expected to finance the budget deficit and smooth the repayment profile of the existing Eurobonds, easing concentration of maturities in the mid-2020s (MEFP ¶¶39–40). Côte d'Ivoire's risk of external debt distress will remain moderate (see Debt Sustainability Analysis Update and TMU Table 1).

24. In this context, staff welcomes the authorities' initiatives to increase the efficiency of debt management operations. The authorities are restructuring operations of the debt policy directorate by merging the external and domestic debt units. They are also reinforcing cash management operations and setting up a network of primary dealers to promote the issuance and secondary market trading of CFA-denominated government debt securities in the regional market (MEFP ¶41).

D. Financial Sector: Addressing Vulnerabilities

25. The banking system remains generally sound and credit expansion is slowing down to more sustainable levels. Credit growth to the economy is projected to decelerate to about 14–15 percent in 2017–19, broadly consistent with the projected annual real GDP growth (Table 4). The normalization of credit expansion to a sustainable pace reflects both lower capital buffers and BCEAO policy tightening. At end-2016, average capital adequacy ratio of the banking system stood at 8.0 percent (in line with the regulatory minimum). While most banks have already complied with the new minimum bank capital requirement of FCFA 10 billion ahead of the mid-2017 deadline, stronger enforcement of capital standards is needed for 4 smaller banks. The share of non-performing loans declined to 9 percent at end-2016, with more than 2/3 of them covered by provisions (Table 5).

26. The authorities are addressing lingering weaknesses in public banks:

- A recapitalization plan for the public savings bank, CNCE, submitted to the regional Banking Commission in mid-2016 envisages a mix of bank's own efforts and recapitalization from the central budget. Fiscal transfer of about 0.1 percent in 2016 and another smaller transfer planned for 2017-18 are sustaining the bank's liquidity and covering operating losses. However, the envisaged sale of land owned by banks and recovery of bad loans have not materialized yet. The authorities plan to complete the bank's recapitalization in 2018 (MEFP ¶55).
- Conversion of a part of the non-transferable government debt held by the public investment bank BNI into marketable securities has enhanced the liquidity position of the bank (SB for end-2016).
- The government's stakes in two smaller public banks are undergoing privatization (MEFP ¶54).

E. Structural Reforms: Improving the Business Climate

Public Enterprise Reform

27. The authorities are implementing a strategy for restoring financial viability of the national oil refinery (SIR) but its debt restructuring has met with delays. The Government approved the strategy of restructuring SIR debt of about 1¾ percent of GDP in October 2016. However, selection of the financial institution and contracting of the new long-term loan guaranteed by the government took longer than envisaged. It is expected to be completed by December 2017 (new SB). Given the worsening cash and financial position of the company, with its debts and liabilities reaching 2 percent of GDP at end-2016, staff advised the authorities to complete the restructuring plan on time.

28. The authorities are making progress in restructuring other large public enterprises (MEFP ¶¶58-59). They monitor closely the national oil holding company (PETROCI) and Abidjan transportation company (SOTRA). Despite a fragile cash and financial situation, both companies were expected to record a positive net result for 2016 after a deficit in 2015. Air Côte d'Ivoire should progressively enhance its profitability by implementing its revised business plan for 2017–22. The semiannual report on its financial situation should be submitted to the Minister of Budget by end-June 2017 (SB).

Improving Business Climate

29. Ongoing reforms are expected to improve the business climate. The government is simplifying administrative procedures with the creation of a single tax form and the gradual implementation of electronic tax filing. The electronic land register has been rolled out and information on construction permits has been made available online (MEFP ¶21). The study of the investment code (SB) will be completed by end-September, rather than end-June as earlier envisaged. The government will strengthen the financial regulatory framework by creating an agency to improve the transparency and better manage user complaints in financial services, and by strengthening the operations of credit bureaus (MEFP ¶57). For the coming years, the government plans additional administrative reforms to facilitate business creation, spur border trade, better enforce contract execution, and improve insolvency resolution (MEFP ¶64). On governance enhancement, the measures include: (i) public procurement control; (ii) stepped-up anticorruption campaign; and (iii) promotion of public integrity, transparency and accountability.

Electricity Sector Reforms

30. The authorities are aware of the need to ensure financial viability of the energy sector. While the overall outlook for the sector is encouraging, it has accumulated arrears and liabilities toward independent power and natural gas producers estimated at 1.1 percent of GDP, mostly originating from the public sector and foreign customers. To resolve these arrears, the government is committed to (i) clear unpaid bills for central administration and implement a plan to clear arrears stemming from public entities and sub-national governments; and (ii) facilitate a plan to clear arrears of public enterprises, in coordination with the World Bank. Amid public protests last year, the authorities decided to rescind the electricity price increase of January 2016. Even without tariff increases, net operating result of the sector for 2016 on an accrual basis was slightly positive (FCFA 5.3 billion) and should improve onward thanks to new export tariffs, better availability and use of natural gas (combined cycles for AZITO and CIPREL are now fully operational), and new hydroelectricity projects coming into operation. The authorities have committed to resume electricity price adjustment from mid-2017 (new SB) to ensure long-term financial viability of the sector (MEFP ¶60).

Strengthening Statistics

31. With the help of technical assistance from the IMF and development partners, the government is working on addressing weaknesses in the compilation and dissemination of economic statistics. To strengthen the reliability and timeliness of statistics production, the authorities are enhancing human and material resource capacities across seven ministries. High-frequency statistics is expected to improve with new surveys based on a census of agriculture and the analysis of administrative financial declarations. The government aims to finalize the work on the base year and implement the 2008 System of National Accounts in 2018. Staff encourages the authorities to complete the implementation of the Enhanced General Data Dissemination System, by making the National Summary Data Page (NSDP)—installed in April 2016 with the help of IMF technical assistance—publicly available (MEFP ¶67).

32. Quarterly National Accounts (QNA) are expected to be published in the second half of 2017. Lack of reliable high-frequency indicators and inconsistencies with published annual national accounts had so far delayed the dissemination of QNA. Continued support from the AFRITAC West has strengthened human capacities, and the national statistics agency (INS) expects to publish QNA in October 2017.

33. Despite good progress, preparation of the fiscal operations based on the GFSM 2001 standard is delayed. Due to capacity constraints and recent team reshuffling, converting central government financial reporting to the 2001 GFSM is still a work in progress. Expansion of fiscal coverage to include extra budgetary entities, which would enhance transparency and monitoring of quasi-fiscal operations, has been postponed to 2018 (MEFP ¶52).

PROGRAM MODALITIES AND FINANCING ASSURANCES

34. Program conditionality. The program is monitored in semiannual reviews (Table 8b) through quantitative performance criteria (PCs), indicative targets (ITs), and structural benchmarks (SBs) (MEFP Tables 1–2). Staff supports the authorities' request for modification of end-June 2017 PCs on the overall fiscal balance, net domestic financing, and new external debt. The modified PCs are consistent with the revised fiscal projections, reflecting the impact of adverse shocks and policy adjustments as well as switch from domestic and regional to external financing sources. New PCs are proposed for end-December 2017. The PCs and ITs are defined in the TMU.

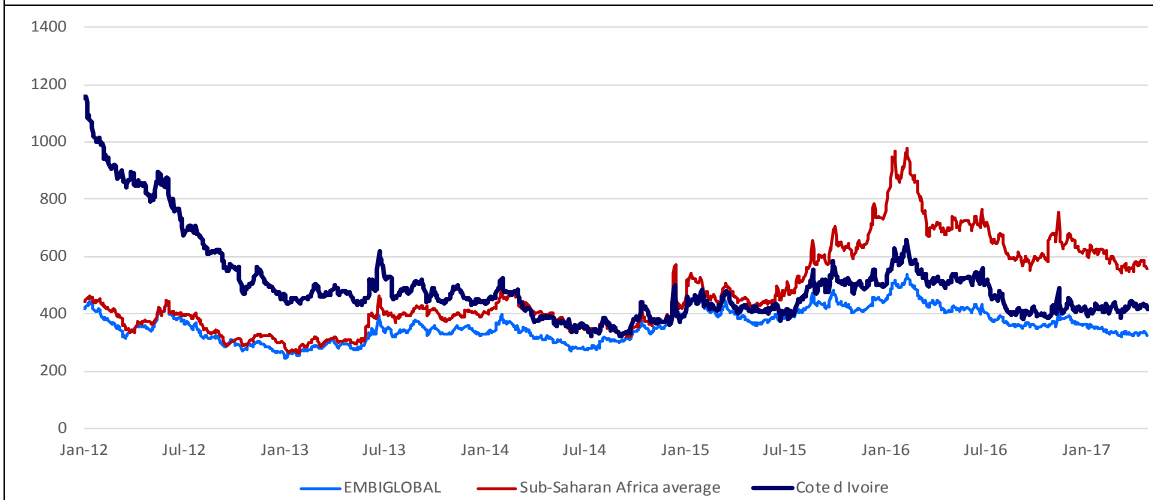
35. Augmentation of access. Staff supports the authorities' request for access augmentation of 25 percent of quota for both ECF and EFF arrangements (of which, 8.33 percent of quota for ECF and 16.67 percent of quota for EFF arrangements), split equally across the remaining six reviews of the program (Tables 8a, 8b). This would bring the total access under the program to 100 percent of quota and help the country meet current and future external financing needs. The increased financing needs reflects the impact of the adverse terms of trade shock— compared to the program request—which is projected to widen the 2017 current account deficit from 1.1 percent of GDP in 2016 to 3.8 percent of GDP. Under the augmented program, Fund financing will cover about 2/3 of the residual balance of payments financing gap over 2017–19, after the projected Eurobond issue. The remaining gap will be closed by assistance from bilateral and multilateral sources.

36. The program is fully financed. Financing needs for the next 12 months are expected to be met by a combination of external borrowing, donor support and Fund financing. In June 2017, the country plans to raise about US$ 1 billion from the Eurobond market, which would cover a large part of the financing need for the year and alleviate demands on the regional bond market. The projected financing gap for the remainder of 2017 will be covered by budget support from the World Bank (CFAF 75 billion), the EU (CFAF 19 billion), AfDB (CFAF 21 billion), and a sovereign loan from France (CFAF 23 billion). The residual financing gap of 0.7 percent of GDP will be covered by disbursements from the Fund under three-year ECF and EFF blended arrangements totaling SDR 193.57 million (29.76 percent of quota), of which SDR 64.52 million (9.92 percent of quota) under ECF and SDR 129.05 million (19.84 percent of quota) under EFF (Table 8b).[2] There are good prospects that there will be adequate financing for the remaining program period, given Côte d'Ivoire's continued access to both regional and international bond markets, as well as donor support.

37. Program implementation risks are manageable, assuming a baseline scenario of stable international environment and continued sound policies, and capacity to repay the Fund is assessed to be adequate. This reflects the government's good record in implementing the 2012–15 Fund-supported program and the new policy adjustment measures agreed by the authorities in the context of this review. Risks to the program implementation could increase in case of further deterioration of the external environment or rising domestic social tensions. In this case, keeping the program on track would require deeper adjustment in macroeconomic policies, in consultation with Fund staff. The capacity to repay the Fund is assessed to be adequate (Table 7), which is in line with the favorable outlook for economic growth.

38. Côte d'Ivoire is expected to retain external debt market access. Current market conditions are favorable for Côte d'Ivoire. According to the J.P. Morgan EMBI Global Index, Côte d'Ivoire's bond yield spread over U.S. Treasury securities of comparable maturities stood at 418 basis points at end-April, against an average spread of 555 basis points for selected sub-Saharan African economies (Figure 5). The authorities' debt management strategy will help prevent excessive increases in the country's external debt service due to the concentration of maturities or U.S. dollar appreciation.

Figure 5. Côte d'Ivoire: Sovereign Bond Yield Spreads, 2012–17
(Basis points)



Sources: J.P. Morgan and Staff calculations.

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

39. Safeguards Assessment. The 2013 assessment of the WAEMU regional central bank, BCEAO, found a continuing strong control environment. All recommendations from the assessment have been implemented.[3]

STAFF APPRAISAL

40. Favorable external conditions, internal stability, and structural reforms have supported high growth in the past five years, but poverty remained high. Real GDP grew by about 9 percent on average during 2012–16. Despite high economic growth and focus on reducing poverty in the authorities' NDP, the poverty rate has remained elevated.

41. In the context of external shocks and domestic events, the economic outlook has deteriorated but remains positive owing to the diversification of the economy and continuing structural reforms. Despite the cocoa price drop, agriculture in general is expected to benefit this year from favorable weather conditions. Growth is projected to remain strong in extractive industries and services, supported by resilient private consumption and investment. Risks to growth are tilted to the downside but manageable, and mostly relate to possible further adverse movements in export prices and domestic socio-economic tensions.

42. The Fund-supported program is contributing to the authorities' growth objectives by addressing impediments to a sustainable balance of payments position and inclusive growth. The program helps consolidate macroeconomic stability, lower external financing risks and catalyze both official development and private financing. This will cushion the impact of the adverse shocks and limit the reduction in pro-poor spending to 0.6 percent of GDP in 2017. Staff highlights the importance of raising poverty-related outlays in 2018 and onward.

43. Bolstering fiscal revenues and rationalizing expenditure is crucial for achieving the programmed fiscal consolidation. External and domestic shocks have led to permanent revenues losses and added to budget spending. To secure the programmed fiscal tightening, the authorities have appropriately committed to new revenue measures and spending cuts. Revenues and spending measures are critical to the creation of fiscal space to meet the natural demands for better living conditions in a fast-growing economy.

44. Prudent public financial and debt management practices, along with public enterprise reform, will help ensure debt sustainability. When raising the external financing for the fiscal deficit, it is important to avoid concentration of maturities that could create acute increases in the debt service. Prudent debt management practices are needed to smooth the long-term debt service profile and safeguard the Côte d'Ivoire classification of moderate risk of external debt distress. The reform of public enterprises, whose total debt was estimated at 3½ percent of GDP at end-2016, is equally important to debt sustainability.

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[3] See ¶40 of IMF Country Report No. 16/383.

45. The accumulation of quasi-fiscal liabilities in the energy sector is a source of concern. Delays in restructuring SIR debts and arrears are contributing to an accumulation of its obligations. Settlement of the existing arrears in the electricity sector and enacting measures enabling full cost recovery in the energy sector are crucial for enabling its stable functioning and attracting private investments.

46. Achieving strong, sustainable and inclusive growth will require further progress in improving the business climate and targeted public investment. With a tapering of the productivity boost from the post-conflict catch-up, private investment should become even more important for sustaining high growth. In this context, staff welcomes the authorities' structural reforms to improve the business environment as well as the government commitment to consolidate the financial situation of key sectors (electricity, banking, and oil refining). Prioritized public investment in rural areas would make growth more inclusive.

47. Continued efforts to improve the quality and dissemination of economic statistics would support policymaking and private investment. Known weaknesses of high frequency indicators and inconsistencies with published annual national accounts complicate the assessment of economic conditions. Staff encourages the authorities to bolster support for ongoing improvements of statistics, including enhancements in data collection (in subsistence agriculture and business revenues), upgrading of existing methodologies and dissemination processes, and the publication of the QNA.

48. Staff supports the authorities' requests for augmentation of program access under the ECF and EFF arrangements by 162.6 SDR million (25 percent of quota) and modification of end-June 2017 performance criteria. This augmentation would bring the total access under the arrangements to SDR 650.40 million (100 percent of quota). The attached Letter of Intent (LOI) and Memorandum of Economic and Financial Policies (MEFP) set out appropriate policies to pursue the program's objectives. The capacity to repay the Fund is adequate, and risks to program implementation are manageable given the government's solid track record for policy implementation.

Table 1. Côte d'Ivoire: Selected Economic Indicators, 2014–20

	2014	2015	2016		2017		2018	2019	2020
		Est.	Prog.	Est.	Prog.	Proj.	Projections		
	(Annual percentage changes, unless otherwise indicated)								
National income									
GDP at constant prices	8.8	8.9	7.9	7.7	7.9	7.1	7.2	7.1	6.7
GDP deflator	3.9	1.8	1.0	1.4	1.4	2.4	1.7	1.8	1.9
Consumer price index (annual average)	0.4	1.2	1.0	0.7	1.5	2.0	2.0	2.0	2.0
External sector (on the basis of CFA francs)									
Exports of goods, f.o.b., at current prices	7.7	8.2	3.3	-9.1	12.2	4.6	7.9	9.4	10.9
Imports of goods, f.o.b., at current prices	0.5	12.6	7.3	-14.0	14.9	16.9	4.6	9.5	10.5
Export volume	3.0	6.8	3.1	-10.0	6.2	7.5	5.1	9.6	6.7
Import volume	4.2	19.7	10.2	5.8	8.8	11.5	7.4	9.1	10.6
Terms of trade (deterioration –)	4.6	15.7	2.8	21.1	0.1	-10.7	0.6	-0.5	3.2
Nominal effective exchange rate	2.6	-3.9	...	1.2	...	...	...	...	...
Real effective exchange rate (depreciation –)	1.0	-4.4	...	0.2	...	...	...	...	...
Central government operations									
Total revenue and grants	8.4	18.9	11.7	6.6	11.3	10.2	11.3	11.1	10.2
Total expenditure	8.4	21.8	16.7	12.2	9.5	12.8	7.3	7.5	9.8
	(Changes in percent of beginning-of-period broad money unless otherwise indicated)								
Money and credit									
Money and quasi-money (M2)	16.1	18.8	10.7	12.1	14.3	12.9	12.3	12.4	11.2
Net foreign assets	4.1	3.2	0.3	-2.4	4.7	4.1	1.8	2.9	2.1
Net domestic assets	12.0	15.6	10.4	14.5	9.6	8.8	10.6	9.5	9.1
Of which: government	3.4	-0.7	1.7	5.3	1.4	-0.5	1.5	0.5	0.8
private sector	11.2	16.0	8.6	9.1	8.2	9.3	9.1	9.0	8.3
Credit to the economy (percent)	21.7	29.6	14.7	15.4	13.4	15.3	14.6	14.2	12.9
	(Percent of GDP unless otherwise indicated)								
Central government operations									
Total revenue and grants	18.9	20.2	20.7	19.9	21.1	20.2	20.6	20.9	21.1
Total revenue	17.1	18.8	19.1	18.5	19.6	18.7	19.0	19.2	19.5
Total expenditure	21.0	23.1	24.7	23.8	24.8	24.8	24.4	24.0	24.1
Overall balance, incl. grants, payment order basis	-2.2	-2.9	-4.0	-4.0	-3.7	-4.5	-3.7	-3.0	-3.0
Primary basic balance [1/]	-0.5	-0.4	-1.6	-1.9	0.1	-0.8	0.8	1.8	1.0
Gross investment	16.7	18.2	19.3	19.6	20.2	20.2	21.3	22.4	23.8
Central government	7.0	7.9	7.5	8.3	7.8	8.8	9.1	9.3	9.7
Nongovernment sector	9.7	10.3	11.9	11.4	12.4	11.4	12.2	13.1	14.2
Gross domestic saving	21.5	21.7	20.1	22.3	20.7	19.7	21.4	22.5	24.1
Central government	2.3	2.9	2.6	2.2	3.6	2.1	3.1	3.8	4.3
Nongovernment sector	19.2	18.7	17.5	20.1	17.1	17.6	18.3	18.7	19.8
Gross national saving	18.1	17.5	17.3	18.5	17.7	16.4	18.3	19.4	21.1
Central government	3.5	3.6	3.0	2.5	4.2	2.7	3.7	4.5	4.9
Nongovernment sector	14.6	14.0	14.3	16.0	13.5	13.7	14.6	14.9	16.2
External sector balance									
Current account balance (including official transfers)	1.4	-0.6	-2.0	-1.1	-2.5	-3.8	-3.0	-3.0	-2.7
Current account balance (excluding official transfers)	-0.3	-2.1	-3.7	-2.5	-4.0	-5.3	-4.6	-4.6	-4.3
Overall balance	0.1	0.0	-0.3	-1.1	1.0	0.2	-0.2	0.4	0.6
Public sector debt									
Central government debt, gross	44.8	47.8	48.3	48.5	47.9	48.7	47.4	46.4	44.5
Central government debt (excluding C2D)	36.2	40.5	42.4	42.5	43.2	43.9	43.7	43.6	42.5
External debt	26.8	29.8	28.9	28.6	28.2	31.6	31.2	31.0	29.9
External debt (excluding C2D)	18.3	22.5	23.0	22.6	23.5	26.8	27.5	28.2	27.9
External debt-service due (CFAF billions)	324	412	477	481	523	575	670	732	733
Percent of exports of goods and services	4.7	5.6	6.3	7.1	6.1	8.2	8.8	8.8	8.0
Percent of government revenue	10.8	11.3	11.9	12.4	11.6	13.5	14.2	14.0	12.7
Memorandum items:									
Nominal GDP (CFAF billions)	17,461	19,363	21,102	21,146	23,069	23,198	25,308	27,596	30,019
Nominal exchange rate (CFAF/US$, period average)	494	591	...	593	...	...	...	...	...
Nominal GDP at market prices (US$ billions)	35.4	32.8	35.9	35.7	39.7	37.6	40.9	44.6	48.5
Population (million)	23.1	23.7	24.3	24.3	25.0	25.0	25.6	26.3	27.0
Nominal GDP per capita (CFAF thousands)	756	817	867	869	924	929	988	1,050	1,114
Nominal GDP per capita (US$)	1,531	1,381	1,477	1,466	1,589	1,505	1,595	1,696	1,799
Real GDP per capita growth (percent)	6.2	6.3	5.3	5.1	5.3	4.5	4.6	4.5	4.1
Poverty rate (in percent)	...	46.3	...	...	...	...	...	...	...

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

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

Table 2. Côte d'Ivoire: Balance of Payments, 2014–20
(Billions of CFA francs; unless otherwise indicated)

	2014	2015	2016	2017		2018		2019	2020
		Est.	Est.	Prog.	Proj.	Prog.	Proj.	Proj.	Proj.
Current account	252	-119	-235	-574	-879	-636	-765	-815	-824
Current account excl. grants	-52	-401	-528	-917	-1,222	-1,033	-1,161	-1,267	-1,303
Trade balance	1,915	1,874	1,953	1,843	1,512	1,948	1,795	1,957	2,191
Exports, f.o.b.	6,411	6,938	6,308	8,021	6,600	8,885	7,119	7,787	8,632
Of which: cocoa	2,289	3,031	2,740	3,027	2,306	3,067	2,432	2,462	2,490
Of which: crude oil and refined oil products	1,544	1,121	785	1,479	1,068	1,602	1,030	1,069	1,129
Imports, f.o.b.	4,496	5,064	4,355	6,178	5,088	6,936	5,324	5,830	6,441
Of which: crude oil and refined oil products	1,676	1,196	906	1,607	1,313	1,796	1,400	1,473	1,564
Services (net)	-1,068	-1,194	-1,396	-1,719	-1,624	-1,837	-1,772	-1,932	-2,101
Primary Income (net)	-449	-596	-620	-661	-704	-726	-742	-809	-867
Of which: interest on public debt	94	152	177	210	206	229	253	241	308
Secondary Income (net)	-145	-204	-173	-38	-63	-21	-46	-31	-47
General Government	124	98	292	343	343	397	396	452	478
Other Sectors	-270	-302	-465	-381	-406	-418	-443	-483	-525
Capital and financial account	-212	157	1	801	935	904	721	927	991
Financial account (excl. exceptionnal financing)	-351	0	-128	674	801	778	586	793	857
Foreign direct investment	209	284	358	761	428	887	594	730	885
Portfolio investment, net	93	-13	-38	23	-98	25	75	78	30
Acquisition of financial assets	-2	-13	-38	1	-100	1	77	79	31
Incurrence of liabilities	95	0	1	22	2	25	-1	-1	-1
Other investment, net	-652	-270	-447	-110	471	-134	-83	-15	-58
Official, net	382	675	-21	277	958	338	404	513	426
Project loans	249	328	262	586	586	667	759	891	779
Other loans	357	585	0	0	690	0	0	0	0
Central government amortization due	-226	-231	-270	-296	-303	-316	-341	-364	-339
Net acquisition of financial assets	-12	-13	-14	-13	-14	-13	-14	-14	-14
Nonofficial, net	-1,035	-945	-427	-387	-488	-472	-487	-528	-484
Errors and omissions	-27	-39	0	0	0	0	0	0	0
Overall balance	13	-1	-234	227	56	268	-44	112	167
Financing	-13	1	234	-227	-56	-268	44	-112	-167
Reserve assets, includes reserve position in the Fund	-13	1	234	-410	-356	-458	-168	-310	-247
Operations account	-96	-51	210	-346	-293	-375	-86	-225	-161
IMF (net)	83	52	23	-63	-63	-82	-82	-85	-86
Disbursements	87	81	57	…	…	…	…	…	…
Repayments	-3	-29	-34	-63	-63	-82	-82	-85	-86
Financing gap	0.0	0.0	0.0	183.0	299.9	189.4	212.6	197.9	80.1
Expected financing (excluding IMF)	…	…	…	69.2	138.2	75.9	50.6	35.9	…
Residual gap/ IMF financing, *of which*	…	…	…	113.8	161.7	113.5	162.0	162.0	…
IMF-ECF [1/]	…	…	…	37.9	53.9	37.8	54.0	54.0	…
IMF-EFF [1/]	…	…	…	75.8	107.8	75.7	108.0	108.0	…
Memorandum items:									
Overall balance (percent of GDP)	0.4	0.3	-0.3	1.0	1.0	1.1	1.1	0.7	0.2
Current account inc. grants (percent of GDP)	1.4	-0.6	-1.1	-2.5	-3.8	-2.5	-3.0	-3.0	-2.7
Current account exc. grants (percent of GDP)	-0.3	-2.1	-2.5	-4.0	-5.3	-4.1	-4.6	-4.6	-4.3
Trade balance (percent of GDP)	11.0	9.7	9.2	8.0	6.5	7.7	7.1	7.1	7.3
Gross imputed official reserves (stock - end of year)	1,559	1,791	1,552	2,208	1,798	2,653	2,019	2,377	2,627
(percent of broad money)	11.0	9.7	7.6	10.9	8.2	11.7	8.5	9.0	9.4
WAEMU gross official reserves (billions of US$)	13.0	12.4	10.8	…	…	…	…	…	…
(percent of broad money)	86.6	74.7	57.9	…	…	…	…	…	…
(months of WAEMU imports of GNFS)	4.6	4.5	3.7	…	…	…	…	…	…
Nominal GDP (billions of CFA francs)	17,461	19,363	21,146	23,068.7	23,198	25,344	25,308	27,596	30,019
Exchange rate (CFAF/US$) average	493.6	591.2	592.8	…	…	…	…	…	…
Exchange rate (CFAF/US$) end-of-period	540.3	602.5	622.3	…	…	…	…	…	…

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

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

Table 3a. Côte d'Ivoire: Fiscal Operations of the Central Government, 2015–19

(Billions of CFA francs, unless otherwise indicated)

	2015	2016		2017		2018		2019	
	Est.	Prog.	Est.	Prog.	Rev.prog.	Prog.	Rev.prog.	Prog.	Rev.prog.
Total revenue and grants	3,916.8	4,375.8	4,176.6	4,868.1	4,603.1	5,417.6	5,121.2	5,954.3	5,688.5
Total revenue	3,634.6	4,022.6	3,884.2	4,525.0	4,260.0	5,020.1	4,724.7	5,501.6	5,236.9
Tax revenue[1/]	2,954.9	3,518.0	3,352.6	3,908.0	3,627.4	4,344.2	4,057.2	4,809.7	4,558.5
Non-earmarked taxes	2,954.9	3,318.2	3,197.7	3,711.8	3,435.5	4,133.3	3,849.5	4,581.5	4,330.2
Direct taxes	788.4	861.5	851.9	972.5	964.7	1,116.1	1,092.1	1,220.2	1,253.5
Indirect taxes[2/]	2,166.5	2,456.7	2,345.8	2,739.3	2,470.7	3,017.3	2,757.5	3,361.3	3,076.7
Earmarked taxes[1/]	...	199.8	154.9	196.2	191.9	210.9	207.7	228.3	228.3
Nontax revenue	679.8	504.6	531.6	617.0	632.7	675.9	667.5	691.9	678.4
Grants, *of which*	282.2	353.2	292.4	343.1	343.1	397.5	396.4	452.6	451.6
Project grants	128.6	105.6	105.9	195.5	195.5	248.9	248.9	304.0	304.0
Total expenditure[3/]	4,469.8	5,215.3	5,014.6	5,710.3	5,655.1	6,272.5	6,069.3	6,784.2	6,522.7
Current expenditure	3,222.7	3,643.2	3,606.2	3,904.4	3,986.2	4,173.7	4,189.3	4,508.8	4,433.2
Wages and salaries	1,331.6	1,434.0	1,400.8	1,508.1	1,508.1	1,582.8	1,601.3	1,667.5	1,686.0
Social security benefits	255.4	275.6	260.7	305.6	325.2	336.0	338.4	368.0	351.9
Subsidies and other current transfers[2/]	414.7	357.9	385.8	421.4	418.0	463.3	438.9	507.5	457.6
Other current expenditure	814.8	933.5	931.0	1,030.3	999.4	1,127.9	1,094.3	1,235.7	1,169.0
Expenditure corresponding to eamarked taxes[3/]	...	183.3	138.4	162.8	153.1	179.0	170.0	195.9	186.0
Crisis-related expenditure[4/]	108.7	108.3	129.4	41.8	148.8	5.0	5.0	5.0	5.0
Interest due	297.5	350.6	360.1	434.4	433.6	479.7	541.3	529.2	577.5
On domestic debt	145.3	180.8	183.2	224.5	227.2	250.3	288.6	277.2	336.1
On external debt	152.2	169.8	177.0	209.9	206.4	229.4	252.7	252.0	241.4
Capital expenditure	1,247.3	1,572.1	1,408.4	1,805.8	1,668.9	2,098.8	1,880.0	2,275.4	2,089.5
Domestically financed	790.9	1,082.4	1,054.0	1,024.2	887.3	1,183.1	872.5	1,246.6	894.8
Foreign-financed, *of which*	456.3	489.6	354.4	781.6	781.6	915.7	1,007.5	1,028.8	1,194.7
Foreign loan-financed	327.7	384.0	248.4	586.2	586.2	666.8	758.6	724.8	890.7
Primary basic balance	-68.1	-327.5	-394.9	30.8	-179.8	142.9	204.2	275.4	486.4
Overall balance, including grants	-553.0	-839.5	-837.9	-842.2	-1,052.0	-855.0	-948.1	-830.0	-834.2
Overall balance, excluding grants	-835.2	-1,192.7	-1,130.4	-1,185.3	-1,395.0	-1,252.4	-1,344.6	-1,282.6	-1,285.8
Change in domestic arrears and float (excl. on debt service)	1.5	-25.0	78.9	-25.0	-75.0	-25.0	-50.0	-25.0	-25.0
Overall balance (cash basis)	-551.5	-864.5	-759.1	-867.2	-1,127.0	-880.0	-998.1	-855.0	-859.2
Financing	551.5	864.5	759.1	867.2	1,127.0	880.0	998.1	855.0	859.2
Domestic financing	-241.6	31.8	310.1	15.8	-294.5	159.5	32.1	151.1	-192.8
Bank financing (net)	-151.3	75.5	357.4	2.3	-208.7	113.8	-19.1	106.3	-109.4
Nonbank financing (net)	-90.3	-43.6	-47.3	13.4	-85.9	45.7	51.2	44.8	-83.4
External financing	793.0	687.0	449.0	668.5	1,121.6	531.0	753.4	515.3	854.0
Regional financing (WAEMU)	16.5	575.1	367.3	378.1	148.3	180.3	335.7	163.6	327.5
Foreign financing (net)	776.5	111.9	81.6	290.3	973.4	350.8	417.7	351.6	526.5
Financing gap (+ deficit / – surplus)	0.0	145.7	0.0	183.0	299.9	189.4	212.6	188.6	197.9
Expected financing (excluding IMF)	...	88.5	...	69.2	138.2	75.9	50.6	75.4	35.9
Residual gap/IMF financing, *of which*	...	57.4	...	115.7	161.7	113.5	162.0	113.2	162.0
IMF-ECF[5/]	...	19.1	...	38.6	53.9	37.8	54.0	37.7	54.0
IMF-EFF[5/]	...	38.3	...	77.1	107.8	75.7	108.0	75.5	108.0
Memorandum items:									
Nominal GDP	19,363	21,102	21,146	23,069	23,198	25,344	25,308	27,736	27,596
External debt (central government)	5,772	6,104	6,057	6,504	7,324	6,952	7,897	7,385	8,553
Pro-poor spending (including foreign financed)	1,770	1,998	2,015	2,217	2,070	2,435	2,328	2,634	2,566

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

[1/] Includes earmarked taxes from 2016 on.

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

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

[4/] In 2017, includes one-off payments to soldiers of FCFA 137 billion.

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

Table 3b. Côte d'Ivoire: Fiscal Operations of the Central Government, 2015–19

(Percent of GDP, unless otherwise indicated)

	2015	2016		2017		2018		2019	
	Est.	Prog.	Est.	Prog.	Rev.prog.	Prog.	Rev.prog.	Prog.	Rev.prog.
Total revenue and grants	20.2	20.7	19.8	21.1	19.8	21.4	20.2	21.5	20.6
Total revenue[1/]	18.8	19.1	18.4	19.6	18.4	19.8	18.7	19.8	19.0
Tax revenue	15.3	16.7	15.9	16.9	15.6	17.1	16.0	17.3	16.5
Non-earmarked taxes	15.3	15.7	15.1	16.1	14.8	16.3	15.2	16.5	15.7
Direct taxes	4.1	4.1	4.0	4.2	4.2	4.4	4.3	4.4	4.5
Indirect taxes[2/]	11.2	11.6	11.1	11.9	10.7	11.9	10.9	12.1	11.1
Earmarked taxes[1/]	...	0.9	0.7	0.9	0.8	0.8	0.8	0.8	0.8
Nontax revenue	3.5	2.4	2.5	2.7	2.7	2.7	2.6	2.5	2.5
Grants, *of which*	1.5	1.7	1.4	1.5	1.5	1.6	1.6	1.6	1.6
Project grants	0.7	0.5	0.5	0.8	0.8	1.0	1.0	1.1	1.1
Total expenditure[3/]	23.1	24.7	23.7	24.8	24.4	24.8	24.0	24.5	23.6
Current expenditure	16.6	17.3	17.1	16.9	17.2	16.5	16.6	16.3	16.1
Wages and salaries	6.9	6.8	6.6	6.5	6.5	6.2	6.3	6.0	6.1
Social security benefits	1.3	1.3	1.2	1.3	1.4	1.3	1.3	1.3	1.3
Subsidies and other current transfers[2/]	2.1	1.7	1.8	1.8	1.8	1.8	1.7	1.8	1.7
Other current expenditure	4.2	4.4	4.4	4.5	4.3	4.5	4.3	4.5	4.2
Expenditure corresponding to eamarked taxes[3/]	...	0.9	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Crisis-related expenditure[4/]	0.6	0.5	0.6	0.2	0.6	0.0	0.0	0.0	0.0
Interest due	1.5	1.7	1.7	1.9	1.9	1.9	2.1	1.9	2.1
On domestic debt	0.8	0.9	0.9	1.0	1.0	1.0	1.1	1.0	1.2
On external debt	0.8	0.8	0.8	0.9	0.9	0.9	1.0	0.9	0.9
Capital expenditure	6.4	7.5	6.7	7.8	7.2	8.3	7.4	8.2	7.6
Domestically financed	4.1	5.1	5.0	4.4	3.8	4.7	3.4	4.5	3.2
Foreign-financed, *of which*	2.4	2.3	1.7	3.4	3.4	3.6	4.0	3.7	4.3
Foreign loan-financed	1.7	1.8	1.2	2.5	2.5	2.6	3.0	2.6	3.2
Primary basic balance	-0.4	-1.6	-1.9	0.1	-0.8	0.6	0.8	1.0	1.8
Overall balance, including grants	-2.9	-4.0	-4.0	-3.7	-4.5	-3.4	-3.7	-3.0	-3.0
Overall balance, excluding grants	-4.3	-5.7	-5.3	-5.1	-6.0	-4.9	-5.3	-4.6	-4.7
Change in domestic arrears and float (excl. on debt service)	0.0	-0.1	0.4	-0.1	-0.3	-0.1	-0.2	-0.1	-0.1
Overall balance (cash basis)	-2.8	-4.1	-3.6	-3.8	-4.9	-3.5	-3.9	-3.1	-3.1
Financing	2.8	4.1	3.6	3.8	4.9	3.5	3.9	3.1	3.1
Domestic financing	-1.2	0.2	1.5	0.1	-1.3	0.6	0.1	0.5	-0.7
Bank financing (net)	-0.8	0.4	1.7	0.0	-0.9	0.4	-0.1	0.4	-0.4
Nonbank financing (net)	-0.5	-0.2	-0.2	0.1	-0.4	0.2	0.2	0.2	-0.3
External financing	4.1	3.3	2.1	2.9	4.8	2.1	3.0	1.9	3.1
Regional financing (WAEMU)	0.1	2.7	1.7	1.6	0.6	0.7	1.3	0.6	1.2
Foreign financing (net)	4.0	0.5	0.4	1.3	4.2	1.4	1.7	1.3	1.9
Financing gap (+ deficit / – surplus)	0.0	0.7	0.0	0.8	1.3	0.7	0.8	0.7	0.7
Expected financing (excluding IMF)	...	0.4	...	0.3	0.6	0.3	0.2	0.3	0.1
Residual gap/IMF financing, of which	...	0.3	...	0.5	0.7	0.4	0.6	0.4	0.6
IMF-ECF [5/]	...	0.1	...	0.2	0.2	0.1	0.2	0.1	0.2
IMF-EFF [5/]	...	0.2	...	0.3	0.5	0.3	0.4	0.3	0.4
Memorandum items:									
External debt (central government)	29.8	28.9	28.6	28.2	31.6	28.2	31.2	27.4	31.0
Pro-poor spending (including foreign financed)	9.1	9.5	9.5	9.6	8.9	9.6	9.2	9.6	9.3

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

1/ Includes earmarked taxes from 2016 on.

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

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

4/ In 2017, includes one-off payments to soldiers of 0.6 percent of GDP.

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

Table 4. Côte d'Ivoire: Monetary Survey, 2013–20

	2013	2014	2015	2016	2017	2018	2019	2020
				Prel.		Projections		
			(Billions of CFA francs)					
Net foreign assets	1,559	1,785	1,989	1,809	2,155	2,326	2,634	2,884
Central bank	1,300	1,559	1,791	1,552	1,798	2,019	2,377	2,627
Banks	259	226	198	257	357	307	257	257
Net domestic assets	3,922	4,579	5,573	6,669	7,413	8,423	9,446	10,551
Net credit to the government	1,307	1,490	1,445	1,847	1,800	1,943	1,996	2,098
Central Bank	646	591	494	527	596	665	733	724
Banks	661	900	951	1,320	1,204	1,278	1,263	1,374
Credit to the economy	2,831	3,446	4,467	5,154	5,945	6,812	7,783	8,785
Crop credits	186	276	390	460	370	389	394	399
Other credit (including customs bills)	2,644	3,171	4,077	4,694	5,575	6,423	7,389	8,386
Other items (net) (assets = +)	-215	-358	-339	-332	-332	-332	-332	-332
Broad money	5,481	6,364	7,562	8,478	9,568	10,749	12,080	13,435
Currency in circulation	1,748	1,878	2,138	2,309	2,511	2,820	3,170	3,525
Deposits	3,679	4,424	5,333	5,973	6,837	7,681	8,632	9,600
Other deposits	54	62	91	195	220	248	278	309
Memorandum item:								
Velocity of circulation	2.8	2.7	2.6	2.5	2.4	2.4	2.3	2.2
			(Changes in percent of beginning-of-period broad money)					
Net foreign assets	0.1	4.1	3.2	-2.4	4.1	1.8	2.9	2.1
Net domestic assets	11.5	12.0	15.6	14.5	8.8	10.6	9.5	9.1
Net credit to the government	3.5	3.4	-0.7	5.3	-0.5	1.5	0.5	0.8
Central bank	0.3	-1.0	-1.5	0.4	0.8	0.7	0.6	-0.1
Banks	3.3	4.4	0.8	4.9	-1.4	0.8	-0.1	0.9
Credit to the economy	10.6	11.2	16.0	9.1	9.3	9.1	9.0	8.3
Broad money	11.6	16.1	18.8	12.1	12.9	12.3	12.4	11.2
			(Changes in percent of previous end-of-year)					
Net foreign assets	0.2	14.5	11.4	-9.1	19.1	7.9	13.2	9.5
Net domestic assets	16.9	16.7	21.7	19.7	11.2	13.6	12.1	11.7
Net credit to the government	15.3	14.1	-3.0	27.8	-2.5	7.9	2.7	5.1
Central bank	2.2	-8.5	-16.4	6.6	13.2	11.5	10.2	-1.3
Banks	31.8	36.1	5.7	38.8	-8.8	6.1	-1.2	8.8
Credit to the economy	22.6	21.7	29.6	15.4	15.3	14.6	14.2	12.9
Broad money	11.6	16.1	18.8	12.1	12.9	12.3	12.4	11.2

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

Table 5. Côte d'Ivoire: Financial Soundness Indicators for the Banking Sector, 2013–16

(Percent)

	2013	2014	2015	2016
Capital adequacy				
Risk-weighted capital to assets ratio	9.2	10.1	8.2	8.0
Asset quality				
Total loans/total assets	55.4	53.7	55.7	56.2
Concentration of loans to the 5 biggest borrowers to capital	306.2	293.1	387.9	...
Nonperforming loans (NPLs) (gross)/total loans	12.3	11.3	10.6	9.0
Provisions/NPLs	73.6	77.1	68.6	71.1
NPLs net of provisions/total loans	3.6	2.9	3.8	2.8
NPLs net of provisions/capital	49.0	28.2	47.0	36.5
Earnings and profitability				
Return on assets (net income/total assets)	1.2	...	...	...
Return on net income (net income/equity)	17.4	...	...	...
Personnel costs/net revenu	28.9	...	...	...
Liquidity				
Liquid assets/total assets	37.1	49.8	52.0	50.8
Liquid assets/total deposits	50.0	67.5	71.0	73.8
Loans/deposits	82.0	72.8	76.1	81.7

Source: BCEAO.

Table 6. Côte d'Ivoire: External Financing Requirements, 2014–19
(Billions of CFA francs)

	2014	2015	2016	2017	2018	2019
			Est.	Projections		
External financing requirements	-1,136	-1,248	-741	-2,053	-1,502	-1,722
Current account balance (excluding official transfers)	-52	-401	-528	-1,222	-1,161	-1,267
Amortization and net acquisition of financial assets	-238	-244	-283	-316	-355	-378
Fund repayments	-3	-29	-34	-63	-82	-85
Private capital, net	-747	-523	-106	-159	182	233
Change in official reserves without IMF (- = increase)	-96	-51	210	-293	-86	-225
Available financing	1,136	1,248	741	1,754	1,290	1,524
Capital transfers	139	156	129	134	135	135
Project financing	249	328	262	586	759	891
Eurobond	357	585	0	690	0	0
Fund disbursements	87	81	57	0	0	0
Official transfers	304	98	292	343	396	499
Financing gap	0	0	0	-300	-213	-198
Expected financing	...	...	...	138.2	50.6	35.9
World Bank	...	...	...	75.0	30.0	30.0
AfDB	...	...	...	21.0	0.0	0.0
EU	...	...	...	19.2	20.6	5.9
France (sovereign loan)	...	...	...	23.0	0.0	0.0
Residual gap / IMF financing 1/	...	...	...	161.7	162.0	162.0
IMF-ECF Financing	...	...	...	53.9	54.0	54.0
IMF-EFF Financing	...	...	...	107.8	108.0	108.0

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

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

Table 7. Côte d'Ivoire: Indicators of Capacity to Repay the Fund, 2017–25

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Fund obligations based on existing credit									
(In millions of SDRs)									
Principal	57.6	109.6	113.2	112.8	128.1	93.7	69.3	49.8	27.0
Charges and interest 1/	1.0	1.5	1.5	1.5	1.4	1.3	1.2	1.1	1.0
Fund obligations based on existing and prospective credit 2/									
(In millions of SDRs)									
Principal	57.6	109.6	113.2	112.8	133.4	123.8	133.8	143.4	130.3
Charges and interest 1/	2.1	4.6	6.5	7.2	7.1	6.9	6.3	5.4	4.3
Total obligations based on existing and prospective credit 2/									
In millions of SDRs	59.6	114.2	119.6	120.0	140.6	130.7	140.1	148.7	134.6
In billions of CFA francs	49.8	95.6	100.1	100.4	117.8	109.9	117.8	125.1	113.2
In percent of government revenue	1.1	1.9	1.8	1.6	1.7	1.5	1.5	1.4	1.2
In percent of exports of goods and services	0.7	1.3	1.2	1.1	1.2	0.9	0.9	0.9	0.7
In percent of debt service 3/	8.7	14.3	13.7	13.7	18.9	12.0	11.0	8.9	8.7
In percent of GDP	0.2	0.4	0.4	0.3	0.4	0.3	0.3	0.3	0.3
In percent of quota	9.2	17.6	18.4	18.4	21.6	20.1	21.5	22.9	20.7
Outstanding Fund credit									
In millions of SDRs	909.4	993.4	1,073.8	961.0	827.5	703.7	569.9	426.6	296.3
In billions of CFA francs	759.8	831.6	898.8	803.8	693.5	592.0	479.4	358.8	249.2
In percent of government revenue	16.5	16.2	15.8	12.8	10.1	7.9	5.9	4.0	2.6
In percent of exports of goods and services	10.8	10.9	10.8	8.7	6.8	5.1	3.7	2.5	1.6
In percent of debt service	132.2	124.1	122.9	109.7	111.2	64.9	44.8	25.5	19.2
In percent of GDP	3.3	3.3	3.3	2.7	2.1	1.7	1.3	0.9	0.6
In percent of quota	139.8	152.7	165.1	147.8	127.2	108.2	87.6	65.6	45.6
Net use of Fund credit (millions of SDRs)	136.0	84.0	80.4	-112.8	-133.4	-123.8	-133.8	-143.4	-130.3
Disbursements	193.6	193.6	193.6	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	57.6	109.6	113.2	112.8	133.4	123.8	133.8	143.4	130.3
Memorandum items:									
Nominal GDP (billions of CFA francs)	23,198	25,308	27,596	30,019	32,621	35,337	38,259	41,389	44,794
Exports of goods and services (billions of CFA francs)	7,041	7,600	8,311	9,203	10,226	11,688	13,119	14,474	15,686
Government revenue (billions of CFA francs)	4,603	5,121	5,688	6,266	6,884	7,464	8,116	8,875	9,694
Debt service (billions of CFA francs)	575	670	732	733	624	913	1,071	1,408	1,300
CFA francs/SDR (period average)	835	837	837	836	838	841	841	841	841

Sources: IMF staff estimates and projections.

1/ On October 3, 2016, the IMF Executive Board approved a modified interest rate setting mechanism which effectively sets interest rates to zero on ECF and SCF through December 31, 2018 and possibly longer. The Board also decided to extend zero interest rate on ESF until end 2018 while the interest rate on RCF was set to zero in July 2015. Based on these decisions and current projections of the SDR rate, the following interest rates are assumed beyond 2018: projected interest charges between 2019 and 2020 are based on 0/0/0/0.25 percent per annum for the ECF, SCF, RCF and ESF, respectively, and beyond 2020, 0/0.25/0/0.25 percent per annum. The Executive Board will review the interest rates on concessional lending by end-2018 and every two years thereafter.

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

3/ Total debt service includes IMF repurchases and repayments.

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

Date of availability	Condition for disbursement	Amount (millions of SDRs)			Percent of Quota		
		Total	ECF	EFF	Total	ECF	EFF
December 12, 2016	Executive Board approval of the ECF/EFF arrangements. [1/]	69.686	23.229	46.457	10.714	3.571	7.143
April 15, 2017	Observance of PCs for end-December 2016, continuous PCs and completion of the first review.	69.686	23.229	46.457	10.714	3.571	7.143
October 15, 2017	Observance of PCs for end-June 2017, continuous PCs and completion of the second review.	69.686	23.229	46.457	10.714	3.571	7.143
April 15, 2018	Observance of PCs for end-December 2017, continuous PCs and completion of the third review.	69.686	23.229	46.457	10.714	3.571	7.143
October 15, 2018	Observance of PCs for end-June 2018, continuous PCs and completion of the fourth review.	69.686	23.229	46.457	10.714	3.571	7.143
April 15, 2019	Observance of PCs for end-December 2018, continuous PCs and completion of the fifth review.	69.686	23.229	46.457	10.714	3.571	7.143
October 15, 2019	Observance of PCs for end-June 2019, continuous PCs and completion of the sixth review.	69.684	23.226	46.458	10.714	3.571	7.143
	Total	487.800	162.600	325.200	75.000	25.000	50.000

Côte d'Ivoire's quota is SDR 650.40 million

1/ For the Board approval, the actual Board date is shown.

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

Date of availability	Condition for disbursement	Amount (millions of SDRs)			Percent of Quota		
		Total	ECF	EFF	Total	ECF	EFF
December 12, 2016	Executive Board approval of the ECF/EFF arrangements. 1/	69.686	23.229	46.457	10.714	3.571	7.143
April, 15 2017	Observance of PCs for end-December 2016, continuous PCs and completion of the first review.	96.786	32.262	64.524	14.881	4.960	9.921
October 15, 2017	Observance of PCs for end-June 2017, continuous PCs and completion of the second review.	96.786	32.262	64.524	14.881	4.960	9.921
April 15, 2018	Observance of PCs for end-December 2017, continuous PCs and completion of the third review.	96.786	32.262	64.524	14.881	4.960	9.921
October 15, 2018	Observance of PCs for end-June 2018, continuous PCs and completion of the fourth review.	96.786	32.262	64.524	14.881	4.960	9.921
April 15, 2019	Observance of PCs for end-December 2018, continuous PCs and completion of the fifth review.	96.786	32.262	64.524	14.881	4.960	9.921
October 15, 2019	Observance of PCs for end-June 2019, continuous PCs and completion of the sixth review.	96.784	32.261	64.523	14.881	4.960	9.920
	Total	650.400	216.800	433.600	100.000	33.333	66.667

Côte d'Ivoire's quota is SDR 650.40 million

1/ For the Board approval, the actual Board date is shown.

Annex I. Cocoa Sector Snapshot

Production: Côte d'Ivoire is the top cocoa exporter, producing about 40 percent of world output. The second largest producer, Ghana, accounts for about 20 percent of world production. Other major producers include Indonesia, Nigeria, Cameroon, Brazil and Ecuador. In 2016, 33 percent of the beans harvested in Côte d'Ivoire were processed in the country. The sector directly and indirectly contributes to 1/4 of the country's employment.

Prices: After four years of steady increases sustained by fast growing demand, notably from emerging markets, cocoa prices plunged by more than 35 percent starting from the second half of 2016, to about 1300 CFAF/kg. On the supply side, favorable weather conditions are expected to result in increased yields in West Africa and Brazil.

Taxes: There are two types of taxes that are proportionate to export values, namely a registration tax of 5 percent (until March 2017) and an export tax of 14.6 percent. The registration tax was set to zero from April 2017 to mitigate the impact of price decline on the producers.

Regulator: The Conseil Café Cacao (CCC) was created in 2011 to be the sole independent cocoa market regulator. It collects additional proportionate fees on exports at a rate of 2.4 percent. The CCC board consists of government and private sector representatives.

Price regulation: The CCC runs a *program of forward sale* aimed at stabilizing prices during a harvest season. The system relies on pooling forward contracts (hedging).

- Since the 2012 reform of the sector, the CCC fixes the farmgate price at 60 percent of the "reference export price". The fixed farmgate price guarantees a minimum revenue to farmers and avoids price volatility within each harvest season. This reform is an improvement over the previous decade during which farmer prices averaged 40 percent of world prices. The "reference export price" is computed as the average forward price of a pre-harvest auction for export permits.
- The CCC also runs a stabilizing fund, used to compensate unexpected losses from the deviations between the "reference export price" and to cover price differences for the sales of the (unhedged) rest of the production on the spot market.

Recent developments and mitigating factors: Despite forward contracts and because of hedging failures, sectoral losses in 2017 are estimated at about 2 percent of GDP (compared to previous year).

- Larger production volumes and forward contract sales partially offset the effect of the price drop.
- The price drop prompted defaults on the forward contracts, which increased the supply coming to the spot market and further depressed the spot price.
- In the main 2016/17 harvest season, the CCC drew about 0.9 percent of GDP from its stabilizing funds to compensate for defaults and support regulated prices.
- From April 2017, the government lowered the farmgate price by 36.4 percent in accordance with the 2012 reform. The farmgate price drop is projected to lower farmers' revenues by about 0.9 percent of GDP for the remainder of the year.
- To mitigate the impact on farmer's income, the government lowered the registration tax from 5 percent to zero in 2017 to avoid a larger farmgate price decrease that would be required to maintain cost recovery in cocoa transport and processing activities. This tax cut and lower income from cocoa export tax would reduce fiscal revenues in 2017 by an estimated 0.6 percent of GDP.

Annex II. Risk Assessment Matrix (RAM)[1]

Sources of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
Retreat from cross-border integration	**High**	**Medium/High** Reversals in policy coordination could reduce international aid and impede export market access.	Strengthen regional bond markets and trade, rebuild fiscal buffers through domestic revenue mobilization, and design prudent public investment plans.
Policy uncertainty and divergence, further strengthening of the US dollar and/or higher interest rates.	**High**	**Medium/High** Exchange rate and capital flow volatility as well as decompression of term premia could jeopardize access to international debt markets, increase funding and debt service costs.	
Significant growth slowdown in China	**Low/ Medium**	**High** Could reduce investments financed by China.	Strengthen the business climate to diversify investor base and exports markets. Preserve fiscal space for countercyclical policy. Strengthen the resilience of the banking sector by building up countercyclical capital buffers.
Significant slowdown in other large EMs/frontier economies	**Medium**	**Medium/High** Adverse impact on exports growth.	
Structurally weak growth in key advanced and emerging economies	**High/ Medium**	**Medium/High** Adverse impact on growth through less FDI inflows.	
Adverse weather conditions	**Medium**	**High** Adversely affect agricultural output and exports, lower cocoa tax revenues, increase subsidy needs, and reduce the population's living standards.	Manage the fiscal position to mitigate the impact on poor through targeted spending. Monitor the second-round effects on inflation.
Financial difficulties of public enterprises and banks	**Medium**	**Low/Medium** Adverse effect on the budget and banking sector.	Restructure loss-making public companies; enhance monitoring of public enterprises; recapitalize and restructure ailing public banks.
Further drop of cocoa prices	**Medium**	**High** Adverse impact on cocoa producers, fiscal revenues, and economic growth.	Adjust regulated cocoa prices in line with the world market price.

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

Appendix I. Letter of Intent

MINISTRY OF THE ECONOMY AND FINANCE

THE MINISTER

REPUBLIC OF CÔTE D'IVOIRE

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

Abidjan, June 1, 2017

To

The Managing Director of the International Monetary Fund

WASHINGTON DC, 20431

Subject: Letter of intent

Dear Madam Managing Director:

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

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

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

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

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

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

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

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

Very truly yours,

__________/s/_________________________

Adama KONE

Minister of the Economy and Finance

Attachments:

- Supplementary MEFP
- Technical Memorandum of Understanding

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

June 1, 2017

BACKGROUND

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

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

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

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

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

RECENT CHANGES AND PROGRAM IMPLEMENTATION

A. Macroeconomic and Financial Framework

6. Buoyant economic activity continued in 2016 with 8.8 percent growth despite the slowdown in global growth, the fall in key commodity prices and low rainfall. The economy benefitted from: (i) positive terms of trade, which were 8.3 percent better than in 2015 due to significantly lower import prices; (ii) return on investments made since 2012 in the energy and mining sectors; and (iii) greater confidence of economic operators after the peaceful presidential elections in October 2015. This economic performance is attributed to services and industrial sectors, which posted growth of 15.2 percent and 10.2 percent respectively. The good performance of the industrial sector is due to mining, up sharply by 18.1 percent, strong energy production, up 37.9 percent, and strong improvements in construction and public works and in manufacturing activity. For the service sector, growth was driven by all branches with an improvement of 9.3 percent for transportation, 9.7 percent for telecommunications and 9.1 percent for commercial activities. For the agriculture sector, the picture is less straightforward due to the poor performance of export agriculture (-8.0 percent) but a good performance for food production (+7.4 percent), which benefitted from the Food Agriculture Stimulus Program. On the demand side, economic growth is driven mainly by end-consumption (+9.3 percent) and investment (+16.7 percent), which benefit from higher household income, the execution of projects that play a leading role at the government level, and the renewed confidence of the private sector, with a 16.5 percent increase in investments in 2016. The inflation rate (0.7 percent) remained well below the 3 percent community standard of the West African Economic and Monetary Union (WAEMU).

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

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

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

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

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

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

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

13. **In 2016 the Regional Stock Exchange (BRVM) transitioned to live quotes and today it is Africa's most innovative stock market**. This distinction was awarded to it at the 9th Forum on Investment in Africa, held on September 19, 2016 in New York. Also, on November 14, 2016, it joined the MSCI Frontier Markets Index of Morgan Stanley Capital International (MSCI). The trend was also

positive in terms of trading assets and capitalization. Transactions in the financial market amounted to CFAF 392.6 billion in 2016, up 25.3 percent over 2015. In volume, the number of shares traded rose 71.4 percent. In addition, it became the leading African market for SUKUKs, ahead of Khartoum, by admitting five SUKUKs for an amount of CFAF 766 billion. As for the future, the BRVM is implementing the division for small and medium-sized businesses (SMEs) and intends to launch bonds for the diaspora.

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

Labor and employment policy

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

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

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

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

Status of program implementation in 2016

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

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

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

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

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

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

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

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

ECONOMIC AND FINANCIAL PROGRAM IN 2017 AND THE MEDIUM TERM

A. Program Objectives for 2017–19

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

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

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

B. Macroeconomic Framework

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

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

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

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

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

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

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

C. Fiscal Policy

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

D. Debt Policy and Strategy

38. The latest Debt Sustainability Analysis indicates that Côte d'Ivoire is still ranked as having a "moderate risk" of indebtedness. This analysis shows that Côte d'Ivoire remains vulnerable to negative macroeconomic shocks, in particular those related to exports, the growth rate, the US dollar exchange rate and foreign direct investment, and it underscores the need to avoid further concentration of maturities in the mid-2020s.

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

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

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

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

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

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

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

Organizational level

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

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

Operational level

The reform provides several improvements, namely:

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

E. Structural Reforms

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

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

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

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

Public finance management

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

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

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

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

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

This analysis highlighted the following points:

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

Recommendations:

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

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

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

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

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

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

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

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

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

Financial sector development and financial inclusion

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

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

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

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

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

Public sector

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

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

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

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

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

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

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

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

Strengthen the business environment and develop the private sector

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

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

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

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

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

Creating companies

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

Border trade

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

Contract execution

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

Insolvency

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

Investor services

- Put the Single Portal for investor services in place.

Payment of taxes and fees

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

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

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

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

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

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

STRENGTHEN THE STATISTICS SYSTEM

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

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

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

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

PROGRAM FUNDING AND MONITORING

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

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

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

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

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

(Billions of CFA francs, unless otherwise indicated)

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

Sources: Ivoirien authorities; and IMF staff estimates.

1/ Cumulative amount from January, 1st 2016 for 2016 targets, and from January 1, 2017 for 2017 targets.

2/ Cumulative amount from July, 1st 2016 for 2016 target, and from January 1, 2017 for 2017 target.

Table 2. Côte d'Ivoire: Prior Actions (PA) and Structural Benchmarks (SB) for 2016–17

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

Table 2. Côte d'Ivoire: Prior Actions (PA) and Structural Benchmarks (SB) for 2016–17 (concluded)

Public enterprises			
Every six months submit a report on the financial situation of Air Côte d'Ivoire.	**SB** (continuous starting from June 2017).	Reduce budget risks	Report submitted to the Minister in charge of the Budget and Government Portfolio
Finalize the SIR debt restructuring plan	**New SB** end-December 2017	Reduce budget risks	Debt restructuring agreement
Public Finance Management			
Develop the PPP database to include the main PPP projects.	**New SB** end-December 2017	Reduce budget risks	Database
Financial sector			
Exchange the securitized debt held by the BNI for marketable securities.	**SB** end-December 2016 - **met**	Improve the BNI's balance sheet and liquidity	Report on the operation

[1] See memorandum item "fuel tax revenues" in Table 1.

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

June 1, 2017

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

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

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

QUANTITATIVE INDICATORS

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

The PCs include:

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

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

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

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

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

The ITs are:

a) a floor for government tax revenues;

b) a ceiling on expenditures by treasury advance;

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

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

e) a floor for the basic primary balance.

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

A. Government Tax Revenue (IT)

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

B. Pro-poor Expenditures (IT)

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

C. Treasury Advances (IT)

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

D. Primary Basic Fiscal Balance (IT)

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

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

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

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

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

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

F. Net Domestic Financing (PC)

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

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

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

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

G. External Debt (PC)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- The program ceiling applicable to the PV of new external debt is adjusted upward up to a

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

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

maximum of 5 percent of the ceiling on the PV of external debt in cases in which differences vis-à-vis the PC on the PV of new debt are caused by a variation in financing conditions (interest, maturity, grace period, payment schedule, front-end fees, management fees) of the debt or debts. The adjustor may not be applied when the differences are the result of an increase in the face value of the total debt contracted or guaranteed.

- The program ceiling applicable to the PV of new external debt is adjusted upward by the full amount of the new Eurobond issued by the government up to US$ 1.2 billion.
- The ceiling will exclude external borrowing which is for the sole purpose of refinancing existing public sector debt and which helps to improve the profile of public sector debt.
- The program ceiling applicable to the PV of new external debt is adjusted upward by the total amount of the new external debt contracted or guaranteed by the government for the purpose of restructuring the debt of *Société Ivoirienne de Raffinage* (SIR), up to an equivalent of CFA francs 368 billion, or US$ 596 million, calculated at the January 2017 average exchange rate (CFAF 618.01).

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

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

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

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

H. External Payments Arrears (PC)

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

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

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

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

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

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

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

MEMORANDUM ITEMS

A. Net Banking System Claims on the Government

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

B. External Financing (Definitions)

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

C. Fuel tax revenues

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

D. Program Monitoring and Data Reporting

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

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

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

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

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

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

(Billions of CFA Francs)

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

Source: Ivoirien authorities.

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

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

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

FIRST REVIEWS UNDER EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND AN ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, AND REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA AND AUGMENTATION OF ACCESS—DEBT SUSTAINABILITY ANALYSIS UPDATE

June 2, 2017

Approved by Dominique Desruelle and Peter Allum (IMF); and Paloma Anos-Casero, (IDA)

Prepared by the International Monetary Fund and the International Development Association

This debt sustainability analysis (DSA) update reflects revisions since the previous DSA carried out in November 2016 for the requests for an arrangement under the Extended Fund Facility and an arrangement under the Extended Credit Facility (Country Report 16/383).[1] *This analysis reflects updated information on the macroeconomic outlook in light of the external and domestic shocks, the proposed access augmentation from the IMF, and revised financing scenario. Côte d'Ivoire faces a moderate risk of debt distress, based on the assessment of public external debt. All external debt indicators lie below their thresholds under the baseline scenario. Under worst-case stress scenarios, all solvency and liquidity indicators in the framework breach their respective thresholds (as in the 2016 DSA). Public sector debt indicators (including domestic liabilities) point toward a stabilization of public debt in the medium term under the baseline scenario.*

[1] In the LIC-DSA framework Côte d'Ivoire is classified as having weak policy performance with a Country Policy and Institutional Assessment (CPIA) average of 3.24 for the period 2013–15 (http://databank.worldbank.org/data/download/CPIA_excel.zip). With the progress in the CPIA score (the 3-year average for the period 2012-14 stood at 3.17), Côte d'Ivoire is on the cusp of a medium policy performance category, which would raise from 30 to 40 percent the threshold of the PV of external debt-to-GDP ratio, from 100 to 150 the threshold for the PV of external debt-to-exports ratio, and from 200 to 250 the threshold for the PV of external debt-to-revenue ratio. In addition, the threshold for the external debt service-to-exports ratio would raise from 15 to 20 percent, and the threshold for the external debt service-to-revenues ratio would raise from 18 to 20 percent.

BACKGROUND

1. **External public and publicly guaranteed debt stock increased marginally in 2016 (as a percentage of GDP), and is projected to increase further in 2017.**[2] Excluding concessional lending from the IMF and the Caisse Française de Development claims, total public and publicly guaranteed external debt has increased marginally from 22.5 percent of GDP in 2015 to 22.6 percent of GDP in 2016. For 2017, Cote d'Ivoire's external debt stock is projected to increase to 26.8 percent of GDP, reflecting the authorities' plan to issue a Eurobond. In terms of composition, the external debt has seen the share of multilateral creditors increased from 24.2 percent in 2015 to 24.7 percent in 2016. The share of official bilateral creditors has also increased from 16.1 percent to 19.5 percent. Conversely, the share of commercial creditors has declined from 59.8 percent of the total in 2015 to 55.8 percent in 2016. Despite this decline, the figure confirms the high reliance of Côte d'Ivoire on commercial debt for external financing (text table 1).

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

	2015	2016			2017	2018	2019	2020	2021	2022
		Million USD	Percent of total	Percent of GDP	Million USD					
Total	**7233.8**	**7683.0**	**100.0**	**22.6**	**10040.4**	**11230.4**	**12575.2**	**13529.0**	**14535.1**	**15848.3**
including C2D and FCFA-denominated loans	9580.5	12689.5	165.2	37.3	13817.5	14501.7	15579.3	16961.6	17719.5	18906.1
Multilateral creditors	**1748.5**	**1901.3**	**24.7**	**5.6**	**1769.1**	**1594.2**	**1416.8**	**1239.1**	**1029.6**	**861.1**
IMF	983.8	991.8	12.9	2.9	894.5	761.0	624.4	485.1	323.7	204.4
World Bank	394.5	527.4	6.9	1.6	527.7	523.7	519.5	514.2	497.7	479.0
AfDB group	47.0	45.5	0.6	0.1	45.7	45.7	45.7	45.7	45.3	44.8
Other multilaterals	323.2	336.6	4.4	1.0	301.1	263.8	227.2	194.1	162.9	132.9
Official bilateral creditors	**1161.4**	**1496.9**	**19.5**	**4.4**	**1421.5**	**1339.4**	**1248.6**	**1183.2**	**1145.3**	**1079.0**
Paris Club	307.0	232.4	3.0	0.7	166.9	102.7	40.3	8.6	7.4	6.4
Non-Paris Club	854.4	1264.6	16.5	3.7	1254.6	1236.6	1208.2	1174.7	1137.8	1072.6
Commercial creditors	**4323.9**	**4284.7**	**55.8**	**12.6**	**3640.6**	**3540.2**	**3425.7**	**3304.5**	**3172.1**	**3010.7**
London Club	4272.8	4242.0	55.2	12.5	3606.1	3514.2	3408.2	3295.5	3172.1	3010.7
Other commercials	51.0	42.7	0.6	0.1	34.5	26.0	17.5	9.0	0.0	0.0
New debt					3209.2	4756.6	6484.2	7802.2	9188.1	10897.5

1/Central government only

2. **Domestic public debt increased considerably in 2016**. From about 18 percent of GDP in 2015, domestic debt has risen by about 2 percentage points to 20 percent of GDP in 2016. The rise in domestic debt in has been driven by a substantial increase in government debt securities issued in the regional bond market (about 3.7% of nominal GDP). Thus, in 2016 government debt securities constituted more than 80 percent of government domestic liabilities.

3. **In early 2015, the government started collecting quarterly data on the debt stock of public enterprises**. The development of a centralized database on public enterprises' and government guaranteed debt is an important tool to prevent an unsustainable accumulation of debt by public sector entities. Most recent available data show that as of end 2016, the debt stock of

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

public enterprises amounted to 3.5 percent of GDP, of which only 0.14 percent of GDP is directly guaranteed by the government. The data should be considered preliminary, however, since the government is refining the database.

UNDERLYING ASSUMPTIONS AND BORROWING PLANS

4. This DSA is consistent with the macroeconomic framework underlying the Staff Report prepared for the first review of the three-year EFF/ECF-supported program. Côte d'Ivoire has been adversely affected by a terms of trade shock as well as domestic shocks. At the WAEMU level, with the monetary policy tightening by the regional central bank, BCEAO, the cost of funds has increased. The macro framework assumes a gradual convergence towards a more sustainable growth path in the long run, an increasing contribution of domestic demand to GDP, a gradual moderation of investment, offset by an increase in private consumption, and steady progress towards the fiscal target of the government, consistent with Côte d'Ivoire's WAEMU membership commitments.

5. Key macroeconomic assumptions are as follows:

- **Global environment**. The external demand from Côte d'Ivoire's trading partners is projected to gradually increase in the long term. This assumption is subject to the downside risk of continued sluggish recovery in global demand.

- **GDP over the medium term**. In the current DSA update, real GDP growth is expected to be slower on average during the first five years of the projection (6.8 percent) than in the last DSA (7.5 percent). Real GDP growth is supported initially by robust investment growth and increasingly by private consumption.[3] Real GDP is projected to grow by 5.9 percent over 2023-28 on average and 5.5% over 2029–37 as investment normalizes and net trade contribution becomes more negative.
- **The current account deficit would gradually decline over time**. The current account deficit is projected to widen to 2.8 percent of GDP (from 2.4 percent in the previous DSA) on average in the first five years of the projection, reflecting the unfavorable terms-of-trade shock. The current account deficit is projected to shrink and stabilize at about 1.8 percent of GDP over the longer term, reflecting an improvement in the trade, and, to a lesser extent, of the services' balances. These assumptions are subject to downside risks including weaker-than expected global economic growth and changes in commodity prices, which may trigger terms-of-trade shocks.

[3] During the 2017-22 horizon, inflation pressures are expected to remain moderate, as real GDP is projected to grow at its potential (according to IMF Staff estimates), implying that the output gap is anticipated to be close to zero.

- **The primary fiscal balance would gradually improve over the baseline horizon**. In the current DSA update, the primary basic fiscal balance is assumed to be much lower on average during the first five years of the projection than in the last DSA, reflecting the adverse impacts of the external and internal shocks on government finances. The expected trajectory of the fiscal position remains anchored on a convergence of the fiscal deficit to the 3 percent of GDP target in 2019 and continued consolidation thereafter. A steady improvement in the primary fiscal balance is expected in the medium- to long-term.

Text Table 2. Côte d'Ivoire: Selected Economic Indicators, 2013–37
(Period averages)

	2013-16	2017-2022	2023-28	2029-37
National income				
Real GDP growth (percent)	8.7	6.8	5.9	5.5
Nominal GDP (US$ billion)	33.8	48.6	74.8	131.1
Nominal GDP per capita (US$)	1,441.7	1,797.2	2,399.3	3,447.5
External sector				
Exports of goods, volume growth (percent)	0.6	7.1	5.5	5.0
Imports of goods, volume growth (percent)	8.7	10.0	8.3	7.3
Current account balance (percent of GDP)	-0.4	-2.8	-1.7	-1.8
Exports of GNFS (percent of GDP)	42.0	30.7	34.9	38.6
Imports of GNFS (percent of GDP)	38.1	30.3	32.7	35.6
		(Percent of GDP)		
Central government operations				
Total revenue and grants	19.7	21.0	21.7	23.1
Revenue	18.2	19.5	20.9	22.9
Grants	1.5	1.5	0.8	0.3
Primary basic balance	-0.5	0.3	1.4	1.6
Overall balance	-2.8	-3.1	-2.5	-2.0

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

Debt strategy

6. **The authorities' Medium Term Debt Strategy (MTDS) aims at keeping debt at a sustainable level**. The MDTS objectives for the domestic bond market are to: lengthen the average duration of domestic debt, contribute to the development of the domestic bond market, and reduce the cost of local issuance. Regarding external debt, the MTDS objectives are to: achieve a regular presence in international markets, limit foreign exchange risk and channel external financing primarily towards infrastructure investment. A set of ongoing initiatives will support the achievement of this strategy and help make debt management operations more efficient, including: the finalization of the operational restructuring of the debt policy directorate (merger of the external and domestic debt units), reinforcement of cash

management operations, and setting-up of a network of Primary Dealers to promote the issuance and secondary market trading of the CFA-denominated debt issued in the regional market.

DEBT SUSTAINABILITY ANALYSIS

A. External Debt Sustainability Analysis

7. The external DSA assumes that the government would issue a Eurobond to cover its 2017 financing gap and that all existing Eurobonds would be rolled over during the whole horizon of the DSA. Specifically, bullet Eurobonds would be rolled over in the year they mature, while Eurobonds whose principal is amortized over two or three years would be rolled over in the first year of principal amortization. The assumption of external debt rollover implies that going forward, Côte d'Ivoire would rely increasingly more on commercial debt and less on concessional loans to finance its public investment projects.

8. The results of the external DSA confirm that Cote d'Ivoire's debt dynamics are sustainable under the baseline scenario. The present values of the debt-to-GDP ratio, debt-to exports ratio, debt-to-revenue ratio, and liquidity measures of debt service to exports and revenues (excluding grants) all remain under the debt distress thresholds in the baseline scenario (Figure 1). However, in 2027 the debt service-to-revenues indicator is anticipated to increase toward the threshold, as 2027 represents the second year of principal amortization of the Eurobond issued in 2015.

9. The debt indicators breach the thresholds in the most extreme shock scenario. Under the latter—i.e., a shock hitting the country in the first two years of the projection consisting in a combination of lower real GDP growth, exports, foreign inflation, current transfers and FDI inflows—substantial and prolonged breaches for the PV of debt-to-GDP and the PV of debt-to-export ratios occur. Specifically, the PV of debt-to-GDP ratio would reach 43.9 percent in 2019, before returning to more sustainable levels in 2029. The PV of debt-to-exports ratio would reach 160 percent in 2019, before declining below the threshold in 2028. Debt service measures, which are sensitive to the repayment of the principal of maturing Eurobonds, also breach the thresholds under the most extreme shock scenario. These results underscore the considerable downside risks for debt sustainability originating from higher (domestic and external) macroeconomic volatility which may hit the economy.

10. In an alternative scenario where the government assumes responsibility for liabilities of the Société Ivoirienne de Raffinage (SIR) in 2017, the risk of debt distress would nonetheless remain moderate. Specifically, a long-term bank loan for about US$ 600 million would be obtained to restructure the SIR debt. The loan is assumed to have a maturity of at least 8 years, gradual amortization of principal, and present value (PV) estimated at 1.1 percent of GDP. Although this new bank loan would worsen the debt service profile, it would not jeopardize the rating of debt distress, which remain moderate.

B. Public Debt Sustainability Analysis

11. Under the baseline scenario, in 2017 the PV of the public debt-to-GDP ratio is projected to reach 43.2 percent. The PV of total public debt in 2017 reflects an increase in new medium- and long-term (MLT) debt. In turn, this increase originates from new official bilateral debt contracted (mainly

Non-Paris Club debt) and new commercial lending. In subsequent years, the PV of debt-to-GDP ratio declines gradually moving below 38 percent and reaching 21.7 percent in the long run. The trend reflects a gradual decline through time of both components of total public sector debt (foreign and domestic currency-denominated components). Similarly, the PV of debt-to-revenue ratio starts at 218 percent in 2017 before gradually declining below 150 percent in 2027, and eventually below 100 percent in the long run. By contrast, the debt service to revenue ratio deteriorates as it is projected to reach 20.2 percent in 2027, before stabilizing around 16 percent in the long run.

12. Stress tests highlight a number of potential vulnerabilities. In the scenario of constant primary balance, the debt indicators stabilize over the long run, except for the ratio between debt service and revenues which would reach 31.3 percent in the long run. The most extreme shock scenario (real GDP growth at historical average minus one standard deviation in the first two years of the projection) suggests rising public debt vulnerability for all debt burden indicators. At the end of the projection horizon, the PV of debt-to-GDP ratio would reach 71 percent.

13. Overall, the analysis portrays a broadly favorable picture in terms of public debt sustainability. The PV of the public debt-to GDP ratio and the PV of public debt-to-exports ratio are projected to gradually decline though time. The public debt service to revenue ratio is more volatile—reflecting the amortization of medium- and long-term debt—and does not decline over the medium term. Summing up, while the PV of domestic debt gradually declines over time, as in the case of the external DSA, the debt service to revenue ratio is the debt burden indicator that should be closely monitored to identify potential fiscal vulnerabilities arising in the medium-term.

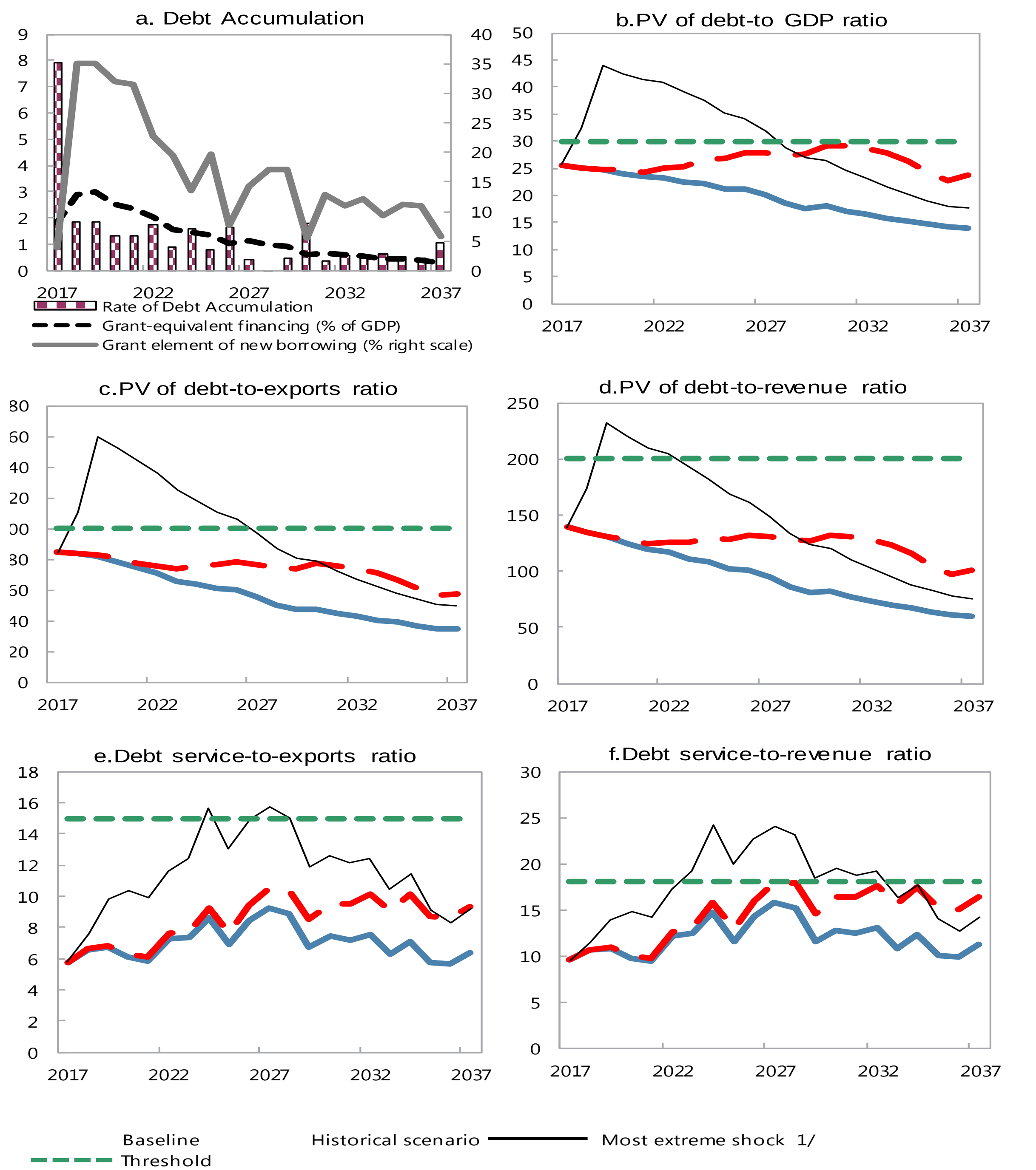
CONCLUSIONS

14. Côte d'Ivoire remains at moderate risk of debt distress in 2017, as in the 2016 DSA. However, importantly, compared to the 2016 DSA Côte d'Ivoire is no longer a borderline case. Under the baseline scenario, all debt burden indicators remain under their respective debt distress thresholds. In addition, all the indicators remain below the lower bound of the ±5 percent band calculated around the debt distress threshold. In the most extreme stress test scenario, however, all the debt and debt service indicators breach the thresholds of debt distress.

15. Sound macroeconomic policies and an effective debt management strategy are essential to maintaining a sustainable external position. Policies to maintain a sustainable fiscal position are also an essential prerequisite to stabilizing debt over time, and enhanced mobilization of domestic revenues would help to achieve this goal. In addition, a medium-term debt management strategy aimed at increasing reliance on domestic source of financing, smoothing out the pattern of debt amortization by avoiding too large refinancing spikes, and helping optimize the cost of funding of the sovereign would help maintain a sustainable debt position. Measures aimed at increasing the liquidity of the primary and secondary market of the regionally issued domestic debt, like the creation of a network of primary dealers, will contribute to a more cost-effective effective pricing of Ivoirien sovereign securities. An effective management and monitoring of PPPs will also help contain fiscal risk and contingent liabilities.

16. The authorities of Côte d'Ivoire broadly agreed with that Côte d'Ivoire's risk of external debt distress is moderate. They agreed that it was important to continue to strengthen debt management, to refine the database for public enterprises, to mobilize revenues in the medium term and, more generally, to implement prudent fiscal management. That said, the authorities stressed that they considered that the baseline macroeconomic assumptions used in this DSA update continue to be too conservative particularly regarding the economic growth projections which are lower than those in the baseline scenario of the 2016–20 National Development Plan.

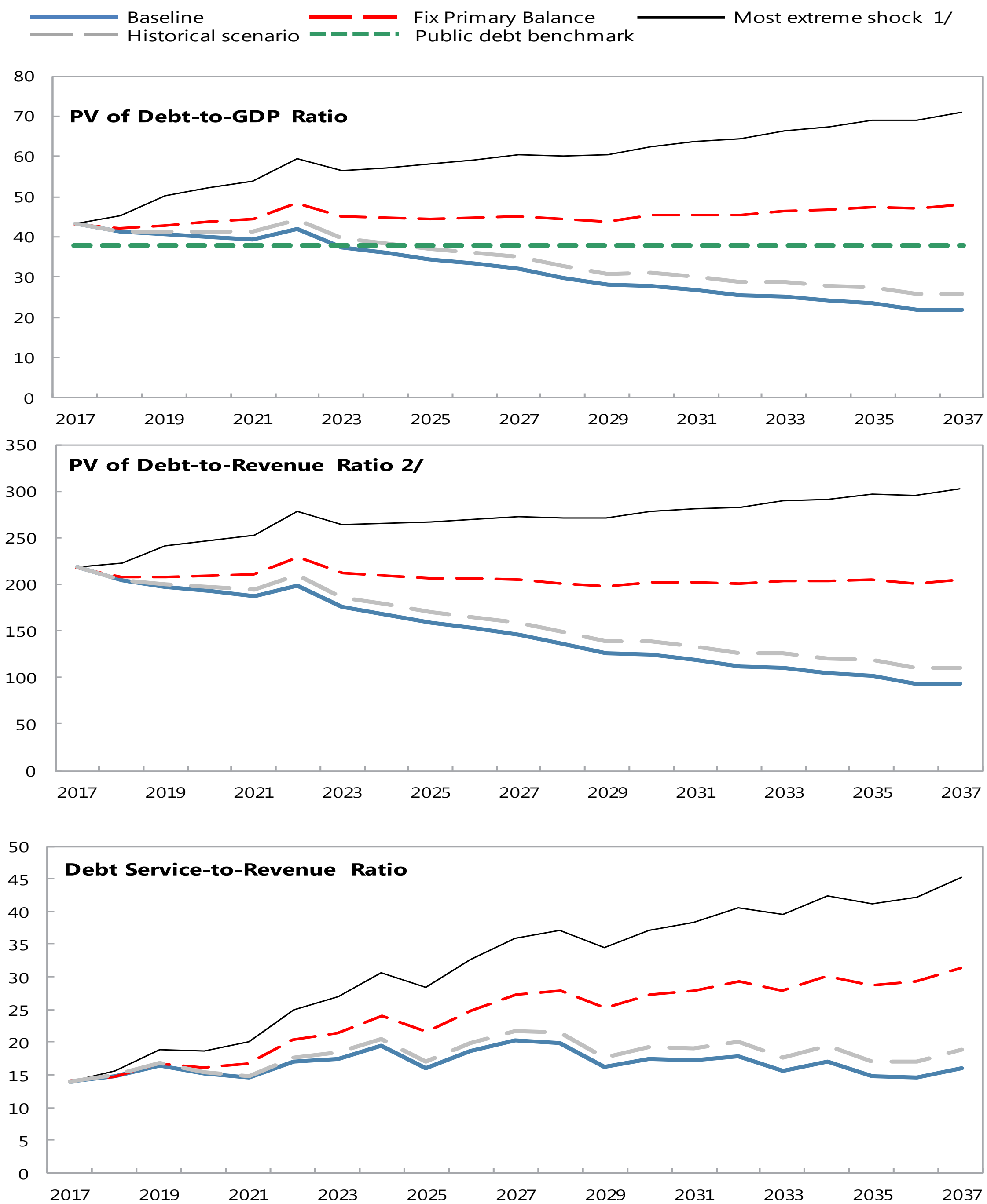
Figure 1. Côte d'Ivoire: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2017–37[1/]



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2027. In figure b. it corresponds to a Combination shock; in c. to a Exports shock; in d. to a Combination shock; in e. to a Exports shock and in figure f. to a Combination shock

Figure 2. Côte d'Ivoire: Indicators of Public Debt Under Alternative Scenarios 2017 – 37 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2027.
2/ Revenues are defined inclusive of grants.

Table 1. Côte d'Ivoire: External Debt Sustainability Framework, Baseline Scenario, 2014–37[1/]

(Percent of GDP, unless otherwise indicated)

	Actual			Historical [6/]	Standard [6/]	Projections									
	2014	2015	2016	Average	Deviation	2017	2018	2019	2020	2021	2022	2017-2022 Average	2027	2037	2023-2037 Average
External debt (nominal) 1/	**35.4**	**39.3**	**36.5**			**42.2**	**42.7**	**43.2**	**42.6**	**42.8**	**42.9**		**40.0**	**33.6**	
of which: public and publicly guaranteed (PPG)	18.3	22.5	22.6			28.2	28.9	29.4	29.1	28.9	29.3		25.9	18.7	
Change in external debt	3.7	3.9	-2.8			5.7	0.5	0.5	-0.6	0.2	0.1		-0.8	1.8	
Identified net debt-creating flows	-6.3	2.1	-3.8			-0.5	-2.1	-2.5	-2.9	-2.5	-3.1		-3.5	-3.9	
Non-interest current account deficit	**-2.8**	**-1.0**	**-0.4**	**-3.5**	**4.1**	**2.1**	**1.2**	**1.2**	**1.1**	**1.3**	**0.7**		**-0.1**	**-1.9**	0.2
Deficit in balance of goods and services	-4.9	-3.5	-2.6			0.5	-0.1	-0.1	-0.3	-0.2	-1.1		-3.1	-3.7	
Exports	39.3	38.2	31.8			30.4	30.0	30.1	30.7	31.3	33.1		36.3	41.1	
Imports	34.4	34.7	29.2			30.8	29.9	30.0	30.4	31.2	32.0		33.2	37.4	
Net current transfers (negative = inflow)	0.8	1.1	0.8	1.3	0.5	0.3	0.2	0.1	0.2	0.3	0.6		1.8	1.3	1.8
of which: official	-0.7	-0.5	-1.4			-1.5	-1.6	-1.6	-1.6	-1.5	-1.2		-0.7	-0.1	
Other current account flows (negative = net inflow)	1.2	1.5	1.4			1.4	1.1	1.2	1.2	1.2	1.2		1.2	0.4	
Net FDI (negative = inflow)	**-1.2**	**-1.5**	**-1.7**	**-1.5**	**0.3**	**-1.8**	**-2.3**	**-2.6**	**-2.9**	**-2.9**	**-2.9**		**-2.9**	**-1.7**	-2.8
Endogenous debt dynamics 2/	**-2.3**	**4.5**	**-1.7**			**-0.7**	**-1.0**	**-1.0**	**-1.0**	**-0.9**	**-0.9**		**-0.4**	**-0.2**	
Contribution from nominal interest rate	1.4	1.7	1.5			1.7	1.8	1.8	1.7	1.7	1.7		1.6	1.4	
Contribution from real GDP growth	-2.5	-3.4	-2.8			-2.5	-2.8	-2.8	-2.7	-2.6	-2.5		-2.1	-1.6	
Contribution from price and exchange rate changes	-1.2	6.2	-0.4			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**10.0**	**1.8**	**1.0**			**6.2**	**2.6**	**3.0**	**2.2**	**2.7**	**3.2**		**2.7**	**5.7**	
of which: exceptional financing	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	33.7			39.5	38.9	38.5	37.4	37.2	37.0		34.3	28.9	
In percent of exports	...	...	106.0			130.2	129.6	127.8	122.1	118.8	111.8		94.4	70.5	
PV of PPG external debt	**...**	**...**	**19.8**			**25.5**	**25.1**	**24.7**	**23.9**	**23.4**	**23.3**		**20.1**	**14.0**	
In percent of exports	**...**	**...**	**62.3**			**84.1**	**83.6**	**82.0**	**78.0**	**74.5**	**70.5**		**55.3**	**34.2**	
In percent of government revenues	**...**	**...**	**108.0**			**139.0**	**134.5**	**130.1**	**124.1**	**118.9**	**116.8**		**94.4**	**60.0**	
Debt service-to-exports ratio (in percent)	**6.8**	**9.3**	**17.0**			**12.0**	**12.4**	**12.2**	**11.3**	**10.9**	**12.0**		**13.3**	**8.2**	
PPG debt service-to-exports ratio (in percent)	**2.5**	**3.5**	**4.6**			**5.8**	**6.6**	**6.7**	**6.1**	**5.9**	**7.3**		**9.2**	**6.4**	
PPG debt service-to-revenue ratio (in percent)	**5.7**	**7.0**	**8.0**			**9.5**	**10.6**	**10.7**	**9.7**	**9.3**	**12.1**		**15.8**	**11.2**	
Total gross financing need (Billions of U.S. dollars)	0.3	2.5	2.8			2.2	1.9	1.8	1.6	1.7	2.0		3.0	1.2	
Non-interest current account deficit that stabilizes debt ratio	-6.5	-4.9	2.4			-3.6	0.8	0.6	1.7	1.1	0.6		0.7	-3.7	
Key macroeconomic assumptions															
Real GDP growth (in percent)	8.8	8.9	7.7	5.0	4.7	7.1	7.2	7.1	6.7	6.6	6.3	6.9	5.4	5.6	5.7
GDP deflator in US dollar terms (change in percent)	4.0	-15.0	1.1	2.5	9.1	-1.7	1.4	1.8	2.0	1.7	1.3	1.1	2.0	2.0	2.0
Effective interest rate (percent) 5/	4.9	4.4	4.2	3.3	1.1	5.0	4.6	4.5	4.3	4.3	4.2	4.5	4.3	4.8	4.3
Growth of exports of G&S (US dollar terms, in percent)	7.0	-10.0	-9.2	2.3	8.8	0.4	7.6	9.4	10.8	10.8	13.7	8.8	9.8	9.7	9.3
Growth of imports of G&S (US dollar terms, in percent)	0.9	-6.8	-8.3	3.8	12.0	11.2	5.6	9.4	10.0	11.3	10.5	9.7	8.2	6.9	8.9
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	3.8	35.0	35.0	32.1	31.4	22.7	26.7	14.2	5.9	12.5
Government revenues (excluding grants, in percent of GDP)	17.1	18.8	18.4			18.4	18.7	19.0	19.3	19.6	20.0		21.3	23.4	21.9
Aid flows (in Billions of US dollars) 7/	0.6	0.5	0.5			1.0	1.5	1.8	1.7	1.9	1.8		1.6	1.4	
of which: Grants	0.6	0.5	0.5			0.6	0.6	0.7	0.8	0.8	0.7		0.6	0.2	
of which: Concessional loans	0.0	0.0	0.0			0.5	0.8	1.1	0.9	1.1	1.1		1.0	1.2	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			1.8	2.9	3.0	2.5	2.4	2.0		1.1	0.3	0.8
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			18.1	53.8	54.0	56.4	54.5	40.5		29.3	9.3	23.8
Memorandum items:															
Nominal GDP (Billions of US dollars)	35.4	32.8	35.7			37.6	40.9	44.6	48.5	52.6	56.6		83.0	172.9	
Nominal dollar GDP growth	13.1	-7.4	8.9			5.3	8.7	9.1	8.9	8.4	7.7	8.0	7.5	7.7	7.7
PV of PPG external debt (in Billions of US dollars)			6.7			9.6	10.3	11.0	11.6	12.2	13.2		16.7	24.2	
(PVt-PVt-1)/GDPt-1 (in percent)						7.9	1.8	1.8	1.3	1.3	1.8	2.7	0.4	1.0	0.8
Gross workers' remittances (Billions of US dollars)	-0.5	-0.5	-0.7			-0.6	-0.7	-0.7	-0.8	-0.8	-0.9		-1.9	-2.3	
PV of PPG external debt (in percent of GDP + remittances)	...	...	20.2			25.9	25.5	25.1	24.3	23.7	23.7		20.6	14.2	
PV of PPG external debt (in percent of exports + remittances)	...	...	66.5			88.8	88.3	86.6	82.3	78.5	74.1		59.0	35.3	
Debt service of PPG external debt (in percent of exports + remittance	...	...	4.9			6.1	6.9	7.1	6.4	6.2	7.7		9.8	6.6	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

Table 2. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, Baseline Scenario, 2017–37 1/

(Percent)

	Projections							
	2017	2018	2019	2020	2021	2022	**2027**	2037
PV of debt-to GDP ratio								
Baseline	26	25	25	24	23	23	**20**	14
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	26	25	25	25	24	25	**28**	24
A2. New public sector loans on less favorable terms in 2017-2037 2/	26	26	27	27	27	28	**28**	27
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	26	27	28	27	27	27	**23**	16
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	26	29	36	35	34	33	**26**	15
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	26	27	29	28	28	28	**24**	17
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	26	28	31	30	29	29	**23**	15
B5. Combination of B1-B4 using one-half standard deviation shocks	26	32	44	42	41	41	**32**	18
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	26	36	35	34	33	33	**28**	20
PV of debt-to-exports ratio								
Baseline	84	84	82	78	74	71	**55**	34
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	84	83	82	81	78	75	**77**	58
A2. New public sector loans on less favorable terms in 2017-2037 2/	84	87	88	87	85	83	**76**	65
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	84	84	82	78	74	70	**55**	34
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	84	111	160	152	144	136	**97**	49
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	84	84	82	78	74	70	**55**	34
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	84	93	101	96	92	86	**64**	35
B5. Combination of B1-B4 using one-half standard deviation shocks	84	110	153	145	138	129	**91**	45
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	84	84	82	78	74	70	**55**	34
PV of debt-to-revenue ratio								
Baseline	139	134	130	124	119	117	**94**	60
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	139	134	131	128	124	125	**131**	101
A2. New public sector loans on less favorable terms in 2017-2037 2/	139	139	140	138	136	138	**130**	114
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	139	144	148	141	135	133	**107**	68
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	139	155	189	179	171	167	**123**	64
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	139	146	154	147	140	138	**111**	71
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	139	149	161	153	146	143	**109**	62
B5. Combination of B1-B4 using one-half standard deviation shocks	139	174	231	220	210	204	**149**	76
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	139	191	185	176	168	165	**134**	85

Table 2. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, Baseline Scenario, 2017–37[1/] (concluded)

(Percent)

Debt service-to-exports ratio								
Baseline	6	7	7	6	6	7	**9**	6
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	6	7	7	6	6	8	**10**	9
A2. New public sector loans on less favorable terms in 2017-2037 2/	6	7	5	5	5	5	**7**	7
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	6	7	7	6	6	7	**9**	6
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	6	8	10	10	10	12	**16**	9
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	6	7	7	6	6	7	**9**	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	6	7	7	7	7	8	**11**	7
B5. Combination of B1-B4 using one-half standard deviation shocks	6	7	9	10	9	11	**15**	8
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	6	7	7	6	6	7	**9**	6
Debt service-to-revenue ratio								
Baseline	10	11	11	10	9	12	**16**	11
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	10	11	11	10	10	13	**18**	16
A2. New public sector loans on less favorable terms in 2017-2037 2/	10	11	9	8	8	8	**12**	13
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	10	11	12	11	11	14	**18**	13
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	10	11	12	12	12	14	**20**	12
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	10	11	13	11	11	14	**19**	13
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	10	11	11	11	11	13	**18**	12
B5. Combination of B1-B4 using one-half standard deviation shocks	10	11	14	15	14	17	**24**	14
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	10	15	15	14	13	17	**22**	16
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	4	4	4	4	4	4	**4**	4

Sources: Country authorities; and staff estimates and projections.

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

Table 3. Côte d'Ivoire: Public Sector Debt Sustainability Framework, Baseline Scenario, 2014–37[1/]

(Percent of GDP, unless otherwise indicated)

	Actual					Estimate	Projections								
	2014	2015	2016	Average 5/	Standard Deviation 5/	2017	2018	2019	2020	2021	2022	2017-22 Average	2027	2037	2023-37 Average
Public sector debt 1/	39.0	44.8	44.0			45.9	45.0	45.4	45.3	45.0	48.0		38.0	26.4	
of which: foreign-currency denominated	18.3	22.5	22.6			28.2	28.9	29.4	29.1	28.9	29.3		25.9	18.7	
Change in public sector debt	5.2	5.8	-0.8			2.0	-1.0	0.4	-0.1	-0.3	3.0		-1.2	-0.3	
Identified debt-creating flows	0.2	0.8	0.8			0.4	-0.1	-0.7	-0.6	-0.7	-0.5		-0.5	-0.1	
Primary deficit	1.0	1.3	2.3	1.0	1.2	2.5	1.7	1.1	1.1	1.0	1.1	1.4	0.7	0.6	0.8
Revenue and grants	18.9	20.2	19.8			19.8	20.2	20.6	20.9	21.1	21.1		22.0	23.5	
of which: grants	1.7	1.5	1.4			1.5	1.6	1.6	1.6	1.5	1.2		0.7	0.1	
Primary (noninterest) expenditure	19.8	21.6	22.0			22.4	21.9	21.7	22.0	22.1	22.2		22.7	24.1	
Automatic debt dynamics	-0.7	-0.4	-1.4			-2.0	-1.8	-1.8	-1.8	-1.7	-1.6		-1.2	-0.7	
Contribution from interest rate/growth differential	-2.4	-2.2	-2.1			-1.9	-1.9	-1.9	-1.8	-1.9	-1.8		-1.2	-0.7	
of which: contribution from average real interest rate	0.3	1.0	1.1			1.1	1.2	1.1	1.0	0.9	0.9		0.8	0.7	
of which: contribution from real GDP growth	-2.7	-3.2	-3.2			-2.9	-3.1	-3.0	-2.9	-2.8	-2.7		-2.0	-1.4	
Contribution from real exchange rate depreciation	1.7	1.9	0.7			-0.1	0.1	0.1	0.1	0.1	0.2		...	...	
Other identified debt-creating flows	-0.1	-0.2	-0.1			-0.1	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	-0.1	-0.2	-0.1			-0.1	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	5.0	5.0	-1.6			1.5	-0.9	1.1	0.6	0.4	3.5		-0.7	-0.2	
Other Sustainability Indicators															
PV of public sector debt	...	...	41.2			43.2	41.2	40.6	40.1	39.5	42.0		32.2	21.7	
of which: foreign-currency denominated	...	...	19.8			25.5	25.1	24.7	23.9	23.4	23.3		20.1	14.0	
of which: external	...	...	19.8			25.5	25.1	24.7	23.9	23.4	23.3		20.1	14.0	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	2.9	6.4	8.4			6.5	5.1	4.2	4.7	5.5	7.0		6.3	2.3	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	208.6			217.9	203.6	197.1	192.2	187.0	199.0		146.5	92.3	
PV of public sector debt-to-revenue ratio (in percent)	...	...	224.3			235.4	220.7	214.1	208.1	200.8	210.5		151.2	92.8	
of which: external 3/	...	...	108.0			139.0	134.5	130.1	124.1	118.9	116.8		94.3	59.8	
Debt service-to-revenue and grants ratio (in percent) 4/	10.3	12.8	12.0			14.0	14.7	16.4	15.1	14.5	17.1		20.2	16.0	
Debt service-to-revenue ratio (in percent) 4/	11.4	13.8	12.9			15.1	15.9	17.9	16.4	15.6	18.1		20.9	16.0	
Primary deficit that stabilizes the debt-to-GDP ratio	-4.2	-4.4	3.1			0.6	2.7	0.7	1.2	1.3	-1.9		2.0	0.9	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	8.8	8.9	7.7	5.0	4.7	7.1	7.2	7.1	6.7	6.6	6.3	6.9	5.4	5.6	5.7
Average nominal interest rate on forex debt (in percent)	3.6	4.3	4.1	2.4	1.5	4.8	4.3	4.0	3.8	3.7	3.6	4.0	3.7	3.8	3.6
Average real interest rate on domestic debt (in percent)	0.1	2.2	2.7	0.4	1.8	2.7	3.9	4.1	3.7	3.2	3.1	3.4	3.1	5.0	3.7
Real exchange rate depreciation (in percent, + indicates depreciation)	11.3	10.7	3.2	0.7	7.1	-0.7	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	3.9	1.8	1.4	3.5	2.1	2.4	1.7	1.8	1.9	1.9	1.9	2.0	2.0	2.0	2.0
Growth of real primary spending (deflated by GDP deflator, in percent)	5.3	18.3	10.2	3.4	6.2	8.8	5.0	5.9	8.3	7.2	6.7	7.0	5.4	5.7	6.2
Grant element of new external borrowing (in percent)	...	...	...	...	...	3.8	35.0	35.0	32.1	31.4	22.7	26.7	14.2	5.9	...

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Revenues excluding grants.

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

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

Table 4. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public Debt 2017–37[1/]

	Projections							
	2017	2018	2019	2020	2021	2022	2027	2037
PV of Debt-to-GDP Ratio								
Baseline	43	41	41	40	39	42	32	22
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	43	41	41	41	41	44	35	26
A2. Primary balance is unchanged from 2017	43	42	43	44	44	48	45	48
A3. Permanently lower GDP growth 1/	43	42	42	42	43	47	46	69
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-2019	43	45	50	52	54	59	60	71
B2. Primary balance is at historical average minus one standard deviations in 2018-2019	43	42	42	42	41	43	33	23
B3. Combination of B1-B2 using one half standard deviation shocks	43	43	44	46	47	51	48	52
B4. One-time 30 percent real depreciation in 2018	43	52	50	49	48	50	40	31
B5. 10 percent of GDP increase in other debt-creating flows in 2018	43	51	50	49	48	51	40	28
PV of Debt-to-Revenue Ratio 2/								
Baseline	218	204	197	192	187	199	146	92
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	218	204	200	197	194	209	159	110
A2. Primary balance is unchanged from 2017	218	208	208	209	210	229	205	204
A3. Permanently lower GDP growth 1/	218	206	203	202	202	221	208	294
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-2019	218	223	241	247	253	279	273	302
B2. Primary balance is at historical average minus one standard deviations in 2018-2019	218	206	205	200	194	206	152	97
B3. Combination of B1-B2 using one half standard deviation shocks	218	211	214	217	219	240	219	219
B4. One-time 30 percent real depreciation in 2018	218	255	242	234	226	236	181	133
B5. 10 percent of GDP increase in other debt-creating flows in 2018	218	252	243	236	229	240	181	117
Debt Service-to-Revenue Ratio 2/								
Baseline	14	15	16	15	15	17	20	16
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	14	15	17	15	15	18	22	19
A2. Primary balance is unchanged from 2017	14	15	17	16	17	20	27	31
A3. Permanently lower GDP growth 1/	14	15	17	16	16	19	27	42
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-2019	14	16	19	19	20	25	36	45
B2. Primary balance is at historical average minus one standard deviations in 2018-2019	14	15	17	16	16	18	21	17
B3. Combination of B1-B2 using one half standard deviation shocks	14	15	18	16	16	20	29	34
B4. One-time 30 percent real depreciation in 2018	14	17	21	20	19	24	32	31
B5. 10 percent of GDP increase in other debt-creating flows in 2018	14	15	19	23	22	25	25	20

Sources: Country authorities; and staff estimates and projections.
1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.
2/ Revenues are defined inclusive of grants.

Statement by the IMF Staff Representative on Côte d'Ivoire
June 19, 2017

1. The information below has become available since the issuance of the staff report. It does not change the thrust of the staff appraisal.

Eurobond placement

2. The Eurobond issuance and buy-back operations were completed broadly in line with the staff report projections. In June, Côte d'Ivoire issued US$1.25 billion of 16-year bonds at a 6.25 percent interest rate and EUR 625 million of eight-year bonds yielding 5.125 percent, raising a gross total of about US$1.95 billion. Out of this amount, about US$250 million was used to buy back outstanding Eurobond maturing in 2024 and another US$500 million to buy back the bond maturing in 2032. The net available financing for the budget deficit from the Eurobond issuances, after the buy-back operations, amount to about US$1.2 billion.

Retail fuel price adjustment

3. Fuel prices were lowered in June 2017. Following the recent declining trend in world oil prices, the retail gasoline price was reduced by about 4 percent in June, by the same magnitude as the price increase in May.

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

June 19, 2017

1. The Ivorian authorities appreciate Fund's valuable engagement with Côte d'Ivoire over the past years. They welcome the constructive dialogue maintained with staff as well as the broad convergence of views on key policy issues. We broadly share the thrust of the staff report as it fairly reflects program discussions. The program supported by the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) has continued to be implemented satisfactorily despite a number of significant shocks, notably the sharp fall in international cocoa prices since the last quarter of 2016 and domestic tensions in early 2017.

2. Côte d'Ivoire has maintained its momentum of solid economic growth on the back of strong investment and a steady pace of reform implementation in key areas, including public finance and debt management, the financial sector, and the business environment. Investor confidence has continued to remain high, as evidenced by the early positive reactions of the capital markets to this week's Eurobond issuance. This positive development demonstrates the country's continued strong fundamentals and successful reform efforts in the face of a challenging external and domestic environment. Going forward, the authorities are committed to continuing their adjustment efforts, with a view to meeting the medium-term goals of fiscal sustainability, macroeconomic stability and inclusive growth. Against the backdrop of the abovementioned shocks, the requested augmentation of access of 25 percent of quota under the program will help meet financing needs along with the Eurobond receipts and assistance from bilateral and multilateral partners.

Recent Developments, Program Performance and Outlook

3. Program performance was strong. All end-December 2016 and continuous performance criteria and structural benchmarks were met. Three indicative targets (ITs) were missed, generally owing to the revenue shortfalls stemming from lower international cocoa prices. At end-March 2017, all ITs were observed.

4. The authorities' policy responses to the cocoa price shock and domestic tensions have helped maintain the trend of strong macroeconomic performance in 2016. Real GDP growth is estimated to have solidly stood at about 8 percent with strong investment and private consumption being its main drivers. At the same time, inflation remained subdued.

5. Notwithstanding the significant decline in cocoa prices, the Ivorian authorities are more optimistic about the economic outlook than staff. Moreover, they expect that the resilient private sector demand and dynamic extractive industries and services should translate into an 8½ percent growth in 2017, compared to staff's projected rate of 7 percent.

Going forward, it is expected that the more peaceful social environment should help improve further the outlook, as the authorities have reached agreements with soldiers on payment of bonuses and other measures and settled most of the demands made by civil servants' unions.

Policies and Reforms for 2017–19

Adjusting fiscal policy to shocks

6. Fiscal policy has borne most of the adjustment efforts consented by the authorities following recent adverse domestic and external developments. While maintaining their commitment to meet the WAEMU fiscal deficit target of 3 percent of GDP by 2019, the authorities agreed with staff on the need to achieve a slightly higher deficit than previously programmed, in 2017. Still, this entails difficult adjustment measures, including cuts in current expenditure and domestic capital outlays; reactivation of the fuel price adjustment mechanism; and significant reduction of the guaranteed cocoa price for farmers.

7. The Ivorian authorities took a series of measures aimed at improving the fiscal stance over the medium term. The bulk of these new measures which are expected to boost revenue by about 0.4 percent of GDP in 2018 and by another 0.5 percent of GDP in 2019 include phasing out VAT exemptions, rationalizing investment tax incentives and loopholes, raising excise rates on beverages and further improving tax administration. Expenditure side measures are also planned, such as additional steps to contain the wage bill and other current expenditure, while reprioritizing capital outlays.

8. Over the medium-term, fiscal policy should be further enhanced with the authorities' reforms aimed at improving PFM. Steps are being taken to fully implement WAEMU's PFM directives by 2019. In this connection, a new medium-term expenditure framework outline for five pilot ministries was recently submitted to the Parliament as part of the 2017 budget. The authorities have also made strides in transitioning to the Treasury Single Account (TSA) with the aim of making it operational by end-2018. To this end, a project team is pursuing the inventory of government accounts in commercial banks. Computerized systems are being improved with a view to better tracking payments and complying with normal expenditure authorization procedures. PFM will also be strengthened through the measures underway to increase surveillance of potential fiscal risks stemming from public enterprises and PPPs. The coverage of the SOEs' debt database is being broadened to improve monitoring and signed PPPs are being reviewed with Fund TA to minimize fiscal risks.

Maintaining debt sustainability

9. The authorities take note of staff assessment that the country's risk of external debt distress remains moderate. Going forward, we would like to reaffirm our authorities' commitment to continue to strengthen debt management for maintaining debt sustainability. That said, and as during previous DSA exercises, the authorities continue to stress that the

baseline macroeconomic assumptions used in the DSA update are too conservative, particularly with regard to the economic growth projections. The authorities call for a more realistic view on growth assumptions as projected in the 2016–20 National Development Plan (NDP) and backed by the strong GDP growth rates recorded over the past years.

Strengthening the financial sector

10. Cognizant of the critical role of the financial system for supporting growth, the authorities are moving ahead with the reform of the sector. The recapitalization plan for *CNCE*, the public savings bank, has been submitted to the regional Banking Commission. The liquidity position of the *BNI* has been enhanced following recent actions and the privatization of government's stakes in two smaller public banks is underway. The banking system remains sound and has supported the economy in recent years. Most banks have already complied with the BCEAO's new minimum bank capital requirement of FCFA 10 billion ahead of the mid-2017 deadline. The authorities continue to implement their financial development strategy in coordination with the BCEAO, notably with a view to improving further financial inclusion.

Advancing structural reforms

11. Further advancing structural reforms ranks high on the authorities' agenda, and will be critical to maintaining the country's strong growth momentum and achieving the objectives set under the 2016–20 NDP. In this regard, they are committed to improving further the **business climate**. A vast initiative underway to introduce electronic operations is meant to simplify administrative procedures, including in tax, land registry, and construction permits. A study that explores avenues for streamlining the investment code should be completed by end-September. Past reforms such as the inception of a one-stop shop will be complemented with additional measures to ease business creation. The authorities are also determined to improve governance and fight corruption, including through a better control of public procurements and anticorruption campaigns.

12. The authorities' reform agenda will also continue to encompass the **electricity** and **public enterprise** sectors. The authorities will pursue their efforts of bringing financial viability in the electricity sector, including through clearing the central administration's arrears to the sector and price adjustment, both for domestic consumption and exports. Similar efforts are underway to bring financial viability to major public enterprises, notably the national oil refinery, *SIR*, the national oil holding company, *PETROCI*, and Abidjan transportation company, *SOTRA*.

Conclusion

13. Amid a challenging domestic and external environment, Côte d'Ivoire has continued to implement steadfastly its economic and financial reform program and has sustained its track record of strong growth and program performance. Despite the negative impact of unfavorable terms of trade on economic performance, the authorities are confident that the policy measures envisaged in their Fund-supported program will help to weather the impact of the shocks, improve the fiscal and economic outlook.

14. In view of the strong reform agenda and the authorities' strong commitment to the objectives of the program, we would appreciate the Board's support for the completion of the first review under the ECF and the EFF arrangements and for the authorities' request for modification of performance criteria and augmentation of access.