INTERNATIONAL MONETARY FUND

IMF Country Report No. 18/182

CÔTE D'IVOIRE

June 2018

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION AND THIRD REVIEWS UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY AND EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, AND REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION

In the context of the Staff Report for the 2018 Article IV Consultation and Third Reviews Under the Arrangement Under the Extended Credit Facility and Extended Arrangement Under the Extended Fund Facility, and Request for Modification of a Performance Criterion, 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 18, 2018, following discussions that ended on April 5, 2018, with the officials of Côte d'Ivoire on economic developments and policies underpinning the IMF arrangement. Based on information available at the time of these discussions, the staff report was completed on June 4, 2018.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association (IDA).
- A **Staff Supplement** updating information on recent developments.
- A **Statement by the Executive Director** for Côte d'Ivoire.

  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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Press Release No. 18/241
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June 18, 2018

International Monetary Fund
700 19th Street, NW
Washington, D. C. 20431 USA

IMF Executive Board Concludes 2018 Article IV Consultation, Completes Third Reviews under Extended Credit Facility and Extended Fund Facility Arrangements, and Approves US$136.6 Million Disbursement with Côte d'Ivoire

- Robust economic growth is projected to continue in 2018, and inflation remains subdued.
- The program aims to achieve a sustainable balance of payments position, foster inclusive growth and poverty reduction, and create fiscal space for investing in priority infrastructure and social projects.
- Under the program, the budget deficit is projected to converge to the WAEMU regional norm of 3 percent of GDP in 2019.

On June 18, 2018, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] and completed the third reviews under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements for the Republic of Côte d'Ivoire. Completion of this review enables the disbursement of SDR 96.786 million (about US$136.6 million).

The three-year ECF/EFF arrangements with a total access of SDR 650.4 million (about US$917.8 million or 100 percent of Côte d'Ivoire's quota) were approved by the IMF Executive Board on December 12, 2016.

GDP growth is estimated at about 7¾ percent in 2017 despite the fall in cocoa prices. Inflation remained subdued at about 1 percent. The medium-term outlook is for continued strong economic activity with robust growth and low inflation. Risks to the forecast are broadly balanced.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every two years with members who have an IMF-supported program. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

The Ivoirian authorities have adopted a comprehensive program of economic reforms to achieve a sustainable balance of payments position, inclusive growth, and poverty reduction by investing in priority infrastructure and social projects. These objectives are being supported by the IMF program arrangements. The program is anchored on the convergence of the budget deficit to the West African and Economic Monetary Union norm of 3 percent of GDP by 2019, to preserve public debt sustainability and support the regional international reserves pool. Fiscal discipline is underpinned by mobilizing revenue and spending prioritization in order to create fiscal space for priority infrastructure and social projects. Implementing their program, the authorities have pursued structural reforms to further strengthen the revenue administration and public financial management and adopted measures for fiscal consolidation while protecting priority spending. They are also further strengthening the financial system.

Following the Executive Board discussion, Mr. Mitsuhiro Furusawa, deputy Managing Director and Acting Chair, made the following statement:

“Côte d’Ivoire’s performance under its Fund-supported program has been good. The authorities contained the budget deficit in 2017 and are committed to meeting the program budget deficit target in 2018 and reduce the fiscal gap to meet the WAEMU convergence criterion of 3 percent of GDP in 2019. The medium-term outlook remains robust, with growth projected to average around 7 percent over 2018-23.

“Further revenue mobilization is needed to achieve the fiscal objectives. Building on past implementation of fiscal structural reforms, measures to buttress revenue administration and public financial management should accelerate. Moreover, cautious debt and financial management is required to firmly anchor Côte d’Ivoire’s debt on a sustainable path. The authorities are taking steps to further consolidate the banking sector’s stability.

“Continued implementation of reforms that foster sustainable and inclusive growth would be needed. Further improvements in the business environment would help make private investment the main driver of growth.”

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the authorities’ sound macroeconomic policy management against a backdrop of domestic shocks and unfavorable cocoa export prices, and commended the good performance under the Fund-supported program. They noted that Côte d’Ivoire’s medium-term growth outlook remains buoyant. Nonetheless, Directors stressed that risks should be mitigated by pursuing prudent fiscal and borrowing policies to reduce the budget deficit and create fiscal buffers. In this context, they commended the authorities’ commitment to their program.

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

Directors encouraged the authorities to continue to implement reforms that foster sustainable and inclusive growth to further reduce poverty and strengthen social cohesion. They noted that enhancing transportation, electricity, and water infrastructure would yield productivity gains in agriculture and industry. They encouraged the authorities to ensure adequate funding for critical infrastructure and social safety nets by accelerating revenue mobilization. Further improvements in the business environment including sustained efforts to strengthen governance would help make private investment the main driver of growth.

Directors welcomed the authorities' commitment to meeting the WAEMU convergence criterion of 3 percent of GDP in 2019, which will help anchor fiscal and debt sustainability. They stressed that achieving this objective will require lowering the budget deficit by accelerating revenue administration reforms and adopting additional tax policy measures, together with expenditure prioritization. Directors advised building consensus on tax reforms through close partnership with the private sector and introducing tax measures consistent with WAEMU guidelines.

Directors stressed that prudent debt and financial management is required to anchor debt on a sustainable path. They noted that Côte d'Ivoire's debt distress risk remains moderate, but that external debt liquidity and solvency indicators warrant close monitoring. Preserving the fiscal consolidation path would limit recourse to external financing and help mitigate risks from potentially tighter international financial conditions. Monitoring fiscal risks from public enterprises and private-public partnerships will also be important. Directors noted that the financial sector is generally stable, but urged the authorities to address pockets of vulnerability.

Directors recommended accelerating the energy sector restructuring to preserve its financial sustainability and support economic growth. They welcomed the agreements between the government, the national oil refinery SIR, and the state-owned petroleum company PETROCI. They encouraged the timely resolution of the electricity arrears accumulated by the public sector and looked forward to the SIR debt restructuring by end-August 2018.

Directors recommended sustaining progress in disseminating and improving the quality of economic statistics. They welcomed the recent publication of the quarterly national accounts and encouraged the authorities to further improve the coverage of high-frequency indicators.

It is expected that the next Article IV consultation with Côte d'Ivoire will take place in accordance with the Executive Board decision on the consultation cycles for members with Fund arrangements.

Côte d'Ivoire: Selected Economic Indicators

	2017	2018	2019	2020	2021	2022
		Projections				
(Annual percentage changes, unless otherwise indicated)						
National income						
GDP at constant prices	7.8	7.4	7.0	6.9	6.8	6.6
GDP deflator	1.1	0.5	2.0	1.8	1.9	1.8
Consumer price index (annual average)	0.8	1.7	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	8.4	5.2	8.7	8.5	11.4	12.2
Imports of goods, f.o.b., at current prices	4.9	15.0	12.0	8.9	11.7	11.4
Export volume	15.7	8.9	8.5	10.1	12.3	12.8
Import volume	6.3	8.8	11.9	9.4	10.4	9.8
Terms of trade (deterioration –)	-4.3	-8.3	0.1	-1.1	-1.3	-1.3
Nominal effective exchange rate	1.1	...	...	...	...	...
Real effective exchange rate (depreciation –)	-0.1	...	...	...	...	...
Central government operations						
Total revenue and grants	8.0	8.4	8.7	10.1	9.2	8.6
Total expenditure	9.9	6.1	5.3	9.5	8.9	8.5
(Changes in percent of beginning-of-period broad money unless otherwise indicated)						
Money and credit						
Money and quasi-money (M2)	19.7	14.6	13.5	11.4	12.1	11.0
Net foreign assets	9.6	8.1	3.7	2.0	2.7	2.2
Net domestic assets	10.1	6.5	9.9	9.3	9.4	8.9
Of which: government	3.6	-1.1	2.3	2.0	2.0	1.9
private sector	8.1	7.7	7.6	7.3	7.3	7.0
Credit to the economy (percent)	13.3	13.3	13.4	13.0	12.8	12.1
(Percent of GDP unless otherwise indicated)						
Central government operations						
Total revenue and grants	19.2	19.3	19.2	19.4	19.5	19.5
Total revenue	18.1	18.1	18.1	18.4	18.6	18.9
Total expenditure	23.4	23.0	22.2	22.4	22.4	22.4
Overall balance, incl. grants, payment order basis	-4.2	-3.8	-3.0	-3.0	-2.9	-2.9
Primary basic balance [1/]	-1.2	-0.4	0.1	0.9	0.6	0.9
Gross investment	20.8	22.0	22.8	23.0	24.0	24.2
Central government	6.6	6.8	6.8	6.2	6.7	6.6
Nongovernment sector	14.2	15.2	16.0	16.8	17.3	17.6
Gross domestic saving	23.5	23.1	23.5	23.8	25.1	25.9
Central government	1.9	2.6	3.4	3.6	3.8	4.0
Nongovernment sector	21.6	20.5	20.1	20.2	21.3	21.9

Côte d'Ivoire: Selected Economic Indicators (concluded)

	2017	2018	2019	2020	2021	2022
Gross national saving	18.7	19.3	19.7	20.0	21.2	21.7
Central government	2.2	3.0	3.7	3.2	3.7	3.6
Nongovernment sector	16.5	16.3	16.0	16.8	17.6	18.1
External sector balance						
Current account balance (including official transfers)	-2.1	-2.7	-3.1	-3.1	-2.8	-2.5
Current account balance (excluding official transfers)	-3.2	-3.9	-4.1	-4.1	-3.7	-3.1
Overall balance	4.5	2.9	1.0	0.8	1.1	0.9
Public sector debt						
Central government debt, gross	46.8	48.7	47.3	46.9	46.0	45.2
Central government debt (excluding C2D)	42.7	44.7	44.0	44.2	43.4	42.7
External debt	28.6	34.0	32.5	30.6	29.4	28.5
External debt (excluding C2D)	23.9	29.5	28.8	27.6	26.6	25.8
External debt-service due (CFAF billions)	556	672	738	1037	651	704
Percent of exports of goods and services	7.6	8.8	8.8	11.4	6.5	6.2
Percent of government revenue	13.1	14.6	14.7	18.7	10.7	10.5
Memorandum items:						
Nominal GDP (CFAF billions)	23,510	25,372	27,687	30,106	32,748	35,541
Nominal exchange rate (CFAF/US$, period average)	581	…	…	…	…	…
Nominal GDP at market prices (US$ billions)	40.5	48.0	52.9	58.2	63.8	69.7
Population (million)	25.0	25.6	26.3	27.0	27.7	28.4
Nominal GDP per capita (CFAF thousands)	942	991	1,054	1,117	1,184	1,252
Nominal GDP per capita (US$)	1,621	1,872	2,014	2,159	2,305	2,456
Real GDP per capita growth (percent)	5.2	4.8	4.4	4.3	4.2	4.0

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.

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

June 4, 2018

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION AND THIRD REVIEWS UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY AND EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, AND REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION

EXECUTIVE SUMMARY

Context: Strong economic performance since 2012, with average annual growth of 9 percent, reflected the economic recovery following political normalization, improved business environment, strong program of reforms, and supportive fiscal policy. A key policy challenge is to sustain robust growth and make it more inclusive and private sector-driven.

Outlook and risks: Robust medium-term growth is expected to be supported by domestic demand. Yet, risks relate to priority spending hampered by underperforming revenue mobilization, rollover challenges from tighter global financing, and external debt liquidity and solvency indicators approaching the threshold for high risk of debt distress. Higher exports prices and rising investor confidence are upside potential.

Fiscal policy: The government is committed to lower the budget deficit to the West African Economic and Monetary Union criterion of 3 percent of GDP by 2019. Prudent debt and financial management is required to firmly anchor Côte d'Ivoire's debt on a sustainable path. Côte d'Ivoire should catch up with peers and mobilize needed revenue through new tax policy measures and accelerated reforms in revenue administration. The authorities are also improving public financial management.

Financial stability: While new prudential rules are reinforcing banking sector stability, pockets of vulnerabilities in the banking sector should be addressed. The very few remaining noncompliant banks should face stringent application of prudential rules.

Program performance and policies: All performance criteria, all but one indicative targets, and all but one structural benchmarks were met at end-2017. Negotiations on the debt restructuring of the national oil refinery SIR are ongoing. The government plans to adopt new tax measures, ensure that adjustment mechanisms for the prices of petroleum products and farmgate cocoa reflect changes in world prices, restrain spending, pursue structural fiscal reforms, and restructure a public bank.

Staff supports completion of the third reviews and modification of the performance criterion on the new external debt contracted by the government to reflect the new Eurobond issuance.

Approved By
Dominique Desruelle (AFR) and Mary Goodman (SPR)

Discussions were held in Abidjan during March 22 to April 5, 2018. The mission team comprised Messrs. Dhaneshwar Ghura (head), Michael Gorbanyov, Kader Amadou and Ms. Dominique Simard (all AFR), Ms. Aleksandra Zdzienicka (FAD), Messrs. Fabio Comelli (SPR), Jose Gijon (IMF resident representative) and Hermann Yohou (local economist). Mr. Marcellin Koffi Alle (OED) participated in the discussions. Mr. Mathieu Bellon (FAD) contributed to the analysis. Ms. Cooray, Ms. Malouf-Hardesty, and Mr. Magno assisted the team from headquarters.

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CONTEXT

1. Economic performance in Côte d'Ivoire has been impressive since 2012. Since its independence in 1960, the country experienced five growth expansions that lasted on average 7.2 years with an average annual growth rate of 3.9 percent (Annex I). The current growth expansion, which started in 2012, is still unfolding—with an average annual growth of about 9 percent—despite last year's major domestic shock and sharp world cocoa price drop. This reflects the economic recovery from political normalization, the improved business environment, the government's strong program of reforms, and supportive fiscal policy. Helped by still favorable international bond market conditions, investor confidence ensued, evidenced by the 2017 Eurobond issuance, one of the first in Euros among frontier markets, and the 2018 issuance of a 30-year Eurobond, one of the longest maturities among issuers from sub-Saharan Africa.

2. Growth has been accompanied by a modest decline in poverty, and other human development indicators have been slow to improve. Available poverty data through 2015 point to a decline in poverty to about 46 percent (from about 49 percent in 2008). Efforts to make growth more inclusive during 2012–17 have included reforming the price formula to ensure a larger share of international prices passed on to cocoa and coffee farmers, expansion of rural electrification and other basic infrastructure, and introduction of universal education for girls and boys ages 6–16 and universal health care coverage. The 2015 Human Development Report ranked Côte d'Ivoire at 171 out of 188 countries, with an overall Human Development Index below the average for sub-Saharan Africa.

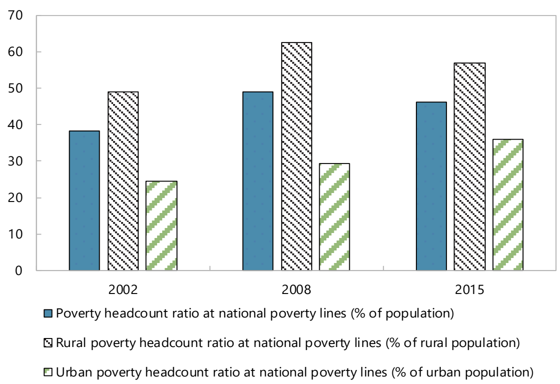
3. The authorities broadly followed the policy advice of the 2016 Article IV consultation, but some recommendations remain relevant (Annex II). Consistent with Fund advice, the authorities have committed to fiscal consolidation objectives, strengthened public financial management and enhanced monitoring of fiscal risks. They implemented a prudent debt management strategy, pursued the recapitalization of public banks, and improved the quality of statistics. Meanwhile, revenue mobilization targets proved ambitious and were revised down, amid a challenging socio-political environment and negative export price shocks.

4. The key policy challenge is to sustain robust and inclusive private sector-driven growth amid fiscal consolidation. Factors that contributed to the strong growth of recent years—including domestic consumption catching up after the resolution of the civil strife and a boost from government spending for reconstruction—would taper over the medium term. Moreover, despite strong growth, unemployment was 5.6 percent, with underemployment impacting 27 percent of the population in 2017.

Figure 1. Côte d'Ivoire: Social and Poverty Indicators

Despite strong growth, poverty declined only slightly between 2008 and 2015, with lower rural poverty.

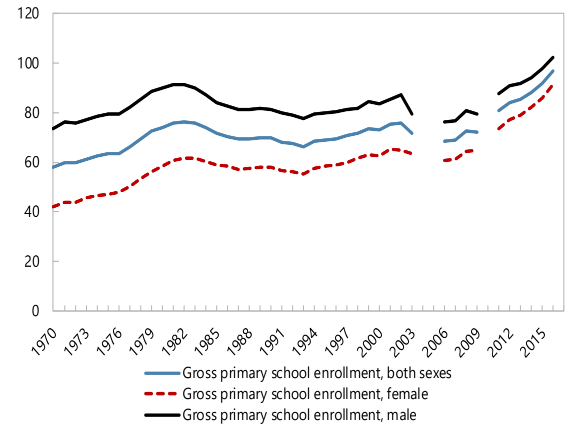
Urban Versus Rural Poverty
(Percent of population)



Source: World Bank, World Development Indicators.

The government's universal education policy has boosted enrollment ratios among primary school-aged population.

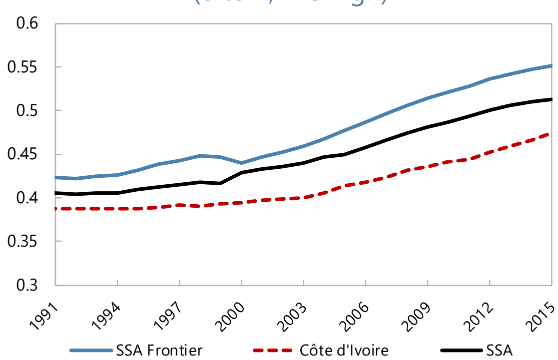
Primary School Enrollment
(Percent of total primary school population)



Source: World Bank, World Development Indicators.

The human development index has improved, particularly since 2012, but there is a gap with country peers…

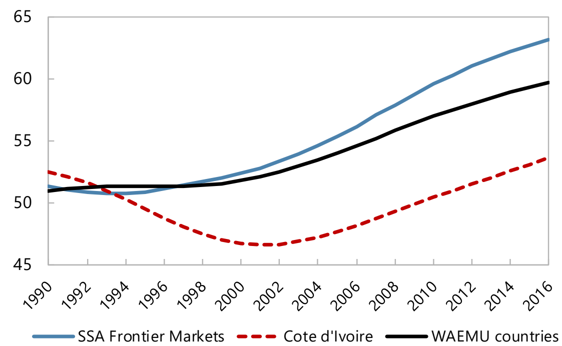
Human Development Index, 1990–2015
(0 to 1; 1 is high)



Source: UNDP, Human Development Data.

… as life expectancy at birth is recovering but remains below that of country peers.

Life Expectancy at Birth
(Total years)



Source: World Bank, World Development Indicators.

5. **The peaceful 2015 presidential election paved the way for continued economic progress, though securing consensus on economic reforms remains challenging**. Against the backdrop of the ongoing national reconciliation since 2012, President Ouattara will have completed his second term in 2020, the year of the next presidential election. The government is implementing its 2016–20 National Development Plan aimed at halving poverty and fostering structural transformation (by moving to higher domestic value-added products through the local transformation of a larger share of agricultural products). Nonetheless, citizens' protests over electricity tariff hikes in 2016, soldiers' mutinies and civil servants' strikes over payment demands in 2017, as well as private sector protests over new tax measures in early 2018 posed challenges to the government's efforts to implement reforms.

KEY TRENDS AND RECENT DEVELOPMENTS

A. Catching Up After Lost Momentum

6. The ongoing economic recovery, prompted by productivity improvements from catch-up effects and policy actions, has benefited neighboring countries through positive spillovers.

- The growth pick-up since 2012 reflected rebounding activity and the host of reforms implemented by the government to improve the business climate.[1] The government also launched major infrastructure projects such as water distribution, electrification, airport modernization and road network expansion. Other productivity-boosting measures focused on improving agriculture techniques and access to primary education, distributing inputs to farmers, and raising producer prices for export crops.
- The growth recovery in Côte d'Ivoire, an important regional hub, has benefited its neighbors from the West African Economic and Monetary Union (WAEMU).[2] Côte d'Ivoire is an important source of remittances for WAEMU countries, contributing for up to 3.1 percent of GDP in Burkina Faso in 2015, and its share in total WAEMU trade has averaged 43 percent since 2012. These channels transmit significant spillovers from Côte d'Ivoire to the rest of the region. However, the strength of these spillovers declined after the 2000–11 growth setback induced some commercial flows for WAEMU countries to be rerouted from the port of Abidjan to other ports in the region.

B. Recent Economic Developments and Program Performance

7. Strong net exports and resilient consumption sustained buoyant economic activity in 2017, despite external price shocks and social tensions. Real GDP growth is estimated at 7.8 percent, driven by exceptionally high cocoa exports and crops due to favorable climatic conditions. Domestic consumption was resilient, partly sustained by the government's wage agreement with civil servants and soldiers.[3] Nonetheless, a sharp deterioration in cocoa export prices is estimated to have contributed to widening the current account deficit to 2.1 percent of GDP in 2017 (from 1.1 percent in 2016), although this was mitigated by a higher volume of key agriculture exports. Inflation remained subdued, at 1.1 percent (y/y) at end-2017, despite relatively more volatile food and beverage prices.

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[1] Including instituting a single window for international trade, upgrading the legal environment for businesses and creditors, reducing fees on property transfers, and improving the regulatory framework for telecommunications.

[2] See Annex III.

[3] International Monetary Fund Country Report No. 17/372, ¶12.

8. Program performance was good at end-2017, with all performance criteria (PCs) and all but one indicative targets (ITs) met. Tax revenue came broadly in line with the program expectations as overperforming customs receipts offset lower direct taxes, while overall expenditure was below program expectations, mainly reflecting a shortfall of investment financed through external grants and loans. The composition of outlays was slightly different from program objectives, with lower interest payments (from less bonds issuance on the regional market), social security benefits, and foreign-financed public investment. Consequently, the IT on the floor on the primary basic fiscal balance was missed by a narrow margin. All but one structural benchmarks (SBs) for end-2017 were met. The plan for restructuring the debt of the national oil refinery SIR was not finalized, as negotiations on the debt restructuring remain underway (MEFP Tables 1 and 2).

Text Table 1. Côte d'Ivoire: Fiscal Operations of the Central Government, 2017

(Percent of GDP)

	Prog.	Est.	Diff.
Total revenue and grants	19.5	19.2	-0.3
Total revenue	18.1	18.1	0.0
Tax revenue	15.5	15.5	0.0
Nontax revenue	2.6	2.5	0.0
Grants	1.5	1.1	-0.3
Total expenditure	24.0	23.4	-0.6
Current expenditure	17.1	16.9	-0.2
Capital expenditure	6.9	6.5	-0.4
Domestically financed	3.9	3.9	0.1
Foreign-financed, *of which*	3.0	2.6	-0.5
Foreign loan-financed	2.2	2.1	-0.1
Primary basic balance	-1.17	-1.20	-0.03
Overall balance	**-4.49**	**-4.25**	**0.24**
Domestic arrears and float	-0.85	-0.85	0.00
Overall balance (cash basis)	-5.34	-5.10	0.24

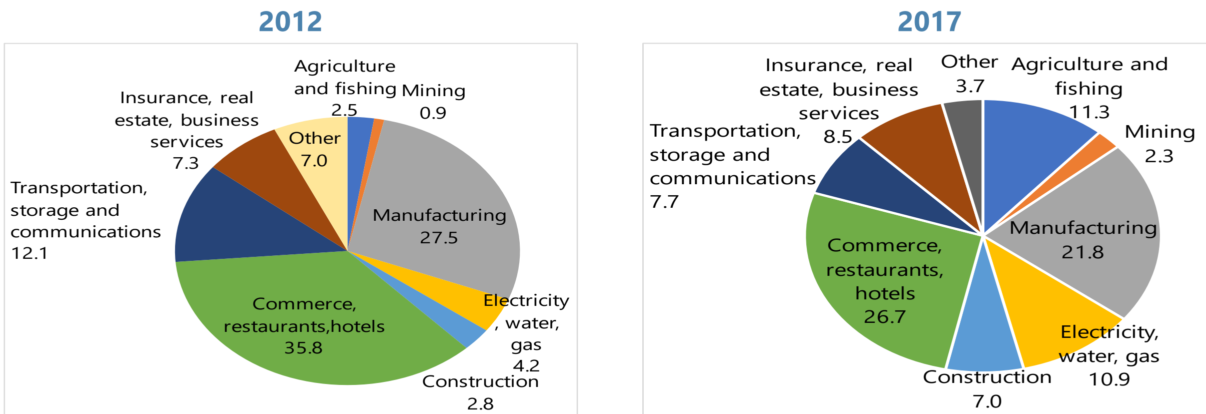
Sources: Ivoirien authorities; and IMF staff estimates.

9. Newly contracted public external debt stayed within program limits in 2017, and the debt stock came below projections. Including net Eurobond issuance, in 2017 new external debt contracted by the government amounted to US$3,038.6 million in present value terms, below the adjusted ceiling of US$3,243.5 million. The stock of external public debt at end-2017 came below program projection, largely because of lower-than-projected disbursements of foreign-financed project loans and delays in contracting the new loan for SIR debt restructuring.

10. Banks' credit to economy tapered to a healthy pace in 2017. The credit expansion moderated from nearly 30 percent in 2015 to about 13 percent in 2017, with a reallocation of credit from services to the resources and utilities sectors. This change in the composition of credit since end-2012 partly reflect the sectoral priorities outlined in the National Development Plan.

Figure 2. Côte d'Ivoire: Bank Credit to the Economy by Sector

(Percent)



Sources: Ivoirien authorities; and IMF staff estimates.

OUTLOOK AND RISKS

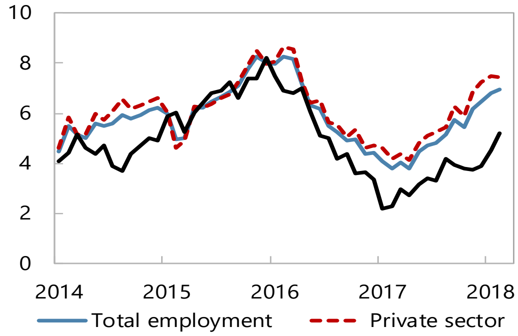
11. The medium-term outlook is robust. Growth is expected to average around 7 percent over 2018–23. On the supply side, this projection is supported by a pick-up of the industry (particularly mining and energy production) and services (including telecommunications and construction) over the medium term. Concerning demand, key drivers of growth are projected to be a rebound of private consumption and investment in the near term and rising net exports in 2020 and beyond. The current account deficit is expected to widen to around 3 percent of GDP in 2018-20 reflecting a decline in primary agriculture exports and an increase in imports of consumption and investment goods, and gradually narrow over the medium term, with industrial exports gathering strength and the services deficit stabilizing. Inflation is projected to remain below 2 percent, reflecting the projected low inflation in trading partners.

Figure 3. Côte d'Ivoire: Recent Economic Developments, 2014–18

The pace of employment is picking up...

Employment

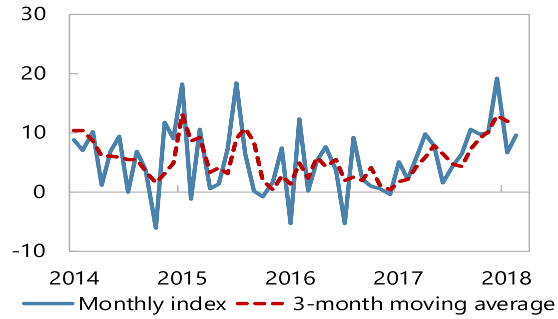
(Year-on-year percent change)



...supported by buoyant industrial activity.

Industrial Production, excluding oil and gas

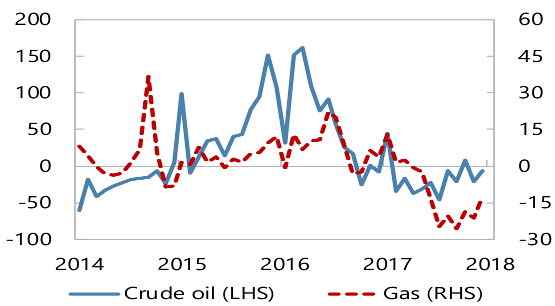
(Year-on-year percent change)



Oil and gas extraction is still declining....

Crude Oil and Gas Production

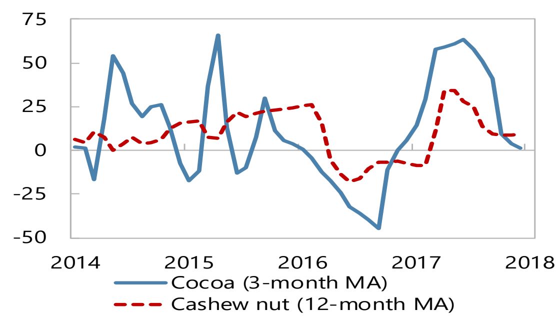
(Year-on-year percent change)



but key export crops rebounded due to favorable climatic conditions.

Cocoa and Cashew Nut Production

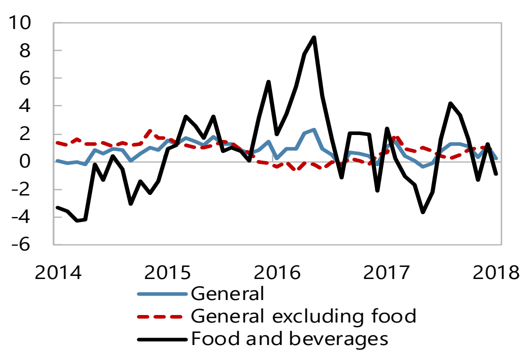
(Year-on-year percent change)



Inflation is subdued despite volatile food prices...

Inflation

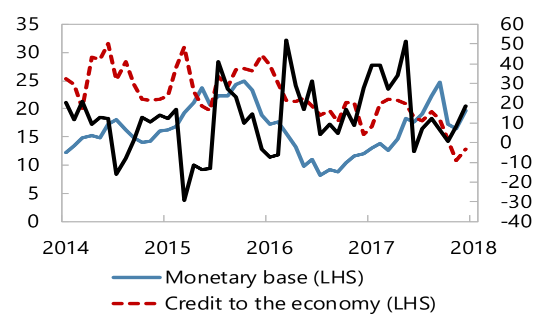
(Year-on-year percent change)



...and credit to the economy is slowing down.

Monetary Sector

(Year-on-year percent change)



Sources: Ivoirien authorities; and IMF staff estimates.

Text Table 2. Côte d'Ivoire: Selected Economic Indicators, 2017–23
(Percent of GDP unless otherwise indicated)

	2017		2018		2019		2020	2021	2022	2023
	Prog.	Est.	Prog.	Proj.	Prog.	Proj.	Projections			
GDP growth, percent	7.6	7.8	7.3	7.4	7.1	7.0	6.9	6.8	6.6	6.5
Inflation, percent	1.0	0.8	2.0	1.7	2.0	2.0	2.0	2.0	2.0	2.0
Current account balance	-2.1	-2.1	-2.8	-2.7	-1.4	-3.1	-3.1	-2.8	-2.5	-2.4
Total revenue and grants	19.5	19.2	19.5	19.3	20.1	19.2	19.4	19.5	19.5	19.6
Non-earmarked tax revenues	14.7	14.7	14.9	14.7	15.2	15.1	15.3	15.4	15.7	15.9
Current expenditure	17.1	16.9	16.3	16.2	15.8	15.5	16.3	15.8	15.9	16.0
Capital expenditure	6.9	6.5	7.0	6.8	7.3	6.7	6.1	6.6	6.5	6.5
Fiscal balance (including grants)	-4.5	-4.2	-3.8	-3.8	-3.0	-3.0	-3.0	-2.9	-2.9	-2.9
Public debt	50.7	46.8	50.0	48.7	48.1	47.3	46.9	46.0	45.2	44.6
Nominal GDP (FCFA billion)	23,436	23,510	25,460	25,372	27,704	27,687	30,106	32,748	35,541	38,532

Sources: Ivoirien authorities; and IMF staff estimates.

12. Risks to the baseline are broadly balanced (Annex IV). The outlook is subject to risks from tighter global financing conditions or a significant slowdown in foreign investor countries and related spillovers. Underperforming revenue mobilization and spending pressures from social tensions pose risks to the availability of adequate resources for infrastructure and other priority outlays. Tighter financing conditions in the regional sovereign debt market would raise borrowing costs.[4] More positively, higher prices for agriculture exports could boost fiscal revenues from these commodities. Moreover, rising investor confidence spurred by the successful Eurobond placement, successful structural reforms and initiatives related to the G20 Compact with Africa may result in additional private investment. Finally, downside risks could be compounded by new social demands from various groups.

13. An alternative scenario considers plausible shocks to the baseline that may raise the risk of debt distress. In this scenario, external trade shocks cause the growth rate and current account deficit to deteriorate by one standard deviation from the baseline in the first year of projection and then converge to their long-term trends. After the shocks, the budget deficit would widen considerably, partly financed by higher donor assistance, but prompt fiscal consolidation measures would reduce the deficit to 3 percent of GDP by 2021. External debt and debt service would increase rapidly, including due to a higher perception of sovereign risk, undermining the capacity to repay and raising the risk of debt distress. This scenario underscores the need to pursue prudent fiscal and borrowing policies to reduce the budget deficit and create fiscal space for accommodating possible shocks.

14. Côte d'Ivoire's external position in 2017 was broadly in line with fundamentals and policy settings (Annex V). The real exchange rate is moderately undervalued compared with fundamentals. The current account model (CAM) and REER Index model (RIM) suggest undervaluation of 1.0 percent and 7.0 percent, respectively. However, staff views the CAM results as more reliable as macroeconomic fundamentals play a limited role in the RIM.

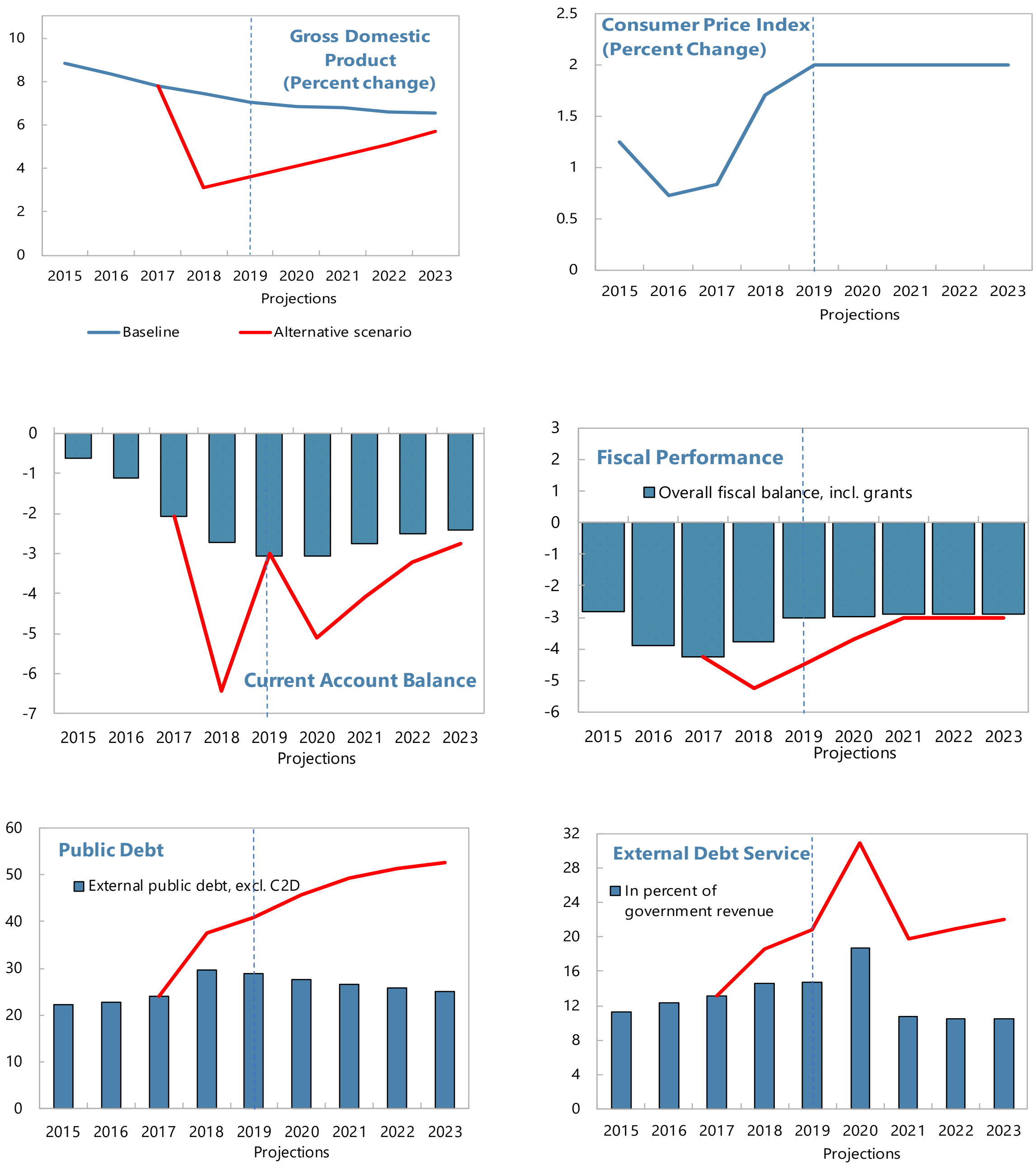
[4] *West African Economic and Monetary Union (WAEMU): Common Policies for Member Countries, IMF Country Report No. 18/106*, pages 9–10.

Authorities' Views

15. **The authorities are more upbeat about the medium-term growth prospects**. They expect growth of 7½ to 8 percent, based on previous reforms that have contributed to improving human capital and institutions. In their view, reforms underway are also supporting these projections, including initiatives to boost productivity in agriculture and good FDI prospects in agro-processing sectors. They broadly agreed with the risks to the outlook but considered that the economy is resilient to the negative shocks, as proven by high growth despite many shocks in 2017.

Figure 4. Côte d'Ivoire: Medium-Term Outlook, 2015–23

(Percent of GDP, unless otherwise indicated)



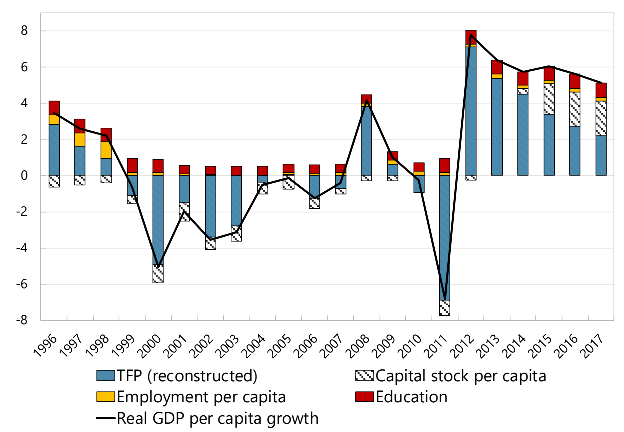
Sources: Ivoirien authorities; and IMF staff estimates.

ARTICLE IV POLICY DISCUSSIONS: FOSTERING SUSTAINED AND INCLUSIVE GROWTH

The post-2011 strong recovery was enabled by productivity rebound, sustained infrastructure development, pent-up domestic demand, and reform implementation. To sustain growth and boost inclusiveness, Côte d'Ivoire needs to continue deepening its reforms.

A. Structural Reforms to Improve the Investment Climate and Growth Sustainability and Inclusiveness

Côte d'Ivoire: Real GDP per Capita, Growth Accounting, 2007–17



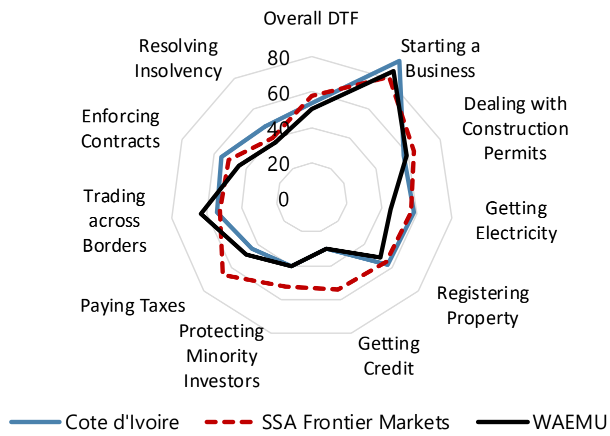
Sources: Ivoirien authorities; and IMF staff estimates.

16. The post-2012 productivity boost is tapering off and would continue to decline without further improvements in the business climate. The growth accounting of per capita real GDP shows that the contribution of the productivity residual to growth has been steadily declining, including with the tapering of the catch-up from the political normalization on economic recovery. Productivity is being replaced by capital as a main driver of growth. Private and public investments are expected to boost capital stock in 2018–23. However, investment is bounded by the availability of funding resources. Improvements in productivity are critical to sustain medium-term growth at the pace of 2012–17. While upgrading public infrastructure is an important step, further improvements in the business climate will help the private sector take full advantage of better infrastructure and shift the economy further towards private sector-led growth.

17. Côte d'Ivoire should focus on improving the business climate where it lags other sub-Saharan African frontier market countries.[5] The country has made significant progress in reducing processing time for building permits, but still lags sub-Saharan Africa frontier markets and the WAEMU for paying taxes, including because the index does not yet reflect the new system for electronic payment of taxes. While Côte d'Ivoire recently instituted a credit bureau, there is scope for improving credit access by strengthening legal rights for borrowers and creditors, extending the coverage of the credit bureau and deepening credit information on borrowers.

World Bank Doing Business Indicators: Côte d'Ivoire and Comparators

(Distance to the Frontier: 0-100; 100 is best)



Source: World Bank. *Doing Business Indicators*, 2018.

18. The pace of reforms to improve governance needs to be sustained. Since 2012, the authorities have strengthened the regulatory environment and set up anti-corruption entities.[6] They adopted the 2013 anti-corruption decree and launched the High Authority for Good Governance (2014) and the Anti-Racketeering Unit (2014). Reflecting progress, the 2017 Transparency International Corruption Perception score[7] improved to 36 in 2017 from 34 percent in 2016.

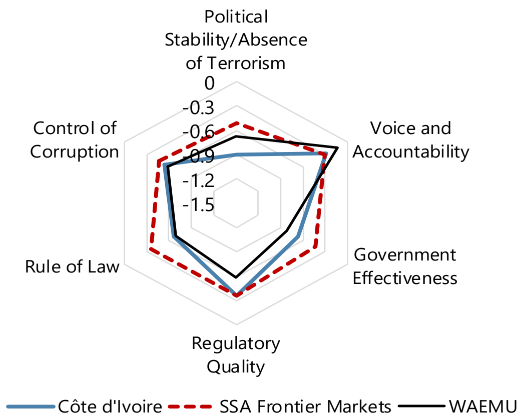
[5] As identified by the World Bank Doing Business indicators. The latter, based on surveys of quantified data, should be interpreted with caution given the limited number of respondents and geographical coverage, and standardized assumptions on business constraints and information availability.

[6] Transparency International (2016) "Corruption et lutte contre la corruption en Côte d'Ivoire", 14 mars 2016.

This indicator should be interpreted with caution since its methodology generates margins of error for each governance estimate and they are based on a survey of perceptions by business people and country experts of the level of corruption in the public sector, using diverse sources.

Worldwide Governance Indicators: Côte d'Ivoire and Comparators, 2016[1/]

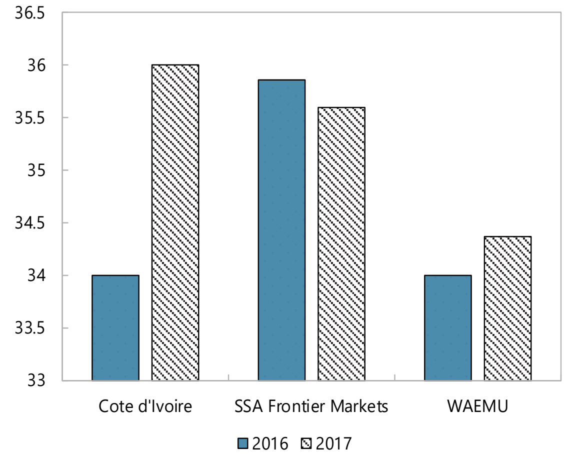
(Point estimate: -2.5 to 2.5; -2.5 representing weak governance)



Source: Worldwide Governance Indicators, D. Kaufman (Natural Resources Governance Institute and Brookings Institutions, and A. Kraay (World Bank), 2017.

Transparency International's Corruption Perceptions Index: Côte d'Ivoire and Comparators

(Score: 0 to 100; 0 is highly corrupt)



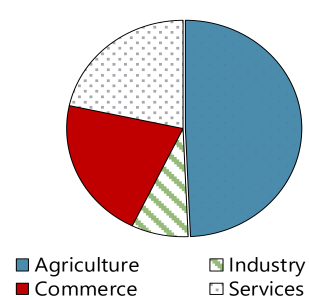
Source: Transparency International, Corruption Perceptions Index, 2017 and 2018.

Note: Negative values in the center of the chart represent poor governance (the center represents a score of -2.5) whereas values towards the edge represent better governance.
[1/] Survey-based indicator that captures perception of the extent to which public power is exercised for private gain. Scores are subject to uncertainty around the point estimate and reflect relative, not absolute, performance.

19. Improving the business and regulatory environment for agriculture is critical to sustain growth, make it more inclusive, and fight poverty. Agriculture contributed directly to about ¼ of the growth in 2017 and employs almost half of the total workforce, of which about three-fourths comes from the rural population, over 40 percent are women, and about 60 percent are unschooled.[8] About 60 percent of families headed by someone employed in agriculture are poor.[9]

Employment by Sector, 2016

(Percent of Total Employment)



Source: Ivoirien authorities.

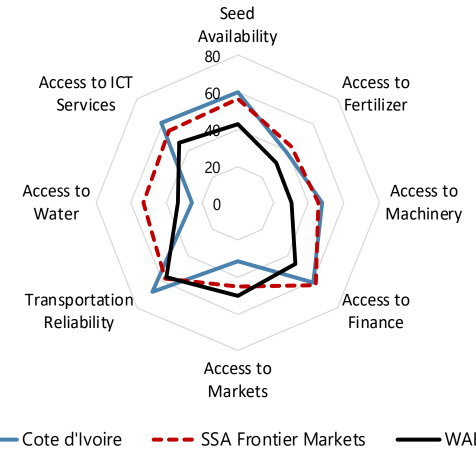
[8] Government of Côte d'Ivoire, Ministry of Employment and Social Protection, General Directorate on Employment.

[9] République de Côte d'Ivoire, Enquête sur le niveau de vie des ménages en Côte d'Ivoire (ENV 2015).

To further develop the agriculture sector, the government aims to improve market access for crops by upgrading transportation infrastructure and provide electricity to all the country's municipalities. It is also developing strategies, with World Bank assistance, to improve the cocoa and cashew sectors and enhance their value added. Moreover, the government aims to further develop the subsistence agriculture sector, an important employer of women, and improve the regulatory framework. While regulations for transportation and finance are relatively sound, regulations pertaining to trade, plant protection and producer organizations as well as the water distribution system are relatively less efficient. Better distribution of water use permits would benefit farmers by ensuring access to water amid competing demands and strained resources.

World Bank's Enabling the Business of Agriculture[1]

(Distance to the Frontier: 0 to100; 100 is best)



Source: World Bank, *Enabling the Business of Agriculture*, 2017.

[1] The SSA Frontier Average included Côte d'Ivoire, Ethiopia, Ghana, Kenya, Mozambique, Nigeria, Rwanda, Senegal, Tanzania, Uganda, and Zambia.

20. **The government seeks to expand the coverage and targeting of social safety nets.** While pro-poor spending represented 8.8 percent of GDP at end-2017, and the share of the poorest quintile that receives in-kind transfers (about 35 percent) is higher than the world average,[10] expenditure on social safety nets was only about 0.01 percent of GDP. Ivoiriens rely on informal safety nets, which do not fully protect them in the event of shocks. The government has launched the pilot phase of providing universal health care coverage, and is implementing a system of conditional cash transfers promoting access of poor households' children to schooling and health care services, and improving training of human resources. These initiatives are implemented with the World Bank and bilateral partners' support.

Authorities' Views

21. **The authorities noted that they are implementing a set of measures to further improve Côte d'Ivoire's business environment**. The credit bureau is operational, property transfer fees have been reduced and tax payment and declaration can now be completed on line. Recent legal improvements have accelerated the resolution of business conflicts. The authorities underscored that Côte d'Ivoire is one of the African countries that have most improved their governance in the last five years. Concerning agriculture, the authorities expect that technological advances in the sector will sharply improve crop yields. They recognize that dysfunctions in the water distribution

[10] World Bank, "Explaining the Social Safety Net Landscape 2018", Figure 3.10.

system need to be addressed, including in rural areas, but intend to do so through investments rather than regulation. They intend to pursue their strategy of targeting poor households for conditional transfers, with World Bank support, to break the cycle of dependency, improve the training of workers to better meet employers' needs and reduce the size of the informal sector.

B. Fiscal Consolidation

22. Building fiscal buffers is critical to foster sustained growth in a changing environment subject to shocks. To that effect, lowering the overall budget deficit to the WAEMU convergence criterion of 3 percent of GDP by 2019 and beyond would help safeguard the regional foreign exchange reserves pool and preserve regional monetary stability, which are critically important for macroeconomic stability in Côte d'Ivoire. To provide sufficient fiscal space for infrastructure investment and pro-poor priority spending, additional revenue mobilization and prioritization of public expenditure are needed for Côte d'Ivoire's budget deficit to meet the convergence criterion.

23. Raising additional tax revenue through reforms in tax policy and revenue administration is critical to achieve program objectives and maintain debt sustainability (Box 1). Despite many reforms since 2012, tax revenue to GDP has remained relatively stable. This was partly because some sectors driving growth such as agriculture and services are not fully captured in the tax net. Securing consensus with key stakeholders in designing tax policy reforms has also proven challenging. However, convergence to the WAEMU budget deficit norm of 3 percent of GDP in 2019, while funding the implementation of the authorities' national development plan, hinges importantly on boosting tax revenues.

- ***Tax policy reform*** should be centered on broadening the tax base, simplifying the tax regime for SMEs, and conforming with regional guidelines.
- ***Comprehensive tax administration reforms*** are important to raising tax revenue over the medium term. Important progress has been made in developing information-sharing protocols with other entities and instituting electronic payment of taxes. Information systems are being used to improve tracking of imports. Further reforms would include (i) strengthening cross-checking of taxpayer declarations to different entities, including by assigning a Single Taxpayer Identification Number to each taxpayer; (ii) further computerizing declarations and payment; and (iii) further advancing human resources management and risk analysis.

Box 1. Mobilizing Tax Revenue

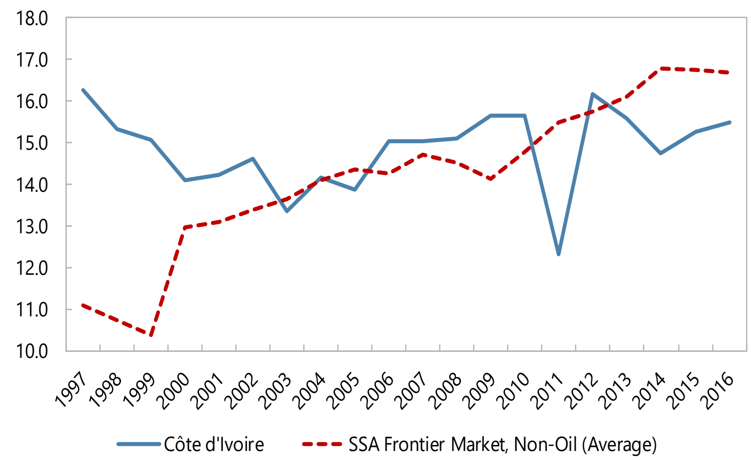
Tax revenue mobilization slowed down in Côte d'Ivoire since 1997 while other sub-Saharan frontier markets steadily gained ground.[1] New tax policy measures and sustained reforms in revenue administration are needed.

Côte d'Ivoire outpaced the average of its African peers in collecting tax revenue prior to 2010, but lost momentum during the 2011 crisis. The latter undermined the management of the revenue administration. Tax revenue collection has been hampered by economic and political shocks and numerous tax exemptions.

The implementation of measures to improve the revenue administration's performance has accelerated since 2012, though the adoption of tax policy measures still lags. There was progress in restructuring and modernizing the revenue administration, improving compliance and taxpayer base reliability, and reducing informality. Revenue gains from these reforms are expected to materialize more fully over the medium term. Implementation of tax policy measures, however, has been less strong than in peer countries.[2]

Côte d'Ivoire: Tax Revenue Performance compared to Peers

(Percent of GDP)



Source: IMF World Economic Outlook.
Note: Côte d'Ivoire's tax revenue includes earmarked tax revenue since 2015 that account for 4.9 percent of the total tax revenues, on average.

Priority tax policy measures in Côte d'Ivoire should be centered on:

- ***Aligning tax rates with regional standards***. To ensure proper functioning of the regional market and limit intra-regional smuggling, excise taxes on targeted products should be increased or revised according to WAEMU standards.
- ***Expanding the tax base***, mainly in agriculture, transportation, and real estate, but also in financial services, the digital economy, and telecommunications. Tax exemptions should progressively be eliminated to converge with WAEMU directives.
- ***Simplifying the taxation of businesses***, to minimize the scope for tax avoidance. Companies' turnover should be set as the sole criterion for defining tax regimes, the lower threshold of the synthetic tax for small companies should increase, and larger companies should pay a proportional tax.
- ***Rationalizing tax incentives*** according to recommendations from the study on the Investment Code. In particular, to reduce distortions and maintain a business climate environment conducive to investment, tax incentives should be rationalized through, for instance, better targeting and clearer design.

[1] Non-oil SSA frontier markets include Ethiopia, Ghana, Kenya, Mauritius, Mozambique, Rwanda, Senegal, South Africa, Tanzania, Uganda, and Zambia.

[2] Annex VI.

24. Improving expenditure prioritization and efficiency will facilitate achieving policy objectives with limited resources. The authorities seek to free additional budgetary resources for infrastructure investment and priority spending by adhering to strict civil service recruitment guidelines, limiting transfers to public enterprises, mitigating fiscal risks and improving public financial management.

- ***The authorities continue to follow their wage bill strategy***. The wage bill is being contained by hiring one new public servant for every two retirees except in the education and health sectors. Procedures and practices are also being modernized, with ratings and promotions based on the Integrated Civil Service Management System (SIGFAE). Efficiency of public employees will continue to be improved through training and a planned job-skill matching program.
- ***Restructuring and oversight of public enterprises should continue***. The restructuring of the petroleum company, PETROCI, in 2018 will allow the company to focus its activities on exploration and production and divest its gas stations. The refinery SIR is implementing an improved business plan and restructuring its debt. Financing for that purpose should be available by August 2018. Two other large public enterprises—Air Côte d'Ivoire and SOTRA—are expected to improve their financial position over the medium term (through expected improved air traffic and implementation of a new ticketing system, respectively) while continuing their development plans. The government is improving its budgetary oversight of public enterprises with regular updates and data transmission on their debt service, the signature of 14 performance contracts, and the published financial statements of public enterprises in the annex of the draft budget law.
- ***The public procurement system is being modernized***, with amendments to the Public Contract Code expected soon.
- ***The authorities are improving fiscal risk management***. With World Bank and IMF assistance, the National Steering Committee for Public-Private Partnerships is sharpening its analysis of the viability of individual projects and overall risks. The latter will be included in the 2018–20 medium-term budget framework. Improvements in the available PPP database and institutional framework are underway. The interconnection between the Public Enterprises Information and Management System (SIGEP) and Debt Management and Financial Analysis System (SYGADE) is planned for 2019.
- ***The authorities are upgrading cash management and treasury operations through the reforms for switching to Treasury Single Account (TSA)***. Full implementation of the TSA will facilitate control over all public funds in real time and optimize cash flow and debt management.

25. A well-articulated communication strategy will help secure the support of key stakeholders for the needed public finance reforms. The authorities have set up a committee of fiscal reform, with private sector representatives. This institutes a formal mechanism for public consultation with parties impacted by modified or new policies ahead of their introduction.

Authorities' Views

26. The authorities shared the views that continued fiscal efforts are needed to achieve the budget deficit target. They noted the trade-off between improving the fiscal position and helping the economy recover from the post-electoral crisis, including with raising salaries of civil servants and offering an investment code which is attractive to investors. They recognized the needed revenue mobilization effort, particularly concerning the VAT, but stressed that a properly implemented reforms are expected to yield its full revenue benefits over the medium term. They stated that a key policy objective is to gradually formalize the informal sector. The authorities agree that completing the restructuring of public enterprises and improving the cash management and treasury operations is critical to minimizing fiscal risks.

C. National and Regional Policy Consistency

27. Economic policies at the WAEMU level and in Côte d'Ivoire are mutually reinforcing to meet the objectives of maintaining fiscal sustainability and contributing to regional external viability.[11] To ensure monetary stability, the regional central bank, BCEAO, tightened monetary policy in late 2016, which raised the cost of funds in the regional market and stabilized regional FX reserves. These actions contributed to Côte d'Ivoire's decision to issue Eurobonds for debt financing in 2017 and 2018. More recently, renewed liquidity pressures have pushed up the interbank market rate, and staff has recommended that the BCEAO stand ready to further tighten monetary policy if pressures on the money market or FX reserves persist. Along with other WAEMU members (except Niger), Côte d'Ivoire is expected to contribute to the regional stability by converging to the WAEMU fiscal deficit norm of 3 percent of GDP by 2019. Moreover, its 2018 Eurobond issuances is helping rebuild regional FX reserves (Box 2).

D. Debt Management

28. Côte d'Ivoire's frontier market status, coupled with favorable conditions on the international capital markets, have expanded financing options. The medium-term debt strategy (MTDS) envisages that two-thirds of the government financing needs would be satisfied on the regional bond market and the remainder from the international market over the medium term. In 2018 as in 2017, Côte d'Ivoire has relied mostly on the international capital market to meet its financing needs, but the authorities expect to revert to regional budget financing over the medium term. Other key objectives of the MTDS, such as avoiding the concentration of maturities and managing the exchange rate risk, are being observed.

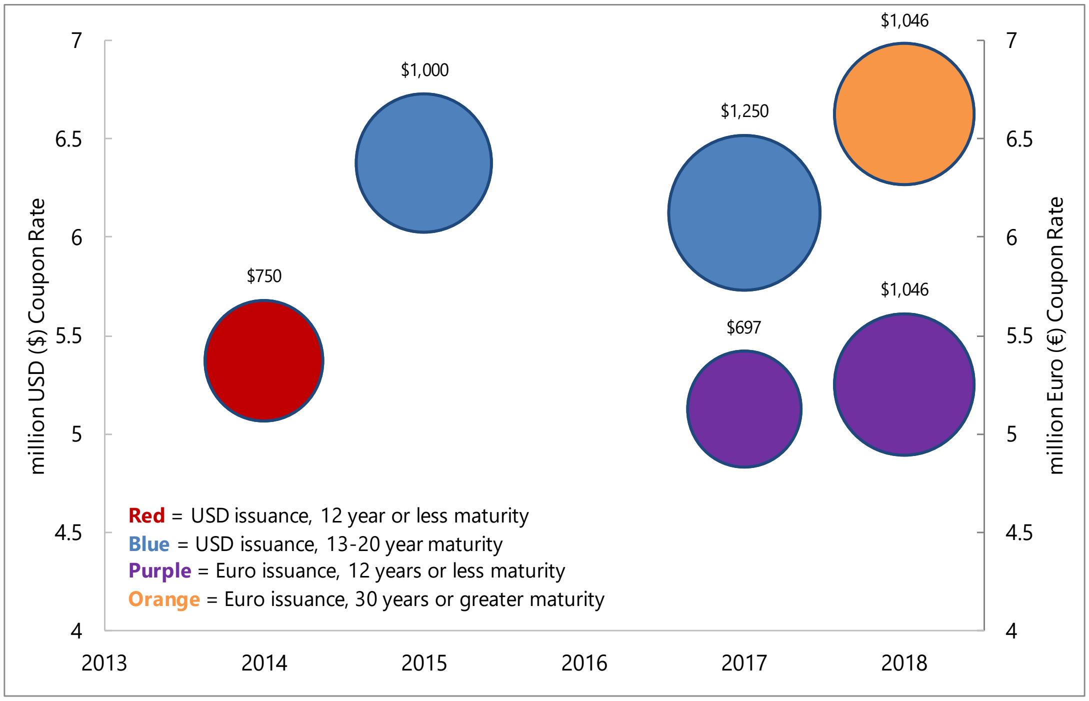
[11] West African Economic and Monetary Union: Common Policies for Member Countries. IMF Country Report No. 18/106.

Box 2. Eurobond Issuances in 2017 and 2018

Côte d'Ivoire has been tapping into the Eurobond market in 2017 and 2018, and secured relatively good terms based on its implementation of reforms since 2012.

Côte d'Ivoire: International Bonds by Interest Rate

(Percent; balloons are issuance in USD millions)



Source: Bloomberg.

Côte d'Ivoire's growth and pace of reforms have contributed to successful issuances of Eurobonds. In June 2017, the country issued a 16-year US dollar-denominated bond, with principal repayments spread over three years, as well as an 8-year euro-denominated bond. Some of the proceeds were used to buy back a portion of outstanding bonds maturing in 2024 and 2032. These operations netted about US$ 1.2 billion (equivalent to about 3 percent of GDP) for deficit financing. In March 2018, the country issued euro-denominated Eurobonds with 12- and 30-year maturities, with principal repayments spread over the last three years. This operation allowed to raise EUR 1.7 billion (equivalent to about US$ 2.1 billion, and about 4.2 percent of GDP).

29. Increased reliance on international commercial financing may raise rollover risks and reduce policy space to buffer future shocks. While the recent Eurobond issuance was denominated in Euros and hence does not present exchange rate risks, the magnitude of the issuance, the profile of repayments and tighter financing conditions raise rollover risks over the medium term. Although the country remains at moderate risk of debt distress and its external debt is currently assessed to be sustainable in the medium term, the ratio of external public debt to GDP is projected to reach 29.5 percent of GDP at end-2018, and the present value of the debt-to-GDP ratio is approaching the threshold for high risk of debt distress. In addition, the ratio of external debt service to revenues is projected to rise closer to the high risk of debt distress threshold. With higher debt service envisaged over the medium term, fewer budgetary resources will be available for infrastructure projects and priority spending.

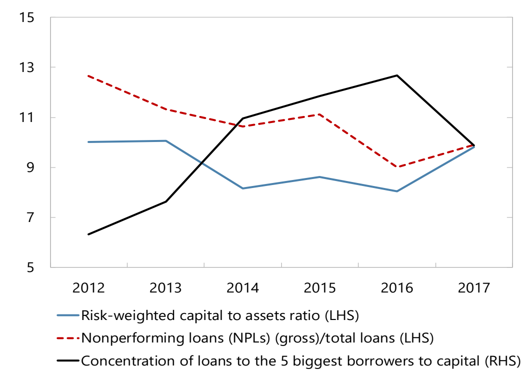
Authorities' Views

30. **In the short and medium term, the authorities plan to further develop the domestic bond market, and reduce the exchange rate risk in their sovereign debt portfolio**. They aim to attract international asset managers to participate in and further develop the regional bond market, where banks from the WAEMU are currently the only active participants. To reduce exchange rate risk, the authorities noted that the latest euro-denominated Eurobond issuance diversifies the currency composition of their debt portfolio. Moreover, to protect their debt portfolio against an appreciation of the US dollar against the euro, the authorities are discussing options for hedging coupon payments associated to their US dollar-denominated sovereign debt.

E. Strengthening the Banking and Financial Sector

31. **New prudential rules are reinforcing banking sector stability**. Introduction of the new prudential rules aligned with the Basel II/III principles from 2018 should improve banking sector oversight and market discipline.[12] Partly due to the new rules and new minimum capital requirement effective from mid-2017, the average capital adequacy ratio (CAR) increased to 9.8 percent at end-2017 from 8.0 percent at end-2016. Moreover, the concentration ratio of loans to top-5 borrowers relative to capital improved from about 127 percent at end-2016 to about 99 percent at end-2017. However, the share of NPLs increased from 9.0 percent in 2016 to 9.9 percent at end-2017, though about 2/3 of the NPLs are covered by provisions.

Banking Sector Indicators
(Percent)



Source: Ivoirien authorities.

32. **Pockets of vulnerabilities in the banking sector should be addressed**. BCEAO stress tests have confirmed that strong shocks on credit quality would adversely affect banks' capital, particularly for undercapitalized public banks. These results underscore the need for stringent application of prudential rules. Actions to address the small number of noncompliant banks could range from sanctions such as fines and prohibition of profit distribution to introducing special administration and resolution of weak banks. National authorities should encourage compliance of the local private banks and directly address the shortcomings in public banks.

33. **The banking sector liquidity deficit and BCEAO monetary policy tightening have reduced banks' demand for government debt**. Broadly following regional trends, the net liquidity

[12] IMF Country Report No. 18/106. and WAEMU Banking System's Soundness and Macro-Financial Linkages.

position of the country's banking sector[13] swung into a deficit of about 3 percent of GDP at end-2016. It remained negative in 2017, after the BCEAO tightened monetary policy and limited banks' access to refinancing operations to twice their own capital from end-2016. Consequently, banks have reduced their demand for government debt securities, which raised the domestic debt interest rates and motivated the government to issue Eurobonds.

Authorities' Views

34. The authorities consider that the banking system is broadly stable, and additional measures should be assessed carefully for their impact on the credit to economy. They stressed that noncompliant banks represent only about 2 percent of the banking sector assets. The authorities concurred that the recently enacted regulations consistent with the Basel II/III principles and higher capital requirements will further strengthen the banking sector. They noted the BCEAO warnings issued to banks in structural liquidity deficit. Meanwhile, they expressed concern that further enhancing prudential requirements or sanctioning weak banks may undermine credit to economy.

PROGRAM ISSUES

The program for 2018-19 focuses on mobilizing revenue and optimizing expenditure to remain on the convergence path to the WAEMU budget deficit norm. It also features actions to reform public banks and enterprises, make progress with structural fiscal reforms, and improve statistics.

A. Fiscal Policy

The authorities are committed to the program's budget deficit targets of 3.75 percent of GDP in 2018 and 3 percent of GDP in 2019 and implementing a set of measures to achieve these objectives.

35. Despite encountering private sector resistance that required revisiting the new tax measures approved with the 2018 budget, the authorities are taking steps to mobilize additional revenues to reach the budget deficit target. Notwithstanding new revenue measures, revenue projection was revised down for 2018:

- The authorities have enacted new revenue measures expected to yield about 0.3 percent of GDP in 2018. The new measures entail a different package than the higher quality tax policy package agreed at

Text Table 3. Côte d'Ivoire: New Fiscal Revenue Measures, 2018

	FCFA bln	% GDP
New export tax on cashew nuts	37.7	0.15
Optimization of tax and customs administration	30.0	0.12
VAT and excise hikes and new taxes	11.3	0.04
Total	**79.0**	**0.31**
Offsetting social measures	-3.4	-0.01
Net revenue gain	**75.6**	**0.30**

Sources: Ivoirien authorities; and IMF staff estimates.

[13] Banks' gross liquidity less central bank refinancing.

the time of the second program review. To accommodate private sector concerns and preserve social cohesion, the tax package initially adopted with the 2018 budget was rescinded. Instead of raising excises and phasing out VAT exemptions, the authorities levied a new export tax on cashew nuts and relied on accelerated reforms in tax and customs administration (MEFP Box 2, ¶¶28–29). Along with higher excise rates, new taxes, and accelerated implementation of revenue administration measures, this is expected to be sufficient to meet the program's revised objectives on domestic revenue mobilization.

- New revenue administration measures include on-line declarations by businesses, higher yields from the centers for medium-sized enterprises, the new obligation for firms to provide certified financial statements to tax authorities, and tighter controls of imports afforded by customs' use of new scanners.
- Despite the new measures, the tax revenue-GDP ratio in 2018 is projected to be lower than programmed. The revision reflects the full-year effects of lower cocoa prices and international price movements for imported products that reduced the tax base. Consequently, tax revenue is projected to fall short of program objective by 0.3 percent of GDP, which requires revising downward the program's IT for tax revenue mobilization. To meet the program deficit target of 3.75 percent of GDP despite the revenue shortfall, the authorities will curtail public investments by the same 0.3 percent of GDP, mostly reflecting lower projected disbursements of foreign-financed projects. Due to these reallocations, the IT for the basic primary balance will be revised down as well.

36. **The authorities have maintained farmers' cocoa prices at their current level and are adjusting fuel prices as needed** (MEFP ¶37). Given the relatively low international prices for cocoa, the farm gate cocoa price of CFAF 700 per kg remains appropriate. Moreover, the authorities are committed to adjusting fuel prices as needed to limit the negative impact of rising world oil prices on fiscal revenue; fuel prices have been adjusted three times since October 2017.

37. **Sustaining fiscal adjustment in 2019 will require new revenue measures and expenditure optimization.** The authorities have reaffirmed their program commitment to introduce new revenue measures yielding at least 0.4 percent of GDP along with the 2019 budget (new SB for end-October). About half of the projected revenue increase would stem from re-introducing the cocoa registration tax that was cancelled in 2017 after the world cocoa price drop to safeguard farmers' income and not renewing temporary exemptions expiring at end-2018 (new SB). The remainder of the projected revenue increase would be derived from administrative measures (MEFP ¶¶29–30). These measures are expected to stabilize the total revenue-to-GDP ratio despite lower projected nontax revenues and earmarked taxes. On the expenditure side, the authorities plan to reign in public investment and the wage bill, and take advantage of the projected lower interest payments from better market access conditions. All these measures should ensure convergence to the WAEMU budget deficit norm of 3 percent of GDP while safeguarding pro-poor outlays and spending on priority projects like education and universal medical coverage.

38. The program envisages continued structural reforms.

- *Public enterprise restructuring*. Debt restructuring of the national oil refinery, SIR, is expected to be completed by end-August 2018 (MEFP ¶45). Negotiations between the government and electricity companies on a plan for resolving arrears accumulated in the sector should be concluded soon. Moreover, the budget provides for an allocation to cover the government's electricity bill which is expected to prevent the accumulation of new arrears to electricity companies (MEFP ¶46). The financial viability of the sector is expected to be further improved over the medium term as new hydroelectric dams and combined cycle power stations enter in operation, reducing the sector's operating costs—including by lowering its reliance on heavy vacuum oil. Semiannual reports of the financial situation of Air Côte d'Ivoire will continue to be submitted to the Minister in charge of the Budget (semi-annual SB, MEFP ¶47).
- *Public investment management*. The authorities will further improve the link between programming and budgeting tools for public investments (MEFP ¶38). PPPs will be included in the 2018–20 public investment program as of 2019 (MEFP ¶41). Further steps include developing a manual for elaborating public investment plans, evaluating recurrent expenditures, and setting up the monitoring process.
- *Public procurement*. The first stage of automating procurement procedures will be operational in 2018. Also, the web connection of public companies to the treasury information system is planned for 2018. Implementation of e-procurement practices and ministerial procurement units should be completed by end-2018 (MEFP ¶40).
- *Managing fiscal risks*. The interface facilitating SOE debt data exchange between governmental units is under development. Performance contracts signed for an additional seven public enterprises will include indicators for monitoring purposes (MEFP ¶41). The authorities improve the viability and risks analysis of PPPs, and the related information is published as an annex to the draft budget law.
- *Cash management and treasury operations*. The pilot phase for deploying the revenue component of the TSA is completed and its extension to all the accounting stations is underway. The authorities expect to finalize the pilot phase of the expenditure component by end-2018 (MEFP ¶43) and progressively extend the revenue and expenditure components to all accounting stations. They also continue to close and transfer of all the accounts covered by the TSA (at commercial banks, the Treasury Deposits Bank and the BCEAO) to the settlement account. This process, started in 2017, will be accelerated in 2018.

B. Financial Sector

39. The authorities are taking steps to consolidate the banking sector's stability. A few small undercapitalized banks are expected to comply with the minimum capital requirements by end-June 2018 (MEFP ¶51). Closure of illegal microfinance schemes and ongoing restructuring of the large private microfinance organization have improved the sector's stability (MEFP ¶52). The government has privatized one small undercapitalized public bank and is addressing legal challenges stalling privatization of another (MEFP ¶53). A combination of the budget recapitalization (end-March SB) and asset sales—to be completed by end-June—will buttress the capital of the public savings bank CNCE (MEFP ¶54).

40. The authorities are preparing their strategy for Anti Money Laundering and Combating the Financing of Terrorism (AML/CFT) in view of the 2021 assessment of Côte d'Ivoire by the Intergovernmental AML Group in West Africa (MEFP ¶48). The authorities expect to receive technical assistance for the elaboration of the strategy and reinforcing the capacity of financial investigators. Ensuring the implementation of the 2016 AML/CFT legislation would help detect, deter and prosecute acts undermining governance.

PROGRAM MODALITIES AND FINANCING ASSURANCES

41. Program conditionality. The program is monitored in semiannual reviews (Table 8) through quantitative PCs, ITs, and SBs (MEFP Tables 1–2). New PCs are proposed for end-December 2018. Staff support the authorities' request for revising the end-June 2018 PC on the ceiling on the present value of new external debt contracted by the government, to reflect the March 2018 Eurobond issuance. Staff also support the authorities request for revising ITs for end-June 2018, to reflect the underperformance in tax revenue relative to earlier program expectations, the partial substitution of externally financed public investment by domestically financed public investment—which lowers the primary basic surplus—and the lower clearance of legacy arrears.

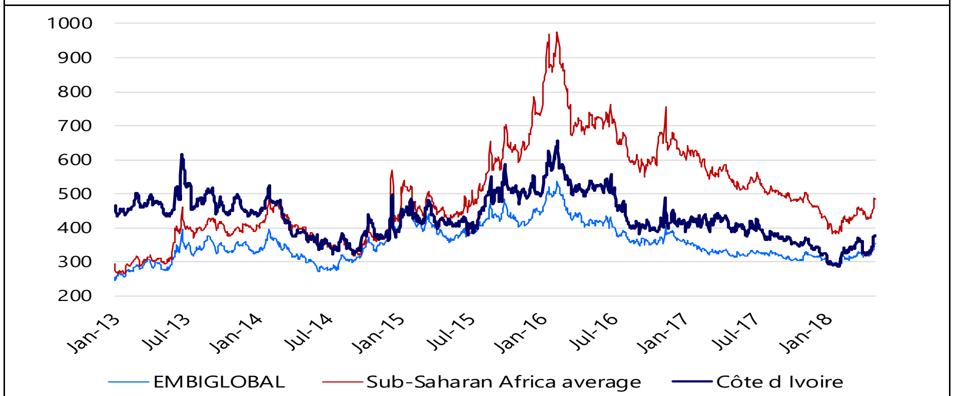
42. The program is fully financed. The baseline projections reflect a shift in budget financing in favor of external borrowing after the March 2018 Eurobond issuance, which covered most of the country's gross external financing needs for the year. The remainder will be met by donor financing and Fund disbursements. Next year, the country is expected to cover most of its financing needs from the regional debt market, as the authorities intensify their efforts to open the regional debt market to foreign investors' participation. In addition, the authorities are considering issuing a local currency-denominated bond on the international sovereign debt market. Meanwhile, Fund financing is expected to play an important catalytic role. There are good prospects of timely disbursements of the expected financing from donors in 2018–19.

43. Program implementation risks are manageable and the capacity to repay the Fund is 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 and previous reviews. While envisaged revenue mobilization has met with resistance, the authorities have adopted alternative measures more aligned with private sector concerns than the tax package adopted with the 2018 budget. Risks to the program implementation could increase in case of 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, such as public investment cuts and rationalizing current spending, in consultation with Fund staff. The capacity to repay the Fund is assessed to be adequate (Table 7).

44. Côte d'Ivoire is expected to retain external debt market access if current global financing conditions persist. Current market conditions are still favorable for Côte d'Ivoire, but have tightened recently. According to the EMBI Global Index, Côte d'Ivoire's bond yield spread over US Treasury securities of comparable maturities widened to 379 basis points at the beginning of May 2018 from the historical minimum of 285 basis points observed at the beginning of February, However, despite the tightening, compared to selected sub-Saharan African economies, Côte d'Ivoire still enjoys easier financing conditions (figure below). The authorities' debt management strategy should help prevent excessive increases in the country's external debt service due to the concentration of maturities or U.S. dollar appreciation.

Côte d'Ivoire: Sovereign Bond Yield Spreads, 2013–18

(Basis points)



Sources: J.P. Morgan; and IMF staff estimates.

DATA AND SAFEGUARDS ISSUES

45. Data provision is broadly adequate for surveillance, particularly since the authorities have progressed in improving statistics and are addressing remaining weaknesses. The authorities provide the required statistical indicators to the Fund generally on a timely basis. Supported by extensive TA,[14] the authorities reached a significant milestone by starting regular publication of the quarterly national accounts (end-December 2017 SB). Further progress is needed, particularly by continuing to enhance short-term indicators. This will facilitate the eventual convergence between quarterly and annual GDP series and permit further refining estimates for the latter. Renewed efforts are required to fully implement the enhanced General Data Dissemination System, update the base year of national accounts, and implement the SNA 2008.

[14] Annex VII.

46. The safeguards assessment, updated in April 2018, found that the central bank (BCEAO) has maintained a strong control environment since the last assessment in 2013 and its governance arrangements are broadly appropriate. Moreover, audit arrangements have been strengthened, International Financial Reporting Standards (IFRS) were adopted as the accounting framework beginning with the 2015 financial statements, and a 2016 external quality review of the internal audit function found broad conformity with international standards. The BCEAO's 2014 risk management framework is also progressing well, being implemented across the bank.

STAFF APPRAISAL

47. Economic activity was buoyant in 2017, despite external price shocks and social tensions, and program performance was good. Growth is estimated at 7.8 percent of GDP, due to exceptional export crops helped by favorable climatic conditions and sound macroeconomic policy management. Building on the high growth since 2012, this is a noted achievement in a year with deteriorated cocoa export prices and social tensions. Along with the relatively easy market conditions, successful Eurobond issuances in 2017 and 2018 reflected good policy implementation and economic performance. Moreover, all program performance criteria were met at end-2017, as were all but one program structural benchmarks and all but one indicative targets. The medium-term growth outlook is good, near 7 percent over 2018–23, supported by growing private investments, particularly in the transformation and services sectors.

48. The recovery of Côte d'Ivoire's per capita income requires sustained and inclusive growth. Building on reforms already engaged since 2012, the strong growth from the ongoing reconciliation will only be sustained by implementing more comprehensive reforms, even in the current context of challenging socio-economic conditions. Côte d'Ivoire needs to accelerate tax revenue mobilization, in consultation with key stakeholders, to catch up with its peer sub-Saharan African emerging market countries. This will help fund much needed infrastructure, particularly for the agriculture and industrial sectors, and adequate social safety nets while meeting fiscal deficit targets. Providing adequate transportation, electricity and water infrastructure will yield sizeable productivity gains in agriculture—the country's largest employer and a sector with a high proportion of poor households, and industry—a high value-added sector. Moreover, Côte d'Ivoire should further improve its business environment and make private investment the main growth driver.

49. Further revenue mobilization is needed to achieve program objectives in 2019 and continue to maintain medium-term debt sustainability. The authorities are committed to meet the program budget deficit targets of 3.75 percent of GDP in 2018 and 3 percent of GDP in 2019, which is the WAEMU convergence criterion. Reaching these objectives—which are critically important for macroeconomic and monetary stability—will require accelerating reforms in revenue administration and additional tax policy measures, together yielding at least 0.4 percent of GDP in 2019. Advanced planning and close partnership with the private sector to build consensus on tax reforms, as well as tax measures consistent with WAEMU guidelines are recommended in this regard.

50. **Building on past implementation of fiscal structural reforms, measures to buttress revenue administration and public financial management should accelerate**. Ongoing reforms in revenue administration will be best leveraged by swiftly implementing a single tax identification number for businesses and, eventually, individuals. Moreover, the authorities should soon overhaul the investment code and its tax incentives and speed up rationalization of VAT exemptions. Finally, small businesses should benefit from a more tailored and simplified tax regime. Concerning public financial management, full implementation of the Single Treasury Account it would help Côte d'Ivoire make great strides with better controlling outlays and improving their cost efficiency.

51. **Cautious debt and financial management is required to firmly anchor Côte d'Ivoire's debt on a sustainable path**. Following the 2017 and 2018 Eurobond issuances, Côte d'Ivoire's risk of debt distress remains moderate. However, the ratio of external public debt to GDP is projected to reach 29.5 percent of GDP at end-2018, and the present value of the debt is approaching the threshold for high risk of debt distress. Moreover, limiting the need for additional external financial resources would help mitigate foreign exchange risks and rollover risks from potentially tighter international financial conditions. The financial system is generally stable, but its remaining pockets of vulnerability need to be addressed.

52. **Swift restructuring of the energy sector is critical for its financial sustainability and economic growth**. The recent agreements between the government, the national oil refinery SIR and the state-owned petroleum company PETROCI are welcome. Nonetheless, the government is encouraged to resolve the electricity arrears accumulated by the public sector on a timely basis. Moreover, it will be very helpful to finalize the SIR debt restructuring as soon as possible, before end-August 2018.

53. **Policymaking will be further enhanced by sustained progress in improving the quality and dissemination of economic statistics**. Staff welcomes the recent publication of the quarterly national accounts and encourages further improvements in the coverage of high frequency indicators.

54. **Staff supports the completion of the third reviews under the ECF and EFF arrangements and revision of a program criterion**. The attached Letter of Intent (LOI) and the 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.

55. **The next Article IV consultation is expected to take place on a 24-month cycle**.

Table 1. Côte d'Ivoire: Selected Economic Indicators, 2015–23

	2015	2016	2017		2018		2019	2020	2021	2022	2023
			Prog.	Proj.	Prog.	Proj.	Projections				
	(Annual percentage changes, unless otherwise indicated)										
National income											
GDP at constant prices	8.8	8.3	7.6	7.8	7.3	7.4	7.0	6.9	6.8	6.6	6.5
GDP deflator	3.1	1.6	1.0	1.1	1.2	0.5	2.0	1.8	1.9	1.8	1.8
Consumer price index (annual average)	1.2	0.7	1.0	0.8	2.0	1.7	2.0	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	8.2	-8.8	3.7	8.4	3.3	5.2	8.7	8.5	11.4	12.2	10.2
Imports of goods, f.o.b., at current prices	12.6	-14.2	5.2	4.9	7.6	15.0	12.0	8.9	11.7	11.4	9.1
Export volume	4.4	-5.8	8.8	15.7	9.9	8.9	8.5	10.1	12.3	12.8	10.0
Import volume	24.4	3.7	6.5	6.3	7.2	8.8	11.9	9.4	10.4	9.8	10.9
Terms of trade (deterioration –)	16.7	13.5	-2.7	-4.3	-6.4	-8.3	0.1	-1.1	-1.3	-1.3	-0.9
Nominal effective exchange rate	-3.9	1.3	…	1.1	…	…	…	…	…	…	…
Real effective exchange rate (depreciation –)	-4.4	0.4	…	-0.1	…	…	…	…	…	…	…
Central government operations											
Total revenue and grants	18.9	6.6	9.5	8.0	8.7	8.4	8.7	10.1	9.2	8.6	8.6
Total expenditure	21.8	12.2	12.2	9.9	5.3	6.1	5.3	9.5	8.9	8.5	8.7
	(Changes in percent of beginning-of-period broad money unless otherwise indicated)										
Money and credit											
Money and quasi-money (M2)	18.8	12.1	16.5	19.7	13.9	14.6	13.5	11.4	12.1	11.0	12.5
Net foreign assets	3.2	-2.4	5.3	9.6	0.9	8.1	3.7	2.0	2.7	2.2	3.3
Net domestic assets	15.6	14.5	11.2	10.1	13.1	6.5	9.9	9.3	9.4	8.9	9.1
Of which: government	-0.7	5.9	0.5	3.6	3.1	-1.1	2.3	2.0	2.0	1.9	1.7
private sector	16.0	8.9	10.7	8.1	9.9	7.7	7.6	7.3	7.3	7.0	7.4
Credit to the economy (percent)	29.6	15.0	17.7	13.3	16.2	13.3	13.4	13.0	12.8	12.1	12.7
	(Percent of GDP unless otherwise indicated)										
Central government operations											
Total revenue and grants	20.0	19.4	19.5	19.2	19.5	19.3	19.2	19.4	19.5	19.5	19.6
Total revenue	18.5	18.0	18.1	18.1	18.3	18.1	18.1	18.4	18.6	18.9	19.1
Total expenditure	22.8	23.3	24.0	23.4	23.3	23.0	22.2	22.4	22.4	22.4	22.5
Overall balance, incl. grants, payment order basis	-2.8	-3.9	-4.5	-4.2	-3.8	-3.8	-3.0	-3.0	-2.9	-2.9	-2.9
Primary basic balance [1/]	-0.3	-1.8	-1.2	-1.2	-0.1	-0.4	0.1	0.9	0.6	0.9	0.9
Gross investment	20.1	20.7	17.9	20.8	18.8	22.0	22.8	23.0	24.0	24.2	24.5
Central government	6.7	6.6	7.0	6.6	7.1	6.8	6.8	6.2	6.7	6.6	6.6
Nongovernment sector	13.4	14.1	10.9	14.2	11.7	15.2	16.0	16.8	17.3	17.6	17.9
Gross domestic saving	23.6	23.3	19.7	23.5	19.8	23.1	23.5	23.8	25.1	25.9	26.4
Central government	2.9	2.1	1.7	1.9	2.9	2.6	3.4	3.6	3.8	4.0	4.0
Nongovernment sector	20.7	21.2	17.9	21.6	16.9	20.5	20.1	20.2	21.3	21.9	22.3
Gross national saving	19.5	19.6	15.8	18.7	16.0	19.3	19.7	20.0	21.2	21.7	22.1
Central government	3.5	2.5	2.4	2.2	3.3	3.0	3.7	3.2	3.7	3.6	3.6
Nongovernment sector	16.0	17.1	13.4	16.5	12.7	16.3	16.0	16.8	17.6	18.1	18.5
External sector balance											
Current account balance (including official transfers)	-0.6	-1.1	-2.1	-2.1	-2.8	-2.7	-3.1	-3.1	-2.8	-2.5	-2.4
Current account balance (excluding official transfers)	-2.0	-2.5	-3.6	-3.2	-4.0	-3.9	-4.1	-4.1	-3.7	-3.1	-2.9
Overall balance	2.0	-1.1	1.9	4.5	-0.6	2.9	1.0	0.8	1.1	0.9	1.4
Public sector debt											
Central government debt, gross	47.3	47.0	50.7	46.8	50.0	48.7	47.3	46.9	46.0	45.2	44.6
Central government debt (excluding C2D)	40.7	41.8	46.0	42.7	46.3	44.7	44.0	44.2	43.4	42.7	42.2
External debt	29.5	28.2	33.2	28.6	31.7	34.0	32.5	30.6	29.4	28.5	27.6
External debt (excluding C2D)	22.2	22.7	28.5	23.9	28.1	29.5	28.8	27.6	26.6	25.8	25.1
External debt-service due (CFAF billions)	412	481	557	556	680	672	738	1037	651	704	771
Percent of exports of goods and services	5.6	7.1	8.0	7.6	9.4	8.8	8.8	11.4	6.5	6.2	6.2
Percent of government revenue	11.3	12.4	13.2	13.1	14.6	14.6	14.7	18.7	10.7	10.5	10.5
Memorandum items:											
Nominal GDP (CFAF billions)	19,595	21,563	23,436	23,510	25,460	25,372	27,687	30,106	32,748	35,541	38,532
Nominal exchange rate (CFAF/US$, period average)	591	593	…	581	…	…	…	…	…	…	…
Nominal GDP at market prices (US$ billions)	33.1	36.4	40.3	40.5	45.7	48.0	52.9	58.2	63.8	69.7	75.5
Population (million)	23.7	24.3	25.0	25.0	25.6	25.6	26.3	27.0	27.7	28.4	29.1
Nominal GDP per capita (CFAF thousands)	826	886	939	942	994	991	1,054	1,117	1,184	1,252	1,323
Nominal GDP per capita (US$)	1,397	1,495	1,615	1,621	1,783	1,872	2,014	2,159	2,305	2,456	2,595
Real GDP per capita growth (percent)	6.2	5.7	5.0	5.2	4.7	4.8	4.4	4.3	4.2	4.0	3.9
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 2a. Côte d'Ivoire: Balance of Payments, 2015–23

(Billions of CFA Francs; unless otherwise indicated)

	2015	2016	2017		2018		2019	2020	2021	2022	2023
			Prog.	Est.	Prog.	Proj.	Projection				
Current account	-119	-241	-494	-485	-716	-694	-851	-920	-906	-887	-926
Current account excl. grants	-401	-534	-837	-751	-1,017	-997	-1,147	-1,229	-1,197	-1,110	-1,130
Trade balance	1,874	1,983	1,961	2,299	1,830	1,967	1,966	2,105	2,375	2,772	3,149
Exports, f.o.b.	6,938	6,331	6,542	6,861	6,760	7,214	7,844	8,508	9,478	10,631	11,721
Of which: cocoa	3,031	2,740	2,622	2,904	2,320	2,636	2,756	2,753	2,827	2,823	2,870
Of which: crude oil and refined oil products	1,121	868	915	922	871	967	1,012	979	970	979	1,018
Imports, f.o.b.	5,064	4,347	4,581	4,562	4,930	5,247	5,877	6,403	7,103	7,859	8,572
Of which: crude oil and refined oil products	1,254	872	1,119	929	1,068	928	918	925	955	1,001	1,067
Services (net)	-1,194	-1,432	-1,547	-1,669	-1,579	-1,675	-1,772	-1,867	-2,007	-2,179	-2,427
Primary Income (net)	-596	-620	-712	-785	-721	-744	-746	-820	-861	-940	-1,023
Of which: interest on public debt	152	177	192	176	219	217	216	443	338	365	393
Secondary Income (net)	-204	-173	-196	-330	-247	-242	-299	-339	-412	-541	-624
General Government	98	292	343	211	300	303	296	309	292	223	205
Other Sectors	-302	-465	-539	-541	-547	-545	-595	-647	-704	-764	-828
Capital and financial account	537	7	948	1,544	575	1,419	1,135	1,155	1,261	1,198	1,469
Financial account (excl. exceptionnal financing)	381	-122	821	1,418	454	1,304	1,021	1,043	1,149	1,087	1,358
Foreign direct investment	284	365	409	415	483	405	567	616	703	834	904
Portfolio investment, net	574	53	1,115	1,304	143	1,062	201	411	173	167	206
Acquisition of financial assets	-13	-39	-62	136	1	2	87	114	34	37	40
Incurrence of liabilities	587	92	1,177	1,168	142	1,060	114	297	139	130	166
Of which: Eurobonds	585	0	1,144	1,144	0	1,115	0	0	0	0	0
Other investment, net	-477	-539	-703	-301	-172	-163	254	24	270	87	248
Official, net	134	69	-215	-129	311	261	300	114	477	516	504
Project loans	328	262	512	486	621	567	644	636	699	774	813
Central government amortization due	-231	-270	-714	-711	-298	-294	-333	-510	-211	-247	-298
Net acquisition of financial assets	0	-14	-13	-12	-12	-12	-11	-11	-11	-11	-11
Nonofficial, net	-611	-608	-487	-172	-483	-424	-46	-90	-207	-429	-256
Errors and omissions	-31	0	0	0	0	0	0	0	0	0	0
Overall balance	387	-234	454	1,059	-141	725	284	235	355	311	544
Financing	-395	234	-454	-1,059	141	-725	-284	-235	-355	-311	-544
Reserve assets, includes reserve position in the Fund	-395	234	-662	-1,059	-92	-955	-468	-305	-424	-383	-614
Operations account	-447	211	-677	-1,150	-10	-873	-383	-219	-321	-290	-532
IMF (net)	52	23	15	91	-82	-82	-85	-86	-103	-93	-82
Disbursements	81	57	77	145	...	...	...	...	...	...	...
Repayments	-29	-34	-63	-63	-82	-82	-85	-86	-103	-93	-82
Financing gap	0.0	0.0	208.6	0.0	233.0	229.9	184.1	69.7	69.3	71.7	70.0
Expected financing (excluding IMF)	...	...	130.7	...	81.0	81.0	35.9	69.7	69.3	71.7	70.0
Residual gap/ IMF financing, *of which*	...	...	77.9	...	152.0	149.0	148.2	...	...	...	...
IMF-ECF 1/	...	...	26.0	...	50.7	49.7	49.4	...	...	...	...
IMF-EFF 1/	...	...	52.0	...	101.4	99.3	98.8	...	...	...	...
Memorandum items:											
Overall balance (percent of GDP)	2.0	-1.1	1.9	4.5	-0.6	2.9	1.0	0.8	1.1	0.9	1.4
Current account inc. grants (percent of GDP)	-0.6	-1.1	-2.1	-2.1	-2.8	-2.7	-3.1	-3.1	-2.8	-2.5	-2.4
Current account exc. grants (percent of GDP)	-2.0	-2.5	-3.6	-3.2	-4.0	-3.9	-4.1	-4.1	-3.7	-3.1	-2.9
Trade balance (percent of GDP)	9.6	9.2	8.4	9.8	7.2	7.8	7.1	7.0	7.3	7.8	8.2
WAEMU gross official reserves (billions of US$)	12.4	10.4	...	12.4	...	...	...	...	...	...	...
(percent of broad money)	72.7	56.3	...	60.7	...	...	...	...	...	...	...
(months of WAEMU imports of GNFS)	5.0	4.0	...	4.2	...	...	...	...	...	...	...
Nominal GDP (billions of CFA francs)	19,595	21,563	23,435.5	23,510	25,460	25,372	27,687	30,106	32,748	35,541	38,532
Exchange rate (CFAF/US$) average	591.4	593.0	...	580.9	...	...	...	...	...	...	...
Exchange rate (CFAF/US$) end-of-period	602.5	622.3	...	546.9	...	...	...	...	...	...	...

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 2b. Côte d'Ivoire: Balance of Payments, 2015–23

(Percent of GDP; unless otherwise indicated)

	2015	2016	2017		2018		2019	2020	2021	2022	2023
			Prog.	Est.	Prog.	Proj.	Projection				
Current account	-0.6	-1.1	-2.1	-2.1	-2.8	-2.7	-3.1	-3.1	-2.8	-2.5	-2.4
Current account excl. grants	-2.0	-2.5	-3.6	-3.2	-4.0	-3.9	-4.1	-4.1	-3.7	-3.1	-2.9
Trade balance	9.6	9.2	8.4	9.8	7.2	7.8	7.1	7.0	7.3	7.8	8.2
Exports, f.o.b.	35.4	29.4	27.9	29.2	26.6	28.4	28.3	28.3	28.9	29.9	30.4
Of which: cocoa	15.5	12.7	11.2	12.4	9.1	10.4	10.0	9.1	8.6	7.9	7.4
Of which: crude oil and refined oil products	5.7	4.0	3.9	3.9	3.4	3.8	3.7	3.3	3.0	2.8	2.6
Imports, f.o.b.	25.8	20.2	19.5	19.4	19.4	20.7	21.2	21.3	21.7	22.1	22.2
Of which: crude oil and refined oil products	6.4	4.0	4.8	4.0	4.2	3.7	3.3	3.1	2.9	2.8	2.8
Services (net)	-6.1	-6.6	-6.6	-7.1	-6.2	-6.6	-6.4	-6.2	-6.1	-6.1	-6.3
Primary Income (net)	-3.0	-2.9	-3.0	-3.3	-2.8	-2.9	-2.7	-2.7	-2.6	-2.6	-2.7
Of which: interest on public debt	0.8	0.8	0.8	0.7	0.9	0.9	0.8	1.5	1.0	1.0	1.0
Secondary Income (net)	-1.0	-0.8	-0.8	-1.4	-1.0	-1.0	-1.1	-1.1	-1.3	-1.5	-1.6
General Government	0.5	1.4	1.5	0.9	1.2	1.2	1.1	1.0	0.9	0.6	0.5
Other Sectors	-1.5	-2.2	-2.3	-2.3	-2.2	-2.2	-2.2	-2.1	-2.2	-2.2	-2.1
Capital and financial account	2.2	-0.3	4.9	7.0	1.5	5.0	3.4	3.6	2.7	2.3	2.8
Financial account (excl. exceptionnal financing)	1.9	-0.6	3.5	6.0	1.8	5.1	3.7	3.5	3.5	3.1	3.5
Foreign direct investment	1.4	1.7	1.7	1.8	1.9	1.6	2.0	2.0	2.1	2.3	2.3
Portfolio investment, net	2.9	0.2	4.8	5.5	0.6	4.2	0.7	1.4	0.5	0.5	0.5
Acquisition of financial assets	-0.1	-0.2	-0.3	0.6	0.0	0.0	0.3	0.4	0.1	0.1	0.1
Incurrence of liabilities	3.0	0.4	5.0	5.0	0.6	4.2	0.4	1.0	0.4	0.4	0.4
Of which: Eurobonds	2.9	0.0	4.9	4.9	0.0	4.4	0.0	0.0	0.0	0.0	0.0
Other investment, net	-2.4	-2.5	-3.0	-1.3	-0.7	-0.6	0.9	0.1	0.8	0.2	0.6
Official, net	0.7	0.3	-0.9	-0.5	1.2	1.0	1.1	0.4	1.5	1.5	1.3
Project loans	1.7	1.2	2.2	2.1	2.4	2.2	2.3	2.1	2.1	2.2	2.1
Central government amortization due	-1.2	-1.3	-3.0	-3.0	-1.2	-1.2	-1.2	-1.7	-0.6	-0.7	-0.8
Net acquisition of financial assets	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Nonofficial, net	-3.1	-2.8	-2.1	-0.7	-1.9	-1.7	-0.2	-0.3	-0.6	-1.2	-0.7
Errors and omissions	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	2.0	-1.1	1.9	4.5	-0.6	2.9	1.0	0.8	1.1	0.9	1.4
Financing	-2.0	1.1	-1.9	-4.5	0.6	-2.9	-1.0	-0.8	-1.1	-0.9	-1.4
Reserve assets, includes reserve position in the Fund	-2.0	1.1	-2.8	-4.5	-0.4	-3.8	-1.7	-1.0	-1.3	-1.1	-1.6
Operations account	-2.3	1.0	-2.9	-4.9	0.0	-3.4	-1.4	-0.7	-1.0	-0.8	-1.4
IMF (net)	0.3	0.1	0.1	0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.2
Disbursements	0.4	0.3	0.3	0.7	0.6	0.6	0.5	...	...	...	...
Repayments	-0.1	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.2
Financing gap	0.0	0.0	0.9	0.0	0.9	0.9	0.7	0.2	0.2	0.2	0.2
Expected financing (excluding IMF)	...	...	0.6	...	0.3	0.3	0.1	0.2	0.2	0.2	0.2
Residual gap/ IMF financing, *of which*	...	...	0.3	...	0.6	0.6	0.5	...	...	...	...
IMF-ECF [1/]	...	...	0.1	...	0.2	0.2	0.2	...	...	...	...
IMF-EFF [1/]	...	...	0.2	...	0.4	0.4	0.4	...	...	...	...
Memorandum items:											
Overall balance	2.0	-1.1	1.0	1.0	-0.6	2.9	1.0	0.8	1.1	0.9	1.4
Current account inc. grants	-0.6	-1.1	-2.5	-3.8	-2.8	-2.7	-3.1	-3.1	-2.8	-2.5	-2.4
Current account exc. grants	-2.0	-2.5	-4.0	-5.3	-4.0	-3.9	-4.1	-4.1	-3.7	-3.1	-2.9
Trade balance	9.6	9.2	8.0	6.5	7.2	7.8	7.1	7.0	7.3	7.8	8.2
WAEMU gross official reserves (billions of US$)	12.4	10.4	...	12.4	...	...	...	...	...	...	...
(percent of broad money)	72.7	56.3	...	60.7	...	...	...	...	...	...	...
(months of WAEMU imports of GNFS)	5.0	4.0	...	4.2	...	...	...	...	...	...	...
Nominal GDP (billions of CFA francs)	19,595	21,563	23,436	23,510	25,460	25,372	27,687	30,106	32,748	35,541	38,532
Exchange rate (CFAF/US$) average	591.4	593.0	...	580.9	...	...	...	...	...	...	...
Exchange rate (CFAF/US$) end-of-period	602.5	622.3	...	546.9	...	...	...	...	...	...	...

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, 2016–23

(Billions of CFA Francs; unless otherwise indicated)

	2016	2017		2018		2019		2020	2021	2022	2023
		Prog.	Est.	Prog.	Proj.	Prog.	Proj.	Projections			
Total revenue and grants	4,176.6	4,573.4	4,510.9	4,969.7	4,891.6	5,555.3	5,318.5	5,855.6	6,396.0	6,945.8	7,545.4
Total revenue	3,884.2	4,230.3	4,244.8	4,669.3	4,588.6	5,120.6	5,022.2	5,547.0	6,104.2	6,722.4	7,340.6
Tax revenue	3,352.6	3,629.7	3,648.3	4,042.3	3,967.1	4,514.2	4,425.5	4,877.1	5,353.0	5,907.2	6,456.8
Non-earmarked taxes	3,197.7	3,437.7	3,458.1	3,803.2	3,744.3	4,220.3	4,175.7	4,605.4	5,057.5	5,586.5	6,109.1
Direct taxes	851.9	960.4	948.3	1,111.4	1,074.8	1,250.9	1,233.0	1,382.7	1,549.5	1,698.0	1,877.0
Indirect taxes	2,345.8	2,477.2	2,509.8	2,691.8	2,669.5	2,969.4	2,942.7	3,222.7	3,508.1	3,888.4	4,232.1
Earmarked taxes	154.9	192.0	190.2	239.1	222.8	293.9	249.9	271.7	295.5	320.7	347.7
Nontax revenue	531.6	600.6	596.5	627.0	621.5	606.5	596.6	670.0	751.2	815.3	883.9
Grants, *of which*	292.4	343.1	266.1	300.4	303.0	434.6	296.3	308.5	291.8	223.3	204.7
Project grants	105.9	195.5	115.2	144.3	144.3	275.9	137.6	149.8	151.8	153.3	154.7
Total expenditure	5,014.6	5,625.7	5,509.3	5,924.5	5,846.0	6,395.4	6,158.6	6,746.0	7,347.9	7,975.1	8,669.1
Current expenditure	3,606.2	4,013.5	3,982.4	4,139.0	4,141.8	4,377.0	4,297.0	4,899.8	5,189.1	5,667.6	6,173.5
Wages and salaries	1,400.8	1,512.2	1,512.3	1,635.4	1,635.4	1,697.2	1,697.2	1,754.8	1,890.8	1,992.2	2,097.2
Social security benefits	260.7	310.8	263.7	323.2	318.5	335.2	330.3	370.9	390.1	528.1	654.3
Subsidies and other current transfers	385.8	424.7	430.1	441.4	382.6	452.3	404.2	487.4	559.5	596.6	653.5
Other current expenditure	931.0	1,072.7	1,060.8	1,055.0	1,124.3	1,104.9	1,195.3	1,330.7	1,447.5	1,570.9	1,703.1
Expenditure corresponding to eamarked taxes	138.4	149.7	190.2	198.6	222.8	246.7	249.9	271.7	295.5	320.7	347.7
Crisis-related expenditure[1/]	129.4	134.2	145.7	23.8	23.8	26.5	28.0	5.0	5.0	5.0	5.0
Interest due	360.1	409.2	379.5	461.7	434.5	514.2	392.2	679.3	600.7	654.0	712.6
On domestic debt	183.2	217.3	203.6	242.9	217.6	292.3	176.1	236.4	262.5	288.7	319.7
On external debt	177.0	191.8	175.8	218.7	216.8	221.9	216.1	442.9	338.2	365.4	392.9
Capital expenditure	1,408.4	1,612.2	1,526.8	1,785.5	1,704.2	2,018.4	1,861.6	1,846.2	2,158.8	2,307.5	2,495.6
Domestically financed	1,054.0	905.2	927.2	1,020.3	993.0	1,120.4	1,080.0	1,060.8	1,307.9	1,380.0	1,527.9
Foreign-financed, *of which*	354.4	707.1	599.6	765.2	711.1	897.9	781.6	785.4	850.8	927.5	967.7
Foreign loan-financed	248.4	511.6	484.4	620.9	566.8	622.0	643.9	635.5	699.1	774.2	812.9
Primary basic balance	-394.9	-274.4	-281.4	-28.3	-111.7	137.4	37.4	265.7	207.9	328.9	351.8
Overall balance, including grants	-837.9	-1,052.3	-998.3	-954.8	-954.3	-840.1	-840.1	-890.4	-951.9	-1,029.4	-1,123.7
Overall balance, excluding grants	-1,130.4	-1,395.4	-1,264.5	-1,255.1	-1,257.3	-1,274.7	-1,136.4	-1,198.9	-1,243.6	-1,252.7	-1,328.4
Change in domestic arrears and float (excl. on debt service)	78.9	-199.2	-200.2	-50.0	-50.0	-25.0	-25.0	-25.0	-25.0	0.0	0.0
Overall balance (cash basis)	-759.1	-1,251.5	-1,198.5	-1,004.8	-1,004.3	-865.1	-865.1	-915.4	-976.9	-1,029.4	-1,123.7
Financing	759.1	1,251.5	1,198.5	1,004.8	1,004.3	865.1	865.1	915.4	976.9	1,029.4	1,123.7
Domestic financing	310.1	-32.4	74.3	64.8	-465.4	56.9	104.5	134.0	137.9	170.6	205.9
Bank financing (net)	357.4	-86.2	65.9	-6.7	-429.3	-92.7	-50.9	92.8	93.0	121.9	153.2
Nonbank financing (net)	-47.3	53.8	8.5	71.5	-36.1	149.6	155.4	41.2	44.8	48.7	52.8
External financing	449.0	1,075.3	1,124.2	707.0	1,239.8	620.6	576.5	711.7	769.7	787.1	847.8
Regional financing (WAEMU)	367.3	134.4	96.7	383.8	-147.7	336.8	265.2	586.5	281.2	260.1	332.8
Foreign financing (net)	81.6	940.9	1,027.4	323.2	1,387.5	283.9	311.3	125.2	488.6	527.1	515.0
Financing gap (+ deficit / – surplus)	0.0	208.6	0.0	233.0	229.9	187.5	184.1	69.7	69.3	71.7	70.0
Expected financing (excluding IMF)	...	130.7	...	81.0	81.0	35.9	35.9	69.7	69.3	71.7	70.0
Residual gap/IMF financing, *of which*	...	77.9	...	152.0	149.0	151.6	148.2	...	...	...	...
IMF-ECF[2/]	...	26.0	...	50.7	49.7	50.5	49.4	...	...	...	...
IMF-EFF[2/]	...	52.0	...	101.4	99.3	101.1	98.8	...	...	...	...
Memorandum items:											
Nominal GDP	21,563	23,436	23,510	25,460	25,372	27,704	27,687	30,106	32,748	35,541	38,532
External debt (central government)	6,080	7,777.6	6,735	8,082.2	8,627	8,314.0	9,009	9,213	9,640	10,122	10,624
Pro-poor spending (including foreign financed)	2,015	2,070.1	2,070	2,290.8	2,291	2,548.8	2,547	2,830	3,111	3,376	3,660

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

[1/] In 2017, includes one-off payments to soldiers of about FCFA 101 billion.

[2/] 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, 2016–23

(Percent of GDP; unless otherwise indicated)

	2016	2017		2018		2019		2020	2021	2022	2023
		Prog.	Est.	Prog.	Proj.	Prog.	Proj.	Projections			
Total revenue and grants	19.4	19.5	19.2	19.5	19.3	20.1	19.2	19.4	19.5	19.5	19.6
Total revenue	18.0	18.1	18.1	18.3	18.1	18.5	18.1	18.4	18.6	18.9	19.1
Tax revenue	15.5	15.5	15.5	15.9	15.6	16.3	16.0	16.2	16.3	16.6	16.8
Non-earmarked taxes	14.8	14.7	14.7	14.9	14.8	15.2	15.1	15.3	15.4	15.7	15.9
Direct taxes	4.0	4.1	4.0	4.4	4.2	4.5	4.5	4.6	4.7	4.8	4.9
Indirect taxes	10.9	10.6	10.7	10.6	10.5	10.7	10.6	10.7	10.7	10.9	11.0
Earmarked taxes	0.7	0.8	0.8	0.9	0.9	1.1	0.9	0.9	0.9	0.9	0.9
Nontax revenue	2.5	2.6	2.5	2.5	2.4	2.2	2.2	2.2	2.3	2.3	2.3
Grants, *of which*	1.4	1.5	1.1	1.2	1.2	1.6	1.1	1.0	0.9	0.6	0.5
Project grants	0.5	0.8	0.5	0.6	0.6	1.0	0.5	0.5	0.5	0.4	0.4
Total expenditure	23.3	24.0	23.4	23.3	23.0	23.1	22.2	22.4	22.4	22.4	22.5
Current expenditure	16.7	17.1	16.9	16.3	16.3	15.8	15.5	16.3	15.8	15.9	16.0
Wages and salaries	6.5	6.5	6.4	6.4	6.4	6.1	6.1	5.8	5.8	5.6	5.4
Social security benefits	1.2	1.3	1.1	1.3	1.3	1.2	1.2	1.2	1.2	1.5	1.7
Subsidies and other current transfers	1.8	1.8	1.8	1.7	1.5	1.6	1.5	1.6	1.7	1.7	1.7
Other current expenditure	4.3	4.6	4.5	4.1	4.4	4.0	4.3	4.4	4.4	4.4	4.4
Expenditure corresponding to eamarked taxes	0.6	0.6	0.8	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Crisis-related expenditure[1/]	0.6	0.6	0.6	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Interest due	1.7	1.7	1.6	1.8	1.7	1.9	1.4	2.3	1.8	1.8	1.8
On domestic debt	0.8	0.9	0.9	1.0	0.9	1.1	0.6	0.8	0.8	0.8	0.8
On external debt	0.8	0.8	0.7	0.9	0.9	0.8	0.8	1.5	1.0	1.0	1.0
Capital expenditure	6.5	6.9	6.5	7.0	6.7	7.3	6.7	6.1	6.6	6.5	6.5
Domestically financed	4.9	3.9	3.9	4.0	3.9	4.0	3.9	3.5	4.0	3.9	4.0
Foreign-financed, *of which*	1.6	3.0	2.6	3.0	2.8	3.2	2.8	2.6	2.6	2.6	2.5
Foreign loan-financed	1.2	2.2	2.1	2.4	2.2	2.2	2.3	2.1	2.1	2.2	2.1
Primary basic balance	-1.8	-1.2	-1.2	-0.1	-0.4	0.5	0.1	0.9	0.6	0.9	0.9
Overall balance, including grants	-3.9	-4.5	-4.2	-3.8	-3.8	-3.0	-3.0	-3.0	-2.9	-2.9	-2.9
Overall balance, excluding grants	-5.2	-6.0	-5.4	-4.9	-5.0	-4.6	-4.1	-4.0	-3.8	-3.5	-3.4
Change in domestic arrears and float (excl. on debt service)	0.4	-0.8	-0.9	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	0.0	0.0
Overall balance (cash basis)	-3.5	-5.3	-5.1	-3.9	-4.0	-3.1	-3.1	-3.0	-3.0	-2.9	-2.9
Financing	3.5	5.3	5.1	3.9	4.0	3.1	3.1	3.0	3.0	2.9	2.9
Domestic financing	1.4	-0.1	0.3	0.3	-1.8	0.2	0.4	0.4	0.4	0.5	0.5
Bank financing (net)	1.7	-0.4	0.3	0.0	-1.7	-0.3	-0.2	0.3	0.3	0.3	0.4
Nonbank financing (net)	-0.2	0.2	0.0	0.3	-0.1	0.5	0.6	0.1	0.1	0.1	0.1
External financing	2.1	4.6	4.8	2.8	4.9	2.2	2.1	2.4	2.4	2.2	2.2
Regional financing (WAEMU)	1.7	0.6	0.4	1.5	-0.6	1.2	1.0	1.9	0.9	0.7	0.9
Foreign financing (net)	0.4	4.0	4.4	1.3	5.5	1.0	1.1	0.4	1.5	1.5	1.3
Financing gap (+ deficit / – surplus)	0.0	0.9	0.0	0.9	0.9	0.7	0.7	0.2	0.2	0.2	0.2
Expected financing (excluding IMF)	...	0.6	...	0.3	0.3	0.1	0.1	0.2	0.2	0.2	0.2
Residual gap/IMF financing, of which	...	0.3	...	0.6	0.6	0.5	0.5	...	...	...	...
IMF-ECF [2/]	...	0.1	...	0.2	0.2	0.2	0.2	...	...	...	...
IMF-EFF [2/]	...	0.2	...	0.4	0.4	0.4	0.4	...	...	...	...
Memorandum items:											
External debt (central government)	28.2	33.2	28.6	31.7	34.0	30.0	32.5	30.6	29.4	28.5	27.6
Pro-poor spending (including foreign financed)	9.3	8.8	8.8	9.0	9.0	9.2	9.2	9.4	9.5	9.5	9.5

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

[1/] In 2017, includes one-off payments to soldiers of about 0.5 percent of GDP.

[2/] 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, 2015–23

	2015	2016	2017	2018	2019	2020	2021	2022	2023
				Projections					
				(Billions of CFA francs)					
Net foreign assets	1,989	1,809	2,621	3,438	3,864	4,135	4,527	4,885	5,498
Central bank	1,791	1,552	2,495	3,542	4,218	4,689	5,282	5,929	6,542
Banks	198	257	126	-104	-354	-554	-754	-1,044	-1,044
Net domestic assets	5,573	6,669	7,523	8,185	9,334	10,567	11,947	13,409	15,077
Net credit to the government	1,445	1,888	2,191	2,077	2,344	2,607	2,906	3,213	3,529
Central Bank	494	527	487	689	898	961	1,041	1,110	1,169
Banks	951	1,362	1,704	1,388	1,445	1,647	1,865	2,103	2,361
Credit to the economy	4,467	5,137	5,821	6,598	7,480	8,449	9,531	10,685	12,037
Crop credits	390	460	411	394	412	413	424	424	431
Other credit (including customs bills)	4,077	4,677	5,410	6,204	7,068	8,037	9,107	10,261	11,606
Other items (net) (assets = +)	-339	-357	-489	-489	-489	-489	-489	-489	-489
Broad money	7,562	8,478	10,143	11,624	13,198	14,702	16,475	18,294	20,574
Currency in circulation	2,138	2,309	3,139	3,481	3,952	4,402	4,933	5,478	6,161
Deposits	5,333	5,973	6,810	7,920	8,993	10,018	11,226	12,465	14,019
Other deposits	91	195	195	223	253	282	316	351	395
Memorandum item:									
Velocity of circulation	2.6	2.5	2.3	2.2	2.1	2.0	2.0	1.9	1.9
				(Changes in percent of beginning-of-period broad money)					
Net foreign assets	3.2	-2.4	9.6	8.1	3.7	2.0	2.7	2.2	3.3
Net domestic assets	15.6	14.5	10.1	6.5	9.9	9.3	9.4	8.9	9.1
Net credit to the government	-0.7	5.9	3.6	-1.1	2.3	2.0	2.0	1.9	1.7
Central bank	-1.5	0.4	-0.5	2.0	1.8	0.5	0.5	0.4	0.3
Banks	0.8	5.4	4.0	-3.1	0.5	1.5	1.5	1.4	1.4
Credit to the economy	16.0	8.9	8.1	7.7	7.6	7.3	7.3	7.0	7.4
Broad money	18.8	12.1	19.7	14.6	13.5	11.4	12.1	11.0	12.5
				(Changes in percent of previous end-of-year)					
Net foreign assets	11.4	-9.1	44.9	31.2	12.4	7.0	9.5	7.9	12.5
Net domestic assets	21.7	19.7	12.8	8.8	14.0	13.2	13.1	12.2	12.4
Net credit to the government	-3.0	30.7	16.0	-5.2	12.9	11.2	11.5	10.6	9.8
Central bank	-16.4	6.6	-7.5	41.4	30.4	6.9	8.3	6.7	5.3
Banks	5.7	43.2	25.1	-18.5	4.1	13.9	13.3	12.7	12.2
Credit to the economy	29.6	15.0	13.3	13.3	13.4	13.0	12.8	12.1	12.7
Broad money	18.8	12.1	19.7	14.6	13.5	11.4	12.1	11.0	12.5

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, 2013–17
(Percent, unless otherwise indicated)

	2013	2014	2015	2016	2017
Capital adequacy					
Risk-weighted capital to assets ratio	10.0	10.1	8.2	8.0	9.8
Asset quality					
Total loans/total assets	55.4	53.7	55.7	56.2	55.9
Concentration of loans to the 5 biggest borrowers to capital 1/	63.2	76.3	109.5	126.8	98.9
Nonperforming loans (NPLs) (gross)/total loans	12.3	11.3	10.6	9.0	9.9
Provisions/NPLs	73.6	77.1	68.6	71.1	65.3
NPLs net of provisions/total loans	3.6	2.9	3.8	2.8	3.9
NPLs net of provisions/capital	49.0	28.2	47.0	36.5	38.5
Earnings and profitability					
Return on assets (net income/total assets)	1.0	1.5	1.4	1.6	...
Return on equity (net income/equity)	14.7	24.4	24.5	29.2	...
Personnel costs/net revenue	29.6	27.3	26.3	25.5	...
Liquidity					
Liquid assets/total assets	37.1	49.8	52.0	50.8	50.6
Liquid assets/total deposits	50.0	67.5	71.0	73.8	74.1
Loans/deposits	82.0	72.8	76.1	81.7	87.4

Source: BCEAO.
1/ The indicator was revised by the BCEAO in 2017.

Table 6a. Côte d'Ivoire: External Financing Requirements, 2015–23

(Billions of CFA Francs)

	2015	2016	2017		2018		2019		2020	2021	2022	2023
			Prog.	Est.	Prog.	Proj.	Prog.	Proj.	Projections			
External financing requirements	-1,248	-741	-2,410	-2,112	-1,276	-2,330	-1,412	-1,238	-1,126	-1,172	-1,180	-1,199
Current account balance (excluding official transfers)	-401	-534	-837	-751	-1,017	-997	-1,094	-1,147	-1,229	-1,197	-1,110	-1,130
Amortization and net acquisition of financial assets	-231	-283	-727	-723	-310	-306	-350	-344	-522	-222	-258	-309
Fund repayments	-29	-34	-63	-63	-82	-82	-85	-85	-86	-103	-93	-82
Private capital, net	-140	-100	-106	575	143	-72	321	721	929	672	571	855
Change in official reserves without IMF (- = increase)	-447	211	-677	-1,150	-10	-873	-204	-383	-219	-321	-290	-532
Available financing	1,248	741	2,202	2,112	1,043	2,100	1,224	1,054	1,057	1,103	1,108	1,129
Capital transfers	156	129	126	126	121	115	121	114	112	112	111	111
Project financing	328	262	512	486	621	567	622	644	636	699	774	813
Eurobond	585	0	1,144	1,144	0	1,115	0	0	0	0	0	0
Fund disbursements	81	57	77	145	0	0	0	0	0	0	0	0
Official transfers	98	292	343	211	300	303	482	296	309	292	223	205
Financing gap	0	0	-209	0	-233	-230	-188	-184	-70	-69	-72	-70
Expected financing	…	…	130.7	…	81.0	81.0	35.9	35.9	69.7	69.3	71.7	70.0
World Bank	…	…	75.0	…	60.0	60.0	30.0	30.0	51.6	…	…	…
AfDB	…	…	40.0	…	0.0	0.0	0.0	0.0	0.0	…	…	…
EU	…	…	15.7	…	21.0	21.0	5.9	5.9	18.1	…	…	…
France (sovereign loan)	…	…	0.0	…	0.0	0.0	0.0	0.0	0.0	…	…	…
Residual gap / IMF financing 1/	…	…	77.9	…	152.0	149.0	151.6	148.2	…	…	…	…
IMF-ECF Financing	…	…	26.0	…	50.7	49.7	50.5	49.4	…	…	…	…
IMF-EFF Financing	…	…	52.0	…	101.4	99.3	101.1	98.8	…	…	…	…

Sources: Ivoirien authorities; and IMF staff estimates and projections.
1/ Numbers may not sum up exactly because of rounding.

Table 6b. Côte d'Ivoire: External Financing Requirements, 2015–23

(Percent of GDP; unless otherwise indicated)

	2015	2016	2017		2018		2019		2020	2021	2022	2023
			Prog.	Est.	Prog.	Proj.	Prog.	Proj.	Projections			
External financing requirements	-6.4	-3.4	-10.3	-9.0	-5.0	-9.2	-5.1	-4.5	-3.7	-3.6	-3.3	-3.1
Current account balance (excluding official transfers)	-2.0	-2.5	-3.6	-3.2	-4.0	-3.9	-3.9	-4.1	-4.1	-3.7	-3.1	-2.9
Amortization and net acquisition of financial assets	-1.2	-1.3	-3.1	-3.1	-1.2	-1.2	-1.3	-1.2	-1.7	-0.7	-0.7	-0.8
Fund repayments	-0.1	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.2
Private capital, net	-0.7	-0.5	-0.5	2.4	0.6	-0.3	1.2	2.6	3.1	2.1	1.6	2.2
Change in official reserves without IMF (- = increase)	-2.3	1.0	-2.9	-4.9	0.0	-3.4	-0.7	-1.4	-0.7	-1.0	-0.8	-1.4
Available financing	6.4	3.4	9.4	9.0	4.1	8.3	4.4	3.8	3.5	3.4	3.1	2.9
Capital transfers	0.8	0.6	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3
Project financing	1.7	1.2	2.2	2.1	2.4	2.2	2.2	2.3	2.1	2.1	2.2	2.1
Eurobond	3.0	0.0	4.9	4.9	0.0	4.4	0.0	0.0	0.0	0.0	0.0	0.0
Fund disbursements	0.4	0.3	0.3	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Official transfers	0.5	1.4	1.5	0.9	1.2	1.2	1.7	1.1	1.0	0.9	0.6	0.5
Financing gap	0.0	0.0	-0.9	0.0	-0.9	-0.9	-0.7	-0.7	-0.2	-0.2	-0.2	-0.2
Expected financing	…	…	0.6	…	0.3	0.3	0.1	0.1	0.2	0.2	0.2	0.2
World Bank	…	…	0.3	…	0.2	0.2	0.1	0.1	0.2	…	…	…
AfDB	…	…	0.2	…	0.0	0.0	0.0	0.0	0.0	…	…	…
EU	…	…	0.1	…	0.1	0.1	0.0	0.0	0.1	…	…	…
France (sovereign loan)	…	…	0.0	…	0.0	0.0	0.0	0.0	0.0	…	…	…
Residual gap / IMF financing 1/	…	…	0.3	…	0.6	0.6	0.5	0.5	…	…	…	…
IMF-ECF Financing	…	…	0.1	…	0.2	0.2	0.2	0.2	…	…	…	…
IMF-EFF Financing	…	…	0.2	…	0.4	0.4	0.4	0.4	…	…	…	…
Nominal GDP (billions of CFA francs)	19,595	21,563	23,436	23,510	25,460	25,372	27,704	27,687	30,106	32,748	35,541	38,532

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, 2018–26

	2018	2019	2020	2021	2022	2023	2024	2025	2026
Fund obligations based on existing credit									
(In millions of SDRs)									
Principal	82.0	113.2	112.8	133.4	118.4	103.7	84.2	61.4	46.8
Charges and interest [1/]	1.9	3.8	3.8	3.8	3.5	3.0	2.4	1.9	1.3
Fund obligations based on existing and prospective credit [2/]									
(In millions of SDRs)									
Principal	82.0	113.2	112.8	133.4	123.8	133.8	143.4	130.3	115.6
Charges and interest [1/]	3.1	7.6	8.7	8.7	8.4	7.6	6.5	5.1	3.7
Total obligations based on existing and prospective credit [2/]									
In millions of SDRs	85.0	120.8	121.6	142.1	132.2	141.5	149.8	135.4	119.4
In billions of CFA francs	65.4	92.5	92.4	107.7	99.9	106.9	113.3	102.3	90.2
In percent of government revenue	1.3	1.7	1.6	1.7	1.4	1.4	1.4	1.1	0.9
In percent of exports of goods and services	0.9	1.1	1.0	1.1	0.9	0.9	0.8	0.7	0.5
In percent of debt service [3/]	9.7	12.5	8.9	16.5	14.2	13.8	10.0	7.4	7.4
In percent of GDP	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.2
In percent of quota	13.1	18.6	18.7	21.8	20.3	21.7	23.0	20.8	18.4
Outstanding Fund credit									
In millions of SDRs	993.4	1,073.8	961.0	827.5	703.7	569.9	426.6	296.3	180.7
In billions of CFA francs	764.4	822.1	730.9	627.3	532.0	430.8	322.5	224.0	136.6
In percent of government revenue	15.6	15.5	12.5	9.8	7.7	5.7	3.9	2.5	1.4
In percent of exports of goods and services	10.0	9.8	8.0	6.2	4.7	3.5	2.3	1.5	0.8
In percent of debt service	113.8	111.4	70.3	96.2	75.4	55.7	28.3	16.1	11.2
In percent of GDP	3.0	3.0	2.4	1.9	1.5	1.1	0.8	0.5	0.3
In percent of quota	152.7	165.1	147.8	127.2	108.2	87.6	65.6	45.6	27.8
Net use of Fund credit (millions of SDRs)	111.6	80.4	-112.8	-133.4	-123.8	-133.8	-143.4	-130.3	-115.6
Disbursements	193.6	193.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	82.0	113.2	112.8	133.4	123.8	133.8	143.4	130.3	115.6
Memorandum items:									
Nominal GDP (billions of CFA francs)	25,372	27,687	30,106	32,748	35,541	38,532	41,744	45,246	48,733
Exports of goods and services (billions of CFA francs)	7,671	8,370	9,080	10,091	11,296	12,376	13,916	15,070	16,475
Government revenue (billions of CFA francs)	4,892	5,318	5,856	6,396	6,946	7,545	8,231	8,989	9,701
Debt service (billions of CFA francs)	672	738	1,039	652	706	773	1,138	1,389	1,220
CFA francs/SDR (period average)	769	766	761	758	756	756	756	756	756

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

Date of availability	Condition for disbursement	Amount (millions of SDRs) Total	ECF	EFF	Percent of Quota Total	ECF	EFF
December 12, 2016	Executive Board approval of the ECF/EFF arrangements.	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 reviews. 1/	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 reviews. 1/	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 reviews.	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 reviews.	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 reviews.	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 reviews.	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

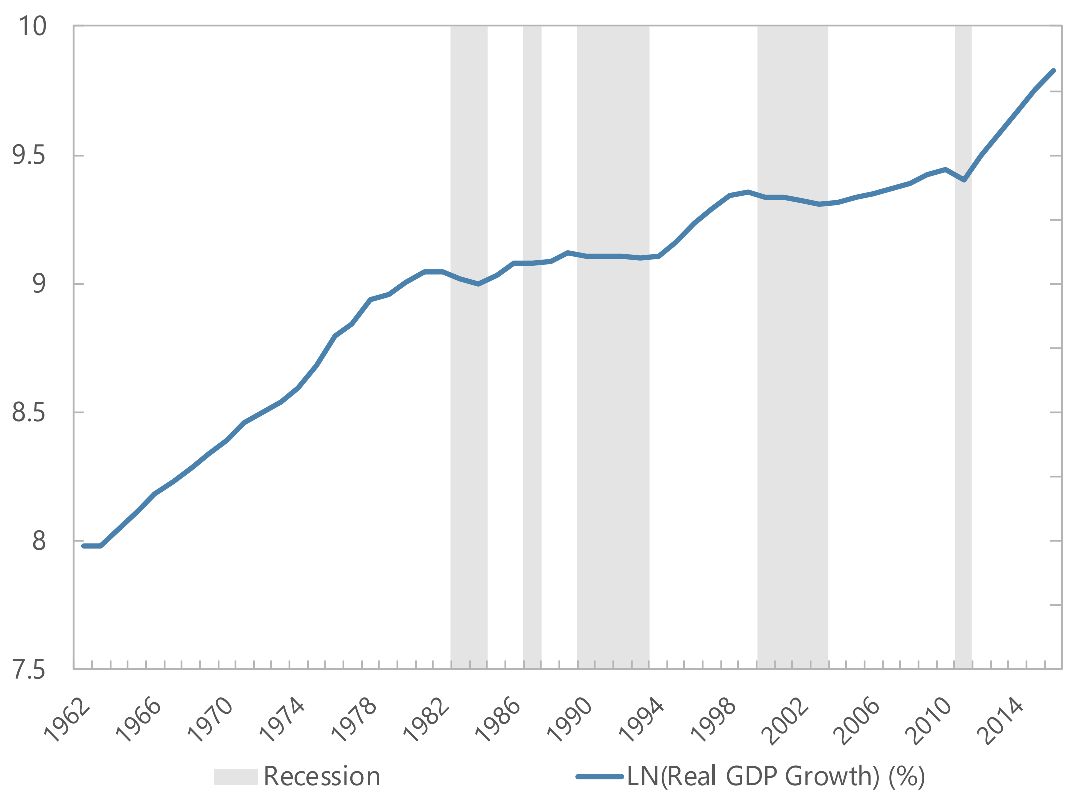
1/ Actual Board approval dates were June 19, 2017 for the first reviews and December 8, 2017 for the second reviews.

Annex I. Medium-Term Growth[1]

The robust growth since 2012 is unlikely to be sustained without continued growth-friendly structural reforms to improve the business climate and the efficiency of public investment.

1. Côte d'Ivoire's current growth expansion and duration are unprecedented by historical standards. From the country's independence until 2016, the Bry and Boschan algorithm[2] identifies that Côte d'Ivoire has experienced six expansion phases, with the last one still unfolding. The first five expansions lasted 7.2 years on average. During these expansions, GDP increased on average at an annual rate of 3.9 percent. Therefore, the current expansion phase with an average growth of 8.9 percent that started in 2012 is an historical record. The algorithm also identified five contraction phases with an average duration of 2.4 years and an average annual GDP decrease of 1.3 percent.

Figure A1.1. Côte d'Ivoire: Real GDP Expansion and Contraction Cycles



Sources: IMF World Economic Outlook; and IMF staff estimates.

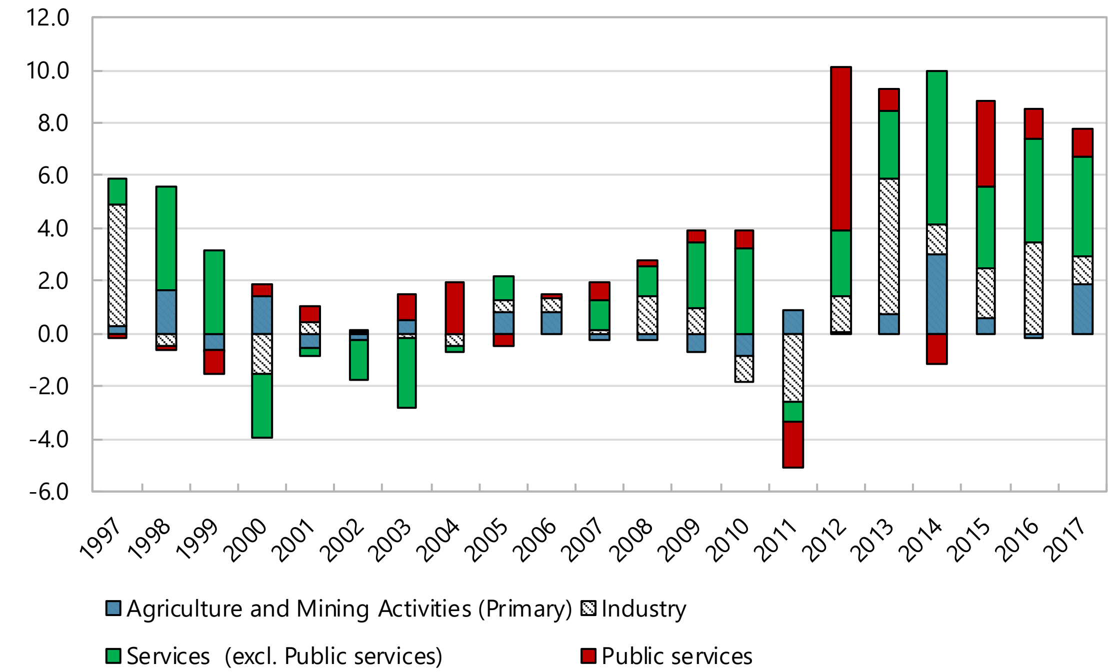
[1] By Matthieu Bellon and Dominique Simard.

[2] Standard parameters are used to find turning points. Expansion and contraction phases are assumed to last at least one year, and a full cycle—one expansion and one contraction phase—is assumed to span 3 years or more. Drops of 15 percent of GDP or more qualify as contraction phases even if they do not meet the above requirement.

2. The economic recovery was driven by a catch up of domestic consumption and investment, which are unlikely to be sustained to the same extent over the medium term.

- ***On the supply side, the jump in government services since 2012 started the recovery, subsequently further supported by industry and services***, with an average contribution of about 2.5 percent and 3.9 percent respectively over 2013–17. In industry, energy led the way with sizeable projects like the modernization of two thermic plants and the Soubré dam, followed by extraction, notably of oil, gas and gold, and construction. In services, the main contributors were retail and transports.

Figure A1.2. Côte d'Ivoire: Real GDP Growth and Contribution by Sectors



Sources: Ivoirien authorities; and IMF staff estimates.

- **These drivers of growth are unlikely to persist to the same extent going forward**. The sectors that led growth since 2012 are not identified in the literature as more supportive of future growth, unlike developing a manufacturing sector or the production of "complex" goods with high value added.[3] The government will need to continue to improve Côte d'Ivoire's investment climate to attract new projects, broaden the sources of economic development and sustain robust growth.

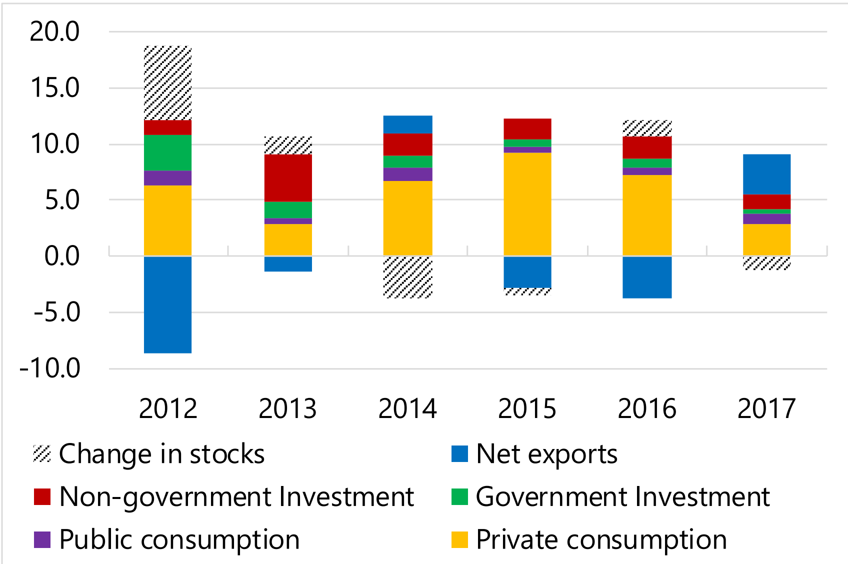
[3] Rodrik, D. (2013), "Unconditional Convergence in Manufacturing", Quarterly Journal of Economics, 128, pp. 165–204; Hausmann, R. and B. Klinger (2006), "Structural Transformation and Patterns of Comparative Advantage in the Product Space", CID Working Paper No. 128; Hausmann, R., J. Hwang and D. Rodrik (2007), "What You Export Matters", Journal of Economic Growth, 12, pp. 1–25.

- ***On the demand side, growth benefited from a catch-up of domestic consumption.*** During 2012–17, growth was supported by a recovery of private consumption along with investment, both by the central government and the private and public sectors. Net exports also supported growth in 2017. The increase in domestic demand that sustained the recovery coincided with a surge in credit to the economy.

Figure A1.3. Côte d'Ivoire: Demand Drivers of Growth

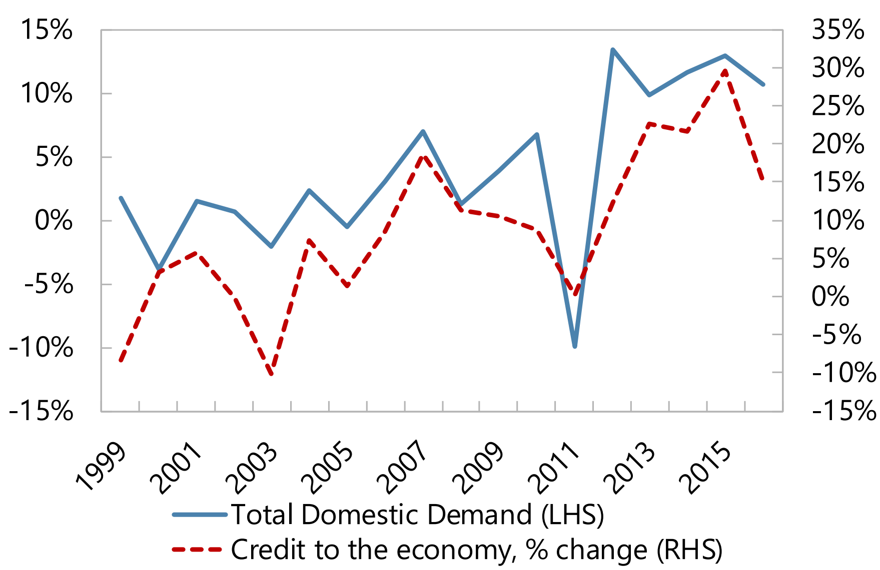
Contribution to Real GDP Growth, Aggregate Demand

(Percent)



Real Domestic Demand and Credit Growth

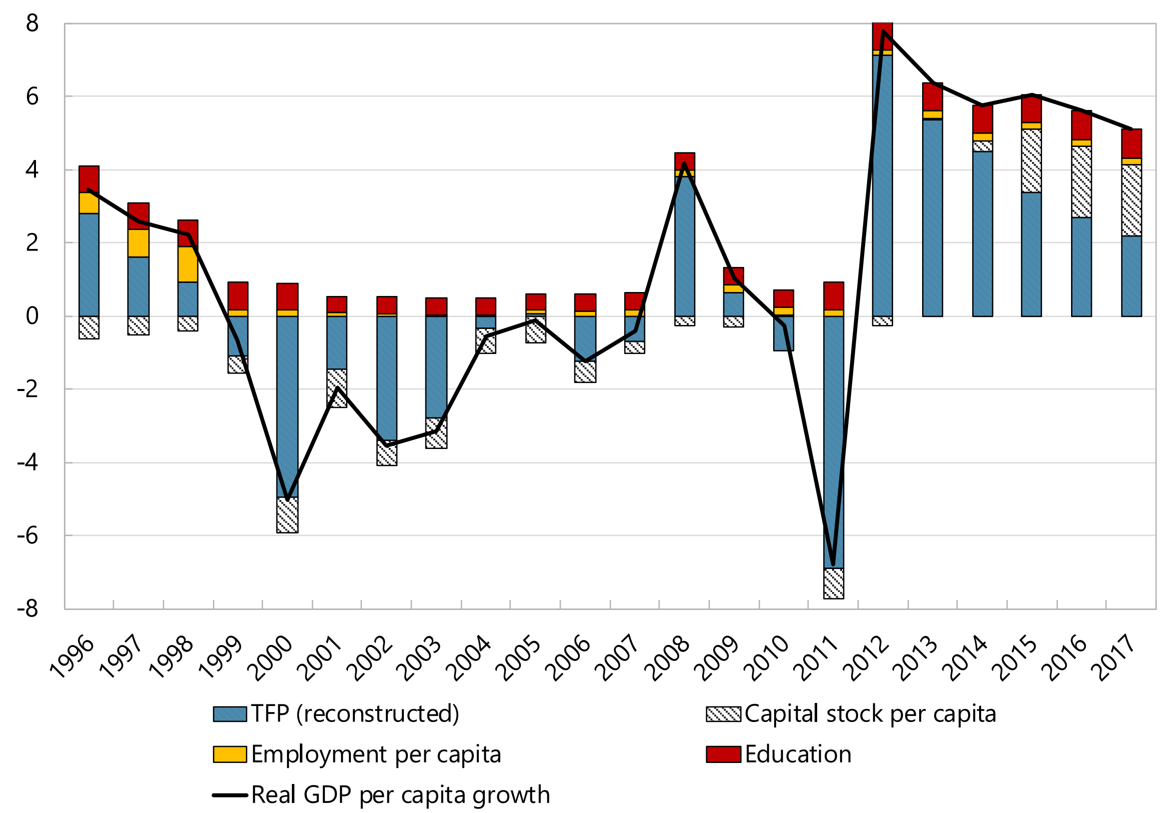
(Percent)



Sources: IMF World Economic Outlook; and IMF staff estimates.

3. The current recovery appears to have been mainly driven by improvements in the total factor productivity residual (TFP). A growth accounting exercise for the period 1996-2017 shows that continuous improvements in education have contributed positively to growth per capita by 0.6 percent per year, on average. TFP residual changes capturing the under-utilization of production capacity and a weakened business climate were particularly detrimental to growth during the conflict. A slow but steady decline in the capital stock during the civil conflict also contributed to GDP per capita stagnation. By contrast, improvements in the TFP residual is the main driver of the post-2011 recovery.

Figure A1.4. Côte d'Ivoire: Factor Decomposition of GDP Growth



Sources: Penn World Tables; and IMF staff calculations.

4. Capital accumulation would become a main growth engine without new measures to improve the business climate. With the TFP residual expected to continue tapering as post-2011 catch-up effects unwind, the government should accelerate reforms to improve the business environment. Education is predicted to continue making a small but steady contribution to growth. Capital stock is expected to increase, due to both increases in non-government (an average 11.2 percent increase over 2018-2019) and government (an average increase of 8.9 percent over the same period) investment. Improvements in productivity are critical to sustain medium-term growth at the level of 2012–17.

5. Côte d'Ivoire's growth performance seems to have become relatively less dependent on world cocoa prices but could be hampered by a resurgence of external debt. The boom of the Ivoirien economy in the 1960s and 1970s, along with the subsequent long recession in the nineties closely mirror the rise and decline of cocoa prices. Moreover, the external debt burden increased in the late 1970s when cocoa prices started to fall, and peaked in 1994 after the CFAF devaluation and further decline in GDP per capita that accompanied declining cocoa prices. In 2000–10, growth was hampered by the political unrest, although world cocoa prices were rising. Since 2012, however, the rebound in growth per capita seems more de-linked from global cocoa prices, including due to the ongoing diversification of the economy, but still follows closely the evolution of terms of trade.

Figure A1.5. Côte d'Ivoire: Real Cocoa Prices and Real GDP per Capita

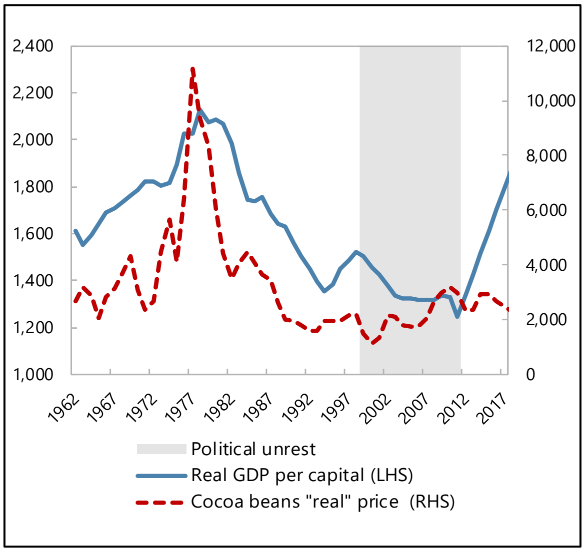


Figure A1.6. Côte d'Ivoire: Exchange Rate, Inflation and Real GDP per Capita Growth

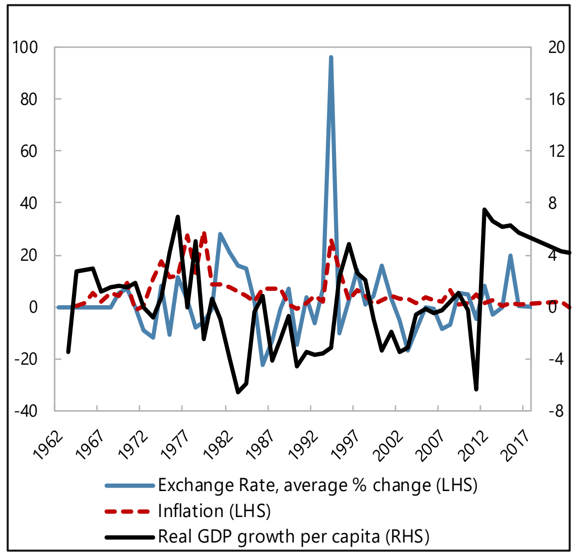


Figure A1.7. Côte d'Ivoire: External Debt and Real GDP per Capita

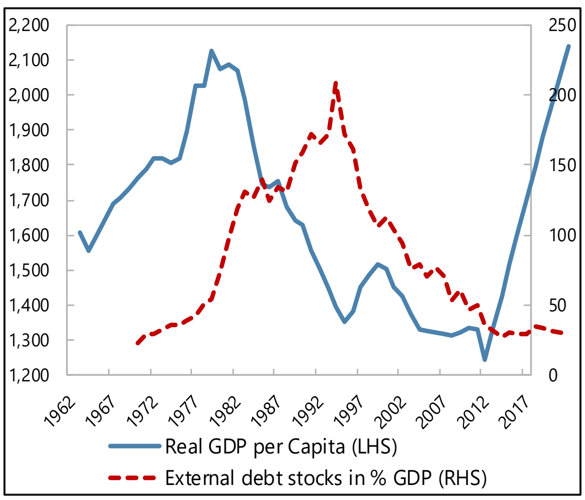
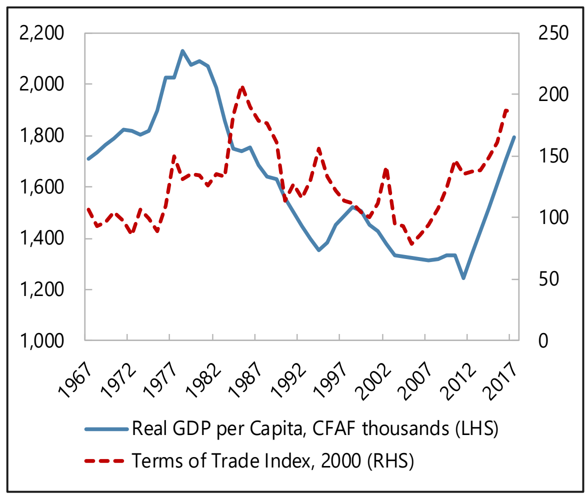


Figure A1.8. Côte d'Ivoire: Terms of Trade and Real GDP per Capita



Sources: IMF World Economic Outlook; World Bank World Development Indicators; and Penn World Tables.

Annex II. Status of the 2016 Article IV Main Recommendations

(Scale: fully implemented, broadly implemented, partially implemented, and not implemented)

Policy Area	Fund Policy Recommendations	Status
Fiscal sector	1. Gradually reduce the overall fiscal deficit to 3 percent of GDP by 2019, in line with the WAEMU convergence criteria.	Broadly implemented. The authorities have committed to reduce the deficit to the WAEMU norm by 2019 and adopted fiscal consolidation measures. However, the fiscal deficit for 2017 was revised up to 4.5 percent of GDP to accommodate various external and domestic shocks that affected the country.
	2. Increase revenue mobilization (an additional 1 percentage point of GDP by 2020) by rationalizing tax exemptions, broadening the tax base, and further efforts to improve tax administration.	Partially implemented. The authorities have committed to raise revenues and adopted new measures to this effect, which resulted in steady nominal increase in the revenue collections.
	3. Strengthen public financial management (PFM) by further integrating the budget and treasury IT systems, limiting recourse to exceptional expenditure procedures, and implementation of the treasury single account (TSA).	Broadly implemented. With the support of Fund TA, much progress has been made in improving PFM practices, strengthening IT systems, and implementing the TSA.
	4. Strenghten public investment management institutions (PIM) and set up a framework for the comprehensive conduct of fiscal risk analysis of PPP projects.	Broadly implemented. Benefitting from Fund TA, the authorities have upgraded considerably their PIM capacities as well as PPP risk monitoring and assessment
Debt management	5. Implement a prudent debt management strategy for the conduct of countercyclical fiscal policy and preserving debt sustainability.	Broadly implemented. The updated medium-term debt strategy for 2015–19 is focused on maintaining debt sustainability, properly balances external and domestic debt sources, and enables active debt management operations for reducing debt risks and costs.
	6. Improve domestic debt management by conversion of non-marketable securitized debt into tradable government securities.	Fully implemented. Non-marketable securities held by the public investment bank BNI were converted into tradable securities to strengthen its liquidity position.
	7. Complete the reorganization of the Debt Directorate into front, middle, and back offices, and strengthen the role of the National Debt Policy Committee.	Fully implemented. The reorganization has been completed.

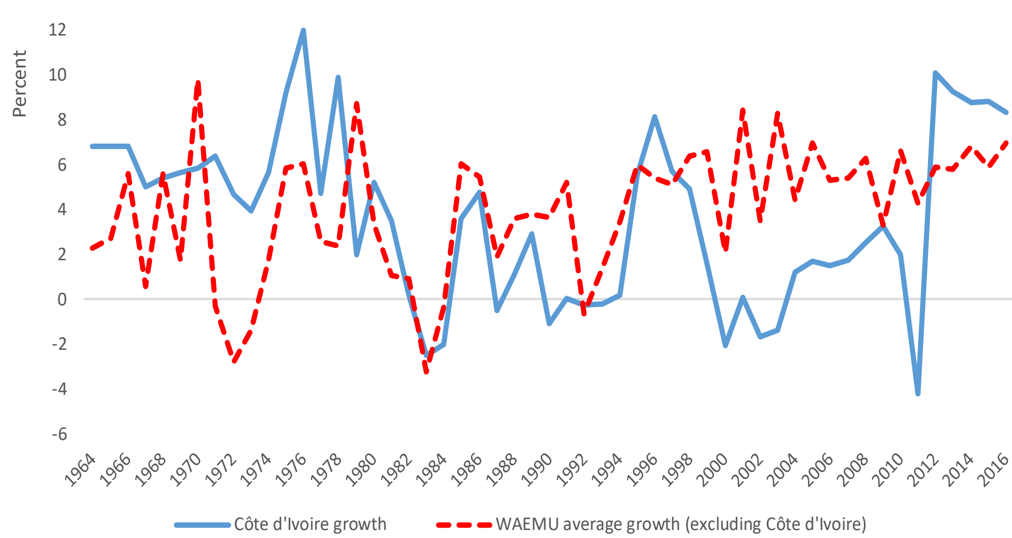
Policy Area	Fund Policy Recommendations	Status
Financial sector	8. Encourage rebuilding of capital buffers in the banking system by supporting enforcement of the relevant decisions of the regional Banking Commission.	Partially implemented. Capital buffers are broadly adequate but the average capital adequacy ratio barely above the regulatory norm.
	9. Strengthen the soundness of the banking sector through timely restructuring or privatizing weak public banks underpinned by realistic assessment of related budget costs.	Broadly implemented. The government has liquidated or privatized most public banks (in one case, the privatization process was delayed by the former owner claims), and strengthened the liquidity position of a medium-sized public investment bank. The government decided to restructure and recapitalize the small public savings banks, but the progress has been slower than expected.
	10. Promote financial inclusion by modernizing the regulatory framework, improving digital financial services, creating a credit bureau, and restructuring the micro-finance institutions.	Partially implemented. The credit bureau has been created and become operational, but the restructuring of micro-finance institutions has progressed slowly.
Real sector	11. Improve consistency of macroeconomic projections and reduce their optimistic bias.	Partially implemented. The authorities have improved the consistency and robustness of their projections, but the small optimistic bias persisted.
	12. Accelerate supply-side structural reforms to continue improving productivity.	Partially implemented. Structural reforms have continued, with the establishment of a credit bureau, facilitating contract enforcement and resolution of insolvency, and enhancing transparency of construction permits, though the reforms progress has slowed down as evidenced by sluggish WB Doing Business indicators.
Statistics	13. Further improve the national accounts (NA) by a timely finalization of the 2014 national accounts, preparation of those for end-2015 quarterly, as well as the publication of quarterly national accounts data.	Broadly implemented. With support of Fund TA, the authorities have improved the annual NA and began publication of the quarterly NA, but weaknesses in data compilation and reporting remain
	14. In the external sector statistics, improve the coverage of services, transfers, and stocks and flows of the private non-bank sector.	Broadly implemented. Much progress has been made in improving the robustness of the external statistics, but further efforts are needed to address concerns about possible under-reporting of imports of goods and services.

Annex III. Intraregional Spillovers in the West African Economic and Monetary Union: The Role of Côte d'Ivoire[1]

Côte d'Ivoire is the leading economy of the West African Economic and Monetary Union (WAEMU),[2] and is closely linked to other countries in the region. Côte d'Ivoire's macroeconomic conditions significantly impact WAEMU countries' economic performance. To retain its strong regional leadership position, however, Côte d'Ivoire must safeguard its economy against growth setbacks.

1. Growth in Côte d'Ivoire and its WAEMU leadership position were dampened during periods of terms of trade deterioration and political challenges. The largest economy in the WAEMU, Côte d'Ivoire experienced rapid growth during the 1960s and 1970s, due essentially to a boom in its exports—notably cocoa and coffee—resulting from favorable market conditions. However, with the reversal of global cocoa and coffee prices in the 1980s, the economy's growth turned sluggish. Sharply declining terms of trade led to a significant exchange rate overvaluation, resulting in a decline in real income combined with internal and external imbalances. The share of Côte d'Ivoire's GDP in WAEMU steadily decreased from early 1980's to 1994. After a fleeting period of recovery following the devaluation of the CFA franc in 1994, and the implementation of macroeconomic policies and structural reforms aiming at fostering economic activity, the country plunged into a period of political challenge that slowed down growth during 2000–11, with a GDP share in WAEMU declining to about 36 percent in 2011.

Figure A3.1. Côte d'Ivoire: Real GDP Growth

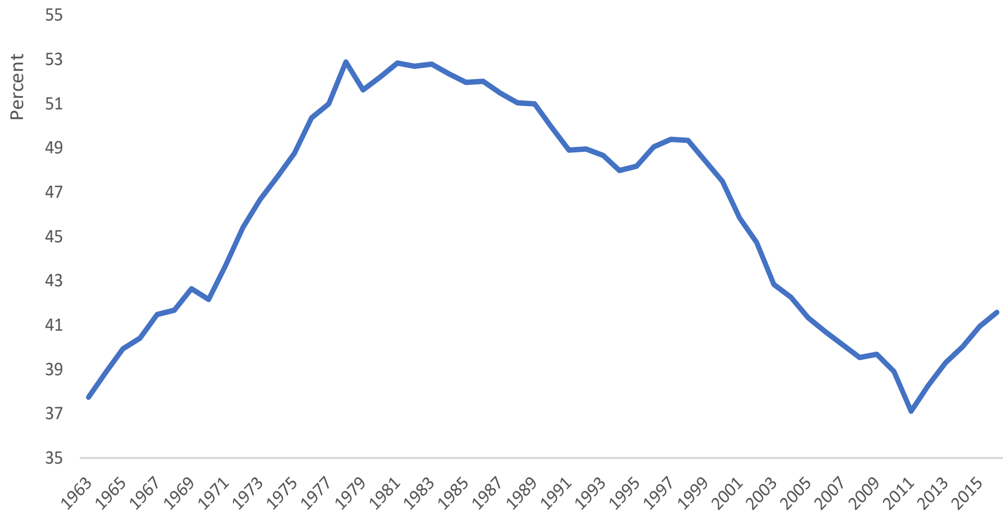


Source: World Bank World Development Indicators.

[1] By Kader Amadou.

[2] WAEMU comprises eight countries: Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo.

Figure A3.2. Côte d'Ivoire's Share of WAEMU Output

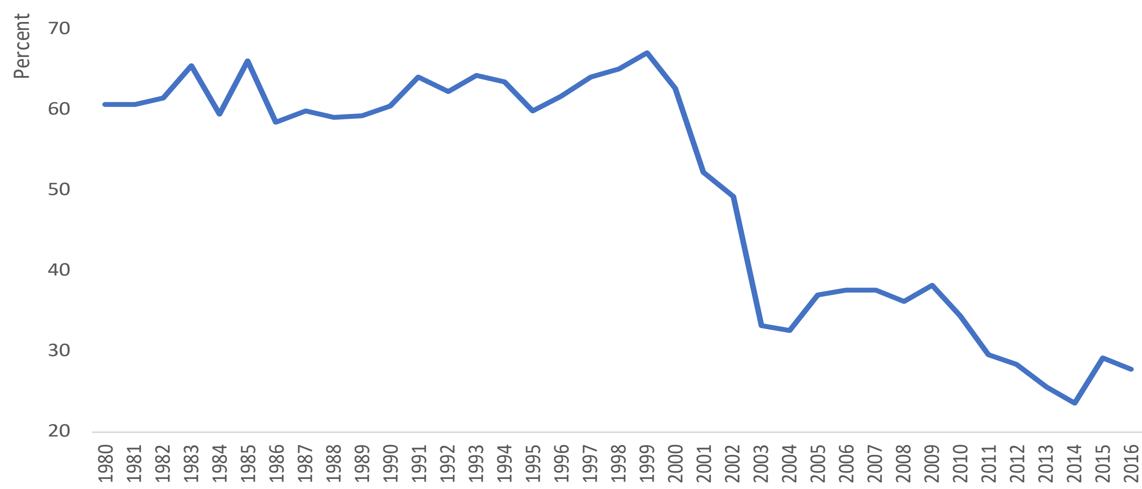


Source: World Bank World Development Indicators.

2. Côte d'Ivoire is connected with other WAEMU countries through trade, remittances and financial flows.

- ***Trade.*** WAEMU countries belong to a common currency union and a free trade area where goods move freely between member countries and common tariffs are applied on imports from countries outside of the union. Côte d'Ivoire has been an important trade partner for the other WAEMU countries. However, the 2000-11 setback in its economic activity has prompted WAEMU neighbors to diversify partnerships, reducing the transmission channel of regional spillovers from Ivoirien growth. Some commercial flows have been diverted to the Cotonou and Lomé ports in Benin and Togo. Notwithstanding the recovery, Côte d'Ivoire is not regaining WAEMU market shares up to pre-1999 levels.

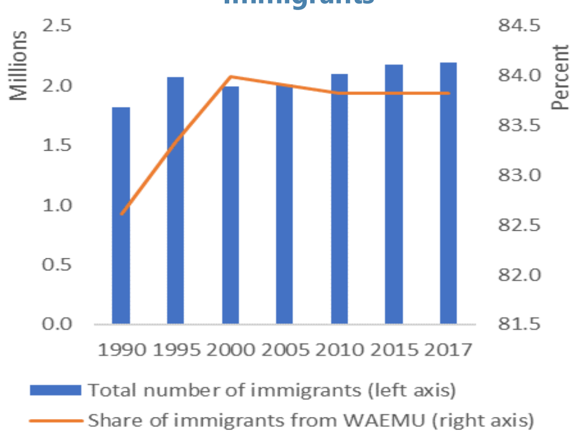
Figure A3.3. Côte d'Ivoire: Trade Flows with Côte d'Ivoire—Share in Average Intra-Regional Trade Flows



Source: IMF Direction of Trade Statistics.

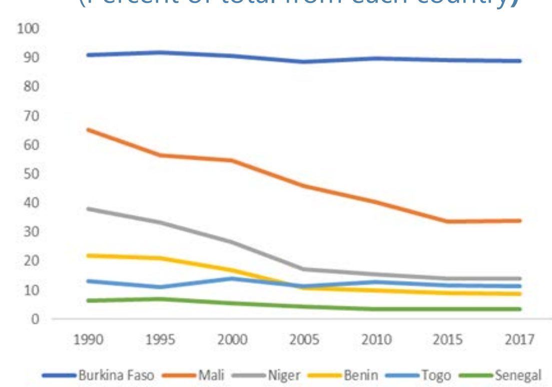
- ***Remittances.*** For decades, Côte d'Ivoire has been a preferred destination for immigrants originating from the other WAEMU countries, representing about 84 percent of the 2.2 million of immigrants in 2017. In 2015, remittances outflows from Côte d'Ivoire represented about 87 percent of the total migrants' transfers or 3.1 percent of GDP for Burkina Faso.[3] The other countries also received sizeable remittances inflows. In 2015, WAEMU countries (except Senegal) received more remittances revenues from Côte d'Ivoire than proceeds from trade.

Figure A3.4. Côte d'Ivoire: Number of Immigrants



Sources: UN DESA Migration Statistics; and World Bank Migration and Remittances Data.

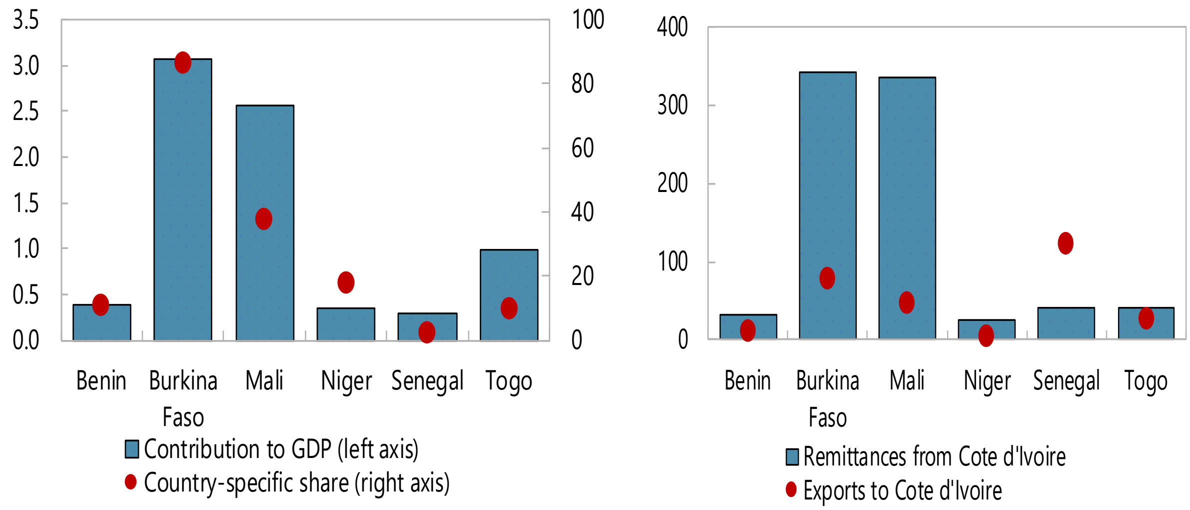
Figure A3.5. Côte d'Ivoire: Share of Emigrants to Côte d'Ivoire
(Percent of total from each country)



Source: UN DESA Migration Statistics.

[3] World Bank Bilateral Remittance Matrix 2015.

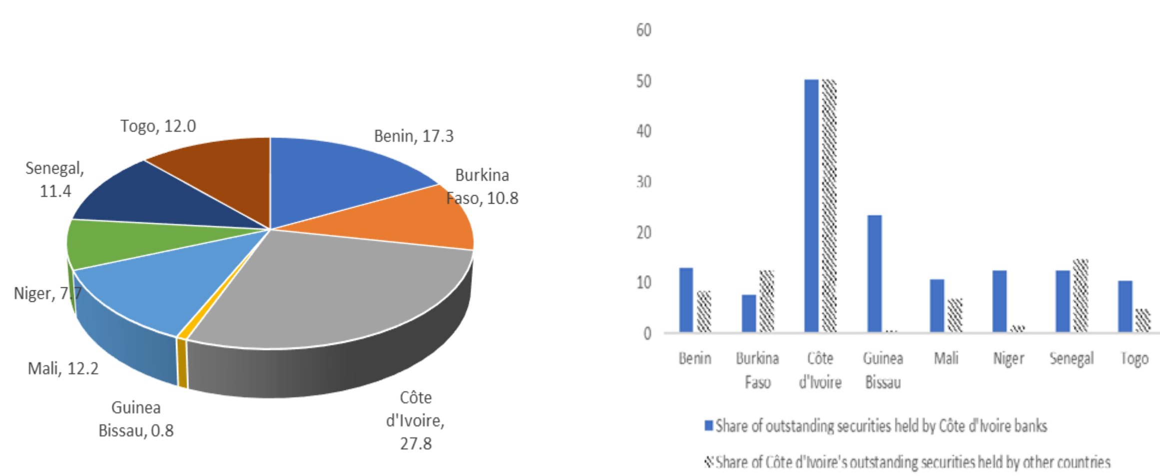
Figure A3.6. Remittances from Côte d'Ivoire, 2015



Sources: World Bank Migration and Remittances Data.

- ***Financial flows***. Côte d'Ivoire plays a key role in developing the regional financial market, being the main issuer of bonds and T-bills. Côte d'Ivoire's accounts for about 28 percent of total outstanding securities in WAEMU and holds a sizable share of most countries' outstanding securities.

Figure A3.7. Côte d'Ivoire: Outstanding Government Securities in WAEMU, 2017

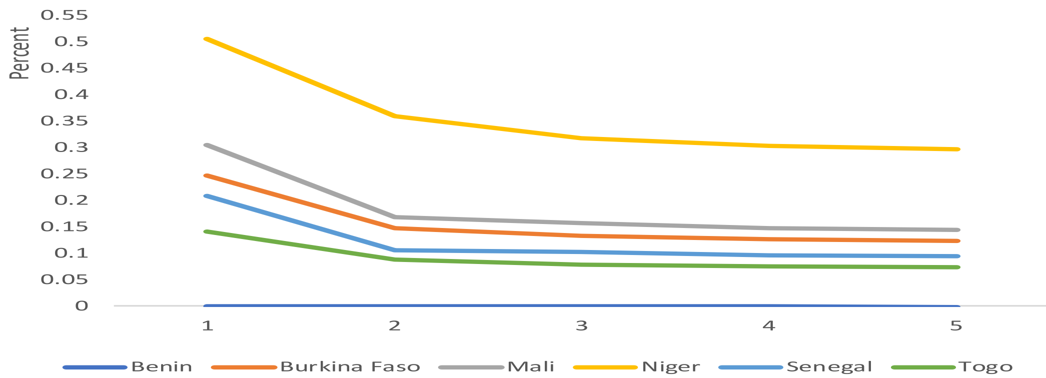


Source: Agence UMOA-Titres.

Sources: Agence UMOA-Titres; and IMF staff estimates.

3. The growth spillovers from Côte d'Ivoire to other WAEMU countries are important. After controlling for global demand and country-specific shocks, a positive shock on Côte d'Ivoire's real output increases real GDP for most WAEMU countries. For Niger, Mali, Burkina Faso, Senegal and Togo, the shock is transmitted quite quickly and the responses are relatively strong. Specifically, a shock originating in Côte d'Ivoire, which causes its real GDP to rise by one percent, in the first year, increases real output by about 0.5 percent in Niger, 0.3 percent in Mali, 0.25 percent Burkina Faso, 0.2 percent in Senegal and 0.14 percent in Togo.

Figure A3.8. Côte d'Ivoire: Country Real GDP Responses to Côte d'Ivoire's Positive Shocks[1]



Source: IMF staff estimates.

1/ Responses to a positive shock stemming from Côte d'Ivoire that caused its real output to increase by 1 percent.

4. **Shocks stemming from Côte d'Ivoire contribute to real GDP fluctuations in several WAEMU countries.** The estimates indicate that shocks originating in Côte d'Ivoire are more important than the global demand shocks in explaining real output variability in several countries of the region. The contributions are about 11.5 percent in Burkina Faso, 11.0 percent in Niger, 6.9 percent in Senegal and 6.3 percent in Mali. Country specific shocks appear to be the most important in explaining each country's real GDP fluctuations.

Table A3.1. Variance Decompositions
(Percentage of Variance of Growth)

	Demand shocks	Côte d'Ivoire shocks	Country-specific shocks
Benin	0.04	0.00	99.96
Burkina Faso	6.16	11.47	82.37
Mali	1.67	6.33	91.99
Niger	5.86	10.96	83.18
Senegal	2.39	6.90	90.71
Togo	1.60	1.19	97.20

Source: IMF staff estimates.

5. **Sound macroeconomic policies in Côte d'Ivoire would secure stability and sustained growth and help the country retain its strong regional leadership position.** Further improvements in the business environment would bolster growth and sustain Côte d'Ivoire's lead role in WAEMU. While most countries in the WAEMU benefit from a robust growth in Côte d'Ivoire, a setback in the latter's economic activity reduces its influence in the region and weakens the channel of transmission of its externalities on other WAEMU countries.

Annex IV. Risk Assessment Matrix[1]

Sources of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
Retreat from cross-border integration	**Medium**	**Medium/High** Reversals in policy coordination could reduce international inflows 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 related to two-sided risk of US economic growth	**Medium**	**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, and raising the risk of debt distress.	
Tighter global financial conditions	**High**		
Significant growth slowdown in China and its spillovers	**Low/ Medium**	**High** Could reduce infrastructure investments.	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 key advanced economies	**Medium/ High**	**High** Adverse impact on exports growth and 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 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.
Decline in 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.
Lower-than-expected revenue mobilization	**Medium**	**Medium/High** Higher fiscal deficit and financing needs, less resources available for capital expenditure and debt service.	Adopt revenue mobilization measures, optimize current spending, re-prioritize public investments.

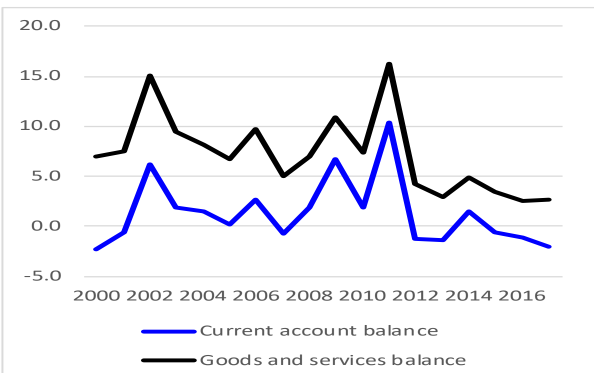
[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate 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.

Annex V. External Sector Assessment[1]

1. Côte d'Ivoire's external position in 2017 was broadly in line with fundamentals and policy settings. The real exchange rate is moderately undervalued compared with fundamentals. The current account model (CAM) and REER Index model (RIM) suggest undervaluation of 1.0 percent and 7.0 percent respectively. However, staff views the CAM results as more reliable as macroeconomic fundamentals play a limited role in the RIM.

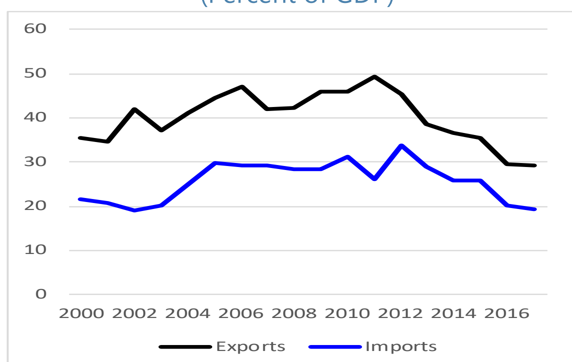
2. Côte d'Ivoire's external current account balance has moved into moderate deficit since 2015. Since 2000, the current account balance has been volatile, but for most of the time in surplus (Figure 1). Following a spike in 2014 reflecting rising cocoa exports, on average the current account deficit has been around 1 percent of GDP. Figure 2 shows that from 2013 onwards, nominal GDP has been increasing more rapidly than exports and imports, implying an increasingly important contribution of domestic demand to growth.

Figure A5.1. Côte d'Ivoire: Current Account Balance, 2000–17
(Percent of GDP)



Sources: Ivoirien authorities; and IMF staff estimates.

Figure A5.2. Côte d'Ivoire: Imports and Exports, 2000–17
(Percent of GDP)



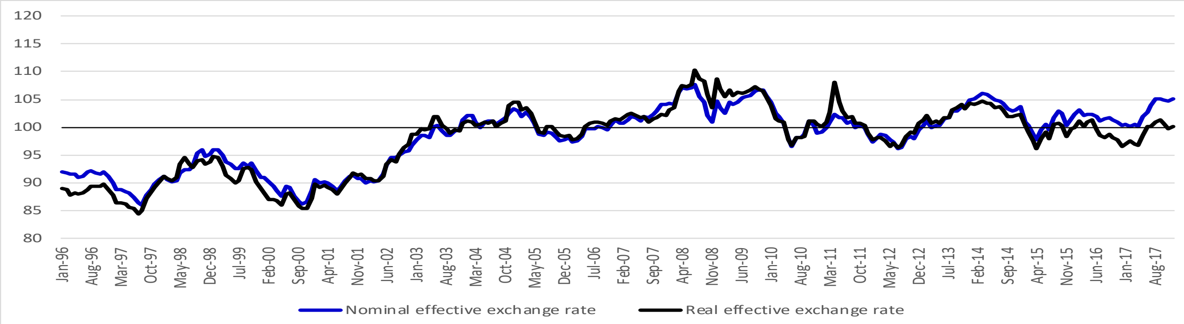
Sources: Ivoirien authorities; and IMF staff estimates.

3. Over the medium term, the current account deficit is expected to widen gradually, reflecting continued strong domestic demand. Staff projects the current account deficit to widen to 3.1 percent of GDP in 2018-20 before declining to about 2.4 percent of GDP by 2023 from 2.1 percent of GDP in 2017. The projected improvement in the trade balance over 2018–23—reflecting higher exports of transformed products—would be more than offset by the negative balances on services as well as primary and secondary incomes.

4. Côte d'Ivoire's real effective exchange rate (REER) has appreciated by about 1 percent since the end of 2015. Similarly, during the same period the nominal effective exchange rate appreciated by about 3.5 percent, reflecting the nominal appreciation of the euro (to which the CFA franc is pegged) against major currencies.

[1] By Fabio Comelli.

Figure A5.3. Côte d'Ivoire: Real and Nominal Effective Exchange Rates, 1996–2017
(Index 2010=100)



Source: IMF International Financial Statistics.

5. The REER is assessed based on the IMF's External Balance Assessment (EBA-Lite) methodology, using the current account and REER approaches.

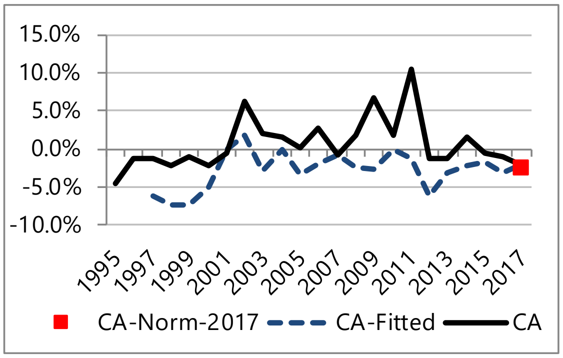
- The current account approach suggests that the real exchange rate was undervalued by 1.0 percent in 2017. A model-based analysis suggests a norm of -2.6 percent of GDP for the cyclically-adjusted current account deficit.[2] Assuming an elasticity of the current account balance with respect to the exchange rate of -0.46, the real exchange rate would need to appreciate by 1 percent to eliminate the gap between the norm and the actual current account (Figure 4 and Table 1).
- The REER approach indicates that the real exchange rate was undervalued by 7 percent in 2017. Like the current account approach, the REER Index model is based on a reduced form equation of the REER.[3] The fitted REER is calculated as the product of the panel regression coefficient estimates and the level of the explanatory variables.[4]
- Overall, the estimates show an undervaluation of the real effective exchange rate. While the two methodologies suggest different degrees of real undervaluation, the CA model is considered more reliable than the REER Index model since it accounts for the fiscal policy stance. In addition, in the REER Index model the fitted value of the REER—which is crucial to calculate the REER gap—is almost entirely determined by the constant term (which accounts for 87 percent of the fitted value).

[2] The current account norm includes two components: one is the policy gap (the gap between a country's actual policies and its optimal policies), the other is the fitted current account (a product of the level of economic fundamentals and the coefficients of a regression panel). The regression panel, estimated on a sample of 49 developed and emerging market economies over the period 1980–2010, includes a set of traditional fundamentals, financial factors, cyclically/temporary factors, and policy-related regressions, most of these variables being computed as a country's deviation from the world counterpart (see IMF WP/13/272).

[3] The explanatory variables of this model can be grouped into policy variables, and non-policy fundamentals. The policy variables are: FX intervention, the short term real interest rate and capital controls. The non-policy fundamentals are productivity, financial home bias, terms of trade, trade openness, NFA, output gap, aid and remittances.

[4] The equation is estimated for 141 economies (advanced, emerging markets and low-income countries) over the period 1995–13.

Figure A5.4. Côte d'Ivoire: Current Account, Actual, Fitted and Norm, 1995–2017



Source: IMF staff estimates.

Table A5.1. Summary of EBA-Lite Findings

(Percent of GDP, unless otherwise stated)

(1)	Current account: Projected	-2.1
(2)	Current account: Fitted	-2.0
(3)	Policy gap	0.6
(4)=(2)-(3)	Current account: Norm	-2.6
(5)=(1)-(4)	Current account: Gap	0.5
(6)	Elasticity of CA to REER (ratio)	-0.5
(7)=(5)/(6)	Real exchange rate gap (percent)	-1.0

Source: IMF staff estimates.

6. Building on structural reforms conducted in several areas, there is scope for Côte d'Ivoire to continue improving its competitiveness.

- **Governance.** Since 2012, the authorities have strengthened the regulatory environment and set up anti-corruption entities.[5] They adopted the 2013 anti-corruption decree and launched the High Authority for Good Governance (2014) and the Anti-Racketeering Unit (2014). These reforms have contributed to improvement in governance. The 2017 Transparency International Corruption Perception score[6] improved to 36 from 32 percent in 2016.

- **Overall business climate.** The World Bank Doing Business indicators[7] point to some areas for improving the business environment relative to sub-Saharan African frontier market countries, particularly paying taxes, accessing finance, and protecting minority investors

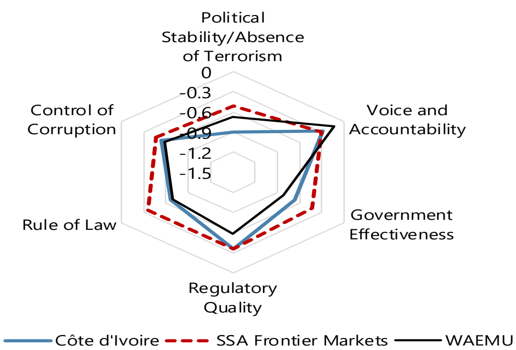
[5] Transparency International (2016) "Corruption et lutte contre la corruption en Côte d'Ivoire", 14 mars 2016.

[6] These indicators should be interpreted with caution since their methodology generates margins of error for each governance estimate and they are based on a survey of perceptions by business people and country experts of the level of corruption in the public sector, using diverse sources.

[7] These indicators, based on surveys of quantified data, should be interpreted with caution given the limited number of respondents and geographical coverage, and standardized assumptions on business constraints and information availability.

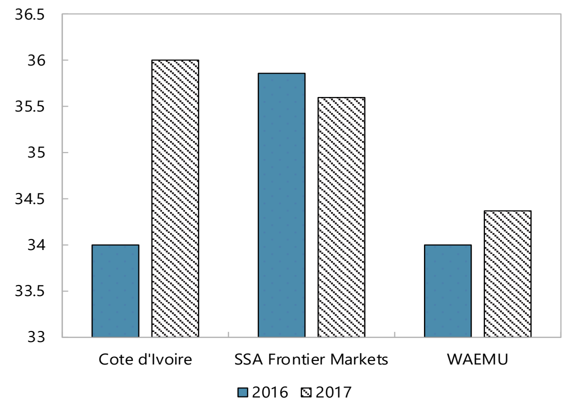
Worldwide Governance Indicators: Côte d'Ivoire and Comparators, 2016[1/]

(Point estimate: -2.5 to 2.5; -2.5 representing weak governance)



Transparency International's Corruption Perceptions Index: Côte d'Ivoire and Comparators

(Score: 0 to 100; 0 is highly corrupt)



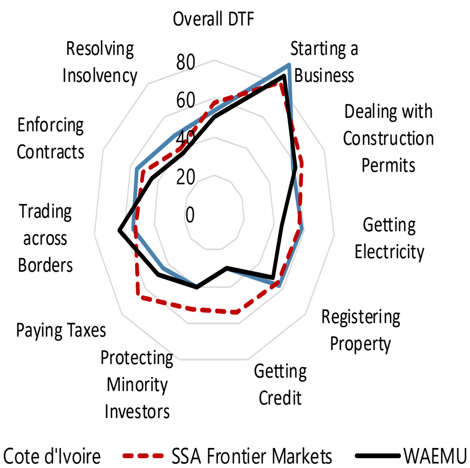
Source: Worldwide Governance Indicators, D. Kaufman (Natural Resources Governance Institute and Brookings Institutions, and A. Kraay (World Bank), 2017.

Source: Transparency International, Corruption Perceptions Index, 2017 and 2018.

Note: Negative values in the center of the chart represent poor governance (the center represents a score of -2.5) whereas values towards the edge represent better governance.
[1/] Survey-based indicator that captures perception of the extent to which public power is exercised for private gain. Scores are subject to uncertainty around the point estimate and reflect relative, not absolute, performance.

World Bank Doing Business Indicators: Côte d'Ivoire and Comparators

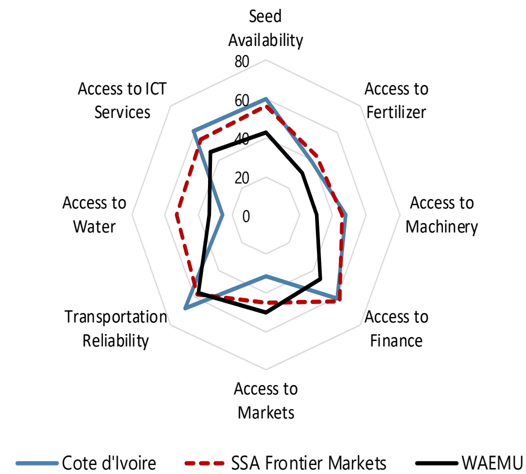
(Distance to the Frontier: 0-100; 100 is best)



Source: World Bank. *Doing Business Indicators*, 2018.

World Bank's Enabling the Business of Agriculture[1]

(Distance to the Frontier: 0 to100; 100 is best)



Source: World Bank, *Enabling the Business of Agriculture*, 2017.

[1] The SSA Frontier Average included Côte d'Ivoire, Ethiopia, Ghana, Kenya, Mozambique, Nigeria, Rwanda, Senegal, Tanzania, Uganda, and Zambia.

- **Agribusiness.** As of July 2016, progress in the sector's operating conditions has been uneven.[8] The regulatory environment for transportation is relatively sound, with Côte d'Ivoire among the most efficient African countries in the attribution of a cross border trucking license. The finance indicators are also strong, reflecting the recent reform of warehouse receipts. However, market regulations (pertaining to trade, plant protection and producer organizations) and the water distribution system are reportedly relatively less efficient. Strengthening water use permit systems would benefit farmers by helping to ensure access to water even with competing demands and strained resources.

[8] World Bank (2017), "Enabling the Business of Agriculture". These indicators, based on surveys of hard data provided by experts in each country, should be viewed with caution since they are derived from a hypothetical, standardized case scenario to ensure comparability across countries. In addition, the authorities expressed reservations on the Doing Business Indicators; they noted that these do not fully capture innovations recently introduced in Côte d'Ivoire, such as the possibility of paying taxes online.

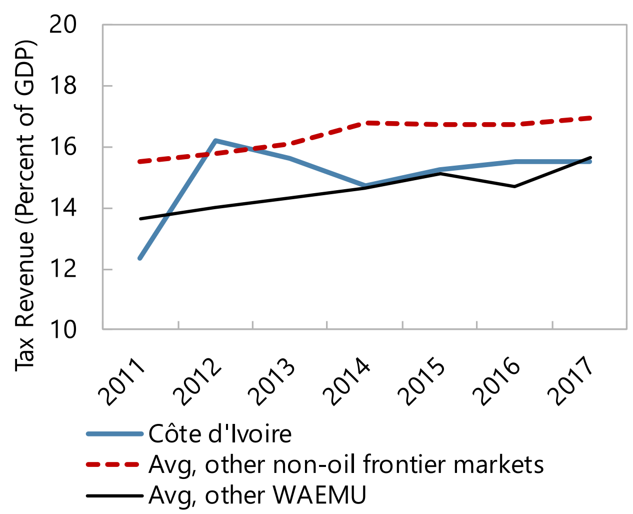
Annex VI. Mobilizing Domestic Tax Revenue[1]

Economic and country-specify developments have adversely affected Côte d'Ivoire tax revenue potential. To restore it, the country should accelerate tax policy changes and continue implementing revenue administration measures. Further efforts in implementing structural and institutional reforms could push Côte d'Ivoire tax frontier to the higher—emerging market—level.

1. **Despite Côte d'Ivoire's robust recovery since 2012, new tax policy measures and reforms in revenue administration, tax revenue performance has been modest**. Tax revenue declined from 16.2 percent of GDP in 2012 to 15.5 percent of GDP in 2017, while the average tax revenue to GDP in frontier sub-Saharan African countries increased. The Ivoirien tax revenue underperformance reflects the following factors:

Figure A6.1. Tax Revenue: Côte d'Ivoire and African Peer Group Averages, 2011–17

(Percent of GDP)



Source: IMF World Economic Outlook.

- ***At least one-third of Ivoirien taxes are levied on a base not directly related to current economic activity.*** For instance, taxes on non-oil corporate income— which yielded 10 percent of total tax revenue in 2015—is levied on profits from the previous year, an eroding tax base from year to year since Côte d'Ivoire's nominal growth rate averaged 11.7 percent during 2012–17. Moreover, taxes on imports amounted to 22 percent of total tax revenue in 2017.
- ***Some key drivers of the economy are not fully included in the tax net.*** This is the case of subsistence agriculture, forestry, fishing, mining, agribusiness, construction, transportation and the public sector, which account for one-third of economic activity. With a cumulative growth contribution of 3.7 percentage points in 2017, they contributed nearly one-half of the real GDP growth rate of 7.8 percent. These sectors either benefit from income tax holidays or VAT exemptions.
- ***A still evolving revenue administration.*** Côte d'Ivoire has made good progress in strengthening its revenue administration during 2010–15, particularly when compared to

[1] By Aleksandra Zdzienicka and Dominique Simard.

sub-Saharan African peers. More recent reforms focus on strengthening the revenue administration's capacity to cross-check tax declarations and analyze risk. These reforms are expected to improve tax revenue, particularly over the medium term. However, other key reforms remain to be implemented. Issuing a single taxpayer identification number would facilitate cross-checking of declarations for different taxes. Moreover, improving human resources management would enhance revenue mobilization performance.

2. Lower reliance on indirect taxes makes Côte d'Ivoire's tax revenue less buoyant than in peer countries. Since indirect taxes track contemporaneous economic activity, they would help preserve tax revenue to GDP over time in a fast-growing economy.

Figure A6.2. Côte d'Ivoire: Tax Revenue Composition

(Percent of total tax revenue)

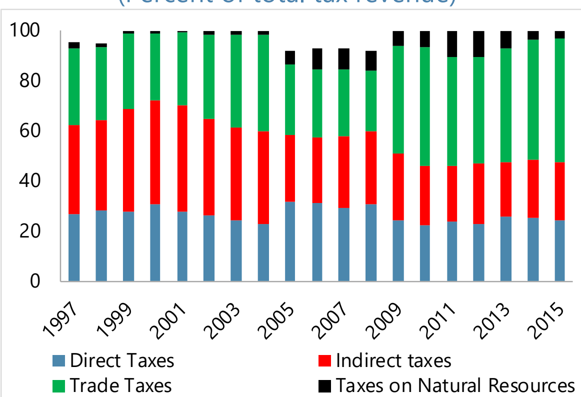
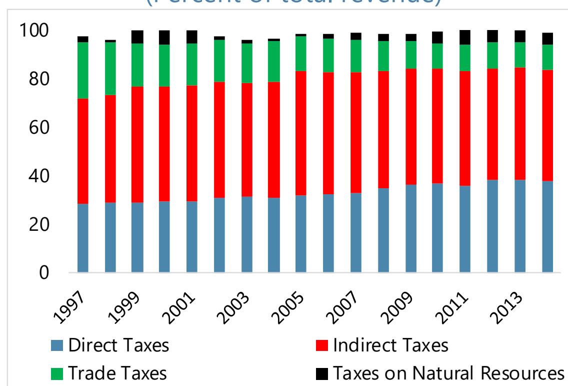


Figure A6.3. Sub-Saharan African Frontier Economies: Tax Revenue Composition

(Percent of total revenue)

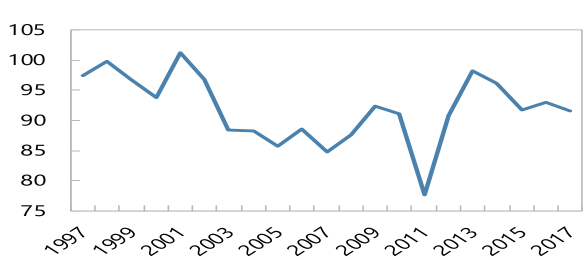


Source: IMF Sub-Saharan Africa Tax Revenue Database.

3. Côte d'Ivoire does not raise sufficient tax revenue to cover its current spending. Tax revenue covers about 92 percent of current outlays. This implies that some current expenditure, which in the short-term is relatively challenging to adjust to available funding, is funded by non-tax revenue—a more variable income source.

Figure A6.4. Côte d'Ivoire: Tax Coverage of Current Expenditure

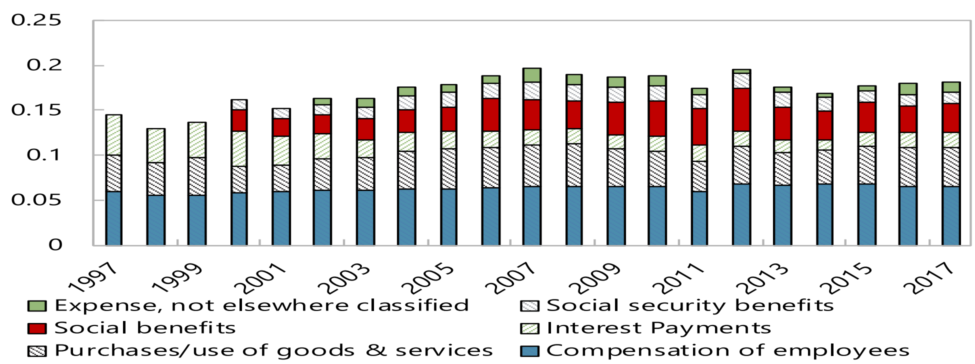
(Percent of current expenditure)



Sources: Ivoirien authorities; and IMF staff estimates.

4. Côte d'Ivoire has scope for mobilizing additional tax revenues. Various studies show that Côte d'Ivoire has a potential for additional revenues of about 2–3 percent of GDP compared to countries with similar economic structure and level of development (Table 1). A recent analysis also indicates that the country's theoretical tax capacity ("tax frontier") is lower relative to country peers.[1] Therefore, Côte d'Ivoire needs not only to increase the actual tax revenue collections towards its existing potential but also to expand its "tax frontier".

Figure A6.5. Côte d'Ivoire: Components of Current Expenditure
(Percent of GDP)



Sources: Ivoirien authorities; and IMF staff estimates.

Text Table A6.1. Assessment of Tax Revenue Gap and Potential in Côte d'Ivoire

Revenue	Approach	GAP Assessment
All	Difference of the tax-to-revenue ratios compared to the peers (Mali, Morocco, Kenya, and Senegal; Wiest, 2016)	2-3 percent of GDP (average)
VAT	Application of 18-percent VAT rate to all private final consumption in the total absence of exemptions and fraud (Mansour and others, 2012)	8 percent of GDP (average)
VAT	Potential revenues gains in the absence of fraud (Fossat et al., 2012)	4 percent of GDP (average)
VAT	Potential revenues gains with higher efficiency of tax mobilization (Fossat et al., 2016)	1.8 percent of GDP

5. **Building on previous research, Côte d'Ivoire's needed tax effort is decomposed into its tax policy and revenue administration components.** Following Fenochietto and Pessino (2013) and Brun and Diakité (2016), we analyzed the theoretical tax capacity and tax efforts for

[1] See REO (2017) Box 2.1. and REO (2018) Chapter 2 for more details on tax potential and effort estimates of SSA countries.

Côte d'Ivoire relative to sub-Saharan African (SSA) countries since 1980 by estimating the "tax frontier" and the overall tax effort needed to reach it, including persistent tax policy effort and time-varying revenue administration efficiency effort (Box 1).

Theoretical Tax Capacity

6. The analysis confirms that Côte d'Ivoire theoretical tax capacities have eroded substantially since mid-1990's and started to improve only recently (Figure A6.6). The tax frontier has declined from about 50 percent of GDP in 1996 to about 11 percent of GDP in 2011. Since then, progress has been uneven with the tax potential improving only recently to about 25 percent of GDP. Economic and country-specific factors—and more recently resource revenue—have been key drivers of these changes (Figure A6.7).

Figure A6.6. Côte d'Ivoire: Tax Frontier and Tax Collections

(Percent of non-resource GDP)

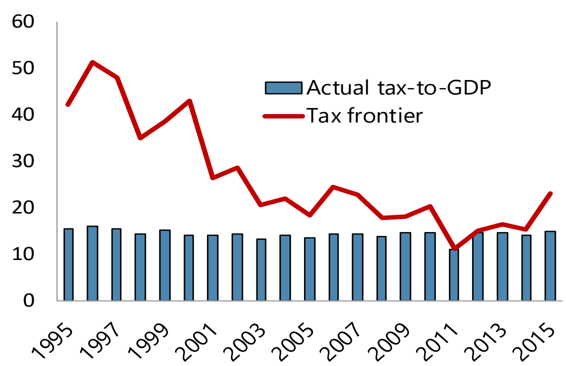
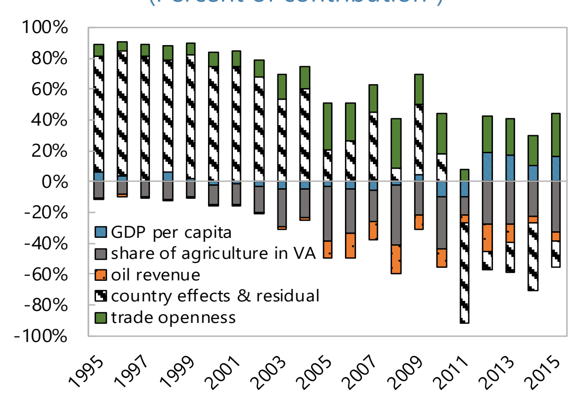


Figure A6.7. Côte d'Ivoire: Drivers of Tax-to-GDP Ratio

(Percent of contribution[1])



Sources: IMF Sub-Saharan Africa Tax Revenue Database and Tax Policy Revenue Analysis Tool; IMF World Economic Outlook; World Bank World Development Indicators; and IMF staff calculations.

[1] Percent contribution based on estimates of Equation (1).

7. Meanwhile, peer SSA countries have managed to steadily expand their tax frontier. With varied cross-country progress, the median "tax frontier" of SSA countries steadily expanded from 22 percent of GDP in 2001 to 27 percent of GDP in 2015 (Figure A6.8). The best performers (Figure A6.9) included countries with higher initial level of economic development (for example, South Africa), but also some non-oil producing frontier markets (e.g., Ghana, Rwanda, Senegal, Uganda) with economic and institutional settings similar to Côte d'Ivoire. Economic and country-specific factors, but also structural transformation (e.g., declining share of agriculture in total value added) have been key contributors to their performance.

Box A6.1. Estimates of Tax Frontier and Tax Efforts

Based on the approaches developed by Fenochietto and Pessino (2013) and Brun and Diakité (2016), the following model is estimated:

$$y\_it=\alpha\_i+ \tau\_t+\beta X\_it+\omega i+\varepsilon\_it \qquad (1)$$

where y_it indicates (a log) non-resource tax revenues in percent of GDP; ωi captures a persistent tax policy effort, ε_it stands for a time-varying revenue administration efficiency effort. X_it is a set of controls including the level of economic development (GDP per capital in PPP terms), trade openness, the share of agriculture in valued added, the ratio of resource revenue in percent of GDP. α _i denote random country effects and τ_t –time fixed effects. The model's estimates are based on an unbalanced panel of 44 SSA countries over the period 1980-2015. The data are taken from SSA Tax Revenue, RAT, WEO, and World Bank WDI databases.

Regressors		
GDP per capita	0.390 (0.146)	*
Trade openness (export+import, in % of GDP)	0.006 (0.006)	***
Share of agriculture in value added	-0.001 (-0.000)	*
Ressource revenue (in % of GDP)	-0.012 (-0.003)	***
Random fixed effect	yes	
Time fixed effect	yes	
Number of observations	880	
R2	0.48	

Note: Standard errors in parentheses. *** p<0.01; ** p<0.05; and *p<0.1

In line with previous studies, the results indicate that countries with higher economic development and trade openness, lower share of agriculture in total value added and oil resources in GDP tend to have lower ratios of non-resource tax to GDP. The results are robust to alternative specifications.

The overall tax effort is computed as a product estimated using a stochastic frontier approach ωi and ε_it. The theoretical tax capacities—tax level corresponding to the level of a country's economic development—is computed as the sum of the overall tax effort and actual tax revenues.

Subsequently, the results of Côte d'Ivoire are compared to those of countries in the 90th percentile (the best performance) and the sample median over time.

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Annex VII. Capacity Development Strategy

Macroeconomic Challenges and Policy Priorities

1. **Key policy priorities for Côte d'Ivoire** are to (i) mobilize domestic revenues and create fiscal space for infrastructure investment and social spending while strengthening policy buffers; (ii) strengthen Public Investment Management and surveillance of fiscal risks, (iii) stabilize and reduce the public debt level as well as improve the debt management; (iv) strengthen control over fiscal risks stemming from debts and arrears of state-owned enterprises and extra budgetary entities; (v) address vulnerabilities in the public banks; (vi) improve the business climate; and (vii) enhance the quality of economic and fiscal data.

Recent Technical Assistance

2. **The TA intensity in FY17-18 has been high.** It was composed mainly of TA aimed at strengthening PFM, improving efficiency of revenue administration and broadening the tax base under the TPA-TTF project, and streamlining customs procedures. There was a particular emphasis on strengthening statistics, with the support provided by AFRITAC for the preparation of quarterly accounts.

3. **TA implementation has been broadly in line with expectations, and the authorities have been very appreciative of the TA received from the Fund.** PFM TA has been adapted to the focus of the new program, which is to enhance surveillance of fiscal risks stemming from SOEs, extrabudgetary entities and PPPs and improve Public Investment Management. On this front, the authorities have made good progress and received practical advice on how to implement benchmarks and commitments in the MEFP. Regarding mobilization of revenues, improving the efficiency of tax administration, and streamlining customs administration, the authorities are making very good progress, thanks to the TPA-TTF project. Implementation of the TA recommendations delivered by the Statistics Department and AFRITAC on the transition to fiscal reporting based on the GFSM 2001/2014 standards are ongoing. Benefiting from Fund TA, the authorities have resumed publication of the quarterly national accounts from November 2017.

Technical Assistance Priorities

The following table summarizes the forward-looking priorities and objectives.

Priorities	Objectives
Tax policies	Increase tax to GDP ratio
Financial and economic programming	Improve the authorities' macro-framework model and projections
Public financial management	(i) strengthen the quality and efficiency of public investment institutions; (ii) strengthen fiscal risk management, particularly of those risks stemming from PPPs, public companies and extra budgetary entities, with a view to broaden the fiscal coverage.
Customs and tax administration	(i) increase taxation of the informal sector; (ii) strengthen control and audit department; and (iii) improve IT systems.
Public debt management	(i) strengthen the formulation and implementation of the government's policy on external debt; and (ii) improve treasury cash flow management.
Real sector statistics	(i) strengthen the compilation and dissemination of annual national accounts; (ii) improve the quality of quarterly national accounts and enable their timely publication; and (iii) support adoption of the e-GDDS.
Bank restructuring	Assist the authorities with developing public banks' restructuring strategies.

Appendix I. Letter of Intent

MINISTRY OF ECONOMY AND FINANCE

THE MINISTER

REPUBLIC OF CÔTE D'IVOIRE

Union-Discipline-Travail

No. 002980 MEF/DGE/DPPSE/SDPPE/AJC

Abidjan, May 25, 2018

To
Managing Director
International Monetary Fund

WASHINGTON DC, 20431

Subject: **Letter of Intent**

Dear Madam Managing Director:

1. Côte d'Ivoire is one of the pre-emerging African countries, according to the International Monetary Fund (IMF) and World Bank. This ranking is based on Côte d'Ivoire's sound macroeconomic framework and the structural transformation of economy that has resulted from its implementation of structural projects since 2012, which provided for the construction of economic infrastructure and strengthening of human capital. The performance of the Ivoirien economy has been remarkable, with an average annual growth rate of 9 percent and an increase in per capita GDP of over 7 percent in 2012–17. This momentum has been accompanied by moderate inflation, below the WAEMU regional norm of 3 percent. Moreover, the current account deficit has been held below 2.1 percent of GDP and financed by foreign direct investment (FDI). The sound macroeconomic framework has also been supported by major structural reforms in key sectors of the economy and support for the private sector, which has benefited from a favorable business environment. The financial system has remained stable, with the capital adequacy ratio of the banking sector generally above the regional norm of 8 percent.

2. Côte d'Ivoire is further strengthening its position on the international stage and is consolidating its achievements in the area of good governance. In 2017, it was admitted as a non-permanent member of the United Nations (UN) Security Council. It also successfully organized the Eighth Francophone Games and hosted the African Union-European Union Summit, which was held for the first time in sub-Saharan Africa. Concerning governance, Côte d'Ivoire is ranked first among African nations that have progressed most with governance over the past five years, according to the Ibrahim Index of African Governance (IIAG) published in 2017. Moreover, the most recent Country Policy and Institutional Assessment (CPIA) conducted by the World Bank in 2016 rated Côte d'Ivoire at 3.35, up from the 3.28 obtained in 2015, reflecting the progress made in institution building and macroeconomic management. Regarding the business environment, the government's efforts have enabled Côte d'Ivoire to remain the most attractive economy in the WAEMU and be ranked third in ECOWAS, according to the 2017 Doing Business Report. In the 2018 Quantum Global Report, Côte d'Ivoire was ranked the second most attractive country in sub-Saharan Africa. This progress has enabled Côte d'Ivoire to reduce its country risk level and have regular access to the international financial markets.

3. **The attached Supplementary Memorandum of Economic and Financial Policies (MEFP) describes the progress made in 2017 and presents the main policies for 2018 and 2019 as well as for the medium term.** In line with the government's commitments, the economic and financial program was successfully implemented in 2017. All of the performance criteria were met. Furthermore, all indicative benchmarks were met except for the floor on the basic primary balance, which was not met due to under-execution of projects funded by foreign grants and their partial substitution with domestically financed investment spending. Moreover, all structural benchmarks were implemented, except for the finalization of the debt restructuring plan for the Société Ivoirienne de Raffinage (SIR), which should be completed during the third quarter of 2018.

4. **In 2018, the government intends to continue its fiscal consolidation efforts and ensure strong inclusive growth through successful implementation of the Economic and Financial Program.** Fiscal policy will focus on increasing tax revenue collection and streamlining expenditure to achieve a fiscal deficit of 3 percent of GDP in 2019. The main fiscal risks will be controlled, particularly by improving the stability of the energy sector, intensified monitoring of the debt of public enterprises, and ensuring better management of PPPs. In the financial sector, the government will continue to implement its Financial Sector Development Plan (PDESFI) to strengthen the banking system and increase financing to the economy. These measures should support the stability of the macroeconomic framework and sustain the confidence of the private sector, where investments are foreseen to increase from 14.4 percent of GDP in 2017 to 18.9 percent in 2020. Côte d'Ivoire should also benefit from the positive world economic outlook and implementation of projects agreed with technical and financial partners, particularly the Millennium Challenge Corporation (MCC) Compact and the G20 Compact with Africa.

5. **We hereby request completion of the third review, modification of a performance criterion and two indicative targets, and disbursement of SDR 96.786 million under the 2016–19 ECF-EFF.** The government believes that the policies set out in the attached Memorandum are adequate to achieve program objectives. To that end, the government will take any further measures that may become necessary to achieve those objectives. It will consult with Fund staff before adopting such measures and in advance of revisions to the policies contained in the Memorandum, in accordance with Fund policies on such consultations. However, to benefit from more favorable financing conditions on the international bond market, the state issued a Eurobond in March 2018. Under the circumstances, the government requests the modification of the end-June 2018 quantitative performance criterion on the ceiling for the present value of the new external debt contracted by the government to include the amount of the Eurobond. Moreover, the government

requests modifications of the two indicative targets for end-June 2018, namely the floors on tax revenue and basic budget balance, to reflect the updated tax revenue projections, their partial impact on budget expenditure, and modification of the composition of spending and its financing.

6. The government agrees to provide Fund staff any information that may be required to monitor implementation of the program measures and achievement of the program objectives, as set out in the attached Technical Memorandum of Understanding, on the dates agreed between the two parties. The government also authorizes the IMF to publish and post on its website this letter and its attachments, as well as the IMF staff report, following approval of the review by the IMF Executive Board.

Very truly yours,

________/s/______________________

Adama KONE
Minister of Economy and Finance

Attachments:

- Supplementary MEFP
- Technical Memorandum of Understanding

Attachment I. Supplementary Memorandum of Economic and Financial Policies for 2017–19

May 25, 2018

BACKGROUND

1. The International Monetary Fund (IMF) and World Bank consider Côte d'Ivoire as one of the pre-emerging African countries. This perception is based on sound macroeconomic framework and structural transformation of the economy that has resulted from implementation of key projects for the construction of economic infrastructure and strengthening of human capital included in the national development plans[1] since 2012. The performance of the Ivoirien economy has been remarkable, with an average annual growth rate of 9 percent and an increase in per capita GDP of over 7 percent in 2012–17. This momentum has been accompanied by moderate inflation, below the WAEMU regional standard of 3 percent. Moreover, the current account deficit has been held below 2.1 percent of GDP and has been financed by foreign direct investments. The sound macroeconomic framework has also been supported by the successful implementation of major structural reforms in key sectors of the economy and by the private sector, which has benefited from a favorable business environment. The financial system has remained stable, with the capital adequacy ratio of the banking sector generally above the regional norm of 8 percent.

2. Côte d'Ivoire continues to strengthen its position on the international stage and its governance achievements. In 2017 it was admitted as a non-permanent member of the United Nations (UN) Security Council. Moreover, it successfully organized the Eighth Francophone Games and hosted the African Union-European Union Summit, which was held in sub-Saharan Africa for the first time. Côte d'Ivoire is ranked first among African nations that have made most progress in the area of governance over the past five years, according to the MO Ibrahim Index of African Governance (IIAG) published in 2017. Moreover, the most recent Country Policy and Institutional Assessment (CPIA) conducted by the World Bank in 2016 rated Côte d'Ivoire at 3.35 up from the 3.28 obtained in 2015, reflecting the progress made in institution building and with the macroeconomic management. The efforts made by the government to improve the business environment have enabled Côte d'Ivoire to remain the most attractive economy in the WAEMU and to be ranked third in ECOWAS according to the 2017 Doing Business Report. In the 2018 Quantum Global Report, Côte d'Ivoire was ranked the second most attractive country in sub-Saharan Africa. This progress has enabled Côte d'Ivoire to reduce its country risk level and to have regular access to the international financial markets.

3. The economic outlook remains good. Continued fiscal consolidation and the implementation of major structural reforms should enable Côte d'Ivoire to maintain the stability of the macroeconomic framework and the confidence of economic agents. The private

[1] The 2012–15 National Development Plan (2012–15 PND) and the 2016–20 National Development Plan (2016–20 PND), as approved by the National Assembly in March 2012 and December 2015.

sector should continue its role of engine of economic growth with a steady rise in private investments from 14.4 percent of GDP in 2017 to 16.8 percent in 2020. Côte d'Ivoire should also benefit from the positive world economic outlook, the industrialization policy, and the implementation of projects resulting from agreements concluded with the technical and financial partners, particularly the Millennium Challenge Corporation (MCC) Compact and the Compact with Africa. In support of the industrial policy, the development of industrial infrastructure, particularly industrial zones, will continue and intensify. Studies on the strategy for the development of the industrial zones and the creation of the PK 24 industrial zone are under way. Completion of these zones in Abidjan and in the interior of the country will increase the supply of industrial sites and thus meet the growing demand for such land. Moreover, in support of the development of economic activities, the education and training system will be improved to better respond to the needs of the economy. The program for the development of thematic universities is continuing following the opening of the Université de Man. Technical training will also be improved and modernized through the creation of a number of technical training institutes.

4. Successful implementation of the Economic and Financial Program should help to consolidate fiscal sustainability and ensure sustained and inclusive growth. In accordance with the objective of the 2016–19 Economic and Financial Program, the fiscal policy will focus on improving tax revenue collection and streamlining expenditure to achieve a fiscal deficit target of 3 percent in 2019. The main fiscal risks will be controlled, particularly by improving the stability of the energy sector, more closely monitoring the debt of public enterprises, and better managing the PPPs. In the financial sector, the government will continue implementation of its Financial Sector Development Plan (PDESFI) to strengthen the banking system and increase financing to the economy. To improve the business environment, the government has committed to implementing second-generation reforms that will enhance Côte d'Ivoire's attractiveness.

5. This supplement to the November 2016 memorandum describes some of the progress made in the context of the Economic and Financial Program through end-2017 and also presents the main policies for 2018 and the medium term.

RECENT DEVELOPMENTS AND PROGRAM IMPLEMENTATION

A. Macroeconomic and Financial Context

6. The robust pace of economic activity continued in 2017 with a growth rate of 7.8 percent, owing to measures taken by the government to control the effects of unfavorable cocoa and oil prices and social demands. The fiscal adjustments made by the government and its effective management of the social demands have helped to maintain a stable economic and social environment. The Ivoirien economy also benefited from a significant increase in the production of export crops, particularly cocoa.

- **On the supply side, growth was driven by all sectors**. The primary sector posted a remarkable growth rate of 10.9 percent after a decline of 1.1 percent in 2016 as a result of the rebound in export crops (+17.3 percent) and food crops (+7.2 percent), which benefited from generous rainfall and implementation of the National Agricultural Investment Plan (PNIA). The secondary sector recorded growth of 4.2 percent driven primarily by the strength of the agri-food industries (+12.8 percent), other manufacturing industries (+5.7 percent) and construction and public works (+7.4 percent), despite a slowdown in energy (+1.1 percent) as a result of declining external demand, and the poor performance of mining (-7.3 percent) owing to the decline in the production of crude oil. The tertiary sector is up by 9.9 percent owing to the strength of transport (+8.5 percent), telecommunications (+15.6 percent), commerce (+9.4 percent) and other services (+8.6 percent).

- On the demand side, growth was primarily driven by exports (+17.6 percent) and private investment (+10.4 percent), while final consumption stood at (+6.2 percent).

7. **Economic activity took place in a stable macroeconomic environment.** The inflation rate stood at 0.8 percent, well below the community standard of 3 percent in the West African Economic and Monetary Union (WAEMU). This is the result of the prudent monetary policy conducted by the BCEAO, increased output, and improvements in the supply and distribution channels.

8. **Budget execution in 2017 resulted in a deficit of 4.2 percent of GDP as against a program target of 4.5 percent of GDP owing to the successful mobilization of revenues and control of expenditures.** Tax revenues totaled 15.5 percent of GDP, consistent with the program objective, owing to the performance of taxes on imports and exports, the VAT, and income taxes. Total expenditures stood at 23.4 percent of GDP as against a projection of 24.0 percent of GDP as current expenditures were controlled and debt interest payments were lower than expected. The fiscal deficit was primarily financed by 851.3 billion mobilized on the WAEMU monetary and financial markets and the issuance of Eurobonds amounting to 1,143.5 billion.

9. **Côte d'Ivoire is still ranked as having a moderate risk of debt distress in 2017.** The stock of debt of the central government stood at 42.7 percent of GDP in 2017 as against 41.8 percent in 2016. External debt totaled 24.5 percent of GDP as against 23.1 percent in 2016. Monitoring of the debt of public enterprises was improved owing to the establishment of a regularly updated database. At end-2017, the stock of debt of the public enterprises stood at 4.2 percent of GDP, of which 0.17 percent of GDP is guaranteed by the government.

10. **Foreign trade resulted in a current count deficit of 2.1 percent of GDP in 2017 as compared to 1.1 percent in 2016.** The worsening deficit resulted from the sharp increase in imports combined with the deterioration in the terms of trade owing in particular to falling cocoa prices. In the meantime, exports did well increasing by 8.4 percent as a result of the strength of export crops. The deficit was largely financed by foreign direct investment (FDI), estimated at 1.8 percent of GDP, and portfolio investments, estimated at 5.5 percent of GDP, allowing for a consolidation of the community reserves.

11. The money supply grew 19.7 percent reflecting a consolidation of net foreign assets of 44.9 percent and the growth in net domestic credit by 13.3 percent. The monetary policy of the central bank mainly involved holding steady the interest rate on the marginal lending window, which had been increased in December 2016, and decreasing the required reserve ratio by 200 basis points in March 2017. This policy helped to consolidate the interbank market, with a 14.2 percent increase in interbank loans at end-December 2017. Recourse to the international financial markets to finance the fiscal deficit helped to slow credit to the government, which stood at 16.0 percent in 2017 as against 30.7 percent in 2016, and created more space for credit to the economy.

12. The financial soundness of the banking sector was consolidated in 2017 with a net increase in the capital adequacy ratio, which stood at 9.8 percent as against 8.0 percent in 2016. This ratio, which is above the community standard of 8 percent, resulted in particular from the increase in the equity of banks following the implementation of the regulation calling for minimum capital of CFAF 10 billion and the anticipated implementation of Basel 2 and 3 in 2018. In this context, two (2) of the seven (7) banks in violation of the regulation on minimum capital complied with the regulation in 2017. The five (5) remaining banks have until June 30, 2018 to comply at the risk of seeing their licenses withdrawn. Moreover, total liquid assets to total deposits stood at 87.4 percent as against 81.7 percent in 2016. Overall, the number of violations of the prudential regulations decreased appreciably from 44 in 2016 to 37 in 2017.

B. Social and Employment Policy

13. The government is continuing the deployment of the Universal Health Insurance (CMU). During the pilot phase, which began on April 25, 2017, nine (9) university health centers were upgraded and are now operational. This phase gave priority to students: to date, out of a target of 150,000, 54,945 insurance cards have been issued to students, allowing the holders to access services. In 2018, the cards will be more widely distributed in conjunction with the upgrading of eight (8) hospital centers. The mechanism for the collection of contributions has been established for the formal sector. For the other sectors, a study aimed at identifying collection methods will be conducted in cooperation with the World Bank and the French Development Agency. For the impoverished segments of the population, targeting and identification of 85,000 households living in more than 1,300 communities began in 2017. It is estimated that 30,000 poor inhabitants will be covered in 2018 in the context of the pilot phase of the CMU with joint financing from the government and the World Bank.

14. Côte d'Ivoire is continuing to implement its proactive education for all policy in accordance with Law No. 2015-635 of September 17, 2015, which makes schooling mandatory for all children ages 6 to 16. To this end, the education supply has been steadily increased since 2012 with the construction of an average of 3,907 new preschool and primary school classrooms each year, 40 modern high schools, including 10 schools in the communities, and a high school for girls. This increase in the supply of education, combined with the reduction in education costs and awareness-raising campaigns, primarily promoting the education of girls, has contributed to an increase in the net enrollment ratio in primary school from 72.9 percent in the 2012-2013 school year to 91 percent in 2016-2017. In 2018, the government will continue to implement the 2016-2025 Education Sector Plan in partnership with the donors, particularly the World Bank, in order to improve the quality of the education system and ensure that the supply of education in Côte d'Ivoire meets the demand.

15. The government is also continuing to implement its National Employment Policy, specifically in the form of self-employment programs and projects and special operations aimed at promoting jobs for young people. In this context, more than 23,000 young people benefited from the "Training, My Passport to Employment" and "Act in Favor of Young People" programs of the Youth Employment Agency (AEJ) in 2017. To promote self-employment, more than 13,000 individual and joint projects were financed with government resources and support from the French Development Agency. To guide young people to salaried employment, pre-employment internships were organized for 1,133 young people, while 409 young people benefited from direct job placements. The government will continue its efforts in order to ensure that the working age population has access to high-quality, better paying jobs that offer social security in the long run.

16. The government is supporting the implementation of projects for the construction of social housing. In 2017, 4,270 social housing units were delivered. As well, the government has adopted a decree setting a ceiling on the unit sales price for economic and social housing, along with a ceiling of 5.5 percent on the interest rate on loans for the purchase of social and economic housing in conjunction with the implementation of a refinancing fund for housing purchase loans by the Housing Mobilization Account (CDMH) in the amount of 2 percent. Moreover, the government continued to develop blueprints for sanitation and drainage in a number of cities in the interior. These measures should accelerate the process for the construction of social and economic housing in the medium term with the aim of providing the Ivoirien population with a decent standard of living.

C. Program Implementation in 2017

17. All of the program performance criteria through end-December 2017 were met. The overall fiscal balance stood at CFAF -998.3 billion as against a target of CFAF -1,052.3 billion. Net domestic financing totaled CFAF 171.1 billion as compared to a program adjusted ceiling of CFAF 201.1 billion, for the margin of CFAF 30.3 billion. The present value of new foreign debt stood at USD 3,038.6 billion against the adjusted ceiling of USD 3,243.5 billion. The zero ceiling on the accumulation of new arrears was also met.

18. All indicative benchmarks were met with the exception of the floor for the basic primary balance. Tax revenues totaled CFAF 3,458.1 billion, exceeding the objective by CFAF 22.6 billion. On the expenditure side, exceptional procedures were kept under control, with expenditures involving such procedures totaling CFAF 161.3 billion as against a ceiling of CFAF 188.8 billion. Expenditure execution was characterized by priority for poverty reduction expenditures in accordance with the government's policies. "Pro-poor" spending totaled

CFAF 2,109.6 billion, as against a target floor of CFAF 2,070.1 billion. Such spending is up 4.7 percent compared with the performance at end-2016. The net reduction in the stock of "payables" stood at CFAF -76.2 billion, as against a floor of CFAF -75 billion. However, the basic primary balance stood at CFAF -281.4 billion, above the target floor of CFAF -274.4 billion, an overrun of CFAF 7 billion resulting from the acceleration of some domestically financed public investments.

19. All of the program structural benchmarks at end-December 2017 were met with the exception of the benchmark for completion of the debt restructuring plan for the SIR:

- In the area of tax policy and administration, the government did not renew the temporary exemptions that expired in December 2017, with the exception of those relating to grants and the social sectors (education and health).
- The 2018 Budget Law included an increase in excise taxes on beverages of 2 percent.
- Continued application of the automatic retail fuel price-setting mechanism protected revenues from taxes on fuel at the minimum level included in the Supplementary Budget.
- The summary debt service table for public enterprises in the previous quarter was produced at end-2017.
- The PPP database (key projects) was developed.
- The government adopted a protocol for handling cross debts and claims between the government and PETROCI on December 24, 2017 in the Council of Ministers.
- The process for the restructuring of the debt of the SIR was disrupted by a legal disagreement between the government and the operator selected to raise the funds.

20. Other significant reforms were also implemented, including the improvement of the collection of taxes, modernization of public finance management, better management of fiscal risks, and the improvement of the business environment.

Tax Policy and Administration:

- Online filing and payment of taxes was expanded to all enterprises with a turnover of at least CFAF 200 million as from January 23, 2017.
- The project for the payment of property taxes and the global tax for small taxpayers (*impôt synthétique*) by mobile telephone was completed and such payments have been effective for all economic agents since February 2018.
- The measure to combat undercapitalization by increasing the conditions for the deductibility of interest paid by Ivoirien enterprises to connected persons when these persons are established outside Côte d'Ivoire was adjusted.
- The measure to combat the erosion of the tax base and profit-shifting was strengthened by: (i) expanding the concept of tax haven and non-cooperative territory; (ii) introducing

country-by-country reporting; (iii) strengthening the measure to combat undercapitalization; and (iv) extending the time allowed for tax audits when they relate to intragroup international transactions (transfer pricing);

- Auditing of the financial statements by external auditors has been made mandatory for economic agents not subject to the statutory auditor requirement.
- The Risk Analysis Directorate is operational and has adopted an audit program that incorporates the qualitative risk analysis results for the first time.
- Two new medium-sized taxpayer centers (CMEs) have become fully operational (bringing the number of such centers to four) and aim to improve the monitoring of taxpayers with a turnover of between CFAF 200 million and CFAF 3 billion.
- Auditing has been decentralized with the assignment of greater responsibility to the Large Taxpayer Directorate, the Medium-Sized Taxpayer Directorate, the Regional Directorates and the Tax Audit Directorate in the areas of portfolio management and auditing.
- A partnership has been signed with the Côte d'Ivoire Post Office, which is now responsible for publishing and distributing the property tax notices.
- A cooperation agreement has been signed with the Ivoirien Electricity Company (CIE) to use the data from electricity billing in the context of the expansion of the property tax base and implementation of Decree No. 2018-151 of the Council of Ministers of February 14, 2018.
- Prior delays in the input of the financial statements were made up with the implementation of a special input operation aimed at improving the enterprise databases for purposes of analysis and crosschecking by the Risk Analysis and Crosschecking Directorate.

Fiscal Policy:

- The computer module for managing cash advances was completed for implementation in 2018 following a pilot phase that is expected to end in June 2018.
- The module for interface between the Integrated Public Finance Management System (SIGFiP) and the Public Accounting System (ASTER), which should ensure better monitoring of fiscal operations and improve management of cash flow, was completed and is being tested.
- The module for preparation of the budget in the context of implementation of the new budget information system for program budgets was completed and is being tested in an operational environment for use in a pilot for preparation of the 2019 budget.
- Public procurement units have been established in all ministries.
- The accessibility of the Integrated Public Procurement System (SIGMAP) was improved with the implementation of a web version.

- Public procurement plans were consolidated on a dedicated platform to improve the process of monitoring public procurement and reporting, with an emphasis on access of SMEs to public procurement.
- The 2014–16 public finance management reform plan was evaluated and showed a rate of execution of the reforms of 64.5 percent.
- The Integrated Programming Analysis and Monitoring-Evaluation System for public investment programs and projects (SINAPSE), which is the main public investment programming tool, was decentralized to the ministries and institutions with a view to automation of part of the process, better collection of data on projects, and enhancement of internal coordination of the PIP process within the technical ministries.
- In accordance with the recommendations of the Public Investment Management Assessment (PIMA), the current version of the 2018–20 PIP includes data on PPP projects under way in the area of infrastructure. These projects include: (i) the creation of the Waste Landfill and Recovery Center; (ii) the refurbishment of Towers A and B in the Administrative District; (iii) construction of Tower F in the Administrative District; (iii) the development and operation of the container terminal in the port of San Pedro; and (iv) the rehabilitation and equipment of eight regional hospital centers and general hospitals. For these projects, financial programming covers government commitments, with the private shares being mentioned only for information purposes.

Fiscal Risk Management:

- The database on PPP projects is available and updated regularly.
- A framework agreement on the transfer of the network of PETROCI service stations to Puma Energy was signed on January 10, 2018.
- The plan to recapitalize and restructure the CNCE is being implemented.
- The public enterprise debt database has been consolidated; a summary table of debt service by said enterprises is produced each quarter.

Electricity Sector:

- In accordance with its commitment, the government paid all arrears owed by the central government in the amount of CFAF 11.2 billion in 2017, including the payment of CFAF 5 billion in advance of the established payment schedule.
- The government settled the arrears of government agencies by means of a securitization operation.
- All current invoices validated in 2017 were paid, reflecting the intent to regularly pay electricity bills in order not to build up new payment arrears.
- The government also worked toward the signing of a protocol with some government enterprises and the Ivoirien Electricity Company to process arrears owed to the electricity sector.

Business Environment:

- The Information and Credit Office (BIC) is operational, having achieved the minimum threshold set by Doing Business for borrowers equivalent to 5 percent of the adult population in Côte d'Ivoire.
- Land transfer fees on transfers of properties were reduced by 0.50 percent by the Decree amending Article 134 of Decree 2013-279 of April 24, 2013 adopted by the Council of Ministers on November 22, 2017.

Box 1. Côte d'Ivoire: Status of the Implementation of Electronic Filing and Payment Procedures

As part of the automation of tax filing and payment procedures, the government on January 23, 2017 implemented an IT solution allowing economic agents to meet their tax obligations online. This reform follows the single tax return form, which already reduced the number of procedures for the payment of taxes from 63 to 24. It was developed around a concept of customer satisfaction to offer economic agents the ability to conduct all operations with the tax administration online, particularly filing, payment, archiving and documentary requests. The implementation of "e-impôts" makes Côte d'Ivoire the first country in the WAEMU and CAEMC zones to automate tax payments.

At end-February 2018, the key results achieved in the use of the platform can be summarized as follows:

- A participation rate of 59.3 percent of the target clientele consisting of enterprises with a turnover exceeding CFAF 200 million.
- 32.7 percent of taxes paid between January 2017 and January 2018 were paid through the platform.
- Economic agents used online transfers at a rate of 50.6 percent and deductions at a rate of 49.4 percent.

The government strengthened the platform and expanded use of the portal to all enterprises in the first quarter of 2018. All enterprises operating in Côte d'Ivoire can now file their returns and pay their taxes online. Use of the platform for tax returns and payments has been mandatory for enterprises falling under the Medium-Sized Taxpayer Directorate and Large Taxpayer Directorate since the beginning of April 2018.

Moreover, the government has developed a mobile platform in liaison with mobile telephone operators active in Côte d'Ivoire to offer taxpayers, particularly those subject to the global tax and property tax, the ability to pay their taxes by mobile telephone (DGI Mobile). Overall, the automation of tax management should make tax transactions easier for taxpayers and ensure better traceability of such transactions and a greater analysis capacity to improve tax collection and controls.

Finally, this reform should help to improve the business environment in Côte d'Ivoire and, in the long run, its Doing Business ranking.

ECONOMIC AND FINANCIAL PROGRAM FOR 2018 AND THE MEDIUM TERM

A. Program Objectives

21. The 2016–19 Economic and Financial Program supports the 2016–20 National Development Plan (PND), which aims to raise Côte d'Ivoire to emerging country status and to substantially the reduce poverty rate by 2020. To this end it focuses on the following areas:

- consolidation of the macroeconomic framework and the fiscal space available to the government, particularly by increasing tax revenues, streamlining public expenditures and controlling public debt;
- strengthening of fiscal consolidation and the management of public enterprises;
- improvement of the business environment and the development of the private sector;
- continued consolidation and development of the financial sector; and
- improvement of statistics.

22. Successful implementation of the Economic and Financial Program should make it possible to protect the internal and external balances. The fiscal deficit, which is projected at 3.75 percent of GDP for 2018, should be brought down to 3 percent of GDP in 2019. Inflation should remain below 3 percent in line with the community standard. The current account deficit should be contained at less than 3 percent of GDP over the period 2018–19 and the overall external balance should record a surplus starting in 2018.

B. Macroeconomic Framework

23. Implementation of the 2016–20 PND should deliver an average annual growth of 7.9 percent over the period 2018–19. It will be driven primarily by the secondary and tertiary sectors, which should record annual average growth rates of approximately 9.5 percent and 9.4 percent, respectively. The primary sector is expected to grow 3.4 percent on average owing to the impact of the National Agricultural Investment Program (PNIA). To achieve these objectives, the investment rate should increase from 22.4 percent of GDP in 2018 to 24.1 percent in 2019. Private investment is expected to rise to 17.5 percent in 2019, in line with increased recourse to PPP projects, the steady improvement in the business environment, and the development of the financial sector. Inflation is projected at 1.6 percent over the period 2018-2019, below the community standard.

24. The money supply should grow by 14.6 percent in 2018 as against 19.7 percent in 2017. This increase is expected to result from a rise in domestic credit owing to the buoyancy of private sector activity and a rise in net foreign assets resulting from the issuance of Eurobonds during the first quarter of 2018. The level of reserves in months of imports should remain above 4 months in 2018.

C. Fiscal Policy

25. Over the period 2018-2019, the government is committed to conducting a fiscal policy that focuses on a gradual reduction of the budget deficit, while ensuring the financing of basic socioeconomic infrastructure. The fiscal deficit should be reduced to 3.75 percent of GDP in 2018 and 3 percent of GDP in 2019. To this end, prioritization should make it possible to respond efficiently to socioeconomic infrastructure needs and to increase expenditures that contribute to the reduction of poverty, in line with the objectives of the PND, while maintaining the country's internal and external balances.

26. To achieve these objectives, the government is pursuing its policy of curtailing expenditures. To this end:

- Notwithstanding the agreements signed with the social partners, particularly the commitments taken by the government in 2009, the strategy to control the wage bill adopted in 2014 will be pursued to bring the ratio of the wage bill to tax revenues to 35 percent in 2022. Projections made on the basis of the assumptions will be regularly updated. In the area of recruitment, the policy to hire one employee for every two career employees who leave should continue, while at the same time giving priority to the education/training and health sectors, which will not be covered by this policy owing to their strategic role in development. Other streamlining and efficiency measures will be implemented in these social sectors, such as the introduction of training in two fields for secondary school teachers and the replacement of regular teachers, who represent a greater burden for the wage bill, by assistant teachers, with emphasis on the duration of training, which is increasing from two years to three years. Moreover, to reduce civil service staffing levels, a program has been implemented to prepare inventories of jobs and skills starting in 2018 and should in the long run lead to the development of job profiles to ensure the efficient use of staff resources. The gradual reduction in the ratio of the wage bill to tax revenues from 46 percent in 2014 and 41.5 percent in 2017, should continue with a view to meeting the community standard of 35 percent by 2022.
- Alongside, utility expenditures will be controlled owing to the strengthening of audit operations by the dedicated audit team;
- Recourse to exceptional procedures will continue to be strictly controlled. In particular, the measures in effect concerning cash advances will be maintained to ensure compliance with Order No. 178/MEF/CAB-01/20 of March 13, 2009 on advances. As well, the management of advances will be improved with the implementation of the IT module developed in SIGFiP to ensure better control;
- The government will continue to give preference to key public investment expenditures, taking account of the maturity of projects and their consistency with the 2016–20 PND. Particular emphasis will be placed on the promotion and increased supervision of PPP projects and implementation of the recommendations made in the context of the technical assistance on the effectiveness of public investments.

27. In accordance with the government's poverty reduction policy objectives, preference will be given to pro-poor spending. Accordingly, pro-poor expenditures in the amount of CFAF 2,290.8 billion are planned for 2018, as compared to CFAF 2,109.6 billion in 2017, or an 8.5 percent increase. This spending will primarily target the education and health sectors, rural electrification, village water supplies and formal job creation to meet the basic needs of the poorest segments of the population. As well, the government plans to continue its efforts in the area of free education through implementation of the law on mandatory schooling. Moreover, it has established productive social safety nets for poor households. Thus, 35,000 households will receive a lump sum of CFAF 36,000 quarterly for three years. They will also receive support in carrying out income-generating activities in agriculture and livestock.

28. Despite the changes made to the 2018 annex on tax measures (*annexe fiscale*), the efforts made by the government should make it possible to bring the tax ratio to 15.6 percent of GDP in 2018. The government has introduced a tax on cashew nuts and has enhanced the operational measures in effect to close the tax gap resulting from the cancellation and amendment of some measures in the tax annex. The tax annex has introduced a single export duty on cashew nuts equivalent to 10 percent of the c.i.f. price, bringing total taxation of the sector to 11.7 percent of the c.i.f. price. Moreover, in response to the adjustment of resources resulting from the revision of the tax annex, the government has reduced expenditures by adjusting investment appropriations in some sectors (other than pro-poor appropriations), taking account of the previous performance of allocations to these sectors.

Box 2. Côte d'Ivoire: Tax Collection Efforts

To increase tax revenues while still complying with the community standards the government has adopted a number of tax measures in the 2018 Budget Law that are in line with its commitments under the Economic and Financial Program. These measures, which have been approved by the National Assembly, are aimed at enlarging the tax base by expanding the scope of taxation through new measures and the amendment of existing measures. These measures are also aimed at adjusting the taxation of SMEs, particularly by simplifying the calculation methods and reforming the tax thresholds. There having been difficulties with the application of these measures owing to the position of the private sector, which has challenged the tax increases. The social impact of the resulting crisis and the need to maintain a climate of confidence with the private sector led the government to revise the tax annex by introducing necessary adjustments to provisions requiring further evaluation with the private sector. In this regard, for instance, the scope of the tax on logs has been revised to target trees felled rather than companies' turnover, the excise duties have been increased by 1 point rather than 3 points for tobacco, and by 2 points rather than 10 points for alcoholic and nonalcoholic beverages.

Box 2. Côte d'Ivoire: Tax Collection Efforts (concluded)

In the framework of these adjustments, and bearing in mind the budget balance and the buoyancy of the cashew nut sector, the government introduced a single exit duty on cashew nuts equivalent to 10 percent of the c.i.f. price. The government has also implemented important administrative reforms to improve the efficiency of the tax services and increase the tax collection capacity. The combination of these tax policy and administration measures has made it possible to close the gap resulting from the changes to the tax annex. The efforts to improve the efficiency of the tax services include, in particular: (i) the strengthening of tax audits, with the 2018 audit program being based on risk analysis for 50 percent of the enterprises to be audited; (ii) entry into operation of the directorate responsible for risk analyses and tax investigations; (iii) implementation of mandatory online tax filing and payment for all enterprises with a turnover exceeding CFAF 200 million starting in April 2018; (iv) full-year implementation of two new Medium-Sized Taxpayer Centers (CME), which will help to reduce the non-filer rate to between 3 percent and 5 percent, as was achieved by the two previous CMEs; (v) introduction of auditing of the financial statements of enterprises, with the first audited financial statements to be deposited as of April 2018; and (vi) crosschecking of Treasury expenditure payment records against the tax status of enterprises and cross-analysis of tax return data with customs data. All of these measures should help to mobilize additional tax revenues in the amount of 0.1 percent of GDP.

29. The government will continue its efforts to improve the collection of domestic taxes and taxes on imports and exports. To this end the Council of Ministers will adopt a new Investment Code in 2018 that will take account of the need to increase tax revenues and will also include sectoral development strategies and strategies to attract private investment. The government intends to continue its work on the tax reform to simplify taxation, particularly for SMEs, and to expand the tax base. In this context, emphasis will be placed on coordination with members of the private sector in order to facilitate an understanding of the reforms. Accordingly, a tax reform committee that includes the private sector was established on February 13, 2018 by Prime Ministerial Order No. 088/PM/CAB. In addition to defining optimum taxation for SMEs, simplifying some procedures and some taxes, strengthening the IT arrangements and improving tax audit performance, the government's priorities for increasing tax revenues focus on three major areas: (i) improving VAT receipts; (ii) improving the collection of property taxes; and (iii) bringing more informal activities into the formal sector to expand the tax base. The government will benefit from technical assistance from the IMF to study the methods of implementing proposals in these three areas. In particular, to increase VAT receipts, the government plans to introduce electronic cash registers to better monitor the sales figures of economic agents.

30. The government will continue gradually improving the collection of domestic taxes and taxes on imports and exports over the medium term. The government plans to implement tax policy and administration measures in the 2019 budget that are aimed at increasing the tax ratio from 15.6 percent in 2018 to 16.1 percent in 2019. To this end it will reintroduce the registration duty on cocoa to mobilize additional resources. In addition, other measures that would result from consultations with the private sector could be envisaged. Alongside, the government will have the Council of

Ministers adopt an action plan in 2018 to optimize tax exemptions based notably on the conclusions of the study on the Investment Code conducted by the firm McKinsey in 2017. The government will also ensure implementation of the provisions on the auditing of financial statements. Moreover, it will monitor and evaluate the performance of the CMEs established in the context of the segmentation policy. Alongside, the efforts to combat fraud will be stepped up by adding staff in the risk analysis function and improving the training of officials in the Risk Analysis, Cross-Checking and Investigations Directorate (DERAR). The government will also continue its efforts to reduce the risk of fraud in the area of import and export taxes by, on the one hand, better monitoring goods in transit and, on the other, deploying a second scanner on the north border and increasing the presence of customs officials along the entire western border to better combat smuggling.

31. The government will complete the processing of outstanding liabilities and pending contracts. The government has adopted the conclusions of the audit of liabilities, the final validated amount of which is CFAF 291 billion. It will sign a memorandum of understanding with the economic agents concerned to spread out the payments on the basis of its financial capacity and the need to respect the target set for the fiscal balance. As for the pending contracts from the period 1993–2000, the government will proceed to clear them from its portfolio.

32. The government intends to continue its fiscal consolidation efforts to bring the budget deficit in line with the community standard of 3 percent in 2019. To this end, revenue collection efforts will continue on the basis of a combination of tax policy and administration measures. On the expenditure side, the government will continue to streamline operating expenditures in order to open up fiscal space for public investment, particularly in the growth sectors. As well, particular attention will be paid to expenditures in the social sectors to consolidate the poverty reduction momentum.

D. Debt Policy and Strategy

33. The most recent debt sustainability analysis indicates that Côte d'Ivoire is still classified as having a moderate risk of debt distress. The analysis shows that Côte d'Ivoire remains vulnerable to adverse macroeconomic shocks, particularly those related to exports and the growth rate, and underscores the need to avoid a further concentration of maturities in the mid-2020s.

34. The debt policy in the 2018–19 program aims to finance investment needs related to implementation of the 2016–20 PND while ensuring debt sustainability. In this context, the ratio of the present value of the public debt to GDP will be contained to minimize the risk of debt distress. For 2018, in accordance with the new IMF policy on debt limits, the government intends to contract new external loans up to a limit of US$4,472.9 million in present value terms. This amount includes the €1.7 billion Eurobond issued on the international market in March 2018. This Eurobond issue responds to the objectives of diversification of the sources of government financing and active public debt management.

35. The 2017–22 Medium-Term Debt Strategy (MTDS) relies heavily on accessing the sub-regional market, while obtaining external financing at the lowest possible cost. In this context, it will focus on expanding and diversifying the base of national and regional creditors, particularly by working with regional institutions to develop the secondary bond market. External financing will reach up to 30 percent with preference given to prudent access to semi-concessional windows. The borrowing plan developed in the context of this strategy aims to avoid excessive concentration of maturities and to minimize exchange risk by the issuance of securities on the international market in euros. Finally, the non-accumulation of new external and domestic arrears, along with a sound macroeconomic framework, should send positive signals to investors and thus contribute to a substantial reduction in debt costs. These achievements should ensure that Côte d'Ivoire maintains a moderate risk of indebtedness.

36. The government will continue to strengthen public debt management in compliance with international requirements and the WAEMU community standards. To provide Côte d'Ivoire with a modern, harmonized legal framework that incorporates best international practices, the government will finalize the legislation on the legal framework for the debt and the procedures of the National Public Debt Committee (CNDP). Other proposed reforms relating to the legal framework for the debt and the procedures of the CNDP, i.e., the referral to and operation of the CNDP and the approval of loans and issuance of public guarantees. In this context, Decree No. 2017-50 of January 25, 2017 on the powers, organization and operation of the CNDP was adopted on January 25, 2017, making the CNDP operational. As well, the 2016–18 three-year plan to improve the capacity of all staff of the Public Debt Directorate, which is now reorganized into a front office, middle office and back office, will be implemented. It should benefit from technical and financial assistance from the AfDB, IMF and ABEDA. This plan focuses on key areas of training such as risk analysis and management, financial programming, macroeconomic management, the medium-term debt strategy, the debt sustainability analysis and the medium-term expenditure framework, financial analysis, cash flow management, the legal aspects of debt for economists, and the economic aspects of debt for legal experts.

E. Structural Reforms

37. The government will continue to adjust prices in key sectors in line with international price fluctuations, if necessary. Specifically:

- The minimum farm gate prices guaranteed to cocoa and cashew producers are in line with the mechanisms in effect.
- The government is maintaining the automatic retail fuel price-setting mechanism to protect tax revenues.
- The government is continuing its efforts to consolidate the financial stability of the electricity sector. To this end, the entry into operation of the Soubré dam and the combined cycle power stations should help to reduce production costs over the medium and long term. Moreover, the CIE should continue its collection actions in the context of the memoranda of understanding signed on the clearance of payment arrears owed the sector. The government will also take all necessary measures to protect the financial stability of the sector.

Public Finance Management

38. The government will continue to implement the fiscal reforms in its efforts to modernize public finance management. In this context, it plans to finalize the last regulations implementing the framework laws on the harmonized public finance management framework in 2018. These include the draft decrees on: (i) fiscal and financial control; (ii) the program management charter; and (iii) stock accounting. To transition toward program budgeting, the government will complete the design of the Budgetary Information System (SIB), the main modules of which should be available in 2018. Moreover, to integrate payments in the expenditure cycle IT system, the government will implement the interface module between the Integrated Public Finance Management System (SIGFiP) and the Accounting Management System (ASTER). Moreover, efforts will be made to ensure better linkages between the plans and budget execution tools, particularly the commitment, procurement and cash flow plans.

39. Management of public investments will be further improved. The PIP is now prepared on the basis of the decentralized Integrated Analysis, Programming and Monitoring-Evaluation System (SYNAPSE). Technical work is under way to assess the conditions for effective interconnection of this tool with SIGFiP and the identification of the flows of data to be exchanged and their frequency. As well, the integrated approach between the units responsible for the PIP and those responsible for the budget will continue to be used for preparation of the PIP and the budget. This approach involves the establishment of collegial teams that will organize PIP and budgetary conferences, allowing for an optimal sharing of information on projects and the budget and ensuring a strong alignment between the PIP and the budget. Moreover, the government plans to implement some of the recommendations of the PIMA mission, particularly the preparation of a procedures manual for preparation of the PIP and its publication; assessment of recurrent charges and their consideration in the selection of investment projects; and the introduction of physical monitoring of investment projects.

40. The government will continue to improve the public procurement system. To this end it will in 2018 complete phase 1 of the computerization of public procurement by making the "e-contract," "e-learning," and "decision-making" modules operational. The government will also improve the capacity of those involved through information and training sessions to provide information on the new simplified public procurement procedures. Moreover, the connection of national public establishments (EPNs) and government corporations (SODE) to SIGMAP via the Internet is also planned for 2018. Finally, the 30 public procurement units in the various ministries should all be operational in 2018.

41. The government will strengthen the monitoring of fiscal risks related in particular to the debt of the public enterprise and the implementation of PPP projects.

- The government will continue to improve the database on public enterprises as information becomes available on the debt service of these enterprises, particularly through the regular updating and transmission of data to the Public Debt and Grants Directorate for inclusion in the Debt Analysis and Management System (SYGADE). It will also continue to produce the quarterly summary report on debt service by public enterprises and will continue its efforts to increase their awareness of the need to produce data. These data will be available in real time through an interconnection between the Public Enterprise Management and Information

System (SIGEP) and SYGADE in 2019. Moreover, the government will continue to monitor implementation of the order on the borrowing conditions of enterprises in the government's portfolio. It will also continue to present the annual reports on the economic and financial status of public enterprises to the Council of Ministers and to annex these reports to the draft budget law. Alongside, the government will deploy performance contracts with seven additional public enterprises to bring the total number under such contracts to 14. These contracts will contain predefined performance indicators that will be monitored by the portfolio managers. This measure will be supported by the enhancement of the system for the systematic transmission of the minutes of the meetings of the boards of directors of public enterprises.

- On recourse to public-private partnerships, in accordance with the recommendations of the PIMA, the institutional arrangements and connection between the various public investment budgeting and programming tools should be improved. To this end, no new PPP project should benefit from a direct debt guarantee from the government. PPP projects will be included in the Public Investment Program (PIP) starting in 2019. As well, to improve the information on the PPPs, a comprehensive review of PPP projects has been under way since January 2018 in all ministries with a view to reducing or resizing the PPP portfolio. Moreover, the conclusions of the audit report of the World Bank mission conducted by the Canadian firm CPCS on the assessment of fiscal risks related to PPPs should be available in the first half of 2018. They should make it possible to enter data into the database on budgetary commitments and income guarantees for all PPPs under way and those for which agreements have been signed.

42. The government plans to continue implementation of the government divestment plan. The portfolio of the government of Côte d'Ivoire consisted of 82 enterprises, including 27 government corporations and 55 corporations in which the government had a financial holding. In 2017, the number of companies to be privatized was increased to 20, as against 15 initially. The privatization process has been completed for 10 companies and is to continue for 7 others. The process for the remaining 3 companies has been suspended owing to legal disputes.

43. The government will continue the actions undertaken to improve cash flow management, particularly the pilot phase of the Single Treasury Account (CUT) In February 2018, 6,665 public accounts were identified, including 2,482 in commercial banks, 3,920 at the ACCD and 263 at the BCEAO. The procedure to close the accounts, which was begun in 2017, should be stepped up in 2018 with the planned general deployment of the pilot phase. Moreover, the startup of the revenue component of the CUT should extend to all accounting units in the General Directorate of Taxation, the General Treasuries, the District and Regional Pay Offices, and the Main Treasuries in the Public Treasury network. The pilot phase for the CUT expenditure component started up in December 2017 and should be extended to all accounting units responsible for expenditures in 2018. Training is planned for all users for deployment of the SyGACUT.

44. The government will continue the work to prepare the fiscal reporting table (TOFE) in accordance with the 2001/2014 GFSM. After preparation of the minimum framework in accordance with the 2001 GFSM, which covered the financial operations of the budgetary central government, the work made it possible to expand coverage to the pension funds in 2016. This allowed updating the IMF GFS (Government Financial Statistics) database for the years 2015 and 2016. As well, the financial operations of EPNs have been codified in accordance with the 2001 GFSM. For 2018, gradual integration of the data transmitted by the EPNs in the 2001 format is planned.

Public Sector

45. The restructuring of enterprises in the energy sector should be completed in 2018:

- Implementation of the strategic restructuring plan for PETROCI has resulted in consolidation of its financial position, with the result that it recorded a net surplus of CFAF 6.3 billion in 2017 as against CFAF 5.4 billion in 2016. This positive trajectory results mainly from the implementation of the restructuring plan, which led to a refocusing on its production and operation activities, including the resumption of drilling and the sale of the logistics base and activities of the network of service stations, which is being finalized. The outlook for 2018 should be favorable with a net surplus above that achieved in 2017.

- The operating income of the national oil refinery (SIR) has improved as a result of strong sales on the local and sub-regional markets. In 2017, the SIR is expected to achieve financial equilibrium and should even record a profit after a negative result in 2016. This improvement results from the implementation of the business model and application of the recommendations of the KPMG audit, particularly in the form of the productivity gains achieved. However, this operational performance is undermined by the weight of its debt. Plans for fundraising intended to clear this debt have been prepared, and it is anticipated that the resources will be available at end-August 2018. These measures should contribute to the achievement of financial stability in the medium term.

46. The measures implemented in the electricity sector should result in the consolidation of the financial stability of the sector, a further increase in the electricity supply, and clearance of the arrears of independent power producers (IPP) and gas producers.

- In 2017 the sector recorded an operating surplus of CFAF 1,735 billion for the second consecutive year. Cash flow has remained positive despite the cyclical decline in demand and the payment delays recorded. This consolidation is attributable in particular to the adjustment of the electricity rates, the significant reduction in recourse to heavy vacuum oil (HVO), the application of new export tariffs, the startup of the Soubré dam, the improvement of overall yields, which increased from 80.36 percent in 2016 to 81.8 percent in 2017, and the partial collection of export receivables.
- The signing of a memorandum of understanding for the processing of government arrears owed to the electricity sector should further consolidate the financial stability of the sector. The government commitments included in this memorandum have been fully honored to date. To prevent any new arrears to the electricity sector, the government undertakes to include a sufficient allocation in the budget for the regular payment of validated invoices.

- Implementation of the memoranda of understanding signed between the sector and the EPNs for the clearance of arrears has begun. Efforts will be ongoing to clear liabilities and ensure the regular payment of the invoices of EPNs, government corporations and the central government.
- For the arrears of the IPPs and gas producers, the electricity sector plans to raise medium- or long-term financing with a partial guarantee from MIGA (part of the World Bank Group). This financing will make it possible to clear bank loans and gradually reduce the arrears of the IPPs and gas producers.
- For the period 2018–20, the government plans to accelerate implementation of the hydroelectric projects under way as well as projects aimed at improving the electricity distribution network. The aim is to increase production capacity by 4,000 MW by 2020 in order to support the growth momentum and respond to domestic and external demand. The government plans to implement a number of projects including: (i) the construction of two hydroelectric dams (Singrobo, Gribopopoli); (ii) improvements in the thermal production capacity with the entry into operation of new thermal power plants (Azito and Ciprel); (iii) the construction of a coal plant with a capacity of 700 MW; (iv) completion of projects in the area of renewable energies for capacity of over 200 MW; and (v) implementation of the natural gas supply project, for which the feasibility study is expected to be completed in the second half of 2018. Moreover, it plans to implement solar and biomass projects and in this connection a call for expressions of interest has been launched for the construction of three plants (two biomass plants and one solar energy plant) with a total capacity of 70 MW.

47. Implementation of the strategic plans of the public enterprises in the transport sector should allow for a return to financial stability in the medium term.

- Air Côte d'Ivoire intends to intensify the development of its air traffic and to strengthen its fleet over the 2018–20 period as outlined in its business plan. This plan calls for an annual average increase in air traffic of 5.7 percent through 2034. As well, the company plans to continue to upgrade its fleet and its operational personnel. To this end, its capital is to be increased gradually until 2019 to support the company's medium-term development strategy. These steps should ensure an increase in its turnover and financial profitability over the medium term. Moreover, to ensure better monitoring of the financial position of Air Côte d'Ivoire, the production of a half yearly report for the Minister responsible for the Budget will continue.
- In accordance with its business plan for the period 2017–20, SOTRA will improve its fleet by purchasing 500 new buses each year until 2020. For 2018, a commercial agreement has been signed with a group for the purchase of those buses. SOTRA also plans to put in place a new ticketing system and to increase its fleet of shuttle boats. It also plans to recruit and gradually bring down the average age of its personnel to offset the plan for the purchase of the buses and retirements. All of these initiatives should combine to achieve the objective of covering 50 percent of the mobility needs of the Abidjan population and achieving financial stability starting in 2019.

Improvement of the Business Environment and Development of the Private Sector

48. The government plans to ensure that the private sector plays a major role in the implementation of the PND, particularly through PPPs. The most recent World Bank Doing Business reports indicate that Côte d'Ivoire has made progress with its business environment. However, work is still needed to further improve its performance and to allow the private sector to fully play its role as engine of growth. It will continue the reforms to improve its standing vis-à-vis the more attractive economies. In this context the government plans to:

- Strengthen its partnership with the private sector. In this connection, several meetings to discuss and promote investments in Côte d'Ivoire are to be held in the context of the Africa CEO Forum as part of the G20's Compact for Africa. As well, the successful implementation of the Public-Private Coordination Framework should lead to specific actions to ensure the growth, competitiveness and development of the private sector for the better integration of the Ivoirien economy in the sub-region and the world.
- Continue to improve governance and efforts to combat corruption, particularly through awareness-raising campaigns with the general public, the introduction of training modules on fighting corruption and similar offenses in school programs, and the establishment of the financial crimes unit, which will be responsible specifically for combating corruption, money laundering and financial crimes. A Coordination Committee has been established to coordinate and conduct the National Risk Assessment (NRA) and prepare the national AML/CFT strategy with a view to Côte d'Ivoire's assessment by the Intergovernmental Anti-Money Laundering Group in West Africa (GIABA) in 2021. The government is counting on technical assistance from the partners to enable it to present the preliminary work by end-2020. Moreover, the operation of Côte d'Ivoire's financial intelligence unit—the National Financial Information Processing Unit (CENTIF)—should be optimized by means of technical capacity building for the financial investigators.

49. The government will complete implementation of the second-generation reforms to consolidate its achievements in the Doing Business reform and to continue to improve the business environment (Box 2). These reforms concern, in particular, the computerization of administrative acts and services, the reduction of their cost, and the strengthening of the legal framework.

Box 3. Côte d'Ivoire: Reforms to Improve the Business Environment in 2018 and 2019

1. **Getting electricity**

- Establish a viable economic model to reduce the initial cost of electricity connections;

2. Establish a virtual window for electricity connections;

3. **Registering property**

- Establish the Geographic Information System (SIG);
- Place real property information online;

4. **Providing services to investors**

- Establish the one-stop portal for investor services;

5. **Dealing with construction permits**

- Establish the virtual one-stop window for construction permits;
- Prepare, adopt and enact the Law on the Construction and Building Code;
- Implement the construction permit management software in the one-stop window for construction permits;

6. **Trading across borders**

- Take all remaining steps to make the one-stop window for external trade and cross border trade fully operational;
- Finish implementation of the trade information web portal;

7. **Enforcing contracts**

- Produce statistics on the judicial activities of the Commercial Tribunal of Abidjan;

8. **Resolving insolvency**

- Hold auctions online.

50. The government plans to attract more investment in the agricultural sector. To this end it plans to strengthen regulations on the marketing of agricultural products, crop pest and disease control, and producer associations on the basis, in particular, of the recommendations of the recent World Bank report entitled "Enabling the Business of Agriculture."

Development of the Financial Sector and Financial Inclusion

51. Efforts to reduce vulnerabilities in the financial sector will continue. The five banks representing less than 5 percent of the assets of the sector that remain in violation of the regulation on the minimum capital of banks at end-December 2017 should comply with this regulation by June 30, 2018 at the risk of having their license withdrawn. An injunction has been issued to banks with a structural liquidity deficit requiring them to prepare a recovery plan to improve their liquidity by end-June 2018. Overall, the application of the Basel 2 and 3 prudential regulations starting in 2018 should contribute to the stability of the banking system, particularly by strengthening the surveillance and market discipline mechanism.

52. The government plans to consolidate and strengthen the microfinance sector. In this context, it will continue the closure of illegal decentralized financial systems (SFDs), strengthen the capacity of participants in the sector and raise awareness on the importance of associations. Discussions are under way with the technical and financial partners, including the AFD, for the establishment of an SFD refinancing fund. The financial position of UNACOOPEC has improved since it was placed under provisional administration in 2013, with a net surplus recorded at end-2017 and a gradual improvement in its cash flow. The main recovery measures involved the compliance and reconfiguration of the network, which was reduced from 133 to 24. CFAF 7 billion should be mobilized for its recapitalization by end-2018 out of a target of CFAF 40 billion for the period 2017 to 2019. To cover the balance, the resource mobilization efforts of the members should continue, along with the sale of assets.

53. The government will continue to resize the portfolio of public banks to consolidate the banking system. To this end, one of the banks has been liquidated and the government's minority holdings in two others have been sold. Another bank in which the government had a majority holding has been privatized, with the option for a minority public holding. Alongside, one bank, the privatization of which was suspended owing to a legal dispute, will be closely monitored to ensure settlement of the dispute and completion of the privatization as quickly as possible. One of the two remaining banks in the portfolio is being recapitalized in accordance with its recapitalization plan, while the other will continue to be strengthened on the basis of its strategic development plan to improve its viability and its compliance with the BCEAO prudential ratios.

54. The government will complete the recapitalization and restructuring of the Caisse Nationale des Caisses d'Epargne (CNCE). The implementation of the restructuring plan led to the lifting of the provisional administration in November 2017. However, the CNCE remains under close scrutiny by the Banking Commission. The establishment of governing bodies should help to accelerate the restructuring plan in 2018, with the improvement in its equity through the injection of CFAF 13 billion by the government (included in the 2018 budget) and the sale of assets in the amount of CFAF 42 billion scheduled to take place by end-June 2018. Expenses will be gradually reduced by the closing of some 40 agencies and implementation of a voluntary early retirement plan for employees. Moreover, the development of the commercial activities and significant improvement in the collection rate for nonperforming loans should help to generate the additional resources needed for a return to financial stability.

55. The government will continue to improve transparency in the financial sector and to promote financial inclusion. The implementation of the Financial Services Quality Observatory should help to: (i) promote the transparency and comparability of financial services; (ii) ensure better handling of the complaints of users of financial services; and (iii) improve financial education. The Financial Inclusion Promotion Unit established in February 2018 will, in accordance with the regional strategy for financial inclusion in the WAEMU, monitor the adoption of specific programs in support of the decentralized financial sector and the design and implementation of action plans for expansion of the use of banking services and better access to financial services, including by means of mobile telephones.

F. Improving the Statistics System

56. The production of statistics and publication of high-quality economic data are essential to ensure that decision-makers, market operators and the general public are well informed. To improve the production of the statistics and make reliable national accounts available in a timely fashion, the government plans, with the support of the technical and financial partners, to:

- continue to implement the statistics blueprint set out in the 2016–20 PND. To this end, the reforms on the institutional and organizational framework of the national statistics system are to be adopted by the government. Moreover, the various ministries concerned will be provided with additional human and material resources so that the production of sectoral statistics can be further refined.
- complete implementation of the Enhanced General Data Dissemination System (e-GDDS) by disseminating the data and indicators on the websites of the Ministry of Economy and Finance and the BCEAO. This measure follows on the publication in 2017 of the National Summary Data Page (NSDP) for Côte d'Ivoire on the website of the Côte d'Ivoire National Statistics Institute (INS) (www.ins.ci).
- continue improving the high frequency indicators for the secondary and tertiary sectors. In this context, the initial refurbished industrial production indices for the years 2015 and 2016 have been calculated. Alongside, production of the business indices is planned for 2018.
- complete the work to change the base year and implement the 2008 SNA. Preparation of the specific nomenclatures for the national accounts and the collection and input of the 2015 basic data have been completed. The government has also authorized financing for the project for the period 2017–19.

57. The government plans to further improve the macroeconomic framework. It has benefited from the recommendations of the IMF's Institute for Capacity Development. It will make the necessary arrangements for the establishment of an institutional framework to strengthen the forecasting and economic and financial programming exercise.

58. The dissemination of the Quarterly National Accounts (QNA) resumed in November 2017 with the publication of the QNA for the second quarter of 2017. The work to refine the QNA is continuing in the form of capacity-building for the INS officials responsible for these accounts, with assistance from AFRITAC West. This capacity-building should ensure the publication of the QNA within 90 days of the end of the quarter. The QNA for the last two quarters of 2017 have been available since March 30, 2018.

G. Program Financing and Monitoring

- **The program financing requirements will be covered.** For 2018 the budget financing needs will be covered mainly by recourse to the sub-regional and international financial and money markets, particularly through the issuance of Eurobonds, and assistance from the International Monetary Fund and other financial partners. The government will pursue its efforts to develop the sub-regional public debt market. Primary dealers participating in the issuance of public securities and placement of Treasury bills will ensure the liquidity of the WAEMU secondary market for government securities

- **The program will continue to be monitored on a half-yearly basis by the IMF Executive Board on the basis of the quantitative indicators and criteria and structural benchmarks (Tables 1 and 2).** These criteria and indicators are defined in the attached Technical Memorandum of Understanding (TMU), which provides a summary of the assumptions underlying the projections and the basis for evaluating performance in specific areas. The fourth half-yearly review will be based on data and performance criteria at end-June 2018 and should be completed after October 15, 2018. The fifth half-yearly review will be based on data and performance criteria at end-December 2018 and should be completed after April 15, 2019. To this end, the government undertakes, in particular:
- to refrain from accumulating any new domestic payment arrears; providing any form of advance against revenue; or contracting nonconcessional external loans other than those specified in the TMU;
- to issue public securities only by auctions through the BCEAO or any other form of competitive bidding on the local financial market and the WAEMU market, and to consult with IMF staff regarding any new financing;
- to refrain from introducing or tightening restrictions on payments and transfers relating to current international transactions, introducing multiple currency practices, entering into bilateral payments arrangements not in accordance with Article VIII of the IMF Articles of Agreement, or imposing or tightening restrictions on imports for balance of payments reasons; and
- to adopt further financial or structural measures that may prove necessary for the success of its policies, in consultation with the IMF.

Table 1. Côte d'Ivoire: Performance Criteria (PC) and Indicative Targets (IT), ECF/EFF 2017–18 [1/]

(Billions of CFA francs, unless otherwise indicated)

	2017				2018						
	December				March	June		September		December	
	PC	Adj. PC	Prel.	Status	IT	PC	Rev. PC	IT	Rev. IT	IT	New PC
A. Performance criteria											
Floor on the overall fiscal balance (incl. grants)	-1,052.0		-998.3	MET	-171.2	-358.8		-661.5	-659.1	-954.8	-954.3
Ceiling on net domestic financing (incl. WAEMU paper)	179.7	201.4	171.1	MET	167.1	379.5		410.2	-593.1	640.6	-424.2
Ceiling on the present value of new external debt contracted by the central government ($ million)	2,043.5	3,243.5	3,038.6	MET	…	1,839.5	3,972.8	…	…	2,400.0	4,472.9
Ceiling on accumulation of new external arrears by the central government (continuous basis)	0.0		0.0	MET	0.0	0.0		0.0	0.0	0.0	0.0
Ceiling on accumulation of new domestic arrears by the central government (continuous basis)	0.0		0.0	MET	0.0	0.0		0.0	0.0	0.0	0.0
B. Indicative targets											
Floor on government tax revenue	3,435.5		3,458.1	MET	878.8	1,913.6	1,848.2	2,790.5	2,749.7	3,803.2	3,744.3
Ceiling on expenditures by treasury advance	188.8		161.3	MET	39.3	88.7	87.0	139.0	136.9	194.3	198.2
Floor on pro-poor expenditure	2,070.1		2,109.6	MET	411.0	914.9	1,010.1	1,502.3	1,534.9	2,290.8	2,290.8
Floor on net reduction of central government amounts payable (- = reduction)	-75.0		-76.2	MET	-112.2	-131.5	-99.6	-34.3	-79.6	-50.0	-50.0
Floor on primary basic fiscal balance	-274.4		-281.4	NOT MET	44.4	73.0	17.5	-2.8	-17.5	-28.3	-111.7
Memorandum items:											
Program grants	147.6		150.9		0.0	78.0	78.0	78.0	78.0	156.1	158.7
Program loans	161.7		154.5		0.0	76.0	74.5	76.0	74.5	152.0	149.0
Project grants	195.5		115.2		58.4	92.7	92.7	118.4	118.3	144.3	144.3
Project loans	511.6		485.8		144.2	279.4	225.6	403.6	413.9	620.9	566.8
Budget support from the European Union, World Bank, and African Development Bank	130.7		108.9		0.0	0.0	0.0	81.0	0.0	81.0	81.0
Fuel tax revenues	322.8		352.4		102.9	227.3	224.8	321.0	324.7	415.0	424.9

Sources: Ivoirien authorities; and IMF staff estimates.

1/ Cumulative amount from January 1, 2017 for 2017 targets and from January 1, 2018 for 2018 targets.

Table 2. Côte d'Ivoire: Structural Benchmarks (SB) for 2017–19			
Measures	**Timetable**	**Macroeconomic Rationale**	**Documentation**
Price Adjustment Mechanism			
Apply the retail fuel price mechanism to preserve fuel tax revenue at a level not below the level in the supplementary budget law.[1]	**SB** quarterly **Met at end-December 2017**	Improve budget revenue	Inter-ministerial decree
Adjust electricity rates in accordance with the plan discussed with IMF staff.	**SB** end-July 2017 **Met**	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 at end-December 2017 except for those related to grants and the social sectors (education, health).	**SB** end-December 2017 **Met**	Improve the collection of taxes and fees	2018 draft budget law
Do not renew the temporary exemptions that expire at end-December 2018 except for those related to grants and the social sectors (education, health).	**New proposed SB** for end-December 2018	Improve the collection of taxes and fees	2019 draft budget law
In the Council of Ministers, adopt the upward revision of excise taxes on beverages.	**SB** end-December 2017 **Met**	Improve the collection of taxes and fees	2018 draft budget law
Conduct a study of the investment code	**SB** end-September 2017 **Met**	Optimize tax potential	Study report
Create two new Medium-Sized Taxpayer Centers (CMEs) in Abidjan and reduce the threshold for coverage by the CMEs	**SB** end-June 2017 **Met**	Improve the collection of taxes and fees	Ministerial decree
Prepare action plan to improve tracking of merchandise in transit.	**SB** for end-March 2018 **Met**	Improve collection of customs duties and fees	Action plan
Prepare action plan to rationalize tax exemptions	**SB** end-June 2018 2018	Improve tax collection	Action plan
In the Council of Ministers, adopt the 2019 draft budget law aimed at increasing the ratio of tax revenues to GDP by at least 0.4 percentage point between 2018 and 2019	**New proposed SB** for end-October 2018.	Improve the collection of taxes and fees	2019 draft budget law
Complete the updating of the DGI taxpayer database based on the single tax identification number	**New proposed SB** for end-March 2019	Improve the quality of the database	Implementation report

Table 2. Côte d'Ivoire: Structural Benchmarks (SB) for 2017–19 (concluded)

Public Debt Management			
Strengthen the public enterprise debt database by including debt service for 12 enterprises	**SB** end-June 2017 **Met**	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** quarterly, starting from end-June 2017 **Met at end-December 2017**	Enhance monitoring of debt service by public enterprises	Summary debt service table
Public Enterprises			
Every six months submit a report on the financial situation of Air Côte d'Ivoire	**SB** semi-annual, starting from June 2017. **Met at end-December 2017**	Reduce budget risks	Report submitted to the Minister in charge of the Budget and Government Portfolio
Finalize the SIR debt restructuring plan	**SB** end-December 2017 **Not met**	Reduce budget risks	Debt restructuring agreement
Adoption by the Council of Ministers of a treatment protocol to settle the cross-debt and claims between the government and PETROCI.	**SB** end-December 2017 **Met**	Reduce budget risks	Treatment protocol
Public Finance Management			
Develop the PPP database to include the main PPP projects.	**SB** end-December 2017 **Met**	Reduce budget risks	Database
Financial Sector			
Pay the remainder of government contribution for the recapitalization of the *Caisse Nationale des Caisses d'Epargne* (CNCE).	**SB** end-March 2018	Strengthen the banking system and promote financial inclusion	Budget execution report
Real Sector Statistics			
Start regular publication of the quarterly national accounts	**SB** end-December 2017 **Met**	Support macroeconomic analysis and policy development	Publication by the National Institute of Statistics

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

Attachment II. Technical Memorandum of Understanding

May 25, 2018

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

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

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

QUANTITATIVE INDICATORS

4. **For program monitoring purposes, performance criteria (PCs) and indicative targets (IT) are set for June 30, 2018 and December 31, 2018; the same variables are indicative targets for September 30, 2018**.

- 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, 2018 for the 2018 targets (Table 1 of the Memorandum of Economic and Financial Policies, or MEFP).

A. Government Tax Revenue (IT)

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

B. Pro-poor Expenditures (IT)

7. Pro-poor expenditures are derived from the detailed list of "pro-poor expenditures" in the SIGFIP system (see Table 3).

C. Treasury Advances (IT)

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

D. PRimary Basic Fiscal Balance (IT)

9. The primary basic balance is the difference between the government's total revenue (excluding grants) and total expenditure (including expenditure corresponding to earmarked revenues) plus net lending, excluding interest payments and externally financed capital expenditure. Government expenditures are defined as expenditures for which payment orders have been issued and which have been assumed by the Treasury:

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

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

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

{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 81 billion in 2018 and CFAF 35.9 billion in 2019 (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.

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

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 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 Côte 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 during the period between January 1, 2018 and December 31, 2018. 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

[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.

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 2017 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 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 at end-December 2017 is adjusted upward by the full amount of the Eurobond issued by the government in 2017 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$ 684.07 million, calculated at the January 2018 average exchange rate (US$ 1 = CFAF 537.95).

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 for 2018 plan is summarized in Table 1. In this table, the value in U.S. dollars of the new external debt is calculated on the basis of the average euro-dollar exchange rate of January 2018 (US$1=EUR 0.82) for January – June 2018 and January – December 2018 (see below). The 2017 actual government external borrowing is summarized in Table 2.

Table 1. Summary Table on External Borrowing Program (January-December 2018)
(Millions of US dollars)

	January-June 2018		January-December 2018	
External debt contracted or guaranteed	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	**4,689.1**	**3,972.8**	**5,419.7**	**4,472.9**
Concessional debt 2/	***1,216.9***	***698.2***	***1,747.3***	***1,001.7***
Multilateral debt	1,216.9	698.2	1,747.3	1,001.7
Bilateral debt	0.0	0.0	0.0	0.0
Non-concessional debt	***3,472.2***	***3,274.6***	***3,672.4***	***3,471.2***
Semi-concessional debt 3/	1,399.3	1,201.7	1,517.3	1,316.1
Commercial terms 4/	2,072.9	2,072.9	2,155.1	2,155.1
Uses of debt financing	**4,689.1**	**3,972.8**	**5,419.7**	**4,472.9**
Infrastructure	2,062.5	1,559.8	2,464.3	1,788.9
Social expenditure	520.7	309.8	649.4	384.3
Budget financing	2,072.9	2,072.9	2,072.9	2,072.9
Other	33.0	30.2	233.1	226.8

Source: Ivoirien authorities.

1/ Contracting and guaranteeing of new debt. The present value of debt is calculated using the terms of individual loans and applying the 5 percent program discount rate.

2/ Concessional debt is defined as debt with a grant element that exceeds the minimum threshold of 35 percent.

3/ Debt with a positive grant element which does not meet the minimum grant element.

4/ Debt without a positive grant element. For commercial debt, the present value would be defined as the nominal/face value.

Table 2. Summary Table on External Borrowing Program (January-December 2017) (Millions of US dollars)				
	January-June 2017		January-December 2017	
External debt contracted or guaranteed	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	**2,562.5**	**2,137.8**	**3,797.6**	**3,038.6**
Concessional debt 2/	***642.0***	***362.3***	***1,086.8***	***607.3***
Multilateral debt	619.1	347.5	881.4	503.9
Bilateral debt	22.9	14.8	205.4	103.4
Non-concessional debt	***1,920.5***	***1,775.5***	***2,710.8***	***2,431.3***
Semi-concessional debt 3/	562.1	417.1	1,087.1	807.6
Commercial terms 4/	1,358.4	1,358.4	1,623.7	1,623.7
Uses of debt financing	**2,562.5**	**2,137.8**	**3,797.6**	**3,038.6**
Infrastructure	1,204.1	779.4	1,917.5	1,258.3
Social expenditure	0.0	0.0	279.4	275.7
Budget financing	0.0	0.0	161.3	97.4
Other	1,358.4	1,358.4	1,439.3	1,407.2

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 PC 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 PC 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 of the TMU.

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 3. Côte d'Ivoire: Pro-Poor Spending (incl. Social Spending), 2014–18

(Billions of CFA francs)

	2014	2015	2016	2017 Budget	2018 Budget
Agriculture and rural development	**140.5**	**111.2**	**124.0**	**73.3**	**105.9**
General administration	62.8	47.7	58.6	34.8	55.7
Agriculture promotion and development program	31.1	24.0	24.5	9.0	16.2
Training of supervisory staff	19.2	19.4	10.2	12.2	13.2
Water system works	27.4	9.2	17.1	2.9	7.4
Other investments in the rural area (FRAR, FIMR)	0.0	10.9	13.6	14.5	13.4
Fishing and animal husbandry	**8.9**	**9.8**	**9.1**	**11.9**	**15.7**
General administration	4.9	6.6	5.6	5.8	7.9
Milk production and livestock farming	2.7	2.7	2.3	1.6	1.0
Fishing and aquaculture	1.3	0.5	1.2	4.6	6.8
Education	**818.8**	**991.6**	**1,179.3**	**1,111.7**	**1,263.1**
General administration	23.5	26.2	32.8	35.1	32.9
Pre-schooling and primary education	307.4	399.7	531.1	473.5	540.1
Literacy	0.4	0.3	0.6	0.5	0.5
Secondary education and vocational training	291.8	320.9	359.9	411.6	463.4
University and research	149.2	198.0	211.4	191.1	226.3
Emergency/Presidential program/Education	46.5	46.5	43.5	0.0	…
Health	**228.9**	**279.5**	**330.4**	**379.7**	**356.1**
General administration	121.8	133.4	157.0	164.3	175.5
Primary health system	47.9	62.3	59.5	97.7	88.1
Preventive healthcare (enlarged vaccination program)	1.2	2.9	4.0	2.8	2.0
Disease-fighting programs	1.4	5.3	38.5	20.5	29.2
Infant/mother health and nutrition	0.7	10.7	1.4	11.5	11.3
HIV/Aids	1.6	1.8	3.2	23.0	11.8
Health centers and specialized programs	34.3	43.1	46.9	59.9	38.1
Emergency/Presidential program/Health	20.0	20.0	20.0	0.0	…
Water and De-contamination	**146.6**	**74.8**	**58.6**	**80.3**	**107.0**
Access to drinking water and de-contamination	103.0	32.5	21.6	79.2	96.8
Environmental protection spending	16.6	15.3	7.1	1.2	10.2
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**	**90.1**
Access to electricity	37.1	40.1	32.0	74.8	90.1
Emergency/Presidential program/Electricity	13.5	13.5	13.5	0.0	…
Roads and Art Works	**138.6**	**155.6**	**153.8**	**215.0**	**216.5**
Road maintenance	4.4	7.3	20.1	13.4	6.6
Construction of art works	11.7	12.1	8.2	7.8	0.5
Other road projects	122.5	108.0	100.6	193.8	209.4
Emergency/Presidential program/maintenance and development	0.0	28.2	25.0	0.0	…
Social spending	**25.3**	**28.8**	**38.4**	**36.3**	**40.0**
General administration	19.5	23.1	31.2	27.5	21.9
Training for women	1.1	0.5	1.6	0.7	0.4
Orphanages, day nurseries, and social centers	2.2	2.9	3.1	3.6	3.4
Training of support staff	2.1	1.9	1.8	1.7	1.6
Indigents and victims of war or disaster	0.4	0.3	0.7	2.9	12.6
Decentralization (excl. education, health and agriculture)	**54.9**	**48.0**	**55.1**	**63.3**	**65.7**
Decentralization	54.9	48.0	55.1	63.3	65.7
Reconstruction	**1.5**	**14.2**	**11.3**	**12.8**	**9.6**
Reconstruction and rehabilitation	0.0	0.1	0.0	0.1	0.5
Emergency/Presidential program	1.5	14.1	11.3	12.7	9.2
Other poverty-fighting spending	**8.0**	**3.1**	**9.2**	**10.8**	**21.1**
Promotion and insertion of youth	6.3	1.2	6.6	7.2	18.7
Support and follow-up of DSRP	0.1	0.1	0.1	1.0	1.5
Development of tourism and craftmanship	1.6	1.8	2.5	2.6	0.9
TOTAL	**1,622.4**	**1,770.2**	**2,014.8**	**2,070.1**	**2,290.8**

Source: Ivoirien authorities.

Table 4. Côte d'Ivoire: Document Transmittal for Program Monitoring			
Sector	Type of data	Frequency	Transmittal deadline
Real sector	Cyclical indicators	Monthly	End of month + 45 days
	Provisional national accounts	Annually	End of year + 9 months
	Final national accounts	Variable	60 days after revision
	Disaggregated consumer price indices	Monthly	End of month + 45 days
Energy sector	Crude oil: offtake report	Quarterly	End of quarter + 45 days
	Oil product price structure	Monthly	End of month + 45 days
Public finances	Fiscal reporting table (TOFE)	Monthly	End of month + 45 days
	Budget execution report	Quarterly	End of quarter + 45 days
	Report on the public procurement operations	Quarterly	End of quarter + 45 days
	Estimated tax revenue	Monthly	End of month + 45 days
	Summary statement of VAT credit refunds	Monthly	End of month + 45 days
	Summary statement of tax and customs exemptions	Monthly	End of month + 45 days
	Pro-poor expenditures	Monthly	End of month + 45 days
	Treasury advances	Monthly	End of month + 45 days
	Central government domestic arrears	Monthly	End of month + 45 days
	Consolidated Treasury balances outstanding	Monthly	End of month + 45 days
	Annual cash flow plan	Annually	End of year + 45 days
	Execution of cash flow plan	Quarterly	End of quarter + 45 days
	General balance of the Treasury accounts	Quarterly	End of quarter + 45 days

Table 4. 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 (provisional)	Annually	End of year +9 months
	Provisional balance of payments (final)	Annually	End of year + 12 months
Monetary and financial sectors	Banking system statement	Monthly	End of month + 45 days (preliminary); end of month + 60 days (final)
	BCEAO summary statement	Monthly	End of month + 45 days (preliminary); end of month + 60 days (final)
	Monetary sector statement	Monthly	End of month + 45 days (preliminary); end of month + 60 days (final)
	Government net financial position	Monthly	End of month + 45 days
	Banks's prudential ratios	Monthly	End of month + 45 days
	Financial soundness indicators	Quarterly	End of month + 45 days
	Lending and borrowing interest rates, BCEAO intervention rate and compulsory reserves	Monthly	End of month + 45 days

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION AND THIRD REVIEWS UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY AND EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, AND REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION—INFORMATIONAL ANNEX

June 4, 2018

Prepared By

African Department
(In Consultation with other departments)

CONTENTS

RELATIONS WITH THE FUND

(As of April 30, 2018)

Membership Status: Joined March 11, 1963 — Article VIII

General Resources Account:	**SDR Million**	**%Quota**
Quota	650.40	100.00
Fund holdings of currency (Exchange Rate)	743.36	114.29
Reserve tranche position	82.57	12.70

SDR Department:	**SDR Million**	**% Allocation**
Net cumulative allocation	310.90	100.00
Holdings	253.59	81.56

Outstanding Purchases and Loans	**SDR Million**	**% Quota**
RCF loans	56.91	8.75
ECF Arrangements	649.37	99.84
Extended Arrangements	175.51	26.98

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
EFF	Dec 12, 2016	Dec 11, 2019	433.60	175.51
ECF[1]	Dec 12, 2016	Dec 11, 2019	216.80	87.75
ECF	Nov 04, 2011	Dec. 31, 2015	520.32	520.32

[1] Formerly PRGF.

Overdue Obligations and Projected Payments to Fund[2]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	2018	2019	2020	2021	2022
Principal	81.95	113.17	112.84	133.44	118.42
Charges/Interest	2.80	3.82	3.82	3.79	3.49
Total	84.75	116.99	116.67	137.24	121.91

[2] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative:

	Original Framework	Enhanced Framework	Total
I. Commitment of HIPC assistance			
Decision point date	Mar 1998	April 2009	
Assistance committed			
by all creditors (US$ Million)[3]	345.00	3,109.58	
of which: IMF assistance (US$ Million)	22.50	38.66	
(SDR equivalent in millions)	16.70	25.85	
Completion point date:	--	June 2012	
II. Disbursement of IMF assistance (SDR Million)			
Assistance disbursed to the member	--	25.85	25.85
Interim assistance	--	15.13	15.13
Completion point balance	--	10.72	10.72
Additional disbursement of interest income[4]	--	0.57	0.57
Total disbursements	--	26.42	26.42

[3]Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

[4] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

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

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

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

Decision Point—point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

Interim Assistance—amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

Completion Point—point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 4 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

Safeguards Assessments—the Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAMU). An update safeguards assessment of the BCEAO, completed in April 2018, found that the central bank has maintained a strong control environment since the last assessment in 2013 and its governance arrangements are broadly appropriate. In addition, audit arrangements have been strengthened, International Financial Reporting Standards (IFRS) were adopted as the accounting framework beginning with the 2015 financial statements, and a 2016 external quality review of the internal audit function found broad conformity with international standards. The BCEAO's risk management framework established in 2014 is also progressing well with implementation of its work across the bank.

Exchange Arrangements:

Côte d'Ivoire is a member of the WAEMU; the exchange system, common to all members of the union, is free of restrictions on payments and transfers for current international transactions (as is the exchange system of Côte d'Ivoire). The common currency, the CFA franc, is pegged to the euro at the rate of €1 = CFAF 655.957.

Article IV Consultation:

Côte d'Ivoire is on the 24-month Article IV consultation cycle. The Executive Board concluded the last Article IV consultation with Côte d'Ivoire in May 2016.

Technical Assistance

	Area	Focus
2012	Government financial statistics (January/February, November/December)	TOFE follow-up
	Tax administration (January; September)	Workshop
	Customs (February)	Workshop
	Tax administration (February; December)	Modernization of fiscal administration in Côte d'Ivoire
	Public wage bill management (December)	
	Customs (March/April)	Follow-up
	Multi-topic (April)	AFRITAC Steering Committee
	Fuel pricing (June)	Workshop
	National accounts (July, Oct/Nov)	Set up quarterly national accounts
	Debt Management (May, September)	Medium Term Debt Strategy (MTDS)
	Tax policy (July/August)	Review and diagnosis
2013	Public expenditure management	Budgeting strategy
	Public Debt Management (January/October)	Workshop on Debt sustainability analysis
	Customs/tax administration (January)	Workshop
	Statistic real sector (January/March/November)	Quarterly national accounts
	Strategy and Roadmap to Program Budgeting (January)	Workshop
	Cash management (February)	Treasury Single Account
	Debt management (February)	Reorganization of the Debt directorate
	Government Finance Statistics (March)	Migration to GFSM 2001
	Customs administration (March/September/December)	Modernization of customs administration
	Public wage bill management (April)	Regional workshop (AFRITAC)
	Multi-topic (April)	AFRITAC Steering Committee
	Wage bill management strategy (May)	Budgeting strategy
	Medium-term expenditure framework (June)	Budgeting strategy
	Accounting (July)	Accrual accounting
	Tax policy (August)	VAT reform
	Banking sector (August)	Public bank restructuring
	Tax administration (September)	Modernization of tax administration
	Tax Policy	Follow-up on tax policy reform
	Debt management (September)	Update the DSA
	Public financial management (September)	Medium-term expenditure framework
	National Accounts-AFRITAC (November)	Quarterly GDP
	Customs Administration-AFRITAC (May/November)	Risk-based analysis in Customs
	Revenue administration (November)	Strengthen tax administration
	Public financial management-AFRITAC (November)	Financial information system reform
	Government Finance Statistics -AFRITAC (November)	Producing the TOFE based on the trial balance and implementing WAEMU directives
	Public financial management-AFRITAC (December)	Support the formulation of a strategy to improve accounting procedures, consistent with WAEMU directives

	Area	Focus
2014	Public Financial Management (January)	Budget execution and spending procedures
	Government Finance Statistics -AFRITAC (January)	Producing the TOFE based on the Treasury Accounts and implementing WAEMU directives
	Customs administration – AFRITAC (February)	Human resources management
	Debt management-AFRITAC (February)	Debt sustainability analysis
	Customs Administration -AFRITAC (March)	Modernize customs
	Cash management (April)	Treasury Single Account
	Multi-topic (April)	AFRITAC Steering Committee
	National Accounts-AFRITAC (May)	Quarterly GDP
	Tax administration– AFRITAC (May)	VAT management
	Customs – AFRITAC (June)	Risk management for control purpose
	Banking sector– AFRITAC (June)	Implementation of the Treasury Single Account
	Budget management– AFRITAC (June)	Budget classification
	Budget management – AFRITAC (July)	Budget Management Information System modernization
	Accounting and financial reporting – AFRITAC (July)	Trial balance improvement – AFRITAC (July)
	Customs administration – AFRITAC (July/September)	Risk-based management and intelligence
	Accounting - AFRITAC (October)	Revenue administration and accounting
	National accounts- AFRITAC (October)	Strengthening economic statistics
	Public Financial Management	Medium term expenditure framework
	Tax Policy	VAT and income tax system
	Public Financial Management	Finalization of medium term expenditure framework
	Revenue Administration	Tax administration capacity
	Public Financial Management	Expenditure chain
	Revenue Administration (September)	Setting up a large taxpayers office
	Revenue Administration	IT systems for VAT administration
2015	Revenue Administration	Diagnostic of customs administration
	Debt management- AFRITAC (January)	Workshop on Rate of return of government securities
	Debt management – AFRITAC (October)	Debt management framework
	Customs administration – AFRITAC (January/April)	Risk-based management
	Customs administration – AFRITAC (March)	Customs informations
	Customs administration – AFRITAC (June)	Exceptional customs procedures
	Revenue Administration-AFRITAC (April)	Medium taxpayers directorate
	National Accounts-AFRITAC (April/September)	Quarterly GDP
	Government Finance Statistics -AFRITAC (April/August)	Producing the TOFE based on the Treasury's accounts and implementing WAEMU directives
	Macroeconomics (May)	Technical assistance needs identification
	Macroeconomics Analysis and Forecasting (June)	Regional workshop (AFRITAC)

	Area	Focus
	Macroeconomics (December)	Tax revenue forecasting
	Accounting and financial reporting – AFRITAC (May/June)	Improvement of Treasury's Accounts
	Customs administration – AFRITAC (June)	Exemption regimes at Customs
	Revenue Administration	IT systems for VAT administration
	Revenue Administration	Follow-up in tax administration
	Public Financial Management	Budget preparation and credibility
	Public Financial Management	Revenue forecasting
	Public Financial Management	Public accounting
	Revenue administration	Tax administration
	Tax Policy-AFRITAC (June)	Auditing of large taxpayers
	Revenue administration – AFRITAC (December)	Custom administration
	Public Financial Management – AFRITAC (May/July)	Budget information system
	Public Financial Management – AFRITAC (May/June)	Public accounting
	National accounts statistics (July)	GDP
2016	Revenue administration – AFRITAC (January)	Custom administration
	Revenue Administration (January)	Tax administration organization
	Revenue Administration (February)	Follow-up in tax administration
	Revenue Administration (March)	Tax administration IT system and tax procedures
	Public Finance Management (April)	Improve budget management
	Customs administration – AFRITAC	Risk-based management system assessment
	Government Finance Statistics – AFRITAC (April)	Producing a GFSM 2001 based TOFE and expanding its institutional scope
	Macroeconomic Statistics (April)	Implementing the e-GDDS and developing a suitable National Summary Data Page
	Budget Management (April-May)	Strengthen budget preparation and execution, implement program-based budgeting
	National Accounts – AFRITAC Regional Workshop (June-July)	Harmonization of work methods and tools of ERETES National Accounts IT system
	Revenue Administration (July)	Assess improvements in organization, enforcement, and HR regime
	External Sector Statistics (August-September)	Opening workshop to explain the scope and prepare work plans for the three-year project
	Revenue Administration (October)	Strengthen VAT administration
	Customs administration – AFRITAC (September-December)	Customs administration
	Expenditure Policy – FAD (June)	Investment/PPP
	Public Financial Management (June)	Budget Execution and fiscal Reporting
	Public Financial Management – AFRITAC (September)	Overall balance clearing
	Public Financial Management (November)	Public Investment management assessment (PIMA)
	Tax Administration – AFRITAC (April)	Administration of Mid-Sized Enterprise Centers
	Tax Administration – AFRITAC (June)	Seminar RA-FIT
	Tax Administration – AFRITAC (December)	Budget operations
	Debt Management – AFRITAC (January)	Debt Management
	Liability Management (June)	Treasury bond issuance and refinancing risk management

	Area	Focus
2017	Government Finance Statistics – AFRITAC and STA (January 9-20)	Compilation of Quarterly National Accounts: Benchmarking Techniques
	Public Financial Management – AFRITAC and FAD (January 16-20)	Treasury Management and the Treasury Single Account
	Investment/PPP – FAD (January 26-February 9)	Investment/PPP
	Public Financial Management – FAD (February 23-March 8)	Budget Execution and Fiscal Reporting
	Tax Administration – AFRITAC (March 20-31)	Strengthening the tax audit at the DGI
	Public Financial Management – AFRITAC and FAD (April 3-14)	Implementing AE/CP
	Balance of Payments Statistics – STA (April 10-21)	Balance of Payments Statistics
	Customs Administration – AFRITAC (May 3-15)	Initiation
	Customs Administration – AFRITAC (June 5-15)	Customs Administration
	Debt Management – AFRITAC (June 6-15)	Debt Management in a challenging liquidity environment
	Fiscal Risk – FAD (June 26-July 10)	Assessing Fiscal Risks
	Government Finance Statistics – AFRITAC and STA (July 3-14)	Government Finance Statistics
	Tax Administration – AFRITAC and FAD (July 19-August 1)	Strengthening compliance risk management; strengthening core business functions and procedures
	Tax Administration – AFRITAC and FAD (August 21-25)	Strengthening tax audit at the DGI
	Tax Administration – FAD (September 4-15)	Strengthening customs administration core processes
	Tax Administration – FAD (October 9-20)	Tax Administration follow-up
	Government Finance Statistics – AFRITAC and STA (October 12-23)	Strengthening support functions
	Government Finance Statistics – AFRITAC and STA (October 23-November 3)	National Accounts/Quarterly GDP dissemination
	Debt Management – MCM (October 30-November 8)	Debt management in a challenging liquidity environment
	Balance of Payment Statistics – STA (November 20-December 1)	Balance of Payments Statistics
	Tax Administration –FAD (December 7-20)	Strengthening compliance risk management; strengthening core business functions and procedures
2018	Macro Framework, Financial Programming and Forecasting Models – ICD (January 31-February 6)	Strengthening capacity to improve macroeconomic forecasting
	Tax Administration – FAD (February 19 to March 2)	Strengthening capacity to implement a compliance improvement strategy, improve e-payment procedures and human resources management.

	Area	Focus
2018 (continued)	Hackathon to assess scope for introducing technological and digital innovations in tax administration – FAD (February 27-28)	Strengthening tax administration and raise compliance levels.
	Modernization of Customs Administration–FAD (March 28 to April 6)	Analysis of import values using mirror data and developing mitigation measures.
	Quarterly National Accounts AFRITAC and STA (April 23-27)	Strengthen capacity to compile Quarterly National Accounts

Resident Representative: A Fund resident representative was first posted in Abidjan in 1984. There were interruptions for security reasons in 2005–06 and 2010–11, but a resident representative has been continuously assigned since May 2011.

JOINT BANK-FUND WORK PROGRAM, 2018–19

(As of April 01, 2018)

Title	Products	Provisional Timing of Missions	Expected Delivery Date
A. Mutual Information on Relevant Work Programs in the Next 12 Months			
World Bank Work Program			
Strategy and Operations			
	Active Projects		**Closing dates**
	CI : Agriculture Sector Support Project		29-Jun-18
	CI – Emergency Youth Employment & Skills Dev. Pro		30-Jun-19
	CI Emergency Infrastructure Renewal		31-Jan-20
	CI-Productive Social Safety Net		30-Oct-20
	Health Systems Strengthening and Ebola Preparedness Project		31-Jan-20
	CI-Infrastructure for Urban Development and Competitiveness-SUF (PIDUCAS)		30-Jul-22
	Urban Water Supply Project		30-Jun-22
	Transport Sector Modernization and Trade Facilitation Project		30-Jun-21
	Cote d'Ivoire - Electricity Transmission and Access Project		31-Dec-22
	CI-DPO on Fiscal management, Educ. & Ener		30-Jun-19
	Multi-sectoral Nutrition and Child Development		30-Jun-23
	Cote d'Ivoire - Second Fiscal Management		30-Jun-20
	Trust Funds		
	Obsolete Pesticides Management Project		30-Oct-20
	Forest Investment Program		26-Jan-23
	REDD+ Readiness Preparation in RCI		30-Sep-19
	Cote d'Ivoire Forest Investment Program		30-Apr-18
	Regional projects		
	Abidjan-Lagos Trade and Transport Facilitation Program - APL-2		30-Jun-18
	African Centers of Excellence		31-Dec-19
	Sahel Women's Emp. & Demographics Project		30-Jun-19

Title	Products	Provisional Timing of Missions	Expected Delivery Date
	Technical Assistance/Economic Sector Work/Other Analytical		
	Impact Evaluation of Cote d'Ivoire Agriculture Sector Support Project		31-Oct-2018
	IE CIV Women Employment in Cashew Processing		31-Jul-2019
	CI Electricity Access Scale Up Program		30-Mar-2018
	CI - Universal Health Coverage (FY16)		15-Mar-2018
	Higher Education Governance & Financing		30-Apr-2018
	Cote d' Ivoire #C019 Promote financial inclusion and preserve financial stability		28-May-2018
	Cote d'Ivoire Infrastructure Financing		30-Apr-2018
	Cote d'Ivoire Financial Inclusion Support Framework (FISF)		31-Jul-2020
	Urban Density and Quality Buildings for an Energy Efficient Abidjan		28-Dec-2018
	Development of framework for local content in the mining sector		15-May-2018
	Cote d'Ivoire Agriculture Sector Update		27-Apr-2018
	Côte d'Ivoire Economic Inclusion into Value Chains		30-Jun-2021
	AFCF2: Analytics for informed decision making		25-May-2018
	Cote d'Ivoire Jobs Agenda Operationalization		30-May-2019
	Building Resilient and Productive Social Protection & Labor Systems		31-Dec-2019
	Seventh Economic Update		28-Sep-2018
IMF Work Program			
	2018 Article IV consultation and 3rd ECF/EFF review mission		March 2018
	4th ECF/EFF review mission		September 2018
B. Requests for Work Program Inputs			
Fund requests to Bank	Regular updates on budget implications of reforms coffee/cocoa sector, electricity sector as well as financial sector.		Ongoing
Bank requests to Fund	Regular updates on macro-economic and fiscal projections.		Ongoing

AFRICAN DEVELOPMENT BANK GROUP STRATEGY AND OPERATIONS IN CÔTE D'IVOIRE

AfDB's Ongoing Strategy for Côte d'Ivoire

After a few years of cooperation based on short-term strategies set out in two country briefs, the Bank normalized its relations with Côte d'Ivoire in 2013 with a medium-term commitment by approving the Country Strategy Paper (CSP) 2013–17 on 4 December 2013. The 2013–17 CSP was built on two pillars: (i) strengthening governance and accountability; and (ii) infrastructure development in support of economic recovery. The objectives sought were: (i) to help address the pressing needs of post-conflict rehabilitation and reintegration and; (ii) to address structural development issues relating to reconstruction/construction of infrastructure to support economic recovery. The CSP was implemented in a relatively calm political and security context marked by sporadic social, political and military demands, at a time of political reconstruction, given the 2020 presidential elections in the background. This therefore requires that security sector reform be undertaken diligently.

The output and achievement evaluation of the 2013–17 CSP results framework shows that implementation of the CSP is generally satisfactory. The first pillar of the CSP contributed decisively to the post-crisis reintegration, as well as strengthening social cohesion, and economic inclusion. The strategy supported the professional reintegration of more than 12,500 former combatants (83.3%) out of 15,000, the organization of campaigns to raise awareness of social cohesion, and the adoption of measures to facilitate the delimitation of village lands (weaknesses in this regard was one of the causes of the conflict). The CSP also helped to improve access to employment for the workforce (including young people), 49.8% of whom are women, in 18 municipalities of Côte d'Ivoire. Efforts have been made in that regard through adapted education/training programmes. Regarding the second pillar of the CSP, the Bank's interventions in infrastructure co-financed with other partners helped to make the institution a key partner of Côte d'Ivoire. The 2013–17 CSP enabled the Bank to engage in strategic dialogue and support reforms.

The encouraging results and difficulties encountered in the implementation of the 2013–17 CSP have laid the groundwork for constructive dialogue with the Government to better define the anchors of the Bank's 2018–22 CSP for Côte d'Ivoire, which will be presented to the Board in July 2018. The table below gives an overview of Bank's Indicative Operations Program (IOP) for 2018. The table will be updated following the CSP preparation mission.

Indicative Operations Program (IOP) for 2018		
Description	**Amount (in UA million)**	**Year 2018**
Abidjan Urban Transport Project Phase II	100	2018
Rural Electrification Project in the Regions of Northern Côte d'Ivoire	30	2018
Bondoukou-Ghanaian Border Road Asphalting Project	11	2018
Coffee-Cocoa Sector Institutional Support Project	5	2018
PPF – Preparation of the Agro-Industrial Pole Support Project in the Regions of Northern Côte d'Ivoire	1	2018
PPF – Preparation of the Agro-Industrial Pole Support Project in the Regions of Western Côte d'Ivoire	1	2018
Project to Restore the Forest Potential and Improve Resilience in Central Côte 'Ivoire (PCFAR).	3	2018
Azito Power Plan Project - Phase 4 (Construction of a combined cycle gas turbine (a 177 MW gas turbine and a 78 MW steam turbine)	EUR 60 million	2018

Bank Group Portfolio

Since it started operations in Côte d'Ivoire in 1971, the AfDB has so far approved 85 operations for the country. All approved operations amount to a net commitment of UA 2.28 billion). **The Bank's portfolio in Côte d'Ivoire as at 14 March 2018 comprised 25 operations for a total estimated Bank Group commitment of UA 1029.1 million**. The portfolio has significantly increased during the 2013–17 CSP period (see figure 1). The breakdown of the portfolio by sector (see figure 2) shows a predominance of the transport (46.8%) and energy (26.6%) infrastructure, followed by the agricultural (19.3%). The portfolio comprises five private sector operations and six regional projects, particularly in the transport, energy and finance sectors.

Figure 1 : Côte d'Ivoire - Net Commitment During 2013–17 Period in UA Million (1 UA = 1 SDR)

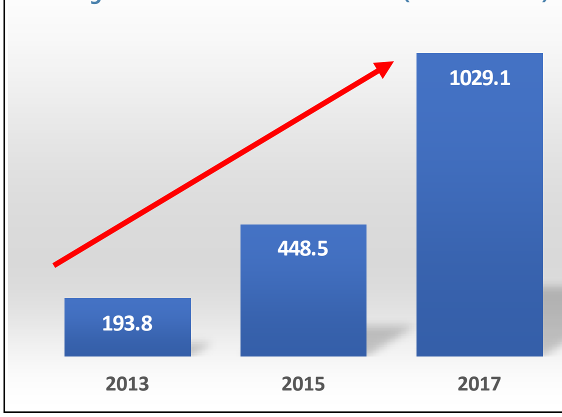
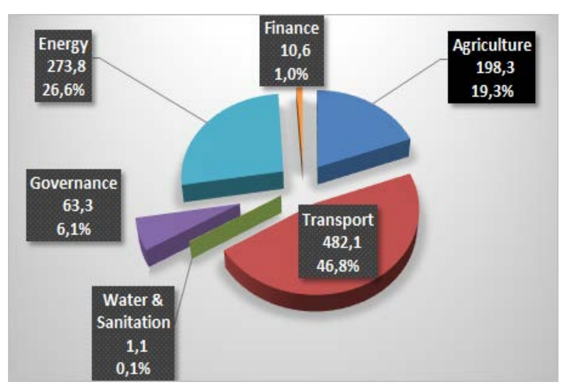


Figure 2: Sector Breakdown of the Portfolio in Côte d'Ivoire (UA Million and %)



Source: SAP-Portfolio at 14 March 2018

Regarding human capital, virtually all the outcomes have been achieved. Under its Disarmament, Demobilization and Reintegration (DDR) support component, the Social Inclusion and Cohesion Enhancement Support Programme (PARICS) helped to reintegrate more than 83% of the targeted ex-combatant s and unemployed at-risk youth (12,500 versus 15,000) into productive activities. As part of the Youth Employability and Integration Support Programme (PAAEIJ), 1,500 permanent jobs were created for young graduates and 1,118 young people trained (including 120 in various trades).

With regard to Public Finance Management aspects, the 2013–17 CSP enabled the Bank to engage in strategic dialogue and support reforms. The Bank participated in the preparation of the Public Finance Reform Master Plan that the authorities adopted in 2014. The implementation of the Economic and Financial Management Support Project (PAGEF) and the Economic Governance and Growth Support Programme (PAGEC), approved respectively in March and July 2017, will help implement the PFM agenda.

The Bank contributed to large-scale infrastructure development, mainly in the Transport and energy sectors. Completion of the Henri Konan Bédié Bridge flagship project and the imminent start of work on the Yopougon-Plateau Fourth Bridge in 2018 will streamline traffic in Abidjan. The same applies to the high-potential integrative highway connecting Côte d'Ivoire to Mali, Guinea and Liberia while opening up the northern, north-western and western parts of the country. Regarding electricity, the Bank participated in the extension of the CIPREL and AZITO power plants through the private sector window, while contributing to the financing of combined-cycle facilities, thus raising the country's energy production capacities by 20%. The Bank's intervention, as part of the Gourou Integrated Watershed Management Project (PGIBG), has helped to reduce the flooded area at the Indénié intersection by at least 85%, from 4 ha to 0.5 ha, and to open up several neighborhoods in the basin, as well as contributed significantly to reducing the prevalence of waterborne diseases in the project area.

With regard to the agricultural sector and in line with the Bank's 2013-22 Ten-Year Strategy, the CSP was intended to help increase the productivity and competitiveness of agricultural products. The expected outcomes included (i) development of production, processing and marketing infrastructures for agricultural products using an innovative approach of value chains, for sector integration; and (ii) capacity building for public, private and community institutions in the agricultural sector. The Bank positioned itself as a key partner of Côte d'Ivoire, with its operations supporting the Government in reviving the agricultural sector. Regarding development projects in the Indénié Djuablin (PAIA-ID) and Bélier (PAI-BELIER) regions, several outcomes have been achieved, including: (i) the development of 923 ha of lowlands, of which 456 ha have been completed and are being farmed, and 320 ha are in the completion phase; (ii) the rehabilitation of 620 km of rural roads, of which 518 km have been completed and 102 km are in the completion phase; (iii) the equipment of 40 new boreholes with hand pumps and the repair of 100 village water pumps; (iv) the equipment of 20 cocoa quality control kits (moisture meters, sizers, etc.) and; (v) setting up of a technical assistance service to support farmers during marketing. These projects have generated 22 000 jobs in the Indénié Djuablin region, while in the Bélier region, an estimate of about 19 000 jobs were created. The table below gives an overview of Bank's active portfolio status in Côte d'Ivoire.

Ongoing Bank Portfolio as at 14 March 2018			
Project Name and Sector		Amount (in UA million)	Purpose/Remarks
	Sectors	Approved	
National Projects (Public and Private)			
1. AZITO Power Plant Expansion Project	**Energy**	24.99	Expansion of the Azito power plant in Côte d'Ivoire, by converting the existing simple-cycle power plant of 2 x 144 MW gas-fired turbines to a combined-cycle power plant, thereby increasing the capacity of the facility to approximately 430 MW.
2. Power Plant Extension Project (CIPREL)		42.34	Expansion of the Ciprel power plant in Côte d'Ivoire to be built in two phases. Phase A, construction of a gas turbine (111MW of power).
3. Power Plant Extension Project – combined cycle (CIPREL)		13.20	The project aims to improve CIPREL efficiency by deployment of a combined cycle turbine for additional 111MW of generation. The project has increased the capacity of the plant by 222MW.
4. Electrical Grid, Transmission and Distribution Reinforcement Project (PRETD)		117.59	The project will contribute through the Grid Reinforcement and Rural Electrification. The aim will be to: (i) construct a line between Soubré and San Pedro; (ii) build sub-stations; (iii) transform the Bingerville sub-station into a source sub-station and structure the city's HV network; and (iv) carry out the rural electrification of 270 localities.
5. Singrobo Hydropower Plant Project		42.66	The project aims to develop a 44MW hydro power plant in Cte d'Ivoire.
Sub-total Energy		**240.80**	
6. Project to Support Agricultural Infrastructure in the Indénié-Djuablin Region (PAIA-ID)	**Agriculture**	21.60	The project will contribute to improving food security and reducing poverty in rural areas. Specifically, it aims to increase, on a sustainable basis, the production and productivity of major crops, as well as improve marketing conditions.
7. Belier Region Agro-Industrial Pole Project (2PAI-Belier)		54.66	The project will support the development of agropoles following a new integrated approach (agriculture, stockbreeding, transport, electrification, water and sanitation, socio-economic infrastructure, ICTs, reforestation, etc.). This support will include nutrition, mechanization, youth employment, the processing of agricultural products and mainstreaming of climate change, in synergy with global climate funds.
8. Bélier Region Agro-Industrial Pole Project. (2PAI-Bélier)		26.04	
9. Bélier Region Agro-Industrial Pole Project. (2PAI-Bélier)		3.40	

Ongoing Bank Portfolio as at 14 March 2018 (continued)			
Project Name and Sector		**Amount (in UA million)**	**Purpose/Remarks**
	Sectors	**Approved**	
10. Sucden Soft Commodity Facility		84.93	Provision of two successive Soft Commodity Facilities, the second effective only after full repayment of the first for a maximum exposure of EUR 100 million within a tenor not exceeding 2 years. A Soft Commodity Program (SCP) to support SUCDEN's participation in cocoa value chain financing in Côte d'Ivoire. SUCDEN will use the funds to provide pre-export financing to local suppliers.
11. PPF – Enable Youth Côte d'Ivoire		1.00	The project aims the increase in income for young graduates who would like to engage in the development of agricultural industries.
12. Value Chains Development Project Indénié-Djuablin Region		4.00	The project's sector goal is to contribute to food and nutrition security, and create shared wealth. Its specific objective is to increase the income of actors of the selected value chains.
Sub-total Agriculture		**198.30**	
13. Henri Konan Bédié Toll Bridge	**Transport**	9.01	Henri Konan Bédié Bridge is a public private partnership (PPP) based on a Build Operate Transfer (BOT) concession of 30 years. It involves the building of a toll bridge over the Ebrié Lagoon linking the South and North shores of Abidjan.
14. Abidjan Urban Transport Project		207.54	The Bank will particularly support sustainable urban infrastructure systems to ease traffic in the city through the construction of the fourth bridge (Yopougon-Plateau), bypass roads and Abidjan-exit (East, West) motorways, and construction of interchanges. In the face of Abidjan's growing urbanization, the Bank's interventions will contribute to improve the people's quality of life by reducing pollution and improving the delivery of basic services, with a view to building a sustainable city to curb the risk of disasters.
15. Air Côte d'Ivoire		96.21	The project approved on 8 November 2017 by the AfDB group aims to support expansion and modernization of the company AIR Côte d'Ivoire.
Sub-total Transport		**312.76**	

Ongoing Bank Portfolio as at 14 March 2018 (continued)			
Project Name and Sector		**Amount (in UA million)**	**Purpose/Remarks**
	Sectors	**Approved**	
16. Industrial Sector Competitiveness Strengthening Support Project (PARCSI)	**Governance**	10.00	Two specific objectives are to support the restructuring and modernization of businesses by conducting a strategic assessment to identify needs and provide technical assistance to 50 firms that have signed up for the programme (out of a total of 270 businesses approached and support the industrial development of the fruit and vegetables sector, with a view to promoting investment in the sector in order to increase the industrial processing rate (which stood at 2% in 2014).
17. Economic and Finance Management Support Project (PAGEFI)		16.40	The project's overall objective is to optimize budgetary resource mobilization and strengthen the public expenditure management framework to contribute to the effective implementation of the National Development Plan 2016–20.
18. Economic Governance and Growth Support Programme (PAGEC)		36.23	PAGEC is a budget support. The main objective is to consolidate macroeconomic stability through strengthening of public finance management efficiency and transparency and consolidating strong, diversified and inclusive growth.
Sub-total Governance		63.29	
19. Entrepreneurship Development Support Project in Cote d'Ivoire	**Finance**	0.65	
Sub-total Finance		0.65	
20. Toilet Access and Employment Promotion Project in Bouaké and Katiola (African Water Facility)	**Water and Sanitation**	1.07	
Sub-total Water and Sanitation		1.07	
Total National Projects (public and private) (A)		816.87	

Ongoing Bank Portfolio as at 14 March 2018 (concluded)			
Project Name and Sector		Amount (in UA million)	Purpose/Remarks
	Sectors	Approved	
Regional Projects			
21. Road Development and Transport Facilitation Programme in the Countries of the Mano River Union (CI/Guinea and CI/Liberia)	Transport	65.46	The overall objective of the Programme is to boost the post-conflict economic recovery of the MRU area by improving road infrastructure and promoting intra-community trade. Specifically, the programme seeks to improve transport conditions on the roads concerned in order to reduce transport costs, facilitate the free movement of persons and goods between the three countries and improve the living conditions of programme area communities.
22. Supplemental Loan – Road Development and Transport Facilitation Programme in the Countries of the Mano River Union (CI/Guinea and CI/Liberia)		31.18	
23. Bamako-Zantiébougou-Boundiali-San Pedro (CI/Mali) Corridor Road Development and Transport Facilitation Project		72.70	The goal is to link Côte d'Ivoire and Mali, in developing the Kani-Boundiali road (140 km) and the construction of check points at the Mali/CI border. The project aims to open up potential agricultural areas and regional headquarters with abundant natural resources by facilitating road transport between these two countries and providing a link between San Pedro Port (PASP) and Mali.
24. Côte d'Ivoire, Liberia, Sierra Leone and Guinea (CLSG) Interconnection Project	Energy	33.0	The project supports the energy sector in the context of a regional operation aimed at interconnecting the power grids of Côte d'Ivoire with other Mano River Union member countries (Liberia, Sierra Leone and Guinea).
25. Trade Insurance Membership Programme (ACAATIA)	Finance	9.93	The main objective of the program is to strengthen the capacity of Cote d'Ivoire with the necessary financial resources for membership subscription in to the ATI to allow greater underwritten insurance cover for private sector and socio economic development. The expected outcomes are i) Increased participation of the private sector in large scale projects through ATI facilitation; (ii) increased trade flows in Africa; and (iii) ATI attracts additional members.
Total Regional Projects (B)		212.27	
Grand Total Projects (national and regional) (C) = (A + B)		**1029.14**	

STATISTICAL ISSUES

(As of May 14, 2018)

I. Assessment of Data Adequacy for Surveillance
General: Data provision is broadly adequate for surveillance, even though there are some shortcomings. There are weaknesses in the areas of national accounts, balance of payments, and government finance statistics, as well as in the reconciliation of fiscal and monetary data. The timeliness of some statistical indicators provided to the Fund could be improved (see Table of Common Indicators Required for Surveillance).
National Accounts: A time series for GDP commencing in 1996 is compiled by the National Institute of Statistics (NIS) using the 1993 System of National Accounts (SNA) and 1996 as the base year. The NIS is developing a strategy to implement the 2008 SNA and update the base year to a contemporary period. Final estimates of GDP for 2015 and provisional estimates for 2016 have been published. The authorities are commended for recently commencing publication of quarterly GDP, following significant Fund support via AFRITAC West, however, further improvements to methodology and source data are required to address inconsistencies with annual estimates.
Price Statistics: A harmonized consumer price index (CPI) has been adopted by all WAEMU members. The current base year (2008) was adopted in 2010. A new CPI (base 2014) covering the whole country will soon be available.
Labor Market Statistics: Data on employment in the formal sector is published monthly.
Government Finance Statistics: The authorities provide annual data on the budgetary central government for publication in the *Government Finance Statistics Yearbook*. While no monthly or quarterly fiscal data are provided for publication, they are made available to the IMF African Department, although metadata is lacking. The authorities have committed to addressing weaknesses in coverage of general government units and public enterprises and are making efforts to improve the consistency of fiscal and monetary data. In addition, the authorities are seeking the assistance of AFRITAC WEST to improve the compilation of government finance statistics and to implement the 2009 WAEMU TOFE directive for transition to GFSM 2001.
Monetary and Financial Statistics: Monetary data for Côte d'Ivoire are prepared by the national agency of the BCEAO and reported to STA by the BCEAO Headquarters on a monthly basis with a timeliness of about two months after the reference period. In August 2016, the BCEAO completed the migration of Cote d'Ivoire's Monetary and Financial Statistics to the Standardized Report Forms for the central bank and other depository corporations.
Financial Soundness Indicators (FSIs): The BCEAO recently finalized the development of FSIs for deposit takers for Côte d'Ivoire. Regular reporting to the IMF's Statistics Department is expected to begin by December 2018.
External Sector Statistics: The national agency of the BCEAO in Abidjan is responsible for compiling and disseminating annual balance of payments statistics and the international investment position. BOP and IIP data are reported to STA in *BPM6* format. BCEAO headquarters determines the methodology and calculates international reserves managed for WAEMU countries. In the context of a three-year project funded by the Japan Administered Account, with French speaking countries in West and Central Africa to improve their capacity in producing and disseminating better quality external sector statistics, two TA missions have been conducted in Côte d'Ivoire since May 2016. The missions have so far been able to sensitize the relevant authorities on the need to improve data quality and institutional collaboration. Enhancing the role of the NIS, for instance, has been solicited to publish external trade data. Concerning the financial accounts, foreign assets of the private nonbanking sector are not adequately covered, while reporting of private capital flows, especially foreign direct investment in Côte d'Ivoire, is weak. There is also not sufficient information on private debt stocks and debt service flows.

II. Data Standards and Quality	
Following Côte d'Ivoire participation to the General Data Dissemination System (GDDS) in May 2000, in December 2017 the authorities posted the National Summary Data Page(NSDP), thereby participating to the enhanced GDDS. As of May 14, the access to the Central Bank Survey and Deposit Corporation Survey needs authorization by the BCEAO.	No data ROSC is available. Côte d'Ivoire reports data to STA for re-dissemination in IMF statistical publications.

Côte d'Ivoire: Table of Common Indicators Required for Surveillance
(As of May 14, 2018)

	Date of Latest Observation	Date Received	Frequency of Data[5]	Frequency of Reporting[5]	Frequency of Publication[5]
Exchange Rates	Current	Current	M	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	02/18	04/18	M	M	M
Reserve/Base Money	02/18	05/18	M	M	M
Broad Money	02/18	05/18	M	M	M
Central Bank Balance Sheet	03/18	05/18	M	M	M
Consolidated Balance Sheet of the Banking System	03/18	05/18	M	M	M
Interest Rates[2]	04/18	05/18	I	M	M
Consumer Price Index	03/18	04/18	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government and National Social Security Funds	02/18	05/18	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt[4]	02/18	05/18	M	M	M
External Current Account Balance	2015	9/17	A	A	A
Exports and Imports of Goods and Services	02/18	04/18	M	M	M
GDP/GNP	2016	12/17	A	A	A
Gross External Debt	08/17	10/17	M	M	M

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] Including currency and maturity composition.

[5] Daily (D), weekly (W), monthly (M), quarterly (Q), annually (A), irregular (I); and not available (NA).

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

June 4, 2018

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION AND THIRD REVIEWS UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY AND EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, AND REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION—DEBT SUSTAINABILITY ANALYSIS UPDATE

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Prepared by the International Monetary Fund and the International Development Association

This debt sustainability analysis (DSA) update reflects new information since the last DSA completed in December 2017, prepared for the second ECF and EFF reviews (Country Report 17/372).[1] *This update concludes that Côte d'Ivoire remains at moderate risk of debt distress, in line with the December 2017 DSA. All external debt burden indicators under baseline conditions lie below their thresholds. However, under the worst-case stress scenarios, solvency and liquidity indicators breach their respective thresholds, reflecting vulnerability to adverse domestic and external shocks. Under the baseline scenario, total public debt is projected to stabilize only in the long-term. Stress test scenarios confirm the existence of considerable risks to overall public debt sustainability. The authorities are making efforts to address data gaps on public enterprises debt. Further progress would allow treatment of related contingent liabilities in the new Debt Sustainability Framework for Low-Income Countries, which will become effective from July 1, 2018.*

[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 3.29 for the period 2014–16 (http://databank.worldbank.org/data/download/CPIA_excel.zip). It should be noted that as from July 1, 2018, the DSA will be conducted using the new Debt Sustainability Framework (DSF) for Low-income Countries. In the new DSF, the country classification is no longer based exclusively on the CPIA score. Rather, it will be based on a composite measure covering the CPIA score, growth, reserve coverage, remittances and global growth. The DSF Guidance Note is available at http://www.imf.org/~/media/Files/Publications/PP/2017/pp122617guidance-note-on-lic-dsf.ashx.

BACKGROUND

1. External debt in 2018 is projected to rise by more than 5 percent of GDP. This increase reflects the recent Eurobond issuance, and the government-guaranteed loan to restructure the debt of the state-owned oil refining company (SIR). In addition, other multilateral loans are expected to materialize in 2018. The end-2017 actual external debt stock turned out to be less than projected. Postponed contracting of the government-guaranteed loan for the SIR debt restructuring and delayed disbursements of project-related loans limited the external debt stock to 23.9 percent of GDP at end-2017.[2] However, for end-2018, external debt is projected to reach 29.5 percent of GDP (see Figure 1 and Table 1).

UNDERLYING ASSUMPTIONS

2. This DSA update is consistent with the macroeconomic framework underlying the Staff Report prepared for the third reviews of the three-year EFF/ECF blended arrangements. The macro framework projects a gradually increasing contribution of domestic demand to GDP in the medium term, a gradual moderation of investment offset by an increase in private consumption, with the government meeting its fiscal targets consistent with Côte d'Ivoire's WAEMU membership commitments.

Text table 1. Côte d'Ivoire: LIC DSA Macroeconomic Assumptions: Comparison with the 2016 LIC DSA

(Percent of GDP, unless otherwise indicated)

	Previous DSA			*Current DSA*		
	2017-22	2023-28	2029-37	2018-23	2024-29	2030-38
Nominal GDP (USD Billion) 1/	52.0	83.4	147.3	61.3	99.5	172.5
Real GDP (y/y % change)	7.0	6.0	5.5	6.9	5.8	5.5
Fiscal (central government)						
Revenue and grants 2/	20.0	20.5	21.7	19.4	20.0	21.2
of which: grants	1.4	0.7	0.3	0.9	0.3	0.1
Primary expenditure	22.1	22.8	23.3	22.0	22.6	23.0
Primary basic balance (excluding C2D grants)	0.8	2.2	1.9	1.3	2.1	1.8
Balance of payments						
Exports of goods and services	28.3	32.1	35.6	26.6	29.4	32.2
Imports of goods and services	28.2	29.5	32.4	26.1	26.8	29.3
Non-interest current account deficit 3/	1.4	0.3	0.4	1.0	0.2	0.1
New foreign direct investment (net inflows)	3.2	3.1	2.4	3.1	2.7	2.0

Sources: Ivoirien authorities, and IMF staff estimates

1/ Changes from the 8th review DSA reflects an updated nominal GDP series and revised CFA/USD exchange rate assumptions.

2/ C2D grants are excluded from revenue and grants.

3/ C2D grants are excluded from official transfers.

[2] In this DSA, Public and Publicly Guaranteed external debt covers only the central government as defined in the TMU. 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 so as 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. The figure also excludes CFAF-denominated external debt.

- **GDP over the medium term.** Real GDP growth is expected to be broadly unchanged on average during the first five years of the projection compared to the last DSA. In the short-term, real GDP growth is supported initially by robust investment growth and increasingly by net exports. Real GDP is projected to grow by almost 6 percent over 2024–29 on average and 5.5% over 2030–38 as investment normalizes and net trade contribution tapers off.
- **The primary fiscal balance is expected to gradually improve over the projection horizon.** The expected trajectory of the primary basic balance remains anchored on a convergence to the WAEMU fiscal deficit target of 3 percent of GDP in 2019, and continued consolidation thereafter.
- **The non-interest current account deficit is projected to narrow over the long term.** The deficit is projected to stabilize at about 0.1 percent of GDP, reflecting an improvement in trade, and, to a lesser extent, the services' balances. These assumptions are subject to downside risks including weaker-than-expected global growth and changes in commodity prices that may trigger unfavorable terms-of-trade shocks. In the long term, exports are projected to become larger in percent of GDP as the country is expected to increase extraction of its natural resources, to do deeper processing of the commodities it currently exports, and to increase its role as a regional service hub (in terms of transportation, communications, and financial services). Net FDI inflows are projected to increase in nominal terms, but at a lower rate compared to nominal GDP.
- **Finally, in the medium term the country is projected to rely more on commercial debt and less on concessional debt as it makes the transition toward an emerging market economy.** As a result, the grant element is projected to follow a downward trend over the medium term. Initially the decline of the grant element is projected to be very gradual, as in the short term the government is expected to continue relying on concessional and semi-concessional lending, in addition to non-concessional lending, to satisfy its financing needs. Then in the medium to long term, the government is expected to rely increasingly more on non-concessional debt and less on concessional and semi-concessional lending.

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

3. **The results confirm the 2017 DSA assessment according to which Côte d'Ivoire remains at moderate risk of debt distress.** The present values of the debt-to-GDP ratio, debt-to-exports ratio, debt-to-revenue ratio, and nominal liquidity measures of debt service to exports and revenues (excluding grants) all remain below their respective policy-dependent thresholds in the baseline scenario (Figure 1).[3] However, the debt service-to-revenues indicator is projected to reach to 15.6 percent at its peak in 2025, up from 15 percent in the December 2017 DSA.

[3] For 2018, the grant element of new disbursements is projected to be at 11 percent, reflecting the large new non—concessional debt disbursements linked to the Eurobond issuance.

4. The external DSA incorporates the March 2018 Eurobond issuance. In March 2018, the country issued a 12-year euro-denominated Eurobond, with a coupon rate of 5.25 percent, and a 30-year euro-denominated Eurobond (one of the longest maturities among sub-Saharan Africa issuers), with a coupon rate of 6.625 percent. Both Eurobonds have principal repayments spread over the last three years of their maturities, helping to ease re-financing pressures often associated with "bullet" repayment. This operation raised EUR 1.7 billion (equivalent to nearly US$ 2.1 billion, or about 4.2 percent of GDP). F

5. The external DSA does not include CFAF-denominated external debt. Rather, CFAF-denominated external debt is included in the domestic debt. The total amount of public debt as a percentage of GDP does not change; only the composition of debt does.[4] In principle single-currency transactions within a currency union between residents and non-residents have a balance of payments impact.[5] However, it may not be always possible to identify external and domestic debt on a residency basis. Thus, in line with what was done in past DSAs, external and domestic debt are defined on a currency of denomination basis.[6]

6. The external DSA also incorporates the expected foreign bank loan guaranteed by the government for the debt restructuring of the national oil refinery (Société Ivoirienne de Raffinage, SIR). The loan has not yet materialized, but the authorities expect that it may be contracted by August 2018. The DSA highlights that external debt is projected to increase by about 5 percentage points of GDP by the end of 2018, reflecting primarily the Eurobond issuances and the expected debt restructuring of SIR. The authorities are also monitoring public enterprises' debt stocks, which amounted to 4.17 percent of GDP at end-2017, which is not included in the baseline government debt projection. Of this amount, only 0.17 percent of GDP is guaranteed by the government.

7. It is assumed that all existing Eurobonds will be rolled over during the projection horizon of the DSA. Bullet Eurobonds would be rolled over in the year they mature, while Eurobonds whose principal is amortized over 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 will increasingly rely on commercial debt and less on concessional loans to finance its public investment projects. This is reflected in the variation of the grant element during the projection period (Figure 1, Panel a).

8. All debt indicators breach respective thresholds under the most extreme shock scenarios. Under the most severe shock hitting the country in the first two years of the projections—consisting of 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 would occur. The PV of debt-to-GDP ratio would reach 43 percent in 2020, before returning to more sustainable levels after 2027. The PV of debt-to-exports ratio is projected to reach 169 percent in 2020,

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[4] If CFAF-denominated external debt were included in external debt, the 2017 external debt stock would have been 24.5 percent of GDP (instead of 23.9 percent), while domestic debt stock would have been 18.2 percent of GDP (instead of 18.8 percent). Total public debt at end-2017 would have remained unchanged at 42.7 of GDP.

[5] See IMF (2017): Program Design in Currency Unions, (paragraph 13).

[6] See IMF (2013): Staff Guidance Note on The Application of The Joint Bank-Fund Debt Sustainability Framework for Low-Income Countries, (paragraph 32).

before declining below the threshold in 2029. Debt service measures, which are sensitive to principal repayments of maturing Eurobonds, also breach thresholds under the most extreme shock scenarios. These results underscore the considerable downside risks for debt sustainability originating from external shocks (such as U.S. dollar appreciation vis-à-vis the euro, or negative terms of trade shocks), which may hit the economy.

PUBLIC DEBT SUSTAINABILITY ANALYSIS

9. Under the baseline scenario, the PV of the total public debt-to-GDP ratio (external plus domestic) in 2018 is projected to reach 44.7 percent. The projected increase in external debt is partially compensated by the projected reduction in domestic debt, which is due to the partial utilization of the Eurobond receipts to buy back short-term domestic debt. In subsequent years, the PV of the debt-to-GDP ratio is projected to reach 36 percent in the outer years of the projection. The trend reflects a gradual decline through time of the foreign currency-denominated component of debt, partially offset by an increase in the domestic currency-denominated component of public debt. Similarly, the PV of debt-to-revenue ratio starts at about 227 percent in 2018 and approaches about 160 percent only in the long run. Finally, the debt service-to-revenue ratio deteriorates as it is projected to reach 19.7 percent in 2025, before stabilizing at around 13 percent in the long-term (Figure 2).

10. Stress tests highlight several potential vulnerabilities. In the scenario of a fixed primary balance, all debt indicators increase over the long-term. Similarly, the most extreme shock scenario (real GDP growth at its historical average minus one standard deviation in the first two years of the projection) suggests rising public debt vulnerability for all debt burden indicators. In this most extreme shock scenario, the PV of debt-to-GDP ratio would reach 80 percent at the end of the projection horizon.

11. The results of the public DSA highlight the need for careful monitoring of debt indicators and implementation of prudent macroeconomic policies. The public debt stock and flow indicators illustrate non-negligible risks to public debt sustainability under the baseline in the short- and medium-term. In the outer years, the PV of the public debt-to GDP ratio and the PV of public debt-to-exports ratio are projected to decline, though, only modestly. The public debt service-to-revenue ratio is the most volatile public debt indicator under all scenarios—reflecting the amortization of medium- and long-term debt—and does not decline over the medium term. Therefore, every effort should be made to ensure fiscal prudence—including by raising revenue yields, prioritizing spending and improving investment efficiency—with a view to keep the debt dynamics in check.

CONCLUSIONS

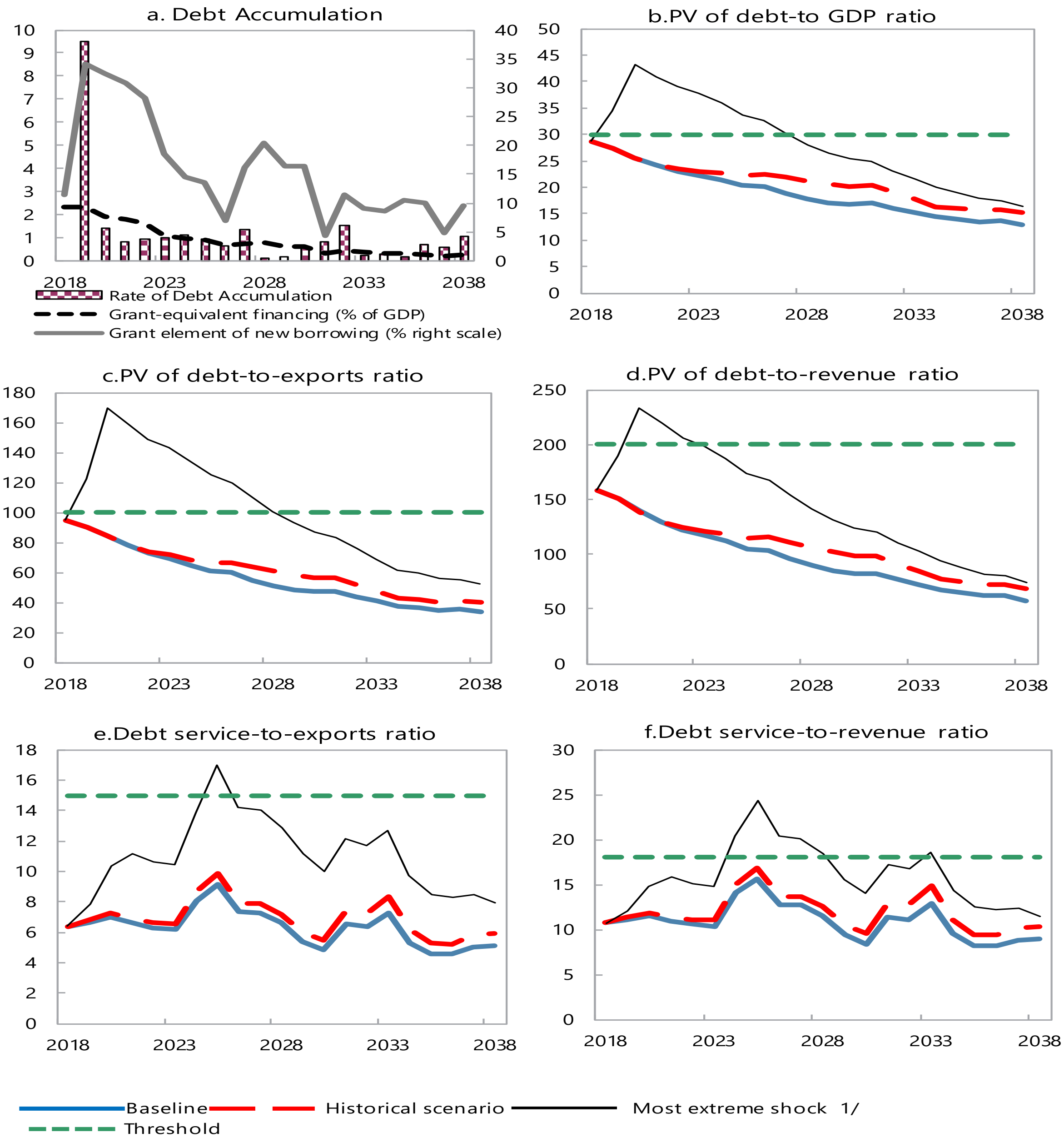
12. Côte d'Ivoire remains at moderate risk of external debt distress as in the December 2017 DSA. However, in 2018 new external debt is projected to rise by more than 5 percent of GDP compared to 2017. While in the baseline scenario, all debt burden indicators remain under their respective debt distress thresholds, in the most extreme stress test scenarios, all the debt stock and debt service indicators breach the thresholds of debt distress. In this context, the authorities' efforts should be geared to mobilize revenues and contain public expenditure—including that on the wage bill and subsidies—to create fiscal space. In 2017, the authorities have been conducting liability management operations to lower debt service and smooth its profile over the short-and medium-terms. Yet, the limited distance between the debt service-to-revenue ratio and its risk threshold over the medium-term (Figure 1) constrains the available fiscal space, and calls for greater efforts on revenue mobilization as well as careful debt management.[7]

13. **Against this background, sound macroeconomic policies and an effective debt management strategy continue to be essential in maintaining a sustainable external position**. Policies to maintain a sustainable fiscal position are also essential to stabilize debt over time, and enhanced mobilization of domestic revenues would help achieve this goal. In addition, the medium-term debt management strategy aimed at developing the domestic bond market, managing exchange rate risk, and avoiding a concentration of maturities is expected to support a more balanced debt portfolio. Regarding financial market development, the authorities are seeking to attract more international asset managers to participate in the domestic bond market. To manage exchange rate risk, the authorities noted that the latest euro-denominated Eurobond issuance diversified the currency composition of their debt portfolio.

14. **The authorities of Côte d'Ivoire broadly concur with the main conclusions of this DSA, particularly that Côte d'Ivoire's risk of external debt distress is moderate.** They noted with satisfaction that, in the context of the Fund's new debt limits policy, staff considers Côte d'Ivoire's debt monitoring capacity to be adequate. They agreed that it was important to continue to strengthen debt management, to refine the database for public enterprises, and to maintain a prudent borrowing policy. They concurred with staff on the importance of fostering private sector development to preserve high and sustained growth while maintaining a sound macroeconomic environment. That said, the authorities stressed that they considered the baseline macroeconomic assumptions used in this report too conservative and that these assumptions do not sufficiently reflect the future dividends of recent strong economic performance and of the reforms undertaken since 2012. In particular, they noted that the political stability following the peaceful presidential election of October 2015 and constitutional referendum of October 2016 augurs well for the upcoming presidential elections in 2020. In this context, the authorities would have appreciated the inclusion of another scenario based on higher growth rates driven by a stronger level of private investment.

[7] The new Debt Sustainability Framework for Low-Income Countries, due to be operational in July 2018, will include a methodology to assess the availability of fiscal space.

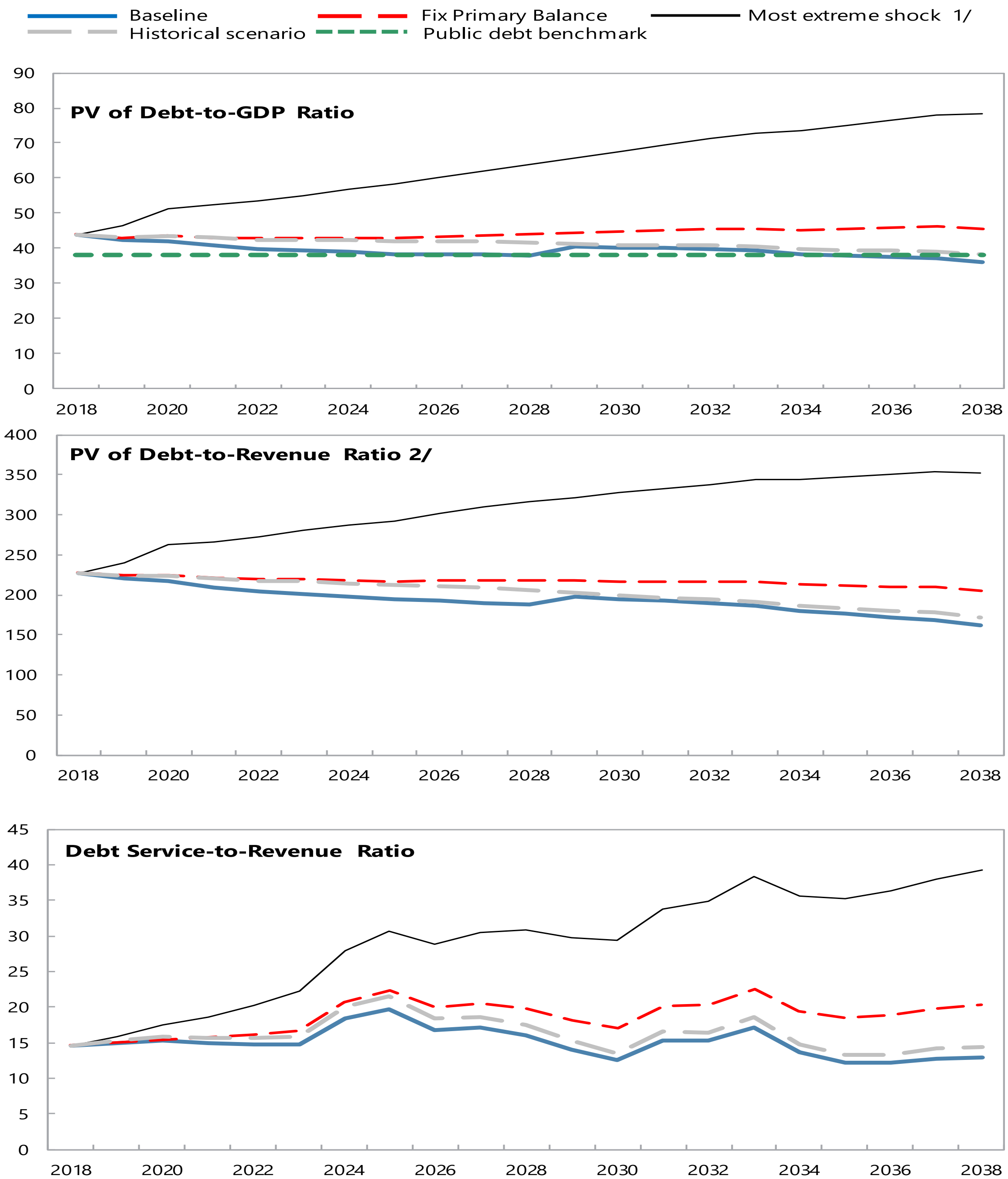
Figure 1. Côte d'Ivoire: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2018–38[1/]



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 and Publicly Guaranteed External Debt under Alternative Scenarios, 2018–38[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, 2015–38[1/]

(Percent of GDP, unless otherwise indicated)

	Actual			Historical [6/] Average	Standard [6/] Deviation	Projections									
	2015	2016	2017			2018	2019	2020	2021	2022	2023	2018-2023 Average	2028	2038	2024-2038 Average
External debt (nominal) 1/	**37.1**	**37.3**	**36.4**			**42.9**	**40.7**	**39.7**	**39.0**	**38.8**	**37.6**		**33.4**	**27.9**	
of which: public and publicly guaranteed (PPG)	22.2	22.7	23.9			29.5	28.8	27.7	26.7	25.9	25.2		21.1	15.8	
Change in external debt	2.8	0.2	-0.9			6.5	-2.2	-1.0	-0.7	-0.2	-1.2		-1.2	-1.0	
Identified net debt-creating flows	1.5	-3.9	-3.4			-1.2	-1.7	-1.5	-1.8	-2.2	-2.3		-2.3	-2.0	
Non-interest current account deficit	**-0.9**	**-0.4**	**0.6**	**-3.2**	**4.3**	**0.9**	**1.3**	**1.3**	**1.0**	**0.8**	**0.8**		**0.5**	**-1.2**	0.7
Deficit in balance of goods and services	-3.5	-2.6	-2.7			-1.2	-0.7	-0.8	-1.1	-1.7	-1.9		-2.7	-2.8	
Exports	37.7	31.3	31.1			30.2	30.2	30.2	30.8	31.8	32.1		34.9	38.5	
Imports	34.2	28.8	28.4			29.1	29.5	29.4	29.7	30.1	30.2		32.2	35.7	
Net current transfers (negative = inflow)	1.0	0.8	1.4	1.4	0.5	1.0	1.1	1.1	1.3	1.5	1.6		1.9	2.1	1.9
of which: official	-0.5	-1.4	-0.9			-1.2	-1.1	-1.0	-0.9	-0.6	-0.5		-0.3	0.0	
Other current account flows (negative = net inflow)	1.5	1.3	1.9			1.1	0.9	1.0	0.9	0.9	1.0		1.3	-0.5	
Net FDI (negative = inflow)	**-1.4**	**-1.7**	**-1.8**	**-1.5**	**0.3**	**-1.6**	**-2.0**	**-2.0**	**-2.1**	**-2.3**	**-2.3**		**-2.4**	**-0.5**	-2.4
Endogenous debt dynamics 2/	**3.8**	**-1.8**	**-2.3**			**-0.5**	**-1.0**	**-0.8**	**-0.7**	**-0.6**	**-0.7**		**-0.4**	**-0.3**	
Contribution from nominal interest rate	1.6	1.5	1.5			1.7	1.7	1.7	1.7	1.7	1.6		1.4	1.2	
Contribution from real GDP growth	-3.2	-2.8	-2.6			-2.3	-2.7	-2.5	-2.5	-2.4	-2.3		-1.8	-1.5	
Contribution from price and exchange rate changes	5.5	-0.5	-1.2			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**1.3**	**4.0**	**2.6**			**7.7**	**-0.5**	**0.5**	**1.2**	**2.0**	**1.1**		**1.2**	**1.0**	
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/	...	...	...			42.1	39.1	37.6	36.6	36.0	34.7		30.1	25.0	
In percent of exports	...	...	...			139.2	129.4	124.7	118.6	113.3	108.0		86.4	64.8	
PV of PPG external debt	**...**	**...**	**...**			**28.7**	**27.2**	**25.6**	**24.2**	**23.1**	**22.3**		**17.8**	**12.8**	
In percent of exports	**...**	**...**	**...**			**94.8**	**90.0**	**84.8**	**78.4**	**72.5**	**69.4**		**51.0**	**33.3**	
In percent of government revenues	**...**	**...**	**...**			**158.4**	**150.0**	**138.8**	**129.7**	**121.9**	**117.0**		**89.4**	**57.8**	
Debt service-to-exports ratio (in percent)	**9.1**	**17.1**	**10.8**			**11.6**	**11.3**	**11.5**	**11.0**	**10.5**	**10.2**		**10.1**	**7.7**	
PPG debt service-to-exports ratio (in percent)	**3.5**	**4.6**	**5.3**			**6.4**	**6.6**	**7.0**	**6.6**	**6.3**	**6.2**		**6.6**	**5.1**	
PPG debt service-to-revenue ratio (in percent)	**7.0**	**8.0**	**9.1**			**10.7**	**11.1**	**11.4**	**11.0**	**10.5**	**10.4**		**11.5**	**8.9**	
Total gross financing need (Billions of U.S. dollars)	2.1	2.2	1.9			1.7	2.2	1.7	1.6	1.6	2.1		2.5	4.1	
Non-interest current account deficit that stabilizes debt ratio	-3.7	-0.6	1.5			-5.6	3.5	2.4	1.7	1.0	2.0		1.7	-0.2	
Key macroeconomic assumptions															
Real GDP growth (in percent)	8.8	8.3	7.8	5.0	4.6	7.4	7.0	6.9	6.8	6.6	6.5	6.9	5.4	5.6	5.7
GDP deflator in US dollar terms (change in percent)	-13.8	1.3	3.2	2.6	8.7	10.3	3.1	2.9	2.6	2.5	1.8	3.9	1.8	1.9	1.9
Effective interest rate (percent) 5/	4.3	4.6	4.4	3.3	1.1	5.7	4.5	4.7	4.8	4.8	4.6	4.8	4.2	4.6	4.4
Growth of exports of G&S (US dollar terms, in percent)	-9.9	-8.9	10.5	2.7	9.0	15.3	10.4	9.7	11.9	12.7	9.6	11.6	8.7	7.2	9.1
Growth of imports of G&S (US dollar terms, in percent)	-6.7	-7.8	9.9	4.8	12.0	21.3	12.1	9.4	10.7	10.8	8.9	12.2	8.9	6.9	9.0
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	11.5	34.2	32.5	30.8	28.2	18.6	26.0	20.4	9.6	11.5
Government revenues (excluding grants, in percent of GDP)	18.5	18.0	18.1			18.1	18.1	18.4	18.6	18.9	19.1		19.9	22.2	20.5
Aid flows (in Billions of US dollars) 7/	0.5	0.5	0.5			1.3	1.5	1.6	1.7	1.6	1.3		1.3	1.4	
of which: Grants	0.5	0.5	0.5			0.6	0.6	0.6	0.6	0.4	0.4		0.3	0.1	
of which: Concessional loans	0.0	0.0	0.0			0.8	1.0	1.0	1.1	1.1	0.9		1.1	1.3	
Grant-equivalent financing (in percent of GDP) 8/	...	...	2.4			2.3	1.9	1.8	1.6	1.1	1.0		0.6	0.0	0.5
Grant-equivalent financing (in percent of external financing) 8/	...	...	20.0			51.7	52.3	50.6	46.5	35.0	26.8		25.2	100.0	23.8
Memorandum items:															
Nominal GDP (Billions of US dollars)	33.1	36.4	40.5			48.0	52.9	58.2	63.8	69.7	75.5		110.1	226.9	
Nominal dollar GDP growth	-6.2	9.8	11.3			18.5	10.4	10.0	9.5	9.3	8.4	11.0	7.4	7.6	7.7
PV of PPG external debt (in Billions of US dollars)		...	10.0			13.8	14.5	14.9	15.5	16.1	16.9		19.6	29.2	
(PVt-PVt-1)/GDPt-1 (in percent)						9.5	1.4	0.8	0.9	1.0	1.1	2.5	0.2	0.3	0.6
Gross workers' remittances (Billions of US dollars)	-0.5	-0.7	-0.8			-0.9	-1.0	-1.1	-1.2	-1.3	-1.4		-2.1	-4.0	
PV of PPG external debt (in percent of GDP + remittances)	...	...	...			29.2	27.7	26.1	24.6	23.5	22.7		18.1	13.1	
PV of PPG external debt (in percent of exports + remittances)	...	...	...			101.2	96.1	90.5	83.7	77.2	73.8		54.0	35.0	
Debt service of PPG external debt (in percent of exports + remittanc	...	...	5.6			6.8	7.1	7.5	7.1	6.7	6.5		7.0	5.4	

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 chang

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, 2018–38[1/]

(Percent)

	Projections							
	2018	2019	2020	2021	2022	2023	**2028**	2038
PV of debt-to GDP ratio								
Baseline	29	27	26	24	23	22	**18**	13
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	29	27	26	24	23	23	**21**	15
A2. New public sector loans on less favorable terms in 2017-2037 2	29	28	27	26	26	26	**25**	25
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	29	29	29	27	26	25	**20**	14
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	29	32	37	36	34	34	**26**	15
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	29	30	31	29	28	27	**22**	16
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	29	29	29	27	26	25	**19**	13
B5. Combination of B1-B4 using one-half standard deviation shocks	29	34	43	41	39	38	**28**	16
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	29	39	36	34	33	32	**25**	18
PV of debt-to-exports ratio								
Baseline	95	90	85	78	73	69	**51**	33
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	95	90	85	78	74	71	**61**	40
A2. New public sector loans on less favorable terms in 2017-2037 2	95	93	89	86	83	82	**71**	65
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	95	91	85	79	73	70	**51**	33
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	95	123	169	159	149	143	**101**	52
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	95	91	85	79	73	70	**51**	33
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	95	96	95	88	81	78	**56**	34
B5. Combination of B1-B4 using one-half standard deviation shocks	95	117	150	139	129	123	**84**	45
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	95	91	85	79	73	70	**51**	33
PV of debt-to-revenue ratio								
Baseline	158	150	139	130	122	117	**89**	58
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	158	150	138	130	124	120	**106**	69
A2. New public sector loans on less favorable terms in 2017-2037 2	158	155	146	142	139	138	**125**	112
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	158	160	156	146	137	131	**100**	65
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	158	174	202	191	182	176	**128**	66
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	158	166	169	158	148	142	**109**	70
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	158	159	155	145	136	131	**98**	59
B5. Combination of B1-B4 using one-half standard deviation shocks	158	190	234	219	206	198	**141**	74
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	158	213	196	184	172	165	**126**	82

Table 2. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2018–38[1/] (concluded)

(Percent)

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

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, 2015–38[1/]

(Percent of GDP, unless otherwise indicated)

	Actual			Average 5/	Standard Deviation 5/	Estimate	Projections								
	2015	2016	2017			2018	2019	2020	2021	2022	2023	2018-23 Average	2028	2038	2024-38 Average
Public sector debt 1/	40.7	41.8	42.7			44.7	44.0	44.2	43.4	42.8	42.4		41.1	36.4	
of which: foreign-currency denominated	22.2	22.7	23.9			29.5	28.8	27.7	26.7	25.9	25.2		21.1	15.8	
Change in public sector debt	3.8	1.1	0.9			2.0	-0.7	0.2	-0.8	-0.7	-0.4		-0.2	-1.2	
Identified debt-creating flows	0.5	0.7	-1.9			-0.2	-1.4	-0.8	-0.8	-0.7	-0.4		-0.2	-0.4	
Primary deficit	1.3	2.2	2.5	1.1	1.3	1.7	1.0	1.0	0.9	1.0	1.0	1.1	1.0	0.7	0.9
Revenue and grants	20.0	19.4	19.2			19.3	19.2	19.4	19.5	19.5	19.6		20.2	22.3	
of which: grants	1.4	1.4	1.1			1.2	1.1	1.0	0.9	0.6	0.5		0.3	0.0	
Primary (noninterest) expenditure	21.3	21.6	21.7			21.0	20.2	20.4	20.5	20.5	20.6		21.1	23.0	
Automatic debt dynamics	-0.6	-1.4	-4.3			-2.0	-2.1	-1.8	-1.8	-1.6	-1.4		-1.2	-1.2	
Contribution from interest rate/growth differential	-2.2	-2.0	-1.8			-1.6	-1.9	-1.6	-1.6	-1.5	-1.5		-1.2	-1.2	
of which: contribution from average real interest rate	0.8	1.1	1.2			1.4	1.1	1.2	1.2	1.2	1.1		0.9	0.8	
of which: contribution from real GDP growth	-3.0	-3.1	-3.0			-2.9	-2.9	-2.8	-2.8	-2.7	-2.6		-2.1	-2.0	
Contribution from real exchange rate depreciation	1.6	0.6	-2.5			-0.4	-0.2	-0.2	-0.2	-0.1	0.1		0.0	0.0	
Other identified debt-creating flows	-0.2	-0.1	-0.1			0.0	-0.4	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	-0.2	-0.1	-0.1			0.0	-0.4	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	3.3	0.4	2.8			2.2	0.7	1.0	0.1	0.0	0.0		0.0	-0.7	
Other Sustainability Indicators															
PV of public sector debt	...	47.9	42.0			43.9	42.4	42.1	41.0	40.0	39.5		37.8	36.0	
of which: foreign-currency denominated	...	28.8	23.2			28.7	27.2	25.6	24.2	23.1	22.3		17.8	13.8	
of which: external	...	28.8	23.2			28.7	27.2	25.6	24.2	23.1	22.3		17.8	13.8	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	6.5	8.1	9.0			7.1	6.3	6.4	6.5	6.6	6.6		7.2	6.4	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	247.4	218.9			227.6	220.6	216.6	209.7	204.5	201.6		187.6	161.6	
PV of public sector debt-to-revenue ratio (in percent)	...	266.1	232.6			242.7	233.6	228.7	219.8	211.3	207.2		190.1	161.9	
of which: external 3/	...	159.9	128.6			158.4	150.0	138.8	129.7	121.9	117.0		89.4	62.2	
Debt service-to-revenue and grants ratio (in percent) 4/	12.8	12.0	14.1			14.6	15.0	15.3	15.0	14.8	14.7		16.1	12.9	
Debt service-to-revenue ratio (in percent) 4/	13.8	12.9	15.0			15.6	15.9	16.2	15.7	15.3	15.1		16.3	12.9	
Primary deficit that stabilizes the debt-to-GDP ratio	-2.5	1.1	1.6			-0.3	1.8	0.8	1.7	1.6	1.4		1.2	1.9	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	8.8	8.3	7.8	5.0	4.6	7.4	7.0	6.9	6.8	6.6	6.5	6.9	5.4	5.6	5.6
Average nominal interest rate on forex debt (in percent)	4.3	4.1	4.2	2.5	1.5	5.4	4.3	4.3	4.4	4.3	4.2	4.5	3.6	4.2	3.9
Average real interest rate on domestic debt (in percent)	1.3	3.3	4.3	1.4	2.0	4.5	4.0	4.2	3.7	3.7	3.9	4.0	3.3	2.5	2.8
Real exchange rate depreciation (in percent, + indicates depreciation)	24.2	3.0	-11.5	-0.3	10.2	-1.7	-0.7	-0.6	-0.6	-0.4	0.2	...	...	...	...
Inflation rate (GDP deflator, in percent)	3.1	1.6	1.1	3.3	2.1	0.5	2.0	1.8	1.9	1.8	1.8	1.6	1.8	1.9	1.9
Growth of real primary spending (deflated by GDP deflator, in percent)	16.8	10.0	8.1	3.5	6.0	4.2	3.1	7.8	7.0	6.8	7.0	6.0	6.0	6.6	6.4
Grant element of new external borrowing (in percent)	...	...	0.0	0.0	...	11.5	34.2	32.5	30.8	28.2	18.6	26.0	20.4	9.6	...

Sources: Country authorities; and staff estimates and projections.

1/ Includes general government debt.

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 2018–38[1/]

	Projections							
	2018	2019	2020	2021	2022	2023	2028	2038
PV of Debt-to-GDP Ratio								
Baseline	44	42	42	41	40	39	38	36
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	44	43	44	43	43	42	42	38
A2. Primary balance is unchanged from 2017	44	43	44	43	43	43	44	46
A3. Permanently lower GDP growth 1/	44	43	43	43	43	44	51	79
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-2019	44	46	51	52	53	55	64	78
B2. Primary balance is at historical average minus one standard deviations in 2018-2019	44	43	44	43	42	41	40	35
B3. Combination of B1-B2 using one half standard deviation shocks	47	47	48	48	48	49	55	63
B4. One-time 30 percent real depreciation in 2018	44	54	53	51	49	48	46	42
B5. 10 percent of GDP increase in other debt-creating flows in 2018	44	52	51	50	48	48	45	39
PV of Debt-to-Revenue Ratio 2/								
Baseline	228	221	217	210	205	202	188	162
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	228	224	223	220	217	216	206	172
A2. Primary balance is unchanged from 2017	228	224	224	221	219	219	218	205
A3. Permanently lower GDP growth 1/	228	223	223	221	221	224	254	355
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-2019	228	240	262	266	272	280	316	352
B2. Primary balance is at historical average minus one standard deviations in 2018-2019	228	226	228	221	215	212	196	156
B3. Combination of B1-B2 using one half standard deviation shocks	241	245	243	244	246	251	270	282
B4. One-time 30 percent real depreciation in 2018	228	280	271	260	252	248	228	189
B5. 10 percent of GDP increase in other debt-creating flows in 2018	228	270	264	255	248	243	223	174
Debt Service-to-Revenue Ratio 2/								
Baseline	15	15	15	15	15	15	16	13
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	15	15	16	16	16	16	17	14
A2. Primary balance is unchanged from 2017	15	15	15	16	16	17	20	20
A3. Permanently lower GDP growth 1/	15	15	16	16	16	17	23	37
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-2019	15	16	18	19	20	22	31	39
B2. Primary balance is at historical average minus one standard deviations in 2018-2019	15	15	16	16	17	17	17	14
B3. Combination of B1-B2 using one half standard deviation shocks	15	16	17	17	18	19	26	30
B4. One-time 30 percent real depreciation in 2018	15	17	20	20	20	21	26	25
B5. 10 percent of GDP increase in other debt-creating flows in 2018	15	15	18	23	23	23	21	17

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.

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

June 11, 2018

STAFF REPORT FOR THE 2018 ARTICLE IV CONSULTATION AND THIRD REVIEWS UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY AND EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, AND REQUEST FOR MODIFICATION OF A PERFORMANCE CRITERION—SUPPLEMENTARY INFORMATION

Approved By
Dominique Desruelle (AFR) and Mary Goodman (SPR)

Prepared by the African Department in consultation with other Departments

1. **This supplement provides an update on developments since the issuance of the staff report on June 4, 2018.** The additional information does not change the thrust of the staff appraisal.

2. **Recent indicators confirm robust growth with contained inflation.** Domestic electricity consumption, import volumes, and industrial production have picked up in the first quarter of 2018. CPI inflation remains low, at 0.6 percent (y/y) at end-March 2018.

3. **According to preliminary data, two out of four structural benchmarks (SBs) and nine out of ten quantitative indicative targets (ITs) for end-March 2018 were met** (Tables 1 and 2). The authorities prepared the action plan to improve the tracking of merchandise in transit and produced a summary table of public enterprises' debt service. However, government contribution for the recapitalization of the public savings bank CNCE was not paid because of delays in processing payments orders. A partial payment has been made, and the authorities are making arrangements to transfer the remaining balance in the period ahead. The SB on preserving fuel tax revenue and IT on government tax revenue were not met, reflecting the lower revenue projections for 2018. This reinforces the importance of accelerated revenue administration and additional tax policy measures as envisaged under the program. Staff supported the authorities' request for the downward revision of the relevant indicators from end-June 2018, but the indicators for end-March 2018 could not be revised retroactively. Retail fuel prices were increased by about 1 percent in April and about 2 percent in May 2018.

Table 1. Côte d'Ivoire: Indicative Targets (IT) for end-March 2018[1/]
(Billions of CFA francs, unless otherwise indicated)

	2018		
	March		
	IT	Est.	Status
A. Performance criteria			
Floor on the overall fiscal balance (incl. grants)	-171.2	-77.6	MET
Ceiling on net domestic financing (incl. WAEMU paper)	167.1	-1,061.6	MET
Ceiling on the present value of new external debt contracted by the central government ($ million)	…	…	…
Ceiling on accumulation of new external arrears by the central government (continuous basis)	0.0	0.0	MET
Ceiling on accumulation of new domestic arrears by the central government (continuous basis)	0.0	0.0	MET
B. Indicative targets			
Floor on government tax revenue	878.8	844.8	NOT MET
Ceiling on expenditures by treasury advance	39.3	5.2	MET
Floor on pro-poor expenditure	411.0	520.3	MET
Floor on net reduction of central government amounts payable (- = reduction)	-112.2	-112.5	MET
Floor on primary basic fiscal balance	44.4	120.2	MET
Memorandum items:			
Program grants	0.0	0.0	
Program loans	0.0	0.0	
Project grants	58.4	33.5	
Project loans	144.2	140.7	
Budget support from the European Union, World Bank, and African Development Bank	0.0	0.0	
Fuel tax revenues	102.9	95.2	

Sources: Ivoirien authorities; and IMF staff estimates.
1/ Cumulative amount from January 1, 2018 for 2018 targets.

Table 2. Côte d'Ivoire: Structural Benchmarks for end-March 2018[1]			
Measures	**Timetable**	**Macroeconomic Rationale**	**Documentation**
	Price Adjustment Mechanism		
Apply the retail fuel price mechanism to preserve fuel tax revenue at a level not below the level in the supplementary budget law.[1]	**SB** quarterly **Not met**	Improve budget revenue	Inter-ministerial decree
	Tax Policy and Administration		
Prepare action plan to improve tracking of merchandise in transit.	**SB** for end-March 2018 **Met**	Improve collection of customs duties and fees	Action plan
	Public Debt Management		
By the end of each quarter produce a summary table of public enterprise debt service in the previous quarter based on progress in the data availability.	**SB** quarterly**,** starting from end-June 2017 **Met**	Enhance monitoring of debt service by public enterprises	Summary debt service table
	Financial Sector		
Pay the remainder of government contribution for the recapitalization of the *Caisse Nationale des Caisses d'Épargne* (CNCE).	**SB** end-March 2018 **Not met**	Strengthen the banking system and promote financial inclusion	Budget execution report

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

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

June 18, 2018

1. The Ivorian authorities value Fund's continued engagement with Côte d'Ivoire, particularly in the context of their program supported by the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF). This program engagement has contributed to the record-breaking economic performance that the country has continued to enjoy since 2012. As illustrated in Annex I, the current growth spell is unprecedented by historical standards, with average growth averaging almost 9 percent over the period. The recent mission to Abidjan in the context of the 2018 Article IV consultation and the third review of the Fund-supported program has been another opportunity for staff and the authorities to sustain their constructive policy dialogue. The authorities view the well-written staff report as a balanced reflection of these exchanges, the achievements made under the program, and the challenges still facing the economy.

2. Côte d'Ivoire has kept a pace of solid economic growth in recent years despite unfavorable world cocoa price developments and occasional social tensions. Prudent fiscal management and sustained reform efforts contributed to dampening the impact of these external and domestic shocks, thereby supporting buoyant economic activity. The authorities' policy responses paired with the country's strong fundamentals have helped maintain investor confidence at a high level, as evidenced by the $2.1 billion Eurobond successfully issued by Côte d'Ivoire in March 2018. For the period ahead, the authorities are committed to continuing their fiscal consolidation efforts while bolstering structural reforms, including in the areas of the business climate and governance. With continued strong program performance, enhanced macroeconomic stability, careful external debt management and far-reaching structural reforms, the authorities are confident that the country will lock in further gains in terms of inclusive growth and poverty reduction.

Recent Developments, Program Performance and Outlook

3. Program performance continues to be strong. All end-2017 performance criteria and all but one indicative targets (IT) were met. The IT on the floor on the primary basic fiscal balance was missed by a narrow margin. On the structural front, all but one structural benchmarks (SB) were implemented. Regarding the missed SB related to the restructuring of the debt of the national oil refinery (SIR), negotiations are still underway and the government is committed to finalizing the plan soon.

4. Key macroeconomic indicators also show buoyancy despite the cocoa price shock owing to the authorities' appropriate policy responses. Real GDP growth is estimated at 7.8 percent - slightly under the 8 percent of 2016 – on the back of high cocoa exports and domestic consumption. Inflation remained low, at 1.1 percent y-o-y.

5. While being cognizant of the risks, the Ivorian authorities are more optimistic about growth prospects than staff. In their view, the major initiatives envisaged under the National

Development Plan (NDP 2016-20), including the further diversification of the economy from agriculture towards industry, should yield higher GDP growth outcomes potentially averaging up to 8 percent in the medium-term. In light of recent trends and efforts underway to further improve the business environment, including as part of the G20 Compact with Africa, the authorities are more upbeat about private investment. Moreover, signs of ongoing economic transformation are growing, as evidenced notably by the decreasing share of the primary sector in the GDP to the benefit of the secondary and tertiary sectors which have increased. While the risks highlighted in the staff report are manageable, the authorities will continue to monitor them closely, standing ready to take necessary actions to mitigate them should they materialize.

Policies for 2018 and the medium term

Keeping the pace of fiscal consolidation

6. Fiscal consolidation efforts will be sustained in 2018 onward. The authorities remain committed to meeting the WAEMU fiscal deficit target of 3 percent of GDP in 2019. In this regard, the government has developed tax policy and administrative measures aimed at increasing the tax-to-GDP ratio. Key policy measures centered on broadening the tax base and streamlining the tax regime for SMEs include: (i) introducing an export tax on cashew nuts; (ii) reintroducing the registration duty on cocoa exports; (iii) adopting an action plan in 2018 to significantly reduce tax exemptions based on the recommendations of the 2017 McKinsey study on the investment code; (iv) improving VAT receipts; (v) improving the collection of property taxes; and (vi) bringing more informal activities into the formal sector. Furthermore, digitization is being leveraged to broaden the tax base, mandate online tax filing and payments for large enterprises, and combat fraud. A fiscal Hackathon recently organized in Abidjan with FAD assistance has helped in that regard. In addition, the government and the private sector representatives established a tax reform committee which is tasked with designing the right taxation for SMEs and streamlining the tax system and procedures.

7. On the expenditure side, the authorities continue to commit to their wage bill containment strategy. As part of the strategy, the number of new hires is constrained in all but social sectors. The oversight of public enterprises has been significantly enhanced with many SOEs that used to drain public resources, restructured or under restructuring. Furthermore, the process for public procurements is being constantly enhanced with the aim of optimizing value for money. In the same vein, steps are being taken to better assess and manage fiscal risks, including those stemming from PPPs.

Maintaining debt sustainability

8. The authorities take good note of staff assessment that the country's risk of external debt distress remains moderate. Going forward, in line with the Medium-Term Debt Strategy (MTDS), they are committed to pursuing a prudent borrowing strategy while strengthening debt management with a view to safeguarding debt sustainability. Furthermore, their ongoing efforts to boost revenue mobilization will help limit external borrowing. The authorities remain confident that their efforts to raise more revenue paired with the expected return on productive investments will help improve debt ratios in the medium-to-long term.

Strengthening the financial sector

9. The broad soundness of the financial sector has served the economy well thus far. Financial soundness indicators are expected to be improved further by the recent introduction of the new prudential rules aligned with the Basel II/III principles. Key ratios including the capital adequacy ratio have improved, notably with most banks being compliant with the BCEAO's new minimum bank capital requirements. The loan concentration ratio has evolved in a positive direction between 2016 and 2017. Most NPLs are well provisioned, though they slightly increased in 2017 compared to 2016 – 9.9 percent against 9 percent. The ongoing restructuring of small public banks should add to the positive figures of the banking sector. That said, the authorities will continue to take steps to strengthen further financial sector stability in coordination with regional authorities. In parallel, the emphasis that is currently put on further improving financial inclusion by leveraging technology will also be sustained.

Bolstering structural reforms

10. The authorities are fully aware of the imperative of bolstering structural reforms to foster economic transformation as envisaged under the 2016–20 NDP. Buoyant public investment in infrastructure over the past years has secured productivity gains thus contributing to growth. This effort has gone hand in hand with other reforms to improve the business climate. The ranking of Côte d'Ivoire among the best performers in the Doing Business reports over the recent years is a testimony of the country's achievements in that regard. Going forward, the government is determined to address other key aspects of the business climate such as paying taxes and access to credit. Tax collection will benefit from the ongoing steady process of overhauling the tax administration. Digitization is progressing and more and more procedures including tax payment are being done online. Access to credit is expected to be enhanced by ongoing efforts to deepen the financial sector, diversify financial products and services for fostering inclusion, finalize the credit bureau for providing information on borrowers, and leverage digitalization.

11. Further improving governance ranks high on the authorities' agenda to create an enabling environment for private investment. The institutional apparatus for promoting good governance has been strengthened accordingly. The resources allocated to the High Authority for Good Governance has recently been scaled up. To date, about 75 percent of target officials have declared their assets. Moreover, the prosecution of alleged misuses of public resources has increased over the past period. Technology solutions are also increasingly being implemented to combat fraud and fight corruption.

Enhancing social policy for inclusive growth

12. Since 2012, the government has taken commendable steps to make growth more inclusive, including through job creation and investments in social sectors. In this regard, the government policy has helped pass on to cocoa and coffee framers a larger share of international prices, while striving to develop basic infrastructure, health care and basic education services. At the same time, pro-poor spending doubled between 2012 and 2017, and much-needed wage agreements were reached with civil servants. The deployment of the Universal Health Insurance

(CMU) is proceeding well and the pilot phase will be jointly financed by the government and the World Bank. Other initiatives are underway, including the implementation of the national employment policy with an emphasis on youth training and employment; the economic and social housing program; and the continued provision of facilities for enhancing primary education enrolment.

Conclusion

13. In the face of falling world cocoa prices and domestic social tensions, Côte d'Ivoire sustained strong economic performance under the ECF/EFF-supported program. Growth remained robust. The fiscal deficit was kept in check, while investor confidence was maintained over the period. Going forward, the authorities are committed to continuing fiscal consolidation, while pursuing their social and economic development objectives. The authorities are mindful that this would be important to strengthen domestic and regional stability and advance structural transformation of the Ivorian economy.

14. In view of the strong economic performance and the authorities' commitment to the objectives of the program, we would appreciate the Board's support for the completion of the third reviews under the ECF and the EFF arrangements and for the authorities' request for modification of a performance criterion.