INTERNATIONAL MONETARY FUND

IMF Country Report No. 18/367

CÔTE D'IVOIRE

December 2018

FOURTH REVIEWS UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY AND UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA—PRESS RELEASE; STAFF REPORT; DEBT SUSTAINABILITY ANALYSIS; SUPPLEMENTARY INFORMATION; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CÔTE D'IVOIRE

In the context of the Fourth Reviews Under the Arrangement Under the Extended Credit Facility and Under the Extended Arrangement Under the Extended Fund Facility, and Request for Modification of Performance Criteria, 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 December 12, 2018, following discussions that ended on October 3, 2018, with the officials of Côte d'Ivoire on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility and under the Extended Fund Facility. Based on information available at the time of these discussions, the staff report was completed on November 26, 2018.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association.
- A **Supplementary Information** updating information on recent developments.
- A **Statement by the Executive Director** for Côte d'Ivoire.

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

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

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

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International Monetary Fund
Washington, D.C.

Press Release No. 18/474
FOR IMMEDIATE RELEASE
December 13, 2018

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Fourth Reviews under an Extended Credit Facility and Extended Fund Facility for Côte d'Ivoire and Approves US$133.7 Million Disbursement

On December 12, 2018, the Executive Board of the International Monetary Fund (IMF) completed the fourth reviews under the Extended Credit Facility (ECF)[1] and Extended Arrangement under the Extended Fund Facility (EFF)[2] for the Republic of Côte d'Ivoire. Completion of the reviews enables the immediate disbursement of SDR 96.786 million (about US$133.7 million).

The three-year ECF/EFF arrangements with a total access of SDR 650.4 million (about US$898.4 million or 100 percent of Côte d'Ivoire's quota) were approved by the IMF Executive Board on December 12, 2016.

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

"Côte d'Ivoire is implementing a program of macroeconomic policies and structural reforms to sustain strong growth, ensure macroeconomic stability, reduce poverty and promote inclusiveness. The performance under this IMF-supported program has been satisfactory, especially on meeting the agreed quantitative performance criteria. Progress has also been made with regards to structural benchmarks, although more remains to be accomplished going forward. With determined implementation of sound economic policies and structural reforms, the medium-term growth outlook can be expected to remain robust.

"On the fiscal front, the budget deficit target for 2018 is within reach, and the authorities have reiterated their commitment to meet the regional WAEMU deficit norm of 3 percent of GDP in 2019. Achieving these goals will require additional revenue-enhancing measures and

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

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

spending restraint while protecting pro-poor outlays. On the financing side, the authorities' new debt management strategy envisages an even mix of domestic and foreign currency sources. In that context, a prudent borrowing policy, which carefully assesses the cost and benefits of new loans, is required to keep Côte d'Ivoire's debt on a sustainable path. Strengthening public financial and debt management remain critical to maintaining debt sustainability.

"On the structural front, the authorities intend to persevere with reforms to enhance revenue administration and public financial management, improve the business climate, promote inclusive growth and consolidate banking sector stability. They also intend to enhance Côte d'Ivoire's statistical system to better inform policy decisions."

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

	2015	2016	2017	2018	2019	2020
			Est.	Projections		
	(Annual percentage changes, unless otherwise indicated)					
National income						
GDP at constant prices	8.8	8.0	7.7	7.4	7.5	7.2
GDP deflator	3.1	-1.1	-1.7	0.4	1.1	1.8
Consumer price index (annual average)	1.2	0.7	0.8	1.7	2.0	2.0
External sector						
Exports of goods, f.o.b., at current prices	8.2	-7.0	8.0	16.7	8.6	7.6
Imports of goods, f.o.b., at current prices	12.6	-8.5	18.2	21.6	8.7	8.3
Central government operations						
Total revenue and grants	18.9	6.6	8.0	8.2	9.3	10.0
Total expenditure	21.8	12.2	9.9	5.9	5.0	9.5
Money and credit						
Money and quasi-money (M2)	17.3	10.1	8.8	11.0	11.9	13.0
Credit to the economy	28.5	13.3	15.2	13.4	14.1	12.1
	(Percent of GDP unless otherwise indicated)					
Central government operations						
Total revenue and grants	20.0	20.0	20.4	20.4	20.5	20.7
Total revenue	18.5	18.6	19.2	19.2	19.4	19.6
Total expenditure	22.8	24.0	24.9	24.4	23.6	23.7
Overall balance, incl. grants, payment order basis	-2.8	-4.0	-4.5	-4.0	-3.0	-3.0
Gross investment	20.1	17.7	19.5	21.8	22.4	23.5
Central government	6.7	7.4	7.5	7.6	7.2	7.3
Nongovernment sector	13.4	10.3	12.0	14.2	15.1	16.2
Gross domestic saving	23.6	20.3	20.4	21.7	22.4	23.6
Central government	2.9	2.2	2.0	2.6	3.6	4.1
Nongovernment sector	20.7	18.2	18.4	19.2	18.8	19.4
External sector balance						
Current account balance	-0.6	-1.2	-3.5	-3.9	-3.7	-3.7
Overall balance	2.0	-1.2	1.0	1.1	0.0	0.6
Public sector debt						
Central government debt, gross	47.3	48.4	49.8	52.6	51.0	49.7
Central government debt (excluding C2D)	40.7	43.1	45.3	49.1	48.4	47.9
External debt	29.5	29.0	30.5	36.7	36.8	34.1
External debt (excluding C2D)	22.2	23.4	25.4	32.7	33.8	31.9
Memorandum items:						
Nominal GDP (CFAF billions)	19,595	20,931	22,151	23,892	25,957	28,307
Poverty rate (in percent)	46.3	…	…	…	…	…

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

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

November 26, 2018

FOURTH REVIEWS UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY AND UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA

EXECUTIVE SUMMARY

Context. The ruling party won about half of the seats in the October 2018 municipal elections, but the political landscape is becoming more complex and uncertain, with the competition among the three traditional parties intensifying ahead of the 2020 presidential elections.

Economic outlook. The economic outlook remains strong, underpinned by robust consumption and investment, but risks are tilted downside. Growth is projected to stay around 7½ percent in 2018–19. Inflation is expected to remain subdued.

Program policies. Program performance has been satisfactory in the first half of 2018, with all end-June and continuous performance criteria and indicative targets met but only three out of the six structural benchmarks met and one implemented with delay. The program target for the 2018 fiscal deficit is within reach. The authorities reiterated their commitment to meet the WAEMU deficit norm of 3 percent of GDP in 2019 through a mix of revenue-enhancing measures and spending restraint. Their financing strategy now envisages greater reliance on international capital markets.

Staff views. Staff supports the authorities' requests for the conclusion of the fourth reviews of the program supported by the ECF and EFF arrangements, which would release disbursements equivalent to SDR 96.786 million.

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

Discussions were held in Abidjan during September 19–October 3, 2018. The mission team comprised Ms. Céline Allard (head), Mr. Michael Gorbanyov, Ms. Dominique Simard, Mr. Hippolyte Balima (all AFR), Ms. Aleksandra Zdzienicka (FAD), Mr. Jose Gijon (IMF resident representative) and Mr. Hermann Yohou (local economist). Mr. Daouda Sembene (ED) and Mr. Marcellin Koffi Alle (OED) participated in the discussions. Ms. Cooray, Ms. Malouf-Hardesty, and Mr. Magno assisted the team from headquarters.

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CONTEXT AND RECENT ECONOMIC DEVELOPMENTS

1. **Despite temporary shocks in early 2018, economic indicators point to continuous robust growth** (Figure 1). Real GDP growth decelerated in the first quarter because of base effects in agriculture, as cocoa and cashew production fell short of the 2017 bumper crops. Alongside, a temporary decline in extraction activities reflected lower oil output in mature fields, lower gas production in relation to increased reliance on hydro electricity generation, and labor strikes in gold mining. However, the manufacturing and service sectors have continued to grow rapidly. Accelerated clearance of overdue bills by the government and the increase in the minimum cocoa farmgate price by 7 percent from October are supporting demand. Credit to the economy expanded by 13.5 percent (y/y) at end-June 2018. Declining food prices kept inflation low, at 0.5 percent at end-September.

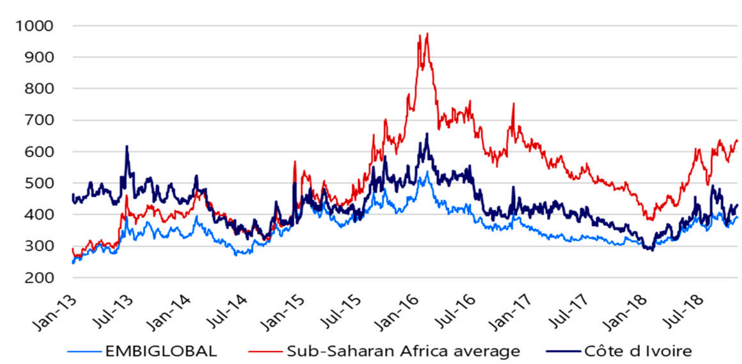
2. **This strong growth has led to higher imports and a more deteriorated current account, although the WAEMU's external position has improved**. The current account deficit was revised upwards to 3½ percent of GDP in 2017, largely due to higher volumes of petroleum products and other imports. Import volumes have continued to grow strongly through June 2018, including for equipment goods—a reflection of strong investment dynamics. Combined with higher oil prices, this has led to further narrowing of the trade surplus. Meanwhile, regional WAEMU foreign exchange reserves increased from 4 months of imports coverage at end-2016 to 5.5 months in mid-2018, in part due to large Eurobond issuance by Côte d'Ivoire and Senegal.

3. **Publication of revised 2016 and preliminary 2017 national accounts reduced nominal GDP**. Revised national accounts for 2016 and preliminary ones for 2017 released in September 2018 led to a cumulative downward revision of nominal GDP by more than 5 percent, mostly because of lower deflators (Annex I). Consequently, all ratios in percent of GDP for those years and onward were revised upwards.

4. **Financial conditions have tightened on global markets**. Interest rates on the Ivoirien Eurobonds increased by about 100 basis points from a year ago, broadly in line with African frontier markets trends. The regional market conditions eased in mid-2018, following large Eurobond issuances by Côte d'Ivoire and Senegal, but began to tighten moderately again in the fall.

Text Figure 1. Côte d'Ivoire: Sovereign Bond Yield Spreads, 2013–18

(Basis points)



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

5. The political landscape is becoming more complex. The party of President Ouattara won about half the seats in the October 2018 municipal elections. However, consolidation of the pro-presidential forces into a new unified party RHDP (*Rally of Houphouetists for Democracy and Peace*) led to unravelling of their long-time alliance with the PDCI party (*Democratic Party of Côte d'Ivoire*). Meanwhile, the presidential pardon in August 2018, including to members of the opposition party FPI (*Ivoirien Popular Front*), jailed after the 2010–11 post-election conflict contributed to national reconciliation and political normalization. With a political scene now defined along traditional parties' lines, competition between these parties is intensifying ahead of the 2020 Presidential elections. The security situation has improved markedly since the early 2017 mutinies, but tensions from the 2010–11 civil strife have not been totally diffused.

PROGRAM PERFORMANCE

6. Program performance was satisfactory, with all end-June 2018 and continuous performance criteria (PCs) and indicative targets (ITs) met (MEFP ¶¶16-17 and Table 1). The budget deficit reached 1.2 percent of annual GDP at end-June, better than programmed. Revenues outperformed, in part reflecting early profit distribution from oil-producing companies and cell phone license fees (0.2 percent of GDP), partly offset by shortfalls on fuel taxes (0.1 percent of GDP). Adjusting with delay to rising world oil prices, the authorities raised pump prices by 3 percent in April-May and another 5 percent in September-November and oil products' prices by 7–12 percent in June. Expenditure has been compressed relative to program projections, particularly through under-execution of capital spending. The Eurobond issuance in March 2018 reduced net domestic financing well below the program PC. Pro-poor spending was maintained as programmed while domestic arrears clearance overshot program expectations.

Text Table 1. Côte d'Ivoire: Fiscal Operations of the Central Government, 2018:H1
(Percent of GDP)

	Prog.	Est.	Diff.
Total revenue and grants	10.0	10.2	0.2
Total revenue	9.3	9.6	0.3
Tax revenue	8.2	8.3	0.1
Nontax revenue	1.1	1.3	0.3
Grants	0.7	0.6	-0.2
Total expenditure	11.5	11.3	-0.2
Current expenditure	8.4	8.4	0.0
Capital expenditure	3.1	3.0	-0.1
Domestically financed	1.8	1.7	-0.1
Foreign-financed, *of which*	1.3	1.3	-0.1
Foreign loan-financed	0.9	1.0	0.1
Primary basic balance	0.1	0.5	0.4
Overall balance	**-1.5**	**-1.2**	**0.3**
Domestic arrears and float	-0.4	-0.8	-0.4
Overall balance (cash basis)	-1.9	-2.0	-0.1

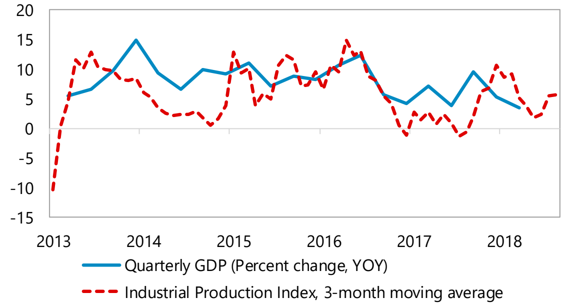
Sources: Ivoirien authorities; and IMF staff estimates.

7. However, only three out of six applicable structural benchmarks (SB) were met and another one implemented with delay (MEFP ¶18 and Table 2). The authorities prepared an action plan to improve tracking of merchandise in transit by end-March. They also prepared a summary table of public enterprise debt service and the report on the financial situation of Air Côte d'Ivoire for end-June 2018. The government paid its contribution for the recapitalization of the public savings bank CNCE by June instead of end-March. However, fuel tax revenues fell short of program projections, largely because of lower-than-projected sale volumes as well as delayed pass-through of world to domestic fuel prices. Pending delayed adoption of the new Investment Code in August 2018, the authorities could not prepare an action plan to rationalize tax exemptions, and staff proposed to re-install it as new SB for end-March 2019.

Figure 1. Côte d'Ivoire: Recent Economic Developments, 2014–18

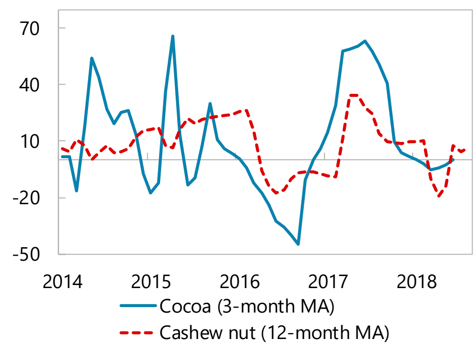
Real GDP growth slowed down in 2018Q1, but industrial production strengthened in 2018Q2…

Quarterly GDP and Industrial Production Index
(Year-on-year percent change; 3-month moving average)



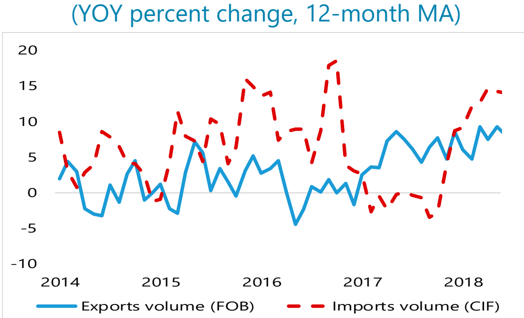
…while the production of key agricultural exports declined after bumper crops in 2017.

Cocoa and Cashew Nut Production
(Year-on-year percent change)



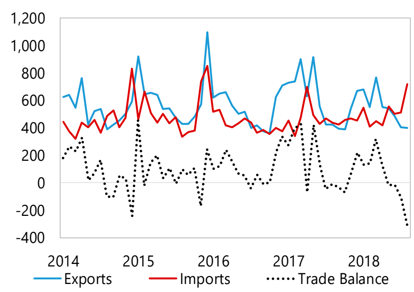
Export volumes continued to grow but imports' volume surged, including in equipment goods.

Trade Volumes
(YOY percent change, 12-month MA)



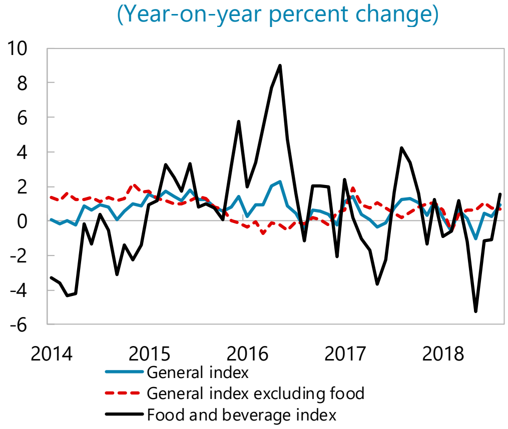
Rising oil prices and growing import volumes weighed on the trade balance.

Trade (CFAF billions)



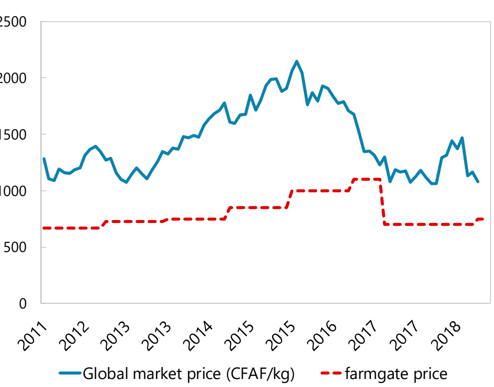
Declining food prices contributed to low inflation, at 0.5 percent in September 2018.

Inflation
(Year-on-year percent change)



Following the higher world price, the farmgate cocoa price was increased by 7 percent in October 2018.

Cocoa Price: World Market Versus Farmgate
(CFAF/Kg)



Sources: Ivoirien authorities; and IMF staff estimates.

8. The authorities have made progress in debt restructuring of the national oil refinery SIR. The government granted a guarantee for the debt restructuring loan of 1½ percent of GDP in August, which is included in debt projections and DSA. This sets the stage for finalizing the agreement on financing terms with a private creditor and concluding the restructuring plan by December 2018 (missed end-December 2017 SB).

OUTLOOK AND RISKS

9. Underpinned by buoyant demand, growth is projected to reach 7½ percent in 2018–19, decelerating to 6½ percent by 2023 (Figure 2, Tables 1–2). The higher farmgate cocoa price should support domestic consumption throughout next year, while private investment is envisaged to further strengthen, as Côte d'Ivoire's frontier market status continues to attract new investors. Those investments are foreseen to sustain growth in the medium term, expanding productive capacity and strengthening the contribution of net exports. The current account deficit is expected to widen temporary to almost 4 percent of GDP in 2018, mainly due to higher global oil prices and strong petroleum imports. However, the expected launch of new oil wells, repairs at the national oil refinery, the tapering off of equipment imports, and improving terms of trade would narrow it down to 2½ percent of GDP by 2023.

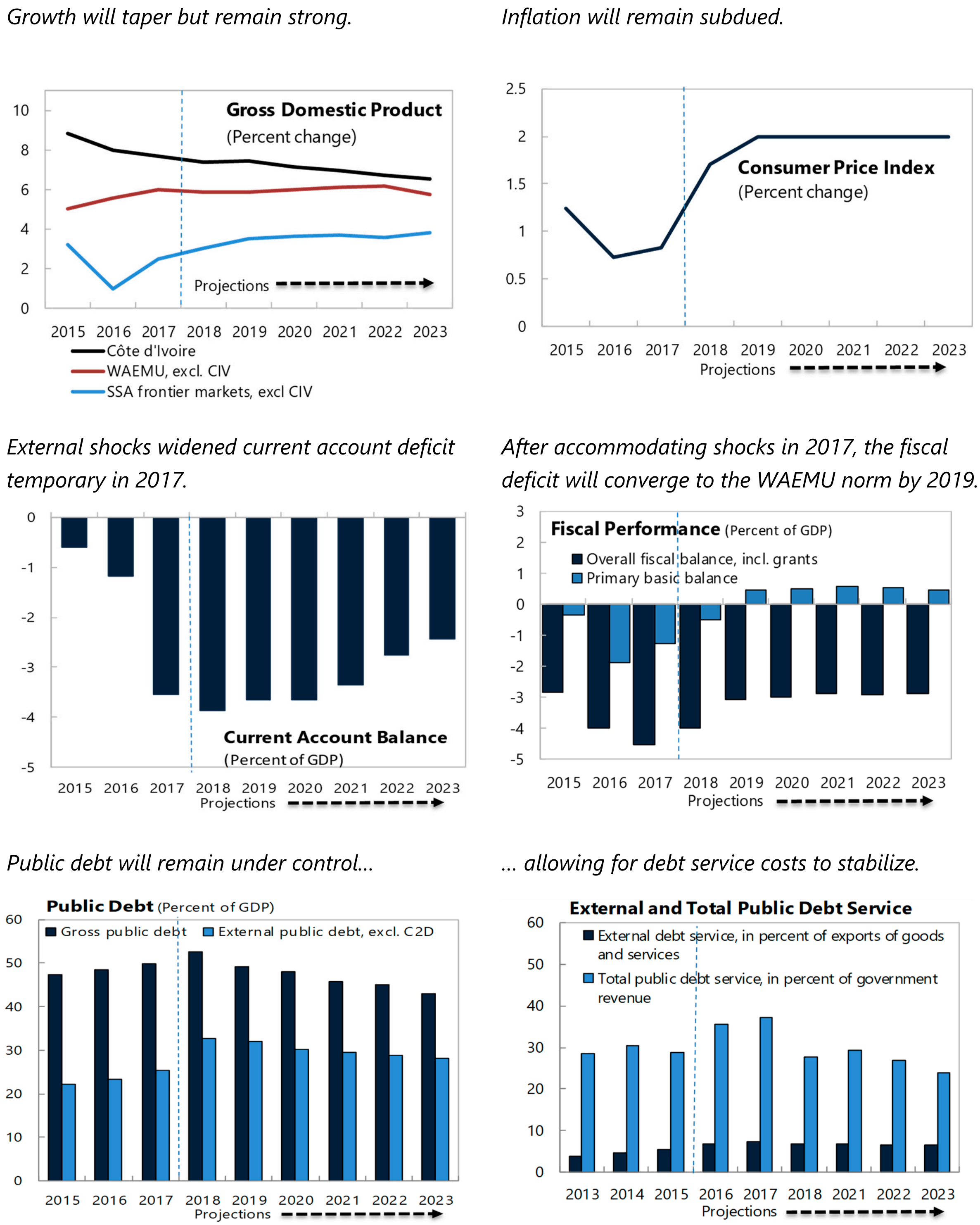
10. Risks to the baseline are, however, tilted to the downside (Annex II). Growth could be hampered by rising protectionism, setbacks in trade partner countries, or tighter global financing conditions. Moreover, underperforming revenues or unforeseen outlays to support public enterprises and banks present a risk for growth-enhancing public spending, as would new social demands. Greater political uncertainty has so far not eroded the positive investor sentiment on Côte d'Ivoire, but it could affect investment negatively going into the 2020 Presidential election. On the upside, fiscal revenues and domestic demand could be lifted by rising prices of agriculture exports and enhanced African economic integration.

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

	2017	2018		2019		2020	2021	2022	2023
	Est.	Prog.[1/]	Proj.	Prog.[1/]	Proj.	Projections			
GDP growth, percent	7.7	7.4	7.4	7.0	7.5	7.2	7.0	6.7	6.5
Inflation, percent	0.8	1.7	1.7	2.0	2.0	2.0	2.0	2.0	2.0
Current account balance	-3.5	-2.7	-3.9	-3.1	-3.7	-3.7	-3.4	-2.8	-2.5
Total revenue and grants	20.4	20.5	20.4	20.5	20.5	20.7	20.8	20.8	20.9
Non-earmarked tax revenues	15.6	15.6	15.6	16.1	16.0	16.2	16.4	16.6	16.7
Current expenditure	18.0	17.3	17.5	16.6	17.0	17.0	16.9	17.1	16.8
Capital expenditure	6.9	7.2	6.9	7.2	6.6	6.7	6.8	6.6	6.9
Fiscal balance (including grants)	-4.5	-4.0	-4.0	-3.2	-3.0	-3.0	-2.9	-2.9	-2.9
Public debt	49.8	51.8	52.6	50.5	51.0	49.7	48.9	47.9	47.1
Nominal GDP (FCFA billion)	22,151	25,372	23,892	27,687	25,957	28,307	30,769	33,369	36,100

Sources: Ivoirien authorities; and IMF staff estimates.
[1/] Ratios to GDP rebased with the lower nominal GDP reflecting downward revisions to the national accounts for 2016–17.

Figure 2. Côte d'Ivoire: Medium-Term Outlook, 2015–23
(Percent of GDP, unless otherwise indicated)



Sources: Ivoirien authorities; and IMF staff estimates.

ECONOMIC POLICIES FOR 2018–19

11. Economic policies in Cote d'Ivoire, the largest WAEMU member, will contribute to national and regional macroeconomic stability. To that effect, the 2019 budget is expected to lower the deficit to the WAEMU norm and raise tax revenue. It will rely on a balanced mix of financing in domestic and foreign currencies. Structural reforms should support the fiscal consolidation and enable private sector-led growth, while weaknesses in small banks should be addressed.

A. Converging to the WAEMU Fiscal Deficit Norm

12. The 2018 budget deficit target is within reach, while larger arrears repayment will marginally increase domestic financing needs (Tables 3a and 3b). The projected underperformance of fuel taxes (by 0.13 percent of GDP), largely reflecting lower-than-projected sales volumes as well as delayed pass-through of world to domestic fuel prices, will be partially offset by higher profit distributions from oil-producing companies. In view of depressed world market conditions for cashew nuts, the authorities cut the rate of the recently introduced export tax on them from 10 percent to 3.5 percent. These and other changes have resulted in fiscal revenues projected slightly below program targets (by mere 0.05 percent of GDP, reflecting satisfactory collection of non-oil revenue), which the authorities plan to offset by curtailing public investments (MEFP ¶28). This should keep the budget deficit to the program target of 4.0 percent of GDP (rebased with lower nominal GDP). Staff supports the authorities' request for modifying the end-2018 performance criterion on net domestic financing (by less than 0.1 percent of GDP) to allow for higher arrears repayment.

Text Table 3. Côte d'Ivoire: Compliance with the WAEMU Convergence Criteria, 2015–19

	2015	2016	2017	2018	2019
				Projections	
First-order criteria					
Overall Balance[1]/GDP (≥-3 percent)	-2.8	-4.0	-4.5	-4.0	-3.0
Average consumer price inflation (≤3 percent)	1.2	0.7	0.8	1.7	2.0
Total debt[2]/GDP (≤70 percent)	47.3	48.4	49.8	52.6	51.0
Second-order criteria					
Wages and salaries/Tax revenue (≤35 percent)	45.1	41.8	41.5	41.4	39.0
Tax revenue/GDP (≥20 percent)	15.1	16.0	16.5	16.5	17.0

Sources: Ivorien authorities; and IMF staff estimates.

[1] Includes grants.

[2] Includes central government domestic arrears and state-owned enterprise debt.

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

13. In line with the program objectives, the 2019 budget will be anchored by the WAEMU deficit target of 3 percent of GDP (Text Table 3). To achieve the 1 percentage point of GDP fiscal consolidation, the Government has adopted a draft budget law that is consistent with boosting the tax revenue-to-GDP ratio by 0.5 percentage point (end-October SB, MEFP ¶31) through a combination of tax policy and revenue administration measures, more than offsetting a projected decrease in non-tax revenue and grants by 0.4 percentage point of GDP. Consistent implementation of the public wage bill strategy adopted in 2014 is expected to reduce the wage bill by 0.2 percentage point of GDP. Stricter internal controls and rising efficiency of government operations is projected to restrain other current expenditure growth below GDP expansion, thus reducing it by 0.4 percent of GDP. Moreover, better prioritizing foreign-financed projects should reduce capital spending by another 0.3 percentage point.

B. Boosting Domestic Revenue Mobilization

14. To sustain fiscal consolidation while providing sufficient space for investment and social spending, the authorities reaffirmed their commitment to mobilizing additional tax revenues in 2019. The private sector was consulted in the budgetary process underpinning the projected increase in the tax revenue-to-GDP ratio by 0.5 percentage point.

- ***Tax and customs measures***. About half of the expected revenue would come from re-introducing the cocoa registration tax and new tax policy measures (MEFP ¶31). The latter include changes to excises, provisions related to VAT exemptions, new export taxes on cottonseeds and a re-adjustment of the export tax on cashew nuts (temporary lowered in 2018). The remainder would be derived from tax and custom administration measures (MEFP Box 2). The authorities reiterated their commitment not to renew temporary exemptions expiring at end-2018 (end-December SB) and finalize the action plan to rationalize tax exemptions in connection with the new Investment Code (re-introduced as new SB for end-March 2019).

Text Table 4. Côte d'Ivoire: New Fiscal Revenue Measures, 2019

	(Percent of GDP)
1. Adopted measures	
Registration fees (cacao)	0.13
2. Committed tax policy measures	
Measures relative to excises	0.01
Adjustment to VAT exemptions	0.03
Measures related to export taxes	0.08
3. Committed tax and customs administration measures	0.21
Revenue gain	**0.46**

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

- ***Fuel taxes***. To preserve fuel tax revenue at the budgeted level, the retail fuel prices will continue to reflect changes in world oil prices in line the price setting mechanism (re-introduced quarterly SB for 2019).

15. Beyond 2019, the authorities agreed that accelerating reform efforts to raise more domestic revenue was paramount. Over the medium term, they plan to further improve domestic revenue mobilization and keep the deficit below 3 percent of GDP while making room for public investments and pro-poor outlays. Based on analysis for the sub-Saharan African region[1] and IMF technical assistance to Côte d'Ivoire, the additional tax revenue potential could indeed be as much as 3½-5 percent of GDP. This can cover about 50–75 percent of budget's gross financing needs, in turn limiting interest outlays and creating additional fiscal space for growth-supporting spending.

C. Consolidating Fiscal Structural Reforms

16. The authorities pledged to consolidate structural fiscal reforms as outlined in their updated medium-term action plan. Those actions will strengthen governance:

- ***Tax and customs administration reforms to improve efficiency, optimize property taxation, and reduce informality***. New actions include the introduction of a Single Taxpayer Identification Number (STIN) and trader registration card, electronic tax filing and payment for all large and medium-sized enterprises, tax audit improvements, a taxpayer and real-estate owner census program, and the full operationalization of risk analysis (MEFP ¶19). Reforms to digitalize the tax administration and share information with other entities should improve compliance. This will be facilitated by the conversion of the Tax Account Number (*Numéro de Compte Contribuable*) of existing firms to STIN (modified SB for end-March 2019) and the strengthening of monitoring and controls, including via increased auditing of VAT declarations (proposed new SB for end-June 2019).

- ***Actions to strengthen and modernize public finance management*** (MEFP ¶¶31, 41) include (i) progressing toward program budgeting; (ii) integrating payments in the expenditure system and better linking plan and execution tools; (iii) operationalizing cash advance management modules; (iv) computerizing public procurement via ministerial procurement units (MEFP ¶19); and (v) deploying the Integrated Public Procurement Management System beyond the central government (proposed new SB for end-June 2019). Progress also continues towards switching to the Treasury Single Account (MEFP ¶¶19, 47), improving the link between programming and budgeting tools for projects and analyzing recurrent investment spending, as per Public Investment Management Assessment (PIMA) recommendations (MEFP ¶¶34, 43).

- ***Wage bill strategy***. This strategy, in place since 2014, combines hiring of only one civil servant for every two retirees, except in the education and health priority sectors, with a more recent voluntary retirement policy in the military (MEFP Box 4). The modernization of the evaluation system for civil servants and job and skill inventories are expected to be finalized by 2020.

[1] IMF (2018), "Domestic Revenue Mobilization in Sub-Saharan Africa: What Are the Possibilities?", Chapter 2, *Regional Economic Outlook: Sub-Saharan Africa*, Spring 2018.

D. A Balanced Financing Strategy for Debt Sustainability

17. The authorities are revising their medium-term debt management strategy (MTDMS) to allow for a balanced mix of domestic and foreign currency borrowing. The previous MTDMS aimed at meeting most of the government's gross financing needs on the regional debt market (in addition to foreign-financed project loans). However, following change in the regional debt market conditions after the BCEAO monetary policy tightening in December 2016 and informed by their successful 2017–18 Eurobond issuances the authorities have been reconsidering this strategy. They now envisage a 50-50 split between funding sources denominated in domestic and foreign currency over 2019–23, with the concomitant objectives of limiting foreign exchange risk, reducing the cost of new borrowing, minimizing portfolio risk, and fostering the development of the regional debt market. This would imply turning to international capital markets for financing in foreign currency on a regular basis, but for amounts significantly lower than in 2017–18. The proposed ceiling on the new external debt for 2019 reflects it.

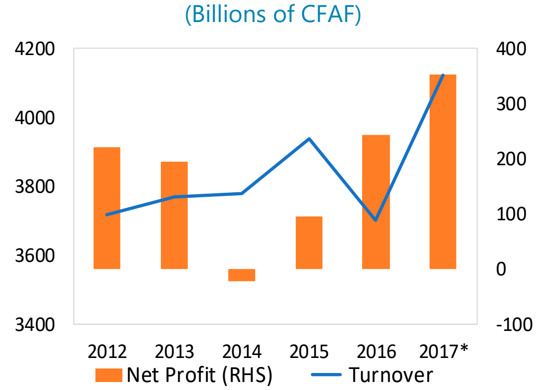
18. With this new strategy, Côte d'Ivoire remains at moderate risk of debt distress but risks, especially related to external debt, are increasing. According to the debt sustainability analysis, all liquidity and solvency external debt and total public debt indicators remain below their thresholds under the macroeconomic framework of the staff report (baseline scenario). However, this strategy is subject to substantial risks from a further tightening in global market conditions and the greater potential impact of their enhanced volatility on financing terms. Furthermore, the external debt service-to-revenue ratio is projected to trend closer to its applicable threshold. Stress tests show that Côte d'Ivoire is vulnerable to adverse shocks on exports or growth, highlighting diminishing room for maneuver. In that context, the new strategy provides an explicit framework to guide the authorities' overall debt policy, but staff stressed that it also increased risks on external debt and reiterated that carefully assessing the costs and economic return of new loans will remain crucial to preserve Côte d'Ivoire's medium-term debt sustainability.

E. Containing Fiscal Risks

19. The authorities are taking steps to restructure some of the largest public enterprises and strengthen their oversight. State-owned enterprises' performance has continued to improve since 2014, including at the national oil refinery SIR and energy holding company PETROCI, which have continued to implement their business plans (MEFP ¶49). The restructuring of SIR debt is expected to be completed by December 2018. PETROCI concluded the sale of its gas stations in September 2018 and privatization of its butane gas distribution network is ongoing. Air Côte d'Ivoire's performance has been temporarily affected by rising world oil prices and

Text Figure 2. Côte d'Ivoire: Performance of State-Owned Enterprises, 2012-17

(Billions of CFAF)



Note: * Preliminary estimates based on 67 of 82 public enterprises.

Sources: Ivoirien authorities; and IMF staff estimates.

adverse regional developments. Its financial situation is expected to improve in the medium term, thanks to shareholders support and optimization of its network. Reports of the financial situation of Air Côte d'Ivoire will continue to be submitted to the Ministry of Budget (semi-annual SB). Signing a performance contract with public transportation company SOTRA is envisaged after its development plan is updated.

20. A multi-faceted strategy is being implemented in the electricity sector. Protocol agreements between the government and electricity companies and a planned refinancing of debt towards electricity and gas providers—with a World Bank guarantee—should prevent new arrears accumulation and resolve existing ones (MEFP ¶¶ 19, 50). Greater network efficiency, better controls, and agreements to recover external arrears are also expected to lower operational costs and improve the financial situation of the sector.

21. Risk management of public enterprises and Public-Private Partnerships (PPP) is being strengthened. Regular updates of public enterprises' performance, including their debt situation, are now available. Interconnections between government units and SOEs databases are improving. A financial performance dashboard and monitoring committees are to be set up for public entities under performance contracts (proposed new SB for end-June 2019), and six new performance contracts with public companies are under preparation (MEFP ¶¶41, 45). Likewise, the management of PPP-related risks is improving with the revision of the institutional framework, strengthening of the role and capacity of the National Steering Committee for Public-Private Partnership, regular reviews of PPP portfolio and related risks (e.g., 2018 audit), updates of PPP database, and integration of active PPP projects into the 2018-20 Public Investment Program (MEFP ¶¶19, 46). Capacities of all PPP-related parties will be reinforced, and a fiscal risk analysis will be presented in the draft budget law starting in 2019. The GFSM 2001/14 fiscal reporting standards will apply to financial operations of the central government starting from mid-2019 (MEFP ¶42).

F. Strengthening the Banking Sector

22. The banking sector remains broadly sound, despite remaining weaknesses in a few small banks (Tables 4–5). The sector is sound and profitable and continues to support solid credit expansion—projected to reach 13½ percent in 2018 and 12 percent over the medium term. The main recipients of bank credit include trade and services sectors, manufacturing, and agriculture. Transition from 2018 to a new WAEMU-wide regulatory framework aligned with Basel II/III principles will strengthen reporting and promote bank recapitalization where needed. In October, the BCEAO withdrew the license of a small bank noncompliant with prudential norms. A few others remain undercapitalized, although together they account for less than 2½ percent of the sector's assets. Meanwhile, the fallout from the bankruptcy of a large cocoa trader is expected to be contained as banks have already provisioned part of their exposure, estimated overall at 0.6 percent of GDP (MEFP ¶54).

23. The authorities continue restructuring and recapitalizing public banks (MEFP ¶55). In June 2018, they further contributed to recapitalizing the public savings bank CNCE as part of its ongoing restructuring plan aimed at restoring profitability. Since then, they decided to recapitalize another small public bank undergoing privatization, with fund transfers to be completed early next year. Recapitalizations—with the fiscal costs of around 0.05 percent of GDP for each bank—should help these banks comply with the new WAEMU prudential rules, broadly in line with past staff advice. The authorities also reinforced the management of the public investment bank BNI, which had to increase provisions for bad loans, including from the cocoa sector.

G. Business Climate and Structural Reforms for Inclusive Growth

Improving the Business Climate

24. With the new 2018–20 reform agenda adopted in September, the authorities are persevering with reforms aimed at facilitating the conduct of business. Those measures should help support momentum toward private sector-led growth.

- ***E-government services***. As it is systematically assigned to new businesses and gradually rolled-out to existing firms from January 2019 within two years, the STIN is a key step in the provision of integrated on-line public services (MEFP ¶33). Online services are expected to include the delivery of licenses and business permits, tax declaration and payments, property transfers; and access to published commercial law decisions and judicial acts.

- ***Governance***. Compliance with the assets declaration regime has improved from 63 percent of government authorities to 75 percent between April and July 2018, but further efforts are required to align the framework with best practices, including by establishing a verification mechanism and publishing the asset declarations of high-level officials. The authorities plan to strengthen the regime by articulating a framework for cooperation between the High Authority for Good Governance and public prosecution entities. Moreover, the government plans to implement the 2016 AML/CFT law, ahead of the 2021 AML/CFT assessment by the Intergovernmental Anti-Money Laundering Group in West Africa (GIABA).

- ***Regulations***. Key planned reforms are to significantly reduce delivery time for construction permits, finalize the one-stop window for external trade and reduce judicial delays.

- ***Agriculture***. The authorities recognize that a thriving agriculture is critical to boost growth and alleviate poverty (IMF Country Report No. 18/182). They aim to develop the agri-business sector to increase the value-added of exports and create employment, including among relatively underprivileged groups.

- ***Compact with Africa***. Under the auspices of this G20 Initiative, the authorities are implementing their matrix of reforms, including measures to improve the business environment. Progress will be presented soon to the private sector.

25. The revised Investment Code offers scope for lowering the foregone revenue from tax incentives, but these will continue to hamper revenue mobilization. The Code, adopted in the fall of 2018, removed banking, real estate, commerce, tobacco and liberal professions from the eligibility list and focused on agriculture, agri-business, tourism, health and education. It offers more generous tax incentives to business operations located in remote areas, with differentiated incentives based on the type of investment, stage of operation, and amount of local content or participation. Importantly, the new investment code replaced VAT tax exemptions with deferred tax credits. By limiting tax holidays, reducing incentives at the production stage relative to the investment stage and restricting eligible activities, it is estimated to contribute to some reduction of foregone revenue relative to the previous code. However, it still includes numerous tax holidays, which will continue to undermine tax revenue collection and complicate the task of the revenue administration. To narrow the scope for tax exemptions in the context of the new Code, the authorities have committed to finalizing the action plan to rationalize tax exemptions (SB for end-March 2019).

Making Growth More Inclusive

26. The authorities met the IT on pro-poor spending at end-June 2018 and continue implementing their social safety nets, but fostering inclusive growth remains a challenge. To alleviate the poverty rate, which remained elevated at 46.3 percent in 2015, the authorities are pursuing several policy actions. The government's pro-poor spending projected to reach 9.6 percent of GDP in 2018 includes programs to improve education, health care, rural electrification, and water supply. The construction of classrooms, including in remote areas, is improving access to education, while pilots for universal health care are being deployed. Expenditure on social safety nets was mere 0.01 percent of GDP at end-2017, and most Ivoirien rely instead on informal safety nets. With support from the World Bank and bilateral partners, the authorities have been providing cash transfers to 35,000 poor households, out of a social registry of 92,000 households, and plan to expand the program gradually.

Strengthening Statistics

27. The compilation and dissemination of statistics is improving but challenges remain. Supported by technical assistance from the IMF and development partners, the authorities recently published the final 2016 national accounts and the preliminary ones for 2017. They have continued publishing quarterly national accounts measured from the supply side, but further progress is needed in compiling short-term indicators and improving the methodology for reconciling quarterly and annual national accounts. Moreover, the authorities are working towards rebasing the real GDP from 1996 to 2015, implementing the SNA 2008 and introducing industrial producer price index. Finally, they are preparing a new population census (planned for 2019) and an update of the poverty rate (last computed in 2015).

28. To tackle these challenges and better inform policy decisions, the authorities have prepared a strategy to strengthen the timely and comprehensive production of statistics. Supported by EU technical assistance, the draft National Strategy for the Development of Statistics 2017–21 aims to improve the technical and human capacities and governance of the National Institute of Statistics, as well as to outline funding mechanisms from the central government and development partners (Annex III). The authorities have committed to adopting the strategy in the Council of Ministers by end-year (proposed new SB for end-December 2018).

PROGRAM MODALITIES AND FINANCING ASSURANCES

29. The program is fully financed (Tables 6a and 6b). The country's external financing needs in 2018–19 will be covered by market borrowing, donor financing, and Fund disbursements. Disbursements of the projected financing from donors this and next year are expected to be timely. Access to both domestic and external debt markets should be maintained during the program, with Fund financing as catalyst.

30. Capacity to repay the Fund is good. It is supported by Côte d'Ivoire's solid track record of meeting its obligations and the authorities' commitment to boost tax revenues by 0.5 percent of GDP from 2019. Obligations to the Fund would peak in 2019 at only 1.8 percent of government revenue or 0.4 percent of GDP (Table 7).

31. Program implementation risks. The program is on track, but revenue mobilization and expenditure challenges, as well as the impact of volatile market conditions on financing terms pose risks to the fiscal outlook. Program performance was satisfactory through end-June 2018. However, demands from the increasingly complex political environment may undermine expenditure restraint and tax revenue mobilization.

32. Safeguards assessments. An updated 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. Audit arrangements have been strengthened, International Financial Reporting Standards (IFRS) were adopted 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 progressing well with implementation of its work across the bank.

STAFF APPRAISAL

33. Despite supply shocks, economic activity remained robust and program performance was satisfactory over the first half of 2018. Growth is projected at 7.4 percent of GDP in 2018, supported by strong private investment and consumption, notwithstanding the slowdown in extractive industries and less dynamic key agriculture exports following favorable crops in 2017. All end-June 2018 PCs and ITs were met, along with three out of six applicable SBs and one implemented with delay. The medium-term growth outlook remains good, near 7 percent on average over 2019–23, sustained by recovering net exports, investments in the manufacturing and services sectors, and dynamic private consumption.

34. Beyond the growth level, the quality of growth will be critical to support Côte d'Ivoire on the path to becoming an emerging market economy. Growth should be underpinned by strong reforms to make it more private-led and benefiting the entire population, thereby ensuring both its durability and inclusiveness. To improve the business environment, the authorities are enhancing infrastructure and overhauling regulations. They are increasing pro-poor spending to upgrade human capital, develop social safety nets, and improve living conditions, including in rural areas. Pursuing these actions will require a staunch commitment over the medium term and sustainable budgetary resources to fund these development priorities.

35. Côte d'Ivoire's commitment to the WAEMU norm of 3 percent of GDP for the 2019 budget deficit is commendable, and sound fiscal policies should continue beyond 2020. Fiscal consolidation in Côte d'Ivoire will contribute greatly to domestic and WAEMU-wide macroeconomic stability over the medium term, a key determinant for a sound and predictable business environment. In that regard, it is critical to pursue the dialogue with the private sector on the benefits of adhering to the sound fiscal policies and on concrete measures to increase tax revenues.

36. Further to achieving fiscal consolidation for the central administration, containing broader fiscal risks is key to build much-needed fiscal space. Public enterprises and PPPs present budgetary risks that should be closely monitored and addressed where needed. Agreements on performance contracts with public entities and their monitoring are strongly encouraged, and further improvements in assessing the viability and risks of PPP projects would be welcome. Furthermore, financial soundness in the public energy sector should be continuously evaluated as ongoing reforms proceed, and domestic tariffs should be adjusted if those reforms prove insufficient to ensure full cost recovery.

37. Within that framework, accelerating revenue mobilization will be needed to sustainably finance the authorities' ambitious development program. The revenue-enhancing measures of 0.5 percent of GDP in the 2019 budget are a positive contribution to that effort but will have to be sustained over the medium term to create room for higher public investment. Indeed, raising tax revenue by 3½–5 percent of GDP over time—a reachable medium-term target by staff estimates—can be achieved by sustaining reforms in revenue administration, streamlining still-substantial tax exemptions, and extending the tax net to all sectors of the economy. In that respect, finalizing the action plan for rationalizing tax exemptions in the context of the new Investment Code will be crucial.

38. Prudent financing mix is required to safeguard Côte d'Ivoire's debt sustainability. While Côte d'Ivoire's risk of debt distress remains moderate, its projected ratio of external debt service to revenue is approaching the applicable threshold, which further emphasizes the need to limit debt accumulation and improve domestic revenue mobilization. Meanwhile, the authorities have revised their medium-term debt management strategy to meet gross financing through a balanced mix of domestic and foreign currency sources. While the authorities' strategy is thereby clarified, this strategy also increases risks on external debt, and they need to conduct a careful cost-benefit analysis of any new loans to preserve diminishing room for maneuver and minimize exposure to volatile global conditions. The banking sector remains broadly stable, but pockets of vulnerability need to be addressed.

39. Policy decisions would be better informed by strengthening Côte d'Ivoire's statistical system. The authorities are encouraged to adopt as soon as possible their strategic framework, developed with EU assistance, with a view to providing more predictable funding, improved governance and better coordination mechanisms for the production of statistics.

40. Staff supports the authorities' request for the completion of the fourth reviews under the ECF and EFF arrangements, which would release disbursements equivalent to SDR 96.786 million (Table 8). Staff supports the authorities' request for modification of (i) the PC on the net domestic financing for end-2018; (ii) two ITs, on the government tax revenue and primary basic fiscal balance; and (iii) the SB on the roll-out of the STIN. The attached Letter of Intent (LOI) and Memorandum of Economic and Financial Policies (MEFP) set out appropriate policies to pursue the program's objectives. The capacity to repay the Fund is adequate, and risks to program implementation are manageable given the government's solid track record for policy actions.

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

	2015	2016	2017	2018		2019		2020	2021	2022	2023
			Est.	Prog.[1/]	Proj.	Prog.[1/]	Proj.	Projections			
	(Annual percentage changes, unless otherwise indicated)										
National income											
GDP at constant prices	8.8	8.0	7.7	7.4	7.4	7.0	7.5	7.2	7.0	6.7	6.5
GDP deflator	3.1	-1.1	-1.7	0.5	0.4	2.0	1.1	1.8	1.6	1.6	1.5
Consumer price index (annual average)	1.2	0.7	0.8	1.7	1.7	2.0	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	-7.0	8.0	5.2	16.7	8.7	8.6	7.6	10.3	2.9	7.5
Imports of goods, f.o.b., at current prices	12.6	-8.5	18.2	15.0	21.6	12.0	8.7	8.3	10.3	-0.4	5.8
Export volume	4.3	-10.1	9.4	8.9	11.2	8.5	10.1	8.8	11.3	4.1	7.3
Import volume	23.3	2.4	6.5	8.8	9.1	11.9	7.2	9.9	10.6	-0.6	8.6
Terms of trade (deterioration –)	16.2	17.5	-15.5	-8.3	-4.0	0.1	-2.7	0.4	-0.1	-0.5	0.0
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	8.0	8.4	8.2	8.7	9.3	10.0	9.3	8.4	8.4
Total expenditure	21.8	12.2	9.9	6.1	5.9	5.3	5.0	9.5	8.8	8.3	8.5
	(Changes in percent of beginning-of-period broad money unless otherwise indicated)										
Money and credit											
Money and quasi-money (M2)	17.3	10.1	8.8	14.6	11.0	13.5	11.9	13.0	10.7	10.9	10.5
Net foreign assets	1.5	-0.7	0.1	8.1	5.1	3.7	2.0	1.9	2.9	0.3	2.6
Net domestic assets	15.9	10.8	8.7	6.5	5.9	9.9	10.0	11.1	7.8	10.6	7.9
Of which: government	-1.3	3.4	3.1	-1.1	-3.3	2.3	-0.1	2.3	-0.8	1.9	-0.8
private sector	16.5	8.5	10.0	7.7	9.3	7.6	10.0	8.7	8.6	8.7	8.7
Credit to the economy (percent)	28.5	13.3	15.2	13.3	13.4	13.4	14.1	12.1	12.0	11.9	11.8
	(Percent of GDP unless otherwise indicated)										
Central government operations											
Total revenue and grants	20.0	20.0	20.4	20.5	20.4	20.5	20.5	20.7	20.8	20.8	20.9
Total revenue	18.5	18.6	19.2	19.2	19.2	19.3	19.4	19.6	19.9	20.1	20.3
Total expenditure	22.8	24.0	24.9	24.5	24.4	23.7	23.6	23.7	23.7	23.7	23.8
Overall balance, incl. grants, payment order basis	-2.8	-4.0	-4.5	-4.0	-4.0	-3.2	-3.0	-3.0	-2.9	-2.9	-2.9
Primary basic balance [2/]	-0.3	-1.9	-1.3	-0.5	-0.5	0.1	0.5	0.7	0.7	0.8	0.6
Gross investment	20.1	17.7	19.5	23.4	21.8	24.3	22.4	23.5	25.0	25.4	26.0
Central government	6.7	7.4	7.5	7.2	7.6	7.3	7.2	7.3	7.4	7.3	7.6
Nongovernment sector	13.4	10.3	12.0	16.1	14.2	17.0	15.1	16.2	17.5	18.1	18.4
Gross domestic saving	23.6	20.3	20.4	24.6	21.7	25.0	22.4	23.6	25.5	26.8	27.8
Central government	2.9	2.2	2.0	2.8	2.6	3.6	3.6	4.1	4.4	4.5	4.8
Nongovernment sector	20.7	18.2	18.4	21.8	19.2	21.4	18.8	19.4	21.1	22.2	23.0
Gross national saving	19.5	16.1	15.7	20.4	17.9	21.0	18.7	19.8	21.6	22.6	23.5
Central government	3.5	2.5	2.4	3.1	2.9	3.9	3.6	3.7	3.9	3.8	4.0
Nongovernment sector	16.0	13.6	13.3	17.3	15.0	17.1	15.1	16.1	17.7	18.8	19.5
External sector balance											
Current account balance (including official transfers)	-0.6	-1.2	-3.5	-2.9	-3.9	-3.3	-3.7	-3.7	-3.4	-2.8	-2.5
Current account balance (excluding official transfers)	-2.0	-2.6	-4.7	-4.2	-5.1	-4.4	-4.8	-4.8	-4.4	-3.5	-3.1
Overall balance	2.0	-1.2	1.0	3.0	1.1	1.1	0.0	0.6	1.0	0.0	0.9
Public sector debt											
Central government debt, gross	47.3	48.4	49.8	51.8	52.6	50.5	51.0	49.7	48.9	47.9	47.1
Central government debt (excluding C2D)	40.7	43.1	45.3	47.5	49.1	46.9	48.4	47.9	47.7	47.2	47.0
External debt	29.5	29.0	30.5	36.1	36.7	34.7	36.8	34.1	34.2	32.5	32.5
External debt (excluding C2D)	22.2	23.4	25.4	31.3	32.7	30.8	33.8	31.9	32.8	31.7	32.2
External debt-service due (CFAF billions)	412	481	556	713.3	590	787.3	842	932	790	841	874
Percent of exports of goods and services	5.6	6.9	7.4	9.3	6.8	9.4	9.0	9.2	7.0	7.2	7.1
Percent of government revenue	11.3	12.4	13.1	15.5	12.9	15.7	16.7	16.8	12.9	12.5	11.9
Memorandum items:											
Nominal GDP (CFAF billions)	19,595	20,931	22,151	25,372	23,892	27,687	25,957	28,307	30,769	33,369	36,100
Nominal exchange rate (CFAF/US$, period average)	591	593	581	...	...	...	...	...	...	...	...
Nominal GDP at market prices (US$ billions)	33.1	35.3	38.1	48.0	43.2	53	46.3	51.2	56.0	61.2	66.2
Population (million)	23.7	24.3	25.0	25.6	25.6	26	26.3	27.0	27.7	28.4	29.1
Nominal GDP per capita (CFAF thousands)	826	860	887	990.7	933	1,054	988	1,050	1,112	1,176	1,240
Nominal GDP per capita (US$)	1,397	1,451	1,528	1872.5	1,687	2,014	1,762	1,899	2,023	2,157	2,274
Real GDP per capita growth (percent)	6.2	5.4	5.1	4.8	4.8	4	4.9	4.6	4.4	4.1	3.9
Poverty rate (in percent)	46.3	...	...	...	...	...	...	...	...	...	...

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

[1/] Ratios to GDP rebased with the updated lower nominal GDP reflecting downward revisions to the national accounts for 2016-17.

[2/] 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.	Prog.	Proj.	Projection			
Current account	-119	-246	-485	-784	-694	-922	-851	-949	-1,045	-1,043	-941	-900
Current account excl. grants	-401	-538	-751	-1,050	-997	-1,225	-1,147	-1,251	-1,361	-1,342	-1,171	-1,111
Trade balance	1,874	1,818	2,299	1,491	1,967	1,470	1,966	1,590	1,667	1,884	2,300	2,624
Exports, f.o.b.	6,938	6,449	6,861	6,965	7,214	8,128	7,844	8,830	9,505	10,482	10,790	11,603
Of which: cocoa	3,031	2,740	2,904	2,904	2,636	3,468	2,756	3,726	3,950	4,000	4,092	4,190
Of which: crude oil and refined oil products	1,121	868	922	922	967	1,130	1,012	1,329	1,421	1,418	1,487	1,557
Imports, f.o.b.	5,064	4,631	4,562	5,474	5,247	6,658	5,877	7,240	7,839	8,598	8,490	8,979
Of which: crude oil and refined oil products	1,610	1,136	929	1,753	928	2,440	918	2,623	2,535	2,546	2,620	2,767
Services (net)	-1,194	-1,179	-1,669	-1,291	-1,675	-1,481	-1,772	-1,583	-1,642	-1,723	-1,835	-1,967
Primary Income (net)	-596	-638	-785	-674	-744	-701	-746	-699	-777	-841	-919	-992
Of which: interest on public debt	152	177	176	176	217	208	216	306	443	446	489	500
Secondary Income (net)	-204	-246	-330	-310	-242	-211	-299	-256	-293	-363	-487	-565
General Government	98	83	211	148	303	303	296	303	316	299	230	212
Other Sectors	-302	-329	-541	-521	-545	-514	-595	-558	-609	-662	-717	-776
Capital and financial account	537	44	1,544	995	1,419	1,187	1,135	961	1,206	1,365	932	1,242
Financial account (excl. exceptionnal financing)	381	-62	1,418	875	1,304	1,079	1,021	851	1,098	1,257	825	1,136
Foreign direct investment	284	325	415	352	405	393	567	427	494	568	650	739
Portfolio investment, net	574	349	1,304	1,188	1,062	1,160	201	650	321	635	189	669
Acquisition of financial assets	-13	-23	136	20	2	62	87	67	55	7	8	9
Incurrence of liabilities	587	372	1,168	1,168	1,060	1,099	114	583	265	628	181	661
Of which: Eurobonds	585	0	1,144	1,144	1,115	1,115	0	500	0	500	0	500
Other investment, net	-477	-736	-301	-665	-163	-475	254	-227	283	54	-13	-273
Official, net	134	69	-129	-129	261	265	300	178	118	335	380	379
Project loans	328	262	486	486	567	567	644	556	534	587	651	683
Central government amortization due	-231	-270	-711	-711	-294	-290	-333	-365	-403	-240	-259	-292
Net acquisition of financial assets	0	-14	-12	-12	-12	-12	-11	-12	-12	-12	-12	-12
Nonofficial, net	-611	-805	-172	-537	-424	-740	-46	-405	164	-281	-393	-652
Errors and omissions	-31	-54	0	0	0	0	0	0	0	0	0	0
Overall balance	387	-255	1,059	211	725	265	284	12	161	322	-8	342
Financing	-395	255	-1,059	-211	-725	-265	-284	-12	-161	-322	8	-342
Reserve assets, includes reserve position in the Fund	-395	255	-1,059	-211	-955	-422	-468	-233	-234	-395	-62	-412
Operations account	-447	231	-1,150	-302	-873	-415	-383	-148	-148	-291	32	-330
IMF (net)	52	23	91	91	-82	-6	-85	-85	-86	-103	-93	-82
Disbursements	81	57	145	145	...	77	...	...	...	...	...	...
Repayments	-29	-34	-63	-63	-82	-82	-85	-85	-86	-103	-93	-82
Financing gap	0.0	0.0	0.0	0.0	229.9	156.9	184.1	221.0	73.3	72.9	70.0	70.0
Expected financing (excluding IMF)	...	...	...	...	81.0	81.0	35.9	68.4	73.3	72.9	70.0	70.0
Residual gap/ IMF financing, *of which*	...	...	...	...	149.0	76.0	148.2	152.5	...	...	...	...
IMF-ECF [1/]	...	...	...	...	49.7	25.3	49.4	50.8	...	...	...	...
IMF-EFF [1/]	...	...	...	...	99.3	50.6	98.8	101.7	...	...	...	...
Memorandum items:												
Overall balance (percent of GDP)	2.0	-1.2	4.5	1.0	2.9	1.1	1.0	0.0	0.6	1.0	0.0	0.9
Current account inc. grants (percent of GDP)	-0.6	-1.2	-2.1	-3.5	-2.7	-3.9	-3.1	-3.7	-3.7	-3.4	-2.8	-2.5
Current account exc. grants (percent of GDP)	-2.0	-2.6	-3.2	-4.7	-3.9	-5.1	-4.1	-4.8	-4.8	-4.4	-3.5	-3.1
Trade balance (percent of GDP)	9.6	8.7	9.8	6.7	7.8	6.2	7.1	6.1	5.9	6.1	6.9	7.3
WAEMU gross official reserves (billions of US$)	12.4	10.4	12.4	12.4	...	...	...	...	...	...	...	...
(percent of broad money)	72.7	56.3	60.7	60.7	...	...	...	...	...	...	...	...
(months of WAEMU imports of GNFS)	5.0	4.0	4.2	4.2	...	...	...	...	...	...	...	...
Nominal GDP (billions of CFA francs)	19,595	20,931	23,510.2	22,151	25,372	23,892	27,687	25,957	28,307	30,769	33,369	36,100
Exchange rate (CFAF/US$) average	591.4	593.0	580.9	580.9	...	...		...	...	...	...	...
Exchange rate (CFAF/US$) end-of-period	602.5	622.3	546.9	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.[1/]	Est.	Prog.[1/]	Proj.	Prog.[1/]	Proj.	Projection			
Current account	-0.6	-1.2	-2.2	-3.5	-2.9	-3.9	-3.3	-3.7	-3.7	-3.4	-2.8	-2.5
Current account excl. grants	-2.0	-2.6	-3.4	-4.7	-4.2	-5.1	-4.4	-4.8	-4.8	-4.4	-3.5	-3.1
Trade balance	9.6	8.7	10.4	6.7	8.2	6.2	7.6	6.1	5.9	6.1	6.9	7.3
Exports, f.o.b.	35.4	30.8	31.0	31.4	30.2	34.0	30.2	34.0	33.6	34.1	32.3	32.1
Of which: cocoa	15.5	13.1	13.1	13.1	11.0	14.5	10.6	14.4	14.0	13.0	12.3	11.6
Of which: crude oil and refined oil products	5.7	4.1	4.2	4.2	4.0	4.7	3.9	5.1	5.0	4.6	4.5	4.3
Imports, f.o.b.	25.8	22.1	20.6	24.7	22.0	27.9	22.6	27.9	27.7	27.9	25.4	24.9
Of which: crude oil and refined oil products	8.2	5.4	4.2	7.9	3.9	10.2	3.5	10.1	9.0	8.3	7.9	7.7
Services (net)	-6.1	-5.6	-7.5	-5.8	-7.0	-6.2	-6.8	-6.1	-5.8	-5.6	-5.5	-5.5
Primary Income (net)	-3.0	-3.0	-3.5	-3.0	-3.1	-2.9	-2.9	-2.7	-2.7	-2.7	-2.8	-2.7
Of which: interest on public debt	0.8	0.8	0.8	0.8	0.9	0.9	0.8	1.2	1.6	1.5	1.5	1.4
Secondary Income (net)	-1.0	-1.2	-1.5	-1.4	-1.0	-0.9	-1.2	-1.0	-1.0	-1.2	-1.5	-1.6
General Government	0.5	0.4	1.0	0.7	1.3	1.3	1.1	1.2	1.1	1.0	0.7	0.6
Other Sectors	-1.5	-1.6	-2.4	-2.4	-2.3	-2.2	-2.3	-2.2	-2.2	-2.1	-2.2	-2.1
Capital and financial account	2.7	0.2	7.4	4.5	5.3	5.0	3.6	3.7	4.3	4.4	2.8	3.4
Capital account	0.8	0.5	0.6	0.5	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3
Financial account (excl. exceptional financing)	1.9	-0.3	6.4	3.9	5.5	4.5	3.9	3.3	3.9	4.1	2.5	3.1
Foreign direct investment	1.4	1.6	1.9	1.6	1.7	1.6	2.2	1.6	1.7	1.8	1.9	2.0
Portfolio investment, net	2.9	1.7	5.9	5.4	4.4	4.9	0.8	2.5	1.1	2.1	0.6	1.9
Acquisition of financial assets	-0.1	-0.1	0.6	0.1	0.0	0.3	0.3	0.3	0.2	0.0	0.0	0.0
Incurrence of liabilities	3.0	1.8	5.3	5.3	4.4	4.6	0.4	2.2	0.9	2.0	0.5	1.8
Of which: Eurobonds	2.9	0.0	5.2	5.2	4.7	4.7	0.0	1.9	0.0	1.6	0.0	1.4
Other investment, net	-2.4	-3.5	-1.4	-3.0	-0.7	-2.0	1.0	-0.9	1.0	0.2	0.0	-0.8
Official, net	0.7	0.3	-0.6	-0.6	1.1	1.1	1.2	0.7	0.4	1.1	1.1	1.1
Project loans	1.7	1.3	2.2	2.2	2.4	2.4	2.5	2.1	1.9	1.9	1.9	1.9
Central government amortization due	-1.2	-1.3	-3.2	-3.2	-1.2	-1.2	-1.3	-1.4	-1.4	-0.8	-0.8	-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	-0.1
Nonofficial, net	-3.1	-3.8	-0.8	-2.4	-1.8	-3.1	-0.2	-1.6	0.6	-0.9	-1.2	-1.8
Errors and omissions	-0.2	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	2.0	-1.2	4.8	1.0	3.0	1.1	1.1	0.0	0.6	1.0	0.0	0.9
Financing	-2.0	1.2	-4.8	-1.0	-3.0	-1.1	-1.1	0.0	-0.6	-1.0	0.0	-0.9
Reserve assets, includes reserve position in the Fund	-2.0	1.2	-4.8	-1.0	-4.0	-1.8	-1.8	-0.9	-0.8	-1.3	-0.2	-1.1
Operations account	-2.3	1.1	-5.2	-1.4	-3.7	-1.7	-1.5	-0.6	-0.5	-0.9	0.1	-0.9
IMF (net)	0.3	0.1	0.4	0.4	-0.3	0.0	-0.3	-0.3	-0.3	-0.3	-0.3	-0.2
Disbursements	0.4	0.3	0.7	0.7	...	0.3	...	...	...	...	...	...
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
Financing gap	0.0	0.0	0.0	0.0	1.0	0.7	0.7	0.9	0.3	0.2	0.2	0.2
Expected financing (excluding IMF)	...	...	...	...	0.3	0.3	0.1	0.3	0.3	0.2	0.2	0.2
Residual gap/ IMF financing, *of which*	...	...	...	...	0.6	0.3	0.6	0.6	...	...	...	...
IMF-ECF [2/]	...	...	...	...	0.2	0.1	0.2	0.2	...	...	...	...
IMF-EFF [2/]	...	...	...	...	0.4	0.2	0.4	0.4	...	...	...	...
Memorandum items:												
Overall balance	2.0	-1.2	1.1	1.0	3.0	1.1	1.1	0.0	0.6	1.0	0.0	0.9
Current account inc. grants	-0.6	-1.2	-4.0	-3.8	-2.9	-3.9	-3.3	-3.7	-3.7	-3.4	-2.8	-2.5
Current account exc. grants	-2.0	-2.6	-5.6	-5.3	-4.2	-5.1	-4.4	-4.8	-4.8	-4.4	-3.5	-3.1
Trade balance	9.6	8.7	6.9	6.5	8.2	6.2	7.6	6.1	5.9	6.1	6.9	7.3
WAEMU gross official reserves (billions of US$)	12.4	10.4	12.4	12.4	...	...	...	...	...	...	...	...
(percent of broad money)	72.7	56.3	60.7	60.7	...	...	...	...	...	...	...	...
(months of WAEMU imports of GNFS)	5.0	4.0	4.2	4.2	...	...	...	...	...	...	...	...
Nominal GDP (billions of CFA francs)	19,595	20,931	23,510	22,151	25,372	23,892	27,687	25,957	28,307	30,769	33,369	36,100
Exchange rate (CFAF/US$) average	591.4	593.0	580.9	580.9	...	...	...	...	...	...	...	...
Exchange rate (CFAF/US$) end-of-period	602.5	622.3	546.9	546.9	...	...	...	...	...	...	...	...

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

[1/] Ratios to GDP rebased with the updated lower nominal GDP reflecting downward revisions to the national accounts for 2016-17.

[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 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.	Proj.	Prog.	Proj.	Projections			
Total revenue and grants	4,176.6	4,510.9	4,891.6	4,879.4	5,318.5	5,333.6	5,865.4	6,413.3	6,951.6	7,536.2
Total revenue	3,884.2	4,244.8	4,588.6	4,576.3	5,022.2	5,031.0	5,549.6	6,114.3	6,721.1	7,324.6
Tax revenue	3,352.6	3,648.3	3,967.1	3,947.3	4,425.5	4,416.3	4,874.5	5,358.2	5,881.1	6,415.8
Non-earmarked taxes	3,197.7	3,458.1	3,744.3	3,727.6	4,175.7	4,145.7	4,579.3	5,037.4	5,533.1	6,039.4
Direct taxes	851.9	948.3	1,074.8	1,091.0	1,233.0	1,257.1	1,383.6	1,630.7	1,779.8	1,918.2
Indirect taxes	2,345.8	2,509.8	2,669.5	2,636.6	2,942.7	2,888.6	3,195.7	3,406.7	3,753.3	4,121.2
Earmarked taxes	154.9	190.2	222.8	219.7	249.9	270.7	295.2	320.8	347.9	376.4
Nontax revenue	531.6	596.5	621.5	629.1	596.6	614.7	675.1	756.1	840.0	908.8
Grants, *of which*	292.4	266.1	303.0	303.0	296.3	302.6	315.8	299.0	230.5	211.6
Project grants	105.9	115.2	144.3	144.3	137.6	143.9	157.1	140.0	70.0	50.0
Total expenditure	5,014.6	5,509.3	5,846.0	5,833.7	6,158.6	6,124.6	6,709.4	7,302.1	7,911.3	8,587.3
Current expenditure	3,606.2	3,982.4	4,141.8	4,174.8	4,297.0	4,402.8	4,818.7	5,214.8	5,692.8	6,078.5
Wages and salaries	1,400.8	1,512.3	1,635.4	1,635.4	1,697.2	1,720.8	1,754.8	1,910.8	1,919.6	1,971.2
Social security benefits	260.7	263.7	318.5	301.7	330.3	330.3	375.0	409.0	563.0	660.7
Subsidies and other current transfers	385.8	430.1	382.6	405.5	404.2	391.2	447.8	508.0	606.4	670.3
Other current expenditure	931.0	1,060.8	1,124.3	1,157.0	1,195.3	1,149.2	1,284.2	1,395.9	1,513.9	1,637.8
Expenditure corresponding to eamarked taxes	138.4	190.2	222.8	219.7	249.9	270.7	295.2	320.8	347.9	376.4
Crisis-related expenditure[1/]	129.4	145.7	23.8	29.4	28.0	24.6	5.0	5.0	5.0	5.0
Interest due	360.1	379.5	434.5	426.2	392.2	516.1	656.7	665.3	737.0	757.1
On domestic debt	183.2	203.6	217.6	217.8	176.1	210.3	213.7	219.1	248.4	257.4
On external debt	177.0	175.8	216.8	208.4	216.1	305.7	443.0	446.2	488.6	499.7
Capital expenditure	1,408.4	1,526.8	1,704.2	1,658.9	1,861.6	1,721.9	1,890.7	2,087.3	2,218.4	2,508.8
Domestically financed	1,054.0	927.2	993.0	948.4	1,080.0	1,022.4	1,199.6	1,359.9	1,497.9	1,775.7
Foreign-financed, *of which*	354.4	599.6	711.1	710.5	781.6	699.5	691.1	727.4	720.5	733.1
Foreign loan-financed	248.4	484.4	566.8	566.2	643.9	555.6	534.0	587.4	650.5	683.1
Primary basic balance	-394.9	-281.4	-111.7	-119.7	37.4	122.0	188.0	204.9	267.4	227.5
Overall balance, including grants	-837.9	-998.3	-954.3	-954.3	-840.1	-791.1	-844.0	-888.8	-959.7	-1,051.1
Overall balance, excluding grants	-1,130.4	-1,264.5	-1,257.3	-1,257.3	-1,136.4	-1,093.6	-1,159.7	-1,187.8	-1,190.2	-1,262.7
Change in domestic arrears and float (excl. on debt service)	78.9	-200.2	-50.0	-106.6	-25.0	-25.0	-25.0	-25.0	0.0	0.0
Overall balance (cash basis)	-759.1	-1,198.5	-1,004.3	-1,060.9	-865.1	-816.1	-869.0	-913.8	-959.7	-1,051.1
Financing	759.1	1,198.5	1,004.3	1,060.9	865.1	816.1	869.0	913.8	959.7	1,051.1
Domestic financing	310.1	74.3	-465.4	-444.1	104.5	-289.4	134.0	-262.3	136.3	-231.7
Bank financing (net)	357.4	65.9	-429.3	-467.7	-50.9	-327.6	92.8	-307.1	87.7	-284.3
Nonbank financing (net)	-47.3	8.5	-36.1	23.6	155.4	38.3	41.2	44.8	48.6	52.6
External financing	449.0	1,124.2	1,239.8	1,348.0	576.5	884.5	661.7	1,103.3	753.4	1,212.8
Regional financing (WAEMU)	367.3	96.7	-147.7	-43.9	265.2	194.2	531.0	256.0	361.7	321.4
Foreign financing (net)	81.6	1,027.4	1,387.5	1,391.9	311.3	690.3	130.7	847.3	391.6	891.4
Financing gap (+ deficit / – surplus)	0.0	0.0	229.9	156.9	184.1	221.0	73.3	72.9	70.0	70.0
Expected financing (excluding IMF)	...	...	81.0	81.0	35.9	68.4	73.3	72.9	70.0	70.0
Residual gap/IMF financing, *of which*	...	...	149.0	76.0	148.2	152.5	...	...	...	...
IMF-ECF[2/]	...	...	49.7	25.3	49.4	50.8	...	...	...	...
IMF-EFF[2/]	...	...	99.3	50.6	98.8	101.7	...	...	...	...
Memorandum items:										
Nominal GDP	20,931	22,151	25,372	23,892	27,687	25,957	28,307	30,769	33,369	36,100
External debt (central government)	6,080	6,765	8,627	8,766	9,009	9,564	9,652	10,523	10,858	11,735
Pro-poor spending (including foreign financed)	2,015	2,110	2,291	2,291	2,547	2,505	2,761	3,031	3,288	3,557

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.[1/]	Proj.	Prog.[1/]	Proj.	Projections			
Total revenue and grants	20.0	20.4	20.5	20.4	20.5	20.5	20.7	20.8	20.8	20.9
Total revenue	18.6	19.2	19.2	19.2	19.3	19.4	19.6	19.9	20.1	20.3
Tax revenue	16.0	16.5	16.6	16.5	17.0	17.0	17.2	17.4	17.6	17.8
Non-earmarked taxes	15.3	15.6	15.7	15.6	16.1	16.0	16.2	16.4	16.6	16.7
Direct taxes	4.1	4.3	4.5	4.6	4.8	4.8	4.9	5.3	5.3	5.3
Indirect taxes	11.2	11.3	11.2	11.0	11.3	11.1	11.3	11.1	11.2	11.4
Earmarked taxes	0.7	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.0
Nontax revenue	2.5	2.7	2.6	2.6	2.3	2.4	2.4	2.5	2.5	2.5
Grants, *of which*	1.4	1.2	1.3	1.3	1.1	1.2	1.1	1.0	0.7	0.6
Project grants	0.5	0.5	0.6	0.6	0.5	0.6	0.6	0.5	0.2	0.1
Total expenditure	24.0	24.9	24.5	24.4	23.7	23.6	23.7	23.7	23.7	23.8
Current expenditure	17.2	18.0	17.3	17.5	16.6	17.0	17.0	16.9	17.1	16.8
Wages and salaries	6.7	6.8	6.8	6.8	6.5	6.6	6.2	6.2	5.8	5.5
Social security benefits	1.2	1.2	1.3	1.3	1.3	1.3	1.3	1.3	1.7	1.8
Subsidies and other current transfers	1.8	1.9	1.6	1.7	1.6	1.5	1.6	1.7	1.8	1.9
Other current expenditure	4.4	4.8	4.7	4.8	4.6	4.4	4.5	4.5	4.5	4.5
Expenditure corresponding to eamarked taxes	0.7	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.0	1.0
Crisis-related expenditure[2/]	0.6	0.7	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Interest due	1.7	1.7	1.8	1.8	1.5	2.0	2.3	2.2	2.2	2.1
On domestic debt	0.9	0.9	0.9	0.9	0.7	0.8	0.8	0.7	0.7	0.7
On external debt	0.8	0.8	0.9	0.9	0.8	1.2	1.6	1.5	1.5	1.4
Capital expenditure	6.7	6.9	7.1	6.9	7.2	6.6	6.7	6.8	6.6	6.9
Domestically financed	5.0	4.2	4.2	4.0	4.2	3.9	4.2	4.4	4.5	4.9
Foreign-financed, *of which*	1.7	2.7	3.0	3.0	3.0	2.7	2.4	2.4	2.2	2.0
Foreign loan-financed	1.2	2.2	2.4	2.4	2.5	2.1	1.9	1.9	1.9	1.9
Primary basic balance	-1.9	-1.3	-0.5	-0.5	0.1	0.5	0.7	0.7	0.8	0.6
Overall balance, including grants	-4.0	-4.5	-4.0	-4.0	-3.2	-3.0	-3.0	-2.9	-2.9	-2.9
Overall balance, excluding grants	-5.4	-5.7	-5.3	-5.3	-4.4	-4.2	-4.1	-3.9	-3.6	-3.5
Change in domestic arrears and float (excl. on debt service)	0.4	-0.9	-0.2	-0.4	-0.1	-0.1	-0.1	-0.1	0.0	0.0
Overall balance (cash basis)	-3.6	-5.4	-4.2	-4.4	-3.3	-3.1	-3.1	-3.0	-2.9	-2.9
Financing	3.6	5.4	4.2	4.4	3.3	3.1	3.1	3.0	2.9	2.9
Domestic financing	1.5	0.3	-1.9	-1.9	0.4	-1.1	0.5	-0.9	0.4	-0.6
Bank financing (net)	1.7	0.3	-1.8	-2.0	-0.2	-1.3	0.3	-1.0	0.3	-0.8
Nonbank financing (net)	-0.2	0.0	-0.2	0.1	0.6	0.1	0.1	0.1	0.1	0.1
External financing	2.1	5.1	5.2	5.6	2.2	3.4	2.3	3.6	2.3	3.4
Regional financing (WAEMU)	1.8	0.4	-0.6	-0.2	1.0	0.7	1.9	0.8	1.1	0.9
Foreign financing (net)	0.4	4.6	5.8	5.8	1.2	2.7	0.5	2.8	1.2	2.5
Financing gap (+ deficit / – surplus)	0.0	0.0	1.0	0.7	0.7	0.9	0.3	0.2	0.2	0.2
Expected financing (excluding IMF)	...	...	0.3	0.3	0.1	0.3	0.3	0.2	0.2	0.2
Residual gap/IMF financing, of which	...	...	0.6	0.3	0.6	0.6	...	...	...	...
IMF-ECF [3/]	...	...	0.2	0.1	0.2	0.2	...	...	...	...
IMF-EFF [3/]	...	...	0.4	0.2	0.4	0.4	...	...	...	...
Memorandum items:										
External debt (central government)	29.0	30.5	36.1	36.7	34.7	36.8	34.1	34.2	32.5	32.5
Pro-poor spending (including foreign financed)	9.6	9.5	9.6	9.6	9.8	9.7	9.8	9.9	9.9	9.9

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

[1/] Ratios to GDP rebased with lower nominal GDP reflecting downward revisions to the national accounts for 2016-17.

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

[3/] 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	1,807	1,753	1,763	2,226	2,425	2,639	3,011	3,054	3,465
Central bank	1,568	1,399	1,551	2,244	2,693	3,107	3,679	4,011	4,423
Banks	239	354	212	-18	-268	-468	-668	-958	-958
Net domestic assets	5,775	6,593	7,316	7,856	8,861	10,113	11,110	12,607	13,842
Net credit to the government	1,470	1,727	1,983	1,680	1,675	1,940	1,839	2,114	1,994
Central Bank	562	487	450	510	723	786	866	935	994
Banks	908	1,240	1,534	1,171	952	1,154	974	1,179	1,000
Credit to the economy	4,825	5,468	6,300	7,143	8,153	9,140	10,238	11,460	12,815
Crop credits	313	425	439	566	593	632	639	655	671
Other credit (including customs bills)	4,512	5,043	5,861	6,577	7,560	8,508	9,599	10,805	12,145
Other items (net) (assets = +)	-520	-601	-967	-967	-967	-967	-967	-967	-967
Broad money	7,581	8,346	9,079	10,082	11,286	12,752	14,122	15,660	17,307
Currency in circulation	2,360	2,500	2,521	2,699	3,021	3,413	3,780	4,192	4,633
Deposits	5,218	5,844	6,553	7,378	8,260	9,332	10,335	11,460	12,666
Other deposits	3	3	5	5	6	6	7	8	9
Memorandum item:									
Velocity of circulation	2.6	2.5	2.4	2.4	2.3	2.2	2.2	2.1	2.1
				(Changes in percent of beginning-of-period broad money)					
Net foreign assets	1.5	-0.7	0.1	5.1	2.0	1.9	2.9	0.3	2.6
Net domestic assets	15.9	10.8	8.7	5.9	10.0	11.1	7.8	10.6	7.9
Net credit to the government	-1.3	3.4	3.1	-3.3	-0.1	2.3	-0.8	1.9	-0.8
Central bank	-1.3	-1.0	-0.4	0.7	2.1	0.6	0.6	0.5	0.4
Banks	0.0	4.4	3.5	-4.0	-2.2	1.8	-1.4	1.4	-1.1
Credit to the economy	16.5	8.5	10.0	9.3	10.0	8.7	8.6	8.7	8.7
Broad money	17.3	10.1	8.8	11.0	11.9	13.0	10.7	10.9	10.5
				(Changes in percent of previous end-of-year)					
Net foreign assets	5.5	-2.9	0.5	26.3	9.0	8.8	14.1	1.4	13.5
Net domestic assets	21.6	14.2	11.0	7.4	12.8	14.1	9.9	13.5	9.8
Net credit to the government	-5.3	17.5	14.9	-15.3	-0.3	15.8	-5.2	14.9	-5.7
Central bank	-12.7	-13.3	-7.7	13.3	42.0	8.6	10.2	8.1	6.3
Banks	-0.1	36.5	23.7	-23.7	-18.7	21.3	-15.6	21.0	-15.2
Credit to the economy	28.5	13.3	15.2	13.4	14.1	12.1	12.0	11.9	11.8
Broad money	17.3	10.1	8.8	11.0	11.9	13.0	10.7	10.9	10.5

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)

	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
			Est.	Prog.	Est.	Prog.	Est.	Projections			
External financing requirements	-1,248	-509	-2,043	-2,330	-2,327	-1,238	-1,689	-1,031	-1,567	-1,058	-1,571
Current account balance (excluding official transfers)	-401	-538	-1,050	-997	-1,225	-1,147	-1,251	-1,361	-1,342	-1,171	-1,111
Amortization and net acquisition of financial assets	-231	-283	-723	-306	-302	-344	-378	-415	-252	-271	-304
Fund repayments	-29	-34	-63	-82	-82	-85	-85	-86	-103	-93	-82
Private capital, net	-140	115	95	-72	-302	721	173	980	422	446	256
Change in official reserves without IMF (- = increase)	-447	231	-302	-873	-415	-383	-148	-148	-291	32	-330
Available financing	1,248	509	2,043	2,100	2,170	1,054	1,468	958	1,494	988	1,501
Capital transfers	156	106	120	115	108	114	110	108	108	107	107
Project financing	328	262	486	567	567	644	556	534	587	651	683
Eurobond	585	0	1,144	1,115	1,115	0	500	0	500	0	500
Fund disbursements	81	57	145	0	77	0	0	0	0	0	0
Official transfers	98	83	148	303	303	296	303	316	299	230	212
Financing gap	0	0	0	-230	-157	-184	-221	-73	-73	-70	-70
Expected financing	...	...	...	81.0	81.0	35.9	68.4	73.3	72.9	70.0	70.0
World Bank	...	...	...	60.0	60.0	30.0	55.0	55.2	...	...	...
AfDB	...	...	...	0.0	0.0	0.0	0.0	0.0	...	...	...
EU	...	...	...	21.0	21.0	5.9	13.4	18.1	...	...	...
Residual gap / IMF financing [1/]	...	...	...	149.0	76.0	148.2	152.5	...	...	...	...
IMF-ECF Financing	...	...	...	49.7	25.3	49.4	50.8	...	...	...	...
IMF-EFF Financing	...	...	...	99.3	50.6	98.8	101.7	...	...	...	...

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
			Est.	Prog.[1/]	Proj.	Prog.[1/]	Proj.	Projections			
External financing requirements	-6.4	-2.4	-9.2	-9.8	-9.7	-4.8	-6.5	-3.6	-5.1	-3.2	-4.4
Current account balance (excluding official transfers)	-2.0	-2.6	-4.7	-4.2	-5.1	-4.4	-4.8	-4.8	-4.4	-3.5	-3.1
Amortization and net acquisition of financial assets	-1.2	-1.4	-3.3	-1.3	-1.3	-1.3	-1.5	-1.5	-0.8	-0.8	-0.8
Fund repayments	-0.1	-0.2	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.2
Private capital, net	-0.7	0.5	0.4	-0.3	-1.3	2.8	0.7	3.5	1.4	1.3	0.7
Change in official reserves without IMF (- = increase)	-2.3	1.1	-1.4	-3.7	-1.7	-1.5	-0.6	-0.5	-0.9	0.1	-0.9
Available financing	6.4	2.4	9.2	8.8	9.1	4.1	5.7	3.4	4.9	3.0	4.2
Capital transfers	0.8	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.3	0.3	0.3
Project financing	1.7	1.3	2.2	2.4	2.4	2.5	2.1	1.9	1.9	1.9	1.9
Eurobond	3.0	0.0	5.2	4.7	4.7	0.0	1.9	0.0	1.6	0.0	1.4
Fund disbursements	0.4	0.3	0.7	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Official transfers	0.5	0.4	0.7	1.3	1.3	1.1	1.2	1.1	1.0	0.7	0.6
Financing gap	0.0	0.0	0.0	-1.0	-0.7	-0.7	-0.9	-0.3	-0.2	-0.2	-0.2
Expected financing	...	...	...	0.3	0.3	0.1	0.3	0.3	0.2	0.2	0.2
World Bank	...	...	...	0.3	0.3	0.1	0.2	0.2	...	...	...
AfDB	...	...	...	0.0	0.0	0.0	0.0	0.0	...	...	...
EU	...	...	...	0.1	0.1	0.0	0.1	0.1	...	...	...
Residual gap / IMF financing [2/]	...	...	...	0.6	0.3	0.6	0.6	...	...	...	...
IMF-ECF Financing	...	...	...	0.2	0.1	0.2	0.2	...	...	...	...
IMF-EFF Financing	...	...	...	0.4	0.2	0.4	0.4	...	...	...	...
Nominal GDP (billions of CFA francs)	19,595	20,931	22,151	25,372	23,892	27,687	25,957	28,307	30,769	33,369	36,100

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

1/ Ratios to GDP rebased with the updated lower nominal GDP reflecting downward revisions to the national accounts for 2016-17.

2/ 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	29.6	113.2	112.8	133.4	123.8	117.7	101.4	78.6	64.0
Charges and interest [1/]	0.0	5.0	5.0	5.0	4.7	4.0	3.2	2.3	1.5
Fund obligations based on existing and prospective credit [2/]									
(In millions of SDRs)									
Principal	29.6	113.2	112.8	133.4	123.8	133.8	143.4	130.3	115.6
Charges and interest [1/]	0.3	7.6	9.0	8.9	8.6	7.8	6.6	5.1	3.7
Total obligations based on existing and prospective credit [2/]									
In millions of SDRs	29.9	120.8	121.8	142.4	132.4	141.7	150.0	135.4	119.3
In billions of CFA francs	23.5	95.1	95.3	111.1	102.9	110.1	116.6	105.2	92.7
In percent of government revenue	0.5	1.8	1.6	1.7	1.5	1.5	1.4	1.2	1.0
In percent of exports of goods and services	0.3	1.0	0.9	1.0	0.9	0.9	0.8	0.7	0.6
In percent of debt service [3/]	4.0	11.3	10.2	14.1	12.2	12.6	9.1	6.9	6.6
In percent of GDP	0.1	0.4	0.3	0.4	0.3	0.3	0.3	0.2	0.2
In percent of quota	4.6	18.6	18.7	21.9	20.4	21.8	23.1	20.8	18.3
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	779.6	846.0	751.5	645.5	547.0	443.0	331.6	230.3	140.4
In percent of government revenue	16.0	15.9	12.8	10.1	7.9	5.9	4.1	2.6	1.5
In percent of exports of goods and services	9.0	9.0	7.4	5.8	4.7	3.6	2.4	1.6	0.9
In percent of debt service	132.0	100.5	80.6	81.7	65.1	50.7	25.9	15.2	10.0
In percent of GDP	3.3	3.3	2.7	2.1	1.6	1.2	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)	164.0	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	29.6	113.2	112.8	133.4	123.8	133.8	143.4	130.3	115.6
Memorandum items:									
Nominal GDP (billions of CFA francs)	23,892	25,957	28,307	30,769	33,369	36,100	39,056	42,291	45,575
Exports of goods and services (billions of CFA francs)	8,654	9,401	10,156	11,221	11,625	12,343	13,928	14,589	15,231
Government revenue and grants (billions of CFA francs)	4,879	5,334	5,865	6,413	6,952	7,536	8,142	8,832	9,659
Debt service (billions of CFA francs)	590	842	932	790	841	874	1,278	1,516	1,406
CFA francs/SDR (period average)	785	788	782	780	777	777	777	777	777

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 ECF/EFF arrangements.

3/ Total debt service includes IMF repurchases and repayments.

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

Date of availability	Condition for disbursement	Amount (millions of SDRs)			Percent of Quota		
		Total	ECF	EFF	Total	ECF	EFF
December 12, 2016	Executive Board approval of the ECF/EFF arrangements.	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. [1/]	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, December 8, 2017 for the second reviews, and June 18, 2018 for the third reviews.

Annex I. Revised National Accounts, 2016–17

In September 2018, the National Statistics Institute released the final national accounts for 2016 and preliminary ones for 2017. In both years, nominal GDP series were revised downwards.

- ***The nominal GDP*** for 2016 is 3 percent lower than estimated at the time of the 2018 Article IV consultation, and the preliminary nominal GDP for 2017 is 6 percent lower than estimated before.

- ***Changes to real GDP were relatively small***, as downwards revisions in construction and energy were compensated by upwards revisions in agriculture. On the demand side, downward revisions in investment were offset by upwards revisions in public and private consumption. Overall, the growth rates for 2016-17—although still strong—are slightly lower than previously estimated.

- ***By contrast, GDP deflators were revised into negative territory***. This reflects updated estimates for the growth of certain deflators from positive to negative in 2016 and 2017, including in petroleum products, transportation, lumber, commerce, non-petroleum and non-food manufacturing, and subsistence agriculture.

Côte d'Ivoire: Revised National Accounts, 2015–17

	2015	2016		2017	
		proj.	actual	proj.	est.
		(in CFAF billion)			
nominal GDP	19,595	21,563	20,931	23,510	22,151
		(y/y, in percent)			
real GDP growth		8.3	8.0	7.8	7.7
deflator growth		1.6	-1.1	1.1	-1.7

Source: Ivoirien authorities and IMF Staff calculations.

This revision implies that the level of nominal GDP is lower over the medium term than projected before. This resulted in an upward revision of all ratios in percent of GDP, including tax revenue, the fiscal deficit and the external current account deficit.

Annex II. Risk Assessment Matrix[1]

Sources of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
Rising protectionism and retreat from multilateralism	**High**	**Medium/High** Escalating and sustained trade actions and isolationism could reduce international inflows and impede export market access.	Strengthen regional bond markets and trade, rebuild fiscal buffers through revenue mobilization, further improve public financial management, and follow prudent public investment plans.
Policy uncertainty related to unsustainable macroeconomic policies in systemically important countries	**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 raise the risk of debt distress.	
Tighter global financial conditions	**High**		
Significant growth slowdown in China and its spillovers	**Low/ Medium**	**High** The spillover can reduce infrastructure investments.	Strengthen the business climate to diversify investor base and export 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** Adverse impact on exports, and on GDP growth through less FDI inflows.	
Intensification of security risks in parts of the Middle East, Africa, Asia and Europe	**High**	**Medium/High** Adverse socio-economic impact.	Rebuild fiscal buffers, promote inclusive growth and strengthen social safety nets. Facilitate job creation in the private sector.
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.	Mitigate the impact on poor through targeted fiscal spending and transfers. 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.
Policy implementation risks	**Medium**	**Medium/High** Lower than expected revenue mobilization, 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 III. Strengthening the National Statistical System

Compiling comprehensive and timely statistics is critical to provide adequate information on the execution of the National Development Plan. Building on the gains from implementing their 2012–15 strategy for the development of statistics, the authorities are considering further actions to boost effectiveness.

The authorities' 2017–21 strategy for the development of statistics aims to strengthen coordination, improve governance, and build capacity of the national statistics system. The 2017–21 strategy—prepared with EU assistance—proposes solutions to current challenges faced by the National Statistics Institute (NSI) and statistical units, such as coordination and communication gaps, unmotivated and inadequate staff, and inadequate material and financial resources. Building on the 2013 law creating the National Council of Statistics—a key milestone of the 2012–15 strategy for the development of statistics—the new strategy aims to strengthen governance by adopting the decree that would make the Council operational. This would allow the Council to actively foster communication between producers, providers and users of statistics; approve the multi-year program of statistics activities and assess progress in its implementation; approve and coordinate the NSI's statistical activities; and ensure adequate resources for compiling and disseminating statistics.

The new strategy also outlines the resources needed to upgrade the statistics system. It envisages that CFAF 137.9 billion would be needed over 5 years to meet its objectives, averaging 0.1 percent of GDP per year. While the funding would be provided by both the government and its development partners, the strategy calls for a budget line dedicated to current spending for the compilation and dissemination of statistics. In contrast, the government has not been paying the contributions anticipated under the 2012-15 strategy. The strategy also underscores the need for a National Fund for the development of statistics, to finance larger national statistical operations and to reinforce human capacities of the national statistics system, as recommended by the African Statistical Charter. Additional funding for salaries would help attract graduates of the National School of Statistics, who currently prefer government jobs that offer higher salaries than the NSI. Setting up a more motivating career path would also be beneficial.

Appendix I. Letter of Intent

MINISTY OF ECONOMY AND FINANCE

OFFICE OF THE MINISTER

REPUBLIC OF THE COTE D'IVOIRE

Union-Discipline-Travail

N°…06909… MEF/DGE/DPPSE/SDPPE/AJC

Abidjan, November 21, 2018

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

Subject: Letter of Intent

Dear Madame Managing Director,

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

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

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

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

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

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

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

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

Very truly yours,

______________/s/______________

Adama KONE
Minister of Economy and Finance

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

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

November 21, 2018

BACKGROUND

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

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

3. To maintain this good economic outlook, the government intends to consolidate the sociopolitical environment, strengthen governance and ensure inclusive growth. To improve the environment of peace and social cohesion, the president, on the 58th celebration of the independence of Côte d'Ivoire, issued a general amnesty order that was welcomed by all political stakeholders. Regarding governance, government efforts since 2012 have enabled Côte d'Ivoire to rise from 136th place in 2013 to 103rd in 2017 according to the latest Transparency International report on the corruption perception index. To make growth more inclusive, the government intends to strengthen the social component of its strategy by implementing a Social Development Program (PSD) for the period from 2018 to 2020. It will continue to deploy universal health coverage and implement the social nets projects in cooperation with the World Bank. It will also oversee the implementation of the law on mandatory education for children from six (6) to sixteen (16) years old. Moreover, the development strategy based on industrialization, mainly the processing of income-generating products such as cocoa and cashews, should promote job creation. Thus, in collaboration with the development partners, the government will pay special attention to the "agropole" projects to develop the agro-industrial sector while promoting employment for youths and women. Moreover, the promotion of "local content" should facilitate market access for small and medium-sized enterprises and foster entrepreneurship.

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

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

RECENT DEVELOPMENTS AND PROGRAM IMPLEMENTATION

A. Macroeconomic and Financial Framework

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

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

8. Economic trends as of end-June 2018[1] attest to good performance.

- High Frequency indicators show a dynamic performance of the secondary and tertiary sectors, supported by domestic demand. For the secondary sector, the increase is the result of performances in the manufacturing industry (+7.2 percent) and the rebound of construction and public works (+17.9 percent) due to the acceleration of public investment projects. Energy production was stagnant (-0.1 percent) due to relatively lower temperatures, even though the demand for energy by industry was up +4.3 percent. However, mining was down (-12.3 percent), mainly due to lower crude oil and natural gas production. The tertiary sector continues to perform well due to strong retail commerce (8.6 percent), land (13.1 percent) and rail transportation (+19.5 percent). For the primary sector, export agriculture was down due to lower cocoa production after an exceptional 2016/2017 season, as well as for bananas and pineapple. However, palm oil exports rose, as did the production of coffee, cotton, cashews, rubber, sugar and cola.

- **Inflation** is 0.5 percent as an annual average, below the 3 percent regional norm.

- **Budget execution** as of end-June 2018 is characterized by an overperformance in revenue and grants of CFAF 41.4 billion compared to the program objective, mainly due to revenue from oil and investment capital that was mobilized sooner than projected and the collection of CFAF 38.3 billion in fees from mobile telephone services, initially expected in fourth quarter. At the same time, there was under-consumption of total expenses and net lending at CFAF 38.5 billion, due to late execution of investment expenditures and prudent management of operating expenses. Thus, the primary baseline balance had a surplus of CFAF 115.1 billion. The fiscal balance posted a deficit of CFAF 278.4 billion, versus a target of CFAF 358.8 billion. This deficit was largely covered by issuing a Eurobond for CFAF 1,115.1 billion in March 2018, which helped obtain the margins needed for a net decrease in amounts payable of CFAF -144.2 billion versus CFAF -99.6 billion projected, as well as repayment of remaining subsidies to public entities (EPNs) and local governments of CFAF -56.6 billion and trimming liabilities to the banking sector.

- **Foreign trade was marked by the deterioration of the terms of trade and higher imports, reflecting the dynamic performance of domestic demand**. The terms of trade are deteriorating (11.5 percent) due to lower export prices (-12.0 percent) mainly due to

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

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

- **Despite a favorable inflation differential, the real effective exchange rate (REER)** for the Ivoirien economy was up 2.0 percent compared to the first half of 2017 due to the depreciation of the dollar. However, the REER was down 0.1 percent compared to the previous six months due to the higher value of the dollar.

- **The monetary survey posted a 10.9 percent increase in the money supply**, driven mainly by the increase in domestic credit of 15.7 percent. This change is the result of higher claims against the government (27.8 percent), and credits to the economy (13.1 percent). The change in foreign holdings was 0.5 percent.

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

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

11. The Regional Stock Exchange (BRVM) is continuing to strengthen its activities with the opening of a dedicated compartment for small and medium-sized enterprises (SMEs). This compartment, created in December 2017, is a leap forward for the WAEMU regional financial market and aims to offer SMEs and businesses with strong potential access to long-term capital to accelerate their growth and turn them into regional champions. Moreover, stock market capitalization was 9,460.4 billion as of end-June 2018 versus 9,108.8 billion as of end-June 2017, driven by the 27.2 percent increase in bond market capitalization. The market remains dynamic with total traded value that is up 13.6 percent for an annual 2.11 percent average monthly turnover of instruments. Also, despite the 16.7 percent drop in the BRVM index, the average yield rate of securities listed is 8.83 percent, and overall average profitability is 5.08 percent with an average price to earnings ratio (PER) of 13.37 and a risk premium of 1.48 percent.

B. Social Policy and Employment

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

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

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

15. The government continues to strengthen its education system to promote education for all. In strengthening the supply of education, in 2018, a total of 3,797 new primary classrooms and 137 secondary schools were delivered under Law No. 2015-635 of September 17, 2015, amending article 2 of Law No. 95-695 of September 7, 1995, making schooling mandatory for all children from 6 to 16 years old. Moreover, the government continued its policy of building local junior high schools and work to assist the poor, mainly by distributing free school supplies to students in public primary schools, and through its campaigns to raise the awareness of schooling for girls. Thus, the net access rate to primary education was 72.1 percent for the 2017-2018 school year versus 71.4 percent for the 2016-2017 school year. The net primary school enrollment rate is above 91 percent after the significant increase (+19 percent) of the last five years. For girls specifically, in line with the strategic plan for accelerating schooling of girls, efforts were made to implement infrastructure necessary to welcome and maintain them in the education system. As a result, the proportion of high schools for girls with functional boarding facilities increased from 62.5 percent in 2016 to 64 percent in 2017. Moreover, the gender parity index at the upper high school level increased from 0.69 in 2016 to 0.72 in 2017.

C. Program Implementation in the First Half of 2018

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

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

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

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

- The tax revenue from the sale of oil products was not collected at the targeted amount due to the significant increase in the price of crude oil, combined with a lower level of consumption than in the assumptions of the initial projection;

- The action plan to streamline tax exemptions was not adopted due to the preparation of the new draft of the Investment Code, adopted by the Council of Ministers on August 1, 2018.

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

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

Price adjustment:

- The guaranteed price of cocoa for producers continues to be adjusted based on international prices in accordance with the mechanism of setting the guaranteed price. Thus, the farmgate price of CFAF 700 was maintained for the entire main 2017/2018 season and the price of CFAF 750 was set for the 2018/19 season on October 1, 2018;

- Retail fuel prices continue to reflect the price adjustment mechanism. However, the need to lower the social cost that resulted from a significant increase in international fuel prices made impossible to preserve all the tax revenue from the sale of oil products in a context of fuel consumption that was lower than projected.

Tax policy:

- In the revision of the 2018 Budget Law, excise taxes on tobacco and alcoholic beverages were adjusted upward by 1 percent and 2 percent respectively;

- The new Investment Code, which is a baseline document in preparing a plan to streamline tax exemptions, was adopted by the Council of Ministers in August 2018;

- The 10-percent tax on exports of cashew nuts was temporarily revised to 3.5 percent to take into account the unfavorable economic situation due to lower external demand in 2018;

- The fight against tax evasion and the indirect transfer of profits abroad continued to be strengthened. In this context, Côte d'Ivoire began to upgrade its transfer price control system by adopting the provisions of article 15 of the tax annex of Law No. 2016-1116 of December 8, 2016 on the 2017 government budget and article 14 of the tax annex of Law No. 2017-870 of December 27, 2017 on the 2018 government budget.

Tax administration:

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

- Payments of taxes and fees by mobile phone for taxpayers who pay the property tax and those who are covered by the "impôt synthétique" (simplified taxpayer regime) have been in effect since February 2018;

- Now that the Risk Analysis, Cross-Checking and Investigations Directorate (DERAR) is fully operational, the risk analysis dimension can be included in the tax audits to make them more effective;

- The segmentation of the tax population continued with the establishment of four Medium-Sized Enterprises Centers in Abidjan, coordinated by a Directorate of Medium-Sized Enterprises;

- The tax audit improvement plan was implemented, with special emphasis on audits of tax returns with credit balances with no payments, and selective audits;

- The certification and approval of financial statements has been made mandatory. For 2016, more than 6,700 financial statements were certified or approved, which was 80 percent of them;

- The digitalization of the filing of financial statements entered its active phase when the e-liasse system became operational in 2017. The first financial statements based on FY 2017 results were recorded in the system. As of end-September 2018, 764 financial statements had been entered in the system. This process will enable the tax administration to have updated data for analysis purposes;

- The census of real estate owners and taxpayers of various taxes in several localities was launched to expand the tax base (real estate tax and business taxes);

- The electronic Real Estate Book was put in place for online consultations of real estate documents by all notaries. Thus, the number of real estate documents placed online went up from 172,913 in December 2017 to 194,682 as of end-July 2018;

- The National Committee to Evaluate Tax Spending was put in place on July 28, 2017 by interministerial decree 0015-1/SEPMBPE/MPD/MEF of July 28, 2017 in order to include other entities such as the National Statistics Institute, General Direction of Economy, etc., in the preparation of this document in accordance with community provisions. The purpose of this expansion and inclusiveness of the framework for preparing this report is to make it as comprehensive as possible while improving its analytical aspect; and

- The government introduced quarterly communications on the status of tax exemptions in the Council of Ministers in March 2018 to improve monitoring and online management in accordance with current legislation and policies.

Management of fiscal risks:

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

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

Government finance:

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

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

Energy sector:

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

Business environment and financial sector development;

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

- The own funds of national savings bank (CNCE) were strengthened by injecting CFAF 13 billion in accordance with its restructuring plan;

- The capital stock of Versus Bank was opened to the Civil Service Pension Fund (CGRAE) by decree of the Council of Ministers on June 27, 2018. The recapitalization amount will be paid by the end of first quarter of 2019 and will bring the bank's capital stock in compliance with the minimum capital regulation; and

- The Agency for the Promotion of Financial Inclusion (APIF) was founded in May 2018 and one of its roles is to adapt the supply of financial services to lower-income populations, to facilitate access to financing and to effectively fight poverty.

ECONOMIC AND FINANCIAL PROGRAM FOR 2018–19

A. Program Objectives for the Rest of 2018 and 2019

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

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

(i) Preserve the soundness of the macroeconomic framework and the government's fiscal space, mainly by increasing tax revenue and maintaining debt sustainability;

(ii) Strengthen public financial management and the management of public enterprises;

(iii) Strengthen the business environment and develop the private sector;

(iv) Improve and develop the financial sector; and

(v) Strengthen the statistics.

Box 1. Presentation of the New Investment Code

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

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

Tax optimization

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

Eligible sectors

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

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

Local content

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

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

B. Macroeconomic Framework

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

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

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

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

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

C. Fiscal Policy

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

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

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

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

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

- Total expenditures and net lending should be CFAF 5,833.7 billion against a target of CFAF 5,846.0 billion. Pro-poor spending is estimated at CFAF 2,290.8 billion as projected initially. Investment expenditures should be CFAF 1,658.9 billion against a projected CFAF 1,704.2 billion, for an execution rate of more than 97.3 percent.

- The overall budget deficit in 2018 is expected to be financed through the financial markets in the amount of 1,590.8 billion, divided between external resources (1,115.1 billion Eurobond) and domestic resources (475.6 billion in issuances on the regional market).

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

- Total revenue and grants would be 20.5 percent of GDP. Tax collection ratio, including earmarked taxes, would increase by 0.5 percentage points of GDP to reach 17.0 percent of GDP against 16.5 percent of GDP in 2018.

- Expenditure and net lending would be 23.5 percent of GDP. Operating expenses should be controlled at 4.3 percent of GDP versus 4.7 percent of GDP in 2018. The wage bill should be 6.6 percent of GDP, in accordance with the updated wage bill management strategy. Investment spending is projected to be 6.6 percent of GDP against 6.9 percent of GDP in 2018.

- The government will take the steps necessary to adjust its spending downward to the level of use of grants received under the C2D (excluding budget supports) and not used in 2018.

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

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

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

Domestic taxation:

The planned measures include:

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

Customs taxation:

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

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

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

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

The topics of these reforms are:

- Establish the single taxpayer identification number in Côte d'Ivoire. In this regard, the legal framework has been finalized. The generation system has been identified and the software for it has been incorporated into the process of creating enterprises online. The official launch of the single taxpayer identification number will be in October 2018 and will automatically assign a single taxpayer identification number to new enterprises created through the CEPICI single portal for creating enterprises online. Even though the law gives existing enterprises two years to obtain their single taxpayer identification number, the process of re-registering these enterprises will be launched in 2019 with the goal of adding 10,000 of them.

- Establish the requirement for enterprises with turnover greater than 200 million to file tax returns and pay online in order to secure the effective collection of tax revenues while improving the traceability of operations;

- Promote the use of mobile DGI to pay the tax for simplified regime taxpayers and the real estate tax;

- Make the integrated and secure tax information system operational. This system should provide a complete and automatic view of taxpayer files, while controlling cash flow and making it secure. It should also dematerialize relations between the tax administration and users, as well as put in place decision-making tools and incorporate all business fields into a single IT tool;

- Begin the implementation of strategic interconnections with some public and private entities by using the single taxpayer identification number;

- Continue with taxpayers paying the tax for simplified regime taxpayers and real estate tax by mobile telephone;

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

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

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

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

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

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

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

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

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

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

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

- Regarding the control of current expenditures, the government will continue to exercise fiscal regulation of expenditures based on the pace of revenue collection. It will continue its policy to strengthen ex-ante audits performed by the audit entities and its missions of supervising stakeholders in the public expenditure chain. The government will also oversee the implementation of its wage bill control strategy (Box 4). Moreover, the government will continue to ensure strict compliance with Order No. 178/MEF/CAB-01/20 of March 13, 2009 establishing the procedures for the use of cash advances;

- Regarding investment expenditures, the government will continue to prioritize projects in 2018 and 2019. To enhance the effectiveness of these investments, it will continue to consider the maturity and impact on economic activity in the project budgeting phase. It will also oversee the ongoing implementation of the recommendations from the IMF technical assistance mission held in January 2017 on the PIMA assessment with the AFRITAC technical assistance mission in early 2019. The government will continue to pay special attention to monitoring public investments by entering appropriations in the budget to cover the recurring expenses they generate. Thus, a connection between the program of building classrooms and hiring new teachers is made, while taking training periods into account. The same holds for road infrastructure where a flexibility mechanism was introduced to deal appropriately with minor defects. In health, infrastructure construction and management are incorporated into the overall framework of improving the efficiency of government spending, which should improve the current management pilot project on results in conjunction with the World Bank in some public hospitals;

Box 4. Progress in Implementing the Wage Bill Control Strategy

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

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

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

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

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

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

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

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

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

D. Debt Policy and Strategy

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

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

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

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

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

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

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

E. Structural Reforms

Price Regulation

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

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

Public Finance Management

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

- Emphasis will be on actions necessary to make the program budgets operational. In this respect, the government will take steps to finalize and adopt the regulations required to frame this new mode of performance-based management and ensure greater stakeholder accountability. These regulations include the decrees on financial and fiscal control, the program management charter, stock accounting and delegated project ownership. Moreover, the functional test and compliance phase of the "Preparation of fiscal instruments" module in the new Fiscal Information System will be finalized by end-2018 and delivered to the stakeholders. The analysis, design and development work for the "Government Budget Execution" module, which includes an interface sub-module with the ASTER application, are in progress and should be finalized by end-March 2019 so that the test phase can be implemented in 2019;

- The actions already identified for a better link between the public procurement plan, the public expenditure commitment plan and the cash plan will be implemented. These include (i) pegging the procurement schedule to the budget execution schedule; (ii) systematically updating the procurement plan in conjunction with the regulation and budget modifications; and (iii) submitting the public expenditure commitment plan to the Public Debt and Grants Directorate (DDPD) to take the cash plan into account;

- Fiscal risk management will be strengthened by producing a declaration document on fiscal risks to be annexed to the budget law beginning in FY 2019. This document will also improve transparency in fiscal management. In this respect, a citizen budget based on the 2019 budget law will be produced during FY 2019. The government evaluated its fiscal management system using the PEFA methodology. The results of this evaluation will be available and published by end-2018. They will strengthen the fiscal management reforms as they are found in the master plan, which the government adopted for this purpose in 2018; and

- The government will also continue to deploy SIGFiP in the embassies and localities in the interior of the country. Thus, in the framework for improving budget execution monitoring, nine new embassies and four additional localities will be connected to SIGFiP.

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

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

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

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

- The procurement code will be revised before March 31, 2019 to include new modes of contracting and new methods of evaluating bids to boost the efficiency of procurement procedures;

- The process of dematerializing procurement procedures will continue as the phase 1 modules are extended to all ministries in end-December 2019. Phase 2 (private sector) will be put in place and tested in 2020 so that the dematerialization process is used everywhere in 2021;

- The National Public Entities and government corporations will be connected to SIGMAP gradually beginning in the first quarter of 2019 so that all of these entities are covered by end-2019; and

- Information and training campaigns on the new simplified procedures will continue, in particular for the managers of procurement units.

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

- Will continue to periodically update the public enterprises database (including the service of their debt) so that they are regularly taken into account in the Debt Management and Financial Analysis System (SYGADE);

- With time, will interconnect the Public Enterprises Information and Management System (SIGEP) and SYGADE;

- Will deploy performance contracts that contain pre-identified performance indicators and have the portfolio managers and Monitoring Committee follow up on them;

- Will improve the presentation of the annual reports on the economic and financial position of the public enterprises; and

- Will identify and publish strategic guidelines for its capital interventions by the beginning of 2019.

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

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

Public Sector

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

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

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

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

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

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

- The memorandum of understanding on the cross debts and claims in the sector, including against the government, is now being implemented. In this context, all overdue amounts from 2016 and earlier in the public sector have been totally cleared. For 2017, arrears for public lighting and traffic lights will be securitized by end-2018. Overdue amounts for the central government and government corporations will be covered in the budget in 2018. Since 2018, payments in respect of central government, in respect of EPNs whose invoices are dealt with by the Government Property Directorate, as well as in respect of public lighting and traffic lights in Abidjan will be paid regularly by the Public Treasury. For government corporations and EPNs whose invoices are not handled by the Government Property Directorate, memoranda have been signed that have led several of them to pay the invoices;

- For collecting overdue amounts for exports, the government will continue its efforts to enable the sector to achieve cash flow stability. In addition, and in an overall approach, the government asked the World Bank to put in place a mechanism to guarantee potential repayments of outstanding balances. Moreover, actions to collect export invoices will be intensified, mainly by signing an agreement with the entries in charge of supplying electricity in the various countries involved; and

- The program to have the commercial banks refinance short-term debts in the electricity sector with a World Bank guarantee, scheduled for last quarter of 2018 will be prioritized for the complete refinancing of bank credit lines and for partially clearing the arrears of the IPPs and gas companies. The financial projections for the sector, prepared on the basis of the CI-Energies development plan, provides for maintaining and strengthening the financial balance, and they show that the stock of arrears should decline gradually with the improvement in the cash flows of the electricity sector and be fully paid by end-2021. These financial projections also show that current invoices are paid and that there is no accumulation of arrears.

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

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

- For Air Côte d'Ivoire (ACI), the expansion of the company's business continues as its fleet is reinforced. Over the period from 2018 to 2020, the strengthening of its own funds should continue thanks to government support and efforts to optimize the network in accordance with the 2017-2022 business plan. In addition, the government will continue to produce and submit a twice-yearly report on the company's financial situation.

- For SOTRA, in 2017, own funds were strengthened following capitalization. For 2018, there are plans to acquire a second wave of 500 buses, for which a commercial agreement was signed. Moreover, the SOTRA strategic plan should be updated in terms of not complying with the investment assumptions on time in order to sign a performance contract with the government for the 2018-2020 period.

Develop the Financial Sector and Financial Inclusion

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

54. The impact of the liquidation of SAF CACAO on the banking system is limited and measures are being taken to contain potential effects. The amount of credits granted by the banks to SAF-Cacao amount to 1.9 percent of outstanding loans. In anticipation of financial difficulties at SAFCACAO, since 2017 the 10 exposed banks have provisioned a portion of their claims against this company. Moreover, with the planned sale of SAF-Cacao assets, as part of the liquidation, the banks should be able to recover a portion of their claims. In addition, in collaboration with the Banking Commission and the BCEAO, the government is overseeing the position of the various banks involved. Thanks to all these steps that have been taken to deal with the SAF-Cacao liquidation, the banking system should remain sound.

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

- For the national savings bank (CNCE), implementation of the recapitalization and restructuring process will continue. With the appointment of a new managing director in December 2017, the Management Committee members were hired through an application process in July 2018. The bank also has the support of international firms in implementing the reforms. Capitalizing on all of these achievements and efforts to lower expenses (by closing branches and voluntary staff departures), efforts to replenish own funds will continue, mainly by disposing of real estate assets and taking measures to strengthen governance. All of these steps, combined with the development of business activity and the significant improvement in the collection rate of doubtful claims should help achieve financial balance and comply with the regulatory prudential ratios as quickly as possible.

- The government increased the capital stock of one of the two other remaining public banks. With this operation, this bank is now able to comply with the minimum capital and own funds regulation. To strengthen this bank's position, the government will oversee the resolution of the legal disputes that are currently pending court consideration. The second bank will continue to be strengthened by continuing the implementation of its strategic plan with the support of an international firm. Thus, in addition to the efforts to improve governments with the arrival of three (3) independent directors on the board of directors and the appointment of a new managing director, this strategic plan makes provision for (i) intensified business activity; (ii) a new identification of missions; and (iii) securing at-risk operations.

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

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

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

- Regarding the recapitalization of own funds in deficit of 27 billion, member contributions are estimated at CFAF 6.5 billion as of June 30, 2018 for a target of CFAF 7 billion by the end of the year. The ongoing efforts, combined with the disposal of some of the network's assets, should make it possible to reach the goal of CFAF 40 billion in 2019.

- In strengthening the IT system, the acquisition of a new integrated and centralized Information and Management System (SIG) is planned, as well as of IT hardware that is essential for it to operate. This system should improve the management and internal control of the lead organization's activities.

- A bank-type financial institution (joint stock corporation type) will be founded with a minimum of CFAF 3 billion in capital stock, divided between the COOPEC network and other institutions. The main purpose of this financial entity will be to centralize and manage the network's surplus resources.

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

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

Strengthen the Business Environment and Develop the Private Sector

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

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

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

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

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

Starting a business

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

Getting electricity

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

Registering property

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

Paying taxes

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

Issuing construction permits

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

Getting credit

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

Trading across borders

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

Enforcing contracts

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

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

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

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

64. The private sector should also benefit from the implementation of reforms and projects that developed from agreements made as part of the G20 Compact with Africa initiative of the Millennium Challenge Corporation (MCC) and C2D. For the Compact with Africa initiative, the reform matrix continues to be implemented to improve the country's attractiveness for private investors. In this context, under a bilateral compact with Germany, agreements were signed that identify the procedures for some German companies to invest in Côte d'Ivoire. To further disseminate the Compact with Africa initiative, the reform matrix will be presented to the national private sector organizations so that their expectations are taken into account. For the MCC, a grant agreement in an amount equivalent to CFAF 315 billion was signed on November 7, 2017. The effective date for this grant is planned for the first half of 2019, and it will fund several socioeconomic projects, including the Project for Youth Employability and Corporate Productivity, as well as the Abidjan Transport Project. For C2D, the implementation of the second C2D agreement, scheduled for the 2014-2020 period, will continue in order to carry out the various projects pre-identified jointly with all stakeholders.

STRENGTHEN THE STATISTICAL APPARATUS

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

- Revise the statistics law to include the essential components of the National Statistics System reform on changing the legal status of the National Statistics Council (CNStat), create the National Statistics Development Fund (FNDS), put in place a centralized system to support sectoral statistics units and a career profile for statisticians in the public sector. There are provisions for making CNStat operational in accordance with the statistics master plan in the PND 2016-2020. To this end, the master plan for statistics will be adopted by the Council of Ministers by December 2018, and the change in the legal status of CNStat and the creation of the National Fund to Finance the Production of Quality Statistics are underway;

- Continue to develop the capacities of ministries to produce quality statistics;

- Regularly publish the data and indicators on the websites of the National Statistics Institute (www.ins.ci) of the Ministry of the Economy and Finance (www.finances.gouv.ci) and on the BCEAO website (www.bceao.int) in accordance with the schedule for dissemination on the Côte d'Ivoire National Summary Data Page (NSDP);

- Produce very frequent indicators for the secondary and tertiary sectors after progress is made. To be sure, revamped indices of industrial production for 2015 and 2016 were calculated and are expected to be fine-tuned in the fourth quarter of 2018 after an additional survey. Moreover, the first turnover indices (ICA) for industry, construction and commerce were calculated. The services index should begin after the preparation methodology draft by AFRISTAT is implemented;

- Finalize the work on changing the baseline year and implement the 2008 National Accounting system (SCN). In particular, there are plans to produce the accounts for the year baseline 2015 in the first quarter of 2019, and the current year of 2016 should be completed in the second quarter of 2019. The reconstruction of the past series of the national accounts up to 2017. Reconstruction (retropolation) will be completed by the end of the third quarter of 2019;

- Perform the Standard of Living Survey (ENV); and

- Conduct the General Census of Population and Housing (RGPH) in 2019. For this purpose, out of a budget of CFAF 19 billion, financed jointly by the government and development partners, CFAF 3 billion has already been disbursed under the 2018 government budget.

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

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

PROGRAM FINANCING AND MONITORING

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

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

- to refrain from accumulating new domestic arrears and any form of advance against revenue and from contracting nonconcessional external loans other than those specified in the TMU;
- to issue public securities only by auctions through the BCEAO or any other form of competitive bidding on the local financial market and the WAEMU market, and to consult with IMF staff for any other mode of financing;
- to refrain from introducing or tightening restrictions on payments and transfers relating to current international transactions, introducing multiple currency practices, entering into bilateral arrangements not in accordance with Article VIII of the IMF Articles of Agreement, or imposing or tightening restrictions on imports for balance of payments reasons; and
- to adopt further financial or structural measures that may prove necessary for the success of its policies in consultation with the IMF.

Table 1. Côte d'Ivoire: Performance Criteria (PC) and Indicative Targets (IT), ECF/EFF 2018–19[1/]

(Billions of CFA francs, unless otherwise indicated)

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

Sources: Ivoirien authorities; and IMF staff estimates.
1/ Cumulative amount from January 1, 2018 for 2018 targets, and from January 1, 2019 for 2019 targets.

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

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

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

Table 3. Côte d'Ivoire: Structural Benchmarks (SB) for end-2018 and 2019

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

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

Attachment II. Technical Memorandum of Understanding

November 21, 2018

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

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

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

QUANTITATIVE INDICATORS

4. For program monitoring purposes, performance criteria (PCs) and indicative targets (IT) are set for June 30, 2018, December 31, 2018, and June 30, 2019; the same variables are indicative targets for March 31, 2019, and September 30, 2019.

- The PCs include:

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

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

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

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

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

- The ITs are:

  a) a ceiling on expenditures by treasury advance;

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

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

e) a floor for the basic primary balance.

5. **The PCs, ITs and adjustors are calculated** as the cumulative change from January 1, 2017 for the 2017 targets and from January 1, 2018 for the 2018 targets (Table 1 of the Memorandum of Economic and Financial Policies, or MEFP).

A. Government Tax Revenue (IT)

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

B. Pro-poor Expenditures (IT)

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

C. Treasury Advances (IT)

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

D. Primary Basic Fiscal Balance (IT)

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

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

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

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

{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.

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

13. The adjustor for the performance criterion on the net domestic financing.

- The NDF ceiling will be adjusted upward by the full amount of the difference between the effectively disbursed and the projected budget support from the European Union, the World Bank and the African Development Bank projected at CFAF 81.0 billion in 2018 and CFAF 68.4 billion in 2019 (MEFP Table 1).

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

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

G. External Debt (PC)

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

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

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

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

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

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

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

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

- normal import-related commercial debts having a maturity of less than one year;
- rescheduling agreements;
- IMF disbursements.
- For program monitoring purposes, external debt is deemed to be contracted or guaranteed at the date of its approval by the government of Cote d'Ivoire (Council of Ministers). In the case of the issuance of euro bonds, the amount deemed contracted is the amount subscribed/purchased at the end of the subscription/purchase period as specified in the final clauses of the exchange. For program purposes, (i) the value in U.S. dollars of new external debt of 2018 is calculated using the average exchange rate for January 2018 in the IMF's International Financial Statistics (IFS) database (ii) the value in U.S. dollars of new external debt of 2019 is calculated using the average exchange rate for August 2018 in the IMF's IFS database.

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

18. In the case of variable interest rate debt in the form of a reference interest rate plus a fixed margin, the PV of the debt is calculated on the basis of the program reference rate plus a fixed margin (in basis points) specified in the loan agreement. The program reference rate for the US$ six-month LIBOR is 3.04 percent and will remain unchanged during the period between January 1, 2018 and December 31, 2018. It will then be 3.44 percent for the period of January 1, 2019 to December 31, 2019. The margin between the euro six-month LIBOR and the US$ six-month LIBOR is -300 basis points for 2018 and -400 basis points for 2019. The margin between the yen six-month LIBOR and the US$ six-month LIBOR is -300 basis points for both 2018 and 2019. The margin between the pound sterling six-month LIBOR and the US$ six-month LIBOR is -250 basis points. For interest rates applicable in currencies other than the euro, yen and pound sterling, the margin vis-à-vis the US$ six-month LIBOR is -250 basis points for 2018 and 2019.[1] When the variable rate is linked to a reference interest rate other than the US$ six-month LIBOR, a margin corresponding to the

[1]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.

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

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

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

- The ceiling will exclude external borrowing which is for the sole purpose of refinancing existing public sector external debt and which helps to improve the profile of the repayment schedule.

- The program ceiling applicable to the PV of new external debt is adjusted upward by the total amount of the new external debt contracted or guaranteed by the government for the purpose of restructuring the debt of *Société Ivoirienne de Raffinage* (SIR), up to an equivalent of CFAF 368 billion, or US$ 684.07 million, calculated using January 2018 average exchange rate (US$ 1 = CFAF 537.95).

- Program projections for end-June 2019 include the government's Eurobond issuance in foreign currency, up to an amount equivalent to CFAF 500 billion, or US$ 880.2 million, calculated at the average exchange rate for August 2018 (US$ 1 = CFAF 568.0). In the case of an actual Eurobond issuance that would be less than the expected amount or of the non-issuance of Eurobond, the program ceiling applicable to the PV of new external debt at end-June 2019 will be adjusted downward by the total amount of the difference between the projected and the actual Eurobond issuance, calculated at the average exchange rate for August 2018 (US$ 1 = CFAF 568.0).

20. The authorities will inform IMF staff of any planned external borrowing and the conditions on such borrowing before the loans are either contracted or guaranteed by the government. The current government borrowing for 2018 plan is summarized in Table 1. In this table, the value in U.S. dollars of the new external debt is calculated on the basis of the average Euro-dollar exchange rates of January 2018 (US$1=EUR 0.82) for January–June 2018 and January–December 2018 (see below). The actual government external borrowing for January–June 2019 is summarized in table 2. In that table, the average dollar value of new external debt is calculated on the basis of the average EUR-Dollar exchange rate for August 2018 (US$1= EUR 0.87) for January–December 2019.

Table 1. Côte d'Ivoire: Summary Table on External Borrowing Program for January–December 2018

(Millions of US dollars)

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

Source: Ivoirien authorities

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

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

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

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

Table 2. Côte d'Ivoire: Summary Table on External Borrowing Program for January–December 2019

(Millions of US dollars)

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

Source: Ivoirien authorities

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

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

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

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

H. External Payments Arrears (PC)

21. External arrears correspond to the nonpayment of any interest or principal amounts on their due dates (taking into account any contractual grace periods). This performance criterion applies to arrears accumulated on external debt contracted by the government and external debt guaranteed by the government for which the guarantee has been called by the creditors. There will be no accumulation of new external payment arrears. This performance criterion is monitored on a continuous basis.

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

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

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

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

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

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

MEMORANDUM ITEMS

A. Net Banking System Claims on the Government

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

B. External Financing (Definitions)

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

C. Fuel Tax Revenues

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

D. Program Monitoring and Data Reporting

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

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

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

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

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

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

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

Source: Ivoirien authorities.

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

Table 4. Côte d'Ivoire: Document Transmittal for Program Monitoring (concluded)			
Sector	**Type of data**	**Frequency**	**Transmittal deadline**
External debt	Detailed external debt statement	Monthly	End of month + 45 days
	Breakdown of new external loans and guarantees	Monthly	End of month + 45 days
	Table of disbursements on new loans	Monthly	End of month + 45 days
	Projected external debt service	Quarterly	End of quarter + 45 days
Public companies	Debt statement of public companies	Quarterly	End of quarter + 45 days
	List of public companies	Quarterly	End of quarter + 45 days
Balance of payments	Provisional balance of payments (provisional)	Annually	End of year +9 months
	Provisional balance of payments (final)	Annually	End of year + 12 months
Monetary and financial sectors	Banking system statement	Monthly	End of month + 45 days (preliminary); end of month + 60 days (final)
	BCEAO summary statement	Monthly	End of month + 45 days (preliminary); end of month + 60 days (final)
	Monetary sector statement	Monthly	End of month + 45 days (preliminary); end of month + 60 days (final)
	Government net financial position	Monthly	End of month + 45 days
	Banks's prudential ratios	Monthly	End of month + 45 days
	Financial soundness indicators	Quarterly	End of month + 45 days
	Lending and borrowing interest rates, BCEAO intervention rate and compulsory reserves	Monthly	End of month + 45 days

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

November 26, 2018

FOURTH REVIEWS UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY AND UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA—DEBT SUSTAINABILITY ANALYSIS[1]

Approved by
Dominique Desruelle and Mary Goodman (IMF); and Paloma Anos-Casero (IDA)

Prepared by the staffs of the International Monetary Fund and the International Development Association

Risk of external debt distress	*Moderate*
Overall risk of debt distress	*Moderate*
Granularity in risk rating	*Limited space to absorb shocks*
Application of judgment	*No*

Côte d'Ivoire has a moderate risk of external debt distress, with limited space to absorb shocks. All liquidity and solvency external debt indicators lie below their thresholds under the baseline scenario. However, the ratios of external debt service to revenue and exports are projected to rise, diminishing room to maneuver, and an export shock would cause breaches of their relevant thresholds under the worst-case stress scenarios. This underscores the substantial downside risks originating from external shocks and the need to boost domestic revenue mobilization. The overall risk of public debt distress is also moderate, with public debt to GDP ratio expected to decrease gradually. A sustained compliance with the WAEMU fiscal deficit convergence criterion and a prudent external borrowing strategy balancing the costs and economic return of new loans will be crucial to preserve debt sustainability.

[1]This DSA has been prepared following the revised LIC-DSA framework. It updates the previous Joint DSA dated June 4, 2018 (IMF Country Report No. 18/182). Côte d'Ivoire's debt carrying capacity, calculated based on the April 2018 WEO and the October 2018 WEO, along with the 2017 CPIA, is classified as medium. The applicable thresholds to the public and publicly guaranteed external debt are: 40 percent for the PV of debt-to-GDP ratio, 180 percent for the PV of debt-to-exports ratio, 15 percent for the debt service-to-exports ratio, and 18 percent for the debt service-to-revenue ratio. The applicable benchmark for the PV of total public for medium debt carrying capacity is 55 percent of GDP.

PUBLIC DEBT COVERAGE

1. The definition of public debt covers the central government, social security, and government guarantees to other entities in the public and private sectors, including to state-owned enterprises (Text Table 1). Debt coverage is similar to the previous DSA and does not include non-guaranteed debt of state-owned enterprises (SOEs), which represents about 4.5 percent of GDP.[2] However, a contingent liability tailored test is designed to fully capture risks associated with SOEs' debt as well as public-private partnership (PPP) capital stock (Text Table 1).

Text Table 1. Côte d'Ivoire: Coverage of Public Sector Debt and Design of the Contingent Liability Stress Test

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	X
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

1	The country's coverage of public debt	The central government plus social security, government-guaranteed debt			
		Default		Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0	percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2	percent of GDP	4.5	Part of the stock NOT guaranteed by the government
4	PPP	35	percent of PPP stock	1.2	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5	percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)			10.7	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

DEBT LANDSCAPE

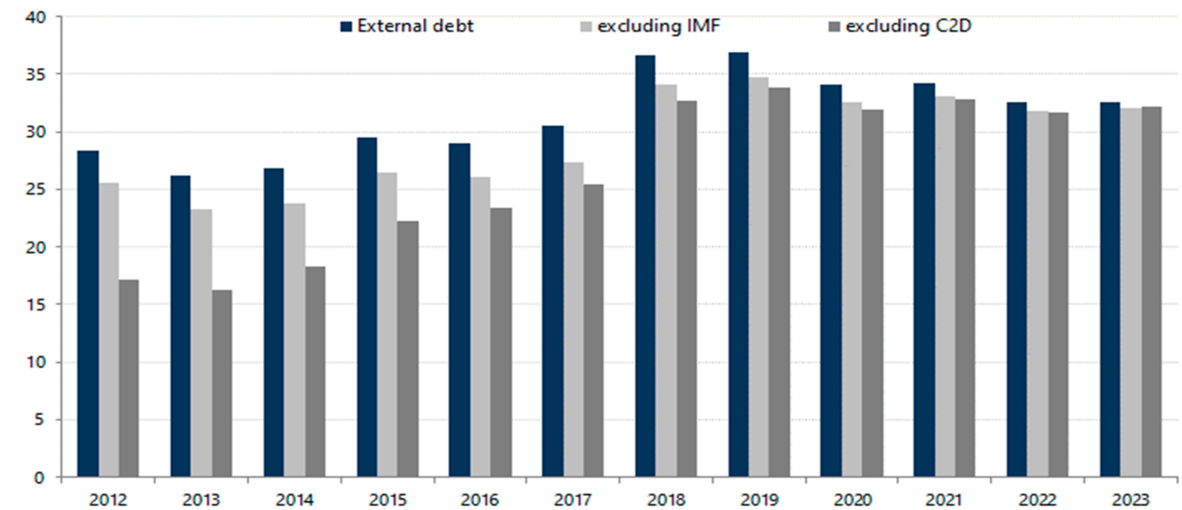
2. External debt, defined on a currency basis, increased by 2.0 percentage points of GDP in 2017 and is projected to increase by 7.3 percentage points of GDP in 2018 (Figure 1).[3] The increase in 2017 was mainly driven by Eurobonds issuance. The projected increase in 2018 reflects the two Eurobonds issued in March 2018 (4.7 percent of GDP), the government-guaranteed loans to restructure the debt of the state-owned oil refining company (SIR) (1.5 percent of GDP) and the national electricity company

[2]This corresponds to SOEs total debt stock deducted from guaranteed debt by the government and transferred debt to the government, which are already included in the central government debt.

[3]In this DSA, the analysis is done on currency basis. Public and Publicly Guaranteed external debt covers only the central government according to the definition agreed under the current ECF/EFF program. It therefore excludes non-guaranteed SOEs' debt. Including non-guaranteed SOEs' debt in Public and Publicly Guaranteed external debt will be facilitated by Côte d'Ivoire making the transition to the GFSM 2001 fiscal reporting standards. 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 as grants to the government to finance development projects. Flows associated with the C2D process are included by IMF staff in the external and fiscal accounts to capture gross cash flows (debt service and grants). See IMF Country Report nº14/358 for a detailed discussion. External debt in the DSA includes borrowing from the IMF.

(CI-ENERGIES) (0.6 percent of GDP). The external debt stock at end-2017 was lower than expected at the time of the 3rd program review, at 25.4 percent of GDP, due to postponed contracting of the government-guaranteed loan for the SIR debt restructuring and delayed disbursements of project-related loans. Financing for the restructuring of SIR's debts is expected to be contracted by December 2018. In addition, a new government counter-guarantee for the World Bank-guaranteed loan to support arrears clearance at—and enhance the credit quality of—CI-ENERGIES is expected to be provided by end-2018. Therefore, external debt is projected to reach 32.7 percent of GDP at end-2018.

Figure 1. Côte d'Ivoire: Stock of External Public Debt, 2012-2023
(Percent of GDP)



Sources: Ivoirien authorities and IMF staff estimates.

3. **The composition of external debt was broadly balanced between official and commercial creditors at end-2017** (Text Table 2). Official creditors accounted for 47.2 percent of the external debt, of which 26.1 percent was owned to multilateral creditors (particularly the IMF and the World Bank) and 21.1 percent to bilateral creditors. Commercial creditors, mainly those grouped in the London Club, accounted for 52.8 percent of the external debt stock.

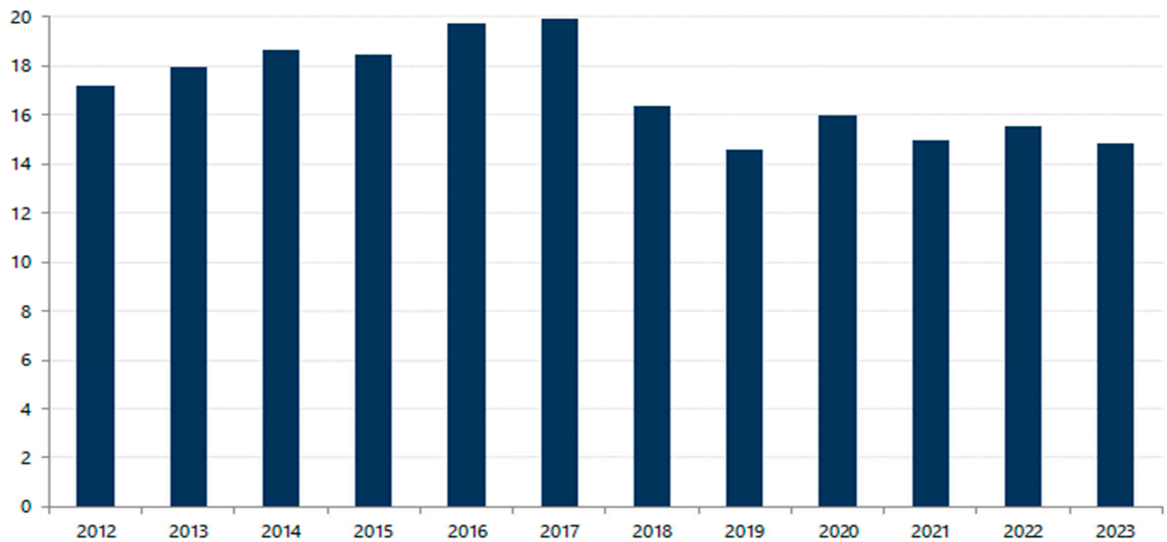
Text Table 2. Côte d'Ivoire: Composition of External Debt per Creditor Group

	2016	2017			2018	2019	2020	2021	2022	2023
	Million USD		Percent of total	Percent of GDP	Million USD					
Total	**7,870.3**	**10,292.7**	**100.0**	**25.4**	**13,873.2**	**15,781.5**	**16,385.5**	**18,405.8**	**19,440.3**	**21,352.2**
including C2D and FCFA-denominated loans	9,770.7	12,368.0	120.2	30.5	15,578.8	17,188.2	17,490.8	19,220.5	19,958.4	21,570.2
Multilateral creditors	**2,064.2**	**2,691.3**	**26.1**	**6.6**	**3,473.2**	**4,154.7**	**4,492.0**	**4,816.5**	**5,126.3**	**5,312.1**
IMF	991.8	1,291.1	12.5	3.2	1,246.1	1,377.8	1,230.2	1,047.8	880.3	706.4
World Bank	522.0	779.2	7.6	1.9	1,355.5	1,679.7	1,958.0	2,254.3	2,533.4	2,728.4
AfDB group	45.5	191.0	1.9	0.5	332.1	461.6	573.5	697.0	812.1	894.0
Other multilaterals	505.0	429.9	4.2	1.1	539.4	635.6	730.2	817.4	900.6	983.3
Official bilateral creditors	**1,543.9**	**2,169.6**	**21.1**	**5.4**	**2,425.3**	**2,675.3**	**2,928.2**	**3,486.2**	**4,066.9**	**4,564.6**
Paris Club	241.5	207.3	2.0	0.5	231.9	262.9	316.0	688.5	1,090.2	1,495.7
Non-Paris Club	1,302.4	1,962.3	19.1	4.8	2,193.4	2,412.4	2,612.2	2,797.7	2,976.7	3,068.9
Commercial creditors	**4,262.2**	**5,431.8**	**52.8**	**13.4**	**7,974.7**	**8,951.5**	**8,965.3**	**10,103.1**	**10,247.1**	**11,475.5**
London Club	4,219.7	5,397.8	52.4	13.3	7,174.6	8,025.5	7,968.4	8,817.5	8,728.1	9,523.8
Other commercials	42.5	34.0	0.3	0.1	800.1	926.0	997.0	1,285.6	1,519.0	1,951.7

Sources: Ivoirien authorities; and IMF staff estimates.

4. **Reliance on domestic sources of financing is expected to decline in 2018**. Domestic debt increased by 2.8 percentage points of GDP between 2012 and 2017, reaching 19.9 percent of GDP in 2017. Reversing that trend, domestic debt is projected to decrease by 3.5 percent of GDP in 2018 as the government issued sizeable Eurobonds to meet most of its gross financing need this year. A large part of the domestic debt consists of securities issued in the regional auction market and syndicated loans.

Figure 2. Côte d'Ivoire: Stock of Domestic Public Debt[1/], 2012-2023
(Percent of GDP)



1/ Central government only.
Sources: Ivoirien authorities; and IMF staff estimates.

UNDERLYING ASSUMPTIONS

5. **The assumptions in the baseline scenario are consistent with the macroeconomic framework outlined in the staff report for the fourth reviews under the EFF/ECF arrangements** (Text Table 3). These include a gradual increase in the contribution of domestic demand and net exports to GDP in the medium term, fiscal consolidation to comply with the program objective and WAEMU fiscal deficit convergence criterion of 3 percent of GDP from 2019 onward. A gradual improvement in the external position is expected, as well as a move toward more commercial debt to cover the gross financing needs as Côte d'Ivoire transitions to emerging market status.

- **Sustained GDP growth over the medium term.** Real GDP growth is expected to remain broadly unchanged in the medium term compared to the previous DSA, averaging 7.1 percent during the first six years of the projection period. Growth is supported by robust domestic demand and a recovery in net exports in the medium term. Reflecting a stabilization process, real GDP is projected to grow by almost 5.9 percent over 2024–29 on average and 5.5 percent over 2030–38 as investment normalizes and net trade contribution lessens further into the projection period.

- **Inflation is expected to remain subdued at about 2 percent**, reflecting good domestic supply conditions and the strength of the Euro to which the CFA Franc is pegged.
- **The primary fiscal balance is expected to improve**. This reflects the government's efforts to mobilize domestic revenue and contain non-priority expenditure to meet the WAEMU fiscal deficit convergence criterion of 3 percent of GDP from 2019 onward.
- **The non-interest current account deficit is projected to narrow over the projection horizon**. The deficit is projected to stabilize at about 1.3 percent of GDP, reflecting an improvement in exports of goods and services and weaker import growth as fiscal consolidation takes place and exports of services and manufactured goods expand. These assumptions are subject to downside risks including unfavorable terms-of-trade shocks and weaker-than-expected global growth in the context of rising protectionism.
- **Côte d'Ivoire's financing needs are expected to be covered mainly by commercial debt in the medium term as it transitions toward an emerging market economy**. The grant element of concessional loans is projected to decline, as the government is expected to retain access to concessional and semi-concessional lending, in addition to non-concessional lending to satisfy its short-term financing needs. This is consistent with the authorities' medium-term debt management strategy, which envisages a 50-50 split between financing sources in domestic and foreign currencies to meet gross financing needs in 2019–23. In the medium to long term, the government is expected to rely increasingly on non-concessional debt and less on concessional and semi-concessional lending.

Text Table 3. Côte d'Ivoire: Macroeconomic Assumptions

	Previous DSA			*Current DSA*		
	2018-23	2024-29	2030-38	2018-23	2024-29	2030-38
Nominal GDP (USD Billion) 1/	61.3	99.5	172.5	54.0	86.8	147.6
Real GDP (y/y % change)	6.9	5.8	5.5	7.1	5.9	5.5
Fiscal (central government)						
Revenue and grants 2/	19.4	20.0	21.2	20.7	21.3	22.9
of which: grants	0.9	0.3	0.1	1.0	0.1	0.0
Primary expenditure	22.0	22.6	23.0	21.7	21.8	23.4
Primary basic balance (excluding C2D grants)	1.3	2.1	1.8	0.5	1.2	1.2
Balance of payments						
Exports of goods and services	26.6	29.4	32.2	35.6	33.1	27.7
Imports of goods and services	26.1	26.8	29.3	35.0	31.0	25.6
Non-interest current account deficit 3/	1.0	0.2	0.1	1.9	0.9	1.2
New foreign direct investment (net inflows)	3.1	2.7	2.0	1.8	2.3	2.2

Sources: Ivoirien authorities, and IMF staff estimates

1/ Changes from the 3th review DSA reflects an updated nominal GDP following the release of final 2016 national accounts and estimates 2017 national accounts

2/ C2D grants are excluded from revenue and grants.

3/ C2D grants are excluded from official transfers.

6. **The realism of the macroeconomic framework is confirmed by several checks** (Figure 6). Côte d'Ivoire's public and external debt trajectories are broadly similar in the current and previous DSAs. The projected medium-term debt-creating flows do not deviate significantly from the historical outturns. The projected fiscal adjustment for the next three years is in the low end of the top quartile of the distribution of approved Fund-supported programs for LICs since 1990. The assumed fiscal consolidation plans are consistent with the WAEMU regional fiscal deficit convergence criterion of 3 percent of GDP, which the authorities have committed to meet starting from 2019. Regarding the relation between fiscal adjustment and growth, the baseline projection does not deviate significantly from the growth paths implied by LIC's typical fiscal multipliers extracted from the empirical literature. The contribution of government capital to real GDP growth is projected to increase slightly over the medium term, building on the higher capital stock accumulated since 2011.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

7. **Côte d'Ivoire has a medium debt carrying capacity**. Contrary to the previous DSA that relied exclusively on the Country Policy and Institutional Assessment (CPIA) for assessing the debt carrying capacity, the new DSA depends on a Composite Indicator (CI) that includes the CPIA and other variables from the macroeconomic framework.[4] With a CI score of 2.96, Côte d'Ivoire has a medium debt carrying capacity. This represents an upgrade compared to the status of weak debt carrying capacity in the previous DSA. Consequently, Côte d'Ivoire's relevant external debt burden thresholds and total public debt benchmarks are defined according to its new debt carrying capacity.

8. **Given Côte d'Ivoire's continuous reliance on global capital markets, a tailored test for market financing was conducted**. Côte d'Ivoire issued sizeable Eurobonds in 2017 and 2018 and its debt management strategy aims at leveraging global capital markets to finance part of the country's gross financing needs in 2019–23. Consequently, a tailored test for market financing assumes a temporary increase in the cost of new commercial external borrowing by 400 basis points combined with a nominal depreciation of 15 percent of the CFA Franc vis-à-vis the US Dollar and a shortening of maturities and of grace periods.[5]

9. **A contingent liability tailored shock was conducted to capture potential fiscal risks arising from SOEs, PPPs, and the financial market**. This tailored stress test includes 4.46 percent of GDP representing SOEs' debt stock. It also includes 1.24 percent of GDP to accommodate potential fiscal risks on 35 percent of the PPP capital stock, and a financial sector shock of 5 percent of GDP.

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[4]The other variables from the macroeconomic framework consist of five variables: real GDP growth, remittances, import coverage of reserves, the square of import coverage of reserves, and world economic growth. The CI uses ten years of data (5 years of history and 5 years of projections) to smooth out economic cycles. As data on the CPIA are not projected, its projected value over 5 years is set equal to the 2017 CPIA.

[5]The considered shortening of maturities of commercial external borrowing are as follows. If the original maturity is greater than 5 years, the new maturity is set to 5 years. If the original maturity is less than 5 years, the new maturity is shortened by 0.7 years.

10. Standard stress tests on real GDP growth, primary balance, exports, current transfers, and foreign exchange (FX) depreciation have also been applied. The first four shocks set each of the above variables to its historical average minus one standard deviation, or to its baseline projection minus one standard deviation, whichever is lower, for 2018 and 2019. The last shock—FX depreciation—considers a nominal depreciation of 30 percent of the CFA Franc vis-à-vis the US Dollar in the first year of the projection.

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

11. The external DSA assessment indicates that all public and publicly guaranteed (PPG) debt indicators are below their corresponding thresholds for the next ten years in the baseline scenario. The PV of external debt-to-GDP is expected to gradually decrease from a peak of 32.9 percent in 2018 to 26 percent in 2028 as fiscal consolidation takes place and the authorities rely on a balanced mix of loans in domestic and foreign currencies to meet their financing needs. However, liquidity indicators (debt service-to-exports and debt service-to-revenues), while remaining below their corresponding thresholds, are expected to increase gradually, in part reflecting repayments on the existing Eurobonds. In particular, the PV of debt-service-to-revenues is peaking in 2025 in the baseline scenario at a level very close to the applicable threshold.

12. A shock on exports has the largest negative impact on Côte d'Ivoire's external debt sustainability. Under the standard stress test on exports, the PV of debt-service-to-revenue ratio breaches its threshold starting from 2024. The PV of debt-service-to-revenue is expected to reach its peak level of 23.9 percent (against a threshold of 18 percent) in 2025 and to remain near that level in the remaining years of the projection. This result underscores the substantial downside risks for debt sustainability originating from external shocks (such as negative terms of trade shocks) that could hit the Ivoirian economy.

PUBLIC DEBT SUSTAINABILITY ANALYSIS

13. Under the baseline scenario, the PV of public debt-to-GDP ratio is below its threshold of 55 percent (Figure 4). The PV of public debt-to-GDP is expected to decrease gradually over the projection period, edging down from 48.9 percent in 2018 to 37.7 percent by 2028. The trend reflects a gradual decline of the foreign currency-denominated debt ratio combined with a stabilization of domestic currency-denominated debt ratio. Similarly, the PV of debt-to-revenue ratio starts at about 239.3 percent in 2018 and approaches about 175.0 percent in 2028. However, the debt service-to-revenue ratio deteriorates as it is projected to reach 30.8 percent in 2028, an increase of 3.2 percentage points compared to its projected 2018 level. This is driven by a gradual shift toward more commercial debt as well as Eurobond bullet repayment.

14. Stress tests highlight that Côte d'Ivoire's most extreme public debt vulnerability could emerge from a shock to GDP growth (Figure 4 and Table 4). Under the standard stress test of real GDP growth shock, the PV of public debt-to-GDP would breach its corresponding threshold of 55 percent starting from 2020, to reach 88.5 percent by the last year of the projection period. All other tailored and standard stress tests show that the PV of public debt remains below the thresholds. In addition to highlighting the very strong sensitivity to GDP growth shocks, this underscores the importance of minimizing forecast errors by pinpointing projections of real GDP growth as precisely as possible through a strong statistical system and capacities.

15. The tailored scenario stress test for the combined contingent liabilities shows a considerable increase in debt over the first two years of the projection (Table 4). The PV of public debt-to-GDP increases by 8.8 percentage points between 2018 and 2019 and remains above its 2018 level until 2024. This accentuates the need for the Ivoirian authorities to improve fiscal transparency and fiscal risk management and accelerate Public Financial Management (PFM) reforms, in line with regional directives.

RISK RATING AND VULNERABILITIES

16. The debt sustainability analysis under the new DSA indicates that Côte d'Ivoire remains at moderate risk of external debt distress, as in the June 2018 DSA. While none of the external debt indicators breach their corresponding threshold under the baseline scenario, the PV of the external debt service-to-revenue ratio increases substantially toward the applicable threshold, and standard stress tests show that it would cross the threshold in the most extreme shock scenario. As in the previous DSA, this suggests that the external debt service-to-revenue ratio is the most volatile debt indicator for Côte d'Ivoire, which reinforces the need to intensify revenue mobilization over the medium term. It is also crucial to have a prudent external borrowing strategy aimed at balancing the costs and risks of new loans to preserve Côte d'Ivoire's room for maneuver and medium-term debt sustainability.

17. The new DSA also indicates that the overall risk of debt distress is moderate. While the overall debt sustainability risk is moderate, the PV of public debt-to-GDP breaches its threshold of 55 percent starting from 2020 under the most extreme shock arising from the standard stress tests.

18. The country has limited space to absorb shocks to debt sustainability (Figure 7). The DSA results highlight the need to carefully monitor debt indicators, ensure that GDP growth projections are conducted in a cautious way, and implement judicious policies to preserve macroeconomic stability. Within this context and to better capture fiscal risks, the authorities should accelerate the PFM reforms, in line with the WAEMU directives. To create fiscal space, the authorities should also increase their efforts in mobilizing domestic revenue while containing public expenditure, including the wage bill and subsidies. In 2017, the authorities have been conducting liability management operations to lower the debt service and smooth its profile over the short and medium term. Yet, the limited distance between the debt service-to-revenue ratio and its risk threshold over the medium term constrains the room for maneuver and calls for greater efforts on revenue mobilization as well as careful debt management.

AUTHORITIES' VIEWS

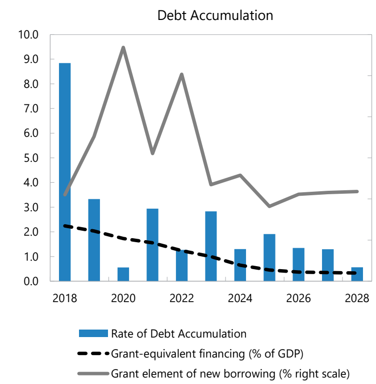
19. The authorities broadly agreed with the main conclusions of the DSA, particularly that Côte d'Ivoire has a moderate risk of debt distress. They welcomed the upgrade of Côte d'Ivoire's debt carrying capacity from weak to medium under the CI measured by the new DSA. They concurred with the importance of strengthening and monitoring the public sector's debt. In this context, they intend to adopt a medium-term debt management strategy with a view to ensuring that the risk of debt distress does not exceed a moderate level. Recognizing the risk related to sustained and substantial reliance on foreign currency borrowing in the recent years, their medium-term debt management strategy envisages a 50-50 split between sources in domestic and foreign currency to meet their financing needs over 2019–23. They also agreed on the need to foster the deepening of the regional debt market to better leverage domestic savings for development objectives. However, the authorities found the baseline macroeconomic assumptions of the DSA too conservative, particularly regarding the growth projections over the medium and long term. They also underscored that their external debt in Euros should be treated differently in the DSA since the exchange rate risk on that debt is limited, given the CFA Franc peg with the Euro and the guarantee of the French Treasury.

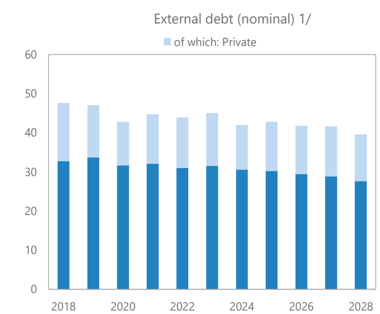
Table 1. Côte d'Ivoire: External Debt Sustainability Framework, Baseline Scenario, 2015–38

(Percent of GDP; unless otherwise indicated)

	Actual			Projections								Average 8/	
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028	2038	Historical	Projections
External debt (nominal) 1/	**37.1**	**39.0**	**39.6**	**47.6**	**47.0**	**42.8**	**44.7**	**43.9**	**45.1**	**39.6**	**31.6**	**53.3**	**43.6**
of which: public and publicly guaranteed (PPG)	**22.2**	**23.4**	**25.4**	**32.8**	**33.7**	**31.7**	**32.1**	**31.0**	**31.5**	**27.7**	**20.2**	**33.1**	**30.9**
Change in external debt	2.8	1.9	0.6	8.0	-0.6	-4.2	1.9	-0.8	1.2	-2.1	-1.6		
Identified net debt-creating flows	**1.4**	**-2.7**	**-0.9**	**-0.4**	**-1.3**	**-1.1**	**-1.2**	**-1.9**	**-2.2**	**-1.8**	**-0.9**	**-6.3**	**-1.7**
Non-interest current account deficit	**-0.9**	**-0.4**	**2.0**	**2.2**	**1.5**	**1.6**	**1.3**	**0.7**	**0.4**	**0.8**	**-0.3**	**-3.1**	**1.0**
Deficit in balance of goods and services	-3.5	-3.0	-0.9	0.0	0.0	-0.1	-0.5	-1.4	-1.8	-2.1	-1.6	**-6.1**	**-1.3**
Exports	37.7	33.4	34.0	36.2	36.2	35.9	36.5	34.8	34.2	31.7	25.1		
Imports	34.2	30.3	33.1	36.3	36.2	35.8	35.9	33.4	32.4	29.6	23.5		
Net current transfers (negative = inflow)	1.0	1.2	1.4	0.9	1.0	1.0	1.2	1.5	1.6	2.1	2.1	**1.3**	**1.6**
of which: official	-0.5	-0.4	-0.7	-1.3	-1.2	-1.1	-1.0	-0.7	-0.6	0.0	0.0		
Other current account flows (negative = net inflow)	1.5	1.4	1.5	1.3	0.5	0.6	0.7	0.7	0.7	0.8	-0.9	**1.6**	**0.8**
Net FDI (negative = inflow)	**-1.4**	**-1.6**	**-1.6**	**-1.6**	**-1.6**	**-1.7**	**-1.8**	**-1.9**	**-2.0**	**-2.4**	**-0.5**	**-1.4**	**-2.0**
Endogenous debt dynamics 2/	**3.8**	**-0.7**	**-1.3**	**-1.0**	**-1.1**	**-0.9**	**-0.7**	**-0.7**	**-0.6**	**-0.1**	**0.0**		
Contribution from nominal interest rate	1.5	1.6	1.6	1.6	2.2	2.1	2.1	2.1	2.1	2.0	1.7		
Contribution from real GDP growth	-3.2	-2.8	-2.8	-2.6	-3.3	-3.1	-2.7	-2.8	-2.7	-2.1	-1.7		
Contribution from price and exchange rate changes	5.5	0.5	-0.1	...	...	...	...	...	...	...	...		
Residual 3/	**1.4**	**4.5**	**1.5**	**8.4**	**0.7**	**-3.1**	**3.1**	**1.1**	**3.4**	**-0.4**	**-0.7**	**1.1**	**1.7**
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**28.4**	**32.9**	**33.7**	**31.0**	**31.1**	**29.6**	**30.0**	**25.8**	**18.5**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**83.4**	**90.7**	**93.2**	**86.5**	**85.2**	**84.9**	**87.6**	**81.2**	**73.6**		
PPG debt service-to-exports ratio	**17.1**	**13.2**	**5.1**	**4.7**	**7.0**	**7.4**	**5.6**	**5.8**	**5.7**	**11.5**	**11.1**		
PPG debt service-to-revenue ratio	**34.9**	**23.7**	**9.1**	**9.0**	**13.1**	**13.6**	**10.2**	**10.0**	**9.7**	**17.0**	**11.6**		
Gross external financing need (Million of U.S. dollars)	1948.8	1555.5	2888.6	2682.3	3164.8	2732.4	1357.8	1878.3	1913.6	4108.2	6504.5		
Key macroeconomic assumptions													
Real GDP growth (in percent)	8.8	8.0	7.7	7.4	7.5	7.2	7.0	6.7	6.5	5.5	5.5	**5.6**	**6.6**
GDP deflator in US dollar terms (change in percent)	-13.8	-1.3	0.3	5.5	-0.3	3.1	2.2	2.5	1.5	1.5	1.8	**1.2**	**2.0**
Effective interest rate (percent) 4/	4.1	4.6	4.3	4.6	4.9	5.0	5.3	5.1	5.1	5.1	5.4	**3.5**	**5.0**
Growth of exports of G&S (US dollar terms, in percent)	-9.9	-5.7	10.0	20.6	7.2	9.5	11.1	4.5	6.2	4.5	4.2	**3.4**	**8.2**
Growth of imports of G&S (US dollar terms, in percent)	-6.7	-5.6	17.9	24.1	7.0	9.3	9.8	1.8	4.7	4.3	6.2	**4.6**	**7.8**
Grant element of new public sector borrowing (in percent)	...	...	...	10.5	17.6	28.4	15.5	25.2	11.7	10.9	9.6	**...**	**14.8**
Government revenues (excluding grants, in percent of GDP)	18.5	18.6	19.2	19.2	19.4	19.6	19.9	20.1	20.3	21.6	23.9	**17.8**	**20.4**
Aid flows (in Million of US dollars) 5/	556.3	556.3	577.6	1206.7	1108.0	1089.7	1103.5	968.8	829.7	471.2	742.9		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	2.2	2.0	1.7	1.6	1.2	1.0	0.3	0.2	**...**	**1.1**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	21.3	33.4	52.9	32.8	43.3	24.5	11.2	9.8	**...**	**24.8**
Nominal GDP (Million of US dollars)	33,131	35,297	38,130	43,199	46,309	51,181	55,956	61,206	66,215	95,781	192,636		
Nominal dollar GDP growth	-6.2	6.5	8.0	13.3	7.2	10.5	9.3	9.4	8.2	7.1	7.4	**6.7**	**8.7**
Memorandum items:													
PV of external debt 7/	...	...	42.5	47.7	47.1	42.2	43.7	42.5	43.5	37.7	29.8		
In percent of exports	...	...	125.1	131.7	129.9	117.6	119.9	122.0	127.3	118.7	119.0		
Total external debt service-to-exports ratio	21.8	19.1	21.1	15.5	19.3	15.3	8.1	12.3	13.2	18.7	16.8		
PV of PPG external debt (in Million of US dollars)			10819.7	14191.4	15628.3	15885.6	17390.3	18102.6	19835.0	24686.4	35545.6		
(PVt-PVt-1)/GDPt-1 (in percent)				8.8	3.3	0.6	2.9	1.3	2.8	0.6	0.4		
Non-interest current account deficit that stabilizes debt ratio	-3.7	-2.3	1.4	-5.8	2.1	5.8	-0.6	1.5	-0.7	2.9	1.3		

Definition of external/domestic debt	**Currency-based**
Is there a material difference between the two criteria?	**Yes**





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 changes.

Projected residuals reflect projected reserves accumulation, private capital flows and inflows from other countries not captured under the BOP (if any).

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

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

6/ 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).

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

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

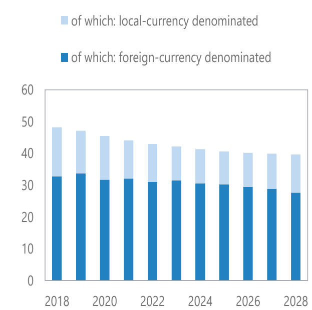
Table 2. Côte d'Ivoire: Public Sector Debt Sustainability Framework, Baseline Scenario, 2015–38

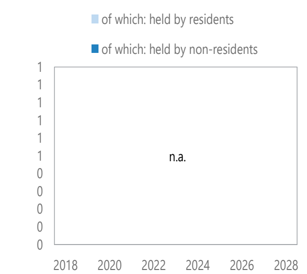
(Percent of GDP; unless otherwise indicated)

	Actual			Projections								Average 6/	
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028	2038	Historical	Projections
Public sector debt 1/	40.7	43.1	45.3	48.2	47.2	45.5	44.1	42.9	42.2	39.7	38.6	50.3	42.9
of which: external debt	22.2	23.4	25.4	32.8	33.7	31.7	32.1	31.0	31.5	27.7	20.2	33.1	30.9
Change in public sector debt	3.8	2.4	2.2	2.9	-1.1	-1.7	-1.4	-1.2	-0.7	-0.3	-0.1		
Identified debt-creating flows	0.5	2.0	-0.6	1.3	-1.3	-1.3	-1.0	-0.9	-0.5	-0.2	-0.2	-2.7	-0.5
Primary deficit	1.3	2.3	2.8	2.2	1.1	0.7	0.7	0.7	0.8	0.4	0.4	1.1	0.8
Revenue and grants	20.0	20.0	20.4	20.4	20.5	20.7	20.8	20.8	20.9	21.6	23.9	18.9	20.9
of which: grants	1.4	1.4	1.2	1.3	1.2	1.1	1.0	0.7	0.6	0.0	0.0		
Primary (noninterest) expenditure	21.3	22.2	23.2	22.6	21.6	21.4	21.6	21.5	21.7	22.0	24.3	19.9	21.7
Automatic debt dynamics	-0.6	-0.1	-3.3	-0.9	-2.0	-2.0	-1.8	-1.6	-1.3	-0.6	-0.6		
Contribution from interest rate/growth differential	-2.2	-1.3	-1.3	-2.0	-2.0	-1.8	-1.6	-1.5	-1.4	-0.8	-0.6		
of which: contribution from average real interest rate	0.8	1.7	1.8	1.1	1.4	1.4	1.4	1.3	1.2	1.3	1.4		
of which: contribution from real GDP growth	-3.0	-3.0	-3.1	-3.1	-3.4	-3.2	-3.0	-2.8	-2.6	-2.1	-2.0		
Contribution from real exchange rate depreciation	1.6	1.2	-2.0	...	...	...	...	...	...	...	...		
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	-1.9	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 contingent liabilities (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		
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 debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	3.3	0.4	2.8	2.7	0.3	-0.5	-0.5	-0.4	-0.1	0.1	0.0	-0.1	0.1
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	46.7	48.9	47.0	44.8	43.0	41.4	40.5	37.7	36.8		
PV of public debt-to-revenue and grants ratio	...	...	229.1	239.3	228.5	216.2	206.1	198.9	194.2	175.0	153.7		
Debt service-to-revenue and grants ratio 3/	28.8	35.6	37.3	27.6	29.9	33.4	29.2	26.4	23.4	30.8	30.2		
Gross financing need 4/	6.9	9.3	10.3	7.8	6.8	7.6	6.8	6.2	5.7	7.1	7.6		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	8.8	8.0	7.7	7.4	7.5	7.2	7.0	6.7	6.5	5.5	5.5	5.6	6.6
Average nominal interest rate on external debt (in percent)	4.3	4.0	4.1	3.6	5.0	5.1	5.0	4.9	4.8	5.2	5.6	2.6	4.9
Average real interest rate on domestic debt (in percent)	1.5	6.4	7.1	4.1	3.8	3.2	3.6	3.7	3.9	4.3	4.2	1.8	3.9
Real exchange rate depreciation (in percent, + indicates depreciation)	9.3	5.5	-8.8	...	...	...	...	...	...	...	...	1.0	...
Inflation rate (GDP deflator, in percent)	3.1	-1.1	-1.7	0.4	1.1	1.8	1.6	1.6	1.5	1.5	1.8	2.9	1.4
Growth of real primary spending (deflated by GDP deflator, in percent)	17.0	12.8	12.2	5.0	2.6	6.1	7.9	6.4	7.5	6.4	6.3	8.5	6.1
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-2.5	-0.1	0.6	-0.7	2.1	2.3	2.1	1.9	1.5	0.7	0.6	-0.7	1.3
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	Currency-based
Is there a material difference between the two criteria?	Yes

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government plus social security, government-guaranteed debt. Definition of external debt is Currency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

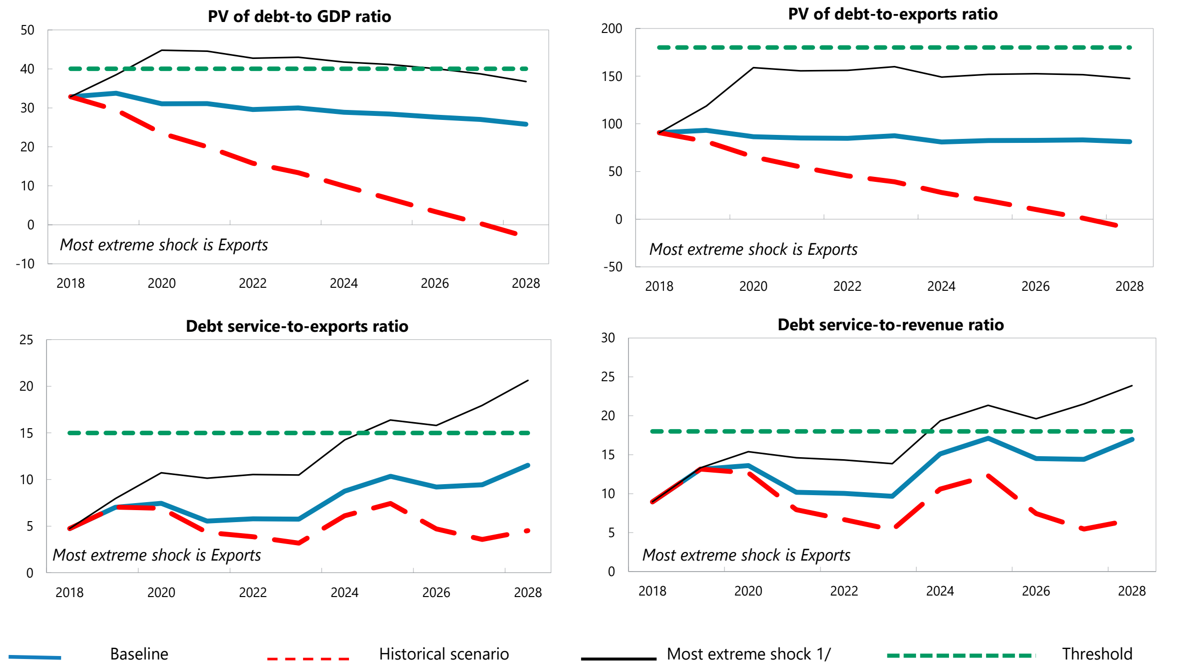
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ 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 and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 3. Côte d'Ivoire: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2018–28 1/



Customization of Default Settings		
	Size	Interactions
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	n.a.	n.a.
Commodity Prices 2/	No	No
Market Financing	No	No

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	5.0%	7.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	17	17
Avg. grace period	6	6

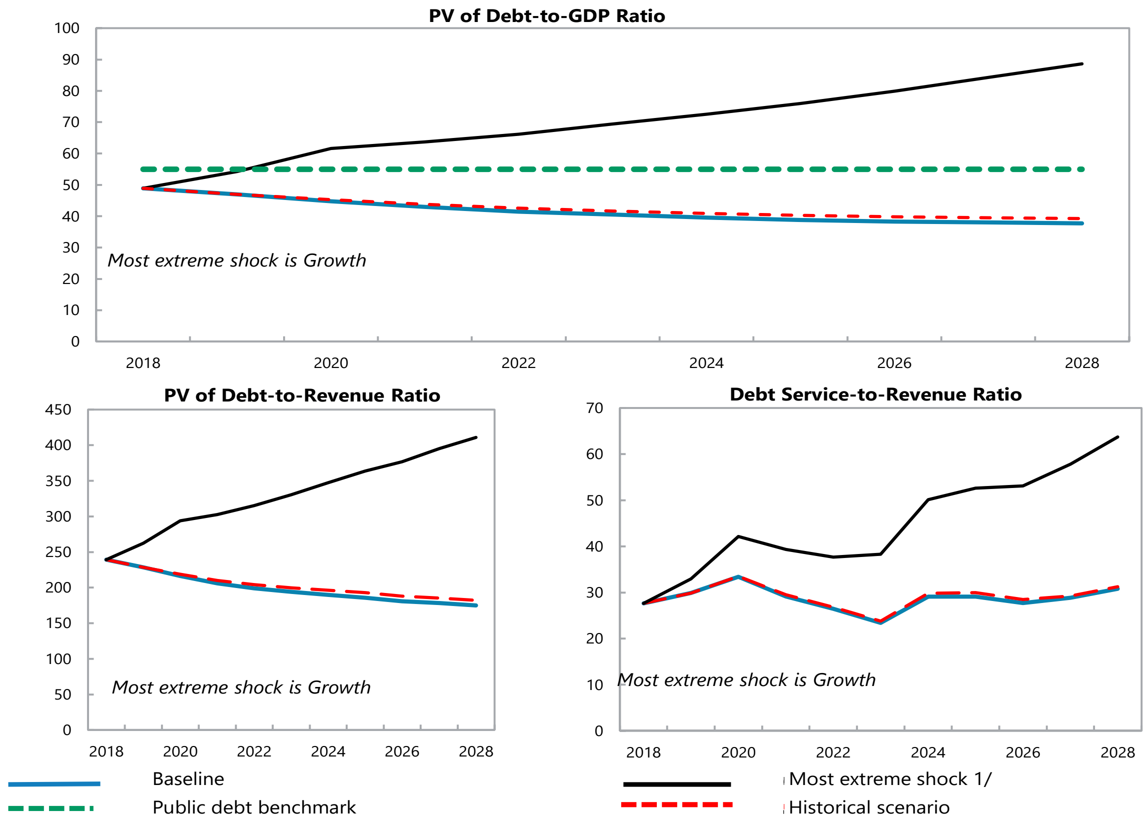
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2028. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 4. Côte d'Ivoire: Indicators of Public Debt Under Alternative Scenarios, 2018–28



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	55%	55%
Domestic medium and long-term	35%	35%
Domestic short-term	10%	10%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	5.0%	7.0%
Avg. maturity (incl. grace period)	17	17
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.6%	4.6%
Avg. maturity (incl. grace period)	4	4
Avg. grace period	3	3
Domestic short-term debt		
Avg. real interest rate	4.0%	4.0%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2028. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2018–28

(Percent)

	Projections 1/										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
PV of debt-to GDP ratio											
Baseline	33	34	31	31	30	30	29	28	28	27	26
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	33	29	23	20	16	13	10	7	3	0	-3
B. Bound Tests											
B1. Real GDP growth	33	37	38	38	36	37	35	35	34	33	32
B2. Primary balance	33	34	33	33	31	32	31	31	30	29	28
B3. Exports	33	39	**45**	**45**	**43**	**43**	**42**	**41**	**40**	39	37
B4. Other flows 3/	33	35	34	34	32	32	31	31	30	29	28
B5. One-time 30 percent nominal depreciation	33	**43**	36	36	34	35	34	33	32	32	30
B6. Combination of B1-B5	33	**42**	**40**	**40**	38	39	37	37	36	35	33
C. Tailored Tests											
C1. Combined contingent liabilities	33	40	37	37	36	37	36	36	35	35	34
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	33	35	33	33	32	32	31	31	30	29	28
C4. Market Financing	33	38	35	35	33	34	33	32	31	30	29
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	91	93	87	85	85	88	81	82	83	83	81
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	91	81	65	55	45	39	28	19	10	1	-10
B. Bound Tests											
B1. Real GDP growth	91	93	87	85	85	88	81	82	83	83	81
B2. Primary balance	91	95	92	90	90	93	87	89	89	90	88
B3. Exports	91	119	159	156	156	160	149	152	152	152	147
B4. Other flows 3/	91	97	94	92	92	95	88	90	90	90	88
B5. One-time 30 percent nominal depreciation	91	93	80	79	78	81	75	76	76	77	75
B6. Combination of B1-B5	91	112	94	111	111	114	106	108	108	108	105
C. Tailored Tests											
C1. Combined contingent liabilities	91	109	104	102	102	109	102	104	105	107	106
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	91	97	93	92	92	95	88	89	90	90	88
C4. Market Financing	91	93	87	86	86	89	82	83	83	83	81
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	5	7	7	6	6	6	9	10	9	9	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	5	7	7	4	4	3	6	7	5	4	5
B. Bound Tests											
B1. Real GDP growth	5	7	7	6	6	6	9	10	9	9	12
B2. Primary balance	5	7	8	6	6	6	9	11	10	10	12
B3. Exports	5	8	11	10	11	10	14	**16**	**16**	**18**	**21**
B4. Other flows 3/	5	7	8	6	6	6	9	11	10	10	12
B5. One-time 30 percent nominal depreciation	5	7	7	5	5	5	8	10	9	9	11
B6. Combination of B1-B5	5	8	10	7	8	8	11	13	12	12	15
C. Tailored Tests											
C1. Combined contingent liabilities	5	7	8	7	7	7	10	12	11	11	13
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	5	7	8	6	6	6	9	11	10	10	12
C4. Market Financing	5	7	8	6	7	7	13	11	13	9	11
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	9	13	14	10	10	10	15	17	15	14	17
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	9	13	13	8	7	5	11	12	7	5	7
B. Bound Tests											
B1. Real GDP growth	9	15	17	12	12	12	**19**	**21**	18	18	**21**
B2. Primary balance	9	13	14	11	11	10	16	18	15	15	18
B3. Exports	9	13	15	15	14	14	**19**	**21**	**20**	**22**	**24**
B4. Other flows 3/	9	13	14	11	11	10	16	18	16	16	**18**
B5. One-time 30 percent nominal depreciation	9	17	17	12	12	11	**18**	**21**	18	17	**20**
B6. Combination of B1-B5	9	15	18	13	13	13	**19**	**21**	**19**	**19**	**22**
C. Tailored Tests											
C1. Combined contingent liabilities	9	13	16	12	12	12	17	**19**	17	17	**19**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	9	14	15	11	11	11	16	**18**	16	16	**18**
C4. Market Financing	9	13	14	11	11	11	**23**	**18**	**20**	14	16
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

Table 4. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public Debt, 2018–28

(Percent)

	Projections 1/										
	2018	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
					PV of Debt-to-GDP Ratio						
Baseline	49	47	45	43	41	41	40	39	38	38	38
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	49	47	45	44	43	42	41	40	40	39	39
B. Bound Tests											
B1. Real GDP growth	49	54	**62**	**64**	**66**	**69**	**73**	**76**	**80**	**84**	**89**
B2. Primary balance	49	48	48	46	44	43	42	42	41	41	40
B3. Exports	49	51	**57**	**55**	53	52	51	50	50	49	48
B4. Other flows 3/	49	48	47	46	44	43	42	41	41	40	40
B5. One-time 30 percent nominal depreciation	49	55	50	46	43	40	38	35	33	31	29
B6. Combination of B1-B5	49	47	48	47	46	46	45	45	46	46	47
C. Tailored Tests											
C1. Combined contingent liabilities	49	**58**	**55**	53	51	50	49	48	48	47	47
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	49	50	54	**58**	**62**	**67**	**70**	**74**	**78**	**83**	**87**
C4. Market Financing	49	47	45	43	42	41	40	39	38	38	38
Public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
					PV of Debt-to-Revenue Ratio						
Baseline	239	229	216	206	199	194	190	186	181	178	175
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	239	228	219	210	204	200	196	193	188	185	182
B. Bound Tests											
B1. Real GDP growth	239	262	294	302	315	330	347	364	377	395	411
B2. Primary balance	239	235	231	220	213	208	203	199	193	191	187
B3. Exports	239	249	277	265	256	251	246	241	234	228	221
B4. Other flows 3/	239	235	229	219	211	206	202	198	192	189	185
B5. One-time 30 percent nominal depreciation	239	267	244	224	207	194	181	168	156	146	136
B6. Combination of B1-B5	239	231	230	223	219	218	217	217	215	216	216
C. Tailored Tests											
C1. Combined contingent liabilities	239	281	266	255	247	241	236	232	225	223	219
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	239	255	273	291	308	325	341	355	369	388	404
C4. Market Financing	239	229	217	207	200	196	192	187	182	178	174
					Debt Service-to-Revenue Ratio						
Baseline	28	30	33	29	26	23	29	29	28	29	31
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	28	30	34	30	27	24	30	30	28	29	31
B. Bound Tests											
B1. Real GDP growth	28	33	42	39	38	38	50	53	53	58	64
B2. Primary balance	28	30	34	31	28	26	32	31	29	31	33
B3. Exports	28	30	35	33	30	27	33	33	32	35	37
B4. Other flows 3/	28	30	34	30	27	24	30	30	29	30	32
B5. One-time 30 percent nominal depreciation	28	30	36	30	27	24	30	32	29	29	32
B6. Combination of B1-B5	28	30	35	31	29	26	33	34	32	34	36
C. Tailored Tests											
C1. Combined contingent liabilities	28	30	41	33	30	40	35	34	32	36	36
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	28	31	38	37	36	38	49	51	52	56	62
C4. Market Financing	28	30	34	30	28	25	37	30	33	28	30

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

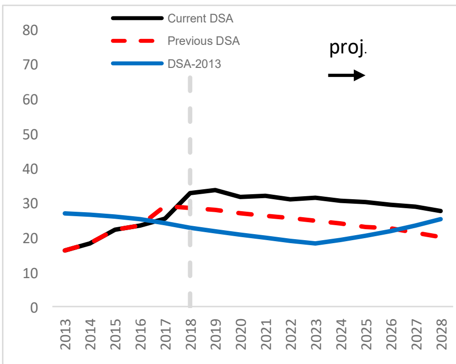
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

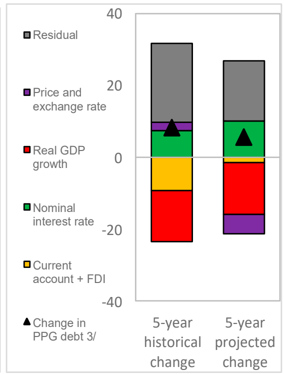
Figure 5. Côte d'Ivoire: Drivers of Debt Dynamics—Baseline Scenario

External Debt

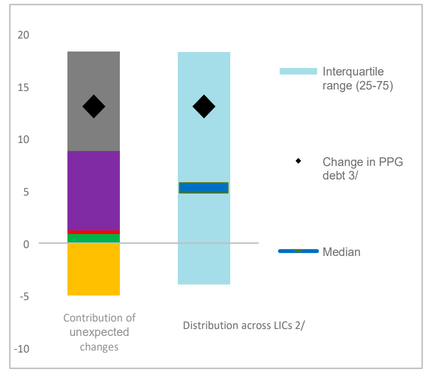
Gross Nominal PPG External Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)

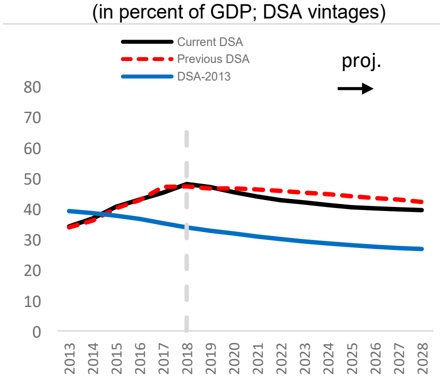


Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)

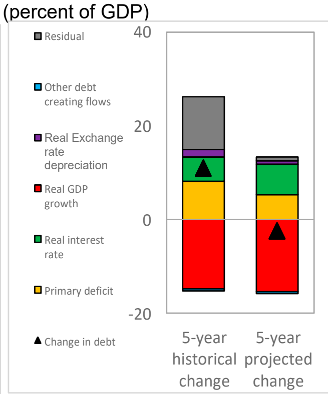


Public Debt

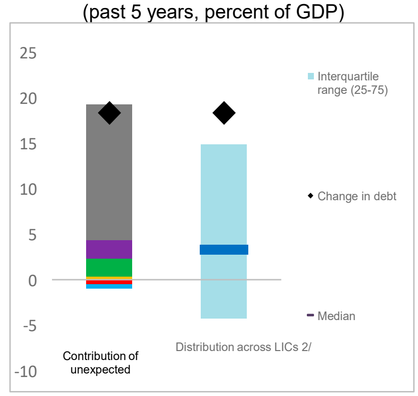
Gross Nominal Public Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)



Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)



1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Figure 6. Côte d'Ivoire: Realism Tools

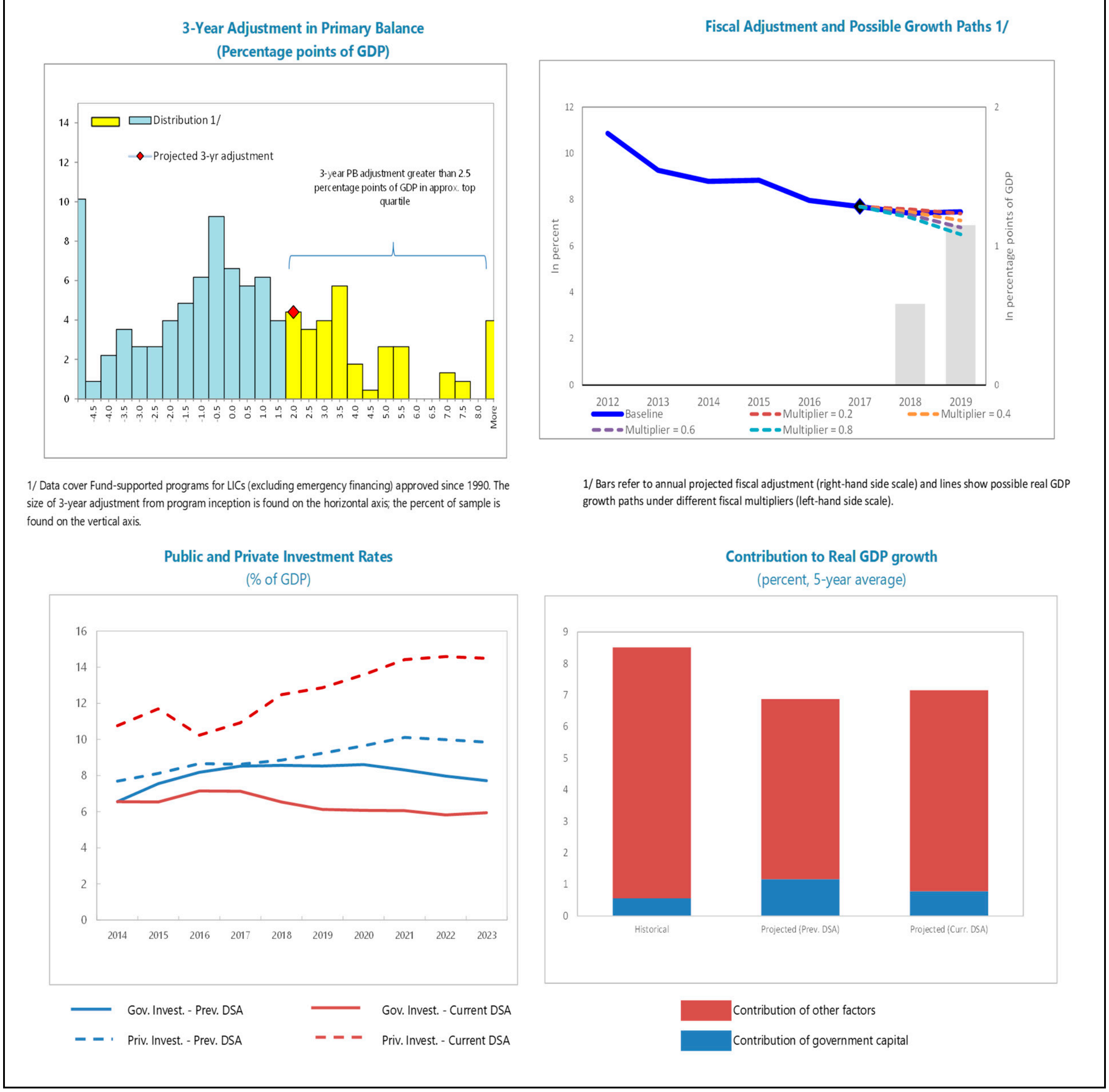
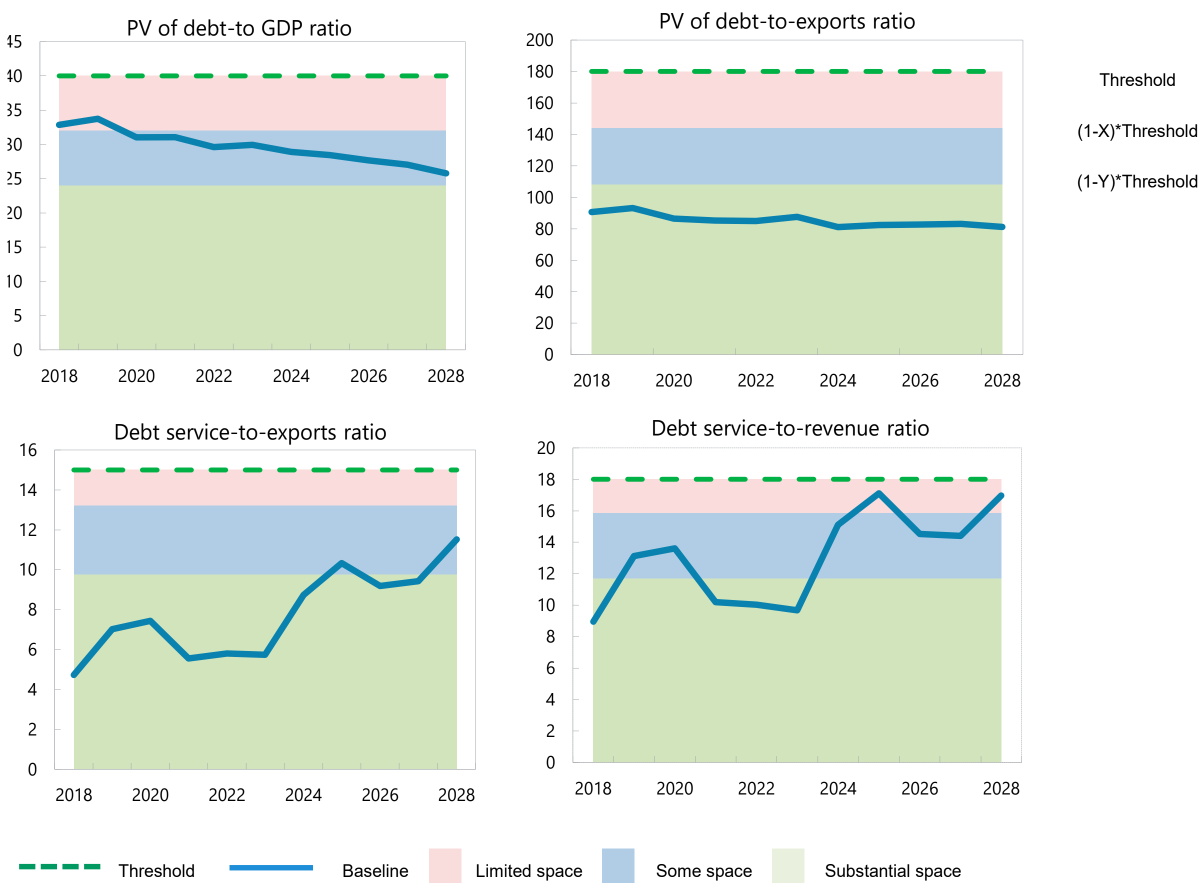


Figure 7. Côte d'Ivoire: Qualification of the Moderate Category, 2018–28[1/]



Sources: Country authorities; and staff estimates and projections.

1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

FOURTH REVIEWS UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY AND UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY, AND REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA—SUPPLEMENTARY INFORMATION

December 6, 2018

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 November 28, 2018**. The additional information does not change the thrust of the staff appraisal.

2. **Recent indicators confirm healthy growth with low inflation**. While cocoa production is falling short of the 2017 bumper crop, third quarter data showed a pick-up in cashew nuts output as well as robust growth in domestic electricity consumption, construction, and business activity. CPI inflation remains modest, at 0.8 percent (y/y) at end-October 2018.

3. **According to preliminary data, one of two structural benchmarks (SBs) and nine out of ten quantitative indicative targets (ITs) for end-September 2018 were met** (Tables 1 and 2). The authorities produced a summary table of public enterprises' debt service. However, the SB on preserving fuel tax revenue and, as a consequence, the IT on government tax revenue were not met, with deviation from target of about 0.2 percent of GDP. As at end-March and end-June, this reflected lower-than-expected fuel sale volumes (estimated to account for about 20 percent of the shortfall), as well as delayed pass-through from world oil prices to domestic retail prices. In that context, staff supported the authorities' request for a downward revision of the relevant indicators for end-December 2018. Amid significant decline in world oil prices in November, the authorities reverted in early December some of the retail gas price increases that were implemented before. Even after the December reduction of 1½ percent, the cumulative retail gas price increase for the year amounts to 6 percent. Along with significantly lower oil prices, this will support fuel tax revenue going forward.

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

	2018		
	September		
	IT	Est.	Status
A. Performance criteria			
Floor on the overall fiscal balance (incl. grants)	-659.1	-605.3	MET
Ceiling on net domestic financing (incl. WAEMU paper)	-593.1	-620.6	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	2,749.7	2,705.9	NOT MET
Ceiling on expenditures by treasury advance	136.9	72.1	MET
Floor on pro-poor expenditure	1,534.9	1,790.6	MET
Floor on net reduction of central government amounts payable (- = reduction)	-79.6	-137.7	MET
Floor on primary basic fiscal balance	-17.5	40.4	MET
Memorandum items:			
Program grants	78.0	79.4	
Program loans	74.5	76.0	
Project grants	118.3	57.5	
Project loans	413.9	425.4	
Budget support from the European Union, World Bank, and African Development Bank	0.0	0.0	
Fuel tax revenues	324.7	273.4	

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-September 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
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

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

Statement by Mr. Mohamed-Lemine Raghani, Executive Director for Côte d'Ivoire and Mr. Marcellin Koffi Alle, Senior Advisor to the Executive Director

December 12, 2018

1. Our Ivorian authorities would like to thank the Board, Management and Staff for the Fund's continued engagement with Côte d'Ivoire. The current program supported by the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) arrangements, has provided an appropriate framework to sustain the country's efforts in enhancing macroeconomic stability and bolstering structural reforms for promoting economic transformation. The recent discussions between staff and the authorities in the context of the fourth reviews under the ECF/EFF arrangements shed light on the country's major achievements in the recent period and on the policies to address the challenges still facing the economy. Our authorities broadly share the thrust of the staff report as a fair reflection of the discussions held in Abidjan.

2. Côte d'Ivoire has continued to post solid economic indicators over the past period. As temporary shocks experienced in early 2018 abate, growth continues to display strong momentum and the authorities are determined to maintain it above 7% in the medium term. They have also maintained prudent fiscal management with the aim of achieving the WAEMU fiscal deficit target in 2019. These efforts have contributed to a good performance in the program implementation. Looking ahead, they are committed to pursuing sound policymaking to further strengthening macroeconomic stability and making strides towards a broad-based and private sector-led growth. Efforts will emphasize increasing domestic resource mobilization for enhancing fiscal consolidation, fine-tuning the financing mix to maintain debt sustainability and stepping up structural reforms including in the business climate.

3. Economic achievements are taking place in an increasingly competitive political environment. A presidential pardon in August 2018 to prisoners linked to the 2010–11 post-election conflict contributed to ease the political climate and to the overall efforts of national reconciliation and political normalization. The authorities are committed to continuing to improve the democratic process and security with the view to organizing peaceful and transparent presidential elections in 2020.

Recent Developments, Program Performance and Outlook

4. Program performance over the review period continued to be strong despite temporary shocks in the agriculture and extractive industries in early 2018. All end-June 2018 and continuous performance criteria (PCs) and indicative targets (ITs) were met. A combination of overperforming revenue and compressed expenditure helped achieve these results while contributing to a better-than-programmed budget deficit of 1.2 percent of annual GDP at end-June. Pro-poor spending was preserved as programmed and overshooting domestic arrears clearance brought cushion to private sector balance sheets. Important progress was also made on the structural front. Three out of six SBs were met and another one related to the payment of the government's contribution for the recapitalization of the public savings bank CNCE was implemented with delay. The authorities are committed to

implementing the remaining reforms on the new deadlines agreed with staff. In particular, they will finalize by end-March 2019, an action plan to rationalize tax exemptions, consistent with the new Investment Code.

5. Key macroeconomic indicators are in line with program objectives. Real GDP growth is projected by staff to stand at 7.4 percent at end-2018, driven by the manufacturing and service sectors. The authorities project higher growth around 7.7 percent. Demand should benefit from the overshot government bill clearance and the recent 7 percent increase in the minimum cocoa farmgate price. The increase in credit to the economy—13.5 percent (y/y) at end-June 2018—should also contribute to boost activity. Inflation remained low, at 0.5 percent at end-September owing to declining food prices. While the current account deficit is projected to deteriorate somewhat in 2018, due in part to higher oil imports prices, it will gradually improve over the medium term as domestic oil production improves and equipment imports decline.

6. The authorities take note of staff analysis regarding the outlook and the balance of risks, including the tightening of global financial conditions and setbacks in trade partner countries. They remain committed to taking preemptive measures aimed at dampening potential adverse effects on the economy, as well as formulating appropriate policy responses, should the risks materialize. Furthermore, for all their efforts underway and strategies planned in the National Development Plan (NDP 2016–20), the authorities are more upbeat about private investment and growth prospects. Initiatives that should alleviate risks and potentially yield higher GDP growth outcomes include: diversification of trading partners; economic diversification gaining ground with enhanced agro-processing and the development of non-traditional economic sectors (tourism and e-economy); further improvement of the business climate and the associated private investment dividend.

Policies for 2018–19 and Beyond

Mobilizing more revenue and achieving fiscal targets

7. Further mobilizing revenue to finance public investments and meet social spending ranks high on the authorities' agenda in 2018–19 and over the medium term. Not only raising additional revenue is an important pillar of the government's own fiscal consolidation strategy, but it is part of the effort to converge to the WAEMU fiscal deficit target of 3 percent of GDP in 2019. Furthermore, the authorities are cognizant that an unwavering effort to significantly raise the tax-to-GDP ratio is warranted to ensure long-term debt sustainability. That is why they have taken the appropriate adjustment measures to meet the budget deficit of 4.0 percent of GDP targeted under the program. For 2019, they have agreed with staff on decisive tax policy and administrative measures to increase the tax-to-GDP ratio by 0.5 percentage point. Policy measures include re-introducing the cocoa registration tax, introducing an excise tax on luxury vehicles and marble and raising the one on tobacco products by 1 percent, streamlining VAT exemptions, and re-adjusting the export tax on cashew nuts. Administrative measures include strengthening collection of the real estate tax, installing new scanners at the airport to further strengthen border controls and implementing the action plan for improving customs transit management.

8. The expenditure side of the fiscal consolidation plan consists of reducing the wage bill by 0.2 percentage point of GDP, lowering current expenditure growth through efficiency gains, and reducing capital spending through a better prioritizing of foreign-financed projects. An array of additional actions envisaged to further improve PFM, increase efficiency within the tax and custom administrations, and reduce informality, should help boost revenue, keep expenditures in check, and hence enhance fiscal sustainability. The strengthened oversight of public enterprises, some of which are under restructuring or managed through performance contracts, the enhanced institutional framework and capacities for managing PPPs, altogether should also contribute to manage fiscal risks and preserve public resources.

Fine-tuning the financing mix to maintain debt sustainability

9. While they take good note of staff assessment that Cote d'Ivoire's risk of external debt distress remains moderate, the authorities share their recommendations aimed at maintaining debt sustainability. In particular, the trending of the external debt service-to-revenue ratio close to its applicable threshold under the baseline scenario, highlights the imperative of further increasing revenue mobilization. Besides implementing adequate fiscal and administrative measures to help realize the revenue potential, the authorities are committed to maintaining the appropriate balance between domestic and external financing in their borrowing strategy. They are revising their Medium-Term Debt Management Strategy (MTDMS) accordingly. The new approach over 2019–23 will favor a 50-50 split between financing from the regional market and resources in foreign currency. The authorities will maintain enough flexibility for decision, taking into account domestic and international market developments and ensuring that foreign exchange and other risks are minimized, and that the development of the regional debt market is proceeding well.

Strengthening the financial sector

10. The banking sector has significantly strengthened as most institutions comply with the central bank (BCEAO)'s new minimum bank capital requirement. Their situation should further improve as they transition to the new prudential rules aligned with the Basel II/III principles. Recent credit expansion is a vivid sign of the dynamism of banks. The authorities are committed to further deepening the sector, strengthening its stability and promoting financial inclusion. To this end, the government will actively support the development of the Credit Information Bureau and the Banking Commission, enforce Basel II/III rules. The restructuring and recapitalization of public banks are also proceeding well. The government's strategy to promote financial inclusion is gaining traction with the development of financial education campaigns. The authorities are also supporting diversification towards innovative financial services and products such as FinTech and mobile banking. The government also continues to supervise and monitor the restructuring of microfinance institutions with the view to give impetus to these important financing instruments for micro-enterprises.

Improving the business climate for economic transformation

11. The authorities' ambition to transform Côte d'Ivoire into a middle-income economy entails solid and sustained private sector-led growth. To this end, they have initiated various reforms over the years and achieved significant results in improving the business climate for

attracting private investment. Progress on this front has steadily met international recognition as evidenced again by Côte d'Ivoire's ranking among the top 10 best reformers in the world in the World Bank's 2019 Doing Business report. Going forward, the authorities are committed to keeping this momentum with continued reforms relevant to the business environment. In this regard, they will step up the delivery of e-government services to businesses, including licenses and permits, tax declarations and payments, property transfers, and access to published commercial law decisions and judicial acts. The authorities will also continue to further improve governance, including through the declaration and monitoring of assets of high public officials and the reinforcement of the AML/CFT framework. In addition, the new investment code, the planned streamlining of tax exemptions and efforts to promote new economic sectors should contribute to unleash the private sector's potential for new investors seeking opportunities, including through initiatives such as the G20 Compact with Africa.

Enhancing social policy

12. The authorities are committed to stepping up their social policy efforts with the view to better share the growth dividends among the population. Actions started in the past years will be sustained and strengthened, including in the sectors of youth employment, education, health, electricity and water and sanitation. The "Education for All" program aims at improving the literacy rate and education from pre-primary enrolment through university, consistent with the national employment policy. Health will improve with the rolling out of the Universal Health Insurance. The government is also extending the delivery of electricity and clean water to all villages with more than 500 inhabitants. Furthermore, cash transfers which have benefitted 35,000 poor households thus far with the support from the World Bank, will be expanded. These initiatives and others will make the bulk of the investment in social sectors, which remains a top priority for the government.

Conclusion

13. After facing temporary adverse shocks in early 2018, Côte d'Ivoire's economy bounced back as a result of the authorities' decisive policy measures. The Fund's support under the ECF and EFF arrangements was instrumental in preserving macroeconomic stability and the solid growth momentum of the past years. Performance has been strong over the review period and the authorities are on track to meet the WAEMU fiscal targets in 2019, thus contributing to regional stability. Achievements in this regard will hinge on efforts to further mobilize revenue while locking in additional gains in expenditure efficiency. Such steps paired with a prudent and well-crafted financing strategy are also warranted to ensure long-term debt sustainability.

14. In view of the strong economic performance and the authorities' commitment to the objectives of the program, we would appreciate Executive Directors' support for the completion of the fourth reviews under the ECF and the EFF arrangements and for the authorities' request for modification of performance criteria.