IMF Country Report No. 21/170

CÔTE D'IVOIRE

August 2021

2021 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; INFORMATIONAL ANNEX; DEBT SUSTAINABILITY ANALYSIS; SELECTED ISSUES; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CÔTE D'IVOIRE

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2021 Article IV consultation with Côte d'Ivoire, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its July 21, 2021 consideration of the staff report that concluded the Article IV consultation with Côte d'Ivoire.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 21, 2021, following discussions that ended on June 10, 2021, with the officials of Côte d'Ivoire on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 6, 2021
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association.
- A **Statement by the Executive Director** for Côte d'Ivoire.

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

Selected Issues

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

PR21/223

IMF Executive Board Concludes 2021 Article IV Consultation with Côte d'Ivoire

FOR IMMEDIATE RELEASE

Washington, DC – **July 22, 2021:** On July 21, 2021, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV 2021 consultation with Côte d'Ivoire.[1]

Côte d'Ivoire has demonstrated strong resilience to the pandemic. While economic growth is expected to have dropped by some 4½ percent compared to the pre-COVID-19 forecast, it is still estimated at 2 percent in 2020, ranking among sub-Saharan Africa's (SSA) best performing frontier market economies. Economic performance and resilience were underpinned by strong pre-crisis fundamentals, a rapid policy response, a relatively lower dependency on sectors that have been typically hit the hardest elsewhere, as well as the support of the international community including the IMF.

The economy is set to return to a strong growth trend, contingent on a receding of the pandemic. The rebound in activity that started in the second half of 2020 remains strong, and growth in 2021 is projected at 6 percent, driven by a recovery in exports and investment, as pandemic headwinds abate and despite short-term electricity shortages. Inflation is temporarily on the rise, also driven by pandemic-induced supply disruptions and the energy shortages. The authorities are continuing their economic and social support policies and stepping up efforts to secure and administer vaccines. Continuing capital deepening anchored on an ambitious draft National Development Plan, robust domestic consumption, and the continuation of the ongoing reform agenda are expected to keep growth around 6-6½ percent over 2021-26, despite a gradual fiscal consolidation.

The fiscal deficit reached 5.6 percent of GDP in 2020, as the authorities appropriately increased spending to support firms and households affected by the pandemic. Public debt including debt guarantees rose to 49.8 percent of GDP. The current account deficit is expected to have widened to 3.5 percent of GDP in 2020, mainly reflecting reduced global demand.

Risks remain tilted to the downside. The pandemic could prove harder to contain due to new variants or a protracted vaccine rollout, thus muting the global recovery. A sharp rise in global risk premia could complicate access to international markets. Domestically, possible prolongation of energy shortages and delays in reforms could reduce confidence, dampen private investment, while debt metrics could weaken if revenue mobilization continues to underperform. The security situation at the Northern border could deteriorate. On the upside, implementation of a strong reform agenda to be defined under the umbrella of the incoming National Development Plan would further boost growth and investment.

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

Executive Board Assessment [2]

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the strong resilience of the Ivoirian economy, owing to the authorities' prompt response to the COVID-19 pandemic, a decade of sound macroeconomic policies, as well as the support of the international community including the IMF. Growth is expected to pick up in 2021 and the medium-term outlook is favorable, subject to uncertainty and external risks. Directors underscored the importance of continued supportive policies until the recovery is well entrenched, while preserving debt sustainability and fostering economic transformation.

Directors acknowledged the need to relax the fiscal stance in 2021 to accommodate additional investment and security spending. They recommended that the authorities return to the WAEMU fiscal deficit target as soon as feasible. Directors highlighted the urgency of significantly boosting domestic resource mobilization to create fiscal space for productive and social spending, by rationalizing tax expenditures, broadening the tax base, and strengthening tax administration. They also encouraged continued efforts to strengthen public financial management, promote digitalization, and improve fiscal transparency. Further efforts are also needed to enhance social safety nets through proactive social policies.

Directors noted the resilience of the financial sector, aided by the actions of the regional central bank. They emphasized the need to maintain financial stability, especially when supportive measures are withdrawn. This calls for continued strong financial sector supervision and a swift restructuring of public banks.

Directors welcomed the preparation of a new ambitious New National Development Plan, aimed at promoting inclusive growth, structural transformation, and private sector development. They underscored the importance of promoting good governance and improving the business environment, including by swiftly adopting the national strategy to fight corruption. Other priorities include measures to promote financial inclusion, increase the effectiveness of labor markets to support the formalization of the economy, and enhance resilience to climate change.

Directors agreed that Côte d'Ivoire's capacity to repay the Fund remains adequate. Noting the moderate risk of debt distress with limited space to absorb shocks, they stressed the need to rebuild fiscal buffers, pursue a prudent debt strategy, and advance reforms to deepen regional financial markets.

It is expected that the next Article IV consultation with Côte d'Ivoire will be held on the standard 12-month cycle.

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

Côte d'Ivoire: Selected Economic Indicators (2018-22)

Population (2020): 26.9 million
Per capita GDP (2020): 2278 USD
Share of population below the poverty line (2018): 39.5%

Gini Index (2015): 41.5
Life Expectancy (years): 58
Literacy rate: 47.2%

	2018	2019	2020	2021	2022
				Proj.	
Output					
Real GDP Growth (%)	6.9	6.2	2.0	6.0	6.5
Prices					
Inflation (in %)	0.4	0.8	2.4	2.5	2.2
Central government finances					
Revenue and grants (% GDP)	14.8	15.0	15.0	14.7	15.3
Expenditure (% GDP)	17.7	17.3	20.6	20.3	19.9
Fiscal balance (% GDP)	-2.9	-2.3	-5.6	-5.6	-4.7
Public debt [1/] (% GDP)	36.0	38.8	47.7	49.4	50.5
Money and Credit					
Broad money (% change)	13.5	11.0	21.4	7.9	8.2
Balance of payments					
Current account (% GDP)	-3.9	-2.3	-3.5	-4.3	-4.2
FDI (% GDP)	0.8	1.3	1.0	1.1	1.2
WAEMU reserves (in months of imports)	4.3	4.6	…	…	…
External debt [1/] (% GDP)	23.2	25.5	30.0	31.2	30.9
Exchange rate					
Real effective exchange rate (% change)	2.2	-4.0	5.2	…	…

Sources: Ivoirian authorities, IMF staff estimates and World Bank

[1/] Does not include debt guarantees.

CÔTE D'IVOIRE

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION

July 6, 2021

KEY ISSUES

Côte d'Ivoire has shown strong resilience to the pandemic, owing to the authorities' swift policy reaction and to a decade of sound macroeconomic policies, as well as the support of the international community including the IMF.

The economic recovery is underway. Despite the impact of the pandemic, growth is preliminarily estimated at about 2 percent in 2020—which compares well internationally,—supported mainly by the primary and tertiary sectors, and is expected at 6 percent in 2021. Vaccination has started and about 650,000 people received at least one dose by mid-June. Inflation is temporarily on the rise, driven by pandemic-induced supply disruptions and recent energy shortages. The overall fiscal deficit in 2020, at -5.6 percent of GDP, was smaller than projected last fall, due to better-than-expected revenue performance. The financial sector remains resilient. Socio-political tensions have abated since last fall.

The macroeconomic outlook is favorable, but risks remain. High public and private investment will support growth in the medium term. External risks include the emergence of new coronavirus variants and protracted vaccination that would make the pandemic harder to contain, and a rise in risk premia. Continued monitoring of financial sector performance and strengthening the financial health of state-owned banks and enterprises remains essential. Implementation of a strong reform agenda would constitute an upside risk to growth.

The authorities are planning an ambitious and comprehensive National Development Plan for 2021-25 (NDP). The NDP leverages on a strong role for the private sector to foster structural transformation and ensure inclusiveness. Its successful implementation will need to rely on designing broad reforms to enhance revenues, productivity, and governance in order to support a strong and inclusive growth path, while preserving macroeconomic and debt sustainability, and enhancing resilience.

On the fiscal front, the most urgent challenge is to boost domestic revenue mobilization. IMF staff noted the importance of making efforts to contain the increase in the fiscal deficit in 2021 compared to the approved budget and ensure a path of gradual fiscal consolidation back to the WAEMU objective of a 3 percent of GDP fiscal deficit by 2023.

IMF staff and the authorities agreed on the importance of continuing to improve the business environment and deepen the structural reform agenda, notably by enhancing the efficiency of public spending, strengthening governance, reducing labor market skills mismatches, enhancing access to credit, safeguarding property rights, and promoting climate resilience. In this respect, the authorities' efforts and plans towards digitalization, broadening of professional training programs, improving the provision of public sector services, and enhancing transport infrastructure are highly welcome.

Approved By
Catherine Pattillo (AFR) and Chad Steinberg (SPR)

Discussions were held virtually from May 25 to June 10, 2021. The mission comprised Mr. Luca Ricci, (head), Mr. Frederic Lambert, Mr. Rasmané Ouedraogo, (all AFR), Mr. Jean-Marc Fournier (FAD), Ms. Anna Fruttero and Mr. Jiangyan Yu, (both SPR), Mr. Kadima Kalonji (IMF resident representative). Ms. Bteish and Mr. Magno assisted the team.

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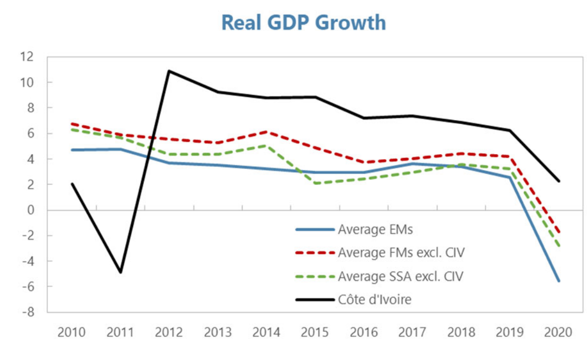
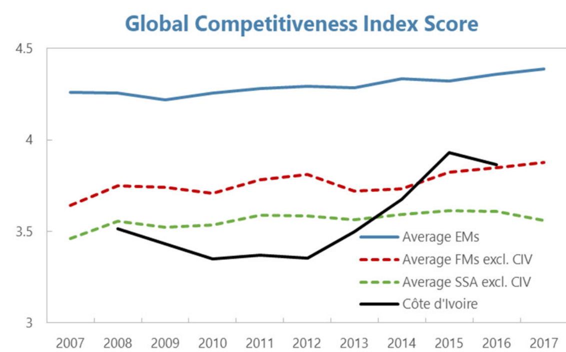
ANNEXES

CONTEXT AND RECENT DEVELOPMENTS

1. A decade of robust macroeconomic performance offered Côte d'Ivoire strong resilience before the pandemic. Since 2011, the country has exhibited high growth, progress in reducing poverty and inequality, stable inflation, moderate indebtedness, and increasing access to international capital markets. Growth averaged about 7 percent over the first three years of the 2017-20 ECF/EFF-supported program. Social policies helped to lower the poverty rate from 44.4 percent in 2015 to 39.4 percent in 2018, and access to basic services, including water and electricity, increased. Prudent fiscal policy contributed to a reduction in the fiscal deficit from 3.3 percent of GDP in 2017 to 2.3 in 2019, and supported Côte d'Ivoire's moderate risk of debt distress and market access. However, progress in domestic revenue mobilization (DRM) remained limited, with the tax-to-GDP broadly unchanged at around 12 percent over the period, depriving the country of a sustainable and adequate source of funding for its development needs. In addition, productivity gains have been progressively declining since the initial post-conflict rebound.



Sources: WEO and IMF Staff Calculations.



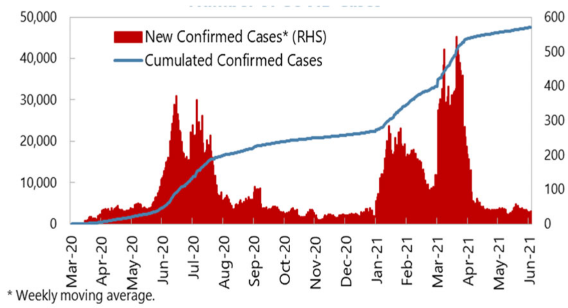
Source: World Economic Forum.

2. The authorities swiftly responded to the COVID-19 shock, with the support of the international community including the IMF. The rapid containment measures and the emergency health and economic package (1.4 percent of GDP) were instrumental in minimizing the number of cases, allowing for a reopening in mid-2020 (faster than the SSA average) and containing the human and economic impact (Figure 1). The authorities appropriately increased the fiscal deficit, which reached 5.6 percent in 2020 (smaller than projected at the time of the December review of the ECF/EFF arrangement mainly owing to better-than-expected fuel revenue collection close to ½ percent of GDP, given lower international oil prices), to support the economy (Box 1). The IMF supported the authorities efforts with emergency financing assistance under the Rapid Financing Instrument and Rapid Credit Facility in the amount US$886.2 million in April 2020, and a last disbursement under the ECF/EFF in December.

Figure 1. Côte d'Ivoire: The COVID-19 Pandemic

The pandemic hit Côte d'Ivoire,...

Number of COVID Cases

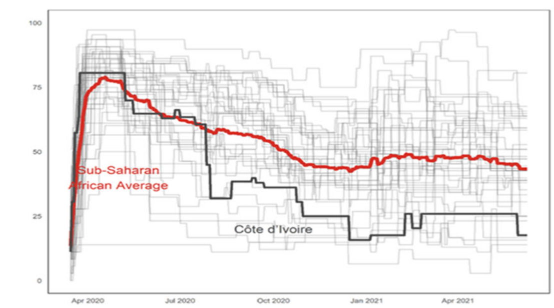


* Weekly moving average.

Source: Johns Hopkins University.

... but the swift response allowed for a rapid reopening...

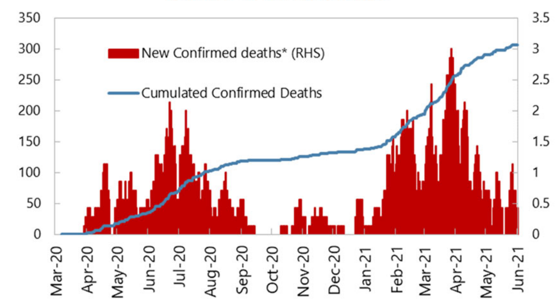
Stringency of Containment Measures (Index, score out of 100)



Source: Oxford COVID-19 Government Response Tracker.
Note: Grey lines are SSA countries.

...and helped limit the number of Covid-19 related deaths.

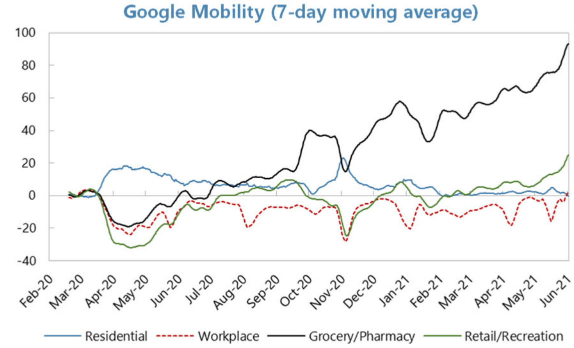
Number of COVID Deaths



Source: Johns Hopkins University.

After declining between March and May 2020, mobility gradually increased as the restrictions were removed.

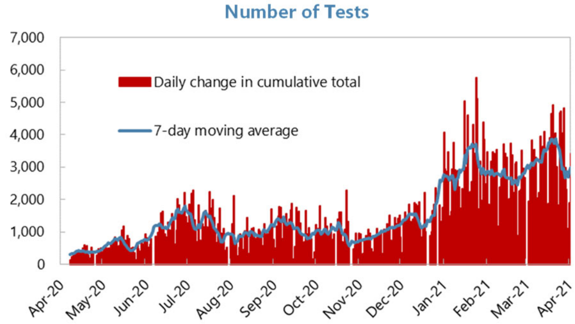
Google Mobility (7-day moving average)



Source: Google, IMF Staff calculations.

Testing capacity increased over time...

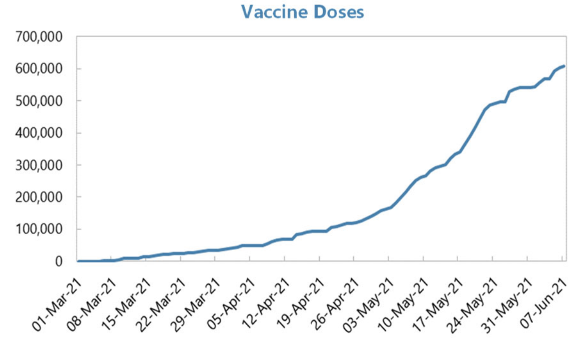
Number of Tests



Source: Our World in Data, IMF Staff Calculations.

...and the vaccination process started in March 2021.

Vaccine Doses

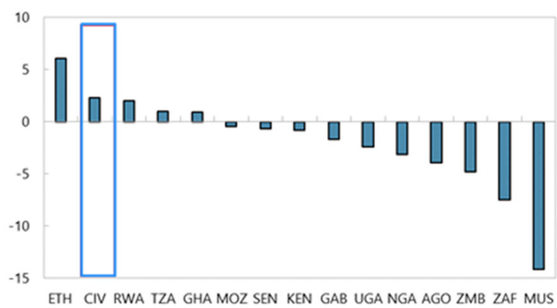


Source: Our Word n Data, IMF Staff Calculations.

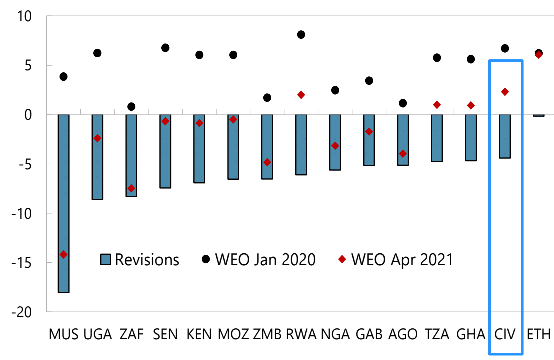
3. **Consequently, the economy proved resilient in 2020**. While economic growth is expected to have dropped by some 4½ percent compared to the pre-COVID forecast, it is still expected at 2 percent in 2020, ranking among sub-Saharan Africa's (SSA) best performing frontier market economies. Economic performance was underpinned by strong pre-crisis fundamentals, a rapid policy response, and a relatively lower dependency on sectors (oil and

tourism) and channels (remittances) that have been typically hit the hardest elsewhere. The economy appears to have started rebounding in the second half of 2020. The current account deficit is expected to have widened to 3.5 percent of GDP in 2020, from 2.3 percent in 2019, mainly reflecting reduced global demand. Taking advantage of favorable market conditions, Côte d'Ivoire was the first SSA country to return to the international capital markets in November 2020, including for a liability management operation that reduced the exchange rate risk and lengthened the external commercial debt maturity.

SSA Emerging and Frontier Markets: GDP Growth in 2020
(Percent)



SSA Emerging and Frontier Markets: 2020 Growth Revisions
(Percent)



Source: WEO and IMF Staff Calculations.

4. The authorities are stepping up efforts to secure vaccines within and beyond the COVAX initiative, and started inoculation in March. As of mid-June 2021, the authorities received about 830,000 doses, of which about 84 percent have been utilized. About 11 million doses, covering about 20 percent of the population, are expected to be provided by COVAX. In addition, the authorities expect to purchase an additional 7.4 million doses outside COVAX by end 2021.

5. The financial sector is broadly sound. Strong supportive measures by the regional central bank (BCEAO), including liquidity provision to banks, a 50bps reduction in the policy rate, widening the collateral framework for bank refinancing, extending by one year the timeframe for the transition to Basel II/III, and a bank loan repayment moratorium (which expired in December), helped to mitigate the effect of the pandemic on banks. Credit to the private sector remained strong, increasing by 8.7 percent y-o-y at end-March 2021, while banks' non-performing loans remained broadly flat at around 8½ percent between March 2020 and March 2021, also thanks to the loan repayment moratorium. The average capital adequacy ratio was 11.5 percent at end-June 2020 (last observation available). Significant progress was made on the restructuring of public banks over the past few years, and only two now should need capital injection. Public banks' governance and internal control systems are strengthened, and recovery plans of problem loans are being put in place.

Box 1. Emergency Fiscal Package to Address the COVID-19 Pandemic

The authorities moved quickly to initiate an emergency response to the Covid-19 crisis. The health spending plan worth 0.3 percent of GDP was designed with the World Health Organization before the pandemic hit the country, in order to enable monitoring and containment measures as soon as needed. The Prime Minister disclosed the emergency economic plan on March 31, less than three weeks after the first detection of a Covid-19 case in the country. This plan supports SOEs—especially in the transport sector—and private firms experiencing temporary cash-flow difficulties, buttresses critical sectors (health, agriculture), and provides social safety nets to the most vulnerable households. Overall, the plan envisaged 0.9 percent of GDP of emergency spending and 0.3 percent of GDP of temporary tax deferrals for affected businesses, and tax incentives such as import duty exemptions to support the health, transportation and tourism sectors, along with a 3-month tax audit moratorium.

Deferrals of tax, social security contributions, and electricity bills, acceleration of VAT refunds, and tax control moratorium were swift. These measures were operational in April. The largest share of revenue measures consisted of tax and social security contribution deferrals, of which a large share has been subsequently collected by the end of the year, so that their net fiscal cost over 2020 was only about 0.1 percent of GDP.

Implementation of spending measures of the economic response plan took more time. To swiftly address the crisis, the authorities enacted emergency procedures and temporary regulations creating four extra-budgetary funds which started operations in April 2020. These funds provide loans to large enterprises, as well as grants to small firms, the informal sector, and vulnerable populations. An assessment of each request eligibility is needed, which ensured enforcement of criteria but affected the pace of disbursements. Further, the definitive regulations were enacted after the summer. The support for agriculture involves another fund managed by a multi-layered administration. Overall, about 60 percent of available credits have been disbursed during the year, with a lower execution rate for the agriculture sector. The supplementary budget law regularizing appropriation of spending was adopted in November. In 2021, 3 percent of Covid-19 spending allocation for the emergency funds was disbursed by end-April, suggesting that very few candidates meet the emergency criteria, as robust growth has resumed.

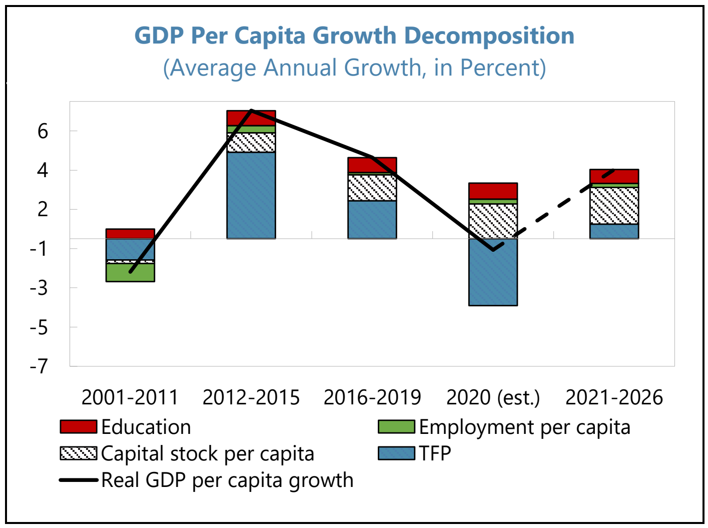
The authorities implemented transparency safeguards, but management practices could be further improved. Emergency funds are subject to ex-post controls by the internal auditor and annual audits by independent firms, but these audits are not public. Eligibility criteria are available online, lists of beneficiaries are published regularly, and monthly activity reports are released within a month on the funds' websites (www.fsge.gouv.ci; www.fspme.agencipme.ci; www.fss-covid19.com; www.fasi.ci). The end-April 2021 report for agriculture support is public (http://www.gouv.ci/_grandossier.php?recordID=238) and describes schemes and amounts spent by branches, but without providing lists of beneficiaries. Public procurement contracts are not public. Once the crisis abates, the authorities plan to transfer the assets of the extra-budgetary funds to an entity with similar objectives or to the *Caisse des Dépôts et de Consignation*.

6. **Energy shortages have been affecting the recovery but should dissipate before end-August**. Supply declined as a breakdown in one of the thermal power plants last year led to a larger reliance on hydropower, which, combined with a longer-than-usual dry season, depleted water reservoirs in dams. At the same time, demand for electricity increased due to higher than usual temperatures. The pandemic also delayed the completion of the expansion work at one of the major thermal plants, further aggravating supply shortages and leading to electricity rationing from April. Supply shortages are expected to be resolved by end-August with the completion of the expansion works and the expected replenishment of the water reservoirs.

7. Inflation is temporarily on the rise. The closures of borders and supply chain disruptions resulting from the pandemic have led to an increase in food prices (Figure 2). Electricity rationing contributed to the rise in cement prices and other industrial products. Inflation reached 3.9 percent y-o-y at end-April.

8. The socio-political climate has significantly improved in recent months, but the security situation in the North remains challenging. Tensions have abated since the October 2020 presidential election which had been marred by the opposition boycott, uneven participation and violent demonstrations. The March 2021 legislative election took place in a calmer environment and with the participation of most of the opposition parties; the political dialogue between the government and opposition parties continues, contributing to durably improving the social-political environment. However, attacks on security forces by armed groups at the northern borders have been on the rise over the past few months.

OUTLOOK AND RISKS

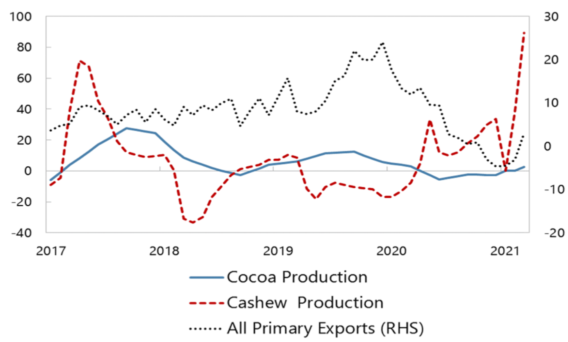


9. Contingent on a receding of the pandemic, the economy is set to return to a stronger growth trend. The rebound in activity that started in the second half of 2020 remains strong, with exports of goods rebounding by around 11 percent in Q12021 (yoy) and the industrial production index rising by 10.5 percent in March 2021 (yoy). Growth in 2021 is projected at 6 percent, driven by a recovery in exports and private investment as pandemic headwinds and electoral uncertainties abate, and despite short-term electricity shortages. In that context, continuing capital deepening anchored on an ambitious draft National Development Plan, robust domestic consumption, and the continuation of the ongoing reform agenda are expected to keep growth around 6-6½ percent over 2021-26, despite a gradual fiscal consolidation. Inflation is expected to slow down to the BCEAO target of 2 percent, and the fiscal deficit to converge to the WAEMU ceiling of 3 percent of GDP over the medium term (see below). Supported by the global recovery and incremental increases in export value added, the current account deficit would stabilize around 3½ percent of GDP in the medium term, in part financed by net FDI inflows, multilateral and bilateral loans, and non-resident purchases of Ivorian debt securities. The external position is assessed to be broadly aligned with fundamentals and desirable policies (Annex III).

Figure 2. Côte d'Ivoire: Recent Economic Developments, 2017–21

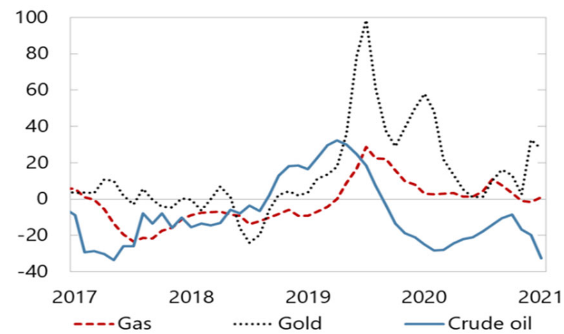
Overall production and exports of primary commodities decelerated in 2020, although cashew production is now recovering.

Agricultural Production
(YOY percent change, 12-month moving average)



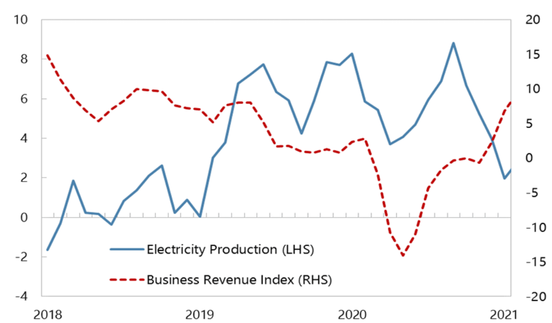
After several months of slowdown due to low prices, oil production continues to drop.

Gas, Oil, and Gold Output
(YOY percent change; 3-month moving average)



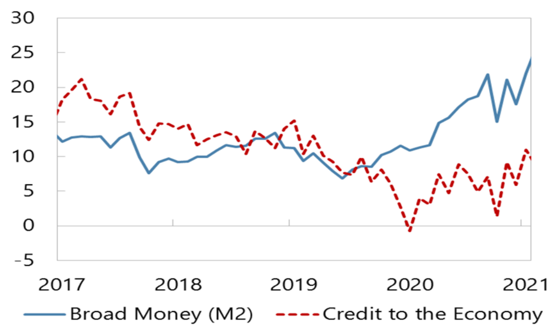
Private business activities are recovering after the easing of containment measures.

Electricity production and business revenue index
(YOY percent change; 3-month moving average)



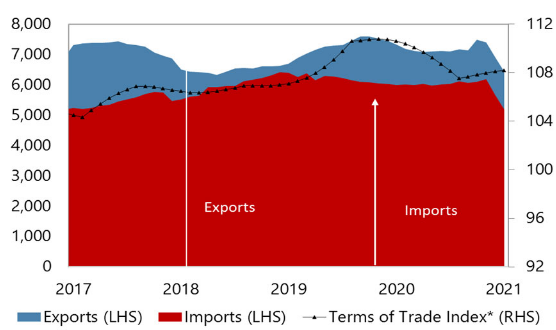
Credit to the economy and broad money growth have been on an upward trend.

Credit to the economy and broad money
(YOY percent change)



Trade recently declined.

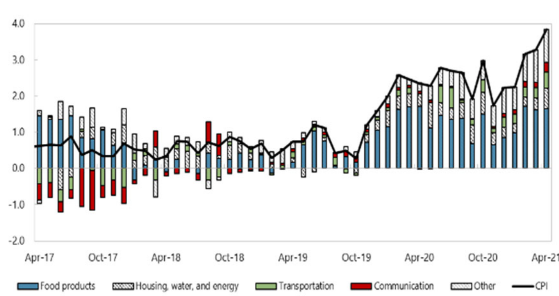
Trade
(CFAF millions, 12-month moving sum)



*12-month MA; higher terms of trade reflect higher relative prices of exports to imports.

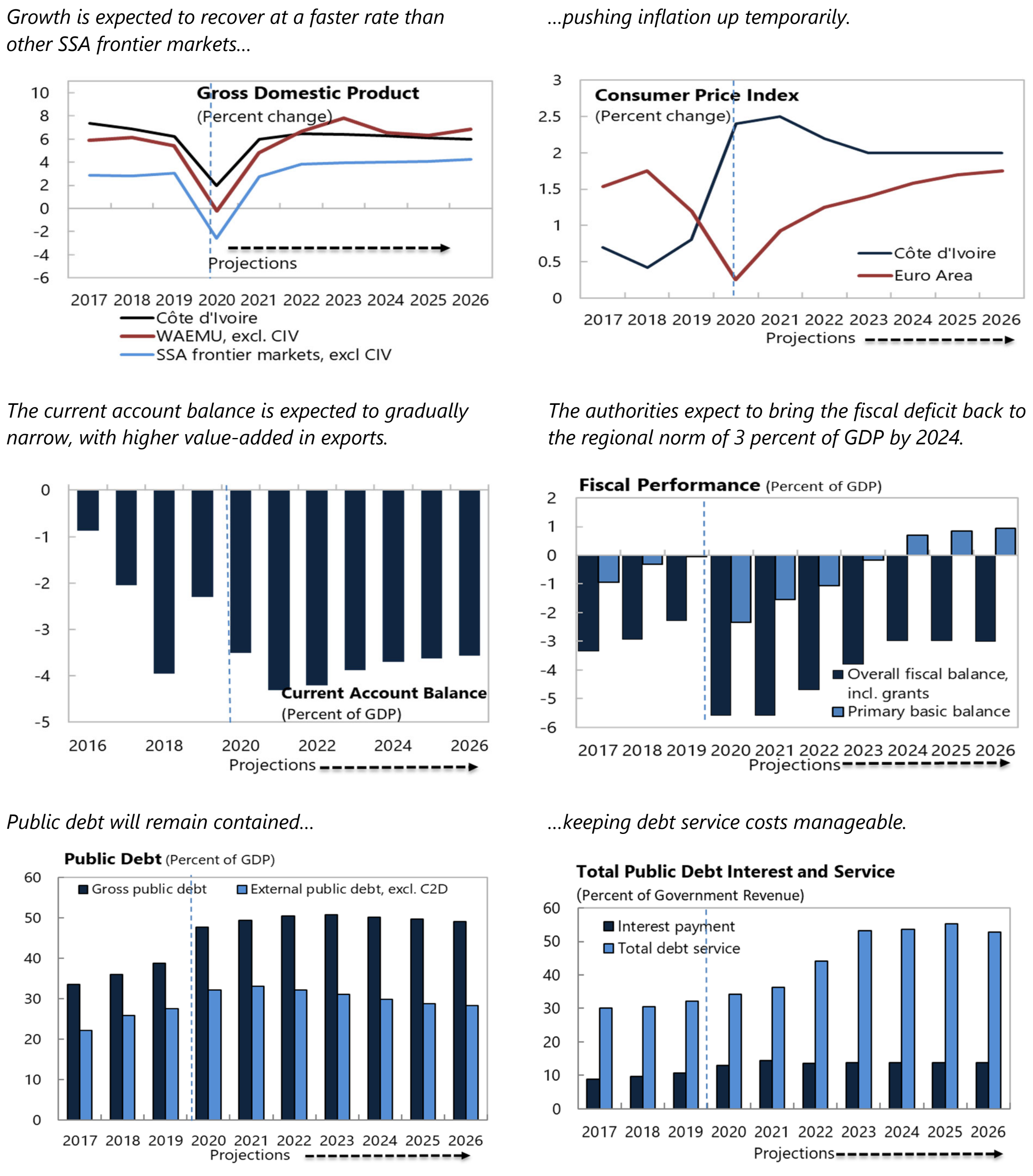
Inflation has been rising.

Contribution to inflation
(YOY percent change)



Sources: Ivorian authorities; and IMF staff calculations.

Figure 3. Côte d'Ivoire: Medium-Term Outlook, 2017–26
(Percent of GDP, unless otherwise indicated)



Sources: Ivorian authorities, and IMF staff calculations.

10. Risks remain tilted to the downside (Annex I). The pandemic could prove harder to contain due to new variants or a protracted vaccine rollout, thus muting the global recovery. Accelerating de-globalization could depress Ivorian exports, whereas a sharp rise in global risk premia could complicate access to international markets. Domestically, possible prolongation of energy shortages and delays in reforms could reduce confidence, dampen private investment, and deteriorate debt metrics if revenue mobilization continues to underperform. Scarring from the pandemic could undermine banks' lending capacity or trigger social tensions as poverty reduction stalls. The withdrawal of BCEAO support measures might reveal new pockets of financial sector vulnerabilities. The security situation in the North could deteriorate.[1] On the upside, implementation of a strong reform agenda to be defined under the umbrella of the incoming National Development Plan (NDP) could catalyze stronger confidence and investment and further lift productivity and growth.

11. The authorities underlined upside risks to the outlook. They forecast growth at 6.5 percent in 2021, and at 7.7 percent on average from 2021 to 2025. Their projections are based on the government strong response to the pandemic, the resilience of the economy, and the implementation of the new NDP which envisages an 8 percentage point increase in the private investment to GDP ratio. They underlined that they plan to continue implementing strong structural reforms to improve the business environment, modernize the public administration, increase human capital, and boost productivity and private sector development. However, the authorities acknowledged some uncertainties in the medium term, particularly on the evolution of the pandemic and global recovery, and underscored that they are increasing spending notably to enhance the security system in the northern zone of the country, while continuing to consolidate the inclusiveness of growth in the context of post-pandemic recovery dynamic. They also emphasized the resilience of the country and their readiness and capacity to quickly take appropriate measures in the event of negative shocks, in order to maintain a stable macroeconomic framework.

RETURNING TO STRONG, SUSTAINABLE, AND INCLUSIVE GROWTH

The consultation emphasized the need to continue supporting the recovery, preserve domestic and regional stability, avoid scarring from the pandemic, and relaunch the structural agenda to support the sustainable and inclusive growth trajectory.

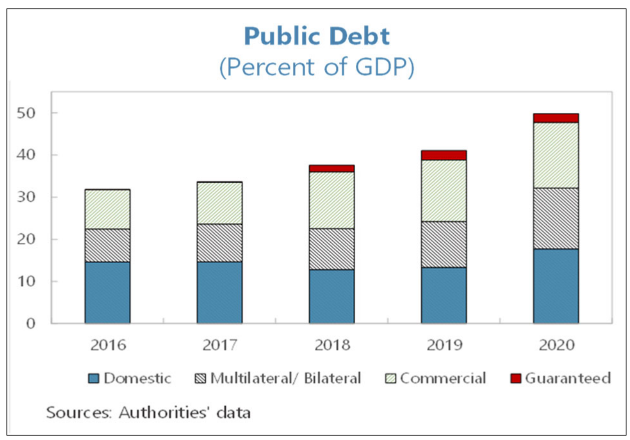
A. Balancing Short-term Fiscal Needs with Medium-term Sustainability

12. Recent developments are likely to require a larger fiscal deficit in 2021 than previously envisaged. The authorities plan to delay fiscal consolidation and keep the fiscal deficit in 2021 at 5.6 percent of GDP as in 2020 (1 percentage point wider than previously envisaged), to account for temporary needs associated with delayed investment spending, greater needs for security spending, and lower-than-expected fiscal revenue following the transitory electricity shortages. The new spending comes in addition to the 1 ppt of GDP set aside to support COVID-19-affected sectors and

[1]See "The Economic and Policy Implementations for the WAEMU of Insecurity in the Sahel", IMF Country Report No. 21/50.

people's income as well as cover vaccination costs (the latter being estimated at about 0.1 percent of GDP). While acknowledging the scope for a more gradual fiscal adjustment than contemplated at the time of the December review, staff encouraged the authorities to make efforts to contain the increase in the fiscal deficit compared to the approved budget: if the decline in revenues expected by the authorities were not to materialize, the deficit could be contained at 5¼ percent of GDP. Also, any unused portion of the funds allocated for COVID-spending should be saved and used to finance prospective fiscal deficits.

13. A gradual return to the WAEMU fiscal target by 2023, as the health and economic recovery progresses, is key to preserve market confidence and macroeconomic stability. As the authorities expect higher security spending needs to persist over the next two years and envisage a significant multi-year public investment plan, they plan to converge to the 3 percent of GDP regional target at most by 2024 instead of 2023. Given the temporary nature of the drivers of the larger deficit in 2020 and 2021, staff argued that convergence to a 3 percent deficit by 2023 would remain feasible and appropriate—both to preserve debt sustainability following the recent debt increase (see text Figure) and to sustain reserves of the WAEMU region—and would not unduly affect growth. Staff envisaged that the fiscal consolidation would result from unwinding of COVID-related spending (around 1 percent of GDP) and of extraordinary security spending (0.4 percent), as well as higher revenue (0.6 percent) and lower investment (0.5 percent, see text table below). Moreover, staff advocated that additional efforts to boost tax revenues should be intensified as soon as possible, including with the 2022 budget law, and could—over the medium term—both create space for higher public investment as envisaged in the draft NDP and allow for greater social spending, while maintaining the fiscal target and thus preserving macroeconomic stability. The 2022 budget to be prepared later this year should also include potential bank recapitalization needs within the envisaged fiscal deficit of 4.7 percent of GDP.



14. Côte d'Ivoire's risk of debt distress remains moderate, but with very limited margin. Debt has increased over the past years to close to 50 percent of GDP in 2020, in part because of recurring primary deficits exceeding generally favorable endogenous debt dynamics. Debt still remains below that of most peer SSA frontier markets. However, low DRM relative to debt servicing constrains the capacity to borrow, thus affecting resilience to adverse shocks. The increasing share of commercial debt (see previous text Figure) is a promising sign of increasing market appetite for Ivorian issuances (though may eventually expose the country to more volatility). Staff reiterated the need for a prudent debt strategy, underpinned by a careful evaluation of debt-financed public investment projects. The pandemic and electricity shortages affected the performance of some state-owned enterprises (SOEs), raising contingent liabilities. However, SOE debt in the form of loans or debt securities remains moderate at 7.1 percent of GDP, including 3.9 percent of on-lent debt and

2.1 percent of debt guaranteed by the government, both of which are already included in the PPG debt numbers. Staff encouraged the authorities to continue their efforts towards a better monitoring of SOEs and consolidate them in the DSA.

Text Table 1. Côte d'Ivoire: Fiscal Consolidation Path
(Percent of GDP)

	2021	2022	2023	2024	2025
7th/8th Review of ECF/EFF arrangement, December 2020					
Total revenue and grants	15.3	15.4	15.4	15.2	15.2
Total expenditures	20.0	18.9	18.4	18.2	18.2
Overall balance	-4.6	-3.5	-3.0	-3.0	-3.0
2021 Article IV Consultation					
Total revenue and grants	14.7	15.3	15.4	15.4	15.3
of which: Tax revenue	12.3	12.7	12.9	13.0	13.0
Total expenditures	20.3	19.9	19.2	18.4	18.3
of which: COVID-related spending	1.0	0.0	0.0	0.0	0.0
of which: Security spending	0.4	0.2	0.3	0.2	0.0
of which: Capital expenditure	5.4	6.2	5.5	4.9	4.9
Overall balance	-5.6	-4.7	-3.8	-3.0	-3.0

Source: IMF staff projections.

15. The authorities emphasized the need for greater security and investment and social spending as the main factor behind the larger deficits and the possible relaxation of the fiscal consolidation path until 2024. They indicated that, while they would make every effort to return to the regional 3 percent of GDP fiscal deficit target by 2023, they expect to return to the target at the latest by 2024 in order to make room for more security spending, maintain efforts in favor of pro-poor spending and higher public investment as envisaged in their draft NDP. The authorities also indicated that the WAEMU Finance Ministers are in the process of considering revisions to the WAEMU Macroeconomic Convergence Pact, which was suspended in April 2020. They highlighted that the ambitious goals for public investment spending would deliver higher and more inclusive growth and more fiscal revenue in the future in the wake of the development of the private sector.

B. Policies to Avoid Scarring

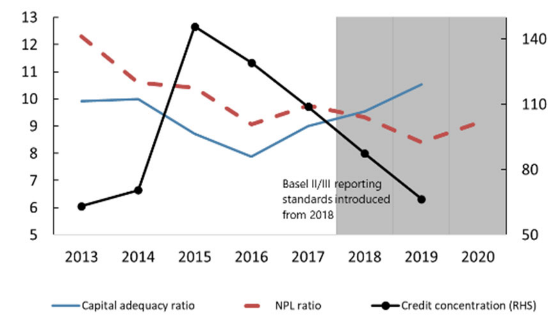
16. The effective implementation of the social plan of the government (*PSGouv*) decided before the pandemic over 2019-20 illustrates the merits of a result-driven approach. The *PSGouv* amounted to a cumulated value of 3 percent of GDP over the two years. The main priorities were (i) health and social protection (free program for pregnant women and children below 5 years, regular childhood vaccination, broadening of social safety nets), (ii) schools (recruitment of teachers, procurement of tables and benches, school feeding, restrooms in rural schools), (iii) access to electricity and housing (reduction of the social tariff of electricity, electricity grid extensions in rural areas, social housing), (iv) access of the young and women to jobs, and (v) well-being in rural areas (water access, improvement of roads). More than 900 villages per year have gained access to electricity in 2019-20 against 265 villages per year in 2010-18. Also, 27,000 km of gravel roads have been reprofiled. Geographical targeting aimed at reducing gaps between large cities and remote areas, improving access to opportunities. The authorities provided mobile phones to poor and vulnerable households to enable targeted cash transfers, which also buttressed financial inclusion. Overall, the plan increased resilience and helped to contain the scarring and adverse social effects of the pandemic.

17. The crisis has shown the importance of social protection. To address the pandemic, in addition to the *PSGouv* program, the authorities expanded social services via an existing cash transfer program, with support from the World Bank, and continued ongoing initiatives to expand universal health care. Televised school programs allowed students to maintain school achievements and contain educational scarring during the pandemic. However, in the absence of developed social safety nets, coverage of vulnerable populations, especially in the informal sector, remains very limited. Meanwhile, geographical income disparities remain substantial, the extent to which poverty declined with strong growth over the past decade has been lower than elsewhere in the region, and the pandemic threatens to reverse recent gains in poverty reduction (Annex VI). Staff encouraged the authorities to continue their efforts to extend the coverage of safety nets and develop a registry of beneficiaries that can be used to better target assistance.

18. Staff encouraged the authorities to maintain effective financial supervision, complete the restructuring of public banks, and continue strengthening their governance. The financial sector is broadly sound, but close monitoring is warranted as the impact of the pandemic may be delayed also in light of the loan moratorium. While significant progress has been made to shore up public banks, three of them are still undercapitalized. Authorities expect one of them to meet the capital adequacy ratio by end-2021 while they estimate recapitalization needs for two other banks at around FCFA 140 billion (around 0.4 percent of GDP). The authorities expect the restructuring process to be finalized by 2023 with both public and private capital injections. Staff commended the authorities for improving public banks' financial situation, and reiterated the need to diversify the pool of shareholders, particularly with the ongoing capital injection, and to help public banks further diversify their deposit base to facilitate the integration of government accounts into the treasury single account. Addressing vulnerabilities and maintaining strong financial supervision—including by asking affected banks to submit credible capital restoration plans and monitoring their gradual, timely, and transparent execution—will be necessary to preserve financial stability and support the economic recovery. The forthcoming FSAP for the WAEMU will allow for a more detailed assessment.

Financial Soundness Indicators, 2013-20

(Percent)



Source: Authorities' data

19. The authorities emphasized the crucial role played by their inclusive policies and reiterated their commitment to ensure the health and stability of the financial sector. They highlighted the very successful implementation of the *PSGouv*, thanks to an objective-oriented approach and effective targeting, especially for poorer and rural households. Going forward, the authorities emphasized their goal to strengthen the social protection system, particularly during implementation of the new NDP, through one of its strategic axes being dedicated to strengthening inclusion, national solidarity, and social action. Regarding the financial sector, the authorities underscored the strong measures taken to improve the financial conditions of public banks and reiterated commitments to finalize the restructuring of the remaining undercapitalized banks.

C. Enabling Strong, Inclusive, and Sustainable Growth

The 2021–25 National Development Plan

20. The authorities are preparing an ambitious NDP for the next five years. The draft plan aims to accelerate economic and social transformation towards higher and more inclusive growth, through the development of the industrial sector, increased productivity, enhanced human capital, and stronger governance. It is articulated around six pillars: (1) acceleration of structural transformation through industrialization and the development of industrial clusters; (2) human capital development and employment; (3) private sector development and investment; (4) strengthening inclusion, national solidarity and social action; (5) balanced regional development, environmental preservation, and fight against climate change; and (6) strengthening governance, modernization of the State, and cultural transformation. Under the draft plan, the authorities envisage annual economic growth to reach 7.7 percent on average over 2021-25, supported by a strong increase in private investment from 14.4 percent of GDP in 2021 to 22.7 percent in 2025. The plan is expected to bring the poverty rate to 30 percent by 2025, and eventually double GDP per capita by 2030.

21. Spelling out a clear reform agenda towards further productivity gains and capital deepening will be key to support long-term growth. The next step would be to develop an implementation plan, with concrete and prioritized necessary reforms, and importantly a cost-benefit analysis with clear budgetary implications. Solid growth during the ECF/EFF-supported program was driven by public and private investment, productivity gains, and human capital accumulation (see figure in paragraph 9 and Annex V). Going forward these three factors will continue to be essential to support medium-term growth. While Côte d'Ivoire's recent growth spell shares many of the early features of durable growth episodes elsewhere, the experience of countries that sustained high growth for over a decade shows that TFP growth, structural reforms, deeper human capital, and increased private sector participation in the economy are critically associated with fast development.[2] Such changes may also facilitate greater competitiveness and economic diversification, which is essential as exports remain highly concentrated in raw agricultural commodities (Figure 4 and Annex VIII).

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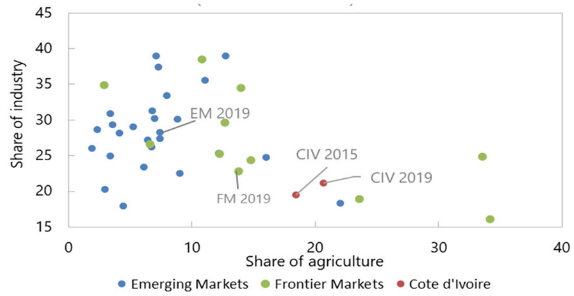
[2]See SIP on "Sustaining Côte d'Ivoire's Growth Spell: What Will It Take?"

Figure 4. Côte d'Ivoire: Productivity, Economic and Export Diversification

Structural transformation has been slow…

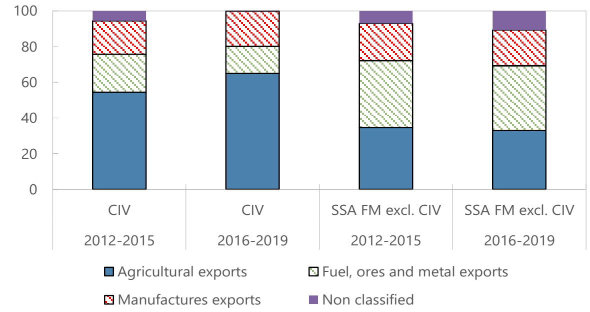
Share of Industry vs. Agriculture
(Percent of GDP)



Sources: World Development Indicators; and IMF staff estimates.

…and exports remain concentrated in raw agricultural commodities

Exports by Product Group
(Percent of total merchandise exports)

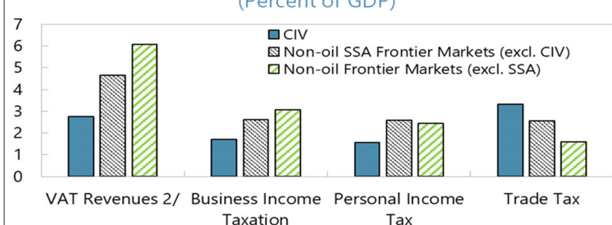


22. Rekindling the recent growth spell will require mutually reinforcing progress in domestic revenue mobilization, public services provision, structural transformation, and private sector participation. In a virtuous circle, higher public revenues would sustainably finance the public goods (such as infrastructure and education) necessary for the private sector to expand into higher-productivity sectors, create jobs, and innovate, as well as for promoting inclusion. In turn, higher growth would generate further revenues, limiting recourse to debt, and instilling confidence in macroeconomic stability.

Domestic Revenue Mobilization (DRM)

23. Bolstering DRM—by rationalizing tax expenditures, broadening the tax base, and strengthening tax administration—remains a prerequisite to adequate public service provision. Pre-COVID disappointing revenue performance indicates that the authorities missed the opportunity offered by high growth to raise the tax-to-GDP ratio (Box 2). The authorities have removed a few tax expenditures in 2021 (Annex II). Tax administration digitalization plans include the rolling out of a new information technology system and single tax identification number, though progress has been slow. Customs administration is making faster progress, digitalizing clearance procedures, simplifying and strengthening the monitoring of transit and special procedures, and optimizing control of values including with the use of customs data mirror analysis. Overall, higher revenues would allow financing of productive and social spending to support strong and

Tax Revenues, 2018[1/]
(Percent of GDP)



Sources: Government Finance Statistics; OECD; and World Economic Outlook.
Note: Data of 2017 where 2018 data are not available.
[1/] The sample of frontier markets consists of countries included in the JP Morgan NEXGEM (Next Generation Emerging Markets) index augmented with relatively new issuers to global capital markets or countries who don't issue frequently.
[2/] VAT Revenues net of Refund.

inclusive growth, while preserving macroeconomic and debt sustainability and enhancing resilience to shocks, such as fluctuations in commodity prices and in international financial conditions. The authorities should swiftly design a detailed DRM plan with quantification and a timeline. A well-articulated communication strategy, linking a deeper provision of public services to broader tax revenues, would help secure the support of key stakeholders.

Provision of Public Services

24. Improving productive public spending efficiency, with particular urgency for education and health, can yield a double dividend in boosting productivity and reducing inequality.[3] Despite education and capital expenditures in percent of GDP being on par with those of frontier (FM) and emerging markets (EM), outcomes are worse. School enrollment rates are rising, but education test scores at the end of primary education are below the WAEMU average and have declined between 2014 and 2019. Moreover, Côte d'Ivoire has lower health efficiency spending than peer frontier and emerging markets (Figure 5). Maternal and infant mortality rates are close to WAEMU levels and well below FM levels. While investment spending on public infrastructure seems associated with limited efficiency, the perceived quality of public infrastructures is relatively high, especially for trade-related infrastructure (ports and airports). Public investment efficiency can be improved by better coordination between local governments and the central government and by conducting systematic cost analysis and feasibility assessments for new projects. Public services improvements should be targeted towards domestic infrastructure (road and railway connections), primary education, and health services for low-income households. Enhancing human capital will require placing additional emphasis on the quality of education, with particular attention to training and incentives for teachers (for example anchoring their salary scale to students' results).

25. Enhancing education and health services is one of the core ingredients of the draft NDP. The draft envisages an improvement of recruitment, training, monitoring, and evaluation of teachers. The authorities also plan to build new health infrastructures, reduce the health personnel coverage disparities between regions, promote innovative digital technologies to support the health system, and strengthen universal access to health care. These education and health policies would broaden access to basic services, making growth more inclusive.

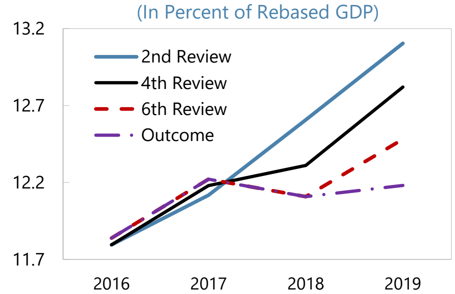
26. The authorities are strengthening their Public Finance Management (PFM) practices. Staff welcomed the ongoing implementation of a new public procurement law passed in 2019, including with a new module facilitating e-procurement deployed this year (*e-marchés publics*), and the implementation of budget-programming in 2020, which allows administrations to focus on medium-term objectives. Staff reiterated concerns that a large share of PPPs are awarded outside the regular procedure and urged the authorities to further increase fiscal transparency by publishing procurement contracts, beneficial ownership, and related audits.

[3]See SIP on "Potential for Productive Public Spending Efficiency Gains to Support Inclusive Growth".

Box 2. Domestic Resource Mobilization in Côte d'Ivoire

Tax revenues in Côte d'Ivoire are low, despite repeated pre-pandemic attempts to meet revenue objectives. Tax revenues are expected to amount to 12.7 percent of GDP in 2021, about 1 percent of GDP below the WAEMU average and well below the 20 percent of GDP WAEMU target, reflecting pervasive tax expenditures and informality. The authorities report tax expenditures of about 1 percent of GDP in 2019; however, this is a lower bound as two thirds of tax expenditures enacted in the enabling legislation are not included.[1] A large source of revenues is custom duties (two fifths of tax revenues) while domestic tax revenues are weaker than those of peer countries.

Tax Revenue
(In Percent of Rebased GDP)



The largest gap with respect to peers lies in VAT revenues; at below 3 percent of GDP, they are only about half what non-oil frontier market countries collect. This reflects substantial VAT expenditures and compliance challenges as illustrated by the low C-efficiency ratio[2] (0.25 percent), although the relatively effective administration of VAT credit refunds may have also played a role.[3] VAT-exempt sectors include grain and oilseed industries (respectively 2.5 and 2 percent of GDP), as well as the construction sector (0.5 percent). The authorities increased the VAT rate on luxury rice and imported meat in the 2021 budget.

Income tax revenues are weakened by numerous tax expenditures. Removing some of the tax expenditures granted through state conventions as planned could yield about 0.3 percent of GDP of revenue. However, the Investment Code, which was revised in 2018, still allows signing conventions with discretionary tax expenditures. Removing this room for discretion would be more consistent with the authorities' intentions to progressively replace investment incentives with a general approach based on moderate tax rates (which would improve the level-playing field and governance incentives). Notably, the mining law was changed in 2020 to avoid granting automatic tax expenditures to new projects. Removing regressive deductions and enhancing compliance in personal income tax would also support a more inclusive recovery.

A major challenge is to successfully encourage entrepreneurs to transition to the formal sector. The authorities have reformed SMEs tax regimes in 2021, partially reflecting technical assistance advice. The increase in the VAT registration threshold for SMEs is welcome, as compliance efforts should be focused on relatively larger firms. However, the new presumptive income tax regime for SMEs contains several different rates, which unduly complicate the system and may discourage compliance.

The authorities have stated their goal of broadening the tax base, simplifying tax schemes, and modernizing property taxes. In March 2019, they approved an action plan to streamline tax expenditures over 2020–23.[4] However, removal of tax expenditures is slow and repeated inability to meet revenue objectives before the pandemic highlights the challenges of sustaining progress in DRM. For example, the Investment Code was assessed by FAD experts as one of the most generous in the WAEMU.[5] Property tax modernization is welcome, although revenue mobilization potential is likely to be relatively modest.

[1]Authorities' report on tax expenditure is available here:
http://budget.gouv.ci/doc/loi/RAPPORT%20SUR%20LES%20DEPENSES%20%20FISCALES%202019.pdf

[2]The C-efficiency ratio is the ratio of actual VAT receipts to notional receipts that would be collected if the tax was levied at a uniform rate on all consumption and fully applied across the board.

[3]Rota-Graziosi, G. G. Gilbert, and S. Leduc (2018) report that VAT credit refunds are more effective than in peer countries.

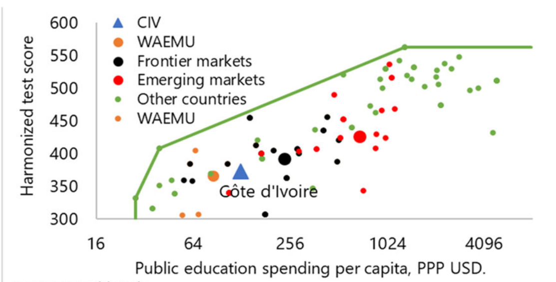
[4]Secrétariat d'État charge du budget et du portefeuille de l'État (2019), Plan de rationalisation des exonérations fiscales et douanières.

[5]Leduc, S., B. Laporte and J.-F. Brun (2020), Fiscalité des entreprises et des personnes physiques, IMF Technical Assistance Report.

Figure 5. Côte d'Ivoire: Spending Efficiency

Education and …

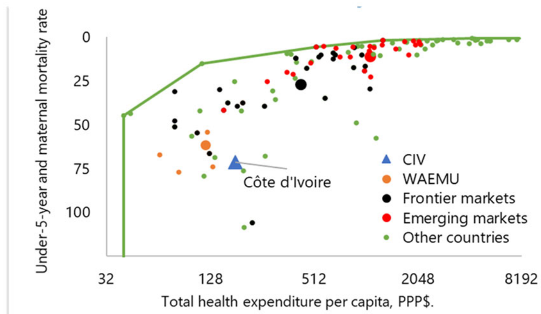
Education Efficiency



Sources: World Bank.
Note: Harmonized test score for 2017 or closest available year (2014 for Cote d'Ivoire). Education spending in 2017 or latest available year. Large dots report group averages and small circles report individual countries.

…health spending efficiency are weak

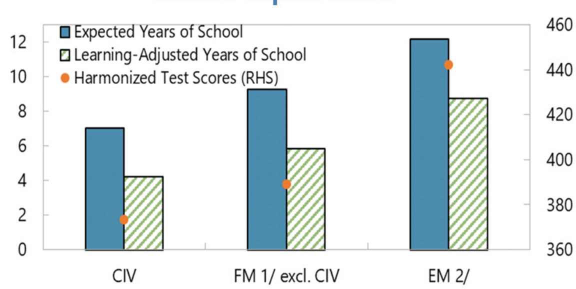
Health Efficiency



Sources: Unicef and World Bank.
Note: 2017 or latest available year. Large circles report group averages and small circles report individual countries.

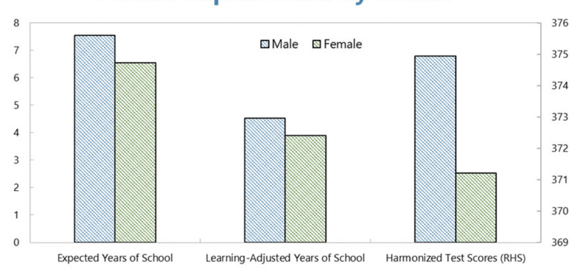
The Human Capital Index is lower than in peer countries…

Human Capital Index



…with significant differences between men and women.

Human Capital Index by Gender



Source: World Bank
Note: FM= Frontier Markets.

Inclusive Private Sector-led Growth

27. Staff encouraged the authorities to redouble efforts to improve the business environment. In order to secure an inclusive development path, the authorities should continue to deepen their policy efforts on several issues which are a source of concern for the private sector: i) enhancing the regulatory framework, streamlining bureaucracy, modernizing the state, and improving the provision of public sector services, for example by reducing the number of days to get permits, simplifying the process for issuing business licenses, and developing a "single stop shop"; ii) promoting digitalization, both in the provision of public services and in public finance management; iii) reducing labor market skill mismatches by broadening professional training programs; iv) reducing informality, including via cross-checking of databases; v) safeguarding property rights, particularly with respect to ownership and transfer of land; vi) deepening financial inclusion and facilitating access to financial markets, also via mobile systems and broader FinTech initiatives; and vii) reducing uncertainty in government payments timing, by ensuring the 90-day payment delay effectively starts from the day the services are completed or goods are provided. In this respect, the authorities' efforts and plans towards improving the provision of public sector services, broadening professional training programs, rolling out the single tax identification number, promoting digitalization and mobile payment systems, and enhancing transport infrastructure are highly welcome.

28. Efforts to improve governance, and combat corruption remain a priority. The draft NDP describes governance as the cornerstone to achieve the improvements expected from the implementation of the plan. The High Authority for Good Governance (*HABG*) has been strengthening its capacity to better monitor asset declarations from public officials by implementing a new interactive platform which will be fully operational in 2022; compliance with the asset declaration requirements exceeded 79 percent in December 2020. The asset declaration regime could be further strengthened through efforts to verify the accuracy of declarations and sanction failure or false reporting, along with ensuring public access to information. Staff encouraged the authorities to promptly finalize and adopt the first national strategy to fight corruption for the period 2021-23. A technical committee is overseeing the implementation of a 2020-2030 national AML/CFT strategy, as preparations are stepping up for the IMF-led AML/CFT assessment that will start in August 2021.

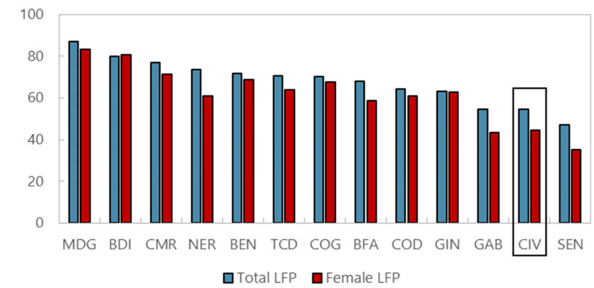
29. The authorities are committed to accelerate cocoa transformation and ensure sustainable production. They are constructing industrial parks and providing fiscal incentives to encourage private investors to locally transform cocoa products. Under the draft NDP, the authorities aim to build nine integrated *Agro-poles* throughout the country, to transform locally at least 50 percent of total cocoa produced by 2025, against a transformation rate of 28 percent in 2020. They will need to balance such actions against fiscal prudence and a ensuring a level playing field. In particular, staff recommended that tax incentives be time-bound (to incentivize productivity gains and ensure eventual "market test"), well-targeted and centered on investment as opposed to broad-based tax exemptions (to minimize fiscal costs), and available to all firms in targeted sectors (to ensure fair competition). The authorities also plan to intensify and reinforce measures to combat child labor, including by developing an anti-trafficking strategy. To reduce poverty in the farming sector (notably in the cocoa sector), the authorities should both help farmers diversify their production, which would help increase individual and macroeconomic resilience in the face of commodity price shocks, and lower intermediation costs by reducing the number of transactions between farmers and exporters, which could also facilitate the traceability requested by international buyers.

30. Côte d'Ivoire needs to do more to stop deforestation (Annex VII). Despite the commitment to decouple agricultural production from deforestation and restore forest coverage to 20 percent of the territory by 2030, analysis of spatial data suggests that Côte d'Ivoire continues to lose a sizable share of its primary forest every year.[4] Pressures to strengthen sustainable farming and the fight against deforestation are bound to increase due to global attention on the issue, which may drive legislation in some countries to restrict imports of products associated with deforestation and forest degradation.

[4] "State and Trends of Deforestation in Côte d'Ivoire (2019-2020)." Vivideconomics, July 2020 https://www.vivideconomics.com/wp-content/uploads/2020/07/State-and-Trends-of-Deforestation-in-CdI-1.pdf

31. Inclusiveness would be enhanced also by continuing to support gender equity and female labor force participation. The authorities have made progress on gender issues by including gender in national development policies and by reforming the institutional framework to address issues of gender inequality and violence against women. In particular, the National Observatory for Gender Equity plays an important role in implementing and monitoring the country's policy on gender equality. However, additional efforts are needed to close the still significant economic and social gender gaps, as well as address the high incidence of violence against women.

Côte d'Ivoire: Female Labor Force Participation



Source: World Bank.

32. Data provision is broadly adequate for surveillance, but dissemination should be enhanced. The authorities are stepping up efforts to strengthen macroeconomic statistics. The backcasting of the annual national accounts for the period 1996-2014 has been finalized and is expected to be published in a few months, while the new rebased quarterly national accounts are expected to be released by March 2022 (Annex IV). The authorities are also working towards implementing the national strategy for the development of statistics, which aims to broaden the competencies of the national institute of statistics, reinforce its independence, and create a national fund for the development of statistics. Staff commended the authorities for their commitment to improve macroeconomic statistics and underlined the importance of producing and disseminating more timely data. Staff recommended a more timely publication of quarterly and annual national accounts, of key monthly financial, economic activity, and fiscal indicators, and a broader dissemination of information on SOEs and facilitating access to on-line information.

33. The authorities agreed on the objective of increasing domestic revenue mobilization, and enhancing the business environment, spending efficiency, public finance management, governance, and data dissemination. They have identified VAT, mining, digitalization, and property taxes as key areas for broadening the tax base, and stressed their intention to continue to implement and strengthen their action plan to streamline tax expenditures. They plan to put in place a broad set of measures to enhance the business environment within the context of their NDP. The authorities agreed with the need to continue improving spending efficiency, and noted that the most recent improvements in infrastructure are not yet reflected in cross-country public infrastructure data. They noted their intention to improve education and health outcomes, including by continuing to build schools, such as excellence schools for girls in all regions of the country, and increase enrollment rates, as well as better monitoring teachers and increasing public health spending. They intend to continue their public finance management reform agenda, including implementing the new public procurement code. The authorities concurred on the importance of good governance, stressed the efforts realized in recent years, and noted the recent creation of a dedicated Ministry for the Promotion of Good Governance, Capacity Development, and the Fight Against Corruption as evidence of the priority of this topic. They indicated that the PND 2021-2025 devotes one of its strategic axes to the deepening of governance and to the modernization of the administration. They emphasized the need to create more private sector jobs to absorb the labor market entry of the young population, which requires more public and private investment as well as structural transformation and a better match between training programs and market needs. The authorities are cognizant of the importance of timely dissemination of data and underlined that three decrees will soon be adopted, paving the way for the implementation of the national strategy for the development of statistics.

34. Safeguards assessment. The safeguards assessment, updated in April 2018, found that only one recommendation for the central bank (BCEAO) was outstanding, relating to the strengthening of the risk management function, which is in progress. The assessment also found that overall, the central bank has maintained a strong control culture.

POST FINANCING ASSESSMENT

35. Cote d'Ivoire's capacity to repay the Fund remains adequate under the baseline.[5] Debt risks and gross financing needs (GFNs) estimates over the medium-term are broadly unchanged from the 7th and 8th reviews under ECF and EFF arrangements.

A. Liquidity Considerations

36. Financing conditions remain favorable. Despite a spike in March 2020, Côte d'Ivoire's sovereign bond yields have gradually normalized thereafter. Côte d'Ivoire raised €1.85 billion through successful Eurobond issuances under generally favorable terms in November 2020 and February 2021, marking a reopening of the Eurobond market to SSA sovereign issuers following the outbreak of the pandemic.

37. Côte d'Ivoire is projected to stay current on Fund obligations under the baseline.[6] A metric-based approach and other traditional measures point to adequate WAEMU reserves.[7] The Fund's exposure to Côte d'Ivoire peaked at 3.9 percent of GDP in 2020 and is projected to continue declining over the medium term. Total debt service to the Fund would reach 1.2 percent of total exports (around 0.3 percent of GDP) in 2021 and peak at 3.0 percent of exports in 2023 (0.6 percent of GDP). Gross financing needs are expected to remain below the benchmark in the DSA analysis (see DSA/Table 6 for details). That said, shocks to commodity prices and exports could elevate debt ratios above their thresholds and weaken the debt service capacity. Additional safeguards include Côte d'Ivoire's relatively low sovereign borrowing costs and its access to regional financing. It is also

[5]This section reports on discussions under Post Financing Assessment (PFA) policy which was initiated for Côte d'Ivoire on December 9, 2020. For a description of the PFA policy, see Policy Paper No. 2021/026.

[6]GRA repurchases and PRGT repayments go until 2030 and interest payments end in 2031.

[7]West African Economic and Monetary Union—Staff Report on Common Policies for Member Countries, IMF Country Report No. 21/49.

expected that Côte d'Ivoire would benefit from additional financing mobilized by IFIs and other donors, and a potential prospective SDR allocation (not included in the baseline).[8]

B. Solvency Considerations

38. Côte d'Ivoire's risk of debt distress remains moderate, but the pandemic intensified its vulnerability to large shocks. The PV of public debt-to-GDP is expected to remain generally stable over the projection period until 2041, at just above 40 percent. Meanwhile, the PV of debt-to-revenue ratio would decline marginally, while the debt service-to-revenue-ratio is projected to increase over time. Going forward, a sustainable debt trajectory is predicated on disciplined fiscal policy, more effective revenue mobilization, and active liability management.

39. While a feasible set of policies and interest rate trajectories could deliver sustainable debt dynamics in the baseline, the stress test suggests debt ratios would breach their thresholds under severe shocks, notably shocks to commodity prices. Under the standard DSA commodity prices stress test, the PV of public debt-to-GDP would breach its corresponding threshold of 55 percent starting in 2024 and would continue growing afterwards, pointing to the need to build resilience on greater competitiveness and economic diversification.

C. Capacity to Repay Risks

40. Risks to capacity to repay the Fund mainly stem from the fiscal sector, as well as potential external shocks. Côte d'Ivoire's relatively high debt service-to-revenue ratio poses some risks, and the debt dynamics are vulnerable to shocks, most notably shocks to commodity prices and exports. In addition, Côte d'Ivoire remains vulnerable to several potential shocks (identified in the RAM), such as shocks to external financial conditions, whose materialization could adversely affect the economy, and the ability to repay the Fund.

41. They authorities concurred with staff on this assessment. They indicated a strong commitment to honor the debt, which is backed by the adequate capacity to repay the Fund. The authorities highlighted the sound sovereign rating and continued access to the international financial market despite the pandemic shock which did not affect investors' confidence in the country. They also attached importance to reforms aimed at enhancing revenue mobilization, including broadening the tax base and strengthening the tax administration, and deepening the regional financial markets.

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42. Côte d'Ivoire has demonstrated resilience to the COVID-19 pandemic, with positive growth estimated for 2020. A swift policy reaction, following a decade of strong macroeconomic

[8]The potential SDR allocation for Côte d'Ivoire, if confirmed, would amount to US$0.889 billion (or about 1.3 percent of GDP). While SDR allocations are made to IMF member countries, Côte d'Ivoire is member of the WAEMU currency union, so any use of the SDR allocation by WAEMU countries will need to be consistent with regional institutional frameworks and policy objectives.

policy and structural improvements, accounts for this good performance. Growth should rebound strongly in 2021, while medium-term growth would be supported by continuing capital deepening based on an ambitious draft NDP.

43. The external environment continues to present risks. A resurgence of the pandemic triggered by new variants or a protracted vaccine rollout would mute the global recovery, whereas a sharp rise in global risk premia would complicate access to international markets. The security situation at the northern border is posing challenges. On the upside, the implementation of a strong reform agenda to be defined under the umbrella of the incoming National Development Plan 2021-25 would further boost growth and investment.

44. The authorities should try to contain the increase in the deficit expected in 2021 compared to the approved budget and revert to the WAEMU fiscal deficit target of 3 percent of GDP by 2023. Staff encouraged the authorities to make efforts to contain the deficit to 5¼ percent of GDP if the decline in revenues were not to materialize. Staff also indicated that the temporary relaxation of the consolidation efforts should not prevent the authorities from gradually returning to the WAEMU fiscal deficit target of 3 percent of GDP by 2023.

45. The debt sustainability analysis shows a moderate risk of debt distress with limited space to absorb shocks. Increases in external borrowing in past years and limited progress on domestic revenue mobilization have led to an increase of the external debt service-to-revenue ratio. Enhancing revenue mobilization would thus improve Côte d'Ivoire's capacity to borrow and its ability to respond to shocks.

46. The government's 2019-20 social program supported significant improvement in social indicators. In addition to enhancing electricity coverage, access to drinkable water, rural roads, schools, and vaccination, the *PSGouv* program initiated the implementation of universal health coverage and set up a financially-inclusive program of cash transfers via mobile phones to poor and rural households. The latter program was expanded in response to the pandemic. Efforts to extend the coverage of safety nets and develop a registry of beneficiaries to better target assistance should continue.

47. Continued vigilance and a completion of the restructuring of public banks are needed to ensure financial stability. Ongoing improvements in the financial situation of public banks will allow for a diversification of the pool of shareholders and facilitate the injection of new capital. Further diversification of public banks' deposit base will ease the integration of government accounts into the treasury single account. Maintaining strong supervision is essential to monitor the impact of the pandemic on banks.

48. The draft NDP for 2021-25 sets very ambitious objectives. The achievement of those goals will hinge on the definition and implementation of a strong reform agenda to boost domestic revenue mobilization, improve public service provision, structurally transform the economy, and foster private sector participation. This will require spelling out specific measures and associated budgetary implications, while remaining within the medium-term fiscal targets.

49. Higher fiscal revenues are needed to finance larger productive and social spending, while preserving macroeconomic and debt sustainability. Tax revenues currently represent less than 12½ percent of GDP, well below WAEMU's convergence criterion of 20 percent. Rationalizing tax expenditures, broadening the tax base, and strengthening tax administration would help to boost domestic revenue mobilization, providing finance for productive and social spending to support strong and inclusive growth, while enhancing macroeconomic resilience. An increase in public spending efficiency and improvements in public financial management, for example through the deployment of the e-procurement module, would also support the development agenda. Fiscal transparency would benefit from the systematic publication of procurement contracts, beneficial ownership, and related audits.

50. Reforms to further improve the business environment and combat corruption are key to boost private sector participation. Improving the provision of public services to private firms through digitalization, simplification of administrative processes, and the development of a "single stop shop" with the completion of the single tax identification number rollout, along with a better protection of land property rights, more effective labor markets, and deeper financial inclusion would support the formalization of the economy. The authorities should swiftly adopt a national strategy to fight corruption and continue to strengthen the High Authority for Good Governance's capacity to better monitor asset declarations. The national strategy to combat money laundering and terrorism financing also needs to be adopted this year.

51. The transition to sustainable cocoa production is crucial to advance the structural transformation of the economy and enhance resilience to climate change. The authorities are encouraged to help farmers diversify their production, reduce intermediation costs, intensify measures to combat child labor, and strengthen the fight against deforestation. The release of the announced white paper for a sustainable cocoa production ("*Livre blanc pour une production de cacao soutenable*") would be an important initial step.

52. Continuous efforts to address gender inequality and violence against women would help promote female labor force participation and increase labor productivity. Those efforts would reinforce the inclusive agenda of actions to reduce labor market skill mismatches and to enhance access to health, education and financial services.

53. While data provision is adequate for surveillance, dissemination should be improved.

54. The post-financing assessment suggests that Cote d'Ivoire maintains an adequate capacity to repay the Fund. Financing conditions remain generally favorable, suggested by the recent successful issuance of Eurobonds and manageable gross financing needs. Debt risk is generally contained despite relatively weak revenue. However, potential risks, e.g., shocks to the external financial environment, could undermine this capacity. It is important to advance reforms to strengthen regional financial markets and rebuild fiscal buffers through enhanced domestic revenue mobilization.

55. It is proposed that the next Article IV Consultation with Côte d'Ivoire take place on the standard 12-month cycle.

Table 1. Côte d'Ivoire: Selected Economic Indicators, 2018–26

Population (2020): 26.9 million
Per capita GDP (2020): 2278 USD
Share of population below the poverty line (2015): 44.4%

Gini Index (2015): 41.5
Life Expectancy (years): 58
Literacy rate: 47.2%

	2018	2019	2020	2021	2022	2023	2024	2025	2026
			Est.	Projections					
	(Annual percentage changes, unless otherwise indicated)								
National income									
GDP at constant prices	6.9	6.2	2.0	6.0	6.5	6.4	6.3	6.1	6.0
GDP deflator	0.6	0.2	0.6	1.0	1.0	1.3	1.4	1.6	1.6
Consumer price index (annual average)	0.4	0.8	2.4	2.5	2.2	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	-11.0	20.5	-4.6	8.9	4.3	6.0	7.9	6.6	6.5
Imports of goods, f.o.b., at current prices	1.4	10.9	-0.1	15.7	2.2	2.7	5.4	5.8	6.5
Export volume	-2.2	16.7	-3.3	2.0	6.1	9.4	9.3	7.0	6.7
Import volume	2.3	-1.8	7.3	3.3	5.7	5.8	6.3	6.3	6.9
Terms of trade (deterioration –)	-10.4	-8.7	6.8	-4.8	1.6	-0.2	-0.4	0.1	0.1
Nominal effective exchange rate	5.4	0.0	5.3	…	…	…	…	…	…
Real effective exchange rate (depreciation –)	2.2	-4.0	5.2	…	…	…	…	…	…
Central government operations									
Total revenue and grants	5.3	8.3	2.5	4.4	11.9	8.7	8.3	6.6	6.8
Total expenditure	3.4	4.1	22.1	5.2	5.9	3.7	3.5	6.8	7.1
	(Changes in percent of beginning-of-period broad money unless otherwise indicated)								
Money and credit									
Money and quasi-money (M2)	13.5	11.0	21.4	7.9	8.2	…	…	…	…
Net foreign assets	3.0	4.5	5.6	-0.1	1.7	…	…	…	…
Net domestic assets	10.6	6.5	15.8	7.5	6.5	…	…	…	…
Of which : government	3.7	4.6	9.8	0.0	2.6	…	…	…	…
private sector	7.8	4.1	6.0	5.1	4.6	…	…	…	…
Credit to the economy (percent)	11.3	6.1	6.0	5.1	4.6	…	…	…	…
	(Percent of GDP unless otherwise indicated)								
Central government operations									
Total revenue and grants	14.8	15.0	15.0	14.7	15.3	15.4	15.4	15.3	15.1
Total revenue	14.0	14.2	14.5	14.1	14.7	14.9	15.0	15.0	15.0
Total expenditure	17.7	17.3	20.6	20.3	19.9	19.2	18.4	18.3	18.1
Overall balance, incl. grants, payment order basis	-2.9	-2.3	-5.6	-5.6	-4.7	-3.8	-3.0	-3.0	-3.0
Primary basic balance [1/]	-0.3	-0.1	-2.3	-1.6	-1.1	-0.2	0.7	0.8	0.9
Investment and Savings									
Gross investment	21.2	20.1	22.2	22.9	24.6	24.7	24.8	25.8	26.8
Of which : Central government	5.3	5.5	6.8	6.8	7.7	6.9	6.1	6.2	6.2
Gross national saving	16.7	18.0	18.7	18.7	20.4	20.8	21.1	22.2	23.2
Of which : Central government	1.9	2.1	-0.1	-0.2	1.5	1.7	1.9	1.9	1.9
External sector balance									
Current account balance (including official transfers)	-3.9	-2.3	-3.5	-4.3	-4.2	-3.9	-3.7	-3.6	-3.5
Current account balance (excluding official transfers)	-4.7	-3.1	-4.0	-4.8	-4.8	-4.4	-4.1	-3.9	-3.7
Overall balance	0.7	2.1	2.5	0.3	0.8	0.5	0.6	0.5	0.7
Public sector debt[2/]									
Central government debt, gross	36.0	38.8	47.7	49.4	50.5	50.7	50.2	49.7	49.1
External debt	23.2	25.5	30.0	31.2	30.9	30.4	29.5	28.7	28.3
External debt-service due (CFAF billions)	438	593	640	690	855	1034	1256	1328	1233
Percent of exports of goods and services	6.5	7.3	8.5	8.3	9.8	11.1	12.5	12.4	10.8
Percent of government revenue	9.7	12.1	12.6	13.0	14.4	15.9	17.8	17.5	15.1
Memorandum items:									
Nominal GDP (CFAF billions)	32,222	34,299	35,193	37,662	40,500	43,662	47,061	50,729	54,634
Nominal exchange rate (CFAF/US$, period average)	555	586	575	…	…	…	…	…	
Nominal GDP at market prices (US$ billions)	62.5	58.5	61.2	69.8	76.8	84.0	91.3	99.0	107.2
Population (million)	25.6	26.3	27.0	27.7	28.4	29.1	29.9	30.6	31.4
Nominal GDP per capita (CFAF thousands)	1,258	1,305	1,305	1,362	1,427	1,500	1,575	1,655	1,737
Nominal GDP per capita (US$)	2,441	2,228	2,271	2,525	2,707	2,884	3,057	3,232	3,408
Real GDP per capita growth (percent)	4.2	3.5	-0.6	3.3	3.8	3.7	3.6	3.4	3.3

Sources: Ivorian authorities, World Bank, and IMF staff estimates and projections.

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

[2/] Does not include debt guarantees.

Table 2a. Côte d'Ivoire: Balance of Payments, 2018–26
(Billions of CFA Francs; unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024	2025	2026
			Est.	Projections					
Current account	-1,177	-790	-1,222	-1,612	-1,703	-1,688	-1,731	-1,827	-1,929
Current account excl. grants	-1,406	-1,065	-1,415	-1,816	-1,948	-1,913	-1,946	-1,973	-2,017
Trade balance	1,135	1,846	1,514	1,269	1,456	1,759	2,070	2,260	2,403
Exports, f.o.b.	6,142	7,399	7,061	7,687	8,018	8,497	9,172	9,773	10,404
Of which: cocoa	2,350	2,900	2,971	2,840	2,715	2,651	2,704	2,732	2,840
Of which: crude oil and refined oil products	952	1,202	672	1,009	983	1,045	991	987	980
Imports, f.o.b.	5,007	5,553	5,547	6,418	6,562	6,739	7,103	7,513	8,001
Of which: crude oil and refined oil products	1,318	1,315	1,188	1,741	1,661	1,615	1,613	1,674	1,768
Services (net)	-1,186	-1,313	-1,408	-1,431	-1,539	-1,703	-1,930	-2,080	-2,240
Primary Income (net)	-840	-986	-1,017	-1,055	-1,134	-1,220	-1,306	-1,398	-1,490
Of which: interest on public debt	-228	-299	-390	-471	-422	-452	-479	-506	-530
Secondary Income (net)	-287	-338	-311	-395	-486	-524	-565	-609	-601
General Government	80	94	92	57	175	175	175	117	58
Other Sectors	-367	-432	-403	-453	-661	-699	-740	-725	-659
Capital and financial account	1,421	1,483	2,102	1,721	2,010	1,890	2,000	2,104	2,314
Capital account	79	105	101	146	70	50	40	30	30
Financial account (excl. exceptionnal financing)	1,342	1,378	2,001	1,575	1,940	1,840	1,960	2,074	2,284
Foreign direct investment	245	433	352	414	486	524	565	609	710
Portfolio investment, net	825	-173	535	567	789	750	636	580	519
Acquisition of financial assets	-79	-198	-104	-27	-29	-31	-34	-36	-39
Incurrence of liabilities	904	25	639	594	818	782	669	616	559
Of which: Eurobonds	1,115	1,411	309	708	500	500	500	500	500
Other investment, net	273	1,118	1,114	594	664	566	760	886	1,055
Official, net	420	885	655	877	535	506	542	580	691
o.w. Project loans	569	415	574	811	829	861	933	1,008	1,088
o.w. Central government amortization due	-290	-1,185	-251	-377	-331	-385	-489	-600	-553
o.w. Net acquisition of financial assets	0	0	-12	-12	-12	-11	-11	-11	-11
Nonofficial, net	-130	237	459	-283	129	60	217	305	363
Errors and omissions	-45	14	0	0	0	0	0	0	0
Overall balance	198	706	880	108	306	203	269	278	386
Financing	-198	-706	-880	-108	-306	-203	-269	-278	-386
Reserve assets, includes reserve position in the Fund	-187	-695	-889	-108	-306	-203	-269	-278	-386
Operations account	-254	-765	-380	-5	-211	-11	14	-60	-239
IMF (net)	67	70	592	-103	-95	-191	-283	-217	-147
Disbursements	143	154	676	...	...	...	...	...	...
Repayments	-82	-85	-84	-103	-95	-191	-283	-217	-147
Statistical discrepancy	-10.9	-11.3	9.2	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Overall balance (percent of GDP)	0.7	2.1	2.5	0.3	0.8	0.5	0.6	0.5	0.7
Current account inc. grants (percent of GDP)	-3.9	-2.3	-3.5	-4.3	-4.2	-3.9	-3.7	-3.6	-3.5
Current account exc. grants (percent of GDP)	-4.7	-3.1	-4.0	-4.8	-4.8	-4.4	-4.1	-3.9	-3.7
Trade balance (percent of GDP)	3.8	5.4	4.3	3.4	3.6	4.0	4.4	4.5	4.4
WAEMU gross official reserves (billions of US$)	14.9	17.7	...	...	...	...	...	...	...
(percent of broad money)	69.1	70.8	...	...	...	...	...	...	...
(months of WAEMU imports of GNFS)	4.3	4.6	...	...	...	...	...	...	...
Nominal GDP (billions of CFA francs)	32,222	34,299	35,193	37,662	40,500	43,662	47,061	50,729	54,634
Exchange rate (CFAF/US$) average	555.4	585.9	574.8	...	...	...	...	...	...
Exchange rate (CFAF/US$) end-of-period	562.7	583.9	539.0	...	...	...	...	...	...

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

Table 2b. Côte d'Ivoire: Balance of Payments, 2018–26
(Percent of GDP; unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024	2025	2026
			Est.	Projections					
Current account	-3.9	-2.3	-3.5	-4.3	-4.2	-3.9	-3.7	-3.6	-3.5
Current account excl. grants	-4.7	-3.1	-4.0	-4.8	-4.8	-4.4	-4.1	-3.9	-3.7
Trade balance	3.8	5.4	4.3	3.4	3.6	4.0	4.4	4.5	4.4
Exports, f.o.b.	20.5	21.6	20.1	20.4	19.8	19.5	19.5	19.3	19.0
Of which: cocoa	7.9	8.5	8.4	7.5	6.7	6.1	5.7	5.4	5.2
Of which: crude oil and refined oil products	3.2	3.5	1.9	2.7	2.4	2.4	2.1	1.9	1.8
Imports, f.o.b.	16.7	16.2	15.8	17.0	16.2	15.4	15.1	14.8	14.6
Of which: crude oil and refined oil products	4.4	3.8	3.4	4.6	4.1	3.7	3.4	3.3	3.2
Services (net)	-4.0	-3.8	-4.0	-3.8	-3.8	-3.9	-4.1	-4.1	-4.1
Primary Income (net)	-2.8	-2.9	-2.9	-2.8	-2.8	-2.8	-2.8	-2.8	-2.7
Of which: interest on public debt	-0.8	-0.9	-1.1	-1.3	-1.0	-1.0	-1.0	1.0	1.0
Secondary Income (net)	-1.0	-1.0	-0.9	-1.1	-1.2	-1.2	-1.2	-1.2	-1.1
General Government	0.3	0.3	0.3	0.2	0.4	0.4	0.4	0.2	0.1
Other Sectors	-1.2	-1.3	-1.1	-1.2	-1.6	-1.6	-1.6	-1.4	-1.2
Capital and financial account	4.8	4.3	6.0	4.6	5.0	4.3	4.2	4.1	4.2
Capital account	0.3	0.3	0.3	0.4	0.2	0.1	0.1	0.1	0.1
Financial account	4.5	4.0	5.7	4.2	4.8	4.2	4.2	4.1	4.2
Foreign direct investment	0.8	1.3	1.0	1.1	1.2	1.2	1.2	1.2	1.3
Portfolio investment, net	2.8	-0.5	1.5	1.5	1.9	1.7	1.4	1.1	1.0
Acquisition of financial assets	-0.3	-0.6	-0.3	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Incurrence of liabilities	3.0	0.1	1.8	1.6	2.0	1.8	1.4	1.2	1.0
Of which: Eurobonds	3.7	4.1	0.9	1.9	1.2	1.1	1.1	1.0	0.9
Other investment, net	0.9	3.3	3.2	1.6	1.6	1.3	1.6	1.7	1.9
Official, net	1.4	2.6	1.9	2.3	1.3	1.2	1.2	1.1	1.3
o.w. Project loans	1.9	1.2	1.6	2.2	2.0	2.0	2.0	2.0	2.0
o.w. Central government amortization due	-1.0	-3.5	-0.7	-1.0	-0.8	-0.9	-1.0	-1.2	-1.0
o.w. Net acquisition of financial assets	0.0	0.0	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0
Nonofficial, net	-0.4	0.7	1.3	-0.8	0.3	0.1	0.5	0.6	0.7
Errors and omissions	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	0.7	2.1	2.5	0.3	0.8	0.5	0.6	0.5	0.7
Financing	-0.7	-2.1	-2.5	-0.3	-0.8	-0.5	-0.6	-0.5	-0.7
Reserve assets, includes reserve position in the Fund	-0.6	-2.0	-2.5	-0.3	-0.8	-0.5	-0.6	-0.5	-0.7
Operations account	-0.9	-2.2	-4.2	0.0	-0.5	0.0	0.0	-0.1	-0.4
IMF (net)	0.2	0.2	1.7	-0.3	-0.2	-0.4	-0.6	-0.4	-0.3
Disbursements	0.5	0.5	1.9	...	...	...	...	...	...
Repayments	-0.3	-0.2	-0.2	-0.3	-0.2	-0.4	-0.6	-0.4	-0.3
Statistical discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
WAEMU gross official reserves (billions of US$)	14.9	17.7	...	...	...	...	...	... ...	
(percent of broad money)	69.1	70.8	...	...	...	...	...	... ...	
(months of WAEMU imports of GNFS)	4.3	4.6	...	...	...	...	...	...	...
Nominal GDP (billions of CFA francs)	32,222	34,299	35,193	37,662	40,500	43,662	47,061	50,729	54,634
Exchange rate (CFAF/US$) average	555.4	585.9	574.8	...	...	...	...	...	...
Exchange rate (CFAF/US$) end-of-period	562.7	583.9	539.0	...	...	...	...	...	...

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

Table 3a. Côte d'Ivoire: Fiscal Operations of the Central Government, 2018–26

(Billions of CFA Francs; unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024	2025	2026
			Est.			Projections			
Total revenue and grants	4,764.1	5,158.5	5,289.2	5,523.2	6,178.4	6,713.1	7,268.0	7,744.8	8,269.3
Total revenue	4,517.9	4,883.6	5,095.9	5,319.9	5,933.4	6,488.1	7,053.0	7,598.2	8,181.0
Tax revenue	3,882.4	4,205.4	4,356.1	4,622.3	5,124.2	5,615.7	6,112.7	6,584.5	7,089.4
Non-earmarked taxes	3,651.1	3,972.3	4,149.2	4,385.5	4,830.8	5,299.9	5,772.3	6,217.6	6,694.2
Direct taxes	1,093.9	1,139.7	1,184.9	1,285.4	1,417.5	1,528.2	1,666.0	1,795.8	1,934.0
Indirect taxes	2,557.2	2,832.6	2,964.3	3,100.1	3,413.3	3,771.7	4,106.3	4,421.8	4,760.1
Earmarked taxes	231.2	233.1	206.9	236.8	259.6	279.4	301.2	324.7	349.7
Nontax revenue	635.6	678.2	739.9	697.6	809.2	872.4	940.3	1,013.6	1,091.6
Grants, *of which*	246.2	274.9	193.3	203.3	245.0	225.0	215.0	146.7	88.3
Project grants	87.4	107.4	101.4	146.2	70.0	50.0	40.0	30.0	30.0
Total expenditure	5,708.3	5,943.8	7,255.1	7,629.7	8,077.5	8,376.7	8,672.2	9,258.5	9,913.3
Current expenditure	4,161.0	4,444.6	5,340.6	5,580.1	5,579.7	5,968.9	6,373.2	6,768.2	7,233.6
Wages and salaries	1,621.9	1,703.0	1,828.1	1,831.4	1,957.8	2,047.3	2,110.0	2,274.5	2,449.5
Social security benefits	296.3	331.4	353.0	366.3	526.5	567.6	635.3	710.2	764.9
Subsidies and other current transfers	403.7	431.1	666.4	832.1	532.9	589.4	658.9	710.2	737.6
Other current expenditure	1,141.0	1,170.3	1,440.8	1,398.1	1,417.5	1,475.8	1,600.1	1,699.4	1,802.9
Expenditure corresponding to eamarked taxes	231.2	233.1	206.9	236.8	259.6	279.4	301.2	324.7	349.7
Security and elections-related expenditure	32.6	54.7	181.7	148.1	85.0	121.5	97.0	5.0	5.0
Interest due	434.2	521.0	663.8	767.3	800.4	887.8	970.8	1,044.2	1,124.1
On domestic debt	206.1	221.7	273.6	296.5	378.6	436.0	492.0	538.3	594.5
On external debt	228.0	299.3	390.3	470.8	421.8	451.8	478.8	505.9	529.6
Capital expenditure	1,547.3	1,499.2	1,914.4	2,049.6	2,497.8	2,407.8	2,298.9	2,490.4	2,679.7
Domestically financed	891.2	977.3	1,239.1	1,092.6	1,579.5	1,484.5	1,317.7	1,445.8	1,557.1
Foreign-financed, *of which*	656.1	521.9	675.3	957.0	918.3	923.2	981.2	1,044.6	1,122.7
Foreign loan-financed	568.6	414.5	573.9	810.8	848.3	873.2	941.2	1,014.6	1,092.7
Primary basic balance	-99.2	-17.3	-820.0	-585.5	-425.4	-77.5	332.8	428.4	514.5
Overall balance, including grants	-944.2	-785.3	-1,965.9	-2,106.5	-1,899.1	-1,663.5	-1,404.2	-1,513.7	-1,644.0
Overall balance, excluding grants	-1,190.4	-1,060.2	-2,159.1	-2,309.8	-2,144.1	-1,888.5	-1,619.2	-1,660.4	-1,732.3
Change in float (excl. on debt service)	-109.7	106.2	75.9	-25.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-1,053.9	-679.1	-1,889.9	-2,131.5	-1,899.1	-1,663.5	-1,404.2	-1,513.7	-1,644.0
Financing	1,053.9	679.1	1,889.9	2,131.5	1,899.1	1,663.5	1,404.2	1,513.7	1,644.0
Domestic financing	136.5	144.4	671.7	788.6	490.7	321.1	137.6	262.1	339.2
Bank financing (net)	203.0	220.4	1,017.1	767.9	385.5	226.8	55.9	171.8	271.5
Nonbank financing (net)	-66.5	-76.0	-345.4	20.7	105.2	94.3	81.7	90.3	67.7
External financing	929.1	546.0	1,209.0	1,343.0	1,408.4	1,342.5	1,266.6	1,251.6	1,304.8
Regional financing (WAEMU)	-539.8	-189.4	355.9	-95.8	341.1	304.1	263.9	287.5	215.5
Foreign financing (net)	1,469.0	735.4	853.1	1,438.8	1,067.4	1,038.4	1,002.7	964.1	1,089.3
Statistical discrepancy	-11.7	-11.3	9.2	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
Nominal GDP	32,222	34,299	35,193	37,662	40,500	43,662	47,061	50,729	54,634
External debt (central government)	7,486	8,734	10,561	11,759	12,534	13,256	13,891	14,581	15,471

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

Table 3b. Côte d'Ivoire: Fiscal Operations of the Central Government, 2018–26

(Percent of GDP; unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024	2025	2026
			Est.	Projections					
Total revenue and grants	14.8	15.0	15.0	14.7	15.3	15.4	15.4	15.3	15.1
Total revenue	14.0	14.2	14.5	14.1	14.7	14.9	15.0	15.0	15.0
Tax revenue	12.0	12.3	12.4	12.3	12.7	12.9	13.0	13.0	13.0
Non-earmarked taxes	11.3	11.6	11.8	11.6	11.9	12.1	12.3	12.3	12.3
Direct taxes	3.4	3.3	3.4	3.4	3.5	3.5	3.5	3.5	3.5
Indirect taxes	7.9	8.3	8.4	8.2	8.4	8.6	8.7	8.7	8.7
Earmarked taxes	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Nontax revenue	2.0	2.0	2.1	1.9	2.0	2.0	2.0	2.0	2.0
Grants, *of which*	0.8	0.8	0.5	0.5	0.6	0.5	0.5	0.3	0.2
Project grants	0.3	0.3	0.3	0.4	0.2	0.1	0.1	0.1	0.1
Total expenditure	17.7	17.3	20.6	20.3	19.9	19.2	18.4	18.3	18.1
Current expenditure	12.9	13.0	15.2	14.8	13.8	13.7	13.5	13.3	13.2
Wages and salaries	5.0	5.0	5.2	4.9	4.8	4.7	4.5	4.5	4.5
Social security benefits	0.9	1.0	1.0	1.0	1.3	1.3	1.4	1.4	1.4
Subsidies and other current transfers	1.3	1.3	1.9	2.2	1.3	1.4	1.4	1.4	1.4
Other current expenditure	3.5	3.4	4.1	3.7	3.5	3.4	3.4	3.4	3.3
Expenditure corresponding to eamarked taxes	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Security and elections-related expenditure	0.1	0.2	0.5	0.4	0.2	0.3	0.2	0.0	0.0
Interest due	1.3	1.5	1.9	2.0	2.0	2.0	2.1	2.1	2.1
On domestic debt	0.6	0.6	0.8	0.8	0.9	1.0	1.0	1.1	1.1
On external debt	0.7	0.9	1.1	1.3	1.0	1.0	1.0	1.0	1.0
Capital expenditure	4.8	4.4	5.4	5.4	6.2	5.5	4.9	4.9	4.9
Domestically financed	2.8	2.8	3.5	2.9	3.9	3.4	2.8	2.8	2.8
Foreign-financed, *of which*	2.0	1.5	1.9	2.5	2.3	2.1	2.1	2.1	2.1
Foreign loan-financed	1.8	1.2	1.6	2.2	2.1	2.0	2.0	2.0	2.0
Primary basic balance	-0.3	-0.1	-2.3	-1.6	-1.1	-0.2	0.7	0.8	0.9
Overall balance, including grants	-2.9	-2.3	-5.6	-5.6	-4.7	-3.8	-3.0	-3.0	-3.0
Overall balance, excluding grants	-3.7	-3.1	-6.1	-6.1	-5.3	-4.3	-3.4	-3.3	-3.2
Change in float (excl. on debt service)	-0.3	0.3	0.2	-0.1	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-3.3	-2.0	-5.4	-5.7	-4.7	-3.8	-3.0	-3.0	-3.0
Financing	3.3	2.0	5.4	5.7	4.7	3.8	3.0	3.0	3.0
Domestic financing	0.4	0.4	1.9	2.1	1.2	0.7	0.3	0.5	0.6
Bank financing (net)	0.6	0.6	2.9	2.0	1.0	0.5	0.1	0.3	0.5
Nonbank financing (net)	-0.2	-0.2	-1.0	0.1	0.3	0.2	0.2	0.2	0.1
External financing	2.9	1.6	3.4	3.6	3.5	3.1	2.7	2.5	2.4
Regional financing (WAEMU)	-1.7	-0.6	1.0	-0.3	0.8	0.7	0.6	0.6	0.4
Foreign financing (net)	4.6	2.1	2.4	3.8	2.6	2.4	2.1	1.9	2.0
Statistical discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:									
External debt (central government)	23.2	25.5	30.0	31.2	30.9	30.4	29.5	28.7	28.3

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

Table 4. Côte d'Ivoire: Monetary Survey, 2018–22

	2018	2019	2020	2021	2022
				Projections	
			(Billions of CFA francs)		
Net foreign assets	2,032	2,498	3,140	3,212	3,459
Central bank	1,702	2,103	2,389	2,461	2,709
Banks	330	395	751	751	751
Net domestic assets	8,275	8,947	10,750	11,771	12,749
Net credit to the government	2,320	2,794	3,911	4,679	5,062
Central Bank	421	571	785	680	582
Banks	1,899	2,220	3,123	3,995	4,476
Credit to the economy	7,009	7,438	8,125	8,678	9,373
Crop credits	752	705	667	672	645
Other credit (including customs bills)	6,257	6,734	7,458	8,006	8,727
Other items (net) (assets = +)	-1,054	-1,285	-1,286	-1,586	-1,686
Broad money	10,307	11,442	13,887	14,980	16,205
Currency in circulation	2,671	2,980	3,620	3,755	4,062
Deposits	7,634	8,458	10,262	11,220	12,138
Other deposits	3	4	4	5	5
Memorandum item:					
Velocity of circulation	3.1	3.0	2.5	2.5	2.5
			(Changes in percent of beginning-of-period broad money)		
Net foreign assets	3.0	4.5	5.6	-0.1	1.7
Net domestic assets	10.6	6.5	15.8	7.5	6.5
Net credit to the government	3.7	4.6	9.8	0.0	2.6
Central bank	-0.3	1.4	1.9	-0.9	-0.7
Banks	4.0	3.1	7.9	0.9	3.2
Credit to the economy	7.8	4.1	6.0	5.1	4.6
Broad money	13.5	11.0	21.4	7.4	8.2
			(Changes in percent of previous end-of-year)		
Net foreign assets	15.3	22.9	25.7	2.3	7.7
Net domestic assets	13.1	8.1	20.1	9.5	8.3
Net credit to the government	17.0	20.4	40.0	19.6	8.2
Central bank	-6.3	35.5	37.6	-13.4	-14.4
Banks	23.8	16.9	40.6	27.9	12.0
Credit to the economy	11.3	6.1	9.2	6.8	8.0
Broad money	13.5	11.0	21.4	7.9	8.2

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

Table 5. Côte d'Ivoire: Financial Soundness Indicators for the Banking Sector, 2015–20

(Percent; unless otherwise indicated)

	2015	2016	2017	2018 June	2018 December	2019 June	2019 December	2020 June
Capital adequacy								
Regulatory capital to risk-weighted assets (CAR)	8.7	7.9	9.0	8.9	9.5	10.2	10.5	11.5
Regulatory tier 1 capital to risk-weighted assets	7.1	6.9	7.9	8.2	8.6	9.2	9.7	10.7
General provisions to risk-weighted assets	9.5	7.1	6.6	6.0	5.7	5.6	6.0	5.8
Capital to total assets	3.9	4.3	5.1	5.8	6.3	6.5	6.2	7.1
Asset quality								
Total loans to total assets	57.1	57.3	57.3	56.6	58.8	56.2	57.0	51.6
Concentration: Loans to the 5 biggest borrowers to capital	145.8	129.1	108.9	98.4	87.4	68.4	66.5	54.2
Sectoral composition of loans [1/]								
Agriculture, forestry and fisheries	5.9	6.4	8.0	8.2	9.2	6.2	4.7	5.8
Extractive industries	2.3	2.2	1.5	1.1	0.5	0.2	0.4	0.3
Manufacturing industries	25.1	24.1	23.9	21.7	23.0	22.1	20.5	18.7
Electricity, water, gas	6.3	8.4	11.2	12.1	13.2	9.0	9.0	10.7
Construction, public works	3.3	5.9	6.0	5.8	5.4	6.9	6.4	5.4
Commerce, restaurants, hotels	31.6	27.3	21.9	25.4	25.9	27.4	30.2	32.0
Transport, storage and communications	9.3	11.4	13.9	14.1	9.3	12.7	12.9	11.3
Insurance, real estate, business services	11.4	8.5	7.9	7.1	9.0	9.3	9.9	11.3
Miscellaneous services	4.8	5.8	5.7	4.5	4.5	6.3	6.1	4.6
Non-performing loans to total gross loans	10.4	9.1	9.8	8.5	9.3	8.3	8.4	9.1
General provisions to non-performing loans	66.6	70.5	63.0	75.8	64.9	72.3	70.2	70.7
Non-performing loans net of provisions to total loans	3.7	2.9	3.8	2.2	3.5	2.4	2.7	2.9
Non-performing loans net of provisions to capital	54.2	37.6	43.0	21.4	32.5	21.3	24.4	20.9
Earnings and profitability [2/]								
Average cost of borrowed funds	2.0	2.1	2.1	...	1.9	...	0.4	...
Average interest rate on loans	9.2	8.9	8.6	...	7.7	0.0	6.8	...
Average interest rate margin [3/]	7.2	6.8	6.5	...	5.8	0.0	6.4	...
Return on assets (ROA) net of tax	1.4	1.6	1.4	0.8	1.3	0.0	1.7	...
Return on average equity (ROE) net of tax	24.5	29.2	21.5	9.6	16.5	0.0	20.2	...
Non-interest expenses to net banking income	59.6	57.5	55.6	53.2	59.3	0.0	56.1	...
Personnel expenses to net banking income	26.3	25.5	23.8	23.8	25.4	0.0	24.0	...
Liquidity								
Liquid assets to total assets	35.5	33.7	32.0	31.4	31.7	28.9	29.6	26.7
Liquid assets to total deposits	48.6	48.1	46.9	44.2	46.0	43.0	42.6	38.3
Total loans to total deposits	84.1	87.2	89.5	85.3	90.7	89.2	87.2	78.8
Total deposits to total liabilities	72.9	70.2	68.2	71.0	68.9	67.1	69.4	69.9

Source: BCEAO.

1 / Provisional data reported in accordance with Basel II / III prudential norms.

2 / Income statement items at semi-annual frequency.

3 / Excluding tax on banking transactions.

Table 6. Côte d'Ivoire: Indicators of Capacity to Repay the Fund, 2021-30

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Total Repayment based on Existing Credit 1/										
In millions of SDRs	133.2	134.0	359.9	366.6	198.9	196.1	174.2	139.0	104.0	34.6
In billions of CFA francs	103.6	103.2	275.8	280.2	151.9	149.7	133.0	106.1	79.4	26.4
In percent of government revenue	1.9	1.7	4.1	3.9	2.0	1.8	1.5	1.1	0.8	0.2
In percent of exports of goods and services	1.2	1.2	3.0	2.8	1.4	1.3	1.1	0.8	0.6	0.2
In percent of total external debt	0.9	0.8	2.1	2.0	1.0	1.0	0.8	0.6	0.4	0.1
In percent of GDP	0.3	0.3	0.6	0.6	0.3	0.3	0.2	0.2	0.1	0.0
In percent of quota	20.5	20.6	55.3	56.4	30.6	30.2	26.8	21.4	16.0	5.3
Outstanding Fund credit										
In millions of SDRs	1,671.5	1,547.7	1,197.1	836.9	641.8	448.4	276.0	138.0	34.4	0.0
In billions of CFA francs	1,300.0	1,192.0	917.5	639.7	490.0	342.3	210.7	105.3	26.3	0.0
In percent of government revenue	23.5	19.3	13.7	8.8	6.3	4.1	2.4	1.1	0.3	0.0
In percent of exports of goods and services	15.7	13.6	9.8	6.4	4.6	3.0	1.7	0.8	0.2	0.0
In percent of total external debt	11.1	9.5	6.9	4.6	3.4	2.2	1.3	0.6	0.1	0.0
In percent of GDP	3.5	2.9	2.1	1.4	1.0	0.6	0.4	0.2	0.0	0.0
In percent of quota	257.0	238.0	184.1	128.7	98.7	68.9	42.4	21.2	5.3	0.0
Memorandum items:										
Exports of goods and services (billions of CFA francs)	8,290	8,747	9,327	10,066	10,737	11,442	12,181	13,054	13,944	14,901
Government revenue and grants (billions of CFA francs)	5,523	6,178	6,713	7,268	7,745	8,269	8,898	9,613	10,378	11,170
Quota	650,400,000	650,400,000	650,400,000	650,400,000	650,400,000	650,400,000	650,400,000	650,400,000	650,400,000	650,400,000
Total External Debt (billions of CFA francs)	11,759	12,534	13,256	13,891	14,581	15,471	16,416	17,286	18,201	19,127

Sources: IMF staff estimates and projections.
1/ includes principal and charges

Annex I. Risk Assessment Matrix[1]

Sources of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
External risks			
Unexpected shift in the Covid-19 pandemic (asynchronous progress, prolonged pandemic or faster containment).	**Medium**	**High** Limited access to vaccines and protracted outbreak could reduce growth, worsen the external and fiscal positions, increase debt vulnerabilities, and poverty.	Reintroduce containment and mitigation measures; improve support to affected firms and households; step-up efforts to acquire the vaccine.
Widespread social discontent and political instability.	**High**	**High** Social discontent and political instability could lower trade flows, reduce exports and FDI, and negatively affect growth and tax revenue.	Implement the economic plan to support the recovery in a transparent manner. Improve inclusiveness of government policies and the social safety net system.
Intensified geopolitical tensions and security risks	**High**	**Medium/High** The risk of spillover from tensions in the Sahel area put pressure on fiscal expenditure to increase security spending and could have adverse socio-economic effects.	Promote security, strengthen social safety nets, and facilitate job creation in the private sector. Necessary fiscal space could be obtained by increasing revenue.
Accelerating de-globalization.	**Medium**	**Medium/High** Increasing recourse to protectionist measures could lead to further fragmentation and less trade and potential growth.	Strengthen regional bond markets, rebuild fiscal buffers through domestic revenue mobilization, further improve public financial management, and design prudent public investment plans.
Sharp rise in global risk premia	**Medium**	**Medium/High** Sharp increases in risk premia could jeopardize access to international debt markets, increase funding and debt service costs, and lead to crowd-out of private sector credit via increased government reliance on domestic financing.	

[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 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.

Sources of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
Large swings in energy prices	**Medium**	**Medium** Large increases in global energy prices could lower fiscal revenues if price changes are not passed through to consumers, while higher domestic energy prices would raise production costs and general prices.	Adjust the retail fuel price mechanism to reflect world energy prices and monitor inflation. Mitigate the impact on the poor through temporary targeted fiscal transfers.
Decline in cocoa prices	**Medium**	**High** Lower cocoa prices would adversely impact cocoa producers, fiscal revenues, and economic growth.	Adjust regulated cocoa prices in line with the world market price. Mitigate the impact on the poor through temporary targeted fiscal transfers.
Higher frequency and severity of natural disasters	**Medium/ Low**	**High** Adverse weather conditions would reduce agricultural output and exports, lower cocoa tax revenues, increase subsidy needs, and reduce the population's living standards.	Mitigate the impact on the poor through temporary targeted fiscal transfers. Monitor second-round effects on inflation.
		Domestic risks	
Financial difficulties of public enterprises and banks	**Medium**	**Low/Medium** In the context of the COVID crisis, financial difficulties of public enterprises and/or banks could adversely impact the budget, the stock of public debt and the banking sector.	Restructure loss-making public companies; enhance monitoring of public enterprises; recapitalize and restructure ailing public banks.
Stronger reform momentum and confidence	**Medium**	**High** Strong reform momentum and confidence could boost private sector investment, productivity, growth, and domestic resource mobilization.	Implement accommodative policies to support growth, align with the regional convergence criteria, and reduce debt vulnerabilities.
Prolongation of the energy shortages	**Low**	**Medium** Prolonged energy shortages could reduce industrial production, construction activities, and tax revenue, and would increase prices.	Accelerate efforts to sustainably address the current situation and promote alternative source of energy.

Annex II. Status of the 2018 Article IV Main Recommendations

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

Policy Area	Fund Policy Recommendations	Status
Fiscal sector	1. Accelerate tax revenue mobilization to fund much needed infrastructure and adequate social safety nets while meeting budget deficit targets.	Partially implemented. Efforts to reform tax policy lost momentum in 2018 and 2019, with the tax-to-GDP broadly flat after having increased by 0.4 ppt of GDP in 2017. 2020 tax revenues mainly reflect the effect of the pandemic which has boosted fuel tax revenues but reduced most other tax revenues. In 2021, tax policy measures amount to 0.3 ppt of GDP, including repealing some exemptions, higher registration fee for cocoa exports, VAT rates and excises on non-basic products.
	2. Swiftly implementing a single tax identification number for businesses and, eventually, individuals.	Partially implemented. The authorities report to have attributed a STIN to 80 percent of large and medium-sized firms but are still in the process of re-registering firms previously registered with old identifiers and have not set up an efficient process to manage and connect databases yet.
	3. Overhaul the investment code and its tax incentives	Partially implemented. The revised Investment Code offers scope for foregone revenue from tax incentives, and these still continue to hamper revenue mobilization.
	4. Speed-up rationalization of exemptions	Partially implemented. The authorities adopted an action plan to reduce tax exemptions in 2019, and have since then let temporary tax exemptions expire, and removed some tax exemptions in 2021. However, a substantial share of the action plan remains to be implemented and exemptions remain widespread.
	5. Simplify the tax regime for small businesses	Partially implemented. The authorities have set up new tax regimes for small and medium business, establishing a threshold for VAT registration but this new regime also creates new thresholds and still needs some simplification.
	6. Full implementation of the Single Treasury Account	Partially implemented. An account which is designed to become the Treasury Single Account (TSA) became operational on June 3, 2019, for the central government. However, the authorities have created 4 extra-budgetary funds to manage the Covid-19 response plans and 1,217 accounts held at the BNI yet remain to be closed as of 5 March 2021.
	7. Swift restructuring of the energy sector	Broadly implemented. Following recent debt restructuring operations, the public refinery (*SIR*) and electricity company's (*CI-Energies*) have cleared most of their arrears to suppliers and reduced their financial costs. The government, *SIR*, and the state-owned petroleum company (*Petroci*) have also netted out cross-debts and arrears and agreed on a repayment schedule for remaining liabilities owed by *Petroci*. *SIR* and *CIEnergie* still need to generate the revenue needed to reimburse the debt issued to finance the restructuring.

Policy Area	Fund Policy Recommendations	Status
Banking sector	8. Address the remaining pockets of vulnerability in the financial system.	Partially implemented. The authorities are implementing their plans to restructure public banks and the cooperative system, but the process needs to be completed. The privatization of the *Banque de l'Habitat de Côte d'Ivoire (BHCI)* was recently reversed and most recapitalization and asset sales involved social security institutions.
Real sector	9. Improve the business environment to make private investment the main growth driver.	Broadly implemented. Côte d'Ivoire has made significant strides in improving the business environment, including through digitalization of tax and business services, strengthened contract enforcement, streamlining of business procedures, energy sector clean-up, and investments in transportation. This has resulted in an overall improvement in strong growth in private investment in 2018 and 2019. However, important obstacles to growth of the private sector remain and should be addressed through a continued ambitious reform program.
Statistics	10. Sustain progress in improving the quality and dissemination of economic statistics.	Partially implemented. With support of Fund TA, the authorities have rebased the national accounts (NA) for the period 2015-19, produced new high frequency indicators (HFIs), and elaborated a National Statistics Development Strategy (SNDS). However, the backcasting of the NA for years before 2015, the production and alignment of quarterly NA with rebased annual estimates and other HFIs—including the turnover index and the import and export prices indexes—have been delayed due to the pandemic and competing time demands of staff at the National Statistics Institute. The implementation of the SNDS and the publication of national accounts estimates have equally been delayed.
Debt Management	11. Limit the need for external financial resources to mitigate foreign exchange and rollover risks.	Broadly implemented. To diversify the currency composition of their debt portfolio and reduce exchange rate risk, the authorities issued euro-denominated Eurobond in 2019 and 2020. They also conducted liability management operations to extend the maturity of their debt instruments. Moreover, the authorities have substantially reduced the recourse to international markets in 2019 and 2020 relative to 2018, when they issued large Eurobonds. In the short and medium term, the authorities plan to further develop the domestic bond market and reduce the exchange rate risk in their sovereign debt portfolio. They aim to attract international asset managers to participate in and further develop the regional bond market, where banks from the WAEMU are currently the only active participants.

Annex III. External Sector Assessment[1]

Overall Assessment: Côte d'Ivoire's external position in 2020 was assessed to be broadly aligned with medium-term fundamentals and desirable policies. The current account (CA) gap is assessed at 0.9 percent.

A. Current Account

1. Background. Côte d'Ivoire's external current account balance has been widening since 2015, despite a temporary narrowing in 2019. In 2020 the current account deficit widened to 3.5 percent from 2.3 percent in 2019, mainly due to weaker external demand. Since the mid-2010s, nominal GDP has been increasing more rapidly than exports and imports, implying an increasingly important contribution of domestic demand to growth. Staff projects the current account deficit to hover around 3½ percent of GDP by 2026, reflecting both improved exports and strong imports supported by domestic demand.

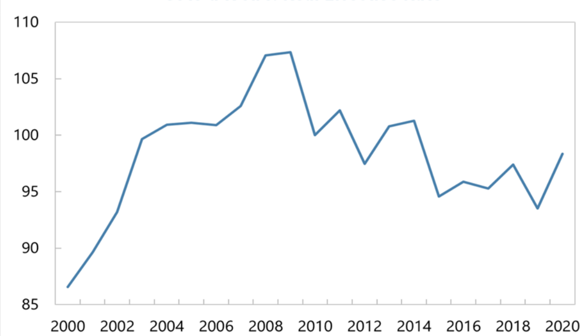
2. Assessment. The EBA-lite current account model indicates a current account gap of 0.9 percent of GDP in 2020. The current account gap is driven by a policy gap of 2 percent of GDP, which mainly reflects the relatively larger fiscal expansion in advanced economies. A model-based analysis suggests a norm of -4.0 percent of GDP for the cyclically adjusted current account deficit. Assuming an elasticity of the current account balance with respect to the exchange rate of -0.16, the real exchange rate would need to appreciate by 5.4 percent to eliminate the gap between the norm and the actual current account.

Côte d'Ivoire: Model Estimates for 2020
(Percent of GDP)

	CA model	REER model
CA-Actual	**-3.5**	
Cyclical contributions (from model) (-)	-0.4	
COVID-19 adjustor (+) 1/	-0.2	
Additional temporary/statistical factors (+)	0.0	
Natural disasters and conflicts (-)	-0.1	
Adjusted CA	**-3.1**	
CA Norm (from model) 2/	**-4.0**	
Adjustments to the norm (+)	0.0	
Adjusted CA Norm	**-4.0**	
CA Gap	**0.9**	**0.3**
o/w Relative policy gap	2.1	
Elasticity	-0.16	
REER Gap (in percent)	**-5.4**	**-1.9**

1/ Additional cyclical adjustment to account for the temporary impact of the pandemic on oil trade balances (-0.09 percent of GDP) and on tourism (-0.2 percent of GDP).
2/ Cyclically adjusted, including multilateral consistency adjustments.

Côte d'Ivoire: Real Effective Rate



Sources: IFS

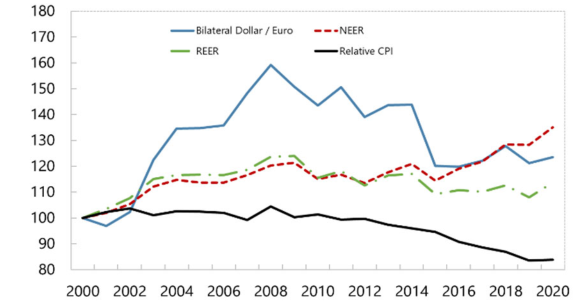
B. Real Exchange Rate

3. Background. After appreciating in the first decade of the 2000s, the CFAF had depreciated by 16 percentage points over 2009-2019 in real terms, due to the nominal depreciation of the Euro against the USD combined with low inflation in CIV compared to trading partners. In 2020 however, the CFAF appreciated by 5 percent reflecting the nominal appreciation of the Euro vis-à-vis the USD.

[1]Prepared by Anna Fruttero and Jiangyan Yu.

4. Assessment. The EBA-Lite Rear Exchange Rate model – based on a reduced form equation of the REER – suggests that the real exchange rate was undervalued by 1.9 percent in 2020 and that the corresponding current account gap was of 0.3 percent of GDP. Overall, the estimates using the CA and the REER models show a moderate degree of undervaluation of the real effective exchange rate.

Cote d'Ivoire: Evolution of the REER and its components, 2000-2020
(Indices, 2000=100)

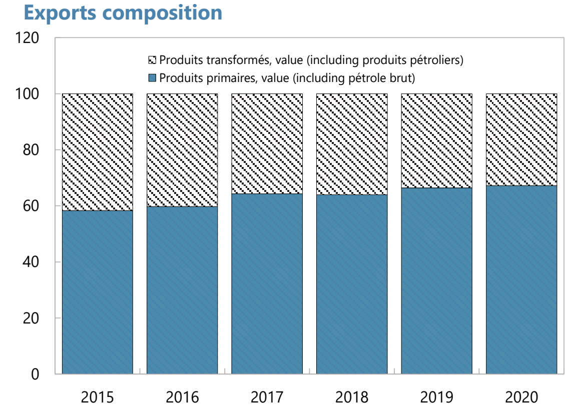


Sources: IMF IFS Database; IMF INS Database

C. Trade Performance and Competitiveness

5. Trade performance. As the rest of the WAMEU region, in the past decade, Cote d'Ivoire has experienced a deterioration of the current account deficit and a declining ratio of exports to GDP from around 25 percent in 2015 to 20 percent in 2020, while its global market share had remained stable. The evolution of the composition of exports suggested limited transformation in production structure of the economy. Over the last five years, exports of primary products have increased from around 58 to 67 percent of total exports.

Exports composition



Sources: Ivorien authorities and Staff

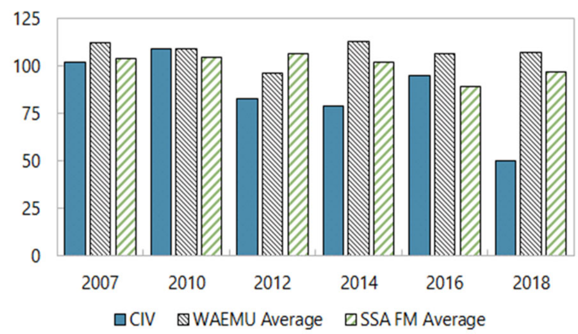
6. Competitiveness has improved but Côte d'Ivoire should continue addressing structural constraints.[2] The logistics performance index (LPI) indicates substantial improvement in 2018 (left chart below). The LPI, which ranks 160 countries on various dimensions of trade including customs performance, infrastructure quality, and timeliness of shipments, shows that the ranking for

[2]Structural competitiveness is captured by Logistics Performance, and Governance Indicators, which are measures of perceptions of the investment climate and governance. Logistics Performance combines data on six cores of logistics performance including the efficiency of customs and border clearance, and the quality of trade and transport infrastructure into a single aggregate indicator of logistics sector performance. Governance Indicators are measured by Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law, Control of Corruption. Voice and Accountability captures perceptions of the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and a free media. Political Stability and Absence of Violence measures perceptions of the likelihood of political instability and/or politically motivated violence. Government Effectiveness assesses perceptions of the quality of public services. Regulatory Quality evaluates perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. Rule of Law measures perceptions of the extent to which agents have confidence in and abide by the rules of society. Control of Corruption captures perceptions of the extent to which public power is exercised for private gain. Caution is needed when interpreting the results as they may be affected by sample size, questionnaire wording and design, nonresponse bias, and availability of information.

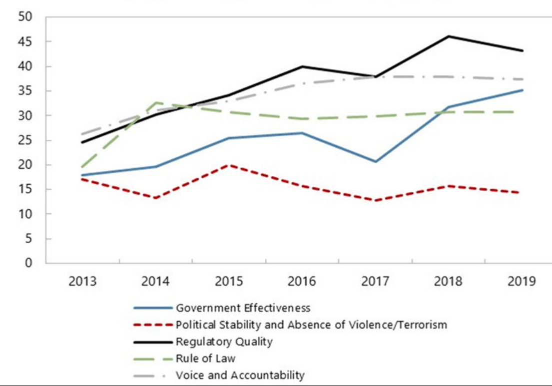
Côte d'Ivoire has improved between 2016 and 2018, while comparator countries in WAEMU and Sub-Saharan frontier markets have not made much progress. Governance indicators, as measured by the Worldwide Governance Indicators (right chart below), demonstrate that Côte d'Ivoire has made significant progress in government effectiveness, regulatory quality and voice and accountability in recent years.

Côte d'Ivoire: Logistics and Governance Indicators

Overall Logistics Performance Index
(Rank, 2007-2018)



Worldwide Governance Indicators
(Percentile Rank: 0-100; 100 is best)



Sources: Worldwide Governance Indicators, and World Bank.

Annex IV. IMF Technical Assistance[1]

An extensive agenda of IMF Technical Assistance (TA) has supported the ECF/EFF-supported program's objectives in line with the 2016-2020 National Development Plan, to strengthen the fiscal position and domestic revenue mobilization, and to build resilience to shocks. The implementation of TA recommendations has been uneven. Actions to enhance custom administration and public finance management have been relatively more sustained than those targeted at improving the design of the tax system and domestic tax administration.

1. To create fiscal space by boosting tax revenue and mobilization, containing current spending and improving the efficiency of outlays, the following TA was provided:

2. *Tax Policy*: Recent TA focused on the VAT, the informal economy, property taxation and income taxation.[2] It recommended a multi-year strategy, expanding the VAT base including through gradual taxation of the agricultural sector, simplifying income taxation and rationalizing investment tax incentives including through better targeting and clearer design. From 2018 to 2021, tax rates on beverages and tobacco have been more closely aligned with regional directives, in line with TA advice. The March 2019 plan to rationalize exemptions built on some of the TA recommendations. The 2021 budget removes some exemptions and widens the VAT base in the agricultural sector.

3. *Revenue Administration*: TA has aimed at improving monitoring, supervision, control, and risk analysis. Recommendations have focused on these three main aspects:

- *Modernizing tax and customs administration* through targeted streamlining of the tax registry and improving the IT system. A binding VAT threshold was recommended as key to improve administration performance over the medium term.[3] For customs, recommendations focused on dematerializing clearance procedures, simplifying and strengthening the monitoring of transit and special procedures, and optimizing control of values.[4] Progress includes *(i)* the introduction of a threshold for VAT registration in 2021, *(ii)* risk analysis integration in the tax audit system, *(iii)* mandating certified financial statements from firms, *(iv)* restructuring the *Direction Générale des Impôts* (DGI) including establishing Medium Taxpayer Offices, *(v)* introduction of customs data mirror analysis and using the results for audits and inspections, *(vi)* cleansing the taxpayer database and improving the taxpayer census,

[1]Prepared by Jean-Marc Fournier.

[2]Rota-Graziosi, G. G. Gilbert, and S. Leduc (2018). "Côte d'Ivoire. La Taxe sur la valeur ajoutée, la fiscalisation du secteur informel et l'impôt foncier." IMF Technical Assistance Report, October and Leduc, S., J.-F. Brun and B. Laporte (2020). "République de Côte d'Ivoire. Fiscalité des entreprises et des personnes physiques" IMF Technical Assistance Report, January.

[3]Schlotterbeck et al. (2019). "Modernisation de la DGI, bilan et perspectives", IMF Technical Assistance Report, December.

[4]Montagnat-Rentier, G., J. Clark, M. Siqueira, and P.-A. Wandja (2020) "Côte d'Ivoire. Poursuite de la modernisation de l'administration douanière" IMF Technical Assistance Report, February. Camaraire, H. and M. Hudon (2021). "Modernisation de l'administration douanière : amélioration de l'exploitation des données, de la conformité volontaire aux règles, et du contrôle et du suivi des exonérations" IMF Technical Assistance Report, May.

(vii) modernization of VAT refund processing, and *(viii)* transferring to customs the value analysis function.

- *Digitalizing the tax administration.* TA activities are focused on electronic tax payments, the capacity to collect and analyze tax data, implementing a single taxpayer identification number, securing digital transactions and extracting performance indicators.[5] Following the 2018 Hackathon with actors from the private and public sectors, the VAT e-filling rate for large and medium firms has increased from one third in 2017 to four fifth in 2018. The new IT system (SIGICI) has been rolled out in all DGI offices. All new firms now receive a unique tax identification number and the re-registration of existing large and medium firms is on-going. A long-term expert has been supporting the tax administration in the implementation of this digitalization strategy since June 2019. From 2020, the customs administration has developed and started to implement its digitalization plan.

- *Modernizing the management of human resources* through redesigning managerial procedures and staff evaluation guidance, enhancing skills and competencies, reducing fragmentation, improving communication and relationships with taxpayers.[6]

4. ***Public Financial Management***: TA has focused on fiscal transparency and accountability, fiscal risks, public investment management and budget preparation and execution. The main activities targeted the following areas:

- *Increasing transparency of public finance* through strengthening the framework for cash advances, consolidating the Treasury Single Account,[7] curbing the recourse to unorthodox spending procedures, improving information-sharing and controls across government units, integrating cash and debt management, building a state opening balance sheet, transitioning toward accrual accounting,[8] extending coverage of financial reporting, improving data availability and compatibility, and enhancing internal and external communication within administration entities and with the general public. Progress include the publication of the citizen budget, a cash advance management module used to earmark allocations by ministry, the Integrated Public Financial Management System, and closing some of the commercial bank accounts.

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[5]Jarry-Bouabid, A.-C. (2019). "*Côte d'Ivoire. Indicateurs de Performance de l'Administration Fiscale Ivoirienne*." IMF Technical Assistance Report, August.

[6]Andre, N. (2019). "Côte d'Ivoire. Poursuite de la modernisation de la gestion des ressources humaines à la Direction Générale des Impôts." IMF Technical Assistance Report, February-March.

[7]Uguen, M.-C., A. Benbrik, J.-L. Steylaers and C. Wendling (2020). "Renforcer la gestion de trésorerie et opérationnaliser le Compte Unique du Trésor. " IMF Technical Assistance Report, March and Uguen, M.-C., A. Benbrik and J.-L. Steylaers (2021). "*Appui à la consolidation du Compte Unique du Trésor et à l'amélioration de la gestion de trésorerie*" IMF Technical Assistance Report, April.

[8]Uguen, M.-C., and P. Roumegas (2021), "*Appui à l'élaboration des nouveaux états financiers en comptabilité en droits constatés*" IMF Technical Assistance Report, June.

- *Enhancing management of fiscal risks related to SOEs, PPPs, local governments, and extra-budgetary funds* through their more systematic identification, analysis, and communication, and strengthening the strategic role and capacities of the General Directorate of the State Portfolio (DGSP). Progress includes improving management of fiscal risk related to PPPs and SOEs (including regular publications),[9] strengthening of DGSP capacities and communication. The regular publication of fiscal risks statement is an example of best regional practices.[10]

- *Reinforcing the surveillance and management of SOEs* (beginning with the largest ones) through the development of monitoring tools, stronger oversight of performance contracts, greater accountability of all stakeholders, and gathering data to integrate SOEs in the Debt Sustainability Analysis (DSA).[11] The authorities are producing a summary table on SOEs debt service and a quarterly dashboard of SOE's financial indicators.

- *Strengthening Public Investment Management* through tighter coordination on the National Development Plan between the central government and local governments, better integration between planning and budgeting, intensified risk monitoring (e.g., control of recurrent investment costs), and more credible planning and budgeting.[12]

- *Enhancing budget preparation and execution processes* through better forecasting of budget spending and revenues,[13] strengthening conjunctural analysis capacity,[14] and support in the transition towards program budgeting starting in 2020.[15]

5. To help foster a sustainable level of public debt, TA also centered on strengthening debt management and sharpening tools for debt sustainability assessment (DSA).

6. *Debt management*: The authorities received support in developing and implementing a Medium-Term Debt Management Strategy, which informed the need to lengthen the maturity of domestic debt and increase the share of external debt denominated in Euros as opposed to U.S. dollars. It was recommended to reflect evolving market conditions more closely, improve the

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[9]The authorities publish an annual report on the economic and financial situation of SOEs (*rapport annuel sur la situation économique et financière des entreprises publiques*), and an annual council of ministers communication on fiscal risks related to SOEs.

[10]See for instance the Annex 13 to the 2021 Budget Law « Annexe 13 : Déclaration sur les risques budgétaires 2021 – 2023. »

[11]Deville, X., S. Sissoko and N. Kacou (2020). "Rapport sur la mission d'assistance technique en statistiques de finances publiques et statistiques de la dette du secteur public." IMF Technical Assistance Report, April.

[12]Kone, B. and E. Du Payrat (2019). "Côte d'Ivoire. Quatrième mission d'appui a la mise en œuvre des Autorisations d'engagement et Crédits de paiement." IMF Technical Assistance Report, July.

[13]Djoret, B. T. and H. Vu (2021), "Renforcer les Prévisions Budgétaires", IMF Regional Workshop.

[14]Djoret, B. T. and D. Ladiray (2021), "Renforcer les capacités d'analyse de la conjoncture", IMF Technical Assistance Report.

[15]Vu, H. and C. Moret (2021). "Renforcement de la capacité relative à l'élaboration des rapports annuels de performance" IMF Technical Assistance Report.

communication, broaden the investor base and develop the regional market for sovereign debt. The authorities also received training on the new DSA framework.

7. To better inform economic policy, TA was delivered to strengthen the statistical system.

8. *Statistics*: TA in national accounts is contributing to improvement in the quality of quarterly national accounts and compilation of new high-frequency indicators of economic activity, and intensive TA was delivered to assist the National Statistics Institute (INS) in the rebasing of GDP from 1996 to 2015 and the elaboration of the new national accounts according to the SNA 2008 methodology.[16] TA is also helping to improve statistics of the Balance of Payments, including for trade in goods and services and the international investment position.[17] Beyond recommendations regarding the technical treatment of data, TA recommendations called for better coordination of production and sharing of statistics across the various stakeholders involved and for the INS to carefully document and make public the methodology underlying the recent rebasing of national accounts. TA in fiscal statistics is focused on integrating local governments and extrabudgetary units in the fiscal accounts according to GFSM 2001/2014[18] and also on expanding coverage of debt statistics to include major state owned enterprises, which will be critical for monitoring fiscal risks. TA continues to support improvements to external sector statistics, including via a recent virtual mission that assisted the authorities to improve consistency between gross external debt liabilities reported in the international investment position and the World Bank's Quarterly External Debt Statistics database, to compile the International Reserves and Foreign Currency Liquidity Template, and to improve the timeliness of annual external sector data, all of which will support the external balance assessment.

[16]Ndiaye, F. (2020). "*Côte d'Ivoire. Rapport de Mission d'Assistance Technique en Statistiques de Comptabilité Nationale*". IMF Technical Assistance Report, forthcoming.

[17]Fiévet, René (2020). "*Côte d'Ivoire. Rapport de la Mission d'Assistance Technique sur les Statistiques du Secteur Extérieur*". IMF Technical Assistance Report, forthcoming.

[18]Kacou, N. (2020) "*Travaux d'élargissement du champ de couverture des Statistiques de finances publiques selon le MSFP 2014*", IMF Technical Assistance Report, forthcoming.

Annex V. Growth Accounting: Methodology and Assumptions[1]

This annex presents the methodology for a growth accounting exercise for the period 1980-2026 and the results. The growth accounting helps to better understand the sources of growth in the last decade and also to forecast future growth based on expected policies.

1. We assume a standard production function where Y_t is GDP, A_t is the total factor productivity, K_t is the capital stock, and $h_t L_t$ is the effective labor used in production, which is further decomposed as human capital H_t, and the number of workers L_t. The production function is:

$$Y_t = A_t K_t^{1-\beta} (H_t L_t)^{\beta} \quad (1)$$

With the share of the labor force β assumed to be 2/3.

2. In this analysis, we use per capita growth rates. $L_t = \vartheta_t w_t N_t$, where ϑ_t is the participation rate (labor force/working age population), w_t is the working age population-to-total population, and N_t is the total population. We can divide Equation (1) to get all variables in per capita terms.

$$y_t = \frac{Y_t}{N_t} = A_t \vartheta_t w_t k_t^{1-\beta} H_t^{\beta} \quad (2)$$

With y_t being output per capita, k_t capital per worker.

The capital stock is calculated:

$$K_{t+1} = (1-\delta) K_t + I_t \quad (3)$$

Where I_t stands for investment and δ is the depreciation rate.

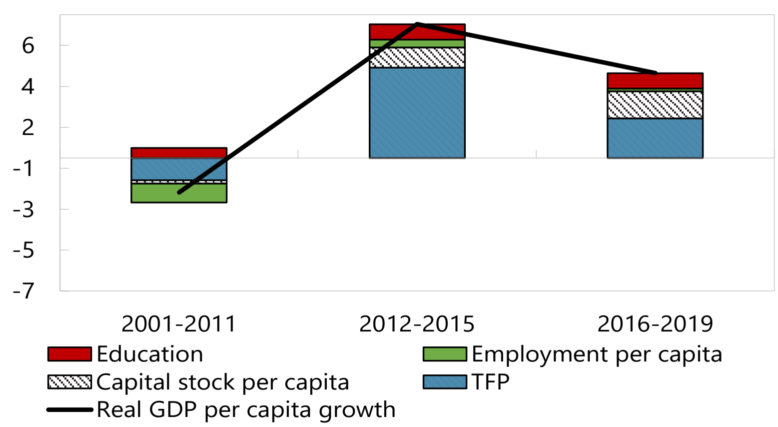
3. Regarding the data sources, real GDP per capita data is from the IMF's WEO. To calculate the initial capital stock, we assume a ratio of capital stock to GDP of 2.6 in 1979 (in line with the Penn World Table (PWT) 9.1). The capital stock in the subsequent years is estimated using the formula in equation (3), with investment (real gross fixed capital formation) from the IMF's WEO. Employment (number of persons engaged), human capital (proxied by the human capital index), the depreciation rate of the capital stock and population data are from PWT 10.0.

4. Figure A5.1 presents the growth decomposition results for 2001-2019, which covers the civil war period and the latest actual economic growth data. It shows that TFP was negative during the civil war period (2001-2011), and significantly increased in 2012-15 as the country recovered from the lost decade. However, TFP slowed down by half in 2016-19, as the initial upswing in growth after the lost decade started to normalize. Regarding capital stock, its contribution to growth was also negative during the civil war, but it has significantly improved in the post-conflict

[1]Prepared by Rasmane Ouedraogo.

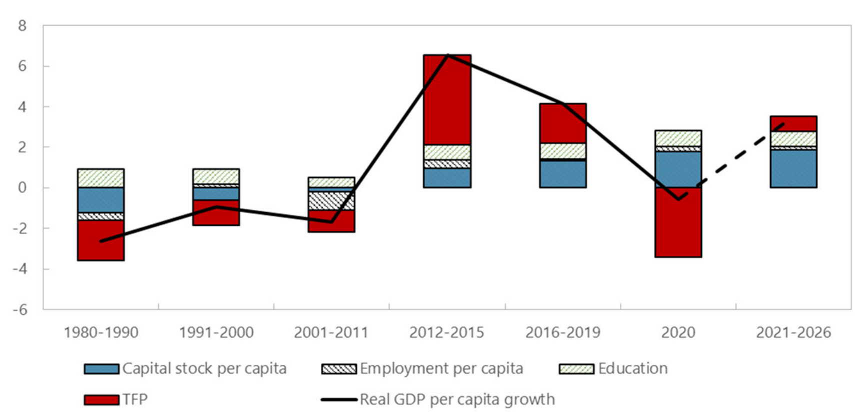
period. The contribution of education was positive throughout the period and remained broadly flat, while that of employment recovered from the civil war but remained small.

Figure A5.1. GDP per Capita Growth Decomposition, 2001-19



5. **Figure A5.2 incorporates 2020 and the projections period 2021-26, and also some historical data before the civil war**. We observe that even before the civil war, the contribution of TFP was negative, underlining productivity weaknesses in the country. In 2020, TFP was down significantly, capturing mainly the temporary decline in GDP below potential as a result of the pandemic. However, the contribution of capital stock remained strong as the authorities increased public investment in their response to the health and economic crisis. Going forward, capital deepening is expected to remain a strong driver of economic growth, fueled mostly by private investment; TFP is expected to recover from the pandemic and return to positive growth, as the authorities are expected to continue a policy reform agenda and thus boost productivity.

Figure A5.2. GDP per Capita Growth Decomposition, 1980-2026

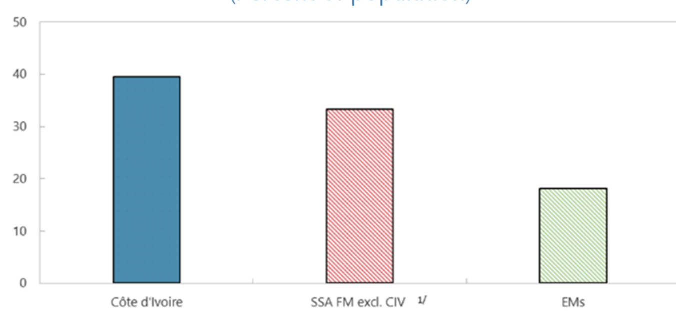


Annex VI. Poverty Reduction and Economic Opportunities in Côte d'Ivoire—Trends and Challenges Going Forward[1]

The poverty rate has declined in recent years in Côte d'Ivoire but remains high compared to emerging markets and SSA frontier market economies. However, there has been uneven progress, as rural areas experienced an increase in the poverty rate between 2015 and 2018, unlike urban areas. Some regions have also seen poverty increase. While the strong growth record over the past decade played a significant role in reducing poverty, the growth elasticity of poverty remains lower than the average for SSA. Government efforts to improve living conditions have resulted in a sustained increase in access to basic services and improvements in health outcomes. Yet, the Covid-19 pandemic is threatening to reverse gains of the last decade. The measures taken by the authorities to reinforce the social protection system and provide financial assistance to vulnerable populations are welcome. The most recent available data may not fully reflect neither the positive effects of the PSGouv program nor of the pandemic. Going forward, more targeted efforts will be needed to continue improving social protection coverage and tackling poverty in rural areas.

1. **Poverty and inequality declined between 2015 and 2018, but Côte d'Ivoire still lags behind peers in EM and FM economies**.[2] After the decade-long civil war and the 2010-11electoral crisis, in 2011 more than half of the population (55 percent) was in poverty compared to 10 percent in 1985 (Figure A6.1). The return of peace and sustained growth were accompanied by a significant reduction in poverty. Between 2015 and 2018 more than 197 thousand people were lifted out of poverty, which lowered the poverty rate to 39.4 percent. Extreme poverty also declined from 16.3 percent in 2015 to 11.6 percent in 2018. Over the same period, per capita consumption grew by 6.5 percent for the bottom 20 percent of the population while it declined by 2.3 percent for the richest 20 percent, which contributed to reducing inequality. The Gini index dropped from 41 percent to 35 percent between 2015 and 2018 and remained close to FM economies in SSA but worse than EM economies. In addition, the poverty rate remains high in Côte d'Ivoire compared to peer EM and FM economies.

Poverty Headcount Ratio at National Poverty Lines
(Percent of population)



1/ SSA FMs: Sub Saharan African Frontier Markets including: Angola, Cote d'Ivoire, Ethiopia, Gabon, Ghana, Kenya, Mauritius, Mozambique, Nigeria, Rwanda, Senegal, Tanzania, Uganda, Zambia.
Source: World Bank

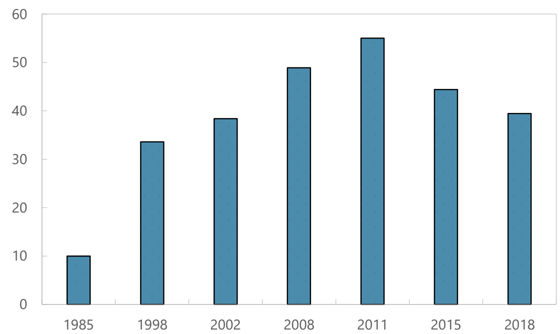
[1]Prepared by Anna Fruttero and Rasmane Ouedraogo.

[2]Poverty refers to monetary poverty computed using a harmonized methodology at the regional level.

Figure A6.1. Poverty Rate in Côte d'Ivoire, Frontier and Emerging Markets[1/]

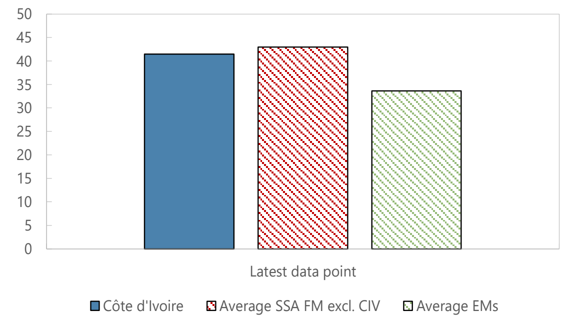
The poverty rate has declined in 2015 and 2018.

Poverty Rate
(Percent of total population)



Income inequality is high compared to EM economies

Gini Index
(World Bank estimate)



Source: World Bank

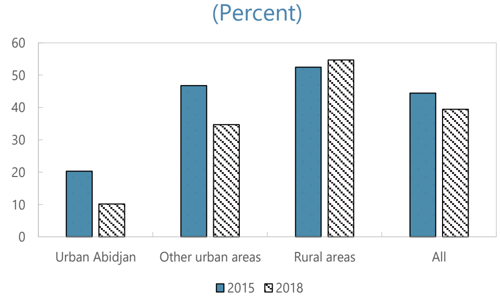
1/ SSA FMs: Sub Saharan African Frontier Markets including: Angola, Cote d'Ivoire, Ethiopia, Gabon, Ghana, Kenya, Mauritius, Mozambique, Nigeria, Rwanda, Senegal, Tanzania, Uganda, Zambia.

2. **Moreover, progress has been uneven, with increases in poverty in rural areas and some regions, as well as staggering income inequality in cities**. In urban areas, the poverty rate declined by 11.7 percentage points (or 1 million people) between 2015 and 2018, while it increased by 2.4 percentage points (or 825 thousand people) in rural areas. The reduction in the poverty rate in urban areas was concentrated in Abidjan, which accounts for around one-third of people lifted out of poverty. In terms of regional disparities, the poverty rate declined by more than 20 percentage points in some regions (Folon, Bagoue and Gbeke), particularly those in the Northern regions, while it increased by more than 10 percentage points in Southeastern regions (San-Pedro, Cavally and Agneby-Tiassa) (Figure A6.2). In 2018, the richest 20 percent of the population in Abidjan claimed 68 percent of total consumption against 0.8 percent of the poorest 20 percent.

Figure A6.2. Poverty Rate by Region

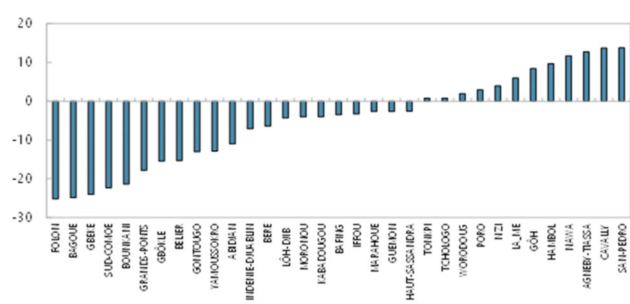
Urban areas experienced a decline in poverty rate unlike rural areas.

Poverty Rate in 2015 and 2018
(Percent)



The change in poverty rate was uneven across regions.

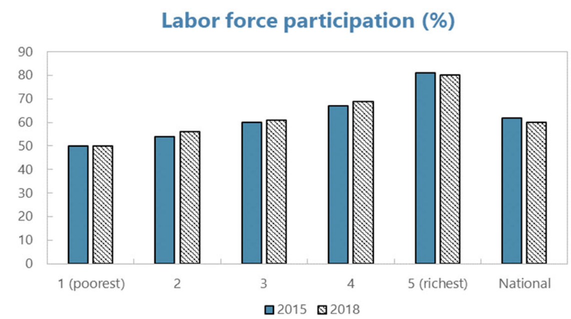
Percentage Point Change in Poverty Incidence



Source: World Bank.

3. Poverty has been more responsive to economic growth than in the past, but not as much as in other countries in the region. Economic growth was on average 9 percent between 2012-15 and 7.1 percent between 2016-18. According to the World Bank (2021, forthcoming), the impact of economic growth on poverty reduction has improved in recent years. During the period 2008-15, a 10 percent increase in GDP per capita growth resulted in a decline of the proportion of poor people by 4.3 percent. This has increased to 7.1 percent in 2015-18. Still, the growth elasticity of poverty is low compared to the average for Sub-Saharan Africa, for which a 10 percent per capita GDP growth is associated with a 19 percent reduction in poverty. The low elasticity could be due to the lack of job opportunities and low inclusion of the most vulnerable (Figure A6.3) (World Bank, 2021, forthcoming).

Figure A6.3. Labor Force Participation

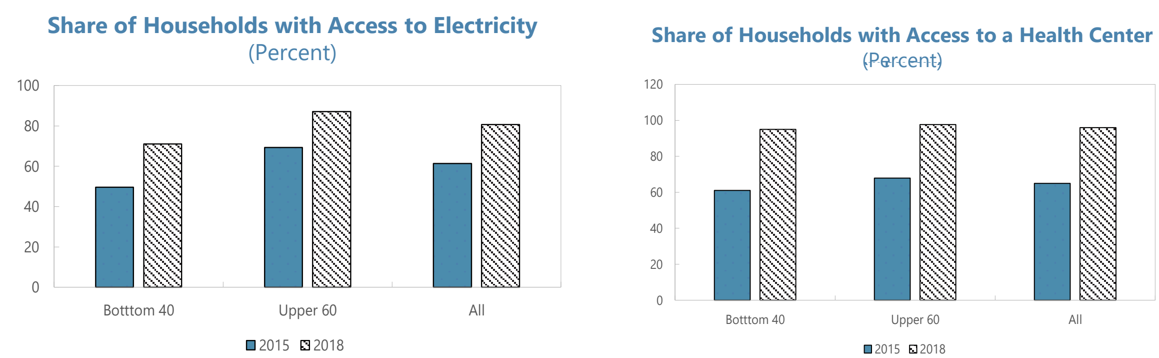


Source: Ivoirian authorities

4. Continued government efforts to improve living conditions have resulted in a sustained increase in access to basic services and improvements in human capital outcomes. The share of the bottom 40 percent who have access to electricity increased from 50 percent to 71 percent between 2015 and 2018, and access to health infrastructure increased from 58 percent to 91 percent during the same period (Figure A6.4).

Figure A6.4. Access to Basic Services

Access to electricity has improved... *...as well as access to health infrastructure.*



Source: World Bank

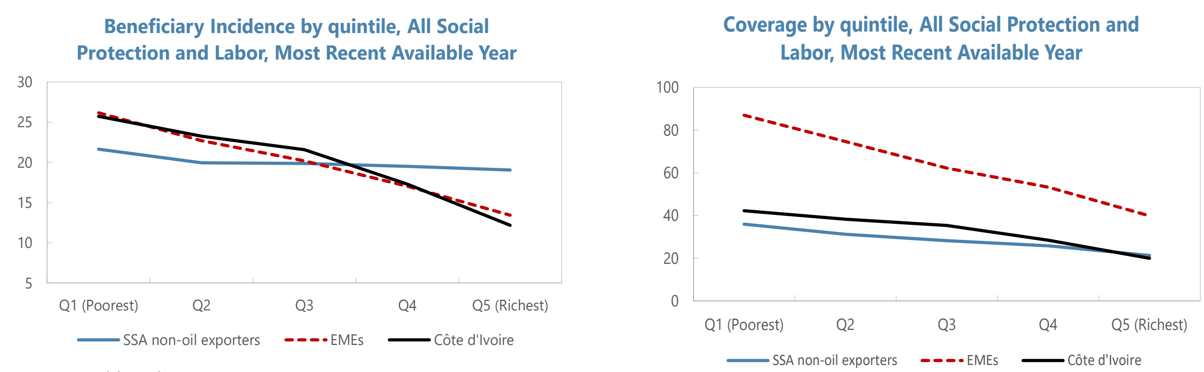
5. The Covid-19 pandemic is likely to reverse the gains made in poverty reduction in the last decade and the new poor have distinct characteristics. Surveys conducted by the World Bank in April and October 2020 suggest that the impact of the pandemic on poverty is significant but declining. Households across the income distribution have experienced a reduction in consumption, with the strongest decline among richer households. Urban households, in particular in Abidjan and those working in the informal sector, have been more affected by the crisis.

Estimates point to an increase in poverty between 2.1 and 3.6 percentage points nationally. Analysis by the World Bank also suggests that the negative effects on poverty and inequality may extend and intensify in the medium term.[3] Moreover, those driven into poverty by the pandemic may differ from the existing poor in that they are likely to be predominantly urban, working in services and informal businesses. Thus, targeted policies will be essential (Nguyen et al. 2020).

6. **Capitalizing on the success of the social program (PSGouv), strengthening the social protection system will be essential to avoid scarring from the pandemic and to make further progress in reducing poverty**. Since the launch of its Social Program (PSGouv 2019-20), the government has been pursuing a proactive social policy to reduce poverty and social inequality, having prioritized projects with high social impact in the areas of employment, health, education, housing, and access to water and electricity. The implementation of the emergency cash transfer program should foster the development of an adaptive social protection system able to adapt and respond to emergency situations following e.g., natural disasters.[4] The development of a management information system that tracks the beneficiaries of the emergency program and the cash transfers could provide a useful instrument to improve the coordination, effectiveness, and efficiency of social protection programs. Moreover, given the high prevalence of informal workers among the poor, the establishment of the Informal Sector Support Fund offers an opportunity to develop basic tools to support the informal sector. Collecting information on the characteristics of informal workers could help design better programs to foster their productivity, such as providing training and financial inclusion.

Figure A6.5. Social Protection Coverage and Targeting

While the social protection system is better targeted, … | *…its coverage remains lower than in emerging markets peers.*



Source: World Bank

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[3]Poverty and Shared Prosperity 2020 "Reversal of Fortune" https://openknowledge.worldbank.org/bitstream/handle/10986/34496/9781464816024.pdf

[4]https://www.worldbank.org/en/country/cotedivoire/publication/the-state-of-the-ivorian-economy-how-cote-divoire-could-rebound-after-the-covid-19-pandemic-and-boost-growth.

Annex VII. Policies to Mitigate or Adapt to Climate Change in Côte d'Ivoire[1]

Climate change could reduce GDP by 2% to 4% across Africa by 2040 and by 10% to 25% by 2100 according to the Intergovernmental Panel on Climate Change (IPCC, 2007). By 2050, Côte d'Ivoire is expected to be confronted with the combined effect of the increase in temperatures (+1.3 to 2.3°C), variation in rainfall (from -2 to +7 percent, with increased frequency and intensity of heavy rainfall events), change in the length of dry spells from -8 to +1 days, and rising sea levels (+18 to 45 cm) (USAID, 2018). More critically, climate change could plunge nearly one million more people in a situation of extreme poverty (living on less than $1.90 per day - World Bank, 2018). Those projections call for strong policies to mitigate but also to adapt to climate change risks.

Mitigation Policies

1. **Côte d'Ivoire's carbon emission per capita is 0.4 metric ton, more than 10 times below world average (4.6 metric ton per person)**. Even so, the government has launched mitigation initiatives in the view of playing a leading role in the region to encourage international cooperation on mitigation policies. Cognizant of their regional leadership role, the authorities have committed to reduce greenhouse gas emissions by 28% by 2030, to increase the share of renewables in the electricity mix to 42% by 2030, and to slow down deforestation (see Intended Nationally Determined Contribution or INDC, 2015).

2. **Carbon taxes, or closely related fuel taxes, can play a significant role in curbing carbon emissions**. Fuel is taxed, and proceeds represent at least 1.2 percent of GDP. The authorities are also investing in public transportation, especially in Abidjan, and have imposed a ban on imported second-hand vehicles older than 5 years (7 years for minivans) since 2018. Investments in hydropower and biomass and solar energy projects are expected to decrease the share of fossil energy sources in the energy mix for electricity production from the current 66 percent to 62 percent by 2026 and 58 percent by 2030 as agreed in the INDC.

3. **Regarding their goal to end deforestation, the governments of Côte d'Ivoire and Ghana launched the Cocoa and Forest Initiative (CFI) in partnership with the world's leading cocoa and chocolate companies in 2017**. 60% of Ivorian forests have disappeared between 1990 and 2015 because of unsustainable cocoa production. In the context of the CFI, companies have implemented systems to end sourcing from farmers producing cocoa in National Parks and Reserves, started mapping farms to establish a deforestation monitoring system, and committed to establishing 244,400 hectares of cocoa agroforestry and the distribution and planting of 8.3 million native trees for off-farm reforestation. These efforts are supported by a new Forest Code and a National Strategy for preservation, recovery and extension of forests, both adopted in 2019. Despite these initiatives, a recent analysis of spatial data estimates that Côte d'Ivoire lost

[1]Prepared by Jean-Marc Fournier and Frederic Lambert.

another 2 percent of its primary forest between 2019 and 2020, with more than 75 percent of the observed deforestation taking place in unprotected rural forests.

4. Climate change mitigation has direct economic benefits for Côte d'Ivoire. Improvements in energy efficiency reduce production costs, while green investments, for example to improve public transportation or develop renewable energy production, can be a strong driver of growth.

Adaptation Policies

5. Climate risks affect several important sectors of the economy. Côte d'Ivoire's INDC (2015) identifies 6 sectors most vulnerable to climate change (agriculture, livestock, and aquaculture; land use; forestry; water resources; energy; and coastal areas) and provides an estimate of the total cost of adaptation measures of US$1.76 billion (about FCFA 950bn). 80 percent of that cost would be borne by programs aimed at strengthening the agricultural sector, including by subsidizing the use of new seeds to improve yields and supporting farmers' income to reduce poverty. This cost of preventive action is sizeable but remains below the cost of adverse climate events in case of inaction (Farid et al. 2016, World Bank 2018). The draft NDP for 2021-25 envisages measures for a total cost of around CFAF 50bn.

6. While the implementation of the envisaged measures has so far been limited, except for some encouraging progress with World Bank-funded projects on agricultural employment and social cohesion, the authorities continue to work with the support of the UNDP and the Green Climate Fund, to develop a National Adaptation Plan (PNA), and update their nationally determined contribution ahead of the 26th United Nations Climate Change conference (COP26). Faster adaptation would require involvement of all stakeholders beyond the environment ministries, as decisions of other ministries as well as firms and households also have a role to play.

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Annex VIII. Developing Export Complexity in Cote d'Ivoire[1]

The complexity of Cote d'Ivoire's exports has been increasing over time, but remains below regional average. Improvements in education, but also in institutions, infrastructure, and trade policy, could accelerate its development.[2]

1. **Commodity dependent countries aim to diversify their export baskets not only in terms of trading partners and sectoral composition, but also in terms of higher value added**, in order to reap the benefits from higher socioeconomic payoff as well as broader economic stability and resilience. For example, Hidalgo and Hausmann (2009) empirically show an association between what they define as the complexity of an export basket and future economic growth. Their study estimates the complexity of export products (Product Complexity Index, PCI) based on how many other countries can produce each product and the amount and sophistication of know-how required to produce it.

2. **Defining as *complex exports* those with Product Complexity Index** (PCI, as measured in the later contribution, Hausmann and others, 2013) above zero, measured in real US$, we can see that the ratio of Cote d'Ivoire's complex exports to population has been steadily growing for some decades, but from a very low base. The main complex exports of the country include perfumes, plastic materials, ships and boats, and construction and mining machinery. By 2015-17, the number of complex exports per capita in Cote d'Ivoire was above the average in Western African countries (WAF), but below the average for Sub-Saharan Africa (excluding South Africa), and considerably below the manufacturing export regions of Central America and Mexico (CAM) and East Asia and Emerging Markets (EAEM).

Top 10 Complex Exports from Côte d'Ivoire, 2016[1/]

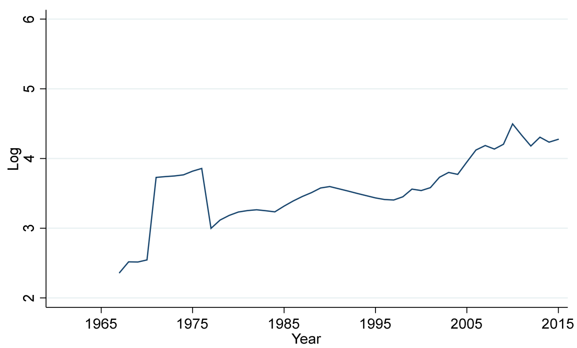
Product	US$ m
Perfumery & cosmetics,dentifrices etc.	196.2
Articles of artif.plastic materials,n.e.s.	151.1
Special purpose ships and boats	115.9
Construction and mining machinery, nes	66.4
Measuring,controlling & scientific instrument	24.6
Rail.&tram.freight cars,not mechanically pro|	9.4
Mineral crushing etc. & glass working machir	6.4
Synthetic organic dyestuffs	5.9
Articles of base metals, nes	4.8
Paper and paperboard in rolls or sheets nes	4.8

Source: UNCTAD Comtrade
1/ Complex exports are those with Product Complexity Index (Hausmann and others, 2013) above zero.

[1]Prepared by Gonzalos Salinas.

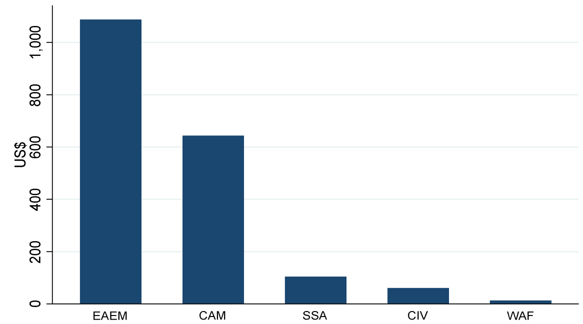
[2]Exports complexity is defined in Hidalgo and Hausmann (2009) as a measure of the productive capabilities of a country and it is based on the diversity of exports that a country produces and their ubiquity, or the number of countries able to produce them (and those countries' complexity).

Complex Exports per Capita in Côte d'Ivoire



Note: Complex exports are goods with Product Complexity Index (Hausmann and others, 2013) above zero.

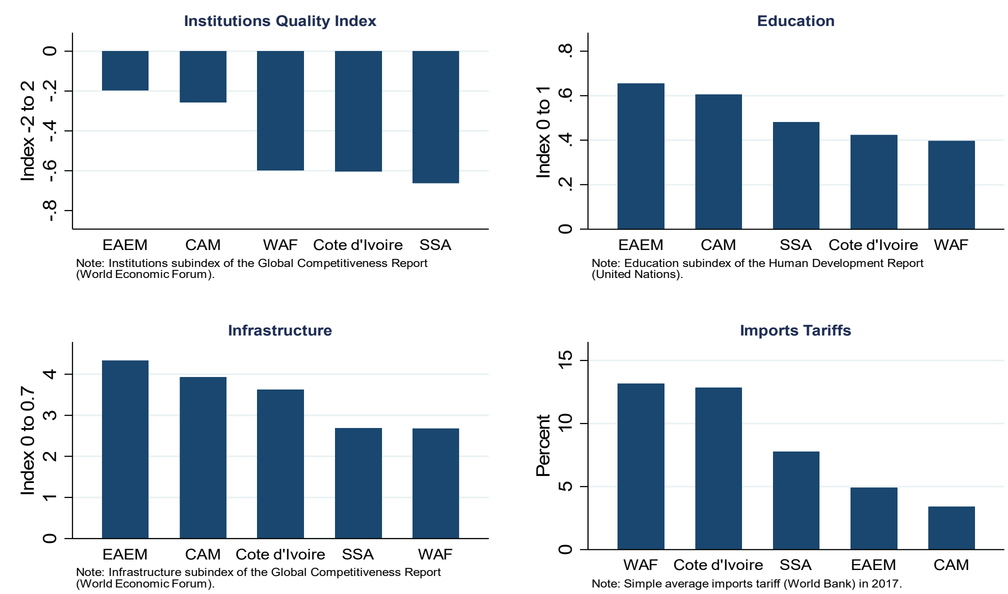
Complex Exports per Capita in 2015-17



Note: Complex exports are goods with Product Complexity Index (Hausmann and others, 2013) above zero. SSA=Sub Saharam Africa excluding South Africa; CAM=Central America and Mexico; EAEM=East Asia Emerging Markets

3. Cote d'Ivoire's and SSA's low complexity relative to CAM and EAEM could be partly related to their more remote location from the large global economic centers. However, it is also likely due to weaker governance, education, infrastructure and trade policy openness, the main determinants of export diversification and complexity according to several studies (Ding and Hadzi-Vaskov, 2019; Giri and others, 2019; and Salinas, 2021).

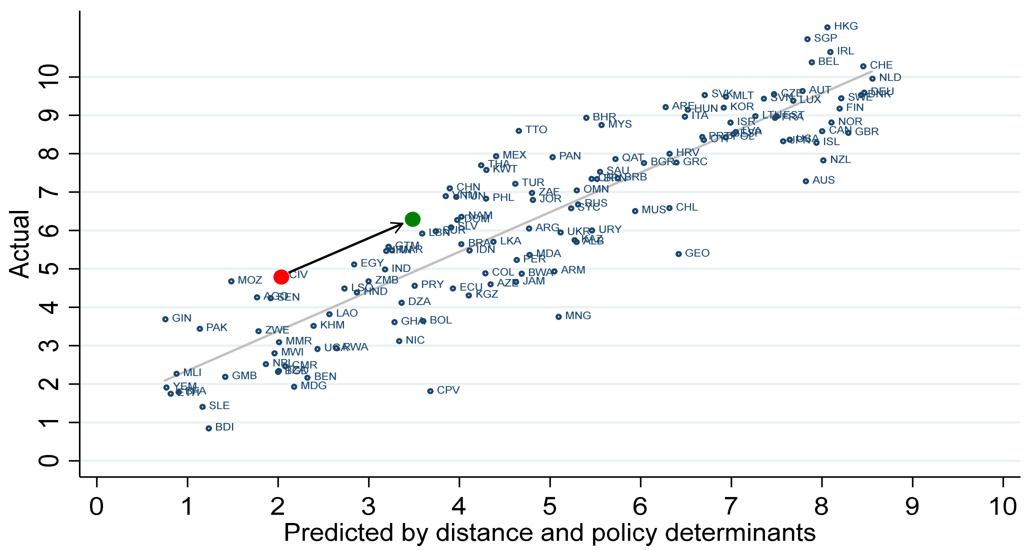
Determinants of Complex Exports in Côte d'Ivoire and Comparators in 2017



Note: Regional acronyms described in Table A.1.,Infrastructure subindex show year 2016

4. In fact, based on estimates of the effect of distance to markets and these policy determinants, Cote d'Ivoire's complex exports per capita is actually slightly higher than predicted by these factors. If Cote d'Ivoire would attain policy fundamentals in line with CAM, it would multiply its complex exports per capita about five times, reaching the current level of El Salvador. The highest payoff would come from improvement in education which would increase its complex exports per capita three times.

Complex Export per Capita
Actual vs. Predicted
(Log of US$)



Source: Salinas (2021).

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INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

July 6, 2021

Prepared By	African Department (In Consultation with other departments)

CONTENTS

RELATIONS WITH THE FUND

(As of May 31, 2021)

Membership Status: Joined March 11, 1963 | Article VIII

General Resources Account:	**SDR Million**	**%Quota**
Quota	650.40	100.00
Fund holdings of currency (Exchange Rate)	1,563.73	240.43
Reserve tranche position	83.41	12.82

SDR Department:	**SDR Million**	**% Allocation**
Net cumulative allocation	310.90	100.00
Holdings	1,129.81	363.40

Outstanding Purchases and Loans	**SDR Million**	**% Quota**
RCF loans	224.93	34.58
Emergency Assistance[1/]	433.60	66.67
ECF Arrangements	561.00	86.25
Extended Arrangements	562.65	86.51

[1/]Emergency Assistance may include ENDA, EPCA, and RFI

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
EFF	Dec 12, 2016	Dec 11, 2020	562.65	562.65
ECF[1]	Dec 12, 2016	Dec 11, 2020	281.32	281.32
ECF	Nov 04, 2011	Dec. 31, 2015	520.32	520.32

[1]Formerly PRGF.

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

	2021	2022	2023	2024	2025
Principal	110.68	123.80	242.22	360.15	281.85
Charges/Interest	5.26	10.28	9.71	7.21	4.31
Total	115.94	134.08	251.93	367.35	286.16

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

Implementation of HIPC Initiative:

	Original Framework	Enhanced Framework	Total
I. Commitment of HIPC assistance			
Decision point date	Mar 1998	April 2009	
Assistance committed			
by all creditors (US$ Million)[1]	345.00	3,109.58	
of which: IMF assistance (US$ Million)	22.50	38.66	
(SDR equivalent in millions)	16.70	25.85	
Completion point date:	--	June 2012	
II. Disbursement of IMF assistance (SDR Million)			
Assistance disbursed to the member	--	25.85	25.85
Interim assistance	--	15.13	15.13
Completion point balance	--	10.72	10.72
Additional disbursement of interest income[2]	--	0.57	0.57
Total disbursements	--	26.42	26.42

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

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

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

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

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

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

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

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

Safeguards Assessments

The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAMU). An update safeguards assessment of the BCEAO, completed in April 2018, found that the central bank has maintained a strong control environment since the last assessment in 2013 and its governance arrangements are broadly appropriate. In addition, audit arrangements have been strengthened, International Financial Reporting Standards (IFRS) were adopted as the accounting framework beginning with the 2015 financial statements, and a 2016 external quality review of the internal audit function found broad conformity with international standards. The BCEAO has only one recommendation outstanding from the 2018 safeguards assessment. The outstanding recommendation relates to the strengthening of the risk management function, which is in process.

Exchange Arrangements

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

Article IV Consultation

Côte d'Ivoire is on the 12-month Article IV consultation cycle. The Executive Board concluded the last Article IV consultation with Côte d'Ivoire in June 2018.

Resident Representative

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

RELATIONS WITH OTHER INTERNATIONAL ORGANIZATIONS

As of June 22, 2021, Côte d'Ivoire collaborates with the World Bank Group and the African Development Bank. Further information may be obtained from the following websites:

World Bank Group

https://www.worldbank.org/en/country/cotedivoire

African Development Bank

https://www.afdb.org/en/countries/west-africa/cote-divoire

STATISTICAL ISSUES

(As of June 18, 2021)

I. Assessment of Data Adequacy for Surveillance
General: Data provision is broadly adequate for surveillance. The timeliness of some statistical indicators provided to the Fund could be improved (see Table of Common Indicators Required for Surveillance).
National Accounts: The National Institute of Statistics (NIS) adopted the 2008 System of National Accounts (SNA) and updated the base year to 2015. Annual national accounts for the period 2015-17 are available and preliminary national accounts for 2018-19 were produced. The NIS is currently working on the backcasting of annual national accounts for 1996-2014. Quarterly national accounts (QNA) are still under the 1993 SNA with 1996 as base year, and work is underway to upgrade to the 2008 SNA with a base year as 2015. In addition, new high frequency indicators have been produced with 2015 as base year. AFRITAC West is supporting the finalization of the annual and quarterly national accounts, improvements of methodologies and source data, and the development of financial accounts.
Price Statistics: Harmonized consumer price index (CPI) compilation methods have been adopted by all WAEMU members, with 2014 as the weight reference year. Under the auspices of the Data for Decisions Fund, STA, in collaboration with AFW, will assist the NIS with developing and disseminating a producer price index (PPI).
Labor Market Statistics: Data on employment in the formal sector is published monthly.
Government Finance Statistics: The authorities provide annual data on the general government for publication in the *Government Finance Statistics Yearbook* for the period 2018-19. While no monthly or quarterly fiscal data are provided for publication, they are made available to the IMF African Department. The authorities have committed to continue to improve the coverage of general government units and public enterprises. In addition, the authorities are seeking the assistance of AFRITAC WEST to improve the compilation of government finance statistics and to implement the 2009 WAEMU TOFE directive for transition to GFSM 2001.
Monetary and Financial Statistics: Monetary data for Côte d'Ivoire are prepared by the national agency of the BCEAO and reported to STA by the BCEAO Headquarters on a monthly basis with a timeliness of about two months after the reference period. In August 2016, the BCEAO completed the migration of Cote d'Ivoire's Monetary and Financial Statistics to the Standardized Report Forms for the central bank and other depository corporations. The BCEAO reports data on some series and indicators of the Financial Access Survey (FAS) for Côte d'Ivoire, including the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals (SDGs).
Financial Soundness Indicators (FSIs): With technical assistance from the IMF's Statistics Department, the BCEAO finalized the development of FSIs for deposit takers for Côte d'Ivoire in 2018. However, while the BCEAO has used FSIs for its internal purposes, it has not granted approval to publish the data on the IMF's FSI website.
External Sector Statistics: The national agency of the BCEAO in Abidjan is responsible for compiling and disseminating annual balance of payments statistics and the international investment position. BOP and IIP data are reported to STA in *BPM6* format with a timeliness of about one year after the reference period. BCEAO headquarters determines the methodology and calculates international reserves managed for WAEMU countries. In the context of a four-year project funded by the Japan Administered Account, with French speaking countries in West and Central Africa to improve their capacity in producing and disseminating better quality external sector statistics, four TA missions have been conducted in Côte d'Ivoire between 2016-20. There is an ongoing effort to publish quarterly BOP and IIP data. A virtual mission conducted in April 2021 examined the consistency between gross external debt liabilities of the international investment position (IIP) and the data submitted to the World Bank's Quarterly External Debt Statistics (QEDS) database. The discrepancies between the QEDS and IIP are due to external debt coverage, currency classification and time of reporting.

II. Data Standards and Quality	
Following Côte d'Ivoire participation to the General Data Dissemination System (GDDS) in May 2000, in December 2017 the authorities posted the National Summary Data Page (NSDP), thereby participating to the enhanced GDDS. As of June 18, the access to the Central Bank Survey and Deposit Corporation Survey needs authorization by the BCEAO.	No data ROSC is available. Côte d'Ivoire reports data to STA for re-dissemination in IMF statistical publications.

Côte d'Ivoire: Table of Common Indicators Required for Surveillance
(As of June 18, 2021)

	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication[6]
Exchange Rates	Current	Current	M	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Current	Current	M	M	M
Reserve/Base Money	04/21	06/21	M	M	M
Broad Money	04/21	06/21	M	M	M
Central Bank Balance Sheet	04/21	06/21	M	M	M
Consolidated Balance Sheet of the Banking System	04/21	06/21	M	M	M
Interest Rates[2]	12/20	02/21	I	M	M
Consumer Price Index	04/21	06/21	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government and National Social Security Funds	04/21	06/21	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt[4]	12/20	03/21	Q	Q	Q
External Current Account Balance	2019	01/21	A	A	A
Exports and Imports of Goods and Services	04/21	06/21	M	M	M
GDP/GNP	2019	09/20	A	A	A
Gross External Debt[5]	12/20	03/21	Q	Q	Q

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] Including currency and maturity composition.
[5] External public debt only.
[6] Daily (D), weekly (W), monthly (M), quarterly (Q), annually (A), irregular (I); and not available (NA).

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

July 6, 2021

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS[1]

Approved by
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Prepared by the International Monetary Fund and the International Development Association

Côte d'Ivoire remains at moderate risk of external debt distress. Despite the COVID-19 shock, all the projected external debt burden indicators are below their thresholds under the baseline, but several indicators exceed their thresholds in the case of the most severe standard shocks. In addition, the debt service-to-revenue ratio remains below but close to its threshold throughout the medium-term under the baseline scenario. The space to absorb shocks is therefore limited. The overall risk of public debt distress is also moderate, with public debt expected to remain generally stable over the projection horizon.

Côte d'Ivoire: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	Moderate
Overall risk of debt distress	Moderate
Granularity in the risk rating	Limited space to absorb shocks
Application of judgement	No

[1]Under the revised Debt Sustainability Framework for Low-Income Countries, Côte d'Ivoire's Composite Indicator is 2.92 based on the April 2021 WEO and the 2019 CPIA, corresponding to a medium debt carrying capacity.

PUBLIC DEBT COVERAGE

1. **Public debt covers both the debt of the central government, as well as the guarantees provided by the central government, including those guarantees that pertain to state-owned enterprises (SOEs) debt** (Text Table 1). The DSA classifies external and domestic debt based on the currency criterion, given data constraints that prevent the use of the residency criterion.[2] The debt of local governments is excluded from the DSA coverage. Local governments are authorized to borrow within limits and under conditions set by decree. There is no available information on this debt. On SOE debt, the authorities have made progress in collecting further financial information and improving monitoring in past years. At end-2020, SOE guaranteed and non-guaranteed commercial debt amounted to respectively 2.1 and 1.1 percent of GDP. In the context of the current DSA, the following approach is taken:

- All *guaranteed* SOE debt and *on-lent* debt is included in the debt stock in the baseline.
- N*on-guaranteed* SOE debt is captured as a contingent liability shock – this shock is set at the default 2 percent of GDP. [3]

Text Table 1. Côte d'Ivoire: Coverage of Public Sector Debt

	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	

2. **Efforts to step up the government's capacity to record and monitor public debt and contingent liabilities continue**. Further work is needed to enhance data coverage of SOEs in the DSA baseline, including consolidating the general government fiscal accounts with the financial statements of the SOEs (both on the revenue and expenditure sides). The authorities see this consolidation as a prerequisite for incorporating SOE debt into total debt (in the baseline) and have received technical assistance (TA) to advance this task.

3. **The magnitude of the shock in the contingent liability stress test applied in the sensitivity analysis reflects potential additional liabilities**. The LIC-DSF default settings are applied for the contingent liabilities shock. They could emanate from SOE debt not captured in the

[2]The debt owed to the West-African Development Bank (BOAD), which is denominated in Franc CFA, is classified as domestic. Compared to the previous DSA (IMF Country Report No. 20/321), this DSA excludes external private debt from external debt due to limited information on the outstanding stock of external private debt and related payments.

[3]Non-guaranteed SOE debt is not included in the baseline because of limited information.

data coverage, public-private partnership agreements, and the financial sector. Total contingent liabilities for the CL test are estimated at 9.3 percent of GDP (Text Table 2). The stock of public private partnerships represents about 6.6 percent of GDP, with a large share of investment commitments in the energy sector.

Text Table 2. Côte d'Ivoire: Magnitude of the Contingent Liability Stress Test

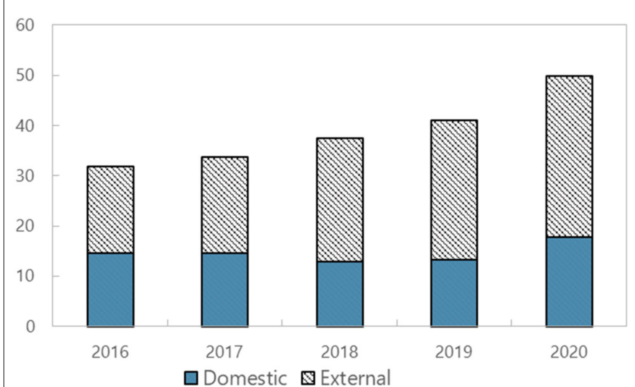
1	**The country's coverage of public debt**	The central government plus social security, central bank, government-guaranteed debt		
		Default	**Used for the analysis**	**Reasons for deviations from the default settings**
2	Other elements of the general government not captured in 1.	0 percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.0	
4	PPP	35 percent of PPP stock	2.3	
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)		9.3	

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 BACKGROUND

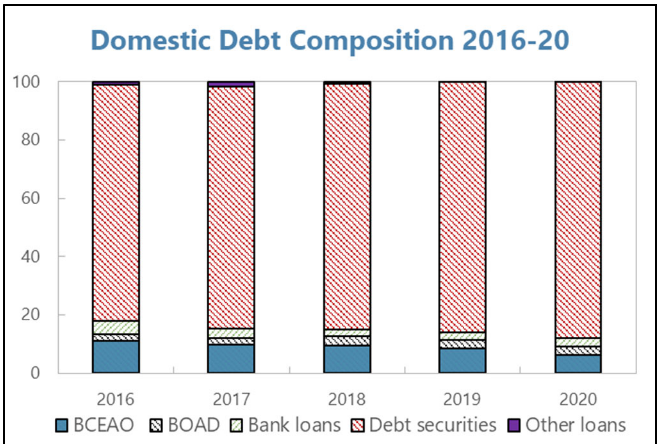
4. **Public debt increased significantly over the last few years with external debt growing as a share of total debt**.[4] The increase in indebtedness over 2016-2019 was driven by higher recourse to external debt including to finance an increase in investment and social spending in the context of the National Development Plan 2015-2020. The medium-term debt strategy 2019-2023 initially envisaged that 70 percent of new financing would come from external sources, with an increase in commercial borrowing. A large share of external borrowing is denominated in euros to limit the exchange rate risk. Public debt stood at 49.8 percent of GDP at end-2020, compared with 31.8 percent in 2016. External debt stood at 32.1 percent of GDP, compared to 17.2 in 2016—representing 64 percent of total debt in end-2020 as opposed to 54 percent in 2016.

Evolution of Public Debt 2016-20



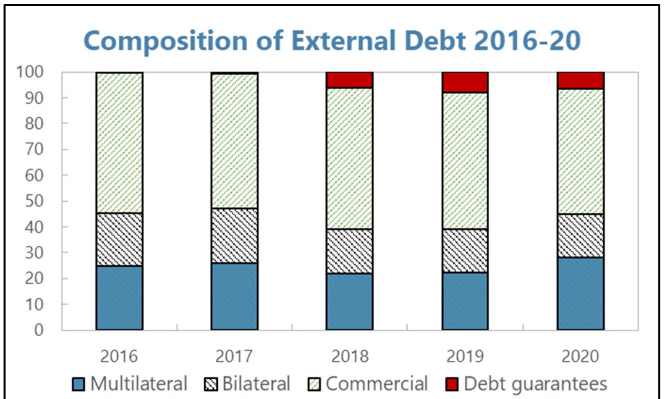
Sources: Authorities' data.

[4]In this DSA, Public and Publicly Guaranteed external debt excludes claims under Debt Reduction-Development Contract (C2D), which were cancelled in the context of HIPC debt relief. The C2D is a debt restructuring tool under which Côte d'Ivoire continues to service its bilateral debts to France and Spain until repayment, but the amounts are transferred back to the country as grants to finance poverty reduction programs. 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 and Supp.1, 11/21/2014 for a detailed discussion.



Sources: Authorities' data.

5. Most of the domestic debt is in the form of CFAF-denominated securities. Those securities have a maturity between 3 months and 15 years and are held by domestic and other WAEMU investors. The authorities are mindful of the fact that an excessive recourse to the regional market would run the risk of a tightening of financing constraints and a crowding-out of private sector credit, given the financing needs across WAEMU countries.



Sources: Authorities' data.

6. Within external debt (excluding guarantees), commercial creditors hold more than half of the external debt stock. Close to 90 percent of commercial debt is in the form of Eurobonds. The authorities undertook a liability management operation in 2020 to reduce exchange rate risks and lengthen maturity. Multilateral creditors have increased their share of debt and represented 28 percent of external debt in 2020, as Côte d'Ivoire mobilized substantial concessional external financing to fund its response to the pandemic. The IMF and the World Bank jointly satisfied close to 25 percent of the country's financing needs in 2020. On the other hand, the share of bilateral creditors has decreased since 2016, accounting for 17 percent of the external debt stock at end-2020 compared to 21 percent in 2016. The remaining share (52 percent) is associated with commercial creditors.

7. The authorities joined the Debt Service Suspension Initiative (DSSI) in 2020. The authorities sent formal letters to the Paris Club. Nevertheless, since a significant share of external debt falling due in 2020 and 2021 has been forgiven by bilateral creditors under the C2D (see footnote 4), the benefit of DSSI is limited. Suspended payments amounted to around 0.2 percent of GDP, or 4.5 percent of total debt service (including C2D) in 2020. For 2021, debt service payments that could be suspended under the DSSI extension amount to 0.3 percent of GDP.

RECENT DEVELOPMENT AND UNDERLYING ASSUMPTIONS

8. Côte d'Ivoire had shown strong resilience to the pandemic. Growth in 2020 is estimated at about 2 percent, which is higher than in most Sub-Saharan African frontier market economies.

This economic performance was underpinned by strong pre-crisis fundamentals, a rapid policy response, and a relatively lower dependency on sectors most vulnerable to the pandemic. The country experienced a moderate second wave of COVID-19 in January 2021 (with a peak of 400 cases per day), but in April the number of cases again fell below 100 cases per day, with low mortality (a total of slightly more than 300 COVID-related deaths since February 2020). Vaccination began in March 2021 and adoption rate of the vaccine by the population has picked up, after a slow start. As of mid-June 2021, the authorities received about 830,000 doses, of which about 84 percent have been utilized. The population's demand for vaccination is steadily growing, which helps to reduce the likelihood of a new COVID wave. The economy appears to have started rebounding already in the second semester of 2020. The current account deficit is expected to have widened to 3.5 percent of GDP in 2020, from 2.3 percent in 2019, mainly reflecting reduced global demand.

9. The assumptions in the baseline scenario are consistent with the macroeconomic framework outlined below (Text Tables 2 and 3). These include a slightly lower growth trajectory than projected at the time of the seventh and eight review (December 2020), subdued inflation in the medium term thanks to the exchange rate peg to the Euro, a gradual improvement in the external position, and a gradual fiscal consolidation to reach the 3 percent of GDP regional fiscal deficit norm by 2024. Projections also assume a balanced recourse to domestic and external debt.

- **Lower GDP growth trajectory in 2021 onward**. Real GDP is projected to recover from 2 percent in 2020 to 6.0 percent in 2021 as global conditions improve and domestic demand recovers from the COVID shock, despite short-term electricity shortages. Over the medium term, growth is projected to peak at 6.5 percent in 2022 and gradually revert to its potential of 6 percent by 2026, compared to a medium-term potential growth of 6.5 percent projected in the seventh and eighth review. The implementation of a strong reform agenda to be defined under the umbrella of the incoming National Development Plan (NDP) could however catalyze stronger confidence and investment and further lift productivity and growth.

- **Subdued inflation in the medium term**. Annual average inflation is projected to temporarily pick up to 2.5 percent in 2021, reflecting supply chain disruptions following containment measures and border closures along with the impact of electricity rationing in some sectors. However, it is expected to remain subdued at around 2 percent in the medium term, benefiting from the exchange rate peg to the euro.

- **Wider budget deficits in the short term**. The need for a decisive policy response to counter the pandemic led to a widening of the primary and overall fiscal deficits to respectively 3.7 and 5.6 percent of GDP in 2020. The authorities plan to delay fiscal consolidation and keep the overall fiscal deficit in 2021 at 5.6 percent of GDP as in 2020, to account for temporary needs associated with delayed investment spending, greater needs for security spending, and lower-than-expected fiscal revenue following the transitory electricity shortages. As the authorities expect higher security spending needs to persist over the next two years and envisage a significant multi-year public investment plan, they plan to converge to the 3percent of GDP regional target by 2024 at the latest instead of 2023.

- **Similar tax revenue projections**. The tax revenue projection is broadly similar to the previous DSA, which takes into consideration the relatively weak revenue mobilization. Tax revenue is assumed to increase from 12.4 percent of GDP in 2020 to 13 percent in 2026.

- **A narrowing current account deficit**. The external current account deficit is expected to moderately narrow from 4.3 percent of GDP in 2021 to 3½ percent of GDP in 2026. Import assumptions were revised upward since the previous DSA including to account for higher expected imports of equipment goods following the rise of investment in the context of the NDP. Along with a downward revision in exports in the medium term to reflect updated cocoa production and price forecasts, this implied a downward revision to the current account balance. These assumptions are subject to downside risks including from possible unfavorable terms-of-trade shocks and weaker-than-expected global growth in the context of the pandemic and rising protectionism.

Text Table 3. Côte d'Ivoire: LIC DSA Macroeconomic Assumptions

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
				Est.			Projections			
	(Annual percentage changes, unless otherwise indicated)									
National income										
GDP at constant prices	7.4	6.9	6.2	2.0	6.0	6.5	6.4	6.3	6.1	6.0
GDP deflator	-1.8	0.6	0.2	0.6	1.0	1.0	1.3	1.4	1.6	1.6
External sector (on the basis of CFA francs)										
Exports of goods, f.o.b., at current prices	-5.9	-11.0	20.5	-4.6	8.9	4.3	6.0	7.9	6.6	6.5
Imports of goods, f.o.b., at current prices	-3.6	1.4	10.9	-0.1	15.7	2.2	2.7	5.4	5.8	6.5
Export volume	13.5	-2.2	16.7	-3.3	2.0	6.1	9.4	9.3	7.0	6.7
Import volume	10.3	2.3	-1.8	7.3	3.3	5.7	5.8	6.3	6.3	6.9
	(Percent of GDP unless otherwise indicated)									
Central government operations										
Total revenue and grants	15.1	14.8	15.0	15.0	14.7	15.3	15.4	15.4	15.3	15.1
Total revenue	14.2	14.0	14.2	14.5	14.1	14.7	14.9	15.0	15.0	15.0
Total expenditure	18.4	17.7	17.3	20.6	20.3	19.9	19.2	18.4	18.3	18.1
Primary expenditure	17.2	16.4	15.8	18.7	18.2	18.0	17.2	16.4	16.2	16.1
Primary balance	-2.1	-1.6	-0.8	-3.7	-3.6	-2.7	-1.8	-0.9	-0.9	-1.0
Overall balance, incl. grants, payment order basis	-3.3	-2.9	-2.3	-5.6	-5.6	-4.7	-3.8	-3.0	-3.0	-3.0
External Sector										
Current account balance	-2.0	-3.9	-2.3	-3.5	-4.3	-4.2	-3.9	-3.7	-3.6	-3.5
Non-interest current account balance	-1.4	-3.2	-1.4	-2.3	-3.1	-3.2	-2.9	-2.7	-2.7	-2.6

Sources: Ivorian authorities, World Bank, and IMF staff estimates and projections.

10. **The authorities' debt management strategy aims to meet gross financing needs while ensuring debt sustainability, based on a balanced mix of external and domestic financing instruments**. Consistent with the authorities' medium-term debt management strategy, Côte d'Ivoire's financing needs are expected to be met by relying on a mix of sources in domestic and foreign currencies in 2021. The authorities communicated they aim to limit external borrowing to covering external debt service. To reflect this, the level of external commercial borrowing is set close to projected external commercial debt service. Multilateral and bilateral financing is projected

to gradually decline from 2.9 percent of GDP in 2021 to 1.2 percent in 2041. Those numbers account for the most recent IDA disbursement projections, whose share of total multilateral financing is projected to increase in the short run from 59 percent in 2021 to 78 percent in 2025, before declining to 32 percent in 2041. In the short term, the government is expected to rely on both concessional and non-concessional lending to meet its financing needs. The authorities also intend to carefully balance the recourse to the international and regional markets given the potential crowding-out effect at the regional level. Domestic financing is assumed to rely on issuances of CFAF securities with the following maturities: less than one-year (12 percent of issuances), one to three years (8 percent), three to seven years (46 percent) and more than seven years (34 percent).[5] The authorities are continuing to strengthen processes related to debt management, with World Bank support.

11. The realism of the macroeconomic framework is broadly plausible (Figure 4). The projected medium-term debt-creating flows are below those observed in the past five years which were driven by a sizable residual. The 6.3 percent of GDP residual calculated for 2020 mostly reflects a different recording of project loan disbursements in the fiscal accounts and the debt statistics, as well as the non-integration in the fiscal accounts of the flows associated with new debt contracted by the government and on-lent to SOEs, which is included in public debt. The projected fiscal adjustment for the next three years is at the bottom of the top quartile of the distribution of approved Fund-supported programs for LICs since 1990. The difference in 2021-22 between the expected fiscal impulse and the baseline growth projection can be explained by the unwinding of exceptional COVID-19 expenditures and decrease in security spending in 2022 which will have limited effect on activity.

Text Table 4. Côte d'Ivoire: Changes in Economic Assumptions

	Previous DSA			Current DSA		
	2021-2026	2027-2031	2032-2040	2021-2026	2027-2031	2032-2040
Nominal GDP (USD Billion)	86.7	129.5	214.3	88.0	134.4	224.7
Real GDP (y/y % change)	6.4	5.6	5.6	6.2	5.9	5.7
Fiscal (central government)						
Revenue and grants	15.3	15.5	16.0	15.2	15.2	15.5
of which grants	0.3	0.0	0.0	0.4	0.0	0.0
Primary expenditure	16.8	16.8	17.4	16.9	16.2	16.5
Primary balance	-1.5	-1.3	-1.5	-1.7	-1.0	-1.0
Balance of payments						
Exports of goods and services	21.1	22.8	22.0	21.4	20.4	19.6
Imports of goods and services	19.5	19.1	18.3	21.3	20.2	19.3
Non-interest current account balance	-1.5	0.8	0.8	-2.8	-2.7	-2.6
Current account balance	-2.5	0.0	0.3	-3.8	-3.6	-3.3
New foreign direct investment (net inflows)	1.83	2.37	3.07	2.32	2.86	3.58

Sources: Ivorian authorities, World Bank, and IMF staff estimates and projections.

[5]The projected increase in domestic financing would require significant purchases of Ivoirian securities by WAEMU residents, with potential crowding out of smaller borrowers. If those purchases were not to happen, external commercial financing would have to increase to fill the gap. Domestic borrowing assumptions hinge on Côte d'Ivoire's capacity to double the volume of domestic issuances with the next 3 years (from FCFA billion 1,559 projected in 2021 to 2,980 in 2023) at the current yields.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

12. Côte d'Ivoire is assessed to have medium debt carrying capacity. Based on the April 2021 WEO macroeconomic framework and the World Bank's 2019 CPIA index, Côte d'Ivoire's composite indicator is 2.92 (above the lower cut-off of 2.69 but below the strong capacity cut-off value of 3.05) confirming the medium debt carrying capacity assessment used in previous DSA.[6] The relevant thresholds are used to assess debt risk rating.

Text Table 5. Côte d'Ivoire: CI Score

Debt Carrying Capacity	Medium

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Medium	Medium 2.92	Medium 2.87	Medium 2.97

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	180
GDP	40
Debt service in % of	
Exports	15
Revenue	18

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	55

13. Given Côte d'Ivoire's reliance on global capital markets, a tailored test for international market financing was conducted. Côte d'Ivoire issued sizeable Eurobonds both in 2020 and early 2021 (for about US$1.2bn and US$1bn respectively), and used about half of the 2020 issuance to buy back bonds with shorter maturities and reduce the currency risk. Its debt management strategy aims at leveraging global capital markets to finance part of the country's gross financing needs over the next five years. A tailored test for market financing assumes a temporary increase in the cost of new commercial external borrowing by 400 basis points combined with a nominal depreciation of 15 percent of the CFAF vis-à-vis the US$ and a shortening of maturities and of grace periods.[7]

14. 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 the

[6]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.

[7]The share of USD denominated debt is estimated to be decreasing over time. 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 2/3.

standardized 2 percent of GDP for risks related to SOEs, a 2.3 percent of GDP shock to accommodate potential fiscal risks on 35 percent of the PPP capital stock, and a financial sector shock of 5 percent of GDP.

15. Standard stress tests on real GDP growth, primary balance, exports, current transfers, foreign exchange (FX) depreciation, and a tailored test on commodity prices have also been applied. The first four shocks set each of the above variables to the lower of its historical average minus one standard deviation, or its baseline projection minus one standard deviation. The FX depreciation considers a nominal depreciation of 30 percent of the CFAF vis-à-vis the US$ in the first year of the projection. The commodity price shock captures the impact of a sudden one standard deviation decline in commodity prices.

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

16. The external DSA assessment indicates that all 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 decrease from 28.4 percent in 2020 to 21.9 percent in 2031 (Table 1 and Figure 1), well below the relevant threshold of 40.[8] However, the debt-service-to-revenue ratio is now projected to come just short of its threshold in 2024 and remain just below it throughout the following years. The trajectory of the debt-service-to-revenue ratio underscores the criticality of improving domestic revenue mobilization to provide the authorities with a sustainable source of funding for their important development needs and to provide buffers on debt service.

17. Exports and market financing shocks would have a significant negative impact on Côte d'Ivoire's external debt sustainability. An exports shock would cause the PV of external debt-to-export ratio and debt service-to-export ratio to breach the threshold while most shocks would cause the debt-service-to-revenue indicator to breach the threshold starting in 2023 and 2024. The market financing risk analysis suggests that GFN and EMBI spread remain below the benchmark, while the debt service-to-revenue indicator would breach the threshold for prolonged periods should market financing risk materialize (Figure 6). These results underscore downside risks for debt sustainability from potential exports shocks or rollover risks that could result from a deterioration in global risk sentiment or from a shortening of maturities of new external commercial borrowing.

PUBLIC DEBT SUSTAINABILITY ANALYSIS

18. 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 gradually decline over the projection period, to around 43½ percent by 2031. Meanwhile, the PV of debt-to-revenue ratio

[8]The November 2020 liability management operation, which involved the buy-back of USD 486 million dollar-denominated bonds maturing in 2028 and 2032 and EUR 85 million euro-denominated bonds maturing in 2025, led to a small improvement in liquidity indicators.

would decline marginally from 294.9 percent in 2020 to 283.5 percent in 2031. Finally, the debt service-to-revenue ratio, at 32.9 in 2020, is projected to increase and reach 55.2 in 2031. This again underscores the importance of strengthening domestic revenue mobilization.

19. Stress tests highlight that Côte d'Ivoire's most extreme public debt vulnerability would emerge from a shock to commodity prices (Figure 2 and Table 4). Under the standard commodity price stress test, the PV of public debt-to-GDP would breach its corresponding threshold of 55 percent starting in 2024 and would continue growing afterwards. This shock would lead to an explosive pattern of the three debt and debt service indicators. A contingent liability shock would trigger a temporary breach of the PV of debt-to-GDP threshold for three years.

RISK RATING AND VULNERABILITIES

20. The debt sustainability analysis under the new DSA indicates that Côte d'Ivoire remains at moderate risk of external debt distress as in the December 2020 DSA, but with limited capacity to absorb shocks. While none of the external debt indicators breaches their corresponding threshold under the baseline scenario, standard stress tests show that the PV of external debt-to-exports ratio, debt service-to-export ratio, and debt service-to-revenue ratio would cross the threshold in the most extreme shock scenarios. Moreover, the granularity analysis suggests limited space to absorb shocks with the external debt-service-to-revenue ratio remaining below but very close to the threshold (Figure 5). This reinforces the need to intensify revenue mobilization and diversify the export base through structural transformation 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 borrowing space and medium-term debt sustainability.

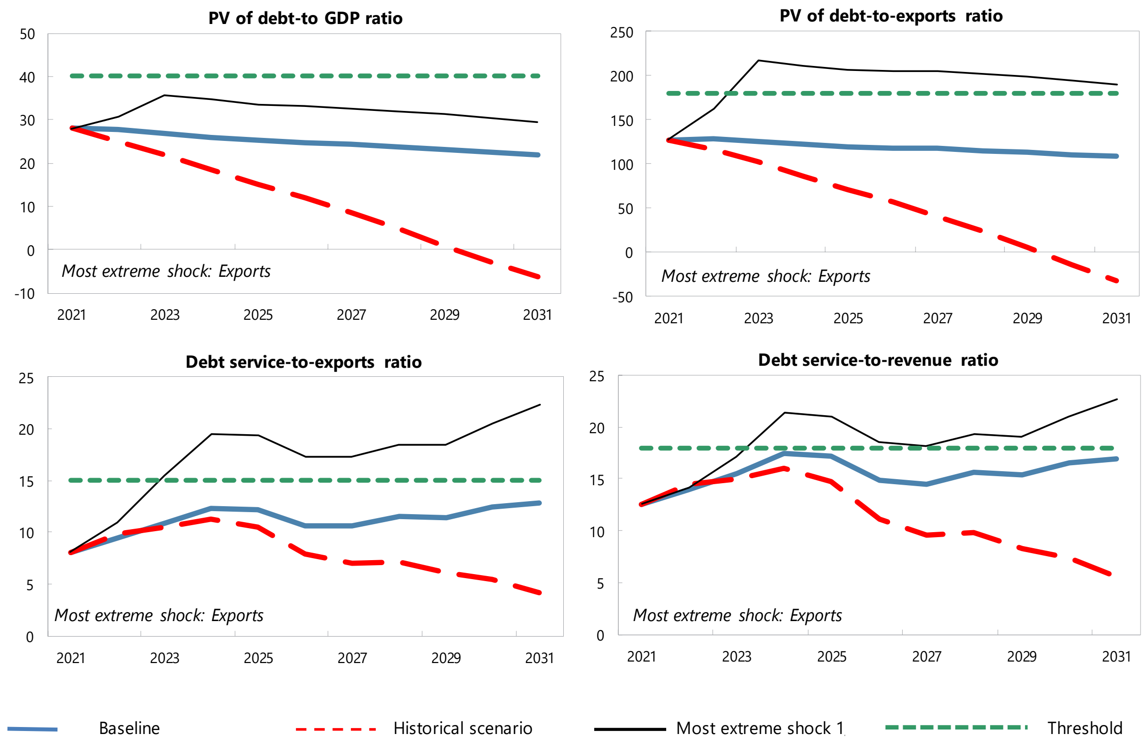
21. This DSA also indicates that the overall risk of debt distress remains moderate, but stress tests highlight high vulnerabilities of external and total debt to shocks. While the overall debt sustainability risk is moderate, the PV of public debt-to-GDP breaches its threshold of 55 percent starting in 2023 under the most extreme shock (growth) arising from the standard stress tests. Three out of four external debt indicators would breach their threshold under the most extreme shock (exports and market financing). Risks have been exacerbated by the COVID environment, as the global growth recovery, and hence that of Ivorian exports, could prove more protracted than currently projected.

22. The authorities need to build resilience against shocks to debt sustainability. The DSA results highlight the need to carefully monitor debt indicators, conduct prudent GDP growth projections, create fiscal space, implement judicious policies to preserve macroeconomic stability and have full oversight of SOE debt contracting. Within this context, the authorities should work toward fully integrating SOE debt in their debt sustainability assessment. To create fiscal space, the authorities also critically need to accelerate efforts to mobilize domestic revenue while remaining committed to containing medium-term public expenditure.

AUTHORITIES' VIEWS

23. The authorities agreed that Côte d'Ivoire remains at moderate risk of debt distress. They are cognizant of the importance of mobilizing more revenue, notably to improve their ability to weather shocks. They recognized the need of deepening the regional market and reiterated their commitment to lift productivity and growth via critical structural reforms. They highlighted the generally sound sovereign rating that allowed successful Eurobond issuances following the pandemic shock. They indicated that their medium-term debt strategy aims at reducing the refinancing and exchange rate risks while lengthening maturities and achieving a balanced portfolio structure in terms of external and domestic debt.

Figure 1. Côte d'Ivoire: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2021–31[1/]



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	No	
Natural disaster	n.a.	n.a.
Commodity price	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.

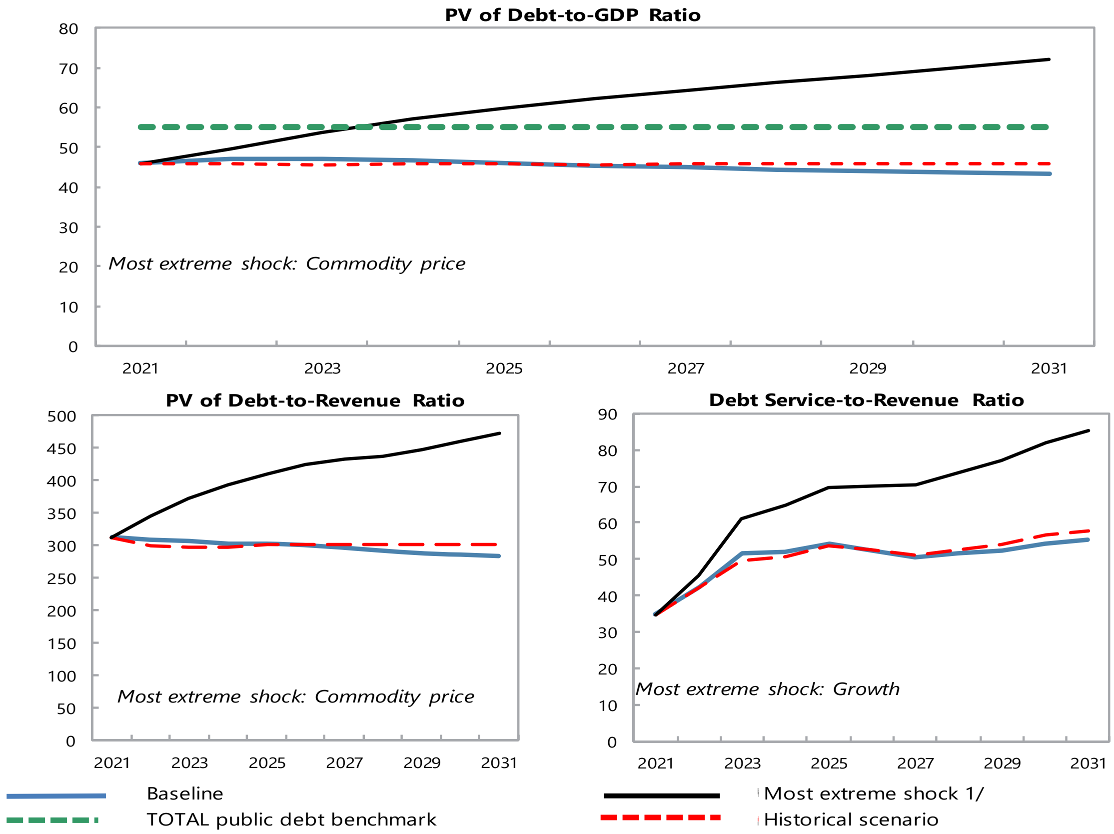
Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	3.5%	7.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	20	20
Avg. grace period	7	7

* 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 2031. 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.

Figure 2. Côte d'Ivoire: Indicators of Public Debt Under Alternative Scenarios, 2021–31



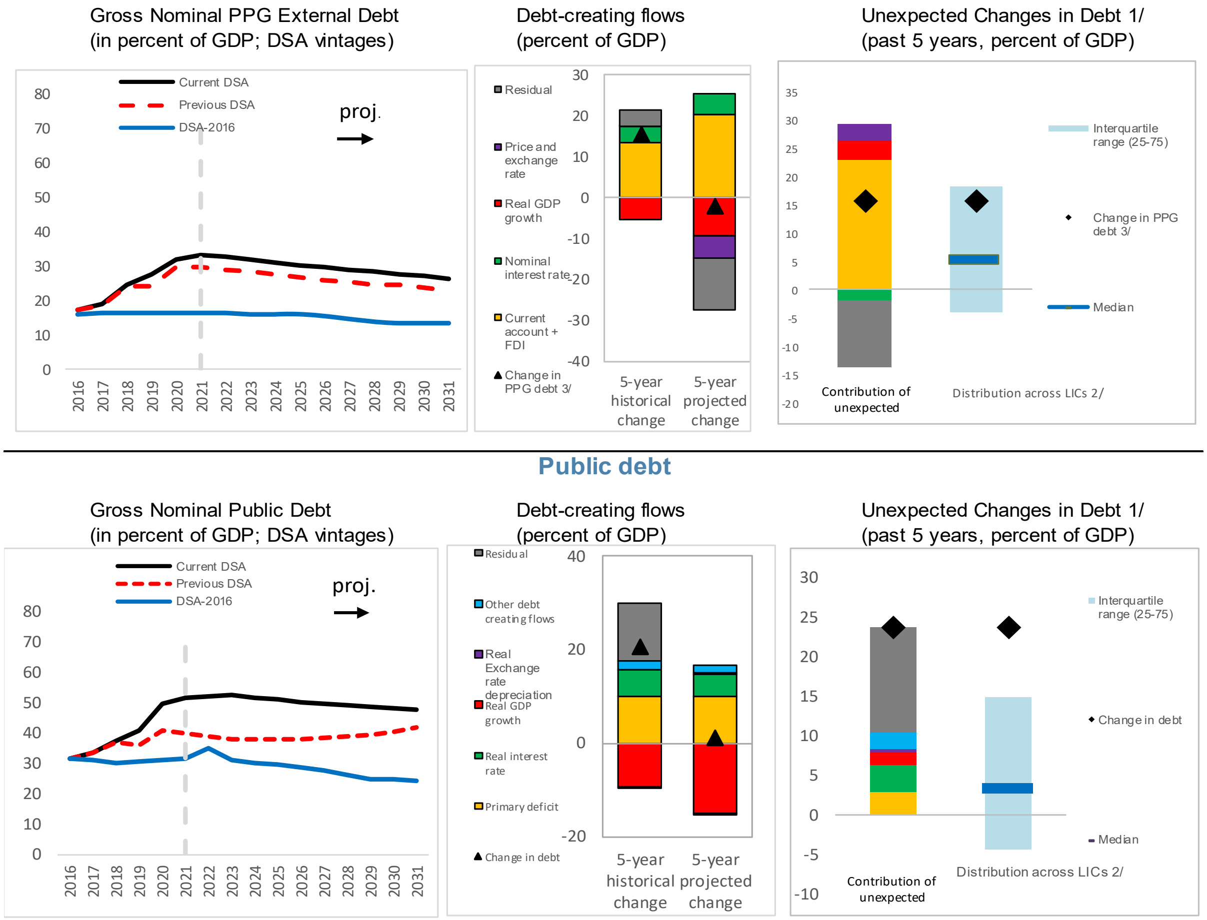
Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	34%	46%
Domestic medium and long-term	57%	42%
Domestic short-term	8%	12%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	3.5%	7.0%
Avg. maturity (incl. grace period)	20	20
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.3%	4.3%
Avg. maturity (incl. grace period)	7	7
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	4.2%	4.2%

* 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 2031. 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.

Figure 3. Côte d'Ivoire: Drivers of Debt Dynamics – Baseline Scenario



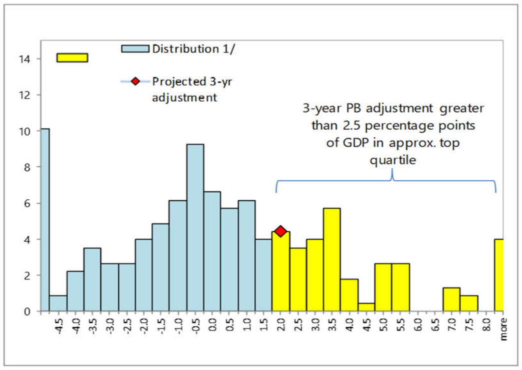
1/ Difference between anticipated and actual contributions on debt ratios.

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.

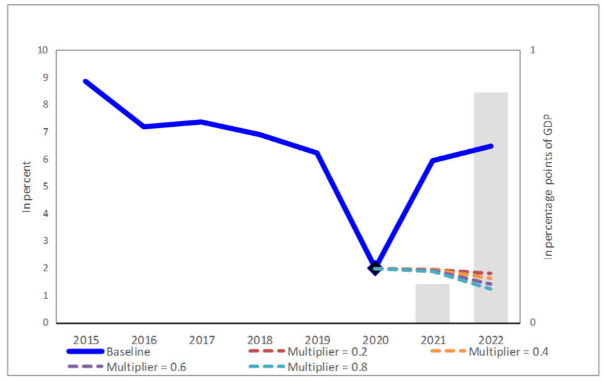
Figure 4. Côte d'Ivoire: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



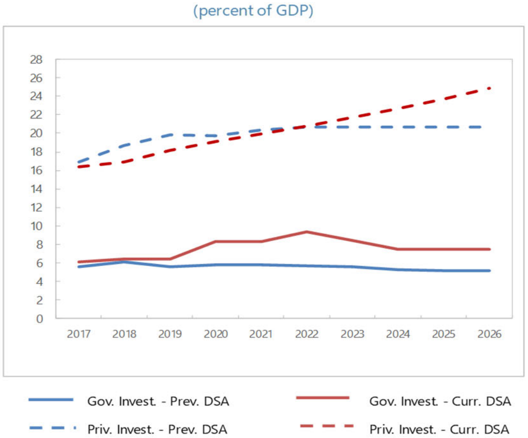
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



Contribution to Real GDP growth
(percent, 5-year average)

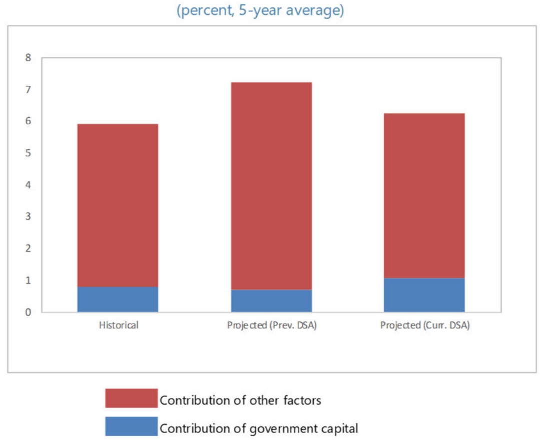


Figure 5. Côte d'Ivoire: Qualification of the Moderate Category, 2021-31[1/]

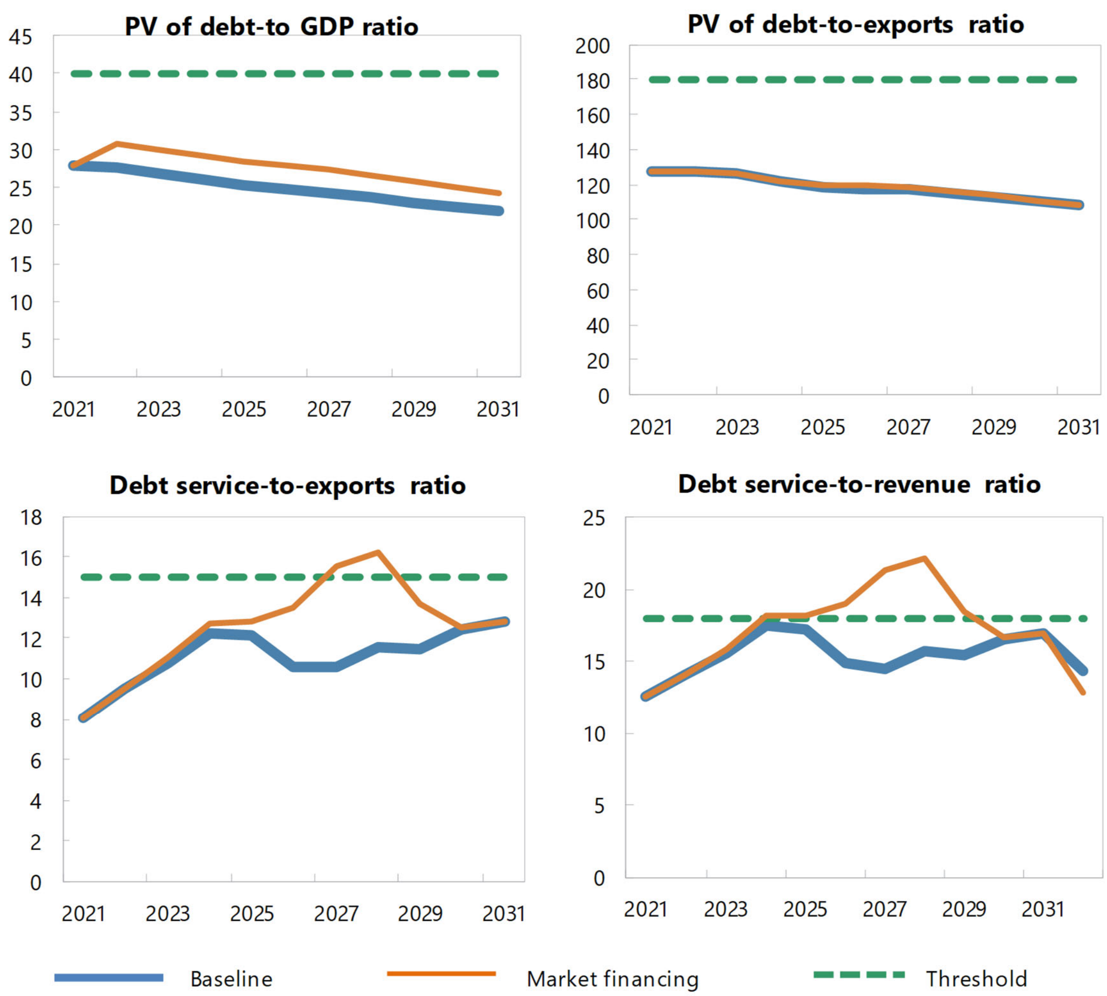
Sources: Country authorities; and staff estimates and projections.

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.

Figure 6. Côte d'Ivoire: Market-Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	10	350
Breach of benchmark	No	No
Potential heightened liquidity needs	Low	

1/ Maximum gross financing needs (GFN) over 3-year baseline projection horizon.
2/ EMBI spreads correspond to the latest available data.



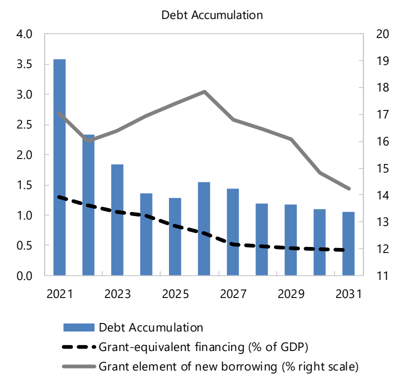
Sources: Country authorities; and staff estimates and projections.

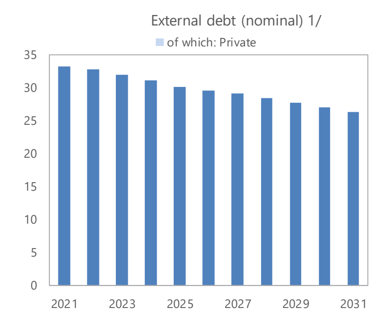
Table 1. Côte d'Ivoire: External Debt Sustainability Framework, Baseline Scenario, 2018–41

(Percent of GDP; unless otherwise indicated)

	Actual			Projections								Average 8/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
External debt (nominal) 1/	**24.8**	**27.7**	**32.1**	**33.2**	**32.7**	**32.0**	**31.0**	**30.1**	**29.6**	**26.3**	**18.7**	**21.3**	**29.7**
of which: public and publicly guaranteed (PPG)	**24.8**	**27.7**	**32.1**	**33.2**	**32.7**	**32.0**	**31.0**	**30.1**	**29.6**	**26.3**	**18.7**	**21.3**	**29.7**
Change in external debt	5.8	3.0	4.4	1.1	-0.4	-0.7	-1.0	-0.9	-0.5	-0.7	-0.8		
Identified net debt-creating flows	**2.7**	**3.3**	**3.3**	**3.7**	**3.5**	**3.1**	**3.0**	**3.1**	**3.2**	**3.6**	**4.1**	**0.5**	**3.3**
Non-interest current account deficit	**3.2**	**1.4**	**2.4**	**3.4**	**3.2**	**2.8**	**2.7**	**2.6**	**2.6**	**2.7**	**2.4**	**-0.1**	**2.8**
Deficit in balance of goods and services	0.2	-1.6	-0.3	0.4	0.2	-0.1	-0.3	-0.4	-0.3	-0.2	-0.4	**-2.9**	**-0.1**
Exports	22.6	23.6	21.3	22.0	21.6	21.4	21.4	21.2	20.9	20.2	19.3		
Imports	22.7	22.0	21.0	22.4	21.8	21.2	21.1	20.8	20.6	20.0	18.8		
Net current transfers (negative = inflow)	1.0	1.0	0.9	1.1	1.2	1.2	1.2	1.2	1.1	1.1	1.1	**1.0**	**1.1**
of which: official	-0.3	-0.3	-0.3	-0.2	-0.4	-0.4	-0.4	-0.2	-0.1	0.0	0.0		
Other current account flows (negative = net inflow)	2.1	2.0	1.8	1.9	1.8	1.8	1.8	1.8	1.8	1.8	1.8	**1.8**	**1.8**
Net FDI (negative = inflow)	**0.8**	**1.3**	**1.0**	**1.1**	**1.2**	**1.2**	**1.2**	**1.2**	**1.3**	**1.6**	**2.1**	**0.9**	**1.3**
Endogenous debt dynamics 2/	**-1.4**	**0.6**	**-0.1**	**-0.8**	**-0.9**	**-0.9**	**-0.8**	**-0.7**	**-0.7**	**-0.6**	**-0.4**		
Contribution from nominal interest rate	0.7	0.9	1.1	0.9	1.0	1.0	1.0	1.0	1.0	0.9	0.6		
Contribution from real GDP growth	-1.2	-1.5	-0.5	-1.7	-2.0	-1.9	-1.9	-1.7	-1.7	-1.5	-1.0		
Contribution from price and exchange rate changes	-0.9	1.3	-0.7	...	...	...	...	...	...	...	...		
Residual 3/	**3.1**	**-0.4**	**1.1**	**-2.6**	**-3.9**	**-3.9**	**-4.0**	**-3.9**	**-3.7**	**-4.3**	**-4.9**	**-0.7**	**-3.9**
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**	**28.0**	**27.6**	**26.9**	**26.0**	**25.2**	**24.7**	**21.9**	**15.4**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**133.3**	**127.2**	**127.7**	**126.0**	**121.6**	**118.9**	**117.9**	**108.3**	**80.0**		
PPG debt service-to-exports ratio	**6.1**	**6.9**	**8.3**	**8.1**	**9.5**	**10.8**	**12.3**	**12.2**	**10.6**	**12.8**	**8.6**		
PPG debt service-to-revenue ratio	**9.8**	**11.4**	**12.3**	**12.6**	**14.0**	**15.6**	**17.5**	**17.2**	**14.8**	**16.9**	**10.7**		
Gross external financing need (Million of U.S. dollars)	3146.6	2528.7	3145.6	4376.8	4926.7	5325.2	5918.6	6316.5	6518.9	10486.7	19359.5		
Key macroeconomic assumptions													
Real GDP growth (in percent)	6.9	6.2	2.0	6.0	6.5	6.4	6.3	6.1	6.0	5.8	5.6	**6.3**	**6.1**
GDP deflator in US dollar terms (change in percent)	5.2	-5.0	2.6	7.6	3.3	2.7	2.3	2.2	2.1	1.6	1.6	**0.0**	**2.6**
Effective interest rate (percent) 4/	4.2	3.6	4.2	3.2	3.5	3.5	3.5	3.5	3.5	3.5	3.3	**3.6**	**3.5**
Growth of exports of G&S (US dollar terms, in percent)	1.8	5.4	-5.6	18.0	7.9	8.1	8.9	7.3	7.1	6.8	7.0	**0.5**	**8.3**
Growth of imports of G&S (US dollar terms, in percent)	11.3	-2.3	-0.4	22.1	6.9	6.5	8.0	7.0	7.3	6.8	6.7	**2.3**	**8.4**
Grant element of new public sector borrowing (in percent)	...	...	...	17.0	16.0	16.4	16.9	17.4	17.8	14.2	17.3	**...**	**16.4**
Government revenues (excluding grants, in percent of GDP)	14.0	14.2	14.5	14.1	14.7	14.9	15.0	15.0	15.0	15.2	15.6	**13.3**	**15.0**
Aid flows (in Million of US dollars) 5/	443.2	469.2	336.3	1086.9	1122.7	1168.7	1243.1	1190.4	1155.3	707.8	711.7		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.3	1.2	1.0	1.0	0.8	0.7	0.4	0.3	**...**	**0.8**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	26.1	28.5	27.8	27.4	24.5	22.0	14.4	17.6	**...**	**21.6**
Nominal GDP (Million of US dollars)	58,011	58,539	61,231	69,826	76,817	83,967	91,310	99,045	107,156	154,658	314,351		
Nominal dollar GDP growth	12.5	0.9	4.6	14.0	10.0	9.3	8.7	8.5	8.2	7.5	7.3	**6.1**	**8.8**
Memorandum items:													
PV of external debt 7/	...	...	28.4	28.0	27.6	26.9	26.0	25.2	24.7	21.9	15.4		
In percent of exports	...	...	133.3	127.2	127.7	126.0	121.6	118.9	117.9	108.3	80.0		
Total external debt service-to-exports ratio	6.1	6.9	8.3	8.1	9.5	10.8	12.3	12.2	10.6	12.8	8.6		
PV of PPG external debt (in Million of US dollars)			17362.2	19553.1	21187.1	22599.9	23748.7	24922.5	26450.1	33803.2	48449.5		
(PVt-PVt-1)/GDPt-1 (in percent)				3.6	2.3	1.8	1.4	1.3	1.5	1.1	0.5		
Non-interest current account deficit that stabilizes debt ratio	-2.5	-1.5	-2.0	2.3	3.6	3.6	3.6	3.5	3.1	3.3	3.2		

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.

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.

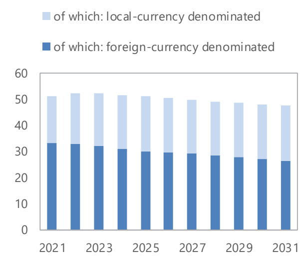
Table 2. Côte d'Ivoire: Public Sector Debt Sustainability Framework, Baseline Scenario, 2018–41

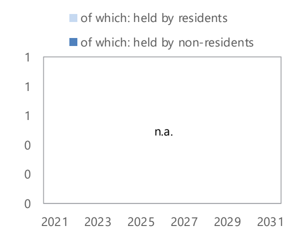
(Percent of GDP; unless otherwise indicated)

	Actual			Projections								Average 6/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
Public sector debt 1/	37.6	41.0	49.8	51.4	52.3	52.4	51.7	51.1	50.3	47.8	45.6	**34.9**	**50.2**
of which: external debt	24.8	27.7	32.1	33.2	32.7	32.0	31.0	30.1	29.6	26.3	18.7	**21.3**	**29.7**
Change in public sector debt	3.9	3.5	8.8	1.5	1.0	0.1	-0.7	-0.6	-0.8	-0.4	-0.1		
Identified debt-creating flows	1.9	1.0	2.5	1.5	1.0	0.1	-0.7	-0.6	-0.8	-0.5	-0.2	**0.7**	**-0.2**
Primary deficit	1.6	0.8	3.7	3.6	2.7	1.8	0.9	0.9	1.0	1.0	1.0	**1.5**	**1.4**
Revenue and grants	14.8	15.0	15.0	14.7	15.3	15.4	15.4	15.3	15.1	15.3	15.6	**14.1**	**15.2**
of which: grants	0.8	0.8	0.5	0.5	0.6	0.5	0.5	0.3	0.2	0.0	0.0		
Primary (noninterest) expenditure	16.4	15.8	18.7	18.2	18.0	17.2	16.4	16.2	16.1	16.2	16.6	**15.6**	**16.6**
Automatic debt dynamics	-0.5	0.1	-1.3	-2.2	-2.2	-2.1	-2.0	-1.8	-1.7	-1.5	-1.2		
Contribution from interest rate/growth differential	-1.3	-1.2	0.7	-2.2	-2.2	-2.1	-2.0	-1.8	-1.7	-1.5	-1.2		
of which: contribution from average real interest rate	0.8	1.0	1.5	0.6	1.0	1.1	1.1	1.1	1.2	1.2	1.2		
of which: contribution from real GDP growth	-2.2	-2.2	-0.8	-2.8	-3.1	-3.2	-3.1	-3.0	-2.9	-2.6	-2.4		
Contribution from real exchange rate depreciation	0.8	1.3	-2.0	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.8	0.2	0.1	0.2	0.4	0.4	0.4	0.3	0.0	0.0	0.0	**0.1**	**0.2**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	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)	0.8	0.2	0.1	0.2	0.4	0.4	0.4	0.3	0.0	0.0	0.0		
Residual	2.0	2.4	6.3	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	**-0.3**	**0.0**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	44.3	45.9	47.0	47.2	46.6	46.1	45.4	43.3	42.3		
PV of public debt-to-revenue and grants ratio	...	...	294.9	312.8	307.9	306.9	301.8	302.0	299.8	283.5	270.9		
Debt service-to-revenue and grants ratio 3/	29.1	30.7	32.9	34.9	42.3	51.5	52.1	54.2	52.3	55.2	57.6		
Gross financing need 4/	6.7	5.5	8.7	8.8	9.6	10.1	9.3	9.5	8.9	9.4	10.0		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	6.9	6.2	2.0	6.0	6.5	6.4	6.3	6.1	6.0	5.8	5.6	**6.3**	**6.1**
Average nominal interest rate on external debt (in percent)	3.9	3.6	4.2	3.0	3.4	3.4	3.4	3.5	3.5	3.5	3.3	**3.6**	**3.4**
Average real interest rate on domestic debt (in percent)	4.0	5.2	5.4	3.9	4.5	4.1	4.1	3.9	3.9	4.0	4.1	**3.6**	**4.0**
Real exchange rate depreciation (in percent, + indicates depreciation)	4.7	5.4	-7.1	...	...	...	...	...	...	...	...	**1.6**	**...**
Inflation rate (GDP deflator, in percent)	0.6	0.2	0.6	1.0	1.0	1.3	1.4	1.6	1.6	1.6	1.6	**1.3**	**1.4**
Growth of real primary spending (deflated by GDP deflator, in percent)	1.9	2.6	20.8	3.1	5.0	1.6	1.4	5.0	5.3	6.3	5.7	**10.5**	**4.7**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-2.3	-2.7	-5.1	2.0	1.8	1.7	1.6	1.5	1.7	1.4	1.1	**-3.4**	**1.6**
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, central bank, 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.

Table 3. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2021–31

(Percent)

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of debt-to GDP ratio											
Baseline	28.0	27.6	27	26	25	25	24	24	23	22	21.9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	28	25	22	18	15	12	8	5	1	-3	-6
B. Bound Tests											
B1. Real GDP growth	28	30	31	30	29	29	28	27	27	26	25
B2. Primary balance	28	28	28	27	27	26	26	25	24	24	23
B3. Exports	28	31	36	35	34	33	33	32	31	30	29
B4. Other flows 3/	28	28	28	27	26	26	25	25	24	23	23
B5. Depreciation	28	35	31	30	28	28	27	27	26	25	25
B6. Combination of B1-B5	28	33	31	30	29	28	28	27	27	26	25
C. Tailored Tests											
C1. Combined contingent liabilities	28	32	32	31	30	30	30	30	29	29	28
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	28	28	27	26	26	25	25	24	23	23
C4. Market Financing	28	31	30	29	28	28	27	27	26	25	24
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	127	128	126	122	119	118	117	115	113	110	108
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	127	116	102	86	71	57	41	23	5	-14	-32
B. Bound Tests											
B1. Real GDP growth	127	128	126	122	119	118	117	115	113	110	108
B2. Primary balance	127	130	132	128	125	124	124	122	120	118	116
B3. Exports	127	162	**217**	**210**	**207**	**205**	**205**	**201**	**199**	**195**	**190**
B4. Other flows 3/	127	130	130	126	123	122	121	119	117	115	112
B5. Depreciation	127	128	114	110	107	106	105	103	101	99	97
B6. Combination of B1-B5	127	153	127	152	149	147	147	144	141	138	135
C. Tailored Tests											
C1. Combined contingent liabilities	127	148	149	145	144	144	145	144	143	142	140
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	127	129	129	126	124	123	122	120	118	116	113
C4. Market Financing	127	128	126	122	120	120	119	116	113	111	108
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	8	9	11	12	12	11	11	12	11	12	13
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	8	10	10	11	10	8	7	7	6	6	4
B. Bound Tests											
B1. Real GDP growth	8	9	11	12	12	11	11	12	11	12	13
B2. Primary balance	8	9	11	13	13	11	11	12	12	13	13
B3. Exports	8	11	**15**	**19**	**19**	**17**	**17**	**18**	**18**	**20**	**22**
B4. Other flows 3/	8	9	11	13	12	11	11	12	12	13	13
B5. Depreciation	8	9	11	11	11	10	10	11	11	12	11
B6. Combination of B1-B5	8	11	14	**15**	**15**	13	13	14	14	**16**	**16**
C. Tailored Tests											
C1. Combined contingent liabilities	8	9	12	14	14	12	12	13	13	14	15
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	8	10	11	13	13	11	11	12	12	13	13
C4. Market Financing	8	9	11	13	13	14	**16**	**16**	14	13	13
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	12.6	14.0	15.6	17.5	17.2	14.8	14.5	15.7	15.4	16.6	16.9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	13	14	15	16	15	11	10	10	8	7	6
B. Bound Tests											
B1. Real GDP growth	13	15	**18**	**20**	**20**	17	17	**18**	18	**19**	**20**
B2. Primary balance	13	14	16	**18**	18	15	15	16	16	17	18
B3. Exports	13	14	17	**21**	**21**	**19**	**18**	**19**	**19**	**21**	**23**
B4. Other flows 3/	13	14	16	18	18	15	15	16	16	17	18
B5. Depreciation	13	18	**20**	**21**	**20**	17	17	**18**	**18**	**20**	**19**
B6. Combination of B1-B5	13	15	**19**	**20**	**20**	17	17	18	18	**20**	**19**
C. Tailored Tests											
C1. Combined contingent liabilities	13	14	17	**20**	**19**	17	17	**18**	18	**19**	**20**
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	13	15	17	**19**	**19**	16	15	16	16	17	18
C4. Market Financing	13	14	16	**18**	**18**	**19**	**21**	**22**	**18**	17	17
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, 2021–31

(Percent)

					Projections 1/						
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
					PV of Debt-to-GDP Ratio						
Baseline	46	47	47	47	46	45	45	44	44	44	43
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	46	46	46	46	46	46	46	46	46	46	46
B. Bound Tests											
B1. Real GDP growth	46	52	**58**	**60**	**62**	**63**	**65**	**67**	**68**	**70**	**72**
B2. Primary balance	46	48	49	49	48	47	47	46	46	46	45
B3. Exports	46	50	**55**	54	54	53	53	52	51	51	50
B4. Other flows 3/	46	47	48	48	47	46	46	45	45	44	44
B5. Depreciation	46	53	51	49	47	45	43	42	40	38	37
B6. Combination of B1-B5	46	47	48	48	47	47	46	46	45	45	45
C. Tailored Tests											
C1. Combined contingent liabilities	46	**56**	**56**	**56**	55	54	53	53	52	52	52
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	46	50	54	**57**	**60**	**62**	**64**	**66**	**68**	**70**	**72**
C4. Market Financing	46	47	47	47	46	46	45	45	44	44	43
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
					PV of Debt-to-Revenue Ratio						
Baseline	313	308	307	302	302	300	297	292	289	286	284
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	313	300	297	296	300	302	302	301	301	301	301
B. Bound Tests											
B1. Real GDP growth	313	338	377	387	403	417	429	439	449	461	473
B2. Primary balance	313	314	321	316	316	314	310	306	302	299	297
B3. Exports	313	326	359	353	353	351	347	342	338	335	330
B4. Other flows 3/	313	311	313	308	308	306	302	298	294	291	289
B5. Depreciation	313	349	336	320	310	298	286	274	262	252	242
B6. Combination of B1-B5	313	305	315	310	310	309	306	302	298	296	294
C. Tailored Tests											
C1. Combined contingent liabilities	313	369	366	360	360	357	354	349	344	341	338
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	313	345	372	392	411	424	432	437	448	460	473
C4. Market Financing	313	308	307	303	304	302	299	294	290	286	283
					Debt Service-to-Revenue Ratio						
Baseline	35	42	52	52	54	52	51	52	52	54	55
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	35	42	50	51	54	52	51	53	54	56	58
B. Bound Tests											
B1. Real GDP growth	35	45	61	65	70	70	71	74	77	82	85
B2. Primary balance	35	42	53	55	56	54	53	54	55	57	57
B3. Exports	35	42	53	55	58	56	54	55	56	58	61
B4. Other flows 3/	35	42	52	52	55	53	51	52	53	55	56
B5. Depreciation	35	42	53	54	56	53	51	52	53	55	55
B6. Combination of B1-B5	35	42	52	53	55	53	52	53	54	56	57
C. Tailored Tests											
C1. Combined contingent liabilities	35	42	65	61	63	61	60	61	62	62	62
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	35	45	59	65	70	70	70	73	76	81	84
C4. Market Financing	35	42	52	53	55	56	58	58	55	55	55

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Includes official and private transfers and FDI.

Statement by Mr. Andrianarivelo, Executive Director for Côte d'Ivoire and Mr. Marcellin Koffi Alle, Senior Advisor to the Executive Director
July 21, 2021

1. Our Ivorian authorities would like to thank the Board, Management and Staff for the Fund's continued engagement with Côte d'Ivoire. The year 2020 was marked by the disbursement under the Rapid Credit Facility (RCF) and a purchase under the Rapid Financing Instrument (RFI) to support the government's response to the COVID-19. Meanwhile, the authorities' four-year program supported by the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) arrangements contributed to enhance macroeconomic stability and deliver strong growth through its expiration in December 2020. The authorities appreciate that the policy dialogue with staff continued beyond the program period, including in the context of the 2021 Article IV consultation. This consultation provided the opportunity for thorough discussions on the major economic challenges facing Côte d'Ivoire and policies to address them, exit the pandemic and resume the growth momentum of the last decade. The authorities broadly share the thrust of the staff report as a fair account of these discussions and welcome the Selected Issues Paper (SIP).

2. Côte d'Ivoire was hit hard by the COVID-19 pandemic. The government's response was two-fold; an early emergency health plan, followed by an economic package to support affected firms and households. Owing to this swift response and the relative diversification of the economy, the impact of the pandemic on growth was less than anticipated. Growth in 2020 remained in the positive territories compared to most peer countries. While continuing to disburse funding to hard-hit firms, especially SMEs, the government's efforts in the recent period have focused on rolling out vaccine doses made available through the COVAX initiative and the government's own purchases. Furthermore, the authorities are moving ahead with their reform agenda aimed at addressing scarring from the pandemic and fostering economic transformation for strong broad-based and inclusive growth.

Recent Developments and Outlook

3. Recent developments were dominated by the unfolding COVID-19 pandemic and its associated economic fallout, and the authorities' emergency health care plan and macroeconomic policies to respond to the crisis. Since March 11, 2020 when Côte d'Ivoire reported its first case of COVID-19 infection, the authorities' macroeconomic policies have been adjusted to address the effects of the pandemic. In addition to containment measures to limit the spread of the virus, a combination of fiscal and monetary policies has made the bulk of the response. The fiscal stance has been relaxed to 5.6 percent in 2020 to accommodate COVID-related spending, compared to 2.3 percent pre-pandemic. The regional central bank (BCEAO) took measures to maintain an adequate liquidity in the banking system and credit flow to the economy, including

expanding its collateral base for access to refinancing and preparing with banks, a framework to help affected firms facing loan repayment difficulties. The disbursement under the RCF/RFI also proved instrumental in securing donor support to form an additional line of defense against the pandemic.

4. Thanks to these decisive steps and an early reopening in mid-2020, growth was resilient, expected to stand at 2 percent in 2020, stronger than previously envisaged. Other indicators however displayed less resilience. In the face of disrupted global trade and lower demand, the current account deficit is expected to have widened to 3.5 percent of GDP in 2020, from 2.3 percent in 2019. More recently, the combination of pandemic-related disruptions in supply chains and energy shortages has pushed inflation upward, to 3.9 percent y-o-y at end-April. The authorities expect factors behind the shortages to dissipate in the coming weeks and inflation to fall back to its normal path as a result.

5. The authorities share staff's positive analysis on the outlook while being mindful of the downside risks. They are of the view that the broadly easing global trend in the pandemic, paired with stepped-up vaccination campaigns both locally and at the international level are sources of optimism. Furthermore, the authorities are committed to working towards the materialization of upside risks, by implementing far-reaching reforms in the period ahead, under the National Development Plan (NDP 2021-25) being finalized. Their growth forecast of 6.5 percent in 2021, and 7.7 percent on average over 2021-25 is predicated mainly on these endeavors.

Post-Pandemic Policies and Economic Transformation

6. Our Ivorian authorities are committed to redoubling efforts in the period ahead to continue addressing the impact of the pandemic, repair scars and revert to their economic transformation agenda. In this regard, they have discussed with staff some of the key policies for the near to the medium term. Efforts will focus, inter alia, on stepping up domestic revenue mobilization to finance infrastructure and social spending while ensuring debt sustainability; further strengthening the financial sector to support credit to the economy; and bolstering structural reforms to further economic transformation.

Stepping up domestic revenue mobilization

7. Despite continuous progress under the past IMF-supported programs, our authorities concur with staff that domestic revenue mobilization remains the *Achilles' heel* of their achievements over the past years. They are committed to making significant strides on this front in the period ahead, backed by resolved efforts in rationalizing tax expenditures, broadening the tax base, and strengthening tax administration. Achievements in the pre-pandemic period included the adoption in March 2019, of an action plan to streamline tax expenditures over 2020–23, the revision of the Investment Code, in 2018, to prepare the ground for gradually replacing investment incentives with moderate tax rates. The authorities are continuing their efforts alongside staff recommendations. Further actions include broadening the tax base by

reinforcing collection of property tax and by incentivizing the transition of entrepreneurs from the informal to the formal sector. As well, the digitalization of the tax administration is proceeding and will be accelerated as the pandemic recedes and more onsite activities are possible.

8. The authorities are determined to continue improving the tax system to raise more revenue. They are mindful that increasing the tax-to-GDP ratio from 12.7 percent of GDP in 2021 to the WAEMU target of 20 percent of GDP will require strong policy resolve. The same holds for achieving the WAEMU fiscal deficit target of 3 percent of GDP at the latest by 2024, instead of 2023. Furthermore, meeting revenue objectives will be an important step to lift vulnerabilities associated with the debt-service-to-revenue ratio and ensure debt sustainability going forward. To this end, the authorities are committed to maintaining their prudent debt strategy, continuously improving debt management, while closely monitoring fiscal risks associated with State-owned enterprises (SOEs) and public-private partnerships (PPPs). These combined efforts should help preserve the moderate risk of debt distress assessed by the DSA.

Strengthening the financial sector

9. Cognizant of the importance of financing in their strategy to build a private sector-led growth, our authorities will continue to strengthen the financial sector. The sector has weathered the pandemic well and is broadly sound thanks to the strong supportive measures enacted early on by the BCEAO. The adequate ratios exhibited by banks have translated into strong credit to the private sector, which increased by 8.7 percent y-o-y at end-March 2021.Non-performing loans (NPLs) meanwhile remained broadly flat at around 8½ percent y-o-y in March 2021. The authorities closely monitor developments in the sector with regards to the pandemic and stand ready to take further actions to maintain financial stability.

10. In the same vein, the authorities will move forward with the restructuring of public banks, building on the recent progress. Since overhauling the management of the *Banque Nationale d'Investissement* (BNI) and the *Banque Populaire*, their financial position has significantly strengthened as a result of the entry of new shareholders in their capital, improved governance and sales of assets. Similar efforts will be made for the *Banque de l'Habitat de Côte d'Ivoire* (BHCI).

Addressing scarring and bolstering structural reforms

11. Implementing measures to avoid scarring from the pandemic and bolstering structural reforms to revert to the economic transformation agenda rank high among the authorities' priorities. Regarding scarring, the government' social plan, *PSGouv*, started in 2019 took a particular impetus in 2020 as a way to address potential lasting effects of the pandemic, especially on the most vulnerable populations. Actions targeted, inter alia, health and social protection, access to electricity and housing, basic services in rural areas and facilitation

measures for schools in remote areas. Resources allocated to the plan cumulated to 3 percent of GDP over the two years.

12. The 2021−25 National Development Plan will provide the framework for the authorities' ambitious structural reforms over the next five years. The overarching goal of this agenda is to further economic transformation and move Côte d'Ivoire towards a middle-income country status. The draft plan is articulated around six pillars: (i) acceleration of structural transformation through industrialization and the development of industrial clusters; (ii) human capital development and employment; (iii) private sector development and investment; (iv) strengthening inclusion, national solidarity and social action; (v) balanced regional development, environmental preservation, and fight against climate change; and (vi) strengthening governance, modernization of the State, and cultural transformation.

13. The implementation of the NDP is expected to yield an annual GDP growth of 7.7 percent on average over 2021-25, supported by a strong boost in private investment from 14.4 percent of GDP in 2021 to 22.7 percent in 2025. Alongside its 6 pillars, important reforms will include further improving the business climate, strengthening governance and supporting economic diversification. Progress made over the past years in the business climate will be complemented by steps to better the judiciary system and enforce contracts. In the same vein, the authorities will reinforce their actions to improve governance and fight corruption, which unduly increases the cost of doing business. The government will pursue its effort of diversifying the economy away from commodity exports. Actions such as creating industrial parks and supplying infrastructure and utilities will be accelerated to attract investors in manufacturing. New sectors such as ICT and tourism will be promoted alongside policies to support young entrepreneurs. As a cross-cutting issue, investment in education will be enhanced and better targeted to enhance human capital and boost productivity.

Conclusion

14. Sound policymaking and past achievements in maintaining macroeconomic stability have created the ground for Côte d'Ivoire's resilience before the COVID-19 crisis. Paired with a relatively diversified economy, the authorities' swift response has helped minimize the impact of the pandemic on growth. Going forward, they will continue to address the crisis, including by accelerating vaccination, for a quick exit. Furthermore, in the period ahead, efforts will be stepped up to avoid scarring from the pandemic as the authorities also bolster structural reforms to further economic transformation aimed at creating broad-based and inclusive growth. In view of these steps, our authorities would appreciate Executive Directors' support for the conclusion of the 2021 Article IV consultation with Côte d'Ivoire.