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CÔTE D’IVOIRE

June 2023

REQUESTS FOR AN EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND A 40-MONTH ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY— PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR COTE D’IVOIRE

In the context of the Côte d'Ivoire - Request for an Extended Arrangement Under the Extended Fund Facility and a 40-Month Arrangement Under the Extended Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board’s consideration on May 24, 2023, following discussions that ended on March 14, 2023, with the officials of Côte d’Ivoire on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on May 11, 2023.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association.
- A **Statement by the Executive Director** for Cote d’Ivoire.

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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IMF Executive Board Approves US $3.5 billion Extended Fund Facility and Extended Credit Facility for Côte d'Ivoire

FOR IMMEDIATE RELEASE

- IMF Board approves 40-month arrangements under the EFF and ECF for Côte d'Ivoire (about US$3.5 billion) to help support the country's transformation towards upper-middle income status through the implementation of the authorities' national development plan while preserving macroeconomic stability.
- The key reform agenda under the arrangements is domestic revenue mobilization, which is central in preserving fiscal and debt sustainability and along with increased spending efficiency should generate fiscal space to help finance investment needs and critical spending in health and education to allow for deeper economic transformation.
- Structural reforms should further deliver improvements in business climate, private sector investments and financial inclusion to foster the necessary conditions for inclusive growth, through strengthening governance and human capital investments, especially amongst youth and women.

Washington, DC – **May 24, 2023:** The Executive Board of the International Monetary Fund (IMF) approved 40-month arrangements under the Extended Fund Facility (EFF) and the Extended Credit Facility (ECF) for Côte d'Ivoire in the amount of SDR 2,601.6 million (equivalent to 400 percent of quota or about US$3.5 billion). The program is consistent with the authorities' 2021-25 national development plan (NDP) and aims to maintain macroeconomic stability in the near term while laying the foundation for deeper economic transformation towards upper middle-income status over the medium term. The program will also help Côte d'Ivoire raise its contribution to the regional international reserves pool.

The Executive Board's decision enables an immediate disbursement of SDR 371.7 million (US$495.4 million), which the Ivorian authorities intend to use for budget support.

Hit by triple shocks, namely the pandemic, the adverse spillovers of Russia's war in Ukraine, and the global monetary tightening, Côte d'Ivoire faces growing macroeconomic imbalances. The authorities are committed to pursue their agenda to promote private sector led and inclusive growth, as well as to strengthen fiscal consolidation efforts mainly through domestic revenue mobilization supported by upfront measures and a comprehensive medium-term revenue strategy to ensure the means to its ambitious social and capital investment program. Key structural reforms aim to further improve business climate, including by strengthening governance, increasing financial inclusion, and investing in human capital, and to strengthen resilience to climate change.

At the conclusion of the Executive Board's discussion, Mr. Kenji Okamura, Deputy Managing Director, and Acting Chair, made the following statement:

"Consecutive global shocks have strained Côte d'Ivoire's public finances as well as regional reserves. In response, the authorities are implementing a revenue-based fiscal consolidation, which will complement Fund financing under the EFF/ECF arrangements. Strong upfront revenue measures, including by reinstating the petroleum pricing mechanism in early 2023, are essential to reduce risks to debt sustainability and support convergence to the WAEMU deficit target. The authorities' focus on improving the institutional and legislative framework for debt management is also critical to safeguard debt sustainability.

"Over the medium term, sustained domestic revenue mobilization is key to create fiscal space to finance deeper economic transformation toward upper middle-income status. This will be supported by the development, publication, and implementation of a medium-term revenue mobilization strategy, which should seek significant reductions in wasteful tax expenditures and tax exemptions, particularly for the VAT; thus, broadening the tax base with a simpler, more transparent, and equitable tax system. The authorities' commitment to enhance the coverage, transparency, and management of public finances, especially to cover state-owned enterprises, is also important to safeguard fiscal space.

"Steadfast implementation of the structural reforms under the National Development Plan will promote private sector-led growth, including by strengthening governance, expanding financial inclusion, and improving the business environment. Resolute implementation of the National Anti-Corruption Strategy and the National Strategy Against Money Laundering and Terrorism Financing will boost transparency and further attract private investment. Further investments in human capital development, especially amongst youth and women, will make growth more inclusive. Enhancing resilience to climate change will also be important for achieving a sustainable economic transformation."

Côte d'Ivoire: Selected Economic Indicators (2019-2023)

Population (2020): 27 million | Gini Index (2018): 37.2

Per capita GDP (2020): 2,279 USD | Life Expectancy (2020): 59

Share of population below the poverty line (2018): 39.5%

	2019	2020	2021	2022 Prel.	2023 Proj.
Output					
Real GDP Growth (%)	8.3	1.7	7.0	6.7	6.2
Prices					
Inflation (annual average, %)	0.8	2.4	4.2	5.2	3.7
Central government finances					
Revenues (% GDP)	14.3	14.4	15.3	14.8	15.8
Expenditure (% GDP)	17.3	20.4	20.7	22.1	21.7
Fiscal balance (% GDP)	-2.2	-5.4	-4.9	-6.8	-5.3
Public debt (% GDP)	37.5	46.3	50.9	56.8	58.1
Money and Credit					
Broad money (% change)	11.0	21.4	18.1	9.8	...
Credit to private sector (% change)	6.1	9.2	12.5	7.3	...
Balance of payments					
Current account (% GDP)	-2.3	-3.1	-4.0	-6.5	-5.6
Net FDI Inflows (% GDP)	1.2	1.1	1.5	1.4	1.8
WAEMU reserves (in months of imports)	5.6	5.4	5.2	4.5	...
External public debt (% GDP)	24.9	29.7	30.9	34.5	35.6
Exchange rate					
REER (% change, depreciation –)	-3.9	5.1	-0.6	-5.2	...

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

CÔTE D'IVOIRE

May 11, 2023

REQUESTS FOR AN EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND A 40-MONTH ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY

EXECUTIVE SUMMARY

Context: Consecutive global shocks have led to a widening of macroeconomic imbalances, put a serious strain on public finances as well as regional reserves, and further exposed longstanding constraints to economic transformation. Notwithstanding record growth in the past decade and significant poverty reduction, large social priority and investment spending needs remain, while comparatively weak domestic revenue mobilization poses significant financing constraints. Against this backdrop, the authorities have requested Fund support of 400 percent of quota (SDR 2,601.6 million) for an economic program aimed at meeting pressing financing needs, preserving macroeconomic stability, and anchoring the National Development Plan (NDP) in key structural reforms to support Côte d'Ivoire's transformation towards upper-middle income status.

Main Policy Commitments

- **Fiscal and debt sustainability**. The near-term strategy under the program focuses on revenue-based fiscal consolidation underpinned by strong commitments towards reaching the WAEMU deficit target of 3 percent by 2025 and maintaining a moderate risk of debt distress rating. Financing support and the catalytic role of the program will also help boost regional international reserves.

- **Domestic revenue mobilization**. Significantly improving revenue mobilization plays a central role in meeting the program's near-term objectives as well as generating adequate fiscal space to help finance deeper economic transformation. To this end strong upfront revenue measures will be sustained over the medium term by the development, publication, and implementation of a comprehensive medium-term revenue mobilization strategy (MTRS).

- **Spending efficiency**: The authorities have already begun rolling back crisis era spending, especially blanket food, and fuel subsidies, while still supporting the most vulnerable through targeted cash transfers. Critical social spending in education and

health will also be protected under the program. A set of public financial management reforms will continue to boost dividends from the tax administration reforms that have been carried out in recent years.

- **Structural reforms**: The authorities are committed to undertaking important structural reforms which aim to deliver improvements in the business climate, higher levels of private sector investment and financial inclusion, along with generating the necessary conditions for inclusive growth. In particular, the authorities' reform agenda aims to strengthen governance, and invest in human capital development, especially amongst youth and women. The authorities are committed to strengthening resilience to climate change as a complement to the ECF/EFF supported development agenda.

Approved By
Montie Mlachila (AFR) and Boileau Loko (SPR)

Discussions were held in Abidjan during March 1-14, 2023. The mission comprised O. Unteroberdoerster (head), C. Gicquel, J. Ntamatungiro (virtual), K. Youssef (all AFR), R. Koepke (SPR), K. Tamiru Gulilat (FAD), K. Kouao (local economist). D. Datshkovsky supported the team from headquarters. A. Tall (OED) participated in the policy meetings. The IMF team met with Vice President Tiémoko Koné; Prime Minister Patrick Achi; Minister of State and Agriculture Kobenan Adjoumani; Minister of Planning and Development Nialé Kaba; Minister of Petroleum, Mines and Energy Sangafowa Coulibaly; Minister of Economy and Finance Adama Coulibaly; Minister of Budget and State Holdings Moussa Sanogo; Minister of Commerce and Industry Souleymane Diarrassouba; Minister and Secretary General of the Presidency Abdourahmane Cissé; and other senior government and BCEAO officials. K. Kalonji (Resident Representative) helped coordinate, and Edwin Magno provided administrative assistance for the preparation of this report.

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Glossary

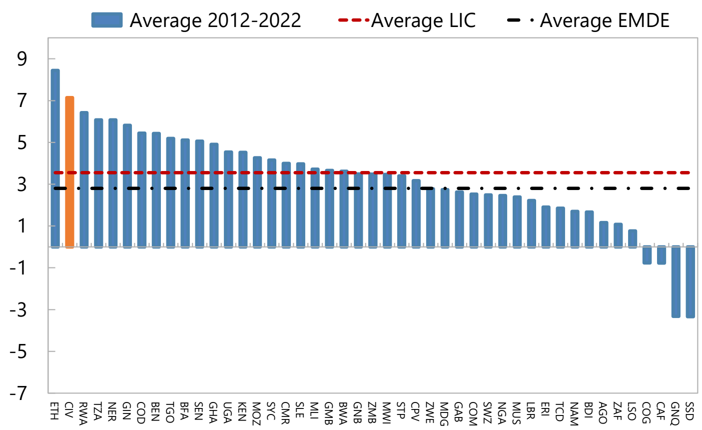
AfDB	African Development Bank
BADEA	Banque Arabe de Développement Économique
BCEAO	Central Bank of West African States
C2D	Debt Reduction and Development contract
CGRAE	Civil Service Pension Fund
CME	Medium-Sized Enterprise Centers
CNDP	National Public Debt Committee
CNPS	Private Sector Pension Fund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

CONTEXT

1. Côte d'Ivoire's economic development over the last decade has been remarkable, with growth well above its peers, significant poverty reduction, and increased access to basic services. Led by the three consecutive National Development Plans (NDP) of 2012-2015, 2016-2020, and 2021-2025, real growth has averaged close to 8 percent for the 8 years preceding the pandemic and was also well above its peers for the period 2012-22. It was mostly driven by private consumption and both public and private investment on the demand side, and by transportation, telecommunication, and retail services on the supply side. Inflation stayed low, averaging under 2 percent for the same period. While income per capita increased, poverty was reduced from 44 to 39.5 percent from 2015 to 2018-2019 along with decreased inequality (Gini coefficient fell 3 percentage points) and improved access to water and electricity.[1]

Côte d'Ivoire: Real GDP Growth

(Average 2012-2022)

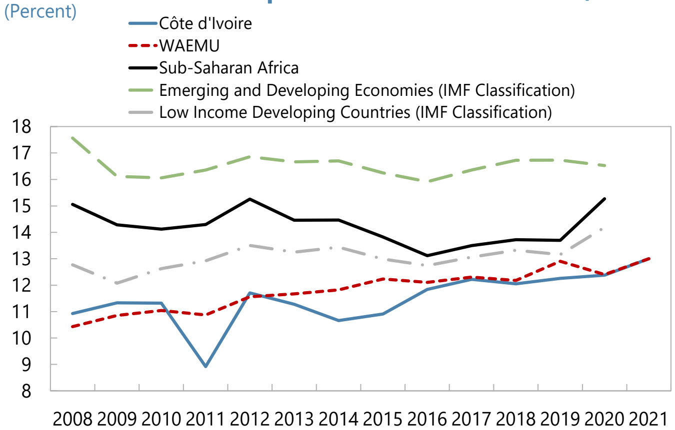


Sources: IMF, *World Economic Studies*, October 2022

2. Nevertheless, serious constraints have remained and impair a deeper economic transformation in line with peers. Social indicators in education outcomes and health, especially life expectancy, have been falling behind peers. At the same time, domestic revenue mobilization has remained weak and below averages for peer comparator groups, severely constraining the fiscal space for priority social spending and infrastructure investment.

Côte d'Ivoire and Comparators: Tax-to-GDP Ratio, 2008-21

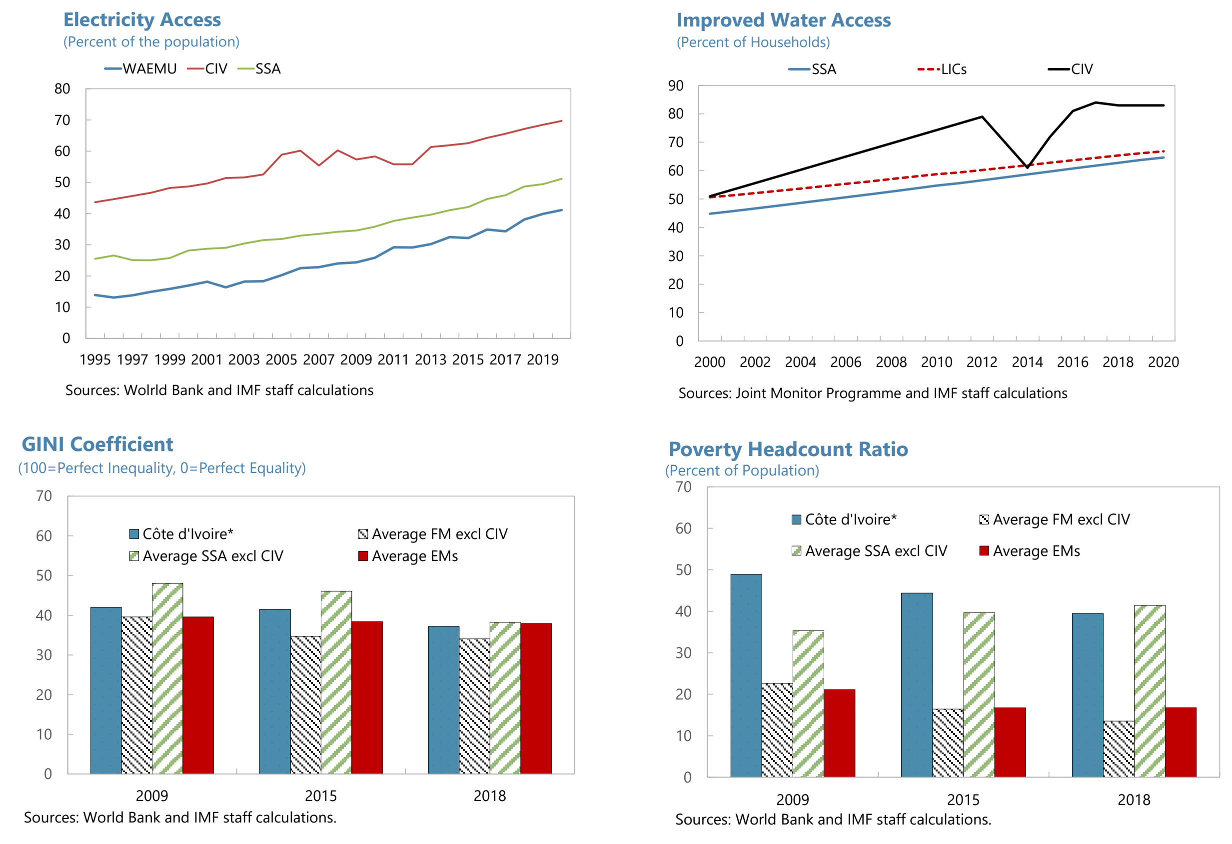
(Percent)



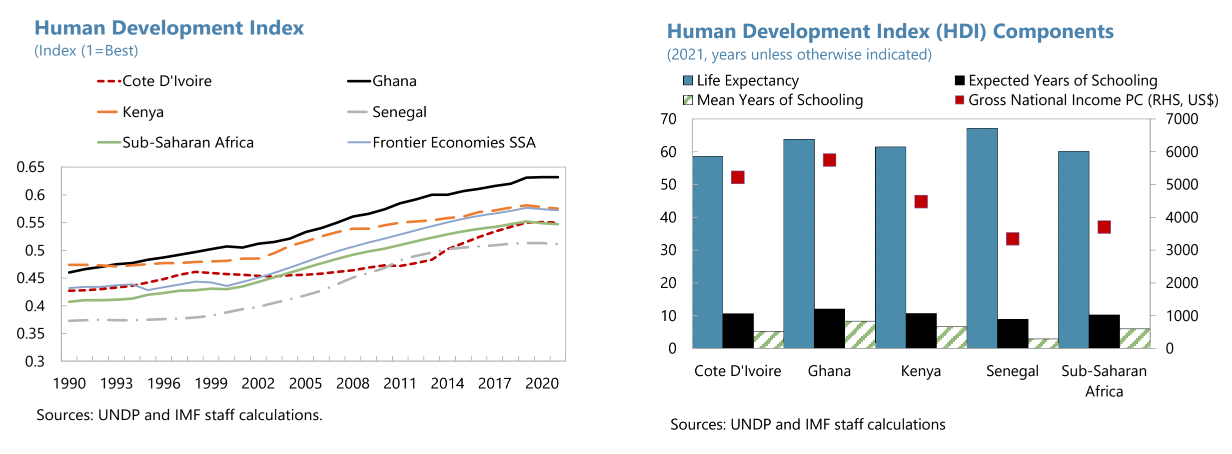
Sources: WEO, IMF Internal World Revenue Longitudinal Database (WoRLD); and IMF staff calculations.

[1] World Bank 2023, "Evaluation de la pauvreté en Côte d'Ivoire-Rapport principal".

Côte d'Ivoire: Social Indicators



Côte d'Ivoire: Human Development Index



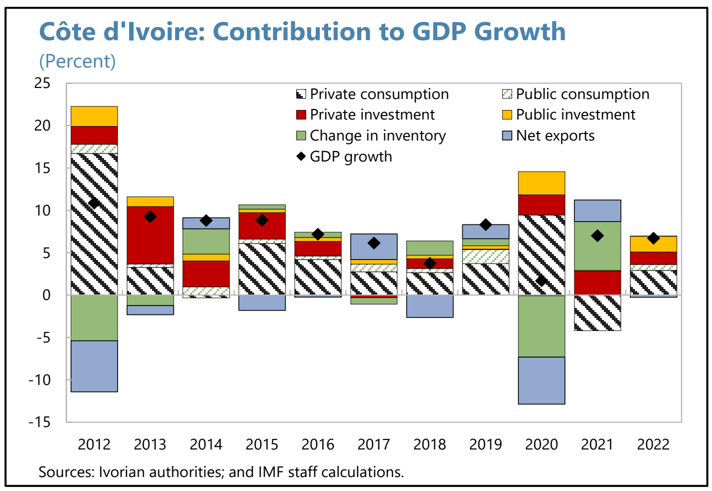
3. These challenges have been compounded by the triple shock of the Covid-19 pandemic, adverse spillovers from the war in Ukraine, and rapid global monetary tightening. Although growth rebounded strongly from the initial shock of the pandemic, macroeconomic imbalances have significantly widened, increasing financing needs. While

Côte d'Ivoire maintained global market access during the pandemic, global financial tightening amid heightened investor risk aversion following the war in Ukraine and rising advanced economy policy interest rates forced a shift to domestic and regional market issuances as well as external commercial loans, with the Eurobond issuance planned for 2022 being abandoned.[2]

4. The socio-political context has been peaceful ahead of local elections. Nearly all the major political parties have announced their participation to the upcoming regional and municipal elections, scheduled for early September 2023. With a record number of registered voters, they are set to be the most inclusive elections to date. On the social front, the government has taken various measures to preserve the purchasing power of citizens in the face of the recent price increases, including raising the minimum wage and pension benefits. The government's social program (PSGouv1 and 2) set through 2020-2024 provides further support to vulnerable groups. Nevertheless, the number of refugees crossing the border from Mali and Burkina Faso in early 2023 has surged to over 13,700, more than doubling the total number of refugees settled in Côte d'Ivoire in both 2021 and 2022, putting pressure on local communities in the northern parts of the country.

RECENT ECONOMIC DEVELOPMENTS

5. The economic rebound from the pandemic has softened due to adverse spillovers of Russia's war in Ukraine and global monetary tightening. Real growth is estimated to have rebounded to around 7 percent in 2021 from 1.7 percent in 2020 thanks to strong pre-pandemic fundamentals, a relatively diversified economy, and a rapid policy response. Amid higher import prices, rising global interest rates and slowing external demand, momentum has softened in 2022 with growth estimated at 6.7 percent. Growth was driven mostly by private consumption and public investment due to large infrastructure projects on the demand side and mainly by retail and services on the supply side. Inflation rose to 5.1 percent (y/y) by end-2022 mainly due to the increase of international oil, food, and fertilizer prices.



Sources: Ivorian authorities; and IMF staff calculations.

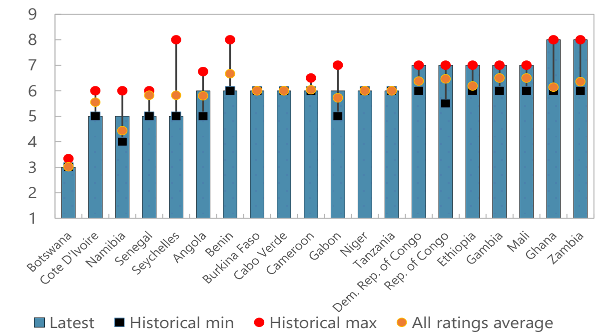
6. Macroeconomic imbalances have widened significantly, increasing risks to fiscal and debt sustainability and draining regional reserves.

[2]Côte d'Ivoire has had regular access on an annual basis to the eurobond market since 2014.

- **Fiscal deficit**. Despite continued improvement in overall tax revenue collection from ongoing tax administration reforms, the 2022 fiscal deficit is estimated to have risen to 6.8 percent of GDP, 2 percentage points of GDP worse than initially budgeted and up from 4.9 percent of GDP in 2021. This mainly reflects higher security spending, and both lower tax revenue from forgone taxes to curb pressures on prices for petroleum-related products and subsidies to various sectors affected by Russia's war in Ukraine.

- **Debt sustainability** (see DSA). The public debt stock reached close to 57 percent in 2022 from around 51 percent of GDP in 2021. The debt service also increased sharply with both higher interest payments and shorter maturities due to the recourse to non-concessional borrowing and the tightening of international and regional market conditions as well as exchange rate depreciation vis-à-vis the US dollar. Consequently, debt sustainability risks worsened. Nevertheless, Côte d'Ivoire's sovereign risk rating remained one of the highest in the SSA region. The authorities confirmed that they have no external arrears.

SSA Sovereign Ratings as of April 2023
(1 = AAA Prime; 1 to 4 = Investment Grade; 8 = In default)



Sources: Fitch, Moody's; and S&P

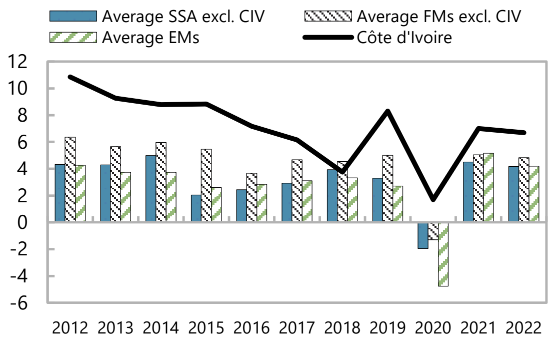
- **Current account deficit and regional reserves**. Worsening terms of trade amid robust domestic demand pushed the current account further into deficit to around 6.5 percent of GDP in 2022, from about 4 percent in 2021. The external sector assessment indicates that Côte d'Ivoire's external position in 2022 was moderately weaker than the level implied by fundamentals and desirable policies (Annex I). As the authorities substituted the 2022 planned Eurobond issuance with external commercial loans and domestic/regional borrowing, Côte d'Ivoire added significantly to the decline of regional WAEMU reserves to about 4.1 months of imports in February 2023.

- **Financial sector**. The ratio of nonperforming loans, which had increased from 8.4 percent in December 2019 to 9.7 percent in June 2021, declined to 8.8 percent in June 2022 (Table 6). Bank solvency also strengthened with a Tier 1 capital to risk-weighted assets ratio up from 9.7 percent at end-2019 to 12.4 percent at end-June 2022. Net bank claims on the central government increased sharply during 2020-2022, as the government resorted to the domestic banking system to finance growing budget deficits. On the other hand, the growth of net credit to the private sector slowed from 12.6 percent in 2021 to 7.3 percent in 2022, with SMEs continuing to face structural constraints in accessing financing. In a move to tighten its monetary stance, the BCEAO increased its policy interest rate to 3 percent in March 2023, curbing demand for newly issued sovereign securities across the WAEMU region.

Figure 1a. Côte d'Ivoire: Economic and Social Trends, 2012-22

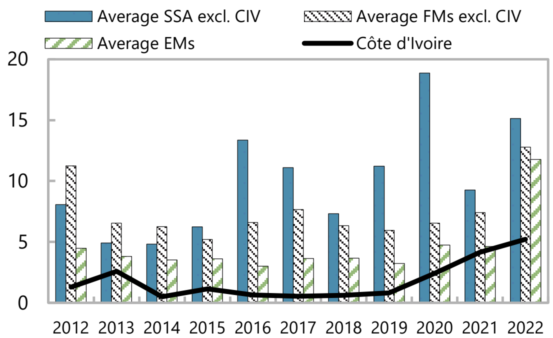
The post-pandemic recovery has softened, but growth continues outperforming peers.

Real GDP Growth
(Percent)



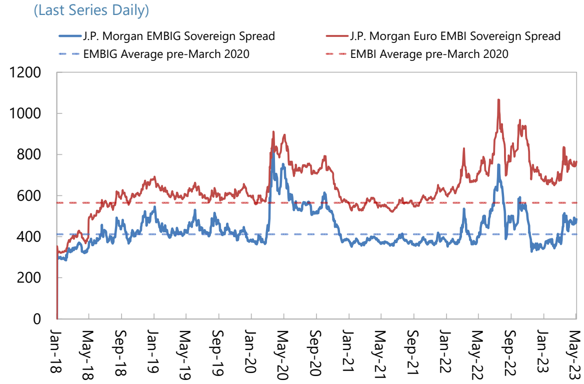
Inflation has been rising less than for peers.

CPI Inflation
(Percent)



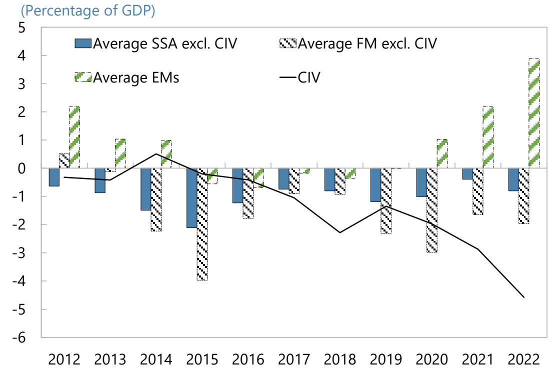
Sovereign spreads have remained elevated…

EMBI and EMBIG Spreads
(Last Series Daily)



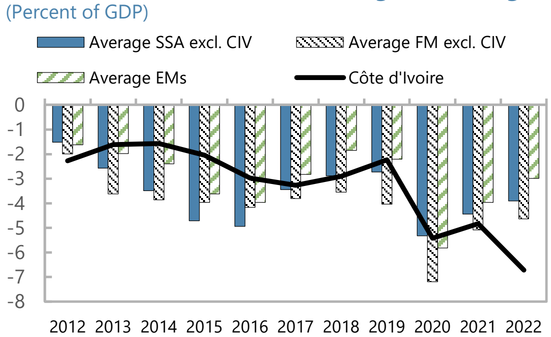
…while the current account deficit has increased.

Current Account Balance
(Percentage of GDP)



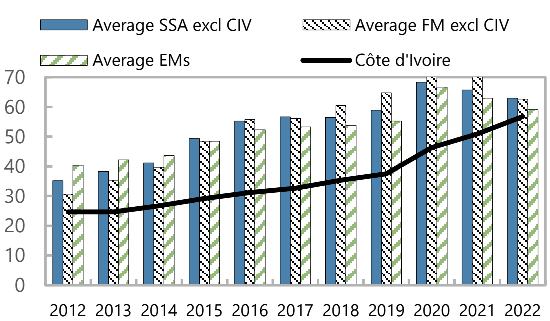
Since the pandemic, the fiscal balance deteriorated much more than for peers…

Central Government Net Lending/Borrowing
(Percent of GDP)



… which translates into faster-rising debt levels.

General Government Gross Debt
(Percent of GDP)

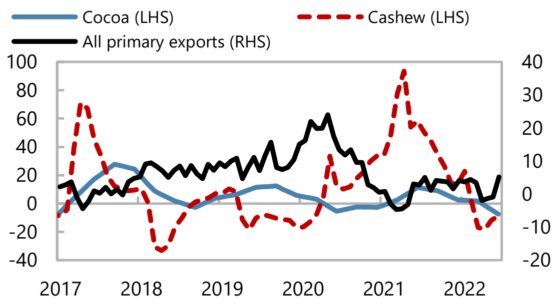


Sources: Ivorian authorities, Bloomberg and IMF staff calculations.

Figure 1b. Côte d'Ivoire: Recent Economic Developments, 2017-23M1

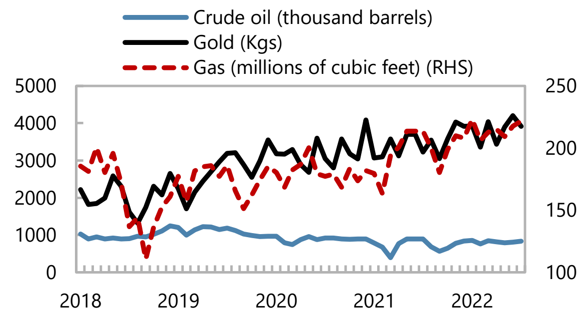
Main crops' production has stabilized, supporting a rebound in exports.

Agricultural production
(YOY Percent Change, 12-month Moving Average)



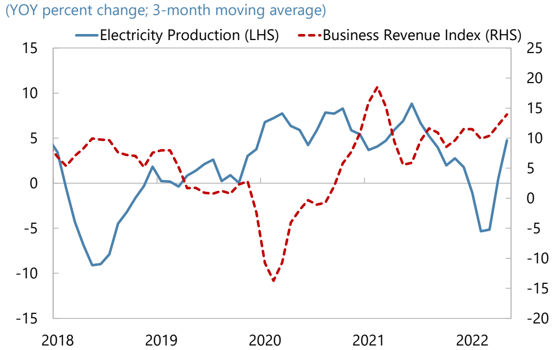
Oil and gas production are on an upward trend.

Gas, Oil, and Gold Output
(Monthly Production)



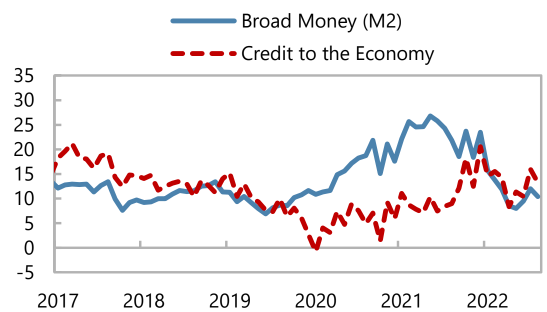
Electricity production and business revenue have recovered.

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



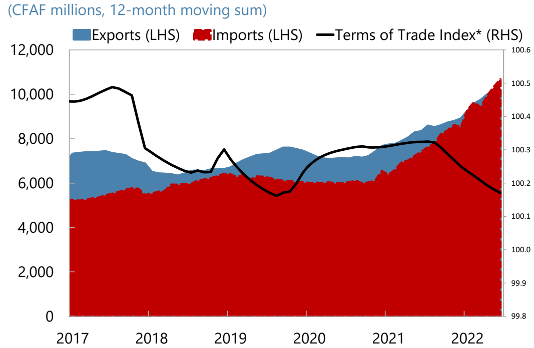
Credit to the economy has staged a modest recovery.

Credit to the Economy and Broad Money
(YOY Percent Change)



Along with a worsening of terms of trade the trade balance has weakened.

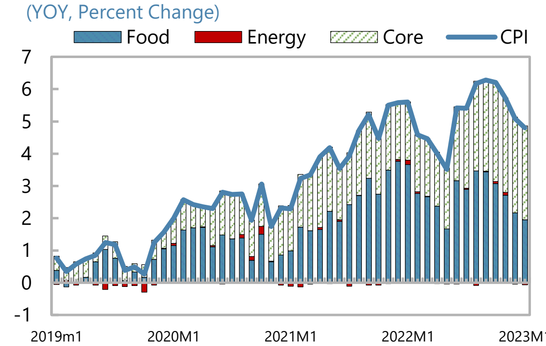
Trade
(CFAF millions, 12-month moving sum)



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

Inflation has peaked, with food prices moderating.

Contribution to Inflation
(YOY, Percent Change)



Sources: Ivorian authorities and IMF staff calculations.

ECONOMIC OUTLOOK AND RISKS

7. The authorities' revised projections under the NDP target an average growth of over 7 percent for 2021–25. Initial projections under the NDP were built on strong contributions from the secondary and tertiary sectors reflecting a deeper economic transformation led by the private sector. Taking into consideration the impact of the COVID pandemic and adverse spillovers of Russia's war in Ukraine, the authorities slightly revised downwards GDP projections to an average of 7.1 percent for the next three years fueled by continued robust investment and reforms to support the private sector (MEFP ¶29).

8. The baseline scenario for the Fund-supported program takes into account the NDP's objectives and policies, but also reflects greater near-term uncertainty and persistence in structural bottlenecks over the medium-term.

- **Near-term outlook**: Growth is forecasted to slow to 6.2 percent in 2023 mainly due to an unfavorable external environment, including weakening demand from advanced economies, and, to a lesser extent, planned fiscal consolidation, (see below). Annual inflation is expected to decrease to 3½ percent in line with easing global food and commodity price pressures, as well as BCEAO's monetary tightening. The current account deficit is expected to decline to 5.7 percent of GDP as terms of trade are expected to improve.

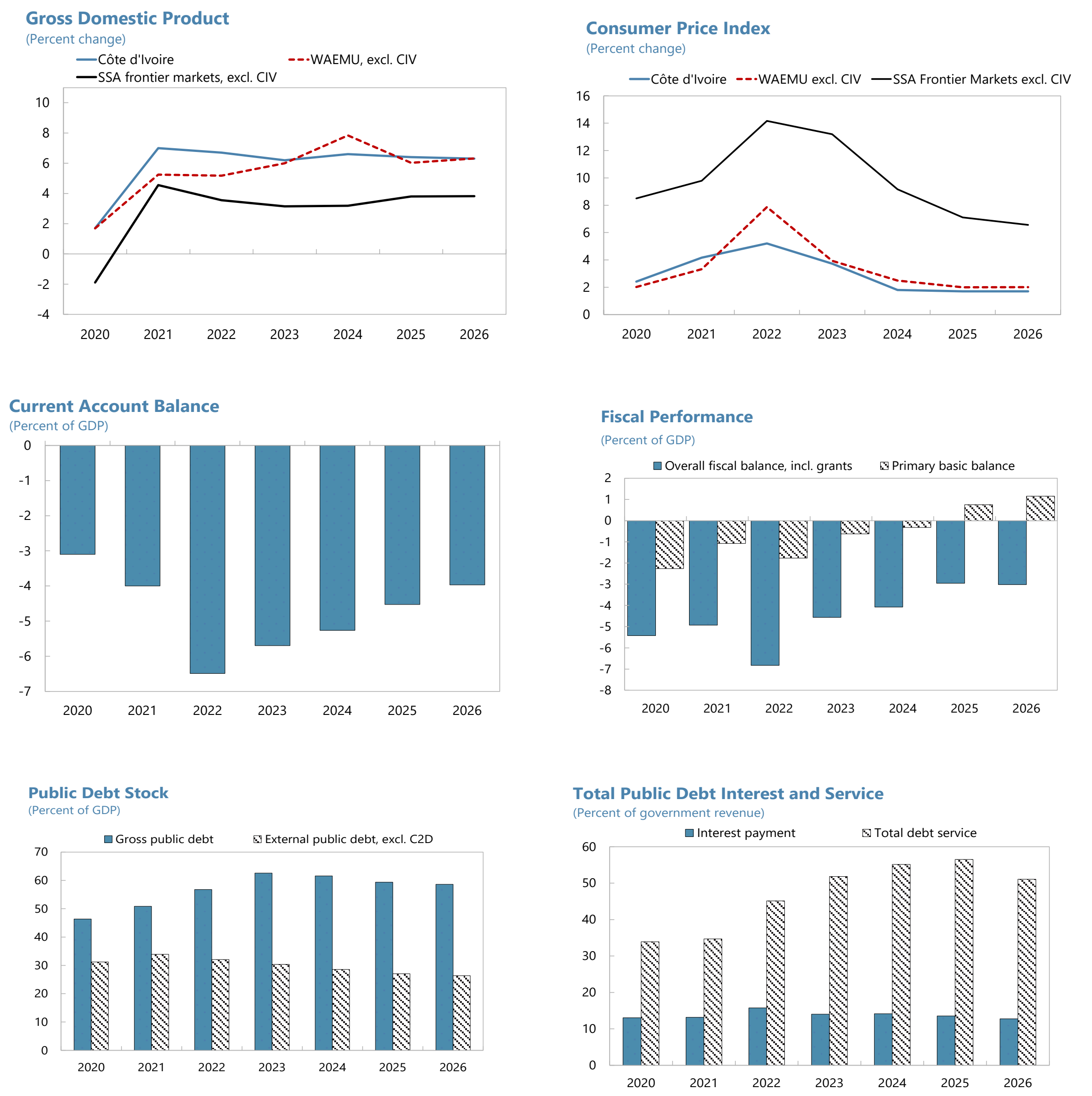
- **Medium-term outlook**: Over the medium-term, growth is expected to reach its potential, assuming prudent macroeconomic policies and steadfast structural reforms as set out in the NDP. After an average of more than 6½ percent in 2024-25, reflecting a rebound as the current adverse global environment improves, growth is expected to converge to its estimated long-term potential around 6 percent. Although implying a somewhat more moderate economic transformation dynamic than envisaged in the NDP, staff projections assume that capital deepening remains a strong driver of economic growth, fueled in large part by private investment. TFP growth would recover from the pandemic on continued improvements in health and education.[3] Inflation would continue to decline to 2 percent.

9. Risks are tilted to the downside. The global risks reside mainly in the uncertainty surrounding the war in Ukraine with adverse spillovers of a potential escalation on growth, terms of trade, inflation, financing conditions and prospects for a return to international financial markets. In the near term, the country-specific risks stem mainly from the instability in the northern part of the country linked to terrorist activities in neighboring countries. Given the already tense security situation, as well as the demographic mix of the arriving refugees, the authorities have stressed the importance of ensuring that living conditions and delivery of services

[3] 2021 Article IV Consultation Report (IMF Country Report No. 21/170) for a detailed analysis of growth accounting and long-term growth potential.

in the affected areas will be a priority. Over the medium-term, the discovery of important oil and gas reserves could provide an additional boost to growth prospects (Annex II).

Figure 2. Côte d'Ivoire: Medium Term Outlook, 2020–26



Sources: Ivorian authorities and IMF staff calculations.

ECF/EFF OBJECTIVES AND POLICIES FOR 2023–26

10. **The Fund-supported program aims at ensuring macroeconomic stability in the near-term and laying the foundation for deeper economic transformation towards upper middle-income status over the medium term**. The authorities are firmly committed to anchor debt sustainability in a moderate risk of debt distress rating, and meet the WAEMU fiscal deficit

target while protecting social and infrastructure spending. Significant progress in domestic revenue mobilization, starting with strong upfront measures, will play a central role in meeting all key program commitments. Moreover, to provide financing for deeper economic transformation over the medium-term, revenue mobilization efforts are expected to become more self-sustaining, supported by a comprehensive medium-term revenue strategy. In addition, key structural reforms to promote private sector-led and inclusive growth will focus on efforts to further improve the business climate, including by strengthening governance, anti-money laundering/countering the financing of terrorism (AML/CFT) measures, increasing financial inclusion, and investing in human capital. Strengthening resilience to climate change will complement the ECF/EFF supported development agenda. Financial support from the Fund will also help Côte d'Ivoire raise its contribution to the regional international reserves pool.

A. Fiscal Policy

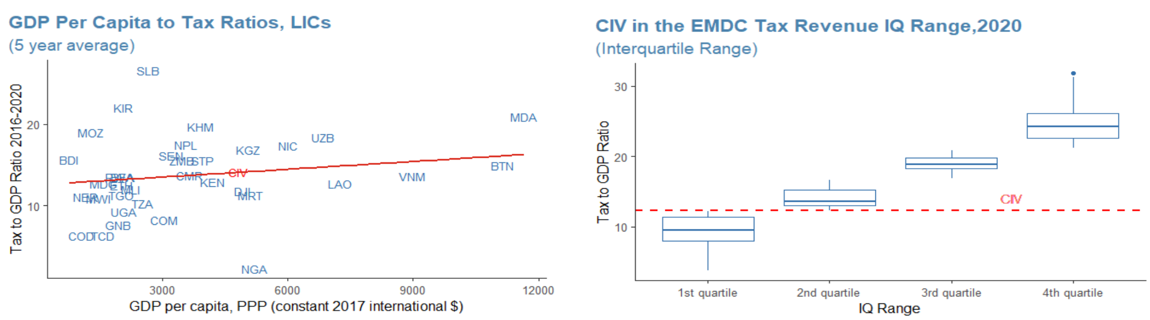
11. Côte d'Ivoire's overall tax performance has remained low over time and relative to peers. At an average of about 12.4 percent of GDP since 2016, tax revenue falls also significantly short of the WAEMU target of 20 percent of GDP.[4] Despite improvements in tax administration and some efforts to roll back tax exemptions, tax revenues have remained low due to a narrow base with pervasive tax exemptions, informality, and non-compliance (Annex III).

The largest gap relative to peers is in indirect tax revenue. At an average of three percent of GDP, Côte d'Ivoire's VAT collection is only about half of that of other frontier market economies, mainly on account of a narrow base.

The gap in direct tax revenue has also been significant. While the personal income tax regime is complex and regressive, the business profit tax is weakened by numerous tax exemptions, a generous investment code, and informality.

- Progress has been made in tax administration, notably through digitalization, although scope remains for further reforms, including the management of tax arrears.

Côte d'Ivoire: Overall Tax Revenue Performance Compared to Peers

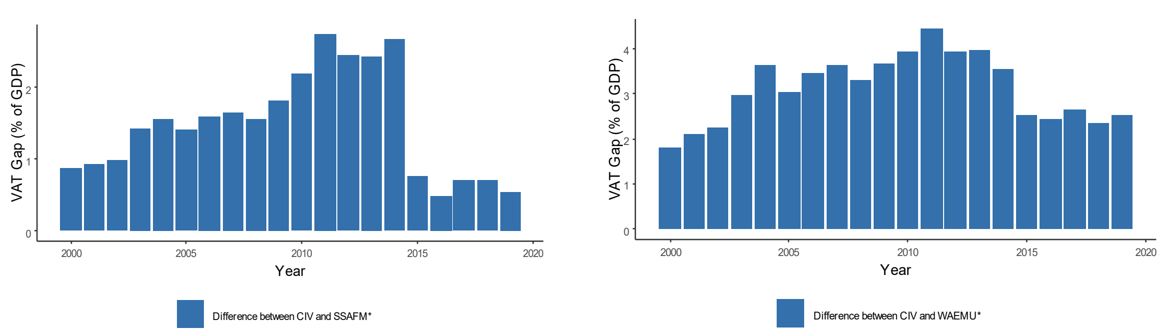


Source: IMF staff calculations

Source: IMF staff calculations

[4]WAEMU Convergence, Stability, Growth, and Solidarity Pact. The 2015 reform also revised a "second order" convergence criteria of tax revenue to GDP from 17 percent to 20 percent of GDP to encourage greater domestic resource mobilization by WAEMU member states.

Côte d'Ivoire: Value-Added Tax Revenue Gap Compared to Peers



Source: IMF staff calculations
* Excluding Mauritius and South Africa

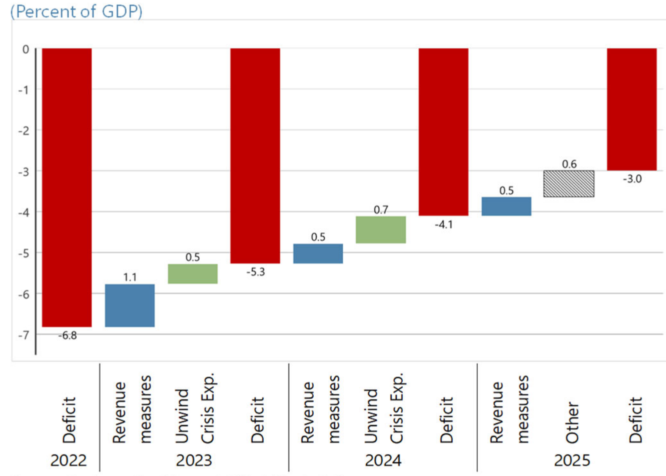
Source: IMF staff calculations

12. The fiscal strategy under the program centers on revenue-based fiscal consolidation.

- The authorities are committed to returning to the WAEMU fiscal deficit target of 3 percent of GDP by 2025. Avoiding further delays to convergence to the regional target helps to ensure fiscal and debt sustainability, build confidence, and return to international financial markets, and enhance WAEMU credibility as a union.

- Revenue-based fiscal consolidation will help protect high-priority social expenditures and investment spending along with critical security spending. An indicative target is designed to safeguard selected social budget lines including youth employment programs, social protection, health and education spending. Strong upfront and sustained revenue measures. will also be critical in reducing vulnerabilities from rising debt and debt servicing cost, which will provide an additional anchor for fiscal policy.[5] The authorities' firm commitment to ambitious domestic revenue mobilization targets will be supported by a performance criterion on a floor on tax revenues under the program.

Côte d'Ivoire: Contributions to the Fiscal Consolidation
(Percent of GDP)



Sources: Ivorian authorities and IMF staff calculations

[5]Specifically, the program aims to cap the external debt-service to revenue ratio below 18 percent with a margin that would make the DSA rating sufficiently robust against shocks or revisions to data and methodologies. For example, a transition in the course of the program to GFSM 2014 would allow for the inclusion of SOEs into public sector debt and revenue with a potential impact on the measurement of DSA risk indicators.

- Fiscal consolidation of 3.8 percent of GDP over the period of the program will thus consist of tax revenue measures amounting to 2.9 percent of GDP, and a streamlining of expenditure of around 1.2 percent of GDP.

13. Rolling back crisis-era direct and indirect subsidies will aid the consolidation effort. The authorities' policy response to the COVID-19 and the war in Ukraine shocks resulted in a marked increase in direct subsidies, which averaged around 1.4 percent of GDP over 2021-22, compared to around 0.4 percent of GDP over 2016-19. In addition, indirect fuel subsidies in the form of foregone revenue to keep fuel pump prices stable, resulted in an implicit subsidy of around 0.9 percent of GDP in 2022 alone (Box 1). As part of their consolidation effort, the authorities increased gasoline prices in early 2023, and reinstated the fuel price mechanism, thus allowing expensive implicit blanket fuel subsidies to unwind and resuming revenue collection from petrol products. If oil prices were to spike again, the authorities' existing cash transfers system can be leveraged to provide more targeted support to the most vulnerable (Annex IV). Moreover, the authorities are also unwinding covid-era spending and streamlining the state budget, to reduce non-priority current expenditure.[6] This will help make room for the needed and previously unforeseen additional security outlays, which have averaged around 0.5 percent of GDP between 2020 and 2022.

14. In 2023, a package of upfront policy measures will boost tax revenue by about 1.1 percent of GDP. Revenue gains will be driven by tax policy measures amounting to 0.9 percent of GDP, of which 0.7 percent of GDP is due to resuming tax revenue collection on petrol related products. A combination of increasing the registration fee on cocoa, broadening the coverage of the telecommunications tax, rationalizing certain expiring VAT and special convention tax exemptions along with a tax on non-essential food items (luxury rice) will yield around 0.2 percent of GDP. In addition, further gains from ongoing tax administration reforms, specifically from digitalization and reforms on land taxation, enhanced risk and fraud controls and a taxpayer census will yield another 0.2 percent of

Côte d'Ivoire: Revenue Measures in 2023 – Expected Fiscal Yields

Category	Percent of GDP	Notes
Taxes on petrol products	0.72	Authorities increased price of gasoline and reinstated the automatic pricing mechanism
Cacao registration	0.05	Cacao registration fee increased from 3 to 4 percent
Rationalizing certain tax exemption	0.01	Enforcement of expiring tax exemptions
VAT on non-essential food items	0.01	Introduction of an 18 percent VAT on luxury rice
Coverage of Telecom services VAT	0.05	Enforcement of existing VAT on telecom providers through measures to broaden the amount of transactions taxed
Other Tax administration measures	0.20	Realization of higher tax revenue from ongoing digitalization, application of risk controls and measures to capture fraud and broaden the tax base.
Total	**1.05**	

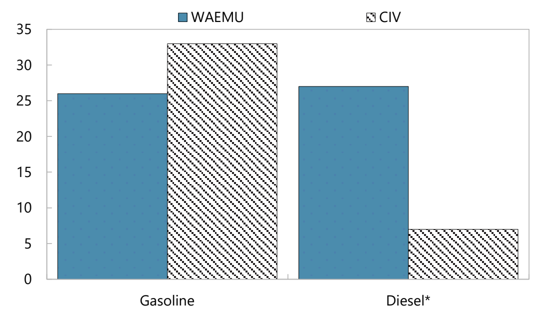
[6]Subsidies and transfers during 2022 rose to 1.8 percent of GDP, mainly due to the policy response to the war in Ukraine. In 2023 subsidies and transfers will be reduced by 0.5 percent of GDP to 1.3 percent of GDP. A further reduction in current expenditure of about 0.5 percent of GDP will be realized from the winding down of costs associated with *Plan de riposte sanitaire et dépenses sur dons privés*.

GDP. The package strikes a careful balance to maintain sufficient public support in the face of significant political economy constraints from different vested interest groups.

Box 1. Fuel Subsidies

The Ivorian authorities have long maintained a fuel pricing mechanism which has kept retail prices stable, but has implied higher levels of tax revenue volatility. With dramatically higher oil prices in 2022, continuing to stabilize prices at the pump has required sizeable subsidies from the budget, estimated at about 1.6 percent of GDP, of which about half in foregone tax revenue. As a result, cumulative increases during 2022 in gasoline and diesel pump prices were kept at just around 25 and 6 percent, respectively. Subsequently, upward adjustments were made to gasoline prices, while diesel prices were unchanged, on account of the high reliance of rural and poor households on diesel fuel for transportation and agricultural production.

Change in price of Gasoline and Diesel Jan 2022-March 2023
(in percent)

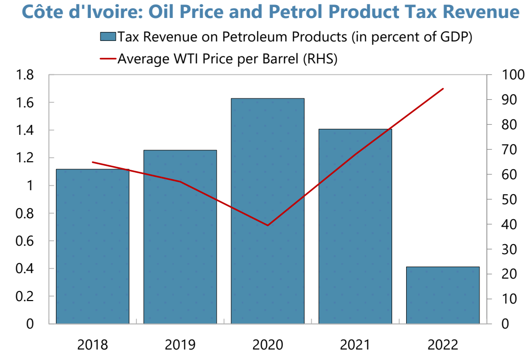


Sources: country authorities, IMF staff calculations.
*Diesel prices are only until February 2023.

Greater flexibility in adjusting fuel prices would have generated significant savings to the government. Staff estimates that earlier increases in prices at the pump during 2022, which would have been reversed as oil prices fell, would have allowed for lower foregone revenues by 0.4 percent of GDP. Instead, price stability was achieved by removing a key feature of the pricing mechanism which sets a minimum threshold for the taxable base at 25 percent of the parity price with international fuel prices. The taxable base can increase to up-to 100 percent.

The authorities have reinstated the automatic fuel pricing mechanism, including the taxable base. This effectively institutes a floor for tax revenue on petrol products and allows scope for recouping part of the foregone revenue during 2023. It also provides a viable option to avoid similar revenue erosion in the future. The authorities are committed to applying the fuel pricing mechanism as designed, with a maximum of 40 CFAF increases per month if international oil prices were to increase by 2.5 percent or more in the previous 3 months. Going forward, the authorities will limit the use of blanket subsidies and instead leverage the cash transfers mechanism already in place which currently can reach 200 thousand households and is expected (with support from the World Bank) to reach an additional 300 thousand households (Annex V).

Côte d'Ivoire: Oil Price and Petrol Product Tax Revenue

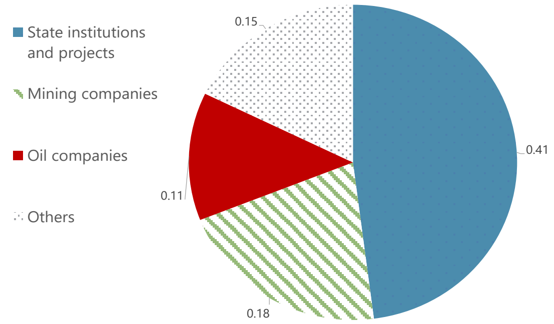


Sources: Globalpetrolprices.com, Ivorian authorities and IMF staff calculations

15. **A comprehensive medium-term revenue mobilization strategy (MTRS) will aim to sustain further increases in revenue to provide fiscal space for deeper economic transformation.** Following the front-loaded increase in tax revenue during the first year of the program, the authorities are committed to sustaining further increases of about 0.5 percent of GDP per year, until 2026, resulting in a 3-percentage point increase relative to the average between 2016 and 2022. Achieving this goal will hinge on tax policy reforms aimed at broadening the tax base, including by reducing wide-ranging tax exemptions and tax expenditures. Reduced and zero

VAT rates are prevalent in agriculture, manufacturing and industry, as well as services, resulting in a gap in VAT tax collection by some estimate of over 5 percent of GDP.Closing these gaps will be aided by Fund technical assistance to support the authorities' goal of developing, publishing and implementing a comprehensive medium-term revenue strategy. Such a comprehensive strategy will not only aim to broaden the tax base, but also create a simpler, more transparent and equitable tax system with improved taxpayer morale and thereby enable over time more self-sustaining increases in revenue mobilization and close any remaining tax performance gaps relative to EMDCs and the WAEMU target.[7]

Côte d'Ivoire: Estimated Tax Expenditures in 2023
(percent of GDP)



Sources: Ivorian authorities and IMF staff calculations.

16. Efforts to broaden the coverage of fiscal accounts and include off budget government revenue are also underway. The authorities are working to incorporate off-budget earmarked revenues collected by public enterprises such as the refinery (*Société ivoirienne de raffinage*) into the budget. In particular, a retroactive inclusion of the *Perequation Produit*,[8] is expected to increase tax revenue collection recorded in the TOFE by 0.3 percent of GDP. Moreover, following from a WAEMU council of ministers' directive and consistent with GFSM 2014 guidelines, the authorities will also begin including taxes paid for and collected by the state in relation to donor externally financed projects, expected to retroactively increase tax revenue to GDP recorded in the TOFE by 0.3 percent of GDP.[9] However, while these enhancements in coverage improve budget transparency and accountability, the resulting increase in the recorded ratio of tax revenue to GDP is not considered a revenue mobilization efforts under the program.

17. To safeguard rebuilding fiscal space, steadfast efforts at improving public financial management (PFM) will continue (MEFP, ¶35, ¶¶45-48). Key measures envisaged under the program include:

- **Enhancing fiscal control and transparency**. Building on IMF TA, the authorities plan to integrate public enterprises into consolidated public sector accounts in line with GFSM 2014 and Public Sector Debt Statistics-Guide (PSDSG) 2011 by end-2025, with a view to adhere to the Fund's Special Data Dissemination Standards (SDDS). Adherence to the SDDS has been shown to lower sovereign risk premia and reduce debt servicing cost, on account of increased

[7]For a detailed analysis of the scope for domestic revenue mobilization see SM/22/123.

[8]The Perequation Produit and Perequation Transport constitute revenues collected by the oil refinery SIR for the sole purpose of subsidizing delivery of butane fuel and have thus far not been reflected in the TOFE, despite allowance for such under GFSM 2014 guidance.

[9]It is expected that associated revenues and expenditures will be budgeted starting with the 2023 Supplementary Budget, but they are already incorporated into the macroframework and reflected in sub-items of indirect tax revenue and capital expenditure.

transparency and higher quality data dissemination. More comprehensive and accurate fiscal and public debt data would also help reduce the potential for stock-flow adjustments (SFA) and thus increase the effectiveness of fiscal policy targets.[10] To further improve spending efficiency and public service provision, the authorities are committed to systematically publish data on procurement contracts, beneficial owners, and related audits and increase the utilization of the e-procurement module (Structural Benchmark, December 2023).[11]

- **Strengthening investment efficiency**. Investment management will be enhanced by implementing recent PIMA recommendations, especially by strengthening the coordination between central government and territorial collectivities, PPP management, coherence between current and capital spending, and asset reporting (MEFP, ¶¶45-48). The authorities are also modernizing the IT system for public investment (SINAPSE), which will aid in project monitoring.

- **Finalizing full operability of the Treasury Single Account**. The authorities will adopt a timetable for closing commercial bank accounts, in favor of consolidating all transactions and accounts within the Treasury Single Account (Structural Benchmark, December 2023).

B. Debt Management

18. The authorities are committed to further improvements in debt management thus bolstering efforts to safeguard debt sustainability.

- As noted in the accompanying 2023 joint World Bank IMF DSA, Côte d'Ivoire's risks of overall and external debt distress are assessed as moderate. The impact of the deterioration in debt burden metrics is mitigated by Côte d'Ivoire's strong track record of market access, sustained active debt management, and continued improvement in the quality of policies and its institutional framework. Consistent with this assessment, Côte d'Ivoire also continues to benefit from one of the stronger credit ratings in Sub-Saharan Africa as noted above.

- Moreover, to further reduce risks to debt sustainability, the authorities will continue to actively manage portfolio liabilities, including with liabilities management operations, and are also committed to favor concessional borrowing, to keep the PV of new borrowing compatible with a moderate risk of debt distress, i.e., below $4,650 million for 2023 (MEFP, Table 1), and not to accumulate arrears (continuous PC for the central government and IT for public entities).

19. The institutional and legal framework for debt management will also be enhanced.

[10]For a discussion of the role of SFAs in WAEMU member countries see IMF Country Report No. 23/103.

[11]SIGOMAP, the IT supporting e-procurement, is expected to be completed by the last quarter of 2023. E-procurement will be implemented first on a pilot basis, with an utilization rate of at least 10 percent on procurement procedures starting from October 2023.

- **New debt department** (*Direction générale des financements*, DGF): In March 2023, the DGF was created to optimize the mobilization and management of financing resources, including by ensuring technical coordination of donors' financed projects with co-financing, providing central oversight of the design and implementation of the medium-term debt management strategy (MTDS), public debt data and analysis, and development of new financing strategies and instruments.

- **New law on public debt policies** (Adoption by the Council of Ministers, Structural Benchmark September 2023). The new law will (i) define general objectives for public debt and prudential rules; (ii) establish public debt commitment procedures; (iii) rationalize the framework for debt operation and debt management; (iv) clarify the rules and purposes for government on-lending; (v) and strengthen the institutional framework for public debt management.

C. Inclusive and Private Sector Led-Growth

20. The private sector is expected to play a central role in the implementation of the 2021-25 NDP. Policies under the Fund-supported program will thus focus on: (i) improving the business environment; (ii) safeguarding financial stability and promoting financial inclusion; (iii) strengthening the monitoring and transparency of public enterprises; and (iv) improving governance and fighting corruption (MEFP, ¶¶57-61). Moreover, 2023 was declared the year of the youth and is supported by the PJGouv, which aims at accelerating professional training and integration of young people into the labor market and promoting youth entrepreneurship.

21. Improving the business environment (MEFP, ¶¶57-59). In addition to making the tax system more efficient, transparent and equitable, in the context of the planned MTRS, and PFM reforms to strengthen public sector accountability, notably through the systematic use of e-Procurement, there will be a focus on reducing the cost of doing business through the digitalization of the administration, the overhaul of the Single Investor Services Portal (PUSI) and the simplification of procedures for business formalities for SMEs. Moreover, the government is committed to promote industrial clusters and agri-poles for the processing of agricultural products, and support entrepreneurship and encourage the emergence of strong and resilient SMEs and start-ups.

22. Financial stability and inclusion (MEFP, ¶¶52-53). The government is committed to completing the ongoing restructuring of two public banks,[12] and will also accelerate the implementation of the Financial Sector Development Plan (PDESFI) aimed at deepening the financial market and promoting financial inclusion. In this context, measures taken since 2022 to enhance the land registry and improve land tenure rights are expected to improve access to bank financing for SMEs and various activities in the value chain of major cash crops. Moreover, the government will carry out a mid-term review of the National Financial Inclusion Strategy (SNIF 2019-2024), to take

[12]These banks entail no systemic risk for the banking system or significant fiscal risks.

into account the new priorities in connection with the objectives of the NDP, in particular access to financial services for women (Structural Benchmark, May 2024).

23. Strengthening transparency and accountability of public enterprises (MEFP, ¶¶54-56). The governance framework of SOEs will continue to be enhanced through the systemic enforcement of performance contracts, the independent assessment of SOE boards, and the conduct of audits. Improving the financial health of SOEs, notably those in the electricity sector, will help minimize budgetary risks and secure economic development through greater efficiency in resource allocation. In particular, the government is committed to improving the financial situation of CI-Energies including by an investment program for 2040 to boost and diversify production, periodic tariff adjustments to ensure cost recovery; and a clearance plan for the arrears due to Independent Power Producers (IPPs) and gas suppliers.[13]

24. Improving governance, fighting corruption (MEFP, ¶¶60-61). To bolster the National Plan on Good Governance and the Fight Against Corruption launched in 2013, a National Strategy for the Fight against Corruption (SNLC) for the period 2023-27 is being finalized for adoption by the Council of Ministers. The monitoring of corruption activities will be strengthened by the operationalization of the System for the Detection and Prevention of Acts of Corruption and Similar Offenses (SPACIA), established in 2022. The government will also further strengthen the Council of the High Authority for Good Governance (HABG), the Economic and Financial Criminal Pole (PPEF), and the Judicial Treasury Agency (AJT). Regarding the constitutional requirement of asset declaration by top-level officials, necessary measures will be taken to improve the compliance rate from 79.2 percent in August 2020 to 90 percent in 2024.[14] The government is committed to implement recommendations resulting from the evaluation of Côte d'Ivoire in 2019 by the International Secretariat of the Extractive Industries Transparency Initiative (EITI). Concerning the AML/CFT framework, the government will implement the supervisory regime for select designated non-financial businesses and professions enacted in March 2022, and adopt the priority reforms of the AML/CFT assessment. Such reforms include the designation of AML/CFT supervision authorities for other key nonfinancial sectors and implementation of UN targeted financial sanctions, as well as necessary measures to ensure transparency of legal entities in line with the revised FATF standards, and steps towards updating the National Risk Assessment and National AML/CFT Strategy to prioritize high-risk areas.[15]

[13]Financial performance deteriorated due to a recourse in the fourth quarter of 2021 to more expensive heavy vacuum oil (HVO) and by the accumulation of payment arrears by Energies du Mali (EDM).

[14]Asset declaration is required by the Constitution for the President of the Republic (Article 60) and for other top-level officials (Article 41). While Ordinance No. 2013-660 stipulates that asset declarations are confidential, it also states that the list of top-level officials that have submitted asset declarations is published in the official gazette. Moreover, Decree No. 2014-319 establishes that asset declarations can be communicated, upon request, to parliamentary commissions, the police, courts and tribunals, and institutions charged with the protection of public property and the prevention of money laundering.

[15]A draft AML/CFT detailed assessment report (DAR) will be examined by the Inter-Governmental Action Group against Money Laundering (GIABA) in West Africa during May 28-June 3, 2023 for adoption as Côte d'Ivoire's Mutual Evaluation Report.

D. Climate Change

25. Côte d'Ivoire is vulnerable to climate change, especially through deforestation and coastal exposure (Annex V). In May 2022, the authorities launched the *Abidjan Legacy Programme*, to strengthen resilience to climate change. They also took measures to enhance export traceability as required by European Union legislation, which aims at reducing deforestation. The Country Climate and Development Report (CCDR) prepared by the World Bank is expected for June 2023, which together with Fund TA on C-PIMA and Green PFM will provide input for an RST financing request.

FINANCING AND PROGRAM MODALITIES

26. Access level and phasing. The proposed access of 400 percent of quota reflects substantial, protracted and structural BOP financing needs, the strength of policy commitments under the program to maintain macroeconomic stability and create fiscal space for ambitious economic transformation, as well as Côte d'Ivoire's strong performance record and adequate capacity to repay. Under current blending rules, 133 percent of quota (or SDR 867.2 million) would be disbursed under the ECF and the remainder, 267 percent of quota (or SDR 1,734.4 million), under the EFF. All disbursements would be for budget support. Annual access and cumulative credit outstanding will remain well within the PRGT and the temporarily increased GRA normal annual and cumulative access limits, respectively (Table 5). Credit from the Fund and development partners would have a major effect on Côte d'Ivoire's reserve contribution to the WAEMU region, with regional reserve coverage estimated to be lifted by almost 10 percent (0.4 month of imports).[16]

27. Catalytic role. The program is fully financed, with firm commitments for the first 12 months and good prospects for the remaining program period. The projected cumulative financing gap of about CFAF 3.7 trillion (or 6.3 percent of GDP) will be covered by budget support from bilateral creditors (about CFA 1,064 billion), the World Bank (about CFAF 435 billion), AfDB (CFAF 119 billion) and other multilateral creditors. Gross financing from the Fund would cover over half of the gap over 2023-26 (about a quarter when including project financing). While this would imply a relatively high burden-share for the Fund, new net financing from the Fund would account for about a third of the financing gap before repayments. The program's catalytic effects are expected to be amplified by Côte d'Ivoire's return to the Eurobond market as global financial markets return to more stable conditions, with CFA 850 billion projected to be issued over 2024-26. Renewed access to eurobond financing would account for over 20 percent of the financing gap over the program period

[16]The WAEMU's pooled reserves fell to an estimated 4.1 months of imports in February 2023, below the ARA adequacy range and down from 5.6 months of imports at end-2021.

and reduce the Fund's net share to less than 30 percent of a counterfactual financing gap excluding the bond issuance.

Côte d'Ivoire: External Financing Requirements, 2023-26
(Billions of CFA francs)

	2023	2024	2025	2026	2023-26
	Projections				Cumulative
A. External Financing Requirements	**4,352**	**4,460**	**4,337**	**4,193**	**17,343**
Current account deficit excl. official transfers	2,980	2,734	2,476	2,294	10,483
Official sector amortization + net acquisition of fin assets	1,122	1,631	1,703	1,442	5,898
of which: Fund repayments	196	294	229	155	873
Change in official reserves (excl. IMF; + = increase)	250	95	159	458	962
B. External Financing Sources	**3,198**	**3,345**	**3,309**	**3,630**	**13,482**
Capital flows to private sector, net	775	1,895	1,956	1,710	6,335
Project financing	1,557	992	981	1,319	4,849
Capital transfers	119	79	86	125	410
Government gross borrowing from private sector	628	300	200	350	1,478
of which: Eurobonds	0	300	200	350	850
Official transfers (project grants only)	119	79	86	125	410
C. Financing Gap (= A - B)	**1,154**	**1,115**	**1,028**	**564**	**3,861**
D. Expected Budget Financing from Official Sector	**535**	**492**	**403**	**250**	**1,680**
World Bank	123	124	94	94	435
AfDB	55	21	21	21	119
Other multilateral creditors	3	16	16	26	62
Bilateral creditors	355	330	271	108	1,064
E. Residual Financing Gap	**618**	**623**	**625**	**314**	**2,181**
IMF ECF Financing	206	208	208	105	727
IMF EFF Financing	412	415	417	209	1,454
Memorandum items:					
Change in official reserves incl. IMF financing	868	718	785	772	3,143
Nominal GDP	51,876	56,270	60,858	65,568	...

Sources: Ivorian authorities and IMF staff calculations and estimates.

28. Program implementation risks are manageable. This reflects the government's satisfactory record in implementing the previous Fund supported programs in 2016-20 and 2012–15 with all reviews completed on time, as well as the strong commitment to the objectives of the new program, underpinned by the authorities' determination to safeguard Côte d'Ivoire's moderate risk rating of debt distress, their commitment to the WAEMU fiscal convergence target, and their ambitious transformation agenda under the 2021-25 NDP. Debt is sustainable in the medium-term. Risks to program implementation could increase in case of an economic growth setback or further deterioration in the global economic environment (Annex II). If risks materialize, keeping the program on track would require proactive adjustment in macroeconomic policies in consultation with Fund staff. In addition, the presidential election scheduled for 2025 could pose some implementation risks over the medium-term. The proposed even disbursement would help mitigate program implementation risks.

29. Capacity to repay the Fund is adequate but subject to risks, as indicated by standard metrics (Table 5). Fund credit outstanding is projected to rise from 3.5 percent of GDP to 4.3 percent of GDP at its peak in 2025, above the 75th percentile of PRGT comparator countries. Debt service indicators (both in terms of exports and government revenue) would peak in 2024 at levels above the 75th percentile for comparators.

30. Program conditionality. The program will be monitored in semi-annual reviews through quantitative performance criteria (PCs), indicative targets (ITs), and structural benchmarks (SBs) (MEFP, Tables 1 and 2). The PCs are set on overall fiscal balance, net domestic financing, present value of new external debt, government tax revenue, and non-accumulation of arrears. The ITs are set on targeted social spending, non-accumulation of new arrears by public entities, spending by the treasury advances, reduction of amounts payable, and basic primary balance. The PCs and ITs are defined in the TMU.

31. Safeguards assessment. The BCEAO has implemented all recommendations provided in the 2018 safeguards assessment. The assessment found that the BCEAO had broadly appropriate governance arrangements and a robust control environment. An update assessment of the BCEAO is currently in progress.

CAPACITY DEVELOPMENT

32. The implementation of policies under the ECF/EFF-supported program will require substantial Fund TA. Strong coordination with donors will be essential to deliver effective TA and build capacity, notably in the areas of tax policy and tax administration, PFM, AML/CFT, debt management, statistics, and climate change (Annex VI).

STAFF APPRAISAL

33. Consecutive global shocks have strained public finances as well as regional reserves and further exposed constraints to deeper economic transformation. Côte d'Ivoire remained resilient in the face of the pandemic. But subsequent shocks have hampered the initial strong rebound and implied a widening fiscal deficit reflecting direct and indirect subsidies to mitigate a cost-of-living crisis, and unanticipated security spending pressures. Worsening terms of trade and robust domestic demand pushed the current account further into deficit, adding to the drain in regional reserves amid tightening financial conditions in global and regional markets. Notwithstanding record growth in the decade prior to the pandemic and significant poverty reduction, key human development indicators point to large social priority investment needs while weak domestic revenue mobilization limits sustainable financing for a deeper economic transformation.

34. The economic outlook remains broadly favorable, subject to important downside risks. Despite continued external headwinds, growth in 2023 is forecast to remain relatively robust (at 6.2 percent) while inflation should moderate further. As global economic prospects improve, growth should reach its potential over the medium-term on the back of steadfast implementation of economic reforms under the NDP and improvements in health and education supporting a recovery of TFP growth to pre-crisis levels. Risks remain significant and tilted to the downside over the near-term but appear more balanced over the medium-term where the discovery of important oil and gas reserves could provide an additional boost to growth prospects.

35. The authorities' economic program is ambitious and appropriately focused on macroeconomic stability in the near-term and economic transformation towards upper middle-income status over the medium term. Significant progress in domestic revenue mobilization, starting with strong upfront measures, will play a central role in meeting all program objectives.

36. In the near term, high-quality permanent revenue measures will reduce risks to debt sustainability and support convergence to the WAEMU deficit target. The commitment to reach the WAEMU regional deficit target by 2025 will further entrench WAEMU credibility as a union. The revenue floor performance criteria under the program highlights the authorities' commitment to ambitious fiscal consolidation, with two thirds of the consolidation effort during the first year of the program being driven by tax revenue increases. Re-instating the petroleum pricing mechanism in early 2023 is an important first step in the fiscal strategy of the program and should remove future budgetary risks arising from indirect fuel subsidies.

37. Implementing a medium-term revenue strategy (MTRS) will be necessary to sustainably finance economic transformation. Sustained tax revenue increases of 0.5 percent of GDP per year until 2026 should be underpinned by the development, publication, and implementation of a medium-term revenue strategy. Such a strategy should aim to orient tax policy reforms towards significant reductions in tax exemptions, particularly for VAT, and wasteful tax expenditures, thus broadening the tax base with a simpler more transparent and equitable tax system. Successful implementation should allow increases in revenue mobilization to become self-sustaining and help finance the country's substantial investment and social spending needs, paving the way to reach upper-middle income status by 2030.

38. The authorities' commitments to enhance the coverage, transparency and management of public finances are important to safeguard fiscal space. Efforts to include off-budget earmarked revenue collection facilitated through state owned enterprises, along with more complete coverage of public debt will aid in developing a more comprehensive set of fiscal accounts in line with GFSM 2014 and pave the way to adopt the SDDS. Moreover, enhancements to public financial management to boost fiscal transparency and accountability will support higher spending and investment efficiency and minimize budgetary risks.

39. The authorities' focus on improving debt management will further safeguard debt sustainability. With debt reaching around 57 percent in 2022 and debt servicing costs rising, maintaining Côte d'Ivoire's moderate risk rating for debt distress has become a more urgent and challenging task. The authorities' efforts to strengthen capacity in debt management, as well as the underlying institutional and legislative framework are important steps in this regard.

40. Structural reforms under the program are appropriately focused. In line with the objectives of the NDP, higher and more inclusive growth will be underpinned by efforts to promote private sector-led growth, including by strengthening governance, financial inclusion, and reducing the cost of doing business. Adoption of the National Strategy for the Fight against Corruption (SNLC), strengthening the implementation of the National Anti-Corruption Strategy and of the National Strategy against Money Laundering, Terrorism Financing and the Financing of Proliferation of Weapons of Mass Destruction will help boost transparency and further attract private investment.

41. Staff supports the authorities' request for 40-month arrangements under the Extended Credit Facility and Extended Fund Facility with access of 133 percent of quota (SDR 867.2 million) and 267 percent of quota (SDR 1,734.4 million), respectively, for a total of 400 percent of quota (equivalent to SDR 2,601.6 million). The Letter of Intent and Memorandum of Economic and Financial Policies set out appropriate policies to pursue the program's objectives. Financing from the Fund will have a strong catalytical role, the capacity to repay the Fund is adequate, and risks to program implementation are manageable given the government's solid track record for policy implementation under previous Fund-supported programs.

Table 1. Côte d'Ivoire: Selected Economic and Financial Indicators, 2020–26

Population (2020): 27 million | Gini Index (2018): 37.2
Per capita GDP (2020): 2,279 USD | Life Expectancy (2020): 59
Share of population below the poverty line (2018): 39.5%

	2020	2021	2022	2023	2024	2025	2026
			Prel.		Program		
	(Annual percentage changes, unless otherwise indicated)						
National Income							
GDP at constant prices	1.7	7.0	6.7	6.2	6.6	6.4	6.3
GDP deflator	1.6	2.7	2.8	2.7	2.1	1.9	1.7
Consumer price index (annual average)	2.4	4.2	5.2	3.7	1.8	1.7	1.7
External Sector (on the Basis of CFA Francs)							
Exports of goods, f.o.b., at current prices	-2.9	18.2	20.7	4.3	9.6	8.9	8.8
Imports of goods, f.o.b., at current prices	-1.5	24.3	36.5	3.1	6.6	6.3	7.2
Export volume	-2.4	10.2	0.3	5.3	7.9	8.1	8.0
Import volume	1.9	11.7	7.0	5.3	6.0	5.7	6.6
Terms of trade (deterioration –)	15.0	-13.6	-11.2	3.6	1.5	0.8	0.2
Nominal effective exchange rate	5.3	-4.1	-2.6	...	...	...	...
Real effective exchange rate (depreciation –)	5.1	-0.6	-5.2	...	...	...	...
Central Government Operations							
Total revenue and grants	2.4	16.1	6.2	17.2	12.4	11.0	11.4
Total expenditure	21.5	11.7	17.1	7.1	5.8	4.9	11.0
	(Changes in percent of beginning-of-period broad money unless otherwise indicated)						
Money and Credit							
Money and quasi-money (M2)	21.4	18.1	9.8	...	...	...	...
Net foreign assets	5.6	7.7	-2.0	...	...	...	...
Net domestic assets	15.8	10.4	11.8	...	...	...	...
Of which : government	9.8	5.1	7.8	...	...	...	...
private sector	6.0	7.3	4.1	...	...	...	...
Credit to the economy (annual percentage change)	9.2	12.5	7.3	...	...	...	...
	(Percent of GDP unless otherwise indicated)						
Central Government Operations							
Total revenue and grants	15.0	15.8	15.3	16.4	17.0	17.4	17.9
Total revenue	14.4	15.3	14.8	15.8	16.5	17.0	17.6
Total expenditure	20.4	20.7	22.1	21.7	21.1	20.4	20.9
Overall balance, incl. grants, payment order basis	-5.4	-4.9	-6.8	-5.3	-4.1	-3.0	-3.0
Basic primary balance 1/	-2.3	-1.1	-1.8	-0.1	-0.3	0.8	1.2
Investment and Savings							
Gross investment	17.7	24.7	27.3	27.8	27.8	27.3	28.4
Of which: Central government	6.5	6.7	8.3	8.6	8.2	7.3	8.1
Gross national saving	14.5	20.7	20.9	22.2	23.0	23.3	25.0
Of which: Central government	0.2	0.9	0.4	2.2	3.0	3.4	4.0
External Sector Balance							
Current account balance (including official transfers)	-3.1	-4.0	-6.5	-5.6	-4.7	-4.0	-3.4
Current account balance (excluding official transfers)	-3.7	-4.5	-7.0	-6.3	-5.3	-4.4	-3.8
Overall balance	2.1	2.6	-1.3	1.4	0.8	1.0	1.0
Public Sector Debt 2/							
Central government debt, gross	46.3	50.9	56.8	58.1	58.4	57.5	56.8
External debt	29.7	30.9	34.5	35.6	34.7	33.4	32.5
External debt-service due (CFAF billions)	624	803	973	1,327	1,879	1,976	1,847
Percent of exports of goods and services	8.2	8.9	9.0	11.6	14.9	14.4	12.3
Percent of government revenue	11.9	13.1	15.1	17.7	22.0	20.7	17.3
Memorandum Items							
Nominal GDP (CFAF billions)	36,252	39,821	43,681	47,642	51,876	56,270	60,858
Nominal exchange rate (CFAF/US$, period average)	575	554	622	...	...	...	...
Nominal GDP at market prices (US$ billions)	63	72	70	77	83	90	97
Population (million)	27.0	27.7	28.4	29.1	29.9	30.6	31.4
Nominal GDP per capita (CFAF thousands)	1,345	1,440	1,539	1,636	1,737	1,836	1,935
Nominal GDP per capita (US$)	2,340	2,598	2,473	2,651	2,791	2,941	3,088
Real GDP per capita growth (percent)	-0.9	4.3	4.0	3.5	3.9	3.7	3.6

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 2020-26
(Billions of CFAF; unless otherwise indicated)

	2020	2021	2022	2023	2024	2025	2026
			Est.		Program		
Current account	-1,135	-1,593	-2,834	-2,659	-2,463	-2,256	-2,084
Current account excl. grants	-1,328	-1,778	-3,068	-2,980	-2,734	-2,476	-2,294
Trade balance	1,714	1,692	966	1,122	1,514	1,911	2,258
Exports, f.o.b.	7,184	8,491	10,246	10,691	11,717	12,754	13,877
Of which: cocoa	2,971	3,314	3,185	3,761	4,047	4,200	4,373
Of which: crude oil and refined oil products	650	957	1,841	1,532	1,593	1,806	2,017
Imports, f.o.b.	5,470	6,799	9,280	9,569	10,202	10,842	11,619
Of which: crude oil and refined oil products	1,251	1,278	2,776	2,342	2,321	2,438	2,582
Services (net)	-1,385	-1,670	-2,184	-2,096	-2,127	-2,195	-2,252
Primary Income (net)	-1,061	-1,240	-1,179	-1,256	-1,384	-1,467	-1,543
Of which: interest on public debt	-416	-435	-525	-537	-603	-620	-627
Secondary Income (net)	-402	-375	-437	-429	-467	-506	-548
General Government	23	11	194	202	191	133	85
Other Sectors	-425	-385	-631	-631	-658	-639	-632
Capital and financial account	1,942	2,698	2,247	3,319	2,875	2,807	2,698
Capital account	100	92	40	119	79	86	125
Financial account (excl. exceptionnal financing)	1,842	2,606	2,207	3,200	2,796	2,720	2,573
Foreign direct investment	409	614	612	858	1,038	1,182	1,278
Portfolio investment, net	280	363	401	-140	308	40	134
Acquisition of financial assets	-310	-413	-353	-400	-427	-416	-439
Incurrence of liabilities	589	776	754	260	735	456	573
Of which: Eurobonds	309	608	0	0	300	200	350
Other investment, net	1,154	1,631	1,195	2,482	1,450	1,494	1,146
Official, net	1,414	1,018	1,279	1,455	403	304	601
Project loans	612	802	1,440	1,549	990	980	1,317
Central government amortization due	-267	-330	-686	-589	-980	-1,125	-1,062
Net acquisition of financial assets	0	-12	-14	-14	-14	-14	-14
Nonofficial, net	-402	621	-84	1,027	1,047	1,190	546
Errors and omissions	-40	-78	0	0	0	0	0
Overall balance	767	1,027	-587	660	412	550	614
Financing	-767	-1,027	587	-660	-412	-550	-614
Reserve assets, includes reserve position in the Fund (-=increase)	-777	-1,011	607	-660	-412	-550	-614
Operations account	-1,369	-910	711	-1,072	-729	-942	-771
IMF (net)	592	-102	-104	412	317	391	156
Disbursements	721	0	0	618	623	625	314
Repayments	-89	-102	-104	-206	-306	-234	-157
Statistical discrepancy	10	-15	-20	0	0	0	0
Memorandum items:							
Overall balance (percent of GDP)	2.1	2.6	-1.3	1.4	0.8	1.0	1.0
Current account inc. grants (percent of GDP)	-3.1	-4.0	-6.5	-5.6	-4.7	-4.0	-3.4
Current account exc. grants (percent of GDP)	-3.7	-4.5	-7.0	-6.3	-5.3	-4.4	-3.8
Trade balance (percent of GDP)	4.7	4.2	2.2	2.4	2.9	3.4	3.7
WAEMU gross official reserves (billions of US$)	21.7	24.2	18.5	…	…	…	…
(percent of broad money)	…	…	…	…	…	…	…
(months of WAEMU imports of GNFS)	5.4	5.2	4.5	…	…	…	…
Nominal GDP	36,252	39,821	43,681	47,642	51,876	56,270	60,858
Exchange rate (CFAF/US$) average	539	580	619	…	…	…	…
Exchange rate (CFAF/US$) end-of-period	575	554	622	…	…	…	…

Sources: Ivorian authorities and IMF staff estimates and projections.

Table 2b. Côte d'Ivoire: Balance of Payments, 2020–26
(Percent of GDP)

	2020	2021	2022	2023	2024	2025	2026
			Est.	Program			
Current account	-3.1	-4.0	-6.5	-5.6	-4.7	-4.0	-3.4
Current account excl. grants	-3.7	-4.5	-7.0	-6.3	-5.3	-4.4	-3.8
Trade balance	4.7	4.2	2.2	2.4	2.9	3.4	3.7
Exports, f.o.b.	19.8	21.3	23.5	22.4	22.6	22.7	22.8
Of which: cocoa	8.2	8.3	7.3	7.9	7.8	7.5	7.2
Of which: crude oil and refined oil products	1.8	2.4	4.2	3.2	3.1	3.2	3.3
Imports, f.o.b.	15.1	17.1	21.2	20.1	19.7	19.3	19.1
Of which: crude oil and refined oil products	3.4	3.2	6.4	4.9	4.5	4.3	4.2
Services (net)	-3.8	-4.2	-5.0	-4.4	-4.1	-3.9	-3.7
Primary Income (net)	-2.9	-3.1	-2.7	-2.6	-2.7	-2.6	-2.5
Of which: interest on public debt	-1.1	-1.1	-1.2	-1.1	-1.2	-1.1	-1.0
Secondary Income (net)	-1.1	-0.9	-1.0	-0.9	-0.9	-0.9	-0.9
General Government	0.1	0.0	0.4	0.4	0.4	0.2	0.1
Other Sectors	-1.2	-1.0	-1.4	-1.3	-1.3	-1.1	-1.0
Capital and financial account	5.4	6.8	5.1	7.0	5.5	5.0	4.4
Capital account	0.3	0.2	0.1	0.3	0.2	0.2	0.2
Financial account (excl. exceptionnal financing)	5.1	6.5	5.1	6.7	5.4	4.8	4.2
Foreign direct investment	1.1	1.5	1.4	1.8	2.0	2.1	2.1
Portfolio investment, net	0.8	0.9	0.9	-0.3	0.6	0.1	0.2
Acquisition of financial assets	-0.9	-1.0	-0.8	-0.8	-0.8	-0.7	-0.7
Incurrence of liabilities	1.6	1.9	1.7	0.5	1.4	0.8	0.9
Of which: Eurobonds	0.9	1.5	0.0	0.0	0.6	0.4	0.6
Other investment, net	3.2	4.1	2.7	5.2	2.8	2.7	1.9
Official, net	3.9	2.6	2.9	3.1	0.8	0.5	1.0
Project loans	1.7	2.0	3.3	3.3	1.9	1.7	2.2
Central government amortization due	-0.7	-0.8	-1.6	-1.2	-1.9	-2.0	-1.7
Net acquisition of financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonofficial, net	-1.1	1.6	-0.2	2.2	2.0	2.1	0.9
Errors and omissions	-0.1	-0.2	0.0	0.0	0.0	0.0	0.0
Overall balance	2.1	2.6	-1.3	1.4	0.8	1.0	1.0
Financing	-2.1	-2.6	1.3	-1.4	-0.8	-1.0	-1.0
Reserve assets, includes reserve position in the Fund (-=increase)	-2.1	-2.5	1.4	-1.4	-0.8	-1.0	-1.0
Operations account	-3.8	-2.3	1.6	-2.3	-1.4	-1.7	-1.3
IMF (net)	1.6	-0.3	-0.2	0.9	0.6	0.7	0.3
Disbursements	2.0	0.0	0.0	1.3	1.2	1.1	0.5
Repayments	-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
Memorandum items:							
Overall balance (percent of GDP)	2.1	2.6	-1.3	1.4	0.8	1.0	1.0
Current account inc. grants (percent of GDP)	-3.1	-4.0	-6.5	-5.6	-4.7	-4.0	-3.4
Current account exc. grants (percent of GDP)	-3.7	-4.5	-7.0	-6.3	-5.3	-4.4	-3.8
Trade balance (percent of GDP)	4.7	4.2	2.2	2.4	2.9	3.4	3.7
WAEMU gross official reserves (billions of US$)	21.7	24.2	18.5	…	…	…	…
(percent of broad money)	…	…	…	…	…	…	…
(months of WAEMU imports of GNFS)	5.4	5.2	4.5	…	…	…	…
Nominal GDP (billions of CFA francs)	36,252	39,821	43,681	47,642	51,876	56,270	60,858
Exchange rate (CFAF/US$) average	539	580	619	…	…	…	…
Exchange rate (CFAF/US$) end-of-period	575	554	622	…	…	…	…

Sources: Ivorian authorities and IMF staff estimates and projections.

Table 3a. Côte d'Ivoire: Fiscal Operations of the Central Government, 2020–26
(Billions of CFA)

	2020	2021	2022	2023	2024	2025	2026
			Prel.				
					Program		
Total revenue and grants	5,424	6,295	6,684	7,837	8,808	9,781	10,900
Total revenue	5,231	6,110	6,451	7,515	8,538	9,561	10,690
Tax revenue	4,491	5,251	5,617	6,638	7,580	8,525	9,569
Non-earmarked taxes	4,284	5,042	5,304	6,242	7,165	8,086	9,107
Direct taxes	1,185	1,402	1,630	1,782	2,075	2,309	2,586
Indirect taxes	3,099	3,640	3,674	4,461	5,090	5,776	6,520
of which taxes on project spending	135	155	166	178	194	208	222
Earmarked taxes	207	209	356	395	415	439	463
Nontax revenue	740	860	834	878	958	1,037	1,121
Grants, of which	193	185	234	322	270	219	210
Project grants	101	92	40	119	79	86	125
Total expenditure	7,390	8,257	9,666	10,351	10,955	11,488	12,746
Current expenditure	5,341	5,930	6,526	6,801	7,283	7,905	8,523
Wages and salaries	1,828	1,860	2,007	2,241	2,400	2,667	2,897
Social security benefits	353	371	390	450	519	563	578
Subsidies and other current transfers	666	907	768	620	674	732	791
Other current expenditure	1,441	1,548	1,873	1,701	1,813	1,966	2,154
Expenditure corresponding to eamarked taxes	207	209	356	395	415	439	463
Security and elections-related expenditure	182	250	162	303	290	257	275
Interest due	664	785	970	1,091	1,173	1,282	1,365
On domestic debt	274	330	448	551	569	661	737
On external debt	390	455	523	540	604	621	628
Capital expenditure	2,049	2,327	3,141	3,550	3,672	3,583	4,223
Domestically financed	1,374	1,394	1,668	1,874	2,601	2,515	2,778
of which counterpart funds for project taxes				178	194	208	222
Foreign-financed, of which	675	932	1,473	1,676	1,071	1,068	1,445
Foreign loan-financed	574	840	1,433	1,557	992	981	1,319
Basic primary balance	-820	-429	-772	-69	-174	423	754
Overall balance, including grants	-1,966	-1,962	-2,982	-2,514	-2,147	-1,707	-1,845
Overall balance, excluding grants	-2,159	-2,146	-3,216	-2,836	-2,417	-1,926	-2,055
Change in float (excl. on debt service)	76	-11	-111	-25	0	0	0
Overall balance (cash basis)	-1,890	-1,973	-3,093	-2,539	-2,147	-1,707	-1,845
Financing	1,890	1,973	3,093	2,076	1,223	812	1,366
Domestic financing	672	659	1,048	1,101	912	757	761
Bank financing (net)	1,017	709	793	868	664	550	577
Nonbank financing (net)	-345	-50	255	233	248	208	184
External financing	1,209	1,330	2,064	965	311	55	605
Regional financing (WAEMU)	356	0	772	358	601	489	421
Foreign financing (net)	853	1,330	1,293	607	-290	-434	184
Financing gap (+ deficit / - surplus)	--	--	--	463	924	895	479
Expected financing (excluding IMF)	--	--	--	-155	301	270	165
Residual gap, *of which*	--	--	--	618	623	625	314
IMF-ECF 1/	--	--	--	206	208	208	105
IMF-EFF 1/	--	--	--	412	415	417	209
Memorandum items:							
Nominal GDP	36,252	39,821	43,681	47,642	51,876	56,270	60,858
External debt (central government)	10,757	12,291	15,084	16,973	17,992	18,778	19,784

Sources: Ivorian authorities and IMF staff estimates and projections.

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

Table 3b. Côte d'Ivoire: Fiscal Operations of the Central Government, 2020–26

(Percent of GDP)

	2020	2021	2022	2023	2024	2025	2026
			Prel.	Program			
Total revenue and grants	15.0	15.8	15.3	16.4	17.0	17.4	17.9
Total revenue	14.4	15.3	14.8	15.8	16.5	17.0	17.6
Tax revenue	12.4	13.2	12.9	13.9	14.6	15.1	15.7
Non-earmarked taxes	11.8	12.7	12.1	13.1	13.8	14.4	15.0
Direct taxes	3.3	3.5	3.7	3.7	4.0	4.1	4.2
Indirect taxes	8.5	9.1	8.4	9.4	9.8	10.3	10.7
of which taxes on project spending	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Earmarked taxes	0.6	0.5	0.8	0.8	0.8	0.8	0.8
Nontax revenue	2.0	2.2	1.9	1.8	1.8	1.8	1.8
Grants, of which	0.5	0.5	0.5	0.7	0.5	0.4	0.3
Project grants	0.3	0.2	0.1	0.3	0.2	0.2	0.2
Total expenditure	20.4	20.7	22.1	21.7	21.1	20.4	20.9
Current expenditure	14.7	14.9	14.9	14.3	14.0	14.0	14.0
Wages and salaries	5.0	4.7	4.6	4.7	4.6	4.7	4.8
Social security benefits	1.0	0.9	0.9	0.9	1.0	1.0	1.0
Subsidies and other current transfers	1.8	2.3	1.8	1.3	1.3	1.3	1.3
Other current expenditure	4.0	3.9	4.3	3.6	3.5	3.5	3.5
Expenditure corresponding to eamarked taxes	0.6	0.5	0.8	0.8	0.8	0.8	0.8
Security and elections-related expenditure	0.5	0.6	0.4	0.6	0.6	0.5	0.5
Interest due	1.8	2.0	2.2	2.3	2.3	2.3	2.2
On domestic debt	0.8	0.8	1.0	1.2	1.1	1.2	1.2
On external debt	1.1	1.1	1.2	1.1	1.2	1.1	1.0
Capital expenditure	5.7	5.8	7.2	7.5	7.1	6.4	6.9
Domestically financed	3.8	3.5	3.8	3.9	5.0	4.5	4.6
of which counterpart funds for project taxes				0.4	0.4	0.4	0.4
Foreign-financed, of which	1.9	2.3	3.4	3.5	2.1	1.9	2.4
Foreign loan-financed	1.6	2.1	3.3	3.3	1.9	1.7	2.2
Basic primary balance	-2.3	-1.1	-1.8	-0.1	-0.3	0.8	1.2
Overall balance, including grants	-5.4	-4.9	-6.8	-5.3	-4.1	-3.0	-3.0
Overall balance, excluding grants	-6.0	-5.4	-7.4	-6.0	-4.7	-3.4	-3.4
Change in float (excl. on debt service)	0.2	0.0	-0.3	-0.1	0.0	0.0	0.0
Overall balance (cash basis)	-5.2	-5.0	-7.1	-5.3	-4.1	-3.0	-3.0
Financing	5.2	5.0	7.1	4.4	2.4	1.4	2.2
Domestic financing	1.9	1.7	2.4	2.3	1.8	1.3	1.3
Bank financing (net)	2.8	1.8	1.8	1.8	1.3	1.0	0.9
Nonbank financing (net)	-1.0	-0.1	0.6	0.5	0.5	0.4	0.3
External financing	3.3	3.3	4.7	2.0	0.6	0.1	1.0
Financing gap (+ deficit / - surplus)	--	--	--	1.0	1.8	1.6	0.8
Expected financing (excluding IMF)	--	--	--	-0.3	0.6	0.5	0.3
Residual gap, *of which*	--	--	--	1.3	1.2	1.1	0.5
IMF-ECF 1/	--	--	--	0.4	0.4	0.4	0.2
IMF-EFF 1/	--	--	--	0.9	0.8	0.7	0.3
Memorandum item:							
External debt (central government)	29.7	30.9	34.5	35.6	34.7	33.4	32.5

Sources: Ivorian authorities and IMF staff estimates and projections.

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

Table 4. Côte d'Ivoire: Depository Corporations Survey, 2020–26

	2020	2021	2022	2023	2024	2025	2026
			Prel.		Program		
			(Billions of CFA francs)				
Net foreign assets	3,140	4,206	3,886	4,555	4,987	5,556	6,194
Central bank	2,389	2,944	2,304	2,972	3,405	3,974	4,612
Other depository corporations	751	1,262	1,582	1,582	1,582	1,582	1,582
Net domestic assets	10,747	12,189	14,120	15,928	18,317	20,912	23,251
Net credit to the government	3,911	4,617	5,894	6,851	8,317	9,615	10,569
Central Bank	785	1,505	1,459	1,971	2,479	2,999	3,220
Other depository corporations	3,126	3,112	4,435	4,880	5,838	6,616	7,349
Credit to the economy	8,122	9,139	9,807	10,801	11,878	13,333	14,884
Crop credits	667	672	589	702	753	782	814
Other credit (including customs bills)	7,455	8,468	9,218	10,099	11,125	12,551	14,070
Other items (net) (assets = +)	-1,286	-1,567	-1,581	-1,724	-1,877	-2,036	-2,202
Broad money 1/	13,887	16,395	18,006	20,483	23,305	26,469	29,445
Currency in circulation	3,620	4,063	4,362	4,757	5,413	6,148	6,839
Deposits	10,262	12,328	13,639	15,721	17,887	20,315	22,599
Deposits at the Central Bank	4.3	4.1	4.1	4.7	5.4	6.1	6.8
Memorandum item:							
Velocity of circulation	2.6	2.4	2.4	2.3	2.2	2.1	2.1
			(Changes in percent of beginning-of-period broad money)				
Net foreign assets	5.6	7.7	-2.0	3.7	2.1	2.4	2.4
Net domestic assets	15.8	10.4	11.8	10.0	11.7	11.1	8.8
Net credit to the government	9.8	5.1	7.8	5.3	7.2	5.6	3.6
Central bank	1.9	5.2	-0.3	2.8	2.5	2.2	0.8
Other depository corporations	7.9	-0.1	8.1	2.5	4.7	3.3	2.8
Credit to the economy	6.0	7.3	4.1	5.5	5.3	6.2	5.9
Broad money	21.4	18.1	9.8	13.8	13.8	13.6	11.2
			(Changes in percent of previous end-of-year)				
Net foreign assets	25.7	34.0	-7.6	17.2	9.5	11.4	11.5
Net domestic assets	20.2	13.4	15.8	12.8	15.0	14.2	11.2
Net credit to the government	40.0	18.0	27.7	16.2	21.4	15.6	9.9
Central bank	37.6	91.7	-3.1	35.1	25.8	21.0	7.4
Other depository corporations	40.6	-0.5	42.5	10.0	19.6	13.3	11.1
Credit to the economy	9.2	12.5	7.3	10.1	10.0	12.3	11.6
Broad money	21.4	18.1	9.8	13.8	13.8	13.6	11.2

Sources: Central Bank of West African States (BCEAO) and IMF staff estimates and projections.
1/ Broad Money includes all deposits with banks including restricted deposits.

Table 5. Côte d'Ivoire: Capacity to Repay the Fund, 2023-32

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Fund Obligations Based on Existing Credit										
(In millions of SDRs)										
Principal	242.2	360.2	281.9	193.4	172.4	138.0	103.6	56.1	0.0	0.0
Charges and interest	42.4	34.2	21.1	14.9	10.6	6.9	4.2	2.5	1.7	1.6
Fund Obligations Based on Existing and Prospective Credit										
(In millions of SDRs)										
Principal	242.2	360.2	281.9	193.4	193.1	253.6	351.4	436.0	450.1	462.5
Charges and interest	50.0	66.8	81.4	104.9	107.0	100.4	91.2	72.8	53.8	39.9
Total Obligations Based on Existing and Prospective Credit										
In millions of SDRs	292.3	426.9	363.3	298.3	300.0	354.0	442.6	508.8	503.9	502.4
In billions of CFA francs	240.6	354.0	303.5	251.2	254.9	305.1	381.5	438.6	434.4	433.1
In percent of government revenue	3.1	4.0	3.1	2.3	2.2	2.4	2.7	2.8	2.6	2.4
In percent of exports of goods and services	2.1	2.8	2.2	1.7	1.6	1.7	2.0	2.2	2.1	2.0
In percent of external debt	1.7	2.4	2.0	1.6	1.5	1.7	2.0	2.2	2.1	2.0
In percent of GDP	0.5	0.7	0.5	0.4	0.4	0.4	0.5	0.5	0.5	0.4
In percent of quota	44.9	65.6	55.9	45.9	46.1	54.4	68.0	78.2	77.5	77.1
Outstanding Fund Credit										
In millions of SDRs	2,048.8	2,432.0	2,893.4	3,071.7	2,878.6	2,625.0	2,273.7	1,837.6	1,387.5	925.0
In billions of CFA francs	1,686.4	2,016.6	2,417.1	2,586.7	2,445.5	2,262.6	1,959.8	1,584.0	1,196.0	797.3
In percent of government revenue	21.5	22.9	24.7	23.7	20.9	17.9	13.8	10.2	7.1	4.4
In percent of exports of goods and services	14.7	16.0	17.6	17.2	15.1	12.9	10.5	8.0	5.7	3.6
In percent of external debt	12.0	13.8	15.9	16.1	14.4	12.7	10.5	8.1	5.9	3.7
In percent of GDP	3.5	3.9	4.3	4.3	3.7	3.2	2.6	1.9	1.3	0.8
In percent of quota	315.0	373.9	444.9	472.3	442.6	403.6	349.6	282.5	213.3	142.0
of which: PRGT	168.3	162.1	171.3	175.0	160.9	146.9	127.2	104.8	80.0	53.3
of which: GRA	146.7	211.8	273.6	297.3	281.7	256.7	222.4	177.8	133.3	88.8
Net use of Fund Credit (millions of SDRs)	501.1	383.2	461.5	178.3	-193.1	-253.6	-351.4	-436.0	-450.1	-462.5
Disbursements	743.3	743.3	743.3	371.7	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	242.2	360.2	281.9	193.4	193.1	253.6	351.4	436.0	450.1	462.5
Memorandum Items:										
Exports of goods and services (billions of CFA francs)	11,453.2	12,598.4	13,766.5	15,033.8	16,246.0	17,484.9	18,610.9	19,720.3	20,886.1	22,060.3
Government revenue and grants (billions of CFA francs)	7,837.1	8,808.4	9,780.5	10,900.4	11,704.7	12,659.0	14,244.9	15,515.2	16,768.6	18,177.1
External debt (billions of CFA francs)	14,095.4	14,630.9	15,215.3	16,041.2	16,952.1	17,779.5	18,653.9	19,529.2	20,420.1	21,302.2

Sources: IMF staff estimates and projections.

Table 6. Côte d'Ivoire: Financial Soundness Indicators, 2015-22

	2015	2016	2017	2018	2019	2020	2021	2022
								June
Capital Adequacy								
Regulatory capital to risk-weighted assets (CAR)	8.7	7.9	9.0	9.5	10.5	11.6	12.7	12.9
Regulatory tier 1 capital to risk-weighted assets	7.1	6.9	7.9	8.6	9.7	10.9	12.3	12.4
General provisions to risk-weighted assets	9.5	7.1	6.6	5.7	6.0	6.1	6.0	5.4
Capital to total assets	3.9	4.3	5.1	6.3	6.2	6.5	6.9	7.4
Asset Quality								
Total loans to total assets	57.1	57.3	57.3	58.8	57.0	53.5	52.0	51.5
Concentration: Loans to the 5 biggest borrowers to capital	145.8	129.1	108.9	87.4	66.5	53.8	55.4	50.7
Sectoral composition of loans 1/								
Agriculture, forestry and fisheries	5.9	6.4	8.0	9.2	4.7	5.8	4.0	5.6
Extractive industries	2.3	2.2	1.5	0.5	0.4	0.3	0.7	0.4
Manufacturing industries	25.1	24.1	23.9	23.0	20.5	18.7	16.5	17.5
Electricity, water, gas	6.3	8.4	11.2	13.2	9.0	10.7	11.5	10.0
Construction, public works	3.3	5.9	6.0	5.4	6.4	5.4	5.8	5.9
Commerce, restaurants, hotels	31.6	27.3	21.9	25.9	30.2	32.0	35.7	33.3
Transport, storage and communications	9.3	11.4	13.9	9.3	12.9	11.3	8.9	9.2
Insurance, real estate, business services	11.4	8.5	7.9	9.0	9.9	11.3	10.1	12.5
Miscellaneous services	4.8	5.8	5.7	4.5	6.1	4.6	6.9	5.7
Non-performing loans to total gross loans	10.4	9.1	9.8	9.3	8.4	8.7	8.7	8.8
General provisions to non-performing loans	66.6	70.5	63.0	64.9	70.2	69.1	67.0	63.9
Non-performing loans net of provisions to total loans	3.7	2.9	3.8	3.5	2.7	2.9	3.1	3.4
Non-performing loans net of provisions to capital	54.2	37.6	43.0	32.5	24.4	23.7	23.1	23.4
Earnings and Profitability 2/								
Average cost of borrowed funds	2.0	2.1	2.1	1.9	0.6	1.8	1.7	...
Average interest rate on loans	9.2	8.9	8.6	7.7	7.5	7.1	6.7	...
Average interest rate margin 3/	7.2	6.8	6.5	5.8	6.9	5.3	5.0	...
Return on assets (ROA) net of tax	1.4	1.6	1.4	1.3	1.6	1.4	1.8	...
Return on average equity (ROE) net of tax	24.5	29.2	21.5	16.5	19.0	16.9	20.7	...
Non-interest expenses to net banking income	59.6	57.5	55.6	59.3	57.1	55.8	53.2	...
Personnel expenses to net banking income	26.3	25.5	23.8	25.4	24.6	24.2	22.7	...
Liquidity								
Liquid assets to total assets	35.5	33.7	32.0	31.7	29.6	29.6	28.7	26.6
Liquid assets to total deposits	48.6	48.1	46.9	46.0	42.6	41.4	38.3	36.0
Total loans to total deposits	84.1	87.2	89.5	90.7	87.2	79.7	73.8	74.0
Total deposits to total liabilities	72.9	70.2	68.2	68.9	69.4	71.4	74.9	73.8

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 7a. Côte d'Ivoire: Summary Table of Projected External Borrowing Program
(January 1. 2023 to December 2023)

PPG external debt	Volume of New Debt in 2023		PV of New Debt in 2023 (Program Purposes)		PV of New Debt in 2023 (Including Negative GEs)	
	USD million	Percent	USD million	Percent	USD million	Percent
By Sources of Debt Financing	**5535.7**	**100**	**4650.3**	**100**	**4683.3**	**100**
Concessional Debt, of which	**432.5**	**8**	**211.9**	**5**	**211.9**	**5**
Multilateral debt	287.4	5	145.1	3	145.1	3
Bilateral debt	145.1	3	66.8	1	66.8	1
Other	0.0	0	0.0	0	0.0	0
Non-concessional Debt, of which	**5103.1**	**92**	**4438.4**	**95**	**4471.4**	**95**
Semi-concessional	4516.9	82	3852.1	83	3852.1	82
Commercial terms	586.3	11	586.3	13	619.3	13
By Creditor Type	**5535.7**	**100**	**4650.3**	**100**	**4683.3**	**100**
Multilateral	2994.0	54	2439.2	52	2439.2	52
Bilateral - Paris Club	418.5	8	254.5	5	254.5	5
Bilateral - Non-Paris Club	0.0	0	0.0	0	0.0	0
Other	2123.1	38	1956.6	42	1989.6	42
Uses of Debt Financing	**5535.7**	**100**	**4650.3**	**100**	**4683.3**	**100**
Infrastructure	1438.3	26	1275.5	27	1286.7	27
Social Spending	2584.6	47	2065.2	44	2070.2	44
Budget Financing	833.9	15	744.6	16	744.6	16
Other	678.9	12.3	565.0	12.1	581.8	12.4
Memo Items						
Indicative Projections						
Year 2	**0.0**		**0.0**		**0.0**	
Year 3	**0.0**		**0.0**		**0.0**	

Source: Ivorian authorities

Table 7b. Côte d'Ivoire: Type of New External Debt
(US$ million)

By the Type of Interest Rate	
Fixed Interest Rate	1090.2
Variable Interest Rate	4445.4
Unconventional Loans	0.0
By Currency	
USD denominated loans	1425.0
Loans denominated in other currency	4110.7

Table 8. Côte d'Ivoire: Decomposition of Public Debt and Debt Service by Creditor[1/]

	Debt Stock (end of period)			Debt Service					
	2022			2022	2023	2024	2022	2023	2024
	(In US$ billions)	*(Percent total debt)*	*(Percent GDP)*	*(In US$)*			*(Percent GDP)*		
Total	40.0	100.0	56.8	4.4	5.4	5.8	6.2	7.0	7.0
External	24.3	60.8	34.5	1.6	2.1	2.9	2.2	2.8	3.5
Multilateral creditors[2,3]	7.2	18.0	10.2	0.4	0.5	0.7	0.5	0.7	0.9
IMF	2.0	5.0	2.9						
World Bank	2.8	7.1	4.0						
AfDB	1.0	2.5	1.4						
Other Multilaterals	1.3	3.4	1.9						
o/w: IDB	0.7	1.7	1.0						
o/w: BOAD	0.4	0.9	0.5						
Others	0.3	0.8	0.4						
Bilateral Creditors[2]	4.1	10.2	5.8	0.1	0.1	0.1	0.2	0.1	0.1
Paris Club	1.1	2.8	1.6	0.0	0.0	0.0	0.0	0.0	0.0
o/w: France	0.6	1.6	0.9						
o/w: Germany	0.3	0.8	0.5						
Others	0.2	0.5	0.3						
Non-Paris Club	2.9	7.4	4.2	0.1	0.1	0.2	0.2	0.2	0.3
o/w: China	2.7	6.8	3.9						
o/w: India	0.2	0.4	0.2						
Others	0.1	0.1	0.1						
Bonds	8.5	21.4	12.1	1.1	1.4	1.9	1.5	1.8	2.2
Commercial creditors	4.5	11.3	6.4	0.5	0.9	1.2	0.7	1.1	1.5
o/w: MUFG	0.6	1.5	0.9						
o/w: SGF	0.6	1.5	0.8						
Others	3.3	8.3	4.7						
Domestic	15.7	39.2	22.2	2.8	3.3	2.9	4.0	4.3	3.5
Held by residents, total	n/a	n/a	n/a						
Held by non-residents, total	n/a	n/a	n/a						
T-Bills	0.4	1.0	0.6	0.5	0.4	0.0	0.8	0.5	0.0
Bonds	3.9	9.8	5.6	0.9	1.1	1.0	1.3	1.4	1.1
Loans, and others	11.4	28.4	16.1	1.4	1.8	2.0	1.9	2.4	2.4
Memo Items:									
Collateralized debt[4]	n/a	n/a	n/a						
Contingent liabilities	n/a	n/a	n/a						
Nominal GDP	70,179.8								

Sources: Ivorian authorities and IMF staff calculations.

1/As reported by Country authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA, except for guaranteed debt.

2/Some public debt is not shown in the table due to limited availability of information. This includes non-guaranteed SOE debt and local government debt.

3/Multilateral creditors" are simply institutions with more than one official shareholder and may not necessarily align with creditor classification under other IMF policies (e.g. Lending Into Arrears).

4/Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

5/Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

Table 9. Côte d'Ivoire: Proposed Reviews and Purchases/Disbursements Under the 40-month ECF and Extended Arrangement Under the EFF, 2023-26

Date of availability	Condition	Amount (millions of SDRs)			Percent of Quota		
		Total	ECF	EFF	Total	ECF	EFF
May 24, 2023	Executive Board approval of the ECF/EFF arrangements.	371.657	123.886	247.771	57.143	19.048	38.095
November 15, 2023	Observance of PCs for end-June 2023, continuous PCs and completion of the first review.	371.657	123.886	247.771	57.143	19.048	38.095
May 15, 2024	Observance of PCs for end-December 2023, continuous PCs and completion of the second review.	371.657	123.886	247.771	57.143	19.048	38.095
November 15, 2024	Observance of PCs for end-June 2024, continuous PCs and completion of the third review.	371.657	123.886	247.771	57.143	19.048	38.095
May 15, 2025	Observance of PCs for end-December 2024, continuous PCs and completion of the fourth review.	371.657	123.886	247.771	57.143	19.048	38.095
November 15, 2025	Observance of PCs for end-June 2025, continuous PCs and completion of the fifth review.	371.657	123.886	247.771	57.143	19.048	38.095
May 15, 2026	Observance of PCs for end-December 2025, continuous PCs and completion of the sixth review.	371.658	123.884	247.774	57.143	19.047	38.096
	Total	2601.6	867.2	1734.4	400.0	133.3	266.7

Note: Côte d'Ivoire's quota is SDR 650.40 million.

Annex I. External Sector Assessment

Overall Assessment*: Côte d'Ivoire's external position in 2022 was moderately weaker than the level implied by fundamentals and desirable policies, based on preliminary estimates. The current account deficit is estimated to have expanded to 6.5 percent of GDP last year from 4.1 percent of GDP in 2021, driven mainly by a deterioration in the terms of trade of over 11 percent. The assessment takes a medium-term view, with desirable policies set at medium-term levels and temporary factors removed. On this basis, staff finds a cyclically adjusted CA of -6.6 percent of GDP, which is 1.5 percent of GDP lower than the adjusted norm.*

Potential Policy Responses*: Sustained fiscal consolidation driven by domestic revenue mobilization will be instrumental in maintaining Côte d'Ivoire's external balance broadly in line with the level implied by fundamentals and desirable policies, which would also promote external stability in the WAEMU currency union. Revenue mobilization would also help facilitate greater health spending, which accounts for the largest (gross) contribution to Côte d'Ivoire's policy gap under the EBA lite model. The structural reform agenda should support diversification and growth of Côte d'Ivoire's export sector, benefitting its external position in the medium-term.*

A. Foreign Assets and Liabilities: Position and Trajectory

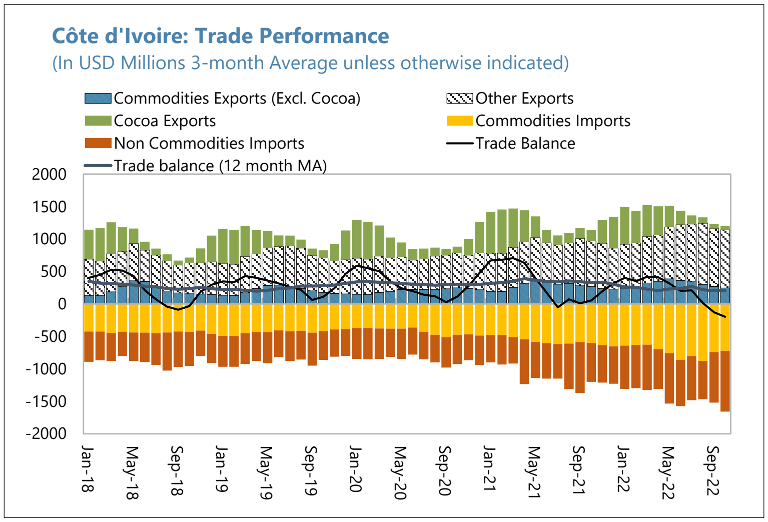
1. Background. Côte d'Ivoire's net international investment position (NIIP) is estimated to have deteriorated to -46 percent of GDP in 2022 from -41 percent of GDP in 2021, driven by the sizeable current account deficit. Gross assets remained broadly unchanged while liabilities rose, with about half of the increase in the form of debt liabilities. Foreign direct investment accounts for just over 20 percent of gross external liabilities.

2. Assessment. Côte d'Ivoire's international investment position is sustainable under the baseline. The NIIP is projected to deteriorate further in the coming years before stabilizing around -55 percent of GDP, reflecting smaller projected current account deficits and strong nominal GDP growth. Risks to external sustainability stem from the possibility of slower than projected fiscal consolidation, a further deterioration in the terms of trade, and a slowdown in real GDP growth.

2022 (% GDP)	NIIP: -46	Gross Assets: 29	Debt Assets: 5	Gross Liab.: 75	Debt Liab.: 21

B. Current Account

3. Background. Robust domestic demand amid worsening terms of trade pushed the current account further into deficit to around 6.5 percent of GDP in 2022, from 4.1 percent in 2021 and an average of 2.5 percent of GDP in 2016-2020. The merchandise trade surplus is estimated to have fallen to about 2.2 percent of GDP from 4.2 percent in 2021, reflecting a nearly 30 percent increase in the value of imports that was only partially offset by rising exports (Figure 1). The services trade deficit expanded by about 0.7 percentage points to 5 percent of GDP, on the back of rising freight and insurance costs for imported goods.



4. **Assessment**. The EBA lite current account model indicates a gap of -1.5 percent of GDP in 2022, reflecting an adjusted current account balance of -6.6 percent of GDP and an adjusted norm of -5.0 percent of GDP (Table 1). In 2021, the gap was 0.9 percent of GDP. The estimated policy gap is zero on a net basis, with a large positive contribution of 0.9 percent of GDP from low public health expenditure (precautionary savings channel) offset by negative contributions from expansionary fiscal policy, a loss of reserves, and a more restrictive financial account than desirable.

C. Real Exchange Rate

5. **Background**. Côte d'Ivoire is part of the WAEMU currency union, with the CFA franc pegged to the euro. The country's real effective exchange rate depreciated by 5.6 percent in 2022, driven by the depreciation of the euro against third currencies amid spillovers to the euro area from the war in Ukraine. The 2022 average REER was about 4 percent lower than during the five preceding years.

6. **Assessment**. On the basis of the EBA current account model, the REER gap is estimated at 9.6 percent (positive number indicates overvaluation), using an elasticity of the REER with respect to the current account balance of -0.16 percent. The REER model estimates a REER gap of -11.0 percent (negative number indicates undervaluation). The fit of this model is not as good as that of the CA model, so the assessment is based on the CA model.

D. Capital and Financial Accounts: Flows and Policy Measures

7. **Background**. Capital flows to Côte d'Ivoire from private sector investors are estimated to have slowed in 2022, against the backdrop of a sharp tightening in global financial conditions and a broad-based reduction in capital flows to emerging and frontier markets. Official financial account data for 2022 are not available yet, but alternative data sources point to robust inflows of loans to the government from multilateral and bilateral creditors, including project loans. The authorities substituted planned Eurobond issuance for 2022 with external commercial loans and domestic/regional borrowing.

8. Assessment. Rising interest rates in advanced economies and higher risk premia on Côte d'Ivoire's debt make for a very challenging external financing environment. Côte d'Ivoire's substantial external financing needs are expected to be met through a combination of Fund credit and budget support from multilateral and bilateral creditors. Fiscal consolidation will help reduce external borrowing needs over the medium term.

E. FX Intervention and Reserves Level

9. Background. The challenging external financing environment resulted in a significant decline of regional WAEMU reserves to about 4.5 months of import cover by end-2022. The reserve import coverage ratio is projected to decrease before recovering and stabilizing around 4.6 months of prospective imports. Côte d'Ivoire's contribution to the reserve pool declined substantially since August 2022, with the country's total reduction estimated around 1.3 months of import cover to 4.8 months. This decline followed a period of substantial reserve accumulation, including during the first two years of the COVID-19 pandemic, helped by large-scale IMF financial support to the region.

10. Assessment. The ARA metric for credit constrained economies estimates an adequacy range for the level of reserves of 4.5 to 6.4 months of prospective import coverage for the WAEMU (based on available data for 2021), with the lower end calibrated on fragile states and the higher end calibrated on non-resource rich countries. Based on this model, the level of reserves estimated for end-2022 (4.5 months of imports), as well as the medium-term projection (4.6 months at end-2027) are assessed as being somewhat adequate. Growth-friendly fiscal consolidation and implementation of structural reforms to diversify Côte d'Ivoire's export base would help rebuild reserves and make an important contribution to external stability at the WAEMU level.

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

Risks	Likelihood	Impact if Realized	Recommended Policy Response
External risks			
Intensification of regional conflict(s).	**High**	**High** Even higher commodity prices, refugee migration, tighter financial conditions, and other adverse spillovers could weigh on economic outlook, deplete fiscal resources, increase poverty and lead to social tensions.	Advance reforms to increase domestic revenue mobilization to create fiscal space for support measures. Mitigate the impact on the poor from volatile commodity prices through temporary targeted fiscal transfers.
Commodity price volatility	**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. Higher commodity prices would reduce disposable income of households, exacerbating poverty.	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. Invest in a more diversified and sustainable energy mix.
Social discontent	**High**	**Medium** Social discontent and political instability in other countries could lower trade flows, reduce exports and FDI, and negatively affect growth and tax revenue.	Continue policy reforms to alleviate poverty, create jobs, and generate more inclusive growth outcomes, while continuing to enhance the provision of public services.
Abrupt global slowdown or recession	**Medium**	**High** Abrupt global slowdown or recession could weaken global demand, negatively impact trade flows, especially exports, and could slow growth and decrease revenues.	Build resilience to shocks by creating fiscal space to increase buffers and pursuing reforms to transform the economy through diversification and industrialization policies.

[1]The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood 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. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon. **G-RAM operational guidance is available from the SPR Risk Unit website.**

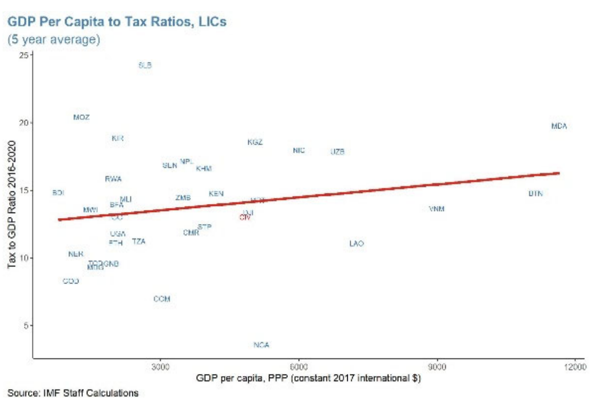
Risks	Likelihood	Impact if Realized	Recommended Policy Response
Monetary policy miscalibration	Medium	**High** Tightening global financial conditions and spiking risk premia would raise borrowing costs and increase debt vulnerabilities, with knock-on effects on growth. These effects could result in financial difficulties for SMEs and state-owned enterprises, as well as disrupt progress on increasing financial access and deepening. Persistently high global inflation could affect food security, exacerbating poverty.	Advance reforms to increase domestic revenue mobilization to create room for a likely increase in food prices. Provide targeted support to vulnerable population to ensure appropriate living standards. Monitor solvency of state-owned enterprises and government guaranteed debt (including for SME access to credit programs), and develop a bank resolution framework.
Cyberthreats	Medium	**Medium** Successful cyber-attacks on the financial system could result in disruption in the delivery of critical services to citizens, increase the risk of disruption of payment systems and could precipitate damaging disruptions to the economy, as well as loss of confidence and reputational damage.	Develop response and recovery strategies including "cyber mapping" to identify technologies, services and institutions that would be most affected. Incorporate cyber risks into financial stability analysis and stress tests.
Extreme climate events	Medium	**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. Invest in education and training of farmers in sustainable and climate-resilient agricultural practices and examine scope for increasing pre-arranged disaster financing (climate risk insurance).
Country-specific risks			
Deterioration of security situation in northern border	High	**Medium/High** The 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. Create fiscal space by accelerating revenue mobilization reforms.
Financial difficulties for public enterprises and banks	Medium	**Medium** 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. Develop bank resolution framework.

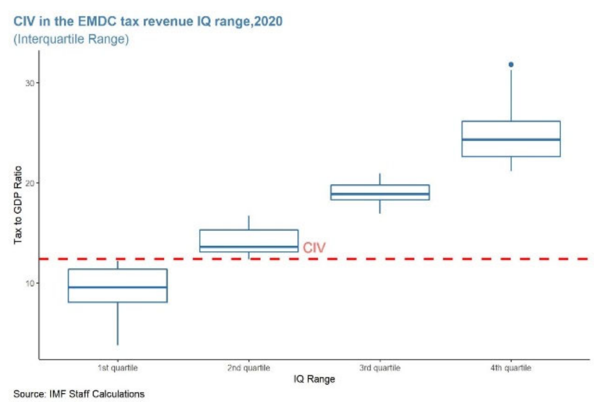
Annex III. Domestic Revenue Mobilization (DRM)

Low tax revenues have been a long-standing problem in Côte d'Ivoire, persistently falling below comparators. Despite improvements in recent years reflecting efforts in tax administration and digitalization, tax revenues remain low by international standards due to pervasive tax exemptions, informality, and low levels of indirect taxation as well as non-compliance. Addressing these challenges can commence based on existing Technical Assistance recommendations from IMF's Fiscal Affairs Department (FAD). Deeper reforms should be anchored in a medium-term revenue strategy (MTRS) with comprehensive tax policy and tax administration reforms and broad-based support by key stakeholders for sustained revenue mobilization.

1. Côte d'Ivoire's overall tax performance falls behind virtually every comparator. In recent years, its overall tax revenue ratio has been around 12 percent of GDP, significantly lower than for many other LICs at similar levels of per-capita income, the WAEMU average (excluding Côte d'Ivoire) of 13 percent of GDP, and the WAEMU convergence target of at least 20 percent of GDP.[1] Compared with Emerging and Developing countries (EMDCs), Côte d'Ivoire's tax revenue ratio is at the bottom of the second quartile of the distribution.[2]

Côte d'Ivoire: Overall Tax Revenue Performance Compared to Peers





2. Côte d'Ivoire's largest gap relative to peers is in *indirect tax* revenue. Notwithstanding some improvements in recent years, at an average of three percent of GDP, Côte d'Ivoire collects only about half of what non-oil frontier market economies collect in VAT. At about 1.9 and 2.6 percent of GDP, the gap in recent years also remains significant relative to average for non-oil

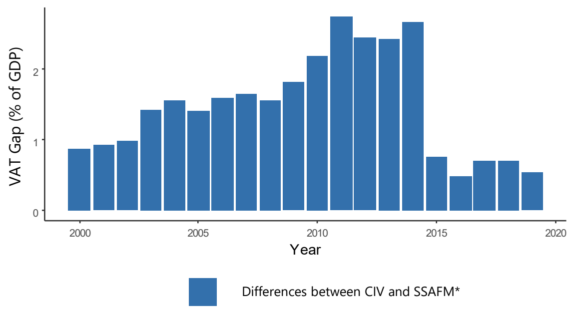
[1] WAEMU Convergence, Stability, Growth, and Solidarity Pact. The framework's "first order" convergence criteria include: central government overall fiscal deficit ceiling of 3 percent of GDP (including grants and commitments for fiscal balance after 2015 revision of the framework); nominal debt stock not exceeding 70 percent of GDP; and annual average inflation target of 3 percent. The 2015 reform also revised a "second order" convergence criteria of tax revenue to GDP from 17 percent to 20 percent of GDP to encourage greater domestic resource mobilization by WAEMU member states.

[2] Tax ratios for Côte d'Ivoire in this annex do not include off-budget revenue items referred to in paragraph 16 of the main text due to lack of comparable data.

SSA frontier market economies and WAEMU countries (excluding Côte d'Ivoire), respectively. Low indirect taxes are mainly due to a narrow value-added tax (VAT) base, as indicated by a low c-efficiency ratio of 0.2 (2019 estimate), compared with an EMDC average of 0.4.[3] The VAT regime in Côte d'Ivoire is replete with multiple exemptions as well as reduced and zero-rates on a wide range of products. Similar gaps also persist with respect to revenues from excise taxes rates, albeit at a somewhat smaller scale (about 1 percent of GDP relative to non-oil exporting SSA frontier market economies).

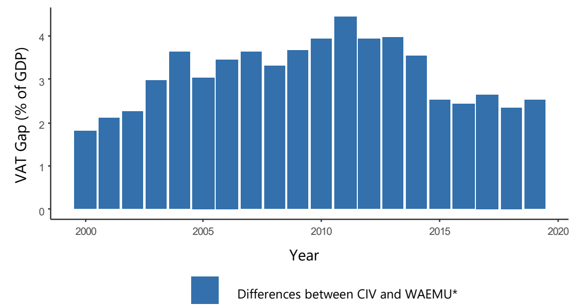
Côte d'Ivoire: Value-Added Tax Revenue Gap Compared to Peers

Côte d'Ivoire's VAT tax revenue performance lags significantly behind non-oil exporting SSA frontier market economies...



Source: IMF staff calculations
*Excluding Mauritius and South Africa

....as well as WAEMU country peers.



Source: IMF staff calculations
*Excluding CIV

3. Côte d'Ivoire's gap in *direct tax* revenues relative to peers has also been significant. While Côte d'Ivoire's personal income tax (PIT) regime is complex and regressive, its business profit tax (BPT) is weakened by numerous tax exemptions, a generous investment code, and informality. As a result, there remains ample scope for tax evasion while high compliance costs with an unduly complicated system reduce incentives, in particular for SMEs, to shift their operations into the formal economy.

4. Enhancing revenue mobilization depends on undertaking reforms in both tax policy and tax administration. The authorities have stated their goal of broadening the tax base, simplifying tax schemes, and modernizing property taxes, but implementation has often stalled. While significant progress has been made in tax administration reforms in recent years, notably through digitalization,[4] there remains scope for further reforms, including the management of tax arrears.

[3]The c-efficiency ratio is defined as VAT receipts to notional receipts that would be collected if the tax was levied at uniform rate on all final consumption and assuming full tax compliance.

[4]The main tax administration reforms to date were driven by digitalization, including implementation of the new tax IT system (SIGICI) in all taxpayers' offices, e-filling with the *e-Impôts* web portal, and e-payment by bank transfer or direct debit.

5. Going forward, Côte d'Ivoire can build on longstanding Technical Assistance advice from IMF's Fiscal Affairs Department (FAD) and focus on revenue mobilization efforts in both tax policy and administration in the following areas:

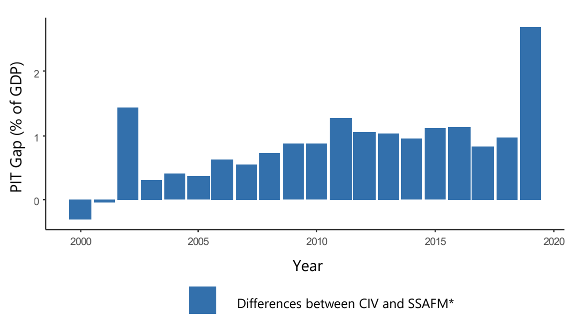
- **Indirect taxation**. Eliminate or drastically reduce tax exemptions and streamline reduced VAT rates. Action on this front could be stalled due to possible concern about expected distributional impact from removing exemptions/ curtailing the scope of reduced rates, as well as associated political economy issues. In this case, inclusive social dialogue on the distributional impact of reforms should be a key component of the reform process.

- **Direct taxation**. Simplify personal income tax (PIT) into a dual tax regime: a redesigned schedule for wages and salaries at progressive rates and a flat rate profit income tax from mobile/immobile capital. Adopt competitive rates for business profit tax (BPT) in the General Tax Code while eliminating tax preferences from other instruments, including the investment code and discretionary tax exemptions.

- **Tax administration**. Further modernize tax and customs administration, including by increasing the number of active VAT taxpayers, fully dematerializing customs clearance procedures, increasing compliance with electronic tax payments and adoption of a sound tax arrears management, collection, and enforcement plan.

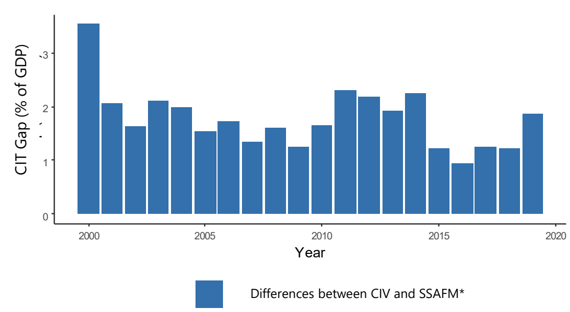
Côte d'Ivoire: Direct Tax Revenue Gap Compared to Peers

Côte d'Ivoire's PIT revenue gap relative to non-oil exporting SSA frontier market economies remains sizable...



Source: IMF staff calculations
*Excluding Mauritius and South Africa

...while significant efforts are needed to close the gap in CIT (BPT).



Source: IMF staff calculations
*Excluding Mauritius and South Africa

6. At the same time, work should commence on a comprehensive medium-term revenue mobilization strategy (MTRS). Such a strategy would address Côte d'Ivoire's challenges in a more comprehensive manner and, importantly, integrate key societal and government stakeholders in a sustained process of enhancing domestic revenue mobilization. It would thus be commensurate with the government's view that domestic revenue mobilization is a national priority and a key building block in the country's economic transformation to an emerging market economy.

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Annex IV. Cash Transfers

In place of blanket fuel and food subsidies, the authorities can leverage the existing cash transfer mechanism which is to be further expanded in coverage with support from the World Bank. Such a mechanism has been proven both in Côte d'Ivoire and other countries in terms of its effective rapid support to the most vulnerable in the face of shocks, as well as its usefulness in mitigating the impact of such shocks on poverty rates.

1. **During the Covid-19 crisis the government of Côte d'Ivoire utilized emergency cash transfers to vulnerable households, as part of its pandemic response**. This included a cash transfer program (Programme de Transferts Monétaires Productifs, PTMP), that targets households below the poverty line. The PTMP currently executes quarterly targeted cash transfers to 227,000 households across the country, which represents about 14 percent of the country's poor households. PTMP implementation is underpinned by a social registry (Registre Social Unique, RSU), a management information system (MIS), a digital payment system, and a Grievance Redress Mechanism (GRM).

2. **The PTMP targets poor households based on proxy means testing and community validation**. Beneficiaries are enrolled in the PTMP program for a duration of three years, before they exit and new beneficiaries enter the program. Beneficiaries receive quarterly cash transfers of CFAF 36,000 via mobile money transfers. Nevertheless, the coverage of the program is limited by the existing social registry and efficiency of the payment system is constrained by deficiencies which leave beneficiaries unable to choose their payment providers and delays in information on payment delivery.

3. **With support from the World bank, the authorities aim to expand the PTMP to cover an additional 100,000 additional households, every year, over the next three years**. In addition, support from the World Bank aims to define a sustainable institutional arrangement to manage the PTMP; adopt an operational manual on key implementation standards and processes; plan and mobilize of adequate resources to ensure timely payments of cash transfers; and further expand PTMP coverage, especially in underserved regions. Moreover, the authorities aim to deploy additional "frontline workers" who will help beneficiaries in accessing the PTMP. The expansion of the PTMP carried out from 2022 until 2026 will cost a total of US$163.5 million (or about 0.2 percent of GDP), of which US$22.5 million are in the first year of the program. Such enhancements would allow the PTMP to continue to operate at an enhanced level beyond the World Bank funded DPO.

4. **The PTMP also includes a shock response component that will be further enhanced with support from the World Bank** in order to help the most vulnerable cope with shocks and reduce the likelihood of sustained poverty amongst the most vulnerable. This aspect of the PTMP aims to develop clear protocols and institutional arrangements to prepare shock response plans, and thus can be utilized to increase resilience amongst the poor in the face sharp increases in global commodity prices such as those witnessed during 2022.

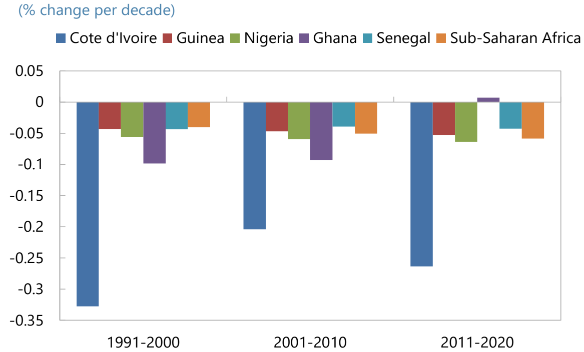
Annex V. Climate Change Challenges

Climate change will likely have negative impacts on agriculture and sea-level-rise will create challenges along the coastline. Impacts from an intensification of extreme rainfall events and droughts, will likely by exacerbated by the ongoing trend in deforestation. Addressing excessive deforestation rates is a national priority and will benefit the country by reducing its vulnerability to climate change.

1. **Côte d'Ivoire's main vulnerability to climate change is from deforestation**. The country has experienced severe loss of forest from 37 percent of the country coverage in 1960 to 14 percent in 2010. By 2019, the forest coverage was down to 8 percent. While forests typically capture carbon, deforestation contributes to carbon dioxide emissions, caused by human activity, and increases flooding risks and loss of diversity. Hence deforestation enhances vulnerability to climate change.

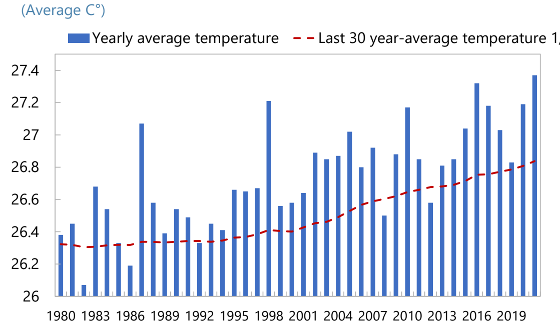
Côte d'Ivoire: Climate Change Indicators

Forest Area
(% change per decade)



Sources: World Bank and IMF Staff calculations.

Annual Mean Temperature
(Average C°)



Sources: World Bank and IMF staff calculations

1/ Last 30 years refers to the 30 years prior, and including, a data point.

2. **As agriculture is an important contributor of Côte d'Ivoire's economy, deforestation becomes a growing concern**. The sector employs more than two-thirds of the workforce and contributes about 28 percent of GDP and 10 percent of tax revenues. Côte d'Ivoire is the world's largest producer and exporter of cocoa, which accounts for 58 percent of the country's export revenue and provides income to about one-fifth of its population. Côte d'Ivoire is also the source of 40 percent of total cocoa exports. Its economy is thus highly dependent on agriculture, making it vulnerable to dropping commodity prices, adverse weather, and climate change. Between 2010 and 2022 alone, following deforestation, 11 percent of the land became degraded and suffered from a decline of productivity driven by unstainable agricultural production. The degradation has been caused mainly by the intensive production of cash crops (cocoa, rubber, palm oil and coffee). In the transition zone, in the center and savannah zone in the North, land degradation is driven by intensive agricultural production in cashew and cotton. Other activities such as mining contribute to the process of land degradation.

3. Effects of climate change have already started to be observed through higher temperatures, changes in rain pattern and rising sea levels, with socio-economic consequences. The average temperature increased between 0.5°C and 0.8°C between 1970 and 2021.[1] Precipitation has become more frequent in the dry season, while there have been more rainless periods in the wet season. Different studies from the Climate Risk Report of the West African Region from ECMWF and the World Bank project that by 2050, Côte d'Ivoire could face the combined effects of hotter average temperatures (up to 4°C), greater variability in rainfall (-9 percent in May and +9 percent in October), and higher sea levels as well as associated risk of flooding and erosion and the frequency and intensity of marine heatwaves will also increase. Overall there is low confidence in future precipitation patterns. By 2030, the World Bank estimates that 2 to 6 percent more households could slide into extreme poverty due to the adverse impacts of climate change. Infrastructure—including housing, roads, schools, and health centers—could also be affected. Agriculture is particularly vulnerable, especially to the expected temperature increases, which could dry out soils and reduce their fertility. The impact of climate change may also increase the number of climate migrants in Côte d'Ivoire. While internal climate migrants may constitute only a fraction of the projected levels of other migration, they may lead to additional pressure in certain hotspots.

4. Pressure to act on reforestation has been mounting. The European union agreed on a law to trace cocoa beans and ensure reforestation. Once into force, operators and traders will have 18 months to implement the new rules. Without full compliance, the impact on the economy could be significant through loss of revenue for and from the largest workforce, reduction of the main source of exports, and loss of reserves.

5. The 566-kilometer coastline is another major area of vulnerability. Home to 7.5 million people it accounts for about 30 percent of the population and 80 percent of economic activity. Sea level rise is impacting coastal settlements through flooding, shoreline retreat and loss of beaches. Low-lying villages and settlements may require relocation further inland. Saltwater intrusion of coastal aquifers may be further exacerbated due to sea level rise, which can negatively affect water supplies. Additionally, fisheries are already under threat due to overexploitation as elsewhere in West Africa. Climate change will further negatively impact fish stocks as ocean temperature, acidity and deoxygenation all increase.

6. As an already low emitter, Côte d'Ivoire has pledged to further reduce CO2 emissions. The goal is to reduce CO2 emissions from 0.41 in 2019 to 0.37 metric ton per capita by 2025, or about 3 percent of the level in the United States. Following that commitment, the authorities announced the introduction of electric cars in the capital in 2022. CIV is also signatory country of the Paris Climate Agreement.

7. While the NDP recognizes certain challenges from climate change and the Abidjan Legacy Programme includes important commitments, it would be important to develop a

[1]The average 5-year temperature went from 26.29°C in 1970 to 27.22°C in 2021, or an increase of 0.93°C. Taking into account only yearly temperatures, which is more likely to present outliers, the rise in this period is 0.70°C.

comprehensive and integrated strategy to build resilience on climate change. The authorities indicated that they need to (i) reinforce governance in the agricultural sector to promote sustainable development; (ii) develop citizen consciousness through better natural resources and biodiversity management; (iii) integrate sustainable development into policies and strategies; and (iv) reinforce the fight against climate change to improve the population's resilience.

8. The Abidjan Legacy Programme recognized that both mitigation and adaptation remain a priority for the country. It intends to focus on two aspects, firstly to support the sustainable transition of key commodity value chains, especially on existing cash crops in transitioning towards more sustainable pathways; secondly to identify risk profile for key commodity value chains, highlighting the impact of climate change, land degradation and other megatrends on global and local productive capacities, and identifying possible alternative value chains with high climate change resilience and a positive impact on land. The authorities also intend to work on the legislative side, such as implementing the forest code and updating the environmental code as well as on the fiscal side with introducing an environmental tax mechanism and carbon market. Further work would be welcome and could benefit a complete strategy to build resilience against climate change. The World Bank CCDR expected for June 2023 could help in this regard as well as available Fund technical assistance, and potential support from an RSF arrangement.

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Annex VI. Capacity Development Strategy

CD Strategy

IMF Technical Assistance (TA) will support the ECF/EFF-supported program's objectives. The core of Fund TA will focus on domestic revenue mobilization, to help safeguard fiscal and debt sustainability, while creating fiscal space for priority spending. Fund TA will also be provided to strengthen the statistical system and governance.

Key Overall CD Priorities Going Forward

Priorities	Objectives	Horizon
Tax Policy		
Conduct a tax policy diagnostic assessment	Identify revenue raising policy reforms for the short to medium term.	FY 2024
Conduct tax expenditure socio-impact assessment	Evaluate the relative merits of existing tax expenditures in addition to foregone revenues.	FY 2024/25
Tax Policy Unit (TPU) capacity building	Equip counterparts with technical skills and tools for tax policy design and implementation.	FY 2024/25
Revenue Administration		
Tax administration: Provide support on tax arrears recovery plan	Identify concrete revenue mobilization administrative measures.	FY2024/25
Tax administration: Assist on developing the MTRS action plan	Strengthen the capacity in developing a medium-term strategy reform.	FY2024/25
Tax administration: Advise on the modernization of the core procedures and the governance framework	Improve the efficiency of the tax administration.	FY 2024/25
Customs administration: Assist on developing the surveillance and intelligence function	Combat smuggling and frauds and improve the transit monitoring.	FY2024/25
Customs administration: Support the use of AI in pre-clearance control and automated selection for inspection	Identify fraud, optimize case selection, improve control efficiency.	FY2024/25
Customs administration: Advise on controlling petroleum products (both imported and locally refined)	Reduce the possibilities of fraud and diversion of exempt products.	FY2024/25

Priorities	Objectives	Horizon
Customs administration: Strengthen the control of suspensions and exemptions and the collection of the corresponding customs duties debt	Identify concrete revenue mobilization administrative measures.	FY2024/25
PFM		
Conduct the C-PIMA, building on the PIMA conducted in 2017, and green PFM.	Take account of climate change in the process of selecting, budgeting, and implementing investment budgets.	FY 2024
Fiscal Risks of SOEs		
Capacity building with the quantification and monitoring of fiscal risks. The mission will consist of taking stock of the analysis of budgetary risks and enabling progress on the intra-annual monitoring of risks, the quantification of major risks, as well as the management of these risks and their integration into the budgetary process. The authorities are expected to use the tools for (i)monitoring the financial health of public enterprises (SOE Health Check Tool); (ii) stress-testing public enterprises (SOE Stress Test); and (iii) analyzing guarantees and on-lending to public enterprises (DGLAT).	Better monitoring of fiscal risks.	FY 2024
STA		
"Government finance and public sector debt statistics. STA will continue its technical assistance (TA) program to support the authorities to improve the timeliness, comprehensiveness, and accuracy of government finance statistics (GFS) and to align the methodologies to the Government Finance Statistics Manual 2014 (GFSM 2014) and WAEMU's TOFE directives. TA priorities include the progressive expansion of the institutional coverage of GFS to include local governments, extrabudgetary units, and social security funds, aiming for comprehensive data on general government operations. TA support will be also provided to broaden the institutional coverage of public sector debt to include all market SOEs (public nonfinancial corporations). The compilation of SOEs data in line with the GFSM 2014 will complement FAD technical assistance on the quantification and monitoring of fiscal risks posed by SOEs.	Improve the coverage of SOES in GFS.	FY2024/25

Priorities	Objectives	Horizon
BOP statistics. Continue to support improvements to external sector statistics, to improve consistency between gross external debt liabilities reported in the international investment position and the World Bank's Quarterly External Debt Statistics database, and to improve the timeliness of annual external sector data,	Improve BOP statistics, including producing higher frequency statistics, and the international investment Position, which will support the external balance assessment.	FY 2024
LEG		
Complete the ongoing AML/CFT assessment	Assist in implementing the priority reforms recommended by the IMF-led AML/CFT assessment.	FY 2024
Assess or develop the framework for beneficial ownership	Strengthen governance and transparency in the procurement and AML/CFT.	FY 2024 (Review from HQ)
Assess the framework for asset declaration	Strengthen governance and transparency.	FY 2024 (Review from HQ)

Main Risks and Mitigation

The main risks include weaknesses that have been undermining the tax administration's ability to conduct reforms and deliver better tax revenue outcomes, as stressed in the 2021 TDAT assessment. Stakes are particularly high given that domestic tax revenue constitutes a performance criterion (PC) under the program. Mitigating factors include: (i) the strong commitment of the highest authorities, who consider domestic revenue mobilization as a national priority for the success of the 2021-2025 NDP; (ii) a great share of tax revenue measures are already in place before the start of the program; (iii) the program establishes well-targeted and sequenced structural benchmarks, including a strategy to collect tax arrears, and the development and implementation of an MTRS; (iv) the provision of customized training courses to tax officials; and (v) efficiency from greater coordination with other TA providers, namely the World Bank and France.

Authorities' Views

The authorities stressed their commitment to the program, underscoring their track record under the previous Fund-supported program, where all reviews were easily completed. They expressed great satisfaction with Fund TA, which has helped put in place key tax and administrative reforms. They stressed the willingness to work with TA experts to move forward tax policy and administration reforms and deliver on the ambitious program's objectives. They stated keen interest in the following areas: (i) formulation of the MTRS and the tax arrears strategy; (ii) TA on the C-PIMA and green PFM in preparation for an access to RST resources; (iii) capacity building with the quantification and monitoring of fiscal risks; and (iv) LEG's assistance in implementing the priority reforms recommended by the IMF-led AML/CFT assessment.

Appendix I. Letter of Intent

MINISTRY OF THE ECONOMY AND FINANCE

THE MINISTER

REPUBLIC OF CÔTE D'IVOIRE

Unity-Discipline-Work

N°………… MEF/DGE/DPPSE/SDPPE/EBP

Abidjan, on May 11, 2023

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
WASHINGTON DC, 20431

Subject: Letter of Intent

Dear Managing Director:

1. **Côte d'Ivoire's economic performance under the 2016-2020 National Development Plan (NDP) was remarkable as it joined the group of lower-middle-income countries**. Real GDP growth averaged 6.5 percent per year; real per capita income[1] increased by 13.0 percent to USD 2238.8 in 2019. Socio-economic infrastructure and human capital have been strengthened in line with increased public investment and pro-poor spending. The budget deficit gradually narrowed to 2.2 percent of GDP in 2019. Inflation was kept below 3 percent, and the debt ratio stood at 37.9 percent of GDP. Thus, Côte d'Ivoire met all WAEMU first-tier convergence criteria at the end of 2019. The current account deficit was contained below 5 percent of GDP, in line with the healthy trade surplus. This performance was possible thanks to the implementation of the National Development Plan (NDP 2016-2020) and the Economic and Financial Program 2016-2020, supported by the IMF's Extended Fund Facility. An assessment of national institutions and policies by the World Bank resulted in a Country Policy and Institutional Assessment (CPIA) rating of 3.5 in 2019, as compared to 2.7 in 2010. Moody's upgraded the country's sovereign rating from B1 in 2015 to Ba3 in 2019. Progress was also made in the fight against corruption as Côte d'Ivoire moved from 105th place in 2021 to 99th place in 2022 according to *Transparency International*'s ranking. The soundness of the banking system was further consolidated with the implementation of Basel 2 and 3 provisions, which raised the solvency ratio to 10.5 percent at end-December 2019, above the minimum WAMU prudential standard of 8.625 percent.

2. **From 2020, Côte d'Ivoire, like other countries, has suffered the shocks of the Coronavirus pandemic (Covid-19) and the crisis in Ukraine, triggered in February 2022**. The

[1] Data from World Development Indicators of the World Bank.

drastic pandemic containment measures implemented by the various countries and the inherent uncertainties have led to a disruption of marketing channels. In addition to the continued effects of COVID-19 and terrorist threats in the Sahel, 2022 was marked by the resulting impact of the war in Ukraine, the worsening disruption of international trade and supply chains, as well as a surge in international crude oil prices, agricultural inputs and food, and tighter conditions in international financial markets.

3. Despite this adverse environment, the Ivorian economy has been resilient compared to its peers. In 2020, real GDP growth was positive at 1.7 percent, compared to a recession globally and in sub-Saharan Africa of (3 percent) and (2 percent) respectively. Economic activity has regained its dynamism with an estimated GDP growth rate of 7.4 percent in 2021 and 6.7 percent in 2022. Thus, in February 2023, the Fitch Ratings agency maintained the country's sovereign rating at BB- with a stable outlook. This resilience results from the good fundamentals of the Ivorian economy, the implementation of the 2021-2025 NDP, and appropriate economic policies in response to these shocks. In response to the health crisis, the Government adopted and has implemented since 2020, the Health Response Plan (PRS) in the amount of CFAF 95.9 billion, and the Economic, Social and Humanitarian Support Plan (PSESH) in the amount of CFAF 1,700.9 billion. The Government has also taken measures to ensure the supply of the economy, and preserve the purchasing power of the populations.

4. However, these shocks have led to internal and external imbalances. At the fiscal level, the government's efforts to contain the effect of these shocks have led to higher spending and revenue shortfalls. Thus, the budget deficit gradually widened from 2.2 percent in 2019 to 5.4 percent in 2020, 4.9 percent in 2021 and 6.8 percent in 2022. As a result of higher food and energy prices, the inflation rate accelerated, from 2.4 percent in 2020 to 4.2 percent in 2021, then to 5.2 percent in 2022 above the WAEMU community standard of 3 percent.

5. Looking ahead, the Government is determined to continue implementing the 2021-2025 NDP. The 2021-2025 NDP aims to ensure strong, inclusive, and sustainable economic growth in order to raise Côte d'Ivoire to the rank of an upper-middle-income country by 2030. On the economic front, the expected economic growth rate is 7.7 percent over the period 2021-2025, driven mainly by the secondary and tertiary sectors. At the social level, per capita income would reach US$2,415 in 2025 and US$3,444 in 2030, or the double of the one in 2020. The economy is expected to create 5 million jobs from 2021 to 2025. This performance will be possible thanks to a strategy focused on industrialization that will be based on the development of industrial and agricultural clusters. Efforts will also focus on the delivery of structuring socio-economic infrastructures, the development of human capital, the modernization of public administration, and the implementation of initiatives aimed at the preservation of the environment. Additionally, in order to make growth more inclusive and mitigate the impacts of the various shocks on the living conditions of the populations, the Government's social actions will be strengthened through the government's Social Program – PSGouv 2.

6. The attached Memorandum of Economic and Financial Policies (MEFP) describes on the one hand the progress made under the previous economic and financial program over the period 2016-2022 and, on the other hand, sets the objectives and policies of the Government in the short and medium term. The government is particularly committed to increasing the mobilization of domestic revenues in the short and medium term which, with continued active management of the debt, will help keep the moderate risk of debt distress, while creating fiscal space for public investment and poverty reduction. In support of its strategy, Côte d'Ivoire is seeking IMF support in the Government's implementation of Côte d'Ivoire's economic and financial program for the period 2023-26, through the establishment of quantitative performance criteria, indicative targets and structural benchmarks. For this new program, the Government is seeking IMF approval of 40-month arrangements under the Extended Credit Facility and **the Extended Fund Facility (ECF and EFF)** for a total amount of SDR 2,601.6 million (400 percent of the quota), of which SDR 867.2 million under the ECF and SDR 1,734.4 million under the EFF. The Government requests approval of the first disbursement under both arrangements.

7. The Government is convinced that the policies and measures included in the attached MEFP are adequate to achieve the program's objectives. It will take any additional measures that may be necessary to achieve them. In this context, the government will consult with the IMF prior to the adoption of such measures and prior to any revision of the policies contained in the memorandum in accordance with the IMF's consultation policies in this regard. In addition, the Government plans to seek funding under *the Resilience and Sustainability Trust to* pursue climate change reforms.

8. The Ivorian authorities agree to provide the IMF with information on the implementation of the agreed measures and the execution of the program, as provided for in the attached Technical Memorandum of Understanding, on dates agreed by both parties. In addition, the government authorizes the IMF to publish and post this letter and its attachments on its website, as well as the staff report, following approval of the program by the IMF Executive Board.

Yours sincerely,

_______________/s/__________________

Adama COULIBALY
The Minister of Economy and Finance

Attachments:

- Memorandum of Economic and Financial Policies (MEFP)
- Technical Memorandum of Understanding (TMU)

Attachment I. Memorandum of Economic and Financial Policies for 2023–26

BACKGROUND

1. **Côte d'Ivoire's economic performance was remarkable from 2016 to 2019 owing to the successful implementation of the 2016-2020 National Development Plan (NDP), which enabled it to reach lower middle-income status**. Real GDP growth averaged 6.5 percent annually and real per capita income rose 13.0 percent to $2,238.8 in 2019. Increased public investment and pro-poor spending bolstered the socioeconomic infrastructure and human capital. The macroeconomic framework was strengthened as the budget deficit was gradually reduced to 2.3 percent of GDP in 2019. Inflation was kept below 3 percent and the debt ratio stood at 37.9 percent of GDP. Côte d'Ivoire thus respected all of the WAEMU's first-order convergence criteria at-end 2019. At the same time, the current account deficit was kept below 5 percent of GDP as the trade surplus remained strong. These results were possible owing to the implementation of the 2016-2020 National Development Plan (NDP) and the 2016-2020 Economic and Financial Program supported by the IMF's Extended Credit Facility and Extended Fund Facility. Fiscal policy was appropriate and major structural reforms were implemented in key sectors of the economy. An assessment of national institutions and policies by the World Bank resulted in a Country Policy and Institutional Assessment (CPIA) rating of 3.5 in 2019, as compared to 2.7 in 2010, on a scale of 1 to 6. Moody's sovereign rating for Côte d'Ivoire was increased, from B1 in 2015 to Ba3 in 2019. Progress was also made in combating corruption. According to the 2022 Transparency International classification, Côte d'Ivoire rose in the rankings from 105 in 2021 to 99 in 2022. Moreover, the banking system was further strengthened with the implementation of the Basel II and III measures, which brought the capital adequacy ratio to 10.5 percent at end-December 2019, as against 7.9 percent at end-December 2016, above the prudential minimum set by WAMU of 8.625 percent.

2. **On the social front, significant progress was made in combating poverty and reducing inequality**. According to the World Bank,[1] strong growth over the past decade and measures taken to reduce poverty brought the poverty rate down from 55 percent in 2011 to 44 percent in 2015 and 39.5 percent in 2018-2019, lifting 1.57 million individuals out of poverty between 2011 and 2018. Inequality in household consumption, measured by the Gini coefficient, also declined, from 38.5 to 35.1 over the period. The share of the middle class increased from 34.5 percent in 2015 to 36.5 percent in 2018. The main factors that explain the reduction in poverty over the period are greater employment opportunities and the improved structure of employment, improved access to education, safe drinking water and electricity, greater connectivity to the internet network, and

[1]Data from World Development Indicators of the World Bank.

improved road infrastructure and feeder roads. As a result, the human capital index (HCI) rose from 0.30 to 0.38 between 2010 and 2020.

3. Côte d'Ivoire, like other countries, was affected by the coronavirus (Covid-19) pandemic in 2020 and the crisis in Ukraine that began in February 2022. Drastic measures to contain the pandemic were implemented by many countries and the inherent uncertainties disrupted marketing channels. In addition to the persistent impact of Covid-19 and terrorist threats in the Sahel, the repercussions of the war in Ukraine in 2022 led to further disruptions of international trade and supply chains, a surge in international prices for crude oil, agricultural inputs and foodstuffs, and tighter conditions on the international capital markets.

4. Despite this unfavorable context, the Côte d'Ivoire economy was more resilient than that of its peers. In 2020, real GDP growth was positive at 1.7 percent, in contrast to a recession both globally and in sub-Saharan Africa of (3 percent) and (2 percent), respectively. Economic activity remained buoyant with a GDP growth rate estimated at 7.4 percent in 2021 and 6.7 percent in 2022. As a result, the Fitch Rating Agency kept Côte d'Ivoire's sovereign rating at BB- with a stable outlook in February 2023. This resilience results from the strong fundamentals of the Ivoirian economy, implementation of the 2021-2025 NDP and appropriate economic policies in response to the shocks. In response to the health crisis, the government adopted the Health Response Plan (PRS) in the amount of CFAF 95.9 billion and the Economic, Social and Humanitarian Support Plan (PSESH) in the amount of CFAF 1,700.9 billion and has implemented these plans since 2020. The government has also taken measures to protect the supply of the economy and the purchasing power of individuals.

5. However, these shocks led to domestic and external imbalances. On the fiscal side, the government's efforts to contain the impact of the shocks led to rising expenditure and revenue shortfalls. As a result, the budget deficit gradually worsened, from 2.2 percent in 2019 to 5.4 percent in 2020, 4.9 percent in 2021 and 6.8 percent in 2022. As food and energy prices rose, inflation accelerated, rising from 2.4 percent in 2020 to 4.2 percent in 2021 and 5.2 percent in 2022, above the WAEMU community standard of 3 percent. The external current account deficit gradually deteriorated from 3.1 percent in 2020 to 4.0 percent in 2021 and 6.9 percent in 2022 as a result of rising import prices.

6. Looking ahead, the government is determined to continue to implement the 2021-2025 NDP. The 2021-2025 NDP aims to ensure strong, inclusive and sustainable economic growth to raise Côte d'Ivoire to upper middle-income status by 2030. The forecast economic growth rate is 7.7 percent over the 2021-2025 period, driven mainly by the secondary and tertiary sectors. Per capita income is expected reach $2,415 in 2025 and $3,444 in 2030, or the double of the one in 2020. The economy is projected to create 5 million jobs between 2021 and 2025. These results will be possible owing to a strategy that focuses on structural transformation of the economy and poverty reduction in favor of industrialization, which will be based on the development of industrial and agricultural clusters. Efforts will also focus on critical socioeconomic infrastructure, the development of human capital, modernization of the civil service, and implementation of initiatives to protect the environment. Moreover, to make growth more inclusive and mitigate the impacts of the various shocks on living conditions, the government's social actions will be strengthened through its social program, PSGouv 2.

7. To reduce domestic and external imbalances and achieve the objectives of the 2021-2025 NDP, the government is requesting new 40-month arrangements under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF). The objectives of the new Economic and Financial Program (EPF) are to (i) maintain fiscal and debt sustainability through a gradual increase in the tax ratio and convergence of the fiscal deficit with the WAEMU community standard by 2025; (ii) combat poverty and stimulate the creation of jobs for young people; (iii) move the Côte d'Ivoire growth paradigm to a model that focuses on private sector productivity and vertical diversification; (iv) develop the financial sector and increase financial inclusion; and (v) improve resilience to climate change.

8. This memorandum describes the recent economic developments and sets out the short- and medium-term objectives and policy measures of the economic and financial program.

RECENT ECONOMIC DEVELOPMENTS AND STRUCTURAL REFORMS

A. Recent Economic and Financial Framework

9. The economy has been dynamic despite the unfavorable economic context since 2020. In an international environment characterized by rising prices for energy, oil products, agricultural inputs and some food products, the Ivoirian government has taken steps to control the general rise in prices and maintain the purchasing power of households. These measures include exemptions from certain taxes, ceilings and controls on regulated prices for consumer staples, and the easing of supply chain disruptions. They have helped to improve private sector confidence.

10. The economy thus returned to a path of growth after the slowdown in 2020.

- Looking at the supply side, growth was driven by all sectors. The primary sector was supported by buoyant export agriculture (cocoa, natural rubber and cashews) and a resurgence of food production. The improvement in the secondary sector has resulted from the strong performance of all of its subsectors: construction and public works, oil products, mining, agri-food industries, energy and the other manufacturing industries. The tertiary sector was also driven by all of its subsectors, namely telecommunications, transport, commerce and other services.

- On the demand side, growth was driven by stronger final consumption and consolidation of investments. The overall investment rate stood at 26.4 percent of GDP as against 24.0 percent of GDP in 2021, with a public investment rate of 9.7 percent of GDP in 2022, up from 8.5 percent of GDP in 2021.

11. **However, alongside this growth, inflation accelerated to 5.2 percent, up from 4.2 percent in 2021**. Since the final quarter of 2020 a series of mainly external factors have put upward pressure on prices for consumer staples. In response, the government adopted several measures to improve the supply on the local market, control rising prices, and protect the purchasing power of consumers (*see Box 1*). Implementation of these measures helped to keep Côte d'Ivoire's inflation to reasonable levels compared to the sub-Saharan African countries as a whole, where average inflation stood at 8.0 percent in 2022.

Box 1. Measures to Combat the High Cost of Living

Measures to Improve Purchasing Power

- Civil service salaries were increased in August 2022 through the expansion of the housing tax allowance to all civil servants, an increase in the monthly transportation allowance, an increase in the family allowance, and the introduction of an exceptional year-end bonus at a cost of CFAF 74.6 billion in 2022; and
- a 25 percent increase in the minimum wage (SMIG) from CFAF 60,000 to CFAF 75,000 in December 2022.

Temporary Measures to Control Regulated Product Prices

- Oil product prices were held down starting in the second quarter of 2022 despite international price increases, at a cost of CFAF 380 billion at end-December 2022;
- a ceiling on the prices of consumer staples (refined palm oil, sugar, milk, rice, tomato concentrate, beef and pasta, and the price of cement, etc.) starting in 2020;
- the list of consumer staples and services with regulated prices was expanded to 21 categories, up from 4 previously;
- monitoring of compliance with the regulated prices was stepped up starting in 2021 through:
  - enhanced monitoring of posted prices;
  - creation of a mobile app in October 2022 for monitoring by the public called "Contrôle citoyen," to involve consumers in combating the high cost of living;
  - creation of the Rapid Control Brigade (Brigade de Contrôle Rapide) in October 2022;
- exemption of wheat imports from customs duties from April to December 2022;
- the increase in the price of wheat flour was held down starting in May 2022 owing to support for millers in the amount of CFAF 6.4 billion;
- reform of the price for loaves of bread sold domestically was adopted in May 2022, at CFAF 150 for 174 g loaves and CFAF 200 for 232 g loaves;
- the principle of advance notification and coordination before any price increase for consumer staples was introduced in March 2022;
- 31 local committees to combat the high cost of living chaired by regional prefects and including merchants and consumer associations were created in 2021 and became operational in 2022;
- communications around actions to combat the high cost of living were stepped up.

Box 1. Measures to Combat the High Cost of Living (Concluded)

Short-Term Measures to Improve the Supply on the Local Market

- production standards for bread were revised in March 2022 and now allow the use of at least 15 percent flour from local grains;
- financial support and agricultural equipment and inputs in the amount of CFAF 2 billion were allocated to women involved in food production in December 2022 to facilitate the supply of the markets;
- the requirement of prior authorization for all exports of food products, particularly plantains, cassava and its derivatives, yams, and local rice, to ensure the supply of the domestic markets was adopted in March 2022;

Investigations by the Competition Bureau were stepped up with the aim of dismantling cartels and combating abuse of dominant positions.

12. Budget execution at end-2022 was marked by a rising deficit, to 6.8 percent of GDP, as against 4.9 percent in 2021. This deterioration results essentially from the combined effect of slower growth of tax revenues and increased spending on security and on measures to combat the high cost of living.

- Total revenues and grants stood at 14.5 percent of GDP as against 15.4 percent in 2021 owing to the shortfalls on oil products.
- Total expenditure and net lending stood at 21.3 percent of GDP in 2022, as against 20.3 percent of GDP in 2021 as a result mainly of the increase in security spending, continued implementation of the coronavirus response plan and rising investment expenditures.
- The financing gap was essentially covered by recourse to the subregional money and capital markets.

13. The external competitiveness of Côte d'Ivoire prices improved in 2022 as compared to 2021. The real effective exchange rate contracted 6.5 percent on average owing mainly to a favorable inflation differential of -3.0 percent and a 13.1 percent appreciation of the US$ vis-à-vis the euro.

14. The shock of the war in Ukraine combined with the ongoing impact of Covid-19 led to worsening external balances in 2022. As a result, the terms of trade deteriorated 16.2 percent on average owing to falling cocoa prices and rising prices for imported goods. The current account deficit is estimated at 6.9 percent of GDP as a result of a reduction in the surplus on the balance on goods and a worsening services balance deficit. This resulted in an overall deficit of 0.7 percent of GDP, after a surplus of 2.8 percent of GDP in 2021. The end-2022 WAEMU exchange reserves represented 4.4 months of imports.

15. The central government stock of debt, including debt on-lent and guaranteed by the government, stood at 58.0 percent of GDP at end-December 2022 as against 52.5 percent at

end-December 2021. External debt represented 34.5 percent of GDP at end-December 2022 as against 30.9 percent at end-December 2021. The guaranteed external debt totaled CFAF 464.8 billion, or 1.1 percent of GDP. The domestic debt stood at 22.2 percent of GDP at end-December 2022 as against 20 percent a year earlier. The guaranteed domestic debt totaled CFAF 111.0 billion, or 0.3 percent of GDP. The stock of debt of public enterprises totaled CFAF 896.3 billion at end-2022, or 2 percent of GDP, divided into 1.3 percent guaranteed debt and 0.7 percent unguaranteed debt. For on-lent loans, debt service paid totaled CFAF 61 billion at end-2022 as against CFAF 35.3 billion at end-2021.

16. The monetary situation at end-2022 was highlighted by an increase in the money supply of 9.0 percent following an acceleration of 18.1 percent in 2021. This resulted from the combined effect of rising domestic claims and declining net foreign assets, impacted by a higher import bill. Rising domestic claims are explained by the sharp increase in net claims on the central government related to greater recourse to the banking system to finance the fiscal deficit as international financial conditions tightened. Claims on the economy increased 7.3 percent bringing the credit-to-GDP ratio to 22.3 percent, a decline of 0.5 percentage point from 2021.

17. The Ivoirian banking system remained sound through end-December 2022 despite the impact of the COVID-19 pandemic and war in Ukraine. The average risk-weighted capital adequacy ratio stood at 13.1 percent, above the WAEMU prudential minimum of 11.5 percent in accordance with the transitional Basel II and Basel III arrangements. Only three banks do not respect this ratio. They hold 2.6 percent of the total sector balance sheet, 2.3 percent of outstanding loans and 2.9 percent of deposits. Moreover, the quality of the banking system credit portfolio improved significantly with gross and net portfolio deterioration rates standing at 7.8 percent and 2.5 percent, respectively, as against 8.8 percent and 3.1 percent at end-2021.

B. Structural Reforms Implemented

18. The government has continued to take steps to reform the tax administration and tax policy in order to optimize tax arrangements in favor of private sector development while improving the collection of own resources. All actions taken in the 2020-2022 period are discussed below (see Box 2).

Box 2. Tax Administration and Tax Policy Reforms Implemented and their Impact on Tax Revenues

1. Tax Policy Measures

Domestic Taxation

- the plan to reduce exemptions, adopted by the Council of Ministers in 2019, was implemented in 2021 and 2022;
- coffee and cocoa registration duties were increased from 1.5 percent to 3 percent in 2021;
- excise duties of 15 percent on cosmetics and beauty products containing hydroquinone and 10 percent on those not containing hydroquinone were introduced in 2021;

Box 2. Tax Administration and Tax Policy Reforms Implemented and their Impact on Tax Revenues (Continued)

- taxation of SMEs was reorganized with the creation in 2021 of the micro-enterprise and entrepreneur regimes;
- the excise tax rate (tobacco and beverages) was raised by 1 point in 2021 and 2022 to bring the rates in line with the WAEMU directive;
- the tax arrangements for petroleum services providers were simplified in 2021; and
- a minimum tax for taxpayers eligible for the *régimes du réel* (taxation on an actual profits basis), RNI and RSI, was introduced in 2021.

Taxation of International Trade

- a 10 percent excise duty on vehicles exceeding 13 HP was introduced in 2020;
- a single export duty (DUS) of 1.5 percent of the c.i.f. reference price on dry natural rubber was introduced in 2022; and
- a reduced VAT rate of 9 percent on baby milk was introduced in 2022.

The overall impact of the tax policy measures is estimated at CFAF 100.0 billion in 2022 and CFAF 109.0 billion in 2022

2. Tax Administration Measures

Domestic Taxation

- Côte d'Ivoire's Tax Management System (SIGICI) was deployed in all DGI units in 2021;
- SIGICI functionalities were improved through:
  - implementation of the module for VAT credit refund applications in 2021;
  - implementation of the automated module to manage allowable VAT deductions in 2022;
  - introduction of the tax audit module in 2022;
  - introduction of e-filing in 2020 to digitalize management of the financial statements and provide units with tax base data in real time;
- deployment of the digital land inventory (*E-cadastre Côte d'Ivoire*) in 2021;
- implementation of the electronic land registry (*Livre Foncier Electronique—LIFE*) in 2020;
- decentralization of tax audits through the creation in 2020 of audit teams in all regional directorates; and
- improvement of land registration in the communities of Yamoussoukro, Bouaké, and Korhogo in 2022 with assistance from the World Bank and the AfDB.

All of these tax administration measures enabled the DGI to increase its collections by CFAF 165 billion in 2021 and CFAF 204 billion in 2022

Taxation of International Trade

- the security of international goods transit and anti-fraud efforts were improved through:
  - the interconnection of the Ivoirian Customs computer systems with those of Burkina Faso and Niger in 2019 and 2021, respectively;
  - installation in 2022 of three scanners in the customs bureaus of Takikro (in the east), Ouangolodougou (in the north) and the Autonomous Port of Abidjan (in the south);

Box 2. Tax Administration and Tax Policy Reforms Implemented and their Impact on Tax Revenues (Concluded)

  - purchase in 2022 of the three new water surveillance vessels; and
  - introduction of video surveillance at the border posts of Takikro, Noé and Niablé.
- the handling of goods was improved through:
  - enhanced controls on the value of goods resulting in an increase in the reassessment rate from 2.3 percent in 2018 to 4.0 percent in 2022;
  - introduction in 2022 of a mobile app for accessing and authenticating customs documents; and
  - construction of the premises for the Man Regional Customs Directorate (in the west) and renovation and expansion of the premises of the Aboisso Regional Customs Directorate (in the southeast) and San Pedro Regional Customs Directorate (in the southwest).

The impact of these administration measures totaled CFAF 73 billion in 2022.

19. Public finance management improved with the implementation of program budgeting and the digitalization of services and procedures.

- Development and implementation of program budgeting for budgets was consolidated through:
  - the introduction in 2021 of a new, more effective information system called the Integrated Government Fiscal Operations System (SIGOBE);
  - preparation of Annual Performance Reports and the General Report on program performance for 2020 and 2021;
  - establishment in 2022 of a performance conference for the preparation of Annual Performance Plans (PAP);
  - adoption in 2020 of Law No. 2020-885 on the financial regime for communities and autonomous districts;
  - issuance in December 2020 of the order establishing the government budgetary nomenclature codes applicable to program budgeting;
  - introduction and dissemination of budget preparation tools (initial program budgeting, annual performance plan), program support (performance commitment letter, operational commitment letter, internal control framework, work plan, performance indicators) and publication of the accounts (progress report, execution report and annual performance reports); appointment of operational staff and presentation of the budget to Parliament by ministry in the context of the decentralization of payment authorization;
  - creation of ministerial accounting positions and appointment of staff in 2020; and

  - signing of new accounting instructions in July 2020.

- Transparency of public finance management was improved through:

  - introduction of Budget Orientation Debates in both chambers of Parliament (National Assembly and Senate) in 2019;

  - dissemination of the "citizen budget" since 2021 to provide budget information in accessible language;

  - establishment in 2022 of the e-supplier platform accessible at www.efournisseur.gouv.ci, enabling government suppliers and service providers to track their invoices through to payment; and

  - preparation of the Fiscal Risk Declaration as an annex to the Budget Law since 2020.

- Government financial flows have been digitalized via the introduction of the single Public Treasury platform (TresorPay – TresorMoney) in December 2020 to expedite payments and secure the collection of public resources by reducing losses from fees payable to private operators. The resources recovered through TresorPay - TresorMoney increased from CFAF 3.2 billion in 2021 to CFAF 16.9 billion in 2022.

- At end-2022, the SyGACUT tool was 87 percent deployed. Ninety-four (94) EPNs were connected to the Treasury Single Account (TSA) out of a total of ninety-five (95), the Professional Training Development Fund (FDFP) being the exception. Public debt operations and co-financed projects are not yet included in the TSA, pending the agreement of the donors.

- At end-2022, central government accounts payable were paid within an average of 20 days as against the regulatory requirement of 90 days.

20. The government has stepped up its actions to steadily improve the business climate through the digitalization of procedures. In this context, as of December 31, 2022, out of sixteen (16) projects planned in the 2020-2022 Reform Agenda, two (02) have been executed, seven (07) are in progress and the other seven (07) have been initiated. Of the two (02) projects executed, note should be taken of the annual survey for the periodic evaluation relating to the World Economic Forum (WEF) and the residual reform measures of the 2018-2020 Reform Agenda grouped within of the project called P0 and carried over into the 2020-2022 Reform Agenda, of which:

- the e- business platform has been established, making it possible to create businesses online with the generation of a single registration identifier since October 4, 2018;

- the "e-connection" platform was established in March 2021 to facilitate SME/SMI electricity connections;

- the Property Complaints Observatory (OPF) was established by Order No. 008/MBPE of February 5, 2021 on the creation, powers, organization and operation of the observatory for nonjurisdictional property complaints and has been operational since July 2021;

- e-filing and e-payment of social contributions have been possible since July 2021.

21. Furthermore, property security has been enhanced and the mechanism for the issuance of deeds has been improved. At end-2022, almost 52,000 property title (Arrêté de Concession Définitive—ACD) files were digitalized, 420,000 plots were drawn on the basis of housing development plans, 55 percent of greater Abidjan was covered by aerial views, and 3D digital mapping was completed over 2100 km^2. These steps involved:

- the issuance of Decree No. 2021-784 on procedures for the preparation, approval and application of housing development plans. This measure includes the large-scale titling of lots through the mass creation of property titles for all of the housing development parcels from the time of approval in order to facilitate and simplify the issuance of property titles (Arrêtés de Concession Définitive—ACDs);

- the issuance of Decree No. 2021-862 creating the Urban Property Information and Management System (SIGFU). The system aims to simplify and accelerate the process for issuing administrative decisions and to make property information more secure. It makes it possible to uniquely identify all parcels of land and guarantee assignment to a single owner;

- development of a new national geodetic reference frame in 2022;

- establishment of a new management system for the Property and Housing Database (BDFH) as of April 2022; and;

- development of a new application for receiving, processing and tracking deed applications (new SGFH).

22. Finally, the governance framework for industrial infrastructure has been enhanced. The government created the Industrial Infrastructure Development and Management Corporation (SOGEDI) by Decree No. 2022-245 of March 30, 2022, replacing AGEDI and FODI to ensure better coordination of industrial infrastructure development activities. Its governing bodies were set up by end-2022. Moreover, work to strengthen the industrial infrastructure continued with the implementation of projects for the rehabilitation of three industrial zones in Abidjan (Yopougon (469 ha), Koumassi (120 ha) and Vridi (120 ha)) and the development of new industrial zones at Akoupé-Zeudji (864 ha) and Bonoua (329 ha) in the south, San Pedro (540 ha) in the southwest and Yamoussoukro (750 ha) and Bouaké (150 ha) in the central region.

23. The government continued to implement its social program (PSGouv) with the adoption of phase 2 in December 2021. Efforts begun over the past few years were expanded and more appropriate responses were provided to new challenges, particularly fragility in the northern areas of the country, which are more exposed to terrorist threats.

Box 3. Main PSGouv Achievements Through End-December 2022

Counteracting Fragility in the Northern Border Areas

- 13,000 bench desks, 406,784 school kits and 285,903 textbooks were distributed;
- 142 premises were electrified;
- 50 productive boreholes were drilled, 15 borehole superstructures were constructed, 31 pumps were installed, 577 manual pumps (PMHs) were repaired and 3,354 PMHs were maintained, above the 3,129 scheduled for 2022;
- 645.5 km dirt roads were graded for rehabilitation purposes and to open lanes;
- 21,507 young people benefited from supplementary qualification training programs, apprenticeship programs, etc.
- 1,102 individuals received grants for the development of income-generating activities (IGA); and
- 30,418 households received monthly cash transfers, 384 Village Savings and Loan Associations (AVEC) were established, and 20,109 households were trained in IGA management.

Improvement of Study Conditions at the Primary, Secondary and Higher Education Levels

- 10,282 contractual teachers were absorbed into the civil service;
- 43 colleges were constructed, including 31 with C2D financing and 12 financed with own government resources;
- 1,164 school latrines were constructed in rural areas;

Improvement of Household Living Conditions

- the electricity coverage rate increased from 79.6 percent in 2020 to 82.41 percent in 2022;
- 3 Regional Hospital Centers, 3 General Hospitals and 36 First Contact Health Care Establishments (ESPC) were constructed, and 133 ESPCs were rehabilitated;
- 1,375 input kits and small agricultural equipment kits were distributed;

School-to-Work Transition for Young People and Civic Service

- 2,282 young people received training in the second chance school;
- 33 groups out of 34 received loans for the creation of micro and small enterprises (MSMEs), including 2,376 beneficiaries from vulnerable segments of the population.

Enhanced Solidarity with Vulnerable Populations

- under the social safety nets, all 175,000 beneficiaries received cash transfers totaling CFAF 15.58 billion; and
- under the targeted free health care program, out of 684,788 vaginal deliveries, 402,737 were free of charge; all 41,784 cesarean sections were free of charge, and 1,253,822 children under the age of 5 suffering from malaria and 341,161 pregnant women were treated free of charge.

24. The statistical system was strengthened with the reconstruction of past series of the annual national accounts (ANA) using the *2008 SNA* format (base year 2015), completion of the fifth General Population and Housing Census (RGPH-5) in 2021 and, on the human resources side, recruitment of young statistics professionals. The ANAs were reconstructed for the period 1996-2015 and the final 2018 and 2019 ANAs and provisional 2020 ANAs were disseminated in February 2023. The final report for the 2021 RGPH was published in February 2023 and shows a total estimated population of 29.39 million in 2021 and a population growth rate of 2.9 percent. The staffing of the INS technical directorates and some ministerial statistics units was increased with the recruitment of 48 young statistics professionals in the context of the Statistics Improvement and Harmonization Project (PHAS).

2023–26 ECONOMIC AND FINANCIAL PROGRAM

A. Program Objectives For 2023–26

25. The government is resolutely committed to accelerating its progress toward becoming a prosperous and united nation and has adopted the Côte d'Ivoire 2030 Strategic Plan to achieve this. This plan focuses on six areas: (i) complete transformation of the economy; (ii) building of human capital and promotion of employment; (iii) support for private operators and increase in physical and private capital; (iv) strengthening of the social sector and promotion of solidarity and inclusion; (v) development of the country's regions and promotion of sustainable development; and (vi) structural and cultural transformation of the government and governance. The goal through 2030 is to double per capita income and thus bring Côte d'Ivoire closer to higher middle-income status, to halve poverty, and to increase life expectancy by 10 years.

26. In accordance with this vision, the government is committed to implementing the 2021-2025 NDP to ensure the industrialization of the economy and reduce poverty. To achieve these objectives, it intends to deploy and develop industrial clusters to create a solid and competitive industrial base. In this context, nine agricultural clusters located around the country will enter into operation to increase the processing of agricultural products. In support of this strategy, the government will continue efforts to develop critical socioeconomic infrastructure and build human capital. To make growth more inclusive and reduce the incidence of extreme poverty, the government also plans to continue to implement its social program (PSGouv) and to pay particular attention to youth through the establishment of the Government Youth Program (PJGouv, see Box 5). Moreover, it will endeavor to implement initiatives and respect commitments aimed at protecting the environment and mitigating and adapting to climate challenges.

27. The three-year economic and financial program for 2023-2026 aims to support the government in achieving the objectives of the 2021-2025 NDP while maintaining a sound macroeconomic framework. To this end, it focuses on the following specific objectives:

- maintaining fiscal and debt sustainability by the progressive increase in tax revenue and convergence of the budget deficit with the WAEMU community standard by 2025;
- combating poverty and stimulating the creation of jobs for young people;

- evolving the growth paradigm of Côte d'Ivoire to a model that focuses on the productivity of the private sector and vertical diversification;

- developing the financial sector and expanding financial inclusion; and

- making Côte d'Ivoire more climate resilient.

28. Internal and external balances will be restored without compromising the growth dynamic.

- The fiscal deficit is expected to stand at 5.3 percent of GDP in 2023 and then gradually decline to 3 percent of GDP in 2025.

- Inflation should be kept below the community standard of 3 percent starting in 2024.

- The current account deficit will be reduced gradually to 4.3 percent of GDP in 2026.

B. Macroeconomic Framework for 2023–25

29. The strength of the economy should be consolidated during the period 2023–25 with average growth of 7.1 percent and the easing of pressure on prices. The Ivoirian economy should benefit from continuing sociopolitical stability and implementation of the 2021-2025 NDP through the ongoing focus on the proactive policy of investment in growth sectors and pursuit of the reforms needed to effectively support the private sector. Internationally, the outlook is based on the gradual recovery of the global economy and normalization of the global supply chain. Nationally, the economy is expected to benefit from the impact of the entry into operation of the Baleine oil and gas field (see Box 4) and the holding of the African Cup of Nations in January 2024.

- On the demand side, growth will be driven by the strength of investments and final consumption by households. The overall investment rate is expected to average 28.9 percent over the period, with average public and private investment rates of 18.2 percent and 10.7 percent, respectively.

- On the supply side, growth is expected to be supported primarily by the secondary and tertiary sectors. The secondary sector should grow on average by 11.0 percent, supported primarily by construction and public works, energy, agrifood industries and other manufacturing industries. The tertiary sector is expected to grow 8.3 percent on average, supported by all of its components, namely telecommunications, transport, commerce and other services. The primary sector is expected to grow (0.9 percent) owing to the stagnation of export agriculture.

- Inflation, which is projected to average 3.7 percent in 2023, should fall below the community standard of 3 percent starting in 2024.

30. The external outlook is characterized by a gradual reduction in the current account deficit to below 5 percent of GDP starting in 2026. The current account deficit should decline from 5.7 percent of GDP in 2023 to 4.8 percent in 2026. An overall deficit averaging 2.1 percent is expected in 2023–26.

Box 4. Outlook For the Development of the Baleine Field in 2023–27

The Ivoirian government, in partnership with the consortium made up of Groupe ENI and PETROCI, discovered an important offshore oil deposit in September 2021. The initial reserves, estimated at between 1.5 and 2 billion barrels of crude oil and between 1.8 and 2.4 billion ft^3 of natural gas are now estimated at 2.5 billion barrels of crude oil and 3,300 billion ft^3 of natural gas following a second discovery in July 2022, confirming the extension of the Baleine deposit in block CI-802 adjacent to block CI-101, an increase of approximately 25 percent. However, the proven reserves of the deposit to date are the phase 1 reserves, estimated at 35.4 MMbbl (millions barrels of crude oil) and 58 BCF (billion cubic feet) of natural gas.

Thus, the focus in the period 2023–27 will be phases 1 and 2 of the development of the Baleine deposit, which will improve the outlook for the Ivoirian oil sector. In terms of operation and production over this period, the Baleine field (CI-101/802) should absorb 79 percent of the investment and 41.7 percent of the operational expenditures forecast for all oilfields in the sedimentary basin.

The investments made through end-2022 should allow for the entry into production of the first phase of the Baleine field starting in the second half of 2023.

Start-up studies for the second phase of development of the field are under way with first oil expected by end-2024.

Supported by the development of the various phases of the Baleine field, the following results are expected:

- National crude oil output should triple between 2022 and 2027, from 25,481 barrels/day in 2022 to 76,539 barrels/day in 2027 and natural gas output should increase approximately 11 percent, from 247,452 MMSCF/D in 2022 to 274,000 MMSCF/D in 2027, thus ensuring a sufficient supply of natural gas to cover domestic needs.
- Crude oil output from the Baleine field is expected to increase from 4,537 barrels/day in 2023 to 12,000 barrels/day in 2024, to peak yield of 42,000 barrels/day starting in 2025. Thus the field is expected to represent more than 52 percent of oil production on average over the period.
- The Baleine field is expected to account for 12.2 percent of total natural gas production over the period 2023–27.

31. Broad money is expected to expand in response to financial deepening. A build-up of net foreign assets is expected in 2023, following the 7.6 percent decline in 2022. Domestic claims are also projected to increase, mirroring the recourse to the banking sector to finance government deficits and the growing private activities. Reflecting the continued strengthening of the banking system and the broadening of access to bank credit, claims on the economy are expected to increase from 22.5 percent of GDP in 2022 to over 24.0 percent of GDP by 2025.

C. Fiscal Policy

32. Fiscal policy in 2023-2025 will aim to contain the negative impact of the external and domestic shocks and focus on the priority program objectives. The government is determined to achieve the WAEMU fiscal deficit target of 3 percent of GDP by 2025 and to ensure fiscal sustainability by maintaining Côte d'Ivoire's moderate risk of debt distress. To achieve these objectives the government will take necessary measures to increase the mobilization of domestic revenues in the short and medium term. These measures and continued active management of the debt will enable it to keep its risk of debt distress moderate. The anticipated increase in tax revenues, together with the commitment to continue to moderate current expenditure including nontargeted subsidies, will enable the government to maintain its budget envelope for investment spending and poverty reduction in line with the 2021-2025 NDP. Furthermore, the government will give priority to implementing public finance management reforms that will make it possible to further modernize the fiscal policy framework by continuing to improve management, transparency, and accountability, thus maximizing fiscal effectiveness. In this context the budgetary approach will be:

- continued improvement of collection effectiveness for domestic revenues, particularly tax revenues;
- efficient management of operating expenses;
- acceleration of investment in growth sectors;
- increase in poverty reduction spending; and
- public debt sustainability.

33. The 2023–25 fiscal policy will thus aim both to protect and strengthen the fiscal balance and ensure the financing of infrastructure and social needs. Revenue-based fiscal consolidation will play a key role in achieving the program objectives. The government is determined to reduce the fiscal deficit by 3.8 percentage points of GDP to 3 percent of GDP by 2025. This adjustment will be based in particular on an increase in tax revenues of 2.2 percentage points, bringing these revenues from 12.9 percent of GDP in 2022 to 15.1 percent of GDP by 2026, and continued prudent debt management, giving emphasis to concessional loans while respecting the public investment best practices recommended by the Public Investment Management Assessment (PIMA).

34. The government will step up its efforts to increase the mobilization of domestic revenues, which is necessary to finance the transformation of the economy. To this end it will implement the following measures:

- A comprehensive medium-term revenue strategy (MTRS) will be prepared in the coming year for approval by the government and publication. It will include revenue targets and an implementation timetable (SB for end-May 2024). This strategy will help to further the tax policy and tax administration reforms with a view to gradually achieving the WAEMU tax ratio target of at least 20 percent of GDP.

- The strategy will focus on (i) simplification of the tax arrangements; (ii) expansion of the tax base (by improving the taxation of under-taxed sectors and decreasing tax exemptions and other exceptional measures that are not in line with the reference tax system); (iii) combating fraud, smuggling and tax evasion; (iv) developing environmental taxation and the taxation of new taxable items such as international digital transactions and new types of transport involving user networking apps; and (v) aligning the tax system with the WAEMU tax provisions. This strategy will be developed with technical assistance from the IMF.

35. In addition, while responding to social and infrastructure needs, the government will continue its efforts to control expenditure. Improvements currently being made to the social register and the expansion of the productive cash transfers program (PTMP) will make it possible to better target social protection to the most vulnerable. With assistance from the World Bank, the government plans to expand coverage of the PTMP by registering 100,000 additional households in the Single Social Registry (RSU) per year over the next three years. More broadly, targeted social spending in favor of the poor will be tracked in the context of the program, particularly in the sectors of health, education, social protection, and youth employment, accounting for approximately 28.6 percent pro-poor spending (see Table 3 of the TMU). Total spending on the poor will continue to be tracked to ensure its effectiveness and increase spending transparency. Total capital expenditures are projected to reach 7.1 percent of GDP on average during the program period, 2.5 percentage points higher than the pre-COVID-19 level in 2019.

36. In order to reduce the overall fiscal deficit in 2023 by 1.6 percentage point of GDP relative to 2022 to 5.2 percent of GDP, the government is committed to increasing total tax revenues by 1.1 percent of GDP. To this end it has restored the tax base for oil product sales and plans to maintain it in order to ensure that a floor for the associated tax revenues is protected by virtue of the oil price adjustment mechanism principles. The government is committed to mobilizing CFAF 522 billion or 1.2 percent of GDP via the tax on oil products in 2023. The government will closely monitor monthly collections of oil product revenues and will increase or decrease pump prices if necessary to achieve the program revenue targets (see above) while continuing to protect vulnerable populations. It also intends to:

- deploy the mechanism for auditing telecommunications flows in the first quarter;

- improve the tax audit module and the module for managing automatic VAT deductions;

- continue to implement the land registration plans and enhance of the security of plots financed by the development partners (PAGEF, PIDUCAS);

- continue the work of the Committee for the Optimization of Property Tax Yields (CORIF);

- review property taxation: the property taxation mechanism will be simplified to increase the yield from this tax; this reform will take place in the second half of 2023;

- digitalize procedures for registering deeds, reporting and making payments via SIGEFIM (Integrated Personal and Real Property Taxation Management System); SIGEFIM will also make the registration database more secure;

- step up property investigations;

- step up monitoring of the special regimes and exceptional measures to prevent fraud;

- introduce the monthly tax return for taxpayers under the Simplified Tax Regime (RSI) as against quarterly returns;

- strengthen risk-based tax audits using a model for assessing fraud risks inherent to taxpayers;

- prepare and implement a plan to manage and collect outstanding tax arrears (SB for end-September 2023);

- continue to reduce exemptions;

- gradually increase the rate for the registration duty on cocoa from 3 percent to 4 percent of the c.i.f. price starting with the small second season in April 2023;

- expand the VAT to certain food products that are not staples in September 2023; and

- continue to implement the plan to decrease tax exemptions to reduce their amount by approximately CFAF 37 billion in 2024.

37. In 2023, the deficit will be financed using domestic and regional resources, as well as external resources. The amount of anticipated net financing from domestic and regional sources is limited to CFAF 1, 160 billion. The government commits to not exceed this ceiling. Net external resources will total CFAF 1, 439.1 billion, including project loans, budgetary support and recourse to the international capital market.

D. Debt Policy and Debt Management

38. The most recent debt sustainability analysis indicates that Côte d'Ivoire remains classified as having a moderate risk of debt distress. However, the external debt portfolio remains vulnerable to a negative shock to GDP growth, export revenues, the euro-US$ exchange rate and contingent liabilities. Moreover, the total public debt portfolio remains vulnerable to a shock to the economic growth rate.

39. The debt policy for the 2023–25 program aims to contain the increase in the liquidity ratios, particularly the external debt service-to-exports ratio and the ratio of external debt service to fiscal revenues excluding grants in order to maintain the moderate risk of debt distress and strengthen resistance to external shocks.

40. For 2023, the government intends to cap recourse to new lending at a present value of $ 5.9 billion. In line with the financing strategy, 6.4 percent of the borrowing plan should be financed by concessional resources from multilateral and bilateral donors, 68.5 percent by semi-concessional resources and 25.1 percent by commercial debt. The government will continue to give preference to concessional loans by respecting the best practices for public investment recommended by the Public Investment Management Assessment (PIMA).

41. The government will continue to fine-tune the public debt management framework in accordance with international best practices and WAEMU community standards.

- In terms of institutions, a supplementary regulation established the National Public Debt Committee (CNDP), which is assisted by the Committee of Debt Experts (CED). They are responsible for strategic planning and support for public debt management, respectively. Moreover, adoption of a single law covering all aspects of debt policy, the debt management strategy, governance and evaluation of the borrowing policy appears to be necessary, and to this end a draft law on the national debt policy will be adopted by the Council of Ministers by end-September 2023 (SB for end-September 2023). The institutional status of the unit responsible for debt management has been strengthened with the creation by Decree No. 2021-454 of September 8, 2021 of the General Financing Directorate (DGF) to replace the Public Debt and Grants Directorate (DDPD). The DGF will be operational by end-2023 with the appointment of the various managers and the organization of the units.

- Operationally, in accordance with the provisions of Regulation No. 09/2007/CM/WAEMU establishing the reference framework for the public debt policy and public debt management adopted on July 4, 2007 by the Member States of the WAEMU, the CED will each year prepare a medium-term debt strategy (MTDS) covering the subsequent five years. The MTDS will be annexed to the Budget Law. Moreover, a Debt Sustainability Analysis (DSA) will be produced quarterly using the Debt Sustainability Framework (DSF) to monitor changes in the debt sustainability indicators. The assessment, monitoring and management of risks related to the public debt, including the monitoring of fiscal risks related to public enterprises, will continue to benefit from IMF technical assistance. Moreover, coverage of the debt will be gradually expanded to include public enterprises.

E. Social Policy and Jobs

42. The government will continue its proactive social policy focusing on the reduction of poverty and social inequality. Measures will involve the continued implementation of PSGouv with particular emphasis on youth in 2023. To this end, under the auspices of the President of the Republic, the government has initiated the Government Youth Program (PJGouv 2023-2025, *see Box 5*), which includes a series of priority actions aimed at guiding young people toward autonomy with a view to reducing inequality. The measures focus primarily on civic engagement, education, vocational training, social inclusion and employment, health, security, and educational, sports and cultural leisure. The total cost for PJGouv 2023-2025 is estimated at CFAF 1,183.0 billion, with 36 percent financed by the 2023 budget, or CFAF 426.0 billion.

43. In direct line with PJGouv, the government will continue to implement the Strategic Vocational and Technical Training and Education Reform Plan adopted in 2016. This plan targets an employment rate for graduates of 80 percent by 2025 and a cohort of 400,000 individuals who are trained and in jobs by virtue of the second chance school (E2C). Implementation of the plan has resulted in an improvement in the institutional framework for technical education and vocational training (ETFP), facilitating expansion of access to vocational and technical training through the Technical Education, Vocational Training and Apprenticeship General Principles Law adopted in 2022. Moreover, the ETFP admission capacity has been increased in the areas of industrial maintenance, hotel services and tourism, and construction and public works to respond to high demand. Looking ahead, the government will work to (i) increase access to EFTP through the construction of "garage-schools," "worksite-schools," and "field-schools" in the context of E2C and (ii) adapt curricula and training programs to the needs of the economic sectors.

44. Moreover, the government will ensure that Universal Health Coverage continues to facilitate access to health care for all segments of the population. In this context, enrollment operations will be stepped up starting in 2023 to achieve a volume of 8.2 million by the end of the year and enrollment of 60 percent of the population, or 20.7 million individuals, by 2027. On the collection side, efforts will focus on (i) increasing the collection rate for private sector employee contributions from 42 percent in 2022 to 70 percent in 2023 and 85 percent in 2027; and (ii) increasing the collection rate for enrolled informal sector individuals from 1 percent in 2022 to 38.3 percent in 2027 through payment of contributions by various agricultural management and regulation units (coffee-cocoa, rubber-palm oil, cotton-cashews).

Box 5. Major Actions of the 2023–25 Government Youth Program

PJGouv is structured around three (03) axes comprising several major actions which are broken down, notably:

I. Acceleration of Training, Professional Integration and Promotion of Youth Entrepreneurship

- widening the supply of access to knowledge, know-how and interpersonal skills to all young people according to their needs through the Second Chance School;
- the acceleration of the creation of public incubation centers to support young people in carrying out their entrepreneurial projects;
- the establishment of the Initiative for Rapid Youth Entrepreneurship based on the financing of Income-Generating Activities;
- the establishment of a "National Program for the acceleration of Digital Start-Ups and SMEs";
- increase in the number of pupils and students benefiting from scholarships and financial support;
- the establishment of a "Digital Campuses Program" consisting of deploying digital centers within universities and major public schools;

II. Strengthening Civic Engagement and Social Ethics of Youth

- the establishment of frameworks for regular exchanges between the highest authorities and young people (President of the Republic, Prime Minister, Presidents of Institutions, Ministers);
- strengthening the civic spirit and commitment of young people;
- the development of self-esteem and the intrinsic capacities of young people;
- the institution of the youth week and the strengthening of intergenerational dialogue;

III. Improving Conditions for the Development and Well-Being of Young People

- the promotion of extracurricular activities in educational establishments;
- improving the purchasing power of young people through the institution of the "Youth Card" accessible at low cost and offering reductions and other benefits in markets; and
- construction and equipment of the youth center "Maison de la Jeunesse" in Abidjan.

F. Structural Reforms

a) Public Finance Management

45. **The government will continue to improve public finance management**. It plans to:

- **Current expenditure**
  - continue to implement the budget regulations;
  - continue to hold program performance conferences;
  - continue to implement the measures included in the wage bill strategy; and
  - continue the work to classify enterprises and update the reference price database;
- **Capital expenditure**

- continue efforts to reduce public procurement contracting delays;
- gradually digitalize public procurement procedures; and
- continue efforts to improve the capital expenditure absorption capacity.

It also plans to:

- to expand the Integrated Government Budget Operations System (SIGOBE) to national representative offices abroad (RNEs) and national public establishments (EPNs) to allow for RNE and EPN budget execution within the application;
- evaluate the boards of public enterprises: the boards of directors will be evaluated by an independent consultant, primarily to identify measures and reforms to be implemented to improve governance in public enterprises;
- strengthen the mechanism for monitoring public enterprise debt;
- continue to secure and safeguard the budget information system in 2023;
- complete the digitalization of the public procurement contracting process, specifically via implementation of version 2 of SIGOMAP (Integrated Public Procurement Operations Management System), incorporating the actions of economic operators to reduce contracting times and improve the transparency of the awarding of contracts.

46. The government will continue to have recourse to public-private partnerships (PPP) while limiting the related fiscal risks. Review of the PPP project portfolio at end-2022 showed that out of 65 active PPP projects, three contracts included a government guarantee and only one had called on the guarantee. The government will continue to enhance the PPP management framework. In the contracting phase it will, in accordance with the audit recommendations, limit itself to the usual commitments of the contracting authorities for PPP contracts. Moreover, the National PPP Steering Committee (CNP-PPP) will ensure that these commitments do not expose the government to near-term fiscal risks. It will also continue to (i) conduct annual assessments of the fiscal risks related to PPP projects and annual reviews of the PPP portfolio in coordination with the contracting authorities and (ii) publish information on the PPP portfolio in accordance with Article 24 of Decree No. 2018-358 setting out the rules on PPP contracts. Furthermore, the government will continue to improve the effectiveness of public investments in accordance with the 2017 and 2021 PIMA recommendations. Specifically, it will improve coordination between the central government and local governments, PPP management, the alignment of current and capital expenditure, and asset reporting. The procedures for reviewing PPP projects will be strengthened to assess the fiscal risks of these projects by having the units responsible for budget and finance prepare a brief report for each project presenting the related risks. With assistance from the IMF, it will carry out the

Climate-PIMA (C-PIMA), which will make it possible take account of climate change in the selection, budgeting and implementation process for investment projects, and the green PFM, which will enable it to incorporate climate change challenges in the budget framework.

47. Progress made with the Single Treasury Account (TSA) will be consolidated. At end-2022, the efforts deployed had resulted in centralization and availability of all public revenues for optimal cash flow management. All expenditure operations are now conducted through the TSA. Payment times and efficiency have been improved significantly for public debt and releases of funds to public organizations. To consolidate these achievements, the government will adopt a timetable for closing accounts with commercial banks by end-2023 (SB for end-December 2023). A specific mechanism will be established for closing the accounts concerned with the National Investment Bank (BNI) to take account of the nature of the funds managed by this bank.

48. The government will further improve the efficiency and transparency of expenditure as part of its implementation of the 2019 public procurement code. To this end, it calls for mandatory use of electronic procurement for at least 10 percent of procurement procedures starting in October 2023 (SB for end-December 2023). The government will also continue to implement its policy for managing recourse to exceptional public procurement procedures by capping this type of contracts at 20 percent of the total contracts. It will also continue its efforts to improve the transparency of procurement contracts, through the publication of contracts including identification of beneficial ownership, delivery reports and contract audits.

49. The work to expand the scope of the TOFE in accordance with *GFSM 2014* should continue with the aim of gradually achieving a public sector flow of funds table (TOF). Following the incorporation of 11 extrabudgetary units other than EPNs in the TOF since 2021, the work continued in 2022 with the incorporation of four public enterprises, namely AIR-CÔTE D'IVOIRE, SIR, PETROCI and CI-ENERGIES. The incorporation of four additional public enterprises—SOTRA, Conseil Coton Anacarde, ONECI and ADERIZ—is planned for 2023, supported by IMF technical assistance. Moreover, the government will continue to produce the quarterly TOFE for the central government in accordance with *GFSM* 2014 within 60 days of the end of the quarter. Work will continue on the 2022 TOFE with a view to issuing it in June 2023. As regards the treatment of benefits in kind, following preliminary work, the government plans to establish a methodology for valuing benefits in kind related to government vehicles with technical assistance from AFRITAC West. It plans to ensure coverage of the public enterprise debt in accordance with the *Public Sector Debt Statistics Compilation Guide (PSDSG 2011)* by end-2025 and will complete gradual transition to *GFSM 2014*.

b) Price Regulation and Control

50. Minimum farm gate prices guaranteed to cocoa, coffee and cashew producers will continue to be set using the prevailing mechanisms.

51. Measures to combat the high cost of living will continue to be implemented to protect the purchasing power of households. In this context, to ensure an adequate supply of the markets, the government plans, in the short term, to (i) construct three wholesale markets and 12 intermediary markets as part of the Food Value Chain Development Project (PDC2V) and 40 local rural markets under the Agricultural Emergency Program (PURGA 2) and (2) adopt a food product marketing strategy. In the medium term, actions will aim to (i) modernize agricultural, livestock and fish production techniques using irrigation, mechanization and fertilizers; (ii) increase the means of production, preservation and processing of food products; (iii) establish a mechanism to set up and manage an emergency food stock; (iv) establish incentives to increase investments in food transport; (v) continue the rehabilitation of rural access roads to reduce post-harvest losses; and (vi) construct modern bus stations and parking lots.

c) Financial Sector Development

52. Efforts to strengthen the financial system will continue. In this context, the government will endeavor to complete the restructuring and recapitalization of undercapitalized public banks.

- Banque de l'Habitat de Côte d'Ivoire (BHCI): Capital increases between 2020 and 2022 considerably improved BHCI's core capital levels and thus its capital adequacy ratio. In this context, the government is working to bring the bank into compliance with regulatory requirements through additional capital contributions. Given the effects of the capital increase, the measures taken to optimize overhead and particularly the government's vision to make the bank the reference bank for real estate financing, it will continue to further strengthen it over the next five years.

- Banque Populaire de Côte d'Ivoire (BPCI): Efforts deployed over the past five years have made it possible to reduce the rate of deterioration of the portfolio by a factor of four at end-2022. The outlook for 2023-2027 remains ambitious and is based on measures to improve the financial soundness of the bank and its compliance with the capital adequacy ratio. These steps essentially involve adopting a recapitalization scheme and opening the bank to capital investments by a financial partner.

Furthermore, the BCEAO will monitor compliance with the regulations, specifically the transitional Basel II and III provisions.

53. The government will pay particular attention to measures aimed at deepening the financial market, diversifying financial instruments and promoting financial inclusion. To this end, in continuation of the Financial Sector Development Strategy (SDSF), it will (i) enforce the Law on Factoring adopted in December 2022; (ii) make the Agricultural Commodities Exchange (BMPA) operational through the adoption of the relevant legal framework and start-up of its activities in 2023; (iii) increase the mobilization of long-term resources by stepping up the activities of the

Caisse de Dépôt et de Consignation; and (iv) continue implementation of the National Financial Inclusion Strategy (2019-2024 SNIF), which aims to increase the financial inclusion rate from 41 percent in 2017 to 60 percent in 2024. To this end, a mid-term review of the strategy will be conducted to take account of the government's new priorities related to the NDP objectives, particularly access to financial services for women (SB for end-May 2024). A new SNIF for 2025-2029 will be prepared by end-2024.

d) Public Enterprises

54. Close monitoring of the government's enterprise portfolio will continue using performance contracts and audits. From 2017 to end-2022, 37 performance contracts were signed and have been regularly monitored. This work will continue in 2023 with the signing of five new contracts. In accordance with the Communication to the Council of Ministers on fiscal risks adopted in 2018, 39 audits were conducted in public enterprises from 2018 to 2022. Looking forward, the government plans to conduct these audits at least once every three years for each majority government-owned enterprise and systematically for all enterprises that have posted deficit for the past two years or are in financial distress.

55. The government will support enterprises in the energy sector to meet the energy needs arising from its industrialization policy. In this context:

- It is working to restore the electricity sector, which was adversely affected by the Covid-19 shock and Ukraine crisis, to a sound financial footing. Arrears to independent power producers (IPPs) and natural gas suppliers increased starting in February 2022 as a result of (i) the delay in the entry into operation of new thermal production plants, leading to declining export volumes; (ii) recourse in the fourth quarter of 2021 to heavy vacuum oil (HVO), which is more expensive than gas; and (iii) the accumulation of export arrears, primarily by Energies du Mali (EDM). To restore the electricity sector to a sound financial footing in the period 2023–27, the government plans to (i) adjust rates periodically; and (ii) negotiate the establishment of a mechanism for refinancing the arrears owed to IPPs and fuel suppliers.

- An investment program extending to 2040 has been adopted as part of the plan for developing the electricity sector, which aims to make Côte d'Ivoire a subregional energy hub. This plan calls for the implementation of various solar, biomass, hydroelectric, coal, thermal and LNG supply projects.

- The economic and financial performance of the Ivoirian Refining Company (SIR) improved in 2022 over 2021 owing to increases in refining margins and a buoyant subregional market. Under the SIR development plan, projects under way aim for compliance with international fuel standards, greater energy efficiency and adaptation of production facilities to changes in the sector and to the country's energy transition. Moreover, the policy to regain control of the hinterland markets should continue.

- Furthermore, the government will ensure implementation of the memorandum on the treatment of cross-claims and debts in the sector.

56. The government intends to promote the development of enterprises in the transport sector, particularly Air Côte d'Ivoire (ACI) and the Abidjan Transport Company (SOTRA).

- Efforts concerning ACI will focus on strengthening regional and domestic networks, building human capital and improving operational efficiency to ensure financial profitability within five years. To this end, the government plans to provide the necessary funding for implementation of the company's Competitiveness Plan (PCOM). On the operational side, the fleet will be increased in 2023 with the entry into service of three leased aircraft.

- Given its performance in 2022, SOTRA's financial position should be consolidated based on the investments planned to expand the network within the country and to diversify its activities.

e) Business Climate and Governance

57. To increase the role of the private sector in the economy the government plans to further develop the country's capacity to attract domestic and international private investment. In doing so, the Government is striving to carry out the other fourteen (14) projects on the 2020-2022 reform agenda, of which seven (07) are in progress and the seven (07) others have been initiated. Furthermore, building on achievements thus far and the lessons learned from this implementation, the Government plans to adopt a new reform agenda for 2024–26 in 2023. Moreover, the government will specifically endeavor to complete the projects on the generalized use of the Single Enterprise Identifier, the rationalization and dematerialization of licenses and business permits, the overhaul of the Single Investor Services Portal (PUSI), and the interconnection of IT systems.

58. The government plans to accelerate the development of industrial and agricultural clusters in line with its industrialization strategy.

- To create the industrial clusters, several dedicated industrial zones will be set up around the country: (i) the Bonoua industrial zone, which is dedicated exclusively to the development of agro-industries, is being developed and several food processing companies have been installed there (water, beverages, food packaging, etc.); (ii) an area dedicated to the production of construction materials, particularly cement, in the PK 24 (Akoupé-Zeudji) industrial zone is being developed with almost ¾ of industrial units for cement production located in this zone; and (iii) a feasibility study for the project to create a textile free zone in Bouaké is under way. Moreover, implementation studies for seven clusters will be completed by end-2023.

- On the agricultural side, the nine agricultural clusters identified will be gradually deployed following the startup of the work of Agricultural Clusters 1 and 2 in the center of the country (2PAI-Bélier at Yamoussoukro) and in the north (2PAI-Nord in Sinématiali), respectively.

59. Support for SMEs will be stepped up with the changes made to SME taxation and the entry into operation of GUDE-CI and the PEPITE program.

- Taxation of SMEs (including entrepreneurs) was overhauled in 2021 to (i) simplify, modernize, and optimize its requirements; and (ii) facilitate the migration of informal sector economic operators to the formal sector. Two new tax regimes are now applicable: the entrepreneur regime for enterprises with annual turnover below CFAF 50 million and the micro-enterprise regime for businesses with annual turnover exceeding CFAF 50 million but below or equal to CFAF 200 million. Furthermore, entrepreneur enrollment efforts have identified 23,236 entrepreneurs and resulted in the issuance of 8,909 entrepreneur certificates by end-December 2022.

- The One-Stop Shop for Enterprise Development (GUDE-CI) created by Ordinance No. 2022-73 of January 26, 2022 aims to support the development of SMEs and facilitate their access to financing. It consists of a holding company with two subsidiaries: the support company (Côte d'Ivoire PME) and the SME loan guarantee company (SGPME). SGPME should benefit from financial support from the World Bank and KfW in the amount of CFAF 19.7 billion and CFAF 11.6 billion, respectively.

- The Economic Program for Enterprise Innovation and Transformation (PEPITE-CI 2030) was established by the government as part of the implementation of Côte d'Ivoire's Vision 2030. It aims to support entrepreneurship and promote the establishment of strong and resilient SMEs and startups within value chains emerging from the strategic Vision 2030 clusters. Beneficiaries can thus respond to domestic market needs and then conquer international markets and improve Côte d'Ivoire's competitiveness. The selection process is described below (see Box 6).

Box 6. PEPITE 2030 Beneficiary Selection Process

The governance framework for the PEPITE program was defined by Order No. 074/PM/CAB of July 1, 2022 on the creation, organization and operation of the governance framework for the PEPITE 2030 program. The program was launched in October 2022 and aims to identify an initial cohort of 100 to 150 beneficiaries, at a rate of 5 to 15 per sector. The call for applications closed on February 28, 2023.

Selection Mechanism

Selection of beneficiary enterprises involved a rigorous, transparent process covering the entire country. The mechanism put in place involves the submission of online applications through the dedicated program platform (www.pepite2030.gouv.ci) and the submission of complete hard copy applications by mail using the form provided online. All applications received are analyzed on the basis of eligibility criteria and program evaluation criteria.

Next Steps

The program's next steps are:

- interviewing of shortlisted candidates by a selection panel, which will include private sector representatives;
- final selection of beneficiaries in the second quarter of 2023; and
- deployment of support mechanisms for beneficiaries.

The selected enterprises will benefit from administrative, regulatory, tax, financial, training and communications support from the government. They will be subject to strict requirements set out in a performance contract and an ethics charter.

60. **Efforts to improve governance and combat corruption remain a key priority for the government**. In this context, the 2023-2027 National Anti-Corruption Strategy was adopted by the Council of the High Authority for Good Governance (HABG) in April 2023 and submitted to the government for adoption in the Council of Ministers. Furthermore, the government plans to capitalize on the entry into operation of the System for the Detection and Prevention of Acts of Corruption and Related Offenses (SPACIA) established by Decree No. 2022-264 of April 13, 2022. SPACIA's mission is to receive reports of acts of corruption and related offenses, process them and refer them to the competent authorities. It aims to provide the government with a statistical database for decision-making purposes. In 2022, 519 reported cases were received via SPACIA, of which 309 were presumed to involve corruption and related offenses. In the long term, SPACIA should make it possible to increase public participation in efforts to combat corruption and improve the effectiveness of governance actions. Moreover, preparation in 2023 of the first progress report on the National Action Plan (NAP) related to the African Peer Evaluation Mechanism (APEM) should make it possible to track progress made by Côte d'Ivoire and identify the remaining challenges related to governance. The necessary measures will also be taken to improve the asset disclosure rate to 90 percent at end-December 2024.

61. **Specifically, government measures will focus on institution-building, extractive industry transparency and anti-money laundering and terrorist financing (AML/CFT) actions**. This will primarily involve:

- strengthening institutions responsible for implementing the 2023-2027 National Anti-Corruption Strategy (SNLC);
- implementing the recommendations resulting from the 2019 assessment of Côte d'Ivoire by the International Secretariat for the Extractive Industries Transparency Initiative (EITI); and
- implementing the AML/CFT supervisory regime adopted in March 2022 for certain non-financial professions and adopting the priority reforms emanating from the AML/CFT evaluation soon to be concluded by the IMF.

f) Climate Change and Sustainable Development

62. The government plans to step up its actions to combat climate change. In line with its climate strategy, which is based on the Paris Agreement, the government officially submitted the revised version of the Nationally Determined Contributions (NDCs) in May 2022. These NDCs call for a reduction in greenhouse gas emissions (mitigation) of 30.41 percent by 2030, as against 28.25 percent previously, and an increase in resilience in five key sectors that are very vulnerable to climate change (forestry, agriculture, water resources, coastal zones, and health) (adaptation). Its mitigation measures will involve deployment of various strategies, specifically (i) the National REDD+ Strategy, the New Forestry Policy, and the National Strategy for the Reduction of SLCPs (Short-Lived Climate Pollutants). In the area of adaptation, the actions and proposals contained in the National Climate Change and Gender Strategy adopted in 2019 and the 2018-2025 National Agricultural Investment Program 2 (PNIA) will continue to be implemented. The government also plans to seek financing under the Resilience and Sustainability Trust to continue the climate change reforms.

63. Furthermore, the government is committed to fulfilling its commitments under the Abidjan Initiative adopted in May 2022 in the context of COP 15 on desertification and drought. The Abidjan Initiative aims to create the conditions for environmental sustainability, restore agriculture to a job creation and income generation role, and produce a social balance that guarantees the right to balanced nutrition and a decent standard of living. It focuses on four areas: (i) combating deforestation; (ii) restoring at least 20 percent of forest cover by the end of the decade; (iii) improving agricultural productivity and identifying future value chains; and (iv) ensuring the sustainability of existing value chains. As part of its implementation, the government has established a Coordination Unit that will provide monitoring, particularly of the National Anti-Drought Plan and land restoration projects. To this end, the government has adopted a $1.5 billion investment plan covering the next five years, the financing of which requires support from the technical and financial partners.

64. In line with the Abidjan Initiative, the government intends to deploy the sustainable cocoa program to bring the Ivoirian cocoa sector into line with the new

international requirements. The objective and strategic focuses of the program are set out in the following box on combating climate change (see Box 7).

Box 7. Objectives and Strategic Focuses of the Sustainable Cocoa Program

Overall Objectives

- ensure that the majority of cocoa producers (60 percent) and their families have an income level above the "decent income" level by 2030.
- gradually increase forest cover from 11 percent in 2015 to 20 percent in 2030.
- eliminate the worst forms of child labor (WFCL) and work below the minimum employment age in cocoa farming by 2025.

Strategic Focuses and Approaches

Focus 1: Economic Sustainability

- improve farmer incomes and living conditions;
- develop sustainable cocoa farming nationally and improve management of the supply of cocoa beans;
- reevaluate the status of cocoa farmer;
- more rapidly increase local cocoa processing;
- develop local consumption at the national, regional and emerging market levels; and;
- establish and start up a single national traceability system.

Focus 2: Environmental Sustainability

- implement the forest preservation and rehabilitation strategy to win the fight against deforestation.

Focus 3: Social Sustainability

- step up the fight to eradicate the worst forms of child labor; and
- improve access to basic social services and social protection mechanisms.

g) Statistics System

65. **The government will adopt the various implementing regulations for Law No. 2020-950 of December 7, 2020 amending and supplementing Law No. 2013-537 of July 30, 2013 on the organization of the National Statistics System**. This includes the draft decree on the organization and operation of the National Public Statistics Authority (ANSP), the draft decree on the creation, responsibilities, makeup, organization and operation of the National Statistics Council (CNStat), the draft decree on the creation, responsibilities, organization and operation of the National Statistics Agency (ANStat), and the draft decree on the creation, responsibilities, organization and operations of the National Statistics Development Fund (FNDS).

66. **The production and dissemination of statistics will be stepped up through (i) the establishment of new indicators; (ii) improvement of the national accounts; (iii) improvement of the business database; and (iv) adherence to the Special Data Dissemination Standard (SDDS) by end-2025**. In this context, the government plans to:

- continue the work to develop high frequency indicators, particularly the revamped Advanced Public Works and Construction Indicator (IA BTP), industry opinion balances, the turnover index (ICA) for construction, the final household consumption index;

- update and improve the harmonized consumer price index (IHCPI), update and expand the producer price index (PPI), and develop export import price indexes (XMPIs);

- complete the work to align the Quarterly National Accounts (QNA) with the rebased Annual National Accounts (ANA) by January 2024, and continue the development of sectoral accounts;

- conduct the 2022-2023 Côte d'Ivoire General Census of Enterprises and Establishments (RGEE-CI) included in the Program for the Harmonization and Improvement of Statistics (PHAS). The aim of the 2022-2023 RGEE-CI is to obtain an up-to-date and comprehensive economic and financial database on enterprises and establishments in the formal and informal sectors in Côte d'Ivoire and to establish a Geographic Information System (SIG);

- overhaul the INS website to make it more user-friendly and to disseminate all available indicators;

- continue efforts to adhere to the Special Data Dissemination Standard (SDDS) in 2025 and thus become the sixth African country to do so.

PROGRAM FINANCING AND MONITORING

67. The government estimates that the financing gap for the 2023–25 program will be covered. Additional financing will be mobilized on the regional money market and with external partners. Domestically, it will ensure to optimize recourse to fundraising on the regional market to protect private sector access to credit. Externally, it will have recourse to the international market, depending on financial conditions, and will give preference to the community of donors to contribute to the strengthening of regional exchange reserves.

68. The program will be monitored on a half-yearly basis by the IMF Executive Board on the basis of quantitative performance criteria and indicative targets and structural benchmarks (Tables 1 and 2). These criteria, indicative targets and structural benchmarks are defined in the attached Technical Memorandum of Understanding (TMU) containing a summary of the projection assumptions, which serve as a basis for the assessment of some performance. Reviews will be semi-annual, with the first two reviews taking place on or after November 15, 2023 and May 15, 2024 and based, respectively, on end-June 2023 and end-December 2023 test dates for periodic PCs. To this end, in addition to the performance criteria (PC) and indicative targets mentioned above and/or listed in Table 1, the government undertakes in particular:

- to refrain from all types of advances on revenue and from contracting nonconcessional external loans other than those specified in the TMU;

- to issue public securities only at auction through the BCEAO or through any other form of competitive bidding on the local financial market or the WAEMU market and to consult IMF staff for all new financing;

- not to introduce or intensify restrictions on payments and transfers for international current transactions, introduce multiple currency practices, enter into any bilateral payments agreements that are not consistent with Article VIII of the IMF Articles of Agreement, or impose or intensify import restrictions for balance of payments purposes; and

- to adopt any new financial or structural measures that may be necessary for the success of its policies, in consultation with the IMF.

Table 1. Côte d'Ivoire: Performance Criteria (PC) and Indicative Targets (IT), ECF/EFF, 2023-24[1/]

(Billions of CFA francs, unless otherwise indicated)

	2023			2024
	June	September	December	March
	PC	IT	PC	IT
A. Performance Criteria				
Floor on the overall fiscal balance (incl. grants)	-1338	-2007	-2514	-486
Ceiling on net domestic financing (incl. the issuance of securities in CFAF)	777	952	1160	196
Ceiling on the present value of new external debt (with a maturity of more than one year) contracted or guaranteed by the central government (millions of US$)	2533	4242	4650	1393
Floor on government tax revenue	3079	4620	6306	1690
Performance Criteria on Continuous Basis				
Ceiling on accumulation of new external arrears by the central government (continuous basis)	0	0	0	0
Ceiling on accumulation of new domestic arrears by the central government (continuous basis)	0	0	0	0
B. Indicative Targets				
Floor on targeted social spending	307	700	949	171
Ceiling on expenditure by treasury advance	167	263	370	65
Floor on net reduction of central government amounts payable (- = reduction)	-132	-78	-25	-100
Floor on basic primary balance	-162	-130	-69	349
Memorandum Items:				
Program grants (millions of US$) 2/	162	162	324	76
Program loans (millions of US$) 2/	349	445	759	70
Project grants (millions of US$) 2/	67	124	191	31
Project loans (millions of US$) 2/	1139	1895	2496	304
Cumulative C2D	80	140	200	10
Quarterly C2D	78	60	60	10
Total pro-poor spending	1623	2403	3318	756

Sources: Ivoirian authorities; and IMF staff estimates.

1/ Cumulative amount from January 1, 2023 for 2023 targets, and from January 1, 2024 for 2024 targets.

2/ Converted with US$/CFAF program exchange rate.

Table 2. Côte d'Ivoire: Structural Benchmarks, 2023–24

Reform Area	Structural Benchmark	Rationale	Due Date
Revenue Mobilization			
	Prepare and implement a plan to manage and collect outstanding tax arrears.	Boost domestic revenue to preserve fiscal and debt sustainability, and create fiscal space for public investment and poverty reduction.	end-September 2023
	Cabinet approval and publication of a Medium Term Revenue Mobilization strategy (MTRS), with revenue targets and a timeline.	Boost domestic revenue to preserve fiscal and debt sustainability, and create fiscal space for public investment and poverty reduction.	end-May 2024
PFM			
	Adopt by the council of ministers the draft law on national debt policy.	(i) Define general objectives for public debt and prudential rules; (ii) establish public debt commitment procedures for ministerial departments and state agencies; (iii) rationalize the framework for debt operation and debt management; (iv) clarify the rules and purposes for government on-lending; (v) and strengthen the institutional framework for public debt management.	end-September 2023
	Treasury Single Account (TSA): Adopt by the government a timetable for closing accounts with commercial banks.	Improve cash management and minimize financial cost.	end-December 2023
	Enforce e-procurement to be used by an average of at least 10 percent of the operations for which the procurement procedures will start from October 2023.	Improve the efficiency and transparency in procurement	end-December 2023
Financial Sector			
	Complete a mid-term review of the National Strategy for Financial Inclusion to take into account the government's new priorities in relation to the objectives of the NDP, particularly access to financial services for women.	Improve the access to financial services, particularly for disadvantaged populations.	end-May 2024

Attachment II. Technical Memorandum of Understanding for 2023–26

1. **This Technical Memorandum of Understanding (TMU) describes the quantitative and structural assessment criteria established by the Ivoirian authorities and the staff of the International Monetary Fund (IMF) to monitor the program supported by the Fund's Extended Credit Facility (ECF) and Extended Fund Facility (EFF)**. It also specifies the periodicity and the deadlines for the transmission of data to Fund staff for program monitoring purposes. The projection assumptions underlying key macroeconomic variables are shown in Table 6.

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

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

QUANTITATIVE INDICATORS

4. **For program monitoring purposes, performance criteria (PCs) and indicative targets (ITs) are set for June 30, 2023 and December 31, 2023; the same variables are indicative targets for September 30, 2023 and March 31, 2024**.

The PCs include:

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

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

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

(d) a floor on government tax revenue;

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

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

The ITs are:

a) a floor on targeted social spending;

b) a ceiling on expenditures by treasury advance;

c) a floor on the net reduction of central government amounts payable; and

d) a floor on the basic primary balance.

5. The PCs, ITs and adjustors are calculated as the cumulative change from January 1, 2023 for the 2023 targets and from January 1, 2024 for the 2024 targets (Table 1 of the Memorandum of Economic and Financial Policies, or MEFP).

A. Overall Fiscal Balance (Including Project Grants) (PC)

6. The overall fiscal balance is the difference between the government's fiscal revenue (including project grants only) and total expenditure (including expenditure corresponding to earmarked revenue and net lending). Government expenditures are defined as expenditures for which payment orders have been issued and taken over by the Treasury:

{Total government revenue (tax and nontax) + (Project grants)} – {Expenditure + Net lending (on a payment order basis)}

B. Net Domestic Financing (PC)

7. The net domestic financing of the central government is defined as the sum of (i) the banking system's net claims on the government (including C2D deposits); (ii) net non-bank financing (including proceeds from privatizations and sales of assets, and of correspondent sub-accounts of the Treasury); and (iii) any financing denominated and serviced in francs of the Financial Community of Africa (CFAF), excluding BOAD loans denominated in CFAF, which are classified as external debt. This ceiling includes a margin of CFAF 15 billion above the net cumulative flow projected for each quarter.

Net domestic financing (NDF) = Variation of banking system's net claims on the government (TOFE) + Net non-bank domestic financing (excluding the net variation of amounts payable) + Borrowing denominated and serviced in francs of the Financial Community of Africa (CFAF), excluding BOAD loans + Financing margin of CFAF 15 billion.

8. For any new borrowing over and above a cumulative amount of CFAF 50 billion, the government undertakes to issue government securities only by auction through the BCEAO or through other form of government securities on the WAEMU financial market registered with the WAMU Financial Market Authority (AMF-UMOA), in consultation with Fund staff.

9. The adjustor for the performance criterion on the net domestic financing. The NDF ceiling will be adjusted upward by the full amount of the difference between the effectively disbursed and the projected budget support (MEFP, Table 1). Specifically, the NDF ceiling will be adjusted upwards by the amount of C2D grant expected for that quarter, but not yet deposited by AFD into the C2D account (Compte C2D) at the BCEAO, on the test date (MEFP, Table 1).

C. External Debt (PC)

10. For program purposes, the definition of debt is set out in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements, adopted by Decision No. 16919-(20/103), of the Executive Board adopted on October 28, 2020.[1]

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

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

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

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

[1]See Reform of the Policy on Public Debt Limits in Fund-Supported Programs 15688-(14/107), available at: https://www.imf.org/en/Publications/Selected-Decisions/Description.aspx?decision=15688-%2814/107%29.

of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

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

11. External debt is defined as debt contracted or serviced in a currency other than the franc of the Financial Community of Africa (CFAF), except for CFAF-denominated debt owed to the BOAD which is also considered external debt.

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

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

For program monitoring purposes, external debt is deemed to be contracted or guaranteed once all conditions for its entrance into effect have been met, including approval of the relevant agreement by the government of Côte d'Ivoire (Council of Ministers) if necessary. In the case of the issuance of eurobonds, the amount deemed contracted is the amount subscribed/purchased at the end of the subscription/purchase period as specified in the final clauses of the exchange. For program purposes, the value in U.S. dollars of new external debt is calculated using the average exchange rate for December 2022 in the IMF's International Financial Statistics (IFS) database, which are 619.481 FCFA per U.S. dollar, 1.059 U.S. dollar per euro, and 1.329 U.S. dollar per SDR.

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

[2] Debt Limits Policy (imf.org).

(equivalent to a grant element of at least 35 percent). In the case of loans for which the grant element is zero or less than zero, the PV is set at an amount equal to the face value.

14. In the case of variable interest rate debt in the form of a reference interest rate plus a fixed margin, the PV of the debt is calculated on the basis of the program reference rate plus a fixed margin (in basis points) specified in the loan agreement. The program reference rate for the euro six-month FIRF is 2.63 percent and will remain unchanged for the duration of the program. The spread of the US$ six-month FIRF over the euro six-month FIRF is 50 basis points.

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

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

16. The authorities will inform IMF staff of any planned external borrowing and the conditions on such borrowing before the loans are either contracted or guaranteed by the government.

Table 1. Côte d'Ivoire: External Borrowing Plan (2023–2024)

PPG external debt	January-June 2023		January-September 2023		January-December 2023		January-March 2024	
	Volume of New Debt, US$ million 1/	PV of New Debt, US$ million 1/	Volume of New Debt, US$ million 1/	PV of New Debt, US$ million 1/	Volume of New Debt, US$ million 1/	PV of New Debt, US$ million 1/	Volume of New Debt, US$ million 1/	PV of New Debt, US$ million 1/
By Sources of Debt Financing	**2982.0**	**2532.9**	**5069.5**	**4241.9**	**5535.7**	**4650.3**	**1575.2**	**1393.4**
Concessional Debt	**122.6**	**59.3**	**432.5**	**211.9**	**432.5**	**211.9**	**0.0**	**0.0**
Multilateral debt	70.0	35.1	287.4	145.1	287.4	145.1	0.0	0.0
Bilateral debt	52.6	24.2	145.1	66.8	145.1	66.8	0.0	0.0
Non-Concessional Debt 2/	**2859.4**	**2473.6**	**4637.0**	**4030.0**	**5103.1**	**4438.4**	**1575.2**	**1393.4**
Semi-concessional debt 3/	2386.2	2000.4	4101.2	3494.2	4516.9	3852.1	1457.3	1275.6
Commercial terms 4/	473.2	473.2	535.8	535.8	586.3	586.3	117.8	117.8
Uses of Debt Financing	**2982.0**	**2532.9**	**5069.5**	**4241.9**	**5535.7**	**4650.3**	**1575.2**	**1393.4**
Infrastructure	974.6	884.5	1438.3	1275.5	1438.3	1275.5	0.0	0.0
Social expenditure	1471.1	1163.3	2118.5	1656.8	2584.6	2065.2	0.0	0.0
Budget financing	0.0	0.0	833.9	744.6	833.9	744.6	0.0	0.0
Other	536.3	485.1	678.9	565.0	678.9	565.0	1575.2	1393.4

Source: Ivoirian authorities

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

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

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

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

D. Floor on Central Government Tax Revenue (PC)

17. Total tax revenue is defined as all fungible tax revenue (excluding earmarked revenue) collected by the General Directorate of Taxes (DGI), the General Directorate of the

Treasury and Public Accounting (DGTCP) and the General Directorate of Customs (DGD), as well as earmarked tax revenue as defined in the fiscal reporting table (TOFE). It excludes all revenues from asset sales, grants, and non-tax revenues. To gauge the impact of tax policy reforms and improvements in tax administration, the program will have a floor on central government tax revenues which will be set at 95 percent of the projected tax revenue for the rest of the current year to take into account fluctuations in revenue due to unforeseen factors beyond the government's control.[3] The revenue target is calculated as the cumulative flow from the beginning of the calendar year.

18. Earmarked tax revenues are subject to specific monitoring. As of end-March 2023, earmarked tax revenues include only the following list of earmarks (see Table 2). The authorities will notify the Fund with respect to any changes in the list of earmarks.

Table 2. Côte d'Ivoire: List of Earmarked Tax Revenues 2023

Earmarked revenues to collectivities
Coffee-Cocoa Royalties, CCC share - Harvest bags
Agricultural Investment Fund (Fonds d'Investissement Agricole (2QC))
Cashew parafiscality
Péréquation
TSU FER
TOEM
FIMR
TSU SIR
PCC-PCS et PUA

E. External Payments Arrears (PC)

19. External arrears correspond to the nonpayment of any interest or principal amounts on their due dates (taking into account any contractual grace periods). This performance criterion applies to arrears accumulated on external debt contracted by the government and external debt guaranteed by the government for which the guarantee has been called by the creditors. This continuous performance criterion will be monitored continuously by the authorities and any non-observance will be reported promptly to the Fund.

[3]The margin of 95 percent does not apply to realized quarterly tax revenue.

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

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

21. For program purposes, domestic payment arrears are balances outstanding to suppliers and on domestic debt service. Arrears to suppliers are defined as overdue obligations of the government to nonfinancial and private companies for which the payment delay exceeds the regulatory delay of 90 days; arrears on the domestic debt service refer to debt service obligations for which the payment delay exceeds 30 days beyond the time stipulated in the contracts, including any applicable grace period.

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

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

24. For program purposes, the ceiling on the accumulation of new domestic payments arrears is zero. This continuous performance criterion will be monitored continuously by the authorities and any non-observance will be reported promptly to the Fund.

G. Targeted Social Spending (IT)

25. Targeted social spending is derived from the detailed list of targeted programs in the SIGOBE system (see Table 3) and described as follows:

- **Social protection**: productive cash-transfer program and social registry budget.
- **Health**: will cover the following Régime d'Assistance Médicale de la Couverture Maladie Universelle (RAM-CMU), operating costs of primary health facilities, and Caisse Nationale d'Assurance Maladie (CNAM)
- **Education**
- **Youth employment**

Table 3. Côte d'Ivoire: Targeted Social Spending
(FCFA)

	2023				2024
	Q1	Q2	Q3	Q4	Q1
Social Protection	**4,497,000,000**	**9,350,154,300**	**19,219,026,700**	**27,073,821,950**	**4,540,000,000**
National soical safety net support program	1,857,000,000	3,714,000,000	7,428,000,000	8,666,000,000	1,900,000,000
Regional women's empowerement and demographic dividend in the Sahel program	0	120,000,000	240,000,000	280,000,000	0
Universal Health Insurance for the destitute support program	2,640,000,000	3,960,000,000	7,920,000,000	13,200,000,000	2,640,000,000
Universal Health Insurance operational support	0	1,556,154,300	3,631,026,700	4,927,821,950	0
Universal Health Insurance	0	900,000,000	2,100,000,000	2,850,000,000	0
Insurance Premiums support for Universal Health Insurance	0	656,154,300	1,531,026,700	2,077,821,950	0
Health	**43,902,508,953**	**84,895,524,486**	**192,544,822,935**	**268,835,827,540**	**46,754,559,491**
Health administrators	37,362,175,096	68,261,321,886	159,276,417,734	216,160,852,639	40,032,807,368
Strengthening the intervention capacities of health centers	1,000,000	334,040,786	668,081,572	1,057,795,822	1,139,891
Strengthen the intervention capacities of general hospitals	4,118,190	755,939,990	1,511,879,981	2,393,809,970	4,694,286
Strengthen the intervention capacities of central and regional health units	5,141,313	1,021,035,293	2,042,070,586	3,233,278,428	5,860,534
Strengthen the intervention capacities of university hospital centers	1,385,000,000	2,077,500,000	4,155,000,000	6,578,750,000	1,400,306,541
Free targeted care (malaria, childbirth, caesarean section, etc.) and sanitary evacuation	700,000,000	6,150,000,000	12,300,000,000	19,475,000,000	797,923,454
Specialized health structures (SAMU, CNTS, CNOR, ICA, CNPTIR, etc.)	3,291,653,754	4,824,980,631	9,649,961,262	15,279,105,332	3,350,037,369
Medicines' supply	1,153,420,600	1,470,705,900	2,941,411,800	4,657,235,350	1,161,790,047
Education	**110,651,111,995**	**210,232,194,808**	**483,253,800,895**	**647,515,316,083**	**118,634,756,881**
Management of Preschool, Primary and Secondary Schools (SMCs)	2,865,376,829	5,525,529,057	12,892,901,133	17,497,508,681	2,865,376,829
Support Primary Schools SMCs	2,865,376,829	3,438,452,194	8,023,055,120	10,888,431,948	2,865,376,829
Support SMCs for Secondary Schools/MENA	0	2,087,076,863	4,869,846,013	6,609,076,732	0
Primary and preschool education	107,641,161,909	191,061,560,882	443,070,690,024	598,179,229,375	115,619,149,158
School cafeterias program	0	764,008,200	1,528,016,400	1,782,685,800	0
Acquisition and distribution of school kits, textbooks and educational kits	0	4,650,000,000	9,300,000,000	10,850,000,000	0
Support for the payment of school fees in private and religious elementary schools	0	2,804,847,900	5,609,695,800	6,544,645,100	0
Pre-school and primary school administrators	107,641,161,909	182,842,704,782	426,632,977,824	579,001,898,475	115,619,149,158
Technical education and vocational training	144,573,257	13,645,104,869	27,290,209,738	31,838,578,028	150,230,894
Implementation of the Second Chance School	0	1,200,000,000	2,400,000,000	2,800,000,000	0
Coverage of school fees for students in private technical secondary schools	0	2,417,265,000	4,834,530,000	5,640,285,000	0
Support for the operation of Agricultural Agent Francophone Fund (AGEFOP) and National Public Insitute of Workers (IPNEPT)	144,573,257	247,839,869	495,679,738	578,293,028	150,230,894
Support for vocational training through the French Development Training Fund (FDFP)	0	9,780,000,000	19,560,000,000	22,820,000,000	0
Youth Employment	**1,483,296,505**	**2,481,132,866**	**4,962,265,731**	**5,789,310,020**	**1,488,789,469**
Youth employment program	1,400,000,000	2,100,000,000	4,200,000,000	4,900,000,000	1,400,000,000
Youth employment and skill training program	0	176,160,000	352,320,000	411,040,000	0
Youth promotion and employment	21,479,000	99,000,000	198,000,000	231,000,000	25,723,250
Youth employment agency operational support	61,817,505	105,972,866	211,945,731	247,270,020	63,066,219
TOTAL	**160,533,917,453**	**306,959,006,459**	**699,979,916,260**	**949,214,275,593**	**171,418,105,841**

H. Treasury Advances (IT)

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

I. Primary Basic Fiscal Balance (IT)

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

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

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

MEMORANDUM ITEMS

A. Net Banking System Claims on the Government

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

B. External Financing (Definitions)

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

C. Program Monitoring and Data Reporting

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

31. The government will report the information specified in Table 5 no later than 45 days following the month-end or quarter-end, except in the case of the information that will be provided later, as specified in Table 5.

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

33. The authorities will consult with Fund staff on any proposed new external debt. The authorities will inform Fund staff of the signature of any new external debt contracted or guaranteed by the government, including the conditions on such debt. Data on new external debt, the amount outstanding, and the accumulation and repayment of external payments arrears will be reported monthly within six weeks of the end of each month.

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

D. Pro-Poor Spending

35. The pro-poor spending is defined as the list of "pro-poor expenditures" in the SIGFIP system as detailed in Table 4.

Table 4. Côte d'Ivoire: Pro-Poor Spending (incl. Social Spending), 2023–24

(Billions of CFA Francs)

	2023				2024
	Q1	Q2	Q3	Q4	Q1
Agriculture and Rural Development	**21.8**	**44.6**	**65.4**	**87.2**	**22.9**
General administration	3.8	8.6	11.4	15.2	4.0
Agriculture promotion and development program	5.5	10.9	16.4	21.9	5.7
Training of supervisory staff	8.7	17.3	26.0	34.7	9.1
Water system works	1.9	3.8	5.7	7.6	2.0
Other investments in the rural area (FRAR, FIMR)	2.0	3.9	5.9	7.8	2.1
Fishing and Animal Husbandry	**2.8**	**8.7**	**13.0**	**17.4**	**3.0**
General administration	2.4	4.8	7.3	9.7	2.5
Milk production and livestock farming	0.1	1.3	1.9	2.6	0.2
Fishing and aquaculture	0.3	2.6	3.8	5.1	0.3
Education	**376.4**	**881.9**	**1,261.2**	**1,674.1**	**395.2**
General administration	24.1	52.4	78.6	104.8	25.3
Pre-schooling and primary education	132.9	329.4	504.4	658.7	139.5
Literacy	0.2	0.3	0.5	0.7	0.2
Secondary education and vocational training	147.3	320.3	475.7	640.6	154.7
University and research	72.0	179.5	202.1	269.4	75.6
Health	**110.1**	**262.6**	**425.8**	**640.3**	**115.6**
General administration	51.7	130.6	179.5	287.0	54.3
Primary health system	21.9	43.0	109.3	167.5	23.0
Preventive healthcare (enlarged vaccination program)	0.5	1.1	1.6	2.1	0.6
Disease and pandemic combat programs	8.4	36.9	55.3	73.7	8.8
Infant/mother health and nutrition	4.1	4.2	9.7	16.3	4.3
HIV/Aids	10.2	20.4	30.6	40.9	10.7
Health centers and specialized programs	13.2	26.5	39.7	52.9	13.9
Water and Sanitation	**30.1**	**72.2**	**111.0**	**140.4**	**31.6**
Access to drinking water and sanitation	19.4	50.8	79.0	97.7	20.4
Environmental protection and pollution combat	10.7	21.4	32.0	42.7	11.2
Energy	**38.7**	**80.3**	**101.0**	**154.7**	**40.6**
Access to electricity	38.7	80.3	101.0	154.7	40.6
Roads and Public Works	**89.9**	**162.8**	**258.4**	**382.7**	**94.4**
Rural road maintenance	3.5	7.0	10.5	14.0	3.7
Construction of public works	11.5	42.9	54.4	85.9	12.0
Other road projects	75.0	112.9	193.6	282.8	78.7
Social Spending	**19.0**	**38.0**	**59.1**	**76.1**	**20.0**
General administration	4.3	8.7	13.0	17.3	4.6
Women's vocational training	0.8	1.7	2.5	3.4	0.9
Orphanages, day nurseries, and social centers	7.0	13.9	20.9	27.8	7.3
Training of support staff	0.4	0.8	1.3	1.7	0.4
Decentralization (excl. Education, Health and Agriculture)	**22.6**	**55.1**	**82.7**	**110.3**	**23.7**
Decentralization	22.6	55.1	82.7	110.3	23.7
Reconstruction	**2.0**	**6.1**	**9.1**	**12.2**	**2.1**
Reconstruction and rehabilitation	0.5	1.1	1.6	2.1	0.6
Social housing	1.5	5.0	7.5	10.0	1.6
Other Poverty-Fighting Spending	**6.5**	**11.1**	**16.6**	**22.2**	**6.9**
Promotion and insertion of youth	5.3	8.6	13.0	17.3	5.6
Development of tourism and craftmanship	1.2	2.5	3.7	4.9	1.3
TOTAL	**720.0**	**1,623.4**	**2,403.4**	**3,317.6**	**756.0**

Source: Ivoirien authorities.

Table 5. Côte d'Ivoire: Document Transmittal for Program Monitoring			
Sector	**Type of data**	**Frequency**	**Transmittal deadline**
Real sector	Cyclical indicators	Monthly	End of month + 45 days
	Provisional national accounts	Annually	End of year + 9 months
	Final national accounts	Variable	60 days after revision
	Disaggregated consumer price indices	Monthly	End of month + 45 days
Energy sector	Crude oil: offtake report	Quarterly	End of quarter + 45 days
	Oil product price structure	Monthly	End of month + 45 days
Public finances	Fiscal reporting table (TOFE)	Monthly	End of month + 45 days
	Budget execution report	Quarterly	End of quarter + 45 days
	Report on the public procurement operations	Quarterly	End of quarter + 45 days
	Estimated tax revenue	Monthly	End of month + 45 days
	Summary statement of VAT credit refunds	Monthly	End of month + 45 days
	Summary statement of tax and customs exemptions	Monthly	End of month + 45 days
	Pro-poor expenditures	Monthly	End of month + 45 days
	Treasury advances	Monthly	End of month + 45 days
	Central government domestic arrears	Monthly	End of month + 45 days
	Consolidated Treasury balances outstanding	Monthly	End of month + 45 days
	Annual cash flow plan	Annually	End of year + 45 days
	Execution of cash flow plan	Quarterly	End of quarter + 45 days
	Treasury consolidated trial balance	Quarterly	End of quarter + 45 days

Table 5. Côte d'Ivoire: Document Transmittal for Program Monitoring (concluded)

Sector	Type of data	Frequency	Transmittal deadline
Domestic debt	Detailed domestic debt statement	Monthly	End of month + 45 days
	Breakdown of new domestic loans and guarantees	Monthly	End of month + 45 days
	Detailed projected domestic debt service	Quarterly	End of quarter + 45 days
	Statement of issuances and redemptions of securities	Monthly	End of month + 45 days
External debt	Detailed external debt statement	Monthly	End of month + 45 days
	Breakdown of new external loans and guarantees	Monthly	End of month + 45 days
	Table of disbursements on new loans	Monthly	End of month + 45 days
	Projected external debt service	Quarterly	End of quarter + 45 days
Public companies	Debt statement of public companies	Quarterly	End of quarter + 90 days
	List of public companies	Quarterly	End of quarter + 45 days
Balance of payments	Provisional balance of payments	Annually	End of year +9 months (provisional); end of year + 12 months (final)
	Final balance of payments	Variable	TBD
Monetary and financial sectors	Banking survey	Monthly	End of month + 45 days (provisional); end of month + 60 days (final)
	Summary BCEAO position	Monthly	End of month + 45 days (provisional); end of month + 860 days (final)
	Integrated monetary survey	Monthly	End of month + 45 days (provisional); end of month + 60 days (final)
	Net government position	Monthly	End of month + 45 days
	Bank prudential ratios	Monthly	End of month + 45 days
	Financial soundness indicators	Quarterly	End of month + 45 days
	Borrowing and lending rates, BCEAO intervention rate, required reserves	Monthly	End of month + 45 days

Table 6. Côte d'Ivoire: Selected Economic Indicators

	2020	2021	2022	2023	2024	2025	2026
			Prel.	Program			
	(Annual percentage changes, unless otherwise indicated)						
National Income							
GDP at constant prices	1.7	7.0	6.7	6.2	6.6	6.4	6.3
Consumer price index (annual average)	2.4	4.2	5.2	3.7	1.8	1.7	1.7
External Sector (on the Basis of CFA Francs)							
Exports of goods, f.o.b., at current prices	-2.9	18.2	20.7	4.3	9.6	8.9	8.8
Imports of goods, f.o.b., at current prices	-1.5	24.3	36.5	3.1	6.6	6.3	7.2
Export volume	-2.4	10.2	0.3	5.3	7.9	8.1	8.0
Import volume	1.9	11.7	7.0	5.3	6.0	5.7	6.6
	(Percent of GDP unless otherwise indicated)						
Central Government Operations							
Total revenue and grants	15.0	15.8	15.3	16.4	17.0	17.4	17.9
Total revenue	14.4	15.3	14.8	15.8	16.5	17.0	17.6
Tax revenue	12.4	13.2	12.9	13.9	14.6	15.1	15.7
Total expenditure	20.4	20.7	22.1	21.7	21.1	20.4	20.9
Current expenditure	14.7	14.9	14.9	14.3	14.0	14.0	14.0
Capital expenditure	5.7	5.8	7.2	7.5	7.1	6.4	6.9
Basic primary balance	-2.3	-1.1	-1.8	-0.1	-0.3	0.8	1.2
Overall balance, incl. grants, payment order basis	-5.4	-4.9	-6.8	-5.3	-4.1	-3.0	-3.0
External Sector							
Current account balance	-3.1	-4.0	-6.5	-5.6	-4.7	-4.0	-3.4
Non-interest current account balance	-2.1	-2.9	-5.3	-4.4	-3.6	-2.9	-2.4
Memorandum Item							
Nominal GDP (CFAF billions)	36,252	39,821	43,681	47,642	51,876	56,270	60,858

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

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

May 11, 2023

REQUESTS FOR AN EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY AND A 40-MONTH ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS[1]

Approved by
Montfort Mlachila and Boileau Loko (IMF); and Abebe Adugna Dadi and Manuela Francisco (IDA)

Prepared by the International Monetary Fund and the International Development Association

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	Yes

Côte d'Ivoire's overall and external public debt remain at moderate risk of debt distress. The external debt service-to-revenue indicator breaches twice the threshold, in 2024 and 2025, and remains below the threshold during the remainder of the projection period. The other projected external debt burden indicators are below their thresholds under the baseline. All indicators, except the PV of external debt-to-GDP are susceptible to a number of stress scenarios, the most extreme of which involves shock to exports. The PV of overall debt-to-GDP ratio is below its threshold, but exceeds it in number of stress scenarios, the most extreme of which involves commodity price shock. The impact of the deterioration in debt burden metrics is mitigated by the limited number of the breaches, Côte d'Ivoire's history of successful implementation of reforms under the past two Fund arrangements, and its strong track record of market access, sustained active debt management, and moderate risk signal from the market financing pressures tool. The space to absorb shocks remains limited.

[1]Under the revised Debt Sustainability Framework for Low-Income Countries, Côte d'Ivoire's Composite Indicator (CI) is 2.94 based on the October 2022 WEO and the 2021 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 continue to improve debt coverage and monitoring in past years. At end-2022, SOE guaranteed and non-guaranteed commercial debt amounted to respectively 1.3 and 0.7 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.[3]
- N*on-guaranteed* SOE debt is captured as a contingent liability shock - this shock is set at the default 2 percent of GDP.[4]

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

	Subsectors of the public sector	Check box
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 increase the government's capacity to record and monitor public debt and contingent liabilities continue**. The authorities are committed to further work 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, expenditure, and financing sides) and corresponding 20-year projections. 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

[2]The debt owed to the West-African Development Bank (BOAD) was reclassified from domestic to external debt to harmonize the treatment of BOAD debt in the WAEMU region. The CFAF issuance in the regional market is still classified as domestic due to lack of data. This DSA continues to exclude external private debt from external debt due to limited information on the outstanding stock of external private debt and related payments. The SDR use is recorded as domestic debt due to the lending arrangement between the government and the BECAO.

[3]The amount corresponding to the debt service due by the Port Autonome d'Abidjan (PAA) is added to the revenue for the calculation of the external debt service to revenue ratio to take into account that the PAA has been servicing its debt and is in financially sound situation.

[4]Non-guaranteed SOE debt and local government debt are not included in the baseline because of limited information.

advance this task. Additionally, further work on data reconciliation with the World Bank Debt Reporting System is ongoing. As part of the IDA Sustainable Development Finance Policy (SDFP), authorities have been implementing reforms (Performance and Policy Actions or PPAs) in the areas of debt transparency (by publishing, on a quarterly basis, of on-lent loans to the state-owned enterprises), fiscal sustainability (by adopting a legal framework for collection and oversight of non-tax revenue), and debt management (by adoptions a mechanism for approving on-lending to SOEs).

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 data coverage, especially from non-guaranteed debt and domestic arrears, 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 at end-2022, with more than half of investment commitments in the energy sector.

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

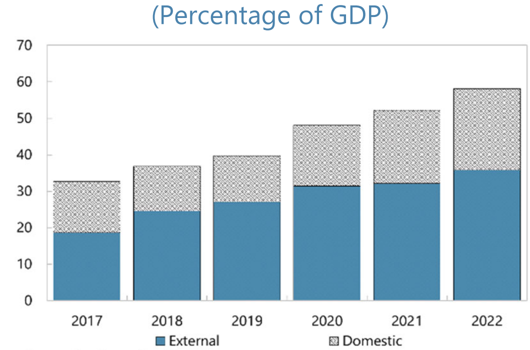
1 The country's coverage of public debt	The central government plus social security, central bank, government-guaranteed debt		
	Default	Used for the Analysis	Reasons for Deviations from the Default Settings
2 Other elements of the general government not captured in 1.	0 percent of GDP	0	
3 SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2	
4 PPP	35 percent of PPP stock	2.30	
5 Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5	
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.[5] The increase in indebtedness over 2017-2022 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 2021-2025, the COVID-19 crisis, and adverse economic spillovers from Russia's invasion of Ukraine. The medium-term debt strategy 2019-2023 updated in the revised 2022 finance law envisaged that 64 percent of new financing would come from

Text Figure 1. Côte d'Ivoire: Evolution of Public Debt
(Percentage of GDP)



Source: Ivorian authorities' data.

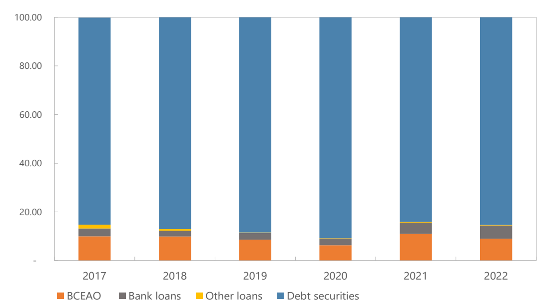
[5]In this DSA, Public and Publicly Guaranteed external debt excludes claims under Debt Reduction-Development Contract (C2D), which were cancelled in the context of HIPC debt relief. The C2D is a debt restructuring tool under which Côte d'Ivoire continues to service its bilateral debts to France and Spain until repayment. The amount

(continued)

external sources and favor borrowing in euros and CFA francs to limit exchange rate risk. Already a large share of external borrowing is denominated in euros. Public debt stood at 58.1 percent of GDP at end-2022, compared with 32.7 percent in 2017. External debt stood at 35.8 percent of GDP, compared to 18.7 percent in 2017—representing 61.7 percent of total debt at end-2022, decreasing sharply from the height of 68.5 percent in 2019 back to the level in of 57.1 percent. Due to adverse conditions in global financial markets, the authorities did not issue any eurobond in 2022 but contracted external commercial debt and borrowed from the domestic and regional markets.

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. Regional market conditions have tightened as the BCEAO increased its policy interest rate to 3 percent in March 2023, the fourth increase since June 2022, and moved from the fixed rate full allotment tender to a flexible rate fixed quantity system, which led to a drop in demand for new sovereign issuances across the WAEMU region.

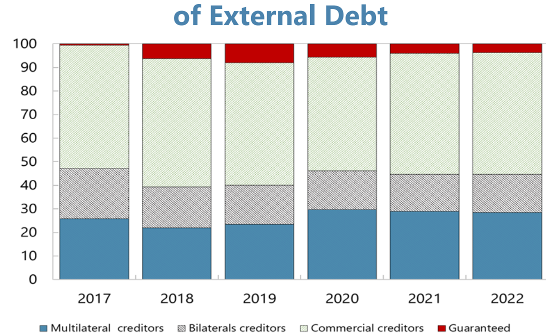
Text Figure 2: Côte d'Ivoire: Composition of Domestic Debt



Source: Ivorian 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. As in the past, 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 since 2018 and represented 28.5 percent of external debt in 2022, as Côte d'Ivoire mobilized substantial concessional external financing to fund its response to the pandemic. On the other hand, the share of bilateral creditors has decreased since 2016, accounting for about 16 percent of the external debt stock at end-2022 compared to 21 percent in

Text Figure 3: Côte d'Ivoire: Composition of External Debt



Source: Ivorian authorities' data.

corresponding to this bilateral debt service is 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.

2017. The remaining shares are associated with commercial creditors (51.7 percent) and guaranteed debt (3.7 percent).

RECENT DEVELOPMENTS AND UNDERLYING ASSUMPTIONS

7. After showing resilience to the pandemic, the rebound of the Ivoirian economy has softened amid Russia's invasion of Ukraine and global monetary tightening. After a rebound to 7 percent in 2021 from 1.7 percent in 2020 thanks to strong pre-crisis fundamentals and a rapid policy response, growth in 2022 is estimated at about 6.7 percent amid higher import prices and global interest rates, as well as slowing global demand. Inflation reached to 5.2 percent in 2022 reflecting mostly surge in food prices.

8. The assumptions in the baseline scenario are consistent with the macroeconomic framework under the ECF/EFF arrangement outlined below (Text Tables 2 and 3). The authorities requested an arrangement of 400 percent quota, representing about US$3.5 billion to support policies to maintain macroeconomic stability and reforms under the National Development Plan (NDP). They committed to a strong consolidation path driven by upfront domestic revenue mobilization and a return to WAEMU fiscal convergence criteria by 2025. These macroeconomic assumptions include a growth path converging to 6 percent over the medium term from 6.7 percent in 2022, inflation returning to subdued level 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 2025 with the policies described below. Projections also assume a balanced recourse to domestic and external debt.

- **GDP growth to range between 6 and 6.7 percent through the medium term similarly to the previous DSA**. Real GDP growth continues to show recovery but tempered by the consequences of the ongoing Russia's invasion of Ukraine on the global economy and now the global and regional monetary tightening, to 6.2 percent in 2023 and to rebound to around 6½ percent in the following years, and to converge to 6 percent over the medium term thanks to continued investments in human capital, infrastructure and reforms to improve competition in the digital, telecom, financial and transport sectors supported by the World Bank Development Policy Financing series. Growth is expected to be supported by industry and services as reforms improve competition on the supply side and by investments in infrastructure and human capital on the demand side. The implementation of a strong reform agenda from the NDP and recent oil discovery could, however, catalyze stronger business confidence and investment, and further lift productivity and growth, while persistent insecurity in the north of the country and uncertain global developments represent downside risks. While average real GDP growth and inflation are similar to the last DSA projections, nominal GDP in dollars decreased by 10 percent due to the euro depreciation against the dollar compared to the last DSA over the projections' period.

- **Gradual return to subdued inflation over the medium term**. Annual average inflation (CPI) is projected to reach 3.7. percent in 2023, reflecting a downward trend of global food and commodity prices and the BCEAO's monetary tightening. It is expected to remain low at around 2 percent in the medium term, benefiting from the exchange rate peg to the euro.

- **Wider budget deficits in the short term**. Primary and overall fiscal deficits reached, respectively, 4.6 and 6.8 percent of GDP in 2022, due to the response to adverse spillovers from Russia's invasion of Ukraine and higher security spending to respond to insecurity in the north and the acceleration of public investment under the NDP. While the NDP prominently focuses on an increase in private sector investment, it also has goals for public investment and debt financed public investment projects. The authorities are committed to converging to the 3 percent of GDP regional target in 2025 through strong consolidation efforts, especially by raising domestic revenue, while preserving priority spending. Increasing domestic revenue mobilization efforts will also allow to create fiscal space for public investment and priority spending. The consolidation expected under the ECF/EFF arrangement favors DRM efforts to preserve much needed capital investment and social priority spending.

- **Higher tax revenue projections**. One of the authorities' key goals under the ECF/EFF arrangement is to keep Côte d'Ivoire's debt rating at moderate risk of debt distress. This requires significant and sustained efforts to mobilize revenues under the program and beyond. A quantitative performance criterion will monitor the tax revenue level through a floor. Continued improvements are expected through strengthened digitalization and tax administration but also through tax policy, supported by the design and implementation of a comprehensive medium-term revenue mobilization strategy (MTRS) and technical assistance of the Fund, the World Bank and other donors (structural benchmark). Tax revenue is assumed to increase from 12.9 percent of GDP in 2022 to 15.1 percent of GDP in 2025, reaching close to 18 percent by the end of the projections' period. Efforts should include eliminating VAT tax exemptions, accelerating the removal of business tax exemptions, streamlining the personal income tax regime, improving property regime, fully rolling out new IT system and pursuing public finances management reforms.

- **Revenue coverage**. In addition to greater revenue mobilization efforts, the coverage of fiscal accounts will also be broadened consistent with Government Finance Statistics Manual 2014 (GFSM 2014) to include off-budget earmarked revenues collected by public enterprises.[6] Moreover, following from a WAEMU council of ministers' directive, the authorities will also begin including taxes paid for and collected by the state in relation to donor externally financed projects.

- **A narrowing current account deficit**. The external current account deficit is estimated at 6.5 percent of GDP in 2022 and expected to narrow to 3.1 percent of GDP in 2028. Exports are expected to grow more than imports from 2024 onwards thanks to the implementation of NDP and Côte d'Ivoire 2030 policies, especially on private sector development and export diversification. Exports also benefit from higher prices in key export crops. Fiscal consolidation should also support

[6]Specifically, this will apply to the retroactive inclusion of the Perequation Produit revenue collected by the refinery (SIR).

a narrowing of the current account deficit over the medium term and revert the trade balance to its historical surplus.

- **Risks**. 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, Russia's invasion of Ukraine, tightening of global financial conditions, and rising protectionism. Delivering on domestic revenue mobilization also contains risks. The upside risks consist mainly of the confirmation of the oil discovery full potential, including translating to higher revenue, and the strict implementation of the NDP.

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

	2020	2021	2022	2023	2024	2025	2026	2027	2028
			Prel.			Projections			
	(Annual percentage changes, unless otherwise indicated)								
National Income									
GDP at constant prices	1.7	7.0	6.7	6.2	6.6	6.4	6.3	6.1	6.0
GDP deflator	1.6	2.7	2.8	2.7	2.1	1.9	1.7	1.5	2.0
External Sector (on the Basis of CFA Francs)									
Exports of goods, f.o.b., at current prices	-2.9	18.2	20.7	4.3	9.6	8.9	8.8	8.1	7.6
Imports of goods, f.o.b., at current prices	-1.5	24.3	36.5	3.1	6.6	6.3	7.2	6.8	7.5
Export volume	-2.4	10.2	0.3	5.3	7.9	8.1	8.0	7.2	6.3
Import volume	1.9	11.7	7.0	5.3	6.0	5.7	6.6	6.1	6.1
	(Percent of GDP unless otherwise indicated)								
Central Government Operations									
Total revenue and grants	15.0	15.8	15.3	16.4	17.0	17.4	17.9	17.9	17.9
Total revenue	14.4	15.3	14.8	15.8	16.5	17.0	17.6	17.5	17.6
Total expenditure	20.4	20.7	22.1	21.7	21.1	20.4	20.9	20.9	20.9
Primary expenditure	18.6	18.8	19.9	19.4	18.9	18.1	18.7	18.7	18.7
Primary balance	-3.6	-3.0	-4.6	-3.0	-1.9	-0.8	-0.8	-0.8	-0.9
Overall balance, incl. grants, payment order basis	-5.4	-4.9	-6.8	-5.3	-4.1	-3.0	-3.0	-3.0	-3.1
External Sector									
Current account balance	-3.1	-4.0	-6.5	-5.6	-4.7	-4.0	-3.4	-3.1	-3.1
Non-interest current account balance	-2.1	-2.9	-5.3	-4.4	-3.6	-2.9	-2.4	-2.1	-2.2

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

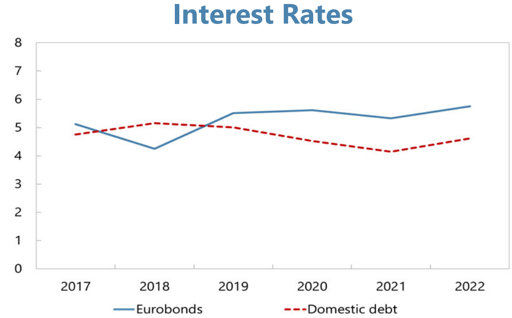
Text Table 4. Côte d'Ivoire: Changes in Economic Assumptions

	Previous DSA			Current DSA		
	2023-2028	2029-2033	2034-2042	2023-2028	2029-2033	2034-2042
Nominal GDP (USD Billion)	98.9	147.9	244.3	93.9	141.2	242.0
Real GDP (y/y % change)	6.2	5.8	5.6	6.4	5.9	5.6
	(Percent of GDP unless otherwise noted)					
Fiscal (Central Government)						
Revenue and grants	15.5	15.7	15.9	17.4	18.7	19.2
of which grants	0.4	0.3	0.3	0.4	0.2	0.1
Primary expenditure	16.6	16.7	16.9	16.6	18.5	19.3
Primary balance	-1.1	-1.0	-1.0	-1.4	0.3	-0.1
Balance of Payments						
Exports of goods and services	20.0	19.3	18.5	22.7	21.4	18.8
Imports of goods and services	16.1	15.7	14.9	19.3	18.0	16.9
Non-interest current account balance	-3.0	-3.3	-3.4	-2.9	-2.7	-4.1
Current account balance	-4.0	-4.2	-4.1	-4.0	-3.5	-4.8
Foreign direct investment (net inflows)	1.3	1.6	1.9	2.0	2.3	2.7

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

9. 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 in 2023 are expected to be met by relying on a mix of sources in domestic and foreign currencies. The authorities communicated their aim to borrow externally in line with their medium-term debt strategy. 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 5 percent of GDP in 2022 to 2.3 percent in 2042. These numbers reflect the most recent IDA disbursement projections. IDA's share of total multilateral financing is projected to increase in the short run and decline in the long term as income per capita increases, going from 70 percent in 2022 to 21 percent in 2042. Net flows from IDA remain positive over the next decade. In the short term, the government is expected to rely on both concessional and non-concessional borrowing to meet its financing needs. The debt service of Eurobonds represents 25 percent of external debt service over the next 3 years. The authorities also intend to balance the recourse to the international and regional markets given the potential crowding-out effect at the regional level. The authorities are pursuing their medium-term debt strategy with the intention to increase domestic debt compared to external debt in the financing mix. They will also update their MTDS this year, taking into account the latest international and regional markets developments. 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).[7] The regional and eurobonds' interest rates are projected to average 5.4 and 5.7 percent respectively over the projections' period, which are above historical paths. The authorities are continuing to strengthen processes related to debt management, with World Bank support. Moreover, debt management will be further strengthened under the program by upgrading the institutional and legislative framework:

Text Figure 4: Côte d'Ivoire: Implied Interest Rates



Sources: Ivorian authorities, World Bank and IMF staff calculations.

- New debt department (Direction générale des financements, DGF): In March 2023, the DGF was created to optimize the mobilization and management of financing resources. Specifically, the new department is tasked to supervise the mobilization of loans and grants, ensure technical coordination of donors' financed projects with co-financing, oversee the design and implementation of the medium-term debt management strategy (MTDS) including the

[7]The projected increase in domestic financing would require significant purchases of Ivoirian securities by WAEMU residents, with potential crowding out of smaller borrowers. The share of Côte d'Ivoire in the regional market would only increase slightly from 36 in 2021 to 38 percent in 2026. 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 increase by 35 percent the volume of domestic issuances within the next 4 years (from around CFAF 2,600 billion projected in 2022 to CFAF 3,500 billion in 2026) at the current yields.

DSA, centralize public debt data and analysis, and develop new financing strategies and instruments.

- New law of public debt policies: The authorities plan to modernize legislative instruments on public debt management (Structural Benchmark, September 2023). The new law will (i) define general objectives for public debt and prudential rules; (ii) establish public debt commitment procedures for ministerial departments and state agencies; (iii) rationalize the framework for debt operation and debt management; (iv) clarify the rules and purposes for government on-lending; (v) and strengthen the institutional framework for public debt management.

10. While setting ambitious targets, the macroeconomic framework is broadly plausible (Figure 4). The realism tool shows that the macroframework, while plausible, will require relatively strong consolidation efforts from the authorities to meet its ambitious targets. The projected medium-term debt-creating flows are below those observed in the past five years which were driven by a sizable residual. The 2.2 percent of GDP residual calculated for 2022 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.

COUNTRY CLASSIFICATION AND DETERMINATION OF SCENARIO STRESS TESTS

11. Côte d'Ivoire is assessed to have medium debt-carrying capacity. Based on the October 2022 WEO macroeconomic framework and the World Bank's 2021 CPIA index, Côte d'Ivoire's composite indicator is 2.94 (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.[8] The relevant thresholds are used to assess debt risk rating.

12. 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$1.2 billion and US$1 billion, respectively) and used about half of the 2020 issuance to buy back bonds with shorter maturities and reduce the currency risk. Its debt management strategy aims at leveraging global capital markets to finance part of the country's gross financing needs when market's conditions are favorable. A tailored test for market financing assumes a temporary increase in the cost of new commercial external borrowing by 400 basis points combined with a nominal depreciation of 15 percent of the CFAF vis-à-vis the US$ and a shortening of maturities and of grace periods.[9]

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[8]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 composite indicator uses ten years of data (5 years of history and 5 years of projections) to smooth out economic cycles.

[9]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.

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 2.94	Medium 2.96	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. **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 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.

14. **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

15. **The country remains at moderate risk of debt distress when judgement is applied despite two temporary breaches under the baseline in 2024 and 2025**. The debt service-to-revenue ratio remains below the 18 percent threshold during the projection period, except for two breaches at 21.9 and 20.6 percent in 2024 and 2025, respectively, which trigger a mechanical rating of high risk of debt distress. The ratio would steadily decline well below the threshold under the Fund-supported program before returning closer to the threshold around 2030. In the long run, it would decrease steadily until the end of projections. The deterioration of the external debt service comes mainly from the deterioration of the euro/US$ exchange, and to a lesser extent the external commercial debt contracted in 2022 on non-concessional terms, with higher interest rate and shorter maturities reflecting the tightening of financial conditions.

16. Applying judgement to maintain a moderate risk of debt distress is warranted by the country's strong track record of market access and active consideration of liabilities management operations. Côte d'Ivoire has enjoyed consistent market access through eurobonds issuance for about the past decade and continues to benefit from one of the stronger credit ratings in Sub-Saharan Africa. Guarantees from regional banks may allow for better financing conditions on external public commercial loans in case of delays in market normalization. This puts the country in a favorable position to undertake liabilities management operations (LMO) to alleviate debt risks as soon as market conditions become more favorable. It is also supported by the risk signal from the market financing pressures tool, which indicates moderate risk (Figure 6).

17. 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 30.5 percent in 2023 to 19.5 percent in 2033 (Table 1 and Figure 1), well below the relevant threshold of 40.[10] The PV of external debt to exports peaks at 126.8 percent at the beginning of the projection period before decreasing and the debt service-to-exports ratio is expected to reach 14.9 percent in 2024, with thresholds respectively at 180 and 15 percent. After the 2024–25 spike, the debt-service-to-revenue ratio is expected to remain below the threshold 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.

18. Exports and depreciation shocks would have a significant negative impact on Côte d'Ivoire's external debt sustainability. An export shock would cause debt service-to-export ratio to breach the threshold from 2024 onward and, while most shocks would cause the debt-service-to-revenue indicator to breach the threshold starting in 2024. This highlights the importance of accelerating policies aiming at active debt management to moderate reliance on external borrowing to address liquidity management in order to strengthen the resilience of the Ivoirian economy to shocks.

PUBLIC DEBT SUSTAINABILITY ANALYSIS

19. 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 slightly decline over the projection period, to around 39 percent by 2033. Meanwhile, the PV of debt-to-revenue and grants ratio would decline from around 323 percent in 2023 to 204 percent in 2033. Finally, the debt service-to-revenue and grants ratio is projected to soar to 47 percent in 2024 and 2025 and decline back to around 19 percent at the end of the projection period. This again underscores the importance of strengthening domestic revenue mobilization.

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[10] 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.

20. Stress tests highlight that Côte d'Ivoire's most extreme public debt vulnerability would emerge from a shock to commodity prices and combined contingent liabilities (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 2023 and would continue growing afterwards. This shock would lead to an explosive pattern of the two debt indicators, which could be exacerbated if commodity prices were to increase even further. Exports of cocoa products represent more than one third of total exports, which makes Côte d'Ivoire particularly sensitive to its commodity price fluctuation, highlighting the importance of accelerating diversification policies. A contingent liability shock would trigger an important spike in 2025 in the debt service to revenue ratio.

RISK RATING AND VULNERABILITIES

21. The new debt sustainability analysis indicates that Côte d'Ivoire remains at moderate risk of external debt distress as in the June 2022 DSA when judgement is applied, and with limited capacity to absorb shocks. Except for two temporary breaches in 2024 and 2025, the debt service-to-revenue ratio remains below but close to its corresponding threshold under the baseline scenario, and the other debt indicators stay below their thresholds. 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. The space to absorb shocks is limited with the external debt-service-to-revenue ratio breaching and then remaining below but close to the threshold during the projection period (Figure 5). This reinforces the focus under the ECF/EFF-supported program of policy commitments to intensify revenue mobilization and promote private-sector led economic transformation, including diversifying the export base. 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. The authorities will keep on evaluating the desirability and timing of tapping the external market—as they did in 2022 when they preferred to refrain from issuing internationally—as the EMBI spread deteriorated since the 2022 DSA. The ECF/EFF arrangement, along with the World Bank DPO should catalyze other donors' financing at concessional terms.

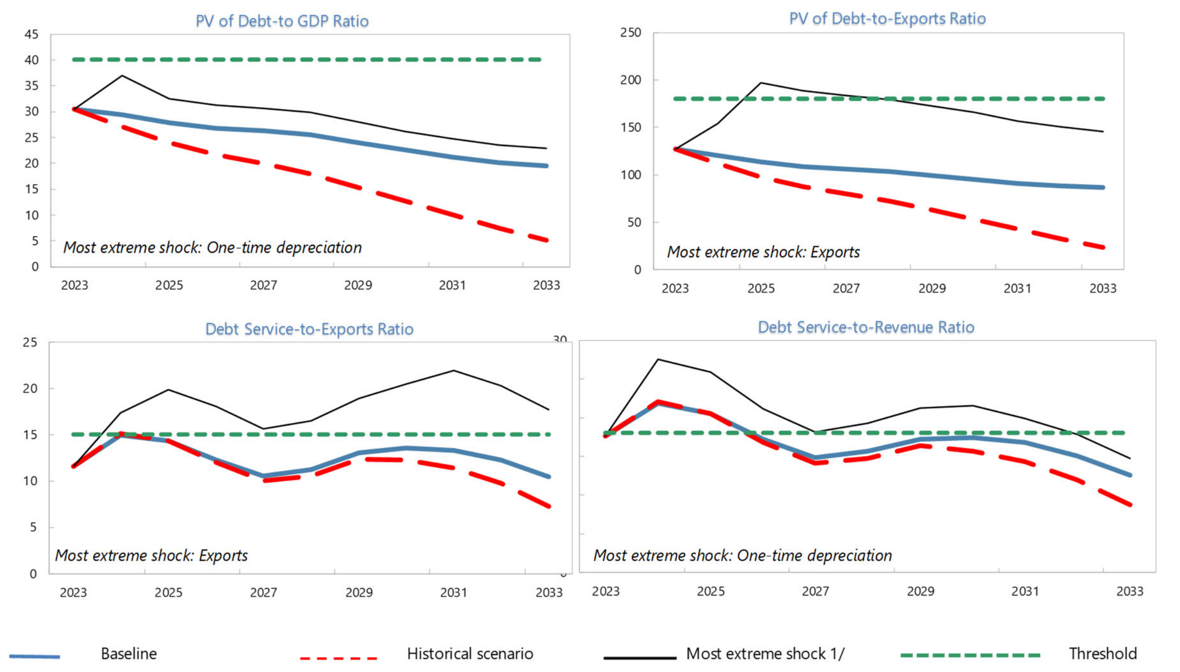
22. This DSA indicates that the overall risk of debt distress also remains moderate, and stress tests highlight high vulnerabilities of external and total debt to shocks. While the overall debt sustainability risk remains moderate, the PV of public debt-to-GDP breaches its threshold of 55 percent starting in 2024 under the most extreme shock (commodity price) arising from the standard stress tests. Three out of four external debt indicators would breach their threshold under the most extreme shocks (exports and depreciation). Risks have been exacerbated by the COVID environment, Russia's invasion of Ukraine, and the global monetary tightening, as the global growth recovery, and hence that of Ivorian exports, could prove weaker than currently projected.

23. The authorities are appropriately focused on building resilience against shocks to debt sustainability. Keeping the country at moderate risk of debt distress is a priority for the authorities and is therefore an anchor under the ECF/EFF arrangement. The authorities' effort to consolidate through continued and sustained domestic revenue mobilization is paramount while remaining committed to containing medium-term public expenditure, to reach the WAEMU target of 3 percent of GDP fiscal deficit, another anchor under the Fund-supported program. Additionally, 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 are committed toward fully integrating SOE debt in their debt sustainability assessment. A careful and active debt management, including balancing domestic and external debt equilibrium, will be crucial to preserve debt sustainability and keep the country at moderate risk of debt distress.

AUTHORITIES' VIEWS

24. The authorities agreed that Côte d'Ivoire remains at moderate risk of debt distress. The authorities are strongly committed to keeping the country at moderate risk of debt distress. They are aware that the external debt service to revenue ratio breaches twice the threshold in 2024 and 2025 leaving limited margin to absorb shocks. To that extent, they are committed to continue actively managing their debt portfolio and monitoring closely the concessionality of new contracts and the pace of disbursements to remain in the same debt distress category and are strongly committed to the policies and targets under the ECF/EFF program for increasing domestic revenue mobilization.

Figure 1. Côte d'Ivoire: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2023–33[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	3.2%	3.2%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	18	18
Avg. grace period	5	5

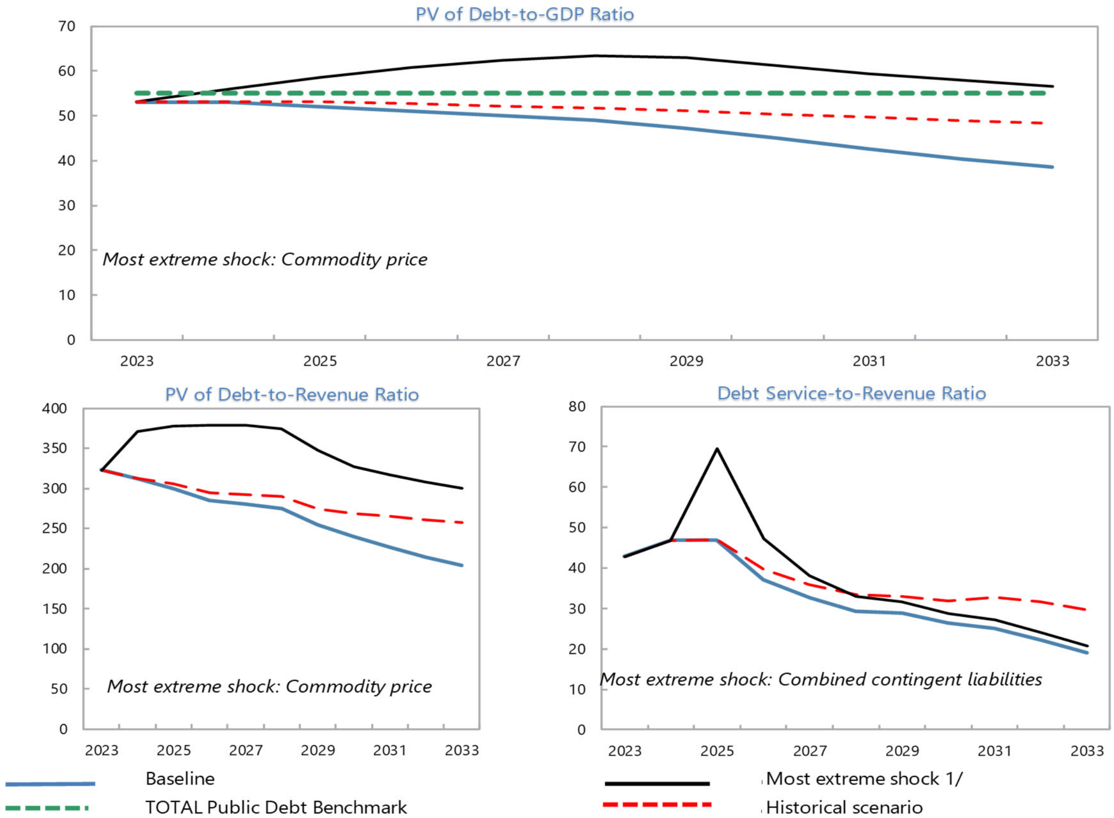
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2033. 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.

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

Figure 2. Côte d'Ivoire: Indicators of Public Debt Under Alternative Scenarios, 2023–33



Borrowing Assumptions on Additional Financing Needs Resulting from the Stress Tests*	Default	User Defined
External PPG medium and long-term	58%	58%
Domestic medium and long-term	37%	37%
Domestic short-term	5%	5%
Terms of Marginal Debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	3.2%	3.2%
Avg. maturity (incl. grace period)	18	18
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.7%	3.7%
Avg. maturity (incl. grace period)	1	1
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	3.6%	3.6%

* 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.

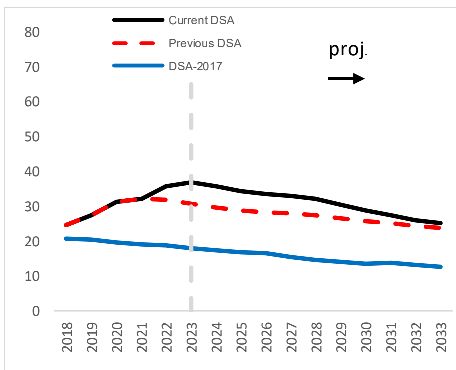
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. 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.

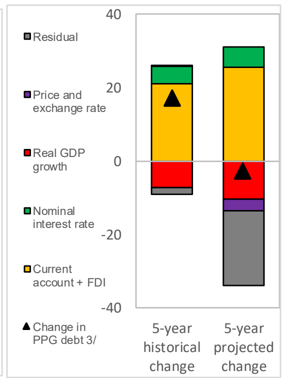
Figure 3. Côte d'Ivoire: Drivers of Debt Dynamics – Baseline Scenario

External debt

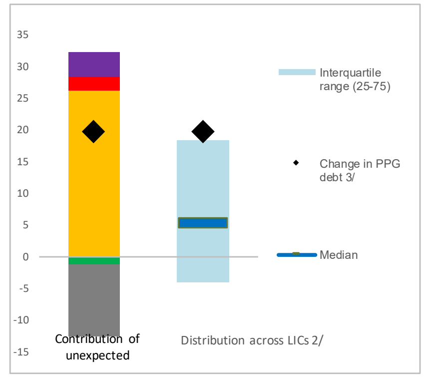
Gross Nominal PPG External Debt
(in percent of GDP; DSA vintages)



Debt-Creating Flows
(Percent of GDP)

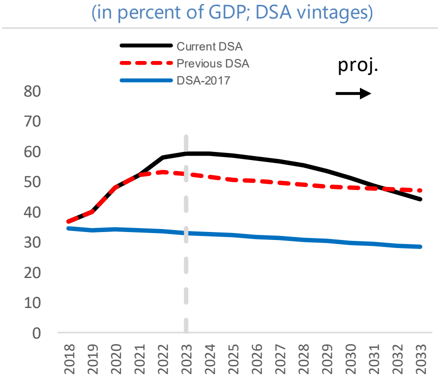


Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)

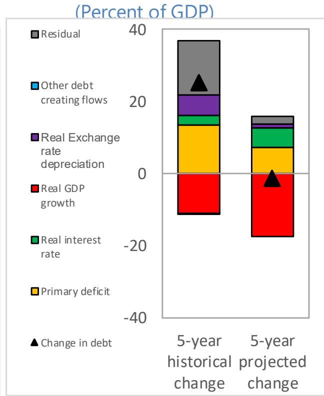


Public debt

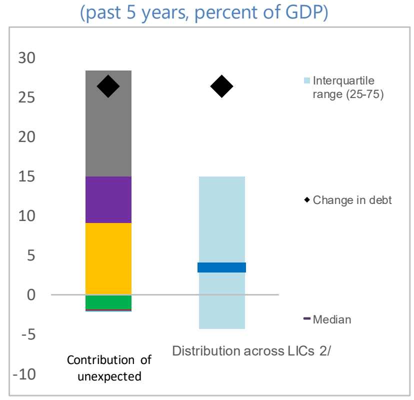
Gross Nominal Public Debt
(in percent of GDP; DSA vintages)



Debt-Creating flows
(Percent of GDP)



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



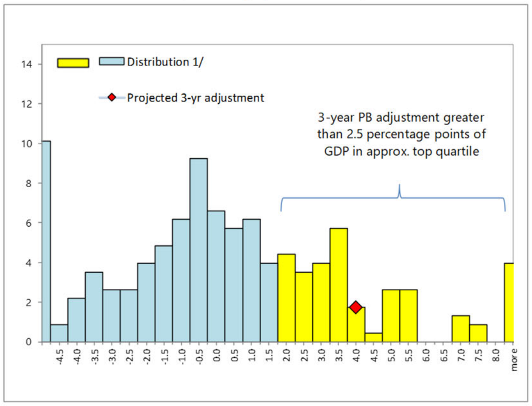
1/ Difference between anticipated and actual contributions on debt ratios.

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

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

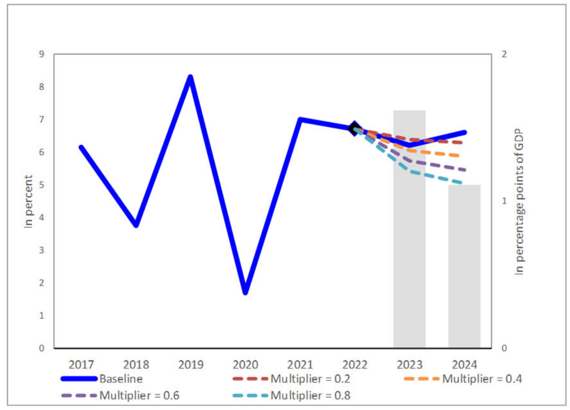
Figure 4. Côte d'Ivoire: Realism Tools

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



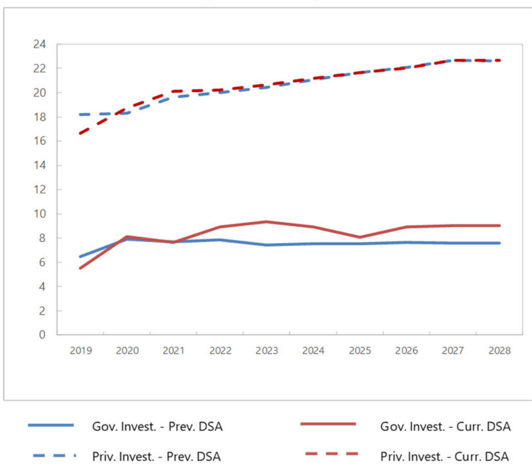
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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)

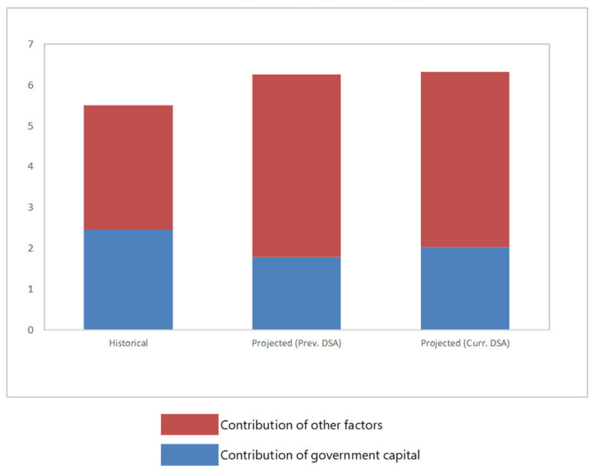


Figure 5. Côte d'Ivoire: Qualification of the Moderate Category, 2023-33[1/]

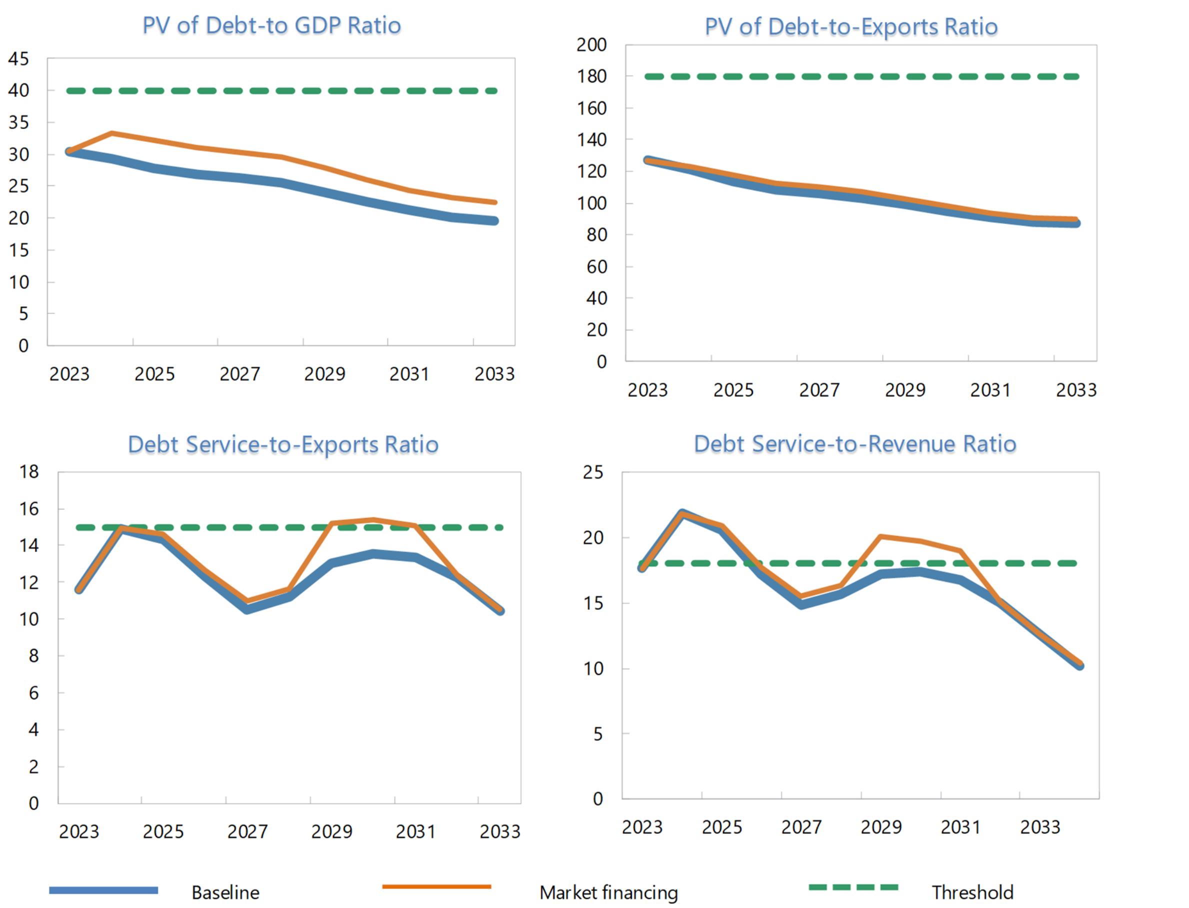
Sources: Country authorities; and staff estimates and projections.

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	756
Breach of Benchmark	No	Yes
Potential Heightened Liquidity Needs	Moderate	

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



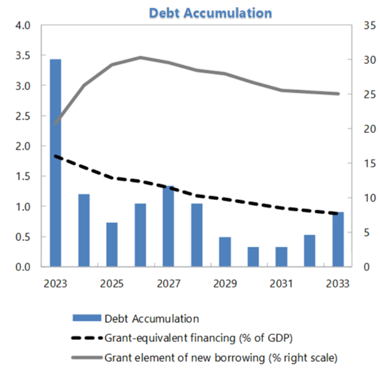
Sources: Country authorities; and staff estimates and projections.

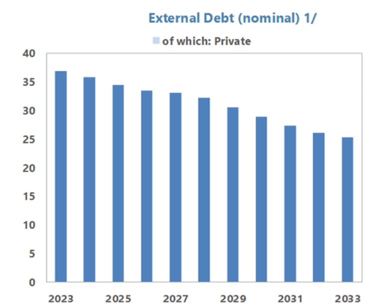
Table 1. Côte d'Ivoire: External Debt Sustainability Framework, Baseline Scenario, 2020–43

(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
External Debt (nominal) 1/	31.4	32.2	35.8	36.8	35.8	34.4	33.5	33.0	32.2	25.3	20.1	22.9	31.3
of which: public and publicly guaranteed (PPG)	31.4	32.2	35.8	36.8	35.8	34.4	33.5	33.0	32.2	25.3	20.1	22.9	31.3
Change in external debt	4.0	0.7	3.7	1.0	-1.0	-1.4	-0.9	-0.4	-0.9	-0.8	-0.7		
Identified Net Debt-Creating Flows	2.9	1.7	8.7	5.4	4.5	4.0	3.5	3.3	3.4	5.0	8.1	2.2	4.1
Non-interest current account deficit	2.1	2.9	5.5	4.4	3.6	2.9	2.4	2.1	2.2	3.2	5.7	1.6	2.8
Deficit in balance of goods and services	-0.9	-0.1	2.8	2.0	1.2	0.5	0.0	-0.3	-0.2	0.8	3.3	-1.2	0.4
Exports	21.0	22.6	24.9	24.0	24.3	24.5	24.7	24.8	24.7	22.4	19.5		
Imports	20.1	22.5	27.6	26.1	25.5	25.0	24.7	24.5	24.4	23.2	22.8		
Net current transfers (negative = inflow)	1.1	0.9	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
of which: official	-0.1	0.0	-0.4	-0.4	-0.4	-0.2	-0.1	-0.1	0.0	0.0	0.0		
Other current account flows (negative = net inflow)	1.9	2.0	1.7	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.8	1.5
Net FDI (negative = inflow)	1.1	1.5	1.4	1.8	2.0	2.1	2.1	2.1	2.2	2.4	2.9	1.1	2.2
Endogenous debt dynamics 2/	-0.3	-2.7	1.8	-0.9	-1.1	-1.0	-1.0	-0.9	-0.9	-0.7	-0.5		
Contribution from nominal interest rate	1.1	1.1	1.0	1.1	1.2	1.1	1.0	1.0	1.0	0.7	0.6		
Contribution from real GDP growth	-0.4	-1.9	-2.2	-2.0	-2.3	-2.1	-2.0	-1.9	-1.9	-1.4	-1.1		
Contribution from price and exchange rate changes	-0.9	-1.9	3.0	...	...	...	...	...	...	...	...		
Residual 3/	1.1	-1.0	-5.0	-4.4	-5.5	-5.4	-4.4	-3.8	-4.3	-5.7	-8.7	0.1	-5.1
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	...	...	30.1	30.5	29.3	27.8	26.8	26.2	25.5	19.5	15.6		
PV of PPG external debt-to-exports ratio	...	...	121.1	126.8	120.8	113.7	108.4	105.9	103.4	87.0	80.1		
PPG debt service-to-exports ratio	8.4	8.9	9.0	11.6	14.9	14.4	12.3	10.5	11.2	10.5	8.9		
PPG debt service-to-revenue ratio	12.3	13.1	15.1	17.6	21.9	20.6	17.2	14.8	15.7	12.5	8.5		
Gross external financing need (Million of U.S. dollars)	3121.8	4604.8	6381.1	6973.1	7676.4	7678.5	7310.3	7135.0	7872.2	13026.6	35485.3		
Key Macroeconomic Assumptions													
Real GDP growth (in percent)	1.7	7.0	6.7	6.2	6.6	6.4	6.3	6.1	6.0	5.8	5.6	6.8	6.1
GDP deflator in US dollar terms (change in percent)	3.5	6.5	-8.5	3.6	1.3	1.6	1.4	1.0	0.9	2.0	2.0	0.1	1.8
Effective interest rate (percent) 4/	4.1	4.1	3.1	3.5	3.4	3.3	3.2	3.2	3.1	3.1	3.1	3.9	3.2
Growth of exports of G&S (US dollar terms, in percent)	-4.1	22.7	7.5	6.4	9.1	8.9	8.8	7.5	6.5	5.7	6.7	3.3	7.0
Growth of imports of G&S (US dollar terms, in percent)	-1.7	27.9	19.8	3.8	5.5	6.0	6.5	6.4	6.5	7.0	5.7	5.5	6.3
Grant element of new public sector borrowing (in percent)	...	...	...	20.8	26.2	29.2	30.3	29.5	28.4	25.0	22.0	...	26.8
Government revenues (excluding grants, in percent of GDP)	14.4	15.3	14.8	15.8	16.6	17.1	17.7	17.6	17.6	18.7	20.3	13.9	17.7
Aid flows (in Million of US dollars) 5/	336.3	333.1	375.5	1307.1	1336.6	1312.2	1405.0	1528.0	1251.0	1235.2	425.0		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.8	1.6	1.5	1.4	1.3	1.2	0.9	0.4	...	1.3
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	29.4	34.2	36.0	36.5	36.0	34.8	30.1	22.0	...	33.2
Nominal GDP (Million of US dollars)	63,074	71,849	70,180	77,194	83,384	90,141	97,114	104,087	111,348	163,588	344,520		
Nominal dollar GDP growth	5.3	13.9	-2.3	10.0	8.0	8.1	7.7	7.2	7.0	7.9	7.7	6.8	8.0
Memorandum Items:													
PV of external debt 7/	...	...	30.1	30.5	29.3	27.8	26.8	26.2	25.5	19.5	15.6		
In percent of exports	...	...	121.1	126.8	120.8	113.7	108.4	105.9	103.4	87.0	80.1		
Total external debt service-to-exports ratio	8.4	8.9	9.0	11.6	14.9	14.4	12.3	10.5	11.2	10.5	8.9		
PV of PPG external debt (in Million of US dollars)			21124.6	23530.2	24457.4	25066.6	26007.6	27307.6	28390.1	31855.1	53847.1		
(PVt-PVt-1)/GDPt-1 (in percent)				3.4	1.2	0.7	1.0	1.3	1.0	0.9	0.7		
Non-interest current account deficit that stabilizes debt ratio	-1.9	2.1	1.8	3.5	4.6	4.3	3.3	2.6	3.0	4.0	6.3		

Definition of External/Domestic Debt	Currency-Based
Is there a material difference between the two criteria?	Yes





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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.

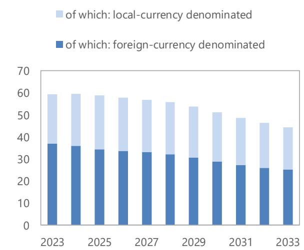
Table 2. Côte d'Ivoire: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020–43

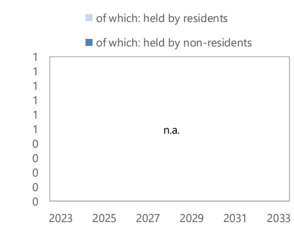
(Percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
Public Sector Debt 1/	**48.1**	**52.1**	**58.1**	**59.3**	**59.4**	**58.6**	**57.7**	**56.6**	**55.6**	**44.3**	**32.6**	**38.0**	**53.7**
of which: external debt	**31.4**	**32.2**	**35.8**	**36.8**	**35.8**	**34.4**	**33.5**	**33.0**	**32.2**	**25.3**	**20.1**	**22.9**	**31.3**
Change in public sector debt	8.0	4.0	5.9	1.3	0.1	-0.8	-0.9	-1.1	-1.1	-2.0	-0.7		
Identified Debt-Creating Flows	**2.0**	**2.9**	**3.7**	**0.0**	**-0.7**	**-1.6**	**-1.4**	**-1.2**	**-1.2**	**-1.4**	**-0.3**	**1.0**	**-1.3**
Primary deficit	**3.6**	**3.0**	**4.6**	**3.0**	**1.9**	**0.8**	**0.9**	**0.8**	**0.9**	**-0.3**	**0.4**	**1.9**	**0.6**
Revenue and grants	15.0	15.8	15.3	16.4	17.0	17.4	17.9	17.9	17.9	18.8	20.3	**14.8**	**18.0**
of which: grants	0.5	0.5	0.5	0.7	0.5	0.4	0.3	0.3	0.3	0.2	0.0		
Primary (noninterest) expenditure	18.6	18.8	19.9	19.4	18.9	18.1	18.8	18.7	18.7	18.5	20.7	**16.7**	**18.6**
Automatic Debt Dynamics	**-1.6**	**-0.1**	**-0.6**	**-3.0**	**-2.6**	**-2.4**	**-2.2**	**-2.0**	**-2.1**	**-1.1**	**-0.7**		
Contribution from interest rate/growth differential	0.6	-2.9	-3.8	-3.0	-2.6	-2.4	-2.2	-2.0	-2.1	-1.1	-0.7		
of which: contribution from average real interest rate	1.3	0.3	-0.5	0.4	1.1	1.2	1.3	1.3	1.1	1.4	1.0		
of which: contribution from real GDP growth	-0.7	-3.1	-3.3	-3.4	-3.7	-3.6	-3.5	-3.3	-3.2	-2.5	-1.8		
Contribution from real exchange rate depreciation	-2.2	2.8	3.2	...	...	...	...	...	...	...	...		
Other Identified Debt-Creating Flows	**0.0**	**0.0**	**-0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.1**	**0.0**
Privatization receipts (negative)	0.0	0.0	-0.3	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)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**6.0**	**1.2**	**2.2**	**1.3**	**0.8**	**0.8**	**0.4**	**0.1**	**0.1**	**-0.6**	**-0.4**	**2.3**	**0.0**
Sustainability Indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**52.2**	**53.1**	**53.0**	**52.1**	**51.0**	**50.0**	**49.0**	**38.5**	**28.2**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**341.0**	**323.0**	**312.0**	**299.5**	**285.0**	**279.9**	**274.5**	**204.5**	**138.8**		
Debt service-to-revenue and grants ratio 3/	**32.4**	**32.8**	**41.5**	**42.8**	**46.8**	**46.9**	**37.1**	**32.6**	**29.4**	**19.0**	**12.5**		
Gross financing need 4/	8.4	8.1	10.6	10.0	9.8	8.9	7.5	6.6	6.1	3.3	2.9		
Key Macroeconomic and Fiscal Assumptions													
Real GDP growth (in percent)	1.7	7.0	6.7	6.2	6.6	6.4	6.3	6.1	6.0	5.8	5.6	**6.8**	**6.1**
Average nominal interest rate on external debt (in percent)	4.1	3.9	3.3	3.5	3.4	3.3	3.2	3.2	3.2	3.1	3.1	**3.9**	**3.2**
Average real interest rate on domestic debt (in percent)	4.5	2.7	2.7	2.4	3.1	3.4	3.6	3.9	3.4	3.5	3.7	**3.3**	**3.4**
Real exchange rate depreciation (in percent, + indicates depreciation)	-7.9	9.6	11.1	...	...	...	...	...	...	...	...	**3.1**	**...**
Inflation rate (GDP deflator, in percent)	1.6	2.7	2.8	2.7	2.1	1.9	1.7	1.5	2.0	2.0	2.0	**1.9**	**2.0**
Growth of real primary spending (deflated by GDP deflator, in percent)	19.0	8.2	13.2	3.7	3.4	2.3	10.0	5.5	6.3	6.7	10.8	**10.0**	**5.4**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-4.4	-1.1	-1.3	1.7	1.8	1.5	1.8	1.9	1.9	1.8	1.1	**-2.3**	**1.9**
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.

Table 3. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2023–33

(Percent)

	Projections 1/										
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
PV of Debt-to GDP Ratio											
Baseline	30	29	28	27	26	25	24	23	21	20	19
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	30	27	24	22	20	18	15	13	10	7	5
B. Bound Tests											
B1. Real GDP growth	30	30	30	29	28	27	26	24	23	22	21
B2. Primary balance	30	30	31	30	30	29	28	26	25	23	22
B3. Exports	30	33	37	35	35	34	32	30	28	26	25
B4. Other flows 3/	30	30	29	28	27	26	25	23	22	21	20
B5. Depreciation	30	37	32	31	31	30	28	26	25	24	23
B6. Combination of B1-B5	30	33	31	30	29	28	27	25	23	22	21
C. Tailored Tests											
C1. Combined Contingent Liabilities	30	34	34	34	33	32	31	29	27	26	25
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	30	30	29	28	28	28	26	24	23	22	21
C4. Market Financing	30	33	32	31	30	30	28	26	24	23	22
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of Debt-to-Exports Ratio											
Baseline	127	121	114	108	106	103	99	95	91	88	87
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	127	112	98	88	80	73	63	53	43	33	23
B. Bound Tests											
B1. Real GDP growth	127	121	114	108	106	103	99	95	91	88	87
B2. Primary balance	127	124	126	123	121	119	114	109	105	102	100
B3. Exports	127	154	**197**	**188**	**184**	180	173	166	157	150	146
B4. Other flows 3/	127	122	117	111	109	106	102	97	93	90	89
B5. Depreciation	127	121	105	100	98	96	91	87	84	82	81
B6. Combination of B1-B5	127	143	116	135	132	129	124	118	113	109	108
C. Tailored Tests											
C1. Combined Contingent Liabilities	127	140	139	136	134	131	126	122	117	114	113
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	123	119	115	114	112	107	103	98	95	94
C4. Market Financing	127	123	118	112	110	107	103	98	94	91	90
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt Service-to-Exports Ratio											
Baseline	12	15	14	12	11	11	13	14	13	12	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	12	**15**	14	12	10	11	12	12	11	10	7
B. Bound Tests											
B1. Real GDP growth	12	15	14	12	11	11	13	14	13	12	10
B2. Primary balance	12	15	15	13	11	12	14	14	15	14	12
B3. Exports	12	**17**	**20**	**18**	**16**	**17**	**19**	**20**	**22**	**20**	**18**
B4. Other flows 3/	12	15	14	12	11	11	13	14	14	13	11
B5. Depreciation	12	15	14	12	10	11	13	13	13	12	10
B6. Combination of B1-B5	12	**16**	**18**	**15**	13	14	**16**	**17**	**17**	**15**	13
C. Tailored Tests											
C1. Combined Contingent Liabilities	12	15	**15**	13	11	12	14	14	14	13	11
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	12	**15**	15	13	11	12	14	14	14	13	11
C4. Market Financing	12	15	15	13	11	12	**15**	**15**	**15**	12	11
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt Service-to-Revenue Ratio											
Baseline	18	**22**	**21**	17	15	16	17	17	17	15	13
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	18	**22**	**20**	17	14	15	16	16	14	12	9
B. Bound Tests											
B1. Real GDP growth	18	**23**	**22**	**19**	16	17	**19**	**19**	**18**	16	14
B2. Primary balance	18	**22**	**21**	**18**	16	17	**18**	**19**	**18**	17	14
B3. Exports	18	**22**	**22**	**19**	17	18	**19**	**20**	**21**	**19**	16
B4. Other flows 3/	18	**22**	**21**	17	15	16	17	18	17	15	13
B5. Depreciation	18	**28**	**26**	**21**	**18**	**19**	**21**	**22**	**20**	18	15
B6. Combination of B1-B5	18	**23**	**23**	**19**	16	17	**19**	**20**	**19**	17	14
C. Tailored Tests											
C1. Combined Contingent Liabilities	18	**22**	**22**	**19**	16	17	**19**	**19**	18	16	14
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	18	**25**	**24**	**20**	17	18	**19**	**19**	**18**	16	14
C4. Market Financing	18	**22**	**21**	18	16	16	**20**	**20**	**19**	15	13
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, 2023–33

(Percent)

	Projections 1/										
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**
PV of Debt-to-GDP Ratio											
Baseline	53	53	52	51	50	49	47	45	43	40	39
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	53	53	53	53	52	52	51	50	50	49	48
B. Bound Tests											
B1. Real GDP growth	53	**56**	**58**	**58**	**58**	**58**	**57**	**55**	54	53	52
B2. Primary balance	53	54	**57**	**55**	54	53	51	49	46	44	42
B3. Exports	53	**56**	**60**	**59**	**58**	**56**	54	52	49	46	43
B4. Other flows 3/	53	53	53	52	51	50	48	46	43	41	39
B5. Depreciation	53	**59**	**56**	53	51	49	45	42	38	35	32
B6. Combination of B1-B5	53	52	53	52	51	49	47	45	42	40	37
C. Tailored Tests											
C1. Combined Contingent Liabilities	53	**61**	**60**	**59**	**57**	**56**	54	52	49	47	45
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	53	**56**	**58**	**61**	**62**	**63**	**63**	**61**	**59**	**58**	**57**
C4. Market Financing	53	54	53	52	51	50	48	46	43	41	39
TOTAL Public Debt Benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	323	312	299	285	280	274	254	240	227	215	204
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	323	313	306	294	292	290	275	269	265	260	257
B. Bound Tests											
B1. Real GDP growth	323	327	332	323	323	324	306	296	287	279	273
B2. Primary balance	323	320	325	309	303	297	275	259	246	233	222
B3. Exports	323	329	346	329	323	316	293	276	260	244	230
B4. Other flows 3/	323	314	304	289	284	278	258	243	230	217	207
B5. Depreciation	323	348	324	299	285	272	244	224	204	186	171
B6. Combination of B1-B5	323	307	308	291	284	277	255	239	224	211	199
C. Tailored Tests											
C1. Combined Contingent Liabilities	323	362	345	327	321	314	291	275	261	248	236
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	323	371	377	379	379	375	347	327	317	307	300
C4. Market Financing	323	315	305	290	286	280	259	244	231	218	208
Debt Service-to-Revenue Ratio											
Baseline	43	47	47	37	33	29	29	26	25	22	19
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	43	47	47	40	36	33	33	32	33	32	30
B. Bound Tests											
B1. Real GDP growth	43	49	52	44	40	37	37	35	34	32	29
B2. Primary balance	43	47	51	45	37	32	31	28	27	25	22
B3. Exports	43	47	47	39	34	31	30	29	29	26	22
B4. Other flows 3/	43	47	47	37	33	30	29	27	25	22	19
B5. Depreciation	43	47	51	40	35	33	33	30	29	25	21
B6. Combination of B1-B5	43	45	47	41	34	29	29	26	25	22	19
C. Tailored Tests											
C1. Combined Contingent Liabilities	43	47	70	47	38	33	32	29	27	24	21
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	43	53	61	55	51	47	44	39	38	35	33
C4. Market Financing	43	47	47	38	33	30	32	29	27	22	19

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. Facinet Sylla, Executive Director for Côte d'Ivoire, Mr. Marcellin Koffi Alle, Senior Advisor and Mr. Abdoulaye Tall, Advisor to the Executive Director

Executive Board Meeting
May 24, 2023

On behalf of our Ivoirian authorities, I would like to thank the Managing Director for successively hosting the Vice-President and the Prime Minister of Côte d'Ivoire for discussions on a new arrangement. I would also like to thank Management and Staff for the constructive engagement with the authorities both in Abidjan and in Washington during the Spring meetings.

Côte d'Ivoire registered a remarkable economic performance before the Covid-19 pandemic. Under the authorities' *National Development Plan* (NDP), real GDP growth averaged about 8 percent during 2012-2019, the fiscal deficit and inflation were kept below the 3 percent regional targets, and the debt ratio stood at 37.9 percent of GDP. The economic performance over the last decade has led to a 13 percent increase in real per capita income, significant poverty reduction, and progress in the reduction of income inequalities. With Côte d'Ivoire accounting for over 41 percent of the Union's GDP, this performance has had a positive effect on the entire WAEMU sub-region.

However, a succession of shocks, notably the Covid-19 pandemic, the war in Ukraine, and the recent global financial market tightening negatively impacted Côte d'Ivoire, like the rest of the world. In addition to the global shocks, security threats in the Sahel region compounded the adverse external environment.

In this challenging socio-economic context, the authorities' immediate response aimed at protecting the population's health and its purchasing power. Building on the foundations of the 2016-2020 NDP, the authorities also adopted the successor 2021-2025 NDP and policies for the next decade, as detailed in *Côte d'Ivoire Vision 2030*, with the ambition of reaching upper-middle-income country status by 2030. The goals are a sustained 7.7 percent of GDP growth rate per year throughout 2025, the doubling of per capita income over the decade to 2030, and the creation of 8 million jobs by 2030, mostly benefiting the youth and women.

With forceful policy responses, the country weathered the shocks relatively better than peers, although internal and external buffers deteriorated. With the view to preserving the hard-won gains, and to maintaining the momentum for their structural transformation reforms, amidst a challenging policy environment, the authorities are requesting a blend arrangement under the Extended Fund Facility (EFF) and a 40-month arrangement under the Extended Credit Facility (ECF).

RECENT ECONOMIC DEVELOPMENTS

Recent economic developments were dominated by the recovery from the Covid-19, and the efforts to contain rising prices of fuel and staples resulting from the crisis in Ukraine and the pandemic-related supply chain disruptions.

After settling at 1.7 percent in 2020 due to the pandemic, growth strongly rebounded to 7.4 percent in 2021 and 6.7 percent in 2022. The recovery was broad-based. However, inflation accelerated from 4.2 percent in 2021 to 5.2 percent in 2022. In response, the authorities introduced temporary measures aimed at containing direct-price inflation and second-round effects of high inflation, including regulatory controls of the prices of the main consumer staples, subsidies for retail oil prices, and incentives to increase domestic supply. They also sought to protect the purchasing power of households by increasing the minimum wage, as well as civil servants' salaries.

These emergency measures, as well as security-related spending, and the slower growth rate, led to lower fiscal revenues and increased spending. As a result, the fiscal deficit rose from 4.9 percent of GDP in 2021 to 6.8 percent of GDP in 2022. The external balances deteriorated as well, due to higher import prices.

The outlook for medium term growth is brighter, helped by the development of an important offshore oil deposit, the *Baleine* oil and gas field, and the scaling up of priority investments under the NDP. Nonetheless, downside risks remain, including those related to the volatility of commodity export prices, developments in the war in Ukraine, and spillovers from the security situation in the Sahel region.

THE EFF/ECF PROGRAM

With the blend EFF/ECF arrangement, the authorities would aim at consolidating macroeconomic stability in the near-term, restoring gradually internal and external buffers, while enacting their comprehensive structural transformation agenda. The program is in line with the latest NDP and *Côte d'Ivoire Vision 2030* and includes wide-ranging reforms to build resilience and lay the foundation for stronger and more inclusive growth.

Fiscal policies

The authorities' fiscal policy goals are to mobilize more domestic resources for higher priority and social sectors spending. Key policies under the program include a large and frontloaded fiscal consolidation plan to anchor fiscal sustainability and converge towards the regional deficit target of 3 percent of GDP by 2025.

On the revenue side, the authorities intend to implement fiscal and revenue administration measures with an estimated yield of 1.1 percent of GDP in 2023. Key policy actions include the reinstatement of the automatic pricing mechanism for petroleum products, digitalization and tax administration measures aimed at broadening the tax base, combating fraud, and stepping up the collection of tax arrears. Leveraging IMF technical assistance, the authorities will design and adopt by end-May 2024 a medium-term revenue mobilization strategy aiming to address longstanding weaknesses in revenue collection and to broaden sustainably the tax base. The measures are expected to yield further increases of revenues of about 0.5 percent of GDP per year from 2024 throughout 2026.

On spending, the authorities' policies will seek to improve spending efficiency, while protecting priority social spending and inclusive growth-enhancing investments. In this context, they will phase out untargeted crisis-era blanket subsidies, while scaling up cash transfers allocated to vulnerable households and enrollments operations in the universal health coverage, consistent with its social program *PSGouv*. Unveiled under the highest authorities' leadership, the retained key policy initiatives aim to create more employment opportunities for women and the youth, including through vocational training (*PJGouv 2023-2025*). The authorities also plan to advance the implementation of program budgeting reforms, and to rationalize further the expenditure chain, with the view to realizing additional efficiency gains.

On debt sustainability, Côte d'Ivoire is at a moderate risk of debt distress. Staff positively notes several mitigating factors, including: i) the limited number of breaches of the rating thresholds under the alternative stress-test scenarios, ii) Côte d'Ivoire's strong track record of market access, and iii) the authorities' history of successful implementation of reforms. The authorities indeed are strongly committed to keeping the country at a moderate or low risk of debt distress. To this end, they are committed to continue to pro-actively manage their debt portfolio, monitor closely new borrowing terms, and stay the course with strong reforms aimed at increasing domestic revenues. The authorities are also planning reforms to strengthen the debt management framework, with the adoption and implementation of new debt legislation, and the overhaul of the debt department.

Monetary and financial sector policies

Conducted at the regional level, monetary policy had been on a tightening cycle. The regional central bank, BCEAO, has repeatedly increased its policy rate to contain inflation within its target range and to help rebuild international reserves. The monetary authorities recently communicated their readiness to raise rates further as needed to achieve their price stability mandate.

The banking system remained resilient with the capital adequacy ratios around 13 percent, higher than required under the regional prudential framework. The authorities will continue to monitor the banking sector to ensure that it remains sound.

They are also scaling up financial deepening and inclusion through the implementation of the Financial Sector Development Strategy and the National Financial Inclusion Strategy. Notable actions include the digitalization of payments, and the mobilization of long-term resources leveraging the activities of the *Caisse de Dépôt et de Consignation*.

The regional central bank's safeguards assessment is currently underway. The last assessment conducted by the IMF concluded that the BCEAO had strong governance frameworks and robust control systems. The latest FSAP assessment also found that all the recommendations made were implemented.

Structural reforms

Transformative structural reforms are an essential part of the authorities' efforts under the NDP strategy to reinvigorate private sector-led growth by improving the business environment, governance, and productivity.

To improve the business climate and foster a private sector-led growth, the authorities plan to deepen reforms already in train and rationalize the public administration, simplify, and digitalize procedures to create and register businesses, as well as property registry. On digitalization, they launched *e-fournisseur,* a digital platform aimed at completely digitalizing and improving the transparency of the public procurement process. They also unveiled several initiatives to foster a dynamic SME ecosystem, including a one-stop shop for enterprise development, *GUDE-CI*, and *PEPITE-CI 2030*, with both capacity building and financing components for SMEs. The creation of industrial and agricultural clusters will also be accelerated throughout the country. In this regard, dedicated industrial zones, and two of the nine planned agricultural clusters, are already being developed.

The authorities also plan major reforms to improve the efficiency of **state-owned enterprises**, with the strengthening of the oversight from the Board of Directors, the mandatory use of performance contracts for CEOs, as well as the institution of regular external audits of SOE operations. Furthermore, an independent consultant will evaluate and make recommendations on further strengthening the governance of SOEs. In the key electricity sector, the authorities plan to scale up investments to consolidate Côte d'Ivoire's position as a subregional energy hub and will restore the financial soundness of the sector by addressing export arrears accumulated by Energies du Mali and arrears due to independent power producers.

On governance and transparency, the authorities are committed to strengthening governance further and to combating corruption forcefully. The reforms already implemented were recognized by improvements in Côte d'Ivoire's ranking by Transparency International from 105 to 99 slots. Building on these gains, the authorities have adopted a National Anti-Corruption Strategy and started implementing the System for the Detection and Prevention of Acts of Corruptions and Related Offences. Additional actions envisioned include institutional strengthening, the implementation of the National Action Plan under the African Peer Evaluation Mechanism, and the broadening of assets disclosure.

On climate change, the authorities plan to step up the implementation of their ambitious climate strategy and their commitments under the Abidjan Legacy Program and their Nationally Determined Contributions. On climate mitigation, they pledged to reduce greenhouse gas emissions by 30.41 percent by 2030. On adaptation, they will continue the implementation of actions identified in the National Climate Change and Gender Strategy. They also plan further actions supported by the IMF's *Resilience and Sustainability Trust* (RST). In this vein, they have requested green PFM and C-PIMA technical assistance, in addition to a Country Climate and Development Report from the World Bank.

CONCLUSION

Côte d'Ivoire is an important growth and stability pole for West Africa. Even as they faced significant shocks to the economy, the authorities have been steadfast in implementing at a deliberate pace the reforms needed to double the income of the population in this decade, and to achieve the structural transformation of the economy, while consolidating macroeconomic stability.

Building on the authorities forward-looking commitments, and their outstanding track record of implementing sound policies, we would appreciate Executive Directors' support for the authorities' requests for an Extended Arrangement Under the Extended Fund Facility and a 40-Month Arrangement Under the Extended Credit Facility.