

**Côte d'Ivoire: Request for Emergency Post-Conflict Assistance—Staff Report; Staff Statement; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Côte d'Ivoire**

In the context of a request for emergency post-conflict assistance, the following documents have been released and are included in this package:

- The staff report for the Request for Emergency Post-Conflict Assistance, prepared by a staff team of the IMF, following discussions that ended on February 28, 2008, with the officials of Côte d'Ivoire on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on March 21, 2008. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- A staff statement of April 4, 2008, updating information on recent developments.
- A Press Release summarizing the views of the Executive Board as expressed during its April 4, 2008 discussion of the staff report that completed the review.
- A statement by the Executive Director for Côte d'Ivoire.

The documents listed below will be separately released.

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

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

**Use of Fund Resources—Request for  
Emergency Post-Conflict Assistance**

Prepared by the African Department  
(In consultation with other departments)

Approved by Thomas Krueger and Michael Hadjimichael

March 21, 2008

- Discussions on Emergency Post-Conflict Assistance (EPCA) were held in Abidjan during November 13–26, 2007 and February 21–28, 2008. The team consisted of Messrs. Kouwenaar (head), Egoumé (resident representative), Fabig, Le Hen, and Ms. Minoiu (all AFR), and Mr. de Schaetzen (PDR). Mr. Allé, senior advisor to the Executive Director for Côte d'Ivoire, participated in the discussions.
- The Ivoirien authorities request a second EPCA purchase of SDR40.65 million, equivalent to 12.5 percent of quota. An EPCA purchase of SDR 40.65 million was approved by the Executive Board on August 3, 2007 (Country Report No. 07/312).
- Côte d'Ivoire's outstanding use of Fund resources was SDR109.77 million (33.76 percent of quota) at end-February 2008. It is current in its payments to the Fund. Relations with the Fund, World Bank, and AfDB, and statistical issues are discussed in the Informational Annex.
- Côte d'Ivoire is a member of the West African Economic and Monetary Union (WAEMU) whose currency, the CFA franc, is pegged to the euro.

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## ACRONYMS

AfDB	African Development Bank
AFRITAC-West	Africa Technical Assistance Center–West (Bamako)
BCEAO	Central Bank of West African States
BNI	National Investment Bank
CET	Common External Tariff
CGRAE	Civil Service Pension Fund
CNCE	Postal Savings Fund
CNPS	Private Sector Social Security Fund
CNW	Center-North-West (of Côte d’Ivoire)
DDR	Disarmament, Demobilization, and Reintegration
DSA	Debt Sustainability Analysis
ECOWAS	Economic Community of West African States
EITI	Extractive Industries Transparency Initiative
EPA	Economic Partnership Agreement
EPCA	Emergency Post-Conflict Assistance
ERER	Equilibrium real exchange rate
EU	European Union
FED	European Development Fund
FN	Forces Nouvelles
FSF	Fragile States Facility (AfDB)
FSAP	Financial Sector Assessment Program
GFS	Government Finance Statistics
HIPC	Heavily Indebted Poor Country
LIC	Low-income country
MDG	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MEFP	Memorandum of Economic and Financial Policies
NEER	Nominal effective exchange rate
NPV	Net present value
PCAP	Post-Conflict Assistance Project
PEMFAR	Public Expenditure Management and Financial Accountability Review
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
REER	Real effective exchange rate
SIGFiP	Integrated Public Finance Management System
TMU	Technical Memorandum of Understanding
UNSC	United Nations Security Council
VAT	Value-Added Tax
WAEMU	West African Economic and Monetary Union

## EXECUTIVE SUMMARY

**Côte d'Ivoire is progressing on the road to reunification, sustained peace, and elections.** Although there have been delays in implementing the Ouagadougou Accord, a climate of political dialogue is evident, and elections are expected later in 2008. The continued support of the international community remains essential. The authorities see EPCA as a step toward a PRGF arrangement and HIPC/MDRI relief.

**Having been resilient to the crisis since 2002, GDP growth is estimated at 1.6 percent in 2007 and should reach 3 percent in 2008.** The economic recovery in Côte d'Ivoire is crucial to growth throughout the subregion.

**Fiscal developments in 2007 were close to program targets, but the composition of spending deviated.** Overruns on discretionary spending by the highest state institutions were at the expense of infrastructure and crisis-exit programs. The fiscal results and mobilized domestic financing enabled the authorities to make payments to the World Bank and AfDB and reduce domestic arrears.

**There was progress on the structural front.** Reporting on quasi-fiscal cocoa levies improved, and a large part of the accumulated levies was allocated to rural projects. Energy sector audits are being finalized and reporting on financial flows improved. But some key fiscal measures were implemented with delay or postponed to 2008. Progress in strengthening the banking system was slow.

### **Key elements of the 2008 program are:**

- Continuing fiscal consolidation and creating fiscal space for urgent needs by improving tax administration, especially in the CNW zones; stabilizing the wage bill while confining recruitment to the social sectors; and decisively reducing nonwage current spending.
- Improving public expenditure management, notably by adhering to budget procedures and issuing quarterly budget execution statements to the Council of Ministers and the public.
- Strengthening the financial sector by recapitalizing underfunded banks, enhancing bank compliance with prudential norms, and restructuring microfinance.
- Further improving transparency and efficiency in the energy sector by reporting in line with EITI procedures, electricity reform, and adequate pricing of petroleum products; and in the cocoa/coffee sector by publishing quarterly reports on quasi-fiscal levies and their use for investment, and the budgets and certified accounts of sector agencies. For both sectors, reform strategies will be formulated with support from the World Bank and other donors.

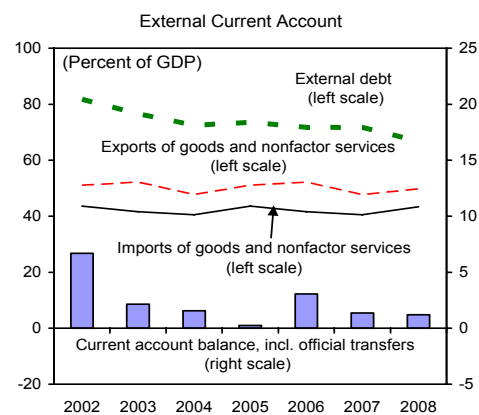
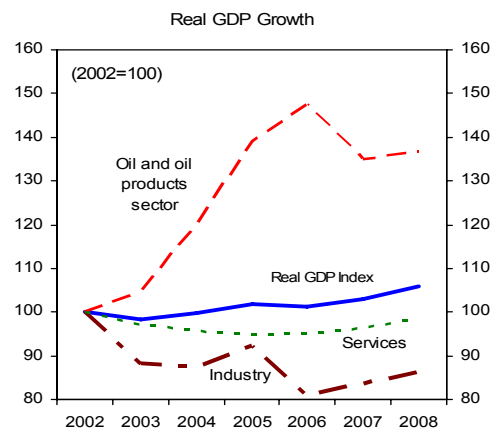
**A resurgence of political tensions, delays in elections, and renewed overruns in discretionary spending represent risks to the program.** Satisfactory performance so far, commitment to program objectives shared by all political parties, and increasing international support are helping contain the risks.

## I. INTRODUCTION

1. **Peace and reunification processes are taking hold; presidential elections are now scheduled for mid-2008.** All parties remain committed to the peace process, a climate of political dialogue prevails, and Ivoiriens and the international community remain supportive of the “roadmap” started by the March 2007 Ouagadougou Accord. The security situation has improved, and the number of military checkpoints that harass the population and impose economic costs has slowly started to decline.<sup>1</sup> The redeployment of government services in the ex-rebel held CNW is under way. The November Supplemental Ouagadougou Accords aim to implement the roadmap faster, especially reunification of the army. Since then, the cantonment of government soldiers was completed and that of ex-rebel *Forces Nouvelles* (FN) soldiers has started. However, the disarmament of FN soldiers and militias has yet to start in earnest. Because preparations for elections are behind schedule (notably identification hearings, delivery of identity cards, and voter registration), the elections may be pushed to the second half of 2008.

## II. PERFORMANCE ON THE 2007 EPCA

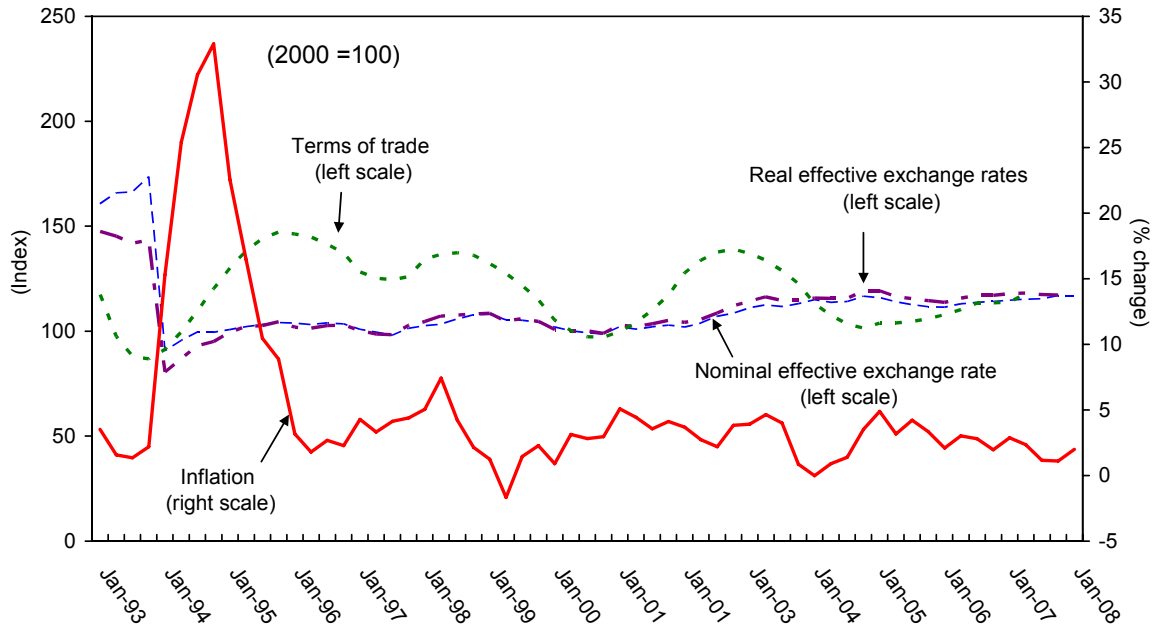
2. **Having been resilient to the crisis since 2002, GDP growth is estimated to have reached 1.6 percent in 2007, helped by a favorable external environment** (Tables 1-2). The modest recovery in 2007 was driven by upturns in transportation, construction, and trade, and the decline in many other sectors halted. The recovery was supported by growth in real private investment for the first time since 1999, and a decline in private capital outflows. The recovery occurred despite a temporary drop in oil output after an almost threefold increase in 2004-06. Twelve-month consumer price inflation remained subdued—1.5 percent at end-2007—although some food prices surged along with world food prices. The real and nominal effective exchange rates appreciated by 2 percent in 2007, as the U.S. dollar depreciated against the euro. Despite favorable terms of trade, the external current account surplus fell from an estimated 3.1 percent of GDP in 2006 to 1.4 percent in 2007, because oil and cocoa export volumes fell and import volumes outpaced real GDP.



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

<sup>1</sup> On March 13, 2008, the United Nations security phase was lowered from III to II for most of the country; in certain areas, it was lowered to, or stayed at, phase III.

Cote d'Ivoire: Effective Exchange Rates, Terms of Trade, and Inflation; January 1993-December 2007



Sources: IMF, Information Notice System (INS), and World Economic Outlook.

Text Table 1. Côte d'Ivoire: Summary of Key Economic Indicators  
(Percent)

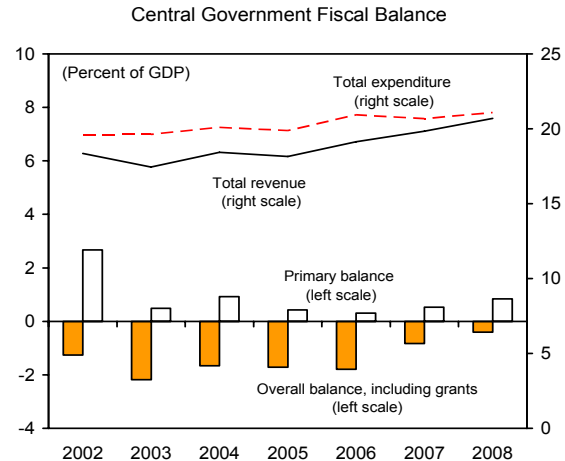
	2004	2005	2006	2007 Est.	2008 Proj.	2009-12 Avg. Proj.
Real GDP growth	1.6	1.8	-0.3	1.6	2.9	5.8
Real per capita GDP growth	0.1	0.0	-1.8	0.1	1.4	4.3
CPI inflation (annual average)	1.5	3.9	2.5	1.9	4.3	2.7
Overall budget balance (excluding grants) in percent of GDP	-2.6	-2.8	-2.4	-1.2	-1.7	-2.2
Primary basic balance in percent of GDP 1/	0.9	0.4	0.3	0.6	0.8	1.4
Stock of external and domestic debt in percent of GDP	86.0	87.4	85.7	83.6	78.4	67.6
Of which: in arrears	19.4	25.1	27.7	27.4	21.3	16.7
External current account (incl. official transfers) in percent of GDP	1.6	0.2	3.1	1.4	1.2	-1.6

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

1/ Total revenue (excluding grants) less total expenditure net of interest and foreign-financed capital expenditure.



3. **Fiscal developments in 2007 were broadly in line with the program, but the composition of spending deviated; all quantitative indicators were met except the year-end primary basic surplus (0.4 percent of GDP below target)** (Tables 3a-c; MEFP ¶9-10 and Table 1). Revenue collection improved as targeted. Tax revenue was slightly above target, but only because of recourse to advance tax payments (½ percent of GDP), mostly on cocoa export duties (at a 7 percent rebate), against the program undertaking. Non-tax revenue from the petroleum sector fell short. Overruns of 0.8 percent of GDP on current spending were at the expense of crisis-exit programs and investment. The overruns reflected unbudgeted discretionary spending by the presidency and prime minister's office, military wages, frontline bonuses, and unforeseen housing allowances for primary school teachers. A large part of spending took place through treasury advances which made it harder to monitor budget execution. On the financing side, the deposit buildup of 1 percent of GDP for World Bank arrears clearance did not occur because the authorities, under pressure from the private sector (including private schools), accelerated repayment of domestic arrears (by 1.5 percent of GDP, compared to 0.5 percent of GDP under the program). This repayment was made possible by a large (though undersubscribed) issuance of two-year bills on the WAEMU market in September, raising the equivalent of 1.2 percent of GDP at 6½ percent interest. Overall, Côte d'Ivoire slightly improved its performance on the WAEMU convergence criteria.



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

Text Table 2. WAEMU Convergence Criteria

	Côte d'Ivoire				WAEMU 3/			Countries Meeting the Criterion		
	2005	2006	2007	2008	2005	2006	2007	2005	2006	2007
<b>First-order criteria</b>										
Basic fiscal balance/GDP ( $\geq 0$ percent) 2/	-1.6	-1.7	-0.6	-0.7	-1.9	-2.2	-2.2	0 of 8	1 of 8	1 of 8
Average consumer price inflation ( $\leq 3$ percent)	3.9	2.5	1.9	3.8	5.3	2.3	2.1	1 of 8	6 of 8	8 of 8
Total debt/GDP ( $\leq 70$ percent)	87.4	85.7	83.6	78.4	60.7	38.4	33.2	5 of 8	5 of 8	5 of 8
Change in domestic arrears, billions of CFAF ( $\leq 0$ )	-35.4	3.2	-143.1	-15.0	2.9	0.0	0.0	5 of 8	7 of 8	8 of 8
Change in external arrears, billions of CFAF ( $\leq 0$ )	409.2	364.2	266.6	-259.1	3.6	3.4	3.7	5 of 8	5 of 8	5 of 8
<b>Second-order criteria</b>										
Wages and salaries/fiscal revenue ( $\leq 35$ percent)	45.0	42.1	43.6	42.5	35.5	35.7	34.9	4 of 8	4 of 8	4 of 8
Capital expenditure domestically financed/fiscal revenue ( $\geq 20$ percent)	10.7	15.1	12.8	12.9	27.9	27.5	29.0	4 of 8	4 of 8	5 of 8
External current account balance, excluding grants/GDP ( $\geq -5$ percent)	0.4	3.3	-0.3	-0.6	-12.0	-10.9	-9.9	1 of 8	1 of 8	1 of 8
Tax revenue/GDP ( $\geq 17$ percent)	14.5	15.5	15.7	16.0	14.6	14.8	15.3	1 of 8	1 of 8	1 of 8

Sources: Ivoirien authorities, WAEMU, and IMF staff estimates and projections.

1/ WAEMU countries are Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

2/ Total revenue (excluding grants) minus total expenditure, excluding foreign-financed capital spending.

3/ Excluding Côte d'Ivoire, GDP at PPP-weighted average.

4. **While external debt remained unsustainable in 2007, the authorities resumed payments to the World Bank and AfDB and finished repaying their half (1.1 percent of GDP) of World Bank arrears at end-February 2008.** The authorities have remained

current on scheduled debt service to the World Bank and AfDB (since July 2007) and to all other multilaterals, except the EIB. Funding for World Bank arrears clearance came for about one-half from own resources; and the remainder from a placement, last January, of three-year CFAF notes (at 10 percent interest) with selected local banks, which resold part of them to foreign investors. The authorities explained that this direct borrowing had been necessary because of time constraints to pay the World Bank in early 2008 and because liquidity on the WAEMU market had temporarily dried out as other WAEMU members had made unexpected issuances. As Côte d'Ivoire continued to accumulate arrears to Paris Club and commercial creditors, external arrears rose to 25 percent of GDP at year-end (Tables 7 - 8).

5. **Broad money grew by 17 percent, and credit to the economy by 19 percent in 2007, reflecting a return of confidence. (Tables 5a-b).** Net foreign assets rose because of the favorable balance of payments and the purchase by foreign banks of part of the government paper.

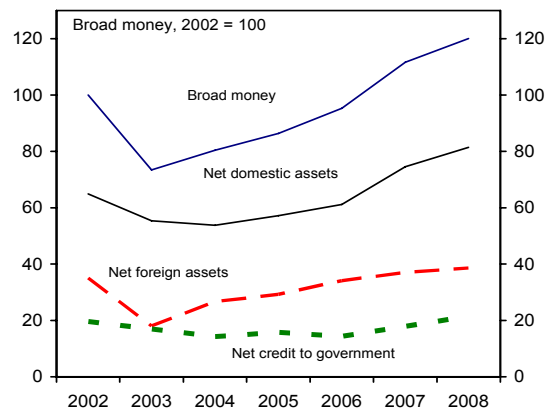
6. **Little progress was made in strengthening the banking system (Table 11).**

Of the 9 banks (out of 18) which had inadequate capital at end-2006, three have increased their capital, but one of them remains below the minimum requirement; none had formulated a recapitalization plan by end-2007 as intended (MEFP ¶13). Five banks did not meet the liquidity norm. The ratio of nonperforming loans to total loans improved to 18 percent at end-December 2007 (from 20 percent at end-2006) reflecting the sharp rise in credit. The state-owned National Investment Bank (BNI) improved certain prudential ratios in 2007, but its balance sheet remains dominated by public sector deposits and lending. As regards anti-money laundering, in January 2008 the government appointed the members of the Financial Investigation Unit and which will soon be operational with Fund technical assistance.

7. **Progress on structural measures under EPCA was mixed (MEFP ¶11 and Table 3).** Of the four structural indicators only two were (fully or partially) implemented, albeit with delay. The indicator related to issuance to the Council of Ministers of budget execution statements through September was done in early December. The indicator on not resorting to advance discounted payments of cocoa export duties was not observed because of liquidity difficulties of the treasury.

8. **There was good progress on other structural measures, especially on transparency in the energy and cocoa/coffee sectors (MEFP ¶12 and 14–15).** Reporting on the collection and use of quasi-fiscal cocoa levies ( $\frac{1}{2}$  percent of GDP) improved; a large part of levies accumulated in 2006-07 was allocated to rural infrastructure and social projects, to be awarded through public tender and supervised by an interministerial committee in consultation with World Bank staff. As to levies collected during 2001-05, the General Prosecutor started an investigation into alleged misuse of funds by the sector's

Monetary Aggregates



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

semipublic agencies. In the energy sector, two Bank-financed audits were completed and the third, for the electricity sub-sector, should be ready shortly; compliance with EITI procedures is advancing; and regular reporting of the sector's physical and financial flows to the Council of Ministers has raised awareness of transparency issues. The increase in electricity tariffs (by 10 percent on average) to bring them closer to energy prices in the region and reduce the budgetary subsidies (0.4 percent of GDP in 2007) was delayed by several months because of social tensions and food price increases, but implemented as a prior action in early 2008.

### III. POLICY DISCUSSIONS

#### A. Overview

9. **The program for 2008 remains focused on building the foundations for sustained recovery and poverty reduction.** It emphasizes further improving public resource management, creating fiscal space for social and basic infrastructure needs, and laying the basis for deeper structural reforms. In support of their program for 2008, the authorities request further EPCA in an amount of 12.5 percent of quota as envisaged at the time of EPCA-1; they also request continued subsidization of the interest rate on EPCA (LOI, ¶4), but this is subject to resource availability.<sup>2</sup> With the political situation still tenuous and restoration of administrative and policy implementation capacity ongoing, EPCA would remain the appropriate tool for Fund involvement. The authorities consider, and staff agrees, that the EPCA-supported program could help pave the way for a PRGF arrangement and a HIPC decision point, once conditions are in place. These conditions (including satisfactory performance under EPCA, an appropriate medium-term program, financing assurances, and arrears clearance with multilaterals) could, in staff's view, be met late in the third quarter of 2008 at the earliest.

#### B. Growth Outlook

10. **Real GDP growth should reach 3 percent in 2008 and is expected to accelerate gradually to 6 percent by 2011.** In 2008 growth should be helped by an increase in oil/gas output to at least the 2006 level, favorable prices for agricultural exports, and more generally, the reunification of the country and return of private sector confidence. Reflecting higher food import prices, end-period CPI inflation is expected to rise to 7 percent. In the medium term, growth should return to pre-crisis rates of 5–6 percent, reflecting full political normalization; structural reforms, notably in the energy, cocoa/coffee and financial sectors; increased public investment as part of the poverty reduction strategy; and the private investment/GDP ratio returning to pre-crisis levels (Table 10).

#### C. Fiscal Program for 2008

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<sup>2</sup> Under current Fund policy, PRGF-eligible countries are eligible for subsidization of the interest rate on EPCA (down to 0.5 percent per year), subject to availability of resources. At end-2007, the Fund's available subsidy resources for EPCA/ENDA amounted to SDR 25 million. Based on currently known requests for EPCA/ENDA (including SDR 7½ million for Côte d'Ivoire's EPCA-2), these resources will likely be exhausted by end-2009 if new contributions are not secured by that time. Staff has initiated discussions with potentially interested members on mobilizing additional contributions.

11. **Fiscal policy in 2008 envisages continued fiscal consolidation while addressing post-conflict needs and taking into account financing constraints related to arrears clearance (MEFP ¶17-18).** The budget for 2008, adopted in late December and revised in February to incorporate needs arising from the recent political accords, foresees a primary basic surplus of 0.8 percent of GDP. The revisions have been approved by the Council of Ministers, in the absence of a functioning parliament.

12. **The fiscal program incorporates measures to keep the revenue/GDP ratio at 19.4 percent, while offsetting the non recurrence of toxic waste damage compensation (MEFP ¶19).** Adjusted for the latter and for increased oil/gas revenue, the revenue effort amounts to 0.3 percent of GDP, mainly from better indirect tax collection and significantly higher contributions from the national oil company (PETROCI). The authorities intend to increase petroleum pump prices (unchanged since 2005) by at least 8 percent by mid-year to safeguard tax revenue from petroleum products. They intend to offset any revenue shortfall from advance tax payments in 2007 by stepping up redeployment of tax administrations in the CNW.

13. **The program foresees stabilizing the wage bill, reducing nonwage recurrent spending, and increasing investment and social spending (MEFP ¶20-23; Tables 3a-c).** The wage bill is stabilized at 6.8 percent of GDP, by restraining the salary envelopes for national institutions to amounts budgeted in 2007, while allowing significant recruitment of teachers and health workers. Nonwage recurrent spending, including discretionary spending by the highest state institutions, is to be reduced to the 2006 level. The increase in electricity tariffs early in the year should help keep subsidies to the electricity sector at half their level in 2007. Investment increases mainly to rehabilitate basic infrastructure. Staff suggested that public works on the transfer of the political capital to Yamoussoukro be postponed to make room for immediate post-crisis needs, but the authorities argued that the project was important for reunification and foresee spending just below the 2007 level. Foreign-financed investment should double, largely because of the reactivation of project financing by the World Bank. Social spending increases to 5.6 percent of GDP (from 5.4 percent in 2007) for rehabilitation of schools and health centers and recruitment and non-wage allowances of social sector workers (MEFP ¶37).

14. **Spending on crisis-exit programs rises by 1 percent of GDP because large parts of them were postponed from 2007 and recent political accords added costs (MEFP ¶22).** The programs for reinsertion of ex-soldiers and community rehabilitation, redeployment, and identification/elections are costed at 1.9 percent of GDP, of which about half is from government resources and the rest from donors. While the government has formally terminated the frontline bonuses from February 2008, it is prepared to pay bonuses claimed to be in arrears by the military (a total of 0.7 percent of GDP since 2003). Staff stressed that continued payment of bonuses at their level of previous years poses risks of unsustainability of the wage bill. The authorities intend to limit the amount in 2008 to 0.3 percent of GDP (from 0.4 percent in 2007) and postpone remaining payments to beyond 2008. Separately, they granted temporary bonuses to the FN soldiers who meet the eligibility criteria (costs of up to 0.1 percent of GDP). The budget has a large government contribution to the cost of identification and the technical operator, as donor funding has not been found.

Text Table 3. Côte d'Ivoire: Summary of Central Government Financial Operations 2006-08  
(Percent of GDP)

	2006	2007		2008
	Est.	Prog.	Est.	Prog.
	CR No 07/312			
Total revenue 1/	18.5	18.6	18.6	19.4
<i>Of which</i> : oil and gas production revenue	1.5	1.4	1.4	2.2
Primary basic expenditure 2/	18.2	17.6	18.0	18.6
<i>Of which</i> : wages and salaries	6.5	6.4	6.8	6.8
other current expenditure	8.5	8.2	8.3	7.9
crisis-related expenditure	0.8	1.4	0.8	1.9
domestically financed capital spending	2.3	2.0	2.0	2.1
Primary basic balance 3/	0.3	1.0	0.6	0.8
Change in domestic arrears (- net cash payments)	0.0	-0.5	-1.5	-0.1
Net domestic financing 4/	0.0	-1.0	0.4	0.0
Net external financing 5/	-0.1	-2.8	0.0	-6.2
World Bank		-2.7	-0.3	-2.7
current debt service paid		-0.3	-0.3	-0.5
arrears clearance (principal and interest)		-2.5	0.0	-2.2
AfDB		-0.3	-0.3	-2.5
current debt service paid		-0.3	-0.3	-0.3
arrears clearance (principal and interest)		0.0	-0.1	-2.2
Other multilaterals		-0.1	-0.1	-0.2
current debt service paid		-0.1	-0.1	-0.1
arrears clearance (principal and interest)		0.0	0.0	-0.1
Other (incl. WAEMU, non CIV banks)		0.3	0.7	-0.7
Crisis-related program loans and grants, other grants, and other flows (net) 6/	-0.2	1.2	0.6	0.7
Financing gap (- deficit / + surplus)	0.0	-2.1	0.0	-4.8

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

1/ Excluding toxic-waste-related revenue.

2/ Total expenditure net of scheduled interest, foreign-financed capital expenditure and toxic-waste-related spending.

3/ Total revenue (excluding grants) less primary basic expenditure.

4/ Net domestic bank and non-bank financing (scheduled amortization) less domestic interest due.

5/ Gross external financing minus project/program loans and external debt service due plus net change in

6/ Including toxic waste damage revenue minus spending.

**15. Structural fiscal reforms are intended to improve revenue collection and public expenditure management.** Reforms in the revenue area should help sustain the efficiency gains of recent years (MEFP ¶28). Measures include a review of exemptions; better control of tax collection on consumption of petroleum products; and regular external audits of state-owned companies, like PETROCI and the Autonomous Port of Abidjan. Public expenditure management measures focus on strict adherence to budget allocations, more transparent budget execution, and reining in treasury advances (MEFP ¶29; and Box 1).

**16. Other structural measures aim at further reducing domestic arrears and reforming the civil service pension fund (CGRAE) (MEFP ¶29–30).** The authorities will draw up an inventory of domestic arrears and adopt a consolidation plan by May 2008 (delayed from last September) while avoiding new arrears.

### **Box 1. Public Expenditure Management: Issues and Reforms**

In 1999, Côte d'Ivoire installed a computerized budget execution system (SIGFiP) which covers all phases from commitment to payment order, the latter entering the treasury's accounting system (ASTER). SIGFiP is being devolved to local government levels, currently to about half of Côte d'Ivoire's 76 *départements*.

#### **Weaknesses**

- In recent crisis years, the budget preparation calendar was not respected and budgets were adopted with long delays. This and crisis-related pressures have caused large parts of the budget to be implemented outside budget procedures, especially through treasury advances, causing large deviations from budgets.
- Production of detailed budget execution reports is difficult because payments in ASTER do not match payments in SIGFiP because there is no electronic interface and budget codes differ between the two.
- Preliminary results of the recent World Bank-led PEMFAR confirm these weaknesses, and measures envisaged for EPCA are in line with its recommendations.

#### **EPCA-1 measures partly implemented**

- The normal budget preparation calendar was adhered to for the 2008 budget.
- Normal budget execution procedures were reinstated with the 2007 budget adopted in June, but treasury advances were reduced less than envisaged in EPCA-1 and their regularization was slow, causing delays in budget execution statements.
- A budget execution report through September was issued to the Council of Ministers in December 2007.

#### **Further steps envisaged by EPCA-2**

- Adhere to monthly budget allocations for recurrent and quarterly for investment spending.
- Further reduce treasury advances and regularize them within two months after the end of each quarter.
- Continue issuing detailed budget execution statements each quarter.
- Return to timely preparation of annual government accounts and draft budget execution laws and to regular reporting by the audit chamber of the supreme court.

#### **Envisaged reforms for the medium term**

- Prepare a medium-term expenditure framework.
- Revise the organic public finance law.
- Adapt the budget nomenclature to GFS norms and for tracking pro-poor spending.

#### D. External Arrears, Debt, and Program Financing

17. **The authorities expect completion of arrears clearance with the World Bank and AfDB in about a month and plan to normalize relations with other creditors.** After Côte d'Ivoire repaid half of its arrears to the World Bank at end-February, the Bank plans to proceed, following a bridge loan from an external partner, with an IDA allocation to clear the other half of arrears and provide new budget support (for a total of around US\$300 million) in early April. An arrears clearance operation with the AfDB is planned for end-April 2008. The AfDB is expected to provide a grant covering two-thirds of Côte d'Ivoire's arrears (totaling US\$520 million) through its Fragile States Facility (FSF) adopted in early March. Côte d'Ivoire will contribute one-third. Proposals to clear arrears with the EIB (US\$60 million) are under consideration: they could involve a deferral of arrears and current debt service on EU-funded EIB loans until they are cleared by a grant under the 10<sup>th</sup> FED. Aside from agreed deferral, the authorities intend to remain current on scheduled debt service to all multilaterals. They have initiated discussions with Paris Club and London Club creditors; meanwhile, such arrears would continue to accumulate.

18. **Preparations for a HIPC-DSA have started.** A November 2007 Bank/Fund mission reconciled 2006 debt data in preparation for the HIPC-DSA; its preliminary assessment based on projected end-2007 figures shows that Côte d'Ivoire would qualify for HIPC relief under the revenue criterion, though with a small margin against the threshold (250 percent of NPV of debt to revenue).

19. **Domestic and external sources would fill the 2008 financing need (MEFP, ¶39-40).** The budget incorporates a domestic/WAEMU financing effort of 1.3 percent of GDP, largely a roll-over of government paper. Confirmed external financing for crisis-related spending amounts to 1 percent of GDP (including 0.2 percent of GDP from the World Bank's post-conflict assistance grant, PCAP, approved last July). Outside crisis-related programs, the financing gap, projected at 4.8 percent of GDP, is expected to be financed four-fifths by arrears clearance grants and budget support from the World Bank and AfDB, and a second EPCA purchase. The authorities are seeking donor support for the residual financing gap of 0.9 percent of GDP. Any residual could, in staff's view, be filled by domestic/WAEMU paper, but will require a careful planning of issuances, and—given the tightening liquidity situation—interest rates may need to be higher than obtained so far. The authorities have committed to place securities only through auctions with the BCEAO or other forms of competitive bidding.

Text Table 4. Côte d'Ivoire: Coverage of Financing Gap, 2007-08

	2007		2008		
	Prog.	Est.	Prog.		
	CR No 07/312 Billions of CFAF	Billions of CFAF	Billions of CFAF	Millions of US\$	Percent of GDP
Financing gap (- deficit / + surplus) after:	-195	0	-488	-1093	-4.8
Amortization of WAEMU and domestic debt <sup>1/</sup>	-121	-215	-169	-379	-1.7
New WAEMU/domestic financing effort	75	230	133	298	1.3
World Bank pre-arrears clearance grant for crisis-related programs	17	0	21	48	0.2
Other donor financing of crisis-related programs	68	18	81	182	0.8
Of which : EU	31	18	34	76	0.3
Identified financing	147		381	855	3.8
IMF EPCA <sup>2/</sup>	30	3/	27	61	0.3
World Bank arrears clearance grant (50% of arrears)	117	0 <sup>4/</sup>	113	253	1.1
World Bank budget support operations	0	0	60	135	0.6
AfDB arrears clearance grant (assuming 67% of arrears)	0	0	154	345	1.5
AfDB budget support	0	0	27	61	0.3
EU financing for partial EIB arrears clearance and debt service	0	0	14	30	0.1
Residual gap (funding to be sought from other donors and WAEMU/domestic market)	48	5/	93	208	0.9

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

<sup>1/</sup> Including WAEMU bonds bought by non-Ivoiriens and amortization on loans from Petroci.

<sup>2/</sup> Includes one purchase of 12.5 percent of quota in 2007; assumes a second purchase in 2008 upon approval of EPCA-2.

<sup>3/</sup> Financing received; recorded above the line in this column.

<sup>4/</sup> Financing postponed to 2008.

<sup>5/</sup> Financing received; recorded above the line in this column, under new WAEMU/domestic financing effort.

## E. Financial Sector

20. **Building on recent steps, financial sector policies emphasize recapitalization of banks, strengthening microfinance institutions, and reforming several public financial institutions (MEFP ¶24-25).** Priority measures are recapitalizing the seven (mostly private) banks with insufficient equity; in the WAEMU context, starting to restructure microfinance; and revisiting the role of the BNI, based on the forthcoming external audit. As stressed by the December 2007 regional FSAP mission, it is crucial that the authorities adhere to the WAEMU institutional reform aimed at strengthening the independence of regional supervisory institutions. The government intends to restructure the postal savings fund (CNCE) and reform the social security fund (CNPS) while servicing its debt to the latter based on the new debt restructuring agreement.

## F. External Sector

21. **The external current account surplus is projected to fall further in 2008 and then turn gradually into deficit (Table 10).** Rising imports for investment and the hump in oil production are expected to cause the surplus of 1.4 percent of GDP in 2007 to turn to a deficit of over 3 percent by 2012, financed by increasing donor assistance and foreign direct investment.

22. **Competitiveness is generally adequate, but further efforts are needed to improve the business climate.** Despite a 2 percent appreciation in 2007, the REER is at or below the



estimated ERER, as discussed in the last Article IV report. Prospects for Côte d'Ivoire's relatively diversified tradables sector remain strong. However, the authorities agreed that in light of the expected recovery-related rapid import growth, improvements in the business climate and physical infrastructure are needed to enhance competitiveness and attract private investment inflows.

23. **Signing of an Economic Partnership Agreement (EPA) between EU and ECOWAS was delayed, but the authorities initialed a bilateral interim agreement.** The interim EPA ensures that Côte d'Ivoire keeps duty-free access to EU markets while negotiations on a full EPA between EU and ECOWAS continue (MEFP ¶34).

### G. Structural Reforms

24. **Structural measures in the energy sector are again aimed at enhancing transparency and safeguarding budget resources; deeper reforms to enhance efficiency are being initiated with World Bank support (MEFP ¶31).** Measures in the 2008 program include more complete reporting on financial flows in oil/gas production, refineries, and electricity to the Council of Ministers and preparing reports on oil/gas extraction and revenue in line with EITI procedures; full application of the automatic petroleum pricing mechanism starting in mid-2008; and mutual respect of payment obligations in the electricity sector. By May 2008 the authorities plan to adopt an action plan based on the recent audits to improve sector management, with Bank support.

25. **Measures in the cocoa/coffee and cotton sectors focus on further enhancing transparency; sectoral strategies are being formulated with World Bank and EU assistance (MEFP ¶32-33).** These sectors are key for growth and poverty reduction and have important fiscal implications. With EPCA-2 the authorities intend to publish quarterly reports on the collection and use for rural investment of quasi-fiscal levies, publish the budgets and certified accounts of the sector agencies, and further reduce levies (from CFAF 46.5 per kilo to 41.0 in 2008/09) to enhance producer incentives. In the cotton sector, restructuring to improve competitiveness is underway.

### H. PRSP Process

26. **The PRSP process is proceeding to completion in the third quarter of 2008.** The reactivated PRSP supervisory committee is building on the 2002 Interim PRSP. A nationwide household survey and broad consultations will be held in the first half of 2008 with donor support (MEFP ¶38).

### I. Program Issues

27. **The program's quantitative and structural indicators cover 2008 (MEFP Tables 1-2).** Prior actions and structural indicators under EPCA aim to ensure adequate budget execution and avoid subsidies and tax revenue losses in the energy sector. These measures—together with other steps to improve public financial management (MEFP ¶28-29)—should strengthen government control over budget outcomes. To avoid costly borrowing and enhance transparency, quantitative ceilings have been redefined (on

nonconcessional external borrowing, TMU ¶14) or introduced (on net domestic financing, including paper issued on the WAEMU market, TMU ¶17); the monitoring of domestic unpaid payment orders and arrears has also been strengthened (TMU ¶12-13).

#### IV. STAFF APPRAISAL

28. **Côte d'Ivoire has made progress on the road toward reunification, peace, elections, and economic recovery.** A climate of political dialogue has taken hold, and the roadmap to elections outlined in the Ouagadougou Accord is generally being implemented, though with delays. If the peace process continues, Côte d'Ivoire seems well-placed for a solid economic recovery, which would also boost growth in the subregion.

29. **Performance on the 2007 program has been overall satisfactory, though there are concerns about spending composition and delays in certain measures.**

- While fiscal targets were missed by relatively small margins, overruns on non-productive spending were at the expense of basic infrastructure and crisis-related spending. Widespread use of treasury advances and insufficient dissemination of budget execution statements need to be addressed.
- The overall fiscal restraint, the modest primary surplus, and efforts to mobilize domestic financing to reduce domestic arrears and make payments to the World Bank and AfDB are commendable.
- There was progress on the structural front, but several measures were implemented with delays, and others (e.g., on petroleum pricing and bank recapitalization) were postponed to 2008.

30. **To support economic recovery and the peace process, the authorities need to more decisively improve public resource management.** While the 2008 program does address major weaknesses, strong ownership of policy objectives by the whole government is essential in going forward:

- **Fiscal policy should aim at further consolidation through a modest primary basic surplus and create fiscal space to address urgent social, infrastructural, and other post-conflict needs.** This requires determined efforts to improve tax collection, especially in the CNW; stabilize the wage bill while confining recruitment to the social sectors; and strictly control nonwage recurrent spending.
- **Better public expenditure management is essential for fiscal consolidation and ensuring that spending fulfills budget objectives.** That means strict adherence to budget procedures, respect of budget allocations, and quarterly issuance of budget execution statements.
- **A strong financial sector is vital for economic recovery.** That means accelerating recapitalization of underfunded banks, ensuring that banks comply with prudential norms, and restructuring microfinance.

- **In the energy sector the welcome steps taken in 2007 to improve transparency need to be extended**, notably through comprehensive reporting following EITI procedures. Vigorous action is needed to enhance electricity performance, especially by setting tariffs at cost-covering levels, ending government subsidies, and avoiding cross arrears. Full application of the petroleum pricing mechanism is necessary to enhance efficiency and safeguard tax revenue.
- **In the cocoa/coffee sector the authorities are encouraged to take further steps to increase transparency**, primarily through regular publication of reports on the collection of quasi-fiscal levies and their use for rural investment and of the budgets and certified accounts of sector agencies. Close monitoring of the use of all levies and reducing them further are crucial for improving living conditions of farmers.

31. **The authorities' policies so far under EPCA have helped strengthen the currency union, and competitiveness is broadly adequate. Implementation of the macroeconomic policies envisaged for 2008 should contribute to domestic stability, and the external stability of the WAEMU.** The REER is estimated to be close to its equilibrium, but further efforts to enhance the business climate are needed to improve competitiveness, if, as expected, imports grow rapidly and oil production declines.

32. **Debt relief is needed for fiscal and external sustainability.** The last LIC-DSA showed debt distress; the preliminary HIPC-DSA calculation suggests that Côte d'Ivoire would qualify for debt relief under the enhanced HIPC Initiative.

33. **The start of the PRSP process is welcome.** It is important that the authorities complete the PRSP as early as possible using broad-based consultations and household surveys to assess the needs of the population.

34. **Staff assesses as adequate Côte d'Ivoire's capacity to repay the Fund. While there are risks to program implementation, staff recommends approval of the authorities' request for a second EPCA purchase.** Among the risks are possible renewed political tensions, delays in implementing the peace accord, discretionary spending overruns before the elections, revenue shortfalls, and eroding consensus to implement structural reforms. In weighing these risks, staff considered the satisfactory program implementation so far, the broad-based commitment of key political actors to program objectives, and the increasing support from the international community.

Table 1. Côte d'Ivoire: Selected Economic and Financial Indicators, 2004-08

	2004	2005	2006	2007		2008		
				Est.	Prog.	Est.	Proj.	Prog.
				CR No 07/312		CR No 07/312		
(Annual percentage changes, unless otherwise indicated)								
<b>National income</b>								
GDP at constant prices	1.6	1.8	-0.3	1.7	1.6	3.5	2.9	
GDP deflator	0.6	4.2	5.0	1.7	2.1	3.9	4.7	
Consumer price index (annual average)	1.5	3.9	2.5	2.0	1.9	3.0	4.3	
Consumer price index (end of period)	4.4	2.5	2.0	2.9	1.5	3.0	6.8	
<b>External sector (on the basis of CFA francs)</b>								
Exports, f.o.b., at current prices	8.4	11.3	8.0	-2.4	-5.0	3.0	12.8	
Imports, f.o.b., at current prices	21.9	22.9	-1.7	0.9	0.1	6.2	17.8	
Export volume	21.7	4.2	4.7	-0.2	-7.8	1.7	1.6	
Import volume	21.6	3.0	0.8	1.8	3.9	6.0	4.0	
Terms of trade (deterioration -)	-11.1	-10.5	5.8	-1.3	6.9	1.1	-2.1	
Nominal effective exchange rate	2.4	-1.1	-0.4	...	2.2	...	...	
Real effective exchange rate (depreciation -) <sup>1/</sup>	1.3	0.0	-0.4	...	1.6	...	...	
(Changes in percent of beginning-of-period broad money)								
<b>Money and credit</b>								
Money and quasi-money (M2)	9.5	7.4	10.3	4.8	17.2	7.6	7.6	
Net foreign assets	11.7	3.2	5.7	1.8	3.1	3.0	1.4	
Net domestic assets	-2.2	4.2	4.6	3.0	14.1	4.6	6.2	
Of which: government	-3.6	1.8	-1.6	-1.9	3.7	-1.0	3.3	
private sector	4.6	0.8	4.9	6.6	10.5	5.6	3.9	
Velocity of money	4.2	4.1	3.9	4.0	3.5	4.0	3.5	
(Percent of GDP, unless otherwise indicated)								
<b>Central government operations</b>								
Total revenue and grants	18.4	18.2	19.1	20.8	19.8	21.0	20.7	
Total revenue	17.5	17.1	18.5	19.5	19.4	19.6	19.4	
Total expenditure	20.1	19.9	20.9	20.5	20.7	20.8	21.1	
Overall balance, incl. grants, payment order basis	-1.7	-1.7	-1.8	0.3	-0.8	0.2	-0.4	
Primary basic balance <sup>2/</sup>	0.9	0.4	0.3	1.0	0.6	1.3	0.8	
<b>Gross investment</b>	10.8	9.7	9.4	9.7	8.7	12.2	10.4	
Central government	2.8	2.7	3.1	2.9	2.6	4.0	3.1	
Nongovernment sector	8.0	7.0	6.3	6.9	6.1	8.2	7.4	
<b>Gross domestic saving</b>	20.0	17.2	19.9	17.8	16.0	18.9	16.8	
Central government	2.2	1.9	2.4	3.2	2.8	4.1	2.5	
Nongovernment sector	17.8	15.3	17.5	14.7	13.1	14.8	14.3	
<b>Gross national saving</b>	12.4	10.0	12.4	12.0	10.1	13.3	11.6	
Central government	1.3	1.2	1.5	3.3	2.1	4.2	2.8	
Nongovernment sector	11.1	8.7	10.9	8.7	8.0	9.1	8.8	
<b>External sector</b>								
Current account balance (including official transfers)	1.6	0.2	3.1	2.3	1.4	1.1	1.2	
Current account balance (excluding official transfers)	1.7	0.4	3.3	0.6	-0.3	0.0	-0.6	
Overall balance	-3.6	-4.0	-2.7	-1.8	-2.1	-1.6	-0.8	
External public debt	72.4	73.5	71.8	71.0	70.1	66.3	66.8	
Public external debt-service due (CFAF billions)	520	447	397	377	333	364	364	
Percent of exports of goods and services	13.1	10.2	8.4	8.2	8.3	7.7	7.2	
Percent of government revenue	36.3	30.4	23.8	20.3	20.1	18.2	19.1	
<b>Memorandum items:</b>								
Public debt in arrears (percent of GDP)	19.4	25.1	27.7	24.3	27.4	0.0	21.3	
Domestic	6.4	5.7	5.5	4.1	2.9	...	1.6	
External	13.0	19.4	22.3	20.3	24.5	...	19.7	
Nominal GDP (CFAF billions)	8,178	8,621	9,029	9,496	9,379	10,215	10,103	
Nominal exchange rate (CFAF/US\$, period average)	528	527	522	489	479	482	446	
Nominal GDP at market prices (US\$ billions)	15.5	16.4	17.3	19.4	19.6	21.2	22.7	
Population (million)	17.9	18.2	18.5	18.8	18.8	19.0	19.0	
Population growth (percent)	1.5	1.8	1.5	1.5	1.5	1.5	1.5	
Nominal GDP per capita (CFAF thousands)	458	474	489	506	500	537	531	
Nominal GDP per capita (US\$)	867	900	936	1037	1045	1113	1190	
Real GDP per capita growth (percent)	0.1	0.0	-1.8	0.2	0.1	2.0	1.4	

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

<sup>1/</sup> Based on end-of-period changes in relative consumer prices and the nominal effective exchange rate.

<sup>2/</sup> Defined as total revenue minus total expenditure, excluding all interest and foreign-financed investment expenditure.

Table 2. Côte d'Ivoire: National Accounts and Savings-Investment Balance, 2005-10

	2004 weight	2005	2006	2007	2008	2009	2010
			Est	Est	Projections		
(Annual percentage change at constant price)							
<b>Primary Sector</b>	0.29	2.9	3.2	0.1	3.2	6.4	5.1
Agriculture (including livestock and fishing)	0.18	1.9	2.6	2.4	2.5	4.3	5.6
Export agriculture	0.09	-0.2	-0.8	-0.4	4.9	5.3	5.4
Oil/gas	0.01	51.4	36.4	-18.7	2.3	37.9	-0.2
<b>Secondary Sector</b>	0.20	6.6	-10.1	1.2	2.6	4.3	6.0
Food and drink	0.03	4.6	-16.4	4.1	4.6	3.6	6.2
Energy (incl. oil product)	0.05	8.5	-2.8	-4.4	1.0	4.9	7.2
Petroleum products	0.02	11.1	-5.1	-8.3	2.7	4.5	7.2
Energy	0.02	6.0	-0.4	-0.7	-0.5	5.1	7.2
Construction	0.02	23.1	-12.9	9.6	8.0	7.2	7.2
Other industries	0.10	3.1	-11.3	1.7	1.5	3.5	5.2
<b>Tertiary Sector</b>	0.40	-0.2	1.5	2.4	2.8	4.7	6.2
Transportation, Telecommunications	0.03	4.5	4.8	5.4	5.6	5.2	5.1
Of which: Telecommunications	0.01	10.1	12.5	12.8	10.0	8.5	8.2
Services	0.12	-2.5	-1.8	0.9	1.0	4.5	8.2
Trade	0.11	-1.1	1.1	0.4	2.7	5.0	6.2
Public services	0.14	1.4	3.6	4.5	3.6	4.4	5.1
<b>Indirect taxes</b>	0.12	-7.5	3.2	4.8	2.7	2.0	3.0
<b>Real GDP</b>	1.00	1.2	-0.3	1.8	2.9	4.8	5.5
(Share of nominal GDP)							
<b>Exports of goods and nonfactor services</b>		51.1	52.2	47.7	49.7	47.9	46.3
Exports of goods		45.7	47.1	43.1	45.1	43.3	41.8
of which: oil and petroleum products		12.0	15.2	14.8	15.6	17.2	16.3
Exports of services		5.4	5.0	4.7	4.6	4.6	4.5
<b>Imports of goods and nonfactor services</b>		43.6	41.6	40.5	43.4	42.8	42.5
Imports of goods		31.1	29.2	28.1	30.8	30.1	29.9
of which: oil		9.7	9.3	9.6	10.6	10.1	9.8
Imports of services		12.6	12.5	12.4	12.6	12.6	12.6
<b>Resource balance (excl. grants)</b>		7.5	10.5	7.3	6.4	5.1	3.8
<b>Oil Balance (exports of oils (products) - imports of crude)</b>		2.3	5.9	5.2	5.0	7.1	6.6
<b>Total consumption</b>		82.8	80.1	84.0	83.2	81.1	81.2
Government		8.3	8.4	8.8	8.7	8.6	8.5
Private sector		74.5	71.7	75.2	74.5	72.4	72.6
<b>Gross domestic investment</b>		9.7	9.4	8.7	10.4	13.8	15.0
Fixed capital formation		9.7	9.4	8.7	10.4	13.8	15.0
Government		2.7	3.1	2.6	3.1	4.5	5.2
Nongovernment		7.0	6.3	6.1	7.4	9.3	9.9
<b>Gross domestic saving</b>		17.2	19.9	16.0	16.8	18.9	18.8
Government		1.9	2.4	2.9	2.5	3.9	4.3
Nongovernment		15.3	17.5	13.1	14.3	15.0	14.6

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

Table 3a. Côte d'Ivoire: Central Government Financial Operations, 2004–08 <sup>1/</sup>  
(Billions of CFA francs, unless otherwise indicated)

	2004	2005	2006 Est.	2007		2008 Prog.
				CR No 07/312 Prog.	Est.	
Total revenue and grants	1,507.5	1,566.0	1,727.5	1,978.1	1,861.3	2,090.2
Total revenue	1,431.6	1,471.4	1,672.1	1,847.7	1,817.9	1,960.5
Tax revenue	1,240.4	1,251.1	1,399.8	1,469.5	1,468.5	1,618.8
Direct taxes	288.6	360.3	441.1	422.1	425.1	480.0
Of which: profit tax on oil	4.0	27.9	68.9	68.0	66.8	110.0
Indirect taxes	951.8	890.8	958.7	1,047.4	1,043.4	1,138.8
Nontax revenue	191.2	220.3	272.3	378.2	349.5	341.7
Social security contributions	113.5	116.8	122.1	135.3	129.6	143.4
Oil and gas revenue	37.7	47.9	68.6	68.0	66.9	110.0
Other	40.0	55.6	81.6	174.9	153.0	88.3
Of which: PETROCI dividends	2.0	7.0	2.0	10.0	13.6	35.0
Of which: toxic waste damage				79.3	76.3	0.0
Grants	75.9	94.6	55.5	130.3	43.4	129.7
Projects	75.9	94.6	55.5	45.4	33.6	43.9
Programs (incl. crisis-related)	0.0	0.0	0.0	85.0	9.8	85.8
Total expenditure	1,643.6	1,714.0	1,889.8	1,947.0	1,939.0	2,131.2
Current expenditure	1,404.8	1,458.4	1,588.3	1,660.8	1,666.6	1,805.1
Wages and salaries	545.8	563.4	589.1	610.0	640.3	687.5
Social security benefits	135.6	149.2	167.6	186.1	182.7	194.9
Subsidies and other current transfers	84.7	93.5	178.0	149.3	152.5	151.6
Other current expenditure	363.0	398.3	423.5	439.9	447.0	446.7
Of which: toxic waste damage			15.7	49.3	27.8	20.0
Crisis-related expenditure	94.2	76.4	68.1	136.7	73.1	190.9
Interest due	181.4	177.5	162.1	138.8	166.2	133.5
Domestic interest	29.5	26.0	29.5	22.9	50.9	34.7
Foreign interest	151.9	151.5	132.6	115.9	115.3	98.8
Capital expenditure	228.2	235.3	279.4	271.2	243.6	311.2
Domestically financed	121.8	133.7	211.3	185.4	187.5	209.0
Foreign-financed	106.4	101.6	68.1	85.8	56.1	102.2
Net lending	10.6	20.3	22.1	15.0	28.8	15.0
Primary basic balance <sup>2/</sup>	75.8	36.5	28.1	95.3	52.7	84.9
Overall balance, including grants <sup>1/</sup>	-136.1	-148.0	-162.3	31.1	-77.7	-41.0
Overall balance, excluding grants <sup>1/</sup>	-212.0	-242.6	-217.8	-99.2	-121.1	-170.7
Change in domestic arrears (excl. on debt service)	51.9	-35.4	3.2	-51.4	-143.1	-15.0
Net change in external arrears (interests) <sup>3/</sup>	147.6	161.0	129.0	49.9	92.4	-55.1
Payment of arrears	-1.0	0.0	0.0	51.3	8.3	132.9
Accumulation of new arrears	148.6	161.0	129.0	101.3	100.7	77.8
Overall balance (cash basis)	63.4	-22.4	-30.1	29.6	-128.5	-111.1

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

<sup>1/</sup> Payment order basis.

<sup>2/</sup> Total revenue (excl. grants) minus expenditure net of scheduled interest and foreign-financed capital expenditure, excluding net compensation proceeds from toxic waste damage.

<sup>3/</sup> External arrears on interests were recorded below the line prior to 2004.

Table 3a. Côte d'Ivoire: Central Government Financial Operations, 2004–08 (continued)  
(Billions of CFA francs, unless otherwise indicated)

	2004	2005	2006 Est.	2007		2008 Prog.
				CR No 07/312 Prog.	Est.	
Financing	-63.4	22.4	30.1	-29.6	128.5	111.1
Domestic financing	-122.2	38.6	27.1	-67.9	85.4	34.4
Bank financing (net)	-61.1	33.5	-32.7	-72.6	85.9	-11.9
Net use of Fund resources	-66.3	-47.7	-30.8	-31.0	4.1	-24.2
Central bank credit (net)	15.8	52.3	-35.4	-18.6	-19.3	-11.2
<i>Of which: CNCE</i>	-0.5	2.6	4.6	4.6	0.0	0.0
<i>Of which: interest arrears changes</i>			1.0	0.0	0.0	0.0
Other domestic bank financing (net) <sup>4/</sup>	-10.6	28.9	33.5	-23.0	101.1	23.5
<i>Of which: T-bills, bonds, crédit relais (net)</i>	0.0	24.6	37.8	23.7	22.6	10.4
<i>Of which: interest arrears changes</i>	3.4	-2.1	0.1	-0.3	0.0	0.0
Nonbank financing (net)	-61.1	5.1	59.9	4.7	-0.5	46.3
External financing	58.8	-16.2	2.9	-156.5	43.1	-410.9
Consolidation (bonds)	-12.4	-15.6	-10.1	0.0	0.0	0.0
Project loans	39.0	7.0	12.2	40.4	22.5	58.3
Program loans	2.1	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	14.9	22.6	42.8	28.3	-60.3
Treasury bills	1.2	2.5	0.7	-3.2	40.9	-0.1
Amortization due	-328.1	-273.2	-257.6	-230.5	-222.9	-204.8
Net change in external arrears (principal) <sup>3/</sup>	357.0	248.2	235.2	-6.0	174.3	-204.0
Payment of arrears	-1.9	-0.1	-15.9	182.8	0.3	326.9
Accumulation of new arrears	358.9	248.3	251.1	176.7	174.6	122.8
Debt relief and rescheduling	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap (+ deficit / – surplus)	0.0	0.0	0.0	194.8	0.0	487.6
of which for:						
World Bank arrears clearance				234.1	2.5	223.1
World Bank current debt service				26.9	29.0	49.4
AfDB arrears clearance				0.0	5.7	225.3
AfDB current debt service				20.5	26.6	32.2
Other multilaterals arrears clearance				0.0	-0.4	11.4
Other multilaterals current debt service				9.8	5.9	7.9
Expected sources of financing						
IMF EPCA <sup>5/</sup>				30.0		27.3
World Bank arrears clearance grant (50% of arrears)				117.1		112.8
World Bank budget support operations				0.0		60.2
AfDB arrears clearance grant (67% of arrears)				0.0		154.0
AfDB budget support				0.0		27.2
EU financing for partial EIB arrears clearance and debt service				0.0		13.6
Funding to be sought from other donors and WAEMU/domestic market				47.7		92.6
of which donor support for AfDB arrears clearance (0% of arrears)				0.0		
<i>Memorandum items:</i>						
Nominal GDP	8,178.5	8,621.2	9,029.2	9,496.4	9,379.3	10,103.2
Domestic debt (including financial debt) <sup>6/</sup>	1,110.1	1,196.4	1,254.4	1,176.6	1,115.8	1,174.4
<i>Of which: in arrears <sup>7/</sup></i>	524.7	489.3	492.5	388.3	272.7	157.7
External debt	5,921.5	6,338.8	6,483.8	6,746.8	6,725.4	6,734.0
<i>Of which: in arrears <sup>8/</sup></i>	1,063.9	1,671.1	2,010.7	1,923.6	2,294.8	1,992.4
Social spending	435.8	439.8	459.7	491.4	503.7	563.1
Education	360.6	369.7	382.7	399.3	415.1	459.4
Health	75.2	70.1	77.0	92.1	88.6	103.7
Defense spending	132.5	131.8	139.8	139.2	151.2	154.0

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

<sup>3/</sup> External arrears on interests were recorded below the line prior to 2004.

<sup>4/</sup> Includes all government papers in CFAF issued to Ivoirien banks (including to Ecobank in early 2008).

<sup>5/</sup> The purchase of 12.5 percent of quota in 2007 upon approval of EPCA-1 is recorded under financing in the 2007 Est. column.  
The prospective purchase of 12.5 of quota in 2008 upon approval of EPCA-2 is recorded below the line in the 2008 column.

<sup>6/</sup> Domestic debt stocks have been revised upward compared to previous staff reports.

<sup>7/</sup> Changes in stocks including reductions through securitization and compensation with the electricity sector.

<sup>8/</sup> Changes in stocks also reflect valuation changes.

Table 3b. Côte d'Ivoire: Central Government Financial Operations, 2004-08 <sup>1/</sup>  
(Percent of GDP, unless otherwise indicated)

	2004	2005	2006	2007		2008
				Est.	Prog.	
				CR No 07/312		
Total revenue and grants	18.4	18.2	19.1	20.8	19.8	20.7
Total revenue	17.5	17.1	18.5	19.5	19.4	19.4
<i>Of which</i> : non-oil revenue	17.0	16.1	17.0	17.9	17.8	16.9
Tax revenue	15.2	14.5	15.5	15.5	15.7	16.0
Direct taxes	3.5	4.2	4.9	4.4	4.5	4.8
<i>Of which</i> : profit tax on oil	0.0	0.3	0.8	0.7	0.7	1.1
Indirect taxes	11.6	10.3	10.6	11.0	11.1	11.3
Nontax revenue	2.3	2.6	3.0	4.0	3.7	3.4
Social security contributions	1.4	1.4	1.4	1.4	1.4	1.4
Oil and gas revenue	0.5	0.6	0.8	0.7	0.7	1.1
Other	0.5	0.6	0.9	1.8	1.6	0.9
<i>Of which</i> : PETROCI dividends	0.0	0.1	0.0	0.1	0.1	0.3
<i>Of which</i> : toxic waste damage				0.8	0.8	0.0
Grants	0.9	1.1	0.6	1.4	0.5	1.3
Projects	0.9	1.1	0.6	0.5	0.4	0.4
Programs (incl. crisis-related)	0.0	0.0	0.0	0.9	0.1	0.8
Total expenditure	20.1	19.9	20.9	20.5	20.7	21.1
Current expenditure	17.2	16.9	17.6	17.5	17.8	17.9
Wages and salaries	6.7	6.5	6.5	6.4	6.8	6.8
Social security benefits	1.7	1.7	1.9	2.0	1.9	1.9
Subsidies and other current transfers	1.0	1.1	2.0	1.6	1.6	1.5
Other current expenditure	4.4	4.6	4.7	4.6	4.8	4.4
<i>Of which</i> : toxic waste damage			0.2	0.5	0.3	0.2
Crisis-related expenditure	1.2	0.9	0.8	1.4	0.8	1.9
Interest due	2.2	2.1	1.8	1.5	1.8	1.3
Domestic interest	0.4	0.3	0.3	0.2	0.5	0.3
Foreign interest	1.9	1.8	1.5	1.2	1.2	1.0
Capital expenditure	2.8	2.7	3.1	2.9	2.6	3.1
Domestically-financed	1.5	1.6	2.3	2.0	2.0	2.1
Foreign-financed	1.3	1.2	0.8	0.9	0.6	1.0
Net lending	0.1	0.2	0.2	0.2	0.3	0.1
Primary basic balance <sup>2/</sup>	0.9	0.4	0.3	1.0	0.6	0.8
Overall balance, including grants <sup>1/</sup>	-1.7	-1.7	-1.8	0.3	-0.8	-0.4
Overall balance, excluding grants <sup>1/</sup>	-2.6	-2.8	-2.4	-1.0	-1.3	-1.7
Change in domestic arrears (excl. on debt service)	0.6	-0.4	0.0	-0.5	-1.5	-0.1
Net change in external arrears (interest) <sup>3/</sup>	1.8	1.9	1.4	0.5	1.0	-0.5
Overall balance (cash basis)	0.8	-0.3	-0.3	0.3	-1.4	-1.1

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

<sup>1/</sup> Payment order basis.

<sup>2/</sup> Total revenue (excl. grants) minus expenditure net of scheduled interest and foreign-financed capital expenditure, excluding net compensation proceeds from toxic waste damage.

<sup>3/</sup> External arrears on interests were recorded below the line prior to 2004.



Table 3b. Côte d'Ivoire: Central Government Financial Operations, 2004–08 (continued)  
(Percent of GDP, unless otherwise indicated)

	2004	2005	2006 Est.	2007		2008 Prog.
				Prog. CR No 07/312	Est.	
Financing	-0.8	0.3	0.3	-0.3	1.4	1.1
Domestic financing	-1.5	0.4	0.3	-0.7	0.9	0.3
Bank financing (net)	-0.7	0.4	-0.4	-0.8	0.9	-0.1
Net use of Fund resources	-0.8	-0.6	-0.3	-0.3	0.0	-0.2
Central bank credit (net)	0.2	0.6	-0.4	-0.2	-0.2	-0.1
Other domestic bank financing (net) <sup>4/</sup>	-0.1	0.3	0.4	-0.2	1.1	0.2
Nonbank financing (net)	-0.7	0.1	0.7	0.0	0.0	0.5
External financing	0.7	-0.2	0.0	-1.6	0.5	-4.1
Consolidation (bonds)	-0.2	-0.2	-0.1	0.0	0.0	0.0
Project loans	0.5	0.1	0.1	0.4	0.2	0.6
Program loans	0.0	0.0	0.0	0.0	0.0	0.0
Amortization due	-4.0	-3.2	-2.9	-2.4	-2.4	-2.0
Net change in external arrears (amortization) <sup>3/</sup>	4.4	2.9	2.6	-0.1	1.9	-2.0
Debt relief and rescheduling	0.0	0.0	0.0	0.0	0.0	0.0
Bonds	0.0	0.2	0.3	0.5	0.3	-0.6
Treasury bills	0.0	0.0	0.0	0.0	0.4	0.0
Financing gap (+ deficit / – surplus)	0.0	0.0	0.0	2.1	0.0	4.8
of which for:						
World Bank arrears clearance				2.5	0.0	2.2
World Bank current debt service				0.3	0.3	0.5
AfDB arrears clearance				0.0	0.1	2.2
AfDB current debt service				0.2	0.3	0.3
Other multilaterals arrears clearance				0.0	0.0	0.1
Other multilaterals current debt service				0.1	0.1	0.1
Expected sources of financing						
IMF EPCA <sup>5/</sup>				0.3		0.3
World Bank arrears clearance grant (50% of arrears)				1.2		1.1
World Bank budget support operations				0.0		0.6
AfDB arrears clearance grant (67% of arrears)				0.0		1.5
AfDB budget support				0.0		0.3
EU financing for partial EIB arrears clearance and debt service				0.0		0.1
Funding to be sought from other donors and WAEMU/domestic market				0.5		0.9
Memorandum items:						
Total public debt	86.0	87.4	85.7	83.4	83.6	78.3
Of which: in arrears	19.4	25.1	27.7	24.3	27.4	21.3
Domestic debt <sup>6/</sup>	13.6	13.9	13.9	12.4	11.9	11.6
Of which: in arrears <sup>7/</sup>	6.4	5.7	5.5	4.1	2.9	1.6
External debt	72.4	73.5	71.8	71.0	71.7	66.7
Of which: in arrears <sup>8/</sup>	13.0	19.4	22.3	20.3	24.5	19.7
Social spending	5.3	5.1	5.1	5.2	5.4	5.6
Education	4.4	4.3	4.2	4.2	4.4	4.5
Health	0.9	0.8	0.9	1.0	0.9	1.0
Defense spending	1.6	1.5	1.5	1.5	1.6	1.5

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

<sup>3/</sup> External arrears on interests were recorded below the line prior to 2004.

<sup>4/</sup> Includes all government papers in CFAF issued to Ivorian banks (including to Ecobank in early 2008).

<sup>5/</sup> The purchase of 12.5 percent of quota in 2007 upon approval of EPCA-1 is recorded under Bank financing in the 2007 Est. column. The prospective purchase of 12.5 of quota in 2008 upon approval of EPCA-2 is recorded below the line in the 2008 column.

<sup>6/</sup> Domestic debt stocks have been revised upward compared to previous staff reports.

<sup>7/</sup> Changes in stocks including reductions through securitization and compensation with the electricity sector.

<sup>8/</sup> Changes in stocks also reflect valuation changes.

Table 3c. Côte d'Ivoire: Crisis Exit Programs 2007-08  
(in billions of CFAF unless otherwise indicated)

	2007		2008
	Prog. CR No 07/312	Est.	Prog.
General crisis-exit efforts	32.8	42.8	52.1
Frontline bonuses	20.2	40.1	32.0
Transition payments <i>Forces Nouvelles</i>	0.0	0.0	5.0
Civil Service program	10.0	0.0	12.0
Financed by government resources	10.0	0.0	12.0
Financed by external resources (EU)	0.0	0.0	0.0
Peace accords	1.3	3.6	1.0
Other	1.3	1.4	2.1
DDR, reinsertion and community rehabilitation (RRC)	33.0	9.5	18.9
Financed by government resources	10.0	7.0	8.0
DDR-CCI (army unification)	...	...	3.3
Community rehabilitation	...	...	4.7
Financed by external sources	23.0	2.5	10.9
EU (RRC program contribution)	2.5	2.5	0.9
World Bank (community rehabilitation)	9.8	0.0	10.0
France (community rehabilitation)	0.0	0.0	0.0
Other	10.7	0.0	0.0
Redeployment of public administration (RPA)	20.0	3.5	27.2
Financed by government resources	6.0	3.5	8.0
National RPA program contribution	...	...	6.0
Other sources (FISDES)	...	...	2.0
Financed by external sources	14.0	0.0	19.2
EU (RPA program contribution)	6.0	0.0	3.5
World Bank (RPA program contribution)	3.4	0.0	5.2
AfDB	0.0	0.0	10.5
Other	4.6	0.0	0.0
Identification	21.9	11.8	33.5
Financed by government resources	4.9	11.8	25.0
National Identification Office, CNSI	...	...	0.0
Mobile identification hearings	...	...	5.0
Operator	0.0	0.0	20.0
Financed by external sources	17.0	0.0	8.5
EU (mobile identification hearings)	12.0	0.0	2.3
World Bank	3.9	0.0	6.2
Japan	0.0	0.0	0.0
Operator	0.0	0.0	0.0
Other	1.1	0.0	0.0
Elections	29.0	8.0	36.0
Financed by government resources	8.0	8.0	16.0
Election list	...	...	8.0
Elections (CEI)	...	...	8.0
Financed by external sources	21.0	0.0	20.0
EU	0.0	0.0	3.9
World Bank	0.0	0.0	0.0
Japan	0.0	0.0	3.8
South Korea	0.0	0.0	2.5
France	0.0	0.0	0.7
Other sources	21.0	0.0	9.1
National reconciliation program	0.0	0.0	3.2
Financed by government resources	0.0	0.0	0.0
Financed by external sources (AfDB)	0.0	0.0	3.2
Crisis intervention program	0.0	0.0	20.0
Financed by government resources (FISDES)	0.0	0.0	3.0
Financed by external sources (EU)	0.0	0.0	17.0
Total	136.7	75.6	190.9

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

Table 4. Côte d'Ivoire: Balance of Payments, 2004-08  
(Billions of CFA francs, unless otherwise indicated)

	2004	2005	2006	2007	2008
			Est.	Est.	Proj.
Trade balance	1,360.1	1,260.1	1,621.8	1,403.7	1,449.9
Exports, f.o.b.	3,539.9	3,939.6	4,256.5	4,041.8	4,557.7
<i>Of which: cocoa</i>	1,146.8	1,087.4	1,063.1	1,163.2	1,342.7
<i>Of which: crude oil and refined oil products</i>	660.6	1,034.6	1,374.5	1,389.5	1,573.7
Imports, f.o.b.	-2,179.8	-2,679.5	-2,634.7	-2,638.2	-3,107.8
<i>Of which: crude oil</i>	-546.6	-836.6	-841.0	-899.1	-1,072.7
Services (net)	-986.9	-995.4	-1,086.2	-1,169.6	-1,262.3
Receipts	531.4	569.0	557.5	540.2	578.8
Factor income	100.2	102.2	103.5	103.9	111.9
Other services	431.2	466.8	454.1	436.3	466.9
Payments	-1,518.3	-1,564.4	-1,643.7	-1,709.8	-1,841.1
Factor income	-479.5	-481.8	-519.3	-551.1	-566.5
<i>Of which: central government interest due</i>	-151.9	-151.5	-132.6	-115.3	-98.8
<i>Of which: oil sector</i>	-27.3	-67.8	-132.0	-96.3	-157.0
Other services	-1,038.8	-1,082.6	-1,124.4	-1,158.7	-1,274.6
Transfers (net)	-245.9	-243.9	-259.3	-107.3	-66.2
Private	-236.7	-232.4	-239.2	-264.0	-244.3
Official <sup>1/</sup>	-9.2	-11.5	-20.1	156.7	178.1
Current account including official transfers	127.3	20.8	276.4	126.7	121.4
Current account excluding official transfers	136.5	32.3	296.5	-30.0	-56.7
Capital account	-500.8	-455.4	-537.9	-322.3	-205.2
Official medium- and long-term loans (net)	-287.0	-266.2	-245.4	-200.4	-146.5
Project loans	39.0	7.0	12.2	22.5	58.3
Other bilateral and multilateral loans	2.1	0.0	0.0	0.0	0.0
Central government amortization due	-328.1	-273.2	-257.6	-222.9	-204.8
Foreign Direct Investments	149.5	164.5	164.7	173.4	215.9
Other private capital	-363.3	-353.7	-457.1	-295.3	-274.6
oil sector	-41.7	-97.0	-201.8	-138.4	-140.8
government securities sold to regional banks	1.2	17.4	23.3	69.2	-60.3
others	-322.8	-274.1	-278.6	-226.1	-73.4
Errors and omissions	76.0	87.6	15.1	0.0	0.0
Overall balance	-297.5	-347.0	-246.4	-195.6	-83.8
Financing	297.5	347.0	246.4	195.5	-403.8
Official net reserves (increase -)	-209.1	0.0	-158.2	-74.5	-141.2
Operations account	-142.8	47.6	-127.4	-80.1	-130.3
IMF (net)	-66.3	-47.7	-30.8	5.6	-10.9
Disbursements <sup>2/</sup>	0.0	0.0	0.0	29.8	0.0
Repayments	-66.3	-47.7	-30.8	-24.2	-10.9
Commercial banks (net)	2.0	-62.2	40.4	3.4	-3.4
Debt relief obtained	0.0	0.0	0.0	0.0	0.0
Net change in external arrears (principal and interest)	504.6	409.2	364.2	266.6	-259.1
Financing gap	0.0	0.0	0.0	0.0	487.6
<i>Memorandum items:</i>					
Overall balance (percent of GDP)	-3.6	-4.0	-2.7	-2.1	-0.8
Current account incl. official transfers (percent of GDP)	1.6	0.2	3.1	1.4	1.2
Trade balance (percent of GDP)	16.6	14.6	18.0	15.0	14.4
Cocoa exports (thousand tons)	1,337	1,306	1,226	1,223	1,299
Cocoa export price, f.o.b (CFAF/kg)	802	785	804	898	976
Gross official reserves					
(months of imports of goods and services)	3.1	2.5	2.9	3.1	3.1
Outstanding arrears (year-end)	1,064	1,671	2,011	2,295	1,992
Public external debt service/exports g&s (percent)	13.1	10.2	8.4	8.3	7.2
Nominal GDP	8,178	8,621	9,029	9,379	10,103
Nominal exchange rate (CFAF/US\$; average)	528	527	522	479	446

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

<sup>1/</sup> This figure may differ from reported fiscal transfers owing to the imputed value of technical assistance and government transfers to other countries.

<sup>2/</sup> Excluding prospective EPCA disbursement in 2008.

Table 5a. Côte d'Ivoire: Monetary Survey, 2004-08

	2004	2005	2006	2007 Est.	2008 Proj.
(Billions of CFA francs)					
Net foreign assets	641.8	704.0	821.8	892.9	930.3
Central bank <sup>1/</sup>	617.8	617.8	776.0	850.5	884.4
Banks	24.0	86.2	45.8	42.4	45.8
Net domestic assets	1295.5	1376.9	1473.0	1796.3	1962.1
Net credit to the government <sup>2/ 3/</sup>	343.7	379.3	345.3	430.7	518.8
Central Bank	284.7	286.7	214.7	193.8	185.7
Banks	53.4	84.4	117.8	220.0	320.3
of which: customs bills	-9.8	-13.6	-13.3	-10.1	-13.3
Postal savings (CNCE)	5.6	8.2	12.8	16.9	12.8
Credit to the economy	1173.9	1189.4	1291.0	1531.7	1635.4
Crop credits	70.7	69.8	65.7	96.6	80.3
Other credit (including customs bills)	1103.2	1119.5	1225.3	1435.2	1555.1
Other items (net) (assets = +)	-222.1	-191.7	-163.3	-166.2	-192.0
Broad money	1937.3	2081.0	2294.8	2689.2	2892.4
Currency in circulation <sup>1/</sup>	671.5	754.1	815.2	896.0	966.1
Deposits	1255.9	1312.0	1454.4	1755.1	1897.9
Other deposits	4.3	6.7	12.4	21.2	15.6
Postal savings (CNCE)	5.6	8.2	12.8	16.9	12.8
<i>Memorandum item:</i>					
Velocity of circulation	4.2	4.1	3.9	3.5	3.5
(Changes in percent of beginning-of-period broad money)					
Net foreign assets	11.7	3.2	5.7	3.1	1.4
Net domestic assets	-2.2	4.2	4.6	14.1	6.2
Net credit to the government <sup>2/ 3/</sup>	-3.6	1.8	-1.6	3.7	3.3
Central bank	-2.8	0.1	-3.5	-0.9	-0.3
Banks	-0.8	1.6	1.6	4.5	3.7
Credit to the economy	4.6	0.8	4.9	10.5	3.9
Broad money	9.5	7.4	10.3	17.2	7.6
(Changes in levels from previous end-of-year)					
Net foreign assets	207.1	62.2	117.8	71.1	37.4
Net domestic assets	-38.3	81.4	96.0	323.3	165.9
Net credit to the government <sup>2/ 3/</sup>	-64.5	35.6	-34.0	85.4	88.0
Central bank	-50.0	2.0	-72.0	-20.9	-8.1
Banks	-14.0	31.0	33.5	102.2	100.3
of which: Customs bills	4.4	-3.8	0.2	3.2	-3.2
Postal savings (CNCE)	-0.5	2.6	4.6	4.1	-4.1
Credit to the economy	80.8	15.5	101.6	240.7	103.6
Broad money	168.8	143.7	213.8	394.4	203.2

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

<sup>1/</sup> In August 2005, BCEAO substantially lowered calculations of bank notes in circulation, affecting the money supply and NFA of the central bank, beginning December 2003.

<sup>2/</sup> Excludes sales to nonresidents of consolidated BCEAO claims on the government.

<sup>3/</sup> Including net use of Fund resources.

<sup>4/</sup> Revised estimates as of January 2008.

Table 5b. Côte d'Ivoire: Summary Accounts of the Central Bank and Commercial Banks, 2004-08  
(Billions of CFA francs)

	2004	2005	2006 Est.	2007 Est.	2008 Proj.
<b>Central Bank</b>					
Net foreign assets <sup>1/</sup>	617.8	617.8	776.0	850.5	884.4
Gross foreign assets	809.1	768.6	888.8	970.9	1,001.3
Credit: <i>position compte exterieur</i>	807.7	758.5	893.5	979.7	1,010.0
IMF	0.6	9.6	-5.6	-9.4	-9.4
Others	0.8	0.5	0.8	0.6	0.7
Liabilities	191.3	150.8	112.8	120.4	116.9
Debit: <i>position compte exterieur</i>	0.0	0.0	0.0	0.0	0.0
IMF	159.8	110.3	74.7	77.6	80.7
SDR allocation	30.2	30.1	28.3	27.2	25.4
Others	1.3	10.4	9.7	15.6	10.8
Net domestic assets	290.0	305.4	226.3	256.5	224.6
Net credit to government	284.7	286.7	214.7	193.8	185.7
Claims on the government (excluding IMF)	193.9	195.0	172.9	164.1	152.9
Statutory advance (Article 16)	190.6	190.6	172.9	153.6	142.4
Others (excluding securitized debt)	3.3	4.4	0.0	0.0	0.0
Counterpart to net Fund resources	166.4	118.7	87.9	92.0	95.1
Government deposits <sup>2/</sup>	75.6	27.0	46.1	62.3	62.3
Claims on deposit money banks	0.0	9.4	0.4	52.1	30.0
Claims on other financial institutions	0.0	0.0	0.9	0.0	0.9
Other items net	5.3	9.3	10.3	10.6	8.0
Monetary base	907.8	923.2	1,002.3	1,107.0	1,109.1
Currency in circulation <sup>3/</sup>	671.5	754.1	815.2	896.0	966.1
Bank deposits	232.0	162.5	174.7	189.8	127.4
Other deposits	4.3	6.7	12.4	21.2	15.6
<b>Commercial Banks</b>					
Net foreign assets	24.0	86.2	45.8	42.4	45.8
Banks and correspondants	67.2	102.0	50.1	20.7	50.1
Others	-43.2	-15.8	-4.3	21.7	-4.3
Net domestic assets	1,231.9	1,225.8	1,408.6	1,712.7	1,852.1
Net position from the BCEAO	221.1	142.3	173.8	126.4	97.4
Reserves	232.0	162.5	174.7	189.8	127.4
Of which currency held	53.2	43.1	54.4	75.2	51.3
Liabilities to the BCEAO	0.0	9.1	0.4	52.1	30.0
Net credit to government	63.2	97.9	131.2	230.1	333.6
Claims on the government	277.5	283.3	309.1	423.9	527.4
Deposits of the government <sup>4/</sup>	214.3	185.4	178.0	193.8	193.8
Credit to the private sector	1,164.1	1,175.8	1,276.7	1,521.6	1,621.1
Crop credit	70.7	69.8	65.7	96.6	80.3
Ordinary credit	1,093.4	1,106.0	1,211.0	1,425.0	1,540.8
short-term	810.3	821.2	883.2	1,058.2	1,163.3
medium-term	197.0	214.7	257.8	316.0	325.2
long-term	86.1	70.1	70.0	50.9	52.3
Other items, net	-216.5	-190.2	-173.2	-165.5	-200.0
Private sector deposits	1,255.9	1,312.0	1,454.4	1,755.1	1,897.9
Memorandum item					
Excess reserves <sup>5/</sup>	136.6	98.2	79.4	...	...

Sources: BCEAO and IMF staff estimates and projections.

<sup>1/</sup> In August 2005, BCEAO substantially lowered calculations of bank notes in circulation, affecting the money supply and NFA of the central bank, beginning December 2003.

<sup>2/</sup> Including cash holdings.

<sup>3/</sup> Excluding cash holdings of banks and of the government.

<sup>4/</sup> Including customs bills, excluding CNCE deposits.

<sup>5/</sup> Deposits of the banking sector at the BCEAO in excess of required reserves, end of year values.

Table 6. Côte d'Ivoire: External Financing Requirements, 2004-08  
(Billions of CFA francs)

	2004	2005	2006 Est.	2007 Est.	2008 Proj.
External financing requirements	-31.9	4.5	7.9	-209.0	-724.0
Current account deficit (excluding official transfers)	136.5	32.3	296.5	-30.0	-56.7
Amortization	-328.1	-273.2	-257.6	-222.9	-204.8
Of which: government	-328.1	-273.2	-257.6	-222.9	-204.8
Fund repurchases and repayments	-66.3	-47.7	-30.8	-24.2	-10.9
Private capital, net (including commercial banks, errors&omissions)	-135.8	-163.8	-237.0	-118.5	-62.1
Net change in external arrears (interest and principal) (+=accumulation)	504.6	409.2	364.2	266.6	-259.1
Of which: World Bank arrears repayment				-2.5	-223.1
Change in net external reserves without IMF (- = increase)	-142.8	47.6	-127.4	-80.1	-130.3
Available financing	31.9	-4.5	-7.9	209.0	236.4
Project financing	39.0	7.0	12.2	22.5	58.3
Program financing	2.1	0.0	0.0	0.0	0.0
Fund disbursements <sup>1/</sup>	0.0	0.0	0.0	29.8	0.0
Official transfers	-9.2	-11.5	-20.1	156.7	178.1
Crisis-related financing	...	...	0.0	0.0	58.6
Of which: <i>for</i> DDR	...	...	0.0	0.0	10.9
Of which: <i>for</i> elections/identification	...	...	0.0	0.0	28.5
Of which: <i>from</i> World Bank	...	...	0.0	0.0	21.5
Project grants and other transfers (net)	...	...	-20.1	156.7	119.5
Debt relief obtained	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	-0.1	-487.6
Expected sources of financing					
IMF EPCA					27.3
World Bank arrears clearance grant (50% of arrears)					112.8
World Bank budget support operations					60.2
AfDB arrears clearance grant (67% of arrears)					154.0
AfDB budget support					27.2
EU financing for partial EIB arrears clearance and debt service					13.6
Funding to be sought from other donors and WAEMU/domestic market					92.6

Sources: Ivorian authorities; IMF staff estimates and projections.

<sup>1/</sup> Potential second EPCA resources are not included.

Table 7. External Debt Outstanding, 2004-08

	2004		2005		2006		2007		2008	
	Debt Outstanding	Of which: Arrears	Debt Outstanding	Of which: Arrears	Debt Outstanding	Of which: Arrears	Debt Outstanding Est.	Of which: Arrears Est.	Debt Outstanding Proj.	Of which: Arrears Proj.
(Billions of CFA francs, end-of-period)										
Total debt outstanding, including arrears	5,921.5	1,063.9	6,338.8	1,671.1	6,483.8	2,010.7	6,725.4	2,294.8	6,746.6	1,992.4
Multilateral (excl. BCEAO)	1,833.4	183.0	1,884.3	328.9	1,861.0	430.6	1,875.9	499.6	1,289.7	0.0
IMF <sup>1/</sup>	166.4	0.0	118.7	0.0	87.9	0.0	91.7	0.0	67.5	0.0
World Bank	1,142.2	51.7	1,201.4	127.2	1,209.3	194.6	1,208.8	223.1	944.8	0.0
AfDB Group	440.5	119.4	474.8	184.8	442.3	189.4	451.5	225.3	199.5	0.0
Other multilateral	84.4	11.9	89.5	16.8	121.5	46.6	123.9	51.2	77.8	0.0
BCEAO	17.1	9.9	17.1	15.9	22.9	0.0	18.1	0.0	13.3	0.0
Official bilateral	2,837.4	707.1	3,125.0	1,113.5	3,225.7	1,340.8	3,410.6	1,520.5	3,466.6	1,653.5
Paris Club	2,808.7	705.1	3,091.7	1,113.5	3,184.4	1,340.8	3,364.6	1,520.1	3,420.3	1,651.8
Pre-cutoff date	52.5	10.8	54.0	16.2	57.6	22.0	61.6	26.0	62.0	28.9
Rescheduled	1,586.2	256.6	1,705.9	410.2	1,935.9	685.5	2,013.6	763.3	2,059.1	827.5
Post-cutoff date	1,170.0	437.8	1,331.9	687.1	1,190.9	633.3	1,289.4	730.8	1,299.3	795.5
Non-Paris Club	28.6	2.0	33.2	0.0	41.3	0.0	46.0	0.4	46.3	1.7
Commercial debt	1,233.6	163.9	1,312.4	212.8	1,374.2	239.3	1,420.8	274.7	1,397.5	338.9
London Club	1,216.1	149.2	1,293.6	196.1	1,300.9	225.4	1,336.0	260.5	1,356.2	324.7
Other commercial	17.5	14.7	18.8	16.7	73.3	13.9	84.8	14.2	41.3	14.2
(Percent of GDP)										
Total debt outstanding, incl. arrears	72.4	13.0	73.5	19.4	71.8	22.3	71.7	24.5	66.8	19.7
Multilateral	22.4	2.2	21.9	3.8	20.6	4.8	20.0	5.3	12.8	0.0
IMF <sup>1/</sup>	2.0	0.0	1.4	0.0	1.0	0.0	1.0	0.0	0.7	0.0
World Bank	14.0	0.6	13.9	1.5	13.4	2.2	12.9	2.4	9.4	0.0
AfDB Group	5.4	1.5	5.5	2.1	4.9	2.1	4.8	2.4	2.0	0.0
Other multilateral	1.0	0.1	1.0	0.2	1.3	0.5	1.3	0.5	0.8	0.0
BCEAO	0.2	0.1	0.2	0.2	0.3	0.0	0.2	0.0	0.1	0.0
Official bilateral	34.7	8.6	36.2	12.9	35.7	14.8	36.4	16.2	34.3	16.4
Paris Club	34.3	8.6	35.9	12.9	35.3	14.8	35.9	16.2	33.9	16.3
Pre-cutoff date	0.6	0.1	0.6	0.2	0.6	0.2	0.7	0.3	0.6	0.3
Rescheduled	19.4	3.1	19.8	4.8	21.4	7.6	21.5	8.1	20.4	8.2
Post-cutoff date	14.3	5.4	15.4	8.0	13.2	7.0	13.7	7.8	12.9	7.9
Non Paris Club	0.3	0.0	0.4	0.0	0.5	0.0	0.5	0.0	0.5	0.0
Commercial debt	15.1	2.0	15.2	2.5	15.2	2.7	15.1	2.9	13.8	3.4
London Club	14.9	1.8	15.0	2.3	14.4	2.5	14.2	2.8	13.4	3.2
Other commercial	0.2	0.2	0.2	0.2	0.8	0.2	0.9	0.2	0.4	0.1
<i>Memorandum item:</i>										
Nominal GDP (CFA francs billions)	8,178	8,178	8,621	8,621	9,029	9,029	9,379	9,379	10,103	10,103

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

<sup>1/</sup> Excluding prospective EPCA disbursement in 2008.

Table 8. External Debt Service, 2004-08  
(Billions of CFA francs, unless otherwise indicated)

	2004			2005			2006			2007			2008		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
Debt service (scheduled)	367.0	143.2	510.2	311.8	129.5	441.4	276.0	120.0	395.9	243.8	124.7	368.5	262.5	96.9	359.4
Multilateral (excl. BOEAO)	165.0	39.4	204.4	147.2	31.0	178.2	128.8	26.6	155.4	112.6	37.3	150.0	98.0	16.0	114.1
IMF	66.4	1.0	67.4	47.7	0.7	48.4	30.8	0.5	31.3	25.6	0.4	25.9	24.2	0.4	24.6
World Bank	48.1	19.7	67.9	52.4	15.3	67.7	52.5	13.5	66.0	44.6	15.4	60.0	40.9	8.5	49.4
AfDB Group	41.8	16.5	58.3	37.9	13.0	50.8	35.7	10.5	46.2	34.1	19.4	53.5	26.7	5.4	32.2
Other multilateral	8.7	2.2	10.9	9.3	2.0	11.3	9.8	2.0	11.8	8.3	2.1	10.5	6.2	1.7	7.9
Official bilateral	188.0	81.5	269.5	150.5	75.6	226.2	133.2	70.9	204.1	117.5	65.4	183.0	76.9	56.0	133.0
Paris Club	187.8	81.4	269.2	150.2	75.4	225.6	132.2	70.7	202.9	116.0	65.1	181.0	76.0	55.7	131.7
Pre-cutoff date	5.0	0.9	5.9	4.6	0.9	5.4	4.5	0.8	5.2	3.5	0.6	4.1	2.4	0.4	2.9
Rescheduled	94.0	53.6	147.6	52.5	51.2	103.6	41.7	49.6	91.3	30.7	48.1	78.8	18.8	45.4	64.2
Post-cutoff date	88.8	26.9	115.7	93.1	23.4	116.5	86.1	20.3	106.4	81.8	16.4	98.1	54.8	9.9	64.7
Non Paris Club	0.2	0.2	0.3	0.4	0.2	0.6	1.0	0.2	1.2	1.6	0.4	1.9	0.9	0.3	1.3
Commercial debt	14.0	22.2	36.3	14.1	22.9	37.0	13.9	22.5	36.4	13.6	21.9	35.5	87.5	24.9	112.4
London Club	13.1	21.9	35.0	13.5	22.6	36.2	13.4	22.3	35.7	13.3	21.8	35.1	44.0	20.2	64.2
Other commercial	1.0	0.3	1.3	0.6	0.3	0.9	0.5	0.2	0.6	0.3	0.2	0.5	43.5	4.6	48.2
<i>Memorandum items:</i>															
Debt service (percent of GDP)	4.5	1.8	6.2	3.6	1.5	5.1	3.1	1.3	4.4	2.6	1.3	3.9	2.6	1.0	3.6
Nominal GDP	8,178	8,178	8,178	8,621	8,621	8,621	9,029	9,029	9,029	9,379	9,379	9,379	10,103.2	10,103.2	10,103.2

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



Table 9. Côte d'Ivoire: Indicators of Capacity to Repay the Fund, 2006-13 1/

	2006	2007	2008	2009	2010	2011	2012	2013
	Projections							
<b>Fund obligations based on existing credit</b>								
(in millions of SDRs)								
Principal	39.1	30.6	28.1	11.7	16.8	32.0	21.1	-
Charges and interest	1.9	2.5	3.2	3.0	2.9	2.3	1.4	1.1
<b>Fund obligations based on existing and prospective credit 2/</b>								
(in millions of SDRs)								
Principal	39.1	30.6	28.1	11.7	16.8	42.2	41.4	10.2
Charges and interest	1.9	2.5	4.4	4.7	4.6	4.0	2.3	1.2
<b>Total obligations based on existing and prospective credit 2/</b>								
In millions of SDRs								
In billions of CFAF	31.5	24.2	21.8	11.0	14.3	30.7	29.0	7.5
In percent of government revenue	1.9	1.3	1.1	0.5	0.6	1.2	1.1	0.3
In percent of exports of goods and services	0.7	0.6	0.5	0.2	0.3	0.6	0.5	0.1
In percent of GDP	0.3	0.3	0.2	0.1	0.1	0.2	0.2	0.1
In percent of quota	12.6	10.2	10.0	5.0	6.6	14.2	13.5	3.5
<b>Outstanding Fund credit 2/</b>								
In millions of SDRs								
In billions of CFAF	99.7	109.8	122.3	110.6	93.8	51.6	10.2	0.0
In percent of government revenue	4.6	4.4	4.2	3.5	2.7	1.4	0.2	0.0
In percent of exports of goods and services	1.8	2.0	1.8	1.6	1.3	0.7	0.1	0.0
In percent of GDP	0.8	0.9	0.8	0.7	0.5	0.3	0.0	0.0
In percent of quota	30.7	33.8	37.6	34.0	28.8	15.9	3.1	0.0
<b>Memorandum items (billions of CFAF)</b>								
Charges and interest, after assumed subsidies 3/	0.6	0.9	2.6	1.9	1.8	1.6	1.3	1.2
Nominal GDP (in billions of CFAF)	9,029	9,379	10,103	10,936	11,732	12,705	13,636	14,685
Exports of goods and services (in billions of CFAF)	4,256	4,042	4,558	4,740	4,901	5,098	5,310	5,604
Government revenue (in billions of CFAF)	1,672	1,818	1,961	2,146	2,311	2,517	2,710	2,928
CFAF/SDR (period average)	769	732	671	670	668	665	662	662

Sources: IMF staff estimates and projections.

1/ Numbers in CFA francs are converted from SDR at the program exchange rates and may differ from Tables 3, 4, 6, 7 and 8 which evaluate Fund transactions at the exchange rates recorded in the books of the BCEAO.

2/ Including the second EPCA purchase of SDR 40.65 million (12.5 percent of quota) in April 2008. No subsidization of EPCA purchase is assumed.

3/ Assuming that the rate of charge on EPCA purchase is subsidized down to 0.5 percent per annum plus adjustment for deferred charges. Subsidization is subject to the availability of subsidy resources.

Table 10. Côte d'Ivoire: Medium-Term Scenario 2007-12

	Average 1999-2003	Average 2004-06	2007		2008		2009	2010	2011	2012
			Prog. CR No 07/312	Est.	Prog. CR No 07/312	Prog.				
(Annual percentage changes)										
<b>Real sector</b>										
Real GDP growth	-1.2	1.0	1.7	1.6	3.5	2.9	5.1	5.6	6.2	6.3
Real GDP per capita growth	-3.1	-0.6	0.2	0.1	2.0	1.4	3.6	4.1	4.7	4.8
Consumer price index (annual average)	2.8	2.6	2.0	1.9	3.0	4.3	2.7	2.7	2.7	2.7
(Percent of GDP)										
<b>Gross investment</b>	11.3	10.0	9.7	8.7	12.2	10.4	13.8	15.0	16.0	17.4
Central government	3.0	2.9	2.9	2.6	4.0	3.1	4.5	5.2	5.7	6.5
Nongovernment sector	8.3	7.1	6.9	6.1	8.2	7.4	9.3	9.9	10.3	10.9
<b>Gross domestic saving</b>	21.4	19.0	17.8	16.0	18.9	16.8	18.9	18.8	18.7	18.9
Central government	4.8	2.2	3.2	2.8	4.1	2.5	3.9	4.3	4.5	4.3
Nongovernment sector	16.5	16.9	14.7	13.1	14.8	14.3	15.0	14.6	14.3	14.5
<b>Gross national saving</b>	11.8	11.6	12.0	10.1	13.3	11.6	13.8	13.9	13.9	14.3
Central government	2.0	1.3	3.3	2.1	4.2	2.8	4.0	4.5	4.8	4.8
Nongovernment sector	9.7	10.2	8.7	8.0	9.1	8.8	9.8	9.4	9.1	9.5
<b>Fiscal sector</b>										
Total revenue and grants	17.5	18.6	20.8	19.8	21.0	20.7	20.7	20.7	20.8	20.9
Total revenue	17.0	17.7	19.5	19.4	19.6	19.4	19.6	19.7	19.8	19.9
Total expenditure	18.9	20.3	20.5	20.7	20.8	21.1	21.4	21.6	22.0	22.9
Primary basic balance	2.7	0.6	1.0	0.6	1.3	0.8	1.2	1.4	1.6	1.5
Overall balance, including grants, payment order basis	-1.3	-1.7	0.3	-0.8	0.2	-0.4	-0.7	-0.9	-1.2	-2.0
(Annual percentage changes on the basis of CFA francs)										
<b>External sector</b>										
Exports, f.o.b., at current prices	5.3	9.3	-2.4	-5.0	3.0	12.8	4.0	3.4	4.0	4.2
Imports, f.o.b., at current prices	2.0	14.4	0.9	0.1	6.2	17.8	6.0	6.4	6.3	7.4
Export volume	-0.1	10.2	-0.2	-7.8	1.7	1.6	6.1	5.9	6.4	6.7
Import volume	-5.8	8.5	1.8	3.9	6.0	4.0	6.9	7.5	7.9	8.5
(Percent of GDP, unless otherwise indicated)										
Current account balance (including official transfers)	0.8	1.6	2.3	1.4	1.1	1.2	0.0	-1.2	-2.1	-3.1
Current account balance (excluding official transfers)	1.5	1.8	0.6	-0.3	0.0	-0.6	-1.4	-2.5	-3.3	-4.4
Gross official reserves (in months of imports of g&s)	3.0	2.8	3.0	3.1	2.9	3.1	3.3	3.3	3.2	3.2
External public debt		72.6	71.0	70.1	66.3	66.8	61.2	57.0	52.7	50.1
<b>Memorandum item:</b>										
Nominal GDP (CFAF billions)	7,774	8,610	9,496	9,379	10,215	10,103	10,936	11,732	12,705	13,636
Nominal exchange rate (CFAF/US\$, period average)	666.4	525.5	488.5	478.6	482.2	445.9	444.0	440.7	436.3	431.7
Nominal GDP at market prices (US\$ billions)	11.8	16.4	19.4	19.6	21.2	22.7	24.6	26.6	29.1	31.6
Population (in million)	17.0	18.2	18.8	18.8	19.0	19.0	19.3	19.6	19.9	20.2
Population growth (in percent)	1.9	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Nominal GDP per capita (CFAF thousands)	456.8	473.4	506.5	500.2	536.7	530.9	566.2	598.3	638.4	675.1
GDP per capita (US\$)	691.5	900.9	1,036.7	1,045.2	1,113.1	1,190.4	1,275.2	1,357.8	1,463.2	1,563.9
<b>Assumptions</b> <sup>1/</sup>										
Crude oil spot price (US\$/barrel)	24.9	51.8	63.8	71.1	68.8	95.5	94.5	93.3	92.8	92.5
Crude oil production (millions of barrels)	7.6	14.8	17.4	17.4	23.6	18.9	26.1	26.0	29.0	28.2
Cocoa beans world market price (US\$/kg)	1.3	1.56	1.60	1.96	1.59	2.20	2.10	2.00	1.92	1.83
Cocoa production in thousands of tons	1,257.9	1,363.0	1,334.7	1,225.6	1,374.8	1,301.6	1,353.6	1,407.8	1,464.1	1,522.6
Secondary and tertiary sector output index <sup>2/</sup>	92.4	88.2	90.3	89.5	92.9	92.0	95.8	101.2	107.2	114.2
Nominal exchange rate (CFAF/US\$, period average)	669.0	525.5	488.5	478.6	482.2	445.9	444.0	440.7	436.3	431.7

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

Note: scenario assume no HIPC / MDRI programs.

<sup>1/</sup> Projections for oil and commodity prices and exchange rates are based on the Spring 2008 WEO.<sup>2/</sup> In real terms and in percent of 1999 level.

Table 11. Côte d'Ivoire: Financial Soundness Indicators for the Banking Sector, 2001-07

	2001	2002	2003	2004	2005	2006	Sept-07 <sup>1/</sup>
	(Percent, end of period)						
<b>Capital Adequacy</b>							
Risk-weighted capital to assets ratio	13.0	12.5	15.7	17.0	13.7	12.4	12.1
Percentage of banks greater or equal to 10	66.7	75.0	62.5	50.0	50.0	44.4	33.3
Percentage of banks below 10 and above 6	6.7	18.8	31.3	37.5	25.0	27.8	33.3
Percentage of banks below 6 percent minimum	26.7	6.3	6.3	12.5	25.0	27.8	33.3
Capital (net worth) to assets <sup>2/</sup>	7.2	8.3	9.7	9.4	8.8	8.9	6.6
<b>Asset quality</b>							
Total loans/total assets	67.5	67.0	65.4	68.0	66.2	66.1	56.6
Nonperforming loans (NPLs)							
NPLs/total loans	19.3	21.3	25.1	26.2	21.0	20.0	17.7 <sup>3/</sup>
NPLs net of provisions/total loans	5.8	6.7	8.7	10.4	4.4	3.3	4.1
Provisioning rate	70.1	68.5	65.4	60.5	79.0	83.7	83.9
<b>Management</b>							
Personnel costs/revenue	22.2	22.2	22.8	20.5	21.3	23.0	...
Noninterest expenses/revenue	30.8	29.3	31.0	32.9	25.0	26.4	...
<b>Earnings and profitability</b>							
Net income (CFAF billion)	-3.7	5.9	4.5	8.1	3.2	15.0	...
Return on assets	-0.3	0.4	0.6	0.6	0.3	1.1	...
Return on equity	-2.7	4.5	3.0	5.1	2.3	10.0	...
Interest rate spread (percentage points)	6.7	7.6	7.9	7.8	7.7	7.9	...
<b>Liquidity</b>							
Liquid assets/total assets	35.8	42.9	43.5	44.9	43.2	44.7	46.7
Liquid assets/short term liabilities	62.1	71.8	80.6	87.5	84.8	85.4	93.7
Loans/deposits	106.6	91.4	87.3	90.8	88.7	88.2	72.0
Liquid assets/total deposits	54.8	57.3	57.0	58.9	54.7	59.1	59.51
<b>Memorandum items</b>							
<b>Côte d'Ivoire</b>							
Number of financial institutions (incl. nonbanks)	...	...	20	18	19	20	21
Share in total WAEMU assets	...	...	32.0	31.3	29.5	...	...
<b>WAEMU</b>							
Number of financial institutions (incl. nonbanks)	...	86	87	93	114	116	...
Risk-weighted capital to assets ratio	...	11.7	10.6	11.4	11.8	...	...
NPLs/total loans	...	20.0	19.7	20.7	19.8	...	...
Provisioning rate	...	65.9	67.7	61.1	66.8	...	...

Sources: BCEAO, Banking Commission, APBEF-CI, and IMF staff calculations.

<sup>1/</sup> Provisional.<sup>2/</sup> Combined *Fonds propres nets* divided by combined assets of the banking sector.<sup>3/</sup> December 2007 figures.

**Appendix I – Letter of Intent**

Abidjan, March 20, 2008

Mr. Dominique Strauss-Kahn  
Managing Director  
International Monetary Fund  
Washington, D.C. 20431

Dear Mr. Strauss-Kahn:

1. Since the Ouagadougou Accord was signed on March 4, 2007, by the President of the Republic and the Secretary-General of the *Forces Nouvelles*, significant progress has been made in the process of resolving the crisis. Reunification of the country has begun and the redeployment of government administration is underway, in particular the establishment of prefectural authorities in the central, northern, and western (CNW) zones. We have also begun the national community reinsertion and rehabilitation program (PNR/RC), and the unification of the army. Identification of the population in preparation for elections has begun with the revival of public hearings (*audiences foraines*). These advances have been made against a difficult political background with considerable social protest. The government is determined to complete the reunification of the country quickly and to implement the other aspects of the roadmap, leading to free, democratic, transparent elections scheduled for end-June 2008. The support of the international community, in particular through the Emergency Post-Conflict Assistance (EPCA) approved by the IMF Executive Board last August, is of crucial importance during this pivotal period.

2. The government has put in place the key basic measures provided for in the program supported by the 2007 purchase under EPCA. It has thus started the return to normal budget execution procedures and the regular reporting of budget execution statements and physical and financial flows in the key sectors of coffee/cocoa and oil, thereby helping to enhance transparency and good governance. Further, considerable efforts have been made to normalize financial relations with the multilateral financial institutions, specifically through the payment of our part in the clearance of arrears to the World Bank (completed at end-February 2008) and the African Development Bank (AfDB), expected to take place in April 2008.

3. With the support of the international community, the government intends to build on the gains made to date to implement policies aimed at national reconciliation, sustained recovery of economic growth, improved social conditions, and poverty reduction. Consequently we aim to ensure the free movement of persons, goods, and services and to strengthen the capacity of public administration throughout the country. We also confirm our continuing commitment rigorously to combat fraud, permissiveness, and corruption at all levels, and to strengthen the rule of law and the judicial system.

4. The Memorandum on Economic and Financial Policies (MEFP), attached hereto, describes progress made in implementing the 2007 program and defines the objectives and the government's economic and financial policies for 2008. To support implementation of this program, the government requests, as envisaged in our letter of intent dated June 12, 2007, additional assistance under the IMF's EPCA program of a further SDR 40.65 million, or the equivalent of 12.5 percent of our quota. We fervently hope that Côte d'Ivoire will once again benefit from an interest rate subsidy.

5. In light of spending trends observed at end-September 2007, we have taken measures during the last quarter, aiming at safeguarding the fiscal objectives of our program for 2007, notably by limiting nonessential current expenditure and favoring social and investment expenditure. We have accelerated the preparation of the 2008 budget, which was promulgated before end-2007 and started to be executed in accordance with normal procedures. We have also taken steps to strengthen the transparency of budget execution in 2008. The government has also brought forward the implementation of new structural measures to safeguard the government's planned revenues from the energy sector.

6. Our 2008 budget policy reflects the needs of a pivotal year in the process of exiting the crisis and reunifying the country. The objective is to harness the peace dividends quickly and in full and to pass on the benefit to the population. The 2008 budget is designed to improve mobilization of revenues through greater efficiency of the revenue collection agencies and their rapid reestablishment in the CNW zones and through combating fraud and corruption. It also promotes essential expenditure for the health and education sectors and for the rehabilitation of basic infrastructures, including the CNW regional administrations. Attention to these priorities will entail a reduction in nonessential expenditures allowed by the peace and normalization process, including sovereignty spending and front-line bonuses. Finally, the 2008 budget supports crisis-exit programs with appropriate budget allocations, taking into account the contributions of external partners.

7. In 2008, the government intends to consolidate the progress already made with regard to the transparency of public resource management. It also intends to carry out studies and audits and adopt action plans for public financial management, and for coffee/cocoa, cotton, and energy sector reforms. The adoption by mid-2008 of action plans for coffee/cocoa, cotton and energy, and by the third quarter of 2008 for public financial management will pave the way for deeper reforms, while continuing to emphasize transparency and good governance.

8. We hope that our 2008 program, supported by EPCA, will form a sound basis to start discussions of a future three-year program that could be supported by the IMF Poverty Reduction and Growth Facility (PRGF) and enable Côte d'Ivoire to reach the decision point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative in the third quarter of 2008. In this regard, the government plans to adopt its Poverty Reduction Strategy Paper (PRSP) before end-September 2008.

9. The government will consult the IMF on the implementation of the program and economic policies set forth in the MEFP, and will submit to the IMF all the information required to monitor program implementation, in accordance with IMF policy on such consultations.

10. The Ivoirien authorities intend to release to the public this letter, the attached MEFP, and the attached Technical Memorandum of Understanding (TMU), as well as the IMF staff report relating to the EPCA request. We hereby authorize their publication and inclusion on the IMF website, following approval of the IMF Executive Board.

Sincerely yours,

/s/

/s/

Charles Koffi Diby  
Minister of Economy and Finance

Guillaume Kigbafori Soro  
Prime Minister

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

## Appendix I. Attachment I. Memorandum on Economic and Financial Policies –2008

### INTRODUCTION

1. The crisis that has affected Côte d'Ivoire since 1999, resulting in its partition in 2002, has had serious social and economic consequences for the country. However, on March 4, 2007, an historic agreement resulting from direct dialogue between the President and the *Forces Nouvelles* was signed at Ouagadougou, leading to hope of a final resolution of the crisis. The government arising from this agreement started a process of reunification, which is currently progressing well but remains fragile. It firmly intends to use its best endeavors to restore Côte d'Ivoire to the growth path that it was following before the crisis erupted. It also believes that sustained growth and the equitable sharing of its benefits will strengthen national unity.
2. **The government is determined to implement the roadmap of the Ouagadougou Political Accord (APO) and the Supplementary Accords of November 2007.** The Political Accord's general objectives are the restoration of the government's authority and of security throughout the country, the identification of the populations and the organization of democratic, free and transparent elections at the latest by end-June 2008. To reach these objectives, the government will continue to implement programs related to overcoming the crisis and to achieving social and economic recovery, for which it is seeking support from the international community. It acknowledges the fact that approval of the IMF Emergency Post-Conflict Assistance (EPCA) in August 2007 opened up the prospect of a return of international financial institutions and of debt relief under the HIPC Initiative that Côte d'Ivoire was about to receive just before the onset of the crisis.
3. **The economic policies planned for 2008 aim to supplement and strengthen the gains made under the 2007 program, in particular the improvement of public finances and transparency, and responses to post-crisis needs.** To support this program the government is requesting continuing support under the EPCA. It hopes that its 2007-2008 program supported by the EPCA will form a sound basis for starting discussions for a future three-year program that could be supported by the Fund's Poverty Reduction and Growth Facility (PRGF) and enable Côte d'Ivoire to reach the decision point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative in the third quarter of 2008.
4. **Implementation of post-crisis programs have made an encouraging start.** Public hearings for identification and preparation of elections began last September and are progressing without incident. The reconstruction of civil status records has begun and the technical specialist who will carry out the identification and electoral registration operations has been selected. The electoral register from 2000 was distributed to all political parties for their information. Redeployment of government administration in the central, northern, and western (CNW) zones is progressing. All the prefects, subprefects, and general secretaries of the prefectures have returned to their posts and three-quarters of the 24,000 civil servants

who had to leave the CNW zones have been redeployed. The 2007/08 school year started normally throughout the country. The tax and financial administrations reopened in a number of conurbations in the CNW zones, and local payment of civil servant salaries and pensions has been resumed. The government financed all these operations almost exclusively from its own resources.

### RECENT ECONOMIC DEVELOPMENTS

5. **The economy has stood up relatively well to the crisis since 2004 and thanks to the reunification process 2007 has seen a continuing recovery.** Despite the sharp fall in oil production in 2007, growth reached 1 ½ percent as initially projected. The rapid increase in oil production had largely underpinned overall GDP growth up to 2006, and the fall in 2007 is essentially due to technical problems in the Baobab field which limited production to 17.5 million barrels, compared with 22.2 million in 2006. The relatively good performance of the economy in 2007 can be explained by the favorable performance of the telecommunications, transport, and trade sectors, and by the recovery in construction and public works and agro-food, and despite a water shortage in the first half of the year, which had a negative impact on export agriculture. For the first time since 1999 there was strong growth in private investment after a cumulative decline of over 30 percent in real terms since 1999.

6. **Inflation remained subdued in 2007.** It amounted to 1.9 percent as an annual average, compared to 2.5 percent in 2006. However, prices for some essential goods, such as rice, milk, cooking oil, and flour, increased significantly due mainly to the surge in world food prices. To mitigate the impact of these increases, the government took various measures, notably the suspension of import duties on wheat, and consulted with the private sector to enhance the supply of these foodstuffs and limit the impact on sensitive product prices. The nominal and real effective exchange rates rose in 2007 as the dollar fell against the euro.

7. **The current account surplus reached 1.4 percent of GDP in 2007, compared with 3 percent in 2006.** This relative deterioration is partly due to a reduction in oil exports and a larger than expected fall in exports of petroleum products and cocoa, despite the favorable trend in export prices. Imports remained stable in value terms, reflecting a decline in average unit prices, offset by a slight increase in volume terms. The capital account deficit improved slightly due to inflows of private capital but remains wide owing to the almost complete lack of external financing. The overall balance of payments deficit is estimated at 1.3 percent of GDP compared with 2.6 percent in 2006, and was financed by an accumulation of external arrears that was still at high levels, notwithstanding the resumption of the payment of current debt service on the debt owed to the World Bank and AfDB.



### III. 2007 Program Implementation

8. **Budget performance has fallen short of expectations both in terms of the primary basic balance and in terms of expenditure composition.** The main budget objectives for the first half of 2007 have been met overall. However, during the third quarter, pressures emerged that began to have an effect on wage expenditures and operating costs. To stem these trends and adhere to the program objectives, the government, during the last quarter of the year, adopted corrective measures, particularly a freeze on nonessential recurrent expenditures, with a shift in favor of capital expenditures, as well as a carry-over into 2008 of a part of the wage bonuses that had been granted.

9. **The measures that have been adopted made it possible to generate a basic primary basic surplus of 0.6 percent of GDP, compared to 1 percent in the program.** The revenue yield was slightly below the program objective, in spite of the favorable performance of the tax on incomes and wages, the single export duties (DUS) and the VAT, which partly offset a shortfall recorded by the revenues on petroleum products. The objective for DUS duties on cocoa was met, yet on account of delays in exports, the government had to make use of an advance collection of a portion of these duties (CFAF 60 billion, or ½ percent of GDP) at a financial cost of 7 percent. Operating expenditures by national institutions (including sovereignty expenditures) as well as the front-line bonuses for the Security and Defense Forces (FDS) exceeded their budgeted levels. With respect to wage costs, the government had to allocate housing allowances to schoolteachers and include the “new recruits of 2002” in the regular army wage bill. Total overruns of 0.8 percent of GDP were almost balanced out by below-target post-crisis spending. Furthermore, the government used one-third of the revenues received for toxic waste damage compensation (0.3 percent of GDP) to compensate the victims and implement prevention projects and retained the rest for expenditures planned for this area in 2008 and 2009.

10. **Considerable efforts have been made to service the external and domestic public debt.** In spite of its of the challenging financial situation and the shortfall recorded in external assistance for post-crisis programs, Côte d’Ivoire since July 2007 has stayed current in its current debt obligations to the World Bank and the AfDB, and almost all other multilateral creditors. Faced with the needs of the private sector and in order to support the economic recovery, the government has repaid a substantial amount of arrears vis-à-vis its domestic suppliers (including subsidies for private schools), in an amount which was 1 percent of GDP higher than anticipated. Confronted with the twofold challenge of normalizing relations with domestic suppliers and preparing for the clearance of arrears to the World Bank, the government has sought to obtain financing on the domestic and regional financial markets. The amounts raised through the issuance of government securities—a total equivalent to 2 percent of GDP in 2007—have not been sufficient to pay off the World Bank as expected; and the government was required, in early 2008, to make a private placement of CFAF-denominated obligations at relatively high interest rates.

Coupled with its own revenues, these financing resources allowed for the full settlement of arrears to the World Bank in January and February 2008.

11. **Structural fiscal reforms under the program progressed in 2007.** With regard to structural indicators (see Table 3), Treasury advances declined, albeit less than expected. In view of cash flow problems, the practice of paying DUS duties in advance and at a discount continued in spite of the program objective. Budget execution statements breaking down expenditures (by type, function, and administration/type) for the first three quarters of 2007 were submitted to the Council of Ministers somewhat later than expected.

12. **Good progress has been made in regard to other structural measures (see Boxes 1-3).** The retirement criteria for teachers and all civil servants were changed, and the rule requiring retirement after 30 years of service was removed. The increase in the retirement age from 55 to 60 years planned for 2008 is to be phased in as follows: an increase from 55 to 57 years, for which a decision will be taken in the fourth quarter of 2008 to become effective from January 2009; and from 57 to 60 years from January 2011. The government considerably expedited preparation of the 2008 budget, which was promulgated on December 28, 2007 and implemented as of January 4, 2008. The Government Procurement Code—which is designed to ensure compliance with the rules of transparency and competition in contract management—is operational. With regard to tax reform, the tax administrations extended use of the standardized invoice, accelerated repayment of VAT credits, and decreased the amount outstanding using the new procedure introduced in 2006. In customs the government improved the control of transit flows to and from border countries, and introduced a new version of the customs computer system (*Système douanier pour l'administration* - SYDAM-World).

13. **The banking system has been performing better since 2004 but also has weaknesses relating either to the 2002 crisis or of a structural nature.** Since March 2007, two banks resumed activity in the CNW zones. The ratio of nonperforming loans to total credit fell from 26 percent in 2004 to 21.0 percent at end-2006, and then to 17.7 percent at end-2007. Under the authority of the West African Monetary Union (WAMU) Banking Commission, progress has been made in recent months in the recapitalization of four of the nine banks that were not in compliance with capital adequacy requirements at end-2006. Nevertheless, six banks are still under close supervision by the Commission. Moreover, the Central Bank of West African States (BCEAO) has decided to raise (from CFAF 1 billion to CFAF 5 billion) the minimum capital requirement for banks; it applies as of January 1, 2008 for new banks, though existing banks have three years to comply. Some prudential ratios for the Banque nationale d'investissement (BNI) improved in 2007, especially after the securitization and sale at a discount of various claims on the government at the beginning of 2007. However, the public sector continues to represent a very high share of the BNI balance sheet, with 67 percent of deposits and 69 percent of loans as of end-September 2007. The government has drawn up a National Microfinance

Strategy (SNM) to deal with the problems of that sector, which has been suffering from a high level of nonperforming loans since 2002.

14. **Progress was made in improving transparency and governance in the coffee/cocoa sector.** The Coffee/Cocoa Sector Project and Program Review and Monitoring Committee (the Coffee/Cocoa Committee) reported to the Council of Ministers on the amounts and usage of the quasi-fiscal levies, as well as the half-yearly budget execution statements of the various bodies involved (Regulatory Authority for Coffee and Cocoa - ARCC, Prudential Reserve - FRC, Cocoa and Coffee Marketing Exchange - BCC, and Coffee and Cocoa Producers' Development Fund - FDPCC). The Committee's terms of reference were expanded to include not only the management of the FDPCC-investment fund and the Prudential Reserve, but also the management of the Rural Investment Fund (FIMR) and other investment funds (cocoa bags (*sacherie*)), and, as of December 2007, the coffee sector recovery fund (*Fonds de relance caféière*). This committee is now tasked with checking that all the operations financed by these funds comply with the Public Procurement Code. In addition, the total amount of quasi-fiscal levies has been cut by CFAF 2.65/kg since the 2007-08 crop year and the terms of reference were approved for a study on which to base a strategy for the sector. The study will be launched in March 2008.

15. **In the energy sector, measures were implemented to increase transparency and efficacy.** The audits financed by the World Bank of oil and gas extraction and of refining and storage of petroleum products were completed. The audit of the electricity subsector was started and the report should be available by end-March 2008. The government also confirmed its commitment to the Extractive Industries Transparency Initiative (EITI) and launched the nation-wide process, by creating the National Council in February 2008, which has formulated its action plan and bylaws. Moreover, the government improved the transparency of physical and financial flows in the sector with detailed quarterly reports to the Council of Ministers. In the electricity subsector the government implemented the March 2007 compensation protocol between the electricity company (CIE) and the government with regard to offsetting the stock of cross-debts and claims in the sector relating to gas and electricity consumption at end-2006. However, new cross-arrears accumulated during 2007. The increase in average electricity rates planned for end-August 2007 had to be postponed due to the difficult social conditions then prevailing. Moreover, fraud and delays in investments for network expansion and maintenance led to significant technical and nontechnical losses. Consequently the network yield fell from 86 percent in 2000 to 76 percent in 2007.

#### IV. PROGRAM FOR 2008

16. **The government's objectives for 2008 are broadly the same as in 2007:** to reestablish the conditions for sustainable growth and confidence brought about by greater political stability and better governance and transparency in managing key sectors. These objectives are based on the progress achieved thus far in the post-conflict program. The rate

of economic growth should be close to 3 percent in 2008, twice the rate of growth in 2007, helped particularly by the dynamic performance of the secondary sector, the improvement of export prices, and a slight pickup in oil and gas production.

**17. Fiscal policy for 2008 aims to continue pursuing fiscal consolidation, while responding to the post-conflict needs against the background of a fairly moderate outlook for external financing.** The program for 2008 largely reflects the 2008 Budget adopted at end-December 2007. However, several developments—particularly those developments related to the Ouagadougou Supplementary Accords and an overall financing constraint that is stricter than anticipated—have necessitated adjustments in the budget framework for 2008 (with respect to both expenditure and revenue), which has been approved by the Council of Ministers.

**18. The 2008 budget framework provides for a primary basic surplus of 0.8 percent of GDP.** This effort, combined with mobilization of domestic and foreign resources, should lead to normalization of financial relations with the World Bank and the AfDB and to the start of this process with bilateral creditors. The share of spending allocated to post-crisis programs and to rehabilitation of basic infrastructure and the social sectors will be increased substantially in 2008.

**19. Revenue under the fiscal program for 2008 should rise to 19.4 percent of GDP in 2008, a tax effort of ½ percent of GDP** (excluding revenues from toxic waste damage compensation, and excluding oil and gas revenues). Tax collection efforts will focus on the following:

- Mobilizing tax revenue in the CNW zones by reopening all customs posts as well as the main tax centers in these areas in the first quarter of 2008, with an impact for 2008 estimated at 0.2 percent of GDP.
- Improving VAT collection and expanding its base to better cover the informal sector, notably through further enforcement of the use of standardized invoices. Administrative procedures for the handling of reimbursements requests for VAT credit to enterprises will be further accelerated and the validated amount awaiting reimbursements will not exceed CFAF 7 billion during 2008 (compared to CFAF 9 billion at end-2007).
- Implementing the automatic mechanism for petroleum product prices in combination with a review of their levels and structures, beginning in early July 2008. The increase in pump prices at that date—the first since 2005—is expected to ensure that the contribution of petroleum products to tax revenue will be at least 1.2 percent of GDP (compared to the average for 2005-2007, which was 1 percent of GDP) (see paragraph 31).
- Ensuring that a greater contribution to government revenues is made by the national oil company (PETROCI), whose revenues from production-sharing contracts have gone

hand-in-hand with the sharp increase in the oil sector's prices since 2004 (revenue impact amounting to 0.2 percent of GDP in 2008).

**20. Primary basic spending will amount to 18.6 percent of GDP in 2008 (as against 18.0 percent in 2007, and will be redirected toward post-crisis expenditure, basic infrastructure, and social expenditure.** The wage bill will be stabilized as a share of GDP at CFAF 687 billion (6  $\frac{3}{4}$  percent of GDP). It will include the full-year impact of teacher housing allowances and allowances granted to health workers (CFAF 19 billion) as well as integration into the army and the national police of some military personnel from the *Forces Nouvelles* (CFAF 12.5 billion). The government intends to strictly limit the hiring of new civil servants to 10,009 in 2008, while giving priority to the health and education sectors where the shortages are the greatest. Taking into account the postponement to 2009 of hiring estimated at 4,241, net hiring of civil servants will be 5,768 in 2008. The government intends to strictly limit wage costs of public institutions to CFAF 33 billion (the level reached in 2006) by strengthening the control of monthly funding to each institution, in accordance with budget allocations. The government acknowledges that the rise in the wage bill—while reflecting a response to post-crisis-related needs—is not sustainable and that a civil service reform strategy will be necessary to return Côte d'Ivoire to the West African Economic and Monetary Union (WAEMU) convergence criteria.

**21. The government aims to reduce nonessential expenditure to ensure sufficient allocations to the social sectors.** The fiscal program for 2008 aims to increase social spending (education, health, and other expenditure we have defined as “pro-poor” in the Technical Memorandum of Understanding (TMU)) to 5.6 percent of GDP in 2008, compared with 5.4 percent in 2007. To this end, operating outlays by national institutions (“sovereignty spending”) will be limited to CFAF 48.6 billion (as against CFAF 69.1 billion in 2007); gas subsidies to the electricity sector will be reduced to CFAF 20 billion (accompanied by an increase in rates); and spending on utility consumption and travel costs will be better controlled, while public entities will be encouraged to make efforts toward greater economy and accountability. Furthermore, the government has decided to pay no further front-line bonuses except for amounts owed for earlier periods and lump-sum allowances connected with the regroupment of ex-combatants. These payments will be limited to CFAF 37 billion as against CFAF 40 billion in 2007. The payments will be made by the Treasury at the soldier regroupment sites, based on verified pay lists, which will be reconciled with past bonus payments. Moreover, the government will halt all practices of compensating expenditures through tax revenues; it will improve the supervision of revenue allocations through the SIR to fuel expenses of the Defense and Security Forces; and will also avoid having recourse to advances against tax revenues.

**22. Post-crisis-expenditures will total 1.9 percent of GDP,** with 0.9 percent of GDP to be assumed by external partners. Such expenditures relate to:

- The national community reintegration and rehabilitation program (PNR/RC) is continuing to work toward the social and economic reintegration of demobilized ex-combatants from the FN and what are known as self-defense militias. The World Bank is financing a similar but broader program, targeting all young people at risk and the communities most affected by the crisis.
- Unification of the army under the auspices of the Integrated Command Center (CCI) includes the reintegration of part of the FN and the re-founding of the army of Côte d'Ivoire.
- The basic aim of the civic service (*service civique*)—an institution which used to exist in the past—is to retrain young people who have been exposed to the use of arms. This civic service teaches income-generating trades and provides civic education within a relatively short timeframe. The program is designed to reach 40,000 people, half of them in 2008.
- Redeployment of government administration throughout the country is continuing, accompanied by the rehabilitation of public buildings. After redeployment in the CNW zones of 18,900 civil servants, including 12,000 teachers in 2005-07, the government aims to redeploy the remaining 5,600 by August 2008. For the 5,000 volunteers who took on teaching and certain health care duties in the CNW zones during the crisis, the government intends to have those who meet the access and competence conditions take a competitive examination with a view to hiring them as civil servants. The government plans to pay all redeployed staff reinstatement and incentive bonuses (of which CFAF 4 billion remain to be paid in 2008).
- Identification of the populations for issuing identity cards and preparation of electoral registers is continuing with a view to presidential elections before end-June 2008. Following the public hearings currently underway, the process of identification—to be carried out during the first half of 2008—has been awarded to a technical operator. Enrollment on the electoral registers and the holding of elections will be coordinated and supervised by the Independent Electoral Commission (CEI).
- The emergency intervention program, financed mainly by external partners, focuses on actions having an immediate impact on the communities affected by the crisis, primarily through micro-projects, food aid, delivery of agricultural inputs, and rehabilitation of basic infrastructure.

23. **Investment expenditure will rise to 3.1 percent of GDP in 2008 compared with 2.6 percent in 2007.** Priority will be given to the restoration of administrative services, the social sectors, and basic infrastructure. Although it is significant for the reunification of the country, the transfer of the political capital to Yamoussoukro will be slowed down; the amount allocated is CFAF 15 billion (compared with CFAF 25 billion estimated for 2007).

## Financial sector reform

24. **Efforts to strengthen the banking system will continue.** The government will continue to support the efforts of the West African Monetary Union (WAMU) Banking Commission to ensure that Ivoirien banks comply with prudential ratios and implement its recommendations. In particular, the seven undercapitalized banks—four of which were called for a hearing at the Banking Commission in December 2007—are being asked to present realistic recapitalization plans by end-March 2008. The government has undertaken an external financial and operational audit of the BNI and a strategic study on the role of the BNI in financing the economy (and will utilize the results scheduled to become available by mid-2008), before deciding which measures to take. It will also start restructuring of the microfinance sector, based on the National Microfinance Strategy (SNM). A new legal framework with the objective of partially transferring supervisory responsibility from the Microfinance Directorate to the BCEAO for the main microfinance agencies has been adopted by the WAEMU authorities, and this new framework will be integrated into its legal and regulatory system in 2008.

25. **Reforms of public savings institutions will continue.** An audit of the information system and accounts of the Postal Savings Fund (*Caisse Nationale des Caisses d'Épargne - CNCE*) was conducted by end-2007 with the ultimate objective of reestablishing its financial equilibrium and ending the subsidies from the government. As regards the national social security fund (*Caisse Nationale de Prévoyance Sociale - CNPS*), the pension arm of which has a structural deficit, an actuarial assessment was carried out and reform proposals to return it to financial equilibrium in the medium term were drawn up. In addition, the government also intends to settle its debt with the CNPS, in accordance with the restructuring agreement signed in December 2007.

## Governance, transparency, and structural reforms

26. **The government reiterates its determination to put good governance in the management of public resources at the center of its economic program and structural reforms.** It is committed to combating fraud, corruption, and lawlessness, strengthening the rule of law, and restoring an economic and regulatory environment that is conducive to economic activity. The actions described below will help prepare a program that could be supported by the PRGF. Structural indicators under the EPCA program are described in Table 2; in addition, the program includes reform measures in a range of other areas.

## Budget reforms

27. **The government is pursuing the implementation of the action plans for the tax administrations as well as public finance reforms.** The government intends to adopt before the end of the third quarter of 2008 a medium-term plan for overall reform of public finance management based on the findings of the Public Expenditure Management and

Financial Accountability Review (PEMFAR) mission undertaken jointly by the World Bank, the AfDB, the IMF, and the EU in November 2007.

**28. The government intends to strengthen tax administration, particularly by implementing action plans to combat tax evasion.** The authorities intend to step up the use of the standardized invoice and combat the underground economy and unfair competition, specifically with the help of investigation squads, and improve inspection of other taxes. It will therefore:

- The government intends to improve inspection of petroleum product exports to Mali and Burkina Faso and of imports from outside the Economic Community of West African States (ECOWAS) that arrive by land from the two countries to avoid their being sold fraudulently in Côte d'Ivoire.
- It intends to complete the independent audit of the release for consumption of petroleum products to distributors in Vridi and Yamoussoukro, and of the related tax revenues by end-March 2008 at the latest. An action plan based on its results will be approved before mid-May 2008 and implemented by end-May 2008.
- The government has requested an IMF technical assistance mission, which began in early March 2008, to perform an assessment of customs administration. The government has requested similar technical assistance for tax administration. By end-June 2008, with IMF technical assistance, the government also intends to review the full set of tax exemptions—in order to identify recommendations aimed at phasing them out.
- To better monitor revenue collection agencies (*régies financières*) and public enterprises (*sociétés d'Etat*), the government intends to increase the number of audit missions carried out by the *Inspection Générale des Finances* (IGF) and the Directorate of Equity Investments and Privatization (DPP), in accordance with the pertinent annual work programs. With particular reference to public enterprises managing significant public resources, by end-May 2008 the government intends to launch external financial and accounting audits of the national petroleum corporation of Côte d'Ivoire (PETROCI) and the Port Autonome d'Abidjan.

**29. Full use will be made of the public finance management and accounting systems to monitor budget execution and ensure its transparency.** The following actions for 2008 will be undertaken:

- Establish monthly allocations for operating spending and quarterly allocations for investment spending for most budget items of administrations, according to the projected resources for each period, and ensure that they are strictly observed.
- Produce quarterly budget execution statements (showing revenues and expenditures), and report them to the Council of Ministers with a maximum time lag of 45 days, and release



them to the public. These statements will present expenses classified by type, function, and administration/type, as set forth in the TMU. They will include the information on payments, by harmonizing the SIGFiP and ASTER classifications, from mid-May 2008 onward.

- Reduce the use of treasury advances to CFAF 120 billion, or 15 percent of outlays (excluding wages, externally financed expenditure, debt service and revenue-collecting agencies). Expenditures through advances will be regularized every quarter with a time lag of two months.
- Conduct independent semiannual audits of the expenditures associated with post-conflict-related programs (see paragraph 22); the first audit focusing on 2007 will be completed by end-July 2008.
- Review the time lags in the expenditure cycle (DAAF, Financial Control) observed in the first half of 2008 (by mid-July 2008) in order to accelerate the expenditure execution process.
  - Strengthen the steering role of the Treasury Cash-Flow Committee, the members of which include, among others, the Prime Minister's representative. The monthly cash management plans will be regularly updated, taking into account budget execution in the preceding months.
- To boost private sector confidence, complete before end-March 2008 an inventory of domestic arrears through end-2007 and adopt—in consultation with the private sector—an arrears clearing plan, including through securitization, by end-May 2008. The government will avoid new domestic arrears (i.e., payment orders remaining unpaid for over 90 days) and will restrict the “float” stock to CFAF 190 billion, as laid down in the TMU.
- Submit by end-June 2008 draft budget review laws to the Court of Audit (*Chambre des comptes*) for fiscal 2005 and 2006, and by end-September 2008 for fiscal 2007.

30. **The government intends to set in motion a reform of the government employee pension fund (*Caisse Générale de Retraite des Agents de l'Etat—CGRAE*) to resolve its structural deficit (½ percent of GDP in 2007).** A financial, operational, legal and organizational audit has already begun, as has an actuarial study and a review of the legislative and regulatory framework of the management of civil and military pensions of government employees. These three studies will be completed by end-April 2008.

### **Energy sector**

31. **The government is determined to continue its efforts to enhance transparency and reform the sector**, in particular through the Oil Committee, the terms of reference of which have been expanded to include monitoring of the audits and the implementation of their recommendations. Specifically, it intends to:

- Continue to provide the Council of Ministers every quarter, with a time lag of 45 days—and to release to the public—an analytical report (including a set of consistent tables as described in the TMU) on (i) the physical, financial, and tax flows of the crude oil and gas subsector; (ii) the production, export, release for consumption, and taxation of petroleum products; and (iii) the production, costs, and financial flows in the electricity subsector.
- Before end-May 2008 prepare and start to implement an action plan to improve the management of the sector based on the recommendations of the operational, financial, and technical audits of the three subsectors carried out in 2007 and early 2008, in consultation with World Bank staff.
- Continue to move forward to comply with the validation framework of the Extractive Industries Transparency Initiative (EITI). Following the establishment of the National Council tasked with implementing the EITI, reports conforming to the EITI standards and procedures on physical and financial flows from the extractive industries will be produced and published by end-September 2008 for 2006, and by end-December 2008 for 2007.
- Implement the automatic petroleum product price setting mechanism and bring pump prices closer to international prices (entailing an average increase of at least CFAF 50 per liter) from the beginning of July 2008. The pricing mechanism is based on import parity prices (IPP) and incorporates a temporary security margin of CFAF 15/liter, which will allow absorbing some of the impact on pump prices of an increase in world prices. At the time the mechanism is implemented the Specific Petroleum Product Tax (TSPP) for each product will be set so as to ensure sufficient tax revenues. Further, with a view to enhancing efficacy, the government plans to continue reducing the “protection coefficient k” in the price structure for 2008; it will lower it from 6 percent to 5 percent before end-June 2008.
- Clear by end-March 2008 the cross-debts and claims of the government and the electricity sector linked to consumption of gas and electricity during the year 2007. The government will also pay monthly (beginning in February 2008) for electricity consumption by the public administrations throughout the country, and the CIE will regularly pay the government the revenues corresponding to the government’s share of its gas consumption.
- Continue improving the financial viability of the electricity sector. An increase of 10 percent in domestic electricity prices has been implemented, effective February 1, 2008, for enterprises; and it will be effective from March 1, 2008, for low-voltage users (except low-income households). The government will carry on talks with the countries to which it supplies electricity to seek agreement on prices that better reflect world energy costs. Furthermore, the sector’s operators will strive to limit technical and nontechnical losses (essentially due to fraud). The CIE recently undertook various technical control measures to combat fraud which will be expanded and continued in 2008.

### Coffee/cocoa and cotton sectors

32. **The reforms already in progress aim to raise producer incomes, improve the marketing system, and ensure effective monitoring of the sector by the government, the Coffee/Cocoa Committee, and the sector's agencies.** In 2008, the following actions are planned:

- By end-July 2008 prepare and adopt a new overall strategy for the sector with the help of external partners, based on existing audits and studies. This strategy will consider solutions that allow higher producer prices and reduce the oligopsony power of exporters.
- Provide each quarter to the Council of Ministers with a time lag of 45 days, and release to the public, an analytical report on the collection and use of the quasi-fiscal levies and the balances of bank accounts of the investment funds (FIMR, FDPCC-investment, *Réserve de prudence, Sacherie and Relance caféière*). Submit to the Council of Ministers every half year (with a time lag of 45 days) information on the collection of quasi-fiscal levies for the operation of the ARCC, FRC, BCC, and FDPCC, and their budget execution statements. The government will ensure the publication of the FY 2008 budgets by end-March 2008 and of statements of the certified accounts of the four agencies by end-March 2008 for fiscal 2006 and by end-August 2008 for fiscal 2007.
- Reduce the quasi-fiscal levies by CFAF 5.5/kg for the 2008-09 crop year.

33. **The government has embarked upon a restructuring strategy for the cotton sector, which has been hard hit by the crisis and the fall in world prices.** This strategy, which is supported by the EU, aims mainly to clear the arrears in the sector and strengthen the main ginner, the *Compagnie Ivoirienne pour le Développement des Textiles* (CIDT). A policy for the sector will be adopted by end-June 2008 and an action plan for its recovery will be implemented with a view to a sustainable improvement in the competitiveness of cotton production.

### Trade and other reforms

34. **The government will continue its efforts to establish a common external tariff (CET) with the ECOWAS countries, promoting the freedom of movement of goods and regional integration.** At the same time, and to maintain preferential access to the European market and make the country more competitive, the government will seek to enter into an Economic Partnership Agreement (EPA) with appropriate phasing of the dismantling of tariffs on 80 percent of the products imported from the EU.

35. **The government is conscious of the inadequacies of the judicial system.** It intends to prepare a reform plan with the support of external partners to improve the efficiency and fairness of the judiciary, the training of judges, and the public's access to justice.

## Social sector and process of developing the PRSP

36. **The government is firmly committed to reversing the deterioration in social conditions caused by years of crisis.** The incidence of poverty reached 43 percent in 2006, according to World Bank estimates. Côte d'Ivoire's ranking on the United Nations Human Development Index dropped to 163 out of 177 countries, and social and health services deteriorated, particularly in the CNW zones of the country.

37. **On the social front, government policy will prioritize rehabilitation of schools and the health system.** Accordingly, the government has increased the relative shares of the budget allocations of these sectors, and intends to work on longer-term strategies. The measures to be implemented are as follows:

- Resume the transfers of budget allocations to all the deconcentrated budget execution units in the CNW zones as soon as these administrative services are restored.
- Continue rehabilitating schools and other teaching and research establishments, and complete the process of redeploying teachers. The government will also continue to reintegrate child soldiers into the education system, and to provide basic educational supplies to schools. The government intends to bring in volunteer teachers who successfully pass the civil service employment entrance examination. In the longer term the government will develop programs to sustainably increase the enrollment rate and make schools a cornerstone for peace.
- Continue to rehabilitate health care facilities, giving priority to clinics and maternity homes, and nurse training centers. Vaccination programs for children and pregnant women, and family education campaigns have already resumed. Following up on the redeployment of 1,290 new senior health officials in 2007, the government will continue to fill the shortage of health workers (estimated at 2,500 at end-2007) as new graduates become available; 700 will be hired in 2008. In the longer term, the government has prepared the National Health Development Plan (PNDS) setting forth targets related to the Millennium Development Goals (MDG).

38. **The Poverty Reduction Strategy Paper (PRSP) will be completed at the latest by end-September 2008.** A workshop to launch the PRSP completion process was held in December 2007. This document will be prepared under the supervision of a PRSP Supervision Committee, reporting to the Prime Minister and chaired by the Minister in charge of Planning and Development. A survey on household living standards and conditions and consultations with the populations will be held throughout the country from January through June 2008. An interim report on work accomplished will be produced in March 2008. The resources needed for the PRSP preparation are being mobilized from donors, in particular the EU, the AfDB and UNDP.

## Program financing and external debt

39. **Côte d'Ivoire intends to normalize its financial relations with its external partners and to obtain budgetary support to finance the program.** At end-February 2008, Côte d'Ivoire finished clearing half of its arrears to the World Bank. The other half of the arrears should be cleared by the World Bank in the form of an Economic Governance and Recovery Grant (EGRG), by means of a bridge loan. With regard to the AfDB, an agreement was reached to clear arrears by end-April 2008 in the context of its Fragile States Facility (FSF), with the AfDB's contribution (two-thirds) and Côte d'Ivoire's contribution (one-third). The government will stay current in its payments to other multilateral creditors and it will start talks with the European Investment Bank (EIB) to reach an agreement on clearing arrears. It is also continuing discussions with the Paris Club, other official bilateral creditors, and London Group creditors, so as to reconcile figures on the debt, with a view to further restructuring in accordance with the enhanced HIPC and MDRI mechanisms.

40. Taking account of the primary basic surplus, the net external financing that has been identified, and financing resources on the WAEMU financial market already included in the budget, the residual financing gap in 2008 amounts to about CFAF 90 billion. In order to cover this gap, the government intends to resort further to the WAEMU financial market (see ¶45).

## Capacity building and technical assistance

41. **Côte d'Ivoire will continue to strengthen its administrative capacity in various areas, especially those affected by the crisis.** The government therefore hopes to benefit from IMF assistance in 2008 to (i) strengthen the customs and tax administrations; (ii) reassess the petroleum product taxation system; (iii) review tax exemptions; and (iv) implement public finance management reforms, following the Public Expenditure Management and Financial Accountability Review (PEMFAR) mission carried out in November 2007, by the World Bank, with IMF, AfDB, and EU support.

## V. PROGRAM MONITORING

42. **Implementation of the 2008 program will be monitored through prior actions, quantitative and structural indicators (Tables 1 and 2).** The definition of these indicators, the adjustment factors for any supplementary budget support and for oil and gas revenues, and the data to be reported, are set forth in the TMU.

43. **To ensure proper execution of the economic program, the government has strengthened several interministerial committees.** The 2008 program is under the general supervision of the Technical Steering Committee for the Post-Conflict Program, which in close consultation with the Prime Minister's office will also coordinate the work of the specialized interministerial committees—the Oil, Coffee/Cocoa, PRSP, Interministerial Primary Commodities, and TOFE Committees. The Steering Committee for Economic and

Structural Reforms, under the auspices of the Prime Minister's office will be reactivated in anticipation of a future program supported by the Poverty Reduction and Growth Facility (PRGF). The government has also strengthened the monitoring of external support to improve the coordination and availability of information on projects financed by donors. In addition, it will strengthen supervision of new external indebtedness for all public administrations and enterprises.

44. The government will distribute the MEFP widely to the Council of Ministers, the administrations, and the general public.

45. Throughout the program, the government will not enter into external borrowing on nonconcessional terms, as specified in the TMU (Table 1). The government undertakes to issue securities through auction or tender offers, and to consult with IMF staff regarding any new borrowing on the domestic market or WAEMU market that exceeds CFAF 30 billion. It further undertakes not to introduce or tighten restrictions on payments and transfers for current international transactions, introduce multiple exchange rate practices, enter into any bilateral payments agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement, or impose or tighten any import restrictions for balance of payments purposes. Moreover, the authorities, in consultation with Fund staff, undertake to adopt any new financial or structural measures that may be necessary for the success of the program.

/s/

Charles Koffi Diby

Minister of Economy and Finance

MEFP Table 1. Côte d'Ivoire: Quantitative Indicators, 2007-08, billions of CFA francs 1/

	2007			2008		
	Sept.	Dec.	March	June	Sept.	Dec.
	Prog.	Est.	EPCA-1	Prog.	Prog.	Prog.
<b>Quantitative indicators</b>						
Floor on primary basic fiscal balance 2/	48.0	51.3	95.3	54.5	-17.6	84.9
Floor on social expenditure (education and health) 3/	362.3	341.8	491.4	503.7	280.4	563.1
Floor on cash repayment (+) of government domestic payment arrears 4/	59.3	97.1	51.4	143.1	0.0	15.0
Ceiling on net domestic financing (incl. WAEMU paper) 5/	-54.1	85.2	-49.8	150.1	214.5	162.1
Ceiling on new nonconcessional external borrowing 6/	0.0	0.0	0.0	0.0	0.0	0.0
<b>Memorandum items:</b>						
Ceiling on stock of external arrears 7/	1982.7	2251.6	1923.6	2294.8	1948.3	1992.4
Multilateral	384.7	511.7	265.8	499.6	276.5	0.0
Bilateral and commercial	1598.0	1739.9	1657.8	1795.2	1897.1	1992.4
Total government revenue	1339.9	1327.6	1847.7	1817.9	411.6	1319.9
Government wage bill	456.9	471.7	610.0	640.3	167.2	687.5
Net banking sector claims on government (BCEAO definition, including CECIP) 8/			-42.7	85.4	78.8	95.4
Crisis-related expenditure (excluding frontline bonuses)	69.0	20.6	116.5	33.0	35.5	158.9
Of which: foreign-financed	39.8	0.0	75.0	0.0	19.7	78.8
Of which: domestically financed	29.1	20.6	41.5	33.0	15.8	80.1
Budgetary support (grants and loans)	0.0	0.0	0.0	0.0	0.0	0.0
Oil/gas production revenues, including PETROCI, excluding from refined products	104.8	99.1	146.0	147.3	62.6	255.0
Of which: PETROCI	10.0	8.3	10.0	13.6	21.4	35.0
Primary basic expenditure excluding wages, externally financed crisis-related expenditure and social security spending	576.9	590.6	802.0	861.1	150.6	914.3

1/ Cumulative change from beginning of the year, unless otherwise indicated. See Technical Memorandum of Understanding (TMU) for detailed definitions of adjusters.

2/ Difference between government revenue (excluding grants) and total expenditure and net lending, excluding interest payments and excluding foreign-financed capital expenditure, excluding net compensation proceeds from toxic waste damage.

3/ Includes expenditure on health and education, as defined in the classification of the Integrated Financial Management System (SIGFIP); see TMU Table 1.

4/ Domestic payment arrears as defined in the TMU.

5/ Quantitative indicator for 2008 (numbers for 2007 are reported for comparison only) on the issuance by the central government of all debt instruments in CFA franc to domestic and WAEMU financial market creditors and borrowing from the BCEAO. The ceiling excludes domestic arrears and their securitization, rescheduling agreement of central government debt and new borrowing for projects from the regional development bank, BOAD. The ceiling applies to net domestic borrowing, which is defined as the amount of gross domestic borrowing minus repayments on such domestic borrowing. If external budget support for crisis-exit programs is lower than the programmed amount, the ceiling will be adjusted upwards correspondingly up to a maximum of 30 billion CFA franc. The ceiling includes a margin of 25 billion CFA franc over the net cumulative flows projected for each period (see TMU).

6/ Continuous indicator on all non-concessional borrowing as defined in the TMU. This ceiling does not apply to normal import-related commercial credits that have a maturity of up to one year, rescheduling agreements, West African Development Bank (BOAD) loans up to the equivalent of US\$ 30 million, drawings on the Fund, public offerings in CFA franc through competitive bidding on the West African Economic and Monetary Union financial markets, and a possible bridge loan used to cover part of the government's share in clearing arrears to the AfDB, in anticipation of prospective AfDB budget support (see TMU).

7/ Including external debt to the BCEAO. External payments arrears are defined as the sum of external payments due but unpaid on outstanding external debt that has been contracted or guaranteed by the government.

**MEFP Table 2. Côte d'Ivoire: Prior Actions and Structural Indicators, 2008 EPCA**

Measure	Deadline/Status
<b>Prior Actions</b>	
<ul style="list-style-type: none"> <li>Adoption by the government of the 2008 budget in conformity with program objectives.</li> </ul>	Done (2008 budget adopted December 28, 2007; adoption of revisions in conformity with program expected for late March, 2008)
<ul style="list-style-type: none"> <li>Increase weighted average electricity rates by 10 percent.</li> </ul>	Done (on February 1, 2008 for enterprises; on March 1, 2008 for low-voltage users (except for low-income households))
<ul style="list-style-type: none"> <li>Reporting to IMF staff on the 2007 budget execution (in the form of the fiscal reporting table–TOFE, table of indicators (<i>tableaux de bord</i>)). Reporting of budget execution statements (see structural indicator below).</li> </ul>	Expected for late March 2008
<b>Structural Indicators:</b>	
<ul style="list-style-type: none"> <li>Limitation of the use of treasury advances by reducing their amount to under CFAF 120 billion for all 2008 budget allocations (excluding externally-financed expenditure, wages, and debt servicing). Elimination of the practice of advance, discounted payment of the Single Export Duty (DUS) on cocoa/coffee.</li> </ul>	From March 2008 (continuous indicator)
<ul style="list-style-type: none"> <li>Report to the Council of Ministers (quarterly, with a maximum time lag of 45 days) budget execution statements (revenue and expenditure), and release them to the public. The statements will show expenditure classified by type, function and administration/type, as set forth in TMU. From the second quarter of 2008, the statements will include information on payments.</li> </ul>	Quarterly indicator
<ul style="list-style-type: none"> <li>Adoption by government of a domestic arrears clearing plan (stock at end-2007) over the 2008-2010 period. Net cash reduction of domestic arrears by CFAF 15 billion during 2008 (see table 1), including the sum of CFAF 5 billion for the water sector.</li> </ul>	End-May 2008
<ul style="list-style-type: none"> <li>Implementation of the automatic petroleum product pricing mechanism based on Import Parity Prices (IPP) and reduction of the coefficient “k” from 6 percent to 5 percent.</li> </ul>	From the beginning of July 2008



**MEFP Table 3: Structural Program Indicators, 2007 EPCA**

Measure	Deadline	Status
<b>Structural Indicators</b>		
<ul style="list-style-type: none"> <li>Abolish the practice of advance, discounted payment of the Single Export Duty (DUS) on coffee/cocoa. (Continuous structural indicator).</li> </ul>	From May 1, 2007.	Not met.
<ul style="list-style-type: none"> <li>Limit the use of advance procedures (advances, payment orders, and other exceptional procedures), reducing their amount to less than CFAF 160 billion out of all 2007 budget allocations (excluding externally financed expenditure, wages, and debt service), minus expenditure executed until adoption of the 2007 budget. (Continuous structural indicator).</li> </ul>	Beginning with adoption of 2007 budget	Not met (advances were reduced, to CFAF 190 billion).
<ul style="list-style-type: none"> <li>Report to the Council of Ministers and release to the public, in the month following the end of each quarter, a report on budget execution (revenue and expenditure) showing expenditure classified by type, function, and administration/type (allocation, commitment, and payment order). From April 2008, these reports will incorporate information on payments (see TMU).</li> </ul>	Beginning August 31, 2007 (for the cumulative statement at the end of the 2 <sup>nd</sup> quarter).	Met (with delay).
<ul style="list-style-type: none"> <li>Implement the automatic petroleum product pricing mechanism.</li> </ul>	December 31, 2007	Postponed to early July 2008.

<b>Box 1. Côte d'Ivoire: Structural Fiscal Measures, 2007 Program<sup>3</sup></b>		
<b>Measure</b>	<b>Deadline</b>	<b>Status</b>
<b>Budget</b>		
<ul style="list-style-type: none"> <li>• Establish the timetable for preparation of the 2008 budget and send the budget guideline letter to the ministries.</li> </ul>	Mid-August 2007	Done.
<ul style="list-style-type: none"> <li>• Regularize in SIGFiP advances made before the 2007 budget was put in place. Produce an overall expenditure execution statement as at June 30, 2007.</li> </ul>	30 September 2007	Done.
<ul style="list-style-type: none"> <li>• Increase the retirement age from 55 to 60 and eliminate the rule of mandatory retirement after 30 years of service for teachers in primary and secondary schools.</li> </ul>	September 2007	Partially done (rule of 30 years service removed, increase of retirement age in progress)
<b>Tax measures</b>		
<ul style="list-style-type: none"> <li>• With IMF technical assistance, examine exemptions from customs duties, VAT, and income taxes, with a view to streamlining them.</li> </ul>	December 31, 2007	Postponed to June 2008
<ul style="list-style-type: none"> <li>• Rigorously implement action plans in the areas of tax and customs administration with a view to combating evasion, corruption, and fraud (report at end-2007).</li> </ul>	2007	In progress.
<ul style="list-style-type: none"> <li>• Conduct an audit of the distribution system for consumption of petroleum products to distributors in Vridi and Yamoussoukro and adopt the recommendations for improving tax collection.</li> </ul>	October 2007	Deadlines postponed to end-March 2008 for the audit and end-May 2008 for implementation of the recommendations
<b>Public Expenditure Management</b>		
<ul style="list-style-type: none"> <li>• Conduct half-yearly independent audits of expenditures under the national DDR and community rehabilitation programs, CNPRA, identification, and elections.</li> </ul>	First audit by December 31, 2007 (for first half 2007)	Postponed to end-July 2008.
<b>Domestic Arrears</b>		
<ul style="list-style-type: none"> <li>• Draw up an inventory of the residual stock of domestic arrears at end-2006 (suppliers, subsidies, and transfers) and adopt a plan for clearing them (including by securitization) over the 2007-09 period, taking the social impact into account.</li> </ul>	September 30, 2007	Deadline for inventory postponed to end-March 2008 for arrears at end-2007; clearing plan to end-May 2008
<ul style="list-style-type: none"> <li>• Implement the plan for clearing CFAF 50 billion in arrears from the end-2006 level (see Table 1), including a net reduction of CFAF 10 billion in arrears with SODECI.</li> </ul>	End-2007	Carried out for the total. Not done for SODECI.

<sup>3</sup> These are measures beyond the requirements of the EPCA-supported program.

Box 2. Côte d'Ivoire: Structural Measures in the Energy Sector, Program 2007 <sup>4</sup>		
Measure	Deadline	Status
<ul style="list-style-type: none"> <li>Complete the financial, technical, and operational audits of the subsectors (see below): (i) production sharing contracts (PETROCI); (ii) refining, storage, and onward delivery (SIR); and (iii) electricity (CIE, Société de Gestion du Patrimoine du Secteur Electricité - SOGEPE, PETROCI), including financial relations between the government and oil/gas producers, PETROCI, SIR, CIE, IPP, and SOGEPE.</li> </ul>	Mid-August 2007	(i) and (ii) done, (iii) expected for end-March 2008.
<ul style="list-style-type: none"> <li>Based on the financial, technical, and operational audits of the subsectors (see above), prepare an action plan for improving sector management in consultation with World Bank staff.</li> </ul>	September 30, 2007	Deadline postponed to end-May 2008 in view of noncompletion of audits.
<ul style="list-style-type: none"> <li>Prepare each month (with a 45-day lag) a set of consistent tables monitoring the physical, financial, and tax flows for the subsectors: (i) extraction and sharing of oil/gas; (ii) production, export, and (release for) consumption of petroleum products; (iii) production, costs, and financial flows in the electricity sector. Send this information to IMF and World Bank staffs.</li> </ul>	From June 15, 2007 (information through end-April 2007)	Done.
<ul style="list-style-type: none"> <li>Continue the steps already taken to conform to the <i>validation framework</i> of the Extractive Industries Transparency Initiative (EITI) with a view to publishing an EITI report on revenue and payments in respect of taxes and royalties covering the 2006-07 period.</li> </ul>	September 30, 2007	Done. 3 out of the 4 criteria are already met (public statement, government commitment to work with civil society, appointment of a senior individual). The 4 <sup>th</sup> (work plan) should be met in the coming months.
<ul style="list-style-type: none"> <li>Review and apply the calculation base for product taxation based on Import Price Parity (IPP), with a revised TSPP incorporating SIR protection at 6 percent of the IPP as well as a variable safety margin of CFAF 10 per liter (proceeds of which are to be paid to the government at the end of the fiscal year).</li> </ul>	October 31, 2007	Postponed to end-June 2008.
<ul style="list-style-type: none"> <li>Accumulate no further arrears for the consumption of electricity (by the central government) and gas (by the CIE).</li> </ul>	Compliance beginning July 31, 2007	Not done.
<ul style="list-style-type: none"> <li>Limit the gas subsidy granted by the government to CFAF 30 billion in 2007. Improve the financial viability of the subsector by measures to reduce technical and nontechnical losses and increase rates on average by 10 percent from August 31, 2007.</li> </ul>	August 31, 2007	Partially done. Reduction of gas subsidies to CFAF 35 billion for 2007. Increase in electricity rates of 10 percent on average in February/March 2008.

<sup>4</sup> These are measures beyond the requirements of the EPCA-supported program.

**Box 3. Côte d'Ivoire: Structural Measures in the Coffee/Cocoa and Cotton Sectors, 2007 Program<sup>5</sup>**

Measure	Deadline	Status
<ul style="list-style-type: none"> <li>On the basis of existing institutional and financial audits and studies, conduct a review of the reforms currently underway, and formulate — with World Bank assistance— and adopt an overall strategy for the sector, to be implemented as of September 2008.</li> </ul>	March 31, 2008	In progress. Adoption of the strategy envisaged for end-July 2008.
<ul style="list-style-type: none"> <li>By end-June 2007 adopt the terms of reference for the formulation of the strategy—with financial support from the World Bank—for launching a call for tenders by end-July 2007.</li> </ul>	July 31, 2007	Terms of reference for the call for tenders and tender specifications adopted in November 2007. Launch of study scheduled for before end-March 2008. Validation of the report planned for July 2008.
<ul style="list-style-type: none"> <li>Each half-year (with a one month lag) provide the Prime Minister, the Minister of Agriculture, the Minister of Economy and Finance, and the World Bank and IMF staff with information on (i) the collection of quasi-fiscal levies; and (ii) the half-yearly budget execution statements for the operations of the ARCC, the FRC, the BCC, and the FDPCC.</li> </ul>	As of July 31, 2007 (for 1 <sup>st</sup> half 2007)	Partially done (budget execution statement for BCC not received).
<ul style="list-style-type: none"> <li>Provide the Council of Ministers and the IMF and World Bank staff, and release to the public the budgets of the ARCC, the FRC, the BCC, and the FDPCC for 2007 as well as statements from their certified and closed accounts for 2006.</li> </ul>	July 31, 2007	Done.
<ul style="list-style-type: none"> <li>For the 2007/08 coffee/cocoa crop season, decrease the total quasi-fiscal levies for cocoa by CFAF 2.65 per kilogram.</li> </ul>	By August 31, 2007	Done (in October 2007).
<ul style="list-style-type: none"> <li>Broaden the terms of reference of the Coffee/Cocoa Sector Project and Program Review and Monitoring Committee to include monitoring the Rural Investment Fund, levies for the bags (<i>sacherie</i>), and any new quasi-fiscal funds. This committee will ensure that all financial operations financed by these funds are executed in accordance with the procedures stipulated by the Government Procurement Code and will exercise technical and financial oversight.</li> </ul>	As of June 30, 2007	Done.
<ul style="list-style-type: none"> <li>On the basis of the existing studies on the cotton sector, adoption by the government of a sectoral policy and action plan for the recovery of the sector with support from external partners (European Union and World Bank).</li> </ul>	July 31, 2007	In progress. Sector strategy submitted to the Council of Ministers, December 2007.

<sup>5</sup> These are measures beyond the requirements of the EPCA-supported program.

## Appendix I Attachment II Technical Memorandum of Understanding (TMU)

1. This Technical Memorandum of Understanding describes the quantitative indicators agreed between the Ivoirien authorities and the staff of the International Monetary Fund to monitor the program supported by Emergency Post-Conflict Assistance (EPCA). It also specifies the periodicity and deadlines for transmission of data to the staff of the IMF for program monitoring purposes. Unless otherwise specified, the government is defined 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'Etat*, CGRAE), and Treasury operations for public companies in liquidation; it does not include any local government, the central bank (Central Bank of West African States, BCEAO), or any government-owned entity with separate legal personality.

### I. QUANTITATIVE PROGRAM INDICATORS

2. For program-monitoring purposes quarterly quantitative indicators are set for March 31, September 30, and December 31, 2008. They include (a) a floor on the primary basic fiscal balance; (b) a floor on social expenditure (education and health); (c) a floor on cash repayment of the government domestic payments arrears, as defined for program purposes; (d) a ceiling on net domestic borrowing, including issuances of government paper on the WAEMU financial market; and (e) a zero ceiling on new nonconcessional external borrowing (notwithstanding ¶14 below). The quantitative indicators calculated on the basis of the cumulative change from January 1, 2008 (for cases involving end-2006 stocks) are set out in Table 1 of the Memorandum of Economic and Financial Policies (MEFP).

#### A. Basic Primary Fiscal Balance

3. **The basic primary fiscal balance** is the difference between the government's budget revenue (excluding grants) and total expenditure plus net lending (on a payment order basis), excluding interest payments and externally financed capital expenditure. It includes expenditure related to exiting the crisis, which are defined as internally and externally financed government outlays on the national community reinsertion and rehabilitation program (PNRRC); the redeployment of public administration; and the identification process and the elections. The expenditure (CFAF 20 billion in 2008) associated with the toxic waste problem is excluded. This balance also includes expenditure recorded on the "other social and reunification expenditure" line, which includes contingency expenses.

4. The floor on the basic primary fiscal balance will be adjusted downward by the **amount of externally financed spending relating to exiting the crisis** that exceeds program projections (MEFP, Table 1)

5. The floor on the basic primary balance will be adjusted downward by the amount of external budgetary support received in excess of the programmed amount to offset any revenue shortfall or any excess domestically financed social, reunification-related,<sup>6</sup> or crisis-exit spending, up to a cumulative maximum of CFAF 50 billion. The remainder of excess budgetary support not spent will be used to reduce the government's domestic debt, including arrears (see ¶ 13).

6. Part or all of the excess revenues from petroleum/gas extraction (including dividends paid by the national petroleum corporation of Côte d'Ivoire, PETROCI, to the government) above the programmed amount will be used to offset the revenue shortfall or allocated to social or reunification spending up to a maximum cumulative amount of CFAF 50 billion. The floor on the primary basic balance will be adjusted upward by any excess not used for social or reunification expenditure. The remainder of the excess petroleum/gas revenues will be used to reduce the government's domestic debt, including payment arrears (see ¶ 13).

7. The oil revenues estimate for 2008 is based on an average price (including discount) of US\$80 per barrel; a volume of 18.936 million barrels; and an average exchange rate of CFAF 450 = US\$1.

### **B. Government Revenue**

8. Total government revenue is defined as revenue collected by the Tax Administration (*Direction générale des impôts*, DGI), the Treasury (*Trésor*), and the Customs Administration (*Direction générale des douanes*, DGD), the CNPS, and the CGRAE; and other nontax revenue as defined in the fiscal reporting table (*Tableau des opérations financières de l'Etat*, TOFE).

### **C. Government Wage Bill**

9. The government wage bill is defined as all expenditures (on a commitment basis) on pay, bonuses, and allowances paid to government employees, military personnel, and other law and order personnel, and includes expenditures on special contracts and other temporary or permanent government jobs.

### **D. External Payment Arrears**

10. External payment arrears are defined as the sum of external payments due but unpaid on outstanding external debt that has been contracted or guaranteed by the government, excluding payments due that are the subject of rescheduling or restructuring talks with the Paris Club, London Group, and other creditors. The accumulation of

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<sup>6</sup> As defined in Table 1 to this TMU, based on the budget classification used in the public finance management system (SIGFiP).

external payment arrears is the difference between (a) the gross amount of maturities due on external debt service (principal and interest), and (b) the amount actually paid during the period under consideration.

11. According to the agreement with the World Bank, it is planned that the external arrears of Côte d'Ivoire with the World Bank will be cleared in the first quarter of 2008 at the latest. At the same time, it is planned that Côte d'Ivoire will keep its debt service obligations with the World Bank up to date beginning in July 2007. According to this agreement, half of the arrears will be cleared using the domestic resources of Côte d'Ivoire, with the balance being paid by a contribution from the World Bank. The arrangements for clearing arrears with the African Development Bank (AfDB) are under discussion with that institution.

### E. Domestic Payment Arrears

12. The items “balances outstanding” (or “amounts payable”) represent government overdue obligations and are defined as expenditures committed (*engagées et liquidées*) and validated (*visées par le contrôleur financier*, i.e., subject to payment order) but not yet paid. They include bills due and not paid to public and private enterprises, but exclude domestic debt service (principal and interest). For program purposes domestic payment arrears are considered to be the balances outstanding for which the payment delay exceeds the time frame for payment stipulated by the administrative regulations in force (90 days). The balances outstanding are broken down by payer and type as well as by age and length of overdue period. By way of illustration, balances outstanding totaled CFAF 186,80 billion at end-December 2007 and comprised the following:

Treasury balances outstanding	206.29
Treasury debt (Treasury General Pay Office (PGT); Abidjan main treasury office (TPA); General treasury office for external affairs [TGE]; Public debt accountant (ACDP))	185.87
Arrears on EPN subsidies (excluding CNPS, CGRAE)	20.09
Arrears to General Councils and Municipalities	0.33
Adjustment for orders validated by Financial Comptroller ( <i>PEC comptable</i> )	0.00
Arrears to CI-Telecom, CIE, SODECI for current consumption	0.00
Compensation agreement for gas and electricity consumption	- 19.48
 Total central government	 186.80
<i>Of which:</i> amounts payable with maturity not exceeding 90 days	 89.06

The stock of “amounts payable” pending payment by the regulatory due date will not exceed the equivalent of three months of operating expenses, transfers, subsidies, and investment expenditure financed from own resources. By way of illustration, at end-December 2007, all such expenses amounted to CFAF 763.7 billion, and the equivalent of three months’ expenses was CFAF 190.9 billion.

13. Within the program framework, in 2008, the government will undertake a cash reduction of CFAF 15 billion on the stock of domestic payment arrears outstanding at end-2007 as defined in paragraph 12 (MEFP, Table 1). The government also undertakes not to accumulate new domestic payment arrears from January 1, 2008. Further, it is committed, in consultation with the private sector, to (i) prepare an inventory of the end-2007 stock of residual domestic arrears to suppliers by end-March 2008; and (ii) adopt a plan to clear these arrears, including a strategy for securitization and for dealing with nonsecuritizable arrears by end-May 2008. Any excess budgetary support above the programmed amount not used to finance a downward adjustment in the government’s basic primary fiscal balance as specified in paragraph 5, will be used to reduce the government’s domestic debt, including payment arrears. Any excess petroleum/gas extraction revenues above the programmed amount not used as specified in paragraph 6 will also be used to reduce the government’s domestic debt, especially arrears.

#### **F. New Nonconcessional External Borrowing**

14. The term “external debt” has the meaning set forth in point 9 of the IMF Executive Board Guidelines on Performance Criteria with Respect to Foreign Debt.<sup>7</sup> The quantitative indicators relating to nonconcessional external borrowing applies to external debt of any maturity that is contracted or guaranteed by the government, with the exception of normal import-related commercial credits that have a maturity of less than one year. They apply not only to debt as defined above but also to commitments contracted or guaranteed for which no value has been received. These quantitative indicators do not apply to rescheduling arrangements, West African Development Bank (BOAD) loans up to the equivalent of US\$30 million, drawings on the Fund, and public offering, through competitive bidding on the West African Economic and Monetary Union (WAEMU) financial market, of CFAF securities registered with the Regional Council for Public Savings and Financial Markets (CREPMF). They do also not apply to a possible bridge loan that could be obtained to cover part of the government’s share in clearing arrears to the AfDB, in anticipation of expected AfDB budget support; the modalities of such a bridge loan will be agreed upon in consultation with Fund staff.

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<sup>7</sup> See "Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements," Executive Board Decision [N° 6230-\(79/140\)](#), as amended by Executive Board Decisions No. 11096-(95/100) and No. 12274-(00/85).



15. A loan is considered concessional if its grant element is at least 35 percent, the net present value (NPV) of the loan being calculated using a discount rate based on the average of the OECD's Commercial Interest Reference Rates (CIRRs) over the last 10 years for loans with a maturity of at least 15 years. For loans with a maturity of less than 15 years, the NPV is based on the average of the OECD's CIRRs of the preceding 6-month period (February 15 to August 14 or August 15 to February 14). The same margins for differing repayment periods are added to both the 10 -year and 6-month averages (0.75 percentage point for repayment periods of less than 15 years, 1 percentage point for 15 to 19 years, 1.15 percentage points for 20 to 29 years, and 1.25 percentage points for 30 years or more).

16. The government undertakes not to contract or guarantee nonconcessional external loans under the conditions defined in paragraphs 14–15, with the exception of loans constituting rescheduling of maturities.

### **G. Domestic and WAEMU market borrowing**

17. Domestic borrowing by the central government is defined as the issuance of all debt instrument in CFAF issued to domestic creditors and the WAEMU financial market, borrowing from the BCEAO (including drawings from the IMF) and the contraction of any kind of other liability in CFAF towards these creditors. The ceiling under the program applies to the net amounts of domestic or WAEMU borrowing defined as the gross amount of domestic/WAEMU borrowing less amortizations during the period under consideration; this ceiling includes a margin of 25 billion CFAF over the net cumulative flows projected for each period. This ceiling does not apply to new agreements on restructuring of domestic debt and of securitization of domestic arrears, or to new project loans from the West African Development Bank (BOAD) (see ¶ 14). In the event that external budget support or external assistance for crisis-related programs will be less than the programmed amounts, the ceiling on domestic/WAEMU borrowing will be adjusted upwards by the difference, up to a maximum of CFAF 30 billion. For any borrowing in excess of CFAF 30 billion, the government will undertake to issue securities through public offering or auctions through the Central Bank of West African States, in consultation with Fund staff.

## **II. MEMORANDUM ITEM: NET BANK CREDIT TO GOVERNMENT**

18. Net bank credit to government is defined as the difference between government debts and government claims with the central bank and commercial banks. The coverage of net bank credit to government is determined by the BCEAO and is the same as that shown in the net government position (NGP). Except as otherwise stated, government is defined as the central government of Côte d'Ivoire and does not include local governments, the central bank, or any other public body with a separate legal personality. By way of illustration, the amount of credit outstanding totaled CFAF 430.7 billion at December 31, 2007, broken down as follows :

	CFAF billions
<b>Net bank credit to government</b>	<b>430.7</b>
Claims of the BCEAO	164.1
<i>Of which:</i> statutory advances	164.1
<i>Plus</i> counterpart to use of Fund resources	92.0
<i>Plus</i> claims of commercial banks	423.9
<i>Plus</i> private sector deposits with the national savings bank fund (CNCE)	16.9
<i>Less</i> deposits at the BCEAO	60.7
<i>Less</i> cash holdings of the Treasury	1.6
<i>Less</i> deposits at commercial banks	193.8
<i>Less</i> guaranteed bonds	10.1

### III. STRUCTURAL INDICATORS AND PRIOR ACTIONS

19. The program consists of the structural indicators and prior actions set out in Table 2 of the MEFP.

### IV. PROGRAM MONITORING AND DATA REPORTING

20. A monthly assessment report on the monitoring of the quantitative structural indicators will be produced by the authorities within one month of each month-end, which will assist with assessing performance in terms of the program's quantitative and structural objectives.

21. The authorities will inform Fund staff immediately if they sign or guarantee any new foreign borrowing contracts, as well as the terms of such contracts. Data on the amount outstanding, the accumulation, and repayment of the external payment arrears will be submitted monthly within six months from the end of each month.

22. Based on data already reported to the IMF staff, the authorities will prepare, in cooperation with Fund staff, tables on the budget and the energy and coffee/cocoa sectors and send them monthly or quarterly to the IMF starting on February 15, 2008, as follows:

(a) **Budget:** A quarterly report (within 45 days following the end of each quarter) showing the budget execution position (revenues and expenditures), presenting expenditures classified by type, function, and administration/type at the various stages of the expenditure process (allocation, commitment, payment order, and allocation of charge). The payment stage will be included from end-March 2008.

(b) **Energy Sector:** The following quarterly tables, (within 45 days following the end of each quarter):

- Table 1: Summary of crude oil and gas production and Tables 1(a)-(d): Crude oil and gas production by field. These tables will show clearly actual oil and gas prices; swap conditions, physical hydrocarbon production quantities, and their values before and after swap; tax and nontax revenues for the government; and revenues for PETROCI and the private sector.
- Table 2: Volumes, prices, and financial flows. This table will clearly indicate the conditions for sharing between the government, PETROCI, and the private operators, and the resulting financial flows, in particular for the government and PETROCI.
- Table 3: Activities of the *Société ivoirienne de raffinage* (SIR). This table will show (i) the refining sector's purchases of crude oil by supplier, including purchases originating in Côte d'Ivoire; and (ii) production, consumption, and imports of petroleum products.
- Table 4: Activities of the SIR – Transfers to storage facilities and exports.
- Table 5: Petroleum products – Government/ marketing agent activities, a comparison between supply and sales of the marketing agents.
- Table 6: Release for consumption of petroleum products by tax type.
- Table 7: Structure of prices of petroleum products, including imported and domestic butane. This table will also include the release for consumption by petroleum product for the current month and the cumulative total for the current year.
- Table 8: Summary of the electricity sector, including sector purchases of gas by supplier (including the government); electricity production; prices

applicable by voltage and by consumer group; electricity sector revenues; and the sector's cross arrears and unpaid amounts.

- Table 9: Financial flows of the electricity sector asset management company (*Société de Gestion du Patrimoine du Secteur Electricité*, SOGEPE), both on payment order and cash basis.

**(c) Coffee/Cocoa Sector:**

- Quarterly information (within 45 days following the end of each quarter)(on the collection and usage of quasi-fiscal levies and the bank account balances for the FDPCC (investment fund), the FRC (prudential reserve), the Rural Investment Fund, and the coffee sector recovery fund;
- Half-yearly information (within 45 days following the end of each semester):  
on the collection of quasi-fiscal levies and half-yearly budget execution statements for the operations of the ARCC, the FRC, the BCC, and the FDPCC.

23. The BCEAO will report provisional data on the net government position to Fund staff each month within 30 days of the end of the period under review and will provide final data within 45 days. The information provided will include the complete, itemized listing of public sector liabilities and assets with (i) the BCEAO; (ii) the banking sector; and (iii) the BNI. This will cover

- the balance of amount received in compensation for toxic wastes;
- detailed information on all accounts relating to the issuance and payment of interest and amortization of government securities issued on the WAEMU financial market;
- the statements of the Rural Investment Fund; and
- the balance of the quasi-fiscal levies from cocoa bags (*sacherie*).

24. The government will report the information specified in Table 2a monthly within 45 days of month-end unless otherwise indicated. It will report the information specified in Table 2b quarterly, within one month of the end of the quarter.

25. More generally, the authorities will report to the Fund staff any information needed to effectively monitor the program.

Table 1: Côte d'Ivoire: Social and Reunification Spending, 2005-2008

Budget Code (SIGFiP)		Amounts (billions of CFA francs)					2008
		2005	2006	2007		2008	
				Budget	Q3 (Est.)		
22	Education	369.6	382.8	407.9	288.9	415.1	459.4
	Current	352.1	360.9	386.8	275.5	388.7	434.1
	Wages and salaries	261.3	265.0	274.1	204.9	277.9	308.2
	Utilities	3.9	4.0	6.9	3.6	6.1	7.5
	Central administration	4.9	5.4	6.9	3.7	8.1	7.6
	Educational Establishments	81.9	86.6	99.0	63.3	96.6	110.8
	Transfers to private schools	29.6	29.4	32.6	24.1	32.4	40.4
	School kits	2.3	2.2	2.1	0.4	2.1	2.0
	Scholarships	15.6	15.6	15.5	14.1	15.5	16.3
	Transfers to national public establishments	16.0	23.0	26.9	15.3	26.8	27.9
	Public schools	18.5	16.3	21.8	9.4	19.8	24.2
	Investment	17.6	21.8	21.1	13.4	26.4	25.3
	Administration	0.0	0.0	0.0	0.0	0.0	0.0
	Buildings and equipment	17.6	21.8	21.1	5.5	25.1	25.3
	Of which : external loans	1.3	0.1	1.1	0.0	0.1	2.4
	Non-regularized treasury advances				8.0	1.3	
24	Health	70.0	77.1	95.3	52.8	88.6	103.7
	Current	61.4	66.3	78.4	47.4	73.3	88.0
	Wages and salaries	34.8	36.6	44.1	29.2	40	51.0
	Utilities	2.9	2.9	3.8	1.6	3.5	4.1
	Central administration	3.0	3.1	3.4	1.4	3.2	3.8
	Health units	20.7	23.6	27.1	15.2	26.6	29.1
	Primary and secondary	4.4	4.5	6.0	1.5	5.4	7.7
	Tertiary	7.5	9.0	9.3	6.4	9.3	9.7
	Fourth level	8.6	10.0	11.5	7.0	11.5	11.3
	Other	0.3	0.2	0.4	0.3	0.4	0.4
	Investment	8.7	10.8	17.0	5.4	15.3	15.7
	Administration	0.9	0.7	1.2	0.1	0.9	1.0
	Buildings and equipment	7.8	10.1	15.8	5.3	13.9	14.7
	Of which : external loans	0.0	0.0	0.0	0.0	0.0	0.0
	Non-regularized treasury advances				0.1	0.5	
	Total	439.7	459.9	503.2	341.8	503.7	563.1

**Table 2a. Côte d'Ivoire: Data Provision for Government Program Monitoring**

Priority I: Essential data 1/	Frequency	Format 2/	Dept.	Indicators 3/
<b>I. BUDGET</b>				
TOFE and <i>tableaux de bord</i> Tax revenue estimate Nontax revenue summary CNPS: contributions, benefits CGRAE: contributions, benefits Personnel expenditure Subsidies, transfers, and targeted social expenditure Other operating expenditure Capital expenditure by type of financing Expenditure related to the crisis, elections, CNPRA, etc. Statement of budget execution by type, function, administration/type (showing each stage of expenditure process) Treasury operations – Postal checking and savings bank (CECP)  Committed expenditures <i>Of which:</i> payment order (DENO)	M	FI	DGE (Large taxpayer unit)/DGB	X
<b>Cash-flow monitoring</b> Cash-flow plan Treasury advances and their adjustment Table to track Treasury balances outstanding Other detailed tables on balances outstanding (PGT, TPA, TGE, ACDP, etc.)	M	FI	DTCP	X
<b>II. DEBT/FINANCING</b>				
<b>II.A. External debt</b> Stock of external debt, amounts payable, and arrears (by creditor) Detailed statement of public debt (by creditor) (stock, service due, service paid on arrears/maturities, arrears)  Bridge table from "Stock of external debt and arrears" to TOFE Statement of drawings on loans and grants (by creditor) External debt agreements signed during current year	M	FI and FX	DTCP	X
<b>II.b. Domestic debt</b> Stock of domestic debt, amounts payable, and arrears (by creditor) Table for monitoring domestic debt Table for monitoring amounts payable (by payer and age) due date Comprehensive statement of domestic debt	M	FI and FX	DTCP	X

Detailed statement of domestic debt under agreements Bridge table from the "Comprehensive statement"/"Monitoring table" (budget framework) to TOFF New debt issues / new securities (by type, original creditor)				
<b>III. Monetary/financial sector</b>	M	FI and FX	BCEAO	X
Monetary statistics ( <i>statismom</i> of the BCEAO, commercial banks, NGP) Summary tables on bank prudential ratios				
<b>IV. Real sector</b>	M	FI and FX	DGE	
Consumer, producer price indices				
<b>V. Coffee/cocoa sector</b>	M	FI and FX	DGE	
Levies on coffee/cocoa				
Single export duty (DUS) (including advance payments) Parafiscal levies (by structure and by fund: ARCC, BCC, FRC, FDPCC)				
Uses of levies (by fund: FDPCC; FRC, Rural Investment Fund) Bank account balances (by fund) Half-yearly closing of accounts (by agency)				
<b>VI. Energy Sector</b>	Q	FI and FX	DGE/DH/ SOGPEPE	
Most recent versions of quantitative tables 1–9 for the energy sector, as specified in ¶21 of the TMU)				
Oil and gas production projection and estimated values 2008-2010 (by field, swap, share government, PETROCI, companies) Projection of 2008–10 refining capacity Energy balance sheets: crude oil (production, import, export); refined products (production (re-) export, release for consumption, other consumption) Forecast and actual production, consumption, export, revenue. expenditure. taxes (VAT) of the electricitv				
<b>VII. Balance of payments</b>	M	FI	BCEAO	
Foreign trade by product (E, M: value, price, volume)				

1/ Prepared and forwarded monthly (M) within 30 days of the end of the month. Electronic transmission to IMF HQ and IMF Office in Abidjan.

2/ FI: Data file, electronic transmission to IMF HQ and IMF Office in Abidjan. FX: hard copy, transmission to IMF Office in Abidjan (for faxing to IMF staff).

3/ Data on quarterly quantitative indicators specified in MEFP, Table 1

**Table 2b. Côte d'Ivoire: Data Provision for Government Program Monitoring (Quarterly)**

<b>Priority II: Significant data</b> <sup>1</sup>	<b>Frequency</b>	<b>Format</b> <sup>2</sup>	<b>Dept.</b>
<b>I. BUDGET</b>			
Changes in staff levels for wage bill; breakdown of staff by category, ministries: breakdown of contract expenses Budget execution statement (SIGFiP) (breakdown by heading) Summary report on Customs/DGI revenues Oil production revenues (BIC, royalties, dividends); PETROCI revenues 2005–07, updated forecasts for 2008–10	Q	FI and FX	DGB
	Q	FI	DGH
<b>II. DEBT/FINANCING</b>			
Financing New financing: projects, budgetary support, programs (disarmament, demobilization, and reintegration program [DDR], National Steering Committee on Redeployment of the Administration [CNPRA], elections, etc.) (by creditor, received/committed, and to be sought). Actual and estimated current year external debt servicing (monthly). Quarterly estimates for future years (quarterly at beginning of year)	Q	FI	DGE/DGB  DGB/DTCP
<b>III. REAL SECTOR</b>			
Production of main agricultural products Production, export volumes, export prices, producer prices, estimate, projection (coffee/cocoa) Revised and actual macroeconomic framework, projections Economic indicators (by industry, sector); National Statistics Institute, BCEAO surveys	Q	FI and FX	DGE/INS
<b>IV. Balance of payments</b>			
Actual and projected 2008–10	Q	FI	BCEAO

<sup>1</sup> Preparation and monthly (M) or quarterly (Q) transmission within one month of the end of the quarter. Electronic transmission to IMF HQ and IMF Office in Abidjan.

<sup>2</sup> FI: Data file, electronic transmission to IMF HQ and IMF Office in Abidjan.  
FX: hard copy, transmission to IMF Office in Abidjan (for faxing to IMF staff).



INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

**Use of Fund Resources—  
Request for Emergency Post-Conflict Assistance—  
Informational Annex**

Prepared by the African Department  
(In collaboration with other departments)

Approved by Thomas Krueger and Michael Hadjimichael

March 21, 2008

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## I. Côte d'Ivoire: Relations with the Fund

(As of March 7, 2008)

### I. Membership Status: Joined March 11, 1963; Article VIII

<b>II. General Resources Account:</b>	<u>SDR million</u>	<u>Percent Quota</u>
Quota	325.20	100.0
Fund holdings of currency	365.13	112.28
Reserve position in Fund	0.73	0.23
Holdings exchange rate		

<b>III. SDR Department:</b>	<u>SDR million</u>	<u>Percent Allocation</u>
Net cumulative allocation	37.83	100.00
Holdings	0.96	2.54

<b>IV. Outstanding Purchases and Loans:</b>	<u>SDR million</u>	<u>Percent Quota</u>
PRGF arrangements	69.12	21.26
Post-Conflict Emergency Assistance	40.65	12.50

### V. Latest Financial Arrangements:

<u>Type</u>	<u>Date of Arrangement</u>	<u>Expiration Date</u>	<u>Amount Approved (SDR million)</u>	<u>Amount Drawn (SDR million)</u>
PRGF	3/29/2002	3/28/2005	292.68	58.54
PRGF	3/17/1998	3/16/2001	285.84	123.86
PRGF	3/11/1994	6/13/1997	333.48	333.48

**VI. Projected Payments to Fund:** (SDR million; based on existing use of resources and present holdings of SDRs):

	<u>Forthcoming</u>				
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Principal	28.14	11.71	16.79	32.03	21.10
Charges/Interest	3.28	3.10	3.04	2.43	1.50
Total	31.42	14.80	19.83	34.47	22.59

**VII. Implementation of HIPC Initiative:**

	<u>Original Framework</u>
I. Commitment of HIPC assistance	
Decision point date	Mar. 1998
Assistance committed by all creditors (US\$ million) <sup>1</sup>	345.00
<i>Of which:</i> IMF assistance (US\$ million)	22.50
SDR equivalent in millions)	16.70
Completion point date	--
II. Disbursement of IMF assistance (SDR million)	
Assistance disbursed to the member	--
Interim assistance	--
Completion point balance	--
Additional disbursement of interest income <sup>2</sup>	--
<b>Total disbursements</b>	--

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

**IX. Safeguards Assessments:**

The Central Bank of West African States (BCEAO) is the common central bank of the countries of the West African Economic and Monetary Union, which includes Cote d'Ivoire.

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

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

The most recent safeguards assessment of the BCEAO was completed on November 4, 2005. The assessment indicated progress has been made in strengthening the bank's safeguards framework since the 2002 assessment and identified some areas where further steps would help solidify it.

The BCEAO now publishes a full set of audited financial statements and improvements have been made to move financial reporting closer to International Financial Reporting Standards (IFRS). Furthermore, an internal audit charter has been put in place, mechanisms for improving risk management have been established, and follow-up on internal and external audit recommendations has been strengthened.

The results of continuous safeguards monitoring indicate that while certain vulnerabilities remain in internal control systems and legal structure, there has been some progress in other areas, including through: (i) improving the external audit process by adopting a multi-year audit program; (ii) establishing an audit committee; (iii) expanding disclosures on financial positions of WAEMU countries with the Fund in the notes to the annual financial statements; and (iv) further strengthening of the effectiveness of the internal audit function.

#### **X. Exchange Arrangements:**

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

#### **XI. Article IV Consultation:**

Côte d'Ivoire is on the standard 12-month Article IV consultation cycle. The Executive Board completed the 2007 consultation on August 3, 2007.

## **XII. Technical Assistance:**

### **A. AFRITAC West**

<i>Area</i>	<i>Focus</i>
<b>2007</b>	
Microfinance (August 2006)	Diagnostic mission.
Public Debt Management (January 2007)	Diagnostic mission, identification of needs.
(August 2007)	Mid-term debt strategy and debt sustainability.
(September 2007)	Debt Management and HIPC initiative.
Public Expenditure Management (February 2007)	Diagnostic mission, identification of needs.
Public Finance Statistics (February 2007)	Diagnostic mission, identification of needs.
Tax administration (August 2007)	Diagnostic mission on ongoing reforms, (including administrative treatment of tax exemptions, VAT invoices.)
Microfinance (August 2007)	Follow-up mission.
National Accounts (August 2007)	Techniques of measurement of services of owner-occupied dwellings, of fixed-capital consumption, of informal transportation. Review of deflators.
Customs administration (August 2007)	Combatting fraud.
<b>2008</b>	
Public Expenditure Management (February 2008)	Assessment of integrated budget execution information system.

**B. Headquarters**

<b>Department</b>	<b>Date</b>	<b>Purpose</b>
Fiscal Affairs	March 2000	Tax administration
Fiscal Affairs	December 2001	Public Expenditure Management
Fiscal Affairs	February /March 2008	Petroleum pricing and taxation
	March 2008	Customs Administration
Monetary and Capital Markets	October-December 2007	Regional FSAP

**XIII. Resident Representative:**

A Fund resident representative was posted in Abidjan in January 2007 after an interruption of one and a half years.

## II. Côte d'Ivoire: Relations with the World Bank Group<sup>3</sup>

(As of February 29, 2008)

1. Before the September 2002 crisis, the Bank Group's Country Assistance Strategy sought to help Côte d'Ivoire reduce poverty through (i) sound macroeconomic management, including prudent debt management; (ii) increased private sector development and investment supported by efficient and transparent regulation; (iii) more efficient expenditure targeting health, education, and basic infrastructure through innovative delivery approaches; (iv) efforts to strengthen institutional and human capacity; (v) emphasis on environmental sustainability; and (vi) improved governance, notably in the area of public expenditure management (PEM).

2. After an interruption because the country was in nonaccrual status, the Bank resumed lending operations in Côte d'Ivoire after arrears were cleared in January 2002. An Economic Recovery Credit (ERC) equivalent to US\$200 million (over an 18-month period) was approved on June 11, 2002, and the first tranche of US\$100 million was disbursed. The credit aimed to (i) create the conditions for renewed broad-based growth, driven by rural recovery and resumed confidence in the private sector; (ii) improve public services delivery with participation of local communities; and (iii) improve efficiency and accountability in public resource management. Implementation of structural reforms underpinning the ERC, however, was delayed by conflict. Moreover, because of the lack of an adequate macroeconomic framework (the related IMF PRGF credit was also stopped) and stalling progress on structural reforms, the ERC was closed on December 31, 2003 (as originally envisaged), and the two remaining tranches were canceled. Côte d'Ivoire fell again into nonaccrual status on November 2, 2004, with arrears to the Bank estimated at the end of June 2007 to total about US\$504 million. World Bank arrears must be cleared before the Bank can make any disbursements from existing projects or provide new financing, other than an exceptional *pre-arrears clearance* grant in support of the post-conflict transition.

3. Meanwhile, notwithstanding suspension of disbursements and delays in presenting new projects to the Bank's Board due to the arrears, the Bank has been providing limited financial support and addressing pressing needs via six Post-Conflict Fund grants totaling about US\$2 million for (i) support for establishing a National Program for Disarmament, Demobilization, and Reintegration (DDR) amounting to \$100,000 (only half of which was spent because the second tranche was not requested); (ii) "Communication to Strengthen Social Cohesion" (US\$270,000) executed by the NGO Search for Common Ground; (iii) "Community Reintegration Pilot Project 1" (US\$ 538,690), implemented by CARE International; (iv) "Community Reintegration Pilot Project 2" (US\$737,500) in partnership with CARE International; (v) "Reintegration of Children Associated with the Armed Groups and Forces" (US\$298,000), implemented by UNICEF; and (vi) a "Rapid Social Assessment" (US\$160,000). Two additional Low Income Country Under Stress (LICUS) grants were recently approved as part of a US\$6 million LICUS package. The first, which the Bank

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<sup>3</sup> This Appendix has been prepared by the World Bank. Questions may be addressed to: Mr. Zeljko Bogetic, Lead Economist (202-473-2143).

executed, was for \$1.9 million to provide assistance in post-conflict planning and improving governance, including audits in the energy sector. The second, for US\$2.25 million, to be executed by the Prime Minister's Office, is for support of the national identification process. The third and last part of the package will be to finance pilot initiatives in creating employment for youth at risk (US\$2.25 million).

4. During the discussions at the World Bank–IMF Spring Meetings in April 2007, the World Bank and Ivoirien authorities discussed issues concerning the implementation of the Ouagadougou Accord, the DDR process, and the Bank's re-engagement in Côte d'Ivoire. An agreement was reached for the government of Côte d'Ivoire to begin paying current debt service to the Bank in July 2007 for the Bank to aim to approve a pre-arrears clearance grant in support of post-conflict transition (Post-Conflict Assistance Project (PCAP)) pending full clearance of Bank arrears over the next 8–9 months. The Bank Board approved the PCAP grant of US\$120 million in support of the Ouagadougou Accord, on July 17, 2007, effective August 8, 2007, to support job creation, the identification process, and community recovery. The Bank and Côte d'Ivoire also signed a Memorandum of Understanding (MOU) on July 16, 2007, outlining steps to clear arrears to the Bank, including (i) the Ivoirien government paying 50 percent of its IBRD and IDA arrears in one or several transfers to the World Bank (the last to be made no later than February 29, 2008); (ii) the Bank preparing an exceptional IDA operation to clear the remaining IBRD and IDA arrears; and (iii) the Bank resuming its country assistance program once arrears are cleared.

5. Based on the July MOU Côte d'Ivoire and the Bank are proceeding toward arrears clearance. The Ivoirien government has remained current on its scheduled debt service to the Bank through December 2007 in part through prepayments. The Bank is preparing a US\$287 million Economic Governance and Economic Recovery Grant (EGRG), comprising (i) US\$252 million for direct reimbursement of a bridge loan extended to clear arrears; and (ii) US\$35 million for direct budget support. To encourage resumption of sustainable economic growth and poverty reduction, the EGRG will support Government efforts to improve governance, transparency, and efficiency in PEM, particularly in the key energy, coffee/cocoa, and financial sectors. The proposed EGRG is an integral part of the Bank Interim Strategy Note (ISN) for Côte d'Ivoire that is being prepared for 2008–09. The Bank's support during the ISN Emergency and Recovery timeframe will include a blend of trust funding and IDA lending and nonlending activities. The ISN proposes to focus Bank assistance on (i) stabilization and peace-building; (ii) assisting war-affected populations; and (iii) kick-starting economic recovery and reform. Both the EGRG and ISN are tentatively scheduled for a joint review by the Bank's Board on February 12, 2008.

6. The World Bank arrears clearance is taking place within a credible macroeconomic fiscal framework supported by and closely coordinated with an IMF-supported program. A joint Bank-IMF mission visited Cote d'Ivoire in September 2007 for discussions on the EGRG operation and starting a PEM and Financial Accountability Review (PEMFAR). During the September mission the teams reached preliminary agreement with the government on the main elements of the proposed EGRG structural reform program, implementation of the process of arrears clearance with the Bank, and preparation of the new PEMFAR, in collaboration with the African Development Bank (AfDB), the European Union (EU), and IMF.



7. Following discussions at the Annual Meetings in October 2007, the Bank's re-engagement strategy and dialogue with the authorities center on the following:

- Finalization of the last of three audits in the energy sector and continuing efforts to build a credible track record on transparency and governance.
- Implementation of the PCAP grant in support of the Ouagadougou Peace Accord (toward political normalization, beginning with the identification process and elections).
- Progress on arrears clearance, the PRSP process, debt reconciliation, and improvements in macroeconomic performance to work towards debt relief under HIPC.
- Upon full arrears clearance, reactivation of the Bank portfolio (comprising US\$104 million and operations in education, rural development, transport and distance learning) and financing two new operations for governance and institution building (US\$15 million) and HIV/AIDS (US\$20 million). The Bank is also exploring the possibility of an emergency urban reconstruction program of US\$90 million to support water management and road maintenance.
- After an adequate economic framework is implemented for a reasonable period of time, with a track record of policy performance under the IMF's EPCA, full clearance of Bank arrears, and basic measures taken to strengthen governance and transparency in the energy, cocoa/coffee, and financial sectors and PEM, a follow-up emergency credit to the EGRG operation could be provided to support further structural reforms.
- Building country capacity to engage the government and other partners in a more detailed assessment of needs, resource mobilization, and program support, leading to a donor consultative group meeting.
- As soon as satisfactory progress is made on the DDR program and the security front (to guarantee safe access to conflict-affected areas), as part of the reconstruction process the Bank is expected to take the lead in organizing a multi-donor assessment mission (MAM) in close collaboration with the IMF, the EU, and other partners (the LICUS-financed activities will inform the MAM). The purpose of the MAM is to identify reconstruction financing needs, new expenditure priorities, and likely sources of external finance.
- Regarding *analytical work*, a post-conflict poverty diagnostic, based on a limited survey in the Abidjan region was completed. Since the signing of the Ouagadougou accord the Bank has also undertaken a number of critical Analytical and Advisory Activities (AAA) and knowledge-building activities to lay the knowledge and analytical foundation for accelerated Bank support. These include informal policy notes on oil and gas, cotton, cocoa, and the finance sector; audits with a particular focus on the energy sector, especially oil/gas and electricity; and a country social

assessment setting out macro and micro elements of the crisis. As part of the analytical agenda, a number of other studies will be undertaken up to and beyond the arrears clearance phase in preparation for more intensive Bank engagement in Côte d'Ivoire: a governance assessment, a rapid decentralization study, the PEMFAR, a poverty diagnostic, a cocoa review (supported by LICUS funds), a sources of growth and competitiveness study, and informal Economic and Sector work (ESW) in the agricultural, rural and environment sectors to conduct an investment climate survey and look at such essential commodities as rubber and agricultural cash crops and forestry.

8. The **IFC** portfolio has been showing strains from the continued economic crisis as clients struggle in the prolonged uncertainty and economic downturn. IFC's primary role for most of the crisis has been to preserve the committed portfolio, which as of February 28, 2007, stands at US\$ 77 million, invested mostly in oil and gas and electricity generation. Throughout the crisis IFC's Special Operations Unit has been consistently working with clients facing difficulties in dealing with prevailing economic conditions. With the country's return to stability and arrears clearance expected early in 2008, IFC is now considering new investments in selected sectors and is ready to heighten its involvement; it is committed to taking an active role in the private sector strategy as soon as a sensible economic recovery program is in place.

9. **MIGA's** portfolio in Côte d'Ivoire consists of one project in support of agribusiness and manufacturing. It has issued coverage to French investors against the risks of expropriation, war, and civil disturbance for its investment in rehabilitation of three cocoa plantations and expansion of cocoa production in Côte d'Ivoire. In addition to increasing cocoa production, the project will have a positive impact on the country's balance of payments. The remaining gross exposure from this investment is US\$10.6 million. MIGA accepts applications for guarantees for projects in Côte d'Ivoire but has not received any requests for support as of the first quarter of FY08.

Côte d'Ivoire: Debt Service to the World Bank				
(US\$ millions)				
	2004	2005	2006	2007
IBRD	91.5	116.5	103.0	91.1
IDA	25.9	34.2	43.3	59.2
Total	117.4	150.7	146.3	150.3

Source: World Bank Controller's debt-service projections.

## IMF-World Bank collaboration in specific areas

10. Collaboration between the Bank and the IMF has been close with both institutions using their post-conflict instruments to assist the country. There is broad agreement on the core reform program the authorities intend to pursue: (i) improving public expenditure management and tax policy; (ii) enhancing governance and transparency in the energy and cocoa/coffee sectors; and (iii) strengthening the financial sector. The Bank is leading efforts on crisis-related programs, post-conflict reconstruction needs, sectoral reforms, and poverty reduction. The IMF is taking the lead on macroeconomic and financial issues, including fiscal, monetary, and banking supervision policies. More specific details on this division of labor are given in Table 1 below.

**Table 1: Bank-Fund Collaboration**

Area	Lead Institution	Others Involved
1. Budget area		
Public expenditure management	IMF/World Bank	
Post-conflict programs	EU/World Bank	AfDB, other donors
Tax policy	IMF	
Fiscal transparency issues: energy, cocoa/coffee sector	IMF/World Bank	
2. Sectoral reforms		
Energy sector	World Bank	IMF
Cocoa/coffee/cotton sector	World Bank	EU
Trade	World Bank/IMF	EU
3. Financial sector		
FSAP-FSSA	World Bank/IMF	
Restructuring of public financial Institutions	World Bank	IMF
4. Other		
Monetary policy	IMF	
Social sectors: poverty reduction strategy	World Bank/AfDB	IMF, other donors
Debt	IMF/World Bank	
Judicial reform		AfDB, EU

### III. African Development Bank Group Operations Strategy

1. **Bank Group Portfolio and Management.** Of a total of 49 operations<sup>4</sup> approved since the start of intervention in Côte d'Ivoire, for a net commitment of UA1,030 million, the current project portfolio comprises of a one active operation financed with a UA3.7 million grant. This excludes the Human Resource Development Programme (PVRH) II (UA20 million) for which disbursements were suspended due to the arrears as well as projects financed by loans and whose balances should be cancelled after payment of the last invoices received by the Bank. The ongoing operation—National Good Governance and Capacity Building Programme (PNBGRC)—is an institutional support project whose activities will contribute to improving governance and capacities of several ministries. Specifically, its purpose is to (i) contribute to improving operation of the legal system; (ii) strengthen structures and institutions involved in the decentralization process; (iii) support public resources management capacity; and (iv) strengthen the PNBGRC coordination structure.

2. As for portfolio management, the current projects have been seriously affected by the crisis arising from the suspension of disbursements starting in February 1, 2003. Following discussions with an Ivoirien delegation in Tunis in July 2004 and July 2005, the AfDB began canceling the balances of 10 operations in accordance with its procedures. As of February 2007, the total amount cancelled was UA65.7 million. The AfDB has not made any further cancellations because there is hope of resumption of financial cooperation with Côte d'Ivoire. Although loan disbursements have been suspended for accumulation of arrears, the AfDB has continued to implement operations financed with grants, among them studies for formulation of the irrigation development plan, the road toll and weighbridge study plan, and the Agneby plan, which are almost completed.

3. **Status of Arrears to the AfDB Group and Payment Schedule.** Côte d'Ivoire's arrears to the Group stood at UA365 million at end-2007. The private sector arrears amounted to UA1.62 million as of April 30, 2007. Côte d'Ivoire has no arrears on its subscription to AfDB capital.

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<sup>4</sup> Not including four projects initiated by the private sector, for a total of UA33 million.

**Projected Côte d'Ivoire Reimbursements in UA millions**

Window	Type	2008	2009	2010	2011	TOTAL
ADB	Charges	20.66	12.85	9.51	6.76	49.78
	Principal	37.09	26.06	20.04	16.05	99.25
ADB TOTAL		57.75	38.92	29.55	22.82	149.03
ADF	Charges	1.56	1.55	1.54	1.53	6.19
	Principal	0.57	0.96	1.41	1.48	4.42
ADF TOTAL		2.13	2.51	2.95	3.01	10.61
OVERALL TOTAL		59.88	41.43	32.50	25.83	159.64

4. **Steps by the AfDB to facilitate arrears clearance.** After arrears were cleared early in 2002, the Board approved an interim strategy under ADF VII on April 3, 2002, but the strategy could not be carried out because arrears began building up again in February 2003. The AfDB suspended all disbursements on loans, and approved no operations under AfDB IX and X. However, it maintained dialogue with the government so as to be able to implement its strategy as soon as it could re-engage in Côte d'Ivoire. During several consultative missions the Ivoirien authorities reaffirmed their commitment to stabilize arrears and stay current on maturities. However, the commitments have not been carried out.

5. On April 28, 2007, the Ivoirien authorities and the Bank came to an agreement on the modalities of an arrears clearance scheme (see the Memorandum of Economic and Financial Policies elaborated by the IMF in May 2007). Based on the framework of the Post-Conflict Countries Facility (PCCF), the agreed scheme entails moving the cut-off date from end-December 2003 to end-April 2007, effective clearance of arrears in April 2008 and start of payment of the maturities falling due between May 2007 and April 2008 no later than September 2007 in full by April 2008. By this date, Côte d'Ivoire will also have to pay one-third of arrears outstanding as of April 2007. The rest will be paid by the PCCF and donors. Côte d'Ivoire has already paid the debt service due for April 30, 2007, through December 31, 2007.

### **Strategy and Instruments for Economic Dialogue and Arrears Clearance**

6. **Objective and Strategy.** The strategy consists in identifying and implementing a new solution for arrears settlement that will enable the AfDB to resume full cooperation with Côte d'Ivoire. This strategy entails two pillars, namely: (i) the continuation of dialogue on fulfilling the criteria for accessing the Bank's post-conflict arrears facility (PCCF); and (ii) participation in the reconstruction effort and building of institutional capacities. The solution to the problem of arrears under the PCCF will be embodied in a specific proposal to be presented to the Boards in the course of the first half of 2008. Subject to approval of this proposal and its implementation as well as the satisfactory implementation of the IMF's EPCA, the Bank will initiate the following actions: (i) presentation of a Country Strategy Paper to the Board on the proposed use of the ADF XI allocation; (ii) start of the appraisal of new operations under post-conflict reconstruction programme; and (iii) restructuring of the portfolio for the resumption of disbursements on ongoing operations. This strategy will also be updated in accordance with principles to be adopted under the new Bank facility for fragile countries currently nearing finalization.

#### IV. Côte d'Ivoire - Statistical Issues

While adequate for surveillance purposes, and the authorities have generally provided the required statistical indicators to the Fund (see attached table) on a timely basis, there are weaknesses in the areas of national accounts, balance of payments, and public finance, and in conciliation of fiscal and monetary data. Côte d'Ivoire has participated in the General Data Dissemination System (GDDS) since May 2000, but the metadata posted on the Data Standards Bulletin Board have not been updated since June 2001.

##### **Real sector statistics**

The authorities have published comprehensive national accounts data for 1987–95 using 1986 as the base year and a new set covering the period 1996–2006 aligned with the 1993 System of National Accounts using 1996 as the base year. Technical assistance (TA) on national accounts has been provided by AFRITAC West in August 2007 covering several topics including a review of implicit deflators. A harmonized consumer price index (CPI) (base 1996) has been adopted by all members of the West African Economic and Monetary Union (WAEMU).<sup>5</sup> There are no regular publications on wages and employment.

##### **Public finance statistics**

The Ministry of Finance has reported data up to 2006 for publication in the *Government Finance Statistics Yearbook*. The authorities do not provide monthly or quarterly fiscal data for publication, but the Ministry of Finance has generally made available to the IMF African Department detailed monthly government finance data. Documentation on the coverage of general government units and public enterprises is lacking. While the government has committed to addressing this weakness and making a comprehensive effort to reconcile fiscal and monetary data, there has been little progress to date. Deficiencies in the recording of expenditures undermine sound fiscal reporting.

##### **Monetary and financial statistics**

Monetary data for Côte d'Ivoire are prepared by the national agency of the Central Bank of West African States (BCEAO) and officially released by BCEAO headquarters. Some of the problems with monetary statistics are common to all eight member countries of the WAEMU; others are specific to systemic issues in Côte d'Ivoire's bank and nonbank financing of the operations of the central government and the rest of the public sector. There has been improvement in the timeliness of depository corporations and interest rate data. The authorities now report monetary data to the IMF Statistics Department (STA) regularly, and the lag has been reduced from about six months to four or less. The BCEAO has also improved the estimates of currency in circulation in each WAEMU member country by addressing the large backlog of unsorted banknotes held by the BCEAO's national agencies. In 2005 the BCEAO made substantial revisions to the estimates of banknotes in circulation in

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<sup>5</sup>Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

member states resulting from cross-border banknote movement. These revisions were due to changes in the method of estimating currency in circulation in the WAEMU. The revised method, based on updated sorting coefficients (initially established in 1990), has been applied retroactively from December 2003. The BCEAO is using sorting coefficients to evaluate the amounts of currency issued by each country, which in turn are used to estimate currency in circulation and to adjust the net foreign assets of each member country.

A monetary and financial statistics mission visited BCEAO headquarters in May 2001, and STA participated in a BCEAO-sponsored seminar on monetary statistics in April 2003. In these regional forums STA reviewed with BCEAO representatives methodological issues that concern WAEMU member countries and discussed the BCEAO's plans to adopt the *Monetary and Financial Statistics Manual*.

In August 2006, the BCEAO reported to STA monetary data for June 2006 for all member countries using Standardized Report Forms (1SR-central bank, 2SR-other depository corporations, and 5SR-monetary aggregates). In response to STA's comments, the BCEAO has recently provided a revised 1SR and indicated that 2SR is being revised.

### **Balance of payments**

Since December 1998 responsibility for compiling and disseminating balance of payments statistics has been formally assigned to the BCEAO by legislation adopted by all WAEMU member countries. The national agency of the BCEAO in Abidjan is responsible for completing and disseminating the balance of payments statement while BCEAO headquarters delineates the methodology and calculates international reserves managed on behalf of participating countries. Data consistency has significantly improved over the past few years with the full transition to the *Balance of Payments Manual, Fifth edition (BPM5)*, improved sourcing methods, and the training of staff. The BCEAO national agency disseminates balance of payments statistics with a seven months lag, longer than the recommendation of the GDDS, as well as annual international investment position data. External sector data are reported regularly to STA for publication.

Regarding trade, the customs computer system allows for satisfactory monitoring of trade data, but the coverage of services and transfers (especially worker remittances) needs to be improved.

Concerning the financial accounts, foreign assets of the private nonbanking sector are not adequately covered. Reporting of private capital flows, especially foreign direct investment in Côte d'Ivoire, is unsatisfactory. There is also not sufficient information on private debt stocks and debt service flows.

The new BCEAO compilation system allows commercial banks to report data on payments involving nonresidents. The balance of payments compilers receive payment statements every 10 days. However, the information is used not in compilation of the annual balance of payments but to support data quality controls and provide for early information to the BCEAO authorities.

**CÔTE D'IVOIRE: TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE**  
(As of March 12, 2008)

	Date of latest observation	Date received	Frequency of Data <sup>6</sup>	Frequency of Reporting <sup>6</sup>	Frequency of Publication <sup>6</sup>
Exchange Rates	Current	Current	M	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	10/07	12/07	M	M	M
Reserve/Base Money	10/07	12/07	M	M	M
Broad Money	10/07	12/07	M	M	M
Central Bank Balance Sheet	10/07	12/07	M	M	M
Consolidated Balance Sheet of the Banking System	10/07	12/07	M	M	M
Interest Rates <sup>2</sup>	01/08	02/08	I	M	M
Consumer Price Index	11/07	12/07	M	M	M
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> – General Government <sup>4</sup>	10/07	01/08	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt <sup>5</sup>	11/07	12/07	M	M	M
External Current Account Balance	12/06	06/07	A	A	A
Exports and Imports of Goods and Services	09/07	11/07	A	A	A
GDP/GNP	2006	02/07	A	M	M
Gross External Debt	11/07	12/07	M	M	M

<sup>1</sup>Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

<sup>2</sup> Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>3</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup> The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>5</sup> Including currency and maturity composition.

<sup>6</sup> Daily (D), weekly (W), monthly (M), quarterly (Q), annually (A), irregular (I); and not available (NA).



Statement by the IMF Staff Representative  
April 4, 2008

1. This supplement provides an update on developments since the issuance of the Staff Report on March 21, 2008. The thrust of the staff appraisal remains unchanged.
2. **Prices of foodstuffs and other necessities have increased rapidly in recent months, triggering demonstrations in Abidjan early this week.** The seasonally adjusted food CPI rose by 4 percent between December and February, but several household staples items such as rice, sugar, flour, milk, and cooking oil rose by between 10 and over 50 percent in the first quarter. The increases reflect rising import prices, but likely also speculation because retail prices have risen much faster than wholesale prices. Overall inflation measured by the 12-month CPI accelerated from 1.5 percent at end-December 2007 to 3 percent at end-February 2008.
3. **In response, the government has announced several measures, including tax suspensions.** Short-term tax measures—effective April 1 for three-months—include (i) reduction in the VAT on milk, refined palm oil, canned tomatoes, sugar, and cement from 18 percent to 9 percent; and (ii) suspension of import duties on the same items and on flour, rice, and fish. The suspension of import duties on wheat, introduced last September, remains in force. The structural measures include (i) better monitoring of prices and concertation with the private sector to ensure orderly adjustment and fight speculation; (ii) steps to reduce racketeering by the military at roadblocks; and (iii) measures to increase the supply of locally produced foodstuffs. The authorities have indicated that the revenue impact (estimated at 0.06 percent of GDP) will be offset by expenditure cuts.
4. **Growth and fiscal developments are in line with projections in the first two months of the year.** Very preliminary data show a pick-up in activity in a range of sectors (including industry, electricity, and construction). The fiscal outcome shows revenue broadly on target and strong across-the-board expenditure restraint, which created the room needed to repay the arrears to the World Bank.
5. **On April 1, the World Bank board approved the Economic Governance and Recovery Grant for the clearance of the remaining one-half of Côte d'Ivoire's arrears to the Bank (some US\$270 million) and new budget support (US\$35 million).** The clearance and disbursement have been completed.
6. **The remaining elements of the prior actions have been implemented (MEFP, Table 2).** Last week, the Government adopted the revisions to the 2008 budget in conformity with the program for 2008. It also adopted the detailed budget execution statements for 2007. The related Communications to the Council of Ministers have been made completely public, including through web posting.



Press Release No. 08/73  
FOR IMMEDIATE RELEASE  
April 7, 2008

International Monetary Fund  
Washington, D.C. 20431 USA

### **IMF Approves US\$66.2 Million in Emergency Post-Conflict Assistance for Côte d'Ivoire**

The Executive Board of the International Monetary Fund (IMF) approved a credit of SDR 40.6 million (about US\$66.2 million) in Emergency Post-Conflict Assistance (EPCA) for Côte d'Ivoire to continue the efforts begun under an initial EPCA-supported program (see [Press Release No 07/176 of August 3, 2007](#)) to strengthen the country's foundation for sustained recovery.

Emergency Post-Conflict Assistance (EPCA) is designed to promote the strengthening of administrative and institutional capacity, which will be necessary to sustain economic recovery and a higher level of financial assistance. The IMF's support through EPCA is a key part of a concerted international effort to provide financial assistance to Côte d'Ivoire.

Following the Executive Board's discussion of the request by Côte d'Ivoire, Mr. John Lipsky, First Deputy Managing Director and Acting Chair, said:

“Côte d'Ivoire is progressing on its way to effective reunification and sustained peace. Although there have been delays in implementing the Ouagadougou Accord, a climate of political dialogue is evident, and the improved security situation is beginning to pay off in better economic outcomes. Projected growth in real per capita income in 2008 is expected to benefit growth throughout the subregion.

“Fiscal developments in 2007 were close to overall program targets, although the overruns on non-productive spending were made at the expense of infrastructure and crisis-exit programs. The authorities took significant steps to make payments to the World Bank and the African Development Bank and to reduce domestic arrears.

“There was progress on the structural front. Reporting on quasi-fiscal cocoa levies improved, and a large part of the levies was allocated to rural projects. Energy sector audits are being finalized and reporting on financial flows improved. But some key fiscal measures were implemented with delay or postponed to 2008, notably energy pricing. Progress in strengthening the banking system was slow.

“Continuing fiscal consolidation in 2008 will create fiscal space for social, basic infrastructure, and other post-conflict needs. Achieving this will depend on steps to improve tax administration in the whole country, to stabilize the wage bill while confining recruitment to the social sectors, and to decisively reduce nonwage current spending. Steps are envisaged to improve public expenditure management, notably by adhering to budget procedures and issuing quarterly budget execution statements to the council of ministers and making them public. Further improvements in transparency and efficiency in the coffee/cocoa sector, and in the energy sector—including through electricity sector reform and the adequate pricing of petroleum products—will be essential for strengthening the economy’s growth prospects.

“The continued support of the international community remains essential for Côte d’Ivoire to achieve sustainable peace and economic recovery. This support will be facilitated by the early completion of the Poverty Reduction Strategy Paper (PRSP), using broad-based consultations with the population. Directors agreed that a track record of solid policy implementation under EPCA could help pave the way for a PRGF arrangement and a HIPC Decision Point,” Mr. Lipsky said.

**Statement by Lauren W. Rutayisire, Executive Director for Côte d'Ivoire**  
**April 4, 2008**

My Ivoirien authorities would like to express their appreciation to staff for the fruitful discussions held in Abidjan during their two visits in November 2007 and February 2008. They are in broad agreement with the thrust of the current report of which they have consented to the publication. My authorities also welcome the staff's appraisal of the recent economic developments and the policy advice on macroeconomic and structural reforms conducive to economic recovery, sustained growth and poverty reduction.

My Ivoirien authorities would also like to express their gratitude to the Executive Board and Management for the continuous support that has helped the country overcome so many challenges over the past years of crisis. The recent trip of the Managing Director in West Africa and his meeting with President Gbagbo in Ouagadougou gave him a first-hand experience on the daunting challenges still facing Côte d'Ivoire as well as on the opportunities peace in this country would represent for the whole sub-region.

In search of economic recovery capable of paving the way for sustainable reconciliation and peace, Côte d'Ivoire has been successfully implementing since August 2007 a program supported by an Emergency Post-Conflict Assistance (EPCA). **Under the EPCA, Côte d'Ivoire's macroeconomic performance continues to be strong, with GDP growth showing resilience to the crisis and financial management and structural sectors displaying noticeable improvements along with the crisis-exit.** All quantitative indicators for 2007 were met, except the year-end primary basic surplus that was recorded at 0.6 percent against the 1 percent target. In 2008, the country renewed with a normal budget cycle; this will put an end to treasury advances, resume budget procedures and contribute to improve substantially the public expenditure management. Furthermore, amidst considerable pressure and mounting social demand, my authorities have made considerable efforts to normalize financial relations with multilateral institutions, specifically through the payment of their part in the clearance of arrears to the World Bank (completed at end-February 2008) and to the African Development Bank (expected to occur in April 2008)

Overall, the political process that started with the March 2007 Ouagadougou Accord is proceeding. All actors agreed on a roadmap that set mid-2008 for the presidential elections, albeit they may be pushed to the last quarter of 2008 because of technical difficulties. **My Ivoirien authorities view the year 2008 as crucial because it should be the crisis-exit year, and it should also be the year when the country renews with normality and resumes its efforts toward debt relief, development and poverty reduction.** In these endeavors, Côte d'Ivoire is counting on the support of the international community, especially the IMF.

In view of the overall satisfactory program performance and their strong commitment to put the country back on track, my Ivoirien authorities request an additional assistance under the IMF's EPCA program of a further SDR 40.65 million, or the equivalent of 12.5 percent of their quota. This additional assistance will help the government build on the gains made to date and foster its results on the road of peace, reconciliation, economic growth and improved social conditions.

## **ECONOMIC DEVELOPMENTS UNDER THE EPCA AND CHALLENGES AHEAD**

**After weakening in 2006, the economy regained its growth momentum in 2007, recording an end-year rate of 1.7 percent.** This positive change was driven by the performance in telecommunications, transport, trade, construction and public works, and agro-food. The good performance in these sectors offset the decline in agricultural exports stemming from decline in rainfall in the first half of the year and the sharp fall in oil production due to technical problems on oil fields. Furthermore, GDP growth in 2007 was underpinned by private investment growth that turned positive for the first time since the country fell into conflict in 2002.

With an **annual average of 1.9 percent, inflation remained subdued in 2007**, albeit the price of a number of essential products – rice, milk, cooking oil, and flour – rose over the last months along with international food prices. My authorities in consultation with the private sector took a number of measures to mitigate the impact of these increases on the consumers, including the suspension of import duties on wheat and the enhancement of the supply of essential foodstuffs.

For the year 2008, my authorities' program set forth in their MEFP aims at consolidating the results achieved to date in terms of the resilience of the economy to the crisis, a better climate brought about by political stability, an improvement in financial management, and better governance and transparency in managing key sectors. This enabling environment paired with the government's policies in the fiscal, financial and structural sectors should boost economic growth - projected at 3 percent for 2008 – and help the country face its post-conflict reconstruction challenges.

## **FISCAL POLICY**

**The fiscal situation in 2007 was satisfactory** thanks to the authorities' measures to raise revenue and mitigate the adverse effects of the pressing spending needs on public financial management. As a result, all fiscal indicators were in line with the program. As for the composition of spending and the overruns on current spending, my authorities designed corrective measures at year-end 2007 that will certainly bear fruit in 2008. Furthermore, **the overall fiscal situation will improve as the country takes further steps towards crisis-exit. Accordingly, the 2008 budget framework targets a primary basic surplus of 0.8 percent of GDP.**

The **revenue collection** in 2007 improved as targeted, because of specific reforms in the tax and customs administration including the extension of the “standardized invoice” to a larger number of activities and the fight against fraud and corruption. This yielded a good performance on value added taxes and corporate taxes, and overall, **tax revenue was above target**. For 2008, revenue is expected to rise to 19.4 percent of GDP, as a result of tax revenue mobilization in the ex- rebel controlled Center-North-West regions (CNW), improved VAT collection, increased contribution of petroleum products to tax revenue, and a greater contribution of some state-owned enterprises to government revenue.

**On the expenditure side**, the government made considerable efforts to keep spending under control despite diverse types of demands and pressures. As for the overruns on current spending, my authorities have explained to staff how difficult is the trade-off they continuously face between the financial orthodoxy and the resolution of unanticipated situation that could jeopardize the peace process and generate even higher cost than the current overruns.

Despite this difficult situation, **my authorities are committed to good public financial management** as shown by their pre-crisis track record. Going forward, their program for 2008 aims at pursuing fiscal consolidation. In early 2008, the government renewed with normal budget cycles; this should put an end to the execution of expenditures through treasury advances that caused slippages in the past. In this budget framework, primary basic spending will amount to 18.6 percent of GDP and will be allocated primarily to post-crisis expenditures, basic infrastructure, and social needs. Along with these key priorities, my authorities intend to keep the wage bill under control with an emphasis on the health and education sectors where shortages of civil servants are the most severe. The resumption of the budget cycle will enable tighter control on number of spending lines including operating outlays by national institutions and subsidies to the electricity sector. As for military spending, the government has decided to pay no further frontline bonuses to the soldiers, except some arrears. Instead, priority will be given to expenditures related to the unification of the army, the reinsertion of ex-combatants in the economic activity, the redeployment of government services throughout the country, the emergency programs, and the preparation of the elections.

## **MONETARY POLICY AND FINANCIAL SECTOR ISSUES**

The new development regarding monetary policy in Côte d’Ivoire and a number of WAEMU countries is the continuous fall of the dollar against the Euro. This situation made the nominal and real effective exchange rates rise slightly in 2007.

As regards the financial sector, the relative dynamism and the increasing competition of the past years should be enhanced with the reopening of additional agencies in the CNW zones. The resumption of the economic activity throughout the whole territory should help the banks lower further the ratio of non-performing loans that improved from 20 percent at end-2006 to 18 percent at end-2007. My authorities pay a special interest to addressing the financial sector issues so as to facilitate credit to the private sector that is

crucial in this period of reconstruction. In that regard, under the supervision of the WAEMU Banking Commission, progress has been made in recent months in the recapitalization of four of the nine banks that did not comply with capital adequacy requirements at end-2006. The government will continue to work closely with the *Banque Nationale d'Investissement* and other partially publicly owned institutions in order to improve their situation and create more access to the SMEs and non-banked populations.

## **STRUCTURAL REFORMS AND GOVERNANCE ISSUES**

Progress has been made on structural reforms and governance issues under the EPCA. The measures related to transparency over budget execution were implemented albeit with delays. Governance and transparency have been improved both in the cocoa/coffee and oil sectors. Two committees comprising senior officials and other stakeholders are overseeing all activities and financial flows in these sectors, and drafting periodical notes for the Cabinet. The Government has reduced the levy on cocoa as planned under the program. In the oil sector, the audit financed by the World Bank has been completed and the Government should draw appropriate policies for the period ahead. Côte d'Ivoire has joined the EITI and compliance with its procedures is advancing.

My authorities have also maintained their commitment to structural reforms by increasing electricity tariffs by 10 percent on average while protecting the vulnerable segments of the population. In addition, my authorities intend to implement the automatic petroleum product price setting mechanism and bring pump prices closer to international prices from the beginning of July 2008. All these policies should help the government save resources and address its financing needs.

My authorities would like to reiterate that they have put good governance at the center of their conduct of public affairs. To this end, they reaffirm their determination to make good governance the thrust of their economic program, notably in the management of public resources and structural reforms.

## **HIPC AND POVERTY REDUCTION**

The five-year conflict has taken a huge toll on social conditions in Côte d'Ivoire. According to World Bank estimates, the incidence of poverty reached 43 percent in 2006, compared to around 33 percent before the conflict. In such a situation, tackling poverty remains the main endeavor for the Ivoirien authorities in the post-conflict era. The country's PRSP that sets forth the main policies in that regard is scheduled to be completed at the latest by end-September 2008.

## CONCLUSION

My Ivoirien authorities are committed to make further inroads towards peace and reconciliation and pave the way for stronger and sustained growth, and poverty reduction. To that aim, they intend to take actions to diversify the economy and create more opportunities for youths. The policies set for the period ahead represent a clear option of creating a conducive environment for unleashing further the growth and employment potential of the economy.

Along with the domestic effort to strengthen the economy, addressing the external debt issue in a sustainable manner remains a big concern for my Ivoirien authorities. They consider that the strong track record they are building under the 2007 and 2008 programs, coupled with their history of good governance before the conflict, as contributing to their efforts to benefit from the debt relief under the HIPC/MDRI initiatives. During the discussions with staff as well as during the meeting between President Gbagbo and the Managing Director, my Ivoirien authorities recalled their expectations for the period ahead: the conclusion of a PRGF and being able to reach the HIPC decision point as soon as possible. They expect the Fund and the international community to help them achieve this goal taking account of their good performance under the EPCA and their efforts to clear arrears to the multilateral financial partners amidst a challenging financial situation inherent to a post-conflict country.

My authorities have achieved commendable results in maintaining an overall macroeconomic stability in a difficult environment. Going forward, my authorities are committed to implementing all the remaining activities of the Ouagadougou Peace Accord that would lead the country to elections, national reconciliation, and complete economic rehabilitation. The continuous assistance of the international community is key in accompanying this momentum. In view of the efforts made at both political and economic management fronts, my authorities will appreciate the Board's support for an additional assistance under the IMF's EPCA program.