

Côte d'Ivoire: Second Review Under the Three-Year Arrangement Under the Extended Credit Facility, Request for Waivers of Nonobservance of Performance Criteria, and Financing Assurances Review—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 the second review under the three-year arrangement under the extended credit facility, request for waivers of nonobservance of performance criteria, and financing assurances review, the following documents have been released and are included in this package:

- The staff report for the Second Review Under the Three-Year Arrangement Under the Extended Credit Facility, Request for Waivers of Nonobservance of Performance Criteria, and Financing Assurances Review, prepared by a staff team of the IMF, following discussions that ended on April 29, 2010, 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 June 24, 2010. 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 July 8, 2010 updating information on recent developments.
- A Press Release summarizing the views of the Executive Board as expressed during its July 9, 2010 discussion of the staff report that completed the request and/or review.
- A statement by the Executive Director for Côte d'Ivoire.

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

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CÔTE D'IVOIRE

**Second Review Under the Three-Year Arrangement Under the Extended Credit Facility,
Request for Waivers of Nonobservance of Performance Criteria, and Financing
Assurances Review**

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

Approved by Seán Nolan and Tom Dorsey

June 24, 2010

- **Fund relations.** The Board approved Côte d'Ivoire's ECF arrangement on March 27, 2009, and the country reached the HIPC decision point on April 1, 2009. The first review was approved on November 18, 2009. In the attached Letter of Intent, the authorities request completion of the second review, which would make available SDR 35.772 million (11 percent of quota).
- **Staff team.** Ms. Ross (head), Mr. Egoume Bossogo (resident representative), Mr. Kireyev, Mr. Ahokossi (all AFR), Mr. Dicks-Mireaux (SPR), and Mr. Gerard (FAD). Mr. Allé, Senior Advisor to the Executive Director for Côte d'Ivoire, and World Bank staff participated in some of the discussions.
- **Discussions.** The team visited Abidjan during March 4–19, 2010 and discussions continued in Washington during April 26–29, 2010. The mission was received by President Gbagbo and met with Minister of Finance Diby, other senior officials, and representatives of the diplomatic community and the private sector.

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ACRONYMS

BFA	Bank for Agriculture Financing
BCEAO	Central Bank of West African States
BNI	National Investment Bank
CGRAE	Civil Service Pension Fund
CNCE	Postal Savings Fund
CNPS	Private Sector Social Security Fund
CNW	Center-North-West (of Côte d'Ivoire)
ECF	Extended Credit Facility
EITI	Extractive Industries Transparency Initiative
FSAP	Financial Sector Assessment Program
HIPC	Heavily Indebted Poor Country
MEFP	Memorandum of Economic and Financial Policies
PC	Performance Criterion
PEMFAR	Public Expenditure Management and Financial Accountability Review
PETROCI	Government-Owned Petroleum Company
PFM	Public Financial Management
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
REER	Real Effective Exchange Rate
SIGFIP	Integrated Public Finance Management System
SIR	National Oil refinery
TMU	Technical Memorandum of Understanding
VAT	Value-Added tax
WAEMU	West African Economic and Monetary Union
WAMU	West African Monetary Union

EXECUTIVE SUMMARY AND STAFF APPRAISAL

- **Economic activity strengthened in 2009 but is expected to decelerate in 2010.** Côte d'Ivoire was little affected by the global crisis and benefitted from high world cocoa prices. Growth in 2010 is weighed down by a tense political environment, electricity outages, and strikes.
- **Financial performance under the ECF-supported program was broadly satisfactory in 2009 and early 2010, but the slow pace of structural reform is disappointing.** The 2009 fiscal targets were largely met, yet two quantitative performance criteria for end-2009 were missed. Waivers are requested as the deviations were small, did not jeopardize program objectives, and corrective actions were taken. Implementation of structural reforms was slow.
- **Good progress was made in restructuring external debt** (Paris Club rescheduling and Brady bond exchange). Staff supports the authorities' good faith efforts to reach collaborative agreements to restructure debt with the remaining creditors, which are consistent with the Fund's lending into arrears policy.
- **The 2010 program is in line with the agreed three-year reform goals but reflects the constraints imposed by the pre-election political situation.** The fiscal program is being eased modestly to accommodate unexpected one-off outlays linked to the adverse shocks experienced in early 2010: the revised program still envisages a small basic primary surplus.
- **Staff supports the authorities' pursuit of a comprehensive customs reform in line with TA recommendations.** In the medium term, a broad tax system review will be needed to rationalize the tax structure and deal with likely revenue losses due to trade liberalization.
- **Tight expenditure management remains critical for the success of the program.** Staff urges the authorities to address the accumulated unpaid wage commitments through comprehensive civil service reform and cost-conscious medium-term personnel planning. There is also a need to reduce electricity subsidies, eliminate domestic arrears, and continue to re-orient expenditure toward poverty reduction to meet the PRSP objectives.
- **Structural reforms are essential to strengthen growth.** The authorities should urgently address the structural problems of the *electricity sector*, improve productivity in the *coffee/cocoa sector*, and build on the FSAP recommendations for *financial sector* reform. Regarding *public enterprises*, putting the public utilities and the oil refinery on a sound financial footing remains a priority. Finally, bold reforms in *governance* and the *judicial system* would improve investor confidence and the business climate.
- **The risks to the program are high but appear manageable in light of the authorities' commitment to the program and their track record so far.** Further delays in the elections increase the risks of civil unrest and expenditure overruns. External risks include a downturn in cocoa prices and fluctuations in oil prices.
- **Staff recommends granting of the two waivers and completion of the second ECF review, and the financing assurances review.**

I. INTRODUCTION

1. **The political tension has increased in 2010.** Public debate over the preconditions for presidential elections has become highly charged. The reconfigured Election Commission has taken concrete steps towards finalizing the voter list, but no new date for the presidential elections has been announced. Progress in the administrative reunification of the government-controlled South and rebel-controlled Center-North-West (CNW) of the country and the disarmament of former combatants has been limited.

II. PROGRAM IMPLEMENTATION: SATISFACTORY FISCAL PERFORMANCE, BUT SLOW STRUCTURAL REFORMS

A. Economic Performance 2009–early 2010

2. **Economic performance in 2009 strengthened—Côte d’Ivoire was little affected by the global financial crisis and benefitted from high world cocoa prices** (Figure 1).

Growth reflected mainly an abundant harvest, higher-than-expected

oil extraction, and expanding telecommunications.

Per capita growth was positive for the first time in over a decade

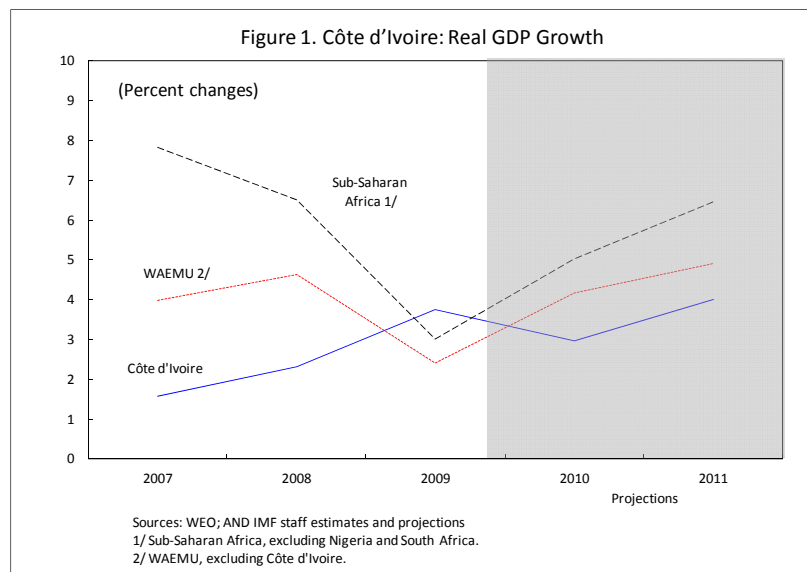
(Table 1, Figures 2–3).

After a temporary spike in 2008, inflation declined in 2009 as food, energy and transport prices eased.

Favorable terms of trade pushed the

external current account surplus to 7.2 percent of GDP. While imputed reserves increased, so did private capital outflows in light of the deteriorating political climate and low levels of confidence (Tables 2–3; MEFP ¶5).

3. **The economy has been affected by electricity outages (Box 1), growing political tensions, and strikes during the first half of 2010.** As a result, growth projections have been revised down to 3 percent for the year. With continued high international cocoa and oil prices, another sizeable current account surplus is expected (MEFP ¶6).



Box 1. Electricity Crisis

Côte d’Ivoire was hit in late 2009–early 2010 by an electricity crisis after a major turbine failed. Only 60–70 percent of the installed capacity (1,320 MW) is available due to poor maintenance and high technical losses. The turbine failure in late 2009 reduced supply by 150 MW, resulting in widespread power outages through April 2010 and the temporary suspension of electricity exports.

The government took steps to address the immediate shortage (MEFP ¶44). These included delaying overdue maintenance of other turbines, electricity imports from Ghana, and the 2-year rental of a mobile thermal power station (70 MW) that came on stream in May 2010.

Long-term solutions to address the sector’s structural problems and reduce the large government subsidy have been long delayed.¹ However, the government recently reached an agreement in principle with the biggest gas producer to lower the contractual purchase prices of natural gas, an important input for power generation; negotiations on the details of the purchase contracts are ongoing with all gas suppliers, with the support of the World Bank. A 10 percent tariff increase is planned for October 2010 as a first step toward tariff reform. Significant further tariff increases over the medium term are needed in order to achieve a sustainable financial position for the sector and build new generating capacity.

¹A 2009 study by the WAEMU Commission indicated that electricity shortages are the most important handicap for business productivity and competitiveness in the WAEMU zone.

B. Fiscal Performance and Financing

4. **Fiscal performance at end-2009 was broadly in line with program objectives** (Text Table 1). The authorities met four of the six performance criteria (PC), missing two (overall fiscal balance and non-accumulation of external arrears) by small margins (Tables 4–5).

- *Revenue* fell slightly short of the program target (MEFP ¶7–8). Strong cocoa tax and VAT collections partially offset a 13 percent shortfall in customs receipts and delays in dividend transfers from the national oil company.
- *Expenditures* were marginally higher than programmed (MEFP ¶9). Overruns on subsidies to cover the deficits of the electricity sector and the pension funds and on other non-wage current expenditure were partly offset by significant savings on external interest after generous Paris Club debt relief.
- *Fiscal balances* fell short of program targets (MEFP ¶10): the primary surplus by ½ percent of GDP, and the overall deficit (including grants) by 0.3 percent of GDP. The deficit was financed largely by central bank credit and debt relief. Domestic arrears were reduced by slightly more than programmed.

Text Table 1. Côte d'Ivoire: Fiscal Operations, 2009–10

(Percent of GDP)

	2009		2010	
	Prog.	Outcome	Budget	Prog.
Total revenue and grants	19.8	19.5	19.5	20.1
Tax revenue 1/	16.2	16.5	17.0	17.3
Oil revenue 2/	2.6	2.8	3.1	2.8
Cocoa export tax	3.0	3.5	2.9	2.8
VAT	1.3	1.6	1.5	1.4
Import taxes	4.1	3.1	4.1	4.1
Other	5.2	5.5	5.5	6.2
Non-tax revenue 2/	2.8	2.4	2.2	2.4
Grants	0.7	0.6	0.3	0.3
Total expenditures	21.0	21.1	21.1	22.1
Current expenditures	17.9	17.9	17.7	18.7
Wage bill	6.8	6.8	7.0	7.2
Social security benefits	1.8	1.9	1.8	1.9
Subsidies and other transfers	1.7	2.0	2.0	2.5
<i>of which: electricity sector</i>	0.2	0.4	0.4	0.7
refinery (SIR)	0.0	0.0	0.0	0.2
Other current expenditures 1/	4.1	4.4	4.4	4.2
Crisis and elections-related expenditures	1.4	1.2	0.9	1.3
Interest	2.0	1.5	1.7	1.6
Capital expenditures	3.0	3.1	3.3	3.1
Net lending	0.2	0.1	0.0	0.3
Primary basic balance 3/	0.9	0.4	0.6	0.1
Overall balance	-1.3	-1.6	-1.6	-2.0
Overall balance, excluding grants	-2.0	-2.2	-1.9	-2.3
Net change in arrears	-10.0	-8.0	-0.5	-3.2
Domestic financing	0.0	1.0	0.2	0.6
Banks	0.2	1.9	0.2	0.7
Non-banks	-0.2	-0.9	0.0	-0.1
External financing	-14.0	8.5	-1.6	-3.4
Financing gap	25.3	0.0	3.5	8.1

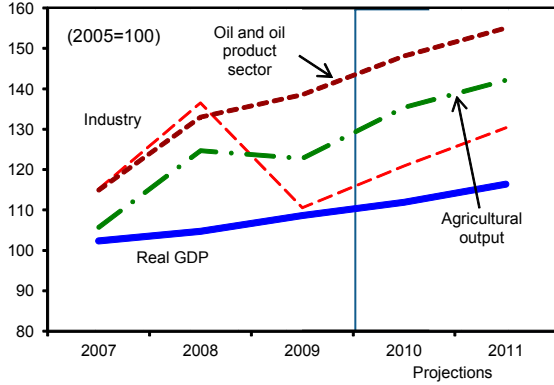
1/ Includes compensation payments to the electricity and telecommunication sectors in 2009, which have a counterpart in tax receipts.

2/ Since the presentation of the program, the part of oil revenue previously shown under non-tax revenue (0.6 percent of GDP in 2009) was reclassified to direct tax revenue in line with the GFS classification.

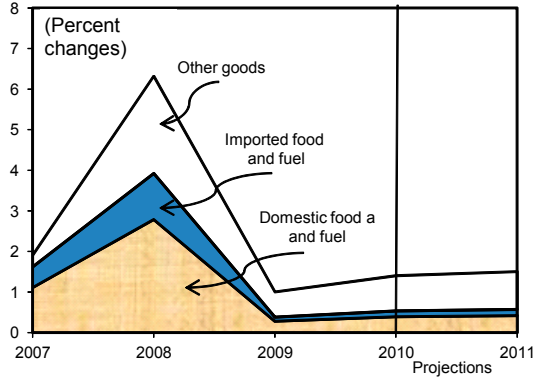
3/ Total revenue, excluding grants, minus total expenditure, excluding interest and foreign-financed investment expenditure.

Figure 2. Côte d'Ivoire: Selected Macroeconomic Indicators, 2007–11
(Percent of GDP, unless otherwise indicated)

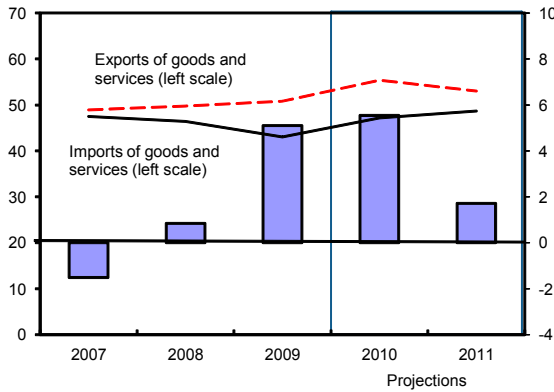
Growth remains stable as there has been little fallout from the global crisis...



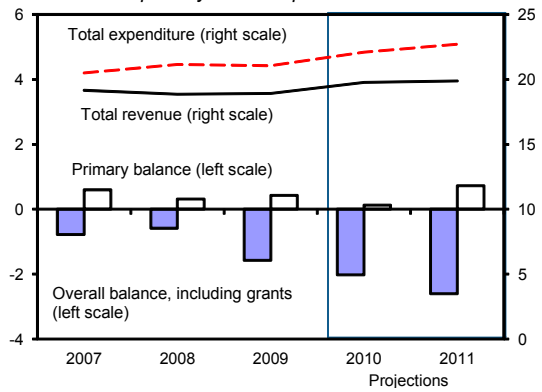
...while inflation declined rapidly.



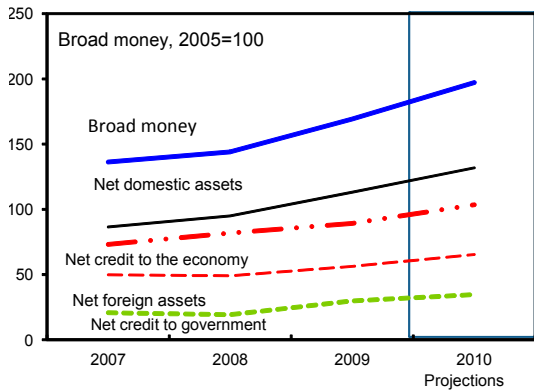
Historically high cocoa prices helped improve the external current account surplus in 2009...



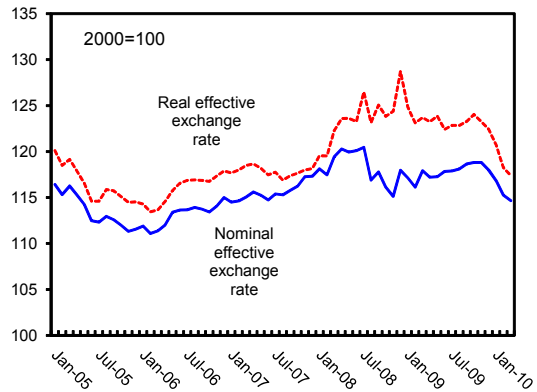
... while the government contained expenditure, and maintained a primary fiscal surplus in 2009.



Growth in broad money accelerated in 2009 because of direct credit extended by the BCEAO to the government.

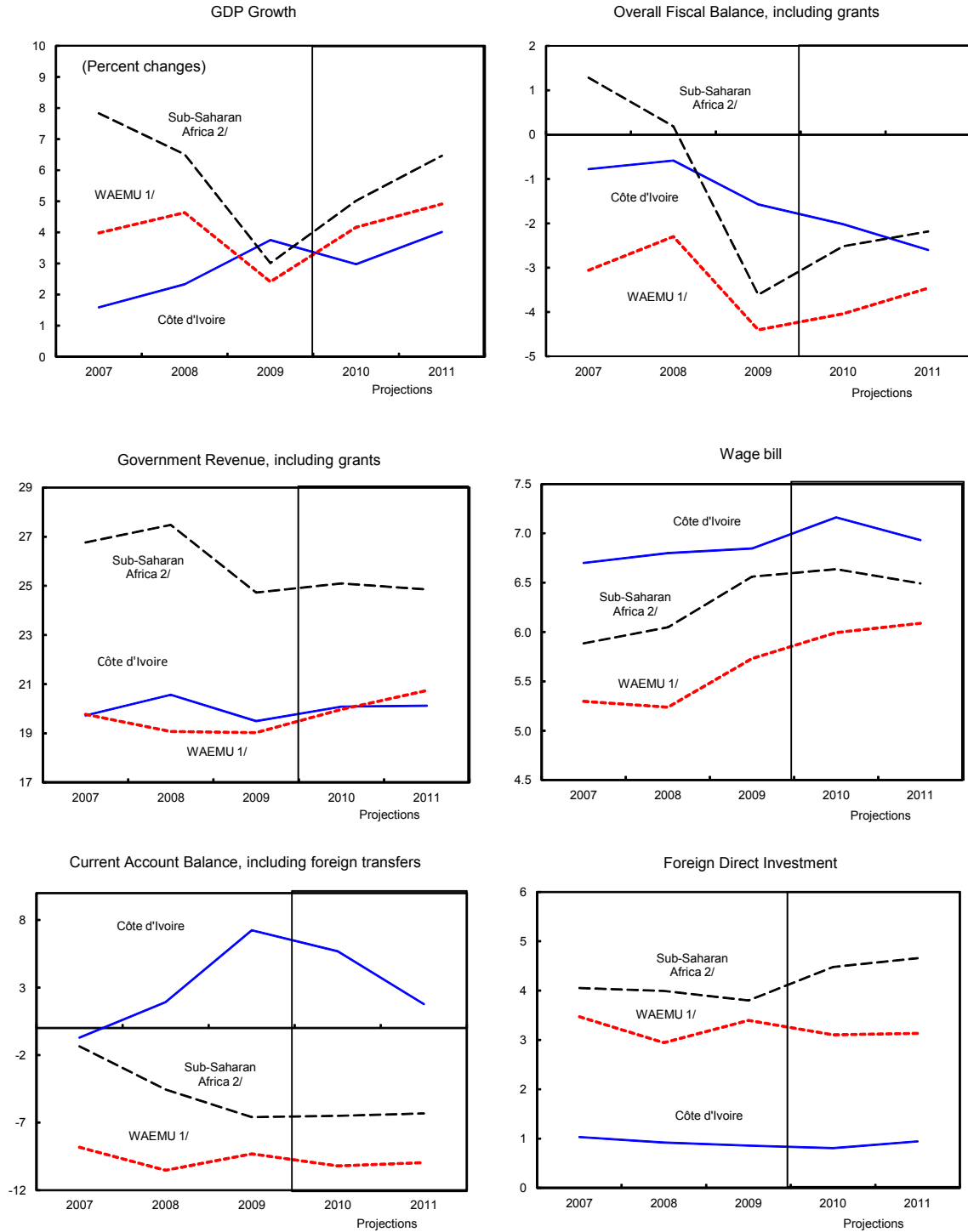


The real effective exchange rate depreciated since early 2009 due to low inflation and the depreciation of the Euro.



Sources: Ivorian authorities; IMF staff estimates and projections.

Figure 3. Côte d'Ivoire: WAEMU, and SSA - Macroeconomic Development and Outlook, 2007–11
(Percent of GDP, unless otherwise indicated)



Sources: WEO; and IMF staff estimates and projections.
1/ WAEMU, excluding Côte d'Ivoire.
2/ SSA, excluding Nigeria and South Africa.

5. **Good progress has been achieved in external debt restructuring** (MEFP ¶11). Virtually all bilateral agreements under the 2009 Paris Club rescheduling have been signed.¹ The exchange of Brady bonds closed successfully in April 2010.² The authorities have continued good faith efforts to reach collaborative agreement with the remaining external creditors in line with the Paris Club's comparability of treatment requirement, the HIPC Initiative, and the Fund's lending into arrears policy (MEFP ¶11, 31).

C. Structural Reforms and PRSP Implementation

6. **Implementation of structural reforms has been slow.** Of the 13 structural benchmarks for 2009, eight were met, four recorded some progress, and no progress was made on one (Table 6). The authorities continued work on implementing the latter five benchmarks in the first half of 2010, but political realities rendered one impossible (involving border posts in the CNW) and delayed one (adoption of the draft law on the reform of the private pension fund (CNPS)) to allow more time for consultations.

7. **Progress in public finance reforms in 2009 was mixed.** Advances were made in strengthening inland revenue collection, budget management and execution and implementing PEMFAR recommendations (MEFP ¶13). The authorities reduced outstanding VAT credits, domestic arrears, and the use of Treasury advances for expenditures. However, the plan to rationalize tax exemptions and a report on how to reduce electricity sector subsidies have lagged. Progress in civil service and pension reforms was limited (MEFP ¶12, 20).

¹ Good progress has been made in preparing the remaining bilateral agreements with the United Kingdom and Brazil.

² See Box 2 of IMF Country Report No. 09/326.

Box 2. Financial Sector Reforms

Reforms of the financial sector continued, largely in line with FSAP recommendations, albeit at a slow pace (MEFP ¶19, 37–39):

- *Strengthening the prudential and supervisory framework*: the authorities have taken steps to incorporate the WAMU institutional reforms into national law, supported the activities of the Banking Commission, and adopted the law on combating the financing of terrorism.
- *Addressing problems of distressed banks*: the authorities enforced minimum capital requirements and monitored the banks subject to the Banking Commission injunctions. Contrary to FSAP advice, Versus Bank and the Bank for Agricultural Financing (BFA) became state-owned when the government injected capital for their bad loan portfolios.
- *Continuing restructuring of other financial institutions*: CNCE (Postal Savings Bank) received a banking license and started its banking operations on April 1, 2010; BHCI (National Housing Bank) increased its capital through the participation of a third shareholder, which helped improve its financial position; finally, BNI (National Investment Bank) is taking actions on the findings of the operational and financial audits undertaken in 2009.
- *Reforming microfinance*: the government prepared a reform plan for 2010–18.

8. **Reforms in other macro-critical areas have been slow**, including *financial sector reform* (Box 2) and improving the *business climate and governance* (MEFP ¶21–22). In the *coffee/cocoa sector* (MEFP ¶14), the authorities conducted audits of sector agencies, reduced export taxes, and consulted widely on a new institutional and regulatory framework. In the *hydrocarbon sectors* (MEFP ¶15), the authorities implemented an automatic petroleum pricing mechanism in April 2009 (Box 3) and strengthened the monitoring of oil extraction.

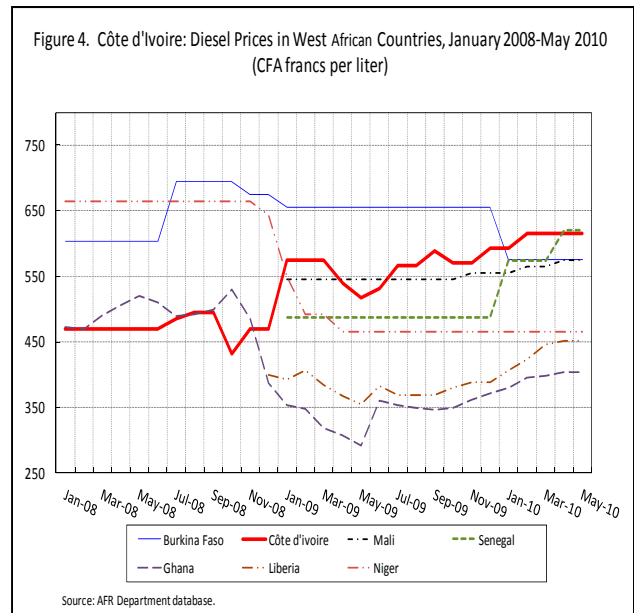
Box 3. Fuel Pricing

The authorities applied an automatic fuel pricing mechanism during April 2009–March 2010 (MEFP ¶15, 43–44). The aim was to reduce government subsidies and pass world prices through to consumers, thus improving overall resource allocation. The formula for pump prices is based on international market prices for refined products, plus import duties, levies and taxes, and a distribution margin. Adjustments are made monthly if international prices change by more than 2.5 percent, subject to a cap (FCFA 35/l for super).

Because of relatively high taxes, pump prices in Côte d'Ivoire are higher than in other West African countries (Text Table 2 and Figure 4).

Country	Gasoline	Diesel	Kerosene
WAEMU			
Benin	0.41	0.29	-0.19
Burkina Faso	0.71	0.63	0.01
Côte d'Ivoire	0.84	0.72	0.23
Mali	0.73	0.43	0.14
Niger	0.49	0.37	-0.02
Senegal	0.44	0.40	...
Togo	0.39	0.38	0.11
Ghana	0.25	0.16	-0.15
Nigeria	0.20	0.49	-0.21

Source: IMF calculations based on country data.



The financial position of the oil refinery (SIR) deteriorated in 2009. The automatic price mechanism reduced its domestic margin. At the same time, refinery margins worldwide fell sharply, further squeezing SIR as it exports two-thirds of its production. Despite SIR being technically more efficient than other refineries in the region, losses mounted. In early 2010, the government paid upfront its debt to SIR, and partially forewent its receipts from fuel taxes, reallocating them to SIR.

Confronted with transport strikes in early April 2010 that paralyzed Abidjan, the government raised prices by less than the amount implied by the fuel pricing mechanism, opting to reduce the tax wedge on diesel and super. The authorities intend to resume implementation of the mechanism, with a lower tax wedge in July 2010, and to revise the adjustment mechanism for 2011 after completing consultations with all parties concerned.

9. **The authorities prepared a draft of the first annual PRSP progress report in early 2010** (MEFP ¶24–26) covering 2009. Overall pro-poor spending increased as programmed in 2009, but investment fell short of plans. The draft, which is still being finalized, details the institutional set up and the status of a long list of projects, but lacks detail and analysis of the implementation record. The next progress report will cover 2010.

III. PROGRAM DISCUSSIONS 2010

A. Fiscal Program: Containing Expenditure While Supporting Growth

10. **To address the unexpected events in early 2010, the authorities proposed a temporary loosening of the fiscal program.** They target a primary basic surplus of 0.1 percent of GDP (compared with 0.6 percent envisaged earlier and 0.4 percent actual surplus in 2009) and an overall fiscal deficit of 2 percent of GDP (Text Table 1, MEFP ¶28).

- *Revenue* is to rise by 0.9 percent of GDP with the abolition of rice import exemptions, the reintroduction of the supplementary income tax for reconstruction, continued higher cocoa prices (albeit lower tax rates), and additional revenue administration efforts, especially in customs (MEFP ¶32).
- *Expenditures* are projected to rise by 1.0 percent of GDP owing to a higher wage bill as the government begins to honor past wage commitments (MEFP ¶29, 33–34), a temporary increase in subsidies to the electricity sector and the oil refinery to sustain output (MEFP ¶44), costs related to the delay in the elections, and more net lending related to bank restructuring. Pro-poor spending would continue to rise.
- The *financing need* is expected to be filled largely by debt relief, budget support from multilateral institutions, and domestic financing (MEFP ¶30–31).

11. **Staff accepted the proposed changes to the fiscal program:** the adjustment in the main reflected unanticipated outlays that are one-off in nature (to restore electricity supply, secure operations of the oil refinery, and added election-related costs), the modest increase in the deficit can be financed without difficulty, and the pre-election political situation left little scope for utility tariff adjustments or other compensatory measures.

B. Strengthening Public Financial Management and Staying on Track Towards Fiscal Sustainability

12. **The government intends to increase revenue through strengthening administration.** This includes re-establishment of tax administration in the CNW, systematic collection of dividends from public enterprises, and integration of quasi-fiscal fees into the budget (MEFP ¶32, 36, 45).

13. **Expenditure management is to continue focusing on transparency and efficiency** (MEFP ¶33). The authorities intend to better exploit the capabilities of the SIGFIP budget execution system and further limit the use of treasury advances for expenditures. The government will continue to strengthen public procurement, and is committed to full compliance with the public procurement code.
14. **The government is developing a medium-term wage bill strategy** to resolve accumulated wage commitments (MEFP ¶34). A civil service census is under way to eliminate ghost workers and an integrated record system is being set up to improve personnel management.
15. **The government intends to develop a medium-term debt strategy**, and has requested IMF and World Bank technical assistance for this (MEFP ¶35).
16. **The authorities will continue the reforms of the pension system and consult broadly in order to put it on a sound financial basis** (MEFP Box 10). This includes increasing further the retirement age, other parametric reforms of the two pensions funds, and enhancing the collection of contributions.

C. Structural Reforms: Improving Efficiency and Competitiveness

17. **Financial sector reforms will aim at reducing vulnerabilities** (Box 2; MEFP ¶37–39). Building on the recommendations of the 2009 FSAP, the authorities are developing a comprehensive financial sector reform strategy, including the microfinance sector. They are pursuing the restructuring of banks in distress without further injection of public funds.
18. **The government recognizes the need for long-term structural reform in the electricity sector, but is focusing on short-term emergency measures** (Box 1; MEFP ¶44). The World Bank is supporting the overall sector reforms. To reduce the state utility's chronic deficit, the government is committed to increase electricity tariffs. Also, the government is negotiating lower gas purchase prices with suppliers and has set up an investment fund to expand generating capacity and keep up regular maintenance.
19. **Reforms are also needed in the oil sector.** The authorities continue to strengthen transparency in the oil sector and are seeking to comply with EITI criteria (MEFP ¶43). They sought to put the refinery back on a sound financial footing in early 2010 (MEFP ¶47) and plan to reinstate the automatic fuel pricing mechanism in July, albeit with a lower tax wedge.
20. **The government is strengthening the monitoring of other public enterprises and is committed to honoring its own obligations to those companies in a timely manner** (MEFP ¶45). It will pay the water company (SODECI) monthly and apply from 2011 the water tariff increases agreed in 2008 (MEFP ¶46).

21. **The reform plan for the cocoa/coffee sector is being finalized with World Bank assistance and will apply for the 2010/11 crop season** (MEFP ¶42). It includes a new regulatory framework and further tax reduction.

22. **The authorities will pursue efforts to improve governance and the business climate, despite the difficult political climate** (MEFP ¶40–41). By end-2010, implementation of the national good governance and anti-corruption plans will start. To improve bottlenecks in the judiciary, the government plans to expedite the setting up of commercial courts and improve the enforcement of decisions by arbitration boards.

IV. PROGRAM MONITORING

23. **The authorities request two waivers for the nonobservance of performance criteria (PCs) by small margins.** There was a very small overrun in the overall fiscal balance, partly reflecting lower customs revenues. The authorities are undertaking significant reforms of customs administration. In addition, new external arrears were accumulated when a loan guarantee was called in late 2009. These arrears were cleared in late 2009 and early 2010. The authorities will focus on further strengthening internal coordination mechanisms between the treasury and external debt departments to avoid a recurrence.³

24. **The authorities are making progress toward implementation of the HIPC completion point triggers** (MEFP ¶26), and expect to complete them in early 2011.

³ Safeguards assessment is included in IMF Country Report No. 10/63.

Table 1. Côte d'Ivoire: Selected Economic and Financial Indicators, 2008–12

	2008	2009	2010	2011	2012
				Proj.	
(Annual percentage changes, unless otherwise indicated)					
National income					
GDP at constant prices	2.3	3.8	3.0	4.0	4.5
GDP deflator	8.1	0.1	1.5	1.5	2.8
Consumer price index (annual average)	6.3	1.0	1.4	2.5	2.5
Consumer price index (end of period)	9.0	-1.7	2.5	2.5	2.5
External sector (on the basis of CFA francs)					
Exports, f.o.b., at current prices	14.5	6.6	15.2	0.5	-0.9
Imports, f.o.b., at current prices	11.3	-5.7	16.7	10.3	6.0
Export volume	-2.5	8.4	0.8	3.9	4.9
Import volume	3.0	2.4	3.4	5.5	5.7
Terms of trade (deterioration –)	8.7	6.8	1.4	-7.5	-5.8
Nominal effective exchange rate	-0.3	-1.1	...	...	...
Real effective exchange rate (depreciation –) 1/	0.4	-1.1	...	...	...
Central government operations					
Total revenue and grants	15.2	-1.6	7.6	5.8	8.8
Total expenditure	14.0	3.4	9.6	8.5	11.3
(Changes in percent of the beginning-of-period broad money)					
Money and credit					
Money and quasi-money (M2)	5.7	17.6	16.4	...	...
Net foreign assets	-0.5	5.0	5.4	...	...
Net domestic assets	6.2	12.6	11.1	...	...
Of which: government	-1.1	7.4	2.9	...	...
Of which: private sector	6.5	5.1	8.4	...	...
Velocity of money	3.5	3.1	2.8	...	...
(Percent of GDP, unless otherwise indicated)					
Central government operations					
Total revenue and grants	20.6	19.5	20.1	20.1	20.4
Total revenue	18.9	18.9	19.8	19.9	20.3
Total expenditure	21.1	21.1	22.1	22.7	23.6
Overall balance, incl. grants, payment order basis	-0.6	-1.6	-2.0	-2.6	-3.2
Primary basic balance 2/	0.3	0.4	0.1	0.7	1.0
Gross investment	10.1	10.2	9.5	11.0	13.1
Central government	3.0	3.1	3.1	3.9	4.5
Nongovernment sector	7.1	7.1	6.4	7.1	8.6
Gross domestic saving	17.7	22.1	22.3	19.9	18.6
Central government	2.1	2.2	2.2	2.4	3.4
Nongovernment sector	15.6	19.9	20.1	17.4	15.3
Gross national saving	12.1	17.4	15.2	12.8	11.6
Central government	2.6	1.6	1.4	1.4	1.5
Nongovernment sector	9.4	15.8	13.8	11.4	10.1
External sector					
Current account balance (including official transfers)	1.9	7.2	5.7	1.8	-1.5
Current account balance (excluding official transfers)	0.8	5.1	5.5	1.7	-1.4
Overall balance	-0.4	-1.3	-1.4	-3.1	-2.0
External public debt	61.9	53.7	50.1	49.3	51.4
Public external debt-service due before rescheduling (CFAF billions)	428	438	378	344	328
Percent of exports of goods and services	8.4	8.1	6.1	5.5	5.3
Percent of government revenue	21.6	21.3	16.8	14.4	12.6
Memorandum items:					
Public debt in arrears (percent of GDP)	26.2	7.1	1.1	0.5	0.2
Domestic (after securitization)	2.7	1.9	1.1	0.5	0.2
External	23.6	5.2	0.0	0.0	0.0
Nominal GDP (CFAF billions)	10,485	10,880	11,366	11,997	12,864
Nominal exchange rate (CFAF/US\$, period average)	446	484			
Nominal GDP at market prices (US\$ billions)	23.5	22.5	22.7	23.3	24.8
Population (million)	20.8	21.4	22.0	22.7	23.4
Population growth (percent)	3.0	3.0	3.0	3.0	3.0
Nominal GDP per capita (CFAF thousands)	505	509	516	529	550
Nominal GDP per capita (US\$)	1,132	1,052	1,030	1,025	1,062
Real GDP per capita growth (percent)	-0.7	0.8	0.0	1.0	1.5

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

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

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

Table 2. Côte d'Ivoire: Monetary Survey, 2006–10

	2006	2007	2008	2009	2010 Proj.
(Billions of CFA francs)					
Net foreign assets	821.8	1,036.6	1,021.2	1,169.9	1,359.8
Central bank	776.0	994.2	950.2	1,103.3	1,293.2
Banks	45.8	42.4	71.0	66.6	66.6
Net domestic assets	1,473.0	1,798.9	1,976.0	2,353.8	2,743.5
Net credit to the government	345.3	429.7	399.7	620.4	721.6
Central Bank	214.7	194.2	236.2	451.6	431.3
Banks	117.8	218.6	145.6	146.7	268.2
<i>of which</i> : customs bills	-13.3	-10.1	-10.4	-7.7	-7.7
Postal savings (CNCE)	12.8	16.9	17.9	22.1	22.1
Credit to the economy	1,290.5	1,520.4	1,705.1	1,857.7	2,153.5
Crop credits	65.7	96.6	94.7	99.1	103.3
Other credit (including customs bills)	1,225.3	1,435.2	1,609.4	1,763.8	2,050.2
Other items (net) (assets = +)	-162.8	-151.2	-128.7	-124.3	-131.6
Broad money	2,294.8	2,835.5	2,997.3	3,523.7	4,103.3
Currency in circulation	815.2	1,043.8	1,078.7	1,354.0	1,498.1
Deposits	1,454.4	1,753.6	1,892.2	2,138.9	2,560.9
Other deposits	12.4	21.2	8.5	8.7	22.2
Postal savings (CNCE)	12.8	16.9	17.9	22.1	22.1
Memorandum item:					
Velocity of circulation	4.0	3.3	3.5	3.1	2.8
(Changes in percent of beginning-of-period broad money)					
Net foreign assets	5.7	9.4	-0.5	5.0	5.4
Net domestic assets	4.6	14.2	6.2	12.6	11.1
Net credit to the government	-1.6	3.7	-1.1	7.4	2.9
Central bank	-3.5	-0.9	1.5	7.2	-0.6
Banks	1.6	4.4	-2.6	0.0	3.4
Credit to the economy	4.9	10.0	6.5	5.1	8.4
Broad money	10.3	23.6	5.7	17.6	16.4
(Changes in percent from previous end-of-year)					
Net foreign assets	16.7	26.1	-1.5	14.6	16.2
Net domestic assets	7.0	22.1	9.8	19.1	16.6
Net credit to the government	-9.0	24.4	-7.0	55.2	16.3
Central bank	-25.1	-9.6	21.6	91.2	-4.5
Banks	39.7	85.5	-33.4	0.7	82.8
Credit to the economy	8.5	17.8	12.1	9.0	15.9
Broad money	10.3	23.6	5.7	17.6	16.4

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

Table 3. Côte d'Ivoire: Balance of Payments, 2008–12
(Billions of CFA francs, unless otherwise indicated)

	2008	2009	2010	2011	2012
				Proj.	
Trade balance	1,487.3	1,975.6	2,233.9	1,902.3	1,619.5
Exports, f.o.b.	4,652.6	4,959.3	5,714.5	5,741.2	5,689.9
<i>Of which: cocoa</i>	1,263.2	1,756.0	1,829.8	1,594.4	1,220.5
<i>Of which: crude oil and refined oil products</i>	1,324.4	1,450.4	1,859.8	2,081.2	2,293.5
Imports, f.o.b.	-3,165.3	-2,983.8	-3,480.7	-3,838.9	-4,070.4
<i>Of which: crude oil</i>	-1,243.8	-819.4	-1,065.3	-1,173.9	-1,273.9
Services (net)	-1,136.5	-1,132.5	-1,302.4	-1,378.9	-1,463.1
Receipts	564.6	566.9	580.5	621.6	660.7
Factor income	105.9	105.8	107.8	113.8	122.0
Other services	458.7	461.1	472.7	507.9	538.7
Payments	-1,701.1	-1,699.4	-1,882.9	-2,000.5	-2,123.9
Factor income	-544.9	-561.0	-630.0	-654.0	-682.1
<i>Of which: central government interest due</i>	-123.6	-126.5	-131.7	-150.9	-265.5
Before rescheduling/refinancing		-126.4	-96.7	-88.6	-131.9
On new financing		0.0	-34.9	-62.3	-133.6
<i>Of which: 2009-10 reschedulings</i>		0.0	-33.3	-38.6	-92.9
<i>Of which: others</i>		0.0	-1.6	-23.7	-40.7
<i>Of which: oil sector</i>	-259.3	-176.2	-201.3	-220.7	-235.4
Other services	-1,156.2	-1,138.4	-1,252.8	-1,346.5	-1,441.7
Transfers (net)	-148.9	-54.3	-284.6	-310.2	-346.0
Private	-261.7	-288.2	-301.1	-317.8	-340.7
Current account including official transfers	201.9	788.8	646.9	213.1	-189.7
Current account excluding official transfers	89.1	554.9	630.4	205.5	-184.4
Capital account	-242.5	-997.7	-807.8	-589.4	-63.1
Official medium- and long-term loans (net)	-243.2	-260.0	-236.6	-85.7	-50.5
Project loans	38.9	53.3	72.0	212.4	216.7
Other bilateral and multilateral loans	0.0	0.0	0.0	0.0	0.0
Central government amortization due	-282.1	-313.3	-308.7	-298.1	-267.2
On new financing	0.0	-12.7	-38.3	-75.5	-52.0
2009-10 reschedulings	0.0	-12.7	-38.3	-75.5	-52.0
New projects	0.0	0.0	0.0	0.0	0.0
Foreign direct investments	215.9	193.1	181.2	213.7	275.4
Other private capital	-215.2	-930.8	-752.4	-717.4	-287.9
Oil sector	-77.6	-172.3	-142.5	-133.5	-122.6
Government securities sold to WAEMU banks	76.2	27.5	95.4	0.0	0.0
Others (incl commercial debt)	-213.8	-786.0	-705.3	-583.9	-165.2
Errors and omissions	0.0	0.0	0.0	0.0	0.0
Overall balance	-40.7	-209.0	-160.9	-376.3	-252.8
Financing	40.7	209.0	-755.0	-204.0	-105.1
Official net reserves (increase -)	44.0	-153.1	-189.9	-204.0	-105.1
Operations account	47.2	-227.3	-179.0	-171.3	-74.6
IMF (net)	-3.2	74.2	-10.9	-32.7	-30.5
Disbursements	27.3	85.1	0.0	0.0	0.0
Repayments	-30.5	-10.9	-10.9	-32.7	-30.5
Other	0.0	0.0	0.0	0.0	0.0
Commercial banks (net)	-28.6	4.4	0.0	0.0	0.0
Debt relief obtained	0.0	2,215.8	0.0	0.0	0.0
Net change in external arrears (principal and interest)	25.3	-1,858.1	-565.1	0.0	0.0
Financing gap	0.0	0.0	915.9	580.3	357.8
Possible financing 2009–11			915.9	580.3	357.8
Program grants (World Bank, AfDB)			64.8	75.0	
Arrears restructuring			558.9		
Non Paris Club official bilateral			0.0		
Commercial (Brady Bonds)			499.4		
Other Commercial Creditors			59.5		
Current maturities restructuring			238.3	252.4	
Official Bilaterals			134.7	138.4	
Paris Club			134.6	134.3	
Post-cut off current maturities			61.6		
Pre-cut off current maturities			73.0		
Non Paris Club official bilateral			0.1	4.1	
Commercial (Brady Bonds)			94.5	104.2	
Other Commercial Creditors			9.1	9.8	
Residual gap			53.9	252.8	357.8
<i>Of which: IMF-ECF</i>			53.9	55.0	27.7
Memorandum items:					
Overall balance (percent of GDP)	-0.4	-1.9	-1.4	-3.1	-2.0
Current account incl. official transfers (percent of GDP)	1.9	7.2	5.7	1.8	-1.5
Current account excl. official transfers (percent of GDP)	0.8	5.1	5.5	1.7	-1.4
Trade balance (percent of GDP)	14.2	18.2	19.7	15.9	12.6
Cocoa exports (thousand tons)	1,124	1,245	1,263	1,301	1,340
Cocoa export price, f.o.b (CFAF/kg)	1,008	1,334	1,480	1,278	988
Gross imputed official reserves (US\$ million)	2,426	2,708	2,970	3,217	3,345
(months of imports of goods and services)	3.0	3.8	3.8	3.8	3.8
Outstanding arrears (year-end)	2,472	565	0	0	0
Public external debt service/exports g&s (percent)	8.4	8.1	6.1	5.5	5.3
Nominal GDP	10,485	10,880	11,366	11,997	12,864
Nominal exchange rate (CFAF/US\$; average)	446	484			

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

Table 4. Côte d'Ivoire: Performance Criteria (PC) and Indicative Targets (IT), ECF 2009

(Billions of CFA Francs) 1/

	2008		2009						Status
	Dec.	Sept.				Dec.			
	Actual	Prog	IT adjusted	IT adj. & corr.	Actual	Prog	PC adjusted	Actual	
Performance criteria									
Overall balance (including grants) 2/	-61.0	-71.8	-103.2	-117.7	-224.5	-137.9	-166.8	-171.2	not met
Ceiling on net domestic financing (incl. WAEMU paper) 3/	171.4	77.2	91.2	105.7	196.6	149.6	168.7	-110.2	met
Ceiling on new nonconcessional external borrowing 4/		0.0			0.0	0.0		0.0	met
Ceiling on accumulation of new external arrears 5/		0.0			0.0	0.0		6.2	not met
Ceiling on accumulation of new domestic arrears		0.0			0.0	0.0		0.0	met
Ceiling on extra-budgetary spending 5/		0.0			0.0	0.0		0.0	met
Indicative targets									
Primary basic fiscal balance	33.1	91.3		76.8	-43.3	93.3		46.1	not met
Ceiling on expenditures by treasury advance		65.0			61.1	82.2		43.6	met
Floor on pro-poor expenditure 6/	726.8	614.2			628.7	838.8		843.0	met
Floor on cash repayment (+) of government domestic arrears	-104.8	40.0			30.3	60.0		70.3	met
Total government revenue	1,976.8	1,495.8			1,460.8	2,080.9		2,057.7	not met
Government wage bill	711.7	544.2		558.7	560.4	745.0		745.0	met
Memorandum items:									
Net banking sector claims on government 7/		48.3		55.5	200.6	104.0		88.0	
Program grants		23.0			8.9	32.7		13.6	
Program loans		0.0			0.0	0.0		0.0	
Project grants		27.6			40.5	48.2		49.5	
Project loans		20.8			38.2	43.5		53.3	

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

2/ This floor will be adjusted: i/ downward/upward for higher/lower than programmed external project loans; ii/ downward for higher than programmed program loans; iii/ downward for lower than programmed program grants - up to a ceiling of CFAF 40 billion; and iv/ upward for a shortfall in program loans in excess of CFAF 40 billion.

3/ Performance criteria for 2009 (numbers for 2008 are reported for comparison only) on the issuance by the central government of all debt instruments in CFAF 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 banks (BOAD, BIDC). If program grants and program loans are lower than programmed, the ceiling will be adjusted upwards in the amount of the shortfall, up to a maximum of CFAF 40 billion. The ceiling includes a margin of CFAF 25 billion over the net cumulative flows projected for each period (see TMU).

4/ Continuous performance criterion 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; loans from regional development banks BOAD and BIDC of up to CFAF 25 and 20 billion respectively; drawings on the Fund; public offerings in CFAF of government debt initially issued to resident of the WAEMU (see TMU).

5/ Continuous performance criterion (see TMU).

6/ Includes pro-poor expenditure, as defined in the classification of the Integrated Financial Management System (SIGFiP); see TMU Table 1.

7/ Net banking system claims on the government represent the difference between government debt and its claims on the central bank and commercial banks, as defined in the TMU.

Table 5a. Côte d'Ivoire: Central Government Financial Operations, 2008–12 1/

(Billions of CFA francs, unless otherwise indicated)

	2008	2009		2010		2011	2012
		Prog.	Act.	Original budget	Prog.	Proj.	
Total revenue and grants	2,156.2	2,161.8	2,120.8	2,262.8	2,282.4	2,414.1	2,627.4
Total revenue	1,976.8	2,080.9	2,057.7	2,227.0	2,246.6	2,386.1	2,610.7
Tax revenue	1,638.0	1,771.6	1,795.6	1,975.0	1,971.0	2,146.9	2,332.8
Direct taxes	541.7	504.6	542.9	608.4	598.1	750.7	818.9
<i>Of which</i> : profit tax on oil	138.6	67.2	110.6	131.0	128.7	191.2	206.2
Indirect taxes	1,096.3	1,267.0	1,252.7	1,366.6	1,372.9	1,396.2	1,513.9
Nontax revenue	338.8	309.3	262.1	252.0	275.6	239.3	277.9
Social security contributions	141.4	150.6	151.2	159.5	177.7	169.2	181.4
Oil and gas revenue	138.6	67.2	0.0	0.0	0.0	0.0	0.0
Other	58.8	91.5	110.9	92.5	97.8	70.1	96.6
<i>Of which</i> : PETROCI dividends	27.0	35.0	20.0	35.0	22.0	38.2	41.2
Grants	179.5	80.9	63.1	35.8	35.8	28.0	16.6
Projects	38.8	48.2	49.5	10.6	13.6	16.1	16.6
Programs (incl. crisis-related) 2/	140.7	32.7	13.6	25.2	22.2	12.0	0.0
Total expenditure	2,217.2	2,299.7	2,291.9	2,443.0	2,511.8	2,726.0	3,034.2
Current expenditure	1,879.9	1,953.1	1,945.2	2,056.7	2,124.6	2,246.0	2,439.0
Wages and salaries	711.7	745.0	745.0	814.1	814.1	881.7	925.7
Social security benefits	188.6	198.0	203.4	206.4	217.1	236.7	253.8
Subsidies and other transfers	164.7	189.9	216.1	226.8	281.5	372.0	334.6
<i>Of which</i> : Versus Bank restructuring	0.0	7.0	0.0	0.0	0.0	0.0	0.0
<i>Of which</i> : Electricity sector subsidy	43.4	25.0	47.4	50.0	80.8	...	...
Other current expenditure	504.3	451.1	483.7	506.2	482.3	538.3	603.0
<i>Of which</i> : toxic waste damage	7.7	0.0	9.0	10.0	10.0	0.0	0.0
Crisis-related expenditure	122.5	148.7	128.5	109.8	145.5	18.8	0.0
Interest due	188.1	220.4	168.5	193.4	184.2	198.5	322.0
On domestic debt	64.5	32.2	42.0	29.0	52.5	47.6	56.4
On external debt	123.6	188.2	126.5	164.4	131.7	150.9	265.5
Before rescheduling/refinancing		91.3	126.4	97.0	96.7	88.6	131.9
On new financing		96.9	0.0	67.4	34.9	62.3	133.6
<i>Of which</i> : on rescheduling		88.3	0.0	48.7	33.3	38.6	92.9
others		8.6	0.0	18.6	1.6	23.7	40.7
Capital expenditure	319.6	327.5	334.3	381.3	355.4	465.9	581.1
Domestically financed	230.3	225.8	217.4	280.7	254.8	237.4	347.8
Foreign-financed	77.7	91.7	102.8	85.6	85.7	228.5	233.3
Net lending	17.7	19.1	12.4	5.0	31.7	14.1	14.1
Primary basic balance 2/	33.1	93.3	46.1	73.0	14.7	87.1	131.8
Overall balance, including grants 1/ 2/	-61.0	-137.9	-171.1	-180.2	-229.4	-311.9	-406.8
Overall balance, excluding grants 1/ 2/	-240.4	-218.8	-234.2	-216.0	-265.2	-339.9	-423.4
Change in domestic arrears (excl. on debt service)	104.8	-60.0	-70.3	-55.0	-45.0	-70.0	-30.0
Net change in external arrears (interests)	30.1	-1,035.1	-801.6	0.0	-321.3	0.0	0.0
Change in existing arrears 4/	-55.2	-1,035.1	-844.6	0.0	-321.3	0.0	0.0
Accumulation of new arrears	85.2	0.0	43.1	0.0	0.0	0.0	0.0
Overall balance (cash basis)	73.9	-1,233.0	-1,043.0	-235.2	-595.7	-381.9	-436.8

Table 5a. Côte d'Ivoire: Central Government Financial Operations, 2008–12 1/ (concluded)

(Billions of CFA francs, unless otherwise indicated)

	2008	2009		2010		2011	2012
		Prog.	Act.	Original budget	Prog.	Proj.	
Financing	-73.9	1,233.0	1,043.0	235.2	595.7	381.9	436.8
Domestic financing	53.4	-1.8	107.8	21.5	64.8	-112.7	129.5
Bank financing (net)	-25.0	18.5	212.0	26.3	80.5	-52.7	69.5
Net use of Fund resources	3.6	-10.9	74.2	-14.6	-14.6	-32.7	-30.5
Central bank credit (net)	39.2	-19.7	148.4	-20.3	-20.3	40.0	40.0
Other domestic bank financing (net)	-67.8	49.1	-10.6	61.3	115.4	-60.0	60.0
<i>Of which: Versus Bank restructuring</i>		22.0	75.0	0.0	0.0	0.0	0.0
Nonbank financing (net)	78.4	-20.4	-104.2	-4.9	-15.7	-60.0	60.0
External financing	-127.3	-1,526.5	926.7	-189.3	-385.1	-85.7	-50.5
Consolidation (bonds)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project loans	38.9	43.5	53.3	75.0	72.0	212.4	216.7
Program loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WAEMU financing (in CFAF)	76.2	40.9	27.5	35.4	95.4	0.0	0.0
Amortization due	-282.1	-277.3	-313.3	-299.7	-308.7	-298.1	-267.2
<i>Of which: CFA debt hold by non-WAEMU residents</i>	-44.5	-43.2	-53.9	-40.9	-52.9	-9.3	0.0
Net change in external arrears (principal) 4/	-4.8	-1,333.6	-1,056.6	0.0	-243.9	0.0	0.0
Change in existing arrears	-171.5	-1,333.6	-1,163.5	0.0	-243.9	0.0	0.0
Accumulation of new arrears	166.7	0.0	106.9	0.0	0.0	0.0	0.0
Debt relief and rescheduling	0.0	0.0	2,215.8	0.0	0.0	0.0	0.0
Official bilaterals, incl. Paris Club	0.0		1,926.5		0.0	0.0	0.0
Commercial (incl. Brady Bonds)			0.0				
AfDB arrears clearance grant			183.9				
Others			105.3				
Financing gap (+ deficit / – surplus)	0.0	2,761.4	0.0	404.1	915.9	580.3	357.8
Possible financing 2009–11	0.0	2,761.4		352.3	915.9	580.3	357.8
Program grants (World Bank, AfDB)		351.8		74.7	64.8	75.0	0.0
World Bank budget support		112.1			64.8	75.0	0.0
AfDB arrears clearance grant		171.4					
AfDB budget support		68.3					
Arrears restructuring 4/		2,102.7			558.9		
EIB		34.2			0.0		
Paris Club		1,688.6			0.0		
Non-Paris Club					0.0		
Commercial (Brady Bonds)		379.8			499.4		
Other commercial creditors					59.5		
Current maturities restructuring 4/		221.3		277.5	238.3	252.4	
Official bilaterals		143.4		139.8	134.7	138.4	
Paris Club		143.4		138.0	134.6	134.3	
Non-Paris Club				1.8	0.1	4.1	
Commercial (Brady Bonds)		77.9		137.7	94.5	104.2	
Other commercial creditors					9.1	9.8	
Residual gap		85.5		53.9	53.9	252.8	357.8
<i>Of which: IMF-ECF</i>		85.5		53.9	53.9	55.0	27.7
Memorandum items:							
Nominal GDP	10,485	10,925	10,880	11,600	11,366	11,997	12,864
Domestic debt (including financial debt)	1,112	1,104	1,075	1,098	1,075	925	1,055
<i>Of which: in arrears</i>	279	219	209	132	129	59	29
External debt	6,488	5,872	6,001	6,019	5,699	5,919	6,617
Pro-poor spending (including foreign financed)	726.8	838.8	843.0	967.0	924.4	986.3	1,086
<i>Of which: Education</i>	496.9	536.6	533.1	619.0	581.3	621.1	675.9
Health	98.3	118.8	118.4	137.3	123.6	131.0	152.5

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

1/ Payment order basis.

2/ Program and arrear clearance grants in 2009 are below the line in the program column, and above the line in the outcome column.

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

4/ Based on the treatment of Paris and London Club debt in context of the HIPC Initiative. The 2009 unpaid debt service on loans under debt restructuring discussions are not considered arrears for program purposes.

Table 5b. Côte d'Ivoire: Central Government Financial Operations, 2008–12 1/

(Percent of GDP, unless otherwise indicated)

	2008	2009		2010		2011	2012
		Prog.	Est.	Original budget	Prog.	Proj.	
Total revenue and grants	20.6	19.8	19.5	19.5	20.1	20.1	20.4
Total revenue	18.9	19.0	18.9	19.2	19.8	19.9	20.3
Of which : non-oil revenue	16.0	17.5	17.7	17.8	18.4	18.0	18.4
Tax revenue	15.6	16.2	16.5	17.0	17.3	17.9	18.1
Direct taxes	5.2	4.6	5.0	5.2	5.3	6.3	6.4
Of which : profit tax on oil	1.3	0.6	1.0	1.1	1.1	1.6	1.6
Indirect taxes	10.5	11.6	11.5	11.8	12.1	11.6	11.8
Nontax revenue	3.2	2.8	2.4	2.2	2.4	2.0	2.2
Social security contributions	1.3	1.4	1.4	1.4	1.6	1.4	1.4
Oil and gas revenue	1.3	0.6	0.0	0.0	0.0	0.0	0.0
Other	0.6	0.8	1.0	0.8	0.9	0.6	0.8
Of which : PETROCI dividends	0.3	0.3	0.2	0.3	0.2	0.3	0.3
Grants	1.7	0.7	0.6	0.3	0.3	0.2	0.1
Projects	0.4	0.4	0.5	0.1	0.1	0.1	0.1
Programs (incl. crisis-related) 2/	1.3	0.3	0.1	0.2	0.2	0.1	0.0
Total expenditure	21.1	21.0	21.1	21.1	22.1	22.7	23.6
Current expenditure	17.9	17.9	17.9	17.7	18.7	18.7	19.0
Wages and salaries	6.8	6.8	6.8	7.0	7.2	7.3	7.2
Social security benefits	1.8	1.8	1.9	1.8	1.9	2.0	2.0
Subsidies and other transfers	1.6	1.7	2.0	2.0	2.5	3.1	2.6
Of which: Electricity sector subsidy	0.4	0.2	0.4	0.4	0.7	...	...
Other current expenditure	4.8	4.1	4.4	4.4	4.2	4.5	4.7
Of which: toxic waste damage	0.1	0.0	0.1	0.0	0.1	0.0	0.0
Crisis-related expenditure	1.2	1.4	1.2	0.9	1.3	0.2	0.0
Interest due	1.8	2.0	1.5	1.7	1.6	1.7	2.5
Domestic interest	0.6	0.3	0.4	0.3	0.5	0.4	0.4
Foreign interest (incl. gap)	1.2	1.7	1.2	1.4	1.2	1.3	2.1
Before rescheduling/refinancing		0.8	1.2	0.8	0.9	0.7	1.0
On new financing		0.9	0.0	0.6	0.3	0.5	1.0
Of which: on rescheduling		0.8	0.0	0.4	0.3	0.3	0.7
Of which: others		0.1	0.0	0.2	0.0	0.2	0.3
Capital expenditure	3.0	3.0	3.1	3.3	3.1	3.9	4.5
Domestically-financed	2.2	2.1	2.0	2.4	2.2	2.0	2.7
Foreign-financed	0.7	0.8	0.9	0.7	0.8	1.9	1.8
Net lending	0.2	0.2	0.1	0.0	0.3	0.1	0.1
Primary basic balance 3/	0.3	0.9	0.4	0.6	0.1	0.7	1.0
Overall balance, including grants 1/ 2/	-0.6	-1.3	-1.6	-1.6	-2.0	-2.6	-3.2
Overall balance, excluding grants 1/ 2/	-2.3	-2.0	-2.2	-1.9	-2.3	-2.8	-3.3
Change in domestic arrears (excl. on debt service)	1.0	-0.5	-0.6	-0.5	-0.4	-0.6	-0.2
Net change in external arrears (interest) 4/	0.3	-9.5	-7.4	0.0	-2.8	0.0	0.0
Overall balance (cash basis)	0.7	-11.3	-9.6	-2.0	-5.2	-3.2	-3.4

Table 5b. Côte d'Ivoire: Central Government Financial Operations, 2008–12 1/ (concluded)

(Percent of GDP, unless otherwise indicated)

	2008	2009		2010		2011	2012
		Prog.	Est.	Original budget	Prog.	Proj.	
Financing	-0.7	11.3	9.6	2.0	5.2	3.2	3.4
Domestic financing	0.5	0.0	1.0	0.2	0.6	-0.9	1.0
Bank financing (net)	-0.2	0.2	1.9	0.2	0.7	-0.4	0.5
Net use of Fund resources	0.0	-0.1	0.7	-0.1	-0.1	-0.3	-0.2
Central bank credit (net)	0.4	-0.2	1.4	-0.2	-0.2	0.3	0.3
Other domestic bank financing (net)	-0.6	0.4	-0.1	0.5	1.0	-0.5	0.5
Nonbank financing (net)	0.7	-0.2	-1.0	0.0	-0.1	-0.5	0.5
External financing	-1.2	-14.0	8.5	-1.6	-3.4	-0.7	-0.4
Consolidation (bonds)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project loans	0.4	0.4	0.5	0.6	0.6	1.8	1.7
Program loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization due	-2.7	-2.5	-2.9	-2.6	-2.7	-2.5	-2.1
WAEMU financing (in CFAF)	0.7	0.4	0.3	0.3	0.8	0.0	0.0
Net change in external arrears (amortization) 4/	0.0	-12.2	-9.7	0.0	-2.1	0.0	0.0
Debt relief and rescheduling	0.0	0.0	20.4	0.0	0.0	0.0	0.0
Bonds	-2.3	0.0	-2.9	0.0	-2.7	-2.5	-2.1
Treasury bills	0.0	-0.4	0.0	0.0	0.0	0.0	0.0
Financing gap (+ deficit / – surplus)	0.0	25.3	0.0	3.5	8.1	4.8	2.8
Possible financing 2009–11		25.3		0.6	8.1	4.8	2.8
Program grants (World Bank, AfDB)		3.2			0.6	0.6	0.0
World Bank budget support		1.0			0.6	0.6	0.0
AfDB arrears clearance grant		1.6					
AfDB budget support		0.6					
Arrears restructuring 4/		19.2			4.9		
EIB		0.3			0.0		
Paris Club		15.5			0.0		
Non-Paris Club		0.0			0.0		
Commercial (Brady Bonds)		3.5			4.4		
Other commercial creditors		0.0			0.5		
Current maturities restructuring 4/		2.0		2.4	2.1	2.1	
Official bilaterals		1.3		1.2	1.2	1.2	
Paris Club		1.3		1.2	1.2	1.1	
Post-cut off current maturities		0.7		0.6	0.5	0.6	
Pre-cut off current maturities		0.6		0.6	0.6	0.5	
Non-Paris Club		0.0		0.0	0.0	0.0	
Commercial (Brady Bonds)		0.7		1.2	0.8	0.9	
Other commercial creditors		0.0			0.1	0.1	
Residual gap		0.8		0.4	0.5	2.1	2.8
of which IMF-ECF		0.8		0.4	0.5	0.5	0.2
Memorandum items:							
Domestic debt	10.6	10.1	9.9	9.2	9.5	7.7	8.2
Of which: in arrears	2.7	2.0	1.9	1.1	1.1	0.5	0.2
External debt	61.9	53.7	55.2	51.9	50.1	49.3	51.4
Of which: in arrears	23.6	0.0	5.2	0.0	0.0	0.0	0.0
Pro-poor spending (including foreign financed)	6.9	7.7	7.7	8.3	8.1	8.2	8.4
Of which: Education	4.7	4.9	4.9	5.3	5.1	5.2	5.3
Of which: Health	0.9	1.1	1.1	1.2	1.1	1.1	1.2
Wage bill in percent of tax revenue (WAEMU criteria)	42.0	42.1	41.5	41.2	41.3	41.1	39.7

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

1/ Payment order basis.

2/ Program and arrear clearance grants in 2009 are below the line in the program column, and above the line in the outcome column.

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

4/ Based on the treatment of Paris and London Club debt in context of the HIPC Initiative. The 2009 unpaid debt service on loans under debt restructuring discussions are not considered arrears for program purposes.

Table 6. Côte d'Ivoire: Structural Conditionality, 2009

Measures	Timetable Structural Benchmarks	Macroeconomic significance	Status
Prior Actions			
<ul style="list-style-type: none"> Eliminate arrears to multilateral institutions and remain up-to-date with debt servicing; produce a monthly cash-flow statement incorporating multilateral debt service payments. 	1st report mid-October 2009	Improve the cash-flow management. Maintain normal financial relations with external creditors and institutions.	Met
<ul style="list-style-type: none"> Inform all creditors, through a public announcement, of the strategy and status of negotiations on external debt restructuring. 		Strengthen transparency and partner confidence.	Met
<ul style="list-style-type: none"> Issue the texts reducing the Single Export Duty (DUS) from CFAF 220 to CFAF 210 and the registration fee on cocoa and coffee from 10 percent to 5 percent. 	September 2009	Improve incomes of cocoa farmers and orchard maintenance.	Met
<ul style="list-style-type: none"> Provide IMF staff with copies of the provisional audit report on debt owed to PFO and of the contracts resulting from the modification of the five major public works agreements conforming to the Public Procurement Code. 		Improve expenditure transparency.	Met
Structural Benchmarks (SBM) for end-2009			
Tax policy/administration (2009)			
<ul style="list-style-type: none"> Elimination of the practice of advance payment of the DUS on coffee/cocoa, and of any other taxes. 	Continuous SBM	Improve governance and ensure the government's financing costs are close to market terms.	Met
<ul style="list-style-type: none"> Completion of inventory of service charges/fees by ministries (MEFP ¶26) 	SBM end-June 2009	Improve governance and transparency.	Met with a 6 months delay by end-2009.
<ul style="list-style-type: none"> Adoption of a plan to rationalize exemptions, including crisis-related regimes (in line with IMF technical assistance), for adoption in the 2010 budget (MEFP ¶ 26). 	SBM end-September 2009	Improve transparency and reduce distortions; improve revenue.	Not met
<ul style="list-style-type: none"> Implementation of the computerized transit module of SYDAM (SYDONIA) between the Port of Abidjan and the three main border posts. 	SBM end-September 2009	Improve transparency and revenue.	Not met. The module was installed in two border posts.
<ul style="list-style-type: none"> Reduce the outstanding verified and validated VAT credit balance to CFAF 10 billion or less at end-2009, and remain within that ceiling in 2010. 	Continuous SBM	Improve the business climate and the confidence of enterprises.	Met
<ul style="list-style-type: none"> Eliminate exemptions on imported rice. 	Starting January 1, 2010	Rationalization of exemptions and improvement in revenues.	Met

Table 6. Côte d'Ivoire: Structural Conditionality, 2009 (concluded)

Measures	Timetable Structural Benchmarks	Macroeconomic significance	Status
Public expenditure management (2009)			
<ul style="list-style-type: none"> Adoption by the government of the 2010 budget tracing all quasi-fiscal levies for investment in the coffee/cocoa sector (MEFP Box 3). 	SBM end-November 2009	Improve governance and transparency	Met
<ul style="list-style-type: none"> Publication within 45 days of quarterly budget execution statements, including pro-poor spending (MEFP ¶24). 	SBM each quarter	Improve monitoring and transparency of budget execution	Met
<ul style="list-style-type: none"> Submission of draft budget execution law (<i>Loi de réglemets</i>) for 2008 to the Audit Office (<i>Chambre de Comptes</i>) for certification and submission to the National Assembly (MEFP ¶21). 	SBM end-October 2009	Improve transparency and <i>ex-post</i> verification of the budget and its execution	Met
<ul style="list-style-type: none"> Formulation of medium-term expenditure frameworks (MTEF) for the education and health ministries (MEFP ¶25). 	SBM end-October 2009	Put in place a medium-term social strategy consistent with the PRSP and the budget framework	Not met. Good progress was made, but costing delayed. To be completed in 2010 for inclusion in 2011 draft budget
<ul style="list-style-type: none"> Production of a report including different scenarios for reducing subsidies to the electricity sector to CFAF 50 billion in 2010, including the projected reduction of the cost of gas and rate increase. 	SBM end-2009	Improve electricity sector deficit and reduce government subsidies	Not met. Negotiations on the reduction of costs for the sector are in progress.
<ul style="list-style-type: none"> Adoption of the CNPS Reform Plan and the decree establishing the Inter-ministerial Committee in charge of monitoring the reform of the CGRAE. 	SBM end-2009	Limit deficit and improve long-term fiscal sustainability	Not met. Done for CGRAE, not yet for CNPS.
<ul style="list-style-type: none"> No new injection of public funds in the two banks in difficulty. 	Continuous SBM	Improve governance and Improve management of the financial sector	Met

Table 7. Côte d'Ivoire: Performance Criteria and Indicative Targets, ECF 2010

(Billions of CFA Francs) 1/

	2009		2010			
	Dec.		March	June	Sept.	Dec.
	Actual	Indicative targets	Actual	Performance criteria	Indicative targets	Performance criteria
Performance criteria						
Overall balance (including grants) 2/	-171.2	-103.0	1.0	-132.7	-254.4	-229.4
Ceiling on net domestic financing (incl. WAEMU paper) 3/	-110.2	106.8	17.0	65.0	193.9	119.6
Ceiling on new nonconcessional external borrowing 4/	0.0	0.0	0.0	0.0	0.0	0.0
Ceiling on accumulation of new external arrears 5/	6.2	0.0	0.0	0.0	0.0	0.0
Ceiling on accumulation of new domestic arrears	0.0	0.0	0.0	0.0	0.0	0.0
Ceiling on extra-budgetary spending 5/	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets						
Primary basic fiscal balance	46.1	-44.4	46.2	-26.1	-66.5	14.7
Ceiling on expenditures by treasury advance	43.6	21.0	21.0	42.6	68.2	89.7
Floor on pro-poor expenditure 6/	843.0	182.0	150.6	421.6	684.9	924.4
Floor on cash repayment (+) of government domestic arrears	70.3	15.0	34.7	20.0	30.0	45.0
Total government revenue	2,057.7	492.4	511.2	1,071.0	1,605.4	2,246.6
Government wage bill	745.0	204.2	200.3	408.4	613.8	814.1
Memorandum items:						
Net banking sector claims on government 7/	88.0	106.5	43.8	79.1	126.9	80.5
Program grants	13.6	5.6	0.0	56.0	62.3	87.0
Program loans	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	49.5	1.4	1.3	2.7	4.1	13.6
Project loans	53.3	9.7	9.0	22.9	52.5	72.0

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

2/ This floor will be adjusted: i/ downward/upward for higher/lower than programmed external project loans; ii/ downward for higher than programmed program loans; iii/ downward for lower than programmed program grants - up to a ceiling of CFA 40 billion; iv/ upward for a shortfall in program loans in excess of CFA 40 billion.

3/ Performance criteria for 2010 on the issuance by the central government of all debt instruments in CFAF 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 banks (BOAD, BIDD). If program grants and program loans are lower than programmed, the ceiling will be adjusted upwards in the amount of the shortfall, up to a maximum of CFAF 40 billion. The ceiling includes a margin of CFAF 25 billion over the net cumulative flows projected for each period (see TMU).

4/ Continuous performance criterion 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; loans from regional development banks BOAD and BIDD of up to CFAF 25 and 20 billion respectively; drawings on the Fund; public offerings in CFAF of government debt initially issued to resident of the WAEMU (see TMU).

5/ Continuous performance criterion (see TMU).

6/ Includes pro-poor expenditure, as defined in the classification of the Integrated Financial Management System (SIGFIP); see TMU Table 1.

7/ Net banking system claims on the government represent the difference between government debt and its claims on the central bank and commercial banks, as defined in the TMU.

Table 8. Côte d'Ivoire: Prior Actions and Structural Benchmarks (SBM) for 2010

Measures	Timetable	Macroeconomic significance
Prior Actions		
<ul style="list-style-type: none"> Preparation of a report including different scenarios for containing subsidies to the electricity sector to CFAF 71.5 billion in 2010, including the projected reduction of the cost of gas and the tariff increase, and reducing them progressively from 2011. 		<p>Improve electricity sector deficit and reduce government subsidies.</p> <p>Improve sector finances and management, and provide essential infrastructure conducive to growth.</p>
<ul style="list-style-type: none"> Preparation of a note on the wage bill management strategy over the medium term taking into account in particular the settlement of unpaid wage commitments and the evolution of staffing. 		Gain effective control of the wage bill.
<ul style="list-style-type: none"> Validation of the unpaid social security contributions to CNPS and CGRAE by public enterprises and entities concerned and elaboration of a plan to settle these. 		Reduce the deficit of the sector and of subsidies.
<ul style="list-style-type: none"> Significant strengthening of staffing (in terms of number of staff as well as the experience and the skills required) and the resources of the Risk Analysis Unit (<i>DARRV</i>) in line with technical assistance recommendations. Setting up of a specialized post-release audit team. 		Improve budget revenue.
<i>Tax policy/administration (2009)</i>		
<ul style="list-style-type: none"> Preparation of a report on the results of the strengthening of risk analysis in Customs Administration. 	SBM end-2010	Improve revenue collection and customs administration.
<i>Public expenditure management (2010)</i>		
<ul style="list-style-type: none"> Implement medium-term wage bill management strategy. 	SBM from end-Sept. 2010	Bringing staffing and the wage bill under control, and improvement of the payroll.
<ul style="list-style-type: none"> Adoption of the draft law on the CNP reform.. Adoption of the CGRAE reform plan. 	SBM end-2010 SBM end-2010	Reduce the deficit of the sector and reduce subsidies.

Table 8. Côte d'Ivoire: Prior Actions and Structural Benchmarks (SBM) for 2010 (concluded)

Measures	Timetable	Macroeconomic significance
<ul style="list-style-type: none"> No new injection of public funds in the two banks in difficulty. 	continuous SBM	Improve governance and management of the financial sector.
Financial sector reform		
<ul style="list-style-type: none"> Prepare and adopt a comprehensive financial sector reform strategy. 	SBM end-2010	Improve financial sector management.
Improve transparency and governance		
<ul style="list-style-type: none"> Ensure effective operations of the National Procurement Regulation Agency and quarterly publication, within 30 days of the end of the quarter, in the public procurement bulletin of all signed procurement and concession contracts (including those from parastatals) and of all calls for tenders. 	SBM end-Sept. 2010 each quarter	Improve monitoring and transparency of public procurement.
<ul style="list-style-type: none"> Publication within 45 days of quarterly budget execution statements, including pro-poor spending. 	SBM each quarter	Improve monitoring and transparency of budget execution.
<ul style="list-style-type: none"> Submission of draft budget execution law (<i>Loi de réglemets</i>) for 2009 to the Audit Office (<i>Chambre de Comptes</i>) for certification. 	SBM end-Oct. 2010	Improve transparency and <i>ex-post</i> verification of the budget and its execution.
Improve the business climate		
Improve administrative procedures to limit the stock of outstanding VAT credits awaiting reimbursement to FCFA 10 billion.	continuous SBM	Provide better tax services to companies and enhance their liquidity.

Table 9. Côte d'Ivoire: External Financing Requirements, 2006–10

(Billions of CFA francs)

	2006	2007	2008	2009	2010 Proj.
External financing requirements	6.4	-130.6	-179.0	-2,588.1	-1,004.4
Current account balance (excluding official transfers)	269.2	-143.1	89.1	554.9	630.4
Amortization	-257.6	-222.9	-282.1	-313.3	-308.7
<i>Of which</i> : government	-257.6	-222.9	-282.1	-313.3	-308.7
Fund repurchases and repayments	-30.8	-24.2	-30.5	-10.9	-10.9
Private capital, net (commercial banks, FDIs, errors and omissions)	-211.2	216.8	-27.9	-733.3	-571.1
Net change in external arrears (interest and principal) (+=accumulation)	364.2	266.6	25.3	-1,858.1	-565.1
<i>Of which</i> : World Bank arrears repayment		0.0	-223.1	0.0	0.0
Change in net external reserves without IMF (- = increase)	-127.4	-223.9	47.2	-227.3	-179.0
Available financing	-6.4	130.6	179.0	2,588.1	88.5
Project financing	12.2	22.5	38.9	53.3	72.0
Program financing	0.0	0.0	0.0	71.9	0.0
Fund disbursements	0.0	29.8	27.3	85.1	0.0
Official transfers	-18.6	78.3	112.8	233.9	16.4
Crisis-related financing	0.0	0.0	11.8	32.7	0.0
<i>Of which</i> : for DDR	0.0	0.0	3.8	9.2	0.0
<i>Of which</i> : for elections/identification	0.0	0.0	1.7	6.3	0.0
<i>Of which</i> : from World Bank	0.0	0.0	6.3	17.2	0.0
Project grants and other transfers (net)	-18.6	78.3	101.0	201.2	16.4
Debt relief obtained	0.0	0.0	0.0	2,143.9	0.0
Financing gap	0.0	0.0	0.0	0.0	-915.9
Expected sources of financing					
IMF PRGF					53.9
Program grants (World Bank, AfDB)					64.8
Arrears restructuring					558.9
EIB					0.0
Paris Club					0.0
Non-Paris Club					0.0
Commercial (Brady Bonds)					499.4
Other commercial creditors					59.5
Current maturities restructuring					238.3
Official bilaterals					134.7
Commercial (Brady Bonds)					94.5
Other commercial creditors					9.1
Residual gap					0.0

Sources: Ivorian authorities; IMF staff estimates and projections.

Table 10. Côte d'Ivoire: Proposed Schedule of Disbursements and Timing of Reviews Under ECF Arrangement (SDR millions), 2009–12

Amount	Date of availability	Condition for disbursement
159.348	March 27, 2009	Executive Board approval of the three-year arrangement under the ECF, of which 81.300 will be used to repurchase EPCA credit. Disbursement made.
35.772	November 18, 2009	Observance of performance criteria for June 2009 and completion of the first review under the ECF arrangement. Disbursement made.
35.772	July 9, 2010	Observance of performance criteria for December 2009 and completion of the second review under the ECF arrangement. Disbursement requested.
35.772	November 15, 2010	Observance of performance criteria for June 2010 and completion of the third review under the ECF arrangement.
35.772	March 15, 2011	Observance of performance criteria for December 2010 and completion of the fourth review under the ECF arrangement
35.772	September 15, 2011	Observance of performance criteria for June 2011 and completion of the fifth review under the ECF arrangement
35.772	March 1, 2012	Observance of performance criteria for December 2011 and completion of the sixth review under the ECF arrangement
373.98	TOTAL	

APPENDIX—LETTER OF INTENT

Abidjan, June 24, 2010

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

Dear Mr. Strauss-Kahn:

1. **The Ivoirian economy has weathered well the effects of the global financial crisis of 2008–09, but unforeseen events that took place in early 2010 could affect growth.** Growth accelerated to 3.8 percent in 2009, compared to 2.3 percent in 2008, in part due to export agriculture, especially cocoa, and mining. Thus for the first time in a decade per capita growth was positive. However, at the beginning of 2010 power outages and unexpected strikes have weakened activity; this could slow down growth to 3 percent in 2010.

2. **The Government sought to implement in a satisfactory manner its economic program supported by the Extended Credit Facility (ECF).** In this context, all quantitative performance criteria for end 2009 were met, except two that exceeded the objectives slightly. Thus we request waivers for the slight slippage of the overall fiscal deficit and for the temporary accumulation of new external debt arrears when a loan guarantee in the cotton sector was called unexpectedly. We have made progress in restructuring our external debt by signing agreements with almost all our Paris Club creditors and by successfully swapping our Brady bonds for new bonds that are more favorable to us.

3. **The budget execution in 2009 was characterized by unexpected and contrasting developments in several important budgetary variables that largely offset each other.** Total revenue was slightly lower than envisaged; a sizable shortfall in customs revenue and in public enterprise dividends was largely offset by higher receipts from VAT and the coffee/cocoa registration tax. The expenditures slightly exceeded projections owing mainly to electricity subsidies. However, these overruns were counterbalanced by significant savings on external debt service. The programmed increase in pro-poor spending was implemented.

4. **Efforts in the area of structural reforms continued despite some delays.** We have continued the implementation of PFM reforms recommended by the PEMFAR exercise, and the preparation of the coffee/cocoa sector reform with assistance from the World Bank, as well as the financial sector reform. We have also prepared the draft first annual status report of our poverty reduction strategy and made progress in setting up medium-term expenditure frameworks for the main social ministries.

5. **The attached Memorandum of Economic and Financial Policies (MEFP) describes progress made under the economic program for 2009, as well as the objectives for 2010, which reflect our poverty reduction strategy.** In connection with the completion

ATTACHMENT I—CÔTE D’IVOIRE: MEMORANDUM ON ECONOMIC AND FINANCIAL POLICIES

June 24, 2010

This memorandum follows up on the supplementary memorandum of November 2, 2009. It summarizes the progress made in 2009 in the context of the economic program and continues the discussions on the 2010 program, presented in the memorandum of November 2, 2009.

I. INTRODUCTION

1. **After a lengthy process, Côte d’Ivoire has consolidated its exit from the crisis that should lead to transparent democratic elections in 2010.** The registration of the population led to the identification of 6.5 million persons. Based on the verification of the electoral list by cross-checking the registration data with the data in the historical records, a provisional list was published, and claims have been filed against the inclusion of one million persons. The priority of the new entities, established following the dissolution of the Independent Electoral Commission (CEI) and the government at end-February, is to complete the registration process so as to quickly lead to the organization of the first round of the presidential election. In addition, a definitive solution has been found to the military issues which are an important aspect of the peace process, and 8,000 joint staff from the Integrated Command Center (CCI) are being deployed to ensure the safe conduct of the elections. The demobilization of former combatants as well as the disbanding of militias has effectively started, and their reabsorption into civil society is under way.

2. **The new government is committed to pursuing and strengthening the implementation of the economic and financial program.** The first review carried out in November 2009, based on the data at end-June 2009, was satisfactory, as evidenced by the government’s sound performance in improving fiscal management and implementing structural reforms. It intends to further its efforts for the rest of the program, with the objective of implementing the triggers to reach the completion point under the Heavily Indebted Poor Countries (HIPC) Initiative as soon as possible. To that end, the government will abide by the commitments made under the program supported by the Extended Credit Facility (ECF).

3. **The execution of the 2009 budget was marked by a slight decline in revenue, and the control of expenditure though with an increase in social spending.** The efforts made resulted in a fiscal balance (excluding arrears clearance grants) of -1.6 percent of GDP, practically in line with the program target. In addition, progress was made in implementing the fiscal reforms, in particular with respect to the Public Expenditure Management and Financial Accountability Review (PEMFAR), the audits of expenditure under the crisis-exit program, quarterly reports, and the tracking of expenditure on large public works.

4. **The program for 2010 is well under way and takes into account the challenges of the refining and electricity sectors since the early months of the year.** The government

plans to strengthen the orientation of the budget toward poverty reduction and investment and to accelerate reforms in the areas of governance, economic efficiency, and transparency. The fiscal objectives of the economic and financial program for 2010 are based on the macroeconomic assumptions that project a real GDP growth rate of 3 percent and an annual inflation rate (harmonized consumer price index) of 1.5 percent on average. The 2010 budget is aimed at consolidating the gains of 2009, with a view to sustaining the economic recovery and combating poverty by increasing capital expenditure, which may lead to a slight deterioration of the overall fiscal balance (excluding grants for the settlement of arrears) to 2 percent of GDP, compared with 1.6 percent of GDP in 2009. Also, the reforms related to improving the business climate and to managing public resources effectively will be pursued, to enhance the impact of the implementation of the Poverty Reduction Strategy Paper (PRSP) on the population. To that end, the remaining measures of the triggers will be fully implemented, so that the completion point under the HIPC Initiative can be reached as soon as possible.

II. RECENT ECONOMIC DEVELOPMENTS

5. **Despite the global economic crisis, economic growth accelerated in 2009, inflation declined, and the country's external position strengthened.**

Notwithstanding a difficult international environment, the economy benefited from the positive sociopolitical, economic, and financial achievements. These consisted mainly of the continuation of the crisis-exit process with the identification and electoral registration of the population, the submission of the economic and financial program, and the attainment of the decision point under the HIPC Initiative in March 2009.

- This positive national environment was accompanied by good performance in the primary sector (6.4 percent), reflecting increases in the production of cocoa (14.6 percent), coffee (107 percent), and crude oil (12.3 percent) and in the tertiary sector (5 percent) related to transportation, telecommunications, and services. Real economic growth stood at 3.8 percent in 2009, despite a decline in the secondary sector. On the demand side, growth was driven primarily by exports (11.4 percent) and investment (5.6 percent).
- Consumer prices were influenced by the fall in the international prices of energy and food products and the continued duty reductions for rice imports. Average 12-month inflation declined steadily throughout the year 2009. It stood at 0.9 percent, below the Community threshold of 3 percent, after reaching 6.3 percent in 2008.
- The current account balance improved to CFAF 788.6 billion (7.3 percent of GDP) in 2009, compared with CFAF 201.9 billion (1.9 percent of GDP) in 2008. This was attributable to the sound performance of export agriculture, especially cocoa and its price, and the fall in imports as a result of the drop in the international prices of most imports. By contrast, the capital and financial account deficit worsened to CFAF 660.9 billion, compared with CFAF 195.7 billion in 2008.

6. **In light of recent developments, marked by the energy crisis in the first quarter of 2010, growth is expected to be below initial forecasts.** The impact of the shortfall in the supply of electricity is expected to bring real GDP growth down to 3 percent, compared with an initial projection of 4 percent. However, the government is making every effort to find a comprehensive, diligent solution to the crisis in the energy sector, with a view to reducing its impact on the economy as much as possible.

III. IMPLEMENTATION OF THE ECF-SUPPORTED PROGRAM IN 2009

A. Fiscal Policy and Program Implementation

7. **The sound execution of the budget was affected by shortfalls in customs revenue; nevertheless, the balance targets were almost achieved.** In 2009, problems arose in the collection of customs revenue, leading to large shortfalls. However, the performance of other tax receipts and the efforts made to contain expenditure, in particular the freeze of operating expenditure at end-October 2009, helped contain the fiscal balance at -1.6 percent of GDP.

8. **Revenue increased beyond program targets.** Tax receipts were CFAF 24 billion (0.2 percent of GDP) higher than programmed.

- This surplus was the result of solid performance by the principal taxes, namely: (i) the VAT, which, despite the amount of refunded VAT credits, recorded a surplus owing to the effects of reforms and anti-fraud actions; (ii) payroll taxes (*impôts sur traitements et salaires—ITS*) in line with the efforts made to collect tax arrears; and (iii) coffee/cocoa registration taxes, which benefited from the upswing in world prices and the rate increase to 10 percent in the 2008/09 crop year.
- By contrast, customs revenue fell short by CFAF 139.8 billion (1.3 percent of GDP) in 2009. The main reasons for this poor performance were the general decline in merchandise imports, the continuation of the exemption of customs duty on rice, a number of administrative problems (dockers' strike and the reform of the import declaration form), technical problems with the automated customs clearance system (SYDAM-World), and problems implementing risk and value management. These shortfalls were alleviated by measures taken during the last quarter of 2009 to: (i) improve the network's response time; (ii) optimize access to the database by establishing parameters for the memory allocated to the dedicated server; and (iii) increase the number of files that can be used simultaneously. These measures led to significant improvements in collections, accounting for 33 percent of the annual customs revenues.
- Nontax receipts recorded a shortfall of CFAF 47.2 billion, related to the reclassification of all oil and gas revenue as tax receipts and to the collection shortfall of CFAF 13 billion in National Petroleum Company (PETROCI) dividends.

9. **Given the problems related to shortfalls in revenue, the government managed to adjust spending, while favoring poverty reduction expenditures.** To ensure a balance between government resources and expenditure and thus reduce the budget deficit, the government stopped committing expenditure at end-October 2009, except that earmarked for pro-poor activities.

- However, current expenditure exceeded the program target by CFAF 55.7 billion (0.5 percent of GDP) as a result, in particular, of the overrun in the subsidy to the electricity sector of 0.2 percent of GDP, and the overrun in social spending of 0.1 percent of GDP, compared with the targets.
- The wage bill was contained within the program target.
- The operating expenditure of the Government and the national agencies (*EPNs*) exceeded the projection by 0.3 percent of GDP level, including 0.2 percent in “compensation” payments for past utility services.
- Capital expenditure, picked up in the second half of the year, exceeding the target by about 0.1 percent of GDP, reflecting social sector activities financed with project grants.
- Implementation of the major public works was contained within the CFAF 40 billion budget envelope, in line with the institutional framework set up.
- Regarding crisis-exit expenditures, only 68.4 percent of the CFAF 148.7 billion appropriated was spent because of the postponement of the presidential elections.
- In addition, pro-poor spending totaled CFAF 843 billion, slightly above the floor of CFAF 838.7 billion.

Table 1: Status of Pro-Poor Expenditure Execution

Amounts in billions of CFA francs	2008	2009	
	Actual	Supplementary Budget	Actual
01 Agriculture and rural development	26.5	45.1	49.2
02 Fishing and livestock	6.1	6.7	6.7
03 Education	496.9	536.6	533.1
04 Health	98.3	118.8	118.4
05 Water and sanitation	15.3	19.5	20.4
06 Energy	9.6	9.3	16.5
07 Roads and engineering works	20.3	33.1	39.1
08 Social affairs	9.2	12.6	13.6
09 Decentralization (excluding education, health and agriculture)	30.1	32.3	35.1
10 Reconstruction and rehabilitation	10.4	5.2	1.4
11 Other poverty reduction spending	4.1	19.5	9.6
TOTAL	726.8	838.8	843.0

Source: SIGFIP-DGBF

Box 1: Revenue Measures for 2009	
Measures	Status
Taxes (DGI)	
Restoration of the effective functioning of the Tax Administration in the CNW, in particular the recovery of car registration taxes (<i>vignettes</i>), transport tax, VAT, profit (<i>IS</i>) and income (<i>ITS</i>) taxes, as well as a census and registration of taxpayers.	Redeployment of the Tax Administration has begun in the CNW. This led to the start of operations of the Bouaké, Korhogo, and Man Regional Tax Directorate. The Bouaké Customs' One-Stop Automobile Window responsible for customs clearance of motor bikes and vehicles in the CNW is operational. At year-end, the revenue collected in the CNW totaled CFAF 2.5 billion, including CFAF 1.3 billion for the <i>DGI</i> .
More widespread application and control of the standardized VAT invoice with the help of, inter alia, the creation of new control units.	The <i>DGI</i> has expanded the standardized invoice inspection operations to cover the entire country, by recruiting and training 34 new staff. New units have not, however, been created.
Improved taxation administration of the petroleum sector (extraction and distribution), with the new unit (<i>sous-direction</i>) for petroleum activities in the <i>DGI</i> . Strengthened verification of "cost-oil" of operators in the sector to determine, inter alia, the government' share in the production of crude oil and gas.	The Petroleum Activities Unit was created and is operational. It assures better management of exemptions on petroleum products. Staff has been trained; the census of taxpayers in the sector has been done; and controls, particularly of cost oil, are continuing.
Setting up of, or increase in, the level of withholding taxes at source for certain economic agents, notably in agriculture.	In effect since 2009 for the sawmill and log sectors and coffee/cocoa wardens.
Better organization of the fight against fraud through strengthened coordination between the <i>DGI</i> and the <i>DGD</i> , the verification of declarations of warehouse storage, as well as the start up of the risk management unit.	The Coordinating Committee for the fight against tax and customs fraud is operational. The Tax Administration reinforced its efforts to improve the control and organization of action against fraud through audits of importers and identification of warehouses.

Box 1: Revenue Measures for 2009 (continued)	
Measures	Status
Customs (DGD)	
Apply better customs verification of oil/gas exports and flows of petroleum products, notably by specifying the measurement methods, using the technical documentation of the refinery and of bonded warehouses (<i>entrepôts sous douane</i>), and by color-marking petroleum products subject to special tax regimes.	Establishment of a Shipments Committee producing monthly shipment reports. The <i>Société Générale de Surveillance (SGS)</i> began to mark petroleum products subject to special tax regimes in 2009. Following a period of awareness-raising, the control and crackdown phase began in the first quarter of 2010.
Strengthen efforts to combat fraud, in particular by basing verification on risk analysis and making the management of international transit by the border offices and the surveillance of border zones operational.	The <i>DGD</i> has been reorganized to transform the Risk Analysis and Management Bureau (<i>BAGR</i>) into the Directorate for Risk Analysis, Information, and Value (<i>DARRI</i>). As part of the activities of this directorate, all deliveries are systematically subjected to risk analysis, so that possible suspect imports can be identified for scanning. In this regard, a capacity-building plan is being formulated by the directorate, which will provide customs units (and, over time, the <i>DGI</i>) with a databank on risks and violations. In addition, the customs administration has been redeployed to the CNW.
Improved verification of values by submitting all containers disembarked at the Autonomous Port of Abidjan to risk analysis to determine those selected for inspection by scanner.	
More effective control over exemptions, by integrating the authorization of exemptions with the customs clearance system and by generating data on forgone revenues. A review of all exemption regimes will be initiated with IMF assistance before June 2009, with a view to their streamlining from January 1, 2010.	The IMF technical assistance mission on the verification of petroleum products for export, and the monitoring and verification of exemptions took place March 16-27, 2009. The government requested a further IMF technical assistance mission before May 2010 to complete the review and improve the streamlining of exemptions, starting from the 2011 budget.
Other measures	
Recognition of government debts to the refinery (<i>SIR</i>) stemming from the operating deficit (<i>SSH negative</i>), the gas deficit (" <i>butane</i> "), and fuel deliveries to the army. Elimination in 2009 of all these deficits by applying the petroleum product pricing mechanism, and by budgeting for any subsidies or operating expenses, and consolidation of the debt to <i>SIR</i> .	A memorandum of understanding regarding CFAF 69.2 billion was signed between the government and the <i>SIR</i> on December 12, 2008. In order to improve the contribution to government revenue of the levies on petroleum products, to ensure the financial equilibrium of the <i>SIR</i> , and to settle accumulated arrears, the government has since April 14, 2009 been applying the mechanism for automatic pump pricing of petroleum products, adopted in February 2009. For this purpose, the single specific tax (<i>taxe spécifique unique—TSU</i>) on petroleum products, introduced by Ordinance 2009–70 of March 26, 2009, provides for a levy to settle the government debt. Through use of this mechanism and the one-off payment of CFAF 35 billion to the <i>SIR</i> in March 2010, the debt has now been fully settled.

Box 1: Revenue Measures for 2009 (concluded)	
Measures	Status
Other measures	
Improved collection of social security contributions, in particular the collection of employer contributions from enterprises, including public enterprises.	<p><u>Civil Service Pension Fund (CGRAE)</u></p> <p>Outstanding contributions payable to <i>CGRAE</i></p> <ul style="list-style-type: none"> - at December 31 2008: CFAF 2.52 billion. - at end-December 2009: CFAF 3.37 billion. <p><u>National Social Security Fund (CNPS)</u></p> <p>Arrears in employer contributions for 2009: CFAF 308 million.</p>
Systematic collection of dividends from state enterprises, notably those that manage significant public resources, such as the Autonomous Port of Abidjan and PETROCI.	<p>The mobilization of dividends from public enterprises is effective. The amount collected for 2009 amounted to CFAF 39.77 billion.</p> <p>PETROCI dividends paid to the government for FY 2008 totaled CFAF 35 billion, of which CFAF 20 billion were collected in 2009 and CFAF 2 billion were paid in advance in 2008.</p>

10. **Progress was made in reducing domestic arrears in the financing of the 2009 program.** To boost the economy the government reduced its debt to the private sector.

- The net reduction of the government's domestic payment arrears in cash totaled CFAF 70.3 billion (0.7 percent of GDP). This operation was possible in part because of support from the IMF, the World Bank, and the Central Bank of West African States (BCEAO), and the Treasury was able to pay off all small creditors and start paying large creditors.
- Côte d'Ivoire benefited from the decision taken by the West African Monetary and Economic Union's (WAEMU) Council of Ministers in August 2009 for the *BCEAO* to grant a loan backed by IMF's general allocation of Special Drawing Rights (SDRs). The WAEMU decision envisaged that this loan and other financing would be used to repay two thirds of the end-2008 stock of domestic arrears. This new general allocation for Côte d'Ivoire totals SDR 241.1 million, or about CFAF 172.2 billion (1.6 percent of GDP).
- Also, in line with the program, there was no new accumulation of domestic arrears in 2009, despite cash flow pressures.

- However, at end-2009 the float amounted to CFAF 112.6 billion (1 percent of GDP) and was partially reduced during the first quarter of 2010.
- Domestic financing was undertaken exclusively in the form of issuance of government securities on the regional market, as agreed in the program. The government raised a gross total of CFAF 751.1 billion on the regional financial market in 2009.

11. As regards restructuring external debt, the government was able to sign agreements with most of its Paris Club and London Club creditors.

- The Paris Club creditors concluded an agreement on May 15, 2009, with the government on the restructuring of its external public debt on Cologne terms. By mid-March 2010, twelve (12) bilateral agreements were signed out of a total of fourteen (14). These agreements led to the immediate cancellation of debt totaling CFAF 513.7 billion. Debt service payable to the Paris Club creditors (arrears at end-March 2009 plus current maturities of 2009–12) was reduced by 93.4 percent, from CFAF 2,216 billion to CFAF 149.4 billion. In addition, Paris Club creditors undertook to grant the remaining portion of the debt relief envisaged under the HIPC Initiative as soon as Côte d'Ivoire has reached the completion point.
- As regards the London Club (the Coordinating Committee of Brady Bond Holders), a preliminary agreement on the restructuring of private debt was signed in Paris on September 28, 2009. The operation was successfully completed in April 2010. The restructuring is based on three main elements: a discount of 20 percent on the stock of debt estimated at December 31, 2009, representing forgiveness of CFAF 287 billion, and the issuance by Côte d'Ivoire of a new security for the remaining claims (80 percent of the stock) maturing in 23 years, including a six-year grace period, bearing a low fixed interest rate of 2.5 percent a year during the grace period, and growing gradually thereafter up to 5.75 percent a year over the long term.
- In the case of the European Investment Bank (EIB), an agreement to restructure the arrears on equity capital was concluded on May 19, 2009. This agreement provides for rescheduling of the sum of CFAF 18.8 billion over seven years, including a three-year grace period, and the granting of a subsidy of CFAF 3.9 billion to Côte d'Ivoire to help it repay its debt. In addition, the arrears payable at March 31, 2009 under the European Development Fund (EDF) of CFAF 16.4 billion were cancelled by the Commission of the European Union following an agreement of December 7, 2009.
- Regarding the other commercial debt, discussions are under way with the commercial creditors on restructuring the debt on terms comparable to those concluded with the Paris Club and the Coordinating Committee of Brady Bond Holders (London Club).

- A total of CFAF 6.2 billion in arrears at end-2009 was accumulated on external debt service under a guarantee suddenly activated in November 2009. This amount was paid in the first quarter of 2010.

B. Implementation of the Structural Reforms

12. **Progress was made in civil service reform despite some delays.** The reforms launched are aimed at: (i) controlling staffing based on the census of civil servants and government employees, establishing the Single Reference File (*FUR*) and the Integrated Civil Servant and Government Employee Management System (*SIGFAE*); (ii) raising the retirement age; and (iii) reorganizing the civil service.

Box 2: Civil Service Reform Plan and Measures in 2009	
Measures	Status
Preparation before end-2009 of a civil service reform program, based on the findings of the organizational studies of ministries, including especially the appointment of Secretaries-General of ministries.	<p>The terms of reference for the organizational and functional audit of three ministries have been prepared and validated. The findings of this audit will be used as a pilot plan for the organization and functions of the civil service.</p> <p>As regards the creation of the positions of Secretary-General, consultations have already taken place with those public institutions that have already tested the function of Secretary-General. The conclusions were the basis for the definition of a study that consolidates the experience gained in the consultations. The seminar to validate the study is scheduled for end-June 2010, and the report on that study is expected before end-September 2010.</p>
Increase in the retirement age from 55 to 57 years for all civil servants effective January 1, 2009, and step-by-step increases to 60 years for all civil servants starting 2011.	<p>The increase in the retirement age from 55 to 57, as of January 1, 2009, was made official by Decree 2009–35 setting the maximum retirement age for certain categories of civil servants governed by the General Civil Service Statute.</p> <p>The retirement age should be raised to 60 for all civil servants as of 2011, with the possible exception of certain specific professions.</p>
Census of civil servants and elimination of ghost workers (before end-October 2009).	A technical committee chaired by the Minister of Civil Service was set up to guide the civil service census. The census began in April 2010.

Box 2: Civil Service Reform Plan and Measures in 2009 (concluded)	
Measures	Status
Setting up an integrated civil servants and government employees (excluding the military and the police) management system (single reference file) to be operational at the start of 2010.	A call for tenders was launched in February to recruit the firm that will set up the management system for civil servants and government employees (excluding the military and the police). A shortlist of firms was compiled, and the selection process will be completed at end-June.
Validation of the actuarial, legal, and institutional studies of the Civil Service Pension Fund (<i>CGRAE</i>). Preparation of a plan by end-2009 to restructure the <i>CGRAE</i> (based on the findings of the studies and including in particular institutional strengthening and the introduction of a fully funded pension plan).	<u><i>CGRAE</i></u> The actuarial, legal, and institutional studies were adopted by the Council of Ministers on August 6, 2009. In addition, an Interministerial Committee on Government Pension Reforms was established to steer the reform. <u><i>CNPS</i></u> A draft law on <i>CNPS</i> reform and a draft enabling law have been prepared and forwarded to the General Secretariat of the Government (<i>SGG</i>).
Limiting the <i>CGRAE</i> deficit borne by the government's 2009 budget to CFAF 56.5 billion (compared with CFAF 54.3 billion in 2008), in particular by reducing the operating costs of the management system.	The <i>CGRAE</i> deficit at end-2009 was CFAF 54.8 billion.

13. **Progress was recorded in implementing reforms stemming from the PEMFAR review.** Progress, by strategic pillar, was as follows:

- Regarding **the improvement of the legal and institutional framework of the fiscal management system**, member states are required to transpose into their national laws and regulations, by December 31, 2011, the directives adopted in March and June 2009 by the WAEMU Council of Ministers. They relate to the fiscal management transparency code, the budget law, the government budget classification, the general rules on public accounting, the government chart of accounts, and the fiscal reporting table. The changes that are necessary for compliance with these directives are under way. To this end, the organic law related to the budget law was validated and sent to the Audit Chamber for an opinion. The organic law on the transparency code is being drafted, along with the decrees on the four other texts.

- In connection with **the strengthening of transparency in fiscal management, most of the commitments** were met through the conduct of studies and seminars, except for a feasibility study to clarify the modalities for budgeting the receipts from the quasi-tax levies in the oil and coffee/cocoa sectors. In addition, economic and financial information have been published regularly on the website of the Ministry of Economy and Finance (www.finances.gouv.ci).
- As regards **the optimization of resource allocation** for the sectors involved with poverty reduction—in particular, agriculture, education, and health—the strategy has been broken down into priority actions. In 2009 the budgets of these sectors exceeded their 2008 allocations by 9.8 percent, 4.8 percent, and 19.7 percent, respectively.
- In the area of **strengthening of fiscal discipline**, progress was made through the voting, especially since 2008, of the government budget before the end of the current fiscal year; the curtailment of the recourse to treasury advances; and the production of a quarterly budget execution summary that is reviewed and adopted in Council of Ministers.
- As regards **the improvement of the traceability and control of budget execution**, the establishment of the *SIGFIP* (budget execution)/*ASTER* (accounting) interface that began in April 2009 was completed in December 2009. In addition, the module for the management of treasury advances was created and tested, and will be put into operation in 2010.
- As regards **the development of accountability mechanisms, the deadlines for transmission of draft budget review laws** to the Audit Chamber are taken into account when draft organic laws on government finances are being prepared. Accordingly, the 2008 draft budget review law was forwarded in October 2009.
- Concerning **the improvement of the legislative and regulatory framework, as well as the strengthening of the institutional and operational framework of public procurement**, a new public procurement code was adopted in August 2009. In addition, the National Public Procurement Regulation Authority (ANRMP) was set up and the members were appointed, paving the way for implementation of the new code since January 2010. Moreover, the minutes of meetings to open and assess bids are published routinely on the website of the Public Procurement Directorate (www.dmp.finances.gouv.ci) and in the Public Procurement Bulletin.

Box 3: Structural Fiscal Reforms in 2009	
Measures	Status
Revenue	
Budgetization and fiscalization of quasi-fiscal levies on coffee/cocoa earmarked for investment, beginning with the 2010 budget, with the counterpart in investment spending. Improvement of the traceability of resources used for operating costs of the agencies of the sector through their inclusion in reports to the Council of Ministers at end-June 2009 and end-December 2009.	A sum of CFAF 10 billion in quasi-fiscal resources earmarked for investment, related to the resources of the Rural Investment Fund (<i>FIMR</i>) was budgeted, and CFAF 14.2 billion was executed in 2009. The traceability of the resources earmarked for the functioning of the coffee/cocoa sectoral agencies was improved through the inclusion in the reports submitted to the Council of Ministers at end-June 2009 and end-December 2009.
Finalization of a detailed inventory of quasi-fiscal and administrative fees charged by ministries (before end-September 2009), with a view to rationalizing and budgetizing them.	The detailed inventory of the ministries' receipts from levies for services was finalized by the General Finance Inspectorate (<i>IGF</i>). Visits were made to all the ministries, 18 revenue-sharing arrangements windows were set up, and the creation of a few others is under way.
Annual publication of the summary of the certified accounts of <i>PETROCI</i> .	The summary of the 2008 certified accounting statements of <i>PETROCI</i> was published in July 2009. They show a net result of CFAF 41.3 billion, including CFAF 35 billion in dividends.
Preparation of an annual report, submitted to the Council of Ministers, on the financial performance of enterprises in the government's portfolio, and publication of the report after adoption by the Council.	The annual report on the financial performance of enterprises in the government's portfolio was adopted by the Council of Ministers in November 2009.
Expenditure	
Strict limitation and monitoring of the use of treasury advances; and no recourse to extrabudgetary expenditures (Table 4 of the MEFP of March 13, 2009 and Technical Memorandum of Understanding (TMU) of March 13, 2009 and the TMU supplement (¶14) of November 2, 2009.	Treasury advances were reduced and granted in accordance with Order 178 of March 13, 2009 that established the procedures for the use of treasury advances for specific budget items. No extrabudgetary expenditure was made.

Box 3: Structural Fiscal Reforms in 2009 (concluded)	
Measures	Status
Expenditure	
Further decentralization of the Integrated Fiscal Management System (<i>SIGFIP</i>) and improvement in the interface between <i>SIGFIP</i> and <i>ASTER</i> (budget execution–accounting) (2009–10).	The decentralization of the <i>SIGFIP</i> has continued, with the connection of 10 new departments to the system in 2009. The <i>SIGFIP</i> / <i>ASTER</i> interface is effective and in use.
Timely submission of the preliminary draft budget execution law to the Audit Chamber (<i>Chambre des comptes</i>) for certification (by end-October 2009 for the 2008 accounts).	The preliminary draft budget execution law for FY 2008 was finalized and sent to the Audit Chamber in October 2009.
Phasing in of medium-term expenditure frameworks starting with social ministries (education and health) for the period 2009–11 (end-October 2009).	Preparations for the formulation of a MTEF for the social ministries are well advanced. However, it will be effective only in the 2011 budget. Implementation will be phased in gradually for other ministerial departments. For this purpose, a seminar was held in February 2010, following which two experts were recruited to help the Ministries of Education and Health.
Development of an integrated career and payroll management system for military and police (end-2009).	The plan is linked to progress in implementing the crisis-exit process.

14. **Measures were taken to reduce taxation in the coffee/cocoa sector while improving transparency in the use of the quasi-tax levies for investment.** The government has continued to discuss in the Council of Ministers and to publish quarterly reports on the collection and use of the quasi-fiscal levies on the coffee/cocoa sector. Since June 2009, they have included the half-yearly execution of the operating budgets of the sector's Management Committee and agencies. In addition, the Management Committee continues to bolster the confidence of actors in the sector and of development partners, by streamlining the use of resources for projects, especially those of a public nature (Rural Investment Fund (*FIMR*)) combating diseases that attack coffee and cocoa and initiating a quantity-quality-growth (*2QC*) program. With a view to improving the situation of producers, the government has continued to reduce the levies. In the context of implementing the reform strategy for the coffee/cocoa sector, a draft report was submitted to the President of the Republic in October 2009.

Box 4: Reforms in the Coffee/Cocoa Sector	
Measures	Status
Quarterly submission, within 45 days, to the Council of Ministers and publication of an analytical report on the collection and use of the quasi-tax levies on coffee/cocoa, on the balances of the bank accounts of the sector's entities, and on realized f.o.b. export and farm gate prices.	Quarterly reports have been produced and published regularly within the prescribed 45-day period. The government is committed to continuing the production and publication of quarterly reports within the same timeframe and to including in the semi-annual reports, information on the use of operating fees in the coffee/cocoa sector, in 2010. It also plans to improve the content of the reports, in particular regarding farm gate and export prices.
Adoption of a roadmap to prepare and implement a new strategy for the coffee/cocoa sector, comprising a new institutional and regulatory framework, on the basis of existing studies and audits (end-2009).	The roadmap has been adopted for the establishment of a new institutional and regulatory framework. A preliminary version of the strategy for the sector was submitted to the Head of State in October 2009. Based on his instructions, consultations are under way with the various actors involved, with a view to proposing a final version before end-June 2010. The government has carried out the technical and financial audit of the four sectoral agencies, with a view to streamlining the management and preparing for the restructuring of these bodies.
With the aim of gradually lowering the total cocoa taxation to a rate of 22 percent of the c.i.f. price in 2011, a reduction for the 2009/10 crop year of the registration duty from 10 percent to 5 percent of the single export duty (<i>droit unique de sortie</i> —DUS) from CFAF 220/kg to CFAF 210/kg, and of other quasi-fiscal levies of at least CFAF 5/kg. Preparation of the conversion of these levies into a single ad valorem tax (before the 2010/11 crop year).	The registration duty, quasi-tax levies, and DUS have been reduced since the beginning of the 2009/10 crop year, and work is continuing on the preparation of an ad valorem tax. In addition, consideration is being given to ensuring that producers are the primary beneficiaries of this tax relief.

15. Progress was made in improving transparency in the hydrocarbon sector.

- For transparency in the sector, the government has continued the production and publication of quarterly reports to the Council of Ministers on physical and financial flows. The automatic petroleum product pricing mechanism was adopted in February and has been scrupulously implemented since April 2009. The implementation of the mechanism has weakened the financial position of the national oil refinery (*SIR*), which is now receiving a very low level of protection (3 percent) and has a moderate refining margin, given the evolution of the price of crude oil on the international market.
- The final sector report for 2006 and 2007, in accordance with the Extractive Industries Transparency Initiative (EITI) criteria and prepared by the Administrator,

has been completed. The process of validation in compliance with the EITI standards is under way and is expected to be completed in May or, at the latest, in July 2010. It will be disseminated by communications personnel and published on the website of the Ministry of Economy and Finance (www.finances.gouv.ci).

- Concerning the institutional framework for monitoring extraction, the Tax Directorate (*DGI*) was integrated within the existing framework and a Petroleum Activities Unit was created. It conducted a survey of taxpayers in the sector and collected production-sharing contracts. Also, a report specifying the respective shares of the beneficiaries of each shipment is prepared every quarter by the Crude Oil Shipment Monitoring Committee.

16. **In the electricity subsector, tariffs were increased by 10 percent on average at the beginning of 2009, to improve the financial position of the sector.** But because of persistent problems, a more comprehensive approach was adopted, through the formulation of a strategy, the commissioning of a tariff study, and the start of negotiations with a view to reducing electricity production costs in 2009. The subsidy to the sector by the government in 2009 was CFAF 47.4 billion.

Box 5. Reforms in the Energy Sector	
Measures	Status
Quarterly submission to the Council of Ministers within 45 days—and publication— of a report on: physical and financial flows in the crude oil/gas subsector; the production, export, release for consumption and taxation of petroleum products; and the production, costs, and financial flows in the electricity subsector.	The reports submitted at end-March, June, September, and December 2009 have been prepared, published, and forwarded to the IMF.
Revision of the petroleum products price structure, based on the recommendations of the recent distribution audit and of the 2008 IMF technical assistance (revision of cross-subsidies for transport and butane, the quasi-fiscal levies for the national security reserve, the distribution margins, and the refineries' protective margin), before end-September 2009.	The automatic petroleum products pricing mechanism has been in effect since April 2009.
To limit the electricity sector's deficit, renegotiation with gas producers of the gas purchase price, renegotiation of electricity export prices, and revision of the tariff structure, before end-June 2009; and, if necessary, a rate increase before end-2009	<p><u>Tariff revision</u>: A request for the recruitment of a consultant was submitted to the World Bank at end-2009.</p> <p><u>Renegotiation of the gas purchase price</u>: The negotiations are under way with those concerned in the sector, with a view to reducing electricity production costs.</p> <p><u>Renegotiation of export prices</u>: Export prices are contractual.</p>

17. **As regards the large public works, the government has converted five of the framework agreements into public procurement contracts, validated its debt to the operator, and stayed within the budget execution procedures.** Framework agreements are being converted into public procurement contracts as follows: (i) finalization of the detailed technical studies by the operator; (ii) review, by the National Bureau for Technical and Development Studies (*BNETD*), of the technical documents received from the operator; (iii) drafting of the specifications and related prices by the *BNETD*; and (iv) conversion of the agreements into public procurement contracts. Given the large volume of public works involved, five agreements were converted into public contracts in 2009. In addition, in accordance with commitments, the remaining agreements will be converted in 2010. As regards the government debt to the operator, the audit has been completed, the final report is available, and two settlement agreements have been signed.

18. **Regarding the restructuring and privatization of public enterprises, audits and operational controls have continued.** State corporations are being checked and monitored through operational inspections and audits by the Participation and Privatization Directorate (*DPP*). Accordingly, nine state corporations had operational inspections and 11 others were audited. These actions to enhance oversight of the portfolio have led to the gradual improvement of the results of public enterprises. To consolidate further the inspection and monitoring of state corporations, it seems necessary to build the capacity of the *DPP*, through recruitment and training of staff. In addition, since 2005 the government has restructured several state corporations.

19. **The government has continued the reform of the financial sector and conducted the financial sector assessment program (FSAP).**

- In 2009, the government adopted the law on combating the financing of terrorism and an ordinance on banking regulation, incorporating the institutional reform of the West African Monetary Union (WAMU) and of the BCEAO. The national financial intelligence unit (*CENTIF*), operational since April 2008, continues its activity and regularly produces reports submitted to the BCEAO. Other Community laws and regulations have been incorporated into the national legislation. These include the laws and regulations relating to: (i) measures to promote financial deepening and the use of non-cash means of payment; (ii) closed-end investment companies in the WAMU; (iii) the organization of the accounting profession; and (iv) the crackdown on violations with respect to checks, bank cards, and other electronic forms of payment.
- The government has adopted some of the recommendations resulting from the FSAP conducted in May 2009. In this regard, in November 2009, it set up a financial sector monitoring committee responsible for formulating and implementing the strategy for financial sector restructuring and development. This committee is also responsible for monitoring the action plan for the implementation of the regional FSAP.
- Banks in distress did not receive financial support from the government in 2009. In December, the Banking Commission gave its consent to the request for authorization to change the structure of the corporate capital of Versus Bank and the Agricultural Financing Bank (*BFA*), which have become, respectively, a state corporation and a

corporation in which the state holds majority ownership. It also carried out spot inspections at these banks in February 2010.

- An action plan based on the findings of the financial and operational audit and the recommendations of the Banking Commission was prepared and adopted by the Board of Directors of the National Investment Bank (*BNI*). Its implementation is the subject of regular reports that indicate progress.
- After the consent of the Banking Commission was obtained in September 2009, the Postal Savings Fund (*CNCE*) was granted a license to operate as a bank in October 2009. Steps were taken to cap the periodic cash transfers (*nivellements décennaires*) to the *CNCE* at CFAF 5.41 billion in 2009. The *CNCE* started its banking operations in April 2010, and the cash transfers ended.
- Concerning the national housing bank (*BHCI*), following an initial capital increase of CFAF 5 billion in 2009, a second capital increase of CFAF 5.4 billion is planned by end-2010, which will bring its total capital to CFAF 12.1 billion and thus consolidate the bank's financial position.
- As for the microfinance institutions, the government has devised a plan to restructure the sector, for implementation between 2010 and 2018. In the context of its implementation, the Committee for the Preparation of a Donor Roundtable for the National Microfinance Strategy was put in place on May 4, 2010, in addition to the National Microfinance Committee that was restructured in March 2009.

20. **The reforms of the social security institutions have progressed.** As regards, the *CNPS*, draft amended laws and regulations for the Social Security Code, aimed at restoring financial balance and introducing supplementary pensions, were prepared. In addition, its reform plan and the draft enabling law were forwarded to the Government Secretariat (*SGG*) in September 2009, following the validation of the actuarial study in November 2008. The draft law was discussed by the Government Council on January 5, 2010 and by the Council of Ministers on March 18, 2010. In this context the Government decided to set up a Committee in charge of the reform of the private pension fund. It also intends to follow an approach similar to that for the public pension fund and to go forward with a broad-based consultation of the social partners, safeguarding the cohesion of the reforms of the pension funds. In the case of the *CGRAE*, the plan of reforms to improve financial viability was adopted on August 6, 2009. A committee to steer the reform was set up on October 8, 2009.

21. **Progress was achieved in implementing the measures related to the improvement of governance.** The diagnostic study for adoption of the national good governance plan was completed and validated by all those concerned in September 2009. Likewise, projects and programs to promote good governance were identified and validated in November 2009. The final version of the national plan was forwarded to the *SGG* for adoption in the first half of 2010.

22. **The reforms related to improvement of the business climate, launched in 2009, will be pursued in 2010.**

Box 6: Measures to Improve the Business Climate in 2009	
Measures	Status
Adopt decree on the enforcement (<i>exéquatur</i>) of decisions of Arbitration Boards, thereby expediting the resolution of business disputes and helping to unclog the courts (by end-2009).	The draft decree is being revised.
Creation of commercial courts (<i>tribunaux de commerce</i>) (by decree, by end-2009); and training of Judiciary staff in commercial matters (2009).	The draft law is being revised. In addition, the government has trained judiciary staff in commercial matters, as part of the project to support governance and build capacity in 2009.
Preparation of a reform plan to enhance the efficiency and fairness of the judicial system; and publication of judicial decisions (by end-2009).	The diagnostic study was validated by the technical unit, and stakeholders in the process of drafting the reform plan have been identified.
Reform of the Law on Competition (<i>Loi sur la concurrence</i>), notably to combat noncompetitive practices (by end-2009).	The draft presentation report and draft ordinance on competition were forwarded to the SGG in December 2009 for adoption.
Acceleration of the administrative procedures for processing the reimbursement of VAT credits refunds to enterprises, so that the outstanding stock of verified VAT credits awaiting refund will not exceed CFAF 10 billion during 2009 (compared with the stock of CFAF 28.4 billion at end-2008).	The stock of VAT credits at end-December 2009 was CFAF 9.77 billion, and thus below the ceiling of CFAF 10 billion.

23. **The government is engaged in the regional integration process within the WAEMU and the Economic Community of West African States (ECOWAS), as well as in trade policy.** The ECOWAS Heads of State decided in January 2006 to establish a fifth tariff band in the structure of their common external tariff (CET). In October 2008, the Ministerial Committee to monitor the Economic Partnership Agreement (EPA) negotiations adopted that fifth band at the rate of 35 percent. The list of products to be included in that band is yet to be determined. In the context of the EPA with the European Union, the conclusion of an interim regional EPA is under negotiation, to replace the interim EPA concluded by Côte d'Ivoire with the European Union in December 2007. On the matter of accompanying measures, the EPA Development Program (EPADP) was adopted in February 2009 by ECOWAS member states. Specifically concerning Côte d'Ivoire, a Program of Support for Trade and Regional Integration (PACIR), related to the interim EPA, is being implemented.

IV. SOCIAL POLICIES AND PRSP IMPLEMENTATION IN 2009 AND PROGRESS UNDER THE HIPC INITIATIVE

24. **The institutional framework of the PRSP has been strengthened.** The PRSP was adopted by the Council of Ministers on March 26, 2009, and the National PRS Monitoring Council was created by decree in August 2009. The three organs of the Council are functional. The strategy has been broken down into sectoral action plans. For the

implementation of the activities selected, the government has set up local PRSP monitoring and implementation committees in the 10 regional centers. In addition, the draft 2009 annual report on PRSP implementation is being finalized and will be published at end-June 2010.

25. The government is implementing the PRS through the orientation of the budget toward pro-poor spending. The strengthening of budget appropriations for the pertinent sectors, as well as their execution, has led to improvements in social indicators.

- In the area of education, the upgrading and building new classrooms, as well as the recruitment of teachers, have resulted in a drop in the teacher/ pupil ratio to 1 teacher for 45 pupils in 2007/08 and 2008/09. The implementation of the PRSP by way of orientation of the budget toward social needs will allow to improve this ration in the coming years.
- As regards health, the upgrading and construction of new health centers, as well as the recruitment of medical and paramedical personnel have led to an improvement in the rate of childbirths assisted by qualified personnel, from 63.9 percent in 2008 to 64.5 percent in 2009. Concerning the Public Health Pharmacy (*PSP*), a payment of CFAF 8.6 billion was made on the outstanding balance of amounts owed, the remainder of which at end-2009 was the subject of an agreement for its settlement in 2010. Also, an additional budgetary effort was made for the full settlement of the liabilities of the PSP, with a supplementary appropriation of CFAF 3 billion.

26. With the aim of reaching the completion point under the HIPC Initiative soon, the government has placed special emphasis on implementation of the triggers. Their implementation status is as follows:

Box 7: Triggers for the HIPC Completion Point							
Measures	Status						
Preparation of a full PRSP through a participatory process and its satisfactory implementation for at least one year, as evidenced by an annual progress report submitted by the government to IDA and the IMF.	The PRSP adopted on March 26, 2009 by the Council of Ministers was prepared on the basis of a participatory approach involving the Administration, the private sector, civil society, population groups, and the development partners. The first annual report on PRSP implementation will be finalized and forwarded to staff of the IDA and the IMF by end-June 2010.						
Maintenance of macroeconomic stability as evidenced by satisfactory performances under a PRGF-supported program.	Two missions to assess the ECF-supported program, in September 2009 and March 2010, deemed the implementation of the program broadly satisfactory.						
Quarterly publication of budget execution statements (including revenue; expenditure by type, function, and administration/type, and by the different stages of budget execution; and the identification of poverty-reducing spending) within six weeks after the end of each quarter, for at least the four quarters immediately preceding the completion point.	Four quarterly budget execution reports for 2009, including data on pro-poor spending, were produced regularly and published within the time limits.						
Certification by the competent authority of the conformity (certification de confirmité), Loi de règlements of a given fiscal year, within 10 months, after the end of that fiscal year for at least one year immediately preceding the completion point.	The draft budget review law for 2008 was forwarded to the Audit Chamber in October 2009.						
Entity operational public procurement regulatory (separate from control agencies) and quarterly publication in the public procurement bulletin, of all signed procurement and concession contracts (including those from the parastatals), for at least one year immediately preceding the completion point.	The National Public Procurement Regulation Authority (<i>ANRMP</i>) was established by Decree 2009-260 of August 6, 2009, on the organization and functioning of the national public procurement authority. The list of public offerings undertaken and concession contracts granted is published regularly in the public procurement bulletin and on the website (www.dmp.finances.gouv.ci), since 2005.						
Increase in trained personnel-supervised birth deliveries to 65 percent on average nationwide (from 56 percent in 2006) during at least the year immediately preceding the completion point.	<table border="0"> <tr> <td></td> <td style="text-align: center;">2008</td> <td style="text-align: center;">2009</td> </tr> <tr> <td>Rate of assisted childbirths:</td> <td style="text-align: center;">63.9 percent</td> <td style="text-align: center;">64.5 percent</td> </tr> </table>		2008	2009	Rate of assisted childbirths:	63.9 percent	64.5 percent
	2008	2009					
Rate of assisted childbirths:	63.9 percent	64.5 percent					

Box 7: Triggers for the HIPC Completion Point (concluded)	
Measures	Status
90 percent of the students enrolled in all public primary schools to have received three textbooks covering French, mathematics, and civic education, during at least the school year immediately preceding the completion point.	Indicator in 2008/2009: 70.90 percent Forecast for 2010/2011: 90 percent
Publication on the Treasury's website on a quarterly basis within six weeks of the end of each quarter of data on the external and domestic public and publicly-generated debt (stock, current debt service obligations, actual debt service, debt payments, and loan disbursements) for at least four quarters immediately preceding the completion point.	Public debt data have been published on the Treasury's website (www.tresor.gov.ci), in accordance with the commitments undertaken by the government.
Regular public reporting of payments to, and reserves received by the government for the extractive industries (mining, oil and gas—in line with the EITI criteria, with a recent annual report during at least the year immediately preceding the completion point.	The 2006–07 report was validated at the national level and submitted for certification of Côte d'Ivoire as a country compliant with the EITI criteria. The 2008 report will be finalized and validated at the national level by end-September 2010.
Annual publication, within seven months of the end of the fiscal year, often certified financial statements, in accordance with international standards of PETROCI for at least the year immediately preceding the completion point.	The certified accounts by PETROCI are published annually. Those for FY 2008 were published in July 2009 and forwarded to the IMF and to the World Bank.
Reduction in the overall indirect taxation of the cocoa sector to no more than 22 percent of the c.i.f. price, as evidenced by: (i) promulgation of a budget law; and (ii) an official communication issued to exporters, not more than five months before the start of the upcoming cocoa marketing season.	The system of taxation based on a percentage of the c.i.f. price will be incorporated into the strategy based on the reform of the sector. It falls under the definition of the new marketing mechanism that is expected to come into force as of the 2010/11 crop year. A price study has been initiated with a view to preparing for the conversion to an ad-valorem tax.
Adoption by the government of a new institutional and regulatory framework for the coffee/cocoa sector and satisfactory implementation of the functions under government responsibility for at least six months immediately preceding the completion point, based on its new strategy for the development of the sector.	A preliminary version of the sectoral strategy was submitted to the Head of State in October 2009. Based on his instructions, consultations are under way with the various groups concerned, with a view to proposing a final version by end-June 2010.

V. ECF-SUPPORTED PROGRAM FOR 2010

27. **The objectives of our program are closely linked to the PRSP and its implementation.** Our ECF-supported program aims at assuring macroeconomic stability, creating the basis for sustained growth with its fruits shared equitably, and fighting more effectively against poverty, by reinforcing the management of public finances and the

construction of economic and social infrastructure. The 2010 budget is focused on the social sectors through the increase in pro-poor spending and investment. The structural reforms to be undertaken in the program aim at assuring the regular supply of the economy with energy, and at finalizing the reform of the cocoa-coffee sector so as to improve farmers' incomes. In addition, the consultations with the actors in the sectors paved the way for the design of sectoral action plans and the quantification of needs. To strengthen the alignment of the government budget to the PRSP objectives, the programs generated by those action plans will serve as the basis for the formulation of medium-term expenditure frameworks (MTEFs), which will be finalized in 2010 for the Ministries of Education and of Health. In addition, the Government plans to organize a donor roundtable.

A. Principal Objectives of the 2010 Budget

28. **The 2010 budget is consistent with the commitments made in November 2009 and aims to strengthen poverty reduction and public investment while containing deficits.** The 2010 program is aimed at: (i) achieving real GDP growth of 3 percent; (ii) containing the average annual inflation rate to 2.5 percent, and (iii) increasing pro-poor spending by about 0.4 percent of GDP and capital expenditure financed from its own resources by 0.4 percent of GDP. In aggregate, this would lead to an overall fiscal deficit (excluding grants for the settlement of arrears) of 2.0 percent of GDP.

29. **The government intends to pursue its policy of orienting spending in favor of social and growth-supporting sectors.** Accordingly, the 2010 budget provides for an increase in pro-poor spending that is expected to total 8.1 percent of GDP, compared with 7.7 percent in 2009, and to maintain investment spending at 3.1 percent of GDP. In addition, spending on large public works will be kept at its 2009 level of CFAF 40 billion, about 0.3 percent of GDP. Meanwhile, expenditure in the 2010 budget will be based on containing current expenditure through a strengthening of controls on government consumption of utilities and of the wage bill. Crisis-exit expenditure will total 1.3 percent of GDP, up 0.1 percent from 2009, as a result of the postponement of the presidential elections. The crisis-exit program will be supported by the donors and lenders in an amount equivalent to 0.2 percent of GDP.

30. **The financing requirement for 2010 remains considerable.** The unmet financing requirement totals CFAF 95.4 billion in 2010, despite the efforts to optimize the tax potential, streamline expenditure, and after taking into account already identified projects that are externally funded and the net financing expected from the WAEMU financial market. To ensure full financing of the program, the government plans to mobilize all the budget support identified, especially from the multilateral institutions (IMF, World Bank, ADB, and EU) and bilateral partners in 2010, and, if possible, to seek further external support. It also expects to benefit from a better response from the regional market. Consistent with this, the government will harmonize and validate on a monthly basis changes in the issuance timetable based on cash needs, and will submit them to the BCEAO for coordination with other issuance plans in the WAEMU zone. In addition, it will hold regular sessions of the Treasury Committee to adjust expenditure execution in line with projected revenue collection. On this basis, the government plans to continue achieving a net reduction of the outstanding liabilities to the private sector of at least CFAF 45 billion in 2010, after the

net cash payment on accounts payable (*restes à payer*) of CFAF 70.3 billion in 2009 compared to a planned CFAF 60 billion.

31. **The government aims to reach debt restructuring agreements with all its external creditors.** The exchange of outstanding Brady bonds for a new security, which was launched on March 15, 2010, was accepted by virtually all creditors— 99.98 percent of the bonds. In addition, the government plans to conclude bilateral agreements with the two remaining Paris Club creditors. The government will make every effort to finalize restructuring agreements with its non-Paris Club bilateral creditors and other commercial creditors (Standard Bank London: BNI bonds; and Standard Bank New Jersey: Sphinx bonds), on terms comparable to those obtained from the Paris Club. The government will pursue restructuring in conformity with the requirements of Paris Club comparability and with the Heavily Indebted Poor Countries (HIPC) Initiative of the IMF and the World Bank. We intend to conduct it in a way that is consistent with the IMF's lending into arrears policy, including information transparency, inter-creditor equity, and dialogue with creditors.

B. Structural Reforms in the Area of Public Finance

32. **Tax policy is based upon increasing receipts from domestic taxes and customs duties, while promoting private investment and the reconstruction of the country.** Specifically, solving the problems identified in customs will require sustained measures in several areas.

Box 8: Structural Fiscal Measures Related to Revenues for 2010

Taxes (DGI)

- Completion of the redeployment of the Tax Administration in the CNW zones and strengthening of the measures to restart operations and recover revenue.
- Finalization of the software package for monitoring exemptions before end-October 2010, and quarterly production of exemption amounts by type of tax, beginning November 2010.
- Strengthening the control of the standardized VAT forms, following an increase in staffing.

Customs (DGD)

- Continue the streamlining of exemptions by reviewing the existing regulations, as well as implementing the recommendations of the technical assistance mission of April 2010, with a view to amending the laws and regulations following the seminar planned for May 2010; and implementation of the new provisions beginning of September 2010.
- Systematic detailed production of data on foregone revenue because of exemptions, using the SYDAM World software package for customs clearance management.
- Put into operation the mechanism for providing funds to the VAT credit refunds agency, in particular by taking this item into account in SYDAM World, as of May 2010.
- Establishment of simplified procedures (by taking account of the electronic transmission to SYDAM World, already taking place) between Bivac and the DARRV, so that the latter can have quick, early certification of value and the related customs documents.
- Following the strengthening of staffing and of the resources of the Risk Analysis Unit (*DARRV*), preparation of a report on the results of the strengthening of risk analysis by December 2010.
- Temporarily, until the *DAARV* becomes fully operational, training of a specialist in tariffs and assessment, to strengthen the “front-office” staff.
- As a first phase in the restructuring of “middle-office” staff, creation of a unit responsible for deferred control.
- Finalization of the audit of the Customs IT system (July 2010) and implementation of the recommendations.

DGI/DGD/DGTCP

- Adoption and implementation of the technical assistance recommendations in order to strengthen anti-fraud efforts.
- Capacity building: training of customs officers in appraisal techniques; request for continued assistance from experts in this area hired by the *DGD*; making available to customs units (and, over time, to the *DGI*), at end-June 2010, a databank on risks and violations.
- Limitation of the stock of VAT credits to be refunded to CFAF 10 billion.

Box 8: Structural Fiscal Measures Related to Revenues for 2010 (concluded)

Other structures

- Continued streamlining, following the 2009 inventory, of revenue collected for services by the ministries, through the creation of new revenue collecting agencies.
- Finalization of the procedures manual on the setting up of service fees.
- Regular monitoring of the status, and systematic collection, of dividends from public enterprises.

33. Implementation of the fiscal management action plan will be pursued.

Box 9: Structural Fiscal Measures Related to Expenditure for 2010

- Strengthening the control of subscriptions and of water, electricity, and telephone consumption by the state.
- Taking account of the results of the survey of civil servants and government employees, in the preparation of the 2011 budget.
- Monitoring and managing expenditure execution deadlines in the *SIGFIP*, after consultation with those concerned.
- of the transfer of the *SIGFIP* through the connection of five new areas.
- Production and transmission to the *IGF* by all *DAAFs*, of a quarterly report on the physical and financial execution of expenditure, within 30 days, followed by the production of a summary report by the *IGF*, within the next 15 days.
- Continued limitation of the systematic use of cash advances, in accordance with the Order of March 2009.
- Actual start-up of *ANRMP* activities, in September 2010; production and publication of quarterly progress reports, within a month of the end of each quarter.
- Calls for bids for public contracts will be the subject of systematic quarterly publications.
- Conversion of the four remaining framework agreements into public procurement contracts related to the state-funded major works, at end-July 2010.
- Formulation of MTEFs in the Ministries of Education and Health at end-August 2010, so that they can be taken into account in the 2011 budget.
- Compilation of a guide on MTEF methodology at year-end, to facilitate preparation of the budget documents of the other ministries.
- Finalization of the draft organic law on budget laws and a functional budget classification in accordance with the 2001 Manual on Government Finance Statistics.
- Expansion of the *SIGIP/ASTER* interface to five new locations.

34. **The control of civil service staffing and the improvement of its management will be pursued. The government plans to adopt a medium-term wage bill management strategy.** In addition, the reform of public- and private-sector pension systems will continue.

Box 10: Structural Reforms in the Public Administration

- Finalization of the census of civil servants and government employees, in 2010, followed by wage bill control in the highest-staffed sectors (education, health, higher education, and police).
- Preparation, by end-September 2010, of a program of reforms of the public administration, based on the findings of the organizational studies of the ministries, including, in particular, the creation of Ministry Secretaries-General.
- Adoption, before end-2010, of the laws and regulations on increasing the retirement age for all civil servants from 57 to 60 years old, except for certain professions, with effect from January 2011.
- Preparation of a note on the medium-term evolution of staffing and the wage bill, taking into account the settlement of the wage revaluation balances by end-May 2010 (prior action).
- Establishment of an integrated system for the management of civil servants and government employees (*SIGFAE*) and compilation of the Single Reference File, in December 2010.
- Validation of the balance of contributions not transferred to the *CNPS* and the *CGRAE* by the public enterprises and *EPNs* involved, and the establishment of a plan for the settlement of outstanding debts, before end-May 2010.
- Implementation of the reform of the *CGRAE*, in particular through: (i) the launch of a public consultation, as of May 2010; (ii) estimation of the needed parametric and institutional changes in the pension system, with a view to including the financial impact of the sectoral reforms in the 2011 budget; and (iii) the submission of draft documents on the reforms to the government, in November 2010.
- Limitation of the *CGRAE* deficit to be covered by the government budget in 2010, at CFAF 56.4 billion.
- Creation of a reform committee in June 2010, preparation and holding of a social dialogue, proposal of a parametric system aiming to achieve financial balance of the system, and formalization of the accepted proposals through the adoption of draft laws and decrees before end-December 2010.

35. **A medium-term debt management strategy will be prepared with technical assistance from the IMF and the World Bank.** Côte d'Ivoire's attainment of the completion point under the HIPC Initiative should enable it to receive substantial relief on the stock of its external debt. To ensure that these benefits are sustained, and that the government remains current on future debt service obligations, the government will prepare with reference to its technical and financial partners, in particular the IMF and the World Bank, a medium-term debt management strategy. This, coupled with continued sound fiscal management, will help ensure ongoing debt sustainability. In addition, it will set up a National Public Debt Committee (*CNDP*) in 2010, in accordance with the WAEMU recommendations.

36. **The government plans to conduct in-depth review on the transition in tax policy**, starting immediately. For this, it will implement the action plan resulting from the pertinent WAEMU recommendations. Also, to prevent losses of tax receipts attributable to implementation of the EU EPA, the government intends to seek technical assistance from the IMF to strengthen the performance of the administrations responsible for domestic taxes. This should result in a wider tax base and the introduction of incentives through which the informal sector would gradually be brought into the tax base.

C. Monetary Policy and Financial Sector Reforms

37. The government has requested financial assistance from the Financial Sector Reform and Strengthening (FIRST) Initiative for preparing a financial sector development strategy. To that end:

- The Committee responsible for the financial sector development strategy (*CODESFI*), created in November 2009, will do further work on the diagnostic study and the FSAP recommendations on the financing of economic activity, banks, microfinance, insurance, social security, and justice.
- The government plans, in relation with the regional monetary and financial bodies, to revitalize the financial sector so that it can better contribute to the financing of the economy. To this end, a workshop, for which a financing request has been made to the FIRST Initiative by the government, will be held in September 2010, and its findings, as well as the results of the additional studies to be done in the fourth quarter, will serve as the basis for the drafting, and adoption by the end of the second quarter of 2011, of a financial sector restructuring and development strategy. The CODESFI will ensure that this strategy is implemented in 2011.
- The financial sector restructuring and development strategy will define the role of the government in that sector.

38. The government plans to pursue its efforts to monitor the restructuring of banks in distress, without injecting further public resources in banks that are majority-owned by the state (BFA, Versus).

Box 11: Measures for Financial System Reform in 2010

- Continued implementation of the *BNI* action plan based on the recommendations of the Banking Commission and those of the financial and operational audit.
- Limiting the implicit government subsidy related to the cash transfers (*nivellements décennaires*) to the *CNCE* to CFAF 5 billion in 2010, in light of its conversion to bank status.
- Establishment of the *CNCE* audit and credit committees by the Board of Directors.
- Continuation of the reforms at the public banks to improve compliance with the prudential ratios.
- Continuation of the improvement in the governance and quality of the portfolios of the microfinance institutions.
- Assessment of the financial position of Versus Bank and of the *BFA* by the WAMU Banking Commission in February 2010.
- Formulation, based on the recommendations of the Banking Commission, of action plans for Versus Bank and the *BFA*, the implementation of which will begin before-2010.
- Purchase by the state of the bad loan portfolio of the *BFA*, valued at CFAF 36.8 billion, for CFAF 31.3 billion, after a discount of CFAF 5.5 billion. Establishment of a Collections Committee using public authority to collect the claims over a 12-year period from 2010, with the objective of collecting CFAF 2.6 billion a year, so that the state can meet its annual payments obligation of the same amount.
- Purchase by the state of the bad loan portfolio of Versus Bank, valued at CFAF 20.7 billion, for CFAF 15.1 billion, after a discount of CFAF 5.6 billion. Establishment of a Collections Committee using public authority to collect the claims over a 10-year period from 2009, with the objective of collecting CFAF 1.5 billion a year, so that the state can meet its annual payment obligation of the same amount.
- Monitoring by the government of the increase in the corporate capital of the Housing Bank of Côte d'Ivoire (BHCI) to CFAF 12.1 billion by end-2010, so as to consolidate its financial position and put the bank in full compliance with the prudential standards.
- The government will undertake in 2010 a study on housing financing policy, with a view to defining a strategy for the financing of low-cost housing and specific measures, where applicable, to be taken to benefit the BHCI.

39. The government will continue to rely on the Banking Commission and support the institutional reform of the WAMU. The ordinance on banking regulation was adopted on December 1, 2009. Following the adoption of the new WAMU Treaty and the new Convention governing the Banking Commission, the instruments for ratification of these two documents were forwarded on March 2, 2010 to the government of Senegal, which is the depositary. Finally, the institutional reform of the WAMU and the BCEAO became effective as of April 1, 2010. Supporting this reform, the government made arrangements for: (i) appointing its representatives within the new Community bodies; and (ii) upholding the implementation of any decisions or recommendations they may eventually make. In addition, the draft ordinance on the regulation of decentralized financial systems will be adopted in 2010.

D. Governance and Other Structural Reforms

40. The government will pursue its efforts to improve governance.
- The Council of Ministers will adopt the national good governance and anti-corruption plan, and its implementation will commence before end-2010.
 - The government will update the draft law on unlawful enrichment, adopt it, and place it before Parliament by end-2010.
 - As regards the drafting of the Code of Ethics and the Code of Good Conduct, a questionnaire on the promotion of the values of ethics and good conduct was sent to the various public, private, and civil society agencies. The adoption process will be carried out along the following plan: (i) the questionnaire data will be processed by a consultant who will prepare a draft charter of ethics and a draft code of good conduct; (ii) the drafts will be prevalidated; (iii) the draft charter of ethics and the draft code of good conduct for the public administration will be finalized at end-June 2010; and (iv) the code and charter will be adopted by the Council of Ministers no later than end-September 2010.
41. The government will pursue its efforts to improve the business climate. A “Doing Business” task force on improving the business climate was created in February 2010. The government intends to issue decrees creating a Côte d’Ivoire Business Facilitation Center and an Agency for the Management of Commercial Plots, before end-September 2010. Similarly, it intends to complete the implementation of the following actions, with the support of development partners.

Box 12: Reforms to Improve the Business Climate

- Adoption of the Ordinance on the enforcement (*exéquatur*) of decisions of Arbitration Boards to expedite the resolution of business disputes and to help unclog the courts (before end-September 2010).
- Creation of commercial courts (*tribunaux de commerce*), before end-2010; and continued training of judiciary staff in commercial matters.
- Validation of a reform plan to enhance the efficiency and fairness of the judicial system, and publication of judicial decisions (September 2010).
- Adoption by the Council of Ministers of the draft law on competition (*Loi sur la concurrence*), in particular to combat noncompetitive practices (before end-September 2010).

42. **The government intends to finalize in 2010 the reform of the coffee/cocoa sector.** This involves adopting, before the 2010/11 crop year, a new strategy defining a new legal and regulatory framework, a new marketing mechanism, and a tax reform which would ensure an improvement of farmers’ incomes, in line with the pro-poor objective of the reform.

Box 13: Measures in the Coffee/Cocoa Sector in 2010

- Continuation of the submission to the Council of Ministers within 45 days, and publication, of quarterly analytical reports on physical and financial flows.
- Transformation, for the 2010/2011 crop year, of all the levies on the coffee/cocoa sector into an ad valorem tax not exceeding 22 percent. To that end, two studies on the operating costs of the sector agencies and the pass-through of international prices to producers following the change in the taxation of the sector were launched in April 2010, for completion in June 2010. The recommendations of these studies will contribute to the definition of the strategy on the introduction of the new taxation.
- Completion of the audit on the survey of producers, for the revitalization of the sectoral bodies at end-July 2010, and implementation of the recommendations of the audit.
- Adoption by the Council of Ministers and publication of the coffee/cocoa sector strategy, by end-September 2010.

43. Efforts to improve transparency and efficiency in the energy sector should be pursued during 2010.

- The independent assessment reports on the sector, prepared in accordance with the EITI criteria for 2006 and 2007, were adopted by the EITI National Board and submitted to the international agencies. On the basis of these reports, Côte d'Ivoire hopes to be eligible for the status of a country compliant with the EITI criteria, during the second half of 2010.
- As regards the reform of the upstream oil subsector, the draft hydrocarbons code, a production sharing contract, and association agreements, will be finalized at end-June 2010.
- With respect to the downstream oil subsector, the automatic pricing mechanism for petroleum products at the pump was strictly applied until April 2010. However, faced with a transporters' strike, the government had to reduce the single specific tax (*TSU*) and other levies on diesel and super in April/May/June by, respectively, CFAF 30/59/59 and 0/22/16 a liter. In consultation with all parties concerned, the government intends to resume application of the automatic monthly pricing mechanism for diesel and super in early July.
- In addition, the government intends to adopt before end-2010 a new pricing formula. The revision of the price structure, in particular the level of taxation, will involve all actors in the distribution chain of petroleum products. It will reflect the international refining margin, with a view to avoiding operating losses for the *SIR* related to a possible reduction of refining margins.

44. The government will pursue its efforts to restructure the electricity sector. The measures necessary for clarifying the legal and regulatory framework of the *SOGEPE* as the custodian of state assets in this sector were adopted in March 2010. On this basis, the physical assets of the former national electricity company (*Energie Electrique de*

Côte d'Ivoire, EECI) were transferred to the new electricity sector holding company (*SOGEPE*). To resolve the electricity supply shortage, aggravated by a major outage and maintenance operations, the government granted an additional subsidy of CFAF 21.5 billion, bringing the overall amount granted to the sector to CFAF 80.8 billion, including the rental of mobile power stations. Furthermore, as part of the efforts to reduce the subsidy to the electricity sector, consultations have begun with all stakeholders to identify how they can contribute to reducing the sector's deficit. This will combine a renegotiation of the purchase price of gas with the three principal gas producers, a review of the tariff structure, the creation of investment funds, and further tariff increases. The negotiations are expected to lead to the restoration of a sustainable financial balance of the sector in the medium term.

Box 14: Measures in the Energy Sector

- Continued submission to the Council of Ministers, within 45 days of the end of each quarter, of data on the physical and financial flows in the energy sector.
- An increase in electricity rates by 10 percent, on average, at the beginning of October 2010.
- Finalization and adoption in Council of Ministers at end-July 2010, of the draft hydrocarbons code, the production sharing contract, and the association agreement.
- Redefinition of roles and responsibilities in the oil and gas sector through, in particular, the approval of a performance contract for *PETROCI*, at end-June 2010.

45. **The government intends to define a new overall strategy for public enterprises.** The objective of this reform, which will be adopted in Council of Ministers during the third quarter of 2010, is to improve the performance of the portfolio as well as reduce subsidies and the number of enterprises in difficulty. To that end, the government plans to: (i) strengthen the control of public enterprises, assistance to enterprises in difficulty, and the budgetary process; (ii) improve the transmission of financial statements, and the government's enterprise information and management system; and (iii) draw up performance contracts. The implementation of this new strategy should help increase the contributions of public enterprises to the government budget.

46. **The government will take steps to contribute to the financial sustainability of the national water supply company (*SODECI*) and assure that it is able to supply water to the population.** In February 2010, the government paid *SODECI* CFAF 10 billion, covering matured securities valued at CFAF 7.5 billion and outstanding bills owed to it, of CFAF 2.5 billion. Regarding its bills for the State's water consumption, the government intends to make monthly payments as of April 2010. In addition, the government plans to apply to customers the water rates set in 2008, starting from April 2011. The delay in implementing this new tariff is related to the socioeconomic crisis facing the country. However, since 2008, the remuneration of the concessionaire was adjusted on the basis of the new tariff of 2008.

47. **The situation of the *SIR* requires that measures be taken to ensure its financial viability over time.** To improve the financial position of the Ivorian Refinery Company (*SIR*), the government has contracted from the banking sector a loan of CFAF 35 billion to pay off its commercial debt to the company as at December 31, 2008. For this purpose, the sum of CFAF 40 a liter, deducted from the *TSU* on petroleum product prices and initially earmarked to repay this commercial debt to *SIR*, has been reallocated: (i) to *SIR* during the first quarter; and (ii) as of April, half of it (CFAF 20), to repaying the loan from the banking sector, with the remaining half serving as a subsidy to improve the refining margin of the *SIR*.

E. Regional Integration and Trade Policies

48. **The government is determined to pursue the regional integration process within the WAEMU and the ECOWAS.** It will continue to support the establishment of a common market, by: (i) identifying the products to be included in the fifth band of the CET established by the ECOWAS; (ii) supporting the implementation of a common trade policy toward third countries; and (iii) supporting the free flow of persons, goods, services, and capital. In addition, the government will support the conclusion of an interim regional Economic Partnership Agreement (EPA), to replace the interim EPA for Côte d'Ivoire. The negotiations on the financing of the EPA Development Program (EPADP) by the European Union will be continued in 2010, with a view to the including various financing commitments in the wording of the agreement. Similarly, Côte d'Ivoire will continue implementing the Program of Support for Trade and Regional Integration (PACIR). Given the delay in signing the regional EPA, the government will again negotiate with the European Union, the postponement of the dismantling of the tariff structure.

VI. Statistics and Capacity Building

49. **The government undertakes to continue its efforts to improve the statistics system, with a view to regularly produce quality economic and financial data.** To that end, the 2009–13 Master Plan for Statistics will be adopted by end-September 2010, and a resource mobilization strategy will be defined to facilitate its implementation. This involves, among other things: (i) support for national and sectoral surveys; (ii) workshops on the establishment of the database for the Integrated Information Management System (SIGI); (iii) revising the harmonized consumer price index; (iv) compilation of the yearbook of ministerial statistical services; and (v) the survey on the informal sector in Abidjan.

50. **The government will strengthen its administrative capacity, in particular in the areas affected by the crisis.** The government will continue to receive assistance from the IMF and other development partners to: (i) strengthen the tax and customs administrations; (ii) review tax exemptions; (iii) help implement the action plan for the reform of public finances; (iv) improve national accounts by defining a new base year, with a view to constructing a social accounting matrix; and (v) formulating the financial sector development strategy. In addition, to strengthen public debt management, the government plans to undertake a capacity building program for the purpose of supporting the formulation and

implementation of a medium-term debt strategy. For this purpose, the government will request technical assistance from the IMF.

VII. Program Monitoring

51. **The program will continue to be the subject of half-yearly reviews by the IMF's Executive Board, on the basis of quantitative indicators and structural benchmarks.**

These indicators, and the prior actions, are defined in the Technical Memorandum of Understanding (TMU) of March 13, 2009, and in the Supplement to the TMU of November 2, 2009, and in the attached Supplement. The third review of the program will be based on the performance criteria at end-June 2010, and is scheduled to be completed by November 15, 2010. The fourth review will be based on the performance criteria at end-2010, and is scheduled to be completed by March 15, 2011.

52. **The government has established national structures for monitoring the program. To ensure effective implementation of the three-year program, the government has**

created a number of interministerial committees. The Interministerial Committee Monitoring the Economic and Financial Program, under the authority of the Prime Minister which was established in March 2009, is operational and monitoring implementation of the 2009–11 program. It is supported by the Strategic Unit and the Technical Secretariat for Monitoring the Economic and Financial Program in its day-to-day monitoring. The Committee will coordinate closely with the Treasury Committee, the work of specific interministerial committees, including the Coffee/Cocoa Sector Management Committee, the Interministerial Commodities Committee, and the PRSP Committee. In addition, to ensure traceability in the implementation of large public works, the Interministerial Major Works Monitoring Committee has been established. Similarly, a set of consistent tools have been adopted to ensure expenditure execution follows with the existing framework. This Memorandum on Economic and Financial Policies will be published within the government, government departments and agencies, and the Ivoirian society.

53. **For the duration of the program, the government undertakes,** for any new domestic borrowing, to issue government securities by auction through the BCEAO or through any other form of competitive tendering on the domestic or WAEMU financial market, and to consult with IMF staff. It also undertakes not to introduce or intensify restrictions on payments and transfers for current international transactions, introduce multiple currency practices, conclude any bilateral payments agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement, or impose or intensify 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.

Table 1. Côte d'Ivoire: Performance Criteria (PC) and Indicative Targets (IT), ECF 2009

(Billions of CFA Francs) 1/

	2008		2009						Status
	Dec.	Sept.			Dec.				
	Actual	Prog	IT adjusted	IT adj. & corr.	Actual	Prog	PC adjusted		
Performance criteria									
Overall balance (including grants) 2/	-61.0	-71.8	-103.2	-117.7	-224.5	-137.9	-166.8	-171.2	not met
Ceiling on net domestic financing (incl. WAEMU paper) 3/	171.4	77.2	91.2	105.7	196.6	149.6	168.7	-110.2	met
Ceiling on new nonconcessional external borrowing 4/		0.0			0.0	0.0		0.0	met
Ceiling on accumulation of new external arrears 5/		0.0			0.0	0.0		6.2	not met
Ceiling on accumulation of new domestic arrears		0.0			0.0	0.0		0.0	met
Ceiling on extra-budgetary spending 5/		0.0			0.0	0.0		0.0	met
Indicative targets									
Primary basic fiscal balance	33.1	91.3		76.8	-43.3	93.3		46.1	not met
Ceiling on expenditures by treasury advance		65.0			61.1	82.2		43.6	met
Floor on pro-poor expenditure 6/	726.8	614.2			628.7	838.8		843.0	met
Floor on cash repayment (+) of government domestic arrears	-104.8	40.0			30.3	60.0		70.3	met
Total government revenue	1,976.8	1,495.8			1,460.8	2,080.9		2,057.7	not met
Government wage bill	711.7	544.2		558.7	560.4	745.0		745.0	met
Memorandum items:									
Net banking sector claims on government 7/		48.3		55.5	200.6	104.0		88.0	
Program grants		23.0			8.9	32.7		13.6	
Program loans		0.0			0.0	0.0		0.0	
Project grants		27.6			40.5	48.2		49.5	
Project loans		20.8			38.2	43.5		53.3	

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

2/ This floor will be adjusted: i/ downward/upward for higher/lower than programmed external project loans; ii/ downward for higher than programmed program loans; iii/ downward for lower than programmed program grants - up to a ceiling of CFAF 40 billion; and iv/ upward for a shortfall in program loans in excess of CFAF 40 billion.

3/ Performance criteria for 2009 (numbers for 2008 are reported for comparison only) on the issuance by the central government of all debt instruments in CFAF 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 banks (BOAD, BIDC). If program grants and program loans are lower than programmed, the ceiling will be adjusted upwards in the amount of the shortfall, up to a maximum of CFAF 40 billion. The ceiling includes a margin of CFAF 25 billion over the net cumulative flows projected for each period (see TMU).

4/ Continuous performance criterion 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; loans from regional development banks BOAD and BIDC of up to CFAF 25 and 20 billion respectively; drawings on the Fund; public offerings in CFAF of government debt initially issued to resident of the WAEMU (see TMU).

5/ Continuous performance criterion (see TMU).

6/ Includes pro-poor expenditure, as defined in the classification of the Integrated Financial Management System (SIGFiP); see TMU Table 1.

7/ Net banking system claims on the government represent the difference between government debt and its claims on the central bank and commercial banks, as defined in the TMU.

Table 2. Côte d'Ivoire: ECF--Prior Actions and Structural Indicators, 2009

Measures	Timetable	Status
Prior Actions		
<ul style="list-style-type: none"> Eliminate arrears to multilateral institutions and remain up-to-date with debt servicing; produce a monthly cash-flow statement incorporating multilateral debt service payments. 	1st report mid-October 2009	<p>Arrears to multilateral institutions on maturities at end-December 2009: 3,476 billion (arrears to BID stemming from a guarantee of the CIDT; settled)</p> <p>Done</p> <p>Cash-flow statements available and regularly transmitted to the IMF.</p>
<ul style="list-style-type: none"> Inform all creditors, through a public announcement, of the strategy and status of negotiations on external debt restructuring. 		<p>Done</p> <p>Communiqué published on the website of the Ministry of Economy and Finance (MEF; www.finances.gouv.ci)</p>
<ul style="list-style-type: none"> Issue the texts reducing the Single Export Duty (DUS) from CFAF 220 to CFAF 210 and the registration fee on cocoa and coffee from 10 percent to 5 percent. 	September 2009	Done
<ul style="list-style-type: none"> Provide IMF staff with copies of the provisional audit report on debt owed to PFO and of the contracts resulting from the modification of the five major public works agreements conforming to the Public Procurement Code. 		<p>Done</p> <p>Audit of debt of the Government to PFO: completed</p> <p>Transformation of contracts: completed</p>
Structural Benchmarks for end-2009		
Fiscal Policy/revenue administration (2009)		
<ul style="list-style-type: none"> Elimination of the practice of advance payment of the DUS on coffee/cocoa, and of any other taxes 	Continuous SBM	<p>Done</p> <p>Instruction no. 023/MEF/CAB-01/20 of march 2, 2009 related to the prohibition of advance tax payments.</p> <p>Complete halt to the practice of advance payments of DUS and any other taxes.</p>
<ul style="list-style-type: none"> Completion of inventory of service charges/fees by ministries (MEFP ¶26) 	SBM end-June 2009	<p>Done</p> <p>All ministries were visited, allowing the setting of 18 formal revenue sharing arrangements and the nomination of 18 new comptrollers to capture the identified revenues.</p>
<ul style="list-style-type: none"> Adoption of a plan to rationalize exemptions, including crisis-related regimes (in line with IMF technical assistance), for adoption in the 2010 budget (MEFP ¶ 26) 	SBM end-September 2009	<p><u>DGD</u>: IMF mission on the control of petroleum products during March 16-27, 2009 Report available and sent to IMF with data for May 2009.</p> <p>Application of the quantification of tax exemptions integrated in SYDAM-World. Rationalization plan under preparation.</p> <p><u>DGI</u>: application for the management of exemptions under preparation with a view to improving the exemptions (specifications revised and validated on Jan. 20, 2010).</p>

Table 2. Côte d'Ivoire: ECF--Prior Actions and Structural Indicators, 2009 (continued)

Measures	Timetable	Status
<ul style="list-style-type: none"> Implementation of the computerized transit module of SYDAM (SYDONIA) between the Port of Abidjan and the three main border posts 	SBM end-September 2009	The application is available and installed in the border posts of NOE and TAKIKRO. It remains to be installed in Ouangolo and Pogo.
<ul style="list-style-type: none"> Reduce the outstanding verified and validated VAT credit balance to CFAF 10 billion or less at end-2009, and remain within that ceiling in 2010. 	Continuous SBM	Done Remaining VAT credit balance at end-Dec. 2009: 9.77 billion of which CFAF 0.798 billion of 2008 and CFAF 8.973 billion of 2009.
<ul style="list-style-type: none"> Eliminate exemptions on imported rice. 	Starting January 1, 2010	Done Decree no. 2009-34 of Feb. 12, 2009 on the suspension of customs exemptions on rice and the tax for the development of rice growing were not extended to 2010. Letter no 036/MEF/CT-11 addressed to DGD to this effect, and transmitted to IMF.
Public expenditure management (2009)		
<ul style="list-style-type: none"> Adoption by the government of the 2010 budget tracing all quasi-fiscal levies for investment in the coffee/cocoa sector (MEFP Box 3) 	SBM end-November 2009	Done Decree no. 2009-382 of Nov. 26 on the state budget for 2010. The budget includes the levies for the rural investment fund (FIMR)
<ul style="list-style-type: none"> Publication within 45 days of quarterly budget execution statements, including pro-poor spending (MEFP ¶24) 	SBM each quarter	Done Quarterly reports available regularly, transmitted to IMF and published
<ul style="list-style-type: none"> Submission of draft budget execution law (<i>Loi de réglemets</i>) for 2008 to the Audit Office (<i>Chambre de Comptes</i>) for certification and submission to the National Assembly (MEFP ¶21) 	SBM end-October 2009	Done Draft budget execution law for 2009 transmitted on Nov. 2, 2009 to the Audit Office with the transmittal letter no 6137
<ul style="list-style-type: none"> Formulation of medium-term expenditure frameworks (MTEF) for the education and health ministries (MEFP ¶25) 	SBM end-October 2009	The action plans of the PRSP were translated into operational objectives. The needs assessment and the quantification of program costs were done. The seminar of February 9–11 made it possible to release the recommendations and the action plan for the implementation of the MTEP of the health and education-training sectors.
<ul style="list-style-type: none"> Production of a report including different scenarios for reducing subsidies to the electricity sector to CFAF 50 billion in 2010, including the projected reduction of the cost of gas and rate increase. 	SBM end-2009	Interministerial order no 008/MME/MEF of Feb. 11 2010 on the creation of a negotiation committee to reduce the costs of the electricity sector. Meetings started with the CIE and the gas suppliers with a view to reducing the deficit of the sector.

Table 2. Côte d'Ivoire: ECF--Prior Actions and Structural Indicators, 2009 (concluded)

Measures	Timetable	Status
<ul style="list-style-type: none"> Adoption of the CNPS Reform Plan and the decree establishing the Inter-ministerial Committee in charge of monitoring the reform of the CGRAE 	SBM end-2009	CNPS - CNPS reform plan transmitted to the General Secretariat of the Government. CGRAE: Done - Order no. 2009/1001 of October 8, 2009 on the creation, organization, attribution of responsibility and functioning of the interministerial committee of the reform of public pension system (CIR-PP). - Order no.2009/1148 of Nov. 24, 2009 on the nomination of the members for the CIR-PP.
<ul style="list-style-type: none"> No new injection of public funds in the two banks in difficulty 	Continuous SBM	Done No public resource was injected in the BFA or Versus Bank.

Table 3. Côte d'Ivoire: Performance Criteria and Indicative Targets, ECF 2010

(Billions of CFA Francs) 1/

	2009		2010			
	Dec.	March		June	Sept.	Dec.
	Actual	Indicative targets	Actual	Performance criteria	Indicative targets	Performance criteria
Performance criteria						
Overall balance (including grants) 2/	-171.2	-103.0	1.0	-132.7	-254.4	-229.4
Ceiling on net domestic financing (incl. WAEMU paper) 3/	-110.2	106.8	17.0	65.0	193.9	119.6
Ceiling on new nonconcessional external borrowing 4/	0.0	0.0	0.0	0.0	0.0	0.0
Ceiling on accumulation of new external arrears 5/	6.2	0.0	0.0	0.0	0.0	0.0
Ceiling on accumulation of new domestic arrears	0.0	0.0	0.0	0.0	0.0	0.0
Ceiling on extra-budgetary spending 5/	0.0	0.0	0.0	0.0	0.0	0.0
Indicative targets						
Primary basic fiscal balance	46.1	-44.4	46.2	-26.1	-66.5	14.7
Ceiling on expenditures by treasury advance	43.6	21.0	21.0	42.6	68.2	89.7
Floor on pro-poor expenditure 6/	843.0	182.0	150.6	421.6	684.9	924.4
Floor on cash repayment (+) of government domestic arrears	70.3	15.0	34.7	20.0	30.0	45.0
Total government revenue	2,057.7	492.4	511.2	1,071.0	1,605.4	2,246.6
Government wage bill	745.0	204.2	200.3	408.4	613.8	814.1
Memorandum items:						
Net banking sector claims on government 7/	88.0	106.5	43.8	79.1	126.9	80.5
Program grants	13.6	5.6	0.0	56.0	62.3	87.0
Program loans	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	49.5	1.4	1.3	2.7	4.1	13.6
Project loans	53.3	9.7	9.0	22.9	52.5	72.0

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

2/ This floor will be adjusted: i/ downward/upward for higher/lower than programmed external project loans; ii/ downward for higher than programmed program loans, iii/ downward for lower than programmed program grants - up to a ceiling of CFAF 40 billion, iv/ upward for a shortfall in program loans in excess of CFAF 40 billion.

3/ Performance criteria for 2010 on the issuance by the central government of all debt instruments in CFAF 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 projects from the regional development banks (BOAD, BIDC). If program grants and program loans are lower than programmed, the ceiling will be adjusted upwards in the amount of the shortfall, up to a maximum of CFAF 40 billion. The ceiling includes a margin of CFAF 25 billion over the net cumulative flows projected for each period (see TMU).

4/ Continuous performance criterion 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; loans from regional development banks BOAD and BIDC of up to CFAF 25 and 20 billion respectively; drawings on the Fund; public offerings in CFAF of government debt initially issued to resident of the WAEMU (see TMU).

5/ Continuous performance criterion (see TMU).

6/ Includes pro-poor expenditure, as defined in the classification of the Integrated Financial Management System (SIGFIP); see TMU Table 1.

7/ Net banking system claims on the government represent the difference between government debt and its claims on the central bank and commercial banks, as defined in the TMU.

Table 4. Côte d'Ivoire: Prior Actions and Significant Structural Reforms and Benchmarks (SBM) for 2010

Measures	Timetable	Macroeconomic significance
Prior Actions		
<ul style="list-style-type: none"> Preparation of a report including different scenarios for containing subsidies to the electricity sector to CFAF 71.5 billion in 2010, including the projected reduction of the cost of gas and the tariff increase, and reducing them progressively from 2011. 		<p>Improve electricity sector deficit and reduce government subsidies.</p> <p>Improve sector finances and management, and provide essential infrastructure conducive to growth.</p>
<ul style="list-style-type: none"> Preparation of a note on the wage bill management strategy over the medium term taking into account in particular the settlement of unpaid wage commitments and the evolution of staffing. 		Gain effective control of the wage bill.
<ul style="list-style-type: none"> Validation of the unpaid social security contributions to CNPS and CGRAE by public enterprises and entities concerned and elaboration of a plan to settle these. 		Reduce the deficit of the sector and of subsidies.
<ul style="list-style-type: none"> Significant strengthening of staffing (in terms of number of staff as well as the experience and the skills required) and the resources of the Risk Analysis Unit (<i>DARRV</i>) in line with technical assistance recommendations. Setting up of a specialized post-release audit team. 		Improve budget revenue.
Tax policy/administration (2009)		
<ul style="list-style-type: none"> Issue the texts establishing an ad valorem tax of no more than 22 percent on cocoa exports replacing the Single Export Duty (DUS), the registration fee, and quasi-fiscal charges. 	Sept. 2010	Improve incomes of cocoa farmers and orchard maintenance.
<ul style="list-style-type: none"> Apply new provisions to streamline and control customs exemptions. Preparation of a report on the results of the strengthening of risk analysis in Customs Administration. 	<p>Sept. 2010</p> <p>SBM end- 2010</p>	Improve revenue collection and customs administration.
Public expenditure management (2010)		
<ul style="list-style-type: none"> Make monthly payments to SODECI for government consumption of water. 	Monthly from April 2010.	Improve the financial viability of the water sector.
<ul style="list-style-type: none"> Estimate the expected impact of the civil service census on the wage bill. Implement medium-term wage bill management strategy. 	<p>Aug. 2010</p> <p>SBM from end-Sept. 2010</p>	Bringing staffing and the wage bill under control, and improvement of the payroll.

Table 4. Côte d'Ivoire: Prior Actions and Significant Structural Reforms and Benchmarks (SBM) for 2010 (concluded)

Measures	Timetable	Macroeconomic significance
<ul style="list-style-type: none"> Complete the preparation of the medium-term expenditure frameworks (MTEF) for education and health. 	Aug. 2010	Improve governance and budget management.
<ul style="list-style-type: none"> Adoption of the draft law on the CNP reform. Adoption of the CGRAE reform plan. Reflection of the impact of the CNPS and CGRAE reform plans in the 2011 budget. 	SBM end-2010 SBM end-2010 End-2010	Reduce the deficit of the sector and reduce subsidies.
<ul style="list-style-type: none"> No new injection of public funds in the two banks in difficulty. 	continuous SBM	Improve governance and management of the financial sector.
Financial sector reform		
<ul style="list-style-type: none"> As part of the microfinance sector reform strategy, adopt and implement an emergency rehabilitation plan for troubled microfinance institutions. 	Sept. 2010	Improve financial sector management.
<ul style="list-style-type: none"> Prepare and adopt a comprehensive financial sector reform strategy. 	SBM end-2010	Improve financial sector management.
Improve transparency and governance		
<ul style="list-style-type: none"> Adopt 1st annual PRSP Progress Report 	June 2010	Ensuring implementation of the PRSP priorities
<ul style="list-style-type: none"> Submit the EITI report for 2008 for validation by the National EITI Council. Initiate preparation of the report for 2009. 	Sept. 2010 End- 2010	Improve governance and transparency.
<ul style="list-style-type: none"> Complete the modification of the four remaining framework agreements for large public works, conforming to the specifications of the Public Procurement Code. 	July 2010	Improve governance and transparency in budget execution.
<ul style="list-style-type: none"> Ensure effective operations of the National Procurement Regulation Agency and quarterly publication, within 30 days of the end of the quarter, in the public procurement bulletin of all signed procurement and concession contracts (including those from parastatals) and of all calls for tenders. 	SBM end-Sept. 2010 each quarter	Improve monitoring and transparency of public procurement.
<ul style="list-style-type: none"> Publication within 45 days of quarterly budget execution statements, including pro-poor spending. 	SBM each quarter	Improve monitoring and transparency of budget execution.
<ul style="list-style-type: none"> Submission of draft budget execution law (<i>Loi de réglemets</i>) for 2009 to the Audit Office (<i>Chambre de Comptes</i>) for certification. 	SBM end-Oct. 2010	Improve transparency and <i>ex-post</i> verification of the budget and its execution.
Improve the business climate		
<ul style="list-style-type: none"> Improve administrative procedures to limit the stock of outstanding VAT credits awaiting reimbursement to FCFA 10 billion. 	continuous SBM	Provide better tax services to companies and enhance their liquidity.

ATTACHMENT II—CÔTE D’IVOIRE: SUPPLEMENT TO THE TECHNICAL MEMORANDUM OF UNDERSTANDING

June 24, 2010

Note: this document is a supplement to the Technical Memorandum of Understanding (TMU) of March 2009 and its supplement of November 2009. These TMUs remains fully valid except for the points as amended below. Changes with respect to the original text appear in italics.

Paragraph 2:

For program-monitoring purposes, the performance criteria are set for June 30, 2010 and December 31, 2010; these are indicative targets for March 31, 2010, and September 30, 2010.

Paragraph 5:

...(see table 2)...

Paragraph 6:

The petroleum/gas revenues estimate for 2010 is based on: an average crude oil price of US\$77.5 per barrel; a volume of 17.9 million barrels; and an average exchange rate of CFAF 524.4 = US\$1.

Paragraph 12:

Within the framework of the program, the government, in 2010, will (i) undertake a cash reduction of CFAF 45 billion in the stock of balances outstanding as defined in paragraph 11 (quantitative indicator) ; ...

Paragraph 16, footnote 1:

See “Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements,” Executive Board Decision No. 6230-(79/140), amended by Executive Board Decision No. 14416-(09/91) of August 31, 2009.

Paragraph 19: (Domestic and WAEMU market borrowing)

For any new borrowing over and above a cumulative amount of CFAF 30 billion over the year 2010,...

Table 1. Côte d'Ivoire: Crisis Exit Programs 2008–10

(Billions of CFAF, unless otherwise indicated)

	2008	2009	2010 Proj.
General crisis-exit efforts	45.0	30.2	37.3
Frontline bonuses	39.7	26.4	26.4
Transition payments <i>Forces Nouvelles</i>	3.9	0.0	0.0
Civil Service program	0.5	3.0	10.2
Financed by government resources	0.5	0.0	3.0
Financed by external resources (EU)	0.0	0.0	7.2
Peace accords	0.8	0.8	0.6
DDR, reinsertion and community rehabilitation (RRC)	9.0	7.0	9.3
Financed by government resources	5.2	7.0	9.3
Financed by external sources	3.8	0.0	0.0
Redeployment of public administration (RPA)	5.3	8.9	4.0
Financed by government resources	3.6	4.7	4.0
Financed by external sources	1.7	4.2	0.0
Identification	47.9	52.7	43.8
Financed by government resources	41.6	52.7	43.8
Operator (SAGEM)		36.0	36.0
Financed by external sources	6.3	0.0	0.0
Elections	12.3	22.7	12.2
Financed by government resources	12.3	16.5	12.2
Financed by external sources	0.0	6.2	0.0
National reconciliation program	2.9	7.0	29.0
Financed by government resources	2.6	3.8	11.0
Financed by external sources - AfDB	0.3	3.2	18.0
Supplement to Ouagadougou agreement (APO 4)		0.0	10.0
Financed by government resources		0.0	10.0
Financed by external sources		0.0	0.0
Total	122.5	128.5	145.5
Financed by government resources	110.3	114.9	120.3
Financed by external sources	12.2	13.6	25.2

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

Table 2. Côte d'Ivoire: Pro-Poor Spending (incl. Social Spending), 2008–10

	2008 Actual	2009 Actual	2010 Budgeted
1 Agriculture and rural development	26.5	49.2	65.7
General administration	9.2	8.5	8.9
Agriculture promotion and development program	3.4	10.6	18.9
Training of supervisory staff	8.3	8.4	8.3
Water system works	2.2	1.5	11.1
Other	3.3	20.2	18.5
2 Fishing and animal husbandry	6.1	6.7	6.8
General administration	3.7	3.5	4.0
Milk production and livestock farming	1.9	2.3	2.2
Fishing and aquaculture	0.4	1.0	0.6
3 Education	496.9	533.1	581.3
General administration	18.7	19.5	25.9
Pre-schooling and primary education	313.5	336.7	359.7
Literacy	0.2	0.2	0.2
Secondary education and vocational training	67.8	83.0	93.2
University and research	96.8	93.7	102.3
4 Health	98.3	118.4	123.6
General administration	45.6	45.8	56.5
Primary health system	23.8	30.7	32.1
Preventive healthcare (enlarged vaccination program)	1.2	1.9	1.7
Disease-fighting programs	1.1	1.7	1.9
Infant health and nutrition	0.3	0.8	0.7
HIV/Aids	4.3	10.8	6.3
Health centers and specialized programs	22.0	26.6	24.3
5 Water	15.3	20.4	39.3
Access to drinking water and de-contamination	5.0	4.9	21.4
Environmental protection spending	10.4	15.5	17.9
6 Energy	9.6	16.5	10.1
7 Roads	20.3	39.1	29.4
8 Social spending	9.2	13.6	15.4
General administration	6.4	8.6	8.5
Training for women	0.3	0.6	0.9
Orphanages, day nurseries, and social centers	0.6	1.5	2.9
Training for support personnel	1.2	1.7	1.9
Indigents and victims of war or disaster	0.7	1.2	1.2
9 Decentralization	30.1	35.1	30.3
10 Reconstruction	10.4	1.4	4.0
11 Other poverty-fighting spending	4.1	9.6	18.5
TOTAL	726.8	843.0	924.4

Source: Ivorian authorities.

**Statement by the IMF Staff Representative
July 9, 2010**

1. **This statement provides an update on the status of the prior actions and other major reform measures since the issuance of the staff report (EBS/10/131).** The additional information does not change the thrust of the staff appraisal.

2. **All five prior actions have been met (MEFP, Table 4):**
 - A report has been prepared with different scenarios for containing subsidies in the electricity sector;
 - A note on a medium-term wage bill management strategy has been prepared;
 - Unpaid social security contributions to the pension funds by public enterprises have been validated and settlement plans elaborated;
 - Staffing and resources of the Customs Service's Risk Analysis Unit have been strengthened significantly; and
 - A specialized post-release audit team has been set up in the Customs Service.

As regards the first three prior actions, the notes that have been prepared set out the technical basis of analysis, and propose a set of policy measures and related quantified projections. The proposed measures represent a move in the desired direction and support the program's overall goal of fiscal consolidation and reorientation of spending while being supportive of growth and poverty reduction. In some areas, the measures outlined in the notes are already underway. In other areas, the specific nature and timing of measures and outcomes will be detailed more precisely in September during the staff's discussions with the authorities for the next ECF review.

3. **Among other major reform measures,**
 - As expected, the automatic fuel pricing mechanism was fully applied again as of July 1, with the lower tax wedge for diesel;
 - Discussions on the reform of the coffee/cocoa sector (final version envisaged by end-June 2010) continue, but the authorities still expect to put a new institutional and regulatory framework in place by the beginning of the next crop season in October; and
 - Consultations with the World Bank on the PRSP progress report are still ongoing, and thus the finalization of the report (envisaged for June 2010) has been delayed.



Press Release No. 10/284
FOR IMMEDIATE RELEASE
July 9, 2010

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Second Review Under Côte d'Ivoire's Three-Year Credit Facility, Approves US\$53.5 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) completed today the second review of Côte d'Ivoire's economic performance under a three-year arrangement under the Extended Credit Facility (ECF). The completion of the review enables Côte d'Ivoire to request a disbursement in the amount equivalent to SDR 35.772 million (about US\$53.5 million), bringing total disbursements under the program to an amount equivalent to SDR 230.892 million (about US\$345.4 million).

Côte d'Ivoire's ECF arrangement was approved in March 2009 (see [Press Release No. 09/96](#)) in an amount of SDR 373.98 million. In completing the review, the Executive Board also granted two waivers of non-observance of the performance criteria on the overall fiscal balance and on the non-accumulation of new external payment arrears.

Following the Executive Board's discussion of Côte d'Ivoire, Naoyuki Shinohara, Deputy Managing Director and Acting Chair, stated:

“Côte d'Ivoire's performance under the ECF-supported program has been broadly satisfactory. Economic activity strengthened in 2009 but is expected to slow in 2010 due to the political environment, electricity outages and strikes.

“The 2009 fiscal targets were largely met, including achieving a primary budget surplus. The fiscal program for 2010 is being eased modestly to accommodate unexpected one-off outlays to maintain power supply, to support the troubled oil refinery, and to cover the cost of the delay in elections. Looking ahead, the authorities remain committed to medium-term fiscal consolidation.

“Tight expenditure management and a reorientation of spending to poverty reduction are critical. To this end, the authorities plan to address past unpaid wage commitments and ensure a sustainable wage bill, reduce electricity subsidies, and strengthen the financial

position of the pension funds. Improvements in fiscal transparency and further reductions in domestic arrears will continue. A comprehensive customs reform and the rationalization of exemptions are central to efforts to strengthen revenue administration.

“Further advances have been made in normalizing relations with external creditors, notably Paris Club rescheduling and the successful exchange of Brady bonds.

“Structural reforms are needed to strengthen growth and reduce poverty. Reforms aim to address the electricity sector’s problems, improve productivity in the coffee/cocoa sector and ensure the financial viability of public utilities and the oil refinery. A financial sector restructuring and development strategy is being prepared that aims to further improve financial intermediation and reduce sector vulnerabilities. Improvements in the business climate will also be crucial to raise investor confidence.

“Progress has been made toward meeting the HIPC completion point triggers. Strong performance under the program and meeting the other triggers will be important for reaching the completion point” Mr. Shinohara added.

Statement by Laurean W. Rutayisire, Executive Director
for Côte d'Ivoire
July 9, 2010

My Ivoirien authorities would like to thank staff for the constructive discussions held during their March 2010 mission in Abidjan and at the side of the spring meetings in Washington. The second review of the ECF-supported program has provided my authorities with another opportunity to benefit from Fund advice in their endeavor to restore economic normalcy in a challenging post-conflict environment. My authorities broadly share the thrust of the staff report and have consented to its publication.

My authorities are also grateful to Management and the Board for their continuous support that has been instrumental for Côte d'Ivoire to cope with the conflict aftermath and other adverse external developments. With this assistance, my authorities have made important progress in phasing out weaknesses linked to the conflict-ensued drawbacks, and enhanced macroeconomic management. Helped by a more stable political environment, Côte d'Ivoire has resumed its growth momentum, while implementing the peace roadmap that should lead to the presidential elections this year. My authorities are committed to stepping up effort in the implementation of their economic program with the view to reaching the HIPC completion point the earliest possible.

I. Recent Socioeconomic Developments

The peace roadmap

My ivoirien authorities are cognizant of the importance of creating an enabling political environment to turn the focus on enhancing growth and reducing poverty. In that regard, they have strived to keep pace with the Ouagadougou peace accord since 2007. The implementation of the roadmap that stumbled in early 2010 over disputes on the voter list has regained momentum recently. The spell checking of the voter list agreed upon by the main political leaders is proceeding and the final voter list will be ready by the end of July. On June 15, barracking and disarmament of ex-rebels effectively started in their northern base, Korhogo, as scheduled. A new date of the presidential election should be announced shortly, with all runners agreeing that voters should go to the ballots no later than October 2010.

Progress under the ECF

My authorities performed well at end-2009 and in early 2010. Furthermore, reforms implemented since 2007 began to bear fruits. **The macroeconomic situation** is favorable. Real GDP growth stood at 3.8 percent, pushing per capita growth in positive territories for the first time in a decade. Average inflation fell from 6.3 percent in 2008 to 0.9 percent in 2009, as a result of declining food, energy and transport prices and reduced duties on rice imports. High world cocoa prices and falling imports prices contributed to the strengthening of the external position, with a current account surplus of 7.2 percent of GDP. This favorable

economic outlook has been compromised in early 2010 by an electricity crisis due to a major turbine failure. Growth projections for 2010 were revised downward, from 4 percent to 3 percent. My authorities have reacted promptly to fill the supply gap, both by importing electricity from neighboring countries and other remedial measures. Going forward, my authorities are working on a long-term solution consisting of lowering the production cost of electricity and reforming the tariff structure, with the view to ensuring financial viability in the sector and adequate supply of energy.

On the fiscal front, my authorities posted appreciable results, meeting four of the six performance criteria, and missing two only by small margins. The strong performance on tax receipts, 0.2 percent of GDP higher than programmed, was contrasted by a shortfall in customs duties due to technical and administrative problems and the exemption of duties on rice imports following the food crisis. My authorities made a priority of addressing these temporary issues. As a result of actions taken, the first quarter of 2010 witnessed a record high level of duties collected. My authorities are committed to taking further actions aimed at enhancing the performance of the customs administration. They have benefitted from FAD's technical assistance in that regard.

My authorities' **structural reform agenda** is also proceeding well amid various bottlenecks inherited from the political crisis. One of the major areas is the civil service, which is set to be reorganized with the view to gaining efficiency and bringing the wage bill under control. The main preparatory works have been completed and the census of civil servants has been launched, which should be completed by September 2010 with a biometric identification of public personnel. As regards public finance, my authorities have made progress in implementing the recommendations of the PEMFAR review. Key reforms range from the improvement of the legal and institutional framework of the fiscal management system to the development of accountability mechanisms, not to mention the strengthening of the institutional and operational framework of public procurement, the optimization of resource allocation, or the strengthening of fiscal discipline.

Other macro-critical sectors have been under scrutiny of my authorities, with good faith efforts to improve their contribution to growth. A report laying down scenarios to achieve financial viability of the **energy sector** is now completed. A draft report on the new strategy for the **cocoa/coffee sector** was submitted to the authorities in October 2009. Further works have been carried out since, and a new institutional and regulatory framework should be put in place by the beginning of the 2010/11 crop season starting in October. My authorities are putting a special emphasis on devising an appropriate ad valorem tax to replace the quasi fiscal levies and are committed to ensuring that producers are the primary beneficiaries of tax margins abandoned by the government.

My authorities have also made good progress in other areas, including **external debt restructuring** and the implementation of the PRSP and HIPC completion point triggers. On debt restructuring, the government has signed agreements with almost all its Paris and London Club creditors, on favorable terms. As regards the PRSP, the authorities submitted the first annual progress report to their partners and it awaits finalization. The government budget is geared towards the PRS and pro-poor spending increased as programmed in 2009.

II. Program 2010 and Forward

Enhancing growth and furthering fiscal consolidation

Within the overall framework of the ECF-supported program, my authorities' 2010 agenda aims at enhancing growth and reducing poverty, through public investment while containing deficits. The key objectives are: (i) achieving real GDP growth of 3 percent; (ii) containing the average annual inflation rate to 2.5 percent, and (iii) increasing pro-poor spending by about 0.4 percent of GDP and capital expenditure financed from internal resources by 0.4 percent of GDP. In aggregate, this would lead to an overall fiscal deficit (excluding grants for the settlement of arrears) of 2.0 percent of GDP.

To achieve their objectives, my authorities intend to maintain **investment spending** at 3.1 percent of GDP, with an emphasis on growth-supporting sectors. Pro-poor spending will increase from 7.7 percent in 2009 to 8.1 percent in 2010. Along with these actions, my authorities attach a price to removing any impediment to growth. That is why they have undertaken quick actions to put a rapid end to the electricity crisis. Since mid-June, the sector has recovered its whole potential, the domestic demand is met and supply to neighboring partners has resumed.

My authorities are committed to furthering **fiscal consolidation** in 2010 and forward. All fiscal areas will be explored in that effort. On the revenue side, measures are planned in all fiscal administrations. First, the redeployment of the tax administration in the CNW zones should be completed, the control of the standardized VAT forms strengthened, and exemptions better monitored via software. In the customs administration, measures for 2010 include the improvement of the computerized systems by implementing the recommendations from the audit, and the use of the newly strengthened Risk Analysis Unit. On the expenditure side, my authorities are determined to curb down the recurrent expenditures by strengthening the control of the government's utility bills, enhancing budget execution and control functions and institutions, and enhancing transparency regarding public bids. The control of the size of the public service is an overriding policy area to my authorities. They will continue their reforms started in 2009; by the end of 2010, an updated and unique file clear of ghost workers will be available, which should help save appreciable resources. Along with these actions, my authorities are preparing institutional changes and an overall strategy which, aided by the end of some crisis-related expenditures, should help bring the wage bill under control over the medium term.

Furthering structural reforms

My ivoirien authorities are cognizant of the need to improve **the business climate** to further unleash growth potential as the country exits from crisis. The improvement of the judicial system is the cornerstone of this agenda. By September 2010, should be validated a reform plan to enhance the efficiency and fairness of the judicial system, and publication of judicial decisions. Alongside, Cabinet should adopt the draft law on competition, aimed in particular at combating noncompetitive practices, and commercial courts will be created before end-2010. My authorities will also step up their efforts to improve the **overall governance**. Cabinet will adopt the national good governance and anti-corruption plan, and its implementation will commence before end-2010. It will also update the draft law on unlawful enrichment, adopt it, and submit it to Parliament by end-2010.

My authorities attach a high importance to the role of the **financial sector** in the enhancement of the private sector activity and hence in the expected overall economic rebound. A committee (*CODESFI*) has been created in November 2009 to work on the financial sector development strategy. A workshop scheduled for September 2010, studies under preparation, and FSAP recommendations will provide the inputs to devise a financial sector restructuring and development strategy to be implemented in 2011. As regards the hydrocarbon sector, my authorities have made progress in improving transparency. Production and publication of quarterly reports to the Cabinet on physical and financial flows have continued. The final sector report for 2006 and 2007, in accordance with the EITI criteria has been completed. The process of validation in compliance with the EITI standards is under way and is expected to be completed at the latest in July 2010.

Edging towards HIPC completion point

My authorities have stepped up effort in the implementation of their poverty reduction strategy. In addition to making pro-poor spending and social needs the thrust of the budget, my authorities have enhanced their actions in the areas of education and health. The upgrading of facilities and recruitment of personnel has improved service and key ratios in these sectors. The authorities have set the institutional apparatus for the implementation of the PRSP on the ground. As a result, most triggers of the HIPC floating completion point have been implemented and my authorities await an assessment by staff at the next review. The interim debt relief under the enhanced HIPC initiative proceeded well for Côte d'Ivoire, in light of the agreements reached with creditors. Going forward, my authorities are committed to enhancing external debt management capacities, while they are working expeditiously to reach the HIPC completion point at the earliest possible.

Conclusion

The second review under the ECF-supported program gives another opportunity to shed light on the impressive results achieved by my authorities over the past years. Amid a difficult and fragile political environment, a weakened institutional apparatus, paired with adverse

exogenous shocks, my authorities have improved macroeconomic stability, furthered structural reforms, resumed growth momentum and recorded appreciable progress in poverty reduction.

Under the enhanced HIPC initiative, Côte d'Ivoire has reached agreements on favorable terms with its main creditors. My authorities would like to seize this opportunity to thank chairs representing creditor countries for effectively granting the interim assistance and for their support in helping Côte d'Ivoire steadily relieve the debt burden that has taken a huge toll on its development initiatives for so long. My authorities are committed to continuing to do their part of this common effort, by further improving the implementation of the program and making the final steps towards complete debt relief. With this, my authorities would like to request the Board's support for the conclusion of the second review under the three-year arrangement under the Extended Credit Facility, and for waivers of nonobservance of performance criteria, and financing assurances review.