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Côte d'Ivoire—Cancellation of the Extended Credit Facility Arrangement and Request for Disbursement Under the Rapid Credit Facility

In the context of the Cancellation of the Extended Credit Facility Arrangement and Request for Disbursement Under the Rapid Credit Facility, the following documents have been released and are included in this package:

- The staff report for the Cancellation of the Extended Credit Facility Arrangement and Request for Disbursement Under the Rapid Credit Facility, prepared by a staff team of the IMF, following discussions that ended on June 1, 2011, 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, 2011. 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 Press Release summarizing the views of the Executive Board as expressed during its July 8, 2011 discussion of the staff report that completed the request an/or review.

- A statement by the Executive Director for Côte d'Ivoire.

The documents listed below have been separately released.

Letter of Intent sent to the IMF by the authorities of Côte d'Ivoire
Memorandum of Economic and Financial Policies by the authorities of Côte d'Ivoire
Technical Memorandum of Understanding

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

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INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

Cancellation of the Extended Credit Facility Arrangement and Request for Disbursement Under the Rapid Credit Facility

Prepared by the African Department

(In collaboration with other departments)

Approved by Roger Nord and Thomas Dorsey

June 24, 2011

Background: Côte d'Ivoire experienced a deep political crisis between the run-off presidential election in late November 2010 and the military defeat of forces loyal to former President Gbagbo in early April 2011. President Ouattara, the election winner, was sworn in on May 6, and appointed his full cabinet on June 1. The crisis and associated virtual paralysis of economic activity has seriously affected the economic outlook, and led to sizeable budget and balance of payments needs in 2011. Côte d'Ivoire is a member of the West African Economic and Monetary Union (WAEMU); its currency, the CFA franc, is pegged to the Euro.

Program issues: The authorities wish to cancel the now off-track ECF arrangement of 2009 and are requesting assistance under the Rapid Credit Facility (RCF) in an amount equivalent to SDR 81.3 million (25 percent of quota). Later in 2011, the authorities intend to request assistance under the Extended Credit Facility (ECF) once they are in a position to formulate a medium-term program.

Mission: The staff team comprising Ms. Ross (head), Messrs. Ahokpossi and Kireyev (all AFR), Dicks-Mireaux (SPR), and Camard (Res. Rep.) visited Abidjan during May 18–June 1, 2011. The mission held discussions with President Ouattara, Minister of Finance and Economy Diby, Minister of Planning and Development Mabri, Minister of Energy and Mines Toungara, Minister of Justice Jeannot, Minister of Civil Service Gnamien, National Director of the regional central bank Ayayé, other senior officials, representatives of the private sector and the diplomatic community. Mr. Allé (OED) attended some of the meetings.

Publication: The authorities agreed to the publication of the staff report, Letter of Intent, and Memorandum of Economic and Financial Policies.

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Key Issues

- **Côte d'Ivoire experienced a drawn-out political crisis and armed conflict after disputed end-November 2010 elections with severe economic consequences**. Growth slowed to 2.4 percent in 2010 and is tentatively projected at -6.3 percent in 2011 in light of the damages suffered and the time needed for rebuilding the economy.

- **The new administration has set ambitious early priorities**. These aim at restoring law and order and the free movement of persons and goods in the entire country, consolidating peace through economic recovery, and fully restoring the operations of the public administration as soon as possible. This will entail reducing road blocks and extortion; meeting urgent social needs; rehabilitating socio-economic infrastructure; and improving the business climate and governance.

- **A major challenge for the budget for the remainder of 2011 is to design an expenditure envelope under very uncertain resource constraints**. The budget envisages a sizeable decline in revenue, a considerable rise in expenditure, and a large deficit that is expected to be covered largely by foreign resources.

- **The authorities have adopted a cautious approach to revenue forecasting, recognizing that it is very difficult to predict how quickly activity will recover.** Commodity revenues should provide early inflows, but other taxes will take time to recover, reflecting the tax breaks given and the expected gradual recovery of private sector activity.

- **Expenditure will need to be kept in line with available resources while addressing immediate priorities**. The early payment of government wages helped to inject liquidity and boost confidence, as did temporary social programs, such as free health care at state clinics.

- **Reliance on foreign financing to fund the sizeable budget deficit is extensive**. Budget support from bilateral and multilateral sources should be sufficient to cover most of the deficit in 2011 without further recourse to nonconcessional borrowing. In addition, the authorities intend to seek a rescheduling of the substantial debt service obligations due to official bilateral and commercial creditors this year.

- **The authorities will need more time to formulate their medium-term structural reforms plans**. They concur with staff, however, that immediate priority needs to be given to reform of the energy and cocoa sectors, on which extensive analytical work has already been done, and, over a longer horizon, judicial reform.

I. INTRODUCTION

MEFP ¶3

1. **The dispute over the November 2010 second round of presidential elections threw Côte d'Ivoire into a severe crisis until President Ouattara (the election winner) took control of the country in mid-April after a short military campaign (Box 1)**. The security situation in Abidjan has been improving rapidly with President Ouattara making the re-establishment of law and order a key priority.

Box 1. The Post-Election Crisis

First-round Presidential elections on October 31, 2010, gave President Gbagbo 38 percent of the vote, former Prime Minister Ouattara 31 percent, and former President Bédié 25 percent. A second round of voting took place on November 28. With the active support of Mr. Bédié, Mr. Ouattara won 54 percent of the vote as assessed by the Independent Election Commission (CEI).

The electoral law provided for the Constitutional Council (appointed by President Gbagbo) to either accept the results of the vote announced by the CEI, or call for a new election. Instead, it accepted charges of widespread fraud in the pro-Ouattara North, even though international observers detected no serious problems with the voting there. The Council then nullified the election in the disputed regions, awarding victory to President Gbagbo.

After the UN certified results (as all parties agreed it should do under a previous peace agreement) in line with the CEI, giving victory to Mr. Ouattara, lengthy but unsuccessful mediation attempts were undertaken by the ECOWAS and the AU to persuade President Gbagbo to leave office.

With political tensions rising, the economy suffered. This was compounded by the impact of EU sanctions effectively closing the country's seaports beginning in January 2011, the closure of the BCEAO offices in the country after the central bank's pro-Gbagbo Governor was removed by the WAEMU at end-January, followed by the closure of the private banking system in mid-February, and anti-Gbagbo guerilla activity in March.

Former President Gbagbo was forcibly removed from office after a pro-Ouattara army swept through the country and engaged pro-Gbagbo forces in Abidjan at the beginning of April. With civilian casualties in the economic capital rising as the byproduct of urban warfare, fighting was only ended once UN and French forces intervened to neutralize President Gbagbo's heavy weapons under UN Security Council resolution 1975.

President Ouattara appointed a limited 12-member cabinet on December 4, 2010, with Guillaume Soro, leader of the northern New Forces (who contributed most of the pro-Ouatara army) as Prime Minister and Minister of Defense. On June 1, 2011, he appointed a full 36-member cabinet composed of all parties except the FPI of President Gbagbo, who had set their leaders' release as a condition for participating (several dozen FPI leaders remain in custody). Legislative elections have been announced for late 2011.

The prolonged crisis and violent conflict led to considerable destruction of private and public property, loss of life, and many refugees and internally displaced persons. The President had formed a skeleton cabinet with key ministers, including Finance Minister Diby, in early December, and announced on June 1 the appointment of a 36-member government. Also, the President has reached out to a broad range of senior political leaders in order to further national reconciliation. Parliamentary elections are expected to be held later this year, followed by regional and municipal elections in 2012.

II. Recent Economic Developments

MEFP ¶4, 5, 9

2. **In the period preceding the presidential elections, Côte d'Ivoire's medium-term economic program adopted in 2009 and supported under the Extended Credit Facility (ECF) had been broadly effective in stabilizing the economy, re-establishing more orderly relations with external creditors, and advancing in some areas of structural reforms**. The economy grew only by about 2.4 percent in 2010, dampened by difficulties linked to the pre-election climate, the failure of a major power station, and a decline in petroleum production (Tables 1–3). Average inflation remained under 2 percent and the fiscal deficit was kept close to 2 percent of GDP.

MEFP ¶10–12

3. **Economic activity began to slow in late 2010 and ground to a halt during the first 3–4 months of 2011 as the crisis intensified**. The combination of the closure of the BCEAO offices in Côte d'Ivoire in late January and the ensuing closure of commercial banks holding 80 percent of banking system assets in mid-February, and the imposition by the EU of economic sanctions, including against major public enterprises, led to the closure of the ports and a virtual halt in economic activity. Inflation picked up in December and rose to 11.7 percent in the year through April, mainly reflecting crisis-related shortages including of food; food prices rose over 31 percent during that period. An easing in prices has been observed from late April as supply channels reopened. To forestall further social tensions, the authorities reduced taxation to keep the main fuel prices unchanged since mid-2010 despite the rise in international prices.

MEFP ¶6–7, 12

4. **While fiscal performance at end-2010 was largely in line with earlier projections, the political crises and sanctions severely affected fiscal operations in the first quarter of 2011** (Table 4). Only partial data are available for fiscal operations in early 2011, the period of two parallel governments. New domestic payment arrears are likely to have accumulated; although the salary arrears incurred in March were settled in April, the extent of other arrears is still unclear.[1] The central bank (BCEAO) rolled over most maturing government securities during December 2010–May 2011 to avoid a default that would have had serious consequences for the regional banking system. At end-April 2011, external arrears accumulated since end-November 2010 amounted to some $180 million, owed primarily to the World Bank, AfDB, Paris Club creditors, and Eurobond holders.

[1] For an order of magnitude, non-wage primary spending amounted to 2.4 percent of GDP in Q1, 2010.

III. Challenges for 2011

5. **Projections for 2011 are highly tentative.** Data compilation faltered owing to the political crisis, violent combat, and closure and destruction of enterprises and other businesses, and is restarting only slowly in light of the significant material losses (especially of computers, office and transport equipment) experienced in government offices and among enterprises. A decline in real GDP of 6–7 percent is projected for 2011 as a whole, with a sharp drop in activity in January–April and a gradual recovery from May on leading to a possible normalization of activity near 2010 levels in Q4 2011.

MEFP ¶15

A. Fiscal policy—Restoring fiscal management and supporting economic recovery

6. **The authorities' priority is to consolidate peace, support the economic recovery, and promptly restore the operations of the public administration**. Objectives also include restoring law and order in the entire country and reducing road blocks and other forms of extortion, meeting urgent social needs, rehabilitating socio-economic infrastructure, and improving the business climate and governance. Government operations have restarted slowly, with the pace of resumption of service delivery depending on the degree of destruction and absenteeism that various public entities are facing, as well as on the rate of filling of key vacancies.

MEFP ¶3, 14

7. **A major challenge for the 2011 budget was to design and implement an expenditure envelope under uncertain resource constraints.** The authorities prepared a budget starting from April 26, 2011, the date of re-opening of the central bank office in Abidjan and thus of normal budget payment channels. The earlier fiscal operations will be added in a supplementary budget once verification work has been completed. The budget is based on very uncertain prospects for the recovery of revenue, large immediate expenditure needs, and substantial foreign financing.

MEFP ¶16

8. **Commodity receipts are a bright spot in an otherwise weak revenue environment**. After the export ban invoked by President Ouattara at end-January and the EU embargo, the resumption of exports of cocoa stored at the ports has generated some early revenue inflows in May–June. Part of these revenues was advanced to the government through short-term bank loans. Also, the authorities advanced oil shipments on account of the government under production sharing agreements to secure some early resources for the government. However, the tax base has been seriously weakened and will take time to recover; many economic agents are short of liquidity because of the damages suffered and the immediate rebuilding needs. Tax and customs administration have also been weakened by the looting of information technology and transport equipment. VAT receipts are expected to flow in at roughly half their 2010 rate. Profit tax revenue, based on 2010 outturns, should be relatively unaffected; but at the same time companies' weak cash flow can constrain them in meeting their tax obligations.

MEFP ¶17

9. **Revenue policy thus reflects an effort to balance the need for temporary support for the private sector with the need to reestablish normal taxation and secure funding for the government's operations**. The authorities provided some tax breaks for 2011—suspension of car registration fees and the turnover tax for transport services, reduction by half of the turnover tax on commerce—and consider unchanged fuel prices an essential support mechanism. Based on current world prices, the loss of fuel taxes is projected to reach 1 percent of GDP in 2011 after about 0.2 percent in 2010. The electricity subsidy is broadly similar (see below). Overall, fiscal revenue is projected to fall by about 2 percentage points of period GDP during Q2–4, 2011 (see Text Table 1), compared to 2010, notwithstanding a projected increase in oil and cocoa tax revenue of 1.7 percent of GDP.

MEFP ¶18

10. **Expenditures will need to be kept in line with available resources while the authorities address immediate priorities**. President Ouattara early on announced a number of programs to improve the humanitarian and security situation, including the restarting of public utility services after conflict-related interruptions, free extension of public transport passes for 2 months, and free medical treatment at state clinics. The authorities do not envisage increases in electricity tariffs this year, thus raising the electricity sector subsidy to 1.1 percent of GDP. Overall, expenditure is projected to rise by 4½ percentage points of period GDP during Q2–4, 2011 compared to 2010 (see Text Table 1). This increase reflects the high demand on public services despite the lower level of activity, unchanged public employment and the settlement of salary arrears,[2] refurbishing costs, higher interest charges, and the higher electricity subsidy.

MEFP ¶22

11. **The authorities have covered early expenditure needs through external borrowing**. France has extended a nonconcessional loan of €350 million[3] (2 percent of GDP), €200 million of which was disbursed in late April, and offered €50 million (0.4 percent of GDP) in short-term bridge financing to help clear arrears.[4] The EU has announced €30 million in humanitarian assistance this year and the unfreezing of project loans. The clearance of arrears to the African Development Bank (AfDB) and the World Bank (about $40 million at end-April 2011) in late May 2011 opened the way for their renewed financial support. The AfDB approved project loans and budget support grants of $150 million in early June, and World Bank has restarted project loans ($75 million) and is planning a budget support operation ($100 million) in Q3, 2011.

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[2] Civil servants were paid two months of salary in late April, eliminating salary arrears incurred by the previous administration. Some other expenditure items, e.g. interest due, reflect the payment of the annual amounts during the 9 months of Q2–Q4.

[3] Maturity of 9 years, including 3 years' grace, at Euribor plus 0.5 percent.

[4] Now that Cote d'Ivoire has cleared its arrears to the World Bank and the AfDB from its own resources, discussions are ongoing as to whether the €50 million from France is still needed.

Text Table 1. Côte d'Ivoire: Fiscal Operations, 2010–11

	(In billions of CFA francs)					Percent of GDP				
	2010	2011				2010	2011			
	Est.	Proj.				Est.	Proj.			
	Dec.	Q2	Q3	Q4	Q2-4	Dec.	Q2	Q3	Q4	Q2-4
Total revenue and grants	**2,236.6**	**412.6**	**516.0**	**550.2**	**1,478.8**	**19.8**	**15.0**	**18.8**	**20.0**	**17.9**
Tax revenue	1,928.5	364.1	423.0	477.5	1,264.6	17.1	13.2	15.4	17.4	15.3
Oil revenue	171.6	128.6	29.0	66.4	224.0	1.5	4.7	1.1	2.4	2.7
Fuel tax	194.5	16.3	23.7	23.7	63.7	1.7	0.6	0.9	0.9	0.8
Cocoa export tax	331.1	66.3	95.0	119.8	281.1	2.9	2.4	3.5	4.4	3.4
VAT	178.8	15.3	25.9	32.9	74.1	1.6	0.6	0.9	1.2	0.9
Import taxes	460.1	52.5	101.0	125.8	279.3	4.1	1.9	3.7	4.6	3.4
Other	786.9	101.4	172.1	132.6	406.1	7.0	3.7	6.3	4.8	4.9
Non-tax revenue	247.7	43.7	81.6	64.5	189.8	2.2	1.6	3.0	2.3	2.3
Grants	60.4	4.8	11.4	8.2	24.4	0.5	0.2	0.4	0.3	0.3
Of which : crisis exit project grant	19.3	0.0	5.8	0.0	5.8	0.2	0.0	0.2	0.0	0.1
Total expenditures	**2,497.8**	**579.3**	**788.6**	**813.9**	**2,181.7**	**22.1**	**21.1**	**28.7**	**29.6**	**26.4**
Current expenditures	2,115.8	551.3	669.2	664.6	1,885.0	18.8	20.0	24.3	24.2	22.8
Wage bill	800.4	282.1	223.7	221.6	727.4	7.1	10.3	8.1	8.1	8.8
Social security benefits	212.6	43.7	61.6	61.1	166.4	1.9	1.6	2.2	2.2	2.0
Subsidies and other transfers	272.5	68.1	112.6	122.6	303.3	2.4	2.5	4.1	4.5	3.7
Of which: electricity sector	82.6	41.0	22.1	24.2	87.3	0.7	1.5	0.8	0.9	1.1
refinery (SIR)	17.8	2.7	2.7	2.7	8.1	0.2	0.1	0.1	0.1	0.1
Other current expenditures	491.6	63.2	167.9	166.9	398.0	4.4	2.3	6.1	6.1	4.8
Crisis and elections-related expenditures	144.2	9.6	32.0	43.4	85.0	1.3	0.3	1.2	1.6	1.0
Interest	194.5	84.6	71.4	49.0	204.9	1.7	3.1	2.6	1.8	2.5
Domestic	66.3	31.0	34.9	14.7	80.6	0.6	1.1	1.3	0.5	1.0
Foreign	128.2	53.6	36.5	34.3	124.3	1.1	1.9	1.3	1.2	1.5
Interest after debt relief	…	38.6	35.6	34.1	108.3	…	1.4	1.3	1.2	1.3
Capital expenditures	348.6	28.0	119.4	152.8	300.2	3.1	1.0	4.3	5.6	3.6
Of which : foreign financed	89.4	22.2	27.2	33.0	82.4	0.8	0.8	1.0	1.2	1.0
Net lending	33.4	0.0	0.0	-3.5	-3.5	0.3	0.0	0.0	-0.1	0.0
Primary fiscal balance	**-25.9**	**-64.5**	**-183.8**	**-186.6**	**-434.9**	**-0.2**	**-2.3**	**-6.7**	**-6.8**	**-5.3**
Basic balance 1/	**…**	**-134.1**	**-248.4**	**-235.4**	**-618.0**	**…**	**-4.9**	**-9.0**	**-8.6**	**-7.5**
Overall balance	**-261.2**	**-166.7**	**-272.6**	**-263.7**	**-702.9**	**-2.3**	**-6.1**	**-9.9**	**-9.6**	**-8.5**
Financing	**261.2**	**166.7**	**272.6**	**263.7**	**702.9**	**2.3**	**6.1**	**9.9**	**9.6**	**8.5**
Domestic financing	**-85.8**	**-140.4**	**55.2**	**123.1**	**37.8**	**-0.8**	**-5.1**	**2.0**	**4.5**	**0.5**
Possible external financing 2/	**46.6**	**156.7**	**77.6**	**81.5**	**315.8**	**0.4**	**5.7**	**2.8**	**3.0**	**3.8**
Project loans	48.3	17.3	25.6	24.9	67.8	0.4	0.6	0.9	0.9	0.8
Program loans/grants	46.3	298.0	48.0	0.0	346.0	0.4	10.8	1.7	0.0	4.2
World Bank budget support grant	46.3	0.0	46.0	0.0	46.0	0.4	0.0	1.7	0.0	0.6
AfDB budget support grant	0.0	68.4	0.0	0.0	68.4	0.0	2.5	0.0	0.0	0.8
AFD budget support loan	0.0	229.6	0.0	0.0	229.6	0.0	8.3	0.0	0.0	2.8
WAEMU budget support grant	0.0	0.0	2.0	0.0	2.0	0.0	0.0	0.1	0.0	0.0
WAEMU financing	270.6	-33.4	71.6	96.5	134.7	2.4	-1.2	2.6	3.5	1.6
Amortization due (excl IMF)	-310.3	-125.2	-67.7	-39.9	-232.8	-2.8	-4.6	-2.5	-1.5	-2.8
Others	-8.3	…	…	…	…	-0.1	…	…	…	…
Exceptional financing	**300.4**	**150.4**	**81.3**	**59.2**	**290.8**	**2.7**	**5.5**	**3.0**	**2.2**	**3.5**
External arrears	-386.8	120.5	79.5	58.9	258.9	-3.4	4.4	2.9	2.1	3.1
Debt relief 3/	687.1	29.9	1.7	0.3	31.9	6.1	1.1	0.1	0.0	0.4
Financing gap	**0.0**	**0.0**	**-58.5**	**0.0**	**-58.5**	**0.0**	**0.0**	**-2.1**	**0.0**	**-0.7**
IMF (possible RCF)	**0.0**	**0.0**	**58.5**	**0.0**	**58.5**	**0.0**	**0.0**	**2.1**	**0.0**	**0.7**
Residual gap	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memo: Nominal GDP (CFA bn)	11,283	2,750	2,750	2,750	8,250	11,283	2,750	2,750	2,750	8,250

Sources: Ivoirien authorities and IMF staff estimates and projections

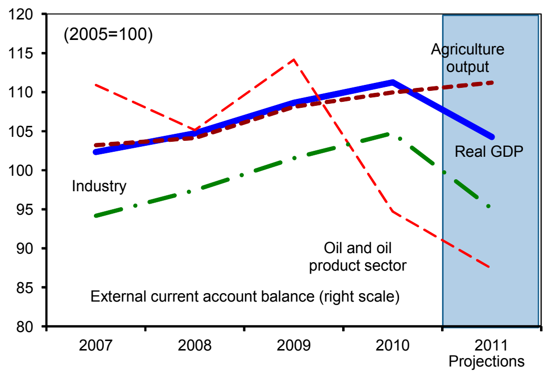
1/ Basic balance=(Total revenue-Grant+Crisis exit project grant)-(Total expenditure-Toxic waste-Debt relief on interest-Foreign financed expenditure).

2/ Reflects funding indications to date.

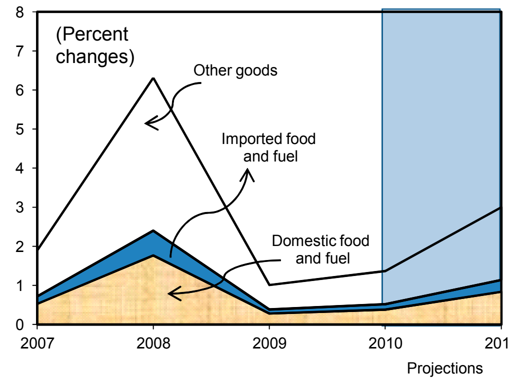
3/ Reflects debt relief granted under the May 2009 Paris Club debt restructuring agreement.

Figure 1. Côte d'Ivoire: Selected Macroeconomic Indicators, 2007–11
(Percent of GDP, unless otherwise indicated)

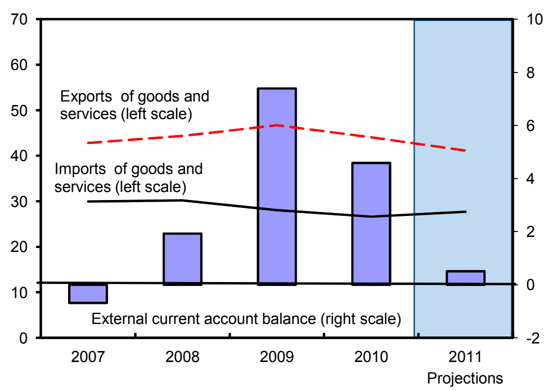
Growth declined as a result of the post-election conflict and drop in oil production...



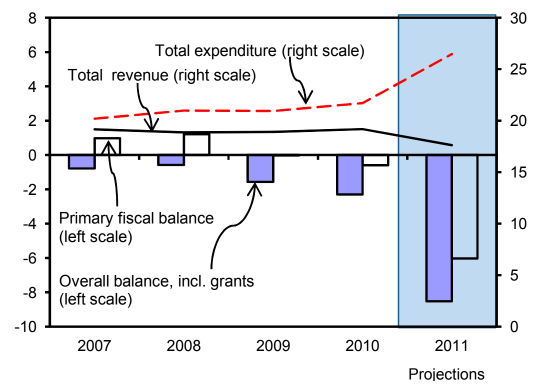
… while inflation picked up since the end of 2010



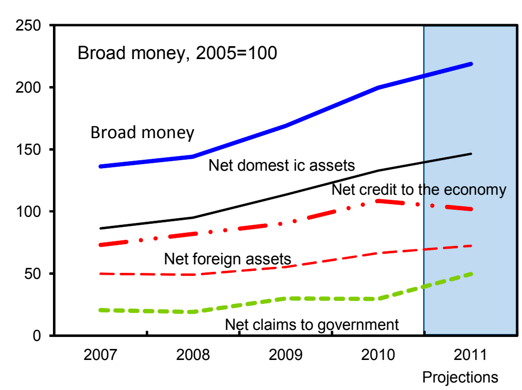
External current account surplus is shrinking ...



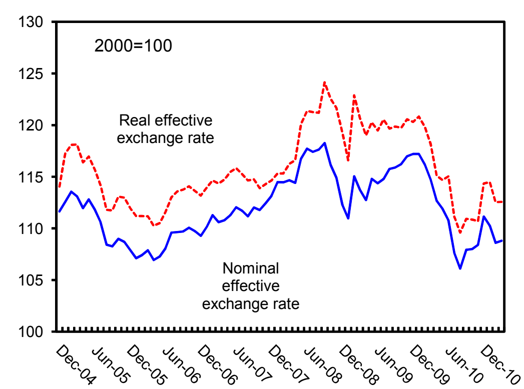
... while government expenditure grew, and primary fiscal and overall fiscal balances deteriorated sharply 1/



Growth in broad money is expected to slow down in 2011 as the banking system virtually shut down early in the year and banks are cautious in extending credit to the private sector.

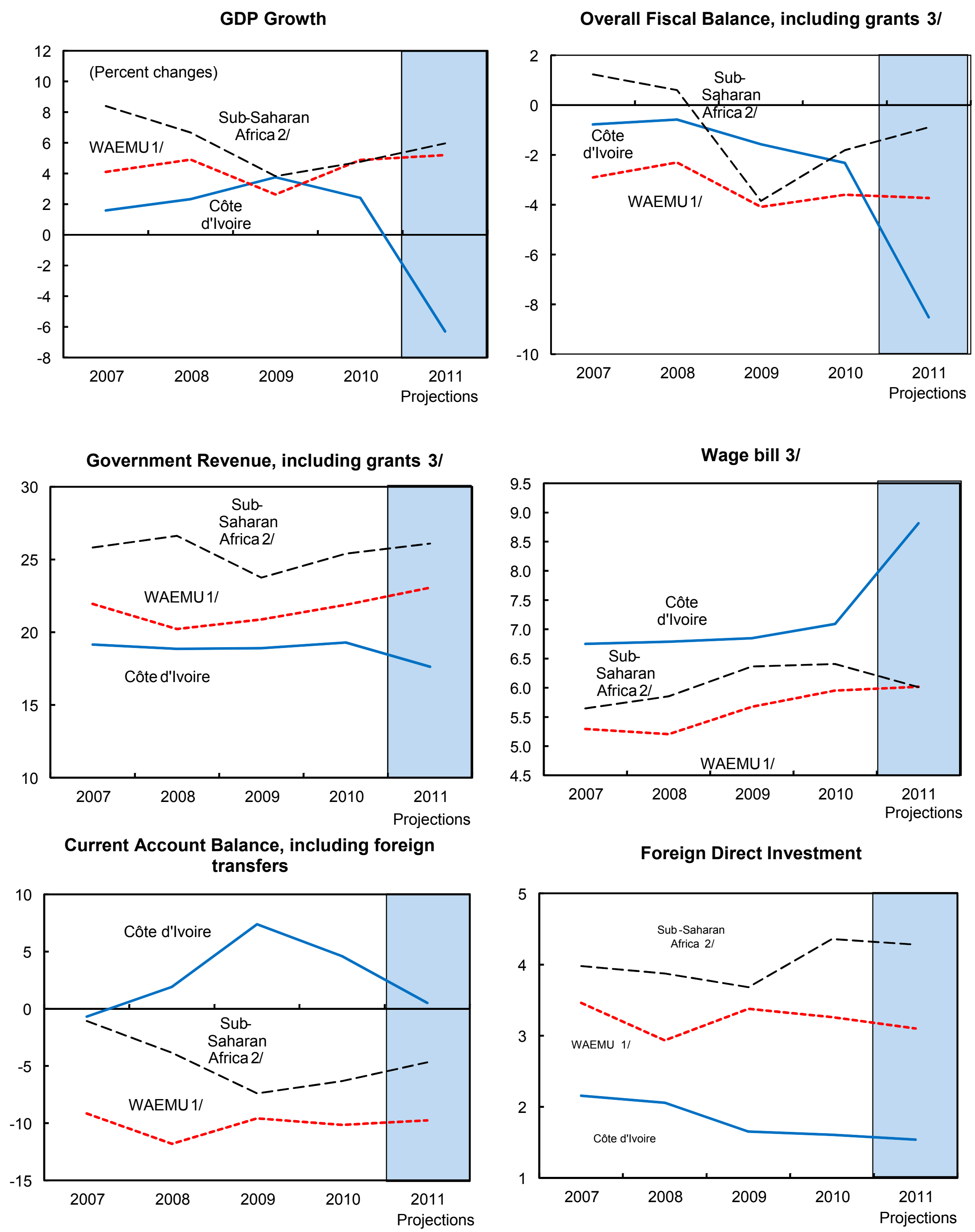


The real effective exchange rate depreciated since early 2009 due to low inflation and the depreciation of the Euro.



Sources: Ivorian authorities; IMF staff estimates and projections.
1/ Fiscal ratios for Q2-Q4, 2011 over period GDP

Figure 2. 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.
3/ For Cote d'Ivoire, Q2-Q4, 2011 over period GDP.

12. **The authorities are making efforts to regularize relations with external creditor**. After clearing arrears to the World Bank and the AfDB in late May, they are discussing arrears clearance with the EU/EIB. The authorities have already contacted Paris Club creditors and Eurobond holders on their intention to seek a rescheduling to clear arrears and resume payments subject to the availability of resources. A comparable approach is envisaged for other external creditors. Thus the authorities' program assumes the continued arrears accumulation of $578.8 million due in debt service to official bilateral and commercial creditors in 2011.

B. Normalizing banking and payment systems operations and structural reforms

13. **Rapid progress has been made in re-establishing banking system operations since late April, but loan portfolios have weakened significantly**. The reopening of the offices of the central bank (BCEAO) and of commercial banks allowed the gradual restoration of the payment system and normalization of key financial transactions. While cash withdrawals, as expected, were high in the first few days the banks were open, deposits returned fairly swiftly and public confidence was quickly restored.

MEFP ¶21

14. **The BCEAO and banks are still assessing the direct and indirect losses suffered during the more than 2 months of temporary closure**. The stocktaking is expected to be available by early July. Reflecting the damage throughout the economy, banks' portfolio quality has been weakened, particularly for banks with large exposure to small and medium-sized enterprises as these have suffered the most, and many may not recover. Bank losses from the crisis and the increase in minimum capital requirement that took effect at end-2010 raise uncertainties about banks' capital positions. Supervisory forbearance or other steps may need to be considered once more information is available.

15. **Even viable enterprises are facing serious liquidity needs**. The deterioration in banks' portfolio quality, the requirement of higher capital ratios as of end-2010, and, for foreign banks extending trade credits, the higher risk assessment for Côte d'Ivoire has limited most sources of financing for enterprises at a time when they are in urgent need of working capital and resources for re-building their operations. At the same time, the government's need for revenue is adding pressure on enterprise liquidity, even though the authorities are making efforts to take enterprises' specific circumstances into account when assessing and collecting taxes. No short-term solutions to this dilemma are at hand, and how the liquidity shortage is overcome in the next 2–3 months will be crucial for the speed of the economic recovery.

MEFP ¶20

16. **The many structural challenges that Côte d'Ivoire is facing remain and most have become more urgent.**[5] The already precarious financial situation of the *electricity sector* continues to deteriorate, despite the rise in the

[5] These challenges have been highlighted in recent staff reports.

electricity subsidy to over 1 percent of period GDP during Q2–4 2011. The *state oil refinery*, while technically efficient, is facing significant deficits and cash flow problems related in part to the *fuel price freeze* and the drop in demand. These issues will need to be addressed so that the refinery can continue operations and ensure the supply of fuel to the country. Although the authorities fully recognize these problems, they consider electricity and fuel prices too sensitive to be raised at this time. They intend to use the next several months to develop strategies to deal with the main structural challenges in a medium-term context. A seminar on challenges in the energy sector took place in early June 2011.

17. **Reforms that were under way in some areas are to be restarted soon.** The *civil service census* that had been initiated in 2010 is to be completed in 2–3 months. The damage the capital position of financial institutions suffered from the crisis adds urgency to the *formulation of a sector strategy* and the clarification of the government's role in it. Similarly the need for *developing an active debt management strategy* has been heightened by recent events. The authorities intend to update an action plan in these areas and relaunch its implementation. The *institutional reform of the cocoa/coffee sector* is an important remaining HIPC completion point trigger, and discussions on the reform strategy with the World Bank are expected to resume in the coming months. Last but not least, the authorities are reassessing their *Poverty Reduction Strategy* and expect to develop an updated implementation plan for 2011 by end-June.

C. Financing Needs—A Considerable Challenge in 2011

MEFP ¶23–24

18. **With the deterioration in the fiscal position and pressures on the balance of payments, the fiscal and external financing requirements are large**. After available financing, a financing gap of about FCFA 436 billion (5.3 percent of GDP) remains (Table 5). This gap could be filled by bilateral loans (2.8 percent of GDP), budget support grants (1.4 percent of GDP), debt relief (0.4 percent of GDP), and a possible purchase under the RCF (0.7 percent of GDP).

19. **Based on the above policy understandings covering the remainder of 2011, the authorities of Côte d'Ivoire are requesting a disbursement under the RCF of 25 percent of quota (SDR 81.3 million)**, given the immediate financing needs and payments imbalances, and the catalytic effect of solid Fund support on other external financial assistance (Tables 4 and 5). In view of the ECF arrangement of 2009 now being off-track, the authorities are requesting assistance under the RCF and therefore are also notifying the Fund of the cancellation of the existing ECF arrangement. Côte d'Ivoire has met its obligations to the Fund in a timely manner. Interim HIPC relief lapsed after March 2011, and could resume under a future ECF arrangement.

20. **The risk to Fund resources is considered to be manageable for Côte d'Ivoire.** The use of Fund resources under the RCF will have a negligible impact on debt and debt service ratios (Table 6). In addition, although Côte d'Ivoire is currently in debt distress owing to the effect of the post-election crisis, prospects of an early normalization of Côte d'Ivoire's

financial relations with its creditors including debt restructuring in the next 12 months are good. As the updated LIC DSA[6] shows, debt service indicators under the baseline are below their indicative targets, though they are expected to rise in the medium term, and the debt-service-to-revenue may breach its threshold temporarily under stress tests. In the past, including crisis years, Côte d'Ivoire has fully met its debt service obligations to the Fund.

21. **To help monitor program implementation, the staff and the authorities have reached understandings on a set of quarterly fiscal indicators** (see Table 7). In addition, the authorities prepared a monthly treasury plan, which will help balance cash needs on a monthly basis and should help limit the accumulation of new payment arrears.

MEFP Table 1

D. Near- and Medium-Term Outlook and Debt Sustainability

22. **A program that could be supported by a new ECF arrangement could be formulated as soon as the authorities are in a position to flesh out a medium-term economic program**. Establishment of an ECF-supported program is needed to move towards the completion point under the HIPC Initiative, a priority for the authorities (see Box 2 for the status of the completion point triggers).

Box 2: Triggers for the HIPC Completion Point
(As of May 2011)

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 first annual report on the 2009 PRSP implementation was issued. The government will update the PRS implementation plan for 2011 in June/July and aims to prepare a draft implementation report 2010–11 by end-March 2012, so that it could be validated nationally, and be submitted to IDA and the IMF in the first half of 2012.
Maintenance of macroeconomic stability as evidenced by satisfactory performances under a PRGF-supported program.	The 2nd reviews of the ECF-supported program was completed in July 2010. The program subsequently went off track. Agreement was reached at staff-level on an economic recovery program for April-December 2011 that could be supported under the IMF's Rapid Credit Facility.
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.	Since 2007, the government has published quarterly budget execution reports on the website of the Ministry of Finance. The reports include implementation of revenue collection and expenditure, disbursements, and since 2009 data on pro-poor spending. The last report posted is for end-September 2010. These reports have usually been posted more than 6 weeks after the end of the quarter.

[6] See Côte d'Ivoire LIC DSA (www.imf.org).

Box 2: Triggers for the HIPC Completion Point (continued)
(As of May 2011)

Measures	Status
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 and the preliminary assessment was submitted by the Audit Chamber to the Ministry of Economy and Finance for further clarification. The draft budget review law for 2009 is being reviewed by the Audit Chamber.
Public procurement regulatory (entity operational, separate from control entities) 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.	Following the adoption of the new public procurement code, the National Public Procurement Regulation Authority (*ANRMP*) was established by Decree 2009-260 of August 6, 2009, on the organization and functioning of the national public procurement authority. The *ANRMP* is operational since May 19, 2010. The list of public offerings undertaken and concession contracts granted is published three times per month in the public procurement journal and on the website (www.dmp.finances.gouv.ci), since 2009. The last journal to appear was the report of February 22, 2011. Since then there have not been any calls for tender.
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.	The rehabilitation and construction of new health centers, as well as the recruitment of qualified medical and paramedical staff resulted in improvement of the rate of trained personnel-supervised birth deliveries to 64.5% in 2009, against 56% in 2006. The rate is estimated at 67.5% in 2010.
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.	The government distributed free books covering French, mathematics and civic education to 70.9% of students enrolled in public primary schools. With the help of the World Bank, the distribution of more free books was planned at the start of the school year 2010/2011, which would raise the coverage rate to more than 90%. Only 30% of this distribution was possible before the post-election crisis, and it is feared that these books may not have reached the students. But the other 70% is available and it will be supplemented by an additional shipment in time for the start of the 2011/12 school year.
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 and publicly guaranteed debt data (external as well as domestic debt) have been published on the Treasury's website (www.tresor.gov.ci) on a quarterly basis since 2009. The last data posted is for September 2010, and this data has not always been posted within six weeks of the end of the quarter.

Box 2: Triggers for the HIPC Completion Point (concluded)
(As of May 2011)

Measures	Status
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 on payments by extractive industries—crude oil, and gas--to the state as well as revenues from these industries is available since April 2010. A consulting firm began work on the report for 2008 and 2009 but this was interrupted when the government went into arrears with the World Bank and the consultant could no longer be paid. The mining sector will need to be covered in this report.
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 of PETROCI for 2008 and 2009 have been published in July 2009 and July 2010, respectively, in the government newspaper.
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 22% ad valorem tax on cocoa exports has been applied for the 2010/2011 season supported by a decree from the MEF and the Minister of Agriculture in September 2010.
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.	Following consultations with stakeholders, a final version incorporating all suggestions was forwarded to the President in October 2010. This process is under discussion with the new government.

23. **Growth should be strong in 2012 as the economy recovers from the crisis**. Real GDP growth of 8–10 percent should be possible in 2012 once the security situation has been alleviated, parliamentary elections held, and investor confidence restored. After a decade of eroding per capita income, investment opportunities abound, including in oil exploration, electric power generation, construction, and transport infrastructure. Related import needs as well as declining oil production are expected to return the current account balance to a moderate deficit over the medium term.

24. **Bank and Fund staff have prepared a new the LIC DSA in light of the post-election crisis and new borrowing, and discussed it with the authorities**. Reflecting the accumulation of external arrears, Côte d'Ivoire's debt outlook has deteriorated temporarily to the level of debt distress. The clearance of these arrears in late 2011 or early 2012 in the context of a possible ECF-supported program should revert this assessment to one of high risk, and reaching the HIPC completion point would make Côte d'Ivoire's debt

sustainable, providing space for much-needed borrowing to rehabilitate the economy. The RCF request would not materially affect the outlook with regard the outlook for the sustainability of debt.

E. Risks to the Outlook

25. **Uncertainties and risks regarding the 2011 outlook are large**. The security situation remains fragile and the government has not yet gained full control of the security forces. The establishment of law and order, the full revival of the public administration, and the full normalization of banking system operations are still underway. Revenue collections may be very low for several months until economic activity fully recovers, while the new government faces large immediate cash needs that will require a strict prioritization of spending. However, if the near-term challenges in 2011 can be addressed effectively and the election process completed, prospects are good for a resumption of strong growth along the lines envisaged in Côte d'Ivoire's PRSP for 2009–13.

IV. Staff Appraisal

26. **Dealing with the shocks and aftermath of the post-election political crisis and armed conflict during November 2010–April 2011 is a serious challenge for the authorities**. With the economy contracting, they have the complex task of consolidating peace, restoring law and order, supporting a recovery in economic activity, as well as fully restoring the operations of the public administration.

27. **The authorities' fiscal response to the economic crisis in the face of a very uncertain resource envelope is appropriate**. The budget for the period starting April 26, 2011 (the reopening of the central bank offices after a closure of almost 3 months) envisages a sizeable decline in revenue, a considerable rise in expenditure, and a large deficit that is expected to be covered largely by foreign resources. Staff consider the budgetary stance appropriate and conducive to an economic recovery and macroeconomic stability, while avoiding new domestic payments arrears.

28. **Staff support the authorities' cautious approach to revenue forecasting given the uncertainties on how quickly activity will recover**. Commodity revenues should provide early inflows, but other taxes will take time to recover, reflecting the recent tax breaks to support the economy and help vulnerable groups, and the expected gradual recovery of the private sector.

29. **Expenditure will need to be kept in line with available resources while addressing immediate priorities**. The early payment of government wages helped to inject liquidity and boost confidence, as did temporary social programs, such as free health care at state clinics. While staff see the balance between revenue and expenditure choices as appropriate, given the uncertainties, it will be important to ensure expenditures are kept in line with available resources to avoid endangering macroeconomic stability. In the short

term, the authorities will need to rely heavily on foreign budgetary financing. In view of Côte d'Ivoire's heavy debt burden, staff urge the authorities to seek concessional financing, preferably grants, to the extent possible.

30. **The authorities need more time to formulate their medium-term structural reform plans**. Their focus on the reform of the energy and cocoa sectors, on which extensive analytical work has already been done, as immediate priorities, and, over a longer horizon, judicial reform, is welcome and encouraged.

31. **Staff support the authorities' request for assistance under the RCF in the amount of 25 percent of quota** in light of the large balance of payments and fiscal needs and the catalytic effect of Fund support on other external assistance. The risks to the outlook are considerable given the uncertainties in this post-conflict environment. However, given the authorities' commitment to the policies to be supported by the RCF they are manageable. If the near-term challenges are addressed effectively, prospects are good for a resumption of strong economic growth in 2012.

Table1. Côte d'Ivoire: Selected Economic Indicators, 2008–11

	2008	2009	2010	2011 Proj.
	(Annual percentage changes, unless otherwise indicated)			
National income				
GDP at constant prices	2.3	3.8	2.4	-6.3
GDP deflator	8.1	0.1	1.9	4.1
Consumer price index (annual average)	6.3	1.0	1.4	3.0
Consumer price index (end of period)	9.0	-1.7	5.1	3.0
External sector (on the basis of CFA francs)				
Exports, f.o.b., at current prices	14.5	9.2	-1.6	-9.5
Imports, f.o.b., at current prices	-11.3	3.6	-0.9	0.8
Export volume	-2.5	11.0	-12.8	-13.7
Import volume	3.0	4.7	-8.6	-4.8
Terms of trade (deterioration –)	8.7	6.8	4.1	-1.0
Nominal effective exchange rate	3.0	0.0	...	...
Real effective exchange rate (depreciation –) 1/	4.7	0.0	...	...
Central government operations				
Total revenue and grants	15.2	-1.6	5.5	-33.9
Total expenditure	14.0	3.4	9.0	-12.7
	(Changes in Percent of Beginning-of-Period Broad Money)			
Money and credit				
Money and quasi-money (M2)	5.7	17.2	18.2	9.6
Net foreign assets	-0.5	4.3	6.7	2.9
Net domestic assets	6.2	12.9	11.5	6.7
Of which : government	-1.1	7.4	-0.2	10.0
Of which: private sector	6.5	5.9	10.7	-3.3
Velocity of money	3.5	3.1	2.7	2.4
	(Percent of GDP unless otherwise indicated)			
Central government operations 2/				
Total revenue and grants	20.6	19.5	19.7	17.9
Total revenue	18.9	18.9	19.2	17.6
Total expenditure	21.1	21.1	22.0	26.4
Overall balance, incl. grants, payment order basis	-0.6	-1.6	-2.3	-8.5
Primary basic balance 3/	0.3	0.4	-0.2	-5.3
Gross investment	10.1	10.2	9.5	10.8
Central government	3.0	3.1	3.1	2.7
Nongovernment sector	7.1	7.1	6.4	8.1
Gross domestic saving	17.7	22.2	20.5	17.9
Central government	2.1	2.2	1.7	-2.8
Nongovernment sector	15.6	20.1	18.8	20.7
Gross national saving	12.1	17.6	14.0	11.3
Central government	2.6	1.6	1.1	-3.7
Nongovernment sector	9.4	16.0	13.0	15.0
External sector				
Current account balance (including official transfers)	1.9	7.4	4.6	0.5
Current account balance (excluding official transfers)	0.8	5.2	4.2	0.5
Overall balance	-0.4	-2.2	-1.0	-5.2
External public debt	61.9	53.9	50.6	53.2
Public external debt-service due before rescheduling (CFAF billions)	428	440	438	357
Percent of exports of goods and services	8.4	8.1	7.6	7.4
Percent of government revenue	21.6	21.9	19.2	25.3
Memorandum items:				
Public debt in arrears (percent of GDP)	26.2	6.7	1.9	4.1
Domestic (after securitization)	2.7	1.9	0.7	0.5
External	23.6	4.8	1.2	3.6
Nominal GDP (CFAF billions)	10,485	10,880	11,352	11,000
Nominal exchange rate (CFAF/US$, period average)	446	484	494	
Nominal GDP at market prices (US$ billions)	23.5	22.5	23.0	23.9
Population (million)	20.8	21.4	22.0	22.7
Population growth (percent)	3.0	3.0	3.0	3.0
Nominal GDP per capita (CFAF thousands)	505	509	515	485
Nominal GDP per capita (US$)	1,132	1,052	1,043	1,054
Real GDP per capita growth (percent)	-0.7	0.8	-0.6	-9.3

Sources: Ivoirien 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/ 2011 ratios based on Q2-Q4 fiscal aggregates over Q2-Q4 of GDP.
3/ Defined as total revenue minus total expenditure, excluding all interest and foreign-financed investment expenditure.

Table 2. Côte d'Ivoire: Monetary Survey, 2008–11

	2008	2009	2010	2011 Proj.
	(Billions of CFA francs)			
Net foreign assets	1,021.2	1,149.3	1,385.4	1,504.8
Central bank	950.2	1,082.5	1,351.9	1,471.3
Banks	71.0	66.8	33.5	33.5
Net domestic assets	1,976.0	2,362.7	2,766.9	3,045.2
Net credit to the government	399.7	622.1	616.1	1,032.2
Central Bank	236.2	451.8	486.8	515.8
Banks	145.6	148.2	301.5	516.4
of which : customs bills	-10.4	-7.7	-7.6	-7.6
Postal savings (CNCE)	17.9	22.1	0.0	0.0
Credit to the economy	1,705.1	1,882.8	2,258.5	2,120.7
Crop credits	94.7	99.1	100.3	95.0
Other credit (including customs bills)	1,609.4	1,785.4	1,947.6	2,025.6
Other items (net) (assets = +)	-128.7	-142.2	-107.7	-107.7
Broad money	2,997.3	3,512.0	4,152.3	4,550.0
Currency in circulation	1,078.7	1,343.5	1,638.2	1,656.7
Deposits	1,892.2	2,137.7	2,506.7	2,868.7
Other deposits	8.5	8.7	7.4	24.6
Postal savings (CNCE)	17.9	22.1	0.0	0.0
Memorandum item:				
Velocity of circulation	3.5	3.1	2.7	2.4
	(Changes in percent of beginning-of-period broad money)			
Net foreign assets	-0.5	4.3	6.7	2.9
Net domestic assets	6.2	12.9	11.5	6.7
Net credit to the government	-1.1	7.4	-0.2	10.0
Central bank	1.5	7.2	1.0	0.7
Banks	-2.6	0.1	4.4	5.2
Credit to the economy	6.5	5.9	10.7	-3.3
Broad money	5.7	17.2	18.2	9.6
	(Changes in percent of previous end-of-year)			
Net foreign assets	-1.5	12.5	20.5	8.6
Net domestic assets	9.8	19.6	17.1	10.1
Net credit to the government	-7.0	55.7	-1.0	67.5
Central bank	21.6	91.3	7.7	6.0
Banks	-33.4	1.8	103.4	71.3
Credit to the economy	12.1	10.4	20.0	-6.1
Broad money	5.7	17.2	18.2	9.6

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

Table 3.Côte d'Ivoire: Balance of Payments, 2008–11

(Billions of CFA francs, unless otherwise indicated)

	2008	2009	2010	2011 Proj.
Trade balance	1,487.3	2,029.3	1,977.6	1,478.1
Exports, f.o.b.	4,652.6	5,079.7	5,001.0	4,525.3
Of which: cocoa	1,263.2	1,756.0	1,772.0	1,679.1
Of which: crude oil and refined oil products	1,324.4	1,450.4	1,510.5	1,283.2
Imports, f.o.b.	-3,165.3	-3,050.4	-3,023.4	-3,047.2
Of which: crude oil	-1,243.8	-819.4	-954.6	-892.7
Services (net)	-1,136.5	-1,170.5	-1,193.0	-1,132.7
Receipts	564.6	569.1	596.1	572.0
Factor income	105.9	105.8	107.6	104.3
Other services	458.7	463.3	488.5	467.7
Payments	-1,701.1	-1,739.6	-1,789.2	-1,704.6
Factor income	-544.9	-561.0	-574.9	-541.3
Of which: central government interest due	-123.6	-126.5	-128.2	-124.3
Before rescheduling/refinancing	…	…	-97.4	-88.1
On new financing	…	…	-30.7	-36.2
Of which: oil sector	-259.3	-176.2	-196.1	-258.0
Other services	-1,156.2	-1,178.6	-1,214.2	-1,163.4
Transfers (net)	-148.9	-54.3	-264.1	-290.0
Private	-261.7	-288.2	-305.1	-295.7
Current account including official transfers	201.9	804.5	520.5	55.4
Current account excluding official transfers	89.1	570.6	479.4	49.7
Capital account	-242.5	-1,039.2	-632.6	-631.2
Official medium- and long-term loans (net)	-243.2	-260.0	-262.0	-165.0
Project loans	38.9	53.3	48.3	67.8
Central government amortization due	-282.1	-313.3	-310.3	-232.8
On new financing	…	…	-49.7	-75.6
Foreign direct investments	215.9	179.8	181.2	162.4
Other private capital	-215.2	-959.1	-551.9	-628.7
oil sector	-77.6	-172.3	-120.0	-128.6
government securities sold to WAEMU banks	76.2	27.5	284.0	134.7
others	-213.8	-814.3	-715.9	-634.8
Errors and omissions	0.0	0.0	0.0	0.0
Overall balance	-40.7	-234.7	-112.2	-575.8
Financing	40.7	234.7	110.6	139.5
Official net reserves (increase -)	44.0	-132.3	-269.4	-119.4
Operations account	40.9	-206.5	-285.5	-108.5
IMF (net)	3.1	74.2	16.1	-10.9
Disbursements	27.3	85.1	27.0	0.0
Repayments	-24.2	-10.9	-10.9	-10.9
Commercial banks (net)	-28.6	4.2	33.3	0.0
Debt relief obtained	0.0	2,279.8	733.4	0.0
Net change in external arrears (principal and interest)	25.3	-1,917.0	-386.8	258.9
Financing gap	0.0	0.0	0.0	436.3
Possible financing 2011				436.3
Program grants and loans				345.9
World Bank grant				46.0
AFD loan				229.6
AfDB grant				68.4
WAEMU grant				2.0
Debt relief				31.9
Residual gap				58.5
Of which : IMF-RCF				58.5
Memorandum items:				
Overall balance (percent of GDP)	-0.4	-2.2	-1.0	-5.2
Current account incl. official transfers (percent of GDP)	1.9	7.4	4.6	0.5
Current account excl. official transfers (percent of GDP)	0.8	5.2	4.2	0.5
Trade balance (percent of GDP)	14.2	18.7	17.4	13.4
Cocoa exports (thousand tons)	1,124	1,245	1,263	1,011
Cocoa export price, f.o.b (CFAF/kg)	1,008	1,334	1,446	1,370
Gross imputed official reserves (US$ million)	2,437	2,675	3,194	3,669
(months of imports of goods and services)	3.0	3.7	4.5	4.8
Outstanding arrears (year-end)	2,472	521	137	396
Nominal GDP	10,485	10,880	11,352	11,000
Nominal exchange rate (CFAF/US$; average)	446	484	494	…

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

Table 4a. Côte d'Ivoire: Fiscal Operations of the Central Government, 2009–11

(In Billion of CFA francs, unless otherwise indicated)

	2008	2009	2010	2011 Proj. 1/
Total revenue and grants	2,156.2	2,120.8	2,236.6	1,478.8
Total revenue	1,976.8	2,057.7	2,176.2	1,454.4
Tax revenue	1,638.0	1,795.6	1,928.5	1,264.7
Direct taxes	541.7	542.9	551.1	416.4
Of which : profit tax on oil	138.6	110.6	119.9	156.9
Indirect taxes	1,096.3	1,252.7	1,377.4	848.3
Nontax revenue	338.8	262.1	247.7	189.7
Social security contributions	141.4	151.2	162.8	134.9
Other	197.4	110.9	84.9	54.8
Of which : PETROCI dividends	27.0	20.0	21.3	12.0
Grants	179.5	63.1	60.4	24.4
Projects	38.8	49.5	41.1	18.6
Programs (incl. crisis-related)	140.7	13.6	19.3	5.8
Total expenditure	2,217.2	2,291.9	2,497.8	2,181.7
Current expenditure	1,879.9	1,945.2	2,115.8	1,885.0
Wages and salaries	711.7	745.0	800.4	727.4
Social security benefits	188.6	203.4	212.6	166.4
Subsidies and other current transfers (incl. education and health)	164.7	216.1	272.5	303.3
Electricity sector subsidy	43.4	47.4	82.6	87.3
Other current expenditure	504.3	483.7	491.6	397.9
Of which: toxic waste damage	7.7	9.0	11.8	5.0
Crisis-related expenditure	122.5	128.5	144.2	85.0
Interest due	188.1	168.5	194.5	204.9
On domestic debt	64.5	42.0	66.3	80.6
On external debt	123.6	126.5	128.2	124.3
Before rescheduling/refinancing			97.4	88.1
On new financing			30.7	36.2
Capital expenditure	319.6	334.3	348.6	300.2
Domestically financed	241.9	231.5	259.2	217.8
Foreign-financed	77.7	102.8	89.4	82.4
Net lending	17.7	12.4	33.4	-3.5
Primary basic balance 2/	33.1	46.1	-25.9	-434.9
Overall balance, including grants 3/	-61.0	-171.1	-261.2	-702.9
Overall balance, excluding grants 3/	-240.4	-234.2	-321.6	-727.3
Change in domestic arrears and float (excl. on debt service)	104.8	-70.3	-35.1	-25.0
Net change in external arrears (interests)	30.1	-821.6	-252.7	95.9
Change in existing arrears	-55.2	-864.6	-271.6	-5.2
Accumulation of new arrears	85.2	43.1	19.0	101.2
Overall balance (cash basis)	73.9	-1,063.0	-548.9	-631.9

Sources: Ivoirien authorities; and IMF staff estimates and projections.
1/ 2011 aggregates are based on Q2–Q4.
2/ Total revenue (excl. grants) minus expenditure net of scheduled interest and foreign-financed capital expenditure.
3/ Program and arrear clearance grants in 2008 are below the line in the program column, and above the line in the projection column.

Table 4a. Côte d'Ivoire: Fiscal Operations of the Central Government, 2009–11 (concluded)

(In Billion of CFA francs, unless otherwise indicated)

	2008	2009	2010	2011 Proj. 1/
Financing	-73.9	1,063.0	548.9	631.9
Domestic financing	53.4	111.1	-59.4	62.8
Bank financing (net)	-25.0	212.0	118.2	74.3
Net use of Fund resources	3.6	74.2	16.6	-10.9
Central bank credit (net)	39.2	148.4	-3.1	3.0
Other domestic bank financing (net)	-67.8	-10.6	104.7	82.2
Of which: Versus Bank restructuring	0.0	75.0	-1.0	-1.5
Nonbank financing (net)	78.4	-100.9	-177.6	-11.5
External financing	-127.3	951.9	606.7	132.8
Consolidation (bonds)	0.0	0.0	-1.2	0.1
Project loans	38.9	53.3	48.3	67.8
Program loans	0.0	0.0	0.0	0.0
WAEMU financing (in CFAF)	76.2	27.5	270.6	134.7
Amortization due	-237.6	-313.3	-310.3	-232.8
Net change in external arrears (principal)	-4.8	-1,095.4	-134.1	162.9
Change in existing arrears	-171.5	-1,202.3	-190.6	-20.4
Accumulation of new arrears	166.7	106.9	56.5	183.3
Debt relief and budget support	0.0	2,279.8	733.4	
Official bilaterals, incl. Paris Club	0.0	1,926.5	231.1	
Commercial (incl. Brady Bonds)	0.0	0.0	456.0	
AfDB arrears clearance grant	0.0	183.9	0.0	
EIB	0.0	33.4	0.0	
World Bank budget support	0.0	71.9	46.3	
AfDB budget support	0.0	64.0	0.0	
Financing gap (+ deficit / – surplus)	0.0	0.0	0.0	436.3
Possible financing 2011				436.3
Program grants and loans				345.9
World Bank grant				46.0
AFD loan				229.6
AfDB grant				68.4
WAEMU grant				2.0
Debt relief				31.9
Residual gap				58.5
of which IMF-RCF				58.5
Memorandum items:				
Nominal GDP	10,485	10,880	11,352	8,250
Domestic debt (including financial debt)	1,405	1,371	1,793	1,842
Of which: in arrears	279	209	79	54
Change in domestic arrears (excl. on debt service)	104.8	-70.3	-129.8	-25.0
External debt	6,488	5,861	5,749	5,851
Of which: in arrears	2,472	521	137	396
Pro-poor spending (including foreign financed)	726.8	843.0	885.2	840.1
Of which: Education	496.9	533.1		
Health	98.3	118.4		

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

1/ 2011 aggregates are based on Q2–Q4.

Table 4b. Côte d'Ivoire: Fiscal Operations of the Central Government, 2009–11

(In percent of GDP, unless otherwise indicated)

	2008	2009	2010	2011 Proj. 1/
Total revenue and grants	20.6	19.5	19.7	17.9
Total revenue	18.9	18.9	19.2	17.6
Tax revenue	15.6	16.5	17.0	15.3
Direct taxes	5.2	5.0	4.9	5.0
Of which : profit tax on oil	1.3	1.0	1.1	1.9
Indirect taxes	10.5	11.5	12.1	10.3
Nontax revenue	3.2	2.4	2.2	2.3
Social security contributions	1.3	1.4	1.4	1.6
Other	1.9	1.0	0.7	0.7
Of which : PETROCI dividends	0.3	0.2	0.2	0.1
Grants	1.7	0.6	0.5	0.3
Projects	0.4	0.5	0.4	0.2
Programs (incl. crisis-related)	1.3	0.1	0.2	0.1
Total expenditure	21.1	21.1	22.0	26.4
Current expenditure	17.9	17.9	18.6	22.8
Wages and salaries	6.8	6.8	7.1	8.8
Social security benefits	1.8	1.9	1.9	2.0
Subsidies and other current transfers (incl. education and health)	1.6	2.0	2.4	3.7
Of which: Electricity sector subsidy	0.4	0.4	0.7	1.1
Other current expenditure	4.8	4.4	4.3	4.8
Of which: toxic waste damage	0.1	0.1	0.1	0.1
Crisis-related expenditure	1.2	1.2	1.3	1.0
Interest due	1.8	1.5	1.7	2.5
On domestic debt	0.6	0.4	0.6	1.0
On external debt	1.2	1.2	1.1	1.5
Before rescheduling/refinancing	0.0	0.0	0.9	1.1
On new financing	0.0	0.0	0.3	0.4
of which on rescheduling	0.0	0.0	0.3	0.4
Capital expenditure	3.0	3.1	3.1	3.6
Domestically financed	2.3	2.1	2.3	2.6
Foreign-financed	0.7	0.9	0.8	1.0
Net lending	0.2	0.1	0.3	0.0
Primary basic balance 2/	0.3	0.4	-0.2	-5.3
Overall balance, including grants 3/	-0.6	-1.6	-2.3	-8.5
Overall balance, excluding grants 3/	-2.3	-2.2	-2.8	-8.8
Change in domestic arrears (excl. on debt service)	1.0	-0.6	-0.3	-0.3
Net change in external arrears (interests)	0.3	-7.6	-2.2	1.2
Change in existing arrears	-0.5	-7.9	-2.4	-0.1
Accumulation of new arrears	0.8	0.4	0.2	1.2
Overall balance (cash basis)	0.7	-9.8	-4.8	-7.7

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

1/ 2011 ratios based on Q2–Q4 fiscal aggregates over Q2–Q4 of GDP.

2/ Total revenue (excl. grants) minus expenditure net of scheduled interest and foreign-financed capital expenditure.

3/ Program and arrear clearance grants in 2008 are below the line in the program column, and above the line in the projection column.

Table 4b. Côte d'Ivoire: Fiscal Operations of the Central Government, 2009–11 (concluded)

(In percent of GDP, unless otherwise indicated)

	2008	2009	2010	2011 Proj. 1/
Financing	-0.7	9.8	4.8	7.7
Domestic financing	0.5	1.0	-0.5	0.8
Bank financing (net)	-0.2	1.9	1.0	0.9
Net use of Fund resources	0.0	0.7	0.1	-0.1
Central bank credit (net)	0.4	1.4	0.0	0.0
Other domestic bank financing (net)	-0.6	-0.1	0.9	1.0
Of which: Versus Bank restructuring	0.0	0.7	0.0	0.0
Nonbank financing (net)	0.7	-0.9	-1.6	-0.1
External financing	-1.2	8.7	5.3	1.6
Consolidation (bonds)	0.0	0.0	0.0	0.0
Project loans	0.4	0.5	0.4	0.8
Program loans	0.0	0.0	0.0	0.0
WAEMU financing (in CFAF)	0.7	0.3	2.4	1.6
Amortization due	-2.3	-2.9	-2.7	-2.8
Net change in external arrears (principal)	0.0	-10.1	-1.2	2.0
Change in existing arrears	-1.6	-11.1	-1.7	-0.2
Accumulation of new arrears	1.6	1.0	0.5	2.2
Debt relief and budget support	0.0	21.0	6.5	0.0
Official bilaterals, incl. Paris Club	0.0	17.7	2.0	
Commercial (incl. Brady Bonds)	0.0	0.0	4.0	
AfDB arrears clearance grant	0.0	1.7	0.0	
EIB	0.0	0.3	0.0	
World Bank budget support	0.0	0.7	0.4	
AfDB budget support	0.0	0.6	0.0	
Financing gap (+ deficit / – surplus)	0.0	0.0	0.0	5.3
Possible financing 2011				5.3
Program grants and loans				4.2
World Bank grant				0.6
AFD loan				2.8
AfDB grant				0.8
WAEMU grant				0.0
Debt relief				0.4
Residual gap				0.7
Of which IMF-RCF				0.7
Memorandum items:				
Domestic debt (including financial debt)	13.4	12.6	15.8	22.3
Of which: in arrears	2.7	1.9	0.7	0.7
Change in domestic arrears (excl. on debt service)	1.0	-0.6	-1.1	-0.3
External debt	61.9	53.9	50.6	70.9
Of which: in arrears	23.6	4.8	1.2	3.6
Pro-poor spending (including foreign financed)	6.9	7.7	7.8	10.2
Of which : Education	4.7	4.9	0.0	0.0
Health	0.9	1.1	0.0	0.0

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

1/ 2011 ratios based on Q2–Q4 fiscal aggregates over Q2–Q4 of GDP.

Table 5. Côte d'Ivoire: External Financing Requirements, 2007–11

(Billions of CFA francs)

	2007	2008	2009	2010	2011
External financing requirements	-130.6	-179.0	-2652.1	-851.4	-509.8
Current account balance (excluding official transfers)	-143.1	89.1	570.6	479.4	49.7
Amortization	-222.9	-282.1	-313.3	-310.3	-232.8
Of which : government	-222.9	-282.1	-313.3	-310.3	-232.8
Fund repurchases and repayments	-24.2	-24.2	-10.9	-10.9	-10.9
Private capital, net (commercial banks, FDIs, errors and omissions)	216.8	-27.9	-775.0	-337.3	-466.3
Net change in external arrears (interest and principal) (+=accumulation)	266.6	25.3	-1917.0	-386.8	258.9
Of which : World Bank arrears repayment	0.0	-223.1	0.0	1.0	2.0
Change in net external reserves without IMF (- = increase)	-223.9	40.9	-206.5	-285.5	-108.5
Available financing	130.6	179.0	2652.1	849.8	73.5
Project financing	22.5	38.9	53.3	48.3	67.8
Program financing	0.0	0.0	0.0	0.0	0.0
Fund disbursements	29.8	27.3	85.1	27.0	0.0
Official transfers	78.3	112.8	233.9	41.1	5.7
Project grants and other transfers (net)	78.3	101.0	201.2	8.4	-27.0
Debt relief obtained	0.0	0.0	2279.8	733.4	0.0
Financing gap	0.0	0.0	0.0	0.0	-436.3
Expected sources of financing					377.8
World Bank grant					46.0
AFD loan					229.6
AfDB grant					68.4
WAEMU grant					2.0
Debt relief					31.9
Residual gap					58.5
Possible IMF RCF					58.5

Sources: Ivorien authorities; IMF staff estimates and projections.

Table 6. Cote d'Ivoire: Indicators of Capacity to Repay the Fund, 2009–21

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
								Projections					
Fund obligations based on existing credit													
(millions of SDRs)													
Principal	93.0	11.7	11.7	5.9	0.0	15.9	39.0	46.2	46.2	46.2	30.2	7.2	0.0
Charges and interest 1/	0.1	0.1	0.1	0.8	0.8	0.8	0.7	0.6	0.5	0.3	0.2	0.2	0.2
Fund obligations based on existing and prospective credit 2/													
(millions of SDRs)													
Principal	93.0	11.7	11.7	5.9	-	15.9	39.0	46.2	62.4	62.4	46.5	23.4	16.3
Charges and interest 1/	0.0	0.0	0.1	1.0	1.0	1.0	0.9	0.8	0.6	0.5	0.3	0.2	0.2
Total obligations based on existing and prospective credit 2/													
In millions of SDRs	93.0	11.7	11.8	6.8	1.0	16.9	39.9	47.0	63.1	62.9	46.8	23.7	16.5
In billions of CFA francs	67.6	8.8	8.9	4.9	0.7	12.2	29.0	34.2	45.9	45.8	34.1	17.2	12.0
In percent of government revenue	3.2	0.4	0.6	0.2	0.0	0.4	0.9	0.9	1.2	1.1	0.7	0.3	0.2
In percent of exports of goods and services	1.2	0.2	0.2	0.1	0.0	0.2	0.5	0.5	0.6	0.6	0.4	0.2	0.1
In percent of debt service 3/	15.0	2.1	2.4	1.1	0.1	2.2	4.8	5.3	7.9	9.0	7.5	4.0	5.5
In percent of GDP	0.6	0.1	0.1	0.0	0.0	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.0
In percent of quota	28.6	3.6	3.6	2.1	0.3	5.2	12.3	14.4	19.4	19.3	14.4	7.3	5.1
Outstanding Fund credit													
In millions of SDRs	224.4	284.2	318.1	312.2	312.2	296.3	257.2	211.1	148.6	86.2	39.7	16.3	0.0
In billions of CFA francs	163.0	214.4	239.9	224.8	223.8	213.9	187.2	153.6	108.2	62.7	28.9	11.8	0.0
In percent of government revenue	7.7	9.6	16.2	9.6	8.4	7.1	5.6	4.2	2.7	1.4	0.6	0.2	0.0
In percent of exports of goods and services	2.9	3.9	4.8	4.2	3.9	3.6	2.9	2.3	1.5	0.8	0.3	0.1	0.0
In percent of debt service	36.2	51.3	65.2	52.6	44.3	37.8	30.7	23.6	18.7	12.4	6.4	2.7	0.0
In percent of GDP	1.5	1.9	2.2	1.8	1.7	1.5	1.2	0.9	0.6	0.3	0.1	0.0	0.0
In percent of quota	69.0	87.4	97.8	96.0	96.0	91.1	79.1	64.9	45.7	26.5	12.2	5.0	0.0
Net use of Fund credit (millions of SDRs)	102.1	24.1	69.6	-5.9	0.0	-15.9	-39.0	-46.2	-62.4	-62.4	-46.5	-23.4	-16.3
Disbursements	195.1	35.8	81.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	93.0	11.7	11.7	5.9	0.0	15.9	39.0	46.2	62.4	62.4	46.5	23.4	16.3
Memorandum items:													
Nominal GDP (billions of CFA francs)	10,880.0	11,351.8	10,999.8	12,411.4	13,528.9	14,721.2	15,983.0	17,335.1	18,752.2	20,275.3	21,941.7	23,723.2	25,758.2
Exports of goods and services (billions of CFA francs)	5,543.0	5,489.4	4,993.0	5,414.2	5,701.6	5,976.8	6,380.3	6,718.7	7,191.8	7,767.3	8,308.4	8,924.1	13,264.3
Government revenue (billions of CFA francs)	2,120.8	2,236.6	1,478.8	2,347.9	2,673.5	2,998.7	3,342.8	3,646.3	3,961.2	4,329.8	4,784.0	5,201.8	5,789.0
Debt service (billions of CFA francs)	450.7	417.7	368.0	427.6	505.4	566.3	610.8	649.9	577.9	507.4	454.1	434.5	216.7
CFA francs/SDR (period average)	726.5	754.4	754.4	720.0	716.7	722.2	727.9	727.9	727.9	727.9	727.9	727.9	727.9
		26,986.1											

Sources: IMF staff estimates and projections.

1/ The interest rate on ECF is zero for 2009 -11 and assumed at 0.25 percent thereafter.

2/ Assuming no more disbursement under the 2009 ECF and one-time RCF disbursment of SDR 81.3 million (25 percent of quota).

3/ Total debt service includes IMF repurchases and repayments.

Table 7. Côte d'Ivoire: Indicative Targets, RCF 2011

(Billion of CFA francs)

	2010	2011 1/						
		March	June		Sept.		Dec.	
	Actual	Actual	Indicative targets		Indicative targets		Indicative targets	
Indicative targets								
Floor on total government revenue	2176.2	n.a.	407.8	…	912.5	…	1454.4	…
Ceiling on government wage bill	800.4	n.a.	282.1	…	505.8	…	727.4	…
Floor on pro-poor expenditure	885.2	n.a.	188.7	…	477.3	…	840.1	…
Basic fiscal balance 2/	-25.9	n.a.	-134.1	…	-382.5	…	-618.0	…
Overall balance (including grants)	-261.2	n.a.	-166.7	…	-439.2	…	-702.9	…
Ceiling on net domestic financing	224.1	n.a.	-143.7	…	51.4	…	281.1	…
Ceiling on new nonconcessional external borrowing 3/ 4/	0.0	n.a.	0.0	…	0.0	…	0.0	…
3/Ceiling on accumulation of new domestic arrears 3/	0.0	n.a.	0.0	…	0.0	…	0.0	…
Memorandum items:								
Net banking sector claims on government	118.4	n.a.	-77.0	…	-39.1	…	74.2	…

1/ Cumulative change from April 26, 2011, unless otherwise indicated. See Technical Memorandum of Understanding (TMU) for detailed definitions).

2/ Basic balance=Tax and nontax revenue+(Grant-Project grants-WB budget support grant-AfDB budget support grant)-(Total expenditure--Debt releif on interest-Foreign financed capital expenditure-Toxic waste).

3/ Continuous target.

4/ Excluding a loan (budget support of € 350 million) from Agence Francaise de Development (AFD).

Office of the Prime Minister

Ministry of Economy and Finance

Republic of Côte d'Ivoire

Union-Discipline-Work

N° 0799 MEF/CAB-01/20

Abidjan, June 23, 2011

Acting Managing Director
International Monetary Fund
WASHINGTON DC, 20431

Subject: Letter of Intent.

Dear Sir:

The post-election crisis that has affected Côte d'Ivoire in recent months has had a profound impact on the country's economic, financial, social, and security situation. As a result, the medium-term economic and financial program supported by the Extended Credit Facility (ECF) that Côte d'Ivoire has been implementing since 2009 to maintain economic stability and implement certain structural reforms has been overtaken by immediate needs. We therefore wish to cancel this program.

The government's immediate priority is to consolidate peace through normalization and economic recovery. **To this end, the government** has implemented fiscal and tax measures aimed at providing relief to the population and restoring the country's production facilities. To assist us as we implement this new course, we are counting on the support of the international community, which helped the government of Côte d'Ivoire as it sought a resolution to the crisis. Some partners, particularly France, have already provided us with substantial aid. We are asking the International Monetary Fund to provide immediate support in the form of a disbursement under the Rapid Credit Facility (RCF) in an amount equivalent to 25 percent of our quota, or SDR 81.3 million.

The attached Memorandum of Economic and Financial Policies (MEFP) describes the policies that we plan to implement during the transition period of normalization and economic recovery. It emphasizes policies—particularly fiscal policies—that will enable us to obtain rapid results in support of the recovery. We will need some additional time to better define our sectoral policies given that a full government was formed on June 1, 2011. We therefore anticipate beginning discussions with the International Monetary Fund (IMF) of a new medium-term economic and financial program to be supported by the Extended

Credit Facility before the end of the third quarter of 2011 so that we may continue the reforms already begun, while taking into consideration of the impact of the post-election crisis.

The government is convinced that the policies and measures included in this memorandum are adequate to restore the situation. It will consult with IMF staff at its own initiative or at the request of the IMF Managing Director prior to the adoption of any additional measures that it may deem necessary or in the event of changes to the policies set forth in this Memorandum. The government also undertakes to cooperate fully with the IMF to achieve its policy objectives.

The Ivorien authorities agree to the publication of this Letter of Intent and the attached Memorandum of Economic and Financial Policies (MEFP) and Technical Memorandum of Understanding (TMU), as well as the IMF staff report relating the request for a disbursement under the Rapid Credit Facility (RCF). We hereby authorize their publication and posting on the IMF website after approval of the disbursement by the Executive Board of the IMF.

Sincerely yours,

/s/	/s/
Charles Koffi DIBY	Guillaume Kigbafori SORO
Minister of Economy and Finance	Prime Minister

Attachments:

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

ATTACHMENT I. CÔTE D'IVOIRE: MEMORANDUM ON ECONOMIC AND FINANCIAL POLICIES

June 23, 2011

I. INTRODUCTION

1. **After a lengthy process, Côte d'Ivoire succeeded in holding democratic and transparent presidential elections**. The mobilization of the Ivorian public and of political actors/leaders, as well as the international community, in the context of the Ouagadougou Political Accords, permitted significant progress to be achieved in the crisis-exit process, notably with the organization, and efficient conduct of the first round of the presidential elections, in a peaceful environment, on October 31, 2010.

2. **However, the announcement of the results of the second round of the presidential election on November 28, 2010 plunged the country into a serious post-election crisis since December 2010**. This crisis lasted for about 6 months and had an impact on the country's political, economic, and social situation. The crisis displaced one million Ivorian from their homes, of whom over 100,000 took refuge outside the country; banks were closed for two months with damaging consequences for businesses and households alike; economic sanctions were imposed by the European Union, including an embargo of the country's two ports; offices, commercial establishments, residences, and factories were destroyed and looted; and there was combat with heavy weaponry in the business capital. The consequences are still being felt, through the persistence of insecurity (despite a perceptible improvement in Abidjan since early May) and the spread of racketeering, and the closure of thousands of small and medium-sized enterprises. Economic agents are focusing their efforts on repairing production capacity and replenishing lost inventory. Initial partial estimates by the private sector of the economic losses are about some CFAF 2 trillion, or 20 percent of GDP.

3. **The government of President Ouattara is determined to strengthen peace and to revitalize the Ivorian economy**. The post-election crisis was ended by the swearing-in of the President of the Republic on May 6, 2011, his investiture on May 21, and the formation of a full government on June 1, 2011. The government's priorities are: (i) to restore security throughout the national territory and to combat racketeering and road piracy; (ii) ensure the efficient functioning of government agencies; (iii) provide an immediate response to societal demands in the context of efforts to alleviate vulnerabilities and strengthen peace; (iv) to rehabilitate social and economic infrastructures; and (v) to create conditions for economic recovery, in particular through improvements in the business climate together with efforts to enhance good governance. The measures and actions set forth in this memorandum of economic and financial policies are designed to rebuild the economic fabric to achieve these objectives.

II. Recent Economic Developments and Implementation of the 2010 Program

A. Recent economic developments

4. **The economic and financial program supported by the Extended Credit Facility (formerly PRGF) concluded on March 27, 2009—for the period 2009–11—was seriously disrupted by the post-election crisis**. This program aims to ensure a stable macroeconomic framework, to create conditions for sustained growth, and to achieve meaningful reductions in poverty. A number of assessment missions, conducted through September 2010, found that the program had been carried out in a generally satisfactory manner. Through the pursuit of the economic and financial policy objectives in the context of this program, a rate of growth of 3.8 percent was achieved in 2009 and fiscal balances were improved.

5. **Economic activity in 2010 was adversely affected by various shocks, in particular, the energy crisis at the beginning of the year, the downturn in crude oil production, the election tensions, and the post-election crisis**. The post-election crisis, for the month of December alone, resulted in a loss of 0.4 percentage points of GDP in 2010. The main macroeconomic indicators in 2010 are as follows:

- GDP grew by 2.4 percent, driven primarily by the secondary sector (construction and public works, food agriculture, and timber) and the tertiary sector (telecommunications and commerce). The primary sector stagnated reflecting the different trends of its major components (cocoa: -0.2 percent, crude oil: -21.5 percent, and food agriculture: +3.3 percent). The impact of the electricity outages in the first quarter of 2010 on economic activity was contained in the second quarter of the year, thanks to the government's action including the leasing of a thermal power station (AGGREKO) and importing of electric power from Ghana.
- Annual inflation averaged 1.8 percent in 2010 compared with 1.0 percent in 2009, reflecting supply difficulties in the wake of the post-electoral troubles. This level of inflation is nonetheless below the Community threshold (3 percent). Prices surged at year-end and 12-month CPI inflation at end-December 2010 reached 5.1 percent, driven by food (+14.8 percent). Excluding food, inflation was 1.8 percent year-on-year. To improve the CPI methodology, since May 2010 the basis for computing the CPI has been broadened and the reference year switched from 1996 to 2008.
- The external current account is estimated to have recorded a surplus of 4.6 percent of GDP owing primarily to a contraction of the trade surplus, following an outturn of 7.4 percent of GDP in 2009. The decline in cocoa and oil export volumes was offset by the strong performance of prices.
- The money supply increased by 18.2 percent, reflecting an increase in net foreign assets (+20.6 percent) and domestic credit (+13.2 percent). The evolution in net foreign assets owed to a strong performance in foreign trade and the mobilization of

external resources. Developments in domestic credit reflected the evolution of credit to the economy (+8.7 percent) and the deterioration in the net government position (NPG: +26.7 percent) on account of the issuance of government securities and the use of IMF resources.

B. Budget policy and implementation of the 2010 economic and financial program

6. **Overall, the budget outturn at end-2010 was not in line with the program on account of the disruption in economic activity**. Budget revenues (tax and nontax receipts) recorded a shortfall of CFAF 70.4 billion (0.6 percent of GDP). Expenditures were largely kept within the limits of planned appropriations, particularly the wage bill. Implementation of the PRSP continued with the execution and tracking of pro-poor spending. Accordingly, with a target of CFAF 924.4 billion (8.1 percent of GDP), pro-poor spending turned out at CFAF 885.2 billion (7.8 percent of GDP) (Table 1). As a result, the 2010 budget balance (excluding grants for the settlement of arrears) was -2.3 percent of GDP as against a target of -2 percent of GDP. Cash flow difficulties led the government to rely on the subregional financial and money market to obtain net credit in the amount of CFAF 456.3 billion.

7. **The government accumulated new domestic and external arrears**. Financing operations were marked by an accumulation of domestic arrears in 2010, amounting to CFAF 31.1 billion by year-end, although prior to the outbreak of the post-election crisis, the stock of arrears in respect of previous years had been reduced by CFAF 157.9 billion. New external arrears in the amount of CFAF 19.7 billion were accumulated. This figure does not include arrears owed to non-London Club private creditors, for which debt restructuring is under discussion.

8. **The government has made progress in restructuring external debt to private creditors**. The restructuring of securities held by private creditors (London Club) was successful, as evidenced by a partial cancellation and the swap of 99 percent of the Brady bonds for new securities. Discussions are continuing with other non-London Club private creditors.

9. The government continued to implement structural reforms in 2010 including:

- the effective imposition of an ad valorem tax having a cumulative rate of 22 percent relative to the c.i.f. price on cocoa, beginning with the 2010–11 crop year;
- the launching of the National Public Procurement Regulation Authority (ANRMP); and
- the further implementation of the PRSP, through execution of pro-poor spending and preparation of medium-term expenditure frameworks for the social sectors (health and education-training).

C. Economic developments in first quarter 2011

10. **Economic activity suffered a severe downturn as a result of the post-election crisis, with economic activity slumping and prices surging**. During this period, the following factors had a significant influence on economic activity:

- the suspension of cocoa exports by the government;
- the EU embargo on two Ivorian ports and it's sanctions against a number of public enterprises;
- the closure of the BCEAO national agencies followed by their requisition on January 26, 2011;
- the closure of nearly all commercial banks except for state-owned banks, in mid-February 2011; and,
- the intensification of the armed conflict from end-March to mid-April.

11. **The armed conflict had a serious impact on government operations and the economic and social fabric**. The clashes undermined the security situation, resulting in the displacement of large numbers of persons, both to the regions and to neighboring countries, namely, Ghana and Liberia. Widespread looting of government offices, businesses, and households occurred. The General Directorate of Taxes lost close to half of its IT equipment. Customs offices and certain key Treasury units were looted and pillaged. As a result, the operational capacity of the government's revenue collection offices was weakened. Furthermore, production capacity was damaged, leading to technical unemployment and laying-offs of many workers. In addition, the disruption of the Police and Gendarmerie and the lack of facilities available to them opened the door to worsening insecurity and racketeering.

12. **At end-March 2011, economic indicators showed that economic activity was contracting in the secondary and tertiary sectors**. In the primary sector cocoa production rose (+30.0 percent) and crude oil production fell (-22.2 percent). Inflation averaged 5.2 percent primarily on account of rising food prices (+14.1 percent). Inflation is expected to slow down beginning in May 2011, thanks to the reopening of banks and resupply of markets with foodstuffs.

13. **To honor the maturities falling due on government securities, the government—in cooperation with the BCEAO and a number of market participants—issued new bonds to replace the old bonds that matured between December 2010 and May 2011**. This action made it possible to prevent damaging consequences for the banking system of the WAMU, the main market for securities issued by the Ivorian Treasury.

III. Policies for 2011 under the Rapid Credit Facility (RCF)

14. **The government intends to lay the groundwork for economic recovery in 2011 by implementing an emergency program**. This program is aimed at stabilizing the macroeconomic framework, strengthening security, improving the humanitarian situation, rehabilitating infrastructure, supporting the private sector, and re-equipping government services. The economic recovery program also includes a targeted investment component, namely through the Presidential Emergency Program (*Programme Présidentiel d'Urgence (PPU)*). The PPU focuses on priority sectors—specifically potable water, health, education, electricity, and urban sanitation, underlining the program's commitment to addressing the basic needs of the general public. The government's policies for 2011 supported by the RCF will be succeeded by a medium-term economic and financial program by end-2011.

15. **The formulation of the macroeconomic framework for 2011 is complicated by considerable uncertainties regarding data consistency and the pace of the recovery**. Following a sharp deterioration in economic activity from January to April 2011, real GDP is projected to decline by 6.3 percent. The inflation rate is expected to be in the area of 3 percent by end- 2011, reflecting the cyclical arrival of foodstuffs on markets during the second half of the year. The post-election crisis has had greatest impact on SMEs and the uncertainty regarding projections is higher than in the past. Economic information for first quarter 2011—including government financial operations—is fragmentary and is not yet available for the banking sector.

A. Main objectives for 2011 budget

16. **The 2011 budget is based on the assumption of a gradual recovery in economic activity in the context of the emergence from the post-election crisis**. The budget covers the period from April 26 (the date on which the BCEAO's main agency in Abidjan re-opened) to end-December 2011. Central government financial operations executed prior to this period in 2011 are currently being validated and will be taken into account in a supplemental budget later when this information becomes available. The objectives of the 2011 budget, with respect to budget revenue, are lower than the previous years' outturn reflecting the impact of the crisis on the economy. For expenditures, the targeted amounts are much higher and are focused on the government's priority actions, including to address the humanitarian and social impacts of the crisis, to improve the security environment, to support the private sector, as well as non-discretionary spending (public debt service and personnel expenditure). The overall budget deficit (excluding grants for the settlement of arrears) is expected to be 8.5 percent of GDP for the period.

17. **Budget policy with respect to revenues needs to strike a balance between temporary support for the private sector and a return to normal taxation**. Many taxpayers will have difficulty meeting their tax obligations. The decline in budget revenues with respect to customs reflects the government's fiscal support to pump prices of petroleum

products and by declining revenues from general merchandise under the effects of the crisis. With regard to inland revenue, the contraction in economic activity is expected to a lead to a 39.4 percent loss in VAT revenue. The government has decided to suspend payment of the car registration tax (*vignette*) and the transport license tax (*patente transport*) for 2011, as well as to give relief of 50 percent on the trade license tax (*patente commerce*) for 2011.

18. **The government's priorities are geared toward supporting normalization by emphasizing humanitarian and security issues and strengthening peace**. For this purpose, the 2011 budget makes provision for expenditure to rise from 22.0 percent of GDP in 2010 to 26.4 percent of GDP over the last three quarters of 2011. This increase is accounted for by the following:

- free health care at public health care centers and hospitals through end-May;
- provision of CFAF 50 billion to support the recovery of economic activity;
- domestically financed capital expenditure in the amount of CFAF 217.8 billion, or 2.6 percent of GDP, allocated for PPU activities (0.5 percent of GDP), for large public works (which will be kept within the envelope of CFAF 40 billion), and for the rehabilitation of administrative services, social sectors, and basic infrastructure;
- crisis-exit expenditures which will amount to CFAF 85 billion, or 1.0 percent of GDP, including for: (i) the National Program for Community Reintegration and Rehabilitation; (ii) the training of the new army; (iii) civic services; (iv) legislative elections; and (v) redeployment of the government throughout the national territory;
- the subsidy for the electric power sector, which is expected to be approximately CFAF 87 billion, or 1.1 percent of GDP for the period;
- other subsidies, including study grants, school kits, and the national agencies (*EPNs*) which amount to CFAF 97.4 billion, taking into account the reclassification of the totality of government expenditures on EPNs— CFAF 41.7 billion—as a transfer in line with the WAEMU accounting rules; and
- the wage bill corresponding to 10 months of pay (March-December 2011) which will be kept to CFAF 727.4 billion, or 8.8 percent of GDP, taking account of the social sectors' recruitment requirements in implementing the PRSP and the government's redeployment needs.

Particular emphasis will be placed on poverty reduction expenditures with an appropriation in the amount of CFAF 840.1 billion, or 10.2 percent of GDP. Furthermore, expenditures will be controlled through dynamic management taking account of resource availability.

Box 1: Structural Budget Measures for 2011

- Refurbishing of the offices of the revenue-collecting agencies (DGI, DGD, DGTCP).
- Completion of the IT software for tracking inland revenue exemptions and calculating the fiscal cost (DGI).
- Launching of an operational database of customs valuations in the second half of the year (DGD)
- Implementation of IT module for the management of customs exemptions in accordance with the recommendations of the Grand-Bassam Seminar (DGD).
- Implementation of the advances management module and the module for managing budget amendments (DGBF).

19. **The debt service management strategy reflects the budgetary constraints in 2011**. Domestic debt service will be regularized and access to the regional market renewed during June 2011, with the implementation of the administrative conditions required by the Public Treasury and the BCEAO. The government will make an effort to reduce domestic arrears insofar as available resources allow. With respect to external debt, the government intends to regularize financial relations with its external creditors. The government settled the arrears to the World Bank and the AfDB in May and resumed payment of debt service falling due to them. The government is in discussions with the EIB to clear modest arrears owed to it. The government is committed to opening discussions with its other external creditors on a plan to settle arrears at end-2010 and maturities falling due in 2011. Regarding the Paris Club, negotiations will need to be opened for a new treatment near the end of the year in support of the next medium-term economic program.

B. Structural reforms

20. **The government intends to pursue the gradual implementation of the reforms already under way, with a view to restoring the basis for sustainable growth**. The government will review the full range of reforms initiated in the context of the Economic and Financial Program supported by the ECF, prior to September 2011, with the aim of taking stock of the post-crisis situation and looking to the future. However, a number of specific steps will be taken such as the organization in June 2011 of a seminar on the difficulties facing the electric power sector, the resumption of the survey of civil servants and government employees, the adjustment of the PRSP in 2011, and the launching of a study on the petroleum product pricing structure, with a view to the adoption of a new structure.

21. **The financial sector has been weakened by the post-election crisis, but continues to play a crucial role in financing economic activity**. To assess the economic losses impacting the financial soundness of the banking sector, the Banking Commission will evaluate the prudential situation of each bank as soon as possible. The government will take steps to ensure the proper functioning of the sector through compliance with prudential rules and ensuring adequate bank financing for the economy.

IV. Financing

22. **The government intends to allocate a portion of the anticipated emergency financing for the relaunching of the public administration pending the resumption of normal revenue collection**. The government borrowed a nonconcessional credit from the Agence Française de Développement in the amount of € 350 million, of which € 200 million were disbursed at end-April to pay wages for April and arrears at end-March. The remainder may be disbursed in June 2011. The government also mobilized CFAF 55 billion in May through short-term bridge loans in the form of bank prefinancing of export taxes [*DUS*] on cocoa inventories at end-March 2011. The government also benefited from a disbursement of AfDB grants in the amount of CFAF 72.5 billion in early June.

23. **The financing needs associated with the economic normalization and revitalization program remain considerable**. The government intends to obtain emergency IMF assistance and World Bank budgetary assistance in the third quarter of 2011. Furthermore, projects financed by development partners are expected to resume as soon as possible. Pending the rescheduling of the debt owed to the Paris Club, to private Eurobond holders and other private creditors, the government is expected to accumulate further external arrears.

24. **The government intends to meet the remaining financing gap primarily through domestic and regional borrowing**. In view of the need to lengthen repayment periods, the government plans to improve the maturity structure of its CFAF-denominated debt. The government will promote the creation over time of a Treasury issue market with primary dealers [*Spécialistes en Valeurs du Trésor (SVTs)*], and will promote a secondary market among economic actors. The government intends to streamline the management of domestic debt and issue Treasury bonds and debentures, longer-term instruments, to assure the availability of resources for investment financing.

V. Statistics, Capacity-Building, and Program Monitoring

25. **The government agrees to continue its efforts to improve the statistical system, with a view to ensuring the regular production of quality economic and financial data**. In this context, the government will update the draft master plan for statistics, taking account of short-term trends and new guidelines.

26. **Côte d'Ivoire will pursue its efforts to strengthen the capacities of the government, particularly in those areas affected by the crisis**. The government will continue to benefit from assistance from the IMF and from other development partners to (i) strengthen the tax and customs administrations, (ii) improve training for staff in producing the data needed to prepare the TOFE, (iii) assist in implementing the fiscal reform plan, (iv) improve the national accounts, with a view to constructing a social accounting matrix, (v) enhance external and domestic public debt management, and (vi) formulate a strategy for the financial sector.

27. **The IMF Executive Board will monitor implementation of the government's policies in May-December 2011on the basis of indicative targets**. These indicators are defined in the attached Technical Memorandum of Understanding (TMU).

- The government undertakes to refrain from accumulating new domestic arrears, from any form of advance on revenues, apart from the bank pre-financing backed by pending payment of duties on cocoa inventories carried out in May–June 2011, and it undertakes to refrain from contracting nonconcessional external borrowing other than the borrowing specified in the TMU.

- With respect to any new domestic financing, the government undertakes to issue public securities by auction through the BCEAO or by means of any other form of competitive call for tenders on the local financial market and on the WAEMU market, and to consult with Fund staff.

- The government undertakes not to introduce or increase restrictions on payments or transfers pertaining to current international transactions, to introduce multiple currency practices, to enter into any bilateral payment agreements not in conformity with Article VIII of the IMF Articles of Agreement, or to impose or intensify any import restrictions for BOP balancing purposes.

Furthermore, the authorities—in consultation with the IMF—undertake to adopt any such additional financial or structural measures that may prove necessary to ensure the success of its policies.

Table 1. Côte d'Ivoire: Indicative Targets, RCF 2011

(Billion of CFA francs)

	2010	2011 1/						
		March	June		Sept.		Dec.	
	Actual	Actual	Indicative targets		Indicative targets		Indicative targets	
Indicative targets								
Floor on total government revenue	2176.2	n.a.	407.8	…	912.5	…	1454.4	…
Ceiling on government wage bill	800.4	n.a.	282.1	…	505.8	…	727.4	…
Floor on pro-poor expenditure	885.2	n.a.	188.7	…	477.3	…	840.1	…
Basic fiscal balance 2/	-25.9	n.a.	-134.1	…	-382.5	…	-618.0	…
Overall balance (including grants)	-261.2	n.a.	-166.7	…	-439.2	…	-702.9	…
Ceiling on net domestic financing	224.1	n.a.	-143.7	…	51.4	…	281.1	…
Ceiling on new nonconcessional external borrowing 3/ 4/	0.0	n.a.	0.0	…	0.0	…	0.0	…
3/Ceiling on accumulation of new domestic arrears 3/	0.0	n.a.	0.0	…	0.0	…	0.0	…
Memorandum items:								
Net banking sector claims on government	118.4	n.a.	-77.0	…	-39.1	…	74.2	…

1/ Cumulative change from April 26, 2011, unless otherwise indicated. See Technical Memorandum of Understanding (TMU) for detailed definitions).

2/ Basic balance=Tax and nontax revenue+(Grant-Project grants-WB budget support grant-AfDB budget support grant)-(Total expenditure--Debt releif on interest-Foreign financed capital expenditure-Toxic waste).

3/ Continuous target.

4/ Excluding a loan (budget support of € 350 million) from Agence Francaise de Development (AFD).

ATTACHMENT II. CÔTE D'IVOIRE: TECHNICAL MEMORANDUM OF UNDERSTANDING

2011 Policies Supported by the Rapid Credit Facility

1. This Technical Memorandum of Understanding describes the quantitative indicators established by the Ivorian authorities and the staff of the International Monetary Fund (IMF) to monitor the authorities policies supported by the Rapid Credit Facility (RCF). It also specifies the periodicity and deadlines for transmission of data to the staff of the IMF for monitoring purposes. Unless otherwise specified, the government is defined as the central government of Côte d'Ivoire, including the National Social Security Fund (*Caisse Nationale de Prévoyance Sociale*, CNPS) and the Civil Service Pension Fund (*Caisse Générale de Retraite des Agents de l'Etat*, CGRAE), and Treasury operations for public companies in liquidation; it does not include any local government, the Central Bank of West African States (BCEAO), or any government-owned entity with separate legal status.

I. QUANTITATIVE POLICY INDICATORS

2. For monitoring purposes, the indicative targets are set for June 30, 2011, September 30, 2011, and December 31, 2011. The indicative targets include: (a) a floor on total government revenue; (b) a ceiling on the government wage bill; (c) a floor on "pro-poor" expenditure; (d) a floor on basic fiscal balance; (e) a floor on the overall fiscal balance (including grants); (f) a ceiling for net domestic financing, including the issuance of securities on the WAEMU financial market; (g) a zero ceiling on new nonconcessional external borrowing; (h) a zero ceiling for the accumulation of new domestic arrears.

3. The indicative targets are calculated as cumulative change from April 26, 2011 (Table 1 of the Memorandum of Economic and Financial Policies, MEFP).

A. Government revenue

4. Total government revenue is defined as revenue collected by the Tax Administration (DGI), the Directorate-General of the Treasury and Public Accounting (DGTCP), and the Customs Administration (DGD), the CNPS, and the CGRAE; and other nontax revenue as defined in the fiscal reporting table (TOFE).

5. The petroleum/gas revenues estimate for 2011 is based on: an average crude oil price of US$107.2 per barrel; a volume of 12.4 million barrels; and an average exchange rate of CFAF 479.2 = US$1.

B. Government wage bill

6. The government wage bill is defined as all expenditures (on a commitment basis) on pay, bonuses, and allowances paid to government employees, military personnel (excluding

front premia), and other law and order personnel, and includes expenditures on special contracts and other temporary or permanent government jobs.

C. Pro-poor expenditure

7. Pro-poor expenditures are defined in Table 1 and are derived from a detailed list of pro-poor spending produced in the SIFBUD /SIGFIP system.

D. Basic fiscal balance

8. The basic balance is defined by the formula below:

{Tax and nontax revenue + (Grants – project grants – World Bank budget support grants – AfDB budget support grants)} – {Expenditure and Net lending – Foreign financed capital expenditure – Debt relief on external interest –Expenditure on toxic waste}

E. Overall fiscal balance (including grants)

9. The overall fiscal balance defined by the formula below::

{Tax and nontax revenue + (Grants – World Bank budget support grants – ADB budget support grants)} – {Expenditure + Net lending}

F. Net domestic financing

10. Domestic financing by the central government is defined as the issuance of all debt instruments in CFAF to domestic creditors and the WAEMU financial market, borrowing from the BCEAO (including drawings from the IMF), and the contraction of any kind of other liability in CFAF toward these creditors. The indicative ceiling on net domestic financing applies to net amounts of domestic/WAEMU borrowing defined as the gross amount of domestic/WAEMU borrowing less amortization during the period under consideration. This ceiling includes a margin of CFAF 25 billion over the net cumulative flow projected for each period.

Net domestic financing = Domestic financing – Nonsecuritized payment arrears - Net change in balances outstanding + Treasury loans from abroad (WAEMU) + Treasury bills placed abroad (WAEMU)+ Treasury bonds placed abroad (WAEMU)+ IMF drawings + residual gap

11. This target does not apply to new agreements on restructuring domestic debt or securitization of domestic arrears, nor to new BOAD and BIDC project loans. For any new borrowing over and above a cumulative amount of CFAF 30 billion over the year 2011, the government undertakes not to issue government securities except by auction through the

BCEAO or through public auction (*appel d'offres compétitif*) on the domestic or WAEMU financial markets registered with the Regional Council for Public Savings and Financial Markets (CREPMF), in consultation with Fund staff.

G. New nonconcessional external borrowing

12. The quantitative indicators concerning foreign borrowing apply to all nonconcessional external debt, irrespective of maturity, and whether it has been contracted or guaranteed by the government.[7] They apply not only to the debt as defined above, but also to commitments contracted or guaranteed for which no value has been received. These quantitative indicators do not apply to:

- normal import-related commercial loans having a maturity of less than one year;
- rescheduling agreements;
- West African Development Bank (BOAD) loans up to the equivalent of CFAF 25 billion or ECOWAS Bank of Investment and Development (BIDC) loans, up to the equivalent of CFAF 20 billion;
- drawings on the IMF; and
- CFAF-denominated government securities (or CFAF-denominated debt contracted or guaranteed by the government) which are initially purchased (or contracted) by WAEMU residents.

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

14. The government undertakes not to contract or guarantee nonconcessional external loans under the conditions defined in ¶13, with the exception of loans constituting rescheduling of maturities. In this regard, the government undertakes to consult with IMF staff on terms and concessionality of proposed new borrowing in advance of contracting such external debt.

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[7] External debt is defined in "Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements," Executive Board Decision No. 6230–(79/140), as amended by Executive Board Decisions No 14416–(09/91) on August 31, 2009.

H. Balances outstanding and domestic payment arrears

15. The "balances outstanding" (or "amounts payable") comprise domestic payment arrears and domestic floating debt and represent the government's overdue obligations. They are defined as expenditures committed (*engagées et liquidées*), validated *(visées par le contrôleur financier*), subject to payment order (*ordonnancées*), but not paid. These include bills due and not paid to public and private enterprises, but exclude domestic debt service (principal and interest). For program purposes, domestic payment arrears are those balances outstanding for which the payment delay exceeds the time frame for payment stipulated by the administrative regulations in force (90 days). The floating debt are those balances outstanding for which the payment delay does not exceed the time frame for payment stipulated by the administrative regulations in force (90 days). The balances outstanding are broken down by payer/type as well as by maturity and length of overdue period (< 90 days, 90–365 days, > 1 year. In general, the stock of floating debt will not exceed three months' worth of current operating expenditure (excluding utilities) as well as investment and crisis-exit expenditure financed from own resources.

16. The government, in 2011, undertakes not to accumulate new domestic payment arrears on the current budget from April 26, 2011 on.

17. "Expenditures committed and subject to payment order" (*dépenses engagées non encore ordonnancées,* ECPO) are potential obligations of the government and are defined as expenditures which have been committed but not yet validated. The stock of ECPO will be subject to continuous monitoring by the Directorate-General of Budget and Finances (DGBF) and monthly reporting in the TOFE.

II. MEMORANDUM ITEMS

A. Net Bank Credit to the Government

18. Net bank credit to the government is defined as the difference between government debts and government claims with the central bank and commercial banks. The coverage of net bank credit to the government is that used by the BCEAO, and is the same as that shown in the net government position (NGP).

III. POLICY MONITORING AND DATA REPORTING

19. A quarterly assessment report on the monitoring of the indicative targets will be produced by the authorities within 45 days after each quarter.

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

21. The BCEAO will report final data on the net government position (NGP) within 45 days of the end of the period in question. The information provided will include the complete, itemized listing of public sector liabilities and assets with (i) the BCEAO; (ii) the *Banque Nationale d'Investissement* (BNI); and (iii) the banking sector (including the BNI).

22. The authorities will consult with the Fund staff on any proposed new foreign borrowing contracts. Following signature of any such loans, the authorities will report terms of these contracts. Data on the contract, the amount outstanding, the accumulation, and repayment of the external payment arrears will be reported monthly within the six weeks from the end of each month.

23. More generally, the government will report to the IMF any information needed for effective policy monitoring.

Table 1. Côte d'Ivoire: Pro-poor Spending (incl. Social Spending), 2011 1/

(Billions of CFA francs)

	2008 Actual	2009 Actual	2010 Actual	2011 Budgeted
Agriculture and rural development	26.5	49.2	39.1	41.3
General administration	9.2	8.5	9.2	6.9
Agriculture promotion and development program	3.4	10.6	10.8	12.6
Training of supervisory staff	8.3	8.4	8.3	8.3
Water system works	2.2	1.5	4.0	3.3
Other	3.3	20.2	6.8	10.3
Fishing and animal husbandry	6.1	6.7	5.9	5.1
General administration	3.7	3.5	3.9	3.2
Milk production and livestock farming	1.9	2.3	1.8	1.4
Fishing and aquaculture	0.4	1.0	0.2	0.5
Education	496.9	533.1	590.1	515.8
General administration	18.7	19.5	24.9	22.0
Pre-schooling and primary education	313.5	336.7	366.7	317.7
Literacy	0.2	0.2	0.2	0.5
Secondary education and vocational training	67.8	83.0	83.8	72.7
University and research	96.8	93.7	114.5	103.0
Health	98.3	118.4	113.6	108.7
General administration	45.6	45.8	47.7	48.0
Primary health system	23.8	30.7	30.0	28.3
Preventive healthcare (enlarged vaccination program)	1.2	1.9	1.4	0.7
Disease-fighting programs	1.1	1.7	1.5	1.3
Infant health and nutrition	0.3	0.8	0.4	0.5
HIV/Aids	4.3	10.8	5.9	7.7
Health centers and specialized programs	22.0	26.6	26.6	22.1
Water	15.3	20.4	19.8	23.0
Access to drinking water and de-contamination	5.0	4.9	6.0	9.9
Environmental protection spending	10.4	15.5	13.8	13.0
Energy	9.6	16.5	9.7	8.8
Roads	20.3	39.1	45.4	35.0
Social spending	9.2	13.6	15.0	14.0
General administration	6.4	8.6	9.8	9.1
Training for women	0.3	0.6	0.7	1.0
Orphanages, day nurseries, and social centers	0.6	1.5	2.0	2.0
Training for support personnel	1.2	1.7	1.9	1.6
Indigents and victims of war or disaster	0.7	1.2	0.5	0.3
Decentralization	30.1	35.1	32.0	29.5
Reconstruction	10.4	1.4	2.6	1.1
Other poverty-fighting spending	4.1	9.6	11.9	57.8
TOTAL	726.8	843.0	885.2	840.1

1/ See detailed list of pro-poor spending produced in the SIFBUD /SIGFIP system.

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

(Monthly)

Priority I: Essential data 1/	Frequency	Format 2/	Dept.	Indicators 3/
I. BUDGET				
TOFE and *tableaux de bord*	M	FI	DGE/DGB	X
Tax revenue estimate				
Nontax revenue summary				
CNPS: contributions, benefits				
CGRAE: contributions, benefits				
Personnel expenditure				
Grants and transfers, and targeted social expenditure				
Other operating expenditure				
Capital expenditure by type of financing				
Expenditure related to the crisis, elections, CNPRA, etc.				
Statement of budget execution by nature, function, administration/nature (showing each stage of expenditure				
Treasury operations – CECP				
Committed expenditures w/o payment order (DENO)				
Most recent versions of quantitative tables for energy sector, per para. 21 of TMU				X
Financial statement of the electricity sector CIE (claims and cash flow); stock of unpaid invoices (gas,	M	FI	SOGEPE, DGE	
Cash-flow monitoring	M	FI	DTCP	X
Cash-flow plan				
Treasury advances and their settlement				
Table to track Treasury balances outstanding				
Other detailed tables on balances outstanding (PGT, TPA, TGE, ACDP, etc.)				
II. DEBT/FINANCING				
II.A. External debt	M	FX	DTCP	X
Stock of external debt and arrears (by creditor)				
Detailed statement of public debt (by creditor) (stock, service due, service paid on arrears/maturities, arrears)				
Bridge table from "Stock of external debt and arrears" to TOFE				
Statement of drawings on loans and grants (by creditor)				
External debt agreements signed during current year				
II.b. Domestic debt	M	FX	DTCP	X
Stock of domestic debt and arrears (by creditor)				
Table for monitoring domestic debt				
Comprehensive statement of domestic debt				
Detailed statement of domestic debt under agreements				
Bridge table from the "Comprehensive statement"/"Monitoring table" to TOFE				
New debt issues / new securities (by type, original creditor)				
III. Monetary/financial sector	M	FI	BCEAO	X
Monetary statistics (of the BCEAO, commercial banks, NGP)				
Summary tables on financial viability indicators				
IV. Real sector	M	FI	DGE	
Consumer, producer price indices				
V. Coffee/cocoa sector			DGE	
Levies on coffee/cocoa	M	FX		
Single Export Duty (DUS) (advance payments)				
Para-fiscal levies (by structure and by fund: ARCC, BCC, FRC, FDPCC)				
Uses of levies (by fund: FDPCC-Investment; FRC-Reserve Fund, Rural Investment Fund)				
Bank account balances (by fund)				
Half-yearly closing of accounts (by structure)				
VI. Balance of payments	M	FI	BCEAO	
Foreign trade by product (E, M: value, price, volume)				

1/ Prepared and forwarded monthly (M) within 30 days of the end of the month. Electronic transmission to IMF HQ and IMF Office in Abidjan.
2/ FI: file, electronic transmission to IMF HQ and IMF Office in Abidjan. FX: hard copy, transmission to IMF Office in Abidjan (for faxing to IMF staff)
3/ Data on quarterly quantitative indicators specified in MEFP, Table 1.

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

Priority II: important data 1/	Frequency	Format 2/	Dept.
I. BUDGET			
Changes in staff levels for wage bill; breakdown of staff by category, ministry	Q	FX	DGB
Breakdown of contract expenses			
Budget execution statement (SIGFiP) (breakdown by heading)			
Summary report on Customs/DGI revenues			
Oil production revenues (BIC, royalties, dividends); PETROCI revenues	Q	FI	DGH
2007-08, updated forecasts for 2009-11			
II. DEBT/FINANCING			
Financing	Q	FI	DGE/DGB
New financing: projects, budgetary support, programs (DDR, CNPRA, elections, etc.) (by creditor,			
Forecast and actual external debt service for current year (monthly).			DGB/DTCP
Quaterly forecasts for future years (quarterly, at start of year)			
III. Energy sector	Q	FI	
Projection of oil/gas production and estimated values 2009-11 (by field, swap, sharing: government, PETROCI,			Monitoring Cttee
Projection of refining capacity 2009-11			
Energy balance sheets: crude oil (production, imports, exports); refined products (production, (re)exports,			Monitoring Cttee
Forecast and actual electricity sector production, consumption, exports, revenues, expenditures, and taxes (VAT)			
IV. Real sector	Q	FX	DGE/INS
Production of main agricultural products			
Production, export, export prices, producer prices, estimate, projection (coffee/cocoa)			
Revised and actual macroeconomic framework, projections			
Economic indicators (industry, sector); INS, BCEAO surveys			
V. Balance of payments	Q	FI	BCEAO
Actual and projected 2009-11			

1/ Preparation and monthly (M) or quarterly (Q) transmission within one month of the end of the quarter.
2/ FI: file, electronic transmission to IMF staff and IMF Office in Abidjan. FX: hard copy, transmission to IMF Office in Abidjan (for faxing to IMF staff).

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

Cancellation of the Extended Credit Facility Arrangement and Request for Disbursement Under the Rapid Credit Facility

Informational Annex

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

June 24, 2011

Approved by Sean Nolan

Contents — Page

Relations with the Fund

(As of June 09, 2011)

I. Membership Status: Joined March 11, 1963:		Article VIII
II. General Resources Account:	SDR Million	%Quota
Quota	325.20	100.00
Fund holdings of currency (Exchange Rate)	324.36	99.74
Reserve Tranche Position	0.86	0.27
III. SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	310.90	100.00
Holdings	272.96	87.80
IV. Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
ECF Arrangements	242.60	74.60

V. Latest Financial Arrangements:

	Date of Type	Expiration Arrangement	Amount Approved Date	Amount Drawn (SDR Million)
ECF [1/]	Mar 27, 2009	Mar 26, 2012	373.98	230.89
ECF [1/]	Mar 29, 2002	Mar 28, 2005	292.68	58.54
ECF [1/]	Mar 17, 1998	Mar 16, 2001	285.84	123.86

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

	2011	2012	2013	2014	2015
Principal	5.85	5.85		15.93	39.02
Charges/Interest	0.10	0.78	0.78	0.77	0.69
Total	5.96	6.64	0.78	16.70	39.72
Total	5.96	6.64	0.78	16.70	39.72

VII. Implementation of HIPC Initiative:

I. Commitment of HIPC assistance	Original Framework	Enhanced Framework	Total
Decision point date	Mar 1998	Apr 2009	
Assistance committed by all creditors (US$ Million)[3/]	345.00	3,004.90	
Of which IMF assistance (US$ million)	22.50	37.71	
(SDR equivalent in millions)	16.70	25.21	
Completion point date	--	Floating	

II. Disbursement of IMF assistance (SDR Million)			
Assistance disbursed to the member	--	10.09	10.09
Interim assistance	--	10.09	10.09
Completion point balance	--	--	--
Additional disbursement of interest income[4/]	--	--	--
Total disbursements	--	10.09	10.09

[1] Formerly PRGF.

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

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

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

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

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

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

Completion point - point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 2 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

IX. Safeguards Assessments:

The Central Bank of West African States (BCEAO) is the common central bank of the countries of the West African Economic and Monetary Union, which includes Côte d'Ivoire. The most recent safeguards assessment of the BCEAO was completed on March 1, 2010. The 2010 update assessment found that the BCEAO continues to have controls in place at the operational level. The overall governance framework needed nonetheless to be strengthened by the addition of an audit committee to ensure that the Board of Directors exercises appropriate oversight over the control structure, including the audit mechanisms and financial statements. The Institutional Reform of the WAMU and the BCEAO completed after the approval of the safeguards report stipulated creation of the Audit Committee, which should now start working. Efforts to implement fully the International Financial Reporting Standards reporting framework should also be pursued.

X. Exchange Arrangements:

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

XI. Article IV Consultation:

Côte d'Ivoire is on the standard 12-month Article IV consultation cycle. The Executive Board completed the 2009 consultation in November 2009.

XII. Technical Assistance:

A. AFRITAC West

	Area	Focus
2007	Public Debt Management (January 2007)	Diagnostic mission, identification of needs
	(August 2007)	Mid-term debt strategy and debt sustainability
	(September 2007)	Debt management and HIPC Initiative
	Public Expenditure Management (February 2007)	Diagnostic mission, identification of need
	Public Finance Statistics (February 2007)	Diagnostic mission, identification of needs
	Tax administration (August 2007)	Diagnostic mission on ongoing reforms
	Microfinance (May and August 2007) (October 2008)	Support of Microfinance Directorate
	National Accounts (August 2007)	Techniques of measurement of certain services in national accounts. Review of deflators
	Customs administration (August 2007)	Combating fraud
	Financial supervision and regulation (September-October 2007)	Propose analysis methods of financial statements Personnel training

	Area	Focus
2008	Public Expenditure Management (February 2008)	Assessment of integrated budget execution information system
	Customs Administration (March 2008)	Combating fraud
	Public Finance Statistics (March 2008)	Preparation of GFS metadata
	National Accounts (April 2008)	Assess work program of the National Statistical Office
	National Accounts (August 2008)	Review choice of base year (2006) for compilation of National Accounts estimates
2009	Public Expenditure Management (March–April, 2009)	Interface budget execution (SIGFIP) and accounting (ASTER)
	Government finance statistics (March 2009)	Training in use of GFS methodology
	Customs administration (February 2009)	Control of value and origin, ex-post inspection, and customs surveillance
	National Accounts (April 2009)	Implementation of a new base year (2008), improve the treatment of certain source data, presentation of a software to compile NA
	Tax Administration (April 2009)	Development of the IT strategy
	Microfinance (May 2009)	Strengthening Microfinance supervision
	Debt management (June 2009)	Support to the Debt management unit
	Customs administration (September 2009)	Revenue loss diagnostics and recommendations for better collection
	Tax administration (October 2009)	Development of the IT strategy
	Public Finance statistics (November 2010)	Training for the new GFS nomenclature
2010	Financial sector (January 2010)	Assessment and public debt management, financial sector reforms
	Customs administration (February 2010)	Risk analysis and management
	Public Finance Management (February 2010)	Medium term budgeting
	Tax administration (March 2010)	Development of IT strategy (3/3)

	Area	Focus
	Financial sector (January 2010)	Assessment and public debt management, financial sector reforms
	Customs administration (February 2010)	Risk analysis and management
	Public Finance Management (February 2010)	Medium term budgeting
	Tax administration (March 2010)	Development of IT strategy (3/3)
	National accounts (April 2010)	Training for new base year implementation
	Customs administration (May2010)	Valuation, improving customs processing, transit, rationalizing exemptions, strengthening fight against fraud, organization and effective use of human resource
	Tax administration (May 2010)	Professional training, strategic plan implementation and computer system capacity building
	Banking supervision (June 2010)	Preparation of the CODESFI workshop (financial sector reform strategy)
	Customs administration (July 2010)	Risk management and models implementation
	Tax administration (July 2010)	Professional training, strategic plan implementation and computer system capacity building
	Public Finance Management (July 2010)	Review of PFM IT systems
	Debt management and banking supervision (September 2010)	Support to the launching of the financial sector reform strategy in coordination with CODESFI-participation in the national workshop
	National accounts (October 2010)	New nomenclature of national accounts

XIII. **Resident Representative**:

A Fund resident representative was posted in Abidjan in January 2007 after an interruption of one and a half years. The resident representative and three local staff were evacuated/relocated (late December 2010 - mid-May 2011) during the post-election conflict.

Joint Bank-Fund Work Program, 2011–12
(As of May 2011)

Title	Products	Provisional timing of missions	Expected delivery date
A. Mutual information on relevant work programs			
World Bank work program in the next 12 months	**Operations:**		
	DPO—Economic Governance and Recovery Grant IV	September 2011	Q3 2011
	Preparation of a job creation operation	June 2011	Q3 2011
	Preparation of a post-crisis umbrella investment program	July 2011	Q4 2011
	Preparation of an Economic infrastructures renewal operation	August/Sept 2011	Q2 2012
	Economic and Sector Work		
	Country Economic Memorandum on trade and growth, including various agricultural subsectors	October 2011	June 2011
	Investment Climate Assessment phase 2 – CNO areas		Q2 2012
	Technical assistance/other analytical		
	Governance Diagnostic Survey (WBI)		Q2 2011
	PEMFAR 2		Q3 2012
	Support on EITI implementation		On-going
	Economic and Poverty Monitoring		On-going
	PSIA of possible new electricity tariff structures		Q3 2011
	Advice on cocoa strategy		On-going
IMF work program in the next 12 months	RCF request	May 18-June 1, 2011	July 8, 2011 Board
	New ECF request and Article IV consultation	August 30-September 14, 2011	Oct./Nov. 2011 (SR and Board)
	1st ECF review	February/March 2012	April/May 2012
	HIPC completion point	May/June 2012	July/August 2012
	Technical Assistance:		
	Tax/customs administration follow-up	2011–12	2011–12
	Public financial management follow-up PEMFAR	2011–12	2011–12
	FSAP follow-up, including financial sector strategy, bank restructuring, and debt management strategy	2011–12	2011–12

B. Requests for work program inputs			
Fund requests to Bank	Monitoring of HIPC Completion Point triggers Periodic updates on budget implications of reforms in the civil service, coffee/cocoa sector, electricity sector, financial sector, as well as an infrastructure master plan.		Ongoing Ongoing
Bank requests to Fund	Regular updates on macro-economic and fiscal projections		Ongoing
C. Agreement on joint products and missions			
Joint Bank-Fund products in the next 12 months	LIC DSA HIPC Completion Point Debt management strategy workshop	May 18–June 1, 2011 May/June 2012 Possibly Q2or 3, 2011	July 8, 2012 July/August 2012

AFRICAN DEVELOPMENT BANK (AFDB) GROUP OPERATIONS AND STRATEGY IN CÔTE D'IVOIRE

Bank Group Portfolio:

Since it started operations in Côte d'Ivoire in 1971, the AfDB has so far approved 59 operations for the country, of which 40 have been fully completed, 14 cancelled, 3 ongoing and 2 newly approved. All approved operations amount to a net commitment of UA 1258 million (CFA F 946 billion), with 66.2% from the ADB window, 23.1% from the ADF and 10.7 % from the Nigeria Trust Fund. AfDB Group-financed operations have been mainly loan-based and channeled, by order of importance, to the rural development and agriculture sector (26.2%), infrastructure (20.7%), multi-sector (17%), the social sector (16.5%) and energy, water and telecommunications (15.6%). The operations were financed mainly with resources from the ADB window (70%). The bulk of these funds (94.4%) was directed towards the public sector. It should be noted that funding for the private sector concerns electricity, telecommunications, transport and industry. In addition to bilateral funding, Côte d'Ivoire received additional ADF resources to finance studies and/or projects in the fields of infrastructure and agriculture, to enhance subregional integration in West Africa.

With the first political/military crisis of 2002, Côte d'Ivoire was placed under Bank sanctions from February 2003 to early March 2009 due to arrears accumulation. Nevertheless, dialogue was maintained with the Ivorian authorities. A Bank reengagement strategy was defined in the Global Country Strategy Note approved in March 2009 which covered 2009–10. The clearance of arrears from the support received from the Bank helped the country to reach the HIPC initiative Decision Point. The Bank had already increased its support to the country in February 2008. The last review of the Bank's portfolio occurred in 2010, nearly fourteen years after that of 1996. Considering the long period of inactivity of the portfolio (six years) due to the suspension of disbursements to the country, the Bank: (i) streamlined the portfolio by cancelling the outstanding balance of eight old operations; and (ii) recently, on early June 2011, has restructured two other operations (PADER-Moyen-Comoé and PVRH) (70% of the balance of these two operations was used as a contribution to the new budget support operation approved on June 3, 2011 by the Board of Directors). With the prospects of resumption of activity, particularly the restoration of government services through the proposed budget support, the portfolio will be improved.

The table below gives an overview of Bank's portfolio status in Côte d'Ivoire.

Status of Portfolio as at June 6, 2011—in UAmillion (1 UA = 1 SDR)

Operations	Amount (in UA million)	***Purpose/Remarks***
On-going projects - *Post-Crisis Multisector Institutional Support Project (PAIMSC)* - *Targeted Capacity Building Support*	20 2	This grant is allocated to: (i) the rehabilitation of school and health infrastructures, and (ii) institutional capacity building and caring for women who are victims of violence. The disbursement rate of this project is 88%. The undisbursed balance to date stands at UA 1.5 million and the Bank has granted a new extension to 31 December 2011 to allow for continuation of activities already initiated and deemed relevant. Approved in December 2009 under the Fragile States Facility, with a disbursement rate of 57%, the objective of this project is to: (i) strengthen the coordination framework for government interventions; (ii) support implementation of the PRSP; (iii) improve the efficiency of public financial management; and (iv) strengthen good governance.
Project approved but not signed - *Gourou Basin Integrated Management Project (Sanitation of Indenié junction and the Lagoon)*	23	The ADF Board of Directors on 24 November 2010 approved a grant of UA 23 million to finance this project, which could not be signed during the elections.
Budget support operation newly approved - *Emergency Programme to Restore Basic Social and Administrative Services (PURSSAB) and Targeted support to strengthen the capacity of the administration*	100.5 (95 + 5.5)	The main purpose of this program, approved on June 3, 2011, is to contribute in the national budget to restoring basic social and administrative services, social cohesion and reconciliation as stated in the Government's request. The program seeks to address the country's urgent needs through the restoration of basic health, educational and social welfare services, water and sanitation networks, public administration services, as well as dialogue, social cohesion and reconciliation mechanisms.
On-going private sector projects: - *Establishment of a microfinance bank (MicroCred Côte d'Ivoire)*	1.85*	This is an equity participation with the AFD for EUR 1 100 000 and EUR 750,000 as technical assistance. The objective is to provide financial services to low-income people who do not have access to the conventional banking system.
Private sector projects under consideration: - *Marcory-Riviera Third Bridge Construction Project*	40**	Discussions are underway for Bank participation in financing the Third Abidjan Bridge (Marcory-Riviera) for EUR 40 million.

Source: AfDB, Côte d'Ivoire Country Brief (ADF/BD/WP/2011/48 - June 2011)
*: In EUR million comprising EUR 750,000 in cash and EUR 1.1 million in securities. **: EUR million.

Strategy for reengagement by AfDB in Côte d'Ivoire:

To assist Côte d'Ivoire in addressing its immense needs, the Bank is committed to a rapid operational re-engagement. Consistent with the AfDB's Fragile States Facility, a ***Country Brief defines the framework for the Bank's rapid re-engagement in Côte d'Ivoire*** over the period 2011-2012***. The proposed strategy, in consultation with the Ivorian authorities, consists of two pillars: (i) restoring infrastructure and basic social services; and (ii) improving governance and capacity building.*** The long years of political instability as well as recent clashes and looting had negative impacts on social infrastructure, installations and facilities. Substantial efforts are necessary to restore the supply of basic social services. A full Country Strategy Paper is planned for the period 2013–17 to assist the country with its quest for strong and inclusive growth.

Considering the urgent needs, particularly with regard to access to basic social and administrative services, restoring the functioning of the public service and fostering social cohesion and peace, the approved country brief 2011-2012 has proposed that the following operations be prepared in order of priority:

Work Program for 2011–12

Description	***Amount (in UA million)***	***Year***
- Budget support program to strengthen social services	95* *(approved)*	2011
- Targeted support to strengthen the capacity of the administration	5.5** *(approved)*	2011
- Infrastructure investment projects in both urban and rural areas to support production and marketing channels.	33.6***	2012
Total	***134.1***	
Economic and Sector Work (to be financed by the administrative budget or the trust fund)		
Study to be conducted in collaboration with the *Centre de recherche économique et sociale* (Economic and Social Research Centre—CIRES) and coffee/cocoa-related sector institutions		***2012***
Study on the rehabilitation of former combatants and youths at risk linked with the conflict to prepare the Bank's next Country Strategy Paper		**2012**

Côte d'Ivoire—STATISTICAL ISSUES
As of June 10, 2011

General: Data provision has some shortcomings, but is broadly adequate for surveillance. There are weaknesses in the areas of national accounts and balance of payments and public finance statistics, as well as in the reconciliation of fiscal and monetary data. Generally, the authorities provided the required statistical indicators to the Fund (see attached table) on a timely basis.

National Accounts: Comprehensive national accounts data for 1996 onwards is compiled in line with the 1993 System of National Accounts methodologies, using 1996 as the base year. As the base year is dated, technical assistance has been provided by AFRITAC West to implement a new base year and update implicit deflators.

Price statistics: A harmonized consumer price index (CPI) has been adopted by all WAEMU members. A new base year (2008) has been adopted in 2010.
Labor market statistics: No such statistics are published regularly.

Government finance statistics: The authorities provide annual data on the budgetary central government for publication in the *Government Finance Statistics Yearbook*. While no monthly or quarterly fiscal data are provided for publication, they are made available to the IMF African Department, although metadata is lacking. The authorities have committed to address weaknesses in coverage of general government units and public enterprises and are making efforts to improve the reconciliation of fiscal and monetary data. In addition, the authorities are seeking the assistance of Afritac to improve the compilation of government finance statistics.

Monetary and financial sector statistics: Monetary data for Côte d'Ivoire are prepared by the national agency of the BCEAO and officially released by BCEAO headquarters. Some shortcomings of the monetary statistics are common to all eight member countries of the WAEMU, while others relate to systemic issues in Côte d'Ivoire's bank and nonbank financing of the operations of the central government and the rest of the public sector. Recently there have been improvements in the timeliness of reporting data on depository corporations and interest rates. Following the shutdown of the banking system during the post-election crisis, the central bank and private banks are struggling to establish a thorough account of damages they sustained.

External sector statistics: The national agency of the BCEAO in Abidjan is responsible for compiling and disseminating annual balance of payments statistics and the international investment position. while BCEAO headquarters delineates the methodology and calculates international reserves managed on WAEMU countries. With respect to merchandise trade, the customs computer system allows for satisfactory monitoring of trade data, but the coverage of services and transfers, and particularly workers remittances, has shortcomings. Concerning the financial accounts, foreign assets of the private nonbanking sector are not adequately covered, while reporting of private capital flows, especially foreign direct investment in Côte d'Ivoire, is weak. There is also not sufficient information on private debt stocks and debt service flows.

II. Data Standards and Quality

Côte d'Ivoire has participated in the General Data Dissemination System (GDDS) since May 2000, and has posted the metadata on the Data Standards Bulletin Board.	No data ROSC is available.

III. Reporting to STA

Côte d'Ivoire regularly reports data to STA for re-dissemination in IMF statistical publications.

CÔTE D'IVOIRE: TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE
(As of October 15, 2009)

	Date of latest observation	Date received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication[6]
Exchange Rates	Current	Current	M	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	12/10	05/11	M	M	M
Reserve/Base Money	12/10	05/11	M	M	M
Broad Money	12/10	05/11	M	M	M
Central Bank Balance Sheet	12/10	05/11	M	M	M
Consolidated Balance Sheet of the Banking System	12/10	05/11	M	M	M
Interest Rates[2]	12/10	05/11	I	M	M
Consumer Price Index	03/11	05/11	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	12/10	05/11	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	12/10	05/11	M	M	M
External Current Account Balance	12/10	05/11	A	A	A
Exports and Imports of Goods and Services	12/10	05/11	A	A	A
GDP/GNP	2010	05/11	A	A	A
Gross External Debt	04/2011	05/11	M	M	M

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Daily (D), weekly (W), monthly (M), quarterly (Q), annually (A), irregular (I); and not available (NA).

INTERNATIONAL MONETARY FUND
INTERNATIONAL DEVELOPMENT ASSOCIATION

CÔTE D'IVOIRE

Joint Debt Sustainability Analysis Under the Debt Sustainability Framework for Low-Income Countries [1]

Prepared by the Staffs of the World Bank and the International Monetary Fund

Approved by Roger Nord and Thomas Dorsey (IMF)
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Côte d'Ivoire is in debt distress as evidenced by the accumulation of external debt service arrears. Under the external debt sustainability analysis (DSA) baseline scenario, the present value (PV) of debt-to-GDP, PV of debt-to-exports, and PV of debt-to-revenue are projected to stay above their indicative thresholds over the next few years. Under alternative scenarios assuming full delivery of HIPC and MDRI debt relief at the completion point and beyond HIPC debt relief after the completion point, debt burden would become sustainable and all indicators would improve significantly. The inclusion of domestic debt raises debt burden indicators somewhat, but does not alter the assessment. As initial debt level is high, the debt position of the country remains vulnerable to macroeconomic shocks, indicating the need for prudent fiscal policies and debt management.

I. Background

1. **The last DSA for Côte d'Ivoire,[2] considered by the Board in March 2009 in the context of the ECF request and HIPC decision point, assessed Côte d'Ivoire as being in high risk of debt distress**.[3] Compared to the 2009 DSA results, the present analysis finds a

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[1] The DSA was prepared jointly by the staffs of the International Monetary Fund and the World Bank, in collaboration with the authorities of Côte d'Ivoire. The fiscal year in Côte d'Ivoire is January–December.

[2] The last DSA can be found here: http://www.imf.org/external/pubs/cat/longres.cfm?sk=23033.0

[3] The DSAs presented in this document are based on the low-income countries (LIC) DSA framework. Under the Country Policy and Institutional Assessment (CPIA), Côte d'Ivoire is rated as a weak performer with an average rating of 2.72 in 2008–10, and the DSA uses the indicative threshold indicators for countries in this category. See "Debt Sustainability in Low-Income Countries: Proposal for an Operational Framework and Policy Implications" (http://www.imf.org/external/np/pdr/sustain/2004/020304.htm and IDA/SECM2004/0035, 2/3/04) and "Debt Sustainability in Low-Income Countries: Further Considerations on an Operational Framework, Policy Implications" http://www.imf.org/external/np/pdr/sustain/2004/091004.htm and IDA/SECM2004/0629, 9/10/04) and "A Review of Some Aspects of the Low-Income Country Debt Sustainability Framework" (http://www.imf.org/external/np/pp/eng/2009/080509a.pdf) and

(continued)

worsening of debt dynamics over the next five years owing to the non-activation of debt relief (in the absence of a Fund arrangement) that had been expected earlier from Paris Club creditors during April 2011-March 2012. In addition, as a result of the political crisis (December 2010-April 2011) and its economic impact, new external debt service arrears have been accumulated since December 2010. In the short term, these developments more than offsets the impact of higher than expected interim debt relief during 2009–first quarter of 2011 and favorable terms of the April 2010 Brady Bonds exchange (see Box 1).

Box 1: What Has Changed Compared to the 2009 DSA?

Main differences between the assumptions made in the previous DSA undertaken at the time of the HIPC decision point and actual developments include:

Higher debt accumulation in 2011 (3.5 percent of GDP)[4] to finance immediate needs of the recovery from the severe impact of the post-election crisis.

The discount rate has fallen from 5 percent to 4 percent. With the lower discount rate, everything else equal, the current DSA exercise will generate higher present value of debt than the previous exercise.

Greater cash flow relief by the Paris Club than previously assumed during the 2009–March 2011, but less during April 2011-March 2012. In May 2009, Paris Club creditors agreed with the Government of Côte d'Ivoire on debt restructuring on Cologne terms of maturities falling due during April 2009–March 2012, including, on an exceptional basis, a deferral of arrears and maturities on post-cutoff date (July 1, 1983) debt, short-term debt, and moratorium interest. This lowers debt service during the interim period and raises it in the subsequent years. For the third year (April 2011-March 2012), the agreement will not enter into force (in the absence of a Fund arrangement) and debt service due is thus not eligible for relief.

More favorable than expected terms of the Brady Bond exchange. In April 2010, an exchange of existing Brady Bonds was successfully completed with a participation rate of over 99 percent. Under the terms of the exchange, holders of existing bonds (amounting to $3 billion at end-2009) accepted an upfront discount of 20 percent, and new Eurobonds for the remainder with a maturity of 23 years, and six-year grace. The amortization profile provides for increasing payments over the repayment period, and the interest rate increases in two steps from 2.5 percent to 5.75 percent at end-2013. The restructuring of the Brady Bonds more than fully satisfies the amount of debt relief to be delivered at the enhanced HIPC Initiative completion point.

New external debt service arrears have been accumulated since December 2010 as a result of the political crisis (December 2010-April 2011) and its economic impact**.** The government cleared arrears to the World Bank and AfDB in May 2011, and has contacted other creditors to reach agreement on a restructuring of arrears and resumption of debt service falling due.

2. **External public and publicly guaranteed (PPG) debt has fallen due to debt restructuring**. At end-2008, Côte d'Ivoire's external public debt stood at $13.4 billion (62 percent of GDP) of which $5 billion was in arrears, but by end-2010, this debt had fallen

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"Staff Guidance Note on the Application of the Joint Bank-Fund Debt Sustainability Framework for Low-Income Countries" (http://www.imf.org/external/np/pp/eng/2010/012210.pdf).

[4] This includes the €350 million loan from France.

to $11.6 billion (51 percent of GDP or just over 80 percent of total public debt) and arrears had dropped to $0.3 billion. This reflected arrears clearance with the May 2009 Paris Club restructuring agreement and the successful Brady Bond exchange in April 2010.

Côte d'Ivoire: Structure of External Public Debt

	End-2010 Nominal	
	USD million	**% of GDP**
Total	11,584	50.6
Multilateral	2,717	11.9
IMF	376	1.6
World Bank	1,750	7.6
AfDB Group	310	1.4
Other multilaterals	282	1.2
Official bilateral	6,235	27.3
Paris Club	6,101	26.7
Non-Paris Club	134	0.6
Commercial debt	2,632	11.5
Euro Bonds	2,351	10.3
Other commercials	281	1.2

Sources: Ivoirien Authorities, AfDB, WB and IMF staff estimates.

3. **Domestic public debt is owed to various creditors**. At the end of 2010, the stock of public domestic debt amounted to 15.8 percent of GDP, mostly consisting of government securities (11.3 percent of GDP) issued in the regional bond market or to settle past domestic arrears.

II. BASELINE ASSUMPTIONS

4. **The assumptions of the baseline scenario are different from those of the last LIC DSA. They take into account recent developments, in particular the post-election crisis in late 2010-early 2011 that had a severe economic impact during 2011**. The baseline assumes further political stabilization, sound macroeconomic management, prudent borrowing policies, and advancement in structural reforms over the medium term. It also assumes a higher level of new borrowing to finance the higher level of investment needed to achieve the long-run growth potential of Côte d'Ivoire. The ability of the country to access the volume of external resources needed, however, would be greater with attainment of the HIPC completion point as discussed in the alternative scenarios.

- **Growth is expected to pick up in 2012, in line with the Ivorian PRSP**. Economic activity is expected to reach more normal levels in 2012, following a severe downturn in 2011 owing to the impact of the post-election crisis during late 2010-early 2011. This assumes investor confidence returns as the economy recovers following the end of open combat, reestablishment of law and order, political normalization and successful parliamentary elections at end-2011. The economic stagnation of the last 10 years has created substantial investment needs in infrastructure and many other sectors. Meeting these needs would, amongst other factors, require access to sizeable external borrowing as well as an increase in FDI. Public and private investment is thus projected to pick up and support growth. The growth rate is projected to increase to 9 percent in 2012, then ease gradually to 5.2 percent in 2016, before stabilizing around 5 percent in the long run.[5] The long-run assumption reflects the strategic economic role of Côte d'Ivoire in the West African region, the growth prospects of other countries in the region, and the potential of the country. The productivity of the new investments (essentially financed by new borrowing) will affect the capacity of the country to repay its debt and the sustainability of its debt position.

- **No further debt relief and only concessional external financing are assumed.** In the absence of a HIPC completion point, Côte d'Ivoire would remain in high risk of debt distress and the country should not borrow on non-concessional terms. Therefore, the sizeable external financing needs are assumed to be filled only with concessional resources. Access to such funding would be difficult, however, absent a HIPC completion point and the persistence of debt vulnerabilities.

III. EXTERNAL DEBT SUSTAINABILITY UNDER THE BASELINE SCENARIO

5. **Under the baseline scenario assuming no further debt relief, Côte d'Ivoire's external debt burden indicators remain above their indicative thresholds** in the medium term (Table 1a, Figure 1). The PV of public and publicly guaranteed (PPG) external debt, estimated at 49.7 percent of GDP in 2010, stays above the 30 percent indicative target until 2015. Compared to the last LIC DSA, this reflects higher levels of assumed new borrowing and the absence of previously expected debt relief from Paris Club creditors during April 2011–March 2012. As in the last DSA all new borrowing is assumed to be on concessional terms. The availability of concessional resources on the scale assumed in baseline is not necessarily assured underlining the importance of debt relief, including under the HIPC Initiative, to create space for new borrowing on nonconcessional terms so that Cote d'Ivoire could achieve its medium-term investment and growth objectives. The PV of PPG external debt-to-revenue ratio moves below the 200 percent indicative threshold in 2014, and the PV of external debt-to-exports moves below its indicative target from 2012 reflecting higher export levels.

[5] These medium-term growth assumptions are different from those in the LIC DSA at the HIPC decision point in March 2009 (http://www.imf.org/external/pubs/cat/longres.cfm?sk=23033.0).

Box 2. Macroeconomic Assumptions for 2011–31

Real GDP growth: The post-election crisis of 2010-11 reduced real GDP growth to 2.4 percent in 2010, and is expected to result in a real GDP decline of -6.3 percent in 2011. Investor confidence is assumed to rise with political normalization over the next few years. Growth is expected to reach 9 percent in 2012, and average 5.6 percent over 2013–16 and 5 percent over 2017–31 in line with the PRSP projections.

Inflation: Inflation, as measured by the GDP deflator (in U.S. dollars), is expected to stabilize around 3 percent. This is in line with the CPI inflation, which by WAEMU rules should not exceed 3 percent.

Fiscal policy: In the medium term, the government expects to achieve a primary basic surplus of 0.2 percent of GDP. Total revenues (excluding grants) are projected to increase to 20.8 percent of GDP in 2016 and 23.2 percent of GDP by 2031. Government expenditures are projected to increase to 23.6 percent of GDP in 2016 and 25.7 percent of GDP by 2031. Capital spending would rise gradually from 3.1 percent in 2010 to 5.8 percent of GDP in 2016 and 7.7 percent of GDP in 2031.

External financing: Compared to the decision point DSA, the current DSA assumes higher levels of new financing to support the higher investments need and the assumed growth rate. For the baseline scenario only concessional borrowing is assumed in the absence of a HIPC completion point. Grants are expected to stabilize at 0.2 percent of GDP.

External current account: The balance (excluding official transfers) is expected to decline from a surplus of 4.6 percent of GDP in 2010 to a deficit of 3.4 percent of GDP in 2016. The deficit would reach 6.1 percent in 2031, with an average of 4.4 percent of GDP over the period 2017–31. After declining in 2010, export volumes are expected to further decrease in 2011, then increase on average by 5.8 percent per year thereafter. Import volumes are expected to grow annually by 6.2 percent, after a decline in 2010 and further expected decline in 2011. Import dynamics reflect essentially the higher levels of investment.

The debt service falling due and arrears to commercial creditors and non-Paris Club official bilateral creditors are assumed to be restructured in 2012 and, for creditors other than holders of Côte d'Ivoire's Eurobonds, on terms comparable with the Paris Club rescheduling. The last LIC DSA assumed that this would be paid. Debt service due to non-Paris Club creditors has been paid during 2009-November 2010, but since then arrears have accrued, and arrears have accrued to the holders of Côte d'Ivoire's Eurobonds since December 2010. The government intends to begin discussions on arrears clearance and the related restructuring of the debt with these creditors. Debt service due to other commercial creditors during 2009-March 2011 (at which point all outstanding debt was in arrears) has not been paid while debt restructuring discussions have been ongoing. Also, debt relief from Paris Club creditors expected during April 201–March 2012 will not enter into effect.

FDI is assumed to rise gradually over the projection period in the face of structural rigidities. Net inflows of FDI are projected to rise from 1.6 percent of GDP in 2010 to 2.2 percent in 2015, and 3.1 percent in 2030.

6. **Debt service ratios remain below their indicative targets due to high export and revenue levels.** However, they would rise modestly from their current levels in the medium term, then decline before stabilizing at their long-term levels. The dynamics of the debt service ratios reflect two factors: (i) Côte d'Ivoire received substantial interim debt relief during 2009-March 2011, so that current levels of debt service will necessarily rise with the expiration of the grace period for the restructured debt owed to the Paris Club; (ii) debt service on the new bonds issued in exchange for the Brady Bonds will increase for the next few years.

7. **Stress tests [6] reveal considerable vulnerabilities of the external debt outlook** (Table 1b, Figure 1). The tests yield high levels of debt and debt service compared to the baseline scenario. These results reflect at least in part the high level of initial debt, the higher level of new borrowing assumed in the present DSA exercise, and the lower GDP growth, exports and revenues implied by the sensitivity shocks. The country is most vulnerable to a one-time 30 percent devaluation in 2012; this shock would raise the PV of debt-to-GDP, the PV of debt-to-revenue and the debt-service-to revenue ratio relative to their baseline by 10, 43, and 3 percentage points, respectively by the end of the projection period. If export growth were one standard deviation lower in 2012–13, the PV of debt-to-exports would be higher than the baseline value by 17 percentage points at the end of the projection period.

IV. Public sector debt sustainability

8. **When domestic public debt is included in the analysis, Côte d'Ivoire's debt indicators deteriorate modestly but follow similar patterns as those of external public debt** (Table 2a, Figure 2). Under the baseline scenario, the overall debt indicators would fall in the long run, reflecting the projected improvement of the macroeconomic situation. However, the increasing recourse to domestic financing could prove costly. The availability of liquidity on the regional debt market is limited, and this could push interest rates up from their current levels (6.5 percent on government debt).

9. **The public debt position is vulnerable to shocks** (Table 2b, Figure 2). In particular, lower GDP growth is the most damaging shock. This results from the combination of lower nominal GDP, a higher value of the debt stock and higher debt service.

[6] The sensitivity analysis of Côte d'Ivoire's external debt vulnerability includes setting key macroeconomic variables at their historical levels. However, given the distortions in trend caused by the civil conflict, the analysis is based on regional averages and standard deviations for all relevant indicators. In addition to the historical scenario, the sensitivity analysis includes standard tests on new public borrowing on less favorable terms, a one-time 30 percent nominal depreciation of the CFAF in 2011, a reduction in official and private transfers, in net FDI, in GDP growth, in GDP deflator, and in exports.

V. External debt sustainability under alternative scenarios with further debt relief

A. Assumptions of the alternative scenarios

10. **Staff has examined two alternative scenarios: first, only HIPC and MDRI relief;[7] second, HIPC/MDRI as well as additional bilateral relief beyond HIPC/MDRI**.[8] Côte d'Ivoire is expected to reach the HIPC completion point by the third quarter of 2012, assuming the country maintains a good macroeconomic track record, has a new ECF arrangement in place by late 2011, and implements the reform of the coffee-cocoa sector in time.

11. **The alternative scenarios assume the same level of new borrowing as the baseline, but assume that concessional resources are available only on a much smaller scale**. In the baseline, the level of access to concessional borrowing is assumed to be at a fairly high level because, in the absence of the debt relief expected when Côte d'Ivoire reaches the enhanced HIPC Initiative completion, it would not have the debt servicing capacity to access nonconcessional resources. However, under the alternative scenarios, after completion point debt relief Côte d'Ivoire should have space for new borrowing, including on nonconcessional terms, in order to finance its sizeable investment needs. Therefore, the alternative scenarios assume a much lower level of borrowing from concessional resources and a rising recourse to nonconcessional borrowing starting 2013, with shorter maturity (6 years) and grace periods (1 year) and higher interest rates. At the same time, the sustained growth projected in the next few years would push the country to middle-income status; as a result, IDA lending terms would harden (essentially 20 instead of 40 years maturity). In effect, the expected improvement in the debt position after completion point debt relief would strengthen the country's ability to access sufficient resources (including on nonconcessional terms) to finance its sizeable investment needs and hence provide greater certainty that the projected growth rate would be achieved.

B. Impact of the alternative scenarios on debt sustainability for Côte d'Ivoire

12. **Côte d'Ivoire's external debt position would improve significantly when HIPC and MDRI debt relief is obtained (Figure 3)**. Debt stock ratios would immediately fall and then remain below their critical levels, notwithstanding sizeable commercial borrowing. Debt service ratios would rise more sharply than in the baseline scenario, and breach their indicative thresholds for a few years reflecting the terms of the assumed Paris Club debt restructuring, which entails a rising repayment of deferred arrears and maturities following the end of the consolidation period, and settle at higher levels over the medium to long term, though remaining below critical levels.

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[7] To reach the HIPC completion would require a new ECF arrangement to be in place, which would also provide the possibility of a new restructuring of debt service owed to Paris Club creditors. The scenarios assume a restructuring on January 1, 2012 on the same terms granted under the May 2009 Paris Club agreement.

[8] Provided by official bilateral creditors, with the bulk of claims held by the French development assistance agency (AFD). The projected relief is based on treatments provided in other HIPC completion point cases.

13. **Côte d'Ivoire's external debt position would improve further if additional bilateral debt relief beyond HIPC is obtained**. In the medium run, all debt stock and debt service ratios would be much lower as compared to the HIPC and MDRI debt relief only, and none of the ratios will breach their thresholds. In the long run the ratios will be similar in both alternative scenarios.

VI. Public debt management

14. **The authorities have requested Fund and Bank support in preparing a public debt management strategy**. The strategy will take into account the medium-term budgets prepared or under preparation in various sectors (education, health, agriculture, and transportation). The authorities also intend to integrate the LIC DSA into their macroeconomic framework.

VII. Conclusions

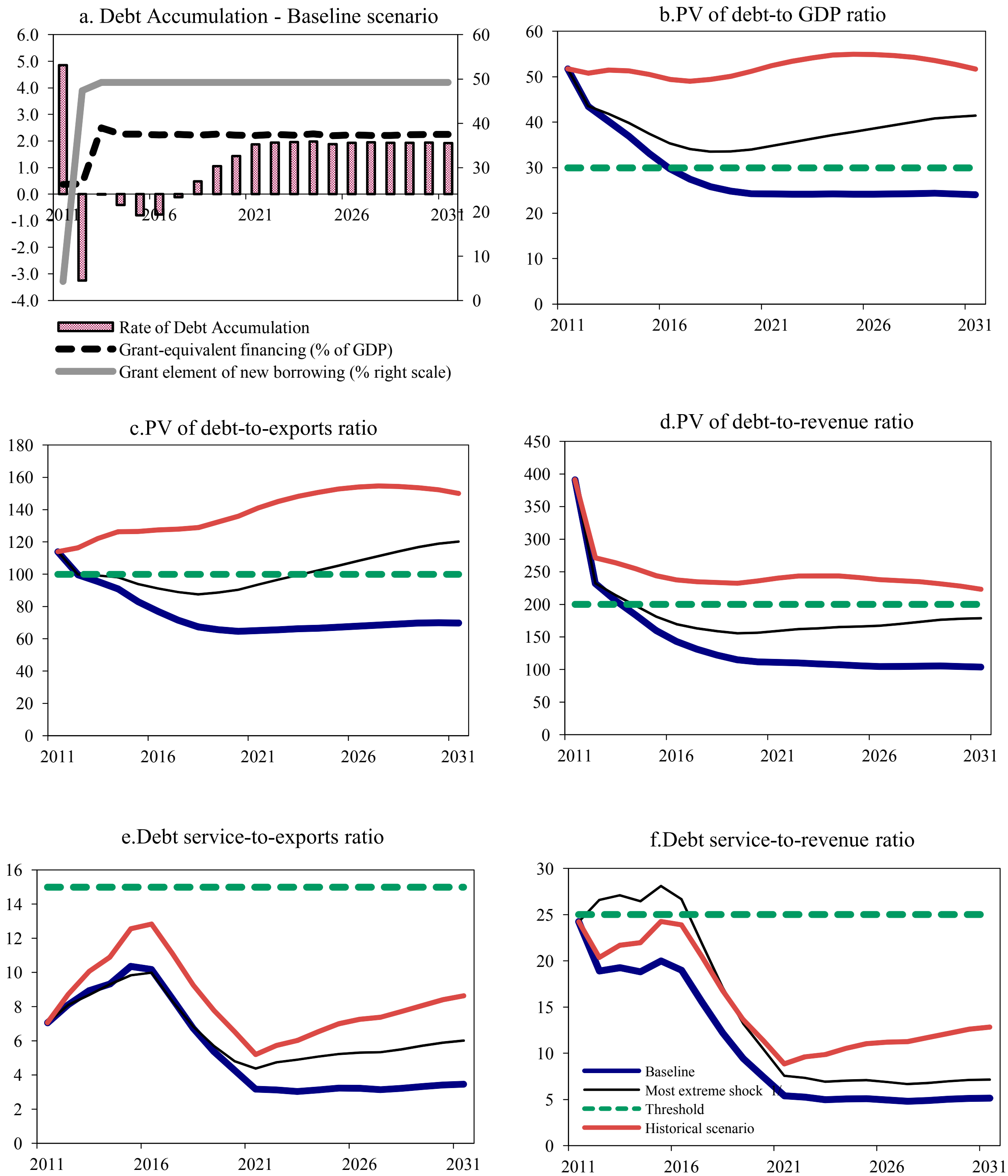
15. **Côte d'Ivoire is in debt distress as evidenced by the accumulation of external debt service arrears, despite improvements in the debt position of the country since the decision point**. Under the external debt sustainability analysis (DSA) baseline scenario, the PV of debt-to-GDP, the PV of debt-to-exports, and the PV of debt-to-revenue are projected to stay above their indicative thresholds over the next few years before falling below these thresholds over the projection period. However, stress tests indicate vulnerabilities in the position, involving persistent breaching of the thresholds for some indicators. However, debt service indicators are below their indicative thresholds under the baseline, though they are expected to rise in the medium term, and debt service-to-revenue ratio may breach its threshold temporarily. The inclusion of domestic debt does not alter the assessment of Côte d'Ivoire, even though it raises debt burden indicators.

16. **A sustainable external debt position can be achieved through debt relief and sound macroeconomic policies**. Debt relief under the HIPC initiative, MDRI and beyond HIPC bilateral assistance significantly improves Côte d'Ivoire's external debt burden. The projected increase in the debt service immediately after the completion point highlights the need for careful cash flow planning of budget execution and prudent new borrowing so as to avoid new payment arrears and preserve the steady financing of programs critical for growth and poverty reduction. Côte d'Ivoire remains vulnerable to various macroeconomic shocks. This highlights the need to pursue policies conducive to high growth, solid exports, good fiscal performance, and prudent debt management.

17. **The Ivoirien authorities welcomed the opportunity to contribute to the DSA**.[9] They raised concerns about the ability of the country to reach the PRSP growth targets, to fulfill the implied large investments needs, to mobilize the projected resources and to absorb large foreign capital inflows. They appreciated the DSA as a tool to highlight the post-completion point challenges that Côte d'Ivoire is likely to face: increased debt service and the large investments/financial flows needed to sustain the projected growth.

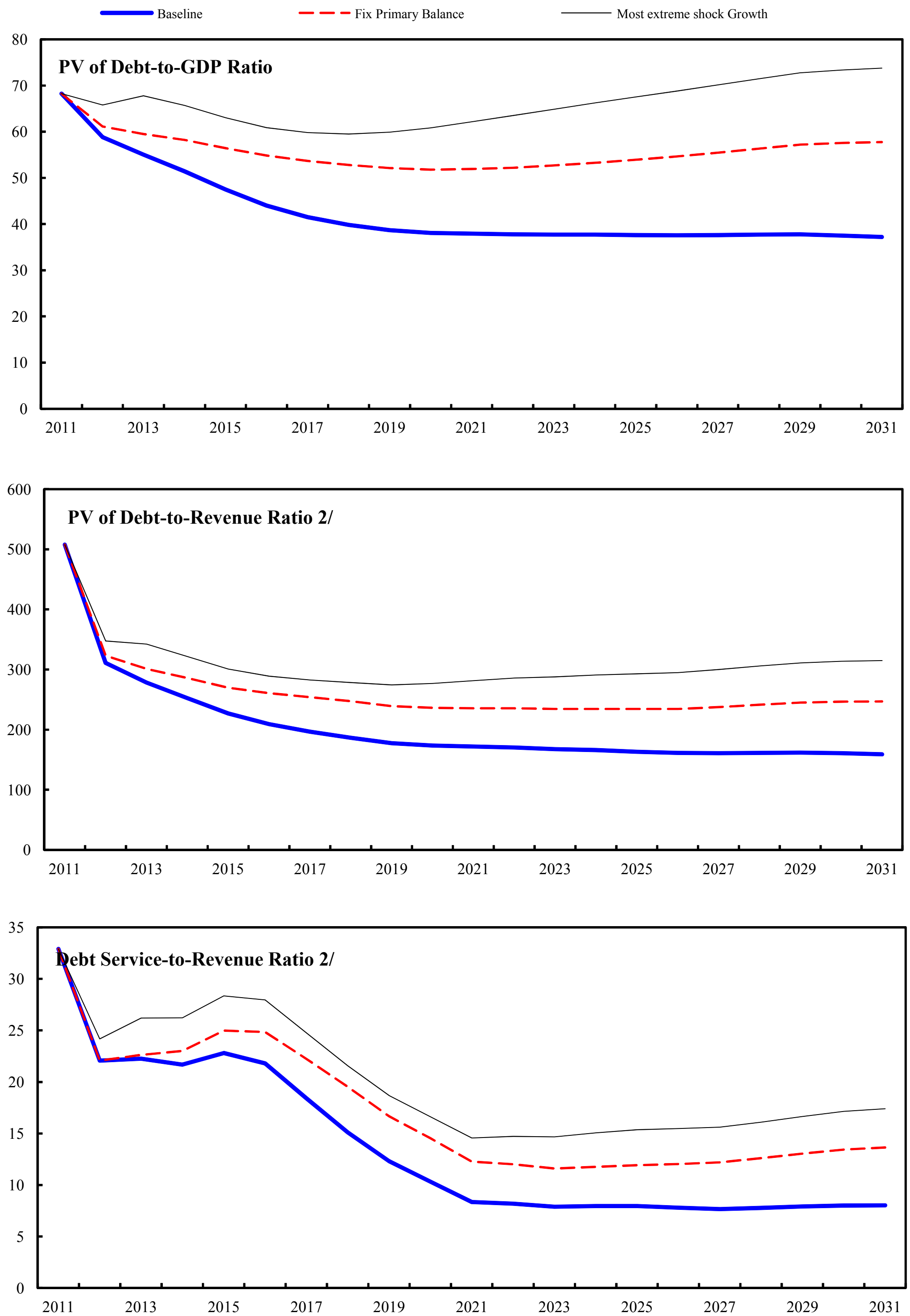
[9] Preliminary results were discussed with the authorities in Abidjan, in September 2010 and May 2011. Staffs of the International Monetary Fund, the World Bank and the African Development Bank took part in the discussions.

Figure 1. Cote d'Ivoire: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2011-2031 1/



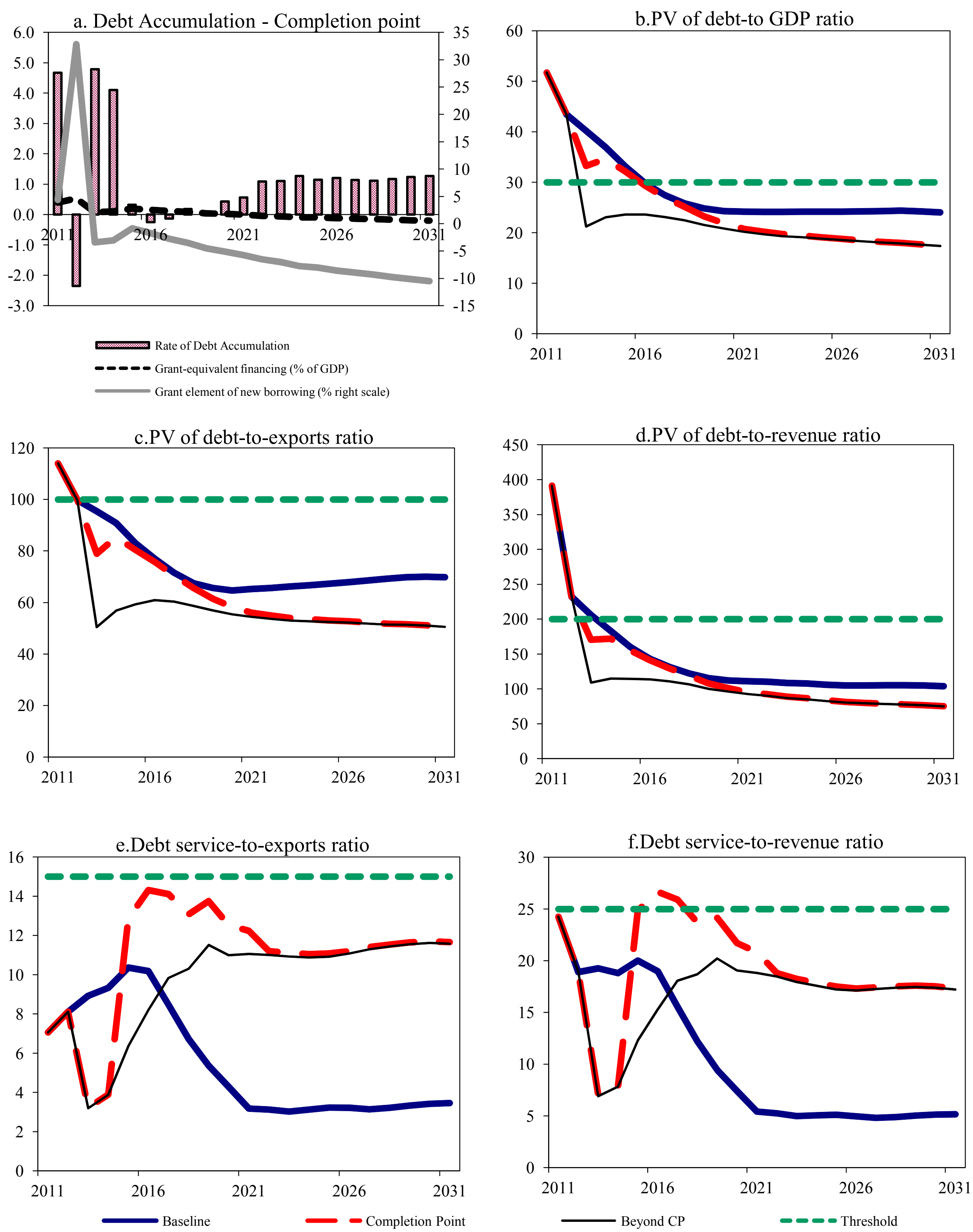
Sources: Countries authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2020. In figure b. it corresponds to a One-time depreciation shock, in c. to an Exports shock, in d. to a One-time depreciation shock, in e. to an Exports shock and in f. to a One-time depreciation shock.

Figure 2.Cote d'Ivoire: Indicators of Public Debt Under Alternative Scenarios, 2011-2031 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2021.
2/ Revenues are defined inclusive of grants.

Figure 3. Cote d'Ivoire: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2011-2031 1/



Sources: Country authorities; and staff estimates and projections.

Table 1a.: External Debt Sustainability Framework, Baseline Scenario, 2008-2031 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical 0 Average 0	Standard Deviation	Projections									
	2008	2009	2010			2011	2012	2013	2014	2015	2016	2011-2016 Average	2021	2031	2017-2031 Average
External debt (nominal) 1/	**89.4**	**81.2**	**76.7**			**76.6**	**65.0**	**62.1**	**58.9**	**55.0**	**51.5**		**45.2**	**43.3**	
o/w public and publicly guaranteed (PPG)	61.9	53.9	50.6			51.9	43.4	42.5	40.9	38.7	36.9		36.6	40.9	
Change in external debt	-8.6	-8.3	-4.5			-0.1	-11.7	-2.9	-3.2	-3.9	-3.5		-0.3	-0.5	
Identified net debt-creating flows	-19.3	-4.8	-7.7			2.8	-7.4	-3.0	-2.0	-1.4	-0.7		0.0	2.0	
Non-interest current account deficit	**-4.5**	**-9.2**	**-6.3**	**-5.9**	**2.6**	**-2.9**	**-2.3**	**-0.6**	**0.4**	**1.0**	**1.7**		**2.8**	**5.6**	3.6
Deficit in balance of goods and services	-7.5	-12.1	-11.0			-7.1	-6.3	-4.4	-3.5	-3.0	-2.4		-1.4	1.9	
Exports	48.7	50.9	48.4			45.4	43.6	42.1	40.6	39.9	38.8		37.1	34.4	
Imports	41.2	38.9	37.3			38.3	37.3	37.7	37.1	36.9	36.3		35.7	36.3	
Net current transfers (negative = inflow)	1.4	0.5	2.3	2.6	1.0	2.6	2.7	2.7	2.7	2.7	2.7		2.7	2.7	2.7
o/w official	-1.1	-2.1	-0.4			-0.1	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other current account flows (negative = net inflow)	1.6	2.3	2.4			1.6	1.4	1.1	1.3	1.3	1.4		1.5	1.0	
Net FDI (negative = inflow)	**-2.1**	**-1.7**	**-1.6**	**-1.9**	**0.4**	**-1.5**	**-1.5**	**-1.5**	**-1.5**	**-1.6**	**-1.6**		**-1.7**	**-2.1**	-1.8
Endogenous debt dynamics 2/	**-12.8**	**6.1**	**0.2**			**7.2**	**-3.6**	**-0.9**	**-0.9**	**-0.8**	**-0.8**		**-1.1**	**-1.5**	
Contribution from nominal interest rate	2.6	2.1	1.8			2.5	2.5	2.7	2.4	2.1	1.9		1.0	0.5	
Contribution from real GDP growth	-1.9	-3.5	-1.9			4.6	-6.1	-3.6	-3.3	-3.0	-2.6		-2.1	-2.0	
Contribution from price and exchange rate changes	-13.4	7.5	0.3			…	…	…	…	…	…		…	…	
Residual (3-4) 3/	**10.7**	**-3.5**	**3.3**			**-2.9**	**-4.3**	**0.2**	**-1.2**	**-2.5**	**-2.8**		**-0.3**	**-2.4**	
o/w exceptional financing	-1.1	-5.3	-2.6			-0.1	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	75.8			76.5	65.0	59.8	54.8	49.4	44.5		32.9	26.4	
In percent of exports	...	...	156.7			168.5	149.0	142.0	135.0	123.7	114.8		88.6	76.7	
PV of PPG external debt	**...**	**...**	**49.7**			**51.7**	**43.5**	**40.2**	**36.9**	**33.1**	**29.8**		**24.2**	**24.0**	
In percent of exports	**...**	**...**	**102.8**			**113.9**	**99.6**	**95.4**	**90.9**	**83.0**	**76.9**		**65.2**	**69.8**	
In percent of government revenues	**...**	**...**	**259.3**			**391.2**	**232.2**	**205.9**	**183.2**	**160.1**	**143.3**		**111.0**	**103.8**	
Debt service-to-exports ratio (in percent)	**7.4**	**-5.0**	**0.6**			**7.2**	**7.4**	**8.0**	**8.9**	**9.6**	**8.7**		**1.3**	**1.4**	
PPG debt service-to-exports ratio (in percent)	**8.4**	**4.6**	**3.8**			**7.1**	**8.1**	**8.9**	**9.3**	**10.4**	**10.2**		**3.2**	**3.5**	
PPG debt service-to-revenue ratio (in percent)	**21.6**	**12.3**	**9.5**			**24.3**	**18.9**	**19.3**	**18.8**	**20.0**	**19.0**		**5.4**	**5.2**	
Total gross financing need (Billions of U.S. dollars)	0.4	-1.9	-0.7			0.7	0.8	1.3	1.7	2.1	2.2		1.7	5.3	
Non-interest current account deficit that stabilizes debt ratio	4.1	-1.0	-1.8			-2.8	9.4	2.2	3.6	4.9	5.2		3.0	6.0	
Key macroeconomic assumptions															
Real GDP growth (in percent)	2.3	3.8	2.4	1.1	1.7	-6.3	9.0	6.0	5.7	5.5	5.2	4.2	5.0	5.0	5.0
GDP deflator in US dollar terms (change in percent)	15.9	-7.8	-0.3	7.3	8.6	11.1	3.7	1.9	2.0	3.0	3.1	4.2	2.9	3.6	2.9
Effective interest rate (percent) 5/	3.1	2.2	2.3	3.6	1.3	3.4	3.7	4.5	4.1	3.9	3.7	3.9	2.5	1.2	2.1
Growth of exports of G&S (US dollar terms, in percent)	20.9	0.0	-3.1	10.6	10.4	-2.2	8.7	4.4	3.9	6.8	5.3	4.5	6.7	8.2	7.2
Growth of imports of G&S (US dollar terms, in percent)	16.5	-9.7	-2.0	10.0	11.9	6.8	10.2	9.3	5.9	8.1	6.7	7.8	8.0	9.1	8.1
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	4.3	47.4	49.2	49.2	49.2	49.2	41.4	49.2	49.2	49.2
Government revenues (excluding grants, in percent of GDP)	18.9	18.9	19.2			13.2	18.7	19.5	20.1	20.7	20.8		21.8	23.2	22.4
Aid flows (in Billions of US dollars) 7/	0.4	0.1	0.1			0.2	0.1	1.2	1.1	1.2	1.3		1.9	4.2	
o/w Grants	0.4	0.1	0.1			0.1	0.1	0.1	0.1	0.1	0.1		0.1	0.3	
o/w Concessional loans	0.0	0.0	0.0			0.1	0.1	1.1	1.1	1.1	1.2		1.8	4.0	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			0.4	0.4	2.5	2.3	2.3	2.2		2.2	2.2	2.2
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			9.9	64.8	51.6	51.9	51.9	51.9		52.0	51.9	51.9
Memorandum items:															
Nominal GDP (Billions of US dollars)	23.5	22.5	23.0			23.9	27.1	29.2	31.5	34.2	37.1		54.9	119.2	
Nominal dollar GDP growth	18.6	-4.3	2.1			4.1	13.1	8.0	7.8	8.6	8.5	8.4	8.1	8.8	8.1
PV of PPG external debt (in Billions of US dollars)			11.4			12.5	11.7	11.7	11.6	11.3	11.1		13.3	28.6	
(PVt-PVt-1)/GDPt-1 (in percent)						4.9	-3.3	0.0	-0.4	-0.8	-0.8	-0.1	1.9	1.9	1.6

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.
2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.
3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.
4/ Assumes that PV of private sector debt is equivalent to its face value.
5/ Current-year interest payments divided by previous period debt stock.
6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.
7/ Defined as grants, concessional loans, and debt relief.
8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Table 1b.Cote d'Ivoire: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2011-2031
(In percent)

	Projections							
	2011	2012	2013	2014	2015	2016	**2021**	2031
PV of debt-to GDP ratio								
Baseline	52	43	40	37	33	30	**24**	24
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	52	51	51	51	50	49	**52**	52
A2. New public sector loans on less favorable terms in 2011-2031 2	52	44	42	40	37	35	**35**	41
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	52	46	43	40	36	32	**26**	26
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	52	45	45	41	37	34	**27**	25
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	52	49	50	46	41	37	**30**	30
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	52	45	44	41	37	33	**27**	25
B5. Combination of B1-B4 using one-half standard deviation shocks	52	52	54	50	45	41	**33**	31
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	52	61	56	51	46	42	**34**	33
PV of debt-to-exports ratio								
Baseline	114	100	95	91	83	77	**65**	70
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	114	116	122	126	126	127	**141**	150
A2. New public sector loans on less favorable terms in 2011-2031 2	114	100	99	98	94	91	**94**	120
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	114	99	95	90	82	76	**64**	69
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	114	112	119	114	105	98	**82**	82
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	114	99	95	90	82	76	**64**	69
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	114	104	105	100	92	86	**72**	72
B5. Combination of B1-B4 using one-half standard deviation shocks	114	108	107	102	94	87	**73**	74
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	114	99	95	90	82	76	**64**	69
PV of debt-to-revenue ratio								
Baseline	391	232	206	183	160	143	**111**	104
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	391	271	264	255	244	237	**240**	223
A2. New public sector loans on less favorable terms in 2011-2031 2	391	233	214	198	181	170	**159**	179
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	391	244	223	198	173	155	**119**	112
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	391	241	228	203	179	161	**124**	108
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	391	261	257	228	199	178	**137**	129
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	391	243	227	202	178	160	**123**	108
B5. Combination of B1-B4 using one-half standard deviation shocks	391	276	277	247	217	195	**150**	132
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	391	325	287	255	223	199	**154**	144

Table 1b.Cote d'Ivoire: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2011-2031 (continued)
(In percent)

Debt service-to-exports ratio

Baseline	7	8	9	9	10	10	**3**	3
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	7	9	10	11	13	13	**5**	9
A2. New public sector loans on less favorable terms in 2011-2031 2	7	8	9	9	10	10	**4**	6
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	7	8	9	9	10	10	**3**	3
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	7	9	10	11	12	12	**4**	4
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	7	8	9	9	10	10	**3**	3
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	7	8	9	10	11	10	**3**	4
B5. Combination of B1-B4 using one-half standard deviation shocks	7	8	9	10	11	11	**3**	4
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	7	8	9	9	10	10	**3**	3

Debt service-to-revenue ratio

Baseline	24	19	19	19	20	19	**5**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	24	20	22	22	24	24	**9**	13
A2. New public sector loans on less favorable terms in 2011-2031 2	24	19	19	19	19	19	**7**	9
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	24	20	21	20	22	21	**6**	6
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	24	19	19	19	20	19	**6**	6
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	24	21	24	24	25	24	**7**	6
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	24	19	19	19	20	19	**6**	5
B5. Combination of B1-B4 using one-half standard deviation shocks	24	21	24	24	25	24	**7**	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	24	27	27	26	28	27	**8**	7
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	43	43	43	43	43	43	**43**	43

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Table 2a.Cote d'Ivoire: Public Sector Debt Sustainability Framework, Baseline Scenario, 2008-2031
(In percent of GDP, unless otherwise indicated)

	Actual			Average	Standard Deviation	Estimate	Projections								
	2008	2009	2010			2011	2012	2013	2014	2015	2016	2011-16 Average	2021	2031	2017-31 Average
Public sector debt 1/	75.3	66.5	66.4			68.4	58.8	57.3	55.5	53.1	51.0		50.3	54.1	
o/w foreign-currency denominated	61.9	53.9	50.6			51.9	43.4	42.5	40.9	38.7	36.9		36.6	40.9	
Change in public sector debt	-0.4	-8.8	0.0			2.0	-9.6	-1.5	-1.8	-2.4	-2.0		0.7	-0.2	
Identified debt-creating flows	-3.0	-7.6	-1.0			4.1	-4.2	-1.3	-1.7	-2.1	-1.6		0.4	-1.4	
Primary deficit	-1.2	0.7	1.3	-0.1	0.9	4.5	1.0	1.0	0.6	0.6	0.9	1.4	2.9	1.9	2.2
Revenue and grants	20.6	19.5	19.7			13.4	18.9	19.8	20.4	20.9	21.0		22.1	23.4	
of which: grants	1.7	0.6	0.5			0.2	0.2	0.2	0.2	0.2	0.2		0.2	0.2	
Primary (noninterest) expenditure	19.3	20.2	21.0			18.0	20.0	20.8	21.0	21.5	21.9		25.0	25.3	
Automatic debt dynamics	-0.6	-3.0	0.4			-0.3	-5.3	-2.3	-2.3	-2.7	-2.5		-2.5	-3.3	
Contribution from interest rate/growth differential	-2.4	-3.1	-1.3			5.4	-4.8	-2.1	-2.1	-2.0	-2.0		-1.5	-2.0	
of which: contribution from average real interest rate	-0.7	-0.4	0.3			0.9	0.9	1.2	1.0	0.8	0.6		0.9	0.6	
of which: contribution from real GDP growth	-1.7	-2.7	-1.6			4.5	-5.7	-3.3	-3.1	-2.9	-2.6		-2.4	-2.6	
Contribution from real exchange rate depreciation	1.9	0.1	1.7			-5.7	-0.5	-0.2	-0.3	-0.7	-0.5		...	...	
Other identified debt-creating flows	-1.2	-5.3	-2.6			-0.1	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	-0.1	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	-1.1	-5.3	-2.6			-0.1	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	2.6	-1.2	0.9			-2.1	-5.3	-0.2	-0.1	-0.3	-0.4		0.2	1.3	
Other Sustainability Indicators															
PV of public sector debt	13.4	12.6	65.5			68.2	58.9	55.0	51.4	47.5	44.0		37.9	37.2	
o/w foreign-currency denominated	0.0	0.0	49.7			51.7	43.5	40.2	36.9	33.1	29.8		24.2	24.0	
o/w external	...	...	49.7			51.7	43.5	40.2	36.9	33.1	29.8		24.2	24.0	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	3.5	3.6	4.2			8.9	5.2	5.4	5.1	5.3	5.5		4.8	3.8	
PV of public sector debt-to-revenue and grants ratio (in percent)	65.2	64.7	332.5			507.6	311.1	278.5	252.4	226.9	209.2		171.9	159.1	
PV of public sector debt-to-revenue ratio (in percent)	71.1	66.7	341.7			516.1	314.4	281.7	255.3	229.4	211.5		173.7	160.7	
o/w external 3/	…	…	259.3			391.2	232.2	205.9	183.2	160.1	143.3		111.0	103.8	
Debt service-to-revenue and grants ratio (in percent) 4/	22.9	14.9	14.6			32.9	22.1	22.2	21.7	22.8	21.8		8.3	8.0	
Debt service-to-revenue ratio (in percent) 4/	25.0	15.3	15.0			33.5	22.3	22.5	21.9	23.1	22.0		8.4	8.1	
Primary deficit that stabilizes the debt-to-GDP ratio	-0.9	9.5	1.3			2.6	10.6	2.5	2.5	3.0	2.9		2.3	2.0	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	2.3	3.8	2.4	1.1	1.7	-6.3	9.0	6.0	5.7	5.5	5.2	4.2	5.0	5.0	5.0
Average nominal interest rate on forex debt (in percent)	2.0	0.8	0.8	1.7	0.6	2.3	2.9	3.9	3.4	3.1	2.9	3.1	1.7	1.0	1.5
Average real interest rate on domestic debt (in percent)	-1.6	3.0	2.9	0.8	1.9	1.1	0.8	1.6	1.6	1.7	1.7	1.4	2.2	1.9	2.3
Real exchange rate depreciation (in percent, + indicates depreciation)	3.0	0.2	3.1	-3.2	9.5	-10.4	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	8.0	0.0	1.9	3.2	2.4	3.4	3.5	2.9	3.0	3.0	3.1	3.1	2.9	3.6	2.9
Growth of real primary spending (deflated by GDP deflator, in percent)	0.0	0.1	0.1	0.0	0.1	-0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grant element of new external borrowing (in percent)	...	...	...	…	…	4.3	47.4	49.2	49.2	49.2	49.2	41.4	49.2	49.2	...

Sources: Country authorities; and staff estimates and projections.

1/ Public sector include the central government and select public enterprises

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

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

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 2b.Cote d'Ivoire: Sensitivity Analysis for Key Indicators of Public Debt 2011-2031

	Projections							
	2011	2012	2013	2014	2015	2016	2021	2031
PV of Debt-to-GDP Ratio								
Baseline	68	59	55	51	47	44	38	37
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	68	63	61	59	56	53	44	47
A2. Primary balance is unchanged from 2011	68	61	60	58	56	55	52	58
A3. Permanently lower GDP growth 1/	68	59	56	52	49	45	42	49
A4. Alternative Scenario :[Costumize, enter title]	68	57	54	50	47	44	28	11
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2012-2013	68	66	68	66	63	61	62	74
B2. Primary balance is at historical average minus one standard deviations in 2012-2013	68	59	55	51	47	44	38	37
B3. Combination of B1-B2 using one half standard deviation shocks	68	64	62	60	58	55	57	68
B4. One-time 30 percent real depreciation in 2012	68	80	74	68	62	56	43	36
B5. 10 percent of GDP increase in other debt-creating flows in 2012	68	65	61	57	53	49	42	39
PV of Debt-to-Revenue Ratio 2/								
Baseline	508	311	278	252	227	209	172	159
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	508	331	306	287	267	252	198	200
A2. Primary balance is unchanged from 2011	508	323	301	286	270	261	235	247
A3. Permanently lower GDP growth 1/	508	312	281	256	232	216	189	208
A4. Alternative Scenario :[Costumize, enter title]	507	216	202	189	177	165	109	41
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2012-2013	508	347	342	322	301	289	281	315
B2. Primary balance is at historical average minus one standard deviations in 2012-2013	508	310	277	251	226	208	171	159
B3. Combination of B1-B2 using one half standard deviation shocks	508	335	314	295	275	263	257	290
B4. One-time 30 percent real depreciation in 2012	508	422	372	333	295	267	196	153
B5. 10 percent of GDP increase in other debt-creating flows in 2012	508	346	310	281	253	234	190	168
Debt Service-to-Revenue Ratio 2/								
Baseline	33	22	22	22	23	22	8	8
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	33	24	25	25	27	27	9	8
A2. Primary balance is unchanged from 2011	33	22	23	23	25	25	12	14
A3. Permanently lower GDP growth 1/	33	22	22	22	23	22	9	11
A4. Alternative Scenario :[Costumize, enter title]	33	17	18	17	17	16	4	3
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2012-2013	33	24	26	26	28	28	15	17
B2. Primary balance is at historical average minus one standard deviations in 2012-2013	33	22	22	22	23	22	8	8
B3. Combination of B1-B2 using one half standard deviation shocks	33	24	25	25	26	26	13	16
B4. One-time 30 percent real depreciation in 2012	33	26	31	30	32	31	12	12
B5. 10 percent of GDP increase in other debt-creating flows in 2012	33	22	23	24	25	24	9	9

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.

Press Release No. 11/272
FOR IMMEDIATE RELEASE
July 8, 2011

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves US$129 Million Disbursement to Côte d'Ivoire Under the Rapid Credit Facility

The Executive Board of the International Monetary Fund (IMF) today approved a disbursement in an amount equivalent to SDR 81.3 million (about US$129.2 million) for Côte d'Ivoire under the Rapid Credit Facility (RCF)[1] to support the country's economic recovery program following a damaging political crisis. The disbursement, representing 25 percent of the country's quota in the Fund, is available immediately.

The Executive Board also noted the authorities' cancellation of the arrangement under the Extended Credit Facility (ECF), which was approved in 2009 for the equivalent of SDR 373.98 million (about US$565.7 million; see Press Release No. 09/96). That arrangement went off track during the country's political crisis after disbursements equivalent to SDR 230.892 million (about US$345.4 million; see Press Release 10/284). The authorities have expressed their intention to request a new arrangement under the ECF later in 2011 once they are in a position to formulate a medium-term economic program. This could open the way for the renewal of interim debt relief under the Heavily Indebted Poor Countries (HIPC) Initiative, under which Côte d'Ivoire reached its decision point in April 2009 (see Press Release No. 09/104).

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[1] The Rapid Credit Facility provides low access, rapid, and concessional financial assistance to low-income countries facing an urgent balance of payments need, without the need for program-based conditionality. It also provides policy support and can help catalyze foreign aid, and is available to Poverty Reduction and Growth Trust-eligible members that face an urgent balance of payments need, and where a full-fledged economic program is either not necessary or not feasible.

Côte d'Ivoire experienced months of political turmoil and violence after a presidential run-off in November 2010. The crisis virtually paralyzed economic activity, leading to a sharp contraction in 2011, tentatively projected at 6–7 percent of gross domestic product. The crisis also led to severe budget and balance-of-payments deficits.

Following the Executive Board's discussion of Côte d'Ivoire, Mr. Naoyuki Shinohara, Deputy Managing Director and Acting Chair, made the following statement:

"The prolonged post-election conflict has had serious consequences for Côte d'Ivoire's economy. The authorities' 2011 program appropriately reflects short-term priorities of restoring law and order and the operations of the public administration, as well as promoting economic recovery and meeting social needs.

"The authorities' fiscal program for 2011 is realistic but is subject to important uncertainties. Expenditures are expected to rise significantly, while revenues will depend on the speed of the economic recovery. It will be necessary to prioritize expenditures in line with available resources and seek grant and concessional external financing. The authorities are appropriately working toward a cooperative resolution of Côte d'Ivoire's debt service arrears with external creditors.

"The banking sector suffered serious damage as a result of the conflict. It will be critical to normalize banking operations as quickly as possible to provide sufficient credit to support economic recovery.

"The authorities will need more time to formulate their medium-term economic program, but it will be crucial to resume structural reforms as soon as possible to make progress toward the HIPC Initiative completion point. Key reform areas include the energy and cocoa sectors.

"Inaccurate data on nonconcessional external borrowing provided for the second review under the ECF resulted in a noncomplying disbursement. The Board decided to waive the nonobservance of the performance criterion in light of the corrective measures taken by the authorities."

Statement by Kossi Assimaidou Executive Director for Côte d'Ivoire
July 8, 2011

My Ivoirien authorities appreciate the constructive dialogue with staff and broadly share the thrust of their reports. They are grateful for the Fund's prompt support at a time when Cote d'Ivoire needs it the most.

After paying a huge toll to a decade-long political turmoil, Cote d'Ivoire had strived to renew with an acceptable stability, and to restore economic growth over the 2007-10 period. The peace accord that underpinned this momentum led to presidential elections in November 2010. However, the dispute over the results of the contest and the six month-long crisis that ensued turned into a violent conflict between two parallel governments, causing significant destruction and loss of lives.

As Cote d'Ivoire emerged from the crisis in mid-April 2011, President Ouattara's government made a priority of endeavoring in national reconciliation and economic recovery. My authorities are determined to revamp the country's political and social fabric while creating a conducive environment for the resumption of economic activity. It is in this context that they are requesting donors' support as well as multilateral assistance. My authorities view the Fund's Rapid Credit Facility as an important instrument in contributing to meet their short-term agenda of restoring public administration, security, law and order, meeting urgent social needs, and assisting the private sector with the view to accelerating economic recovery. Progress in these areas should pave the way for a medium-term program, to address long-stalling macroeconomic and structural reforms in macro-critical sectors including energy, cocoa/coffee, banking and finance, and the business climate.

Track Record and Recent Developments

Cote d'Ivoire was successfully implementing an ECF-supported program since March 2009. After two favorable reviews, staff and the authorities held discussions on the third review in September 2010, for a Board meeting expected after the presidential elections. Under this program, Cote d'Ivoire posted enviable results as regards macroeconomic performance and was making important inroads in the area of structural reforms. Real GDP growth stood at 3.8 percent in 2009, pushing per capita growth in positive territories for the first time in a decade. The global crisis was weathered well, and the HIPC completion point was expected by mid-2011.

The post election crisis undermined this momentum as it seriously damaged the economy. In 2010, many factors including energy shortages and the effects of a tense pre-election climate in the last quarter, added up to yield a modest growth rate of 2.4 percent. Over the period of the post-election conflict, the most uncovered economic aspect was the closure in late January 2011, of the national offices of the central bank –BCEAO- and hence nearly all commercial banks except state-owned banks operating in Cote d'Ivoire. This has seriously affected both public and private activities.

The armed conflict and the inherent insecurity led thousands of people to flee the country, and thousands of internally displaced persons were also reported. In addition, significant public and private assets were destroyed. As a result, many branches of the administration as well as private companies lost part or all of their working capacities and production factors.

Beyond the economy, the conflict has severely damaged Cote d'Ivoire's social fabric and my authorities are cognizant of the daunting task of national reconciliation that awaits them. The President has appointed a committee to conduct the work of *Dialogue, Truth and Reconciliation.*

Challenges for 2011 and the Case for a RCF

My authorities' main challenge for the remainder of 2011 is to respond to the high social demand entailed by a post-crisis situation, while facing severe revenue constraints. All end-year projections reflect the impact of the conflict and the disruption of activity over the past months. Real GDP is projected to decline sharply by 6-7 percent, and activity is expected to normalize only in Q4 2011. Domestic revenue collection is expected to shrink significantly, with only a gradual restoration of operations of the tax administration.

Cognizant of the need to lay the ground for a restoration of economic activity, my Ivoirien authorities have designed their emergency program around the objectives of stabilizing the macroeconomic framework, strengthening security, improving the humanitarian situation, rehabilitating infrastructure, supporting the private sector, and re-equipping government services. The program also includes a targeted investment component, namely through the Presidential Emergency Program (*Programme Présidentiel d'Urgence*), which focuses on priority sectors—specifically potable water, health, education, electricity, and urban sanitation.

My authorities' fiscal policy strikes a balance between providing support to the private sector through some tax breaks, and reestablishing normal taxation to secure government revenue. The budget adopted on June 22, 2011 covers the period starting from April 26, 2011 – marking the resumption of banking operations - through end-year. On the revenue side, tax breaks include suspension of commercial vehicle registration fees and the turnover tax for transport services, and the reduction by half of the turnover tax on commerce. Additional support is provided through unchanged fuel prices. A 39.4 percent loss is projected in VAT revenue due to the contraction in economic activity. Only oil and cocoa tax revenue is projected to increase by 1.7 percent of GDP compared to 2010. Overall, fiscal revenue is projected to fall by about 2 percentage points of period GDP during Q2–4, 2011, compared to 2010.

On the expenditure side, the high demand on public services is reflected in a projected rise of outlays of 4½ percentage points of period GDP during Q2–4, 2011 compared to 2010. Factors behind this rise include refurbishing costs, higher interest charges, higher electricity subsidy, and humanitarian and security-related measures, including the restarting of public utility services after conflict-related interruptions, and temporary free transport and health services.

My authorities are committed to implement their budget with a clear awareness of the scarcity of public resources. The overall budget deficit (excluding grants for the settlement of arrears) is expected to amount to 8.5 percent of GDP for the period. In the face of shrinking domestic revenue, my authorities intend to mobilize resources from the regional securities market, beyond bilateral and multilateral support. Early external financing included a credit from the Agence Française de Développement (AFD) (€ 350 million), and a disbursement of the African Development Bank's grants (CFAF 72.5 billion). The loan from the AFD has been instrumental to the provision of urgent humanitarian services to the populations at the end of the conflict and to the clearance of salary arrears for government employees in late April, with the view to resuming public administration activities.

My authorities intend to resume the sound management of the external debt service and the payment of domestic debt. In this regard, administrative conditions required by the BCEAO will be implemented to renew access to the regional market. Efforts will be made to reduce domestic arrears with a view to enhancing enterprises' cash flow situation. The government settled the arrears to the World Bank and the African Development Bank in May 2011 and resumed payment of debt service falling due as well. The authorities are committed to discussing with other external creditors on a plan to settle arrears at end-2010 and maturities falling due in 2011. Regarding the Paris Club, my authorities expect the opening of negotiations for a new treatment of the debt in support of the next medium-term economic program.

As regards the misreporting case that occurred on some non concessional loans contracted between January and June 2010, my authorities have communicated their views to staff and to management and request a waiver from the Board for non observance of the continuous PC under the late ECF. My authorities stressed that the misreporting was completely unintentional and resulted from a misunderstanding by the authorities concerning the appropriate methodology for calculating the grant element of loans for the relevant performance criterion. Going forward, my authorities would employ the appropriate methodology as reviewed with staff, and would consult with staff on terms and concessionality of proposed new borrowing in advance of contracting such external debt. Moreover, enhancing debt management skills is a core area of my authorities' capacity building agenda.

The structural reforms of my authorities will encompass the full range of issues identified under the late ECF. In the short run, a review will be conducted on the reforms initiated and course of actions be changed where applicable. Steps will be taken under the RCF, which should facilitate the acceleration of reforms in the next medium-term program. Actions in this regard include the organization of a seminar on the issues facing the electric power sector, the resumption of the civil service census, the reassessment of the PRS and development of an implementation plan, the launching of a study on the petroleum product pricing structure, and the assessment by the Banking Commission of the financial soundness of the banking sector.

Looking Ahead

My authorities are aware of the fact that many projections in their fiscal framework for 2011 are highly tentative. Accordingly, their management strategy entails contingency plans and they are committed to act proactively if revenue and financing risks were to materialize. Moreover, the short-term program should serve as a framework to restore fiscal management and support the resumption of economic activity. My authorities have indicated their intention to move quickly to an ECF-supported program as an instrument to implement structural reforms capable of engineering strong and sustained growth. The implementation of the remaining HIPC triggers under such a program should also help Cote d'Ivoire reach the HIPC completion point. Staff's DSA has rightly highlighted the worsening of Cote d'Ivoire's debt dynamics, which calls for debt relief at the earliest possible.

The impact of the post-election crisis has added up to an already worrisome poverty profile in Cote d'Ivoire. Beyond the actions taken to address the humanitarian consequences of the crisis in the short run, my authorities are cognizant of the need to reduce poverty in a comprehensive and sustainable manner. This requires large investments from the government and the emergence of a more vibrant private sector providing massive employment opportunities.

Conclusion

Cote d'Ivoire's post-election crisis momentarily ruined the hopes of full economic recovery and the benefits of the HIPC completion point expected for mid-2011. The amount of damage caused to the economy and to the country's fundamentals is yet to be assessed. In the face of daunting challenges, my authorities have taken steps to restore law and order and operations of public administration. Amid an environment of conflicting goals of raising revenue while supporting crisis-damaged enterprises, the authorities have unveiled a budget which should be instrumental to their priority actions through the remainder of 2011.

The assistance of the international financial community is paramount for Cote d'Ivoire in the period ahead. **The RCF should provide the appropriate framework for such assistance and I would appreciate the Board support in this regard**.