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Côte d'Ivoire: Second Review Under the Three-Year Arrangement Under the Extended Credit Facility, Request for Modification of Performance Criteria, and Financing Assurances Review—Staff Report; Staff Supplements; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Côte d'Ivoire.

In the context of the second review under the three-year arrangement under the Extended Credit Facility, request for modification of performance criteria, and financing assurances review, the following documents have been released and are included in this package:

- The staff report on the second review under the three-year arrangement under the Extended Credit Facility, request for modification of performance criteria, and financing assurances review, prepared by a staff team of the IMF, following discussions that ended on October 3, 2012, 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 November 15, 2012. 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.
- Informational Annex prepared by the IMF.
- A Joint Debt Sustainability Analysis prepared by the staffs of the IMF and the World Bank.
- A Press Release summarizing the views of the Executive Board as expressed during its November 30, 2012 discussion of the staff report that completed the request and/or review.
- A statement by the Executive Director for Côte d'Ivoire.

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

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

*Also included in Staff Report

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

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INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

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

Prepared by African Department
(In consultation with other departments)

Approved by Seán Nolan and Peter Allum

November 15, 2012

The socio-political situation has improved, but remains fragile. All the key institutions of the country are now operational. However, progress in national reconciliation has been limited and a series of attacks against army barracks and checkpoints have taken place in recent months. The economy is rebounding faster than projected in 2012, following the decline of 2011. Prospects for 2013 are positive.

Program performance was broadly satisfactory. At end-June 2012, all performance criteria were met, while the implementation of structural reforms advanced in some areas and lagged in others. Reforms of the public pension system and of the cocoa sector were finalized, and good progress has been made to improve debt management and the restructuring of the public banks. However, actions in the energy sector fell short of program targets. **Staff recommends completion of the second review, the proposed modification of performance criteria for end-December 2012, and the establishment of new ones for end-June 2013**.

Fund relations. An ECF arrangement in the amount of SDR 390.24 million (120 percent of quota) was approved by the Executive Board on November 4, 2011. The discussions for the second review of the ECF arrangement took place in Abidjan during September 19–October 3, 2012. The staff team comprised Messrs. Lazare (Head), Ahokpossi and Koulet-Vickot (all AFR), Dicks-Mireaux (SPR), Thakoor (FAD), and Camard (Res. Rep.). The mission met with President Ouattara, Ministers Diby (Economy and Finance), Mabri (Planning and Development), Toungara (Energy and Mines), Coulibaly (Agriculture), Gnamien (Civil Service), National Director of the BCEAO Aman, other senior officials, representatives of the private sector, and the diplomatic community. Mr Allé (OED) attended some of the meetings.

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

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LIST OF ACRONYMS

AFD	Agence française de développement
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
BCEAO	Central Bank of West African States
CFAF	African Financial Community Franc
CGRAE	Civil Service Pension Fund
CNPS	Private Sector Pension Fund
CP	Completion Point
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
EITI	Extractive Industries Transparency Initiative
FAD	Fiscal Affairs Department
FIRST	Financial Sector Reform and Strengthening Initiative
FSAP	Financial Sector Assessment Program
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Country
IFC	International Finance Corporation
IT	Indicative Target
LIC	Low Income Country
MEFP	Memorandum of Economic and Financial Policies
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MTEF	Medium Term Expenditure Framework
OAT	Government bonds issued through the BCEAO
PC	Performance Criterion
PEMFAR	Public Expenditure Management and Financial Accountability Review
PETROCI	Government-Owned Petroleum Company
PFM	Public Financial Management
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
SIGFAE	Integrated Personnel Management System
SME	Small and medium-size enterprise
SSA	Sub-Saharan Africa
SIR	National Oil refinery
TMU	Technical Memorandum of Understanding
TPCI	Government bonds issued through syndication
VAT	Value-Added Tax
WAEMU	West African Economic and Monetary Union

EXECUTIVE SUMMARY

- **Economic activity rebounded more strongly than projected in 2012 following the contraction in 2011**. GDP is now expected to increase by 8.6 percent in 2012. Inflation was modest through August and is expected to remain below 2 percent for the year.
- **Program performance was broadly satisfactory**. Fiscal outcomes were better than programmed and all end-June quantitative targets were met. Progress on structural reform was solid in some areas but lacking in others. The reforms of the public pension system and of the cocoa sector were finalized, and progress was made on debt management and on the restructuring of the public banks. However, the authorities need to reinvigorate their efforts in reforming the energy sector.
- **Growth prospects for 2013 are favorable**, **with some risks**. The growth momentum of 2012 is expected to carry over to 2013, as the authorities step up public investment, which would catalyze private investment. The authorities expect a quick and strong reaction from the private sector and, consequently, higher growth than envisaged by staff. Sluggish private sector response would yield slower growth than projected.
- **Policy discussions revolved around the 2013 budget and structural reforms**. Revenue assumptions are prudent and in line with staff growth projections. Current expenditure is contained to make room for higher public investment, as access to domestic financing could be tight. The authorities are taking steps to address energy sector issues, to restructure the public banks, and to tackle other structural reforms, including debt management. A minor modification of end-December 2012 performance criteria on the floor on the overall fiscal balance and on the ceiling on net domestic financing is requested. For 2013, a new small nonconcessional borrowing window (0.39 percent of GDP) and an increase (0.18 percent of GDP) in an existing window to a regional development bank are also requested.
- **There are risks to the program but they are manageable**. The key downside risks are related to a possible slow and cautious participation of the private sector in the economic revival of the country.
- **Staff recommends the completion of the second review under the ECF arrangement**, **the modification of performance criteria for end-December 2012**, **the establishment of new ones for end-June 2013 and the financing assurances review**.

I. SOCIO-POLITICAL CONTEXT

1. **The socio-political situation has improved but remains fragile**. Following the inaugural session of the Parliament in March 2012, all the keys institutions of the Republic are now operational. However, since the end of the post-election crisis in April 2011, progress toward national reconciliation has been limited. Given that income per capita has deteriorated over the last decade, the population expects tangible and quick improvements in living conditions.

MEFP ¶1

2. **The security situation has deteriorated somewhat**. Since August, a series of attacks against army barracks, police stations, checkpoints, and more recently a power plant, have taken place. In response, the authorities tightened security measures and created a National Security Council, which is chaired by the President. The restructuring of the new army is underway.

II. RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3. **Economic activity through August 2012 has been robust, and prospects for the year are more favorable than previously projected** (Table 1). To date, the broad-based rebound in economic activity, following a marked decline in 2011, has been stronger than projected, leading to an upward revision of growth projections to 8.6 percent (8.1 percent initially programmed). Inflation was moderate through August and is expected to remain below 2 percent for 2012.

MEFP ¶5

4. **The economic rebound is resulting in a surge in imports** (Table 2). Imports through August 2012 are 30 percent above their 2010 level,[1] and 50 percent above for capital and intermediate goods. Coupled with lower cocoa and oil exports, the import surge is expected to lead to a current account deficit for the year, the first after many surplus years. At the same time, capital outflows/errors and omissions have decreased, probably reflecting reduced capital flight as confidence in the economy returns.

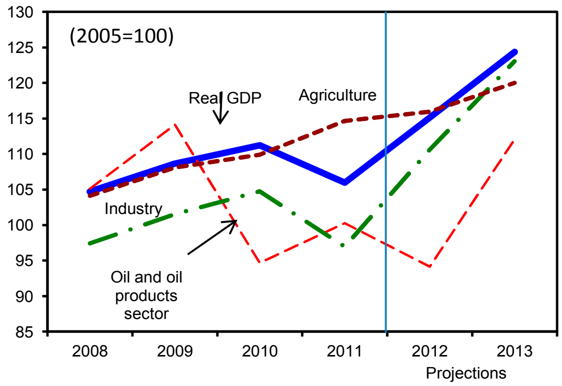
5. **The fiscal outcome at end-June was better than programmed, with a strong revenue performance and expenditure in line with expectations** (Text table 1). Revenue exceeded the program target by 1.1 percentage point of GDP, with corporate income tax performing better than expected. Expenditures, including investment, were within the programmed envelope, with domestically-financed investment exceeding its target while externally-financed investment was executed at a lower rate. Pro-poor spending has continued to increase, while the wage bill was contained. All performance criteria at end-June were observed.

MEFP ¶6–7

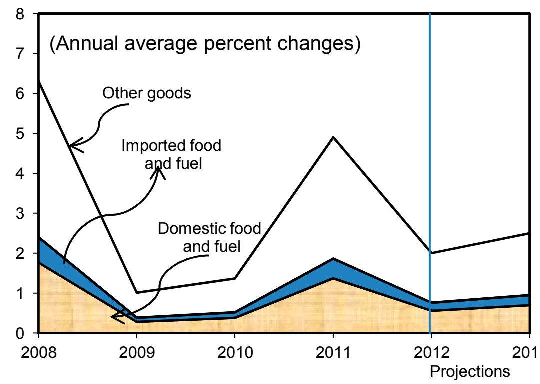
[1] The first half of 2011 is not a good reference period, as the post-election crisis resulted in depressed economic activity and imports.

Figure1. Côte d'Ivoire: Selected Macroeconomic Indicators, 2008–13
(Percent of GDP, unless otherwise indicated)

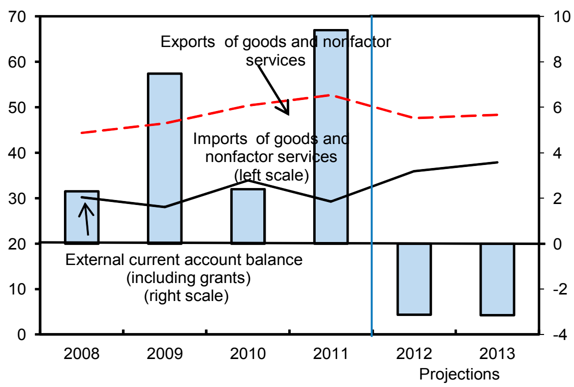
Growth is expected to rebound in 2012, after a contraction induced by the post-election crisis in 2011...



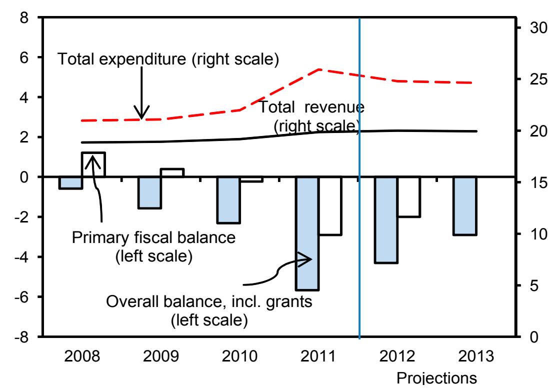
... while inflation is expected to abate in 2012.



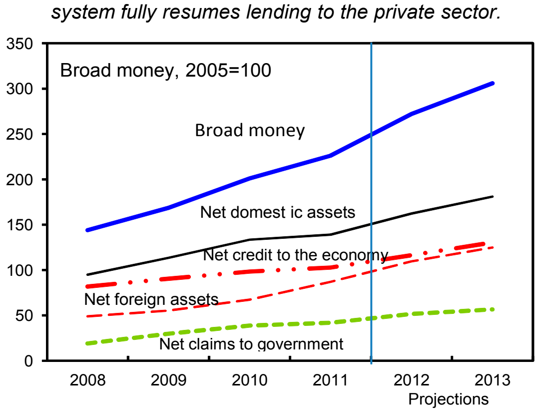
The current account is projected to turn into a deficit in 2012, as investment related imports increase



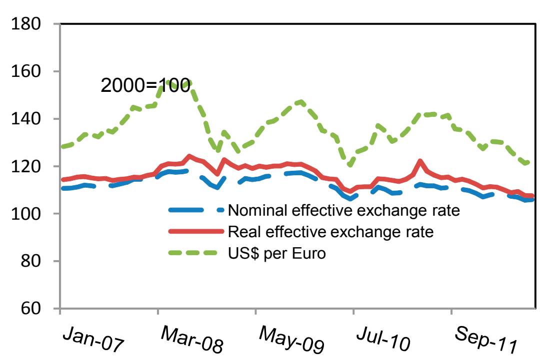
The fiscal deficit is to be reined in after the 2011 spike[1/].



Growth in broad money is expected to remain strong in 2012 as the economy recovers and the banking system fully resumes lending to the private sector.

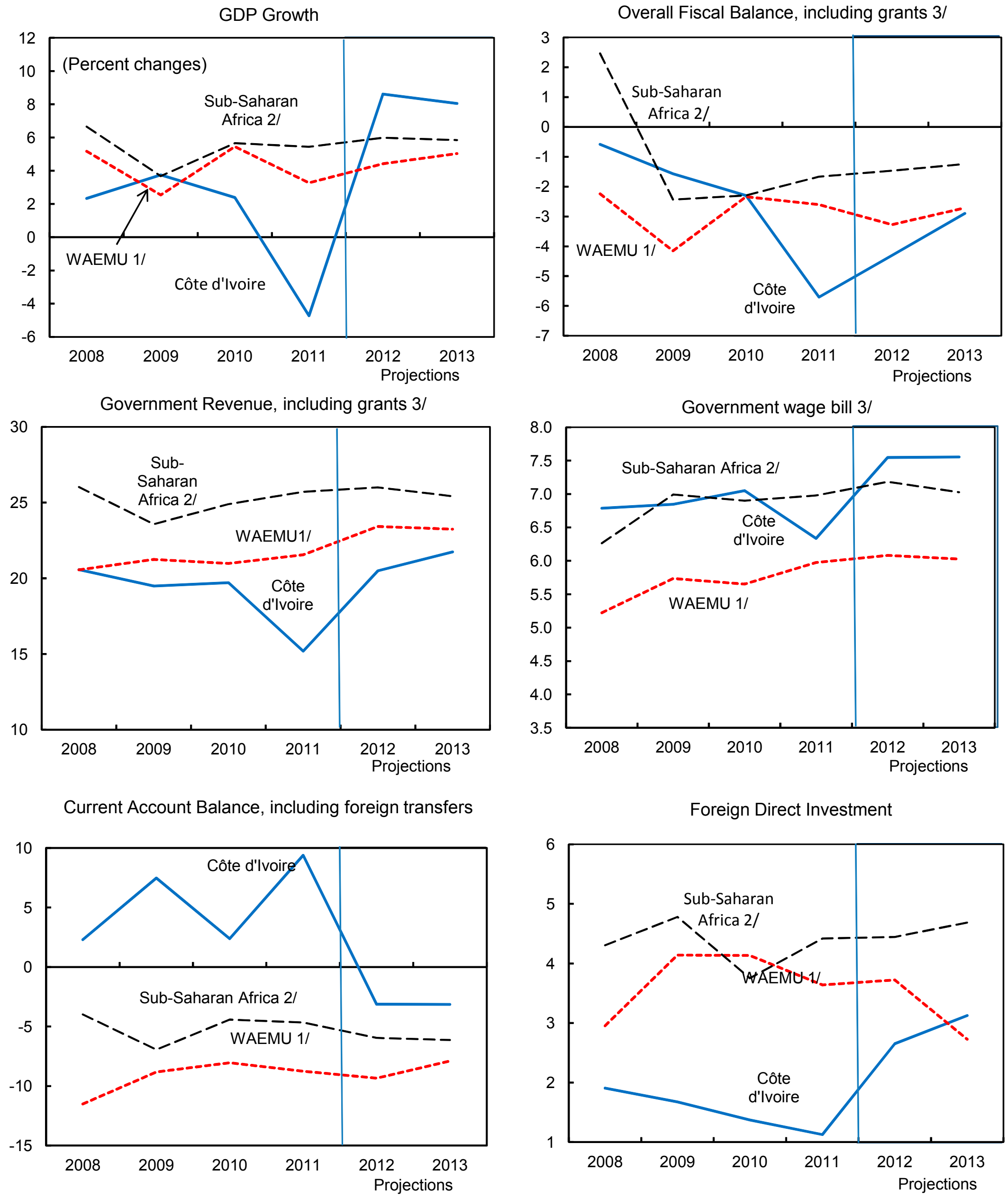


The real effective exchange rate has recently moved alongside the fluctuations of the Euro against the US Dollar.



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

Figure 2. Côte d'Ivoire: WAEMU, and SSA - Macroeconomic Development and Outlook, 2008–13
(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 Côte d'Ivoire, Q2-Q4, 2011 over period GDP.

Text Table 1. Côte d'Ivoire: Fiscal Operations, 2012–13

	Percent of GDP					
	2012				2013	
	June		December			
	Prog.	Actual	Prog.	Revised	Prog.	Revised
Total revenue and grants	**9.1**	**10.2**	**19.2**	**20.5**	**20.1**	**21.7**
Tax revenue	7.9	8.6	16.2	17.3	16.7	17.5
Oil revenue	0.7	0.7	1.9	2.3	1.1	1.5
Fuel tax	0.4	0.4	0.8	0.8	0.8	1.0
Cocoa export tax	1.2	1.3	2.3	2.4	3.4	2.1
VAT	0.8	0.8	1.6	1.6	1.7	1.8
Import taxes	2.2	2.2	4.6	4.5	4.6	5.2
Other	2.6	3.1	5.1	5.7	5.1	6.1
Non-tax revenue	1.0	1.3	2.5	2.7	2.4	2.4
Grants	0.3	0.3	0.4	0.5	1.0	1.8
Total expenditures	**10.5**	**10.4**	**23.6**	**24.8**	**23.3**	**24.6**
Current expenditures	8.8	8.8	18.3	19.5	17.6	17.1
Wage bill	3.7	3.6	7.5	7.5	7.2	7.5
Social security benefits	0.9	0.9	1.8	1.9	2.0	1.7
Subsidies and other transfers	1.3	1.3	2.6	3.3	2.1	2.4
Of which: electricity sector	0.2	0.2	0.5	1.1	0.4	0.5
Other current expenditures	2.1	2.1	4.1	4.3	4.0	3.9
Crisis and elections-related expenditures	0.2	0.2	0.5	0.5	0.0	0.1
Interest	0.6	0.7	1.8	1.9	2.4	1.5
Domestic	0.2	0.2	0.6	0.6	0.7	0.8
Foreign	0.4	0.5	1.2	1.2	1.7	0.8
Capital expenditures	1.7	1.6	5.2	5.4	5.6	7.5
Of which: foreign financed	0.6	0.4	1.0	1.0	1.6	3.3
Net lending	0.0	0.0	0.0	0.0	0.1	0.0
Primary basic balance 1/	**-0.4**	**0.6**	**-2.0**	**-1.9**	**-0.2**	**0.2**
Overall balance	**-1.4**	**-0.2**	**-4.4**	**-4.3**	**-3.2**	**-2.9**
Financing	**1.4**	**0.2**	**4.4**	**4.3**	**3.2**	**2.9**
Domestic financing	**0.0**	**-0.2**	0.6	1.0	0.4	-0.1
Possible external financing 2/	**0.1**	**-0.4**	**0.5**	**0.1**	**-0.8**	**2.6**
Project loans	0.4	0.2	0.6	0.6	0.6	2.2
Program loans/grants	0.0	0.0	0.5	0.3	0.0	0.6
World Bank budget support grant	0.0	0.0	0.2	0.0	0.0	0.2
AfDB budget support grant	0.0	0.0	0.0	0.0	0.0	0.1
AFD budget support loan/ EU	0.0	0.0	0.3	0.3	0.0	0.3
WAEMU budget support grant	0.0	0.0	0.0	0.0	0.0	0.0
WAEMU financing	0.7	0.3	1.8	1.8	1.1	0.9
Amortization due (excl IMF)	-1.0	-1.0	-2.4	-2.5	-2.5	-1.0
Exceptional financing	**0.9**	**0.9**	**2.5**	**2.8**	**2.3**	**-0.1**
External arrears	0.0	0.0	-1.2	-1.2	-0.1	-0.2
Debt relief	0.9	0.9	**3.8**	4.0	**2.5**	0.0
Completion point debt stock relief			**0.0**	20.0		
Completion point debt stock cancellation			**0.0**	-20.0		
Financing gap	**-0.4**	**0.1**	**-0.8**	**-0.4**	**-1.2**	**-0.5**
IMF (possible ECF)	**0.4**	**0.4**	**0.8**	**0.4**	**0.5**	**0.5**
Residual gap	**0.0**	**0.5**	**0.0**	**0.0**	**-0.7**	**0.0**
Memo: Nominal GDP (CFA bn)	**12,575**	**12,575**	**12575.0**	**12460.0**	**13,609**	**13,765**

Sources: Ivoirien authorities and IMF staff estimates and projections.

1/ Primary basic balance=(Tax and non tax revenue)-{Total expenditure + Net lending (on payment order basis) - Interest payments - Foreign financed expenditure}.

2/ Reflects funding indications to date.

6. **Progress on structural reforms was solid in some areas, but lagged in other politically-sensitive ones**. Eleven out of the 17 structural benchmarks through end-September under the program were met on time (MEFP Table 2). In addition, the reform of the public pension system has been implemented, the reform of the cocoa sector was completed in time for the fall 2012 harvest, and progress on debt management and on restructuring the public banks is ongoing. The remaining structural benchmarks, particularly in the energy sector,[2] encountered delays or are still outstanding. The government is taking corrective measures for the missed structural benchmarks along with measures to reinvigorate implementation of key reforms. In particular, the government intends to adopt an automatic pricing mechanism for petroleum products in mid-November, and is committed to implementing it by end-March 2013.

MEFP ¶8

7. **Côte d'Ivoire benefited from a substantial reduction in its external debt stock after reaching the enhanced HIPC completion point at end-June 2012**. With full delivery of debt relief, Côte d'Ivoire would benefit from $7.7 billion in total debt reduction in present value terms, consisting of $3.1 billion in enhanced HIPC debt relief, $3.3 billion in additional relief from the Paris Club official bilateral creditors, and a further $1.3 billion in debt relief from multilateral creditors under the Multilateral Debt Relief Initiative.[3]

MEFP ¶14

III. Policy Discussions

A. Growth Outlook for 2013 and Beyond

8. **The economic outlook for 2013 and over the medium term is favorable**. The staff revised its real GDP growth projection to 8.0 percent reflecting (a) a rising growth momentum in the latter part of 2012, which is expected to carry over to next year; (b) strong progress toward identifying external financing for the 2013 budget and PPP investment projects; and (c) the marked interest of foreign investors for Cote d'Ivoire.[4] As the improved outlook and public investment help crowd in private investment, growth performance is projected to remain strong although at a lower level than in 2012-13. The authorities expect to achieve an even more rapid economic expansion, with growth reaching 9 percent of GDP in 2013 and stabilizing at 10 percent over the medium term, on account of a more vigorous expansion of private sector investment and somewhat higher public investment (Box 1).

MEFP ¶18–20

[2] 5 out of 6 missed structural benchmarks are in the energy sector.

[3] Bilateral debt relief agreements have been signed as of end-October with several Paris Club creditors—Austria, Belgium, Canada, France and Switzerland; and the authorities are contacting other official bilateral creditors as well as multilateral creditors.

[4] Economic activity would be driven by significantly higher levels of public and private (including PPPs) investment, as well as by a rise in consumption in rural areas resulting from the expected success of the cocoa reform, which guarantees a higher share of the CIF cocoa prices to producers.

Box 1. Côte d'Ivoire: Authorities' Medium-Term Outlook, 2012–15

The authorities' medium-term outlook is derived from the recently finalized National Development Plan (PND 2012–15). The overarching objective of this development plan is to make significant inroads in poverty reduction and to transform Côte d'Ivoire's economy into an emerging market one by 2020. To this end, the government targets real GDP growth rates of 9 percent in 2013 after the rebound of 8.6 percent in 2012, 10 percent in 2014, and 10.1 percent in 2015, driven by both higher public and private investment spending.

More specifically, the government envisages to increase public investment to 9.7 percent of GDP by 2015, against 3 percent of GDP on average over 2006–10. The focus of public investment spending is on addressing infrastructure bottlenecks. The government intends to secure a part of the investment financing by creating fiscal space through better revenue mobilization and current expenditure controls, in particular wage bill and subsidies. Total revenues (excluding grants) are projected to remain broadly unchanged as a share of GDP, while current expenditure would decline by about 3 percent of GDP between 2012 and 2015. The overall fiscal deficit (including grants) would reach about 3.7 percent of GDP in 2014–15 to accommodate higher capital spending. The remaining financing gap would be covered by borrowing on both domestic and international markets.

The government expects that higher public spending in basic infrastructure, together with implementation of structural reforms, would improve the business climate, and crowd in private sector investment, which is projected to reach 13.7 percent of GDP by 2015 from about 6 percent of GDP in 2010.

A donors' conference is set to take place in Paris in early December 2012 to secure the financing of the National Development Plan estimated at about CFAF 11 076 billion (about $21 billion) over 4 years.

Côte d'Ivoire: Medium Term Outlook, 2012-15

	2012	2013	2014	2015
	(Annual percentage changes, volume)			
National income				
GDP at constant prices	8.6	9.0	10.0	10.1
Primary sector	0.7	4.7	5.9	4.2
Secondary sector	14.8	12.1	13.5	14.3
Tertiary sector	14.1	12.9	13.5	14.0
Total consumption	8.1	8.0	8.0	7.7
Fixed capital formation	63.2	40.8	32.7	22.8
Export of goods	7.5	10.5	7.8	7.5
Import of goods	45.8	18.8	13.8	13.0
	(Percent of GDP)			
Central government operations				
Total revenue and grants	20.5	21.5	21.9	21.7
Total revenue	20.0	19.8	19.8	19.6
Total expenditure and net lending	24.8	24.4	25.7	25.3
Current expenditure (excl. interests)	17.0	15.2	14.8	14.1
Primary basic balance	-1.9	0.2	-0.5	0.0
Overall balance, incl. grants, payment order basis	-4.3	-2.9	-3.8	-3.6
Gross investment	12.5	16.2	20.2	23.4
Central government	5.3	7.4	9.3	9.7
Nongovernment sector	7.2	8.8	10.9	13.7
Memorandum items:				
Annual cost of National Development Plan (CFAF billions)	1520.9	2263.3	3129.5	4162.3
Annual cost of National Development Plan (US$ billion)	2.9	4.3	5.9	7.8
Nominal GDP (CFAF billions)	12,460	13,885	15,610	17,550
Nominal GDP at market prices (US$ billion)	24.1	26.2	29.3	32.9
Nominal GDP per capita (CFAF thousands)	544	589	643	703
Nominal GDP per capita (US$)	1,049	1,110	1,209	1,316
Nominal exchange rate (CFAF/US$, period average)	518	530	532	534

Source: Ivoirian authorities.

B. Fiscal Policy

9. **The projected fiscal deficit for 2012 is expected to edge down**. Reflecting recent developments and an upward revision of both revenue and expenditure, the overall deficit is projected to decline from 4.4 to 4.3 percent of GDP. Specifically:

MEFP ¶11–13

- Revenue is expected to improve by 1.1 percent of GDP, mainly due to better than expected corporate income tax (0.4 percent of GDP) and oil revenue (0.4 percent of GDP). Grants are also expected to be 0.2 percent of GDP higher.

- Higher expenditure is expected, largely due to increased electricity subsidies. Low rainfall reduced hydropower generation and required greater recourse to more expensive fuel oil. To alleviate the already tenuous financial situation of the sector, the government provided additional subsidies, raising overall subsidies to the sector to 1.1 percent of GDP in 2012.

10. **The 2013 budget is built on conservative revenue assumptions**. This prudence is motivated by a desire to avoid understating the budget financing need at a time when domestic financing conditions may become tighter (see below). The revenue projections are fully consistent with the staff's 8 percent growth scenario. Revenues are nonetheless projected to increase by 0.2 percent of GDP as compared to 2012, reflecting the continued uptick in economic activity as well as the authorities' efforts to revamp revenue administration, including through the implementation of an action plan adopted in July 2012 to boost VAT collection. Cocoa revenue is, nevertheless, projected to fall in spite of the expected increase of international prices in 2013, as the authorities' reduced the net tax intake from cocoa.[5] In addition, the government's oil revenue is expected to decrease as international prices decline slightly and the government's share of oil output is reduced as its partners recover the cost of investments made in 2012.

MEFP ¶22–27

11. **Grants are expected to increase substantially as the authorities' push for international support starts to bear fruits**. The French debt-for-development swap mechanism ("C2D") is expected to generate an additional 0.6 percent of GDP in grants, while other partners would bring an additional 0.7 percent of GDP.

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[5] The net tax reduction (0.3 percent of GDP) reflects the government's commitment to pass at least 60 percent of c.i.f. export cocoa prices on to farmers, as part of the reform of the coffee/cocoa sector. After consulting with other stakeholders in the cocoa sector and given that other costs (transportation, marketing, etc) are relatively fixed, only a tax reduction could be used to ensure an adequate guaranteed farmers' price. The loss of tax was partially offset by the government decision to end the temporary preferential tax treatment offered to cocoa grinders, which was supposed to expire more than a decade ago. This change in the taxes on cocoa allows for the completion of the cocoa sector reform, in line with the relevant HIPC completion point trigger.

12. **Current expenditures would be contained to make room for investment**.

- Current expenditure relative to GDP is expected to decline in 2013. Some large one-off subsidies, particularly to the electricity sector in 2012, are not expected to recur. So-called "crisis-exit expenditures" related to the 2007/08 Ouagadougou Accords would taper off as the country moves beyond the internal crisis of the last decade. The wage bill would be contained to 7.5 percent of GDP despite social and political pressure on the government to more quickly deliver on the promises for wage increases made by the previous regime.
- Investment is expected to increase to 7.5 percent of GDP (from 5.4 percent in 2012). Domestically-financed investment would edge slightly down relative to GDP, while externally-financed investment would expand from 1 percent of GDP in 2012 to 3.3 percent of GDP in 2013. While the authorities have already identified partner funding for most of the 2013 externally-financed investment, the remaining amounts for 2013 and beyond are being sought at the planned December 2012 Consultative Group meeting.

13. **Expenditure restraint and the projected smaller overall fiscal deficit (from -4.3 percent of GDP in 2012 to -2.9 percent in 2013) also reflect a tightening of financing conditions and a shift to recording debt service on an after debt relief basis**. The authorities have in particular halved the projected net domestic borrowing as a large share of the securities restructured in 2011 are falling due at the end of 2013 and may weigh on investors' appetite for government paper. The tighter fiscal stance in 2013 also reflects the shift from a recording of debt service on a gross basis before the enhanced HIPC completion point (first half of 2012) to a recording on a net basis (net of debt relief) after the enhanced HIPC completion point.

14. **The authorities have committed themselves to culling any investment for which external financing cannot be identified or to further restraining overall spending if revenue collection were to fall short of projections**.

C. Structural Reforms: Stepping Up Efforts and Moving to a New Phase

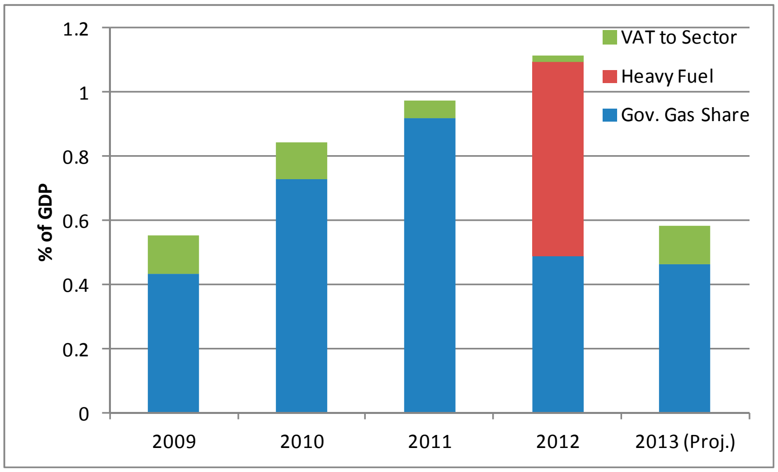
MEFP ¶28–39

15. **The authorities remain committed to their broad and ambitious reform agenda but challenges remain**. The aim of the reforms is to create an environment conducive to sustained high growth and employment, and to private sector engagement. As the authorities remain concerned about the social impact of part of their reform agenda, staff encouraged them to consider mitigating measures for the poor, as needed. While six structural benchmarks (mostly on power sector/fuel pricing) were missed, the authorities have given assurances that the corrective measures indicated below will be fully and timely implemented.

Box 2. Côte d'Ivoire's Electricity Sector and the Budget

Côte d'Ivoire's electricity pricing policy represents a sizable burden on the budget. Electricity tariffs have consistently lagged marginal generation cost and the problem is compounded by technical and commercial losses. Additionally, the majority of households are currently billed under the lower-rate social tariff, aimed preliminary at the poor. Such policies have affected the profitability of the sector and hindered investment plans.

Figure 1: Côte d'Ivoire: Cost of the Electricity Sector on the Budget



The cost of government support to the sector has been increasing over the last few years, but is expected to fall in 2013 (Fig. 1). Electricity is generated from hydro, gas and heavy fuel. In a bid to keep generation costs low, the government gives away its share of gas to the sector (without any payments), and transfers a share of the VAT. While the gas subsidy reached 0.9 percent of GDP in 2011, the renegotiation of gas prices with one of the main gas suppliers was expected to contain the impact on the 2012 budget to around 0.5 percent of GDP. However, with tariff adjustments limited to a 10 percent increase in the electricity tariff for industries, heavy recourse to higher-cost electricity generation from heavy fuel has added a further 0.6 percent of GDP cost to the 2012 budget. Government support to the sector is expected to fall back to around 0.6 percent of GDP in 2013.

The authorities intend to increase capacity and expect the sector to achieve financial equilibrium by 2015 through a combination of pricing, technical, and institutional reforms. Côte d'Ivoire is planning a major increase in generation capacity, including through PPPs with independent power producers, to meet rising demand as the economy strengthens. The new pricing strategy hinges on a combination of transferring large volume consumers out of the social tariff, implementing a series of gradual price increases to bridge the generation cost differential, and renegotiating export prices. Also, grid maintenance and the fight against fraud would be scaled up to reduce technical and commercial losses. Generation costs would be contained by renegotiating other gas suppliers contracts and the coming into operation of more efficient power producers. The government would continue to finance the bulk of investment for expanding and maintaining the electricity network.

16. **Reform of the electricity sector is set to continue**. The subsidies to the sector represent a sizable drain on the budget (Box 2) and crowd out pro-poor spending. In mid-November 2012, the government will adopt a comprehensive strategy to gradually bring the electricity sector back to financial equilibrium; it is taking steps to move high volume consumers out of the social tariff in early 2013 and it agreed to implement an average 5 percent increase in the consumer tariff in mid-2013. The collection of electricity bills and the prosecution of fraud will be further improved by the adoption of the Electricity Code. In addition, the government aims to reduce costs through efficiency measures and new hydropower and gas plants coming on stream. The authorities, in collaboration with the World Bank, are undertaking a social impact assessment of the electricity reforms. The findings could lay the basis for a more targeted approach to electricity reform, including buffering social safety nets for the neediest households so as to mitigate the impact of future tariff adjustments.

17. **The government will adopt an automatic pricing mechanism (APM) for petroleum products in mid-November, to be implemented by end-March 2013**. Fixed retail prices have resulted in a 50 percent decline in the taxes collected on petroleum products between 2010 and 2012, and tax expenditures on fuel products are currently estimated at around 1 percent of GDP. After outreach on the need for reform, the APM will be implemented by end-March 2013. The implementation of the new APM would allow the government to share the risk of international price fluctuations with end-users, reduce the implicit fuel subsidies and allocate more public resources to pro-poor spending. Separately, the price of liquid petroleum products will be adjusted by up to CFAF 15 per liter by end-November to finance the deficit of the cooking gas subsidy mechanism. Staff discussed the experience of other countries in buffering the impact through social safety nets while implementing such reforms.

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18. **Progress on debt management is ongoing with the technical assistance from the Fund and the World Bank**. The authorities plan to reorganize their debt management unit and adopt a functional structure (front-, middle-, and back-office by mid-2013.) The newly-formed National Committee of Public Debt (NCDP) is functional and plans to prepare for government adoption a first debt management strategy and debt sustainability analysis to be issued with the 2014 budget.

19. **The authorities intend to push ahead with the implementation of the May 2012 strategy for the restructuring of the public banks**. The ongoing audits of the public banks are expected to be concluded by end-November 2012 and the restructuring strategy adopted in the spring of 2012 is expected to be fully implemented in 2013. At the same time, a Financial Sector Development Strategy prepared with technical assistance from the World Bank will be completed and implemented in 2013 to cover the entire sector. A time- bound action plan to restructure other public enterprises is under preparation to keep that process on track.

20. **Efforts to reduce domestic arrears are being reinvigorated**. The authorities made progress by not accumulating new arrears to suppliers over the last few years and reducing the previously accumulated ones. As they aim to stimulate private sector involvement in economic activities, they authorities will step up their efforts to reduce arrears on domestic financial debt through a more active management of this debt and negotiations with various holders to restructure their claims. In parallel, an audit is being conducted to validate the claims non-financial sector on the government.

21. **The wage bill strategy is expected to be finalized by end-January following further broad-based consultations**. Development needs, including in education and health, imply the recruitment of a large number of civil servants over the medium to long term. At the same time public servants are pressing the government to honor commitments by past governments to increase their wages after the HIPC completion point. This issue will be tackled as part of the ongoing tripartite social forum—a discussion between the government, public servants and the civil society to address all social issues.

IV. PROGRAM MONITORING, FINANCING AND RISKS

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22. **A modification of end-December 2012 performance criteria on the floor on overall fiscal balance**, **on the ceiling on net domestic financing [MEFP**, **Table 1]**. The modifications reflect revisions to the projected real GDP growth, inflation, revenues and expenditures (paragraph 9 above), and revised estimates of post HIPC completion point debt relief. Notwithstanding this, the fiscal stance in percent of GDP remains broadly unchanged. Performance criteria for end-June 2013 are proposed, including a new ceiling on nonconcessional external debt to accommodate the authorities investment financing needs, and indicative targets have been set for these variables at end-March, end-September and end-December 2013. Proposed structural benchmarks for 2012 and 2013 are set out in Table 2 of the MEFP.

23. **The government aims to settle all remaining arrears on external commercial debt later this year**. In late October the government presented an arrears clearance proposal to Eurobond holders.[6] It has also reached agreement on a restructuring of arrears to other commercial creditors which it aims to complete before year-end. These settlements are the result of discussions with creditors that have been conducted in a manner consistent with the Fund's policy on lending into arrears.

24. **Sufficient financing is expected to be available for the program in 2013**. The financing gap is expected to be financed primarily from the domestic market. The bulk external funding of investment is expected to come from the "C2D" operation with the French Development Agency (AFD), and the planned December 2012 Consultative Group meeting. For other external financing, the government intends to rely primarily on grants or concessional loans, particularly from the World Bank, the African Development Bank, the Islamic Development Bank, and the European Union. Nevertheless, some nonconcessional financing might be needed for certain investments. With respect to domestic and regional market financing the government also intends to lengthen and hence smooth out the maturity profile of its debt. Regarding access to the domestic and regional markets, the government intends to mobilize more loans with longer maturities. The government will also continue to aim for a net reduction in government amounts payable by CFAF 25 billion in 2013, and to meet its obligations under securitized debt vis-à-vis financial banks and other financial institutions.

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[6] In June 2012 Côte d'Ivoire made a good-faith payment towards settling arrears and resumed payments on maturities falling due.

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25. **For 2013**, **a new small nonconcessional borrowing window** (equivalent to about 0.39 percent of GDP in 2013) is proposed (performance criteria) to finance some infrastructure and energy sector investment projects[7] for which concessional financing has not been obtained. Also an increase (equivalent to 0.18 percent of GDP) in the existing nonconcessional window for the regional development bank (BOAD) is proposed to accommodate an increase in the bank's lending envelope for Cote d' Ivoire.[8] These new ceilings do not jeopardize Côte d' Ivoire's moderate risk rating of debt distress (see attached updated LIC-DSA).

26. **The authorities completed the following prior actions**, **as initial steps to address the broader issues in the energy sector**: i) adopt a new automatic fuel pricing mechanism; ii) adopt a comprehensive strategy to gradually bring the electricity sector back to financial equilibrium.

27. **The risks to the program come from both domestic and external factors**. While recent developments bode well for the growth performance in 2013, downside risks remain. In particular, there are uncertainties on the pace at which private sector investment projects will materialize. Furthermore, the recent security incidents, as well as the ongoing crisis in neighboring Mali, underline the fragility of the socio-political environment and could dampen the involvement of private investors, in addition to generating spending pressures. Côte d'Ivoire has so far only been modestly impacted by the consequences of the economic slowdown in Europe and Asia; specific risks include (a) a possible decline in cocoa prices; (b) a further significant rise in crude oil prices; and (c) a further weakening of the global environment that would significantly impede the inflow of foreign direct investment and aid flows. Overall, staff assesses risks to the program as manageable.

28. **The authorities intend to make extensive use of PPPs over time**, **which may create additional fiscal risks over the medium term**. While the World Bank is assisting the authorities in putting in place an appropriate legal and regulatory framework for such projects, it will be important to ensure that selected PPP projects are financially and economically viable, and undertaken within a strong and coherent framework, so as not to expose the budget to undue fiscal risks, particularly in the presence of large sovereign guarantees and still-weak assessment and implementation capacity.

V. Staff Appraisal

29. **The authorities are to be commended for the successful management of the economy in 2012**. Program performance has been broadly satisfactory with all performance criteria and indicative targets through end-June 2012 met and solid progress on structural reforms achieved, notwithstanding some significant delays. The government strategy to boost growth through higher public investment has contributed to the economic rebound in 2012, which is stronger than expected. At the same time, pro-poor spending has risen steadily.

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[7] The window is not tied to specific projects, but would finance projects in infrastructure and energy sectors.

[8] Like the existing window this increase would not be tied to infrastructure and energy sector projects and is excluded from the performance criteria on new nonconcessional debt (see TMU paragraphs 13 and 16).

30. **Côte d'Ivoire's growth outlook through 2013 is favorable**, **with some risks**. The growth momentum in 2012 is expected to carry over to 2013. The authorities' ambitious investment plan for 2013 should stimulate and enhance private investment and maintain economic expansion. The significant uncertainty on the magnitude and pace at which private sector engagement will materialize, creates, however, downside risks on growth. In addition, growth could be lower if the authorities cannot mobilize sufficient financing from donors and investors during the December 2012 Consultative Group or if this investment materializes with some delay.

31. **Staff welcomes the conservative revenue projected by the authorities in the 2013 budget**. Revenue projections in the authorities' 2013 budget are in line with staff's growth projections. This prudent revenue projection aims at avoiding understating the budget financing needs. Revenues would increase only modestly as a percentage of GDP, as the authorities' efforts to improve tax administration will be partially tempered by revenue losses related to the authorities' decision to reduce cocoa tax intake to guarantee higher revenue to cocoa farmers, which was a HIPC completion point trigger.

32. **The authorities' prudent budget management and their commitment to execute their investment budget in line with available resources are welcome**. As current expenditure growth is already tightly contained, it will be important that pro-poor current spending be fully executed. While budget management has been satisfactory over the last few years, the broader public sector shows signs of weaknesses and risks and could be the source of contingent liabilities on the government. The staff welcomes the authorities' intention to regularize outstanding domestic arrears, including through active debt management.

33. **Staff supports the authorities' renewed commitment to accelerate structural reforms, particularly in the energy sector**, **so as to limit fiscal risks and sustain pro-poor spending**. Electricity and fuel subsidies have grown significantly in 2012. Moving high volume electricity customers from the social tariff to the regular tariff, increasing electricity tariffs by 5 percent on average in 2013, and implementing the newly adopted fuel pricing mechanism in 2013 would represent important steps in improving the viability of the energy sector. Staff urges the authorities to fully implement the automatic pricing mechanism for fuel prices in March 2013. Regular price adjustments, in line with international prices, will mitigate risks to the budget, and the smoothing mechanism will contain the impact on pump prices. At the same time, the authorities should forcefully implement the planned efficiency measures. Strengthening the social safety net to mitigate the impact on the poor would also be crucial.

34. **The authorities' plan to strengthen debt management by adopting a medium-term strategy by mid-2013 and reorganizing the debt management unit along functional lines is welcome**. At the same time, it will be important for the government to strengthen capacity for evaluating and monitoring PPPs.

35. **The staff recommends completion of the second review under the ECF arrangement and of the financing assurances review**, **and modification of end-December 2012 performance criteria on the floor on overall fiscal balance and on the ceiling on net domestic financing**, **and establishment of new performance criteria for end-June 2013**, **and a disbursement of an amount equivalent to SDR 65.04 million under the ECF arrangement**.

Table1. Côte d'Ivoire: Selected Economic Indicators, 2010-17

	2010	2011	2012	2012	2013	2013	2014	2015	2016	2017
			Prog.	Proj.	Prog.			Proj.		
	(Annual percentage changes, unless otherwise indicated)									
National income										
GDP at constant prices	2.4	-4.7	8.1	8.6	6.2	8.0	7.3	7.0	6.7	6.5
GDP deflator	1.9	5.0	2.2	1.2	2.0	2.2	2.2	2.1	2.1	2.4
Consumer price index (annual average)	1.4	4.9	2.0	2.0	2.5	2.5	2.5	2.5	2.5	2.5
Consumer price index (end of period)	5.1	1.9	1.5	1.5	2.5	2.5	2.5	2.5	2.5	2.5
External sector (on the basis of CFA francs)										
Exports, f.o.b., at current prices	13.2	4.5	1.2	-0.9	10.8	11.5	9.9	8.5	7.8	8.3
Imports, f.o.b., at current prices	26.1	-13.7	27.7	34.8	11.6	16.3	9.4	8.6	9.2	9.0
Export volume	-7.9	-3.9	4.6	-1.3	11.3	9.6	11.1	11.1	8.9	9.4
Import volume	6.4	-23.9	24.6	25.5	12.0	14.2	9.9	8.7	9.1	8.9
Terms of trade (deterioration –)	3.8	-4.0	-5.7	-6.6	-0.1	-0.1	-0.6	-2.3	-1.1	-1.1
Nominal effective exchange rate	-4.9	0.5	…	…	…	…	…	…	…	…
Real effective exchange rate (depreciation –) 1/	-5.6	1.9	…	…	…	…	…	…	…	…
Central government operations										
Total revenue and grants	5.5	-22.8	39.6	48.0	14.5	17.0	11.0	9.4	9.2	9.7
Total expenditure	9.0	-11.6	34.2	39.9	8.0	9.6	10.3	10.8	8.7	9.4
	(Changes in Percent of Beginning-of-Period Broad Money)									
Money and credit										
Money and quasi-money (M2)	19.0	12.5	15.4	20.4	11.5	12.5	9.9	9.0	8.8	8.9
Net foreign assets	7.2	9.8	6.4	10.0	3.6	5.5	2.9	2.2	2.2	1.9
Net domestic assets	11.9	2.7	9.1	10.4	7.9	7.0	7.0	6.7	6.6	6.9
Of which: government	5.3	1.6	5.6	4.3	2.0	1.8	1.4	0.0	0.2	0.6
Of which: private sector	4.6	2.3	3.5	6.0	5.9	5.2	5.5	4.4	6.3	6.3
Velocity of money	2.7	2.4	2.4	2.2	2.3	2.2	2.2	2.2	2.2	2.2
	(Percent of GDP unless otherwise indicated)									
Central government operations 2/										
Total revenue and grants	19.7	20.3	19.2	20.5	20.3	21.7	22.0	22.1	22.2	22.4
Total revenue	19.2	19.9	18.7	20.0	19.2	19.9	20.1	20.3	20.5	20.8
Total expenditure	22.0	25.9	23.6	24.8	23.5	24.6	24.8	25.2	25.2	25.3
Overall balance, incl. grants, payment order basis	-2.3	-5.7	-4.4	-4.3	-3.2	-2.9	-2.8	-3.1	-3.0	-3.0
Primary basic balance 3/	-0.2	-2.9	-2.0	-1.9	-0.2	0.2	0.2	0.0	0.3	0.5
Gross investment	9.0	8.2	12.1	12.5	14.6	15.6	16.9	17.2	17.3	17.4
Central government	3.1	2.5	5.3	5.4	5.6	7.5	7.7	8.1	8.0	8.1
Nongovernment sector	5.9	5.7	6.9	7.1	9.0	8.1	9.2	9.1	9.3	9.3
Gross domestic saving	17.2	22.7	15.8	15.3	17.7	16.7	18.3	18.5	18.1	18.1
Central government	1.7	-0.9	1.6	1.8	3.2	3.6	3.9	4.2	4.5	4.8
Nongovernment sector	15.5	23.5	14.2	13.5	14.6	13.1	14.4	14.3	13.6	13.3
Gross national saving	11.4	17.6	9.3	9.3	11.6	12.1	13.1	13.4	13.2	12.9
Central government	1.1	-1.7	0.8	1.0	2.5	4.6	4.9	5.0	5.0	5.1
Nongovernment sector	10.3	19.3	8.4	8.3	9.1	7.5	8.2	8.4	8.2	7.8
External sector										
Current account balance (including official transfers)	2.4	9.4	-2.8	-3.2	-3.0	-3.4	-3.8	-3.7	-4.1	-4.5
Current account balance (excluding official transfers)	1.7	8.1	-3.1	-3.5	-3.2	-5.1	-4.7	-4.7	-5.0	-5.4
Overall balance	-0.8	1.0	-1.4	0.4	-2.0	1.3	0.5	-0.2	0.1	-0.1
Gross public debt	66.4	71.2	64.9	49.5	64.1	45.7	43.8	42.5	41.1	40.0
External public debt	50.6	55.1	51.2	34.3	51.0	32.0	30.4	29.2	28.1	27.1
Public external debt-service due before rescheduling (CFAF billions)	438	364	451	245	564	249	339	394	418	461
Percent of exports of goods and services	7.3	6.0	7.5	3.8	8.5	3.5	4.3	4.6	4.6	4.6
Percent of government revenue	20.6	22.1	19.1	9.8	21.5	9.1	11.2	11.9	11.4	11.4
Memorandum items:										
Public external debt in arrears (percent of GDP)	1.2	1.7	0.4	0.4	0.2	0.2	0.0	0.0	0.0	0.0
Nominal GDP (CFAF billions)	11,352	11,360	12,575	12,460	13,610	13,765	15,052	16,401	17,839	19,420
Nominal exchange rate (CFAF/US$, period average)	494	471	499	518	498	529	531	534	536	497
Nominal GDP at market prices (US$ billions)	23.0	24.1	25.2	24.1	27.3	26.0	28.3	30.7	33.3	39
Population (million)	22.0	22.7	23.4	23.4	24.1	24.1	24.8	25.5	26.3	27.1
Population growth (percent)	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Nominal GDP per capita (CFAF thousands)	515	501	538	533	565	572	607	642	678	717
Nominal GDP per capita (US$)	1,043	1,062	1,079	1,029	1,135	1,080	1,143	1,204	1,266	1,442
Real GDP per capita growth (percent)	-0.6	-7.7	5.1	5.6	3.2	5.0	4.3	4.0	3.7	3.5
Poverty rate (in percent)4	48.9	…	…	…	…	…	…	…	…	…

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.

4/ This is the poverty rate in 2008.

Table 2.Côte d'Ivoire: Balance of Payments, 2010-17

(In billions of CFA francs, unless otherwise indicated)

	2010	2011	2012	2012	2013	2013	2014	2015	2016	2017
		Est.	Prog.	Proj.	Prog.			Proj.		
Trade balance	1,876.0	2,661.4	1,487.0	1,449.3	1,615.4	1,403.5	1,569.3	1,695.7	1,736.9	1,835.0
Exports, f.o.b.	5,723.2	5,983.1	5,592.3	5,927.4	6,196.7	6,611.5	7,265.5	7,884.5	8,497.3	9,205.5
Of which: cocoa	1,884.2	1,969.4	1,474.9	1,638.4	1,538.1	1,749.7	1,760.6	1,680.2	1,676.2	1,674.1
Of which: crude oil and refined oil products	1,377.5	1,740.4	1,548.2	1,493.7	1,873.7	1,696.5	2,211.6	2,104.5	2,208.0	2,304.8
Imports, f.o.b.	-3,847.2	-3,321.7	-4,105.3	-4,478.2	-4,581.3	-5,208.0	-5,696.3	-6,188.8	-6,760.5	-7,370.5
Of which: crude oil	-1,232.2	-1,159.1	-1,106.2	-1,754.4	-1,121.9	-1,878.3	-1,908.1	-1,935.5	-1,968.3	-2,046.8
Services (net)	-1,428.1	-1,498.7	-1,554.2	-1,613.9	-1,726.1	-1,799.8	-1,943.7	-2,102.2	-2,245.3	-2,396.3
Receipts	531.1	340.9	534.0	548.8	517.4	612.2	671.5	734.5	812.5	908.5
Factor income	107.6	89.6	91.7	98.3	99.2	108.6	120.0	132.0	145.0	159.5
Other services	423.5	251.2	442.3	450.5	418.1	503.5	551.6	602.5	667.5	749.0
Payments	-1,959.2	-1,839.6	-2,088.1	-2,162.6	-2,243.5	-2,412.0	-2,615.2	-2,836.7	-3,057.8	-3,304.8
Factor income	-595.3	-569.3	-616.4	-615.4	-631.8	-661.4	-706.0	-752.9	-800.2	-850.0
Of which : central government interest due	-128.2	-129.7	-146.8	-154.2	-231.2	-106.1	-142.8	-176.5	-212.3	-252.4
Of which: oil sector	-196.1	-258.3	-309.9	-309.9	-315.2	-315.2	-333.7	-303.3	-300.6	-285.9
Other services	-1,363.9	-1,270.3	-1,471.7	-1,547.2	-1,611.7	-1,750.6	-1,909.2	-2,083.8	-2,257.6	-2,454.8
Transfers (net)	-176.6	-94.9	-289.2	-228.6	-303.9	-74.6	-190.7	-207.8	-226.0	-314.7
Private	-253.0	-248.2	-320.0	-272.2	-326.4	-300.7	-328.8	-358.3	-389.7	-492.9
Current account including official transfers	271.3	1,067.8	-356.4	-393.2	-414.6	-470.9	-565.1	-614.3	-734.4	-876.0
Current account excluding official transfers	194.9	914.5	-387.2	-436.8	-437.1	-697.0	-703.2	-764.8	-898.1	-1,054.3
Capital account	-365.8	-952.0	176.2	437.2	137.2	648.3	638.2	587.2	749.2	861.8
Official medium- and long-term loans (net)	-262.0	26.4	-219.7	-244.6	-260.8	159.6	99.6	114.1	125.6	111.9
Project loans	48.3	30.6	78.7	70.4	80.2	302.7	317.8	349.6	367.1	367.1
Other bilateral and multilateral loans (AFD loan)	0.0	229.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HIPC clearance of debt	0.0	0.0	0.0	2,497.6	0.0	0.0	0.0	0.0	0.0	0.0
Central government amortization due	-310.3	-233.8	-298.4	-315.0	-341.0	-143.1	-218.3	-235.5	-241.5	-255.2
On new financing	…	-37.8	-20.3	-10.1	0.0	0.0	0.0	0.0	0.0	0.0
Debt cancellation (HIPC CP)	0.0	0.0	0.0	-2,497.6	0.0	0.0	0.0	0.0	0.0	0.0
Foreign direct investments	155.6	127.8	275.4	330.4	385.5	429.6	472.5	519.8	571.7	628.9
Other private capital	-259.4	-1,106.2	120.5	351.3	12.5	59.1	66.1	-46.7	51.8	121.0
Oil sector	-120.0	-128.7	-162.2	-162.2	-165.1	-165.1	-143.1	-158.7	-199.5	-207.7
Government securities sold to WAEMU banks	284.0	49.9	227.9	222.9	150.0	121.4	100.0	170.0	200.0	190.0
Others	-423.4	-1,027.4	54.8	290.6	27.6	102.8	109.3	-58.0	51.3	138.7
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-94.5	115.8	-180.3	44.0	-277.4	177.4	73.1	-27.1	14.8	-14.2
Financing	94.5	-115.8	-445.8	-625.7	-209.2	-335.7	-213.8	-156.4	-168.3	-159.7
Official net reserves (increase -)	-269.4	-292.2	-292.8	-471.4	-192.9	-312.9	-184.7	-156.4	-168.3	-159.7
Operations account	-286.0	-402.9	-287.3	-466.0	-192.9	-312.9	-181.3	-127.9	-134.0	-108.3
IMF (net)	16.6	110.7	-5.5	-5.5	0.0	0.0	-3.4	-28.5	-34.3	-51.4
Disbursements	27.5	121.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	-10.9	-10.9	-5.5	-5.5	0.0	0.0	-3.4	-28.5	-34.3	-51.4
Commercial banks (net)	17.2	-119.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief obtained	733.4	248.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net change in external arrears (principal and interest)	-386.8	47.1	-153.0	-154.3	-16.2	-22.7	-29.1	0.0	0.0	0.0
Financing gap	0.0	0.0	626.0	581.7	486.6	158.3	140.7	183.5	153.5	173.9
Possible financing 2011-14 (excluding IMF)			529.7	536.5	337.3	83.2	0.0	0.0	0.0	0.0
Program grants and loans			57.8	36.1	0.0	79.8	0.0	0.0	0.0	0.0
World Bank grant			25.0	0.0	0.0	25.0	0.0	0.0	0.0	0.0
AfDB grant			0.0	0.0	0.0	15.4	0.0	0.0	0.0	0.0
EU grant			32.8	36.1	0.0	39.4	0.0	0.0	0.0	0.0
Debt relief			471.9	500.4	337.3	3.4	0.0	0.0	0.0	0.0
Residual gap			96.3	45.2	149.3	75.1	140.7	183.5	153.5	173.9
Of which : IMF-ECF			96.3	45.2	75.1	75.1	65.2	0.0	0.0	0.0
Memorandum items:										
Overall balance (percent of GDP)	-0.8	1.0	-1.4	0.4	-2.0	1.3	0.5	-0.2	0.1	-0.1
Current account incl. official transfers (percent of GDP)	2.4	9.4	-2.8	-3.2	-3.0	-3.4	-3.8	-3.7	-4.1	-4.5
Current account excl. official transfers (percent of GDP)	1.7	8.1	-3.1	-3.5	-3.2	-5.1	-4.7	-4.7	-5.0	-5.4
Trade balance (percent of GDP)	16.5	23.4	11.8	11.6	11.9	10.2	10.4	10.3	9.7	9.4
Cocoa exports (thousand tons)	1,118	1,374	1,257	1,281	1,279	1,317	1,353	1,391	1,430	1,471
Cocoa export price, f.o.b (CFAF/kg)	1,552	1,331	1,083	1,174	1,082	1,200	1,150	1,065	1,031	999
Gross imputed official reserves (US$ million)	3,195	4,205	4,551	4,726	4,941	5,215	5,540	5,755	5,980	6,157
(months of imports of goods and services)	3.6	5.2	4.9	4.9	4.8	4.8	4.6	4.5	4.3	4.0
Outstanding arrears (year-end)	137	197	45	54	28	30	0	0	0	0
Nominal GDP	11,352	11,360	12,575	12,460	13,610	13,765	15,052	16,401	17,839	19,420
Nominal exchange rate (CFAF/US$; average)	494	471	…		…		…	…	…	…

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

Table 3a. Côte d'Ivoire: Fiscal Operations of the Central Government, 2010-17

(In Billions of CFA francs, unless otherwise indicated)

	2010	2011 [1/]	2012	2012	2013	2013	2014	2015	2016	2017
			Prog.	Proj.	Prog.			Proj.		
Total revenue and grants	2,236.6	1,725.9	2,409.8	2,553.9	2,760.0	2,988.5	3,318.1	3,629.0	3,964.1	4,348.5
Total revenue	2,176.2	1,693.0	2,357.6	2,492.2	2,619.3	2,742.4	3,026.9	3,323.4	3,656.0	4,033.6
Tax revenue	1,928.5	1,493.2	2,041.8	2,159.9	2,292.7	2,409.6	2,665.7	2,913.4	3,210.1	3,541.7
Direct taxes	551.1	507.9	574.5	697.1	692.8	692.3	754.0	835.6	925.7	1,029.8
Of which : profit tax on oil	119.9	154.9	165.9	202.7	149.3	140.2	175.3	192.8	212.1	233.3
Indirect taxes	1,377.4	985.3	1,467.3	1,462.8	1,599.8	1,717.3	1,911.7	2,077.8	2,284.3	2,511.9
Nontax revenue	247.7	199.8	315.8	332.3	326.6	332.8	361.3	410.0	446.0	491.9
Social security contributions	162.8	130.9	228.9	228.9	234.7	269.8	286.4	317.5	339.4	375.9
Other	84.9	68.9	86.9	103.4	91.9	63.0	74.8	92.6	106.5	116.0
Of which : PETROCI dividends	21.3	12.0	12.0	12.0	10.8	12.6	15.8	17.3	19.1	21.0
Grants	60.4	32.9	52.2	61.7	140.7	246.1	291.2	305.6	308.1	314.9
Projects	41.1	21.9	42.2	51.7	140.7	147.7	160.0	174.4	189.7	206.5
Programs (incl. crisis-related)	19.3	11.0	10.0	10.0	0.0	98.4	131.2	131.2	118.4	108.4
Total expenditure	2,497.8	2,208.7	2,963.6	3,090.3	3,200.0	3,387.2	3,735.1	4,139.1	4,499.9	4,921.8
Current expenditure	2,115.8	1,923.9	2,304.9	2,424.3	2,420.6	2,355.3	2,575.2	2,810.7	3,066.7	3,355.0
Wages and salaries	800.4	719.7	940.4	940.4	992.3	1,038.9	1,057.1	1,137.0	1,218.4	1,318.7
Social security benefits	212.6	181.8	230.6	232.3	268.5	232.6	270.9	295.2	330.0	363.7
Subsidies and other current transfers (incl. education and health)	272.5	314.6	331.2	410.9	285.8	328.7	346.2	377.2	410.3	446.7
Electricity sector subsidy	82.6	104.5	60.6	136.3	50.0	64.0	50.0	50.0	40.0	0.0
Other current expenditure	491.6	413.1	511.7	541.7	544.4	534.8	647.3	705.3	767.1	835.1
of which: toxic waste damage	11.8	0.0	5.0	5.0	0.0	5.0	0.0	0.0	0.0	0.0
Crisis-related expenditure	144.2	75.4	63.4	64.0	0.0	7.6	0.0	0.0	0.0	0.0
Interest due	194.5	219.3	227.6	235.0	329.6	212.7	253.7	296.0	340.9	390.9
On domestic debt	66.3	89.6	80.8	80.8	98.4	106.7	111.0	119.5	128.6	138.5
On external debt	128.2	129.7	146.8	154.2	231.2	106.1	142.8	176.5	212.3	252.4
Capital expenditure	348.6	285.7	660.2	667.5	764.5	1,031.9	1,159.9	1,328.3	1,433.2	1,566.8
Domestically financed [2/]	259.2	237.2	539.3	545.4	543.6	581.5	682.0	804.3	876.4	974.9
Foreign-financed	89.4	48.5	120.9	122.1	220.9	450.4	477.9	524.0	556.8	591.9
Net lending	33.4	-0.9	-1.5	-1.5	14.9	0.0	0.0	0.0	0.0	0.0
Primary basic balance [3/]	-25.9	-248.0	-252.4	-235.9	-30.2	23.3	23.4	4.3	53.8	94.6
Overall balance, including grants	-261.2	-482.9	-553.7	-536.4	-440.0	-398.7	-416.9	-510.1	-535.8	-573.3
Overall balance, excluding grants	-321.6	-515.7	-605.9	-598.1	-580.7	-644.8	-708.2	-815.6	-843.8	-888.2
Change in domestic arrears and float (excl. on debt service)	-35.1	-25.7	-25.0	-25.0	-28.6	-25.0	0.0	0.0	0.0	0.0
Net change in external arrears (interests)	-252.7	26.5	-23.9	-25.2	2.1	-19.4	29.1	0.0	0.0	0.0
Change in existing arrears	-271.6	-70.4	-23.9	-25.2	2.1	-19.4	29.1	0.0	0.0	0.0
Accumulation of new arrears	19.0	96.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-548.9	-482.1	-602.6	-586.6	-466.5	-443.1	-387.8	-510.1	-535.8	-573.3

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

[1/] 2011 aggregates are based on Q2-Q4

[2/] The drop in domestically-financed investments in 2013 reflects the re-classification of investments financed under the C2D (French debt for development swap grant) as externally-financed investments.

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

Table 3a. Côte d'Ivoire: Fiscal Operations of the Central Government, 2010-17 (concluded)
(In Billions of CFA francs, unless otherwise indicated)

	2010	2011 1/	2012	2012	2013	2013	2014	2015	2016	2017
			Prog.	Proj.	Prog.			Proj.		
Financing	548.9	482.1	602.6	586.6	466.5	443.1	387.8	510.1	535.8	573.3
Domestic financing	-57.8	-6.9	97.5	155.6	88.7	7.2	47.5	42.4	56.6	79.2
Bank financing (net)	118.2	-1.9	112.2	183.7	28.7	0.6	-2.5	-17.6	-13.4	-10.7
Net use of Fund resources 2/	16.6	110.7	-5.5	45.6	0.0	0.0	-3.4	-28.5	-34.3	-51.4
Central bank credit (net)	-3.1	-95.6	-31.3	-31.3	-31.3	-49.1	-49.1	-49.1	-49.1	-49.1
Other domestic bank financing (net)	104.7	-17.1	149.1	169.4	60.0	49.6	50.0	60.0	70.0	89.8
Of which: Versus Bank restructuring	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonbank financing (net)	-176.0	-4.9	-14.8	-28.1	60.0	6.6	50.0	60.0	70.0	89.8
External financing	606.7	489.0	-120.8	-150.7	-108.7	277.6	199.6	284.1	325.6	320.3
Consolidation (bonds)	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project loans	48.3	30.6	78.7	70.4	80.2	302.7	317.8	349.6	367.1	385.5
Program loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WAEMU financing (in CFAF) 3/	270.6	49.9	227.9	222.9	150.0	121.4	100.0	170.0	200.0	190.0
Amortization due	-310.3	-233.8	-298.4	-315.0	-341.0	-143.1	-218.3	-235.5	-241.5	-255.2
HIPC Completion Point stock cancellation 3/	0.0	0.0	0.0	-2497.6	0.0	0.0	0.0	0.0	0.0	0.0
Net change in external arrears (principal)	-134.1	20.6	-129.0	-129.1	2.1	-3.4	0.0	0.0	0.0	0.0
Change in existing arrears	-190.6	-158.9	-129.0	-130.4	2.1	-3.4	0.0	0.0	0.0	0.0
Accumulation of new arrears	56.5	179.5	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief and budget support	733.4	621.7	0.0	2,497.6	0.0	1.0	0.0	0.0	0.0	0.0
HIPC Completion Point stock relief 3/	0.0	0.0	0.0	2497.6						
Official bilaterals, incl. Paris Club	231.1	478.2	0.0	0.0						
Commercial (incl. Brady Bonds)	456.0	0.0	0.0	0.0						
AfDB arrears clearance grant	0.0	0.0	0.0	0.0						
EIB	0.0	2.0	0.0	0.0						
World Bank budget support	46.3	71.5	0.0	0.0						
AfDB budget support	0.0	70.0	0.0	0.0						
WAEMU budget support			0.0	0.0						
Financing gap (+ deficit / – surplus)	0.0	0.0	626.0	581.7	486.6	158.3	140.7	183.5	153.5	173.9
Possible financing 2011-14 (excluding IMF)			529.7	536.5	337.3	83.2	0.0	0.0	0.0	0.0
Program grants and loans			57.8	36.1	0.0	79.8	...	...	...	...
World Bank grant			25.0	0.0	0.0	25.0	...	...	...	...
AFD loan			...	...	...	...	...	...	...	...
AfDB grant			0.0	0.0	0.0	15.4	...	...	...	...
EU grant			32.8	36.1	0.0	39.4	...	...	...	...
Debt relief			471.9	500.4	337.3	3.4	0.0	0.0	0.0	0.0
Residual gap			96.3	45.2	149.3	75.1	140.7	183.5	153.5	173.9
of which IMF-ECF			96.3	45.2	75.1	75.1	65.2	0.0	0.0	0.0
Memorandum items:										
Nominal GDP	11,352	8,520	12,575	12,460	13,610	13,765	15,052	16,401	17,839	19,420
Domestic debt (including financial debt)	1,793	1,820	1,723	1,900	1,783	1,878	2,012	2,166	2,333	2,512
Of which: in arrears	79	53	23	23	-5	-5	-5	-5	-5	-5
Change in domestic arrears (excl. on debt service)	-35.1	-25.7	-25.0	-25.0	-28.6	-25.0	0.0	0.0	0.0	0.0
External debt	5,749	6,264	6,437	4,269	6,945	4,409	4,578	4,796	5,006	5,260
Of which: in arrears	137	197	45	54	0	1	0	0	0	0
Pro-poor spending (including foreign financed)	885.2	843.4	980.0	980.0	1,052.7	1,152.8	...	...	1,531.5	1,675.1
of which: Education	590.1	529.2	637.0	628.6	684.3	757.4	...	...	995.5	1,088.8
Health	113.6	120.2	127.4	138.0	136.9	172.4	...	...	199.1	217.8
Implicit fuel subsidies	...	45.0	90.0	125.0	...	...	...	...	...	...

Sources: Ivoirien authorities; and IMF staff estimates and projections.
1/ 2011 aggregates are based on Q2-Q4
2/ In the CFA franc zone, Fund resources are channeled via the regional central bank that provides equivalent domestic currency credit to the relevant government.
3/ Debt Service and cancellation reflect the impact of the HIPC completion point at end-June 2012.

Table 3b. Côte d'Ivoire: Fiscal Operations of the Central Government, 2010-17

(In percent of GDP, unless otherwise indicated)

	2010	2011 [1/]	2012	2012	2013	2013	2014	2015	2016	2017
			Prog.	Proj.	Prog.	Proj.				
Total revenue and grants	19.7	20.3	19.2	20.5	20.3	21.7	22.0	22.1	22.2	22.4
Total revenue	19.2	19.9	18.7	20.0	19.2	19.9	20.1	20.3	20.5	20.8
Tax revenue	17.0	17.5	16.2	17.3	16.8	17.5	17.7	17.8	18.0	18.2
Direct taxes	4.9	6.0	4.6	5.6	5.1	5.0	5.0	5.1	5.2	5.3
Of which : profit tax on oil	1.1	1.8	1.3	1.6	1.1	1.0	1.2	1.2	1.2	1.2
Indirect taxes	12.1	11.6	11.7	11.7	11.8	12.5	12.7	12.7	12.8	12.9
Nontax revenue	2.2	2.3	2.5	2.7	2.4	2.4	2.4	2.5	2.5	2.5
Social security contributions	1.4	1.5	1.8	1.8	1.7	2.0	1.9	1.9	1.9	1.9
Other	0.7	0.8	0.7	0.8	0.7	0.5	0.5	0.6	0.6	0.6
Of which : PETROCI dividends	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grants	0.5	0.4	0.4	0.5	1.0	1.8	1.9	1.9	1.7	1.6
Projects	0.4	0.3	0.3	0.4	1.0	1.1	1.1	1.1	1.1	1.1
Programs (incl. crisis-related)	0.2	0.1	0.1	0.1	0.0	0.7	0.9	0.8	0.7	0.6
Total expenditure	22.0	25.9	23.6	24.8	23.5	24.6	24.8	25.2	25.2	25.3
Current expenditure	18.6	22.6	18.3	19.5	17.8	17.1	17.1	17.1	17.2	17.3
Wages and salaries	7.1	8.4	7.5	7.5	7.3	7.5	7.0	6.9	6.8	6.8
Social security benefits	1.9	2.1	1.8	1.9	2.0	1.7	1.8	1.8	1.9	1.9
Subsidies and other current transfers (incl. education and health)	2.4	3.7	2.6	3.3	2.1	2.4	2.3	2.3	2.3	2.3
of which: Electricity sector subsidy	0.7	1.2	0.5	1.1	0.4	0.5	0.3	0.3	0.2	0.0
Other current expenditure	4.3	4.8	4.1	4.3	4.0	3.9	4.3	4.3	4.3	4.3
of which: toxic waste damage	0.1	0.0	0.0	0.0	…	…	…	…	…	…
Crisis-related expenditure	1.3	0.9	0.5	0.5	0.0	0.1	0.0	0.0	0.0	0.0
Interest due	1.7	2.6	1.8	1.9	2.4	1.5	1.7	1.8	1.9	2.0
On domestic debt	0.6	1.1	0.6	0.6	0.7	0.8	0.7	0.7	0.7	0.7
On external debt	1.1	1.5	1.2	1.2	1.7	0.8	0.9	1.1	1.2	1.3
Capital expenditure	3.1	3.4	5.3	5.4	5.6	7.5	7.7	8.1	8.0	8.1
Domestically financed	2.3	2.8	4.3	4.4	4.0	4.2	4.5	4.9	4.9	5.0
Foreign-financed	0.8	0.6	1.0	1.0	1.6	3.3	3.2	3.2	3.1	3.0
Net lending	0.3	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Primary basic balance [2/]	-0.2	-2.9	-2.0	-1.9	-0.2	0.2	0.2	0.0	0.3	0.5
Overall balance, including grants	-2.3	-5.7	-4.4	-4.3	-3.2	-2.9	-2.8	-3.1	-3.0	-3.0
Overall balance, excluding grants	-2.8	-6.1	-4.8	-4.8	-4.3	-4.7	-4.7	-5.0	-4.7	-4.6
Change in domestic arrears (excl. on debt service)	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	0.0	0.0	0.0	0.0
Net change in external arrears (interest)	-2.2	0.3	-0.2	-0.2	0.0	-0.1	0.2	0.0	0.0	0.0
Change in existing arrears	-2.4	-0.8	-0.2	-0.2	0.0	-0.1	0.2	0.0	0.0	0.0
Accumulation of new arrears	0.2	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-4.8	-5.7	-4.8	-4.7	-3.4	-3.2	-2.6	-3.1	-3.0	-3.0

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.

Table 3b. Côte d'Ivoire: Fiscal Operations of the Central Government, 2010-17 (concluded)

(In percent of GDP, unless otherwise indicated)

	2010	2011 [1/]	2012		2013		2014	2015	2016	2017
			Prog.	Proj.	Prog.			Proj.		
Financing	4.8	5.7	4.8	4.7	3.4	3.2	2.6	3.1	3.0	3.0
Domestic financing	-0.5	-0.1	0.8	1.2	0.7	0.1	0.3	0.3	0.3	0.4
Bank financing (net)	1.0	0.0	0.9	1.5	0.2	0.0	0.0	-0.1	-0.1	-0.1
Net use of Fund resources [2/]	0.1	1.3	0.0	0.4	0.0	0.0	0.0	-0.2	-0.2	-0.3
Central bank credit (net)	0.0	-1.1	-0.2	-0.3	-0.2	-0.4	-0.3	-0.3	-0.3	-0.3
Other domestic bank financing (net)	0.9	-0.2	1.2	1.4	0.4	0.4	0.3	0.4	0.4	0.5
Of which: Versus Bank restructuring	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonbank financing (net)	-1.6	-0.1	-0.1	-0.2	0.4	0.0	0.3	0.4	0.4	0.5
External financing	5.3	5.7	-1.0	-1.2	-0.8	2.0	1.3	1.7	1.8	1.6
Consolidation (bonds)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project loans	0.4	0.4	0.6	0.6	0.6	2.2	2.1	2.1	2.1	2.0
Program loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WAEMU financing (in CFAF)	2.4	0.6	1.8	1.8	1.1	0.9	0.7	1.0	1.1	1.0
Amortization due	-2.7	-2.7	-2.4	-2.5	-2.5	-1.0	-1.5	-1.4	-1.4	-1.3
HIPC Completion Point stock cancellation [3/]	0.0	0.0	0.0	-20.0						
Net change in external arrears (principal)	-1.2	0.2	-1.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in existing arrears	-1.7	-1.9	-1.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulation of new arrears	0.5	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief and budget support	6.5	7.3	0.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0
HIPC Completion Point stock relief [3/]	0.0	0.0	0.0	20.0						
Official bilaterals, incl. Paris Club	2.0	5.6	0.0	0.0						
Commercial (incl. Brady Bonds)	4.0	0.0	0.0	0.0						
AfDB arrears clearance grant	0.0	0.0	0.0	0.0						
EIB	0.0	0.0	0.0	0.0						
World Bank budget support	0.4	0.8	0.0	0.0						
AfDB budget support	0.0	0.8	0.0	0.0						
WAEMU budget support			0.0	0.0						
Financing gap (+ deficit / – surplus)	0.0	0.0	5.0	4.7	3.6	1.1	0.9	1.1	0.9	0.9
Possible financing 2011-14 (excluding IMF)			4.2	4.3	2.5	0.6	0.0	0.0	0.0	0.0
Program grants and loans			0.5	0.3	0.0	0.6	...	...	...	...
World Bank grant			0.2	0.0	0.0	0.2	...	...	...	...
AFD loan			…	…	...	...	...	...	...	...
AfDB grant			0.0	0.0	…	…	...	...	...	...
Debt relief			3.8	4.0	2.5	0.0	0.0	0.0	0.0	0.0
Residual gap			0.8	0.4	1.1	0.5	0.9	1.1	0.9	0.9
of which IMF-ECF			0.8	0.4	0.6	0.5	0.4	0.0	0.0	0.0
Memorandum items:										
Domestic debt (including financial debt)	15.8	21.4	13.7	15.2	13.1	13.6	13.4	13.2	13.1	12.9
Of which: in arrears	0.7	0.6	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Change in domestic arrears (excl. on debt service)	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	0.0	0.0	0.0	0.0
External debt	50.6	73.5	51.2	34.3	51.0	32.0	30.4	29.2	28.1	27.1
Of which: in arrears	1.2	2.3	0.3	0.3	0.0	0.0	0.0	0.0	0.0	0.0
Pro-poor spending (including foreign financed)	7.8	9.9	7.8	7.9	7.7	8.4	...	...	8.6	8.6
of which: Education	5.2	6.2	5.1	5.0	5.0	5.5	...	...	5.6	5.6
Health	1.0	1.4	1.0	1.1	1.0	1.3	...	...	1.1	1.1
Implicit fuel subsidies	...	0.5	0.7	1.0	...	...	...	...	...	...

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

[1/] 2011 ratios based on Q2-Q4 fiscal aggregates over Q2-Q4 of GDP.

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

[3/] Debt Service and cancellation reflect the impact of the HIPC completion point at end-June 2012.

Table 4. Côte d'Ivoire: Monetary Survey, 2010-13

	2010	2011	2012	2012	2013	2013
			Prog.	Proj.	Prog.	Proj.
			(Billions of CFA francs)			
Net foreign assets	1,401.5	1,813.0	2,105.8	2,284.4	2,298.7	2,597.4
Central bank	1,351.9	1,644.1	1,936.9	2,115.5	2,129.8	2,428.5
Banks	49.6	168.9	168.9	168.9	168.9	168.9
Net domestic assets	2,779.3	2,892.1	3,200.1	3,379.2	3,618.8	3,775.4
Net credit to the government	807.3	874.1	1,079.3	1,077.6	1,183.0	1,181.4
Central Bank	486.8	530.4	557.3	538.8	601.0	582.6
Banks	320.5	343.7	522.0	538.8	582.0	598.8
of which: customs bills	-6.0	-7.6	-6.0	-8.1	-6.0	-8.1
Postal savings (CNCE)	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	2,045.6	2,142.8	2,226.6	2,426.4	2,541.6	2,718.9
Crop credits	123.1	120.8	90.5	100.5	94.4	107.3
Other credit (including customs bills)	1,927.5	1,932.5	2,136.1	2,325.9	2,447.3	2,611.5
Other items (net) (assets = +)	-73.6	-124.8	-105.8	-124.8	-105.8	-124.8
Broad money	4,180.8	4,705.1	5,305.9	5,663.6	5,917.6	6,372.8
Currency in circulation	1,636.4	1,661.7	1,926.6	2,056.5	2,142.8	2,307.6
Deposits	2,537.0	3,009.2	3,350.6	3,576.5	3,742.8	4,030.7
Other deposits	7.4	34.2	28.7	30.6	32.0	34.4
Postal savings (CNCE)	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum item:						
Velocity of circulation	2.7	2.4	2.4	2.2	2.3	2.2
			(Changes in percent of beginning-of-period broad money)			
Net foreign assets	7.2	9.8	6.4	10.0	3.6	5.5
Net domestic assets	11.9	2.7	9.1	10.4	7.9	7.0
Net credit to the government	5.3	1.6	5.6	4.3	2.0	1.8
Central bank	1.0	1.0	1.3	0.2	0.8	0.8
Banks	4.9	0.6	4.3	4.1	1.1	1.1
Credit to the economy	4.6	2.3	3.5	6.0	5.9	5.2
Broad money	19.0	12.5	15.4	20.4	11.5	12.5
			(Changes in percent of previous end-of-year)			
Net foreign assets	21.9	29.4	16.1	26.0	9.2	13.7
Net domestic assets	17.6	4.1	15.0	16.8	13.1	11.7
Net credit to the government	29.8	8.3	31.2	23.3	9.6	9.6
Central bank	7.7	9.0	12.0	1.6	7.8	8.1
Banks	116.3	7.2	60.7	56.8	11.5	11.1
Credit to the economy	8.6	4.8	7.7	13.2	14.1	12.1
Broad money	19.0	12.5	15.4	20.4	11.5	12.5

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

Table 5. Côte d'Ivoire: External Financing Requirements, 2009–13
(In billions of CFA francs)

	2009	2010	2011	2012 Proj.	2013 Proj.
External financing requirements	-2652.4	-885.7	-783.7	-735.5	-589.3
Current account balance (excluding official transfers)	529.8	194.9	914.5	-387.2	-437.1
Amortization	-313.3	-310.3	-233.8	-298.4	-341.0
Of which : government	-10.9	-313.3	-310.3	-233.8	-298.4
Fund repurchases and repayments	-10.9	-10.9	-10.9	-5.5	0.0
Private capital, net (commercial banks, FDIs, errors and omissions)	-734.5	-86.6	-1097.7	395.9	398.0
Net change in external arrears (interest and principal) (+=accumulation)	-1917.0	-386.8	47.1	-153.0	-16.2
Change in net external reserves without IMF (- = increase)	-206.5	-286.0	-402.9	-287.3	-192.9
Available financing	2652.4	885.6	783.7	109.4	102.7
Project financing	53.3	48.3	30.6	78.7	80.2
Program financing	0.0	0.0	229.6	0.0	0.0
Fund disbursements	85.1	27.5	121.6	0.0	0.0
Official transfers	234.2	76.4	153.3	30.8	22.5
Debt relief obtained	2279.8	733.4	248.6	0.0	0.0
Financing gap	0.0	0.0	0.0	-626.0	-486.6
Expected sources of financing				529.7	337.3
World Bank grant				25.0	0.0
AfDB grant				0.0	0.0
WAEMU grant				0.0	0.0
EU grant				32.8	
Debt relief				471.9	337.3
Residual gap				96.3	149.3
Possible IMF ECF				96.3	75.1

Sources: Ivorien authorities; IMF staff estimates and projections.

Table 6. Cote d'Ivoire: Indicators of Capacity to Repay the Fund, 2010–22

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
			Projections										
Fund obligations based on existing credit													
(In millions of SDRs)													
Principal	11.7	11.7	0.0	0.0	4.6	39.0	46.2	85.2	91.7	75.8	52.7	45.5	6.5
Charges and interest [1/]	0.1	0.1	0.0	0.0	1.2	1.1	1.0	0.8	0.6	0.4	0.2	0.1	0.0
Fund obligations based on existing and prospective credit [2/]													
(In millions of SDRs)													
Principal	11.7	11.7	-	0.0	4.6	39.0	46.2	85.2	109.6	113.2	101.5	94.3	55.3
Charges and interest [1/]	0.1	0.1	0.0	0.0	1.6	1.7	1.6	1.4	1.2	0.9	0.7	0.4	0.2
Total obligations based on existing and prospective credit [2/]													
In millions of SDRs	11.8	11.8	0.0	0.0	6.3	40.7	47.8	86.6	110.8	114.1	102.1	94.7	55.5
In billions of CFA francs	8.9	8.8	0.0	0.0	4.8	31.3	36.9	66.9	85.6	88.2	78.9	73.2	42.9
In percent of government revenue	0.4	0.5	0.0	0.0	0.1	0.9	0.9	1.5	1.8	1.7	1.4	1.3	0.7
In percent of exports of goods and services	0.1	0.1	0.0	0.0	0.1	0.4	0.4	0.7	0.8	0.7	0.6	0.6	0.3
In percent of debt service [3/]	2.0	2.4	0.0	0.0	1.4	7.9	8.8	14.5	17.6	17.4	15.9	33.8	14.6
In percent of GDP	0.1	0.1	0.0	0.0	0.0	0.2	0.2	0.3	0.4	0.4	0.3	0.3	0.2
In percent of quota	3.6	3.6	0.0	0.0	1.9	12.5	14.7	26.6	34.1	35.1	31.4	29.1	17.1
Outstanding Fund credit													
In millions of SDRs	284.2	399.4	512.3	609.8	686.5	647.5	601.3	516.1	406.5	293.3	191.9	97.6	42.3
In billions of CFA francs	214.4	299.6	385.5	461.7	523.5	497.2	464.6	398.8	314.1	226.7	148.3	75.4	32.7
In percent of government revenue	9.6	17.4	15.1	15.4	15.8	13.7	11.7	9.2	6.7	4.5	2.7	1.3	0.5
In percent of exports of goods and services	3.5	4.8	6.0	6.5	6.7	5.9	5.1	4.0	2.8	1.8	1.1	0.6	0.2
In percent of debt service	47.7	80.0	157.6	185.3	154.3	126.2	111.3	86.4	64.7	44.7	29.9	34.8	11.1
In percent of GDP	1.9	2.6	3.1	3.4	3.5	3.0	2.6	2.1	1.5	1.0	0.6	0.3	0.1
In percent of quota	87.4	122.8	157.5	187.5	211.1	199.1	184.9	158.7	125.0	90.2	59.0	30.0	13.0
Net use of Fund credit (millions of SDRs)	24.1	150.9	130.1	97.6	76.7	-39.0	-46.2	-85.2	-109.6	-113.2	-101.5	-94.3	-55.3
Disbursements	35.8	162.6	130.1	97.6	81.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	11.7	11.7	0.0	0.0	4.6	39.0	46.2	85.2	109.6	113.2	101.5	94.3	55.3
Memorandum items:													
Nominal GDP (billions of CFA francs)	11,352.1	11,359.6	12,459.9	13,765.2	15,052.4	16,401.3	17,838.9	19,420.1	21,076.6	22,765.6	24,492.9	25,758.2	27,696.2
Exports of goods and services (billions of CFA francs)	6,146.7	6,234.3	6,377.9	7,115.1	7,817.1	8,487.0	9,164.8	9,954.5	11,135.8	12,280.9	13,517.6	13,264.3	14,080.9
Government revenue (billions of CFA francs)	2,236.6	1,725.9	2,553.9	2,988.5	3,318.1	3,629.0	3,964.1	4,348.5	4,693.8	5,089.2	5,479.4	5,789.0	6,227.4
Debt service (billions of CFA francs)	449.4	374.4	244.6	249.1	339.2	394.1	417.6	461.4	485.4	506.5	495.8	216.7	293.8
CFA francs/SDR (period average)	754.4	750.2	752.4	757.1	762.6	767.9	772.8	772.8	772.8	772.8	772.8	772.8	772.8

Sources: IMF staff estimates and projections.

[1/] The interest rate on ECF is zero for 2010 -13 and assumed at 0.25 percent thereafter.

[2/] Including the proposed disbursements under the new ECF.

[3/] Total debt service includes IMF repurchases and repayments.

Table 7. Côte d'Ivoire: Proposed Schedule of Disbursements and Timing of Reviews Under ECF Arrangement (SDR millions), 2011–14

In percent of quota	Amount	Date of availability	Condition for disbursment
25	81.30	November 4, 2011	Executive Board approval of the three-year arrangement under the ECF.
20	65.04	April 1, 2012	Observance of performance criteria for December 2011 and completion of the first review under the ECF arrangement.
20	65.04	October 1, 2012	Observance of performance criteria for June 2012 and completion of the second review under the ECF arrangement.
15	48.78	April 1, 2013	Observance of performance criteria for December 2012 and completion of the third review under the ECF arrangement.
15	48.78	October 1, 2013	Observance of performance criteria for June 2013 and completion of the fourth review under the ECF arrangement.
15	48.78	April 1, 2014	Observance of performance criteria for December 2013 and completion of the fifth review under the ECF arrangement.
10	32.52	October 1, 2014	Observance of performance criteria for June 2014 and completion of the sixth review under the ECF arrangement.
120	390.24	**TOTAL**	

Table 8. Côte d'Ivoire: Performance Criteria (PC) and Indicative Targets (IT), ECF 2012-13 1/

(Billions of CFA francs) 2/

	2012										2013			
	March			June				Sept.	Dec.		March	June	Sept.	Dec
	Indicative Target (IT)	Actual	Status	PC	Adjusted PC	Actual	Statut	IT	original PC	Revised PC	IT	PC	IT	IT
A. Performance criteria														
Floor on the overall fiscal balance (including grants)	-56.7	60.4	Met	-175.9	-153.4	-29.8	Met	-395.5	-553.7	-536.4	-23.7	-131.7	-240.5	-398.7
Ceiling on net domestic financing (incl. WAEMU paper)	58.6	16.8	Met	161.7		32.2	Met	378.8	461.7	443.7	18.7	118.7	186.7	243.6
Ceiling on new nonconcessional external debt (in $ million) 3/ 4/	0.0	0.0	Met	0.0		0.0	Met	0.0	0.0	0.0	100.0	100.0	100.0	100.0
Ceiling on accumulation of new external arrears 3/	0.0	0.0	Met	0.0		0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ceiling on accumulation of new domestic arrears 3/	0.0	0.0	Met	0.0		0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Indicative targets														
Floor on primary basic balance	-0.2	89.5	Met	-56.4		71.4	Met	-192.8	-252.4	-235.9	24.2	29.6	42.1	23.3
Ceiling on expenditures by treasury advance	17.1	8.1	Met	42.0		38.5	Met	75.8	109.8	113.5	20.0	46.1	72.1	102.1
Floor on pro-poor expenditure	181.3	189.8	Met	403.0		496.1	Met	676.9	980.0	980.0	248.2	533.0	832.5	1152.8
Floor on net reduction of government amounts payable	-5.0	-75.6	Met	-7.5		-24.2	Met	-15.0	-25.0	-25.0	-5.0	-7.5	-15.0	-25.0
Floor on government revenue	525.8	598.7	Met	1,111.1		1,243.5	Met	1,697.3	2,357.6	2,492.2	615.6	1,339.3	2,027.5	2,742.4
Memorandum items:														
Net banking sector claims on government	3.1	-4.1		76.2		28.7		151.9	208.5	228.9	-19.0	25.0	28.1	75.7
Program grants	0.0	10.0		10.0		10.0		10.0	10.0	10.0	0.0	49.2	49.2	98.4
Program loans	0.0	0.0		0.0		0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	3.7	12.7		25.0		29.2		30.0	42.2	51.7	25.0	50.0	70.0	147.7
Project loans	19.7	7.5		47.2		24.7		47.2	78.7	70.4	30.3	121.1	196.8	302.7

Sources: Ivoirien authorities and IMF staff.
Note : The terms in this table are defined in the TMU.
1/ Cumulative change from December 31, 2011 for 2012 targets, and from December 31, 2012 for 2013 targets.
2/ Except for the ceiling on new nonconcessional external debt
3/ Continuous performance criteria.
4/ The new window in 2013 will be used for infrastructure and energy sector projects (MEFP ¶42)

APPENDIX I. CÔTE D'IVOIRE: LETTER OF INTENT

Ministry of Economy
and Finance

Office of the Minister

Republic of Côte d'Ivoire

Union-Discipline-Travail

No. 8380 MEF/CAB/CT-14

Abidjan, November 13, 2012

Managing Director
International Monetary Fund
WASHINGTON DC, 20431

Subject: **Letter of Intent**

Dear Madame:

1. **Côte d'Ivoire continues to make great strides in normalizing its socio-political and security situation, and its economy continues to recover**. All government institutions are now functional, in compliance with the provisions of the constitution. Draft and proposed legislation is once again subject to examination by Parliament. Public universities have been refurbished and resumed operations on September 3, 2012 after being closed for more than a year owing to their serious disrepair. The process of national reconciliation is under way, with the Commission for Dialogue, Truth and Reconciliation (CDVR) continuing to work with the political parties and civil society, and peace and reconciliation being promoted with the local population. Security has improved across the country, despite a few isolated outbreaks of violence that were quickly brought under control. A National Security Council (CNS) has been created under the authority of the President of the Republic.

2. **The Memorandum of Economic and Financial Policies (MEFP) attached to this letter of intent describes progress made to date and the policies that we plan to implement in 2013**. The economic recovery in 2012 was better than anticipated. The positive trends in the economic indicators should lead to a consolidation of the recovery, with GDP growth of 8.6 percent, compared to an initial target of 8.1 percent. The recovery has benefited from increased public investment and the structural reforms implemented as part of our economic and financial program, as well as the restoration of private sector confidence and related steps taken by the government to improve the business climate. The upturn has also benefited from the hope created by Côte d'Ivoire reaching the HIPC Initiative completion point on June 26, 2012. Côte d'Ivoire has received full relief, including the Debt Reduction and Development Contracts (C2D) with France, in the amount of CFA Francs 4,090 billion, or 64.2 percent of its external debt. For this we would like to express our sincere thanks to all of our bilateral, private and multilateral partners, in particular the International Monetary Fund, the World Bank and the African Development Bank. All of our debt ratios are now in line with subregional and international standards, leaving room for new financing, while still ensuring that debt sustainability is maintained. Our debt management procedures have been revised accordingly.

3. **The government is pursuing structural reforms in key sectors of the economy**. The reform of the coffee-cocoa sector begun in 2011 to ensure a sufficiently remunerative price for producers of at least 60 percent of the c.i.f. price is now fully operational with the entry into effect of the new marketing system. The government has adopted the plan to reform public enterprises, including banks, in order to reduce its portfolio by 25 percent and improve performance. Efforts are ongoing to put the electricity and oil products sectors on a sound financial footing. The reforms undertaken in this area are aimed at restoring the viability of these sectors and supporting growth.

4. **The government is determined to respond to the needs of the people and to transform Côte d'Ivoire into an emerging economy by 2020**. In this context, it is implementing its 2012–15 National Development Plan (PND), which lays the foundations for sustained and sustainable economic growth that is driven primarily by investment, continued structural reforms, and the restoration of private sector confidence. Our aim is to consolidate the dynamic growth achieved thus far so as to reach a GDP growth rate of 9 percent in 2013 and at least 10 percent starting in 2014. The 2013 budget has been prepared on that basis and calls for an increase in public investment of 7.5 percent of GDP, as compared to 5.3 percent in 2012.

5. **The government is convinced that the policies and measures included in this memorandum are sufficient to achieve its objectives**. We ask the International Monetary Fund to provide financial support to the government under the Extended Credit Facility (ECF) in the amount of SDR 65.04 million. The government will consult with Fund staff, at its own initiative or at the request of the IMF Managing Director, before adopting any additional measure that it may deem necessary, or in the event of changes to the policies set out in this memorandum. It also agrees to cooperate fully with the IMF to achieve its policy objectives.

6. **The government requests the amendment of the program performance criteria for end-December 2012 and the establishment of end-June 2013 performance criteria**. The modification of the end-December 2012 performance criteria takes into account, in particular, the revision of the debt relief projections following the HIPC completion point. The amended criteria are in line with the macroeconomic objectives of the program overall.

7. **The Ivoirien authorities consent to the release 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 on the request for disbursement under the ECF**. We hereby authorize their publication and posting on the IMF website after approval of the review by the IMF Executive Board.

Sincerely yours,

______/s/______

Charles Koffi DIBY
Minister of Economy and Finance

Attachments:

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

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

November 13, 2012

I. BACKGROUND

1. **Since the investiture of the President of the Republic on May 21, 2011, and the appointment of the new Government, decisive action has been taken toward the implementation of a new economic strategy focused on the most urgent needs of the country, particularly social normalization, reconstruction, and the transformation of Côte d'Ivoire into an emerging economy by 2020**. The main institutions of the Republic are fully operational: peaceful and transparent legislative elections were held and the first regular session of the National Assembly took place on March 12, 2012. The national reconciliation process is under way, with the Commission for Dialogue, Truth and Reconciliation (CDVR) continuing to work with the political parties and civil society, and peace and reconciliation being promoted among the local population. Security has improved across the country, with isolated outbreaks of violence quickly brought under control. The creation of the National Security Council (CNS) under the aegis of the President of the Republic following the attacks of August 2012 is contributing to the improvement of the security situation. A new unified army has been created. The army (as well as the police and gendarmerie) is being restructured and modernized with assistance from the United Nations and other partner countries. In this regard, a new structure for managing disarmament, demobilization, and reintegration (the DDR) was created on August 8, 2012.

2. **Our economic take off has begun**. As of end-December 2011, all macroeconomic outcomes were better than anticipated, and preliminary results as of end-June 2012 show that the 8.1 percent growth target will be exceeded. Our efforts enabled us to reach the IMF and World Bank enhanced HIPC Completion Point in June 2012, thereby substantially reducing our debt stock. There has been a marked rebound in all sectors, with some sectors even exceeding expectations. The business confidence index is above 90 percent. Investments are picking up again. Following the closure of universities for two years, during which they were reconstructed, classes resumed on September 24, 2012. Schools, hospitals, and other public buildings are gradually being repaired. Roads are being rebuilt, along with the construction of new highways and roads connecting agricultural areas. The business climate is improving, aided by the adoption of a new investment code and the opening of a one-stop shop for investment. The reform of the coffee and cocoa sector has been fully implemented since the beginning of the new cocoa campaign in October 2012. Budget execution was better than expected in the first half of 2012, and inflation remains moderate. Macroeconomic stability has been strengthened (and the predictability of public resource management has clearly improved). The broad structural reforms initiated within the framework of programs supported by the IMF, the World Bank, the AfDB, and the European Union are beginning to bear fruit.

3. **The 2012–15 National Development Plan (PND) is the new anchor for our development strategy**. It calls for strong, sustainable, inclusive, and equitable growth. Growth will be driven by a substantial increase in both public and private investment (including foreign investment). These investments have been judiciously centered around both cross-cutting engines of growth (justice and good governance; technical and higher education and training; health, urbanization and housing, environment, sanitation, drinking water, water and forests, and security), and vertical engines of growth (infrastructure and transportation; energy, mining, and hydrocarbons; agriculture; industry and small- and medium-sized enterprises; information and communication technology and scientific research; trade, arts and crafts; and tourism). The main goals are to:

- achieve a real GDP growth rate of 8.6 percent in 2012, 9 percent in 2013, and 10 percent in 2014 and 2015. Investment is expected to increase from 12.5 percent of GDP in 2012 to 23.5 percent in 2015, with public investment increasing from 5.3 percent to 9 percent over the same period;

- reduce the poverty rate by half and rejoin the group of African countries with the highest rankings in terms of the Human Development Index of the United Nations Development Programme (UNDP);

- achieve, or make significant progress towards, the Millennium Development Goals (MDGs) by 2015;

- create one of the best business environments in Africa, and strengthen the competitiveness of the economy; and

- rejoin the group of leading African countries in terms of good governance and fighting corruption (the World Bank index).

4. **In its statement of policies**, t**he government has reaffirmed its commitment to continue the implementation of the 2011–14 economic and financial policies supported by the Extended Credit Facility**. To this end, it will continue the reforms that have been started in: (i) public financial management; (ii) governance and modernization of public administration; (iii) restoring the financial equilibrium of the electricity sector and adjusting petroleum prices; (iv) restructuring of the financial sector; and (v) improving the business climate. The government intends to improve policies and the quality of institutions to ensure the efficient utilization of resources to promote sustainable development, create jobs, and reduce poverty. To this end, the consolidation of national reconciliation and reestablishing security throughout the country will remain top priorities.

This supplement to the Memorandum provides an update on the implementation of the 2012 economic and financial program adopted under the Memorandum of April 25, 2012, and presents the main outlines of the program for 2013.

II. Economic Developments and Implementation of the Economic and Financial Program in the First Half of 2012

A. Recent Economic Developments

5. **The results at end-July 2012 were much better than anticipated**, **supported by public investment and the recovery of domestic demand**. Some 90 percent of the businesses that are members of the Côte d'Ivoire Federation of Businesses (CGECI) expect their activities to rebound in 2012.

- Economic activity has increased at a more rapid rate than expected, supported by dynamic growth in the tertiary sector, especially retail sales and growth in industrial output tied to the strong growth in construction and public works. These developments represent a return of confidence among households and economic operators. The upturn has been driven by the government through the implementation of major public projects during the first half of 2012 to build up the socio-economic infrastructure. These projects include the renovation of public universities, the resumption of construction work on the Jacqueville bridge and the highway to the northern part of the country, as well as the refurbishment and construction of classrooms and health centers. The private sector has shown great interest in supporting the recovery, in particular through the construction of the Bédié bridge in Abidjan, the development of cogeneration at the Azito thermal power station, and increasing production capacity at the CIPREL thermal power station.

- Inflation was brought under control in the first half of 2012 (+0.3 percent) through the normalization of distribution channels and measures undertaken by the government in the context of containing the cost of living. Nevertheless, price levels remain high due to the exceptional increases recorded in 2011.

- Exports rose by 10 percent and imports grew by 118.7 percent, with a steep rise in imports of intermediate goods and equipment. The trade surplus fell by approximately 80 percent and reached CFAF 346.5 billion.

- Net external assets fell by CFAF 220.1 billion, in line with the strong increase in imports. Net domestic credit grew by 6 percent as a result of growth in net claims on government 18.1 percent and an increase in credit to the economy 1.4 percent. Consistent with these trends, the money supply contracted by 0.5 percent.

6. **Budget execution in the first half of 2012 was better than anticipated**.

- Revenue was higher than anticipated by CFAF 133.4 billion (1.1 percent of GDP), driven by the upturn in economic activity, the favorable trend in cocoa prices, as well as the reorganization and expansion of the tax services.
- Regarding expenditure, current expenditures were contained by the close monitoring of spending and the commitment control mechanism put in place for regulating the use of appropriations to support sound budget management. Investment expenditures

posted an execution rate of 94.0 percent, reaching CFAF 200.6 billion. Domestically financed investments totaled CFAF 147.4 billion, with an execution rate of 104.4 percent, owing to specific provisions supporting budget execution, particularly a reduction in the public procurement deadlines, periodic follow-up meetings with the Administrative and Financial Affairs Agencies (DAAF), as well as the funding of a special investment account intended to speed up payments.

- Regarding domestic debt, at end-June 2012, the net reduction in amounts payable in Treasury accounts was CFAF 24.2 billion.
- In addition, the government accessed the regional monetary and financial market for financing. It raised a net amount of CFAF 209.8 billion in this market.

B. Program Implementation

7. **The overall implementation of the economic and financial program has been satisfactory**, **driven by sound budget execution**. All the performance criteria at end-June 2012 were met. Higher tax revenue and efforts to streamline spending resulted in a fiscal balance of -0.2 percent of GDP, compared to a target of -1.4 percent. Pro-poor expenditure reached CFAF 496.1 billion, compared to a floor of CFAF 403 billion, driven by an accelerated pace of renovation of the universities and the timely implementation of projects under the Presidential Emergency Program.

8. **The implementation of structural reforms has been ongoing**. The main measures implemented are as follows:

- Regarding public finance: (i) the budget review laws for the years 2004 to 2010 were approved by the National Assembly, and the draft budget review law for 2011 was adopted by the Council of Ministers following a statement of compliance by the Audit Office; (ii) the 2013 budget bill was submitted to the National Assembly within the deadline required by the constitution; (iii) since December 2011, quarterly reports have been submitted to the Council of Ministers regarding the status of budget execution, including the delays for processing of the files in the SIGFiP; and (iv) the Medium-Term Expenditure Framework (MTEF) has been extended to eight (8) new ministries: security, defense, justice, agriculture, economic infrastructure, energy, environment, and social affairs.
- As for the coffee and cocoa sector, the reform adopted in November 2011 has been implemented by the Coffee and Cocoa Council. It launched the Forward Sales Program (PVAM) and organized public awareness sessions for various stakeholders. All of these actions have made it possible to set a minimum guaranteed price for producers equal to 60 percent of the c.i.f. price for the 2012/2013 campaign. The discussions with operators led to the adoption of a price structure accepted by all the stakeholders that will result in a reduction in the registration fee from 5 percent to 1.28 percent of the c.i.f. price. This price schedule was the subject of an official communiqué issued on Tuesday, September 25, 2012, to inform all stakeholders. On this basis, the Coffee and Cocoa Council launched the campaign on October 3, 2012. The Coffee and Cocoa Council has made all the provisions for strict adherence to the price set for producers. The reserve fund has reached the CFAF 40 billion target.

- Regarding the financial sector, the strategic options being considered for the restructuring of public banks (merger, liquidation, privatization) have been approved. The restructuring plan is centered on a gradual withdrawal of the government over the medium term, with minimal participation to stimulate development in specific sectors, such as housing, small and medium-sized enterprises and industries, and agriculture. For microfinance, recovery and development actions have been initiated in collaboration with technical and financial partners. These actions include, undertaking sectoral audits, developing and implementing a restructuring plan for the National Union of Savings and Credit Cooperatives of Côte d'Ivoire (*Union Nationale des Coopératives d'Epargne et de Crédit de Côte d'Ivoire*, or UNACOOPEC-CI), a plan for placing UNACOOPEC-CI under transitional administration, as well as updating the National Microfinance Strategy (SNM).

- Regarding the hydrocarbon sector, the government has amended Law No. 96-699 of August 29, 1996, with the aim of encouraging oil companies to invest in exploration and in the production of crude oil and natural gas. These amendments also incorporate better transparency in the management of petroleum resources and the principle of environmental protection. In addition, a new framework for Production-Sharing Contract for Hydrocarbons has been adopted to enable operators to carry out exploratory drilling operations and to begin oilfield production as quickly as possible. The hydrocarbon code is being finalized.

- Regarding the electricity sector, the government has continued its efforts to reduce the structural financial deficit. Negotiations with the largest producer of natural gas, which accounts for more than two-thirds (2/3) of the output, resulted in the fixing of a base price of $5.5 per MMBTU, compared to an average price of $9.8 in 2011. Industrial electricity rates were increased by 10 percent in May 2012. In addition, measures have been taken by the government to apply the general tariff to households currently paying the social tariff if they consume more than 200 kWh on a bimonthly basis as from January 2013.

- To ensure the financial viability of the refinery (SIR), most of the government debts to the company have been dealt through securitization or cash settlement.

- A number of reforms have been undertaken to improve the business climate with the aim of creating a conducive environment for private investment. To this end, the government decided, in a January 11, 2012 Council of Ministers meeting, to create commercial courts. Thus, the Commercial Court of Abidjan has been operational since October2012. Furthermore, the new investment code was adopted by Decree No. 2012/487 on June 7, 2012, with the aim of promoting foreign capital inflows. It also grants special advantages to small- and medium-sized enterprises (SMEs). The government expects that all of these reforms will lead to a significant improvement in Cote d'Ivoire's ranking in the "Doing Business" survey.

- Regarding public administration reforms, efforts to modernize the civil service have led to the completion of the census of civil servants and government employees. This resulted in the establishment of the Single Reference File (FUR), which has been in use by the Payroll Services unit since October 2012. As regards the Integrated System for the Management of Government Officials and Employees (SIGFAE) is concerned, the conception and development of its software program have been completed. The deployment phase within the administration has begun, with modules for the management of competitive recruitment and the handling of administrative acts. Furthermore, to raise the ethical standards of the civil service, an ethical charter and code of conduct for employees were adopted by the Council of Ministers on September 19, 2012.

- Regarding the performance of public enterprises, a restructuring strategy was adopted by the Council of Ministers on May 26, 2012. It aims to reduce the government's portfolio by 25 percent through privatization, merger, or the transfer of responsibilities to a technical oversight agency.

9. **The implementation of certain measures has been delayed for various reasons**.

- Regarding the application of a new automatic adjustment mechanism for petroleum prices, based on the conclusions of the study that was completed in December 2011, the framework for a new mechanism was elaborated by the responsible ministries. Nevertheless, the continuing upward trend in international prices has not been conducive to the application of this measure in 2012, given the fragile social environment. Given the significant losses in revenue linked to current pricing policy, the government has initiated additional studies aimed at refining and finalizing the parameters involved in the price structure for petroleum products.

- Regarding measures aimed at reducing the financial deficit in the electricity sector, in particular the renegotiation of the Canadian Natural Resources (CNR) transfer price for gas and remuneration for the operator of the electricity distribution network, discussions are ongoing. The government intends to conclude these discussions as soon as possible to allow for the effective application of the measures in 2013. The government also intends to complete negotiations with Foxtrot regarding the remaining issues.

- Regarding the strategy for the management of the wage bill between 2012 and 2020, a draft consistent with the commitments under the NDP has been prepared. It is based on streamlining new hiring, progressive measures to raise salaries, as well as the modernization and computerization of the public administration. Its finalization is subject to the conclusions of the Social Forum launched in August 2012 by the government.

10. **The macroeconomic outlook confirms the upturn in 2012**.

- The economic upturn in Côte d'Ivoire is firming with a revised GDP growth forecast of 8.6 percent in 2012, compared to the original target of 8.1 percent, following a decline of 4.7 percent in 2011. This upward adjustment is due primarily to the recovery of the secondary sector (+14.8 percent, compared to an initial forecast of +11.8 percent). The upturn also benefited from a rebound following the post-election crisis, the consolidation of peace and security, the fiscal incentives granted to enterprises affected by the crisis, as well as an acceleration of public and private investment (63.2 percent compared to 2011, while the initial forecast was 58.3 percent).

- Inflation should be contained within the WAEMU norm of 3 percent. The annual average rise in prices will be 1.1 percent, contained in part by measures taken by the government to control the cost of living, including the suspension of import duties on rice to mitigate the impact of higher world prices for food and improvements in supply channels.

- As for foreign trade, imports and exports should see an increase in value equal to 7 percent of GDP and 1.7 percent of GDP, respectively. There will be a current account surplus equal to 2.9 percent of GDP, compared to 10.2 percent in 2011, driven by an increase in investment-related imports. As for the capital and financial account, it will post a deficit of 3.9 percent of GDP. Overall, the balance of payments deficit will be equal to 1 percent of GDP.

11. **The budget outlook for 2012 will be better than expected due to a solid recovery in tax and customs revenue, which will post a gain of CFAF 116.0 billion (0.9 percent of GDP)**. This increase would be driven by the major taxes, in particular: (i) the non-oil corporate tax is higher due to business support measures taken by the government following the post-election crisis in 2011; (ii) the tax on income from securities; and (iii) the tax on salaries and wages in connection with the recovery of employment and tax collection efforts. In addition, the Single Export Duty (DUS) on coffee and cocoa will benefit from the rise in world prices and from the elimination of the special treatment for processed cocoa. On the other hand, the registration fee, revenue from general goods, and taxes on petroleum products will see a decline due to a lower rate for the registration fee for cocoa within the context of the new price structure, a suspension of import duties and taxes on rice, and the freezing of petroleum pump prices.

12. **The execution of budget spending should reach CFAF 3090.2 billion, with a slight overrun due to new requirements arising during the year**. This overrun is due to the payment of CFAF 32.4 billion to the electricity sector to settle the arrears owed under the PARI-PASSU, the surcharges related to the use of HVO (liquid fuel) to generate enough electricity to meet demand, and the necessary investments to support the economic recovery.

13. **The financing needs for 2012 should be covered**. They would amount to CFAF 536.2 billion, or 4.3 percent of GDP, and they will be financed primarily by a net mobilization of funds in the regional financial market (WAEMU). After the exceptional efforts by multilateral institutions in 2011 following the post-election crisis, external budget support has declined. In addition, the government intends to complete the restructuring of external commercial debt (Standard Bank-BNI and Sphinx) under conditions comparable to those provided in the agreements of 2009 and 2011 with the Paris Club and in line with the HIPC Initiative. In June 2012, the government resumed the servicing of the EuroBond 2032 and made a good-faith payment towards settlement of the arrears. In addition, it has proposed an arrears repayment plan based on its financing capacity. The government will continue and

conclude discussions with private creditors in a manner consistent with Fund policy regarding loans in arrears, in particular with regard to information transparency, equity among creditors, and dialogue.

14. **Côte d'Ivoire benefited from CFAF 4,090 billion, or 64.2 percent of its external debt upon reaching the completion point under the Enhanced HIPC Initiative at end-June 2012**. It received from the multilateral institutions and Paris Club creditors reductions of CFAF 946.3 billion and CFAF 3143.7 billion, respectively, on a debt stock amounting to CFAF 1,543.4 billion and CFAF 3,453.0 billion, respectively. Bilateral debt relief agreements have already been signed with certain members of the Paris Club, in particular France, Austria, and Canada. Côte d'Ivoire has benefited from the conversion of a portion of the debt owed to the French Development Agency in the form of debt for development swap contracts (C2D); a first support installment is planned for financing the 2012 budget.

15. **In order to ensure the sustainability and viability of public debt following the debt relief, the government has decided to assign the coordination and monitoring of national debt policy to the National Public Debt Committee (CNDP), which was created by Decree No. 2011-424 of November 30, 2011**. This committee launched its operations with the development of a procedural manual and the implementation of its strategic action plan for 2012. On this basis, the Committee's secretariat is in the process of preparing the national debt strategy with the technical assistance of the IMF and the World Bank.

III. Economic and Financial Program for 2013

16. **Following the rebound in 2012, the recovery of the Ivorian economy should be confirmed in 2013**. The government is planning to accelerate the rehabilitation and construction of the core socio-economic infrastructure and improve the business climate to support growth. The goal is to reduce poverty and progress toward meeting the MDGs in a peaceful environment. To this end, the government intends to proceed in line with the strategy outlined in the letter of intent of October 21, 2011, which places particular emphasis on national reconciliation, job creation, and public debt management.

17. **The government is committed to the implementation of the coherent structural reform program launched in 2011 and to take additional measures**. Public financial management will be reinforced through the transcription and implementation of new WAEMU directives. The government also intends to pursue the restructuring of the energy and agriculture sectors, public administration reform, and strengthening the financial system to support growth.

A. Macroeconomic Framework

18. **In line with the National Development Plan, the government is projecting economic growth of 9 percent in 2013, driven primarily by investment**. The investment rate should rise from 12.5 percent of GDP in 2012 to 16.2 percent of GDP in 2013. Public investment should play the role of leveraging growth and stimulating private investment. To this end, a Public Investment Program (PIP), consistent with the National Development Plan, has been prepared. It takes into account the regional integration projects that were the focus of a roundtable meeting among financial backers.

19. **The private sector**, **which will benefit from an improvement in the business climate**, **will be one of the engines for the growth acceleration**. The government has adopted a new investment code and has established a Business Support Center. The return of trade partners and major investment projects should also attract private investment, in particular through public-private partnerships (PPPs), where a priority list of eligible projects has been identified. These projects involve, among others, the creation of new factories, the construction of public housing, exploration and development in the oil and gold industries, and increasing production capacity in the electrical power sector.

20. **Robust economic activity is expected in all sectors**.

- The primary sector should see a growth rate of 4.7 percent in 2013, due to favorable developments in all of its components. This performance will be driven by an increase in mining output and the implementation of a development policy for the agricultural sectors through the National Agricultural Investment Program (PNIA); a roundtable organized in September 2012 enabled financing needs to be mobilized.

- The secondary sector should post growth of 12.1 percent, benefiting from: (i) an improvement in the business climate; (ii) the utilization of enterprises' capacities; (iii) a return of investor confidence; and (iv) the promotion of public and private investment through the strengthening of public-private partnerships.

- The tertiary sector should grow by 12.9 percent, due to dynamic development in all of its components in line with the performance indicators achieved in the primary and secondary sectors.

21. **The inflation rate should remain within the WAEMU community 3 percent norm**. Agricultural development policies, in particular in the area of rice and other food crops, efforts to combat racketeering, and a gradual reduction in incidental expenses, as well as the repair of roads serving agricultural regions, should contribute to a better supply of markets and price stability. Thus, inflation would be around 2.3 percent.

B. 2013 Budget Law

22. **Fiscal policy will continue to put priority on mobilizing the full revenue potential of taxes and the rationalization of spending to create the fiscal space necessary for investment**. It adheres strictly to orthodox principles with regard to the management of public finances, in particular the approval of the budget in accordance with the constitutional deadline, and transparency and traceability in the chain of public expenditures. The government will take the necessary measures to ensure strict execution of spending within the limits of the budget envelopes, income generated from tax and customs receipts, and available financing. In this regard, meetings of the Treasury Committee will be continued with the aim of making the necessary adjustments through the SIGFiP.

23. **The draft budget law reflects the government's desire to strengthen the mobilization of tax and customs revenues**. Despite the projected decline in the taxes for the coffee and cocoa sectors, and oil and gas revenues, tax revenues should be equal to 17.4 percent of GDP in 2013, compared to 17.3 percent in 2012. This performance is

attributable to the resumption of economic activity, and also to specific actions and initiatives. In terms of domestic taxes, these include:

- the pursuit of taxation on informal activities and other activities that are insufficiently taxed;
- the implementation of an action plan aimed at optimizing the yield of VAT;
- the reinforcement of actions to combat fraud and, in particular to monitor the use of standardized invoices;
- the promotion of public tax compliance and public awareness of new taxes with the aim of improving the collection of these revenues, in particular through the implementation of a tax on windfall profits of mining operations;
- the improvement of the real estate tax collection rate; and
- the improvement of the yield of some user fees by dematerializing the support of this tax.

Taxes on external trade should increase from 7.5 percent in 2012 to 8.3 percent in 2013 owing to the strong performance of taxes on import of general goods which will be boosted by the economic rebound and to the resumption of the collection of import duties and taxes on rice suspended in 2012. Furthermore, as mentioned above, receipts from the DUS would improve because of the elimination of the tax relief provided in the past to cocoa processors and of the taxation of coffee on an ad valorem basis.

24. **The 2013 budget calls for an increase in public investment consistent with the National Development Plan for 2012–15**. With an appropriation equal to approximately 26.9 percent of budget revenue, capital expenditures are planned in the amount of CFAF 1031.9 billion, or 7.5 percent of GDP, compared to 5.4 percent in 2012. They will be directed primarily at the rehabilitation and construction of basic infrastructure, the support of the leading growth sectors, such as agriculture, transportation, and energy, as well as operations to strengthen security and national defense. In this context, the government is planning to expand the public procurement absorption capacity through: (i) strengthening the capacities of the principal parties involved in public spending; (ii) a reduction in the time required for the awarding of public contracts; (iii) speeding up the payment of suppliers; and (iv) the establishment of public procurement focal points within technical ministries.

25. **The government intends to improve the living conditions for the population by assigning priority to pro-poor spending that will be set at 8.3 percent of GDP, compared to 7.9 percent in 2012**. These resources should allow for the rehabilitation of schools and public health facilities, free targeted health care, the development and promotion of agriculture, the purchase of textbooks and school kits, and the continuation of the school meal program.

26. **Caps will be placed on some budget appropriations**. The government plans to limit operating expenses to CFAF 507 billion, and subsidies for the electricity sector to CFAF 64 billion. In addition, the government will continue to carry out expenditures in accordance with the pace of mobilization of domestic and external resources. Special emphasis will be placed on containing the wage bill at 7.5 percent of GDP. The introduction of computerized management of personnel and the streamlining of new recruitment should result in a decline in the estimated ratio of the wage bill to tax revenue to 43.1percent in 2013.

27. **The overall primary basic balance will reach CFAF 23.2 billion, or 0.2 percent of GDP**. The total budget deficit, including grants (except grants for the settlement of arrears) would decline to 2.9 percent of GDP in 2013 from 4.3 percent of GDP in 2012.

C. Structural Reforms

28. **The government will continue structural reforms to improve the competitiveness of the economy**. These reforms are aimed at strengthening public financial management, and improving the effectiveness of public administration, governance, and the business climate.

29. **Efforts to improve public financial management will continue**. The plan rests on a number of key strategic elements:

- Concerning the legal and institutional framework, the preliminary draft organic laws dealing with the code of transparency and the budget system law will be adopted by the Council of Ministers in December 2012 and submitted to Parliament at end-March 2013. Following the promulgation of these laws, decrees pertaining to the General Regulations on Public Accounting, the Government Budget Nomenclature, the Government Chart of Accounts, and the Table of Government Financial Operations will be signed after the organic laws have been adopted by Parliament. To this end, the government will adopt by end-July 2013 a strategy and action plan for the implementation of the reforms.
- Progress will be made with regard to the transparency of budget execution through the implementation of the transparency code following its adoption. In addition, in the context of the statements presented to the Council of Ministers, quarterly reports on budget execution will be improved by incorporating the analysis of investment spending by ministry. With regard to technical matters, the rolling out of SIGFiP throughout the country will be continued.
- Regarding budget discipline, Treasury advances will be contained within the limits provided for under the order issued by the Minister of the Economy and Finance in March 2009. To optimize the allocation of resources and to ensure effective spending, the Medium-Term Expenditure Framework (MTEF) has been extended to eight high-level ministries for 2013, in addition to the education and training, and health sectors. The process will be expanded to other ministries in 2014. In addition, an overall MTEF will be put in place for the preparation of the 2014 budget.

The government will pursue the reform of public finances by adopting a new action plan based on the Public Expenditure Management and Accountability Review (PEMFAR), and it will adopt before end-September 2013 a coordination plan for working with donors for its financing and implementation.

30. **The government will continue the reforms in the coffee and cocoa sector**. It will conduct an assessment on the need for hedging external market risk for cocoa and it will apply the recommendations. In addition, regular audits of the sales system will be carried out and a semi-annual report on the implementation of the reform will be published. Furthermore, it will establish ad valorem taxation for coffee starting from the 2013 campaign.

31. **Efforts to reduce the deficit in the electricity sector and to increase capacity will be continued**.

- The government (the ministries in charge of overseeing the sector from a technical and financial standpoint), as prior action, will adopt before November 15, 2012, a medium-term strategy for the development and restoration of the sector's financial equilibrium. This strategy will take stock of the projects to increase both thermal and hydroelectric production capacities, and of the various measures envisaged to reduce costs and generate additional revenue to restore the sector's financial equilibrium over 2013-15, while protecting low-income households.

- Development projects in the sector should make it possible between now and 2014 to boost natural gas production and reduce the need to resort to HVO fuel, which is more expensive. To this end, after boosting the production capacity of the Foxtrot natural gas field, the government is planning to develop the Gazelle field, which will go into production in 2014. Thus, starting in 2014 there will only be residual recourse to HVO. Over the medium term, the increase in hydroelectric capacities, in particular as a result of the completion of the Soubré hydroelectric dam, will also contribute to a reduction in costs.

- The increase in electricity capacity to support growth will be accompanied by measures aimed at reducing technical and non-technical losses and the completion of new projects for electricity generation. Specifically, this will entail: (i) an improvement in the overall efficiency of electricity generation, which will rise from 74.7 percent in 2012 to 77.7 percent in 2015, or 1 percentage point per year; (ii) the leasing of a thermal power station with a 100 MW capacity starting in March 2013; (ii) investments in 2013 to bring phase 4 of CIPREL on line in January 2014, and its cogeneration cycle on line in January 2015; phases 1 and 2 of the Abatta cogeneration cycle thermal power station on line in December 2015 and February 2016, respectively, and its steam cycle on line in December 2016; the startup of the Azito steam cycle is planned for December 2014; and (iv) preliminary discussions are under way with potential investors regarding three other projects.

- As part of its strategy, the government also intends to complete negotiations with the operator of the electricity distribution network before end-June 2013 to consider a reduction in its remuneration and with gas field operators to reduce the gas price. In this context, the discussions that are under way regarding a change in the contract for the Foxtrot gas field will be completed at the earliest.

- The new electricity code will be adopted by the Council of Ministers before the end of 2012 and will then be submitted to the National Assembly.

- The electricity export contracts will be renegotiated with an adjustment in the rates to allow for a greater contribution toward production costs.

- The transition to the regular tariff for all customers consuming more than 200 kWh bimonthly will be effective for all the bills relating to consumption after January 1, 2013.

- A new tariff structure incorporating the recommendations of the social impact study initiated in 2012 would be applied starting in 2013. In addition, the government intends to implement gradual rate increases, starting with an average increase of 5 percent for the low-voltage tariff in July 2013, with the next steps intended to complement cost-cutting measures and mobilize additional resources, while protecting low-income households.

32. **Regarding petroleum products**, **the government plans to implement a new automatic price adjustment mechanism**. As prior action, a new price structure will be developed and adopted by the government before November 15, 2012. This will be the focus of a public awareness campaign before being implemented at end-March 2013. This new mechanism will balance the social impact of pump price changes and the need to reflect market prices. Considering the significant financial losses resulting from the butane price subsidy mechanism, the government has decided to raise prices for liquid petroleum products by a maximum of CFAF 15 (or around 2 percent) per liter beginning December 2012, and simultaneously limit the butane gas subsidy to 6 and 12 kg bottles. A study regarding the butane adjustment will be completed before end-November 2012 to ascertain the viability of the butane subsidy policy within the context of the new price structure.

33. **Concerning the extractive industries**, **Côte d'Ivoire aims to be fully compliant with the Extractive Industries Transparency Initiative (EITI)**. Following the publication of the reports for the years 2008–09 and 2010, and the amendment to the petroleum code requiring oil companies to participate in the EITI, the government hopes that the EITI Board will make a decision on the country's compliance at its October 2012 meeting.

34. **Regarding public enterprises**, **the restructuring plan adopted by the Council of Ministers on May 23**, **2012**, **will be implemented**. The ultimate objective is to reduce the government's portfolio by 25 percent through privatization, merger, or the transfer of responsibilities to a technical oversight agency. The process has been started, with the

development of the terms of reference aimed at defining the mechanism and the strategy to be employed for each enterprise involved. In addition, the government plans to institute performance contracts between the government of Côte d'Ivoire and public enterprises to improve their productivity. It will also oversee the application of the plan for the settlement of outstanding payments validated jointly by debtor public enterprises and social security institutions (CGRAE and CNPS).

35. **With regard to public banks**, **the designated strategic options for restructuring are in the process of being implemented**. International firms have been hired to assess the value of these banks with the aim of initiating the operational phase for the options that are chosen. The evaluation studies will be completed by end-November 2012.

36. **The government is planning to settle its arrears to the financial sector in 2013**. The government's arrears to the Central Bank of West African States (BCEAO) will be subject to a settlement plan. Arrears to banks and financial institutions will be settled through issuing Treasury bonds. Arrears to the nonfinancial sector will be subject to an audit and a settlement plan will be designed thereafter.

37. **The government intends to finalize the Financial Sector Development Strategy (SDSF) with the support of the FIRST initiative**. This strategy should identify solutions for improving the financing of economic activities, particularly in housing, small- and medium-sized enterprises, and agriculture. It should also address the role of the government in the financial sector, the cost of credit, and the recovery of the microfinance sector. In this context, the finalization of complementary studies would make it possible to develop a strategy that will be validated in the course of a workshop at the end of the first quarter of 2013. A roundtable will be organized to arrange for its financing in 2013 The Financial Sector Monitoring and Development Committee (CODESFI), created in November 2009, will oversee the implementation of the SDSF in 2013.

38. **The government intends to capitalize on the significant progress made in improving the business climate**. Following the opening of the commercial court in Abidjan, two other commercial courts will be opened in 2013. Training for magistrates and judicial personnel will be subsequently bolstered. The Business Support Center will become operational under the aegis of the Center for the Promotion of Investments in Côte d'Ivoire (*Centre de Promotion des Investissements en Côte d'Ivoire*, or CEPICI), which has been granted the status of an autonomous legal entity (a national public administrative agency). To ensure enterprises access to suitable industrial sites, a program for the rehabilitation and creation of industrial zones will be implemented. Furthermore, the government intends to complete the establishment of a one-stop shop for foreign trade, the feasibility studies of which have started.

39. **Regarding public administration**, **the government is planning to further modernize the civil service**. The deployment of SIGFAE and steps to improve the personnel management framework will be continued. This environment will be conducive to the implementation of a strategy to manage the wage bill, building on the recommendations of the Social Forum initiated in 2012, as well as containing new recruitment while meeting the requirements of the National Development Plan.

IV. DEBT STRATEGY

40. **The government will implement a strategy to ensure the sustainability of post-HIPC debt**. The goals of this strategy are to: (i) significantly lower the refinancing risk by converting domestic debt into medium- and long-term debt; (ii) favor concessional borrowing with regard to external debt; (iii) assist in the progressive development of the domestic market while opting for medium-term maturities; and (iv) minimize all costs and risks. To this end, following the establishment of the CNDP, the government intends to reorganize the operational framework for debt management, in particular by creating "front, middle, and back office" services handling both domestic and external debt. The government will adopt a debt strategy in the first half of 2013. On this basis, the CNDP will produce an annual report on the policy and execution of the debt strategy, which will be submitted to Parliament during the adoption of the budget law, starting with the 2014 fiscal year.

41. **The government will implement a strategy to promote public-private partnerships to boost investment while limiting risks to public finances**. To this end, the National Committee created in November 2011 has been instructed to put a legal and institutional framework in place before end-June 2013 as well as strengthening domestic capacity as regard PPPs. The priority projects eligible for the PPP, which are consistent with the National Development Plan, have been adopted by the Council of Ministers. More in-depth studies will be undertaken with the aim of preparing the financial structuring and the implementation of the PPPs. In this context, the government will seek assistance from the IMF, the World Bank, and other development partners as regard best international practices in this area.

42. **In order to meet the financing needs of its investment plans**, **the government will continue to favor concessional sources of financing**. However, some nonconcessional external borrowing may be necessary for investment projects that are economically profitable for which concessional borrowing is difficult to mobilize. While the government intends to reduce the financing burden on the budget through the use of PPPs, some government participation financed by borrowing may be necessary in order to leverage in private participation and financing. However, the government intends to ensure that any borrowing, including on nonconcessional terms, is contracted in the context of a sound borrowing policy in order to preserve debt sustainability. To this end, alongside ongoing measures to strengthen debt management and to prepare its own debt management strategy, the government will limit its cumulative nonconcessional borrowing in 2013–14 to the equivalent of USD 100 million by end-2013 and USD 200 million by end-2014, which will be limited to infrastructure and energy sector investment projects that are economically profitable. Also, to benefit from the increase in the lending envelope of the West African Development Bank (BOAD) for Côte d'Ivoire, the government requests an increase of CFAF 25 billion (equivalent to USD 50 million) in the existing nonconcessional window for borrowing on nonconcessional terms from the (BOAD).

V. PROGRAM FINANCING AND MONITORING

43. **The government considers that financing will be available for the program in 2013**. The financing shortfall in 2013 will be CFAF 37.4 billion and will be financed through

the domestic market. The funding of the PIP in 2013–15 will come through two main channels: (i) the C2D with the French Development Agency (AFD); and (ii) a donor meeting (consultative group) including an investors' forum, supported by the World Bank, which will be organized in early December 2012 in Paris. The government intends to rely primarily on grants or concessional loans, particularly from the World Bank, the African Development Bank, the Islamic Development Bank, and the European Union. Nevertheless, nonconcessional financing might be needed for certain investments.

44. **Regarding access to the domestic and regional markets**, **the government intends to mobilize more loans with longer maturities**. Regular meetings of the Treasury Committee will be held to ensure that the revenue projections and public securities issues are consistent with the execution of expenditures and are meeting debt service obligations. The government will also continue to aim for a net reduction in amount payables by CFAF 25 billion in 2013, and to meet its obligations under securitized debt.

45. **The program will be monitored on a half-yearly basis by the IMF Executive Board based on quantitative indicators and structural targets (Tables 1&2)**. These indicators are defined in the attached Technical Memorandum of Understanding (TMU). The semi-annual reviews will be based on the end-June and end-December data. The third (fourth) program review would be based on the performance criteria at end-December 2012 (end-June 2013) and should be completed no later than June 2013 (December 2013). To this end, the government undertakes:

- to refrain from accumulating new domestic arrears and any kind of advance against revenues and from obtaining nonconcessional external loans other than those specified in the TMU;
- to issue government securities only by means of an auction through the BCEAO or any other form of competitive bidding in the local financial market and the WAEMU and to consult with Fund staff regarding any new domestic financing;
- not to introduce or tighten restrictions on payments and transfers pertaining to current international transactions, not to introduce multiple exchange rate practices, not to conclude any bilateral payment agreements that are not in compliance with Article VIII of the IMF Articles of Agreement, and not to impose or tighten any restrictions on imports for the purpose of balancing the balance of payments;
- to adopt all new financial or structural measures as needed to ensure the successful implementation of its policies in consultation with the IMF.

VI. Statistics and Capacity-Building

46. **The government undertakes to continue its efforts to improve the statistical system with a view to the regular production of high-quality economic and financial data**. To this end, the Strategic Plan for the Strengthening of Statistics for 2012–15, which is consistent with the National Development Plan, was ratified through the adoption of the PND for 2012–15 on March 28, 2012, and has been put into operation. It entails: (i) support for the performance of national and sectoral surveys; (ii) workshops on the implementation of the Integrated Information Management System database; (iii) updating of the Harmonized Consumer Price Index (HCPI); (iv) development of the ministerial statistical services yearbook; and (v) the production of the projected balance of payments. A special effort will be made with the assistance of the African Regional Technical Assistance Center (AFRITAC West) to produce quarterly national accounts in 2013. The draft law regarding the organization, regulation, and coordination of statistical activities in Côte d'Ivoire has been updated and presented to the government. It should be adopted by the National Assembly in 2013.

47. **Côte d'Ivoire will continue to strengthen its administrative capacities in a post-enhanced HIPC environment**. The government will continue to benefit from assistance from the IMF and other development partners to: (i) strengthen the capacities of the tax and customs administrations; (ii) review tax exemptions; (iii) assist in the implementation of the action plan for the reform of public finances; (iv) improve national accounts with the aim of creating a social accounting matrix; and (v) develop capacities for the management of public resources and the monitoring of investment projects. To strengthen public debt management, the government intends to undertake a capacity-building program aimed at supporting the development and implementation of a medium-term debt strategy. The government will accordingly seek technical assistance from the IMF.

Table 1. Côte d'Ivoire: Performance Criteria (PC) and Indicative Targets (IT), ECF 2012-13 1/

(Billions of CFA francs) 2/

	2012										2013			
	March			June				Sept.	Dec.		March	June	Sept.	Dec
	Indicative Target (IT)	Actual	Status	PC	Adjusted PC	Actual	Statut	IT	original PC	Revised PC	IT	PC	IT	IT
A. Performance criteria														
Floor on the overall fiscal balance (including grants)	-56.7	60.4	Met	-175.9	-153.4	-29.8	Met	-395.5	-553.7	-536.4	-23.7	-131.7	-240.5	-398.7
Ceiling on net domestic financing (incl. WAEMU paper)	58.6	16.8	Met	161.7		32.2	Met	378.8	461.7	443.7	18.7	118.7	186.7	243.6
Ceiling on new nonconcessional external debt (in $ million) 3/ 4/	0.0	0.0	Met	0.0		0.0	Met	0.0	0.0	0.0	100.0	100.0	100.0	100.0
Ceiling on accumulation of new external arrears 3/	0.0	0.0	Met	0.0		0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ceiling on accumulation of new domestic arrears 3/	0.0	0.0	Met	0.0		0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Indicative targets														
Floor on primary basic balance	-0.2	89.5	Met	-56.4		71.4	Met	-192.8	-252.4	-235.9	24.2	29.6	42.1	23.3
Ceiling on expenditures by treasury advance	17.1	8.1	Met	42.0		38.5	Met	75.8	109.8	113.5	20.0	46.1	72.1	102.1
Floor on pro-poor expenditure	181.3	189.8	Met	403.0		496.1	Met	676.9	980.0	980.0	248.2	533.0	832.5	1152.8
Floor on net reduction of government amounts payable	-5.0	-75.6	Met	-7.5		-24.2	Met	-15.0	-25.0	-25.0	-5.0	-7.5	-15.0	-25.0
Floor on government revenue	525.8	598.7	Met	1,111.1		1,243.5	Met	1,697.3	2,357.6	2,492.2	615.6	1,339.3	2,027.5	2,742.4
Memorandum items:														
Net banking sector claims on government	3.1	-4.1		76.2		28.7		151.9	208.5	228.9	-19.0	25.0	28.1	75.7
Program grants	0.0	10.0		10.0		10.0		10.0	10.0	10.0	0.0	49.2	49.2	98.4
Program loans	0.0	0.0		0.0		0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	3.7	12.7		25.0		29.2		30.0	42.2	51.7	25.0	50.0	70.0	147.7
Project loans	19.7	7.5		47.2		24.7		47.2	78.7	70.4	30.3	121.1	196.8	302.7

Sources: Ivoirien authorities and IMF staff.

Note : The terms in this table are defined in the TMU.

1/ Cumulative change from December 31, 2011 for 2012 targets, and from December 31, 2012 for 2013 targets.

2/ Except for the ceiling on new nonconcessional external debt

3/ Continuous performance criteria.

4/ The new window in 2013 will be used for infrastructure and energy sector projects (MEFP ¶42)

Table 2. Côte d'Ivoire: Structural Benchmarks (SB), 2012 ECF

Second Program Review			
Measures	**Macroeconomic rationale**	**Timeframe**	**Status**
Tax policy / Tax administration			
• Based on the *Procès Verbal Simplifié*, register at least 30 percent of custom frauds in the IT system by end-June 2012, with the aim of reaching 90 percent by end-2012.	Enhance transparency and counter fraud	**SB** end-June 2012 **SB** end-December 2012	**Met**
• Review the taxes levied on petroleum products and prepare a gradual adjustment strategy with a price-smoothing mechanism to transition to a system that will automatically set retail prices based on international price developments. • Implement the gradual adjustment strategy including a price-smoothing mechanism to transition to a system that will automatically set retail prices based on international price developments.	Rationalize tax expenditures and promote more efficient use of petroleum products	**SB** end-May 2012 (rescheduled) **SB** July 2012 (rescheduled)	**Not met** **Not met**
• Prepare MTEFs for eight ministries (defense, security, agriculture; economic infrastructure; justice; mines, petroleum and energy; environment; and social affairs)	Improve strategic budget planning	**SB** end-October 2012	**Met**
• Submit the 2011 budget review law to the Audit Office.	Enhance transparency of the budgetary process	**SB** end-July 2012	**Met**
Public expenditure management			
• Update and implement a medium-term strategy for controlling the wage bill.	Contain the size of the civil service and the wage bill	**SB** end-June 2012 (rescheduled)	**Not met**
• Include an alert module in the debt management system to automatically generate reminders as regard the receipts of notices for debt repayments.	Ensure timely payment of debt	**SB** end-June 2012	**Met**

Table 2. Côte d'Ivoire: Structural Benchmarks, 2012 ECF (continued)

Second Program Review			
Measures	**Macroeconomic rationale**	**Timeframe**	**Status**
Public expenditure management			
• Put in place an integrated management system (single file, SIGFAE) for government officials and employees (excluding defense and security forces).	Reduce fraud and improve the monitoring of wages and salaries	**SB** end-2012	**Met**
• No new injection of public funds in the five public banks in difficulty outside a restructuring plan discussed with the IMF and the World Bank.	Improve financial sector governance and management	**SB** continuous	**Met**
• Adopt a strategy for restructuring public enterprises, including the public banks in the Council of Ministers.	Curb banks' recurring losses; reduce government subsidies	**SB** end-June 2012	**Met**
Public sector reform			
• Complete the study on the social impact of electricity rates and adopt a strategy to achieve financial equilibrium in the sector over the next three years. • Validate and implement a new electricity tariff structure based on the conclusions of the tariff structure study, taking into account the rationalization of modified rates. • Implement the social tariffs rationalization program, including progress reports at end-September 2012 and end-January 2013, in line with the end-March 2012 letter of instruction (dated March 28, 2012) from the Minister of Mines, Petroleum, and Energy.	Reduce government subsidies and enable investments to boost production capacity	**SB** end-September 2012 (rescheduled) **SB** end-2012 (rescheduled) **SB** end-September 2012 **SB** end-January 2013	**Not met** **Not met** **Met**

Table 2. Côte d'Ivoire: Structural Benchmarks, 2012 ECF (concluded)

Second Program Review			
Measures	**Macroeconomic rationale**	**Timeframe**	**Status**
Public sector reform			
• Adopt the electricity code in the Council of Ministers.	Improve governance of the electricity sector	**SB** end-June 2012	**Not met**
Cocoa sector reform			
• Reach an agreement as regard the price structure for the various stakeholders.	Advance the reform of the cocoa sector	**SB** end-September 2012	**Met**
Improving the business environment			
• Limit the current fiscal year's VAT arrears pending refund to under CFAF 10 billion.	Improve the business climate and the confidence of enterprises	**SB** continuous	**Met**
• Adopt a new investment code in the Council of Ministers.	Facilitate investment	**SB** end-June 2012	**Met**

Table 3. Côte d'Ivoire: Structural Benchmarks, 2012–13 ECF

Third program review		
Measures	**Macroeconomic rationale**	**Timeframe**
Tax policy/Tax administration		
• Produce a quarterly report on the implementation of the Directorate General of Taxes action plan on VAT optimization no later than 45 days after the quarter ends.	Increase revenue from the VAT	**SB** continuous
• Review the taxes levied on petroleum products and prepare a gradual adjustment strategy with a price-smoothing mechanism to transition to a system that will automatically set retail prices based on international price developments. • Implement the gradual adjustment strategy including a price-smoothing mechanism to transition to a system that will automatically set retail prices based on international price developments.	Rationalize tax expenditures and promote more efficient use of petroleum products	**Prior Action**- Before November 15, 2012 **SB** end-March 2013
• Increase the prices of liquid petroleum products by a maximum of CFAF 15 per liter to contribute to financing the butane stabilizer.	Finance the subsidy for the price of butane gas.	**SB** end-November 2012
• Undertake a stocktaking of VAT exemptions, including identifying those inconsistent with the WAEMU VAT directive.	Streamline tax expenditures/mobilize revenue	**SB** end-February 2013
Public expenditure management		
• Update and implement a medium-term strategy for controlling the wage bill.	Contain the size of the civil service and the wage bill	**SB** end-February 2012
• No new injection of public funds in the five public banks in difficulty outside a restructuring plan discussed with the IMF and the World Bank.	Improve financial sector governance and management	**SB** continuous
• Prepare the global MTEF for application to the 2014 budget.	Improve strategic budget planning	**SB** end-September 2013
• Finalize and adopt by the Council of Ministers of draft texts transposing the six WAEMU directives on public finance.	Improve fiscal management	**SB** end-June 2013
• Prepare and adopt the medium-term debt management strategy.	Improve debt management	**SB** end-June 2013

Table 3. Côte d'Ivoire: Structural Benchmarks, 2012–13 ECF (concluded)

Third program review		
Measures	**Macroeconomic rationale**	**Timeframe**
Public expenditure management		
• Reorganize debt management unit in the Directorate General of the Treasury and adopt a functional structure (front-, middle-, and back-office).	Improve public debt management.	**SB** end-June 2013
• Adopt a PPP framework.	Strengthen capacity to manage PPP projects and mitigate associated risks	**SB** end-June 2013
Energy sector reform		
• Adopt a comprehensive strategy to bring the electricity sector back to financial equilibrium over the next three years. • Implement the social tariffs rationalization program, including progress reports at end-September 2012 and end-January 2013, in line with the end-March 2012 letter of instruction (dated March 28, 2012) from the Minister of Mines, Petroleum, and Energy. • Gradually raise rates, beginning with a 5% average increase of the low-voltage rate in July 2013, while protecting the low-income social categories. • Adopt the electricity code in the Council of Ministers and submit it to Parliament	Reduce government subsidies and enable investments to boost production capacity Improve governance of the electricity sector	**Prior Action**- Before November 15, 2012 **SB** end-March 2013 **SB** July 2013 **SB** end-December 2012
• Adopt the hydrocarbon in the Council of Ministers. • Adopt the mining code in the council of Ministers.	Improve transparency in the hydrocarbon sector	**SB** end-June 2013 **SB** end-June 2013
Financial sector reform		
• Prepare a financial sector reform and development strategy.	Improve governance and intermediation in the financial sector	**SB** end-February 2013
• Adopt an action plan including a timeline for restructuring the public banks based on the recommendations of the audits.	Improve governance and intermediation in the financial sector	**SB** end-February 2013
Improving the business environment		
• Limit the current fiscal year's VAT arrears pending refund to under CFAF 10 billion.	Improve the business climate and the confidence of enterprises	**SB** continuous
• Adopt the law on competition in the Council of Ministers.	Combat noncompetitive practices	**SB** end-March 2013
• Adopt a plan to pay the arrears vis-à-vis banks, insurance companies and financial institutions, with priority given to market financial instruments.	Improve the business climate and the confidence of the financial sector	**SB** end-March 2013
• Prepare a plan to pay arrears based on the results of the audits in progress.	Improve the business climate	**SB** end-March 2013

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

ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY 2011–14

November 13, 2012

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

I. Quantitative Indicators

2. For program monitoring purposes, the performance criteria (PC) and indicative targets (IT) are set for December 31, 2012, and June 30, 2013; there are indicative targets for these variables for September 30, 2012, and March 31, 2013.

The performance criteria include:

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

(b) a ceiling for net domestic financing (including the issuance of securities in the West African Economic and Monetary Union (WAEMU) financial market);

(c) a ceiling on new nonconcessional external debt;

(d) a zero ceiling for the accumulation of new external arrears; and

(e) a zero ceiling for the accumulation of new domestic arrears.

The indicative targets are:

(a) a floor on the primary basic fiscal balance;

(b) a ceiling on expenditures by treasury advance;

(c) a floor on "pro-poor" expenditures;

(d) a floor on the net reduction of the government amounts payables;

(e) a floor on total government revenue.

3. The PCs, the ITs, and the adjustors are calculated as the cumulative change from December 31, 2011, for the 2012 targets, and from December 31, 2012, for the 2013 targets (Table 2 of the Memorandum of Economic and Financial Policies, or the MEFP).

A. Government Revenue (IT)

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

B. Pro-poor expenditures (IT)

5. Pro-poor expenditures are derived from the detailed list of "pro-poor expenditures" in SIFBUD/SIGFIP system (see Table 1).

C. Treasury Advances (IT)

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

D. Primary Basic Fiscal Balance (IT)

7. The primary basic fiscal balance is the difference between the government's total revenue (excluding grants) and total expenditure plus net lending, excluding interest payments and externally-financed capital expenditure (on a payment order basis for all expenditure items):

Tax and nontax revenue (excluding grants) – {Expenditure + Net lending – Interest payments – Externally- financed capital expenditure (on a payment order basis for all expenditure items)}

E. Overall Fiscal Balance (including grants) (PC)

8. The overall fiscal balance is the difference between the government's total revenue (including grants except World Bank budget support grants- AfDB budget support grants) and total expenditure plus net lending (on a payment order basis):

Tax and nontax revenue + (Grants – World Bank budget support grants – AfDB budget support grants) – {Expenditure + Net lending (on a payment order basis for all expenditure items)}

9. The floor on the overall fiscal balance will be adjusted downward (upward) for an excess (shortfall) of project loans relative to the programmed amount.

F. Net Domestic Financing (PC)

10. Domestic financing by the central government is defined as the issuance of all debt instruments in CFAF to domestic creditors and in the WAEMU financial market, borrowing from the BCEAO (including drawings from the IMF), and any other kind of other liability in CFAF toward these creditors. The program 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 10 billion above the net cumulative flow projected for each quarter.

Net domestic financing = Domestic financing (TOFE) – Net change in amounts payable + Treasury bonds from abroad (WAEMU) + Treasury bills placed abroad (WAEMU) + Treasury bonds placed abroad (WAEMU) + IMF drawings + Financing gap

11. The ceiling on the change in domestic financing of the government will be adjusted up (down) if external budget support falls short of (exceeds) the program amount over each of calendar years 2012 and 2013. Budget support is defined as grants and loans (excluding project grants and loans, and IMF resources). If disbursements of external budget support fall short relative to programmed amounts, the ceiling on net domestic financing will be adjusted upward accordingly up to a maximum of CFAF 40 billion of change in the programmed amount of budget support. If disbursements of external budgetary support exceed the programmed amounts, the ceiling on net domestic financing will be adjusted downward at a rate of 50 percent up to a maximum of 40 billion CFAF of change in the programmed amount of budget support.

12. This ceiling does not apply to either new agreements on restructuring domestic debt and securitization of domestic arrears or to new project loans from the West African Development Bank (BOAD) and the Bank for Investment and Development (BIDC) of the Economic Community of West African States (ECOWAS). For any new borrowing over and above a cumulative amount of CFAF 35 billion over each of the years 2012 and 2013, 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 Debt (PC)

13. The quantitative performance criterion concerning external debt applies to all nonconcessional external debt, irrespective of maturity, and whether it has been contracted or guaranteed by the government.[1] It applies not only to the debt as defined above, but also to commitments contracted or guaranteed for which no value has been received. This performance criterion does not apply to:

- normal import-related commercial debts having a maturity of less than one year;
- rescheduling agreements;
- debts to the BOAD on loans up to the equivalent of CFAF 25 billion from January 1 to December 31, 2012 and CFAF 50 billion from January 1, 2013 to December 31, 2013;
- debts to the BIDC, up to the equivalent of CFAF 20 billion, for each of the periods from January 1 to December 31, 2012 and from January 1 to December 31, 2013;
- 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.

14. A debt is considered concessional if its grant element is at least 35 percent, the net present value (NPV) of the debt being calculated using a discount rate based on the average of the OECD Commercial Interest Reference Rates (CIRRs) over the last 10 years for debt with a maturity of at least 15 years. For debt with a maturity of less than 15 years, the NPV is based on the average CIRRs of the preceding six-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).

[1] 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 Decision No 14416–(09/91) on August 31, 2009. External debt is defined on the basis of residency. For the assessment of the program, however, debt issued by Ivorian entities in CFA francs and held by residents of the member countries of the WAEMU zone shall not be considered to be external debt.

15. The government undertakes not to contract or guarantee nonconcessional external debt under the conditions defined in paragraphs 13 and 14, with the exception of debt constituting rescheduling of maturities and new debt contracted or guaranteed by the government as specified in paragraph 16. To this end, the government undertakes to consult with IMF staff on the terms and concessionality of any proposed new debt in advance of contracting such external debt.

16. A cumulative ceiling beginning January 1, 2013 of up $ 100 million to December 31, 2013, and $ 200 million to December 31, 2014, applies to new nonconcessional external debt other than specified in paragraph 13 (performance criteria.) This ceiling would be applicable to debt-financing of projects in the infrastructure and energy sectors. The government will inform staff in a timely manner before contracting any debt of this type and provide information on the terms of the new debt as well as a brief summary of the projects to be financed and their profitability, including an independent evaluation. The government will report the use of funds and project implementation in subsequent MEFPs or to staff.

H. External Payment Arrears (PC)

17. External arrears are considered to be the nonpayment of any interest or principal amounts on their due dates (taking into account relevant contractual grace periods, if any). This performance criterion applies to arrears accumulated under external debt of the government and external debt guaranteed by the government for which the guarantee has been called by creditors, consistent with the definitions given under the external debt criterion (paragraph 15). This performance criterion is monitored on a continuous basis.

18. Excluded from this performance criterion until a restructuring or repayment plan is agreed arrears accumulated under:

i) the 2032 Eurobonds;
ii) the BNI-Standard Bank (London) 2007 and 2008 notes; and
iii) the Sphynx Capital Markets 2007 and 2008 notes.

No new arrears should be accumulated after the restructuring agreement or repayment plan comes into effect.

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

19. The “amounts payable” (or “balances outstanding”) include domestic arrears and floating debt and represent the government’s overdue obligations. They are defined as expenditures committed and verified (*engagées et liquidées*), validated (*ordonnancées*) by the financial controller (*contrôleur financier*), assumed (*prise en charge*) by the public accountant, and subject to payment order but yet to be paid. For the program definition, these

include (i) bills due and not paid to non financial public and private companies, and (ii) the domestic debt service to commercial banks, insurance companies, and other financial institutions. For program purposes, domestic payment arrears are those balances outstanding to nonfinancial public and private companies for which the payment date exceeds the deadline for payment stipulated by the administrative regulations of 90 days, and the domestic debt service to commercial banks, insurance companies, and other financial institutions for which the payment date exceeds 30 days. Floating debt refers to those balances outstanding for which the payment date does not exceed the deadline for payment stipulated by the administrative regulations (90 days for debt to nonfinancial public and private companies and 30 days for debt service to commercial banks, insurance companies, and other financial institutions). The balances outstanding are broken down by payer and type, as well as by maturity and length of overdue period (< 90 days, 90–365 days, > 1 year for nonfinancial companies, and <30 days, 30-365 days, > 1 year for financial companies).

20. In general, the stock of floating debt will not exceed three months' worth of current operating expenses (excluding utilities), monthly debt service due to financial companies, and domestically-financed expenditure.

21. For program purposes, the government undertakes: (i) to reduce the stock of amounts payable by CFAF 25 billion in 2012 and CFAF 25 billion in 2013; and (ii) not to accumulate new domestic payment arrears in the current fiscal year, and the next fiscal year starting on January 1, 2013. In addition, the stock of arrears related to debt service due to commercial banks, insurance companies, and other financial institutions (net of service on claims on the government that these entities may acquire from third parties as of October 1, 2012) on December 31, 2012 should not exceed its level as of September 30, 2012; at the end of each quarter, the stock of arrears to commercial banks, insurance companies, and other financial institutions (net of service on claims on the government that these entities may acquire from third parties from the 1st day of the quarter) should not exceed the level of the previous quarter.

II. Memorandum Items

A. Net Bank Claims on the Government

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

B. External Financing (Definitions)

23. Within the framework of the program, the following definitions apply: (i) project grants refer to non-repayable money or goods intended for the financing of a certain project; (ii) program grants refer to non-repayable money or goods not intended for the financing of a

specific project; (iii) project loans refer to repayable money or goods received from a donor to finance a specific project, on which interest is charged; and (iv) program loans are repayable money or goods received from a donor and not intended for the financing a specific project, on which interest is charged.

III. Program Monitoring and Data Reporting

24. A quarterly assessment report on the monitoring of the quantitative performance criteria, indicative targets, and structural benchmarks will be produced by the authorities within 45 days of the end of each quarter.

25. The government will report the information specified in Table 2 on a monthly basis, within 45 days of month-end or quarter-end, unless otherwise indicated. Tables F.3.1, F.3.2, and F.3.3 are updated to take into account the expanded coverage of arrears.

26. The BCEAO will report final data within 45 days of the end of the period in question. The information provided will include a complete, itemized listing of public sector liabilities and assets with: (i) the BCEAO; (ii) the National Investment Bank (*Banque Nationale d'Investissement*, or BNI); and (iii) the banking sector (including the BNI).

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

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

Table 1. Côte d'ivoire: Pro-Poor Spending (incl. Social Spending), 2009–13
(Billion CFA Francs)

		2009 Actual	2010 Actual	2011 Actual	2012 Budgeted	2013 Budgeted
1	**Agriculture and rural development**	49.2	39.1	35.2	41.4	34.8
	General administration	8.5	9.2	7.0	7.7	8.2
	Agriculture promotion and development program	10.6	10.8	10.8	12.0	8.1
	Training of supervisory staff	8.4	8.3	10.3	8.4	9.3
	Water system works	1.5	4.0	3.0	3.4	0.8
	Other	20.2	6.8	4.1	10.0	8.4
2	**Fishing and animal husbandry**	6.7	5.9	4.0	4.7	4.2
	General administration	3.5	3.9	2.6	2.7	3.5
	Milk production and livestock farming	2.3	1.8	1.2	1.5	0.8
	Fishing and aquaculture	1.0	0.2	0.1	0.5	0.0
3	**Education**	533.1	590.1	529.2	628.6	757.4
	General administration	19.5	24.9	24.7	23.6	8.8
	Pre-schooling and primary education	336.7	366.7	301.1	398.2	438.0
	Literacy	0.2	0.2	0.5	0.6	0.5
	Secondary education and vocational training	83.0	83.8	74.2	80.3	118.2
	University and research	93.7	114.5	117.0	113.0	145.5
	Emergency Presidential Program			11.7	12.8	46.5
4	**Health**	118.4	113.6	120.2	138.0	172.4
	General administration	45.8	47.7	49.2	55.4	73.2
	Primary health system	30.7	30.0	25.2	34.8	38.6
	Preventive healthcare (enlarged vaccination program)	1.9	1.4	0.4	0.8	0.8
	Disease-fighting programs	1.7	1.5	1.1	1.4	1.4
	Infant health and nutrition	0.8	0.4	0.4	0.6	0.5
	HIV/Aids	10.8	5.9	6.9	8.0	5.5
	Health centers and specialized programs	26.6	26.6	25.7	25.1	32.4
	Emergency Presidential Program			11.3	12.0	20.0
5	**Water**	20.4	19.8	36.3	39.9	45.6
	Access to drinking water and de-contamination	4.9	6.0	10.2	10.7	1.3
	Environmental protection spending	15.5	13.8	13.1	13.0	17.3
	Emergency Presidential Program			13.0	16.2	27.0
6	**Energy**	16.5	9.7	8.8	17.0	22.3
7	**Roads**	39.1	45.4	33.4	47.1	47.1
8	**Social spending**	13.6	15.0	24.7	14.1	17.3
	General administration	8.6	9.8	8.9	9.0	12.9
	Training for women	0.6	0.7	0.5	0.7	0.5
	Orphanages, day nurseries, and social centers	1.5	2.0	1.9	2.5	2.0
	Training for support personnel	1.7	1.9	1.6	1.3	1.7
	Indigents and victims of war or disaster	1.2	0.5	11.8	0.7	0.3
9	**Decentralization**	35.1	32.0	29.0	32.1	29.9
10	**Reconstruction**	1.4	2.6	5.6	1.2	13.0
11	**Other poverty-fighting spending**	9.6	11.9	16.8	15.9	8.8
	TOTAL	843.0	885.2	843.4	980.0	1,152.8

Source: Ivorian authorities.

Table 2. Document Transmittals

Detailed tables to be transmitted monthly, quarterly, or annually to the IMF staff. Examples of each of these tables have been provided for illustration. The documents expected monthly are indicated by "M," those expected quarterly by "Q," and those expected annually by "AN." This list is not necessarily exhaustive.

Real sector (R)

General:

Table R.1: Cyclical Indicators *(M)*
Table R.2.1: Macroeconomic Framework *(AN)*
Table R.2.2: Supply-use accounts, current francs *(AN)*
Table R.2.3: GDP in francs (n-1): annual variation in volume *(AN)*
Table R.2.4: GDP deflators year (n-1) *(AN)*
Table R.2.5: Macroeconomic framework, underlying assumptions *(AN)*
Table R3: Price index *(M)*

Energy:

Table R.4.1: Summary crude oil and gas production *(M)*
Table R.4.2: Crude oil and gas production – CI11 *(M)*
Table R.4.3: Crude oil and gas production – CI26 *(M)*
Table R.4.4: Crude oil and gas production – CI27 *(M)*
Table R.4.5: Crude oil and gas production – CI40 *(M)*
Table R.4.6: Crude oil and gas – volume, price, and financial flows *(M)*
Table R.4.7: Ivorian Refinery (SIR) activities *(M)*
Table R.4.8: SIR: transfers to warehouses and exports *(M)*
Table R.4.9: Activities of marketers *(M)*
Table R.4.10: Goods released to market by type of tax *(M)*
Table R.4.11: Financial flows in cash, Electricity Sector Asset Management Company (*Société de Gestion du Patrimoine du Secteur Electricité,* SOGEPE) *(M)*
Table R.4.12: Operating financial flows, SOGEPE *(Q)*
Table R.4.13: Crude oil: Shipment report (Q)
Table R.4.14: Petroleum revenue: Structure of maximum sales prices (M).

Coffee/cocoa:

Table R.5.1: Quasi-fiscal levies and fees, and utilization – operations *(Q)*
Table R.5.2: Quasi-fiscal levies and fees, and utilization – investment *(Q)*
Table R.5.3: Investments in funds managed by the Coffee/Cocoa Committee *(Q)*
Table R.5.4: Bank accounts *(Q)*

<u>Balance of Payments sector (B)</u>

Table B.1.1: Summary table of foreign trade *(AN)*
Table B.1.2: Imports (source DGD - monthly) *(M)*
Table B.1.3: Exports (source DGD - monthly) *(M)*
Table B2.1: Detailed balance of payments (including capital account) CFA francs *(AN)*
Table B.2.1.a: Exports – quantities *(Q)*
Table B.2.1.b: Exports – unit prices *(Q)*
Table B.2.2.a: Imports – quantities *(Q)*
Table B.2.2.b: Imports – unit prices *(Q)*
Table B.3: Balance of Payments: Summary presentation *(AN)*

<u>Monetary sector (M)</u>

Table M.1: Banks *(M)*
Table M.2: Summary BCEAO position *(M)*
Table M.3: Net government position *(M)*
Table M.4: Changes in net foreign assets (NFA) *(M)*
Table M.5: Integrated Monetary Survey *(M)*
Table M.6: Government liabilities to banks *(M)*

<u>Fiscal sector (F)</u>

Table F.1: Table of government financial operations (TOFE) *(M)*
Table F.2: Estimated government tax revenue *(M)*

Domestic arrears:

Table F.3.1: Domestic arrears *(M)*
Table F.3.2: Consolidated Treasury balances outstanding *(M)*
Table F.3.3: Treasury balances outstanding - targets/execution *(M)*
Table F.3.4: Clearings and securitizations *(M)*

Domestic and foreign debt:

Table F.4.1: Domestic debt *(M)*
Table F.4.2: Total domestic debt *(M)*
Table F.4.3: Negotiable instruments *(M)*
Table F.4.4: Explanation of variances in domestic debt service *(M)*
Table F.5.1: Foreign debt *(M)*
Table F.5.2: Details of foreign debt *(M)*
Table F.5.3: Analysis of projected foreign debt service variances *(M)*

Table F.5.4: Projected debt service (*Q*)

Post-crisis:

Table F.6: Crisis- and election-related expenditures *(M)*

Treasury advances:

Table F.7.1: Advances from the Treasury *(M)*
Table F.7.2: Treasury advances reclassified *(M)*

Investment:

Table F.8: Investment expenditures *(M)*

Social/pro-poor expenditures:

Table F.9.1: Education and health expenditures – other *(M)*
Table F.9.2: Education and health expenditures – personnel/operations/transfers/ investments *(M)*
Table F.9.3: Subsidies and transfers: Targeted social expenditures *(M)*
Table F.9.4: Execution of social expenditures *(M)*
Table F.9.5: Execution of pro-poor expenditures *(M)*
Table F.9.6*:* Budget execution report (SIGFIP) detail/category (Q)

Other revenue and expenditures:

Table F.10: Other operating expenses *(M)*
Table F.11: CNPS and CGRAE social security and civil service pension contributions *(M)*
Table F.12: Summary table of expenditures *(M)*
Table F.13: Summary table of nontax revenue and grants *(M)*

VAT credits:

Table F.14.1: Summary statistical statement of VAT credit refunds (monthly) *(M)*

Financing:

Table F.15.1: Issues/redemptions of public debt *(M)*
Table F.15.2: Bridge loans and other Treasury advances *(M)*

Wage bill:

Table F.16.1: Projected wage bill *(Q)*
Table F.16.2: Changes in wage bill *(Q)*
Table F.16.3: Wage bill framing *(AN)*
Table F.16.4: Projected new recruits *(AN)*

Special accounts:

Table F.17.1: ECOWAS levy (PCC) *(AN)*
Table F.17.2: WAEMU levy (PCS) *(AN)*
Table F.18: Proceeds from privatization and sale of assets *(AN)*

Cash flow plan:

Table F.20.1: Annual cash flow, resources/expenditures plan *(AN)*
Table F.20.2*:* Execution of cash flow plan (*M)*
Table F.20.3: Overall balance of Treasury accounts

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

Second Review Under the Three-Year Arrangement Under the Extended Credit Facility, Request for Modification of Performance Criteria, and Financing Assurances Review—Informational Annex

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

November 15, 2012

Approved by Seán Nolan and Peter Allum

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I. Relations with the Fund

(As of September 30, 2012)

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)	324.29	99.72
Reserve Tranche Position	0.92	0.28

III. SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	310.90	100.00
Holdings	272.83	87.75

IV. Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
RCF loans	81.30	25.00
ECF Arrangements	365.94	112.53

V. Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Nov 04, 2011	Nov 03, 2014	390.24	146.34
ECF [1/]	Mar 27, 2009	June 23, 2011	373.98	230.89
ECF [1/]	Mar 29, 2002	Mar 28, 2005	292.68	58.54

VI. Projected Payments to Fund (without HIPC Assistance) [2/]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	2012	2013	2014	2015	2016
Principal			4.64	39.02	46.18
Charges/Interest	0.01	0.03	1.15	1.10	0.99
Total	0.01	0.03	5.79	40.12	47.16

VII. Implementation of HIPC Initiative:

I. Commitment of HIPC assistance	Framework	Framework	Total
Decision point date	Mar 1998	Apr 2009	
Assistance committed by all creditors (US$ Million)[/3]	345.00	3,109.58	
Of which: IMF assistance (US$ million)	22.50	38.66	
(SDR equivalent in millions)	16.70	25.85	
Completion point date	--	June 2012	

[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 cannot be added.

II. Disbursement of IMF assistance (SDR Million)	Framework	Framework	Total
Assistance disbursed to the member	···	25.85	25.85
Interim assistance	...	15.13	15.13
Completion point balance	...	10.72	10.72
Additional disbursement of interest income [4/]	...	0.57	0.57
Total disbursements	...	26.42	26.42

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

IX. **Implementation of Post-Catastrophe Debt Relief (PCDR)**: 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).

X. **Safeguards Assessments**:

The Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAEMU), 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. Such committee was established after the completion of the assessment following the Institutional Reform of the WAEMU and the BCEAO. Efforts to implement fully the International Financial Reporting Standards reporting framework should also be pursued.

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[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.

XI. **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.

XII. **Article IV Consultation**:

Côte d'Ivoire is on the standard 24-month Article IV consultation cycle. The Executive Board completed the 2011consultation in November 2011.

XIII. **Technical Assistance**:

	Area	**Focus**
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)
	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
	Public Finance Statistics (November 2010)	Training for the new GFS nomenclature

	Area	Focus
2011		
	Multitopic (July)	Strengthen the capacities of all the stakeholders involved in the compilation and production of the Table of Financial Operations (TOFE); launch the GFS source data collection; and elaborate a strategy to implement the West African Economic and Monetary Union (WAEMU) common GFS guideline (*Directive n°10/2009/CM/UEMOA, portant TOFE*) .
	Debt management (July)	Advice on the treatment of domestic debt, in particular government securities.
	Customs administration (August)	Follow-up
	FSAP follow up (August)	Advice on resuming formulation of the financial sector development strategy, managing public debt, and solving banking sector problems.
	Public expenditure management (October)	Diagnostic mission
	Government financial statistics (October/November)	TOFE follow-up
	Public expenditure management	Computerization
	FSAP follow up (November)	Advice on resuming formulation of the financial sector development strategy, managing public debt, and solving banking sector problems.
	National accounts (December)	Assessment of the possibility to develop quarterly national accounts (QNA).
2012	Government financial statistics (January/February, November/December)	TOFE follow-up
	Tax administration (January; September)	Workshop
	Customs (February)	Workshop
	Tax administration (February; December)	Modernization of fiscal administration in Côte d'Ivoire.
	Public wage bill management (December)	
	Customs (March/April)	Follow-up
	Multitopic (April)	AFRITAC Steering Committee
	Debt Management (May, September)	Medium Term Debt Strategy (MTDS)
	Tax policy (July/August)	Review and diagnosis
2013	Public expenditure management (January)	Budgeting strategy
	Customs (January)	
	Cash management (February)	
	National accounts (January)	Set up quarterly national accounts
	Government Finance Statistics (March)	Migration to GFSM 2001

XIV. Resident Representative:

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

II. Joint Bank-Fund Work Program, 2011–12
(As of November 2012)

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**:		
	Preparation of a budget Support Operation	December 2012 to March 2013	July 2013
	Preparation of an Agriculture Sector Support Project	January –June 2012	March 2013
	Preparation of a Strategy on State and Peace Building		November 2012
	Governance and Institutional Development Supervision mission	December 2012	
	Economic and Sector Work:		
	Investment Climate Assessment phase 2 – CNO areas		Q4 2012
	Technical assistance/other analytical		
	Governance Diagnostic Survey (PREM Public Sector) Update to take into account the impact of post-election crisis		Q4 2012
	PEMFAR 2	Q4 2012	Q1 2013
	Support on EITI implementation		On-going
	Economic and Poverty Monitoring		On-going
	PSIA of possible new electricity tariff structures		Q4 2012
	Advice and comments on cocoa strategy		On-going
	FSAP follow-up (financial sector strategy)		December 2012
	Medium-term debt strategy	June 2012	

Title	Products	Provisional timing of missions	Expected delivery date
IMF work program in the next 12 months	**Program**:		
	2nd ECF review under ECF	September 2012	November 2012
	3rd ECF review	March 2013	May 2013
	Technical Assistance:		
	Public expenditure management	January 2013	January 2013
	Customs	January 2013	January 2013
	Cash management	February 2013	February 2013
	National accounts	January 2013	January 2013
	Government Finance Statistics (March)	March 2013	March 2013
	AML/CFT diagnostic	March 2013	March 2013
B. Requests for work program inputs			
Fund requests to Bank	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
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	Debt management strategy workshop	Q2, 2012	

I. 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 62 operations for the country, of which 41 have been fully completed, 14 cancelled, 7 ongoing (2 newly approved). All approved operations amount to a net commitment of UA 1,330.3 million (CFA F 1012 billion). 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 (20.4%), multi-sector (16.7%), the social sector (16.5%) and energy, water and telecommunications (15.6%). The operations were financed mainly with resources from the ADB window (more than 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.

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, in early June 2011, has restructured two other operations (PADER-Moyen-Comoé and PVRH). With the prospects of recovery in economic activity, particularly the restoration of government services, the portfolio will be improved.

Since the end of the post-election crisis, the Bank approved, in accordance with the pillars of the Country Brief, three operations, totaling nearly UA 177 million (CFA F 130 billion). These include: (i) The Emergency Programme to Restore Basic Social and Administrative Services (PURSSAB); (ii) The agricultural infrastructure support project in the region of Moyen Comoé; and (iii) The Project construction of bridge toll Henri Konan BEDIE (Private sector). With these approvals, the Bank's active portfolio includes seven operations for a total amount of commitments of nearly UA 222.7 million (CFA F 170 billion).

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

Status of Portfolio as of April 2012—in UA Million (1 UA=1SDR)

Operations	Amount (in UA million)	Purpose/Remarks
On-going projects (public window):		
1. Post-Crisis Multisector Institutional Support Project (PAIMSC)	20	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.
2 Targeted Capacity Building Support	2	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.
3. Humanitarian assistance to the victims of post-electoral violence	0.6	This assistance of USD 1 million is allocated to the victims of violence, particularly in the west of the country. This assistance will be managed by Red cross International Committee.
4. Gourou Basin Integrated Management Project (Sanitation of Indenié junction and the Lagoon)	23	The ADF Board of Directors on November 24, 2010 approved a grant of UA 23 million to finance this project, which could not be signed during the elections. Finally, this grant is put in place in June, 2011 and the effective launch of the project is expected in October 2011.
5. 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. The budget support of UA 95 million has been disbursed. The UA 5.5 remaining is reserved for capacity building and will be disbursed as the needs arise on government's requests.

Status of Portfolio as of April 2012—in UA Million (1 UA=1 SDR) (concluded)

Operations	Amount (in UA million)	Purpose/Remarks
Project newly approved 6. Agricultural infrastructure support project in Indéné-Djuablin Région (PAIA-ID)	21.6	The project will contribute to improving food security and reducing poverty in rural areas. Specifically, it aims to increase, on a sustainable basis, the production and productivity of major crops, as well as improve marketing conditions.
Private sector		
Project newly approved 7. Project construction of bridge toll Henri Konan BEDIE	50	Henri Konan Bédié Bridge is a public private partnership (PPP) based on a Build Operate Transfer (BOT) concession of 30 years. It involves the building of a toll bridge over the Ebrié Lagoon linking the South and North shores of Abidjan.

Strategy for re-engagement 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 2011–12. ***The proposed strategy, in consultation with the Ivoirian authorities, consists of two pillars**: **(i) restoring infrastructure and basic social services; and (ii) improving governance and capacity building***. A full Country Strategy Paper is planned for the period 2013–17 to assist the country with its quest for strong and inclusive growth.

Indicative Work Program for 2012–13

Description	Amount (in UA million)	Year
- Agricultural infrastructure support project in Indéné-Djuablin Région (PAIA-ID)	21.6 (approved)	2012
- Project construction of bridge toll Henri Konan BEDIE	50.1 (approved)	2012
- Project to support training and professional integration	16.5	2013
- Support Project cadastre	TBD	2013
- Cote d'Ivoire, Liberia, Sierra Leone and Guinea interconnection Project (Multinational)	122.7 *(of which 33.4 from Côte d'Ivoire allocation)*	2012
- Study to be conducted in collaboration with the Economic and Social Research Centre—CIRES and coffee/cocoa-related sector institutions	TBD	2013

II. CÔTE D'IVOIRE—STASTICAL ISSUES

As of October 2012

I. Assessment of Data Adequacy for Surveillance

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 addressing 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. The report on financial operations executed by the government over the crisis period (January–April 2011) is still not available.

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. The BCEAO and private banks are struggling to clear operations executed when the national office of the BCEAO was officially closed.

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. BCEAO headquarters delineates the methodology and calculates international reserves managed for 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 2012)

	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]	08/12	10/15	M	M	M
Reserve/Base Money	08/12	10/15	M	M	M
Broad Money	08/12	10/15	M	M	M
Central Bank Balance Sheet	08/12	10/15	M	M	M
Consolidated Balance Sheet of the Banking System	08/12	10/15	M	M	M
Interest Rates[2]	08/12	10/15	I	M	M
Consumer Price Index	09/12	10/15	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	08/12	10/15	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	06/12	09/30	M	M	M
External Current Account Balance	12/11	09/30	A	A	A
Exports and Imports of Goods and Services	06/12	09/30	A	A	A
GDP/GNP	2011	03/30	A	A	A
Gross External Debt	06/2012	09/30	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 International Monetary Fund and the World Bank

Approved by Sean Nolan and Peter Allum (IMF)
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November 15, 2012

Côte d'Ivoire remains at a moderate risk of debt distress. This debt sustainability analysis (DSA) updates the joint IMF/IDA DSA from June, 2012 to integrate some planned new external borrowing on nonconcessional terms. The baseline scenario includes almost US$250 million of additional nonconcessional borrowing over 2013–14 (0.57 percent of GDP in 2013, 0.35 percent of GDP in 2014), largely to finance infrastructure and energy projects.[2] All external debt indicators remain under their indicative thresholds[3] throughout the projection period, except the present value of debt-to-GDP, which breaches its threshold at the beginning of the projection period. The country remains vulnerable to macroeconomic shocks, including lower exports and GDP growth. The inclusion of domestic debt raises debt burden indicators somewhat, but does not alter the overall assessment.

A. Introduction

1. **The last LIC-DSA for Côte d'Ivoire, considered by the Board in June 2012 in the context of the HIPC completion point, assessed Côte d'Ivoire as being in moderate risk of debt distress**.[4] [5]At that time, the country benefited from a substantial amount of debt relief

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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 additional nonconcessional borrowing will be allocated through two separate windows under the ECF program: one will be for up to a cumulative amount during 2013–14 of $200 million ($100 million in 2013 and a further $100 million in 2014), equivalent to 0.39 and 0.35 percent of GDP in 2013 and 2014, respectively, which will be limited to infrastructure and energy sector investment projects that are economically profitable (as assessed by an internationally reputable entity); and the other will be an increase of CFAF 25 billion (equivalent to 0.18 percent of GDP or about $50 million) in an existing program window for nonconcessional borrowing from the West African Development Bank (BOAD)—this window would then amount to CFAF 50 billion or slightly over $100 million in total.

[3] For the threshold for countries weak policy environment, see http://www.imf.org/external/np/pp/eng/2012/011212.pdf

[4] The last DSA can be found here: http://www.imf.org/external/pubs/cat/longres.aspx?sk=26061.0

[5] 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 2.79 in 2009–11, 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

(continued)

that improved its debt situation from being in debt distress to being at moderate risk of debt distress. That assessment is unchanged in this DSA, notwithstanding a few changes in the assumptions in the present analysis (Box 1).

2. **As a result of the enhanced Highly Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), and additional bilateral assistance, Côte d'Ivoire's stock of external debt has declined significantly (Table 3)**. Côte d'Ivoire's stock of public and publicly guaranteed external debt is projected to decline by one-third from 55.1 percent of GDP at end-2011to 33.9 percent in 2012.[6] At end-2012, just over one-half of projected public external debt is owed to official bilateral creditors (55.9 percent), while commercial creditors account for 31.3 percent and multilateral creditors 12.8 percent. If the French ODA claims converted into C2D debt-for-development swaps are considered to be an effective cancellation of debt, the drop in the post-HIPC completion point debt stock in 2012 would be about two-thirds; these outstanding claims amount to some €2.9 billion or $3.6 billion at end-2012.

Box 1: **What Has Changed Compared to the LIC-DSA of June 2012?**

The main differences between the two DSAs are:

- A new discount rate is used for calculating present values that is smaller than before: a reduction from 4 percent to 3 percent. This decrease is mandated by Fund policy, which calls for adjusting the discount rate used in the LIC DSF if the six-month average of the long-term CIRR deviates from the rate in the template by more than 100 basis points for a period of six months or more. Everything else equal, the lower discount rate raises the present value of debt.
- Higher GDP growth rates are now projected, reflecting the authorities' effort to step up public investment and create a better business environment (see Box 2). Public investment is expect to rise from about 3 percent of GDP in 2010–11 to 5.4 percent in 2012, 7.5 percent of GDP in 2013, and 8.0 percent of GDP by 2017. This is expected to catalyze private investment and spur growth.

For the remaining period (2013–14) of the ECF arrangement, the current DSA includes almost US$250 million of new nonconcessional borrowing primarily to finance infrastructure and energy projects (0.57 percent of GDP in 2013, 0.35 percent of GDP in 2014). The terms on this borrowing are assumed to be an interest rate of 8 percent and a maturity of 6 years including a grace period of 1 year.

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 "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

[6] The projected level of the debt stock at end-2012, is somewhat higher than previously projected because: (i) pre-cutoff ODA claims of the French Development Agency (*Agence France de Développement*, (AFD) which previously had been assumed to be cancelled were instead included with post-cutoff ODA claims eligible for the C2D debt for development swap program, in which debt service is paid and Côte d'Ivoire receives an equivalent amount of grants to be used for development expenditures; and (ii) the estimates of accumulated late interest on Eurobond arrears and on arrears to Sphynx and Standard Bank-BNI creditors were revised up.

Box 2. Côte d'Ivoire: Key Baseline Macroeconomic Assumptions

The baseline macroeconomic framework assumes a stable political and social situation and that important structural reforms in the financial and real sector are brought to fruition, accelerating output growth and attracting additional foreign direct investment over the medium term.

Real GDP growth: It is expected to rebound to around 8.6 percent in 2012 following the 4.7 percent decline induced by the post-election crisis in 2011. Investor confidence is assumed to rise with political normalization over the next few years. Higher public investment (mainly in infrastructure) and reforms to improve the business climate are expected to stimulate private investment across various sectors of the economy and drive growth. Growth is expected to average 7.1 percent over 2013–17 and 5.3 percent over 2018–32.

Inflation: Inflation, as measured by the GDP deflator (in U.S. dollars), is expected to stabilize around 3 percent. This is in line with 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 on average. Total revenues (excluding grants) are projected to increase to 20.8 percent of GDP in 2017 and 23.0 percent of GDP by 2032. Government expenditures are projected to increase to 25.3 percent of GDP in 2017 and 26.0 percent of GDP by 2032.

External financing: The level of new external financing needs is broadly the same as in the June 2012 LIC-DSA. Grants are expected to decline from 1.8 percent of GDP in 2013 to 1.6 percent of GDP 2017, before stabilizing around 0.4 percent of GDP in the long run, as income per capita grows. The residual external financing needs are assumed to be covered by concessional borrowing (from multilateral and bilateral creditors) and commercial borrowing. During the remaining period of the ECF arrangement there is almost US$250 million of new nonconcessional borrowing over 2013–14 primarily to finance infrastructure and energy projects (0.57 percent of GDP in 2013, 0.35 percent of GDP in 2014). For 2015–17 the main source of new borrowing continues to be concessional, but thereafter it gradually declines to zero by 2029 while nonconcessional borrowing steadily rises to about 3 percent of GDP during 2027–32.

External current account: The balance (excluding official transfers) is expected to decline from a surplus of 8.1 percent of GDP in 2011 to a deficit of 5.4 percent of GDP in 2017. The deficit would reach 6.5 percent in 2032, with an average of 5.7 percent of GDP over the period 2018–32. After declining by 3.9 percent in 2011, export volumes are expected to increase on average by 8.2 percent per year thereafter. Import volumes are expected to grow on average by 6.9 percent over the long term, after declining by 23.9 percent in 2011. Import dynamics reflect essentially the higher levels of investment.

All external arrears to official bilateral creditors are assumed to be cleared over 2012–14 and those to commercial creditors restructured. Debt service projections assume HIPC completion point, MDRI and beyond-HIPC debt relief. FDI is assumed to rise rapidly over the medium term, in response to the authorities' efforts to attract external investors. Net inflows of FDI are projected to rise from 1.1 percent of GDP in 2011 to 3.1 percent in 2016, and 3.3 percent in 2032.

B. Baseline Assumptions

3. **The assumptions of the LIC-DSA (Box 2 above) are broadly consistent with those used in the June 2012 LIC-DSA**. There are three differences, as described in Box 1 above: a lower discount rate used in the DSA, a higher projected growth rate, and a nonconcessional borrowing window in 2013–14. FDI is expected to rise rapidly over the medium term. Notably reflecting an improved investment climate and rising confidence in the economy, FDI is expected to rise rapidly o the medium term, and gradually increase over the long term. The recent political change in Côte d'Ivoire has resulted in a more favorable approach from donors, which is expected to result in significantly higher flows of grants and borrowing to finance public investment and jumpstart growth (this is already visible in the 2012 growth performance). While an improved investment climate and rising confidence in the economy has led to strong interest in Côte d'Ivoire among potential private sector investors, including for PPP projects, whether this results in actual investment is subject to uncertainty.

C. External Debt Sustainability Analysis

4. **Under the baseline scenario, Côte d'Ivoire's external debt and debt service indicators remain below their relevant indicative thresholds throughout the projection period (Table 1a, Figure 1) with one short-lived exception: the PV of public and publicly guaranteed (PPG) debt relative to GDP declines over the projection period and after 2013 stays below the threshold.** In 2012 this debt burden indicator is 4 percentage points above the policy threshold, whereas in the June 2012 LIC-DSA it was below. This reflects an upward revision in the end-2012 debt stock (see Section A, footnote 6), and the use of a lower discount rate (Box 1). The PVs of PPG debt relative to exports and to revenue also stay below their indicative threshold throughout the projection period, reflecting the projected debt relief and rising exports.

5. **Debt service ratios remain below their indicative thresholds over the projection period**. However, in the medium term they are projected to rise from their current exceptionally low levels and then stabilize through the remaining projection period. While the ratios are well below their indicative thresholds, the initial rise points to the importance of prudent debt management to ensure that debt service remains at a comfortable level. The dynamics of the debt service ratios reflect mainly (i) the end of exceptional debt service relief from Paris Club creditors and the beginning of full debt service payments on remaining debt after the completion point;[7] (ii) the step-up profile of debt service on the Eurobonds, which begins to rise in 2012 for several years; (iii) repayment of arrears on the Eurobond; and (iv) debt service on an assumed restructuring of arrears to other commercial creditors.

6. **As a result of the broad consistency of the baseline assumptions with those of the June LIC-DSA and the small amount of additional nonconcessional borrowing during 2013–14, the baseline scenario is very similar to that in the June LIC-DSA**.

7. **Côte d'Ivoire's external debt outlook is subject to considerable vulnerabilities**, **especially until the middle of the projection period** (Table 1b, Figure 1). Given the impact of

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[7] These are for the most part ODA debt to France that will be converted into debt-for-development swaps over time, and existing debt service is assumed to be reprofiled over 15 years (2012–27) and the €350 million 2011 emergency loan from France.

distortions on trend values caused by the civil conflict in Côte d'Ivoire, the sensitivity analysis is based on regional averages and standard deviations for all relevant indicators. The sensitivity tests yield high levels of debt and debt service compared to the baseline scenario. Under the sensitivity tests, the debt-to-GDP indicator breaches the policy threshold under most of the stress tests, and less frequently for the debt-to-exports and debt-to–revenue indicators. For the most part the breaches are is temporary: the thresholds are breached up to the middle of the projection period but then fall well below them by the end of the projection period, in large part reflecting the full repayment of the emergency 2011 loan from France and of claims under the C2D debt for development program. However, when key variables are set at their historical averages for the entire projection period, and under a combination of one-half standard deviation shocks to real GDP growth, exports, GDP deflator, and net non-debt creating flows, the breach is more persistent for debt-to-GDP indicator. The debt service-to-revenue indicator, under the same two scenarios rises close to or breaches for about 10 years (combination shock) the indicative threshold.

8. **In light of the results from the baseline and the stress tests**, **IDA and IMF staffs conclude that Côte d'Ivoire is at a moderate risk of debt distress** (Figure 1). Although the breach of the debt-GDP ratio under the key variables set at historical averages test persists through 2022, and for the debt service-to revenue under the combination shock until 2027, staff does not consider this to justify a higher risk rating. Claims under C2D, which is akin to a cancellation, account for almost half of the existing debt stock. Furthermore, the share of debt service paid under C2D (returned in the form of a grant) while declining still accounts for almost 20 percent of total debt service in 2025. If Côte d'Ivoire was to face pressure on its ability to make these debt service payments because of rigidities in other spending, the C2D program provides some flexibility in the timing of projects to be financed and amounts of debt service (ultimately channeled into the projects) to be paid; the profile of C2D debt service is reviewed periodically by the authorities and AFD in order to take into account Côte d'Ivoire's capacity to pay and project implementation capacity.[8]

D. Public Sector Debt Sustainability

Baseline

9. **If domestic public debt is included in the analysis**, **Côte d'Ivoire's debt situation deteriorates modestly** (Table 2a, Figure 2). However, public debt ratios would fall over the long run owing to the projected improvement in the macroeconomic outlook. Under the baseline scenario, the PV of total public debt would gradually decline from 67.4 percent of GDP in 2011 to 26.2 percent of GDP at the end of the projection period. Debt service on total debt would increase throughout the projection period, reflecting the external debt service trend described earlier. However, the initial spike in debt service in 2013–14 is accentuated by large redemption payments on treasury bills and bonds issued in late 2011 and early 2012 in exchange of treasury bills that had been automatically rolled over with accrued interest during the post-election crisis. The authorities intend to replace these securities with ones with longer maturities to help smooth the profile of future domestic debt service payments.

[8] Under C2D the existing debt service claims are reprofiled over 15 years (2012–27), and when they are repaid they are channeled through matching grants into development spending.

Alternative Scenarios and Stress Tests

10. **Public debt dynamics are vulnerable to shocks** (Table 2b, Figure 2). Public debt indicators are most sensitive to the assumptions on GDP growth. If GDP growth were one standard deviation lower than its historical average, the PV of total debt-to-GDP, PV of total debt-to-revenue, and total debt service-to-revenue ratios would be higher than the baseline value by 50, 218, and 21 percentage points, respectively by the middle of the projection period. While the historical value scenarios may not be relevant for Côte d'Ivoire going forward, they point to the need to foster conditions that are conducive to sustained growth.

E. Conclusion

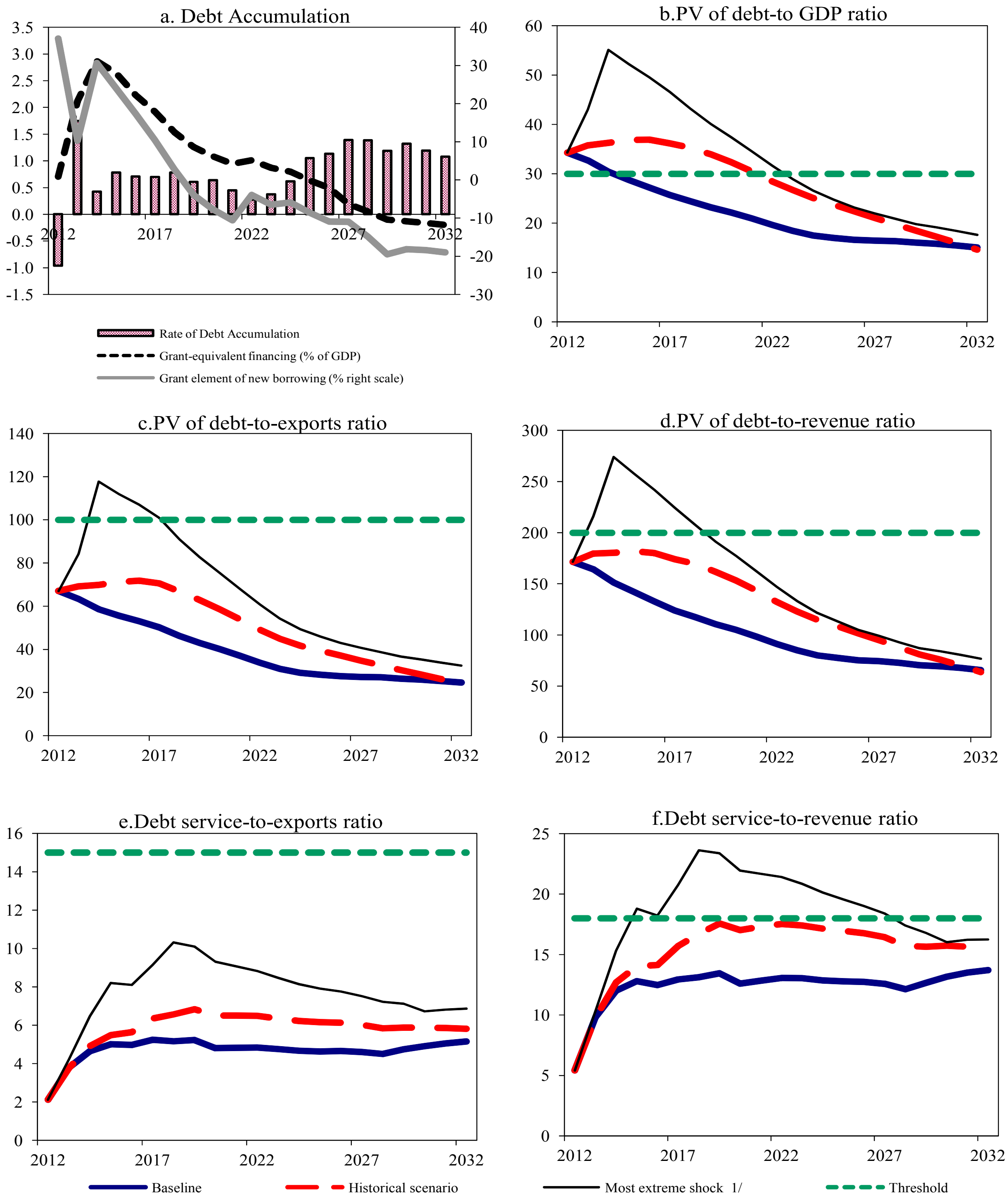
11. **This LIC-DSA shows that Côte d'Ivoire remains at moderate risk of debt distress**. This assessment is the same as the one obtained in the June 2012 LIC-DSA. Under the current baseline scenario all debt burden indicators remain below their policy-dependent thresholds throughout the projection period, except the present value of debt-to-GDP ratio, which breaches its threshold at the beginning of the projection period. Alternative scenarios and bound tests reveal the vulnerability of Côte d'Ivoire's external debt outlook, as the PV of debt-to-GDP breaches its threshold when key macroeconomic variables are set at their historical value, and most indicators briefly breach their thresholds under the most extreme shock scenarios, except the debt service-to revenue indicator for which the breach is for a longer period. The inclusion of domestic debt moderately weakens the debt outlook, but does not alter the assessment of Côte d'Ivoire's risk of debt distress.

12. **A sustainable external debt position can be maintained through sound macroeconomic policies and prudent debt management**. Access to some non-concessional financing would increase the ability of Côte d'Ivoire to address its significant public investment needs, crowd in private investment, and improve growth prospects. However, the ability to attract private investment and large-scale FDI will depend on continued implementation of sound macroeconomic policies and improvements in the business climate. To maintain debt sustainability, the authorities should exhaust sources of concessional financing before borrowing on nonconcessional terms, and improve project selection and implementation capacity. Moreover as demonstrated by the alternative scenarios and stress tests, sustained growth, strong investment in sound projects, solid export and fiscal revenue performance, and prudent debt management are important. Looking ahead, while the authorities intend to minimize large sovereign guarantees in future PPPs, these should be monitored and integrated into the authorities' debt management strategy.[9]

13. **The authorities broadly agreed with the DSA and the conclusions therein.** They noted the terms on new nonconcessional debt assumed for the DSA and emphasized their intention to seek any such financing on the most favorable terms possible in order to contain its impact on Côte d'Ivoire's debt burden. They also noted that the level of investment in the DSA's macroeconomic framework differed from that in their National Development Plan and for which they would be seeking financing at a Consultative Group meeting in early December 2012.

[9] To date no such guarantees exist.

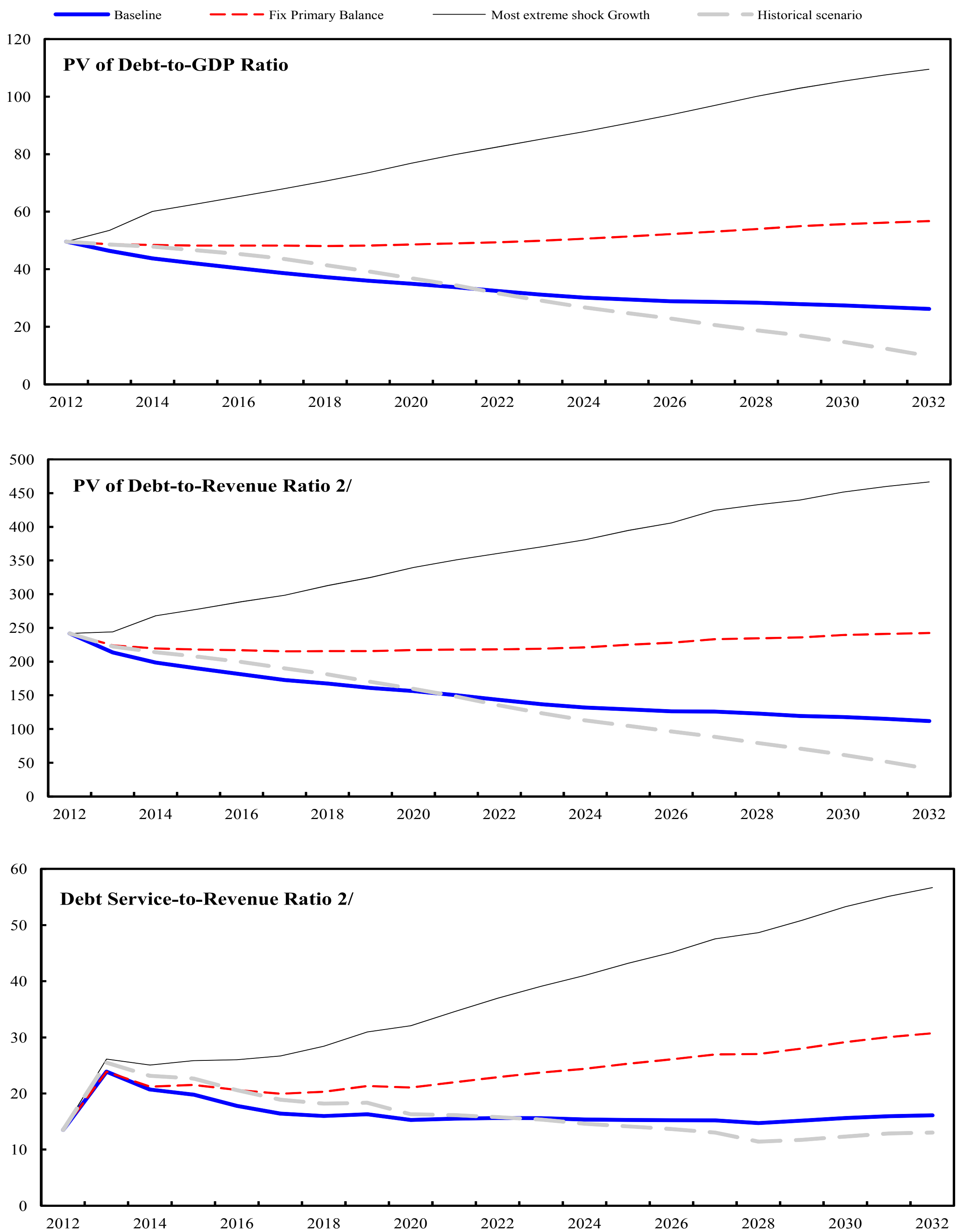
Figure 1. Côte d'Ivoire: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2012-2032 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2022. In figure b. it corresponds to a Combination shock; in c. to a Exports shock; in d. to a Combination shock; in e. to a Exports shock and in figure f. to a Combination shock

Figure 2. Côte d'Ivoire: Indicators of Public Debt Under Alternative Scenarios, 2012-2032 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2022.
2/ Revenues are defined inclusive of grants.

Table 1a. Côte d'Ivoire: External Debt Sustainability Framework, Baseline Scenario, 2009-2032 1/
(In percent of GDP, unless otherwise indicated)

	Actual			Historical 0 Average 0	Standard Deviation	Projections									
	2009	2010	2011			2012	2013	2014	2015	2016	2017	2012-2017 Average	2022	2032	2018-2032 Average
External debt (nominal) 1/	**81.2**	**76.3**	**79.3**			**57.3**	**54.0**	**50.6**	**47.8**	**44.9**	**41.9**		**28.4**	**16.2**	
o/w public and publicly guaranteed (PPG)	53.9	50.6	55.1			33.4	32.2	31.0	29.9	28.7	27.3		19.7	14.1	
Change in external debt	-8.2	-4.9	3.0			-22.1	-3.3	-3.3	-2.8	-2.9	-3.0		-2.4	-1.0	
Identified net debt-creating flows	-4.9	-5.3	-14.0			-6.2	-3.8	-2.8	-2.6	-1.9	-1.3		0.4	2.0	
Non-interest current account deficit	**-9.3**	**-4.1**	**-11.5**	**-6.5**	**3.0**	**1.4**	**1.4**	**1.8**	**2.1**	**2.6**	**3.2**		**4.3**	**5.6**	4.7
Deficit in balance of goods and services	-11.8	-8.2	-14.5			-2.8	-1.1	-1.4	-1.3	-0.8	-0.7		0.3	2.6	
Exports	50.9	54.1	54.9			51.2	51.7	51.9	51.7	51.4	51.3		58.0	61.1	
Imports	39.0	45.9	40.4			48.4	50.6	50.5	50.4	50.6	50.6		58.3	63.8	
Net current transfers (negative = inflow)	0.0	1.6	0.8	2.2	1.3	1.8	0.5	1.3	1.3	1.3	1.6		2.1	2.3	2.1
o/w official	-2.6	-0.7	-1.3			-0.3	-1.6	-0.9	-0.9	-0.9	-0.9		-0.6	-0.3	
Other current account flows (negative = net inflow)	2.5	2.6	2.1			2.4	2.0	2.0	2.2	2.2	2.2		2.0	0.7	
Net FDI (negative = inflow)	**-1.7**	**-1.4**	**-1.1**	**-1.7**	**0.3**	**-2.7**	**-3.1**	**-3.1**	**-3.2**	**-3.2**	**-3.2**		**-3.5**	**-3.7**	-3.6
Endogenous debt dynamics 2/	**6.1**	**0.1**	**-1.3**			**-5.0**	**-2.1**	**-1.5**	**-1.5**	**-1.3**	**-1.3**		**-0.4**	**0.1**	
Contribution from nominal interest rate	2.1	1.8	2.3			1.9	2.2	2.1	1.7	1.6	1.4		1.1	0.9	
Contribution from real GDP growth	-3.5	-1.9	3.4			-6.8	-4.3	-3.6	-3.2	-3.0	-2.7		-1.5	-0.8	
Contribution from price and exchange rate changes	7.5	0.3	-7.0			…	…	…	…	…	…		…	…	
Residual (3-4) 3/	**-3.3**	**0.4**	**17.0**			**-15.9**	**0.5**	**-0.5**	**-0.3**	**-1.0**	**-1.7**		**-2.8**	**-3.0**	
o/w exceptional financing	-5.3	-2.6	-0.1			-20.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	75.6			58.2	54.5	50.1	46.6	43.4	40.3		28.3	17.2	
In percent of exports	...	...	137.7			113.7	105.4	96.5	90.1	84.4	78.7		48.8	28.1	
PV of PPG external debt	**...**	**...**	**51.4**			**34.3**	**32.7**	**30.4**	**28.8**	**27.2**	**25.7**		**19.6**	**15.1**	
In percent of exports	**...**	**...**	**93.6**			**67.0**	**63.3**	**58.6**	**55.6**	**53.0**	**50.2**		**33.8**	**24.7**	
In percent of government revenues	**...**	**...**	**344.6**			**171.6**	**164.3**	**151.3**	**142.0**	**132.8**	**124.0**		**91.2**	**65.5**	
Debt service-to-exports ratio (in percent)	**18.8**	**14.4**	**9.6**			**7.5**	**8.7**	**8.7**	**9.0**	**9.2**	**9.2**		**7.5**	**6.5**	
PPG debt service-to-exports ratio (in percent)	**4.6**	**3.4**	**5.3**			**2.1**	**3.8**	**4.7**	**5.0**	**5.0**	**5.2**		**4.8**	**5.2**	
PPG debt service-to-revenue ratio (in percent)	**12.3**	**9.5**	**19.5**			**5.4**	**9.8**	**12.0**	**12.8**	**12.5**	**12.9**		**13.1**	**13.7**	
Total gross financing need (Billions of U.S. dollars)	0.8	1.6	-0.8			1.6	1.7	1.9	2.0	2.3	2.6		3.5	8.1	
Non-interest current account deficit that stabilizes debt ratio	-1.1	0.8	-14.6			23.5	4.7	5.2	5.0	5.5	6.2		6.7	6.6	
Key macroeconomic assumptions															
Real GDP growth (in percent)	3.7	2.4	-4.7	0.6	2.5	8.6	8.0	7.3	7.0	6.7	6.5	7.3	5.1	5.1	5.3
GDP deflator in US dollar terms (change in percent)	-7.8	-0.3	10.1	8.3	8.3	-8.1	0.0	1.6	1.4	1.5	1.8	-0.3	2.9	4.9	3.5
Effective interest rate (percent) 5/	2.2	2.2	3.1	3.4	1.1	2.4	4.1	4.2	3.7	3.7	3.4	3.6	3.9	6.0	4.5
Growth of exports of G&S (US dollar terms, in percent)	-0.1	8.6	6.4	11.9	9.1	-6.9	9.2	9.5	8.1	7.5	8.2	5.9	10.9	10.2	10.2
Growth of imports of G&S (US dollar terms, in percent)	-9.4	20.0	-7.6	11.3	12.6	19.4	13.0	9.0	8.3	8.5	8.5	11.1	11.7	10.6	10.6
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	37.1	10.3	30.6	24.0	17.4	10.5	21.6	-3.9	-18.9	-10.4
Government revenues (excluding grants, in percent of GDP)	18.9	19.2	14.9			20.0	19.9	20.1	20.3	20.5	20.8		21.5	23.0	22.0
Aid flows (in Billions of US dollars) 6/	0.1	0.1	0.1			0.2	0.8	1.1	1.1	1.0	1.0		0.8	0.5	
o/w Grants	0.1	0.1	0.1			0.1	0.5	0.5	0.6	0.6	0.6		0.6	0.5	
o/w Concessional loans	0.0	0.0	0.0			0.1	0.3	0.5	0.5	0.4	0.4		0.2	0.0	
Grant-equivalent financing (in percent of GDP) 7/	...	...	...			0.7	2.1	2.9	2.6	2.2	1.9		1.0	-0.2	0.6
Grant-equivalent financing (in percent of external financing) 7/	...	...	...			66.5	42.8	57.6	51.7	48.1	42.7		29.0	-5.7	14.6
Memorandum items:															
Nominal GDP (Billions of US dollars)	22.5	23.0	24.1			24.1	26.0	28.3	30.7	33.3	36.1		53.1	130.4	
Nominal dollar GDP growth	-4.3	2.1	4.9			-0.2	8.1	9.0	8.5	8.3	8.4	7.0	8.2	10.2	8.9
PV of PPG external debt (in Billions of US dollars)			11.7			8.1	8.5	8.6	8.8	9.0	9.3		10.4	19.4	
(PVt-PVt-1)/GDPt-1 (in percent)						-15.1	1.7	0.4	0.8	0.7	0.7	-1.8	0.3	1.1	0.9
Gross remittances (Billions of US dollars)	-0.6	-0.5	-0.5			-0.5	-0.6	-0.6	-0.7	-0.7	-0.9		-1.4	-3.3	
PV of PPG external debt (in percent of GDP + remittances)	...	...	52.5			35.1	33.5	31.1	29.4	27.8	26.4		20.2	15.5	
PV of PPG external debt (in percent of exports + remittances)	...	...	97.4			70.0	66.1	61.2	58.1	55.3	52.8		35.5	25.7	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	5.5			2.2	4.0	4.9	5.2	5.2	5.5		5.1	5.4	

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/ Defined as grants, concessional loans, and debt relief.
7/ 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. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2012-2032
(In percent)

	Projections							
	2012	2013	2014	2015	2016	2017	**2022**	2032
PV of debt-to GDP ratio								
Baseline	34	33	30	29	27	26	**20**	15
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	34	36	36	37	37	36	**28**	15
A2. New public sector loans on less favorable terms in 2012-2032 2	34	33	33	32	31	31	**26**	21
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	34	34	34	32	30	28	**21**	16
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	34	39	49	46	44	41	**28**	16
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	34	34	33	31	29	28	**21**	16
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	34	38	40	38	36	34	**24**	15
B5. Combination of B1-B4 using one-half standard deviation shocks	34	43	55	52	50	47	**32**	18
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	34	46	43	40	38	36	**27**	21
PV of debt-to-exports ratio								
Baseline	67	63	59	56	53	50	**34**	25
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	67	69	70	71	72	71	**49**	24
A2. New public sector loans on less favorable terms in 2012-2032 2	67	64	63	62	61	60	**45**	35
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	67	63	58	55	52	49	**32**	24
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	67	84	118	112	107	101	**61**	32
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	67	63	58	55	52	49	**32**	24
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	67	74	78	74	70	66	**41**	25
B5. Combination of B1-B4 using one-half standard deviation shocks	67	85	109	104	99	93	**56**	30
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	67	63	58	55	52	49	**32**	24
PV of debt-to-revenue ratio								
Baseline	172	164	151	142	133	124	**91**	66
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	172	180	180	182	180	174	**132**	64
A2. New public sector loans on less favorable terms in 2012-2032 2	172	165	162	157	152	147	**120**	92
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	172	173	167	156	145	135	**98**	70
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	172	196	243	229	215	199	**131**	69
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	172	170	165	154	143	133	**97**	69
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	172	192	200	188	176	163	**111**	66
B5. Combination of B1-B4 using one-half standard deviation shocks	172	216	274	258	242	224	**147**	77
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	172	233	213	199	185	172	**125**	89

Table 1b. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2012-2032 (continued)
(In percent)

Debt service-to-exports ratio

Baseline	2	4	5	5	5	5	**5**	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	2	4	5	5	6	6	**6**	6
A2. New public sector loans on less favorable terms in 2012-2032 2	2	4	5	5	5	5	**4**	8
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	2	4	5	5	5	5	**5**	5
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	2	4	6	8	8	9	**9**	7
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	2	4	5	5	5	5	**5**	5
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	2	4	5	6	6	7	**6**	5
B5. Combination of B1-B4 using one-half standard deviation shocks	2	4	6	8	7	9	**8**	6
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	2	4	5	5	5	5	**5**	5

Debt service-to-revenue ratio

Baseline	5	10	12	13	12	13	**13**	14
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2012-2032 1/	5	10	13	14	14	16	**18**	15
A2. New public sector loans on less favorable terms in 2012-2032 2	5	10	12	12	12	12	**10**	23
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2013-2014	5	10	13	14	14	14	**14**	15
B2. Export value growth at historical average minus one standard deviation in 2013-2014 3/	5	10	13	17	16	18	**19**	15
B3. US dollar GDP deflator at historical average minus one standard deviation in 2013-2014	5	10	13	14	14	14	**14**	15
B4. Net non-debt creating flows at historical average minus one standard deviation in 2013-2014 4/	5	10	13	15	14	16	**16**	14
B5. Combination of B1-B4 using one-half standard deviation shocks	5	10	15	19	18	21	**21**	16
B6. One-time 30 percent nominal depreciation relative to the baseline in 2013 5/	5	14	17	18	18	18	**18**	19
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	-22	-22	-22	-22	-22	-22	**-22**	-22

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. Côte d'Ivoire: Public Sector Debt Sustainability Framework, Baseline Scenario, 2009-2032
(In percent of GDP, unless otherwise indicated)

	Actual			Average	Standard Deviation	Estimate	Projections								
	2009	2010	2011			2012	2013	2014	2015	2016	2017	2012-17 Average	2022	2032	2018-32 Average
Public sector debt 1/	66.5	66.4	71.2			48.7	45.9	44.3	43.1	41.8	40.2		32.5	25.1	
o/w foreign-currency denominated	53.9	50.6	55.1			33.4	32.2	31.0	29.9	28.7	27.3		19.7	14.1	
Change in public sector debt	-8.8	0.0	4.7			-22.5	-2.8	-1.5	-1.2	-1.4	-1.6		-1.5	-0.8	
Identified debt-creating flows	-7.6	-1.0	4.3			-18.8	-1.7	-1.0	-0.4	-0.4	-0.3		0.1	0.3	
Primary deficit	0.7	1.3	2.5	0.3	1.1	3.1	1.2	1.1	1.7	1.6	1.6	1.7	1.4	1.2	1.4
Revenue and grants	19.5	19.7	15.2			20.5	21.7	22.0	22.1	22.2	22.4		22.6	23.4	
of which: grants	0.6	0.5	0.3			0.5	1.8	1.9	1.9	1.7	1.6		1.1	0.4	
Primary (noninterest) expenditure	20.2	21.0	17.7			23.6	22.9	23.1	23.8	23.8	24.0		24.0	24.6	
Automatic debt dynamics	-3.0	0.4	1.9			-1.9	-2.9	-2.1	-2.1	-1.9	-2.0		-1.3	-1.0	
Contribution from interest rate/growth differential	-2.4	-1.5	3.2			-5.5	-2.7	-2.1	-2.1	-2.0	-2.0		-1.1	-0.6	
of which: contribution from average real interest rate	0.3	0.1	-0.1			0.1	1.0	1.0	0.8	0.7	0.5		0.6	0.7	
of which: contribution from real GDP growth	-2.7	-1.6	3.3			-5.6	-3.6	-3.1	-2.9	-2.7	-2.5		-1.6	-1.3	
Contribution from real exchange rate depreciation	-0.7	1.9	-1.3			3.6	-0.2	-0.1	0.0	0.1	0.1		...	...	
Other identified debt-creating flows	-5.3	-2.6	-0.1			-20.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of 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)	-5.3	-2.6	-0.1			-20.0	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	-1.2	0.9	0.4			-3.7	-1.1	-0.5	-0.8	-1.0	-1.2		-1.6	-1.1	
Other Sustainability Indicators															
PV of public sector debt	...	...	67.4			49.6	46.4	43.8	42.0	40.3	38.7		32.4	26.2	
o/w foreign-currency denominated	...	...	51.4			34.3	32.7	30.4	28.8	27.2	25.7		19.6	15.1	
o/w external	...	...	51.4			34.3	32.7	30.4	28.8	27.2	25.7		19.6	15.1	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	3.6	4.2	6.8			5.9	6.4	5.7	6.0	5.5	5.3		4.9	5.0	
PV of public sector debt-to-revenue and grants ratio (in percent)	…	…	443.4			241.8	213.6	198.7	189.7	181.3	172.8		143.2	111.8	
PV of public sector debt-to-revenue ratio (in percent)	…	…	452.0			247.8	232.8	217.8	207.2	196.6	186.2		150.6	113.7	
o/w external 3/	…	…	344.6			171.6	164.3	151.3	142.0	132.8	124.0		91.2	65.5	
Debt service-to-revenue and grants ratio (in percent) 4/	14.9	14.6	28.0			13.5	23.9	20.7	19.8	17.8	16.4		15.6	16.1	
Debt service-to-revenue ratio (in percent) 4/	15.3	15.0	28.5			13.8	26.1	22.7	21.6	19.3	17.7		16.4	16.4	
Primary deficit that stabilizes the debt-to-GDP ratio	9.5	1.4	-2.2			25.6	4.0	2.6	2.8	2.9	3.2		2.8	2.0	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	3.7	2.4	-4.7	0.6	2.5	8.6	8.0	7.3	7.0	6.7	6.5	7.3	5.1	5.1	5.3
Average nominal interest rate on forex debt (in percent)	0.8	0.8	1.9	1.8	0.6	1.0	3.0	3.2	2.6	2.6	2.3	2.4	3.1	6.1	4.1
Average real interest rate on domestic debt (in percent)	3.0	2.9	0.0	0.7	1.8	3.4	3.3	3.9	4.0	3.9	3.6	3.7	2.9	1.0	2.4
Real exchange rate depreciation (in percent, + indicates depreciation)	-1.1	3.5	-2.5	-1.5	7.8	7.1	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	0.0	1.9	5.0	3.3	2.4	1.0	2.2	2.0	1.9	1.9	2.2	1.9	2.9	4.9	3.5
Growth of real primary spending (deflated by GDP deflator, in percent)	0.1	0.1	-0.2	0.0	0.1	0.4	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grant element of new external borrowing (in percent)	...	...	...	…	…	37.1	10.3	30.6	24.0	17.4	10.5	21.6	-3.9	-18.9	...

Sources: Country authorities; and staff estimates and projections.

1/ The public sector includes 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.

Table 2b. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public Debt 2012-2032

	Projections							
	2012	2013	2014	2015	2016	2017	2022	2032
PV of Debt-to-GDP Ratio								
Baseline	50	46	44	42	40	39	32	26
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	50	49	48	47	45	44	32	10
A2. Primary balance is unchanged from 2012	50	49	48	48	48	48	49	57
A3. Permanently lower GDP growth 1/	50	47	45	43	42	42	41	54
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2013-2014	50	53	60	63	65	68	82	110
B2. Primary balance is at historical average minus one standard deviations in 2013-2014	50	47	44	43	41	39	33	27
B3. Combination of B1-B2 using one half standard deviation shocks	50	50	50	52	54	57	69	93
B4. One-time 30 percent real depreciation in 2013	50	60	57	54	52	50	44	42
B5. 10 percent of GDP increase in other debt-creating flows in 2013	50	58	55	53	51	49	42	33
PV of Debt-to-Revenue Ratio 2/								
Baseline	242	214	199	190	181	173	143	112
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	242	223	214	207	200	190	135	41
A2. Primary balance is unchanged from 2012	242	224	220	218	217	215	218	242
A3. Permanently lower GDP growth 1/	242	215	202	196	190	185	181	232
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2013-2014	242	244	268	278	289	299	361	467
B2. Primary balance is at historical average minus one standard deviations in 2013-2014	242	215	201	192	184	175	145	113
B3. Combination of B1-B2 using one half standard deviation shocks	242	228	225	233	242	250	302	395
B4. One-time 30 percent real depreciation in 2013	242	278	258	246	235	225	197	178
B5. 10 percent of GDP increase in other debt-creating flows in 2013	242	268	250	240	230	220	185	142
Debt Service-to-Revenue Ratio 2/								
Baseline	14	24	21	20	18	16	16	16
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	14	26	23	23	21	19	16	13
A2. Primary balance is unchanged from 2012	14	24	21	22	21	20	23	31
A3. Permanently lower GDP growth 1/	14	24	21	20	18	17	19	29
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2013-2014	14	26	25	26	26	27	37	57
B2. Primary balance is at historical average minus one standard deviations in 2013-2014	14	24	21	20	18	17	16	16
B3. Combination of B1-B2 using one half standard deviation shocks	14	26	24	22	21	22	31	48
B4. One-time 30 percent real depreciation in 2013	14	26	26	25	24	23	26	32
B5. 10 percent of GDP increase in other debt-creating flows in 2013	14	24	23	26	24	21	21	20

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.

Table 3: Côte d'Ivoire: Structure of External Public Debt, 2011–12

	US $ million		Percent of GDP		Share of total debt	
	End-2011	End-2012 1/	End-2011	End-2012 1/	End-2011	End-2012 1/
Total	12,586	7,991	55.1	33.9	100.0	100.0
Multilateral	2,987	1,026	13.1	4.4	23.7	12.8
IMF	602	524	2.6	2.2	4.8	6.6
World Bank	1,725	128	7.6	0.5	13.7	1.6
AfDB Group	317	42	1.4	0.2	2.5	0.5
Other multilaterals	343	332	1.5	1.4	2.7	4.2
Official bilateral	6,874	4,466	30.1	19.0	54.6	55.9
Paris Club	6,744	4,351	29.5	18.5	53.6	54.4
Non-Paris Club	130	115	0.6	0.5	1.0	1.4
Commercial debt	2,725	2,500	11.9	10.6	21.6	31.3
Euro Bonds	2,420	2,300	10.6	9.8	19.2	28.8
Other commercial cre(	305	199	1.3	0.8	2.4	2.5

Sources: Ivoirien Authorities, AfDB, World Bank and IMF staff estimates.

1/ Projections, for 2012 numbers.

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International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Second Review Under ECF Arrangement for Côte d'Ivoire and Approves US$99.8 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the second review of Côte d'Ivoire's economic performance under the program supported by Extended Credit Facility (ECF)[1]. Completion of the review enables the immediate disbursement of an amount equivalent to SDR 65.04 million (about US$99.8 million). This will bring total disbursements so far under the arrangement to an amount equivalent to SDR 211.38 million (about US$324.4 million).

The Executive Board approved the ECF arrangement on November 4, 2011 in a total amount equivalent to SDR 390.24 million (about US$ 598.9 million), representing 120 percent of Côte d'Ivoire's quota in the IMF (see Press Release No. 11/399).

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

"Recent economic performance in Côte d'Ivoire has been strong. Economic activity has rebounded more strongly than projected following the contraction in 2011, with GDP now expected to increase by some 8½ percent in 2012 with modest inflation. Program performance through June 2012 under the Extended Credit Facility arrangement was satisfactory, with all performance criteria met and solid progress having been made in implementing structural reforms, despite some delays in energy sector reform. The successful completion of the cocoa sector reforms will contribute to increasing the purchasing power of farmers and reducing rural poverty.

[1] The Extended Credit Facility (ECF) is the IMF's main tool for medium-term financial support to low-income countries. Financing under ECF currently carries a zero interest rate, with a grace period of 5½ years, and a final maturity of 10 years.

“The growth outlook through 2013 is favorable, as momentum in 2012 is expected to carry over. The authorities’ ambitious investment plan for 2013 should stimulate and enhance private investment, and maintain economic expansion. However, the magnitude and pace at which private sector engagement will materialize are critical, and would determine growth prospects.

“The 2012 fiscal program takes into account favorable developments observed to date on the revenue side and new expenditure needs. For 2013, the revenue forecast is in line with the program’s growth assumptions, yet appropriately cautious. At the same time, current expenditure is to be contained to make room for increased public investment, as well as urgent social needs and pro-poor spending. The authorities are also taking steps to reinvigorate the delayed structural reforms, including in the energy sector and public banks, while continuing to strengthen overall debt management. These measures, together with addressing the challenge of creating a lasting peace, should help smooth implementation of the authorities’ National Development Plan,” Mr. Shinohara added.

Statement by Kossi Assimaidou, Executive Director for Côte d'Ivoire
November 30, 2012

On behalf of my Ivoirien authorities, I would like to thank the Board, Management and Staff for the support and the fruitful policy dialogue that have enabled Côte d'Ivoire to implement an ambitious socio-economic strategy which has helped the country to make important progress in the normalization and reform of the economy over the past years. Of these, the HIPC completion point debt relief granted to Côte d'Ivoire in mid-2012 has been the tipping point; and my authorities express their gratitude to the Fund and to all their bilateral and multilateral partners, which have contributed to this bold achievement. After reaching this milestone, my authorities appreciated that the discussions with staff were focused on key structural challenges facing the economy and the government's medium-term policies set forth in the National Development Plan 2012–15. They broadly share the thrust of the staff report as a candid account of the issues discussed.

The 2nd review of the ECF has confirmed the strong reform momentum demonstrated by my authorities since the end of the post-election crisis. All end-June 2012 performance criteria were met. Long-stalling structural reforms in key sectors, including the cocoa sector, and the public pension system have been completed and the public financial management has significantly improved. Easing the binding constraint represented by the debt burden has also contributed to clear the way for more growth-enhancing public investments. As a result of removing impediments, the economy has resumed its growth path, while undergoing structural transformation towards more ambitious goals.

Going forward, my authorities are committed to step-up their efforts to address the issues that continue to be a drain on the economy, notably the infrastructure bottlenecks, the energy supply gap, the troubled public banks, and the weaknesses of the business environment. Furthermore, my authorities remain committed to further improve security and entrench the peace climate by completing the reform of the army and enhancing the national reconciliation process. In view of their satisfactory performance, my authorities request the Board's support for the conclusion of the 2nd review under the ECF, including a request for modification of performance criteria and financing assurances review.

Recent Developments and Program Performance

Côte d'Ivoire's economy has been recovering well from the crisis-inflicted damages. Growth for 2012 is now projected at 8.6 percent, stronger than the 8.1 percent initially programmed. The rebound was driven by buoyant public investments in infrastructure projects and domestic demand. Inflation is subdued and is expected to remain well below 2 percent for the year. The stable macroeconomic environment and the government's dedication to spur a robust and broad-based growth have contributed to revive investor confidence. Corporates have recovered most of their production capacity and new private sector investments, domestic and foreign, are being made. As a result of the economic rebound, the government's fiscal stance at end-June was better than programmed. Revenue outpaced early projections by 1.1 percent of GDP, owing to higher-than-expected corporate income tax and oil proceeds.

The ECF-supported program has provided the appropriate framework for my authorities' efforts to achieve the goals set in their National Development Plan 2012–15. The satisfactory results posted over the past period were underpinned by their steadfast actions in implementing both important measures in public financial management and structural reforms in key economic sectors. The observance of all end-June performance criteria is the result of an enhanced PFM, the revamping of the tax administration and a closer monitoring of budget execution, especially efforts to restrain current expenditures. Similarly, my authorities made progress on the structural front. Important steps were taken to restore a normal budget process; the budget review bills for the years 2004–10 were all passed by the Parliament. The reform process of the civil service has also secured important results. The census of civil servants has been completed, a Single Reference File for all public sector employees is available since October 2012, and should be instrumental to reduce fraudulent salary and fee payments. Furthermore, the implementation of the Ethics and Conduct Charter adopted in September 2012 should help improve governance within the public sector.

As regards the economic sectors, the implementation of the reform of the cocoa/coffee industry is proceeding well. The supervisory body, the Coffee and Cocoa Council has taken the necessary measures for a strict adherence to the minimum guaranteed price to be paid to producers, equivalent to 60 percent of the c.i.f. price. The government has adopted in May 2012, a strategy to restructure the state-owned enterprises, aiming at divesting state assets from the sector, including through privatization, at least by 25 percent. As regards the electricity sector, the authorities have continued to address the financial deficit. Tariffs on the industrial consumption were raised in early 2012, and efforts to make every consumer category pay its fair share are underway. Other important structural reforms have been initiated, the bulk of which will be stepped-up in 2013 onward. These include the financial and the energy sectors and the business climate.

Medium-Term Policies

Implementing the development strategy. The National Development Plan (NDP) 2012–15 is the anchor for my authorities' strategy for strong growth, job creation, and poverty reduction. The overarching goal of the NDP is to turn Côte d'Ivoire into an emerging market economy by 2020, while making significant inroads in poverty reduction. To this end, my authorities intend to continue to push real GDP growth rates towards double-digit figures, starting in 2014. The strategy includes: (i) increasing public investment to 9.7 percent of GDP by 2015, against 3 percent on average over 2006–10;

this, with an enhanced business climate is set to crowd in private sector investment, which is projected to rise from about 6 percent of GDP in 2010 to 13.7 percent by 2015; (ii) implementing structural reforms to create an excellent business environment and enhancing the competitiveness of the economy; (iii) fighting corruption so as to rank among leading African countries in terms of good governance. The financing of the NDP is estimated at about CFAF 11,076 billion (about $21 billion) over 4 years, roughly half of which will be provided by the government budget. A donors' conference—the Consultative Group—is scheduled for December 4–5, 2012 in Paris to secure private sector and bilateral and multilateral partners' contributions.

My authorities and staff diverge on the magnitude of the impact of the development strategy on growth prospects, as evidenced by differences in projections for 2013 onward. While understanding staff's cautious stance, it is my authorities' strong belief that after recovering from its deep 2011 contraction, the economy is set to undergo a structural transformation as a result of the implementation of the NDP. Starting in 2013, the government budget will make a profound shift from current expenditure overruns to enhanced productive investment outlays. Indeed, for the first time in decades, thanks to the end of the civil conflict and to the HIPC dividends, about a third of the 2013 budget will be allocated to investments, including to strategic infrastructures that will revamp the capital stock. Furthermore, growth potential should be further unleashed by the ignition of new growth engines such as small and medium-sized enterprises; energy, mining, and hydrocarbons; information and communication technology; and tourism.

Fiscal policy. My authorities are cognizant of the fiscal efforts warranted to sustain their medium-term agenda. Their policy will be geared to continuously improving revenue mobilization while restraining current expenditures to make room for the programmed investments. To this end, the government will further modernize the tax administration with the view to broadening the base, including by covering new and rapidly developing activities. Moreover, procedures will be made more taxpayer-friendly, automated systems used to cut red tape, and measures to address fraud and tax evasion, enhanced. The 2013 draft budget reflects the government's medium-term policy stance. Tax revenue should amount to 17.4 percent of GDP, despite the projected decline in the taxes on coffee and cocoa, and on oil and gas revenue. Fiscal measures for 2013 include implementing an action plan aimed at optimizing the yield of VAT, enhancing the use of standardized invoices, improving the collection of the real estate tax, and reinstating the import duties and taxes on rice.

Restructuring public banks. The authorities' plan to help build a strong and deep financial sector is twofold: (i) completing and implementing in 2013, the Financial Sector Development Strategy prepared with technical assistance from the World Bank; (ii) restructuring public banks by implementing in 2013, the strategy adopted in the Spring of 2012. This strategy considered three main options: merger, liquidation, and privatization, depending on what the audit underway will reveal on the situation of each bank. As for the microfinance sector, after being severely affected by the past turmoil, it is expected to recover as a result of the combination of ongoing actions initiated with technical and financial partners, a restructuring plan for major institutions, and an update of the National Microfinance Strategy.

Stepping up lagging structural reforms. Despite the satisfactory progress made by the authorities on key structural reforms, they are fully aware that some have been lagging. In this regard, they are committed to continue to endeavor towards putting the energy sector on a sound footing. Besides adjusting tariffs, the government will continue to negotiate with all stakeholders with the view to resolving the structural financial deficit of the electricity subsector. Moreover, my authorities are working on bold actions, including building new dams, to increase energy supply so as to meet future demand. Regarding petroleum products, my authorities have formally adopted the automatic pricing mechanism and its implementation will be resumed at end-March 2013, as a way to put an end to across-the-board subsidies and their toll on the budget. In the same vein, my authorities intend to finalize their strategy to curb down the public service wage bill over the medium-term. Taking stock of the data provided by the completed census, the government will discuss the issue with labor unions as part of the social forum underway. Significantly enhancing the business climate is another task on my authorities' agenda. Some progress has already been made, including establishing a one-stop shop for businesses and creating a commercial court, which is fully functional since October 2012. The government is embarking on a comprehensive plan to improve all aspects covered by the World Bank Doing Business Index.

Ensuring post-HIPC debt sustainability. Ensuring post-HIPC debt sustainability is paramount to my Ivoirien authorities. To this end, they are taking steps, with the assistance of the Fund and the World Bank, to develop their debt management strategy and homegrown debt sustainability analysis to be issued with the 2014 budget. The strategy will be geared towards favoring concessional borrowing, minimizing all costs and risks, and supporting the progressive development of the domestic market while opting for medium-term maturities. On the administrative front, the authorities plan to reorganize their debt management unit and adopt a more effective structure. In addition, a National Committee of Public Debt has been created and is now fully functional, with the task of preparing the strategy. The government will also have recourse to public-private partnerships as a means to boost investment while limiting risks to public finances and avoiding the buildup of new debt. A legal and institutional framework for PPPs is being developed accordingly and is set to be in place before end-June 2013, alongside with the enhancement of domestic capacity. Consistent with the National Development Plan, the government has also identified the priority projects eligible for PPPs.

Conclusion

The improvement in the socio-political situation, paired with the HIPC dividends, has helped free additional resources for Côte d'Ivoire to finance its development agenda. These favorable factors have provided a more benign footing for my authorities' policymaking under the ECF-supported program, and they have achieved satisfactory results both in macroeconomic management and in implementing important structural reforms.

Going forward, addressing the challenges of further improving security and creating a lasting peace should help back the smooth implementation of the authorities' National Development Plan. The success of this plan is paramount to yield stronger and inclusive growth, create job especially for the youth and significantly reduce poverty. With the assistance of their partners, my Ivoirien authorities are committed to this task, aligned with their unwavering goal of turning Côte d'Ivoire into an emerging market economy by 2020.