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CÔTE D'IVOIRE

2013 ARTICLE IV CONSULTATION AND FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT

December 2013

In the context of the 2013 Article IV Consultation and Fourth Review Under the Extended Credit Facility Arrangement, the following documents have been released and are included in this package:

- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 6, 2013, following discussions that ended on October 2, 2013, 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 21, 2013.
- An **Informational Annex** prepared by the IMF.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- A **Press Release** including a statement by the Chair of the Executive Board, and summarizing the views of the Executive Board as expressed during its December 6, 2013 consideration of the staff report on issues related to the Article IV consultation and the IMF arrangement.
- 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 the Staff Report.

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

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CÔTE D'IVOIRE

November 21, 2013

STAFF REPORT FOR THE 2013 ARTICLE IV CONSULTATION AND FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT

Context: The socio-political situation has improved substantially since the 2011 Article IV Consultation, but significant challenges remain. Boosted by a surge in public investment, economic activity rebounded quickly from the post-election crisis in early 2011. Since end-2011, the focus of policy has shifted from short-term crisis recovery to implementation of policies to promote high and inclusive growth. Côte d'Ivoire reached the HIPC Initiative Completion point in 2012.

Article IV discussions: The discussions focused on policies needed to achieve the objectives of the government's 2012–15 National Development Plan (NDP): high growth and reducing poverty. Key policies are additional improvements in the business climate and governance, as well as further efforts to create fiscal space, reinforce the financial sector, and maintain external stability, while preserving the stable macroeconomic environment.

Outlook and risks: The medium-term outlook is positive, with robust growth projected in the years ahead. Sustained reform efforts remain needed to maintain high growth rates over the medium term, and improve Côte d'Ivoire's living standards, which have deteriorated significantly since the late 1970s. A slowing down of reform efforts would result in weaker economic growth. External risks include higher financing costs following the end of an accommodative monetary policy in the US.

Exchange restrictions and regime: Côte d'Ivoire, a member of the WAEMU, has accepted the obligations under Article VIII and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions. The WAEMU's exchange regime is a conventional peg to the euro.

Program performance has been good: All quantitative performance criteria and indicative targets at end-June 2013 were met. While considerable progress was made in key structural reform areas, a few structural benchmarks were met with delays, and others missed.

Staff supports the completion of the fourth review under the ECF and the authorities' request for an increase in the program's limit on new nonconcessional external debt to make room for the issuance of a Eurobond in an amount equivalent to US$500 million. Completion of the review will result in disbursement of an amount equivalent to SDR 48.78 million under the ECF arrangement.

Approved By
A. Aemro Selassie (AFR) and Peter Allum (SPR)

Discussions took place during September 17–October 2 in Abidjan. The staff team comprised Messrs. Lazare (head) and Koulet-Vickot, Ms. Macario (all AFR), and Messrs. Dicks-Mireaux (SPR) and Queyranne (FAD). Ms. Coulibaly from the resident representative's office assisted the mission.

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APPENDICES

Glossary

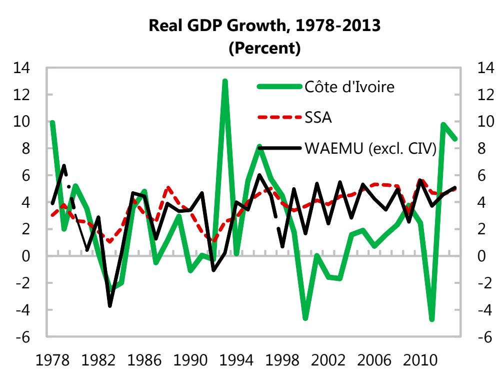
AFD	Agence française de développement
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
BCEAO	Central Bank of West African States
CFAF	African Financial Community Franc
CGRAE	Civil Service Pension Fund
CNPS	Private Sector Pension Fund
CP	Completion Point
DSA	Debt Sustainability Analysis
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
NDP	National Development Plan
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
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

BACKGROUND

Côte d'Ivoire is recovering from a long period of economic stagnation and political conflict. The authorities have over the last two years made considerable headway toward their objective of boosting medium-term growth to raise living standards and transform the economy into an emerging market by 2020. Together with a surge in public investment to renew and expand public infrastructure, they are implementing reforms, notably, to improve the business climate, strengthen the energy and financial sectors, and reduce poverty. Sustaining high growth rates will, however, require maintaining the reform effort over the medium term.

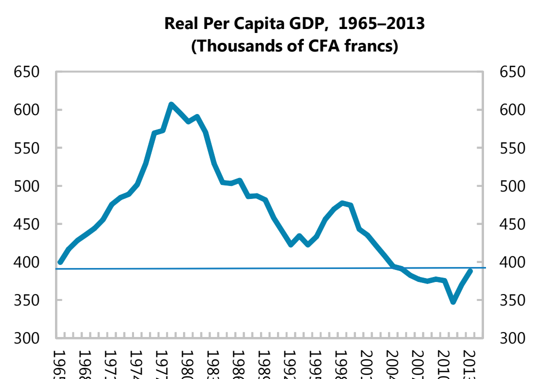
A. Context

1. **Following high growth in the 1960s, terms-of-trade shocks in the late 1970s contributed to a long period of economic stagnation, compounded by political instability and conflict from 2000 to 2011**. The social cost has been severe: real per capita income in 2011 was only about 57 percent of its peak 1978 level; the poverty rate increased from 37 percent in 1995 to almost 50 percent in recent years; and governance indicators weakened. The 2013 UNDP Human Development Report ranks Côte d'Ivoire among countries with low human development (168 out of 186 in the 2013 Human Development Index). Progress towards achieving the Millennium Development Goals has been slow and the official unemployment rate was estimated at about 9½ percent in late 2012, with a much higher rate among the young, the women, and in Abidjan.



Source: IMF WEO.

From the late 1970s to 2011, Côte d'Ivoire grew at lower rates than the rest of WAEMU and Sub-Saharan Africa.



After declining to levels lower than in the mid-1960s, real per capita GDP began to recover in 2012.

MEFP ¶¶ 1, 2

2. The socio-political situation has improved substantially since the end of the 2010/11 post-electoral crisis, but serious challenges remain, including meeting expectations of improved living standards. The administrative reunification of the country and a full election cycle have been completed, and insecurity has declined substantially. Some progress has been made in incorporating former combatants into the security forces and the civil service, leading the UN Security Council to recently approve a gradual scaling down of ONUCI's military presence. Progress towards political reconciliation and restoring social cohesion continues, but remains difficult. In addition, the population is anxious to see tangible improvements in living standards and higher wages.

3. The authorities' key challenge is to build the foundations for sustainable, robust and inclusive growth. The 2012–15 NDP lays out a comprehensive reform agenda aimed at delivering double-digit growth and halving the poverty rate. To this end, the government is boosting public investment to tackle infrastructure bottlenecks and creating a more business-friendly environment. To address poverty, it has reformed the cocoa sector, thereby increasing income of about 700 thousand farmers and raised pro-poor spending. Other measures include programs to expand mining output, boost rice production—an important basic staple—, setting up a mechanism to guarantee a minimum price for cotton and cashew, and establishing a universal health insurance scheme.

4. Macroeconomic performance since the 2011 Article IV consultation has been strong. Following the end of the post electoral crisis, sizable external financial support and a large fiscal stimulus helped limit the 2011 recession to 4.7 percent. The 9.8 percent rebound in economic growth in 2012 and a projected 8.7 percent in 2013 have been further helped by an upturn in business and consumer confidence and the impact of structural reforms, including in the cocoa sector. Preliminary indications in 2013 point to a rise in the number of business starts, increased employment in the formal sector, robust domestic consumption of energy, strong activity in the construction and public works, retail, and energy sectors, as well as in the agro-food sector. Average inflation dropped from a peak of 4.9 percent in 2011 to 1.3 percent in 2012. The overall fiscal deficit narrowed from 5.7 percent of GDP in 2011 to 3.4 of GDP in 2012. The current account balance moved into deficit, driven by a surge in investment-related imports and the strong economic rebound.

5. 2011 Article IV recommendations. At the November 2011 Board meeting, Directors emphasized the importance of broadening the tax base, limiting current spending, and strengthening tax and expenditure administration to create fiscal space for higher investment and social spending. They gave high priority to financial sector deepening and strengthening to support private sector development. Directors welcomed the proposed cocoa sector reforms, noted the significant effort needed to place the energy sector on a sound financial footing, and stressed the importance of governance and other reforms to improve the business climate and enhance external competitiveness

6. Implementation of previous staff advice has been uneven. The authorities have restructured the public external debt,[1] taken steps to improve tax administration, and notably refocused expenditure towards higher investment and social spending, while lowering the fiscal deficit. They have also implemented major structural reforms to shore up the financial situation of the energy sector, reform the cocoa sector, and improve the business climate. However, decisive measures to deepen the financial sector and restructure the state-owned banks are not yet in place, while governance and expenditure management remain weak.

B. Recent Economic Developments, Medium-Term Outlook and Risks

7. Continued strong growth is expected in 2013 and 2014. In the near term, growth is projected to remain robust (8.7 percent in 2013 and 8.2 percent in 2014), driven by strong public investment. Rising private sector investment is also expected to support growth. Despite higher food prices early in 2013, inflation would remain below the 3-percent regional convergence criterion. The overall fiscal deficit is expected to decline to 2.7 percent of GDP in 2013 and 2.3 percent of GDP in 2014, while the primary basic fiscal deficit would narrow from 0.2 percent of GDP in 2013 to 0.1 percent of GDP in 2014. The current account deficit would increase to about 1.8 percent in 2013 and 3.1 in 2014 owing to higher imports of consumption goods and a stronger increase for capital goods, while the balance of payments would record a small surplus, supported by higher FDI and project loans.

Text Table 1. Côte d'Ivoire: Output Growth Decomposition

(Contribution to annual growth rates, percent)

Period	Real GDP	Capital stock	Adjusted labor	Education	Total factor productivity
1980–90	2.8	0.3	2.9	0.2	-0.6
1990–2000	2.1	0.1	2.2	0.3	-0.5
2000–10	0.7	0.3	1.4	0.2	-1.2
2011–13	3.6	1.1	1.9	0.2	0.4

Sources: IMF staff calculations based on Penn World Table, Version 8; the Barro and Lee education attainment dataset; and country household surveys.

Strong investment and structural reforms have contributed to higher total factor productivity growth for the first time in over three decades.

[1] Côte d'Ivoire reached the enhanced HIPC Initiative Completion Point in June 2012.

8. Medium-term growth is expected to remain high. In the staff's projections, high growth rates would remain at about 8 percent through 2015 and would gradually decline to about 7 percent over the medium term, while inflation would remain moderate. Growth would be driven by a broad-based increase of private investment, in agriculture, mining, and housing, but also in food processing and services, supported by public investment in infrastructure and the improvement of the business climate. Exports would remain strong as a result of measures to support agricultural production and processing, and of higher mining output (gold in particular). The fiscal deficit would remain small at around 3 percent of GDP, while the current account deficit would widen somewhat reflecting high imports of capital goods, financed in part by FDI and project loans. This high-growth baseline scenario is contingent on sustained reform momentum to allow high and efficient investment.[2] It also assumes significant reforms to further improve the business climate and governance. Box 2, which analyzes best practices from non-natural resource producing countries in Africa with a high-growth record, underlines the importance of achieving a sustained increase in investment. Also, it is noteworthy that 5 out of 6 of the fast-growing countries in Box 2 delivered very rapid productivity (TFP) growth making an important contribution to overall growth; while recent structural reforms in Côte d'Ivoire have resulted in a return to positive productivity growth after 3 decades of negative growth, it has not yet achieved the productivity growth rate of the best performing countries, which underscores the need for additional progressive reforms to further strengthen the business climate.

Text Table 2. Côte d'Ivoire: Medium-Term Macroframework, 2011–18

	2011	2012	2013	2014	2015	2016	2017	2018
		Est.			Proj.			
Real GDP growth	-4.7	9.8	8.7	8.2	8.1	7.8	7.5	7.0
Consumer price inflation (average)	4.9	1.3	2.9	2.5	2.5	2.5	2.5	2.5
Overall fiscal balance (payment order basis, incl. grants)	-5.7	-3.4	-2.7	-2.3	-3.1	-3.1	-3.1	-3.0
Primary basic fiscal balance	-2.9	-1.4	-0.2	-0.1	-0.3	0.0	0.2	0.4
Total public debt	73.5	48.9	42.6	40.5	38.4	36.8	35.0	33.8
Current external balance (incl. official transfers)	12.9	-1.3	-3.4	-3.1	-3.9	-5.1	-5.8	-6.7
Overall balance of payments	1.0	-0.5	2.1	1.5	1.5	1.3	1.2	1.5

Sources: Ivoirien authorities and IMF staff estimates and projections.

[2] Côte d'Ivoire's concentration of investment on projects removing infrastructure bottlenecks and a systematic assessment of profitability of the projects planned are in that respect reassuring.

Staff's Views

9. **There are downside and upside risks to the medium-term scenario**. While Côte d'Ivoire has had high growth rates since the end of the crisis, sustaining high growth rates once the recovery period is completed will require further sustained reform efforts.

- The most significant downside risk is that the strong scaling-up of public investment may fail to deliver high growth, in absence of sufficient crowding in of private sector investors. While recent reforms have strengthened private sector confidence and the business climate, more needs to be done to boost private investment—both FDI and domestic. Lower-than-projected growth would narrow the fiscal space, reducing the resources available for public investment and social spending (see Text Table 3 for an illustrative lower-growth scenario).

Text Table 3. Selected Economic Indicators, 2013–33

(Percent of GDP, unless otherwise indicated)

	Baseline scenario					Lower-growth scenario				
	2013	2014	2015	2018	2019-33	2013	2014	2015	2018	2019-33
Real sector										
Nominal GDP (Billions of US dollars)	28.5	32.1	35.9	48.6	99.4	28.5	31.8	35.0	44.6	89.8
Real GDP (percentage change)	8.7	8.2	8.1	7.0	5.2	8.7	7.5	6.5	5.2	3.9
Fiscal (central government)										
Total revenue	21.3	22.0	21.5	22.1	24.1	21.3	21.6	21.3	21.0	20.4
Debt service- to- revenue ratio (in percent)	14.0	15.4	15.4	14.6	15.0	14.0	15.9	16.1	17.4	17.8
Overall fiscal deficit (including grants)	-2.7	-2.3	-3.1	-3.1	-2.8	-2.7	-2.7	-3.5	-5.3	-6.1
Domestic debt	14.8	12.7	12.8	12.1	8.6	14.8	13.0	13.4	14.8	11.8
Balance of payments										
Current account, incl. official transfers	-1.8	-3.1	-3.9	-6.7	-7.0	-3.4	-4.4	-3.0	-3.1	-3.0
External debt	45.0	43.5	39.9	32.1	23.1	45.2	44.0	41.5	39.3	44.2
Net Foreign direct investment	3.0	3.0	3.0	2.9	2.2	3.0	2.9	2.7	2.1	1.7

Sources: Ivoirien authorities; and IMFstaff estimates.

- Lack of further progress toward political reconciliation, in particular in the run up to the 2015 presidential elections may also negatively affect growth prospects.
- The population's anxiousness to see tangible improvements in living standards and higher wages also carries risks. While the promise of higher salaries in the civil service from 2014 has contributed to eliminating the work stoppages seen in 2012 and the first part of 2013 (in particular in the health and education sector), a resurgence is possible.
- The impact of potential external risks, including higher financing costs following the end of an accommodative monetary policy in the US; a worsening of the economic outlook of the main trading partners and donors; and a deterioration of the overall regional security,[3] appear comparatively more limited. However, higher prices for imported basic staples such as rice and adverse weather shocks would present significantly high risks.

[3] The crisis in Mali in 2013 did not have any measurable impact on the Côte d'Ivoire economy.

- Upside risks to the baseline scenario could arise from higher-than-projected FDI flows and an even stronger crowding in of private investment if the NDP's goals of creating one of the best business climates in Africa and becoming a regional leader on good governance and anti-corruption are materialized early on.

Authorities' Views

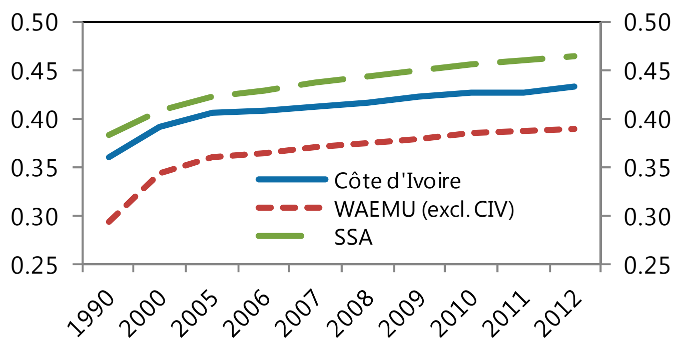
MEFP ¶18–25

10. The authorities viewed staff projections as too conservative. Their own growth projections are much more ambitious, with real growth rates of 9 percent in 2013 and 10 percent in 2014–15, driven by higher private investment. They noted that staff had already had to revise its growth projections upward on several occasions. They reiterated their commitment to implement the reforms required for reaching the high levels of private investment in the NDP, and indicated their readiness to adopt measures to address these downside risks, if they were to materialize.

Box 1. Côte d'Ivoire: Inclusive Growth

Poverty increased following a marked decline in real per capita income since the late 1970s and the period of conflict from the early 2000s to the end of the post-electoral crisis of 2010–11. Poverty indicators have not been updated since 2008, as the crisis prevented the National Statistics Institute from carrying out a new Living Standard Measurement Survey. Yet, despite data deficiencies, the authorities estimate that the displacements of population and the sharp deterioration of social services in most of the country during the crisis resulted in slightly more than half the population living below the poverty line in 2011. The 2013 human development report estimates that 61.5 percent of the population lives in multidimensional poverty despite an increase in some human development indicators (see table below).

Human Development Index, 1990–2012



Source: UNDP, *Human Development Report*, 2013.

Box 1. Côte d'Ivoire: Inclusive Growth (concluded)

MEFP ¶8

Reducing poverty and making growth more inclusive is at the center of the authorities' strategy in the NDP and progress has most likely already taken place, although data is not available. The authorities have already adopted measures that will alleviate poverty, such as the cocoa reform and the setting up of a minimum price for cotton and cashew. They have also achieved a strong increase in pro-poor spending, with priority given to the health and education sectors for new hiring and the renovation of a number of health and education facilities. They are also considering the creation of a universal health insurance system. While the high and broad-based growth performance in 2012 and 2013 have resulted in an increase in employment in the formal sector and most likely in a decline in poverty incidence, data deficiencies do not allow to assess the percentage by which poverty has been reduced.

Making growth more inclusive will remain a long-term challenge. The population is relatively young and growing at about 3 percent per year, with the labor force growing rapidly. Employment remains dominated by agriculture, mostly in subsistence activities and low productivity jobs. Average skill levels in the labor force will take time to improve. Sustaining strong growth over an extended period of time will further increase per capita income, but a key challenge in the years ahead will be to improve human development indicators. Policy priorities will continue to include addressing the infrastructure gaps, strengthening productivity in agriculture, investing in health, education, and vocational training and upgrading education and skill levels to shift people from vulnerable employment to better wage-paying jobs, supporting access to credit for smaller and newer enterprises, facilitating the creation of markets with supporting infrastructure (such as transportation networks) both locally and at the provincial level, and continued efforts to strengthen the basic social protection system to help the most vulnerable.

Selected Human Development Indicators

	1995	2000	2011
Poverty rate	37.0	34.0	49.0
Life expectancy at birth	51.0	50.1	54.7
Expected years of schooling	6.1	6.3	6.3
Primary school enrollment ratio (% net)	53.0	57.0	61.0
Ratio: girls to boys in primary education (%)	73.0	75.0	83.0
Mortality rate, under 5 (per 1,000)	152.0	145.0	111.0
Prevalence of HIV, total (% of pop. Aged 15-49)	7.3	6.6	3.0
Access to an improved water source (% of pop.)	77.0	77.0	80.0

Sources: UNDP, World Development Indicators; Authorities.

Côte d'Ivoire: Risk Assessment Matrix (RAM)

Sources of Risks	Relative Likelihood	Impact if realized	Recommended Policy Response
Global oil shock triggered by geopolitical events	**Low**	**Medium** Low impact on the BoP as the country is close to balance between petroleum exports and imports. Likely negative impact on the fiscal position as the government will be confronted to the politically sensitive decision of raising fuel pump prices.	Continue the implementation of the automatic fuel price adjustment mechanism, while strengthening the social safety net.
Protracted period of slower European growth	**High**	**Low** Côte d'Ivoire would be mostly affected through a decreased ability to attract new FDI, and –to a lesser extent- through a potential reduction of donor support from European countries.	Develop regional domestic markets and further strengthen the business climate to attract investors, and reinforce competitiveness.
Sharp slowdown in growth in China	**Medium**	**High** This could curtail/delay investment projects financed by loans from China.	Strengthen the business climate to attract other investors.
Protracted economic and financial volatility, especially for emerging markets	**High**	**Low** This could hinder Côte d'Ivoire's plans to issue a Eurobond and complicate debt management over time.	Carefully re-assess the pros and cons of Eurobond issuance, as compared with alternative sources of funding.
Unfavorable local weather conditions	**Low to Medium**	**Medium** Unfavorable weather conditions would reduce agricultural output, exports and fiscal revenue, and foster inflationary pressures.	Carefully monitor the second- round effects on inflation. Allow a moderate relaxation of the fiscal deficit to accommodate well-targeted spending to cushion the impact on poor.
A deterioration in the current socio-political and security situation	**Low**	**High** A further weakened socio-political and security situation would discourage potential investors in some sectors, with a direct impact on growth and employment. The pace of some structural reforms (energy) would also likely be slowed.	Allow a moderate relaxation of the fiscal deficit to cushion the impact on economic activity.
Demand for strong increases in public sector wages	**High**	**Medium** If union demands were met, investment and pro-poor spending would be crowded out. However, the government is designing a medium-term wage bill strategy for controlling the wage bill (end-October structural benchmark).	Keep the wage bill within the limit of the 2014 budget. Adopt the medium-term wage bill strategy.

POLICY DISCUSSIONS: BUILDING THE FOUNDATIONS FOR STRONG GROWTH

The discussions focused on the key policies needed to achieve high growth rates consistent with the government's vision set out in the NDP: (i) ensuring long-term fiscal sustainability; (ii) strengthening the financial sector; (iii) bolstering external stability and improving the business climate; and (iv) enhancing governance.

A. Policy Theme #1: Ensuring Long-Term Fiscal Sustainability

11. Sustaining fiscal discipline over the medium term, while preserving space for pro-poor and infrastructure spending. The authorities have implemented prudent fiscal policies since 2011, allowing both a major reduction in the fiscal deficit and a surge in public investment. This fiscal stance, however, is facing increasing headwinds. On the revenue side, the tax base has been eroded by incentives contained in the 2012 investment code and other sector codes. On the spending side, in addition to demands for higher wages for civil servants, the significantly improved but still fragile financial position of the electricity sector still requires sizable subsidies and bears risks.[4] In addition, fiscal and debt management has been further complicated by the need to settle longstanding domestic arrears, the rollover risk of financing from the regional market[5], and contingent liabilities in the public sector. The planned creation of a universal health insurance system also presents fiscal risks. The authorities have taken steps to address these pressures, including by preparing medium-term strategies to contain the wage bill and the debt.

Staff's Views

12. Maintaining prudent fiscal management over the medium and long term will require a comprehensive strategy. Staff welcomed the reduction in the deficit, but noted that further efforts would be required to address rising budgetary pressures. In particular, staff recommended:

- **Continued VAT reform** aimed at enlarging the tax base and mobilizing the full potential of VAT in Côte d'Ivoire.[6]

[4] In 2012–13, the government took action to strengthen the financial position of the electricity sector: it increased the industrial tariff by 10 percent; the social tariff (which used to cover 80 percent of households) has been better targeted; the transfer price of domestically-produced natural gas was reduced, and the remuneration of the private distribution company renegotiated. Also, the distribution company introduced measures to cut fraud and reduce technical losses, and raised the revenue collection rate in the former Northern zone.

[5] This risk arises from the banks' already large share of sovereign securities on their balance sheets and the short-term regional maturities.

[6] The September 2013 FAD mission on tax policy estimated the VAT gap at 7.9 percent of GDP, based on a quantitative analysis of household consumption in 2012.

- **Strengthening tax policy in general and refraining from granting further special tax regimes to specific sectors**; improving revenue administration by strengthening the large taxpayer office, setting up a medium-size taxpayer office, and reinforcing tax and customs' controls and audits.

- **Ensuring that the wage bill strategy can deliver its goal of putting the wage bill on a sustainable financial path**, bringing it down as a share of tax revenue over the medium to long term (in compliance with the WAEMU convergence criterion). Staff noted, however, that the wage strategy would benefit from greater front-loading and from concentrating new hiring on health and education in the longer run.

- **Proceeding with caution as regards the creation of a universal health insurance system, appropriately balancing the benefits of such a reform in terms of growth inclusiveness with potentially large fiscal costs**.

- **Strengthening cash planning and cash management,** in particular to adequately manage the tight cash flow position that the bunching of domestic debt repayments in the last two months of the year will generate in 2013 and 2014 (as well as in 2016).

- **Continuing to reform the electricity sector by restructuring the currently regressive tariffs to make them progressive and by introducing periodic automatic adjustments to maintain relative prices and provide adequate incentives**.

Authorities' Views

MEFP ¶7, ¶17

13. The authorities broadly agreed with staff's recommendations. They were generally cautious on VAT, stressing the potential social impact of reforms. They indicated, however, that the 0.3 percent of GDP rise in various taxes (including excise taxes, the tax on telecommunications, etc) included in the draft 2014 budget would strengthen revenue mobilization and that they plan further VAT reforms in due course.

- **They considered that the recently formulated wage bill strategy could deliver on its goal to put it on a sustainable path over the medium to long term**, even while also delivering on commitments made in this area after a more than 20-year freeze of public sector wages. They agreed with staff that the fiscal costs of a universal health insurance system should be kept under control and assured staff that proper study of these costs was under way.

MEFP ¶15

- **They acknowledged that their cash position would be tight toward the end of the year in 2013 and 2014, as noted by staff, but viewed it as manageable**. They indicated that they would actively manage cash and the pace of expenditures to ensure timely repayment of the amounts of domestic debt falling due that may not be rolled over.

- **The authorities were also cautious regarding prompt action to reform the electricity sector to make it financially sustainable**. While agreeing with staff on the need to cap the fiscal cost of subsidies to the sector and implement reforms over the medium term, they stressed that reform measures already passed in 2012–13 together with the decision to bring export prices closer to the marginal cost in 2014 had reestablished the financial position of the electricity sector in the short term and limited budgetary costs.

MEFP Box 2

B. Policy Theme #2: Reducing Financial Sector Vulnerabilities and Fostering Financial Deepening

14. Strengthening the soundness of the banking sector and enhancing its contribution to the NDP growth objectives.

- **Strengthening the soundness of the banking sector**. While Côte d'Ivoire's banking sector is broadly sound,[7] public banks (along with a couple of small domestic banks) do not meet most prudential requirements and are largely undercapitalized.
- **Deepening financial intermediation**. Côte d'Ivoire's banking system is shallow, with a private sector credit-to-GDP ratio of about 18 percent and limited access to financial services (11 percent of the population, including microfinance). Loans are predominantly short-term and concentrated on larger companies, with limited provision of credit to medium and small size enterprises. Despite progress in financial deepening, the banking sector lags relative to peers and several WAEMU countries in terms of depth and access.[8] Financial intermediation is weakened by insufficiencies regarding land and property registries, difficulties faced by creditors when they attempt to recover debts through the judicial system, and the lack of a widely used borrower's registry.
- **To address these issues, a gradual reform program, supported by Fund TA, focuses in the near-term on eliminating key constraints to private credit and helping banks' manage liquidity**. The authorities have started to reform land registration laws and have established commercial courts, with the first already operating in Abidjan. They also actively support reforms undertaken at the regional level by the BCEAO, including the establishment of a credit bureau by end 2013 and regulations allowing primary dealers to operate. The latter reform would facilitate the emergence of a secondary market for government securities and the management of banks' liquidity. The authorities are formulating a comprehensive strategy to develop the financial system with the support of the World Bank. Following financial and strategic audits, the authorities are also working on a restructuring of the public banks.

[7] See background note in appendix.

[8] See the WAEMU Staff Report (IMF Country Report No. 13/92).

Staff's Views

15. Strengthening financial sector soundness will require restructuring of the public banks. While these banks do not represent a systemic risk for the financial system, staff urged the authorities to act promptly, beginning with those banks for which there is a clear resolution strategy, drawing on the recommendations of the recent audits and of the September 2013 MCM technical assistance mission. Staff stressed the importance of minimizing contingent liabilities from these institutions, while including the full cost of resolution in the budget.[9]

16. Effective implementation of recent reforms and of the financial sector development strategy should foster financial intermediation. Staff welcomed the recent reforms adopted in Côte d'Ivoire and at the regional level, and the ongoing preparation of the financial sector development strategy. The mission urged the authorities to take the lead in the effective implementation of the recent decision of the BCEAO to allow the creation of primary market dealers and in the projected establishment of a credit bureau. The mission encouraged the authorities to create an environment favorable to broadening the financing available for small-and medium-sized enterprises, while noting that this could be done without necessarily needing public banks.

Authorities' Views

MEFP ¶17, ¶36–39

17. The authorities agreed with staff views, noting that they intend to adopt an action plan for resolving the troubled public banks before end-2013 and that the draft budget incorporates funding for the bank resolution costs to be incurred during 2014.

18. They underscored the key role of the financial sector for promoting strong growth and indicated that the comprehensive financial sector strategy under preparation will aim at broadening access to medium-and long-term credit. For this purpose, they are still considering retaining some public banks to channel credit to specific sectors. To reduce obstacles to deeper financial intermediation, they plan to gradually extend the operation of commercial courts to outside of Abidjan and will support the central bank's regulations regarding primary dealers and credit bureaus.

C. Policy Theme #3: Maintaining External Stability

19. Preserving external stability through prudent borrowing and addressing non-price competitiveness issues

- **External stability risks are moderate**. CGER model-based approaches suggest the real effective exchange rate is broadly in line with fundamentals, and in line with the regional

[9] Financial sector policies, including banking supervision, are mainly dealt with at the regional level, but resolution is mainly decided at the domestic level.

WAEMU real effective exchange rate assessment.[10] The current account deficit is projected to widen driven by the investment-led growth strategy, with a large part financed through FDI flows and project loans. Côte d'Ivoire's external debt profile improved substantially following HIPC Completion Point in 2012,[11] creating scope for new borrowing. The economy and external stability, however, remain vulnerable to macroeconomic shocks, including lower exports and GDP growth.

- **The authorities are finalizing a medium-term debt strategy (MTDS) which aims to diversify the investor base and lengthen maturities, and are considering issuing a Eurobond in an amount equivalent to US$500 million in 2014.**[12] The amount of public debt held by domestic and regional banks is already sizable (partly because of the forced restructuring of domestic debt arrears during the 2010–11 post electoral crisis) and its average maturity is relatively short.[13] Diversifying the investor base to include international markets and lengthening maturities would improve debt management over the medium term. While the authorities have initiated the process of getting a sovereign rating, they do not see a rating as a precondition for the Eurobond.

- **Further strengthening external stability will require significant improvements in non-price competitiveness indicators**. Several indicators measuring the business environment (including the World Bank's Doing Business, the Global Competitiveness Index, and Global Enabling Trade Index) rank Côte d'Ivoire relatively poorly. Difficulties in accessing financing, corruption, inadequate infrastructure, and legal uncertainty are among the main factors contributing to this ranking.

- **To strengthen competitiveness, the authorities have implemented several measures to improve the business climate.** A new investment code was approved in June 2012, and the electricity and mining codes are being finalized. Substantial progress has been made in reducing the obstacles to doing business through several measures, including the establishment of a center for promoting investments (*Centre de Promotion des Investissements en Côte d'Ivoire)* that provides a one-stop facility for investors, measures to reduce the cost and time required to open up a business; and the creation of a commercial court in Abidjan. Another one-stop facility designed to streamline import procedures is also being planned.

[10] See background note in appendix and the WAEMU Staff Report (IMF Country Report No. 13/92).

[11] External debt declined from 54.9 percent of GDP in 2011 to 30.5 percent in 2012.

[12] This issuance would not result in additional budget spending. The authorities would reduce borrowing on the regional market in 2014 by a similar amount, and could use some of the borrowing space to issue government securities to finance a more rapid retirement of domestic arrears in cash (as opposed to issuing IOUs).

[13] Most of the sovereign debt issued on the regional market has a relatively short maturity: most of the securities issued have a 2–3 year maximum maturity, although some bonds carry a 5-year maturity.

Staff's Views

MEFP ¶17, ¶40

20. A medium-term debt strategy that focuses on debt sustainability and high quality projects will be critical for maintaining external stability. Staff welcomed the preparation of the medium-term debt strategy to better guide financing decisions and ensure prudent borrowing. The mission noted that replacing regional financing with a Eurobond would leave unchanged Côte d'Ivoire's risk of debt distress, and would contribute to broadening the investor base and lengthening maturities. It also noted, however, that the issuance should only take place if offered rates are reasonable. The staff recommended that Côte d'Ivoire wait until it has obtained a sovereign rating since such a rating secures greater access to capital markets, particularly with respect to institutional investors, and better rates.

21. Further significant improvements in the business climate will be needed to strengthen competitiveness and encourage strong private investment. Staff noted that recent improvements to the business climate have not yet been fully taken into account by the competitiveness rankings, with some rankings still based on 2010–11 data. However, even after taking into account the full impact of the recent reforms, significant bottlenecks would remain and much needs to be done to improve the business climate, the effectiveness of the rule of law, governance and anti-corruption efforts to encourage the amount of private investment needed in the years ahead.

Authorities' Views

MEFP ¶41

22. The authorities believed the proposed Eurobond would improve medium-term debt management and partially address their difficulties in mobilizing longer term financing. The authorities noted that the final decision on the Eurobond issuance will depend on the foreseeable market yield, in particular taking into account the foreseen unwinding of unconventional monetary policies in the US.[14]

MEFP Box 1

23. The authorities underscored that the ranking of Côte d'Ivoire in the 2014 Doing Business report had improved as a result of their reform efforts.[15] They acknowledged the need for further progress in this area, and reiterated their commitment to continue introducing reforms, consistent with the NDP's objective of creating one of the best business climates in Africa.

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[14] Given uncertainties on the Eurobond issuance, the program macroframework is based on the assumption that the program is financed through a recourse to the regional market (as in 2013); in case of issuance, a program adjustor would revise upward the ceiling of nonconcessional debt (by US$500 million) and downward the ceiling on net domestic financing (by an equivalent amount) ensuring that the fiscal stance would remain the same with or without the Eurobond issuance and that the proceeds of the issuance are used for asset-liability management.

[15] According to IFC, Côte d'Ivoire is "among the economies improving the most in 2012/13 in areas tracked by Doing Business." Its ranking in the 2014 Doing Business Report is 167th (from 173rd in the 2013 report).

D. Policy Theme #4: Enhancing Governance

MEFP ¶47, ¶48

24. The authorities have passed legislation to strengthen governance but decisive action is needed. Despite recent improvements,[16] Côte d'Ivoire's ratings in various governance indices (including the World Bank's *Worldwide Governance Indicators* and the *Economic Freedom Index* of the Heritage Foundation) remain poor. The government has reiterated its intention to improve governance and emphasized that two ordinances have been adopted in September 2013: one aimed at improving the legal framework to prevent and fight corruption, while the other established the High Authority for Good Governance, the *Haute Autorité pour la Bonne Gouvernance*. The country also became EITI compliant in May 2013. Nonetheless, the amount of public procurement granted on a non-competitive basis reached about 80 percent in the first semester of 2013.

Staff's Views

25. Staff welcomed the governance improvements and urged the government to take further action in this area. The recent legislation designed to reduce corruption and grant special protection to whistle blowers denouncing corruption signals important progress. However, its potential positive impact on private sector investors will only materialize if enforcement is forceful. Staff also highlighted the need to significantly reduce the amount of public procurement granted on a non-competitive basis, and urged that both the spirit and the letter of the procurement code be applied effectively.

Authorities' Views

MEFP ¶17, ¶¶47, 48

26. The authorities indicated that they intend to reduce the share of non-competitive public sector contracts and to grant most of them on a competitive basis. They noted that the council of ministers had adopted a measure aimed at reducing the share of non-competitive contracts and enhancing transparency. They indicated, however, that in some cases they were compelled to award contracts on a non-competitive basis owing to the importance of moving fast on specific key projects. In other cases, because of the limited availability of large-scale concessional financing for projects, rather than stall indefinitely key projects, they had agreed to loans notwithstanding that they were tied to pre-selected companies.

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[16] The recently published 2013 Ibrahim Index of African Governance (IIAG) shows that Côte d'Ivoire has made governance improvements, although its score remains below the continental and regional averages.

PROGRAM ISSUES

A. 2013

27. Fiscal performance was good through end-June 2013. All performance criteria and indicative targets at end-June were met. Revenue slightly exceeded the program target despite VAT and import taxes shortfalls owing mostly to the higher-than-anticipated cost of exemptions under the new investment code adopted in 2012. Expenditures fell below the programmed objective, with externally-financed investment exceeding its target and domestically-financed investment executed at a slower pace.

MEFP ¶¶7, 10, T1

28. The fiscal position for 2013 is expected to improve more than projected. The primary basic deficit is projected to decline from 0.3 percent of GDP to 0.2 percent of GDP, while the overall deficit would decrease from 3.2 percent of GDP to 2.7 percent of GDP. This is largely due to a downward revision of public investment. As noted above, the cash position at end-December is expected to be tight but manageable, reflecting the large amount of domestic debt redemptions falling due as a result of the end-2011 restructuring of the outstanding stock of T-bills into 2-year T-bills, and 3- and 5-year bonds.

MEFP ¶13–15

29. Satisfactory structural reform progress has been made so far, but decisive actions are needed to complete reforms in some key areas. Ten out of 14 structural benchmarks were met through end-October (MEFP Table 2). In particular, progress was made to improve public financial management, with the adoption by the Council of Ministers of the organic laws for fiscal transparency and the budget system law transposing the WAEMU directives; the medium-term expenditure framework (MTEF 2014–16) was also attached to the budget documentation for 2014. A new electricity code was also adopted by the Council of ministers and is awaiting its transmission to the National assembly. However, although considerable progress was made in: (i) drawing up a medium-term strategy for controlling the wage bill; (ii) elaborating a medium-term debt strategy; (iii) finalizing a new mining code; and (iv) preparing an action plan for restructuring public banks (financial and strategic audits have been completed) and another one for regularizing domestic arrears (the arrears have been audited),[17] delays were encountered in completing these reforms by their due date.

MEFP ¶11, T2

[17] The second wave of audits of domestic arrears to suppliers was completed in October 2013. It validated the amount of arrears owned to several thousand creditors: CFAF 152.9 billion (1.1 percent of GDP); the initial amount of arrears to suppliers in the treasury books (before the two waves of audits) stood at CFAF 356 billion (i.e., the audits resulted in 57.1 percent of these arrears being rejected). On November 22, 2013, the Council of Ministers approved a communication detailing the next steps: the government will, by the end of 2013, pay an amount in cash to all creditors which would allow the settlement of the debt owed to small creditors; the remaining outstanding arrears will, depending of the choice of the creditor, be paid off as follows: (i) option 1: in cash in early 2014 (with a

(continued)

MEFP ¶17

30. The authorities are committed to stepping up efforts to complete the planned reforms. This includes, in particular, the adoption of the medium-term wage bill strategy, the reorganization of the debt management unit along functional lines (front-, middle-, back-office), the regularization of domestic arrears to suppliers in line with the action plan expected to be adopted in November 2013, the restructuring of public banks, and the adoption of a financial sector development strategy.

B. 2014

MEFP ¶26–31

31. The draft 2014 budget is built on a conservative macroeconomic scenario and prudent revenue projections. Overall, total tax revenue is projected to remain stable in percentage of GDP relative to its 2013 level. The projected reduction in cocoa revenue, which reflects an expected lower production, would be offset by the good performance of direct and indirect taxes. The government has included specific fiscal measures in the draft 2014 budget to enhance revenue collection. These include, in particular, removing two VAT exemptions, raising the tax rate on the telecommunication sector, aligning the rate of the tax on capital gains with the WAEMU norm, and raising excise taxes on beverages and tobacco. Grants from France, in the context of the debt-for-development swap mechanism (C2D), and from other development partners are expected to rise to 2.4 percent of GDP in 2014 from 1.7 percent of GDP in 2013. In total, revenue and grants are projected to increase from 21.3 percent of GDP in 2013 to 22 percent of GDP in 2014.

32. The authorities are committed to containing current expenditure to allow capital spending to continue growing in 2014. In spite of a higher wage bill (+0.2 percent of GDP), current expenditures are expected to decline by 0.1 percent of GDP owing to a reduction in spending on subsidies, stemming from the government's decision to bill some electricity exports at the marginal cost of production in 2014. The wage bill would increase to deliver on promises made by the previous regimes; in addition, step increases which had been frozen for many years would start being implemented with retroactive effects spread over the medium term. Capital expenditure would continue to increase (+0.5 percent of GDP), focused on infrastructure projects in energy and roads, in line with the National Development Plan.

33. Overall, the fiscal adjustment would continue in 2014. The primary basic deficit would edge down to 0.1 percent of GDP in 2014 from 0.2 percent in 2013, while the overall fiscal deficit would decline from 2.7 percent of GDP in 2013 to 2.3 percent in 2014. The deficit would be financed by a net mobilization of funds in the regional market (2.3 percent of GDP in 2014 against 2.4 percent in 2013), and net external financing (0.4 percent of GDP in 2014 against 0.7 percent in 2013). The

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50 percent reduction of the amount due); (ii) option 2: over three years (30 percent reduction); or (iii) option 3: over 5 years (20 percent reduction). As of end-September 2013, the planned reduction of domestic arrears and debt float foreseen under the 2013 program (CFAF 50 billion) was on track.

somewhat tighter fiscal stance in 2014 reflects: (i) conservative assumptions on the volume of new net additional financing available in the regional market; and (ii) the authorities' prudent decision to build the budget on a solid basis by only including already-committed external loans. If additional resources were to become available, a supplementary budget would be considered.

34. **As regards new structural reforms, the authorities intend to take further actions to improve public financial management**. A consolidated commitment and procurement plan is being prepared to smooth cash management. A stocktaking of various government and public entity accounts in commercial banks and at the BCEAO is planned with a view to setting up a Treasury Single Account. In addition, the government will evaluate the expenditure process and adopt corrective measures to reinforce controls, eliminate exceptional spending procedures, and limit the recourse to cash advances.

35. **The authorities have requested an increase in an amount equivalent to US$500 million in the program's ceiling for 2014 on new nonconcessional external debt to accommodate the issuance of a new Eurobond**.[18] The Eurobond would permit restructuring the government's debt liabilities, notably by lengthening maturities, and widen Côte d'Ivoire's presence on international markets. Staff supports this request while emphasizing that the decision on whether to issue a bond should take into account the implications for overall debt service costs and the need to avoid too high a concentration of external maturities in a relatively short period in the mid-2020s. Côte d'Ivoire's risk of debt distress would remain at a moderate level (see DSA).

MEFP ¶41

36. **Program criteria (PC) will remain unchanged and staff supports the proposed set of quantitative PCs for end-June 2014**. The definitions of the variable monitored are provided in the Technical Memorandum of Understanding (TMU). Structural benchmarks are proposed as shown in the MEFP, Table 2. The new SBs, covering the period through November 2014, focus on public financial management.

STAFF APPRAISAL

37. **Côte d'Ivoire has achieved considerable progress over the last two years**. Under the authorities' program, Côte d'Ivoire is experiencing a strong recovery. The implementation of a number of structural reforms and the surge in public investment, coupled with prudent fiscal policy, have resulted in the removal of infrastructure bottlenecks and improvements in the business climate while boosting demand. These policies have been conducive to sustained high growth, while inflation has remained low.

[18] For the end-June 2014 PCs being set at this review, the ceiling on new nonconcessional external debt is being raised by US$100 million (from US$800 million at end-December 2013 to US$900 million at end-June 2014). This ceiling, as well as the ceiling on net domestic financing, will be further adjusted at the time the Eurobond is issued (see MEFP Table 1, footnote 5).

38. The government's policies should result in inclusive growth and tangible improvements in living standards. Strong growth associated with a high level of pro-poor spending, and structural reforms leading to higher incomes for some groups of farmers, such as in the cocoa sector, should increase jobs and income, raise living standards, and improve access to public services to a wide range of the population.

39. Provided the reform momentum is sustained, the medium-term outlook is positive with continued robust growth and a stable macroeconomic environment. Preliminary indications in 2013 that private sector confidence has increased and that crowding in of private investment is taking place augurs well for the authorities' capacity to achieve sustained growth over the medium term while keeping inflation low. Nevertheless, reaching the authorities' ambitious targets of high growth and poverty reduction will require further reform efforts. At the same time, this medium-term outlook is vulnerable to a significant downside risk: if the foreseen high growth rates do not materialize, it would be important for the authorities to take corrective measures to safeguard fiscal and macroeconomic stability and to strengthen sustainable growth dynamics.

40. Strengthening fiscal sustainability over the medium term and increasing the fiscal space for infrastructure and social spending will require further reforms. The government should enhance revenue mobilization through additional tax policy and administration reform, and curtail widespread exemptions. The staff welcomes the government's commitment to further strengthen public financial management including through a reform of exceptional spending procedures; it urges it to significantly strengthen cash management and cash planning to better manage the bunching of domestic debt payments toward the end of the year. There is also a need to put the electricity sector on a sound financial footing and contain budget subsidies to it.

41. Developing the financial sector will contribute to strong and inclusive growth, through greater financing options for medium-and small companies and broader access to financial services for a larger share of the population. Staff welcomes the authorities' intent to adopt a financial sector reform strategy and urges them to begin implementation as soon as possible. It is encouraged by the progress made in preparing options for the restructuring of public banks and the authorities' planned adoption of an action plan by end-November 2013; it recommends rapid implementation of the first steps of this plan.

42. Preserving external stability will require continued prudent borrowing—largely on concessional terms. Prudent borrowing policies are in particular necessary to avoid any deterioration in Côte d'Ivoire's moderate risk of debt distress. In this regard, staff welcomes the medium-term debt strategy that the authorities plan to adopt by end-November and the reinforcement of debt management capacity. Staff supports the authorities' consideration of a Eurobond issue aimed at improving asset-liability management, while noting that this decision should weigh the implications for overall debt service costs and the need to avoid an excessive concentration of maturities. Staff also urges the authorities to obtain a sovereign rating as a first step, to help obtain the best issuance terms.

43. Further measures to improve the business climate and governance are needed to provide a favorable environment for strong private sector investment. The authorities have made important progress in strengthening the business environment, as demonstrated by the recent improvement in Côte d'Ivoire ratings in the 2014 Doing Business report, and in strengthening the legal framework to prevent and fight corruption. Further enhancements in governance and in the business climate, aimed in particular at enforcing the rule of law, will be key for attracting significant FDI and domestic private investment. Staff urges the authorities to significantly reduce the amount of public procurement granted on a non-competitive basis and to ensure the effective implementation of the spirit and the letter of the procurement code.

44. Program performance has been good. All end-June performance criteria and indicative targets have been met and progress on structural reforms has been solid, although with some delays and missed structural benchmarks.

45. Staff recommends completion of the fourth review and a disbursement of an amount equivalent to SDR 48.78 million under the ECF arrangement. It supports the authorities' request for raising the ceiling for new nonconcessional external debt and the proposed performance criteria for end-June 2014. It is proposed that the next Article IV consultation take place in accordance with the Decision on Article IV consultation cycles for program countries (Decision No. 14747-(10/96), as amended).

Box 2. Côte d'Ivoire: High-Growth in Non-Natural Resource Producing African Countries

Côte d'Ivoire will need to implement a comprehensive reform strategy to reach the ambitious medium-term growth and poverty reduction objectives it is targeting over the medium term. In that context, what can it learn from other African countries that have sustained high growth rates in recent years?

The *Regional Economic Outlook* analyzes the experience of the six LICs in sub-Saharan Africa—Burkina Faso, Ethiopia, Mozambique, Rwanda, Tanzania, and Uganda—that experienced the fastest sustained growth during 1995–2010, although they were not natural resource producers during that time. While these countries followed different paths, their experience demonstrates that a shift in macroeconomic policy making, combined with comprehensive structural reforms and sustained external financing can create the fiscal space to finance productive investment and generate a growth dividend.

The chapter highlights the key points that contributed to this virtuous circle of sustained high growth:

Macroeconomic stability. All countries in the sample show that improved macroeconomic policies, structural reforms, and a greater degree of overall stability are crucial for economic growth. Greater fiscal space—reflecting expenditure prioritization and a combination of debt relief, aid, and greater domestic resource mobilization—can translate into higher levels of social and investment spending, supporting growth in both the near-and medium term. Lower inflation and a more predictable economic environment reduce risks and transaction costs, encouraging private sector activity. Improved macroeconomic policies also help to attract foreign financing, both in the form of foreign aid and private resources, such as FDI.

Effective use of foreign aid. The increased level and predictability of foreign aid enabled a greater focus on medium-term planning and greater opportunities for alignment with national poverty-reduction strategies.

Strong national policy-making institutions. Identifying and translating increased fiscal space into sustainable growth requires effective macro policymaking and strong institutions, in particular regarding PFM capacity.

High investment levels. Sustained high investment levels are crucial to increase the capital stock and boost overall productivity levels. Investment in infrastructure is particularly important, as it promotes private sector development through lowering overall business costs. The lack of an adequate transport infrastructure can bar large segments of the population from access to markets, in particular in rural areas, where poverty is concentrated.

Deeper financial markets. Deeper financial markets support growth by enhancing domestic savings to finance investment. Financial inclusion has tended to lag, and could—including through use of new technologies—be prioritized to make the growth process more inclusive.

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[1] Excerpt from AFR's Fall 2013 REO,"Drivers of Growth in Non-resource-Rich Sub-Saharan African Countries", IMF, Washington DC.

Box 2. Côte d'Ivoire: High-Growth in Non-Natural Resource Producing African Countries (concluded)

Table 1. Output Growth Decomposition

(Contribution to annual growth rates, percent)

Country	Period	Real GDP	Capital stock	Adjusted labor	Education	Total factor productivity
Burkina Faso	1980–90	2.3	2.6	1.0	0.6	-1.8
	1990–2000	4.6	1.7	1.3	0.6	1.0
	2000–10	5.5	1.9	2.8	0.4	0.4
Ethiopia	1980–90	2.2	1.7	0.8	0.7	-1.1
	1990–2000	2.9	0.7	1.0	0.4	0.9
	2000–10	8.1	2.4	2.1	0.3	3.4
Mozambique	1980–90	-0.1	0.7	0.6	-0.1	-1.4
	1990–2000	5.4	2.3	3.9	0.0	-0.8
	2000–10	7.9	2.4	1.9	0.4	3.2
Rwanda	1980–90	1.8	2.8	0.9	0.2	-2.1
	1990–2000	1.7	0.5	-2.2	0.3	3.1
	2000–10	7.7	2.4	2.3	0.2	2.8
Tanzania	1980–90	3.5	-0.2	1.8	0.1	1.6
	1990–2000	3.3	1.2	1.4	0.1	0.6
	2000–10	6.8	2.5	1.6	0.2	2.6
Uganda	1980–90	3.1	0.8	1.5	0.3	0.5
	1990–2000	7.2	2.1	1.2	0.2	3.7
	2000–10	6.4	3.1	1.7	0.2	1.4
Memo item						
Côte d'Ivoire	1980–90	2.8	0.3	2.9	0.2	-0.6
	1990-2000	2.1	0.1	2.2	0.3	-0.5
	2000–10	0.7	0.3	1.4	0.2	-1.2
	2011-13	3.6	1.1	1.9	0.2	0.4

Sources: IMF staff calculations based on Penn World Table, Version 8; the Barro and Lee education attainment dataset; and country household surveys.

Figure 1. Côte d'Ivoire: Real and External Sectors, 2009–14

(Percent of GDP, unless indicated otherwise)

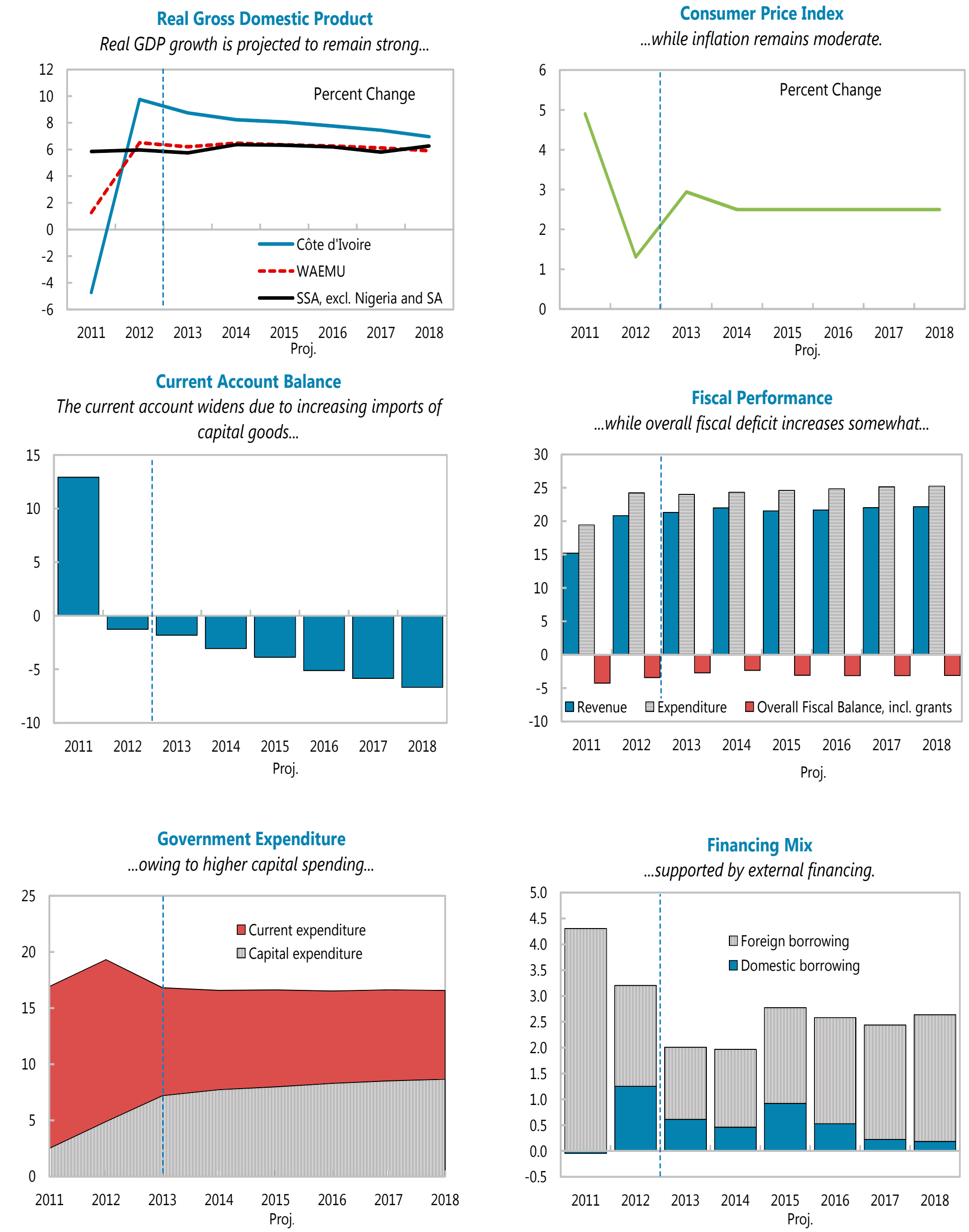
Sources: Ivoirien authorities; and IMF staff estimates and projections.

Figure 2. Côte d'Ivoire: Fiscal Developments, 2009–14

(Percent of GDP, unless indicated otherwise)

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

Figure 3. Côte d'Ivoire: Medium-Term Outlook, 2011–18
(Percent of GDP, unless indicated otherwise)



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

Table 1. Côte d'Ivoire: Selected Economic Indicators, 2011–18

	2011	2012		2013		2014	2015	2016	2017	2018
		Prog.	Est.	Prog.	Proj.			Proj.		
	(Annual percentage changes, unless otherwise indicated)									
National income										
GDP at constant prices	-4.7	9.8	9.8	8.0	8.7	8.2	8.1	7.8	7.5	7.0
GDP deflator	5.0	1.3	1.4	3.2	2.6	2.7	2.5	2.1	2.2	2.1
Consumer price index (annual average)	4.9	1.3	1.3	3.1	2.9	2.5	2.5	2.5	2.5	2.5
Consumer price index (end of period)	2.0	3.4	3.4	1.9	2.0	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	5.3	3.4	5.2	1.3	4.9	9.3	9.0	10.0	11.5	13.0
Imports, f.o.b., at current prices	-20.4	54.1	41.0	6.2	15.5	12.0	12.9	14.0	14.7	14.1
Export volume	-2.0	4.1	5.8	5.3	8.8	10.6	12.2	13.1	13.7	14.7
Import volume	-14.5	48.3	35.7	10.2	19.9	17.1	16.6	16.3	16.0	15.0
Terms of trade (deterioration –)	15.4	-4.4	-4.4	-0.2	0.1	3.3	0.4	-0.8	-0.8	-0.7
Nominal effective exchange rate	0.5	...	...	...	...	...	...	...	...	...
Real effective exchange rate (depreciation –)[1]	1.9	...	-4.1	...	...	...	...	...	...	...
Central government operations										
Total revenue and grants	-22.8	51.9	51.9	14.1	14.5	14.2	8.1	10.6	11.3	9.7
Total expenditure	-11.6	38.3	38.3	12.8	10.8	12.1	11.7	10.8	11.1	9.4
	(Changes in Percent of Beginning-of-Period Broad Money)									
Money and credit										
Money and quasi-money (M2)	12.5	4.4	4.4	16.2	16.6	12.0	10.4	9.9	9.7	9.0
Net foreign assets	9.8	-5.4	-5.4	8.1	7.7	6.0	5.5	4.8	4.9	5.1
Net domestic assets	2.7	9.8	9.8	8.0	8.9	6.0	4.9	5.1	4.8	4.0
Of which: government	1.6	5.5	5.5	2.1	2.1	1.5	0.0	0.3	0.7	0.6
Of which: private sector	2.3	3.9	3.9	5.9	6.8	4.5	4.9	4.9	4.2	3.3
Velocity of money	2.4	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.4	2.4
	(Percent of GDP unless otherwise indicated)									
Central government operations[2]										
Total revenue and grants	20.3	20.8	20.8	21.3	21.3	22.0	21.5	21.7	22.0	22.1
Total revenue	19.9	20.2	20.2	19.7	19.6	19.6	19.4	19.6	20.1	20.4
Total expenditure	25.9	24.2	24.2	24.5	24.0	24.3	24.6	24.8	25.2	25.2
Overall balance, incl. grants, payment order basis	-5.7	-3.4	-3.4	-3.2	-2.7	-2.3	-3.1	-3.2	-3.1	-3.1
Primary basic balance[3]	-2.9	-1.4	-1.4	-0.3	-0.2	-0.1	-0.3	0.0	0.2	0.4
Gross investment	8.2	13.7	13.7	17.8	17.6	19.2	19.6	20.9	21.8	22.5
Central government	2.5	4.9	4.9	7.9	7.2	7.7	8.0	8.3	8.5	8.7
Nongovernment sector	5.7	8.8	8.8	9.9	10.4	11.5	11.6	12.6	13.3	13.8
Gross domestic saving	28.0	18.4	18.9	20.0	20.8	20.3	19.9	19.9	19.9	19.7
Central government	-0.9	2.0	2.0	3.7	3.5	3.5	3.4	3.8	4.2	4.5
Nongovernment sector	28.9	16.3	16.8	16.3	17.3	16.7	16.5	16.1	15.8	15.2
Gross national saving	21.1	12.4	12.4	14.9	15.8	16.2	15.7	15.8	16.0	15.8
Central government	-1.7	1.5	1.5	4.6	4.5	5.4	4.9	5.1	5.4	5.6
Nongovernment sector	22.9	10.9	11.0	10.3	11.3	10.8	10.8	10.7	10.6	10.3
External sector										
Current account balance (including official transfers)	12.9	-1.3	-1.3	-2.9	-1.8	-3.1	-3.9	-5.1	-5.8	-6.7
Current account balance (excluding official transfers)	12.9	-1.9	-1.4	-4.2	-3.2	-5.2	-5.8	-6.9	-7.5	-8.2
Overall balance	1.0	-0.5	-0.5	1.7	1.6	1.5	1.4	1.2	1.1	1.4
Gross public debt	73.5	45.6	48.9	43.2	42.6	40.5	39.2	38.1	37.0	36.0
External public debt	54.9	30.8	30.5	29.9	27.8	27.8	26.3	25.3	24.5	23.9
Public external debt-service due (CFAF billions)	364	245	245	259	253	332	385	424	485	520
Percent of exports of goods and services	5.7	3.6	3.7	3.7	3.5	4.2	4.4	4.4	4.5	4.3
Percent of government revenue	22.1	9.7	9.7	9.4	9.1	10.9	11.5	11.4	11.7	11.3
Memorandum items:										
Public external debt in arrears (percent of GDP)	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP (CFAF billions)	11,360	12,600	12,600	14,035	14,094	15,593	17,216	18,917	20,748	22,617
Nominal exchange rate (CFAF/US$, period average)	471	510	510							
Nominal GDP at market prices (US$ billions)	24.1	24.7	24.7	28.4	28.5	32.1	35.9	39.9	44.2	48.6
Population (million)	22.7	23.4	23.4	24.1	24.1	24.8	25.5	26.3	27.1	27.9
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)	501	539	539	583	586	629	674	719	766	811
Nominal GDP per capita (US$)	1,062	1,057	1,057	1,181	1,184	1,294	1,406	1,516	1,630	1,742
Real GDP per capita growth (percent)	-7.7	6.8	6.8	5.0	5.7	5.2	5.1	4.8	4.5	4.0
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, 2011–18

(In billions of CFA francs, unless otherwise indicated)

	2011	2012		2013		2014	2015	2016	2017	2018
		Prog.	Prel.	Prog.	Proj.			Proj.		
Trade balance	2,744.2	1,285.8	1,787.7	1,071.2	1,416.8	1,410.6	1,324.1	1,204.0	1,115.9	1,171.4
Exports, f.o.b.	5,806.9	6,006.0	6,107.0	6,084.9	6,407.6	7,000.4	7,632.6	8,398.2	9,364.5	10,584.9
Of which: cocoa	1,969.4	1,571.4	1,571.4	1,523.6	1,546.4	1,504.1	1,524.5	1,495.9	1,471.5	1,463.4
Of which: crude oil and refined oil products	1,740.4	1,772.5	1,489.3	1,851.7	1,545.7	1,488.3	1,585.4	1,609.4	1,669.7	1,707.6
Imports, f.o.b.	-3,062.7	-4,720.2	-4,319.3	-5,013.7	-4,990.7	-5,589.8	-6,308.5	-7,194.2	-8,248.6	-9,413.4
Of which: crude oil	-826.8	-1,482.0	-1,251.8	-1,483.0	-1,311.0	-1,369.6	-1,390.1	-1,437.9	-1,492.2	-1,634.3
Services (net)	-995.2	-1,205.6	-1,640.5	-1,306.6	-1,508.3	-1,830.6	-1,897.5	-2,062.0	-2,213.0	-2,549.5
Receipts	854.5	1,011.0	656.0	1,127.8	934.7	1,038.3	1,172.1	1,324.0	1,538.2	1,679.8
Factor income	109.8	111.4	111.3	124.1	124.6	139.2	155.2	172.2	190.8	210.1
Other services	744.7	899.6	544.7	1,003.7	810.2	899.2	1,016.9	1,151.8	1,347.4	1,469.7
Payments	-1,849.7	-2,216.6	-2,296.6	-2,434.4	-2,443.0	-2,868.9	-3,069.6	-3,386.0	-3,751.2	-4,229.3
Factor income	-607.0	-620.8	-620.8	-667.2	-671.3	-722.9	-778.6	-835.5	-895.4	-954.6
Of which : central government interest due	-129.7	-153.4	-153.4	-99.6	-100.5	-89.0	-122.2	-133.9	-150.7	-165.5
Other services	-1,242.7	-1,595.8	-1,675.8	-1,767.2	-1,771.7	-2,146.0	-2,291.0	-2,550.5	-2,855.8	-3,274.8
Transfers (net)	-281.1	-244.2	-305.3	-169.5	-163.0	-57.8	-94.1	-110.7	-116.6	-133.2
Private	-289.2	-322.8	-322.7	-359.6	-361.0	-394.2	-423.7	-447.1	-464.2	-471.7
Current account including official transfers	1,467.9	-164.0	-158.1	-404.9	-254.4	-477.8	-667.5	-968.7	-1,213.7	-1,511.3
Current account excluding official transfers	1,459.8	-242.6	-175.5	-595.0	-452.5	-814.1	-997.2	-1,305.1	-1,561.2	-1,849.8
Capital account	-1,352.1	102.0	96.1	639.8	484.9	715.5	915.1	1,199.2	1,445.4	1,836.0
Official medium- and long-term loans (net)	26.4	-253.3	-253.3	154.0	105.1	67.2	133.8	185.3	170.0	169.5
Project loans	30.6	54.0	54.0	313.4	257.5	306.5	367.8	441.4	441.4	441.4
Other bilateral and multilateral loans (AFD loan)	229.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HIPC Completion Point stock of debt relief	...	...	2,525.6	...	...	...	...	0.0	0.0	1.0
Central government amortization due	-233.8	-316.2	-316.2	-159.4	-152.4	-239.3	-234.0	-256.1	-271.3	-271.8
HIPC Completion Point debt cancellation	...	...	-2,516.7	...	...	...	...	0.0	0.0	-1.0
Foreign direct investments	127.8	231.2	231.2	416.2	416.1	461.9	508.0	558.8	614.7	645.5
Other private capital	-1,506.2	124.1	118.2	69.6	-36.3	186.4	273.3	455.1	660.7	1,021.0
Government securities sold to WAEMU banks	49.9	60.5	60.5	151.2	91.0	167.4	184.8	203.1	222.7	242.8
Others	-1,427.4	225.8	219.9	83.5	37.8	162.2	247.2	451.5	645.6	976.7
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	115.8	-62.0	-62.0	234.9	230.4	237.7	247.6	230.5	231.7	324.7
Financing	-115.8	62.0	62.0	-398.7	-379.8	-345.3	-351.8	-337.9	-378.0	-431.5
Official net reserves (increase -)	-292.2	347.6	347.6	-398.7	-379.8	-425.3	-251.8	-337.9	-378.0	-431.5
Operations account	-402.9	259.9	259.9	-398.7	-379.8	-421.9	-223.3	-303.9	-314.5	-349.2
IMF (net)	110.7	87.7	87.7	0.0	0.0	-3.4	-28.5	-34.0	-63.4	-82.3
Disbursements	121.6	102.1	102.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments[1]	-10.9	-14.4	-14.4	0.0	0.0	-3.4	-28.5	-34.0	-63.4	-82.3
Commercial banks (net)	-119.3	-91.5	-91.5	0.0	0.0	80.0	-100.0	0.0	0.0	0.0
Debt relief obtained	248.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net change in external arrears (principal and interest)	47.1	-194.1	-194.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	0.0	163.8	149.4	107.6	104.3	107.4	146.2	106.8
Possible financing 2011-14 (excluding IMF)		3,093.2	0.0	88.7	74.3	47.6	0.0	0.0	0.0	0.0
Program grants and loans		0.0	0.0	88.7	74.3	47.6	0.0	0.0	0.0	0.0
World Bank grant		0.0	0.0	25.0	25.0	25.0	0.0	0.0	0.0	0.0
AfDB grant		0.0	0.0	24.3	9.9	4.2	0.0	0.0	0.0	0.0
EU grant		0.0	0.0	39.4	39.4	18.4	0.0	0.0	0.0	0.0
Debt relief		3,093.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual gap		-3,093.2	0.0	75.1	75.1	60.0	104.3	107.4	146.2	106.8
Of which : IMF-ECF		0.0	0.0	75.1	75.1	60.0	0.0	0.0	0.0	0.0
Memorandum items:										
Overall balance (percent of GDP)	1.0	-0.5	-0.5	1.7	1.6	1.5	1.4	1.2	1.1	1.4
Current account incl. official transfers (percent of GDP)	12.9	-1.3	-1.3	-2.9	-1.8	-3.1	-3.9	-5.1	-5.8	-6.7
Current account excl. official transfers (percent of GDP)	12.9	-1.9	-1.4	-4.2	-3.2	-5.2	-5.8	-6.9	-7.5	-8.2
Trade balance (percent of GDP)	24.2	10.2	14.2	7.6	10.1	9.0	7.7	6.4	5.4	5.2
Cocoa exports (thousand tons)	1,374	1,298	1,298	1,334	1,312	1,288	1,323	1,360	1,399	1,438
Cocoa beans export price, f.o.b (CFAF/kg)	1,331	1,105	1,105	1,069	1,072	1,042	1,025	976	932	921
Gross imputed official reserves (US$ million)	4,205	3,378	3,378	4,298	4,250	5,192	5,728	6,431	7,163	7,984
(percent of broad money)	42.1	35.1	35.1	...	...	...	...	...	...	...
WAEMU gross official reserves (billions of US$)	15.5	13.5	13.5	...	...	...	...	...	...	...
(percent of broad money)	55.0	51.2	51.2	...	...	...	...	...	...	...
(months of WAEMU imports of GNFS)	5.9	5.2	5.2	...	...	...	...	...	...	...
Outstanding arrears (year-end)	197	3	0	0	0	0	0	0	0	0
Public external debt service/exports g&s (percent)	5.5	3.5	3.6	3.6	3.4	4.1	4.4	4.4	4.5	4.2
Nominal GDP	11,360	12,600	12,600	14,035	14,094	15,593	17,216	18,917	20,748	22,617

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

[1] In 2012, this includes Fund' s debt cancellation following the HIPC completion point.

Table 3a. Côte d'Ivoire: Fiscal Operations of the Central Government, 2011–18
(In billions of CFA francs, unless otherwise indicated)

	2011[1/]	2012		2013		2014	2015	2016	2017	2018
		Prog.	Est.	Prog.	Proj.			Proj.		
Total revenue and grants	1,725.9	2,621.4	2,621.4	2,992.0	3,002.4	3,428.9	3,707.4	4,101.6	4,567.0	5,008.5
Total revenue	1,693.0	2,540.2	2,540.2	2,764.5	2,766.8	3,051.0	3,331.9	3,714.8	4,164.2	4,609.7
Tax revenue	1,493.2	2,213.0	2,213.0	2,391.4	2,384.1	2,642.3	2,891.9	3,231.3	3,627.2	4,031.8
Direct taxes	507.9	720.4	720.4	693.6	718.4	817.7	898.6	1,003.0	1,121.6	1,236.7
Of which: profit tax on oil	154.9	213.5	213.5	126.4	110.8	123.0	147.6	162.4	178.6	196.5
Indirect taxes	985.3	1,492.5	1,492.5	1,697.8	1,665.6	1,824.6	1,993.3	2,228.3	2,505.6	2,795.0
Nontax revenue	199.8	327.2	327.2	373.1	382.7	408.7	439.9	483.4	537.0	578.0
Social security contributions	130.9	235.9	235.9	286.7	298.7	317.0	342.8	370.4	413.1	457.8
Other	68.9	91.3	91.3	86.5	84.0	91.7	97.2	113.0	123.9	120.2
Of which: PETROCI dividends	12.0	0.0	0.0	24.6	23.0	21.2	25.4	28.0	30.8	33.9
Grants	32.9	81.2	81.2	227.5	235.6	377.9	375.5	386.9	402.9	398.8
Projects	21.9	51.5	51.5	122.3	130.4	221.3	244.3	268.5	294.5	300.4
Programs (incl. crisis-related)	11.0	29.7	29.7	105.2	105.2	156.6	131.2	118.4	108.4	98.4
Total expenditure	2,208.7	3,054.0	3,054.0	3,445.4	3,384.5	3,793.4	4,238.9	4,697.5	5,219.5	5,710.7
Current expenditure	1,923.9	2,436.0	2,436.0	2,343.9	2,371.0	2,587.4	2,863.3	3,127.4	3,451.8	3,750.8
Wages and salaries	719.7	934.6	934.6	1,038.9	1,039.2	1,186.2	1,360.0	1,460.0	1,557.0	1,620.2
Social security benefits	181.8	229.2	229.2	235.6	238.0	240.3	258.2	283.8	315.9	367.0
Subsidies and other current transfers (incl. education and health)	314.6	410.6	410.6	286.0	317.0	326.0	361.5	397.3	435.7	475.0
Of which: Electricity sector subsidy	104.5	137.1	137.1	45.9	76.7	63.3	70.0	70.0	0.0	0.0
Other current expenditure	413.1	572.1	572.1	546.8	539.0	582.8	637.0	718.8	850.7	972.5
Of which: toxic waste damage	0.0	5.0	5.0	5.0	5.0	0.0	0.0	0.0	0.0	0.0
Crisis-related expenditure	75.4	56.5	56.5	40.4	40.7	47.5	0.0	0.0	0.0	0.0
Interest due	219.3	233.0	233.0	196.2	197.1	204.7	246.5	267.6	292.4	316.0
On domestic debt	89.6	79.6	79.6	96.6	96.6	115.7	124.3	133.7	141.8	150.6
On external debt	129.7	153.4	153.4	99.6	100.5	89.0	122.2	133.9	150.7	165.5
Capital expenditure	285.7	615.8	615.8	1,103.1	1,015.1	1,206.0	1,375.6	1,570.1	1,767.8	1,959.9
Domestically financed	237.2	510.3	510.3	667.4	627.2	678.2	763.5	860.3	965.8	1,075.9
Foreign-financed	48.5	105.5	105.5	435.7	387.9	527.8	612.1	709.8	802.0	884.1
Net lending	-0.9	2.3	2.3	-1.7	-1.7	0.0	0.0	0.0	0.0	0.0
Primary basic balance [2/]	-248.0	-170.4	-170.4	-44.0	-27.7	-9.9	-48.4	-5.4	39.1	99.2
Overall balance, including grants	-482.9	-432.7	-432.7	-453.4	-382.1	-364.5	-531.6	-595.9	-652.5	-702.2
Overall balance, excluding grants	-515.7	-513.9	-513.9	-680.9	-617.7	-742.4	-907.1	-982.8	-1,055.4	-1,100.9
Change in domestic arrears and float (excl. on debt service)	-25.7	95.4	95.4	-50.0	-50.0	-50.0	-50.0	0.0	0.0	0.0
Net change in external arrears (interests)	26.5	-65.0	-65.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in existing arrears	-70.4	-65.0	-65.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulation of new arrears	96.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-482.1	-402.3	-402.3	-503.4	-432.1	-414.5	-581.6	-595.9	-652.5	-702.2

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

1/ 2011 aggregates are based on Q2-Q4.

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

Table 3a. Côte d'Ivoire: Fiscal Operations of the Central Government, 2011–18 (concluded)
(In billions of CFA francs, unless otherwise indicated)

	2011[1/]	2012		2013		2014	2015	2016	2017	2018
		Prog.	Est.	Prog.	Proj.			Proj.		
Financing	482.1	402.3	402.3	503.4	432.1	414.5	581.6	595.9	652.5	702.2
Domestic financing	-6.9	156.6	156.6	34.3	86.6	72.3	158.7	100.2	47.3	41.7
Bank financing (net)	-1.9	192.0	192.0	33.7	138.0	17.7	46.9	14.9	-26.3	-38.5
Net use of Fund resources[2/]	110.7	87.7	87.7	0.0	36.6	-3.4	-28.5	-34.0	-63.4	-82.3
Central bank credit (net)	-95.6	23.6	23.6	-49.1	-71.8	-36.4	-36.4	-36.4	-36.4	-36.4
Other domestic bank financing (net)	-17.1	80.7	80.7	82.8	173.2	57.5	111.8	85.3	73.6	80.2
Nonbank financing (net)	-4.9	-35.4	-35.4	0.6	-51.4	54.6	111.8	85.3	73.6	80.2
External financing	489.0	245.7	245.7	305.2	196.1	234.6	318.6	388.3	459.0	554.7
Consolidation (bonds)	34.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project loans	30.6	54.0	54.0	313.4	257.5	306.5	367.8	441.4	507.6	583.7
Program loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WAEMU financing (government securities in CFAF)	49.9	60.5	60.5	151.2	91.0	167.4	184.8	203.1	222.7	242.8
Amortization due	-233.8	-316.2	-316.2	-159.4	-152.4	-239.3	-234.0	-256.1	-271.3	-271.8
HIPC Completion Point debt cancellation[3/]	...	...	-2,516.7	...	...	...	...	0.0	0.0	0.0
Net change in external arrears (principal)	20.6	-129.1	-129.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in existing arrears	-158.9	-130.4	-130.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulation of new arrears	179.5	1.3	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief and budget support	621.7	...	3,093.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HIPC Completion Point stock relief[3/]	...	...	2,525.6	...	...	...	...			
Official bilaterals, incl. Paris Club	478.2	...	113.8	...	...	...	...			
EIB	2.0	...	0.0	...	...	...	...			
World Bank budget support	71.5	...	0.0	...	...	...	...			
AfDB budget support	70.0	...	0.0	...	...	...	...			
EU budget support			31.0	...	...	...	...			
Financing gap (+ deficit / – surplus)	0.0	0.0	0.0	163.8	149.4	107.6	104.3	107.4	146.2	105.8
Possible financing 2011-14 (excluding IMF)	...	3,093.2	...	88.7	74.3	47.6	0.0	0.0	0.0	0.0
Program grants and loans	...	0.0	...	88.7	74.3	47.6	...	...	...	...
World Bank grant	...	0.0	...	25.0	25.0	25.0	...	...	...	...
AfDB grant	...	0.0	...	24.3	9.9	4.2	...	...	...	...
EU grant	...	0.0	...	39.4	39.4	18.4	...	...	...	...
	...		...							
Debt relief		3,093.2		0.0	0.0	0.0	0.0	0.0	0.0	0.0
	...		...							
Residual gap	...	-3,093.2	...	75.1	75.1	60.0	104.3	107.4	146.2	105.8
Of which: IMF-ECF		0.0		75.1	75.1	60.0	0.0	0.0	0.0	0.0
Memorandum items:										
Change in domestic arrears (excl. on debt service)	-25.7	95.4	95.4	-50.0	-50.0	-50.0	-50.0	0.0	0.0	0.0
External debt	6,236	3,885	3,843	4,198	3,923	4,329	4,535	4,785	5,092	5,412
Of which: in arrears	197	3	0	0	0	0	0	0	0	0
Pro-poor spending (including foreign financed)	843.4	980.0	980.0	1,152.8	1,152.8	1,291.5	...	...	...	...

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. In 2012, the amount includes Fund' s debt cancellation following HIPC completion point.

[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, 2011–18
(In percent of GDP, unless otherwise indicated)

	2011[1/]	2012		2013		2014	2015	2016	2017	2018
		Prog.	Est.	Prog.	Proj.	Proj.				
Total revenue and grants	20.3	20.8	20.8	21.3	21.3	22.0	21.5	21.7	22.0	22.1
Total revenue	19.9	20.2	20.2	19.7	19.6	19.6	19.4	19.6	20.1	20.4
Tax revenue	17.5	17.6	17.6	17.0	16.9	16.9	16.8	17.1	17.5	17.8
Direct taxes	6.0	5.7	5.7	4.9	5.1	5.2	5.2	5.3	5.4	5.5
Of which : profit tax on oil	1.8	1.7	1.7	0.9	0.8	0.8	0.9	0.9	0.9	0.9
Indirect taxes	11.6	11.8	11.8	12.1	11.8	11.7	11.6	11.8	12.1	12.4
Nontax revenue	2.3	2.6	2.6	2.7	2.7	2.6	2.6	2.6	2.6	2.6
Social security contributions	1.5	1.9	1.9	2.0	2.1	2.0	2.0	2.0	2.0	2.0
Other	0.8	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.5
Of which : PETROCI dividends	0.1	0.0	0.0	0.2	0.2	0.1	0.1	0.1	0.1	0.1
Grants	0.4	0.6	0.6	1.6	1.7	2.4	2.2	2.0	1.9	1.8
Projects	0.3	0.4	0.4	0.9	0.9	1.4	1.4	1.4	1.4	1.3
Programs (incl. crisis-related)	0.1	0.2	0.2	0.7	0.7	1.0	0.8	0.6	0.5	0.4
Total expenditure	25.9	24.2	24.2	24.5	24.0	24.3	24.6	24.8	25.2	25.2
Current expenditure	22.6	19.3	19.3	16.7	16.8	16.6	16.6	16.5	16.6	16.6
Wages and salaries	8.4	7.4	7.4	7.4	7.4	7.6	7.9	7.7	7.5	7.2
Social security benefits	2.1	1.8	1.8	1.7	1.7	1.5	1.5	1.5	1.5	1.6
Subsidies and other current transfers (incl. education and health)	3.7	3.3	3.3	2.0	2.2	2.1	2.1	2.1	2.1	2.1
Of which: Electricity sector subsidy	1.2	1.1	1.1	0.3	0.5	0.4	0.4	0.4	0.0	0.0
Other current expenditure	4.8	4.5	4.5	3.9	3.8	3.7	3.7	3.8	4.1	4.3
Of which: toxic waste damage	0.0	0.0	0.0	0.0	...	...	...	...	...	...
Crisis-related expenditure	0.9	0.4	0.4	0.3	0.3	0.3	0.0	0.0	0.0	0.0
Interest due	2.6	1.8	1.8	1.4	1.4	1.3	1.4	1.4	1.4	1.4
On domestic debt	1.1	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7
On external debt	1.5	1.2	1.2	0.7	0.7	0.6	0.7	0.7	0.7	0.7
Capital expenditure	3.4	4.9	4.9	7.9	7.2	7.7	8.0	8.3	8.5	8.7
Domestically financed	2.8	4.1	4.1	4.8	4.5	4.3	4.4	4.5	4.7	4.8
Foreign-financed	0.6	0.8	0.8	3.1	2.8	3.4	3.6	3.8	3.9	3.9
Net lending	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary basic balance [2/]	-2.9	-1.4	-1.4	-0.3	-0.2	-0.1	-0.3	0.0	0.2	0.4
Overall balance, including grants	-5.7	-3.4	-3.4	-3.2	-2.7	-2.3	-3.1	-3.2	-3.1	-3.1
Overall balance, excluding grants	-6.1	-4.1	-4.1	-4.9	-4.4	-4.8	-5.3	-5.2	-5.1	-4.9
Change in domestic arrears (excl. on debt service)	-0.3	0.8	0.8	-0.4	-0.4	-0.3	-0.3	0.0	0.0	0.0
Net change in external arrears (interest)	0.3	-0.5	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in existing arrears	-0.8	-0.5	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulation of new arrears	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-5.7	-3.2	-3.2	-3.6	-3.1	-2.7	-3.4	-3.2	-3.1	-3.1

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, 2011–18 (concluded)
(In percent of GDP, unless otherwise indicated)

	2011[1/]	2012		2013		2014	2015	2016	2017	2018
		Prog.	Est.	Prog.	Proj.			Proj.		
Financing	5.7	3.2	3.2	3.6	3.1	2.7	3.4	3.2	3.1	3.1
Domestic financing	-0.1	1.2	1.2	0.2	0.6	0.5	0.9	0.5	0.2	0.2
Bank financing (net)	0.0	1.5	1.5	0.2	1.0	0.1	0.3	0.1	-0.1	-0.2
Net use of Fund resources[2/]	1.3	0.7	0.7	0.0	0.3	0.0	-0.2	-0.2	-0.3	-0.4
Central bank credit (net)	-1.1	0.2	0.2	-0.3	-0.5	-0.2	-0.2	-0.2	-0.2	-0.2
Other domestic bank financing (net)	-0.2	0.6	0.6	0.6	1.2	0.4	0.6	0.5	0.4	0.4
Nonbank financing (net)	-0.1	-0.3	-0.3	0.0	-0.4	0.4	0.6	0.5	0.4	0.4
External financing	5.7	2.0	2.0	2.2	1.4	1.5	1.9	2.1	2.2	2.5
Consolidation (bonds)	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project loans	0.4	0.4	0.4	2.2	1.8	2.0	2.1	2.3	2.4	2.6
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)	0.6	0.5	0.5	1.1	0.6	1.1	1.1	1.1	1.1	1.1
Amortization due	-2.7	-2.5	-2.5	-1.1	-1.1	-1.5	-1.4	-1.4	-1.3	-1.2
HIPC Completion Point stock cancellation [3/]	...	...	-20.0	...	...	...	...			
Net change in external arrears (principal)	0.2	-1.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in existing arrears	-1.9	-1.0	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accumulation of new arrears	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief and budget support	7.3	...	24.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HIPC Completion Point stock relief [3/]	...	...	20.0	...	... ...	...	...			
Official bilaterals, incl. Paris Club	5.6	...	0.9	...	... ...	...	...			
EIB	0.0	...	0.0	...	... ...	...	...			
World Bank budget support	0.8	...	0.0	...	... ...	...	...			
AfDB budget support	0.8	...	0.0	...	... ...	...	...			
EU budget support	...		0.2	...	... ...	...	...			
Financing gap (+ deficit / – surplus)	0.0	0.0	0.0	1.2	1.1	0.7	0.6	0.6	0.7	0.5
Possible financing 2011-14 (excluding IMF)	...	24.5	...	0.6	0.5	0.3	0.0	0.0	0.0	0.0
Program grants and loans	...	0.0	...	0.6	0.5	0.3	...	...	...	...
World Bank grant	...	0.0	...	0.2	0.2	0.2	...	...	...	...
AfDB grant	...	0.0	...	0.2	0.1	...	...	...	...	...
EU grant	...	0.0	...	0.3	...	...	...	...	...	...
	...		...							
Debt relief	...	24.5	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual gap	...	-24.5	...	0.5	0.5	0.4	0.6	0.6	0.7	0.5
Of which: IMF-ECF	...	0.0	...	0.5	0.5	0.4	0.0	0.0	0.0	0.0
Memorandum items:										
Change in domestic arrears (excl. on debt service)	-0.3	0.8	0.8	-0.4	-0.4	-0.3	-0.3	0.0	0.0	0.0
External debt	73.2	30.8	30.5	29.9	27.8	27.8	26.3	25.3	24.5	23.9
Of which: in arrears	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pro-poor spending (including foreign financed)	9.9	7.8	7.8	8.2	8.2	8.3	...	...	...	...

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. In 2012, the amount includes Fund' s debt cancellation following HIPC completion point.

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

Table 4. Côte d'Ivoire: Monetary Survey, 2011–18

	2011	2012		2013		2014	2015	2016	2017	2018
		Prog.	Est.	Prog.	Proj.	Proj.				
				(Billions of CFA francs)						
Net foreign assets	1,813.0	1,556.9	1,556.9	1,955.6	1,936.7	2,282.0	2,633.8	2,971.7	3,349.7	3,781.1
Central bank	1,644.1	1,296.5	1,296.5	1,695.2	1,676.3	2,101.6	2,353.4	2,691.3	3,069.3	3,500.7
Banks	168.9	260.4	260.4	260.4	260.4	180.4	280.4	280.4	280.4	280.4
Net domestic assets	2,892.1	3,354.7	3,354.7	3,749.6	3,792.4	4,135.0	4,450.9	4,813.1	5,188.7	5,526.4
Net credit to the government	874.1	1,132.2	1,132.2	1,236.0	1,236.0	1,321.2	1,321.4	1,339.2	1,391.0	1,442.9
Central Bank	530.4	631.8	631.8	675.6	675.6	700.8	641.0	575.6	544.3	513.0
Banks	343.7	500.4	500.4	560.4	560.4	620.4	680.4	763.6	846.7	929.9
Of which : customs bills	-7.1	-7.1	-7.1	-7.1	-7.1	-7.1	-7.1	-7.1	-7.1	-7.1
Postal savings (CNCE)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Credit to the economy	2,142.8	2,326.4	2,326.4	2,617.6	2,660.3	2,917.7	3,233.5	3,577.8	3,901.6	4,187.5
Crop credits	120.8	156.0	156.0	151.3	153.5	149.3	151.3	148.5	146.1	145.3
Other credit (including customs bills)	1,932.5	2,152.3	2,152.3	2,466.3	2,506.8	2,768.4	3,082.1	3,429.2	3,755.5	4,042.2
Other items (net) (assets = +)	-124.8	-103.9	-103.9	-103.9	-103.9	-103.9	-103.9	-103.9	-103.9	-103.9
Broad money	4,705.1	4,911.6	4,911.6	5,705.2	5,729.1	6,417.0	7,084.8	7,784.8	8,538.4	9,307.6
Currency in circulation	1,661.7	1,591.5	1,591.5	1,843.0	1,850.7	2,066.5	2,274.4	2,491.3	2,724.0	2,960.1
Deposits	3,009.2	3,251.0	3,251.0	3,831.4	3,797.8	4,260.3	4,710.7	5,183.9	5,694.3	6,216.5
Other deposits	34.2	69.1	69.1	30.8	80.6	90.3	99.7	109.5	120.1	130.9
Postal savings (CNCE)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum item:										
Velocity of circulation	2.4	2.6	2.6	2.5	2.5	2.4	2.4	2.4	2.4	2.4
					(Changes in percent of beginning-of-period broad money)					
Net foreign assets	9.8	-5.4	-5.4	8.1	7.7	6.0	5.5	4.8	4.9	5.1
Net domestic assets	2.7	9.8	9.8	8.0	8.9	6.0	4.9	5.1	4.8	4.0
Net credit to the government	1.6	5.5	5.5	2.1	2.1	1.5	0.0	0.3	0.7	0.6
Central bank	1.0	2.2	2.2	0.9	0.9	0.4	-0.9	-0.9	-0.4	-0.4
Banks	0.6	3.3	3.3	1.2	1.2	1.0	0.9	1.2	1.1	1.0
Credit to the economy	2.3	3.9	3.9	5.9	6.8	4.5	4.9	4.9	4.2	3.3
Broad money	12.5	4.4	4.4	16.2	16.6	12.0	10.4	9.9	9.7	9.0
					(Changes in percent of previous end-of-year)					
Net foreign assets	29.4	-14.1	-14.1	25.6	24.4	17.8	15.4	12.8	12.7	12.9
Net domestic assets	4.1	16.0	16.0	11.8	13.0	9.0	7.6	8.1	7.8	6.5
Net credit to the government	8.3	29.5	29.5	9.2	9.2	6.9	0.0	1.3	3.9	3.7
Central bank	9.0	19.1	19.1	6.9	6.9	3.7	-8.5	-10.2	-5.4	-5.8
Banks	7.2	45.6	45.6	12.0	12.0	10.7	9.7	12.2	10.9	9.8
Credit to the economy	4.8	8.6	8.6	12.5	14.4	9.7	10.8	10.6	9.1	7.3
Broad money	12.5	4.4	4.4	16.2	16.6	12.0	10.4	9.9	9.7	9.0

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

Table 5. Côte d'Ivoire: External Financing Requirements, 2011–15
(In billions of CFA francs)

	2011	2012		2013		2014	2015
		Prog.	Est.	Prog.	Proj.	Proj.	
External financing requirements	-638.5	-243.6	-173.5	-667.3	-604.9	-750.5	-801.7
Current account balance (excluding official transfers)	1459.8	-242.6	-175.5	-595.0	-452.5	-814.1	-997.2
Amortization[1/]	-233.8	-316.2	-307.3	-159.4	-152.4	-239.3	-234.0
Fund repayments	-10.9	-14.4	-14.4	0.0	0.0	-3.4	-28.5
Private capital, net (commercial banks, FDIs, errors and omissions)	-1497.7	263.8	257.9	485.8	379.8	728.3	681.3
Net change in external arrears (interest and principal) (+=accumulation)	47.1	-194.1	-194.1	0.0	0.0	0.0	0.0
Change in net external reserves without IMF (- = increase)	-402.9	259.9	259.9	-398.7	-379.8	-421.9	-223.3
Available financing	638.5	234.7	173.5	503.5	455.5	642.9	697.4
Project financing	30.6	54.0	54.0	313.4	257.5	306.5	367.8
Program financing	229.6	0.0	0.0	0.0	0.0	0.0	0.0
Fund disbursements	121.6	102.1	102.1	0.0	0.0	0.0	0.0
Official transfers	8.1	78.6	17.4	190.1	198.0	336.4	329.6
Debt relief obtained	248.6	0.0	0.0	0.0	0.0	0.0	0.0
Financing gap	0.0	-8.9	0.0	-163.8	-149.4	-107.6	-104.3
Expected sources of financing			0.0	90.7	74.3	47.6	0.0
World Bank grant			0.0	25.0	25.0	25.0	0.0
AfDB grant			0.0	24.3	9.9	4.2	0.0
WAEMU grant			0.0	2.0	39.4	18.4	0.0
EU grant			0.0	39.4			
Debt relief			0.0	0.0	0.0	0.0	0.0
Residual gap			0.0	75.1	75.1	60.0	104.3
Possible IMF ECF			0.0	75.1	75.1	60.0	0.0

Sources: Ivoirien authorities; IMF staff estimates and projections.

[1/] In 2012, the amount includes the impact of the HIPC Completion Point.

Table 6. Côte d'Ivoire: Financial Soundness Indicators for the Banking Sector, 2008–13

	2008	2009	2010	2011	2012	2013 [1]
	(Percent, end of period, unless otherwise indicated)					
Capital Adequacy						
Risk-weighted capital to assets ratio	9.3	10.2	12.5	9.7	8.8	9.4
Percentage of banks greater or equal to 10 percent	60.0	63.2	52.4	54.6	62.5	60.0
Percentage of banks below 10 and above 8 percent	10.0	5.3	19.1	13.6	8.3	16.0
Percentage of banks below 8 percent minimum	30.0	31.6	28.6	31.8	29.2	24.0
Asset quality						
Total loans/total assets	72.7	69.8	66.9	56.7	57.8	57.3
Nonperforming loans (NPLs)						
NPLs/total loans	19.5	17.0	16.4	16.3	16.1	16.6
NPLs net of provisions/total loans	5.2	4.1	4.1	5.3	3.4	3.7
Provisions/NPLs	77.3	75.9	74.9	67.3	78.9	79.6
Management						
Personnel costs/net revenue	71.4	82.2	88.4	87.3	79.0	*n.a.*
Earnings and profitability						
Return on assets	-0.5	2.0	-0.8	-3.0	1.1	*n.a.*
Return on equity	-6.8	22.3	-9.4	-4.5	13.4	*n.a.*
Liquidity						
Liquid assets/total assets	42.0	42.1	42.6	50.3	47.1	47.9
Loans/deposits	95.8	92.8	87.2	71.3	75.7	72.7
Liquid assets/total deposits	55.4	55.9	55.6	63.2	61.6	60.7

Source: BCEAO.

1/ June 2013.

Table 7. Côte d'Ivoire: Indicators of Capacity to Repay the Fund, 2011–22

	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	0.0	0.0	4.6	39.0	46.2	85.2	109.6	98.5	75.5	68.3	29.3
Charges and interest [1/]	0.1	0.0	0.0	0.0	1.4	1.3	1.1	0.9	0.6	0.4	0.2	0.1
Fund obligations based on existing and prospective credit [2/]												
(In millions of SDRs)												
Principal	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	0.0	0.0	0.0	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	0.0	0.0	4.7	40.7	47.8	86.6	110.8	114.1	102.1	94.7	55.5
In billions of CFA francs	8.8	0.0	0.0	3.5	30.0	35.1	63.4	80.8	83.2	74.4	69.0	40.5
In percent of government revenue	0.5	0.0	0.0	0.1	0.8	0.9	1.4	1.6	1.5	1.2	1.1	0.6
In percent of exports of goods and services	0.1	0.0	0.0	0.0	0.3	0.4	0.6	0.7	0.6	0.5	0.4	0.2
In percent of debt service [3/]	2.3	0.0	0.0	1.0	7.9	8.4	13.4	16.0	15.8	14.6	13.4	7.0
In percent of GDP	0.1	0.0	0.0	0.0	0.2	0.2	0.3	0.4	0.3	0.3	0.2	0.1
In percent of quota	3.6	0.0	0.0	1.4	12.5	14.7	26.6	34.1	35.1	31.4	29.1	17.1
Outstanding Fund credit												
In millions of SDRs	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	297.2	400.2	456.8	509.7	477.7	441.9	377.7	296.3	213.8	139.8	71.1	30.8
In percent of government revenue	17.2	15.3	15.2	14.9	12.9	10.8	8.3	5.9	3.8	2.3	1.1	0.4
In percent of exports of goods and services	4.5	6.0	6.3	6.5	5.5	4.6	3.5	2.5	1.6	0.9	0.4	0.2
In percent of debt service	79.4	163.1	180.6	153.6	125.5	106.2	79.8	58.7	40.5	27.5	13.8	5.3
In percent of GDP	2.6	3.2	3.2	3.3	2.8	2.3	1.8	1.3	0.9	0.5	0.3	0.1
In percent of quota	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)	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	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	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)	11,360.0	12,599.8	14,093.5	15,593.3	17,216.0	18,917.0	20,748.4	22,617.4	24,399.6	26,227.6	28,235.2	30,488.6
Exports of goods and services (billions of CFA francs)	6,551.6	6,651.7	7,217.7	7,899.5	8,649.4	9,550.0	10,712.0	12,054.6	13,528.4	15,149.2	16,965.4	18,913
Government revenue (billions of CFA francs)	1,725.9	2,621.4	3,002.4	3,428.9	3,707.4	4,101.6	4,567.0	5,008.5	5,570.3	6,007.8	6,483.9	7,050
Debt service (billions of CFA francs)	374.4	245.3	252.9	331.8	380.7	416.2	473.2	504.4	527.4	509.0	513.4	576.2
CFA francs/SDR (period average)	744.30	781.18	749.01	742.48	737.73	734.85	731.84	728.86	728.86	728.86	728.86	728.86

Sources: IMF staff estimates and projections.

[1/] The interest rate on ECF is zero for 2010 -14 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 8. Côte d'Ivoire: Proposed Schedule of Disbursements and Timing of Reviews Under ECF Arrangement

In percent of quota	Amount	Date of availability	Condition for disbursement
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	December 6, 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 9. Côte d'Ivoire: Millennium Development Goals

	1990	1995	2000	2005	2011
Goal 1: Eradicate extreme poverty and hunger					
Employment to population ratio, 15+, total (%)	63	64	64	64	64
Employment to population ratio, ages 15-24, total (%)	50	50	48	48	48
GDP per person employed (constant 1990 PPP $)	3543	3508	3520	3237	2950
Income share held by lowest 20%	7	7	5	..	..
Malnutrition prevalence, weight for age (% of children under 5)	..	21	18	17	..
Poverty gap at $1.25 a day (PPP) (%)	3	5	7	..	..
Poverty headcount ratio at $1.25 a day (PPP) (% of population)	14	21	23	..	..
Vulnerable employment, total (% of total employment)	..	..	76	..	..
Goal 2: Achieve universal primary education					
Literacy rate, youth female (% of females ages 15-24)	38	..	52	..	62
Literacy rate, youth male (% of males ages 15-24)	60	..	71	..	72
Persistence to last grade of primary, total (% of cohort)	56	54	87	76	..
Primary completion rate, total (% of relevant age group)	40	39	43	46	59
Adjusted net enrollment rate, primary (% of primary school age children)	46	53	57	59	61
Goal 3: Promote gender equality and empower women					
Proportion of seats held by women in national parliaments (%)	6	8	9	9	11
Ratio of female to male primary enrollment (%)	71	73	75	79	83
Ratio of female to male secondary enrollment (%)	..	..	54	..	..
Ratio of female to male tertiary enrollment (%)	..	34	39	49	52
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	..	..	20.6	..	..
Goal 4: Reduce child mortality					
Immunization, measles (% of children ages 12-23 months)	56	57	68	84	49
Mortality rate, infant (per 1,000 live births)	104	104	99	90	78
Mortality rate, under-5 (per 1,000 live births)	152	152	145	131	111
Goal 5: Improve maternal health					
Adolescent fertility rate (births per 1,000 women ages 15-19)	149	133	126	125	129
Births attended by skilled health staff (% of total)	..	45	63	55	..
Contraceptive prevalence (% of women ages 15-49)	..	11	15	13	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	710	660	590	510	400
Pregnant women receiving prenatal care (%)	..	83	87.6	87.3	..
Unmet need for contraception (% of married women ages 15-49)	..	27	28	29	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases					
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	58	36	..
Condom use, population ages 15-24, female (% of females ages 15-24)	..	11	25	24	..
Condom use, population ages 15-24, male (% of males ages 15-24)	..	41	..	49	..
Incidence of tuberculosis (per 100,000 people)	238	380	370	268	191
Prevalence of HIV, female (% ages 15-24)	..	..	..	..	1.4
Prevalence of HIV, male (% ages 15-24)	..	..	..	..	0.6
Prevalence of HIV, total (% of population ages 15-49)	5.8	7.3	6.6	4.6	3
Tuberculosis case detection rate (%, all forms)	26	21	25	41	59
Goal 7: Ensure environmental sustainability					
Improved sanitation facilities (% of population with access)	20	21	22	23	24
Improved water source (% of population with access)	76	77	77	79	80
Goal 8: Develop a global partnership for development					
Internet users (per 100 people)	0	0	0.2	1	2.2
Mobile cellular subscriptions (per 100 people)	0	0	3	13	86
Telephone lines (per 100 people)	1	1	2	1	1
Fertility rate, total (births per woman)	6.4	5.8	5.4	5.0	4.9

Source: World Development Indicators.
Figures in italics refer to periods other than those specified.

Appendix I. Côte d'Ivoire—Letter of Intent

Minister at the Prime Minister's Office
in charge of Economy and Finance

Office of the Minister

Republic of Côte d'Ivoire

No. 5906 MPMEF/CAB/CT-TK

Abidjan, November 20, 2013

The Managing Director
International Monetary Fund
WASHINGTON DC, 20431

Subject: Letter of intent

Dear Madame Managing Director:

1. The upturn in economic growth recorded in Côte d'Ivoire in 2012 has been consolidated in 2013 in the context of the country's normalized social, political, and security conditions. The holding of free and transparent municipal and regional elections in 2013 has completed the electoral cycle. National reconciliation and political dialogue is progressing in a generally calmer climate, prompting the return of a large number of refugees. As regards security, the situation has been normalized over the entire territory owing notably to actions undertaken by the National Security Council (CNS). Implementation of the process of disarmament and reintegration of ex-combatants by the Disarmament, Demobilization and Reintegration Authority (ADDR) is progressing, while the local delegations of the Dialogue, Truth and Reconciliation Commission (CDVR) are now working actively in the regions to consolidate social cohesion.

2. The attached Memorandum of Economic and Financial Policies (MEFP) describes progress made to date, the outlook at end-2013, and the policies we will implement in 2014. All the quantitative criteria and indicative targets included in our economic and financial program supported by the IMF's Extended Credit Facility (ECF) were observed at end-June 2013. In macroeconomic terms, the outcomes already recorded in 2013 are better than expected. End-June results confirm that the growth target of 9 percent in 2013 is within reach, while the inflation rate is expected to remain below 3 percent. The basic primary balance and the overall fiscal deficit are poised to improve faster than expected. The business environment has also improved markedly, in particular with the implementation of the new investment code and the coming on stream of the single window for business formalities. Progress has also been noted with regard to the financial balance of the energy sector.

3. The year 2014 is expected to confirm the strong economic growth momentum observed since 2012, in line with the National Development Plan (NDP). The government has set a GDP growth

target of 10 percent for 2014, while containing inflation within the community norm of 3 percent. To achieve this objective, the government expects to reap the benefits of continued progress in normalizing social, political, and security conditions, as well as of the full effects of the structural reforms being implemented, in particular, to improve the business climate. The government also intends to continue its public investment program to crowd in private investment further, in line with its aim to make the private sector the main driver of economic growth. The new investment code for the promotion of foreign direct investment (FDI) and the development of SMEs/SMIs, the single window for business formalities, and public private partnerships (PPPs) for which the institutional and regulatory framework has been developed will support the government's efforts to boost investment. The measures taken to improve the business climate led to an upgrade in Côte d'Ivoire's rating in the "2014 Doing Business" report of the World Bank, which is in particular ranking Côte d'Ivoire among the 10 economies improving the most their business climate in 2012/13. Further, the government is planning to hold a forum, from January 29 to February 1, 2014, entitled Doing Business in Côte d'Ivoire 2014/Investir en Côte d'Ivoire: ICI 2014. The forum, which is expected to attract around 3,000 participants, will provide an opportunity for discussion between national and international investors in support of the government's policy objectives.

4. The government will continue to implement structural reforms with a view to strengthening the bases of a competitive economy. It also plans to step up the pace of public financial management reforms by enacting decrees for the draft laws transposing the WAEMU directives into Côte d'Ivoire's legislation; these draft laws have already been submitted to the National Assembly. We will also review the public expenditure chain and take corrective measures to strengthen verification of the delivery of goods and services, eliminate exceptional payment order procedures, and limit the use of treasury cash advances. By end-November 2013, we intend to adopt an action plan to regularize domestic arrears with government suppliers, as well as a medium-term debt management strategy (MTDS) to safeguard fiscal sustainability. In addition, progress achieved in implementing the medium-term strategy aimed at restoring financial balance in the electricity sector will be further consolidated in 2014. The government will also intensify its efforts to develop the financial sector so as to increase the latter's contribution to financing the economy. Our objective is to strengthen the performance and competitiveness of all sectors of the economy.

5. The government intends to broaden its sources of financing by accessing international financial markets, including through the issuance of Eurobonds. This initiative, along with obtaining a sovereign credit rating, forms part of the debt strategy framework. The purpose of issuing Eurobonds is to broaden our sources of financing as well as improve our debt maturity profile and assets/liabilities management. More specifically, the government is planning a Eurobond issuance in 2014. In that regard, we are requesting IMF approval to increase the cumulative nonconcessional lending window by USD 500 million at end-2014. In addition, in keeping with the commitments undertaken under the economic and financial program, the government will continue to seek loans on concessional terms, including for major infrastructure projects.

6. The government reaffirms its intention to reduce poverty significantly and is committed to implementing the NDP with a view to making Côte d'Ivoire an emerging country with solid fundamentals by 2020. In that context, the government will continue to prioritize and implement transformational projects that contribute to improving access to employment for young people. Actions already underway include implementation of the youth employment and skills development project, PEJEDEC, and strengthening the resources of the FAFCI, a fund created in 2012 to support the women of Côte d'Ivoire by helping them access microcredit at low interest rates. The government has also launched a vast food crop production recovery program aimed at creating youth employment in rural areas and achieving food self-sufficiency by 2016. In addition, various investment programs have been initiated to improve the quality of life in rural areas. Rural roads are being renovated and cocoa and coffee producers are effectively receiving 60 percent of the CIF price through a program of forward sales based on averaged prices. This process aimed at improving the management of major cash crops will continue to be implemented in the cotton and cashew sectors. Civil service staffing levels in the health and education sectors are being strengthened in the context of a strategy that provides for containment of the wage bill over the medium term.

7. The government of Côte d'Ivoire is convinced that the policies and measures included in the MEFP are sufficient to achieve its objectives. However, the government will take any additional measure that it may deem necessary to this end. The government will consult with the Fund staff before adopting such measures, or in the event of changes to the policies set out in this memorandum. The government agrees to provide any information that the Fund may request to monitor progress in the implementation of economic policies and the achievement of program objectives.

8. We ask the International Monetary Fund (IMF) to provide financial support to the government under the Extended Credit Facility (ECF) in an amount equivalent to SDR 48.78 million.

9. 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 review of the ECF-supported program. We hereby authorize their publication and posting on the IMF website after approval of the review of the program by the IMF Executive Board.

Very truly yours,

/s /

Nialé KABA

Minister at the Prime Minister's Office

in charge 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 20, 2013

Context

1. Côte d'Ivoire is consolidating its economic recovery in the context of normalized, social, political and security conditions. The holding of free and transparent municipal and regional elections in 2013 has completed the electoral cycle. . National reconciliation and political dialogue is progressing in a generally calmer climate, prompting the return of a large number of refugees. As regards security, the situation has been normalized over the entire territory.[1] This has been achieved as a result of the action of the National Security Council (CNS), the permanent entity for analysis and policy development involving the highest government authorities, and is part of the overall reform of the security sector. Measures adopted in this area include capacity-building for the security services (equipment and training), creation of specialized units to combat racketeering and restore security, and a video protection program for the city of Abidjan. The process for the disarmament and reintegration of former combatants by the Disarmament, Demobilization, and Reintegration Authority (ADDR) is making headway. In addition, the local delegations of the Dialogue, Truth, and Reconciliation Commission (CDVR) are working in the regions to consolidate social cohesion.

2. A response has been made to some of the key issues at the center of the people's concerns for several years. In fact, in August 2013 the National Assembly adopted two laws on nationality and rural property. These laws clarify the conditions and procedures for access to Ivoirian nationality and rural property, and should help strengthen social unity.

3. As to the economic situation, the impact of the implementation of the National Development Plan (2012–15) has confirmed a sharp upswing in economic activity. In 2012, the GDP growth rate reached 9.8 percent, placing Côte d'Ivoire among the countries with the strongest growth rates in the world. In 2013, based on the results from the first half of the year we expect to achieve a 9 percent growth rate while the inflation rate is projected at 2.7 percent. All of the quantitative performance criteria and indicative targets for end-June 2013 for our economic and financial program supported by the IMF's Extended Credit Facility have been met, thanks to continued efforts to rationalize the management of public finances. The business climate has considerably improved, with the implementation of a new investment code, the startup of a one-stop facility for investments, and a reduction of the fiscal costs for creating a business and

[1] The General Ivoirien Security Index (IGIS) averaged 1.8 on a scale of 10 for the first half of 2013, as compared to 2.45 for the same period in 2012. The United Nations Index went from 5 in April 2011 to 1.6 in May 2013, on a scale of 5.

obtaining real estate. These efforts have been reflected in a significant increase in new businesses (1,095 in the first half of 2013, compared with 396 during the same period in 2013), and in private investment. These major reforms have been recognized in the World Bank's report, "Doing Business in 2014", which ranks Côte d'Ivoire amongst the 10 countries in the world that have made the greatest improvement.

4. In line with the objectives of the PND, the 2014 economic and financial program will focus in particular on consolidating macroeconomic stability and pursuing reforms designed to improve public financial management and combating poverty. To achieve its 10 percent growth target on average for 2014 and 2015, the government is working to strengthen the implementation of transformational investment projects and to mobilize the financing announced by donors during the meeting of the Consultative Group in December 2012 in Paris. The ratio of investment to GDP should rise from 13.7 percent in 2012 to 17.8 percent in 2013 and 19.6 percent in 2014, and the ratio for public investment from to 4.9 percent, to 7.2 percent and 8.2 percent, respectively. The government also intends to accelerate the restructuring of public banks, restore the financial viability of the electricity sector, strengthen public financial management, especially debt management, deepen tax policy reforms, modernize the government administration, and rehabilitate and develop the financial sector. Furthermore, the government is determined to strengthen subregional integration.

This memorandum updates the 2011–14 three-year economic and financial program, supported by the Extended Credit Facility, of which the objectives are to stabilize the macroeconomic framework and improve public financial management.

Economic Developments and Implementation of the Program for the First Half of 2013

A. Recent Economic Developments

5. At end-June 2013, economic activity in most sectors is well-placed thanks to the increased sociopolitical stability and the implementation of the principal PND projects.

- **Economic activity continues to expand,** with good performance in the tertiary sector, especially in retail trade (+14.8 percent), industrial production, mainly linked to a resurgence of activity in the food and beverage industries (+5.7 percent), furniture and miscellaneous products (+44.2 percent), and electricity, gas, and heating (+17.3 percent). Despite the halt in bitumen production due to maintenance of the factories, which contributed to a 14.2 percent drop in the leading indicator for construction and public works, the dynamism of this sector is reflected in a 69.4 percent increase in national sales of concrete, a 42.7 percent rise in sheet metal sales, and a 23.7 percent rise in sales of gravel.

- **Average annual inflation was 3.5 percent at end-June**, due to the higher costs of "education, and clothing and footwear," as well as certain food products, such as fresh vegetables. However, the inflation rate has slowed down since April, and reached 2.9 percent year-on-year in June 2013.

- **Exports were up by 15.8 percent,** mainly driven by the 20.8 percent increase in manufactured products and a good performance in primary products (cocoa beans (+39.6 percent)), and cashew nuts (12.3 percent). **Imports** grew by 4.1 percent, due to the combined effect of a substantial increase in capital goods (+24.6 percent), almost stable consumer goods (+0.6 percent), and a decline in intermediate goods -3.2 percent.

- **With regard to the monetary developments,** medium- and long-term credit increased by 5.8 percent compared to end-December 2012, reflecting enhanced private sector participation in the economic recovery. In addition, new credits are up by 9.9 percent over the same period in 2012.

- **Employment in the formal sector has also increased** (+2.8 percent at end June 2013) since the start of the year, especially in the private sector.

- **On the stock market**, capitalization of shares on the Regional Stock Exchange (BRVM) rose to an historic level of CFAF 6,116.5 billion in the first half of 2013. This strong performance reflects the confidence of regional and international investors, due to the improved economic prospects of the WAEMU and the strong growth potential of the companies listed on the exchange. The BRVM shifted from a price fixing system to continuous trading on September 16.

6. Measures taken by the government to boost activity have enhanced the confidence of the private sector. This confidence is reflected in the creation of new businesses, especially in the construction and public works sector (cement factories); food products (breweries, rice processing plants), services (financial institutions), and extractive industries; as well as in a show of interest in public-private partnerships (PPP). The private sector investment rate increased from 8.8 percent of GDP in 2012 to 10.3 percent of GDP in 2013.

7. Budget execution at end-June 2013 was satisfactory.

- Budget revenue exceeded the objective by CFAF 23.3 billion, on account of the performance of the profit tax (BIC) (excluding petroleum), the personal income and wage tax, stamp and registration taxes, and export taxes. The good revenue performance made it possible to limit the impact of shortfalls recorded in collection of the VAT and import taxes on general merchandise.

- Inflows from external loans and project grants were higher than expected reflecting a good level of mobilization, as a result of drawings made primarily on World Bank loans financing projects related to employment and for improvements in economic infrastructure.

- Total expenditures were lower than targeted. For current expenditures, the wage bill was executed within the expected allocation. The subsidy to the electricity sector turned out to be CFAF 43.1 billion as compared to the planned CFAF 15.3 billion, because the discussions on the selling price of gas from the CI 26 field had not yet been completed. However, good rainfall reduced the need for recourse to heavy vacuum oil (HVO). Investment expenditures amounted to CFAF 419 billion, representing an 86.9 percent execution rate in comparison with the end-June 2013 target. In terms of the annual objective, they represent 38.4 percent in 2013, as compared to 30.3 percent in 2012. Externally funded expenditure was CFAF 219.2 billion, or 49.8 percent of annual allocations. Domestically funded capital expenditure amounted to CFAF 201.8 billion, as compared to the expected CFAF 347.9 billion at end-June 2013, representing a 58 percent execution rate. This outcome is attributable to delays in implementing certain projects, in particular those planned in the context of C2D.

8. **The fight against poverty remains a priority**. The Government has strengthened national job-promotion structures, including the Agency for Employment Studies and Promotion (AGEPE), through schemes for training and placing young unemployed graduates, such as the Youth Job and Skill Development Project (PEJEDEC), which is now operational. The Women's Support Fund of Côte d'Ivoire (FAFCI), established in 2012, has been allocated a budget of CFAF one billion, to facilitate access to micro-credit with reduced rate (1% per month). The return of a price-guarantee system has increased the remuneration of cocoa producers (about 700,000) and coffee producers, who are now receiving a farm-gate price equivalent to 60 percent of the CIF price. Through 2020, civil service recruitment will focus primarily on the education and health sectors, as well as on security. Draft legislation to introduce universal health insurance (CMU) has been prepared and submitted to the Council of Government. The construction and equipping of classrooms and health centers also remains a government priority. In this respect, the policy of "free schooling for all" has been maintained to increase access of children to education. Finally, apart from the major construction projects to build a third bridge and extend the highway to the North, the government has instructed the Coffee and Cocoa Council to renovate rural roads. This decision will permit all the stakeholders in this leading sector of the economy to share in the improvement in rural living conditions.

9. **As regards financing, the government has made recourse to the sub-regional monetary and financial market, in the amount of CFAF 321 billion, as compared to the expected CFAF 324.3 billion.** In terms of the annual objective, this amount represents 39.8 percent of expected domestic financing. External financing was CFAF 309.8 billion, of which grants (CFAF 132.9 billion), borrowing (CFAF 140.3 billion), and budget support (CFAF 36.6 billion).

B. Implementation of the Program

10. **Good budget execution during the first half of 2013 enabled the government to observe all performance criteria and indicative targets of the economic and financial program.** The primary basic balance recorded a surplus of CFAF 116.3 billion, as compared to the programmed deficit of CFAF 55.5 billion. The government has not only accumulated no new external and internal

arrears, but also it has made an effort to reduce net amounts payable by CFAF 88.3 billion, as compared to the target minimum of CFAF 10 billion, to lower the high level of floating debt at the end of 2012. In addition, the government has been pursuing its anti-poverty efforts. Thus, "pro-poor" expenditures amounted to CFAF 590.5 billion, as compared to the target minimum of CFAF 588.8 billion. The level of budget advances excluding debt, revenue-collecting agencies (*régies*), and personnel, was posted at CFAF 52.8 billion, in comparison with the CFAF 59 billion ceiling.

11. In the process of consolidating a sustainable economic recovery a range of structural reforms were implemented through end-June in the context of the program. The principal measures were as follows:

- Two proposed organic laws based on the WAEMU directives of 2009 related to the transparency code and the budget law were adopted by the Council of Ministers on June 6, 2013;

- A new pricing mechanism for petroleum products was adopted in November 2012 and implemented as of April 2013. The new mechanism includes a refining fee to support the Ivoirien Refining Corporation (*Société Ivoirienne de Raffinage,* SIR). In addition, the government's outstanding debt vis-à-vis SIR at end-2012 was the subject of a securitization agreement in June 2013;

- Government efforts to improve the transparency of the extractive industries sector have enabled Côte d'Ivoire to be in compliance with the Extractive Industries Transparency Initiative (EITI) since May 2013. EITI reports for 2008, 2009, 2010, and 2011 were published and forwarded to EITI International;

- Implementation of the medium-term strategy for restoring the equilibrium of the electricity sector adopted in November 2012 produced the following results: (i) the remuneration of the concessionaire was revised downward and an agreement was obtained on its support for the sector for the period 2013–15; (ii) the rate of collection of bills in the central-north-west (CNO) zones increased from 40 percent in 2012 to 60 percent at end-June 2013; and (iii) customers registered at the moderate tariff rate and using more than 200 Kwh bimonthly were reclassified at the general household rate during the first quarter of 2013. The discussions with the operator of the CI-26 field (CNR) are ongoing; and

- The legal and institutional framework for the management of public-private partnerships (PPP) has been completed and is operational.

With regard to the business climate, the significant results achieved in 2012 were further strengthened (Box 1).

Box 1. Côte d'Ivoire: A Business Climate Propitious for Investment

The objective is for Côte d'Ivoire to become an emerging market economy by 2020. This choice is firmly based on a policy to stimulate private investment as the engine for economic growth and recovery and cannot succeed without an improvement in the business climate.

To achieve this, Côte d'Ivoire has embarked on a process of reforms relating in particular to six of the "Doing Business" indicators this year, and four more in 2014. The six indicators concern the creation of companies, property transfer, cross-border trade, tax payment, building permits, and the execution of contracts. An institutional arrangement devoted exclusively to the business climate was created. This arrangement, based on best practices in Africa and throughout the world, was placed under the authority of the Prime Minister and head of government. The following steps have been taken under this initiative:

- Decree No. 2012-867 of September 6, 2012 establishing the Investment Promotion Center in Côte d'Ivoire (CEPICI) as the single port of entry for investment in Côte d'Ivoire. The same decree defines several windows, including the "One-Stop Shop for Business Procedures," now in operation, which makes it possible to complete all of the formalities involved in establishing and opening a business within the space of 48 hours.
- The operator of the one-stop window for foreign trade (GUCE) started activities on July 1, 2013. When finalized the GUCE will permit the simplification of formalities for importing goods and provide a response to WTO concerns in the area of trade facilitation. Its advantages are that it simplifies and standardizes trade procedures, shortens the time involved, reduces costs related to procedures, and increases the competitiveness of the private sector. In addition, it will make it possible to obtain quality data on trade in real time, help strengthen governance and transparency in foreign trade, and improve the position of the country in international indices..
- The new investment code was adopted by order No. 2012-487 of June 7, 2012. It has attractive tax features, and provisions for strengthened guarantees and protection, in keeping with best international standards on the subject.
- The institutional and legal framework governing PPPs is in place. In this regard, a national committee was set up , and has identified over 60 priority projects, several of which are already being implemented.
- In the area of judicial reform, the following steps have been taken, among others: (i) In February 2012, adoption by the Council of Ministers of an order of *exequatur* with regard to arbitration courts decisions determining the intervention of national jurisdictions in arbitration proceedings; and (ii) Ivoirien law was brought into conformity with provisions in international law regarding anti-corruption and illicit enrichment.
- The first Commercial Court of Côte d'Ivoire began operating in October 2012, and is handing down decisions within a maximum of 90 days.

All of these measures have resulted in the improvement of Côte d'Ivoire's rank in the World Bank's "Doing Business 2014" classification, which rates Côte d'Ivoire among the 10 countries in the world that have made the most progress this year in improving their business climate.

C. Economic Prospects for End-2013

12. Macroeconomic prospects confirm the strong growth of activity in 2013.

- The GDP growth rate in 2013 is estimated at 9 percent, thanks to the vitality of all sectors.
- The slowdown observed in prices since April 2013 should make it possible to bring the average annual inflation rate down to 2.7 percent by the end of the year.
- The trade balance should remain in surplus, despite the continued rise in imports linked to public and private investment. In fact, imports are expected to grow by 13.8 percent, owing mainly to capital goods. As for exports, they would rise by 10.9 percent, with an increase in sales of petroleum, crude oil, palm oil, and agrofood and manufacturing products. The current account balance will remain in deficit, while the balance of payments should register a surplus.

13. Budget revenue (CFAF 2,766.7 billion) will be in line with the objective (CFAF 2,764.5 billion), despite the drop in indirect taxes and import duties. With the upturn in economic activity, the objectives for some revenues were revised upward, especially for the BIC, taxes on petroleum products, and export taxes. However, based on the end-July 2013 data for revenues, collection of the VAT and import tax on general merchandise could be below initial projections, owing to a higher-than-projected rise in capital goods imports benefiting from exemptions under the investment code. Similarly, VAT receipts would be CFAF 230.6 billion compared to the CFAF 245 billion target. Specific measures have been adopted to optimize the potential of these taxes. They include tightening the various types of control namely, an increased effort to collect tax arrears, the systematic monitoring of the VAT statements showing a credit, a review of the criteria for selecting products subject to controls, and an increase in the valuation of imported goods thanks to the new operator, which will lead to increased revenue.

14. Expenditures (CFAF 3,384.4 billion) will be broadly in line with the objective (CFAF 3,445.3 billion). However, the subsidy to the electricity sector would be CFAF 63.2 billion compared to the CFAF 32.3 billion objective, as a result of the continued negotiations on the selling price of gas from block CI 26. In addition, investment expenditures should post an execution rate of the program objective of 92 percent, despite the fact that implementation of C2D projects was weaker than expected.

15. Financing needs for 2013 should be covered. They amount to CFAF 382 billion, or 2.7 percent of GDP compared with the goal of CFAF 53.3 billion. As projected, these needs will be financed primarily by a net mobilization of resources on the regional financial market (WAEMU), and by external resources of multilateral institutions and bilateral lenders. More specifically, important contractual debts falling due at end 2013 will be financed by recourse to the regional financial market and by mobilizing of domestic resources.

16. The government is planning to partially use the nonconcessional lending window capped at a ceiling of USD 800 million in 2013. To implement the vast investment program under the PND, nonconcessional loan agreements were signed for a total of USD 680 million. The amount of loans that met have become effective is USD 500 million, for financing the Soubré hydroelectric power plant project.

17. The progress expected in the area of structural reforms over the remainder of 2013 is summed up as follows:

- The proposed law on the customs code and the draft decree on the procedural manual for customs inquiries were approved during a workshop in July 2013. Adoption of the manual of procedures depends on passage of the proposed customs code, which has been submitted to the Council of Ministers for consideration, and will then be forwarded to the National Assembly.

- A standard public procurement plan is being prepared, and will be disseminated among appropriations managers at the outset of 2014 budget execution. An expenditure commitment plan will also be available before end-January 2014. Work on that plan will begin as soon as the proposed budget is adopted by the Council of Ministers.

- The proposed Medium-Term Debt Management Strategy (2013–15, MTDS) in line with international standards will be adopted by the Council of Ministers at end-November 2013. The MDTS will be made consistent with the Debt Sustainability Analysis that was updated at end-October 2013, with IMF technical assistance.

- A debt management structure incorporating a front office, middle office, and back office will be put in place before end-December 2013. A draft staff organizational chart based on this new structure is being finalized and will be implemented in 2014.

- Domestic Treasury arrears on amounts owed to suppliers at end-2010 were audited, to get a better understanding of the debt submitted for settlement. Based on the results, a plan for settling these domestic arrears will be adopted by end-November 2013. The audit was done in two main stages. The first stage consisted of examining the Treasury's payables for validation, on the basis of the vouchers produced for the various transactions. The payments due from this stage amounted to CFAF 356.7 billion. At the end of the audit procedure, the auditors found that CFAF 142.1 billion was irregular, and proposed that it be rejected, and that CFAF 192.2 billion be approved. A second audit was initiated on payables validated during the first audit. This second audit went beyond an evaluation of the accounts, to determine whether the services were actually performed and to assess the cost of the work involved.

- A bill introducing universal health coverage (CMU) is being prepared. This law will guarantee access to health care for the most vulnerable sectors of the population based on principles of national solidarity, equity, and risk-sharing.

- A bill on the labor code is under preparation. This new bill is designed to provide better protection against job insecurity, to strengthen labor administration capacity, and to promote jobs for graduates and access to jobs for the disabled.

- As for the financial sector development strategy, an initial draft prepared with the technical assistance of the FIRST initiative is being finalized. It is expected to be approved by the Council of Ministers before end-December 2013;

- With regard to public enterprises, the communication adopted on May 26, 2012 in the Council of Ministers presented strategic options for a 25 percent reduction in the government portfolio (through privatization, mergers, or restructuring), including public banks. Implementation of these options requires studies on valuation and methods of privatization, as well as studies on the strategic and operational arrangements for possible mergers. For public banks, these studies were initiated in June 2013, and final reports should be available by early October 2013. An IMF technical assistance mission on the subject was already conducted in September 2013 to analyze the draft report of the consultants. Based on the recommendations of these studies, a plan of action will be drawn up and adopted by the Council of Ministers before end-December 2013;

- The global medium-term expenditure framework (MTEF) for 2014–16 as well as the multiyear economic and budget programming document have been prepared; they will be submitted to the National Assembly after they have been adopted by the Council of Ministers;

- The main lines of a strategy for reform of the VAT have been prepared and two measures for the rationalization of VAT exemptions are included in the fiscal annex to the 2014 budget law;

- A strategy for management of the wage bill was prepared with IMF technical assistance. It defines a recruitment profile in line with increased staffing needs, especially in the education and health sectors, and sustainable remuneration, thus moving towards the WAEMU convergence criterion by 2022. It will be adopted by the Council of Ministers by end-December 2013.

- The electricity code will be finalized for submission to the National Assembly before end-December 2013. It should set out a better framework for managing physical and financial flows in the sector by (i) a better definition of the activities of the electricity sector and their legal framework; (ii) a greater flexibility regarding permissible organizational structures and the management structure for the segments which are granted state monopolies, which can now be operated by one or more private operators; (iii) the coverage by the code of new and renewable energy sources as well as energy-saving schemes; (iv) strengthening the framework for preventing fraud and damaging criminal acts in the electricity sector; and (v) the creation by law of an independent regulatory commission with the necessary powers to fulfill its mission.

Economic and Financial Program for 2014 and Medium-Term Objectives

D. Macroeconomic Framework

18. The government reaffirms its intention to reduce poverty and consolidate its foundations, to make Côte d'Ivoire an emerging economy by 2020, through the implementation of the PND. This strategy is based on strong, sustained, and inclusive growth, with respect for women and the environment, in order to create jobs and reduce poverty. The primary objectives are as follows:

- Achieve a growth rate of about 9 percent in 2013, and 10 percent in 2014, as a result of a substantial increase in investments, which are expected to climb from 13.7 percent of GDP in 2012 to 19.6 percent of GDP in 2015;
- Cut the poverty rate in half by 2015, and return to the group of African countries with the best UNDP Human Development Index rating;
- Attain the Millennium Development Goals by 2015, or move significantly closer to them;
- Create one of the best business climates in Africa and make the economy more competitive; and
- Rejoin the group of top African countries in terms of good governance and anti-corruption efforts.

19. To achieve these overall objectives, the government will ensure that the sectoral objectives and strategies assigned to the different ministries are implemented. To this end, the national report on implementation of the 2012–15 PND will be submitted to the Council of Ministers before end-2013. On this basis, supplementary measures will be adopted to improve monitoring of investment projects. The government will make every effort to ensure that all of the priority investment projects included in the PND are effectively carried out. It will also pursue implementation of structural and sector reforms.

20. The government objective is to achieve a 10 percent growth rate of GDP by 2014, in line with the PND objectives. The economy should benefit from normalization of the sociopolitical and security situation, and from the full impact of the structural reforms implemented, especially those to improve the business climate. Growth will rely on public investment, which should act as a catalyst to further stimulate private investment. Moreover, the private sector should increase its production capacity, thanks to the new investment code, the opening of the window to facilitate the creation of businesses, and the promotion of public-private partnerships (PPP).

21. Supply will be driven by the buoyancy of all sectors

- **The primary sector** is making headway as a result of the good performance of subsistence agriculture and food crops, in conjunction with the implementation of the National Rice Development Plan (PNDR), and investments made in the exploration, development, and maintenance of existing wells and mines. In addition, implementation of the plan to reform the cashew nut and cotton industries will make it possible to structure these sectors and improve their productivity.

- **The secondary sector** will increase as a result of the good performance of the construction and agrofood sectors. Also, dynamic domestic demand should help sustain the sector's growth.

- **The tertiary sector will benefit from the growth of the primary and secondary sectors**. In addition, the institutional and legal framework of SMEs will be strengthened by the preparation of the craft or cottage industry code and the adoption of a law to promote SMEs. Furthermore, the creation of the one-stop window for foreign trade (GUCE), the opening of the Bouaké wholesale market, the revival of SOTRA, the installation of new groups in the distribution and hotel industry sectors, as well as the return of the AfDB to its headquarters in Abidjan will contribute to a significant growth of activities in the sector in 2014.

22. The inflation rate should level out at an average of 2.4 percent in 2014. The increase in the supply of subsistence foodstuffs and the repair of rural roads should help improve the supply of markets and contain food prices.

23. The current account balance will remain in deficit in 2014. Imports will continue to rise in line with the dynamism of the economy, as a result of the demand for capital and intermediate goods. The capital and financial operations account will show a surplus, due to project grants received, as well as a rebound in foreign direct and portfolio investment. The overall balance of payments will be in surplus.

24. **The money supply should increase by 9.5 percent**. This development is mainly linked to the increase in credit to the private sector which will benefit from easier access to bank credit on the part of SMEs and SMIs. In addition, net foreign assets should increase as a result of a good performance of exports and foreign direct investment flows.

25. **The government plans to take appropriate steps to deal with risks that could jeopardize the achievement of its macroeconomic objectives**. There are three types of risks that could interfere with the achievement of its objectives: (i) a deterioration of the terms of trade; (ii) a poor rainy season; and (iii) a weak mobilization of financing and a slowdown in the execution of investments. To deal with these risks, the government will take steps to optimize potential revenue, by emphasizing an expansion of the tax base, better control of expenditures, ensure a sustainable debt management policy, and by adopting measures to mobilize expected financing.

E. Budget Framework

26. **Budget policy for 2014 and the medium term takes into account the main strategic pillars of the National Development Plan**. The priority activities under the 2012–15 PND, as reflected in the Public Investment Program (PIP), have been incorporated in the proposed 2014 budget. In line with the economic and financial program, 2014 budget priorities are focused primarily on improving the standard of living of the population and strengthening the foundations for economic growth. To this end, the principal projects concern road rehabilitation and construction, improving access to drinking water, health, education, and electricity, as well as enhancing security and the development of basic socioeconomic infrastructure.

27. **The government will continue to give priority to maximizing potential tax collection and rationalizing expenditures, in order to create the fiscal space needed for investment**. The medium-term objective is to realize a surplus in the primary basic balance. The budget will continue to be prepared according to constitutional and regulatory provisions. Efforts will be pursued to improve transparency and traceability in the public expenditure execution chain.

28. **2014 budget revenue is projected to rise to CFAF 3,051.0 billion, up by 10.3 percent over 2013 estimates**. Tax revenue will grow by 10.8 percent, thanks to efforts to improve collection of the principal taxes, including the VAT, payroll tax (ITS), and the BIC, excluding petroleum. As regards port duties and fees, revenues collected on general merchandise will increase by CFAF 46 billion due to improvements in the recording and valuation of goods, as well as anti-fraud efforts. The registration tax and the single export tax (DUS) will decline, because of an expected drop in cocoa production. As for nontax revenue, it will amount to CFAF 408.7 billion.

29. **Maximizing potential tax revenue collection is a government priority for achieving the budget revenue objectives**. To this end, measures involving both tax administration and fiscal policy are planned for 2014. They include the following:

- Gradually reducing VAT exemptions, in particular by prohibiting new exemptions to be granted that do not conform with the WAEMU directives (especially those granted through special covenants) or which are not justifiable on economic or social grounds in the short and medium term;
- Standardizing the method for computing excise taxes on beverages and tobacco, by correcting the tax bases on which taxes are levied and the tax rates to bring them in line with the practices of WAEMU;
- Harmonizing rates applicable to capital gains and profits in order to adjust the Ivorien tax system in line with the regional WAEMU norms;
- Introducing a minimum tax for taxpayers under the simplified itemized tax system (*régime du réel simplifié d'imposition*), through a withholding tax of 2 percent applied on business turnover including all taxes. The amount withheld should not be less than CFAF 500,000 a year which would be the minimum assessment;
- Strengthen taxation on telecommunications by:
    - An increase in the tax rate on telecommunications from 3 percent to 5 percent;
    - The introduction of a specific tax at a rate of 3 percent on consumers, assessed on the cost of phone calls and internet use; and
    - An increase in the rate of tax from 25 percent to 30 percent on industrial and commercial profits of companies in the sector for telecommunication, information technology and communications.
- Improving the segmentation of taxpayers on the basis of recommendations in IMF technical assistance reports. To this end, the tax administration is planning to pursue a deconcentration policy for its staff, to strengthen the Large Enterprises Directorate (DGE) by increasing its sphere of competence (intervention threshold and coverage throughout the territory), and to set up a structure for the administration of medium-sized enterprises. The tax enforcement policy will be advanced by reinforcing inspection units and improving the coverage rates of fiscal inspections;
- For the Ivoirien customs administration, measures will draw on technical assistance recommendations, including those of the IMF, and on the implementation of measures to improve the recording of goods by: (i) connecting the customs information system with the system of the Port of Abidjan; (ii) operationalizing a simplified system of recording the transshipment of containers in the customs information system; and, (iii) liberalization of consignment at the airport, by putting an end to the single *régie* system. Furthermore customs will step up its anti-fraud efforts by (a) making optimum use of scanners on imports and exports on the basis of risk analysis and the installation of a scanner at the airport; (b) increasing surveillance of the sea coast and lagoon shores; and, (c) strengthening capacity to fight fraud and smuggling across land borders.

30. Public expenditures for 2014 are expected to amount to CFAF 3,973.4 billion, increasing by CFAF 409 billion compared to 2013. The government plans to improve the rate of execution of investments, especially those planned as part of C2D with allocations of CFAF 140.2 billion. In addition, pro-poor expenditures will amount to CFAF 1,517.7 billion, as compared to CFAF 1,309 billion in 2013. In line with the proposed wage bill strategy, personnel expenditures will rise to CFAF 1,186.2 billion, taking into account the full application of revaluation measures, as well as new recruits, especially in the education, health, and security sectors.

31. The primary basic balance will be CFAF -9.9 billion, or -0.1 percent of GDP, compared to -0.2 percent of GDP in 2013. The overall budget deficit including grants (excluding grants for settlement of arrears) would rise to CFAF 364.5 billion (or 2.3 percent of GDP, compared to 2.7 percent of GDP in 2013).

F. Long-Term Fiscal Sustainability

32. The government reiterates its commitment to achieve fiscal consolidation, maintain macroeconomic stability and debt sustainability. To achieve this, it intends to improve mobilization of revenue, control the medium-term evolution of the wage bill and operating expenses, reduce the subsidy to the electricity sector until it reaches financial equilibrium, and clean up the domestic debt situation.

33. The strategy for the medium-term control of the wage bill adopted before end-December 2013 by the government will be implemented. It is aimed at eventually ensuring compliance with the WAEMU convergence criterion of 35 percent of tax revenue. To this end, the following measures have been identified to respond to the hiring needs of priority sectors while strengthening management: optimization of the recruitment policy; staff management through a performance rating system; assignment of personnel identification numbers related to employment grades, implementation of the Management Information System for Government Officials and Employees (SIGFAE)**,** and establishment of a Human Resources Directorate in all ministries.

34. The government plans to reduce subsidies to the electricity sector over the medium term. To accomplish this, it intends to consolidate progress made in implementing the medium-term strategy to restore financial equilibrium to the sector, adopted by the Council of Ministers on November 7, 2012 (Box 2). A delay in the start of operations of field CI-202 created a shortage of gas for electricity production. To meet national and sub-regional demand, the government has embarked on a wide-ranging investment program at a total cost of CFA 5300 billion to build new hydraulic and thermal power plants, and to improve the transmission network to reduce technical losses. In this effort, it has the support of several partners, including the World Bank, IFC, AfDB, BOAD, and the Exim-Bank of China. As for exports, the government will bill quantities in excess of the contractual minimum at the marginal cost of electricity production.

Box 2. Côte d'Ivoire: Moving Toward Financial Equilibrium in the Electricity Sector and a Substantial Increase in the Supply of Electricity

Achievement of a sustained growth rate requires an adequate supply of electricity at low cost, or an increase of around 700 gigawatt hours (GWh) a year. However, in the current situation, the sector is experiencing financial disequilibrium, primarily as a result of the supply of natural gas, the main source (70 percent) of electricity production. This deficit has led to a delay in investment in the transmission and distribution network.

To deal with this situation, the government, following an evaluation of the sector, decided to implement robust measures to boost production and reduce the financial deficit. Thus, in November 2012, the Council of Ministers adopted a medium-term strategy to restore financial equilibrium to the electricity sector and promote its development to sustain growth. This strategy is based on the following pillars: (i) a reduction of charges (renegotiation of the price of natural gas, review of the utility company's remuneration, and demand management); (ii) an improvement of revenue (review of national and export electricity tariffs, shift to the general rate for moderate-use customers that consume over 200 KWh bimonthly, and improvement of collection in the areas outside the central-north-west (CNO) zone); (iii) an improvement in the overall yield (reduction of technical and nontechnical losses and adoption of the electricity code).

To implement this strategy, the following steps have been taken. The cost of gas from the CI-27 blocks has been reduced. As for the utility company's remuneration, it was revised downward and an agreement was obtained on support by the utility to the sector, in the amount of CFAF 8 billion a year from 2013 to 2015. To bring demand under control: (i) over 100,000 low wattage light bulbs were distributed in the communities of Treichville, Abobo, and Yamoussoukro; (ii) export tariffs were revised, and a 10 percent increase was applied to the rate for industries; (iii) moderate use customers using over 200 KWh bimonthly were shifted to the general tariff; (iv) the rate of collection on invoices was improved in the CNO zone, from 40 percent in 2012 to over 60 percent in 2013; and (v) action taken to reduce losses has led to a 3-point increase in overall yield from 2012 to 2013. In addition, a new electricity code has been adopted by the Council of Ministers and will soon be submitted to the National Assembly. Its application will help improve the legal framework for fighting fraud. In the medium term, the government is exploring options to ensure adequate supplies of gas on a regular basis.

All of these steps, including those taken in 2012, should make it possible to eliminate the financial imbalance of the sector and thus make it possible to undertake the investments needed to improve the supply of electricity, with a view to consolidating Côte d'Ivoire's status as an electricity exporter. Several projects for the development of the sector have been carried out or are under way. They include: (i) the leasing of a 100 MW thermal power plant in 2013; (ii) investment in the distribution network to improve overall yield by one point a year, beginning in 2013; and (iii) the implementation of phase 4 of CIPREL in January 2014, and phase 3 of AZITO in April 2015. In the medium term, an increase in hydroelectric capacity, as a result of the Soubré dam, will help control electricity production costs.

35. The government will implement a plan to settle the domestic debt in order to support private sector activity. It will make every effort to respect the schedule of planned payments envisioned in this plan, that is based on the criteria of priority, nature of the expenditure (pro-poor, etc.), and specified tranche payments by based on discount levels and the tax status of the creditor. In order to guarantee equity and transparency, orders for payment will be posted on the premises of the Accounting Unit in question and on the Treasury's web site.

G. Rehabilitation and Promotion of the Financial Sector

36. The government will implement the development strategy for the financial sector. This strategy should permit a better response to the economy's financing needs, especially for housing, SME/SMI, and agriculture. It should also take the following into account: (i) the government's role in the sector; (ii) contractual savings; (iii) the poor access to financial services; (iv) the cost of credit; (v) the rehabilitation of the banking and microfinance sectors; and (vi) the legal and judicial framework of the sector. The Financial Sector Development Committee (CODESFI) will be responsible for implementation.

37. The government intends to accelerate the restructuring of public banks. The plan for restructuring public banks will be submitted to the Council of Ministers before end-December 2013. This plan aims to clean up the banking sector, to make it more effective and better able to support the government's sector policies (housing, SME/SMI, and agriculture), and be in compliance with WAEMU prudential regulations.

38. The government intends to improve supervision of the microfinance sector. **Measures to rehabilitate and develop the sector have been initiated and will be strengthened with the support of technical and financial partners**. Activities, amongst others, will include doing audits of the sector, as well as preparing and implementing the plan for restructuring UNACOOPEC-CI.

39. The government will encourage the BCEAO to accelerate the creation of primary dealers (SVT) and the development of information systems (credit bureaus and registers). To this end, it will support the efforts of the WAEMU Council of Ministers to adopt the draft charter governing "relations between issuers and the SVTs on public debt markets of member states." The entry into force in October 2013 of the instruction regarding repurchase operations and the upcoming creation of the SVTs will contribute to the development and deepening of the sub-regional financial market. Moreover, the government intends to work on creating a secondary market to make the financial market more dynamic. The government is also planning to promote financial transactions between the WAEMU and CEMAC regions.

H. Debt Policy and Strategy

40. A medium-term debt management strategy (MTDS) will be submitted to the Council of Ministers before end-November 2013. The primary objective of this strategy is to preserve the sustainability of medium- and long-term public debt. It reflects a plan to control risks related to the debt, especially exchange and refinancing risks. To this end, the government will favor the mobilization of external concessional financing, centralize the issuance and management of public debt in a single entity, and improve its communications with the market. It will also strengthen government liquidity management, especially through the implementation of a single treasury account.

41. The government intends to expand its financing sources by having recourse to the international financial market, notably by issuing Eurobonds. This initiative is part of the debt strategy, including the aim of obtaining a sovereign credit rating. The objective of issuing Eurobonds is to expand financing sources and improve the maturity structure of domestic and external debt, as well as asset-liability management. The government intends to issue a Eurobond in 2014. To this end, the government is requesting IMF approval to increase the cumulative nonconcessional external borrowing window at end 2014 by another USD 500 million, to enable it to make a Eurobond issue. Moreover, the government will continue to seek concessional terms on its borrowing, including for major infrastructure projects.

42. The government will request assistance from its technical and financial partners (TFPs) to continue improving public debt management. The technical support of TFPs will help the Ivoirien authorities consolidate the new approach regarding the strategic orientation of the government's debt, and thereby build upon the gains from reaching the completion point under the HIPC Initiative on June 26, 2012. In particular, this support will help the government implement the new debt management structure and to strengthen the capacity of its services.

I. Strengthening the Competitiveness of the Economy

43. Strong, sustainable growth requires a much more competitive private sector and an improved business climate. To this end, the network of economic infrastructure (telecommunications, roads, energy, ports) is being strengthened, thanks to increased public investment and implementation of important public-private partnership projects. Instruments for developing industrial infrastructure will also be put into play, with the creation and/or expansion of industrial zones. The government will continue to place an emphasis on health care, in particular by developing a pharmaceutical industry for generic medicines and making Côte d'Ivoire a sub-regional hub for hospital services, as well as on education and training, to ensure that companies have access to skilled workers. It also intends to support research. The agricultural potential of Côte d'Ivoire will be enhanced by improving farm yields. The sector will benefit from the implementation of the National Agricultural Investment Program (PNIA), which is designed to strengthen food security and develop value chains. The government plans to guarantee the sustainability of the coffee-cocoa sector by pursuing the reform of this sector, including by completing the census of producers. The reforms are being extended to other sectors of the economy, in particular cotton and cashew nuts. Subsistence agriculture will post strong figures, with an increase in the production of rice (aiming to achieve self-sufficiency by 2016) and cassava. Furthermore, the government is planning to organize a forum entitled "Invest in Côte d'Ivoire: ICI 2014" from January 29 to February 1, 2014. This forum, which should be attended by nearly 3,000 participants, will be a platform for exchanges among national and international investors to support the government's policy.

44. The government intends to ensure that Côte d'Ivoire remains in compliance with the Extractive Industries Transparency Initiative (EITI). To this end, the petroleum code was amended and a new hydrocarbons code was adopted, to ensure greater transparency in the management of resources and environmental preservation. Moreover, the government is planning to adopt a new mining code. This new mining code aims to make Côte d'Ivoire a preferred destination. It is based on the following principles:

- Incorporation of best international practices in the area of good governance (EITI, Kimberley Process, Equator Principles);
- Transparency in granting mining rights;
- Reduction and control of the time required for processing documents;
- Organization of artisanal or small-scale mining operations and gold panning;
- Cohabitation between large and small mines; and
- Rational use of assigned surfaces to intensify research.

45. The government will adopt a new industrial policy in 2014, to make businesses more competitive and better able to create wealth and jobs. The 2012 evaluation of the industrial sector shed light on steps to take to define an industrial development strategy. On this basis the government identified the main lines of a policy founded on the following three pillars: (i) a sizeable contribution from the private sector; (ii) the use of comparative advantages; and (iii) targeted support from the government (quality, standards, restructuring, access to credit, creation of industrial zones, and targeted tax advantages). The principal objective will be to increase the share of industry in GDP from around 30 percent in 2012 to 40 percent by 2020. To achieve this objective, it will rely particularly on increasing the processing rate of farm products (cashew nuts, cotton, and rice), and the diversification of the textile industry, by promoting light industries.

J. Public Financial Management and Governance

46. The government will continue to reform public financial management. To this end, it will prepare a standard plan for government contracting, to be disseminated among appropriation managers at the start of execution of the 2014 budget, formulate an expenditure commitment plan in January 2014, and pursue its efforts to decentralize management of public finance by connecting five new locations with SIGFIP in 2014. It will adopt in the Council of Ministers, no later than end-March 2014, four proposed decrees on the transposition of the WAEMU public financial management directives after the vote on the organic laws establishing the Transparency Code and the Budget Law. The government will evaluate the expenditure chain and adopt corrective measures to reinforce verification of the delivery of goods and services, with a view to eliminating exceptional payments order procedures (payments orders based on counterfoils [*mandats souches*] or on provisions [*mandats provisions*]) and to limiting recourse to cash advances. The objective is to continue to streamline and enhance the effectiveness of the expenditure chain, and ensure that it is consistent with the principles of fiscal orthodoxy.

47. The government will continue to respect the public contracting code and to promote competitive procedures. Thus, enabling regulation for implementing the code will be adopted in 2014. In line with the public financial management reform plan (PEMFAR), the government has defined nine strategic pillars, in particular strengthening the transparency of public financial management, strengthening budget discipline, improving the traceability and control of budget execution, and improving the operational framework for government procurement. These provisions should lead to greater transparency and more effective action to combat corruption and fraud, and offer effective recourse to government officers managing procurement. With regard to government procurement procedures, recourse to single-source contracts will continue to be rationalized. Notable changes made to the legal framework for government contracts, include the separation of the functions of control and regularization, and extension of the scope of the code by requiring institutions to comply with it, will contribute to achieving the aforesaid objectives.

48. Implementation of the National Good Governance and Anti-Corruption Plan (PNBGLC) will be stepped up. The following specific actions will be taken:

- The High Authority for Good Governance, instituted by order No. 2013-661 of September 20, 2013, and the Special Court to Prevent and Fight Corruption will be put in place in the second half of 2014;
- Campaigns to raise awareness and provide information on corruption initiated in May 2013 will be continued; and
- The anti-corruption center will be set up after the regulations for its operation are completed in 2014.

Financing and Monitoring the Program

49. The government believes that the financing needs of the 2014 program will be covered. On the sub-regional monetary and financial markets, CFAF 867 billion is expected to be mobilized in the form of Treasury bills and bonds, compared to CFAF 806.7 billion expected for 2013. As for external financing, including budget support amounting to CFAF 247.8 billion, the primary lenders and donors are the World Bank, IMF, AfDB, EU, AFD, IDB, and the Exim-Bank of China. The government will pursue talks with the remaining creditors that have yet to grant debt relief under the HIPC Initiative.

50. The program will continue to be monitored on a biannual basis by the IMF Executive Board on the basis of the quantitative performance criteria and indicative targets (Table 1). These indicators are defined in the attached Technical Memorandum of Understanding (TMU). Semi-annual reviews will be based on end-June and end-December data. The fifth (sixth) review of the program will be based on performance criteria at end-December 2013 (end-June 2014) and should be completed by April/May 2014 (October/November 2014) at the latest. In this effort, the government undertakes to:

- Refrain from accumulating new domestic arrears and any kind of advance against revenue, and from contracting nonconcessional external borrowing other than the loans specified in the TMU;
- Issue government securities only by auction through the BCEAO or any other form of competitive bidding on the local financial market and the WAEMU market, and to consult with IMF staff regarding any new financing;
- Refrain from introducing or tightening restrictions on payments and transfers related to current international transactions, or from introducing multiple exchange rate practices, or from concluding any bilateral payment agreements that are not in compliance with Article VIII of the IMF Articles of Agreement, or from imposing or tightening any import restrictions for the purpose of bringing the balance of payments into equilibrium;
- Adopt any new financial or structural measures that might be needed to ensure the success of its policies, in consultation with the IMF.

Statistics and Capacity Building

51. Economic statistics are a pillar of the government's efforts to become an emerging country, and improving its statistical tools remains a priority. With a view to boosting its access to international capital markets, Côte d'Ivoire intends to move towards the Special Data Dissemination Standard. To this end, a proposed law on the organization, regulation, and coordination of the National Statistics System was adopted by the Council of Ministers in December 2012, and was passed by the National Assembly on June 10, 2013. The government will ensure that it is implemented. Moreover, the 2012–15 master plan on statistics, consistent with the National Development Plan, was approved in March 2012 and is being implemented. Its strategic pillars cover the following areas:

- Support for conducting national and sectoral surveys;
- Improving the range and monitoring of economic outlook indicators;
- Holding workshops on setting up the data base for the Integrated Information Management System;
- Preparation of quarterly national accounts;
- Changing the baseline year of the national accounts;
- Updating the Harmonized Consumer Price Index (HCPI); and
- Preparation of a directory of ministerial statistical staff.

All of these efforts, together with the 2013–14 General Population and Housing Census, will contribute to the regular production of quality economic and financial data.

52. The government will support capacity building. The inauguration of the AFRITAC West Technical Assistance Center by the IMF Managing Director after a decade of being located elsewhere is proof of the determination of the Ivoirien authorities to give priority to national capacity-building. Technical assistance needs in the coming 12 months concern: (i) setting up a customs revenue forecasting model; (ii) strengthening the tax administration, and especially for the VAT; and (iii) preparation of balance of payments forecasts.

Table 1. Côte d'Ivoire: Performance Criteria and Indicative Targets, ECF 2013–14 1/

(In billions of CFA francs) 2/

	2013								2014			
	March			June			Sept.	Dec.	March	June	Sept.	Dec.
	IT	Actual		PC	Actual	Status	IT	PC	IT	PC	IT	IT
A. Performance criteria												
Floor on primary basic balance 3/				-55.5	114.9	Met	-112.1	-44.0	7.3	-66.4	-52.7	-9.9
Floor on the overall fiscal balance (including grants) 4/	-24.5	82.5	Met	...	...		...	...	...	...	...	...
Ceiling on net domestic financing (incl. WAEMU paper) 5/	22.0	20.9	Met	210.1	111.7	Met	346.9	300.6	43.6	220.4	289.5	339.7
Ceiling on new nonconcessional external debt (in $ million) 5/ 6/ 7/	100.0	0.0	Met	800.0	500.0	Met	800.0	800.0	900.0	900.0	900.0	900.0
Ceiling on accumulation of new external arrears 6/	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0
Ceiling on accumulation of new domestic arrears 6/	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0
B. Indicative targets												
Floor on the overall fiscal balance (including grants) 4/				-183.5	-63.6	Met	-391.3	-453.4	-76.1	-263.6	-336.3	-364.5
Floor on primary basic balance 3/	24.2	96.6	Met	...	...		...	...	...	...	...	...
Ceiling on expenditures by treasury advance	20.0	17.0	Met	59.0	52.8	Met	93.7	114.3	19.8	50.1	79.9	115.2
Floor on pro-poor expenditure	248.2	249.2	Met	588.8	590.5	Met	916.0	1309.1	259.4	676.7	1022.3	1517.7
Floor on net reduction of government amounts payable (- = reduction)	-5.0	-95.8	Met	-10.0	-88.5	Met	-25.0	-50.0	-5.0	-10.0	-25.0	-50.0
Floor on government revenue	615.6	640.9	Met	1,338.7	1,360.4	Met	2,031.9	2,764.5	621.8	1,374.4	2,148.0	3,051.0
Memorandum items:												
Net banking sector claims on government	-17.4	-15.6		83.6	33.5		123.4	108.8	11.3	-1.0	37.8	77.7
Program grants	0.0	6.8		49.2	56.0		49.2	105.2	0.0	73.8	73.8	156.6
Program loans	0.0	1.0		0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Project grants	25.0	47.1		51.5	76.9		77.2	122.3	44.3	132.8	166.0	221.3
Project loans	30.3	5.2		82.5	140.3		197.9	313.4	61.3	183.9	229.9	306.5

Sources: Ivoirien authorities and IMF staff.

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

1/ Cumulative change from December 31, 2012 for 2013 targets, and from December 2013 for 2014 targets.

2/ Except for the ceiling on new nonconcessional external debt.

3/ The primary basic balance becomes a PC starting from end-June 2013.

4/ The overall fiscal balance becomes an indicative target starting from end-June 2013.

5/ In the event of the issuance of an Eurobond, the 2014 ceiling will be adjusted upward by an amount equivalent to US$500 million and the ceiling on net domestic financing will be adjusted downward by the same amount. The proceeds of the eventual Eurobond will be used for asset-liability management.

6/ Continuous performance criteria.

7/ The new window in 2013 will be used for infrastructure, energy, and transport projects.

Table 2. Côte d'Ivoire: Structural Benchmarks, 2013–14, ECF

Fourth Program Review			
Measures	**Macroeconomic rationale**	**Timeframe**	**Status**
Tax policy/Tax administration			
• Present a VAT reform strategy attached to the 2014 draft budget law and include the first measures rationalizing VAT exemptions in its tax annexes. This reform strategy will include a stock-taking of VAT exemptions, including those inconsistent with the WAEMU VAT directive	Rationalize tax expenditures	**SB** End-September 2013 *(delayed February 2013 benchmark)*	**Met:** A VAT reform strategy was prepared; the 2014 draft budget act includes the elimination of two VAT exemptions.
Public expenditure management			
• Adopt by the Council of Ministers a medium-term strategy for controlling the wage bill	Contain the size of the civil service and the wage bill	**SB end-**October 2013 *(rescheduled from end-February)*	**Not Met:** the adoption of the strategy is now scheduled for end-December 2013
• No new injection of public funds in the five public banks in difficulty outside a restructuring plan approved by the authorities	Improve financial sector governance and management	**SB** continuous	**Met**
• Prepare the global MTEF for application to the 2014 budget	Improve strategic budget planning	**SB** End-September 2013	**Met**: The global MTEF has been prepared and will be adopted by the Council of Ministers in November and submitted to the National Assembly
• Finalize and adopt by the Council of Ministers draft texts transposing two WAEMU directives (finance laws and transparency code) on public finance	Improve fiscal management	**SB** end-July 2013 *(rescheduled from end-June 2013)*	**Met**

Table 2. Côte d'Ivoire: Structural Benchmarks, 2013–14, ECF (continued)

Fourth Program Review			
Measures	**Macroeconomic rationale**	**Timeframe**	**Status**
• Prepare and adopt by the Council of Ministers the medium-term debt management strategy	Improve debt management	**SB** end-September 2013 (rescheduled from end-June 2013)	**Not met:** Adoption of the strategy is now scheduled for end-November 2013.
• Adopt by the Council of Ministers a PPP framework	Strengthen capacity to manage PPP projects and associated risks	**SB** end-June 2013	**Met**
Energy sector reform			
• Adopt the electricity code in the Council of Ministers	Improve governance of the electricity sector	**SB** end-September	**Met:** The new code was adopted by the Council of Ministers, but has not yet been submitted to the National Assembly.
• Finalize arrears settlement plan vis-à-vis the SIR	Improve transparency of the hydrocarbon sector	SB end-June 2013	**Met**
Financial sector reform			
• Adopt in the Council of Ministers a time-bound action plan for restructuring the public banks based on the recommendations of the audits	Improve governance and intermediation in the financial sector	**SB** end-October 2013 (*rescheduled from end-February 2013*)	**Not met:** The action plan is scheduled to be adopted by end-December 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	**Met**
• Adopt the law on competition in the Council of Ministers	Combat noncompetitive practices	**SB** end-May 2013 (*rescheduled from end-March 2013*)	**Met**
• Outline the main principles of arrears clearance strategy	Improve the business climate and the confidence of enterprises	**Prior Action-**Before May 15, 2013	**Met**
• Adopt in the Council of Ministers a plan to pay arrears based on the results of the audits in progress	Improve the business climate and the confidence of enterprises	**SB** –end-September 2013 *(consolidation of the two previous SBs on domestic arrears)*	**Not met:** The action plan should be adopted by end-November 2013

Table 2. Côte d'Ivoire: Structural Benchmarks, 2013–14, ECF (continued)

Fifth and Sixth Program Reviews		
Measures	**Macroeconomic rationale**	**Timeframe**
Tax policy/Tax administration		
• Strengthen the large taxpayer office by broadening its scope to cover the whole country and by focusing its activity on the largest corporations, and implement a medium-sized taxpayer office	Mobilize revenue	**SB** End-December 2013
• Adopt a decree pertaining to Customs' controls and audits methodology, to allow for post-clearance audits	Enhance transparency and counter fraud	**SB** End-December 2013
Public expenditure management		
• Adopt by the Council of Ministers a medium-term strategy for controlling the wage bill	Contain the size of the civil service and the wage bill	**SB** End-December 2013
• No new injection of public funds in the five public banks in difficulty outside a restructuring plan approved by the authorities	Improve financial sector governance and management	**SB** continuous
• Finalize and adopt by the Council of Ministers draft regulations transposing the remaining four WAEMU directives on public finance	Improve fiscal management	**SB** End-March 2014
• Reorganize the debt management framework, including a functional structure (front-, middle-, and back-office)	Improve public debt management.	**SB** End-December 2013
• Prepare consolidated commitment and procurement plans for 2014	Smooth budget execution and facilitate cash management	**SB** End-January 2014
• Identify the bank accounts of all public entities held in commercial banks and at the Central Bank, and determine their balances	Improve fiscal management	**SB** End-March 2014 (new)
• Adoption by the Minister of Finance the strategy for putting in place a single Treasury account, choice of the implementation model and adoption of a time-bound action plan	Improve fiscal management	**SB** End-June 2014 (new)

Table 2. Côte d'Ivoire: Structural Benchmarks, 2013–14, ECF (concluded)

Fifth and Sixth Program Reviews		
Measures	**Macroeconomic rationale**	**Timeframe**
• Adopt an instruction limiting the use of provisional payment orders. This instruction will (i) create a committee in charge of authorizing provisional payment orders: (ii) lay down the procedures for reducing the recourse to provisional payment orders by end-December 2013; and (iii) forbid provisional payment orders by end-December 2014	Improve fiscal management	**SB** End-November 2013 (new)
• Review the expenditure chain and the end-of-year budgetary procedures, with IMF technical assistance	Improve fiscal management	**SB** End-June 2014 (new)
Energy sector reform		
• Submit the electricity code to the National assembly	Improve governance in the electricity sector	**SB** End-December 2013 (new)
Financial sector reform		
• Adopt in the Council of Ministers a time-bound action plan for restructuring the public banks based on the recommendations of the audits	Improve governance and intermediation in the financial sector	**SB** End-December 2013 (*rescheduled from end-September 2013*)
• Prepare a financial sector reform and development strategy	Improve governance and intermediation in the financial sector	**SB** End-December 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 in the Council of Ministers a plan to pay arrears based on the results of the audits in progress	Improve the business climate and the confidence of enterprises	**SB** End-November 2013 (*rescheduled from end-September 2013*)

Attachment II. Technical Memorandum of Understanding

Arrangement Under the Extended Credit Facility 2011–14

November 20, 2013

1. **This Technical Memorandum of Understanding (TMU) describes the quantitative and structural assessment criteria established by the Ivoirian authorities and the staff of the International Monetary Fund (IMF) to monitor the program supported by the Fund's Extended Credit Facility (ECF)**. 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'État, CGRAE), and Treasury operations for public companies in liquidation; it does not include any local government authorities, the Central Bank of West African States (BCEAO), or any other government-owned entity with separate legal status.

Quantitative Indicators

2. **For program monitoring purposes, the performance criteria (PC) and indicative targets (IT) are set for December 31, 2013 and June 30, 2014; the same variables are indicative targets for these variables for March 31, 2014**.
The performance criteria include:

(a) a floor on the primary basic fiscal balance;
(b) a ceiling for net domestic financing (including the issuance of securities in Francs of the Financial Community of Africa (CFA) – or *Communauté Financière Africaine in French*);
(c) a ceiling on 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 overall fiscal balance (including grants);
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, 2013 for the 2014 targets (Table [1] 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 the SIGFIP system (see attached 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 and simplified execution and control procedures, and which have not been subject to prior commitment and authorization. They exclude the "régies d'avances", as set out through ministerial decrees n° 2002-345 , as well as the extraordinary procedures set out in decree n° 1998-716 for expenditures financed by external resources, wages, subsidies and transfers, and debt service. The cumulative amount of expenditures by treasury advance as defined by the program will not exceed the cumulative quarterly ceilings representing 10 percent of quarterly budget allocations (excluding externally financed expenditures, wages, subsidies and transfers, and debt service). The nominative and restrictive list of expenditures eligible as treasury advances is as defined by ministerial Decree No. 178/MEF/CAB-01/26 of March 13, 2009.

D. Primary Basic Fiscal Balance (PC)

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)}

8. The floor on the primary basic fiscal balance will be adjusted downward (upward) for an excess (shortfall) of external budget support (program grants/loans) relative to the programmed amount.

E. Overall Fiscal Balance (Including Grants) (IT)

9. 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)}

10. 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)

11. The net domestic financing by the central government is defined as the sum of (i) the banking system's net claims on the government (including C2D deposits); (ii) net non-bank financing (including proceeds from privatization and sales of assets, and of correspondant sub-account of the Treasury and excluding the net variation of the amounts payable); and (iii) any financing borrowed and serviced in Francs of the Financial Community of Africa (FCFA). This ceiling includes a margin of CFAF 10 billion above the net cumulative flow projected for each quarter.

Net domestic financing = Variation of banking system's net claims on the government (TOFE) + net non-bank domestic financing (excluding the variation of the amounts payable) + borrowing denominated and serviced in Francs of the Financial Community of Africa (FCFA) + financing margin of CFAF 10 billion.

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 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 2013, and over and above a cumulative amount of CFAF 35 billion in 2014, the government undertakes not to issue government securities except by auction through the BCEAO or through competitive public auction (appel d'offres competitif) on the WAEMU financial markets registered with the Regional Council for Public Savings and Financial Markets (CREPMF), in consultation with Fund staff. This ceiling will be lowered by an amount equal to the eventual issuance of an Eurobond (for a maximum equivalent to US$500 million) used for financing an additional domestic debt reduction beyond the amount included in the program.

G. New Nonconcessional External Debt (PC)

12. The definition of debt is set out in Executive Board Decision No.6230-(79/140), Point 9, as revised on August 31, 2009 (Decision No. 14416-(09/91)): Debt will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, according to a specific schedule; these payments will discharge the obligor of the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows: (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans, under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements); (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and (iii) leases, i.e., arrangements under which property is provided that the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of this guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, excluding those payments necessary for the operation, repair, or maintenance of the property. Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

13. External debt is defined as debt borrowed or serviced in a currency other than the CFA franc of the Financial Community of Africa (FCFA).

14. 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. 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 BIDC, up to the equivalent of CFAF 20 billion, for the period from January 1 to December 31, 2013; and up to the equivalent of CFAF 20 billion, for the period from January 1 to December 31, 2014;
- drawings on the IMF.

15. A debt is considered concessional if its grant element is at least 35 percent, the net present value (NPV) of the debt being calculated with a 5 percent discount rate.

16. The government undertakes not to contract or guarantee nonconcessional external debt under the conditions defined in paragraphs 12–15, with the exception of debt constituting rescheduling of maturities and new debt contracted or guaranteed by the government as specified in paragraphs 14 and 17. 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.

A cumulative ceiling for 2013–14 of US$ 800 million to December 31, 2013, and US$900 million to December 31, 2014, applies to new nonconcessional external loans other than those specified in paragraph 14 (performance criteria). This ceiling would be applicable to debt-financing of projects, in the energy, infrastructure and transport 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 on the use of funds and project implementation (in subsequent MEFPs or to staff). The ceiling will be increased by the amount of the eventual issuance of an Eurobond for a maximum amount equivalent to US$500 million to be used for asset-liability management, notably by paying down debt (bonds and treasury bills), securitized debt, and/or domestic arrears. The last day of the period for purchase of the bonds as specified under the final terms of exchange will be considered to be the date of issuance of the Eurobonds.

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.

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

18. The "amounts payable" (or "balances outstanding") include domestic arrears and floating debt and represent the government's overdue obligations. They are defined as expenditures assumed (prise en charge) by the public accountant, but yet to be paid. For the program definition, these obligations represent (i) bills due and not paid to non financial public and private companies; and (ii) the domestic debt service (excluding the BCEAO).

19. For program purposes, domestic payment arrears are those balances outstanding to nonfinancial public and private companies and the domestic debt service (excluding the BCEAO). Arrears to non financial and private companies are defined as overdue obligations to non financial and private companies for which the payment date exceeds the deadline for payment stipulated by the administrative regulations of 90 days; arrears on the domestic debt service refer to debt service obligations for which the payment date exceeds 30 days.

20. 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).

21. 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).

22. For program purposes, the government undertakes: (i) to reduce the stock of amounts payable by at least CFAF 50 billion in 2013 (of which CFAF 10 billion of arrears payment in cash); and by at least 50 billion in 2014. For 2014, the reduction will be increased by an amount equal to the share of an eventual Eurobond issuance (for a maximum amount equivalent to US $500 million) to be used for paying down debt (bonds and treasury bills), securitized debt, and/or domestic arrears; and (ii) not to accumulate new domestic arrears in fiscal years 2013 and 2014.

Memorandum Items

A. Net Bank Claims on the Government

23. Net bank claims on the government are defined as the difference between government debts and government claims with the central bank and commercial banks, (including the C2D deposits). 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) (including the C2D deposits).

B. External Financing (Definitions)

24. 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.

C. Program Monitoring and Data Reporting

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

26. The government will report the information specified in Table 2 on a monthly basis, at the latest 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.

27. The government will report final data provided by the BCEAO 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).

28. The authorities will consult with the Fund staff on any proposed new external debt contracts or government guarantees on new external debt, including leases. 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 or guarantees. 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.

29. 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), 2009–14

	2009	2010	2011	2012		2013	2014
	Actual	Actual	Actual	Budgeted	Actual	SBL [1/]	Prog.
01 Agriculture and rural development	49.2	39.1	35.2	41.4	68.2	72.1	81.9
01.0 General administration	8.5	9.2	7.1	7.7	10.0	16.3	28.0
01.1 Agriculture promotion and development program	10.6	10.8	10.8	12.0	18.7	15.1	17.8
01.2 Training of supervisory staff	8.4	8.3	10.3	8.4	13.5	15.7	16.9
01.3 Water system works	1.5	4.0	3.0	3.4	26.0	16.6	19.3
01.4 Other investments in the rural area (FRAR,FIMR)	20.2	6.8	4.1	10.0	0.0	8.4	0.0
02 Fishing and animal husbandry	6.7	5.9	4.0	4.7	7.2	5.9	8.0
02.0 General administration	3.5	3.9	2.7	2.7	4.0	3.8	4.5
02.1 Milk production and livestock farming	2.3	1.8	1.2	1.5	2.9	0.9	1.7
02.2 Fishing and aquaculture	1.0	0.2	0.1	0.5	0.4	1.2	1.9
03 Education	533.1	590.1	529.2	628.6	651.2	754.6	836.3
03.0 General administration	19.6	24.9	24.7	23.6	19.8	19.5	20.6
03.1 Pre-schooling and primary education	336.7	366.7	301.1	398.2	379.2	454.4	316.6
03.2 Literacy	0.2	0.2	0.5	0.6	0.5	0.5	0.4
03.3 Secondary education and vocational training	83.0	83.8	74.2	80.3	74.8	83.7	296.8
03.4 University and research	93.7	114.5	117.0	113.0	140.0	153.0	155.4
03.5 Emergency/Presidential program/Education	0.0	0.0	11.7	12.8	36.9	43.5	46.5
04 Health	118.4	113.6	120.2	138.0	169.2	205.1	263.3
04.00 General administration	45.8	47.8	49.2	55.4	63.9	89.5	119.0
04.01 Primary health system	30.7	30.0	25.2	34.8	47.5	53.9	38.7
04.02 Preventive healthcare (enlarged vaccination program)	1.9	1.4	0.4	0.8	2.3	2.6	2.9
04.03 Disease-fighting programs	1.7	1.5	1.1	1.4	4.0	1.2	24.8
04.04 Infant/mother health and nutrition	0.8	0.4	0.4	0.6	1.4	0.6	18.1
04.05 HIV/AIDS	10.8	5.9	6.9	8.0	6.4	5.4	5.6
04.06 Health centers and specialized programs	26.6	26.6	25.7	25.1	31.8	33.9	34.2
04.07 Emergency/Presidential program/Health	0.0	0.0	11.3	12.0	12.0	18.0	20.0
05 Water et De-contamination	20.4	19.8	36.3	39.9	49.5	73.5	82.1
05.1 Access to drinking water and de-contamination	4.9	6.0	10.2	10.7	10.8	25.4	37.0
05.2 Environmental protection spending	15.5	13.8	13.1	13.0	22.4	23.6	18.1
05.4 Emergency/Presidential program/healthiness and de-contamination	0.0	0.0	13.1	16.2	8.0	11.5	13.5
05.5 Emergency/Presidential program/drinking water	0.0	0.0	0.0	0.0	8.2	13.0	13.5
06 Energy	16.5	9.7	8.9	17.0	18.8	26.7	30.1
06.1 Access to electricity	16.5	9.7	8.9	9.0	10.8	13.7	16.6
06.2 Emergency/Presidential program/Electricity	0.0	0.0	0.0	8.0	8.0	13.0	13.5
07 Roads and Art Works	39.1	45.4	33.5	47.1	51.4	101.7	112.7
07.1 Road maintenance	0.5	2.4	2.1	5.1	2.3	11.4	6.0
07.2 Constructions of art works	3.0	2.5	1.1	7.5	4.0	22.2	23.3
07.3 Other road projects	35.6	40.6	22.2	23.5	34.1	52.2	65.5
07.4 Emergency/Presidential program/maintenance and development	0.0	0.0	8.0	11.0	11.0	16.0	18.0
08 Social Spending	13.6	15.0	24.7	14.1	20.0	18.1	22.4
08.0 General administration	8.6	9.8	8.9	9.0	15.1	13.4	16.1
08.1 Training for women	0.6	0.7	0.5	0.7	0.7	0.5	0.9
08.2 Orphanages, day nurseries, and social centers	1.5	2.0	1.9	2.5	2.2	2.1	3.1
08.3 Training of support staff	1.7	1.9	1.6	1.3	1.6	1.8	2.0
08.4 Indigents and victims of war or disaster	1.2	0.5	11.8	0.7	0.5	0.4	0.4
09 Decentralisation (excl. education, health and agriculture)	35.1	32.0	29.0	32.1	31.7	31.8	60.0
09.1 Decentralisation	35.1	32.0	29.0	32.1	31.7	31.8	60.0
10 Reconstructions and rehabilitations	1.4	2.6	5.6	1.2	0.3	13.0	10.4
10.1 Reconstruction and rehabilitation	1.4	2.6	4.6	1.2	0.3	0.1	0.0
10.2 Emergency/Presidential program	0.0	0.0	1.0	0.0	0.0	12.9	10.4
11 Other poverty-fighting spending	9.6	11.9	16.2	15.9	13.0	6.7	10.5
11.1 Promotion and insertion of youth	8.4	8.9	13.7	13.4	7.6	5.1	8.1
11.2 Support and follow-up of DSRP	0.3	0.2	0.4	0.4	0.5	0.0	0.6
11.3 Development of tourism and craftmanship	0.9	2.8	2.0	2.1	4.9	1.6	1.8
TOTAL	843.0	885.2	843.4	0.0	1080.3	1309.1	1517.7

Source: Ivoirian authorities.

[1/] Supplementary Budget Law.

Table 2. Côte d'Ivoire: 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)*

Balance of Payments sector (B)

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)*

Monetary sector (M)

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)*

Fiscal sector (F)

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 account

Appendix II. Côte d'Ivoire: External Stability Assessment

External sector risks are moderate over the medium term. There is no evidence pointing to a real exchange rate misalignment as of 2012. Structural reforms are needed to boost non-price competitiveness.

A. Balance of Payments Developments

1. In 2012, Côte d'Ivoire's current account balance turned into a deficit, which is expected to increase somewhat over the medium term. Prior to 2012, Côte d'Ivoire registered a current account surplus between 2002–11 because of strong export dynamics as well as anemic economic growth and demand for imports. The external current account deficit is projected to increase from 3.4 percent of GDP in 2013 to about 5.1 percent of GDP in 2018. Exports of goods and services are expected to grow by 9.6 percent on average during 2013–18, and imports by about 12 percent . FDI flows (3 percent of GDP on average over the medium term) and loans (2.7 percent of GDP on average over the medium term) would contribute to financing of this deficit.

2. Côte d'Ivoire's debt situation has improved, but the country still faces a moderate risk of debt distress. The country has benefited from a substantial amount of debt relief after reaching the HIPC completion Point in June 2012; in particular, the stock of external debt declined from 55 percent of GDP at end-2011 to 30 percent at end-2012. Since late 2012, Côte d'Ivoire does not have outstanding external arrears anymore. However, debt service is expected to rise, particularly during 2020–25, because of the large borrowing commitments to finance infrastructure and energy projects, the profile of French ODA claims converted into C2D debt-for-development swaps (Contrats de désendettement et développement), and the expected issuance of a Eurobond in 2014. As pointed out by the results of the external DSA (see Supplement 1), Côte d'Ivoire's debt dynamics are sustainable, but stress tests suggest that the country is vulnerable to macroeconomic shocks.

B. Real Exchange Rate Assessment

3. The real effective exchange rate depreciated by about 4 percent in 2012. This reflects the depreciation of the Euro (to which the CFAF is pegged) vis-à-vis the currencies of Côte d'Ivoire's major trading partners, as well as lower inflation in Côte d'Ivoire.

4. Model-based assessments do not suggest a misalignment of the real exchange rate in 2012. This assessment is based on the three complementary Consultative Group on Exchange Rate Issues (CGER) model-based approaches: *(i)* macroeconomic balance (MB); *(ii)* external sustainability (ES); and *(iii)* equilibrium real exchange rate (ERER).

The MB approach

5. The Macroeconomic Balance approach estimates the exchange rate adjustment required to eliminate the gap over the medium term between the equilibrium current account

balance ("the CA norm) and the underlying current account projected over the medium term. The equilibrium current account balance is computed as the product of the level of economic fundamentals[1] projected over the medium term to the coefficients of an unrestricted panel regression for Africa (Aydin, 2010). The underlying current account balance is calculated as an average of five-year WEO projections of the current account balance. The exchange rate adjustment is derived using trade elasticity estimated by Tokarick (2010).

6. With an equilibrium current account deficit of about 5 percent and an underlying current account deficit of 5.1 percent, only a 0.1 percent exchange rate depreciation is necessary to close the gap between them. This minor deviation suggests that there is basically no real exchange rate misalignment in 2012.

The ES approach

7. The external sustainability approach compares the underlying current account balance with the balance that would stabilize the net foreign assets position at its 2009 level considered as the norm year.

8. The estimated real exchange rate adjustment using the ES approach is 1.2 percent (an appreciation of 1.2 percent). Again, this minor deviation for the equilibrium suggests that there is no real exchange rate misalignment in 2012.

The ERER approach

9. The equilibrium real exchange rate is estimated as a function of medium-term economic fundamentals (e.g., terms of trade, openness, productivity differential, investment, government consumption). The degree of real exchange rate misalignment is then calculated as the difference between the actual REER and its equilibrium value.

10. The difference between the actual REER and its equilibrium value is 0.12 percent, which indicates that there is no real exchange rate misalignment.

11. Overall, the results from the three CGER approaches suggest no real exchange rate misalignment (see Table below). This finding is similar to the real exchange rate assessment conducted for the 2013 Article IV Consultation for the WAEMU region. It is also confirmed by the strong expert performance so far in 2013, as exports have strongly increased, driven by food processing and by cocoa and cashews.

[1] The economic fundamentals are: the relative fiscal balance, old-age dependency ratio, population growth, oil balance as a ratio to GDP, relative GDP per capita growth and output growth.

Figure 1. Côte d'Ivoire: Actual vs. Estimated Equilibrium Exchange Rate, (1980–2012)

Story Line goes here....

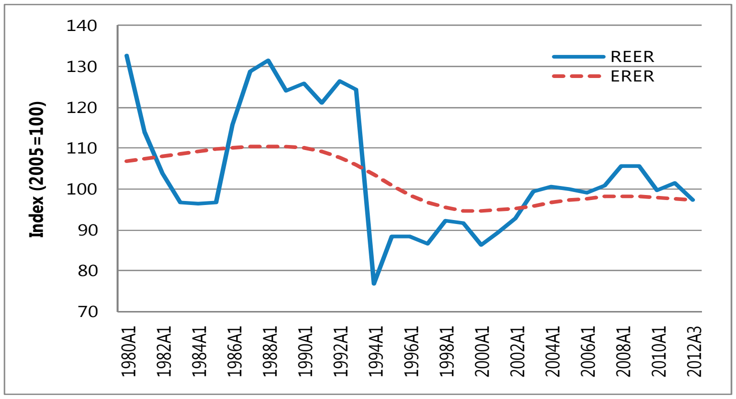


Table 1. Côte d'Ivoire: CGER Methodologies Results

	CAB norm	CAB underlying	RER Misalignment [1/]
	In percent of GDP		*In percent*
Macroeconomic balance	-5.04	-5.10	0.10
External sustainability	-3.79	-4.50	1.19
Equilibrium real exchange rate	...	...	0.12

Source: IMF staff estimates.
[1/] Negative number indicate undervaluation.

C. Structural Competitiveness

12. Despite some improvements since the end of the decade-long political crisis, Côte d'Ivoire's structural competitiveness remains weak, impaired by structural factors in particular a poor business environment. Survey-based reports of non-price indicators show that the country trails below SSA average on most of the recent rankings. However, most of the indicators, with the exception of the 2014 Doing Business survey, are based on 2011 or 2012 data and do not yet take into account the impact of Côte d'Ivoire ongoing reforms to improve the business climate.

Global competitiveness index

13. Côte d'Ivoire ranks 126 out of 148 countries represented in the 2013–14 Global Competitiveness Index (CGI) published by the World Economic Forum—two 5 positions below above its earlier 2012–13 rating of 131 (Table 1). It also ranks below the Sub-Saharan African average (SSA) on most indicators of the basic requirements sub-index, including in terms of institutions, infrastructure, macroeconomic environment, health and primary education, but ranks better for infrastructure. However, it also ranks better than the average for the efficiency enhancers sub-index; the innovation and sophistication factors sub-index is at par with the rest of SSA. Overall, Côte d'Ivoire scores 3.5 out of 7, slightly below the Sub-SSA average of 3.6 (Figure 1).

Doing business indicators

14. Reflecting the impact of Côte d'Ivoire's reforms to strengthen the business climate, its ranking in the 2014 Doing Business report improved to 167 from 173 in the previous year. Côte d'Ivoire is "among the economies improving the most in 2012/13 in areas tracked by Doing Business."[2] Côte d'Ivoire ranks 4th among the WAEMU countries behind Burkina Faso, Mali, and Togo and close the WAEMU average (see Table 2). Relative to the 2013 report, Côte d'Ivoire improved its ranking in the following areas: starting a business, enforcing contracts, registering a property, and trading across border; however, its ranking deteriorated as regards resolving insolvency and to a lesser extent as regards paying taxes, protecting investors, and getting credit. Paying taxes, trading across borders, and dealing with construction permits are the 3 areas with the worse ranking.

Global enabling trade index

15. Côte d'Ivoire ranks 126 out of 132 countries in the 2012 Enabling Trade index prepared by the World Economic Forum (Annex, Table 3), with an overall score of 3.0 out of the possible total of 7.0. Côte d'Ivoire scores particularly low in market access (which includes the level of trade protection in the country's market as well the protection it faces in its target markets abroad), transparency of border administration, and regulatory environment. Main factors that firms identified as making exporting and importing problematic include access to trade finance, burdensome procedures, and tariffs as well as non-tariff barriers (Figures 1 & 2).

Governance indicators

16. Various indicators point to weak governance situation in Côte d'Ivoire (Figure 4). The 2011 Transparency International report ranks Côte d'Ivoire 154 out of 183 in terms of Corruption Perceptions Index (CPI). According to the 2012 Index of Economic Freedom, Côte d'Ivoire falls within the category of "mostly unfree" economy, with a rank of 126th out of 184 countries evaluated. In the 2013 Mo Ibrahim Index of African Governance, despite small improvements compared to the previous report, Côte d'Ivoire's governance score (40.9 out of 100) remains below the SSA average (51.6 out of 100), as well as the West Africa average (52.5 out of 100).

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[2] "Together with Ukraine, Rwanda, the Russian Federation, the Philippines, Kosovo, Djibouti, Burundi, the former Yugoslav Republic of Macedonia, and Guatemala.

Table 1. Côte d'Ivoire: Global Competitiveness Index, 2013–14

	Côte d'Ivoire		Sub-Saharan Africa (Average)
	Rank	Score (1-7)	Score (1-7)
CGI 2013-14 (Out of 148)	**126**	**3.5**	**3.6**
CGI 2012-13 (Out of 144)	131	3.4	3.7
CGI 2011-12 (Out of 142)	129	3.4	3.6
CGI 2010-11 (out of 139)	129	3,3	3.5
Basic Requirements (60%)	**131**	**3.5**	**3.5**
Institutions	104	3.4	3.4
Infrastructure	107	3.1	2.7
Macroeconomic Environment	106	4.2	4.4
Health and Primary Education	142	3.3	3.6
Efficiency enhancers (35.0%)	**112**	3.5	**3.3**
Higher education and training	121	3.0	2.8
Goods market efficiency	113	3.9	3.9
Labor market efficiency	68	4.3	4.2
Financial market development	94	3.8	3.5
Technological readiness	110	3.0	2.8
Market size	96	3.2	3.0
Innovation and sophistication factors (5.0%)	**116**	**3.2**	**3.2**
Business sophistication	123	3.4	3.4
Innovation	101	3.0	3.0

Source: World Economic Forum, *The Global Competitiveness Report*, 2013-14.

Table 2. Côte d'Ivoire: Doing Business in the WAEMU

	2010	2011	2012	2013	2014
Côte d'Ivoire 1/	**168**	**170**	**177**	**177**	**167**
Benin	172	173	176	175	174
Burkina Faso	147	151	149	153	154
Guinea-Bissau	181	181	178	179	180
Mali	156	148	145	151	155
Niger	174	172	175	176	176
Senegal	157	157	162	166	178
Togo	165	158	161	156	157
WAEMU	165	164	165	167	168

Source: World Bank Doing Business Indicators.
1/ The 2014 Doing Business Report adjusted Côte d'Ivoire 2013 ranking to 173.

Table 3. Côte d'Ivoire: Enabling Trade Index Ranking, 2012 [1/]

	Côte d'Ivoire	Benin	Burkina Faso	Mali	Senegal
Composite Ranking (out of 132)	**126**	**115**	**122**	**121**	**92**
Market Access	**123**	**121**	**111**	**114**	**116**
Border Administration	**121**	**104**	**124**	**120**	**75**
Efficiency of customs administration	109	113	102	117	88
Efficient of import-export procedures	117	94	126	113	61
Transparency of border administration	124	103	98	119	74
Transport and communications infrastructure	**110**	**103**	**129**	**125**	**100**
Availability and quality of transport infrastructure	113	115	131	123	104
Availability and quality of transport services	100	63	119	120	87
Availability and use of ICTs	107	109	127	121	98
Business environment	**122**	**79**	**84**	**94**	**56**
Regulatory environment	120	88	108	106	94
Physical security	113	76	77	89	38

Source: World Economic Forum: The Global Enabling Trade Report 2012.

[1/] Lower number indicates better ranking.

Table 4. Côte d'Ivoire: Selected Governance Indicators

	1996	2000	2010	2011	2012
Voice and accountability (-2.5 to 2.5, best)	-0.65	-1.10	-1.12	-1.13	-0.79
Political stability (-2.5 to 2.5, best)	0.01	-1.33	-1.57	-1.41	-1.26
Government effectiveness (-2.5 to 2.5, best)	-0.06	-0.88	-1.33	-1.19	-1.11
Regulatory quality (-2.5 to 2.5, best)	-0.48	-0.54	-0.91	-0.86	-0.77
Rule of law (-2.5 to 2.5, best)	-0.82	1.19	-1.22	-1.26	-1.11
Control of corruption (-2.5 to 2.5, best)	0.20	0.69	-1.16	-1.00	-0.91

Source: World Bank Institute.

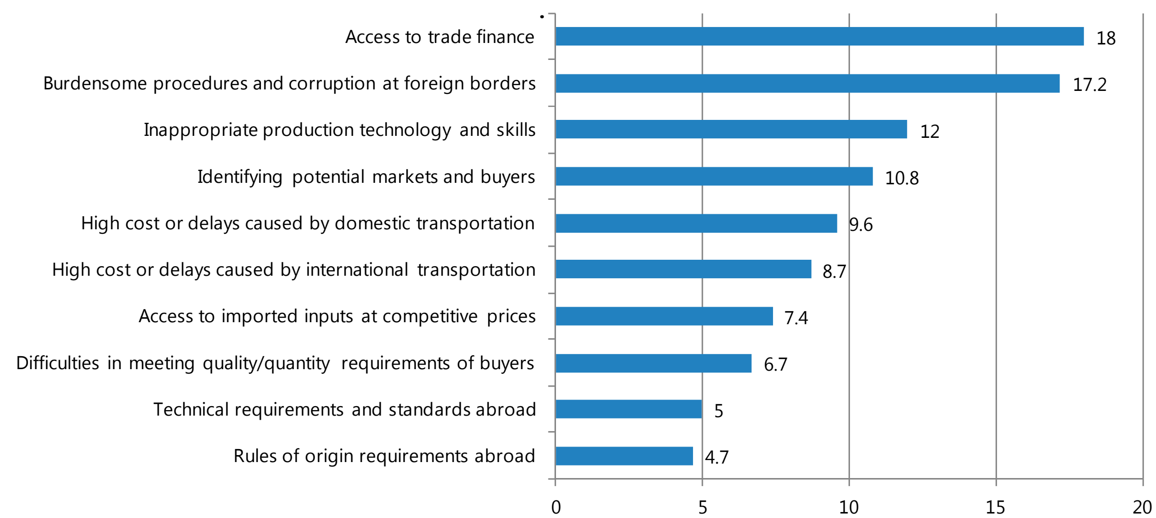
• According to the 2013 Ibrahim index of African Governance, Côte d'Ivoire ranks 15th out of 16 in West Africa and 44th out of 52 overall.

• The 2011 Transparency International report ranks Côte d'Ivoire 154 out of 183 in terms of Corruption Perception Index (CPI).

• According to the 2012 Index of Economic Freedom, Côte d'Ivoire falls within the category of 'mostly unfree economy, with a rank of 126th our of 184 countries overall.

Figure 2. Côte d'Ivoire: The Most Problematic Factors for Exporting

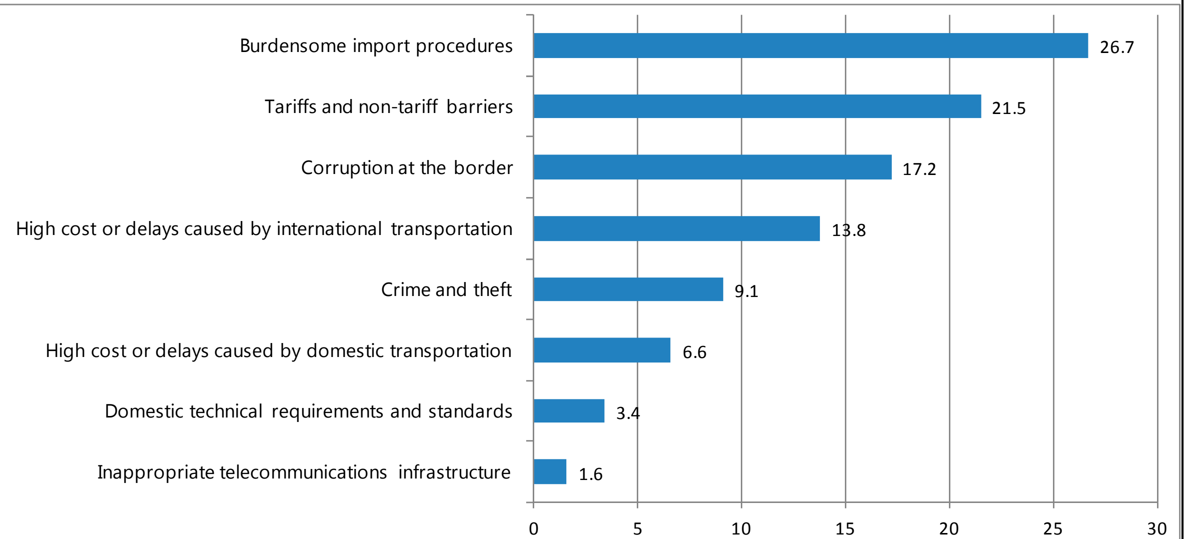
(Percent of Responses)



Source: World Economic Forum. *the Global Enabling Trade Report,* 2012.

Figure 3. Côte d'Ivoire: The Most Problematic Factors for Importing

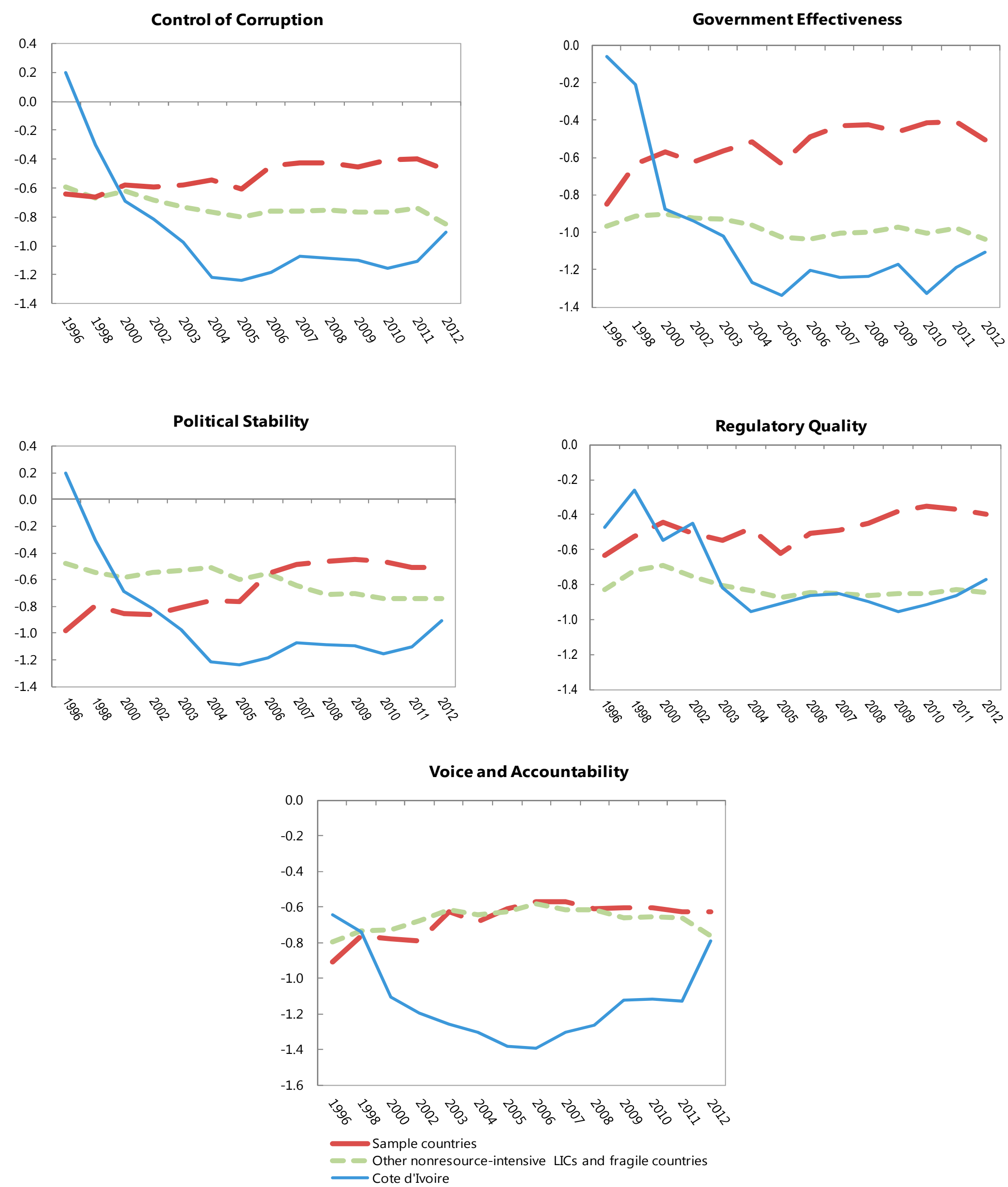
(Percent of Responses)



Source: World Economic Forum. *the Global Enabling Trade Report*, 2012.

Figure 4. Côte d'Ivoire: Sub-Saharan Africa: World Wide Governance Indicators

(Higher values correspond to better governance)



Source: World Bank Institute.

Appendix III. Côte d'Ivoire: Financial Sector Profile

This review of Côte d'Ivoire's financial sector focuses on issues that are country-specific, as the regional financial sector issues have been discussed in the 2013 WAEMU financial sector pilot.[1]

The financial system in Côte d'Ivoire is dominated by commercial banks, which hold over ¾ of the financial sector's assets, along with insurance companies, pension funds and microfinance institutions. Access to financial services is weak: only about 11 percent of the population has accounts in financial institutions, more than half of them in commercial banks and the rest in microfinance institutions. The regional stock market—located in Abidjan—plays a critical role for sovereign financing.

The banking sector is highly concentrated, with large banks—mainly foreign—in a solid position; domestic banks, including five public banks, have weaker prudential indicators. The strong concentration of assets among the top companies is also observed in the insurance industry (the largest insurance market in the region) and in microfinance institutions. Pension funds cover a small share of the population and their financial position has been strengthened following reforms implemented in 2012.

The financial system is shallow (credit to the private sector is only about 18½ percent of GDP, mainly for short-term loans). Financial intermediation needs to be strengthened to achieve the growth and poverty reduction goals of the authorities' NDP. A benchmarking exercise that compares the performance of Côte d'Ivoire's banking sector with respect to peers in Sub-Saharan Africa confirms the need to deepen financial intermediation and improve efficiency.

The authorities have indicated their commitment to implement reforms aimed at improving access to financial services and boosting growth, in particular by providing medium-and long-term credit to small and medium enterprises, housing, and the agricultural sector. With those goals in mind, they are finalizing their strategy to develop the financial sector with the support of the World Bank.

[1]IMF Country Report No. 13/92.

A. Overview of the Financial System

1. **The financial system in Côte d'Ivoire is dominated by commercial banks,** which hold about 80 percent of the financial sector's assets, along with insurance companies, pension funds and microfinance institutions. Access to financial services is weak, as only about 6.7 percent of the population has bank accounts and 4 percent has accounts in microfinance institutions (the latter accounts are mainly lower income households). The stock market deals primarily with sovereign financing. The interbank market is very thin and the secondary market for government securities has yet to be developed.

2. **The banking system is highly segmented**. There are 25 banks, 18 of them subsidiaries of international or regional groups, along with a few domestic public and private banks.

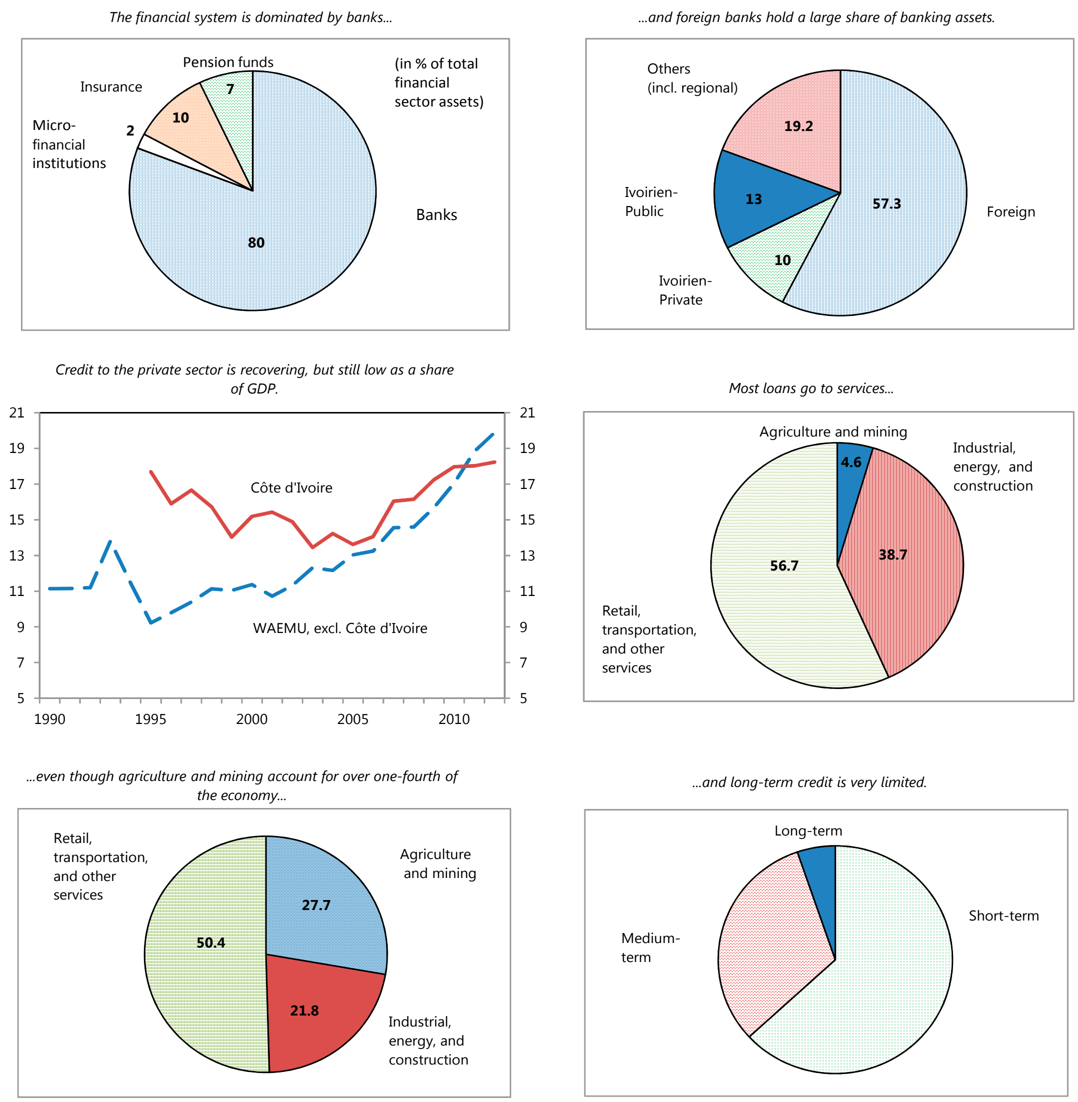
- Foreign banks dominate the banking system, with the three largest foreign banks (from France and Togo) holding almost 40 percent of banking assets. The other foreign banks are smaller, including several Nigerian or Moroccan banks. Overall, foreign banks hold about 57 percent of the banking system's assets. Most of the foreign banks have healthy balance sheets, with sound prudential indicators. In addition, there are a few regional banks, about 19 percent of assets.

- Domestic banks include five public banks, one of them fairly large with about 8½ percent of banking system's assets and four small public banks (altogether less than 6 percent of assets). In addition, the government holds a minority stake in two other domestic banks (about 10 percent of assets). Several domestic banks are undercapitalized, do not comply with regional requirements for minimum capital (some of them have negative capital) and have weak prudential indicators.

- Overall, commercial banks have about 1,679 thousand account holders, mainly concentrated in Abidjan, and their deposits represent about 26 percent of GDP. The interbank market is very thin.

3. **Financial services are also provided by microfinance institutions**. There are 73 microfinance institutions (about 2 percent of the financial system's assets). This sector is even more segmented than the banking system, with the main institution concentrating almost 90 percent of accounts and 73 percent of deposits. The *Commission Bancaire* supervises 5 microfinance institutions (with the largest one made up of 7 independent subsidiaries), whose assets or deposits exceed FCFA 2 billion. Several microfinance institutions are undercapitalized and have weak prudential indicators.

Figure 1. Côte d'Ivoire: Financial Sector Indicators



Sources: Ivoirien authorities, BCEAO, and IMF staff.

4. Insurance and pensions make up the bulk of the other financial institutions.

- Côte d'Ivoire's insurance sector (10 percent of the financial system's assets) is the main insurance market in the region. It includes 29 companies, 18 of them dealing with non-life insurance, such as property insurance companies, while the rest sell life-insurance policies. Concentration is high, with the two top companies holding 26 percent of the market (60 percent for the top seven). As of end-2012, insurance companies had assets for about FCFA 526 billion. Indicators for the overall insurance sector indicate it is liquid and profitable, although the smaller companies have weaker indicators.

- The main pension funds, the *Caisse Nationale de Prévoyance Sociale* (*CNPS) for private-s*ector workers and the *Caisse Générale de Retraite des Agents de l'État (CGRAE)* which manages pensions of civil servants, with assets of FCFA 350 billion (about 7 percent of the financial system's assets), cover less than 5 percent of the population. Reforms were introduced in 2012 to strengthen the pension system, including an increase in contributions and the retirement age.

5. The Regional Securities market is headquartered in Abidjan. With a capitalization of about 38½ percent of GDP as of end-2012, the *Bourse Régionale des Valeurs* Mobilières (BRVM) lists 37 companies, 31 of them from Côte d'Ivoire. The BRVM plays an important role in sovereign financing; there is, however, virtually no secondary market for sovereign financing. In September 2013, the BRVM introduced continuous trading to replicate the trading mode in use in the world's larger stock markets.

B. Banking Sector Soundness and Vulnerabilities

6. While they deteriorated during the 2010–11 crisis, prudential indicators for the overall banking system are broadly in line with the region; some banks are, however, undercapitalized.[2]

- Capital adequacy ratios (CAR) for the overall banking system are above the 8-percent regulatory threshold, and the banking system as a whole is recovering from the impact of the post-electoral crisis. In contrast, capital ratios are weaker for some individual banks: about ¼ of individual banks have a CAR below 8 percent and do not comply with regional

[2] Financial institutions, including commercial banks and large micro-financial institutions are supervised at the national and regional level by the *Commission Bancaire,* the BCEAO and, for some issues including resolution, are also under the purview of the ministry of finances (Senegal, IMF Country Report No. 12/337, box 3).

minimum capital requirements. These banks, which include some public banks holding a large share of government securities on their balance sheet—some of which were restructured at end-2011 and some others that do not generate interest—, are for the most part relatively small and do not give rise to systemic risks.

- The loan portfolio is in line with WAEMU levels, including NPLs/total loans ratios, although provisioning in Côte d'Ivoire is somewhat higher.
- In contrast, personnel costs are very high in Côte d'Ivoire, and much higher than the regional average.
- Profitability indicators deteriorated during the crisis, but they began to recover in 2012 and liquidity indicators are broadly in line with regional averages.

Text-Table 1. Côte d'Ivoire: Financial Soundness Indicators for the Banking Sector, 2008–13

	2008	2009	2010	2011	2012	2013 [1]
	(Percent, end of period, unless otherwise indicated)					
Capital Adequacy						
Risk-weighted capital to assets ratio	9.3	10.2	12.5	9.7	8.8	9.4
Percentage of banks greater or equal to 10 percent	60.0	63.2	52.4	54.6	62.5	60.0
Percentage of banks below 10 and above 8 percent	10.0	5.3	19.1	13.6	8.3	16.0
Percentage of banks below 8 percent minimum	30.0	31.6	28.6	31.8	29.2	24.0
Percentage of banks compliant with minimum regional capital requirements	50.0	52.6	61.9	63.6	70.8	72.0
Asset quality						
Total loans/total assets	72.7	69.8	66.9	56.7	57.8	57.3
NPLs/total loans	19.5	17.0	16.4	16.3	16.1	16.6
NPLs net of provisions/total loans	5.2	4.1	4.1	5.3	3.4	3.7
Provisions/NPLs	77.3	75.9	74.9	67.3	78.9	79.6
Management						
Personnel costs/net revenue	71.4	82.2	88.4	87.3	79.0	*n.a.*
Earnings and profitability						
Return on assets	-0.5	2.0	-0.8	-3.0	1.1	*n.a.*
Return on equity	-6.8	22.3	-9.4	-4.5	13.4	*n.a.*
Liquidity						
Liquid assets/total assets	42.0	42.1	42.6	50.3	47.1	47.9
Loans/deposits	95.8	92.8	87.2	71.3	75.7	72.7
Liquid assets/total deposits	55.4	55.9	55.6	63.2	61.6	60.7

Sources: BCEAO.
1/ June 2013.

C. The Banking Sector's Contribution to Growth

7. **Côte d'Ivoire's financial sector is shallow and will require substantial reforms to provide the level of credit and access to financial services needed for achieving the authorities' growth and poverty reduction goals**. The ratio of credit to the private sector–to-GDP,

an indicator of financial depth, was 18.2 percent in 2012, lower than the average for Sub-Saharan Africa[3] and access to financial services is limited to a small share of the population.

- Credit goes mainly to larger companies and the distribution of credit by sector does not reflect the structure of the economy (see figure 1).

- Medium-and long-term credit, which is needed for investing in housing and in investment projects, is only a small share of overall credit: As of June 2013, about 60 percent of credit was made up of short-term loans, about 30 percent of medium-term loans and only about 5 percent was long-term credit.

8. The main obstacles to greater financial intermediation include the following:

- Difficulties in registering land and property, which hampers using property as collateral for loans and hinders banks' ability to repossess in the event of loan defaults;

- A judicial system that does not allow for speedy resolution of commercial/credit disputes which limits credit provided by banks;

- The lack of information on the credit-worthiness of borrowers and the absence of a credit bureau widely used by banks for lending decisions curtails credit, in particular to smaller enterprises.[4]

9. To enhance access to financial services and contribute to growth, the authorities are formulating a comprehensive strategy to develop the financial system, with the support of the World Bank. They have begun to implement reforms aimed at addressing these obstacles. The reforms already introduced or being formulated include the following:

- Designing an action plan to begin restructuring the public banks by end-2013;
- Reforms to the legislation on land property aiming at formalizing land ownership and reducing the time and cost required to register a property; as a result of these reforms;
- Establishment of commercial courts, with the first one already functioning in Abidjan;
- Strong support for the BCEAO's plans to establish primary dealers and a credit bureau.

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[3] Čihák, Demirgüč-Kunt, Feyen and Ross Levine (2013), "Financial Development in 205 Economies, 1960 to 2010", *Working Paper 18946*, NBER, April.

[4] The BCEAO has facilities that allow some credit verification (*Centrale des Risques, Centrale des Bilans* and *Centrale des Incidents de Paiement*), but they do not have a comprehensive database and are not widely used.

D. Benchmarking Côte d'Ivoire's Financial Sector: Where Does it Stand Compared to its Peers?

10. This section presents a benchmarking exercise that compares the performance of Côte d'Ivoire's financial sector to the performance of peer countries. The exercise is based on data from the World Bank's 2013 Fin Stats database. Cameroon, Ghana, Mozambique and Senegal are among the countries that FinStats includes as Côte d'Ivoire's peers. For this benchmarking, Kenya has been added, given that this country has made significant progress in broadening access to financial services to a wide segment of the population in recent years. The variables used were selected based on the key indicators identified by Čihák and others, within the range of the variables available for Côte d'Ivoire in FinStats.[5]

11. Recent benchmarking exercises for Côte d'Ivoire's financial sector found that weaknesses in banking supervision, the lack of commercial courts and in credit information explained the lower credit to the private sector/GDP ratio than in Mozambique, an otherwise comparable country in many respects.[6]

12. The main results from the benchmarking exercise for Côte d'Ivoire are the following:

- The **depth** of the financial sector (measured by private credit/GDP and deposits/GDP ratios) is broadly in line with the expected median for the comparable countries, but it is shallower than that of Kenya, Senegal and Mozambique;

- The **efficiency** of the financial sector (measured by the 3-bank asset concentration and the overhead costs/total assets indicators) is broadly in line with that of its peers, although the cost/income ratio is somewhat higher than in several of the comparable countries;

- While Côte d'Ivoire stands out for hosting the regional **stock market**, with a higher level of capitalization with respect to GDP than Ghana, the low turnover ratio suggests there is space to foster a greater level of activity, which in turn would enhance the stock market's contribution to growth.

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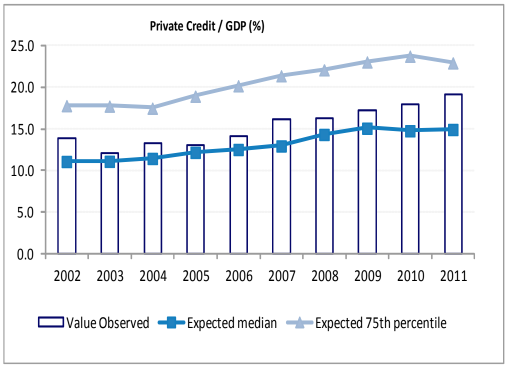
[5] The data is for end-2011. Availability of indicators for Côte d'Ivoire was limited.

[6] Ahokpossi, Ismail, Karmakar, and Koulet-Vickot, 2013, "Financial Depth in the WAEMU: Benchmarking Against Frontier SSA Countries", IMF Working Paper No. 13/161. See also the WAEMU's supplement on financial depth and macro-stability (IMF Country Report No. 13/92). A similar exercise was done for Senegal (IMF Country Report No. 12/337).

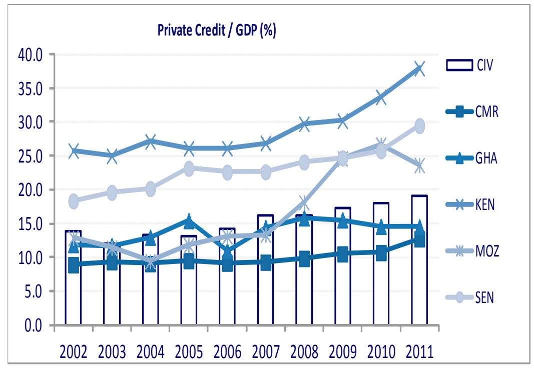
Figure 2. Benchmarking Côte d'Ivoire's Financial Sector: Where Does It Stand Compared to Its Peers?

FINANCIAL SECTOR DEPTH

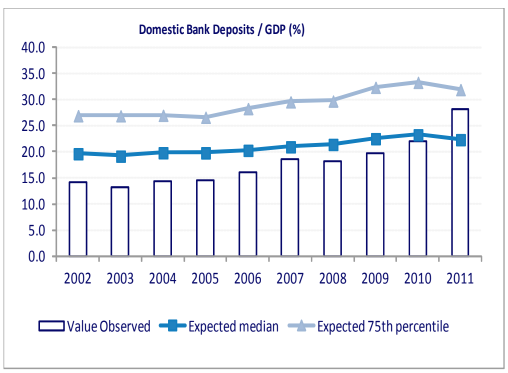
Credit to the private sector is broadly in line with the expected median, but lower than the 75th percentile 1/…



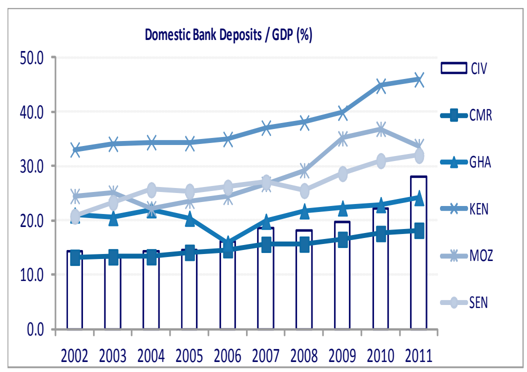
… and than Kenya, Senegal, and Mozambique.



Deposits are also broadly in line with the median…



… but lower than in most of the peer countries



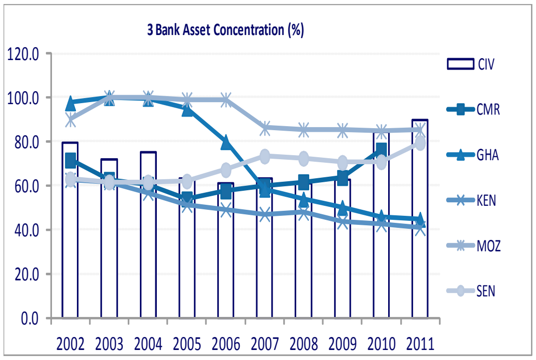
Source: FinStats 2013.

1/ The expected median for Côte d'Ivoire is based on a few indicators of the country's characteristics, including GDP per capita, the size and density of its population, and demographic factors, such as age-dependency ratios. The distance between the value observed and the expected 75th percentile provides an estimation of the space for policy improvements to be in line with the top performers among the peers.

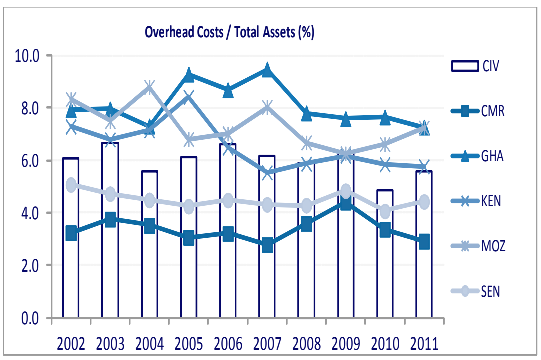
Figure 3. Benchmarking Côte d'Ivoire's Financial Sector

EFFICIENCY

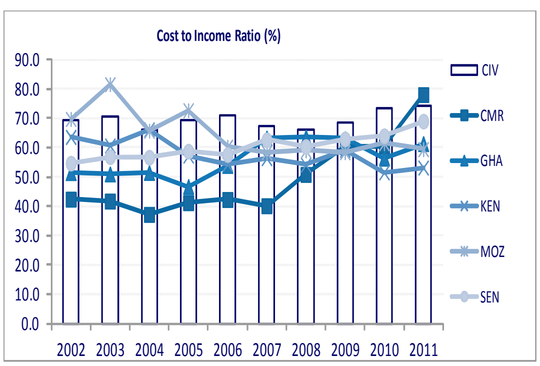
The concentration of the banking system (for the top 3 banks) is similar to Senegal's...



...and efficiency indicators are broadly similar to those of peers, including for overhead costs...

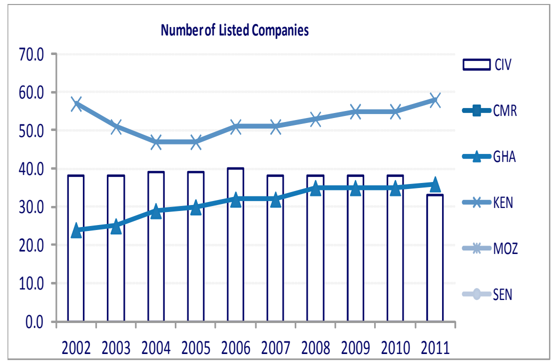


...although the cost-to-income ratio is higher than for most peer countries.

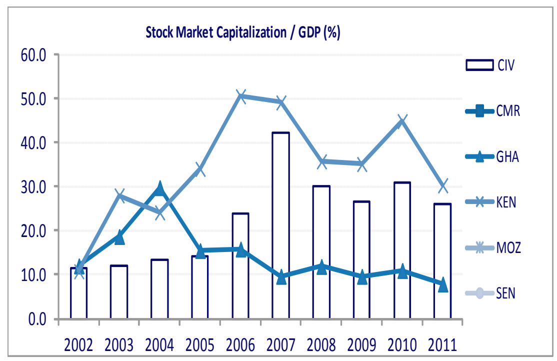


STOCK MARKET

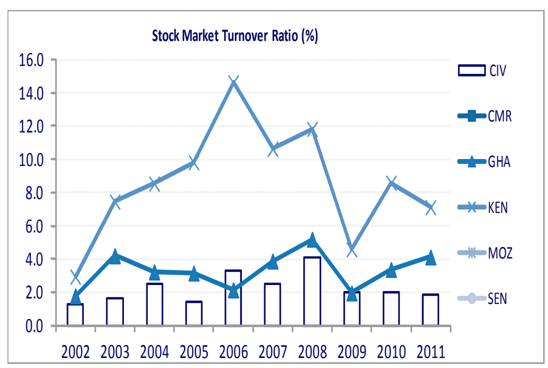
Côte d'Ivoire has the regional stock market, with 37 listed companies...



...and a relatively high level of capitalization with respect to GDP...



...but the low stock market turnover ratio suggests there is room to increase activity, in order to contribute to stronger growth.



Source: FinStats 2013.

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

STAFF REPORT FOR THE 2013 ARTICLE IV CONSULTATION AND FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—DEBT SUSTAINABILITY ANALYSIS

November 21, 2013

Approved By
Abebe Aemro Selassie and Peter Allum (IMF) Marcelo Giugale and Jeffrey D. Lewis (IDA)

Prepared by the International Monetary Fund and the International Development Association

- *Côte d'Ivoire continues to face a moderate risk of debt distress. The DSA includes a Eurobond equivalent to US$500 million in 2014 that was not in the last DSA.*
- *All debt indicators are below their policy-dependent thresholds under the baseline scenario. However, stress tests and a low-growth DSA point to vulnerability to macroeconomic shocks to exports and growth, and to fiscal performance.*
- *The issuance of a Eurobond in 2014 would lead to a slight deterioration in external public debt indicators, but at the same time help reduce financing risks associated with domestic debt and lengthen the average maturity of overall debt.*
- *A low-growth DSA in which the rate of GDP growth is on average lower by 1.4 percent than in the baseline, would increase public debt from 2013 by 1.5 and 18.5 percentage points to 29.2 and 46.2 percent of GDP by 2018 and 2033, respectively.*
- *A sustainable external position can be maintained through sound macroeconomic policies, the selection of sound projects, and prudent debt management. The low-growth DSA underscores the importance of further strengthening the business climate and investing in sound projects, to crowd in private sector investment and foster activity.*
- *The profile of debt indicators suggests that the buildup of nonconcessional (commercial) debt should be accompanied by prudent debt management; caution is also needed to avoid a bunching of maturities to prevent sizeable peaks, albeit temporary, in debt service payments. Recent steps to strengthen debt management, the adoption of a Medium-Term Debt Strategy, and the reorganization of the Debt Department should help in this regard.*

INTRODUCTION

1. **This debt sustainability analysis (DSA) updates the May 23, 2013 IMF LIC DSA, which was appended to the staff report for the 3rd review under the ECF arrangement; the last joint Bank-Fund DSA was considered by the Board in November 2012 at the 2nd review under the ECF arrangement.**[1] Côte d'Ivoire continues to be assessed at a moderate risk of debt distress. A Eurobond issue in 2014 equivalent to $500 million would lead to a slight deterioration in external public debt indicators, but would reduce domestic financing risks and lengthen the average maturity of debt. An additional DSA shows that if growth rates were lower than projected in the baseline, external debt vulnerability indicators would deteriorate significantly.

BACKGROUND AND ASSUMPTIONS

2. **The stock of public and publicly guaranteed external debt amounted to $7.73 billion at end-2012.** Compared to previous DSAs for Côte d'Ivoire, external debt is defined on a currency basis rather than on a residency basis; this definition is also followed in the DSAs of other WAMU countries.[2] The stock of debt declined from 54.6 percent of GDP at end-2011 to 30.5 percent of GDP at end-2012 (Table 2), primarily reflecting Côte d'Ivoire reaching the Heavily Indebted Countries Initiative (HIPC) completion point in June 2012, and the impact of debt relief under the HIPC and Multilateral Debt Relief Initiatives (MDRI). At end-2012, official bilateral creditors accounted for about half of public and publicly guaranteed external debt, and of this 78 percent is French ODA claims converted into C2D debt-for-development swaps (*Contrats de Désendettement et Développement),* commercial creditors accounted for 34 percent, and multilateral creditors the remainder (Table 1). In late 2012, Côte d'Ivoire had normalized its relations with all its external creditors when commercial creditors agreed to a repayment plan for remaining arrears.

3. **Domestic debt amounted to 18.4 percent of GDP at end-2012.** The stock of domestic debt has trended upward over recent years from 11.2 percent of GDP in 2007 to 18.6 percent at end-2011, of which 5.3 percent of GDP (about CFAF 607 billion) represents the amount of the outstanding stock of T-bills that the BCEAO had rolled over during the post-election crisis. In November 2011 and March 2012, the government and the T-bill holders agreed to restructure this stock into 2-year T-bills, and 3- and 5-year bonds.

4. **The baseline macroeconomic assumptions underlying this DSA are summarized in Box 1 and Text Table 1.** In the staff's baseline projection, growth would be driven by a broad-based increase of private investment, in agriculture, mining, and housing, as well as in food processing and services, supported by public investment in infrastructure and an improvement of the business climate. The expansion in supply would contribute to a continued strong export performance as a result of measures to support agricultural production and processing, and of higher mining output (gold in particular).

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[1] The DSA was prepared jointly by the staff of the IMF and World Bank, in collaboration with the authorities of Côte d'Ivoire. The 2012 DSA can be found in (IMF Country Report No. 12/232, Supp. 2, December 12, 2012), and the previous 2013 DSA in (IMF Country Report No. 13/171, Appendix II, June 23, 2013).

[2] For the purposes of the DSA, external debt is defined as debt borrowed or serviced in a currency other than the franc of the African Financial Union (*Communauté Financière Africaine*, FCFA). If defined on the basis of residency external debt at end-2012 would amount to $7.81 billion.

Text Table 1. Côte d'Ivoire LIC DSA Macroeconomic Assumptions: Comparison with the Third ECF Review LIC

(Percent of GDP, unless otherwise indicated)

	3rd ECF Review LIC DSA					Current LIC DSA Update				
	2013	2014	2015	2018	2019-33	2013	2014	2015	2018	2019-33
Nominal GDP ($ billion)[1]	28.4	31.2	34.3	44.2	120.3	28.5	32.1	35.9	48.6	99.4
Real GDP (percentage change)	8.0	8.0	8.1	7.0	5.1	8.7	8.2	8.1	7.0	5.2
Fiscal (central government)										
Revenue and grants	21.3	22.2	22.9	23.1	23.2	21.3	22.0	21.5	22.1	24.1
of which: grants	1.6	1.7	1.6	1.2	0.8	1.7	2.4	2.2	1.8	1.0
Primary expenditure	23.1	24.0	24.7	24.4	25.0	22.6	23.0	23.1	23.9	25.7
of which: Capital expenditure	7.9	8.2	9.0	8.6	9.0	7.2	7.7	8.0	8.7	8.9
Primary fiscal deficit	1.8	1.8	1.8	1.3	2.1	1.3	1.0	1.6	1.7	1.6
Domestic debt	13.3	12.5	12.0	11.5	10.7	14.8	12.7	12.8	12.1	8.6
Balance of payments										
Exports of goods and services	50.5	49.7	47.9	47.4	54.3	51.2	50.7	50.2	53.3	66.8
Imports of goods and services	48.3	47.5	46.7	46.4	56.3	48.0	49.6	50.0	56.1	71.4
Current account, incl. official transfers	-2.9	-2.6	-3.6	-4.2	-6.1	-1.8	-3.1	-3.9	-6.7	-7.0
New external borrowing[2]	2.2	3.8	3.5	2.6	3.0	1.8	3.5	2.7	3.0	2.8
Of which: commercial new borrowing	0.6	0.7	0.7	1.6	1.9	0.0	1.6	0.0	1.3	1.5
Grant element of new external borrowing (%)	14.5	18.6	13.8	1.9	-18.5	49.7	7.9	38.7	27.5	17.0
Net Foreign direct investment	3.0	3.0	3.0	2.9	2.0	3.0	3.0	3.0	2.9	2.2

Sources: Ivoirien authorities; and IMFstaff estimates.

[1] The changes from the third ECF review LIC DSA reflect mostly the revised exchange rate assumptions of CFAF/USD.

[2] Includes publicly guaranteed external borrowing.

Box 1. Côte d'Ivoire: Key Baseline Macroeconomic Assumptions

The baseline macroeconomic framework assumes a stable socio-political situation, high levels of public investment, and a sustained structural reform effort, which would translate into stronger private investment.

- Real GDP is projected to grow by 8.7 percent in 2013, and by 8 percent per year on average over the medium term, before moderating to about 5 percent over the long run. Higher public investment (mainly in infrastructure) and reforms to improve the business climate would crowd in private investment and drive growth.
- Inflation is expected to remain moderate.
- The fiscal position would remain solid, with a primary fiscal deficit of about 1.5 percent of GDP over the period. Total revenue and grants is projected to increase over time from 21.3 percent of GDP in 2013 to 24.1 percent of GDP in 2019–33, as fiscal reforms are brought to fruition. Primary (non-interest) expenditures are projected to increase from 22.6 percent of GDP in 2013 to 25.7 percent of GDP over the long term.

Box 1. Côte d'Ivoire: Key Baseline Macroeconomic Assumptions (concluded)

- The external current account deficit would widen over time, rising to 7 percent of GDP on average in 2019–33 from 1.8 percent of GDP in 2013. This would be partly financed by higher FDI inflows (3 percent of GDP over the medium term, and 2.2 percent of GDP in the long term). Exports of goods and services are expected to increase on average by 11–12 percent per annum and imports by more than 13 percent.
- New external borrowing is projected to average 2.6 percent of GDP in the medium term, and 2.8 percent of GDP in the long run. Grants are expected to decline from 1.7 percent of GDP in 2013 to 0.5 percent of GDP by the end of the projection period, as income per capita grows. The residual external financing need is assumed to be covered by concessional borrowing (from multilateral and bilateral creditors) and commercial borrowing. In addition to a Eurobond equivalent to US$500 million the authorities plan to issue in 2014, 3 large concessional loans amounting to $2.1 billion to finance infrastructure projects (expansion of access to potable water and extension of the Port of Abidjan) and energy (rehabilitation and expansion of the electricity transmission network) are incorporated as new borrowing (disbursements) during 2013–17 (a total equivalent to 5.6 percent of average annual GDP, primarily disbursed in 2015 (1.8 percent of GDP), 2016 (1.6 percent of GDP), and in 2017 (0.9 percent of GDP.) For 2015–18, the main other source of new borrowing is multilateral and official bilateral creditors, but thereafter this source gradually declines to 25 percent by 2033, while borrowing from commercial creditors steadily rises to about 75 percent of total new borrowing during 2029–33.

5. The key changes in the baseline macroeconomic assumptions relative to the third ECF review LIC DSA are as follows:

- Revenue projections have been slightly revised down over the medium term to take into account the higher-than-anticipated cost of tax and customs duties exemptions under the 2012 investment code.
- Expenditure projections have been revised down to reflect: (i) a lower-than-anticipated execution rate of C2D projects; and (ii) the authorities' objectives of reducing the wage bill as a share of tax revenue over the medium term (to meet the WAEMU convergence criterion), and reducing electricity subsidies.
- External borrowing has been revised down on average based on commitments for new external loans under negotiation. In addition, borrowing includes a Eurobond issue equivalent to US$500 million in 2014.
- The composition of external borrowing has been changed to reflect: (i) a Eurobond issue in 2014, which is assumed to be in dollars with a 10-year bullet maturity;[3] (ii) alignment with the authorities Medium-Term Debt Strategy, which includes lower commercial borrowing during 2013–16 than previously assumed, even after taking into account the 2014 Eurobond;

[3] The authorities are exploring options for a Eurobond issuance denominated in a number of different currencies.

and (iii) projected greater access to financing from non-traditional official bilateral creditors, which would result in a lower share of new commercial borrowing over the long term.

- Exports have been revised up based on measures to support agricultural production and processing, and on higher mining prospects. Imports have been revised up based on revised import elasticity assumptions. As a result, the external current account deficit is now projected to be higher than previously expected.

6. **Another change compared to the last DSA is that the discount rate used for calculating present values is higher (5 percent against 3 percent).** This reflects the decision of the IMF and World Bank Boards on October 11, 2013 to use a unified discount rate of 5 percent to calculate the present value of external debt and assess conditionality.

7. **An additional DSA was done to illustrate the impact of a lower growth path on debt indicators (Text Table 2).** This DSA assumes lower growth than in the baseline as a result of a lower efficiency of public investment that also leads to a weaker private sector investment response. In addition, no policy response to the growth shock is assumed. The low-growth DSA shows that under this scenario debt vulnerability would increase considerably: if the rate of GDP growth per year were to be on average lower by 1.7 percent during 2014-2018 and 1.3 percent during the period beyond than in the baseline, then external public debt would increase from 2013 by 1.5 and 18.5 percentage points to 29.2 and 46.2 percent of GDP by 2018 and 2033, respectively. By contrast, under the baseline scenario external public debt as a share of GDP would steadily decline over the projection period.

Text Table 2. Selected Economic Indicators, 2013–33

	Baseline					Lower-growth scenario				
	2013	2014	2015	2018	2019-33	2013	2014	2015	2018	2019-33
Real sector										
Nominal GDP ($ billion)	28.5	32.1	35.9	48.6	99.4	28.5	31.8	35.0	44.6	89.8
Real GDP (percentage change)	8.7	8.2	8.1	7.0	5.2	8.7	7.5	6.5	5.2	3.9
Fiscal (central government)										
Revenue and grants	21.3	22.0	21.5	22.1	24.1	21.3	21.6	21.3	21.0	20.4
Primary expenditure	22.6	23.0	23.1	23.9	25.7	22.6	23.0	23.3	24.8	25.1
Primary fiscal deficit	1.3	1.0	1.6	1.7	1.6	1.3	1.4	2.0	3.8	4.7
Domestic debt	14.8	12.7	12.8	12.1	8.6	14.8	13.0	13.4	14.8	12.4
Balance of payments										
Exports of goods and services	51.2	50.7	50.2	53.3	66.8	51.2	52.1	50.3	46.5	53.7
Imports of goods and services	48.0	49.6	50.0	56.1	71.4	49.5	52.3	49.1	44.9	52.0
Current account, incl. official transfers	-1.8	-3.1	-3.9	-6.7	-7.0	-3.4	-4.4	-3.0	-3.1	-3.0
New external borrowing[1]	1.8	3.5	2.7	3.0	2.8	1.8	3.6	3.1	5.2	6.1
Of which: commercial new borrowing	0.0	1.6	0.0	1.3	1.5	0.0	1.6	0.0	1.4	1.6
Grant element of new external borrowing (%)	49.7	7.9	38.7	27.5	17.0	49.7	7.9	40.3	38.0	33.4
Net Foreign direct investment	3.0	3.0	3.0	2.9	2.2	3.0	2.9	2.7	2.1	1.7

Sources: Ivoirien authorities; and IMFstaff estimates.
[1] Includes publicly guaranteed external borrowing.

EXTERNAL DEBT SUSTAINABILITY ANALYSIS

8. The results of the external DSA confirm that Côte d'Ivoire's debt dynamics are sustainable (Figures 1 and 2; Tables 2 and 3).[4] Compared to the last two DSAs, the main change to the results reflects the assumption of a Eurobond issuance in 2014. However, this change does not change Côte d'Ivoire's risk of debt distress, which remains at a moderate level. The stress tests illustrate, as in the last DSA, that Côte d'Ivoire is vulnerable to economic shocks, in particular to negative shocks to growth, exports, net FDI and fiscal performance.[5] This is most clearly illustrated by the historical average scenario and the export and combination shock stress tests. Compared with the last DSA, the baseline debt stock indicators show a slight improvement, while debt service indicators show a deterioration through 2025. This reflects the net impact of (i) an improvement due to the higher discount rate as well as the assumption of lower overall external borrowing and a lower share of commercial borrowing over the long run; and (ii) a deterioration during 2020–25 because of the onset of the amortization payments, stemming from sizeable external borrowing in 2013–17, largely reflecting the financing for large-scale infrastructure and energy projects, as well as the 2014 Eurobond bullet repayment in 2024. While debt service payment debt indicators increase considerably to peak in 2024, debt liabilities from C2D claims potentially offer Côte d'Ivoire some flexibility for managing its debt service during this period.[6] The share in total external debt service paid under C2D is substantial—just over 16 percent of total projected external debt service during 2020-25. However, the profile of C2D debt service can be reviewed periodically by the authorities and the French Development Agency (AFD) to take into account Côte d'Ivoire's capacity to pay and project implementation capacity.

9. The somewhat worse outlook for external debt service indicators in the baseline and many of debt indicators in the stress tests compared to the last DSA can be attributed in large part to the expected 2014 Eurobond issuance. For the debt service indicators the deterioration is concentrated in the mid-2020s. The authorities intend to issue the Eurobond in order to lengthen the average maturity of debt, and reduce potential rollover risks for domestic debt—the 10 year Eurobond would be used to substitute for short-term (2–5 year) financing in domestic currency. To offset exchange rate risk on the Eurobond, the authorities intend to hedge against this risk on the bullet repayment. Also, the authorities have sought to increase the average maturity of domestic debt by contracting longer term CFA franc debt from bilateral creditors.

[4] In the LIC DSA framework Côte d'Ivoire is rated as a weak performer with a Country Policy and Institutional Assessment (CPIA) average rating for 2010–12 of 2.72.

[5] For the alternative scenarios and stress tests, the historical average for the growth rate was adjusted upward, because the period 2000–11 was a period of prolonged political instability and episodes of destructive conflict; the growth rate was abnormally low, on average 1.8 percent per annum.

[6] Under the C2D existing ODA debt service claims (as of the HIPC completion point) are assumed to be re-profiled over 15 years (2012–27), and when they are paid to France an equivalent amount is channeled back to Côte d'Ivoire through matching grants for development spending. Total payments during 2014–27 are projected to amount to $3.86 billion.

10. Under the low-growth DSA both the baseline and stress tests show much worse debt indicators (Figure 3)**.** In the low-growth baseline, the combination of lower growth and fiscal revenues with no offsetting policy adjustments to contain the fiscal deficit results in higher levels of external debt. The impact of this is exacerbated by lower assumed FDI, reflecting less crowding in of private investment, and higher debt service payments, in line with the larger fiscal financing gap. Notably, the ratio of debt service-to-fiscal revenues under the low-growth baseline breaches its threshold, albeit temporarily. Moreover, this debt indicator and the PV of debt-to-GDP ratio remain close to their respective thresholds for much of the projection period. Under the stress tests, debt indicators are again most vulnerable to negative shocks to growth, exports, net FDI and fiscal performance: levels of the indicators are higher with sustained breaches of the policy thresholds observed. Indeed, the vulnerability of debt dynamics to adverse shocks to growth is brought out more strongly in the historical average scenario, where the reduction in the growth rate relative to the baseline non-low-growth DSA is 2.3 percent per year during 2014–18 compared with a shortfall of 1.7 percent per year under the low-growth baseline DSA; in the combination shock stress test the shortfall is 3.9 percent a year. In sum, without any policy adjustment, not only does a weaker growth outlook worsen Côte d'Ivoire's external debt dynamics but also makes its vulnerability to negative shocks to growth much more severe.

PUBLIC DEBT SUSTAINABILITY ANALYSIS

11. With the inclusion of domestic public debt in the analysis, Côte d'Ivoire's debt situation deteriorates modestly. Public debt ratios would look better over the long term owing to the projected improvement in the macroeconomic outlook. Under the baseline scenario, the PV of total public debt would gradually decline from 42.4 percent of GDP in 2013 to 23 percent of GDP at the end of the projection period. As in the external debt analysis, debt service indicators would rise in the medium term before coming down in the long term. Under the low-growth DSA, the baseline value PV of total public debt-to-GDP would be higher by about 3.4 percent of GDP on average during 2014–18, and 15.1 percent during 2019–33, while total debt service-to-revenue ratio would be higher by 1.8 percent of revenue and 5.7 percent, respectively.

CONCLUSIONS

12. Côte d'Ivoire remains at a moderate risk of debt distress. This assessment is similar to that reached under the last DSA in May 2013. In the baseline scenario all debt indicators remain below their respective policy-dependent thresholds. However, the alternative scenarios and stress tests under the baseline reveal the vulnerability of Côte d'Ivoire's external debt outlook to adverse macroeconomic shocks, in particular to exports and growth, as well as to fiscal performance. At the same time, while the 2014 Eurobond pushes up the external debt ratios, it should help reduce vulnerabilities associated with short-term debt and a periodic bunching of maturities arising from restructured post-election crisis arrears. The low-growth DSA illustrates that a failure to realize the projected baseline growth rates would markedly raise Côte d'Ivoire's debt vulnerabilities creating the potential for destabilizing debt dynamics.

13. A sustainable external position can be maintained through sound macroeconomic policies and prudent debt management. The low-growth DSA in particular highlights the need to further strengthen the business climate to increase the potential for a crowding in of complementary private sector investment and activity, as well as the need to ensure public investment in sound projects and improve implementation capacity. The steps being taken to strengthen debt management, notably the adoption of a Medium-Term Debt Strategy and a reorganization of the debt department, are welcome.[7] While Côte d'Ivoire is expected to gradually shift to nonconcessional borrowing as it moves to emerging market status, it should do so as cautiously as possible, to support medium- and long-term sustainability, taking into account in particular the sensitivity of this type of debt to unfavorable changes in interest rates. Côte d'Ivoire should seek to limit the significant bunching of debt service payments as currently projected in the mid-2020s by seeking terms (maturities) on new loans that do not exacerbate this situation.

14. The Côte d'Ivoire authorities broadly agree with the DSA and the tentative conclusions therein. However, they consider that the baseline macroeconomic assumptions presented in this report are on the low side. In particular, the authorities would have appreciated the inclusion of another scenario based on a higher economic growth driven by a stronger level of private and public investments more in line with their objective to transform Côte d'Ivoire into an emerging country by 2020 and halving poverty by 2015. The authorities feel that they are implementing appropriate measures in order to improve the business climate, domestic and external resource mobilization, broaden the tax base, increase the fiscal revenues, and ultimately increase the investment's absorption capacity while adopting a prudent attitude vis-à-vis current spending. They are convinced that their policies will lead to higher public revenue and investment expenditure while building at the same time a solid macroeconomic environment and debt sustainability.

The authorities welcome the staff' suggestions and policy recommendations made in the present DSA exercise. The authorities are committed to following a sustainable public debt management policy, maintaining a solid macroeconomic environment, and continuing to implement far-reaching structural policies.

[7] The reorganization of the Debt department entails the establishment of a back-, middle-, and front-office structure.

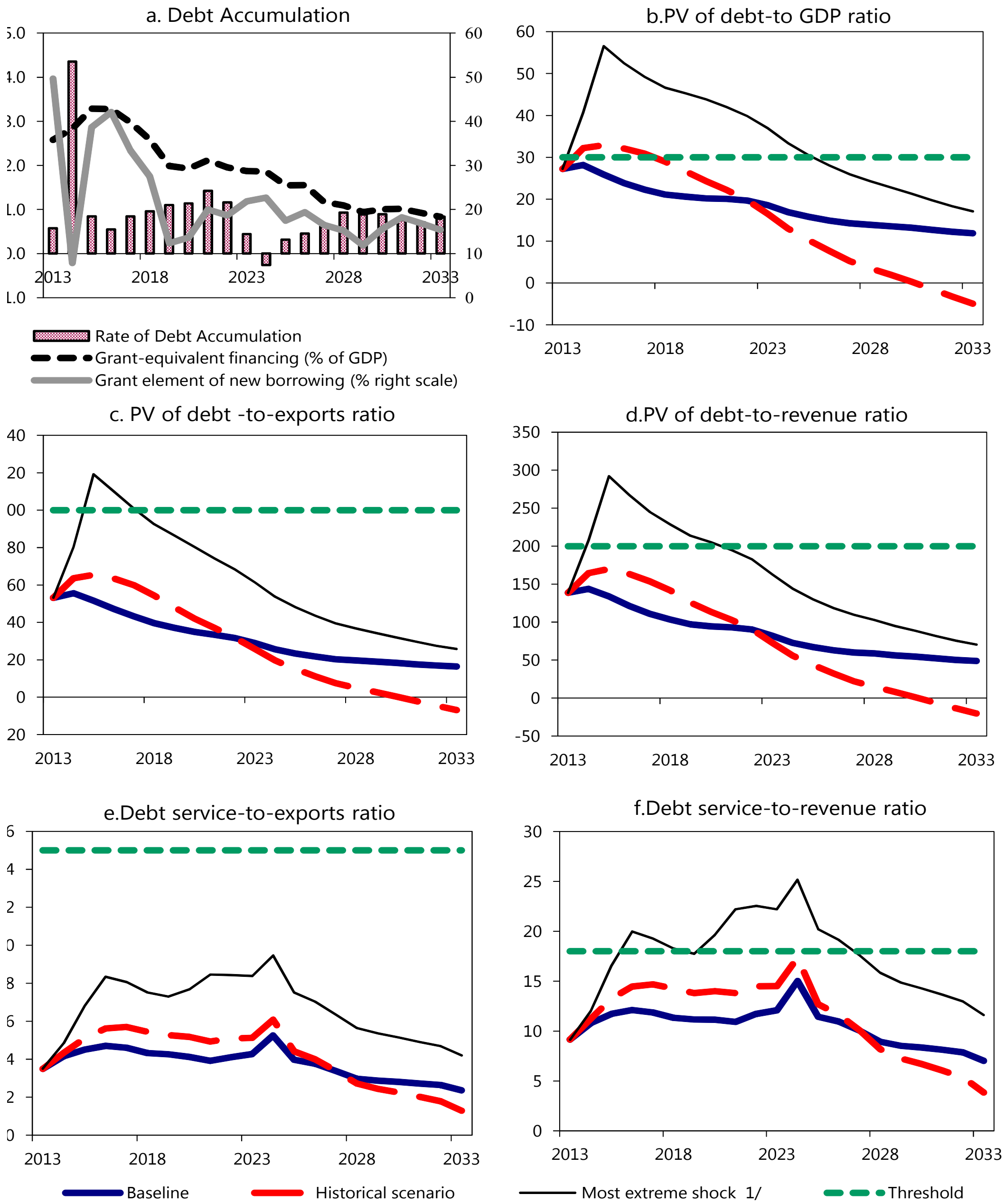
Table 1. Côte d'Ivoire: Structure of External Debt

(As of end-2012, nominal)

	Million US dollars	Percent of total	Percent of GDP
Total	**7,730**	**100.0**	**30.5**
Multilateral creditors	**1,265**	**16.4**	**5.0**
IMF	774	**10.0**	**3.1**
World Bank	119	**1.5**	**0.5**
AfDB group	44	**0.6**	**0.2**
Other multilaterals	328	**4.2**	**1.3**
Official bilateral creditors	**3,845**	**49.7**	**15.2**
Paris Club	3,693	**47.8**	**14.6**
Non-Paris Club	153	**2.0**	**0.6**
Commercial creditors	**2,619**	**33.9**	**10.3**
Eurobond	2,604	**33.7**	**10.3**
Other commercials	15	**0.2**	**0.1**

Sources : Ivoirien authorities; and IMF staff estimates.

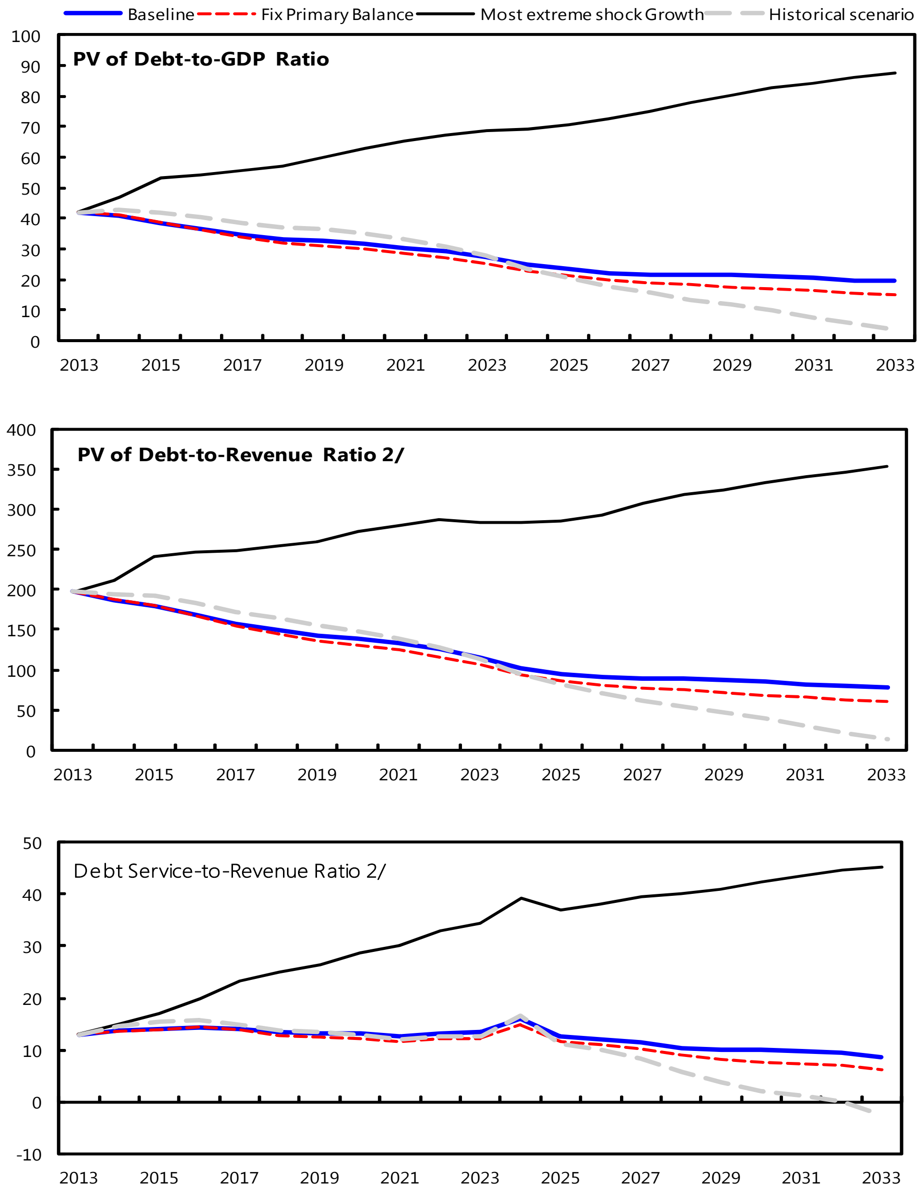
Figure 1. Côte d'Ivoire: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2013–33[1]



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2023. 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, 2013–33[1]



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2023.
2/ Revenues are defined inclusive of grants.

Table 2a. Côte d'Ivoire: External Debt Sustainability Framework, Baseline Scenario, 2010–33[1]

(In percent of GDP, unless otherwise indicated)

	Actual			Historical 0 Average	0 Standard Deviation	Projections									
	2010	2011	2012			2013	2014	2015	2016	2017	2018	2013-2018 Average	2023	2033	2019-2033 Average
External debt (nominal) [1/]	**76.1**	**76.4**	**50.9**			**45.0**	**43.5**	**40.0**	**37.0**	**34.5**	**32.5**		**27.1**	**16.5**	
o/w public and publicly guaranteed (PPG)	50.4	54.6	30.5			27.6	28.2	26.6	25.2	24.1	23.2		21.5	15.3	
Change in external debt	-4.9	0.3	-25.5			-5.9	-1.6	-3.5	-3.0	-2.5	-2.1		-1.4	-0.7	
Identified net debt-creating flows	-5.4	-17.5	-2.3			-4.9	-3.1	-2.1	-0.6	0.5	1.7		3.6	4.2	
Non-interest current account deficit	**-4.1**	**-14.9**	**-0.2**	**-5.9**	**4.0**	**0.2**	**1.7**	**2.5**	**3.8**	**4.7**	**5.6**		**6.3**	**6.2**	6.1
Deficit in balance of goods and services	-8.3	-19.8	-5.2			-3.2	-1.1	-0.3	1.0	1.9	2.8		4.5	5.9	
Exports	54.2	57.7	52.8	51.0		51.2	50.7	50.2	50.5	51.6	53.3	51.3	64.1	71.9	
Imports	45.9	37.9	47.6	41.4		48.0	49.6	50.0	51.5	53.5	56.1	51.4	68.6	77.8	
Net current transfers (negative = inflow)	1.6	2.5	2.4	2.2	1.1	1.2	0.4	0.5	0.6	0.6	0.6		0.2	-0.6	0.0
o/w official	-0.7	-0.1	-0.1			-1.4	-2.2	-1.9	-1.8	-1.7	-1.5		-1.0	-0.2	
Other current account flows (negative = net inflow)	2.6	2.4	2.6			2.3	2.4	2.2	2.2	2.2	2.2		1.7	0.9	
Net FDI (negative = inflow)	**-1.4**	**-1.1**	**-1.8**	**-1.7**	**0.3**	**-3.0**	**-3.0**	**-3.0**	**-3.0**	**-3.0**	**-2.9**		**-2.5**	**-1.7**	-2.2
Endogenous debt dynamics [2/]	**0.1**	**-1.5**	**-0.3**			**-2.2**	**-1.9**	**-1.6**	**-1.4**	**-1.3**	**-1.0**		**-0.2**	**-0.3**	
Contribution from nominal interest rate	1.7	2.1	1.6			1.7	1.4	1.5	1.4	1.2	1.2		1.1	0.5	
Contribution from real GDP growth	-1.9	3.4	-7.3			-3.9	-3.3	-3.1	-2.8	-2.5	-2.2		-1.3	-0.8	
Contribution from price and exchange rate changes	0.3	-7.0	5.4			...	...	...	...	...	...		...	...	
Residual (3-4) [3/]	**0.5**	**17.8**	**-23.1**			**-1.0**	**1.5**	**-1.4**	**-2.4**	**-2.9**	**-3.8**		**-5.0**	**-4.9**	
o/w exceptional financing	-2.6	-0.1	-20.5			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt [4/]	...	...	50.8			44.7	43.4	39.3	35.7	32.7	30.4		24.1	13.1	
In percent of exports	...	...	96.3			87.3	85.7	78.3	70.7	63.4	57.0		37.6	18.2	
PV of PPG external debt	**...**	**...**	**30.4**			**27.2**	**28.1**	**25.9**	**23.8**	**22.3**	**21.1**		**18.6**	**11.9**	
In percent of exports	**...**	**...**	**57.6**			**53.2**	**55.6**	**51.6**	**47.2**	**43.1**	**39.6**		**29.0**	**16.5**	
In percent of government revenues	**...**	**...**	**150.7**			**138.8**	**143.8**	**133.9**	**121.4**	**111.0**	**103.5**		**82.0**	**48.8**	
Debt service-to-exports ratio (in percent)	**14.3**	**26.5**	**10.1**			**7.5**	**7.5**	**7.7**	**8.0**	**7.6**	**6.9**		**5.9**	**3.2**	
PPG debt service-to-exports ratio (in percent)	**3.3**	**5.0**	**1.9**			**3.5**	**4.2**	**4.5**	**4.7**	**4.6**	**4.3**		**4.3**	**2.4**	
PPG debt service-to-revenue ratio (in percent)	**9.2**	**19.4**	**5.1**			**9.1**	**10.8**	**11.7**	**12.1**	**11.9**	**11.3**		**12.1**	**7.0**	
Total gross financing need (Billions of U.S. dollars)	1.5	0.8	1.7			1.2	1.7	2.0	2.8	3.3	3.9		6.1	12.2	
Non-interest current account deficit that stabilizes debt ratio	0.8	-15.3	25.3			6.1	3.3	5.9	6.8	7.2	7.6		7.8	6.9	
Key macroeconomic assumptions															
Real GDP growth (in percent)	2.4	-4.7	9.8	1.8	3.7	8.7	8.2	8.1	7.8	7.5	7.0	7.9	5.1	5.1	5.2
GDP deflator in US dollar terms (change in percent)	-0.4	10.1	-6.6	6.5	9.5	6.0	4.0	3.6	3.1	3.1	2.9	3.8	2.9	5.0	3.5
Effective interest rate (percent) [5/]	2.2	2.9	2.1	2.9	0.6	3.8	3.5	3.9	3.8	3.7	3.7	3.7	4.2	3.3	3.8
Growth of exports of G&S (US dollar terms, in percent)	8.6	11.6	-6.1	8.8	8.2	11.9	11.4	11.0	11.6	13.3	13.6	12.1	11.7	10.2	11.1
Growth of imports of G&S (US dollar terms, in percent)	20.0	-13.4	28.7	12.7	14.7	16.3	16.4	12.7	14.6	15.1	15.4	15.1	12.0	10.5	11.3
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	49.7	7.9	38.7	42.1	33.4	27.5	33.2	21.9	15.4	17.0
Government revenues (excluding grants, in percent of GDP)	19.2	14.9	20.2			19.6	19.6	19.4	19.6	20.1	20.4		22.7	24.3	23.1
Aid flows (in Billions of US dollars) [6/]	0.1	0.1	0.2			0.9	1.2	1.1	1.3	1.5	1.7		1.9	2.7	
o/w Grants	0.1	0.1	0.2			0.5	0.8	0.8	0.8	0.9	0.9		0.9	0.9	
o/w Concessional loans	0.0	0.0	0.0			0.4	0.4	0.3	0.5	0.6	0.8		1.0	1.8	
Grant-equivalent financing (in percent of GDP) [7/]	...	...	...			2.6	2.8	3.3	3.3	3.0	2.6		1.9	0.8	1.5
Grant-equivalent financing (in percent of external financing) [B99]	...	...	...			73.7	37.3	65.2	65.9	59.1	54.5		45.6	30.5	37.9
Memorandum items:															
Nominal GDP (Billions of US dollars)	23.0	24.1	24.7			28.5	32.1	35.9	39.9	44.2	48.6		70.9	173.9	
Nominal dollar GDP growth	2.1	4.9	2.5			15.3	12.6	11.9	11.1	10.8	10.1	12.0	8.1	10.3	8.9
PV of PPG external debt (in Billions of US dollars)			7.7			7.8	9.1	9.4	9.5	9.9	10.3		13.2	20.5	
(PVt-PVt-1)/GDPt-1 (in percent)						0.6	4.4	0.8	0.5	0.8	1.0	1.4	0.4	0.8	0.8
Gross remittances (Billions of US dollars)	-0.5	-0.6	-0.6			-0.7	-0.8	-0.9	-0.9	-1.0	-1.0		-0.8	0.7	
PV of PPG external debt (in percent of GDP + remittances)	...	...	31.2			28.0	28.9	26.6	24.4	22.8	21.6		18.8	11.8	
PV of PPG external debt (in percent of exports + remittances)	...	...	60.5			56.0	58.5	54.3	49.5	45.1	41.2		29.5	16.4	
Debt service of PPG external debt (in percent of exports + remittances)	...	...	2.0			3.7	4.4	4.7	4.9	4.8	4.5		4.4	2.4	

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 2b. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2013–33

(In Percent)

	Projections							
	2013	2014	2015	2016	2017	2018	**2023**	2033
PV of debt-to GDP ratio								
Baseline	27	28	26	24	22	21	**19**	12
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 [1/]	27	32	33	32	31	29	**17**	-5
A2. New public sector loans on less favorable terms in 2013-2033 [2/]	27	28	27	26	24	24	**26**	23
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	27	30	29	27	25	24	**21**	13
B2. Export value growth at historical average minus one standard deviation in 2014-2015 [3/]	27	35	44	41	39	36	**29**	14
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	27	32	32	30	28	26	**23**	14
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 [4/]	27	32	34	31	29	28	**23**	12
B5. Combination of B1-B4 using one-half standard deviation shocks	27	41	57	52	49	47	**37**	17
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 [5/]	27	40	36	33	31	29	**26**	16
PV of debt-to-exports ratio								
Baseline	53	56	52	47	43	40	**29**	16
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 [1/]	53	64	65	64	60	54	**26**	-7
A2. New public sector loans on less favorable terms in 2013-2033 [2/]	53	54	54	51	47	45	**40**	32
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	53	56	52	47	43	39	**28**	16
B2. Export value growth at historical average minus one standard deviation in 2014-2015 [3/]	53	80	119	110	101	93	**61**	26
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	53	56	52	47	43	39	**28**	16
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 [4/]	53	64	67	62	56	52	**36**	17
B5. Combination of B1-B4 using one-half standard deviation shocks	53	81	114	105	96	88	**58**	24
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 [5/]	53	56	52	47	43	39	**28**	16
PV of debt-to-revenue ratio								
Baseline	139	144	134	121	111	104	**82**	49
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 [1/]	139	165	170	163	154	142	**73**	-20
A2. New public sector loans on less favorable terms in 2013-2033 [2/]	139	141	139	130	122	118	**113**	94
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	139	154	151	137	125	116	**91**	54
B2. Export value growth at historical average minus one standard deviation in 2014-2015 [3/]	139	178	229	209	192	179	**128**	56
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	139	161	167	150	137	128	**100**	59
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 [4/]	139	166	175	159	145	135	**101**	51
B5. Combination of B1-B4 using one-half standard deviation shocks	139	208	292	267	245	229	**163**	70
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 [5/]	139	203	188	170	155	144	**113**	67

Table 2b. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2013–33 (concluded)

(In percent)

Debt service-to-exports ratio								
Baseline	4	4	5	5	5	4	**4**	2
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 [1/]	4	4	5	6	6	5	**5**	1
A2. New public sector loans on less favorable terms in 2013-2033 [2/]	4	4	4	4	4	4	**3**	3
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	4	4	5	5	5	4	**4**	2
B2. Export value growth at historical average minus one standard deviation in 2014-2015 [3/]	4	5	7	8	8	8	**8**	4
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	4	4	5	5	5	4	**4**	2
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 [4/]	4	4	5	5	5	5	**5**	3
B5. Combination of B1-B4 using one-half standard deviation shocks	4	5	6	8	8	7	**8**	4
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 [5/]	4	4	5	5	5	4	**4**	2
Debt service-to-revenue ratio								
Baseline	9	11	12	12	12	11	**12**	7
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2013-2033 [1/]	9	11	13	14	15	14	**15**	4
A2. New public sector loans on less favorable terms in 2013-2033 [2/]	9	11	11	11	11	11	**10**	10
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2014-2015	9	11	13	14	13	13	**14**	8
B2. Export value growth at historical average minus one standard deviation in 2014-2015 [3/]	9	11	13	16	15	15	**18**	9
B3. US dollar GDP deflator at historical average minus one standard deviation in 2014-2015	9	12	15	15	15	14	**15**	9
B4. Net non-debt creating flows at historical average minus one standard deviation in 2014-2015 [4/]	9	11	13	14	13	13	**14**	8
B5. Combination of B1-B4 using one-half standard deviation shocks	9	12	17	20	19	18	**22**	12
B6. One-time 30 percent nominal depreciation relative to the baseline in 2014 [5/]	9	15	16	17	17	16	**17**	10
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) [6/]	7	7	7	7	7	7	**7**	7

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 3a. Côte d'Ivoire: Public Sector Debt Sustainability Framework, Baseline Scenario, 2010–33

(In percent of GDP, unless otherwise indicated)

	Actual			Average	Standard Deviation	Estimate	Projections								
	2010	2011	2012			2013	2014	2015	2016	2017	2018	2013-18 Average	2023	2033	2019-33 Average
Public sector debt [1]	68.2	73.2	48.9			42.4	41.0	39.4	38.0	36.5	35.3		30.3	23.0	
o/w foreign-currency denominated	50.6	54.9	30.7			27.6	28.2	26.6	25.2	24.1	23.2		21.5	15.3	
Change in public sector debt	0.8	5.1	-24.3			-6.5	-1.5	-1.5	-1.4	-1.5	-1.2		-1.5	-0.4	
Identified debt-creating flows	-1.0	4.3	-24.4			-2.9	-2.1	-1.1	-0.7	-0.5	-0.2		0.2	0.5	
Primary deficit	1.3	2.5	2.4	0.5	1.3	1.3	1.0	1.6	1.7	1.8	1.7	1.5	1.3	1.8	1.6
Revenue and grants	19.7	15.2	20.8			21.3	22.0	21.5	21.7	22.0	22.1	21.8	23.9	24.8	24.1
of which: grants	0.5	0.3	0.6			1.7	2.4	2.2	2.0	1.9	1.8		1.2	0.5	
Primary (noninterest) expenditure	21.0	17.7	23.2			22.6	23.0	23.1	23.4	23.8	23.9	23.3	25.2	26.5	25.7
Automatic debt dynamics	0.3	1.9	-6.2			-4.2	-3.1	-2.7	-2.4	-2.2	-1.9		-1.1	-1.3	
Contribution from interest rate/growth differential	-1.4	3.6	-6.7			-3.4	-2.6	-2.2	-2.0	-2.0	-1.7		-0.9	-0.9	
of which: contribution from average real interest rate	0.2	0.2	-0.2			0.5	0.7	0.9	0.8	0.7	0.6		0.6	0.2	
of which: contribution from real GDP growth	-1.6	3.4	-6.5			-3.9	-3.2	-3.1	-2.8	-2.6	-2.4		-1.5	-1.1	
Contribution from real exchange rate depreciation	1.6	-1.7	0.5			-0.7	-0.5	-0.5	-0.4	-0.3	-0.2		...	...	
Other identified debt-creating flows	-2.6	-0.1	-20.5			0.0	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)	-2.6	-0.1	-20.5			0.0	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	1.7	0.8	0.0			-3.6	0.6	-0.4	-0.7	-1.0	-1.0		-1.6	-0.9	
Other Sustainability Indicators															
PV of public sector debt	...	...	48.8			42.0	40.9	38.8	36.7	34.7	33.2		27.4	19.6	
o/w foreign-currency denominated	...	...	30.6			27.2	28.1	25.9	23.8	22.3	21.1		18.6	11.9	
o/w external	...	...	30.4			27.2	28.1	25.9	23.8	22.3	21.1		18.6	11.9	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need [2]	4.2	6.8	4.4			4.0	4.0	4.6	4.8	4.8	4.7		4.5	3.9	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	234.6			197.4	185.9	180.0	169.2	157.6	150.0		114.4	79.0	
PV of public sector debt-to-revenue ratio (in percent)	...	...	242.1			214.2	208.9	200.3	186.8	172.9	162.9		120.7	80.6	
o/w external [3]	...	...	150.7			138.8	143.8	133.9	121.4	111.0	103.5		82.0	48.8	
Debt service-to-revenue and grants ratio (in percent) [4]	14.3	27.9	9.7			12.9	13.7	13.9	14.2	13.9	13.4		13.5	8.6	
Debt service-to-revenue ratio (in percent) [4]	14.7	28.4	10.0			14.0	15.4	15.4	15.7	15.3	14.6		14.2	8.8	
Primary deficit that stabilizes the debt-to-GDP ratio	0.6	-2.5	26.7			7.8	2.5	3.1	3.1	3.3	3.0		2.7	2.2	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	2.4	-4.7	9.8	1.8	3.7	8.7	8.2	8.1	7.8	7.5	7.0	7.9	5.1	5.1	5.2
Average nominal interest rate on forex debt (in percent)	0.7	1.9	0.9	1.7	0.6	2.7	2.3	3.0	3.0	2.9	2.9	2.8	3.9	3.1	3.4
Average real interest rate on domestic debt (in percent)	2.6	-0.5	2.7	1.1	2.0	1.3	3.2	3.9	3.9	3.6	3.8	3.3	2.5	1.1	2.3
Real exchange rate depreciation (in percent, + indicates depreciation)	3.1	-3.2	1.0	-0.5	7.4	-2.6	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	1.8	5.0	1.1	2.9	2.4	2.9	2.2	2.2	2.0	2.1	1.9	2.2	2.9	5.0	3.5
Growth of real primary spending (deflated by GDP deflator, in percent)	0.1	-0.2	0.4	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Grant element of new external borrowing (in percent)	...	...	...	...	...	49.7	7.9	38.7	42.1	33.4	27.5	33.2	21.9	15.4	...

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 3b. Côte d'Ivoire: Sensitivity Analysis for Key Indicators of Public Debt, 2013–33

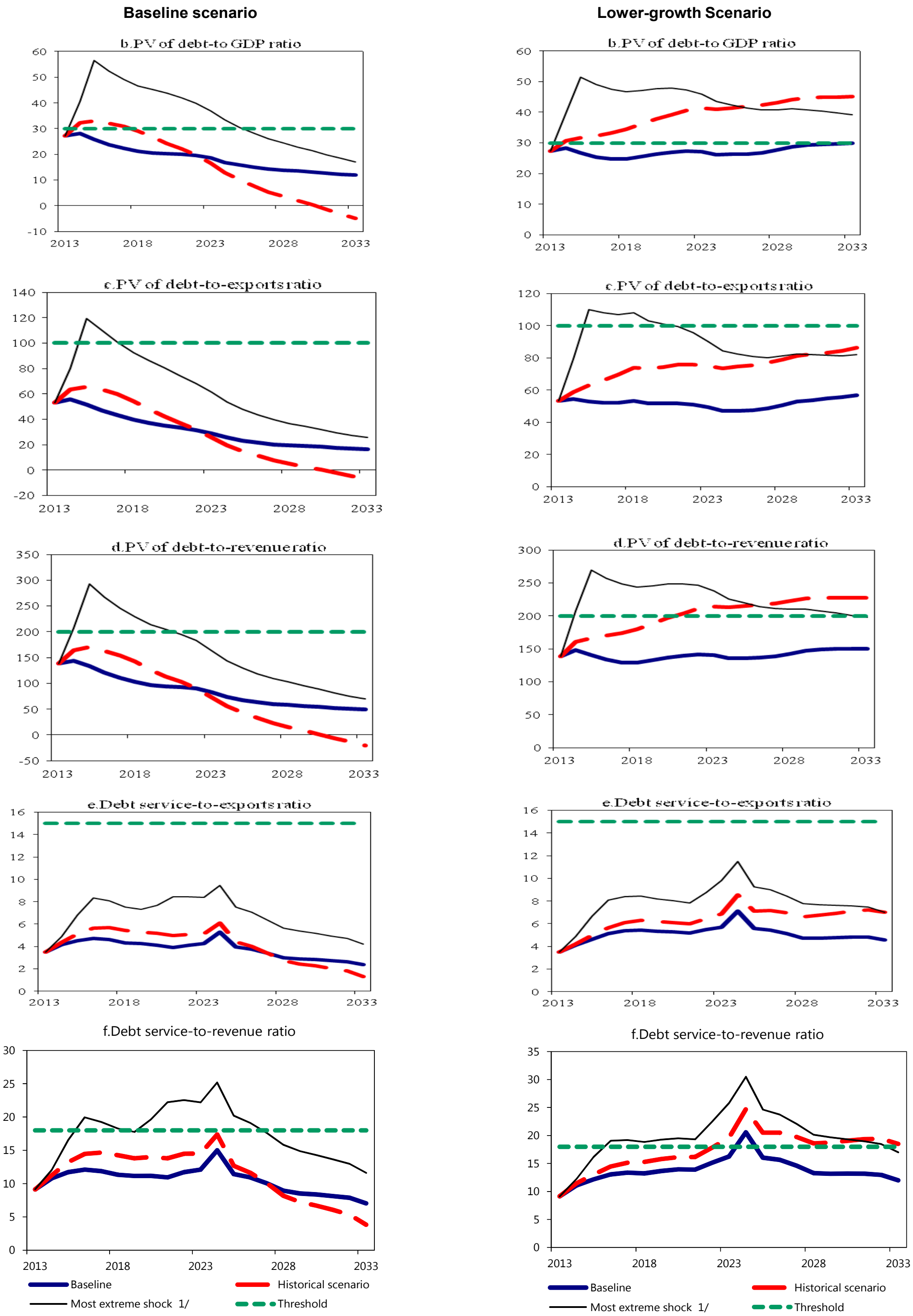
	Projections							
	2013	2014	2015	2016	2017	2018	2023	2033
PV of Debt-to-GDP Ratio								
Baseline	42	41	39	37	35	33	27	20
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	42	43	42	40	39	37	28	4
A2. Primary balance is unchanged from 2013	42	41	39	36	34	32	25	15
A3. Permanently lower GDP growth 1/	42	41	40	38	37	37	38	54
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	42	47	53	54	56	57	69	88
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	42	42	40	37	35	34	28	20
B3. Combination of B1-B2 using one half standard deviation shocks	42	44	45	45	46	48	56	71
B4. One-time 30 percent real depreciation in 2014	42	52	48	45	43	40	34	26
B5. 10 percent of GDP increase in other debt-creating flows in 2014	42	50	48	45	43	41	34	24
PV of Debt-to-Revenue Ratio 2/								
Baseline	197	186	180	169	158	150	114	79
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	197	194	192	183	172	164	113	14
A2. Primary balance is unchanged from 2013	197	187	180	167	154	145	106	61
A3. Permanently lower GDP growth 1/	197	188	184	176	168	165	157	217
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	197	212	242	246	248	254	284	353
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	197	189	184	173	161	153	117	80
B3. Combination of B1-B2 using one half standard deviation shocks	197	199	204	207	207	212	233	286
B4. One-time 30 percent real depreciation in 2014	197	235	225	209	193	183	141	105
B5. 10 percent of GDP increase in other debt-creating flows in 2014	197	229	222	208	194	184	141	96
Debt Service-to-Revenue Ratio 2/								
Baseline	13	14	14	14	14	13	13	9
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	13	15	15	16	15	14	13	-3
A2. Primary balance is unchanged from 2013	13	14	14	14	14	13	12	6
A3. Permanently lower GDP growth 1/	13	14	14	15	15	15	18	26
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2014-2015	13	15	17	20	23	25	34	45
B2. Primary balance is at historical average minus one standard deviations in 2014-2015	13	14	14	15	15	14	14	9
B3. Combination of B1-B2 using one half standard deviation shocks	13	15	16	16	16	19	28	36
B4. One-time 30 percent real depreciation in 2014	13	16	18	19	20	20	22	19
B5. 10 percent of GDP increase in other debt-creating flows in 2014	13	14	16	24	23	17	17	11

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.

Figure 3. Côte d'Ivoire: External LLIC DSA: Baseline Versus Lower-Growth DSA Scenarios



Sources: The Cote d'Ivoire authorities; and IMF staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2023. For both the LIC DSA shown, figures b, c, d, e. and f correspond to a combination shock.

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

November 21, 2013

STAFF REPORT FOR THE 2013 ARTICLE IV CONSULTATION AND FOURTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—INFORMATIONAL ANNEX

Prepared By | African Department (In Consultation with other departments)

CONTENTS

RELATIONS WITH THE FUND

(As of October 31, 2013)

Membership Status: Joined: March 11, 1963. Article VIII

General Resources Account:	SDR Million	%Quota
Quota	325.20	100.00
Fund holdings of currency (Exchange Rate)	324.23	99.70
Reserve Tranche Position	0.97	0.30

SDR Department:	SDR Million	%Allocation
Net cumulative allocation	310.90	100.00
Holdings	272.80	87.74

Outstanding Purchases and Loans:	SDR Million	%Quota
RCF loans	81.30	25.00
ECF Arrangements	479.76	147.53

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	260.16
ECF [1/]	Mar 27, 2009	June 23, 2011	373.98	230.89
ECF [1/]	Mar 29, 2002	Mar 28, 2005	292.68	58.54

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

	2013	2014	2015	2016	2017
Principal		4.64	39.02	46.18	85.20
Charges/Interest	0.01	0.04	1.38	1.27	1.11
Total	0.01	4.68	40.41	47.45	86.31

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	

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

[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.

[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.

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

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).

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 (WAMU). The 2013 assessment of the BCEAO is substantially completed. The assessment found that the bank continued to have a strong control environment and has, with the implementation of the 2010 Institutional Reform of the

WAMU, enhanced its governance framework. Specifically, an audit committee was established to oversee the audit and financial reporting processes, transparency has increased with more timely publication of the audited financial statements, and the BCEAO is committed to IFRS implementation by end-2014. The assessment also identified some limitations in the external audit process and recommended that steps be taken to ensure the adequacy of the mechanism through selection of a second experienced audit firm to conduct joint audits.

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.

Article IV Consultation:

Côte d'Ivoire is on the 24-month Article IV consultation cycle for program countries.
The Executive Board concluded the last Article IV consultation with Côte d'Ivoire in November 2011. The next Article IV consultation is planned for September/October 2015.

Technical Assistance:

	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

	Area	Focus
	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
	Multi-topic (April)	AFRITAC Steering Committee
	Fuel pricing (June)	Workshop
	National accounts (July, Oct/Nov)	Set up quarterly national accounts
	Debt Management (May, September)	Medium Term Debt Strategy (MTDS)
	Tax policy (July/August)	Review and diagnosis
2013	Public expenditure management	Budgeting strategy
	Public Debt Management (January/October)	Workshop on Debt sustainability analysis
	Customs/tax administration (January)	Workshop
	Statistic real sector (January/March/November)	Quarterly national accounts
	Strategy and Roadmap to Program Budgeting (January)	Workshop
	Cash management (February)	Treasury Single Account
	Debt management (February)	Reorganization of the Debt directorate
	Government Finance Statistics (March)	Migration to GFSM 2001
	Customs administration (March/September/December)	Modernization of customs administration
	Public wage bill management (April)	Regional workshop (AFRITAC)
	Public expenditure management (April)	Workshop
	Expenditure chain (April)	Workshop

	Area	Focus
	Wage bill management strategy (May)	Budgeting strategy
	Medium-term expenditure framework (June)	Budgeting strategy
	Accounting (July)	Accrual accounting
	Tax policy (August)	VAT reform
	Tax administration (September)	Modernization of fiscal administration
	Banking sector (August)	Public bank restructuring

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.

JOINT BANK-FUND WORK PROGRAM, 2012–13

(As of November 2013)

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**:		
	Poverty Reduction Support Credit	December 2012 to May 2013	November 2013 (for Effectiveness and Disbursement)
	Agriculture Sector Support Project		November 2013 (Signing and Effectiveness)
	Governance and Institutional Development Supervision mission		November 2014
	Governance and Institutional Development Grant Additional financing		Q3, 2014
	Preparation of Additional Financing for Post Conflict Assistance Project ()	November - December 2013	December 2013
	Côte d'Ivoire Gender Consultations		June 2013
	SMEs Revitalization and Governance Project(additional Financing—subject to IDA resources availability-	November 4–14 2013	Q1,2014 (1 year extension is being processed)
	Parliament capacity Building project		Ongoing
	Economic and Sector Work:		
	SPF - Identification		July 2014
	Côte d'Ivoire Urbanization Review		December 2014
	Support to strengthen PFM reform environ		June 2014
	Côte d'Ivoire Country Statistical Brief		Q1, 2014
	Policy Note on Competitiveness	November-December 2013	June 2014
	Technical assistance/other analytical:		
	Competitive Industries and Innovation Program (Activity under mobilization)	Mission held in June 2013; November 4–14	FY14-15
	Industrial Zones		Q4, 2013
	Support on the Preparation of the Mining Code	October–November 2013	November 2013
	Support on EITI implementation		On-going
	Technical assistance/other analytical (continued):		

	Capacity Building for Business Journalists		Ongoing
	ICT re-engagement and applications		Q4, 2013
	CI HD impact of the crisis		December 2013
	Economic and Poverty Monitoring		On-going
	PSIA of possible new electricity tariff structures		Q1 2014
	Advice and comments on and Monitoring of the implementation of cocoa sector strategy		On-going
	FSAP follow-up (financial sector strategy)	Validation Workshop in November 2013.	January 2014
	Support to improve Local Government PFM	November 2013	March 2014
	Country Statistics Brief	November 2013	Q1, 2014
	Health Financing Strategy		June 2014
IMF work program in the next 12 months	**Program**:		
	2nd ECF review under ECF	September 2012	November 2012
	3rd ECF review	March 2013	June 2013
	Staff visit (2014 budget preparation)	June 2013	June 2013
	Article IV and 4th ECF review	September 2013	Nov. /Dec.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
	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

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 70 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 1,369 million (CFA F 1,033 billion). AfDB Group-financed operations have been mainly loan-based and channeled, by order of importance, to the multi-sector (24%), the social sector (20,68%), the rural development and agriculture sector (20,40%), transport (17,32%), energy and telecommunications (13,67%), water/sanitation (3,8%) and finance (0,2%). The operations were financed mainly with resources from the ADB window (more than 70%). The bulk of these funds (92, 36%) were 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 in 2009: (i) streamlined the portfolio by cancelling the outstanding balance of eight old operations; and (ii) in June 2011, restructured two other operations (PADER-Moyen-Comoé and PVRH). With the prospects of recovery in economic activity since the end of the post-election crisis, 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 2012 Country Brief, five operations, totaling UA 242.2 million (CFA F 182.8 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 Indénié-Djuan (PAIA-D); (iii) The Project construction of bridge toll Henri Konan BEDIE; iv) Azito power expansion project (Private sector) and (v) Ciprel power expansion project (Private sector). With these approvals, the Bank's active portfolio includes nine operations for a total amount of commitments of nearly UA 194 million (CFA F 146.5 billion).

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

Status of Bank Active Portfolio as of October 2013—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 98%. The project is closed and the balance will be cancelled.
2 Targeted Capacity Building Support	2	Approved in December 2009 under the Fragile States Facility, , 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. 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. This grant was put in place in June, 2011.
4. Emergency Programme to Restore Basic Social and Administrative Services (PURSSAB) and Targeted support to strengthen the capacity of the administration	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 mechanism.
5. 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.

Status of Bank Active Portfolio as of October 2013—in UA Million (1 UA=1 SDR) (concluded)

Operations	Amount (in UA million)	Purpose/Remarks
Private sector		
6. 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.
7. Azito power expansion project	26	Expansion of the Azito power plant in Côte d'Ivoire, by converting the existing simple-cycle power plant of 2 x 144 MW gas-fired turbines to a combined-cycle power plant, thereby increasing the capacity of the facility to approximately 430 MW
8. Ciprel power expansion project	44	Expansion of the Ciprel power plant to a combined cycle turbine facility in Côte d'Ivoire to be built in two phases: phase A, construction of a gas turbine (111MW of power), phase B deployment of a combined cycle turbine for additional 111MW of generation. The project will increase the capacity of the plant by 222MW.
9. Microcredit Côte d'Ivoire (equity participation and technical assistance)	1.5	It is a microfinance project which comprises two parts. The equity participation part was signed on June 2013; the technical assistance part will be signed on November 2013.

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. A full Country Strategy Paper (CSP) has been prepared in coordination with the Government and submitted to ADfB Board for consideration at the beginning of December 2013. The purpose of this new CSP for the period 2013–17 is to assist the country with its quest for strong and inclusive growth. It will be based on two pillars: *i*) strengthening governance and accountability, and (ii) development of infrastructure in support of economic recovery.

Indicative Work Program for 2013 and 2014

Description	Amount (in UA million)	Year
- Project to support training and professional integration	17	2013
- Côte d'Ivoire, Liberia, Sierra Leone and Guinea interconnection Project (Multinational)	33	2013
- Support to social cohesion	30	2014
- Côte d'Ivoire, Mali and Guinea regional road Project (Multinational)	90	2014
- Support for economic and social reintegration	15	2014

STATISTICAL ISSUES

(As of November 2013)

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. In February 2013, Côte d'Ivoire approved the African Statistics Chart, adopted in February 2009 in Addis Ababa to have reliable data for its internal governance, and also for positioning the country in the regional and international trade. The new law organizing national statistics was approved in July 2013. A census is planned for end 2013.

National Accounts: Comprehensive national accounts data for 1996 onwards was 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. Accounts for 2010 AND 2011 have been completed.

There is ongoing work on quarterly national accounts with the Fund support through AFRITACWEST, with the first quarterly data projected to be available in early 2014.

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.

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, 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.

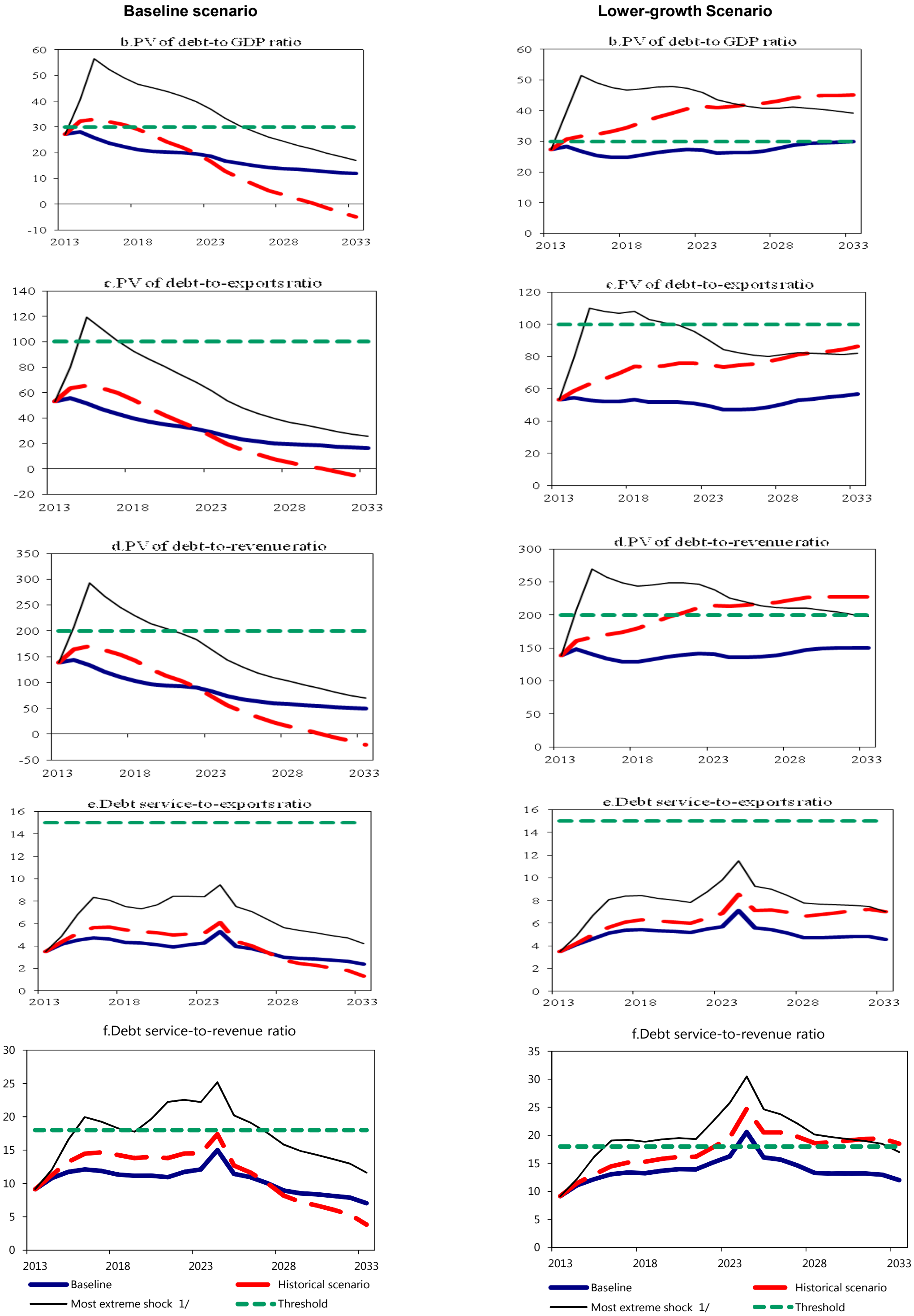
CÔTE D'IVOIRE: TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE

(As of November 2013)

	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]	08/13	10/15	M	M	M
Reserve/Base Money	08/13	10/15	M	M	M
Broad Money	08/13	10/15	M	M	M
Central Bank Balance Sheet	08/13	10/15	M	M	M
Consolidated Balance Sheet of the Banking System	08/13	10/15	M	M	M
Interest Rates[2]	08/13	10/15	I	M	M
Consumer Price Index	08/13	11/15	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	08/13	10/15	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	12/2012	03/2013	M	M	M
External Current Account Balance	12/2012	03/2013	A	A	A
Exports and Imports of Goods and Services	12/2012	03/2013	A	A	A
GDP/GNP	2012	03/2013	A	A	A
Gross External Debt	12/2012	03/2013	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).

Figure 3. Côte d'Ivoire: External LLIC DSA: Baseline Versus Lower-Growth DSA Scenarios



Sources: The Cote d'Ivoire authorities; and IMF staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio in 2023. For both the LIC DSA shown, figures b, c, d, e. and f correspond to a combination shock.

INTERNATIONAL MONETARY FUND

COMMUNICATIONS DEPARTMENT

Press Release No. 13/494
FOR IMMEDIATE RELEASE
December 6, 2013

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Completes Fourth Review under the ECF arrangement for Côte d'Ivoire, and Approves US$75 Million Disbursement

The Executive Board of the International Monetary Fund (IMF) today completed the fourth review of Côte d'Ivoire's economic program supported by the Extended Credit Facility (ECF) arrangement. The completion of the review enables the immediate disbursement of an amount equivalent to SDR 48.78 million (US$75 million) to Côte d'Ivoire, bringing total disbursements under the ECF arrangement to an amount equivalent to SDR 308.94 million (US$475.2 million). The Executive Board also concluded the Article IV consultation for Côte d'Ivoire. A press release on the Executive Board's assessment of the consultation will be issued in due course.

The Executive Board approved the three-year ECF arrangement for Côte d'Ivoire on November 4, 2011 for an amount equivalent to SDR 390.24 million (120 percent of the country's quota in the IMF, see Press Release No. 11/399).

Following the Executive Board's discussion, Mr. Naoyuki Shinohara, Deputy Managing Director and Acting Chair issued the following statement:

"Côte d'Ivoire's macroeconomic performance under the Fund-supported program has been strong. Growth has rebounded, supported by a surge in public investment and an upturn in business and consumer confidence and inflation has remained moderate. Considerable progress has also been made in structural reforms. While the medium-term outlook is positive, continued implementation of sound policies and reforms will be necessary to sustain high growth and improve the living standards, key objectives of the authorities' National Development Plan.

"The fiscal position has improved significantly since 2011. For 2013, the fiscal deficit is expected to be lower than programmed, owing to below-target capital spending. The draft 2014 budget is built on conservative macroeconomic assumptions, and aims to further reduce the fiscal deficit while allowing for greater capital spending. Nevertheless, further efforts will be needed to open up fiscal space, including by broadening the tax base and reducing exemptions. Improving public financial management should also remain a priority while a medium-term debt strategy is needed to safeguard external stability.

“Although Côte d'Ivoire’s banking sector is generally sound, it needs to be strengthened to better support economic development and financial inclusion. In particular, steps should be taken to improve the supervisory framework, facilitate bank’s liquidity management, and promote credit to the private sector.

“The authorities have implemented several measures to enhance governance and improve the business climate but more needs to be done to strengthen the legal framework in order to attract foreign and private domestic investment.”

INTERNATIONAL MONETARY FUND

COMMUNICATIONS DEPARTMENT

Press Release No. 13/515
FOR IMMEDIATE RELEASE
December 6, 2013

International Monetary Fund
700 19th Street, NW
Washington, D.C. 20431, USA

IMF Executive Board Concludes the 2013 Article IV Consultation with Côte d'Ivoire

On December 6, 2013, the Executive Board of the International Monetary Fund (IMF) concluded the 2013 Article IV consultation with Côte d'Ivoire.[1]

Background

Côte d'Ivoire is recovering from a long period of economic stagnation and political conflict that culminated in the post-election crisis of end-2010 and early 2011. The conflict caused real per capita income to fall by more than 40 percent from its 1978 peak level, and the poverty rate rose to close to 50 percent, from 37 percent in 1995. Following the post-election crisis, the new government started the process of sociopolitical normalization, and quickly put in place an economic recovery program. This program, which is anchored on the 2012–15 National Development Plan, has been supported by the IMF under the Extended Credit Facility.

The socio-political situation has improved substantially in the last two years, but challenges remain. The country is now administratively reunified and a full election cycle has been completed, while insecurity has declined. Steps have been taken to incorporate former combatants into the security forces and the civil service. Progress towards political reconciliation and restoring social cohesion continues, but remains difficult.

The authorities have made considerable progress toward achieving their objective of boosting medium-term growth to raise living standards and raise the economy's profile to emerging market status by 2020. Sizable external financial support, including in the form of debt relief as

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

a result of reaching the Heavily Indebted Poor Countries (HIPC) Initiative Completion Point, a large fiscal stimulus, and renewed private sector confidence helped limit the 2011 recession to 4.7 percent and spurred a 9.8 percent rebound in economic growth in 2012. Average inflation declined from 4.9 percent in 2011 to 1.3 percent in 2012. The overall fiscal deficit narrowed from 5.7 percent of GDP in 2011 to 3.4 percent of GDP in 2012. The current account balance moved into deficit, driven by a surge in investment-related imports and the strong economic rebound.

The strong growth momentum has carried forward to 2013, underpinned by strong public investment but also a resumption of private investment. Growth is projected to reach 8.7 percent in 2013, while inflation is expected to remain below the regional convergence criterion of 3 percent. The overall fiscal deficit is expected to further tighten to about 2.7 percent of GDP. Reflecting the economic activity, imports will continue to rise and the external current account to widen, financed by foreign direct investment and other capital inflows.

The authorities are implementing a wide range of structural reforms, notably, to improve the business climate, enhance revenue mobilization and public financial management, strengthen the energy and financial sectors, and reduce poverty.

Executive Board Assessment[2]

Executive Directors commended Côte d'Ivoire’s good performance under the Fund-supported program. Growth has rebounded, supported by a surge in public investment and an upturn in business and consumer confidence, and inflation has remained moderate. Considerable progress has also been made in structural reforms. While the medium-term economic outlook is positive, Directors underscored that sound policies and reforms continue to be key to the ambitious growth and poverty-reduction objectives of the authorities’ National Development Plan.

Directors commended progress in reducing the fiscal deficit. Continued fiscal prudence remains critical to open up budgetary room for needed infrastructure and social spending. Efforts should be aimed at boosting revenue mobilization, including by curtailing exemptions and broadening the tax base. Putting the wage bill on a sustainable financial path will also be important.

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

Directors welcomed the authorities' commitment to reinforce public financial management and take steps to shore up the financial position of the electricity sector.

Directors noted that the banking system is generally sound, but it should be strengthened to broaden financial access and development. They advised the authorities to accelerate implementation of the planned financial sector reform strategy, including a stricter enforcement of prudential regulations and a prompt resolution of troubled public banks.

Directors emphasized the need to preserve external stability through prudent foreign borrowing and debt management. To this end, they looked forward to finalization of a medium-term debt strategy. Regarding the government's intention to issue a Eurobond, Directors recommended obtaining a sovereign rating prior to issuance and stressed the need to assess carefully market conditions before the bond is issued.

Directors underscored that deeper reforms are necessary to improve the business climate and governance. To attract foreign and domestic investors, priority should be given to strengthening the legal framework and reducing the amount of public procurement granted to non-competitive bids.

Côte d'Ivoire: Selected Economic Indicators, 2011–18

	2011	2012	2013	2014	2015	2016	2017	2018
		Est.	Proj.			Proj.		
				(Annual percentage changes)				
National income								
Real GDP growth	-4.7	9.8	8.7	8.2	8.1	7.8	7.5	7.0
Consumer price index (end of period)	2.0	3.4	2.0	2.5	2.5	2.5	2.5	2.5
Money and credit								
Broad money	12.5	4.4	16.6	12.0	10.4	9.9	9.7	9.0
Net credit to government (percent of beginning of period broad money)	1.6	5.5	2.1	1.5	0.0	0.3	0.7	0.6
Net credit to private sector (percent of beginning of period broad money)	2.3	3.9	6.8	4.5	4.9	4.9	4.2	3.3
				(Percent of GDP)				
Central government operations								
Total revenue and grants	20.3	20.8	21.3	22.0	21.5	21.7	22.0	22.1
Total revenue	19.9	20.2	19.6	19.6	19.4	19.6	20.1	20.4
Total expenditure	25.9	24.2	24.0	24.3	24.6	24.8	25.2	25.2
Primary basic balance	-2.9	-1.4	-0.2	-0.1	-0.3	0.0	0.2	0.4
Overall balance, incl. grants, payment order basis	-5.7	-3.4	-2.7	-2.3	-3.1	-3.2	-3.1	-3.1
External sector								
Exports, f.o.b (millions of SDRs)	7801.7	7817.7	8554.7	9428.4	10346.0	11428.5	12795.9	14522.5
Imports, f.o.b (millions of SDRs)	-4114.9	-5529.2	-6663.1	-7528.5	-8551.1	-9790.1	-11271.1	-12915.4
Export volume growth	-2.0	5.8	8.8	10.6	12.2	13.1	13.7	14.7
Import volume growth	-14.5	35.7	19.9	17.1	16.6	16.3	16.0	15.0
Current account balance (including official transfers)	12.9	-1.3	-1.8	-3.1	-3.9	-5.1	-5.8	-6.7
Current account balance (excluding official transfers)	12.9	-1.4	-3.2	-5.2	-5.8	-6.9	-7.5	-8.2
Gross official reserves (millions of SDRs)	2663.4	2205.0	2806.8	3399.7	3724.3	4152.4	4599.2	5097.1
Debt								
External public debt	55.1	30.7	28.1	28.0	26.5	25.5	24.7	24.1
Gross public debt	73.7	49.2	42.9	40.7	39.4	38.3	37.1	36.2

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

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

December 6, 2013

Strong resolve and sound policymaking are contributing to my Ivoirien authorities' success in consolidating the 2012 economic rebound into sustained growth prospects. After standing at a strong 9.8 percent rate, my authorities expect economic growth to reach about 9 percent in 2013 and double-digits over the medium term as set forth in the objectives of the National Development Plan 2012-15. The continued satisfactory implementation of their economic and financial program supported by the ECF arrangement has helped my authorities supplement domestic efforts with mobilizing the international financial community around their development goals. As a result, the economy is well on track to reap the debt relief dividends and the benefits from the normalized social, political and security conditions, and to make further inroads towards realizing the authorities' ambition of making Côte d'Ivoire an emerging market by 2020.

My Ivoirien authorities would like to thank the Board, Management and Staff for their support, which contributed to these positive developments. The continuous policy dialogue has helped my authorities enhance the macroeconomic framework and implement their far-reaching structural reform agenda. Staff's recent visit to Abidjan has once again evidenced this fruitful cooperation in the context of the 2013 Article IV consultation and the 4th review under the ECF. My authorities broadly share the thrust of the Staff report as a fair reflection of the discussions that encompassed macroeconomic stability issues as well as medium term policies warranted to boost private sector-led growth, create employment and improve living standards.

Recent Developments and Program Performance

My authorities continue to demonstrate a strong program ownership and high commitment to reforms. They have made further steps in putting the fiscal stance on a sound footing. Fiscal performance was strong over the first semester of 2013, thanks to revenue-enhancing measures and restrained current spending. All end-June performance criteria and indicative targets were met. This good stance is expected to continue through end-2013, displaying a better-than-projected fiscal position, with the primary basic deficit now expected to decline from 0.3 percent to 0.2 percent of GDP. Poverty related expenditures have also been better than expected.

On the structural front, noticeable progress has been made, and very complex and sometimes long-stalling reforms have been completed. This includes the elaboration of a medium-term strategy for a sustainable wage bill, the elaboration of a medium-term debt strategy, and an action plan to regularize domestic arrears. On the latter issue, following the conclusion of an audit, my authorities have recently announced that starting December 15th, CFA F 51.1 billion of these arrears will be paid over the CFA F 98.3 billion recorded. Such an effort is an indication of my authorities' commitment to further improve public financial management and provide relief to small and medium enterprises' balance sheets. This financial support to the private sector should add up to the dramatic improvements brought recently to the business environment. Indeed, the World Bank's 2014 Doing Business report rated Côte d'Ivoire among the 10 countries in the world that have made the most significant progress in improving their business climate in 2012/13. Both the creation of new private enterprises and foreign direct investments (FDI) have risen steeply, as a result of far-reaching reforms implemented in 2012/13 on many fronts, including creating a one-stop shop to make starting a business easier, reducing the starting cost of small companies by 72 percent and creating a specialized commercial court to facilitate enforcing contracts. These extensive structural reforms underway together with the normalization of the security situation and progress in the process of national reconciliation and political dialogue should lead to further strengthening of private sector confidence and improved business climate, in line with my authorities' objective to create one of the best business environments in Africa in the next few years.

The positive developments in implementing structural reforms and in fiscal management have underpinned a robust real GDP growth, which is conservatively projected by staff at 8.7 percent in 2013. Key drivers of this performance are public investments notably in infrastructures, energy, health, and education as well as private investments, both domestic and foreign. Inflation is projected to remain below the 3 percent common regional threshold. The external position is sound; the small current account deficit reflecting high investment-related imports is balanced by foreign aid and increased FDIs. Going forward, the government is determined to further improve the overview by stepping up efforts to finalize reforms that are still lagging, including setting an action plan to restructure public banks along with a financial sector development strategy. Furthermore, aware of the challenges still facing the economy, my authorities' policies for 2014 and the medium term will embrace many issues, from the fiscal area to governance, not to mention the strengthening of the competitiveness of the economy, job creation and poverty reduction.

Challenges and Policies Going Forward

Sustaining fiscal policy and improving governance. My Ivoirien authorities make it a priority to maintain fiscal and debt sustainability over the medium term through the implementation of revenue-enhancing and expenditure rationalization measures so as to make space for investment and poverty reduction outlays. Consistent with the objective of maintaining an appropriate primary fiscal surplus in the medium term, my authorities are determined to increase the revenue base by streamlining exonerations, implementing a VAT reform, and buttressing tax collection. In this regard, a substantial increase in tax revenue is projected in the 2014 budget, owing to an expected improved collection of VAT and profits tax, as well as a better valuation of import duties. Drawing on technical assistance recommendations, including from the IMF, goods will be better recorded and anti-fraud efforts be reinforced in the customs administration. Going forward, the government will step up efforts to broaden the tax base while striking the right balance between the need to increase revenue and the imperative of maintaining an attractive and predictable tax regime for investors. On the expenditure side, my authorities have a two-fold strategy to rationalize outlays and enhance their effectiveness with regard to the government's objectives. First, they intend to strengthen the budget process by further improving transparency and traceability in the public expenditure execution chain. Second, they are determined to continue to improve governance, both in public procurements and in other aspects of public financial management (PFM).

The authorities believe that the newly created ministry of budget following the November 19th reshuffle of the Cabinet should help put more emphasis on sound PFM, enhance reforms in the sector, aimed at maintaining fiscal sustainability. In addition, the salary adjustment programmed in 2014 should help reduce the negative impact of a 20-year freeze of public sector wages on employees' morale and productivity. It should also provide a stronger ground on which the government's medium-term strategy for a sustainable wage bill should bear fruits.

Strengthening the competitiveness of the economy for job creation. In 2014 and forward, the government will pursue its public investments including in infrastructures, with the view to ease the cost of doing business and hence attract more private investments, and also improve the non-price competitiveness of the economy. The creation and/or expansion of industrial zones will complement the network of economic infrastructures (telecommunications, roads, energy, and ports). The development of the private sector is central to my authorities' ambition to push growth into double-digit territories in the coming years and turn the economy into an emerging market by 2020. Accordingly, their ambition is to increase investments, from 13.7 percent of GDP in 2012 to 19.6 percent of GDP in 2015, 60 percent of which will be private investment. To this end, ongoing projects include public-private partnerships and many other actions are envisaged. Preliminary data from the one-stop shop indicate in 2013 an increased number of business starts and employment in the formal sector. As regards human capital and the skills of the labor force, my authorities will continue to place an emphasis on the quality of health care and education. They are also committed to strengthen regional integration including through a number of regional infrastructure projects which will buttress Côte d'Ivoire's role as an engine of growth in the sub-region.

The authorities' strategy to strengthen the private sector put a particular emphasis on the development of SMEs. In early November, the government thus launched an ambitious program to foster the subsector called "Phoenix Program for SMEs". Its pillars evolve around improving the access of SMEs to financing and to markets, enhancing capacity and managerial skills of promoters, improving the business climate for SMEs and promoting entrepreneurship and innovation. The program will be funded for US $ 300 million to US $ 400 million and is expected to help increase the number of SMEs from around 50 000 today to 120 000 over a 6-year period and the sector's contribution to GDP to 35 to 40 percent.

Fostering financial sector deepening. For the private sector to thrive, my authorities understand that it should be supported by a sound and deep financial sector which facilitates access to credit for corporates and households. Although the banking system is broadly sound, it presents some weaknesses, including shallowness, lack of diversification, limited access to credit, and fragility of some public banks. To address these issues, my authorities are formulating a financial sector development strategy with the assistance of the World Bank. Alongside this effort, and following an audit, the government is working on a comprehensive approach - restructuration and/or privatization - for the public banks, based on what the role of the state should be in the sector.

Improving living standards and reducing poverty. My authorities are cognizant that decades of stagnant growth compounded by a long political crisis have taken a heavy toll on living standards. They are convinced that a high growth rate is sustainable if it is equitable to all the segments of the population. That is why they have embarked on a vast program of rehabilitating and developing basic services, including roads, drinking water, health, education, security and electricity. The reform respectively in the cocoa, coffee, cashew nuts and cotton sectors which guarantees that at least 60 percent of the international price be paid to the farmers which number in the hundred thousands, is a major step to improve revenue and living standards in rural areas where the incidence of poverty is high. Many initiatives have also been launched to extend microcredit to women, especially women living in rural areas and suburban parts of big cities. Vulnerable groups, ex-combatants in particular, are being empowered through vocational training and will be reinserted in resource-generating activities. All these initiatives should help the authorities make inroads towards their objective of halving poverty over the coming years.

Conclusion

The past two years have witnessed positive developments in Côte d'Ivoire, following a long period of sluggish growth. Underpinned by a stable macroeconomic environment and a sustained pace of structural reforms, real GDP has been growing at high rates and the year 2014 is expected to confirm the strong growth momentum. The ECF arrangement has provided the appropriate framework for the authorities' efforts towards achieving their development goals exposed in the National Development Plan 2012–15.

For the period ahead, my Ivoirien authorities are fully committed to addressing the remaining bottlenecks that still impede the emergence of a broad-based economy capable of providing increasing employment opportunities, especially for the youth. In this regard, efforts will be stepped up to complete the remaining reforms and keep up with the satisfactory progress made to date in consolidating the macroeconomic framework and transforming the economy. In view of this performance and my Ivoirien authorities' strong commitment to the reform process, I would like to request the Board's support for the conclusion of the 4th review under the ECF and the conclusion of the 2013 Article IV consultation.