

Côte d'Ivoire: 2011 Article IV Consultation and Requests for a Three-Year Arrangement Under the Extended Credit Facility and for Additional Interim Assistance Under the Enhanced Initiative for Heavily Indebted Poor Countries—Staff Report; Public Information Notice and Press Release on the Executive Board Discussion; and Statement by the Executive Director for Côte d'Ivoire.

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of a combined discussion of the 2011 Article IV consultation with Côte d'Ivoire and Requests for a Three-Year Arrangement Under the Extended Credit Facility and for Additional Interim Assistance Under the Enhanced Initiative for Heavily Indebted Poor Countries, the following documents have been released and are included in this package:

- The staff report for the combined 2011 Article IV consultation and Requests for a Three-Year Arrangement Under the Extended Credit Facility and for Additional Interim Assistance Under the Enhanced Initiative for Heavily Indebted Poor Countries, prepared by a staff team of the IMF, following discussions that ended on September 15, 2011, with the officials of Côte d'Ivoire on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on October 20, 2011. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF.
- A Public Information Notice (PIN) and Press Release, summarizing the views of the Executive Board as expressed during its November 4, 2011, discussion of the staff report on issues related to the Article IV consultation and the IMF arrangement, respectively.
- A statement by the Executive Director for Côte d'Ivoire.

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

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

*Also included in Staff Report

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

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INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

Staff Report for the 2011 Article IV Consultation and Requests for a Three-Year Arrangement Under the Extended Credit Facility and for Additional Interim Assistance Under the Enhanced Initiative for Heavily Indebted Poor Countries

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

Approved by Roger Nord and Thomas Dorsey

October 20, 2011

Background: Côte d'Ivoire is recovering from a prolonged sociopolitical crisis, which culminated in the ousting of former President Gbagbo. After the end of the post-election crisis in April 2011, President Ouattara embarked on an ambitious investment-led recovery and development program that would take the country beyond the HIPC Completion Point on the path to sustained growth and poverty reduction. In the short term, the security situation remains fragile despite advances in recent months. Parliamentary elections announced for December 2011 should complete the political cycle and help rebuild confidence and social peace. Côte d'Ivoire is a member of the West African Economic and Monetary Union (WAEMU); its currency, the CFA franc, is pegged to the euro. It has accepted the obligations under Article VIII and maintains an exchange system free of restrictions on payments and transfers for current international transactions.

Program issues: Performance under the RCF-supported program has been good. The authorities have requested an arrangement under the Extended Credit Facility (ECF) in an amount equivalent to SDR 390.24 million (120 percent of quota), and a third allocation of interim HIPC assistance of SDR 5.042 million.

Mission: The staff team comprising Ms. Ross (head), Messrs. Ahokpossi and Koulet-Vickot (all AFR), Dicks-Mireaux (SPR), Thakoor (FAD), and Camard (Res. Rep.) visited Abidjan during August 31–September 15, 2011. The mission held discussions with Prime Minister Soro, Ministers Diby (Finance and Economy), Mabri (Planning and Development), Kone (Social Affairs), Toungara (Energy and Mines), Banzio (Commerce), Dosso (Industry), Coulibaly (Agriculture), Achi (Infrastructure), Jeannot (Justice), Gnamien (Civil Service) and Koffi (Defense), National Director of the regional central bank Aman, other senior officials, representatives of the private sector, civil society, and the diplomatic community. Mr. Allé (OED) attended some of the meetings.

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

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LIST OF ACRONYMS

AFD	Agence française de développement
AfDB	African Development Bank
AGOA	African Growth and Opportunity Act
BCEAO	Central Bank of West African States
CFAF	African Financial Community Franc
CGRAE	Civil Service Pension Fund
CNPS	Private Sector Pension Fund
CNW	Center-North-West (of Côte d'Ivoire)
CP	Completion Point
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
EITI	Extractive Industries Transparency Initiative
ECOWAS	Economic Community of West African States
EREER	Equilibrium Real Effective Exchange Rate
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
MGD	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MTEF	Medium Term Expenditure Framework
OAT	Government bonds issued through the BCEAO
PC	Performance Criterion
PEMFAR	Public Expenditure Management and Financial Accountability Review
PETROCI	Government-Owned Petroleum Company
PFM	Public Financial Management
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
RCF	Rapid Credit Facility
REER	Real Effective Exchange Rate
SIGFAE	Integrated Personnel Management System
SME	Small and medium-size enterprise
SPR	Strategy, Policy and Review Department
SRF	Single Reference File
SSA	Sub-saharan Africa
SIR	National Oil refinery
TMU	Technical Memorandum of Understanding
TPCI	Government bonds issued through syndication
VAT	Value-Added tax
WAEMU	West African Economic and Monetary Union

EXECUTIVE SUMMARY

- **The Ivoirien economy is recovering quickly from the impact of the post-election crisis, and considerable strides have been made in restoring security.** But challenges remain, notably to strengthen security throughout the country, to solidify social and political stability, and to transition to a robust growth path.
- **Performance under the RCF-supported program has been good, with most targets either met or exceeded.** Fiscal policy has supported the recovery and addressed post-crisis humanitarian needs, while rebuilding public services. Conservative budget management has kept spending in line with available resources. In addition, the preparation of a medium-term structural reform was started, external arrears to multilateral institutions were cleared and progress has been made to regularize relations with other external creditors.
- **The authorities' medium-term priorities are to achieve high sustained growth, reduce poverty, and restore a sustainable fiscal and external position.** To achieve this, it will be essential to implement structural reforms to improve governance, the business climate, reduce vulnerabilities in the financial system, and strengthen competitiveness. Fiscal space is needed for pro-poor and investment spending and debt restructuring should be carried forward. These goals and policies reflect the country's poverty reduction strategy, form the basis of the authorities' medium-term program, and will also contribute to the external stability of the WAEMU.
- **The authorities request IMF support under the ECF and HIPC Initiative to support their medium-term program.** The program's objectives are in line with the authorities' priorities: fiscal policy aims to expand the tax base, strengthen revenue administration, shift expenditure in favor of investment and pro-poor spending while strengthening public financial management and implementing civil service reform; and structural reforms focus on improving governance and efficiency in the energy and coffee/cocoa sectors, financial sector reform, and measures to improve the business climate and support private investment.
- **There are risks to the program, but the economy's potential together with successful implementation of the authorities' program could yield strong sustainable growth.** Key risks to the outlook are a lack of decisive improvements in the security situation and in political normalization, an inability to implement much-needed structural reforms, or to access to the regional financial markets, external shocks, but there could also be a stronger-than-expected rebound in economic activity. Overall, the strong performance of the economy since May 2011 and the authorities' commitment to their medium-term policy agenda bode well.

I. EMERGING FROM THE SOCIOPOLITICAL CRISIS

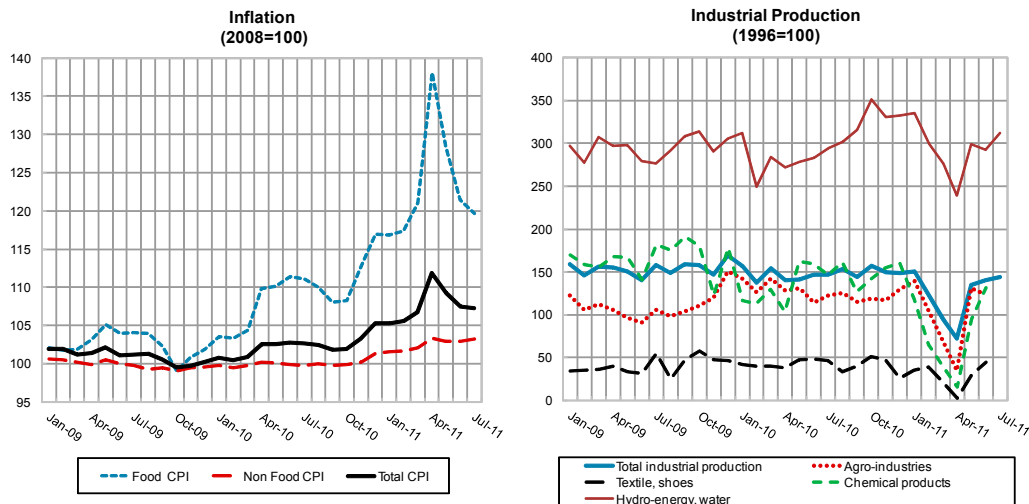
1. **Coming out of the post-election crisis, Côte d'Ivoire has embarked swiftly on the road to economic recovery and political normalization, although many challenges remain.** Progress is underway in the reunification of the country through the formation of new security forces, including the hiring of some 11,000 of former opposition fighters, and the redeployment of government agencies and staff to the Center-North-West regions that had been controlled by the *Forces Nouvelles* rebels since 2002. The security situation has improved significantly since May, but further progress is needed, particularly in the west of the country. Parliamentary elections announced for December 11, 2011 should complete the political cycle and help rebuild confidence. A Truth and Reconciliation Commission has been set up to further reconciliation and social cohesion.

MEFP ¶2

II. RECENT ECONOMIC DEVELOPMENTS

2. **Performance under the RCF-supported program has been good with economic activity recovering faster than expected and inflation abating from its April peak.** The projected decline in real GDP for 2011 was reduced in September from -6.3 to -5.8 percent with further upside potential (Tables 1–3, Figures 1–2). This reflects mainly stronger agricultural production and mining output, and the recovery of industrial production in July to just 2 percent below its level a year earlier, as against about 50 percent in April. Trade has picked up quickly after the end of the EU embargo. Annual inflation fell from over 9 percent at the peak of the crisis to 4½ percent in June–August.

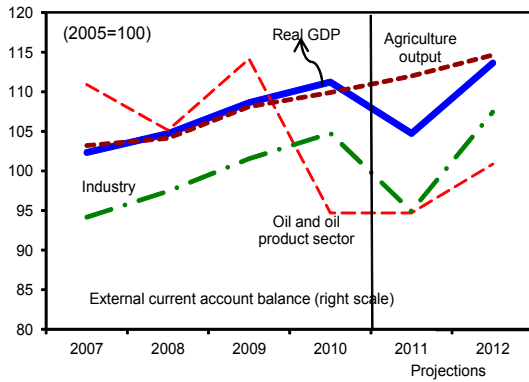
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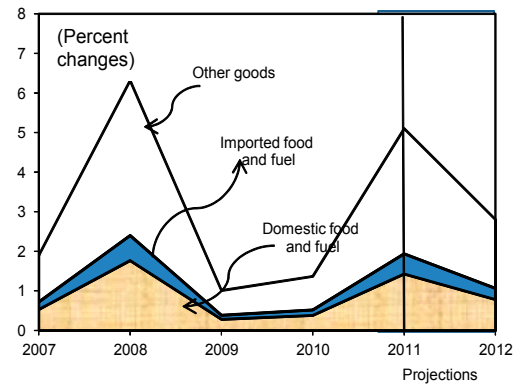
Source: Ivorian authorities.

Figure1. Côte d'Ivoire: Selected Macroeconomic Indicators, 2007–12
(Percent of GDP, unless otherwise indicated)

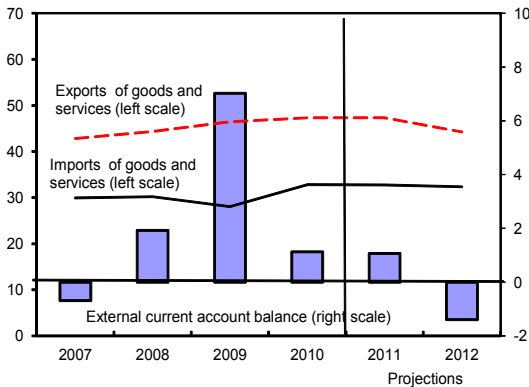
Growth is expected to recover in 2012, after a decline induced by the post-election crisis in 2011...



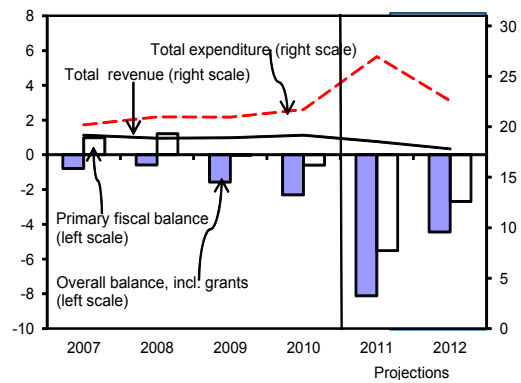
... while inflation is expected to abate in 2012.



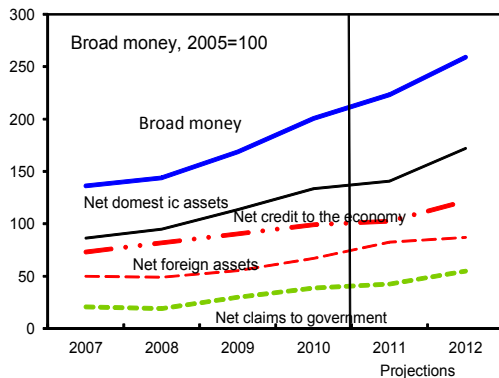
The external current account has weakened and is projected to turn to a deficit in 2012 ...



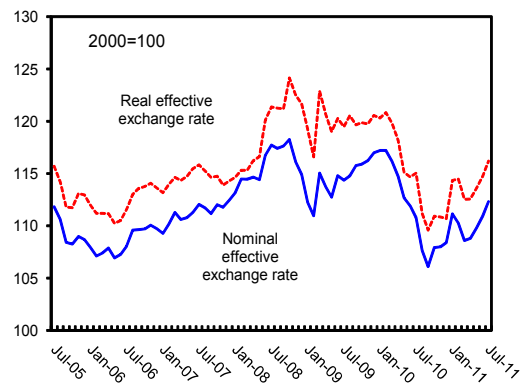
... while the fiscal deficit would be reined in after the 2011 spike^{1/}.



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

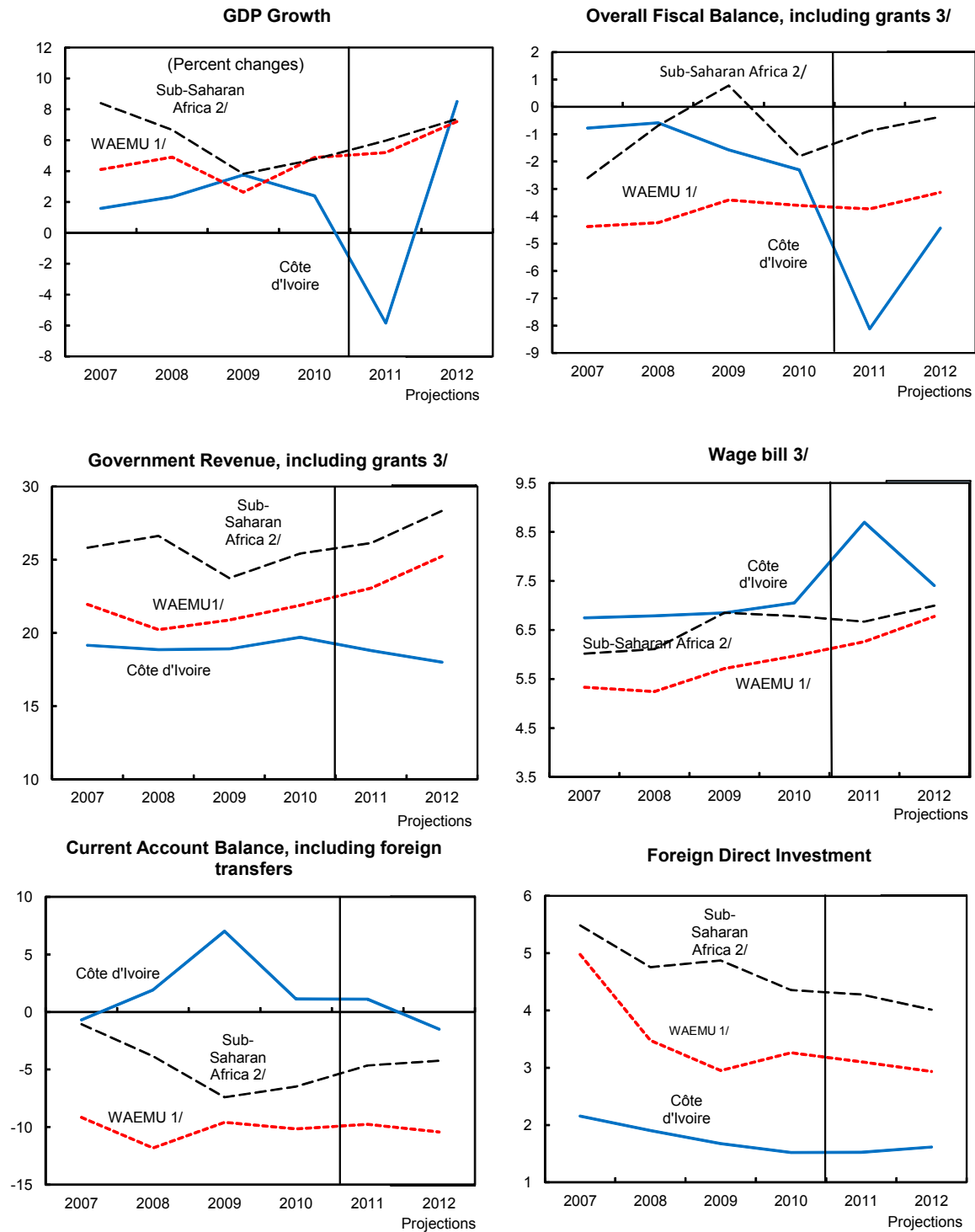


The real effective exchange rate appreciated since mid-2010 driven by the appreciation of the Euro.



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

Figure 2 Côte d'Ivoire: WAEMU, and SSA - Macroeconomic Development and Outlook, 2007–12
(Percent of GDP, unless otherwise indicated)



Sources: WEO; and IMF staff estimates and projections.

1/ WAEMU, excluding Côte d'Ivoire.

2/ SSA, excluding Nigeria and South Africa.

3/ For Côte d'Ivoire, Q2-Q4, 2011 over period GDP.

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

	(In billions of CFA francs)								Percent of GDP											
	2010		2011						2010		2011									
	Est. Dec.	Dec.	Q2		Q3		Q4		Proj.		Est. Dec.	Dec.	Q2		Q3		Q4		Proj.	
			RCF	Real.	ECF	ECF	RCF	ECF	RCF	ECF			RCF	Real.	ECF	ECF	RCF	ECF		
Total revenue and grants	2,236.6	412.6	485.7	532.0	554.2	1,478.8	1,571.9	19.8	15.0	17.7	19.1	19.9	17.9	18.8						
Tax revenue	1,928.5	364.1	435.3	449.1	467.4	1,264.6	1,351.8	17.1	13.2	15.8	16.1	16.8	15.3	16.2						
Oil revenue	171.6	128.6	95.1	54.1	60.3	224.0	209.5	1.5	4.7	3.5	1.9	2.2	2.7	2.5						
Fuel tax	194.5	16.3	16.3	26.9	25.5	63.7	68.7	1.7	0.6	0.6	1.0	0.9	0.8	0.8						
Cocoa export tax	331.1	66.3	104.2	80.4	110.9	281.1	295.5	2.9	2.4	3.8	2.9	4.0	3.4	3.5						
VAT	178.8	15.3	24.5	33.9	35.9	74.1	94.3	1.6	0.6	0.9	1.2	1.3	0.9	1.1						
Import taxes	460.1	52.5	55.4	98.4	125.8	279.3	279.6	4.1	1.9	2.0	3.5	4.5	3.4	3.3						
Other	786.9	101.4	156.1	182.3	134.5	406.1	472.9	7.0	3.7	5.7	6.5	4.8	4.9	5.7						
Non-tax revenue	247.7	43.7	47.7	72.6	77.5	189.8	197.8	2.2	1.6	1.7	2.6	2.8	2.3	2.4						
Grants	60.4	4.8	2.6	10.4	9.3	24.4	22.3	0.5	0.2	0.1	0.4	0.3	0.3	0.3						
Of which: crisis exit project grant	19.3	0.0	0.0	2.0	5.8	5.8	5.8	0.2	0.0	0.0	0.1	0.2	0.1	0.1						
Total expenditures	2,497.8	579.3	562.4	775.2	913.0	2,181.7	2,250.6	22.1	21.1	20.4	27.8	32.8	26.4	26.9						
Current expenditures	2,115.8	551.3	550.6	664.1	712.1	1,885.1	1,926.8	18.8	20.0	20.0	23.8	25.5	22.8	23.0						
Wage bill	800.4	282.1	272.7	233.0	221.6	727.4	727.4	7.1	10.3	9.9	8.4	7.9	8.8	8.7						
Social security benefits	212.6	43.7	55.6	50.8	72.9	166.4	179.3	1.9	1.6	2.0	1.8	2.6	2.0	2.1						
Subsidies and other transfers	272.5	68.1	31.3	138.8	120.6	303.3	290.7	2.4	2.5	1.1	5.0	4.3	3.7	3.5						
Of which: electricity sector	82.6	41.0	26.4	24.3	24.2	87.3	74.8	0.7	1.5	1.0	0.9	0.9	1.1	0.9						
refinery (SIR)	17.8	2.7	3.9	3.4	0.9	8.1	8.2	0.2	0.1	0.1	0.1	0.0	0.1	0.1						
Other current expenditures	491.6	63.2	92.5	152.7	181.4	398.0	426.7	4.4	2.3	3.4	5.5	6.5	4.8	5.1						
Crisis and elections-related expenditures	144.2	9.6	9.4	20.5	55.1	85.0	85.0	1.3	0.3	0.3	0.7	2.0	1.0	1.0						
Interest	194.5	84.6	88.9	68.3	60.5	204.9	217.7	1.7	3.1	3.2	2.4	2.2	2.5	2.6						
Domestic	66.3	31.0	34.4	32.6	26.3	80.6	93.3	0.6	1.1	1.3	1.2	0.9	1.0	1.1						
Foreign	128.2	53.6	54.5	35.7	34.3	124.3	124.5	1.1	1.9	2.0	1.3	1.2	1.5	1.5						
Debt relief	...	14.8	15.0	0.9	0.2	16.1	16.1	...	0.5	0.5	0.0	0.0	0.2	0.2						
Capital expenditures	348.6	28.0	11.8	111.1	204.4	300.2	327.3	3.1	1.0	0.4	4.0	7.3	3.6	3.9						
Of which: foreign financed	89.4	22.2	8.3	43.7	28.2	82.4	80.3	0.8	0.8	0.3	1.6	1.0	1.0	1.0						
Net lending	33.4	0.0	0.0	0.0	-3.5	-3.5	-3.5	0.3	0.0	0.0	0.0	-0.1	0.0	0.0						
Primary basic fiscal balance	-25.9	-64.5	17.8	-139.7	-276.1	-434.7	-397.9	-0.2	-2.3	0.6	-5.0	-9.9	-5.3	-4.8						
Basic balance 1/	...	-134.1	-56.1	-205.0	-330.6	-618.0	-593.7	...	-4.9	-2.0	-7.4	-11.9	-7.5	-7.1						
Overall balance	-261.2	-166.7	-76.7	-243.2	-358.8	-702.9	-678.7	-2.3	-6.1	-2.8	-8.7	-12.9	-8.5	-8.1						
Financing	261.2	166.7	76.7	243.2	358.8	702.9	678.7	2.3	6.1	2.8	8.7	12.9	8.5	8.1						
Domestic financing	-85.8	-140.4	-106.5	-30.7	111.2	37.8	-24.9	-0.8	-5.1	-3.9	-1.1	4.0	0.5	-0.3						
Possible external financing 2/	46.6	156.7	38.4	186.5	128.4	315.8	352.2	0.4	5.7	1.4	6.7	4.6	3.8	4.2						
Project loans	48.3	17.3	5.6	33.4	28.8	67.8	67.8	0.4	0.6	0.2	1.2	1.0	0.8	0.8						
Program loans/grants	46.3	298.0	133.2	218.4	0.0	346.0	351.6	0.4	10.8	4.8	7.8	0.0	4.2	4.2						
World Bank budget support grant	46.3	0.0	0.0	67.5	0.0	46.0	67.5	0.4	0.0	0.0	2.4	0.0	0.6	0.8						
AfDB budget support grant	0.0	68.4	0.0	52.5	0.0	68.4	52.5	0.0	2.5	0.0	1.9	0.0	0.8	0.6						
AFD budget support loan	0.0	229.6	131.2	98.4	0.0	229.6	229.6	0.0	8.3	4.8	3.5	0.0	2.8	2.7						
WAEMU budget support grant	0.0	0.0	2.0	0.0	0.0	2.0	2.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0						
WAEMU financing	270.6	-33.4	28.3	-0.6	139.5	134.7	166.2	2.4	-1.2	1.0	0.0	5.0	1.6	2.0						
Amortization due (excl IMF)	-310.3	-125.2	-128.7	-64.7	-39.9	-232.8	-233.3	-2.8	-4.6	-4.7	-2.3	-1.4	-2.8	-2.8						
Others	-8.3	...	...	...	...	...	...	-0.1	...	...	...	...	...	...
Exceptional financing	300.4	150.4	144.8	87.4	59.2	290.7	291.4	2.7	5.5	5.3	3.1	2.1	3.5	3.5						
External arrears	-386.8	120.5	114.5	85.5	58.9	258.9	258.9	-3.4	4.4	4.2	3.1	2.1	3.1	3.1						
Debt relief 3/	687.1	29.9	30.4	1.8	0.3	31.9	32.5	6.1	1.1	1.1	0.1	0.0	0.4	0.4						
Financing gap	0.0	0.0	0.0	0.0	-60.0	-58.5	-60.0	0.0	0.0	0.0	0.0	-2.2	-0.7	-0.7						
IMF (possible ECF)	0.0	0.0	0.0	0.0	60.0	58.5	60.0	0.0	0.0	0.0	0.0	2.2	0.7	0.7						
Residual gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0						
Memo: Nominal GDP (CFA bn)	11,283	2,750	2,750	2,788	2,788	8,250	8,363	11,283	2,750	2,750	2,788	2,788	8,250	8,363						

Sources: Ivorian authorities and IMF staff estimates and projections.

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

2/ Reflects funding indications to date.

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

3. **Budget execution through July was largely in line with the RCF-supported program.** Revenue exceeded the June target, while spending was low, including pro-poor spending, as the 2011 budget only became operational in July. All other indicative targets for June were met except domestic financing that substituted in June for an expected foreign disbursement delayed to early July (Text table 1, Tables 4–5).

Box 1: Domestic Currency Debt Operations

Côte d'Ivoire's total domestic currency debt at end-June 2011 is estimated at about 14.5 percent of GDP. The bulk is owed to investors in the regional securities market (60 percent) and the BCEAO¹ (25 percent). One third of short-term securities are held by banks in Côte d'Ivoire, the rest mainly by banks in the region.

Domestic Debt, June 2011

	CFAF	Percent of total	Percent of GDP
TOTA	1619	100.0	14.5
Securities	991	61.2	8.9
Short-term T-bills (less than 1	624	38.5	5.6
OATs (7 years)	111	6.9	1.0
TPCIs (4 to 8 years)	256	15.8	2.3
Bank loans	503	31.1	4.5
Commercial	410	25.3	3.7
Other (Public and private enterprises)	93	5.7	0.8
Other (Public and private enterprises)	125	7.7	1.1

Source: Ministry of Economy and Finance.

With the onset of the post-election crisis in December 2010, regular auctions of Treasury securities were no longer possible because of uncertainty as to who constituted the legal government. In order to limit the impact on the regional banking system, it was agreed that the BCEAO would roll over maturing Ivoirien T-bills (maturities up to one year), which is still the case through October 2011. The government has initiated discussions to exit from this renewal. It proposed a plan to banks in Côte d'Ivoire to restructure the stock of short-term paper (CFAF 600 billion at interest rates of 5.1 to 6.4 percent) in October 2011 into 2-year T-bills, and 3- and 5-year bonds (at somewhat lower interest rates) while accumulated interest (CFAF 20 billion) would be paid in cash. A road show to the region is underway, and the authorities [asked] the BCEAO on an exceptional basis to enhance these new securities by admission for refinancing and for required reserves.

Despite the ongoing roll-over of T-bills, Côte d'Ivoire has been able to return to the regional market with longer maturities. In September 2011 the authorities launched a new 5-year bond, rolling over a maturing bond (CFAF 61 billion) and raising new money (CFAF 99 billion, equivalent to 0.9 percent of GDP).

¹ The debt to the BCEAO corresponds mostly to the outstanding of consolidated statutory advances and the loans linked to the SDR allocation.

4. **The government continued the rollover of Treasury bills** through October as it feared a lack of demand for voluntary placements. It discussed a restructuring of the stock of T-bills with commercial banks that is to be completed in October (see Box 1). In the event, the authorities successfully launched a new 5-year bond in September.

5. **Banks' portfolio quality has weakened and credit extension remains subdued despite the sizeable financing needs of enterprises.** Nonperforming loan ratios, which had improved gradually in recent years, deteriorated significantly in the first half of 2011 (Table 6) reflecting the impact of the post-election crisis on small- and medium-size enterprises (SMEs). The difficult financial situation of the public banks, which remained open during the crisis, was aggravated further and the authorities have replaced management in these 5 institutions as a first step toward containing losses and designing a restructuring strategy in cooperation with the regional Banking Commission.

III. OUTLOOK AND KEY CHALLENGES—MOVING FROM RECOVERY TO SUSTAINED GROWTH

6. **Policy discussions for the Article IV consultation focused on the challenges of achieving high and sustained growth over the medium term, reducing poverty and restoring a sustainable fiscal and external position.**

MEFP ¶4, 10–11

The authorities' priorities for the medium term, with which the staff agreed, form the basis of their program to be supported by a new 3-year ECF arrangement. The authorities emphasized the need for stronger growth to translate into greater employment opportunities, especially for the youth. Their priorities are to:

- ***Implement structural reforms to remove impediments to growth, improve governance and the business climate, and create employment opportunities.*** The focus is on reforming the coffee/cocoa sector so as to improve productivity and farm incomes; restoring the viability of the electricity sector and enlarging generating capacity to accommodate the demands of a growing economy; strengthening the judicial system; and facilitating business services for trade and new start-ups. PFM reforms are continuing, and governance in the public administration and enterprises is being strengthened.
- ***Create fiscal space for pro-poor and investment spending, particularly in infrastructure, which has been neglected during the crisis years.*** HIPC debt relief, a sustainable wage bill, a reduction in subsidies, and containment of other current outlays are essential to target priorities and making spending more efficient. Together with renewed efforts to broaden the revenue base, a better mastery of current spending will be key to achieving a sustainable fiscal position over the medium term.
- ***Reduce vulnerabilities in the financial system.*** This will include strengthening the pension funds and limiting their losses, restructuring the public banks, and defining a

clear role for the government in the sector, in order to improve financial intermediation and provide support for investment and growth.

- **Carry forward the debt restructuring process.** Early completion of HIPC/MDRI and other debt relief would significantly improve Côte d'Ivoire's debt sustainability.
- **Strengthen competitiveness.** Here as well, the planned structural reforms are essential to diversify the economy and reduce the vulnerability of exports to commodity price swings and the projected medium-term terms-of-trade decline.

7. **The authorities are planning to update the PRSP (2009–13) following broad-based consultations.** A progress report covering 2010–11 is to be prepared by early 2012. A new *National Development Plan* will cover 2012–15. Also, the *Public Investment Program* is being updated to enable the absorption of resources that will become available after the HIPC Completion Point.¹

MEFP ¶4

A. Growth and Poverty Reduction: the Medium-Term Macroeconomic Framework and Outlook

8. **Many of the recommendations of the 2009 Article IV discussions remain relevant.** While the initial implementation of the 2009 ECF-supported program was broadly satisfactory and in line with the staff recommendations, structural reforms stalled in 2010 and the crisis reversed some of the reforms and some of the macroeconomic progress that had already been achieved.

MEFP ¶12–16

9. **The medium-term objectives of the macroeconomic framework underlying the PRSP and the last ECF-supported program remain appropriate.** With the political crisis overcome, real growth is expected to bounce back to 8–9 percent in 2012, in part reflecting base effects, but also a strengthening of confidence with the completion of the election cycle, political normalization, and progress toward the sizeable debt relief associated with the HIPC Completion Point. Reflecting higher investment, growth is projected to remain strong at around 6 percent over the medium term as the economy is rebuilt after a decade of conflict-induced stagnation. Inflation is expected to fall back to the WAEMU's medium-term target of 3 percent.

10. **The baseline scenario assumes an increase in investment, both public and private, from its low overall levels of 8.7 percent of GDP during 2009–11 to about 13.9 percent of GDP in 2012–14.** Substantially higher investment is expected to boost construction and transport activities, and turn the crisis-years' surplus in the external current account into a deficit that could be financed by foreign direct investment and new borrowing.

¹ After the HIPC Completion Point, additional bilateral debt relief of €2 billion is to be provided by France over time under the *Contrats de Désendettement et de Développement* (C2D) scheme, essentially a debt-for-development swap.

11. **The fiscal strategy over the medium term should achieve sustainability and enable higher investment by strengthening revenue collection as well as containing and reprioritizing other expenditure.** The overall budget deficit is expected to decline to around 3 percent of GDP, and the basic primary balance² should recover from its deficit spike in 2011 to a small surplus over the medium term.

12. **There are risks to the outlook, but the economy's potential and determined reforms could yield strong results.** A lack of continued clear improvements in the security situation and in political normalization would dampen private activity and investment; a lack of progress in restoring energy and transport infrastructure would impede the projected acceleration of economic activity; and external shocks, e.g., a large terms-of-trade loss, would endanger the achievement of external sustainability. At the same time, further positive surprises are possible: uncertainties over the pace of the recovery in coming months remain high, and the pick-up in activity in 2012 and beyond could be stronger or earlier than currently projected. Clearly the economy's potential and a successful implementation of the authorities' program could yield strong sustainable growth and attract much new investment.

B. Competitiveness and the Business Climate

13. **The competitiveness of the Ivoirien economy needs to be strengthened.** The analysis of the last Article IV discussions on this issue still remains valid.³ While there is no sign of real effective exchange rate misalignment for Côte d'Ivoire (Box 2), in line with the regional WAEMU real exchange rate assessment,⁴ other indicators of competitiveness highlight the need to remedy structural deficiencies and improve the business climate. Over the last decade, governance worsened and corruption is a widespread impediment. Lack of maintenance and investment has worn down the existing infrastructure, and the degradation of roads (and the railway) and the proliferation of roadblocks in recent years added to the cost of transportation and weakened competitiveness. The electricity sector remains vulnerable to shocks that would be disruptive of economic activity, as seen during the electricity crisis of early 2010. The judicial system, and contract enforcement in particular, is weak. As a result, banks are reluctant to lend to SMEs, which account for the bulk of urban employment.

14. **The authorities shared the staff's analysis and are determined to accelerate structural reforms and improve the business climate.**

MEFP ¶25–40

Their structural reform plans are extensive, from measures to improve economic governance and a reform of public enterprises to reforms of the land register and the judicial system, a new investment code and competition law, a one-stop window for trade formalities and a center to facilitate business start-ups.

² The basic primary balance is defined as total revenue (excluding grants) less expenditure net of scheduled interest and foreign-financed capital expenditure.

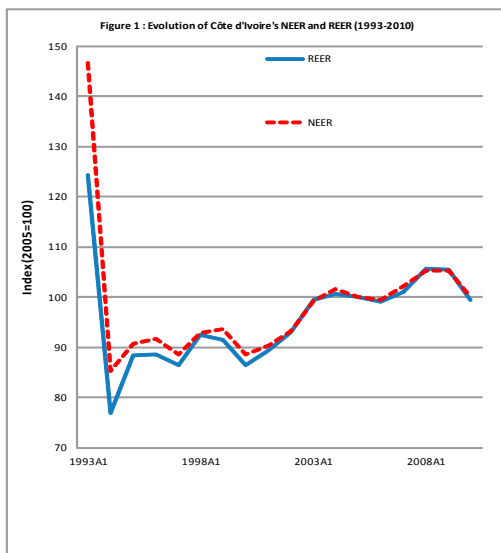
³ See Côte d'Ivoire Country Report No. 09/326: <http://www.imf.org/external/pubs/cat/longres.aspx?sk=25069.0>

⁴ See WAEMU 2011 Staff report: <http://www.imf.org/external/pubs/ft/scr/2011/cr1198.pdf>.

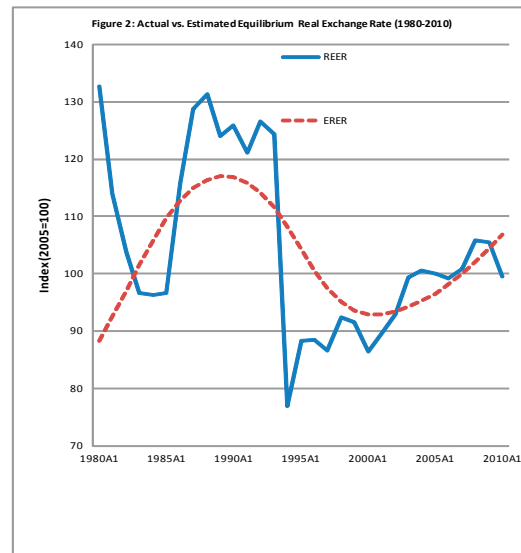
Box 2: Assessing External Competitiveness in Côte d’Ivoire

Côte d’Ivoire’s real effective exchange rate (REER) has steadily appreciated since the 1994 devaluation, although in 2010 it depreciated by about 6 percent as a result of the decline of the Euro (to which the CFAF is pegged) vis-à-vis the currencies of Côte d’Ivoire’s major trading partners, most notably the U.S. dollar.

Nevertheless, quantitative estimates of Côte d’Ivoire’s real effective exchange rate, based on the three CGER methodologies—macroeconomic balance (MB), external sustainability (ES), and equilibrium real effective exchange rate (EREER)—indicate its REER is broadly in line with economic fundamentals. This finding is similar to the real exchange rate assessment conducted for the 2011 Article IV consultation for the WAEMU region.¹



Source: IFS



Nevertheless, competitiveness, export growth and diversification has been held back by structural factors, in particular a poor business environment, as cited in many of the staff’s discussions with the private business sector. Nonprice indicators rank the competitiveness of Ivoirien economy as low relative to the SSA average and that of the WAEMU countries, and worsened over the past year partly owing to the recent crisis. The World Bank’s survey-based “Doing Business Index” for 2011 shows a deterioration in Côte d’Ivoire’s ranking from 168 to 169 (183 equals the worst possible ranking and 1 the best), mostly owing to the decline in the ease of registering property, which also affects a business’ ability to borrow. For comparison, other WAEMU countries ranked between 151 for Burkina Faso and 176 for Guinea-Bissau; 23 SSA countries, or about half of the total, were among the 32 lowest-ranked countries in the survey. According to the World Bank Enterprise Survey (2009), most Ivoirien firms surveyed identified access to finance and political instability as major constraints to business activity.

¹ <http://www.imf.org/external/pubs/ft/scr/2011/cr1198.pdf>

15. **The authorities plan to contribute to regional integration within the WAEMU and ECOWAS, which should give impetus to regional trade and open up new markets.** Following agreement amongst member countries, a fifth tariff band (35 percent) is to be added to the existing 4 bands (0, 5, 10 and 20 percent) of the ECOWAS common external tariff, in order to offer temporary protection to selected industrial products. Discussions have made little progress on defining the coverage of products within each band. A regional interim Partnership Agreement with the European Union and accompanying development program have not been signed yet. In anticipation of an eventual agreement, the authorities will pursue a fiscal transition away from trade and toward domestic taxation within the context of regional policies. In addition, the authorities are seeking eligibility to AGOA trade preferences with a target date of 2012.

C. Reducing Financial Sector Vulnerabilities

16. **The post-election crisis has aggravated the vulnerabilities of the financial sector brought out in the 2009 FSAP.**⁵ Bank portfolios have weakened, especially for smaller banks more exposed to SMEs, which bore the brunt of the destruction and looting during the crisis. While the Banking Commission is still analyzing the results of banks' self-assessment, it is expected that several banks need recapitalization or guarantees to meet prudential norms. The underlying problems of the five state-owned banks have worsened; most of these banks are relatively small and were the only banks that remained open during the height of the crisis in February–April 2011. The insurance and pension sectors need major reforms to ensure the financial viability.

17. **The authorities have resumed preparations for a comprehensive financial sector reform strategy to reduce these vulnerabilities, with the technical assistance of the IMF and the World Bank.** This includes defining the government's role in the sector, restructuring loss-making public banks, broadening access to financial services, reforming microfinance institutions, and improving the viability of the pension funds. In recent months, some banks have obtained support from various partners, including the French Development Agency (AFD),⁶ in the form of guarantees for credit to SMEs.

D. Debt restructuring and sustainability

18. **Restoring debt sustainability is important to improve growth prospects and will require continued prudent fiscal and borrowing policies, debt relief and concessional donor support.** The updated LIC DSA⁷ shows that while Côte d'Ivoire is currently in debt distress, the debt relief at the Completion Point would achieve debt sustainability, while creating scope for the significant new borrowing envisaged. Debt service payments are projected to increase after the Completion Point from their current (exceptionally low) levels. Following approval of a new ECF arrangement, the authorities

⁵ <http://edms.imf.org/cyberdocs/Viewdocument.asp?doc=334260&lib=REPOSITORY>

⁶ Discussions on International Finance Corporation (IFC) support are still ongoing.

⁷ See www.imf.org

intend to seek a rescheduling from Paris Club creditors, Eurobond holders,⁸ and other external official bilateral and commercial creditors, and have initiated discussions to that end.

19. **The HIPC Completion Point (CP) is likely to slip beyond mid-2012 as the reform of the coffee/cocoa sector has not advanced**

MEFP Box 1

quickly enough. Discussions are ongoing and consultations with stakeholders will take time. The adoption of a new sector strategy and its implementation for 6 months is a CP trigger. Progress on other triggers is more advanced.

20. **The authorities agreed with the staff that strengthening debt management is a priority, both in light of the crisis experience that resulted in the need for a restructuring of the stock of T-bills and in preparation for post-CP financing needs.** The country's debt management capacity is low and weaknesses have been evident repeatedly. Identifying the optimal mix of regional and external financing options for its investment plans and other financing needs will be a challenge. Staff encouraged the authorities to develop a debt strategy and improve debt management in order to take full advantage of domestic resources freed up and the space opened up for new borrowing after the CP. In the meantime, the authorities have requested technical assistance from the IMF and World Bank to formulate a comprehensive debt management strategy. They intend to set up a national debt agency in line with WAEMU guidelines.

IV. DISCUSSIONS FOR A NEW ECF-SUPPORTED PROGRAM

A. Fiscal Policy

21. **The authorities and staff agreed that the objective of the fiscal policy over the medium term is to create fiscal space for an increase in pro-poor and public investment outlays, while establishing fiscal and debt sustainability.** For the period April–December 2011, an overall budget deficit of 8.1 percent of period GDP is now projected, slightly lower than under the RCF-supported program, mainly reflecting better revenue performance (Text tables 1–2, and Table 4). The overall deficit is expected to be reduced to about 4½ percent in 2012 and further to around 3 percent over the medium term. This deficit level should be financeable from available concessional resources, debt relief, and new regional and external borrowing. To anchor fiscal policy, the authorities are targeting a small basic primary surplus⁹ after the crisis-related deficit spike in 2011 so as to generate resources to at least service interest payments.

⁸ Only the missed coupons of the *Eurobond 2032* (December 2010, June and December 2011) are expected to be rescheduled.

⁹ The basic primary balance is defined as total revenue (excluding grants) less expenditure net of scheduled interest and foreign-financed capital expenditure.

Text Table 2. Côte d'Ivoire: Fiscal Operations, 2011–12

	(In billions of CFA francs)						Percent of GDP					
	2011	2012				2011	2012					
	ECF Prog.	ECF Prog.				ECF Prog.	ECF Prog.					
		Q1	Q2	Q3	Q4	Q1-Q4	Q1	Q2	Q3	Q4	Q1-Q4	
Total revenue and grants	1,571.9	529.5	548.4	567.4	601.2	2,246.6	18.8	17.1	17.7	18.3	19.4	18.1
Tax revenue	1,351.8	469.6	485.1	476.0	519.0	1,949.7	16.2	15.1	15.6	15.4	16.7	15.7
Oil revenue	209.5	21.8	24.4	56.7	47.4	150.3	2.5	0.7	0.8	1.8	1.5	1.2
Fuel tax	68.7	33.1	34.5	33.6	33.0	134.2	0.8	1.1	1.1	1.1	1.1	1.1
Cocoa export tax	295.5	114.6	58.8	44.9	129.3	347.6	3.5	3.7	1.9	1.4	4.2	2.8
VAT	94.3	48.3	42.5	44.9	46.3	182.0	1.1	1.6	1.4	1.4	1.5	1.5
Import taxes	279.6	135.0	141.4	146.1	145.5	568.0	3.3	4.4	4.6	4.7	4.7	4.6
Other	472.9	149.9	218.0	183.4	150.5	701.8	5.7	4.8	7.0	5.9	4.9	5.7
Non-tax revenue	197.8	56.2	55.9	78.4	67.1	257.7	2.4	1.8	1.8	2.5	2.2	2.1
Grants	22.3	3.7	7.4	13.0	15.1	39.2	0.3	0.1	0.2	0.4	0.5	0.3
Of which: crisis exit project grant	5.8	0.0	0.0	0.0	2.1	2.1	0.1	0.0	0.0	0.0	0.1	0.0
Total expenditures	2,250.6	586.2	680.1	744.9	785.4	2,796.7	26.9	18.9	21.9	24.0	25.3	22.6
Current expenditures	1,926.8	506.0	556.2	552.5	566.2	2,180.9	23.0	16.3	17.9	17.8	18.3	17.6
Wage bill	727.4	231.9	228.9	228.5	229.4	918.7	8.7	7.5	7.4	7.4	7.4	7.4
Social security benefits	179.3	52.4	52.4	52.1	52.6	209.5	2.1	1.7	1.7	1.7	1.7	1.7
Subsidies and other transfers	290.7	70.3	72.7	79.0	83.0	305.0	3.5	2.3	2.3	2.5	2.7	2.5
Of which: electricity sector	74.8	14.9	17.2	16.4	27.6	76.0	0.9	0.5	0.6	0.5	0.9	0.6
refinery (SIR)	8.2	2.5	2.5	2.5	2.5	10.0	0.1	0.1	0.1	0.1	0.1	0.1
Other current expenditures	426.7	108.0	146.9	123.6	122.0	500.4	5.1	3.5	4.7	4.0	3.9	4.0
Crisis and elections-related expenditures	85.0	7.5	7.5	7.5	7.5	30.0	1.0	0.2	0.2	0.2	0.2	0.2
Interest	217.7	35.9	47.9	61.8	71.8	217.3	2.6	1.2	1.5	2.0	2.3	1.8
Domestic	93.3	16.5	7.9	12.3	30.7	67.4	1.1	0.5	0.3	0.4	1.0	0.5
Foreign	124.5	19.4	40.0	49.5	41.1	149.9	1.5	0.6	1.3	1.6	1.3	1.2
Capital expenditures	327.3	80.2	124.0	192.4	222.7	619.3	3.9	2.6	4.0	6.2	7.2	5.0
Of which: foreign financed	80.3	23.4	27.1	32.6	34.8	117.9	1.0	0.8	0.9	1.1	1.1	1.0
Net lending	-3.5	0.0	0.0	0.0	-3.5	-3.5	0.0	0.0	0.0	0.0	-0.1	0.0
Primary basic balance 1/	-397.9	-0.2	-63.1	-94.6	-91.2	-249.1	-4.8	0.0	-2.0	-3.1	-2.9	-2.0
Overall balance	-678.7	-56.7	-131.7	-177.5	-184.2	-550.1	-8.1	-1.8	-4.2	-5.7	-5.9	-4.4
Financing	678.7	56.7	131.7	177.5	184.2	550.1	8.1	1.8	4.2	5.7	5.9	4.4
Domestic financing	-24.9	-17.8	10.4	50.6	22.0	65.2	-0.3	-0.6	0.3	1.6	0.7	0.5
Possible external financing 2/	352.2	-0.5	32.8	-27.6	75.2	79.9	4.2	0.0	1.1	-0.9	2.4	0.6
Project loans	67.8	19.7	19.7	19.6	19.7	78.7	0.8	0.6	0.6	0.6	0.6	0.6
Program loans/grants	351.6	0.0	0.0	0.0	69.7	69.7	4.2	0.0	0.0	0.0	2.2	0.6
World Bank budget support grant	67.5	0.0	0.0	0.0	69.7	69.7	0.8	0.0	0.0	0.0	2.2	0.6
AfDB budget support grant	52.5	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.0	0.0
AFD budget support loan	229.6	0.0	0.0	0.0	0.0	0.0	2.7	0.0	0.0	0.0	0.0	0.0
WAEMU budget support grant	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WAEMU financing	166.2	61.4	47.8	85.2	19.1	213.6	2.0	2.0	1.5	2.7	0.6	1.7
Amortization due (excl IMF)	-233.3	-81.5	-34.7	-132.5	-33.4	-282.1	-2.8	-2.6	-1.1	-4.3	-1.1	-2.3
Exceptional financing	291.4	74.9	40.3	154.6	38.9	308.7	3.5	2.4	1.3	5.0	1.3	2.5
External arrears	258.9	-253.9	0.0	-140.1	0.0	-394.0	3.1	-8.2	0.0	-4.5	0.0	-3.2
Debt relief 3/	32.5	328.9	40.3	294.7	38.9	702.7	0.4	10.6	1.3	9.5	1.3	5.7
Financing gap	-60.0	0.0	-48.1	0.0	-48.1	-96.3	-0.7	0.0	-1.6	0.0	-1.6	-0.8
IMF (possible ECF)	60.0	0.0	48.1	0.0	48.1	96.3	0.7	0.0	1.6	0.0	1.6	0.8
Residual gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memo: Nominal GDP (CFA bn)	8,362.5	3,100	3,100	3,100	3,100	12,400	8,362.5	3,100	3,100	3,100	3,100	12,400

Sources: Ivorian authorities and IMF staff estimates and projections.

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

2/ Reflects funding indications to date.

3/ Includes debt relief for 2011 granted under the May 2009 Paris Club debt restructuring agreement and projected debt relief for 2012.

22. **The authorities are designing a 2012 budget with revenue weakened in part by the lagged effect of the crisis on the tax base and with investment spending given top priority.**

MEFP ¶19, 20, 23

- *Revenue* in 2012 is projected to fall almost 1½ percentage points of GDP below its 2010 level¹⁰ reflecting largely lower oil production and a large reduction in producer prices for natural gas and thus related government income (0.4 percent of GDP), and the impact of the recent domestic crisis on profits (0.4 percent), and lower fuel taxes due to the freeze in fuel prices since April 2010 (0.6 percent). At the same time, the authorities intend to strengthen revenue administration, streamline tax exemptions, tackle tax fraud and evasion, and restructure state-owned corporations to improve their net contribution to the budget. They are also planning to introduce new taxes on rubber and some telecommunications.
- *Expenditure* is projected to rise by ½ percent of GDP in 2012 compared to 2010 with expenditures shifted sharply toward investment. *Current spending* is to be over 1 percentage point lower, reflecting savings in crisis-exit spending (largely election-related, but also due to the discontinuation of the frontline benefit for the military in July 2011) and other current outlays. In contrast, the wage bill is projected to increase with the absorption of about 11,000 ex-rebels in the new army and security forces, and the continued recruitment of previously unpaid volunteer teachers in the North of the country. The civil service census was delayed due to the crisis and estimates of potential savings are not yet available. *Investment spending* is budgeted to rise by almost 2 percentage points of GDP to a still relatively modest 5 percent of GDP in 2012.
- As a result, the *overall budget deficit* including grants would be larger in 2012 than in the pre-2011 years (4.4 percent of GDP in 2012 compared to 2.3 percent in 2010). Similarly, the *primary basic deficit*, while improved from 2011, at 2 percent of GDP would far exceed the deficit of 0.2 percent registered in 2010.

23. **The financing program for the 2012 budget envisages that the gap will be covered by concessional multilateral funding, debt relief, and domestic/regional borrowing.**

MEFP ¶22, 43–44

Nevertheless, the high level of net domestic/regional borrowing (CFAF450 billion or 3.6 percent of GDP)¹¹ exceeds historical levels of access to this market and is a risk factor in the program. While resisting explicit contingency measures in the budget to deal with the funding risk, the authorities assured staff that they would continue to pursue a conservative budget management policy and not commit expenditures unless the corresponding resources had been secured.

¹⁰ Comparisons here are made to 2010, the last “normal” year, as the 2011 figures cover only end-April–December and the ratios to period GDP are biased somewhat by developments during the crisis, which shifted some annual revenues and expenditures into the 2011 budget.

¹¹ The 3.6 percent of GDP of net domestic/regional borrowing is made up of 1.7 percent of GDP of borrowing from other WAEMU countries and another 1.9 percent of GDP from Ivoirien banks, included as part of other domestic bank financing (net). The latter also includes -0.7 percent of GDP of amortization of non-securitized debt.

B. Structural Reforms in 2011–12

24. **The authorities are planning to speed up and broaden structural reforms as these are vital to improve the business climate and productivity.** Key reform areas include public financial management, public enterprise reform, the coffee-cocoa sector, the energy sector, the financial sector, judicial reform, and the business environment. They are also moving forward with pension reform, preparing a new investment code, hydrocarbon law, and competition law. Good progress has been achieved on EITI as the reports for 2008–09 and a validation report are expected to be submitted by the end of the year as the basis for the country’s validation as conforming to the EITI criteria.

MEFP ¶25–42

25. **The government intends to keep the *wage bill* under control and improve the management of the civil service.** The strategy adopted in May 2010 for controlling the payroll will be updated in Q1 2012 based on the results of the census and a new Single Reference File (SRF) for civil servants. The SRF will be used to set up an integrated personnel management system (SIGFAE), which should be finalized in the course of 2012. The government plans to institute an Observatory of Public Services, create the positions of General Secretaries in all ministries, and adopt a code of ethics for the civil service.

MEFP ¶37–38

26. **The authorities continue to implement their action plan to strengthen *public financial management and debt management*.** Key reforms include further streamlining the use of treasury advances, improving the process for the reimbursement of VAT credits through a new joint State/private sector committee; and strengthening the debt management process. To this end, the government has requested technical assistance from the IMF and World Bank to prepare an action plan for a medium-term strategy. Also, the authorities are extending the implementation of medium-term expenditure framework (MTEF) to six new ministries. They expect to undertake, in collaboration with the World Bank and the Fund, an assessment regarding the implementation of the PEMFAR so far; they will then update their PEMFAR matrix accordingly.

MEFP ¶40, 42

27. **Efforts to improve the management of *state enterprises* and to streamline the government’s portfolio are underway.** The authorities want to reduce the number of public enterprises by 25 percent, and introduce performance contracts for state corporations and majority-owned public corporations. They are determined to accelerate the clearance of arrears owed by public enterprises to the pension funds (CGRAE and CNPS).

MEFP ¶33

28. **The government is determined to improve governance, productivity and farm income in the *coffee/cocoa sector*.** A reduction in effective taxation to a maximum of 22 percent ad valorem was achieved in 2010/11, and the focus is now on a new legal framework and institutional set-up as well as a new mechanism for marketing and extension services. Discussions with key players are ongoing, albeit difficult, and the authorities hope to adopt a new strategy during the crop year starting in October 2011.

MEFP ¶30

29. **The authorities are committed to reforming the *energy sector* and reinstating *market-based fuel pricing*.** A renegotiation of natural gas contracts expected to reduce the cost of natural gas used for thermal power generation by 1/3, thus lowering the electricity subsidy, is to be completed in November. To render the electricity sector financially viable over the medium term, an electricity tariff reform and increase in industrial tariffs will occur in early 2012, and investments to reduce technical losses are being undertaken. While fuel prices have remained frozen since April 2010 by reducing the tax wedge, a return to market-based fuel pricing and more realistic tax levels is expected as of mid-2012. The price review strategy will have to consider the impact on the poor, if any, and the subsequent costs of social safety nets.

MEFP ¶31, 34-5

30. **The authorities are preparing a *financial sector development strategy* to reduce vulnerabilities and broaden access to financial services.**

MEFP ¶29, 39

- This strategy is to define the government's role in the financial sector, and address the issues of the cost of credit, the rehabilitation of microfinance institutions, the mechanisms for financing housing, SMEs and agriculture. The government has requested technical assistance from the World Bank and the IMF, and funding from the Financial Sector Reform and Strengthening (FIRST) Initiative for this purpose.
- The government intends to work with the Banking Commission to limit losses incurred by the 5 state-owned banks and improve their operations without injecting new resources. A restructuring strategy will be elaborated and fiscal implications, if any, clarified.
- To improve the financial viability of the pension funds, the authorities plan to adopt the reform plans for CNPS and CGRAE in 2011; these will also require parliamentary approval. The retirement age for certain categories of government officials and agents will be raised from 57 to 62 years as of 2012, and collection efforts of overdue social contributions will be enhanced.

31. **The authorities are stepping up efforts to improve the *business climate*.** Measures in this area include setting up a Business Facilitation Center to simplify the administrative procedures required to start a business, and a one-stop window for trade formalities, reform of the property registry to facilitate the delivery of title and the use of land as a security, adoption of a competition law and new investment code, enforcement of arbitration awards (*exequatur*), setting up commercial courts and broader judicial reform.

MEFP ¶26-28

V. PROGRAM DESIGN, FINANCING, AND RISKS

A. External Arrears and Program Financing

32. **Côte d’Ivoire has arrears to official bilateral and commercial creditors, which it intends to regularize.** The authorities have initiated discussions with Paris Club creditors on a restructuring of arrears and maturities due during mid-2011 to mid-2014 and with the holders of the Eurobond 2032 on the restructuring of 2 missed coupon payments (December 2010 and June 2011) and the next coupon falling due at end-2011. The authorities continue to make good faith efforts to negotiate the treatment of arrears with private external creditors. The Paris Club provided financing assurances on October 19, 2011.

MEFP ¶43-45

33. **The financing gaps during 2011–14 (totalling 16 percent of 2012 GDP) are expected to be filled by debt restructuring, multilateral support, and new domestic/regional borrowing** (Table 7). While the bulk of debt relief is expected in early 2012 with the restructuring of accumulated arrears, the remaining gap during 2011–12 after World Bank and AfDB support is projected to be met by disbursements under the ECF. The authorities have also requested the third tranche of HIPC Interim assistance in the amount of SDR 5.024 million, which will be sufficient to cover 86.1 percent of eligible ECF principal repayment obligations falling due during November 2011–October 2012. Furthermore, if the necessary requirements are met, Côte d’Ivoire could reach the HIPC Completion Point and benefit from the MDRI in the second half of 2012.

B. Program modalities

34. **ECF access is proposed at 120 percent of quota (SDR 390.24 million).** This request is based on the staff’s assessment of the overall financing needs and is consistent with the ECF access norm for a country with outstanding credit below 100 percent of quota (Côte d’Ivoire’s current outstanding credit is 99.6% of quota). A slightly front-loaded disbursement schedule is proposed as the critical challenges facing Côte d’Ivoire are immediate and external financing needs are projected to ease over time (Table 8). Strong Fund support would help catalyze support from donors. The authorities are planning to organize a donor roundtable in early 2012 once the PRSP has been updated, and a Consultative Group meeting after reaching the HIPC Completion Point to secure donor support over the medium term. Côte d’Ivoire has a long track record of meeting its obligations to the Fund and an adequate capacity to repay (Table 9), provided the country takes the necessary action to secure HIPC debt relief. Program performance would be monitored on the basis of quantitative indicators (Table 10) and structural benchmarks (Table 11).

35. **The risks to the program are dominated by internal factors in this post-conflict situation.** While substantial progress has been made in improving security, the situation remains fragile. The speed of economic recovery will depend on how quickly confidence returns and banks resume lending to the private sector as well as investing in government securities. The government is operating under tight financial constraints and envisages a large access to the regional financial market in 2012, yet is facing the evolving cost of

building a mixed army and security forces, and potential resource needs of a restructuring of state banks, while addressing urgent infrastructure needs. The completion of the election cycle in 2011–12 will test how far the country has stabilized. Côte d'Ivoire also remains vulnerable to external shocks such as oil, or to a lesser extent, food price increases, a weakening of the terms of trade, and a prolonged global slowdown.

VI. STAFF APPRAISAL

36. **Côte d'Ivoire is emerging quickly from the post-election political crisis, but major challenges remain in the transition from crisis recovery to sustained growth.**

These challenges include the need to further improve security to allow the free circulation of persons and goods, to advance national reconciliation and integration of the ex-combatants into the new security forces or civilian life, and to re-establish macroeconomic stability while fostering investment to relaunch economic growth.

37. **The authorities' fiscal response to the economic crisis in 2011 has been appropriate and the implementation of the RCF-supported program to date has been good.** At the same time, while the sizeable budget deficit in April–December 2011 is being financed largely from external sources and debt service arrears that require a restructuring, fiscal policy in 2012 and beyond needs to restore the revenue base and limit current spending in order to create fiscal space for the planned, and much needed, and increase in public investment, especially in energy and infrastructure. Staff consider the planned fiscal stance in 2012 to be appropriate, though further consolidation will be needed over the medium term.

38. **Staff support the planned revenue measures and the ending of most of the temporary tax relief measures granted in 2011.** But commodity revenues will decline with the fall in oil production and the renegotiation of natural gas prices. Profit taxes in 2012 will reflect the hit the economy took in the first half of 2011. Thus continued efforts to enhance tax administration will be needed to achieve the revenue targets.

39. **The authorities' conservative budget management is welcome and has kept expenditures in line with available resources.** The delayed adoption of the budget in June 2011 has led to a slow execution of expenditure, in particular for investment, and major efforts will be needed to fully implement the budgeted allocations. Continued vigilance will be required to control the wage bill; the census results should allow some savings that will need to balance out at least some of the costs of the ongoing new hiring into the integrated security forces and the education sector. The planned containment of electricity subsidies and tighter management of other current spending would allow room for the sizeable increase in investment spending. In this context, the preparation of an ambitious but realistic public investment program will be crucial for reaching the authorities' expenditure goals and the successful implementation of projects.

40. **Restarting the structural reforms will be essential to increase the economy's efficiency, strengthen external competitiveness, and regain the confidence of private investors.** The authorities' plans are ambitious and appropriate, particularly the focus on restoring the financial viability of the electricity sector, rebuilding the transport infrastructure, restructuring the important coffee/cocoa sector, and the various efforts to

improve the business climate. A financial sector development strategy should further financial deepening while controlling the losses of the public banks. A debt management strategy should help improve debt management and should guide future borrowing operations to identify the most appropriate vehicles to fund the economy's extensive investment needs while maintaining debt sustainability after HIPC debt relief.

41. **Staff supports the authorities' request for assistance under the ECF in the amount of 120 percent of quota and for further interim HIPC assistance** in light of the balance of payments and fiscal needs and the catalytic effect of Fund support on other external assistance. There are significant risks to the outlook in this post-conflict situation, including a lack of decisive improvements in the security situation and political normalization, lackluster progress on structural reforms, limited access to regional financial markets, external shocks, but there could also be a stronger-than-projected rebound in activity. These risks should be manageable in light of the authorities' strong commitment to the policies to be supported by the ECF. If the challenges in the short term are addressed effectively, prospects are good for Côte d'Ivoire to embark on the ambitious growth trajectory envisaged by the authorities and make progress towards alleviating poverty and achieving the MDGs.

42. It is proposed that during the ECF arrangement Côte d'Ivoire stay on a 24-month Article IV cycle in accordance with the decision on consultation cycles.¹²

¹² Decision No.14747-(10/96) (9/28/2010).

Table 1. Côte d'Ivoire: Selected Economic Indicators, 2009–16

	2009	2010	2011	2012	2013	2014	2015	2016
					Proj.			
	(Annual percentage changes, unless otherwise indicated)							
National income								
GDP at constant prices	3.8	2.4	-5.8	8.5	6.0	6.0	5.5	5.2
GDP deflator	0.1	1.9	4.3	2.3	2.1	2.3	2.1	2.2
Consumer price index (annual average)	1.0	1.4	5.1	2.8	2.5	2.5	2.5	2.5
Consumer price index (end of period)	-1.7	5.1	3.0	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	8.6	6.3	-1.8	4.0	2.0	5.9	6.1	5.3
Imports, f.o.b., at current prices	3.6	22.0	-2.0	10.6	9.5	7.8	7.7	6.6
Export volume	8.3	-9.9	-9.6	6.6	1.0	7.2	7.8	4.9
Import volume	6.4	-1.7	-3.6	9.4	6.2	7.0	5.2	5.5
Terms of trade (deterioration -)	10.7	-5.0	6.8	-3.5	-2.1	-1.9	-3.9	-0.6
Nominal effective exchange rate	0.0	...	...	...	...	...	...	...
Real effective exchange rate (depreciation -) 1/	0.0	...	...	...	...	...	...	...
Central government operations								
Total revenue and grants	-1.6	5.5	-29.7	42.9	19.4	11.3	10.0	8.8
Total expenditure	3.4	9.0	-9.9	24.3	12.8	7.9	9.0	8.0
	(Changes in Percent of Beginning-of-Period Broad Money)							
Money and credit								
Money and quasi-money (M2)	17.2	18.8	11.3	16.0	14.2	13.0	12.2	9.4
Net foreign assets	4.3	7.0	7.8	2.0	1.7	2.0	1.2	0.9
Net domestic assets	12.9	11.9	3.6	14.0	12.5	11.0	11.0	8.5
Of which: government	7.4	5.3	2.4	4.5	1.9	1.3	0.0	0.2
Of which: private sector	5.9	5.2	1.2	9.5	10.6	9.8	9.2	8.2
Velocity of money	3.1	2.7	2.4	2.3	2.2	2.1	2.0	2.0
	(Percent of GDP unless otherwise indicated)							
Central government operations 2/								
Total revenue and grants	19.5	19.7	18.8	18.1	20.0	20.6	21.1	21.3
Total revenue	18.9	19.2	18.5	17.8	19.0	19.6	20.1	20.3
Total expenditure	21.1	22.0	26.9	22.6	23.5	23.8	23.8	23.9
Overall balance, incl. grants, payment order basis	-1.6	-2.3	-8.1	-4.4	-3.5	-2.9	-2.7	-2.6
Primary basic balance 3/	0.4	-0.2	-4.8	-2.0	-0.5	0.2	0.5	0.7
Gross investment	8.9	9.0	8.2	11.5	14.1	16.0	17.1	17.9
Central government	3.1	3.1	2.9	5.0	5.6	6.0	6.2	6.4
Nongovernment sector	5.8	5.9	5.2	6.6	8.5	10.0	10.9	11.5
Gross domestic saving	20.8	16.3	16.0	16.6	16.2	17.3	17.7	18.1
Central government	2.2	1.7	-2.3	1.4	2.9	3.8	4.4	4.8
Nongovernment sector	18.6	14.6	18.2	15.2	13.3	13.5	13.3	13.4
Gross national saving	15.9	10.1	9.2	10.2	10.1	11.5	12.1	12.7
Central government	1.6	1.1	-3.2	0.5	2.2	3.2	3.6	3.9
Nongovernment sector	14.3	9.0	12.4	9.6	7.9	8.3	8.5	8.7
External sector								
Current account balance (including official transfers)	7.0	1.1	1.1	-1.7	-4.3	-4.8	-5.3	-5.5
Current account balance (excluding official transfers)	4.9	0.4	1.0	-1.8	-4.4	-5.0	-5.4	-5.6
Overall balance	-2.2	-0.9	-0.2	-3.1	-3.3	-2.7	-3.4	-3.4
External public debt	53.9	50.6	53.8	49.1	49.5	49.0	46.0	42.7
Public external debt-service due before rescheduling (CFAF billions)	440	438	358	437	537	599	767	816
Percent of exports of goods and services	8.1	7.2	6.4	7.3	8.7	9.2	11.1	11.2
Percent of government revenue	21.9	19.2	23.8	19.8	21.1	21.1	24.5	24.0
Memorandum items:								
Public debt in arrears (percent of GDP)	6.7	1.9	4.0	0.2	0.0	0.0	0.0	0.0
Domestic (after securitization)	1.9	0.7	0.5	0.2	0.0	0.0	0.0	0.0
External	4.8	1.2	3.6	0.0	0.0	0.0	0.0	0.0
Nominal GDP (CFAF billions)	10,880	11,352	11,150	12,400	13,400	14,500	15,595	16,782
Nominal exchange rate (CFAF/US\$, period average)	484	494	464	465	468	472	472	472
Nominal GDP at market prices (US\$ billions)	22.5	23.0	24.0	26.7	28.6	30.7	33.0	35.5
Population (million)	21.4	22.0	22.7	23.4	24.1	24.8	25.5	26.3
Population growth (percent)	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Nominal GDP per capita (CFAF thousands)	509	515	491	531	557	585	611	638
Nominal GDP per capita (US\$)	1,052	1,043	1,059	1,142	1,189	1,239	1,294	1,352
Real GDP per capita growth (percent)	0.8	-0.6	-8.8	5.5	3.0	3.0	2.5	2.2

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

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

2/ 2011 ratios based on Q2-Q4 fiscal aggregates over Q2-Q4 of GDP.

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

Table 2. Côte d'Ivoire: Monetary Survey, 2009–12

	2009	2010	2011	2012
			Proj.	
(Billions of CFA francs)				
Net foreign assets	1,149.3	1,393.6	1,717.2	1,812.1
Central bank	1,082.5	1,351.9	1,675.5	1,770.4
Banks	66.8	41.7	41.7	41.7
Net domestic assets	2,362.7	2,779.1	2,928.8	3,579.2
Net credit to the government	622.1	806.8	906.3	1,113.3
Central Bank	451.8	486.8	584.3	643.8
Banks	148.2	320.0	321.9	469.5
<i>Of which</i> : customs bills	-7.7	-7.6	-7.6	-7.6
Postal savings (CNCE)	22.1	0.0	0.0	0.0
Credit to the economy	1,882.8	2,065.7	2,115.9	2,559.3
Crop credits	99.1	123.1	123.5	116.9
Other credit (including customs bills)	1,785.4	1,950.8	1,992.4	2,442.4
Other items (net) (assets = +)	-142.2	-93.4	-93.4	-93.4
Broad money	3,512.0	4,172.7	4,646.0	5,391.2
Currency in circulation	1,343.5	1,636.4	1,691.6	1,957.6
Deposits	2,137.7	2,528.9	2,929.2	3,404.5
Other deposits	8.7	7.4	25.1	29.1
Postal savings (CNCE)	22.1	0.0	0.0	0.0
Memorandum item:				
Velocity of circulation	3.1	2.7	2.4	2.3
(Changes in percent of beginning-of-period broad money)				
Net foreign assets	4.3	7.0	7.8	2.0
Net domestic assets	12.9	11.9	3.6	14.0
Net credit to the government	7.4	5.3	2.4	4.5
Central bank	7.2	1.0	2.3	1.3
Banks	0.1	4.9	0.0	3.2
Credit to the economy	5.9	5.2	1.2	9.5
Broad money	17.2	18.8	11.3	16.0
(Changes in percent of previous end-of-year)				
Net foreign assets	12.5	21.3	23.2	5.5
Net domestic assets	19.6	17.6	5.4	22.2
Net credit to the government	55.7	29.7	12.3	22.8
Central bank	91.3	7.7	20.0	10.2
Banks	1.8	115.9	0.6	45.8
Credit to the economy	10.4	9.7	2.4	21.0
Broad money	17.2	18.8	11.3	16.0

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

Table 3. Côte d'Ivoire: Balance of Payments, 2009–16
(Billions of CFA francs, unless otherwise indicated)

	2009	2010	2011	2012	2013	2014	2015	2016
	Proj.							
Trade balance	2,002.0	1,647.7	1,626.9	1,449.4	1,176.8	1,160.9	1,158.7	1,157.2
Exports, f.o.b.	5,053.6	5,371.9	5,277.2	5,487.2	5,596.6	5,924.2	6,286.4	6,621.0
Of which: cocoa	1,756.0	1,884.3	1,890.1	1,789.1	1,804.7	1,684.4	1,577.6	1,534.1
Of which: crude oil and refined oil products	1,424.0	1,377.5	1,417.0	1,473.9	1,383.2	1,590.1	1,634.7	1,721.9
Imports, f.o.b.	-3,051.7	-3,724.1	-3,650.3	-4,037.8	-4,419.8	-4,763.3	-5,127.7	-5,463.8
Of which: crude oil	-786.6	-882.6	-1,135.6	-1,277.1	-1,316.7	-1,339.0	-1,369.8	-1,421.8
Services (net)	-1,191.4	-1,309.1	-1,219.5	-1,348.1	-1,437.0	-1,540.4	-1,659.2	-1,734.2
Receipts	586.7	574.6	576.1	633.1	678.8	736.1	794.5	858.1
Factor income	104.8	105.6	103.7	115.3	124.6	136.2	148.0	160.8
Other services	481.9	469.0	472.3	517.8	554.1	599.9	646.5	697.3
Payments	-1,778.1	-1,883.7	-1,795.5	-1,981.2	-2,115.8	-2,276.5	-2,453.8	-2,592.3
Factor income	-582.2	-598.7	-566.1	-611.5	-625.6	-660.0	-694.6	-728.4
Of which: central government interest due	-126.5	-128.2	-124.5	-149.9	-226.9	-240.1	-280.8	-306.3
Before rescheduling/refinancing	...	-97.4	-88.2	-148.2	-206.7	-203.8	-210.7	-216.3
On new financing	...	-30.7	-36.2	-1.8	-20.2	-36.4	-70.1	-90.0
Of which: oil sector	-176.2	-196.1	-252.5	-265.9	-279.8	-305.2	-284.0	-281.5
Other services	-1,195.9	-1,285.0	-1,229.4	-1,369.7	-1,490.2	-1,616.4	-1,759.2	-1,863.9
Transfers (net)	-46.6	-210.1	-288.9	-306.9	-313.9	-319.6	-323.8	-348.4
Private	-280.8	-297.5	-292.2	-324.9	-331.1	-338.3	-343.9	-370.1
Current account including official transfers	764.0	128.5	118.6	-205.6	-574.1	-699.2	-824.4	-925.5
Current account excluding official transfers	529.8	41.1	115.3	-223.6	-591.4	-717.8	-844.5	-947.1
Capital account	-998.7	-230.8	-146.3	-174.3	137.0	305.7	288.2	355.9
Official medium- and long-term loans (net)	-260.0	-262.0	186.1	-203.4	-238.7	-275.8	-393.8	-426.6
Project loans	53.3	48.3	67.8	78.7	80.3	96.3	110.8	119.6
Other bilateral and multilateral loans (AFD loan)	0.0	0.0	351.6	0.0	0.0	0.0	0.0	0.0
Central government amortization due	-313.3	-310.3	-233.3	-282.1	-318.9	-372.2	-504.6	-546.2
On new financing	...	-49.7	-75.6	-17.5	0.0	0.0	0.0	0.0
Foreign direct investments	182.5	171.6	162.4	187.2	262.1	314.6	408.9	490.7
Other private capital	-921.2	-140.5	-494.7	-158.2	113.5	266.9	273.0	291.7
Oil sector	-172.3	-120.0	-126.2	-139.1	-146.5	-130.9	-148.7	-186.9
Government securities sold to WAEMU banks	27.5	284.0	166.2	213.6	120.0	80.0	80.0	80.0
Others	-776.4	-304.5	-534.7	-232.7	140.0	317.8	341.7	398.6
Errors and omissions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-234.7	-102.4	-27.7	-379.9	-437.1	-393.5	-536.2	-569.6
Financing	234.7	102.4	-32.3	-488.8	-92.6	-123.8	-81.2	-73.4
Official net reserves (increase -)	-132.3	-269.4	-323.6	-94.8	-92.6	-123.8	-81.2	-73.4
Operations account	-206.5	-286.0	-372.6	-89.4	-92.6	-112.1	-52.7	-39.4
IMF (net)	74.2	16.6	49.0	-5.5	0.0	-11.8	-28.5	-34.0
Disbursements	85.1	27.5	60.0	0.0	0.0	0.0	0.0	0.0
Repayments	-10.9	-10.9	-11.0	-5.5	0.0	-11.8	-28.5	-34.0
Commercial banks (net)	4.2	25.1	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief obtained	2,279.8	733.4	32.5	0.0	0.0	0.0	0.0	0.0
Net change in external arrears (principal and interest)	-1,917.0	-386.8	258.9	-394.0	0.0	0.0	0.0	0.0
Financing gap	0.0	0.0	60.0	868.7	529.7	517.3	617.4	643.0
Possible financing			60.0	868.7	407.0	418.5	0.0	0.0
Program grants and loans			0.0	69.7	0.0	0.0	0.0	0.0
World Bank grant			0.0	69.7	0.0	0.0	0.0	0.0
AfDB grant			0.0	0.0	0.0	0.0	0.0	0.0
WAEMU grant			0.0	0.0	0.0	0.0	0.0	0.0
Debt relief			0.0	702.7	334.4	357.7	0.0	0.0
Residual gap			60.0	96.3	195.3	159.7	617.4	643.0
Of which: IMF-ECF			60.0	96.3	72.6	60.9	0.0	0.0
Memorandum items:								
Overall balance (percent of GDP)	-2.2	-0.9	-0.2	-3.1	-3.3	-2.7	-3.4	-3.4
Current account incl. official transfers (percent of GDP)	7.0	1.1	1.1	-1.7	-4.3	-4.8	-5.3	-5.5
Current account excl. official transfers (percent of GDP)	4.9	0.4	1.0	-1.8	-4.4	-5.0	-5.4	-5.6
Trade balance (percent of GDP)	18.4	14.5	14.6	11.7	8.8	8.0	7.4	6.9
Cocoa exports (thousand tons)	1,245	1,263	1,011	1,021	1,031	1,041	1,052	1,083
Cocoa export price, f.o.b. (CFAF/kg)	1,334	1,552	1,321	1,294	1,322	1,251	1,166	1,136
Gross imputed official reserves (US\$ million)	2,675	3,195	4,205	4,393	4,557	4,757	4,869	4,953
(months of imports of goods and services)	3.7	3.8	4.8	4.5	4.3	4.2	4.0	3.8
Outstanding arrears (year-end)	521	137	396	2	2	2	2	2
Nominal GDP	10,880	11,352	11,150	12,400	13,400	14,500	15,595	16,782
Nominal exchange rate (CFAF/US\$; average)	484	494	...	...	...	...	...	...

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

Table 4a. Côte d'Ivoire: Fiscal Operations of the Central Government, 2009–16
(Billions of CFA francs, unless otherwise indicated)

	2009	2010	2011	2012	2013	2014	2015	2016
	Proj. 1/							
Total revenue and grants	2,120.8	2,236.6	1,571.9	2,246.6	2,682.8	2,985.8	3,285.8	3,574.3
Total revenue	2,057.7	2,176.2	1,549.6	2,207.4	2,547.7	2,839.6	3,128.6	3,405.1
Tax revenue	1,795.6	1,928.5	1,351.8	1,949.7	2,226.1	2,477.1	2,723.1	2,952.0
Direct taxes	542.9	551.1	455.1	484.2	629.8	730.7	811.0	889.5
<i>Of which</i> : profit tax on oil	110.6	119.9	146.5	105.2	94.7	118.4	130.2	143.2
Indirect taxes	1,252.7	1,377.4	896.7	1,465.5	1,596.3	1,746.4	1,912.1	2,062.5
Nontax revenue	262.1	247.7	197.8	257.7	321.6	362.5	405.5	453.1
Social security contributions	151.2	162.8	134.6	198.1	231.1	254.8	279.2	294.9
Other	110.9	84.9	63.2	59.6	90.5	107.7	126.3	158.2
<i>Of which</i> : PETROCI dividends	20.0	21.3	12.0	12.0	10.8	13.5	14.9	16.3
Grants	63.1	60.4	22.3	39.2	135.1	146.2	157.2	169.2
Projects	49.5	41.1	14.5	37.1	135.1	146.2	157.2	169.2
Programs (incl. crisis-related)	13.6	19.3	7.8	2.1	0.0	0.0	0.0	0.0
Total expenditure	2,291.9	2,497.8	2,250.6	2,796.7	3,153.9	3,404.2	3,709.6	4,005.4
Current expenditure	1,945.2	2,115.8	1,926.8	2,180.9	2,388.7	2,522.4	2,726.6	2,913.3
Wages and salaries	745.0	800.4	727.4	918.7	978.2	1,041.9	1,107.3	1,174.8
Social security benefits	203.4	212.6	179.3	209.5	264.3	290.0	331.8	365.4
Subsidies and other current transfers (incl. education and health)	216.1	272.5	290.7	305.0	281.4	290.0	296.3	302.1
<i>Electricity sector subsidy</i>	47.4	82.6	74.8	76.0	50.0	50.0	50.0	40.0
Other current expenditure	483.7	491.6	426.7	500.4	536.0	551.0	592.6	637.7
<i>Of which</i> : toxic waste damage	9.0	11.8	5.0	5.0	0.0	0.0	0.0	0.0
Crisis-related expenditure	128.5	144.2	85.0	30.0	0.0	0.0	0.0	0.0
Interest due	168.5	194.5	217.7	217.3	328.9	349.5	398.6	433.3
On domestic debt	42.0	66.3	93.3	67.4	102.0	109.4	117.8	127.0
On external debt	126.5	128.2	124.5	149.9	226.9	240.1	280.8	306.3
Before rescheduling/refinancing		97.4	88.2	148.2	206.7	203.8	210.7	216.3
On new financing		30.7	36.2	1.8	20.2	36.4	70.1	90.0
Capital expenditure	334.3	348.6	327.3	619.3	750.5	866.0	966.0	1,073.8
Domestically financed	231.5	259.2	247.0	501.4	535.2	623.5	698.0	785.0
Foreign-financed	102.8	89.4	80.3	117.9	215.4	242.5	268.0	288.8
Net lending	12.4	33.4	-3.5	-3.5	14.6	15.8	17.0	18.3
Primary basic balance 2/	46.1	-25.9	-397.9	-249.1	-62.0	27.4	85.6	121.8
Overall balance, including grants 3/	-171.1	-261.2	-678.7	-550.1	-471.1	-418.4	-423.8	-431.1
Overall balance, excluding grants 3/	-234.2	-321.6	-701.0	-589.3	-606.2	-564.6	-581.0	-600.3
Change in domestic arrears and float (excl. on debt service)	-70.3	-35.1	-25.0	-30.0	-28.6	0.0	0.0	0.0
Net change in external arrears (interests)	-821.6	-252.7	96.2	-124.4	0.0	0.0	0.0	0.0
Change in existing arrears	-864.6	-271.6	-5.2	-124.4	0.0	0.0	0.0	0.0
Accumulation of new arrears	43.1	19.0	101.4	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-1,063.0	-548.9	-607.5	-704.6	-499.7	-418.4	-423.8	-431.1

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

1/ 2011 aggregates are based on Q2–Q4.

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

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

Table 4a. Côte d'Ivoire: Fiscal Operations of the Central Government, 2009–16 (concluded)
(Billions of CFA francs, unless otherwise indicated)

	2009	2010	2011	2012	2013	2014	2015	2016
	Proj. 1/							
Financing	1,063.0	548.9	607.5	704.6	499.7	418.4	423.8	431.1
Domestic financing	111.1	-57.8	0.1	95.2	88.7	96.9	120.2	134.7
Bank financing (net)	212.0	118.2	39.4	110.7	28.7	26.9	30.2	34.7
Net use of Fund resources 2/	74.2	16.6	49.0	-5.5	0.0	-11.8	-28.5	-34.0
Central bank credit (net)	148.4	-3.1	-11.5	-31.3	-31.3	-31.3	-31.3	-31.3
Other domestic bank financing (net)	-10.6	104.7	1.9	147.5	60.0	70.0	90.0	100.0
Of which: Versus Bank restructuring	75.0	-1.0	-1.5	0.0	0.0	0.0	0.0	0.0
Nonbank financing (net)	-100.9	-176.0	-39.4	-15.5	60.0	70.0	90.0	100.0
External financing	951.9	606.7	547.4	-259.4	-118.7	-195.8	-313.8	-346.6
Consolidation (bonds)	0.0	-1.2	0.0	0.0	0.0	0.0	0.0	0.0
Project loans	53.3	48.3	67.8	78.7	80.3	96.3	110.8	119.6
Program loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WAEMU financing (in CFAF)	27.5	270.6	166.2	213.6	120.0	80.0	80.0	80.0
Amortization due	-313.3	-310.3	-233.3	-282.1	-318.9	-372.2	-504.6	-546.2
Net change in external arrears (principal)	-1,095.4	-134.1	162.7	-269.6	0.0	0.0	0.0	0.0
Change in existing arrears	-1,202.3	-190.6	-19.7	-269.6	0.0	0.0	0.0	0.0
Accumulation of new arrears	106.9	56.5	182.5	0.0	0.0	0.0	0.0	0.0
Debt relief and budget support	2,279.8	733.4	384.1	0.0	0.0	0.0	0.0	0.0
Official bilaterals, incl. Paris Club	1,926.5	231.1	262.1					
Commercial (incl. Brady Bonds)	0.0	456.0	0.0					
AfDB arrears clearance grant	183.9	0.0	0.0					
EIB	33.4	0.0	0.0					
World Bank budget support	71.9	46.3	67.5					
AfDB budget support	64.0	0.0	52.5					
WAEMU budget support			2.0					
Financing gap (+ deficit / – surplus)	0.0	0.0	60.0	868.7	529.7	517.3	617.4	643.0
Possible financing 2011–14			60.0	868.7	407.0	418.5	0.0	0.0
Program grants and loans				69.7	...	...	...	...
World Bank grant				69.7	...	...	...	...
AFD loan				...	...	...	...	...
AfDB grant				0.0	...	...	...	...
Debt relief				702.7	334.4	357.7	0.0	0.0
Residual gap			60.0	96.3	195.3	159.7	617.4	643.0
of which IMF-ECF			60.0	96.3	72.6	60.9	0.0	0.0
Memorandum items:								
Nominal GDP	10,880	11,352	8,363	12,400	13,400	14,500	15,595	16,782
Domestic debt (including financial debt)	1,371	1,793	1,719	1,790	1,850	1,984	2,138	2,304
Of which: in arrears	209	79	54	24	-5	-5	-5	-5
Change in domestic arrears (excl. on debt service)	-70.3	-129.8	-25.0	-30.0	-28.6	0.0	0.0	0.0
External debt	5,861	5,749	5,994	6,091	6,636	7,107	7,171	7,163
Of which: in arrears	521	137	396	0	0	0	0	0
Pro-poor spending (including foreign financed)	843.0	885.2	840.1	980.0	1,098.7	1,185.8	1,292.3	1,395.4
Of which: Education	533.1	590.1	515.8	637.0	714.1	770.8	840.0	907.0
Health	118.4	113.6	108.7	127.4	142.8	154.2	168.0	181.4
Implicit fuel subsidies	...	45.0	90.0	...	...	...	...	...

Sources: Ivorian 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.

Table 4b. Côte d'Ivoire: Fiscal Operations of the Central Government, 2009–16
(Percent of GDP, unless otherwise indicated)

	2009	2010	2011	2012	2013	2014	2015	2016
	Proj. 1/							
Total revenue and grants	19.5	19.7	18.8	18.1	20.0	20.6	21.1	21.3
Total revenue	18.9	19.2	18.5	17.8	19.0	19.6	20.1	20.3
Tax revenue	16.5	17.0	16.2	15.7	16.6	17.1	17.5	17.6
Direct taxes	5.0	4.9	5.4	3.9	4.7	5.0	5.2	5.3
<i>Of which</i> : profit tax on oil	1.0	1.1	1.8	0.8	0.7	0.8	0.8	0.9
Indirect taxes	11.5	12.1	10.7	11.8	11.9	12.0	12.3	12.3
Nontax revenue	2.4	2.2	2.4	2.1	2.4	2.5	2.6	2.7
Social security contributions	1.4	1.4	1.6	1.6	1.7	1.8	1.8	1.8
Other	1.0	0.7	0.8	0.5	0.7	0.7	0.8	0.9
<i>Of which</i> : PETROCI dividends	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Grants	0.6	0.5	0.3	0.3	1.0	1.0	1.0	1.0
Projects	0.5	0.4	0.2	0.3	1.0	1.0	1.0	1.0
Programs (incl. crisis-related)	0.1	0.2	0.1	0.0	0.0	0.0	0.0	0.0
Total expenditure	21.1	22.0	26.9	22.6	23.5	23.5	23.8	23.9
Current expenditure	17.9	18.6	23.0	17.6	17.8	17.4	17.5	17.4
Wages and salaries	6.8	7.1	8.7	7.4	7.3	7.2	7.1	7.0
Social security benefits	1.9	1.9	2.1	1.7	2.0	2.0	2.1	2.2
Subsidies and other current transfers (incl. education and health)	2.0	2.4	3.5	2.5	2.1	2.0	1.9	1.8
<i>Of which: Electricity sector subsidy</i>	0.4	0.7	0.9	0.6	0.4	0.3	0.3	0.2
Other current expenditure	4.4	4.3	5.1	4.0	4.0	3.8	3.8	3.8
<i>Of which: toxic waste damage</i>	0.1	0.1	0.1	...	...	...	...	...
Crisis-related expenditure	1.2	1.3	1.0	0.2	0.0	0.0	0.0	0.0
Interest due	1.5	1.7	2.6	1.8	2.5	2.4	2.6	2.6
On domestic debt	0.4	0.6	1.1	0.5	0.8	0.8	0.8	0.8
On external debt	1.2	1.1	1.5	1.2	1.7	1.7	1.8	1.8
Before rescheduling/refinancing	0.0	0.9	1.1	1.2	1.5	1.4	1.4	1.3
On new financing	0.0	0.3	0.4	0.0	0.2	0.3	0.4	0.5
<i>Of which on rescheduling</i>	0.0	0.3	0.4	0.0	0.1	0.1	0.2	0.1
Capital expenditure	3.1	3.1	3.9	5.0	5.6	6.0	6.2	6.4
Domestically financed	2.1	2.3	3.0	4.0	4.0	4.3	4.5	4.7
Foreign-financed	0.9	0.8	1.0	1.0	1.6	1.7	1.7	1.7
Net lending	0.1	0.3	0.0	0.0	0.1	0.1	0.1	0.1
Primary basic balance 2/	0.4	-0.2	-4.8	-2.0	-0.5	0.2	0.5	0.7
Overall balance, including grants 3/	-1.6	-2.3	-8.1	-4.4	-3.5	-2.9	-2.7	-2.6
Overall balance, excluding grants 3/	-2.2	-2.8	-8.4	-4.8	-4.5	-3.9	-3.7	-3.6
Change in domestic arrears (excl. on debt service)	-0.6	-0.3	-0.3	-0.2	-0.2	0.0	0.0	0.0
Net change in external arrears (interest)	-7.6	-2.2	1.2	-1.0	0.0	0.0	0.0	0.0
Change in existing arrears	-7.9	-2.4	-0.1	-1.0	0.0	0.0	0.0	0.0
Accumulation of new arrears	0.4	0.2	1.2	0.0	0.0	0.0	0.0	0.0
Overall balance (cash basis)	-9.8	-4.8	-7.3	-5.7	-3.7	-2.9	-2.7	-2.6

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

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

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

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

Table 4b. Côte d'Ivoire: Fiscal Operations of the Central Government, 2009–16 (concluded)
(Percent of GDP, unless otherwise indicated)

	2009	2010	2011	2012	2013	2014	2015	2016
					Proj. 1/			
Financing	9.8	4.8	7.3	5.7	3.7	2.9	2.7	2.6
Domestic financing	1.0	-0.5	0.0	0.8	0.7	0.7	0.8	0.8
Bank financing (net)	1.9	1.0	0.5	0.9	0.2	0.2	0.2	0.2
Net use of Fund resources 2/	0.7	0.1	0.6	0.0	0.0	-0.1	-0.2	-0.2
Central bank credit (net)	1.4	0.0	-0.1	-0.3	-0.2	-0.2	-0.2	-0.2
Other domestic bank financing (net)	-0.1	0.9	0.0	1.2	0.4	0.5	0.6	0.6
Of which: Versus Bank restructuring	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nonbank financing (net)	-0.9	-1.6	-0.5	-0.1	0.4	0.5	0.6	0.6
External financing	8.7	5.3	6.5	-2.1	-0.9	-1.4	-2.0	-2.1
Consolidation (bonds)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project loans	0.5	0.4	0.8	0.6	0.6	0.7	0.7	0.7
Program loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WAEMU financing (in CFAF)	0.3	2.4	2.0	1.7	0.9	0.6	0.5	0.5
Amortization due	-2.9	-2.7	-2.8	-2.3	-2.4	-2.6	-3.2	-3.3
Net change in external arrears (principal)	-10.1	-1.2	1.9	-2.2	0.0	0.0	0.0	0.0
Change in existing arrears	-11.1	-1.7	-0.2	-2.2	0.0	0.0	0.0	0.0
Accumulation of new arrears	1.0	0.5	2.2	0.0	0.0	0.0	0.0	0.0
Debt relief and budget support	21.0	6.5	4.6	0.0	0.0	0.0	0.0	0.0
Official bilaterals, incl. Paris Club	17.7	2.0	3.1					
Commercial (incl. Brady Bonds)	0.0	4.0	0.0					
AfDB arrears clearance grant	1.7	0.0	0.0					
EIB	0.3	0.0	0.0					
World Bank budget support	0.7	0.4	0.8					
AfDB budget support	0.6	0.0	0.6					
WAEMU budget support			0.0					
Financing gap (+ deficit / – surplus)	0.0	0.0	0.7	7.0	4.0	3.6	4.0	3.8
Possible financing 2011			0.7	7.0	3.0	2.9	0.0	0.0
Program grants and loans				0.6	...	...	...	...
World Bank grant				0.6	...	...	...	...
AFD loan				...	...	...	...	...
AfDB grant				...	...	...	...	...
Debt relief				5.7	2.5	2.5	0.0	0.0
Residual gap			0.7	0.8	1.5	1.1	4.0	3.8
Of which: IMF-ECF			0.7	0.8	0.5	0.4	0.0	0.0
Memorandum items:								
Domestic debt (including financial debt)	12.6	15.8	20.6	14.4	13.8	13.7	13.7	13.7
Of which: in arrears	1.9	0.7	0.6	0.2	0.0	0.0	0.0	0.0
Change in domestic arrears (excl. on debt service)	-0.6	-1.1	-0.3	-0.2	-0.2	0.0	0.0	0.0
External debt	53.9	50.6	71.7	49.1	49.5	49.0	46.0	42.7
Of which: in arrears	4.8	1.2	3.6	0.0	0.0	0.0	0.0	0.0
Pro-poor spending (including foreign financed)	7.7	7.8	10.0	7.9	8.2	8.2	8.3	8.3
Of which: Education	4.9	5.2	6.2	5.1	5.3	5.3	5.4	5.4
Health	1.1	1.0	1.3	1.0	1.1	1.1	1.1	1.1
Implicit fuel subsidies	...	0.4	1.1	...	...	...	...	...

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

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

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

Table 5. Côte d'Ivoire: External Financing Requirements, 2009–12

(Billions of CFA francs)

	2009	2010	2011	2012
External financing requirements	-2652.4	-896.6	-575.2	-965.5
Current account balance (excluding official transfers)	529.8	41.1	115.3	-223.6
Amortization	-313.3	-310.3	-233.3	-282.1
<i>Of which</i> : government	-313.3	-310.3	-233.3	-282.1
Fund repurchases and repayments	-10.9	-10.9	-11.0	-5.5
Private capital, net (commercial banks, FDIs, errors and omissions)	-734.5	56.2	-332.3	29.1
Net change in external arrears (interest and principal) (+=accumulation)	-1917.0	-386.8	258.9	-394.0
Change in net external reserves without IMF (- = increase)	-206.5	-286.0	-372.6	-89.4
Available financing	2652.4	896.6	515.2	96.8
Project financing	53.3	48.3	67.8	78.7
Program financing	0.0	0.0	351.6	0.0
Fund disbursements 1/	85.1	27.5	60.0	0.0
Official transfers	234.2	87.4	3.3	18.1
Debt relief obtained	2279.8	733.4	32.5	0.0
Financing gap	0.0	0.0	-60.0	-868.7
Expected sources of financing			0.0	772.4
World Bank grant			0.0	69.7
AfDB grant			0.0	0.0
WAEMU grant			0.0	0.0
Debt relief			0.0	702.7
Residual gap			60.0	96.3
Possible IMF ECF			60.0	96.3

Sources: Ivorian authorities; IMF staff estimates and projections.

1/ Fund disbursement in 2011 corresponds to the RCF disbursement in July 2011.

Table 6. Côte d'Ivoire: Financial Soundness Indicators for the Banking Sector, 2007–11

	2007	2008	2009	2010	2011 (June)
	(Percent, end of period, unless otherwise indicated)				
Capital Adequacy					
Risk-weighted capital to assets ratio	9.5	9.3	10.2	12.5	9.43
Percentage of banks greater or equal to 10 percent minimum	33.3	57.9	61.1	50.0	52.38
Percentage of banks below 6 percent minimum	44.4	26.3	33.3	25.0	28.57
Capital (net worth) to assets 1/	6.0	5.9	6.0	6.8	5.81
Asset quality					
Total loans/total assets	61.1	72.7	69.8	66.9	60.94
Nonperforming loans (NPLs)					
NPLs/total loans	21.5	19.5	17.0	16.4	18.82
NPLs net of provisions/total loans	2.5	5.2	4.1	4.1	6.12
Provisioning rate	88.3	77.3	75.9	74.9	65.40
Management					
Personnel costs/revenue	20.9	19.5	20.8	<i>na</i>	<i>na</i>
Noninterest expenses/revenue	30.2	29.0	31.8	<i>na</i>	<i>na</i>
Earnings and profitability					
Net income (CFAF billion)	183.9	247.5	229.4	<i>na</i>	<i>na</i>
Return on assets	0.3	-0.5	2.2	<i>na</i>	<i>na</i>
Return on equity	3.1	-6.8	23.3	<i>na</i>	<i>na</i>
Interest rate spread (percentage points)	8.2	8.6	8.5	<i>na</i>	<i>na</i>
Liquidity					
Liquid assets/total assets	41.9	42.0	42.1	42.6	47.95
Liquid assets/short term liabilities	82.4	83.4	87.3	93.8	97.05
Loans/deposits	80.3	95.8	92.8	87.2	67.31
Liquid assets/total deposits	55.0	55.4	55.9	55.6	52.96

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

1/ Combined *Fonds propres nets* divided by combined assets of the banking sector.

2/ June 2007 estimate.

Table 7. Côte d'Ivoire: Indicators of Capacity to Repay the Fund, 2009–21

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	Projections												
Fund obligations based on existing credit													
(In millions of SDRs)													
Principal	93.0	11.7	5.9	5.9	0.0	15.9	39.0	46.2	62.4	62.4	46.5	23.4	16.3
Charges and interest 1/	0.1	0.1	0.1	1.0	1.0	1.0	0.9	0.8	0.7	0.5	0.4	0.3	0.2
Fund obligations based on existing and prospective credit 2/													
(In millions of SDRs)													
Principal	93.0	11.7	5.9	5.9	0.0	15.9	39.0	46.2	85.2	109.6	113.2	101.5	94.3
Charges and interest 1/	0.1	0.1	0.1	1.4	1.7	1.9	1.9	1.8	1.6	1.4	1.1	0.8	0.6
Total obligations based on existing and prospective credit 2/													
(In millions of SDRs)													
In billions of CFA francs	67.6	8.9	4.4	5.4	1.2	13.6	31.4	37.1	67.1	85.7	88.3	79.0	73.3
In percent of government revenue	3.2	0.4	0.3	0.2	0.0	0.5	1.0	1.0	1.7	2.1	2.0	1.6	1.3
In percent of exports of goods and services	1.2	0.2	0.1	0.1	0.0	0.2	0.5	0.5	0.9	1.0	1.0	0.8	0.6
In percent of debt service 3/	15.0	2.1	1.2	1.2	0.2	2.3	4.1	4.5	8.9	12.7	14.3	14.6	33.8
In percent of GDP	0.6	0.1	0.0	0.0	0.0	0.1	0.2	0.2	0.4	0.4	0.4	0.4	0.3
In percent of quota	28.6	3.6	1.8	2.2	0.5	5.5	12.6	14.7	26.7	34.1	35.1	31.5	29.2
Outstanding Fund credit													
(In millions of SDRs)													
In billions of CFA francs	163.0	214.4	299.6	394.0	470.3	523.5	497.2	464.6	398.8	314.1	226.7	148.3	75.4
In percent of government revenue	7.7	9.6	19.1	17.5	17.5	17.5	15.1	13.0	10.4	7.6	5.0	3.1	1.3
In percent of exports of goods and services	2.9	3.7	5.2	6.6	7.6	8.0	7.2	6.3	5.1	3.7	2.5	1.5	0.6
In percent of debt service	36.2	51.3	81.3	90.1	87.6	87.4	64.8	56.9	53.1	46.4	36.6	27.3	34.8
In percent of GDP	1.5	1.9	2.7	3.2	3.5	3.6	3.2	2.8	2.2	1.6	1.1	0.7	0.3
In percent of quota	69.0	87.4	122.8	161.0	191.0	211.1	199.1	184.9	158.7	125.0	90.2	59.0	30.0
Net use of Fund credit (millions of SDRs)													
Disbursements	195.1	35.8	162.6	130.1	97.6	81.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments and Repurchases	93.0	11.7	5.9	5.9	0.0	15.9	39.0	46.2	85.2	109.6	113.2	101.5	94.3
Memorandum items:													
Nominal GDP (billions of CFA francs)	10,880.0	11,352.2	11,150.4	12,399.9	13,399.6	14,499.6	15,595.2	16,782.5	17,966.9	19,227.9	20,592.7	22,051.5	25,758.2
Exports of goods and services (billions of CFA francs)	5,535.5	5,840.9	5,749.6	6,005.0	6,150.7	6,524.0	6,932.9	7,318.3	7,855.7	8,536.3	9,166.9	9,879.3	13,264.3
Government revenue (billions of CFA francs)	2,120.8	2,236.6	1,571.9	2,246.6	2,682.8	2,985.8	3,285.8	3,574.3	3,847.1	4,159.4	4,491.3	4,861.2	5,789.0
Debt service (billions of CFA francs)	450.7	417.7	368.7	437.4	537.1	598.8	767.4	816.1	751.6	676.7	619.1	542.5	216.7
CFA francs/SDR (period average)	726.5	754.4	750.2	752.4	757.1	762.6	767.9	772.8	772.8	772.8	772.8	772.8	772.8

Sources: IMF staff estimates and projections.

1/ The interest rate on ECF is zero for 2009–11 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: Indicative Targets, RCF 2011

(Billions of CFA francs)

	2010		2011 1/					
	Actual	Indicative targets	June		Sept.		Dec.	
			Actual		Indicative targets		Indicative targets	
Indicative targets								
Floor on total government revenue	2176.2	407.8	483.0	met	912.5	...	1454.4	...
Ceiling on government wage bill	800.4	282.1	272.7	met	505.8	...	727.4	...
Floor on pro-poor expenditure	885.2	188.7	163.5	not met	477.3	...	840.1	...
Basic fiscal balance 2/	-25.9	-134.1	-56.1	met	-382.5	...	-618.0	...
Overall balance (including grants)	-261.2	-166.7	-76.7	met	-439.2	...	-702.9	...
Ceiling on net domestic financing	224.1	-143.7	-65.0	not met	51.4	...	281.1	...
Ceiling on new nonconcessional external debt 3/ 4/	0.0	0.0	0.0	met	0.0	...	0.0	...
Ceiling on accumulation of new domestic arrears 3/	0.0	0.0	0.0	met	0.0	...	0.0	...
Memorandum items:								
Net banking sector claims on government	118.4	-77.0	-118.9	...	-39.1	...	74.2	...

Sources: Ivoirien authorities and IMF staff.

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

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

3/ Continuous target.

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

Table 9. Côte d'Ivoire: Performance Criteria (PC) and Indicative Targets, ECF 2011-12 1/

(Billions of CFA francs)

	2011			2012				
	June	Sept.		March	June	Sept.	Dec.	
	Actual	Indicative targets	Preliminary status	PC	Indicative targets	PC	Indicative targets	
A. Performance criteria								
Floor on the overall fiscal balance (including grants)	-76.7	-243.2		-602.0	-56.7	-188.4	-365.9	-550.1
Ceiling on net domestic financing (incl. WAEMU paper)	-65.0	-19.5		311.2	58.6	180.0	335.8	445.1
Ceiling on new nonconcessional external debt 2/	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Ceiling on accumulation of new external arrears 2/	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Ceiling on accumulation of new domestic arrears 2/	0.0	0.0		0.0	0.0	0.0	0.0	0.0
B. Indicative targets								
Floor on primary basic balance	17.9	-139.8		-415.8	-0.2	-63.3	-157.9	-249.1
Ceiling on expenditures by treasury advance	13.2	23.9		63.9	17.1	42.2	71.1	102.3
Floor on pro-poor expenditure	163.5	477.3		840.1	181.3	403.1	676.9	980.0
Floor on net reduction of government amounts payable	-13.2	-1.8		-11.8	-5.0	-10.0	-20.0	-30.0
Floor on government revenue	483.0	521.7		1066.6	525.8	1066.8	1621.2	2207.4
Memorandum items:								
Net banking sector claims on government	-118.9	58.0		218.3	3.1	72.8	123.3	207.0
Program grants	0.0	2.0		7.8	0.0	0.0	0.0	2.1
Program loans	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Project grants	2.6	8.4		11.9	3.7	11.1	24.1	37.1
Project loans	5.6	33.4		62.2	19.7	39.4	59.0	78.7

Sources: Ivoirien authorities and IMF staff.

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

1/ Cumulative change from June 30, 2011 for 2011 targets, and from December 31, 2011 for 2012 targets.

2/ Continuous performance criterion.

Table 10. Côte d'Ivoire: Structural Benchmarks (SB), ECF 2011–12

Measures	Timeframe	Macroeconomic rational
Budget		
<ul style="list-style-type: none"> • Adopt, in the Council of Ministers, a 2012 draft budget with a 2012–14 public investment program (PIP) consistent with program objectives 	SB end-2011	Maintain macroeconomic stability and fiscal discipline
Tax policy/Tax administration		
<ul style="list-style-type: none"> • Improve customs operations by implementing the necessary prerequisites for building the platform for the automated risk management system (See <i>IMF technical assistance report</i>,^{1/} paragraph 41). 	SB end-2011	Improve the efficiency of customs administration
<ul style="list-style-type: none"> • Implement the planned actions to operationalize the procedure for in-bond transit on major roads (See <i>IMF technical assistance report</i>,^{1/} paragraph 53). 	SB January 2012	Improve the efficiency of customs administration.
<ul style="list-style-type: none"> • Review the framework of tax exemptions with a view to improving the management of eligible products and better combating fraud and ensure consistency with the government's economic (and tax) policy. The list of tax exemptions should be annexed to the 2012 budget law 	SB end-2011	Improve transparency and reduce distortions; improve tax and customs revenue
<ul style="list-style-type: none"> • Review the taxes levied on petroleum products and prepare a strategy for a return to market-based prices • Activate the automatic pump-price adjustment mechanism 	SB end-2011 SB from July 2012	Control tax expenditure and promote more efficient use of petroleum products
<ul style="list-style-type: none"> • Prepare MTEFs for six ministries (agriculture; economic infrastructure; justice; mines, petroleum and energy; environment; and social affairs) 	SB end-October 2012	Improve strategic budget planning
Public expenditure management		
<ul style="list-style-type: none"> • Complete the census of civil servants and government employees (excluding defense and security forces); • Update and implement a medium-term strategy for controlling the wage bill 	SB end-2011 SB March 2012	Contain the size of the civil service and the wage bill

^{1/} Montagnat-Rentier G., Parent G. and Boilil A. M. (2011): Recommendations on the ongoing implementation of the customs administration modernization program, Aide-mémoire of August 24, 2011.

Table 10. Côte d'Ivoire: Structural Benchmarks (SB), ECF 2011–12 (continued)

Measures	Timeframe	Macroeconomic rational
<ul style="list-style-type: none"> Put in place an integrated management system (single master file, SIGFAE) for civil servants and government employees (excluding defense and security forces) 	SB end-2012	Reduce fraud and improve the monitoring of wages and salaries
<ul style="list-style-type: none"> Create a national public debt management committee and prepare an organigram and procedures manual 	SB end-2011	Improve public debt management
<ul style="list-style-type: none"> Adopt, in the Council of Ministers, reform plans for the CNPS and the CGRAE for submission to Parliament Validate the amount of unpaid social security contributions owed to the CNPS and CGRAE by the public enterprises and entities concerned and draw up a plan to clear the outstanding amounts 	SB end-2011 SB end-2011	Reduce the sectoral deficit and government subsidies
<ul style="list-style-type: none"> No new injection of public funds in the five public banks in difficulty outside a restructuring plan discussed with the IMF and the World Bank 	SB continuous	Improve governance and Improve management of the financial sector
<ul style="list-style-type: none"> Prepare a plan to improve the financial situation of the public banks Prepare an implementation report on the measures taken to stabilize the financial situation of the public banks Adopt, in the Council of Ministers, a strategy for the restructuring of public enterprises, including the public banks 	SB end-2011 SB end-March 2012 SB end-June 2012	Curb banks' recurrent losses; reduce government subsidies
Public sector reform		
<ul style="list-style-type: none"> Complete the study on electricity rates and adopt a strategy aimed at achieving financial equilibrium in the sector over the next three years Validate and implement a new electricity tariff structure on the basis of the conclusions of the tariff study Increase electricity rates by 10 percent 	SB end-2011 SB end-2011 SB end-March 2012	Reduce government subsidies and allow investments to increase production capacity
Financial sector reform		
<ul style="list-style-type: none"> Prepare a financial sector reform and development strategy 	SB end-August 2012	Improve financial sector management
Improving the business environment		
<ul style="list-style-type: none"> Validate and adopt a plan to limit outstanding VAT credit refunds Limit VAT credits pending refund to under CFAF 10 billion. 	SB end-2011 SB continuous starting Jan. 2012	Improve the business climate and the confidence of enterprises
<ul style="list-style-type: none"> Prepare and adopt, in the Council of Ministers, a new investment code 	SB end-June 2012	Facilitate investments
<ul style="list-style-type: none"> Prepare the legal framework of the business support center (<i>Centre de Facilités des Entreprises</i>) 	SB end-2011	Facilitate business creation

Table 11. Côte d'Ivoire: Proposed Schedule of Disbursements and Timing of Reviews Under ECF Arrangement (SDR millions), 2011–14

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

APPENDIX I. CÔTE D'IVOIRE: LETTER OF INTENT

Abidjan, October 20, 2011

Madame Managing Director
International Monetary Fund
Washington DC, 20431

Madame Managing Director,

1. **Significant progress has been made in normalizing the security and economic situation in Côte d'Ivoire since the end of the post-election crisis.** The government has begun the process of national reconciliation with a view to consolidate the peace. To this end, it created and established the Dialogue, Truth and Reconciliation Commission (CDVR). The security situation is improving progressively and the first legislative elections since the end of National Assembly's term in 2005 are planned for December 11, 2011. The recovery of the economy, which is a priority of the government, should help to consolidate the peace. In this context, the economic and financial policies of the government, have benefited from the support of the international financial community, in particular through the Rapid Credit Facility of the IMF and exceptional financial assistance from the French Development Agency, the African Development Bank, and the World Bank. The result was a rapid recovery despite the deterioration of our infrastructure after more than a decade marked by a weak level of investment. In June 2011, the industrial production index was already at 95 percent of its June 2010 level. However, private investment is still suffering from a "wait-and-see" attitude among economic agents.

2. **To restore confidence and ensure strong and sustained growth, the government resumed several months ago the implementation of certain structural reforms and launched many projects financed by public resources.** To this end, we have set out a medium-term economic and financial program, which emphasizes policies to relaunch economic growth and poverty reduction, by promoting a more dynamic private sector that will create jobs. In regard to public finance, we expect to create fiscal space to increase public investment. To accomplish this, we expect to increase tax revenue, restore financial balance to the electricity sector, and to the private and the public pension funds. The government also intends to restructure its portfolio of enterprises with the aim of streamlining it. It will move ahead with the reform of the financial sector, in particular giving priority to the public banks, for which urgent actions have been formulated to avoid a deterioration in their financial situation. The government will not inject new resources in these banks outside of a restructuring plan discussed with the IMF. These actions will be supplemented by reform of public finances. We have started implementing measures to improve the business climate. The program as a whole will be strengthened by improved effectiveness of the public administration.

3. **The attached Memorandum of Economic and Financial Policies (MEFP) describes the policies that we plan to implement during the program period.** We are requesting the IMF to support our three-year economic and financial program through the Extended Credit Facility. In this context, we request financial support in an amount equivalent to 120 percent of our quota share, or SDR 390.24 million. At the same time, the government requests the resumption of interim assistance provided by the IMF in the context of the HIPC Initiative, specifically, the third tranche of this assistance in the amount of SDR 5.042 million.

4. **The government is determined to reach the HIPC Completion Point as soon as possible.** Debt relief on external debt at the Completion Point will be a major step in the economic and financial management of our country, and will confirm our commitment to advance Côte d'Ivoire. It will contribute (i) to the sustainability of public finances and the normalization of relations with our its creditors, (ii) to attracting investment; and (iii) to reducing poverty in our country, thanks to a sound reorientation of budgetary spending. To achieve this in 2012, the government will take all the steps needed to implement the remaining Completion Point conditions.

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

6. **The Ivoirien authorities agree to the publication of this Letter of Intent and the attached Memorandum of Economic and Financial Policies (MEFP) and Technical Memorandum of Understanding (TMU), as well as the IMF staff report relating to the request for an arrangement under the Extended Credit Facility (ECF).** We hereby authorize their publication and posting on the IMF website following approval of the ECF-supported program by the IMF Executive Board.

Very truly yours,

_____/s/
Charles Koffi Diby
Minister of Economy and Finance

_____/s/
Guillaume Kigbafori Soro
Prime Minister

Attachments:

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

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

October 20, 2011

I. INTRODUCTION

1. **The crisis following the proclamation of the outcome of the second round of the presidential election of November 28, 2010 affected the country greatly.** Lasting some six months, the crisis had serious repercussions on the political, economic, social and humanitarian situation. At the humanitarian level, it sparked a mass exodus of people to the interior of the country and also into neighboring countries. It also led to a generalized loss of security, a three-month shutdown of most banks, the imposition of economic sanctions, combat with heavy weapons, and supply problems for medications and foodstuffs. Regarding the economy, the government's operational capacity was reduced through pillaging and theft. The private sector saw some of its productive capacity destroyed. The situation led to the closure of many businesses, particularly small- and medium-sized enterprises (SMEs), and many workers were laid off temporarily. The industrial production index was down by half in April 2011 from its level in April 2010. Disruptions in distribution channels were reflected in shortages of foodstuffs leading to generalized hikes in consumer prices. The “food” component of the consumer price index recorded a year-on-year increase of some 16 percent in April 2011.
2. **Since the end of the post-election crisis, Côte d'Ivoire has made remarkable progress towards normalization, but important challenges remain.** Normalization of the political situation accelerated after the inauguration of the President of the Republic on May 21, 2011 and the formation of a government on June 1. There has been a steady improvement in the security situation since May 2011. With the cessation of hostilities, the government has moved to unify the army, to reorganize and redeploy the gendarmerie and the police. On the social front, the government has established the Dialogue, Truth and Reconciliation Commission (CDVR) thereby opening the way to national reconciliation with a view to achieving a lasting settlement of the sociopolitical crisis that has gripped the country since 1999. To address social needs resulting from the disastrous humanitarian situation, the government has taken steps to guarantee free access to health care and to public hospitals and health centers since May 2011. Economic activity has gradually recovered since the reopening of banks and financial institutions at the end of April 2011 and the lifting of the European Union embargo. Thanks to the energetic measures taken by the government, nearly all economic indicators have turned favorable since May 2011. However, the fallout from the crisis persists, in the form of extortion rackets, roadblocks, and the continued weakness of private investment.
3. **The government's policy is to move on from the relaunch of activities to consolidation and a sustainable recovery of economic growth.** This challenge will require significant efforts in terms of investment. During the last 10 years, the average investment rate remained below 10 percent of GDP, compared to 16 percent in the late 1990s and 25 percent during the 1970s. The public component of investment was particularly affected during the long

period of crisis, to the point where the infrastructure needed to sustain growth and to maintain the country's position as the engine of the subregional economy could not be guaranteed. The reforms undertaken during our ECF program concluded in March 2009, which remain in execution, will be pursued so as to allow key sectors of the economy to contribute to their full potential. The 2011 budget, adopted on June 22, recognizes this concern to support the recovery of activities, and to make a start at restoring infrastructure, while addressing the most pressing needs of the population. It is consistent with the framework of the interim economic and financial program supported by the Rapid Credit Facility (RCF).

4. The government is determined to restore the country to sustained growth, to promote good governance and to combat poverty effectively. To this end, it has set the following short and medium-term objectives:

- To consolidate national reconciliation;
- To reinforce security and free movement for persons and goods throughout the national territory;
- To improve the business climate in order to bolster the confidence of households, economic operators and investors;
- To increase the level and quality of investment, particularly the public component;
- To promote good governance;
- To promote economic growth and job creation.

The government firmly intends to respect the commitments made in 2011 under the Rapid Credit Facility (RCF) and to pursue implementation of the Poverty Reduction Strategy Paper (PRSP). It will give priority to economic policies that will foster growth and boost employment while reducing poverty. To this end, a government seminar was held on July 5 and 6, 2011 in Yamoussoukro, during which each of the 36 ministries established specific objectives for the second half of 2011, with benchmarks that allow for regular monitoring of progress achieved.

5. The government is determined to achieve the Completion Point under the HIPC Initiative as quickly as possible. To do so, it will take all the steps necessary to meet the remaining triggers for the HIPC Completion Point in 2011, including a start at implementing the coffee-cocoa reform and continued execution of the PRSP (Box 1).

This memorandum describes progress to date under the program supported by the RCF and sets out our medium-term economic program with our objectives for 201–12.

II. RECENT ECONOMIC PERFORMANCE AND IMPLEMENTATION OF THE RCF-SUPPORTED PROGRAM IN 2011

A. Recent Economic Developments

6. Since April 26, 2011, when the banks and financial institutions reopened, the government has pursued its economic and financial policy objectives despite a particularly

difficult post-crisis context. It has worked for the rapid restoration of relations with its main international partners. It has also ensured that administrative actions were in strict accordance with the principles of sound management. At the same time, the restoration of dialogue with private sector operators has helped to speed the recovery.

- In light of the trend in the main macroeconomic indicators to the end of June 2011, the growth objectives was revised from -6.3 percent to -5.8 percent. That relative improvement can be laid to the primary sector, where growth is expected to be 1.7 percent as compared to the initially forecast -0.3 percent, thanks to agricultural exports—cocoa in particular—and mining activity. The secondary and tertiary sectors have recovered in line with earlier forecasts. The industrial production index in June 2011 was already at 95 percent of its June 2010 level, and in July reached 98 percent of its level a year earlier.
- Year-on-year inflation stood at 4.6 percent at the end of June, largely as a result of higher food prices (+9.3 percent) due in part to international prices and to racketeering. However, this level is lower than the situation in April, due to the renewed supply to the markets. Annual inflation stood at 4.5 percent in July. A continuation of this performance should help to dampen the resurgence of inflationary pressures, bringing the inflation rate for the year down to the Community threshold of 3 percent.
- Regarding the external accounts, at the end of June 2011, the trade surplus (excluding exceptional goods) was up nearly 52 percent over June 2010. This sharp growth resulted from a recovery in exports, particularly of cocoa (23.6 percent) following the lifting of the embargo, as well as from a decline in imports associated with the reduced economic activity.
- Ivoirien banks have reopened for business at the end of the post-election crisis. The crisis has aggravated their financial situation, particularly for the State-owned banks. At the end of June 2011, financial data for the banking system show a decline of 8 percent from December 2010 in sound loans, an increase of 44 percent in nonperforming loans, and abundant liquidity. The government will continue renewing government securities until October, as has been done since December 2010 as a result of the post-election crisis.

B. Budgetary Policy and Execution of the Economic and Financial Program in 2011

7. **Budget execution to the end of June 2011 has been generally consistent with the budget.** The performance at end-June 2011 against the benchmarks in the RCF-supported program is in line with the objectives. In fact, total revenues amounted to 483.0 billion compared to a projected 407.8 billion. The wage bill was held to CFAF 272.7 billion versus CFAF 282.1 billion programmed. The basic fiscal balance stood at CFAF -56.1 billion compared to a target of CFAF -134.1 billion, thanks to better revenue collection and under-execution of expenditures (Table 1).

8. **Tax revenues exceeded forecasts thanks to:** (i) a rapid reopening of the tax collection agencies (*régies financières*), (ii) efforts to collect the main taxes, in particular the VAT, the ITS, non-oil profit taxes and cocoa levies; and (iii) payments made since the end of April against tax returns for the first quarter. In fact, the government rehabilitated and re-equipped the tax collection services with basic work tools so that they could begin revenue collection as of April, despite the systematic looting they had suffered. Also, gradual improvements in security and efforts to pay down domestic arrears, combined with the return of a climate of confidence, have favored a greater-than-expected mobilization of domestic revenue.

9. **Expenditures fell short of targets because of the late adoption of the budget.** Current expenditures (*dépenses ordinaires*) were limited in May and June, but should be in line with planned amounts by the end of 2011. Thus, the program target for the payroll, projected at CFAF 727.4 billion, remains unchanged and reflects spending on the creation of the new army and on the recruitment of teachers and health personnel. Investment spending should also accelerate in the second half of the year, in the context of: (i) specific provisions taken with respect to public procurement; (ii) the execution of the Presidential Emergency Program; (iii) the start of work on the third bridge in Abidjan; (iv) the continuation of major public works; and (v) the execution of pro-poor spending under the PRSP.

10. **The government has continued and has reviewed the reforms initiated under the Economic and Financial Program supported by the previous ECF arrangement.** To this end, it has initiated an update of the PRSP in order to take account of new priorities stemming from the post-election crisis and to put in place a coherent framework for intervention that will address humanitarian, emergency, reconstruction, and development issues in 2011. It also organized a seminar on the outlook for the energy sector in June 2011, to prepare a diagnosis of the sector and to define new strategic directions. The financial sector, which suffered heavily from the Post-election crisis, was the object of an advisory mission sent at the government's request from the Monetary and Capital Markets Department of the IMF. This mission addressed the development strategy for the financial sector as well as management of the domestic debt.

The other actions taken regarding sectoral reforms are:

- The continuing efforts to finalize the coffee and cocoa sector reform;
- The reduction of the deficit in the electricity sector, through the relaunch of negotiations on the price of gas and the export price for energy.
- The launch of the study on the structure of petroleum product prices, with a view to adopting a new tax structure.
- For customs, making operational the database on prices and putting into service the computerized module for managing exemptions in accordance with the recommendations from the Grand Bassam seminar of June 2010, and the continuation of other reforms with technical assistance from the IMF Fiscal Affairs Department.

- The reform of the CNPS [private sector pension fund], which should be adopted before the end of December 2011.
- The reform of the CGRAE [public sector pension fund], which should be finalized and adopted by the government before the end of December 2011.
- The continuation of the reform of the public administration, including creation of the position of General Secretary in the ministries.
- Improvements to debt management, through the establishment of a National Committee on the Public Debt, for which the draft decree has been prepared and submitted to members of the government for adoption before the end of November 2011.
- The resumption of reports to the Council of Ministers on physical and financial flows in the energy and coffee-cocoa sectors, with the production of reports on the situation at end-June 2011.
- The continued production of the quarterly report on gross petroleum shipments.

11. **The government has also continued implementing the structural reforms in 2011 covered under the program supported by the Rapid Credit Facility.** The actions taken concern:

- The resumption of the census of government officials and agents, which has been in progress since August 29, 2011.
- The continued implementation of the PSRP through the execution of pro-poor spending and the Medium-Term Expenditure Framework (MTEF) for the social sectors (health and education/training).
- The finalization of the software for monitoring exemptions in the Inland Revenue Directorate (DGI).
- The implementation of the module for managing advances and the module for managing amendments in the Budget and Finance Directorate (DGBF).

In addition, in the context of strengthening governance and moral standards in public life, the government has adopted a code of ethics and conduct for members of the government. It has also adopted an annual matrix of actions that is subject to a monthly evaluation and quarterly review by a special Council of Ministers meeting.

III. ECONOMIC PROGRAM 2011–14

A. Macroeconomic Framework

12. **The government intends to adopt and implement an economic and financial program for the period 2011–14 that is based on establishing a sustainable and durable growth dynamic supported by an increase in investment.** After more than a decade of weak economic

growth, the government's program seeks to increase public and private investment in order to equip the country with high-quality economic infrastructure and support growth-generating sectors. This program to revive investment is part of the framework to achieve the Millennium Development Goals (MDG) in a country that is unified and at peace. In this regard, it takes into account the challenge of reducing poverty, through the implementation of the PRSP and a sustained recovery of private sector activity supported by an improvement in the business climate and the promotion of good governance. Fiscal policy will also be focused on a better management of the public finances, taking into account the broadening of the tax base.

13. **The principal macroeconomic objectives for the period 2012–14 are to accelerate economic growth and control inflation.** Growth will be supported by the resumption of large-scale development projects, in particular investments. The government intends to contain the increase in the wage bill and in operating expenditures in favor of investment spending. It also intends to take advantage of external debt relief beyond the HIPC Initiative, in particular through the “Debt Reduction and Development Contracts (*C2D*)” announced by France. The policy of boosting investment significantly relies heavily on public-private partnerships (PPP) with establishment of a National PPP Committee in August 2011. Private investments should also increase in line with the improvement in the business climate. Moreover, sectoral development policies, particularly for staple food crops, should improve the market supply situation and help contain consumer prices.

14. **The Ivoirien economy should recover with positive growth of 8.5 percent in 2012, as the economic fabric is restored.** This would reflect the catch-up effect after the major shock suffered in 2011 as a result of the crisis. It would result from a significant rebound in the secondary sector (12.6 percent) and in the tertiary sector (13.7 percent), which recorded negative rates of -9.7 percent and -12.7 percent, respectively, in 2011. The public investment rate should register a major increase, rising from 2.7 percent in 2011 to 5 percent in 2012. The overall increase in consumer prices should be contained so that the inflation rate would be 2.2 percent.

15. **The recovery of growth in 2012 should continue in 2013 and 2014, at an average rate of 6 percent.** The government intends to continue to promote investment in order to reach a level of 12.6 percent of GDP in 2013 and 14.3 percent in 2014. Specifically, public investment should rise from 5 percent of GDP in 2012 to 6.9 percent in 2014. During that time efforts will be aimed at attracting private investment. As of 2013, policies to contain prices by promoting staple food crops and improving road conditions should make it possible to keep inflation below 3 percent.

16. **To achieve its macroeconomic objectives, the government plans to accelerate structural reforms and to create a framework that will encourage private sector activities and employment.** It intends to pursue the restructuring of the coffee and cocoa sector and the energy sector, to update the plan for reforming the public finances (PEMFAR II), the reform of the public administration, an acceleration in the implementation of the PRSP, the adoption of a three-year Public Investment Program (PIP), and the strengthening of the financial system. It also plans to: (i) restore security throughout the national territory; (ii) rehabilitate and upgrade the

country's socioeconomic infrastructure; (iii) improve the business climate and governance; (iv) reinforce the rule of law; (v) guarantee free movement for persons and goods; and (vi) strengthen the role of Côte d'Ivoire in the regional integration process.

B. Fiscal Policy

17. **Fiscal policy in 2011–14 seeks to increase public investment while keeping the public debt sustainable.** To do this, the government intends to: (i) increase revenues by expanding the tax base and making tax administration more efficient; and (ii) control current expenditures, in particular the wage bill. The government is targeting an overall fiscal deficit (as defined in the attached technical memorandum of understanding) of 4.4 percent of GDP in 2012, and a further reduction in 2013–14.

18. **The 2011 budget is designed to support the recovery and normalization of economic activities and to limit the effects of the crisis by responding to the urgent needs of the population.** In particular, it has made it possible to address the humanitarian and social impact of the crisis, to improve security and to cover non-discretionary expenditures (public debt service, personnel costs) despite the decline in government revenues below the levels of previous years associated with the post-election crisis. The government has taken important steps to support the private sector in its recovery efforts. In this context, it granted tax relief to the private sector at an estimated cost of CFAF 32.4 billion in addition to direct general fiscal support in the amount of CFAF 12 billion and targeted sectoral measures. The government has also decided to significantly reduce balances outstanding to its suppliers. Cash payments planned in this respect amount to some CFAF 145 billion. It will also avoid the accumulation of new domestic arrears. Through these measures, the government intends to permit the private sector to restore its cash position and to play a major role in reviving the national economy. Based on performance through the end of June, the revenue agencies have made significant collection efforts while expenditure execution has remained fairly weak, reflecting the late adoption of the budget. The budgeted fiscal balances at end-December 2011 should be met.

19. **The 2012 budgetary exercise will focus on raising tax revenues in the context of declining budgetary aid.** It will give emphasis to promoting public investment, with an allocation of around 22.7 percent of budgetary revenues to investment versus 11.9 percent in 2010 and 15.9 percent in 2011. The overall fiscal deficit including grants should move from 8.1 percent of GDP in 2011 to 4.4 percent of GDP in 2012. To achieve these results, the following actions and initiatives are planned:

- New taxes will be introduced, in particular on some telecommunications and on rubber.
- Management of the “single taxpayer file” will be reorganized with the creation of an assessment and collection unit exclusively for the property tax, with a view to increasing its yield significantly.

- Work on the property registry (cadastre) will be stepped up in order to take better account of tax opportunities offered by rapid urban growth. In particular, this will make it easier to locate taxpayers and assess them more realistically.
- The tax administration will pursue its policy of decentralizing its services and broadening the tax base; the customs authorities will build on the reforms stemming from technical assistance recommendations, including those of the IMF, and will take steps to harmonize exemptions.
- The customs and internal revenue administrations will also work to ensure effective tax collection throughout the national territory, including in the former CNW zones.
- The government will step up the systematic collection of revenues from administrative fees.
- The government will implement a policy to streamline the government's portfolio of enterprises to improve their financial contribution to the budget.
- The fight against tax fraud and evasion will be reinforced, together with campaigns to promote a taxpaying culture.

20. **The government plans to give as much priority as possible to public investment to spur the reduction of poverty and support growth.** To create fiscal space for public investment, the government will limit operating expenditures to CFAF 474.2 billion, electricity subsidies to CFAF 76.0 billion and crisis-exit spending to CFAF 30.0 billion. Furthermore, current spending will be limited through stricter controls on consumption of utilities. The wage bill will be contained, with due regard to staffing needs in the social and security sectors. Also the government intends to step up efforts to rehabilitate basic infrastructure, to pursue development programs, and to promote staple crops and export agriculture. In addition, the government plans to promote the revival of the secondary sector, in particular agro-industry and its potential for employment creation.

21. **Implementation of the PRSP will be accelerated in 2012.** The government will update the PRSP before the end of 2011, and during the first half of 2012 it will produce a progress report on implementation of the PRSP in 2010–11. Spending in 2012 will take account of the need to continue implementation of the PRSP. The government intends to give priority in budgetary spending to pro-poor expenditure, which amounts to CFAF 980.0 billion (7.9 percent of GDP) compared to CFAF 885.2 billion (7.8 percent of GDP) in 2010. Moreover, it will improve the supply of basic socioeconomic infrastructure, bearing in mind the needs identified in the updating of the PRSP. A Round Table to establish dialogue between the government and its partners on development priorities and on support for implementing the PRSP will be organized for during late 2011 and early 2012. There are also plans to organize a Consultative Group for the overall financing of the PRSP, once the Completion Point is reached.

22. **The government will be prudent in its spending.** It will make contingency provisions to execute expenditures within the limits of available domestic resources. In this regard, meetings of the Treasury Committee will continue so that the necessary adjustments can be made in the management of the budget through the Integrated Public Finance Management System (SIGFIP).

23. **Investment spending will rise to meet the needs of reconstruction and fighting poverty.** The 2012 budget calls for an increase in domestically financed investment expenditures of 110 percent from 2011. These funds will be used primarily for rehabilitating basic infrastructure, implementing the Presidential Emergency Program, development projects, and promoting agriculture, as well as for projects to support the commercialization of food products and the integration of young people into the trade sector.

24. **The government plans to extend the maturity of public securities.** To this end, it has prepared a plan to end the rollover of securities linked to the crisis. The plan foresees the payment in October 2011 of the capitalized interest of CFAF 20 billion, and the outstanding treasury bills, valued at CFAF 609.5 billion at end August 2011, will be replaced by a two-year treasury bond and two OAT bonds (*Obligations Assimilables du Trésor*) of three and five years, earning interest at 4.75 percent, 5 percent and 5.25 percent respectively. The government has undertaken broad consultation with its creditors and with the BCEAO. It has received agreement in principle from Ivoirien banks and from the BCEAO. It will request the BCEAO to take the necessary complementary measures, including acceptance of the securities for refinancing and as required reserves.

C. Structural Reforms

25. **To accelerate economic growth will require defining and implementing significant reforms to bring more transparency to the government's actions and to guarantee a greater contribution from the main sectors.** To this end, the government intends to deepen the actions under way with respect to the public finances, the coffee-cocoa sector, the energy sector, the financial sector, the public administration, and the business environment (Boxes 2 to 8 and Table 3). It is also committed to addressing the challenges to establish security, reduce poverty and unemployment in order to consolidate peace and social cohesion.

26. **The government will implement its action plan to improve governance.** In this regard, in 2012 it will complete the reforms already begun, including adoption by the Council of Ministers of the national governance and anticorruption plan, the law on illicit enrichment, the charter of ethics and the code of conduct for civil servants. In addition, the government will strengthen the control, inspection and evaluation system within the public administration through operational audits, and a strengthening of the role of the General Inspectorate of State (*Inspection Générale d'Etat*), the General Inspectorate of Finance (*Inspection Générale des Finances*), and the sectoral audit offices.

27. **The government will take appropriate steps to reinforce the independence, impartiality and effectiveness of the judicial system, as well as strengthen security conditions.** It has begun to redeploy justice officials throughout the national territory, and to rehabilitate and reopen jails and detention centers. It also plans to adopt legislation concerning the decree on the enforcement of (*exequatur*) of decisions of the Arbitration Courts, the reform of the judicial system, and the creation of Commercial Courts (*Tribunaux de Commerce*). Particular emphasis will be placed on strengthening security and the free movement of goods and persons. Protection of the economic territory will be made effective through the full deployment of the Armed Forces and paramilitary forces, including the customs, over the entire national territory. These steps will improve the effectiveness of efforts to combat fraud, counterfeiting and smuggling.

28. **Improving the business climate is an important objective of the government.** The policy of growth, with its emphasis on reviving investment, will require a major contribution from the private sector. To achieve this, it is essential to create an environment attractive for capital inflows, by simplifying procedures and reducing the costs and charges that burden the running of a business. Taken together, these actions are intended, among others, to improve the indicators relating to industrial sector activities listed in the publication “Doing Business”. In particular, these indicators concern the streamlining of administrative procedures for obtaining industrial sites and building permits. In this context, the government intends to establish a Business Facilitation Center before the end of 2012 in order to give economic agents the opportunity to complete, in one place, all the formalities needed to create a business in Côte d'Ivoire. In addition, adoption by the government in 2012 of the draft law reforming the property registry should make it easier to obtain title and security for real estate property and should thereby help develop an active mortgage market. Also, the draft competition law will be adopted by the government before the end of March 2012, and the Council of Ministers is expected to approve the investment code in 2012.

29. **An overall financial sector development strategy will be prepared and adopted.** To ensure adequate financing for the economy, the government intends to help create conditions whereby the financial sector can play its full role. For this purpose, and taking into account the impact of the post-election crisis, the government plans:

- To launch five studies in the first quarter of 2012, with technical and financial assistance from the IMF, the World Bank, and the FIRST Initiative, primarily covering financing mechanisms for housing, SMEs, and food agriculture, as well as the government’s role in the financial sector, and the cost of credit. The conclusions of these studies will be used to prepare the strategy, which is expected to be adopted before the end of 2012.
- To make the primary issuance market more active by introducing primary dealers for securities (*SVTs*), which over time will facilitate the development of a secondary market among economic operators.

- To ensure the follow-up of the recommendations of the WAEMU Banking Commission concerning banks' observance of prudential norms. The government will continue its efforts to restructure the banks in difficulty, in particular those that are government-owned, without injecting new public funds outside a restructuring plan validated by the authorities and discussed with the IMF and the World Bank. The government-owned banks are included in the audits initiated by the government as part of the rationalization of the government's portfolio. In addition, the government has established governance organs in these banks, notably the executive boards and Director Generals that have been instructed to ensure that the banks' financial position does not deteriorate.
- To reinforce the capacity of the Financial Sector Development Committee (*CODESFI*) and undertake the priority studies with the aim of preparing a plan for the reform of the financial sector before the end of August 2012. To this end, it will seek the technical assistance of World Bank and IMF to define and implement this strategy.
- To further the stabilization of the microfinance sector through regular audits and stricter licensing requirements, with particular attention to the situation of UNACOOPEC-CI.

30. **The government is determined to finalize the reform of the coffee-cocoa sector, in order to improve farmers' living conditions and make its management more transparent.** The new strategy, which will set out a new legal and regulatory framework as well as a new marketing mechanism, should be adopted and introduced during the crop year 2011/12. Producers will be offered a remunerative price, provided with basic social infrastructure and better conditions of access to production areas. This new organization should also help to boost productivity by encouraging programs for replanting the orchards. In addition, the government will both undertake investment spending in the sector and incorporate the operating costs of the sector in the government's budget beginning with the 2013 crop year. The government will maintain the ad valorem tax at 22 percent of the maximum c.i.f. price for cocoa that was introduced in September 2010.

31. **The government plans to apply the automatic price fixing mechanism for petroleum products.** It has launched a study of the structure of petroleum product prices in order to adopt a new structure that takes into account the various parameters and economic agents involved in setting prices. The conclusions of the study, expected before the end of December 2011, will serve as input for the government's petroleum product tax policy. The new strategy will take account of the need to reflect market prices, to avoid distortions harmful to the SIR (*Société Ivoirienne de Raffinage*, Ivoirien Refinery Corporation), to consider the social impact of the evolution of pump prices, and to support the SIR's profit margin. The new strategy should be finalized in the coming months, and the government will put in place an automatic mechanism for setting petroleum product prices that will reflect market prices as of July 2012.

32. **The government will continue to implement the requirements for meeting the Extractive Industries Transparency Initiative (EITI) criteria.** It is committed to publishing an

EITI report on the 2008 and 2009 data before the end of 2011. The Executive Board of EITI, after assessing this document and the EITI Validation Report, which has already been submitted, will be able to decide on the final status of Côte d'Ivoire in implementing the EITI process. The government will also begin preparation of the EITI report on the 2010 data before the end of November 2011.

33. **The government will continue efforts to improve the management of public enterprises.** The decision to streamline the portfolio of state enterprises, taken by the Council of Ministers on June 29, 2011, will be carried out. To do so, the government will first spell out its strategic vision for the management of public enterprises based on a reframing of their missions founded on an optimal allocation of public funds and a better socioeconomic and financial return. The Steering Committee on Evaluation and Restructuring, to be in place before the end of 2011, will identify overlaps and redundancies among these public enterprises and assess their economic and financial performance, so that their reframing can be finalized. The committee will then propose to the government a plan for reducing the scope of the portfolio of public enterprises by 25 percent, before the end of September 2012. In addition, the government intends to finalize preparation of performance contracts between the state, state corporations and majority-owned public corporations. It will also make sure of the application of the plan for clearing the arrears, validated jointly by the two sides, owed by public enterprises to the social security institutions (CGRAE and CNPS).

34. **The government plans to increase electricity supply to support its policy for relaunching growth and restoring financial equilibrium in the power sector over the medium term.** The recovery of growth and the promotion of private sector development will create a greater demand for energy. Given current production capacity, it is essential to expand the supply of electricity while reducing subsidies to the sector. In order to achieve financial equilibrium by 2014, the government intends to adopt and implement a strategy for the electricity sector, comprising: (i) the adoption of the draft electricity code, which reflects the new regulatory and legal framework; (ii) the conclusion of negotiations to reduce gas prices; (iii) a revision to the remuneration of the concessionaire; (iv) an improvement in the recovery rate of billing invoices, particularly in the former CNO zones; (v) the strengthening of measures to combat fraud; (vi) investments to improve the quality of the transportation and distribution network; (vii) the adoption of a new rate structure as of 2012, based on conclusions from the study; and (viii) a 10 percent adjustment for industrial rates as of April 2012, and for household rates later in the year; and (ix) expansion of production capacity by bringing in independent producers.

35. **The government plans to increase crude oil and gas production.** To encourage oil companies to invest in crude oil and gas exploration and production, the government intends, in the first quarter of 2012, to introduce significant amendments and reforms to the Hydrocarbon Code and the Standard Contract for Hydrocarbon Production Sharing.

36. **Reforms and investments will be made to revitalize the water sector.** The government will respect its financial commitments to SODECI so that it can ensure the supply of drinking

water to the population. To this end, it has paid the securitized debt maturing in 2011 and intends to clear end-2010 arrears, and since June 2011 it has resumed monthly payments. For its part, the concessionaire must improve the recovery rate for water billing, particularly in the former CNO zones, and replenish the development fund.

37. **The government intends to keep the wage bill under control.** With respect to streamlining the wage bill, it will be necessary to contain it while taking into account the needs of the social and the security sectors, in order to free up fiscal room for investment. The financial difficulties intrinsic to the post-election crisis preclude full implementation of the measures set forth in the strategy note for controlling the wage bill adopted in May 2010. The government plans to update the strategy before March 2012, and will reprogram the payment of outstanding balances from prior commitments to professional organizations. Similarly, the authorities will take advantage of the census of government officials and employees, as well as the rationalization of recruitment in the public administration. The combined effect of a rationalization of staffing levels and an increase in government revenues should make possible a gradual reduction in the ratio of the wage bill to revenues.

38. **The government intends to continue the efficient management of its personnel.** The census of government officials and agents recommenced in June 2011 and will be completed in the fourth quarter of 2011 with the establishment of the Single Reference File for the public administration. This file will be used in the Integrated Management System for Government Officials and Agents (SIGFAE), which is expected to be finalized in the course of 2012. To make the public administration more efficient, the government will create an Observatory of Public Services and will create the positions of General Secretaries in the Ministries. As well, the government plans to raise the retirement age for certain categories of government officials and agents from 57 to 62 years, as of January 2012, for the purpose, among others, of ensuring the financial viability of the CGRAE.

39. **The reform of the public and private sector pension systems will be finalized.** The draft law reforming the CNPS and draft implementing regulations have been prepared for adoption by the government before the end of 2011. With respect to the CGRAE, the discussions undertaken by the Inter-Ministerial Committee on Reform of the Public Pension Regime (CIRPP/CGRAE) with the various partners led to draft reforms that will be adopted by the government before the end of 2011.

40. **The action plan for public finance management based on the PEMFAR (Public Expenditure Management and Financial Accountability Review) will be pursued.** The following progress is planned, by strategic pillar:

- To improve the legal and institutional framework, the government intends to finalize and adopt the six WAEMU directives in the Council of Ministers by the end of March 2012. The installation of the National Assembly and voting on the draft texts, should permit the transposition of these directives into national law no later than September 2012.

- On fiscal discipline, the government intends to streamline its recourse to Treasury advances, in accordance with the provisions of Decree 178/Cab-01/20 of March 13, 2009, and to make continued use of the advances management module launched in September 2011 and the budget amendments management module starting with the 2012 budget.
- On public procurement, the government intends provide training for civil servant and private suppliers to the government on, in particular, the new Public Procurement Code, to ensure a sound understanding of the new texts governing public procurement in Côte d'Ivoire. The government also intends to continue to reinforce the capacity of the National Regulatory Authority for Public Procurement (*Autorité Nationale de Régulation des Marchés Publics* (ANRMP)).
- On processing VAT credits, the government will establish a joint State/private sector structure known as the "VAT Credits Reimbursement Monitoring Committee," chaired by the General Inspectorate of Finance, by December 31, 2011. The committee will be responsible for coordinating, planning and evaluating the monitoring of VAT credit reimbursement. The government will take the measures necessary to keep the stock of new VAT credits, beginning 2012, below CFAF 10 billion; the old stock, evaluated and validated by the joint committee, will be the object of separate treatment.

41. **The government will continue to promote regional integration.** To maximize the benefit of its membership in WAEMU and ECOWAS, the government will give priority to the reforms initiated by those institutions. In this regard, it intends to continue to undertake the work related to the fiscal transition, which will shift the burden of taxation gradually from border levies to the domestic taxation. This will allow it to prepare for the impact of signing the regional Economic Partnership Agreements (EPA), in the negotiation of which the government has been heavily involved. In addition, emphasis will also be given to expanding the Common External Tariff (CET) at the ECOWAS level.

42. **A medium-term debt management strategy will be prepared with technical assistance from the IMF and World Bank.** Achievement of the Completion Point under the HIPC initiative will allow Côte d'Ivoire to obtain substantial relief on its external debt. To be able to take full advantage of that relief and to ensure payment of future external debt service, the government will work with its technical and financial partners, in particular the IMF and World Bank, to prepare an action plan leading to a medium-term public debt management strategy to be adopted in 2012. To this end, it intends to adopt the new public debt management framework consistent with WAEMU directives, to ensure an integrated and sound management of public debt. In addition, the government will institute beginning in 2012 a program to strengthen its capacity to analyze the sustainability of the debt, to use simulation techniques, and to use instruments for mobilizing savings, and will submit a request to participate in the medium-term debt strategy (MTDS) project of the World Bank and the IMF.

IV. FINANCING AND MONITORING OF THE PROGRAM

43. **The government believes that the program for 2011 can be entirely financed, but there is still a financing need for 2012.** The financing needs for the 2011 program have been considerable. To meet those needs, the government has received emergency support from the French Development Agency, the African Development Bank, the IMF and the World Bank. The portfolio of projects with development partners has also been reactivated. Pending the restructuring of its debt to the Paris Club, to private holders of the “Eurobond2032” and to other private creditors, the government will have to accumulate further external arrears. The government intends to cover its residual needs primarily by borrowing on the domestic and regional markets.

44. **To meet its financing needs for 2012, the government is counting on support from various sources, in particular its multilateral and bilateral partners.** The government intends to conclude a restructuring agreement with the Paris Club. It will also resume payment of current maturities to holders of the “Eurobond 2032” in 2012, and intends to conclude an agreement on a treatment for arrears accumulated between December 2010 and December 2011. The government has opened negotiations with non-Paris Club bilateral creditors and with other commercial creditors (Standard Bank – BNI and Sphynx) on comparable terms to the Paris Club. It also hopes to obtain budgetary support from multilateral institutions (IMF, World Bank and AfDB) and from bilateral partners. The government intends to cover the financing gap primarily through borrowing on the WAEMU markets.

45. **The government intends to remain play major role in the monetary and financial markets, but with a preference for the medium and long term.** Following the restructuring of government securities in 2011, the government will define before August 2012 a market intervention strategy, which would involve restricting domestic borrowing backed by public securities.

46. **The program will remain subject to semi-annual monitoring by the IMF Executive Board on the basis of the quantitative indicators and structural benchmarks shown in Tables 2–3 and defined in the attached Technical Memorandum of Understanding (TMU).** The semi-annual reviews will be based on end-June and end-December test dates. The first year of the program covers July 2011-June 2012, and the first (second) program review will be based on end-December 2011 (end-June 2012) performance criteria and is scheduled to be completed by April/May (October/November) 2012. In particular, the government undertakes:

- To refrain from accumulating new domestic arrears and from any form of advance on revenues, and to refrain from contracting nonconcessional external borrowing other than the borrowing specified in the TMU;
- With respect to any new domestic financing, to issue public securities by auction through the BCEAO or by means of any other form of competitive call for tenders on the local financial market and on the WAEMU market, and to consult with Fund staff;

- Not to introduce or increase restrictions on payments and transfers pertaining to current international transactions, to introduce multiple currency practices, to enter into any bilateral payment agreements not in conformity with Article VIII of the IMF Articles of Agreement, or to impose or intensify any import restrictions for balance of payments purposes;
- To adopt any additional financial and structural measures that may prove necessary to ensure the success of its policies, in consultation with the IMF.

V. STATISTICS AND CAPACITY BUILDING

47. **The government intends to continue its efforts to improve the statistical system, with a view to ensuring the regular production of quality economic and financial data.** In this context, the government will update the draft master plan for statistics, taking account of short-term developments and new guidelines, before end-March 2012.

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

_____/s/_____
Charles Koffi Diby
Minister of Economy and Finance

Box 1: Triggers for the HIPC Completion Point	
Measures	Status
Preparation of a full PRSP through a participatory process and its satisfactory implementation for at least one year, as evidenced by an annual progress report submitted by the government to IDA and the IMF.	The annual report on the 2009 PRSP implementation was published. The government will prepare a draft implementation report 2010–11 by end-March 2012.
Maintenance of macroeconomic stability as evidenced by satisfactory performances under a PRGF-supported program.	The government will submit its economic and financial program to the IMF for support under the ECF in October. The conclusions of the 1 st review which is to take place in February/March 2012 will provide an assessment.
Quarterly publication of budget execution statements (including revenue; expenditure by type, function, and administration/type, and by the different stages of budget execution; and the identification of poverty-reducing spending) within six weeks after the end of each quarter, for at least the four quarters immediately preceding the Completion Point.	Since 2007, the government has published quarterly budget execution reports on the website of the Ministry of Finance, but sometimes more than 6 weeks after the end of the quarter. The reports include implementation of revenue collection and expenditure, disbursements, and since 2009 data on pro-poor spending. The last report posted is for end-September 2010. The reports for December 2010 and June 2011 were not prepared due to the post-election crisis. The preparation of these reports will restart from the adoption of the 2011 budget; the 1 st report would cover the period April 26-September 30, 2011.
Certification by the competent authority of the conformity (certification de conformité), Loi de règlements of a given fiscal year, within 10 months, after the end of that fiscal year for at least one year immediately preceding the Completion Point.	The declaration of conformity was rendered for the draft budget review laws for 2006, 2007 and 2008. The draft budget review law for 2009 is being reviewed by the Audit Chamber declaration of conformity is expected before end-2011.
Public procurement regulatory (entity operational, separate from control entities) and quarterly publication in the public procurement bulletin, of all signed procurement and concession contracts (including those from the parastatals), for at least one year immediately preceding the Completion Point.	Following the adoption of the new public procurement code, the National Public Procurement Regulation Authority (<i>ANRMP</i>) was established by Decree 2009-260 of August 6, 2009, on the organization and functioning of the national public procurement authority. The <i>ANRMP</i> is operational since May 19, 2010. The list of public offerings undertaken and concession contracts granted is published three times per month in the public procurement journal and on the website (www.dmp.finances.gouv.ci), since 2009. The last journal to appear was the report of July 12 and September 27, 2011. There were no calls for tender during the post-election crisis.
Increase in trained personnel-supervised birth deliveries to 65 percent on average nationwide (from 56 percent in 2006) during at least the year immediately preceding the Completion Point.	The rehabilitation and construction of new health centers, as well as the recruitment of qualified medical and paramedical staff resulted in improvement of the rate of trained personnel-supervised birth deliveries to 64.5% in 2009. The rate is estimated at 67.5% in 2010.

Box 1: Triggers for the HIPC Completion Point (concluded)	
Measures	Status
90 percent of the students enrolled in all public primary schools to have received three textbooks covering French, mathematics, and civic education, during at least the school year immediately preceding the Completion Point.	The government distributed free books to 70.9% of students enrolled in public primary schools during the school years 2007/08 and 2008/09. The distribution of books at the start of the school year 2011/2012 should raise the coverage rate to more than 90% of primary students. The books are available and will be distributed at the start of the Oct. 2011/Sep. 2012 school year.
Publication on the Treasury's website on a quarterly basis within six weeks of the end of each quarter of data on the external and domestic public and publicly-generated debt (stock, current debt service obligations, actual debt service, debt payments, and loan disbursements) for at least four quarters immediately preceding the Completion Point.	Public and publicly guaranteed debt data (external as well as domestic debt) have been published on the Treasury's website (www.tresor.gov.ci) on a quarterly basis since 2009, but sometimes more than 6 weeks after the end of the quarter. The last data posted is for June 2011.
Regular public reporting of payments to, and reserves received by the government for the extractive industries (mining, oil and gas—in line with the EITI criteria, with a recent annual report during at least the year immediately preceding the Completion Point.	The 2006–07 report on payments by extractive industries—crude oil, and gas—to the state as well as revenues from these industries is available since April 2010. The reports for 2008 and 2009 are being prepared, also covering the mining sector, and should be available by end-2011. The government intends to start preparations for the 2010 report before end-2011.
Annual publication, within seven months of the end of the fiscal year, often certified financial statements, in accordance with international standards of PETROCI for at least the year immediately preceding the Completion Point.	The certified accounts of PETROCI for 2008 and 2009 have been published in July 2009 and July 2010, respectively, in the government newspaper. The PETROCI accounts for 2010 have been validated by the General Assembly and will be published before end-2011.
Reduction in the overall indirect taxation of the cocoa sector to no more than 22 percent of the c.i.f. price, as evidenced by: (i) promulgation of a budget law; and (ii) an official communication issued to exporters, not more than five months before the start of the upcoming cocoa marketing season.	The 22% ad valorem tax on cocoa exports has been applied since the 2010/2011 season.
Adoption by the government of a new institutional and regulatory framework for the coffee/cocoa sector and satisfactory implementation of the functions under government responsibility for at least six months immediately preceding the Completion Point, based on its new strategy for the development of the sector.	A first report was prepared in August 2010 by the Reform Committee for adoption by the government. The new government is examining the report and has made a new reform proposal. This proposal was provided to the strategic partners in the sector nationally and internationally at end-September 2011. The consultation process will be broadened to other partners in order to finalize and adopt the draft reform of the sector with a timetable for its implementation by end-2011.

Box 2: Structural Fiscal Measures Relating to Revenues

Taxes (DGI)

- Deploy the tax exemption software in the regional directorates in September 2011, and publish quarterly tax exemption details, beginning Q1:2012.
- Significantly improve revenue yields from the property tax, through improved property registration, and setting up dedicated assessment and revenue units to implement this tax in 2012.
- Set up regional tax inspection offices [to strengthen control and authority] by December 2011.
- Enhanced supervision of the informal sector through the resumption of registration of small traders and artisans, and the reinforcement of licensed management centers in 2012.
- Introduce an information sharing platform between the DGI and the CNPS as part of the campaign against fraud in wage and salary taxes, and against black-market hiring, in September 2012.

Customs (DGD)

- Implement measures from the seminar on exemptions, in accordance with the Action Plan and produce quarterly reports as from Q1, 2012.
- Produce detailed monthly data on revenues forgone due to exemptions—using the SYDAM-World customs clearance management package—and produce quarterly reports as from March 2012.
- Implement the Sydonia World transit module between the Port of Abidjan and the three main frontier posts as from January 2012.
- Adopt, disseminate and implement a simplified customs clearance procedure before the end of September 2012, with a view to rationalizing import formalities through use of a single, computerized advance declaration form that would replace the many forms (BSC, FRI) that currently delay import operations.
- Establish a database and training for auditors before the end of March 2012 for analyzing customs value on the basis of the methodology designed with Technical Assistance support.
- Reorganize the units responsible for customs investigation before the end of December 2011, while ensuring risk analysis remains operational.
- Implement the recommendations from the audit of the customs IT system, in accordance with the action plan, and produce a quarterly report as from December 2011.
- Conduct an audit of competencies and produce a human resource development plan by the end of June 2012.

DGI/DGD/DGTCP

- Ensure effective implementation of an information sharing platform between DGI and DGD.
- Evaluate the stock of VAT credits at end 2011 and elaborate a strategy for dealing with them at the level of the joint public-private committee set up in September 2011; and pursue efforts to refund new VAT credits incurred in 2012 so as to limit the amount outstanding to less than CFAF 10 billion.
- Gradually reestablish tax administration services in the former CNO zones before end 2011.
- Decentralize ASTER to five localities in 2012.

Box 3: Structural Fiscal Measures Relating to Expenditures (concluded)

- Communicate to the Council of Ministers and publish quarterly budget execution statements, including spending earmarked for poverty reduction, within 45 days after the end of the quarter.
- Include the observance of the regulatory time limits for processing expenditures in the quarterly budget execution reports.
- Continue the decentralization of SIGFIP through connection to five localities in 2012.
- Produce and quarterly publish reports on the activities of the National Procurement Regulation Authority, within one month after the end of the quarter.
- Continue production and transmission to IGF for all the DAAFs a quarterly report on physical and financial execution of expenditures within 30 days, followed by a summary report by IGF within 15 days.
- Prepare an MTEF methodological guideline by end-2011 and extend the MTEF to six new ministries—mining, petroleum and energy, agriculture, justice, environment, social affairs and economic infrastructure—as part of the 2013 budget.
- Finalize and adopt in the Council of Ministers the draft texts transposing the six WAEMU directives on public finances, by end-March 2012.

Box 4: Structural Reforms to the Public Administration

- Finalize the census of government officials and agents and prepare the Single Reference File by the end of 2011.
- Introduce the Integrated Management System for Government Officials and Agents (SIGFAE) by the end of 2012.
- Adopt a program of government reforms, including creation of the Observatory of Public Services in 2012 and the positions of General Secretaries in the Ministries by end 2011; and extend these posts in all ministries by end 2012.
- Validate arrears owed to CNPS and CGRAE by public enterprises at end-June 2011 and prepare a plan to clear them by end-2011.
- Produce a quarterly report on the application of the strategy for clearing arrears owed by public enterprises to CNPS and CGRAE in 2012, and avoid the accumulation of new arrears.
- Adoption of the CNPS and CGRAE reforms by the Council of Ministers by end-2011.

Box 5: Measures to Reform the Financial System

- Prepare by end-August 2012 and adopt by end-2012 the strategy for reforming and developing the financial sector.
- Pursue reforms of the state-owned banks, in line with recommendations from the financial system evaluation mission of August 2011, with a view to improving prudential ratios, limiting losses, and preparing a strategy for government divestiture.
- Produce quarterly reports on improvements in the governance and portfolio quality of micro-finance institutions.

Box 6: Reforms to Improve the Business Climate

- Adopt the decree on the enforcement of arbitration tribunal decisions to speed up the settlement of commercial disputes and clear the backlog of cases in courts by end-2011.
- Create the commercial courts by end-2011, and continue the training of justice officials in commercial matters.
- Validate a reform plan [in 2011] to improve the effectiveness and fairness of the judicial system, and begin publication of court decisions in 2012, including via the Internet.
- Institute a one-stop-shop window for trade formalities, and establish a Business Facilitation Center by end-2011.
- Adoption by the Council of Ministers of the draft investment code in 2012.
- Adoption the Council of Ministers of the draft law on competition to deal with anticompetitive practices by end 2011.

Box 7: Measures Concerning the Coffee-Cocoa Sector

- Continue quarterly reporting to the Council of Ministers, within a 45 day lag, and publish the report on physical and financial flows, including information on “farm-gate” price (*prix bord champ*) and export prices.
- Preparation and adoption by the government of a strategy for the organization and development of the coffee-cocoa sector, with a timetable for implementation by end-2011.

Box 8: Measures Concerning the Energy Sector

- Continue reporting to the Council of Ministers, within 45 days after the end of each quarter, on physical and financial flows in the energy sector, with quarterly reports on petroleum shipments within the same time frame.
- Reduce the financial deficit of the electricity sector by: (i) renegotiating gas prices; (ii) revising remuneration for the operator; (iii) improving the recovery rate of invoices, especially in the former CNW zone; (iv) combating fraud; (v) making investments; (vi) revising the rate structure based on the conclusions from the study; and (vii) adjusting the tariffs.
- Adoption by the government of the draft electricity code before the end of Q1:2012.
- Adoption by the government of a new price structure for petroleum products based on the findings of the study on the fuel price structure.
- Finalize and publish the 2008–09 EITI report by end 2011, and begin work on the 2010 report by end-November 2011.
- Adoption by the Council of Ministers in Q1, 2012 of significant amendments and reforms to the hydrocarbons code, including a standard production sharing contract, to make petroleum and gas exploration, and production, more attractive.

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

(Billions of CFA francs)

	2010		2011 1/					
	Actual	Indicative targets	June		Sept.		Dec.	
			Actual		Indicative targets		Indicative targets	
Indicative targets								
Floor on total government revenue	2176.2	407.8	483.0	met	912.5	...	1454.4	...
Ceiling on government wage bill	800.4	282.1	272.7	met	505.8	...	727.4	...
Floor on pro-poor expenditure	885.2	188.7	163.5	not met	477.3	...	840.1	...
Basic fiscal balance 2/	-25.9	-134.1	-56.1	met	-382.5	...	-618.0	...
Overall balance (including grants)	-261.2	-166.7	-76.7	met	-439.2	...	-702.9	...
Ceiling on net domestic financing	224.1	-143.7	-65.0	not met	51.4	...	281.1	...
Ceiling on new nonconcessional external debt 3/ 4/	0.0	0.0	0.0	met	0.0	...	0.0	...
Ceiling on accumulation of new domestic arrears 3/	0.0	0.0	0.0	met	0.0	...	0.0	...
Memorandum items:								
Net banking sector claims on government	118.4	-77.0	-118.9	...	-39.1	...	74.2	...

Sources: Ivoirien authorities and IMF staff.

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

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

3/ Continuous target.

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

Table 2. Côte d'Ivoire: Performance Criteria (PC) and Indicative Targets, ECF 2011-12 1/

(Billions of CFA francs)

	2011				2012			
	June	Sept.		Dec.	March	June	Sept.	Dec.
	Actual	Indicative targets	Preliminary status	PC	Indicative targets	PC	Indicative targets	Indicative targets
A. Performance criteria								
Floor on the overall fiscal balance (including grants)	-76.7	-243.2		-602.0	-56.7	-188.4	-365.9	-550.1
Ceiling on net domestic financing (incl. WAEMU paper)	-65.0	-19.5		311.2	58.6	180.0	335.8	445.1
Ceiling on new nonconcessional external debt 2/	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Ceiling on accumulation of new external arrears 2/	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Ceiling on accumulation of new domestic arrears 2/	0.0	0.0		0.0	0.0	0.0	0.0	0.0
B. Indicative targets								
Floor on primary basic balance	17.9	-139.8		-415.8	-0.2	-63.3	-157.9	-249.1
Ceiling on expenditures by treasury advance	13.2	23.9		63.9	17.1	42.2	71.1	102.3
Floor on pro-poor expenditure	163.5	477.3		840.1	181.3	403.1	676.9	980.0
Floor on net reduction of government amounts payable	-13.2	-1.8		-11.8	-5.0	-10.0	-20.0	-30.0
Floor on government revenue	483.0	521.7		1066.6	525.8	1066.8	1621.2	2207.4
Memorandum items:								
Net banking sector claims on government	-118.9	58.0		218.3	3.1	72.8	123.3	207.0
Program grants	0.0	2.0		7.8	0.0	0.0	0.0	2.1
Program loans	0.0	0.0		0.0	0.0	0.0	0.0	0.0
Project grants	2.6	8.4		11.9	3.7	11.1	24.1	37.1
Project loans	5.6	33.4		62.2	19.7	39.4	59.0	78.7

Sources: Ivoirien authorities and IMF staff.

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

1/ Cumulative change from June 30, 2011 for 2011 targets, and from December 31, 2011 for 2012 targets.

2/ Continuous performance criterion.

Table 3. Côte d'Ivoire: Structural Benchmarks (SB), 2011–12 ECF

Measures	Timeframe	Macroeconomic rational
Budget		
<ul style="list-style-type: none"> Adopt, in the Council of Ministers, a 2012 draft budget with a 2012-14 public investment program (PIP) consistent with program objectives 	SB end-2011	Maintain macroeconomic stability and fiscal discipline
Tax policy / Tax administration		
<ul style="list-style-type: none"> Improve customs operations by implementing the necessary prerequisites for building the platform for the automated risk management system (See <i>IMF technical assistance report</i>,^{1/} paragraph 41) 	SB end-2011	Improve the efficiency of customs administration
<ul style="list-style-type: none"> Implement the planned actions to operationalize the procedure for in-bond transit on major roads (See <i>IMF technical assistance report</i>,^{1/} paragraph 53) 	SB January 2012	Improve the efficiency of customs administration
<ul style="list-style-type: none"> Review the framework of tax exemptions with a view to improving the management of eligible products and better combating fraud and ensure consistency with the government's economic (and tax) policy. The list of tax exemptions should be annexed to the 2012 budget law. 	SB end-2011	Improve transparency and reduce distortions; improve tax and customs revenue
<ul style="list-style-type: none"> Review the taxes levied on petroleum products and prepare a strategy for a return to market-based prices Activate the automatic pump-price adjustment mechanism 	SB end-2011 SB from July 2012	Control tax expenditure and promote more efficient use of petroleum products
<ul style="list-style-type: none"> Prepare MTEFs for six ministries (agriculture; economic infrastructure; justice; mines, petroleum and energy; environment; and social affairs) 	SB end-October 2012	Improve strategic budget planning
Public expenditure management		
<ul style="list-style-type: none"> Complete the census of civil servants and government employees (excluding defense and security forces) Update and implement a medium-term strategy for controlling the wage bill 	SB end-2011 SB March 2012	Contain the size of the civil service and the wage bill
<ul style="list-style-type: none"> Put in place an integrated management system (single master file, SIGFAE) for civil servants and government employees (excluding defense and security forces) 	SB end-2012	Reduce fraud and improve the monitoring of wages and salaries
<ul style="list-style-type: none"> Create a national public debt management committee and prepare an organigram and procedures manual 	SB end-2011	Improve public debt management
<ul style="list-style-type: none"> Adopt, in the Council of Ministers, reform plans for the CNPS and the CGRAE for submission to Parliament Validate the amount of unpaid social security contributions owed to the CNPS and CGRAE by the public enterprises and entities concerned and draw up a plan to clear the outstanding amounts 	SB end-2011 SB end-2011	Reduce the sectoral deficit and government subsidies

1/ Montagnat-Rentier G., Parent G. and Boilil A. M. (2011): Recommendations on the ongoing implementation of the customs administration modernization program, Aide-mémoire of August 24, 2011.

Table 3. Côte d'Ivoire: Structural Benchmarks (SB), 2011–12 ECF (concluded)

Measures	Timeframe	Macroeconomic rational
<ul style="list-style-type: none"> No new injection of public funds in the five public banks in difficulty outside a restructuring plan discussed with the IMF and the World Bank 	SB continuous	Improve governance and Improve management of the financial sector
<ul style="list-style-type: none"> Prepare a plan to improve the financial situation of the public banks Prepare an implementation report on the measures taken to stabilize the financial situation of the public banks Adopt, in the Council of Ministers, a strategy for the restructuring of public enterprises, including the public banks 	SB end-2011 SB end-March 2012 SB end-June 2012	Curb banks' recurrent losses; reduce government subsidies
Public sector reform		
<ul style="list-style-type: none"> Complete the study on electricity rates and adopt a strategy aimed at achieving financial equilibrium in the sector over the next three years Validate and implement a new electricity tariff structure on the basis of the conclusions of the tariff study Increase electricity rates by 10 percent. 	SB end-2011 SB end-2011 SB end-March 2012	Reduce government subsidies and allow investments to increase production capacity
Financial sector reform		
<ul style="list-style-type: none"> Prepare a financial sector reform and development strategy 	SB end-August 2012	Improve financial sector management
Improving the business environment		
<ul style="list-style-type: none"> Validate and adopt a plan to limit outstanding VAT credit refunds Limit VAT credits pending refund to under CFAF 10 billion 	SB end-2011 SB continuous starting Jan. 2012	Improve the business climate and the confidence of enterprises
<ul style="list-style-type: none"> Prepare and adopt, in the Council of Ministers, a new investment code 	SB end-June 2012	Facilitate investments
<ul style="list-style-type: none"> Prepare the legal framework of the business support center (<i>Centre de Facilités des Entreprises</i>) 	SB end-2011	Facilitate business creation

ATTACHMENT II—CÔTE D’IVOIRE: TECHNICAL MEMORANDUM OF UNDERSTANDING**Arrangement Under the Extended Credit Facility
2011–14**

October 20, 2011

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

I. PERFORMANCE CRITERIA AND INDICATIVE TARGETS

2. For monitoring purposes, the performance criteria (PC) and indicative targets (IT) are set for December 31, 2011 and June 30, 2012; there are indicative targets for these variables for September 30, 2011, and March 31, 2012.

Performance criteria (PC) include:

- (a) a floor on the overall fiscal balance (including grants);
- (b) a ceiling for net domestic financing (including the issuance of securities on the WAEMU financial market);
- (c) a zero ceiling on new nonconcessional external debt;
- (d) a zero ceiling for the accumulation of new external arrears;
- (e) a zero ceiling for the accumulation of new domestic arrears.

Indicative targets (IT) include:

- (a) a floor on the primary basic fiscal balance;
- (b) a ceiling on expenditures by treasury advance;
- (c) a floor on “pro-poor” expenditures;

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

(e) a floor on total government revenue.

3. The PCs, ITs, and adjustors are calculated as the cumulative change from June 30, 2011 for 2011 targets, and from December 31, 2011 for 2012 targets (Table 2 of the Memorandum of Economic and Financial Policies, MEFP).

A. Government Revenue (IT)

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

B. Pro-Poor Expenditures (IT)

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

C. Treasury Advances (IT)

6. Within the framework of the program, Treasury advances are defined as spending paid for by the Treasury outside normal execution and control procedures, and which have not been subject to prior commitment and authorization. They exclude the ‘*régies d’avance*,’ externally-financed expenditure, wages, subsidies and transfers, and debt service as set out through ministerial decree. The cumulative amount of expenditures by treasury advance as defined by the program will not exceed 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/CAB-01/26 of March 13, 2009.

D. Primary Basic Balance (IT)

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

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

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

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

$$\{\text{Tax and nontax revenue} + (\text{Grants} - \text{World Bank budget support grants} - \text{AfDB budget support grants})\} - \{\text{Expenditure} + \text{Net lending (on a payment order basis)}\}$$

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

F. Net Domestic Financing (PC)

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

$$\text{Net domestic financing} = \text{Domestic financing (from Fiscal Operations of the Central Government)} - \text{Net change in balances outstanding} + \text{Treasury loans from abroad (WAEMU)} + \text{Treasury bills placed abroad (WAEMU)} + \text{Treasury bonds placed abroad (WAEMU)} + \text{IMF drawings} + \text{residual gap}$$

11. This ceiling does not apply to new agreements on restructuring domestic debt and securitization of domestic arrears, nor to new BOAD and BIDD project loans. For any new borrowing over and above a cumulative amount of CFAF 35 billion over each of years 2011 and 2012, the government undertakes not to issue government securities except by auction through the BCEAO or through public auction (*appel d'offres compétitif*) on the domestic or WAEMU financial markets registered with the Regional Council for Public Savings and Financial Markets (CREPMF), in consultation with Fund staff.

G. New Nonconcessional External Debt (PC)

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

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

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

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

H. External Payment Arrears (PC)

15. 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

¹External debt is defined in “Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements,” Executive Board Decision No. 6230–(79/140), as amended by Executive Board Decision No 14416–(09/91) on August 31, 2009. External debt is defined on the basis of residency. However, for the assessment of the program, debt issued by Ivoirien entities in CFA francs and held by residents of the the member countries of the WAEMU zone shall not be considered to be external debt.

government and external debt guaranteed by the government for which the guarantee has been called by creditors, consistent with the definitions under the external debt performance criterion (paragraph 13). This performance criterion is monitored on a continuous basis.

Excluded from this performance criterion are:

- Arrears accumulated under external debt contracted with official bilateral creditors covered under the Paris Club Agreed Minute of May 2009 or any new Paris Club rescheduling or restructuring, as well as such debts to non-Paris Club bilateral official creditors that are subject to restructuring.
- Arrears accumulated under:
 - i) the Eurobonds 2032,
 - ii) the BNI-Standard Bank (London) 2007 and 2008 notes, and
 - iii) the Sphynx Capital Markets 2007 and 2008 notes.

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

16. The “amounts payable” (or “balance outstanding”) comprise domestic payment arrears and domestic floating debt and represent the government’s overdue obligations. They are defined as expenditures accrued (*engagées et liquidées*), validated (*visées par le contrôleur financier*), subject to payment order (*ordonnées*), but not paid. These include bills due and not paid to public and private enterprises, but exclude domestic debt service (principal and interest). For program purposes, domestic payment arrears are those balances outstanding for which the payment delay exceeds the time frame for payment stipulated by the administrative regulations in force (90 days). The floating debt is those balances outstanding for which the payment delay does not exceed the time frame for payment stipulated by the administrative regulations in force (90 days). The balances outstanding are broken down by payer/type, as well as by maturity and length of overdue period (< 90 days, 90–365 days, > 1 year). For example, at end-2010, the “balances outstanding” amounted to CFAF 183 billion, the floating debt to CFAF 114 billion, and the arrears to CFAF 69 billion.

17. In general, the stock of floating debt will not exceed three months’ worth of current operating expenditure (excluding utilities) and investment expenditure financed from own resources. For example, in 2010, the quarterly amount of such expenditure amounted to CFAF 106 billion, and the floating debt was CFAF 114 billion.

18. Within the framework of the program, the government will (i) undertake a cash reduction of CFAF 11.8 billion in 2011 in the amounts payable, and CFAF 30 billion in 2012; and (ii) not accumulate new domestic payment arrears on the current budget from July 1, 2011 and the next budget from January 1, 2012.

II. MEMORANDUM ITEMS

A. Net Bank Credit to the Government

19. Net bank credit to the government is defined as the difference between government debts and government claims with the central bank and commercial banks. The coverage of net bank credit to the government is that used by the BCEAO, and is the same as that shown in the net government position (NGP). For example, the level of net bank credit to the government amounted to CFAF 806.7 billion at end-December 2010.

B. External Financing (Definitions)

20. Within the framework of the program, the following definitions apply: (i) project grants are non-reimbursable amounts of money or goods received from a donor and aimed at financing a certain project; (ii) program grants are non-reimbursable amounts of money or goods received from a donor and not aimed at financing a specific project; (iii) project loans are reimbursable amounts of money or goods received from a donor at an interest rate to finance a specific project; and (iv) program loans are reimbursable amounts of money or goods received from a donor at an interest rate and not aimed at financing a specific project.

III. PROGRAM MONITORING AND DATA REPORTING

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

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

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

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

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

Table 1. Côte d'Ivoire: Pro-Poor Expenditures (incl. Social Spending), 2011 ^{1/}

(Billions of CFA francs)

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

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

IMF—Document Transmittals

Detailed tables to be transmitted monthly, quarterly, or annually to the IMF staff. Examples of each of these tables were 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 R4: 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: Ivoirien 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 (*trésorerie*), SOGEPE (*M*)
- Table R.4.12: Financial flows (*exploitation*), 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*)

Sector balance of payments (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: 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: Government flow of funds table (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: Social security and civil service pension contributions CNPS and CGRAE (*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: 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 of 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)

APPENDIX II. CÔTE D'IVOIRE: SUMMARY OF THE TAX SYSTEM, 2011

Tax	Nature of Tax	Exemptions and Deductions	Rates
1. Schedular Taxes			
Income taxes consist of a number of schedular taxes on particular categories of income, and a general progressive income tax.			
1.1 Tax on profits.			
<p>1.1.1 Taxes on industrial and commercial profits, and agricultural profits. (<i>Impôt sur les bénéfices industriels et commerciaux (BIC) et impôt sur les bénéfices agricoles (BA)</i>)</p>	<p>Annual schedular tax on the net profits realized from business activities carried out in Côte d'Ivoire. Medium-sized enterprises taxed on a simplified basis (<i>régime réel simplifié</i>). Small enterprises subject to a global tax (<i>impôt synthétique</i>) that combines taxes on commercial and industrial profits, business licenses and value-added tax (VAT)</p>	<p>Consumer cooperatives, low-cost housing companies, and agricultural credit institutions exempt Deductions include, in particular, land taxes and losses incurred during previous five years</p>	<p>Individuals: 25% Companies: 20%</p> <p>Minimum flat tax rate of 2,000,000 CFAF, or 0,15-0,5 % of turnover, depending on the sector (maximum collection under the flat tax rate is 30,000,000 CFAF).</p> <p>Special rates :</p> <ul style="list-style-type: none"> -0.10% for enterprises involved in the distribution of petroleum products, water, electricity. -0,15% for banks and insurance companies <p>Simplified basis :</p> <ul style="list-style-type: none"> -2% of turnover including all taxes (<i>CA TTC</i>)

Sources: Impôts et Taxes, Direction Générale des Impôts, Ministère de l'Economie et des Finances, Juillet 2011. Current tax rules can be found at www.dgi.gouv.ci/documentation/index.asp

APPENDIX II. CÔTE D'IVOIRE: SUMMARY OF THE TAX SYSTEM, 2011 (continued)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.1.2 Tax on noncommercial profits (<i>Impôt sur les bénéfices non-commerciaux (BNC)</i>)	Annual schedular tax levied on earnings from the practice of a profession or a noncommercial activity.	Newly created enterprises, enterprise operating in the CNO zones before 30 December 2012, and industries that have just been set up or transferred to the CNO zones.	1. Tax on noncommercial profits: Individuals: 20% Companies: 25% Non-domicile reinsurance companies: 12,5% Clerk-notaries: 50% of income. 2. Minimum tax rate: 5% of gross turnover. 3. Withheld at source: 7,5% of gross revenue.
1.2 Individual Income Tax (<i>Impôt sur les traitements et salaires (ITS)</i>)			
1.2.1.1 Tax on salaries and wages (<i>Impôt sur salaires</i>)	Annual schedular tax on income from salaries, wages, pensions, and annuities of residents; withheld at source	Family allowances and certain benefits exempt. Supplementary pension fund contributions deductible.	1.5% on 80% of gross income or 1.2% on unadjusted gross income.
1.2.1.2 National contribution for economic, social, and cultural development.	Same as 1.2.1.1	Exemptions for employees of new enterprises operating in CNO zones before 31 December 2012. The compensation from the first job during the first two years. The compensation earned from training schemes during the first year.	<u>Monthly taxable income</u> (80 % of gross income in CFAF) 0- 50,000 0% 50,001-130,000 1.5% 130,001-200,000 5.0% Greater than 200,000 10.0%

APPENDIX II. CÔTE D'IVOIRE: SUMMARY OF THE TAX SYSTEM, 2011 (continued)

Tax	Nature of Tax	Exemptions and Deductions	Rates																				
1.2.1.3 General income tax on salaries and wages (Impôt général sur le revenu (IGR) retenu sur les salaires)	Withheld at source.	Contributions to pension funds (up to 6%) and certain specific expenditures (up to 15%) are deductible.	<table border="0"> <tr> <td><u>Pretax income</u> (CFAF)</td> <td align="right"><u>%</u></td> </tr> <tr> <td>0- 300,000</td> <td></td> </tr> <tr> <td><i>Exempt</i></td> <td></td> </tr> <tr> <td>301,000-547,000</td> <td align="right">10</td> </tr> <tr> <td>548,000-979,000</td> <td align="right">15</td> </tr> <tr> <td>980,000-1,519,000</td> <td align="right">20</td> </tr> <tr> <td>1,520,000-2,644,000</td> <td align="right">25</td> </tr> <tr> <td>2,645,000-4,669,000</td> <td align="right">35</td> </tr> <tr> <td>4,670,000- 10,106,000</td> <td align="right">45</td> </tr> <tr> <td>Greater than 10,106,000</td> <td align="right">60</td> </tr> </table>	<u>Pretax income</u> (CFAF)	<u>%</u>	0- 300,000		<i>Exempt</i>		301,000-547,000	10	548,000-979,000	15	980,000-1,519,000	20	1,520,000-2,644,000	25	2,645,000-4,669,000	35	4,670,000- 10,106,000	45	Greater than 10,106,000	60
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4,670,000- 10,106,000	45																						
Greater than 10,106,000	60																						
1.2.2 Payroll taxes (<i>Taxes sur les salaires à la charge des employeurs</i>)																							
1.2.2.1 Payroll tax (<i>Contribution à la charge des employeurs</i>)	Annual tax payable by employers on total wages and salaries paid to expatriate staff in cash or in kind	20 percent lump sum deduction Local staff exempt	Tax on salaries of expatriates : 11.5%																				
1.2.2.2 National contribution for economic, social, and cultural development	Paid by employer	20 percent lump sum deduction Exemptions for companies and agro-industrial companies operating in CNO zones—to be brought down to 75% for 2016 and 2017	Local staff 1.5% Expatriates 1.5%																				
1.2.2.3 Apprenticeship tax (<i>Taxe d'apprentissage</i>)	Annual tax payable by employers on total wages and salaries paid to staff in cash or in kind		Local staff 1.5% Expatriates 1.5%																				
1.2.2.4 Additional tax for vocational training	Same as 1.2.2.3		Local staff 1,5% Expatriates 1,5%																				

APPENDIX II. CÔTE D'IVOIRE: SUMMARY OF THE TAX SYSTEM, 2011 (continued)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.3 Property taxes			
1.3.1 Tax on income from property (<i>Impôt sur le revenu foncier</i>)	Schedular tax levied on revenue derived from property	Buildings used for religious purposes, schools Buildings damaged or destroyed in April 2011	4%
1.3.2 Taxes on real property (patrimoine foncier)			
1.3.2 Tax on developed property (<i>Impôt sur le patrimoine foncier des propriétés bâties</i>)	Annual tax levied on perceived rental value of property (being rented)	Buildings used for religious purposes, schools Buildings damaged in April 2011 Exemptions for companies operating in CNO zone	Standard 15 % Partly exempted properties 9 % Primary residence 4 %
1.3.2.2 Tax on undeveloped property (<i>Impôt sur le patrimoine foncier des propriétés non-bâties</i>)	Annual tax levied on assessed market value of undeveloped urban property.	Exemptions for companies operating in CNO zone , and agro-industrial companies set up between 2010-12 (for a period of 10 years)	1,5% of market value
1.3.3. General tax (<i>Taxe de voirie, d'hygiène et d'assainissement</i>)	In principle, levied for the provision of public services.	Properties not exempt from property taxes	2% of rental value

APPENDIX II. CÔTE D'IVOIRE: SUMMARY OF THE TAX SYSTEM, 2011 (continued)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.4. Taxes on capital income			
1.4.1 Tax on income from securities (<i>Impôt sur le revenu des valeurs mobilières (IRVM)</i>)	Withholding tax on income from stocks and bonds	Interest on WAEMU bonds Income from equity in mutual societies or savings and credit cooperatives	<u>Category</u> % Standard rate 18 Distribution of profits by companies listed on the BRVM 10 Distribution of profits exempt from BIC 18 d'impôt sur le BIC Bonds (lots) 15 Certificate of deposits, 5 years or longer 2
1.4.2. Tax on interest income (<i>Impôt sur le revenu des créances</i>)	Withholding tax on interest	Interest on current accounts, commercial debt, interest on savings, and exemptions for CNO zones	<u>Category</u> Standard rate 8% Deposits (depending on length of deposit): Individuals : 1 to 13.5% Companies : 1 to 16.5% <u>Current accounts :</u> Individuals : 13.5% Companies : 16.5%

APPENDIX II. CÔTE D'IVOIRE: SUMMARY OF THE TAX SYSTEM, 2011 (continued)

Tax	Nature of Tax	Exemptions and Deductions	Rates																								
2. General tax on income																											
2.1. General income tax (<i>IGR déclaré par le détenteur du revenu</i>)	Annual tax on total net income of residents	Businesses subject to global tax (see 1.1.1), professions subject to reduced rates, senior citizens over 70 years old Deductible charges : interest on loans and debt, direct imports and associated taxes	<table border="0"> <thead> <tr> <th>Income range</th> <th>Rate (%)</th> </tr> </thead> <tbody> <tr> <td>1,000- 2,200,000</td> <td>2</td> </tr> <tr> <td>2,200,001-3,600,000</td> <td>10</td> </tr> <tr> <td>3,600,001-5,200,000</td> <td>15</td> </tr> <tr> <td>5,200,001-7,200,000</td> <td>20</td> </tr> <tr> <td>7,200,001-9,600,000</td> <td>24</td> </tr> <tr> <td>9,600,001-12,600,000</td> <td>26</td> </tr> <tr> <td>12,600,001- 20,000,000</td> <td>29</td> </tr> <tr> <td>20,000,001- 30,000,000</td> <td>32</td> </tr> <tr> <td>30,000,001- 40,000,000</td> <td>34</td> </tr> <tr> <td>40,000,001- 50,000,000</td> <td>35</td> </tr> <tr> <td>Greater than 50,000,000</td> <td>36</td> </tr> </tbody> </table>	Income range	Rate (%)	1,000- 2,200,000	2	2,200,001-3,600,000	10	3,600,001-5,200,000	15	5,200,001-7,200,000	20	7,200,001-9,600,000	24	9,600,001-12,600,000	26	12,600,001- 20,000,000	29	20,000,001- 30,000,000	32	30,000,001- 40,000,000	34	40,000,001- 50,000,000	35	Greater than 50,000,000	36
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40,000,001- 50,000,000	35																										
Greater than 50,000,000	36																										
OTHER DIRECT TAXES																											
2.1 Business license fee (<i>Contribution des patentes</i>)	Annual tax on any individual or company engaged in a trade, industry, or profession not expressly exempted	Permanent exemptions : schools, universities, financial institutions, NGOs Temporary exemptions for companies operating in CNO zones	Levy on turnover of 0.5% , plus a levy of 18.5% or 16.0% on the rental value of the business premises.																								

APPENDIX I. CÔTE D'IVOIRE: SUMMARY OF THE TAX SYSTEM, 2011 (continued)

Tax	Nature of Tax	Exemptions and Deductions	Rates
2.2 Alcohol license fee (<i>Contribution des licences</i>)	Annual levy on all wholesalers and retailers of alcoholic beverages.	Pharmaceutical products containing alcohol All retail outlets exempt from business license tax	12 000-320.000 CFAF, based on business type and area where activities take place
INDIRECT TAXES			
1.1 Value Added Tax (<i>taxe sur la valeur ajoutée</i>)	Based on turnover less purchases	Butane, livestock feed, books, medicines, fertilizers, seeds, and temporary measures including activities in CNO zones	<i>Standard</i> : 18% <i>Reduced</i> : 9% on milk and pasta <i>Others</i> : 21,31% on tobacco and cigarette distribution
OTHER INDIRECT TAXES			
1.1 Excise tax on petroleum products (Taxe spécifique unique (<i>TSU</i>))	Besides the VAT and customs duty on imports, specific taxes are also applied to petroleum products		<u>Tax per litre (CFAF)</u> Super-gasoline 220 Regular gasoline 210 Diesel 120 Kerosene 25 Mineral oils 25 Jetfuel 0 Aircrafts Exempt <u>Tax per kilo (CFAF)</u> Distillate Diesel oil (DDO) 115 DDO ad exempted 70 Light fuel oil 50 Heavy fuel oil 50 Thick greases 20 Heating oil 50

APPENDIX II. CÔTE D'IVOIRE: SUMMARY OF THE TAX SYSTEM, 2011 (continued)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.2 Tax on water (<i>Taxe spéciale sur la consommation d'eau</i>)	Tax earmarked to support the water sector, It is collected through the same channels as VAT.		<u>Category : (CFAF)</u> Social 0 Domestic 27 Standard 165 Industrial 221 Administrative 108
1.3 Alcoholic beverages (<i>Taxe spéciale sur les boissons</i>)	Ad-valorem tax		<u>On the prices</u> % Champagne 25 Premium wines 30 Sparkling wine 30 Standard wine 25 Beer and cider 13 Other alcoholic beverages (-35°) 35 Other alcoholic beverages (+35°) 45 Non-alcoholic beverages 7
1.4 Tobacco	Ad-valorem tax		23-35% percent of cost price
Other specific taxes			
2.1 Advertising			3% of turnover
2.2 Insurance (Contrats d'assurances)	Levied on insurance premiums		<u>Category</u> % Maritime and aviation 7.0 Fire 25.0 Annuities 5.0 Export credits 0.1 Automobile insurance 14.5 Health insurance 3 to8 Other 14.5

APPENDIX II. CÔTE D'IVOIRE: SUMMARY OF THE TAX SYSTEM, 2011 (continued)

Tax	Nature of Tax	Exemptions and Deductions	Rates
STAMP DUTIES			
1.1 Vehicle registration fee (<i>Vignettes</i>)			Two wheels : 3.500-12.000CFAF More than two wheels : 13.500-250.000 CFAF Pleasure crafts: 30000 – 300000 CFAF Administrative vehicles :5000 ou 10000 CFAF
1.2 Stamp duty	Levied on i) stamped paper ii) negotiable instruments iii) receipts		i) Fixed levy of 1.000 — 4.000 +CFAF ii) Proportional levy of 0.25—1 % iii) 0 à 5000 FCFA: exempt, then varies between 100 – 5000 CFAF
OTHER TAXES			
1.1 Forestry taxes (<i>Taxes forestières</i>)			Logging : 600 - 3000 CFAF/m ³ Logging area tax : 100 CFAF per hectare/year Concession rights : 300 CFAF per hectare Reforestation : 200 CFAF per hectare General interest : 1 000 000 CFAF per sawmill
1.2 Outstanding bank loans (<i>Encours de crédits bancaires</i>)	Quarterly tax on outstanding bank loans (Non transferrable to client)	Loans made to Treasury and Local authorities, interbank loans, CNO zones and post-April 2011 exemptions	0,2% of the outstanding bank loans on the last day of each quarter.

APPENDIX II. CÔTE D'IVOIRE: SUMMARY OF THE TAX SYSTEM, 2011 (continued)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.3 Airport tax (<i>Taxe d'embarquement</i>)		Those benefiting from free flights	Domestic flights : 4 000 CFAF CEDEAO flights: 6 000 CFAF Other destinations : 8 000 CFAF
1.4 Gambling (<i>Prélèvement additionnel sur les jeux de casino</i>)	Administrative fees		5% of monthly net-of-tax turnover of casinos
1.5 Other (<i>Prélèvement au profit de la promotion de la culture</i>)	Administrative fees		0,2% of monthly turnover of telephone operators
1.6 Other (<i>Taxe pour le développement des technologies en zones rurales</i>)	Administrative fees		1% of monthly turnover of telephone operators
1.7 Urban transport tax (<i>Taxe de transport urbain</i>)	Paid by public and private transport providers.		20,000F-150,000F depending on base of operation and number of inhabitants in the area.
1.8 Equipment tax (<i>Taxe spéciale d'Equipement</i>)	Paid by companies not-exempt from taxation	Sales of petroleum products, except those involving SIR	Standard : -0,08% of net-of-tax turnover Specific : -0,04% on the activities of SIR
1.9 Tobacco surcharge for sport (<i>Taxe spéciale sur le tabac pour le développement du sport</i>)	Paid by manufacturers, importers and retailers		Cigars and cigarettes : 5% of net-of-tax retail price 2,5% – 10% for others
1.10 Firearms license fee (<i>Redevance sur les armes à feu et à air comprimé</i>)	Annual fee	Police force, army, traders, when arms intended for sale, « fusils d'honneur » given by the government	1,500 – 5,000 CFAF depending on type

APPENDIX II. CÔTE D'IVOIRE: SUMMARY OF THE TAX SYSTEM, 2011 (continued)

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.11 Merchandise transportation (<i>Taxe spéciale sur les transports privés de marchandises</i>)	Excise tax collected in the same way as a business license tax	Vehicles not operating on public roads, plate numbering begins with W, government fleet	24,000 CFAF per vehicle not exceeding 3 tons, plus 1000 CFAF for each additional ton or fraction thereof.
1.12 Timber surcharge for forest development (<i>Taxe spéciale pour la préservation et le développement forestier</i>)	Fixed per meter cube of wood that can be used and sold depending on quality of essential oils		200 – 500 CFAF per meter cube depending on categorization of essential oils.
1.13 Tobacco surcharge for AIDS (<i>Taxe de solidarité et de lutte contre le SIDA</i>)	Paid by manufacturers and importers of tobacco.		2% of retail price excluding taxes
1.14 Scrap metal export tax (<i>Taxe sur l'exploitation de la ferraille et des sous produits ferreux</i>)	Imposed on exporters of scrap metals and by-products		100, 000 CFAF per tone
OTHER			
2.1 Prepayment of informal sector income tax (<i>Acompte de l'impôt sur le revenu du secteur informel (AIRSI)</i>)	Prepayment of the IGR withheld at source (sales or imports).	Sales to agricultural purchasing or production cooperatives, individual farmers and herders, artisanal fishermen; mining research companies engaged in exploration; and temporary admission prior to export all exempt	5 percent of sale price or c.i.f. customs value; 2.5 percent and 0.2-1.5 percent, on certain widely consumed products and products with small profit margins
2.2 Prepayment of income tax by informal sector operators (<i>Acompte d'impôt sur le revenu des prestataires du secteur informel</i>)	Withheld at source on individuals and companies subject to taxes.		5% of the gross amount collected by the operators in the informal sector

APPENDIX II. CÔTE D'IVOIRE: SUMMARY OF THE TAX SYSTEM, 2011 (concluded)

Tax	Nature of Tax	Exemptions and Deductions	Rates
REDUCED RATES			
3.1 Global tax (<i>Impôt synthétique</i>)	Entities with a turnover of more than 5 millions but less than 50 millions (commercial activities) or 25 millions (services)	Individuals and entities subject to the standard rates	245 700 – 3 920 000 CFAF per annum (paid on a monthly basis)
3.2 Tax on small traders and artisans (<i>Taxe forfaitaire des petits commerçants et artisans</i>)	Lump-sum tax on informal sector operators.	Street vendors, sellers of newspaper, cigarettes, matches, flowers, fruits, vegetables, colas, fish, eggs et other edibles, except any other drinks	Subject to base of operation— can be paid on a daily or monthly basis Daily (CFAF): Abidjan : 30 – 50 Outside Abidjan : 15 – 20 Monthly : Abidjan : 1500 – 5000; 7000 – 12000 Outside Abidjan : 1 000 – 4 000; 5000 – 10000 Third category : 2500
Registration duties			
Duty on certificates (<i>Droits sur les actes</i>)			Varies according to the type and nature of operations Flat rates of 2.000 to 90.000 CFAF, plus a proportional tax ranging from 0.20% to 40% for certain transactions.
Duty on property/goods transfers (<i>Droits de mutations</i>)			Varies according to the type and nature of operations Flat rate of 18,000 CFAF, plus, a proportional tax ranging from 1.5% to 45% for certain transactions

INTERNATIONAL MONETARY FUND
INTERNATIONAL DEVELOPMENT ASSOCIATION

CÔTE D'IVOIRE

**Joint Debt Sustainability Analysis Under the Debt Sustainability Framework for
Low-Income Countries¹**

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

Approved by Roger Nord and Thomas Dorsey (IMF)
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October 20, 2011

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

I. BACKGROUND

1. **The last DSA for Côte d'Ivoire,² considered by the Board in July 2011 in the context of the RCF request, assessed Côte d'Ivoire as being in debt distress.³ That**

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

² The last DSA can be found here: <http://www.imf.org/external/pubs/cat/longres.aspx?sk=25069.0>.

³ The DSAs presented in this document are based on the low-income countries (LIC) DSA framework. Under the Country Policy and Institutional Assessment (CPIA), Côte d'Ivoire is rated as a weak performer with an average rating of 2.72 in 2008–10, and the DSA uses the indicative threshold indicators for countries in this category. See “Debt Sustainability in Low-Income Countries: Proposal for an Operational Framework and Policy Implications” (<http://www.imf.org/external/np/pdr/sustain/2004/020304.htm> and IDA/SECM2004/0035, 2/3/04) and “Debt Sustainability in Low-Income Countries: Further Considerations on an Operational Framework, Policy Implications” (<http://www.imf.org/external/np/pdr/sustain/2004/091004.htm> and IDA/SECM2004/0629, 9/10/04) and “A Review of Some Aspects of the Low-Income Country Debt Sustainability Framework” (<http://www.imf.org/external/np/pp/eng/2009/080509a.pdf>) and “Staff Guidance Note on the Application of the Joint Bank-Fund Debt Sustainability Framework for Low-Income Countries” (<http://www.imf.org/external/np/pp/eng/2010/012210.pdf>).

assessment is unchanged in this DSA, although the present analysis finds slightly improving debt dynamics over the next five years as Côte d'Ivoire is expected to negotiate a new Paris Club agreement, following the approval of the proposed new ECF arrangement with the Fund.⁴ The Paris Club agreement would allow the clearance of external debt service arrears accumulated since December 2010, and provide debt relief on existing debt service falling due during the consolidation period (Box 1).

Box 1: What Has Changed Compared to the LIC DSA of July 2011?

The main differences between the assumptions made in the previous DSA undertaken at the time of the approval of the 2011 RCF disbursement and present DSA are:

- A new ECF arrangement is assumed in the baseline and alternative scenarios, with access of 120 percent of quota. Previously, a new ECF arrangement was included only in the alternative scenarios.
- A new Paris Club agreement in the baseline as well as other scenarios; previously, a new Paris Club agreement was included only in the alternative scenarios.
- This agreement would cover debt service falling due during 2012–14 and arrears at end-2011. It is assumed that terms of the agreement would be similar to those under the May 2009 Paris Club agreement. Comparable terms are assumed for other creditors. The third year (April 2011–March 2012) of the May 2009 agreement did not come into force because of the lapse of the program under the 2009 ECF arrangement.
- New external debt service arrears have been accumulated since December 2010 as a result of the political crisis (December 2010–April 2011) and its economic impact. The government cleared arrears to the World Bank and AfDB and other multilateral creditors during May–July 2011, and has contacted other creditors to reach agreement on a restructuring of arrears and resumption of debt service falling due.
- An adjusted baseline scenario was introduced with more realistic new financing assumptions than the baseline, i.e., it assumes nonconcessional borrowing in amounts similar to the alternative scenarios presented in section IV, and thus shows more clearly the effect of debt relief than a comparison to the baseline scenario.

2. **External public and publicly guaranteed (PPG) debt has fallen due to debt restructuring.** At end-2008, Côte d'Ivoire's external public debt stood at \$13.4 billion (62 percent of GDP) of which \$5 billion was in arrears, but by end-2010, this debt had fallen to \$11.6 billion (51 percent of GDP or just over 80 percent of total public debt) and arrears had dropped to \$0.3 billion. This reflected arrears clearance under the May 2009 Paris Club restructuring agreement and the successful Brady Bond exchange in April 2010.

⁴ Côte d'Ivoire Staff Report for the 2011 Article IV Consultation and Requests for a Three-Year Arrangement Under the Extended Credit Facility and for Additional Interim Assistance Under the Enhanced Initiative for Heavily Indebted Poor Countries (www.imf.org).

Côte d'Ivoire: Structure of External Public Debt

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

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

3. **Domestic public debt is owed to various creditors.** At June 2011, the stock of public domestic debt amounted to 14.5 percent of GDP, mostly consisting of government securities (8.9 percent of GDP) issued in the regional bond market or to settle past domestic arrears.

II. BASELINE ASSUMPTIONS

4. **The macroeconomic assumptions of the baseline scenario are similar to those of the last LIC DSA, except for the treatment of the debt to the Paris Club (Box 2).** The baseline assumes further political stabilization, sound macroeconomic management, prudent borrowing policies, and advancement in structural reforms over the medium term. It also assumes a high level of new borrowing to finance the high level of investment needed to achieve the long-run growth potential of Côte d'Ivoire. The ability of the country to access the volume of external resources needed, however, would be greater with attainment of the HIPC Completion Point as discussed in the alternative scenarios.

Box 2. Macroeconomic Assumptions for 2011–31

Real GDP growth: The post-election crisis of 2010–11 reduced real GDP growth to 2.4 percent in 2010, and is expected to result in a real GDP decline of -5.8 percent in 2011. Investor confidence is assumed to rise with political normalization over the next few years. Growth is expected to reach 8.5 percent in 2012, and average 5.7 percent over 2013–16 and 5 percent over 2017–31 in line with the PRSP projections.

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

Fiscal policy: In the medium term, the government expects to achieve a primary basic surplus of 0.7 percent of GDP. Total revenues (excluding grants) are projected to increase to 20.3 percent of GDP in 2016 and 22.5 percent of GDP by 2031. Government expenditures are projected to increase to 23.9 percent of GDP in 2016 and 25.3 percent of GDP by 2031. Capital spending would rise gradually from 3.1 percent in 2010 to 6.4 percent of GDP in 2016 and 8.4 percent of GDP in 2031.

External financing: The current DSA assumes similar levels of new financing as in the June 2011 LIC DSA to support the higher investments need and the assumed growth rate. For the baseline scenario only concessional borrowing is assumed in the absence of a HIPC Completion Point. Grants are expected to stabilize at 1.0 percent of GDP.

External current account: The balance (excluding official transfers) is expected to decline from a surplus of 0.4 percent of GDP in 2010 to a deficit of 5.3 percent of GDP in 2016. The deficit would reach 6.5 percent in 2031, with an average of 4.4 percent of GDP over the period 2017–31. After declining in 2010, export volumes are expected to further decrease in 2011, and then increase on average by 5.7 percent per year thereafter. Import volumes are expected to grow annually by 6.2 percent, after a decline in 2010 and further expected decline in 2011. Import dynamics reflect essentially the higher levels of investment.

The debt service falling due and arrears to official bilateral creditors and commercial creditors are assumed to be restructured in 2012, as described in Box 1. **FDI is assumed to rise gradually over the projection period in the face of structural rigidities.** Net inflows of FDI are projected to rise from 1.5 percent of GDP in 2010 to 2.9 percent in 2016, and 4.2 percent in 2031.

- **Growth is expected to accelerate sharply.** Following the severe downturn in 2011 owing to the impact of the post-election crisis during late 2010-early 2011, economic activity is assumed to return to pre-crisis levels in 2012. This assumes investor confidence returns as the economy continues to recover following the post-election crisis, re-establishment of law and order, political normalization and successful parliamentary elections at end-2011. The economic stagnation of the last 10 years has created substantial investment needs in infrastructure and many other sectors. Meeting these needs would, amongst other factors, require access to sizeable external borrowing, as well as an increase in FDI. Public and private investment is thus projected to pick up and support growth. The growth rate is projected to increase to 8.5 percent in 2012, then ease

gradually to 5.2 percent in 2016, before stabilizing around 5 percent in the long run.⁵ The long-run assumption reflects the strategic economic role of Côte d'Ivoire in the West African region, the growth prospects of other countries in the region, and the potential of the country. The productivity of the new investments (essentially financed by new borrowing) will affect the capacity of the country to repay its debt and the sustainability of its debt position.

- **A new Paris Club agreement is assumed covering the period 2012–14.** This would provide additional debt relief not assumed in the baseline scenario in the June 2011 LIC DSA. In the June DSA a new Paris Club agreement was included only in the alternative scenarios.
- **Only concessional external financing is assumed.** In the absence of a HIPC Completion Point, Côte d'Ivoire would remain at high risk of debt distress and the country should not borrow on nonconcessional terms. Therefore, the sizeable external financing needs are assumed to be filled only with concessional resources. Access to such funding would be difficult, however, absent a HIPC Completion Point and the persistence of debt vulnerabilities.

III. EXTERNAL DEBT SUSTAINABILITY UNDER THE BASELINE SCENARIO

5. **Under the baseline scenario, some of Côte d'Ivoire's external debt burden indicators remain above their indicative thresholds** in the medium term (Table 1a, Figure 1). The PV of public and publicly guaranteed (PPG) external debt, estimated at 46.6 percent of GDP in 2010, stays above the 30 percent indicative target until 2015. Compared to the last LIC DSA however, the levels of PPG external debt are much lower through 2014, reflecting the debt relief from the assumed new Paris Club agreement. As in the last DSA all new borrowing is assumed to be on concessional terms. The availability of concessional resources on the scale assumed in baseline is not necessarily assured underlining the importance of debt relief, including under the HIPC Initiative, to create space for new borrowing on nonconcessional terms so that Côte d'Ivoire could achieve its medium-term investment and growth objectives. The PV of PPG external debt-to-revenue ratio moves below the 200 percent indicative threshold in 2013, and the PV of external debt-to-exports moves below its indicative target from 2011 (as compared to 2012 under the June 2011 LIC DSA) reflecting lower levels of external debt in 2012.

6. **Debt service ratios remain below their indicative targets due to high export and revenue levels, as well as lower debt service, following the assumed new Paris Club agreement.** However, they would rise modestly from their current levels in the medium term, then decline before stabilizing at their long-term levels. The dynamics of the debt

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

service ratios reflect three factors: (i) the end of the consolidation period under the new Paris Club agreement and the subsequent rise in debt service after 2014; (ii) the profile of debt service on the Eurobonds, which begins to rise in 2012 for several years; and (iii) the start of debt service payments on the emergency 2011 loan from France.

7. **Stress tests⁶ reveal considerable vulnerabilities of the external debt outlook in the baseline scenario** (Table 1b, Figure 1). The tests yield high levels of debt and debt service compared to the baseline scenario. The country is most vulnerable to a one-time 30 percent devaluation in 2012; this shock would raise the PV of debt-to-GDP, the PV of debt-to-revenue and the debt-service-to revenue ratio relative to their baseline by 10, 44, and 3 percentage points, respectively by the end of the projection period. If non-debt creating flows (transfers/grants) were one standard deviation lower in 2012–13, the PV of debt-to-exports would be higher than the baseline value by 7 percentage points at the end of the projection period.

IV. PUBLIC SECTOR DEBT SUSTAINABILITY

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

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

V. EXTERNAL DEBT SUSTAINABILITY UNDER ALTERNATIVE SCENARIOS WITH FURTHER DEBT RELIEF

A. Assumptions of the Alternative Scenarios

10. **Staff has examined three alternative scenarios: first, a baseline with an alternative composition of new financing (adjusted baseline); second, HIPC and MDRI relief; and third, HIPC/MDRI, as well as additional bilateral relief beyond**

⁶ The sensitivity analysis of Côte d'Ivoire's external debt vulnerability includes setting key macroeconomic variables at their historical levels. However, given the distortions in trend caused by the civil conflict, the analysis is based on regional averages and standard deviations for all relevant indicators. In addition to the historical scenario, the sensitivity analysis includes standard tests on new public borrowing on less favorable terms, a one-time 30 percent nominal depreciation of the CFAF in 2012, a reduction in official and private transfers, in GDP growth, in GDP deflator, and in exports.

HIPC/MDRI.⁷ A comparison of the adjusted baseline and the latter two alternative scenarios demonstrates clearly the impact of debt relief, by eliminating the influence of a shift in the composition of financing (relative to the original baseline) on the debt ratios. Côte d'Ivoire is projected to reach the HIPC Completion Point by the third quarter of 2012, assuming the country maintains a good macroeconomic track record, has a new ECF arrangement in place in late 2011, and the structural reform program remains on track.

11. **The alternative scenarios assume the same level of new borrowing as the baseline, but assume that concessional resources are available only on a much smaller scale.** In the baseline, the level of access to concessional borrowing is assumed to be at a fairly high level because, in the absence of the debt relief expected when Côte d'Ivoire reaches the enhanced HIPC Initiative Completion Point, it would not have the debt servicing capacity to access nonconcessional resources. However, under the alternative scenarios, after completion point debt relief Côte d'Ivoire should have space for new borrowing, including on nonconcessional terms, in order to finance its sizeable investment needs. Therefore, the alternative scenarios assume a much lower level of borrowing from concessional resources and a rising recourse to nonconcessional borrowing starting 2013, with shorter maturity (6 years) and grace periods (1 year) and higher interest rates.⁸ At the same time, the sustained growth projected in the next few years would push the country to middle-income status; as a result, IDA lending terms would harden (essentially 20 instead of 40 years maturity). In effect, the expected improvement in the debt position after completion point debt relief would strengthen the country's ability to access sufficient resources (including on nonconcessional terms) to finance its sizeable investment needs and hence provide greater certainty that the projected growth rate would be achieved.

B. Impact of the Alternative Scenarios on Debt Sustainability for Côte d'Ivoire

12. **Côte d'Ivoire's external debt position would improve significantly when HIPC and MDRI debt relief is obtained (Figure 3).** Debt stock ratios would immediately fall and then remain below their critical levels, notwithstanding sizeable commercial borrowing.⁹

⁷ Provided by official bilateral creditors; the bulk of claims are held by the French development assistance agency (AFD). The projected relief is based on treatments provided in other HIPC Completion Point cases. In the case of the AFD, it is assumed that debt relief on post-cutoff date ODA debt will come in the form of aid for development under the *C2D (contrat de désendettement et de développement)*. Under this treatment Côte d'Ivoire would continue to pay debt service on an agreed schedule, which would then be returned as a grant to be used for development projects. It is assumed that the stock of eligible debt is repaid over 15 years in equal tranches.

⁸ The grant element of new borrowing is negative under the alternative scenarios (Figure 3a.), as the interest rate on commercial borrowing (8 percent) is higher than the discount rate (4 percent).

⁹ Although only concessional borrowing is assumed under the baseline, the debt stock ratios under the baseline scenario are above those of the alternative scenarios in the long run because with longer maturities and grace periods under the baseline, the repayment of new borrowing starts much later.

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

VI. PUBLIC DEBT MANAGEMENT

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

VII. CONCLUSIONS

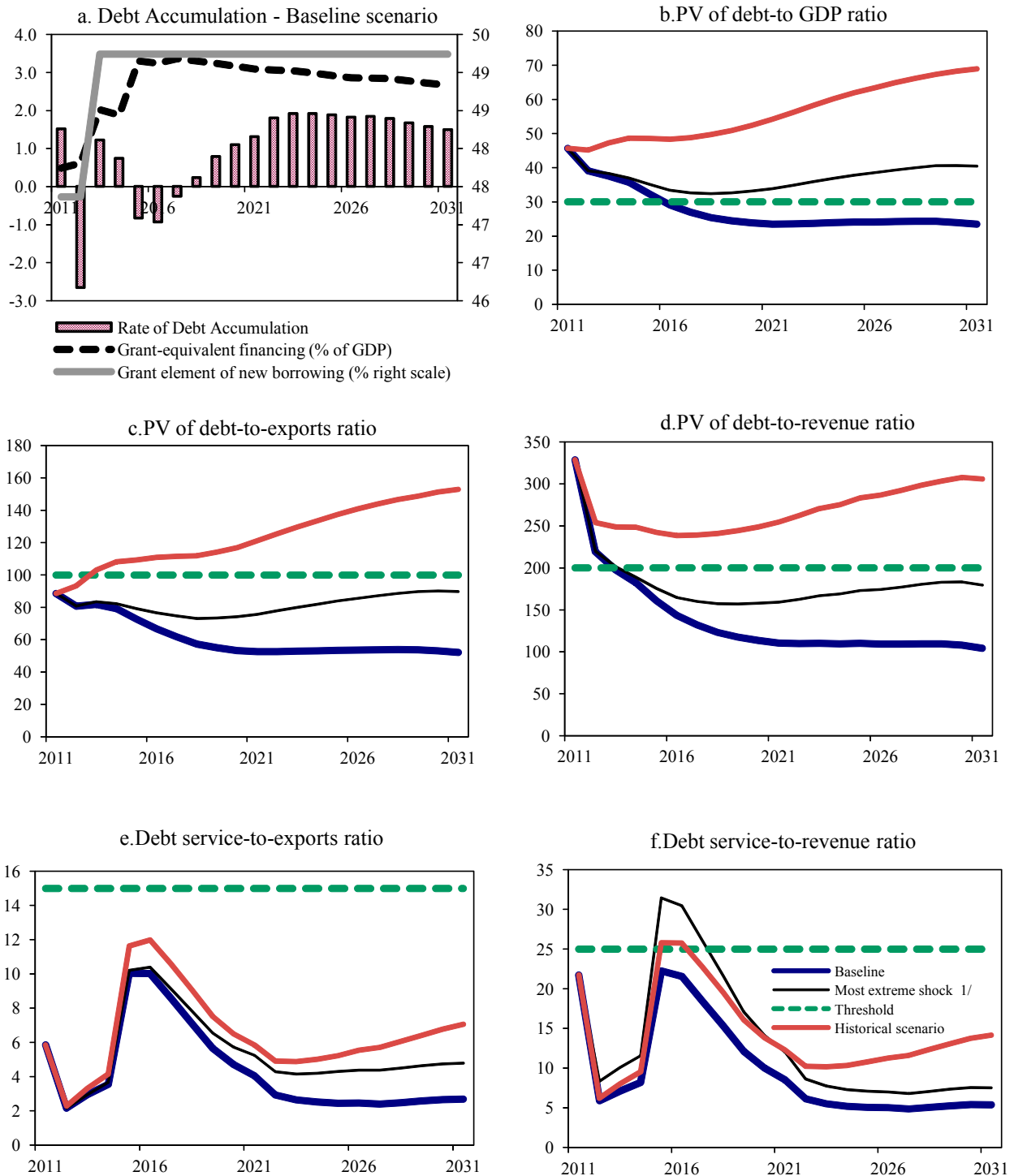
15. **Côte d'Ivoire is in debt distress as evidenced by the accumulation of external debt service arrears, despite improvements in the debt position of the country since the decision point.** Under the external debt sustainability analysis (DSA) baseline scenario, the PV of debt-to-GDP, the PV of debt-to-exports,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

16. **A sustainable external debt position can be achieved through debt relief and sound macroeconomic policies.** Debt relief under the HIPC Initiative, MDRI and beyond HIPC bilateral assistance significantly improves Côte d'Ivoire's external debt burden in the short and medium term. It also provides space for Côte d'Ivoire to access some nonconcessional financing, increasing its ability to address its significant public investment needs and improving its growth prospects. However, the projected increase in debt service immediately after the Completion Point highlights the need for careful cash flow planning in budget execution and improved debt management, so as to avoid new payment arrears and preserve the steady financing of programs critical for growth and poverty reduction. Côte d'Ivoire remains vulnerable to various macroeconomic shocks. This highlights the need to pursue policies conducive to high growth, solid exports, good fiscal performance, and prudent debt management.

17. **The Ivoirien authorities welcomed the opportunity to contribute to the DSA.**¹⁰ They raised concerns about the ability of the country to mobilize and absorb the foreign resources necessary to fulfill the large investments needed to support the country's growth objectives. They appreciated the DSA as a tool to highlight the post-completion point challenges that Côte d'Ivoire is likely to face: increased debt service and the large investments/financial flows needed to sustain the projected growth.

¹⁰ Preliminary results were discussed with the authorities in Abidjan, in September 2011. Staffs of the International Monetary Fund, the World Bank, and the African Development Bank took part in the discussions.

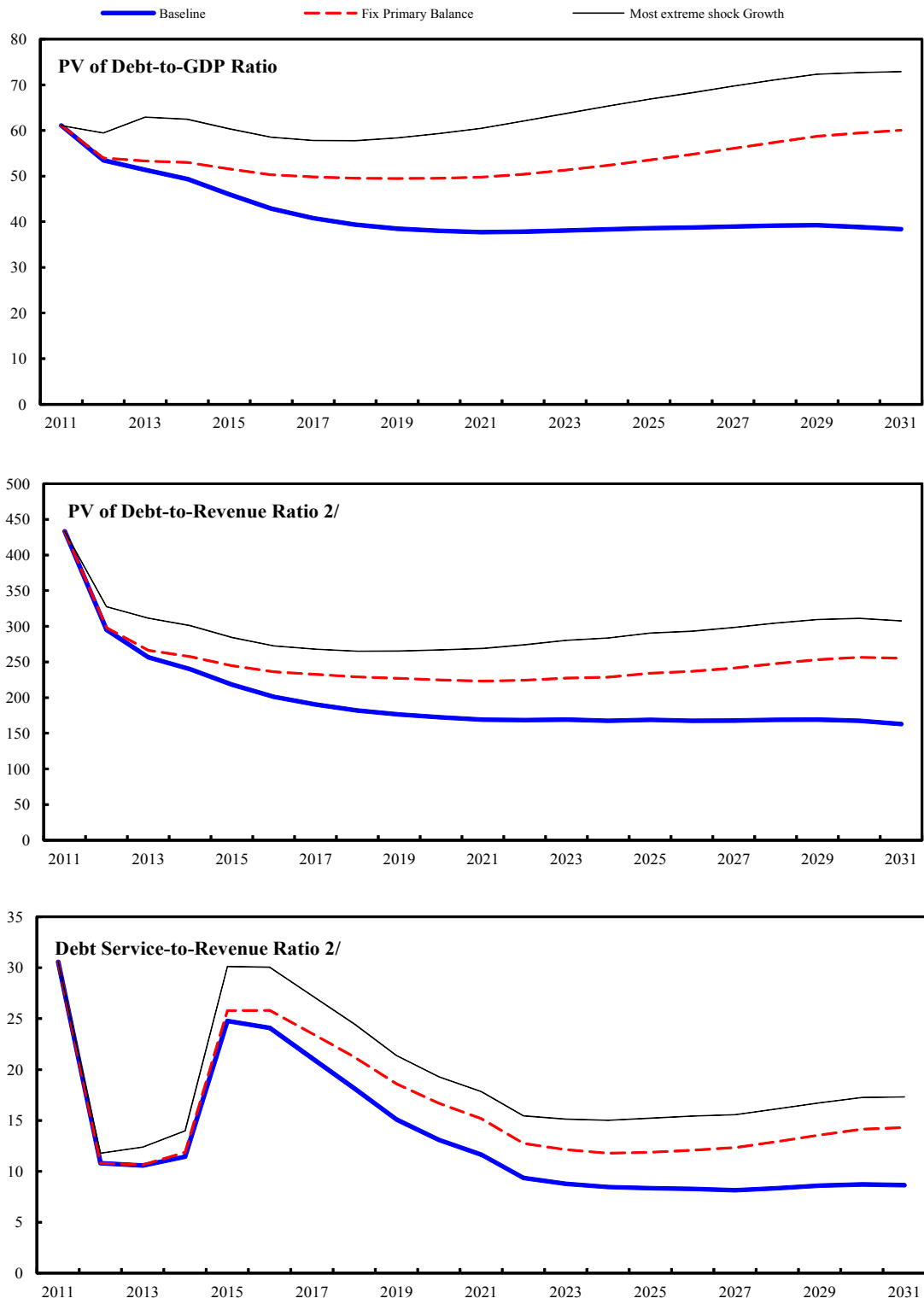
Figure 1. Cote d'Ivoire: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2011-2031 1/



Sources: Countries authorities; and staff estimates and projections.

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

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

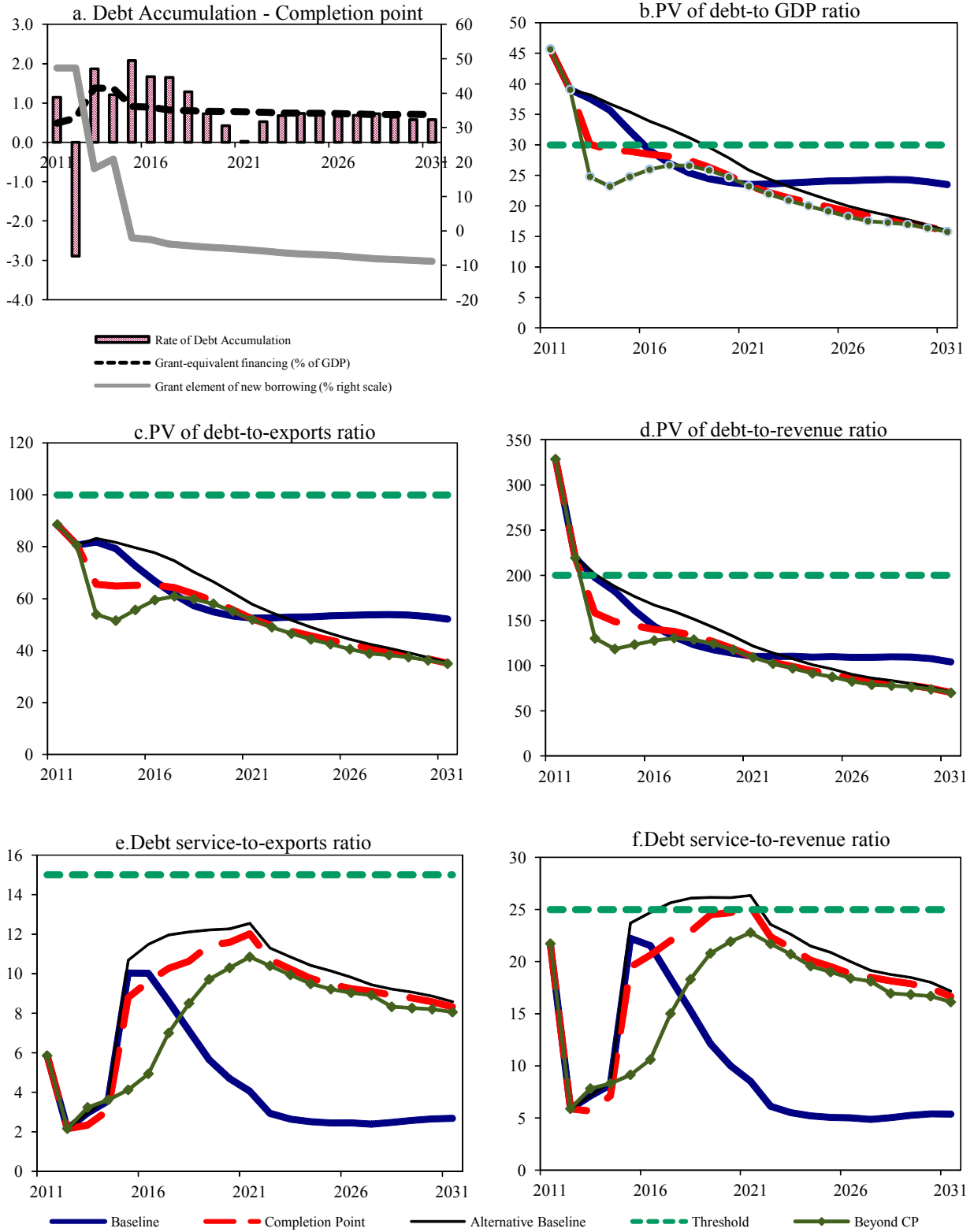


Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2021.

2/ Revenues are defined inclusive of grants.

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



Sources: Country authorities; and staff estimates and projections.

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

	Actual			Historical Average	0 Standard Deviation	Projections												
	2008	2009	2010			2011	2012	2013	2014	2015	2016	2011-2016 Average	2021	2031	2017-2031 Average			
External debt (nominal) 1/	89.4	81.2	76.7			73.6	63.1	60.1	56.5	53.4	50.4							
o/w public and publicly guaranteed (PPG)	61.9	53.9	50.6			49.0	41.3	40.0	38.1	36.6	35.1					36.0	39.6	
Change in external debt	-8.6	-8.2	-4.6			-3.1	-10.5	-3.1	-3.5	-3.1	-3.0					-0.4	-1.1	
Identified net debt-creating flows	-19.2	-4.5	-4.2			1.9	-5.7	-1.4	-0.9	-0.4	-0.2					0.2	0.1	
Non-interest current account deficit	-4.5	-8.9	-2.8	-5.5	2.7	-3.3	-0.1	2.2	2.9	3.1	3.5					4.6	5.9	5.0
Deficit in balance of goods and services	-7.5	-11.8	-7.3			-7.8	-5.1	-2.1	-1.3	-0.6	-0.3					-1.3	-6.5	
Exports	48.7	50.9	51.5			51.6	48.4	45.9	45.0	44.5	43.6					44.7	45.1	
Imports	41.2	39.0	44.1			43.8	43.3	43.8	43.7	43.8	43.3					43.4	38.5	
Net current transfers (negative = inflow)	1.4	0.4	1.9	2.5	1.1	2.6	2.5	2.3	2.2	2.1	2.1					4.0	10.9	6.1
o/w official	-1.1	-2.2	-0.8			0.0	-0.1	-0.1	-0.1	-0.1	-0.1					-0.1	-0.2	
Other current account flows (negative = net inflow)	1.6	2.5	2.6			1.9	2.5	1.9	2.0	1.6	1.7					1.9	1.5	
Net FDI (negative = inflow)	-1.9	-1.7	-1.5	-1.8	0.4	-1.5	-1.5	-2.0	-2.2	-2.6	-2.9					-3.3	-4.2	-3.6
Endogenous debt dynamics 2/	-12.8	6.1	0.1			6.6	-4.0	-1.6	-1.6	-0.9	-0.8					-1.1	-1.5	
Contribution from nominal interest rate	2.6	2.1	1.8			2.3	1.6	1.9	1.7	2.0	1.8					1.1	0.5	
Contribution from real GDP growth	-1.9	-3.5	-1.9			4.3	-5.6	-3.6	-3.3	-2.9	-2.6					-2.1	-2.0	
Contribution from price and exchange rate changes	-13.4	7.5	0.3			...	...	...	...	...	...					...	...
Residual (3-4) 3/	10.5	-3.7	-0.4			-5.0	-4.8	-1.6	-2.6	-2.7	-2.8					-0.6	-1.2	
o/w exceptional financing	-1.1	-5.3	-2.6			-0.1	0.0	0.0	0.0	0.0	0.0					0.0	0.0	
PV of external debt 4/	...	...	72.7			70.3	60.9	57.6	54.1	49.1	44.5					33.1	26.3
In percent of exports	...	...	141.2			136.3	125.7	125.5	120.2	110.5	102.0					74.0	58.4
PV of PPG external debt	...	...	46.6			45.7	39.0	37.6	35.7	32.3	29.1					23.5	23.5
In percent of exports	...	...	90.6			88.6	80.6	81.8	79.3	72.6	66.8					52.5	52.1
In percent of government revenues	...	...	243.3			328.6	219.3	197.5	182.2	160.9	143.6					110.4	104.3
Debt service-to-exports ratio (in percent)	7.2	-4.3	-0.2			6.0	1.6	2.3	3.2	9.4	8.7					2.4	0.9	
PPG debt service-to-exports ratio (in percent)	8.4	4.6	3.6			5.9	2.2	2.9	3.6	10.0	10.0					4.1	2.7	
PPG debt service-to-revenue ratio (in percent)	21.6	12.3	9.5			21.7	5.9	7.1	8.2	22.3	21.6					8.5	5.4	
Total gross financing need (Billions of U.S. dollars)	0.4	-1.8	0.0			0.6	0.8	1.3	1.6	2.5	2.5					2.0	2.6	
Non-interest current account deficit that stabilizes debt ratio	4.2	-0.7	1.7			-0.2	10.4	5.2	6.4	6.2	6.5					5.0	6.9	
Key macroeconomic assumptions																		
Real GDP growth (in percent)	2.3	3.8	2.4	1.1	1.7	-5.8	8.5	6.0	6.0	5.5	5.2				4.2	5.0	5.0	5.0
GDP deflator in US dollar terms (change in percent)	15.9	-7.8	-0.3	7.3	8.6	11.1	2.4	1.1	1.3	2.0	2.3				3.3	2.1	3.1	2.2
Effective interest rate (percent) 5/	3.1	2.2	2.3	3.6	1.3	3.2	2.4	3.3	3.0	3.8	3.6				3.2	2.5	1.2	2.1
Growth of exports of G&S (US dollar terms, in percent)	20.9	-0.1	3.2	11.2	9.6	4.8	4.3	1.6	5.2	6.3	5.6				4.6	7.0	8.2	7.5
Growth of imports of G&S (US dollar terms, in percent)	16.5	-9.4	15.4	11.8	11.1	3.7	10.1	8.3	7.1	7.9	6.4				7.3	5.4	6.7	6.5
Grant element of new public sector borrowing (in percent)	47.4	47.4	49.2	49.2	49.2	49.2				48.6	49.2	49.2	49.2
Government revenues (excluding grants, in percent of GDP)	18.9	18.9	19.2			13.9	17.8	19.0	19.6	20.1	20.3					21.3	22.5	21.6
Aid flows (in Billions of US dollars) 7/	0.4	0.1	0.1			0.2	0.2	0.8	0.7	1.6	1.7					2.2	3.8	
o/w Grants	0.4	0.1	0.1			0.0	0.1	0.3	0.3	0.3	0.4					0.5	1.0	
o/w Concessional loans	0.0	0.0	0.0			0.1	0.1	0.5	0.4	1.2	1.3					1.7	2.8	
Grant-equivalent financing (in percent of GDP) 8/			0.5	0.6	2.0	1.9	3.3	3.2					3.1	2.7	3.0
Grant-equivalent financing (in percent of external financing) 8/			60.4	64.9	65.9	67.7	58.3	58.5					59.0	60.9	59.5
<i>Memorandum items:</i>																		
Nominal GDP (Billions of US dollars)	23.5	22.5	23.0			24.0	26.7	28.6	30.7	33.0	35.5					50.1	102.3	
Nominal dollar GDP growth	18.6	-4.3	2.1			4.6	11.1	7.2	7.3	7.6	7.6			7.6		7.2	8.3	7.3
PV of PPG external debt (in Billions of US dollars)	...	...	10.7			11.0	10.4	10.7	10.9	10.7	10.4					11.8	24.0
(PVt-PVt-1)/GDPt-1 (in percent)			1.5	-2.7	1.2	0.7	-0.8	-0.9			-0.2		1.3	1.5	1.4

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as $[r - g - \rho(1+g)] / (1+g+\rho+gp)$ times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Assumes that PV of private sector debt is equivalent to its face value.

5/ Current-year interest payments divided by previous period debt stock.

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

7/ Defined as grants, concessional loans, and debt relief.

8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

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

	Projections							
	2011	2012	2013	2014	2015	2016	2021	2031
PV of debt-to GDP ratio								
Baseline	46	39	38	36	32	29	23	23
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	46	45	47	49	49	48	54	69
A2. New public sector loans on less favorable terms in 2011-2031 2	46	39	38	37	35	33	34	40
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	46	41	40	38	35	31	25	25
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	46	40	39	37	33	30	24	24
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	46	43	46	44	39	36	28	29
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	46	41	42	40	36	33	27	25
B5. Combination of B1-B4 using one-half standard deviation shocks	46	45	46	44	40	36	29	28
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	46	55	53	50	45	41	33	33
PV of debt-to-exports ratio								
Baseline	89	81	82	79	73	67	53	52
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	89	93	103	108	109	111	121	153
A2. New public sector loans on less favorable terms in 2011-2031 2	89	81	83	82	79	77	76	90
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	89	80	81	79	72	66	52	52
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	89	84	87	84	77	71	56	54
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	89	80	81	79	72	66	52	52
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	89	85	92	89	82	76	60	55
B5. Combination of B1-B4 using one-half standard deviation shocks	89	81	79	76	70	64	50	49
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	89	80	81	79	72	66	52	52
PV of debt-to-revenue ratio								
Baseline	329	219	198	182	161	144	110	104
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	329	254	249	248	242	238	255	306
A2. New public sector loans on less favorable terms in 2011-2031 2	329	220	201	189	175	165	159	180
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	329	230	213	196	174	154	118	112
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	329	222	203	187	166	148	113	105
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	329	244	241	222	197	175	134	127
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	329	231	221	204	182	163	125	110
B5. Combination of B1-B4 using one-half standard deviation shocks	329	250	242	223	198	177	135	125
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	329	309	278	256	226	201	154	146

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

Debt service-to-exports ratio								
Baseline	6	2	3	4	10	10	4	3
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	6	2	3	4	12	12	6	7
A2. New public sector loans on less favorable terms in 2011-2031 2	6	2	3	4	10	10	5	5
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	6	2	3	4	10	10	4	3
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	6	2	3	4	10	10	4	3
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	6	2	3	4	10	10	4	3
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	6	2	3	4	10	10	4	3
B5. Combination of B1-B4 using one-half standard deviation shocks	6	2	3	3	9	9	4	3
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	6	2	3	4	10	10	4	3
Debt service-to-revenue ratio								
Baseline	22	6	7	8	22	22	9	5
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2011-2031 1/	22	6	8	10	26	26	12	14
A2. New public sector loans on less favorable terms in 2011-2031 2	22	6	7	8	23	22	11	10
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2012-2013	22	6	8	9	24	23	9	6
B2. Export value growth at historical average minus one standard deviation in 2012-2013 3/	22	6	7	8	22	22	9	5
B3. US dollar GDP deflator at historical average minus one standard deviation in 2012-2013	22	7	9	10	27	26	10	7
B4. Net non-debt creating flows at historical average minus one standard deviation in 2012-2013 4/	22	6	7	9	23	22	9	6
B5. Combination of B1-B4 using one-half standard deviation shocks	22	7	9	10	27	26	10	7
B6. One-time 30 percent nominal depreciation relative to the baseline in 2012 5/	22	8	10	12	31	30	12	8
<i>Memorandum item:</i>								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	46	46	46	46	46	46	46	46

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline, while grace and maturity periods are the same as in the baseline.

3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming an offsetting adjustment in import levels).

4/ Includes official and private transfers and FDI.

5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.

6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

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

	Actual			Average	Standard Deviation	Estimate					Projections				
	2008	2009	2010			2011	2012	2013	2014	2015	2016	2011-16 Average	2021	2031	2017-31 Average
Public sector debt 1/	75.3	66.5	66.4			64.4	55.7	53.8	51.8	50.3	48.8		50.2	54.5	
o/w foreign-currency denominated	61.9	53.9	50.6			49.0	41.3	40.0	38.1	36.6	35.1		36.0	39.6	
Change in public sector debt	-0.4	-8.8	0.0			-2.0	-8.7	-1.9	-2.0	-1.5	-1.5		0.6	-0.6	
Identified debt-creating flows	-3.0	-7.6	-1.0			3.6	-1.6	-0.3	-0.9	-1.0	-1.0		0.4	-2.4	
Primary deficit	-1.2	0.7	1.3	-0.1	0.9	4.3	3.5	2.0	1.5	0.9	0.9	2.2	2.5	0.6	
Revenue and grants	20.6	19.5	19.7			14.1	18.1	20.0	20.6	21.1	21.3		22.3	23.5	
of which: grants	1.7	0.6	0.5			0.2	0.3	1.0	1.0	1.0	1.0		1.0	1.0	
Primary (noninterest) expenditure	19.3	20.2	21.0			18.4	21.6	22.0	22.1	22.0	22.2		24.8	24.2	
Automatic debt dynamics	-0.6	-3.0	0.4			-0.5	-5.1	-2.3	-2.4	-2.0	-1.9		-2.0	-3.1	
Contribution from interest rate/growth differential	-2.4	-3.1	-1.3			4.8	-4.9	-2.4	-2.4	-1.7	-1.7		-1.3	-1.9	
of which: contribution from average real interest rate	-0.7	-0.4	0.3			0.7	0.1	0.8	0.6	1.0	0.8		1.1	0.7	
of which: contribution from real GDP growth	-1.7	-2.7	-1.6			4.1	-5.0	-3.2	-3.0	-2.7	-2.5		-2.4	-2.6	
Contribution from real exchange rate depreciation	1.9	0.1	1.6			-5.4	-0.2	0.1	0.0	-0.2	-0.2		...	...
Other identified debt-creating flows	-1.2	-5.3	-2.6			-0.1	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	-0.1	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	-1.1	-5.3	-2.6			-0.1	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	2.6	-1.2	0.9			-5.7	-7.1	-1.6	-1.1	-0.5	-0.5		0.2	1.8	
Other Sustainability Indicators															
PV of public sector debt	13.4	12.6	62.4			61.1	53.5	51.4	49.4	46.0	42.9		37.7	38.4	
o/w foreign-currency denominated	0.0	0.0	46.6			45.7	39.0	37.6	35.7	32.3	29.1		23.5	23.5	
o/w external	...	...	46.6			45.7	39.0	37.6	35.7	32.3	29.1		23.5	23.5
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...
Gross financing need 2/	3.5	3.6	4.2			8.6	5.4	4.1	3.8	6.1	6.0		5.1	2.7	
PV of public sector debt-to-revenue and grants ratio (in percent)	65.2	64.7	316.9			433.3	295.2	256.6	239.7	218.3	201.2		169.1	163.1	
PV of public sector debt-to-revenue ratio (in percent)	71.1	66.7	325.7			439.5	300.4	270.2	252.1	229.3	211.2		177.1	170.4	
o/w external 3/	...	...	243.3			328.6	219.3	197.5	182.2	160.9	143.6		110.4	104.3
Debt service-to-revenue and grants ratio (in percent) 4/	22.9	14.9	14.6			30.6	10.8	10.6	11.4	24.8	24.1		11.7	8.6	
Debt service-to-revenue ratio (in percent) 4/	25.0	15.3	15.0			31.0	11.0	11.1	12.0	26.0	25.3		12.2	9.0	
Primary deficit that stabilizes the debt-to-GDP ratio	-0.9	9.5	1.4			6.3	12.1	3.9	3.5	2.4	2.4		1.8	1.3	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	2.3	3.8	2.4	1.1	1.7	-5.8	8.5	6.0	6.0	5.5	5.2	4.2	5.0	5.0	
Average nominal interest rate on forex debt (in percent)	2.0	0.8	0.8	1.7	0.6	2.0	1.0	2.1	1.8	3.0	2.7	2.1	1.6	0.9	
Average real interest rate on domestic debt (in percent)	-1.6	3.0	2.9	0.8	1.9	0.8	1.4	3.7	3.7	3.9	3.6	2.9	3.7	2.7	
Real exchange rate depreciation (in percent, + indicates depreciation)	3.0	0.2	3.1	-3.2	9.5	-9.9	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	8.0	0.0	1.9	3.2	2.4	4.3	2.5	1.9	2.1	2.0	2.3	2.5	2.1	3.1	
Growth of real primary spending (deflated by GDP deflator, in percent)	0.0	0.1	0.1	0.0	0.1	-0.2	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
Grant element of new external borrowing (in percent)	...	...	...	...	...	47.4	47.4	49.2	49.2	49.2	49.2	48.6	49.2	49.2

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.

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

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

	Projections							
	2011	2012	2013	2014	2015	2016	2021	2031
PV of Debt-to-GDP Ratio								
Baseline	61	53	51	49	46	43	38	38
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	61	55	54	53	51	49	43	57
A2. Primary balance is unchanged from 2011	61	54	53	53	52	50	50	60
A3. Permanently lower GDP growth 1/	61	54	52	50	47	44	41	49
A4. Alternative Scenario :[Costumize, enter title]	61	49	46	44	41	38	26	15
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2012-2013	61	59	63	62	60	59	60	73
B2. Primary balance is at historical average minus one standard deviations in 2012-2013	61	52	49	47	44	41	36	37
B3. Combination of B1-B2 using one half standard deviation shocks	61	56	55	55	53	52	54	66
B4. One-time 30 percent real depreciation in 2012	61	72	69	65	60	55	42	37
B5. 10 percent of GDP increase in other debt-creating flows in 2012	61	60	57	55	51	48	42	41
PV of Debt-to-Revenue Ratio 2/								
Baseline	433	295	257	240	218	201	169	163
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	433	303	268	256	239	225	188	231
A2. Primary balance is unchanged from 2011	433	298	266	257	245	236	223	255
A3. Permanently lower GDP growth 1/	433	296	259	243	223	208	185	209
A4. Alternative Scenario :[Costumize, enter title]	431	185	178	169	158	148	103	60
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2012-2013	433	327	312	301	284	273	269	308
B2. Primary balance is at historical average minus one standard deviations in 2012-2013	433	286	245	229	208	192	162	159
B3. Combination of B1-B2 using one half standard deviation shocks	433	307	275	266	251	240	239	280
B4. One-time 30 percent real depreciation in 2012	433	398	343	318	284	256	189	157
B5. 10 percent of GDP increase in other debt-creating flows in 2012	433	330	287	267	244	225	187	173
Debt Service-to-Revenue Ratio 2/								
Baseline	31	11	11	11	25	24	12	9
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	31	12	11	12	28	28	14	11
A2. Primary balance is unchanged from 2011	31	11	11	12	26	26	15	14
A3. Permanently lower GDP growth 1/	31	11	11	12	25	25	13	11
A4. Alternative Scenario :[Costumize, enter title]	31	8	9	9	18	17	7	4
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2012-2013	31	12	12	14	30	30	18	17
B2. Primary balance is at historical average minus one standard deviations in 2012-2013	31	11	10	11	24	23	11	8
B3. Combination of B1-B2 using one half standard deviation shocks	31	12	12	12	27	27	17	16
B4. One-time 30 percent real depreciation in 2012	31	12	14	15	34	34	17	12
B5. 10 percent of GDP increase in other debt-creating flows in 2012	31	11	12	14	27	26	12	9

Sources: Country authorities; and staff estimates and projections.

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

2/ Revenues are defined inclusive of grants.

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

Staff Report for the 2011 Article IV Consultation and Requests for a Three-Year Arrangement Under the Extended Credit Facility and for Additional Interim Assistance Under the Enhanced Initiative for Heavily Indebted Poor Countries

Informational Annex

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

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October 20, 2011

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Relations with the Fund

(As of August 31, 2011)

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

II. General Resources Account:	SDR Million	%Quota
<u>Quota</u>	325.20	100.00
<u>Fund holdings of currency (Exchange Rate)</u>	324.36	99.74
<u>Reserve Tranche Position</u>	0.86	0.27

III. SDR Department:	SDR Million	%Allocation
<u>Net cumulative allocation</u>	310.90	100.00
<u>Holdings</u>	272.96	87.80

IV. Outstanding Purchases and Loans:	SDR Million	%Quota
RCF loans	81.30	25.00
ECF Arrangements	242.60	74.60

V. Latest Financial Arrangements:

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

VI. Projected Payments to Fund: ^{2/}

(SDR Million; based on existing use of resources and present holdings of SDRs):

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Principal	5.85	5.85	0.00	15.93	39.02
Charges/Interest	0.04	0.93	0.93	0.92	0.84
Total	5.89	6.78	0.93	16.85	39.87

VII. Implementation of HIPC Initiative:

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

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

¹ Formerly PRGF.

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

³ Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts 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.

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

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

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

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

IX. Safeguards Assessments:

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

X. Exchange Arrangements:

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

XI. Article IV Consultation:

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

XII. Technical Assistance:

	Area	Focus
2007	Public Debt Management (January 2007)	Diagnostic mission, identification of needs
	(August 2007)	Mid-term debt strategy and debt sustainability
	(September 2007)	Debt management and HIPC Initiative
	Public Expenditure Management (February 2007)	Diagnostic mission, identification of need
	Public Finance Statistics (February 2007)	Diagnostic mission, identification of needs
	Tax administration (August 2007)	Diagnostic mission on ongoing reforms
	Microfinance (May and August 2007) (October 2008)	Support of Microfinance Directorate
	National Accounts (August 2007)	Techniques of measurement of certain services in national accounts. Review of deflators
	Customs administration (August 2007)	Combating fraud
	Financial supervision and regulation (September-October 2007)	Propose analysis methods of financial statements Personnel training
2008	Public Expenditure Management (February 2008)	Assessment of integrated budget execution information system
	Customs Administration (March 2008)	Combating fraud
	Public Finance Statistics (March 2008)	Preparation of GFS metadata
	National Accounts (April 2008)	Assess work program of the National Statistical Office
	National Accounts (August 2008)	Review choice of base year (2006) for compilation of National Accounts estimates

	Area	Focus
2009	Public Expenditure Management (March–April, 2009)	Interface budget execution (SIGFIP) and accounting (ASTER)
	Government finance statistics (March 2009)	Training in use of GFS methodology
	Customs administration (February 2009)	Control of value and origin, ex-post inspection, and customs surveillance
	National Accounts (April 2009)	Implementation of a new base year (2008), improve the treatment of certain source data, presentation of a software to compile NA
	Tax Administration (April 2009)	Development of the IT strategy
	Microfinance (May 2009)	Strengthening Microfinance supervision
	Debt management (June 2009)	Support to the Debt management unit
	Customs administration (September 2009)	Revenue loss diagnostics and recommendations for better collection
	Tax administration (October 2009)	Development of the IT strategy
	Public Finance statistics (November 2010)	Training for the new GFS nomenclature
2010	Financial sector (January 2010)	Assessment and public debt management, financial sector reforms
	Customs administration (February 2010)	Risk analysis and management
	Public Finance Management (February 2010)	Medium term budgeting
	Tax administration (March 2010)	Development of IT strategy (3/3)
	Financial sector (January 2010)	Assessment and public debt management, financial sector reforms
	Customs administration (February 2010)	Risk analysis and management
	Public Finance Management (February 2010)	Medium term budgeting
	Tax administration (March 2010)	Development of IT strategy (3/3)
	National accounts (April 2010)	Training for new base year implementation
	Customs administration (May 2010)	Valuation, improving customs processing, transit, rationalizing exemptions, strengthening fight against fraud, organization and effective use of human resource
	Tax administration (May 2010)	Professional training, strategic plan implementation and computer system capacity building
	Banking supervision (June 2010)	Preparation of the CODESFI workshop (financial sector reform strategy)
	Customs administration (July 2010)	Risk management and models implementation

	Area	Focus
	Tax administration (July 2010)	Professional training, strategic plan implementation and computer system capacity building
	Public Finance Management (July 2010)	Review of PFM IT systems
	Debt management and banking supervision (September 2010)	Support to the launching of the financial sector reform strategy in coordination with CODESFI-participation in the national workshop
	National accounts (October 2010)	New nomenclature of national accounts
2011		
	Multitopic (July 2011)	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 (<i>Directive n°10/2009/CM/UEMOA, portant TOFE</i>).
	Debt management (July 2011)	Advice on the treatment of domestic debt, in particular government securities.
	Customs administration (August 2011)	Follow-up
	FSAP follow up (August 2011)	Advice on resuming formulation of the financial sector development strategy, managing public debt, and solving banking sector problems.

XIII. Resident Representative:

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

Joint Bank-Fund Work Program, 2011–12

(As of October 2011)

Title	Products	Provisional timing of missions	Expected delivery date
A. Mutual information on relevant work programs			
World Bank work program in the next 12 months	Operations:		
	Preparation of an Emergency Economic infrastructure renewal operation	October-December 2011	June 2012
	Preparation of a budget Support Operation	January 2012	June 2012
	Economic and Sector Work		
	Analytical study for Côte d'Ivoire- An agenda for growth based on exports and natural resources- Workshop	November 2011	November 2011
	Investment Climate Assessment phase 2 – CNO areas		Q2 2012
	Technical assistance/other analytical		
	Governance Diagnostic Survey (WBI)		Q2 2011
	Possible update to take into account the impact of post-election crisis		Q1 2012
	PEMFAR 2		Q1 2012
	Support on EITI implementation		On-going
	Economic and Poverty Monitoring		On-going
	PSIA of possible new electricity tariff structures		Q42011
	Advice and comments on cocoa strategy		On-going
Development of a PPP regulatory framework and the list of potential projects which could be developed under its related arrangements		June 2012	
IMF work program in the next 12 months	Program:		
	1 st ECF review under ECF	February/March 2012	April/May 2012
	2 nd ECF review/HIPC completion point	September 2012	November 2012
	Technical Assistance:		
	PFM legal framework	October 2011	
	FSAP follow-up (state banks, debt management, financial sector strategy)	November 2011	
	AML/CFT Diagnostic	November 2011	
	National accounts	October/December 2011	
Customs administration follow-up	January 2012		
Medium-term debt strategy	February 2012		

B. Requests for work program inputs			
Fund requests to Bank	Monitoring of HIPC Completion Point triggers		Ongoing
	Periodic updates on budget implications of reforms in the civil service, coffee/cocoa sector, electricity sector, financial sector, as well as an infrastructure master plan		Ongoing
Bank requests to Fund	Regular updates on macro-economic and fiscal projections		Ongoing
C. Agreement on joint products and missions			
Joint Bank-Fund products in the next 12 months	HIPC Completion Point	September 2012	November 2012
	Debt management strategy workshop	Possibly Q2, 2012	

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

Bank Group Portfolio:

Since it started operations in Côte d'Ivoire in 1971, the AfDB has so far approved 59 operations for the country, of which 41 have been fully completed, 14 cancelled, 3 ongoing and 1 newly approved. All approved operations amount to a net commitment of UA 1,258.6 million (CFA F 946.4 billion), with 66.2% from the ADB window, 23.1% from the ADF and 10.7 % from the Nigeria Trust Fund. AfDB Group-financed operations have been mainly loan-based and channeled, by order of importance, to the rural development and agriculture sector (26.2%), infrastructure (20.7%), multi-sector (17%), the social sector (16.5%) and energy, water and telecommunications (15.6%). The operations were financed mainly with resources from the ADB window (70%). The bulk of these funds (94.4%) was directed towards the public sector. It should be noted that funding for the private sector concerns electricity, telecommunications, transport and industry. In addition to bilateral funding, Côte d'Ivoire received additional ADF resources to finance studies and/or projects in the fields of infrastructure and agriculture, to enhance subregional integration in West Africa.

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

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

Status of Portfolio as of October 2011—in UA Million (1 UA=1SDR)

<i>Operations</i>	<i>Amount (in UA million)</i>	<i>Purpose/Remarks</i>
On-going projects (public window):		
<i>Post-Crisis Multisector Institutional Support Project (PAIMSC)</i>	20	This grant is allocated to: (i) the rehabilitation of school and health infrastructures, and (ii) institutional capacity building and caring for women who are victims of violence. The disbursement rate of this project is 88%. The undisbursed balance to date stands at UA 1.5 million and the Bank has granted a new extension to 31 December 2011 to allow for continuation of activities already initiated and deemed relevant.
<i>- Targeted Capacity Building Support</i>	2	Approved in December 2009 under the Fragile States Facility, with a disbursement rate of 57%, the objective of this project is to: (i) strengthen the coordination framework for government interventions; (ii) support implementation of the PRSP; (iii) improve the efficiency of public financial management; and (iv) strengthen good governance.
Humanitarian assistance to the victims of post-electoral violence	0.6	This assistance of USD 1 million is allocated to the victims of violence, particularly in the west of the country. This assistance will be managed by Red cross International Committee.
Project approved but implemented <i>- Gourou Basin Integrated Management Project (Sanitation of Indenié junction and the Lagoon)</i>	23	The ADF Board of Directors on 24 November 2010 approved a grant of UA 23 million to finance this project, which could not be signed during the elections. Finally, this grant is put in place in June, 2011 and the effective launch of the project is expected in October 2011.
Budget support operation newly approved <i>- Emergency Programme to Restore Basic Social and Administrative Services (PURSSAB) and Targeted support to strengthen the capacity of the administration</i>	100.5 (95 + 5.5)	The main purpose of this program, approved on June 3, 2011, is to contribute in the national budget to restoring basic social and administrative services, social cohesion and reconciliation as stated in the Government's request. The program seeks to address the country's urgent needs through the restoration of basic health, educational and social welfare services, water and sanitation networks, public administration services, as well as dialogue, social cohesion and reconciliation mechanisms. The budget support of UA 95 million has been disbursed. The UA 5.5 remaining is reserved for capacity building and will be disbursed as the needs arise on government's requests.

Status of Portfolio as of October 2011—in UA Million (1 UA=1 SDR) (concluded)

<i>Operations</i>	<i>Amount (in UA million)</i>	<i>Purpose/Remarks</i>
On-going private sector projects:		
- <i>Establishment of a microfinance bank (MicroCred Côte d'Ivoire)</i>	1.85*	This is an equity participation with the AFD for EUR 1 100 000 and EUR 750,000 as technical assistance. The objective is to provide financial services to low-income people who do not have access to the conventional banking system.
Private sector projects under consideration:		
- <i>Marcory-Riviera Third Bridge Construction Project</i>	40**	Discussions are underway for Bank participation in financing the Third Abidjan Bridge (Henri Konan Bédié bridge) for EUR 40 million.

Source: AfDB, Côte d'Ivoire Country Brief (ADF/BD/WP/2011/48 - June 2011).

*: In EUR million comprising EUR 750,000 in cash and EUR 1.1 million in securities. **: EUR million.

Strategy for reengagement by AfDB in Côte d'Ivoire:

To assist Côte d'Ivoire in addressing its immense needs, the Bank is committed to a rapid operational re-engagement. Consistent with the AfDB's Fragile States Facility, a ***Country Brief defines the framework for the Bank's rapid re-engagement in Côte d'Ivoire*** over the period 2011–12. ***The proposed strategy, in consultation with the Ivoirien authorities, consists of two pillars: (i) restoring infrastructure and basic social services; and (ii) improving governance and capacity building.*** The long years of political instability as well as recent clashes and looting had negative impacts on social infrastructure, installations and facilities. Substantial efforts are necessary to restore the supply of basic social services. A full Country Strategy Paper is planned for the period 2013–17 to assist the country with its quest for strong and inclusive growth.

Considering the urgent needs, particularly with regard to access to basic social and administrative services, restoring the functioning of the public service and fostering social cohesion and peace, the approved country brief 2011–12 has proposed that the following operations be prepared in order of priority:

Work Program for 2011–12

<i>Description</i>	<i>Amount (in UA million)</i>	<i>Year</i>
- Budget support program to strengthen social services	95* (<i>approved</i>)	2011
- Targeted support to strengthen the capacity of the administration	5.5** (<i>approved</i>)	2011
- Support to the victims of post-electoral violence	0.6 (<i>approved</i>)	2011

Work Program for 2011–12 (concluded)

<i>Description</i>	<i>Amount (in UA million)</i>	<i>Year</i>
- Infrastructure investment projects in both urban and rural areas to support production and marketing channels.	20	2012
- Humanitarian assistance to the victims of post-electoral violence	0.6 (approved)	2011
- Support to rural infrastructures in the Moyen Comoé region (PAIA-MC)	20 (To be prepared for end-October 2011)	2012
- Support to property registration unit and, - Contribution to the financing of infrastructure projects (Energy)	22.6	2012
Total	143.7	
<i>Economic and Sector Work (to be financed by the administrative budget or the trust fund)</i>		
Study to be conducted in collaboration with the <i>Centre de recherche économique et sociale</i> (Economic and Social Research Centre—CIRES) and coffee/cocoa-related sector institutions		2012
Study on the rehabilitation of former combatants and youths at risk linked with the conflict to prepare the Bank's next Country Strategy Paper		2012

* This amount includes: (i) UA 60 million of grant under the Fragile States Facility pillar no.1, (ii) UA 11.9 million of the regular allocation from the ADF 12 for CIV, and (iii) UA 23.1 million from two loans financing two canceled projects. **Grant for targeted capacity building support under the Fragile States Facility pillar no.3.

CÔTE D'IVOIRE—STASTICAL ISSUES

As of October 2011

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

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

Price statistics: A harmonized consumer price index (CPI) has been adopted by all WAEMU members. A new base year (2008) has been adopted in 2010.

Labor market statistics: No such statistics are published regularly.

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

Monetary and financial sector statistics: Monetary data for Côte d'Ivoire are prepared by the national agency of the BCEAO and officially released by BCEAO headquarters. Some shortcomings of the monetary statistics are common to all eight member countries of the WAEMU, while others relate to systemic issues in Côte d'Ivoire's bank and nonbank financing of the operations of the central government and the rest of the public sector. Recently there have been improvements in the timeliness of reporting data on depository corporations and interest rates. Following the shutdown of the banking system during the post-election crisis (February–April 2011), the central bank and private banks are struggling to establish a thorough account of damages they sustained.

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

II. Data Standards and Quality

Côte d'Ivoire has participated in the General Data Dissemination System (GDDS) since May 2000, and has posted the metadata on the Data Standards Bulletin Board.

No data ROSC is available.

III. Reporting to STA

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

CÔTE D'IVOIRE: TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE
(As of October 2011)

	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	07/11	09/11	M	M	M
Reserve/Base Money	07/11	09/11	M	M	M
Broad Money	07/11	09/11	M	M	M
Central Bank Balance Sheet	07/11	09/11	M	M	M
Consolidated Balance Sheet of the Banking System	07/11	09/11	M	M	M
Interest Rates ²	07/11	09/11	I	M	M
Consumer Price Index	07/11	09/11	M	M	M
Revenue, Expenditure, Balance and Composition of Financing ³ – General Government ⁴	06/11	09/11	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt ⁵	06/11	09/11	M	M	M
External Current Account Balance	12/10	09/11	A	A	A
Exports and Imports of Goods and Services	06/10	09/11	A	A	A
GDP/GNP	2010	05/11	A	A	A
Gross External Debt	06/2011	09/11	M	M	M

¹Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

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

³Foreign, domestic bank, and domestic nonbank financing.

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

⁵Including currency and maturity composition.

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



INTERNATIONAL MONETARY FUND

Public Information Notice

EXTERNAL
RELATIONS
DEPARTMENT

Public Information Notice (PIN) No. 11/136
FOR IMMEDIATE RELEASE
November 10, 2011

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

IMF Executive Board Concludes 2011 Article IV Consultation with Côte d'Ivoire

On November 4, 2011, the Executive Board of the International Monetary Fund (IMF) concluded the 2011 Article IV consultation with Côte d'Ivoire.¹

Background

Côte d'Ivoire is emerging from a decade-long sociopolitical crisis that has held back economic growth. In particular, growth has been constrained by low investment and a poor business environment. As a result, per capita income fell by about one-sixth in the past ten years and almost half the population was living below the poverty line in 2010.

In 2009, Côte d'Ivoire adopted an economic and financial program supported by a three-year Extended Credit Facility (ECF) arrangement with the aim of ensuring a stable macroeconomic framework, promoting sustained growth, and reducing poverty. Debt relief in support of the ECF arrangement and the Decision Point under the Heavily Indebted Poor Countries (HIPC) Initiative, which was reached in 2009, restructured arrears and reduced the debt service burden. Broadly satisfactory progress was made in implementing this program in 2009–10. Economic growth accelerated to 3.8 percent in 2009—driven by the secondary and tertiary sector—before slowing down to 2.4 in 2010 due to an electricity crisis, a decline in crude oil production, and uncertainty linked to the election process. Inflation remained moderate at below 2 percent. The fiscal deficit averaged 2 percent of gross domestic product (GDP), and the external current account recorded a surplus, albeit declining.

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. 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>.

Following the end of the post-election crisis, the new government quickly put in place an economic recovery program and started the process of sociopolitical normalization. The reunification of the country is moving forward with the formation of new mixed security forces, and the redeployment of the public administration in the former Center-North-West zones. Security has improved considerably, but further efforts are needed. Parliamentary elections are scheduled for mid-December 2011, and a Truth and Reconciliation Commission has been set up to rebuild and consolidate social cohesion.

Economic activity appears to be recovering faster than expected; inflation receded from its April spike to 4½ percent in June-August, and fiscal performance has been stronger than anticipated.

The authorities' medium-term priorities are to achieve high and sustained growth, reduce poverty, create jobs (for youth in particular), and establish fiscal and external sustainability. These objectives are in line with the 2009–13 Poverty Reduction Strategy that the government plans to update following broad-based consultations. They form the basis of the program supported by a new three-year ECF arrangement that would help the country advance toward the HIPC Completion Point. The medium-term outlook is conditional on further progress in the security situation and political normalization, as well as the implementation of structural reforms to remove impediments to economic growth.

Executive Board Assessment

Executive Directors commended Côte d'Ivoire's rapid progress in reviving the economy, restoring a functioning public administration, and improving security following the post-election crisis. Nevertheless, they noted that major economic and political challenges remain. They encouraged the authorities to continue to pursue national reconciliation, security sector reform, and sound economic policies, in order to consolidate peace, fully restore law and order, and lay the foundation for sustained and inclusive economic growth.

Directors welcomed the authorities' good performance under the economic recovery program, especially the prudent budgetary stance. They endorsed the authorities' comprehensive and ambitious new medium-term economic program, particularly its emphasis on social services, peace building, and job creation. They stressed that decisive implementation will be critical to achieve the objectives of sustained economic growth, poverty reduction, and fiscal and debt sustainability, while acknowledging the significant risks to the program.

Directors considered the fiscal program to be an appropriate balance between fiscal prudence and the need for higher investment and social spending. They emphasized the importance of broadening the tax base, limiting current spending, and strengthening tax and expenditure administration in order to create the fiscal space needed for the higher investment and social spending. Directors welcomed the intention not to commit expenditures until the financing has been obtained.

Directors gave high priority to financial sector deepening and strengthening to support private sector development. They highlighted the need to improve banking supervision and restore the banking sector's capacity to intermediate savings and provide credit to small and medium-sized enterprises. They also urged quick action to address the vulnerabilities of state-owned banks.

Directors welcomed the proposed reforms in the energy and the coffee/cocoa sectors. They noted that a significant effort will be needed to place the energy sector on a sound financial footing. Directors stressed the importance of governance and other reforms, including the new investment code, to improve the business climate and enhance external competitiveness.

Directors urged the authorities to take steps to reach the completion point under the HIPC Initiative as early as possible, and to maintain debt sustainability thereafter. They encouraged development of a debt management strategy to guide future borrowing, with IMF and World Bank technical assistance.

Public Information Notices (PINs) form part of the IMF's efforts to promote transparency of the IMF's views and analysis of economic developments and policies. With the consent of the country (or countries) concerned, PINs are issued after Executive Board discussions of Article IV consultations with member countries, of its surveillance of developments at the regional level, of post-program monitoring, and of ex-post assessments of member countries with longer-term program engagements. PINs are also issued after Executive Board discussions of general policy matters, unless otherwise decided by the Executive Board in a particular case.

Côte d'Ivoire: Selected Economic Indicators, 2008–12

(Annual percentage changes, unless otherwise indicated)

	2008	2009	2010	2011	2012 Proj
National income					
Real GDP growth	2.3	3.8	2.4	-5.8	8.5
Consumer prices (end of period)	9.0	-1.7	5.1	3.0	2.5
Money and credit					
Broad money	5.7	17.2	18.8	11.3	16.0
Net credit to government (percent of beginning of period broad money)	-1.1	7.4	5.3	2.4	4.5
Central government operations 1/					
Total revenue and grants (percent of GDP)	20.6	19.5	19.7	18.8	18.1
Total revenue (percent of GDP)	18.9	18.9	19.2	18.5	17.8
Total expenditure (percent of GDP)	21.1	21.1	22.0	26.9	22.6
Primary basic balance (percent of GDP) 2/	0.3	0.4	-0.2	-4.8	-2.0
Overall balance (including grants, payment order, percent of GDP)	-0.6	-1.6	-2.3	-8.1	-4.4
External sector					
Exports, f.o.b. (millions of SDRs)	6597	6887	7121	7155	7412
Imports, f.o.b. (millions of SDRs)	4488	4159	4937	4949	5454
Export volume growth	-2.5	8.3	-9.9	-9.6	6.6
Import volume growth	3.0	6.4	-1.7	-3.6	8.7
Current account balance (percent of GDP)					
Including official transfers	1.9	7.0	1.1	1.1	-1.7
Excluding official transfers	0.8	4.9	0.4	1.0	-1.8
Gross official reserves (millions of SDRs)	1541	1763	2094	2647	2758
Debt					
External public debt (percent of GDP)	61.9	53.9	50.6	53.8	49.1
External public debt in arrears (percent of GDP)	26.2	6.7	1.9	4.0	0.2
Domestic public debt (percent of GDP)	13.4	12.6	15.8	20.6	14.4
Domestic public debt in arrears (percent of GDP)	2.7	1.9	0.7	0.6	0.2

Sources: Ivoirien authorities and IMF staff estimates and projections.

1/ Fiscal data for 2011 are for the budget covering April-December over period GDP.

2/ Primary basic balance = (Tax and non tax revenue) - (Total expenditure + Net lending - Interest payments - Foreign financed expenditure).



Press Release No. 11/399
FOR IMMEDIATE RELEASE
November 4, 2011

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves Three-Year, US\$615.9 Million Extended Credit Facility Arrangement and Additional Interim Debt Relief for Côte d'Ivoire

The Executive Board of the International Monetary Fund (IMF) today approved a three-year arrangement for Côte d'Ivoire under the Extended Credit Facility (ECF)¹ in an amount equivalent to SDR 390.24 million (about US\$615.9 million), representing 120 percent of Côte d'Ivoire's quota in the IMF. Approval makes immediately available a first disbursement of an amount equivalent to SDR 81.3 million (about US\$128.3 million). The Executive Board also approved an amount equivalent to SDR 5.04 million (about US\$8 million) in interim assistance for Côte d'Ivoire under the enhanced [Heavily Indebted Poor Countries \(HIPC\) Initiative](#), representing relief on debt service pending irrevocable debt relief when the country reaches the HIPC completion point. The Executive Board also concluded the Article IV consultations with Côte d'Ivoire, which will be covered in a separate Public Information Notice.

Côte d'Ivoire is recovering from a prolonged sociopolitical crisis that led to widespread violence and a sharp decline in economic activity in early 2011. Since late-April 2011, the new government has embarked on an ambitious investment-led recovery. The IMF approved financial support of an amount equivalent to SDR 81.3 million (about US\$128 million) under the Rapid Credit Facility in July (see [Press Release No. 11/272](#)). The recovery has picked up pace, and projected decline in real gross domestic product (GDP) was reduced in September to a 5.8 percent contraction from 6.3 percent previously. Real GDP is expected to bounce back with growth of 8–9 percent in 2012.

¹ The Extended Credit Facility (ECF) has replaced the Poverty Reduction and Growth Facility (PRGF) as the Fund's main tool for medium-term financial support to low-income countries by providing a higher level of access to financing, more concessional terms, enhanced flexibility in program design features, and more focused streamlined conditionality. Financing under the ECF carries a zero interest rate, with a grace period of 5½ years, and a final maturity of 10 years (<http://www.imf.org/external/np/exr/facts/ecf.htm>). The Fund reviews the level of interest rates for all concessional facilities every two years.

Côte d'Ivoire reached the decision point under the HIPC Initiative on March 31, 2009 (see [Press Release No. 09/104](#)) and could qualify for irrevocable debt relief on the vast majority of its external debts through the HIPC and [Multilateral Debt Relief](#) initiatives in 2012 once it completes the so-called completion point triggers. These include key structural and social reforms, including in the areas of public financial management, debt management and governance, and the coffee and cocoa sector, alongside standard HIPC requirements of implementing a national poverty reduction strategy and satisfactory implementation of the government's ECF-supported economic program. Reaching the HIPC completion point will reduce Côte d'Ivoire's external debt to a sustainable level. The authorities have requested technical assistance from the IMF and the World Bank to formulate a comprehensive debt management strategy, and intend to set up a national debt agency in line with West African Economic and Monetary Union guidelines.

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

“Côte d'Ivoire's economy is recovering faster than anticipated, following a severe post-election crisis that caused a sharp decline in activity in the first four months of the year. Real GDP is now expected to decline by slightly less than 6 percent in 2011. Inflation is receding from its peak in April, although it remains above its pre-2011 trend. The financial sector, weakened by the damages the economy sustained during the crisis, is fully operational again. Performance to date under the authorities' 2011 program supported under the IMF's Rapid Credit Facility has been good.

“The authorities' new medium-term economic program, which is being supported under the IMF's Extended Credit Facility, aims to fully restore law and order and to consolidate peace through economic growth and job creation, in particular for the youth. The economy is expected to rebound in 2012, and the authorities' ambitious and broad investment and structural reform plans are expected to help maintain a robust growth path over the medium term.

“The fiscal program for 2011–12 is realistic in the face of continued large uncertainties. The emphasis on investment is appropriate. Expenditures will remain relatively high, while revenues will still reflect the impact of the post-election crisis. Over the medium term, implementation of the authorities' structural reform program is expected to improve the business climate and tax administration, and create the fiscal space needed to support investment and allow the country renewed access to foreign direct investment and other foreign financing.”

Statement by Kossi Assimaidou, Executive Director for Côte d'Ivoire
November 4, 2011

My Ivoirien authorities are grateful to Fund staff for the fruitful discussions held in Abidjan in September 2011. The threefold discussion--which includes assessment of the Rapid Credit Facility program, Article IV consultation and background work for a new ECF-supported program--provided the opportunity to exchange views on a broad array of issues regarding the country's economic prospects and reform challenges.

Côte d'Ivoire has come a long way from prolonged political tensions, and my authorities appreciate the prompt support of traditional partners and the international community in general immediately following the end of the post-election crisis, which has helped weather its most severe effects. My authorities have made progress in improving the security situation although it remains less favorable in some rural areas. The work to rebuild a new army to help with restoring stability and security is going on. The Dialogue, Truth and Reconciliation Commission (CDVR) is fully constituted and has begun contacts with various opinion leaders in the country to lay the ground for its consultations with all parties. The process of national reconciliation, along with the upcoming legislative elections (planned for December 2011) and the recovery of the economy, should help consolidate the peace.

The RCF-supported program and the related financial assistance have contributed to restoring public administration, meeting urgent social needs, improving security and assisting the private sector in revamping its production capacity. At this juncture, my authorities consider a comprehensive medium-term program as the appropriate framework to set ambitious goals and re-ignite structural reforms with the view to further unleashing the country's growth potential. Furthermore, realizing high and sustained growth is key to curbing the crisis-worsened poverty profile, addressing unemployment especially among the youth, and helping create favorable conditions for national reconciliation.

Implementing key fiscal and structural reforms in the framework of a medium-term program, and reaching the HIPC Completion Point are important milestones in my Ivoirien authorities' agenda towards alleviating the debt burden, creating the necessary space for increased infrastructure investment, sustaining growth, and launching a longer term development strategy. The support of the international community will be critical in this regard, and my authorities request the approval of a three-year arrangement under the ECF and additional interim assistance under the Enhanced HIPC Initiative. They also highly value the technical assistance from the Fund and the World Bank which they have requested notably in the areas of public financial management, debt management, and financial sector development.

I. RECENT DEVELOPMENTS UNDER THE RCF

Côte d'Ivoire has performed well under the RCF-supported program and my authorities welcome staff's favorable assessment of their achievements over the recent period. The steadfast actions taken by the authorities helped turn the downward trending of growth. The projected decline in real GDP for 2011 was thus revised in September from -6.3 percent to -5.8 percent, with further improvement expected by year-end. This positive development was

driven by a quick recovery in industrial production, stronger agricultural production and mining output. Early inflation pressures have abated and annual inflation fell from over 9 percent to 4.5 percent in June-August.

The government has taken actions on many fronts for a quick recovery in all sectors. Budget execution was in line with the objectives of the RCF-supported program, notably with revenue exceeding the June target. Spending was kept under check and non essential outlays were cut. The authorities almost completed the re-equipment of public services and extended substantial support to the private sector by diverse means. The government continued the rollover of Treasury bills through October, and also started the restructuring of domestic debt. The authorities have also launched the ground work for key structural reforms planned for the medium-term agenda, including in the financial sector, the energy sector, and the business environment.

II. THE NEW ECF PROGRAM AND MEDIUM-TERM CHALLENGES

My authorities are requesting IMF support under the ECF. The objectives of the program are in line with their priorities, and include notably:

Investing in sustained growth. After a decade-long conflict and huge resources devoted to financing crisis-related operations, my Ivoirien authorities have placed their medium-term agenda towards redirecting public expenditure to growth-enhancing investments. With real output expected to bounce back to 8-9 percent in 2012, the draft budget thus allocates more than CFA F 600 billion (5 percent of GDP) to capital spending, more than double compared to the 2011 level. The authorities are committed to significantly increasing capital outlays over the medium term, once necessary effort are made in 2012 to restore some basic public services, including re-equipping government services and rehabilitating basic infrastructure.

Aiming fiscal sustainability. My authorities' fiscal policy for the period ahead will be geared toward the objectives of enhancing revenue to finance investment and create more space for poverty reduction. In this regard, the government is expecting a recovery in revenue temporarily lost due to the post-election crisis including taxes on corporate profits. Furthermore, my authorities will implement measures to strengthen tax and customs administrations, streamline tax exemptions, and fight tax evasion and fraud. In the same vein, tax and customs administrations have increased their number of branches especially in the Center-North-West zones, which should help enhance government revenue. To improve the budget deficit over the medium term, the authorities are determined to entrench the effort of reducing current spending as signaled under the 2012 budget.

Reaching the HIPC completion point. My authorities' plan to realize long-term fiscal sustainability entails also a decisive improvement in the debt situation. Côte d'Ivoire's engagement in the HIPC process has been a protracted one. Over the past decade especially, much resources have been devoted to the implementation of the triggers, and important reforms have been initiated. During his recent visit to the Fund, Côte d'Ivoire's President, H.E. Alassane Ouattara reaffirmed the authorities' strong determination to reach the

Completion Point at the earliest possible in 2012. My authorities appreciate staff assessment that progress on the bulk of the triggers is advanced.

Strengthening the financial sector. In their strategy to make the private sector a key actor and the main source of employment, my authorities are committed to deepening the financial sector and place it on a sound footing, with the view to making credit flow into the economy. In that regard, the national office of the central bank, BCEAO, is completing a thorough assessment of the post-crisis situation of banks and financial institutions. This work will help my authorities conduct their comprehensive financial sector reform aimed at lifting the bottlenecks that impede the financing of the private sector especially SMEs. As regards the state-owned banks, my authorities have taken urgent measures, including appointing new management teams, to stop the losses while working on strategies to divest them from public ownership. Strengthening the microfinance sector is also part of my authorities' plan to broaden access to credit, especially for unbanked segments of the populations. Moreover, efforts to help build strong financial institutions such as raising the minimum capital will be pursued.

Addressing long-stalling structural reforms. My authorities place a particular emphasis on addressing the imbalances in the **energy sector**, with the aim of availing abundant and lost-cost electricity to the private sector and to households over the medium term. In this regard, they have unveiled an incremental approach of bringing financial balance to the sector. A negotiation agenda has been set, starting from the stakeholders that contribute the most to the imbalances in the sector. Before year-end, the authorities intend to conclude discussions with gas producers and the electricity company, and to adjust electricity prices. As regards, the **civil service**, the reform is advanced and key steps of census, the setting a Single Reference File for civil servants, and an integrated personnel management system (SIGFAE) are due at year-end. The ultimate goal remains to create a transparent file for all public service personnel to be accounted for and hence help the government adopt an informed strategy to curb the wage bill over the medium term.

Improving the business climate. My Ivoirien authorities are cognizant of the efforts needed to improve the business climate to enable the private sector to play a greater role in the economy and attract more private investments. The government is working on various fronts in this regard. In particular, an important agenda of revamping the national physical infrastructure network is underway. The judicial system is undergoing major changes, starting by appointing new judges to the important institutions. Actions have also begun to enhance competition, with the design of a new investment code and a competition law. The authorities are also working on measures to reduce red tape and facilitate business start-ups, including creating a one-stop shop. These actions are being topped by a campaign by the highest authorities to reposition Côte d'Ivoire as a first-class destination for investors, and by efforts to renew relationships with key partners. In this vein, my authorities welcome the renewal by the US authorities of the AGOA eligibility for Côte d'Ivoire, on October 25, 2011.

CONCLUSION

The RCF-supported program has helped Côte d'Ivoire dampen the effects of a costly post-election crisis. The financial support provided by the donor community in this framework has been instrumental in getting the basics right and in paving the way for a more ambitious medium-term agenda. My Ivoirien authorities are committed to working steadfastly towards improving security, and law and order. They will also endeavor in furthering national reconciliation for lasting peace and political stability.

My authorities view these developments as necessary conditions to mobilize domestic resources for building a broad-based economy. The reform agenda set forth for the period ahead will ignite the growth momentum and contribute to create employment opportunities for crisis-hit populations. My authorities view the ECF framework as suitable to their agenda, and I would appreciate Board support for their ECF request, which will help Côte d'Ivoire cope with the challenging endeavors ahead.