International Monetary Fund

Côte d'Ivoire and the IMF

Press Release:
IMF Executive Board Approves US$565.7 Million PRGF Arrangement for Côte d'Ivoire
March 27, 2009

Country's Policy Intentions Documents

Côte d'Ivoire: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding

March 13, 2009

CÔTE D'IVOIRE—LETTER OF INTENT

Abidjan, March 13, 2009

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

Sir:

1. **Côte d'Ivoire is in the process of overcoming the sociopolitical and military crisis since September 2002, and to return to a path of growth and poverty reduction.** The government is facing the multiple challenges of consolidating peace, unifying and rebuilding the country, re-invigorating the economy, and reducing poverty that affects almost one-half of the population. The exit from the crisis of our country was made more difficult by an unfavorable international environment due to the global economic crisis, and the decline in commodity prices. Also, high external and domestic debt constrain the management of our public finances.

2. **Côte d'Ivoire is well on the way of reunification, the electoral process, and lasting peace.** The implementation of the Ouagadougou Political Accord has brought about significant progress, particularly in regard to redeployment of the civil service throughout the country, the regrouping and beginning demobilization of former combatants, identification of the population through public hearings (*audiences foraines*) and voter registration. These advances have been made under difficult social conditions characterized by various claims and pressures. Nonetheless, the crisis-exit process is irreversible, and presidential elections are envisaged for the fourth quarter of 2009.

3. **The government has put in place the main measures of its Emergency Post-Conflict Assistance (EPCA) program with the IMF.** In implementing the 2008 budget, the efforts to raise revenues and bring expenditures under control have resulted in a primary basic surplus. However, some objectives could not be met due to expenditure overruns for the transfer of the capital city to Yamoussoukro, an essential element of the unification process of the country. To avoid a recurrence of such overruns, the government has taken appropriate remedial actions. Since November 2008, the government has regularized these expenditures with a supplementary budget, and it has established mechanisms ensuring that any expenditure on major projects (*grands travaux*) of this nature goes through the budget, is monitored by an interministerial committee under the aegis of the Prime Minister, and is reflected in the quarterly budget execution reports. Furthermore, regarding the projects executed thus far, we have begun an investigative report (*évaluation contradictoire*) by the General Inspection Office (*Inspection Générale des Finances, IGF*) with assistance from an appropriate expertise, which will be completed by end-March 2009. The existing framework agreements (*conventions cadres*) will be converted into government procurement contracts.

The specifications and corresponding prices (*cahiers de charges*) will be renegotiated or subjected to tendering in accordance with the public procurement code.

4. **Progress has been achieved in implementing the program's structural measures, with particular emphasis on good governance.** We have further enhanced transparency in the execution of the government budget, and in the management of public resources in the coffee/cocoa and energy sectors. In response to delays in certain EPCA-2 measures identified in September 2008, we have expedited our efforts to achieve all of the structural objectives under the program. In addition, we have further normalized relations with international financial institutions by staying current in our debt service vis-à-vis the World Bank and the African Development Bank (AfDB). With respect to the latter, the arrears were settled in early March 2009.

5. **The government adopted the Poverty Reduction Strategy Paper (PRSP).** First, we conducted a wide-ranging consultation of the population throughout the country in order to ascertain their priorities in terms of improving living conditions. Also, a survey of household incomes found that almost half of the population live below the poverty line. In order to reverse this trend, we are counting on the support of the international community to implement the PRSP.

6. **There is a strong national consensus in favor of implementing a program supported under the Poverty Reduction and Growth Facility (PRGF), and reaching the decision point under the Heavily Indebted Poor Countries Enhanced Heavily Indebted Poor Countries (HIPC) Initiative as soon as possible.** As peace and national unity take hold, pointing to a lasting return to normality, the government is resolutely focused on the need to reduce poverty and improve the welfare of the population ill-served by years of crisis. We reiterate our hope that when an arrangement under the PRGF is approved, Côte d'Ivoire will be able to reach the decision point under the HIPC Initiative.

7. **The attached Memorandum of Economic and Financial Policies (MEFP) describes progress made under EPCA-2 as well as the objectives of the economic program for 2009–11, in particular for 2009.** In support of this program, the government requests assistance in the amount of SDR 373.98 million from the IMF under the PRGF, i.e., 115 percent of our quota, of which an amount of SDR 81.3 million, or 25 percent of quota, is to allow Côte d'Ivoire to repay IMF lending under EPCA. We are also requesting access to interim assistance equivalent to US$7.5 million under the HIPC Initiative, and have provided all the necessary information to IMF and World Bank staffs in support of our request for enhanced HIPC assistance.

8. **The main budgetary objectives for 2009 are to improve the mobilization of resources and to refocus expenditure in favor of poverty reduction and crisis-exit programs.** The government plans to redouble its efforts to collect taxes and duties throughout the national territory and to incorporate the full range of public resources into the budget. In particular, the government intends to press ahead with collection of taxes, duties, and fees in the central, northern, and western zones. The government will continue to pursue greater frugality by reducing 'sovereignty' spending and limiting other nonessential outlays while enhancing pro-poor spending, in particular, social and basic infrastructure spending.

9. **The government intends to build on achievements in the area of good governance and to undertake in-depth structural reforms.** The government will strengthen its efforts to achieve efficiency and transparency in public resource management within the budget and in the coffee/cocoa and energy sectors. With respect to the latter, the government will comply with the Extractive Industries Transparency Initiative procedures. The program envisages the implementation of major reforms of the civil service, the social security system, the financial sector, and as well as measures to improve the business climate.

10. **The government believes that the policies and measures set forth in this Memorandum are adequate for attaining the program objectives.** The government will adopt any other additional measures that it deems necessary to achieve these objectives. The government will consult with IMF staff, whether on its own initiative or at the request of the IMF Managing Director, prior to the adoption of such measures, or in the event of changes to the policies set forth in this Memorandum. The government will provide the IMF with such information as IMF staff may request regarding progress achieved in implementing the economic and financial policies and in attaining the program objectives.

11. **The Ivoirien authorities consent to the release to the public of this Letter of intent, the attached MEFP, and the attached Technical Memorandum of Understanding (TMU), as well as the IMF staff report relating to the request for a PRGF arrangement.** We hereby authorize their publication and inclusion on the IMF website, following approval of the IMF Executive Board.

Very truly yours,

________/s/_________ | ___________/s/__________

Charles Koffi Diby
Minister of Economy and Finance

Guillaume Kigbafori Soro
Prime Minister

Annexes: - Memorandum of Economic and Financial Policies (MEFP)

- Technical Memorandum of Understanding (TMU)

Attachment I. Côte d'Ivoire—Memorandum of Economic and Financial Policies

March 13, 2009

I. Introduction

1. **Côte d'Ivoire is in the process of overcoming the social, political and military crisis that took hold in September 2002, and to return to a path of growth and poverty reduction.** Notwithstanding the resilience of the economy, growth during the six years of crisis has been very weak, and the incidence of poverty rose fro 38.4 percent in 2002 to 48.9 percent in 2008. The Government faces many challenges including consolidating peace, reunifying and reconstructing the country, re-starting the economy, and raising living standards. In addition, there are external and domestic constraints, notably an unfavorable global environment, a heavy external and domestic debt burden, and difficult access to financing.

2. Côte d'Ivoire is making progress on reunification, the electoral process, and durable peace. The Ouagadougou Political Accord (*APO*) signed on March 4, 2007 paved the way for national reconciliation and elections, laying the groundwork for political dialogue and the long-term solution to the crisis. Substantial progress has been recorded in the process for organizing elections and in the identification process designed to establish new identity cards and voter identification, which started in October 2008 and is to be completed by end-March 2009. The reconstruction of the civil status records began in November 2008. Although there is still work to be done in the run-up to the elections, the social and political situation continues to improve thanks to the steady implementation of measures resulting from the *APO*.

3. The implementation of crisis-exit programs has been progressing well. At end-2008, most government employees—notably the prefectural staff and general, health care and education personnel—had been redeployed and are working in the Center-North-West zones (CNW). The redeployment of the civil service was accompanied by the reopening of certain financial institutions, notably banks and financial institutions, in these zones allowing pensions and wages to be paid locally. Following the opening of tax offices in these zones, taxes have began to be collected normally in these zones and the return to a single treasury for the whole country is almost met.

4. The government has adopted a three-year economic and financial program for the period 2009-11. This program—built on the results achieved by our program supported by IMF Emergency Post-Conflict Assistance (EPCA) since August 2007—could be supported by the IMF's Poverty Reduction and Growth Facility (PRGF). The Government expects to reach the Decision Point under the HIPC Initiative at the same time, which would allow Côte d'Ivoire to benefit—at the completion point—from substantial debt relief under the Initiative, as well as under the Multilateral Debt Relief Initiative (MDRI).

5. **This memorandum reviews program implementation under the EPCA at end-2008, and describes the objectives and policies of the PRGF-supported program**

for 2009–11. These objectives and policies are in line with those in the Poverty Reduction Strategy Paper (PRSP) that was adopted by the government in February 2009 as well as with the guidelines of the WAEMU Convergence, Stability, Growth, and Solidarity Pact.

II. Recent Economic Developments

6. **The implementation of the EPCA and the progress in exiting from the crisis made an economic recovery possible; yet inflation accelerated in 2008.** GDP growth in 2008 reached 2.3 percent, an improvement over the average for the period 2005–07 (1.4 percent). The gradual normalization of the social and political situation and the recovery in the sectors of construction, agro-food, telecommunications, and energy are key factors underpinning this favorable trend. However, owing to the surge in international food and oil prices, inflation as measured by the Harmonized Consumer Price Index (HCPI) accelerated to 6.3 percent on average in 2008, as against the WAEMU ceiling of 3 percent and an average of 2.8 percent in 2005–07. Compared to end-December 2007, the HCPI increased by 9 percent. In response to the pressures on prices and the purchasing power of vulnerable groups, the Government temporarily reduced the VAT rate in April and suspended customs duties on a number of basic consumption goods.

7. **In 2008, the external current account improved because of favorable cocoa and crude oil prices, which more than offset an increase in food imports.** This, combined with the partial resumption of external debt service payments, resulted in an overall balance of payments surplus of 0.1 percent of GDP. During 2008, Côte d'Ivoire received exceptional financing in the form of an arrears clearance grant from the World Bank and accumulated arrears to bilateral and commercial creditors.

III. Implementation of the EPCA Program in 2008

A. Fiscal outcome in 2008

8. **Budget execution during the first three quarters led to the nonobservance of three quantitative indicators (Table 1).** The primary basic balance at end-September 2008 was 0.2 percent of GDP, short of the target, adjusted for the windfall in oil revenues, of 0.8 percent of GDP. Non-oil fiscal revenue performance was good despite shortfalls related to tax reductions on some food items and higher world petroleum product prices. At the same time, expenditures exceeded the target, while social expenditures, crisis-exit spending and reconstruction investment fell short. The expenditure overruns mostly occurred on subsidies to the electricity sector (on account of gas price increases) and unbudgeted capital expenditures for large public construction projects (*grands travaux*; 0.7 percent of GDP), in particular, for the transfer of the capital city to Yamoussoukro, the renovation of the *Hôtel Ivoire*, and the extension of the Abidjan port (*Port Autonome d'Abidjan*) on Boulay Island. Primarily financed by the windfall oil revenue, these activities were executed outside the budget and paid for through direct oil shipments to the contractor.

9. **Against this background, the Government took remedial measures since September in order to remain close to the fiscal EPCA targets; however, these efforts proved insufficient and—with the unfavorable global environment—the targets for the**

primary basic balance and domestic arrears at end-2008 could not be observed. The corrective measures comprised: (i) a strengthened collection of direct taxes; (ii) a temporary increase, for the 2008–09 crop season, in cocoa registration duties, from 5 to 10 percent of the c.i.f. value, in light of the significant rise in world prices; (iii) a reduction in current and investment spending (other than large construction projects) of CFAF 20 and 30 billion, respectively, and the halt of spending commitments in mid-November; and (iv) the safeguarding—as foreseen in the program—of social spending, by accelerating transfers to local governments and private schools. These measures allowed a level of social spending of CFAF 572.3 billion compared to CFAF 563.1 billion programmed. However, the decline in oil revenues, weaker-than-expected cocoa exports during the last quarter of 2008, the revenue losses related to the reduction in taxes on certain food items (½ percent of GDP), and the larger-than-planned subsidy to the electricity sector (0.2 percent of GDP) reduced the primary basic surplus to 0.3 percent of GDP compared with 0.8 percent of GDP in the program.

10. **The cash-flow pressures were exacerbated by expenditures for the large construction projects, which were higher than initially planned, as well as insufficient new financing raised abroad and on the WAEMU financial market.** The latter tightened and the government was unable to raise the anticipated amounts. Moreover, there were delays in donor disbursements for crisis-exit programs, and in budget support from the World Bank, initially scheduled for the third quarter of 2008. Despite these cash-flow difficulties, the government had to make exceptional efforts to finance the crisis-exit program from its own resources, in an amount of 1 percent of GDP. As a result, the Government had to postpone the payment of arrears to the AfDB and incurred domestic arrears such that net reduction in arrears was 1.2 percent of GDP lower than the program objective.

11. **As regards the extrabudgetary spending for large construction projects, the government undertook several actions to shed light on this spending and to prevent a recurrence.** In particular, it regularized the 2008 expenditure through adoption of a 2008 supplementary budget; limited this expenditure to the specified amount (CFAF 82 billion); initiated an investigative report (*évaluation contradictoire*) of the large public construction projects executed at end-2008—under the aegis of the General Finance Inspectorate (*IGF*) with the assistance of appropriate expertise. The assessment will include the cost of works executed and the related government payment obligations, and must be completed before end-March 2009. The government has also initiated reports on the execution of these works at end-2008 for the Council of Ministers, to be finalized before end-March 2009. Moreover, for future budgets, it put in place a new transparent framework for the execution of large public construction projects (see ¶26 and ¶34).

B. Structural reforms in 2008

12. **Implementation of structural measures progressed, despite some delays and the partial implementation of two structural indicators (Table 2)**. As regards public finances, the return to fiscal orthodoxy has been reflected in several improvements:

- Reduced use of treasury advances, compliance with monthly budget allocations, and the monitoring of processing times for documents in SIGFIP;

- Recourse to costly financing from enterprises due to cash-flow pressures has been stopped since January 2009;

- Improvements in the quarterly reports to the Council of Ministers on budget execution, including, since June 2008, the status of payments, and their publication, including on the internet. An audit of crisis-exit expenditures financed by own resources during 2006–08 was launched at the beginning of March 2009, to be finalized before end-June 2009;

- Submission to the Accounts Chamber (*Chambre des comptes*) of the preliminary draft budget execution laws (*Lois de Réglements*) for 2005 and 2006 (in September 2008) and for 2007 (in February 2009);

- Adoption of a public finance reform plan in February 2009, based on findings of the PEMFAR technical assistance mission, and the start of its implementation;

- Adoption of a roadmap for strengthening public procurement, which will separate the regulatory, executive, and control functions.

13. As regards domestic financing, several measures are aimed at reinforcing relations with the private sector. In consultation with suppliers, in November 2008 the Government adopted a plan to clear arrears outstanding at end-2007 during 2008–10, and began its implementation, including through the securitization of some CFAF 41.6 billion of claims. With cash payments made in 2008 or programmed for 2009–10, the whole end-2007 stock will be regularized under the plan. To improve liquidity management and better plan its recourse to the financial market, the government reactivated the Treasury Committee and strengthened coordination with the Monitoring Committee of Government Securities and Financing (COSTEIF).

14. Banking sector reform has progressed despite some delays.

- Two of the six banks posting negative equity at end-June 2008 completed their recapitalization program and now have positive equity. One bank has begun its recapitalization program, and another has been placed under temporary administration. Regarding the other two banks, no investors could be found, and the government decided to increase its participation—by converting its deposits into capital (with no cash payments)—and submit these cases, in March 2009, to the Banking Commission for approval.

- The financial and operational audit of the National Investment Bank (*BNI*) was finalized in November 2008. The audit revised downward the level of equity at end 2007, and identified weak compliance with prudential ratios. The level of equity fell once again below the threshold of solvency as a result of a sale, at a discount, of claims on the government to a foreign investor in 2008.

- The National Microfinance Strategy was adopted by the government in October 2008.

- Draft amendments to the Social Security Code were prepared following an actuarial study of the CNPS, whose pension branch is currently in deficit, in order to restore financial equilibrium and introduce a supplementary pension plan.

- Following the audit of the accounts and information system of the CNCE in July 2008, the plan to write off it bad debts assets was endorsed and a request for a banking license was resubmitted to the Banking Commission in November 2008. A schedule for the repayment of its debt to the government (*nivellement décadaire*) was concluded with the government in November 2008.

15. The government has continued its efforts to improve transparency and governance in the coffee/cocoa sector. **The main actions include:**

- Quarterly reports on physical and financial flows are submitted to the Council of Ministers and published.

- At end-2007, the Rural Investment Fund (*Fonds d'Investissement en Milieu Rural ; FIMR)*—supervised by the Committee for the Review and Monitoring of Coffee/Cocoa Sector Projects and Programs (*Comité d'Examen et de Suivi des Projets et Programmes de la filière café/cacao; CESPPCC)*—began to implement social projects (health, education, community-based water supply, and rural roads) for the benefit of the rural population. At end-2008, CFAF 11.6 billion of these projects had been completed.

- Regarding institutional reform, the Attorney General (*Procureur de la République)* took steps to clarify past management of the sector's resources; as a result, the main decision makers in the sector were put under detention orders. In September 2008 the old sector entities were stripped of their functions in favor of a temporary Management Committee (the *CGFCC*), which is mandated to manage the 2008–09 crop season and to develop a new strategy for the sector.

- The government continued the gradual reduction in the quasi-fiscal levies and set total levies for the 2008–09 crop season at CFAF 31.3/kg (down from CFAF 46.5/kg in 2007–08), including CFAF 12.5/kg for the FIMR, CFAF 5/kg in a special account for investment, and the remainder for operating costs of the entities.

16. Progress was made on transparency issues and reforms of the energy sector. The actions taken in 2008 include:

- **Transparency:** (i) quarterly reports to the Council of Ministers on physical and financial flows in the sector and their publication; (ii) in the context of the Extractive Industries Transparency Initiative (EITI), preparation of reports for the years 2006 and 2007 (expected for end-April and end-September 2009, respectively); and (iii) completion of the external audit of PETROCI in February 2009.

- **Petroleum products:** (i) reduction of the 'k' factor (protection for the refinery: *Société Ivoirienne de Raffinage−SIR*) from 6 to 5 percent in May 2008; (ii) the increase in pump prices by 25 percent on average in July 2008, followed by average reductions of 10 percent in November 2008 and 7.5 percent in January 2009, reflecting the evolution of world prices. The social upheaval triggered by the high cost of living left the government with no choice but to delay the introduction of the automatic petroleum pricing mechanism (initially scheduled for July 2008). The mechanism (including a margin of 3 percent to replace the "k" factor) was adopted (by interministerial order) at end-February 2009, and will become effective beginning April 1, 2009.

- **Electricity:** (i) an average increase of 10 percent in electricity tariffs (for enterprises) in early 2008, as well as a 10 percent increase for households (excluding low-consumption households, which account for 40 percent of total household consumption) at the end of the year; (ii) the start of negotiations with the gas operators with a view to revising the indexation of gas prices to world prices; and (iii) the compensation of cross-debts and claims between the Government and the electricity company (*CIE*) for 2007 (in March 2008) and for 2008 (in February 2009).

17. **The government has pursued its efforts on other structural reforms.** The organizational, legal, operational, and financial audit of the government employee pension fund (*CGRAE*), the review of its legislative and regulatory framework, as well as the actuarial study were completed in March 2008. These documents propose rehabilitation plans to ensure the long-term financial viability of the *CGRAE*. Furthermore, the retirement age for civil servants was increased from 55 to 57 years effective from January 1, 2009. As for the Autonomous Port of Abidjan (*PAA*), the financial audit launched in August 2008 was completed in February 2009.

IV. Medium-Term Program and Poverty Reduction Strategy

18. Building on progress achieved under EPCA, the government has prepared an economic program for the period 2009–11. The main objectives of the program are to accelerate the reconstruction of the country and growth, fight against poverty, and make progress toward the MDGs in a reunified country and a climate of durable peace. These objectives are in line with the PRSP, which also serves as benchmark for coordinating the program with civil society and development partners.

19. **To achieve these objectives, the program aims to reduce macroeconomic and financial imbalances, attain debt sustainability, expedite structural reforms, and create an institutional environment supportive of the private sector.** Efforts to improve

public resource management will continue with the goals of creating the fiscal space needed for social services and basic socio-economic infrastructure, and assuring greater transparency. The government also intends to pursue the restructuring of the coffee/cocoa and energy sectors; the reform of the civil service to attain greater efficiency; the reform of the social security system to achieve financial rebalancing; and the strengthening of the financial system. Close attention will be paid to promoting good governance and improving the legal and regulatory framework so as to strengthen the rule of law and ensure the security and freedom of movement of persons and goods.

20. **The main macroeconomic objectives for the period 2009–11 are:** (i) average real GDP growth above 4.2 percent per year, thus raising income per capita; (ii) a reduction in inflation to below 3 percent from 6.3 percent estimated for 2008; (iii) keeping the overall budget deficit at around 2 percent of GDP (and a primary basic surplus of 1 percent of GDP or greater); and (iv) an external current account deficit (excluding official transfers) not greater than 5 percent of GDP. Attainment of the growth objective will reflect increased capacity utilization and a significant pick-up in investment, especially in post-crisis reconstruction. The investment rate is expected to climb from 10.1 percent of GDP in 2008 to 14.9 percent of GDP in 2011.

21. **The medium-term fiscal objectives are to improve transparency and create fiscal space to increase resources for poverty-reducing measures.** Accordingly, the government has identified "pro-poor spending" budget lines (in particular, health, education, basic infrastructure, agriculture, and rural development), and will monitor them continuously and, more generally, will continue the regular publication of budget execution data.

22. **With a view to achieve these objectives, Côte d'Ivoire intends to resume fully its leadership role within the WAEMU in observing the common norms.** The WAEMU Convergence, Stability, Growth, and Solidarity Pact requires that each member country prepare annually a three-year convergence plan, which is consistent with the programs agreed with the Bretton Woods institutions. In its program for 2009–11, the government intends to pursue fiscal and economic reforms with a view to complying with the eight convergence criteria of the Pact over the timeframe envisaged by the community. Furthermore, the government will adopt measures to fully implement the Customs Union (see ¶43).

A. Program for 2009

23. **In line with medium-term program objectives, the 2009 program is designed to:** (i) achieve real GDP growth of 3.7 percent; (ii) reduce HCPI inflation to 3 percent; and (iii) stabilize the overall budget deficit (including grants, but excluding the reduction of external arrears) at 1.2 percent of GDP. The government will do its best to fulfill the completion point triggers under the HIPC Initiative as soon as possible.

B. Fiscal policy

24. **The fiscal framework for 2009 pursues fiscal consolidation while addressing crisis-exit needs in the context of normalizing financial relations with external partners.** The 2009 Budget, adopted at end-2008, targets a primary basic surplus of about 1 percent of GDP, which allows progress toward debt sustainability and a reduction in domestic arrears. To reflect new requirements of the *APO* and the worsened international environment, the government has adopted—in early March 2009—a revised Budget for 2009 in line with the program's fiscal framework (prior action).

25. **The 2009 budget reflects the mobilization of revenues by administrative measures, an increase in excise tax on petroleum products, and a reduction in the taxation of cocoa.** These measures should lead to an increase in revenues to 19.0 percent of GDP compared to 18.9 percent in 2008, despite a decline in oil/gas revenues (due mainly to lower world prices). Tax administration efforts include the effective resumption of tax and customs duty collection in the CNW zones (single treasury for the whole country), strengthened customs and tax administration (especially for hydrocarbons and transit), stepped up efforts against tax fraud and evasion, better control and harmonization of exemption regimes, and the systematic collection of public enterprise dividends (Box 1). Also, the government intends to strictly apply the automatic pricing mechanism for the pump prices of petroleum products, with a level of excise taxes (*TSPP*) that ensures an adequate contribution to total revenue (1.7 percent of GDP). Furthermore, in light of the envisaged harmonization of tax rates in the subregion, the government has reduced the profit tax (*BIC*) rate from 27 to 25 percent effective from 2009. In order to ease the tax burden on cocoa producers, the government will reduce for the 2009/10 crop season the cocoa registration duties to their 2007/08 level of 5 percent, and lower the single export duty (*DUS*) on cocoa from CFAF 220/kg to CFAF 210/kg, beginning with the 2009/10 crop season (¶ 40). Given the decline in world prices, the government ended the temporary tax suspensions on foodstuffs as of January 1, 2009, with the exception of rice consumed by vulnerable social groups. It intends to put in place better targeted and more effective social measures, budgeted for an amount of CFAF 5.6 billion (¶29).

26. **The government will continue to include all oil and gas revenues in the budget and in the quarterly budget execution reports.** For this purpose, the monitoring of oil shipments will be the focus of monthly reports on volumes and values by the tax and customs services (*DGI* and *DGD*, with the assistance of an independent verification office). These reports will specify the respective shares of the government, the state oil company (*PETROCI*), and all other operators for each shipment. All proceeds of shipments that flow to the Government will be paid to the Treasury. The Government acknowledges its obligation to pay the cost of the large public works already completed but not yet paid. For future such works, it undertakes to revoke any contractual provision conferring the government's oil share to any private operator. In particular, there will be no link between payment for the works and crude oil world prices and volumes extracted. The government agrees to pay all its suppliers in compliance with regular budget and payment procedures.

27. **Primary expenditures (excluding interest and externally financed expenditures) will be contained at 18.2 percent of GDP with a re-orientation toward pro-poor**

spending (social sectors and basic infrastructure). This spending concerns, in particular, education, health, rural roads and highways, community-based water supply, rural electrification, rice farming, and security; it has been identified in specific budget lines (including those financed by HIPC debt relief) and their execution will be monitored in the budget execution reports. The "pro-poor" spending allocation will increase to 7.7 percent of GDP from 6.9 percent in 2008, of which 6.0 percent of GDP will be for education and health (5.7 percent in 2008).

Box 1: Revenue Measures for 2009

Taxes (*DGI*)

- Restoration of the effective functioning of tax and customs administrations in the CNW zones, in particular the recovery of car registration taxes (*vignettes*), transport tax, VAT, profit (*IS*) and income (*IT*) taxes, as well as a census and registration of taxpayers.
- More widespread application and control of the standardized VAT invoice with the help of, inter alia, the creation of new control units.
- Improved tax administration of the petroleum sector (extraction and distribution) with the new unit (*sous-direction*) for petroleum activities in the DGI. Strengthened verification of "cost-oil" of operators in the sector to determine, inter alia, the government's share in the production of crude oil and gas.
- Setting up of, or increase in, the level of withholding taxes at source for certain economic agents, notably in agriculture.
- Better organization of the fight against fraud through strengthened coordination between DGI and DGD, the verification of declarations of warehouse storage, as well as the start up of the risk management unit.

Customs (*DGD*)

- Apply better customs verification of oil/gas exports and flows of petroleum products, notably by specifying the measurement methods, using technical documentation of the refinery and of bonded warehouses (*entrepôts sous douane*), and by color-marking petroleum products subject to special tax regimes.
- Strengthen efforts to combat fraud/evasion, in particular by basing verification on risk analysis, by making the management of international transit by the border offices and the surveillance of border zones operational.
- Improved verification of values by submitting all containers disembarked at the Autonomous Port of Abidjan to risk analysis to determine those selected for inspection by scanner.
- More effective control over exemptions, by integrating the authorization of exemptions with the customs clearance system and by generating data on foregone revenues. A review of all exemption regimes will be initiated with IMF assistance before June 2009, with a view to their streamlining from January 1, 2010.

Other measures

- Recognition of government debts to the refinery (*SIR*) in the form of the operating deficit ("*SSH négatif*"), the gaz deficit ("*butane*"), and fuel deliveries to the army. Elimination in 2009 of all these deficits by applying the petroleum product pricing mechanism, and by budgeting for any subsidies or operating expenses, and consolidation of the debt vis-à-vis *SIR*.
- Improved collection of social security contributions, in particular the collection of employer contributions from enterprises, including public enterprises.
- Systematic collection of dividends from public enterprises, notably those that manage significant public resources, such as the Autonomous Port of Abidjan and *PETROCI*.

28. **Within current expenditures (excluding interest), the wage bill will be contained and priority given to the social sectors.** The government will limit the increase in the wage bill, so as to reduce the ratio of the wage bill to tax revenues to 42.1 percent (compared with 43.4 percent in 2008), and will continue to move towards the WAEMU norm. This wage bill reflects the full-year impact of most of the emoluments given in July 2008, the new regulations governing teachers and employees in the health sector and for certain officers of the judiciary, as well as new recruits. Mindful of the fact that staffing levels have been increasing for several years, the Government intends to limit the wage bill of government bodies to the level of the 2008 Budget, in particular by strictly respecting the monthly budget allocations. It will limit net recruitment to 7317 staff in 2009, of which 5579 in education (including the volunteers in the CNW zones who meet qualification requirements), and 1734 in the other sectors, corresponding to the number of candidate civil servants completing the high-level public administration schools. Furthermore, new recruitment for the health sector will be 1666 staff, with a budget impact only in 2010.

29. In order to reorient the budget towards pro-poor spending, the government is committed to reduce operating expenses, in particular through the following actions:

- Sovereign spending will be limited (to CFAF 9.5 billion), spending on travel, fuel, and utilities to CFAF 58.7 billion reflecting better control of implementation and use.
- Subsidies to the electricity sector will be limited to CFAF 25 billion, on the basis of a better price for gas purchases negotiated with the gas producers, a revision of the electricity tariff structure and, as needed, an increase in tariffs (¶39). The Government will also set up a mechanism for quarterly payment of electricity bills of government agencies, and at the same time the *CIE* will be required to pay regularly the bills for its gas consumption. Furthermore, the government will pay its water bills on a quarterly basis and will reduce its arrears to the water sector by CFAF 8.7 billion in 2009.
- To improve the delivery of social services throughout the country, the budget allocations for transfers to private schools have been increased while remaining arrears will be reduced. The government has increased allocations for investment transfers to local governments and will ensure the effective transfer of funds, particularly in the CNW zones. It will also ensure regular transfers to the Road Maintenance Fund (*Fonds d'Entretien Routier; FER*) of at least 12.5 percent of *TSPP* receipts.
- The revised 2009 Budget envisages an amount of CFAF 10 billion for social programs targeted at vulnerable groups, of which CFAF 5.6 billion will used for a pilot project with technical assistance from the World Bank in the context of its post-conflict assistance project (*PAPC*).

30. Crisis-exit expenditures will amount to 1.4 percent of GDP, of which 0.3 percent of GDP will be contributed by external partners. The government's crisis-exit program, which is based on the *APO* roadmap and supplementary agreements, obtained the support of donors in July 2007. It will be continued in 2009, with the following main components: (i) elections; (ii) restructuring and re-establishment of defense and security forces; (iii) restoration of the authority of the government and redeployment of the civil service; (iv) consolidation of the national reconciliation, peace, security, and freedom of movement of persons and goods; and (v) the Special Emergency Program (*Programme Spécial d'Urgence; PSU*). To meet the additional needs stemming from the 4th supplementary *APO* agreement of end-2008, the Government adjusted the budget allocations for the crisis-exit program and other current expenditures, so as to finance the cost of demobilizing ex-rebels and ex-militia.

31. **Capital expenditures will stabilize at 3.0 percent of GDP in 2009, however with a increased share directed to social services and the rehabilitation of basic infrastructure.** Investment financed from own resources will amount to CFAF 235.8 billion, primarily allocated to the rehabilitation of basic infrastructure, part of which is related to projects adopted under the WAEMU Regional Economic Program, notably the construction of 300 wells in the Eastern and Western regions. An amount of CFAF 10 billion is envisaged for the start of construction of a third bridge in Abidjan, for which half of the financing comes from external loans (Islamic Development Bank, OPEC Fund, BOAD and BIDC). In view of post-crisis reconstruction needs, the government has slowed the pace of the large public construction projects, pending an evaluation of their scale and phasing. In 2009, the budget allocation for these large construction projects amounts to CFAF 40 billion, (including advances of CFAF 15.6 billion made in 2008), and the focus will be on the renovation of the *Hôtel Ivoire* and the Autonomous Port of Abidjan. All the works will be based on contracts that conform to the public procurement code (¶34).

C. Governance and structural reforms in public finance

32. **The government has placed good governance and transparency at the center of its economic program.** The Government intends to implement its action plan for public financial management (adopted in February 2009). Measures focus on improving the tax and public expenditure management systems to harmonize them with WAEMU directives, strengthening controls, and systematically publishing reports on budget execution and the use of other public resources (including of the coffee-cocoa sector). Particular attention will be given on the Government's relation with suppliers, notably the non-accumulation of new arrears and the repayment—in a transparent manner—of its debts to suppliers ("*restes à payer*"), as is foreseen in the new arrears clearance plan for 2008-11 that takes into account the arrears accrued in 2008. Arrears of VAT credits that have been evaluated and verified by the *DGI* in consultation with the private sector, will be covered by a clearance plan, including through securitization. In addition to the quantitative and structural indicators in Tables 3 and 4, the program incorporates the measures shown in Box 2.

33. **The government intends to adopt a National Plan for Good Governance and Fight Against Corruption in the course of 2009.** In addition, a draft law on unlawful enrichment will be adopted by the Government before end-2009. Also, the government intends to prepare a code of ethics for senior public officials that is to be adopted before end-2009.

Box 2: Structural Budget Reforms in 2009

Revenue

- Budgetization and fiscalization of quasi-fiscal levies on coffee/cocoa, earmarked for investment, beginning with the 2010 budget, with the counterpart in investment spending. Improvement of the traceability of resources used for operating costs of the agencies of the sector through their inclusion in reports to the Council of Ministers at end-June 2009 and end-December 2009.
- Finalization of a detailed inventory of quasi-fiscal and administrative fees charged by ministries (before end-September 2009), with a view to rationalizing and budgetizing them.
- Annual publication of the summary of the certified accounts of PETROCI.
- Preparation of an annual report, submitted to the Council of Ministers, on the financial performance of enterprises in the Government's portfolio, and publication of the report after adoption by the Council.

Expenditure

- Strict limitation and monitoring of the use of treasury advances; and no recourse to extrabudgetary expenditures (Table 4 and Technical Memorandum of Understanding ¶14–15).
- Further decentralization of the Integrated Fiscal Management System (SIGFIP) and improvement in the interface between SIGFIP and ASTER (budget execution−accounting) (2009–10).
- Timely submission of the preliminary draft budget execution law to the Audit Chamber (Chambre des comptes) for certification (by end-October 2009 for the 2008 accounts).
- Phasing in of medium-term expenditure frameworks starting with social ministries (education and health) for the period 2009–11 (end-October 2009).
- Development of an integrated career and payroll management system for military and police (end-2009).

34. Several actions—described in the Prime Minister's Instruction of November 13, 2009—will ensure the transparency of large public construction projects:

- As regards the large public construction projects envisaged in the 2009 Budget (CFAF 40 billion), the framework agreements will be regularized as public procurement contracts, on the basis of a list of specifications and prices determined by the National Bureau for Technical and Development Studies (*BNETD*), in consultation with the contractor before mid-March 2009. These contracts will be published.

- The framework agreements for which a contractor has already been assigned (for a total of CFAF 818 billion over several years, excluding CFAF 235 billion already executed at end-2008 or foreseen in 2009) will be amended after technical studies of the remaining work by the *BNETD* to determine the specifications and prices. The government commits to renegotiate contracts with the operator with a view to reduce the scale of the works. These framework agreements will be converted into public procurement contracts and published, with costs set by the *BNETD* in consultation with the contractor. Execution of the contracts will be done on an annual basis within the limits set in the budget.

- All works related to the transfer of the capital for which there is no specific contract yet and which have not yet been executed (for a total of CFAF 529 billion over several years, of which CFAF 261 billion of contracts where the initial assignment has been revoked, and CFAF 268 billon for works not yet started) and any other future project will be done through public tender according to the Public Procurement Code.

- Expenditure execution will be done in SIGFIP and will be covered in the budget execution statements; it will be subject to control under the auspices of the *IGF*.

- Operational and financial control of the implementation of all these investment projects will henceforth be assured by an Interministerial Oversight Committee under the auspices of the Prime Minister, with monthly financial reports, and all payments will be made directly by the Treasury.

35. **The government intends to adopt by end-June 2009 a civil service reform program.** The objective is to create an administration that is slimmer, more efficient and oriented to serving the public, while maintaining a qualified and motivated staff, and reducing the weight of the wage bill on government revenues. To prepare and implement this program for 2009–11, the Government hopes to benefit from the support of external partners.

Box 3: Civil Service Reform Plan and Measures in 2009

- Preparation before end-2009 of a civil service reform program, based on the findings of the organizational studies of ministries, including the appointment of secretary-generals for the ministries.
- Increase in the retirement age from 55 to 57 for all civil servants with effect from January 1, 2009, and its further increase in stages to 60 years for all civil servants from 2011.
- Census of civil servants and elimination of ghost workers (before end-October 2009).
- Setting up of an integrated government personnel management system (excluding the military and police; "fichier unique de référence"), to be operational at the start of 2010.
- Validation of actuarial, legal, and institutional studies for the CGRAE. Preparation of a plan by end-2009 to restructure the CGRAE (on the basis of the results of the studies, including through institutional strengthening and the introduction of a fully funded pension plan).
- Limiting the deficit of CGRAE that is borne by the budget in 2009 to CFAF 56.5 billion (compared to CFAF 54.3 billion in 2008), in particular by reducing the operating costs of the management system.

D. Monetary policy and financial sector reform

36. **Fiscal policy will conform with regional monetary policy.** The government will participate in regional liquidity management in accordance with WAEMU rules, and will plan the issuance of securities on the regional financial and money markets according to the financing needs of the budget. It will approach the BCEAO to seek a restructuring of arrears on the consolidated statutory overdraft. Regarding the WAMU institutional reform, the government plans to adopt the amendments of the WAMU Treaty and of the Banking Law with a view to their ratification (before end-June 2009).

37. **The government will continue to support the efforts of the WAMU Banking Commission to ensure that banks meet prudential ratios and implement the Commission's recommendations.** In the context of the Financial Sector Assessment Program (FSAP) of the IMF and World Bank (for which the mission is planned for May 2009), the government will seek to recapitalize and/or restructure banks in distress. The authorities will strengthen the surveillance over microfinance institutions (the largest of which will be monitored by the Banking Commission as soon as the revised Banking Law comes into effect), and initiate the restructuring of the sector on the basis of the National Microfinance Strategy (SNM). The anti-money laundering (*LBC*) framework is in place, and the adoption of the national law combating the financing of terrorism is scheduled for mid-2009. The National Financial Intelligence Unit (*CENTIF*), which is already operational, will monitor compliance with these two laws, and will attach particular importance to the education and training of stakeholders, inter alia through its website.

Box 4: Financial System Reform Measures in 2009

- Develop an action plan for the restructuring of the BNI on the basis of the recommendations of the Banking Commission and those of the financial and operational audit before end-April 2009, and adopt it before end-June 2009.
- Regarding the Postal Savings Bank (CNCE), limit the implicit government subsidy related to the "10-day settlements" (nivellements décadaires) to CFAF 10 billion in 2009, in accordance with CNCE's change of status.

38. **The government will pursue the reform of public financial institutions.** With regard to the *BNI*, the government intends to prepare an action plan based on the recommendations of the Banking Commission and those of the recent audit, with the aim of restructuring the bank, notably by restoring its solvency and compliance with prudential norms. This plan will be submitted to the Banking Commission; in the meantime, the government will abstain from any direct or indirect subsidy to the *BNI*. As regards the two banks in which the government recently became the majority shareholder, private investors will be sought with the aim of recapitalizing the banks by the date set by the Banking Commission. With respect to the social security fund (*CNPS*), the government intends to launch the reform using the findings of the actuarial study, in order to reduce the deficit of the pension branch from 2009. Furthermore, the government will require that any sale of government debt owed to a public entity (in which the government holds a share of more than 50 percent) to a third party at a discount of more than 10 percent should be authorized in writing by the Minister of Finance.

E. Sectoral reforms

39. **The government is determined to pursue its efforts to achieve transparency and reform in the energy sector, in order to enhance its efficiency and contribution to government revenue, with assistance from the World Bank (Box 5).** With regard to the hydrocarbon subsector, the government intends to review the existing legal and regulatory framework in the context of international standards for the oil/gas production, strengthen its capacity to negotiate and monitor contracts, and, based on the financial audit, develop an action plan to improve government revenue. Following Côte d'Ivoire's adherence to the EITI, the Government has committed to take further steps to comply with the EITI

validation framework, managed by the EITI National Council, particularly by producing and publishing annual reports in line with EITI criteria. In this regard, the Government intends to prepare the 2008 report before end-2009. In the electricity subsector, the Government intends to adopt and implement a restructuring strategy (described in its Letter on Electricity Sector Policy of January 2009 and based on the 2008 audit), in order to restore financial equilibrium, strengthen public-private partnerships, increase the supply of electricity, and improve interconnections at the subregional level. As regards petroleum product prices, the Government commits to apply the automatic pricing mechanism and to improve it further, based on the recommendations of the recent distribution audit and IMF technical assistance.

Box 5: Measures in the Energy Sector in 2009

- Submission to the Council of Ministers of quarterly reports within a time-lag of 45 days—and their publication— on: physical, financial, and tax flows in the crude oil/gas subsector; production, export, and release for consumption and taxation of petroleum products; and production, costs, and financial flows in the electricity subsector.
- Revision of the structure of petroleum product prices based on the recommendations of the recent audit of distribution and of IMF technical assistance (revision of cross-subsidies for transport and butane, quasi-fiscal levies for the national security reserve, the distribution margins, as well as the protective margin for the refineries, by end-September 2009.
- To limit the deficit of the electricity sector, renegotiation with the gas producers of the price of gas purchases, renegotiation of the export price of electricity, and revision of the tariff structure before end-June 2009; and, if necessary, increasing tariffs before end-2009.

40. **The government will pursue its efforts to achieve transparency and institutional reform of the coffee/cocoa sector in order to raise farmers' incomes (Box 6).** It will prepare—with World Bank assistance— a strategy for the coffee/cocoa sector comprising a new institutional, regulatory, and legal framework. The strategy will focus on improving the marketing and intermediation system to ensure that the projected decline in coffee/cocoa taxation will mainly benefit farmers. For this purpose, the strategy will aim at strengthening the marketing capacity of the farmers' cooperatives (through investments in rural areas) and competition among buyers (through the mandatory publication of domestic prices and international market quotations). All of these actions will take account of the need to preserve efficient small and medium exporters (*PMEX*) and the *COOPEX*.

Box 6: Reforms in the coffee/cocoa sector in 2009

- Submission to the Council of Ministers of quarterly analytical reports within a time lag of 45 days—and their publication—on the collection and use of coffee/cocoa levies and on the balances in the bank accounts of the sector's entities, as well as on realized F.O.B. export and farmgate prices.
- Adopt a roadmap to prepare and implement a new strategy for the coffee/cocoa sector, comprising a new institutional and regulatory framework, on the basis of existing studies and audits (end-2009).
- With the aim of gradually lowering total cocoa taxation to a rate of 22 percent of the C.I.F. price in 2011, a reduction for the 2009/10 crop season of the registration duty from 10 to 5 percent, of the single export duty (DUS) from CFAF 220/kg to CFAF 210/kg, and of other quasi-fiscal levies of at least CFAF 5/kg. Preparation of the transformation of these levies to a single ad valorem tax (before the 2010/11 crop season).

41. **The government intends to improve the business environment by implementing policies to encourage private investment and the processing of local primary products (Box 7).** In 2009, it intends to implement the following actions with the support of external partners, notably the EU, AfDB, the World Bank, and Germany.

Box 7: Measures to improve the business climate in 2009

- Adopt the law on mandatory enforcement (exéquatur) of decisions of Arbitration Boards, thereby expediting the resolution of business disputes and helping to unclog the courts (by end-2009).
- Creation of commercial courts (tribunaux de commerce) (by decree, by end-2009); and training of judiciary staff in commercial matters (2009).
- Preparation of a reform plan to enhance the efficiency and fairness of the judicial system; and publication of judicial decisions (by end-2009).
- Reform of the Law on Competition (Loi sur la concurrence), notably to combat noncompetitive practices (before end-2009).
- Accelerate administrative procedures for processing the reimbursement of VAT credits to enterprises, such that the outstanding stock of verified VAT credits awaiting reimbursement does not exceed CFAF 10 billion during 2009 (compared with CFAF 28.4 billion at end-2008).

42. **The government intends to resume the reform of public enterprises.** By end-2009 it will devise a strategy for its portfolio with a view to restructuring or privatizing public enterprises. It will step up the supervision and monitoring of public enterprises through regular independent audits of the main public enterprises and the preparation of an annual report on their financial situation by the Directorate of Participations and Privatization (*DPP*) and the General Finance Inspectorate (*IGF*), and the control of transfers of social contributions to the *CNPS*. For this purpose, the staff and technical capacities of the *IGF* and of the *DPP* will be strengthened.

F. Regional integration and foreign trade policy

43. **The government intends to pursue its participation in regional integration within the WAEMU and ECOWAS, as well as in world trade through the WTO.** It will support the extension of the WAEMU Common External Tariff and the rules of origin to all ECOWAS countries, and will promote the freedom of movement of persons and goods within the subregion. Regarding the Economic Partnership Agreement (EPA) with the European Union, following the signing of an interim agreement at end-2007, Côte d'Ivoire will continue to support the signing of a regional EPA. The Government is pursuing its efforts, in conjunction with other countries in the subregion and the EU, to formulate accompanying programs foreseen under the EPA and thereby secure the "development and financing mechanisms" component.

G. Social sector policies and monitoring of the PRSP

44. **The government is firmly committed to reversing the deterioration in the social situation caused by the crisis. As described in the PRSP, indicators of poverty and social indicators have deteriorated substantially.** The Government's social and poverty reduction strategy described in the PRSP is predicated on measures designed to make an

enhanced and better targeted impact on the priority sectors of education, health, security, and basic infrastructure. It intends to develop medium-term expenditure frameworks starting with the education and health sectors, and increase budget allocations for these sectors from 4.7 and 0.9 percent of GDP in 2008 to 4.9 and 1.1 percent of GDP in 2009, respectively.

45. **Social policies.** With the aim of achieving universal education by 2015, the Government has prepared the National Plan for the Development of Education and Training (*Plan National de Développement de l'Éducation et de la Formation−PNDEF*), based on Côte d'Ivoire's Status Report on the National Education System (*RESEN*). The plan is designed inter alia to enhance access to education and to improve the quality and retention of pupils in the education system. For this purpose, the government envisages an increase in the numbers of teachers and classes (at a rate exceeding the growth in the school age population) in order to reduce class size (from 55 today) and is considering an extension of training capacity. With regard to health, the government has prepared the second National Health Development Plan (*Plan National de Développement Sanitaire−PNDS*) for the period 2009–11. It aims to improve the population's access to the health care system while enhancing its effectiveness and efficiency. For this purpose, the government will progressively rehabilitate and construct the infrastructure for all health care centers and improve accessibility of essential drugs in line with the program envisaged in the PRSP.

46. **The Government has set up a unit for monitoring implementation of the PRSP.** The PRSP Supervisory Committee (created by Prime Ministerial decree in March 2009) is responsible for implementing national poverty reduction strategies in Côte d'Ivoire, and for preparing and publishing regular reports on its implementation.

H. Statistics and capacity-building

47. **The government undertakes to adopt and implement the Master Plan for Statistics 2008–10.** This master plan has been developed with a view to ensuring the regular development of economic and financial data. For 2009, it plans to produce new statistics for the informal sector, social accounting, livestock and industrial fisheries.

48. Côte d'Ivoire will continue to strengthen its administrative capacity, especially in areas affected by the crisis. The government expects to benefit from assistance from the IMF and other development partners to: (i) strengthen tax and customs administration; (ii) review tax exemptions, (iii) help implement the action plan for public financial management reforms; and (iv) improve national accounts with a view to constructing a social accounting matrix.

V. External Debt and financing of the Program

49. **The government intends to complete the normalization of financial relations with its development partners**. The clearance of arrears to the World Bank was completed in February 2008, and those to the AfDB in early March 2009 thanks to a grant from the AfDB's Fragile States Facility and with the help of a bridge loan from an external partner. An agreement in principle on clearance of arrears to the EIB has been reached. With respect

to the Paris Club, arrears at end-2008 amount to CFAF 1,689 billion, including CFAF 732 billion in pre-cutoff-date debt (eligible for Paris Club rescheduling) and CFAF 957 billion in post-cutoff-date debt not eligible for Paris Club treatment. In view of the very large arrears on post-cutoff-date debt and taking account of the financial difficulties of the crisis-weakened country, Côte d'Ivoire intends to request an exceptional treatment of these arrears from the Paris Club. For current maturities on pre-cutoff-date debt (including on earlier reschedulings) totaling CFAF 207 billion for 2009–11, the government hopes to obtain treatment on Cologne terms. With respect to the "Brady" debt (London Club), for which arrears at end-2008 are estimated at CFAF 380 billion and the stock of principal at CFAF 974 billion, the government is discussing debt relief with its creditors. Moreover, a HIPC debt sustainability analysis was carried out jointly with the staffs of the World Bank and IMF, on the basis of end-2007 data. The government hopes to reach the decision point under the HIPC Initiative no later than end-March 2009.

50. **In spite of considerable fiscal efforts, the need to regularize all external arrears generates sizable financing gaps for the program period 2009–11.** Taking into account primary basic surpluses, the external project financing already identified, and net financing on the WAEMU financial market, the financing gap amounts to CFAF 2,761 billion in 2009, CFAF 364 billion in 2010, and CFAF 373 billion in 2011. The Government hopes to fill these gaps with debt restructurings and cancellations from Paris Club and London Club creditors, and assistance from multilateral institutions (IMF, World Bank, AfDB, and EU) and bilateral partners.

VI. Program Monitoring

51. Implementation of the program will be monitored through semi-annual reviews conducted by the IMF Executive Board on the basis of quantitative indicators and structural benchmarks. These indicators are defined in the attached Technical Memorandum of Understanding (TMU). The quantitative indicators for end-June and end-December for each year under the program will be performance criteria, and the quantitative indicators for end-March and end-September will be benchmarks. The first year of the program will cover the period January-December 2009. The first review of the program will be based on the end-June 2009 performance criteria and is scheduled to be completed by end-September 2009.The second review of the program will be based on the end-December 2009 performance criteria and is scheduled to be completed by end-March 2010.

52. **To ensure that the program is effectively implemented, the government has set up several interministerial committees.** The Steering Committee for Economic and Structural Reforms, under the aegis of the Prime Minister—created in March 2009—will monitor the implementation of the program for 2009–11 and will be supported for day-to-day monitoring purposes by the Technical Unit for Monitoring the Economic and Financial Program. The Committee will coordinate the work of specific interministerial committees, including the Coffee/Cocoa Sector Management Committee, the Interministerial Commodities Committee, the PRSP Committee, as well as with the Treasury Committee. This MEFP will be disseminated within the Government, government agencies, public entities, and Ivorian society.

53. **For the duration of the program, the government undertakes to refrain from external borrowing on non-concessional terms other than specified in the TMU.** For any new domestic borrowing, it undertakes to issue government securities by auction through the BCEAO or through any other form of competitive tendering on the domestic or WAEMU financial market, and to consult with IMF staff. The government also undertakes not to introduce or intensify restrictions on payments and transfers for current international transactions, introduce multiple currency practices, conclude any bilateral payments agreements that are inconsistent with Article VIII of the Fund's Articles of Agreement, or impose or intensify any import restrictions for balance of payments purposes. Moreover, the authorities, in consultation with IMF staff, undertake to adopt any new financial or structural measures that may be necessary for the success of the program.

________/s/___________

Charles Koffi Diby
Minister of Economy and Finance

Table 1. Côte d'Ivoire - Quantitative indicators, EPCA program 2007-08, CFAF Billions [1/]

	2007		2008					
	Dec.		Sept.			Dec.		
	EPCA-1	Est.	EPCA-2	EPCA-2 Adjusted [9/]	Est.	EPCA-2	EPCA-2 Adjusted [9/]	Est.
Quantitative indicators								
Floor on primary basic fiscal balance 2/	95.3	52.1	17.9	86.3	44.4	84.9	101.2	33.1
Floor on social expenditure (education and health) 3/	491.4	506.2	420.5	420.5	403.4	563.1	563.1	572.3
Floor on cash repayment (+) of government domestic payment arrears 4/	51.4	164.3	0.0	0.0	-83.9	15.0	15.0	-104.8
Ceiling on net domestic financing (incl. WAEMU paper) 5/	-49.8	171.3	196.1	172.3	142.2	162.1	191.3	171.4
Ceiling on new nonconcessional external borrowing 6/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:								
Ceiling on stock of external arrears 7/	1923.6	2294.8	1954.8	1954.8	2040.4	1992.4	1992.4	2039.4
Multilateral	265.8	499.6	0.0	0.0	55.1	0.0	0.0	-30.0
Bilateral and commercial	1657.8	1795.2	1954.8	1954.8	1985.3	1992.4	1992.4	2069.4
Total government revenue	1847.7	1817.6	1320.1	1320.1	1436.1	1960.5	1960.5	1976.8
Government wage bill	610.0	640.3	511.0	511.0	523.8	687.5	687.5	711.7
Net banking sector claims on government (BCEAO definition, including CECP)	-42.7	84.4	105.7	105.7	-5.2	95.4	95.4	-30.7
Crisis-related expenditure (excluding frontline bonuses)	116.5	33.0	118.5	118.5	71.5	158.9	158.9	82.8
Of which: foreign-financed	75.0	0.0	59.1	59.1	6.8	78.8	78.8	12.2
Of which: domestically financed	41.5	33.0	59.3	59.3	64.7	80.1	80.1	70.6
Budgetary support (grants and loans)	0.0	0.0	60.2	…	14.8	87.4	87.4	14.8
Oil/gas production revenues, including PETROCI, excluding from refined products	146.0	147.3	159.8	159.8	228.2	255.0	255.0	304.2
Of which: PETROCI	10.0	13.6	35.0	35.0	25.0	35.0	35.0	27.0
Primary basic expenditure excluding wages, externally financed crisis-related expenditure and social security spending	802.0	866.1	591.9	591.9	724.5	914.3	914.3	1031.1

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

2/ Difference between government revenue (excluding grants) and total expenditure and net lending, excluding interest payments and excluding foreign-financed capital expenditure, excluding net compensation proceeds from toxic waste damage.

3/ Includes expenditure on health and education, as defined in the classification of the Integrated Financial Management System (SIGFiP); see TMU Table 1.

4/ Domestic payment arrears as defined in the TMU.

5/ Quantitative indicator for 2008 (numbers for 2007 are reported for comparison only) on the issuance by the central government of all debt instruments in CFAF to domestic and WAEMU financial market creditors and borrowing from the BCEAO. The ceiling excludes domestic arrears and their securitization, rescheduling agreement of central government debt and new borrowing for projects from the regional development bank, BOAD. The ceiling applies to net domestic borrowing, which is defined as the amount of gross domestic borrowing minus repayments on such domestic borrowing. If external budget support for crisis-exit programs is lower than the programmed amount, the ceiling will be adjusted upwards correspondingly up to a maximum of 30 billion CFAF. The ceiling includes a margin of 25 billion CFAF over the net cumulative flows projected for each period (see TMU).

6/ Continuous indicator on all non-concessional borrowing as defined in the TMU. This ceiling does not apply to normal import-related commercial credits that have a maturity of up to one year, rescheduling agreements, West African Development Bank (BOAD) loans up to the equivalent of US$ 30 million, drawings on the Fund, public offerings in CFAF through competitive bidding on the West African Economic and Monetary Union financial markets, and a possible bridge loan used to cover part of the government's share in clearing arrears to the AfDB, in anticipation of prospective AfDB budget support (see TMU).

7/ Including external debt to the BCEAO. External payments arrears are defined as the sum of external payments due but unpaid on outstanding external debt that has been contracted or guaranteed by the government.

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

9/ The Floor on primary basic surplus has been adjusted upward - according to the TMU - for the oil revenues exceeding the program numbers ; the ceiling for domestic financing has been adjusted upward - according to the TMU - for the amounts of program grants and budget support missing compared to the program numbers; and downward for the oil revenues exceeding the program numbers.

Table 2. Côte d'Ivoire: Prior Actions and Structural Indicators, 2008 EPCA

Measure	Deadline/Status	
Prior Actions		
• Adoption by the government of the 2008 Budget in conformity with program objectives.	Done (2008 Budget adopted December 28, 2007; revisions in conformity with program adopted in late March, 2008)	
• Increase weighted average electricity rates by 10 percent.	Done (on February 1, 2008 for enterprises; on March 1, 2008 for low-voltage users (except for low-income households)	
• Reporting to IMF staff on the 2007 budget execution (in the form of the fiscal reporting table–TOFE, table of indicators (*tableaux de bord*)). Reporting of budget execution statements (see structural indicator below).	Done in late March 2008	
Structural Indicators:		
• Limitation of the use of treasury advances by reducing their amount to under CFAF 120 billion for all 2008 Budget allocations (excluding externally-financed expenditure, wages, and debt servicing). Elimination of the practice of advance, discounted payment of the Single Export Duty (DUS) on cocoa/coffee.	From March 2008 (continuous indicator)	Partially implemented (treasury advances have been limited as planned ; advance discounted DUS payments have continued)
• Report to the Council of Ministers (quarterly, with a maximum time lag of 45 days) budget execution statements (revenue and expenditure), and release them to the public. The statements will show expenditure classified by type, function and administration/type, as set forth in TMU. From the second quarter of 2008, the statements will include information on payments.	Quarterly indicator	Implemented
• Adoption by government of a domestic arrears clearance plan (stock at end-2007) over the 2008–10 period. Net cash reduction of domestic arrears by CFAF 15 billion during 2008 (see Table 1), including CFAF 5 billion for the water sector.	End-May 2008	Plan adopted with delay in November 2008. Net cash reduction not observed.
• Implementation of the automatic petroleum product pricing mechanism based on Import Parity Prices (IPP) and reduction of the coefficient "k" from 6 percent to 5 percent.	From the beginning of July 2008	Implemented with delay in February 2009; coefficient "k" reduced in May 2008.

Table 3. Côte d'Ivoire: Performance criteria and Indicative targets, PRGF 2009, billions of CFA francs 1/

	2008	2009			
	Dec.	March	June	Sept.	Dec.
	Est	Indicative Target	PC	Indicative Target	PC
Performance criteria					
Overall balance (including grants) 2/	-61.0	-13.8	-16.2	-71.8	-137.9
Ceiling on net domestic financing (incl. WAEMU paper) 3/	171.4	30.4	31.8	77.2	149.6
Ceiling on new nonconcessional external borrowing 4/		0.0	0.0	0.0	0.0
Ceiling on accumulation of new external arrears 5/		0.0	0.0	0.0	0.0
Ceiling on accumulation of new domestic arrears		0.0	0.0	0.0	0.0
Ceiling on extra-budgetary spending 5/		0.0	0.0	0.0	0.0
Indicative targets					
Primary basic fiscal balance	33.1	10.2	68.1	91.3	93.3
Ceiling on expenditures by treasury advance		25.0	50.0	65.0	82.2
Floor on pro-poor expenditure 6/	726.8	200.5	398.1	614.2	838.8
Floor on cash repayment (+) of government domestic payment arrears	-104.8	12.0	30.0	40.0	60.0
Total government revenue	1976.8	420.2	959.1	1495.8	2080.9
Government wage bill	711.7	175.4	328.1	544.2	745.0
Memorandum items:					
Net banking sector claims on government (BCEAO definition, including CECP) 7/		-0.4	53.3	48.3	104.0
Program grants		16.0	21.0	23.0	32.7
Program loans		0.0	0.0	0.0	0.0
Project grants		12.7	12.7	27.6	48.2
Project loans		2.7	10.7	20.8	43.5

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

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

3/ Performance criteria for 2009 (numbers for 2008 are reported for comparison only) on the issuance by the central government of all debt instruments in CFAF to domestic and WAEMU financial market creditors and borrowing from the BCEAO. The ceiling excludes domestic arrears and their securitization, rescheduling agreement of central government debt and new borrowing for projects from the regional development banks (BOAD, BIDC). If program loans or grants are lower than programmed, the ceiling will be adjusted upwards in the amount of the shortfall, up to a maximum of CFAF 40 billion. The ceiling includes a margin of CFAF 25 billion over the net cumulative flows projected for each period (see TMU).

4/ Continuous performance criterion on all non-concessional borrowing as defined in the TMU. This ceiling does not apply to normal import-related commercial credits that have a maturity of up to one year; rescheduling agreements; loans from regional development banks BOAD and BIDC of up to CFAF 25 and 20 billion respectively; drawings on the Fund; public offerings in CFAF of government debt initially issued to resident of the WAEMU (see TMU).

5/ Continuous performance criterion (see TMU)

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

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

Table 4. Côte d'Ivoire: Structural Conditionality, PRGF 2009

Measures	Date Structural Benchmarks (SBM)	Macroeconomic rationale
Prior Actions		
• Adoption by the government of a supplementary budget for 2009 in line with program objectives (MEFP ¶24)	Done mid-March 2009	Ensure a budget that reflects macroeconomic conditions, available resources and crisis-exit and reform objectives.
• Adoption by the government of a decree limiting the use of treasury advances to specific budget lines under certain conditions (MEFP ¶32)	Done mid-March 2009	Improve budget execution.
• Publication of budget execution statements for the year 2008	Done mid-March 2009	Improve monitoring of budget execution.
• Implementation of automatic petroleum pricing mechanism	Done end-February 2009	Improve consistency between pump prices and world prices, preserve tax revenue.
• Adoption of a public finance management action based on the PEMFAR	Done mid-March 2009	Improve transparency of public finance and efficiency of revenue collection and spending.
• Completion of the audit of the national petroleum company PETROCI	Done end-February 2009	Improve transparency in the petroleum sector.
Tax policy/administration		
• Elimination of the practice of advance payments of the Single Export Duty (DUS) on cocoa/coffee and of any other taxes	**Continuous SBM**	Improve good governance and ensure a financing cost close to market conditions.
• Completion of inventory of service charges/fees by ministries with a view to their streamlining and budgetization (MEFP ¶32)	End-June 2009 **SBM**	Improve good governance and transparency.
• Rationalization of exemptions, including crisis-related regimes, (in line with IMF technical assistance) for adoption in the 2010 budget	End-September 2009 **SBM**	Improve transparency and eliminate distortions; improve revenue.
• Implementation of an automatic transit module of SYDAM (SYDONIA) between the Port of Abidjan and the three main border posts (MEFP ¶25)	End-September 2009 **SBM**	Improve transparency and revenue.
Public expenditure management		
• Adoption by the government of the 2010 budget with the budgetization and fiscalization of all quasi-fiscal levies for investment in the coffee/cocoa sector (MEFP ¶32)	End-November 2009 **SBM**	
• Publication within 45 days of the end of each quarter, budget execution statements, including pro-poor spending (MEFP ¶21)	Each quarter **SBM**	Improve monitoring and transparency of budget execution.
• Submission of draft budget execution law (*Loi de réglements*) for 2008 to the Accounts Chamber for certification and submission to parliament (MEFP ¶32)	End-October 2009 **SBM**	Improve transparency and *ex-post* control of the budget and its execution.
• Formulation of medium-term expenditure frameworks for the education and health ministries (MEFP ¶32)	End-October 2009 **SBM**	Put in place a medium-term social strategy consistent with the PRSP and the budget framework.

Attachment II. Côte d'Ivoire—Technical Memorandum of Understanding Arrangement under the Poverty Reduction and Growth Facility 2009−11

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

I. Quantitative Program Indicators

2. For program-monitoring purposes, the performance criteria are set for June 30, 2009 and December 31, 2009; these are indicative targets for March 31, 2009, and September 30, 2009. The performance criteria include: (a) a floor on the overall fiscal balance (including grants); (b) a ceiling for net domestic financing, including the issuance of securities on the WAEMU financial market; (c) a zero ceiling on new nonconcessional external borrowing (notwithstanding ¶16 below); (d) a zero ceiling for the accumulation of new external arrears; (e) a zero ceiling for the accumulation of new domestic arrears; and (f) a zero ceiling on extrabudgetary spending. Indicative targets include: (i) a floor on the primary basic fiscal balance; (ii) a ceiling on expenditures by treasury advance; (iii) a floor on "pro-poor" spending; (iv) a floor on the cash repayment of government domestic balances outstanding ("*restes a payer*", excluding securitization); (v) a floor on total government revenue; and (vi) a ceiling on the government wage bill. The performance criteria, indicative targets, and adjustors are calculated as cumulative change from January 1, 2009 (Table 3 of the Memorandum of Economic and Financial Policies, MEFP).

A. Overall fiscal balance (including grants) (performance criterion)

3. **The overall fiscal balance** is the difference between the government's budget revenue (including grants) and total expenditure plus net lending (on a payment order basis). It includes crisis-exit spending, which is defined as domestically and externally financed government outlays on the national community reinsertion and rehabilitation program (PNRRC); the redeployment of public administration; the identification process and the elections; and the civil service.

4. The floor on the overall fiscal balance will be adjusted downward (upward) for an excess (shortfall) of program loans relative to the programmed amount. It will be adjusted downward by the program-grants shortfall relative to the programmed amount up to a cumulative maximum of CFAF 40 billion. It will be adjusted downward for higher-than-programmed program loans. It will be adjusted upward for a shortfall of program loans in excess of CFAF 40 billion.

5. Part or all of the excess revenues from petroleum/gas extraction (including dividends paid by the national petroleum corporation of Côte d'Ivoire, PETROCI, to the government) above the programmed amount will be used to offset revenue shortfalls and/or be allocated to "pro-poor" spending up to a maximum cumulative amount of CFAF 50 billion. The floor on the overall fiscal balance will be adjusted upward by the remaining excess not used to offset revenue shortfalls or for additional "pro-poor" spending (see Table 1). The remainder of the excess petroleum/gas revenues will be used to reduce the government's domestic debt, including "balances outstanding" (see ¶11–12).

6. The petroleum/gas revenues estimate for 2009 is based on: an average crude oil price of US$50.0 per barrel; a volume of 17.9 million barrels; and an average exchange rate of CFAF 500.0 = US$1.

B. Basic primary balance (indicative target)

7. **The basic primary balance** is the difference between the government's budgetary revenue (excluding grants) and total expenditure plus net lending (on a payment order basis), excluding interest payments and externally-financed capital expenditure. It includes crisis-exit spending (see ¶3). Net lending includes government stakes in banks under restructuring.

C. Government revenue (indicative target)

8. Total government revenue is defined as revenue collected by the Tax Administration (*Direction Générale des Impôts*, DGI), the Directorate-General of the Treasury and Public Accounting (*Direction Générale du Trésor et de la Comptabilité Publique*, DGTCP), and the Customs Administration (*Direction Générale des Douanes*, DGD), the CNPS, and the CGRAE; and other nontax revenue as defined in the fiscal reporting table (*Tableau des Opérations Financières de l'Etat*, TOFE). Government tax receipts include all tax payments as well as excess/surplus embedded in the petroleum product price structure.

D. Government wage bill (indicative target)

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

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

E. External payment arrears (performance criterion)

10. External payment arrears are defined as the sum of external payments due but unpaid on outstanding external debt that has been contracted or guaranteed by the government, excluding those subject to rescheduling or restructuring with the Paris Club, the London Club, or other creditors. The accumulation of external payment arrears is the difference between (a) the gross amount of maturities due on external debt service (principal and interest) and (b) the amount actually paid during the period under consideration.

F. Balances outstanding and domestic payment arrears (quantitative indicators and performance criterion)

11. The "balances outstanding" (or "amounts payable") comprise domestic payment arrears and domestic floating debt and represent the government's overdue obligations. They are defined as expenditures committed (*engagées et liquidées*), validated *(visées par le contrôleur financier*), subject to payment order (*ordonnancées*), but not paid. These include bills due and not paid to public and private enterprises, but exclude domestic debt service (principal and interest). For program purposes, domestic payment arrears are those balances outstanding for which the payment delay exceeds the time frame for payment stipulated by the administrative regulations in force (90 days). The floating debt are those balances outstanding for which the payment delay does not exceed the time frame for payment stipulated by the administrative regulations in force (90 days). The balances outstanding are broken down by payer/type as well as by maturity and length of overdue period (< 90 days, 90–365 days, > 1 year). By way of illustration, the stock of balances outstanding totaled CFAF 272.2 billion at end-December 2008 and comprised the following:

• Treasury balances outstanding	248.1
Treasury debt (Treasury General Pay Office (PGT); Abidjan Main Treasury Office (TPA); General Treasury Office for external affairs (TGE); Public Debt Accounting (ACDP); PGFDS)	196.4
Arrears on EPN subsidies (excluding CNPS, CGRAE)	40.5
Arrears to local governments (General Councils, Municipalities, and Districts)	11.2
• Adjustment for orders validated by the Financial Comptroller, (*PEC comptable*)	0.0
• Arrears to CI-Telecom, CIE, SODECI for current consumption	24.1
Of which : SODECI (water)	10.8
• Compensation agreement for gas and electricity consumption	0.0
Total balances outstanding central government	272.2
Of which: floating debt (<90 days)	160.2

In general, the stock of floating debt will not exceed three months' worth of current operating expenditure (excluding utilities) as well as investment and crisis-exit expenditure financed from own resources. By way of illustration, for 2008, all such expenses amounted to CFAF 720 billion, and three months' worth of expenses was CFAF 180 billion.

12. Within the framework of the program, the government, in 2009, will (i) undertake a cash reduction of CFAF 60 billion in the stock of balances outstanding at end-2008 as defined in ¶11 (quantitative indicator); (ii) not accumulate new domestic payment arrears in the current fiscal exercise from January 1, 2009 (performance criterion). Any excess external budget support (program loans) above the programmed amount, not used to finance a downward adjustment in the government's overall fiscal balance as specified in ¶4, will be used to reduce the government's domestic debt, including balances outstanding. Any excess petroleum/gas extraction revenues above the programmed amount, not used as specified in ¶5, will also be used to reduce the government's domestic debt.

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

G. Treasury advances (indicative target) and extrabudgetary spending (continuous performance criterion)

14. Within the framework of the program, Treasury advances are defined as spending paid for by the Treasury outside normal execution and control procedures, and which have not been subject to prior commitment and authorization. They exclude the *régies d'avances* 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) (indicative target). The nominative and restrictive list of expenditures eligible as treasury advances is as defined by ministerial decree no. 178/MEF/CAB-01 of March 13, 2009.

15. Extrabudgetary spending are expenses (i) which have not been subject to normal or simplified budget execution procedures, or is not a Treasury advance authorized by the relevant text (see ¶14) or (ii) for which the corresponding budget allocation (budget line) does not exist or is insufficient. Within the framework of the program, the government will not undertake any extrabudgetary spending (continuous performance criterion).

H. New nonconcessional external borrowing (performance criterion)

16. The term “external debt” has the meaning set forth in point 9 of the IMF Executive Guidelines Board Guidelines on performance criteria concerning external debt.

17. [1] The quantitative indicators concerning foreign borrowing apply to all nonconcessional external debt, irrespective of maturity, and whether it has been contracted or guaranteed by the government. They apply not only to the debt as defined above, but also to commitments contracted or guaranteed for which no value has been received. These quantitative indicators do not apply to:

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

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

19. Within the framework of the program, the government undertakes not to contract or guarantee nonconcessional external loans under the conditions defined in ¶16–17, with the exception of loans constituting rescheduling of maturities (performance criterion).

[1] See "Guidelines on Performance Criteria with Respect to External Debt in Fund Arrangements," Executive Board Decision No. 6230–(79/140), as amended by Executive Board Decisions No. 11096–(95/100) and No. 12274–(00/85).

I. Domestic and WAEMU market borrowing

20. Domestic borrowing 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 25 billion over the net cumulative flow projected for each period. This ceiling does not apply to new agreements on restructuring domestic debt or securitization of domestic arrears, nor to new BOAD and BIDC project loans (see ¶16). In the event of program grants and program loans shortfalls relative to programmed amounts, the ceiling on net domestic financing will be adjusted upward accordingly up to a cumulative maximum of CFAF 40 billion. For any new borrowing over and above a cumulative amount of CFAF 30 billion over the year 2009, 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.

J. External financing (definitions)

21. 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 specific project; (ii) program grants are non-reimbursable amounts of money or goods received from a donor and *not* aimed at financing a certain project; (iii) project loans are non-reimbursable amounts of money or goods received from a donor at an interest rate to finance a specific project; and (iv) project loans are non-reimbursable amounts of money or goods received from a donor at an interest rate and *not* aimed at financing a specific project.

II. Memorandum Item: Net Bank Credit to the Government

22. 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). Unless otherwise stated, government is defined as the central government of Côte d'Ivoire and does not include local governments, the central bank, or any other public body with separate legal status. By way of illustration, this stock totaled CFAF 399.0 billion on December 31, 2008, broken down as follows:

	CFAF billion
Net banking system claims on the government	**399.0**
Claims of BCEAO	164.1
Of which: Statutory advances	164.1
Plus counterpart to uses of Fund resources	95.6
Plus claims of commercial banks	329.5
Plus private sector deposits with postal checking and savings bank (CNCE)	17.9
Less deposits at the BCEAO	22.7
Less cash holdings of the Treasury (*encaissés du Trésor*)	0.9
Less deposits at commercial banks	174.1
Less guaranteed bonds	10.4

III. Structural Benchmarks

23. The program includes structural benchmarks (see MEFP, Table 4).

IV. Program Monitoring and Data Reporting

24. A quarterly assessment report on the monitoring of the quantitative performance criteria, indicative targets, and structural benchmarks will be produced by the authorities within one and a half months of each quarter-end, and will assist with assessing performance in terms of the program's quantitative and structural objectives.

25. The authorities will report to Fund staff immediately if they sign or guarantee any new foreign borrowing contracts, as well as the terms of such contracts. Data on the contract, the amount outstanding, the accumulation, and repayment of the external payment arrears will be reported monthly within the six weeks from the end of each month.

26. Based on data already reported to the IMF, the authorities will, in cooperation with Fund staff, prepare a set of consistent tables on the budget and the energy sector and coffee/cocoa sector and send them monthly or quarterly to the IMF starting on February 15, 2009, as follows:

a. **Budget**: a quarterly report (within 45 days following the end of each quarter) showing the budget execution position (revenues and expenditures), with expenditure classified by type, function, and administration/type, at the various stages of the expenditure process (budget allocation, commitment, payment order, and payment).

b. **Energy Sector**: the following quarterly tables (within 45 days after each quarter-end):

- Table 1: Summary of crude oil and gas production and Tables 1(a)-(d): Crude oil and gas production by field. These tables will show clearly the actual oil and gas

- prices, the swap conditions, the physical hydrocarbon production quantities, their values before and after swap, the tax and nontax revenues for the government, and the revenues for PETROCI and the private sector.

- Table 2: Volumes, prices, and financial flows. This table will clearly indicate the sharing conditions among the government, PETROCI, and the private operators, and the resulting financial flows, in particular for the government and PETROCI.

- Table 3: Activities of the *Société Ivoirienne de Raffinage* (SIR). This table will show (i) the refining sector's purchases of crude oil by supplier, including purchases originating in Côte d'Ivoire; (ii) the production, consumption, and imports of petroleum products.

- Table 4: Activities of the SIR – Transfers to storage facilities and exports.

- Table 5: Petroleum products – Government/marketing agent activities, a comparison between supply and sales of the marketing agents.

- Table 6: Release for consumption of petroleum products by tax type.

- Table 7: Petroleum product pricing structure, including for imported and domestic butane. This table will also include the release for consumption by petroleum product for the current month and the cumulative total for the current year.

- Table 8: Summary of the electricity sector, including the electricity sector purchases of gas by supplier (including the government); electricity production; prices applicable by voltage and by consumer group; electricity sector revenues; and the sector's cross arrears and unpaid amounts.

- Table 9: Financial flows of the electricity sector asset management company (*Société de Gestion du Patrimoine du Secteur Electricité* – SOGEPE), both on payment order and cash basis.

c. **Coffee/Cocoa Sector:**

- Quarterly information (within 45 days of quarter-end) on the collection and use of quasi-fiscal levies and the bank account balances for the Coffee-Cocoa Sector Management Committee (CGFCC), the FDPCC Investment Fund, the FRC (prudential reserve), and the *Fonds d'Investissement en Milieu Rural* (FIMR), the *Sacherie* and the coffee sector recovery fund.

- Quarterly information (within 45 days of quarter-end) on the budget execution statements for FIMR projects.

- Quarterly information on international prices (c.i.f.), export registration prices (c.i.f.), indicative purchase prices, and farmgate prices.

23. The BCEAO will report provisional data on the net government position (NGP) to the IMF within 30 days of the end of the period under review and will provide 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). This will include:

- the balance of amount received in compensation for toxic waste;
- detailed information on all accounts relating to the issuance and payment of interest and amortization on government securities issued on the WAEMU financial market;
- the statements of the FIMR; and
- the balances of the accounts for the quasi-fiscal levies of the coffee/cocoa sector.

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

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

Table 1. Côte d'Ivoire: Pro-poor Spending (incl. Social Spending), 2007–09 [1/]
(Billions of CFA francs)

		2007	2008	2009
			Est.	Budget
1	**Agriculture and rural development**	**20.7**	**26.5**	**45.1**
	General administration	5.8	9.2	8.5
	Agriculture promotion and development program	5.1	3.4	9.5
	Training and formation of supervisory staff	7.8	8.3	8.4
	Water system works	1.3	2.2	3.7
	Other	0.7	3.3	14.9
2	**Fishing and husbandry**	**5.3**	**6.1**	**6.7**
	General administration	3.6	3.7	3.7
	Milk production and livestock farming	1.5	1.9	2.5
	Fishing and aquaculture	0.1	0.4	0.6
3	**Education**	**345.0**	**496.9**	**536.6**
	General administration	17.8	18.7	18.5
	Pre-schooling and primary education	273.7	313.5	329.3
	Literacy	0.3	0.2	0.2
	Secondary education and vocational training	53.2	67.8	84.8
	University and research		96.8	103.8
4	**Health**	**88.8**	**98.3**	**118.8**
	General administration	36.6	45.6	52.2
	Primary health system	24.7	23.8	31.7
	Preventive healthcare (enlarged vaccination program)	1.6	1.2	1.5
	Disease-fighting programs	0.6	1.1	2.0
	Infant health and nutrition	0.2	0.3	0.6
	HIV / Aids	3.4	4.3	5.3
	Health centers and specialized programs	21.6	22.0	25.5
5	**Water**	**16.0**	**15.3**	**19.5**
	Access to drinking water and de-contamination	6.4	5.0	7.0
	Environmental protection spending	9.6	10.4	12.5
6	**Energy**	**1.2**	**9.6**	**9.3**
7	**Roads**	**40.0**	**20.3**	**33.1**
8	**Social spending**	**3.2**	**9.2**	**12.6**
	General administration	0.2	6.4	7.8
	Training for women	0.6	0.3	0.5
	Orphanages, day nurseries, and social centers	0.9	0.6	1.5
	Training and formation of support personnel	1.5	1.2	1.7
	Indigent and victims of war or disaster		0.7	1.1
9	**Decentralization**	**31.1**	**30.1**	**32.3**
10	**Reconstruction**		**10.4**	**5.2**
11	**Other poverty-fighting spending**	**12.7**	**4.1**	**19.5**
	Total	**563.8**	**726.8**	**838.8**
	of which: Treasury - financed		707.1	794.6
	of which: foreign-financed		19.7	44.2

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

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

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

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

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

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

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