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Côte d'Ivoire and the IMF

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

June 23, 2011

> The following item is a Letter of Intent of the government of Côte d'Ivoire, which describes the policies that Côte d'Ivoire intends to implement in the context of its request for financial support from the IMF. The document, which is the property of Côte d'Ivoire, is being made available on the IMF website by agreement with the member as a service to users of the IMF website.

LETTER OF INTENT

Office of the Prime Minister

Ministry of Economy and Finance

Republic of Côte d'Ivoire

Union-Discipline-Work

N°_____0799____MEF/CAB-01/20

Abidjan, June 23, 2011

Acting Managing Director
International Monetary Fund
WASHINGTON DC, 20431

Subject: Letter of Intent

Dear Sir:

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

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

The attached Memorandum of Economic and Financial Policies (MEFP) describes the policies that we plan to implement during the transition period of normalization and economic recovery. It emphasizes policies—particularly fiscal policies—that will enable us to obtain rapid results in support of the recovery. We will need some additional time to better define our sectoral policies given that a full government was formed on June 1, 2011. We therefore anticipate beginning discussions with the International Monetary Fund (IMF) of a new medium-term economic and financial program to be supported by the Extended Credit Facility before the end of the third quarter of 2011 so that we may continue the reforms already begun, while taking into consideration of the impact of the post-election crisis.

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

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

Sincerely yours,

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

Attachments:

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

ATTACHMENT I

MEMORANDUM ON ECONOMIC AND FINANCIAL POLICIES

June 23, 2011

I. INTRODUCTION

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

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

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

II. Recent Economic Developments and Implementation of the 2010 Program

A. Recent economic developments

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

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

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

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

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

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

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

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

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

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

C. Economic developments in first quarter 2011

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

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

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

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

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

III. POLICIES FOR 2011 UNDER THE RAPID CREDIT FACILITY (RCF)

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

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

A. Main objectives for 2011 budget

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

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

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

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

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

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

Box 1: Structural Budget Measures for 2011

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

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

B. Structural reforms

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

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

IV. Financing

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

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

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

V. Statistics, Capacity-Building, and Program Monitoring

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

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

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

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

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

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

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

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

(Billion of CFA francs)

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

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

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

3/ Continuous target.

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

ATTACHMENT II

TECHNICAL MEMORANDUM OF UNDERSTANDING

2011 Policies Supported by the Rapid Credit Facility

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

I. QUANTITATIVE POLICY INDICATORS

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

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

A. Government revenue

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

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

B. Government wage bill

6. The government wage bill is defined as all expenditures (on a commitment basis) on pay, bonuses, and allowances paid to government employees, military personnel (excluding front premia), and other law and order personnel, and includes expenditures on special contracts and other temporary or permanent government jobs.

C. Pro-poor expenditure

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

D. Basic fiscal balance

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

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

E. Overall fiscal balance (including grants)

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

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

F. Net domestic financing

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

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

11. This target does not apply to new agreements on restructuring domestic debt or securitization of domestic arrears, nor to new BOAD and BIDC project loans. For any new borrowing over and above a cumulative amount of CFAF 30 billion over the year 2011, the government undertakes not to issue government securities except by auction through the BCEAO or through public auction (*appel d'offres compétitif*) on the domestic or WAEMU financial markets registered with the Regional Council for Public Savings and Financial Markets (CREPMF), in consultation with Fund staff.

G. New nonconcessional external borrowing

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

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

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

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

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

H. Balances outstanding and domestic payment arrears

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

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

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

II. Memorandum Items

A. Net Bank Credit to the Government

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

III. Policy Monitoring and Data Reporting

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

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

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

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

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

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

(Billions of CFA francs)

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

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

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

(Monthly)

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

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

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

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

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