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

November 24, 2015

Letter of Intent

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

Republic of Côte d'Ivoire

Union-Discipline-Travail

N° 1520/MPMEF/CAB/

Abidjan, November 24, 2015

The Managing Director
International Monetary Fund
Washington, D.C., 20431

Subject: Letter of Intent

Dear Madame Managing Director:

1. Since 2012, Côte d'Ivoire has returned to strong and lasting growth that is inclusive and respectful of gender and the environment, and this has taken place in a stable macroeconomic framework. The execution of the National Development Plan (PND 2012–15) and the implementation of major structural reforms have driven and maintained a pace of durable growth in economic activity, laying the economic foundations for sustainable development. Côte d'Ivoire has built upon this accomplishment in the political sphere on October 25, 2015, when it held a presidential election that was free, democratic and transparent, which was welcomed by the international community.

2. The attached Memorandum of Economic and Financial Policies (MEFP) describes the progress made in the economic and financial program for 2012–15 and sets out the short and medium-term outlooks. The implementation of the program supported by the Extended Credit Facility (ECF), was deemed satisfactory in all the IMF reviews. The performance criteria were observed during the execution of this program, and this demonstrates that fiscal management was sound, which in particular was the result of the high level of revenue collection and control over expenditures. The extensive structural reforms, particularly in terms of the business climate, have helped strengthen the soundness of the macroeconomic framework. The GDP growth rate is expected to be 9.5 percent in 2015 after an average GDP growth rate of 9.5 percent during 2012–14. Thus, Côte d'Ivoire finds itself among the countries with the highest growth rates in the world. With this good economic performance, per capita GDP increased by 23.5 percent in four years, and the poverty rate was lowered.

3. **In accordance with our objective of turning Côte d'Ivoire into an emerging country by 2020 and of substantially reducing poverty, the government will continue its efforts to maintain strong, sustainable, and inclusive growth**. The PND 2016–20 should make it possible to structurally transform the economy and lower the poverty rate considerably, mainly by increasing the density and diversity of the fabric of industrial production, including agrifood. Thus, investment should increase by 18.7 percent in 2015 and rise to 23.9 percent of GDP in 2020, of which 14.5 percent will be private investment, as opposed to 10.7 percent in 2015, while ensuring debt sustainability.

4. **The attached Memorandum of Economic and Financial Policies (MPEF) describes the policies we intend to implement to achieve our objectives**. In this context, under the eighth review of the program supported by the ECF, we are requesting disbursement of financial support in an amount equivalent to SDR 48.78 million. Furthermore, the government will take any further measures that may prove necessary to meet its objectives. Nonetheless, the government will consult with IMF staff prior to taking these measures and if revisions are made to the policies contained in this Memorandum in accordance with the IMF's policies on such consultation.

5. **For the remainder of the program period, the government undertakes**: (i) to refrain from accumulating new domestic arrears and from all types of advances on revenue, as well as from contracting non-concessional external borrowing other than that specified in the Technical Memorandum of Understanding; (ii) to issue public securities only by auction through the BCEAO or through any other type of competitive bidding on the local financial market and in the WAEMU market, and to consult IMF staff for all new financing; (iii) not to introduce or intensify restrictions on payments and transfers for current international transactions, introduce multiple currency practices, enter into any bilateral payment agreements that are inconsistent with Article VIII of the IMF Articles of Agreement, or impose or intensify import restrictions for balance of payments purposes; and (iv) to adopt any new financial or structural measures that may be necessary for the success of its policies, in consultation with the IMF.

6. The Ivoirien authorities consent to the release of this Letter of Intent, the attached Memorandum of Economic and Financial Policies and Technical Memorandum of Understanding, as well as the IMF staff report on the eight review under the ECF arrangement. We hereby authorize their publication and posting on the IMF's website, after completion of the review of the program by the IMF Executive Board.

Very truly yours,

_________________/s/______________________

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

Nialé KABA

<u>Attachments:</u>

- *Memorandum of Economic and Financial Policies*
- *Technical Memorandum of Understanding*

Attachment I. Côte d'Ivoire: Supplement to the Memorandum of Economic and Financial Policies

November 24, 2015

CONTEXT

1. **Since 2012 Côte d'Ivoire has returned to strong, sustainable and inclusive growth, respectful of gender and the environment, in the context of macroeconomic stability**. The execution of the National Development Plan (2012–15 PND), combined with the implementation of major structural reforms, helped boost and maintain a sustained rate of growth in economic activity. Thus, after an average rate of GDP growth in 2012–14, economic performance as of end-June 2015 points to a rate of growth projected t 9.5 percent for 2015. The private sector has made a strong contribution to sustaining this growth, primarily through massive investments in the energy, mining and construction and public works sectors, the development of services and the establishment of agriculture product processing factories. This dynamic economic activity has been achieved with moderate inflation, below the community norm of 3 percent, improved fiscal management and a positive trend in the current account balance. This favorable economic environment has repositioned Côte d'Ivoire in the international playing field. The return of the African Development Bank (AfDB) to Abidjan, the opening of the sub-regional agency of the African Export-Import Bank (AFREXIMBANK), the return of the regional and national headquarters of the International Labor Office, of Africa Rice, and Côte d'Ivoire's successful entry into the international capital market, are an illustration of this. Maintaining this growth performance and putting in place the new development strategy (2016–20 PND) should permit a substantial reduction in poverty, and the achievement of emerging nation status by 2020. Special emphasis will be placed on improving the our ranking on the UNDP Human Development Index, mainly by implementing the following programs: "Schools for All," "Electricity for All," "A Citizen, a computer and an Internet Connection," universal health care and better access to drinking water, as well as food self-sufficiency.

2. **The private sector will continue to drive economic growth and job creation**. Since 2012, the government has significantly improved the business climate by creating commercial courts and the one-stop shop for investments and has streamlined procedures and shortened lead times for all the Doing Business indicators. Through these efforts, Côte d'Ivoire 's ranking on the Doing Business index rose by 30 places from 2012 to 2014, making it among the top ten reformers in the world in 2013 and 2014. Moreover, the government has made a major effort to improve its

financial relations with the private sector. In this regard, the government has completed the payment of the audited domestic arrears to government suppliers. All of these actions have contributed to a substantial increase in the number of businesses created, from 2,775 in 2013 to 6,487 in 2014. As of end-June 2015, the number of businesses created stood at 4,961. In addition, about 150,000 jobs have been created in the modern sector since 2012. Foreign direct investment was up by an average of 18 percent over this period. The government intends to remain in the group of leading reforming countries in the world so that in the coming years it will join the top 50 countries in the World Bank's Doing Business index. Furthermore, Côte d'Ivoire will continue its efforts to consolidate the gains made to keep the energy sector in equilbrium. It will also strengthen the public banking sector and develop financial intermediation.

3. **The socio-political and security situation has normalized.** The security index has fallen sharply since 2012, reaching 1.2 in 2014 (versus 2.2 in 2012). The government has completed its activities in support of former combatants, which were carried out by the former Authority for Disarmament, Demobilization and Reintegration (ADDR). A Monitoring and Reintegration Coordinating Unit (CCSR) was set up and was tasked with organizing and coordinating activities to resocialize former combatants. The end of the work of the Truth and Reconciliation Dialogue Commission paved the way the compensation of victims beginning in August 2015. The National Reconciliation and Victim Compensation Commission (CONARIV) is in charge of carrying out this activity. Côte d'Ivoire solidified these accomplishments with the presidential election on October 25, 2015, that was free, democratic and transparent, and commended by the international community.

This memorandum describes the progress made in the economic and financial program for the period 2012–15 and also presents the short and medium-term outlook October 25, 2015.

ECONOMIC TRENDS AND PROGRAM IMPLEMENTATION OVER THE 2012 TO JUNE 2015 PERIOD

A. The Results of Program Implementation During 2012–14

4. **Côte d'Ivoire has made noteworthy progress, and this put the country on a path to strong, sustainable and inclusive growth.** With the implementation of the National Development Program (2012–15 PND), major projects have been carried out in transportation, communication, drinking water supply, education, health and energy. With GDP growth rates of 10.7 percent in 2012, 9.2 percent in 2013 and 8.5 percent in 2014, Côte d'Ivoire is ranked as a country with strong growth in the world. With these good economic results, per capita GDP rose by about 23.5 percent in three

years. This performance is mainly the result of significantly higher investments (from 9 percent in 2011 to 16 percent in 2014), and the share of private investments was 9.9 percent of GDP, mainly due to a better business climate.

5. New jobs have been created. The number of formal jobs, which was 725,777 in 2011, rose to 876,890 in 2014. These results were achieved thanks to dynamic economic activity and the implementation of the National Employment Policy (PNE). The PNE operational action plan strengthened and bolstered the various existing programs, such as the Job Support Fund (FSE), the Ivorian Fund for the Development of National Enterprises (FIDEN), the National Youth Fund (FNJ) and the National Employment Promotion Agency (AGEPE).

6. The supply of social services has improved significantly. The ongoing increase in spending to assist the poor, up from 842.8 in 2012 to 1 622.4 in 2014, resulted in better living conditions for the people.

- Accessibility to education improved substantially, with the construction of 9,291 primary school classrooms, 3,500 secondary school classrooms and 45 middle schools. These achievements, combined with the hiring of supervisory personnel (19,995 primary school teachers and 6,167 secondary school teachers hired from 2011 to 2014), increased the availability of education. Thus, there was an improvement in the gross primary admission rate, which was 73.4 percent in 2008 and 97.8 percent in 2014. The gross enrollment rate was up from 76.2 percent to 94.7 percent in the same period.
- In the area of health, rehabilitation and new equipment for hospitals helped improve access to services. The same was true for implementing free health care for mothers and children, as well as cesarean sections and medication. Moreover, equipping the health facilities and bringing the technical support centers up to standard and other procedures helped improve the quality of health services.
- Regarding access to drinking water, the construction of 794 pumps and 76 water towers, as well as the maintenance of 11,446 manually operated pumps, markedly increased the people's access to improved manually operated water services. Moreover, the reservoir of the City of Abidjan Treatment Station now stores 10,000 m^3 in the ground. All of the above generates beneficial changes in the people's living conditions and health.
- The access rate and national coverage increased through the connection of 800 rural localities to the power grid, and low-income households saw a decrease in their subsidized power bills.

7. The macroeconomic framework is sound thanks to the efforts made in the 2012–14 period.

- Inflation has remained moderate since 2012 (1.4 percent average) in accordance with the WAEMU standard. These results are the result of the government's efforts in implementing the National Agriculture Investment Program (PNIA) and the enforcement of the community road traffic flow directive.
- The budget deficit was down from 4.1 percent of GDP in 2011 to 2. 2 percent of GDP in 2014. This result reflects both the improvement in the collection of tax revenues and streamlining of spending, which created room in the budget for an increase in investment spending and spending to assist the poor. Spending to assist the poor rose from 7 percent of GDP in 2011 to 9.6 percent of GDP in 2014. The public investment rate was 5.9 percent of GDP in 2014 versus 2.4 percent in 2011.
- The current foreign transaction balance went from a deficit of 1.2 percent of GDP in 2012 to a surplus of 1.5 percent of GDP in 2014, thanks to an improvement in the terms of trade and strong exports. The total balance improved during the 2012–14 period under the combined effect of steady volumes of foreign trade and an increase in direct foreign investment.

8. The performance of the economic and financial program was deemed satisfactory once all the IMF evaluations were completed. Through the implementation of the three-year 2011–14 program, supported by the Extended Credit Facility (ECF), the HIPC initiative completion point was reached on June 26, 2012, and thus the debt stock was lowered substantially (non C2D) from 69.9 percent of GDP to 33.9 percent of GDP. In general, compliance with the performance criteria during the implementation of this program is the result of steady revenue and streamlined expenditure execution. The extensive structural reforms that have been implemented in the key sectors of the economy, in order to enhance competitiveness, have contributed to strengthening the stability of the macroeconomic framework and the credibility of Côte d'Ivoire with economic operators and various donors. The key structural reform programs that have been carried out are as follows:

Improving governance and fiscal management

- Transparency in the energy and coffee-cocoa sectors continued with the production and publication of quarterly communiqués in the Council of Ministers on physical and financial flows. In addition, each quarter the Monitoring Committee produces a report that specifies the respective shares of beneficiaries for each removal of crude oil. Compliance by

Côte d'Ivoire with the EITI (Extractive Industries Transparency Initiative) since 2013 attests to its commitment to transparency in the use of its natural resources.

- Good governance and fighting corruption were strengthened with the implementation of the High Authority for Good Governance, which began its activities with the asset disclosure program for the presidents of institutions and members of government.

- The National Procurement Regulatory Authority (ARNMP) is fully operational. It has worked on settling procurement disputes, primarily by canceling some contracts. This work has helped improve the procurement process.

- Budget orthodoxy was reinstated beginning in FY 2012 with the vote on the budget review laws from 2004 to 2012 by the National Assembly, as well as the presentation, vote and enactment (in compliance with the constitutional deadline) of the draft budget laws.

- The implementation of the Medium-Term Expenditure Framework (MTEF) was strengthened by the production of a Multiyear Budget and Economic Programming Paper (DPBEP), to obtain an objective management framework for expenditures in accordance with WAEMU directives.

- Planning of commitments for better cash-flow management was strengthened with the preparation and dissemination of a standard consolidated procurement plan and an expenditure commitment plan.

- Average procurement lead time, which was 322 days in 2013, was 126 days in 2014.

- The average amount of lead time for authorizing expenditures was down from 40 days in 2013 to 14 days in 2014.

- The use of private contracts was down considerably. These contracts amounted in number to 5.6 percent of contracts made in 2014 versus 10.7 percent in 2013, and 23.0 percent in value in 2014 versus 42.8 percent in 2013.

Strengthening long-term fiscal sustainability

- The reorganization of the Large Businesses Directorate and the establishment of Medium-Sized Business Centers and the Electronic Land Register have improved taxpayer monitoring and optimized tax potential.

- The implementation of the VAT reform strategy solved the problem of accumulating the stock of delinquent credits. Thus, there are no longer any outstanding validated VAT credits, and average payment time has plummeted from 13.7 months in 2013 to less than seven days since July 2015. Likewise, the processing of documentation for refunding VAT credits was computerized, from the time the file is submitted to payment time, with an interconnection between the General Tax Directorate and the General Customs Directorate for checking export certificates. This computerization introduces more transparency and the economic operators are able to follow the processing of their file online. Moreover, VAT supervision was strengthened to expand the tax base, strengthen management, control and collection, with the creation of VAT credit control brigades, the intensification of control and standardized invoicing, and the ongoing streamlining of the management of exemptions. The operation of the various available databases and the implementation of joint DGD/DGI controls increased the number of taxpayers.

- Upgrades in customs continued, mainly with the establishment of an automated risk system platform to improve customs operations; an exemption management module was also implemented in SYDAM World, and a procedural guide for customs investigations was adopted to formalize inspections in companies.

- With the implementation of the wage bill management strategy, which identifies a consistent and sustainable policy, the civil service hiring profile is now under control. The result will be that the WAEMU convergence criterion will be met in the medium term (35 percent ratio of wage bill to tax revenue).

- The implementation of the strategy to return to financial balance in the energy sector led to a 19 percent increase in the supply of energy for the 2012–14 period, and it limited the resulting costs for the government budget. Its actions involved lowering the cost of natural gas, raising domestic and export prices, fighting fraud and curtailing technical losses.

- With the implementation of the automatic price-setting mechanism for oil products, subsidies to the sector for oil products were reduced substantially.

- Through the preparation of a Medium-Term Debt Strategy (MTDS), along with a Debt Sustainability Analysis (DSA), it has been possible to manage and supervise fiscal sustainability.

Improving household income

- Coffee, cocoa, cotton and cashew producers now receive minimum compensation of 60 percent of the CIF price. The reforms in these sectors increased production and improved product quality. Income distributed to producers, corresponding to 800,000 households for the coffee-cocoa binomial was up from 1,029 CFAF billion in 2012 to 1,408 CFAF billion in 2014, or 37 percent increase.

- The minimum interprofessional guaranteed wage rose from CFAF 36,607 to CFAF 60,000, which amounts to a 64 percent increase.

- The wages of civil servants and government employees were unfrozen and raised in 2014 after stagnating for 27 years. This raise, in strict compliance with the strategy of controlling the wage bill, resulted in a 12 percent average increase in the wage of civil servants. In addition, wages for civil servants will be adjusted every other year going forward.

- Poverty declined 4.7 points during the 2011–15 period, with a 46.3 percent poverty ratio in 2015 versus 51 percent in 2011. Along with this drop in poverty, inequalities were down progressively (the Gini index stood at 0.405 in 2015, against 0.420 in 2008) and average household income was up by 12.7 percent.

Improving soundness and financial sector development

- The strategy for developing the financial sector was adopted to provide better financing for economic activity, and for SMEs in particular, and for housing and agriculture, as well as for financial sector stability through heightened oversight.

- Action was taken to improve the microfinance sector by strengthening the management of entities in difficulty, withdrawing certification for businesses that had ceased operations and strengthening the oversight system of the remaining institutions.

- The implementation of a plan to restructure the public banks resulted in the decision to privatize VERSUS BANK, have the government sell its shares in the capital stock of SIB, and liquidate BFA. Finally, it placed CNCE under provisional administration. These measures help to bolster the soundness of the banking system.

- The percentage of people with a bank account was up from 12.7 percent in 2012 to 16.3 percent in 2014. The use of the mobile money instrument contributed significantly to improving the rate of the people's access to financial services. In 2014 that rate was

71.4 percent versus 43.94 percent in 2012. Decisions made to lower the costs of financial transactions should help improve access to financial services.

- Thanks to Côte d'Ivoire's good sovereign rating, funds were raised in the international capital markets at the lowest interest rates in Africa.

Strengthening the business climate

- The costs and lead times for creating businesses were improved, mainly through the one-stop shop for creating businesses and streamlined procedures and lower costs for preparing administrative documents or ownership transfer documents.

- The implementation of the one-stop shop for foreign trade simplified procedures for importing goods lowered the number of documents and shortened lead times.

- The creation of the commercial court in 2012 solved the problem of slow settlements of business disputes. Thus, the commercial court issues its judgments within seven to 30 days, as opposed to the 120 days as stated in its specifications.

- A policy to support SMEs that was put in place through a program named "PHOENIX" was adopted to obtain a comprehensive strategy to support SME development. The program, whose implementation began in 2014, should help facilitate the creation and development of an innovative and powerful SME system.

B. Development of the Macroeconomic Framework and Implementation of the Program in the First Half of 2015

9. Economic achievements as of end-June 2015 are good:

- The changes in conditions as of end-June 2015 point to good dynamics in every sector. The inflation rate stands at 1.5 percent, below the maximum community norm of 3 percent.

- For public finances, budget execution as of end-June 2015 remains consistent with program objectives. For revenue mobilization, the program target of 68 CFAF billion was surpassed, and stood at 1,886.4 CFAF billion as of end-June 2015. Spending was executed in the amount of CFAF 2,319.5 billion versus the planned CFAF 2,269.9 billion; of that amount, CFAF 865.5 billion in spending was to assist the poor, versus the planned CFAF 763.3 billion. The result is an improvement in the budget balance of -433.1 CFAF billion versus the projected amount of -451.4 CFAF billion. This balance was covered by resorting to the sub-regional and international financial and money market (CFAF 310.2 billion) and also by issuing Eurobonds for (CFAF 584.8 billion).

- The year-over-year monetary position showed an increase in the money supply as of end-June (+22.1 percent), due to the effect of an increase in net foreign reserves (+60.1 percent) and net loans to the economy (+19.7 percent). The net government position (-13.3 percent) is down, due to the flows the Eurobonds generated.

- Foreign trade is characterized by better terms of trade. The trade balance reportedly has a surplus, thanks to dynamic imports, which rose 10.9 percent as of end-June 2015 due to an increase in sales of primary products. The change in imports was 13 percent, despite lower oil prices, driven essentially by consumer goods and equipment.

- The labor market continues to surge ahead in the modern sector. In formal employment, the number of employees rose by 6.6 percent (+50.703 net jobs) over one year. The private sector employs 77.3 percent of salaried workers.

- There has been a significant increase in the number of businesses that have been created: (4,961) as of end-June, 2015. These good results are due to a better business climate and the sound macroeconomic framework. Côte d'Ivoire continues to be a preferred destination, as shown by the many successful international conferences, trade shows and forums. The number of travelers has increased substantially (827,218 in 2012 versus 1,191,174 in 2014).

- Thanks to the dynamic regional stock exchange (BRVM), in June 2015 the African stock indexes achieved their best performance, as rated by US agency Standard and Poor's, with a 7.8 percent yield. Market capitalization for securities broke a new record when it surpassed CFAF 7 trillion. This sizable increase in activity confirms investor confidence in the economic outlook and health of publicly traded companies.

10. All performance criteria and indicative quantitative benchmarks were met as of end-June 2015. The primary basic balance, projected to show a deficit of CFAF 151 billion, turned out to be at CFAF 124.5 billion. As of end-June 2015, new nonconcessional foreign debts contracted reached $3,606.2 million. This was below the $3,843.4 million ceiling. This financing was used to develop critical projects, in particular in the energy, economic infrastructure and transportation sectors. These loans are repaid using the flows generated by the operating cycles of these projects, which should limit their impact on public finances. Cash advances reached CFAF 69.6 billion versus a ceiling of CFAF 74.7 billion. As of end-June 2015, budget execution showed a relatively low level of floating debt (188.1 billion), which brought about a net decrease of amounts due of CFAF 32.8 billion, versus a floor target of CFAF 30 billion. Regarding the outstanding amounts payable for fiscal years 2014 and earlier, the government cleared CFAF 220.9 billion.

11. As of end-June 2015, all but one [1]structural benchmarks were implemented:

- The entire securitized debt of SIR and PETROCI was paid.
- A memorandum of understanding for processing the reciprocal debts and claims between the government and the energy sector was adopted in June 2015.
- A request for proposals was issued to select a firm to conduct a strategic assessment of SIR to restructure it.
- VAT credits for this fiscal year that are still to be repaid amounted to CFAF 1.6 billion as of end-June 2015.
- Although the arrears on the audited date were scheduled to be cleared in September 2015, this occurred in May 2015, primarily through securitization for CFAF 15.2 billion in claims from operators that did not choose an option.

12. Other major structural reforms were implemented.

- Several activities were carried out to facilitate SME access to government contracts. These include, among others:
  - An information center for economic operators was put in place (CELIOPE). Its role is to inform stakeholders of procurement procedures, public expenditure execution and the existence of funds in the budget to support possible commitments in order to prevent liabilities from being generated;
  - There is a 1.5 percent maximum on financial expenses for the bid security deposit as opposed to the initial 3 percent;

[1] Adopt a protocol clarifying the responsibilities of the respective parties, including the government, as regards the payment of HVO.

- o Fewer administrative documents are required for SMEs for them to submit bids. Thus, the tax payment certificate and business compliance certificate are no longer prerequisites for submitting bids.

- On July 1, 2015 the government adjusted the prices of electricity to ensure financial balance for the sector beginning in 2016 and to increase supply.

- Legislation was enacted to reorganize the Public Debt Directorate. The new organization chart reorganizes the structure of the front, middle and back offices. This will promote better management of debt operations. Moreover, a preliminary database on the debt of public enterprises was developed.

- The institutional framework for implementing the development strategy for the financial sector was adopted. Now that the entities have been put in place, program implementation is speeding up, with assistance from the World Bank.

C. Outlook for Late 2015

13. The macroeconomic outlook for late 2015 remains positive.

- Economic activity should grow by 9.5 percent, thanks to the dynamic performance of all sectors. The primary sector should grow by 7.4 percent due to cash crops, and cocoa in particular. The secondary sector should be 12.7% due to the performances of the agrifood, energy and public works and civil engineering sectors. The services sector is expected to grow by 9.5 percent, buoyed by transportation, the hotel trade, and banks and insurance.
- Consumer prices should rise slightly by 1.9 percent in 2015, well below the community standard of a maximum of 3 percent.
- The 2015 monetary survey should show higher net foreign assets of 36 percent, and net claims against the economy of 6 percent, resulting in a 15 percent increase in the money supply compared to end-2014. The increase in foreign assets should occur due to steady export revenue and direct foreign investment as well as the use of the Eurobond markets.
- The overall foreign accounts balance is expected to show a surplus of 3.4 percent of GDP due to the surplus in the trade balance and the flow of capital, and mainly direct foreign and portfolio investments. The current account balance should be -0.7 percent of GDP.

14. The primary basic balance and fiscal balance will be consistent with forecasts.

- Total fiscal revenue should be CFAF 3,903.5 billion, for a gain of CFAF 79 billion compared to the program. Essentially, this performance should be the result of gains recorded in taxes on general merchandise and oil products. This should be the result of the impact of the new administrative measures, the higher than projected increase in imports, the rate increase generated by the implementation of the ECOWAS-CET and the positive trend in the price of oil products in the international market. Expenditures should achieve the program targets. Current expenditures should be executed in the amount of 2,769.3 billion versus 2,709.2 billion as projected in the program. Investment expenditures should be 1,353.3 billion, for a 98% execution rate.
- Financing requirements for 2015 should be covered by resorting to the regional financial market in the amount of CFAF 639.3 billion, as well as foreign resources of CFAF 1,303 billion. Following the Eurobond issues in 2014 and early 2015, the government plans to issue SUKUKs in the amount of CFAF 150 billion in 2015, with a 5-year maturity.

15. The government intends to make the primary issue market more dynamic by setting up primary dealers. In the long run, this will facilitate the development of a secondary market among economic operators. Ten applicants have been selected: seven are credit institutions and three are management and brokerage companies. The quality certifications for the primary dealers should be issued in the first half of 2016.

16. Efforts to implement centralized management of the government accounts will continue. The government decided to implement the Single Treasury Account (STA) to ensure that real-time information on liquidity in the public treasury is available. In this regard, an action plan was prepared and implemented. Before the account is actually implemented, the public accounts in the commercial banks will be closed, dedicated equipment will be acquired and a pilot phase will be launched. Hence, 383 out of 1,400 public accounts have been closed in the commercial banks as of end-August 2015 and the equipment will have been acquired. The pilot phase for the operation of the technical support center began in October 2015 and should continue until December 2015.

17. For better traceability and more effective monitoring of procurement management, the government intends to finalize the audit of the contracts for the period from 1993 to 2012 that are in the SIGMAP database (Procurement Management System). This audit should stabilize the stock of outstanding contracts, mainly by terminating some contracts that serve no purpose today and by incorporating into the fiscal programming circuit those contracts that are still relevant and that are in line with the government's priorities as listed in the Public Investment Program.

18. The government will continue to support the microfinance sector and financial inclusion. As part of the National Microfinance Strategy, the government will continue to strengthen the administrative system for closing illegal entities, for the periodic off-site auditing of the work of the Decentralized Financial Systems (SFD) and for levying sanctions against anyone who breaches the regulations. Moreover, with the support of the French Development Agency (AFD), activities will be carried out to strengthen the management and operational capacities of the stakeholders of the Decentralized Financial Systems (SFD) and their administrative oversight.

19. The government will continue to bolster the transparency of fiscal management and improve it. The government began the audit of the liabilities for the 2000–10 period. These audits involve an amount of CFAF 428 billion and should be completed before the end of 2015. The government also audited private school claims. With the results of the audit of the liabilities, the amounts of the government debt as well as processing procedures can be determined. For the validated school debt, the government established a provision in the 2016 budget to meet the commitments that will be generated by the agreements with the creditors.

20. The government will continue efforts to improve the energy sector's financial situation. The audits of SIR and PETROCI will be finalized before the end of 2015. Based on the recommendations, action plans for restructuring will be prepared. Consumption of HVO by the government in the amount of CFAF 28.8 billion will be paid before end-December 2015. In addition, a protocol that details the procedures for ordering, delivery and payment of HVO will be adopted in 2015.

ECONOMIC AND FINANCIAL OUTLOOK FOR 2016 AND MEDIUM-TERM OBJECTIVES

A. 2016–20 National Development Plan (PND)

21. The government will continue its efforts to ensure that Côte d'Ivoire becomes an emerging economy in 2020. In this context, the government prepared the 2016–20 PND (Box 1).

Box 1. Côte d'Ivoire: Strategic Polices in the 2016–20 National Development Plan

Based on a detailed assessment of the implementation of the 2012–15 PND, the general objective of the 2016–20 National Development Plan is to make **Côte d'Ivoire an emerging economy**. The result of this emergence will be a significant reduction in poverty and a concomitant rise of the middle class. Côte d'Ivoire is also a dynamic economy that is focused on development; it is a liberal country that is open to the outside. Moreover, it is a Côte d'Ivoire that wins in terms of its integration into the global economy and it cooperates with its neighbors to strengthen regional integration.

Strong growth will continue in order to double per capita GDP by 2020. Special emphasis will be placed on compulsory education, food self-sufficiency, access to drinking water, electricity in all villages with a population of more than 500, "one citizen, one computer, one Internet connection" and an effective local health system. Côte d'Ivoire also intends to join the top 50 countries in the world in the doing business climate, the leading group of African countries in terms of good governance and transparency in the management of public resources (World Bank Index), and the countries in Africa with the highest rankings in the UNDP Human Development Index.

The 2016–20 PND establishes industry as one of the pillars of the structural transformation of the economy. As a result, it stresses:

- A more dense and diverse industrial production tool, capitalizing on Côte d'Ivoire's comparative advantages;
- An improvement in the processing rate of raw materials and the development of complete value chains, especially in agriculture; and
- Further development of the mining sector, mainly by streamlining procedures for obtaining permits, securing the mining registry and facilitating the development of local subcontracting.

The macroeconomic framework will continue to be sound and sustainable. The scenario that was adopted is based on strong growth driven by essential investments in the growth sectors and ongoing major structural reforms. GDP growth would change from 9.5 percent in 2015 to 9.8 percent in 2016, 8.9 percent in 2017, 8.8 percent in 2018, 8.3 percent in 2019 and 8.0 percent in 2020. To achieve these growth targets, the 2016–20 PND plans for total investments of roughly CFAF 29,254.2 billion; of that amount 60 percent would be for the private sector, including public-private partnerships. Thus, the investment rate would rise from 18.7 percent of GDP in 2015 to 23.9 percent in 2020 (public investment would climb from 8 percent in 2015 to 9.4 percent in 2020 and private investment would be up from 10.7 percent in 2015 to 14.5 percent in 2020).

Furthermore, inflation would be contained to an average of 2 percent per year over the period, below the community norm of 3 percent.

B. 2016 Macroeconomic Framework

22. In 2016, the economy is projected to grow by 9.8 percent, driven by significative growth in investment, in particular in the private sector, and the ongoing large-scale structural measures.

- **The primary sector's contribution to growth would be 5.2 percent.** In particular, subsistence farming would benefit from the National Agriculture Investment Program (PNIA).

- **The secondary sector's contribution to growth would be 15.7 percent**, driven by public works, the development of manufacturing and agrifood industries, and the growth of mining and energy production. The sector would benefit from the creation of new industrial zones, in particular in Abidjan.
- **The service sector would contribution to growth would be 9.5 percent, thanks to positive performance in transportation, telecommunications and banking and financial activity**.

23. Average annual inflation would remain below the community norm of 3 percent. This trend would be due, in particular, to greater subsistence production and a stronger distribution system with new big-box stores.

24. The overall balance of payments would show a surplus of CFAF 300 billion. This good performance would reflect a surplus in the capital account, mainly due to direct foreign investment. The current account balance would remain steady at -0.7 percent of GDP in 2016 thanks to a surplus in the trade balance**.**

25. The money supply should grow by 5 percent due to the combined effect of an increase in lending to the economy and in net foreign assets.

C. 2016 Budget Framework

26. The 2016 budget policy will be marked by ongoing efforts to mobilize revenues and to control spending and the budget deficit to ensure debt sustainability. The 2016 budget provides for an increase in critical transformative public investments and social expenditures.

27. The government will continue its efforts to mobilize revenue. Total revenues collection in 2016 are estimated at CFCA 3,861.5 billion compared to CFCA 3,527 billion in 2015, an increase of about 9 percent over 2015. This increase will be possible thanks to a good performance of tax revenues and port fees. To achieve this, efforts will focus on: (i) increasing the number of taxpayers, mainly by giving businesses incentives to register, by canceling taxes owed from previously businesses that register for tax purposes by a given deadline, and by levying penalties if a return is not filed within the period indicated; (ii) ongoing efforts to optimize VAT collection by establishing a statute of limitations of three years for credits eligible for a refund; (iii) making the on-line filing procedure that was in 2015 fully operational . Moreover, the strengthening of the tax agency's IT system, scheduled for 2016, should make the collection operations chain secure and should facilitate better targeting of the management of tax auditing, which will be reinforced. For port duties and fees, efforts will focus essentially on improving the recording and valuation of goods at border offices and strengthening the fight against fraud by installing weighbridges and putting new scanners into service.

28. Expenditures in 2016 should be roughly CFAF 4,944.6 billion, 8 percent higher than in 2015. This change is mainly the result of the ongoing government policy of strengthening the fight against poverty and increasing public investment, mainly in the sectors that drive growth. In fact, public investment will grow by 19 percent over 2015, to reach 7.6 percent of GDP in 2016 versus 7.2 percent in 2015. Spending to assist the poor will rise 16.4 percent, from CFAF 1,716 billion in 2015 to CFaf 1,998 billion in 2016.

29. The budget deficit will be 3.4 percent of GDP in 2016. **The primary basic balance would be -0.5 percent of GDP in 2016**.

30. The government will continue to monitor the implementation of measures to improve budget execution. To this end, the government will continue to streamline spending by**:** (i) paying the salary and wage bill using simplified procedure and continuing to curtail the use of treasury advances and imprest accounts (*régies d'avances*)**;** (ii) making the use of the reference price database fully effective; and (iii) enforcing the provisions of article 96 on the conditions for using private agreements in order to keep the percentage of these contracts low. Moreover, the government will continue to enforce Interministerial Order No. 0011 MPMB/MPMEF/CAB of November 29, 2013 on measures for managing the use of the provisional payment orders.

31. The government will continue to strengthen good governance and stress the fight against corruption. In this context, the activities of the High Authority for Good Governance in Public Life will be reinforced by intensive anti-corruption actions and the control of public procurement. The activities will include undertaking a diagnostic study of the structural causes of corruption in Côte d'Ivoire. In addition, laws to prevent and fight corruption will be disseminated and publicized. The inter-ministerial working group that was set up will prepare legislation on preventing conflicts of interest, influence peddling, abuse of position, embezzlement and theft of public property, extortion, and illegitimate advantages.

32. The financing requirement for the 2016 budget will be covered. Financing will be raised in the sub-regional money and financial market, the international financial market and from foreign partners. Regarding the use of the money and financial markets, the government intends to raise CFAF 1,191.6 billion against CFAF 1,221 billion in 2015.

D. Improving Management and Strengthening the Long-Term Viability of Public Finances

33. The government will continue to upgrade the procedures for, and management of public finances. In this respect, the government plans: (i) to continue transposing the WAEMU directives into the national legal framework, in particular decrees on stock accounting, the fiscal regime for local governments and the government budget classification; (ii) to continue to train national and decentralized stakeholders involved in public spending on the new MTEFs and program budgets; (iii) to strengthen the capacities of the MTEF sectoral committees in preparing performance tools; and (iv) to continue the work of putting the new Budget Information System in place.

34. The government will continue to lower subsidies to the energy sector and to increase the supply of electricity. The government will continue to implement measures to ensure the energy sector's equilibrium while taking into account people's standard of living. HVO consumption will be drastically reduced with the commissioning of the AZITO and CIPREL combined cycle plants. In addition, tariff adjustments will continue in 2016 and 2017. All of this will generate an operating balance surplus for the sector beginning in 2016. The audits of SIR and PETROCI will be finalized.

35. The government will continue to implement the Single Treasury Account (STA) to optimize the government's cash flow and to ensure effective liquidity control. Hence, the work that began in 2015 will be strengthened. With the positive completion of the pilot phase, the program of closing accounts and gradually making the STA operational will accelerate beginning in 2016, while preserving the liquidity position of the banks.

36. With a view to preparing the TOFE (Table of Government Operations) according to the 2001 Government Finance Statistics Manual (GFSM), the plan is to widen its scope. To this end, the government intends to continue its analysis of the consistency of data from the national public establishments (EPN), social protection institutions, local public entities and public enterprises with the GFSM2001 standards.

37. The government will pay particular attention to the financial situation of public enterprises. In this context, it is setting up an Information and Management System for Public Enterprises (SIGEP). This tool will improve the monitoring of their financial situation and indebtedness.

E. Financial Sector Soundness and Development

38. The government intends to continue its policy of stabilizing and expanding the financial sector by implementing its Financial Sector Development Program (PDESFI) in line with the 2016–20 National Development Plan (PND). Once the entities of the PDESFI are in place, the government plans to pursue the reform of the public financial institutions and implement the recommendations of the Financial Sector Development Committee (CODESFI). In this context, the PDEFSI Steering Committee will draw up and adopt an action plan. The work that is planned will essentially concern: (i) the financing of economic activity; (ii) banks and public debt; (iii) microfinance; (iv) health and social insurance; (v) the business environment in the financial sector; and (vi) the financial markets. Furthermore, the government intends to adopt a legislative and regulatory framework to foster the development of leasing in order to facilitate access to financing for SMEs.

39. The government will continue to implement its strategy of restructuring the public banks. In this regard, the government intends to privatize one public bank through the transfer of its shares to another bank and improve the financial situation of the remaining public banks.

40. The government plans to pursue the overhaul of the microfinance sector. To this end, it will implement the UNACOOPEC-CI Recovery Plan. The National Microfinance Strategy will continue, and will be reinforced by the PDESFI, in order to consolidate the re-establishment of the microfinance institutions sector and strengthen the confidence of small savers. Moreover, the government will encourage the involvement of new and more professional stakeholders with products that are better suited to the Ivoirien market in order to support more financing for households.

F. Debt Policy and Strategy

41. The government will continue to improve the public debt management in line with international best practices and WAEMU community standards. With this in mind, it will continue to update and implement the Medium-Term Debt Strategy (MTDS), supported by the Debt Sustainability Analysis (DSA). This is the operational external and domestic public debt plan, the purpose of which is to meet the government's financing needs at moderate cost and risk.

42. The government intends to strengthen the high quality of its signature and the good perception investors have of Côte d'Ivoire. It plans to honor all debt deadlines on time and improve its rating from the international rating agencies. To achieve this:

- The government will continue to reorganize the Public Debt Directorate in the front, middle and back offices and finalize the startup of its full operation;
- The government will continue to strengthen its daily cash flow management;
- The government will continue to improve communication with the market;
- The government will continue to strengthen the monitoring of the debt of public enterprises, in particular by upgrading the database;
- The National Public Debt Committee (CNDP) intends to adopt a work program that will culminate in a national public debt policy and the preparation of a procedures manual;
- The government will implement the recommendations from the last assessment of the debt under the World Bank's DeMPA methodology.

G. Employment and Social Policy

43. **The government intends to promote job creation.** In this context, the national youth integration and employment agency, known as the Youth Employment Agency, created in June 2015, replaced the existing entities (AGEPE, FNJ, Employment Support Fund and FIDEN). The new agency will be in charge of organizing the work of the various stakeholders and will address the entire employment issue, especially for youths. In particular, work will be done to: (i) improve job quality; (ii) include a larger number of youths in employment integration projects; and (iii) further promote self-employment and entrepreneurship, given the poor absorption capacity of the modern private sector.

44. **The government will reduce inequalities between social classes and will improve the components of the human development indicator.** It will foster the implementation of a comprehensive social protection system, and universal health coverage (CMU) in particular. In addition, it will pursue its policy of access to education for all, decent housing, clean energy, drinking water and a healthy lifestyle.

45. **The government will continue to deploy its universal health coverage (CMU) policy. Thus**, the enrollment phase that began in 2015 will be expanded over seven years. Along with this, a pilot project will be implemented in 2015 to make the system efficient. To ensure sustainability and viability, the government will monitor the system's financial soundness and ensure rigorous management. In terms of the quality of medical services, special emphasis will be placed on upgrading and expanding the health centers and the technical support center. This coverage should help improve life expectancy at birth and lower infant mortality.

46. Education and training efforts will continue. Through the implementation of the "Education for All" Program, gender equality should be achieved at the primary education level. This program will be strengthened by the strict enforcement of the "compulsory education" law. Moreover, it will ensure that the school system and job market are coordinated, and it will promote "the virtual university" to overcome the shortfall observed in the availability of training in higher education.

H. Statistics and Capacity Building

47. The government intends to continue its program to strengthen and upgrade the national statistics system, in the context of the as part of implementing and monitoring of the 2016–20 National Development Plan (PND). It intends to implement the Statistics Master Plan that is included in the PND 2016–20 and the IMF technical assistance recommendations on the national accounts. To this end, the government will adopt the following measures: (1) correct the method of valuing taxes in real terms for the 2011 and 2012 final accounts and the 2013 provisional accounts; (ii) prepare the quarterly national accounts; (iii) allocate resources to the INS (a minimum of seven additional analysts) to prepare the annual and quarterly accounts and to migrate to the System of National Accounts 2008 (SNA); (iv) implement a permanent agriculture statistics system; and (v) prepare the public finance accounts according to the 2001 Government Finances Statistics Manual (GFSM 2001) beginning in 2016. The government will also finalize the launch of the General Agriculture Survey and the living standards and employment surveys.

Table 1. Côte d'Ivoire: Performance Criteria and Indicative Targets, ECF 2014-2015[1/]

(Billions of CFA francs)[2/]

	2014				2015								
	Dec				March				June			Sept.	Dec
	PC	Adjusted PC	Actual	Status	IT	Adjusted IT	Actual	Status	PC	Actual	Status	IT	IT
A. Performance criteria													
Floor on primary basic balance	-81.6		-80.4	Met	-10.5		29.5	Met	-150.7	-112.8	Met	-151.8	-95.2
Ceiling on net domestic financing (incl. WAEMU paper)	107.6		100.7	Met	-56.4		-539.4	Met	186.8	-229.1	Met	104.3	-224.4
Ceiling on new nonconcessional external debt (in $ million) [3/ 4/ 5/]	1,650.0	2,443.4	2,441.5	Met	3,050.0	3,843.4	3,606.2	Met	3,843.4	3,606.2	Met	3,843.4	3843.4
Ceiling on accumulation of new external arrears	0.0		0.0	Met	0.0		0.0	Met	0.0	0.0	Met	0.0	0.0
Ceiling on accumulation of new domestic arrears	0.0		0.0	Met	0.0		0.0	Met	0.0	0.0	Met	0.0	0.0
B. Indicative targets													
Floor on the overall fiscal balance (incl. grants)	-394.8		-376.1	Met	-179.3		-211.5	Not Met	-451.2	-421.4	Met	-584.7	-676.3
Ceiling on expenditures by treasury advance	124.5		112.4	Met	29.4		20.0	Met	74.7	73.7	Met	109.9	150.5
Floor on pro-poor expenditure	1,521.8		1,622.4	Met	292.6		358.4		763.3	865.5	Met	1,153.1	1716.4
Floor on net reduction of government amounts payable (- = reduction)	-110.0		-152.4	Met	-20.0		-21.5	Met	-30.0	-32.8	Met	-40.0	-50.0
Floor on government revenue	3,064.6		2,989.4	Not Met	749.5		787.2	Met	1,630.5	1,717.5	Met	2,472.8	3,527.0
Memorandum items:													
Net banking sector claims on government	9.1		127.3		-41.0		-520.6		54.8	-237.6		1.4	-55.0
Program grants	156.6		167.0		0.0		0.0		73.8	79.8		73.8	153.6
Program loans	50.5		0.0		0.0		0.0		6.4			6.4	81.4
Project grants	168.8		137.0		57.2		87.3		114.3	96.0		137.2	222.9
Project loans	259.6		249.1		115.5		197.6		241.1	257.5		281.2	404.9

Sources: Ivoirien authorities and IMF staff.

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

1/ Cumulative change from December 31, 2013 for 2014 targets, and from December 31, 2014 for 2015 targets.

2/ Except for the ceiling on new nonconcessional external debt

3/ The new non-concessional external debt will be used for infrastructure, energy, and transport projects.

4/ Adjusted for the Port of Abidjan (December 2014, US$ 793.4 million), as provided for under the ECF program (see TMU paragraph 16).

5/ If concessional terms are not obtained for the electricity network (US$820 million) project, the ceiling on new nonconcessional external debt will be ajusted upward pro tanto, as provided for under the ECF program (see TMU paragraph 16).

Table 2. Côte d'Ivoire: Structural Benchmarks, 2015, ECF			
Eighth Program Review			
Measures	**Macroeconomic Rationale**	**Timeframe**	**Status**
Public expenditure management			
Payment in cash of the securitized debt held by SIR and PETROCI.	Improve the financial position of the energy sector	**SB** end-June 2015	**Met**
Adopt a protocol clarifying the responsibilities of the respective parties, including the government, as regards the payment of HVO.	Reduce fiscal risks	**SB** end-June 2015	**Not met**
Issue a call for tender for the selection of an audit company that would complete a strategic audit aiming to restructure SIR.	Reduce fiscal risks	**SB** end-June 2015	**Met**
Strengthening the soundness and development of the financial sector			
Adopt a draft law aimed at developing leasing.	Develop the financial sector	**SB** end-September 2015	**Not met**
Restructure a public bank	Strengthen financial sector soundness	**SB** end-November 2015	**…**
Improving the business environment			
Limit the current fiscal year's VAT arrears pending refund to under CFAF 10 billion	Improve the business climate	Continuous **SB**	**Met**
Clear the full range of domestic arrears on audited debt from 2010 and earlier years.	Improve the business climate	**SB** end-September 2015	**Met**
Regularize domestic arrears on securitized and contractual debt ("dette conventionnée").	Improve the business climate	**SB** end-September 2015	**Not met**

Attachment II. Côte d'Ivoire: Technical Memorandum of Understanding—Arrangement Under the Extended Credit Facility, 2011–15

November 24, 2015

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

QUANTITATIVE INDICATORS

2. For program monitoring purposes, the performance criteria (PC) and indicative targets (IT) are set for June 30, 2015; the same variables are indicative targets for these variables for September 30, 2015 and December 31, 2015.

The performance criteria include:

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

(b) a ceiling for net domestic financing (including the issuance of securities in Francs of the Financial Community of Africa (CFA)—or *Communauté Financière Africaine in French*);

(c) a ceiling on new nonconcessional external debt;

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

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

The indicative targets are:

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

b) a ceiling on expenditures by treasury advance;

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

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

e) a floor on total government revenue.

3. **The PCs, the ITs, and the adjustors are calculated** as the cumulative change from December 31, 2014 for the 2015 targets, with the exception of new nonconcessional external loans for which the cumulative change starts from December 31, 2012 (Table 1 of the Memorandum of Economic and Financial Policies, or the MEFP).

A. Government Revenue (IT)

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

B. Pro-poor Expenditures (IT)

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

C. Treasury Advances (IT)

6. **Within the framework of the program, Treasury advances are defined as spending paid for by the Treasury outside normal and simplified execution and control procedures, and which have not been subject to prior commitment and authorization**. They exclude the "régies d'avances", as set out in the ministerial decree n° 2013-762, as well as the extraordinary procedures set out in decree n° 1998-716 for expenditures financed by external resources, wages, subsidies and transfers, and debt service. The cumulative amount of expenditures by treasury advance as defined by the program will not exceed the cumulative quarterly ceilings representing 10 percent of quarterly budget allocations (excluding externally financed expenditures, wages, subsidies and transfers, and debt service). The nominative and restrictive list of expenditures eligible as treasury advances is as defined by ministerial Decree No. 178/MEF/CAB-01/26 of March 13, 2009.

D. Primary Basic Fiscal Balance (PC)

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

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

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

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

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

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

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

F. Net Domestic Financing (PC)

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

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

This ceiling does not apply to either new agreements on restructuring domestic debt and securitization of domestic arrears or to new project loans from the Bank for Investment and Development (BIDC) of the Economic Community of West African States (ECOWAS). For any new borrowing over and above a cumulative amount of CFAF 50 billion during 2015, the government undertakes not to issue government securities except by auction through the BCEAO or through competitive public auction (appel d'offres compétitif) on the WAEMU financial markets registered with the Regional Council for Public Savings and Financial Markets (CREPMF), in consultation with Fund staff.

G. New Nonconcessional External Debt (PC)

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

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

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

- normal import-related commercial debts having a maturity of less than one year;
- rescheduling agreements;
- debts to the BIDC, up to the equivalent of CFAF 20 billion, for the period from January 1 to December 31, 2015;
- drawings on the IMF.

15. A debt is considered concessional if its grant element is at least 35 percent, the net present value (NPV) of the debt being calculated with a 5 percent discount rate. The government undertakes not to contract or guarantee nonconcessional external debt under the conditions defined in paragraphs 12–15, with the exception of debt constituting rescheduling of maturities and new debt contracted or guaranteed by the government as specified in paragraphs 14 and 17. To this end, the government undertakes to consult with IMF staff on the terms and concessionality of any proposed new debt in advance of contracting such external debt.

16. A cumulative ceiling for 2013–15 of US$800 million for the period through December 31, 2013, US$1,650 million through December 31, 2014, and US$3,843.4 million through December 31, 2015 applies to new nonconcessional external loans other than those specified in paragraph 14 (performance criterion). This ceiling would be applicable to debt-financing of projects, in the energy, infrastructure and transport sectors, and to the issuance of a Eurobond in 2015 for a maximum amount equivalent to U$1 billion. The ceiling on new nonconcessional foreign borrowing will be adjusted upward to reflect the loan to finance the rehabilitation and expansion of the electric power grid by a maximum amount equivalent to US$ 820 million, if the terms of this loan should prove to be nonconcessional. The government will inform staff in a timely manner before contracting any debt of this type and provide information on the terms of the new debt as well as a brief summary of the projects to be financed and their profitability, including an independent evaluation. The government will report on the use of funds and project implementation (in subsequent MEFPs or to staff). The US dollar value of eligible loans subject to this ceiling will be calculated using the exchange rates at end-August 2013 in the IFS (International Financial Statistics) database of the IMF. The amount of the Eurobond deemed contracted will be the amount subscribed/purchased at the end of the subscription/purchase period as specified under the final terms of exchange. The amounts subscribed/purchased of the Eurobond prior to the end of the subscription/purchase period of the Eurobond will not impact the performance criterion on external debt (paragraph 14).

H. External Payment Arrears (PC)

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

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

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

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

20. Floating debt refers to those balances outstanding for which the payment date does not exceed the deadline for payment stipulated by the administrative regulations (90 days for debt to nonfinancial public and private companies and 30 days for debt service to commercial banks, insurance companies, and other financial institutions).

21. The balances outstanding are broken down by payer and type, as well as by maturity and length of overdue period (< 90 days, 90–365 days, > 1 year for nonfinancial companies, and <30 days, 30-365 days, > 1 year for financial companies).

22. For program purposes, the government undertakes: (i) to reduce the stock of amounts payable by at least CFAF 50 billion in 2015; and (ii) to not accumulate new domestic arrears in 2015.

MEMORANDUM ITEMS

A. Net Bank Claims on the Government

23. Net bank claims on the government are defined as the difference between government debts and government claims with the central bank and commercial banks, (including the C2D deposits). The coverage of net bank claims on the government is that used by the BCEAO, and is the same as that shown in the net government position (NGP) (including the C2D deposits).

B. External Financing (Definitions)

24. Within the framework of the program, the following definitions apply: (i) project grants refer to non-repayable money or goods intended for the financing of a certain project; (ii) program grants refer to non-repayable money or goods not intended for the financing of a specific project; (iii) project loans refer to repayable money or goods received from a donor to finance a specific project, on which interest is charged; and (iv) program loans are repayable money or goods received from a donor and not intended for the financing a specific project, on which interest is charged.

C. Program Monitoring and Data Reporting

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

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

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

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

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

Table 1. Côte d'Ivoire: Pro-Poor Spending (incl. Social Spending), 2009–15
(Billions of CFA francs)

	2009	2010	2011	2012		2013		2014	2015
				Budget	Actual	SBL 1/	Actual	Budget	Draft Budget
Agriculture and rural development	**49.2**	**39.1**	**35.2**	**41.4**	**68.2**	**72.1**	**81.7**	**81.9**	**88.6**
General administration	8.5	9.2	7.0	7.7	10.0	16.3	21.4	28.0	33.9
Agriculture promotion and development program	10.6	10.8	10.8	12.0	18.7	15.1	15.9	17.8	23.4
Training of supervisory staff	8.4	8.3	10.3	8.4	13.5	15.7	18.4	16.9	21.5
Water system works	1.5	4.0	3.0	3.4	26.0	16.6	18.3	19.3	9.7
Other investments in the rural area (FRAR, FIMR)	20.2	6.8	4.1	10.0	0.0	8.4	7.7	0.0	
Fishing and animal husbandry	**6.7**	**5.9**	**4.0**	**4.7**	**7.2**	**5.9**	**7.5**	**8.0**	**9.0**
General administration	3.5	3.9	2.7	2.7	4.0	3.8	4.4	4.5	4.6
Milk production and livestock farming	2.3	1.8	1.2	1.5	2.9	0.9	1.7	1.7	2.0
Fishing and aquaculture	1.0	0.2	0.1	0.5	0.4	1.2	1.4	1.9	2.4
Education	**533.1**	**590.1**	**529.2**	**628.6**	**651.2**	**754.6**	**756.3**	**836.3**	**960.9**
General administration	19.6	24.9	24.7	23.6	19.8	19.5	19.5	20.6	25.2
Pre-schooling and primary education	336.7	366.7	301.1	398.2	379.2	454.4	449.2	316.6	403.8
Literacy	0.2	0.2	0.5	0.6	0.5	0.5	0.4	0.4	0.4
Secondary education and vocational training	83.0	83.8	74.2	80.3	74.8	83.7	87.7	296.8	306.9
University and research	93.7	114.5	117.0	113.0	140.0	153.0	156.1	155.4	178.1
Emergency/Presidential program/Education	0.0	0.0	11.7	12.8	36.9	43.5	43.5	46.5	46.5
Health	**118.4**	**113.6**	**120.2**	**138.0**	**169.2**	**205.1**	**197.9**	**267.4**	**310.1**
General administration	45.8	47.7	49.2	55.4	63.9	89.5	71.4	123.0	150.7
Primary health system	30.7	30.0	25.2	34.8	47.5	53.9	70.5	38.7	63.3
Preventive healthcare (enlarged vaccination program)	1.9	1.4	0.4	0.8	2.3	2.6	1.6	2.9	1.5
Disease-fighting programs	1.7	1.5	1.1	1.4	4.0	1.2	1.7	24.8	5.6
Infant/mother health and nutrition	0.8	0.4	0.4	0.6	1.4	0.6	0.8	18.1	10.9
HIV/Aids	10.8	5.9	6.9	8.0	6.4	5.4	1.6	5.6	16.7
Health centers and specialized programs	26.6	26.6	25.7	25.1	31.8	33.9	32.3	34.2	41.4
Emergency/Presidential program/Health	0.0	0.0	11.3	12.0	12.0	18.0	18.0	20.0	20.0
Water and De-contamination	**20.4**	**19.8**	**36.3**	**39.9**	**49.5**	**73.5**	**118.4**	**82.1**	**83.3**
Access to drinking water and de-contamination	4.9	6.0	10.2	10.7	10.8	25.4	69.9	37.0	38.7
Environmental protection spending	15.5	13.8	13.1	13.0	22.4	23.6	24.0	18.1	17.6
Emergency/Presidential program/healthiness and de-contamination	0.0	0.0	13.1	16.2	8.0	11.5	11.5	13.5	13.5
Emergency/Presidential program/drinking water	0.0	0.0	0.0	0.0	8.2	13.0	13.0	13.5	13.5
Energy	**16.5**	**9.7**	**8.8**	**17.0**	**18.8**	**26.7**	**25.5**	**30.1**	**34.9**
Access to electricity	16.5	9.7	8.9	9.0	10.8	13.7	12.5	16.6	21.4
Emergency/Presidential program/Electricity	0.0	0.0	0.0	8.0	8.0	13.0	13.0	13.5	13.5
Roads and Art Works	**39.1**	**45.4**	**33.4**	**47.1**	**51.4**	**101.7**	**80.2**	**112.7**	**118.7**
Road maintenance	0.5	2.4	2.1	5.1	2.3	11.4	8.7	6.0	6.2
Construction of art works	3.0	2.5	1.1	7.5	4.0	22.2	5.6	23.3	20.4
Other road projects	35.6	40.6	22.2	23.5	34.1	52.2	49.9	65.5	67.0
Emergency/Presidential program/maintenance and development	0.0	0.0	8.0	11.0	11.0	16.0	16.0	18.0	25.0
Social spending	**13.6**	**15.0**	**24.7**	**14.1**	**20.0**	**18.1**	**24.3**	**22.4**	**23.6**
General administration	8.6	9.8	8.9	9.0	15.1	13.4	19.1	16.1	17.1
Training for women	0.6	0.7	0.5	0.7	0.7	0.5	0.6	0.9	0.8
Orphanages, day nurseries, and social centers	1.5	2.0	1.9	2.5	2.2	2.1	2.3	3.1	3.1
Training of support staff	1.7	1.9	1.6	1.3	1.6	1.8	1.9	2.0	2.1
Indigents and victims of war or disaster	1.2	0.5	11.8	0.7	0.5	0.4	0.4	0.4	0.5
Decentralization (excl. education, health and agriculture)	**35.1**	**32.0**	**29.0**	**32.1**	**31.7**	**31.8**	**34.5**	**60.0**	**56.1**
Decentralization	35.1	32.0	29.0	32.1	31.7	31.8	34.5	60.0	56.1
Reconstruction	**1.4**	**2.6**	**5.6**	**1.2**	**0.3**	**13.0**	**2.9**	**10.4**	**20.4**
Reconstruction and rehabilitation	1.4	2.6	4.6	1.2	0.3	0.1	0.1	0.0	0.4
Emergency/Presidential program	0.0	0.0	1.0	0.0	0.0	12.9	2.9	10.4	20.0
Other poverty-fighting spending	**9.6**	**11.9**	**16.2**	**15.9**	**13.0**	**6.7**	**7.9**	**10.5**	**10.8**
Promotion and insertion of youth	8.4	8.9	13.7	13.4	7.6	5.1	5.4	8.1	8.2
Support and follow-up of DSRP	0.3	0.2	0.4	0.4	0.5	0.0	0.2	0.6	0.6
Development of tourism and craftmanship	0.9	2.8	2.0	2.1	4.9	1.6	2.3	1.8	2.0
TOTAL	**843.0**	**885.2**	**842.7**	**980.0**	**1,080.5**	**1,309.1**	**1,337.1**	**1,521.8**	**1716.4**

Source: Ivorien authorities.

1/ Supplementary Budget Law.

Table 2. Côte d'Ivoire: Document Transmittal

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

Real sector (R)

General:

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

Energy:

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

Coffee/cocoa:

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

Balance of Payments sector (B)

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

Monetary sector (M)

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

Fiscal sector (F)

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

Domestic arrears:

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

Domestic and foreign debt:

Table F.4.1: Domestic debt *(M)*
Table F.4.2: Total domestic debt *(M)*
Table F.4.3: Negotiable instruments *(M)*
Table F.4.4: Explanation of variances in domestic debt service *(M)*
Table F.5.1: Foreign debt *(M)*
Table F.5.2: Details of foreign debt *(M)*
Table F.5.3: Analysis of projected foreign debt service variances *(M)*
Table F.5.4: Projected debt service (Q)

Post-crisis:

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

Treasury advances:

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

Investment:

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

Social/pro-poor expenditures:

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

Other revenue and expenditures:

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

VAT credits:

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

Financing:

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

Wage bill:

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

Special accounts:

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

Cash flow plan:

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