INTERNATIONAL MONETARY FUND

IMF Country Report No. 16/147

CÔTE D'IVOIRE

June 2016

2016 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR CÔTE D'IVOIRE

In the context of the 2016 Article IV Consultation, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its May 25, 2016 consideration of the staff report that concluded the Article IV consultation with Côte d'Ivoire.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 25, 2016 following discussions that ended on March 15, 2016, with the officials of Côte d'Ivoire on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 10, 2016.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for Côte d'Ivoire.

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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INTERNATIONAL MONETARY FUND

COMMUNICATIONS DEPARTMENT

Press Release No. 16/252
FOR IMMEDIATE RELEASE
May 25, 2016

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

IMF Executive Board Concludes 2016 Article IV Consultation with Côte d'Ivoire

On May 25, 2016, the Executive Board of the International Monetary Fund (IMF) concluded the 2016 Article IV consultation[1] with Côte d'Ivoire.

Côte d'Ivoire's economic performance over the past 4 years has been impressive. Nevertheless, challenges remain. Political normalization, together with supportive fiscal policy and structural reforms to improve the business climate enabled a strong pickup in economic activity. Growth has been accompanied by a modest decline in poverty, but other human development indicators have been slow to improve.

Economic activity remained buoyant in 2015. Real GDP grew by an estimated 8.6 percent driven by strong investment and private consumption. Inflation remained subdued, reflecting ample domestic food production and imported consumer products. The 2015 fiscal deficit was below the 3.7 percent target at 3 percent, owing to stronger revenues and an under execution of externally-financed capital spending. Credit continued to grow at a rapid pace, while banking sector soundness indicators weakened.

The medium-term outlook is favorable. However, the outlook is subject to downside risks. Economic activity is projected to remain strong at 8.5 percent in 2016, and 7.4 percent per year on average in 2017–20. The overall fiscal deficit is projected to widen to close to 4 percent of GDP from 3 percent of GDP in 2015, on the back of higher public investment and security outlays, as well as interest payments. The external current account deficit is likely to deteriorate to about 3 percent of GDP on average from 1.7 percent of GDP in 2015, driven by strong domestic demand, in particular investment, in support of structural

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

transformation. Key risks to the outlook include tighter and more volatile global financial conditions, protracted global sluggishness, a further deterioration in the financial situation of the national refinery company, further terrorist attacks in the region, as well as macro-financial risks stemming from potential contingent liabilities in the public sector and vulnerabilities in the financial sector.

The authorities' 2016–20 National Development Plan (NDP) aims at achieving strong and inclusive growth. To support the structural transformation envisaged under the NDP, the private sector would play a large role, benefitting from strong public infrastructure investment and further structural reforms to improve the business climate. Success will depend on the pace at which structural bottlenecks are addressed and productivity-enhancing reforms are carried out.

Executive Board Assessment[2]

Executive Directors commended the authorities for the impressive economic performance over the last four years, underpinned by growth-friendly fiscal consolidation, productivity enhancing reforms, and a favorable global and socio-political environment. However, Directors noted that challenges remain and poverty is still relatively high despite some progress made. They emphasized the need for continued commitment to sound macroeconomic policies and ambitious structural reforms to safeguard the favorable economic performance and cement the path for sustainable and inclusive growth. Against this background, Directors welcomed the authorities' 2016–2020 National Development Plan, which aims at halving poverty and fostering structural transformation.

Directors stressed that building fiscal buffers is necessary to preserve fiscal sustainability. They called for a reduction in the overall fiscal deficit consistent with the WAEMU convergence criteria, which would provide the needed space to cope with fiscal risks while addressing infrastructure investment needs. To this end, Directors stressed the importance of higher revenue mobilization, including by reducing tax exemptions, broadening the tax base, improving tax administration, and restraining expenditure growth. They also recommended a more measured scaling up of public investment in line with implementation capacity.

Directors underscored the need for continued efforts to strengthen public financial management to better control and manage contingent liabilities, including those stemming from public private partnerships. They encouraged further progress toward reducing the recourse to exceptional spending procedures and implementing a single treasury account.

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

Directors emphasized the importance of prudent debt policy and management. They highlighted that the pace of new government borrowing, particularly non-concessional borrowing, should take into account the risks associated with the realization of contingent liabilities, and the need to avoid an additional concentration of maturities in the mid-2020's. Directors encouraged continued efforts to diversify and broaden the financing base.

Directors saw need for further action to strengthen the resilience of the banking sector and foster financial inclusion. Given the rapid increase in credit and associated decline in bank solvency, they called for a buildup of bank capital buffers. They advised a rapid resolution of the troubled public banks. Directors encouraged the authorities to modernize the regulatory framework in order to take advantage of opportunities to foster financial inclusion through new information and communication technologies.

Directors welcomed the authorities' commitment to intensify structural reforms. They agreed that priority should be given to enhancing productivity by addressing gaps in infrastructure and human capital, and improving the business climate. Directors also called for further efforts to improve the production and dissemination of quality economic data, and supported technical assistance by the Fund and other development partners. Directors noted that continued engagement with the Fund would help support Côte d'Ivoire's ambitious development agenda and address challenges ahead.

Table 1. Côte d'Ivoire: Selected Economic Indicators, 2012–20

	2012	2013	2014	2015	2016	2017	2018	2019	2020
			Est.	Est.			Proj.		
National income				(Annual percentage changes)					
Real GDP growth	10.1	9.3	7.9	8.6	8.5	8.1	7.6	7.1	6.9
Consumer price index (end of period)	3.4	0.4	0.9	1.3	2.1	2.0	2.0	2.0	2.0
Money and credit									
Broad money	4.4	11.6	16.1	18.8	15.2	15.1	14.7	14.8	14.8
Net credit to government (percent of beginning of period broad money)	5.5	3.5	3.4	-0.7	0.4	1.5	1.4	1.5	1.3
Net credit to private sector (percent of beginning of period broad money)	5.3	10.6	11.2	16.0	13.3	9.8	8.5	10.6	11.9
				(Percent of GDP, unless otherwise indicated)					
Central government operations									
Total revenue and grants	19.2	19.7	19.6	21.2	21.4	21.5	21.7	21.8	21.8
Total revenue	18.6	18.4	17.8	19.7	19.8	20.0	20.3	20.4	20.4
Total expenditure	22.3	21.9	21.8	24.2	25.5	25.4	25.5	25.5	25.4
Primary basic balance [1/]	-1.2	-0.1	-0.5	-0.4	-1.0	-0.6	-0.3	-0.3	0.0
Overall balance, incl. grants, payment order basis	-3.2	-2.2	-2.2	-3.0	-4.0	-3.9	-3.8	-3.7	-3.6
External sector									
Exports, f.o.b (millions of SDRs)	7826.7	8079.0	8742.4	8706.0	9646.6	10901.2	12522.6	13974.3	15572.8
Imports, f.o.b (millions of SDRs)	7826.7	8079.0	8742.4	8706.0	9646.6	10901.2	12522.6	13974.3	15572.8
Export volume growth	8.1	1.4	0.9	12.1	17.8	6.2	7.4	5.9	5.9
Import volume growth	48.5	-3.3	-4.0	15.1	20.9	10.0	14.1	10.0	10.5
Current account balance (including official transfers)	-1.2	-2.0	-0.8	-1.7	-1.8	-2.6	-3.3	-3.4	-3.4
Current account balance (excluding official transfers)	-1.8	-3.3	-2.6	-3.2	-3.5	-4.2	-4.7	-4.8	-4.8
Gross official reserves (millions of SDRs)	841.4	847.6	1090.5	1269.8	1362.8	1592.5	1932.4	2145.5	2289.5
Debt [2/]									
External public debt	28.0	26.2	27.9	30.2	26.1	25.9	26.6	26.4	26.2
Gross public debt	45.0	43.4	46.6	49.1	45.9	45.2	45.6	45.2	44.9
Gross public debt (excluding C2D)	34.2	33.4	37.7	45.5	45.6	44.3	42.9	41.4	39.9

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

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

[2/] Central government only.

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

STAFF REPORT FOR THE 2016 ARTICLE IV CONSULTATION

May 10, 2016

KEY ISSUES

Economic performance has been impressive over the past 4 years, but challenges remain. Political normalization, together with supportive fiscal policy and structural reforms to improve the business climate enabled a strong pickup in economic activity. Growth has been accompanied by a modest decline in poverty, but other human development indicators have been slow to improve.

The authorities recently adopted a 2016–20 National Development Plan (NDP) that aims to achieve sustained, strong and inclusive growth. Under the NDP, the private sector would play a major role, supported by a continued expansion in public infrastructure and further structural reforms to improve the business climate. Successful NDP implementation will depend on the pace at which structural bottlenecks are tackled and productivity-enhancing reforms are carried out, as well as on financing conditions and how domestic and external risks are addressed.

The medium-term outlook is positive, but a number of external and domestic downside risks could hamper implementation of the NDP. The macro-financial risks stemming from potential contingent liabilities in the public sector and vulnerabilities in the financial sector, together with headwinds from increased global risks, could adversely affect Côte d'Ivoire's economic outlook.[1]

Discussions focused on policies to achieve the NDP objectives and reduce the adverse impact of potential headwinds and risks: (i) supply-side reforms to support structural transformation by further improving productivity; (ii) supportive medium-term policies that allows for building buffers to provide scope for counter-cyclical policy and to meet potential costs of contingent liabilities; (iii) actions to enhance the stability of the financial sector and promote financial inclusion; and (iv) strengthening public finance management to better control and manage fiscal contingent liabilities. Key policy elements for building policy buffers include: mobilizing higher domestic revenues, targeting a slower pace of public investment scaling up in line with absorption capacity, managing debt prudently, and replenishing bank capital.

Efforts to improve economic data should continue. In line with the growing role of the private sector and foreign investment and financing, there is a need to upgrade the production and publication of quality economic data.

[1] Côte d'Ivoire is a pilot on the mainstreaming financial sector surveillance initiative, and this report highlights the macro-financial links throughout its analysis.

Approved By
Abebe Aemro Selassie and Peter Allum

The discussions took place during February 29-March 15, 2016 in Abidjan, Côte d'Ivoire. IMF team: D. Ghura (head), M. Koulet-Vickot, C. Macario, T. Willems (all AFR), L. Dicks-Mireaux (SPR), R. Veyrune (MCM), B. Wiest (FAD), A. Feler (IMF resident representative), A. Coulibaly (local office economist). Messrs. Alle (OED) and Ba (World Bank) participated in the discussions.

CONTENTS

ANNEXES

Glossary

AFRITAC	African Regional Technical Assistance Center
BCEAO	Central Bank of West African States
CAR	Capital Adequacy Ratio
CFAF	African Financial Community Franc
CNCE	Postal Savings Bank
CNDP	National Committee on Public Debt
DSA	Debt Sustainability Analysis
EBA	External Balance Assessment
ECF	Extended Credit Facility
FAD	Fiscal Affairs Department
GCI	Global Competiveness Index
GDDS	General Data Dissemination System
GDP	Gross Domestic Product
GFSM	Government Finance Statistics Manual
HIPC	Enhanced Heavily Indebted Poor Countries
IIAG	Mo Ibrahim Index of African Governance
IT	Indicative Target
LIC	Low Income Country
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MTDS	Medium-Term Debt Management Strategies
NDP	National Development Plan
NIS	National Institute of Statistics
NPL	Non-Performing Loan
PC	Performance Criterion
PETROCI	Government-Owned Petroleum Company
PFM	Public Financial Management
PNIA	National Agricultural Investment Program
PPP	Public Private Partnership
PRGF	Poverty Reduction and Growth Facility
SME	Small and medium-size enterprise
SNA	System of National Accounts
SSA	Sub-Saharan Africa
SIR	National oil refinery
TA	Technical Assistance
UEMOA	West African Economic and Monetary Union (WAEMU)
VAT	Value-Added Tax

CONTEXT AND RECENT DEVELOPMENTS

A. Context

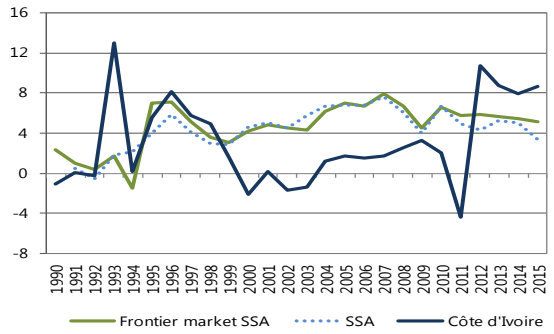
1. Over the past 4 years, Côte d'Ivoire's economic performance has been impressive, in sharp contrast with the preceding 10 years marked by conflicts and economic stagnation. Political normalization, together with supportive fiscal policy, facilitated by the extensive debt relief under the HIPC and MDRI Initiatives, and reforms to strengthen the business climate have enabled a strong pickup in economic activity. Real GDP grew by 9 percent per year on average during 2012–15, driven by investment and consumption, reversing a decade-long fall in per capita income.

Côte d'Ivoire: Selected Economic Indicators, 2000–15
(Annual average)

	2000-11	2012-15
	(Percentage change)	
Real GDP	0.4	9.0
Consumer price index	3.0	1.4
	(Percent of GDP)	
Overall budget balance	-1.4	-2.7
Current account balance	2.5	-1.2
Total public debt	74.5	45.7

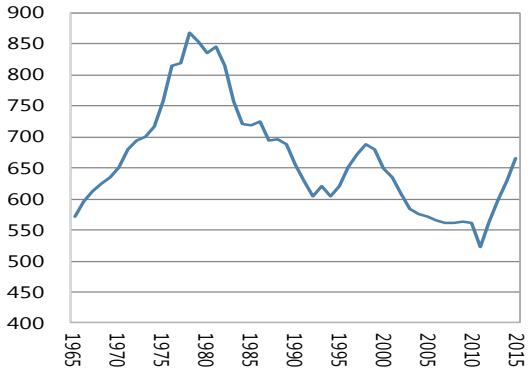
Sources: Ivoirien authorities; and IMF staff estimates.

Real GDP Growth, 1990–2015
(Percent)



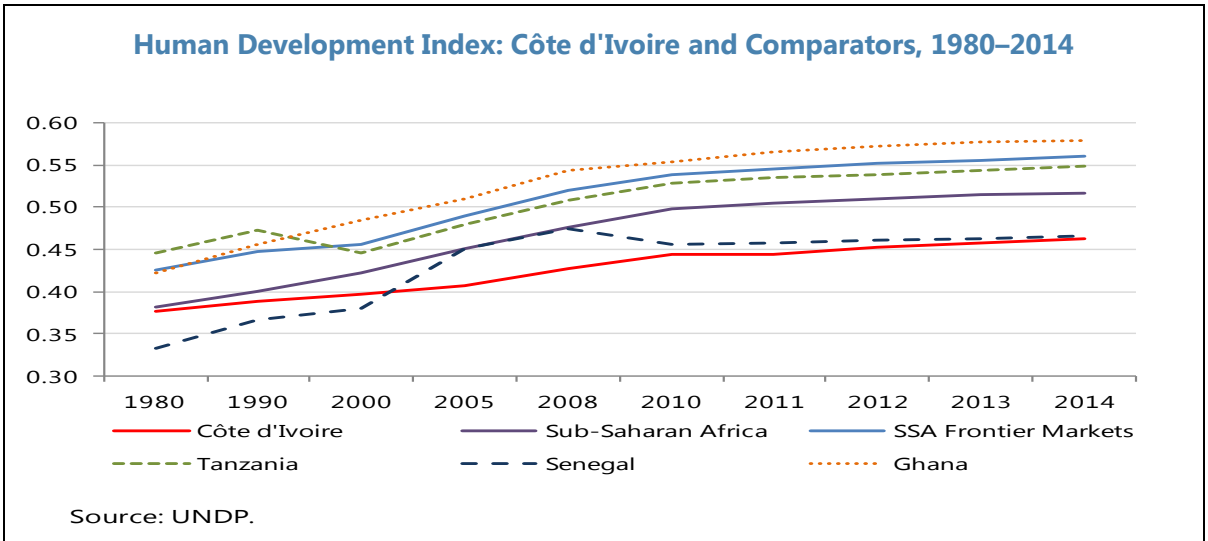
Source: IMF WEO.

Côte d'Ivoire: Real GDP Per Capita, 1965–2015
(Thousands of CFAF)



Source: IMF WEO.

2. Growth has been accompanied by a modest decline in poverty, but other human development indicators have been slow to improve. The poverty rate fell to about 46 percent in 2015 from over 51 percent in 2011. Efforts were made during 2012–15 to make growth more inclusive, including by raising the farm price for coffee and cocoa and other agriculture products and improving basic infrastructure in rural areas. However, there remain significant disparities across the country in education attainment, employment and income (*Annex I*). The 2015 Human Development Report ranked Côte d'Ivoire at 172 out of 188 countries, with an overall Human Development Index below the average for sub-Saharan Africa.



3. The authorities broadly implemented the main advice of the 2013 Article IV Consultation. The policy recommendations aimed at building the foundations for strong growth and focused on ensuring long-term fiscal sustainability, strengthening the financial sector, bolstering external stability and improving the business climate, as well as enhancing governance. Overall, significant inroads were made on all these fronts, but progress in public bank restructuring and financial sector development reform has been slow (*Annex II*).

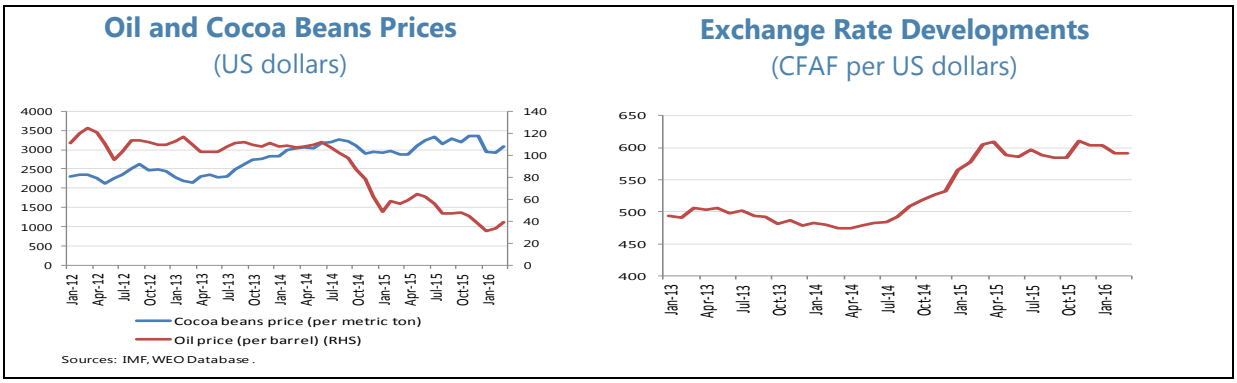
4. Following last October's peaceful presidential elections, political uncertainties have abated, paving the way for continued economic progress. President Ouattara was re-elected in October 2015 to a second mandate. The government has recently adopted a new 2016–20 National Development Plan (NDP) aimed at halving poverty and fostering structural transformation (that is, moving to higher domestic value-added products through the local transformation of a larger share of agricultural products). The authorities have expressed an interest in a new Fund arrangement to support the NDP objectives.

5. Overall, Côte d'Ivoire's macroeconomic performance has benefitted from the previous two Fund-supported programs. An assessment of the last two PRGF/ECF arrangements shows that they were instrumental at reducing macroeconomic imbalances, normalizing relations with external creditors, as well as putting Côte d'Ivoire's economy back on a solid growth path (*Annex III*).[2] This assessment also offers a few lessons for the design of a future Fund program engagement, including the need to enlarge the scope of fiscal monitoring to public entities, take into account macro-criticality and capacity in setting conditionality, and improve the quality of economic data.

[2] The drawn-out political crisis and armed conflict after the disputed 2010 presidential elections reversed some of the reforms and some of the macroeconomic progress that had been achieved.

B. Recent Developments

6. Economic activity has remained buoyant. Real GDP growth is estimated at 8.6 percent, driven by strong investment in the electricity, transport, commerce and housing sectors and solid private consumption.[3] Reflecting ample domestic food production and imported consumer products, inflation remained subdued at 1.2 percent. The external current account deficit widened slightly in 2015 as higher investment-related imports more than offset improved terms of trade and exports (Figure 1).



7. The fiscal deficit has been contained. Total revenue collection exceeded expectations in 2015, thanks to strong fuel and cocoa tax revenues, as well as higher one-off receipts from the sales of telecommunications licenses, which compensated for shortfalls in direct taxes. Spending fell short of the objective, reflecting the under-execution of externally-financed capital spending, even though poverty-related spending was larger than budgeted. As a result, the overall fiscal deficit was limited to 3 percent of GDP in 2015 (2.3 percent of GDP in 2014) compared to a target of 3.7 percent of GDP, and the basic primary deficit was slightly below its target (Figure 2).

8. Public sector debt has increased. Total central government debt rose to 49 percent of GDP at end-2015 from 46½ percent of GDP at end-2014, largely because of a rise in external debt of 2.3 percent of GDP. Public enterprise debt also rose in 2015 to about 3.7 percent of GDP from 3 percent of GDP at end-2014, primarily because of a rise in CFAF-denominated debt.[4] Non-CFAF denominated debt was broadly stable in terms of GDP, amounting to 1.4 percent of GDP. Public enterprise debt[5] amounted to 1 percent of GDP at end-2015, a slight fall from a year earlier. Almost all other debt is owed to domestic banks. Arrears on public enterprise debt (including on loans on-lent by the government) were lower at end-2015 than a year earlier.

[3] In the absence of final data from the National Institute of Statistics, the authorities and staff rely on a range of activity indicators to arrive at preliminary estimates of output expansion. For 2015, the authorities estimate real GDP growth at 10.3 percent. The main difference between the authorities and staff's estimate relates to imports. Staff's estimate of higher imports is calibrated on domestic demand, in particular investment, the main driver of growth in Côte d'Ivoire.

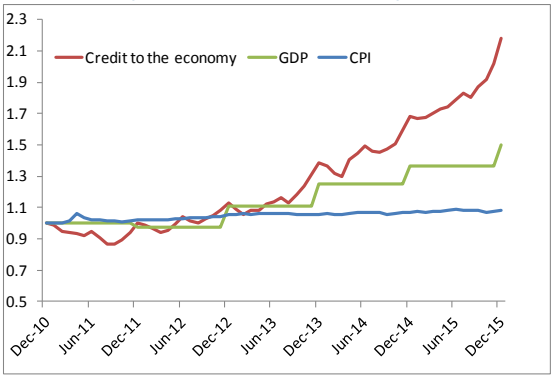
[4] The public enterprise database includes enterprises in which the government holds a majority stake and a number of public agencies and funds.

[5] Includes outstanding loans (virtually all non-CFAF denominated loans) on-lent from the central government, which are recorded under central government debt.

9. Credit has continued to grow at a rapid pace. Credit to the economy increased by 29.7 percent in 2015. Since December 2010, credit to the economy has more than doubled, outpacing GDP growth, while inflation remained low. The rapid rise in credit was facilitated by favorable global conditions, an improved domestic business environment, and accommodative monetary policy, as well as the lowering of the prudential transformation ratio and excess liquidity.[6]

10. Credit is concentrated in the corporate sector. Credit growth was broad-based across economic sectors, but concentrated on private and public corporations, in particular large small and medium-sized enterprises (SMEs) in the services and manufacturing sectors. Credit to public companies is estimated to represent about 15 percent of new credit in 2015, including borrowing by cash-strapped public energy companies (SIR and Petroci). However, the level of household/consumer credit is still low and mortgage lending remains low owing to the absence of long-term funding.

Credit, GDP, and CPI
(December 2010 = 100)



Sources: Ivoirien authorities; BCEAO; IMF staff estimates.

Credit by Sector, October 2015
(Percent)

	Share of total credit	Contribution to credit growth
Commerce and services	33.2	22.6
Industry	24.9	24.9
Insurance, real estate	10.1	24.3
Transportation and communication	9.8	7.2
Agriculture	5.3	8.2
Household	3.1	5.0
Other	13.5	7.8
Memorandum items		
Private companies	90.0	86.5
Public companies	10.0	13.5
Short term	59.5	52.0
Medium term	36.9	42.7
Long term	3.6	5.3

Sources: BCEAO; IMF staff estimates.

Note: Credit growth reflects change between October 2014 and October 2015.

11. Banking sector soundness indicators have deteriorated. The average bank capital adequacy ratio fell to 8.3 percent at end-2015, only slightly above the WAEMU norm of 8 percent, as credit grew without a compensating increase in capital buffers. At present, three banks (out of 26) representing four percent of the system's assets, do not observe the minimum capital adequacy ratio (CAR).[7] Capital buffers in the other banks are generally thin.[8]
At 10.6 percent in 2015, banks' non-performing loans (NPLs) in relation to their loan portfolio remain high despite the rapid credit growth over the last three years. Credit exposure risk is concentrated among large corporate borrowers (public enterprises, large private companies in the agro-business, telecom and commerce sectors), which account for about a third of banks' assets and three times their capital.

[6] The transformational ratio (ratio of long-term assets to long-term liabilities), which is set by the BCEAO, was lowered to 50 percent in 2015 from 75 percent. Strong growth in medium-term loans followed this reduction.

[7] One public bank in particular has significant negative equity.

[8] In July 2015, the minimum capital requirement was doubled to CFAF 10 billion, which banks have to respect by June 2017; 10 banks (12 percent of banks' assets) have yet to meet the new requirement, including 6 that did not meet it previously.

Financial Stability Indicators, 2015

(Percent)

	Regulatory capital to weighted assets	Core capital to risk weighted assets	Non-performing loans to total loans	Asset concen-tration 1/	Liquidity coverage ratio	Return on assets	Net stable funding ratio	Market share
Indicators, December 2015	8.2	7.0	10.6	..	..	..	..	
Indicators, June 2015	9.5	8.5	10.9	33.0	91.3	0.8	96.0	
Non-WAEMU banks	10.9	10.1	9.8	31.0	93.0	1.0	99.0	51.0
WAEMU banks	11.2	9.9	5.3	44.0	92.0	0.8	100.0	24.0
Locally-owned banks	11.1	9.2	8.7	27.0	92.0	0.7	110.0	16.0
Public banks	-5.2	-5.2	31.2	24.0	82.0	-0.2	53.0	10.0
Indicators, December 2014	10.1	8.9	11.3	30.1	..	2.7	..	
Memo item:								
WEAMU regulatory benchmarks	> 8	> 4	not applicable	<25	>75	not applicable	>100	not applicable

Source: Central bank of West African States (BCEAO).

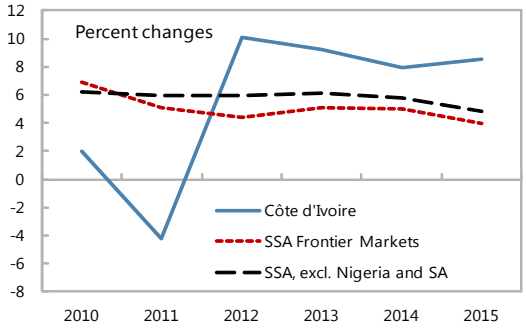
1/ Loans to 5 largest borrowers relative to total performing loans.

Figure 1. Côte d'Ivoire: Real and External Sectors, 2010–15

(Percent of GDP, unless indicated otherwise)

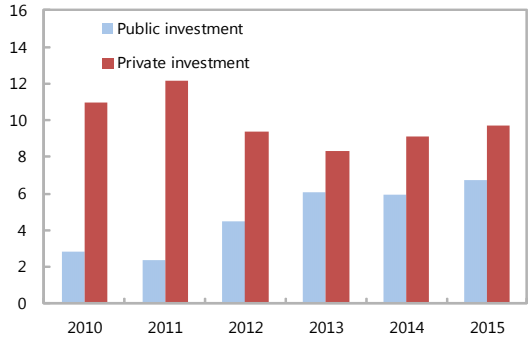
Real GDP Growth

The economy of Côte d'Ivoire continued to grow above regional averages in 2015....



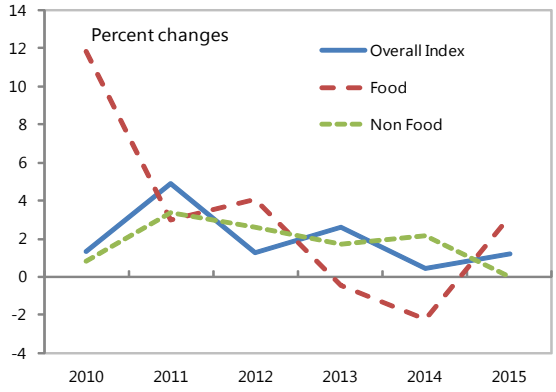
Investment

... helped by a scale up in public and private investment



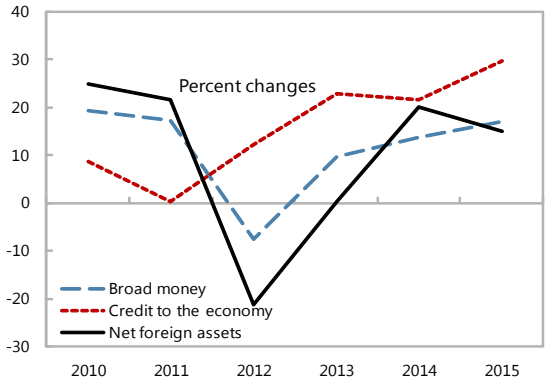
Inflation

Inflation remained moderate



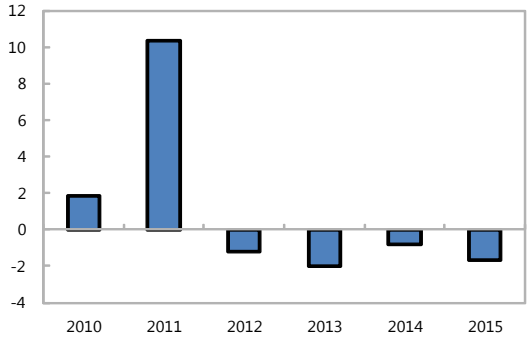
Monetary Sector

....while private sector credit continued its surge



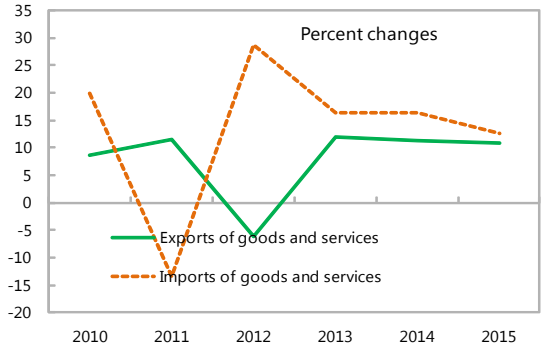
Current Account balance

The external current account deficit has widened somewhat in 2015...



Export and Import Performance

.. driven by investment-related imports.



Sources: Ivoirien authorities; and IMF staff estimates.

Figure 2. Côte d'Ivoire: Fiscal Developments, 2010–15

(Percent of GDP, unless indicated otherwise)

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

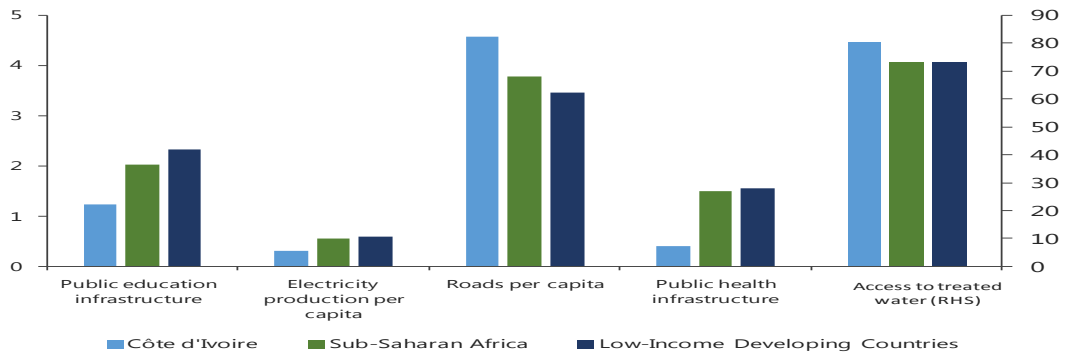
MEDIUM-TERM ECONOMIC OUTLOOK AND RISKS

12. The recently launched NDP targets an average real GDP growth of almost 9 percent per year over 2016–20. Under the NDP, growth is anticipated to benefit from strong investment especially in transport and power generation, financed in large part through public private partnerships (PPPs), and a strong private sector response. Inflation would remain below the WAEMU norm of 3 percent, while the fiscal deficit would increase to about 4 percent of GDP before declining toward the regional norm of 3 percent of GDP. The current external account deficit would widen to 3.6 percent of GDP on average, because of the increase in domestic demand, and foreign direct investment and external borrowing would largely finance it.

13. While sharing the authorities' views about the generally strong growth prospects, staff considered the NDP scenario to be overly optimistic given the prevailing structural bottlenecks.[9] Despite increased investment in infrastructure over the past four years, significant gaps still exist. In addition, while staff's analysis of Côte d'Ivoire's external competitiveness shows that there is no significant sign of real exchange rate misalignment, weaknesses in structural competitiveness remain despite recent progress (*Annex IV*). Notwithstanding the improvements in Côte d'Ivoire's global competitiveness ranking among sub-Saharan African frontier markets and its ranking on the World Bank's *Doing Business Indicators*, it lags on indicators such as ease of paying taxes and obtaining credit. International trade is hampered by the high cost or delays caused by international transportation and burdensome import procedures. Also, human capital indicators are weaker than comparator countries, and local employers have noted a lack of adequate skilled labor. Staff argued that these bottlenecks would take time to tackle.

Measures of Infrastructure Access

(Most recent year available)



Sources: Center for International Comparisons (2015), WEO; and IMF staff estimates.

Note: Units vary to fit scale. Left hand axis: Public education infrastructure is measured as secondary teachers per 1,000 persons; Electricity production per capita as thousands of kwh per person; Roads per capita as km per 1,000 persons; and Public health infrastructure as hospital beds per 1,000 persons. Right hand axis: Access to treated water is measured as percent of population.

[9] See Selected Issues Paper on sustainable growth and Annex IV of this report.

14. The authorities are upbeat about the prospects of achieving the NDP's high growth scenario. They observed that the efforts already made to improve the business environment augured well for the implementation of the NDP and considered that the infrastructure gaps could be closed speedily. They stressed that the knowhow acquired during the implementation of the 2012–15 NDP, including on large projects, and programs already launched (such as universal access to schooling, health care and electricity) as well as programs envisaged for professional training should help to rapidly ease bottlenecks. They highlighted their plans to double domestic energy generation capacity over the next few years (to 4000 megawatts), which they viewed as critical for domestic electricity penetration and economic expansion, as well as electricity exports for regional development. They noted that Côte d'Ivoire is increasingly being seen as a good prospect for investors in sub-Saharan Africa. Against the background of satisfactory program implementation over the past four years, as well as improvements in macroeconomic aggregates and investor perception of Côte d'Ivoire, the authorities were convinced that they would be able to raise the envisaged financing for their NDP.

15. The staff's baseline scenario takes into account policies in place and those announced and are likely to be implemented. The baseline also incorporates the impact of the above-noted structural bottlenecks and implementation capacity:

- *Real GDP* would grow by about 7.6 percent per year on average during 2016–20 on the back of continued infrastructure efforts especially in the transport[10] and energy sectors, higher investment in the agro-business industry (cocoa, cashew processing and rice) and housing, and strong private consumption.
- *Inflation* would remain around 2 percent assuming normal rainfall and favorable global food and fuel prices.
- *The overall fiscal deficit* is expected to increase to 3.8 percent of GDP on average over 2016–20 from 3 percent in 2015, as the projected revenue increase (0.6 percentage points of GDP over five years reflecting improved efficiency in revenue administration) will be insufficient to offset higher spending (1.2 percentage points of GDP over 2016-20) arising from public investment and security outlays, as well as higher interest payments. Despite the deterioration in the overall fiscal deficit, central government public debt would decline to about 45 percent of GDP in 2020 (from 49 percent of GDP in 2015), reflecting strong projected GDP growth.
- *The external current account deficit* is likely to widen to about 2.9 percent of GDP on average, driven by strong domestic demand. An expected rise in FDI inflows would help finance this deficit.

[10] Three major projects are set to be completed or begin during 2016-20: the extension of the port of Abidjan, the Abidjan Metrorail, and the renovation of Abidjan-Ouagadougou railway.

16. This baseline is however subject to considerable downside risks (*Annex V*). Financial sector vulnerabilities could trigger a shock to the economy or reinforce the impact on the real sector of non-financial shocks, potentially generating self-reinforcing adverse spillover effects on the economy in the absence of countervailing policy action:

- *On the external front*, tighter and more volatile global financial conditions could hinder the financing of both the public and private investments by raising funding costs. The domestic capital market could have difficulty filling the gap due to its narrowness and weakness of banks' equity capital. Sluggishness in the global economic environment, in particular in emerging markets, presents a downside risk for export demand and prices, as well as on the supply of funds and FDI.
- *On the domestic side*, near-term fiscal risks stem from (i) two financially troubled public entities—the savings bank (CNCE), slated for restructuring, and the national oil refinery (SIR—see below)[11]; and (ii) the need to settle extra-budgetary spending from the previous decade.[12] Over the medium term, the fiscal account could be exposed to realization of contingent liabilities from the projected large recourse to PPPs in the government's investment strategy and the weak profitability of state-owned enterprises. Also, a downturn in the credit cycle could raise NPLs and limit banks' ability to provide credit given the banking system's overall low capital buffers. In addition, the threat of renewed terrorist attacks in the region could adversely affect FDI and growth.[13]

17. The possible macroeconomic implications of the materialization of these risks are assessed in an alternative scenario (Figure 3). Under this scenario, growth would be about 1 percentage point of GDP lower on average per year over 2016–20 than in the baseline mainly as a result of a weaker private sector investment. The overall fiscal deficit would average 5½ percent of GDP compared to 3.8 percent of GDP in the baseline on the back of lower revenue, increased interest payments, public entity restructuring outlays and the settlement of past extra-budgetary liabilities.[14] Total central government debt would peak at about 50 percent of GDP, or 3 percentage points of GDP higher than under the baseline. By contrast, under the alternative scenario, the external current account balance would improve slightly reflecting lower investment and growth, averaging 2.4 percent of GDP compared to 2.9 in the baseline.

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[11] The audit of SIR, which is facing severe financial difficulties, is being finalized. The CNCE is under provisional administration. The national oil company, Petroci, is being restructured to refocus on its core activities and improve its liquidity situation.

[12] The authorities have completed the audits of (i) pre-2011 extra-budgetary liabilities; and (ii) pre-2012 public procurement contracts still recorded as "open" in the procurement database. They are in the phase of scrutinizing the claims, and noted that they would most likely apply a significant haircut, given that these claims correspond to spending made through irregular procedures.

[13] Côte d'Ivoire suffered a terrorist attack in March 2016 at a beach resort outside Abidjan with several casualties.

[14] The amount of contingent liabilities that will be realized and paid is uncertain in terms of amounts and timing. Staff assumes that an amount equivalent to about 2 percent of GDP would be needed to (i) settle past extra-budgetary liabilities (claims equivalent to about 1 percent of GDP have been validated by the audit on pre-2011 extra-budgetary liabilities, and public procurement contracts for about 1 percent of GDP could be subject to payments); (ii) to restructure CNCE (based on the Bank-Fund TA assessment, and after taking account of the amount already set aside in the 2016 budget, it is assumed that an additional public resources would be needed to put this public bank on a sound footing); and (iii) contribute to the restructuring of SIR (the cumulative losses over 2012–15 amount to CFAF 182.1 billion or about 0.9 percent of GDP). The payment is assumed to be made during 2016–19.

Figure 3. Côte d'Ivoire: Medium Term Outlook, 2013–20

(Percent of GDP, unless indicated otherwise)

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

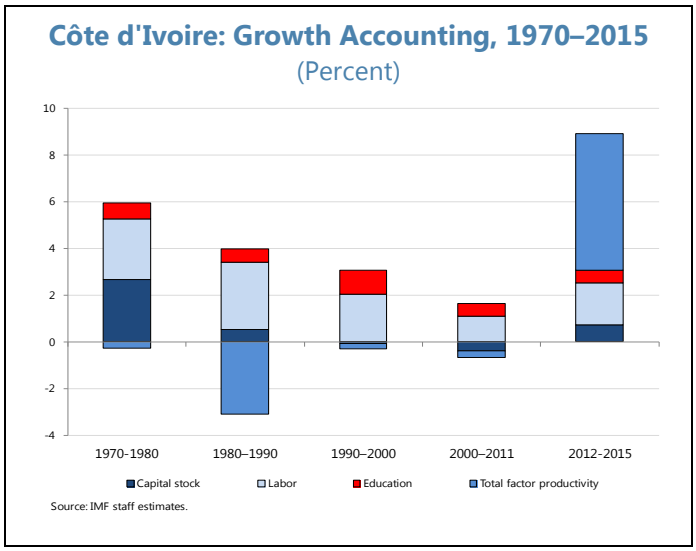
POLICY DISCUSSIONS

Discussions centered on policies needed to (i) engender sustainable and inclusive growth; (ii) ensure fiscal policy is on a sustainable path; and (iii) enhance banking sector stability and financial inclusion.

A. Structural Transformation and Growth

18. Staff considered the strategy underlying the NDP to be broadly appropriate. The emphasis is on improving the infrastructure and the business climate, as well as on increasing investment on human capital, with the aim of allowing rapid development of the private sector. In addition, financial sector reforms, including the public banking sector would improve financial inclusion and access to credit. However, staff argued that the envisaged large increase in public investment was not consistent with implementation capacity, risked displacing the very private sector activity it was seeking to promote, and, as importantly, faced a difficult financing environment.

19. The recent strong growth pickup has been driven primarily by capital accumulation and productivity gains. Staff estimates that more than half of GDP growth during 2012–15 is explained by the growth-accounting residual, which likely reflects a catch-up in pent-up demand and pick-up in capacity utilization, and productivity improvements; the latter thanks to the government's efforts to narrow the infrastructure gap, improve agriculture productivity[15] and strengthen the business climate. Sustaining high growth, especially with a tapering of catch-up effects, would require further supply-side structural reforms to continue improving productivity.[16]



20. The authorities shared the staff's views on the importance of productivity-enhancing reforms, but were more upbeat than staff on their implementation capacity and ability to mobilize financing. They highlighted ongoing reforms to enhance productivity and make growth more inclusive, including raising agriculture productivity and moving up the value added chain under the National Agricultural Investment Program (PNIA), expanding access to education under the universal schooling program, improving professional training, expanding health care access, and closing the infrastructure gap. They also pointed out the priority given in the NDP to land reform is important for enhancing agricultural productivity and financial inclusion. As noted above, the authorities believe that infrastructure bottlenecks are rapidly being tackled, and public investment implementation capacity and their ability to raise financing are adequate.

[15] In particular, the yield per hectare of rice, cocoa, cashew and cassava has increased in the past few years.

[16] See Selected Issues Paper on sustainable growth.

B. Preserving Fiscal Sustainability

21. With the economy expanding at a rapid clip and non-trivial liabilities still to be addressed, staff advocated a medium-term fiscal strategy focused on building buffers. In particular, staff argued that gradually reducing the overall fiscal deficit to 3 percent by 2019 would still provide ample room to address infrastructure investment needs while leaving adequate space to address fiscal risks that materialize. Also importantly, such a deficit trajectory is needed for consistency with the government's commitment to the WAEMU convergence criteria and to help safeguard the BCEAO's reserve coverage at healthy levels.[17] Relative to the baseline, such a deficit path could be achieved mainly through higher revenue mobilization (an additional 1 percentage point of GDP by 2020 by rationalizing tax exemptions,[18] broadening the tax base, and further efforts to improve tax administration), and somewhat lower spending growth. This would also be more consistent with the government's current implementation capacity for infrastructure investment, the regional financial market's capacity to provide financing without undue pressure on borrowing costs as well as helping avoid crowding out of the private sector.

22. The authorities argued in favor of a higher fiscal deficit. While cognizant of the fiscal risks, they estimated that their envisaged larger fiscal deficit would still preserve fiscal space to cope with these risks and support growth, while preserving long-term fiscal sustainability (given high growth). They acknowledged the need to enhance revenue mobilization, and requested additional Fund technical assistance (TA). While open to undertaking a diagnostics of tax exemption system, they expressed concerns regarding the impact of cutting exemptions on Côte d'Ivoire's investment attractiveness. The authorities were confident that they would have financing access both on the global and regional markets, given improvements in Côte d'Ivoire's bond ratings.

23. Implementation of a prudent debt management strategy is essential for the conduct of countercyclical fiscal policy and preserving debt sustainability. The most recent debt sustainability analysis (DSA) indicates that Côte d'Ivoire continues to be classified in the "moderate risk of debt distress" category. Staff considers that the pace of the government's new borrowing, particularly non-concessional external debt, should take into account the risks of increased vulnerability identified in the most recent DSA,[19] including those from public enterprise contingent liabilities. In particular, new borrowing should aim to (i) avoid adding to the bunching of maturities in the mid-2020s from existing sovereign bonds and several large-scale project loans, and (ii) minimize rollover and foreign exchange risks, especially from bullet sovereign bonds. Given the risk of tighter and more volatile financial conditions and more constraints on official bilateral financing, staff advised the authorities to deepen and diversify the domestic and regional creditor base. The authorities re-affirmed their commitment to maintaining debt sustainability and agreed on the need to manage debt service bunching, rollover and foreign exchange risks. They also pointed to their ongoing efforts to deepen and diversify the creditor base, citing the successful launch of the Sukuk bond in 2015—which attracted foreign investors from outside the regional market—and their intention to issue another such bond in 2016.

24. Staff also encouraged the authorities to strengthen domestic debt management. The conversion of non-marketable securitized debt into tradable government securities—by improving cash flows, yield and liquidity—would contribute to the development of the domestic bond market and to

[17] See analysis and discussion in the recent WAEMU Article IV Staff Report, Country Report n° 16/98 (04/01/2016).

[18] VAT exemptions were initially introduced to bypass long delays in VAT refunds. Reflecting the successful new reimbursement procedures implemented in 2015, VAT credits are reimbursed in a timely manner.

[19] Country Report n° 15/341, Supp. 1 (12/27/2015).

financial stability. Implementation of the treasury single account and an active management of public liquidity would permit a reduction of excess liquidity and development of the interbank market. The reduction in unfunded liabilities through the restructuring of the state-owned enterprises, including banks, and the strengthening of their management, would contribute significantly to improving the quality of the banking assets, and thus to increasing the funding of private investment. In response to these recommendations, the authorities highlighted ongoing actions to implement the treasury single account and restructure public banks and the national oil company.

25. Strengthening public financial management is critical to preserving fiscal sustainability. To this end, priority should be given to reforms to improve fiscal transparency and strengthen contingent liability management. Staff advised the authorities to:

- Improve fiscal reporting by strengthening the integration of the budget and treasury IT systems;
- Further limit recourse to exceptional expenditure procedures;
- Enhance, in the context of the newly-developed centralized database for public enterprises, the monitoring of the broader public sector by attaching a comprehensive financial analysis of these enterprises to the budget documentation;
- Complete the reorganization of the Debt Directorate into front, middle, and back offices, and strengthen the role of the National Debt Policy Committee (noting that sound debt management is even more essential at the time when global financing conditions are tighter and more volatile and financing needs larger); and
- Strenghten public investment management institutions and set up a framework for the comprehensive conduct of fiscal risk analysis of PPP projects.

Box 1. Côte d'Ivoire: Public Private Partnerships: Opportunities and Risks

While the public sector still dominates the provision of public infrastructure, in light of large infrastructure needs and in the context of the NDP, the authorities are seeking a larger private sector involvement through public-private partnerships (PPPs). The latest portfolio now includes 114 projects for a total amount of approximately CFAF 14,000 billion (about 75 percent of 2015 GDP), mostly in the transportation (e.g., the metro-rail of Abidjan), energy, animal and fishing, and tourism sectors.

For countries like Côte d'Ivoire with infrastructure gaps and facing financing constraints, PPPs offer opportunities that allow risk sharing between the public and the private sector. On the other hand, PPPs also present risks. PPP contracts can include explicit guarantees; for example, agreements for the government to bear some downside risks associated with the projects that usually take the form of state guarantees to incentivize private sector participation. PPP contracts can also contain implicit guarantees; for example, in case of failure of the private contractor and the government has to pursue the project due to its "public goods" nature. The resulting fiscal cost can be significant if risks materialize. A recent example relates to an implicit guarantee that was triggered on the third bridge due to insufficient traffic relative to contract assumptions (CFAF 12 billion in 2015; 0.07 percent of GDP).

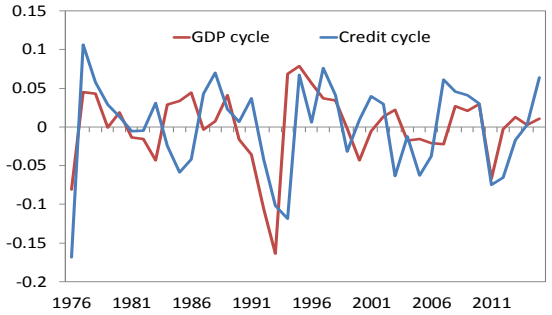
Progress has been made on the transparency front: the website (www.ppp.gouv.ci) of the PPP national committee provides relevant information. Medium-term priorities relate to strengthening existing legal and institutional frameworks to (i) plan, review, approve, and monitor PPP projects; and (ii) assess and monitor fiscal risks associated with PPP projects either individually (e.g., if contract assumptions are not met) or all together (e.g., in event of an overall economic shock).

26. The authorities concurred with staff on the need to enhance public finance management. They emphasized progress made on the development of a centralized database for public enterprises, adoption of a medium-term debt management strategy, and significant reduction of exceptional spending procedures. Acknowledging the need for further efforts in these areas, the authorities indicated that the integration of the budget and accounting IT systems is a key priority of their reform agenda, as well as strengthening cash management and requested technical assistance on PPP fiscal risk assessments.

C. Enhancing Banking Sector Stability and Financial Inclusion[20]

27. The credit and GDP cycles have moved in tandem. Data from 1976 to 2015 show a strong relation between the GDP and credit cycles with a lag of three to four years, indicating that credit growth tends to follow and amplify the economic cycle. A shock-induced downturn in economic growth in Côte d'Ivoire would lower bank's risk appetite, leading to credit contraction and possible increase in NPLs, thus exacerbating the economic downturn.

Côte d'Ivoire: Credit and GDP Cycles
(Hodrick-Prescott decomposition, in percent)



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

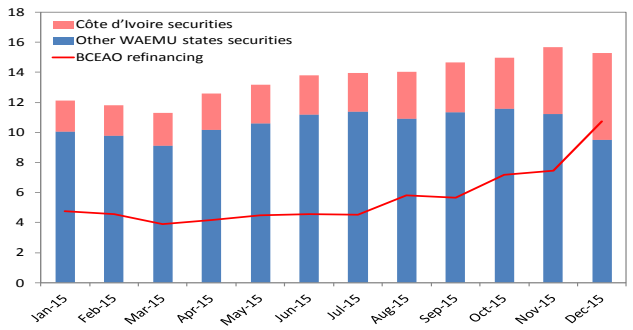
[20] See Selected Issues on macro-financial linkages.

28. Banks in Côte d'Ivoire are exposed to two sources of vulnerabilities:

- First, corporations have become increasingly leveraged vis-à-vis the local banks. A tightening in credit conditions in case of a weaker economic outlook would lower corporate profits, contributing to increased NPLs, which would, in turn, constrain credit and growth. The currently thin capital buffers would be insufficient to sustain the continuation of credit growth at the current pace.
- Second, banks in Côte d'Ivoire have increased their exposure to sovereigns in the region. In 2015, these banks (mainly smaller regional ones) doubled their holdings of other WAEMU governments' securities[21] to 38 percent of their securities portfolio, reflecting less issuance by Côte d'Ivoire in the regional market as a result of greater recourse to external financing. In addition, the yield on Ivoirien government securities was slightly lower than that of other sovereigns in the region.

Côte d'Ivoire: Sovereign Exposure and BCEAO Refinancing, 2015

(Percent of banks assets)



Source: BCEAO.

29. The financial sector could amplify external and fiscal shocks, particularly through the corporate sector. Deteriorating external conditions (such as terms-of-trade shocks, loss in access to international capital market, and tightening of regional monetary conditions) would lower bank funding and private sector financing. In addition, reduced official access to international financial markets, shortfalls in budget revenues, and unexpected fiscal expenditures would lead to either (i) increased government reliance on domestic financing, which could crowd out private sector credit or (ii) reduced capital spending, which would lower private credit demand. The contraction in credit, including to the corporate sector, would exacerbate the downturn in economic activity triggered by external and fiscal shocks.

30. In response to the above risks, banks should build appropriate capital buffers in order to mitigate any adverse impact of a reversal of the credit cycle. Staff welcomes the BCEAO's decision to increase banks' minimum capital requirements and recommends that the authorities support the enforcement of supervisory decisions. Banks that are not able to meet the minimum capital requirement will need to be merged or liquidated, which will require intervention by the public authorities. The authorities concurred with the need to reinforce capital buffers in the banking system and reiterated their commitment to support the regional banking supervision commission by enforcing the commission's decisions. In addition, the Fund WAEMU surveillance calls for an acceleration of the transposition of Basel II and III norms into the regulatory framework, which would provide the supervisory authority scope to require countercyclical capital buffers. Also, to minimize exposure to sovereign risks, the Fund's WAEMU surveillance calls for fiscal consolidation and a gradual reduction by the BCEAO of its refinancing operations.

31. Timely restructuring of public banks would be important to strengthen banking sector solvency and minimize budgetary costs. The lack of faster progress on public bank restructuring was

[21] Government securities in the WAEMU region carry a zero-risk weight.

one of the weak points of the last two Fund-supported programs. Staff noted that the precarious financial condition of one public bank, coupled with lack of success of past attempts at improving its management, would justify its resolution—in line with the recommendation of the joint World Bank/IMF mission. The authorities noted that, consistent with their financial sector strategy to reduce the public stake in the banking system, they had sold the public minority share in two public banks, liquidated one public bank, and had slated two other public banks for privatization. However, they had decided to maintain the two remaining public banks in their portfolio to support public policies in specific sectors. Stressing the importance of the ailing public saving bank for financial inclusion, the authorities had decided to restructure it with public resources. Staff noted that the assumptions underlying the restructuring of the bank—with respect to NPL recovery and return to profitability—appeared optimistic. Against this backdrop, staff urged the authorities to undertake a realistic assessment of the budgetary cost of the bank's recapitalization, as well as modernization costs.[22] With regard to the second public bank that the authorities intend to keep operating, staff recommended that they repay early the stock of non-marketable sovereign debt held by this bank based on the issuance in the market of marketable debt.

32. Financial inclusion is weak, as shown by several indicators, and this is impeding growth potential and contributing to gender and geographical inequality:[23]

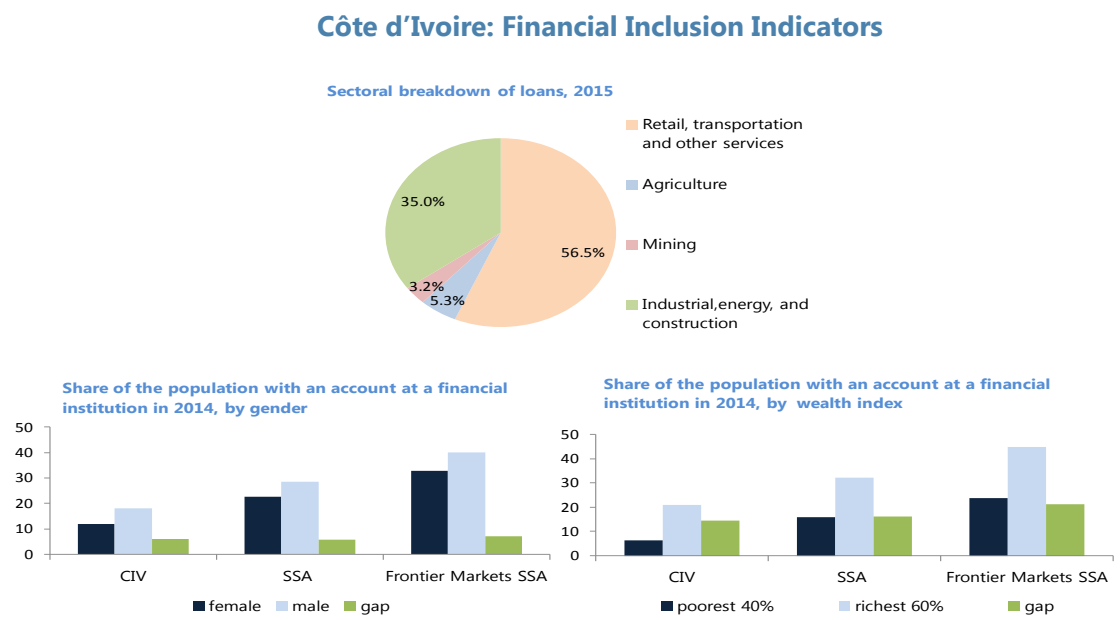
- *Access to credit by SMEs and the agricultural sector is limited.* For instance, the agricultural sector accounts for less than 6 percent of total loans. The bulk of credit goes to commerce and services, with an overall allocation that does not correspond to the structure of the economy and hinders broadening the sources of growth and diversification.
- *The proportion of adults with an account in a financial institution* is lower in Côte d'Ivoire than in frontier markets, and this indicator depicts strong gender and regional disparities.
- *The largest microfinance institution is insolvent.* This challenging financial situation impairs access to financial services by the poor segment of the population and thus hinders growth inclusiveness. At the same time, the sector has some modern and sound micro-financial institutions that are providing financial services to lower-income consumers.

33. Côte d'Ivoire will benefit from an improvement in financial inclusion.[24] There is scope to expand financial services' availability through different channels, including mobile networks and retail agents. The challenge will be to continue modernizing the regulatory framework to achieve this while strengthening the resources for supervision and consumer protection. Improving the transparency of fees and conditions of digital financial services could improve consumer understanding and awareness, facilitate the use of a wider range of financial services, and lower costs. Measures that the authorities believe would improve financial inclusion and access to finance include: the restructuring of the CNCE along with the improvement of its management; and the entry into operation of the credit bureau. It would also be important to restructure the micro-finance institutions.

[22] The total cost of restructuring this bank is estimated at 0.5 percent of GDP. The authorities plan to inject budget resources equivalent to 0.2 percent of GDP, and assume that the recovery of bad loans and sale of assets would be sufficient to cover the remaining cost. Under this option, the authorities recognize that bank would need government subsidies through 2017, when it is assumed to become fully profitable.

[23] See Selected Issues on financial inclusion.

[24] The government's strategy to improve financial inclusion is being supported by the World Bank.



Sources: BCEAO; and World Bank Enterprise Surveys.

OTHER ISSUES

34. Data provision is broadly adequate for surveillance, but shortcomings remain. The authorities provide the required statistical indicators to the Fund generally on a timely basis. While there are still weaknesses in national accounts statistics, the authorities are strengthening the National Institute of Statistics (NIS) with technical assistance from the Fund to improve data quality. Staff has adopted the final 2013 national accounts information provided by the NIS. Staff commends the authorities for the preparation of quarterly national accounts. It recommends a timely finalization of the 2014 national accounts, preparation of those for end-2015 quarterly, as well as the publication of quarterly national accounts data and monthly and quarterly fiscal data. In the external sector, efforts are necessary to improve the coverage of services, transfers, and stocks and flows of the private non-bank sector; the IMF's Statistics Department plans to start later this year a three-year regional project to help countries improve their capacity to produce and disseminate related data.

35. The authorities appreciated the technical assistance (TA) provided by the Fund (*Annex VI*). Over the past four years, TA aimed at improving the national accounts statistics, enhancing public finance management, increasing domestic fiscal revenues, bolstering debt management, and guiding public bank restructuring. Overall, TA recommendations were implemented satisfactorily by the authorities. Looking ahead, in line with the authorities' priorities, TA will focus on the national accounts, tax and customs administration, and public finance management, adoption of the e-GDDS, and harmonization of government fiscal operations with regional norms.

36. The 2013 assessment of the WAEMU regional central bank, BCEAO, found a continuing strong control environment. All recommendations from the assessment have been implemented. These include strengthening the external audit arrangements by appointment of an international firm with ISA experience for the audits of FY15–17, reinforcing the capacity of the audit committee with external expertise to oversee the audit and financial reporting processes, and adoption of IFRS starting with the financial year 2015.

STAFF APPRAISAL

37. Côte d'Ivoire's economy has achieved an impressive turnaround after a decade-long period of stagnation and more efforts are needed to bolster the achievements. Over the last 4 years, economic activity expanded by 9 percent a year on average translating, into an increase in real per capita income of more than 20 percent. The pursuit of a growth-friendly fiscal consolidation and productivity-enhancing reforms, together with favorable global environment and socio-political climate, were instrumental in achieving this strong performance. However, poverty rate, albeit receding, remains relatively high. Notwithstanding the significant achievements over the past 4 years, more efforts are needed to strengthen policy resilience and cement the path for sustainable and inclusive growth.

38. Medium-term prospects are favorable assuming the implementation of policies and structural reforms that support private sector development. Staff welcomes priority given to improvements in physical and human capital, as well as the business climate. It also praises the emphasis placed on raising the productivity in the agricultural sector, including through the resolution of the longstanding land issues. However, it is concerned that the ambitious public investment plan as well as other developments in the public sector may crowd out the private sector.

39. The challenge for medium-term fiscal policy is to build buffers to face potential headwinds to the implementation of the NDP. Staff calls on the authorities to reduce the fiscal deficit to 3 percent by 2019 in order to preserve space for countercyclical policy in the event of adverse shocks to the economy from protracted slower growth in emerging markets, to contain a rapid buildup of debt in case of the realization of contingent liabilities, and to avoid abrupt spending cuts in the face of tighter global financial conditions. Such a deficit trajectory—which would still provide ample room to address infrastructure investment needs—is necessary for consistency with the government's commitment to the WAEMU convergence criteria and to help safeguard the BCEAO's reserve coverage at healthy levels. To achieve this objective, it recommends a combination of a more measured increase in spending and further revenue mobilization through streamlining tax exemptions.

40. Efforts to strengthen PFM should continue. The focus of the PFM reform should be on improving the management of contingent liabilities, given the projected increased recourse to PPPs and the buildup of risks within public entities. Staff underlined the importance of putting in place a framework for assessing implicit and explicit PPP-related fiscal risks. Progress in reducing the recourse to exceptional spending procedures and implementing the treasury single account should also continue. Staff encourages the authorities to improve fiscal reporting by integrating the budget and treasury IT systems.

41. Staff encourages the authorities to pursue a prudent debt policy and strengthen debt management. Staff recommends that the pace of the government's new borrowing take into account of the risks associated with the realization of contingent liabilities. It underlines the need to avoid an additional bunching of the maturities from new borrowing in the mid-2020s, and a sharp increase in the short term of debt service. Staff welcomes the efforts to diversify and broaden the financing base, including through Sukuk-type bonds and the ongoing reforms to develop the secondary market. Given the prospects of tighter global financial conditions, it encourages the authorities to take forceful actions to deepen and unify the regional market. Staff urges the authorities to complete the long-delayed reorganization of the debt department into front-, middle-, and back-offices, and strengthen the National Debt Policy Committee.

42. Public sector financing pressures on the banking sector could hamper private sector development. The projected rapid scaling up of public investment in the NDP, together with the high level of the public sector's liabilities vis-à-vis the banking sector, could crowd out the private sector. In this respect, staff recommends a less ambitious scaling up of public investment, aligned with implementation capacity, to reduce the government funding pressures on the banking sector. It also encourages the authorities to clear past off-budget liabilities and restructure loss-making public entities to strengthen the capacity of the financial sector to support private sector development.

43. Strengthening the resilience of the banking sector and fostering financial inclusion are essential for strong and inclusive growth. Given Ivoirien banks' increased exposure to local corporations as well as to sovereigns in the region, coupled with the rapid increase in credit and associated decline in banks' solvency, staff calls for a buildup of bank capital buffers. To minimize exposure to sovereign risks, the Fund's WAEMU surveillance calls for fiscal consolidation and a gradual reduction by the BCEAO of its refinancing operations. Staff reiterates the importance of acting forcefully to resolve the troubled public banks and fully reflect the fiscal cost in the budget. It calls on the authorities to enforce the Banking Commission's decisions, including concerning the minimum capital requirement. Staff underlines that promoting financial inclusion is necessary for inclusive growth. In this respect, it presses the authorities to modernize the regulatory framework to fully take advantage of the opportunities offered by the development of new information and communications technologies. It also urges them to step up efforts to restructure ailing micro-financial institutions.

44. There is a need to upgrade the production and dissemination of quality economic data to better inform decision makers, market players and the public. Staff welcomes the additional resources in the 2016 budget for the production of timely and reliable national accounts, but calls for further efforts. It encourages the authorities to leverage the capacity building assistance being provided by the IMF and other development partners to improve economic statistics. That said, data provision is broadly adequate for standard surveillance.

45. The next Article IV consultation is expected to take place on a 12-month cycle.

Table 1. Côte d'Ivoire: Selected Economic Indicators, 2012–20

	2012	2013	2014	2015	2016	2017	2018	2019	2020
			Est.	Est.			Proj.		
	(Annual percentage changes, unless otherwise indicated)								
National income									
GDP at constant prices	10.1	9.3	7.9	8.6	8.5	8.1	7.6	7.1	6.9
GDP deflator	2.6	3.3	0.8	1.4	1.8	1.9	1.9	2.2	2.2
Consumer price index (annual average)	1.3	2.6	0.4	1.2	2.1	2.0	2.0	2.0	2.0
Consumer price index (end of period)	3.4	0.4	0.9	1.3	2.1	2.0	2.0	2.0	2.0
External sector (on the basis of CFA francs)									
Exports, f.o.b., at current prices	-4.0	-3.8	8.8	9.4	10.5	10.5	13.4	11.3	11.3
Imports, f.o.b., at current prices	35.9	-3.2	6.0	7.4	11.9	14.4	16.6	12.0	11.7
Export volume	8.1	1.4	0.9	12.1	17.8	6.2	7.4	5.9	5.9
Import volume	48.5	-3.3	-4.0	15.1	20.9	10.0	14.1	10.0	10.5
Terms of trade (deterioration –)	-3.0	-4.1	3.2	3.8	1.4	0.0	3.4	3.2	4.0
Nominal effective exchange rate	-2.7	4.2	2.6	...	...	...	...	...	...
Real effective exchange rate (depreciation –)	-4.1	4.5	1.0	...	...	...	...	...	...
Central government operations									
Total revenue and grants	51.9	16.0	8.4	18.9	11.8	10.6	10.5	9.7	9.4
Total expenditure	38.3	10.9	8.4	21.8	16.5	9.8	10.1	9.3	8.9
	(Changes in percent of beginning-of-period broad money)								
Money and credit									
Money and quasi-money (M2)	4.4	11.6	16.1	18.8	15.2	15.1	14.7	14.8	14.8
Net foreign assets	-5.5	0.1	4.1	3.2	1.5	3.7	4.8	2.7	1.6
Net domestic assets	9.8	11.5	12.0	15.6	13.7	11.3	9.9	12.1	13.2
Of which: government	5.5	3.5	3.4	-0.7	0.4	1.5	1.4	1.5	1.3
Of which: private sector	5.3	10.6	11.2	16.0	13.3	9.8	8.5	10.6	11.9
	(Percent of GDP unless otherwise indicated)								
Central government operations									
Total revenue and grants	19.2	19.7	19.6	21.2	21.4	21.5	21.7	21.8	21.8
Total revenue	18.6	18.4	17.8	19.7	19.8	20.0	20.3	20.4	20.4
Total expenditure	22.3	21.9	21.8	24.2	25.5	25.4	25.5	25.5	25.4
Overall balance, incl. grants, payment order basis	-3.2	-2.2	-2.2	-3.0	-4.0	-3.9	-3.8	-3.7	-3.6
Primary basic balance [1/]	-1.2	-0.1	-0.5	-0.4	-1.0	-0.6	-0.3	-0.3	0.0
Gross investment	17.2	18.1	17.8	18.6	19.4	19.9	20.4	20.8	21.5
Central government	4.5	6.0	5.9	6.7	7.4	7.7	8.0	8.3	8.6
Nongovernment sector	12.7	12.0	11.9	11.9	12.0	12.2	12.4	12.6	12.9
Gross domestic saving	21.3	20.3	20.3	20.8	21.3	21.1	21.0	21.4	22.1
Central government	1.9	3.1	2.4	3.1	2.6	3.4	4.0	4.0	4.5
Nongovernment sector	19.5	17.2	17.9	17.8	18.8	17.7	17.0	17.4	17.6
Gross national saving	16.0	16.0	17.0	17.0	17.6	17.3	17.1	17.4	18.0
Central government	1.4	3.8	3.7	3.8	3.4	4.1	4.6	4.5	5.0
Nongovernment sector	14.6	12.2	13.3	13.2	14.2	13.2	12.5	12.9	13.0
External sector									
Current account balance (including official transfers)	-1.2	-2.0	-0.8	-1.7	-1.8	-2.6	-3.3	-3.4	-3.4
Current account balance (excluding official transfers)	-1.8	-3.3	-2.6	-3.2	-3.5	-4.2	-4.7	-4.8	-4.8
Overall balance	-2.6	0.4	0.6	0.1	0.0	0.5	1.3	0.6	0.4
Gross public debt [2/]	45.0	43.4	46.6	49.1	45.9	45.2	45.6	45.2	44.9
External public debt	28.0	26.2	27.9	30.2	26.1	25.9	26.6	26.4	26.2
External public debt (excluding C2D)	17.2	16.3	19.0	26.7	25.9	24.9	23.8	22.5	21.2
Public external debt-service due (CFAF billions)	245	243	324	412	484	557	600	663	701
Percent of exports of goods and services	3.7	3.8	4.6	5.4	5.8	6.0	5.8	5.7	5.4
Percent of government revenue	9.7	8.6	10.8	11.3	12.0	12.4	12.0	12.1	11.6
Memorandum items:									
Nominal GDP (CFAF billions)	13,677	15,446	16,796	18,495	20,432	22,505	24,671	26,992	29,470
Nominal exchange rate (CFAF/US$, period average)	510	494	494	591					
Nominal GDP at market prices (US$ billions)	26.8	31.3	34.0	31.3	34.6	38.4	42.1	46.3	50.9
Population (million)	22.0	22.5	23.1	23.7	24.3	25.0	25.6	26.3	27.0
Population growth (percent)	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Nominal GDP per capita (CFAF thousands)	623	686	727	780	840	902	963	1027	1093
Nominal GDP per capita (US$)	1,221	1,388	1,472	1,320	1,422	1,538	1,646	1,763	1,888
Real GDP per capita growth (percent)	7.5	6.7	5.3	6.0	5.9	5.5	5.0	4.5	4.3
Poverty rate (in percent)	48.9	...	...	46.3	...	...	...	...	...

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

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

[2/] Central government only.

Table 2. Côte d'Ivoire: Balance of Payments, 2012–20

(Billions of CFA francs, unless otherwise indicated)

	2012	2013 Est.	2014 Est.	2015 Est.	2016	2017	2018	2019	2020
					Projections				
Current account	-164	-312	-137	-308	-368	-595	-813	-921	-1,008
Current account excl. grants	-245	-514	-441	-591	-705	-949	-1,170	-1,298	-1,405
Trade balance	1,565	1,479	1,736	1,992	2,128	2,129	2,205	2,394	2,626
Exports, f.o.b.	6,186	5,951	6,476	7,084	7,826	8,645	9,805	10,909	12,138
Of which: cocoa	1,722	1,932	2,289	3,031	2,935	2,903	2,988	3,066	3,141
Of which: crude oil and refined oil products	2,004	1,693	1,544	1,119	995	1,192	1,299	1,394	1,458
Imports, f.o.b.	4,621	4,472	4,740	5,092	5,697	6,516	7,601	8,515	9,512
Of which: crude oil	1,405	1,445	1,293	897	884	1,111	1,292	1,470	1,621
Services (net)	-993	-1,129	-1,310	-1,591	-1,737	-1,868	-2,048	-2,240	-2,446
Primary Income (net)	-470	-445	-561	-655	-724	-800	-877	-960	-1,047
Of which: interest on public debt	153	99	94	152	170	194	213	235	255
Secondary Income (net)	-266	-217	-2	-55	-35	-57	-93	-116	-140
General government	-22	65	304	282	338	354	357	376	397
Other sectors	-244	-282	-306	-337	-373	-410	-450	-492	-537
Capital and financial account	-199	373	244	331	358	718	1,132	1,087	1,120
Financial account	-199	373	244	331	358	718	1,132	1,087	1,120
Foreign direct investment	161	198	327	397	602	743	863	999	1,179
Portfolio investment, net	73	86	50	46	20	23	25	27	29
Acquisition of financial assets	-4	-1	-1	-1	0	0	0	0	-1
Incurrence of liabilities	-76	-88	-51	-47	-21	-23	-25	-27	-30
Other investment, net	-433	89	-132	-112	-265	-48	244	62	-88
Official, net	-262	76	354	670	149	151	227	205	299
Project loans	54	220	249	328	425	450	531	547	657
Other loans	0	0	357	585	0	0	0	0	0
Central government amortization due	316	144	226	231	276	300	304	343	358
Nonofficial, net	-170	13	-487	-782	-413	-198	18	-143	-386
Errors and omissions	0	0	0	0	0	0	0	0	0
Overall balance	-362	60	108	23	-10	123	319	166	113
Financing	362	-60	-108	-23	10	-123	-319	-166	-113
Reserve assets, includes reserve position in the Fund	362	-60	-106	-23	-162	-329	-486	-329	-212
Operations account	266	-133	-139	-75	-128	-265	-404	-244	-123
IMF (net)	96	72	33	52	-34	-63	-82	-85	-89
Disbursements	101	72	36	81	0	0	0	0	0
Repayments	-5	0	-3	-29	-34	-63	-82	-85	-89
Financing gap	0	0	-1.7	0	171	206	167	163	99
Donors support	...	...	...	0	70	0	0	0	0
Residual gap	...	...	...	0	101	206	167	163	99
Memorandum items:									
Overall balance (percent of GDP)	-2.6	0.4	0.6	0.1	0.0	0.5	1.3	0.6	0.4
Current account inc. grants (percent of GDP)	-1.2	-2.0	-0.8	-1.7	-1.8	-2.6	-3.3	-3.4	-3.4
Current account exc. grants (percent of GDP)	-1.8	-3.3	-2.6	-3.2	-3.5	-4.2	-4.7	-4.8	-4.8
Trade balance (percent of GDP)	11.4	9.6	10.3	10.8	10.4	9.5	8.9	8.9	8.9
Gross imputed official reserves (stock - end of year)	1,297	1,300	1,559	1,791	1,906	2,229	2,708	3,017	3,223
(months of imports of goods and services)	2.7	2.4	2.3	3.0	2.9	3.0	3.2	3.2	3.0
(percent of broad money)	12.9	10.6	9.9	9.9	8.9	9.1	9.6	9.4	8.8
WAEMU gross official reserves (billions of US$)	24.2	27.8	30.5	34.7	...	...	...	...	...
(percent of broad money)	58.6	51.8	46.2	41.1	...	...	...	...	...
(months of WAEMU imports of GNFS)	5.0	4.7	4.6	4.5	...	...	...	...	...
Nominal GDP (billions of CFA francs)	13,677	15,446	16,796	18,495	20,432	22,505	24,671	26,992	29,470
Exchange rate (CFAF/US$) average	510.24	493.89	493.63						
Exchange rate (CFAF/US$) end-of-period	478.65	531.96	603.07						

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

Table 3a. Côte d'Ivoire: Fiscal Operations of the Central Government, 2012–20

(Billions of CFA francs, unless otherwise indicated)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
		Est.	Est.	Est	Projections				
Total revenue and grants	2,621	3,040	3,293	3,917	4,380	4,846	5,353	5,872	6,421
Total revenue	2,540	2,838	2,989	3,635	4,042	4,492	4,997	5,495	6,024
Tax revenue	2,213	2,409	2,573	2,955	3,509	3,972	4,432	4,886	5,358
Direct taxes	720	766	741	788	859	967	1,048	1,134	1,225
Indirect taxes	1,493	1,643	1,832	2,166	2,435	2,743	3,115	3,454	3,808
Nontax revenue	327	429	416	680	533	520	565	610	666
Grants	81	201	304	282	338	354	357	376	397
Total expenditure	3,054	3,386	3,670	4,470	5,206	5,718	6,293	6,875	7,485
Current expenditure	2,436	2,451	2,678	3,223	3,689	3,932	4,216	4,646	4,950
Wages and salaries	935	1,039	1,183	1,332	1,429	1,500	1,561	1,625	1,685
Subsidies and other current transfers	411	325	304	415	360	438	477	605	646
Other current expenditure	572	545	656	815	1,054	1,020	1,101	1,221	1,301
Of which: Ebola	0	0	0	13	0	0	0	0	0
Crisis-related expenditure	57	75	62	109	29	0	0	0	0
Interest due	233	215	214	298	351	435	473	517	559
On domestic debt	80	116	119	145	181	241	260	282	304
On external debt	153	99	94	152	170	194	213	235	255
Capital expenditure	616	934	994	1,247	1,518	1,736	1,977	2,230	2,535
Domestically financed	510	618	608	791	907	1,083	1,238	1,455	1,630
Foreign-financed	106	316	386	456	610	653	739	775	905
Primary basic balance	-170	-12	-80	-68	-203	-138	-84	-89	3
Overall balance, including grants	-433	-346	-376	-553	-826	-872	-939	-1,004	-1,064
Overall balance, excluding grants	-514	-548	-680	-835	-1,164	-1,225	-1,296	-1,380	-1,461
Change in domestic arrears and float (excl. on debt service)	191	40	-162	2	-25	-25	-25	-25	-25
Overall balance (cash basis)	-242	-306	-538	-551	-851	-897	-964	-1,029	-1,089
Financing	307	306	538	551	851	897	964	1,029	1,089
Domestic financing	158	24	11	-242	-26	230	237	283	298
Bank financing (net)	192	134	132	-151	30	69	64	85	90
Nonbank financing (net)	-34	-110	-121	-90	-56	160	174	198	207
External financing	246	274	529	779	706	461	560	583	692
Financing gap (+ deficit / – surplus)	0	0	0	0	171	206	167	163	99
Possible Donors support	...	...	...	0	70	0	0	0	0
Residual gap	...	...	...	0	101	206	167	163	99
Memorandum items:									
Nominal GDP - Fiscal Year	13,677	15,446	16,796	18,495	20,432	22,505	24,671	26,992	29,470
External debt (central government)	3,874	4,045	4,683	5,588	5,342	5,822	6,556	7,115	7,720
Pro-poor spending (including foreign financed)	980	1,337	1,622	1,770	...	...	...	...	...

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

Table 3b. Côte d'Ivoire: Fiscal Operations of the Central Government, 2012–20

(Percent of GDP, unless otherwise indicated)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
		Est.	Est.	Est.	Projections				
Total revenue and grants	19.2	19.7	19.6	21.2	21.4	21.5	21.7	21.8	21.8
Total revenue	18.6	18.4	17.8	19.7	19.8	20.0	20.3	20.4	20.4
Tax revenue	16.2	15.6	15.3	16.0	17.2	17.7	18.0	18.1	18.2
Direct taxes	5.3	5.0	4.4	4.3	4.2	4.3	4.2	4.2	4.2
Indirect taxes	10.9	10.6	10.9	11.7	11.9	12.2	12.6	12.8	12.9
Nontax revenue	2.4	2.8	2.5	3.7	2.6	2.3	2.3	2.3	2.3
Grants	0.6	1.3	1.8	1.5	1.7	1.6	1.4	1.4	1.3
Total expenditure	22.3	21.9	21.8	24.2	25.5	25.4	25.5	25.5	25.4
Current expenditure	17.8	15.9	15.9	17.4	18.1	17.5	17.1	17.2	16.8
Wages and salaries	6.8	6.7	7.0	7.2	7.0	6.7	6.3	6.0	5.7
Subsidies and other current transfers	3.0	2.1	1.8	2.2	1.8	1.9	1.9	2.2	2.2
Other current expenditure	4.2	3.5	3.9	4.4	5.2	4.5	4.5	4.5	4.4
Of which: Ebola	0.0	0.0	0.0	0.1	0.0	0.0	...	...	...
Crisis-related expenditure	0.4	0.5	0.4	0.6	0.1	0.0	0.0	0.0	0.0
Interest due	1.7	1.4	1.3	1.6	1.7	1.9	1.9	1.9	1.9
On domestic debt	0.6	0.7	0.7	0.8	0.9	1.1	1.1	1.0	1.0
On external debt	1.1	0.6	0.6	0.8	0.8	0.9	0.9	0.9	0.9
Capital expenditure	4.5	6.0	5.9	6.7	7.4	7.7	8.0	8.3	8.6
Domestically financed	3.7	4.0	3.6	4.3	4.4	4.8	5.0	5.4	5.5
Foreign-financed	0.8	2.0	2.3	2.5	3.0	2.9	3.0	2.9	3.1
Primary basic balance	-1.2	-0.1	-0.5	-0.4	-1.0	-0.6	-0.3	-0.3	0.0
Overall balance, including grants	-3.2	-2.2	-2.2	-3.0	-4.0	-3.9	-3.8	-3.7	-3.6
Overall balance, excluding grants	-3.8	-3.5	-4.0	-4.5	-5.7	-5.4	-5.3	-5.1	-5.0
Change in domestic arrears (excl. on debt service)	1.4	0.3	-1.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Overall balance (cash basis)	-1.8	-2.0	-3.2	-3.0	-4.2	-4.0	-3.9	-3.8	-3.7
Financing	2.2	2.0	3.2	3.0	4.2	4.0	3.9	3.8	3.7
Domestic financing	1.2	0.2	0.1	-1.3	-0.1	1.0	1.0	1.0	1.0
Bank financing (net)	1.4	0.9	0.8	-0.8	0.1	0.3	0.3	0.3	0.3
Nonbank financing (net)	-0.2	-0.7	-0.7	-0.5	-0.3	0.7	0.7	0.7	0.7
External financing	1.8	1.8	3.2	4.2	3.5	2.0	2.3	2.2	2.3
Financing gap (+ deficit / – surplus)	0.0	0.0	0.0	0.0	0.8	0.9	0.7	0.6	0.3
Possible donors support	...	...	...	0.0	0.3	0.0	0.0	0.0	0.0
Residual gap	...	...	...	0.0	0.5	0.9	0.7	0.6	0.3
Memorandum items:									
External debt (central government)	28.3	26.2	27.9	30.2	26.1	25.9	26.6	26.4	26.2
Pro-poor spending (including foreign financed)	7.2	8.7	9.7	...	...	...	...	...	...

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

Table 4. Côte d'Ivoire: Monetary Survey, 2012–20

	2012	2013	2014	2015	2016	2017	2018	2019	2020
				Est.	Projections				
				(Billions of CFA francs)					
Net foreign assets	1,556	1,559	1,785	1,989	2,104	2,427	2,907	3,216	3,421
Central bank	1,297	1,300	1,559	1,791	1,906	2,229	2,708	3,017	3,223
Banks	259	259	226	198	198	198	198	198	198
Net domestic assets	3,356	3,922	4,579	5,573	6,606	7,593	8,590	9,977	11,724
Net credit to the government	1,133	1,307	1,490	1,445	1,474	1,605	1,749	1,918	2,095
Central Bank	632	646	591	494	432	404	377	349	321
Bank	501	661	900	951	1,042	1,201	1,373	1,569	1,774
Credit to the economy	2,308	2,831	3,446	4,467	5,471	6,327	7,180	8,399	9,967
Crop credits	156	186	276	390	374	372	383	392	403
Other credit (including customs bills)	2,152	2,644	3,171	4,077	5,096	5,955	6,797	8,007	9,564
Other items (net) (assets = +)	-86	-215	-358	-339	-339	-339	-339	-339	-339
Broad money	4,911	5,481	6,364	7,562	8,710	10,021	11,497	13,193	15,145
Currency in circulation	1,591	1,748	1,878	2,138	2,462	2,833	3,250	3,729	4,281
Deposits	3,251	3,679	4,424	5,333	6,143	7,068	8,109	9,305	10,682
Other deposits	69	54	62	91	105	120	138	159	182
Memorandum item:									
Velocity of circulation	2.8	2.8	2.6	2.4	2.3	2.2	2.1	2.0	1.9
				(Changes in percent of beginning-of-period broad money)					
Net foreign assets	-5.5	0.1	4.1	3.2	1.5	3.7	4.8	2.7	1.6
Net domestic assets	9.8	11.5	12.0	15.6	13.7	11.3	9.9	12.1	13.2
Net credit to the government	5.5	3.5	3.4	-0.7	0.4	1.5	1.4	1.5	1.3
Central bank	2.2	0.3	-1.0	-1.5	-0.8	-0.3	-0.3	-0.2	-0.2
Banks	3.4	3.3	4.4	0.8	1.2	1.8	1.7	1.7	1.6
Credit to the economy	5.3	10.6	11.2	16.0	13.3	9.8	8.5	10.6	11.9
Broad money	4.4	11.6	16.1	18.8	15.2	15.1	14.7	14.8	14.8
				(Changes in percent of previous end-of-year)					
Net foreign assets	-14.2	0.2	14.5	11.4	5.8	15.4	19.7	10.6	6.4
Net domestic assets	16.0	16.9	16.7	21.7	18.5	14.9	13.1	16.1	17.5
Net credit to the government	29.6	15.3	14.1	-3.0	2.0	8.9	9.0	9.6	9.3
Central bank	19.1	2.2	-8.5	-16.4	-12.5	-6.4	-6.9	-7.4	-8.0
Banks	45.9	31.8	36.1	5.7	9.5	15.3	14.3	14.3	13.1
Credit to the economy	12.4	22.6	21.7	29.6	22.5	15.7	13.5	17.0	18.7
Broad money	4.4	11.6	16.1	18.8	15.2	15.1	14.7	14.8	14.8

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

Table 5. Côte d'Ivoire: Millennium Development Goals

	1990	1995	2000	2005	2014	2015
Goal 1: Eradicate extreme poverty and hunger						
Employment to population ratio, 15+, total (%)	63	64	64	64	65	..
Employment to population ratio, ages 15-24, total (%)	50	50	48	48	48	..
GDP per person employed (constant 2011 PPP $)	..	7763	7893	7288	8124	8534
Income share held by lowest 20%	7	7	5	..	..	..
Prevalence of undernourishment (% of population)	..	12	15	15	13	13
Poverty gap at $1.90 a day (2011 PPP) (%)	..	5	..	..	..	..
Poverty headcount ratio at $1.90 a day (2011 PPP) (% of population)	..	19	..	..	..	..
Vulnerable employment, total (% of total employment)	..	..	..	..	..	..
Goal 2: Achieve universal primary education						
Youth literacy rate, population 15-24 years, female (%)	..	..	52	..	..	..
Youth literacy rate, population 15-24 years, male (%)	..	..	71	..	..	..
Survival rate to the last grade of primary education, both sexes (%)	56	54	87	..	..	..
Primary completion rate, both sexes (%)	42	42	44	..	57	..
Adjusted net enrolment rate, primary, both sexes (%)	..	..	57	..	75	..
Goal 3: Promote gender equality and empower women						
Proportion of seats held by women in national parliaments (%)	5.7	..	..	8.5	9.4	9.2
Gross enrolment ratio, primary, gender parity index (GPI)	0.7	0.7	0.8	..	0.9	..
Gross enrolment ratio, secondary, gender parity index (GPI)	..	..	..	..	0.7	..
Gross enrolment ratio, tertiary, gender parity index (GPI)	..	0.3	..	..	0.6	..
Women in wage employment of nonagricultural sector (% of total nonagricultural employment)	..	..	..	..	..	..
Goal 4: Reduce child mortality						
Immunization, measles (% of children ages 12-23 months)	56	57	68	84	63	..
Mortality rate, infant (per 1,000 live births)	105	104	100	89	69	67
Mortality rate, under-5 (per 1,000 live births)	153	153	146	129	96	93
Goal 5: Improve maternal health						
Adolescent fertility rate (births per 1,000 women ages 15-19)	156	142	138	137	135	..
Births attended by skilled health staff (% of total)	..	..	63	55	..	..
Contraceptive prevalence, any methods (% of women ages 15-49)	..	..	..	..	..	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	745	711	671	742	665	645
Pregnant women receiving prenatal care (%)	..	..	88	87	..	..
Unmet need for contraception (% of married women ages 15-49)	..	..	..	..	..	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases						
Children with fever receiving antimalarial drugs (% of children under age 5 with fever)	..	..	58	..	..	..
Condom use, population ages 15-24, female (% of females ages 15-24)	..	..	..	24	..	..
Condom use, population ages 15-24, male (% of males ages 15-24)	..	..	..	49	..	..
Incidence of tuberculosis (per 100,000 people)	246	379	367	267	165	..
Prevalence of HIV, female (% ages 15-24)	2.0	3.0	2.8	2.0	1.4	..
Prevalence of HIV, male (% ages 15-24)	1.2	1.6	1.4	1.1	0.9	..
Prevalence of HIV, total (% of population ages 15-49)	2.9	4.9	5.5	4.8	3.5	..
Tuberculosis case detection rate (%, all forms)	26	22	25	41	64	..
Goal 7: Ensure environmental sustainability						
Improved sanitation facilities (% of population with access)	15	16	18	19	22	23
Improved water source (% of population with access)	76	77	78	79	82	82
Goal 8: Develop a global partnership for development						
Internet users (per 100 people)	0.0	0.0	0.2	1.0	14.6	..
Mobile cellular subscriptions (per 100 people)	0.0	0.0	2.9	13.5	106.2	..
Telephone lines (per 100 people)	0.6	0.8	1.6	1.5	1.2	..
Fertility rate, total (births per woman)	6.6	6.2	5.9	5.5	5.0	..

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

Annex I. Dimensions of Poverty[1]

1. The 2015 poverty survey shows that the poverty rate has declined somewhat to 46.3 percent in 2015 (from 48.9 percent in 2008). However, s shown in Figure 1, poverty has been on an upward trend since the first recorded poverty survey in 1985. The poverty rate was at an all-time high in 2008, a period marked by civil conflict which destroyed production capacity and led to displaced civilians.

2. The decline in rural poverty to 56.8 percent in 2015 (from 62.5 percent in 2008) contributed significantly to the recent overall fall in poverty. Poverty in urban areas, on the other hand, increased sharply to 35.9 percent in 2015 (from 29.5 percent in 2008). Still, poverty remains mostly a rural phenomenon. From a geographical perspective, poverty is most prevalent in the north, while the southern city of Abidjan has the lowest poverty rate.

3. People living below the poverty line tend to be unemployed and are from large households, the agricultural sector, and weak educational background. A probit analysis shows that poverty is more widespread in households that are headed by females, own under-developed lots, and live outside Abidjan. Poverty is also found to be more common among the young: 51.4 percent of Ivoirians younger than 25 years are classified as poor, while poverty rates in other age groups vary from 35 to 39 percent. There is a small gender gap in overall poverty (see Figure 2), though this gap is large when it comes to employment: only 38.6 percent of women are employed, as opposed to 61.4 percent of men. Women outnumber men in commerce where 59.5 percent of all employees are female.

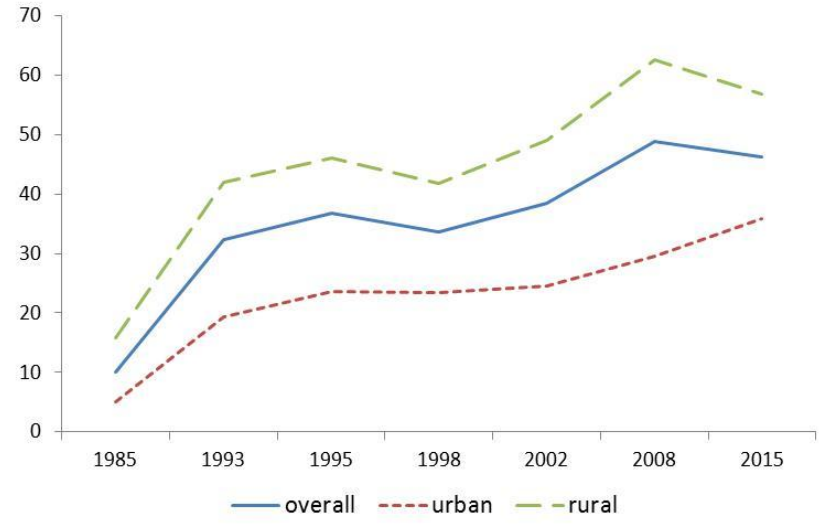
4. With about 92 percent of all jobs, the informal sector accounts for the bulk of employment in Côte d'Ivoire. The formal sector hosts only about 8 percent of all jobs. Poverty is most widespread in the informal sector, where the poverty rate is 37.3 percent (compared to 15.6 percent in the formal sector). Unemployment is mostly an urban phenomenon: the overall unemployment rate currently stands at 6.9 percent, but is as low as 3 percent in rural areas. The youth are overrepresented among the unemployed, with an unemployment rate of 9.6 percent among the 14–35 year-old age group (compared to 3.2 percent for those over 36 years old).

5. The report also describes the outcomes of a detailed interview with a sample of people regarding their perception of poverty. About 51 percent of respondents indicated that they did not perceive that poverty reduction was a priority. However, they were optimistic about the future, with 78 percent of them believing that new administration will lower poverty. Some 88 percent of those interviewed believed that corruption was a major source of poverty.

[1] This annex summarizes the 2015 poverty survey (*Enquête sur le niveau de vie des ménages en Côte d'Ivoire*). From January to March 2015, the Ivorian Statistical Institute surveyed 12,900 Ivorian households about their living standard, with a particular interest in poverty. The report defines poverty along relative (as opposed to absolute) lines. Back in 1985, the relative poverty line was set at a consumption level of CFA 75,000 per year – such that about 10 percent of the population was classified as "poor". Adjusting this level for inflation, the 2015 poverty line is set at CFA 269,075 per year. Previous poverty surveys were conducted in 1985, 1993, 1995, 1998, 2002, and 2008.

Figure 1. Côte d'Ivoire: Development in Poverty Rate, 1985–2015

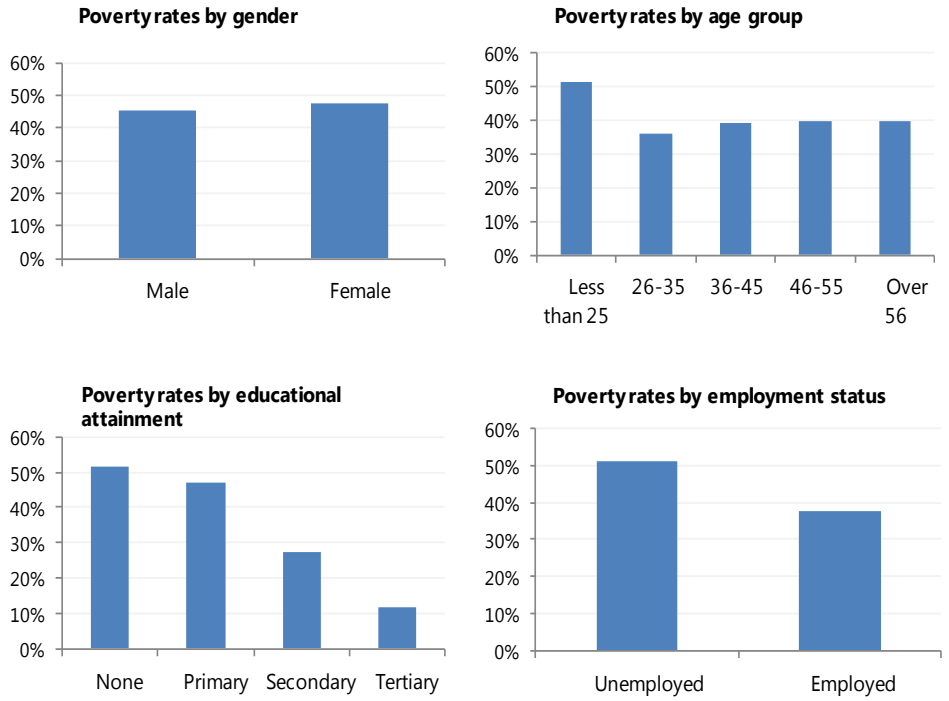
(Percent of population)



Source: Survey on households' standard of living in Côte d'Ivoire.

Figure 2. Côte d'Ivoire: Poverty Rates By Population Characteristics

(Percent)



Source: Survey on households' standard of living in Côte d'Ivoire.

Policy Area	Fund Policy Recommendations	Status
Fiscal sector	1. **Ensure fiscal sustainability over the medium term and increase the fiscal space for infrastructure and social spending:** 1.1. Strengthen revenue mobilization through VAT and revenue administration reforms	Significant progress has been made to improve revenue administration: the large taxpayer office has been reorganized, a medium-size taxpayer office has been set up, and several other measures have been taken to reinforce customs control and audits (use of scanners based on risk analysis, etc.). With respects to VAT, a reform strategy is being implemented, and this has led to improvements in VAT management. However, there are still widespread VAT exemptions.
	1.2. Put the wage bill on a sustainable path	A medium-term strategy to control the wage bill has been adopted with the objective of bringing the wage bill to tax revenue to 35 percent by 2020 (WAEMU convergence criterion) from 46 percent in 2014.
	1.3. Proceed with caution as regards the creation of a universal health insurance system	The government is proceeding with caution by limiting the number of beneficiaries and the risks covered, and the aim is for the scheme to be self-funding.
	1.4. Strengthen public financial management	Progress has been made, but challenges remain, in particular on the use of exceptional spending procedures and cash management.
	1.5. Reform the electricity sector to make the latter financially sustainable	Significant measures have been taken, including tariff increases, to improve the financial situation of the electricity sector. As a result, the sector is expected to start making profit from 2016 onward.

Annex II. Status of the 2013 Article IV Main Recommendations (continued)

Policy Area	Fund Policy Recommendations	Status
Financial sector	2. **Reduce financial sector vulnerabilities and foster financial deepening:** 2.1. Strengthen the soundness of the banking sector through public banks restructuring	Progress has been mixed. The government has liquidated BFA and sold its minority stake in SIB and NSIA. Vulnerabilities remain for the other four public banks. The authorities are still finalizing restructuring options.
	2.2. Deepen financial intermediation by adopting and implementing a financial sector development strategy	The government adopted in January 2014 a financial sector development strategy. However, its implementation has encountered significant delays.
External sector	3. **Maintain external stability:** 3.1. Adopt a medium-term debt strategy to better guide financing decisions and ensure prudent borrowing	A medium-term debt strategy 2013–17 was adopted, and an updated 2015–19 strategy is being finalized.
	3.2. Obtain a sovereign rating before tapping into international market	Côte d'Ivoire obtained three debut sovereign ratings before issuing a Eurobond into the international market in 2014. In late 2015, two of the three ratings were upgraded.
	3.3. Address structural competitiveness issues by improving the business climate	The business climate is improving as shown by international measures, including the World Bank's Doing Business index.
Governance	4. **Reduce the amount of public procurement granted on non-competitive basis**	The amount of public procurement granted on non- competitive basis has decreased.

Annex III. Lessons from Recent Program Engagement[1]

INTRODUCTION

1. Over the last decade, two arrangements supported the Ivoirien authorities' medium-term priorities of restoring macroeconomic stability, achieving high-sustained growth and reducing poverty. The first arrangement (2009–11) was approved and implemented in a context marked by a tense socio-political situation, a divided country confronted with security issues and the preparation of the long-awaited presidential elections, as well as economic stagnation. The drawn-out political crisis and armed conflict after the disputed 2010 presidential elections derailed the program, leading the new authorities to request its cancellation. The second arrangement (2011–15) started in the aftermath of the post-electoral crisis against a background of socio-political normalization, a crisis-induced recession (-5.7 percent) and a widespread poverty (over 50 percent of the population).

2. This annex provides a review of progress during the 2009–11 and 2011–15 Fund-supported programs. This document reflects the staff's perspective, but it also includes stakeholders' views collected during a seminar held in Abidjan in the context of the 2016 Article IV Consultation. This assessment is timely as the Fund and the authorities are gearing up for a new program. Lessons drawn from these episodes would inform this future Fund engagement.

A. Program Objectives

While both programs were similar in their overarching objective- restoring macroeconomic stability, achieving high and sustained growth, and reducing poverty-, the macroeconomic targets were adapted to reflect socio-political context. More specifically:

The 2009–11 PRGF/ECF-supported program

3. The macroeconomic objectives were to raise growth to 4.2 percent on average over 2009–11, reduce inflation to 3 percent and keep the overall budget deficit at around 2 percent of GDP, which is consistent with debt sustainability after HIPC and MDRI debt relief. To achieve this:

[1] This note incorporates comments from Salifou Issoufou.

- *Fiscal policy* aimed to expand the tax base, strengthen revenue administration, shift expenditure in favor of investment and pro-poor spending while strengthening public financial management and implementing civil service reform;
- *Structural reforms* focused on improving transparency and efficiency in the energy and cocoa/coffee sectors and reducing vulnerabilities in the financial sector.

The 2011–15 ECF-Supported Program

4. The macroeconomic targets were to: (i) achieve real GDP growth of 8-9 percent in 2012 after the crisis-induced recession, and 6 percent over the medium-term; (ii) bring back inflation below 3 percent after the crisis-related spike; and (iii) move the basic primary balance from a deficit to a surplus over the medium term, and reduce the overall fiscal deficit to around 3 percent of GDP. To this end:

- *The fiscal policy strategy* was to create fiscal space for an increase in pro-poor and public investment outlays, while establishing fiscal and debt sustainability.
- *Structural reforms* were focused on moving forward reforms that had stalled over the previous program, and improving the business climate.

B. Program Performance

The 2009–11 PRGF/ECF-supported program

5. Overall, in spite of the difficult socio-political environment, program implementation was satisfactory before the drawn-out political crisis and armed conflict after the 2010 disputed presidential elections that reversed some of the reforms and some of the macroeconomic progress that had been achieved.

6. While improving compared to the preceding years, the macroeconomic performance was below the program expectations:

- Real GDP growth averaged 3.1 percent per year against an objective of 4 percent, but higher than the years before (0.4 percent on average during 2000-08), resulting in broadly stable income per capita. This disappointing growth performance was due to a lower than expected public investment, electricity outages and a tense political environment.
- Fiscal performance fell short of the program targets, mainly reflecting overruns on subsidies to cover the deficits of the electricity sector and the pension funds, as well as higher wage bill.

- The program was successful at re-establishing orderly relations with external creditors, which paved the way for the reaching of the HIPC Decision point.

7. Implementation of structural reforms was slow. While some steps have been taken to improve transparency in the hydrocarbon sector, contain exceptional spending procedures and reduce domestic arrears, progress in key structural reforms such as cocoa/coffee sector, civil service, pension funds, tax exemption rationalization, electricity sector and public banks has fallen behind schedule, reflecting a complicated socio-political situation.

The 2011–15 ECF-supported program

8. Overall, program implementation was strong, supported by a strengthening of confidence with the normalization of the socio-political situation, sound macroeconomic policies and favorable global environment.

9. Macroeconomic performance broadly exceeded program expectations:

- Economic activity recovered quickly from the political crisis-related recession in 2011, and grew on average by 9 percent per year over 2012-15, against an objective of about 6 percent. This strong growth translated into a more than 20 percent rise in real per capita income. Inflation was brought down to 1.2 percent from its 2011 spike of 4.9 percent. Under the 2011–15 arrangement, despite strong macroeconomic performance, poverty and inequality remained high (46.3 percent of the population lived in poverty in 2015, and there are regional and gender inequalities within the country).
- The overall fiscal deficit lowered to 3 percent from 5.4 percent in 2011, while opening up space for pro-poor and investment spending. However, the basic primary balance remained in deficit while the program had targeted a surplus. In addition, revenue performance was slightly below expectations.
- Côte d'Ivoire reached the HIPC Completion point in June 2012, and received substantial debt relief under the HIPC and MDRI initiatives and the regularization of all remaining arrears with external creditors. In 2014 and 2015, Côte d'Ivoire was able to issue sovereign bonds on the international Eurobond market at lower yields than other SSA frontier economies.

10. Progress on structural reforms was uneven. The cocoa sector reform has been successfully completed, leading to higher incomes for farmers. Considerable steps have been taken to improve the business climate, translating into improvements to Côte d'Ivoire's rankings on various international indices, including the World Bank's Doing Business index. Reforms in PFM area has advanced, although challenges remain particularly in the use of exceptional spending

procedures. Significant progress has been made to shore up the financial position of the electricity sector. Some key structural reforms have fallen behind schedule, in particular in the areas of financial sector and public enterprises. Further progress is needed in the governance area.

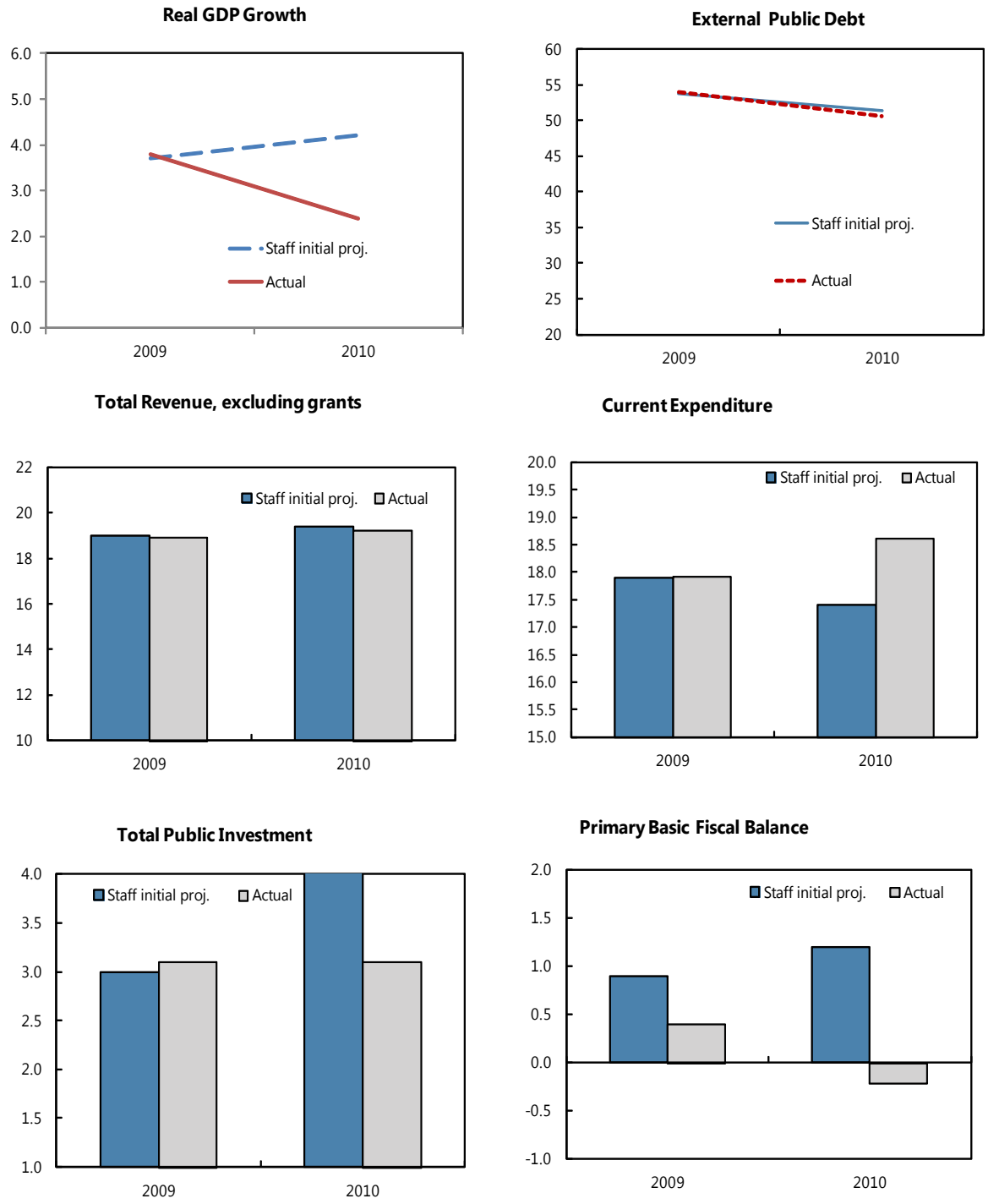
11. Lessons from the 2009 and 2011 programs

Five key lessons can be drawn from the two programs:

- **There is a need to enlarge the scope of fiscal monitoring to public entities**. The definition of government was too narrow to capture all the developments in the public sector. Indeed, while the central government's position has improved, contingent liabilities risks were building up outside the budget perimeter.
- **The number of structural benchmarks was somewhat excessive**. For instance, the 2011–15 program includes about 100 structural benchmarks. Structural benchmarks should focus on macro-critical areas, and be mindful of political economy.
- **The discrepancies between the authorities and the staff on growth estimates and projections complicate the calibration of program objectives**. Looking ahead, improving the production of high-frequency and high-quality economic statistics should be a top priority in the reform agenda.
- **The setting of the implementation timetable should better take into account capacity constraints and regional institutional arrangement**. Delays in the implementation of financial sector and debt management reforms could be partly explained by a lack of in-house expertise in these areas as well as the fact that a part of the financial sector policy is determined at the regional level (UEMOA).

12. The stakeholders broadly concur with staff's assessment of the last two Fund-supported programs. In particular, they highlighted the signaling effect of engagement with the Fund. They underlined the need to better take into account inclusiveness and governance considerations in the design and monitoring of a Fund-supported program. They called for continued program engagement with the Fund to safeguard macroeconomic stability and promote structural reform for a sustainable and inclusive growth.

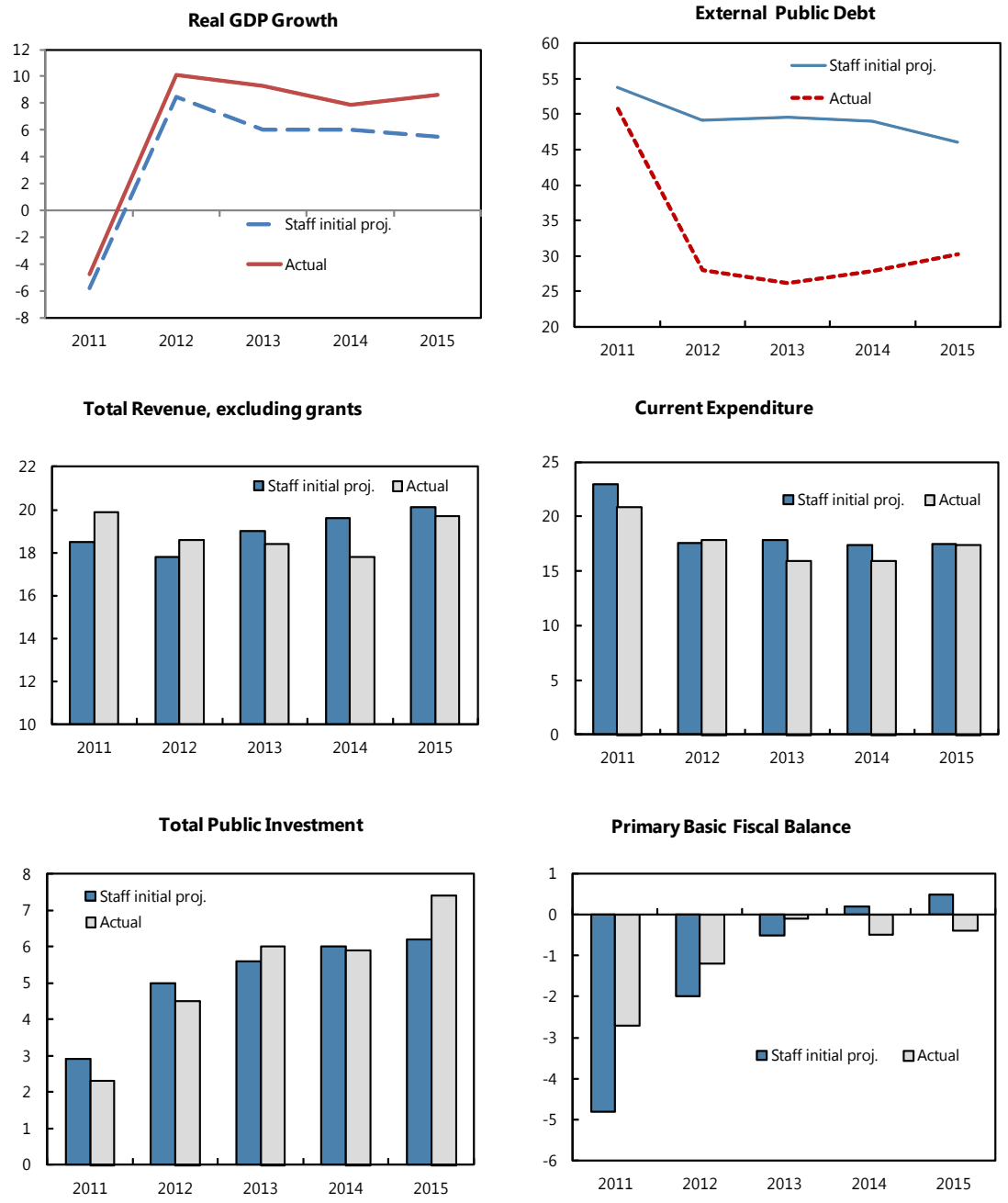
Figure 1. Côte d'Ivoire: Macroeconomic Performance (Request versus Actual), 2009-10
(Percent of GDP, unless indicated otherwise)



Source: IMF WEO

Figure 2. Côte d'Ivoire: Macroeconomic Performance (Projection versus Actual), 2011-15

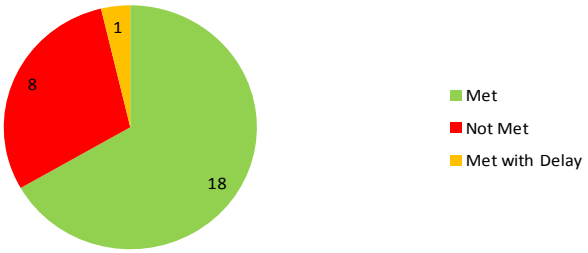
(Percent of GDP, unless indicated otherwise)



Sources: Ivoirien authorities and IMF staff estimates.

Côte d'Ivoire: Structural Reforms under the 2009–11 Program

Category	Description	Status of Conditionality R1	Status of Conditionality R2
Tax policy / Tax administration	**1.** Elimination of the practice of advance payment of the DUS on coffee/cocoa, and of any other taxes.	Not Met	Met
	2. Completion of inventory of service charges/fees by ministries.	Not Met	Met with Delay
	3. Adoption of a plan to rationalize exemptions, including crisis-related regimes (in line with IMF technical assistance), for adoption in the 2010 budget.	Not Met	Not Met
	4. Implementation of the computerized transit module of SYDAM (SYDONIA) between the Port of Abidjan and the three main border posts.	Not Met	Not Met
	5. Reduce the outstanding verified and validated VAT credit balance to CFAF 10 billion or less at end-2009, and remain within that ceiling in 2010.	Not Met	Met
	6. Eliminate exemptions on imported rice.	Not Met	Met
	7. Issue the texts reducing the Single Export Duty (DUS) from CFAF 220 to CFAF 210 and the registration fee on cocoa and coffee from 10 percent to 5 percent.	Met	Met
Public expenditure management	**8.** Adoption by the government of the 2010 budget tracing all quasi-fiscal levies for investment in the coffee/cocoa sector.	Met	Met
	9. Publication within 45 days of quarterly budget execution statements, including pro-poor spending.	Met	Met
	10. Submission of draft budget execution law (Loi de réglements) for 2008 to the Audit Office (Chambre de Comptes) for certification and submission to the National Assembly.	Met	Met
	11. Formulation of medium-term expenditure frameworks (MTEF) for the education and health ministries.	Not Met	Not Met
	12. Production of a report including different scenarios for reducing subsidies to the electricity sector to CFAF 50 billion in 2010, including the projected reduction of the cost of gas and rate increase.	Not Met	Not Met
	13. Adoption of the CNPS Reform Plan and the decree establishing the Inter-ministerial Committee in charge of monitoring the reform of the CGRAE.	Not Met	Not Met
	14. No new injection of public funds in the two banks in difficulty.	Not Met	Not Met
	15. Eliminate arrears to multilateral institutions and remain up-to-date with debt servicing; produce a monthly cash-flow statement incorporating multilateral debt service payments.	Met	Met
	16. Inform all creditors, through a public announcement, of the strategy and status of negotiations on external debt restructuring.	Met	Met
	17. Provide IMF staff with copies of the provisional audit report on debt owed to PFO and of the contracts resulting from the modification of the five major public works agreements conforming to the Public Procurement Code.	Met	Met



Source: Monitoring of Fund Arrangements (MONA).

Côte d'Ivoire: Structural Reforms under the 2011–15 Program

Category	Description	Status of Conditionality							
		R1	R2	R3	R4	R5	R6	R7	R8
Tax policy / Tax administration	**1.** Improve customs operations by satisfying the prerequisites for building the platform of the automated risk [management] system.								
	2. Carry out the planned actions for the implementation of the automated procedure for in-bond transit on major roads.								
	3. Review the framework of tax exemptions in order to improve the management of eligible products and more effectively combat fraud, and ensure that the framework is consistent with the government's economic and tax policy. A list of these tax expenditures should be annexed to the 2012 budget law.								
	4. Review the taxes levied on petroleum products and prepare a strategy for a return to market pricing.								
	5. Based on the Procès Verbal Simplifié, register at least 30 percent of custom frauds in the IT system by end-June 2012, with the aim of reaching 90 percent by end-2012.								
	6. Review the taxes levied on petroleum products and prepare a gradual adjustment strategy with a pricesmoothing mechanism to transition to a system that will automatically set retail prices based on international price developments.								
	7. Implement the gradual adjustment strategy including a price-smoothing mechanism to transition to a system that will automatically set retail prices based on international price developments.								
	8. Prepare MTEFs for eight ministries (defense, security, agriculture; economic infrastructure; justice; mines, petroleum and energy; environment; and social affairs)								
	9. Submit the 2011 budget review law to the Audit Office.								
	10. Produce a quarterly report on the implementation of the Directorate General of Taxes action plan on VAT optimization no later than 45 days after the quarter ends.								
	11. Increase the prices of liquid petroleum products by a maximum of CFAF 15 per liter to contribute to financing the butane stabilizer.								
	12. Undertake a stocktaking of VAT exemptions, including identifying those inconsistent with the WAEMU VAT directive.								
	13. Present a VAT reform strategy attached to the 2014 draft budget law and include the first measures rationalizing VAT exemptions in its tax annexes. This reform strategy will include a stock-taking of VAT exemptions, including those inconsistent with the WAEMU VAT directive.								
	14. Strengthen the large taxpayer office by broadening its scope to cover the whole country and by focusing its activity on the largest corporations, and implement a medium-sized taxpayer office.								
	15. Adopt a decree pertaining to Customs' controls and audits methodology, to allow for post-clearance audits.								

Source: Monitoring of Fund Arrangements (MONA).

Côte d'Ivoire: Structural Reforms under the 2011–15 Program (continued)

		R1	R2	R3	R4	R5	R6	R7	R8
Public expenditure management	**16.** Adopt, in the Council of Ministers, a 2012 draft budget with a 2012–14 public investment program (PIP) consistent with program objectives.								
	17. Complete the census of government officials and employees (excluding defense and security forces).								
	18. Update and implement a medium-term strategy for controlling the wage bill.								
	19. Create a national public debt management committee and prepare an organization chart and procedures manual.								
	20. Adopt reform plans for the CNPS and the CGRAE in the Council of Ministers and submit to Parliament.								
	21. Validate the amount of unpaid social contributions owed to the CNPS and the CGRAE by the public enterprises and entities concerned and draw up a plan to settle the amounts owed.								
	22. No new injection of public funds in the five public banks in difficulty outside a restructuring plan discussed with the IMF and the World Bank (continuous SB)								
	23. Take steps to stabilize the financial position of the public banks.								
	24. Prepare a progress report on the measures taken to stabilize the financial position of the public banks.								
	25. Include an alert module in the debt management system to automatically generate reminders as regard the receipts of notices for debt repayments.								
	26. Put in place an integrated management system (single file, SIGFAE) for government officials and employees (excluding defense and security forces).								
	27. Adopt a strategy for restructuring public enterprises, including the public banks in the Council of Ministers.								
	28. Prepare the global MTEF for application to the 2014 budget								
	29. Finalize and adopt by the Council of Ministers draft texts transposing two WAEMU directives (finance laws and transparency code) on public finance.								
	30. Prepare and adopt by the Council of Ministers the medium-term debt management strategy.								
	31. Adopt by the Council of Ministers a PPP framework.								
	32. Adopt by the Council of Ministers a medium-term strategy for controlling the wage bill.								
	33. Reorganize the debt management framework, including a functional structure (front-, middle-, and back-office).								
	34. Adopt an instruction limiting the use of provisional payment orders. This instruction will *(i)* create a committee in charge of authorizing provisional payment orders, *(ii)* lay down the procedures for reducing the recourse to provisional payment orders by end-December 2013; and *(iii)* forbid provisional payment orders by end-December 2014.								
	35. Prepare consolidated commitment and procurement plans for 2014.								
	36. Finalize and adopt by the Council of Ministers of draft regulations transposing the remaining four WAEMU directives on public finance.								
	37. Identify the bank accounts of all public entities held in commercial banks and at the Central Bank, and determine their balances.								
	38. Adoption by the Minister of Finance of the strategy for putting in place a Treasury single account, choice of the implementation model and adoption of a time-bound action plan.								
	39. Review the expenditure chain and the end-of-year budgetary procedures, with IMF technical assistance.								
	40. Pay subsidies to support the electricity sector (HVO [Heavy Vacuum Oil]) in the amount of CFAF 40 billion.								
	41. Adopt a detailed timetable for closing public accounts at commercial banks.								
	42. Payment in cash of the securitized debt held by SIR and PETROCI.								
	43. Adopt a protocol clarifying the responsibilities of the respective parties, including the government, as regards the payment of HVO.								
	44. Issue a call for tender for the selection of an audit company that would complete a strategic audit aiming to restructure SIR.								

Source: Monitoring of Fund Arrangements (MONA).

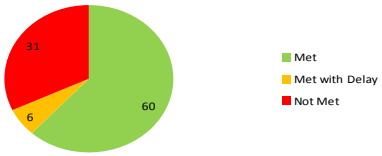
Côte d'Ivoire: Structural Reforms under the 2011–15 Program (continued)

		R1	R2	R3	R4	R5	R6	R7	R8
Energy sector reform	**45.** Adopt a comprehensive strategy to bring the electricity sector back to financial equilibrium over the next three years.								
	46. Implement the social tariffs rationalization program, including progress reports at end-September 2012 and end-January 2013, in line with the end-March 2012 letter of instruction (dated March 28, 2012) from the Minister of Mines, Petroleum, and Energy.								
	47. Adopt the electricity code in the Council of Ministers and submit it to Parliament.								
	48. Adopt the electricity code in the Council of Ministers.								
	49. Finalize arrears settlement plan vis-à-vis the SIR.								
	50. Gradually raise rates, beginning with a 5% average increase of the low voltage rate in july 2013, while protecting the low-income social categories.								
	51. Submit the electricity code to the National assembly.								
Financial sector reform	**52.** Prepare a financial sector reform and development strategy.								
	53. Adopt an action plan including a timeline for restructuring the public banks based on the recommendations of the audits.								
	54. Adopt in the Council of Ministers a time-bound action plan for restructuring the public banks based on the recommendations of the audits.								
	55. Restructure a state-owned bank.								
	56. Adopt a draft law aimed at developing leasing.								
	57. Restructure a public bank.								
Public sector reform	**58.** Complete the study on electricity rates and adopt a strategy to achieve financial equilibrium in the sector over the next three years.								
	59. Validate and implement a new electricity tariff structure based on the conclusions of the tariff structure study, taking into account the rationalization of modified rates								
	60. Increase industrial electricity rates by 10 percent.								
	61. Complete the study on the social impact of electricity rates and adopt a strategy to achieve financial equilibrium in the sector over the next three years.								
	62. Validate and implement a new electricity tariff structure based on the conclusions of the tariff structure study, taking into account the rationalization of modified rates.								
	63. Implement the social tariffs rationalization program, including progress reports at end-September 2012 and end-January 2013, in line with the end-March 2012 letter of instruction (dated March 28, 2012) from the Minister of Mines, Petroleum, and Energy.								
	64. Adopt the electricity code in the Council of Ministers.								

Source: Monitoring of Fund Arrangements (MONA).

Côte d'Ivoire: Structural Reforms under the 2011–15 Program (concluded)

		R1	R2	R3	R4	R5	R6	R7	R8
Improving the business environment	**65.** Prepare and adopt a plan for the settlement of VAT credits outstanding at end-2011.								
	66. Limit VAT credits pending refund to under CFAF 10 billion, starting in 2012 (continuous SB).								
	67. Prepare the legal framework of the Business Support Center (Centre de Facilités des Entreprises).								
	68. Adopt a new investment code in the Council of Ministers.								
	69. Adopt the law on competition in the Council of Ministers.								
	70. Adopt a plan to pay the arrears vis-à-vis banks, insurance companies and financial institutions, with priority given to market financial instruments.								
	71. Prepare a plan to pay arrears based on the results of the audits in progress.								
	72. Outline the main principles of arrears clearance strategy.								
	73. Adopt in the Council of Ministers a plan to pay arrears based on the results of the audits in progress.								
	74. Implement plan to settle the full range of domestic arrears on audited debt, securitized and agreed debt.								
	75. Clear the full range of domestic arrears on audited debt from 2010 and earlier years.								
	76. Regularize domestic arrears on securitized and contractual debt ("dette conventionnée").								
Cocoa sector reform	**77.** Reach an agreement as regard the price structure for the various stakeholders.								

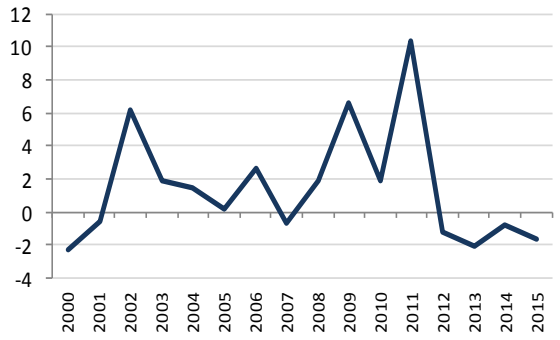


Source: Monitoring of Fund Arrangements (MONA).

Annex IV. External Stability Assessment

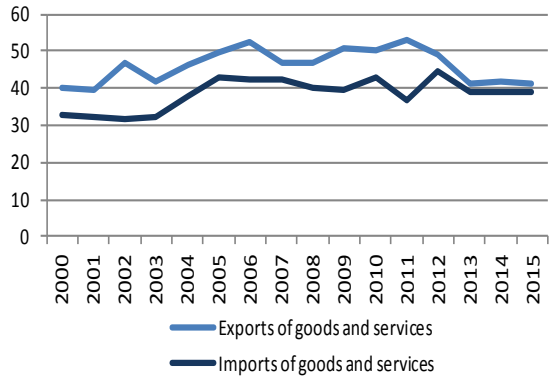
1. Côte d'Ivoire's external current account moved into deficit in 2012 for the first time in years, but since then the deficit has remained moderate. Since 2012, the external current account deficit has averaged 1.4 percent of GDP, with the impact of higher import volume due to a solid domestic demand growth being compensated by improvements in the terms of trade.

Figure 1. Current Account Balance, 2000–15
(Percent of GDP)



Sources: Ivoirien authorities; and IMF staff

Figure 2. Imports and Exports Developments, 2000–15
(Percent of GDP)

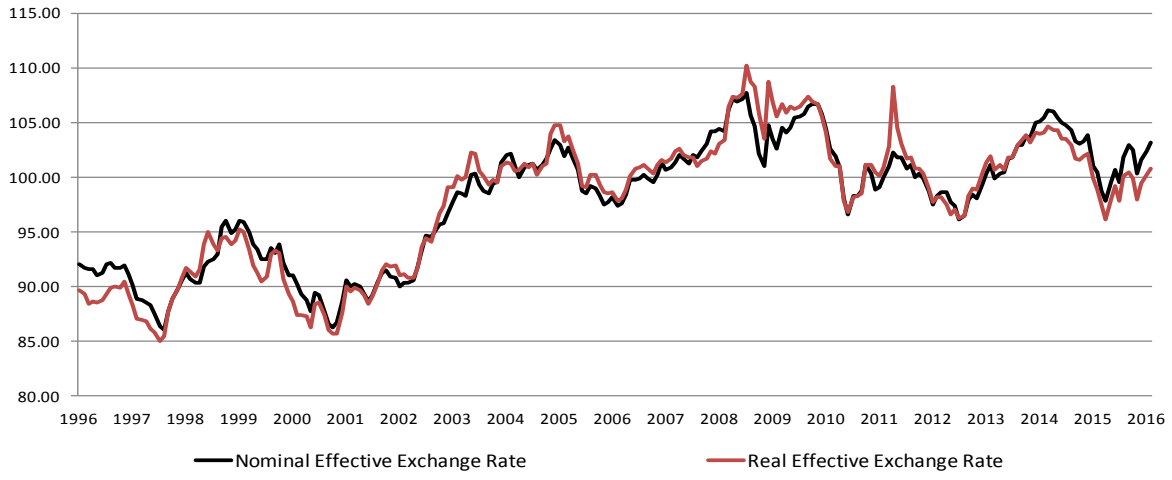


Sources: Ivoirien authorities; and IMF staff estimates.

2. Over the medium term, the external current account deficit is expected to widen driven by a continued strong domestic demand. Staff projects that the current account deficit would deteriorate gradually to 3.5 percent of GDP by 2020. Imports would increase by 12.9 percent over 2016–20, while exports growth would average 11.9 percent thanks to a rebound of crude oil production and policies to support sustained growth in cocoa and other export goods. External borrowing and FDI would finance the current account deficit.

3. Côte d'Ivoire's real effective exchange rate (REER) has depreciated by about 3 percent since 2013. The recent depreciation of the euro (to which the CFAF is pegged) against major currencies, has been the leading force behind this depreciation. However, this depreciation has not erased the cumulative REER appreciation, which peaked in 2009 during the global recession, since the CFAF devaluation in 1994.

Figure 3. Real and Nominal Effective Exchange Rates, 1996-2016
(Index: 2010=100)



Source: IMF staff estimates.

4. The real exchange rate is assessed based on the IMF's External Balance Assessment (EBA-lite) methodology, using the current account and the REER approaches.

- *The current account approach suggests that the real exchange rate is undervalued by 5.7 percent in 2015*. A model-based analysis indicates a norm of -5.1 percent for the cyclically-adjusted current account deficit.[1] Assuming an elasticity of the current account balance with respect to the real exchange rate of -0.60 (Tokarick, 2010), the exchange rate adjustment necessary to eliminate the gap between the norm and the actual current account is estimated at -5.7 percent (Figure 4 and Table 1).

[1] The current account norm is made of the "policy gap" (the gap between a country's actual policies and its optimal policies) and 'fitted current account' (a product of the level of economic fundamentals to the coefficients of a regression panel). The regression panel, estimated on a sample of 49 developed and emerging market economies over the period 1986–2010, includes a set of 'traditional fundamentals, 'financial factors', 'cyclical/temporary factors' and policy-related regressors, most of these variables being computed as a country's deviation from the 'world' counterpart (see IMF WP/13/272).

Figure 4: Actual, Fitted and Norm Current Account, 1995–2015

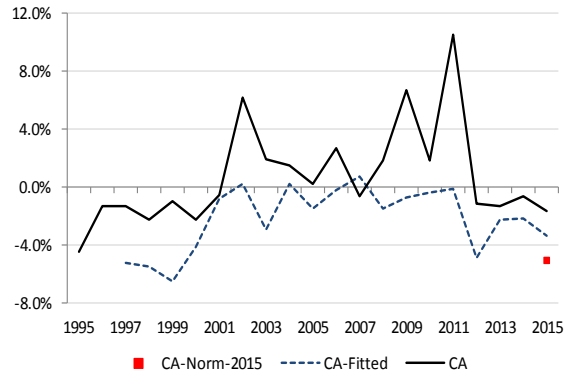


Table 1. Summary of EBA-Lite Findings

Summary of EBA-lite Findings (Percent of GDP, unless otherwise stated)		
(1)	Current account: Projected	-1.7
(2)	Current account: Fitted	-3.4
(3)	Policy Gap	1.7
(4)=(2)-(3)	Current account: Norm	-5.1
(5)=(1)-(4)	Current account: Gap	3.4
(6)	Elasticity of CA to REER (ratio)	-0.6
(7)= (5)/(6)	Real exchange rate gap (percent)	-5.7

Source: IMF staff estimates.

- *The REER approach indicates that the real exchange rate is undervalued by 6 percent in 2015.* Similar to the current approach, the REER model is based on a reduced form equation of the REER.[2] The 'fitted' real effective exchange rate is then computed as a product of the level of economic fundamentals and the coefficients of a panel regression.[3] There is an exchange rate misalignment if the real effective exchange rate level cannot be explained by the level of fundamentals using the coefficients of the regression detailed above.
- Overall, although the estimates show a slight undervaluation, staff is of the view that the real exchange rate is broadly in line with fundamentals given margins of error.[4]

5. Côte d'Ivoire has made progress on improving the business environment and governance over the past 4 years, though more work remains in order to convergence towards the best performers (see figures below):

- Côte d'Ivoire has continued to improve its rankings in the World Bank's survey-based "Doing Business Index" moving from the 177th position in the 2014 Report (covering 189 countries) to 142th position in the 2016 report. The 2014 and 2015 reports also ranked Côte d'Ivoire among the 10 best reformers. Notwithstanding the improvements in Côte d'Ivoire's ranking on the World Bank's Doing Business Index, it lags on indicators such as ease of paying taxes and obtaining credit.

[2] The explanatory variables of this model can be grouped into 'policy variables' and 'non-policy fundamentals'. The 'policy variables' are: FX intervention, interest rate, private credit, and capital controls. The 'non-policy fundamentals' are productivity, financial home bias, terms of trade, trade openness, NFA, output gap, aid and remittances.

[3] The equation is estimated on a sample of 141 economies (advanced, emerging markets and low-income countries) over the period 1995–2013.

[4] This assessment is in line with the WAEMU regional assessment.

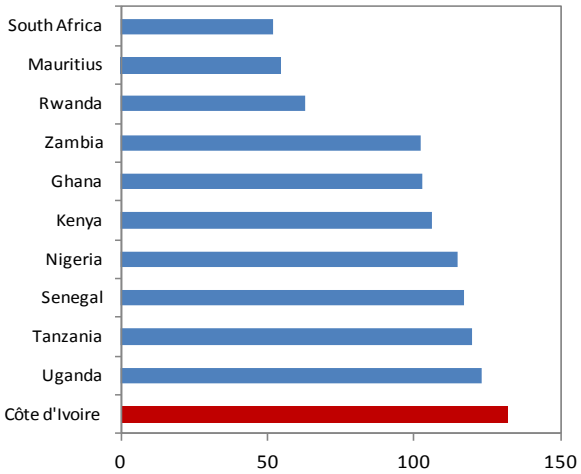
- Côte d'Ivoire has gained 40 positions in the Global Competitiveness Index (GCI) since the 2012–13 report. It has also advanced nine positions between 2013 and 2014 in the World Economic Forum's Enabling Trade index. Nonetheless, International trade is hampered by the high cost or delays caused by international transportation and burdensome import procedures.

- Côte d'Ivoire scores 48.3 (out of 100) in overall governance according to the Mo Ibrahim Index of African Governance (IIAG), below the African average (50.1) and the regional average for West Africa (52.4).[5] Although Côte d'Ivoire is within the lower half of the IIAG rankings, it has exhibited the continent's largest overall governance improvement over the past four years. Côte d'Ivoire is one of the ten biggest improvers in every category.

[5] Higher scores are interpreted as a sign of better governance.

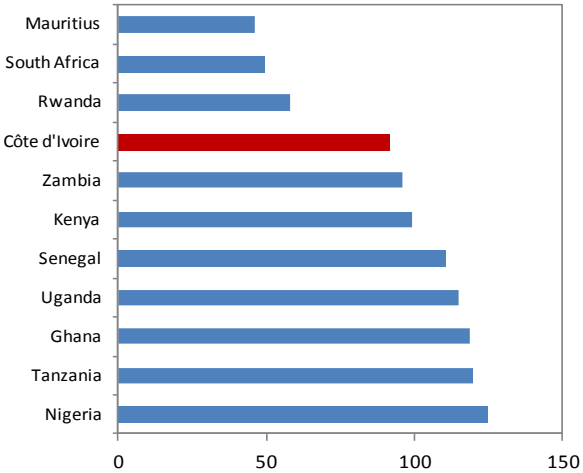
Figure 5. Côte d'Ivoire and Comparators: Structural Competitiveness Indicators

2012-2013 Global Competitiveness Ranking 1/



Source: 2013 World Economic Forum, www.weforum.org/gcr.
1/ Rank out of 143 countries.

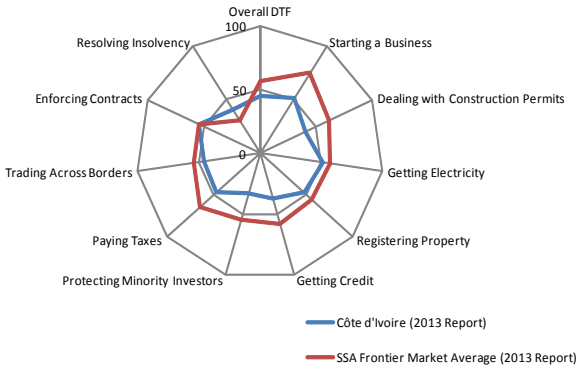
2015-2016 Global Competitiveness Ranking 2/



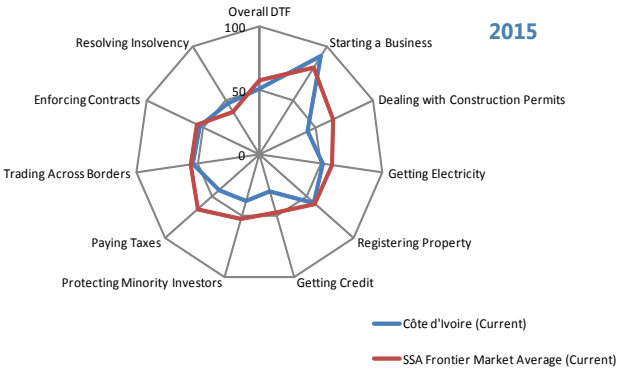
Source: 2016 World Economic Forum, www.weforum.org/gcr.
2/ Rank out of 140 countries.

Doing Business Indicators

2012



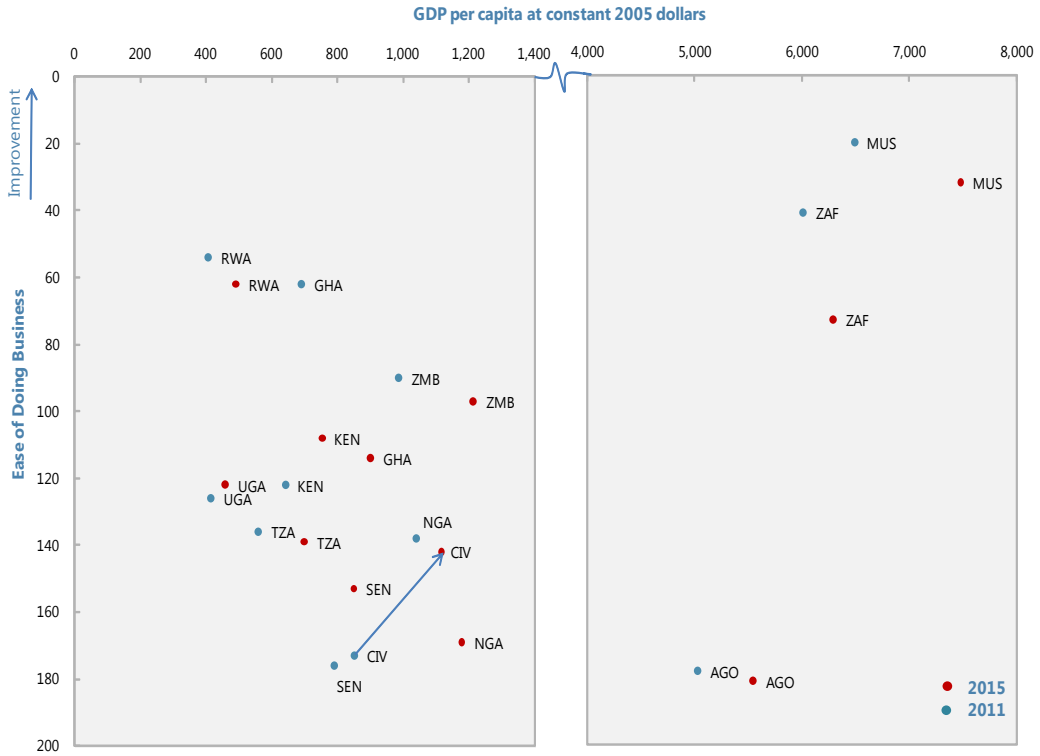
2015



Sources: World Bank Doing Business Indicators (2013 and 2016 Reports), Country Authorities, IMF staff calculations.
Note: Higher "Distance to Frontier" values correspond to higher rankings.

Figure 5. Côte d'Ivoire and Comparators: Structural Competitiveness Indicators (continued)

Ease of Doing Business and GDP Per Capita



Enabling Trade Index Ranking, 2014 [1/]

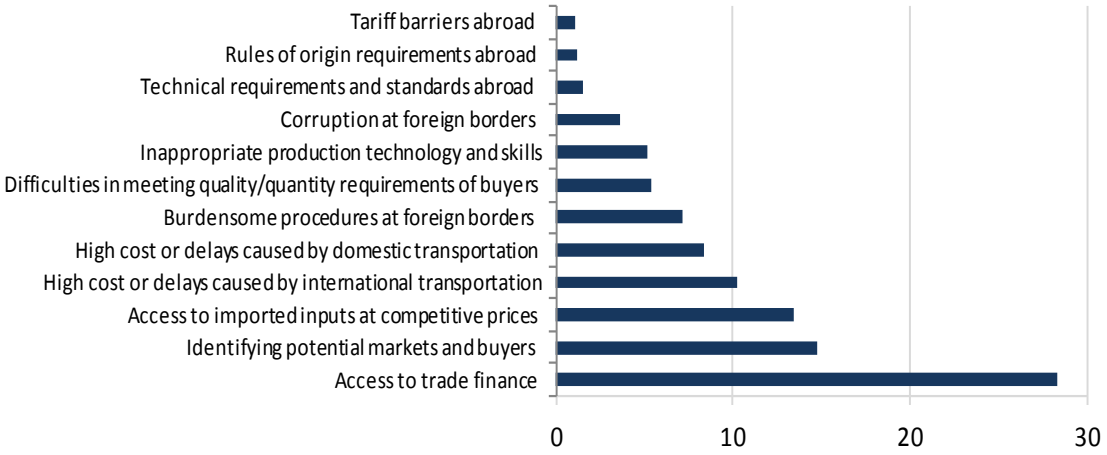
	Côte d'Ivoire	SSA	SSA Frontier Markets
Overall Enabling Trade Index Ranking (out of 138)	**117**	**108**	**94**
Market Access	**125**	**79**	**67**
Domestic market access	115	89	79
Foreign market access	83	60	53
Border Administration	**106**	**106**	**95**
Efficiency and Transparency of border administration	106	106	95
Infrastructure	**108**	**111**	**101**
Availability and quality of transport infrastructure	106	103	94
Availability and quality of transport services	98	107	93
Availability and use of ICTs	110	113	105
Operating Environment	**111**	**97**	**81**

Source: World Economic Forum: The Global Enabling Trade Report 2014.

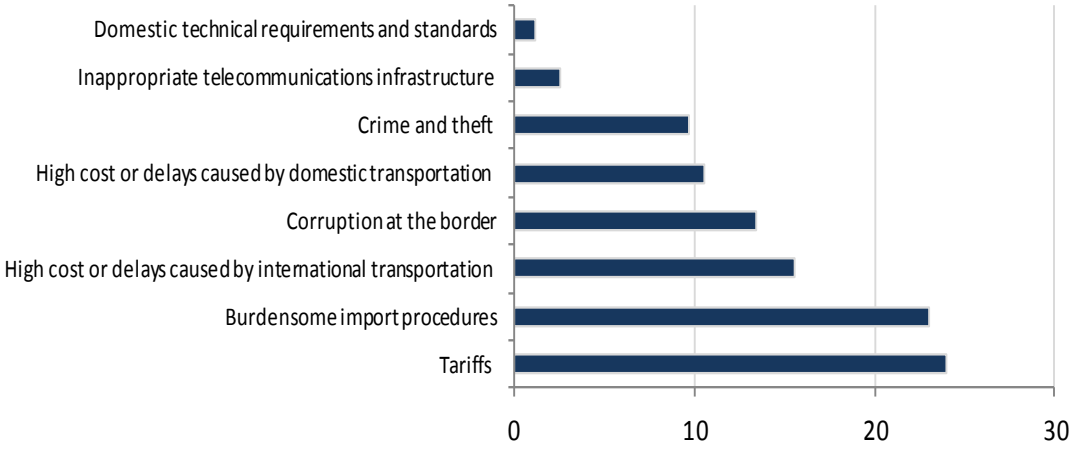
[1/] Lower number indicates better ranking.

Figure 5. Côte d'Ivoire: Structural Competitiveness Indicators (concluded)

Côte d'Ivoire: Most Problematic Factors for Exporting (Percent of responses)



Côte d'Ivoire: Most Problematic Factors for Importing (Percent of responses)



Source: World Economic Forum, the Global Enabling Trade Report, 2014.

Annex V. Risk Assessment Matrix (RAM)[1]

Sources of Risks	Relative Likelihood	Impact if Realized	Recommended Policy Response
Tighter or more volatile global financial conditions:			
• Sharp asset price decline and decompression of credit spreads	**Medium**	**Medium/High**. Tighter or more volatile global financial conditions could hinder availability of financing for the 2016–20 NDP on international markets and increase funding costs.	Strengthen regional bond markets, and build fiscal buffers through greater revenue mobilization and more cautious public investment plan.
• Surge in the US dollar	**High**	**Low**. A surge in US dollar would increase debt service on outstanding external loans and raise rollover risks.	
Sharper-than-expected global growth slowdown:			
• Significant China slowdown	**Low/Medium**	**High**. This could reduce investment projects financed by China.	Strengthen the business climate to diversify investor base and exports markets. Preserve fiscal space for countercyclical policy. Strengthen the resilience of the banking sector by building up countercyclical capital buffers.
• Significant slowdown in other large EMs/frontier economies	**Medium**	**Medium/High**. This would have an adverse impact on growth through exports.	
• Structurally weak growth in key advanced and emerging economies	**High/Medium**	**Medium/High**. This would have an adverse impact on growth through less FDI inflows. **Medium/High**. This would adversely impact exports, the banking system and domestic demand.	

Annex V. Risk Assessment Matrix (RAM)[1] (continued)			
Sources of Risks	**Relative Likelihood**	**Impact if Realized**	**Recommended Policy Response**
Persistently lower energy prices	**High**	**Low**. Low impact on the BOP as Côte d'Ivoire's oil trade account is very limited.	Continue to implement the automatic fuel pricing formula designed to transmit international oil prices fluctuations while ensuring a minimum level of fuel tax revenues.
Adverse weather conditions	**High/Medium**	**High**. This would adversely affect growth (less agricultural output), the BOP (less exports), the fiscal position (less cocoa taxes and increased subsidy to the electricity sector), and the population's living standards.	Relax moderately the fiscal position to mitigate the impact on poor (well targeted spending). Pay close attention to the second-round effects on inflation.
Protracted financial difficulties of the national energy companies and the public banks	**High**	**Low/Medium**. This would have an adverse effect on the budget, energy supply and the banking sector.	Restructure these public companies to put them on solid financial and technical footing; identify alternative suppliers to ensure energy security; and strengthen the resilience of the banking sector.

[1/] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood of risks listed is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Annex VI. Technical Assistance Priorities

The areas of technical assistance (TA) below broadly reflect the Ivoirien authorities' views on capacity development needs.

1. **On *fiscal issues***, the goal is to further strengthen tax and customs administration particularly on reducing the information sector, further reorganize control and audit department and strengthen IT system. On tax policies, authorities request focuses on diagnosis such as identifying tax loopholes and tax expenditures. In the PFM area, TA would target the following key areas: (i) completing the integration between budget and treasury operations with a view to enhancing transparency and timeliness of fiscal reporting; (ii) strengthening the quality and efficiency of public investment institutions; (iii) strengthening fiscal risk management, particularly those stemming from PPPs; and (iv) preparing a transition to program budgeting.

2. **On *bank restructuring***, TA would assist the authorities with public banks' restructuring strategies, following up with the TA previously delivered.

3. **On *debt management***, the main goals are to complete and make effective the reorganization of the debt department into a back-middle-front office structure; strengthen the formulation, implementation, and governance of the government's policy on external debt through the CNDP (National Committee on Public Debt); strengthen treasury cash flow management through improved forecasting and the introduction of the short-term treasury bonds. Priorities for the year ahead under these three relate to (1) training of staff in their responsibilities under the reorganization as well as in debt analysis and policy (DSAs and MTDSs); (2) preparing a manual of procedures ("*manuel des procedures*") for the CNDP and its supporting structures (technical committee and secretariat); and (3) improving treasury cash flow management, which includes finalizing the single Treasury account, preparing provisional cash flow on a rolling 3-month basis, and introducing short-term (less than one year) treasury bonds to stabilize the Treasury balance with the BCEAO.

4. **On *statistics***, the overall objective is to continue strengthening the national accounts preparation following the July 2015 mission that identified the main weaknesses. TA priorities include:

- Strengthening the compilation and dissemination of annual national accounts statistics through the finalization of the 2014 national accounts and rebasing of the annual national accounts (implementing the 2008 SNA).
- Preparation of quarterly national accounts, with support from AFRITAC West.
- Supporting adoption of the e-GDDS (which will make Côte d'Ivoire one of the ten countries in sub-Saharan Africa to implement this Fund initiative).
- Compiling and disseminating government finance statistics in line with WAEMU requirements (based on the 2001 GFSM Manual).

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

May 10, 2016

STAFF REPORT FOR THE 2016 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

Prepared By

African Department
"In Consultation with other Departments"

CONTENTS

RELATIONS WITH THE FUND

(As of March 31, 2016)

Membership Status: Joined March 11, 1963 Article VIII

General Resources Account:	SDR Million	%Quota
Quota	650.40	100.00
Fund holdings of currency (Exchange Rate)	568.02	87.33
Reserve tranche position	82.40	12.67

SDR Department:	SDR Million	% Allocation
Net cumulative allocation	310.90	100.00
Holdings	148.81	47.87

Outstanding Purchases and Loans	SDR Million	% Quota
RCF loans	81.30	12.50
ECF Arrangements	692.68	106.50

Latest Financement Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Nov 04, 2011	Dec. 31, 2015	520.32	520.32
ECF[1]	Mar 27, 2009	June 23, 2011	373.98	230.89
ECF[1]	Mar 29, 2002	Mar 28, 2005	292.68	58.54

[1] Formerly PRGF.

Overdue Obligations and Projected Payments to Fund[2]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	2016	2017	2018	2019	2020
Principal	42.60	85.20	109.59	113.17	112.84
Charges/Interest	0.06	0.09	0.09	1.21	0.98
Total	42.67	85.29	109.68	114.38	113.83

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

Implementation of HIPC Initiative:

I. Commitment of HIPC assistance	Original Framework	Enhanced Framework	Total
Decision point date	Mar 1998	April 2009	
Assistance committed			
by all creditors (US$ Million)[3]	345.00	3,109.58	
of which: IMF assistance (US$ Million)	22.50	38.66	
(SDR equivalent in millions)	16.70	25.85	
Completion point date:	--	June 2012	
II. Disbursement of IMF assistance (SDR Million)			
Assistance disbursed to the member	--	25.85	25.85
Interim assistance	--	15.13	15.13
Completion point balance	--	10.72	10.72
Additional disbursement of interest income[4]	--	0.57	0.57
Total disbursements	--	26.42	26.42

[3]Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts can not be added.

[4] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

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

Implementation of Post-Catastrophe Debt Relief (PCDR): Not Applicable

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed to the Catastrophe Containment and Relief (CCR) Trust.

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

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

Completion Point—point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 4 above. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

Safeguards Assessments—the Central Bank of West African States (BCEAO) is a common central bank of the countries of the West African Economic and Monetary Union (WAMU). The latest

assessment of the BCEAO was completed on December 13, 2013. The assessment found that the bank continued to have a strong control environment and has, with the implementation of the 2010 Institutional Reform of the WAMU, enhanced its governance framework. Specifically, an audit committee was established to oversee the audit and financial reporting processes, transparency has increased with more timely publication of the audited financial statements, and the BCEAO is committed to IFRS implementation by end-2014. The assessment also identified some limitations in the external audit process and recommended that steps be taken to ensure the adequacy of the mechanism through selection of a second experienced audit firm to conduct joint audits. All recommendations from the assessment have been implemented.

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Exchange Arrangements:

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

Article IV Consultation:

Côte d'Ivoire is on the 12-month Article IV consultation cycle. The Executive Board concluded the last Article IV consultation with Côte d'Ivoire in December 2013.

Technical Assistance:

	Area	Focus
2012	Government financial statistics (January/February, November/December)	TOFE follow-up
	Tax administration (January; September)	Workshop
	Customs (February)	Workshop
	Tax administration (February; December)	Modernization of fiscal administration in Côte d'Ivoire
	Public wage bill management (December)	
	Customs (March/April)	Follow-up
	Multi-topic (April)	AFRITAC Steering Committee
	Fuel pricing (June)	Workshop
	National accounts (July, Oct/Nov)	Set up quarterly national accounts
	Debt Management (May, September)	Medium Term Debt Strategy (MTDS)
	Tax policy (July/August)	Review and diagnosis
2013	Public expenditure management	Budgeting strategy
	Public Debt Management (January/October)	Workshop on Debt sustainability analysis
	Customs/tax administration (January)	Workshop
	Statistic real sector (January/March/November)	Quarterly national accounts
	Strategy and Roadmap to Program Budgeting (January)	Workshop
	Cash management (February)	Treasury Single Account
	Debt management (February)	Reorganization of the Debt directorate
	Government Finance Statistics (March)	Migration to GFSM 2001

	Area	Focus
	Customs administration (March/September/December)	Modernization of customs administration
	Public wage bill management (April)	Regional workshop (AFRITAC)
	Multi-topic (April)	AFRITAC Steering Committee
	Wage bill management strategy (May)	Budgeting strategy
	Medium-term expenditure framework (June)	Budgeting strategy
	Accounting (July)	Accrual accounting
	Tax policy (August)	VAT reform
	Banking sector (August)	Public bank restructuring
	Tax administration (September)	Modernization of tax administration
	Tax Policy	Follow-up on tax policy reform
	Debt management (September)	Update the DSA
	Public financial management (September)	Medium-term expenditure framework
	National Accounts-AFRITAC (November)	Quarterly GDP
	Customs Administration-AFRITAC (May/November)	Risk-based analysis in Customs
	Revenue administration (November)	Strengthen tax administration
	Public financial management-AFRITAC (November)	Financial information system reform
	Government Finance Statistics -AFRITAC (November)	Producing the TOFE based on the trial balance and implementing WAEMU directives
	Public financial management-AFRITAC (December)	Support the formulation of a strategy to improve accounting procedures, consistent with WAEMU directives
2014	Public Financial Management (January)	Budget execution and spending procedures
	Government Finance Statistics -AFRITAC (January)	Producing the TOFE based on the Treasury Accounts and implementing WAEMU directives
	Customs administration – AFRITAC (February)	Human resources management
	Debt management-AFRITAC (February)	Debt sustainability analysis
	Customs Administration -AFRITAC (March)	Modernize customs
	Cash management (April)	Treasury Single Account
	Multi-topic (April)	AFRITAC Steering Committee
	National Accounts-AFRITAC (May)	Quarterly GDP
	Tax administration– AFRITAC (May)	VAT management
	Customs – AFRITAC (June)	Risk management for control purpose
	Banking sector– AFRITAC (June)	Implementation of the Treasury Single Account
	Budget management– AFRITAC (June)	Budget classification
	Budget management – AFRITAC (July)	Budget Management Information System modernization
	Accounting and financial reporting – AFRITAC (July)	Trial balance improvement – AFRITAC (July)

	Customs administration – AFRITAC (July/September)	Risk-based management and intelligence
	Accounting - AFRITAC (October)	Revenue administration and accounting
	National accounts- AFRITAC (October)	Strengthening economic statistics
	Public Financial Management	Medium term expenditure framework
	Tax Policy	VAT and income tax system
	Public Financial Management	Finalization of medium term expenditure framework
	Revenue Administration	Tax administration capacity
	Public Financial Management	Expenditure chain
	Revenue Administration (September)	Setting up a large taxpayers office
	Revenue Administration	IT systems for VAT administration
2015	Revenue Administration	Diagnostic of customs administration
	Debt management- AFRITAC (January)	Workshop on Rate of return of government securities
	Debt management – AFRITAC (October)	Debt management framework
	Customs administration – AFRITAC (January/April)	Risk-based management
	Customs administration – AFRITAC (March)	Customs informations
	Customs administration – AFRITAC (June)	Exceptional customs procedures
	Revenue Administration-AFRITAC (April)	Medium taxpayers directorate
	National Accounts-AFRITAC (April/September)	Quarterly GDP
	Government Finance Statistics -AFRITAC (April/August)	Producing the TOFE based on the Treasury's accounts and implementing WAEMU directives
	Macroeconomics (May)	Technical assistance needs identification
	Macroeconomics Analysis and Forecasting (June)	Regional workshop (AFRITAC)
	Macroeconomics (December)	Tax revenue forecasting
	Accounting and financial reporting – AFRITAC (May/June)	Improvement of Treasury's Accounts
	Customs administration – AFRITAC (June)	Exemption regimes at Customs
	Revenue Administration	IT systems for VAT administration
	Revenue Administration	Follow-up in tax administration
	Public Financial Management	Budget preparation and credibility
	Public Financial Management	Revenue forecasting
	Public Financial Management	Public accounting
	Revenue administration	Tax administration
	Tax Policy-AFRITAC (June)	Auditing of large taxpayers
	Revenue administration – AFRITAC (December)	Custom administration
	Public Financial Management – AFRITAC (May/July)	Budget information system
	Public Financial Management – AFRITAC (May/June)	Public accounting
	National accounts statistics (July)	GDP

2016 (up to end of April)	Revenue administration – AFRITAC (January)	Custom administration
	Revenue Administration (January)	Tax administration organization
	Revenue Administration (February)	Follow-up in tax administration
	Revenue Administration (March)	Tax administration IT system and tax procedures
	Public Finance Management (April)	Improve budget management
	Customs administration – AFRITAC	Risk-based management system assessment
	Government Finance Statistics –AFRITAC (April)	Producing a GFSM 2001 based TOFE and expanding its institutional scope

Resident Representative—A Fund resident representative was first posted in Abidjan in 1984. There were interruptions for security reasons in 2005–06 and 2010–11, but a resident representative has been continuously assigned since May 2011.

JOINT BANK-FUND WORK PROGRAM, 2015–16

(As of April 29, 2016)

Title	Products	Provisional Timing of Missions	Expected Delivery Date
A. Mutual Information on Relevant Work Programs			
World Bank work program in the next 2 months	**Strategy and Operations**:		
	Active Projects		**Closing dates**
	CI-Emergency Post-Conflict Assistance Project		December 31, 2016
	CI-Governance and Institutional Dev.		November 30, 2016
	CI: Agriculture Sector Support Project	April-May 2016	October 30, 2017
	CI - Emerg. Youth Empl & Skills Dev. Pro		June 30, 2019
	CI Emergency Infrastructure Renewal		December 31, 2016
	CI-Productive Social Safety Net		October 30, 2020
	Health Systems Strengthening and Ebola Preparedness Project		January 31, 2020
	CI-Emergency Post-Conflict Assistance Project		June 30, 2016
	CI - Emerg. Basic Edu Supp Proj (EFA-FTI)		September 30, 2016
	Cote d'Ivoire - POPs Pesticides Mgt Proj		October 30, 2020
	CI-Parliament Capacity Building		July 9, 2016
	Social Inclusion & Improvement of Livelihood		October 17, 2017
	REDD+ Readiness Preparation in RCI		September 30, 2017
	Africa Higher Education Centers of Excellence Project		December 31, 2019
	Lending		**Expected Delivery Date**
	Technical assistance project for transport sector reform	January 2016	May 19, 2016
	Cote d'Ivoire Local Governance and Local Development		July 15, 2016

	Lending		Expected Delivery Date
P151324	CI-Infrastructure for Urban Development and Competitiveness of second		6-Mar-17
P151507	Governance and Financial Sector Development		15-Dec-16
P156253	Infrastructure Renewal and Urban Management project		28-Jul-16
P156739	Urban Water Project		30-Mar-17
P156900	Transport Sector Modernization and Trade Facilitation Project		28-Jun-16
P157055	CI - Electricity Transmission and Access Project		28-Jul-16
P157206	Cote d'Ivoire Land Policy Improvement and Implementation Project		28-Apr-17
P158810	Cocoa and Cashew Competitiveness Project		22-Jun-17
	Higher Education project		
	Development Policy Operation 1		Nov-16
	Development Policy Operation 2		Nov - 17
	Technical Assistance/Economic Sector Work/Other Analytical		
P157601	Higher Education Governance & Financing		10-Jun-16
P158676	Cote d'Ivoire - MTDS		20-Jun-16
P158488	Cote d'Ivoire PDNA		24-Jun-16
P129530	CI- Assessing the impact of crises on human capital and lay		5-Sep-16
P153062	Governance and Anti-Corruption Study		4-Nov-16
P158214	Review of the Cocoa and Cashew Value Chains in Cote d'Ivoire		30-Nov-16
P155065	CI Electricity Access Scale Up Program		19-Dec-16
P151613	Cote d'Ivoire Jobs Agenda		31-Dec-16
IMF work program in the next 12 months	**Program**		
	8th ECF review (September 2015)		
	Article IV Consultation (January 2016)		
B. Requests for Work Program Inputs			
Fund requests to Bank	Periodic updates on budget implications of reforms in the civil service, coffee/cocoa sector, electricity sector, financial sector, as well as an infrastructure master plan.		Ongoing
Bank requests to Fund	Regular updates on macro-economic and fiscal projections		Ongoing

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

Bank Group Portfolio:

Since it started operations in Côte d'Ivoire in 1971, the AfDB has so far approved 73 operations for the country, of which 41 have been fully completed, 14 cancelled, 9 ongoing (3 newly approved). All approved operations amount to a net commitment of UA 1,478 million (CFA F 1,215 billion). AfDB Group-financed operations have been mainly loan-based and channeled, by order of importance, to the multi-sector (24%), the social sector (20,68%), the rural development and agriculture sector (20,40%), transport (17,32%), energy and telecommunications (13,67%), water/sanitation (3,8%) and finance (0,2%). The operations were financed mainly with resources from the ADB window (more than 70%). The bulk of these funds (92, 36%) were directed towards the public sector. It should be noted that funding for the private sector concerns electricity, telecommunications, transport and industry.

In the wake of the April 2011 post-electoral crisis, the Bank prepared a 2011–12 Country Brief defining a strategy for rapid re-engagement under African Development Fund (ADF-12) aimed to: (i) strengthen and rehabilitate infrastructure, and restore basic social services; and (ii) improve governance and build capacity. Two months after the end of the post-electoral crisis, the Bank adopted the Emergency Programme to Restore Basic Social and Administrative Services (PURSSAB), which usefully complemented the existing operations, especially the Post-Crisis Multi-Sector Institutional Support Project (PAIMSC). These two projects were implemented in close coordination with the United Nations System and helped to cover the country's urgent needs, particularly the rehabilitation of health and educational establishments, rural development administrative structures and child protection centres. These projects also contributed to the training and/or retraining of employees of the different services of the rehabilitated and equipped structures.

Furthermore, the Bank's operations have greatly contributed to social cohesion and reconciliation in the former CNW zones through the financing of income-generating activities for community agricultural groups using an information and communication technology-based marketing system. The operations have also given an important role to women, including those who were victims of violence during the periods of crisis. The Bank has also financed several major projects in the transport and energy sectors through the private sector window. Specifically, these concern the construction of the third bridge (the Henri Konan Bédié Bridge), the extension of the Azito Power Plant and CIPREL.

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

Status of Bank Active Portfolio as of March 2015—in UA Million (1 UA=1SDR)		
Operations	**Amount (in UA million)**	**Purpose/Remarks**
On-going projects (public window):		
Gourou Basin Integrated Management Project (Sanitation of Indenié junction and the Lagoon)	23	The ADF Board of Directors on November 24, 2010 approved a grant of UA 23 million to finance this project. This grant was put in place in June 2011.
Agricultural infrastructure support project in Indéné-Djuablin Region (PAIA-ID)	21.6	The project will contribute to improving food security and reducing poverty in rural areas. Specifically, it aims to increase, on a sustainable basis, the production and productivity of major crops, as well as improve marketing conditions.
Youth Employability and Insertion Support Programme,	18,8	The project aims to support the most promising employment and vocational training with a view to creating direct jobs for women and youths. The objective is to assist for changing the profile of future labour through reforms (gradual shift to steer the educational system to respond to economic demand and act on rapidly growing labour flows)
The Social Inclusion and Cohesion Enhancement Support Programme (budget support)	30	The project, approved in June 2014, mainly seeks to support Côte d'Ivoire in its efforts to restore social cohesion, improve social inclusion so as to address the social and psychological damage caused by the past conflict, as well as nip conflicts in the bud to guarantee greater political stability and more equitable economic growth. The main expected outputs are: (i) the socio-economic reintegration of ex-combatants; and (ii) support for the resolution of inter-community conflicts and care of victims.
Strengthening systems to protect economies against health shocks (regional operation, approved in October 2014)	6	The programme constitutes a response to both the emergency created by the Ebola epidemic, and the need to address the longer term requisites for the economic resilience of the concerned countries and the prevention of similar public health shocks in the future.
Côte d'Ivoire, Liberia, Sierra Leone and Guinea (CLSG) Interconnection Project –Multinational	33,00	The project support the energy sector in the context of a regional operation aimed at interconnecting the power grids of Côte d'Ivoire with other Mano River Union member countries (Liberia, Sierra Leone and Guinea).

Status of Bank Active Portfolio as of March 2015—in UA Million (1 UA=1SDR) (continued)		
Operations	**Amount (in UA million)**	**Purpose/Remarks**
Road Development and transport Facilitation Programme within the Mano River Union (MRU) countries (Côte d'Ivoire, Guinea and Liberia), December 2014.	97	The overall objective of the Programme is to boost the post-conflict economic recovery of the MRU area by improving road infrastructure and promoting intra-community trade. Specifically, the programme seeks to improve transport conditions on the roads concerned in order to reduce transport costs, facilitate the free movement of persons and goods between the three countries and improve the living conditions of programme area communities.
Fight back Programme against EBOLA	10	The programme aims to bring the Ebola epidemic to an end and strengthen the critical foundations for effective control of unusual public health events, especially those of the current regional scale. The longer term horizon of the programme is to pave the way for sustainable improvement of systems and capacities for post crisis resilience.
The Support to Industrial Competitiveness Enhancement Project (PARCSI).	10	Two specific objectives are to support the restructuring and modernization of businesses by conducting a strategic assessment to identify needs and provide technical assistance to 50 firms that have signed up for the programme (out of a total of 270 businesses approached and support the industrial development of the fruit and vegetables sector, with a view to promoting investment in the sector in order to increase the industrial processing rate (which stood at 2% in 2014).
Regional African Trade Insurance Agency (ATI) Country Membership Programme (RACMP)	10	The main objective of the programe is to strengthen the capacity of Cote d'Ivoire with the necessary financial resources for membership subscription in to the ATI to allow greater underwritten insurance cover for private sector and socio economic development. The expected outcomes are i) Increased participation of the private sector in large scale projects through ATI facilitation; (ii) increased trade flows in Africa; and (iii) ATI attracts additional members
Private sector		
Project construction of bridge toll Henri Konan BEDIE	50	Henri Konan Bédié Bridge is a public private partnership (PPP) based on a Build Operate Transfer (BOT) concession of 30 years. It involves the building of a toll bridge over the Ebrié Lagoon linking the South and North shores of Abidjan.
Azito power expansion project	26	Expansion of the Azito power plant in Côte d'Ivoire, by converting the existing simple-cycle power plant of 2 x 144 MW gas-fired turbines to a combined-cycle power plant, thereby increasing the capacity of the facility to approximately 430 MW

Status of Bank Active Portfolio as of March 2015—in UA Million (1 UA=1SDR) (concluded)		
Operations	**Amount (in UA million)**	**Purpose/Remarks**
Ciprel power expansion project	44	Expansion of the Ciprel power plant to a combined cycle turbine facility in Côte d'Ivoire to be built in two phases: phase A, construction of a gas turbine (111MW of power), phase B deployment of a combined cycle turbine for additional 111MW of generation. The project will increase the capacity of the plant by 222MW.
Microcredit Côte d'Ivoire (equity participation and technical assistance)	1.5	It is a microfinance project which comprises two parts. The equity participation part was signed on June 2013; the technical assistance part will be signed on November 2013.
Sucres & Denrées (SUCDEN) soft commodity programm	EUR 100 million	Provision of two successive Soft Commodity Facilities, the second effective only after full repayment of the first for a maximum exposure of EUR 100 million within a tenor not exceeding 2 years. A Soft Commodity Program (SCP) to support SUCDEN's participation in cocoa value chain financing in Côte d'Ivoire. SUCDEN will use the funds to provide pre-export financing to local suppliers.

Strategy for Re-engagement by AfDB in Côte d'Ivoire

To assist Côte d'Ivoire in addressing its immense needs, the Bank is committed to a rapid operational re-engagement. Consistent with the AfDB's Fragile States Facility, a Country Brief defines the framework for the Bank's rapid re-engagement in Côte d'Ivoire over the period 2011–12. A full Country Strategy Paper (CSP) has been approved by AFDB Board at the beginning of December 2013. The strategy focused on the following two pillars: (i) Strengthening Governance and Accountability; and (ii) Infrastructure Development in support of Economic Recovery. Pillar 1 aims to create an environment that will foster socio-economic inclusion and address the demands for improved governance and basic service delivery to the population. Pillar 2 aims to promote the optimal use of natural resources through the development of high quality infrastructure in the agriculture, transport and energy sectors, in order to bolster economic recovery.

Indicative Work Program for 2015 and 2016		
Description	**Amount (in UA million)**	**Year**
Côte d'Ivoire-Mali regional road Project (under preparation)	73	2015
Agro-industrial Infrastructure Support Project in the Centre Region	30	2016
Abidjan Urban roadway development Project	140	2016
Road project Odiénné -Mali Border	80	2016
Road projet Tieningboue-Mankono	45	2016
San Pedro Regional Port Extension Project (private sector)	50	2016

STATISTICAL ISSUES

(As of May 2016)

I. Assessment of Data Adequacy for Surveillance
General: Data provision is broadly adequate for surveillance, even though there are some shortcomings. There are weaknesses in the areas of national accounts and balance of payments and public finance statistics, as well as in the reconciliation of fiscal and monetary data. Generally, the authorities provide the required statistical indicators to the Fund on a timely basis. In February 2013, Côte d'Ivoire ratified the African Statistics Chart, adopted by the African Union in February 2009 in Addis Ababa to have reliable data for its internal governance, and also for positioning the country in the regional and international trade. The new law organizing national statistics was approved in July 2013.
National Accounts: Comprehensive national accounts data for 1996 onwards was compiled in line with the 1993 System of National Accounts methodologies, using 1996 as the base year. STA conducted a diagnostic mission on in July 2015 to identify strengths and weaknesses in the area of NA statistics and made a series of recommendations which the authorities have started implementing, especially with regard to the human and financial resources of the National Institute of Statistics (NIS). The NIS has put in place a strategy for implementing the 2008 SNA that will integrate the change to a new base year, address current weaknesses in the national accounts and implement other recommendations of July 2015 mission. Final annual accounts for 2013 and provisional accounts for 2014 are available. Quarterly national accounts are being compiled with the Fund support through AFRITAC WEST, and will be disseminated shortly.
Price Statistics: A harmonized consumer price index (CPI) has been adopted by all WAEMU members. The current base year (2008) was adopted in 2010. A new CPI (base 2014) covering the whole country will soon be available.
Labor market statistics: No such statistics are published regularly.
Government Finance Statistics: The authorities provide annual data on the budgetary central government for publication in the *Government Finance Statistics Yearbook*. While no monthly or quarterly fiscal data are provided for publication, they are made available to the IMF African Department, although metadata is lacking. The authorities have committed to addressing weaknesses in coverage of general government units and public enterprises and are making efforts to improve the reconciliation of fiscal and monetary data. In addition, the authorities are seeking the assistance of AFRITAC WEST to improve the compilation of government finance statistics and to implement the 2009 WAEMU TOFE directive based on GFSM 2001. The report on financial operations executed by the government over the crisis period (January–April 2011) is still not available.
Monetary and Financial Statistics: Côte d'Ivoire does not report monetary data using Standardized Report Forms (SRFs), but rather according to the old methodology. Monetary data for Côte d'Ivoire are prepared by the national agency of the BCEAO, which reports them to STA on a monthly basis with a timeliness of about two months after the reference period. Some shortcomings of the monetary statistics are common to all eight member countries of the WAEMU, while others relate to systemic issues in Côte d'Ivoire's bank and nonbank financing of the operations of the central government and the rest of the public sector.
Financial Soundness Indicators (FSIs): Côte d'Ivoire does not report FSIs to the IMF.

Côte d'Ivoire: Statistical Issues (continued)	
External Sector Statistics: The national agency of the BCEAO in Abidjan is responsible for compiling and disseminating annual balance of payments statistics and the international investment position. BOP and IIP data are reported to STA in BPM6 format. BCEAO headquarters delineates the methodology and calculates international reserves managed for WAEMU countries. With respect to merchandise trade, the customs computer system allows for satisfactory monitoring of trade data, but the coverage of services and transfers, has shortcomings. Concerning the financial accounts, foreign assets of the private nonbanking sector are not adequately covered, while reporting of private capital flows, especially foreign direct investment in Côte d'Ivoire, is weak. There is also not sufficient information on private debt stocks and debt service flows. The IMF's Statistics Department will embark on a three-year project funded by the Japan Administered Account (JSA) starting in May 2016 with French speaking countries in West and Central Africa to improve their capacity in producing and disseminating better quality external sector statistics; this project targets 17 countries and will benefit WAEMU member states.	
II. Data Standards and Quality	
Côte d'Ivoire has participated in the General Data Dissemination System (GDDS) since May 2000, and has posted the metadata on the Data Standards Bulletin Board. The authorities have committed to implementing the e-GDDS to improve data dissemination.	No data ROSC is available. Côte d'Ivoire regularly reports data to STA for re-dissemination in IMF statistical publications.

Côte d'Ivoire: Table of Common Indicators Required for Surveillance
(As of May 2016)

	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication[6]
Exchange Rates	Current	Current	M	M	M
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	02/16	04/16	M	M	M
Reserve/Base Money	02/16	04/16	M	M	M
Broad Money	02/16	04/16	M	M	M
Central Bank Balance Sheet	02/16	04/16	M	M	M
Consolidated Balance Sheet of the Banking System	02/16	04/16	M	M	M
Interest Rates[2]	02/16	04/16	I	M	M
Consumer Price Index	03/16	04/16	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	02/16	04/16	M	M	M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	02/16	04/16	M	M	M
External Current Account Balance	12/13	04/16	M	M	M
Exports and Imports of Goods and Services	02/16	04/16	M	M	M
GDP/GNP	2014	04/16	A	A	A
Gross External Debt	02/16	4/16	M	M	M

[1]Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2] Both market-based and officially-determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5] Including currency and maturity composition.
[6] Daily (D), weekly (W), monthly (M), quarterly (Q), annually (A), irregular (I); and not available (NA).

Statement by Ngueto Tiraina Yambaye, Executive Director for Côte d'Ivoire and Mr. Regis O. N'Sonde, Senior Advisor to the Executive Director

May 25, 2016

On behalf of our Ivorian authorities, we thank the Board, Management and staff for the continued support to their policy and reform efforts to preserve macroeconomic stability and put Côte d'Ivoire's economy on a steady path to an emerging market status by 2020. Our authorities are appreciative of the constructive dialogue they maintain with the institution, including through the latest exchange of views in the context of Mr. Furusawa's visit to Abidjan and staff's mission under Article IV consultation, which took place in late February to early March of this year.

Our authorities share the bulk of staff's policy and reform recommendations although they remain more optimistic regarding the country's prospects and its ability to reach the emerging market status as set forth in their *Plan National de Développement 2016–20* (National Development Plan, NDP). They feel confident that they can achieve this important milestone by accelerating economic transformation, building on their very strong macroeconomic achievements of the past few years and putting emphasis on boosting productivity to sustain growth and increase per capita income, and on laying the foundations for more inclusive growth.

The success of the Consultative Group meeting held by the government of Côte d'Ivoire in Paris on May 17–18, 2016 and the level of financing pledged therein both by donors and private investors to support Côte d'Ivoire's NDP is a testimony that the authorities are on the right track. Recognizing the authorities' strong record and reform commitment, multilateral and bilateral development partners and private investors have committed a total of $34 billion—$15bn and $19bn respectively—over the next five years. As the authorities continue to attract additional private investments, it is critical for Côte d'Ivoire's development that donors deliver on their pledges.

The Ivorian authorities thank staff for the quality dialogue and very useful advice, which they highly value, as demonstrated by their close implementation of past recommendations under the 2013 Article IV consultation and the last ECF-supported program (2012–15). They very much welcome the current set of staff reports including the Selected Issues paper which provides helpful analyses on key issues.

I. Recent Economic Developments

Since the 2013 Article IV consultation, the Ivorian Government has implemented significant macroeconomic reforms consistent with Fund recommendations, to lay the foundations for the country's economic and social agenda. The authorities have created fiscal space to allow

greater infrastructures and poverty-reducing spending; they have significantly reduced non-bidding procurements; and they have adopted and are implementing a medium-term debt management strategy. Recourse to exceptional procedures for spending has been trimmed thanks to regulatory and institutional reforms aimed at simplifying and accelerating the treatment of expenditure commitments. In addition, reforms have been put in place to improve the business climate, making Côte d'Ivoire one of the top ten reformers worldwide over the past three years. All these efforts will be further reinforced.

Against this backdrop and supportive fiscal policy, economic activity remains buoyant. Real GDP growth is estimated at 8.6 percent in 2015 owing to strong investment in key sectors such as electricity, transport, commerce and housing. Private consumption also contributes significantly to growth. Strong domestic food production helped contain inflation at 1.2 percent while higher investment-related imports have widened somewhat the external current account deficit.

On the fiscal front, the authorities' revenue collection efforts have yielded results beyond expectations due not only to greater one-off-receipts from telecommunication licenses but also strong cocoa and fuel tax revenues. This performance contributed in large part to containing the overall fiscal deficit at 3 percent of GDP (against a 3.7-percent target) and the basic primary deficit at 0.4 percent of GDP. While total central government debt rose to 49 percent at end-2015 (from 46.5 percent at end-2014), external borrowing was aimed at financing public investments and non-CFA denominated debt was broadly stable at an already low level (1.4 percent of GDP). Sound public debt management was pursued, notably with lower arrears on public enterprises' debt. The authorities are committed to pursue their efforts in monitoring public debt management in line with their national strategy, and in particular the database on public enterprises' debt.

Regarding the financial sector, credit growth has been broad-based across economic sectors but our authorities share staff's concern on the concentration of credit on large SMEs in the services and manufacturing sectors and on the persistently low household and mortgage lending. In addition, they concur that banks' capital buffers should be enhanced and credit exposure risk stemming from concentration of credit on large corporate borrowers (public enterprises and large private companies) reduced. The authorities intend to address the financial sector vulnerabilities in coordination with the WAEMU banking commission.

II. Overarching Goal: Economic Emergence by 2020

Côte d'Ivoire is a fast-growing frontier market economy, with a per capita real GDP of PPP-adjusted 2011 US$ 3,108. In addition, the country is enjoying increasing trade and financial integration into the world economy. Going forward, the Ivorian authorities intend to build on their policy and reform achievements, on the country's growth momentum, and on the encouraging progress in poverty reduction to meet their overarching objective of making

Côte d'Ivoire an emerging market economy. In this vein, they have developed a medium-term development strategy embodied in the country's NDP.

The 2016–20 NDP is made of four strategic pillars: (i) enhancing the quality of institutions and governance; (ii) stepping-up the development of human capital and promoting social well-being; (iii) speeding up structural transformation and industrialization; and (iv) strengthening the infrastructure base while preserving the environment. The total cost of investments planned in this framework is estimated at around $60 billion over the period, of which 62 percent should be financed by the private sector.

The NDP targets an average real GDP growth of around 9 percent per year over 2016–20, with a larger private sector contribution and the pursuit of strong public investments in physical capital—especially in transport and power generation—as well as human capital. In particular, they stress the importance of their plan to double domestic energy generation capacity to 4,000 megawatts over the next few years, which is indispensable for sustained economic expansion. The NDP strategy is fully attentive of the positive impact of productivity gains, capital accumulation and stable sociopolitical environment, in line with the strong growth registered during 2012–15. They intend to increase these factors through strong infrastructure investments, support to the agricultural sector, and financial inclusion.

The authorities are fully cognizant that attaining economic emergence calls for the structural transformation of the economy and departure from commodity exports.

Structural Transformation

Our Ivorian authorities appreciate very much the Selected Issues paper, notably the chapter on "Fostering Sustainable Economic Growth". They are cognizant of the existing structural bottlenecks to more durable strong growth. It is in this context that they plan to put great emphasis on investing in human capital to further improve the quality of the labor force, and to upgrade the country's export mix through local manufacturing transformation, notably in the agricultural sector while alleviating cross-border restrictions. They also stress the importance of their agenda to lower income inequality, including through enhanced financial inclusion, continued investments in the labor-intensive agricultural sectors while stepping up efforts to raise productivity therein to free productive resources for other economic sectors with great potential, notably manufacturing and services.

Structural transformation in Côte d'Ivoire will lean on increasingly strong political and economic institutions as mirrored in the country's remarkable progress in all areas of governance in the past few years. This is reflected notably in the World Bank's "Doing Business Index" (in which Côte d'Ivoire ranks among the 10 best reformers in 2014 and 2015); the Global Competitiveness Index (40 positions gained by Côte d'Ivoire since 2012); the Economic Forum's enabling Trade Index (9-position gain between 2013 and 2014); and

the Mo Ibrahim Index of African Governance (in which the country has shown the largest improvements in overall governance on the continent over the last four years).

The authorities will continue to make progress in consolidating peace as well as in the area of economic governance, notably the ease of paying taxes and obtaining credit, the costs and duration of contract dispute resolution, the cost of international transportation and import procedures, and perception of corruption. They consider maintaining macroeconomic stability as a prerequisite to preserve for their structural transformation agenda.

The relatively short time span (2012–15) in which the Ivorian authorities have moved the country on a path of strong growth and structural reforms is a testimony of their capacity to achieve their transformational agenda in the set horizon (2020). The NDP scenario, while ambitious, remains realistic and consistent with the authorities' track record and the country's renewed economic dynamism. As the main economic engine of the WAEMU, Côte d'Ivoire expects to benefit from positive spillovers and spillbacks within the region.

III. Medium Term Policy and Reform Agenda

The authorities agree with staff's description of the favorable medium-term outlook for the Ivorian economy albeit different views on the impact of critical investments and reform implementation on the strength of future growth. The major risks, including tail risks, are principally related to exogenous shocks, notably adverse weather conditions and sharp deceleration of growth in advanced and emerging market economies. The authorities are pursuing efforts to strengthen the business climate, with the view to diversify investor base and export markets. They stand ready to adopt countercyclical fiscal policy as needed, including through mitigating the impact on the most vulnerable populations. In so doing, they acknowledge the need to build buffers in the public and financial sectors.

In implementing their medium-term policy and reform agenda, our Ivorian authorities continue to put a high premium on preserving macroeconomic stability while tackling the structural bottlenecks to sustained, strong and inclusive growth and steadfast poverty reduction. They acknowledge in particular the challenges identified in the staff reports, notably in the areas of fiscal policy, public finance management, stability of the banking sector, financial inclusion, and capacity constraints.

Maintaining Fiscal Sustainability

The authorities are cognizant of the fiscal risks stemming from implicit liabilities, and requested technical assistance on PPP fiscal risk assessments. However, they strongly believe that their envisaged larger fiscal deficit would still preserve fiscal space to cope with risks while preserving fiscal sustainability in light of the growth-orientation of the investments to be pursued. They will continue to enhance domestic revenue mobilization, with Fund's

technical assistance as requested. The country's favorable credit ratings will help it access adequate financing in regional as well as global capital markets.

The authorities reaffirmed their commitment to further enhance public finance management (PFM), including further reduction of exceptional spending procedures, integrating the budget and accounting IT systems, and strengthening cash management.

They also endeavor to preserve debt sustainability, including through managing debt service bunching, rollover and foreign exchange risks. Diversification of the creditor bases is also part of the authorities' debt management strategy. The authorities also pursue efforts to implement the treasury single account, restructure public banks (see below), and reform the national oil company, with the view to contain fiscal liabilities and domestic debt.

Banking Sector Stability and Financial Inclusion

The authorities note with concern the challenges posed by rapid credit growth, the strong relation between the GDP and credit cycles, as well as small banks' exposure to corporations and banks' exposure to WAEMU sovereigns. They fully agree with staff recommendation to reinforce banks' capital buffers, and will support the banking commission by enforcing its decisions. They will also implement Fund's WAEMU surveillance recommendations towards Basel II and III transposition into the regulatory framework.

Regarding banking institutions under stress, the authorities have already liquidated one public bank, sold the public minority share in two public banks, and programmed the privatization of two other public banks, all with the view to strengthen the sector solvency and minimize budgetary costs. However, efforts will be pursued to maintain and restructure public banks that have a critical importance in sustaining specific sectors, including the troubled saving bank to foster financial inclusion.

The strong link between financial inclusion and economic development on the one hand, and financial inclusion and reduction in inequalities on the other hand, argues in favor of Côte d'Ivoire's focus on this agenda through its financial sector development strategy (FSDS), which has the support of the World Bank. The authorities welcome staff recommendations towards improving access to financing, advancing digital financial services while modernizing the regulatory framework. In this vein, they plan to restructure the *CNCE*, operationalize the credit bureau, and restructure micro-finance institutions in order to improve access of lower-income consumers to financial services. The authorities' efforts to bolster financial inclusion will also be complemented by the regional initiative led by the central bank *BCEAO* in this regard.

Alleviating Capacity Constraints

The Ivorian authorities highly appreciate Fund's technical assistance (TA), which has been instrumental in achieving recent policy and reform accomplishments. They will continue to closely implement the TA recommendations. They look forward to the assistance on national accounts, tax and customs administration, PFM and on the adoption of the e-GDDS.

IV. Conclusion

Côte d'Ivoire is at a crossroads of its development. A frontier economy, it aims at reaching the next milestone of emerging market status over the next five years. The country has considerable potential and capacities, including from the authorities who exhibit a strong track record of policy and reform implementation and demonstrated commitment to transforming the economy. They continue to count on the support of the Fund to help them implement their ambitious but realistic development strategy. In particular, Fund support under a program arrangement over the period ahead will be helpful in a challenging global environment.