International Monetary Fund

Côte d'Ivoire and the IMF

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

Press Release:
IMF Executive Board Completes First Review Under Côte d'Ivoire's Extended Credit Facility Arrangement and Approves US$100 Million Disbursement
May 11, 2012

April 25, 2012

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

CÔTE D’IVOIRE: LETTER OF INTENT

Ministry of Economy and Finance *Republic of Côte d’Ivoire*

N° 2863 MEF/CAB-MEF/CT/14 Abidjan, April 25, 2012

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

Subject: Letter of Intent

Madame Managing Director,

1. **Since the end of the post-election crisis, the government has made major strides toward stabilizing the political situation and kick-starting the economy**. The national reconciliation process has begun with a view to consolidating peace. The first legislative elections since 2000 took place on December 11, 2011 and February 26, 2012, and the new National Assembly convened on March 12, 2012 to elect its president. The economic recovery in 2012 marks a new era of investment-led growth. The new government appointed on March 13, 2012 is committed to continuing the progress in implementing the economic policies described in the October 20, 2011 Letter of Intent.

2. **The attached Memorandum of Economic and Financial Policies (MEFP) describes the progress to date and the policies we will implement this year**. In regard to economic and fiscal performance, results at end-2011 are well above expectations. The program’s architecture and basic objectives for 2012 remain unchanged. However, to take into account of the impact updated projections of growth, inflation, and commodity prices and new priority expenditures, we wish to request a modification of the end-June 2012 performance criteria on the floor of the overall fiscal balance and on the ceiling on net domestic financing. The government is determined to pursue the implementation of all the major structural measures, including the structural benchmarks, to achieve more rapid economic growth as provided in our 2012–15 National Development Plan (PND).

3. **The government is determined to achieve the HIPC completion point as soon as possible and no later than the second quarter 2012**. The external debt relief at the completion point will represent a turning point in our country’s economic and financial affairs, in terms of the viability of our growth policies and job creation. In particular, it will

(i) contribute to fiscal sustainability and the normalization of relations with our creditors; (ii) promote investment; and (iii) reduce poverty in our country through sound reorientation of budget appropriations. To achieve this goal by the end of the first half of 2012, the government will take all measures necessary to meet the remaining HIPC completion point triggers.

4. **The government is convinced that the policies and measures set out in this memorandum are sufficient to achieve its objectives**. We ask that the IMF provide financial support to the government under the Extended Credit Facility in an amount equivalent to the second disbursement of SDR 65.04 million. The government will consult with IMF staff, at its own initiative or at the request of the IMF Managing Director, before adopting any additional measure it may deem necessary, or in the event of changes to the policies set out in this memorandum. The government also agrees to cooperate fully with the IMF to achieve the program objectives.

5. **The Ivoirien authorities consent to public release of this Letter of Intent, the attached Memorandum of Economic and Financial Policies (MEFP) and Technical Memorandum of Understanding (TMU), and the IMF staff report relating to the request for disbursement under the ECF**. We hereby authorize the publication and posting of those documents on the IMF website after program approval by the IMF Executive Board.

Very truly yours,

/s/
Charles Diby Koffi
Minister of Economy and Finance

Annexes:
- Supplement to the Memorandum of Economic and Financial Policies (MEFP)
- Supplement to the Technical Memorandum of Understanding (TMU)

ATTACHMENT I—CÔTE D'IVOIRE

SUPPLEMENT TO THE MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES

April 25, 2012

This supplement to the memorandum assesses the implementation of the 2011 economic program described in the memorandum of October 20, 2011, and discusses the program for 2012.

I. INTRODUCTION

1. **Following the post-election crisis that greatly affected the country, Côte d'Ivoire is moving toward full normalization of its sociopolitical, economic, and security situation. Legislative elections were held on December 11, 2011**. The elections led to the opening of the first ordinary session of the National Assembly on March 12, 2012, thus ending the process of restoring constitutional order. Security conditions have improved steadily since May 2011, thanks to the unification of the army and the redeployment of gendarmerie and police throughout the country. Economic activity has gradually recovered since the reopening of banks and financial institutions at end-April 2011 and the lifting of the European Union embargo. Humanitarian efforts were made to return refugees under tripartite agreements between Côte d'Ivoire, the host countries, and the United Nations High Commissioner for Refugees (UNHCR). In addition, the Dialogue, Truth and Reconciliation Commission (CDVR) established by the President of the Republic on September 28, 2011, is working to strengthen social cohesion.

2. **Financial support for the government's economic and financial program for 2011–14 was granted under the International Monetary Fund's Extended Credit Facility (ECF) on November 4, 2011.** Prompt implementation of the program was made possible by the positive trends observed in the adoption of economic and financial policies supported by the Rapid Credit Facility (RCF). The aim of this program is to stabilize the macroeconomic framework and revitalize growth, particularly through increased public and private investment.

3. **The government prepared a National Development Plan (PND) for 2012–15, taking into account the economic and financial program**. This plan was adopted by the Council of Ministers on March 28, 2012. Through the preparation of the PND, Côte d'Ivoire has decided to give renewed impetus to its development policy. This new strategy is based on a program of recovery and of determined, yet realistic development supported by public and private investment. On that basis and in line with the PND, which is henceforth the reference document for the new socioeconomic strategy, the government projects growth of 8 percent in 2012, 9 percent in 2013, 10 percent in 2014, and 10.1 percent in 2015. The aim of this development plan is to reduce poverty through implementation of the PRSP and realization of the vision of the President of the Republic, which is to make Côte d'Ivoire an emerging market by 2020. It identifies sources of growth, taking into account the country's comparative advantages. It also sets out specific sectoral objectives and strategies to be implemented by the ministries, with benchmarks for regular monitoring of progress.

4. **For 2012, the government plans to increase public investment significantly and to put in place a framework conducive to the development of private sector activity, with a view to revitalizing economic growth and employment**. Public investment was especially affected by the long period of crisis, with the result that infrastructure could not be maintained or expanded owing to the scarcity of budgetary resources. Based on the government's 2012-2014 Public Investment Program (PIP), the public component of investment in 2012 is projected at 5.3 percent of GDP, compared to a maximum of 3.3 percent over the last twelve years. Moreover, the government hopes to attract private investment and maintain the dynamic of solid, sustained, and inclusive growth by (i) restoring security throughout the country, (ii) consolidating national reconciliation, (iii) improving the business climate in order to bolster the confidence of households, economic operators, and investors, and (iv) promoting good governance. This framework is expected to generate private sector support for projects involving ports and airports, agriculture, energy, road infrastructure, and housing. These investments will help to reduce poverty and revive employment, especially for the young. These gains should contribute to strengthening Côte d'Ivoire's position as the engine of the subregional economy.

5. **As part of this recovery, the government expects to reach the HIPC Initiative completion point in the second quarter of 2012, in light of the significant progress made on all the HIPC Initiative triggers (Table 1).** Indeed, the coffee-cocoa sector reform adopted November 2, 2011 by the Council of Ministers is currently under way. The government has made it clear that there is no turning back from the reform. Reaching the completion point will enable Côte d'Ivoire to obtain substantial debt relief under the HIPC Initiative and beyond, mainly under the Multilateral Debt Relief Initiative (MDRI), additional bilateral relief, and implementation of the French debt-relief program's Debt Reduction and Development Contracts (C2D).

II. Economic Developments and Implementation of the Economic and Financial Program in 2011 and Early 2012

A. Recent Economic Developments

6. **The success in implementing economic and financial policy measures enabled the government to contain the effects of the post-election crisis on economic activity**. The gradual normalization of the sociopolitical situation and the renewal of relationships with technical and financial partners also contributed to this positive development.

- The growth rate for 2011 was revised to -4.7 percent from a projected -5.8 percent in September 2011 and -6.3 percent in June 2011. This improvement is attributable in part to higher production of the main export products, particularly cocoa, gold, palm oil, and bananas. It is also explained by the gradual restoration of the confidence of economic operators thanks to measures adopted by the government to promote the private sector, including CFAF 12 billion in direct financial support to businesses, tax relief of CFAF 68.5 billion, the reduction of domestic arrears, and reactivation of the framework for public-private sector dialogue. Thus, activity in the industrial sector was far more robust than anticipated in the second half of the year, including in construction, which was sustained by the quickened pace of road rehabilitation projects.

- Inflation slowed from July 2011 on as a result of measures adopted by the government in response to the overall increase sparked by the post-election crisis in the first half of 2011. The measures in question include the signing of memoranda of understanding with distributors to reduce the prices of major consumer products, improvements of the market supply channels, and anti-racketeering initiatives. Year-on-year inflation thus stood at 2 percent in December 2011, in contrast to 9.1 percent in April 2011.

- The external current account (including transfers) grew from CFAF 125 billion (1.1 percent of GDP) in 2010 to CFAF 757.3 billion (6.7 percent of GDP) in 2011, thanks to improvements in the balance of current transactions. This positive change in the balance of current transactions is attributable both to the solid performance of export agriculture, especially cocoa and its price, and to the contraction of imports linked to the decline in economic activity observed in the first half of 2011.

- The monetary survey at end-December 2011 revealed a 30.1 percent jump in net foreign assets, and, consequently, a 10.2 percent surge in the money supply compared to end-December 2010. The consolidation of foreign assets resulted from the good performance of export revenues and the mobilization of external assistance from financial partners (IMF, World Bank, African Development Bank, and the French Development Agency (AFD)) after the crisis ended.

B. Budget Execution

7. **Execution of the 2011 budget covering the period of April 26 to end-December 2011 and adopted on June 22, 2011 was better than projected.** Performance at end-December 2011 for the quantitative benchmarks of the ECF-supported program was in line with the objectives (Table 2). The overall fiscal balance at end-December 2011 stood at 5.7 percent, compared to a target of 8.1 percent of the period's GDP. This outcome reflects the surpluses recorded in the collection of revenue and the under-execution of expenditure. The reconciliation of government financial operations up to April 26, 2011 has been completed. Because of the monetary implications, the latter will be discussed at the WAEMU level, prior to their validation and inclusion in the fiscal 2011 budget review law.

8. **Fiscal revenue in 2011 exceeded forecasts by 1.4 percent of GDP owing to the good performance of inland tax and customs revenue** made possible by the rapid recovery of economic activity. The good level of inland tax revenue collection (0.8 percent of GDP above target) is attributable to (i) the rapid recovery of the responsible agencies, despite the pillaging they suffered; (ii) the effective collection of the main taxes: VAT, ITS (payroll tax), BIC (corporate income tax), and the dividend and capital gain tax, which improved vis-à-vis the targets; (iii) the increase in the production and price of gas compared to forecasts, which led to a jump in gas revenues; and (iv) the adjustment of tax returns submitted between December 2010 and March 2011. Customs revenues also exceeded their target by 0.5 percent of GDP, thanks in particular to the recovery of economic activity in the second half of 2011 and improved tax collection.

9. **Expenditure execution has improved.** With the exception of the subsidy to the electricity sector and investments financed with external project loans, expenditure execution is in line with the targets.

- The subsidy to the electricity sector, which is financed with a portion of gas revenues, amounted to CFAF 104.5 billion, compared to a target of CFAF 74.8 billion. This excess is attributable to higher-than-expected usage of gas by the sector.

- Investment expenditure was executed at a rate of 87.3 percent, owing to the low level of disbursement of external project loans (41.7 percent). Domestically financed expenditure, however, was executed at a rate of 98.1 percent.

10. **Pro-poor spending to improve living conditions made worse by the post-election crisis amounted to CFAF 843.4 billion, with an execution rate of 100.4 percent.** This outcome was made possible by the special provisions governing pro-poor spending, which resulted in a more flexible budgetary regulation, a more efficient public procurement process, and the establishment of a framework for dialogue with the technical ministries to resolve potential difficulties related to the use of appropriations.

11. **Progress in financing the 2011 program included the reduction of domestic arrears and the conversion of treasury bills into longer-term securities.** To move beyond the system of automatic rollover of treasury bills stemming from the post-election crisis, the stock of CFAF 607 billion, as of November 30, 2011, was converted into new treasury bills and bonds in November 2011 and March 2012. Capitalized interest amounting to CFAF 24.2 billion was paid, as well as CFAF 23.4 billion in prepaid interest on the new treasury bills. Moreover, with a view to reviving economic activity, the government reduced its debt to the private sector via a net reduction of CFAF 25.7 billion in amounts payable by the Treasury. Furthermore, no new domestic arrears, as defined in the program, were accumulated in 2011.

12. **The government received substantial external assistance for the implementation of its emergency program**. It borrowed from the AFD to pay April wages and arrears at end-March 2011, as well as other emergency expenditure including the arrears of vital social sectors (water, drugs, electricity, etc.). It also received emergency support from the WAEMU, the African Development Bank, the World Bank, and the International Monetary Fund. In addition, projects financed by development partners that were suspended following the post-election crisis resumed.

13. **On November 15, 2011, the Paris Club creditors concluded an agreement with the government to restructure its external public debt on Cologne terms.** In an exceptional treatment, the repayment of amounts due (short-term and post cutoff date) and debt arrears were respectively deferred and rescheduled over ten and eight years. They also agreed to defer all interest owed on the amounts in question. Consequently, debt service to Paris Club creditors between July 1, 2011 and June 30, 2014 shrank from CFAF 1099 billion to CFAF 175.6 billion, a reduction of 84 percent. The Paris Club creditors also agreed to grant Côte d'Ivoire the remaining debt relief provided for under the HIPC Initiative as soon as Côte d'Ivoire reaches the completion point. As for Côte d'Ivoire's other creditors, external arrears accumulated vis-à-vis multilateral financial institutions during the recent crisis were

cleared and those to official, non-Paris Club creditors were settled or are pending restructuring. Nevertheless, the government had to accumulate arrears to Eurobond holders and other private creditors.

C. Implementation of Structural Reforms

14. **Progress has been made in implementing structural reforms, particularly as regard the structural benchmarks (Table 3)**. The main reforms were as follows:

- Significant advances were made in *public finance*, particularly the adoption of the 2012 budget in line with the objectives of the 2012–14 Public Investment Program, and improvement of the quarterly budget execution reports submitted to the Council of Ministers, including since December 2011 the reduction of SIGFIP processing times. In addition, the "cash advance management" module is operational and being used.

- Regarding the *civil service* reform, the census of government officials and employees was completed, paving the way for the creation of a "unified civil service registry." Acting on the findings of the census should lead to savings of about CFAF 10 billion per year.

- The government established a *National Public Debt Committee* (CNDP) by Decree 2011-424 of November 30, 2011. The CNDP is attached to the Ministry of Economy and Finance and its area of responsibility encompasses the entire public debt portfolio (domestic and external), in line with international best practices. The members of the CNDP were appointed in April 2012. The CNDP is henceforth solely responsible for formulating the public debt management strategy and for monitoring its implementation. Its objective is to ensure that the state's financing requirements are met and consistent with the cost and risk limits set by the government and adopted by parliament. The government requested technical assistance from the IMF and the World Bank to elaborate the debt strategy. Concerning the organizational structure and procedures manual currently being prepared, the government will ensure the separation of front, middle, and back office functions. The government will also provide the CNDP with the human resources and logistics it will need to operate properly.

- With a view to *strengthening the financial sector*, the government will adopt a Financial Sector Development Strategy (SDSF). To that end, the terms of reference for the complementary studies supporting the preparation of that strategy were approved by the development partners, and the agreement of the FIRST Initiative was reached for the financing of additional assistance, including the financing of the complementary studies. Pending the reorganization of the public banks, the government urged the bank managers to actively take measures to stabilize their financial position, which were weakened by the post-election crisis. Accordingly, the managers of the public banks adopted a series of safeguard measures to enable their respective institutions to operate properly. In particular, the measures involved the improvement of loan recovery rates, the reduction of operating costs, a revamping of operational strategies, and improved governance. According to preliminary figures, the net earnings of the five public banks improved from a net deficit of CFAF 38.1 billion in 2010 to CFAF 5.1 billion surplus in 2011.

- To *improve the performance of public enterprises*, in June 2011, the government announced that it planned to divest 25 percent of its portfolio within a year. About twenty enterprises were subsequently identified for restructuring through privatization, merger, or a transfer of responsibilities to a technical oversight agency. The government plans to (i) strengthen the supervision and monitoring of public enterprises; (ii) improve the rate of submission of financial statements, as well as the information and management system; and (iii) finalize performance contracts.
- The government has made progress in *improving the business climate* to attract investment. On January 11, 2012, the Council of Ministers *created the commercial courts*, thereby providing a framework for modernizing and ensuring greater certainty regarding the business environment. Moreover, the draft decree establishing the Business Support Center (*Centre de Facilité des Entreprises,* CFE) is in the process of being adopted. The CFE is a one-stop-shop entrepreneurs to complete all the procedures necessary to set up a business within 48 hours, and obtain all necessary assistance in one location. The proposed location for the pilot phase of the CFE's activities, encompassing the Inland Revenue, the National Social Security Fund (CNPS), the Directorate of Foreign Trade, and the Registry, has been identified. The draft version of the *new investment code* was validated in a workshop held January 18–19, 2012. The new code aims to promote the industrialization of Côte d'Ivoire through attractive tax incentives, as well as enhanced guarantees and protections. It was drafted in accordance with international best practices, with the help of the International Monetary Fund and the World Bank. A committee was organized to draft guidelines for the selection of a private partner to set up the one-stop-shop by end-2012.
- The reform of the *coffee-cocoa sector,* adopted on November 2, 2011 by the Council of Ministers, is currently under way. In line with the new institutional and regulatory frameworks now in place, the management, regulation, and development of the sector, as well as price stabilization, have been entrusted to the Coffee Cocoa Board (*Conseil du Café et du Cacao – CdC*). The Board members of the CdC, representing the various stakeholders in the sector, as well as its personnel have been appointed.
    - A committee to monitor implementation of the reform was also created in January 2012. The committee is responsible for ensuring implementation of the basic legislation pertaining to the reform through effective adoption of all the relevant texts, as well as observance of the rules and commitments taken in the context of the reform.
    - To assist in the marketing of the 2012-2013 crop, the Forward Sales Program (PVAM) is in place as from January 31, 2012. In February 2012, all the exporters enrolled in the new sales system and the results have so far been satisfactory. The new mechanism should ensure a guaranteed minimum share of 60 percent of the c.i.f. price to farmers.

- ➢ The government has also continued the quarterly publication of reports to the Council of Ministers on production and financial flows in the sector.

- The enhancement of *transparency in the hydrocarbons sector* continued with the production and publication of quarterly reports to the Council of Ministers on production and financial flows. With regard to the Extractive Industries Transparency Initiative (EITI), the final reports for 2008–09 and 2010, drafted by the Administrator, will be completed and published in May 2012. The delay in producing the 2008–09 report is related to the inclusion of the mining sector and the new requirements of EITI-International, particularly the use of audited data to prepare the report. In addition, a report specifying the allocation of each shipment of crude oil is produced every quarter by the committee responsible for monitoring shipments.

- The study on the price structure of *petroleum products* was completed and the final report is available. Based on this study, a new price structure, with rationalized tax levies, has been finalized by the relevant ministries.

- The strategy for restoring financial equilibrium in the electricity sector is based on renegotiating gas prices, reviewing the take of the operator, reducing technical and nontechnical losses, improving the collection rate in the former CNW zone, and implementing a new tariff structure. To reduce gas prices, negotiations with the largest gas producer, which accounts for more than two-thirds (2/3) of all gas production, resulted in a base price of $5.50 per MMBTU, compared to an average price of $9.80 in 2011, resulting in annualized savings of CFAF 91.3 billion. Regarding the reduction of the kilowatt-hour price, the new contract with the AGGREKO plant provides for a downward adjustment from CFAF 20 to CFAF 18.5. Regarding the new tariff structure, the electricity tariff study was completed and the final report is available. A complementary study to assess the impact of the proposed new tariff structure on the population’s standard of living was started in March 2012 and is expected to last 120 days. Moreover, a decree was adopted to increase industrial rates by 10 percent as of May 1, 2012. Other subsequent adjustments to the tariff structure will figure prominently in the electricity sector development strategy.

- Regarding the *pension plans*, the social contribution arrears owed by public enterprises were updated to June 30, 2011 and a clearance plan was devised. The reform of the Pension Division of the CNPS social security system was adopted by the Council of Ministers on January 11, 2012, with a view to reducing financial deficits. The measures proposed as part of the reform include increasing the retirement age from 55 to 60 and raising the contribution rate from 8 percent to 12 percent in 2012, and then to 14 percent in January 2013. Regarding the government employees pension plan (CGRAE), a framework analogous to that of the CNPS was adopted by the government on April 4, 2012 to ensure the financial viability of the CGRAE.

III. Social Policies and PRSP Implementation

15. **Despite constraints linked to the post-crisis environment, the government has pursued the objectives of the PRSP.** The draft report on PRSP execution in 2010 and 2011 was validated at a workshop held in February 2012 in Yamoussoukro. It shows that the government placed special emphasis on combating poverty by continually increasing pro-poor spending from fiscal 2009 onward. These expenditures rose from CFAF 843 billion in 2009 to CFAF 885.2 billion in 2010, and then to CFAF 843.4 billion over a 9-month period in 2011.

16. **With regard to education**, to improve the quality of the education system, more than 90 percent of public primary school students received at least three textbooks free of charge (civic and moral education, mathematics, and French) for the 2011–12 school year. The government also drew up a Medium-Term Action Plan (PAMT) for 2012–14. For 2012, an increase in the number of teachers and classes is planned, to reduce the number of students in each class and expand teaching capacity. The objective is for each class to have its own classroom by the start of the 2012–13 school year.

17. **In the health sector,** the rehabilitation and construction of health centers, the hiring of medical and paramedical personnel and the provision of free health care led to an increase in the rate of births assisted by trained personnel to 67.5 percent in 2010 and 69.2 percent in 2011, compared to 56.8 percent in 2006. On the other hand, the introduction of across-the-board free health care in 2011 to improve the humanitarian situation in the wake of the post-election crisis cost the government CFAF 24 billion. This experience led, among other things, to health services being swamped and drugs becoming even scarcer. Consequently, for 2012, free health care will be targeted and reserved for mother-child pairs, as well as for malaria treatment for all. A 30 percent reduction in the price of all paid care has also been introduced.

18. **The government is firmly committed to honoring the commitments set out in the PRSP, particularly through the implementation of MTEFs.** Indeed, the 2012 budget takes account of the MTEFs available for the health, and the education and training sectors. Thus, the sectors received budget allocations classified as pro-poor spending in 2012. For fiscal year 2013, the MTEF process will be expanded to eight (8) new ministries in the Security, Agriculture, Justice, Economic infrastructure, Energy, Environment, Social affairs, and Defense sectors.

19. **The government has adopted a 2012–15 National Development Plan (PND 2012-15) to replace the Poverty Reduction Strategy Paper (PRSP).** This plan puts strategic planning once more at the center of government policy and builds on the achievements under the PRSP (2009–13). It also takes into account the new challenges stemming from the various crises, the bottlenecks to achieving the MDGs, the Presidential Program, the Economic and Financial Program, and the potential sources of growth.

IV. ECF-SUPPORTED PROGRAM FOR 2012

A. Macroeconomic Outlook for 2012

20. **In keeping with the three-year, ECF-supported economic and financial program for 2011–14, the 2012 program aims, in particular, to ensure macroeconomic stability and restore a dynamic of strong, sustained growth that creates jobs, especially for young people.** This growth is based on increased investment and the pursuit of broad structural reforms. To attain these objectives, the government plans to ensure public debt sustainability after reaching the HIPC Initiative completion point, in the second quarter of 2012, by implementing a prudent debt management strategy. This will free up the budgetary resources needed to improve social services and develop basic socioeconomic infrastructure. Special emphasis will also be placed on improving the security situation and the business climate, and on the promotion of good governance and strengthening the rule of law, with a view to maintaining the confidence of households and private investors. The reforms and priorities identified in the 2012 program are aimed, inter alia; at (i) ensuring the regular supply of energy to the economy to support growth; (ii) continuing implementation of the reform of the coffee-cocoa sector to guarantee farmer incomes; (iii) promoting job creation; and (iv) developing the financial sector to ensure adequate financing for the economy.

21. **Economic recovery in 2012 is expected to reach a growth rate of 8.1 percent, compared to a decline of 4.7 percent in 2011, owing the catch-up effect on 2011, the consolidation of peace and security, and the effective resumption of public and private investment.** The recovery is expected to be driven primarily by the resurgence of activity in the industrial (+11.8 percent) and service (+14.4 percent) sectors, which would benefit from an increase in investment of about 47.3 percent compared to 2010, sustained for the most part by the public component.

- The government plans to step up social and economic infrastructure projects (construction of the Jacqueville bridge, construction of the third bridge, paving of the Boundiali-Tengrela main road, continuation of work on the northern highway, construction of the Abidjan-Bassam highway, supply of water to Bonoua, rehabilitation of universities, renovation and construction of classrooms and health centers, etc.).
- Moreover, the continuation of regional integration projects, the return of business partners, and sizable investment projects are expected to attract private investment, thanks to the promotion of Public-Private Partnerships (PPP), the institutional framework of which was put in place in August 2011. This should lead to new factory start-ups and new projects in the fields of real estate (low-cost housing construction), petroleum (exploration and development), gold (exploration and development), and electricity (increased power generation capacity and a strengthened and expanded grid). The resulting investment rate is projected at 12 percent of GDP, compared to 8.2 percent of GDP in 2011 and 9 percent in 2010. This rate is expected to climb significantly to 16.1 percent in 2013 and 19.9 percent in 2014.

22. **Inflation would be kept within the limit of the community standard of 3 percent.** Continuing government efforts in 2012 to contain the inflationary pressures recorded in 2011, especially through improvement of the market supply channels, should lead to relative price stability in 2012. Moreover, the recovery of economic activity would be attributable in large measure to a catch-up effect and should not create excessive pressure relative to 2011. The change in prices, as an annual average, is estimated at close to 2 percent, owing to the adoption of measures related to the competition law to combat anticompetitive practices and abuses of dominant position.

B. 2012 Fiscal Objectives

23. **The 2012 budget adopted in December 2011 is in line with ECF program commitments and aims at strengthening poverty reduction efforts, boosting public investment, and keeping operating expenses at a reasonable level**. Revenue covers 79.3 percent of spending, and tax revenue 74 percent. On the expenditure side, investment appropriations have increased substantially alongside the growth of pro-poor spending. In keeping with the objective of reducing the deficit to a sustainable level over medium-term, the overall budget deficit in 2012 (including grants) is projected at 4.4 percent of GDP, compared to 5.7 percent of GDP in 2011.

24. **To give impetus to a dynamic economic recovery, the government will give high priority to investment.** Indeed, investment excluding the so-called "post-crisis" expenditure will amount to CFAF 660.2 billion, compared to CFAF 285.6 billion in 2011 and CFAF 349.9 billion in 2010. This investment expenditure, which has more than doubled, will benefit especially programs aimed at rehabilitating and expanding economic infrastructure and integrating young people into the workforce.

25. **The fight against poverty will continue through a boosting of pro-poor spending.** This spending, which includes CFAF 60 billion for Presidential Emergency Program operations, is directed in particular to health, education, rural roads and trails, village water supply, rural electrification, and agriculture. The overall pro-poor expenditure budget is CFAF 980 billion, or 7.8 percent of GDP. The execution of this expenditure will be closely monitored to ensure attainment of the targeted level.

26. **Since the adoption of the budget, changes in the national and international economic environment have affected the fiscal objectives.** Falling cocoa prices, rising oil prices, and the depreciation of the euro linked to the crisis in Europe have had various effects on the economy. Initially estimated at CFAF 337.6 billion, cocoa revenues are expected to post an overall loss of CFAF 55.7 billion. Similarly, revenue from petroleum products is expected to decline by about CFAF 29.3 billion as a result of higher oil prices and the freeze on retail fuel prices. However, with the rapid recovery of business activity and the budget outturn at end-December 2011, a number of revenue targets were revised upward, especially petroleum and mining revenues.

27. **Certain new expenditures became necessary.** In particular, they concern: the establishment of a Reserve Fund of CFAF 40 billion for the coffee-cocoa sector reform, the financial impact of the CGRAE reform, the start-up of Air Côte d'Ivoire, and the Rice Emergency Project.

28. **In these circumstances, the government has adopted specific fiscal measures to keep the budget deficit at its initial level of 4.4 percent of GDP.** They include:

- expanding the base of the real estate tax to include the farming operations of agroindustrial enterprises;
- raising the rate of the tax on telecommunications from 2 percent to 3 percent;
- instituting a tax on the windfall profits of mining operations and adjusting the allocative key of duties, taxes, and royalties in the mining sector;
- introducing a tax on granulated rubber;
- increasing the proceeds from privatizations and asset sales to CFAF 6.9 billion from the initial projection of 3 billion;
- instituting a special tax on plastic bags;
- issuing 3G licenses to telephone companies;
- establishing a tax on tourism development;
- collecting signing bonuses for oil exploration contracts.

All these changes will be covered by a supplementary budget.

C. Structural Reforms

29. **Achieving the set macroeconomic objectives will require the continuation and deepening of ongoing reforms.** These reforms aim to augur a new era of prosperity as from 2012. To that end, the government will give special priority to (i) the public procurement procedure, with a view to expediting the execution of public investment; (ii) the reform of the banking system to catalyze financing in the economy; (iii) the restoration of financial equilibrium in the energy sector to facilitate renewal and expansion of the production network; (iv) implementation of the coffee-cocoa sector reform to guarantee better living conditions for farmers starting the 2012–13 crop year; and (v) improvement of the business climate (Doing Business) indicators to create an attractive environment for private investment (Boxes 1–7 and Tables 3 and 4).

30. **The implementation of public financial management action plans will continue** through:

- Regarding *fiscal discipline,* the "supplementary budgets management" module will be operational by end-April 2012. In addition, the decentralization of SIGFIP to the five localities already identified (Ferkessédougou, Mankono, Ouragahio, Saïoua, and Azaguié), is expected to be completed in July 2012.
- To *improve the absorption capacity* of the public and private sectors, the government plans to continue training staff responsible for public expenditure, particularly for the conclusion and monitoring of government contracts in line with the new rules applicable to government contracts. It will also put in place a permanent unit to expedite public investment execution. To that end, it will simplify the procedures for access to public contracts and will set up dedicated accounts for the timely payment of work performed.
- In terms of *improving the legal and institutional framework,* draft texts on transposing the six WAEMU directives on government finance, including the organic law, have been drafted and validated by the technical committee. They will be adopted by the Council of Ministers and forwarded to the National Assembly for transposition into Ivoirien law by end 2012.
- To *restore the confidence of enterprises*, by end-April 2012 the government will adopt the plan to settle VAT arrears outstanding by end-2011 and will limit outstanding VAT arrears in 2012 to less than CFAF 10 billion. The joint public-private sector committee known as the VAT Credits Refund Monitoring Committee is responsible for monitoring these arrangements.

31. **The civil service and general government reforms are a government priority.** The census of government officials and employees completed in October 2011 will lead to the creation of a Unified Civil Service Registry by end-June 2012 and the finalization of the Integrated Management System for Government Officials and Employees (SIGFAE) by end-2012. This mechanism, which includes the creation and inauguration of Human Resources Directorates within the ministries, will contribute to the control of the workforce and greater effectiveness in combating wage and salary fraud. The government also plans to create the position of General Secretary in the ministries in 2012.

32. **The government plans to adopt and implement a medium-term strategy to manage the wage bill.** This will involve updating the existing strategy to reflect the postponement of wage adjustment measures until 2013, the results of the census of government officials and employees, and the effects of the CGRAE reform. This strategy aims to support the implementation of the PRSP, while promoting convergence toward the regional standards, especially the criterion pertaining to the sustainability of the wage bill. This entails aligning recruitments more closely with business needs, the gradual settlement of deferred salary and promotion commitments, and improvement of the management framework. The combined effect of implementing this strategy and boosting revenue mobilization will eventually lead to a reduction of the wage bill to tax revenue ratio, and lead to a gradual convergence toward the community standard of 35 percent.

33. **The government plans to revitalize the financial sector, weakened by the post-election crisis, to enhance its contribution to financing the economy.** To that end, it

intends to adopt a Financial Sector Development Strategy (SDSF) and to continue its efforts to restructure the public banks.

- In preparing the SDSF, the government obtained financial assistance from the FIRST Initiative to finance five studies concerning financing mechanisms for housing, SMEs/SMIs and agriculture, the government's role in the financial sector, and the cost of credit. Based on the findings of these studies, which are expected to be available by-end June 2012, the Financial Sector Monitoring and Development Committee (CODESFI), created in November 2009, will prepare a draft SDSF by end-September 2012. Upon validation, this draft will be submitted for Government approval in November 2012. The CODESFI will be responsible for the implementation of this strategy as from 2013.
- The government plans to reorganize the five *banks in which it holds a majority interest.* This initiative is in line with the strategy for restructuring public enterprises. The draft strategy for reducing the government's holdings will be finalized by end-May 2012 and submitted to the Council of Ministers for adoption by end-June 2012.
- With a view to *consolidating the microfinance sector*, the government will ensure strict compliance with the provisions of Decree 2011-367 of November 3, 2011 regulating decentralized financial systems. It also plans to update the National Microfinance Strategy (SNM) in 2012 to take account of the effects of the post-election crisis.

34. **The government intends to improve the performance of public enterprises and reduce its portfolio** by 25 percent by end-June 2012 (see paragraph 14). The government will also continue (i) strengthening the supervision and monitoring of public enterprises; (ii) improving the rate of submission of financial statements, as well as the information and management system; and (iii) finalizing performance contracts. It will also ensure implementation of the plan to clear the social contribution arrears of public enterprises.

35. **The National Public Debt Committee (CNDP) will prepare the medium-term debt management strategy with technical assistance from the IMF and the World Bank.** As from fiscal year 2013, the CNDP will produce an annual report on debt policy and strategy, with a view to assessing its consistency with the country's development objectives. Before end-June 2012, to ensure the timely payment of debt, the government will include an alert mechanism in the debt management software to flag the non-receipt of payment notices.

36. The **government plans to revitalize the coffee-cocoa sector in 2012 (see paragraph 14).** As such, it will continue implementing the measures in line with the action plan agreed with the World Bank. This will entail: (i) finalizing the legal and institutional framework through the adoption of the organizational structure and updating the financial and administrative procedures; (ii) strengthen the domestic marketing mechanism before October 2012, by identifying the warehouses of buyers and cooperatives, adopting the tools necessary for the facilitation of domestic trade, the training of field agents, and setting up a market information system; and (iii) validate the price structure before the beginning of the 2012/13 crop year. The government also intends to organize the farmers and establish an

industry-wide association, particularly by concluding the survey of farmers, electing their representatives and organizing their representation before end-December 2012. In addition, the government, through the CdC and other new entities, will ensure the quality of export products, boost orchard productivity, and promote good governance in the coffee-cocoa sector.

37. **Efforts to improve energy sector transparency and efficiency will continue in 2012.**

- Côte d'Ivoire hopes to become EITI-compliant. Accordingly, the 2008, 2009, and 2010 reports on independent validation of the sector in accordance with EITI standards will be finalized, adopted by the National EITI Board, and published in April 2012.
- As regard the reform of the upstream oil subsector, in 2012, the government plans to reform and amend the 1996 Petroleum Code and the 1993 Standard Production Sharing Contract currently in place. The new provisions should reflect the vision and economic and policy orientations for invigorating the oil sector. These reforms aim to encourage oil companies to invest in crude oil and gas exploration and production. Six new exploration-production contracts and a natural gas sale/purchase contract were signed on this basis, and others are being drawn up. Work is also under way to stabilize and boost production on active fields. It is expected that by 2013 all these measures will reverse the expected downturn in the production of hydrocarbons in 2012.
- In the *downstream oil subsector,* based on the conclusions of the study on revising the price structure of petroleum products, a new price structure incorporating a change in taxation will be applied as from July 2012. The details of a gradual price adjustment, based on a price-smoothing mechanism to transition to a system that will automatically set retail prices based on international price developments, will be defined with IMF assistance by end-May 2012. This new mechanism takes account of the margins for refineries and plans to limit changes in retail prices in order to mitigate the social impact. The price mechanism will also provide for the medium-term financial viability of SIR (*Société Ivoirienne de Raffinage*). In addition, an agreement was reached to settle the government's end-2011 accumulated debt to SIR, which amounted to CFAF 47 billion.

38. **Increasing the supply of electricity to sustain the dynamism of growth is a government priority.** As such, loss-reduction measures and the coming into operation of new power generation projects are planned to meet the growing demand. The government projects an average capacity increase of approximately 150 MW per year in the years ahead. This plan includes (i) an increase in the capacity of AGGREKO from 70 MW to 100 MW in 2012; (ii) completion of the third phase of Azito in 2014; (iii) a 220 MW increase in the capacity of Ciprel in 2014; (iv) the construction and operation of the 330 MW Abatta combined cycle thermal power plant by 2014–15; and (v) the operation of the 270 MW Soubré hydroelectric facility by 2016–17.

39. **The government is determined to continue implementing the strategy for restoring financial equilibrium in the electricity sector, which would clear the way for the investments needed to upgrade and expand the transport and distribution networks (renovation, rehabilitation, and strengthening).**

- After concluding an agreement with the largest gas producer in March 2012, the government plans, in 2012, to continue negotiating the transfer price with the Bloc CI-26 consortium, which accounts for 20 percent of gas production.
- Regarding the tariff structure, based on the conclusions of the study on the social impact of the new electricity tariff, the completion of a new tariff structure is scheduled for end-July 2012. Pending the results of that study, the government plans to raise industrial rates by 10 percent effective May 1, 2012. Moreover, households with a consumption greater than 200 kWh bi-monthly would be upgraded to the general tariff as from September 2012. The process to shift the concerned households would be finalized in the first semester of 2013. Other adjustments to the tariff structure will be needed in the medium term to cover a larger percentage of electricity costs and contribute to the development of the electricity sector.
- The adoption of the draft electricity code by the Council of Ministers is expected by end-July 2012. This new code also contains provisions establishing penalties for illicit consumption of electricity.
- In 2012, the operator will take steps to combat illicit consumption of electricity in the field with a view to improving revenue yield by at least one percentage point per year. These steps include the identification, securing, and monitoring of customer meters, and improved monitoring of public consumption for lighting.

  These combined measures will generate the additional electricity sector earnings needed to clear the debt to independent power producers, which amounted to CFAF 57 billion at end-December 2011.

40. **The government will put in place a framework conducive to private investment.** To that end, it plans to implement the following to complement the measures listed in paragraph 14:

- to initiate a communication campaign announcing the inauguration of the pilot CFE (*business support center*) and to launch the CFE's activities in April 2012.
- to adopt the new investment code in the Council of Ministers before end-June 2012, and to submit it to the National Assembly.
- to set up a one-stop-shop for trade formalities before end-2012. Committees have been put in place to plan the selection of a partner to facilitate this and selecting a private partner to manage its operations.
- to make use of public-private partnerships (PPP) to promote investment. To that end, in November 2011, a national committee was set up and made specifically responsible for establishing the legal and institutional frameworks for PPPs, and identifying projects eligible under that mechanism.

41. **Consolidation of the judicial system remains a government priority.** At the beginning of the judicial year on November 4–5, 2011, the government reaffirmed its commitment to reinforce the independence, impartiality, and effectiveness of the judicial system to better serve society and businesses. Thus, it elaborated a timetable for the implementation of judicial system reform measures. These measures include: (i) adoption by the Council of Ministers in February 2012 of the decree on the enforcement (*exequatur*) of arbitration court decisions on the involvement of national jurisdictions in arbitration proceedings; and (ii) the harmonization of Ivoirien law with international law on combating corruption and illicit enrichment in 2012. Moreover, with a view to operationalizing the commercial courts, the government plans to build and equip the necessary premises, and to continue the training of justice officials in commercial matters.

42. **The government will continue to put good governance at the core of its actions.** Accordingly, in 2012, the government, through the Council of Ministers, will adopt the reforms already initiated, particularly the national governance plan, the code of ethics, and the code of conduct for civil servants. It will also strengthen the system of control, inspection, and evaluation in the public administration through operational audits and by expanding the role of the *Inspection Générale d'État*.

43. The **government is determined to promote regional integration within the WAEMU and ECOWAS.** It will continue to endorse the creation of a common market through (i) definition of the products in the fifth band of the ECOWAS CET (common external tariff), (ii) the implementation of a common trade policy, and (iii) promotion of the free movement of persons, goods, services, and capital. The government will also support the conclusion of an interim regional economic partnership agreement (EPA). To avoid revenue losses stemming from the implementation of the EPA, the government plans to continue analysis on the fiscal transition in 2012. It will thus take steps to gradually shift its tax focus to domestic revenue mobilization and will request programmatic technical assistance from the IMF to improve tax administration.

V. Financing and Monitoring the Program

44. **The financing needs for 2012 can be met**. These needs amount to CFAF 553.8 billion or 4.4 percent of GDP in 2012, despite efforts to optimize the tax potential and streamline expenditure. The financing of the deficit will be principally filled by net borrowing of CFAF 451.2 billion on the WAEMU financial market. Furthermore, to ensure that the program is financed, a rescheduling agreement was concluded with the Paris Club on November 15, 2011, and the government will continue its negotiations with non-Eurobond commercial creditors for a rescheduling on terms comparable to the Paris Club and consistent with the HIPC Initiative. It intends to resume meeting its debt service obligations on the Eurobond in June 2012, and will make a good faith payment for the settlement of arrears. It intends to conduct these discussions with its private creditors in a manner consistent with IMF lending into arrears policy, particularly with regard to information transparency, intercreditor equity, and dialogue. The government will also ask non-Paris Club bilateral creditors to reschedule the servicing of their debt on the comparable terms with the Paris Club. Upon reaching the HIPC Initiative completion point, the government intends to propose a plan for the treatment of Eurobond arrears. It also intends to

mobilize all identified budgetary support, particularly from multilateral institutions (IMF, World Bank, AfDB, and European Union) and bilateral partners in 2012 and, if possible, will obtain new external support. The attainment of the HIPC completion point in 2012 and the implementation of debt relief initiatives would free up some budgetary resources from debt service. The use of these resources will be consistent with the government's commitments under the Memorandum of Economic and Financial Policies. This may require a modification of the programmed budget, in particular as regard new payments needed as part of a debt-for-development swap in which outstanding debt is repaid in exchange of equivalent grants to finance development projects (C2D).

45. **The government also plans to have higher access to the regional market.** To achieve this objective, it has submitted its calendar of securities issues to the BCEAO with a view to coordination with other issuance programs in the WAEMU zone. It will also convene regular meetings of the Cash Flow Committee to adjust the pace of expenditure execution in line with revenue collection forecasts. Furthermore, the government plans to continue the effort to achieve a net reduction in amounts payable of CFAF 25 billion in 2012 and to pay debt service on securitized debt when it falls due.

46. **The program will remain subject to semiannual monitoring by the IMF Executive Board on the basis of quantitative indicators and structural benchmarks (Tables 2 and 4)**. These indicators are defined in the attached Technical Memorandum of Understanding (TMU). The semi-annual reviews will be based on end-June and end-December data. The second (third) program review based on the end-June 2012 (end-December 2012) performance criteria are scheduled to be completed no later than October/November 2012 (April/May 2013). Accordingly, the government undertakes:

- to refrain from accumulating new domestic arrears and from any form of advance on revenues, and from contracting nonconcessional external loans other than those specified in the TMU;
- to issue government securities only by auction through the BCEAO or by any other form of competitive calls for tender on the local financial market and on the WAEMU market, and to consult with Fund staff on any new domestic financing;
- not to introduce or increase restrictions on payments and transfers related to current international transactions, to introduce multiple exchange rate practices, to enter into any bilateral payment agreements not in conformity with Article VIII of the IMF Articles of Agreement, or to impose or intensify any import restrictions for balance of payments purposes; and
- to adopt any additional financial and structural measures that may prove necessary to ensure the success of its policies, in consultation with the IMF.

VI. Statistics, Capacity-Building, and Financing

47. **The government intends to continue its efforts to improve the statistical system with a view to ensuring the regular production of high-quality economic and financial data**. To that end, the master plan for statistics will be updated to take account of the effects of the post-election crisis. It will cover the 2012–15 period and aid in the definition of

indicators for measuring and assessing the implementation of development policies, especially the PND. In addition, the draft law on statistics, adopted by the Council of Ministers in 2009, will be submitted to the National Assembly for approval.

48. **The government will strengthen its administrative capacities, particularly in those areas affected by the crisis.** The government will continue to receive assistance from the IMF and other development partners to (i) strengthen the tax and customs administrations; (ii) provide support to the units that produce the data needed to prepare the TOFE; (iii) assist in implementing the fiscal reform action plan; (iv) improve the national accounts with a view to constructing a social accounting matrix; (v) formulate a financial sector development strategy; (vi) develop and implement a medium-term strategy for the management of debt and borrowing; and (vii) prepare the balance of payments.

Table 1. Côte d'Ivoire: Triggers for the HIPC Initiative Completion Point

Measures	Status	Progress and Comments
Preparation of a full PRSP through a participatory process and its satisfactory implementation for at least one year, as evidenced by an annual progress report submitted by the government to IDA and the IMF.	In progress	The report was adopted by the Council of Ministers on March 28, 2012. It was formally transmitted to the IMF and the World Bank for comments and approval. Awaiting IMF and World Bank assessment (JSAN).
Maintenance of macroeconomic stability as evidenced by satisfactory performances under a PRGF-supported program.	In progress	Pending IMF Executive Board approval of the first review of the ECF program.
Quarterly publication of budget execution reports (including revenue; expenditure by type, function, and administration/type, and by the different stages of budget execution; and identification of poverty-reducing spending) within six weeks after the end of each quarter, for at least the four quarters immediately preceding the completion point.	Completed	Publication of the following monthly reports on the Ministry of Economy and Finance website: - June 2010 - September 2010 - September 2011 - December 2011 Because of the post-election crisis, the 2011 budget was adopted in June 2011. (***http://www.finances.gouv.ci/fr/elements-de-gouvernance/execution-budgetaire.html***)
Certification of conformity (certification de conformité) by the competent authority of the draft budget review law (loi de règlement) for a given fiscal year, within the 10 months following the end of that fiscal year, for at least one year immediately preceding the completion point.	Completed	General declarations of conformity were issued for the draft budget review laws of 2006, 2007 and 2008, 2009 and 2010.. Instructions were given for preparation and submission of the budget review law for 2011 to the Audit Office by end-April 2012.
Establishment of an operational public procurement regulation authority (separate from supervision entities).	Completed	Following the adoption of the new public procurement code, the National Public Procurement Regulation Authority (ANRMP) was established by Decree 2009-260 of August 6, 2009, on the organization and functioning of the ANRMP. The ANRMP is operational since May 2010. ***(http://www.anrmp.ci/textes/decrets.html)***

Table 1. Côte d'Ivoire: Triggers for the HIPC Initiative Completion Point (continued)

Measures	Status	Progress and Comments
Quarterly publication in the public procurement bulletin of the list of all contracts concluded and concession contracts granted (including by public establishments) for at least the fiscal year immediately preceding the completion point.	Completed	Since 2009, the bulletins are regularly published.
Increase in the number of childbirths assisted by trained personnel to raise the rate of such deliveries to 65 percent on average nationwide (from 56 percent in 2006) during at least the year immediately preceding the completion point.	Completed	The rate of childbirths assisted by trained personnel rose from **67.5 percent** in 2010 to **69.2 percent** in 2011.
Distribution to 90 percent of students enrolled in all public primary schools of three textbooks covering French, mathematics, and civic education, during at least the school year immediately preceding the completion point.	Completed	In 2009-2012, French textbooks were distributed to 93.8 percent of students, mathematics textbooks were distributed to 92.3 percent of students, and civic education textbooks were distributed to 90.1 percent of students.
Quarterly publication on the Treasury's website, within six weeks of the end of each quarter, of data on external and domestic public debt guaranteed by the government (stock, current debt service obligations due and actual debt service payments, loan disbursements) for at least the four quarters immediately preceding the completion point.	Completed	The data on external and domestic public debt, as well as debt guaranteed by the government, are published on the Treasury's website (www.tresor.gov.ci) on a quarterly basis, since 2009. The most recent complete data published are those for end-September 2011 and end-December 2011.
Regular publication of a report on payments made to the government by the extractive industries and revenue received by the government from those same industries – mining, petroleum, and gas – in accordance with EITI criteria, along with a recent annual report, during at least the year immediately preceding the completion point.	In progress	The 2006-2007 report on payments made to the government by the extractive industries and revenue received by the government from those same industries – mining, petroleum, and gas – in accordance with EITI criteria, is available since April 2010. Draft reports for 2008-2009 and 2010, including the mining sector, which are already available, are expected to be adopted by end-April 2012.

Table 1. Côte d'Ivoire: Triggers for the HIPC Initiative Completion Point (concluded)

Measures	Status	Progress and Comments
Annual publication, within seven months of the end of the calendar year, of the certified financial statements of PETROCI, in accordance with international standards, during at least the year immediately preceding the completion point.	Completed	PETROCI's certified accounts for fiscal 2008 and 2009 were published, respectively, in July 2009 and July 2010 in the official gazette (*Fraternité Matin*). Despite the post-election crisis, PETROCI's accounts for fiscal 2010 were validated by the General Assembly and published on Monday, October 10, 2011 in *Fraternité-Matin.* Moreover, the report incorporating the auditor's assessment is published on the website of the ministry of economy and finance.
Reduction of the overall taxation of cocoa production to no more than 22 percent of the c.i.f. price, as evidenced by (i) promulgation of the budget law; and (ii) an official communication to exporters, issued no earlier than five months before the start of the crop year.	Completed	The 22 percent ad valorem tax on the c.i.f. price of cocoa has been applied since the 2010/11 crop year and maintained for the 2011/12 crop year.
Adoption by the government of a new institutional and regulatory framework for the coffee-cocoa sector and satisfactory implementation of the functions under government responsibility for at least the six months immediately preceding the completion point, in accordance with its new strategy for development of the sector.	In progress	The coffee-cocoa sector reform was adopted by the Council of Ministers on November 2, 2011. Subsequently, the institutional framework was put in place and the members of the CCC Board of Directors were appointed. With regard to marketing, the Averaged Forward Sales Program (PVAM) was launched on January 31, 2012. The first report was produced at end-March. The next report will be produced by mid-May 2012.

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

(Billions of CFA francs)

	2011									2012						
	June	Sept.				Dec.				March	June		Sept.		Dec.	
	Actual	Indicative targets	Adjusted targets	Actual	Status	PC	Adjusted targets	Actual	Status	Indicative targets	Original PC 2/	PC	Original IT 2/	Indicative targets	Original IT 2/	PC
A. Performance criteria																
Floor on the overall fiscal balance (including grants)	-76.7	-243.2	-229.9	-160.4	Met	-602.0	-564.8	-406.2	Met	-56.7	-188.4	-175.9	-365.9	-395.5	-550.1	-553.7
Ceiling on net domestic financing (incl. WAEMU paper)	-65.0	-19.5		-11.7	Not met	311.2		110.2	Met	58.6	180.0	161.7	335.8	378.8	445.1	461.7
Ceiling on new nonconcessional external debt 3/	0.0	0.0		0.0	Met	0.0		0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ceiling on accumulation of new external arrears 3/	0.0	0.0		0.0	Met	0.0		0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ceiling on accumulation of new domestic arrears 3/	0.0	0.0		0.0	Met	0.0		0.0	Met	0.0	0.0	0.0	0.0	0.0	0.0	0.0
B. Indicative targets																
Floor on primary basic balance	17.9	-139.8		-80.3	Met	-415.8		-265.8	Met	-0.2	-63.3	-56.4	-157.9	-192.8	-249.1	-252.4
Ceiling on expenditures by treasury advance	13.2	23.9		19.2	Met	63.9		57.9	Met	17.1	42.2	42.0	71.1	75.8	102.3	109.8
Floor on pro-poor expenditure	163.5	477.3		474.9	Not met	840.1		843.4	Met	181.3	403.1	403.0	676.9	676.9	980.0	980.0
Floor on net reduction of government amounts payable	-13.2	-1.8		-17.6	Met	-11.8		-12.5	Met	-5.0	-10.0	-7.5	-20.0	-15.0	-30.0	-25.0
Floor on government revenue	483.0	521.7		603.8	Met	1066.6		1210.0	Met	525.8	1066.8	1111.1	1621.2	1697.3	2207.4	2357.6
Memorandum items:																
Net banking sector claims on government	-118.9	58.0		31.1		218.3		116.9		3.1	72.8	76.2	123.3	151.9	207.0	208.5
Program grants	0.0	2.0		5.8		7.8		11.0		0.0	0.0	10.0	0.0	10.0	2.1	10.0
Program loans	0.0	0.0		0.0		0.0		0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Project grants	2.6	8.4		11.6		11.9		19.3		3.7	11.1	25.0	24.1	30.0	37.1	42.2
Project loans	5.6	33.4		14.5		62.2		25.0		19.7	39.4	47.2	59.0	47.2	78.7	78.7

Sources: Ivoirien authorities and IMF staff.

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

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

2/ See staff report for request for three-year arrangement under ECF, November 2011, http://www.imf.org/external/pubs/ft/scr/2011/cr11328.pdf

3/ Continuous performance criterion.

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

First Program Review			
Measures	**Macroeconomic rationale**	**Timeframe**	**Status**
Budget			
• Adopt, in the Council of Ministers, a 2012 draft budget with a 2012–14 public investment program (PIP) consistent with program objectives.	Maintain macroeconomic stability and fiscal discipline.	**SB** end-2011	Completed
Tax policy / Tax administration			
• ***Improve*** customs operations by satisfying the prerequisites for building the platform of the automated risk [management] system (See *IMF technical assistance report,*[1/] *paragraph 41*).	Improve the efficiency of customs administration.	**SB** end-2011	Completed
• Carry out the planned actions for the implementation of the automated procedure for .in-bond transit on major roads (See *IMF technical assistance report,*[1] *paragraph 53)*	Improve the efficiency of customs administration.	**SB** January 2012	Completed at end-March 2012
• 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.	Improve transparency and reduce distortions; increase tax and customs revenue.	**SB** end-2011	Completed
• Review the taxes levied on petroleum products and prepare a strategy for a return to market pricing.	Control tax expenditures and promote more efficient use of petroleum products.	**SB** end-February 2012	Not completed. (Strategy being prepared, date to be rescheduled)
Public expenditure management			
• Complete the census of government officials and employees (excluding defense and security forces) • Update and implement a medium-term strategy for controlling the wage bill	Control civil service staffing and the wage bill.	**SB** end-2011 **SB** March 2012	Completed Not completed. (Rescheduled)
• Create a national public debt management committee and prepare an organization chart and procedures manual.	Improve public debt management	**SB** end-2011	Completed in April 2012

[1/] Montagnat-Rentier G., Parent G. and Boilil A. M. (2011): Recommandations pour la poursuite de la mise en œuvre du programme de modernisation de l'administration douanière, Aide-mémoire of August 24, 2011.

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

Measures	Macroeconomic rationale	Timeframe	Status
• Adopt reform plans for the CNPS and the CGRAE in the Council of Ministers and submit to Parliament • 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.	Reduce the sectoral deficit and government subsidies	**SB** end-2011 **SB** end-2011	Completed for the CNPS in January 2012and in April 2012 for CGRAE. Completed
• 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	Improve financial sector governance and management	**SB** continuous	Completed
• Take steps to stabilize the financial position of the public banks • Prepare a progress report on the measures taken to stabilize the financial position of the public banks.	Curb banks' recurrent losses; reduce government subsidies	SB end-2011 SB end-March 2012	Completed Completed in April
Public sector reform			
• Complete the study on electricity rates and adopt a strategy to achieve financial equilibrium in the sector over the next three years. • 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 • Increase industrial electricity rates by 10 percent.	Reduce government subsidies and allow investments to boost production capacity	**SB** end-2011 **SB** end-2011 **SB** end-March 2012	Not completed Not completed Completed; Implementation as of May 1st, 2012
Improving the business climate			
• Prepare and adopt a plan for the settlement of VAT credits outstanding at end-2011. • Limit VAT credits pending refund to under CFAF 10 billion, starting in 2012.	Improve the business climate and the confidence of enterprises	**SB** end-2011 **SB continuous** beginning January 2012	Not completed. Plan prepared, settlement being negotiated with private sector Completed
• Prepare the legal framework of the Business Support Center (*Centre de Facilités des Entreprises*).	Facilitate business creation	**SB** end-2011	Completed

Table 4. Côte d'Ivoire: Structural Benchmarks, 2012 ECF

Second Program Review		
Measures	**Macroeconomic rationale**	**Timeframe**
Tax policy / Tax administration		
• 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.	Enhance transparency and counter fraud	**SB** end-June 2012 **SB** end-December 2012
• Elaborate and implement a medium-term Action Plan to strengthen the administration and enforcement of VAT.	Improve revenue mobilization through VAT	**SB** end-December 2012
• Review the taxes levied on petroleum products and prepare a gradual adjustment strategy with a price-smoothing mechanism to transition to a system that will automatically set retail prices based on international price developments. • 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.	Rationalize tax expenditures and promote more efficient use of petroleum products	**SB** end-May 2012 (Rescheduled) **SB** July 2012
• Prepare MTEFs for eight ministries (defense, security, agriculture; economic infrastructure; justice; mines, petroleum and energy; environment; and social affairs)	Improve strategic budget planning	**SB** end-October 2012
Public expenditure management		
• Submit the 2011 budget review law to the Audit Office.	Enhance transparency of the budgetary process	**SB** end-July 2012
• Update and implement a medium-term strategy for controlling the wage bill.	Contain the size of the civil service and the wage bill	**SB** end-June 2012 (rescheduled)
• Put in place an integrated management system (single file, SIGFAE) for government officials and employees (excluding defense and security forces).	Reduce fraud and improve the monitoring of wages and salaries	**SB** end-2012
• Include an alert module in the debt management system to automatically generate reminders as regard the receipts of notices for debt repayments.	Ensure timely payment of debt	**SB** end-June 2012
• 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.	Improve financial sector governance and management	**SB** continuous
• Adopt a strategy for restructuring public enterprises, including the public banks in the Council of Ministers.	Curb banks' recurring losses; reduce government subsidies	**SB** end-June 2012

Table 4. Côte d'Ivoire: Structural Benchmarks, 2012 ECF

Second Program Review		
Measures	**Macroeconomic rationale**	**Timeframe**
Public sector reform		
• 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. • 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. • Implement the modified rates 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.	Reduce government subsidies and enable investments to boost production capacity	**SB** end-September 2012 (rescheduled) **SB** end-2012 (rescheduled) **SB** end-September 2012 **SB** end-January 2013
• Adopt the electricity code in the Council of Ministers.	Improve governance of the electricity sector	**SB** end-June 2012
• Reach an agreement as regard the price structure for the various stakeholders.	Advance the reform of the cocoa sector	**SB** end-September 2012
Financial sector reform		
• Prepare a financial sector reform and development strategy.	Improve financial sector governance	**SB** end-November 2012 (rescheduled)
Improving the business environment		
• Limit the current fiscal year's VAT arrears pending refund to under CFAF 10 billion.	Improve the business climate and the confidence of enterprises	**SB** continuous
• Adopt a new investment code in the Council of Ministers.	Facilitate investment	**SB** end-June 2012

Box 1: Structural Fiscal Measures Relating to Revenues

Inland Revenues (DGI)

- Quarterly publication of exemptions by type of tax, starting in the first quarter of 2012;
- Significant increase in the yield of the property tax, in particular through improved property registration and the creation of assessment and revenue units dedicated exclusively to the management of this tax in 2012;
- Continued efforts to tax the informal sector through resumption of the registration of small merchants and craftsmen and the reinforcement of licensed management centers in 2012;
- Implementation, by end-2012, of a platform for information-sharing between the Inland Revenue and the CNPS as part of the campaign to combat payroll tax fraud and under-the-table employment.

Customs (DGD)

- Production of a quarterly report on the implementation of measures from the seminar on exemptions, in accordance with the action plan, no later than45 days after the end of each quarter, starting in the third quarter of 2012;
- Production of detailed monthly data on revenue lost to exemptions, using the SYDAM-World customs clearance management package, with quarterly reports starting in the third quarter of 2012;
- Activation of the Sydonia World transit module between the Port of Abidjan and the three main border crossings starting end-May 2012;
- Conclude discussions with logistic chain operators on the adoption, dissemination, and implementation of a simplified customs clearance procedure by end-December 2012, with a view to streamlining import formalities through the use of a single, computerized, advance declaration that would replace forms (BSC [*cargo tracking note*], FRI [*import information sheet*]) that complicate and delay import operations;
- Update the database used to analyze customs value, based on the methodology developed with IMF technical assistance, by end-March 2012;
- Production of a quarterly report, starting in December 2011, on implementation of the recommendations of the customs IT system audit, in accordance with the action plan;
- Competencies audit and design of a human resources development plan by end-June 2012;

DGI/DGD/DGTCP

- Effective establishment of a platform for information-sharing between the DGI and the DGD;

  Ensure sufficient financing for VAT credit refunds and observance of the legal deadlines for refunding credits;
- Continue efforts to refund new VAT credits starting in 2012, to limit the amount outstanding to less than CFAF 10 billion;
- Decentralization of ASTER to five (5) localities in 2012.

Box 1: Structural Fiscal Measures Relating to Revenues (concluded)

- Conduct a study on optimizing VAT potential and elaborate a short to medium-term action plan to improve VAT administration and enforcement;
- Draw up a medium-term plan for the reform of domestic revenue mobilization and for modernization of the tax administration, with IMF assistance, by end-2012.
- In 2012, implement the IMF technical assistance recommendations of February 2012 on the assessment of tax expenditures in line with international best practices.

Other entities

- Supervision of the agencies created following measures to identify administrative fees;
- 25 percent reduction in the portfolio of State enterprises by end-June 2012, in line with the Council of Ministers decisions of June 29, 2011;
- Activate the anti-corruption team.

Box 2: Structural Measures Related to Fiscal Expenditure

- Production and publication of the quarterly budget execution reports submitted to the Council of Ministers, including pro-poor spending, within 45 days after the end of the quarter;
- Continued monitoring of the regulatory time limits for executing expenditure, through their inclusion in the quarterly budget execution reports;
- Continued decentralization of SIGFIP through connection to five (5) localities in 2012;
- Production and publication of quarterly reports on the activities of the National Public Procurement Regulation Authority, within one month after the end of the quarter;
- Continued production and submission to IGF by all DAAFs of a quarterly report on the physical and financial execution of expenditure, within 30 days, followed by the production of a summary report by the IGF within 15 days.
- Extension of MTEFs to the mining, petroleum and energy, agriculture, justice, environment, social affairs, security, defense, and economic infrastructure sectors in conjunction with the 2013 budget; and start preparation of the global MTEF for application to the 2014 budget;
- Finalization and adoption by the Council of Ministers of draft texts transposing the six WAEMU directives on government finance, by end-September 2012.
- Submission of the budget review law for fiscal year 2011 to the Audit Office by end-May 2012.
- Include in the debt management software an alert mechanism to flag the nonreceipt of payment notices, to ensure the timely payment of amounts due, by end-June 2012.

Box 3: Structural Reforms of the Public Administration

- Preparation of the Single Reference File (*Fichier Unique de Référence* - FUR) by end-June 2012;
- Introduction of an Integrated Management System for Government Officials and Employees (SIGFAE) by end-2012;
- Launch of the Public Services Observatory and introduction of the position of General Secretary in the ministries in 2012;
- Continued production of a quarterly report on implementation of the plan to settle unpaid contributions to the CNPS and the CGRAE owed by the public enterprises concerned in 2012, and regular monitoring to ensure the nonaccumulation of new arrears;
- Adoption by the Council of Ministers of the reform of CGRAE, by end-April 2012.

Box 4: Measures to Reform the Financial System

- Preparation by end-November 2012 and adoption by the government, by end-2012, of the strategy for reforming and developing the financial sector;
- Adoption and implementation of a public bank reorganization plan by end-June 2012;
- Update the National Microfinance Strategy by end-September 2012;
- Production of quarterly reports on improvements in the governance and portfolio quality of microfinance institutions, starting in the fourth quarter of 2012.

Box 5: Reforms to Improve the Business Climate

- Implementation of measures related to the opening of commercial courts, in 2012;
- Continued training of justice officials in commercial matters;
- Validation of a reform plan by end-June 2012, to improve the efficiency and fairness of the judicial system
- Establishment of a one-stop-shop for trade formalities in the first quarter of 2013;
- Launch of the pilot phase of the Business Support Center by end-2012;
- Adoption by the Council of Ministers of the draft Investment Code in 2012;
- Adoption by the Council of Ministers of the draft law on competition, specifically to combat noncompetitive practices, by end-June 2012.

Box 6: Measures Concerning the Coffee-Cocoa Sector

- Continued quarterly reporting to the Council of Ministers, within 45 days, and publication of the report analyzing production and financial flows, including information on the level of "farm gate" (*prix bord champ*) and export prices;
- Quarterly reporting by the Monitoring Committee on implementation of the coffee-cocoa sector reform as from May 2012;

Box 7: Measures Concerning the Energy Sector

- Continued reporting to the Council of Ministers, within 45 days after the end of each quarter, on production and financial flows in the energy sector, with quarterly reports on petroleum shipments within the same time frame;
- Reduction of the electricity sector financial deficit by: (i) renegotiating gas prices; (ii) revising the take of the operator; (iii) improving the invoice collection rate, especially in the former CNW zone; (iv) combating fraud; (v) making investments; (vi) revising the tariff structure based on the conclusions of the tariff study and the social impact study; and (vii) adjusting the tariffs;
- Adoption by the government of the draft Electricity Code by end-July 2012;
- Implementation of a gradual adjustment strategy, through a price-smoothing mechanism, with IMF assistance, to transition to a system that will automatically set pump prices based on international price developments as from July 2012;
- Validation and publication of the 2008–09 and 2010 EITI reports, by end-April 2012;
- Adoption by the Council of Ministers, before end-June 2012, of amendments and reforms to the hydrocarbons code and to the standard production sharing agreement, to make petroleum and gas exploration and production more attractive and to promote production.

ATTACHMENT II—CÔTE D'IVOIRE

SUPPLEMENT TO THE TECHNICAL MEMORANDUM OF UNDERSTANDING

April 25, 2012

Note: This document is a supplement to the November 2011 technical memorandum of understanding, which remains fully in effect with the exception of the modifications presented below, in which the modified text is presented in italics. References to the 2011 performance criteria and indicative targets are omitted.

I. QUANTITATIVE PERFORMANCE CRITERIA

Paragraph 2:

For monitoring purposes, the performance criteria (PC) are set for June 30, 2012 and December 31, 2012; there are indicative targets (IT) for these variables for March 31, 2012 and September 30, 2012. There are ITs for non-PC variables for March 31, 2012, June 30, 2012, September 30, 2012, and December 31, 2012. [The remainder of the paragraph is unchanged.]

Paragraph 3:

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

Paragraph 11:

This ceiling does not apply to new agreements on restructuring domestic debt and securitization of domestic arrears, nor to new BOAD and BIDC project loans. For any new borrowing over and above a cumulative amount of CFAF 35 billion during 2012, the government *commits to only issue government securities*, through auction by the BCEAO or through any other form of competitive public auction on the domestic WAEMU financial market registered with the Regional Capital Markets Board (CREPMF), in consultation with Fund staff.

Paragraph 12, third bullet:

- debts to the West African Development Bank (BOAD) loans up to the equivalent of CFAF 25 billion or debts to the ECOWAS Bank of Investment and Development (BIDC), up to the equivalent of CFAF 20 billion *over the period January 1 through December 31, 2012*;

Paragraph 18:

Within the framework of the program, the government agrees to (i) reduce the stock of amounts payable in 2012 by CFAF *25 billion*; and (ii) not accumulate new domestic payment arrears on the current budget from January 1, 2012.