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INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT

FOR A PROPOSED CREDIT

**IN THE AMOUNT OF SDR 47.3 MILLION
(US\$70 MILLION EQUIVALENT)**

TO THE

REPUBLIC OF CÔTE D'IVOIRE

FOR THE

SECOND POVERTY REDUCTION SUPPORT CREDIT (PRSC-2)

November 5, 2014

**Global Practice – Macroeconomics and Fiscal Management
Africa Region**

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CÔTE D'IVOIRE
GOVERNMENT FISCAL YEAR
January 1 – December 31

CURRENCY EQUIVALENTS
(Exchange Rate Effective as of *September 30, 2014*)

Currency Unit = CFA Franc (XOF)
US\$1.00 = SDR 0.67449986

Weights and Measures
Metric System

ABBREVIATION AND ACRONYMS

AGEDI	Industrial Zones Development Agency and Fund
BCEAO	<i>Banque Centrale des Etats de l'Afrique de l'Ouest</i> (Central Bank of West African States)
CAS	Country Assistance Strategy
CEA	Country Environmental Analysis
CFAF	Communaute Francaise d'Afrique Franc
CIF	Cost, Insurance and Freight
CPS	Country Partnership Strategy
DDR	Disarmament, Demobilization and Reintegration
DPO	Development Policy Operation
ECF	Extended Credit Facility
ECOWAS	Economic Community of West African States
EU	European Union
GDP	Gross Domestic Product
GIDG	Growth and Institutional Development Grant
HIPC	Heavily Indebted Poor Countries
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
JSAN	Joint Staff Advisory Note
KPCS	Kimberly Process Certification Scheme
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MEF	Ministry of Economy and Finance
MTEF	Medium-Term Expenditure Framework
NDP	National Development Plan
OHADA	Organization for the Harmonization of Business Law in Africa (<i>Organisation pour l'Harmonisation en Afrique du Droits des Affaires</i>)
ONUCI	United Nations Operation in Côte d'Ivoire
PCRRG	Post-Conflict Reconstruction and Recovery Grant

PEFA	Public Expenditure and Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Review
PER	Public Expenditure Review
PFM	Public Financial Management
PPG	Public and Publicly Guaranteed
PPP	Public-Private Partnership
PV	Present Value
SDR	Special Drawing Rights
SIGESCOPE	<i>Système Intégré de Gestion des Collectivités Décentralisées</i>
UN	United Nations
UNDP	United Nations Development Program
WAEMU	West African Economic and Monetary Union

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REPUBLIC OF CÔTE D’IVOIRE
SECOND POVERTY REDUCTION SUPPORT CREDIT (PRSC-2)

TABLE OF CONTENTS

SUMMARY OF PROPOSED CREDIT AND PROGRAM.....	v
1. INTRODUCTION AND COUNTRY CONTEXT.....	1
2. MACROECONOMIC POLICY FRAMEWORK	3
A. Recent Economic Developments	3
B. Macroeconomic Outlook and Debt Sustainability	8
C. IMF Relations	11
3. THE GOVERNMENT’S PROGRAM	12
4. THE PROPOSED OPERATION.....	12
A. Links to Government’s Program and Operation Description	12
B. Prior Actions, Results and Analytical Underpinnings	14
C. Link to the CPS and Other Bank Operations	29
D. Consultations, Collaboration with Other Development Partners	29
5. OTHER DESIGN AND APPRAISAL ISSUES	30
A. Poverty and Social Impacts.....	30
B. Environmental Aspects	31
C. PFM, Disbursement and Auditing Aspects.....	32
D. Monitoring and Evaluation	33
E. Summary of risks and Mitigation	33

Tables:

Table 2.1: Selected Economic Indicators, 2012–16.....	5
Table 2.2: Fiscal Operations of the Central Government, 2011-17	6
Table 2.3: External Financing Requirements, 2012-17	7
Table 4.1: Changes in PRSC-1 triggers for PRSC-2 prior actions	13
Table 4.2: PRSC-1 Main results	14
Table 4.3: PRSC 2 Prior Actions and Analytical Underpinnings	15

Figures:

Figure 2.1: Indicators of Public Debt Under Alternative Scenarios, 2013-2033 1/	10
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Annexes:

Annex 1: Letter of Development Policy (to be added)	35
Annex 2: PRSC Policy and Results Matrix	60
Annex 3: Fund Relations Note.....	66
Annex 4: Country Map	67

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SUMMARY OF PROPOSED CREDIT AND PROGRAM
REPUBLIC OF CÔTE D'IVOIRE
SECOND POVERTY REDUCTION SUPPORT CREDIT (PRSC-2)

Borrower:	Government of Côte d'Ivoire.	
Implementing Agency:	Ministry of Economy and Finance (MEF).	
Financing Data:	Amounts: SDR 47.3 million (US\$70 million equivalent) on IDA Credit (38-year maturity and 6-year grace period).	
Operation Type:	Second in a programmatic series of three Development Policy Operations; single-tranche disbursement.	
Pillars of the Operation and Program Development Objectives	<p>The development objectives are to strengthen governance, improve public administration and facilitate private-sector-led growth.</p> <p>Pillar 1: Good Governance, Transparency, and Enhanced Public Financial Management</p> <p>Pillar 2: Improve the Business Climate and Revise the Legal Framework for Private Enterprise</p> <p>Pillar 3: Strengthening Economic Sectors with High Growth Potential</p>	
Results Indicators:	<i>Indicator</i>	<i>Baseline (2012)</i>
	(1) An improvement in the country's score on the Transparency International Corruption Perceptions Index to less than 100;	130
	(2) An increase in the number of prosecuted corruption cases from 2 to 30;	2
	(3) An increase in the share of agencies with procurement units from 0 to 100 percent;	0
	(4) Increase in the number of procurement audits conducted to 100;	10
	(5) An increase in the number of local governments producing quarterly computerized budget-execution reports to 1;	0
	(6) A reduction in the share of single-source procurement contracts to at least 15 percent;	37
	(7) A reduction in the number of days required to settle a commercial dispute to 450;	770
	(8) A reduction in the number of days required to start a business to 5;	40
	(9) A reduction in the number of days required to obtain a construction permit to 175;	475
	(10) A reduction in the average cost of property registration up to 6 percent of the property's value;	13
	(11) The establishment of at least three public-private partnerships;	0
	(12) An increase in the farm-gate price received by cocoa farmers to at least 60 percent of the CIF export price;	<50%
	(13) An increase in the share of cashew production processed domestically to above 25 percent;	<15%
	(14) An increase in the share of cotton and cashew professional associations formally established in accordance with OHADA standards to 90 percent;	0
	(15) An increase in the share of restructured cashew and cotton cooperatives formally established in accordance with OHADA standards to 75 percent;	0
	(16) An increase in the production of paddy rice up to 2 million tons;	950,000 tons
(17) A reduction in the electricity sector's deficit to CFAF 25 billion.		
Overall risks rating:	Moderate.	
Operation ID:	P143781	

**IDA PROGRAM DOCUMENT FOR A
PROPOSED SECOND POVERTY REDUCTION SUPPORT CREDIT
TO THE REPUBLIC OF CÔTE D'IVOIRE**

1. INTRODUCTION AND COUNTRY CONTEXT

1.1 Following the return of political stability in mid-2011, the Republic of Côte d'Ivoire has made significant economic headway, consolidating an incipient recovery through sound macroeconomic management and consistent progress on structural reforms. Poor governance and periods of conflict have long constrained economic growth in Côte d'Ivoire, with the most recent disruption following the presidential election of November 2010 and lasting until April 2011. Since the end of the post-election crisis of 2010, the country has embarked on an ambitious and comprehensive reform program aimed at leveraging its considerable endowments of human capital, natural resources, and infrastructure to spur robust, broad-based and sustainable economic growth with the active engagement of the international donor community. The proposed operation supports a reform agenda that builds upon the progress made under its predecessor, the First Poverty Reduction Support Credit (PRSC-1), and reflects the Government's sustained commitment to achieving its development goals.

1.2 The proposed Second Poverty Reduction Support Credit (PRSC-2) in the amount of US\$70 million is the second in a programmatic series of three development policy operations (DPOs) designed to assist Côte d'Ivoire in attaining its stated objective of becoming an emerging market by 2020. Due to the uncertain political environment recent budget support operations in Côte d'Ivoire have been standalone grants, the latest of which, the Post-Conflict Reconstruction and Recovery Grant (PCRRG), was approved on September 15, 2011. The PRSC-1, approved by the Bank's Executive Board on August 30, 2013, marked a return to programmatic lending in the form of a series of three single-tranche DPOs. This longer planning horizon reflects the country's renewed political stability, enhanced security situation, rising civil service capacity, and its return to legislative normalcy in the wake of successful parliamentary elections in December 2011.

1.3 The proposed PRSC-2 has been prepared in line with good-practice principles for implementing development policy operations in fragile situations. Like PRSC-1, this operation focuses on areas of heightened importance in these special circumstances. These areas include (i) strengthening public confidence in government by improving budgetary transparency and the accountability of public officials; (ii) building investor confidence through rapid, highly visible improvements in the business climate; and (iii) boosting economic opportunity by focusing on potential sources of growth and employment, particularly labor-intensive exports.

1.4 The design of the series is rooted in the Bank's Africa Strategy. The reforms supported by the proposed series reinforce its cross-cutting foundation, *governance*, and include policies designed to reduce corruption, enhance transparency in the public service and strengthen the oversight role of civil society. Further reforms aim to bolster the *resilience* of the Ivorian economy by increasing the share of revenues received by farmers who produce the country's main export crop, cocoa, and by enhancing the quality of public expenditures. These efforts are

complemented by reforms designed to spur *job creation* by improving the business climate, boosting private investment, and supporting the growth of labor-intensive activities in rural areas, such as cashew production and cotton cultivation.

1.5 The political situation has stabilized since the new government was installed in May 2011, although some risks remain, including in the run-up to presidential elections in late-2015. The government of President Alassane Ouattara was inaugurated in May 2011,¹ and with Parliament formally reconvened on April 12, 2012, all three branches of government are now fully functional. Following an investigation of atrocities committed during the crisis, in November 2011 ex-President Laurent Gbagbo was charged with crimes against humanity and flown to the International Criminal Court in The Hague, where he remains in custody pending trial. Meanwhile, in Côte d'Ivoire, the Dialogue, Truth and Reconciliation Commission is now operational, and its mission remains vital to ensuring long-term stability. A framework for dialogue between the government and the opposition is now in place, though it has yet to yield a major diplomatic breakthrough.

1.6 The security situation has improved significantly. Security agencies and legal institutions, including the army, air force, navy, police, and judiciary, are once again under the full control of the government. The administrative reunification of the country and a full election cycle have been completed. Progress has been made in incorporating former combatants into the security forces and the civil service, leading the UN Security Council to approve a gradual scaling down of the United Nations Operation in Côte d'Ivoire's (ONUCI)'s military presence. In light of progress made in the Disarmament, Demobilization and Reintegration (DDR) of ex-combatants as well as security sector reforms, the United Nations Security Council voted unanimously at end-April 2014 to partially lift the arms embargo. In addition, it also agreed to terminate sanctions imposed in 2005 on diamond imports from Côte d'Ivoire, recognizing progress made in implementing the Kimberley Process Certification Scheme (KPCS) and better governance of the sector. Progress towards political reconciliation and restoring social cohesion continues. The African Development Bank has just moved back its headquarters to Abidjan. Yet, many of the root causes of the country's violent episodes need to continue to be fully addressed, in particular the security of land tenure, questions of national identity and high levels of unemployment, especially among the youth.

1.7 The most recent poverty assessment dates from 2008, but a new assessment is currently being prepared and is expected to be completed before March 2015. Since 1989, Côte d'Ivoire has experienced a drastic decline in living standards. Incomes for all but the top 20 percent fell by almost 7 percent per year between 1985 and 1993, and then improved briefly before falling again by about 1 percent per year from 1998 to 2008. Between 1985 and 2008, the share of the population living below the poverty line² is estimated to have increased from around 10 percent to about 43 percent. During this period, the deterioration of living standards has been both widespread and protracted, and the increase in the depth and severity of poverty over the same period was even more dramatic.

¹ The President was sworn in on May 6, 2011 and formally inaugurated on May 21, 2012.

² 75,000 CFAF per person per day at 1985 prices, or about US\$1.40 at 2008 prices and exchange rates.

2. MACROECONOMIC POLICY FRAMEWORK

A. RECENT ECONOMIC DEVELOPMENTS

2.1 **The economic recovery is proceeding at a rapid pace.** Economic activity has continued to rebound following the temporary downturn caused by the electoral crisis. After contracting by 4.7 percent in 2011, real GDP growth reached 10.7 percent in 2012 and 8.7 percent in 2013. Economic growth is projected to remain robust at 8.0 percent in 2014. Real GDP per capita is estimated to increase by more than 20 percent during 2012-2014. This exceptionally strong growth performance was driven by a combination of public and private investment, which generated a boom in the construction sector, as well as the positive response of agricultural production to improved government policies, especially the increase in the farm-gate floor price for cocoa, coffee, cashew nuts and cotton.³ The renewed momentum of the private sector was illustrated by the estimated 2,800 firms created in 2013 and by the remarkable increase in formal-sector employment observed during the year. These developments reflect the highly positive response of the private sector to the surge in public investment undertaken since 2012.

2.2 **Côte d’Ivoire is currently not directly affected by the Ebola crisis and no case of Ebola has appeared at this stage.** However, its proximity to two countries at the epicenter of the outbreak—Guinea and Liberia—makes the country vulnerable to the epidemic. Mindful of this risk the authorities are launching an intensive prevention campaign against this epidemic.

2.3 **The sustained recovery of growth in the wake of the post-election crisis is starting to have a tangible impact on living standards.** As part of its reforms in the cocoa and coffee sectors the government has applied a farm-gate floor price equivalent to 60 percent of the “cost, insurance and freight” (CIF) export price for cocoa, coffee, cotton and cashew nuts which has helped increase the income of more than 1 million farmers and about 6 million household members. The government also increased civil-service salaries in 2014 by partially unfreezing the graduated payscale, which had been frozen since 1988, and it delivered on several other wage promises made by the previous regime. Public investment policies have improved access to public services among a wide range of the population (including rural electrification, clean water distribution, road rehabilitation, construction of 65000 low cost housing and adoption of a universal health coverage), enhancing the inclusiveness of recent growth.

2.4 **After recording a large surplus in 2011, the current account posted deficits of 1.2 percent of GDP in 2012 and 4.8 percent in 2013, due in large part to the increase in imports generated by the acceleration of public investment.** In 2011, the current-account surplus reached almost 12 percent of GDP as a result of trade restrictions imposed upon the authorities as part of the EU embargo. These restrictions were lifted as the political situation stabilized, and moderate current-account deficits are expected to continue through 2017.

2.5 **Regional monetary policies have successfully contained inflation in the wake of supply-induced price increases.** Like many of its neighbors, Côte d’Ivoire’s monetary and

³ Cocoa exports rose from CFAF 1,298 billion in 2012 to CFAF 1,442 billion in 2013 and are projected at CFAF 1,415 billion in 2014. Increased production reflects good weather and the use of new crop varieties, as well as the continued increase in the farm-gate floor price guaranteed by the government. Gold exports more than doubled between 2011 and 2013, reaching 28,000 kg as the new Tongon mine further expanded its operations.

exchange rate policies are managed at the regional level by the Central Bank of West African States (*Banque Centrale des Etats de l'Afrique de l'Ouest* – BCEAO) and the West African Economic and Monetary Union (WAEMU), which maintains a peg between the West African CFA Franc (CFAF) and the euro. This arrangement has served Côte d'Ivoire well, and inflation has remained low, stable and resilient to global price volatility. Consumer price inflation is below the WAEMU target of 3 %.

2.6 After a sluggish start in 2011/12, credit to the private sector grew by 10.7 percent in 2013 and is expected to be even higher in 2014. This increase was driven by crop credits as well as medium- and long-term credits, reflecting the strengthening of economic activity and enhanced private-sector confidence. The government has adopted a comprehensive restructuring plan for the banking system, which is expected to lay the groundwork for the sustainable development of the financial sector.

2.7 Fiscal outcomes have consistently improved since 2011 as a result of sustained improvements in revenue collection and tight expenditure control. Notably, the overall fiscal deficit narrowed from 5.6 percent of GDP in 2011 to 3.1 and 2.3 percent in 2012 and 2013, respectively, partly reflecting a decline in electricity subsidies. At the same time, investment spending rose from 3.1 percent of GDP in 2011 to 6.1 percent in 2013. Investment is projected to increase to 6.3 percent of GDP in 2014, reflecting improvements in the execution of the capital budget, including improved project supervision. The 2013 fiscal deficit was financed through a net Treasury bond issuance of about 0.9 percent of GDP coupled with budget support from development partners.

Table 2.1: Selected Economic Indicators, 2012–16

	2012	2013	2014	2015	2016
	(Annual percentage changes, unless otherwise indicated)				
National income					
GDP at constant prices	10.7	8.7	8.0	8.0	7.7
GDP deflator	4.4	2.0	4.6	5.1	3.1
Consumer price index (annual average)	1.3	2.6	0.6	2.6	2.5
Consumer price index (end of period)	3.4	0.4	1.6	1.6	2.5
External sector (on the basis of CFA francs)					
Exports, f.o.b., at current prices	-4.1	5.7	13.3	14.4	10.0
Imports, f.o.b., at current prices	35.8	16.4	3.9	11.9	12.0
Export volume	7.9	6.7	4.9	12.4	8.8
Import volume	52.0	13.2	4.7	8.8	8.8
Terms of trade (deterioration –)	-4.1	-1.7	8.9	5.8	1.5
Nominal effective exchange rate	1.7	4.5	...	...	...
Real effective exchange rate (depreciation –)	2.5	2.5	...	...	...
	(Changes in Percent of Beginning-of-Period Broad Money)				
Money and credit					
Money and quasi-money (M2)	4.4	11.6	17.1	17.8	15.6
Net foreign assets	-5.5	0.1	1.6	5.0	1.8
Net domestic assets	9.8	11.5	15.5	12.9	13.8
<i>Of which:</i> government	5.5	3.5	2.0	1.1	0.2
<i>Of which:</i> private sector	5.3	10.7	13.5	11.8	13.5
	(Percent of GDP unless otherwise indicated)				
Central government operations					
Total revenue and grants	18.9	19.8	19.6	19.6	20.2
Total revenue	18.4	18.5	17.7	17.7	18.4
Total expenditure	22.1	22.1	21.8	23.0	23.5
Overall balance, incl. grants, payment order basis	-3.1	-2.3	-2.3	-3.5	-3.3
Primary basic balance ^{1/}	-1.2	-0.1	-0.5	-0.2	-0.2
Gross investment	16.5	17.0	17.3	18.5	19.2
Central government	4.5	6.1	6.3	7.5	7.3
Nongovernment sector	12.0	11.0	11.0	11.0	12.0
Gross domestic saving	20.5	16.8	19.2	21.2	21.3
Central government	1.9	3.2	2.7	2.7	3.0
Nongovernment sector	18.6	13.6	16.5	18.6	18.3
Gross national saving	15.3	12.2	14.2	16.5	16.8
Central government	1.3	3.8	4.1	4.0	3.9
Nongovernment sector	14.0	8.4	10.1	12.5	12.9
External sector					
Current account balance (including official transfers)	-1.2	-4.8	-3.2	-2.0	-2.4
Current account balance (excluding official transfers)	-1.7	-6.1	-5.1	-3.9	-4.2
Overall balance	-2.6	0.4	-0.3	1.0	0.3
Gross public debt ^{1/}	44.7	43.3	41.8	43.5	45.2
External public debt ^{1/}	28.0	25.9	27.1	30.5	31.9
External public debt (excluding C2D)	17.1	16.5	19.3	25.0	27.5
Public external debt-service due (CFAF billions)	245	243	326	386	434
Percent of exports of goods and services	3.7	3.5	4.2	4.3	4.5
Percent of government revenue	9.7	8.6	10.7	11.1	10.8
Memorandum items:					
Nominal GDP (CFAF billions)	13,835	15,346	17,333	19,670	21,861
Nominal GDP per capita (CFAF thousands)	592	638	699	770	831
Nominal GDP per capita (US\$)	1,160	1,291	1,444	1,578	1,711
Real GDP per capita growth (percent)	7.7	5.7	5.0	5.0	4.7
Poverty rate (in percent)	48.9	...	...	...	...

Sources: Ivoirian authorities; and IMF staff estimates and projections. ^{1/} Central government only.

Table 2.2: Fiscal Operations of the Central Government, 2011-17
(CFA F billion)

	2012	2013	2014	2015	2016	2017
Total revenue and grants	2,621.4	3,039.5	3,390.0	3,850.9	4,411.5	4,924.6
Total revenue	2,540.2	2,838.0	3,064.6	3,474.7	4,026.3	4,512.5
Tax revenue	2,213.0	2,408.6	2,645.9	2,942.4	3,417.7	3,856.9
Direct taxes	720.4	765.5	785.1	889.4	1,085.9	1,224.5
Indirect taxes	1,492.5	1,643.1	1,860.8	2,053.0	2,331.8	2,632.4
Nontax revenue	327.2	429.5	418.6	532.3	608.6	655.6
Grants	81.2	201.5	325.4	376.2	385.2	412.1
Total expenditure	3,054.0	3,385.6	3,781.9	4,531.5	5,140.3	5,696.9
Current expenditure	2,436.0	2,451.4	2,686.5	3,062.0	3,550.6	3,940.4
Wages and salaries	934.6	1,038.9	1,175.7	1,347.4	1,470.0	1,560.0
Subsidies and other current transfers	410.6	325.0	312.5	324.6	480.9	531.8
Other current expenditure	572.1	545.2	684.5	773.2	896.3	1,063.5
<i>Of which: Ebola</i>	0.0	0.0	3.0	35.3	0.0	0.0
Crisis-related expenditure	56.5	75.4	47.5	55.6	0.0	0.0
Interest due	233.0	214.8	207.3	295.1	331.8	368.7
On domestic debt	79.6	115.6	118.5	181.5	148.4	168.7
On external debt	153.4	99.1	88.8	113.6	183.3	200.0
Capital expenditure	615.8	934.2	1,095.4	1,469.5	1,589.6	1,756.5
Domestically financed	510.3	618.0	667.0	784.8	850.7	966.4
Foreign-financed	105.5	316.2	428.4	684.7	738.9	790.0
Primary basic balance	-170.4	-11.6	-78.6	-41.6	-43.2	-25.6
Overall balance, including grants	-432.7	-346.1	-391.9	-680.6	-728.7	-772.3
Overall balance, excluding grants	-513.9	-547.5	-717.3	-1,056.8	-1,114.0	-1,184.4
Change in domestic arrears and float (excl. on debt service)	190.7	39.7	-120.0	-100.0	-55.3	-40.0
Overall balance (cash basis)	-242.0	-306.3	-511.9	-780.6	-784.0	-812.3
Financing	307.0	306.3	511.9	780.6	784.0	812.3
Domestic financing	158.1	32.4	-103.1	26.3	285.6	317.7
Bank financing (net)	192.0	134.2	-104.6	-30.9	131.8	133.2
Nonbank financing (net)	-33.9	-101.8	1.6	57.2	153.8	184.6
External financing	245.7	273.9	516.2	623.0	414.2	453.7
Financing gap (+ deficit / – surplus)	0.0	0.0	98.8	131.2	84.2	40.9
Possible financing 2011-14 (excluding IMF)	...	...	50.4	58.3	0.0	0.0
Program grants and loans	...	...	50.4	58.3	...	...
Residual gap	...	...	48.4	72.8	84.2	40.9
<i>Of which: IMF-ECF</i>	...	...	48.4	72.8	0.0	0.0
<i>Memorandum items:</i>						
Nominal GDP - Fiscal Year	13,835	15,346	17,333	19,670	21,861	24,172
External debt	3,874	4,045	4,569	5,360	5,705	6,083
Pro-poor spending (including foreign financed)	980.0	1,337.1	1,493.6	1,789.7	...	...

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

Table 2.3: External Financing Requirements, 2012-17
(CFA F billion)

	2012	2013	2014	2015	2016	2017
Overall balance	-362	60	-44	203	66	241
Financing	362	-60	44	-203	-66	-241
Reserve assets, includes reserve position in the Fund	362	-60	-55	-329	-150	-282
Operations account	266	-133	-88	-300	-116	-218
IMF (net)	96	72	33	-29	-34	-63
Disbursements	101	72	36	0	0	0
Repayments	-5	0	-3	-29	-34	-63
Financing gap	0	0	99	126	84	41
Memorandum items:						
Overall balance (percent of GDP)	-2.6	0.4	-0.3	1.0	0.3	1.0
Current account (percent of GDP)	-1.2	-4.8	-3.2	-2.0	-2.4	-2.7
Trade balance (percent of GDP)	11.1	7.1	10.1	10.8	10.1	9.7
Gross imputed official reserves (stock - end of year)	1,297	1,300	1,388	1,706	1,844	2,111
(months of imports of goods and services)	2.6	2.3	2.2	2.5	2.4	2.5
(percent of broad money)	12.4	11.8	10.5	11.0	10.4	10.4
WAEMU gross official reserves (billions of US\$)	29.3	30.4	...	...	...	...
(percent of broad money)	47.4	47.3	...	...	...	...
(months of WAEMU imports of GNFS)	5.0	4.7	...	...	...	...
Nominal GDP (billions of CFA francs)	13,835	15,346	17,333	19,670	21,861	24,172
Exchange rate (CFAF/US\$) average	510.2	493.9	484.3	488.2	485.7	481.7
Exchange rate (CFAF/US\$) end-of-period	500.0	478.7	490.6	487.0	483.9	480.2

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

2.8 In September 2014, the government decided to comprehensively reduce arrears before end-2014 that had accumulated in particular in the energy sector.⁴ Notably, arrears towards the refinery in the amount of CFA F 45 billion have been settled, which will allow the refinery to move towards financial equilibrium and gain access to financing from the IFC. A further reduction of CFA F 40 billion is planned before year-end. With a view to preventing accumulation of new arrears—largely due to delays in payment of subsidies—the government has adopted a cash plan that will ensure the prompt payment of these subsidies. A sum of CFA F 29 billion has been earmarked in the 2015 budget for the cost of liquid fuel subsidy to the electricity sector.

2.9 In 2012, Côte d’Ivoire reached the completion point of the enhanced Heavily Indebted Poor Countries (HIPC) program. The Boards of the IMF and IDA verified that the completion point had been reached on June 26, 2012,⁵ triggering a debt relief package of more than US\$4 billion,⁶ though approximately half of this amount had already been provided as

⁴ Out of CFAF 200 billion in total arrears CFAF 58 billion are expected to be settled through issuance of obligations on WAEMU financial markets, while the government will issue securities for the remainder.

⁵ The IMF Board approved the completion point provisionally on June 25th pending IDA approval.

⁶ In 2011 terms and including additional debt relief provided under the Multilateral Debt Relief Initiative (MDRI).

interim debt relief.⁷ On June 29, 2012, Côte d’Ivoire reached an agreement with the Paris Club, cancelling nearly all its outstanding debts with participating bilateral creditors.⁸ Côte d’Ivoire has fully normalized its relations with all of its international creditors; in November 2012 it signed a repayment plan with existing Eurobond holders, who agreed to reopen the window for issuing same-date Eurobonds to Sphynx and Standard London creditors with claims fully in arrears. The exchange included a partial cancellation of these claims in line with the HIPC initiative.

B. MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

2.10 Côte d’Ivoire’s macroeconomic framework captures the balance between fiscal constraints and the urgent need for public investments to shore up economic stability and growth. The 2015 budget calls for a significant additional increase in public investment financed by a combination of donor inflows, domestic borrowing, and a moderate increase in tax revenues. Under the present IMF Extended Credit Facility, the authorities plan to increase the central government’s gross investment from 6.1 percent of GDP in 2013 and 6.3 percent in 2014 to about 7.5 percent over the medium term. Assuming GDP growth rates of around 7-8 percent (Table 2.1), these levels of investment imply that the overall fiscal deficit (including grants) of 2.3 percent of GDP in 2013 and 2014 will rise to 3.5 and 3.3 percent of GDP in 2015 and 2016, respectively.^{9 10} Following more than a decade of wage and hiring freeze in the civil service, the government has now—in line with a medium-term wage strategy approved under the IMF program and consistent with medium-term fiscal sustainability—approved an increase in wages and hiring that will lead to an increase of the wage bill in nominal terms, but not as a percentage of GDP.¹¹

2.11 The GDP growth targets included in the government’s National Development Plan (NDP) are higher than those underpinning the IMF program; these targets can be viewed as an ambitious but reasonable “high-case” scenario. The NDP (2012-2015) aims to achieve double-digit growth rates of about 10% in 2014 and 2015, which assumes a higher overall investment rate than envisaged by the IMF financed by larger public- and private-sector inflows. The NDP calls for public investment to rise rapidly from 7.1 percent of GDP in 2013 to 8.2 percent in 2014 and 9.1 percent in 2015.

2.12 Côte d’Ivoire’s membership in the CFA zone prevents it from using the exchange rate as a tool to improve competitiveness. Recent estimates of the real exchange rate have shown that it has been on a depreciating trend and is broadly in line with its equilibrium level.¹² In addition, the recent depreciation of the Euro has further boosted competitiveness of Côte d’Ivoire’s main export commodities, which are mostly traded in US Dollar.

⁷ Debt relief under HIPC (excluding MDRI) was US\$3.1 billion, of which Côte d’Ivoire had already received about 69 percent by the completion point (IDA Report No. P7753-CI, p. 15).

⁸ Much of this debt relief (e.g., from France, the country’s main bilateral creditor, and Spain) will be provided in the form of debt swaps for development projects.

⁹ The cost of the prospective Universal Health Insurance is estimated at CFAF 10 billion in 2015.

¹⁰ Table 2.2 shows notional financing gaps that are tentative projections.

¹¹ It is expected to continue to increase through 2020 and subsequently projected to fall.

¹² See 2013 Article IV Consultation (IMF Country Report No. 13/267), p. 84.

2.13 Broad based robust economic growth is projected to continue, including in the secondary and tertiary sector. The primary sector will benefit particularly from the continued increases in international cocoa prices which have risen from US\$2820 per ton at end-2013 to US\$3220 per ton in September 2014, reflecting growing demand especially from Asia. This would provide significant revenues to the government and substantial income to farmers, especially given the expected positive impact of ongoing structural reforms in the cocoa sector. The reforms include the application of the forward-sales mechanism, which provides enhanced revenue predictability to cocoa farmers. Cocoa prices are projected to continue to increase through 2017, reflecting higher global demand driven by emerging markets. Gold prices are projected to remain between US\$980 and US\$1149. In combination with ongoing efforts to improve productivity and export quality, higher commodity prices are likely to spur continued growth in key agricultural value chains. In addition, the consolidation of political stability is expected to encourage greater private investment, including in sectors such as light manufacturing and agro-processing, telecommunications and constructions.

2.14 Current-account deficits are projected to widen over 2014-17. A current-account deficit of 4.8 percent of GDP in 2013 is expected to decrease to a 3.2 percent in 2014 and 2 percent in 2015, as exports growth lightly outpaces import. Exports are expected to rise by 4.9 percent, 12.4 percent and 8.8 percent, respectively, in 2014, 2015 and 2016, while imports are expected to grow by 4.7 percent in 2014, before accelerating to 8.8 percent in 2015 and 8.8 percent in 2016.

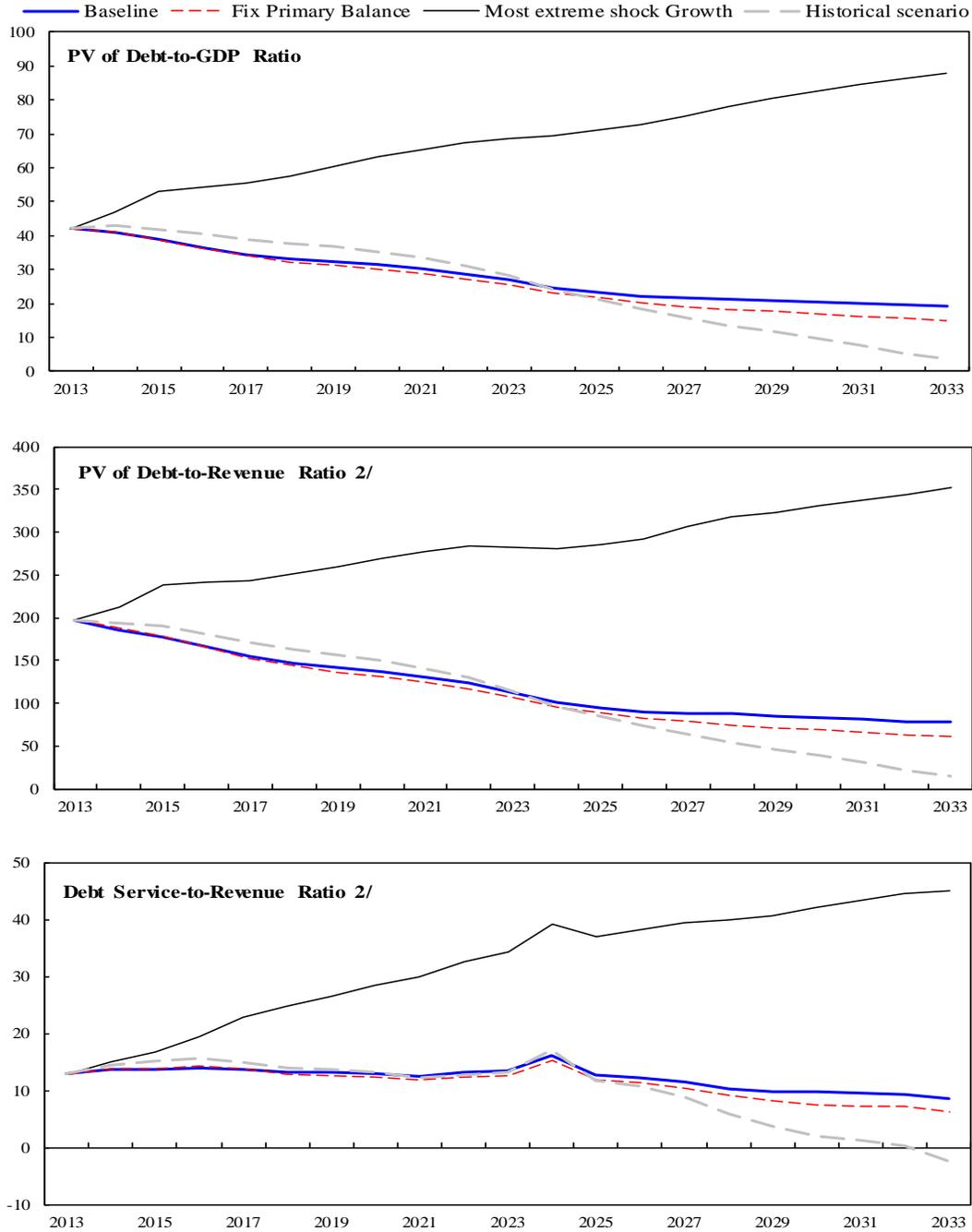
2.15 Inflation is expected to be well managed at the regional level. Inflation should remain within the WAEMU target of 3 percent. Measures designed to encourage competition and a proactive government response to anticompetitive practices (e.g., in the rice import market) may exert additional downward pressure on inflation. Consumer price inflation is projected to remain at around 2.5 percent over the medium term.

2.16 Debt relief has greatly improved the sustainability of the public debt profile, but challenges remain. A combination of bilateral and multilateral debt relief has cut Côte d'Ivoire's nominal debt stock by about two thirds. This has allowed the authorities to resume debt service payments to commercial creditors and normalize creditor relations, increasing its ability to pursue countercyclical fiscal policies and make strategic public investments. However, the resumption of regular interest payments and the likelihood of new borrowing will increase debt service requirements over the medium term. In this context, and with a view to improving fiscal planning, the government approved a medium-term debt strategy in 2013. And in 2014, the government established a new debt management structure incorporating front, middle, and back offices.

2.17 A joint Bank-Fund post-HIPC debt sustainability analysis issued in November 2013 found that Côte d'Ivoire is at moderate risk of debt distress. Under the baseline scenario, external debt indicators remain below their indicative thresholds. Indeed, the present value (PV) of external public and publicly guaranteed (PPG) debt relative to GDP is projected to decline over the projection period. The PV of external PPG debt relative to exports is also anticipated to stay below its indicative threshold throughout the projection period, reflecting rising exports. Debt service ratios are also projected to remain below their indicative thresholds over the projection period. The dynamics of debt service are primarily driven by (i) a rise in debt service

maturities on existing debt through the mid-2020s, including from the debt relief process associated with debts to France cancelled under the C2D mechanism and a projected Eurobond for which a bullet repayment would fall due in 2024, and thereafter by (ii) debt service maturities on projected new debt while maturities on existing debt steadily declines.

Figure 2.1: Indicators of Public Debt Under Alternative Scenarios, 2013-2033 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in 2023.

2/ Revenues are defined inclusive of grants.

2.18 **However, the standard sensitivity tests reveal vulnerabilities to shocks.** While external debt service ratios are projected to remain below their indicative thresholds over the medium term, the country's vulnerability to shocks underscores the importance of continued prudent debt management. Côte d'Ivoire's external debt outlook is most vulnerable to a combined shock to GDP growth, exports, inflation, and net non-debt-creating flows. Under this scenario the debt-to-GDP and debt-service-to-revenue ratios both breach their indicative thresholds beginning in 2014 and subsequently fall back below their thresholds some 10 years later. The debt-service-to-exports ratio is most sensitive to slower export growth and lower net non-debt-creating flows. The vulnerabilities to shocks over the medium and long term highlight the need to carefully manage external public borrowing in the post-HIPC period. At present, nearly all of Côte d'Ivoire's external debt is public or publicly guaranteed.

2.19 **The current macroeconomic framework is judged to be appropriate.** Côte d'Ivoire has successfully emerged from a period of extreme economic uncertainty, during which long-term planning was deferred in favor of more immediate concerns. The resumption of long-term strategic planning is reflected in the 2013 and 2014 National Budgets, as well as a range of ambitious reforms pursued under the National Development Plan. Given continuing domestic and international uncertainties, responsible macroeconomic management will continue to require balancing ambition against realism, particularly in the emerging natural resource sector, and exploiting opportunities while hedging against risks, including the prospect of further disruptions in the global economy. In addition, it will be important for the government to continue to ensure effective policy implementation despite the persistent capacity constraints of the public administration and an incentive structure that is not always compatible with intended outcomes. Notwithstanding these challenges, the government has demonstrated its ability to respond to changing circumstances and meet economic targets while continuing to make tangible progress on its ambitious agenda of long-term structural reforms.

C. IMF RELATIONS

2.20 **The macroeconomic analysis underpinning PRSC 2 is in line with Côte d'Ivoire's economic and financial program supported by an arrangement under the Extended Credit Facility (ECF), which was approved by the IMF Executive Board on November 4, 2011.** This program aims at strengthening macroeconomic stability and improving public financial management by implementing broad-based structural reforms, consistent with the objectives of the National Development Plan (NDP). The fifth review under this program was completed by the Fund's Executive Board in June 2014 and the sixth review under the program and its extension by one year is scheduled to be presented to the IMF Board on December 5, 2014. Bank and IMF staff teams are working in close collaboration, with Bank staff participating in all IMF review missions. Bank staff provide detailed inputs to the IMF team in all areas where the Bank is the primary agency, include agricultural development, the energy sector, and public administrative reform, and IMF staff regularly share their macroeconomic and financial analyses with Bank counterparts.

3. THE GOVERNMENT'S PROGRAM

3.1 **The government's program is summarized in the new National Development Plan (NDP).** The plan was formally adopted by the Council of Ministers on March 28, 2012. It is organized around five strategic axes:

1. People live in harmony in a secure society in which good governance is assured;
2. National wealth is increased, sustained and its fruits are distributed equitably;
3. Populations, especially women, children and other vulnerable groups have equal access to quality social services;
4. People live in a healthy environment with adequate living conditions;
5. Côte d'Ivoire repositions itself at the regional and international level.

3.2 **The NDP was developed through a participatory process that included consultations held in all regions of the country.** This was particularly important in the current political context, as inclusive policymaking and nationwide economic growth benefitting all levels of society are essential to strengthen public security and support the process of national reconciliation.

3.3 **A recent joint staff advisory note (JSAN)¹³ on the NDP commended the government for preparing a well-structured and comprehensive strategy aimed at transforming Côte d'Ivoire into an emerging economy by 2020.** The government's reform priorities have already been translated into a detailed action plan that has been costed, prioritized and sequenced. However, this reform program has not yet been fully reflected in line ministries' individual action plans and budgets. A thorough review of the mid-term implementation of the NDP is currently underway and a report should be finalized by end-2014. A new NDP (2016-2020) should be ready by mid-2015. Continued progress in the business environment will be essential to accelerating broad-based growth; this includes reducing the cost of procuring industrial land, improving logistics, increasing investment in energy and putting the energy sector on sustainable financial footing. Continued improvement in the performance of public enterprises is needed, including the steady implementation of the restructuring plan of the five public banks already adopted by the Government. One public bank was already liquidated in early October 2014. A comprehensive restructuring plan for the financial sector has also recently been adopted. The far-reaching strategies for education and social protection will also need to be implemented steadfastly. A strengthening of monitoring and evaluation, based on the regular collection of high-quality data from households and firms, will be needed.

4. THE PROPOSED OPERATION

A. LINKS TO GOVERNMENT'S PROGRAM AND OPERATION DESCRIPTION

4.1 **The proposed PRSC supports a balanced reform program focused on strengthening public administration and facilitating private-sector growth.** Improved governance and the continued improvement of the business climate are critical to reducing extreme poverty and

¹³ IDA Report Number 77895-CI.

promoting shared prosperity. In line with the programmatic series, the proposed operation supports reforms under three pillars, which correspond to key areas of the government’s development strategy. Pillar 1: Good Governance, Transparency, and Enhanced Public Financial Management includes (i) improve governance and increase the financial transparency of public institutions, and (ii) enhance the efficacy of public financial management. Pillar 2: Improving the Business Climate and Revising the Legal Framework for Private Enterprise, supports measures to reform the regulatory structure for the private sector and improve the business environment. Pillar 3: Strengthening Economic Sectors with High Growth Potential supports reforms designed to (i) enhance governance in the agriculture sector and boost agricultural productivity, and (ii) improve the management of the energy sector and reinforce its financial sustainability.

Table 4.1: Changes in PRSC-1 triggers for PRSC-2 prior actions

Original PRSC-1 Triggers	Reasons for changes / proposed PRSC-2 Prior Actions
A law creating an independent anticorruption authority is formally adopted.	As this measure was already passed in late 2013, it is replaced by measures to operationalize the High Authority on Good Governance: (i) The appointment of the Secretary General and of members of the High Authority for Good Governance by the Council of Ministers for the functioning of the High Authority for Good Governance. (ii) The passage of a Ministerial decree for the 2014 budget for the High Authority for Good Governance.
The National Committee for Public-Private Partnerships expedites a set of 10 priority projects selected to support the NPD.	The National Committee has not only approved the original set of projects, but has since expanded its efforts to encompass partnership agreements in other priority areas. Consequently, this prior action is no longer relevant and has been removed.
A policy framework for public-private partnerships in the rice sector is adopted.	The government no longer intends to adopt a specific framework for the rice sector, but will instead include public-private partnerships in the sector under the general policy framework adopted last year; this prior action is consequently eliminated.
The Coffee-Cocoa Council adopts an updated 2 QC in the cocoa sector under the new framework for public-private partnerships.	This measure has been fully implemented for some time; it is no longer suitable as a prior action.
The Coffee-Cocoa Council endorses the results of the census of cocoa producers.	This measure has been postponed until PRSC-3 due to difficulties contracting a company to validate the results of the census.
A new progressive tariff schedule is implemented in the electricity sector.	The government has decided against increasing electricity tariffs at this juncture and will instead mitigate electricity subsidies by increasing prices for electricity exports to neighboring countries; this prior action has therefore been eliminated.

4.2 **The proposed operation is the second of three annual single-tranche operations timed to coincide with the end of Ivorian government’s fiscal year.**¹⁴ The PRSC-2 is a development policy credit in the amount of SDR 47.3 million, (US\$70 million equivalent), which represents approximately one third of planned new IDA commitments to Côte d’Ivoire for FY15. Most PRSC-2 prior actions remained unchanged from the time of the Board meeting. However, as described in table 4.1 above, some of the prior actions have been modified slightly to reflect changing circumstances.

Table 4.2: PRSC-1 Main results

Pillar 1: Good Governance, Transparency and Enhanced Public Financial Management
<ul style="list-style-type: none"> • Governance: In addition to the Anti-Corruption Law, the Law Creating the Independent Authority for Good Governance was passed by the National Assembly, and the High Authority on Good Governance has been established. • PFM reform: WAEMU directives on finance laws and the transparency code were approved by Parliament. PEMFAR shows substantial improvement across the board. • Procurement: A major procurement-reform program is currently underway, including the adoption of a decree specifying maximum processing times and comprehensive capacity-building measures.
Pillar 2: Improving the Business Climate and Revising the Legal Framework for Private Enterprise
<ul style="list-style-type: none"> • Reforms spearheaded by the one-stop shop for business registration succeeded in further reducing the number of days needed to open a business from 3 to 1. • New procedures for issuing construction permits are being implemented within the Ministry of Construction, resulting in a reduction in time requirements from 364 days to 87, in the number of procedures from 16 to 11, and in average costs from CFAF 820,210 to CFAF 371,886; the requirement of registering projects with the Order of Architects (at a cost of CFAF 425,210) has been eliminated. • The number of procedures necessary to obtain a 160KVA electricity connection for a warehouse has been reduced from 8 to 4, and the time required has been cut from 55 days to 28. • Shareholders may seek redress from a firm’s managers for management-approved transactions that have been compromised by improprieties or conflicts of interest.
Pillar 3: Strengthening Economic Sectors with High Growth Potential
<ul style="list-style-type: none"> • The adoption of a strategy for developing the rice subsector has helped boost rice production by about 50 percent. • Favorable producer prices and sectoral reforms have helped to further increase cocoa production. • Measures have been taken to expand access to energy by low-income households.

B. PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

4.3 Extensive analytical work underpins each of the policy areas covered by the proposed operation. The latest poverty assessment, undertaken using 2009 household survey data, was disseminated and published. Good governance and anticorruption policy is informed by a 2010 World Bank governance survey. The 2008 Public Expenditure Management and Financial Accountability Review (PEMFAR) provided comprehensive benchmarks for public financial management and has since been used by the government as a baseline for self-assessments in 2010 and 2012. A new PEMFAR, conducted in 2013, confirmed significant progress in a number of areas, including budget planning and reporting. The Bank has provided timely technical

¹⁴ The government’s fiscal year runs from January 1st to December 31st.

advice on the government’s business-climate reform agenda, including a new draft investment code, the framework for commercial courts, the “one-stop shop” center for business registration, the designation of industrial zones, and the regulation of public-private partnerships. In terms of agricultural productivity and job creation, the World Bank study “Sources of Growth,” completed in 2011, provided important insight into the potential drivers of economic growth. A study on growth in non-agricultural value chains was completed in mid-2014; it confirmed recent positive developments and a forward-looking outlook for the Ivorian manufacturing sector. This study also highlighted the significant potential of new labor-intensive manufacturing industries, especially on regional markets, and described the necessary conditions for facilitating their growth. In the energy sector, an institutional review and an evaluation of tariffs were completed in early 2012; a study on the social impacts of electricity tariff reforms was finalized in 2013; and a policy note on energy was included in the “Sources of Growth” report.

4.4 **A recent evaluation of the international experience summarizes key lessons learned from the implementation of DPOs in fragile situations.** According to this study, essential prerequisites for effective DPOs include ensuring (i) that formal authority is no longer vested in a transitional body; (ii) that there is sufficient reason to believe that the resources provided will be used appropriately; (iii) that national leaders are committed to an agenda that promotes stability; and (iv) that the resources provided will be used to pursue positive development outcomes.¹⁵ Côte d’Ivoire clearly satisfies all four of these conditions. The study further recommends that DPOs in fragile situations be used to maintain macro-budgetary stability, prioritize reforms that strengthen public financial management, support the justice sector in building its legitimacy, and focus on expanding economic opportunity by removing obstacles to private-sector growth.¹⁶ The proposed operation is designed to reflect these important lessons.

Table 4.3: PRSC 2 Prior Actions and Analytical Underpinnings

PRSC-2 Prior Actions	Analytical Underpinnings
Pillar 1: Good Governance, Transparency, and Enhanced Public Financial Management	
<p><i>Pillar 1 Areas: Corruption; procurement; local governments</i></p> <ol style="list-style-type: none"> 1. The appointment of the Secretary General and of members of the High Authority for Good Governance by the Council of Ministers for the functioning of the High Authority for Good Governance. 2. The passage of a Ministerial decree for the 2014 budget for the High Authority for Good Governance. 3. The passage of a decree establishing procurement units in public agencies. 4. The adoption of a strategic framework for PFM reform, including an action plan to modernize the PFM system and implement the decentralization agenda. 	<ul style="list-style-type: none"> • Poverty and inequality are exacerbated by corruption. • It is necessary to improve how public contracts are awarded and how civil servants are managed. • The quality of public institutions and the services they provide varies significantly across regions and sectors. <p><i>“Diagnostic Study of Governance in Côte d’Ivoire” (January 2013)</i></p> <ul style="list-style-type: none"> • The allocation of resources from the central government to subnational governments is not determined by transparent, rules-based systems. • The link between official policies and actual budget execution is undermined by excessive recourse to extra-budgetary procedures. • The transparency of budget execution is compromised by a lack of

¹⁵ World Bank, Operations Policy and Country Services Department, *Good Practice Note for Development Policy Lending: Designing Development Policy Operations in Situations of Fragility*, December 2011, paragraph 8.

¹⁶ *Ibid.* paragraphs 16-24.

PRSC-2 Prior Actions	Analytical Underpinnings
	<p>effective controls over the use of budgetary resources.</p> <ul style="list-style-type: none"> • Procurement processes suffer from the ineffective application of the new procurement code, which is hampered by capacity constraints. “PEMFAR” (2008; 2012)
Pillar 2: Improving the Business Climate and Revising the Legal Framework for Private Enterprise	
<p><i>Pillar 2 Areas: The framework for commercial courts; the one-stop shop for business registration; public-private partnerships; industrial zones</i></p> <p>5. The adoption of a decree reducing the cost of property registration and the creation of an online tool for property registration.</p> <p>6 Issuance of invitation to tender for at least three PPPs.</p>	<ul style="list-style-type: none"> • Lack of access to effective dispute-resolution mechanisms is among the most important constraints to private investment. • New business startup is burdened by unnecessary bureaucratic procedures and institutional complexity. • Deficiencies in physical infrastructure are a key obstacle to private investment, but the government lacks adequate resources and implementation capacity for large-scale infrastructure projects. “Investment Climate Assessment” (2012).
Pillar 3: Strengthening Economic Sectors with High Growth Potential	
<p><i>Pillar 3 Areas: Agricultural sectors with high growth potential</i></p> <p>7. The publication of the audit report on the cocoa forward-sales system and the management of the Technical Reserve Fund, including the results of forward-sales auctions from the 2012/13 harvest year and prices received by producers.</p> <p>8. The adoption of an action plan based on the findings of the PER for the agriculture sector.</p> <p>9. The adoption of measures to promote cashew processing, including; (i) establishment of a fund to support technical assistance activities; (ii) launch of a tender to recruit service providers of technical assistance to cashew nut processors; and (iii) the establishment of a cashew nut processor association.</p>	<ul style="list-style-type: none"> • Cotton, cashew and rice production have high growth potential. • Cashew processing has significant potential for employment creation, and Côte d’Ivoire is well positioned to be a strong international competitor in industry. • Cocoa production has significant potential for poverty reduction, provided farm-gate prices can more closely reflect export prices and farmers can achieve greater income security. “CEM on Sources of Growth” • The effectiveness of agriculture spending is undermined by the weak governance of the sector, including the absence of comprehensive databases of producers and cooperatives. “Public Expenditure Review: Agricultural Sector” 2014
<p><i>Pillar 3 Areas: Improvement of the management of the energy sector and reinforce its financial sustainability.</i></p> <p>10. The billing of electricity exports to Burkina Faso and Mali in 2014 above the contractually guaranteed reflect their marginal cost.</p> <p>11. The clearance of arrears in the amount of CFA F 30 billion to the National Oil Refinery (SIR)</p>	<ul style="list-style-type: none"> • Subsidies should be focused on low-income users in Côte d’Ivoire • Non-payment by the state was forcing the refinery to resort to costly short-term trade credits

Pillar 1: Good Governance, Transparency, and Enhanced Public Financial Management

(i) Improving governance and increase financial transparency in public institutions

Recent progress and current challenges

4.5 Governance needs to continue to be strengthened to further enhance economic policy. Recognizing the critical importance of governance reform, Côte d'Ivoire has embarked on a comprehensive program designed to enhance the effectiveness and transparency of public administration. With the support of a World Bank technical assistance project, the Governance and Institutional Development Grant (GIDG), the government has succeeded in introducing a new human resources information system for civil servants,¹⁷ which has helped uncover ghost workers, improve the evaluation of staff performance, reduce transaction costs by executing administrative processes online, and strengthen the integrity of the payroll system. Public finance management has been further enhanced by the creation of a public procurement regulatory authority,¹⁸ while enhanced controls and reporting requirements have made budget management more transparent. A new code of ethics for public procurement was published in 2010, and a hotline for reporting corruption in public procurement is currently operational.

4.6 The creation of the High Authority for Good Governance has helped to make Côte d'Ivoire's governance reform and anticorruption program more strategic and comprehensive. This new institution was established following Parliament's adoption of the new Anticorruption Law. The High Authority's powers and responsibilities are defined in the Law Establishing the High Authority for Good Governance which was approved by Parliament at the same time as the Law on Anti-Corruption.

Next Steps and Expected Results

4.7 The most pressing challenges in governance reform are to ensure that the new High Authority for Good Governance is fully operational (including budget, staff, systems and offices) and that the National Governance Plan is effectively implemented. At the same time, the government must work to further strengthen the laws regarding the conduct of public officials and measures for fighting corruption in both the public and private sectors. While the National Governance Plan provides a thorough, sequenced, and results-oriented agenda for strengthening governance and improving public service delivery, implementing it will require establishing an appropriate institutional framework, and operationalizing the High Authority for Good Governance will be crucial to its success. In 2015, the government plans to establish a "National Observatory"¹⁹ comprising representatives of the public sector, the private sector, academic institutional and civil society, which will advise the government on further efforts to reduce corruption and promote good governance.

¹⁷ The Integrated System for Managing Government Officials and Agents (*Système Intégré de Gestion des Fonctionnaires et Agents de l'Etat*).

¹⁸ *Autorité de Régulation des Marchés Publics*.

¹⁹ *Observatoire National*.

4.8 The proposed operation supports these measures through the inclusion of the following prior actions:

- The appointment of qualified individuals to the position of Secretary General and members of the High Authority for Good Governance by the Council of Ministers;
- The passage of a Ministerial decree for the 2014 budget for the High Authority for Good Governance.

4.9 The indicative trigger for the PRSC-3 will be the formal establishment of the National Observatory by the high authority for good governance. The inclusion of private-sector and civil-society stakeholders in the governance reform process should further strengthen the legal, institutional, and operational framework for enhancing transparency and accountability. Transparency International’s Corruption Perceptions Index will provide a suitable metric for gauging progress in this area, and the proposed target for the series will be for Côte d’Ivoire to score below 100 on the Corruption Perceptions Index by end-2015. An additional target will be to increase the number of prosecuted corruption cases from 2 at end-2012 to 30 by end-2015.

(ii) Enhancing the efficacy of public financial management

Recent progress and current challenges

4.10 After four years of modest but sustained success in improving public financial management (PFM), Côte d’Ivoire is now embarking on new stage in the reform process. Guided by the PEMFAR diagnostics conducted in 2008 and 2013, the authorities are consolidating recent improvements in budget preparation, execution, control, and reporting. The government has now begun the task of aligning its PFM systems with current WAEMU directives, which are expected to be implemented in all member countries over the next 3 years. Near-term reforms will focus on (i) building capacity for budget preparation, including public investment planning, through the use of a Medium-Term Expenditure Framework (MTEF), along with multi-year programming documents and macroeconomic modeling techniques; (ii) enhancing the transparency and efficiency of public procurement by building the capacity of procurement authorities and strengthening management and control mechanisms; and (iii) reinforcing internal and external audit and control functions. These measures will also improve the government’s ability to integrate donor assistance into its PFM strategy.

4.11 Recent Public Expenditure and Financial Accountability (PEFA) assessments have helped to organize the government’s PFM priorities. Multiple dimensions of PFM remain in need of improvement, and in the government’s 2012 self-assessment a number of key indicators scored a “C” or a “D.” These include monitoring the status of arrears (indicator 4), ensuring that comprehensive information is included in budget documents (indicator 6), shoring up the collection of tax payments (indicator 15), reinforcing payroll controls (indicator 18), performing regular internal audits (indicator 21), guaranteeing appropriateness in the scope, nature and follow-up on external audits (indicator 26), enforcing legislative oversight of budget processes (indicator 27), and encouraging legislative scrutiny of external audit reports (indicator 28).

4.12 **A recent World Bank study assessed the adequacy of PFM by local governments; it identified their strengths and weaknesses and recommended a set of options for institutional strengthening through technical assistance and capacity building.** The study has also mapped the PFM systems of governments at the regional, districts and commune levels and compiled their existing legal, institutional, procedural and regulatory frameworks. There are significant differences between how this framework is expected to function in principle and the way that it actually operates. Additional financing provided through the Bank's recently approved the Growth and Institutional Development Grant (GIDG) project will help to further enhance PFM at the local level.

Next steps and expected results

4.13 **In 2013 Parliament approved the new Organic Budget Law and the Transparency Code for Public Financial Management, marking a significant step toward aligning Côte d'Ivoire's legislative framework with regional PFM standards.** Both of these laws accord with new WAEMU directives for PFM; the current priority is to ensure their implementation. To this end, the government has elaborated a strategic framework for PFM reform and an action plan for modernizing PFM systems and implementing additional regional guidelines.

4.14 **Following the adoption of new standard bidding documents, the government is committed to making further progress on procurement reforms.** After the creation of the Public Procurement Regulation Agency, a new Procurement Code was adopted in June 2013 by the Council of Ministers. The new standard bidding documents increase efficiency by minimizing errors, waste, and opportunities for corruption by consolidating the previously numerous and highly discretionary documents. The creation of new procurement units in all public agencies identified by the procurement code is a further critical step toward building the capacity necessary to ensure the effective implementation of the procurement code.

4.15 **To enhance local authorities' capacity to provide services, the government intends to support the development of a local PFM system, which will promote better utilization of resources and improve transparency at the local level.** The government is in the process of developing an Integrated Information Management System for Local Governments,²⁰ which it is piloting in 8 municipalities. The pilot phase will be evaluated with the support of technical assistance provided through the GIDG project, and potential modifications will be considered before the project is expanded to other localities.

4.16 **The proposed operation would support the government's PFM agenda through the inclusion of the following prior actions:**

- The passage of a Ministerial decree establishing procurement units in public agencies;
- The adoption of a strategic framework for PFM reform, including an action plan to modernize the PFM system and implement the decentralization agenda.

4.17 **The indicative trigger for the PRSC-3 will be the implementation of PFM reforms based on the action plan, including:** (a) the creation of procurement audits in all agencies

²⁰ *Système Intégré de Gestion des Collectivités Décentralisées – SIGESCOD*

specified in the procurement code; (b) the establishment of a Directorate for Monitoring and Evaluation of public contracts; (c) the deployment of the Integrated Information Management System for Local Governments in at least 10 localities; (d) the appointment of the members of the steering committee, the technical committee and the coordination team responsible for leading and coordinating the implementation of the strategic framework for PFM reform; and operationalization of the coordination team through providing office space, equipment, and budget to support its operating cost; and (e) the adoption of the Organic Law related to the attributions and functioning of the Court of Accounts; the appointment of its Presidents and the staff of the Court (e.g. office provided and equipped and allocation of an adequate budget to cover the operating cost of the Court). Intermediate results indicators include the production of computerized quarterly budget-execution reports by a least 10 local governments by end-2015, the establishment of procurement units in all government agencies, and an increase in the number of procurement audits from 10 to 100. In addition, the share of single-source procurement is targeted to fall from an average of 37 percent to less than 15 percent of all contracts.

Pillar 2: Improving the Business Climate and Revising the Legal Framework for Private Enterprise

Recent progress and current challenges

4.18 **Côte d’Ivoire continues to achieve significant improvements on the overall ease of doing business, ranking 147th out of 189 countries in the 2014 *Doing Business* survey.** This is an improvement by 11 ranks compared to last year and places Cote d’Ivoire for the second consecutive year among the 10 economies worldwide that have made the greatest progress. In 2014, the country has carried out reforms improving the following aspects: (i) starting a business; (ii) registering property; (iii) getting credit; (iv) protecting minority investors; and (v) trading across borders. The Ivoirian authorities plan to enhance these outcomes and continue to simplify some regulations that continue to impede firm startup, especially among small and medium enterprises and to enhance governance including in the judiciary. Efforts are also being made to revamp the existing industrial zones and create new ones to satisfy the strong demand from the private sector. Further efforts are also being undertaken to provide regular and sufficient electricity and improve land tenure legislation.

4.19 **In this context, the government has begun to strengthen the institutional framework for the private sector.** A working group headed by the Prime Minister has been established to pilot reforms based on the results of the *Doing Business* survey. The government has established a forum for dialogue between the public and private sectors,²¹ implemented a “one-stop shop” for business registration,²² set up dedicated commercial courts, reinvigorated the Investment Promotion Agency,²³ and rationalized the process for developing industrial zones. The

²¹ This action plan not only foresees clear allocation of responsibilities among implementing agencies, but also details a specific set of measures aimed at addressing weaknesses of the PFM system identified in the recent PEFA/PEMFAR exercise 2.

²² World Bank/IFC, *Doing Business*, 2012

Centre de Facilitation des Formalités des Entreprises.

²³ *Centre de Promotion des Investissements en Côte d’Ivoire – CEPICI.*

authorities also launched a restructuring strategy for the financial sector that provided for the recapitalization of public banks.

4.20 In 2013 and 2014, the government implemented a number of important reforms designed to improve the business environment and boost Côte d'Ivoire's ranking in the *Doing Business* report. The time required to register a company at the one-stop shop was cut from 3 days to 1; the time required to obtain construction permits fell from 364 days to 87²⁴; and the time required to obtain a telephone connection dropped from 7 days to 3. In addition, access to electricity was substantially improved.

4.21 The government is promoting an innovative Public-Private Partnership (PPP) strategy as a means to broaden access to social services and infrastructure. A National Public-Private Partnership Commission has been established to lead the development of the PPP program, beginning with the prioritization of institutional reforms and capacity building measures. The commission will examine opportunities to expand private-sector involvement in the development of the energy sector, ports, roads, industrial zones, public health and education.

4.22 PPPs are expected to play a significant role in the coming years in Côte d'Ivoire. The National Development Plan is to be financed at 60 percent by the private sector, with infrastructure investments representing the largest share (about 25% of the cost). The Government will seek private sector involvement to upgrade and expand its infrastructure and social services through PPPs, while promoting more efficient management and operations. With TA assistance from the Bank, the Government of Côte d'Ivoire has revamped its PPP legal and institutional framework, including through the establishment of a dedicated National PPP Commission, and the development of a PPP project pipeline. A growing number of PPP transactions are currently under development in a number of sectors, including ports, light rail, transport logistics and industrial zones, and it is expected that this dynamic will grow into a full-fledged PPP program in the coming years. Strengthening PPP institutions and processes, as well as disposing of adequate project preparation funds will be critical to ensure sustained success in this area.

4.23 The Commercial Court of Abidjan became fully operational in 2013. Established by a Presidential Decision in January 2012, the court has already led to quicker dispute resolution, as well as enhanced transparency and efficiency through greater computerization and the publication of proceedings.

4.24 The implementation of the one-stop shop for business registration and the creation of new industrial zones represent important improvements in the business environment. Informed by international best practices, the one-stop shop has significantly reduce the time and costs involved in establishing a business. Revising the institutional framework for industrial zones should facilitate firm access and promote the development of new zones, as the existing zones in Abidjan are already saturated.

²⁴ These results surpass those initially targeted as outcomes for the programmatic series.

Next Steps and Expected Results

4.25 To further its overarching objective of making Côte d’Ivoire an emerging economy by 2020 the government is working to identify new potential sources of growth and encourage private-sector-led development. Côte d’Ivoire’s private sector remains exceptionally sophisticated by regional standards. Renewed private-sector confidence, the reutilization of idled industrial capacity, the rehabilitation of public infrastructure, and measures to reform the financial sector could further accelerate its recovery. Manufacturing and agro-processing have considerable potential for value addition and job creation, and could help expand trade with regional and global markets.

4.26 Drawing from a defined set of priority PPP projects, the National PPP Committee aims to bring four or more projects on line within the next two years. Complementary institutional reforms, including the formalization of a PPP unit and the adoption of a modernized legal and regulatory framework, have already been implemented.

4.27 Improved access to industrial land is a critical factor in enhancing private sector competitiveness in Côte d’Ivoire, including through light manufacturing and agribusiness operations. Existing industrial zones in Abidjan (Yopougon, Vridi, Koumassi) are severely saturated and lack adequate infrastructure. In order to accommodate pent up demand from international and local investors, Côte d’Ivoire urgently needs to rehabilitate and expand existing zones and develop new sites. With TA support from the Bank, the Government has introduced an overhaul to the legal and institutional framework for industrial zones in Côte d’Ivoire, including through the creation of a dedicated industrial zones development agency and fund (AGEDI and FNDZI). The government is also preparing for the rehabilitation of Yopougon, as well as the phased development of 900ha zone along the northern highway (“PK24”), and other sites near Abidjan and other cities (S. Pedro, Bouake, etc.). The tender for a new industrial zone--PK24--has been launched, with the plan of selecting a private sector operator through a PPP arrangement. Moving forward, strengthening the institutional and regulatory environment related to Industrial Zones and pursuing transparent and efficient transaction processes will be critical..

4.28 The proposed operation supports the government’s efforts to enhance the business climate through the inclusion of the following prior actions:

- The adoption of a decree reducing the cost of property registration and the creation of an online tool for property registration;
- Issuance of invitation to tender for at least three PPPs.

4.29 Indicative triggers for the PRSC-3 include: (i) the full computerization of the commercial court; (ii) the adoption of a decree to reduce the time required to obtain a construction permit from 475 days to 175, (iii) the simplification of procedures for procuring industrial land. Target indicators for 2015 include reducing the time required to settle a commercial dispute from 770 days to 450; cutting the cost of property registration from 13 percent of the property’s value to 6 percent; operationalizing at least one new PPP project; and establishing at least one new industrial zone.

Pillar 3: Strengthening Economic Sectors with High Growth Potential

(i) Enhancing governance in the agriculture sector and boosting agricultural productivity

Recent progress and current challenges

4.30 Cocoa sector reforms need to continue to be implemented to buttress the results already achieved. Tax levels have been reduced, and cocoa taxes are now levied on an *ad valorem* basis, while farm-gate floor prices have been increased. With support from the Bank, the rural investment fund²⁵ has been reformed to improve procurement procedures and expand its sources of financing to include non-state partners. Transparency and financial management have also been improved following a series of external audits and a census of cocoa farmers, which enabled the creation of a producers' organization. The new Coffee-Cocoa Committee has implemented a program of short-term actions to improve the quality of cocoa production. More efficient domestic marketing is still needed to reduce the costs of transporting from farm to port. A new strategy for the sector, including joint governance structures and forward export sales to define reference prices for farmers, was adopted in November 2011. Forward sales commenced in January 2012.²⁶ A PPP platform for the sector has been established; the Sustainable Cocoa Quantity, Quality and Growth Program (2QC) has been launched to promote environmentally and socially sustainable cultivation; and certification processes have been updated.²⁷

4.31 The cashew sector has especially strong growth potential in the poorer northern parts of the country, and cashew processing could significantly boost rural employment. Côte d'Ivoire has become the world's largest exporter of raw cashew nuts, with a total export volume estimated at over 470,000 tons. Most Ivorian cashew trees are young and have not yet reached peak production, and world demand has been growing at 5 percent per year. Processing cashew nuts domestically could yield considerable economic returns. It could also help reduce gender disparities in income, as cashew processors predominantly employ women.

4.32 The cotton sector is successfully recovering after a turbulent decade. In the aftermath of the political crisis, cotton farmers and processor were in dispute, bank financing was severely constrained, and theft and vandalism had destroyed factory equipment. Reduced access to fertilizer and pesticides diminished yields, and production fell from 400,000 tons in 2000 to 120,000 tons in 2008. However, government interventions and donor-sponsored initiatives, including fertilizer subsidies and improved extension services, boosted cotton output to 404,000 tons in 2014. Nevertheless, the disintegration of the cooperative movement remains a problem, though regional unions now appear to be in a position to provide greater leadership to farmer organizations. Quality is generally good, but Ivorian cotton suffers from a discount on world markets; better farm storage, bagging, classification, and quality control would help producers and exporters garner better prices.

4.33 Rice output is expanding rapidly in response to favorable weather conditions and the implementation of the new rice strategy. Paddy rice production has grown from 1.5

²⁵ *Fonds d'Investissement en Milieu Rural.*

²⁶ *Programme de Ventes Anticipées à la Moyenne.*

²⁷ As it has already been fully implemented, this prior action has been dropped.

million tons in 2012 to 1.9 million tons in 2013, while production of white rice has grown from fewer than 1 million tons in 2012 to 1.2 million tons in 2013. Rising domestic production has caused rice imports to fall by over 30 percent.

Next Steps and Expected Results

4.34 The deepening of reforms in the cocoa sector is critically important. Top priorities include (i) ensuring the continued use of forward export sales to generate benchmark prices for farmers, while strengthening the integrity and transparency of the pricing system as well as that of its associated Technical Reserve Fund; (ii) improving the Coffee-Cocoa Committee’s funding mechanisms—the Rural Investment Funds and the Agriculture Investment Funds—and enhancing its impact on cocoa productivity and farmer livelihoods; (iii) continuing the dialogue with the private sector regarding the sector’s cost schedule (“*barème*”) and tax regime in order to maintain investor confidence in the domestic processing of cocoa; and (iv) building the capacity of cocoa farmers cooperatives and professional associations.

4.35 Appropriate implementation of the forward-sales mechanism is crucial to ensuring that farm-gate prices reach at least 60 percent of international prices. The forward-sales mechanisms, as defined in the cocoa sector strategy, should allow farmers to receive 60 percent of international prices, with the remainder used to cover the various costs incurred in the process of cocoa production and export. In the past, farm-gate prices were determined as a residual after production and export costs had been covered. Under the new system, if 40 percent of the international price is not sufficient to cover the cost structure, the government will adjust its taxes to cover costs and ensure that farmers continue to receive 60 percent of international prices. An audit of the most recent report on prices received by farmers has ascertain that the target of 60 percent is being met. The required publication of these reports will help to ensure that the authorities adhere to the forward sales-mechanism when determining farm-gate prices.

4.36 Raw cashew output could grow by as much as 15 percent per year over the next decade, and cashew processing offers potential for further employment gains. Labor-intensive shelling, which has been successful in other African countries and is used on a limited scale in Côte d’Ivoire, could create 40,000 full-time jobs if one-third of the country’s current cashew output were processed domestically. However, achieving this will require funding, commitment, and stronger producer organizations. The key to promoting processing is setting appropriate incentives without protecting inefficient producers. A strategy document for the cashew and cotton sectors was adopted in March 2013, and its implementation plan has already been developed. As part of the Agriculture Sector Support Project, approved by the Bank Executive Board in August 2013, a study was launched in early April 2013 to determine the appropriate incentive framework for promoting local and international investments in domestic cashew processing.

4.37 Côte d’Ivoire’s rice sector has considerable untapped potential. Foreign investors have shown significant interest in rice cultivation, and the government has recently prepared a

strategy to promote rice production, including through PPPs. This strategy appears to provide an adequate basis for the rapid growth of rice production.²⁸

4.38 Producer associations are the most effective channel for delivering agricultural extension services, marketing assistance and sector-specific infrastructure. Well-structured cooperatives are necessary to ensure that farmers are properly represented in national professional associations and that they can effectively liaise with agro-processing industries. The 2010/2011 post electoral crisis fragmented the cooperatives in the cocoa and cashew sectors, substantially undermining farmer representation. The new government is committed to restoring the ability of farmers to create effective associations, in line with the regulations of the Organization for the Harmonization of Business Law in Africa (*Organisation pour l'Harmonisation en Afrique du Droit des Affaires* – OHADA) regarding “*sociétés cooperatives*.” The government will conduct a census of producers in the major agricultural value chains and, based on this census, provide formal accreditation to qualified cooperatives.²⁹ Along with other donors, the World Bank is supporting these efforts through the Agricultural Sector Support Project, which is focused on restructuring cooperatives and building capacity of professional associations.

4.39 The proposed operation supports reforms designed to improve governance in the agriculture sector and increase productivity through the inclusion of the following prior actions:

- The publication of the audit report on the cocoa forward-sales system and the management of the Technical Reserve Fund, including the results of forward-sales auctions from the 2012/13 harvest year and prices received by producers;
- The adoption of an action plan for the development of the agriculture sector, formulated based on the findings of the Public Expenditure Review (PER) for the agriculture sector, financed by the Association;
- The adoption of measures to promote cashew processing, including; (i) establishment of a fund to support technical assistance activities; (ii) launch of a tender to recruit service providers of technical assistance to cashew nut processors; and (iii) the establishment of a cashew nut processor association.

4.40 There are four indicative triggers for the PRSC-3 related to the agricultural sector.³⁰ These are (i) the implementation of recommendations from the PER; including the (a) increase of budget transfers to the agriculture sector to at least 8% of the national budget in line with the objective to implement the Maputo Commitment (10 percent of the national budget) and

²⁸ In recent consultations, the government has clarified that there is no special policy framework for PPP's in the rice sector, but that the framework recently approved by the government for PPP's in general will apply also for the rice sector. Against this background, the originally considered prior action for PRSC-2 on the adoption of a PPP policy framework for rice is no longer meaningful.

²⁹ This measure has been delayed until 2015 due to difficulties recruiting a consulting firm to validate the census.

³⁰ In the interest of parsimony of prior actions, two triggers initially considered for PRSC-3 (the operationalization of the cotton strategy and the submission to parliament of a framework law for agriculture) have been removed. The decree concerning the operationalization of the cotton strategy has already been adopted, while the framework law for the agriculture sector has been prepared is due to be submitted to parliament shortly.

(b) the adoption and implementation of a strategy for maintenance of infrastructure in the agricultural sector; (ii) adoption of an action plan to assist professional associations and cooperatives to comply with industry standards (i.e. OHADA Ordinance 473-2011); (iii) the implementation of recommendations to improve the forward sales mechanism (PVAM) based on the audit; (iv) implementation of additional measures to promote cashew nut processing, including fiscal incentives. Target indicators include (i) an increase in the farm-gate cocoa price to at least 60 percent of the CIF export price; (ii) a 100 percent accreditation rate for cooperatives in the survey database; (iii) rice production rising from 950,000 tons in 2012 to 2 million tons by 2015; (iv) the share of cashews processed domestically reaching 25 percent of total production and generating approximately 25,000 jobs; (v) the formal establishment of all cotton and cashew professional associations as per OHADA Ordinance 473-2011; and (vi) the formal establishment of at least 75 percent of restructured cooperatives in the cashew and cotton sectors in accordance with OHADA standards.

(ii) Improve the management of the energy sector and reinforce its financial sustainability

Recent progress and current challenges

4.41 **Driven by rising demand for electricity and high oil prices, the energy sector has experienced strong growth in recent years.** Côte d'Ivoire relies on a combination of imported oil and domestically produced natural gas and hydropower. Recently the country has exported electricity to its neighbors, including Mali, Burkina Faso, Benin and Togo, sometimes at tariffs below the marginal cost of production, thus effectively subsidizing power consumers in neighboring countries. Rising domestic demand and a lack of investment in generating capacity has reduced energy exports, while the declining share of hydropower in the energy mix has shifted the cost structure of the sector toward more expensive hydrocarbon fuels that will continue to be required for the short to medium term. New hydro generation capacity (Soubre) will not be operational until 2016. Other promising hydroelectric sites are still at the pre-feasibility stage. New thermal generation plants will be dual-fueled and thus can be switched to gas when that becomes available.

4.42 **Financial sustainability is the most pressing challenge facing the electricity sector.** During 2011 and 2012 the sector suffered financial shortfalls exceeding CFAF 100 billion (US\$200 million) per year, which were reduced to CFAF 85 billion (US\$ 170 million) in 2013. A similar deficit is forecast for 2014, which has to be covered by budgetary transfers from the government. This situation is mainly due to (i) insufficient revenues resulting from limited tariff increases over the last ten years; (ii) large increases in costs caused by the declining share of hydroelectricity in the generation mix as gas and oil-fired power plants have come to predominate; and (iii) expensive, emergency power rentals necessitated by the slow expansion of generation capacity.

4.43 **It will be necessary for the government to continue subsidizing the electricity sector at least through 2015.** In order to limit these subsidies, the authorities have agreed to increase prices for electricity exported to neighboring countries—above the contractually agreed volume—such that they at least cover the marginal cost of energy exports, but this measure alone is insufficient to close the sector's operating deficit. Power tariffs are over 15% lower in real

terms than a decade ago, and need to be increased, as the scope for further supply cost reductions has been largely exhausted and reliance on oil is expected to continue for several more years.

4.44 The 2013 reclassification of about 250,000 customers to the standard tariff group—a prior action under the PRSC-1— helped to make energy tariffs more cost reflective.³¹ As part of its overall strategy to achieve financial equilibrium in the electricity sector, this measure has enhanced the government’s ability to maintain a targeted subsidy for the poorest electricity consumers. With a view to expanding access among low-voltage consumers, the government recently approved a new subsidized connection scheme at a price of CFAF 150,000 per household, with CFAF 2000 (US\$4) due immediately, and the remainder to be paid over a period of 10 years.³²

4.45 A new electricity law was recently passed by Parliament and ratified by the President in March 2014. This law permits the unbundling of the integrated operations of the main system operator and brings Côte d’Ivoire’s legislation into conformity with the Economic Community of West African States (ECOWAS) Energy Protocol. The implementing regulations (decrees) for the new law are yet to be drafted.³³

Next Steps and Expected Results

4.46 An important next step in this area has been for the authorities to establish new prices for future electricity exports to neighboring countries that reflect their true marginal cost. Estimates of budgetary savings from cost-reflective exports range from CFAF 30 to 60 billion, or 0.2 to 0.4 percent of GDP, depending on the projected volume of electricity exported.

4.47 The difficult financial situation of the electricity sector has led to the accumulation of significant amounts of inter-enterprise arrears among the different state-owned entities in the energy sector. The government has provided liquid fuel to power plants without adequate budgetary provision and passed on the burden to Petroci and SIR. The government is currently in the process of developing a plan to clear intra-SOE arrears in the energy sector and has already settled debt to the state refinery (SIR) in the amount of CFAF 45 billion (\$90 million) —a significant first step towards restoring financial viability of the refinery.

4.48 The proposed operation supports the government’s efforts to reform the electricity sector through the inclusion of the following prior action:

- The billing of electricity exports to Burkina Faso and Mali in 2014 above the contractually guaranteed amount at prices that reflect the power exports’ marginal cost;
- The clearance of arrears in the amount of CFAF 430 billion and CFAF 15.17 billion to the national oil refinery (SIR).

³¹ This reclassification increased revenue by CFAF 5 billion per year.

³² The stated objective of this scheme is to enable energy access for all households by 2020.

³³ Due to the delayed approval of the new Electricity Law, the preparation of its implementing regulations will now be a prior action for the PRSC-3.

4.49 **Indicative triggers for the PRSC-3 include a reduction in the electricity sector’s fiscal deficit from CFAF 47 billion in 2014 to CFAF 25 billion at end-2015, and the approval of the implementing regulations for the new electricity law.**

Table 4.4: PRSC-2 Prior Actions

PRSC - 2’s Prior Actions	Implementation Status/Evidence
1. The appointment of qualified individuals to the position of Secretary General and members of the High Authority for Good Governance by the Council of Ministers.	Implemented <u>Evidence:</u> Decree N°2014-214 issued on April 16, 2014 appointing the Secretary General of the High Authority for Good Governance. Decree N°2014-216 issued on April 26 appointing the members of the High Authority for Good Governance.
2. The passage of a Ministerial decree for the 2014 budget for the High Authority for Good Governance.	Implemented <u>Evidence:</u> Ministerial Decree 364/MPMB/DGBF/DBE3db issued on June 4, 2014 related to budgetary lines and transfer of resources in the amount of F CFA 1,300,000,000.
3. The passage of a Ministerial decree establishing procurement units in public agencies.	Implemented <u>Evidence:</u> Ministerial Decree 325/MPMB/DGBF/DMP issued on May 23, 2014 related to the composition and functioning of procurement units in public agencies.
4. The adoption of a strategic framework for PFM reform, including an action plan to modernize the PFM system and implement the decentralization agenda.	Implemented <u>Evidence:</u> Communication to the Council of Ministers by the Minister of Finance presenting the strategic framework on public finance management (Schema directeur de la Reforme des Finances publiques), including the action plan, dated May 2014 and requesting adoption. Communique of the Council of Ministers dated October 1, 2014 including adoption of the above item.
5. The adoption of a decree reducing the cost of property registration and the creation of an online tool for property registration.	Implemented <u>Evidence:</u> Order n°2014-163 dated April 2, 2014 reducing the cost of property registration from 7 to 6 percent. Order No. 2013-280 reducing the cost of property registration from 10 to 6 percent. Weblink to Livre Foncier Electronique website.
6. Issuance of an invitation to launch a tender for at least three PPPs.	Implemented <u>Evidence:</u> Invitation to tenders issued regarding ‘Gare Routiere’, Port Autonome d’Abidjan’, and ‘Transports Terrestres’.
7. The publication of the audit report on the cocoa forward-sales system and the management of the Technical Reserve Fund, including the results of forward-sales auctions from the 2012/13 harvest year and prices received by producers.	Implemented <u>Evidence:</u> Audit report published at http://www.finances.gouv.ci/images/pdf/rapport_audit_Pvam_version_finale_7_octobre_2014 .
8. The adoption of an action plan for development of the agriculture sector, formulated based on the findings of the PER for the agriculture sector, financed by the Association.	Implemented: <u>Evidence:</u> Transmittal letter of the Minister of Agriculture n°3313/MINAGRI/DGPPS/DPPF/BCK/kam to the World Bank related the action plan on the findings of the PER for the agriculture sector. Rapport de l’atelier de restitution des resultats de la revue diagnostique des depenses publiques de base dans le secteur agricole dated July 29, 2014, including proposed action plan.
9. The adoption of measures to promote cashew processing, including: (i) establishment of a fund to support technical assistance activities; (ii) launch of a tender to recruit service providers of technical assistance to cashew nut processors; and (iii) the establishment of a cashew nut processor association.	Implemented <u>Evidence:</u> (i) Notification of budgetary line in the amount of F CFA 400 million to finance technical assistance activities in the cashew processing; (ii) Publication in Gazette of Public Procurement N°1271 issued on Sept 30, 2014 (page 79 - N°P173/2014); (iii) Recepisse de depot de dossier d’association N 1366/PA/SG/D1 dated August 8, 2014.

PRSC - 2's Prior Actions	Implementation Status/Evidence
10. The billing of electricity exports to Burkina Faso and Mali in 2014 above the contractually guaranteed amount at prices that reflect the power exports' marginal cost.	<p>Implemented <u>Evidence:</u> Contract amendment N°1, signed on April 2, 2014, between 'Côte d'Ivoire Energie' and 'Energie du Mali – EDM'; Bill dated 6 June 2014 evidencing charge of CFAF 170 (as opposed to CFAF 54) for additional energy and stamped paid by SONABEL. Letter from the CEO of SONABEL – 'Société Burkinabé d'Electricité' to 'Côte d'Ivoire Energie', dated on May 14, 2014 and minutes of meeting with SONABEL, held on May 22, 2014, confirming the contract amendment at a price of CFAF 86 on additional electricity exports.</p>
11. The clearance of arrears in the amount of CFA 30 and CFAF 15.17 billion to the national oil refinery (SIR)	<p>Implemented <u>Evidence:</u> Transfer order for CFAF 15 billion dated 14 octobre 2014 by the Public Treasury to the national oil refinery (SIR). Copies of Agence Comptable Dette Publique documents showing (i) wire transfer in the amount of CFAF 30 billion for SIR dated 8/8/14, stamped "recu" by SGBCI, and (ii) wire transfer in the amount of CFAF 15.170 billion for SIR dated 16/10/14.</p>

C. LINK TO THE CPS AND OTHER BANK OPERATIONS

4.50 **The proposed operation is an integral part of the assistance to Côte d'Ivoire envisaged under the current Country Partnership Strategy (CPS) for 2010-13, which has been extended to June 30, 2014.** The CPS focuses on (i) improving quality of life, boosting economic activity and supporting peace and stability by promoting job creation, expanding opportunities for income generation and restoring basic social services; and (ii) strengthening economic governance institutions and administrative systems, promoting sustainable long-run growth and accelerating progress on the Millennium Development Goals. Under the CPS, World Bank financial support for these efforts includes (i) a series of annual budget support operations, i.e. the PRSC series; (ii) a multi-sector emergency rehabilitation project aimed at addressing the priority reconstruction needs, including power generation and distribution, water and sanitation, urban infrastructure and roads, and basic health and education; and (iii) a comprehensive project supporting the growth of the agriculture sector.

4.51 **The investment portfolio closely complements the reform program supported by the proposed operation.** The PRSC series facilitates the implementation of the Agricultural Sector Support Project, which was presented to the Board in August 2013. In addition, planned World Bank technical assistance designed to strengthen local governments' PFM systems will bolster the reform agenda supported by the proposed operation. Finally, the ongoing dialogue on the business environment, which is supported, *inter alia*, by funds from the new Competitive Industries and Innovation Practice, will continue to promote improvements in regulatory efficiency and encourage higher levels of private investment.

D. CONSULTATIONS, COLLABORATION WITH OTHER DEVELOPMENT PARTNERS

4.52 **Consultations:** The design of the PRSC series is based around the objectives of the National Development Plan (NDP), which has been developed through an inclusive participatory process. This NDP (2012-2015) is under mid-term review. Consultations on the NDP were held with representatives of Development partners, civil-society organizations, researchers, and private-sector. A new NDP (2016-2020) is expected to be finalized in mid-2015.

4.53 **Collaboration: Preparatory missions conducted for the proposed operation benefited from close collaboration with the European Union.** EU collaboration is imperative, as the EU is also providing budget support to Côte d’Ivoire under a “State-Building Contract.” EU budget support aims to catalyze progress on poverty reduction, growth, and development by reestablishing and strengthening public administration and expanding access to essential services. Target sectors include PFM, police and security services, the justice system, and basic social services, particularly healthcare. The importance of collaboration is underscored by the substantial overlap between these areas and those supported by the proposed operation (though this is not total, as the proposed DPO includes no security component). The EU has also provided support for external audits of the public sector by the Chamber of Accounts (*Chambre des Comptes*) and for the preparation of a law designed to transform the Chamber of Accounts into a new, more independent Court of Accounts (*Cour des Comptes*).

5. OTHER DESIGN AND APPRAISAL ISSUES

A. POVERTY AND SOCIAL IMPACTS

5.1 **None of the prior actions supported by PRSC-2 are expected to have adverse poverty or social impacts.** Indeed, reform measures supported by the proposed operation are expected to have positive direct and indirect impacts on all Ivorian people by spurring more rapid growth and expanding employment and income opportunities. In addition, several prior actions will have indirect positive effects on poverty by enhancing the government’s ability to execute pro-poor spending and implement socially beneficial policies.

5.2 **The new framework for the cocoa sector, including the use of the forward-sales mechanism to determine farm-gate prices, should have a direct positive impact on household incomes among poor farmers.** A recent study suggests that the poverty rate among cocoa farmers is 60 percent, significantly above the national headcount rate of 43 percent recorded in 2008, and cocoa-farming households account for about 28 percent of the nation’s poor. By creating a direct link between international market prices and the farm-gate price received by farmers, the forward-sales mechanism will not only increase farmer incomes, but should also tend to smooth farm-gate prices over time, reducing income volatility among the rural poor. The target increase in farm-gate prices to 60 percent of world prices would, *ceteris paribus*, generate an approximate 20 percentage point increase in coca farmers’ main source of household income, with significant implications for poverty and inequality.

5.3 **Prior actions related to good governance and PFM reform are expected to have positive indirect effects on poverty over the medium term.** The poor tend to be among the most vulnerable to corruption and the most dependent on essential public services. The operationalization of the High Authority for Good Governance will mark a major step in the implementation of the government’s anti-corruption agenda for both public and private sectors. A more reliable, less corrupt public administration will greatly benefit the poor, and increased PFM efficiency could free up additional resources for pro-poor spending. The implementation of the new public procurement code will further increase PFM efficiency and reduce the scope for misuse of public resources.

5.4 Improvements in the business climate and increased rates of private investment will have indirect positive economic and social impacts. All prior actions in this area, including the establishment of commercial courts, the restructuring of industrial-zone management, and the identification of priority PPP projects, are designed to boost private-sector growth and promote greater stability and predictability in economic relationships. More robust, broad-based and sustainable growth will support higher income levels and improved living standards.

5.5 The rural development measures supported by the proposed operation will have positive impacts on poor and vulnerable rural populations. Cocoa, cashew and cotton production are major drivers of economic growth in rural Côte d'Ivoire. Measures to promote domestic cashew processing will provide much-needed employment opportunities in the country's northern region; it may also contribute to reducing gender imbalances, as the cashew processing industry tends to be dominated by women.

B. ENVIRONMENTAL ASPECTS

5.6 The reforms supported by the proposed operation are not likely to have significant negative effects on the country's environment, forests or other natural resources. The supported reforms aim primarily to strengthen economic governance at the national level. Any adverse environmental effects are expected to be minor and manageable through the existing Bank framework. Measures to improve PFM and enhance the business climate are not expected to have any environmental effects. Supported reforms in the agricultural sector, particularly regarding cocoa production, may have modest and mixed implications for the rural environment. Some increase in cultivation intensity may occur, but its impact should be mitigated by efforts to promote sustainable farming practices. For the cocoa sector to thrive over the medium-term, it will be necessary to increase productivity per hectare, and as less efficient producers exit the sector, the total area under cocoa cultivation is projected to decline. In addition, the new sector governance framework is expected to improve the management of environmental resources.

5.7 The government has established strict guidelines for PPPs to ensure that all planned projects comply with environmental regulations. All bidders invited to submit technical or financial proposals, including for the planned industrial zones, are also obliged to prepare an environmental impact assessment for review by the government's environmental protection agency.

5.8 The Bank has revised the 2010 Country Environmental Analysis (CEA) and produced a 2014 CEA, which examines issues in the forestry, mining, urban, and environmental governance sectors. The study concludes that: (i) in the face of climate change and anthropic pressures on ecosystems, Sustainable Natural Resources Management is key to ending extreme poverty and promoting shared prosperity; (ii) the existing mechanisms for collection of environmental information are weak with regard to consolidated analysis and dissemination and are not effectively used in the formulation of sectoral policies; (iii) there is limited collaboration between the Ministry of Environment, Urban Environment and Sustainable Development and the ministries responsible for forestry, water-resource management, fisheries, agriculture and mining & energy; and (iv) there is insufficient funding for the environment and natural resource management sector, both on the part of the Government and its development partners. The CEA estimates that environmental management accounts for around 0.2 percent of

the national budget. Its recommendations include: (i) assisting the Government to develop an inclusive green growth strategy within which financial resource allocation can also be integrated across sectors; (ii) establishing a strong and sustainable national environmental information system; and (iii) strengthening the collaboration between sectoral ministries through decentralized coordinated multi-sectoral programs on particular areas of the country, such as major water basins.

C. PFM, DISBURSEMENT AND AUDITING ASPECTS

5.9 The proposed operation contributes to strengthening the government's PFM systems. Fiduciary standards in Côte d'Ivoire have suffered during periods of political instability, but they remain strong relative to those of other WAEMU countries, particularly in terms of budget preparation and financial management practices. Nevertheless, further improvements will be necessary if the government is to achieve its development goals. The PFM component of the proposed operation is essential to its success, and the government has made encouraging progress in enhancing public resource management and fiduciary transparency.

5.10 Budget preparation and execution procedures have been fully normalized. Following the installation of the new government in May 2011, the authorities have resumed regular publication of budget-execution reports, clearance of the backlog of outstanding draft budget-execution bills for submission to the Chamber of Accounts, and the implementation of procurement reforms. The budget now is published on a public website, and a recent staff reorganization should further strengthen the implementation of the reform program. The PEMFAR update carried out in 2013 has confirmed the government's steady progress in this area. These measures are complemented by ongoing efforts to enhance transparency and efficiency in the energy sector, including the implementation of recommendations from the financial, technical and operational audits of the energy sector, and by Côte d'Ivoire's compliance with the standards of Extractive Industries Transparency Initiative. Meanwhile, cocoa sector reforms have curtailed the imposition of quasi-fiscal taxes on cocoa exports.

5.11 In 2010, IMF staff carried out an on-site safeguards assessment of the Central Bank of West African States (BCEAO). The assessment found that progress had been made in strengthening the regional central bank's safeguards framework since 2005, when the previous safeguard assessment was undertaken. The BCEAO now publishes a full set of audited financial statements, and is making progress in bringing its practices into conformity with International Financial Reporting Standards (IFRS). IMF staff noted that the BCEAO has improved the quality of the explanatory notes that accompany its financial statements. An internal audit charter has been put in place; mechanisms for improving risk management and risk prevention have been established; and follow-up on internal and external audit recommendations has been strengthened. Further changes are scheduled for the new fiscal year. Consolidating recent progress will require: (i) further improving external audit processes by adopting a formal rotation policy and enhancing the transparency of financial statements through full conformity with IFRS; and (ii) increasing the effectiveness of the internal audit function by further strengthening reporting requirements. The status report on the implementation of these recommendations, received by the Bank in March 2007, indicates that substantial progress has been achieved.

5.12 **The proposed operation would consist of a single tranche credit of SDR 47.3million, US\$70 million equivalent, to be made available upon effectiveness and disbursed on the basis of a withdrawal application.**³⁴ The credit will follow the Bank's disbursement procedures for development policy operations. Once the operation becomes effective, the Government of Côte d'Ivoire will submit a withdrawal application to IDA requesting that the proceeds of the credit be deposited in the BCEAO into a dedicated account that forms part of the country's official foreign-exchange reserves.³⁵ Within five working days upon the deposit of the credit into said account, the Recipient shall ensure that an equivalent amount is credited in its budget management system in a manner acceptable to the Bank, and it will report to the Bank on the amounts deposited in the foreign-currency account and credited to the budget management system. Disbursement will not be linked to specific purchases. When the funds are disbursed from the dedicated account to finance budgeted government expenditures, the official exchange rate for that day will be used. If the proceeds of the credit are used for ineligible purposes, as defined in the Financing Agreement, IDA will require the Recipient to refund an amount equal to the amount of said payment to IDA promptly upon notice from IDA. Amounts refunded to the Bank upon such a request shall be cancelled. The Bank will reserve the right to seek an audit of the dedicated account by independent auditors acceptable to the Bank.

D. MONITORING AND EVALUATION

5.13 **In line with the arrangements used for previous DPOs in Côte d'Ivoire, the Ministry of Economy and Finance (MEF) will be responsible for managing the proposed operation.** Day-to-day monitoring and evaluation of the program and all outcome indicators will be the responsibility of an Inter-ministerial Economic Team appointed by the MEF and composed of the General Director of the Economy, the General Director of Budget and Finance, and the General Director of Planning. The team will be chaired by the MEF Cabinet Director and will coordinate the activities of all government agencies involved in program implementation. The arrangement has proved satisfactory under four previous DPOs. The government will provide quarterly progress reports to IDA measured according to the agreed-upon performance indicators in the results framework. The status of the overall reform program will be reviewed by the government in coordination with regular IDA missions to ensure that the program is implemented within an adequate macroeconomic policy framework.

E. SUMMARY OF RISKS AND MITIGATION

5.14 **Risks to the proposed operation stem from (i) the security situation, (ii) potential external economic shocks, (iii) macroeconomic management issues and (iv) the possibility of reform slippage.** The overall risk rating of the proposed operation is moderate.

5.15 **Security risks are high.** The current climate of political stability may be tested in the run-up to new presidential elections in 2015. The Bank is working to mitigate security risks through its development policy lending in support of stability-enhancing measures, particularly employment creation in remote and impoverished regions vulnerable to conflict. The government

³⁴ The Credit will be financed under IDA terms, with a 40-year maturity and a 10-year grace period.

³⁵ The use of a dedicated account is a common feature of budget support operations in WAEMU member states and mitigates fiduciary risks.

is also pursuing a reconciliation agenda with opposition parties. The design of the proposed operation further mitigates security risks by following the Bank's good-practice guidelines for development policy lending in fragile situations.

5.16 External economic risks are high. Côte d'Ivoire's economy is highly vulnerable to the current Ebola epidemic in Guinea and Sierra Leone—countries with whom it shares a common border. The government—supported by the Bank through an emergency health project approved by the Board in November—has been implementing a comprehensive set of measures to prevent spill-over of the crisis to Côte d'Ivoire and to be prepared to adequately treat people that have fallen ill. In addition, Côte d'Ivoire is subject to price shocks in a range of international commodity markets, including cocoa and other agricultural products, as well as hydrocarbon fuels and gold. The operation's focus on improving the investment climate mitigates these risks by promoting economic diversification, but residual risks to growth and macro-fiscal stability remain significant.

5.17 Macroeconomic management risks are low. The economy is projected to continue its rapid growth, albeit from a low base. However, macroeconomic management risks arise from the potential generation of contingent liabilities, particularly in the financial and electricity sectors. Fiscal risks related to the electricity sector are mitigated by measures supported by this PRSC series. Contingent liabilities in the financial sector, particularly among publicly owned banks, are estimated at about 0.5 percent of GDP and are therefore considered low. Threats to debt sustainability are mitigated by the government's observance of ceilings on non-concessional borrowing established under the IMF's ECF program. The potential risk to fiscal sustainability from public-sector wage increases has been contained by the government's recent adoption of a medium-term wage strategy.

5.18 Reform slippage risk in the main policy areas supported by this PRSC series is considered low-to-moderate. This risk is mitigated by the government's strong track record of implementing the reforms set forth in its strategic development plans.

Annex 1: Letter of Development Policy

MINISTERE AUPRES DU PREMIER
MINISTRE, CHARGE DE L'ECONOMIE ET
DES FINANCES



REPUBLIQUE DE COTE D'IVOIRE
Union – Discipline – Travail

Le Ministre

N° 1315 /MPMEF/DGE/DCPE

Abidjan, le 27 OCT. 2014

A

Monsieur Jim Yong Kim
Président de la Banque Mondiale
WASHINGTON, DC

Objet : Lettre de Politique de Développement

Monsieur le Président,

1. La présente Lettre de Politique de Développement (LPD) retrace l'évolution de la situation socio-économique de la Côte d'Ivoire en 2013 ainsi que les tendances de l'économie ivoirienne en 2014. Elle énonce les objectifs spécifiques et les politiques sectorielles prioritaires des Autorités et aborde les perspectives pour 2015. Le Gouvernement sollicite la Banque Mondiale à travers le Crédit d'Appui à la Réduction de la Pauvreté, pour soutenir son programme. A cet effet, il souhaite la mise à disposition d'un appui budgétaire général à la Côte d'Ivoire pour un montant équivalent à 70 millions de dollars des Etats-Unis.

I. Le contexte politique et économique

2. La Côte d'Ivoire confirme son redécollage économique et consolide son repositionnement sur l'échiquier international grâce aux avancées majeures pour renforcer sa stabilité intérieure, aux efforts d'amélioration de la gouvernance et à la préservation de la cohésion sociale. Ce repositionnement a encouragé le retour de grands groupes d'investisseurs et d'institutions internationales telles que le Groupe de la Banque Africaine de Développement qui a tenu à Abidjan la session de rentrée des Conseils d'Administration le 8 Septembre 2014. En outre, le Gouvernement appuie fortement les projets d'intégration grâce notamment à la réalisation des grands projets régionaux d'infrastructures et une plus grande fluidité du transport. Au niveau national, le Gouvernement a enregistré des progrès dans le dialogue politique et des dispositions sont prises en vue de garantir l'organisation d'élections présidentielles ouvertes et transparentes en octobre 2015.

3. Les réformes engagées dans les secteurs clés de l'économie conjuguées avec les mesures d'accompagnement des entreprises mises en œuvre, ont imprimé un rythme de croissance soutenue à l'activité économique. Ainsi, à la suite des taux de croissance du PIB en termes réels de 10,7% et 9,2%, enregistrés respectivement en 2012 et 2013, l'évolution conjoncturelle à fin juin 2014 laisse présager une croissance soutenue de 9,0% en 2014. Ce

niveau de croissance est tiré par une forte demande intérieure et une hausse des exportations. Une forte activité économique continue d'être enregistrée, particulièrement dans les BTP - bâtiment, des travaux publics et le secteur des services. L'inflation est demeurée modérée. Ces résultats devraient contribuer à placer la Côte d'Ivoire dans le peloton de tête des pays à forte croissance dans le monde. Les performances du programme économique et financier soutenu par la Facilité Elargie de Crédit (PEF-FEC) restent conformes aux objectifs. Le climat des affaires continue de s'améliorer avec notamment la mise en œuvre des mesures structurelles y compris la simplification des procédures de création des entreprises, la mise en application du nouveau code des investissements, le lancement d'un vaste programme d'aménagement de zones industrielles, la mise en place du tribunal de commerce et la dynamisation du Comité de Concertation entre l'Etat et le Secteur Privé. Ces actions ont permis de consolider l'activité économique, notamment avec un volume d'investissement direct étranger de 188,5 milliards de FCFA et la création nette de 27 056 emplois formels. Le maintien du rythme accéléré dans la mise en œuvre des réformes a facilité l'augmentation du PIB réel par tête de plus de 15% en deux ans. Ces performances sont appuyées par un programme de mise à niveau des infrastructures notamment dans les secteurs de la santé, de l'éducation, de l'adduction en eau potable, de l'assainissement, de l'électricité et des voiries.

II. Etat d'exécution des réformes en 2013

1. Dans le cadre de la stratégie de soutien à la relance de l'activité économique, le Gouvernement a poursuivi la mise en œuvre d'importantes réformes structurelles, notamment dans le secteur des finances publiques, le secteur de l'énergie, le secteur financier, l'amélioration du climat des affaires.

a. Réformes dans la gestion des finances publiques

2. La gestion budgétaire s'est inscrite dans le cadre de l'assainissement des finances publiques et de la transparence par la mise en œuvre du plan d'actions issu du PEMFAR (Public Expenditure Management and Financial Accountability Review). Ainsi, l'Assemblée Nationale, a voté en décembre 2013 les lois organiques relatives au Code de Transparence et aux Lois de Finances, et en juin 2014 ces lois ont été promulguées tout en étant conformes aux critiques de la Cour Constitutionnelle.

3. Au titre de l'amélioration du cadre de passation des marchés publics, le Gouvernement a procédé à l'élaboration et à la diffusion auprès des administrateurs de crédits d'un plan type de passation des marchés pour l'exécution budgétaire 2014. De même, un Document de Programmation Budgétaire Economique Pluriannuel (DPBEP) est annexé à la loi de finances 2014. Dans le cadre de l'amélioration de la capacité d'absorption des secteurs public et privé, le Cadre de Dépense à Moyen Terme (CDMT) global 2014-2016 est annexé à la loi de finances 2014, ainsi qu'un plan d'engagement des dépenses a été mis en place en février 2014 pour une programmation de la consommation des crédits budgétaires.

4. S'agissant de l'amélioration du cadre de gestion de la dette, une Stratégie de Gestion de la Dette à Moyen Terme (SDMT 2013-2017) suivant les standards internationaux a été adoptée en Conseil des Ministres le 19 décembre 2013. Elle est mise en cohérence avec une Analyse de la Viabilité de la Dette (AVD) actualisée à fin octobre 2013 avec l'appui technique du FMI.

b. Réformes du secteur de l'énergie

5. En 2013, le gouvernement a poursuivi la mise en œuvre des mesures visant particulièrement l'atteinte de l'équilibre financier du secteur de l'électricité tout en investissant pour augmenter l'offre d'énergie. A cet effet, la mise en œuvre de la stratégie, a enregistré des résultats notables, notamment: l'augmentation de la capacité de production de FOXTROT (à 154 Mpc/j en juin 2013), la réduction du prix du gaz naturel fourni par FOXTROT (sur le bloc CI-27 à 5,5\$/MMBTU) et CNR (sur le bloc CI-26 à 3.5\$/MMBTU), la révision de la rémunération du concessionnaire de 23,0724 F CFA à 22,22 F CFA par kWh encaissé à partir de janvier 2013, l'application des tarifs de cession à l'export renégociés au mois d'octobre 2012, le basculement au tarif général des clients dits « faux modérés », l'amélioration des recouvrement et la réduction des pertes qui a permis de gagner 3 points de rendement global entre 2012 et 2013.

c. Réformes du secteur financier

6. Concernant la restructuration des banques publiques, un plan d'actions découlant des résultats de l'évaluation des banques par des cabinets internationaux est formulé et transmis au Gouvernement pour son adoption en Conseil des Ministres.

d. Amélioration du climat des affaires

7. Plusieurs réformes ont été entreprises pour créer un cadre propice aux investissements privés par la mise en place d'un dispositif légal et institutionnel attractif.

- Un accent a été mis sur la réduction des coûts de création d'entreprise par la simplification et la baisse du nombre de procédures, et du taux d'imposition relatifs aux différentes démarches nécessaires. Dans ce cadre, un Guichet Unique du Commerce Extérieur a été créé, de même que des réductions sont enregistrées sur les coûts de passage des marchandises au Port Autonome d'Abidjan, les coûts de transfert de propriété et de publication de l'avis de création des entreprises. Par ailleurs, le projet de loi sur la concurrence a été adopté par le Gouvernement le 02 mai 2013.
- Une Haute Autorité pour la Bonne Gouvernance créée par ordonnance n° 2013-661 du 20 septembre 2013, en vue de prévenir et de lutter contre la corruption et les infractions assimilées.
- Un plan d'apurement des arriérés intérieurs a été adopté en Conseil des Ministres le 14 novembre 2013. La mise en œuvre de ce plan a débuté avec le règlement de 56,5 milliards de FCFA en 2013 et vise à soutenir l'activité économique nationale.
- Le Tribunal de commerce a été mis en place et fonctionne effectivement depuis octobre 2012.

Réformes du secteur du café-cacao

8. Au niveau de la filière café-cacao, la réforme adoptée en novembre 2011, est mise en œuvre par le Conseil du Café-Cacao. Il a procédé au démarrage du Programme de Ventes Anticipées à la Moyenne (PVAM) et initié des séances de sensibilisation à l'endroit des différents acteurs. Le fonds de réserve a été approvisionné par le Gouvernement à hauteur de 40 milliards de FCFA, comme prévu. Le prix moyen fixé sur la période de janvier à décembre 2013 est de 733 FCFA/kg. Ce prix a été respecté sur l'ensemble du territoire. Le fonds de stabilisation

a enregistré, à fin décembre 2013, un solde positif de 16 milliards de FCFA renforçant d'autant le fonds de réserve. Des études sont en cours en vue d'examiner l'opportunité d'une affectation supplémentaire au fonds de réserve comme prévu. Bien que ces résultats soient satisfaisants, le Gouvernement a réalisé et publié les résultats de l'audit du PVAM. Cet audit avait pour objectif de: (i) évaluer le programme et le système informatique de vente aux enchères, (ii) formuler les recommandations pour l'amélioration du PVAM, (iii) connaître le niveau du fonds de réserve au 30 septembre 2013, (iv) formuler un avis sur la gestion du fonds, (v) évaluer les risques inhérents au système de commercialisation, et (vi) déterminer le niveau optimal du fonds à atteindre.

III. Le Programme 2014 et les perspectives 2015

A. Objectifs généraux

9. Le Gouvernement ambitionne de faire de la Côte d'Ivoire un pays émergent à l'horizon 2020 à travers la mise en œuvre du Plan National de Développement (PND) sur la période 2012-2015. Ce plan de développement a pour objet de réduire la pauvreté et de construire les bases d'une économie forte et en plein essor à l'orée 2020. Les objectifs sont d'atteindre un taux de croissance de 9,0% en 2014. Le taux d'investissement devrait passer de 12,1% du PIB en 2012 à 14,6% en 2013, 16% en 2014 et 17% en 2015. Quant au taux d'investissement public, il passerait de 6,7% en 2012, à 7,1% en 2013, 8,3% en 2014 et 9,3% en 2015.

10. Pour assurer le financement du PND, un Groupe Consultatif a été organisé les 4 et 5 décembre 2012, à Paris, avec l'appui de la Banque Mondiale. Cette rencontre a permis d'enregistrer les intentions de financements extérieurs aussi bien publics que privés nécessaires à la mise en œuvre du PND. Au total, les annonces officielles des partenaires ont porté sur 4319 milliards de FCFA (8,6 milliards de dollars US) dont 1102,4 milliards de FCFA (2,2 milliards de dollars US) de financements acquis et 3217 milliards de FCFA (6,4 milliards de dollars US) de nouveaux financements.

11. Après le Groupe Consultatif en 2012, le Gouvernement a organisé, du 29 janvier au 1^{er} février 2014, un forum dénommé « Investir en Côte d'Ivoire: ICI 2014 » qui a accueilli 5 717 participants, 270 exposants provenant de 71 pays.

12. L'année 2014 devrait confirmer la croissance soutenue de l'économie ivoirienne, après les fortes progressions observées en 2012 et 2013. Le taux d'inflation devrait se maintenir dans la limite de la norme communautaire de 3%. Pour ce faire, le Gouvernement compte sur l'effet positif de la poursuite de la mise en œuvre des réformes structurelles, notamment l'amélioration du climat des affaires, l'accroissement substantiel d'investissements publics structurants et novateurs, et des investissements privés. Le PIB par tête devrait continuer d'augmenter fortement pour atteindre 6% de croissance en 2014, pour la troisième année consécutive, contre une baisse cumulée du revenu par tête au cours de la dernière décennie. Tous ces résultats devraient permettre de réduire la pauvreté, progresser vers la réalisation de certains Objectifs du Millénaire pour le Développement (OMD), poursuivre les efforts en faveur de la bonne gouvernance et de la lutte contre la corruption et consolider l'amélioration des conditions de vie des populations.

13. La politique budgétaire poursuivra (i) l'optimisation du potentiel de recouvrement des recettes fiscales, notamment par un élargissement de l'assiette fiscale et un renforcement des

moyens de recouvrement, (ii) la rationalisation des dépenses par une meilleure planification, une amélioration dans la gestion des marchés publics, un suivi renforcé de l'exécution des investissements publics, et (iii) une politique d'endettement soutenable, un élargissement des moyens de financements. Les marges budgétaires dégagées seront allouées au renforcement des investissements. Le solde budgétaire global devrait s'établir à -2,3% en 2014 contre -2,2% du PIB en 2013, tandis que le solde primaire de base devrait passer de -0,5% du PIB en 2014 à 0,4% à -0,2% en 2015.

14. Pour atteindre ses objectifs, en 2015, le Gouvernement compte achever la réforme du secteur financier prenant en compte la restructuration des banques publiques, rétablir l'équilibre financier du secteur de l'électricité, poursuivre l'amélioration de la gestion des finances publiques, notamment en renforçant la bonne gouvernance et maintenir la viabilité de la dette extérieure. Le Gouvernement continuera également à mettre l'accent sur la redistribution des effets de la croissance à l'ensemble de la population particulièrement les couches les plus vulnérables.

15. Le Gouvernement s'attèlera également à renforcer l'intégration régionale. Pour y parvenir, il s'appuiera sur la consolidation de la réconciliation nationale, la préservation de la sécurité et de la cohésion sociale sur toute l'étendue du territoire. En outre, le Gouvernement favorisera également la mise en œuvre de projets d'investissements structurants et communs, notamment les autoroutes Abidjan-Ouagadougou et Abidjan-Lagos.

16. D'une manière générale, le Gouvernement entend renforcer la qualité des politiques et des institutions pour favoriser l'utilisation efficace des ressources en faveur de la promotion du développement durable, de la création d'emplois et de la réduction de la pauvreté. Aussi, la Côte d'Ivoire reste convaincue que la mise en œuvre satisfaisante des indicateurs EPIP – Evaluation des Politiques et Institutions par Pays - CPIA³⁶ développés par la Banque Mondiale contribuera à l'atteinte des Objectifs du Millénaire pour le Développement et à son émergence économique. Le score de l'EPIP pour la Côte d'Ivoire est passé de 2,7 en 2011 à 3,2 en 2014.

17. Le Gouvernement a entamé en août 2014 la revue globale du PND 2012-2015 afin de mieux préparer celui de 2016-2020. Cette revue porte notamment sur (i) le bilan de la mise en œuvre du PND par résultat stratégique et (ii) les orientations stratégiques et la note conceptuelle du PND qui permettront de conduire l'élaboration des politiques sectorielles et des plans de développement régionaux. La synthèse de ces documents, enrichie des conclusions de quelques études thématiques, permettra de produire le PND 2016-2020 dont l'adoption en Conseil des Ministres devrait se faire au mois de mai 2015.

B. Lutte contre la Pauvreté

18. Après une décennie de crise et deux années d'embellie économique, le Gouvernement reste déterminé à améliorer les indicateurs de pauvreté et les indicateurs sociaux. En cohérence avec les objectifs du PND, la Côte d'Ivoire a repris le chemin d'une croissance forte, soutenue, inclusive, respectueuse du genre et de l'environnement, génératrice d'emplois et contribuant à réduire la pauvreté. La stratégie du Gouvernement en matière de développement social et de

³⁶ Country Policy Institutional Assessment

réduction de la pauvreté s'articule autour de (i) l'accès à l'emploi des jeunes, (ii) une meilleure rémunération des producteurs agricoles, (iii) l'accroissement des revenus des femmes par le financement de projets et (iv) l'intervention accrue et ciblée en faveur des couches les plus vulnérables dans les secteurs prioritaires de l'éducation, de la santé, de la sécurité, de la protection sociale et des infrastructures de base, notamment l'accès au logement.

19. Le renforcement des dotations des « dépenses pro-pauvres » permettra de mieux assurer la fourniture des services publics. Ces dépenses sont programmées à 1°521,8 milliards de F CFA (9,2% du PIB) en 2014 contre 1 337,1 milliards de F CFA (8,7% du PIB) en 2013 et 1 080,3 milliards de FCFA en 2012.

20. Relativement à l'accès à l'eau potable, le district d'Abidjan a bénéficié d'une station de traitement d'eau potable de 2 000 m³/h, d'un réservoir au sol de 10 000 m³ et de l'équipement de douze (12) forages productifs à grand diamètre en 2012. Avec la finalisation de l'adduction d'eau potable à partir de la nappe souterraine de Bonoua, le déficit d'eau sera comblé dans la ville d'Abidjan. Un vaste programme de réhabilitation et de construction de pompes villageoises a été également lancé notamment dans le nord et l'ouest du pays, de même que l'installation de stations de traitement d'eau potable à Abidjan et à l'intérieur du pays.

21. Concernant la couverture sanitaire, le Gouvernement poursuivra la réalisation d'un ensemble d'ouvrages pour accroître la capacité des infrastructures sanitaires publiques et améliorer la qualité des soins fournis. Le Gouvernement ambitionne ainsi de faire de la Côte d'Ivoire un hub du système de santé régional en le rendant plus moderne et plus attractif. Pour ce faire, il poursuivra les efforts suivants:

- la construction et l'équipement d'un centre de médecine nucléaire d'un cout de 01 milliards ;
- la réhabilitation du Centre Hospitalier et Universitaire (CHU) de Yopougon pour un cout de 40 milliards de FCFA;
- la réhabilitation et le rééquipement de l'Institut de cardiologie d'Abidjan pour un montant global de 16 milliards de FCFA;
- la construction d'un centre d'oncologie médicale et de traitement du cancer et la mise aux normes des hôpitaux d'Anyama (Nord-Est d'Abidjan), Guiglo (Ouest) et Daloa (Centre-ouest);
- la construction d'un nouvel Institut National de Formation Sanitaire (INFAS) à Aboisso au Sud-Est.

22. En outre, la mise en œuvre de la Couverture Maladie Universelle (CMU) prévue pour janvier 2015 permettra de garantir l'accès aux soins des plus démunis. Par ailleurs, pour prévenir la menace de l'épidémie de la fièvre Ebola, un Comité de Veille présidé par le Premier Ministre a été mis en place. Ce Comité a pour mission notamment de (i) définir les orientations stratégiques et politiques de la riposte à l'épidémie, (ii) définir le niveau d'alerte en rapport avec l'évolution de l'épidémie, (iii) assurer la surveillance continue de l'évolution de l'épidémie aux plans national et international, (iv) assurer la concertation diplomatique avec les parties prenantes à l'intérieur et à l'extérieur du territoire national, (v) organiser le plaidoyer pour la

mobilisation des ressources nationales et internationales et (vi) informer périodiquement le Conseil National de Sécurité sur l'évolution de l'épidémie de la maladie à virus Ebola. Il est à noter qu'aucun cas avéré d'infection à virus Ebola n'a été signalé en Côte d'Ivoire.

C. Réformes structurelles

a. Réformes dans la gestion des finances publiques

23. Le Gouvernement a mis en œuvre un ensemble de mesures pour l'amélioration de la transparence dans la gestion des finances publiques et la mise en conformité de cette gestion avec les normes sous régionales en vigueur. A cet effet:

- les quatre décrets relatifs à la transposition des directives de l'Union Economique et Monétaire Ouest Africain (UEMOA) sur les finances publiques ont été adoptés en Conseil des Ministres le 09 juillet 2014;
- la stratégie de mise en œuvre d'un compte unique du Trésor a été élaborée et le décret d'application de cette stratégie a été pris en Conseil des Ministres le 09 juillet 2014;
- l'évaluation de la chaîne de la dépense et des procédures de clôture de l'exercice budgétaire a été conduite du 9 au 23 janvier 2014 et certaines des recommandations faites à cet effet connaissent une mise en œuvre, notamment la réduction des délais de passation des marchés publics et la mise en place du Comité de suivi des délais.

24. Par ailleurs, le Gouvernement s'assurera de l'application effective des mesures prises dans le cadre du programme et prendra toute mesure rectificative nécessaire à l'atteinte des objectifs poursuivis. Pour ce faire, le Gouvernement a élaboré, avec l'appui des Partenaires Techniques et Financiers un schéma directeur unique de réformes des finances publiques pour favoriser une prise en charge ordonnée et exhaustive des travaux de réformes en cours ou à venir. Ce schéma propose un cadre institutionnel pour le suivi de la mise en œuvre des réformes et définit sept (07) axes stratégiques adossés à des plans d'actions à conduire sur la période 2014-2016 dont le coût a été estimé à plus de 100 milliards de FCFA. Ces axes stratégiques portent sur:

- la fiscalité et la gestion des Finances Publiques avec l'élargissement de l'assiette fiscale et la modernisation de la collecte pour porter le taux de pression fiscale à 19% en conformité avec les dispositions du pacte de convergence, de stabilité et de solidarité de l'UEMOA;
- la planification, la programmation, la budgétisation et le pilotage de l'exécution des Dépenses de l'Etat pour moderniser les modes de pilotage et de gestion du budget général de l'Etat avec notamment la présentation du projet de loi de finances 2017 suivant le format prescrit par la Loi Organique relative aux Lois de Finances (LORF).
- l'Organisation et les Systèmes d'Information Financière de la chaîne de la Dépense pour actualiser les procédures de suivi et de contrôle de l'exécution budgétaire afin de rationaliser le circuit de la dépense. Elle prend en compte les exigences du budget programme exprimées dans la LORF et le respect des directives financières de l'UEMOA pour la fluidité des dépenses publiques;
- la Passation des Marchés Publics en vue de la réduction des délais notamment à travers la mise en place des cellules de passation de marché, ainsi que la conception des manuels de

procédures et des dossiers d'appel d'offre (DAO) allégés, pour mettre en conformité les dispositions nationales en la matière avec celles de l'UEMOA;

- A cet égard, le Gouvernement entend doter tous les organismes publics identifiés par le code des Marchés Publics de cellule de passation de marchés. Un arrêté N° 325/MPMB/DGBF/DMP du 23 mai 2014 portant composition et fonctionnement des cellules de passation des marchés publics a été pris par le Ministre auprès du Premier Ministre chargé du Budget. Ces cellules sont chargées de préparer et de veiller à la qualité, à la régularité des opérations de passation et d'exécution des marchés publics, afin d'améliorer l'articulation entre l'exécution budgétaire et la gestion de la trésorerie.
- la Comptabilité Publique et Gestion de la Trésorerie de l'Etat pour mettre en œuvre les recommandations du PEMFAR, procéder au renforcement de la mise en œuvre du Compte Unique du Trésor et du cadre de gestion de la dette et absorber les réformes induites par les directives de l'UEMOA sur le Règlement Général de la Comptabilité Publique et le Plan Comptable de l'Etat notamment sur la comptabilité patrimoniale « base exercice » en droits constatés;
- les Dispositifs de contrôle et d'audit interne et externe pour améliorer l'efficacité des contrôles et la conformité des dispositifs nationaux avec ceux de l'UEMOA;
- l'Efficacité de la Décentralisation au Plan Financier avec la mise en place d'un cadre méthodologique et d'un dialogue rénové entre les collectivités territoriales et les structures étatiques pour adapter le régime financier, fiscal et domanial des collectivités aux exigences de l'UEMOA en la matière.

25. Pour ce qui est de la micro finance, l'assainissement du secteur s'inscrit dans un plan d'actions articulé autour de quatre axes: (i) la consolidation du cadre réglementaire et institutionnel, (ii) le renforcement de la surveillance, (iii) la restructuration et le redressement des structures en difficulté, et (iv) la liquidation des structures de financement décentralisées dont l'agrément a été retiré. La mise en œuvre de ce plan permettra d'assurer une meilleure supervision du secteur et de favoriser l'accès au financement des couches sociales les plus démunies. Il a permis, par la suite, l'adoption au Conseil des Ministres du 22 janvier 2014 du décret d'application de l'ordonnance n°2011-367 du 03 novembre 2011 portant réglementation des Structures de Financement Décentralisées (SFD). Les autres actions portant sur la promotion, le contrôle et l'assistance des SFD sont en cours d'exécution.

b. Stratégie d'endettement

26. **Le Gouvernement continuera de renforcer la gestion de la dette publique.** La stratégie de gestion de la dette à moyen terme (SDMT 2013-2017) sera remplacée par une nouvelle pour la période 2015-19 sur la base du suivi et de l'évaluation de la variation d'endettement au cours de l'année 2014. En plus, le Gouvernement a l'intention d'achever la création en 2015 d'une base de données centralisée de la dette des entreprises publiques et des garanties gouvernementales sur cette dette afin d'assurer un meilleur suivi de la dette. Enfin, le Gouvernement parachèvera la réorganisation de la gestion de la dette publique en front, middle et back offices avec l'assistance technique du FMI dans le premier semestre 2015 pour assurer une gestion intégrée de la dette publique.

27. **Le Gouvernement continuera d'élargir ses sources de financement dans le cadre de la stratégie d'endettement visant à préserver la viabilité de la dette publique à moyen et long termes.** Par ailleurs, tenant compte des difficultés de mobilisation d'un montant suffisant de ressources concessionnelles pour nos besoins de financement des grands projets structurants en 2015, il est prévu l'émission d'un Eurobond d'un milliard de dollars US. Ainsi le Gouvernement a sollicité l'approbation du FMI pour accroître en 2015 la fenêtre cumulée des nouveaux prêts extérieurs non concessionnels pour un montant de 1,4 milliard de dollars US, y compris un milliard USD pour l'Eurobond, jusqu'à un plafond de 3,05 milliards de dollars US en 2015. En outre, il sollicite une flexibilité, en cas de besoin, afin de prendre deux prêts extérieurs non concessionnels pour deux (2) de projets structurants. Les projets structurants portent d'une part sur l'extension et la modernisation du Port Autonome d'Abidjan pour un montant maximal de 800 millions de dollars US, et d'autre part sur le développement et la réhabilitation du réseau électrique de Côte d'Ivoire pour un montant maximal de 820 millions de dollars US. Par ailleurs, pour le financement de son ambitieux programme de développement, le Gouvernement souhaiterait pouvoir accéder aux guichets BIRD et BAD.

c. Réforme du secteur énergie

28. Le Code de l'électricité a été adopté par l'Assemblée Nationale le 27 février 2014. Il intègre un meilleur cadre de gestion des flux physiques et financiers du secteur grâce (i) à une meilleure définition des activités du secteur de l'électricité et de leur régime juridique; (ii) à une plus grande souplesse dans les possibilités d'organisation et de gestion des segments, objets du monopole de l'Etat, lesquels sont désormais susceptibles d'être concédés, le cas échéant, à un ou plusieurs opérateurs privés; (iii) à la prise en compte des énergies nouvelles et renouvelables ainsi que la maîtrise de l'énergie; (iv) au renforcement du dispositif de répression des fraudes et actes délictueux préjudiciables au secteur de l'électricité; et (v) à l'institution par la loi d'une commission de régulation indépendante, dotée des pouvoirs nécessaires à l'accomplissement de sa mission.

29. Les résultats obtenus dans la mise en œuvre de la stratégie de réduction du déficit du secteur électricité ont permis d'améliorer progressivement sa situation financière. Le Gouvernement prendra les mesures nécessaires afin d'atteindre l'équilibre dès 2016.

En vue de limiter l'impact de l'utilisation du HVO sur l'équilibre du secteur, le Gouvernement facturera au coût marginal, toutes les demandes supplémentaires d'électricité des pays limitrophes, par rapport aux quantités contractuelles conformément aux conclusions des négociations. Le Gouvernement a réglé 45 milliards de FCFA de dettes vis-à-vis de la SIR dont 30 milliards de dette titrisée. Le Gouvernement règlera 25 milliards de FCFA additionnels au titre de la fourniture du HVO avant le 31 décembre 2014. En outre le gouvernement adoptera un plan d'apurement des dettes croisées avec les structures du secteur, assorti d'un chronogramme détaillé.

30. En ce qui concerne le secteur des hydrocarbures, le Gouvernement poursuit la mise en œuvre du mécanisme automatique de fixation des prix des produits pétroliers à la pompe. Pour ce qui est des industries extractives, le Gouvernement entend maintenir la conformité de la Côte d'Ivoire à l'Initiative de la Transparence des Industries Extractives. A cet effet, le code pétrolier a été amendé et un nouveau code des hydrocarbures a été adopté pour assurer une meilleure

transparence dans la gestion des ressources et la préservation de l'environnement. L'Assemblée Nationale a adopté un nouveau code des mines le 04 mars 2014 qui vise à faire de la Côte d'Ivoire une destination privilégiée.

d. Réformes dans le secteur agricole

31. Le système de prix garanti mis en place dans la filière Café Cacao, qui a permis d'assurer une bonne rémunération des producteurs, sera étendu à la filière Coton Anacarde afin d'assurer une gestion intégrée des spéculations. Ainsi le revenu d'un (01) million de planteurs sera amélioré bénéficiant de ce fait à plus de six (06) millions de personnes. Le PVAM, concernant la filière café-cacao, a fait l'objet d'un audit indépendant. Le rapport définitif est finalisé et a été transmis à la Banque Mondiale. Il a été mis en ligne sur le site du Ministère auprès du Premier Ministre Chargé de l'Economie et des Finances. Le Fonds d'Investissement en Milieu Rural poursuivra et élargira ses investissements en milieu rural pour améliorer les conditions de vie des populations à travers le reprofilage des pistes, l'électrification rurale et l'accès à l'eau potable ainsi que la construction d'écoles et de centres de santé. Par ailleurs, un dispositif fiscal allégé est mis en place pour la filière hévéa, affectée par la baisse des cours mondiaux du caoutchouc.

32. Des actions similaires à celle de la filière café cacao sont en cours d'implémentation dans la filière coton anacarde. De ce fait, ce secteur est en plein essor avec la réorganisation des acteurs, la mise en place du système de garantie des prix au producteur, et l'élargissement du tissu de transformation.

33. Globalement, le Gouvernement reste fidèle à ses objectifs de croissance de la production agricole inscrits dans le Programme National d'Investissement Agricole, (PNIA), qui devrait permettre l'autosuffisance en riz d'ici 2016, et accroître la capacité de transformation des produits agricoles.

34. Dans cette dynamique, le Gouvernement a procédé en collaboration avec la Banque Mondiale à la revue des dépenses publiques du secteur agricole. Le rapport de la revue a été validé les 28 et 29 août 2014 et le plan d'action subséquent adopté pour être mis en œuvre par les différents acteurs.

e. Réformes du secteur financier

35. Le Gouvernement poursuivra la mise en œuvre de sa politique de développement du secteur financier. La Stratégie de Développement du Secteur Financier (SDSF) s'articule autour de deux piliers: la Stabilité et l'Expansion du secteur financier. Pour sa mise en œuvre, un Programme de Développement du Secteur Financier dénommé PDESFI est en cours d'adoption par le Gouvernement. Ce programme vise notamment à (i) mettre en œuvre le plan d'actions de la stratégie de développement du secteur financier et (ii) concevoir et suivre la mise en œuvre de projets d'appui et de développement de la finance inclusive, le programme développement du crédit-bail en Côte d'Ivoire et de tous les programmes relatifs à l'appui et au développement du secteur financier en CI, à l'exception de la restructuration du secteur bancaire public.

36. Une Stratégie de Développement du Secteur Financier (SDSF), pour mieux répondre aux besoins de financement de l'économie, a été élaborée et adoptée en Conseil des Ministres le 16 avril 2014.

37. **Le Gouvernement entend achever la restructuration des banques publiques.** Le plan de restructuration adopté par le Gouvernement en mai 2014 prévoit notamment:

- pour les deux (2) banques à participation minoritaire, des privatisations. Le Comité de privatisation qui est une instance déjà créée a pris le relais et travaille à l'atteinte de cet objectif;
- pour les cinq (5) banques majoritairement détenues par l'Etat, plusieurs options de restructuration. Un Directeur programme conduira sous la supervision d'un Comité de Pilotage, la transformation de ces banques en fonction des options clairement définies. La stratégie de redimensionnement retenue privilégie la nécessité de maintenir les fonctions de services publics notamment pour le financement de l'économie, la collecte de l'épargne et la bancarisation;
- finaliser l'assainissement du secteur de la microfinance. Le plan d'actions adopté à cet effet portait sur quatre axes: (i) la consolidation du cadre réglementaire et institutionnel, (ii) le renforcement de la surveillance, (iii) la restructuration et le redressement des structures en difficulté, et (iv) la liquidation des structures de financement décentralisées dont l'agrément a été retiré. La mise en œuvre de ce plan, qui se situe à sa dernière phase, permettra de dégager un portefeuille de structures saines, solides et viables afin d'accompagner la politique du Gouvernement pour l'accès au financement des couches sociales les plus démunies.

38. **Le Gouvernement poursuivra ses efforts dans le développement et la diffusion de nouveaux instruments ainsi que la réduction des coûts des opérations financières.** Outre le dispositif légal et réglementaire régissant l'exercice des Spécialistes en Valeurs du Trésor (SVT) et les mesures prises pour la mise en place des bureaux de crédit, ainsi que les règlements relatifs aux opérations de pension livrée et aux émissions de titres publics par voie d'adjudication ou de syndication, et pour parvenir à une réduction et à une rationalisation graduelle des conditions de banque appliquées à la clientèle, la BCEAO a procédé à la gratuité de certains services bancaires.

f. Réformes de l'environnement des affaires et promotion de la bonne gouvernance

39. Pour réaffirmer son engagement d'instauration d'un climat général de bonne gouvernance et encore plus attractif afin de maintenir la compétitivité de l'économie, le Gouvernement a identifié des actions spécifiques à mettre en œuvre afin d'assainir et améliorer le climat des affaires, de promouvoir la déontologie dans la fonction publique, de lutter efficacement contre la corruption et de faire la promotion de la bonne gouvernance (adoption de décrets pour l'opérationnalisation de la Haute Autorité pour la Bonne Gouvernance: les décrets n°2014 du 16 avril 2014 portant nomination du Secrétaire Général de la Haute Autorité pour la Bonne Gouvernance et n° 2014 du 26 avril 2014 portant nomination des membres de la Haute Autorité

pour la Bonne Gouvernance, la validation du budget de la Haute Autorité pour la Bonne Gouvernance par arrêté n° 364/MPMB/DB/E3db du 04 juin 2014 portant création de destination de lignes et transfert de crédits d'un montant total de 1 milliard trois cent millions de F CFA). Ces actions sont principalement, la réduction des délais de création d'entreprise au Guichet Unique du CEPICI à 24h, la réduction des délais de passage des marchandises à l'import-export aux ports, l'institution du cadre juridique de la médiation Commerciale, la création d'une Cour d'Appel de Commerce, en appui aux missions du Tribunal du Commerce, la dématérialisation du paiement des impôts, taxes et contributions sociales en Côte d'Ivoire. Le Gouvernement reste convaincu que l'amélioration des scores au titre des indicateurs respectifs de « Doing Business », du « Millenium Challenge Corporation » et du CPIA participera à la réalisation de ses objectifs. En outre, relativement aux partenariats Public Privé, un nouveau décret a été pris en mai 2014 (Décret N° 2014-246) modifiant le décret N° 2012-1152 du 19 décembre 2012, portant attributions, organisation et fonctionnement du cadre institutionnel de pilotage des Partenariats Public-Privé. A cet effet, le Gouvernement a procédé à la prise d'actes significatifs, notamment, une ordonnance portant réduction du droit de mutation en matière immobilière et au lancement des appels d'offres des Projets PPP y compris les zones industrielles (Zones Industrielles, Train Urbain, Terminal à Conteneurs N°2 du Port d'Abidjan et la Gare Routière).

40. Un nouveau code des mines a été adopté par l'Assemblée Nationale le 04 mars 2014, afin de favoriser l'afflux des capitaux étrangers dans le secteur minier. Il accorde de nombreux avantages spécifiques aux investisseurs et supprime notamment la taxe sur les bénéfices exceptionnels.

41. **La Côte d'Ivoire entame pour sa troisième année consécutive, la poursuite du processus d'amélioration de l'environnement des affaires, focus Doing Business.** Le pays s'engage dans cette dynamique, fort des recommandations de l'équipe d'évaluation du Doing Business de Washington qui s'est rendue à Abidjan du 7 au 10 juillet 2014, des études diagnostiques effectuées sur le terrain par l'équipe du CEPICI et des enseignements d'une mission de benchmark effectué au Rwanda du 10 au 21 septembre 2014. Les recommandations issues de ces différents travaux ont porté sur la consolidation des acquis, la rationalisation des processus dans l'élaboration des indicateurs et la réalisation des réformes portant sur ces indicateurs.

IV. Suivi et évaluation

45. Le Gouvernement apprécie les efforts de la Banque pour sa contribution à la définition de stratégie de développement de la Côte d'Ivoire et travaillera à renforcer ce partenariat quant à la mise en œuvre notamment des programmes d'investissement.

46. Le suivi et l'évaluation du programme seront de la responsabilité du Comité Interministériel du Suivi du Programme Economique et Financier, présidé par Monsieur le Premier Ministre.

47. J'espère que les orientations et engagements pris par le Gouvernement permettront de donner beaucoup plus de vigueur à la coopération financière avec la Banque Mondiale et l'ensemble des autres partenaires multilatéraux et bilatéraux, et ainsi permettre de bénéficier du Crédit d'Appui à la Réduction de la Pauvreté au titre de l'année 2014, d'un montant équivalent à 70 millions de dollars des Etats-Unis.

Je vous prie d'agréer, **Monsieur le Président**, l'assurance de ma parfaite considération.

**Le Ministre auprès du Premier
Ministre, chargé de l'Economie
et des Finances**



Nialé KABA

**MINISTRY IN THE OFFICE OF
THE PRIME MINISTER IN
CHARGE OF THE ECONOMY AND
FINANCE**



REPUBLIC OF COTE D'IVOIRE

Office of the Minister

Abidjan, October 27, 2014

N°1315/MPMEF/DGE/DCPE

Mr. Jim Yong Kim
President of the World Bank
WASHINGTON, D.C.

Subject: Letter of Development Policy

Mr. President,

42. This Letter of Development Policy (LDP) reviews the evolution of the socio-economic situation of Côte d'Ivoire in 2013 and surveys the trends in the Ivorian economy in 2014. It states the specific objectives and priority sectoral policies of the authorities and discusses prospects for 2015. The Government requests the World Bank, through the Poverty Reduction Support Credit, to support its program. To this end, it requests the Bank to provide a general budget support to Côte d'Ivoire in an amount equivalent to US\$70 million.

I. Political and Economic Context

43. Côte d'Ivoire's economy is taking off again and the country is consolidating its new international position as a result of major advances in strengthening its internal stability, efforts to improve governance, and the preservation of social cohesion. This repositioning has encouraged the return of large groups of investors and international institutions such as the African Development Bank Group, which held its returning meeting of the Board of Directors in Abidjan on September 8, 2014. Moreover, the Government is strongly backing integration projects, mainly through major regional infrastructure projects and greater ease of transport. At the national level, the Government has made progress in political dialogue, and has taken steps to ensure the holding of open, transparent presidential elections in October 2015.

44. The reforms undertaken in the key sectors of the economy, together with support measures for new enterprises, have enabled the economy to grow at a steady pace. Thus, following GDP growth rates in real terms of 10.7 percent and 9.2 percent in 2012 and 2013,

respectively, economic trends at the end of June 2014 point to a sustained growth of 9.0 percent in 2014. This level of growth is being boosted by high domestic demand and an upturn in exports. Strong economic activity continues, especially in construction, public works, and the service sector. Inflation has remained moderate. These results should help Côte d'Ivoire place among the high-growth countries of the world. The performance of the economic and financial program supported by the Extended Credit Facility (ECF) remains consistent with the program's objectives. The business climate continues to improve with the implementation of structural measures, including the streamlining of procedures for starting new businesses, the enforcement of the new investment code, the launch of a huge industrial estate development program, the establishment of a commercial court, and the activation of the Committee on Coordination between the State and the Private Sector. These actions have allowed for the consolidation of economic activity, including foreign direct investment of CFAF 188.5 billion and the net creation of 27,056 jobs in the formal sector. The sustained, rapid pace of reforms has promoted a real annual increase in per capita GDP of more than 15 percent in two years. These achievements are being supported by a program for upgrading infrastructure, in particular in the health, education, drinking water supply, sanitation, electricity, and road-building sectors.

II. Progress of Reforms in 2013

45. As part of the strategy to boost economic growth, the Government has continued to implement important structural reforms, particularly in the public finance, energy, and financial sectors, and to improve the business climate.

a. Reforms in public financial management

46. Budget management comes under the heading of reforming public finances and enhancing transparency by implementing the action plan proposed in the Public Expenditure Management and Financial Accountability Review (PEMFAR). Thus, the National Assembly adopted organic laws in December 2013 establishing the Transparency Code and Budget Law, and in June 2014 these laws were promulgated, taking into account the observations of the Constitutional Court.

47. In order to improve public procurement procedures, the Government prepared a model procurement plan for execution of the 2014 budget and distributed it to credit managers. Likewise, a Multiyear Budget and Economic Programming Paper (DPBEP) was annexed to the 2014 Budget Law. In the context of improving the absorptive capacity of the public and private sectors, the total 2014-2016 Medium-Term Expenditure Framework (MTEF) was annexed to the 2014 Budget Law, and an expenditure commitment plan was established in February 2014 for programming the use of budgetary appropriations.

48. As for improving debt management operations, a Medium-Term Debt Management Strategy (MTDS 2013-2017) in accordance with international standards was adopted by the Council of Ministers on December 19, 2013. It has been brought into line with a Debt Sustainability Analysis (DSA) updated at the end of October 2013 with the technical support of the International Monetary Fund (IMF).

b. Reforms in the energy sector

49. In 2013, the Government took steps to promote, in particular, financial equilibrium in the electricity sector, while making investments to increase the supply of energy. The implementation of this strategy achieved notable results, including: an increase in the production capacity of FOXTROT (to 154 Mcfd in June 2013), a reduction in the price of natural gas provided by FOXTROT (block CI-27 at 5.5\$/MMBTU) and CNR (block CI-26 at 3.5\$/MMBTU), a reduction in the remuneration of the concessionaire from CFAF 23.0724 to CFAF 22.22 per kWh charged as from January 2013, application of the export tariffs renegotiated in October 2012, a shift in the general rate for customers known as “false moderates,” an improvement in collection, and a reduction in losses, which made it possible to gain 3 points in overall returns from 2012 to 2013.

c. Reforms in the financial sector

50. With regard to the restructuring of public banks, an action plan based on the outcome of the bank evaluation carried out by international consultants was formulated and referred to the Government for adoption by the Council of Ministers.

d. Improved business climate

51. A number of reforms were undertaken to create a favorable climate for private investment by putting in place attractive legal and institutional arrangements.

- Emphasis was placed on reducing the costs of setting up a business, by simplifying and minimizing the number of procedures required and fees charged at the various stages. In this context, a One-Stop Window for Foreign Trade was established, and costs were cut for the passage of goods through the Autonomous Port of Abidjan, the transfer of property, and the publication of notices of establishment of an enterprise. Moreover, the draft law on competition was adopted by the Government on May 2, 2013.
- A High Authority for Good Governance was created by Order No. 2013-661 of September 20, 2013, with a view to preventing and combating corruption and related offenses.
- An internal debt repayment plan was adopted by the Council of Ministers on November 14, 2013. This plan was launched with the settlement of CFAF 56.5 billion in 2013, and is aimed at supporting the national economy.
- The Commercial Court was established and has been functioning effectively since October 2012.

Reforms in the coffee-cocoa sector

52. In the coffee-cocoa sector, the reform adopted in November 2011 is being implemented by the Coffee-Cocoa Council. It launched the Forward Sales Program (PVAM) and held meetings to raise awareness among the various stakeholders. The reserve fund has been replenished by the Government in the amount of CFAF 40 billion, as anticipated. The average fixed price for the period from January to December 2013 was CFAF 733/kg. This price was accepted throughout the country. By the end of December 2013, the stabilization fund recorded a positive balance of CFAF 16 billion, thereby reinforcing the reserve fund. Current studies are considering whether it would be advisable to provide a supplementary allocation to the reserve

fund, as expected. Although these results are satisfactory, the Government conducted and published the results of the PVAM audit. This audit sought to (i) assess the program and the computerized auction system; (ii) make recommendations for improving PVAM; (iii) determine the level of the reserve fund as of September 30, 2013; (iv) formulate an opinion on fund management; (v) assess the inherent risks of the marketing system; and (vi) determine the optimal level of the fund.

III. Program for 2014 and Prospects for 2015

D. General Objectives

53. The Government hopes to make Côte d'Ivoire an emerging country by 2020 through the implementation of the National Development Plan (NDP) for the period 2012-2015. The purpose of this development plan is to reduce poverty and build the foundation of a strong, thriving economy by the beginning of 2020. The objectives are to attain a growth rate of 9.0 percent in 2014; to increase the rate of investment from 12.1 percent of GDP in 2012 to 14.6 percent in 2013, 16 percent in 2014, and 17 percent in 2015; and to ensure that the public investment rate rises from 6.7 percent in 2012 to 7.1 percent in 2013, 8.3 percent in 2014, and 9.3 percent in 2015.

54. To ensure the financing of the NDP, an Advisory Group meeting was held in Paris on December 4 and 5, 2012, with the support of the World Bank. This meeting allowed for the external public and private financial commitments necessary for implementing the NDP. Official pledges from partners totaled CFAF 4319 billion (US\$ 8.6 billion), including CFAF 1102.4 billion (US\$ 2.2 billion) in earlier financing and CFAF 3217 billion (US\$ 6.4 billion) in new financing.

55. Following the Advisory Group meeting in 2012, the Government held a forum from January 29 to February 1, 2014, entitled "Invest in Côte d'Ivoire: ICI 2014," which welcomed 5,717 participants and 270 exhibitors from 71 countries.

56. In 2014 the sustained growth of the Ivorian economy is expected to consolidate, following the significant progress made in 2012 and 2013. The inflation rate should remain within the limit of the community standard of 3 percent. To achieve this, the Government is counting on the positive effect of the continued implementation of structural reforms, including the improvement of the business climate, the substantial growth of key, innovative public investments, together with private investment. Per capita GDP should continue to surge, reaching 6 percent growth in 2014 for the third consecutive year, as compared to a cumulative drop in per capita income during the previous decade. All these results should make it possible to reduce poverty, advance towards the achievement of some Millennium Development Goals (MDGs), continue the efforts aimed at promoting good governance and combating corruption, and consolidate the improvement in living standards.

57. The budgetary policy will be aimed at the following: (i) optimization of the potential for revenue collection, in particular by broadening the tax base and improving collection methods; (ii) rationalization of expenditures through better planning, improved procurement management, and enhanced monitoring of the execution of public investments; and (iii) a sustainable debt

policy and additional means of financing. The budget margins released will be allocated to strengthening investments. The overall fiscal balance should stand at -2.3 percent in 2014, as against -2.2 percent of GDP in 2013, while the basic primary balance is expected to shift from 0.1 percent of GDP in 2014 to between 0.4 percent and -0.2 percent in 2015.

58. To attain these objectives, the Government expects to complete the reform of the financial sector by 2015, including the restructuring of public banks; to restore the financial equilibrium of the electricity sector; and to continue to improve the management of public finances by strengthening good governance and maintaining the sustainability of foreign debt. The Government will also continue to emphasize the redistribution of the benefits of growth to the entire population, especially the most vulnerable segments.

59. The Government will also focus on strengthening regional integration. To this end, it will build upon the consolidation of national reconciliation, and the preservation of security and social cohesion throughout the territory. In addition, the Government will promote the implementation of joint key investment projects, including the Abidjan-Ouagadougou and Abidjan-Lagos highways.

60. Generally speaking, the Government intends to improve the quality of policies and institutions in order to enhance the effective use of resources for promoting sustainable development, job creation, and poverty reduction. Thus, Côte d'Ivoire remains confident that the satisfactory implementation of the CPIA³⁷ indicators developed by the World Bank will contribute to its achievement of the Millennium Development Goals and to its economic emergence. The CPIA score for Côte d'Ivoire has risen from 2.7 in 2011 to 3.2 in 2014.

61. In August 2014, the Government launched a comprehensive review of the NDP 2012-2015 to help it better prepare the program for 2016-2020. Among other things, this review covers the following: (i) an assessment of the implementation of the NDP by strategic outcome and (ii) the strategic guidelines and concept note of the NDP, which will form the basis for the development of sectoral policies and regional development plans. The synthesis of these documents, bolstered by the findings of certain thematic studies, will help to produce the NDP 2016-2020, which is scheduled to be adopted by the Council of Ministers in May 2015.

E. Poverty Reduction

62. Following a decade of crisis and two years of improved economic conditions, the Government remains determined to reduce poverty rates and achieve higher social indicators. In line with the objectives of the NDP, Côte d'Ivoire has resumed the path to strong, sustainable, inclusive growth, while respecting gender equity and the environment, creating jobs, and promoting poverty reduction. The Government's strategy for social development and poverty reduction is focused on (i) youth employment; (ii) better pay for agricultural producers; (iii) increased income for women through project financing; and (iv) more numerous and targeted interventions for the most vulnerable groups in the priority sectors of education, health, security, social protection, and basic infrastructure, including affordable housing.

³⁷ Country Policy Institutional Assessment.

63. Increased allocations for “pro-poor expenditures” will improve the provision of public services. These expenditures are anticipated to amount to CFAF 1521.8 billion (9.2 percent of GDP) in 2014 as against CFAF 1337.1 billion (8.7 percent of GDP) in 2013 and CFAF 1080.3 billion in 2012.

64. As for access to drinking water, the district of Abidjan was provided with a water treatment plant (2,000 m³/h), a standpipe (10,000 m³), and twelve (12) large-diameter productive boreholes in 2012. With the completion of the project to pipe drinking water from the groundwater source in Bonoua, the water deficit in the city of Abidjan will be alleviated. A vast program aimed at the rehabilitation and construction of village pumps was also launched in the northern and western parts of the country, and water treatment plants were installed in Abidjan and in the interior.

65. With regard to health care coverage, the Government will carry out a series of public works to increase the capacity of public health infrastructures and improve the quality of health care. The Government thus hopes to make Côte d’Ivoire a hub of the regional health care system by modernizing it and making it more attractive. To this end, it will take the following steps:

- Construction and equipping of a nuclear medicine center at a cost of CFAF 01 billion;
- Rehabilitation of the Hospital and University Center (CHU) in Yopougon at a cost of CFAF 40 billion;
- Rehabilitation and retrofitting of the Cardiology Institute in Abidjan for a total of CFAF 16 billion;
- Construction of a medical oncology and cancer treatment center and the upgrading of standards in the hospitals of Anyama (North-East of Abidjan), Guiglo (West), and Daloa (Center-West);
- Construction of a new National Health Care Training Institute (INFAS) in Aboisso in the South-East.

66. The implementation of Universal Health Insurance Coverage (CMU) slated for January 2015 will make it possible for the poorest groups to gain access to health care. In addition, in order to ward off the threat of the Ebola fever epidemic, a monitoring committee chaired by the Prime Minister has been set up. This committee’s mission is as follows: (i) to establish strategic and policy guidelines for responding to the epidemic; (ii) to determine the alert level, depending on the evolution of the epidemic; (iii) to ensure continued monitoring of the evolution of the outbreak at the national and international level; (iv) to ensure diplomatic coordination with stakeholders within and outside the national territory; (v) to organize an advocacy network for mobilizing national and international resources; and (vi) to periodically inform the National Security Council about the evolution of the Ebola outbreak. It should be noted that no confirmed cases of Ebola virus infection have been reported in Côte d’Ivoire.

F. Structural Reforms

g. Reforms in public financial management

67. The Government implemented a suite of measures aimed at improving transparency in public financial management and aligning this management with subregional standards in force. To that end:

- The four decrees relating to the incorporation of the directives of the West African Economic and Monetary Union (WAEMU) on public finance were adopted by the Council of Ministers on July 9, 2014;
- The implementation strategy for a single Treasury account was formulated and the implementing decree for this strategy issued by the Council of Ministers on July 9, 2014;
- The expenditure chain and end-of-year budgetary procedures were evaluated between January 9 and 23, 2014, and a number of the ensuing recommendations are being implemented, including the one pertaining to the reduction of delays in public procurement and the establishment of the committee responsible for monitoring delays.

68. The Government will also ensure the effective implementation of the measures adopted under the program, and will take any corrective measures necessary to achieve the objectives being pursued. To that end, the Government, with support from the technical and financial partners, developed a single master plan for public finance reform with a view to promoting coordinated, comprehensive management of current and future reform efforts. This plan proposes an institutional framework for monitoring implementation of the reforms and defines seven strategic pillars supported by actions plans to be executed over the 2014-2016 period, the estimated cost of which stands at more than CFAF 100 billion. These strategic pillars cover the following areas:

- Taxation and public financial management with the broadening of the tax base and modernization of collection methods in order to increase the tax burden rate to 19 percent, in accordance with the provisions set forth in the WAEMU Convergence, Stability, Growth and Solidarity Pact;
- Planning, programming, budgeting, and oversight of the execution of State expenditures in order to modernize oversight and management procedures for the State's general budget, including the submission of the 2017 draft budget law, in accordance with the format prescribed in the organic budget law (LORF).
- The organization and financial information systems of the expenditure chain with a view to updating monitoring and control procedures for budget execution so as to streamline the expenditure chain. It takes into account the program budget requirements set forth in the LORF and compliance with WAEMU financial directives to ensure smooth public expenditures;
- Public procurement with a view to reducing delays, including through the establishment of procurement units and the design of streamlined procedures manuals and bidding documents, in order to bring the corresponding national provisions in line with WAEMU provisions;

- In this regard, the Government intends to establish a procurement unit in all public entities identified in the Procurement Code. Decree No. 325/MPMB/DGBF/DMP of May 23, 2014 on the composition and functioning of procurement units was issued by the Minister in the Office of the Prime Minister with responsibility for the Budget. These units are tasked with preparing and ensuring the quality and propriety of public procurement and execution procedures, in order to improve coordination between budget execution and cash management.
- Public accounting and government cash management in order to implement the PEMFAR recommendations, strengthen the implementation of the single Treasury account and debt management operations, and implement the reforms resulting from the WAEMU directives on the General Regulations governing Public Accounting, including “fiscal year” accrual-basis accounting;
- Internal and external control and audit mechanisms to improve the effectiveness of controls and compliance of national mechanisms with WAEMU mechanisms;
- The effectiveness of financial decentralization with the establishment of a methodological framework and renewed dialogue between regional and local authorities and State institutions with a view to bringing the authorities’ financial, tax, and property system in line with WAEMU requirements.

69. The rehabilitation of the microfinance sector is part of an action plan based on four areas: (i) consolidation of the regulatory and institutional framework, (ii) strengthening of surveillance, (iii) restructuring and recovery of troubled institutions, and (iv) liquidation of decentralized financial structures for which approval has been withdrawn. Implementation of this plan will make it possible to ensure better supervision of the sector and promote access to financing for the most disadvantaged social groups. It subsequently facilitated the adoption, by the Council of Ministers on January 22, 2014, of the implementing decree for Order No. 2011-367 of November 3, 2011 on the regulation of decentralized financial structures (SFDs). The other actions relating to the promotion, oversight, and support of SFDs are currently being executed.

h. Debt strategy

70. **The Government will continue to strengthen public debt management.** The Medium-Term Debt Management Strategy (MTDS 2013-2017) will be replaced by a new strategy for the 2015-19 period, based on monitoring and evaluation of the changes in debt during the course of 2014. The Government also intends to complete the creation in 2015 of a centralized database on public enterprise debt and government guarantees on this debt in order to ensure improved debt monitoring. Lastly, the Government will complete the process to reorganize public debt management in front, middle, and back offices with IMF technical assistance in the first half of 2015, with a view to integrated public debt management.

71. **The Government will continue to expand its financing sources as part of the debt strategy aimed at preserving public debt sustainability in the medium and long term.** In light of the difficulties faced in mobilizing sufficient concessional resources to finance key major development projects in 2015, the issuance of a Eurobond for US\$1 billion is also planned. The Government therefore sought IMF approval for an increase in 2015 of the cumulative non concessional lending window (for new foreign loans) in the amount of US\$1.4 billion, including

US\$1 billion for the Eurobond, to a ceiling of US\$3.05 billion in 2015. In addition, the Government is requesting flexibility, where relevant, to secure two nonconcessional foreign loans for two key projects. The key projects relate to the extension and modernization of the Autonomous Port of Abidjan for a maximum amount of US\$800 million, and the development and rehabilitation of Côte d'Ivoire's power grid for a maximum amount of US\$820 million. To finance its ambitious development program, the Government also wishes to access IBRD and AfDB windows.

i. Reform in the energy sector

72. The Electricity Code was adopted by the National Assembly on February 27, 2014. It includes an improved framework for management of the sector's physical and financial flows, owing to (i) a better definition of electricity sector activities and their legal framework; (ii) greater flexibility with respect to options for the organization and management of the segments under government monopoly, which can now be transferred, where applicable, to one or more private operators; (iii) coverage of new and renewable energies and energy management; (iv) strengthening of the system for preventing fraud and criminal actions detrimental to the electricity sector; and (v) the establishment by law of an independent regulatory commission vested with the powers needed to fulfill its mission.

73. The outcomes achieved from implementing the strategy to reduce the electricity sector's deficit paved the way for gradual improvements in the sector's financial situation. The Government will take all steps necessary for the sector to achieve equilibrium by 2016. In an effort to limit the impact of HVO use on the sector's equilibrium, the Government will price at marginal cost all additional requests for electricity from neighboring countries, relative to the quantities contractually agreed to upon completion of negotiations. The Government settled CFAF 45 billion in debt owed to the SIR (national oil refinery), of which CFAF 30 billion was securitized debt. The Government will settle an additional sum of CFAF 25 billion for HVO supplies by December 31, 2014. The Government will also adopt a plan to settle cross debts with sector entities, which will be accompanied by a detailed schedule.

74. In the oil and gas sector, the Government continues to implement the automatic price setting mechanism for oil products at the pump. In the case of the extractive industries, the Government intends to ensure Côte d'Ivoire's continued compliance with the Extractive Industries Transparency Initiative. To that end, the Petroleum Code was amended and a new Oil and Gas Code adopted to ensure greater transparency in resource management and environmental protection. On March 4, 2014, the National Assembly passed a new mining code that aims to make Côte d'Ivoire a preferred destination.

j. Reforms in the agricultural sector

75. The guaranteed pricing system implemented in the coffee-cocoa sector, resulting in better pay for producers, will be broadened to include the cotton-cashew sector in order to ensure integrated crop management. The earnings of one million farmers will therefore increase, thus benefiting more than six million persons. An independent audit of the PVAM for the coffee-cocoa sector was conducted and the final report was completed and submitted to the World Bank. It was posted online on the website of the Ministry in the Office of the Prime Minister in

charge of the Economy and Finance. The Rural Investment Fund will continue and expand its investments in rural areas with a view to improving the living conditions of the residents through road reshaping, rural electrification, access to drinking water, and the construction of schools and health centers. A streamlined tax system was also put in place for the rubber sector, which was impacted by the decline in global rubber prices.

76. Actions similar to the one taken in the coffee-cocoa sector are underway in the cotton-cashew sector. As a result, this sector is rapidly expanding with the reorganization of the stakeholders, the implementation of the system of guaranteed producer prices, and the expansion of the processing system.

77. Overall, the Government remains committed to its agricultural production growth targets set forth in the National Agricultural Investment Program (PNIA), which is expected to bring about rice self-sufficiency by 2016 and enhance agricultural processing capacity.

78. In this connection, the Government, in collaboration with the World Bank, conducted a review of public expenditures in the agricultural sector. The review report was validated on August 28 and 29, 2014 and the subsequent action plan adopted for implementation by the various stakeholders.

k. *Reforms in the financial sector*

79. **The Government will continue implementing its development policy for the financial sector.** The Financial Sector Development Strategy is based on two pillars: the stability and expansion of the financial sector. To facilitate its implementation, a Financial Sector Development Program—the PDESFI—is currently being adopted by the Government. This program seeks, among other things, to (i) implement the action plan for the financial sector development strategy, and (ii) design and monitor implementation of projects to support and develop inclusive finance, the leasing development program in Côte d'Ivoire, and all programs relating to the support and development of Côte d'Ivoire's financial sector, excluding restructuring of the public banking sector.

80. In an effort to better meet the economy's financing needs, a Financial Sector Development Strategy was formulated and passed by the Council of Ministers on April 16, 2014.

81. **The Government intends to complete the restructuring of public banks.** The restructuring plan adopted by the Government in May 2014 makes provisions, inter alia, for:

- Privatization of the two banks in which it has minority shares. The privatization committee, which has already been established, has assumed responsibility for this task and is working toward achievement of this objective;
- Several restructuring options for the five banks in which the State is a majority shareholder. A program director will, under the supervision of a steering committee, lead the transformation process for these banks, in accordance with clearly defined options. The selected downsizing strategy accords priority to the need to retain public service functions, in particular for financing of the economy, savings collection, and banking services;

- Finalization of the process to rehabilitate the microfinance sector. The action plan adopted in this regard covered four areas: (i) consolidation of the regulatory and institutional framework, (ii) strengthening of surveillance, (iii) restructuring and recovery of troubled institutions, and (iv) liquidation of decentralized financial structures for which approval has been withdrawn. The implementation of this plan, which is currently in its final phase, will help identify a portfolio of sound, solid, and viable structures to support the Government's policy regarding access to financing for the most disadvantaged social groups.

82. **The Government will continue its efforts to develop and disseminate new instruments, and reduce the cost of financial operations.** In addition to the legal and regulatory system governing primary dealers [*Spécialistes en Valeurs du Trésor SVT*], the measures adopted to establish credit bureaus, and the regulations relating to repurchase operations and government securities issued through auction or syndication, and with a view to reducing and gradually streamlining bank terms and conditions for customers, the BCEAO is providing a number of banking services free of charge.

1. Reforms in the business environment and the promotion of good governance

83. In order to reaffirm its commitment to establish an even more attractive general climate where good governance prevails so as to maintain the economy's competitiveness, the Government identified specific measures to be implemented with a view to rehabilitating and improving the business climate, promoting ethics in the civil service, effectively combating corruption, and promoting good governance (adoption of decrees for operationalizing the High Authority for Good Governance: Decrees No. 2014 of April 16, 2014 on the appointment of the General Secretary of the High Authority for Good Governance and No. 2014 of April 26, 2014 on the appointment of the members of the High Authority for Good Governance, validation of the budget for the High Authority for Good Governance by means of Decree No. 364/MPMB/DB/E3db of June 4, 2014 on the allocation of line items and the transfer of appropriations for a total amount of CFAF 1.3 billion. The main measures to be implemented are as follows: reduction of the time taken to start a business at the CEPICI One-Stop Window to 24 hours; reduction of the time taken to clear import/export goods at the ports; establishment of the legal framework for commercial mediation; the establishment of a Commercial Court of Appeal to support the work of the Commercial Court; and computerization of payments of taxes, fees, and social contributions in Côte d'Ivoire. The Government remains confident that improved scores on the Doing Business, Millennium Challenge Corporation, and CPIA indexes will contribute to achievement of its objectives. In addition, with respect to public-private partnerships, a new decree was passed in May 2014 (Decree No. 2014-246) amending Decree No. 2012-1152 of December 19, 2012 on the mandate, organization and functioning of the institutional framework governing public-private partnerships. To that end, the Government took noteworthy actions, including an order reducing the real estate transfer tax and the launch of the call for bids for PPP projects, including industrial zones (industrial zones, urban train network, Abidjan Port's second container terminal, and the bus terminal).

84. A new mining code was adopted by the National Assembly on March 4, 2014, with a view to promoting foreign capital inflows in the mining sector. It provides several specific benefits for investors and eliminates in particular the excess profit tax.

85. **For the third consecutive year, Côte d'Ivoire is continuing the process to improve the business environment, with a focus on Doing Business.** The country has undertaken this process, on the basis of the recommendations of the Doing Business evaluation team from Washington that visited Abidjan between July 7 and 10, 2014, the diagnostic studies conducted on the ground by the CEPICI teams, and lessons learned from a benchmark mission conducted in Rwanda between September 10 and 21, 2014. The recommendations emanating from these various activities covered consolidation of gains, streamlining of the processes for the development of indicators, and the implementation of the reforms relating to these indicators.

IV. Monitoring and Evaluation

86. The Government appreciates the Bank's efforts to contribute to the definition of Côte d'Ivoire's development strategy and will work to strengthen this partnership for implementation in particular of investment programs.

87. The Interministerial Committee for Monitoring the Economic and Financial Program, which is chaired by the prime minister, will be responsible for monitoring and evaluation of the program.

88. It is my hope that the policies and commitments undertaken by the Government will pave the way for much more robust financial cooperation with the World Bank and all the other multilateral and bilateral partners, and thus allow the country to benefit from the 2014 Poverty Reduction Support Credit in an amount equivalent to US\$70 million.

Very truly yours,

**Minister in the Office of the Prime
Minister in charge of the Economy
and Finance**

Nialé KABA

Annex 2: PRSC Policy and Results Matrix

Area/ Objective	Prior Actions	Prior Actions				Responsible Agency and Relevant Documents
			Triggers	Results Framework: Indicators		
	PRSC-1 (mid-2013)	PRSC-2 (mid-2014)	PRSC-3 (mid-2015)	Baseline (year)	Target (end-2015)	
Pillar 1: Good Governance, Transparency, and Enhanced Public Financial Management						
<i>Improve governance and increase the financial transparency of public institutions</i>	The government's adoption of the Anti-Corruption law and its submission to Parliament	(i) The appointment of qualified individuals to the position of Secretary General and members of the High Authority for Good Governance by the Council of Ministers; (ii) The passage of a Ministerial decree for the 2014 budget for the High Authority for Good Governance.	The establishment of a National Observatory by the High Authority for Good Governance	An improvement in country's score on the Transparency International Corruption Perceptions Index and an increase in the number of prosecuted corruption cases		National Secretariat for Governance and Reduction of Corruption <ul style="list-style-type: none"> • <i>Attestation</i> • <i>Rapport d'Enquête</i> • <i>Rapport de l'Observatoire</i>
				130 (2012)	<100	
				2 (2012)	30	
<i>Enhance the efficacy of public financial management</i>	The adoption of the new standard bidding documents (<i>Dossiers d'Appels d'Offres Types</i>)	(i) The passage of a Ministerial decree establishing procurement units in public agencies (ii) The adoption of a strategic framework for PFM reform, including an action plan to modernize the PFM system and implement the decentralization agenda	The implementation of PFM reforms based on the action plan, including: (a) the creation of procurement audits in all agencies specified in the procurement code; (b) the establishment of a Directorate for Monitoring and Evaluation of public contracts;	Number of agencies with a procurement unit		Ministry of Economy and Finance <ul style="list-style-type: none"> • <i>Décret portant les DAO types</i> • <i>Arrêté portant mise en place des cellules de passations de marchés</i> • <i>Arrêté portant sanction dans les opérations de passation des marchés</i> • <i>Lettre de transmission au SGG et publication dans le communiqué final du Conseil des Ministres</i>
				0	100%	
				Share of single source procurement		
				37	<15	
				Number of procurement audits conducted		
10	100					

Area/ Objective	Prior Actions	Prior Actions	Results Framework: Indicators		Responsible Agency and Relevant Documents	
	PRSC-1 (mid-2013)	PRSC-2 (mid-2014)	Triggers	Baseline (year)		Target (end-2015)
			PRSC-3 (mid-2015)			
			(c) the deployment of the Integrated Information Management System for Local Governments in at least 10 localities; (d) the appointment of the members of the steering committee, the technical committee and the coordination team responsible for leading and coordinating the implementation of the strategic framework for PFM reform; and operationalization of the coordination team through providing office space, equipment, and budget to support its operating cost); and (e) the adoption of the	Number of local governments producing quarterly computerized budget execution reports		
				0	10	

Area/ Objective	Prior Actions	Prior Actions	Results Framework: Indicators		Responsible Agency and Relevant Documents	
			Triggers	Results Framework: Indicators		
	PRSC-1 (mid-2013)	PRSC-2 (mid-2014)	PRSC-3 (mid-2015)	Baseline (year)	Target (end-2015)	
			Organic Law related to the attributions and functioning of the Court of Accounts; the appointment of its Presidents and the staff of the Court (e.g. office provided and equipped and allocation of an adequate budget to cover the operating cost of the Court).			
Pillar 2: Improving the Business Climate and Revising the Legal Framework for Private Enterprise						
	(i) The adoption of the Presidential Decision creating the new Commercial Court (<i>Tribunal du Commerce</i>); the formal nomination of the Court's President, consular and professional	(i) The adoption of a decree reducing the cost of property registration and the creation of an online tool for property registration.	(i) The full computerization of the commercial court (ii) The adoption of a decree to reduce the time required to obtain a construction permit from 475 days to 175	Time required to settle commercial disputes		Ministry of Justice • <i>Décision No. 001/PR du 11 janvier 2012</i>
770				450		
Number of days required to start a business				Ministry of Industry		
40 (2011)					5	
Number of days required to receive a construction permit						
475	175					

Area/ Objective	Prior Actions	Prior Actions	Results Framework: Indicators		Responsible Agency and Relevant Documents
			Triggers	Baseline (year)		Target (end-2015)
	PRSC-1 (mid-2013)	PRSC-2 (mid-2014)	PRSC-3 (mid-2015)	Baseline (year)	Target (end-2015)
	judges, and clerks; and publication of all Court decisions on its website (ii) The passage of a decree creating the Business Formality Facilitation Center (<i>Centre de Facilitation des Formalités des Entreprises</i>)		(iii) The simplification of procedures for procuring industrial land.	Cost of property registration as a percentage of the value of property	
				13%	6%
	The establishment of the institutional framework for procurement and management of PPP pilot projects	Issuance of an invitation to launch a tender for at least three PPPs		Number of PPP investment projects signed	
				0 (2012)	3
					Ministry of Economy and Finance <ul style="list-style-type: none"> • <i>L'avant-projet de loi portant sur la création d'une unité nationale des PPP</i> • <i>Documents supportant les appels d'offre</i> • <i>Liste restreinte</i>

Area/ Objective	Prior Actions	Prior Actions	Results Framework: Indicators			Responsible Agency and Relevant Documents	
			Triggers	Baseline (year)	Target (end-2015)		
	PRSC-1 (mid-2013)	PRSC-2 (mid-2014)	PRSC-3 (mid-2015)				
Pillar 3: Strengthening Economic Sectors with High Growth Potential							
<i>Enhance governance in the agriculture sector and boost agricultural productivity</i>	(i) The publication of a report on the cocoa forward-sales system, the results of forward sales auctions from the 2012/13 harvest year, and the prices received by producers	(i) The publication of the audit report on the cocoa forward-sales system and the management of the Technical Reserve Fund, including the results of forward-sales auctions from the 2012/13 harvest year and prices received by producers.	(i) The implementation of recommendation s from the PER, including the (a) Budget transfers to the agriculture sector increased to at least 8% in the objective of implementing the Maputo Commitment (10 percent of the national budget) and (b) the adoption and implementation of strategy for maintenance of infrastructures in the agricultural sector.	Farm-gate price as a percentage of the CIF export price		Coffee-Cocoa Council	
				<50% (2011)	>60%		
	(ii) The adoption of an institutional framework for coordinating and monitoring the implementation of the National Agricultural Investment Plan (PNIA)	(ii) The adoption of an action plan for the development of the agriculture sector, formulated based on the findings of the PER for the agriculture sector, financed by the Association.	(ii) The adoption of measures to promote cashew processing, including; (i) establishment of a fund to support technical assistance activities; (ii) launch of a tender to recruit service providers of technical assistance to cashew nut processors; and (iii) the establishment of a cashew nut processor association.	(ii) The adoption of an action plan to assist professional associations and cooperatives in complying with industry standards (i.e.	Percentage of cotton and cashew professional associations formally established in accordance with OHADA standards, and percentage of restructured cashew and cotton cooperatives formally established in accordance with OHADA standards		Coffee-Cocoa Council
					0	90%	
(iii) The technical secretariat's approval of the document operationalizing the rice strategy				0	75%		
				Share of cashew production processed domestically		Ministry of Agriculture	

Area/ Objective	Prior Actions	Prior Actions	Results Framework: Indicators		Responsible Agency and Relevant Documents	
			Triggers	Baseline (year)		Target (end-2015)
	PRSC-1 (mid-2013)	PRSC-2 (mid-2014)	PRSC-3 (mid-2015)	Baseline (year)	Target (end-2015)	
			OHADA Ordinance 473-2011). (iii) The implementation of recommendations to improve the Forward Sales mechanism (PVAM) based on the audit (iv) implementation of additional measures to promote cashew nut processing, including fiscal incentives	<15%	>25%	
				Paddy rice production		
				950,000 tons	2,000,000 tons	
Improve the management of the energy sector and reinforce its financial sustainability	The reclassification of consumers using more than 200 kWh in a two-month billing cycle to the regular tariff group	The billing of electricity exports to Burkina Faso and Mali in 2014 above the contractually guaranteed amount at prices that reflect the power exports' marginal cost The clearance of arrears in the amount of CFAF 30 billion and CFAF 15.17 billion to the National Oil Refinery (SIR)	(i) A reduction in the electricity sector's deficit to CFAF 25 billion and Action plan for clearance of remaining energy sector cross-debts (ii) The approval of regulatory texts for the electricity code	Electricity sector deficit		Ministry of Energy
				CFAF 47 billion	CFAF 25 billion	

Annex 3: Fund Relations Note

IMF Executive Board Completes Fifth ECF Review for Côte d'Ivoire, Approves US\$75 Million Disbursement

Press Release No. 14/266

June 6, 2014

The Executive Board of the International Monetary Fund (IMF) today completed the fifth review of Côte d'Ivoire's performance under an economic program supported by a three-year Extended Credit Facility (ECF) arrangement. The Board's decision, which was taken without a formal meeting,¹ enables the immediate disbursement of SDR 48.78 million (about US\$ 75.2 million), bringing total disbursements under the arrangement to SDR 357.72 million (about US\$ 551.4 million).

The Executive Board approved the ECF arrangement for Côte d'Ivoire on November 4, 2011 for SDR 390.24 million (120 percent of the country's quota in the IMF, see [Press Release No. 11/399](#)).

Côte d'Ivoire's macroeconomic performance was impressive in 2013. Real GDP growth is estimated to have reached 8.7 percent, driven by strong domestic demand and exports. Average annual inflation remained moderate at 2.6 percent, while the fiscal position improved. Higher Foreign Direct Investment inflows and project loans financed the moderate widening of the external current account deficit.

Performance under the ECF-supported program remains good. All performance criteria and all but one indicative targets for end-December 2013 were met. Progress on the structural reform agenda was satisfactory, notably with the adoption of a medium-term wage bill strategy and a time-bound action plan for restructuring public banks. Some steps have also been taken to improve the business climate, and strengthen public financial management and tax administration.

Côte d'Ivoire's macroeconomic prospects for 2014 remain positive. A broad stabilization of growth at a high level (8½ percent) is projected, supported by sustained strong domestic demand. Average annual inflation is expected to decline to 1.2 percent. The overall fiscal deficit would remain moderate at 2.3 percent, while higher FDI inflows and project loans are projected to finance a widening of the external current account deficit.

The main challenges for Côte d'Ivoire are to sustain the growth momentum and improve its inclusiveness through forceful implementation of the structural reform agenda. Priority areas include further improving the business climate to foster private sector development, implementing the action plan for restructuring public banks and, more generally, developing the financial sector. In addition, there is a need for increasing the transparency and efficiency of public spending, improving cash planning and cash management, further reinforcing the financial situation of the electricity sector while investing to increase energy supply, and strengthening debt management through a prompt reorganization of the debt unit. In the medium term, bringing down the wage bill as a share of tax revenue will help implement the envisaged universal health insurance system in a sustainable manner and, more broadly, create fiscal space for needed development and social spending.

¹ *The Executive Board takes decisions without a formal meeting when it is agreed by the Board that a proposal can be considered without convening formal discussions.*

Annex 4: Country Map



CÔTE D'IVOIRE

- CITIES AND TOWNS
- REGION CAPITALS
- ★ NATIONAL CAPITAL
- RIVERS
- MAIN ROADS
- ++++ RAILROADS
- REGION BOUNDARIES
- - - INTERNATIONAL BOUNDARIES



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