INTERNATIONAL DEVELOPMENT ASSOCIATION

PROGRAM DOCUMENT FOR A PROPOSED CREDIT

IN THE AMOUNT OF EURO 105.9 MILLION
(US$125 MILLION EQUIVALENT)

TO THE REPUBLIC OF CÔTE D’IVOIRE

FOR THE
SECOND FISCAL MANAGEMENT, EDUCATION, ENERGY, AND COCOA REFORMS
DEVELOPMENT POLICY FINANCING

November 6, 2017

Macroeconomics and Fiscal Management Global Practice
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, 2017)

<table>
<thead>
<tr>
<th>Currency Unit</th>
<th>CFA Franc (CFAF)</th>
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<tbody>
<tr>
<td>US$1.00</td>
<td>CFAF 555</td>
</tr>
<tr>
<td>US$1.00</td>
<td>EUR 0.84656085</td>
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**ABBREVIATIONS AND ACRONYMS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>AFD</td>
<td>French Development Agency (<em>Agence Française de Développement</em>)</td>
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<td>AfDB</td>
<td>African Development Bank</td>
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<tr>
<td>ANRMP</td>
<td>National Public Procurement Regulatory Authority (<em>Autorité Nationale de Régulation des Marchés Publics</em>)</td>
</tr>
<tr>
<td>ASTER</td>
<td>Treasury Services Network Application (<em>Application des Services du Trésor en Réseau</em>)</td>
</tr>
<tr>
<td>BCEAO</td>
<td>Central Bank of West African States (<em>Banque Centrale des États de l’Afrique de l’Ouest</em>)</td>
</tr>
<tr>
<td>BHCI</td>
<td>Housing Bank of Côte d’Ivoire (<em>Banque de l’Habitat de Côte d’Ivoire</em>)</td>
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<tr>
<td>BNI</td>
<td>National Investment Bank (<em>Banque Nationale d’Investissement</em>)</td>
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<tr>
<td>BOP</td>
<td>Balance of Payments</td>
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<tr>
<td>CCC</td>
<td>Coffee and Cocoa Council</td>
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<tr>
<td>CEA</td>
<td>Country Environmental Analysis</td>
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<tr>
<td>CFAF</td>
<td>CFA Franc</td>
</tr>
<tr>
<td>CIE</td>
<td>Côte d’Ivoire Energy (<em>Côte d’Ivoire Énergies</em>)</td>
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<tr>
<td>CME</td>
<td>Mid-Sized Enterprise Center (<em>Centre des Moyennes Entreprises</em>)</td>
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<tr>
<td>CNCE</td>
<td>National Savings Bank (<em>Caisse Nationale des Caisses d’Épargne</em>)</td>
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<tr>
<td>CONFEMEN</td>
<td>National Education Ministers Conference (<em>Conférence des Ministres de l’Éducation Nationale</em>)</td>
</tr>
<tr>
<td>CPF</td>
<td>Country Partnership Framework</td>
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<tr>
<td>DEVF</td>
<td>Directorate of Tax Verification (<em>Direction des Vérifications Fiscales</em>)</td>
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<tr>
<td>DGD</td>
<td>Directorate General of Customs (<em>Direction Générale des Douanes</em>)</td>
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<tr>
<td>DGE</td>
<td>Directorate of Larger Enterprises (<em>Direction des Grandes Entreprises</em>)</td>
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<tr>
<td>DGI</td>
<td>Directorate General of Taxes (<em>Direction Générale des Impôts</em>)</td>
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<tr>
<td>DPF</td>
<td>Development Policy Financing</td>
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<tr>
<td>DPO</td>
<td>Development Policy Operation</td>
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<tr>
<td>DSA</td>
<td>Debt Sustainability Analysis</td>
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<tr>
<td>ECF</td>
<td>Extended Credit Facility</td>
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<tr>
<td>ECOWAS</td>
<td>Economic Community of West African States</td>
</tr>
<tr>
<td>EEF</td>
<td>Extended Fund Facility</td>
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<tr>
<td>EU</td>
<td>European Union</td>
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<tr>
<td>EUR</td>
<td>Euro</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>FIA</td>
<td>Agriculture Investment Fund (<em>Fonds d’Investissement Agricole</em>)</td>
</tr>
<tr>
<td>FIMR</td>
<td>Rural Investment Fund (<em>Fonds d’Investissement en Milieu Rural</em>)</td>
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<tr>
<td>FOB</td>
<td>Free-on-Board</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>FY</td>
<td>Fiscal Year</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GER</td>
<td>General Enrollment Rate</td>
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<tr>
<td>GIDP</td>
<td>Governance and Institutional Development Project</td>
</tr>
<tr>
<td>GPE</td>
<td>Global Partnership for Education</td>
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<tr>
<td>GRS</td>
<td>Grievance Redress Service</td>
</tr>
<tr>
<td>HIPC</td>
<td>Heavily-Indebted Poor Country</td>
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<tr>
<td>ICRR</td>
<td>Implementation Completion and Results Report</td>
</tr>
<tr>
<td>IDA</td>
<td>International Development Association</td>
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<tr>
<td>IDB</td>
<td>Islamic Development Bank</td>
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<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
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<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>INS</td>
<td>National Statistical Institute (Institut National de la Statistique)</td>
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<tr>
<td>IPP</td>
<td>Independent Power Producer</td>
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<tr>
<td>JMAP</td>
<td>Joint Management Action Plan</td>
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<tr>
<td>kW</td>
<td>Kilowatt</td>
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<tr>
<td>kWh</td>
<td>Kilowatt hour</td>
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<tr>
<td>LIC</td>
<td>Low-Income Country</td>
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<tr>
<td>LNG</td>
<td>Liquefied Natural Gas</td>
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<tr>
<td>LSMS</td>
<td>Living Standards Monitoring Survey (Enquête sur le Niveau de Vie des Ménages)</td>
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<tr>
<td>MEF</td>
<td>Ministry of Economy and Finance</td>
</tr>
<tr>
<td>MIGA</td>
<td>Multilateral Investment Guarantee Agency</td>
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<tr>
<td>MW</td>
<td>Megawatt</td>
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<tr>
<td>NDP</td>
<td>National Development Plan (Plan National de Développement)</td>
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<tr>
<td>PASEC</td>
<td>Analytical Program for Educational Systems (Programme d’Analyse des Systèmes Éducatifs de la CONFEMEN)</td>
</tr>
<tr>
<td>PDO</td>
<td>Program Development Objectives</td>
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<tr>
<td>PEFA</td>
<td>Public Expenditure and Financial Accountability</td>
</tr>
<tr>
<td>PEMFAR</td>
<td>Public Expenditure Management and Financial Accountability Review</td>
</tr>
<tr>
<td>PER</td>
<td>Public Expenditure Review</td>
</tr>
<tr>
<td>PETROCI</td>
<td>Government-Owned Petroleum Company</td>
</tr>
<tr>
<td>PFM</td>
<td>Public Financial Management</td>
</tr>
<tr>
<td>PPA</td>
<td>Public-Private Agreement</td>
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<tr>
<td>PPIAF</td>
<td>Public-Private Infrastructure Advisory Facility</td>
</tr>
<tr>
<td>PPM</td>
<td>Public Procurement Management</td>
</tr>
<tr>
<td>PPP</td>
<td>Public-Private Partnership</td>
</tr>
<tr>
<td>ppts</td>
<td>Percentage points</td>
</tr>
<tr>
<td>PRSC</td>
<td>Poverty Reduction Support Credit</td>
</tr>
<tr>
<td>PV</td>
<td>Present Value</td>
</tr>
<tr>
<td>PVAM</td>
<td>Forward Average Sales Program (Programme de Ventes Anticipées à la Moyenne)</td>
</tr>
<tr>
<td>SCD</td>
<td>Systematic Country Diagnostic</td>
</tr>
<tr>
<td>SDR</td>
<td>Special Drawing Rights</td>
</tr>
<tr>
<td>SIGMAP</td>
<td>Integrated System for Public Procurement Management (Système Intégré de Gestion des Marchés Publics)</td>
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### SUMMARY OF PROPOSED CREDIT AND PROGRAM
#### REPUBLIC OF CÔTE D’IVOIRE

<table>
<thead>
<tr>
<th>Borrower:</th>
<th>Government of Côte d’Ivoire.</th>
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<tr>
<td>Implementation Agency:</td>
<td>Ministry of Economy and Finance (MEF).</td>
</tr>
<tr>
<td>Financing Data:</td>
<td>An IDA credit in the amount of EURO 105.9 million (US$125 million equivalent) on blend IDA terms. Term: Single Currency IDA credit with 30-year maturity including 5-year grace period plus single currency charge (standard service charge plus basis adjustment plus interest charge plus basis adjustment).</td>
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<tr>
<td>Operation Type:</td>
<td>Second single-tranche operation of a programmatic series of three consecutive development policy financing (DPF) operations.</td>
</tr>
<tr>
<td>Pillars of the Operation and Program Development Objectives:</td>
<td>The Program Development Objectives (PDOs) are to (i) enhance tax revenue collection and public procurement; (ii) strengthen efficiency and equity in the education sector; (iii) improve the performance of the electricity sector by enabling private sector participation and diversification; (iv) consolidate transparency in the management of the cocoa sector.</td>
</tr>
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</table>

#### Results Indicators:

**Enhancing tax revenue collection and public procurement**

4. Number of days on average to complete a public procurement from the preparation of tenders to approval. Baseline (2015): 140 days. Target (2019): less than 100 days.

**Strengthening efficiency and equity in the education sector**


**Improving the performance of the electricity sector by enabling private sector participation and diversification**


**Consolidating transparency in the management of the cocoa sector**


**Overall Risk:** Substantial

**Climate and disaster risks:** Are there short and long-term climate and disaster risks relevant to the operation (as identified as part of the SORT environmental and social risk rating)? No.

**Operation ID:** P163284
1. INTRODUCTION AND COUNTRY CONTEXT

1.1 The proposed operation is the second in a programmatic series of three Development Policy Financing (DPF) operations. The policy program supported by the DPF series aims at: (i) enhancing tax revenue collection and public procurement; (ii) strengthening the efficiency and equity in the education sector; (iii) improving the performance of the electricity sector by enabling private participation and diversification; and (iv) consolidating transparency in the management of the cocoa sector. The DPF series is closely aligned with the 2016-2020 National Development Plan (NDP) and is an integral element of the World Bank Group (WBG) Country Partnership Framework (CPF) (FY2016-2019).

1.2 While the initial objective and scope of the DPF series remain relevant, two adjustments have been incorporated to strengthen the policy actions and results that were envisioned at the time of the first operation. The first adjustment consists of the inclusion of the cocoa sector, which accounts for approximately 1/3 of the country’s exports and provides employment to about 600,000 households, as a fourth pillar in the DPF series. The recent decline of the cocoa prices on international markets, down by about 35 percent between 2016 and 2017, has negatively impacted cocoa farmers and highlighted several weaknesses in the management of this strategic sector. These developments have motivated the Government to ask for WBG support. The focus on the cocoa sector as part of the DPF series is not a novelty in Côte d’Ivoire since the design of the existing legal and institutional framework was an integral element of the Heavily-Indebted Poor Country (HIPC) completion program and of the previous DPF series. The proposed new pillar is therefore an opportunity for the WBG to help the authorities to ensure that this framework is adequately implemented and has followed the principles of good governance.

1.3 The second proposed adjustment is the addition of a third and last operation in the series, to broaden its scope and ensure that all reforms are sustainably implemented over time. The initial timeframe of two operations has proved to be too short given the scope and magnitude of all the reforms embedded in the DPF series, especially with the introduction of the fourth pillar proposed above. By adding one more operation, new reforms have been included to assist further the authorities in their effort to implement key policy actions in mobilizing domestic resources (such as the reduction of tax exemptions), in increasing the efficiency and the quality of the education sector (by increasing the teaching time toward targeted poor performing students), and in restoring the financial viability of the energy sector (by ensuring the payment of all arrears). Such extension also contributes to enhance the probability of achieving expected results by consolidating the reforms in strategic sectors such as energy and cocoa, that may face some resistance from vested interests. Lastly, the incorporation of a third operation to the existing series does not represent a radical shift in the WBG strategy since an annual DPF was already programmed during the full period of the CPF (FY2016-2019).

1.4 In recent months, Côte d’Ivoire’s economic performance has remained relatively strong by both historical and regional standards even though the economy has been affected by a series of domestic and external shocks. Since the end of the political crisis in 2012, growth had averaged almost 9 percent per year – one of the best performance in the Sub-Saharan Africa region but it has gradually declined to 8.3 percent in 2016 and is forecasted to reach 7.6 percent and 7.2 in 2017 and 2018, respectively. The main drivers have continued to be agriculture - due to good weather and government support - the rapid expansion of communication, transport, finance services, as well as construction activity supported by an ambitious public investment program. Yet, the external environment has proved less favorable since early 2016 with the gradual decline of the cocoa prices on the international market and the tightening of
monetary policy by the Central Bank of West African States (BCEAO), which has made it more difficult for the Government to borrow on the regional market. Concurrently several claims by the military forces and civil servants have led to unexpected increased spending by the Government. These two categories of shocks have led to a readjustment of the program agreed with the International Monetary Fund (IMF) in December 2016. More importantly, those events have reminded that Côte d’Ivoire remains vulnerable to political tensions that may be exacerbated by the perspective of the Presidential elections scheduled in 2020. This uncertainty may slow down private investment in the next few years.

1.5 The challenge for Côte d’Ivoire will be to maintain a rapid and sustainable economic growth rate but also to tackle poverty, which has remained high. Although poverty declined from 51 percent in 2011 to 46.3 percent in 2015, this decline is modest compared with the impressive rate of economic growth of 9.3 percent during this period. Poverty continues to be overwhelmingly concentrated in rural areas, which are home to 70 percent of poor households. Despite this recent improvement, inequality and poverty in Côte d’Ivoire remain critical issues that need to be addressed by the Government with a sense of urgency.

1.6 The DPF series aims at supporting the Government in its overall effort to promote sustainable and inclusive growth as well as to increase the economy’s resilience to both domestic and external shocks over the next few years. The Government’s strategy has been defined in the recently adopted NDP for the period 2016-2020, which was presented to the international community at the Consultative Group meeting organized in Paris in May 2016. The proposed series selectively focuses on a sub-set of critical challenges linked to fiscal policy and key sectors for inclusive growth: education, energy, and cocoa. These sectors play a critical role in the Government’s strategy as they have all a significant impact on the life of the poorest segments of the population as well as on the redistribution of income across groups. This selectivity was based on the combination of the Government’s priorities, the recent findings of the Systematic Country Diagnostic (SCD) and other analytical work, and the lessons derived from previous DPF operations in Côte d’Ivoire and in other low-income countries. Other 2016-2020 NDP priorities, in particular job creation and private sector development, have been – and will continue to be – supported by other WBG operations, including the regional DPF (P158333 and P129282) on trade facilitation between Burkina Faso and Côte d’Ivoire as well as several investment projects aimed at improving Côte d’Ivoire’s competitiveness in priority sectors such as agriculture, infrastructure, and industrial transformation.

1.7 To support the Government’s reforms in the areas of fiscal management, education, electricity, and the cocoa sector, the series is organized around four pillars:

- **Pillar 1: enhancing tax revenue collection and public procurement.** The Government aims to increase domestic revenue to finance its ambitious program of infrastructure and social spending and to maintain public debt at a manageable level. Concurrently, the efficiency of public spending must be improved, especially by addressing complex and non-transparent public procurement procedures that have led to unnecessary delays and fiscal costs.

- **Pillar 2: strengthening the efficiency and equity in the education sector.** In spite of recent efforts, education outcomes are lagging in Côte d’Ivoire compared to regional peers. International experience suggests that improving the efficiency and equity of the national education system is a prerequisite to skill development and ultimately job creation for the fast-growing youth population. The DPF series deliberately focuses on the poorest segments of the population as well as on the promotion of gender equity.

- **Pillar 3: improving the performance of the electricity sector by enabling private sector participation and diversification.** Access to electricity remains low in Côte d’Ivoire, especially in rural areas, and the sector remains fragile financially and, therefore, a source of fiscal risk for the Government. The
sector’s technical and commercial performance needs to be improved by upgrading and maintaining the existing generation and distribution system and by developing the country’s considerable renewable energy potential, including through Public Private partnerships (PPPs). Because of very little investment in system upgrades over the decade prior to 2010, maintenance was neglected while demand continued to grow. Concurrently, the State-owned enterprises (SOEs) operating in the sector have been under financial stress, due inter alia, to their poor performance in collecting revenue from electricity bills, which has prevented them to pay suppliers in full and on time. The level of arrears in the publicly owned electricity company (CIE-Energy) has been growing rapidly in recent months.

- **Pillar 4: consolidating transparency in the management of the cocoa sector.** In Côte d’Ivoire, this sector accounts for approximately one third of foreign earnings, 12 percent of the State revenue and affect directly and indirectly 4 million people. The recent drop in cocoa prices on international markets has negatively impacted the production and commercialization processes in the country. Because part of this negative impact is linked to governance weaknesses in the management of the sector, the DPF series is supporting the Government’s effort to improve controls though independent and systematic audits and, so, mitigate the risks for all its stakeholders, including small producers. The emphasis will be on measures that improve transparency in the management of prices and funds collected in the sector.

1.8 **To ensure the close alignment of the DPF series with the 2016-2020 NDP and with the WBG CPF as well as to leverage further investments from the private sector through the Cascade or maximizing finance for development approach, close coordination was developed with other partners, including the IMF.** The series also incorporates lessons from previous DPFs in Côte d’Ivoire by focusing on critical drivers of change such as the provision of energy, education, and the effectiveness of fiscal policy. In addition to addressing fiscal challenges and helping promote inclusive growth, the DPF series is contributing to attract private investment in two strategic sectors - energy and cocoa, including through close synergies between the interventions of the World Bank and the International Finance Corporation (IFC). In the energy sector, private investment will be enhanced by helping the authorities to restore the financial viability in this sector (by eliminating arrears with private suppliers) and by setting the rules (tariffs, payments) for future investment (with a special emphasis on renewable energy). In the cocoa sector, the DPF is accompanying the Government in its effort to make sure that the existing regulatory framework is correctly implemented, therefore guaranteeing the stability of the sector which is a precondition for future investment in production and in transformation (the latter being one of the priorities of the authorities). Improved stability and transparency will reduce risks for private investors. The focus on education also aims at addressing the key constraint faced by private operators in Côte d’Ivoire in terms of skills availability. The DPF has already helped the authorities to improve the allocation of teachers between grades and across schools, enhanced gender parity in primary and secondary education, and rationalize the allocation of subsidies to private schools.

1.9 **The overall risk is considered substantial, with ‘Institutional capacity’, “Macroeconomic”, and ‘Political and Governance’ risks rated substantial, but manageable.**
2. MACROECONOMIC POLICY FRAMEWORK

2.1 RECENT ECONOMIC DEVELOPMENTS

2.1 Côte d’Ivoire has experienced strong economic recovery since the end of 2011 post-election conflict, benefiting from robust aggregate demand and a surge in both private and public investment. From 2012 to 2015, real gross domestic product (GDP) grew by about 9 percent, up from the decline of 4.7 percent in 2011. Growth analytical work shows that from 2011-2015 Côte d’Ivoire’s growth was mainly driven by structural factors. Structural improvements have contributed to 2 percentage points (ppts) of the average annual per capita growth rate of 4 percent. Infrastructure development (0.7 ppts) and financial deepening (0.66 ppt) were the key structural drivers of growth supported by good fiscal management through restrained government consumption (0.36 ppts). Efforts to improve secondary education (Pillar 2) helped also to foster the strong growth performance. External factors such as positive terms of trade and high commodity export prices have also sustained the high growth rate. The strong economic performance has continued in 2016 and 2017 with a GDP growth of 8.3 (above its potential estimated at 7.7 percent) and 7.6 percent, respectively. Despite the terms of trade shocks and domestic tensions, the expansion of the Ivoirian economy remains among the strongest of the Sub-Saharan African region (the average forecasted regional growth rate is only 2.4 percent for 2017). This performance has been driven by a combination of public and private investments, which generated a boom in the construction sector as well as strong private consumption which supported services sector growth.

2.2 A combination of dynamic agriculture, industry and services sectors supported the strong economic growth in 2017. Agriculture sector has rebounded from the decline of 2016 due to favorable weather conditions, while the industrial production has been boosted by a strong performance of manufacturing activities, construction (fueled by the large public investment program), and the government’s strategy to enhance the transformation of agricultural products such as cashew nuts and cocoa. The good performance of the industrial sector is also due to greater energy production resulting from large investments in this sector. The development of new industrial zones as well as strong private demand have supported the growth of the industrial sector. The service sector is benefitting from robust growth in the transportation sub-sector as well as in communication, digital economy, finance and banking. The expansion of the service sector has also been driven by the rapid growth of the informal trade sub-sector, which has contributed to the fast creation of new jobs in recent years, principally in urban areas.

2.3 The sustained and strong economic recovery has started to have an impact on living standards of the population but growth has remained weakly inclusive. Since the end of the conflict poverty rates went down (from 34 percent in 2011 – international poverty line US$1.90 PPP – to 27 percent in 2016) but this decline has been relatively slow compared to the rapid economic growth that the country experienced during the same period. The benefits have not been equally distributed across regions and income groups. The main determinants of poverty are education attainments, family size, the gender of the head of the household, occupation, and location. Most poor have no or little formal education, live in large families, are in rural areas and in the North of the country, and largely dependent on income from subsistence agriculture. The Government has pursued an ambitious public investment program with the aim to improve access to public services to poor, including rural electrification, clean water distribution, road

1 Brookings-ANU Global Economy Workshop June 1, 2017.
rehabilitation, and construction of 65,000 low-cost housing units. Concurrently, policies of universal schooling for boys and girls ages 6–16 and the universal health coverage have been adopted as part of the new National Development Plan. The program of cash transfer toward the extreme poor, supported by the World Bank, should be gradually scaled up over time. The current efforts to diversify agriculture and to develop agro-processing activities should also help protect farmers against fluctuations in the prices of commodities on international market. All these initiatives should help to improve the distributional impact of economic growth on poor households, however with a lag as it takes some time to produce a significant effect on their consumption and income levels.

2.4 **Côte d’Ivoire current account deficit is expected to increase to 2.7 percent of GDP in 2017 from 1.1 percent of GDP in 2016.** The decline in the value of cocoa exports (down by approximately 35 percent over the past 16 months) has been partly mitigated by the increase in production – up to 2000 tons in 2016/17 against approximately 1500 tons in 2015/16. The trade balance is showing a small surplus since the slight decline in the value of cocoa exports was compensated by higher prices of other exports products (i.e., cashew and cotton). Concurrently, imports grew at almost the same rate as the economy. The deterioration of balances for services and primary income have contributed to the bigger current account deficit. The current account deficit has been successfully financed by a combination of FDI and public borrowing, including the issuance of bonds on the Euromarket for a net amount of approximately US$1.2 billion in June 2017.

2.5 **Côte D’Ivoire is a member of the Western Africa Economic and Monetary Union (WAEMU).** Monetary and exchange rate policies are managed at the regional level by the BCEAO, which maintains a peg between the CFA Franc and the Euro supported by the French Treasury. In December 2016, BCEAO increased the marginal lending facility rate from 3.5 to 4.5 percent thereby increasing the cost of funds for sovereigns at the regional market. However, the impact of this measure was mitigated in March 2017, when the BCEAO reduced the reserve requirements ratio for commercial banks from 5 percent to 3 percent. Prudent regional monetary policy has successfully contained inflation in Cote d’Ivoire, which should remain subdued at 1 percent in 2017, well below the 3 percent regional threshold of WAEMU. Consumer prices are benefiting also from a food agriculture stimulus program that has boosted production and so limited the risk of higher food prices.

2.6 **The real exchange rate is broadly in line with fundamentals.** However, Côte d’Ivoire’s membership of the CFAF zone prevents it from using the exchange rate as a tool of improving competitiveness. Thanks to sound policies and the development of new infrastructure, Côte d’Ivoire has gained approximately 35 positions in the Global Competitiveness Index (GCI) between 2014 and 2016. Nevertheless, the country is still lagging on indicators such as ease of paying taxes and obtaining credit. International trade is also hampered by the high cost and delays caused by international transportation and burdensome import procedures.
Table 2.1: Selected Economic and Financial Indicators, 2014-2020

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016 (e)</th>
<th>2017 (p)</th>
<th>2018 (p)</th>
<th>2019 (p)</th>
<th>2020 (p)</th>
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<td>Real GDP</td>
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<td>9.2</td>
<td>8.3</td>
<td>7.6</td>
<td>7.2</td>
<td>7.2</td>
<td>7.1</td>
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<tr>
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<td>5.5</td>
<td>5.9</td>
<td>5.3</td>
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<td>2.2</td>
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<td>2.4</td>
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<td>5.0</td>
<td>5.0</td>
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<td>12.7</td>
<td>-14</td>
<td>10.8</td>
<td>7.7</td>
<td>9.4</td>
<td>10.9</td>
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<tr>
<td>Exports (f.o.b)</td>
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<td>8.2</td>
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<td>20.1</td>
<td>20.2</td>
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<td>20.6</td>
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<td>20.9</td>
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<td>Exports (f.o.b)</td>
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<td>Foreign Direct Investment</td>
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<td>1.8</td>
<td>2.3</td>
<td>2.6</td>
<td>2.9</td>
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<tr>
<td>Gross Reserves (In billions of CFAF)</td>
<td>-400</td>
<td>-395</td>
<td>233.8</td>
<td>-569</td>
<td>-390.3</td>
<td>-367.5</td>
<td>-262.4</td>
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<tr>
<td>In month of next years</td>
<td>4.7</td>
<td>4.6</td>
<td>3.7</td>
<td>3.5</td>
<td>3.9</td>
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<td>Total Public debt</td>
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<td>47.8</td>
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<td>50.7</td>
<td>50.0</td>
<td>48.1</td>
<td>47.2</td>
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<tr>
<td>External Debt</td>
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<td>29.8</td>
<td>28.3</td>
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<td>30</td>
<td>28.2</td>
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<td>Terms of Trade</td>
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<tr>
<td>Exchange rate (average)</td>
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<td>591.0</td>
<td>593.0</td>
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<td>...</td>
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<td>...</td>
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<td>Other memo items</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GDP nominal (CFAF billions)</td>
<td>17,461</td>
<td>19,363</td>
<td>21,146</td>
<td>23,436</td>
<td>25,274</td>
<td>27,630</td>
<td>30,206</td>
</tr>
<tr>
<td>Per capita GDP (In US$ Atlas)</td>
<td>1,450</td>
<td>1,420</td>
<td>1,574</td>
<td>1,615</td>
<td>1,723</td>
<td>1,804</td>
<td>1,888</td>
</tr>
</tbody>
</table>

Source: Ivorian authorities; World Bank and IMF staff estimates and projections, October 2017.
These data are slightly more recent than those in Annex 3 – IMF Relation Note.
2.7 Monetary expansion slowed to 12 percent in 2016 but is expected to increase to 15 percent in 2017 reflecting strong credit to the private sector. Despite the monetary policy tightening in December 2016, credit to the economy expanded at about 18.5 percent in the first half of 2017. Such performance reflected the strengthening of economic activity in the secondary and tertiary sectors as well as enhanced private-sector confidence. The financial sector expanded with the entry of new commercial banks and microfinance institutions as well as the extension of banking activities to non-financial institutions such as phone operators. The development of housing finance and other financial instruments (leasing, factoring, etc.) have also started to contribute to the expansion of the financial sector in recent years.

2.8 The fiscal deficit is projected to deteriorate in 2017 due to the recent external and domestic shocks. The budget deficit is expected to reach 4.5 percent of GDP in 2017, up from 4 percent in 2016, mainly to accommodate a modest increase in public spending due to unexpected domestic political events linked to monetary claims from militaries and civil servants (up by 0.6 percent of GDP). On the revenue side, tax revenue should remain constant at 15.5 percent of GDP. This performance translates improvements in the collection rate of income tax, Value Added Tax (VAT) and export taxes (up by almost 1 percent of GDP) which helped to compensate for the revenue losses on cocoa exports equivalent to approximately 0.4 percent of GDP. Moreover, the rebound of oil prices and the consequent government decision to delay the adjustment of domestic gasoline prices has had a negative impact on public revenues of about CFAF 140 billion in 2017 (0.5 percent of GDP).4

2.9 The authorities have managed to contain the wage bill, while they have spent more on security spending and public investments compared to 2016. On the expenditure side, agreements with soldiers and civil servants following mutinies and strike – which occurred in January and May 2017 - is estimated to cost about 0.6 percent of GDP in 2017. Due to these unexpected additional expenses, pro-poor spending should slightly decrease in 2017, even if social expenditures toward education and health have been preserved.5 Looking forward, the Government is committed to increase pro-poor spending again over the 2018–2020 period and to improve their multiplier impact on the poorest segments of the population. In addition to higher security related spending, the Government has continued to implement its ambitious investment program, which has been financed by a combination of foreign and domestic resources. Public capital expenditures should reach 6.9 percent of GDP in 2017, up by 0.4 percent of GDP compared to 2016, with a higher proportion of externally funded projects. These expenditures aim at reducing the infrastructure and human capital gaps that Côte d’Ivoire has accumulated during 15 years of political instability. Some additional investment should be implemented through PPPs, notably in the transport and energy sectors.

2.10 The fiscal deficit has been financed by a combination of concessional and non-concessional funds. The Government successfully tapped the Eurobond market for about US$1.2 billion in June 2017. Subscriptions reached nearly US$4 billion and the yield (5.625 percent) improved compared to the 2015 Eurobond issuance (6.625 percent) reflecting investors’ renewed confidence in the country. Part of these bonds was used to buy back existing external debt securities maturing in 2024 and 2032 in order to smooth the repayment profile over time. The Government has reverted to its strategy followed in 2014 and 2015, while regional borrowing had been preferred during 2016. Following the tightening of monetary policy in

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4 Yet, the Government increased the price of gasoline by an average of 2 percent in October 2017. Looking forward, the authorities have committed to apply the adjustment formula linking domestic gasoline prices to the level of fuel prices on international markets.

5 The definition of pro-poor spending has been challenged by the recent Public Expenditure Review of the Education Sector. This study has revealed the inequality of education expenses in favor of the wealthiest groups. World Bank, Revue des Dépenses publiques du secteur de l’éducation en Côte d’Ivoire, Une analyse d’Efficience, d’Efficacité et d’Equité, Rapport ACS7320, mai 2017.
December 2016, the Government has borrowed less on the WAEMU regional markets with (net) domestic financing expected to reach 0.6 percent of GDP in 2017 (against 1.5 percent GDP in 2016).

Table 2.2: Central Government Budgetary Operations, 2014-2020

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017 (p)</th>
<th>2018 (p)</th>
<th>2019 (p)</th>
<th>2020 (p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Balance (commitment basis)</td>
<td>-2.2</td>
<td>-2.9</td>
<td>-4.0</td>
<td>-4.5</td>
<td>-3.8</td>
<td>-3.0</td>
<td>-3.0</td>
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<tr>
<td>Primary balance</td>
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<td>-0.4</td>
<td>-1.6</td>
<td>-3.4</td>
<td>-2.3</td>
<td>-2.5</td>
<td>-1.0</td>
</tr>
<tr>
<td>Total Revenue and Grants</td>
<td>18.9</td>
<td>20.2</td>
<td>19.4</td>
<td>19.5</td>
<td>19.5</td>
<td>20.1</td>
<td>20.2</td>
</tr>
<tr>
<td>Tax revenues</td>
<td>14.7</td>
<td>15.3</td>
<td>15.5</td>
<td>15.5</td>
<td>15.8</td>
<td>16.3</td>
<td>16.5</td>
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<tr>
<td>Non-tax revenues</td>
<td>2.4</td>
<td>3.5</td>
<td>2.5</td>
<td>2.6</td>
<td>2.5</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Grants</td>
<td>1.7</td>
<td>1.5</td>
<td>1.4</td>
<td>1.5</td>
<td>1.2</td>
<td>1.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Expenditure</td>
<td>21</td>
<td>23.1</td>
<td>23.4</td>
<td>24.0</td>
<td>23.3</td>
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<td>23.1</td>
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<tr>
<td>Current expenditure</td>
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<td>16.6</td>
<td>16.7</td>
<td>17.1</td>
<td>16.3</td>
<td>15.8</td>
<td>16.0</td>
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<td>Wages and compensation</td>
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<td>6.9</td>
<td>6.5</td>
<td>6.5</td>
<td>6.4</td>
<td>6.1</td>
<td>5.8</td>
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<tr>
<td>Goods and services</td>
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<td>6.1</td>
<td>7.2</td>
<td>7.2</td>
<td>6.4</td>
<td>6.2</td>
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</tr>
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<td>Transfers</td>
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<td>1.8</td>
<td>1.7</td>
<td>1.7</td>
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<td>1.7</td>
<td>1.8</td>
<td>1.9</td>
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<tr>
<td>Domestic</td>
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<td>0.7</td>
<td>0.7</td>
<td>0.9</td>
<td>1.0</td>
<td>1.1</td>
<td>1.0</td>
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<tr>
<td>External</td>
<td>0.5</td>
<td>0.8</td>
<td>0.5</td>
<td>0.8</td>
<td>0.8</td>
<td>0.8</td>
<td>0.9</td>
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<tr>
<td>Capital expenditures</td>
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<td>6.7</td>
<td>6.9</td>
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<td>7.1</td>
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<td>Domestically financed</td>
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<td>4.1</td>
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<td>General Government Financing</td>
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<td>External (net)</td>
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<td>0.7</td>
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<td>4.6</td>
<td>0.1</td>
<td>-0.7</td>
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</table>

Source: Ivorian authorities; World Bank and IMF staff estimates and projections, October 2017.

2.11 Côte d’Ivoire’s debt dynamics remain sustainable as concluded by the recent joint IMF-World Bank Debt sustainability analysis (DSA) prepared in May 2017. Despite an increase of debt stock of 3 percent of GDP in 2017, the debt to GDP ratio remains under control at 50.3 percent of GDP. In 2017, with the issuance of the Eurobonds, the Government was able to reduce the exchange risk (by borrowing partly in Euro rather than fully in US dollars) and to smooth the debt repayment schedule by buying back some part of the debt expiring in 2024-2025.
Table 2.3: Balance of Payments Financing Requirements and Sources, 2014-2020

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<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017 (p)</th>
<th>2018 (p)</th>
<th>2019 (p)</th>
<th>2020 (p)</th>
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<td><strong>Financing requirements</strong></td>
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<td>504.7</td>
<td>1343</td>
<td>1007</td>
<td>946</td>
<td>1021</td>
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<td>Current account deficit</td>
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<td>235</td>
<td>629</td>
<td>709</td>
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<td>608</td>
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<td>Amortization of loans</td>
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<td>231</td>
<td>270</td>
<td>714</td>
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<td><strong>Financing sources</strong></td>
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<tr>
<td>FDI</td>
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<td>483</td>
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<td>616</td>
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<td>-218</td>
<td>1115</td>
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<td>Capital transfers and grants</td>
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<td>154</td>
<td>129</td>
<td>126</td>
<td>122</td>
<td>121</td>
<td>90</td>
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<td>Short-term debt disbursements</td>
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<td>Long term debt disbursements (excl. IMF)</td>
<td>594</td>
<td>876</td>
<td>-21</td>
<td>150</td>
<td>576</td>
<td>286</td>
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<tr>
<td>Change in reserves</td>
<td>-159</td>
<td>-96</td>
<td>234</td>
<td>-555</td>
<td>-390</td>
<td>-343</td>
<td>-259</td>
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<td>IMF credit (net)</td>
<td>83</td>
<td>45</td>
<td>23.4</td>
<td>93</td>
<td>80</td>
<td>67</td>
<td>-86</td>
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<tr>
<td>O/w Prospective IMF financing</td>
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<td><strong>Financing gap</strong></td>
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<td>0</td>
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<td>120</td>
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</tbody>
</table>

Source: Ivorian authorities; World Bank and IMF staff estimates and projections, October 2017.

2.2 MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

2.12 The economic outlook remains favorable both in the short and medium term even though the country remains vulnerable to a variety of external and domestic risks. Côte d’Ivoire’s growth prospects remain strong, with a projected growth rate of 7.2 percent in 2018 (with a real GDP per capita growth at 4.7 percent) and around 7 percent in the medium term. Although these rates are lower than those observed during the last few years, they would be among the highest in the Sub-Saharan African region (the average forecasted growth rate is only 3.2 percent for 2018). The projected slowdown is explained by the gradual softening of catchup effects and the impact of recent external and domestic shocks. Despite this, strong private consumption and private investment will support economic performance. Sustained economic growth is expected to be driven mainly by the agricultural sector (through the development of value chains), manufacturing and construction, and the modern services sectors (communication, transports, finance). Continued improvements in the investment climate (as reflected by Côte d’Ivoire’s improved ranking in Doing Business), structural reforms in the banking and energy sectors as well as the Government’s commitment to pursue the regional integration agenda should contribute to strengthen the economy.
The current account deficit is projected to slightly increase at 2.8 percent of GDP in 2018 from 2.7 percent in 2017 before declining to 2.2 percent in 2019. The trade balance will continue to show a small surplus despite lower cocoa prices given the favorable prices of other exports products and the expected increase in processed food products (cocoa, cashew). Imports should continue to grow at the pace of the economy. The current account deficit is expected to be financed by a combination of FDI and public borrowing.

Recent reforms will promote financial stability and financial sector soundness. These reforms include the adoption of Basel II and III capital requirement standards and the introduction of consolidated supervision. Since, end of June 30, 2017, all operating commercial banks should comply with the minimum capital stock of 10 billion for banks and CFAF 3 billion for financial institutions falling into the banking category. Banks’ non-performing loans (NPLs) in relation to their loan portfolio are still relatively high (9.2 percent) because of the rapid credit growth. Despite the progress made by Government in the restructuring of public bank portfolios with the privatization of the Banque de l'Habitat (BHCI) and the conversion into marketable securities of the securitized debts held by the Banque Nationale d’Investissement (BNI). However, the restructuring of the Caisse Nationale des Caisses d’Epargne (CNCE), the public savings bank, is under way and will have to be partially financed by the budget in 2018.

The fiscal deficit should gradually decline from 4.5 percent of GDP in 2017 to 3.8 percent of GDP in 2018 and 3.0 percent of GDP in 2019 owing to stronger tax revenues and lower current expenditures. The Government has renewed its commitment to comply with the WAEMU target of a fiscal deficit set at 3 percent of GDP by 2019. On the revenue side, the government has initiated a series of reforms, supported by the DPF series, aiming at consolidating tax revenues. The 2018 budget law has already incorporated several measures, including the elimination of some VAT exemptions, new taxes on cosmetics and mobile money transactions as well as an increase of alcohol and non-alcohol beverage excises rate. These measures should increase the tax revenue by 0.3 percent of GDP between 2017 and 2018. Further reforms are expected in 2019 onward with the revision of the Investment Code and additional reforms in tax and custom administration.

As part of the fiscal consolidation strategy, total expenditure is expected to decrease by 0.7 percent of GDP (from 24.0 percent of GDP in 2017) in 2018. With this planned reduction, the Government will return to the 2016 expenditure level or before the increase in security related expenditures implemented during 2017 that was perceived as a one-time event by the authorities. As a consequence, the bulk of the fiscal adjustment will be on current spending, while capital spending is projected to increase slightly from 2018 onwards. The level of pro-poor expenditures is expected to increase by 0.4 to reach 9.2 percent in 2018. In addition, the control on the wage bill will be strengthened by implementing a partial block of turnover by hiring only one person for every two leaving the public sector, with the exception of the education and health sectors. The Government also plans to improve the effectiveness of public investments, mainly by implementing the recommendations of the 2017 Public Investment Management Assessment (PIMA) and procurement reforms (supported by the DPF series).

To further consolidate the fiscal stance, the Government is also committed to address fiscal risks in the energy sector, the banking sector, and PPPs. In the energy sector, the Government’s is expected to restructure the refinery (Société Ivoirienne de Raffinage) while the reforms in the electricity sector are supported by the World Bank (as described in the program supported by the DPF series). The privatization and restructuring of several public banks was initiated from 2012. Two other public banks are getting ready.

The main recommendations of the joint IMF/World Bank PIMA were to improve multiyear planning and execution of public investments, enhance the efficiency of procurement processes and management of public contracts including for Public Private Partnerships.
for privatization. The Government has however decided to maintain two public banks – the BNI and the CNCE- mainly for strategic reasons. The restructuring of the CNCE is under way with a fiscal transfer of FCFA 13 billion planned during 2018, while the remainder of the restructuring costs will be covered by the bank itself, through land and other assets sales and recovery of bad loans. Côte d’Ivoire has followed an effective strategy to promote investment through PPPs in the energy, transport, and communication sectors, including with the support of WBG (i.e., the third bridge project in Abidjan). An ambitious pipeline of new projects is under preparation. While such an approach helps promote technology and management transfers and to alleviate the fiscal burden, it also requires an effective management and monitoring of risks associated with PPPs. The Government is conducting an assessment of existing PPPs, in close collaboration with the WBG and IMF, which should lead to a revision of the legal and institutional framework as well as the implementation of a risk management system.

2.18 On the financing side, the Government will continue to rely on a combination of concessional and non-concessional funds. While (net) official aid should remain constant (in percentage of GDP), the authorities will keep borrowing both on the regional and international markets. The recent successful issuance on the Eurobond market has shown that Côte d’Ivoire was able to borrow at favorable terms with low yields and relatively long maturities. The World Bank’s financial support provided by the DPF series fits in the Government’s strategy as it will contribute to maintain the share of concessional funding at a sustainable level over time.

2.19 Although the latest DSA indicates that Côte d’Ivoire remains at a moderate debt distress risk, the country remains vulnerable to negative macroeconomic shocks, in particular those related to exports, the growth rate, the US dollar exchange rate and foreign direct investment. The analysis also emphasizes the need to maintain a prudent debt management strategy and to increase revenue mobilization to avoid excessive non-concessional borrowing in the future.

### Table 2.4: External Debt Stock Composition at Year-End (LIC - DSA, May 2017)

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Total</td>
<td>7233.8</td>
<td>7683.0</td>
<td>100.0</td>
<td>22.6</td>
<td>10228.1</td>
<td>11425.5</td>
<td>12876.4</td>
<td>13959.3</td>
<td>15108.1</td>
<td>16508.0</td>
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<td>including C2D and FCFA-denominated loans</td>
<td>9580.5</td>
<td>12883.8</td>
<td>167.7</td>
<td>37.9</td>
<td>14118.7</td>
<td>14932.0</td>
<td>16155.3</td>
<td>17700.4</td>
<td>18623.4</td>
<td>20045.5</td>
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<tr>
<td>Multilateral creditors</td>
<td>1746.5</td>
<td>1901.3</td>
<td>24.7</td>
<td>5.6</td>
<td>1769.1</td>
<td>1594.2</td>
<td>1416.8</td>
<td>1239.1</td>
<td>1029.6</td>
<td>861.1</td>
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<td>IMF</td>
<td>983.8</td>
<td>991.8</td>
<td>12.9</td>
<td>2.9</td>
<td>894.5</td>
<td>761.0</td>
<td>624.4</td>
<td>485.1</td>
<td>323.7</td>
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<td>World Bank</td>
<td>394.5</td>
<td>527.4</td>
<td>6.9</td>
<td>1.6</td>
<td>527.7</td>
<td>523.7</td>
<td>519.5</td>
<td>514.2</td>
<td>497.7</td>
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<td>AfDB group</td>
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<td>0.1</td>
<td>45.7</td>
<td>45.7</td>
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<td>45.7</td>
<td>45.3</td>
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<td>Other multilaterals</td>
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<td>336.6</td>
<td>4.4</td>
<td>1.0</td>
<td>301.1</td>
<td>263.8</td>
<td>227.2</td>
<td>194.1</td>
<td>162.9</td>
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<tr>
<td>Official bilateral creditors</td>
<td>1161.4</td>
<td>1496.9</td>
<td>19.5</td>
<td>4.4</td>
<td>1421.5</td>
<td>1339.4</td>
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<td>Paris Club</td>
<td>307.0</td>
<td>232.4</td>
<td>3.0</td>
<td>0.7</td>
<td>166.9</td>
<td>102.7</td>
<td>40.3</td>
<td>8.6</td>
<td>7.4</td>
<td>6.4</td>
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<tr>
<td>Non-Paris Club</td>
<td>854.4</td>
<td>1264.6</td>
<td>16.5</td>
<td>3.7</td>
<td>1254.6</td>
<td>1236.6</td>
<td>1208.2</td>
<td>1174.7</td>
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<td>Commercial creditors</td>
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<td>3409.0</td>
<td>3303.8</td>
<td>3192.1</td>
<td>3069.5</td>
<td>2918.0</td>
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<tr>
<td>London Club</td>
<td>4272.8</td>
<td>4242.0</td>
<td>55.2</td>
<td>12.5</td>
<td>3465.5</td>
<td>3383.1</td>
<td>3286.3</td>
<td>3183.1</td>
<td>3069.5</td>
<td>2918.0</td>
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<tr>
<td>Other commercials</td>
<td>51.0</td>
<td>42.7</td>
<td>0.6</td>
<td>0.1</td>
<td>34.5</td>
<td>26.0</td>
<td>17.5</td>
<td>9.0</td>
<td>0.0</td>
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<tr>
<td>New debt</td>
<td>3537.5</td>
<td>5082.9</td>
<td>6907.3</td>
<td>8344.9</td>
<td>9963.6</td>
<td>11721.8</td>
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2.20 While prospects remain positive for Côte d’Ivoire in the short to medium term, its economy is exposed to a series of potential external and domestic risks. On the external front, variations in commodity prices, such as the recent decline in cocoa prices (down by 35 percent), might have a significant impact not only on the country’s external balance but also on the government fiscal accounts and a large share of the population (over four million people). The agricultural sector is also vulnerable to unpredictable climatic conditions as showed in 2016. Terrorism remains a global and regional threat as was highlighted by the attack in Grand-Bassam in March 2016. The financing of the fiscal deficit is also vulnerable to the tightening of monetary policy on international and regional markets, as it would make non-concessional borrowing more expensive for the Government.

2.21 On the domestic front, following the soldiers’ mutiny and civil servants strike during the first semester of 2017, further socio-economic tensions could discourage private investment and adversely affect growth, while also increasing fiscal pressures. The deterioration of political conditions cannot be fully discarded with the preparation of the next Presidential elections in 2020. Domestic socio-political tensions could negatively affect the plan to freeze current expenditures (notably wage bill control) and then increase the fiscal deficit. The Government could also face additional pressures from unexpected larger financial imbalances in the energy sector, the needed restrucrutation of the public bank CNCE, PPP projects, and contingent liabilities accumulated by other state-owned enterprises (such as the Fonds d’Entretien Routier) as well as liabilities associated with the governance in the cocoa sector. To compensate for these risks, the Government will need to sustain its tax collection effort, to cut its capital expenditures and/or to improve the efficiency of its spending. It also needs to continue to give attention to debt management in order to keep the debt level as well as debt service under control. The bulk of the DPF series aims at reducing those risks by improving tax collection efforts, improving the quality of public expenditures in the education sector, and reducing the fiscal risks associated to the management of the electricity and cocoa sectors.

2.22 Overall, Côte d’Ivoire’s macroeconomic policy framework for 2016-2019 provides an adequate basis for the proposed operation. The fiscal deficit is projected to decline to 3 percent by 2019 owing to
fiscal consolidation through an improvement in resource mobilization and efficiency gains in public spending. Economic activity will remain strong but vulnerabilities have increased as evidenced by the recent decline in cocoa prices on the international market and the increase in socio-political uncertainty. The external current account deficit is projected to narrow down to 2.2 percent of GDP by 2019. While external and domestic risks are present, particularly on the socio-political front and the financial imbalances in the energy sector, those should be manageable, including through the reform program supported by the DPF series.

2.3 IMF RELATIONS

2.23 Close relations with the IMF have developed over the years. On October 3, 2017 an IMF team completed the second review under the three-year arrangement under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF). The discussions on the second review under ECF and EFF arrangements have allowed the authorities and the IMF team to reach an ad referendum agreement, subject to approval by IMF management and the Executive Board. The Board consideration is expected in December 2017 with a disbursement of about US$132 million. The IMF program aims at supporting authorities’ efforts to achieve a sustainable balance of payments position; inclusive growth, and poverty reduction; catalyze official and private financing; and build resilience to future economic shocks. IMF and Article IV missions are undertaken as joint IMF/World Bank missions. World Bank participation is integral to the review process. The IMF Team regularly shares with the World Bank team its macroeconomic and financial analysis. IMF program’s structural benchmarks and performance criteria are not only coordinated and consistent with prior actions supported through World Bank’s DPF operations, but also with investment financing operations and analytical and advisory activities. The IMF has been fully consulted in the preparation of this proposed series and has contributed to its design.

3. THE GOVERNMENT PROGRAM

3.1 The 2016-2020 NDP builds upon the vision of Côte d’Ivoire becoming an emerging economy by 2020. The NDP has five strategic pillars: (i) strengthening the quality of institutions and good governance; (ii) accelerating the development of human capital and social well-being; (iii) accelerating the structural transformation of the economy through industrialization; (iv) developing a harmoniously distributed infrastructure throughout the country and the preservation of the environment; and (v) strengthening regional integration and international cooperation. The 2016-2020 NDP was developed through a participatory process that included consultations held in all regions of the country and with all stakeholders.

3.2 The 2016-2020 NDP has ambitious targets: 8.7 percent GDP growth per year and halving the poverty rate by 2020. To sustain such targets, the NDP envisions addressing current challenges to macroeconomic stability, including low domestic resources mobilization, opaque and inefficient spending, and fiscal risks from the banking and energy sectors, and the growing number of PPP projects. Moreover, the NDP envisages large investments in physical and human capital, which will require an estimated investment of CFAF 29.3 billion (US$48.53 billion) over the next four years. The sources of financing are expected from both the Government (37.6 percent) and the private sector (62.4 percent). The authorities presented the NDP to main partners in a Consultative Group meeting in Paris, during May 17–18, 2016. This Consultative Group was successful since development partners and private sector together committed a total of US$34 billion (of which US$19 billion from the private sector), including US$5 billion from the WBG. At the end of 2016, 38 percent of NDP commitment was executed with an estimated investment of CFAF 4.5 billion (US$7.9 billion). The authorities will continue with their efforts to mobilize additional
private investment. As the NDP includes a list of priority projects, there is a need to fully reflect these in the Government’s annual budgets, and to improve the Public Investment Management framework.

### 4. THE PROPOSED OPERATION

#### 4.1 LINK TO THE GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

4.1 The proposed operation is the second in a programmatic series of three single-tranche DPFs. This series has been designed to address the important and increasing challenges associated with the implementation of the National Development Plan. The focus has been three of the five strategic pillars in the government’s program: Pillar 1 – strengthening the quality of institutions and good governance, Pillar 2 - accelerating the development of human capital and social well-being, and Pillar 3 - accelerating the structural transformation of the economy through industrialization. As explained in the program document of the first operation, selectivity has been a key guiding principle in the preparation of this DPF series. The selection of the specific areas was made in close collaboration with the Government, considering the major binding constraints identified in the NDP and the SCD and the comparative advantage of the WBG. The SCD had emphasized the need to improve the efficiency of fiscal policy as well as to address the main constraints to private sector development and job creation, including skills and access to reliable electricity. Such selectivity also accounted for the complementarity with the current and projected WBG portfolio as well as other interventions by partners and stakeholders, including in the areas of agriculture, transportation, water, healthcare, social protection, and private sector development.

4.2 While the Program Development Objectives (PDOs) of the series remain unchanged in the areas supported by the first operation, they have been expanded to account for recent developments in the cocoa sector. The program is intended to support the Government’s ability to: (i) enhance tax revenue collection and public procurement; (ii) strengthen efficiency and equity in the education sector; (iii) improve the performance of the electricity sector by enabling private sector participation and diversification; and (iv) consolidate transparency in the management of the cocoa sector.

4.3 The initial timeframe of two successive operations that was envisioned at the time of the first operation has been modified to include a third operation. Although significant progress has been achieved in a number of areas since DPF1, several additional measures have been taken to strengthen the reform program supported by the DPF series. The scope of the reforms has been broadened under each of the original pillar with the incorporation of new actions with the aim to enhance the sustainability of the program. The extension to a third operation is also justified to provide time to implement the actions supported by the third and new fourth pillars, including some that have been delayed by the authorities. The result framework has been adjusted to account for those adjustments. The inclusion of a third operation, which will be the last in the series, is consistent with the WBG strategy, which envisioned the provision of annual DPFs from 2016 to 2020.

4.4 As explained in the program document of the first operation, the DPFs series proposes a combination of cross-cutting and specific actions (see Annex 1 for a summary). Establishing such a balance appears necessary because cross-cutting actions should help to address general weaknesses in the overall preparation and implementation of the budget, while a degree of granularity is requested to remove specific deficiencies as well as to promote private investment in the strategic sectors of education, energy, and cocoa. There is also a strong complementarity between the reform program and the need to improve statistical information and capacities, especially in the areas of education and agriculture. Support in this area is expected to be provided through a new WBG operation that aims at enhancing public service delivery, including through improved statistics, monitoring and reporting.
4.5 The design of the DPF series was informed by previous operations. The most important lessons from previous DPF series and from the recent SCD include (i) the need to improve fiscal management due to its cross-cutting impact on sectors; (ii) the urgency to upgrade the country’s human capital; (iii) the need to align reforms with the Government’s agenda to build consensus and create further momentum; and (iv) the requirement to account for domestic absorptive and technical capacity in the design and implementation of the reforms. These lessons were applied in the selection of the scope and content of the reform program supported by the DPF series.

4.2 PRIOR ACTIONS, RESULTS AND ANALYTICAL UNDERPINNINGS

4.6 This operation has been designed around four pillars that aim at supporting the Government’s effort in the areas of fiscal management, education, electricity, and the cocoa sector. In line with the first operation, the proposed operation is grounded in a solid analysis of the challenges related to each of the above-mentioned pillars (Table 4.1). The prior actions for DPF2 are detailed in the following sections, along with expected outcomes and result indicators.

4.7 The policy matrix (summarized in Annex 1) has been strengthened to account for the Government’s strong commitment to advance reforms under the first three pillars and for the inclusion of the fourth pillar on the cocoa sector. In the first pillar devoted to fiscal management, a new set of reforms was introduced to reflect the broadening of the tax base through the elimination of tax exemptions. In the second pillar on education, a new prior action was introduced to accompany the authorities in their strategy to increase teaching time, with a particular focus to underperforming students. With respect to the third pillar on the energy sector, a new set of actions addresses the long-lasting issue of poor collection of electricity bills, including by the public sector, with the aim to consolidate the sector’s financial viability over time. Lastly, new prior actions and triggers have been introduced on the cocoa sector.

Table 4.1: Pillars and Analytical Underpinnings

<table>
<thead>
<tr>
<th>1. Pillars</th>
<th>2. Analytical Underpinnings</th>
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<tbody>
<tr>
<td>• Poverty and inequality are exacerbated by corruption.</td>
<td>• The link between official policies and actual budget execution is undermined by excessive recourse to extra-budgetary procedures.</td>
</tr>
<tr>
<td>• It is necessary to improve processes for awarding public contracts and managing civil servants.</td>
<td>• Procurement processes suffer from the ineffective application of the new procurement code, which is hampered by capacity constraints.</td>
</tr>
<tr>
<td>1. Pillars</td>
<td>2. Analytical Underpinnings</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
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</tbody>
</table>
• Reallocating expenditure to reduce classrooms size and improving the quality of institutions could help improve the efficiency of education spending. |
Reforms in the electricity sector are needed to support the country’s objective of becoming an emerging economy while making the sector financially sustainable. Adopt and implement a comprehensive strategy to bring the electricity sector back to financial equilibrium over the coming years. |
Variations in cocoa prices have a significant impact on producers’ earning and therefore the level of poverty.  

4.8 Concurrently to the strengthening of the policy matrix through the introduction of new prior actions and triggers, a few adjustments were made to indicative triggers for DPF2 that had been identified at time of negotiation of DPF1. All the changes are explained in Annex 5 and further details can be found in the next section, including some delays in original triggers, such as the introduction of vouchers in the education sector, which were postponed to the third operation.

4.9 In terms of results, satisfactory progress has been broadly achieved toward the 2019 targets (see Annex 1 for recent progress). In particular, recent efforts have led to improvements in the mobilization of revenue with an increase in the number of registered taxpayers from 78,306 in 2016 to 85,152 by mid-2017. The average delays in public procurement fell from about 160 days in 2014 to 130 days in June 2016 and 102 days in June 2017. In the education sector, progress has also been reported as the repetition rate dropped to 11 percent at the end of 2016 compared to over 15 percent in 2015. The completion rate in secondary education increased significantly for both boys and girls. The evidence is more mixed in the electricity sector, justifying further attention to the financial viability of the sector in the DPF series as the amount of arrears accumulated by the utility company have been on the rise.

Pillar 1: Enhancing tax revenue collection and public procurement

4.10 The program supported in this pillar aims at improving fiscal policy effectiveness by mobilizing additional revenue and by improving fiscal management with a specific focus on procurement that remains highly inefficient owing to persistent weaknesses in the implementation of the institutional framework.

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7 The objective of enhancing domestic resource mobilization is closely linked to the IDA18 Governance and Institutions theme and its Monitorable Actions, which recommends to “provide support to at least a third of IDA countries targeted at increasing their Tax/Gross Domestic Product ratio through lending operations, ASA and technical assistance including tax diagnostic assessments” by “raising Taxes/GDP ratio above 15 percent”.

16
A. Tax collection

Background

4.11 Côte d’Ivoire’s current tax collection is insufficient to finance the substantial public investment program and social spending. This is recognized by the Government, which has placed the need to increase domestic revenue collection at the center of its NDP. Such effort will require a significant increase in the tax base with the adoption of adequate tax policy measures and an improved performance by tax administration.

4.12 Despite recent efforts, the level of domestic revenue remains low in Côte d’Ivoire. Total tax collection reached 15.5 percent of GDP in 2016, far below the WAEMU target of 20 percent of GDP. Performance was especially weak in the collection of VAT, which represented only 3.5 percent of GDP in 2016 compared to 7.3 percent in Senegal and 6.5 percent in Burkina Faso, respectively. Over the past few months, the Government’s effort to mobilize more revenue was weakened by the suspension of the registration fee on cocoa exports and by lower taxation on oil due to the narrowing of the margin between imported and local prices. These two measures were taken to reduce the financial burden of lower cocoa prices and higher oil prices on local producers and consumers.

4.13 As emphasized in the PD of DPF1, several factors help explain low tax revenue collection. These include: (i) a narrow tax base due to the high share of the informal sector in the economy; (ii) an inefficient tax administration; (iii) a complex tax system; (iv) an unbalanced tax structure; (v) tax evasion and (vi) tax exemptions. In recent years, partly under IMF Technical Assistance, several actions have been taken to address these deficiencies and boost tax administration but efforts need to be consolidated to yield significant results.

Progress since DPF1

4.14 The DPF series supports the authorities in their efforts to enhance more revenues through three specific lines of measures: (i) a better monitoring of taxpayers; (ii) reduction in compliance costs (or time required to pay taxes); and (iii) reduction of tax exemptions. As part of DPF1, the identification of informal taxpayers in two key areas of Abidjan and the tax amnesty offered to small and medium enterprises were adopted to increase the number of taxpayers. The first action contributed to the registration of 1,432 new taxpayers and 2,813 new properties, which generated an increase in tax revenues by 1,569 million FCFA or equivalent to 0.01 percent of total tax revenue. The tax amnesty brought 5,462 new enterprises in the tax base. Overall, the number of taxpayers jumped from 78,306 to 85,152 taxpayers between 2015 and 2016, or an increase of approximately 9 percent. In the (draft) 2018 Budget Law, the Government has incorporated several new measures, including a revision of some excises taxes (alcohol) and the introduction of new charges on cosmetic products. As explained below, several VAT exemptions have also been eliminated.

4.15 Concurrently, tax administration was reorganized with the creation of two Centres of Medium Enterprises (CME). This focus on medium enterprises facilitated compliance management, revenue risk analysis, and enforcement capacity. The revenue collection from medium enterprises increased by 30 percent between 2015 and 2016. Big returns were also achieved thanks to the introduction of an automatic cross matching of customs declarations and taxpayers’ identification numbers.
Prior actions, triggers and result indicators

4.16 The second operation aims at consolidating efficiency gains from the previous measures by broadening the tax base and reducing compliance costs. The first prior action is to create and make operational an electronic platform so that declaration and payments of main taxes would be facilitated for firms through internet and mobile devices. This action reinforces the effort by the Government to reduce the cost of paying taxes and therefore will improve the country’s ranking in Doing Business. The proposed trigger for DPF3 will be to implement an electronic single taxpayer system as a national tax identification system for companies and associations. The national identification number will be attributed by the national body in charge of investment promotion, with the same root segment and some specific spaces reserved for the various administrations, for their own needs. This root segment makes it possible for all databases of the different public administrative bodies to exchange data, which will help properly handle taxpayers of the informal sector. This measure, coupled with the electronic payment platform, will reduce transactions costs as well as help to identify tax payers and should lead to a significant increase in the number of registered taxpayers over time.

4.17 In parallel to improvements in tax administration, the Government have started to implement a series of measures that will rationalize existing tax exemptions. Those have appeared costly for the Treasury, around 2 percent of GDP per year, and not always effective in encouraging private sector development. In close coordination with the IMF and the World Bank, the Government has conducted a detailed analysis of the current tax regimes, evaluating their costs and benefits, which is being used to design and implement its strategy. The second prior action under DPF2 consists of the elimination of several VAT exemptions in line with the WAEMU regulation n.2/2009, which are estimated to yield around FCFA18 billion in additional revenue, equivalent to an increase of 0.5 percent of total tax revenues, during 2018. The proposed trigger for DPF3 is to extend this effort to the exemptions granted to investing firms, by revising the Investment Code. The revision of the existing tax exemption regimes reflects the Government’s strong commitment as it is expected to face resistance from beneficiaries.

**Prior actions for the second operation**

**Prior action #1:** The Recipient’s Ministry in charge of Budget has implemented a new electronic platform facilitating the filing and payment of taxes.

**Prior action #2:** In line with the WAEMU Regulation n.2/2009/CM/UEMOA, the Recipient has submitted to Parliament for adoption the draft 2018 Budget Law that eliminates VAT exemptions on (i) equipment and materials necessary for investments and spare material for agro-industrial companies, (ii) on seeds and grains, (iii) investments made by sports associations and (iv) fish freezing operations.

**Indicative triggers for the third operation**

**Trigger #1:** The Recipient has implemented an electronic single taxpayer identification system in order to (i) streamline registration and improve the identification as well as monitoring of taxpayers and (ii) facilitate effective integration of all databases of the different public administrative bodies and so reduce tax evasion.

**Trigger #2:** The Recipient has revised tax exemptions granted under the Investment Code.

**Expected results:**


(ii) Number of online tax filing and payments for large and medium-sized enterprises Baseline (2015): 0. Target (2019): 60 percent of large sized enterprises; 50 percent of medium-sized enterprises

(iii) Decline in fiscal losses associated to exemptions: Baseline (2015): 2.1 percent of GDP; Target (2019): 1.7 percent of GDP.
B. Public procurement system

Background

4.18 In recent years, the Government has implemented several reforms to improve the efficiency and the transparency of the public procurement system. The institutional framework was revisited in 2014 with the adoption of the new procurement Code (Decree No. 2014-306). An effort was also carried forward to improve monitoring through the finalization of the audit of the contracts for the period running from 1993 to 2012 that were in the Integrated System for Public Procurement Management (SIGMAP) database (Procurement Management System). This effort helped the authorities to stabilize the stock of outstanding contracts and to start to clearing domestic arrears. The Directorate of Public Procurement has published the results of procurement tenders, and the National Public Procurement Regulatory Authority (Agence Nationale de Régulation des Marchés Publics - ANRMP) has been fully operational since 2011. The combination of all these efforts led to a reduction in the average time for the procurement process from 322 days at end-2013 to 159 days at end-2014, while the value of noncompetitive procurement contracts as a share of total contracts fell from 42.8 percent to 23 percent.

4.19 Several important challenges remain as Côte d’Ivoire is still far from international (or even regional) best practices. These challenges were clearly illustrated by the results of the recently published audit report for 2014 that highlighted 59.3 percent of public contracts were being awarded with several irregularities. Approximately 15.3 percent of these contracts were approved without the required documentation. These findings indicate that further efforts are requested to improve the efficiency and transparency of the existing procurement system.

Progress since DPF1

4.20 The proposed DPF series supports the implementation of the institutional framework, in line with the new public procurement code. In June 2015, the Government adopted Decree No. 465/MPMB/DGBF/DMP setting up the responsibilities, organization, and functioning of the Public Procurement Department. As part of this effort, the Government has operationalized public procurement units in four key sectoral ministries (allocating a budget of CAF 20 million to each one). This effort to decentralize procurement procedures at the Ministerial level was accompanied by the creation of a Monitoring and Evaluation unit within the Ministry of Economy and Finance.

4.21 This new framework has already strengthened the procurement functions at both central and sectoral levels. Some progress has been reported in terms of: (i) overseeing the physical and financial execution of contracts and agreements; (ii) maintaining a database of all contracts concluded by the State and the technical and financial partners; (iii) performing quality control of the work, services, and supplies, in accordance with specifications; and (iv) designing a monitoring and evaluation system. The average delay to complete a public procurement declined from 159 days in 2014 to 129 days in June 2016 to 102 days in June 2017.

Prior actions, triggers and result indicators

4.22 The second operation of the series includes further measures designed to strengthen the public procurement system for greater efficiency in public resource management. The focus is on the implementation of an electronic system for public procurement, which will reduce delays in the procurement of public goods and services and increase efficiency in public resource management by improving monitoring and controls. The proposed approach is sequential with the adoption of the
requested legal framework and the beginning of the implementation in four key spending Ministries under DPF2 to allow time for training and capacity building. The extension of the electronic system to all Ministries is proposed as a trigger for DPF3.

**Prior actions for the second operation**

*Prior action 3*: In application of the WAEMU Directive n.04/2005/CM/UEMOA on procedures, execution and regulation of procurement and public service delegation contracts, the Recipient has released a communication by its Council of Ministers and a detailed roll-out report that implements the legal and institutional framework for an electronic procurement system that has been piloted in five ministries.

**Indicative trigger for the third operation**:  
*Trigger #3*: The Recipient has extended the electronic system for public procurement to all Ministries.

**Expected results:**  
(i) Number of days on average to complete a public procurement from the preparation of tenders to approval.  
Baseline (2015): 140 days; Target (2019): <100 days

Pillar 2: Strengthening efficiency and equity in the education sector

**Background**

4.23 **Education in Côte d’Ivoire continues to be a priority.** In 2015, total public expenditures allocated to the education sector reached 4.94 percent of GDP, against 4.58 percent on average in Sub-Saharan Africa. Spending per child aged 6 to 23 years rose from FCFA 74,396 in 2010 to FCFA 98,621 in 2015.

4.24 **Despite this financial effort, the sector performance remains low in terms of enrolments, equity and learning achievements.** For example, the completion rate is 69 percent for primary education and 42 percent for lower secondary education, compared to 72.6 percent and 48.6 percent on average in Sub-Saharan Africa. Gender and social disparities in education attainment are high as the average years of schooling is 6.98 for girls, against 8.54 for boys. The recent World Bank’s public expenditure review of the education sector has shown that public spending on education has been pro-rich at post-primary levels of education since about 30 percent of public resources are spent on children from the wealthiest quintile. Regional disparities are also significant, with the access rate to the last grade of primary school varying by region from 2 percent to 74 percent.

4.25 **Beyond enrolments and attendance, quality of education needs to be improved, as learning outcomes are low.** The national evaluation conducted in 2016 for third grade revealed that 77 percent of students have a low or very low level in French and 81 percent in mathematics. The results of the PASEC assessment, which compares 12 Francophone countries, show students from Cote d’Ivoire scoring less than average in French, and among the lowest in mathematics (Table 4.2.).

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<th>Table 4.2: Schooling indicators</th>
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<td>Côte d’Ivoire</td>
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<td>Other countries in PASEC 2014</td>
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Progress since DPF1

4.26 To improve the efficiency of the educational system, with the support of the DPF series, the Government was able to reorganize the primary education cycle in 2016. This cycle was divided into three sub-cycles where repetitions are not allowed within the same sub-cycle. As a result, the repetition rate in primary education declined to 11 percent in 2016 compared to 17 percent in 2015. The implementation of this reform will be supported by a new Global Partnership for Education (GPE) funded project managed by the World Bank that will help finance communication and sensitization campaigns, as well as teacher training and supervision.

4.27 The authorities have also improved the equity of the school system through the adoption of new criterion for enrolment in secondary education, which are based on family revenue, distance to school and areas of residence (urban/rural). These reforms have started to bear fruits since the completion rate in lower secondary education of children from the poorest families increased from 26 percent in the school year 2014/15 to an estimated 39 percent in 2016/17 for boys, and from 21 percent to 35 percent for girls.

Prior actions, triggers and result indicators

4.28 The second DPF will continue to support the reforms in favor of increased efficiency as well as equity of the education system in Côte d’Ivoire. The first prior action supports the adoption of a new standardized student learning assessment system, aligned on world best practices. A specialized unit within the Ministry of Education, has already developed the assessment tools that were tested during the second semester of 2017. The results have been published on the Ministry’s website. This action should help reduce the repetition rate as students will be better monitored over time, including by grouping them in sub-cycles so that remedial measures could be better targeted over time. As part of the result framework, a significant decline in repetition rates is expected in the next few years.

4.29 The second prior measure focuses on the revision of the criterion for teacher assignment and teacher redeployment across regions. This measure aims at improving the allocation of teachers since many regions were systematically underserved without increasing significantly the wage bill due to existing budgetary constraints. The implementation of this measure will be followed up closely by the World Bank’s investment projects under preparation in the education sector as it is expected to raise registration rates in primary and secondary schools, notably in the poorest areas.

4.30 While the two first prior actions had been identified during the negotiations of DPF1, the Government has strengthened its commitment to reform by adopting a new measure that seeks to optimize the students learning time. Because the mandatory schooling time in primary education was only 792 hours per year, which is low compared to the global standard of 900-1000 per year, the Government has included Wednesday morning in the mandatory schooling time, adding 225 minutes per week and 123 hours over the school year. This measure should lead to improvements in learning outcomes as close correlations are generally found between teaching time and results. Such measure will also bring more equity to the existing system as children from poorest family will be able to attend remediation activities on Wednesdays, while such activities were previously only available to wealthy family by contracting private tutors. Along with the overall growth of the learning time, the weekly timetable has also been reorganized to improve teachers and pedagogic counselors’ allocation across schools and students. It is worth underscoring that this extension of the teaching time will not lead to an increase in the wage bill of the education sector.
4.31 As a trigger for the third operation, the Government will ensure the expansion of a new model of “collèges de proximité” in rural areas. Those colleges will diminish the distance between home and schools, reducing transport costs with disproportionate benefits for poor families that are facing harder budget constraints. It should also encourage girls’ attendance since they are often the most penalized by poor families in rural areas. Indeed, distance between schools and dwellings is a serious discouraging factor for girls for whom it is risky to travel long distances in an environment of uncertain security and other risks such as early pregnancies. Further efficiency gains should be achieved through the introduction of bivalent teachers, the adaptation of curriculum content to five blocks of disciplines, and changes in teacher training.

4.32 The last trigger proposed for the third operation is to introduce a pilot voucher program to the poorest families, which would examine to what extent the education system could become more efficient with subsidies distributed to families rather than private schools. Such program represents a shift in the strategy followed by the Government, which has been so far to subsidize private schools rather than families. For this reason, the authorities need to accumulate more experience on these programs in other countries and adjust it to the Côte d’Ivoire’s context. The World Bank will provide parallel technical support through its investment operation in the sector.

Prior actions for the second operation

Prior action #4. The Recipient’s Ministry of National Education has set up an annual national standardized evaluation of learning outcomes at the end of each sub-cycle of primary education and published the first set of national standardized evaluations.

Prior action #5. To improve teacher-to-student ratios in underserved regions, the Recipient’s Ministry of National Education has established new criteria for the assignment and redeployment of teachers through Arrêté No 0074/MENET-FP-DRH dated September 28, 2017.

Prior action #6. To improve equity in primary education remediation activities, the Recipient’s Minister of National Education has adopted a ministerial order that incorporates Wednesday morning in the official calendar of primary schools and reorganizes the remediation activities provided during the week.

Indicative triggers for the third operation

Trigger 4: To increase access to secondary education for students from poor families (with a focus on girls), the Recipient’s Ministry of National Education has systematized the recruitment of bivalent teachers in low secondary schools in rural areas (including through Collèges de proximité).

Trigger 5: To improve the allocation of students in low secondary schools, the Recipient’s Ministry of National Education has launched a pilot program through which vouchers will be rolled out to poor families in selected regions.

Expected results:


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8 For a discussion on these policy options, see World Bank, Côte d’Ivoire’s Economic update: The skills’ challenge, fourth edition, January 2017.
Pillar 3: Improving the performance of the electricity sector by enabling private sector participation and diversification

Background

4.33 Access to electricity is relatively low in Côte d’Ivoire, affecting both firms’ productivity and households’ welfare. While the access rate is close to 75 percent in urban areas, it remains below 30 percent in rural areas. Significant variations also exist across income categories. These mixed results justify the Government’s focus on improving the performance of this sector by consolidating its financial position over time and increasing the provision of electricity across the country.

4.34 Most power plants are fueled by natural gas, which accounts for three-quarters of all electricity produced. However, there is a need to develop additional local gas reserves to ensure that fuel does not constrain the expansion of generation capacity by the private sector. Côte d’Ivoire is currently exporting power to its neighbors, as the government has been working to secure its position as regional net exporter of energy in addition to meeting the rapid growth in domestic demand. Imports of liquefied natural gas (LNG) are being considered as an alternative to provide fuel for new thermal plants, but this is unlikely to be a cost-effective option. In the meantime, the Government has secured a deal to increase the volume of gas supply from a private supplier to be able to expand the generation capacity of the two main Independent Power Producers (IPP), namely CIPREL and AZITO in 2018 and 2019.

4.35 The Government is also seeking to incentivize private sector participation in renewable energy but is facing the challenge of absorbing this higher cost power while wishing to minimize its impact on end-user tariffs. Long-term objectives set in the country’s energy policy include an increase in the share of renewable energy in the national energy mix from 1 percent in 2015 to 16 percent in 2030. The country also aims at diversifying energy production sources from 80 percent fossil fuel and 20 percent renewable energy in 2015 to 34 percent renewable energy by 2020, and 42 percent renewable energy in 2030. However, there is no yet a clear roadmap or development plan specifying how those targets will be met over time.

4.36 In parallel to the effort of increasing and diversifying production, the Government has taken a series of actions to consolidate the financial sustainability of the sector. The strategy has been two-fold. First, the emphasis has been on reducing production and distribution costs. Second, adjustments in tariffs were implemented to align them better with costs. Such strategy has been partly successful at restoring the balance of the electricity sector that had registered operational deficits in the range of FCAF 100 billion (or approximately 0.5 percent of GDP) during 2011 and 2013. In 2014 and 2015, the deficit was cut to only FCAF 33 and 39.9 billion, respectively. However, as explained below, the financial situation has deteriorated again as the result of the poor collection of electricity bills in recent months and a short-term debt overhang with commercial banks.

4.37 Looking forward, the power sector is expected to be in a better financial standing because production cost per kilowatt hour (kWh) should decline as inefficient and costly turbines (Vridi, Aggreko) will be replaced by combined cycles (Azito 4 and Ciprel 5) in 2018-19. The additional hydro production available from the Soubré project, which comes on stream in late 2017, will also contribute reduced supply costs. The Government estimates that an average electricity tariff of CFAF 74/kWh should be sufficient to cover the operating expenses and capacity charges of IPPs by 2020. This average tariff is also projected to be sufficient to cover asset renewals and the expansion of the grid, amounting to FCFA 1.6 trillion for the

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period 2016-2020. This projection is, however, contingent upon CI- Énergies maintaining an adequate optimization of gas supply and demand and ensuring that electricity capacity is added to the grid at the same pace as growth in demand for electricity to avoid recourse to liquid fuels. It also assumes an increase in the collection rate of electricity bills.

4.38 Tariff increases remain a politically charged topic and their acceptability depends on improvements in both access and the quality of service. In July 2015, the Government announced a schedule of tariff increases that would spread over the next 18 months, which was rejected by customers during a bout of public unrest. As a result, a revised, lower tariff was adopted in June 2016, including a capped 10 percent tariff increase for 2016. Another small tariff adjustment of 2.5 percent on average was implemented in July 2017. As explained below in para. 4.44, the Government’s emphasis is on improving the collection of electricity bills rather than on increasing tariffs, which appear aligned on supply costs. Current average domestic tariff is CFAF 69.6 per Kwh when the average supply cost is CFAF 68.4 per Kwh in average showing that current tariff covers cost of production.

Progress since DPF1

4.39 The DPF series supports the Government in its effort to improve the provision of affordable electricity to all citizens. As part of this effort, the authorities have strengthened the legal and institutional framework with the adoption of several decrees accompanying the implementation of the Electricity Bill approved in March 2014. These decrees should encourage private sector participation and further diversification in the source of energy, including towards renewables.

4.40 Although electricity tariffs appear on average to be sufficient to cover operating costs, the financial sustainability of the electricity sector has been threatened by the emergence of a short-term debt overhang of about FCFA220 billion (equivalent to approximately one percent of GDP or US$380 million as of June 2017. These debts are divided between arrears to IPPs/gas suppliers of around US$200 million and short term bank borrowing of around US$180 million. The rapid and somewhat unexpected buildup in debt has been used to absorb the recent depreciation of the local currency against the US$ resulting in higher imported prices for gas and fuel and the rollback in tariffs of mid-2016 that reduced expected revenue for the sector.

4.41 The buildup of arrears also reflects the decline in the collection of electricity bills by the electricity company. Neighboring countries (Ghana, Mali, etc.) importing electricity from Côte d’Ivoire have started to accumulate payment arrears, reaching approximately FCFA 40 billion as of June 2017. Domestically, the collection rate declined from 90 percent in 2015 to approximately 85 percent in recent months. While many bad customers are from the domestic private sector (approximately FCFA 35 billion), the public sector has also increasingly not paid in electricity bills on time. As recognized by the Government in a signed protocol signed between the Ministry of Economy and Finance and sectoral stakeholders, the total amount of unpaid electricity bills accumulated by the public sector was equivalent to FCFA79.9 billion at end December 2016, including delayed payments of central administration (FCFA 11.2 billion), public lighting in the District of Abidjan (FCFA 39 billion), and several State-Owned enterprises (FCFA 17.1 billion).

4.42 One of the consequences of the debt overhang faced by the sector has been the unequal treatment of IPPs and gas suppliers in the payments of their bills. While historically parity of treatment was applied to all parties in the sector’s cash waterfall payment system, payments have increasingly been made in a non-transparent and ad hoc manner. The accumulation of arrears to IPPs are of concern as they are sending strong negative signals to potential investors in the sector, which are needed to increase
medium term generation capacity. Restoration of the formal cash waterfall in the sector with fair treatment of creditors is viewed as necessary for raising fresh capital.

4.43 The Government has adopted a comprehensive plan to address the challenge of debt overhang with the objective to eliminate all arrears in the electricity sector. This plan is based on the combination of an effort to recover unpaid electricity bills from domestic customers and neighboring countries, the rescheduling of the short-term debt with domestic commercial banks, and a small but strategic increase in the electricity tariffs of large customers. The WBG has been working closely with the authorities on these various elements, including through a possible use of guarantees and IFC involvement. The focus of the DPF series is to assist the authorities in their effort to increase the collection rate of the electricity bill by ensuring its full and timely payment by the public sector.

Prior actions, triggers and expected results

4.44 As part of this vision, the second operation will support the authorities in their effort to ensure that the public sector pay on time its electricity bills (Prior action #8). This effort should include all payments due by the central administration but also a sustainable resolution of the issue of the non-payment for public lighting by the District of Abidjan, public national agencies (Etablissements publics nationaux) and by several SOEs (Etablissements publics indépendants). This measure is equivalent to an increase in effective electricity tariffs as the State will be expected to pays its bill in full and on timely basis. It also constitutes an important change in strategy since adjustments in nominal tariffs had been implemented in recent years. This change is justified on financial grounds as current tariffs are estimated to be sufficient to cover supply costs of electricity. It is also more equitable to enforce payments of those who consume electricity rather to make pay more those who are already paying. The implementation of this strategy will be monitored in the third operation.

4.45 Under the third operation the focus will be on the implementation of a performance contract between the Government and CI-Energies. Such contract will help establish clear and transparent targets in terms of reduction of system losses and efficiency improvements with key performance indicators. The results of this performance contract will have to be published on a regular basis to provide improve transparency on the financial results of the electricity sector.

4.46 Another trigger will be to revise the waterfall payment from the utility company to its suppliers so as to make it more predictable and transparent to private investors. Along the same lines, the DPF will continue to support the adoption of rules and regulations for IPPs, notably for those investing in new technologies. These actions are aligned with the Government’s effort to attract more private investors in the sector (Prior action #7). This prior action promotes efficient pricing of electricity by supporting the approval of a tariff-setting methodology for power generated by IPPs.

4.47 The result indicators have also been modified to capture better the cash-flow crisis in the energy sector. At the end of the series, it is expected that the CI-Energies’s collection rate will significantly increase as the result of full payment on time from private and public domestic customers.
Prior actions for the second operation

**Prior action #7:** The Recipient’s Ministry of Oil, Energy and Development of Renewable Energy, Ministry of Economy and Finance and Ministry in charge of Budget have adopted an interministerial *Arrêté No 476/MPEDER/MEF/SEPMBPE* dated October 10, 2017 defining modalities and procedures for the selection of Independent Power Producers (“IPPs”) and determining the price of electricity produced by IPPs, including through a competitive selection process, for projects with installed capacities greater than 1 MW and renewable energy projects.

**Prior action #8:** In accordance with (a) the protocol for the clearance of the arrears in the electricity sector between CI-Energies, CIE, RTI, CNRA and the District of Abidjan dated October 9, 2017, (b) the communication by the Council of Ministers dated October 10, 2017, (c) the engagement letter to the Association by the Minister of Oil, Energy and Development of Renewable Energy, the Minister of Economy and Finance and the State Secretary in charge of the Budget dated of October 14, 2017; and (d) the Memorandum between CI-Energies, CIE and the State Secretary in charge of the Budget dated October 24, 2017, the Recipient has taken the following actions aimed at reducing the amount of unpaid electricity bills: (i) committed to eliminate all unpaid electricity bills accumulated by the central administration (up to December 2016) by the end of April 2018; (ii) paid all the validated electricity bills of the central administration from January to June 2017 and committed to pay all its future validated bills in full and on time from July 2017 onwards; (iii) agreed (a) with the District of Abidjan, for its unpaid electricity bills covering the period until December 2017, to clear the arrears through securitization and committed to the payment of all its electricity bills related to public lighting from 2018 onwards; and (b) with RTI and CNRA for their respective unpaid electricity bills covering the period until December 2016 to clear the arrears through securitization; and (c) with RTI to pay 920,893,208 FCFA regarding its arrears up to December 2016 through securitization; and (iv) ensured that SPDC, RTI and SOTRA signed respective agreements with CIE in which these state-owned enterprises commit to pay their unpaid electricity bills accumulated up to June 2017 and commit to the payment of their future bills in full and on time.

**Indicative triggers for the third operation:**

**Trigger #6:** The Recipient and CI-ENERGIES have signed and implemented a performance-based contract with the objective to improve the financial and commercial performance as well as the transparency of the sector.

**Trigger #7:** The Recipient has paid in full the unpaid electricity bills accumulated by the central administration as of December 2016; (ii) pay on time all the current electricity bills of the central administration, and (iii) continued to implement the respective plans agreed by the Recipient with the District of Abidjan and SOEs and so reduce their level of arrears.

**Trigger #8:** With the objective to improve the implementation of Decree 2010-200 of December 15, 2015 on the management of financial flows of the electricity sector, the Recipient has revised procedures, including on: (i) planning, billing and payments in the sector; (ii) reporting of financial information and (iii) control and internal as well as external audits

**Expected results:**


(ii) Improvement in the collection rate of electricity bills paid by domestic customers: Baseline (2016): 85 percent; Target (2019): 95 percent.


Pillar 4. Consolidating transparency in the management of the cocoa sector

**Background**

**4.48 Côte d’Ivoire produces about 40 percent of total world production of cocoa (on average 1,8 million tons a year over the last three years).** This sector accounts for approximately 1/3 of the country’s export and is the main source of employment and income for about 600,000 rural households (more than 4 million of persons or 20 percent of the total population). For this reason, this strategic sector has traditionally received great deal of attention by policymakers, and several reforms have been introduced over the past few decades.
As part of the HIPC program, in early 2009, the Government agreed to introduce a new marketing and pricing system with greater transparency and explicit mechanisms to transmit a greater share of world market to producers. The new system has also been design to protect them from short-term variation in cocoa prices on international markets. The overall taxation of cocoa production (export tax and other taxes and levies) was set up to not exceed a maximum of 22 percent of cocoa CIF price and the farm-gate price paid to producers to be at least 60 percent of cocoa CIF price. A key element of these reforms was the introduction of a competitive forward sale mechanism (Programme de ventes anticipées à la moyenne – PVAM) that would eliminate intra-seasonal price risks for producers.10

This new system has been implemented, with the creation of the Coffee and Cocoa Council (CCC) in early 2012, with satisfactory results. However, signs of weaknesses have emerged since early 2016 when the price of cocoa started to decline on international markets (see Figure 4.1). While this decline was partly compensated by an increase in production, leaving the value of production approximately unchanged between the campaigns of 2015/16 and 2016/17, it created several tensions on the sector.

Progress since DPF1

Since the beginning of 2016, the cocoa sector has been affected by the significant reduction of international prices, down by almost 40 percent. The main cause of this decline is an oversupply of the market, with a weak demand in the main consuming markets, which has recently been exacerbated by the exceptional 2016/17 harvest in both Côte d’Ivoire and Ghana, which account together for about 60 percent of world production. The 2016/17 production in Côte d’Ivoire has exceeded 2 million tons against only 1.5 million in 2015/16.

The rapid decline in international prices has led to rising tensions on the domestic market. First, the Government has been obliged, in application of the formula mechanism that sets the farm-gate price at 60 percent of the world price, to cut the farm-gate price from FCFA 1,100 per kilo to FCFA 700 per kilo in April 2017 for the remainder of the 2016/17 season (“petite campagne”). This price was confirmed in early October 2017 by the Government. Although this drop-in farm-gate price may to some extent have been offset by an increase in production, many producers suffered a significant decline in revenues.

4.52 The rapid decline in international prices has led to rising tensions on the domestic market. First, the Government has been obliged, in application of the formula mechanism that sets the farm-gate price at 60 percent of the world price, to cut the farm-gate price from FCFA 1,100 per kilo to FCFA 700 per kilo in April 2017 for the remainder of the 2016/17 season (“petite campagne”). This price was confirmed in early October 2017 by the Government. Although this drop-in farm-gate price may to some extent have been offset by an increase in production, many producers suffered a significant decline in revenues.

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10 For details on the package of reforms, see Ministère de l’Agriculture, Document de Stratégie: Réformes de la filière café-cacao, novembre 2011.
4.53 The second tension has come from domestic traders and exporters. Because of the significant decline in world prices, their domestic marketing margin, partly fixed as a percentage of CIF, has been reduced to a level where many had difficulties to finance fixed transport and commercialization costs. As a result, domestic marketing was hampered, and many producers reportedly received less than the official farm-gate price. This caused an important volume of national production to be sent and sold in Ghana where farm-gate prices are higher. However, the magnitude of these flows is difficult to quantify.

4.54 These problems may have been aggravated by irregularities in the functioning of the PVAM. For instance, a significant part of the forward sales had not been done against fixed price counterpart purchase contracts from international buyers, as required by established PVAM mechanism procedures. These sale contracts could not be honored and had to be reissued by CCC at much lower prices which did not permit to pay the prevailing official farm gate price, thus generating a huge loss for the value chain that had to be financed from the resources of the Technical Reserve Fund.

4.55 The third and final tension has emerged from the Governments’ budget. Because of the necessity to preserve fixed margins for exporters, the Government opted to eliminate the registration fee collected on cocoa exports (equivalent to 5 percent of CIF price). It is estimated that this measure, announced in April 2017, could cost the Government an estimated FCFA 45 billion in foregone revenue during the intermediary campaign (April-September 2017).

4.56 These tensions appear to have been managed relatively well by the Government but they have also emphasized several weaknesses in the implementation of the new marketing and pricing system in place since 2012. As a result, the Government has launched a technical and financial audit of the cocoa sector with a specific attention on the functioning of the PVAM. Other issues have also emerged because of the crisis, concerning other institutional weaknesses in the system: (i) the lack of adequate representation and voice of producers and other private operators in CCC governance and (ii) the lack of transparency in the use of a series of funds collected by CCC from the value chain on behalf of producers. These funds include the Fonds d’Investissement en Milieu Rural (FIMR), Fonds d’Investissement Agricole (FIA), and Fonds Sacherie - many of whom have been inherited from the previous opaque structures that managed the sector prior to the 2011 reform. Altogether, they collect very large resources (CFAF 30 billion or US$50 million per year) and their non-transparent management have been increasingly criticized by producer associations.

Prior actions, triggers and expected results

4.57 The DPF series will accompany the authorities in their effort to assess and improve the management of the cocoa sector. The Government has committed to conduct regular and transparent audits to identify and correct existing weaknesses in the sector’s institutional framework. The main emphasis is on the adequate and transparent implementation of the existing external marketing and pricing system and on the transparent management of the resources collected by CCC for financing activities under the FIMR, the FIA and its bag distribution scheme. By applying the recommendations from these audits, the efficiency of the current system will be improved, risks will be reduced and the pass-through of international prices to producers will be optimized.

4.58 Under the second operation, the Government has prepared an independent audit to assess the activities of the PVAM and the Reserve Fund. This audit has been discussed by the Council of Ministers in early October 2017, and should be finalized and published in the next few months. A few recommendations from this audit have been already implemented at the beginning of the current harvest, including a more transparent selection of exporters based on their financial statements (which has reduced the number of
licensed exporters from 93 to 72). To ensure continuity, the trigger for the third operation will be for the Government to adopt and implement the recommendations derived from this audit. The draft audit report was discussed at the Council of Ministers. By preparing such audit, the authorities have sent a positive signal to the market that speculative activities will be severely penalized and that the sector regulator (CCC) will be under scrutiny. By increasing controls and monitoring, it is expected that the proportion of defaulted contracts by buyers/exporters will decline over time, from an estimated 10-12 percent of total production (in volume) in 2016/17 to 5 percent or less by 2018/19.

4.59 The second prior action included in the DPF2 is to systematize regular and independent audits of the cocoa sector. Since 2011, only one audit, which focused on the PVAM, had been conducted by the authorities on the 2013/14 campaign (as it was a prior action of the previous DPF series) and, arguably, the recommendations have been implemented with mixed success. The new inter-ministerial order will not only define the nature of the audits to be conducted but also established that they will be carried forward at regular frequencies, annually for some and bi-annually for others, and their results will be publicly shared. Ultimately, improved external controls should help reduce the risk of rent capture by vested interests and help improve the governance of such strategic sector. The publication of audits result should promote further involvement by small producers and consumers in the decision processes.

Prior actions for the second operation

Prior action #9: In conformity with Décret No 2012-765 of August 1, 2012 related to the Reserve Fund for the Coffee-Cacao sub-sector, the Recipient’s Ministry of Agriculture, Ministry of Economy and Finance and Ministry in charge of Budget Recipient has launched an independent institutional, technical and financial audit of the Programme de Ventes Anticipées à la Moyennes (PVAM) and of the Reserve Fund.

Prior action #10: The Recipient’s Ministry of Agriculture, Ministry of Economy and Finance and Ministry in charge of Budget has adopted an interministerial Arreté No 475/MEF/MINADER/SEPMBPE dated 9 October 2017 to institute a systematic independent audit, six months after the end of the harvest season, in September. The auditor will be chosen by the Minister of Finance, following an independent and competitive tender for three years, renewable once. The audits will focus on: (i) marketing; (ii) stabilization accounts, which harmonize the guaranteed export prices; (iii) the technical reserve fund held at the Ouest African States Central Bank (BCEAO); and (iv) other funds in the coffee-cocoa sector managed by Conseil du Café Cacao (CCC), including the Fonds d'Investissement en Milieu Rural (FMIR), the Fonds d’Investissement Agricole (FIA) and Redevance sacherie-brousse. The PVAM and the technical reserve fund will be subject to an annual audit. The other elements will be audited at least twice over the three-year period, with the first audit carried out in 2018.

Indicative triggers for the third operation:

Trigger #9: The Government has adopted and implemented all the recommendations validated from the independent audit of the PVAM and of the Reserve Fund.

Trigger #10: The Government has conducted the annual independent audits adopted in Prior action 10.

Expected results:
Reduction in the proportion of defaulted contracts by buyers/exporters in total production: Baseline (2017): > 10 percent; Target (2019): 5 percent.

4.3 LINK TO THE CPF, OTHER WORLD BANK OPERATIONS AND THE WBG STRATEGY

4.60 This second operation in a programmatic series of three DPFs is an integral part of the WBG’s support to Côte d’Ivoire under the IDA/IFC/MIGA Country Partnership Framework for the period FY16-FY19 (Report number 96515) presented at the Board of Executive Directors in 2015. The CPF, endorsed by the Board on September 29, 2015, consists of three Focus Areas of engagement: (i) accelerating sustainable private-sector-led growth; (ii) building human capital for economic development and social
cohesion; and (iii) strengthening public financial management and accountability. CPF activities under each Focus Area fit in with two crosscutting issues specific to Côte d’Ivoire, namely governance and spatial inequalities. The proposed operation is identified in the CPF as a major contributor to the second and third Focus Areas through the strengthening of revenue collection and improvements to public resource management, particularly increasing efficiency in public spending on education. By supporting the country’s strategy to facilitate diversification of the power sector and adoption of renewable energy, the proposed operation will contribute to the IDA Policy Commitment to ‘Increase the use of DPFs that support climate Co-Benefits’.

4.61 This DPF series directly complements other World Bank investment financing operations and Technical Assistance (TA) projects in Côte d’Ivoire. The proposed operation will be implemented in close collaboration with ongoing World Bank operations. Reforms under Pillar 1 of the proposed operation are closely linked to activities supported by the Governance and Institutional Development Project (GIDP - P107355) for which an extension was approved in November 2014. The GIDP seeks to enhance transparency and efficiency in the management of the public finances. Its main objectives include: (i) supporting the fight against fraud and corruption; (ii) improving the public procurement system; and (iii) enhancing budget transparency at the national and local levels. The World Bank also provided TA to support the implementation of the Public Financial Management (PFM) action plan. An operation focusing on governance is also under preparation. Objectives under Pillar 2 are aligned with the Emergency Basic Education Support project (P119328), which has provided direct support for restoring and increasing access to basic education, thus contributing to greater inclusion. The operation is also in line with the Productive Social Safety Net project (P143332), which has mechanisms in place for better identification of poorer households and individuals. Finally, under Pillar 2, the PDO is also aligned with the forthcoming Global Partnership for Education project, which will include a Public Expenditure Tracking Survey. In addition, reforms under Pillar 3 are aligned with: (i) Electricity Access Scale Up Program TA (P155065), which seeks to develop a comprehensive investment prospectus designed to evaluate and prioritize different possibilities for accessing financing from different development partners; (ii) TA on the revision of Côte d’Ivoire’s legal and institutional framework for PPPs; and (iii) TA with the Public-Private Infrastructure Advisory Facility (PPIAF) on capacity building and help with risk assessment of PPP projects. On the cocoa sector, the DPF is in line with the WBG priority to sustain the Government’s effort to strengthen agricultural development through the better management of cash crops and diversification through processing of cocoa and cashew nuts (First IBRD enclave project on the processing of cocoa and cashew nuts under preparation).

4.4 CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

4.62 Consultations: The design of the proposed DPF series is centered on the objectives of the 2016-20 NDP, which was developed through an inclusive participatory process. NDP consultations were held with civil society organizations, members of academia, private sector firms, and representatives of Côte d’Ivoire’s development partners. During the identification and design phase of the proposed DPF series, World Bank staff built on the findings of the consultative process related to the NDP and undertook discussions with some stakeholders involved in developing the Government’s reform agenda.

4.63 Collaboration with other development partners: The World Bank team is working closely with both the IMF, the European Union, the African Development Bank (AFDB), and the French Development Agency (AFD). There has been a close collaboration between the World Bank and the AFDB as well as the AFD on the design of their budget operations in 2017, which have been partly aligned on the policy areas

11 A follow up operation aiming at improving the Government’s capacity to deliver quality services is under preparation and should be presented at the Board in FY2019.
supported by the DPF series. In addition to participating in reviews of Côte d’Ivoire’s program supported by the ECF, the World Bank also collaborates with the IMF through a Joint Management Action Plan (JMAP). The IMF is preparing a new ECF-supported program for Côte d’Ivoire that will also focus on domestic resource mobilization and the management of fiscal risk stemming from the electricity sector and PPP projects. Collaboration with the European Union (EU) in Côte d’Ivoire is critical since the EU also provides budget support. EU budget support continues to target reforms in PFM, external audit, and basic social services.

5. OTHER DESIGN AND APPRAISAL ISSUES

5.1 POVERTY AND SOCIAL IMPACTS

5.1 None of the prior actions or expected results supported by the proposed DPF series are expected to have significant negative impacts on poverty and inclusiveness. In fact, the reform measures are expected to have positive impacts on both poor and non-poor households by improving the availability of public resources, enhancing the efficiency of their use, contributing to economic growth, and expanding income opportunities.

5.2 Prior actions related to domestic resource mobilization and public procurement are expected to have positive indirect effects on poverty by increasing the Government’s fiscal space and its ability to implement socially beneficial programs. The broadening of the tax base will enhance domestic revenue mobilization and improve equity, especially as regards direct taxes. However, since VAT is a tax on consumption, prices of goods purchased from informal or small retailers could increase slightly and affect poor households’ disposable income. Successful implementation of actions related to the public procurement system will lead to efficiency gains in revenue spent, which may ultimately be used for poverty reduction or improvements in social indicators. To understand better the effects of tax policy on firms and households, the Bank has launched an analytical study on tax regimes within four WAMEU countries, including Côte d’Ivoire. Concurrently, the World Bank, in close collaboration with the Government, is conducting an analysis of the distributional impact of the tax system and public spending that is planned to be finalized before the end of FY18. Social protection measures through social safety nets such as conditional cash transfers could be explored and implemented by the Government in order to mitigate the adverse impact.

5.3 By focusing on the quantity and quality of education services, the proposed DPF aims at improving opportunities for poor. In Côte d’Ivoire, as in most countries around the world, higher education outcomes are one of the main determinants of long-term economic growth and poverty alleviation. The prior action targeting the assignment of students to public and private schools is expected to have a positive direct effect on the poor. The revision of the assignment criteria intends to make sure that students from poor households are retained in public schools closer to their home instead of paying additional costs that may be required when they are assigned to private institutions. The measures aiming at reducing high grade repetition rates should also benefit poor households, including through the implementation of remedial classes. Lastly, the revision of parameters used to allocate teachers across regions should help reduce the teacher/student ratio in poor regions. In all these measures, specific attention is being – and will continue to be – given to girls’ performance.

5.4 Improving the performance of the electricity sector is expected to have a series of positive impacts, both direct and indirect, on poor households. By consolidating the financial situation of the

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12 Full details can be found the World Bank’s Systematic Country Diagnostic for Côte d’Ivoire, 2015.
sector as well as setting clear rules for private sector involvement, the DPF series should help encourage further investment in generation and distribution capacities. The most visible impact should be an increase in access to electricity, including of the poorest households (only 47 percent of the population had access to electricity in 2015). Such improved access would not only contribute to improved living conditions but also boost firms’ productivity, leading to their expansion as well as to higher demand for labor over time. By focusing on making pay all existing customers of electricity, the DPF series will avoid the negative impact associated to higher tariffs on poor households. Concurrently, the reduction in Government transfers to the electricity sector (which would have been necessary in the absence of efforts to improve the collection rate) will release budgetary resources that can be allocated to pro-poor expenses.

5.5 Addressing the current weaknesses in the management of the cocoa sector will lead to several direct and indirect benefits for poor people in Côte d’Ivoire. The direct benefits would be significant for producers as the improved functioning of the PVAM will reduce the rate of defaults by buyers and exporters, and limit the risk that they will not be able to sell their production and, therefore, suffer monetary costs. A recent study has shown that cocoa producers are highly sensitive to any change in their earnings as approximately half of them are living below or close to the poverty line. The risks are higher for poor producers who are more dependent on the revenues associated to this commodity, while big producers are more diversified. The indirect benefits would mainly arise for the expected increase in government revenue (as the result of less mismanagement) that can be used to finance additional public services and infrastructure or even finance a social protection scheme targeted to poor producers. The better management of funds (FIA, FIMR) should help increase the productivity of the sector as well as the living condition of local communities as they are intended to finance the development of research activities and of local infrastructure.

5.6 The proposed DPF series is also expected to have a positive impact on gender equality. Reforms under pillar 2 will contribute to correct gender disparities through better fiscal resource allocation in basic and secondary education in order to facilitate girls’ access to social services.

5.2 ENVIRONMENTAL ASPECTS

5.7 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 reforms being supported aim primarily to strengthen economic governance at the national level. Any adverse environmental effects are expected to be minor and manageable through the existing country’s framework. Measures aiming to improve PFM are not expected to have any environmental impact.

5.8 The World Bank produced a new Country Environmental Analysis (CEA) for Côte d’Ivoire in 2014, which examined issues in the forestry, mining, urban development, and environmental governance sectors. The study concluded that: (i) in the face of climate change and increasing pressure on the country’s ecosystems, sustainable natural resource management is key to ending extreme poverty and promoting shared prosperity; (ii) the existing mechanisms for collecting environmental data are weak 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 resources management, fisheries, agriculture, mining, and energy; and (iv) environmental and natural resources management lacks sufficient funding on the part of both the Government and its development partners as environmental management accounts for an estimated 0.2

percent of the national budget. Its recommendations include: (i) assisting the Government in developing a green growth strategy within which financial resources can be allocated across sectors; (ii) establishing a national environmental information system; and (iii) strengthening collaboration between sector ministries through coordinated programs. This assessment also applies to the energy and agriculture sectors, where more funds, capacity building and an effective information/sanction system should be integrated in the country’s environment policy.

5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

5.9 The Government has adopted in 2014 a strategic framework for PFM reforms that aims to address the public finance management challenges highlighted in more recent assessments made of the PFM system. This includes the 2013 Public Expenditure and Financial Assessments (PEFA) and the 2016 Public Investment Management Assessment (PIMA). Key achievements include: (i) improvements in Côte d’Ivoire’s legal and regulatory framework and its increasing alignment with WAEMU directives for PFM; (ii) enhanced budget preparation and investment planning processes and debt monitoring mechanisms; and (iii) more comprehensive and reliable public information on budget allocation, execution, and financial management practices. Nevertheless, further improvements in PFM will be necessary if the Government is to achieve its development goals. The assessment reports identified a number of critical shortcomings in multiyear perspective of planning and execution of public investments, effectiveness in fiscal administration and mobilization of domestic revenues, efficiency of procurement processes and management of public contracts including modalities for the choice of Public Private Partnerships, transparency of bidding processes and economic sustainability of PPPs. The first pillar of the proposed operation is essential to the Government’s development program and complements its recent progress in strengthening public resources management and increasing fiduciary transparency.

5.10 Overall, the Government has made progress in strengthening multiple aspects of public financial and budgetary management since the 2013 PEFA assessment, and its continuing efforts are supported by most of the donors through technical assistance operations.14 Regarding budget transparency, most of the information related to annual budgets, quarterly budget execution reports, mid-year budget reviews, and annual settlement laws is available online at http://www.finances.gouv.ci/.

5.11 The Government is aligning its PFM systems with current WAEMU directives. The Government has adopted the WAEMU Transparency Code and has aligned its national legislation with WAEMU’s six new PFM directives. The implementation of these directives will ensure convergence of the system with international standards of public finance. Expected outcomes of this comprehensive reform included realistic and sustainable budget forecasts; overall spending amounts determined on the basis of a multi-year budget and economic planning; resources allocated more strategically in order to achieve objectives; and better accountability of public institutions.

5.12 The IMF carried out on-site safeguard assessment of the Central Bank of West African States (BCEAO) and found that progress has been made in strengthening the BCEAO’s safeguards framework since 2013. The BCEAO also enhanced its governance framework and now publishes a full set of audited financial statements and is gradually bringing its practices into conformity with International Financial Reporting Standards (IFRS) starting with the financial year 2015. 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-

14 The new PEFA has been launched in late October 2017.
up of internal and external audit recommendations has been strengthened. The BCEAO has continued its
effort, which includes strengthening the external audit arrangements by appointment of an international
firm applying International Standards of Audit (ISA) for the audits of FY2015-2017 and by reinforcing the
capacity of the audit committee with external expertise to oversee the audit and financial reporting
processes.

5.13 The proposed operation would consist of a single-tranche credit of EURO 105.9 million or US$125
million equivalent, to be made available contingent upon effectiveness and disbursed on the basis of a
withdrawal application\textsuperscript{15}. The credit will follow the World Bank’s standard disbursement procedures for
development policy operations. Once the operation becomes effective, the Government of Côte d’Ivoire
will submit a withdrawal application to the IDA requesting that the proceeds of the credit be deposited in
the BCEAO into a Dedicated Euro Account that forms part of the country’s official foreign-exchange
reserves\textsuperscript{16}. Within five working days of the credit’s being deposited into that account, the Government will
ensure that an equivalent amount is credited to its budget management system in a manner acceptable to
the World Bank. The Recipient will report to the World Bank on all amounts deposited in the foreign
currency account and credited in local currency (XOF) to the budget management system. If the withdrawal
request is in foreign currency, the equivalent amount in XOF reported in the budgetary system will be based
on the market rate effective on the date of the transfer. The Recipient will promptly notify the World Bank
within thirty (30) days of the transfer by fax or email that the transfer has taken place and that proceeds
have been credited in a manner satisfactory to the World Bank. Disbursement will not be linked to specific
purchases. When 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, the IDA will require that the Government refund
an amount equal to the amount of the ineligible payment to the IDA promptly upon notice from the IDA.
Amounts refunded to the World Bank upon such a request will be canceled. The World Bank reserves the
right to seek an audit of the dedicated account by independent auditors acceptable to the World Bank.

5.14 The closing date for the series is June 30, 2020.

5.4 MONITORING, EVALUATION AND ACCOUNTABILITY

5.15 As with the previous operations in the DPF series, 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
Directorate General of the Economy, the Directorate of the Budget and Finance, and the Directorate
General 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. This arrangement has proved satisfactory
for previous DPFs. The Government will provide quarterly progress reports to the IDA based on the
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 macroeconomic policy
framework remains adequate.

\textsuperscript{15} The credits will be financed under Single Currency IDA credit terms, with a 25-year maturity including a 5-year grace period. The
single currency amounts (EUR 68.5 million) will be converted to the final SDR amount for commitment authority and country
allocation management purposes on the day of program approval.

\textsuperscript{16} The use of a dedicated account is a common feature of budget support operations in WAEMU member states and mitigates
fiduciary risk.
5.16  **Grievance Redress.** Communities and individuals who believe that they are adversely affected by specific country policies supported as prior actions or tranche release conditions under a World Bank Development Policy Operation may submit complaints to the responsible country authorities, appropriate local/national grievance redress mechanisms, or the WB’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB’s independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank’s attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank’s corporate Grievance Redress Service (GRS), please visit [http://www.worldbank.org/GRS](http://www.worldbank.org/GRS). For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

5.5 SUMMARY OF RISKS AND RISK MITIGATION

5.17  **The overall risk rating for the proposed operation is substantial.** Table 5.1 presents programmatic risks by category, rating each as low, medium, substantial or high. The three most important categories for the proposed operation are political and governance risks, macroeconomic risks, and institutional capacity for implementation and sustainability risks. A description of each of these risks and their respective mitigation measures is provided below.

<table>
<thead>
<tr>
<th>Risk Categories</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Political and governance</td>
<td>Substantial</td>
</tr>
<tr>
<td>2. Macroeconomic</td>
<td>Substantial</td>
</tr>
<tr>
<td>3. Sector strategies and policies</td>
<td>Moderate</td>
</tr>
<tr>
<td>4. Technical design of project or program</td>
<td>Low</td>
</tr>
<tr>
<td>5. Institutional capacity for implementation and sustainability</td>
<td>Substantial</td>
</tr>
<tr>
<td>6. Fiduciary</td>
<td>Moderate</td>
</tr>
<tr>
<td>7. Environment and social</td>
<td>Low</td>
</tr>
<tr>
<td>8. Stakeholders</td>
<td>Moderate</td>
</tr>
<tr>
<td>Overall</td>
<td>Substantial</td>
</tr>
</tbody>
</table>

5.18  **Political, governance and security risks are substantial and their realization could have negative impacts on the proposed operation, in particular the first pillar.** The Government is pursuing its reconciliation agenda with opposition parties. Though the peaceful 2015 presidential election helped further normalization of the sociopolitical situation, recent events (including military and civil service financial claims) have created some uncertainty in the political and social environment. The upcoming Presidential elections in 2020 may lead to fiscal slippages. However, it should be underlined that the fiscal deficit was reduced during the last Presidential election in 2015. Moreover, the Government has reiterated its commitment to avoiding the use of extraordinary spending procedures and its commitment to fiscal control as part of the three-years program agreed with the IMF. On the security front, the prospects of future terrorist threats, such as the one in March 2016, could divert financial resources away from the reform program toward security and mitigations measures. Increased security spending could weigh on fiscal balances and weaken the fiscal consolidation supported by the DPF series. Close monitoring of the political and security situation, in close collaboration with the IMF and the European Union, will help asses those risks and their subsequent impact on the fiscal program.
5.19 **Macroeconomic risks are substantial.** Growth prospects are strong, albeit from a relatively low base. However, several macroeconomic risks could unfavorably affect the results expected under this proposed series. Some tax reforms to increase revenue collection could be resisted by vested groups, who may lose in the short term. The Government may find it difficult to control current expenditures, especially the wage bill, when confronted to complaints from civil servants. The macroeconomic and fiscal framework can also be affected external shocks that may increase fiscal pressures, which may lead to the temptation of excessive non-concessional borrowing over time. In the energy and cocoa sector, the country remains vulnerable to fluctuations in commodity prices. Nevertheless, the measures supported by this series will help mitigate fiscal sustainability risks through improvements to tax policy and enhanced efficiency in public spending. Threats to debt sustainability are mitigated by the Government’s observance of ceilings on non-concessional borrowing, which will be monitored in close collaboration with the IMF in the context of the ECF arrangement. Côte d’Ivoire’s vulnerability to external debt has been reduced by the recent issuance of Eurobonds in June 2017, as the country borrowed partly in Euro rather than in US dollar, and used part of this new debt to buy back some old debt and, thus, smooth the country’s debt service over time. The development of processing activities in the cocoa value chain should help mitigate the external risks associated to the fluctuation of cocoa prices on international market.

5.20 **Institutional capacity for implementation and sustainability risks are substantial.** The risk of reform slippage in the main areas supported by this DPF series is considered substantial in the strategic sectors supported by the DPF series. While the reforms supported by the DPF can bring substantial gains to Côte d’Ivoire given the central role played by the education, energy and the cocoa sectors in the domestic economy, they will require strong commitment from the authorities. They will need to monitor closely implementation of reforms by providing incentives and, when needed, adequate sanctions. This risk could be mitigated by the maintenance of close collaboration with the IMF and the European Union in the dialogue with the Government aiming at implementing these reforms, which can underpin the success of its National Development Plan. The World Bank will continue to provide technical assistance as well as advisory services to support the strengthening of the Government’s capacity for implementation. The close complementarity between the policy actions supported by the DPF series and investment as well as capacity building needs is at the center of the WBG’s strategy in the energy and education sectors.
Annex 1: Policy and Results Matrix

<table>
<thead>
<tr>
<th>Prior actions and triggers</th>
<th>Results Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Prior Actions under DPO1</strong></td>
<td><strong>Prior Actions under DPO2</strong></td>
</tr>
<tr>
<td><strong>Pillar 1 – Enhancing tax revenue collection and public procurement</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Prior Action 1.** With the objective of broadening the tax base, the Tax Administration has incorporated in its tax database the results of its 2016 survey of potential taxpayers in the two sizeable municipalities of Abidjan (Yopougon and Cocody).

**Prior Action 1:** The Recipient has implemented an electronic single taxpayer identification system in order to (i) streamline registration and improve the identification as well as monitoring of taxpayers and (ii) facilitate effective integration of all databases of the different public administrative bodies and so reduce tax evasion.

**Triggers for DPO3**

**Indicator:** Number of taxpaying firms and individuals recorded in the government’s taxpayer database.

- **Baseline (2015):** 78,306
- **Progress (as of mid-2017):** 85,152
- **Target (2019):** 100,000

**Prior Action 2.** The Ministry in Charge of Budget has launched a tax amnesty program for all firms and individuals who voluntarily register to the Tax Administration before April 30, 2016 pursuant to Loi No. 2015-840 dated December 18, 2015 for the state budget of 2016.

**Prior Action 1:** The Recipient’s Ministry in charge of Budget has implemented a new electronic platform facilitating the filing and payment of taxes.

**Indicator:** Number of online tax filing and payments for large and medium-sized enterprises.

- **Baseline (2015):** 0
- **Progress (as of mid-2017):** 270 days
- **Target (2019):** 60 percent of large sized enterprises; 50 percent of medium-sized enterprises.

**Prior Action 2:** In line with the WAEMU Regulation n.2/2009/CM/UEMOA, the Recipient has submitted to Parliament for adoption the draft 2018 Budget Law that eliminates VAT exemptions on (i) equipment and materials necessary for investments and spare material for agro-industrial companies, (ii) on seeds and grains, (iii) investments made by sports associations and (iv) fish freezing operations.

**Trigger 2:** The Recipient has revised tax exemptions granted under the Investment Code.

**Indicator:** Decline in fiscal losses associated to exemptions.

- **Baseline (2015):** 2.1 percent of GDP
- **Progress (as of mid-2017):** 2.1 percent of GDP
- **Target (2019):** 1.7 percent of GDP
### Pillar 2 — Strengthening the efficiency and equity in the education sector

**Prior Action 3.** The Government has operationalized (i) public procurement units in four high-spending sectoral ministries pursuant to Arrêté No. 325 dated May 23, 2014 and Arrêté No. 275 dated April 22, 2015; and (ii) the coordinating unit within the Ministry of Finance to monitor public procurement contracts pursuant to Arrêté No. 465 dated June 23, 2015 from the Ministry of Finance.

**Prior Action 3:** In application of the WAEMU Directive n.04/2005/CM/UEMOA on procedures, execution and regulation of procurement and public service delegation contracts, the Recipient has released a communication by its Council of Ministers and a detailed roll-out report that implements an electronic procurement system that has been piloted in five ministries.

**Trigger 3:** The Recipient has extended the electronic system for public procurement to all Ministries.

**Indicator:** Number of days on average to complete a public procurement from the preparation of tenders to approval.

- **Baseline (2015):** 140 day.
- **Progress (as of mid-2017):** 102 days
- **Target (2019):** less than 100 days

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**Prior Action 4.** The Ministry of National Education has introduced transitional measures through Circulaire No. 338 dated August 12, 2016 to reduce repetition in primary education by (i) creating sub-cycles in primary education; and (ii) defining conditions of transition between the sub-cycles.

**Prior Action 4:** The Recipient’s Ministry of National Education has set up an annual national standardized evaluation of learning outcomes at the end of each sub-cycle of primary education and published the first set of national standardized evaluations.

**Indicator:** Reduction in the repetition rate in primary school.

- **Baseline (2015):** 15.6 percent
- **Progress (as of mid-2017):** 11 percent
- **Target (2019):** less than 10 percent

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**Prior Action 5.** The Ministry of National Education has established criteria through Arrêté No. 143 dated October 11, 2016 for school assignment of students in the secondary lower cycle that takes into consideration (i) socio-economic conditions of the household, including income; (ii) distance to school, and (iii) location of residence (urban/rural).

**Prior Action 5:** To improve teacher-to-student ratios in underserved regions, the Recipient’s Ministry of National Education has established new criteria for the assignment and redeployment of teachers through Arrêté No 0074/MENET-FP-DRH dated September 28, 2017.

**Trigger 4:** To increase access to secondary education for students from poor families (with a focus on girls), the Recipient’s Ministry of National Education has systematized the recruitment of bivalent teachers in low secondary schools in rural areas (including through Collèges de proximité).

**Indicator:** Number of new teachers recruited in primary schools with ratio of students/teacher above the national average.

- **Baseline (2015):** not available
- **Target (2019):** 5000

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**Prior Action 6:** To improve equity in primary education remediation activities, the Recipient’s Minister of National Education has adopted a

**Trigger 5:** To improve the allocation of students in low secondary schools, the Recipient’s Ministry of National Education has launched a pilot

**Indicator:** Increase in the completion rate in lower secondary education of children from the poorest families.

- **Baseline (2015):** Boys 26 percent,
ministerial order that incorporates Wednesday morning in the official calendar of primary schools and reorganizes the remediation activities provided during the week.

program through which vouchers will be rolled out to poor families in selected regions.

girls 21 percent
Progress (as of mid-2017): Not available
Target (2019): Boys 40 percent; girls 36 percent.

### Pillar 3 - Improving the performance of the electricity sector by enabling private sector participation and diversification

#### Prior Action 6.

The Government has issued a set of decrees which (i) adopts a methodology for the determination of tariff rates that enable recovery of costs of efficient service provision through Décret No. 2016-783 dated October 12, 2016; and (ii) promotes private sector participation and the use of renewable sources of energy through Décret No. 2016-786 dated October 12, 2016.

#### Prior Action 7:

The Recipient’s Ministry of Oil, Energy and Development of Renewable Energy, Ministry of Economy and Finance and Ministry in charge of Budget have adopted an interministerial Arrêté No 476/MPEDER/MEF/SEPMBPE dated October 10, 2017 defining modalities and procedures for the selection of Independent Power Producers (“IPPs”) and determining the price of electricity produced by IPPs, including through a competitive selection process, for projects with installed capacities greater than 1 MW and renewable energy projects.

#### Trigger 6:

The Recipient and Cl-ENERGIES have signed and implemented a performance-based contract with the objective to improve the financial and commercial performance as well as the transparency of the sector.

#### Indicator:

- Reduced commercial and technical losses of on an annual basis.
- Baseline (2015): 22 percent
- Progress (as of mid-2017): Not available
- Target (2019): less than 20 percent

#### Prior Action 8:

In accordance with (a) the protocol for the clearance of the arrears in the electricity sector between Cl-Energies, CIE, RTI, CNRA and the District of Abidjan dated October 9, 2017, (b) the communication by the Council of Ministers dated October 10, 2017, (c) the engagement letter to the Association by the Minister of Oil, Energy and Development of Renewable Energy, the Minister of Economy and Finance and the State Secretary in charge of the Budget dated of October 14, 2017; and (d) the Memorandum determining rules for the management

#### Trigger 7:

The Recipient has paid in full the unpaid electricity bills accumulated by the central administration as of December 2016; (ii) pay on time all the current electricity bills of the central administration, and (iii) continued to implement the respective plans agreed by the Recipient with the District of Abidjan and SOEs and so reduce their level of arrears.

#### Indicator:

- Improvement in the collection rate of electricity bills paid by domestic customers.
- Baseline (2016): 85 percent
- Progress (as of mid-2017): Not available
- Target (2019): 95 percent

#### Indicator:

- Reduction of all arrears accumulated by the public sector on its electricity bills.
- Baseline (2016) FCFA 80 billion
between CI-Energies, CIE and the State Secretary in charge of the Budget dated October 24, 2017, the Recipient has taken the following actions aimed at reducing the amount of unpaid electricity bills:

(i) committed to eliminate all unpaid electricity bills accumulated by the central administration up to December 2016 by the end of April 2018;

(ii) paid all the validated electricity bills of the central administration from January to June 2017 and committed to pay all its future validated bills in full and on time from July 2017 onwards;

(iii) agreed (a) with the District of Abidjan, for its unpaid electricity bills covering the period until December 2017, to clear the arrears through securitization and committed to the payment of all its electricity bills related to public lighting from 2018 onwards; (b) with CNRA for its respective unpaid electricity bills covering the period until December 2016 to clear the arrears through securitization; and (c) with RTI to pay 920,893,208 FCFA regarding its arrears up to December 2016 through securitization; and

(iv) ensured that SPDC, RTI and SOTRA signed respective agreements with CIE in which these state-owned enterprises commit to pay their unpaid

| Progress (as of mid-2017): over FCFA 80 billion |
| Target (2019): FCFA 20 billion |

of financial cash flows in the electricity sector, the Government has updated the procedures manual, in particular on: (i) the planning, billing and payment for the electricity sector expenditures; (ii) the reporting of financial information in the electricity sector; and (iii) the control of management and reporting procedures as well as the annual external audit of the electricity sector financials.
electricity bills accumulated up to June 2017 and commit to the payment of their future bills in full and on time.

**Pillar 4: Consolidating transparency in the management of the cocoa sector.**

<table>
<thead>
<tr>
<th>Prior Action 9:</th>
<th>Trigger 9: The Recipient has adopted and implemented all validated recommendations from the independent audit of the PVAM and of the Reserve Fund.</th>
</tr>
</thead>
</table>
| In conformity with Décret No 2012-765 of August 1, 2012 related to the Reserve Fund for the Coffee-Cacao sub-sector, the Recipient has launched an independent institutional, technical and financial audit of the Programme de Ventes Anticipées à la Moyennes (PVAM) and of the Reserve Fund. | Indicator: Reduction in the proportion of defaulted contracts by buyers/exporters in total production.  
Baseline (2017): > 10 percent  
Target (2019): 5 percent |
| Prior Action 10: The Recipient’s Ministry of Agriculture, Ministry of Economy and Finance and Ministry in charge of Budget has adopted an interministerial Arrêté No 475/MEF/MINADER/SEPMBPE dated October 9, 2017 to institute a systematic independent audit, six months after the end of the harvest season, in September. The auditor will be chosen by the Minister of Finance, following an independent and competitive tender for three years, renewable once. The audits will focus on: (i) marketing; (ii) stabilization accounts, which harmonize the guaranteed export prices; (iii) the technical reserve fund held at the West African States Central Bank (“BCEAO”); and (iv) other funds in the coffee-cocoa sector managed by CCC The PVAM and the technical reserve fund will be subject to an annual audit. The other | Trigger 10: The Recipient has conducted the annual independent audits adopted in prior action 10. |

Baseline (2017): > 10 percent  
Target (2019): 5 percent
| elements will be audited at least twice over the three-year period, with the first audit carried out in 2018. |  |  |
Annex 2: Letter of Development Policy (Unofficial translation)

MINISTERE DE L'ECONOMIE
ET DES FINANCES

LE MINISTRE

27 OCT 2017

A

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

Objet : Lettre de Politique de Développement

Monsieur le Président,

1. La présente Lettre de Politique de Développement (LPD) décrit d'une part, les progrès socio-économiques réalisés par la Côte d'Ivoire en 2016, et d'autre part, présente les perspectives 2017-2019. Elle retrace l'ensemble des politiques publiques et sectorielles mises en œuvre par le Gouvernement pour faire de la Côte d'Ivoire un pays émergent à l'horizon 2020 et réduire le taux de pauvreté.

2. En vue de soutenir son programme, le Gouvernement sollicite la Banque Mondiale à travers le Crédit d'Appui Budgétaire National au titre de l'année 2017, d'un montant équivalent à cent vingt-cinq (125) millions de dollars des États-Unis.

I. Le contexte politique et économique

L'environnement socio-politique continue de s'améliorer. Au plan politique et social, la Côte d'Ivoire consolide son positionnement sur l'échiquier international grâce au renforcement de la démocratie et à la préservation de la cohésion sociale. A ce titre, elle a adopté le 18 décembre 2016 par référendum une nouvelle constitution, votée à 93,42% des suffrages exprimés. Cette nouvelle constitution vise à (i) renforcer les institutions avec notamment la création d'une Vice-Présidence et d'un Sénat et (ii) garantir une paix sociale durable. Aussi, la Côte d'Ivoire a-t-elle confirmé sa maturité démocratique, en organisant, dans la paix, les premières élections législatives libres, ouvertes et transparentes de la troisième République. Par ailleurs, en dépit de tensions sociales observées en début de l'année 2017, le Gouvernement réaffirme sa disposition à trouver des solutions idoines aux revendications socio-professionnelles dans un climat social apaisé. Sur le plan social, le Gouvernement poursuit ses efforts d'amélioration des conditions de vie de l'ensemble de la population. A cet effet, une place de choix est accordée à l'intensification des projets et

3. Pour la première année de mise en œuvre du Plan National de Développement (PND 2016-2020), la Côte d’Ivoire a enregistré un taux d’exécution de 38% des engagements. L’investissement privé représente 66,9% du total contre une prévision du PND de 62,4% et l’investissement public représente par contre 33,1% du total contre une prévision de 37,6%. Ce résultat démontre la forte dynamique de l’investissement privé. En dépit d’une conjoncture internationale moins favorable et d’une faible pluviométrie, la croissance est estimée à 8,3% en 2016 confirmant ainsi la résilience de l’économie ivoirienne. Ce fort taux de croissance est porté par les secteurs secondaire et tertiaire. La performance du secteur secondaire a été tirée par la réalisation d’investissements publics structurants ainsi que le dynamisme du secteur privé qui a bénéficié d’un support du secteur bancaire (avec une nette amélioration des crédits à moyen et long termes de 28,6%) et d’une amélioration du climat des affaires.

Au niveau du secteur primaire, les efforts de la faible pluviométrie ont été contenus grâce à la mise en œuvre du programme d’urgence d’appui à la production vivrière. Malgré les chocs internes et externes survenus, les performances économiques devraient rester fortes en 2017, avec une croissance du PIB projetée à 8,5% tirée par l’investissement privé et la consommation intérieure.


Pour 2017, la mise en œuvre du Programme Économique et Financier devrait s’effectuer dans un contexte de baisse des cours du cacao et de hausse des cours du pétrole qui induiront des moindres-values au niveau des recettes fiscales. Toutefois, des ajustements sont envisagés pour préserver les marges de manoeuvres budgétaires de l’Etat et maintenir la viabilité de la dette.

En outre, le Gouvernement poursuivra ses efforts pour (i) renforcer la gestion des finances publiques et des entreprises publiques, (ii) améliorer le climat des affaires et développer le secteur privé, (iii) assainir et développer le secteur financier et (iv) renforcer l’appareil statistique national.

II- État d’exécution des Réformes en 2016


10. En dépit du contexte mondial du resserrement des conditions de financements au niveau international et du ralentissement de la croissance mondiale, le Gouvernement a préservé les marges de manœuvre budgétaire tout en poursuivant les investissements structurants notamment dans les secteurs sociaux conformément au PND 2016-2020. En effet, les perspectives budgétaires sont exposées à certains aléas négatifs. Au plan extérieur, le resserrement des conditions financières internationales et le ralentissement de la croissance mondiale ont un impact non seulement sur le financement de l’économie mais aussi sur les recettes d’exportation. Au niveau intérieur, la situation financière de certaines entreprises publiques, des risques budgétaires liés aux recours accrus aux PPP et de la sècheresse a été adressée. Parallèlement, la consolidation d’une croissance économique forte et inclusive nécessite la poursuite des efforts du Gouvernement visant à (i) remédier aux goulots d’étranglement en matière d’infrastructures dans les domaines du transport, de la communication, de l’énergie et l’agriculture, (ii) accroître les dépenses sociales pour notamment renforcer le capital humain, réduire la pauvreté et prévenir les pandémies, et (iii) maintenir la situation sécuritaire.

11. Dans ce contexte, le Gouvernement continue de mettre l’accent sur la mobilisation des recettes fiscales à travers la poursuite des efforts d’amélioration de l’efficacité des administrations fiscale et douanière, une rationalisation des exonérations,
ainsi que la poursuite de la maîtrise des dépenses courantes. Les objectifs budgétaires à moyen terme, basés sur la programmation financière du programme, sont notamment les suivants :

- faire passer le taux de pression fiscale de 15,7% du PIB en 2015 à 17,1% du PIB en 2019.
- faire passer le taux d’investissement public de 6,6% du PIB en 2015 à 7,3% en 2016 puis 8,6% en 2019.
- faire passer les dépenses pro-pauvres de 9,4% du PIB en 2015 à 9,5% en 2016 et 2017.
- réduire progressivement le niveau de déficit budgétaire de 3,9% du PIB en 2016 à la norme communautaire de 3% du PIB en 2019.


13. Le Gouvernement a poursuivi les réformes pour élargir l’assiette et renforcer les administrations fiscale et douanière dans un contexte de resserrement des conditions financières internationales. A cet égard, Le Gouvernement a pris des mesures visant l’élargissement de l’assiette fiscale, notamment à travers (i) des enquêtes pilotes des contribuables des communes de Cocody et de Yopougon ; (ii) une amnistie d’arrêté d’impôts pour toute souscription volontaire de déclaration fiscale d’existence avant le 30 avril 2016 et (iii) un réaménagement des dispositions de remboursement des crédits de TVA permettant un remboursement des crédits validés dans un délai de 15 jours.

14. Le Gouvernement a au niveau des dépenses d’investissement, privilégié autant que possible, les projets d’investissements publics structurants et les dépenses pro-pauvres. Ainsi, pour disposer d’une marge budgétaire suffisante, le Gouvernement a envisagé
de continuer à rationaliser les dépenses de fonctionnement à travers le renforcement des contrôles sur les abonnements de l’État et la gestion efficiente des effectifs de la fonction publique.

15. Il poursuit le renforcement des actions visant la réhabilitation et la construction des infrastructures de base. Conformément à son objectif de réduire de moitié la pauvreté d’ici 2020, le Gouvernement continue de privilégier les dépenses pro-pauvres en augmentant leur part dans le budget, notamment dans les domaines de l’électrification rurale, l’hydraulique villageoise, l’agriculture vivrière et l’emploi. Il est disposé à recevoir dans ce cadre les appuis des partenaires au développement notamment la Banque Mondiale, tant en matière financière que technique dans la définition et le financement desdites dépenses. En outre, le Gouvernement envisage également de promouvoir l’agriculture vivrière, à travers la production de masse des cultures vivrières, et l’agro-industrie pour favoriser la création d’emplois et lutter contre la pauvreté.

16. Le Gouvernement a poursuivi les réformes et la restructuration des entreprises du secteur public, en vue d’améliorer leur gestion et limiter les subventions et risques éventuels sur le Budget de l’État. Dans ce cadre :


- Les Comités d’audits mis en place par le Gouvernement au sein des Conseils d’Administration des entreprises ont continué leurs activités pour permettre auxdits Conseils d’être plus efficaces dans leurs missions de contrôle et d’administration. La transmission systématique des procès-verbaux des réunions des Conseils d’Administration sera renforcée, afin de permettre d’alerter la tutelle financière à bonne date sur d’éventuels dysfonctionnements.

- Les entreprises du secteur énergie devraient être restructurées sur la base notamment des recommandations des audits de la SIR et de PETROCI.
Concernant PETROCI, la situation financière devrait s’améliorer en 2016 et le résultat net devrait ressortir en équilibre ou excédentaire, grâce au plan de restructuration en cours. Le Gouvernement accordera une attention particulière au suivi dudit plan.

S’agissant de la SIR, une amélioration des résultats d’exploitation a été enregistrée, en lien avec l’accroissement de la demande nationale. La mise en œuvre des recommandations de l’audit réalisé en 2016 permettra de proposer un plan de restructuration de la dette, d’un montant de 368 milliards de F CFA, en vue d’atteindre l’équilibre financier à moyen terme. Dans ce cadre, le Gouvernement entend aider à la restructuration de la dette de la SIR qui reste un facteur majeur de dégradation de sa situation financière. En effet, le Gouvernement, a travers notamment l’octroi d’une garantie, apportera son appui à la SIR pour lever les ressources adéquates aux fins de cette restructuration. Ces informations seront entièrement retracées dans le Budget de l’État conformément aux procédures de finances publiques.

17. **Le Gouvernement a poursuivi la restructuration des entreprises publiques du secteur des transports.**

- En ce qui concerne Air Côte d’Ivoire, son développement a porté sur le renforcement de sa flotte pour atteindre une taille optimale en vue d’assurer sa rentabilité financière, conformément au nouveau business plan qui sera adopté à fin 2016. A échéance, la mise en œuvre de ce business plan, qui intégrait notamment un désengagement progressif de l’État, permettra l’atténue de l’équilibre financier.

- S’agissant de la SOTRA, grâce à la mise en œuvre du plan de restructuration sur la période 2012-2015, la situation financière a été assainie. Conformément à son plan d’affaire, la société a renforcé sa situation financière et compte dégager des résultats bénéficiaires sur toute la période 2017-2025, grâce notamment à l’acquisition de nouveaux autobus et à l’exploitation de nouvelles lignes dédiées au transport intra-communal (WIBUS).

18. **Dans le cadre du programme de privatisation, une liste de quinze (15) entreprises à privatiser a été adoptée par le Gouvernement en décembre 2012.** Trois (03) entreprises ont été privatisées et le processus se poursuit en vue d’améliorer la gestion des entreprises publiques, le Gouvernement a décidé le 15 juin 2016 en Conseil des Ministres d’établir les contrats de performance entre l’État et ces entreprises. Ces contrats permettront de définir, en cohérence avec le projet de chaque société et sur la base des orientations fixées au niveau gouvernemental, des objectifs de performances opérationnelles, techniques, économiques et financières à atteindre par les entreprises à une échéance pluriannuelle, sous la forme d’un programme d’actions de 3 à 5 ans. Cette opération a commencé par une phase pilote sur 10

- Le Gouvernement a procédé à la budgétisation de l'ensemble des besoins depuis 2015. Il a fait l'évaluation de l'exécution des dites donations, afin de s'assurer qu'aucun passif nouveau n'a été constitué sur la consommation de carburant. Il règle également les instances de paiement des carburants des armées à l'égard de la PETROCI avant la fin de l'année 2016.

- Au titre de l'audit du stock des marchés en souffrance de 1993 à 2012, le Gouvernement a exploité les résultats en vue de leur traitement.

- Au titre des passifs de la période 2000-2010 portant sur un montant de 428 milliards de FCFA, le montant préliminaire validé s'est élevé à 184 milliards. Ce résultat a fait l'objet d'une décision du Gouvernement, qui a permis de déterminer le montant final à payer. Le Gouvernement a élaboré et adopté un plan d'apurement. Pour ce faire, par précaution, un montant a été provisionné dans le budget de l'Etat 2017.

20. Les mesures mises en œuvre dans le secteur électricité ont permis un retour à l'équilibre à fin 2016 et contribué à accroître l'offre d'électricité pour soutenir la dynamique de croissance, en dépit de la suspension de la hausse tarifaire de janvier 2016. Pour ce faire, le Gouvernement a procédé à l'adoption des textes d'application du Code de l'Électricité.

21. Le Gouvernement a évalué tous les projets financés sous forme de Partenariat Public-Privé (PPP). Il s'est agi d'adopter un mécanisme permettant d'inventorier et de surveiller tous les risques budgétaires explicites et implicites provenant des PPP. De plus, le Gouvernement a procédé au renforcement des capacités des Institutions de gestion de l'investissement public ainsi que le cadre légal relatif aux PPPs. Le Gouvernement bénéficie de l'assistance technique du FMI dans ce cadre en 2017. A cet effet, le Gouvernement a:

- produit et publié un rapport préliminaire identifiant les projets de Partenariat Public-Privé (PPP) qui posent un risque budgétaire pour la Côte d'Ivoire.

- procédé à la mise à disposition du public une fiche d'information sur les contrats de Partenariats Public-Privé (PPP) signés en Côte d'Ivoire.

22. Le Gouvernement a continué à renforcer la gestion de la dette. Un plan triennal 2016-2019 de renforcement des capacités de l'ensemble du personnel de la Direction de la Dette Publique, désormais réorganisée en front office, middle office et back office, est finalisé. Il a bénéficié de l'appui technique et financier de la BAD, du FMI et de la BADEA.
Ce plan établit les principaux axes de formation que sont l’analyse et la gestion des risques, la programmation financière, la gestion macroéconomique, la stratégie d’endettement à moyen terme, l’analyse de la viabilité de la dette et le cadre des dépenses à moyen terme, l’analyse financière, la gestion de la trésorerie, les aspects juridiques de la dette pour économistes et les aspects économiques de la dette pour juristes. Par ailleurs, les projets de textes relatifs au cadre juridique de la dette et les procédures du Comité National de la Dette Publique (CNDP) sont finalisés. Ils concernent notamment la saisine et le fonctionnement du CNDP, ainsi que des textes portant sur l’approbation des emprunts et l’émission de garanties publiques.

23. Le Gouvernement a continué à améliorer la gestion de la dette publique conformément aux exigences internationales et aux normes communautaires de PEMUOA. Il a adopté un projet de loi portant politique nationale d’endettement et de gestion de la dette publique. Par ailleurs, après l’adoption dudit projet de loi par l’Assemblée Nationale, plusieurs décrets d’application de la loi susmentionnée seront pris, notamment celui relatif à la saisine du Comité National de la Dette Publique (CNDP).

24. Le Gouvernement préserve la bonne qualité de sa signature et la bonne perception de la Côte d’Ivoire par les investisseurs. Il profite des acquis réalisés en termes de réorganisation de la Direction de la Dette en front, middle et back office et d’élaboration du manuel de procédures du CNDP. Pour y parvenir, le Gouvernement a envisagé de :

- renforcer les capacités du CNDP et de la Direction de la Dette Publique ;
- assurer une gestion active de la trésorerie de l’État ;
- poursuivre l’amélioration de la communication avec le marché ; et
- élargir le suivi de la dette à l’ensemble du secteur public. Dans ce cadre, le Gouvernement complétera la base de données relative à la dette des entités publiques et sociétés à participation financière publique majoritaire en y intégrant le service de la dette. A moyen terme, l’interconnexion entre le Système de Gestion des Entreprises Publiques (SIGEP) et le Système de Gestion et d’Analyse de la Dette (SIGADE) sera réalisée afin de disposer d’informations fiables en temps réel.

a- Renforcer la gestion des finances publiques

25. Le Gouvernement a continué la modernisation des modes de pilotage et de gestion des finances publiques. A cet égard, il poursuit (i) la prise des textes d’application de la Loi Organique portant Loi de Finances,(ii) la finalisation de la Charte de gestion des Programmes, (iii) la mise en place du nouveau Système d’Information Budgétaire, (iv) l’amélioration de la pratique du plan d’engagement des dépenses budgétaires en cohérence avec les plans de passation des marchés publics et articulé avec le plan de trésorerie tout en poursuivant la réduction du recours aux procédures exceptionnelles de dépenses, (v) la formation des acteurs centraux et déconcentrés de la dépense publique sur le nouveau système de gestion des finances publiques et plus particulièrement sur les CDMT et les Budgets Programmes, avec le démarrage de la phase pilote sur cinq Ministères, et (vi) le renforcement.
des capacités des comités sectoriels CDMT à l’élaboration des outils de performance. Par ailleurs, il a procédé à l’amélioration de la qualité et de la transparence de l’information budgétaire et comptable à travers les communications en Conseil des Ministres sur l’exécution budgétaire et les opérations de passation des marchés publics. Dans cette optique, le Gouvernement continu ses efforts visant à garantir la qualité de la balance générale des comptes et notamment l’apurement des comptes d’imputation provisoire. Suite à la mise en place du nouveau Système d’Information Budgétaire, il a continué à poursuivre le projet de mise en œuvre d’un système d’information intégrant de manière optimale les parties budgétaires et comptables de la chaîne de la dépense notamment en procédant à l’interfacement entre le SIGFIP et ASTER en décembre 2017. Il a complété la documentation budgétaire pour y faire apparaître les risques liés à la situation financière difficile de certaines entreprises publiques et ceux liés aux PPPs et a prévu dans un second temps la publication d’un rapport concernant la performance d’entreprises publiques qui sera annexé à la documentation budgétaire à partir de 2018.

26. Le Gouvernement a procédé au renforcement de la Cellule d’Information des Opérateurs Economiques (CELIPOE) pour une meilleure transparence et une bonne gouvernance. Cette cellule a été créée au sein de la Direction Générale du Budget et des Finances (DGBF) afin de faciliter et de renforcer la communication avec le secteur privé.

27. Le Gouvernement reste convaincu qu’une meilleure dissémination de l’information sur le processus d’exécution budgétaire auprès des opérateurs devrait contribuer à élaborer la constitution de passifs extrabudgétaires. Ces actions concernent :

- l’achèvement et la mise en œuvre effective du progiciel de gestion de la CELIPOE et la formation des agents et :
- la poursuite de la stratégie de promotion et de vulgarisation des activités de la CELIPOE.

conformément aux dispositions du code des marchés publics, (ii) l’opérationnalisation de la cellule de suivi des marchés passés à la Direction des Marchés Publics.


b- Renforcer l’environnement des affaires et développer le secteur privé

30. Le Gouvernement a continué à accroître de manière significative la contribution du secteur industriel dans la création de richesses et d’emplois. Cette industrialisation a nécessité un approfondissement des problématiques liées à l’amélioration continue de l’environnement des affaires, au renforcement de la compétitivité et au développement de partenariats.

31. Le Gouvernement a continué à contribuer à améliorer la productivité et la compétitivité du secteur privé par la réduction des coûts des facteurs:

- Le renforcement du réseau d’infrastructures économiques (télécommunication, transport et énergie) s’est poursuivi pour accompagner la politique d’industrialisation.
- La mise en place de l’Agence de Gestion et de Développement des Infrastructures Industrielles (AGEDI) et du Fonds de Développement des Infrastructures Industrielles (FODI) a contribué à accélérer la réhabilitation de la zone industrielle de Yopougon ainsi que l’aménagement de celle de PK24.
- La construction de nouvelles zones industrielles a été prévue dans les différentes régions dans le cadre du développement de pôles économiques compétitifs.
- Le Gouvernement a continué à promouvoir le cadre de dialogue Etat-Secteur privé à travers le renforcement du Comité de Concertation Etat/Secteur Privé CCESP.

32. Le Gouvernement a poursuivi la densification du secteur des PME/ PMI et le rendre plus moderne, afin de créer plus d’emplois pour la jeunesse. L’éclosion de ce tissu de petites et moyennes entreprises passerait notamment par la mise en œuvre du programme de développement des PME (programme Phoenix). Par ailleurs, l’accès des PME à la commande publique est amélioré avec l’application des nouvelles mesures prises par le Gouvernement sur la commande publique, notamment pour l’accès au financement et aux marchés publics.
c- Développer le secteur financier et l’inclusion financière

33. Le Gouvernement a poursuivi la mise en œuvre de son Programme de Développement du Secteur Financier (PDESFI) pour favoriser l’assainissement et le développement de ce secteur et a amélioré l’inclusion financière.

- Concernant l’assainissement, le Gouvernement a accéléré le redimensionnement du secteur bancaire public en vue de créer un pôle performant, capable d’accompagner ses politiques sectorielles, et qui soit conforme à sa volonté de désengagement du secteur productif. Les réformes ont concerné également le renforcement de la supervision du secteur des assurances ainsi que la transparence et la disponibilité des informations financières.
- S’agissant du développement du secteur, les efforts ont porté sur le financement des PME et l’approfondissement du marché des capitaux.
- Enfin, le Gouvernement a facilité la mise en œuvre de la Stratégie Nationale d’Inclusion Financière pour renforcer la bancarisation et l’accès au crédit.

34. Le Gouvernement a achevé la mise en œuvre de sa stratégie de restructuration des banques publiques et continuera d’accompagner le renforcement de la solidité du secteur bancaire. Ainsi, sur les quatre (04) banques publiques du portefeuille, deux (02) ont été privatisées et s’agissant des deux (02) autres, l’une est restructurée et l’autre renforcée. Dans ce cadre, la dette titrisée de la dernière banque s’est transformée en titre de marché négociable à fin mars 2017. Concernant les banques à participation minoritaire de l’État, le Gouvernement s’est assuré de leur introduction sur le marché de la Bourse Régionale des Valeurs Mobilières (BRVM) pour participer au dynamisme de ce marché et leur favoriser un meilleur financement. Dans le cadre du renforcement de la solvabilité des banques, le Gouvernement veille à assurer l’application de la décision de la BCEAO sur l’accroissement du minimum réglementaire de fonds propres d’ici à fin juin 2017. Il a transmis à la Commission bancaire pour avis, le plan de restructuration de la CNCE en vue de prendre en compte ses recommandations dans l’opérationnalisation du dit plan.

35. Le Gouvernement continu de renforcer l’assainissement du secteur de la microfinance. Le Gouvernement a demandé le soutien de la Banque Mondiale à travers les initiatives FIRST (Financial Sector Reform and Strengthening Initiative) et FISF (Financial Inclusion Support Framework) dans la mise en œuvre de la Stratégie Nationale de la Microfinance pour consolider la solidité du secteur des institutions de Microfinance et renforcer la confiance des petits épargnants. Dans ce cadre, le plan de redressement de l’UNACOOPEC-CI se poursuit. Le Gouvernement a continué également à encourager l’implantation de nouveaux acteurs et le développement des produits innovants, notamment dans les TIC avec le mobile money, afin de favoriser une meilleure inclusion financière des ménages.
36. Le Gouvernement a convenu d’un cadre réglementaire moderne favorisant une offre plus vaste et diversifiée des services financiers, tout en renforçant la protection des consommateurs. Concernant la diversification des services financiers, le Gouvernement veille, en relation avec la BCEAO et l’ensemble des acteurs du secteur financier, à la pérennisation du Bureau d’Information et de Crédit (BIC). En outre, il continue à stimuler l’activité du marché boursier régional et accroître sa liquidité, ainsi qu’à renforcer le rôle des assurances dans la mobilisation de l’épargne nationale. S’agissant de la protection des consommateurs, le Gouvernement a procédé, d’ici la fin de l’année 2016, à la mise en place d’un Observatoire de la Qualité des Services Financiers pour (i) favoriser la transparence et la comparabilité des services financiers, (ii) assurer une meilleure gestion des plaintes des utilisateurs des services financiers et (iii) renforcer l’éducation financière.

d- Emploi et politique sociale

37. Le Gouvernement met le développement du capital humain et l’amélioration du bien-être de la population au centre de ses priorités. La croissance inclusive, principal moyen d’amélioration du bien-être des populations, a nécessité (i) la mise en place des mécanismes favorisant l’emploi des jeunes et un soutien aux petits producteurs ruraux, (ii) un meilleur accès aux services sociaux de base de qualité pour accélérer la réalisation des Objectifs de Développement Durable (ODD) et (iii) un système de protection sociale qui renforce la résilience et la capacité productive des ménages pauvres et vulnérables. Ainsi, le Gouvernement a publié sur son site internet, les budgets alloués à chaque établissement scolaire et les résultats aux examens scolaires à travers. En outre, il a adopté un acte réglementant les affectations en 3ème et en 2nd qui tient compte des conditions sociales des élèves et ce, en fonction des capacités d’accueil dans les établissements scolaires publics.


39. Le Gouvernement veille à la réduction des inégalités entre les couches sociales et à l’amélioration de l’Indice de Développement Humain (IDH). Il continue le déploiement de sa politique de Couverture Maladie Universelle (CMU). Ainsi, la phase d’entrée...

III- Le Programme en 2017 et les perspectives à moyen terme

40. Le PND 2016-2020 vise une croissance rapide, soutenue et respectueuse de l’environnement, permettant de faire de la Côte d’Ivoire un pays à revenu intermédiaire avec une meilleure qualité de vie pour l’ensemble de la population. La nouvelle stratégie repose sur la transformation structurale de l’économie fondée principalement sur un accroissement de la productivité dans l’agriculture en particulier vivrière, la transformation des produits primaires, le renforcement de l’industrie manufacturière, et le développement de l’économie numérique tout en préservant un cadre macroéconomique solide et une dette publique soutenable. Elle tient compte également de la volonté des Autorités de développer une économie verte. À cet égard, la Côte d’Ivoire entend ratifier l’accord mondial sur le climat conclu en décembre 2016 à Paris à l’issue de la COP21.

a- Cadre Macroéconomique

41. Les objectifs de croissance économique attendus de la mise en œuvre du PND 2016-2020 sont fixés à un taux moyen annuel d’environ 8,2% entre 2018 et 2020. La performance de l’économie sur la période 2018-2020 serait tirée principalement par les secteurs secondaire et tertiaire qui enregistreraient des taux de croissance annuelle moyens respectifs d’environ 10,7% et 8,8%. Quant au secteur primaire, il ressortirait à 6,4% grâce aux retombées du Programme National d’Investissement Agricole (PNIA), et du programme de relance de l’agriculture vivrière. D’importantes ressources seront accordées à la modernisation de l’agriculture afin d’accroître la productivité et favoriser le transfert de la main-d’œuvre vers les autres secteurs, notamment l’industrie. Pour atteindre ces objectifs, le taux d’investissement devrait passer de 21,5% du PIB en 2017 à 23,2% en 2020 (l’investissement privé passant de 14,1% en 2017 à 15,3% en 2020). La part du secteur privé y compris les Partenariats Public-Privé (PPP) devrait atteindre 70% en 2020. Par ailleurs, le Gouvernement poursuivra les réformes structurelles entreprises depuis 2012 pour continuer à développer le secteur financier et améliorer l’environnement des affaires.
42. Pour l’année 2017, un projet de budget rectificatif sera adopté par le Gouvernement et soumis à l’Assemblée Nationale. En effet, face aux chocs externes, marqués par la hausse des cours du pétrole et la baisse substantielle d’environ 35% des cours du cacao, le Gouvernement a donc procédé à des ajustements des dépenses de fonctionnement et d’investissements, en tenant compte du degré de maturité des projets et de la cohérence avec le PND 2016-2020. Les objectifs budgétaires seront révisés pour prendre en compte les chocs internes et externes intervenus en cours d’exercice :

- La baisse de 35% des cours du cacao induit une révision à la baisse des impôts sur le Droit Unique de Sortie (DUS) et la suspension au mois d’Avril du droit d’enregistrement pour soutenir les prix aux producteurs. Ces moins-values de recettes sont évaluées à 0,5% du PIB. Ce droit sera rétabli en fonction de l’évolution des cours du cacao comme cela a été le cas par le passé.

- La hausse des cours du pétrole occasionnerait des moins-values sur les recettes liées aux produits pétroliers de 0,6% du PIB conformément à la mise en œuvre du mécanisme de fixation des prix à la pompe.

- Les revendications sociales entraîneraient des dépenses supplémentaires ponctuelles de 0,6% du PIB en 2017 et récurrentes d’au moins 0,07% du PIB à partir de 2018.

43. L’inflation, en moyenne annuelle, est projetée à 1,7% en 2017 en dessous de la norme communautaire de 3%. L’évolution modérée des prix bénéficierait de la hausse de l’offre locale de produits alimentaires avec la mise en œuvre des différentes stratégies de développement agricole, ainsi que de la fluidité du transport des personnes et des biens.

44. Le solde des transactions courantes extérieures connaitrait un déficit de [1,6%] du PIB en 2017 contre [1,1%] en 2016. La balance commerciale continuera de dégager un solde excédentaire malgré la baisse des cours du cacao et la baisse des importations due au dynamisme de la hausse des prix des autres produits d’exportation hors cacao. Le déficit de la balance des revenus primaire et secondaire devrait être plus important qu’en 2016.


b- Gestion des finances publiques

47. Le Gouvernement poursuivra la mise en œuvre des réformes budgétaires dans le cadre de la modernisation de la gestion des finances publiques. Pour ce faire,


48. Le Gouvernement poursuivra le renforcement de la mobilisation des recettes budgétaires et la passation des marchés publics.

- En ce qui concerne la mobilisation des recettes fiscales, Le Gouvernement a pris des mesures de politique et d’administration fiscale afin de réduire les couts de transaction et élargir l’assiette fiscale. Ainsi, la plateforme de télé-déclaration et de télépaiement des impôts (Voir lien www.e-impots.gouv.ci) et taxes a été mise en place afin de réduire le coût de transactions pour les contribuables. Dans le cadre de rationaliser les institutions fiscales accordées, le Gouvernement proposera des mesures pour le projet de Loi des Finances de 2018 dans le but de : (i) la suppression progressive des exonérations de TVA, à l’exception de celles prévues par la directive de l’UEMOA et dans le respect des engagements antérieurs (ii) la limitation des exonérations ponctuelles aux seuls secteurs sociaux et ceux liés aux droits et le renouvellement des exonérations temporaires, (iii) la mise en place d’une politique de rationalisation des incitations fiscales du Code des Investissements sur la base des recommandations de l’étude de bilan de celui de 2012 qui sera réalisée par un cabinet de réputation internationale et finalisée en août 2017, (iv) l’aménagement de l’Impôt Général sur le Revenu, (v) l’accompagnement du cadre réglementaire et législatif, et l’adoption de mesures complémentaires pour mieux lutter contre l’optimisation et l’évasion fiscales, (vi) la prise de dispositions relatives à la capitalisation restreinte, et (vii) l’ajustement à la hausse des droits d’accises sur les boissons.

- Au niveau de la passation des marchés publics Le Gouvernement continuera l’amélioration du système de passation des marchés publics. A ce titre, il entend achever en 2017 la mise en place des Cellules de Passation des Marchés Publics (CPMP) au sein des différents ministères. Il procédera de façon progressive à la dématérialisation des procédures de passation des marchés publics en vue de faciliter la concurrence dans le cadre de la commande publique notamment pour les PME.


50. Pour tenir compte de l’évolution des cours internationaux, le Gouvernement prendra les mesures nécessaires pour ajuster les prix dans les principaux secteurs. À cet effet :

- le prix minimum bord champ garanti aux producteurs de cacao est passé de 1100 FCFA/kg à 700 FCFA/KG afin de tenir compte de la baisse des cours mondiaux de cacao. Cette mesure concerne environ un tiers de la population ;
- le Gouvernement appliquera le mécanisme automatique des prix à la pompe pour préserver les recettes fiscales au minimum de celles inscrites dans la Loi des Finances Rectificative 2017. Dans ce cadre, afin de préserver la situation financière de la SIR, il continuera de garantir la fluctuation du prix ex-SIR conformément aux tendances internationales. De même, le Gouvernement veillera à préserver la base taxable d’avril 2017 et le cas échéant à l’améliorer, en vue d’assurer la réalisation des prévisions budgétaires ;
- Le reporting du Conseil Café Cacao sera amélioré y compris à travers la publication

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- Par ailleurs, le Gouvernement a pris l’arrêté interministériel n° 475/MEF/MINADER/SEPMBPE du 09 octobre 2017 instituant des audits systématiques et indépendants de la filière café-cacao six mois après la clôture de la campagne, à fin septembre. L’audit sera choisi par le Ministère de l’Economie et des Finances suite à un appel d’offres indépendant et concurrentiel pour une période de trois ans, renouvelable une seule fois. Les audits porteront sur les aspects suivants : (i) la commercialisation. (ii) les comptes de stabilisation, qui harmonisent les prix à l’exportation garantis. (iii) les Fonds de Réserve Technique logés à la BCEAO et (iv) les autres fonds de la filière Café-Cacao gérés par le Conseil du Café-Cacao, notamment le Fonds d’Investissement en Milieu Rural (FIMR), le Fonds d’Investissement Agricole (FIA) et le Fonds sachie-brousse. Le PVAM et le Fonds de Réserve Technique feront l’objet d’un audit annuel. Les autres éléments le seront au moins deux fois sur la période du mandat de trois ans avec le premier audit effectué en 2018.

- Renforcer l’environnement des affaires et développer le secteur privé

51. Le processus de restructuration des entreprises du secteur énergie basé notamment sur les recommandations des audits de la SIR et de PETROCI devrait s’accélérer en 2017 :

- Concernant PETROCI, le résultat net est ressorti excédentaire en 2016 après le déficit enregistré en 2015. Sa situation financière devrait se consolider en 2017 grâce à la mise en œuvre de son plan de restructuration qui vise une concentration de la société sur des activités spécifiques ; le Gouvernement veillera à l’application de ce plan de restructuration.

- S’agissant de la SIR, de bonnes performances opérationnelles ont été réalisées en 2016. En 2016, le Gouvernement a approuvé la stratégie de restructuration de la dette de la SIR. Cette stratégie prévoit une restructuration des dettes et des arriérés accumulées d’environ 368 milliards de francs CFA (chiffre à compter de mai 2016) en contractant un nouveau prêt qui serait garanti par le Gouvernement. La mise en
œuvre du plan de restructuration devrait permettre de convertir la dette à court terme en dette à long terme. Le remboursement sera garanti par l’État à travers un prélèvement de 20,07 F CFA/L sur la taxe spécifique adossée aux produits pétroliers. À fin 2016, le Gouvernement a lancé des procédures d’appel d’offres pour choisir la banque et contracter le prêt. En s’appuyant sur les résultats de ces procédures, le Gouvernement va finaliser le processus de sélection de l’institution arrangeur et procéder à la restructuration de la dette d’ici fin décembre 2017. L’achèvement de la restructuration de la dette réduirait les coûts de financement de la SIR et ouvrirait la voie à l’amélioration de sa capacité financière. Outre le refinancement de sa dette, la SIR a entrepris des efforts portant sur l’optimisation de l’activité devant permettre d’assurer à terme l’équilibre financier de la structure.

52. Le Gouvernement entend améliorer la viabilité financière et la performance du secteur de l’électricité et permettre la participation privée. Ainsi,


  o S’est engagé à éliminer toutes les factures d’électricité impayées qui ont été accumulées par l’Administration centrale (jusqu’à décembre 2016) et cela avant la fin avril 2018 ;

  o A payé toutes les factures d’électricité validées de l’Administration centrale de janvier à juin 2017 et s’est engagé à payer toutes les factures courantes validées à partir de juillet 2017 ;

  o S’est accordé (a) avec le District d’Abidjan afin d’éliminer toutes ses factures impayées accumulées pendant la période allant jusqu’à décembre 2017 à travers une titrisation et de s’engager à payer toutes ses futures factures portant sur l’éclairage public à partir de 2018 ; (b) avec le CNRA afin d’éliminer toutes leurs factures impayées jusqu’à décembre 2016 à travers une titrisation ; et (c) avec la RTI à payer 920,893,208 CFA en ce qui concerne ses arriérés jusqu’à décembre 2016 par une titrisation ; et ; a garanti que la SPDC, la RTI et la SOTRA ont échappé signé des accords avec la CIE à travers lesquels ces entreprises publiques se sont engagées à payer leurs factures impayées accumulées jusqu’à juin 2017 et à payer leurs futures factures pleinement et diligentement.
o Le Gouvernement continuera ses efforts pour maintenir l'équilibre financier à moyen et long terme. A cet effet, l'entrée en production en novembre 2017 du barrage de Soubre et les cycles combinés devraient contribuer à réduire les coûts de production à moyen et long terme. Les efforts se poursuivront en vue de maintenir la tendance à la baisse des pertes techniques et non techniques. En outre, les actions de recouvrement seront menées pour mobiliser les arriérés de paiement dus au secteur. Le Gouvernement veillera à ce que la politique de tarification soit en ligne avec l'évolution des coûts de production.

d. Emploi et politique sociale

53. Le Gouvernement met en œuvre sa politique volontariste en matière d'emploi, notamment pour les jeunes. Dans ce cadre, un accent particulier est mis sur la formation des jeunes. Ainsi, au premier semestre 2017, 22 498 jeunes ont bénéficié des dispositifs de l'Agence Emploi Jeune à travers le projet « Une formation, mon passeport pour l'emploi ». Des initiatives ont été également menées pour l'accompagnement des jeunes vers l'auto-emploi et l'entrepreneuriat. A cet effet, plus de 13 000 projets individuels et collectifs ont été financés grâce aux ressources de l'État et à l'appui de l'Agence Française de Développement. Aussi, dans le cadre de l'accompagnement des jeunes vers l'emploi salarié, des mises en stage pré-emploi ont-elles été réalisées au profit de 1 133 jeunes tandis que 409 jeunes ont bénéficié de placement en emploi direct. Par ailleurs, l'effectif de salariés s'est accru de 2,3% correspondant à une création nette de 21 215 emplois à fin juin 2017. Cette évolution favorable est principalement attribuable au secteur privé (+2,6%) avec +18 286 emplois nets, qui contribue ainsi à hauteur de 86,2% à la création nette d'emploi et demeure le principal moteur du marché du travail.

54. La Côte d'Ivoire poursuit la mise en œuvre de sa politique en matière d'éducation pour tous. A cet effet, la loi n°2015-635 du 17 septembre 2015, modifiant la loi n°95-695 du 7 septembre 1995 a son article 2 et rendant obligatoire la scolarisation pour tous les enfants âgés de 6 à 16 ans a été adoptée. Dans le cadre de la mise en œuvre de cette loi, 7 523 salles de classe sont en cours de construction. En outre, 7 000 institutrices sont en formation pour la rentrée scolaire 2017-2018. Le déploiement des collèges de proximité entamé depuis l'année scolaire 2013-2014 permet un accès plus large à l'enseignement du premier cycle, notamment en milieu rural, avec la construction d'établissements de petite taille. A terme, les besoins additionnels seront satisfaits en vue d'assurer l'adéquation entre l'offre et la demande d'éducation.

Le Gouvernement a également pris l’arrêté n° 0074/MENET-FP/DRH du 28 septembre 2017 visant à établir les critères d’affectation et de redéploiement des enseignants pour améliorer le ratio enseignant-élève dans les régions mal desservies. Ainsi, au niveau des modalités d’affectation (i) les besoins en personnel de l’enseignement préscolaire et primaire sont déterminés en prenant en compte le rapport maître/groupe classe selon la moyenne nationale d’élèves par classe, (ii) les besoins en personnels enseignants du secondaire sont déterminés à partir du quantum horaire, de la pyramide de l’Etablissement, de la masse horaire disciplinaire et de la taille moyenne des groupes pédagogiques au niveau national et, (iii) les besoins en personnels d’encadrement sont déterminés en fonction du ratio national, de sorte à réduire les écarts entre les Directions Régionales. Outre, les modalités d’affectation, l’arrêté met en exergue les dispositions générales et le mode opératoire.

En ce qui concerne l’équité des activités de remédiation, le Gouvernement a adopté un arrêté portant organisation de la semaine de travail dans l’Enseignement Primaire. En effet, cet arrêté inclut le mercredi matin dans les emplois de temps officiels de l’enseignement primaire et réorganise les activités de renforcement et de soutien pédagogique au cours de la semaine. Ainsi, à compter de l’année 2016-2017, la semaine de travail dans l’enseignement primaire compte cinq (05) jours : lundi, mardi, mercredi, jeudi et vendredi.

IV- Suivi et évaluation

55. Le Gouvernement réitère ses remerciements pour les efforts consentis par la Banque Mondiale dans la définition de la stratégie de développement de la Côte d’Ivoire et continuera d’œuvrer au renforcement de ce partenariat par la mise en œuvre et le suivi du programme.


Je vous prie d’agréer, Monsieur le Président, l’assurance de ma considération distinguée.

Le Ministre de l’Économie et des Finances

[Signature]

Adama KONE
Mr. Jim Yong Kim  
President of the World Bank Group  
WASHINGTON, DC

Subject: Letter of Development Policy

Mr. President:

1. This Letter of Development Policy (LDP) describes the socioeconomic progress made by Côte d'Ivoire in 2016 and presents the outlook for the 2017-2019 period. It outlines all public and sectoral policies implemented by the Government in a bid to transform Côte d'Ivoire into an emerging country by 2020 and reduce poverty.

2. To help finance its program, the Government is requesting a national budget support loan for 2017 from the World Bank in an amount equivalent to one hundred twenty-five million US dollars (US$125 million).

I- Political and Economic Context

3. The sociopolitical environment continues to improve. On the political and social front, Côte d'Ivoire continues to reposition itself on the international stage by strengthening democracy and preserving social cohesion. To that end, on December 18, 2016 a new constitution was adopted by referendum by 93.42 percent of the votes cast. This new constitution aims to (i) strengthen institutions by establishing, for example, a Vice Presidency and a Senate, and (ii) ensure lasting social peace. The peaceful staging of the first free, open, and transparent legislative elections of the Third Republic confirmed the democratic maturity of Côte d'Ivoire. Despite social tensions observed in early 2017, the Government is reaffirming its willingness to find suitable solutions to labor demands in a peaceful social environment. In the social sphere, the Government is continuing its efforts to improve the living conditions of all Ivorians. Priority is therefore being accorded to scaling up the number of youth employment and integration projects and programs. Furthermore, in accordance with the Government’s commitment to promote the integration and empowerment of girls, at least 30 percent of the beneficiaries of the various projects and programs will be women. In the education sector, several reforms aimed at promoting “SCHOOL FOR ALL” have been implemented and are expected to continue, with a view to improving the performance and accommodation capacity of the education system. In addition, the pilot phase of the Universal Health Coverage launched by the Government has been under way since the first quarter of 2017, and coverage is expected to be expanded nationwide in the coming years.

4. In the first year of implementation of the National Development Plan (2016-2020 PND), Côte d'Ivoire executed 38 percent of the commitments. Private investment accounts for 66.9 percent of total investment, compared to the PND projection of 62.4 percent, while public investment accounts for 33.1 percent of total investment, as against 37.6 percent forecast in the PND, reflecting a highly dynamic private sector. Despite a less favorable international economic environment and low rainfall, growth was estimated at 8.3 percent in 2016, thereby confirming the resilience of the Ivoirian economy. This robust growth was driven by the industry and service sectors. The industry sector’s performance was buoyed by major infrastructure public investments and vibrant private sector, which benefited from the banking sector support (a sharp 28.6 percent increase in medium- and long-term loans) and an improved business climate. The impact of low rainfall on the agricultural sector was mitigated by the implementation of the
emergency program to support food crop production. Despite internal and external shocks, the economy is expected to remain robust in 2017, with a projected GDP growth rate of 8.5 percent driven by private investment and domestic consumption.

5. The Government has endeavored to improve the business environment in a bid to enhance the attractiveness of Côte d’Ivoire. Côte d’Ivoire moved up five places in the Doing Business 2016 ranking, making it one of the most competitive economies in Africa, and climbed 25 places in the 2016 World Economic Forum Global Competitiveness Index. Major reforms designed, in particular, to automate administrative documents and services have been implemented, including (i) the opening of the one-stop shop for building permits; (ii) the availability of information on building permits online; (iii) the launch of the credit information bureau; (iv) the strengthening of the legal framework for conducting insolvency proceedings; (v) the implementation of the activity module for managing commercial courts, the commercial register, and real estate credit; and (vi) the introduction of online tax returns. Current and planned actions should, in the medium term, propel Côte d’Ivoire into the top 50 reforming countries in the world.

6. Investors as well as technical and financial partners continue to show confidence in the Ivoirian economy, as evidenced by the successful Eurobond issue in June 2017 and maintenance of its “B+ with a stable outlook” rating by the Fitch agency. Furthermore, the implementation of good governance reforms paved the way for Côte d’Ivoire’s selection as one of the seven eligible beneficiaries of the 2017 Compact with Africa initiative. Côte d’Ivoire is also a model country with regards to the eligibility process of the Millennium Challenge Corporation (MCC), owing to its compliance with 14 indicators in 2017, compared to five in 2011. Moreover, membership in the Open Government Partnership (OGP) reflects the Government’s commitment to improving public services and public resource management. These achievements are expected to contribute to achieve the objectives of the 2016-2020 PND, which has a target average growth rate of over 8 percent over the 2018-2020 period.

7. More work still needs to be done to forge resolutely ahead on the path to becoming an emerging country by 2020 and halve the estimated poverty rate of roughly 46 percent in 2015. Implementation of the Economic and Financial Program (2016-2019 PEF) is off to a good start, and the Government intends to continue implementing all the reforms set forth in the Memorandum of Economic and Financial Policies for 2016-2019, which was agreed with the International Monetary Fund (IMF). At the end-2016, all performance criteria had been met and structural benchmarks were implemented on time.

8. For 2017, it is expected that the Economic and Financial Program will be implemented in a context of lower cocoa prices and higher oil prices, which would lead to less tax revenue. Adjustments are, however, being considered in order to preserve the State’s fiscal space and maintain debt sustainability. The Government will also continue its efforts to (i) strengthen the management of public finances and public enterprises, (ii) improve the business environment and develop the private sector, (iii) improve and develop the financial sector, and (iv) strengthen the national statistics system.

II- Status of Implementation of Reforms in 2016

9. Since 2012, Côte d’Ivoire has been back on a path of strong, sustained growth, posting an annual average rate of around 9 percent in a stable macroeconomic environment. Execution of the National Development Plan (2012-2015 PND), coupled with the implementation of far-reaching structural reforms under the 2011-2015 economic and financial program, have helped spur and maintain this pace of
economic growth. This robust economic activity is accompanied by moderate inflation, a fiscal balance under control, and a favorable trend in the current account balance.

10. **To achieve the objectives of the PND, the Government has requested support from the IMF through a new three-year agreement under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) arrangements.** The implementation of the supported economic and financial programs supported by ECF arrangement over the 2011-2015 period helped to (i) strengthen the macroeconomic environment in the aftermath of external and internal imbalances triggered by the post-electoral crisis; (ii) reduce poverty; (iii) write off and restructure debt, and normalize relations with creditors; (iv) improve the Doing Business indicators; (v) clear domestic arrears; (vi) improve the financial sustainability of the electricity sector; (vii) provide an adequate income to coffee and cocoa producers; (viii) improve public finance and debt management; and (ix) improve the monitoring and governance of public enterprises.

11. **The main objective of the 2016-2019 economic and financial program being supported by the IMF through the ECF and the EFF is to support the Government’s efforts to achieve the goals of the 2016-2020 PND and implement structural policies.** The annual average growth rate is projected to be approximately 8.8 percent over the 2016-2019 period, driven by the implementation of a number of major projects in the agriculture, mining, energy, infrastructure, and tourism sectors. The Government also pursued structural reforms to strengthen the foundations of good governance put in place between 2012 and 2015 and develop the financial sector in a bid to enhance the attractiveness of the business environment.

12. **Despite the global context of tightening in financing conditions and a slowdown in global growth, the Government has maintained fiscal space while continuing to make infrastructure investments in the social sectors, in accordance with the NDP 2016-2020. The country’s fiscal outlook is vulnerable to some downside risks.** On the international front, the financing of the economy and export revenues have been impacted by tightening in international financial conditions and the global slowdown in growth. On the domestic front, the financial situation of a number of public enterprises, the fiscal risks related to the increased use of PPPs, and the drought have all been addressed. In order to build on strong, inclusive growth, the Government must continue its efforts aimed at (i) resolving infrastructure bottlenecks in transport, communications, energy, and agriculture; (ii) scaling up social expenditure to boost human capital, reduce poverty, and prevent pandemics; and (iii) maintain security.

13. **In this context, the Government is continuing to focus on mobilizing revenue through ongoing efforts to enhance the efficiency of tax and customs administrations, streamline exemptions, and control current spending.** The medium-term fiscal targets, based on the program’s financial programming, are as follows:

- Raise the tax burden from 15.7 percent of GDP in 2015 to 17.1 percent of GDP in 2019.
- Increase the public investment rate from 6.6 percent of GDP in 2015 to 7.3 percent in 2016 and 8.6 percent by 2019.
- Increase pro-poor spending from 9.4 percent of GDP in 2015 to 9.5 percent in 2016 and 2017.
- Gradually reduce the fiscal deficit from 3.9 percent of GDP in 2016 to the community standard of 3 percent of GDP by 2019.

14. **In 2016, the Government revised upward the projected fiscal deficit to take into account additional expenditures, particularly on security, into account.** Tax revenues stood at CFAF 3,318.2 billion, up by 12.3 percent from 2015. Investments to improve the populations’ living standards and strengthen the foundations of economic growth stood at CFAF 1,547.1 billion, up by 24 percent from 2015. The Government took steps to ensure prudent expenditure execution, strictly applying fiscal regulatory
measures. The Treasury Committee continued to hold meetings in order to make the necessary budget management adjustments using the Integrated Public Finance Management System (SIGFiPiP). Buoyed by this progress, the Government requested and received from the World Bank a First Budget Management, Education and Energy Reform Support Credit in an amount equivalent to US$75 million to support its 2016 budget. The abovementioned sum was deposited into the account held by the Central Treasury Accounting Agency (ACCT) with the BCEAO on December 30, 2016. The references were passed on to the World Bank on October 19, 2017.

15. **The Government continued implementing reforms to broaden the tax base and strengthen tax and customs administrations, against a backdrop of tighter global financial conditions.** In this regard, the Government has taken steps to broaden the tax base. These include (i) pilot surveys of potential taxpayers in the communes of Cocody and Yopougon; (ii) a tax arrears amnesty for the voluntary filing of tax returns prior to April 30, 2016; and (iii) the restructuring of the provisions for VAT reimbursements to allow for the reimbursement of validated credits within two weeks.

16. **In the area of capital expenditure, the Government has, to the extent possible, accorded priority to public infrastructure investment projects and pro-poor spending.** To ensure that it has adequate fiscal space, the Government planned to continue streamlining operating expenditure through improved controls of State subscriptions and the efficient management of civil service employees.

17. **In keeping with its goal to halve poverty by 2020, the Government continues to scale up actions to rehabilitate and construct basic infrastructure.** It continues to prioritize pro-poor spending, increasing its share in the budget, in particular on rural electrification, village water systems, subsistence farming, and employment. It therefore welcomes technical and financial support from the development partners, especially the World Bank, to identify and finance these expenditures. In addition, the Government also intends to promote subsistence farming through mass production of subsistence crops and agribusiness to foster job creation and combat poverty.

18. **The Government has continued the reforms and the restructuring of public enterprises in order to improve the management of these enterprises, reducing subsidies and potential risks to the State budget.** In this context:

- The Council of Minister, the Government has continued to present to the Council of Minister the annual report on the economic and financial situation of enterprises in the Government’s portfolio and attach it to the draft budget law.
- The Government has improved the monitoring of the debt of public enterprises. It has continued to build the public enterprise debt database by incorporating debt service data for 12 enterprises by the end-June 2017. Data on all the relevant enterprises should be incorporated by the end-December 2017. This process was regularly monitored, with a note published at the end of March 2017 highlighting the progress made as well as the prospect to achieve the target set by end-June 2017. In accordance with these gains, prior to the end of each quarter, the Government has produced a summary table of the debt service execution of public enterprise in the preceding quarter. Furthermore, the Government continued to ensure the strict application of Decree No. 399/MPMB/DPP of June 1, 2015 on establishing the threshold for public loans and guarantees.
- The audit committees set up by the Government within the board of each enterprise have continued to carry out their activities to enable these boards to more effectively conduct their audit and administrative tasks. The systematic communication of the minutes of board meetings will be strengthened to facilitate timely notification to the financial supervisory entity of
potential challenges.

- The public enterprises in Energy sector should be restructured based primarily on the recommendations in the SIR and PETROCI audits.
  - Thanks to the ongoing implementation of the restructuring plan, the financial situation of PETROCI is expected to improve in 2016 and net earnings should break even or show a surplus. The Government will monitor this plan very closely.
  - SIR’s operating income has improved owing to increased national demand. Implementation of the recommendations of the 2016 audit will pave the way for a debt restructuring plan proposal totaling CFAF 368 billion, with a view to achieving financial stability in the medium term. In this context, the Government intends to help SIR restructure its debt, which remains one of the main factors to the deterioration of its financial situation. The Government will issue a guarantee to help SIR raise adequate resources to carry out this restructuring process. In accordance with public finance procedures, all this information will be captured in the Government’s budget.

19. **The Government has continued to restructure public enterprises in the transportation sector.**

- In accordance to the new business plan that will be adopted by end-2016, efforts to develop Air Côte d’Ivoire focused on increasing its fleet to the optimal size needed to ensure its financial viability. The implementation of this business plan, which included, among other things, government divestiture, will pave the way to financial stability in the long term.
- SOTRA’s financial situation improved following implementation of the restructuring plan during the 2012-2015 period. The business plan helped to improve the company’s financial situation, and the company expects to post a surplus throughout the 2017-2025 period, owing primarily to the acquisition of new buses and the introduction of new line dedicated for intra-municipal transport (WIBUS).

20. **As part of the privatization program, a list of 15 enterprises to be privatized was approved by the Government in December 2012.** Three enterprises were privatized and the process is ongoing with the aim of improving the management of public enterprises. On June 15, 2016, the Government decided in the Council of Ministers, to establish performance contracts between the State and these enterprises. In coherence with the plans of each company and the guidelines established by the Government, these contracts will help define the multiyear operational, technical, economic, and financial performance objectives to be met by these enterprises, based on a three-to-five-year action plan. This operation was launched with a pilot phase involving 10 enterprises, which ended in December 2016, before a phased roll-out in 2017.

21. **The Government has implemented the recommendations set out in the audits on liabilities and public contracts.**

- The Government has started budgeting all its needs in 2015. It has assessed the execution of these appropriations in order to ensure that no new liabilities have been created from fuel consumption. By end-2016, Government has also paid PETROCI for fuel consumed by the armed forces.
- The Government has reviewed the results of the audit of the stock of outstanding contracts between 1993 and 2012 with a view to settlement.
- With regard to the liabilities amounting to CFAF 428 billion for the 2000-2010 period, a preliminary amount of CFAF 184 billion has been approved. This sum was subject to government decision, which helped determine the final amount to be paid. The Government drafted and adopted a debt repayment plan. An amount was therefore provisioned in the 2017 State budget as a precautionary measure.
22. **Measures adopted in the electricity sector restored financial sustainability by end-2016 and helped boost the electricity supply to sustain the growth momentum, despite the suspension of the January 2016 tariff increase.** To do this, the Government has adopted 16 implementing regulations to the Electricity Code.

23. **The Government has evaluated all projects financed under a Public-Private Partnership (PPP) arrangement.** A mechanism was adopted to inventory and monitor all explicit and implicit fiscal risks resulting from PPPs. Furthermore, the Government has strengthened institutional capacity to manage public investments and enhanced the legal framework for PPPs. The IMF is providing technical assistance to the Government in this area in 2017. To that end, the Government:

- Has produced and published a preliminary report identifying the PPPs that pose a fiscal risk to Côte d’Ivoire.
- Produced and made available to the public a factsheet on PPP contracts signed in Côte d’Ivoire.

24. **The Government has continued to improve debt management.** A 2016-2019 three-year capacity-building plan for all staff of the Public Debt Directorate, which has now been reorganized into front, middle, and back offices, is being finalized. It received technical and financial assistance from the AfDB, the IMF, and BADEA. This plan targets the following key training areas: risk analysis and management, financial programming, macroeconomic management, the medium-term debt strategy, debt sustainability analysis and the medium-term expenditure framework, financial analysis, cash flow management, the legal aspects of debt for economists, and the economic aspects of debt for legal experts. In addition, the draft text for the legal framework for the debt and the procedures of the National Public Debt Committee (CNDP) are being finalized. These texts concern in particular the referrals and functioning of CNDP, as well as texts on the approval of loans and the issuance of public guarantees.

25. **The Government has continued to improve public debt management in accordance with international and WAEMU community standards.** It has adopted a draft law on the national borrowing and public debt management policy. Furthermore, once this draft law has been adopted by the National Assembly, several implementing decrees for this law will be issued, particularly the decree on referrals to the CNDP.

26. **The Government is maintaining Côte d’Ivoire’s good credit rating and sound reputation among investors.** Government is taking advantage from the achievements made in terms of the reorganization of the Public Debt Directorate into front, middle, and back offices and the preparation of the CNDP procedures manual. To achieve these goals, the Government plans to:

- Strengthen the capacities of the CNDP and the Public Debt Directorate;
- Ensure active government cash management
- Continue to improve the communication with the market; and
- Expand the monitoring of debt to include the entire public sector. In this context, the Government will complete the database on the debt for public entities and majority State-owned enterprises by including debt servicing. In the medium term, the Public Enterprise Management System (SIGEP) and the Debt Analysis and Management System (SIGADE) will be interconnected to provide reliable, real-time information.

**a- Strengthening Public Finance Management**
27. The Government has continued to modernize its public finance management and control system. To that end, it continues to (i) adopt the implementing regulations of the Organic Law on the Budget Law; (ii) finalize the Program Management Charter; (iii) implement the new budget information system; (iv) improve the implementation of the budgetary expenditure commitment plan in line with the public procurement plans and in coordination with the cash flow plan, while continuing to reduce the use of exceptional expenditure procedures; (v) train public expenditure actors at the central and deconcentrated levels in the use of the new public finance management system, and in particular, the MTEFs and program budgets, beginning with a pilot phase in five ministries; and (vi) strengthen the capacities of the MTEF sectoral committees in the development of performance tools. The Government also continued to enhance the quality and transparency of budget and accounting information through the sharing of information in the Council of Ministers on budget execution and public procurement operations. In this respect, the Government is continuing its efforts to ensure the quality of the trial balance of accounts and the settlement of suspense accounts. After putting the new budget information system in place, the Government has continued to implement an information system to ensure optimal integration of budget and accounting aspects of the expenditure chain, particularly through interfacing between SIGFiP and ASTER by December 2017. The Government has included risks related to the difficult financial situation of a number of public enterprises and to PPPs in the budget documentation, and made provisions for the subsequent publication of a report on the performance of public enterprises, which will be attached to the budget documentation, beginning in 2018.

28. The Government has continued to strengthen the Economic Operators Information Unit (CELIOPe) for greater transparency and good governance. This unit was established with the General Budget and Finance Directorate (DGBF) to facilitate and improve communications with the private sector.

29. The Government remains confident that more effective dissemination of information on the budget execution process will help eliminate the creation of extra budgetary liabilities. These actions pertain to:

- the completion and effective implementation of the CELIOPE management software and training of agents; and
- the pursuit of the promotion and outreach strategy for CELIOPE’s activities.

30. The Government has continued to improve the public procurement system. To that end, it continued to (i) carry out actions aimed at reducing procurement timeframes; (ii) establish public procurement units in line ministries and other entities subject to the Public Procurement Code; and (iii) incorporate directives on delegated project ownership and outsourcing of public services. In addition, the Government committed to limiting prefinancing contracts in accordance with the provisions of the Public Procurement Code. This process allowed the Government to continue strengthening the institutional framework for public contracts with (i) the establishment of procurement units in the pilot sector ministries, namely, the Ministry of Health and Public Hygiene, the Ministry of Agriculture, the Ministry of National Education, the Ministry for Higher Education and Scientific Research, and the Ministry of Defense, in accordance with the Public Procurement Code; and (ii) the operationalization of the procurement monitoring unit in the Public Procurement Directorate.

31. The Government will continue to further modernize and optimize cash flow management with the establishment of the Treasury Single Account (TSA). Following the scheduled completion in 2017 of the pilot phase launched in 2015, the account closing program was expedited and the inventory of accounts open in commercial banks was updated. The TSA will gradually become operational by end-
2018. The TSA will help centralize and ensure traceability of government cash operations and will thus help ensure active government cash flow management.

b- Bolstering the Business Environment and Developing the Private Sector

32. The Government has continued to significantly increase the industrial sector’s contribution to wealth and job creation. This industrialization process required a deeper understanding of the issues related to ongoing improvements in the business environment, increased competitiveness, and partnership development.

33. The Government has continued to improve efforts to enhance private sector productivity and competitiveness by reducing factor costs:

- Strengthening of the economic infrastructure network (telecommunication, transportation, and energy) continued with a view to supporting the industrialization policy.
- The implementation of the Industrial Infrastructure Management and Development Agency (AGEDI) and the Industrial Infrastructure Development Fund (FODI) helped expedite rehabilitation of the Yopougon industrial zone and development of the PK24 industrial zone.
- The construction of new industrial zones in various regions was planned as part of efforts to develop competitive economic hubs.
- The Government continued to promote the Government-private sector dialogue framework by strengthening the Government-private sector consultation committee (CCESP).

34. The Government continued to develop and modernize the SME/SMI sector for creating more jobs for young people. The development of this network of small and medium enterprises would entail the implementation of the SME development program (Phœnix program). In addition, SME access to public procurement is being improved with the implementation of new government measures on procurement, including access to financing and government contracts.

c- Developing the Financial Sector and Financial Inclusion

35. The Government has continued to implement its Financial Sector Development Program (PDESFI) to promote the consolidation and development of this sector and improve financial inclusion.

- With respect to the consolidation, the Government stepped up its efforts to resize the public banking sector with a view to creating a high-performing hub to support its sectoral policies, in line with its desire to withdraw from the productive sector. Reforms also concerned the strengthening of supervision of the insurance sector as well as the transparency and availability of financial data.
- With regard to development of the sector, efforts focused on SME financing and deepening of the capital market.
- Finally, the Government has facilitated implementation of the National Financial Inclusion Strategy to strengthen banking services and access to credit.

36. The Government has completed implementation of its restructuring strategy for State-owned banks and will continue to support enhancement of the banking sector’s credit-worthiness. Thus, of the four (4) public banks in the portfolio, two (2) have been privatized and of the other two (2), one has been restructured and the other, strengthened. In this context, the last-mentioned bank’s securitized debt was...
converted into transferable securities at the end of March 2017. The Government ensured that the banks in which it holds a minority share were listed on the Regional Securities Exchange (BRVM) to contribute to the growth of this market and enhance the banks’ prospects for better financing. To boost banks’ creditworthiness, the Government aims to ensure application of the BCEAO’s decision on the increase in the statutory minimum equity capital by end-June 2017. The Government sent the CNCE restructuring plan to the Banking Commission for review in order to take into account its recommendations for operationalization of the plan.

37. **The Government continues to further strengthen the microfinance sector.** The Government has requested support from the World Bank through the FIRST (Financial Sector Reform and Strengthening Initiative) and FISF (Financial Inclusion Support Framework) initiatives in implementing the National Microfinance Strategy in order to consolidate the creditworthiness of the microfinance institution sector and boost confidence among small investors. In this context, the UNACOOPEC-CI recovery plan continued to be implemented. The Government has also continued to encourage the involvement of new actors and the development of innovative products, particularly in the ICT sector with mobile money, in order to promote financial inclusion for households.

38. **The Government has agreed on a modern regulatory framework that favor a broader and diversified supply of financial services, while strengthening consumer protection.** Regarding the diversification of financial services, the Government, in collaboration with the BCEAO and all actors in the financial sector, aims to ensure the sustainability of the Information and Credit Bureau (BIC). In addition, it continues to stimulate the regional stock market and increase its liquidity, while strengthening the role of insurance in the mobilization of domestic savings. Regarding consumer protection, by the end of 2016, the Government had set up a Quality of Financial Services Monitoring Unit to (i) promote transparency and comparability of financial services; (ii) ensure better management of complaints from users of financial services; and (iii) strengthen financial education.

d- **Employment and Social Policy**

39. **The Government prioritizes human capital development and improvement of citizens’ well-being.** Inclusive growth, the main method of improving citizens’ well-being, required (i) the implementation of mechanisms to promote youth employment and support for small-scale rural producers; (ii) improved access to quality basic social services to step up the pace of achievement of the Sustainable Development Goals (SDG); and (iii) the creation of a social protection system that enhances the resilience and productive capacity of poor and vulnerable households. Thus, the Government has published the budgets allocated to each school and the results of academic assessments on its website. In addition, it has adopted legislation designed to regulate student placement at the start of lower secondary and upper secondary school, taking into account each student’s social situation and the enrollment capacity of public schools.

40. **The Government has promoted the creation of sustainable jobs.** In this context, the Youth Employment Agency created in December 2015 is responsible for organizing the activities of the various stakeholders and will handle all employment issues, particularly youth employment. The Government also adapted training to the needs of the job market through the implementation of professional training reform. This reform aimed to (i) meet the demand for technical and professional training; (ii) offer training tailored to the needs of the qualifications required by the job market; (iii) strengthen the partnership between schools and businesses; (iv) provide an enabling environment to ensure the sustainable integration of job seekers and people in precarious situations; (v) establish a mechanism for skills certification in consultation with the professional community; and (vi) promote effective and efficient
The governance of the Technical and Professional Training (TPT) system, emphasizing the autonomy and accountability of teaching and training institutions.

41. The Government aims to reduce inequalities between social classes and improve the country’s ranking on the Human Development Index (HDI). It is continuing the roll-out of its Universal Health Care Coverage (CMU) plan. Thus, the enrollment phase launched in 2015 should last seven years, and is being accompanied by the implementation of a pilot project in 2017 to ensure the effectiveness of the system. In order to guarantee its sustainability and viability, the Government aims to ensure the financial soundness and rigorous management of the system. To ensure the quality of medical services, particular emphasis is being placed on upgrading and expanding health care centers and technical equipment. This coverage helped to improve life expectancy at birth and reduce infant mortality. In addition, the Government has continued its policy of providing access to education for all, adequate housing, clean energy, safe drinking water, and a wholesome living environment. To this end, efforts have been made to strengthen pro-poor expenditure and improve farmers’ incomes by promoting fair prices and optimizing product yields. Ongoing projects designed to increase financial inclusion also helped ensure more inclusive growth.

III- The 2017 Program and Medium-Term Outlook

42. The 2016-2020 PND aims a rapid, sustained, and environmentally friendly growth making Côte d’Ivoire a middle-income country with a better quality of life for the entire population. The new strategy is based on the structural transformation of the economy, mainly through productivity increase in agriculture and subsistence crops in particular, commodity processing, a stronger manufacturing industry, and the development of the digital economy, while preserving a sound macroeconomic framework and sustainable public debt. It also takes into account the desire of the authorities to develop a green economy. In this regard, Côte d’Ivoire intends to ratify the December 2016 global climate agreement concluded in Paris following COP21.

a- Macroeconomic Framework

43. The economic growth targets expected from the implementation of the 2016–2020 PND are set at an annual average rate of around 8.2 percent between 2018 and 2020. Economic performance for the 2018-2020 period would be driven mainly by the manufacturing and service sectors, which are expected to register average annual growth rates of about 10.7 percent and 8.8 percent respectively. In the agricultural sector, the growth rate should be 6.4 percent thanks to the benefits of the National Agriculture Investment Program (PNIA) and the food agriculture stimulus program. Substantial resources will be made available to upgrade agriculture to boost productivity and promote the reallocation of labor to other sectors, primarily industry. To achieve these objectives, the investment rate should rise from 21.5 percent of GDP in 2017 to 23.2 percent in 2020 (private investment would increase from 14.1 percent in 2017 to 15.3 percent in 2020). The private sector share, including Public-Private Partnerships (PPP), should reach 70 percent in 2020. In addition, the Government will continue the structural reforms launched in 2012 in order to continue developing the financial sector and improving the business environment.

44. For the year 2017, a draft revised budget will be adopted by the Government and submitted to the National Assembly. In the face of external shocks, marked by rising oil prices and the substantial decrease of about 35 percent in cocoa prices, the Government made adjustments to operating and capital expenditures, taking into account the degree of project completion and coherence with the NDP 2016-2020. The fiscal targets will be revised to take internal and external shocks occurring during the fiscal year into account:
The 35 percent drop in cocoa prices caused a downward revision of the Single Export Duty (DUS) and the suspension of the registration tax in April to support producer prices. This lower amount of revenue is estimated to be [0.5 percent] of GDP. This tax will be reinstated based on cocoa price trends as was the case in the past.

Higher oil prices would result in less revenue from oil products (0.6 percent of GDP) in accordance with the implementation of the system for setting retail fuel prices.

Labor claims would generate one-off additional expenditures amounting to 0.6 percent of GDP in 2017 and recurring expenditures equivalent to at least 0.07 percent of GDP, beginning in 2018.

Annual average inflation is projected to reach 1.7 percent in 2017, below the community standard of 3 percent. Moderate price increases should benefit from a greater local supply of food products with the implementation of different agricultural development strategies as well as the fluid transportation of people and goods.

The current account balance is expected to show a deficit of [1.6 percent] of GDP in 2017 compared to [1.1 percent] in 2016. The trade balance will continue to show a surplus despite lower cocoa prices and higher imports due to the momentum stemming from the rise in the prices of other export products except cocoa. The deficit of the primary and secondary revenue balance is expected to be higher than in 2016.

The money supply is expected to increase by 12.2 percent in 2017. This increase would stem mainly from the rise in domestic lending due to buoyant private sector activity. Net external assets should be lower in 2017.

In light of the foregoing and with a view to building on gains in 2018, on Wednesday, October 4, 2017 in the Council of Ministers, the Government adopted the draft law for the 2018 budget, which amounted to CFAF 6,723.5 billion. The draft 2018 budget law was communicated and submitted to the National Assembly on October 10, 2017 for approval.

b- Public Finance Management

The Government will continue to implement fiscal reforms to upgrade public finance management. To do so, it intends to finalize the implementing regulations for the WAEMU fiscal reform directives, which include draft decrees on financial and fiscal supervision, the program management charter, stock accounting, and the reform of budget execution circuits and procedures. To transition to program budgets, the Government will complete the design of the Budget Information System (SIB), the main modules of which should be available during 2017. The Government will also continue to implement the interface between the Integrated Public Finance Management System (SIGFiP) and the Accounting Management System (ASTER) by end-December 2017 to incorporate payment into the expenditure chain computer system.

The Government will continue strengthening the mobilization of fiscal revenues and public procurement.

With respect to the mobilization of tax revenue, the Government took tax policy and administration measures to reduce transaction costs and broaden the tax base. Thus, the e-declaration and e-payment platform for duties (see link www.e-impots.gouv.ci) and taxes was established to reduce the transaction cost for taxpayers. In order to streamline tax incentives,
the Government will propose measures for the draft 2018 Budget Law aimed at (i) the gradual elimination of VAT exemptions, except for those provided for by the WAEMU directive and in compliance with prior commitments; (ii) the limitation of one-off exemptions to social sectors only and those that involve grants and the renewal of temporary exemptions; (iii) the implementation of a policy to streamline tax incentives in the investment code, based on the recommendations in the study on the assessment of the 2012 code, which will be conducted by an internationally renowned firm and finalized in August 2017; (iv) the improvement of the General Income Tax Code; (v) the strengthening of the regulatory and legislative framework and adoption of complementary measures to better combat tax optimization and tax evasion; (vi) the adoption of measures on restricted capitalization; and (vii) the upward adjustment of excise taxes on beverages.

- **With respect to procurement, the Government will continue to improve the public procurement system.** To do so, in 2017 it intends to complete the implementation of public procurement units (CPMP) in the various ministries. It will gradually convert procurement procedures from paper to electronic format to facilitate competition in procurement, in particular for SMEs. To this end, the Government took a decision in the Council of Ministers, which establishes electronic public procurement system and has applied a pilot in four ministries (the Ministry of Economic Infrastructure, Ministry of Health and Public Hygiene, Ministry of Tourism, and Ministry of Agriculture and Sustainable Development). The pilot phase began on June 1, 2017 and will continue until December 31, 2017, with a gradual increase in the number of ministries. Furthermore, the Integrated Procurement Management System (SIGMAP) will be rolled out to improve accessibility and thus help speed up the processing of public procurement transactions. As part of transposing the WAEMU directives, the Government also intends to amend the Procurement Code, particularly to address the issue of delegating public services and delegated public project ownership. Finally, the Government will continue to categorize companies and update the benchmark price database.

51. **The Government is continuing its efforts to eliminate fiscal risks related to the establishment of liabilities and to process outstanding liabilities and contracts for the 1993–2010 period.** With regard to liabilities for the 2000–2010 period, the Government opted to have private firms conduct a new audit of the findings of the Office of the Inspector General of Finance (IGF). The terms of reference for this audit are to be finalized by end-November 2017 and have been validated. The processing procedures will be adopted once the final amounts have been established. This approach is consistent with the one used for arrears from the same period and which have been paid in full. For outstanding contracts from the 1993-2010 period, which were audited by the National Procurement Regulation Authority (ANRMP), initial analyses revealed inconsistencies as to the validity of some amounts and double entries with liabilities. This led to further crosschecking to ascertain the amounts actually owed by the Government.

52. **To take into account the change in international prices, the Government** will take the necessary steps to adjust prices in the key sectors. To this end:

- the minimum farm gate price guaranteed to cocoa producers fell from CFAF 1,100/kg to CFAF 700/kg in order to take lower global cocoa prices into account. This measure will impact roughly one-third of the population;
- The Government will apply the automatic mechanism of retail fuel prices to preserve tax revenue at the minimum level stated in the 2017 Supplementary Budget Law. With a view to preserving SIR’s financial situation, the Government will therefore continue to guarantee fluctuations in the ex-SIR price in accordance with international trends. The Government will seek to preserve the taxable base for April 2017, and if necessary to improve it in order to achieve fiscal revenues target
Coffee-Cocoa Council reporting will be improved, including through the publication of information on the Ministry of Economy and Finance website. In accordance with Decree No. 2012-765 of August 1, 2012 on the coffee-cocoa reserve fund, the Government has therefore prepared an independent institutional, technical, and financial audit of the Public Forward Sales Program (PVAM) and the reserve fund to perform a thorough assessment of the internal and external cocoa marketing system, as well as of the mechanisms for forecasting harvests and monitoring marketing procedures. The interim report was received by the Government in the first week of October 2017. The Government is currently preparing its comments and discussions are ongoing with the firm. The final report should be available in the first week of December 2017.

Moreover, the Government issued Interministerial Decree No. 475/MEF/MINADER/SEPMBPE of October 9, 2017 instituting systematic and independent audits of the coffee-cocoa sector six months after the end of the season, in late September. The auditor will be selected by the Ministry of Economy and Finance, following an independent and competitive bidding procedure, for a three-year term, renewable only once. The audits will focus on the following aspects: (i) marketing, (ii) stabilization accounts, which harmonize guaranteed export prices, (iii) the Technical Reserve Fund housed at the BCEAO, and (iv) the other coffee-cocoa sector funds managed by the Coffee-Cocoa Council, including the Rural Investment Fund (FIMR), the Agricultural Investment Fund (FIA), and the Sacherie-Brousse Fund. The PVAM and the Technical Reserve Fund will be audited annually. The other elements will be audited at least twice over the three-year term, with the first audit carried out in 2018.

c- Bolstering the Business Environment and Developing the Private Sector

53.  The restructuring public enterprises in the energy sector, based mainly on the recommendations of the SIR and PETROCI audits, should accelerate in 2017:

- For PETROCI, net earnings in 2016 showed a surplus after the deficit posted in 2015. Its financial situation is expected to strengthen in 2017 with the implementation of its restructuring plan that seeks to focus on specific activities in the company; the Government will oversee implementation of this restructuring plan.
- SIR’s operating performance in 2016 was good. In 2016, the Government approved the strategy to restructure SIR’s debt. This strategy provides for the restructuring of accumulated debts and arrears of about CFAF 368 billion (figure as of May 2016) by contracting a new loan that would be guaranteed by the Government. Implementation of the restructuring plan should convert the short-term debt into long-term debt. The Government will guarantee repayment by deducting CFAF 20.07/L from the specific tax on petroleum products. In end-2016, the Government launched tenders to select the bank and contract the loan. Based on the results of these procedures, the Government will finalize the process of selecting the arranger institution and restructure the debt by end-December 2017. Completing the restructuring of the debt would reduce SIR’s financing costs and pave the way to improving its financial capacity. In addition to refinancing its debt, SIR made efforts to optimize its business to ensure the company’s long-term financial stability.
The Government intends to improve the financial viability and performance of the electricity sector and allow private participation. Thus,

- The Government adopted Interministerial Decree No. 476/MPEDER/MEF/SEPMBPE of October 10, 2017, defining the terms and procedures for the selection of the independent power producers and determining their electricity rates through a competitive process for projects relating to plants generating less than 1 MW and renewable energy projects.

- The Government intends to support the energy sector by eliminating the unpaid and current bills of State corporations and national public institutions by integrating some of the national public institutions in the processing of State bills. Thus, in accordance with (a) the Protocol for the processing of the arrears owed to the electricity sector involving CI-Energies, CIE, RTI, CNRA, and the District of Abidjan, dated October 9, 2017, (b) the communication from the Council of Ministers dated October 10, 2017, (c) the letter of commitment issued to the Association by the Minister of Petroleum, Energy, and Renewable Energy Development, the Minister of Economy and Finance, and the Secretary to the Prime Minister with responsibility for the State Budget and Portfolio dated October 14, 2017 and (d) the memorandum between CI-Energies, CIE and the Secretary of State to the Prime Minister in charge of the State Budget and Portfolio dated October 24, 2017, the beneficiary has taken the following actions to reduce the outstanding electricity bill amounts:
  - Made a commitment to eliminate all outstanding electricity bills accumulated by the central government (up to December 26, 2016) before end-April 2018;
  - Paid all electricity bills approved by the central government between January and June 2017 and committed to pay all current bills approved from July 2017;
  - Concluded an agreement (a) with the District of Abidjan in order to eliminate all its unpaid bills accumulated during the period up to December 2017 through securitization and committed to paying all of its future bills for public lighting starting in 2018; (b) with the CNRA to eliminate all their outstanding bills up to December 2016 through securitization; and (c) with RTI to pay CFAF 920,893,208 relating to its arrears up to December 2016 through securitization and has guaranteed that the SPDC, RTI, and SOTRA have all signed agreements with CIE, in which these public companies have pledged to pay their outstanding bills up to June 2017 and pay their future bills in full and in a timely manner.
  - The Government will continue its efforts to maintain financial equilibrium in the medium and long term. Thus, the launch of the Soubré dam in November 2017 and the combined cycles should help reduce production costs in the medium and long term. Efforts will be continued to maintain the downward trend in technical and non-technical losses. Moreover, the Government will take action to collect arrears owed to the sector. The Government will ensure that the pricing policy is in line with trends in production costs.

**d- Employment and Social Policy**

The Government is implementing its proactive employment policy, particularly for young people. In this context, special emphasis is placed on the young people’s training. Thus, in the first half of 2017, 22,498 young people benefited from the measures put in place by the Youth Employment Agency through the project "Training, my passport to employment." Initiatives were also undertaken to support young people on the path to self-employment and entrepreneurship. To this end, more than 13,000 individual and joint projects have been financed with State resources and the support of the Agence Française de Développement. In addition, as part of the support geared toward employing young people,
pre-employment internships were conducted for 1,133 young people, while 409 young people benefited from direct job placement. Moreover, the number of employees increased by 2.3 percent, corresponding to net job creation of 21,215 jobs by end-June 2017. This positive development is mainly attributable to the private sector (+2.6 percent), with over 18,286 net jobs created, contributing to 86.2 percent of net job creation and remaining the main driver of the job market.

56. **Côte d’Ivoire is continuing to pursue its Education For All policy.** To this end, Law No. 2015-635 of September 17, 2015, amending Article 2 of Law No. 95-695 of September 7, 1995 and instituting mandatory schooling for all children aged 6 to 16 years, was adopted. As part of the implementation of this law, 7,523 classrooms are being built. In addition, 7,000 teachers are in training for the new 2017-2018 school year. The roll-out of community lower secondary schools since the 2013-2014 school year facilitates broader access to lower secondary education, particularly in rural areas, with the construction of small-scale institutions. Eventually, additional needs will be met to ensure a balance between education supply and demand.

- To this end, the Government enhanced efficiency and equity in the education sector by establishing a system of standardized national learning assessment at the end of each sub-cycle of primary school and published the initial outcomes of these standardized national assessments (see link [http://www.education.gouv.ci/wp-content/uploads/2017/10/RAPPORT-26-07-2017-definitifdocx.pdf](http://www.education.gouv.ci/wp-content/uploads/2017/10/RAPPORT-26-07-2017-definitifdocx.pdf)).
- The Government has also established Decree No. 0074/MENET-FP/DRH of September 28, 2017 to set forth the criteria for allocation and redeployment of teachers to improve the teacher-pupil ratio in underserved areas. Thus, with respect to placement modalities (i) pre-school and primary staffing needs are determined taking into account the teacher/class group relationship based on the national average of students per class; (ii) secondary school teaching staff needs are determined based on the hourly quota, the pyramidal structure of the establishment, the number of hours per discipline, and the average size of teaching groups at the national level; and (iii) supervisory staffing needs are determined based on the national ratio so as to reduce the discrepancies between the regional directorates. Apart from the placement modalities, the decree highlights the general provisions and operational arrangements.
- With respect to equity in remedial activities, the Government adopted a decree on the organization of the primary education work week. This decree includes Wednesday morning in official primary education timetables and reorganizes capacity-building and educational support activities during the week. Thus, as of 2016-2017, the work week in primary education has five days: Monday, Tuesday, Wednesday, Thursday, and Friday.

IV- Monitoring and Evaluation

57. **The Government reiterates its appreciation to the World Bank for its efforts** in defining Côte d’Ivoire’s development strategy and will continue working to strengthen this partnership through implementation and monitoring of this program.

58. The Interministerial Committee for the Monitoring of the Economic and Financial Program, which is chaired by the Prime Minister, will be responsible for monitoring and evaluating the program.
Côte d’Ivoire intends to use the above-mentioned policies and commitments to strengthen its financial cooperation with the World Bank and all its multilateral and bilateral partners and thus receive the first Budget Management, Education and Energy Reform Support Credit in 2017 in an amount equivalent to one hundred twenty-five million US dollars (US$125 million).

Very truly yours,

The Minister of Economy
and Finance
PRESS RELEASE NO. 17/232

IMF Executive Board Completes First Review Under the ECF and Extended Arrangements for Côte d’Ivoire and Approves US$133.8 Million Disbursement

June 19, 2017

- The country’s economic outlook remains strong, with growth projected at about 7 percent in 2017–19.
- Completion of the review enables the disbursement of $134 million.
- The ECF/EFF-supported programs aim at supporting the authorities’ efforts to achieve a sustainable balance of payments, inclusive growth, and poverty reduction.

On June 19, 2017, the Executive Board of the International Monetary Fund (IMF) completed the first reviews of Côte d’Ivoire economic program supported by three-year arrangements under the Extended Credit Facility (ECF) and Extended Arrangement under the Extended Fund Facility (EFF). The Board also approved an augmentation of access under the two arrangements by SDR 162.60 million (about US$224.8 million) or 25 percent of the country’s quota. Today’s Board decision brings total access under the two arrangements to SDR 650.40 million (about US$899.2 million) or 100 percent of quota.

Completion of the review enables the immediate disbursement of SDR 96.786 million (about US$133.8 million), including SDR 27.10 million (about US$37.5 million) following the augmentation. This brings total disbursements under the arrangement so far to SDR 166.472 million (about US$230.1 million).

Côte d’Ivoire’s three-year, SDR 487.8 million arrangements (about US$674.4 million at the time of approval, the equivalent of 75 percent of Côte d’Ivoire’s quota in the IMF) were approved by the IMF Executive Board on December 12, 2016 (see Press Release No. 16/554) to support authorities’ efforts to achieve a sustainable balance of payments position; inclusive growth, and poverty reduction; catalyze official and private financing; and build resilience to future economic shocks.

Following the Executive Board discussion, Mr. Furusawa, Acting Chair and Deputy Managing Director, stated:

“Côte d’Ivoire’s performance under its Fund-supported program has been satisfactory. The country has been hit by a substantial terms of trade shock and experienced social tensions earlier this year. Nonetheless, the country’s economic outlook remains strong, with growth projected at about 7 percent in 2017–19.

“The authorities have appropriately responded to the challenges by lowering the regulated cocoa producer price and adopting fiscal adjustment measures that aim to limit the fiscal deficit to 4.5 percent of GDP in 2017. The authorities have also reaffirmed their commitment to the convergence of the fiscal deficit to the WAEMU norm of 3 percent of GDP by 2019. Fiscal consolidation will be anchored on the implementation of new revenue measures starting in 2018 and containment of current spending while protecting pro-poor outlays.

“The authorities are improving public financial management and strengthening debt management operations with Fund technical assistance. To support fiscal consolidation, the authorities will need to address vulnerabilities in the energy and financial sectors. Structural reforms should also be accelerated to help improve the business climate and sustain robust and inclusive growth.”

80
Côte d’Ivoire: Selected Economic Indicators: 2015–20

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<td>(Annual percentage changes, unless otherwise indicated)</td>
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<tr>
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<tr>
<td>GDP at constant prices</td>
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<td>7.2</td>
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<td>1.7</td>
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<td>(annual average)</td>
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</tr>
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<td>Exports of goods, f.o.b., at current prices</td>
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<td>7.9</td>
<td>9.4</td>
<td>10.9</td>
</tr>
<tr>
<td>Imports of goods, f.o.b., at current prices</td>
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<td>-14.0</td>
<td>16.9</td>
<td>4.6</td>
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<td>10.5</td>
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<td>Central government operations</td>
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<tr>
<td>Total revenue and grants</td>
<td>18.9</td>
<td>6.6</td>
<td>10.2</td>
<td>11.3</td>
<td>11.1</td>
<td>10.2</td>
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<tr>
<td>Total expenditure</td>
<td>21.8</td>
<td>12.2</td>
<td>12.8</td>
<td>7.3</td>
<td>7.5</td>
<td>9.8</td>
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<td>Money and credit</td>
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<tr>
<td>Money and quasi-money (M2)</td>
<td>18.8</td>
<td>12.1</td>
<td>12.9</td>
<td>12.3</td>
<td>12.4</td>
<td>11.2</td>
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<td>Credit to the economy</td>
<td>29.6</td>
<td>15.4</td>
<td>15.3</td>
<td>14.6</td>
<td>14.2</td>
<td>12.9</td>
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<td>(Percent of GDP unless otherwise indicated)</td>
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<tr>
<td>Central government operations</td>
<td></td>
<td></td>
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<tr>
<td>Total revenue and grants</td>
<td>20.2</td>
<td>19.8</td>
<td>19.8</td>
<td>20.2</td>
<td>20.6</td>
<td>20.9</td>
</tr>
<tr>
<td>Total revenue</td>
<td>18.8</td>
<td>18.4</td>
<td>18.4</td>
<td>18.7</td>
<td>19.0</td>
<td>19.3</td>
</tr>
<tr>
<td>Total expenditure</td>
<td>23.1</td>
<td>23.7</td>
<td>24.4</td>
<td>24.0</td>
<td>23.6</td>
<td>23.9</td>
</tr>
<tr>
<td>Overall balance, incl. grants, payment order basis</td>
<td>-2.9</td>
<td>-4.0</td>
<td>-4.5</td>
<td>-3.7</td>
<td>-3.0</td>
<td>-3.0</td>
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<td>Gross investment</td>
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<td>20.2</td>
<td>21.3</td>
<td>22.4</td>
<td>23.8</td>
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<td>Central government</td>
<td>7.9</td>
<td>8.3</td>
<td>8.8</td>
<td>9.1</td>
<td>9.3</td>
<td>9.7</td>
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<td>Nongovernment sector</td>
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<td>11.4</td>
<td>11.4</td>
<td>12.2</td>
<td>13.1</td>
<td>14.2</td>
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<tr>
<td>Gross domestic saving</td>
<td>21.7</td>
<td>22.3</td>
<td>19.7</td>
<td>21.4</td>
<td>22.5</td>
<td>24.1</td>
</tr>
<tr>
<td>Central government</td>
<td>2.9</td>
<td>2.2</td>
<td>2.1</td>
<td>3.1</td>
<td>3.8</td>
<td>4.3</td>
</tr>
<tr>
<td>Nongovernment sector</td>
<td>18.7</td>
<td>20.1</td>
<td>17.6</td>
<td>18.3</td>
<td>18.7</td>
<td>19.8</td>
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<tr>
<td>External sector balance</td>
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<td></td>
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<tr>
<td>Current account balance</td>
<td>-0.6</td>
<td>-1.1</td>
<td>-3.8</td>
<td>-3.0</td>
<td>-3.0</td>
<td>-2.7</td>
</tr>
<tr>
<td>Overall balance</td>
<td>0.0</td>
<td>-1.1</td>
<td>0.2</td>
<td>-0.2</td>
<td>0.4</td>
<td>0.6</td>
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<tr>
<td>Public sector debt</td>
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<tr>
<td>Central government debt, gross</td>
<td>47.8</td>
<td>48.5</td>
<td>48.7</td>
<td>47.4</td>
<td>46.4</td>
<td>44.5</td>
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<tr>
<td>Central government debt (excluding C2D)</td>
<td>40.5</td>
<td>42.5</td>
<td>43.9</td>
<td>43.7</td>
<td>43.6</td>
<td>42.5</td>
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<tr>
<td>External debt</td>
<td>29.8</td>
<td>28.6</td>
<td>31.6</td>
<td>31.2</td>
<td>31.0</td>
<td>29.9</td>
</tr>
<tr>
<td>External debt (excluding C2D)</td>
<td>22.5</td>
<td>22.6</td>
<td>26.8</td>
<td>27.5</td>
<td>28.2</td>
<td>27.9</td>
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<td>Memorandum items:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Nominal GDP (CFAF billions)</td>
<td>19,363</td>
<td>21,146</td>
<td>23,198</td>
<td>25,308</td>
<td>27,596</td>
<td>30,019</td>
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<tr>
<td>Poverty rate (in percent)</td>
<td>46.3</td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
<td>…</td>
</tr>
</tbody>
</table>

Sources: Ivoirien authorities; and IMF staff estimates and projections.
[1] The ECF is a lending arrangement that provides sustained program engagement over the medium to long term in case of protracted balance of payments problems.

[2] The EFF was established to provide assistance to countries: (i) experiencing serious payments imbalances because of structural impediments; or (ii) characterized by slow growth and an inherently weak balance of payments position.
## Annex 4: Environment and Poverty /Social Analysis Table

<table>
<thead>
<tr>
<th>Prior Actions</th>
<th>Significant positive or negative environment effects (yes/no/to be determined)</th>
<th>Significant poverty, social or distributional effects positive or negative (yes/no/to be determined)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pillar 1 – Enhancing tax revenue collection and public procurement</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Prior Action 1.</strong> The Recipient’s Ministry in charge of Budget has implemented a new electronic platform facilitating the filing and payment of taxes.</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Prior Action 2.</strong> In line with the WAEMU Regulation n.2/2009/CM/UEMOA, the Recipient has submitted to Parliament for adoption the draft 2018 Budget Law that eliminates VAT exemptions on (i) equipment and materials necessary for investments and spare material for agro-industrial companies, (ii) on seeds and grains, (iii) investments made by sports associations and (iv) fish freezing operations.</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Prior Action 3: In application of the WAEMU Directive n.04/2005/CM/UEMOA on procedures, execution and regulation of procurement and public service delegation contracts, the Recipient has released a communication by its Council of Ministers and a detailed roll-out report that implements an electronic procurement system that has been piloted in five ministries.</strong></td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Pillar 2 – Strengthening the efficiency and equity in the education sector</strong></td>
<td></td>
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<tr>
<td><strong>Prior Action 4:</strong> The Recipient’s Ministry of National Education has set up an annual national standardized evaluation of learning outcomes at the end of each sub-cycle of primary education and published the first set of national standardized evaluations.</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Prior Action 5:</strong> To improve teacher-to-student ratios in underserved regions, the Recipient’s Ministry of National Education has established new criteria for the assignment and redeployment of teachers through Arrêté No 0074/MENET-FP-DRH dated September 28, 2017.</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Prior Action 6:</strong> To improve equity in primary education remediation activities, the Recipient’s Minister of National Education has adopted a ministerial order that incorporates Wednesday morning in the official calendar of primary schools and reorganizes the remediation activities provided during the week.</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Pillar 3 – Improving the performance of the electricity sector and enabling private sector participation and diversification</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Prior Action 7:</strong> The Recipient’s Ministry of Oil, Energy and Development of Renewable Energy, Ministry of Economy and Finance and Ministry in charge of Budget have adopted an interministerial Arrêté No 476/MIPEDER/MEF/SEPMBPE dated October 10, 2017 defining modalities and procedures for the selection of Independent Power Producers (“IPPs”) and determining the price of electricity produced by IPPs, including through a competitive selection process, for projects with installed capacities greater</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>
### Prior Actions

<table>
<thead>
<tr>
<th>Prior Action 8: In accordance with (a) the protocol for the clearance of the arrears in the electricity sector between CI-Energies, CIE, RTI, CNRA and the District of Abidjan dated October 9, 2017, (b) the communication by the Council of Ministers dated October 10, 2017, (c) the engagement letter to the Association by the Minister of Oil, Energy and Development of Renewable Energy, the Minister of Economy and Finance and the State Secretary in charge of the Budget dated of October 14, 2017; and (d) the Memorandum between CI-Energies, CIE and the State Secretary in charge of the Budget dated October 24, 2017, the Recipient has taken the following actions aimed at reducing the amount of unpaid electricity bills:</th>
</tr>
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<tbody>
<tr>
<td>(i) committed to eliminate all unpaid electricity bills accumulated by the central administration up to December 2016 by the end of April 2018;</td>
</tr>
<tr>
<td>(ii) paid all the validated electricity bills of the central administration from January to June 2017 and committed to pay all its future validated bills in full and on time from July 2017 onwards;</td>
</tr>
<tr>
<td>(iii) agreed (a) with the District of Abidjan, for its unpaid electricity bills covering the period until December 2017, to clear the arrears through securitization and committed to the payment of all its electricity bills related to public lighting from 2018 onwards; (b) with CNRA for its respective unpaid electricity bills covering the period until December 2016 to clear the arrears through securitization; and (c) with RTI to pay 920,893,208 FCFA regarding its arrears up to December 2016 through securitization; and</td>
</tr>
<tr>
<td>(iv) ensured that SPDC, RTI and SOTRA signed respective agreements with CIE in which these state-owned enterprises commit to pay their unpaid electricity bills accumulated up to June 2017 and commit to the payment of their future bills in full and on time.</td>
</tr>
</tbody>
</table>

### Significant Positive or Negative Environment Effects (yes/no/to be determined)

No

### Significant Poverty, Social or Distributional Effects Positive or Negative (yes/no/to be determined)

Yes

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### Pillar 4 - Consolidating transparency in the management of the cocoa sector

<table>
<thead>
<tr>
<th>Prior Action 9: In conformity with Decree N° 2012-765 of August 1, 2012 related to the Reserve Fund for the Coffee-Cocoa sub-sector, the Recipient has launched an institutional, technical and financial audit of the Programme de Ventes Anticipées à la Moyenne (PVAM) and of the Reserve Fund.</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
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</table>

<table>
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<tr>
<th>Prior Action 10: The Recipient’s Ministry of Agriculture, Ministry of Economy and Finance and Ministry in charge of Budget has adopted an interministerial Arreté No 475/MEF/MINADER/SEPMBPE dated October 9, 2017 to institute a systematic independent audit, six months after the end of the harvest season, in September. The</th>
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<tbody>
<tr>
<td>No</td>
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<tr>
<td>Prior Actions</td>
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<td>---------------</td>
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<tr>
<td>auditor will be chosen by the Minister of Finance, following an independent and competitive tender for three years, renewable once. The audits will focus on: (i) marketing; (ii) stabilization accounts, which harmonize the guaranteed export prices; (iii) the technical reserve fund held at the West African States Central Bank (&quot;BCEAO&quot;); and (iv) other funds in the coffee-cocoa sector managed by CCC The PVAM and the technical reserve fund will be subject to an annual audit. The other elements will be audited at least twice over the three-year period, with the first audit carried out in 2018.</td>
</tr>
</tbody>
</table>
## Annex 5: Rationale for change between original triggers and prior actions under DPO2

<table>
<thead>
<tr>
<th>Triggers agreed at negotiations of DPO1</th>
<th>Rationale for change</th>
<th>New prior actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pillar 1 – Enhancing tax revenue collection and public procurement s</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Ministry of Finance has implemented an electronic single taxpayer identification system that will streamline registration and payment procedures as well as improve the identification and monitoring of taxpayers.</td>
<td>The Government has opted to focus on the need to broaden the tax base by eliminating tax exemptions, which is a welcomed policy reform. The original trigger has been proposed as a trigger for the third operation as the timetable proposed by the authorities is to make effective the single tax identification system by end 2017 - slightly too late to be incorporated into the second operation.</td>
<td>In line with the WAEMU Regulation n.2/2009/CM/UEMOA, the Recipient has submitted to Parliament for adoption the draft 2018 Budget Law that eliminates VAT exemptions on (i) equipment and materials necessary for investments and spare material for agro-industrial companies, (ii) on seeds and grains, (iii) investments made by sports associations and (iv) fish freezing operations.</td>
</tr>
<tr>
<td>The Ministry of Finance has established two centers with the responsibility of identifying and monitoring tax payments by medium-sized enterprises.</td>
<td>Since this trigger has been included in the program supported by the IMF, it was replaced by a measure aiming at streamlining tax registration and payment through an electronic platform.</td>
<td>The Recipient’s Ministry in charge of Budget has implemented a new electronic platform facilitating the filing and payment of taxes.</td>
</tr>
<tr>
<td>The Government has put in place and used an electronic system for new public procurement contracts in selected agencies and ministries.</td>
<td>Slightly modified.</td>
<td>In application of the WAEMU Directive n.04/2005/CM/UEMOA on procedures, execution and regulation of procurement and public service delegation contracts, the Recipient has released a communication by its Council of Ministers and a detailed roll-out report that implements an electronic procurement system that has been piloted in five ministries.</td>
</tr>
</tbody>
</table>

**Pillar 2 – Strengthening the efficiency and equity in the education sector**

| | | |
| The Government has set up a national standardized evaluation of learning outcomes at the end of each sub-cycle of primary education and published the first set of national standardized evaluation. | Unchanged. | The Recipient’s Ministry of National Education has set up an annual national standardized evaluation of learning outcomes at the end of each sub-cycle of primary education and published the first set of national standardized evaluations. |
| The Ministry of Education has issued an order to establish the criteria for assignment and redeployment of teachers to improve teacher-to-student ratio in underserved regions. | Unchanged. | To improve teacher-to-student ratios in underserved regions, the Recipient’s Ministry of National Education has established new criteria for the assignment and redeployment of teachers through Arrêté No 0074/MENET-FP-DRH dated September 28, |
To improve the allocation of students in low secondary schools, the Government has launched a program through which vouchers will be rolled out to poor families in selected regions.

One priority reform has been to increase teaching time and remediation activities for underperforming students. The original trigger has been postponed to the third operation as more preparatory work is necessary to launch the pilot vouchers system, which is highly sensitive politically and requires substantial preparatory work on targeting and distribution as well as monitoring mechanisms.

To improve equity in primary education remediation activities, the Recipient’s Minister of National Education has adopted a ministerial order that incorporates Wednesday morning in the official calendar of primary schools and reorganizes the remediation activities provided during the week.

| Pillar 3 - Improving the performance of the electricity sector by enabling private sector participation and diversification |
|---|---|---|
| The Government and CI-ENERGIES/CIE have signed a performance-based contract with the objective to: (i) define the respective roles to secure cost effective generation and other grid infrastructure investments; (ii) define electricity tariffs and subsidies allocated to CI-Energies; and (iii) reduce losses in transmission and distribution (iv) improve the billing-collecting rate (v) establish clear procedures to measure the output/outcome, and (v) incorporate a functional bonus-malus system. | Because the Government is assessing the overall institutional framework in the electricity sector, the original trigger has been postponed to the third operation. Meanwhile, the payment system in the electricity sector had to be revised by adding more transparency and predictability, including through the payment of the State of its electricity bills in full and on time. | In accordance with (a) the protocol for the clearance of the arrears in the electricity sector between CI-Energies, CIE, RTI, CNRA and the District of Abidjan dated October 9, 2017, (b) the communication by the Council of Ministers dated October 10, 2017, (c) the engagement letter to the Association by the Minister of Oil, Energy and Development of Renewable Energy, the Minister of Economy and Finance and the State Secretary in charge of the Budget dated of October 14, 2017; and (d) the Memorandum between CI-Energies, CIE and the State Secretary in charge of the Budget dated October 24, 2017, the Recipient has taken the following actions aimed at reducing the amount of unpaid electricity bills: (i) committed to eliminate all unpaid electricity bills accumulated by the central administration up to December 2016 by the end of April 2018; (ii) paid all the validated electricity bills of the central administration from January to June 2017 and committed to pay all its future validated bills in full and on time from July 2017 onwards; (iii) agreed (a) with the District of Abidjan, for its unpaid electricity bills covering the
period until December 2017, to clear the arrears through securitization and committed to the payment of all its electricity bills related to public lighting from 2018 onwards; (b) with CNRA for its respective unpaid electricity bills covering the period until December 2016 to clear the arrears through securitization; and (c) with RTI to pay 920,893,208 FCFA regarding its arrears up to December 2016 through securitization; and (iv) ensured that SPDC, RTI and SOTRA signed respective agreements with CIE in which these state-owned enterprises commit to pay their unpaid electricity bills accumulated up to June 2017 and commit to the payment of their future bills in full and on time.

The Government has adopted a regulation (i) outlining modalities and procedures for setting tariffs for power generated by IPPs through tendering process, including for renewable energy projects of installed capacities greater than 5 MW; and (ii) setting tariffs by technology type for renewable energy projects, below 5 MW.

Simplified because it was agreed that tariffs cannot be set up in advance in the sector of renewal energy due to rapid technical changes.

The Recipient’s Ministry of Oil, Energy and Development of Renewable Energy, Ministry of Economy and Finance and Ministry in charge of Budget have adopted an interministerial Arrêté No 476/MPEDER/MEF/SEPMBPE dated October 10, 2017 defining modalities and procedures for the selection of Independent Power Producers (“IPPs”) and determining the price of electricity produced by IPPs, including through a competitive selection process, for projects with installed capacities greater than 1 MW and renewable energy projects.

<table>
<thead>
<tr>
<th>Pillar 4: Consolidating transparency in the management of the cocoa sector</th>
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<tbody>
<tr>
<td>New</td>
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</table>

In conformity with Decree N° 2012-765 of August 1, 2012 related to the Reserve Fund for the Coffee-Cacao sub-sector, the Recipient has launched an institutional, technical and financial audit of the Programme de Ventes Anticipées à la Moyenne (PVAM) and of the Reserve Fund.
The Recipient’s Ministry of Agriculture, Ministry of Economy and Finance and Ministry in charge of Budget has adopted an interministerial *Arrêté No 475/MEF/MINADER/SEPMBPE* dated October 9, 2017 to institute a systematic independent audit, six months after the end of the harvest season, in September. The auditor will be chosen by the Minister of Finance, following an independent and competitive tender for three years, renewable once. The audits will focus on: (i) marketing; (ii) stabilization accounts, which harmonize the guaranteed export prices; (iii) the technical reserve fund held at the West African States Central Bank (“BCEAO”); and (iv) other funds in the coffee-cocoa sector managed by CCC The PVAM and the technical reserve fund will be subject to an annual audit. The other elements will be audited at least twice over the three-year period, with the first audit carried out in 2018.