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PROGRAM DOCUMENT FOR A PROPOSED CREDIT

IN THE AMOUNT OF EURO 86.4 MILLION
(US\$100 MILLION EQUIVALENT)

TO THE REPUBLIC OF CÔTE D'IVOIRE

FOR THE

THIRD FISCAL MANAGEMENT, EDUCATION, ENERGY, AND COCOA REFORMS
DEVELOPMENT POLICY FINANCING

November 12, 2018

**Macroeconomics, Trade and Investment Global Practice
Africa Region**

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THE REPUBLIC OF CÔTE D'IVOIRE - GOVERNMENT FISCAL YEAR
January 1 – December 31

CURRENCY EQUIVALENTS

(Exchange Rate Effective as of September 30, 2018)

Currency Unit	CFA Franc (CFAF)
US\$1.00 =	CFAF 575.225
US\$1.00 =	EUR 0.864

ABBREVIATIONS AND ACRONYMS

AFD	French Development Agency (<i>Agence Française de Développement</i>)
AfDB	African Development Bank
ANDE	National Agency of Environment
ANRMP	National Public Procurement Regulatory Authority (<i>Autorité Nationale de Régulation des Marchés Publics</i>)
ASTER	Treasury Services Network Application (<i>Application des Services du Trésor en Réseau</i>)
BCEAO	Central Bank of West African States (<i>Banque Centrale des États de l'Afrique de l'Ouest</i>)
BIC	Credit Information Bureau
BOP	Balance of Payments
CCC	Coffee and Cocoa Council
CEA	Country Environmental Analysis
CFAF	CFA Franc
CIE	Côte d'Ivoire Energy (<i>Côte d'Ivoire Énergies</i>)
CME	Mid-sized Enterprise Center (<i>Centre des Moyennes Entreprises</i>)
CNCE	National Savings Bank (<i>Caisse Nationale des Caisses d'Épargne</i>)
CPF	Country Partnership Framework
CPI	Consumer Prices Index
CPMP	Public Procurement Unit
DGD	Directorate General of Customs (<i>Direction Générale des Douanes</i>)
DGE	Directorate of Larger Enterprises (<i>Direction des Grandes Entreprises</i>)
DGI	Directorate General of Taxes (<i>Direction Générale des Impôts</i>)
DPF	Development Policy Financing
DPO	Development Policy Operation
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
EFF	Extended Fund Facility
ESMS	Environmental and Social Management System
EU	European Union
EUR	Euro
FCFA	West African CFA franc
FDI	Foreign Direct Investment
FIA	Agriculture Investment Fund (<i>Fonds d'Investissement Agricole</i>)
FIMR	Rural Investment Fund (<i>Fonds d'Investissement en Milieu Rural</i>)
FY	Fiscal Year

GDP	Gross Domestic Product
GIDP	Governance and Institutional Development Project
GPE	Global Partnership for Education
GRS	Grievance Redress Service
IDA	International Development Association
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPP	Independent Power Producer
ISO	Quality Management Norm
ISA	International Standards of Audit
JMAP	Joint Management Action Plan
kW	Kilowatt
kWh	Kilowatt hour
LSMS	Living Standards Monitoring Survey (<i>Enquête sur le Niveau de Vie des Ménages</i>)
MEF	Ministry of Economy and Finance
MIGA	Multilateral Investment Guarantee Agency
MINEDD	Ministry of Environment and Sustainable Development
MW	Megawatt
NDP	National Development Plan (<i>Plan National de Développement</i>)
OHS	Occupational-Health and Safety
OHSAS	Occupational Health and Safety Assessment Series
PASEC	Analytical Program for Educational Systems (<i>Programme d'Analyse des Systèmes Éducatifs de la CONFEMEN</i>)
PDO	Program Development Objectives
PEFA	Public Expenditure and Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Review
PER	Public Expenditure Review
PETROCI	Government-Owned Petroleum Company
PFM	Public Financial Management
PIMA	Public Investment Management Assessment
PPG	Public and Publicly Guaranteed
PPP	Public-Private Partnership
ppts	Percentage Points
PV	Present Value
PVAM	Forward Average Sales Program (<i>Programme de Ventés Anticipées à la Moyenne</i>)
SCD	Systematic Country Diagnostic
SDR	Special Drawing Rights
SIGMAP	Integrated System for Public Procurement Management (<i>Système Intégré de Gestion des Marchés Publics</i>)
SIR	Ivorian Refinery Company (<i>Société Ivoirienne de Raffinerie</i>)
SOE	State-owned Enterprise
SORT	Systematic Operations Risk-Rating Tool
SME	Small and Mid-Sized Enterprises
SSA	Sub-Saharan Africa

TA	Technical Assistance
TSA	Treasury Single Account
US\$	United States Dollar
VAT	Value-added Tax
VRA	Volta River Authority
WAEMU	West African Economic and Monetary Union
WBG	World Bank Group

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REPUBLIC OF CÔTE D’IVOIRE
THIRD FISCAL MANAGEMENT, EDUCATION, ENERGY, AND COCOA REFORMS
DEVELOPMENT POLICY OPERATION

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SUMMARY OF PROPOSED OPERATION
THE REPUBLIC OF CÔTE D'IVOIRE
THIRD FISCAL MANAGEMENT, EDUCATION, ENERGY, AND COCOA REFORMS
DEVELOPMENT POLICY FINANCING

Borrower:	Government of Côte d'Ivoire.
Implementation Agency:	Ministry of Economy and Finance (MEF).
Financing Data:	An IDA credit in the amount of EURO 86.4 million (US\$100 million equivalent) on blend IDA terms. Term: Single Currency IDA credit with 30-year maturity including five-year grace period plus single currency charge (standard service charge, plus basis adjustment, plus interest charge, plus basis adjustment).
Operation Type:	Third single-tranche operation of a programmatic series of three consecutive development policy financing (DPF) operations.
Pillars of the Operation and PDO:	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.
Results Indicators:	<p>Enhancing tax revenue collection and public procurement</p> <ol style="list-style-type: none"> 1. Percentage of new firms provided with a unique electronic identification number. <i>Baseline (2015): 0; Progress (2017): 0; Target (2019): 90 percent.</i> 2. Percentage of enterprises (with turnover greater than CFAF 200 million) using the electronic platform to declare and pay their taxes. <i>Baseline (2015): 0; Progress (2018 – as 2018 data are already available): 77 percent; Target (2019): 75 percent.</i> 3. Decline in revenue losses associated with exemptions: <i>Baseline (2015:) 2.1 percent of GDP; Progress (2017): 2.1 percent of GDP; Target (2019): 1.9 percent of GDP.</i> 4. Number of days on average to complete a public procurement from the preparation of tenders to approval. <i>Baseline (2015): 159 days; Progress (2018): 105 days; Target (2019): less than 100 days.</i> <p>Strengthening efficiency and equity in the education sector</p> <ol style="list-style-type: none"> 5. Reduction in the repetition rate in primary schools: <i>Baseline (2015): 15.6 percent. Progress (2017): 11.5 percent; Target (2019): less than 10.5 percent.</i> 6. Number of new teachers recruited in primary schools with ratio of students/teacher above the national average: <i>Baseline (2015): not applicable. Progress (2017): not applicable; Target (2019): 5000.</i> 7. Completion rate in lower secondary education: <i>Baseline (2015): Boys 47 percent, girls 35.2 percent. Progress (2017): Boys: 55.5 percent, girls: 42.7 percent; Target (2019): Boys: more than 60 percent; Girls: more than 49.5 percent.</i> <p>Improving the performance of the electricity sector by enabling private sector participation and diversification</p> <ol style="list-style-type: none"> 8. Reduced commercial and technical losses on an annual basis. <i>Baseline (2015): 22 percent. Progress (2017): less than 20 percent; Target (2019): less than 20 percent.</i> 9. Improvement in the collection rate of electricity bills paid by domestic customers: <i>Baseline (2016): 85 percent. Progress (2017): 95 percent; Target (2019): 95 percent.</i> 10. Reduction of all arrears accumulated by the public sector on its electricity bills: <i>Baseline (2016): CFAF 80 billion. Progress (2017): CFAF 32 billion; Target (2019): CFAF 10 billion or less.</i> <p>Consolidating transparency in the management of the cocoa sector</p> <ol style="list-style-type: none"> 11. Reduction in the proportion of defaulted contracts by buyers/exporters in total production: <i>Baseline (2017): 15 percent; Target (2019): less than 5 percent.</i>
Overall Risk:	Substantial
Climate and disaster risks:	There are no short or long-term climate or disaster risks relevant to this operation as identified as part of the SORT environmental and social risk rating.
Operation ID:	P166388

**IDA PROGRAM DOCUMENT FOR A PROPOSED
THIRD FISCAL MANAGEMENT, EDUCATION, ENERGY, AND COCOA REFORMS
DEVELOPMENT POLICY OPERATION TO THE REPUBLIC OF CÔTE D'IVOIRE**

1. INTRODUCTION AND COUNTRY CONTEXT

1.1 The proposed operation is the third and last 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 (*Plan National de Développement* - NDP) and is an integral element of the World Bank Group (WBG) Country Partnership Framework (CPF) (FY2016-2019). The proposed amount for this third operation is EUR 86.4 million (equivalent to US\$100 million) on blend IDA terms; 30-year maturity including a five-year grace period.

1.2 Strong economic growth helped reduce poverty over the past few years, but not as much as anticipated. With Gross Domestic Product (GDP) growth estimated at 7.7 percent in 2017, Côte d'Ivoire continues to be one of the fastest growing economies in Sub-Saharan Africa (SSA). The main drivers of economic expansion are modern service sectors (communication, banking and transport) and a construction sector fueled by an ambitious public investment program and rapid urbanization. The contribution of the agricultural sector has varied, low in 2016 but high in 2017, due to its sensitivity to climatic conditions and international prices. The poverty rate has declined to an estimated 26 percent (international poverty line US\$1.90 2011 Purchasing Power Parity) in 2017, down from an estimated 28.2 percent in 2015 and 31 percent in 2011. Notwithstanding strong overall economic growth, the benefits have not been equally distributed. Spatial inequalities continue to be high, with higher poverty rates in Northern regions, and in rural areas.

1.3 The DPF series aims at supporting the Government to reinforce fiscal management and strengthen the education, energy, and cocoa sectors. The Government's strategy has been defined in the recently adopted NDP for the period 2016-2020. 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 all have 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).

1.4 To support the Government's reforms, 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 public procurement procedures and the high share of non-competitive procurement contracts that have led to unnecessary delays and fiscal costs.
- **Pillar 2: strengthening the efficiency and equity in the education sector.** Despite 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.*** The sector financial situation remains fragile and, therefore, a source of risk for the Government. The sector's technical and commercial performance needs to be improved by upgrading and maintaining the existing generation, transmission, 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.
- ***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 fiscal revenue and affect directly and indirectly 4 million people. The drop in cocoa prices on international markets at the end of 2016 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 through independent and systematic audits and, so, mitigate the risks for all its stakeholders, including small producers. The emphasis is on measures that improve transparency in the management of the cocoa commercialization system and funds collected in the sector.

1.5 While this is the third and last operation of the DPF series, significant achievements have already been noted. With the support of the DPF series, the reform of the primary education system led to a drop of repetition rate in primary schools from 15.6 percent in 2015 to 11.5 percent in 2017. The DPF series also supported reforms to assign teachers to underserved areas. These measures contribute to improving girls' completion rate, which increased from 35.2 percent in 2015 to 42.7 percent in 2017 and is expected to reach 49.5 percent by 2019. Moreover, reforms supported under the proposed operation helped to strengthen the financial viability of the electricity sector, as the collection rate of electricity bills increased from 85 percent in 2016 to more than 95 percent of GDP in 2018 and, during the same period, public sector arrears were reduced from about 0.4 percent of GDP to less than 0.05 percent of GDP. In the cocoa sector, the implementation of the recommendations of the audit supported by this series led to a reduction of exporters licenses due to more stringent requirements and this is expected to reduce the level of defaulted contracts by exporters in the next campaigns. Finally, tax payments were simplified through the introduction of an electronic platform which is effectively used by 77 percent (up from 0 percent in 2015) of firms with a turnover greater than CFAF 200 million. The measures supported by the DPF series had also a significant impact on the average time needed to complete a public procurement process, which decreased from 159 days in 2015 to 105 days in 2018.

1.6 This DPF series follows the maximizing finance for development approach to leverage further investments from the private sector. In addition to addressing fiscal challenges and helping promote inclusive growth, the DPF series is contributing to attracting 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). 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.

1.7 Côte d'Ivoire's macroeconomic policy framework provides an adequate basis for the proposed operation. Recent developments demonstrate that Côte d'Ivoire remains one of the fastest growing economy in the world and short to medium-term growth prospects are favorable thanks to sustained consumption and investments, strong performance of the industrial and services sector and continued strength in agricultural production. The rate of inflation is expected to remain in the range of 2 percent or less. The fiscal deficit is projected to converge to 3 percent of GDP by 2019, in line with the 2019 West African Economic and Monetary Union (WAEMU) fiscal target. The latest Debt Sustainability Analysis (DSA) concludes that the risk of external debt distress remains moderate. The macroeconomic policy framework is also supported by satisfactory progress under the International Monetary Fund (IMF) Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements. While external and domestic risks are present, particularly on the socio-political front, they should be manageable, including through the reform program supported by the DPF series.

2. MACROECONOMIC POLICY FRAMEWORK

2.1 RECENT ECONOMIC DEVELOPMENTS

2.1 Economic growth remains strong, driven by buoyant demand. Côte d'Ivoire has experienced fast but declining economic growth since the end of 2011 post-election conflict, supported by a surge in both private and public investment and robust domestic demand. As a result, the country has had a strong performance in terms of per-capita GDP annual growth, which averaged about 6 percent over the 2012-2017 period. Despite the decline in cocoa prices and the uncertainty created by socio-political tension in 2017, the economy continued to expand with growth estimated at 7.7 percent (5.1 percent in per capita terms). In 2018, the GDP growth rate is expected to reach 7.4 percent (4.8 percent in per capita terms), driven by public and private investments and private consumption. Although the real GDP growth rate is lower than those observed during the last few years, the expansion of the Ivoirian economy remains among the strongest of the SSA region (the regional growth rate is projected at 2.4 percent for 2018).

2.2 The combination of dynamic services, agriculture and industry sectors supported the strong economic performance. Modern services sector (trade, banking, transports, and communication) was a key driver of growth, driven by strong private consumption. The expansion of financial services and digital economy as well the expansion of transportation and retail trade has supported the growth of services sector. The agricultural sector also played an important role as it registered an increase in the production of crops in 2017 (cocoa, cotton, cashew, and coffee) due to favorable weather conditions and productivity-enhancing measures focused on improving farming techniques (including improved seeds distribution). Public and private investment supported growth in the construction sector as new infrastructure projects (for example, new bridge) were executed and construction of new industrial zones both in Abidjan and in the secondary cities accelerated. Moreover, the performance of the industrial sector was supported by large investments to increase energy production, including the Soubré hydroelectric dam and the modernization of two thermic plants.

2.3 The current account deficit widened, reflecting a deterioration of the terms of trade. Oil prices recovery together with weak prices for some export crops (such as cashew) is leading to a deterioration of the terms of trade in 2018 (-4 percent). Strong domestic demand supported the growth of imports,

including equipment goods. Export increased but did not fully compensate the acceleration of imports. As a result, the trade surplus is expected to decrease from 6.7 percent of GDP in 2017 to 6.2 percent of GDP in 2018.

Table 2.1. Selected Economic and Financial Indicators, 2014-2021

	2014	2015	2016	2017 (e)	2018 (p)	2019 (p)	2020 (p)	2021 (p)
National income and prices	Annual percentage change, unless otherwise indicated							
Real GDP	8.8	8.8	8.0	7.7	7.4	7.3	7.4	7.3
Per capita GDP	6.2	6.2	5.4	5.1	4.8	4.7	4.8	4.8
Contributions								
Consumption	7.8	9.3	8.6	3.2	5.4	5.3	5.5	5.5
Investment	3.2	2.8	0.5	2.2	2.1	2.2	2.2	2.1
Net exports	1.9	-2.9	0.2	3.6	-0.1	-0.2	-0.3	-0.3
Imports of goods and services	3.7	15.9	1.9	7.5	8.0	8.1	7.1	6.8
Exports of goods and services	4.0	6.9	2.2	17.6	6.9	7.8	6.9	7.3
GDP deflator	3.9	3.1	1.6	1.0	0.8	1.4	1.2	1.9
Consumer price inflation	0.4	1.2	0.7	0.8	1.1	1.4	1.4	2.0
Fiscals accounts	Percent of GDP, unless otherwise indicated							
Revenues and Grants	18.9	20.0	20.0	20.4	20.4	20.5	20.7	20.8
Expenditures	21.0	22.8	24.0	24.9	24.4	23.6	23.7	23.7
General Government Balance	-2.2	-2.8	-4.0	-4.5	-4.0	-3.0	-3.0	-2.9
Total Public debt (Excl C2D ¹)	36.2	40.7	43.1	45.3	48.5	46.0	45.7	44.1
External Debt (Excl C2D)	18.3	22.2	23.4	25.4	32.1	31.4	29.7	29.1
Selected Monetary Accounts	Annual percentage change, unless otherwise indicated							
Broad Money (M2)	16.1	17.3	10.1	8.8	14.6	11.9	12.9	10.7
Credit to private sector	21.7	28.5	13.3	15.2	13.0	12.3	12.1	12.0
Balance of Payments	Percent of GDP, unless otherwise indicated							
Current Account Balance	1.4	-0.6	-1.2	-3.5	-3.9	-3.7	-3.7	-3.4
Imports (f.o.b.)	36.7	25.8	22.1	24.7	27.9	27.9	27.7	27.9
Exports (f.o.b.)	25.7	35.4	30.8	31.4	34.0	34.0	33.6	34.1
Foreign Direct Investment	1.2	1.4	1.6	1.6	1.6	1.6	1.7	1.8
Gross Reserves (In month of imports)	4.7	5.0	4.0	4.2	...	...	...	...
Terms of Trade	4.6	16.2	17.5	-15.5	-4.0	-2.7	0.4	-0.1
Exchange rate (average)	494	591	593	580.9	...	...	...	...
Other memo items								
GDP nominal (CFAF billions)	17461	19595	20931	22151	23892	25957	28307	30769
Per capita GDP (In US\$ Atlas)	1384.9	1469.7	1552.9	1632.5	1711.5	1792	1877.8	2305.4

Source: Ivoirian authorities; World Bank and IMF staff estimates and projections, October 2018.

¹ Debt Reduction-Development Contracts (C2D) are not included, in line with the approach followed by the WB/IMF DSA.

Overall, the current account deficit is expected to increase from 3.5 percent of GDP to 3.9 percent of GDP in 2018. The current account deficit has been financed through a combination of Foreign Direct Investment (FDI) and public borrowing, including the issuance of Eurobonds in March 2018. Net FDI inflows, mainly in the agri-business, extractives, financial and telecommunication sectors, is projected to remain stable at 1.6 percent in 2018.

2.4 Inflation remains well below the regional target. As a member of the WAEMU, Côte d'Ivoire's monetary and exchange rate policies are managed at the regional level by the Central Bank of West African States (BCEAO). The regional central Bank maintains a fixed peg between the CFA Franc and the Euro and adopts an inflationary-targeting regime with a long-term objective of 3 percent. Inflation in Côte d'Ivoire is expected to remain low in 2018 (1.1 percent) reflecting declining food prices, with a price cap on basic goods and favorable weather conditions. International reserves at the regional level have returned to 4 months of imports by end-2017 after temporarily peaking in the wake of Eurobond issuances of Cote d'Ivoire, Senegal and the West African Development Bank (AfDB). Continued fiscal consolidation in Côte d'Ivoire and other member countries is needed to support regional reserves. Credit to the private sector kept supporting economic activity as it continued growing at a relatively strong but declining pace (13 percent in 2018 versus 15.2 percent in 2017).

2.5 Following a deterioration in 2017, the fiscal deficit is expected to decrease from 4.5 to 4.0 percent of GDP in 2018. The fiscal adjustment is mainly the result of lower spending, as the level of revenue will remain constant in 2018, at 16.5 percent of GDP. This is the result of two opposite trends. On one hand, tax administration has been strengthened through several reforms, including some supported by this DPF series, such as on-line declarations and payments of taxes by businesses. This has had a positive impact on revenue collections. On the other hand, tax revenues were negatively affected by two policy choices made by the Government. First, several tax policy measures, which were initially adopted with the 2018 budget, have been eliminated to accommodate private sector concerns and preserve social cohesion. The second is the Government decision to not fully transmit the increase of international oil prices to domestic pump prices by lowering oil taxation.

2.6 Lower current expenditures will be the driver of the fiscal adjustment in 2018. Total expenditure is expected to reach 24.4 percent of GDP, down by 0.5 percentage points compared to 2017, even if this level remains high for Côte d'Ivoire. This decrease in expenditures is explained by lower subsidies in the electricity sector and other current transfers, which is expected to decline from 1.9 percent of GDP in 2017 to 1.7 percent of GDP in 2018, and lower interest payments (partly as the result of the domestic debt buyback). Also, current expenditures were higher in 2017 because of the one-off increase in military spending (about 0.5 percent of GDP), leading to an automatic adjustment in 2018. Capital expenditures in 2018 are expected to remain constant at 6.9 percent of GDP. Pro-poor spending is projected to increase by 0.3 percentage points of GDP in 2018, reaching 9.6 percent of GDP.

2.7 To finance the fiscal deficit, the Government issued Eurobonds and public debt is expected to reach 48.5 percent of GDP in 2018. The Government issued EUR 1.7 billion through 12-years (with a 5.25 percent interest rate) and 30-years bonds (at 6.625 percent interest rate) on the Eurobonds market in March 2018. Part of these resources were used to buy back existing domestic debt securities with shorter maturity to smooth the repayment profile. As a result, public debt is expected to increase from 45.3 percent of GDP in 2017 to 48.5 percent of GDP in 2018, with a relatively big increase in external debt (up by 5.6 percentage points of GDP) and decline in domestic debt.

2.8 The banking sector remained broadly stable but with some vulnerabilities in 2017, with no major changes expected in 2018. Based on the latest data available, the average capital adequacy ratio increased from 8 percent at the end of 2016 to 9.8 percent at the end of 2017. The concentration ratio of loans to

top-5 borrowers relative to capital declined from about 127 percent at end-2016 to about 99 percent at end-2017, reflecting an increased diversification including towards Small and Medium-Sized Enterprises (SMEs). The share of non-performing loans slightly increased from 9.0 percent to 9.9 percent in 2017, which is low by regional standards. The Government has continued to strengthen public banks by the recent recapitalizations of the National Savings Bank (CNCE) and Versus Bank, which should help them to comply with the new WAEMU prudential rules. However, CNCE capital remains negative pending full implementation of its restructuring plan. The financial sector continued to expand with the entry of new commercial banks and micro finance institutions as well as the extension of banking activities by non-financial institutions such as phone operators. The operationalization of a regional Credit Information Bureau (BIC) has facilitated access to credit by SMEs. Finally, the implementation of Basel II and III capital requirement standards, and the introduction of consolidated supervision contributed to strengthen the financial sector both at the national and regional levels.

Table 2.2. Central Government Budgetary Operations, 2014-2021

	2014	2015	2016	2017 (e)	2018 (p)	2019 (p)	2020 (p)	2021 (p)
	Percent of GDP, unless otherwise specified							
Overall Balance (commitment basis)	-2.1	-2.8	-4.0	-4.5	-4.0	-3.0	-3.0	-2.9
Primary balance	-1.0	-1.3	-2.3	-2.8	-2.2	-1.0	-0.8	-0.9
Total Revenue and Grants	18.9	20.0	20.0	20.4	20.4	20.5	20.7	20.8
Tax revenues	14.7	15.1	16.0	16.5	16.5	17.0	17.2	17.4
Non-tax revenues	2.4	3.5	2.5	2.7	2.6	2.4	2.4	2.5
Grants	1.7	1.4	1.5	1.2	1.3	1.2	1.1	1.0
Expenditure	21.0	22.8	24.0	24.9	24.4	23.5	23.7	23.7
Current expenditure	15.3	16.5	17.3	18.0	17.5	16.9	16.9	16.8
Wages and compensation	6.8	6.9	6.7	6.8	6.8	6.5	6.2	6.2
Goods and services	5.6	6.1	6.7	6.7	6.4	6.4	6.2	6.2
Transfers	1.7	2.0	2.2	2.8	2.5	2.0	2.3	2.4
Interest	1.2	1.5	1.7	1.7	1.8	2.0	2.2	2.0
Domestic	0.7	0.7	0.9	0.8	0.9	0.8	0.8	0.7
External	0.5	0.8	0.8	0.8	0.9	1.2	1.4	1.3
Capital expenditures	5.7	6.3	6.7	6.9	6.9	6.6	6.8	6.9
Domestically financed	3.5	4.1	5.0	4.2	3.9	3.9	4.4	4.5
Foreign financed	2.2	2.2	1.7	2.7	3.0	2.7	2.4	2.4
Government Financing	3.1	2.8	3.6	5.4	4.4	3.1	3.2	2.9
External (net)	3.0	4.0	2.1	5.1	5.6	2.9	2.7	3.6
Domestic (net)	0.1	-1.2	1.5	0.3	-1.9	0.2	0.5	-0.9

Source: Ivorian authorities; World Bank and IMF staff estimates and projections, October 2018.

2.2 MACROECONOMIC OUTLOOK AND DEBT SUSTAINABILITY

2.9 The economic outlook remains positive in the short and medium term. Growth is projected at 7.3 percent in 2019 (with per capita growth at 4.7 percent) and above 7 percent over the period 2020-2021.

The economy is expected to expand robustly on the back of strong private consumption and investment as the result of stronger Government's effort to improve the business climate and pass further structural reforms in the banking, transport, and energy sectors. Dynamic service sectors including communications, digital services, finance and transport will support the economy because of innovation and the urbanization process. The industrial sector will continue to grow owing to the expansion of agricultural processing industries and the steady growth of construction activities, as new industrial zones are developed both in Abidjan and in the secondary cities. The performance of the agriculture sector is also expected to remain strong, boosted by several programs aimed at improving farming techniques and commercializing and diversifying the agricultural output. The projections assume favorable climatic conditions and a stable external environment, especially in the price of the main commodities traded by the country.

2.10 The current account deficit is projected to gradually decline over the next three years and stabilize around 3.5 percent of GDP in 2021. Export volumes are expected to increase in the medium term as the result of improvement in agricultural productivity and processing. At the same time, strong domestic demand will keep supporting imports, notably of intermediate and equipment products. As a result, the trade account balance is projected to remain stable, while services and income deficits are expected to gradually improve. The current account deficit would be financed through a combination of FDI and public borrowing (both concessional and non-concessional).

Table 2.3. Balance of Payments (BOP) Financing Requirements and Sources, 2014-2021

	2014	2015	2016	2017	2018 (p)	2019 (p)	2020 (p)	2021 (p)
In Billions CFA Francs; unless otherwise indicated								
BOP financing requirements and sources								
Financing requirements	-26	350	516	1495	1212	1314	1439	1274
Current account deficit	-252	119	246	784	922	949	1036	1034
Amortization of loans	226	231	270	711	290	365	403	240
Financing sources	-26	350	516	1495	1212	1314	1439	1274
FDI	209	284	326	352	393	427	494	568
Portfolio investments (net)	463	574	349	1188	1160	597	323	632
Capital transfers and grants	138	133	107	120	108	110	108	108
Short-term debt disbursements	...	...	...		
Long term debt disbursements (excl. IMF)	-734	-246	-520	46	-184	260	748	360
Change in reserves	-138	-447	231	-302	-415	-148	-148	-291
IMF credit (net)								
O/w Prospective IMF financing	36	52	23	91	150	68	-86	-103
Financing gap	0	0	0	0	0	0	0	0

Source: Ivoirian authorities; Bank and IMF staff estimates and projections, October 2018.

2.11 Inflation is projected to remain low in line with the 3 percent WAEMU target. Despite strong domestic demand, inflation is expected to remain under control as long as BCEAO maintains a prudent monetary policy stance and food prices remain low. Food prices and energy prices, which account for a

significant share of the Consumer Price Index (CPI), are expected to remain stable as a result of the expected positive performance of these two sectors in the next few years. Although energy prices (most notably diesel and gasoline) will remain dependent on oil prices in international markets, it is expected that the adjustment in local prices will continue to be gradual, as reflected by the policy pursued by the authorities since October 2017.

2.12 The fiscal deficit is expected to decrease to 3 percent of GDP in 2019 and then remain stable over the medium term. During the last IMF mission in September 2018, the Government has renewed its commitment to comply with the WAEMU fiscal deficit target of 3 percent of GDP by 2019. This is a target under the IMF ECF and EFF arrangements. This deficit will continue to be financed by a combination of concessional and non-concessional funds.

2.13 The fiscal consolidation is expected to be achieved by strengthening tax revenue mobilization and reducing current expenditures. On the revenue side, the Government plans to rationalize tax expenditures to create fiscal space for growth-enhancing capital expenditures. With the support of the proposed operation, the new Investment Code replaced value-added tax (VAT) exemptions on imports of materials and equipment goods with a VAT deferred payment system. The fiscal impact of this measure is expected to reach 0.2 percent of GDP in 2019 and gradually grow until reaching 0.6 percent of GDP in the medium term. Moreover, VAT exemptions on imports of cell phone and tablets that will expire at the end of 2018 won't be renewed. The Government is also preparing an action plan to rationalize tax expenditures further. Besides reducing tax exemptions, the Government plans to increase excise taxes on tobacco and luxury vehicles. While the revision and removal of some of the tax measures included in the 2018 budget law suggests that it may difficult to implement significant tax reforms, these risks could be mitigated by strengthening the consultations with the private sector. Efforts to improve tax administration will continue, with simplified registration and payment procedures as well as better identification of taxpayers through the development of harmonized databases and control systems.

2.14 The revenue measures planned by the Government include also an increase of export taxes which could have a distortionary impact. Following the partial recovery of cocoa prices during 2018, the Government plans to reintroduce the cocoa registration tax that was abolished in 2017 (yielding about 0.2 percent of GDP in additional tax revenue) and increase the export tax on raw cashew nuts² from Financial Community of Africa Franc (FCFA) 10/kg to FCFA 20/kg (yielding about 0.1 percent of GDP). Authorities expect the tax on raw cashew nuts to incentivize local transformation and higher domestic value addition. However, these taxes are likely to have a distortionary impact along the following dimensions. First, taxing exports distorts trade and, even if the exporter is a price maker, it reduces world welfare. Second, export taxes have a potential distributional impact as they could negatively affect farmgate prices, as lower farmgate prices might be required to maintain cost recovery in commodity transport and processing activities. Finally, these export taxes could lead to an increase in smuggling through neighboring countries

² The export tax was increased early in 2018 amidst an unprecedented surge in raw cashew nut prices to facilitate access to raw materials for local processors and to promote domestic processing for higher domestic value addition. As stated above, such tax is likely to have a distortionary impact along the domestic value chain and should not be encouraged. Local transformation in the cashew sector is also incentivized by a levy of FCFA 30/kg collected by *Conseil du Coton et de l'Anacarde* (CCA). The levy is agreed upon by sector stakeholders (who are members of CCA) to be used to support the structuring of the value chain. This includes the payment to local processors of a subsidy of CFAF 40/kg of kernel produced (a mechanism equivalent to a “duty drawback”) and the financing of activities benefiting the producers, including boosting agricultural productivity (such as the distribution of improved planting material). Financing the activities benefiting the producers helps to mitigate the negative impact of the levy on farm-gate prices and rural incomes. Part of this levy will also be used for the repayment of the Cashew Value-Chain Competitiveness Project (P158810).

(such as Ghana or Burkina Faso). Given the potential distortions associated with export taxes, authorities are encouraged to continue putting emphasis on domestic taxes versus export taxes. Overall, tax revenue should gradually increase by 0.9 percent of GDP over the next three years.

2.15 Total expenditures are expected to decrease by 0.8 percentage points of GDP as the Government plans to restrain the wage bill as well as capital expenditures. Overall, total expenditures are projected to decrease from 24.4 percent of GDP in 2018 to 23.6 percent in 2019 and 23.7 percent in 2020 and onwards. Improved control of the wage bill will be realized through a better management of recruitment and remuneration. The emphasis will be on efficiency reforms, including the generalization of the e-procurement system to all Ministries and agencies. The Government also plans to improve the effectiveness of public investments and efficiency of public spending, mainly by implementing the recommendations of the 2017 Public Investment Management Assessment (PIMA)³; the recommendations of the audits of PPPs projects; and procurement reforms (supported by the DPF series and the Governance project on “Enhancing government effectiveness for improved public services”, P164302). Concurrently, the level of pro-poor expenditures is expected to increase in the medium term from 9.0 percent of GDP in 2018 to 9.9 percent of GDP in 2021.

2.16 Public sector debt is expected to remain sustainable, converging to a level of 44.1 percent of GDP in 2021. The latest DSA (in June 2018) concludes that Côte d’Ivoire remains at a moderate risk of external debt distress. All external debt burden indicators lie below their thresholds under the baseline. However, Côte d’Ivoire remains vulnerable to adverse domestic and external shocks, those related to exports, the growth rate, the US dollar exchange rate and foreign direct investment. Contingent risks relating to some SOEs including public banks (which were negatively affected by the 2017 crisis in the cocoa sector) and the public-private partnership programs are sources of fiscal risks which should be closely monitored and contained. The country needs to maintain a prudent debt management strategy and to increase revenue mobilization to avoid excessive non-concessional borrowing in the future and build fiscal buffers.

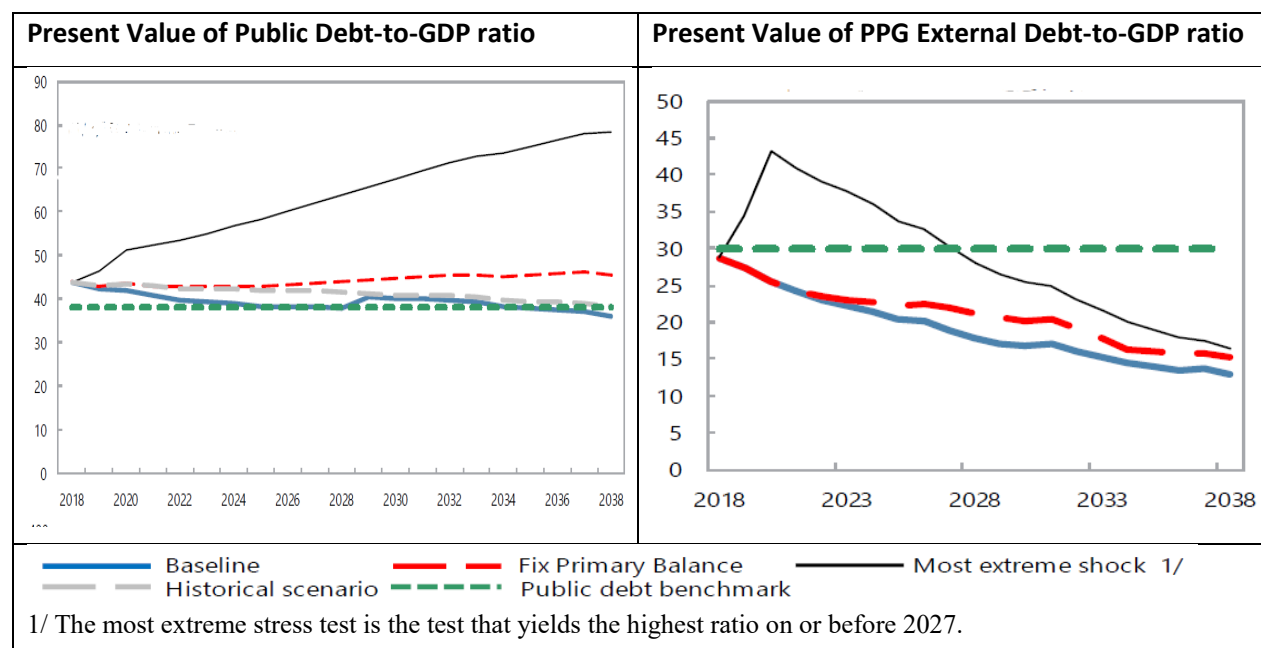
2.17 The Government will further strengthen financial stability and financial sector soundness. Financial soundness indicators are expected to be improved further by the recent introduction of the new prudential rules aligned with the Basel II/III principles. The Government will continue the implementation of its Financial Sector Development Program (*Programme de Développement du Secteur Financier – PDESFI*) aiming to further strengthen and develop the banking system. The creation of an observatory for financial consumer protection together with the emphasis on the use of technology will accelerate financial inclusion.

2.18 While prospects remain positive for Côte d’Ivoire in the short to medium term, the country is exposed to significant external and domestic risks. On the external side, the country remains vulnerable to commodity prices. A decline of commodity prices (especially cocoa prices) can have a negative impact on economic growth, the country’s external balance, and the government’s fiscal accounts. Moreover, adverse weather conditions, as demonstrated in 2016, can have a significant negative impact on agricultural output and exports. Weak growth in key advanced economies could affect Côte d’Ivoire’s economic growth through lower FDI inflows. In addition, the tightening of monetary policy on international and regional markets would make non-concessional borrowing more expensive for the Government, which could affect the planned fiscal consolidation and debt sustainability in the medium to longer run.

³ The main recommendations of the joint IMF/World Bank PIMA include improving multiyear planning and execution of public investments and enhance the efficiency of procurement processes and management of public contracts, including for Public Private Partnerships.

2.19 On the domestic side, the resurgence of socio-political and security tensions in the run-up to the 2020 Presidential elections may discourage private investment and slowdown economic growth. It may also weaken fiscal consolidation as the authorities may be tempted to spend more during the preparation of national elections. Moreover, fiscal risks associated with the contingent liabilities related to PPPs and SOEs debt constitute a potential source of vulnerabilities. Lastly, the delay in implementing necessary fiscal measures to achieve fiscal consolidation as well as inefficient public investments could pose risks for fiscal and debt sustainability while having adverse consequences for growth. To overcome these risks, the Government will need to sustain its tax collection efforts, prioritize investments and improve the efficiency of its spending. The proposed DPF series aims at reducing those risks by supporting domestic revenue mobilization and higher efficiency of public expenditures (for example, in the education sector); and promoting the reduction of fiscal risks associated with the management of the electricity and cocoa sectors.

Figure 2.1: Indicators of Public and Publicly Guaranteed (PPG) Debt - Alternatives Scenarios, 2018–2038



Source: Ivoirian authorities; World Bank and IMF staff estimates and projections, June 2018.

2.20 Overall, Côte d'Ivoire's macroeconomic policy framework provides an adequate basis for the proposed operation. The short-medium term outlook is positive with: economic growth projected to increase by approximately 7.3 percent per year, underpinned by sustained investments and consumption and strong performance of the industrial and services sector and continued strength in agricultural production; a low and stable inflation, which is projected to remain below 2 percent. The fiscal deficit is projected to reach 3 percent of GDP by 2019, in line with the 2019 WAEMU fiscal target. The Government's macroeconomic and fiscal framework is also supported by satisfactory progress under the IMF ECF and EFF arrangements.

2.3 IMF RELATIONS

2.21 Performance under the IMF-supported program is positive. The three-year ECF/EFF arrangements with a total access of about US\$918 million were approved by the IMF Executive Board on December 12, 2016. On June 18, 2018, the Executive Board of the IMF completed the third review under the three-year arrangements. On October 3, 2018 the IMF reached a staff level agreement with authorities on the fourth review of the program. The IMF Board is expected to discuss the fourth review on December 17, 2018.

Performance under the IMF-supported program was positive in the first half of 2018 as all performance criteria and indicative targets for end-June 2018 were met. The IMF mission noted improvements in the restructuring and the oversight of public enterprises, and the monitoring of public-private partnership projects and their fiscal-related risk.

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 achieve 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 growing number of PPP projects. Moreover, the NDP envisages large investments in physical and human capital, which will require estimated investments of CFAF 29,300 billion (about 125 percent of GDP) over the next four years. The sources of financing are expected to be 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. The authorities will continue with their efforts to mobilize additional private investment.

3.3 The implementation of the NDP advances but challenges remain. Based on the most recent monitoring report of the 2016-2020 NDP, the investments realized as of the end of 2017 reached CFAF 4,920 billion, lower than the Government's target (CFAF 5,148 billion). The private sector contribution represented more than 69 percent of the total investments executed (higher than the 62 percent target established for 2017). While the implementation of the NDP advances, further efforts are needed to improve living conditions of population as well as to enhance the quality of education and health services. Efforts might be needed to reduce inequalities and make growth more inclusive. Business climate reforms should be accelerated to further develop the private sector.

4. THE PROPOSED OPERATION

4.1 LINK TO THE GOVERNMENT PROGRAM AND OPERATION DESCRIPTION

4.1 The proposed operation is the third 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 NDP. The focus has been on 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 The Program Development Objectives (PDOs) of the series remain unchanged. The program is intended to enhance 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 design of the DPF series was informed by previous operations. The key lessons from previous DPF series and from the 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 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

4.4 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. 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 DPF3 are detailed in the following sections, along with expected outcomes and result indicators.

Table 4.1. Pillars and Analytical Underpinnings

1. Pillars	2. Analytical Underpinnings
<p>Enhancing tax revenue collection and public procurement</p>	<p><u>“Evaluation Report on Tax and Administration Reforms under the IMF Technical Assistance Funded by ‘the Tax Policy and Administration – Topical Trust Fund’”, (IMF Fiscal Affairs Department, March 2016).</u></p> <ul style="list-style-type: none"> • The tax base needs to be broadened by reducing informality and removing tax exemptions and improving the efficiency of tax and customs administration. <p><u>“Diagnostic Study of Governance in Côte d’Ivoire” (January 2013).</u></p> <ul style="list-style-type: none"> • Poverty and inequality are exacerbated by corruption. • It is necessary to improve processes for awarding public contracts and managing civil servants. <p><u>“Côte d’Ivoire: PEMFAR” (2008 and 2013).</u></p> <ul style="list-style-type: none"> • The link between official policies and actual budget execution is undermined by excessive recourse to extra-budgetary procedures. • Procurement processes suffer from the ineffective application of the new procurement code, which is hampered by capacity constraints. <p><u>Western Africa: Benin/Burkina Faso/Cote d'Ivoire/Togo Tax Study(P163693)</u></p> <ul style="list-style-type: none"> • Multiple tax exemptions in Cote d’Ivoire, including those one provided through the investment code, weakens fiscal revenues.

1. Pillars	2. Analytical Underpinnings
	<ul style="list-style-type: none"> The effectiveness of VAT credit refunds provides an opportunity to eliminate selected VAT exemptions.
<p>Strengthening efficiency and equity in the education sector</p>	<p><u>“Côte d’Ivoire: Public Expenditure Review (PER) in the Education Sector” (World Bank, 2016).</u> <u>“A Hybrid Approach to Estimating the Efficiency of Public Spending on Education in Emerging and Developing Economies,” IMF, Francesco Grigoli (2014).</u> <u>2004 World Development Report (WDR): “Making Service Work for Poor People” (World Bank, 2004).</u></p> <ul style="list-style-type: none"> Evidence of large potential gains in enrollment rates by improving efficiency. Reallocating expenditure to reduce classrooms size and improving the quality of institutions could help improve the efficiency of education spending.
<p>Improving the performance of the electricity sector by enabling private sector participation and diversification</p>	<p><u>“Systematic Country Diagnostic – SCD” (2014).</u> 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.</p>
<p>Consolidating transparency in the management of the cocoa sector</p>	<p><u>“Welfare and Poverty Impacts of Cocoa Price Policy Reform in Côte d’Ivoire”, Poverty and Equity GP, (2016).</u> Variations in cocoa prices have a significant impact on producers’ earnings and therefore the level of poverty. <u>“Document de Stratégie : Réformes de la filière café-cacao, (Gouvernement de la Côte d’Ivoire, 2011).</u></p>

Pillar 1: Enhancing tax revenue collection and public procurement

Objective

4.5 This pillar aims to support Government efforts to improve fiscal policy effectiveness by increasing revenue mobilization and improving public financial management with a specific focus on procurement. These two areas are not only strategically important for the implementation of the NDP, but also for the fiscal consolidation strategy that the Government is implementing. In both areas, Côte d’Ivoire’s performance has improved over the last years, but it is still relatively weak compared to international and even regional standards.⁴

⁴ 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/GDP ratio through lending operations, Advisory Services and Analytics (ASA) and technical assistance including tax diagnostic assessments”.

A. Enhancing Revenue Mobilization

Background

4.6 Increasing tax revenues is crucial for achieving fiscal consolidation while creating fiscal space for public investment and pro-poor spending. Since 2014, the authorities have been able to increase tax revenue by almost 2 percent of GDP thanks to progress in tax administration such as the implementation of a VAT refund system, reorganization of the large taxpayer office, setting up a center for medium-size taxpayers, and the adoption of a new custom code. Yet, this increase falls below estimated potential as various recent studies, including from the World Bank, suggest that Côte d'Ivoire should be able to increase revenues by about 3-7 percentage points of GDP, based on the performance achieved by countries with similar economic structure and level of development. The level of tax revenue collected by Côte d'Ivoire is lower, at approximately 16.5 percent of GDP (2017 data), than in most WAMEU countries and far from the 20 percent of GDP objective set by WAMEU Commission for its member countries. The DPF series, as well as technical assistance provided by the World Bank, support this objective, which is also a key pillar of the current CPF.

4.7 Several structural factors help explain low tax revenue collection. The most important ones include: (i) a narrow tax base due to the high share of the informal sector in the economy; (ii) an inefficient tax administration; (iii) widespread tax exemptions; as well as (iv) inherently complex and inefficient income tax legislation, constraining taxpayers' voluntary compliance. Performance is especially weak in VAT revenues, which represented only 3.5 percent of GDP in 2017 compared to 7.3 percent of GDP in Senegal and 6.5 percent of GDP in Burkina Faso, respectively. In 2017, the Government lost tax revenue to mitigate the impact on local producers and consumers of the sharp drop in world cocoa prices and the rise in oil prices. These two measures had a negative impact on revenues estimated at about 0.5 percent of GDP. In recent years, partly under IMF Technical Assistance (TA) and support from other development partners (European Union (EU) and AFDB), several actions have been taken to address these weaknesses and strengthen tax administration, but efforts need to be consolidated to yield significant results.

Progress since DPF2

4.8 The DPF series supports revenue collection efforts through several measures: (i) improved audit of core segments of taxpayers; (ii) reduction in compliance costs; and (iii) reduction of tax exemptions. As part of DPF2, online tax filing and payments were implemented for firms with turnover of more than CFAF 200 million. This action reinforced the Government's effort to reduce compliance costs and improved the country's ranking in Doing Business 2018. At the end of July 2018, 77.8 percent of the firms (up from 0 percent in 2015) with turnover larger than CFAF 200 million were filing and paying their taxes using the electronic platform introduced with the support of the DPF series. The total amount of tax revenues collected through the platform represented 50.5 percent of total tax revenues. The online tax declarations and payment will be gradually extended to all the taxpayers beginning in 2018. This will continue to strengthen the tax audit of taxpayers, gradually broaden the tax base and increase tax revenues.

4.9 The Government is committed to eliminating several inefficient tax expenditures despite resistance from the private sector. Official estimates place the cost of tax exemptions around 2 percent of GDP. The international evidence suggests many of these exemptions are not effective in attracting private sector investment, since tax incentives are not considered a critical parameter for FDI decisions. The second prior action under DPF2 consists in eliminating several VAT exemptions within the 2018 budget law in line with the WAEMU regulation n.2/2009. The estimated revenue gains associated to this measure were in the range of CFAF 18 billion (0.08 percent of GDP) in 2018. Following consultations with the private sector, however, the Government reinstated two out of four VAT exemptions that were supposed to be eliminated

in 2018 onwards. This decision sent some mixed signals on the way forward about the Government's capacity to reduce the use of tax exemptions.

4.10 To boost domestic revenue mobilization, the Government passed additional tax policy and administration reforms during 2017 and early 2018. The Government removed tax exemptions on profits granted to operators in the mining sector. Two additional tax-payer centers for medium-sized businesses (*Centre des Moyennes Entreprises* - CME) were created in December 2016, bringing the total number of CMEs to four. Also, the eligibility threshold limit for businesses in the CME was lowered from CFAF 400 million to CFAF 200 million. Moreover, a Unit focusing on medium-sized business tax payers was created to strengthen compliance management, revenue risk analysis, and enforcement capacity for this important segment of taxpayers. The recent 4th review of the IMF Program confirmed that the country is on track to achieve the planned fiscal consolidation by 2019.

Prior actions

4.11 The third operation aims at consolidating gains from the previous measures by promoting further tax compliance and increasing tax revenues. The first proposed prior action for DPF3 is to implement a unique electronic identification system for all new companies (Prior Action #1). This system, implemented by the national body in charge of investment promotion in close cooperation with tax authorities, will replace five different registration numbers that a company needed to obtain to operate in the country. This unique number will help the Government consolidate the records of different administrative units into a single platform from the Commercial Register, Tax administration, Social Security and the register of Foreign Trade Operators. The operation will also help to strengthen tax audit and control, by ensuring the traceability, since information at customs and inland tax revenues are now being tagged to one single ID per enterprise. Experience in other countries indicate important revenue improvements over the medium-term. In addition to implementing the measure supported by this prior action, the Government is continuing to strengthen tax administration including through an electronic platform, known as E-liasse, that aims to dematerialize the management of financial statements, in line with the 2009 WAEMU directives. The platform is a one-stop-shop where companies and organizations can declare their financial statements electronically. This reform, which extends the e-declaration and e-payment of taxes contribute to reduced transaction costs and encourage taxpayers to pay their taxes. It will promote the traceability, reliability, and security of all financial statements and therefore reduce tax evasion.

4.12 In line with the objective of boosting tax revenues by streamlining tax exemptions, this operation supports the revisions of the Investment Code (Prior Action #2). The Government revised the existing tax incentives granted by the Investment Code, building on the recommendations from the investment code study conducted in 2017 and the comments received from the IMF and the World Bank. The new Code will streamline tax exemptions while maintaining an attractive business environment for private investment. In particular, the new Investment Code replaces VAT exemptions on imported materials and equipment goods with a VAT deferred payment system. The replacement of exemptions on the imported items bring these items into the VAT value-chain and hence broadens the tax base. In addition, with the deferred VAT payment system transactions can be tracked by tax and customs authorities and this reduces the risks of fraud. The temporary suspension of VAT payments applies to the investment period. Once investments are completed, firms that benefited from the VAT suspension have two months to declare the suspended VAT and start its payment that needs to be completed within a period of two years. The replacement of VAT exemptions with a VAT deferred payment is expected to enhance domestic VAT revenues, while the VAT deferred payment system seeks to prevent cashflow-related issues for firms eligible for VAT refunds. The efficiency of the deferred payment system and the administration of its mechanism is facilitated by the

new unique ID system, supported by Prior Action #1. Moreover, the risk that tax administration capacity will negatively affect the implementation of the measure is mitigated by the fact that the World Bank has an active policy dialogue with authorities on tax policy and administration issues (a tax study covering Côte d'Ivoire and other three countries in the sub-region has just been completed).

4.13 The Government also leveraged the revisions of the Investment Code to reduce tax holidays and passed further measures to rationalize tax exemptions. New firms will keep receiving tax incentives but with some modifications. For example, firms in the District of Abidjan used to benefit from 100 percent tax exemptions for the first three years of operation, 50 percent for the fourth year and 25 percent for the fifth year. With the new Investment Code, tax exemptions will be reduced to 50 percent for the first five years of operation. The new Code also limits the use of these tax holidays by moving some activities (for example, private higher education) from Category 1 (activities benefiting from tax holidays) to Category 2 (activities benefiting from tax credits) and introducing higher eligibility thresholds for selected sectors (for example, the hotel sector). Moreover, the new Budget Law will also include a proposal to centralize approvals of ad hoc deals (convention) with the Minister of Budget instead of in line Ministers. This measure will allow to better control the use of tax exemptions.

Prior actions for the third operation

Prior action #1: To strengthen tax administration, the Recipient has implemented an electronic single taxpayer identification system for enterprises.

Prior action #2: The Recipient has adopted a new Investment Code on August 1, 2018 by replacing VAT exemptions on imports of equipment goods and materials with a VAT deferred payment system as detailed in Arrêté n° 1091 dated October 30, 2018.

Indicators:

(i) Percentage of new firms provided with a unique electronic identification number.

Baseline (2015): 0 percent. Progress (2017): 0 percent. Target (2019): 90 percent.

(ii) Percentage of enterprises (with turnover greater than CFAF 200 million) using the electronic platform to declare and pay their taxes.

Baseline (2015): 0; Progress (2018): 77 percent; Target (2019): 75 percent.

(iii) Decline in revenue losses associated with exemptions.

Baseline (2015): 2.1 percent of GDP; Progress (2017): 2.1 percent of GDP; Target (2019): 1.9 percent of GDP.

Expected Results

4.14 The two prior actions are expected to strengthen tax administration and boost tax revenue mobilization. Prior Action 1 will help to strengthen tax administration by ensuring the traceability and better monitoring of all the taxpayers. The implementation of a unique electronic identification system will contribute to enhancing revenue mobilization by promoting tax compliance and broadening the tax base. The target is to increase the number of new firms with the new electronic identification number from 0 percent 2017 to 90 percent by 2019. Meanwhile, the rationalization of tax exemptions will help to reduce tax expenditures which should decrease by about 0.6 percent of GDP in the medium term. However, it will take some years before the impact of this measure fully materializes. In the short-term, tax expenditures are expected to decline to 1.9 percent of GDP in 2019 (from 2.1 percent in 2017). Overall, with the contribution of the measures supported under this series, tax revenues are expected to increase from 16.5 percent of GDP in 2017 to 17 percent of GDP in 2019 and 17.4 percent of GDP by 2021.

B. Public procurement system

Background

4.15 In recent years, the Government has implemented reforms to improve the efficiency and the transparency of the public procurement system. The National Public Procurement Regulatory Authority (*Agence Nationale de Régulation des Marchés Publics* - ANRMP) has been operational since 2011. Its key responsibilities include carrying out audits of the awards and execution of public contracts; settling disputes associated with public procurement; and imposing sanctions to address irregularities and fraud. Moreover, regular monitoring of delays in the procurement chain was set up to take corrective actions. To strengthen the public procurement system, an audit was completed on public procurement contracts from 1993 to 2012 still recorded as “open” in the Integrated System for Public Procurement Management (SIGMAP) database. This helped the authorities to stabilize the stock of outstanding contracts and to start clearing domestic arrears. The institutional framework was revisited in 2014 with the adoption of a new procurement Code (Decree No. 2014-306) in order to streamline the procedures and shorten the time required for handling open bidding. Lastly, the Government has implemented the Public Procurement Units (CPMP) in the various ministries and created a Monitoring and Evaluation unit within the Ministry of Economy and Finance (MEF) to shorten time while strengthening procurement management. All these efforts led to a reduction in the average time for the procurement process and in the value of non-competitive procurement contracts as a share of total contracts.

4.16 Recent 2017 Public Expenditure and Financial Accountability (PEFA) report confirmed progress. Information on the public procurement including public enterprises is now available online on the website of public procurement department. Moreover, the share of contracts using competitive procedures increased to 70 percent in 2017 from 60 percent in 2015. Lastly, procurement units have been established in each ministry to reduce the time required to process bidding documents.

4.17 Despite these efforts, the public procurement system remains weak and the country is still far from international (or even regional) best practices. At the end of 2016, the mandate of ANRMP’s Board expired and this led to a weakening of the Regulatory Authority and the Ivorian procurement system. The challenges of the procurement system were illustrated in the most recent audit report⁵ that revealed that 41 percent of public contracts were granted with several irregularities. Approximately 16 percent of these contracts were approved without the required documentation. Moreover, the value of non-competitive procurement contracts as a share of total contracts increased at 27.4 percent compared to 2015 (19 percent). The audit identified the following key issues: non-compliance with fundamental principles of procurement procedures; non-registration of the contracts in the procurement plan; and the compliance of the duration of the process (for more than 50 percent of public procurement).

Progress since DPF2

4.18 The DPF series supports the implementation of the institutional framework for public procurement and the efficiency and transparency of the public procurement system. Since DPF2, the electronic procurement system has started to be implemented through a sequencing plan, with the objective to move from paper to electronic format for all public contracts. The process of the e-procurement development has been piloted in four (4) key ministries to allow time for training and capacity building. However, while “e-contracts,” e-learning,” and “decision support” modules were successfully

⁵ [Audit des marchés publics](#), June 2018.

developed, the pilot project faced technical challenges that led to delays. The Government has taken measures to address these recent technical issues including through information and training sessions.

4.19 Concurrently to the development of the e-procurement system, the Government has worked on several initiatives to further improve the public procurement system. A new Code has been drafted to modernize the legal framework, which should be ready in early 2019. Moreover, an effort is being made to build a new data base on prices that should allow benchmarking simple contracts. These initiatives underscore the Government's commitment to improving public procurement and more broadly public financial management.

Prior Actions and expected results

4.20 The procurement-related prior action has been broadened compared to the trigger agreed in November 2017. Côte d'Ivoire is one of the first West-African countries introducing e-procurement. In this context, the development of e-procurement is facing some delays (see paragraph 4.18). The proposed prior action supports the development of e-procurement in ten Ministries as opposed to the indicative trigger in the previous operation which had a broader scope (e-procurement developed in all Ministries). The proposed prior action (Prior Action #3) remains strong for two key reasons. First, the ten Ministries where e-procurement was developed include those processing the largest purchases of goods and services. Hence, the majority of public procurement in Côte d'Ivoire is processed through these ten Ministries. Second, the prior action was reformulated to support recent Government's efforts to enhance credibility and capacity of the ANRMP and to ensure the proper implementation of the e-procurement system over time. These adjustments are partly based on lessons learned from the pilot. As a result, the revised proposed prior action has accompanied the Government in its effort to renew the ANRMP Board's members, which was vacant since the end of 2016. The expiration of the Board's mandate led to a weakening of the Regulatory Authority and the Ivorian procurement system until this issue was addressed with the support of the DPF series. Moreover, the prior action supported the adoption of a ministerial arrêté providing legal force to the contracts submitted by the electronic system, which was seen as a major obstacle to the adoption of this system by the administration. The adopted text will allow the use of contracts submitted electronically in case of complaints and legal dispute and incentivize further the implementation of the e-procurement system within the administration.

4.21 The measures supported by this series are expected to strengthen the efficiency and the transparency of the existing procurement system. The operationalization of the electronic procurement system and the strengthening of the Regulatory Authority are expected to reduce delays and promote a more efficient public financial management system. The average number of days required to complete a public procurement from the preparation of tenders to approval is expected to decline from 159 days in 2015 to 100 days in 2019.

Prior actions for the third operation

Prior action#3:

To strengthen the public procurement system, the Recipient has (1) renewed the members of the Board of the ANRMP; (2) adopted an Arrêté which gives legal force to the contracts awarded by the electronic system; and (3) extended the use of the electronic system to at least 10 Ministries.

Indicators:

(i) Number of days on average to complete a public procurement from the preparation of tenders to approval. Baseline (2015): 159 days; Progress (2017): 105 days; Target (2019): less than 100 days.

Pillar 2: Strengthening efficiency and equity in the education sector

Objective

4.22 This pillar aims to support Government efforts to strengthen the efficiency of education spending and the equity of the national education system. 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.

Background

4.23 The Government considers education a priority to promote inclusive growth in Côte d'Ivoire. To promote equity in the provision of education services, the Government has set ambitious objectives for the education sector such as providing free education until the age of 16 since the beginning of the 2015-2016 academic year. To achieve this objective, the Government dedicates an important part of its budget to the education sector. In 2016, total public expenditures allocated to the education sector reached 4.94 percent of GDP, against 4.58 percent on average in SSA. Spending per student rose from CFAF 74,396 in 2010 to CFAF 98,621 in 2015.

4.24 Despite these efforts, sector performance remains low in terms of completion rate and equity. The completion rate in 2015 was 69.1 percent for primary education and 41.5 percent for lower secondary education, compared to 72.6 percent and 48.6 percent on average in SSA⁶. Gender and social disparities in education attainment are high. Completion rates for boys in primary education are significantly higher than those for girls (72.4 percent versus 64.8 percent) and similar differences are recorded for lower secondary education, too (47 percent completion rate for boys versus 35.2 percent completion rate for girls). Average years of schooling is 6.98 for girls, against 8.54 for boys⁷. The World Bank public expenditure review of the education sector has shown that public spending on education has been regressive 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 Moreover, 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 of students have a low or very low level in Mathematics. The results of the Analytical Program for Education Systems (*Programme d'Analyse des Systèmes Éducatifs de la CONFEMEN - PASEC*) assessment, which compares 12 Francophone countries, show students from Côte d'Ivoire scoring less than average in French, and among the lowest in mathematics. The students who do complete primary school have lower literacy and math skills than fellow students in other French-speaking African countries. These gaps widen in secondary school, notably affecting girls, children in rural areas, and poor families.

Progress since DPF2

4.26 The Ministry of National Education (*Ministère de l'Éducation Nationale, de l'Enseignement Technique et de la Formation Professionnelle*) took action to address the issues identified in the recent

⁶ 2017-2018 MENETFP Statistic yearbook.

⁷ Enquête sur le Niveau de Vie des ménages (ENV 2015) and World Bank Staff calculation.

student learning assessments. To improve the efficiency of the education system, with the support of the DPF series, the Government adopted a new standardized student learning assessment system. In 2017, the Government carried out two assessments for primary education (supported by the second operation in the DPF series) and lower secondary education. Following the completion of the assessments, the Ministry disseminated results and recommendations through regional workshops and increased teaching time for reading and mathematics. Moreover, in-service primary teacher training (*journées pédagogiques*) was strengthened.

4.27 For a better use of human resources, the Government increased teaching time for primary education. With the support of the second operation in the DPF series, Wednesday mornings were incorporated in the official calendar and remediation activities during the week were reorganized. As a result, teaching time over the school year increased by 132 hours and students from poor families can now benefit from remediation activities.

Prior actions and expected results

4.28 The third DPF will continue to support the reforms in favor of increased efficiency and equity of the education system in Côte d'Ivoire. Since August 2018, the Ministry of National Education requires that all new teachers recruited in lower secondary schools must be bivalent teachers⁸ (Prior Action #4). All bivalent teachers are recruited after a training period of two or three years depending on the education level. The two subjects taught by each bivalent teacher tend to be related (for example, Math and Natural Sciences) to ensure that the quality of teaching maintains high standards. The recruitment of bivalent teachers is expected to help realize economies of scale and reduce the deficit of teachers in underserved areas as well as the risk of underemployment⁹. Beyond the efficiency gains associated to this measure, this reform will also improve access to education for students from poor families (especially girls) by focusing on *collèges de proximité* (usually characterized by smaller size) and have a positive impact on completion rates¹⁰. These *collèges* are important because their presence reduces the distance between students' home to schools and so transport costs, therefore alleviating the budget constraint of poor families. Experience has demonstrated that this measure would encourage girls' attendance and increase girls' completion rates since they are often the most penalized when poor families are facing harder financial constraints in rural areas.¹¹

4.29 Moreover, the proposed operation promotes both efficiency of education spending and private schools' accountability (Prior Action #5). In Côte d'Ivoire, private schools play a key role to address education demand from students belonging to poor households. Due to limited places in public lower secondary school and to ensure that all primary education graduates gets access to lower secondary education, the Government redirects to private schools the students that could not find a place in public schools. To allow students from poor households to attend private lower secondary schools, the Government subsidizes private schools. Subsidies for each school are based on the number of students attending the school. In this context, about 40 percent of students attending private schools come from households in the three poorest quintiles of the income distribution. To improve efficiency and to promote

⁸ Bivalent teachers are teachers certified to teach two different but related subjects (for example, Math and Natural Sciences).

⁹ In smaller schools, particularly in rural areas, monovalent teachers don't have enough teaching hours per week. Being able to teach two related subjects helps to address this issue.

¹⁰ The 2017 Education PER and the Sectoral Plan for Education 2016-2025 showed that that the unavailability of teachers affects the quality of education and negatively affect repetition and completion rates.

¹¹ Distance to schools and dwellings is a discouraging factor for girls, with the risks of traveling long distances in an unsecured environment.

transparency in the use of public resources in the education sector as well as school accountability, the Government adopted in August 2018 a ministerial arrêté establishing new criteria to define which private schools are eligible to receive public subsidies. These new criteria take into account school performance, measured by the school' success rate in national examinations, and repetition and dropout rates. Moreover, the Ministry of National Education has committed to publish the performance of each school on its website data every year. The publication of this information will allow parents and students to take informed choices while selecting a school. By promoting efficiency of education spending and private schools' accountability, this measure will help achieve improved learning outcomes and lower repetitions and dropout rates. In addition, given the large share of poor students attending private schools, this measure is expected to have a positive social impact as it allows these students to attend higher quality schools and learn more and better over time.

4.30 In addition to the two measures supported by the proposed operation, the Government intends to implement other measures to strengthen the transparency and efficiency of the education sector. The Government plans to set up an electronic system to monitor the effective presence of students assigned to private secondary schools. This system will make it possible to ensure that private schools function more efficiently during the full school year and not only at one point in time. The electronic system will reduce monitoring costs as controls are currently done by inspectors. The new e-monitoring system will contribute to strengthen the efficiency of education spending, as subsidies (which represent about 25 percent of the national education budget) are directly linked to the number of students attending classes. In addition, the Government will pilot a new system for student's enrollment in subsidized public secondary schools. The new system consists of an online registration platform accessible by parents. The use of this platform will improve transparency in the student enrollment process, with is currently often contested by parents who claim that their preferences are not considered.

Prior actions for the third operation

Prior action #4. To increase efficiency and equity of the education system, the Recipient's Ministry of National Education passed an arrêté requiring that all new teachers recruited in lower secondary schools must be bivalent teachers.

Prior action #5. To improve the performance of private secondary schools and fiscal transparency in secondary education, the Recipient has adopted and implemented a ministerial arrêté that: (i) establishes the criteria, including success rates in national examinations, repetition rates and dropout rates, used by the Ministry of National Education to identify secondary schools eligible for government subsidies; and (ii) establishes the annual publication of the performance of each private secondary school as measured by their success rate in national examinations, the repetition and dropout rates.

Indicators:

- (i) Reduction in the repetition rate in primary school.
Baseline (2015): 15.6 percent; Progress (2017): 11.5 percent; Target (2019): less than 10.5 percent.
- (ii) Number of new teachers recruited in primary schools with ratio of students/teacher above the national average.
Baseline (2015): not applicable; Progress (2017): not applicable; Target (2019): 5000.
- (iii) Completion rate in lower secondary education.
Baseline (2015): Boys 47 percent; Girls 35.2 percent. Progress (2017): Boys: 55.5 percent, girls: 42.7 percent; Target (2019): Boys: more than 60 percent; Girls: more than 49.5 percent.

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

Objective

4.31 The program of policy actions supported by Pillar 3 aims to improve the financial and operational performance of the electricity sector. Such objective will be achieved by improving the collection of electricity bills, eliminating public arrears and establishing sustainable mechanisms of public consumption payment, and defining a framework for continuous improvement through a performance contract between the utility company and the Government. Stronger financial and operational performance of the electricity sector is expected to promote private sector participation in generation and ultimately lead to lower cost of energy and risk diversification.

Background

4.32 Achieving full cost recovery through electricity tariffs and improving payment discipline on electricity bills remains a key challenge for the sector. Although the sector has achieved operational cost recovery (average electricity tariff of CFAF 69.6 per Kwh is sufficient to cover operating costs of CFAF 68.4 per Kwh), it has not achieved full cost recovery (which would include debt service payments). Moreover, the financial sustainability of the electricity sector is threatened by a short-term debt overhang of CFAF 324 billion (equivalent to US\$568 million or approximately one percent of GDP as of May 2018). These debts are divided between arrears to Independent Power Producers (IPPs)/gas suppliers of US\$326 million and short-term bank borrowing of US\$242 million.

4.33 Since the tariff increase of 2016 had to be reversed due to significant opposition, and tariff's acceptability depends on improvements in both access and the quality of service, the Government has followed a two-sided strategy. On the one hand, it has focused its efforts in reducing the cost of supply of electricity by developing new and more affordable sources of energy, mainly hydro (for example, through the Soubre project). On the other hand, it has adopted measures (supported by this DPF series) to collect more revenue and reduce financial costs. These investments have led to improved quality of service, which if maintained, could create enabling conditions for a tariff increase in the future if required.

4.34 The Government's emphasis is currently on improving the collection of electricity bills which had decreased following the reversal of the tariff increase in 2016. The financial distress and the buildup of arrears in the electricity subsector reflects to a large extent the decline in the collection of electricity bills. While billing collection from industrial and private consumers have since significantly improved, more effort is required to increase billing collection from the public sector. In addition, neighboring countries which import electricity from Côte d'Ivoire have also accumulated payment arrears (mainly Benin and Togo, and more recently, Burkina Faso and Mali), reaching approximately CFAF 25 billion as of May 2018. Domestically, public sector payment discipline was an issue recently addressed by the measures supported by the second operation of this DPF series. As recognized by the Government in a signed protocol between the MEF and sectoral stakeholders, the total amount of unpaid electricity bills accumulated by the public sector was equivalent to CFAF 80.0 billion at end December 2016, including delayed payments of central administration (23.4 billion), public lighting in the District of Abidjan (CFAF 39.5 billion), and several State-Owned enterprises (CFAF 17.1 billion).

4.35 Reductions in the cost of electricity generation and reductions of power losses and greater efficiency are expected to underpin the future financial sustainability of the sector. The Government has developed a generation masterplan to identify least cost generation options (new hydropower and more efficient combined cycle gas-fired power plants), thus eliminating the need for expensive thermal

generation from liquid fossil fuels. In addition, the Government has signed financing agreements for loans amounting to a total of US\$1.5 billion to upgrade the transmission and distribution networks and reduce technical and non-technical losses (target of 14 percent by 2030). Improving the operational performance of the utility should lower its operating costs in the medium-term.

Progress since DPF2

4.36 The DPF series supports the Government in its effort to improve the financial and operational performance of the electricity sector. As part of this effort, the Government has adopted a comprehensive plan to address the debt overhang and 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 importing countries, rescheduling of 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 using IDA guarantee instrument to enhance CI-Energies' ability to attract long-term commercial debt financing. 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 (central administration and SOEs).

4.37 The Government has been able to clear import-related arrears and reduce public-sector related arrears. Arrears with Ghana's Volta River Authority (VRA) have been paid in full (US\$33 million). As a prior action for DPF2, the central administration paid in cash part of their arrears as of December 2016 (CFAF 6 billion) and paid in promissory notes the arrears of the city of Abidjan as of December 2016 and part of the state companies (CFAF 42 billion).

Prior actions and expected results

4.38 The third operation continues supporting the authorities in their effort to ensure that the public sector pays on time its validated electricity bills (Prior action #6). This effort includes: a) payments of all arrears accumulated by the central administration until the end of 2017; and b) regular payment of all the current electricity bills of the central administration (including the payment of the electricity bills related to the public lighting of the City of Abidjan). Moreover, the prior action supports SOEs' arrears reduction. This prior action supports a sustainable framework which will prevent future accumulation of public arrears. Arrears accumulated by the public sector on its electricity bills are expected to decrease from CFAF 80 billion in 2016 to less than CFAF 10 billion in 2019. Going forward, the Government has decided to include the electricity expenditure related to public lighting in the central budget. This is a key decision that will help to prevent that more arrears will be accumulated in the future. In addition, a protocol of agreement has been signed with some SOEs to gradually reimburse their arrears. The Ministry of Energy will ensure that the protocol is implemented going forward. Negotiations are ongoing with other SOEs that were not part of that first protocol.

4.39 Moreover, this operation supports continuous financial and operational improvement of the sector by implementing a performance contract between the Government and CI-Energies (Prior action #7). Such a contract has established clear and transparent targets in terms of reduction of system technical losses and efficiency improvements with key performance indicators. The reduction of technical losses should improve the efficiency in the use of energy. To increase accountability, performance indicators will be published on a quarterly basis (including on bill collections rates, which will contribute to prevent arrears accumulation going forward). Among the expected results of this prior action, there will be a reduction of both commercial and technical losses over time.

Prior actions for the third operation

Prior action #6: The Recipient: (i) has paid in full the unpaid validated electricity bills accumulated by the central administration as of December 2017 and paid on time all the current validated electricity bills of the central administration; (ii) has paid in full through securitization the unpaid validated electricity bills accumulated by the District of Abidjan covering the period until December 2017 and paid on time all its electricity bills related to public lighting; and (iii) has reduced the level of state-owned enterprises' arrears.

Prior action #7: The Recipient and CI-ENERGIES have signed a performance-based contract with the objective to improve the financial and commercial performance as well as the transparency of the sector.

Indicators:

(i) Reduced commercial and technical losses on an annual basis.

Baseline (2015): 22 percent; *Progress (2017): less than 20 percent*; Target (2019): less than 20 percent.

(ii) Improvement in the collection rate of electricity bills paid by domestic customers.

Baseline (2016): 85 percent; *Progress (2017): 95 percent*; Target (2019): 95 percent.

(iii) Reduction in all arrears accumulated by the public sector on its electricity bills.

Baseline (2016): CFAF 80 billion; *Progress (2017): CFAF 32 billion*; Target (2019): CFAF 10 billion or less.

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

Objective

4.40 The proposed operation aims at supporting government efforts in improving the management of the cocoa sector. With the support of DPF2, the Government has committed to conduct regular and independent audits to identify and correct existing weaknesses in the sector's institutional framework. These audits aim at shedding light on the existing external marketing and pricing system; and the use of several funds collected by the CCC from the value chain on behalf of producers. By publishing the main results from the audits and applying their recommendations, the management of the current system is expected to improve and that should lead to a better use of public resources and higher revenue for small producers.

Background

4.41 The cocoa sector in Côte d'Ivoire is regulated by a national agency, the CCC. CCC was established in 2011 amidst a set of reforms aimed at improving the management of the sector, boosting productivity, and ensuring farmers' production is paid at a fair price. The CCC is currently responsible for the management, regulation, development, and price stabilization of the cocoa sector. In this context, a marketing arrangement was established in 2012 to include forward sale auctions of 80 percent of next year's cacao crop to smooth the impact of cocoa international price fluctuations and ensure a guaranteed minimum share of 60 percent of the Cost, Insurance, and Freight (CIF) cacao price to farmers. Under this arrangement, exporters can bid on permits to export specific volumes of cacao at an agreed price and CCC sets a guaranteed price for farmers based on the average auction price.

4.42 During 2016, the cocoa sector suffered a significant reduction of international prices, down by almost 40 percent. The main drivers of this decline were weak international demand for cacao in the main consuming markets coupled with an excess of supply, which was 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 exceeded 2 million tons against only 1.5 million in 2015/16. While

the international prices stabilized in 2017 and recovered partially during the first semester of 2018, the above shock had long lasting consequences on the financial stability of this sector in Côte d'Ivoire.

4.43 The decline in international price in 2016 has spurred some tensions in the sector. Lower prices reduced profit margins to the point that transport and commercialization costs became difficult to sustain. As a result, domestic marketing was hampered. Also, as a result of the price drop, it appears that the framework regulating the marketing system (*Programme de Ventes Anticipées à la Moyenne - PVAM*) has not been enforced by the regulator. An unexpected high number of exporters were allowed to operate even without fixed price purchase contracts from international buyers, as required by established PVAM mechanism procedures. In a context of lower prices, 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 to many producers and also led to payment delays. Other issues also emerged because of the crisis, namely: (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 funds collected by CCC from the value chain on behalf of producers.

4.44 Considering these tensions, the Government launched an institutional, technical and financial audit of the PVAM and of the Reserve Fund managed by the CCC. The audit was launched in the first semester of 2017. A reshuffling of the management of the Conseil Café Cacao was also conducted starting in August 2017 in the midst of completion of the first draft report of the audit. The Director General of the CCC was dismissed followed a few months later by both its Deputy Director Generals in charge of external commercialization and production. A new management team is now on board.

Progress since DPF2

4.45 The audit of the institutional, technical and financial audit of the PVAM and of the Reserve Fund managed by the CCC was completed and was evaluated of good quality by WBG experts. While the independent audit was launched and conducted as planned, some delays were observed, and the audit was finally completed in March 2018. The audit pointed out that that irregularities from both the private and public operators as well as the regulator costed approximately US\$300 million. The audit provided a set of concrete recommendations to strengthen the governance of the cocoa sector in both the short and longer term. The implementation of these recommendations has helped to reduce observed irregularities in the cocoa trading system.

Prior actions and expected results

4.46 The proposed operation continues supporting the Government's efforts to strengthen the management of the cocoa sector and its transparency. Prior Action #8 supports the implementation of the recommendations provided by the 2017 audit of PVAM and the Reserve Fund managed by CCC. The main recommendations of the audit focused on the need to strengthen the assessment and monitoring of the financial and operational capacity of exporters. Authorities implemented this recommendations by: (i) strengthening the PVAM mechanism, through a more transparent decision process in the award of export licenses by CCC; (ii) reinforcing the assessment and monitoring mechanisms of the financial solidity of licensed exporters; and (iii) increasing accountability of international buyers. A new set of criteria on the financial and trading capacities of potential exporters has been introduced to ensure their financial and operational capacities. The procedure for exports accreditation has been strengthened and made more transparent by setting up an online management tool. The CCC introduced a systematic financial capacity analysis of the exporters and traders based on the assessment of financial soundness indicators. As a result, the number of approved exporters was dramatically cut by about 44 percent, from 128 to 71 operators,

between the 2016/2017 and 2017/2018 campaigns. To ensure that international buyers meet minimum financial and operational standards, applicants are now required to submit financial information to CCC before their contract with local exporters is validated. Finally, buyer's failure to fulfill their contractual commitment is now sanctioned by a ten-year ban from trading with the country.

4.47 Prior Action #9 was designed with the objective to accompany the Government to implement an audit system that will be both comprehensive and regular over time. The prior action supports the publication of the non-commercially sensitive results of the PVAM 2017 audit report on the CCC website (<http://www.conseilcafecacao.ci/index.php>). Moreover, the prior action supports the new series of audits which will focus on: (i) the marketing system; (ii) stabilization accounts; (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 audit has been launched in October 2018 and is expected to be completed by mid-January 2019.

4.48 The actions supported under this program are expected to help reduce the proportion of contracts defaulted by buyers/exporters. The latest audit revealed that default contracts represented 15 percent of total production for the 2016/2017 campaign. It is expected that a better management of the cocoa sector will help to reduce the proportion of contracts defaulted by buyers/exporters to 5 percent or less by 2019. As licensed operators have until the end of the first quarter of the current 2018/2019¹² campaign to fully execute their contracts, an assessment of this indicator for the 2017/2018 campaign will be available by end December 2018.

Prior actions for the third operation

Prior action #8: The Recipient has implemented all main recommendations from the independent 2017 audit of the PVAM and of the Reserve Fund.

Prior action #9: The Recipient has published the non-sensitive commercially results of the independent 2017 audit of the PVAM and of the Reserve Fund and launched the new series of audits covering marketing, stabilization accounts, technical reserve fund held at BCEAO, and other funds managed by CCC, in line with Arrêté N. 475/MEF/MINADER/SEPMBPE.

Indicators:

Reduction in the proportion of defaulted contracts by buyers/exporters in total production.

Baseline (2017): 15 percent, Target (2019): Less than 5 percent.

4.49 Overall, the policy matrix for the proposed operation, which was partially modified to account for recent developments and to maximize the development impact of the DPF series, remains strong (see Annex 5 for a detailed comparison of triggers and prior actions). In the first pillar devoted to fiscal management, the formulation of the prior action on public procurement has been revised to account for technical and absorptive capacity challenges and so ensure the proper and sustainable implementation of the new e-procurement system throughout public administration. This prior action was also modified to consolidate the legal and institutional frameworks, notably by reinforcing the role of the National Authority for the Regulation of Public Procurement. One prior action in the education pillar was modified and strengthened. The Government advocated that it was preferable to focus on improving the existing system of subsidies to private secondary schools rather than piloting an education vouchers program for poor families in selected regions. The focus of the new proposed measure is to increase the efficiency of the existing subsidy system by incorporating the performance of private schools as a criterion for receiving

¹² The 2018/2019 campaign officially started on October 1st, 2018.

financial assistance from the State and by publishing the results obtained by each school. The new system supported by this operation will help promote transparency in the allocation of subsidies, enhance schools' accountability, and influence parent's in the choice of schools for their children. Further details can be found in the pillar-specific sections describing the proposed operation. One prior action in the cacao pillar was modified to take into account the longer time needed to finalize the first audit and the broader scope of the second audit supported by this prior action. To strengthen the measure, the prior action includes now the publication of the first audit.

4.50 In terms of results, satisfactory progress has already been achieved toward the 2019 targets (see Annex 1 for recent progress). Tax payments were simplified through the introduction of an electronic platform which is effectively used by 77 percent (up from 0 percent in 2015) of firms with a turnover greater than CFAF 200 million. The average delays in public procurement fell from about 160 days in 2014 to 105 days in June 2018. In the education sector, progress has been reported as the repetition rate dropped to 11.5 percent in 2017 compared to over 15 percent in 2015. The completion rate in secondary education increased significantly for both boys and girls. Progress has been registered also in the electricity sector where the Government has been able to clear most of its domestic arrears. The level of arrears accumulated by the public sector (including public lighting) has declined from CFAF 80 billion in 2016 to less than 10 billion by mid-2018. Moreover, commercial and technical losses declined from 22 percent in 2015 to less than 20 percent in 2017. In the cocoa sector, the 2017 audit was finalized, and all its main recommendations have already been implemented. As a result, one third (1/3) of exporters licenses were suspended due to more stringent requirements. This is expected to help reduce the level of defaulted contracts by exporters in the next campaigns.

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

4.51 This third operation in a programmatic series of three DPFs is an integral part of the WBG's support to Côte d'Ivoire under the WBG CPF for the period FY16-FY19 (Report number 96515) presented to 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. 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. The recently completed Performance and Learning Review of the CPF for Côte d'Ivoire confirmed the relevance of the DPF series to keep supporting the Government in its efforts to boost revenue mobilization and to improve the efficiency of public spending. By supporting the country's strategy to facilitate diversification of the power sector and adoption of renewable energy, the proposed series contributes to the IDA Policy Commitment to 'Increase the use of DPFs that support climate Co-Benefits'.

4.52 This DPF series directly complements other World Bank investment financing operations and TA projects in Côte d'Ivoire. The proposed operation will be implemented in close collaboration with ongoing World Bank operations. A recent regional tax study covering also Cote d'Ivoire (P163693) provided analytical inputs to the first pillar of the proposed operation. Reforms under Pillar 1 of the proposed operation are closely linked to activities supported by the Governance and Institutional Development Project (GIDP - P107355). The GIDP seeks to enhance transparency and efficiency in the management of the public finances. The World Bank also provided TA to support the implementation of the Public Financial Management (PFM) action plan. Moreover, a Governance and Service Delivery operation (P164302) is currently under preparation and will support the strengthening of the public procurement system.

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. Furthermore, the proposed operation is also aligned with the Global Partnership for Education (GPE), which supports the Ministry of National Education to carry out students learning assessments in reading and mathematics. Reforms under the energy pillar are aligned with: (i) the Electricity Transmission and Access Project (P157055), which will improve the efficiency and reliability of electricity supply, thus reducing losses, and increase access to electricity in Cote d'Ivoire; and (ii) the CI-ENERGIES Guarantee Project (P164145), which will provide an IDA partial credit guarantee to backstop the refinancing by commercial banks of CI-ENERGIES' short term liabilities to improve the electricity sector's financial performance and its ability to attract investments. As for Pillar 4, the DPF is in line with the WBG priority to sustain the Government's effort to strengthen agricultural development. The recent cashew value-chain competitiveness project (P158810) supports cashew productivity and added value and the e-agriculture project (P160418) seeks to increase access to digital services to improve farm productivity and access to markets.

4.4 CONSULTATIONS AND COLLABORATION WITH DEVELOPMENT PARTNERS

4.53 Consultations: The design of the proposed DPF series is centered on the objectives of the 2016-2020 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.

4.54 Collaboration with other development partners: The World Bank team is working closely with the IMF, the EU, the AFDB, and the French Development Agency (*Agence Française de Développement - AFD*). There has been close collaboration between the World Bank and the AFDB as well as the AFD on the design of their budget operations, which have been partly aligned with the policy areas 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). Collaboration with the 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 Most of the actions supported by the proposed operation are expected to improve equity and reduce poverty in Côte d'Ivoire. 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. None of the actions supported are expected to have a significant negative impact on poverty and inclusiveness.

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. Successful implementation of actions related to the public procurement system will lead to efficiency gains, 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 World 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 (using the Commitment to Equity approach).

5.3 By focusing on the quantity and quality of education services, the measures supported by the proposed DPF aim at improving opportunities for the 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.¹³ The revision of parameters used to allocate teachers across regions should help reduce the teacher/student ratio in poor regions. Linking government subsidies to schools' performance is expected to lead to improved education outcomes which, will contribute to poverty reduction in the long term. However, the definition of performance criteria should account for the current ranking of schools in rural areas to avoid that they end up under-funded.

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 sector, 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. 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 could 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. 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 with this commodity, while big producers are more diversified.¹⁴ The indirect benefits would mainly arise from the expected increase in government revenue (as a 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 (*Fonds d'Investissement Agricole – FIA*), Rural Investment Fund (*Fonds d'Investissement en Milieu Rural – FIMR*) should help increase the productivity of the sector as well as the living conditions of local communities as they are intended to finance the development of research activities and 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.

¹³ Full details can be found the World Bank's Systematic Country Diagnostic for Côte d'Ivoire, 2015.

¹⁴ For more details, see World Bank, Welfare and Poverty Impacts of Cocoa Price Policy Reform in Côte d'Ivoire, Poverty and Equity Group, May 2016.

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 at strengthening economic governance at the national level. Any adverse environmental effects are expected to be minor and manageable through the existing country's framework.

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 only 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.

5.9 Institutional capacity has been strengthened to effectively manage environmental risks. The Ministry of Environment and Sustainable Development (MINEDD) is responsible for setting policy guidelines on environmental issues and ensuring compliance with national environmental standards. It has different departments among which the National Agency of Environment (ANDE, *Agence Nationale de l'Environnement*) in charge of safeguards compliance of all projects in the country. ANDE is well staffed and its capacities are considered acceptable. As for the specific capacity in the energy sector, which is an important pillar of this operation, CI-ENERGIES has an Environmental and Sustainable Development Department staffed with environmental and social development specialists. Regarding Côte d'Ivoire Energy (*Côte d'Ivoire Énergies* – CIE), the company has an Occupational-Health and Safety (OHS) policy. In addition to that, it is also certified Quality-Safety and Environment (ISO 9001 (2008), OHSAS 18001 (2007) and ISO 14001 (2004)). The Environmental and Social Management System (ESMS) is audited annually and staff operating in CI-Energies and CIE sites are trained and regular drills are organized for more effective and efficient interventions when needed.

5.3. PFM, DISBURSEMENT AND AUDITING ASPECTS

5.10 The Government adopted in 2014 a strategic framework for PFM reforms that aims to address the public finance management challenges highlighted in recent assessments made of the PFM system. This includes the 2013 PEFA. 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 several 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. 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.¹⁵ 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 include 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 safeguards assessment of the 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-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 86.4 million (US\$100 million equivalent), to be made available contingent upon effectiveness and disbursed on the basis of a withdrawal application¹⁶. The credit will follow the World Bank's standard disbursement procedures for development policy operations (DPO). 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 reserves¹⁷. 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

¹⁵ The new PEFA has been launched in late October 2017.

¹⁶ 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 will be converted to the final SDR amount for commitment authority and country allocation management purposes on the day of program approval.

¹⁷ The use of a dedicated account is a common feature of budget support operations in WAEMU member states and mitigates fiduciary risk.

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.

5.4 MONITORING, EVALUATION AND ACCOUNTABILITY

5.14 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.

5.15 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>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

6. SUMMARY OF RISKS AND RISK MITIGATION

6.1 The overall risk rating for the proposed operation is substantial. Table 6.1 presents programmatic risks by category, rating each as low, medium, substantial or high. The three most important categories for the proposed operation are (i) political and governance risks; (ii) macroeconomic risks; and (iii) institutional capacity for implementation and sustainability risks. A description of each of these risks and their respective mitigation measures is provided below.

6.2 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 normalize the sociopolitical situation, recent events (including military and civil service financial claims in 2017) have created some uncertainty in the political and social environment. The upcoming Presidential elections in 2020 may create further uncertainty and lead to fiscal slippages as well as wait-and-see attitude from the private sector. 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 EU, will help assess those risks and their subsequent impact on the fiscal program.

6.3 Macroeconomic risks are substantial. Several macroeconomic risks could have a substantial impact on 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. In 2018, following consultations with the private sector, some of the VAT exemptions that were eliminated with the support of the current series were reinstated. Strengthening the consultation process ahead of tax reforms would help to mitigate this risk. Moreover, the Government may find it difficult to control current expenditures, especially the wage bill, when confronted with complaints from civil servants and with Presidential elections approaching. The macroeconomic and fiscal framework can also be affected by external shocks (such as commodity price volatility) that may increase fiscal pressures and affect the Government’s ability to reduce the fiscal deficit. The measures supported by this series will help mitigate fiscal sustainability risks through improvements to tax policy and enhanced efficiency in public spending.

6.4 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 as vested interests are high in all of them. They will need to monitor closely implementation of reforms. This risk could be mitigated by the maintenance of close collaboration with the IMF and the EU in the dialogue with the Government aiming at implementing these reforms, which can underpin the success of its NDP. 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, education, and cocoa sectors.

Table 6.1. Systematic Operations Risk Rating Tool (SORT)

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

Annex 1: Policy and Results Matrix

Prior actions and triggers			Results Indicators
Prior Actions under DPO1	Prior Actions under DPO2	Prior Actions under DPO3	
Pillar 1 – Enhancing tax revenue collection and public procurement			
<p>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).</p>		<p>Prior Action 1: To strengthen tax administration, the Recipient has implemented an electronic single taxpayer identification system for enterprises.</p>	<p>Indicator 1: Percentage of new firms provided with a unique electronic identification number.</p> <p><i>Baseline (2015): 0 percent.</i> <i>Progress (2017): 0 percent.</i> <i>Target (2019): 90 percent.</i></p>
<p>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 <i>Loi No. 2015-840</i> dated December 18, 2015 for the state budget of 2016.</p>	<p>Prior Action 1: The Recipient’s Ministry in charge of Budget has implemented a new electronic platform facilitating the filing and payment of taxes.</p>		<p>Indicator 2: Percentage of enterprises (with turnover greater than CFAF 200 million) using the electronic platform to declare and pay their taxes.</p> <p><i>Baseline (2015): 0.</i> <i>Progress (2018 – as 2018 data are already available): 77 percent.</i> <i>Target (2019): 75 percent.</i></p>
	<p>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.</p>	<p>Prior Action 2: The Recipient has adopted a new Investment Code on August 1, 2018 by replacing VAT exemptions on imports of equipment goods and materials with a VAT deferred payment system as detailed in Arrêté n° 1091 dated October 30, 2018.</p>	<p>Indicator 3: Decline in revenue losses associated with exemptions:</p> <p><i>Baseline (2015): 2.1 percent of GDP</i> <i>Progress (2017): 2.1 percent of GDP</i> <i>Target (2019): 1.9 percent of GDP</i></p>
<p>Prior Action 3. The Government has operationalized (i) public procurement units in four high-</p>	<p>Prior Action 3: In application of the WAEMU Directive n.04/2005/CM/UEMOA on procedures,</p>	<p>Prior Action 3: To strengthen the public procurement system, the Government has (1) renewed the</p>	<p>Indicator 4: Number of days on average to complete a public procurement from the preparation</p>

<p>spending sectoral ministries pursuant to <i>Arrêté No. 325</i> dated May 23, 2014 and <i>Arrêté No. 275</i> dated April 22, 2015; and (ii) the coordinating unit within the Ministry of Finance to monitor public procurement contracts pursuant to <i>Arrêté No. 465</i> dated June 23, 2015 from the Ministry of Finance.</p>	<p>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.</p>	<p>members of the Board of the National Authority for the Regulation of Public Procurement (ANRMP); (2) adopted an <i>Arrêté</i> which gives legal force to the contracts awarded by the electronic system; and (3) extended the electronic system to at least 10 Ministries.</p>	<p>of tenders to approval. <i>Baseline (2015): 159 days.</i> <i>Progress (2017): 105 days</i> <i>Target (2019): less than 100 days</i></p>
Pillar 2 – Strengthening the efficiency and equity in the education sector			
<p>Prior Action 4. The Ministry of National Education has introduced transitional measures through <i>Circulaire No. 3387</i> 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.</p>	<p>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.</p>		<p>Indicator 5: Reduction in the repetition rate in primary school. <i>Baseline (2015): 15.6 percent</i> <i>Progress (2017): 11.5 percent</i> <i>Target (2019): less than 10.5 percent</i></p>
<p>Prior Action 5. The Ministry of National Education has established criteria through <i>Arrêté No. 143</i> 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).</p>	<p>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 <i>Arrêté No 0074/MENET-FP-DRH</i> dated September 28, 2017.</p>	<p>Prior Action 4: To increase efficiency and equity of the education system, the Recipient’s Ministry of National Education passed an <i>arrêté</i> requiring that all new teachers recruited in lower secondary schools must be bivalent teachers.</p>	<p>Indicator 6: Number of new teachers recruited in primary schools with ratio of students/teacher above the national average. <i>Baseline (2015): not applicable</i> <i>Progress (2017): not applicable</i> <i>Target (2019): 5000</i></p>
	<p>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</p>	<p>Prior Action 5: To improve the performance of private secondary schools and fiscal transparency in secondary education, the Recipient has adopted and implemented a ministerial <i>arrêté</i> that: (i) establishes the criteria, including success rates in national examinations, repetition</p>	<p>Indicator 7: Completion rate in lower secondary education. <i>Baseline (2015): Boys 47 percent, girls 35.2 percent</i> <i>Progress (2017): Boys: 55.5 percent, girls: 42.7 percent</i> <i>Target (2019): Boys: more than 60</i></p>

	reorganizes the remediation activities provided during the week.	rates and dropout rates, used by the Ministry of National Education to identify secondary schools eligible for government subsidies; and (ii) establishes the annual publication of the performance of each private secondary school as measured by their success rate in national examinations, the repetition and dropout rates.	<i>percent; Girls: more than 49.5 percent.</i>
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 <i>Décret No. 2016-783</i> dated October 12, 2016; and (ii) promotes private sector participation and the use of renewable sources of energy through <i>Décret No. 2016-786</i> 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 <i>Arrêté No 476/MPEDER/MEF/SEPMBPE</i> 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 6: The Recipient: (i) has paid in full the unpaid validated electricity bills accumulated by the central administration as of December 2017 and paid on time all the current validated electricity bills of the central administration; (ii) has paid in full through securitization the unpaid validated electricity bills accumulated by the District of Abidjan covering the period until December 2017 and paid on time all its electricity bills related to public lighting, and (iii) has reduced the level of state-owned enterprises' arrears.	Indicator 8: Reduced commercial and technical losses on an annual basis. <i>Baseline (2015): 22 percent</i> <i>Progress (2017): less than 20 percent</i> <i>Target (2019): less than 20 percent</i>
	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	Prior Action 7: The Recipient and CI-ENERGIES have signed a performance-based contract with the objective to improve the financial and commercial performance as well as the transparency of the sector.	Indicator 9: Improvement in the collection rate of electricity bills paid by domestic customers. <i>Baseline (2016): 85 percent</i> <i>Progress (2017): 95 percent</i> <i>Target (2019): 95 percent</i>

	<p>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:</p> <ul style="list-style-type: none"> (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 CFAF regarding its arrears up to December 2016 through securitization; and (iv) ensured that SPDC, RTI and SOTRA signed respective 		<p>Indicator 10: Reduction of all arrears accumulated by the public sector on its electricity bills.</p> <p><i>Baseline (2016) CFAF 80 billion</i> <i>Progress (2017): CFAF 32 billion</i> <i>Target (2019): CFAF 10 billion or less.</i></p>
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	<p>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.</p>		
Pillar 4: Consolidating transparency in the management of the cocoa sector.			
	<p>Prior Action 9: In conformity with <i>Décret No 2012-765</i> 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 <i>Programme de Ventés Anticipées à la Moyennes</i> (PVAM) and of the Reserve Fund.</p> <p>Prior Action 10: The Recipient’s Ministry of Agriculture, Ministry of Economy and Finance and Ministry in charge of Budget has adopted an interministerial <i>Arreté No 475/MEF/MINADER/SEPMBPE</i> 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</p>	<p>Prior Action 8: The Recipient has implemented all main recommendations from the independent 2017 audit of the PVAM and of the Reserve Fund.</p> <p>Prior Action 9: The Recipient has published the non-sensitive commercially results of the independent 2017 audit of the PVAM and of the Reserve Fund and launched the new series of audits covering marketing, stabilization accounts, technical reserve fund held at BCEAO, and other funds managed by CCC, in line with <i>Arreté N. 475/MEF/MINADER/SEPMBPE</i>.</p>	<p>Indicator 11: Reduction in the proportion of defaulted contracts by buyers/exporters in total production.</p> <p><i>Baseline (2017): 15 percent</i> <i>Target (2019): less than 5 percent</i></p>

	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.		
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Annex 2: Letter of Development Policy

MINISTRE DE L'ECONOMIE
ET DES FINANCES



REPUBLIQUE DE COTE D'IVOIRE
Union – Discipline – Travail

LE MINISTRE

Abidjan, le 05 NOV 2018

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N° _____/MEF/Cab/Coordo-BA/Ang

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 2017, et d'autre part, présente les perspectives 2018-2019. 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 2018, d'un montant équivalant à **cent (100) millions de dollars des Etats-Unis**.

I- Le contexte politique et économique

3. La Côte d'Ivoire poursuit son dynamisme économique caractérisé par une solidité de son cadre macroéconomique et une politique budgétaire saine dans un contexte de repli des cours des principales matières premières, comparativement à 2016. L'économie ivoirienne devrait enregistrer une croissance de [7,7%] en 2018, après [7,7%] en 2017, grâce à la bonne exécution du Plan National de Développement « PND 2016-2020 » et sa résilience aux chocs externes et internes. Elle bénéficie de l'accélération des grands chantiers publics et de l'amorce du développement de son potentiel agro-industriel. En dépit des cours défavorables notamment du cacao, la politique budgétaire est restée prudente sans toutefois compromettre les investissements publics et les dépenses pro-pauvres. Le déficit budgétaire devrait donc s'améliorer, passant de [4,5%] du PIB en 2017 à [4,0%] en 2018, puis atteindre la norme communautaire de [3,0%] du PIB en 2019. Cette orientation contribue au maintien des équilibres interne et externe, malgré l'élargissement du déficit courant à [3,4%] du PIB en 2018, notamment avec une forte augmentation des importations de matières premières et de biens d'équipement, après avoir atteint [2,4%] du PIB en 2017 du fait de l'augmentation des importations en volume du pétrole et du cours du baril, ainsi que de la baisse des cours du cacao. De plus, l'inflation

serait maîtrisée à [0,5%]. De même, le système bancaire demeure solide avec un ratio de solvabilité ressorti à [9,8%] à fin décembre 2017 après 8,04% à la même période de 2016, en lien avec l'augmentation du niveau des fonds propres effectuée à la faveur du respect des normes de capital social minimum et de fonds propres, ainsi que de la préparation à la transition vers les normes prudentielles de Bâle 2 et 3.

4. Les bonnes performances économiques conjuguées avec l'amélioration continue du climat des affaires devraient contribuer à faire de la Côte d'Ivoire un pôle d'investissement attractif. Le rapport Doing Business 2018 classe la Côte d'Ivoire à la première et à la 3^{ème} place respectivement au niveau des pays membres de l'OHADA et au niveau de la CEDEAO. Cette performance est le résultat de la mise en œuvre des réformes structurelles et sectorielles en vue de renforcer la gouvernance et la promotion du secteur privé. L'amélioration continue du climat des affaires a contribué à faire de la Côte d'Ivoire l'économie ouest-africaine la plus attractive pour les investissements directs étrangers (IDE), selon le dernier classement Africa Investment Index (AII) publié le 26 mars 2018 par Quantum Global. En outre, au premier semestre 2018, plus de 7 400 entreprises ont déjà été enregistrées au guichet unique du Centre de Promotion des Investissements (CEPICI), représentant une hausse de 18,4% par rapport à la même période de 2017. Par ailleurs, les perspectives d'investissements sont très prometteuses pour la Côte d'Ivoire qui intègre le top 5 des pays les plus attractifs de l'Afrique à l'horizon 2022 selon l'étude menée en 2017 par Havas Horizons auprès des investisseurs internationaux, sur le financement de la croissance africaine.

5. Pour maintenir ces bonnes perspectives économiques, le Gouvernement entend consolider le climat sociopolitique, renforcer la gouvernance et assurer une croissance inclusive. Dans le but de raffermir le climat de paix et la cohésion sociale, le Président de la République a, à l'occasion de la 58^{ème} célébration de l'indépendance de la Côte d'Ivoire, pris une ordonnance saluée par l'ensemble des acteurs politiques pour une amnistie générale. Concernant la gouvernance, les efforts entrepris par le Gouvernement depuis 2012 ont permis à la Côte d'Ivoire de passer de la 136^{ème} place en 2013 à la 103^{ème} place en 2017, selon le dernier rapport sur l'indice de perception de la corruption publié par Transparency international. Pour rendre la croissance plus inclusive, le Gouvernement entend renforcer le volet social de sa stratégie à travers la mise en œuvre d'un Programme Social de Développement (PSD) pour la période 2018-2020. Il poursuivra le déploiement de la couverture maladie universelle et l'exécution du projet filets sociaux, en collaboration avec la Banque Mondiale. Il veillera également à la mise en œuvre de la loi sur l'école obligatoire pour les enfants de six (6) à seize (16) ans. Par ailleurs, la stratégie de développement basée sur l'industrialisation, notamment la transformation des produits de rente comme le cacao et l'anacarde, devrait favoriser la création d'emplois. Ainsi, le Gouvernement en collaboration avec les partenaires au développement, accordera une attention particulière aux projets « agropoles » visant à développer le tissu agro-industriel tout en promouvant l'emploi des jeunes et des femmes. En outre, la promotion du « contenu local » devrait faciliter l'accès des Petites et Moyennes Entreprises au marché et promouvoir l'entrepreneuriat.

6. Le Gouvernement veillera au respect des engagements pris dans le cadre de la mise en œuvre du Programme Économique et Financier « PEF FEC-MEDC 2016-2019 ». A cet effet, il poursuivra la consolidation budgétaire par l'amélioration du recouvrement des recettes, la rationalisation des dépenses avec un accroissement des dépenses pro-pauvres, ainsi qu'une gestion plus efficace des risques budgétaires liés aux entreprises publiques et aux Partenariats Public-Privé (PPP). Le Gouvernement

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continuera la modernisation de la gestion des finances publiques à travers la finalisation des derniers textes réglementaires d'application des lois organiques relatives au cadre harmonisé de gestion des finances publiques au sein de l'UEMOA et leur stricte application. En outre, il mettra un accent particulier sur la restructuration de la dette de la Société Ivoirienne de Raffinage (SIR) prévue pour fin octobre 2018, et la consolidation de l'équilibre financier du secteur énergie. Le Gouvernement veillera également à la mise en œuvre des mesures contenues dans le Plan de Développement du Secteur Financier (PDESFI) en vue de renforcer la solidité du secteur bancaire et favoriser l'inclusion financière. Par ailleurs, l'amélioration du climat des affaires continuera à faire l'objet d'une attention particulière, notamment en ce qui concerne la dématérialisation et la réduction des coûts des actes administratifs, la modernisation de l'appareil judiciaire ainsi que les réformes fiscales. La Côte d'Ivoire devrait également tirer profit de la mise en œuvre des projets issus des accords conclus avec les autres partenaires techniques et financiers notamment le Compact du Millenium Challenge Corporation (MCC) et l'initiative « Compact With Africa » du G20.

II- Etat d'exécution des reformes en 2017 au premier semestre 2018

7. 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 structurelle 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 ce titre, la Côte Ivoire a ratifié l'accord mondial sur le climat conclu en décembre 2016 à Paris à l'issue de la COP21.

8. Le Premier Ministre a présidé le 6 novembre 2017, à la Primature, la réunion du Comité de pilotage de la mise en œuvre du Plan National de Développement (PND) 2016-2020. Cette évaluation a permis d'apprécier la capacité des différents acteurs à mettre tout en œuvre pour la réalisation de ce projet dans son entièreté. Selon le Premier ministre, la mise en œuvre du premier Plan National de Développement (PND) qui couvrait la période 2012-2015, a permis entre autres, de restaurer la paix, la cohésion sociale et la réconciliation nationale, de rétablir l'Etat de Droit et la sécurité des personnes et des biens sur l'ensemble du territoire et de relancer l'économie. Grâce au PND, le pays jouit aujourd'hui d'une stabilité politique, d'un environnement de paix et de sécurité. De même, des solutions définitives ont pu être trouvées aux revendications sociales.

9. S'agissant des réalisations chiffrées, le Premier ministre a indiqué que le taux d'investissement est passé de moins de 8,9% du PIB en 2011 à plus de 20,5% du PIB en 2016 et projeté à plus de 24,8 % du PIB en 2020. Quant au taux d'investissement privé, il est passé d'environ 6,3% en 2011 à plus de 13,9% en 2016. Pour la gestion 2016, les investissements totaux du secteur privé s'élèvent en volume à près de 3 000 milliards de francs CFA, soit une part de 66,9% dans les investissements globaux, plus importante que le taux moyen d'investissement privé de 62,4% prévu dans le PND. Par ailleurs, dans le cadre de la politique d'amélioration des conditions de vie des populations, les dépenses pro-pauvres ont augmenté passant de 1 080,3 milliards de FCFA en 2012 à 1 770,2 milliards de FCFA en 2015, pour atteindre 2 014,8 milliards de FCFA en 2016, soit 9,4% du PIB. Ainsi, sur la période 2011-2015, le PIB par habitant a progressé de plus de 25% et le taux de pauvreté est passé de 51% à 46,3%. Parallèlement, les revenus

distribués aux producteurs sont passés de 3 000 milliards de FCFA à 6 000 milliards de FCFA sur la période 2011-2016. Le PND est un programme qui s'inscrit dans la vision globale du Président de la République, à savoir, transformer l'économie et la société ivoiriennes en vue d'atteindre l'émergence à l'horizon 2020.

a- Cadre Macroéconomique et Financier

10. Le Gouvernement a publié les comptes nationaux définitifs 2016 et provisoires 2017 en septembre 2018. En 2016, le taux de croissance est resté dynamique et s'est établi à 8,0%, et le déflateur s'est affiché à -1,1%. Ces réalisations ont un impact direct sur l'ensemble des indicateurs macroéconomiques depuis 2016. Ainsi, il est constaté une modification sur les réalisations et projections de la pression fiscale, des soldes (budgétaire, du compte courant, etc...) en pourcentage du PIB pour les exercices 2016, 2017, 2018 et 2019.

11. En dépit de la chute du prix du cacao et des revendications sociales survenues au premier semestre 2017, le taux de croissance du PIB réel de la Côte d'Ivoire est demeuré parmi les plus élevés

dans le monde avec [7,7] % en 2017 démontrant la résilience de l'économie aux chocs exogènes et endogènes. Ce dynamisme a été porté notamment par le rebond de l'agriculture d'exportation, le regain des industries agro-alimentaires et la bonne tenue de l'ensemble des services. Les ajustements budgétaires opérés par le Gouvernement ont contribué à maintenir un environnement économique stable. En effet, le déficit budgétaire global s'est établi à [4,5%] du PIB. Le taux d'inflation de [0,7%] (en glissement annuel) est resté bien en-dessous de la norme communautaire de 3 %.

12. Les évolutions économiques à fin juin 2018 témoignent de la bonne orientation de l'activité.

- **L'évolution conjoncturelle affiche un dynamisme des secteurs secondaire et tertiaire** soutenus par la demande intérieure. Au niveau du secteur secondaire, la progression est imputable aux performances enregistrées dans l'industrie manufacturière (+7,2%) (et au rebond des BTP (+17,9%) consécutif à l'accélération des projets d'investissement public. La production de l'Énergie stagne (-0,1%) en raison de températures relativement moins élevées, bien que la demande énergétique des industries ait augmentée de [+4,3%]. Cependant, l'extraction minière enregistre une baisse de (-10,9%), notamment due au repli de la production de pétrole brut et du gaz. Concernant le secteur tertiaire, il reste bien orienté grâce à la bonne tenue du commerce de détail (8,6%), des transports terrestre (13,9%) et ferroviaire (+17,1%). Au niveau du secteur primaire, l'agriculture d'exportation a pâti des baisses des productions du cacao après une campagne 2016/2017 exceptionnelle, de banane, et d'ananas. Toutefois, on enregistre une hausse des exportations de l'huile de palme et des productions de café, de coton, d'anacarde, de caoutchouc, de sucre et de cola.
- L'inflation s'affiche à [0,3%] en moyenne annuelle, en deçà de la norme communautaire fixée à 3%.
- L'exécution budgétaire à fin juin 2018 est caractérisée par une plus-value des recettes de [27,0] milliards de FCFA par rapport à l'objectif programmé, en raison principalement des revenus de pétrole et de capitaux mobiliers mobilisés plus tôt que prévus et un encaissement de [38,3] milliards de FCFA au titre des redevances sur la téléphonie mobile, initialement attendues pour

- le quatrième trimestre. Parallèlement, les dépenses enregistrent une sous consommation de [52,0] milliards de FCFA imputable au retard d'exécution des dépenses d'investissement et à la gestion prudente des dépenses de fonctionnement. Ainsi, le solde primaire de base ressort excédentaire de [115] milliards de FCFA. Quant au solde budgétaire, il a affiché un déficit de 278,3 milliards de FCFA, contre un objectif de [-358,8] milliards de FCFA. Ce déficit a été largement couvert par l'émission d'un Eurobond de 1 115,1 milliards de FCFA en mars 2018, contribuant à dégager des marges nécessaires pour la réduction nette des exigibles de [-144,2] milliards contre [-99,6] milliards de FCFA prévu et le désengagement vis-à-vis du secteur bancaire.
- Les échanges extérieurs ont été marqués par la détérioration des termes de l'échange et une hausse des importations en soutien au dynamisme de la demande interne. Les termes de l'échange se détériorent (11,5%) résultant de la baisse des prix à l'exportation [-12,0%] sous l'effet principalement du cacao fève (-26,9%) et du caoutchouc (-31,2%), nettement plus accentuée que celle des prix à l'importation (-0,6%). Par ailleurs, les importations en valeur,
- hors biens exceptionnels, progressent de [12,8%], tirées par l'ensemble des composantes : les biens de consommation (+5,9%), les biens intermédiaires (+26,3%) et les biens d'équipement (+12,9%). Les exportations connaissent un repli de [13,1%] accentué par la baisse en volume des produits d'agriculture d'exportation, hormis le café vert Il en résulte une diminution de l'excédent du solde de la balance commerciale de [55,1%], par rapport au premier semestre 2017.
- La situation monétaire affiche une augmentation de la masse monétaire de [10,9%], tirée principalement par l'accroissement des crédits intérieurs de [15,7%]. Cette évolution résulte de la hausse des créances sur l'Etat [27,8%], et des crédits à l'économie [13,1%]. Quant aux avoirs extérieurs, ils enregistrent une évolution de [0,5%].

13. La dette du secteur public est soutenable, en tenant compte de l'Eurobond émis en mars 2018. En effet, l'encours de la dette de l'administration centrale est passé de [42,7%] du PIB à fin décembre 2017 à [42,5%] du PIB à fin juin 2018. Le niveau de la dette intérieure par rapport au PIB s'établit à [15,5%] à fin juin 2018 contre [18,1%] à fin décembre 2017. L'analyse de la viabilité de la dette effectuée en [août] 2018 sur la période 2019-2039, qui repose sur la couverture des besoins bruts de financement à hauteur de [50%] en FCFA et [50%] en devises, indique que le risque de surendettement de la Côte d'Ivoire demeure modéré. Tout en veillant à préserver ce niveau de risque modéré, le Gouvernement se réserve la possibilité d'ajuster la stratégie de financement, si les conditions du marché financier régional le justifient. Concernant les entreprises publiques, à fin juin 2018, le stock de la dette s'élève à [1,66%] du PIB contre [2,3%] du PIB à fin décembre 2017, dont [0,15%] du PIB garanti par l'Etat.

14. La solidité du secteur bancaire s'est consolidée. Le ratio de solvabilité est ressorti à 9,8% à fin décembre 2017, au-dessus de la norme internationale de 8%. A fin juin 2018, le taux brut de dégradation du portefeuille s'est établi à [8,68%] après [9,83%] à fin décembre 2017 et [10,3%] à fin juin 2017. Ce taux est préliminaire et pourrait être influencé par l'application des normes de Bâle 2 et 3. Les réserves de change de l'UEMOA se sont établies à 5,5 mois d'importations contre 4,2 mois à fin

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décembre 2017. En outre, seules quatre banques, ne représentant que 2,5% des actifs bancaires, sont en infraction relativement à la norme du capital minimum de 10 milliards de FCFA. Par ailleurs, l'éventuelle liquidation de SAF Cacao ne devrait pas impacter significativement la stabilité du système bancaire car ne représentant que moins de 2% des encours de crédit.

15. La Bourse Régionale des Valeurs Mobilières (BRVM) poursuit le renforcement de ses activités avec l'ouverture d'un compartiment dédié aux Petites et Moyennes Entreprises (PME). Ce Compartiment inauguré en décembre 2017, constitue une avancée majeure pour le marché financier régional de l'UEMOA et vise à offrir aux PME et aux entreprises à fort potentiel un accès aux capitaux à long terme en vue d'accélérer leur croissance et d'en faire des champions régionaux. Par ailleurs, la capitalisation boursière s'est établie à 9 460,4 milliards à fin juin 2018 contre 9 108,8 milliards à fin juin 2017, sous l'impulsion de la hausse de la capitalisation du marché des obligations de 27,2%. Le marché reste dynamique avec une valeur totale transigée qui s'accroît de 13,6% pour une rotation moyenne mensuelle des titres de 2,11%. Aussi, en dépit de la baisse de l'indice BRVM composite de 16,7%, le taux de rendement moyen des titres cotés s'est affiché à 8,83 % et la rentabilité globale moyenne à 5,08% avec un PER moyen de 13,37 et une prime de risque à 1,48%.

b- Gestion des finances publiques

16. Le Gouvernement a adopté les résultats de l'évaluation du schéma directeur de réformes des finances publiques pour la période 2014-2017, ainsi que le nouveau schéma directeur pour la période 2018-2020. Ce nouveau schéma directeur vise à consolider les réformes entreprises et à renforcer la gouvernance en matière de gestion des finances publiques. Le présent schéma directeur de réformes des finances publiques propose un cadre global et unique de réforme de la gestion des finances publiques, et un dispositif de pilotage. Il s'articule autour de huit (8) axes qui se définissent comme suit :

- AXE 1 : Fiscalité et gestion des recettes de l'Etat ;
- AXE 2 : Gestion des dépenses publiques de l'Etat ;
- AXE 3 : Systèmes d'informations financières ;
- AXE 4 : Passation des marchés publics ;
- AXE 5 : Comptabilité publique et gestion de la trésorerie de l'Etat ;
- AXE 6 : Dispositifs de contrôle et d'audit internes et externes ;
- AXE 7 : Gestion des finances publiques des collectivités territoriales ;
- AXE 8 : Transparence et gouvernance dans la gestion des finances publiques;

17. Le Gouvernement a poursuivi la mise en œuvre des réformes budgétaires dans le cadre de la modernisation de la gestion des finances publiques. En effet, les travaux d'interfaçage entre Système Intégré de Gestion des Finances Publiques (SIGFiP) et le progiciel de gestion de la comptabilité générale de l'Etat et de suivi de la comptabilité auxiliaire (ASTER) ont été finalisés avec la mise en cohérence des données de l'ensemble des tableaux produits ainsi que le déploiement du SIGFiP s'est poursuivi avec la connexion de nouvelles Ambassades et Institutions ;

18. Une liste des principaux projets d'investissements inscrits au budget 2018 a été élaborée et publiée sur le site du Ministère en charge du Budget, en vue de faciliter l'accès à l'information budgétaire simplifiée ;

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Les phases de tests du module "Elaboration des actes budgétaires" du nouveau système intégré de gestion budgétaire dans le cadre des budgets-programmes ont été validées et les améliorations sont en cours ;

20. Le Système Intégré d'Analyse de Programmation et de Suivi Evaluation des projets (SINAPSE) a été finalisé, et est en cours d'implémentation auprès des ministères ;

21. La version actualisée du Programme d'Investissements Publics sur la période 2018-2020 (PIP 2018-2020), intégrant les projets d'infrastructures de type Partenariat Public Privé (PPP) en cours d'exécution, est disponible ;

22. Le volet recette du Compte Unique du Trésor est opérationnel au niveau de la Direction Générale des Impôts et de la Direction Générale des Douanes. A fin août 2018, [904] comptes ont été fermés auprès des banques commerciales.

23. Pour tenir compte de l'évolution des cours internationaux, le Gouvernement a pris les mesures nécessaires pour ajuster les prix dans les principaux secteurs. A cet effet :

- le Gouvernement continue d'appliquer 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 a continué de garantir la fluctuation du prix ex-SIR conformément aux tendances internationales. De même, le Gouvernement veille à préserver la base taxable d'avril 2017 et le cas échéant l'améliore, en vue d'assurer la réalisation des prévisions budgétaires ;

c- Renforcer l'environnement des affaires et développer le secteur privé

24. Le processus de restructuration des entreprises du secteur énergie basé notamment sur les recommandations des audits de la SIR et de PETROCI s'est accéléré en 2017 :

- Concernant PETROCI, le résultat net est ressorti excédentaire en 2016 après le déficit enregistré en 2015. Sa situation financière devrait s'être consolidée 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 veille à l'application de ce plan de restructuration.
- S'agissant de la SIR, le Gouvernement a approuvé la stratégie de restructuration de la dette de la. Cette stratégie a prévu une restructuration des dettes et des arriérés accumulés d'environ 368 milliards de francs CFA (mai 2016) en contractant un nouveau prêt qui serait garanti par le Gouvernement. Le remboursement a été garanti par l'Etat à travers un prélèvement de 20,07 F CFA/L sur la taxe spécifique adossée aux produits pétroliers. L'achèvement de la restructuration de la dette ainsi que les efforts d'optimisation permettra de réduire les coûts de financement de la SIR et a ouvert la voie à l'amélioration de sa capacité financière.
- Le Gouvernement a continué 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 Soubré et les cycles combinés ont contribué à réduire les coûts de production à moyen et long terme. Les efforts se poursuivent en vue de maintenir la tendance à la baisse des pertes techniques et non

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- techniques. En outre, les actions de recouvrement seront menées pour mobiliser les arriérés de paiement dus au secteur. Le Gouvernement veille à ce que la politique de tarification soit en ligne avec l'évolution des coûts de production.

d- Emploi et politique sociale

25. Le Gouvernement poursuit le déploiement de la Couverture Maladie Universelle (CMU). A cet effet, pour une population cible de 3 169 382 personnes, 2 281 841 ont été enrôlées à la date du 23 juillet 2018, soit un taux d'enrôlement de 72%. Cette opération s'étend aux ménages indigents dont 73 866 personnes ont été identifiées dans plus de 1 314 localités. Le mécanisme de collecte des cotisations du secteur formel est déjà défini et celui des secteurs agricole et informel sera finalisé [avant fin décembre 2018], à l'issue d'une étude menée en collaboration avec la Banque Mondiale et l'Agence Française de Développement. Concomitamment à la mise en œuvre de ces opérations, une phase

expérimentale portant sur une population de 150 000 étudiants, répartis dans cinq localités, a débuté le 25 avril 2017. A cet effet, 61 028 cartes ont été distribuées à la date du 23 juillet 2018, permettant aux bénéficiaires d'accéder aux prestations dans 28 centres de santé. Dans le cadre de cette phase pilote, il a été décidé la prise en charge de 30 000 indigents, à partir [d'octobre] 2018 avec l'appui de la Banque Mondiale. Capitalisant les acquis de la phase pilote, la CMU devrait être généralisée progressivement à partir 2019, en tenant compte de la disponibilité de l'offre de soins dans les localités.

26. En prélude au déploiement de la CMU, le Gouvernement fait de la mise en œuvre de son second Plan National de Développement de la Santé « PNDS 2016-2020 » une priorité en vue d'accroître l'offre de soins de qualité. A ce titre, en 2017 plusieurs centres de santé ont été réhabilités, construits et équipés notamment la mise en service du premier centre de Radiothérapie de Côte d'Ivoire ainsi que celle du Centre Hospitalier Universitaire d'Angré. Aussi, plus de 90% de l'objectif de recrutement en personnel de santé a été atteint. Par ailleurs, la lutte contre le VIH SIDA a été renforcée avec un accroissement significatif de sites de Prévention de la Transmission Mères Enfants (PTME) et de prises en charge Antirétroviral (ARV) de respectivement 20% et 71% sur la période allant de 2015 à 2017. Le Gouvernement a également poursuivi les campagnes de sensibilisation, de vaccination et de distribution de Moustiquaires Imprégnées de Longue Durée d'Action (MILDA), faisant passer la couverture des populations cibles (femmes enceintes, enfants de moins d'un an) de 47% en 2015 à 66% en 2017.

27. Le Gouvernement poursuit le renforcement de son système éducatif en vue de promouvoir l'éducation pour tous. En application de la loi n°2015-635 du 17 septembre 2015, modifiant la loi n°95-695 du 7 septembre 1995 l'école a été rendue obligatoire pour tous les enfants âgés de 6 à 16 ans. Aussi, le Gouvernement a poursuivi sa politique de construction des collèges de proximité ainsi que ses actions en faveur des démunis à travers notamment la distribution gratuite des fournitures scolaires aux élèves des écoles primaires publiques, et ses campagnes de sensibilisation en faveur de la scolarisation de la jeune fille. Ainsi, le taux net d'accès au primaire s'est établi à 72,1% pour l'année scolaire 2017-2018 contre [71,4%] au cours de l'année scolaire 2016-2017. Quant au taux net de scolarisation à l'école primaire, il demeure supérieur à [91%] après la nette progression (+19%) affichée au cours des cinq dernières années.

III- Le Programme en 2018 et les perspectives à moyen terme

28. Le Gouvernement renforcera la mise en œuvre du PND 2016-2020 pour réduire considérablement la pauvreté et atteindre l'objectif d'émergence. Les politiques et programmes socio-économiques devront être renforcés en vue d'une plus grande efficacité. A cet effet, le Gouvernement continuera de mettre en œuvre sa stratégie de croissance basée sur l'accroissement et l'efficacité des investissements en infrastructures et en ressources humaines. En outre, les efforts d'amélioration du climat des affaires et de la gouvernance seront intensifiés pour attirer davantage les investissements privés et améliorer la productivité. Conformément à l'orientation du PND 2016-2020, un accent sera mis sur l'agro-industrie qui devrait favoriser plus de créations d'emplois. Le nouveau code des investissements adopté en conseil des Ministres en octobre 2018 prend en compte cette orientation stratégique. Par ailleurs, le Gouvernement finalisera et mettra en œuvre son Programme Social de Développement sur la période 2018-2020 afin de renforcer son action sociale. Les résultats attendus de la mise en œuvre de la politique de « l'école obligatoire », de la généralisation de la Couverture maladie universelle, et du renforcement du projet « filets sociaux » devront contribuer à réduire les inégalités et mieux répondre aux besoins fondamentaux des populations principalement les plus vulnérables.

29. Tout en assurant une croissance forte et soutenue, l'objectif du Gouvernement est de préserver les équilibres internes et externes. Pour 2018, le déficit budgétaire global devrait rester en ligne avec l'objectif du programme. Toutefois, à la faveur de la publication des comptes nationaux définitifs 2016 et provisoires 2017, les révisions des PIB nominaux 2018 et 2019 ont été effectuées et ont affecté le ratio de déficit budgétaire en pourcentage du PIB qui s'établit à [4,0%]. Pour 2019, le déficit sera ramené à [3%] du PIB comme prévu initialement. L'inflation devrait rester inférieure à 3%, conformément à la norme communautaire. Le déficit du compte courant serait maîtrisé en deçà de [4%] du PIB.

30. Le dynamisme de l'activité économique devrait se poursuivre sur la période 2018-2019. En 2018, le taux de croissance se situerait à [7,7%] porté par le dynamisme des secteurs secondaire et tertiaire qui afficheraient des évolutions respectives de [8,5%] et [10,8%]. La performance du secteur secondaire serait liée à la bonne tenue des BTP, des industries agro-industrielles et des autres industries, traduisant l'amorce de la mise en œuvre de la stratégie d'industrialisation de l'économie. Le secteur tertiaire bénéficierait du dynamisme affiché de l'ensemble des branches d'activités. Quant au secteur primaire, il enregistrerait une croissance de [3,9%] après 11,2% en 2017, en lien avec le ralentissement de l'agriculture d'exportation. Du côté de la demande, la croissance serait tirée par la consommation finale et l'investissement. Ainsi, le taux d'investissement devrait ressortir à [20,8%] du PIB en 2018 dont [19,5%] attribuable au secteur privé. En 2019, le taux de croissance serait de [7,8%] attribuable du côté de l'offre à l'agriculture vivrière, les industries agroalimentaires, les produits pétroliers, les BTP et les services ; et du côté de la demande, aux investissements et à la consommation finale.

31. La situation monétaire serait marquée par une hausse de la masse monétaire, respectivement de [9,0%] et [10,0%] en 2018 et 2019, résultant de l'accroissement du crédit intérieur et de la consolidation des avoirs extérieurs nets.

32. Le déficit du compte courant serait contenu à près de [4,0%] du PIB sur la période 2018-2019. Il se situerait à [3,7%] du PIB en 2018 après [2,2%] du PIB en 2017, sous l'effet de la baisse de l'excédent commercial et l'aggravation des déficits des services, ainsi que ceux des revenus primaires et secondaires. Pour 2019, le déficit se réduirait à [2,8%] du PIB en lien avec l'amélioration du solde commercial.

33. Le projet de budget 2019 adopté par le Gouvernement le 26 septembre 2018, affiche un déficit budgétaire de [3,0%] du PIB conformément aux objectifs du programme avec le FMI. Cette évolution résulterait de l'effet combiné de l'optimisation du potentiel de recouvrement fiscal, de la maîtrise des dépenses et d'un bon pilotage de l'exécution budgétaire. A cet effet, pour 2019 :

- Les recettes totales et dons se situeraient à [20,5% du PIB]. Quant au taux de pression fiscale, il augmenterait de 0,4 point de pourcentage de PIB pour atteindre [16,9%] du PIB contre [16,5%] du PIB en 2018.
- Les dépenses et prêts nets s'afficheraient à [23,7% du PIB]. Les dépenses de fonctionnement seraient maîtrisées à [4,3% du PIB] contre [4,7% du PIB] en 2018. La masse salariale ressortirait à [6,6% du PIB], conformément à la stratégie actualisée de gestion de la masse salariale. Concernant les dépenses d'investissement, elles sont projetées à [6,7% du PIB] contre [6,9%] du PIB en 2018.
- Le Gouvernement prendra les dispositions nécessaires pour ajuster ses dépenses à la baisse à hauteur du niveau d'utilisation des dons reçus au titre du C2D (hors appuis budgétaires) et non utilisés en 2018.

34. Afin de dégager des recettes fiscales supplémentaires estimées à [0,4 point de pourcentage] du PIB en 2019 par rapport à l'année précédente, le Gouvernement entend mettre en œuvre des mesures aussi bien en matière de fiscalité intérieure qu'au niveau de la fiscalité de porte. A cet effet, le Gouvernement continue sa politique de réduction des exonérations fiscales en révisant celles qui sont accordés au titre du Code des Investissements en publiant la liste des d'exonération qui arrivent à échéance et qui ne seront pas renouvelés ainsi que l'impact fiscal sur le budget 2018.

- **En ce qui concerne les exonérations fiscales, l'engagement du Gouvernement** consiste à ne pas renouveler celles qui arrivent à expiration à fin 2018. En d'autres termes, il devra être mis fin à ces exonérations qui sont déjà accordées. A ce titre, il n'était pas envisagé, au sens de la mesure, de modifier la liste des exonérations à supprimer étant donné que l'expiration dépend de la durée prévue par la loi. L'approche d'une réduction progressive par le non renouvellement s'inscrit sur plusieurs années (2017-2020). Il s'agit donc d'une politique étalée dans le temps dont le plein effet devrait se ressentir sur le niveau des recouvrements à moyen et long terme.
- **Pour satisfaire à cette conditionnalité, le Secrétariat d'Etat auprès du Premier Ministre,** chargé du Budget et du Portefeuille de l'Etat (SEPMBPE) a indiqué à la Banque Mondiale les caractéristiques de l'exonération qui répondaient à ce critère en 2018 ainsi que son évaluation financière. De notre appréciation, l'interprétation sur le nombre d'exonérations arrivant à expiration ne traduit pas la mesure telle qu'elle a été convenue dans le cadre de l'appui budgétaire. Il a été transmis à la Banque Mondiale, la liste des exonérations non renouvelées en 2017 et celles qui ne devraient pas être renouvelées au terme de l'année 2019.

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- **Ainsi, prenant en compte l'esprit de la mesure, qui consistait à réduire progressivement les exonérations dans le but d'accroître le taux de pression fiscale sans une augmentation de la valeur nominale des taux d'imposition, il a été retenu au titre de l'annexe fiscale 2019, de légaliser l'obligation de soumettre toute convention à incidence fiscale à la signature du Ministre en charge de la fiscalité.** Dans la même veine, le Code des investissements consacre le principe de restauration de la TVA, avec l'introduction de la suspension temporaire (TVA différée) au lieu de l'exonération. Par ailleurs, ce nouveau code consacre une rationalisation des secteurs éligibles aux exonérations. Une simulation préliminaire du coût d'opportunité effectuée sur les données des sociétés agréées de 2013 à 2017 avec ces nouvelles mesures, indique une réduction des exonérations de 641 milliards au titre de la TVA sur les investissements réalisés et de 20 milliards au titre du réaménagement des secteurs d'éligibilité. Cette évaluation ne devrait pas donner droit à une mobilisation immédiate de la TVA attendue, dans la mesure où le principe de la suspension de TVA implique le paiement uniquement au cours de la phase d'exploitation après celle de l'investissement. Par ailleurs, l'affinement de l'analyse sur les impacts futurs devrait tenir compte des déductions éventuelles de TVA sur d'autres impôts payés.
- **En matière d'administration fiscale, le Gouvernement a mis en place un système électronique d'identification unique des contribuables (entreprises) qui rationalise les procédures d'enregistrement et améliore l'identification et le suivi des contribuables.** A cet égard, le Gouvernement a pris l'arrêté 490/PM/CAB/ du 14 septembre 2018 fixant la date et les conditions de générations et partage de l'identifiant unique de création d'entreprise. Cet arrêté fixe les conditions de génération et de partage de l'identifiant unique en matière d'immatriculation des entreprises, ainsi que le délai et les conditions de régulation des entreprises anciennement immatriculées. L'identifiant unique émis et administré par le CEPICI, pour lequel la plateforme a été lancée le 28 octobre 2018 par Monsieur le Premier Ministre, vient en substitution des numéros RCCM, du compte contribuable, de la CNPS et du code importateur. Le système de génération et de partage de l'identifiant unique permettra ainsi une interconnexion des fichiers des différentes administrations sur une seule plateforme.
- **Les mesures fiscales intègrent également l'instauration d'un droit unique de sortie (DUS) sur la noix de cajou en lien avec la politique de transformation qui constituera un acte majeur de l'industrialisation nationale.** De même, il est instauré un DUS sur les graines de coton pour promouvoir la transformation locale de ce produit. Enfin, les mesures de politique fiscale pour 2019 instaurent des droits d'accises sur les produits de luxe (marbres et véhicules de luxe) et relève le taux de droit d'accise sur le tabac. L'ensemble de ces mesures tient compte de la politique d'industrialisation nationale et protège les populations les plus vulnérables conformément à la politique de lutte contre la pauvreté.
- **Dans la poursuite de ces efforts, le Gouvernement va adopter un plan de rationalisation des exonérations fiscales au plus tard à fin mars 2019.** Ce plan devrait permettre, sur la base des orientations retenues au titre du Code des investissements, de définir les conditions d'accès aux exonérations fiscales et de mieux encadrer toutes les exemptions hors Code des investissements. Il intégrera notamment, la problématique des exonérations ad-hoc et la poursuite du non renouvellement des exonérations arrivant à expiration. Le Gouvernement reste disponible à poursuivre les échanges avec la Banque Mondiale, le FMI et les autres partenaires au développement, notamment l'Union Européenne, pour apporter des solutions pérennes à la problématique de la rationalisation des exonérations fiscales sans compromettre l'exigence d'un climat de confiance avec les investisseurs internationaux et le secteur privé national.

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- **Par ailleurs, le Premier Ministre a mis en place un Comité de réformes fiscales.** Ce comité comprend les administrations publiques et le secteur privé afin de débattre au plan technique des propositions de réformes à soumettre au Gouvernement. Ce cadre de concertation a caractérisé le contexte d'élaboration de l'annexe fiscale 2019. Le Gouvernement entend poursuivre sa politique de rationalisation des dépenses en privilégiant les dépenses d'investissements publics structurants et les dépenses pro-pauvres, tout en évitant la constitution de nouveaux passifs.

35. Au niveau des dépenses, le Gouvernement entend contrôler les dépenses courantes et prioriser les dépenses d'investissement. Concernant la maîtrise des dépenses courantes, le Gouvernement continuera à exercer la régulation budgétaire des dépenses en fonction du rythme de recouvrement des recettes. Il poursuivra sa politique de renforcement du contrôle à priori exercé par les organes de Contrôle et ses missions d'encadrement des acteurs de la chaîne de la dépense publique. Le Gouvernement veillera également à la mise en œuvre de sa stratégie de maîtrise de la masse salariale. Par ailleurs, le Gouvernement continuera à assurer le strict respect de l'arrêté N° 178/MEF/CAB-01/20 du 13 mars 2009 fixant les modalités de recours aux avances de trésorerie.

36. Au niveau des dépenses d'investissement, le Gouvernement poursuivra la priorisation des projets en 2018 et 2019. Pour une meilleure efficacité de ces investissements, il continuera à tenir compte de la maturité et de l'impact sur l'activité économique dans la phase de budgétisation des projets. Il veillera également à la poursuite de la mise en œuvre des recommandations issues de l'assistance technique du FMI tenue en 2017 et relative à l'évaluation PIMA avec la mission d'assistance technique de l'AFRITAC au début de 2019.

37. En vue d'éviter d'éventuels passifs, le Gouvernement mettra l'accent sur la sensibilisation et l'application des sanctions prévues à cet effet. En outre, des lignes de crédits sont suffisamment dotées pour éviter la constitution de passifs notamment sur la consommation réelle d'électricité, le « carburant armée » et les frais d'écolage. Par ailleurs, le Gouvernement continuera de faire la promotion et la vulgarisation de la Cellule d'Information des Opérateurs Economiques (CELIOPE), une unité administrative créée au sein de la DGBF pour renseigner à titre gracieux, les prestataires et fournisseurs de l'Etat sur l'existence de crédits budgétaires et toutes opérations liées au budget.

38. La dernière Analyse de Viabilité de la Dette effectuée par le Gouvernement indique que la Côte d'Ivoire reste classée à un « risque modéré » de surendettement. Les indicateurs de solvabilité et de liquidité sont tous en dessous de leurs seuils respectifs sur la période [2019-2039] grâce à de bonnes perspectives économiques et à une politique budgétaire adéquate. Cependant, la Côte d'Ivoire reste vulnérable aux chocs macroéconomiques négatifs qui concerneraient en particulier les exportations, la dépréciation du taux de change de l'euro par rapport au dollar, un resserrement des conditions de financement sur les marchés internationaux et le taux de croissance. Enfin, pour 2019, conformément aux objectifs du programme, le Gouvernement entend recourir à de nouveaux prêts extérieurs dans la limite de [2 500 millions de dollar EU] en valeur actuelle. Ces prêts serviront au financement de grands projets structurants dans les secteurs du transport, de l'électricité, de l'eau potable et de l'irrigation des terres agricoles.

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39. Le Gouvernement a continué la modernisation de son système de passation des marchés publics tout en la renforçant. Dans ce cadre,

- Le Gouvernement a (i) renouvelé les membres du Conseil de l'Autorité Nationale des Marchés publics par le décret N° 2018-658 du 1er Août 2018 portant nomination des membres, (ii) a adopté un arrêté qui donne force légale aux marchés passés par le système électronique et (iii) étendu l'utilisation du système électronique de passation des marchés publics à au moins 10 ministères.
- En ce qui concerne le système de passation électronique des marchés publics, le Gouvernement a procédé à une approche par phasage pour s'assurer d'une mise en œuvre effective et efficace de la digitalisation qui va entraîner un changement significatif dans le mode de gestion des marchés publics.

Ce processus distingue deux phases :

- la phase 1 qui met l'accent sur les procédures et les actes relevant des administrations publiques, notamment la Direction des Marchés Publics, les Autorités contractantes et les cellules de passation des marchés et,
- la phase 2 qui va concerner les usagers du service public afin de permettre aux opérateurs économiques de faire les différentes étapes de la procédure de passation en ligne.
- Conformément à la demande de la Banque Mondiale, une note a été produite pour faire l'état des lieux et surtout indiquer de façon précise le chronogramme pour le reste de la phase 1 et les perspectives pour ce qui concerne la phase 2. Ce projet de dématérialisation a été retenu au titre du projet gouvernance de la Banque Mondiale. A cet égard, la finalisation de la phase 1 et l'affinement de la phase 2 seront conduits étroitement avec la Banque Mondiale qui sera régulièrement informée des évolutions et des contraintes. Les campagnes d'information et de formation concernant les nouvelles procédures simplifiées seront poursuivies notamment à l'endroit des responsables de cellules de passation des marchés publics.
- Le code des marchés publics est en cours de révision pour prendre en compte de nouveaux modes de contractualisation et de nouvelles méthodes d'évaluation des offres en vue d'assurer une meilleure efficacité des procédures de passation de marchés publics. La version révisée sera disponible en février 2019.

40. Le Gouvernement poursuivra la modernisation de la gestion des finances publiques conformément à la stratégie de mise en œuvre des réformes budgétaires 2017-2019 inclut dans le nouveau schéma directeur des Finances Publiques. Dans ce cadre :

- Un accent sera mis sur les actions nécessaires pour l'opérationnalisation des budgets-programmes. A cet égard, le Gouvernement prendra les dispositions pour finaliser et adopter les textes réglementaires requis pour encadrer ce nouveau mode de gestion axé sur la performance et une plus grande responsabilisation des acteurs. Ces textes comprennent les décrets relatifs au contrôle financier et budgétaire, la charte de gestion des programmes, la comptabilité matière et la maîtrise d'ouvrage délégué. Par ailleurs, la phase de test fonctionnel et de conformité, du module « Elaboration des actes budgétaires » du nouveau Système d'Information Budgétaire, sera finalisée avant fin 2018 et mis à la disposition des acteurs pour

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- exploitation. Les travaux d'analyse, de conception et de développement du module « Exécution du Budget de l'Etat », comprenant un sous-module d'interfaçage avec l'applicatif ASTER, sont en cours et devraient être finalisés à [fin mars 2019] pour permettre la mise en œuvre de la phase test au cours de l'année 2019 ;
- Les actions déjà identifiées pour une meilleure articulation entre le plan de passation des marchés publics, le plan d'engagement des dépenses publiques et le plan de trésorerie » seront mises en œuvre. Il s'agit entre autres de (i) arrimer le calendrier de passation du marché sur celui de l'exécution du budget, (ii) mettre systématiquement à jour le plan de passation en lien avec la régulation et les modifications budgétaires et (iii) transmettre le plan d'engagement des dépenses publiques à la Direction de la Dette Publique et des Dons (DDPD) pour la prise en compte dans le plan de trésorerie ;
- La gestion des risques budgétaires sera renforcée à travers la production d'un document de déclaration sur les risques budgétaires en annexe de la Loi des finances à compter de l'exercice 2019. Ce document permettra également d'améliorer la transparence dans la gestion des finances publiques. A ce titre, un budget citoyen basé sur la loi de finances 2019 sera produit au cours de l'exercice 2019. Le Gouvernement a procédé à une évaluation de son système de gestion des finances publiques selon la méthodologie PEFA. Les résultats de cette évaluation seront disponibles et publiés avant fin 2018. Ils permettront de renforcer les réformes en matière de gestion des finances publiques telles que découlant du schéma directeur adopté à cet effet par le Gouvernement en 2018 ; et
- Le Gouvernement poursuivra également le déploiement du SIGFiP au sein des ambassades et des localités de l'intérieur du pays. Ainsi, dans le cadre de l'amélioration du suivi de l'exécution budgétaire, 9 nouvelles ambassades et 4 localités additionnelles seront connectées au SIGFiP.

41. Le Gouvernement poursuivra également les réformes en faveur de l'amélioration de la gestion des risques budgétaires liés aux Partenariats Public-Privés (PPP). La révision du cadre institutionnel des PPP, par le décret n°2018-359 du 29 mars 2018, contribuera à garantir une plus grande autonomie dans la gestion du Comité National de Pilotage des Partenariats Public-privé (CNP PPP). En collaboration avec les partenaires au développement, le Gouvernement veillera au renforcement des capacités du CNP-PPP notamment dans les cadres d'évaluation détaillée de projets PPP. Aussi, la sensibilisation des autorités contractantes à la transmission systématique des contrats signés, couplée à la revue annuelle du portefeuille PPP assureront une mise à jour régulière de la base de données des projets de type PPP enrichie d'informations contractuelles y compris les engagements budgétaires et les garanties de revenus. Par ailleurs, dans le but de renforcer la transparence de la gestion stratégique et financière des projets PPP, le Gouvernement veillera à la publication du rapport d'activité annuel sur la mise en œuvre des PPP et au renforcement des capacités de l'ensemble des acteurs des PPP.

42. Le Gouvernement continuera le déploiement du Compte Unique du Trésor (CUT), dont l'effectivité prévue en [2019] contribuera à l'amélioration de la gestion de la trésorerie. Concernant les clôtures de comptes, à fin août 2018, [904] ont été fermés sur 2 745 comptes. Des actions sont en cours pour la clôture des autres comptes bancaires en tenant compte des contraintes opérationnelles. Aussi, pour l'ouverture de nouveaux comptes, la banque interne du Trésor sera privilégiée. Concernant le volet

recette du CUT, après la prise en compte de la DGI et de la DGD, le déploiement s'effectuera dans les postes comptables de la DGTCF, à compter du [quatrième trimestre] 2018. S'agissant du volet dépenses, le déploiement en cours dans les trésoreries générales, sera généralisé aux postes comptables déconcentrés qui ont d'ores et déjà reçu la formation. Une évaluation de la phase pilote interviendra en décembre 2018.

43. Le Gouvernement compte accroître la contribution du secteur privé dans la création de richesse et d'emplois. Pour ce faire, il ambitionne de faire de la Côte d'Ivoire, l'un des pays au meilleur climat des affaires en Afrique et dans le monde à travers la mise en œuvre de son nouvel Agenda de réformes pour la période 2018-2020 adopté en Conseil des Ministres en septembre 2018. Il renforcera le partenariat avec le secteur privé, y compris dans le cadre de l'initiative Compact pour l'Afrique du G20. Il intensifiera également ses efforts pour soutenir et promouvoir les PME, et renforcera les infrastructures en vue de réduire les coûts de production et améliorer la compétitivité du secteur privé. Par ailleurs, le système de gouvernance sera amélioré, notamment avec (i) la prise de textes réglementaires additionnels pour contraindre les assujettis à la déclaration de patrimoine, (ii) l'analyse et la mise à jour des déclarations, (iii) le renforcement des capacités du pôle financier du Parquet d'Abidjan, et (iv) la mise en place d'un cadre de collaboration entre la Haute Autorité à la Bonne Gouvernance et les organes publics d'enquête. En outre, il veillera à l'application de la loi sur la pénalisation du blanchiment d'argent et du financement du terrorisme votée en 2016.

44. Capitalisant sur les acquis en matière de Doing Business, le Gouvernement veillera à la bonne exécution de son nouvel Agenda des réformes prévues pour la période 2018-2020. Cet Agenda comporte 54 projets de réformes sectorielles dont 39 visent directement à produire un impact sur les variables et indices du référentiel Doing Business, et 15 contribueront à l'amélioration globale de l'environnement des affaires en Côte d'Ivoire.

45. Le Gouvernement entend poursuivre ses efforts pour la promotion et l'accompagnement des PME. Ainsi, après la mise en place de l'Agence Côte d'Ivoire-PME qui est une agence de promotion des PME, les efforts seront déployés pour la création d'incubateurs à Abidjan et à Yamoussoukro. En outre, dans le cadre de la facilitation de l'accès au financement des PME, deux (02) Conventions ont été signées avec deux (02) banques privées, pour un financement global de quinze (15) milliards de francs CFA, et des initiatives sont en cours pour la création d'un Fonds de Garantie des PME. Par ailleurs, le Gouvernement veillera à finaliser la mise en place et l'opérationnalisation de la plateforme électronique d'identification des Entrepreneurs. Aussi, un programme pluriannuel de renforcement des capacités des cadres, dirigeants et associations des PME est en cours d'exécution.

46. La Côte d'Ivoire a réalisé des progrès remarquables en matière d'amélioration du climat des affaires. Elle occupe la 122^{ème} place au classement Doing Business 2019 de la Banque mondiale et connaît ainsi une progression de 45 places comparativement à 2012. Cette performance est notamment due aux progrès réalisés dans la mise en œuvre des mesures concernant la création des entreprises (+132 places), le transfert de propriété (+46 places), l'exécution des contrats (+26 places), le raccordement à l'électricité (+24 places), et l'octroi du permis de construire (+17 places).

47. **Toutefois, en vue de hisser la Côte d'Ivoire dans le TOP du classement Doing Business à l'horizon 2020 et de la maintenir dans le Top 10 des pays les plus réformateurs au monde, le Gouvernement a adopté un nouvel agenda de 54 réformes pour la période 2018-2020 dans les 10 indicateurs de l'Indice Doing Business (Création d'entreprise, Raccordement à l'électricité, Transfert de propriété, Paiement des Impôts et taxes, Octroi du Permis de construire, Obtention de prêts, Commerce frontalier).**

48. **Les réformes en cours dans le secteur électricité devraient permettre de consolider l'équilibre financier et d'apurer les arriérés dus aux producteurs indépendants d'électricité (IPP) et aux gaziers. Les soldes d'exploitation et de trésorerie demeureraient excédentaires grâce notamment (i) aux mesures de réduction des pertes techniques et de lutte contre la fraude, (ii) à l'amélioration du recouvrement des factures intérieure et extérieure, et (iii) au non recours au HVO en lien avec les investissements réalisés.**

Aussi, pour renforcer l'équilibre financier du secteur, un accent particulier est mis sur le recouvrement des impayés et l'apurement des arriérés. A ce titre :

- **le protocole d'accord sur les dettes et créances croisées au sein du secteur**, y compris vis-à-vis de l'Etat est en cours de mise en œuvre. Dans ce cadre, l'ensemble des impayés 2016 et antérieurs du secteur public ont été totalement apurés. Pour 2017, les impayés au titre de l'éclairage public et des feux tricolores ont fait l'objet d'une titrisation pour un montant de 8 576 098 769 francs CFA le 1er octobre 2018. Ceux relatifs à l'Administration centrale et aux sociétés d'Etat font l'objet d'une couverture budgétaire en 2018. Depuis 2018, les paiements au titre de l'administration centrale, des EPN compensables (EPN dont les factures sont prises en compte par la Direction du Patrimoine de l'Etat), ainsi que de l'éclairage public et des feux tricolores d'Abidjan font l'objet de paiement régulier par le Trésor Public. Concernant les sociétés d'Etat et les EPN non compensables tels que la SOTRA, le LBTP, le BNETD, les paiements se font selon les protocoles signés en 2017 ;
- **Pour ce qui concerne le recouvrement des impayés à l'export, le Gouvernement continuera ses efforts** pour permettre au secteur d'atteindre la stabilité des flux de trésorerie. En complément, et dans une approche globale, le Gouvernement a sollicité la Banque Mondiale pour la mise en place d'un mécanisme de garantie des remboursements d'éventuels restes à payer. Cette approche est toujours en discussion. En outre, les actions pour le recouvrement des factures à l'export seront intensifiées à travers notamment la signature de convention avec les structures en charge de la fourniture de l'électricité dans les différents pays concernés et
- **Le programme de refinancement des dettes à court terme du secteur électricité** par les banques commerciales avec la garantie de la Banque Mondiale prévu au [dernier trimestre 2018] servira en priorité au refinancement intégral des concours vis-à-vis des banques, et l'apurement partiel des arriérés des IPP et gaziers. Les projections financières du secteur effectuées sur la base du plan de développement de CI-Energies prévoient le maintien et le renforcement de l'équilibre financier, et montrent que le stock des arriérés devrait se résorber progressivement avec l'amélioration des cash-flows du secteur de l'électricité et s'éteindre à fin 2021. Ces projections financières montrent également que les factures courantes sont payées et qu'il n'y a pas d'accumulation d'arriérés.

Afin d'améliorer la performance technique et la transparence du secteur, le Gouvernement a pris plusieurs mesures. Dans un premier temps, le Gouvernement et CI-ENERGIES ont signé le 18 septembre 2018 et commencé à mettre en œuvre un contrat de performance dans le but d'améliorer la performance technique et financière ainsi que la transparence du secteur. Dans un second temps, le Gouvernement a actualisé le manuel des procédures, notamment sur : (i) la planification, la facturation et le paiement des dépenses du secteur de l'électricité ; (ii) le reporting des informations financières du secteur de l'électricité et (iii) le contrôle de l'application des procédures de gestion, de reporting et l'audit annuel externe du secteur de l'électricité. Les principaux indicateurs de performance sont publiés de façon trimestrielle sur le site web de la CI-Energies.

49. Le Gouvernement entend accélérer la réalisation des projets pour accroître davantage l'offre d'électricité en vue de soutenir le dynamisme de l'activité économique et constituer un hub énergétique. Pour atteindre l'objectif de production de 4 000 MW d'ici 2020, le Gouvernement prévoit

la mise en service de plusieurs ouvrages en cours dans le domaine hydro-électrique, des énergies renouvelables et ceux visant à améliorer le réseau de distribution électrique. Ainsi, pour la période 2018-2020, il est prévu notamment (i) la construction de deux barrages hydroélectriques (Singrobo, Gribopoli) d'une capacité globale de 156 MW, (ii) le renforcement des capacités de production thermique avec la mise en service de nouvelles centrales thermiques (Azito & Ciprel), (iii) la construction d'une centrale à charbon, d'une capacité de 700 MW, (iv) la réalisation de projets dans le domaine des énergies renouvelables pour une capacité de plus de 200 MW et (v) la mise en œuvre du projet d'approvisionnement en gaz naturel (GNL) dont l'étude de faisabilité est prévue pour s'achever au second semestre 2018. Par ailleurs, il entend promouvoir la mise en œuvre des projets solaires et biomasse. A cet effet, un appel à manifestation d'intérêt a été lancé pour la construction de trois centrales (deux biomasses et une à énergie solaire) d'une capacité totale de 70 MW.

50. La restructuration des entreprises du secteur des hydrocarbures devrait consolider la situation financière du secteur. Les avancées enregistrées dans la mise en œuvre des plans de restructuration de ces deux entreprises devraient garantir la solidité de leur situation financière à moyen terme.

- **Concernant la PETROCI, la situation financière est en équilibre avec des résultats** nets successifs positifs de 5,38 milliards de FCFA en 2016 et 13,94 milliards de FCFA en 2017. Cette dynamique devrait se poursuivre en lien avec les effets bénéfiques de la mise en œuvre du plan stratégique de restructuration qui permettra à terme le recentrage sur les activités d'exploitation et de production. A ce titre, l'opération de cession des actifs du réseau des stations-services a été clôturée le 19 septembre 2018. La privatisation de l'activité de distribution de gaz butane est en cours sous la supervision du Comité de Privatisation. Par ailleurs, l'accélération de la mise en œuvre des protocoles d'accords signés avec l'Etat et CI-ENERGIES devrait améliorer la trésorerie et la santé financière de PETROCI.
- **S'agissant de la SIR, le résultat d'exploitation continue de s'améliorer** sous l'effet combiné des bonnes performances commerciales et des gains de productivité issus notamment de la réduction des charges. Le processus de restructuration de la dette SIR devrait être finalisé à [fin octobre 2018] par la levée de de 368 milliards de FCFA. Ce financement permettra notamment

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- (i) le paiement immédiat de toutes les dettes fournisseurs échues, (ii) la réduction des délais de paiement des fournisseurs de 300 à 90 jours et (iii) la baisse du coût des approvisionnements et des frais financiers.

51. Au niveau du secteur cacao, le Gouvernement a continué à renforcer la transparence et la Gouvernance du secteur à travers deux mesures. Premièrement, le Gouvernement a adopté et initié la mise en œuvre d'un plan d'actions visant à mettre en œuvre les recommandations de l'audit réalisé en 2017 portant sur le Programme de Ventes Anticipées à la Moyennes (PVAM) et le Fonds de réserves. Le Gouvernement a resserré les conditions d'octroi d'agrément à l'exportation. Ce qui a permis une amélioration du système de commercialisation et la réduction des défaillances de contrat. Un rapport de la mise en œuvre actualisé ainsi qu'une note analytique de l'impact a été élaborée. Ensuite, le Gouvernement a publié les résultats commercialement non sensibles du rapport de l'audit réalisé en 2017 sur le PVAM et lancé le 15 octobre 2018 l'audit indépendant de la campagne 2017/2018. Cet audit portera sur le Programme de Ventes Anticipées à la Moyenne ou PVAM (la commercialisation

extérieure et les Comptes de Stabilisation), le Fonds de Réserve Technique, le Fonds d'Investissement en Milieu Rural (FMIR), le Fonds d'Investissement Agricole (FIA) et la Redevance « Sacherie-Brousse conformément à l'arrêté N° 475/MEF/MINADER/SEPMBPE.

52. Le prix du cacao garanti aux producteurs continue d'être ajusté suivant l'évolution des cours internationaux conformément au mécanisme de garantie des prix. Ainsi, le prix bord champs de 700 FCFA a été maintenu sur toute la campagne principale 2017/2018 et le prix de 750 FCFA a été fixé pour la campagne de 2018/19 le 1er octobre 2018.

a- Emploi et politique sociale

53. L'insertion professionnelle et l'emploi, notamment celui des jeunes, sont au centre des attentions du Gouvernement. Dans ce cadre, plusieurs projets et programmes mis en œuvre ont permis d'enregistrer des résultats encourageants. Ainsi, pour un objectif de [31 912] jeunes prévus en 2018 dans le cadre du projet « Une formation, mon passeport pour l'emploi », 31 273 jeunes ont été formés à fin juin. Concernant le programme d'accompagnement, ce sont 1 994 jeunes pour un objectif annuel de 4 100 qui ont été mis en stage de qualification ou de premier emploi, dont 1 291 jeunes sur le Programme d'Aide à l'Embauche (PAE) et 703 jeunes sur le Projet Emploi Jeune et Développement des Compétences (PEJEDEC). S'agissant du programme d'appui, 1 600 jeunes seront pris en charge sur l'ensemble du territoire national. Par ailleurs, l'effectif des salariés du secteur formel s'est accru de 3,4% par rapport à décembre 2017, correspondant à une création nette de 33 054 emplois à fin juin 2018. Cette progression est principalement attribuable au secteur privé avec +25 983 emplois nets, qui contribue ainsi à hauteur de 79,0% à la création nette d'emploi et demeure le principal moteur du marché du travail.

54. Dans cette dynamique le Gouvernement a pris des mesures afin de renforcer l'efficacité et l'équité dans le secteur de l'éducation. De façon spécifique, le Gouvernement a pris deux (02) arrêtés ministériels formalisant respectivement :

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- **la poursuite de recrutement d'enseignants bivalents pour les collèges afin** d'accroître l'accès à l'enseignement secondaire aux élèves issus de familles pauvres (en particulier les filles). Cet arrêté détermine les conditions de recrutement des professeurs de Collège et les modalités de leur affectation.
- **l'amélioration de la performance des collèges privés et la transparence budgétaire** au niveau de l'enseignement secondaire qui : (i) instaure la publication annuelle de la performance de chaque collège mesurée par leur taux de réussite aux examens nationaux, les taux de redoublement et les taux d'abandon et (ii) définit les critères, y compris les taux de réussite aux examens nationaux, les taux de redoublement et les taux d'abandon, utilisés par le Ministère de l'Education pour identifier les collèges éligibles aux subventions versées par l'Etat. Cet arrêté institue au Ministère de l'Education Nationale, de l'Enseignement Technique et de la Formation Professionnelle un classement annuel des établissements scolaires privés d'enseignement secondaire.

55. Le Gouvernement accentuera son intervention au profit des personnes vulnérables tout en s'assurant de leur efficacité. Ainsi, les dépenses pro-pauvres concerneront principalement l'éducation,

la santé, l'électrification rurale et l'hydraulique villageoise. Par ailleurs, en vue de l'amélioration du ciblage, une mission d'assistance technique de la Banque Mondiale est attendue. En outre, les opérations d'identification des ménages indigents ont été initiées par le Gouvernement, dans le cadre des projets Filets Sociaux, permettant de répertorier à ce jour 73.866 ménages dans plus de 1.314 localités. Ce processus devrait se généraliser sur l'ensemble du territoire national.

IV- Suivi et évaluation

56. 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.

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

58. La Côte d'Ivoire entend, à travers ces orientations et engagements susmentionnés, renforcer la coopération financière avec la Banque Mondiale et l'ensemble des autres partenaires multilatéraux et bilatéraux et ainsi bénéficier du Crédit d'Appui Budgétaire National au titre de l'année 2018, d'un montant équivalant à Cent (100) Millions de Dollars des Etats-Unis.

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



Adama KONE

Letter of Development Policy – Unofficial Translation

N° _____/MPMEF/Cab/Coordo-BA/Ang

To

Mr. Jim Yong Kim
World Bank Group
President

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 2017 and presents the outlook for 2018-2019. 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 support its program, the Government has applied to the World Bank for a National Budget Support Credit in 2018 of **one hundred million US dollars**.

I- Political and Economic Context

3. Côte d'Ivoire enjoys continued dynamic economic growth with a solid macroeconomic framework and sound fiscal policy in a context of lower commodity prices than in 2016. The real GDP growth of the country economy posted reached growth of 7.7 percent in 2017 and should remain stable at the same rate in 2018 with the good execution of the National Development Plan (NDP 2016-2020) and its resilience to external and internal shocks. The country experienced rapid progress on the implementation of major public works projects and has started to develop its agricultural and industrial potential. Despite low cocoa prices, fiscal policy remained prudent, without compromising government investment and pro-poor spending. The fiscal deficit is expected to improve from 4.5 percent of GDP in 2017 to 4.0 percent of GDP in 2018 and achieve the WAEMU target of 3.0 percent of GDP in 2019. This trend helps to maintain internal and external balance despite the larger current account deficit, standing at 3.4 percent of GDP in 2018. This stems from a big jump in commodity and capital goods imports, following a current account deficit of 2.4 percent in 2017 resulting from the larger volume of oil imports and higher oil prices, along with lower cocoa prices. Furthermore, inflation should be contained at 0.5 percent in 2018. The banking system is also solid with a solvency ratio of 9.8 percent at the end of 2017, compared to 8.04 percent at the end of 2016 due to the increase in own funds to meet the minimum share capital and own funds standards, along with preparations for transitioning to the Basel II and Basel III prudential standards.

4. Strong economic performance, combined with continuing improvements in the business climate, should help make Côte d'Ivoire an attractive investment destination. The 2019 Doing Business report ranks Côte d'Ivoire at 122nd from 139 and indicates that the country is among the top performers. This achievement is the result of the implementation of structural and sector reforms to strengthen governance and promote the private sector. Continuing improvements in the business climate have helped make Côte d'Ivoire the most attractive West African economy for foreign direct investment (FDI), according to the latest Africa Investment Index (AII) published by Quantum Global on March 26, 2018. Furthermore, in the first half of 2018, more than 7,400 companies had registered with the one-stop shop of the Investment Promotion Center (CEPICI), marking an increase of 18.4 percent compared to the first half of 2017. In addition, the outlook for investment in Côte d'Ivoire is very promising. The country will be among the five most attractive African countries by 2022 according to a survey of international investors by Havas Horizons on African growth financing.

5. The Government intends to maintain the strong economic outlook by consolidating the social and political climate, strengthening governance, and ensuring inclusive growth. In order to uphold the climate of peace and social cohesion, the President of the Republic took the opportunity of the celebration of the 58th anniversary of Côte d'Ivoire's independence to give a general amnesty order that was hailed by all political players. The Government's governance efforts since 2012 have enabled Côte d'Ivoire to rise from 136th place in 2013 to 103rd place in 2017 in the latest Transparency International Corruption Perceptions Index. The Government intends to reinforce the social dimension of its strategy to make growth more inclusive through the implementation of Social Development Program (SDP) covering the period from 2018 to 2020. The Government will continue deploying universal medical coverage and executing the social safety net project, in cooperation with the World Bank. It will also ensure that the law on compulsory education for children aged 6 to 16 years is enforced. At the same time, the development strategy based on industrialization and, more particularly, processing of cash crops like cocoa and cashew nuts should help create more jobs. The Government, working with its development partners, will pay particular attention to "agropolis" projects to develop the agro-industrial sector, while promoting more jobs for young people and women. "Local content" promotion should also facilitate market access for small and medium enterprises and help promote entrepreneurship.

6. The Government will ensure compliance with its commitments under the Economic and Financial Program "ECF-EFF 2016-2019." To this end, it will continue fiscal consolidation by enhancing tax revenue collection, streamlining expenditure with increased pro-poor spending, and more effective management of fiscal risks relating to State-owned enterprises and public-private partnerships (PPP) projects. The Government will continue to modernize public finance management policy by finalizing the implementation of WAEMU directives with the finalization of laws harmonized public financial management framework within the region. It will put particular emphasis on restructuring the debt of *Société Ivoirienne de Raffinage* (SIR), planned for the end of November 2018, and on financial sustainability of the energy sector. The Government

will also make sure that the measures in the Financial Sector Development Plan (PDESFI) are implemented to strengthen the soundness of the banking sector and promote financial inclusiveness. In addition, improving the business climate will receive special attention, with online filing and lowering the costs for administrative documents, modernization of the court system, and tax reform. Côte d'Ivoire should also benefit from implementation of projects from agreements with other technical and financial partners, such as the Millennium Challenge Corporation (MCC) Compact and the G20 "Compact with Africa" initiative.

II- Execution of Reforms in 2017 in the First Half of 2018

7. The 2016-2020 National Development Plan aims to achieve rapid, sustained, and environmentally friendly growth so that Côte d'Ivoire can become a middle-income country with a better quality of life for all of its citizens. The new strategy is based on structural transformation of the economy mainly through productivity gains in agriculture, particularly food crops, processing primary products, strengthening manufacturing, and developing the digital economy, while maintaining a sound macroeconomic framework and sustainable levels of government debt. The new strategy also addresses the authorities' determination to develop a green economy. Côte d'Ivoire ratified the global climate agreement in Paris in December 2016 at the end of COP21.

8. The Prime Minister, Minister of Budget and State Portfolio, chaired on 6 November 2017, the meeting of the Steering Committee for the implementation of the National Development Plan (PND) 2016 -2020. This evaluation made it possible to assess the capacity of the various actors to make every effort to carry out this project in its entirety. According to the Prime Minister, the implementation of the first National Development Plan (NDP) that covered the period 2012-2015, has allowed, among other things, to restore peace, social cohesion and national reconciliation, to restore security of people and property throughout the territory and revive the economy. Thanks to the implementation of the NDP, the country now enjoys political stability, an environment of peace and security. In the same way, definitive solutions have been found to social demands.

9. Regarding achievements, the Prime minister said that the investment rate increased from less than 8.9 percent of GDP in 2011 to over 20.5 percent of GDP in 2016 and projected to more than 24.8 percent of GDP by 2020. the private investment rate, it rose about 6.3% in 2011 to over 13.9 percent in 2016. In 2016, total investments of the private sector reached in volume to nearly 3,000 billion CFA francs, representing 66.9 percent of total investments, higher than the target of 62.4 percent in the NDP. In addition, as part of the policy to improve the living conditions of the population, pro-poor spending rose from CFAF 1,080.3 billion in 2012 to CFAF 1,770.2 billion in 2015, CFAF 2,014.8 billion in 2016, or 9.4 percent of GDP. Thus, over the period 2011-2015, GDP per capita grew by more than 25 percent and the poverty rate went from 51 percent to 46.3 percent in 2015. At the same time, income distributed to producers increased from CFAF 3 trillion to CFAF 6 trillion over the 2011-2016 period. The PND is in line with of the overall vision of the President of the Republic, to transform the Ivorian economy to emerging country by 2020

a- Macroeconomic and Financial Framework

10. The Government published the final national accounts for 2016 and the provisional accounts for 2017 in September 2018. The growth rate remained strong in 2016 at 8.0 percent, and the GDP deflator stood at -1.1 percent. These achievements had a direct impact on all of the macroeconomic indicators in 2016. There were changes in the actual and projected tax burden figures and the fiscal and current account balances, etc. expressed as a percentage of GDP in 2016, 2017, 2018, and 2019.

11. Despite lower cocoa prices and wage demands in the first half of 2017, Côte d'Ivoire's real GDP growth rate remained one of the highest in the world at 7.7 percent in 2017, which shows to its economic resilience to exogenous and endogenous shocks. This dynamic growth was largely driven by a rebound in export crops, resumed growth of agriculture processing industries, and brisk growth in the services sector as a whole. Fiscal adjustments by the Government helped to maintain a stable economic environment. The overall fiscal deficit stood at 4.5 percent of GDP. The average inflation rate of 0.7 percent was well below the WAEMU target of 3 percent.

12. Figures from the end of June 2018¹⁸ show that the economy is growing.

- **Economic developments show dynamic growth of the secondary and tertiary sectors**, driven by domestic demand. Growth in the secondary sector can be attributed to the performance of the manufacturing industry, with growth of 7.2 percent and a rebound in the construction sector, which grew by 17.9 percent, following the faster growth of public capital expenditure projects. Energy output was stagnant, shrinking by 0.1 percent as a result of cooler temperatures, even though energy demand from industry grew by 4.3 percent. However, mining production was down by 10.9 percent, largely as a result of decreased crude oil and gas production. The tertiary sector continued to post strong performances, with 8.6 percent growth in the retail sector, 13.9 percent growth in the road transport sector, and 17.1 percent growth of the rail sector. In the primary sector, agriculture for export suffered from reduced cocoa production, following an exceptional crop in 2016/17, and smaller banana and pineapple harvests. On the other hand, exports of palm oil, coffee, cotton, cashew nuts, rubber, sugar and cola nuts increased.
- **Average annual inflation stood at 0.4 percent, well below the WAEMU target of 3 percent** at the end of June 2018.
- **The budget execution at the end of June 2018 shows that revenue (CFAF 27.0 billion) higher than the budget target**, primarily as a result of oil revenue and investment income that was received earlier than anticipated, along with CFAF 38.3 billion in revenue from cellular telephony licenses, which was initially anticipated in the fourth quarter. At the same time, expenditure came in at CFAF 52.0 billion under budget. This can be attributed to delayed execution of capital expenditure and prudent management of operating

¹⁸ The figures are the year-on-year data from June 2017 to June 2018, unless otherwise indicated.

expenditure. As result, the primary balance posted a surplus of CFAF 115 billion. The budget balance posted a deficit of CFAF 278.3 billion, as compared to the target of CFAF 358.8 billion. This deficit was financed by a CFAF 1,115.1 billion Eurobond issued in March 2018, which helped create the fiscal headroom needed to reduce payables by CFAF 144.2 billion, as opposed to the planned reduction of CFAF 99.6 billion, and to reduce bank borrowing.

- **Foreign trade experienced a deterioration of the terms of trade** and a rise in imports driven by dynamic growth of domestic demand. The terms of trade deteriorated by 11.5 percent as a result of a 12.0-percent drop in export prices, primarily affected by the fall of 26.9 percent in cocoa bean prices and the 31.2-percent drop in rubber prices. On the other hand, import prices fell by only 0.6 percent. In addition, imports, excluding exceptional goods, increased by 12.8 percent in nominal terms. All of the import components drove this growth: consumption goods (up 5.9 percent), intermediate goods (up 26.3 percent), and capital goods (up 12.9 percent). Exports shrank by 13.1 percent, exacerbated by the shrinking volume of agricultural exports, except green coffee. This led to a 55.1-percent decrease in the trade surplus compared to the first half of 2017.
- **The monetary situation shows a 10. -percent increase in the money supply**, driven primarily by a 15.7-percent increase in domestic lending. This development is the result of a 27.8-percent increase in claims on the State and a 13.1-percent increase in lending to the economy. External claims increased by 0.5 percent.

13. Public sector debt is sustainable despite the Eurobond issuance in March 2018. Outstanding central government debt decreased from 42.7 percent of GDP at the end of December 2017 to 42.5 percent of GDP at the end of June 2018. Domestic debt stood at 15.5 percent of GDP at the end of June 2018, compared to 18.1 percent at the end of December 2017. The debt sustainability analysis conducted in August 2018, and covering the period from 2019 to 2039, assumes that gross borrowing requirements will be met 50 percent in CFAF and 50 percent in foreign currencies. This analysis shows that Côte d’Ivoire’s risk of debt distress remains moderate. The Government maintains the ability to adjust its financing strategy, while ensuring that the risk level remains moderate, if conditions on the regional financial market warrant such adjustment. The outstanding debt of State-owned enterprises at the end of June 2018 stood at 1.66 percent of GDP, compared to 2.3 percent of GDP at the end of December 2017. The proportion of this debt guaranteed by the State stood at 0.15 percent of GDP.

14. The soundness of the banking sector has been consolidated. The solvency ratio stood at 9.8 percent at the end of December 2017, well above the international target of 8 percent. At the end of June 2018, the gross impaired loans rate stood at 8.68 percent, compared to 9.83 percent at the end of December 2017 and 10.3 percent at the end of June 2017. This rate is a preliminary figure that may be affected by the application of the Basel II and Basel III standards. WAEMU’s foreign exchange reserves stood at the equivalent of 5.5 months of imports, compared to 4.2 months at the end of December 2017. Furthermore, only four banks, accounting for only 2.5

percent of banking assets, fail to comply with the minimum capital requirement of CFAF 10 billion. The liquidation of SAF Cacao should not have any significant impact on the stability of the banking system, since it accounts for less than 2 percent of outstanding loans.

15. The Regional Securities Exchange (BRVM) continues to expand its activities with the creation of a special section for small and medium enterprises (SMEs). This section was opened in December 2017 and marks a major advance for the WAEMU regional financial market. It aims to provide SMEs and companies with strong growth potential with access to long-term capital in order to accelerate their growth and create regional champions. Market capitalization stood at CFAF 9,460.4 billion at the end of June 2018, compared to CFAF 9,108.8 at the end of June 2017, driven by the 27.2-percent increase in bond market capitalization. The market posted dynamic growth with total trading value increasing by 13.6 percent and the average monthly turnover of securities standing at 2.11 percent. Consequently, despite the 16.7-percent fall in the BRVM composite index, the average rate of return on listed securities stood at 8.83 percent and the average overall profitability ratio stood at 5.08 percent, with an average price-earnings ratio of 13.37 and a risk premium of 1.48 percent.

b- Public Financial Management

16. The Government adopted the findings of the assessment of the public finance reform master plan for 2014 to 2017, along with the new master plan for 2018 to 2020. This new master plan aims to consolidate the reforms under way and strengthen the governance of public financial management. This master plan for public finance reforms proposes a comprehensive and unique framework for PFM reform and a steering mechanism. It is articulated around eight (8) axes which are defined as follows:

- Area 1: Taxation and Management of State Revenue;
- Area 2: Management of public expenditure of the State;
- Area 3: Financial Information Systems;
- Area 4: Procurement;
- Area 5: Public accounting and management of the treasury of the State;
- Area 6: Internal and external control and auditing mechanisms;
- Area 7: Public finance management of local authorities;
- Aera 8: Transparency and Governance in Public Financial Management;

17. The Government continued to implement fiscal reforms as part of the modernization of public financial management. Work on the interface between the Integrated Public Financial Management System (SIGFiP) and the financial accounting management software used by the State (ASTER) was finalized by harmonizing the data from all of the tables produced. The deployment of SIGFiP continued with connections to new embassies and institutions.

18. A list of the main investment projects included in the 2018 budget was drawn up and posted to the website of the Ministry of the Budget in order to facilitate access to simplified budget information.

- 19. The test phases of the budget-making module** of the new integrated fiscal management system for program budgets were validated, and improvements are under way.
- 20. The Integrated Analysis System for Project Planning, Monitoring and Assessment (SINAPSE)** was finalized and is now being implemented in the ministries.
- 21. The updated version of the 2018-2020 Public Investment Program (PIP 2018-2020),** including current Public-Private Partnership infrastructure projects, is now available.
- 22. The Government continued to enhance collection of fiscal revenue** and public procurement. The Government set up public procurement units and made them operational in 10 ministries in the first half of 2018. For this purpose, the “e-procurement” module for drafting and validating calls for tender has been in use for certain operations in ten ministries since July 20, 2018 and five municipalities in the Abidjan District have been connected to the online Integrated Public Procurement Management System (SIGMAP).
- 23. To enhance tax collection, the Government has taken tax policy and administration measures** to reduce transaction costs and broaden the tax base. The online tax filing and payment platform (<http://www.e-impots.gouv.ci>) was set up to reduce taxpayers’ transaction costs. As part of the streamlining of tax incentives, the Government proposed measures under the 2018 Budget to (i) phase out VAT exemptions, other than those mentioned in the WAEMU Directive and in keeping with previous commitments; (ii) limit temporary exemptions to social sectors and to exemptions related to donations and the renewal of temporary exemptions; (iii) implement a policy to streamline tax incentives in the Investment Code based on the recommendations of the 2012 review of the impact of the Code (implementation to be conducted by a firm with an international reputation and finalized in August 2017); (iv) improve the general income tax; (v) enhance the regulatory and legislative framework and adopt further measures to fight aggressive tax planning and tax evasion more effectively; (vi) introduce thin capitalization provisions; and (vii) raise excise taxes on drinks.
- 24. The receipts component of the Treasury Single Account is now operational** at the Directorate General of Taxes and the Directorate General of Customs. At the end of August 2018, 904 accounts held with commercial banks had been closed.
- 25. The Government took the necessary measures to adjust prices in the main sectors to account for changes in international prices.** For this purpose:
- The Government continues to apply the automatic mechanism for retail fuel prices to ensure tax revenue meets the minimum set out in the 2017 Supplementary Budget Law. To do so the Government continued to ensure that ex-SIR prices fluctuate in line with international trends in order to preserve the company’s financial situation. The Government also ensured maintenance of the April 2017 tax base and improved it as

appropriate to ensure that budget forecasts were met.

- Financial reporting by the Coffee and Cocoa Council improved, with information posted to the website of the Ministry of the Economy and Finance. For this purpose, in compliance with Decree 2012-765 of August 1, 2012 on the Coffee and Cocoa Industry Reserve Fund, the Government initiated an independent institutional technical and financial audit of the Forward Average Sales Program (PVAM) and the Reserve Fund. It also conducted an in-depth assessment of the internal and external cocoa marketing system, along with the crop forecasting and marketing monitoring arrangements. The Government has received the final audit report.
- The Government also issued Interministerial Order 475/MEF/MINADER/SEPMBPE of October 9, 2017 instituting systematic independent audits of the coffee and cocoa industry six months after the end of the crop year at the end of September. The audits will examine the following: (i) marketing, (ii) stabilization accounts, which harmonize guaranteed export prices, (iii) the Technical Reserve Fund held with the BCEAO and (iv) the other coffee and cocoa industry funds managed by the Coffee and Cocoa Council, including the Rural Investment Fund (FIMR), the Agriculture Investment Fund (FIA), and the Sack Fund (*Fonds sacherie-brousse*). The PVAM and the Technical Reserve Fund will be subject to annual audits. The other components will be audited at least twice during the three-year term, with the first audit in October 2018.

c- Enhancing the business climate and developing the private sector

26. The restructuring of energy sector enterprises, based in part on the recommendations from the SIR and PETROCI audits, was stepped up in 2017:

- PETROCI posted a net surplus in 2016, following a deficit in 2015. Its financial situation was consolidated in 2017 following implementation of its restructuring plan aimed at focusing the company on specific business activities. The Government ensures that the restructuring plan is implemented.
- In the case of SIR, the Government has approved the company's debt restructuring strategy. The strategy calls for restructuring of accumulated debts and arrears of some CFAF 368 billion (May 2016) by taking out a new loan with a government guarantee. The central government will guarantee repayment by means of a levy of CFAF 20.07 per liter on the specific tax on petroleum products. Once debt restructuring is completed and optimization efforts have been carried out, SIR's financing costs will be lower, and its financial capacity will be enhanced.
- .
- **The Government continued its efforts to maintain the medium-term and long-term financial balance of the sector.** The start of production at the Soubré dam in November 2017 and the combined cycle power plants help to lower production costs in the medium and long term. Efforts are continuing to maintain the downward trend for technical and

non-technical losses. Furthermore, collection actions will be conducted to recover the arrears owed to the sector. The Government ensures that the pricing policy is in line with changes in production costs.

d- Employment and Social Policy

27. The Government has continued deploying Universal Medical Coverage. The number enrolled reached **2,281,841 out of a target population of 3,169,382** as of July 23, 2018, for an enrollment rate of 72 percent. This operation has been expanded to poor households, including 73,866 people who have been identified in more than 1,314 local communities. The mechanism for collecting health insurance premiums from the formal economy has already been defined, and the mechanism for the agricultural and informal sectors will be finalized by the end of December 2018, after a study conducted jointly with the World Bank and the French Development Agency. At the same time as these operations were implemented, an experiment on a population of 150,000 students living in five different local communities started on April 25, 2017. Under this experiment, 61,028 cards were distributed by July 23, 2018. These cards provide holders with access to services in 28 health centers. As part of this pilot phase, care has been provided for 30,000 poor people with the support of the World Bank since October 2018. Building on the experience from the pilot phase, expansion of universal medical coverage should start in 2019, depending on the local availability of medical services.

28. In preparation for the deployment of universal medical coverage, the Government has made implementation of its second National Health Development Plan (PNDS 2016-2020) a priority with the aim of increasing the provision of quality health care. This drive saw the renovation, construction, and equipping of several health centers in 2017 and the opening of Côte d'Ivoire's first radiotherapy center and the University of Angré Hospital Center. Health care personnel recruitment reached more than 90 percent of the target. The fight against HIV AIDS was stepped up, with a 20-percent increase in the number of Mother-to-Child-Transmission (MTCT) prevention sites and a 71-percent increase in the number of antiretroviral (ARV) drug treatments during the period from 2015 to 2017. The Government also continued vaccination awareness campaigns and expanded the distribution of long-lasting insecticidal nets (LLINs), thereby increasing coverage of the target populations (pregnant women, children under the age of one year) from 47 percent in 2015 to 66 percent in 2017.

29. The Government continued to enhance its education system with the aim of promoting education for everyone. Education was made compulsory for all children between the ages of 6 and 16 under the provisions of Law 2015-635 of September 17, 2015, amending Law 95-695 of September 7, 1995. Consequently, the Government continued implementing its policy to build local secondary schools, along with its efforts to help poor students, with the distribution of free school supplies to students in public primary schools and its awareness campaign to promote girls' enrollment. The net primary intake rate stood at 72.1 percent for the 2017-2018 school year, compared to 71.4 in the 2016-2017 school year. Meanwhile, the net primary enrollment rate is greater than 91 percent, after increasing by 19 percent over the previous five years.

III- The Program in 2018 and the Medium-Term Outlook

30. The Government will scale up implementation of the 2016-2020 National Development Plan (NDP) to considerably reduce poverty and achieve the emerging economy goal. The socioeconomic policies and programs will need to be scaled up for greater effectiveness. To this end, the Government will continue to implement its growth strategy based on increased effective investments in infrastructure and human resources. Efforts to improve the business climate and governance will also be stepped up to attract more private investment and improve productivity. In keeping with the 2016-2020 NDP agenda, emphasis will be placed on agri-business to foster more job creation. The new Investment Code adopted by the Council of Ministers on August 2, 2018 incorporates this strategic agenda. In addition, the Government will finalize and implement its Social Development Program for the 2018-2020 period to ramp up its social action. The outcomes expected from the implementation of the “compulsory schooling” policy, widespread introduction of universal health coverage, and scale-up of the “social safety net” project will help reduce inequalities and better meet the basic needs of the populations, especially the most vulnerable.

31. The Government’s objective is to ensure strong, sustained growth while preserving domestic and external balances. The total fiscal deficit is estimated to remain in line with the program’s objective. Nevertheless, the final 2016 and preliminary 2017 national accounts led to a revision of the 2018 and 2019 nominal GDP rates, affecting the fiscal deficit ratio as a percentage of GDP, which now stands at [4.0 percent]. The deficit for 2019 will be reduced to [3 percent] of GDP as initially forecast. Macroeconomic and Financial Framework.

32. Economic buoyancy is expected to continue through the 2018-2019 period. The growth rate is projected to reach [7.9 percent] in 2018, driven by the buoyancy of the industrial and service sectors, which are estimated to post respective growth rates of [7.8 percent] and [10.0 percent]. The industrial sector’s performance will be driven by steady growth in construction, agricultural processing, and other industries due to the launch of implementation of the economy’s industrialization strategy. The service sector will benefit from the buoyancy posted by all activity sectors. The primary sector will post an estimated [4.2 percent] growth rate, following 10.9 percent in 2017, due to the slowdown in export farming. On the demand side, growth will be driven by final consumption and investment. The rate of investment therefore comes to an estimated [22.3 percent] of GDP in 2018, [15.6 percent] of which will be attributable to the private sector. The growth rate in 2019 will be an estimated [8.0 percent] due to food agriculture, the food industries, oil products, construction and services on the supply side, and to investment and final consumption on the demand side. Inflation is set to remain below 3 percent, in keeping with the community standard.

33. The monetary situation will be marked by an increase in the money supply, estimated at [9.0 percent] and [10.0 percent] respectively in 2018 and 2019, due to the increase in domestic credit and the consolidation of net foreign assets.

34. The current account deficit is expected to be contained at nearly [4.0 percent] of GDP over the 2018-2019 period. Estimates place it at [3.7 percent] of GDP in 2018 following [2.2 percent] of GDP in 2017, owing to the decrease in the trade surplus and deterioration in services deficits as well as primary and industrial income deficits. The deficit is predicted to come down to [2.8 percent] of GDP in 2019 due to the improvement in the trade balance.

35. The 2019 draft budget adopted by the Government on September 26, 2018 presents a fiscal deficit of [3.0 percent] of GDP in line with the objectives of the program with the IMF. This development will result from the combined effect of optimizing tax collection potential, controlling spending, and soundly steering budget execution. In this regard, in 2019:

- Total revenues and grants are projected at [20.5 percent of GDP]. The tax ratio will increase an estimated 0.4 percentage points of GDP to attain [16.9 percent] of GDP as opposed to [16.5 percent] of GDP in 2018.
- Expenditures and net loans are predicted at [23.7 percent of GDP]. Operating costs are expected to be controlled at [4.3 percent of GDP], down from [4.7 percent of GDP] in 2018. The wage bill will come to an estimated [6.6 percent of GDP], in accordance with the updated wage bill management strategy. Capital expenditures are projected to decrease from [6.9 percent] of GDP in 2018 to [6.7 percent of GDP].
- The Government will take the necessary measures to adjust its expenditures downward to the level of use of the grants received under the Debt Reduction and Development Contract (excluding budget support) and not used in 2018.

36. In order to generate additional tax revenues estimated at [0.4 percentage points] of GDP in 2019 over the previous year, the Government intends to implement both domestic taxation and customs duties measures. To this end, the Government continues with its tax exemption reduction policy by revising Investment Code tax exemptions with the publication of a list of exemptions that expire and will not be renewed, as well as their tax impact on the 2019 budget.

- With regard to tax exemptions, the Government's commitment is not to renew those that expire at the end of 2018. In other words, these exemptions already granted must be terminated. As such, it was not envisaged, within the meaning of the measure, to modify the list of exemptions to be deleted since the expiry depends on the duration provided for by law. The approach of a gradual reduction by non-renewal is spread over several years (2017-2020). It is therefore a policy spread over time, the full effect of which should be felt on the level of recoveries in the medium and long term.
- To meet the prior action requirement, the Ministry of Budget has indicated to the World Bank the characteristics of the exemption that met this criterion in 2018 and then its financial evaluation. The list of exemptions to not be renewed in 2017 and at the end of the year 2019, was sent to the World Bank.

- In order to gradually reducing the exemptions to increase the tax to GDP ratio without an increase in the nominal value of the tax rates, it was retained under of the fiscal year 2019, to legalize the obligation to submit any special agreement to the signature of the Minister in charge of Tax policy. In the same vein, the Investment Code enshrines the principle of restoration of VAT, with the introduction of the temporary suspension (deferred VAT system) instead of the exemption. In addition, this new code devotes a rationalization of the sectors eligible for tax holiday. A preliminary opportunity cost test carried out on the data of the approved companies from 2013 to 2017 with these new measures, indicates a reduction of the exemptions of 641 billion for VAT on the investments made and 20 billion for the reduction of sectors eligible to tax holiday. This assessment should not give an immediate revenue as since the principle of the suspension of VAT implies payment only during the exploitation phase after the investment. In addition, a more detailed analysis of future impacts should take into account any VAT deductions on other taxes paid.

- Concerning tax administration, the Government has put in place a unique electronic taxpayer identification system (companies) that streamlines registration procedures and improves the identification and monitoring of taxpayers. In this regard, the Government has issued decree 490 / PM / CAB / of 14 September 2018 fixing the date and conditions of generations and sharing of the unique business creation identifier. This decree sets the conditions for the generation and sharing of the unique identifier for the registration of companies, as well as the time and the regulatory conditions for formerly registered companies. The unique identifier issued and administered by CEPICI, for which the platform was launched on October 28, 2018 by the Prime Minister, replaces the RCCM numbers, the taxpayer number, the social security number and the importer code. The system for generating and sharing the unique identifier will thus allow interconnection of the files of the different administrations on a single platform. -

- The tax measures also include the introduction of a single exit duty (DUS) on cashew nuts related to the transformation policy that is a main component of national industrialization. Similarly, there is also a DUS on cottonseed to promote local processing of this product. Finally, the fiscal policy measures for 2019 introduce excise duties on luxury goods (marbles and luxury vehicles) and raise the rate of excise duty on tobacco. All these measures take into account the national industrialization policy and protect the most vulnerable populations in accordance with the policy of fight against poverty.

- In the same line, the Government will adopt a plan for tax exemptions rationalization by the end of March 2019. This plan should allow, on the basis of the guidelines adopted under the Investment Code, to define the conditions for access to tax exemptions and to better regulate all exemptions outside the Investment Code. In particular, it will include the issue of ad-hoc exemptions and the continuation of the non-renewal of expiring exemptions. The Government remains available to continue exchanges with the World Bank, the IMF and other development partners, particularly the European Union, to provide sustainable solutions to the problem of rationalizing tax exemptions without compromising the requirement of a confidence with international investors and the domestic private sector.

37. Moreover, the Prime Minister has set up a Tax Reforms Committee. The committee brings together the public administrations and the private sector to discuss the technical points of the reform proposals to be submitted to the Government. This advisory group defined the context for the development of the 2019 tax schedule. The Government intends to advance its expenditure streamlining policy by prioritizing strategic public capital expenditures and pro-poor expenditures, while preventing the formation of new liabilities.

38. On the expenditures side, the Government intends to control current expenditures and prioritize capital expenditures. In terms of the control of current expenditures, the Government will continue to exercise fiscal regulation of expenditures based on the pace of revenue collection. It will take forward its policy to scale up upstream audits by the audit bodies and its public expenditure chain player oversight mission. The Government will also see through the implementation of its money supply control strategy. Moreover, the Government will continue to ensure strict compliance with Order No. 178/MEF/CAB-01/20 of March 13, 2009 establishing the conditions for treasury advances.

39. In the area of capital expenditures, the Government will continue to prioritize projects in 2018 and 2019. It will improve the effectiveness of these investments by continuing to consider maturity and impact on economic activity in the project budgeting phase. It will also see through the continued implementation of the recommendations stemming from the IMF's technical assistance in 2017 concerning the PIMA assessment with the AFRITAC technical assistance mission in early 2019.

40. With a view to preventing potential liabilities accumulation, the Government will give emphasis to information on and enforcement of the sanctions provided to this end. Credit facilities are sufficiently endowed to prevent the formation of liabilities, particularly in real electricity consumption, "military fuel" and school fees. The Government will furthermore continue with its promotion and information campaign on the Economic Operators Information Unit (CELIOPE), an administrative unit set up at the Directorate General for the Budget and Finance (DGBF) to provide free information on budget appropriations and all budgetary operations to government service providers and suppliers.

41. The latest Debt Sustainability Analysis conducted by the Government concludes that Côte d'Ivoire remains at "moderate risk" of debt distress. All debt ratio and liquidity indicators lie below their respective thresholds for the [2019-2039] period due to a bright economic outlook and adequate fiscal policy. However, Côte d'Ivoire remains vulnerable to adverse macroeconomic shocks relating in particular to exports, depreciation in the euro-to-dollar exchange rate, tight financing conditions on the international markets, and the growth rate. Lastly, in keeping with the program's objectives, the Government intends for 2019 to take out new foreign loans up to a ceiling of [US\$2,500 million] in current value. These loans will serve to finance major backbone projects in the transportation, electricity, water and farmland irrigation sectors.

42. The Government continued to modernize and improve its public procurement system. In this regard:

- The Government: (i) renewed the members of the Board of the National Public Procurement Regulatory Authority by means of Order No. 2018-658 of August 1, 2018 establishing appointment of the members, (ii) passed an order which gives legal force to the contracts awarded by the electronic system, and (iii) extended the use of the electronic public procurement system to at least ten ministries.
- □ With regard to the e-procurement system, the Government has proceeded with a phased approach to ensure effective and efficient implementation of digitization that will lead to a significant change in the management mode public procurement.
- This process distinguishes two phases:
 - Phase 1, which focuses on the procedures and acts of public administrations, in particular the Public Procurement Directorate, the contracting authorities and the procurement units and,
 - Phase 2, which will concern public service users in order to enable economic operators to carry out the various stages of the online procurement procedure.
- In accordance with the request of the World Bank, a note has been produced to make the inventory and specially to indicate the chronogram for the rest of phase 1 and the prospects for phase 2. This project dematerialization was selected under the World Bank governance project. In this regard, the finalization of Phase 1 and the refinement of Phase 2 will be conducted closely with the World Bank, which will be regularly informed of developments and constraints.
- Information and training campaigns concerning the new simplified procedures will be continued, in particular for those responsible for public procurement units.
- The Public Procurement Code is being revised to take into account new contracting practices and new bid evaluation methods to improve the efficiency of public procurement procedures. The revised version will be available in February 2019.

43. The Government will continue the modernization of public finance management in keeping with the 2017-2019 fiscal reform implementation strategy included in the new Public Finance Master Plan. In this regard:

- Emphasis will be placed on the actions required to operationalize the budget programs. To this end, the Government will take the necessary steps to finalize and pass the regulatory instruments required to govern this new form of performance-based management and improve player accountability. These instruments include the decrees covering financial and budget oversight, the program management charter, stock accounting, and delegated contract management. In addition, the operational and conformity test phase for the new Budget Information System's "Budget-Making" module will be finalized by the end of 2018 and made available to players for use. Work is under way on the analysis, design and development of the "National Budget Execution" module,

including a Treasury Services Network Application (ASTER) interfacing sub-module. This work is scheduled for finalization by [the end of March 2019] for the test phase to be launched in 2019;

- The actions already identified to improve the coordination of the public procurement plan, the public expenditure commitment plan and the treasury plan will be implemented. These concern, among others, (i) tying the procurement time frame to the budget execution time frame, (ii) systematically updating the procurement plan in line with budget regulation and amendments, and (iii) sending the public expenditure commitment plan to the Public Debt and Grants Directorate (DDPD) for inclusion in the treasury plan.
- The management of fiscal risks will be improved with the production of a fiscal risk declaration document appended to the national budget starting in the 2019 fiscal year. This document will also improve the transparency of public finance management. In this regard, a citizen's budget based on the 2019 national budget will be produced in the 2019 fiscal year. The Government has evaluated its public finance management system in keeping with the Public Expenditure and Financial Accountability (PEFA) methodology. The results of this evaluation will be available and published by the end of 2018. They will be used to make improvements to the public finance management reforms developed from the relevant master plan adopted by the Government in 2018; and
- The Government will also continue deployment of the Integrated Public Finance Management System (SIGFiP) in the embassies and municipalities within the country. Nine new embassies and four additional municipalities will therefore be connected to SIGFiP to improve budget execution monitoring.

44. The Government will also continue reforms to improve management of the fiscal risks associated with public-private partnerships (PPPs). The revision of the institutional framework for PPPs by Decree No. 2018-359 of March 29, 2018 will help guarantee greater autonomy in the management of the National Steering Committee for Public-Private Partnerships (CNP-PPP). The Government will work with development partners to build the capacities of the CNP-PPP, mainly in terms of the detailed evaluation frameworks for PPP projects. Building a culture among contracting authorities for the systematic transmission of signed contracts coupled with the annual review of the PPP portfolio will ensure regular updating of the database of PPP projects enriched with contractual information including budget commitments and revenue guarantees. Furthermore, the Government will publish the annual activity report on PPP implementation and capacity building for all PPP stakeholders with the aim of increasing the transparency of the strategic and financial management of PPP projects.

45. The Government will continue with the deployment of the Treasury Single Account (TSA), scheduled to come into effect in [2019], to help improve treasury management. Regarding account closures, as of the end of August 2018, [904] of the 2,745 accounts had been closed. Action is under way to close the other bank accounts, taking operational constraints into consideration. The Treasury's internal bank will also be the priority for opening new accounts.

Following the Directorate General of Taxes (DGI) and the Directorate General of Customs (DGD), the TSA receipts component will be deployed in the Directorate General of the Treasury and Public Accounts (DGTCP) accounts units starting in the [fourth quarter of] 2018. Deployment of the expenditure component under way in the general treasury offices will be rolled out to the deconcentrated accounts units, which have already received training on its use. An evaluation of the pilot phase will be conducted in December 2018.

a- Improving the business environment and developing the private sector

46. The Government intends to step up the private sector's contribution to the creation of wealth and jobs. Its ambition is to make Côte d'Ivoire one of the best business climates in Africa and worldwide with the implementation of its new reform agenda for the 2018-2020 period adopted by the Council of Ministers in September 2018. It will ramp up the partnership with the private sector, including with the G20 Compact with Africa. It will also step up its efforts to support and promote SMEs and will improve infrastructure with a view to reducing production costs and improving the private sector's competitiveness. The governance system will also be improved, in particular with (i) additional regulatory instruments to make it binding on taxpayers to disclose assets, (ii) analysis and updating of declarations, (iii) capacity building for the financial unit of the Abidjan District Attorney's office, and (iv) the introduction of a collaborative framework between the High Authority for Good Governance and public inquiry bodies. It will moreover see to the enforcement of the law on the criminalization of money laundering and terrorist financing passed in 2016.

47. Capitalizing on the Doing Business achievements, the Government will oversee the sound implementation of its new Agenda of reforms scheduled for the 2018-2020 period (Box 5). This Agenda includes 54 sector reform projects, 39 of which aim directly to produce an impact on the Doing Business benchmark variables and indices, and 15 of which will contribute to the overall improvement in the business environment in Côte d'Ivoire.

48. The Government intends to continue its work to promote and assist SMEs. Following the establishment of the Côte d'Ivoire-SME Agency to promote SMEs, work will start on setting up incubators in Abidjan and Yamoussoukro. Moreover, to facilitate access to SME financing, two (2) agreements have been signed with two (2) private banks for total financing of fifteen (15) billion CFA francs, and initiatives are under way to create an SME Guarantee Fund. The Government will also finalize the creation and operationalization of the electronic business identification platform. A multiyear capacity building program is hence under way for executives, managers, and SME associations.

49. Côte d'Ivoire has made remarkable progress in improving the business climate. It ranks 122nd in the World Bank's Doing Business 2019 rankings and has grown 45 places compared to 2012. This performance is due in particular to the progress made in implementing measures in terms of starting a business (+132 places), registering property (46 places), enforcing contracts (26 places), getting electricity (24 places), and dealing with construction permits (17 places).

50. Nevertheless, with the view to raise Côte d'Ivoire in the Top of the Doing Business ranking by 2020 and keep it in the Top 10 most reforming countries in the world, the Government has adopted a new agenda of 54 reforms for the period 2018-2020 in the 10 indicators of the Doing Business Index (starting business, getting electricity,), registering property, paying taxes, dealing with construction permits, getting credit, Cross-border trade).

51. The reforms in progress in the electricity sector are set to consolidate the financial balance and clear the arrears owed to independent power producers (IPPs) and gas suppliers. The operating and cash balances will remain in surplus due mainly to (i) technical loss reduction and anti-fraud measures, (ii) improved collection of domestic and foreign bills, and (iii) non-use of heavy vacuum oil (HVO) due to the investments made.

52. To improve the sector's financial sustainability, particular emphasis is placed on collecting on unpaid bills and clearing arrears. In this regard:

- **The protocol on cross payables and receivables in the sector**, including with respect to the State, is being implemented. In this regard, all the public sector's unpaid bills for 2016 and previous years have been completely cleared. For 2017, the unpaid bills for public lighting and traffic lights were securitized for a sum of CFAF 8,576,098,769 on October 1, 2018. Budget cover is provided for the unpaid bills concerning the central administration and State-owned enterprises in 2018. As of 2018, payments concerning the central administration, compensable national public establishments (national public establishments whose bills are paid by the State Assets Directorate), and Abidjan's public lighting and traffic lights are regularly paid by the Public Treasury. Regarding State-owned enterprises and national public establishments that are not compensable such as SOTRA, LBTP, and BNETD, payments are made in accordance with the protocols signed in 2017.
- **The Government will continue its efforts to enhance collection of unpaid electricity export bills** to enable the sector to achieve stable cash flows. As part of a global approach, the Government has also applied to the World Bank for a guarantee mechanism to cover reimbursement of any remaining claims. This approach is still being discussed. In addition, action to collect export bills will be stepped up, with the signature of an agreement with the structures responsible for electricity supplies in the various countries concerned.
- **The priority for the program for commercial banks to refinance the electricity sector's short-term debt** with a World Bank guarantee, which is scheduled for the last quarter of 2018, will be to refinance all bank borrowing and to clear some of the arrears owed to independent power producers and gas suppliers. Financial projections for the sector based on CI-ENERGIES' development plan call for financial equilibrium to continue and strengthen. Arrears should be cleared up gradually, as the electricity sector's cash flows improve, and be eliminated by the end of 2021. These financial projections also assume that current bills will be paid and that arrears will not accumulate.

The Government adopted several measures to enhance the sector's technical performance

and transparency. First, the Government and CI-ENERGIES signed a performance-based contract on September 18, 2018 and started implementation of the contract with the aim of enhancing the sector's technical and financial performance, as well as its transparency. Second, the Government updated the procedural manual, especially with regard to (i) planning, invoicing, and paying the electricity sector's expenditure; (ii) electricity sector financial reporting, and (iii) supervising application of management, reporting, and annual external audit procedures in the electricity sector. The main performance indicators will be published on the CI-ENERGIES website each quarter.

53. The Government intends to speed up projects to further boost the electricity supply in order to support dynamic economic growth and create an energy hub. The Government plans to bring several current hydroelectric, renewable energy, and power distribution grid improvement projects on line in order to reach the production target of 4,000 MW by 2020. Plans for the period from 2018 to 2020 include (i) building two hydroelectric dams (Singrobo, Gribopoli) with an aggregate capacity of 156 MW, (ii) boosting thermal production with two new thermal power plants (Azito & Ciprel), (iii) building a coal-fired plant with a capacity of 700 MW, (iv) completing renewable energy projects with a capacity of more than 200 MW, and (v) starting up the natural gas supply project, for which the feasibility study is expected to be completed in the second half of 2018. Furthermore, the Government intends to promote solar power and biomass projects. A call for expressions of interest was issued for the construction of two biomass power plants and one solar power plant with a total capacity of 70 MW.

54. Restructuring of the oil companies should consolidate the financial situation in the sector. Progress on both companies' restructuring plans should ensure the medium-term soundness of their financial situation:

55.

- **PETROCI's financial situation has been in balance**, with two years in a row of positive net income, standing at CFAF 5.38 billion in 2016 and CFAF 13.94 billion in 2017. This trend should continue with the beneficial effects of the strategic restructuring plan calling for refocusing on field operations and production. As part of this plan, the sale of the network of service stations was concluded on September 19, 2018. The privatization of the butane distribution business is under way under the supervision of the Privatization Committee. In addition, faster implementation of the Memoranda of Understanding signed between the State and CI-ENERGIES should improve PETROCI's cash position and financial health.
- **SIR's operating income continues to improve** as a result of the combination of good sales performances and productivity gains stemming in part from cost-cutting. The process of restructuring SIR's debt should be finalized by the end of October 2018, with CFAF 368 billion in new funds. This financing will be used to (i) pay off all amounts due to suppliers immediately, (ii) reduce supplier credit periods from 300 days to 90 days, and (iii) lower supply costs and financial expenses.

56. The Government has taken two measures to enhance transparency in governance of the cocoa industry. First, the Government has adopted and initiated a plan of action aimed at implementing the recommendations of the audit of the Forward Average Sales Program (PVAM) and the Reserve Fund. The Government tightened up the criteria for granting export licenses, which improved the marketing system and reduced the proportion of defaulted contracts. An updated report on implementation and an impact analysis have been drafted. The Government then published the findings of the 2017 PVAM audit report that were not sensitive trade information and launched independent audits of the 2017/2018 crop year on October 15, 2018. These audits will examine the PVAM (foreign sales and stabilization accounts), the Technical Reserve Fund, the Rural Investment Fund (FMIR), the Agricultural Investment Fund (FIA) and the sack fee (Redevance Sacherie-Brousse), in accordance with Order No. 475/MEF/MINADER/SEPMBPE.

57. The guaranteed price for cocoa producers continues to be adjusted for changes in international prices, in accordance with the price guarantee mechanism. The farm-gate price of CFAF 700 was maintained throughout the 2017/18 crop year and the price was set at CFAF 750 on October 1, 2018 for the 2018/19 crop year.

b- Employment and Social Policy

58. The Government's full attention is on employability and jobs, particularly for young people. Several projects and programs have produced encouraging results. For example, the “Training is my passport to a job” project is on track to beat its 2018 target of training 31,912 young people, by training 31,273 at the end of June. The support program has placed 1,994 young people in internships or their first jobs, including 1,291 young people under the Hiring Subsidy Program (PAE) and 703 young people under the Youth Employment and Skills Development Project (PEJEDEC). These figures compare to the annual target of 4,100 young people. The funding program will cover 1,600 young people throughout the country. In addition, the number of employees in the formal sector grew by 3.4 percent compared to December 2017, which corresponds to a net increase of 33,054 jobs at the end of 2018. This job growth is primarily attributable to private sector job growth, with a net increase of 25,983 jobs, accounting for 79.0 percent of net job creation. The private sector is still the driving force of the labor market.

59. Under the circumstances, the Government took measures to improve efficiency and equity in education. More specifically, the Government issued two Orders that formalize:

- **Continuing recruitment of teachers qualified to teach two subjects for secondary schools** in order to expand access to secondary education to students from poor families (especially girls). This Order sets the hiring requirements for secondary school teachers and the procedures for posting teachers.

- - **Improving the performance of private secondary schools and fiscal transparency in secondary education** with (i) annual tables ranking each school by the pass rate for national examinations, repeat rates, and drop-out rates and (ii) criteria, including the pass rate for national examinations, repeat rates, and drop-out rates, used by the Ministry of Education to identify secondary schools that are eligible for State subsidies. This Order institutes an annual table ranking private secondary schools published by the Ministry of Education, Technical Education and Vocational Training.

60. The Government will step up its actions for vulnerable people, while ensuring the effectiveness of these actions. This means that pro-poor spending will primarily concern education, health care, rural electricity, and village water supplies. A technical assistance mission from the World Bank is expected to improve targeting. In addition, the Government has started operations to identify poor households as part of the Social Safety Net projects. So far, 73,866 such households have been identified in more than 1,314 local communities. This process should be extended to cover the whole country.

IV- Monitoring and evaluation

61. The Government thanks the World Bank once again for its work on defining Côte d'Ivoire's development strategy and will continue to work on strengthening this partnership in the implementation and monitoring of the program.

62. Program monitoring and evaluation will be the responsibility of the Interministerial Committee for Monitoring the Economic and Financial Program, which is chaired by the Prime Minister.

63. Côte d'Ivoire intends to use these guidelines and commitments to strengthen financial cooperation with the World Bank and all of the other multilateral and bilateral partners in order to benefit from the National Budget Support Credit for 2018 in an amount equivalent to US\$100 million.

Please accept, **Mister President**, the assurances of my highest consideration.

Annex 3: IMF Relations Note



INTERNATIONAL MONETARY FUND



Press Release No. 18/241
FOR IMMEDIATE RELEASE
June 18, 2018

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

IMF Executive Board Concludes 2018 Article IV Consultation, Completes Third Reviews under Extended Credit Facility and Extended Fund Facility Arrangements, and Approves US\$136.6 Million Disbursement with Côte d'Ivoire

- Robust economic growth is projected to continue in 2018, and inflation remains subdued.
- The program aims to achieve a sustainable balance of payments position, foster inclusive growth and poverty reduction, and create fiscal space for investing in priority infrastructure and social projects.
- Under the program, the budget deficit is projected to converge to the WAEMU regional norm of 3 percent of GDP in 2019.

On June 18, 2018, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation¹ and completed the third reviews under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements for the Republic of Côte d'Ivoire. Completion of this review enables the disbursement of SDR 96.786 million (about US\$136.6 million).

The three-year ECF/EFF arrangements with a total access of SDR 650.4 million (about US\$917.8 million or 100 percent of Côte d'Ivoire's quota) were approved by the IMF Executive Board on December 12, 2016.

GDP growth is estimated at about 7¾ percent in 2017 despite the fall in cocoa prices. Inflation remained subdued at about 1 percent. The medium-term outlook is for continued strong economic activity with robust growth and low inflation. Risks to the forecast are broadly balanced.

¹ Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every two years with members who have an IMF-supported program. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

The Ivorian authorities have adopted a comprehensive program of economic reforms to achieve a sustainable balance of payments position, inclusive growth, and poverty reduction by investing in priority infrastructure and social projects. These objectives are being supported by the IMF program arrangements. The program is anchored on the convergence of the budget deficit to the West African and Economic Monetary Union norm of 3 percent of GDP by 2019, to preserve public debt sustainability and support the regional international reserves pool. Fiscal discipline is underpinned by mobilizing revenue and spending prioritization in order to create fiscal space for priority infrastructure and social projects. Implementing their program, the authorities have pursued structural reforms to further strengthen the revenue administration and public financial management and adopted measures for fiscal consolidation while protecting priority spending. They are also further strengthening the financial system.

Following the Executive Board discussion, Mr. Mitsuhiro Furusawa, deputy Managing Director and Acting Chair, made the following statement:

“Côte d’Ivoire’s performance under its Fund-supported program has been good. The authorities contained the budget deficit in 2017 and are committed to meeting the program budget deficit target in 2018 and reduce the fiscal gap to meet the WAEMU convergence criterion of 3 percent of GDP in 2019. The medium-term outlook remains robust, with growth projected to average around 7 percent over 2018-23.

“Further revenue mobilization is needed to achieve the fiscal objectives. Building on past implementation of fiscal structural reforms, measures to buttress revenue administration and public financial management should accelerate. Moreover, cautious debt and financial management is required to firmly anchor Côte d’Ivoire’s debt on a sustainable path. The authorities are taking steps to further consolidate the banking sector’s stability.

“Continued implementation of reforms that foster sustainable and inclusive growth would be needed. Further improvements in the business environment would help make private investment the main driver of growth.”

Executive Board Assessment²

Executive Directors agreed with the thrust of the staff appraisal. They welcomed the authorities’ sound macroeconomic policy management against a backdrop of domestic shocks and unfavorable cocoa export prices, and commended the good performance under the Fund-supported program. They noted that Côte d’Ivoire’s medium-term growth outlook remains buoyant. Nonetheless, Directors stressed that risks should be mitigated by pursuing prudent fiscal and borrowing policies to reduce the budget deficit and create fiscal buffers. In this context, they commended the authorities’ commitment to their program.

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

Directors encouraged the authorities to continue to implement reforms that foster sustainable and inclusive growth to further reduce poverty and strengthen social cohesion. They noted that enhancing transportation, electricity, and water infrastructure would yield productivity gains in agriculture and industry. They encouraged the authorities to ensure adequate funding for critical infrastructure and social safety nets by accelerating revenue mobilization. Further improvements in the business environment including sustained efforts to strengthen governance would help make private investment the main driver of growth.

Directors welcomed the authorities' commitment to meeting the WAEMU convergence criterion of 3 percent of GDP in 2019, which will help anchor fiscal and debt sustainability. They stressed that achieving this objective will require lowering the budget deficit by accelerating revenue administration reforms and adopting additional tax policy measures, together with expenditure prioritization. Directors advised building consensus on tax reforms through close partnership with the private sector and introducing tax measures consistent with WAEMU guidelines.

Directors stressed that prudent debt and financial management is required to anchor debt on a sustainable path. They noted that Côte d'Ivoire's debt distress risk remains moderate, but that external debt liquidity and solvency indicators warrant close monitoring. Preserving the fiscal consolidation path would limit recourse to external financing and help mitigate risks from potentially tighter international financial conditions. Monitoring fiscal risks from public enterprises and private-public partnerships will also be important. Directors noted that the financial sector is generally stable, but urged the authorities to address pockets of vulnerability.

Directors recommended accelerating the energy sector restructuring to preserve its financial sustainability and support economic growth. They welcomed the agreements between the government, the national oil refinery SIR, and the state-owned petroleum company PETROCI. They encouraged the timely resolution of the electricity arrears accumulated by the public sector and looked forward to the SIR debt restructuring by end-August 2018.

Directors recommended sustaining progress in disseminating and improving the quality of economic statistics. They welcomed the recent publication of the quarterly national accounts and encouraged the authorities to further improve the coverage of high-frequency indicators.

It is expected that the next Article IV consultation with Côte d'Ivoire will take place in accordance with the Executive Board decision on the consultation cycles for members with Fund arrangements.

Côte d'Ivoire: Selected Economic Indicators

	2017	2018	2019	2020	2021	2022
	Projections					
	(Annual percentage changes, unless otherwise indicated)					
National income						
GDP at constant prices	7.8	7.4	7.0	6.9	6.8	6.6
GDP deflator	1.1	0.5	2.0	1.8	1.9	1.8
Consumer price index (annual average)	0.8	1.7	2.0	2.0	2.0	2.0
External sector (on the basis of CFA francs)						
Exports of goods, f.o.b., at current prices	8.4	5.2	8.7	8.5	11.4	12.2
Imports of goods, f.o.b., at current prices	4.9	15.0	12.0	8.9	11.7	11.4
Export volume	15.7	8.9	8.5	10.1	12.3	12.8
Import volume	6.3	8.8	11.9	9.4	10.4	9.8
Terms of trade (deterioration -)	-4.3	-8.3	0.1	-1.1	-1.3	-1.3
Nominal effective exchange rate	1.1	...	...	...	...	...
Real effective exchange rate (depreciation -)	-0.1	...	...	...	...	...
Central government operations						
Total revenue and grants	8.0	8.4	8.7	10.1	9.2	8.6
Total expenditure	9.9	6.1	5.3	9.5	8.9	8.5
	(Changes in percent of beginning-of-period broad money unless otherwise indicated)					
Money and credit						
Money and quasi-money (M2)	19.7	14.6	13.5	11.4	12.1	11.0
Net foreign assets	9.6	8.1	3.7	2.0	2.7	2.2
Net domestic assets	10.1	6.5	9.9	9.3	9.4	8.9
Of which: government	3.6	-1.1	2.3	2.0	2.0	1.9
private sector	8.1	7.7	7.6	7.3	7.3	7.0
Credit to the economy (percent)	13.3	13.3	13.4	13.0	12.8	12.1
	(Percent of GDP unless otherwise indicated)					
Central government operations						
Total revenue and grants	19.2	19.3	19.2	19.4	19.5	19.5
Total revenue	18.1	18.1	18.1	18.4	18.6	18.9
Total expenditure	23.4	23.0	22.2	22.4	22.4	22.4
Overall balance, incl. grants, payment order basis	-4.2	-3.8	-3.0	-3.0	-2.9	-2.9
Primary basic balance ^{1/}	-1.2	-0.4	0.1	0.9	0.6	0.9
Gross investment						
Central government	6.6	6.8	6.8	6.2	6.7	6.6
Nongovernment sector	14.2	15.2	16.0	16.8	17.3	17.6
Gross domestic saving						
Central government	1.9	2.6	3.4	3.6	3.8	4.0
Nongovernment sector	21.6	20.5	20.1	20.2	21.3	21.9

Côte d'Ivoire: Selected Economic Indicators (concluded)						
	2017	2018	2019	2020	2021	2022
Gross national saving	18.7	19.3	19.7	20.0	21.2	21.7
Central government	2.2	3.0	3.7	3.2	3.7	3.6
Nongovernment sector	16.5	16.3	16.0	16.8	17.6	18.1
External sector balance						
Current account balance (including official transfers)	-2.1	-2.7	-3.1	-3.1	-2.8	-2.5
Current account balance (excluding official transfers)	-3.2	-3.9	-4.1	-4.1	-3.7	-3.1
Overall balance	4.5	2.9	1.0	0.8	1.1	0.9
Public sector debt						
Central government debt, gross	46.8	48.7	47.3	46.9	46.0	45.2
Central government debt (excluding C2D)	42.7	44.7	44.0	44.2	43.4	42.7
External debt	28.6	34.0	32.5	30.6	29.4	28.5
External debt (excluding C2D)	23.9	29.5	28.8	27.6	26.6	25.8
External debt-service due (CFAF billions)	556	672	738	1037	651	704
Percent of exports of goods and services	7.6	8.8	8.8	11.4	6.5	6.2
Percent of government revenue	13.1	14.6	14.7	18.7	10.7	10.5
<i>Memorandum items:</i>						
Nominal GDP (CFAF billions)	23,510	25,372	27,687	30,106	32,748	35,541
Nominal exchange rate (CFAF/US\$, period average)	581	...	...	...	...	...
Nominal GDP at market prices (US\$ billions)	40.5	48.0	52.9	58.2	63.8	69.7
Population (million)	25.0	25.6	26.3	27.0	27.7	28.4
Nominal GDP per capita (CFAF thousands)	942	991	1,054	1,117	1,184	1,252
Nominal GDP per capita (US\$)	1,621	1,872	2,014	2,159	2,305	2,456
Real GDP per capita growth (percent)	5.2	4.8	4.4	4.3	4.2	4.0
Sources: Ivorian authorities; and IMF staff estimates and projections.						
^{1/} Defined as total revenue minus total expenditure, excluding all interest and foreign-financed investment expenditure.						

Annex 4: Environment and Poverty /Social Analysis Table

Prior Actions	Environmental effects	Poverty, social or distributional effects
Pillar 1 – Enhancing tax revenue collection and public procurement		
Prior Action 1. To strengthen tax administration, the Recipient has implemented an electronic single taxpayer identification system for enterprises.	No. The reforms supported by the proposed operation	Yes. Prior actions related to domestic resource
Prior Action 2. The Recipient has adopted a new Investment Code on August 1, 2018 by replacing VAT exemptions on imports of equipment goods and materials with a VAT deferred payment system as detailed in Arrêté n° 1091 dated October 30, 2018.	are not likely to have significant negative effects on the country's environment, forests, or other natural resources.	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.
Prior Action 3: To strengthen the public procurement system, the Recipient has (1) renewed the members of the Board of the ANRMP; (2) adopted an Arrêté which gives legal force to the contracts awarded by the electronic system; and (3) extended the electronic system to at least 10 Ministries.		
Pillar 2 – Strengthening the efficiency and equity in the education sector		
Prior Action 4: To increase efficiency and equity of the education system, the Recipient's Ministry of National Education passed Arrêté requiring that all new teachers recruited in lower secondary schools must be bivalent teachers.	No. 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.	Yes. By focusing on the quantity and quality of education services, the measures supported by the proposed DPF aim at improving opportunities for the poor.
Prior Action 5: To improve the performance of private secondary schools and fiscal transparency in secondary education, the Recipient has adopted and implemented a ministerial arrêté that: (i) establishes the criteria, including success rates in national examinations, repetition rates and dropout rates, used by the Ministry of National Education to identify secondary schools eligible for government subsidies; and (ii) establishes the annual publication of the performance of each private secondary school as measured by their success rate in national examinations, the repetition and dropout rates.		
Pillar 3 – Improving the performance of the electricity sector and enabling private participation and diversification		
Prior Action 6: The Recipient: (i) has paid in full the unpaid validated electricity bills accumulated by the central administration as of December 2017 and paid on time all the current validated electricity bills of the central administration; (ii) has paid in full through securitization the unpaid validated electricity bills accumulated by the District of Abidjan covering the period until December 2017 and paid on time all its electricity bills related to public lighting; and (iii) has reduced the level of state-owned enterprises' arrears.	No. 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.	Yes. By consolidating the financial situation of the sector as well as setting clear rules for private sector involvement, the DPF series should

Prior Actions	Environmental effects	Poverty, social or distributional effects
<p>Prior action 7: The Recipient and CI-ENERGIES have signed a performance-based contract with the objective to improve the financial and commercial performance as well as the transparency of the sector.</p>		<p>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.</p>
<p>Pillar 4 - Consolidating transparency in the management of the cocoa sector</p>		
<p>Prior Action 8: The Recipient has implemented all main recommendations from the independent 2017 audit of the PVAM and of the Reserve Fund.</p>	<p>No. 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.</p>	<p>Yes. As detailed in section 5.1, 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.</p>
<p>Prior Action 9: The Recipient has published the non-sensitive commercially results of the independent 2017 audit of the PVAM and of the Reserve Fund and launched the new series of audits covering marketing, stabilization accounts, technical reserve fund held at BCEAO, and other funds managed by CCC, in line with Arrêté N. 475/MEF/MINADER/SEPMBPE.</p>		

ANNEX 5: Rationale for change between original triggers and prior actions under DPF3

Triggers agreed during negotiations of DPF2	Rationale for Change	New Prior Actions
PILLAR 1: ENHANCING TAX REVENUE COLLECTION AND PUBLIC PROCUREMENT		
Indicative 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.	Unchanged	Prior Action 1: To strengthen tax administration, the Recipient has implemented an electronic single taxpayer system for enterprises.
Indicative Trigger 2: The Recipient has revised tax exemptions granted under the Investment Code.	Adjusted to provide more details, in line with the recommendations received at the Côte d'Ivoire DPO3 Concept Note Review Meeting.	Prior Action 2: The Recipient has adopted a new Investment Code on August 1, 2018 by replacing VAT exemptions on imports of equipment goods and materials with a VAT deferred payment system as detailed in Arrêté n° 1091 dated October 30, 2018.
Indicative Trigger 3: The Recipient has extended the electronic system for public procurement to all Ministries.	Changed by revising the formulation of the prior action to: a) ensure the new e-procurement system is operational and provided with legal force; b) ensure that the country's public procurement system can rely on a fully operational National Authority for the Regulation of Public Procurement; c) reflect that the electronic system has been extended to 10 Ministries.	Prior Action 3: To strengthen the public procurement system, the Recipient has (i) renewed the members of the Board of the ANRMP; (ii) adopted an arrêté which gives legal force to the contracts awarded by the electronic system; and (iii) extended the electronic system to at least 10 Ministries.
PILLAR 2: STRENGTHENING THE EFFICIENCY AND EQUITY IN THE EDUCATION SECTOR		
Indicative 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	Adjusted to clarify that all new teachers in lower secondary schools (including also <i>collèges de proximité</i>) must be bivalent teachers.	Prior Action 4: To increase efficiency and equity of the education system, the Recipient's Ministry of National Education passed an arrêté requiring that all new teachers recruited in lower

<p>schools in rural areas (including through <i>Collèges de proximité</i>).</p>		<p>secondary schools must be bivalent teacher.</p>
<p>Indicative 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.</p>	<p>Changed and strengthened. Given the development objective of improving the efficiency of the education sector, the Government refocused its strategy considering that: 1) subsidies to private schools represent large part (25 percent) of national education budget; 2) private schools’ performance needs to improve; 3) the Government’s objective is providing free education to all students between 6 and 16 years old.</p>	<p>Prior Action 5: To improve the performance of private secondary schools and fiscal transparency in secondary education, the Recipient has adopted and implemented a ministerial arrêté that: (i) establishes the criteria, including success rates in national examinations, the repetition rates and dropout rates, used by the Ministry of Education to identify secondary schools eligible for government subsidies; and (ii) establishes the annual publication of the performance of each private secondary school as measured by their success rate in national examinations, the repetition and dropout rates.</p>
<p>PILLAR 3: IMPROVING THE PERFORMANCE OF THE ELECTRICITY SECTOR BY ENABLING PRIVATE SECTOR PARTICIPATION AND DIVERSIFICATION</p>		
<p>Indicative 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.</p>	<p>Unchanged.</p>	<p>Prior Action 7: The Recipient and CI-ENERGIES have signed a performance-based contract with the objective to improve the financial and commercial performance as well as the transparency of the sector.</p>
<p>Indicative 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.</p>	<p>The third component of the prior action was strengthened to support the overall reduction of SOEs’ arrears. The previous formulation focused only on the 5 SOEs with an arrear reduction plan and did not capture the arrears’ reduction efforts in the 10 SOEs which did not formally sign an arrear reduction plan. Formulation was also adjusted to reflect that electricity bills need to be validated before being paid. This does not affect the substance of the</p>	<p>Prior Action 6: The Recipient: (i) has paid in full the unpaid validated electricity bills accumulated by the central administration as of December 2017 and paid on time all the current validated electricity bills of the central administration; (ii) has paid in full through securitization the unpaid validated electricity bills accumulated by the District of Abidjan covering the period until December 2017 and paid on time all its electricity bills related to public lighting; and (iii) has reduced the level of state-owned enterprises’ arrears.</p>

	reform. Indeed, as of October 2018, the difference between electricity bills and validated electricity bills was zero.	
Indicative Trigger 8: In order to enforce the Decree 2010-200 of December 15, 2010 determining rules for the management 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.	Dropped. The manual of procedures has been revised. In order to allow sufficient time for authorities to consult with all relevant stakeholders (including commercial banks and IPPs) before adopting the revised manual, the associated prior action was removed from the matrix. This does not affect the probability of adopting the revised manual, since its adoption is also supported by the CI-Energies Guarantee Project (P164145). The results indicator associated to this prior action (on the existence of a legal framework promoting private sector participation) was dropped together with the prior action. Since the manual is expected to be approved by end-November 2018 (with the support of P164145), the team expects that the results indicator target will be met by 2019, as originally envisaged.	
PILLAR 4: CONSOLIDATING TRANSPARENCY IN THE MANAGEMENT OF THE COCOA SECTOR		
Indicative Trigger 9: The Recipient has adopted and implemented all validated recommendations from the independent audit of the PVAM and of the Reserve Fund.	Formulation was adjusted to focus on the most important measures (based on Government’s priorities and World Bank technical assessment) rather than the validation	Prior Action 8: The Recipient has implemented all main recommendations from the independent 2017 audit of the PVAM and of the Reserve Fund.

	process of the recommendations.	
Indicative Trigger 10: The Recipient has conducted the annual independent audits adopted in prior action 10.	The prior action was modified to take into account the longer time needed to finalize the first audit and the broader scope of the second audit supported by this prior action. To strengthen the measure, the prior action includes now the publication of the first audit.	Prior Action 9: The Recipient has published the non-sensitive commercially results of the independent 2017 audit of the PVAM and of the Reserve Fund and launched the new series of audits covering marketing, stabilization accounts, technical reserve fund held at BCEAO, and other funds managed by CCC, in line with Arreté N. 475/MEF/MINADER/SEPMBPE.