

April 28, 2020
Approval: 5/5/20

INTERNATIONAL MONETARY FUND

Minutes of Executive Board Meeting 19/50-2

11:05 a.m., June 14, 2019

2. Côte d'Ivoire—Fifth Reviews Under the Arrangement Under the Extended Credit Facility and Under the Extended Arrangement Under the Extended Fund Facility

Documents: EBS/19/38 and Supplement 1; and Supplement 2

Staff: Allard, AFR; Gonzalez Miranda, SPR

Length: 36 minutes

Executive Board Attendance

M. Furusawa, Acting Chair

Executive Directors Alternate Executive Directors

D. Mahlinza (AE)

M. Raghani (AF)

J. Di Tata (AG)

J. Shin (AP), Temporary

B. Saraiva (BR)

Z. Huang (CC), Temporary

J. Rojas (CE), Temporary

L. Levonian (CO)

C. Just (EC)

H. de Villeroché (FF)

I. Fragin (GR), Temporary

M. Siriwardana (IN)

M. Psalidopoulos (IT)

Y. Naruse (JA), Temporary

K. Osei-Yeboah (MD), Temporary

D. Fadhel (MI), Temporary

N. Jost (NE), Temporary

T. Gade (NO), Temporary

A. Tolstikov (RU), Temporary

B. Alhomaly (SA), Temporary

K. Tan (ST)

P. Trabinski (SZ)

D. Andreicut (UK), Temporary

D. Crane (US), Temporary

H. Al-Atrash, Acting Secretary

S. Maxwell, Summing Up Officer

V. Sola, Board Operations Officer

L. Nagy-Baker, Verbatim Reporting Officer

Also Present

African Department: C. Allard, D. Desruelle, M. Gorbanev, D. Robinson, D. Simard, G. Zinabou. Fiscal Affairs Department: J. Fournier, A. Zdzienicka. Finance Department: W. Wiranto. Legal Department: D. McDonnell. Strategy, Policy, and Review Department: A. Fruttero, M. Gonzalez Miranda. World Bank Group: F. Bellocq.

Senior Advisors to Executive Directors: M. Alle (AF), E. Rojas Ulo (AG), T. Sitima-wina (AE). Advisors to Executive Directors: S. Bah (AF), S. David (AP), V. Djokovic (SZ), M. Sylvester (CO), F. Antunes (BR).

2. CÔTE D'IVOIRE—FIFTH REVIEWS UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY AND UNDER THE EXTENDED ARRANGEMENT UNDER THE EXTENDED FUND FACILITY

Mr. Raghani and Mr. Alle submitted the following statement:

Our Ivorian authorities would like to thank the Board, Management and Staff for the Fund's continued support to Côte d'Ivoire. The Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) arrangements have been instrumental in the authorities' efforts to strengthen macroeconomic stability and move the country towards emerging market status. The authorities appreciate the policy dialogue with Staff and broadly share the thrust of their report, which properly highlights the major achievements in the recent period as well as the policy challenges for the period ahead.

Côte d'Ivoire's solid growth momentum has continued throughout the 5th reviews of the ECF/EFF. The authorities' reforms, especially in improving the business climate have bolstered private investment, which is contributing more substantially to growth. As well, prudent fiscal management has helped keep deficits in check and sustain a steady path towards achieving the WAEMU fiscal deficit target of 3 percent in 2019. These efforts have underpinned the good performance under the program.

Going forward, the authorities are committed to maintaining this reform momentum to further enhance macroeconomic stability and support the development of the private sector. To this end, they intend to improve the quality of fiscal consolidation by increasing domestic resource mobilization and creating space for capital outlays and social expenditures while reinforcing spending efficiency and maintaining debt sustainability. Further strengthening the financial sector and keeping pace with structural reforms also rank high on their agenda, with the view to buttress strong private sector-led growth and bolster living standards for the population.

Recent Developments, Program Performance and Outlook

Recent developments have displayed appreciable macroeconomic achievements. Real GDP growth stood at 7.4 percent at end-2018, driven by robust consumption and buoyant agri-business, construction, and retail commerce. Inflation remained low over the period, at 0.4 percent y-o-y. However, the current account deficit deteriorated from 2.7 percent of GDP in 2017 to 4.7 percent in 2018, mainly as a result of lower cocoa exports.

In this context, program performance continues to be strong, thus maintaining the momentum since the installment of the ECF/EFF arrangements. All end-December and continuous performance criteria and almost all indicative targets were met. Amid a revenue shortfall at end-2018, an adjustment in non-priority spending helped meet program targets on the primary basic balance, pro-poor spending and domestic arrears clearance. Furthermore, the authorities have taken remedial measures to address slowed customs procedures that caused the underperformance in tax revenue. Good results were also achieved on the structural front. Five out of six structural benchmarks (SBs) were met. A milestone was reached with the finalization of the debt restructuring of the national oil refinery SIR, which was programmed for end-2017 and completed in December 2018. The authorities have also implemented other key structural reforms, including the adoption at end-March 2019 of the plan to rationalize tax exemptions, which should boost tax revenue going forward. Likewise, they expect a better functioning of the automatic fuel pricing mechanism in the period ahead, with the view to increase fuel tax revenue.

Looking forward, activity should continue to be sustained by strong consumption and private investment, bringing growth to a projected 7.5 percent in 2019-20. The fiscal deficit is anticipated to fall to 3 percent of GDP in 2019 and below in subsequent years. Inflation will remain under control while the current account deficit should improve on the back of more favorable terms of trade, increased exports of services and higher value-added of agriculture exports. The authorities are committed to continue enhancing the business climate and further improving the economy's competitiveness. They also take note of the balance of risks, including the potential impact that a sharp tightening of global financial conditions could have on Côte d'Ivoire's access to international debt markets. They remain engaged in taking preemptive measures where needed to improve economic resilience, as well as formulating appropriate policy responses, should the risks materialize. As regards the socio-political environment, the authorities are determined to take the necessary steps to hold a peaceful and transparent presidential election in 2020.

Policies for 2019 and Beyond

Our authorities share the view that maintaining macroeconomic stability is critical to advance their economic transformation agenda. In this vein, they will pursue further fiscal consolidation with an emphasis on domestic revenue mobilization and spending prioritization. Macroeconomic stability geared on quality adjustment will be accompanied by structural

reforms aimed at creating an enabling environment for a more diverse and thriving private sector. The authorities remain confident that macroeconomic stability will continue to be underpinned at the regional level by sound monetary policy anchored in the currency union which has served this economy well.

Meeting fiscal targets through quality adjustment and meaningful reforms

The authorities have reiterated their commitment to meeting the WAEMU fiscal deficit target of 3 percent of GDP as the central objective of their adjustment effort in 2019. In doing so, they have designed a strategy geared at raising the quality of fiscal consolidation while preserving capital outlays and social spending. The consolidation package is worth an additional one percent of GDP compared to 2018 and half of it will come from tax revenue. Administrative measures include enhanced quality controls at the customs and expanding digitalization for tax collection. Tax policies encompass measures such as the elimination of some VAT exemptions; the introduction of a cocoa registration duty; and the increase of the Single Export Duty on cashew nuts from 3.5 percent to 7.0 percent. Efforts on the expenditure side include reductions of subsidies, the wage bill and other current spending. The authorities also stand ready to preserve the deficit target by making further spending cuts, should revenue underperform.

Important structural reforms are underway to support fiscal discipline and improve public financial management (PFM). The 2014 wage bill strategy is maintained with the “one new hire for two retirees” policy, except for the education and health sectors. New tools and enhanced procedures are being put in place for public procurements, investment programming and public-private partnerships (PPPs). In addition, the implementation of the Treasury Single Account (TSA) is progressing well with the closing of most accounts in commercial banks and more operations done through the TSA.

Balancing the financing mix to maintain debt sustainability

Preserving debt sustainability over the medium-to-long term is a top priority to the Ivorian authorities. Their strategy is twofold in this regard. First, they are determined to make every effort to broaden the tax base and substantially raise the tax-to-GDP ratio to finance key investments. Second, for 2019 and the medium-term, they have recommitted to borrowing from a balanced mix of domestic and foreign currency sources. Furthermore, an array of actions has been taken recently to closely monitor debt from state-owned

enterprises (SOEs), the issuance of guarantees and other fiscal risks. Such measures should help keep public debt in check and maintain the country's moderate risk of debt distress.

Strengthening the financial sector

The banking sector is sound and has further strengthened with the introduction since 2018 of new standards aligned with the Basel II/III principles. All but a few small banks meet the BCEAO's new minimum capital requirement. The restructuring of public banks has proceeded well. In particular, two institutions, Banque Nationale d'Investissement (BNI) and Caisse Nationale des Caisses d'Epargne (CNCE), underwent new developments recently; the former benefited from fresh capital from the social security fund as a new shareholder while the latter should make a critical step with the sales of properties to consolidate its financial position. The authorities' strategy for financial inclusion should also be enhanced with the inception of a new agency for financial inclusion overseen by the ministry of economy and finance. It is meant to support diversification towards innovative financial services and products such as FinTech and mobile banking. Similar efforts are also made in the supervision of the restructuring of microfinance institutions.

Improving the business climate to promote private sector development

The authorities' ambition to transform Côte d'Ivoire into an emerging market economy leans on promoting a large, diverse and flourishing private sector as the engine of growth. Progress made thus far in enhancing the business environment include setting a one-stop shop for creating business and cutting red tape, establishing industrial zones, digitalizing many government services, improving access to credit, enforcing contracts including through commercial courts, and facilitating the delivery of public utilities. As a result of these strides, Côte d'Ivoire has gained 25 places in its World Bank Doing Business ranking since 2015 and placed twice among the top ten reformers, most recently in 2018.

Going forward, the authorities are committed to making further progress, notably in delivering public services to enterprises mainly through digitalized procedures. In this regard, the issuance of a Single Taxpayer Identification Number (STIN) to all new firms and soon to existing ones is aimed at creating a unified online one-stop portal for delivering services such as construction permits, business licenses and certificates, property transfers, tax declaration and payments, and communication of legal decisions.

Complemented with other reforms, including in governance, and an improved access to finance, these efforts should further ease the doing of business, help attract more foreign direct investment (FDI) and spur the development of local Start-ups and small-and medium-sized enterprises (SMEs).

Sharing growth dividends through social policy

The authorities are cognizant of the need to make growth more inclusive. They adopted earlier this year, the “2019-20 Government Social Program” aimed at “improving the well-being of the population through high-quality public services”. The program is built around 67 projects, of which 12 are quick-to-implement projects with a broad impact in the areas of employment, health, education, housing and access to water and electricity. The cost for 2019 is estimated at CFAF 376 billion, of which 13 percent are already in the budget and 59 percent covered by donor financing identified by this time. In addition, the government continues to implement other initiatives such as the social safety nets through cash transfers and the deployment of the Universal Health Coverage.

Conclusion

Côte d’Ivoire’s economy continues its strong growth momentum underpinned by the authorities’ unwavering reform commitment. The Fund’s support under the ECF and EFF arrangements is instrumental in enhancing macroeconomic stability and implementing transformative reforms. Performance continues to be strong and the authorities are on track to meeting the WAEMU fiscal target in 2019 and hence contribute to strengthening regional stability. In addition, they remain steadfast in pursuing their debt strategy which is critical to ensure debt sustainability. They also stay the course with their structural reform agenda whose implementation is bearing fruit in paving the way for robust and sustained private sector-led growth.

In view of Côte d’Ivoire’ strong economic performance and the authorities’ renewed commitment to the objectives of the program, we would appreciate Executive Directors’ support for the completion of the fifth reviews under the ECF and the EFF arrangements.

Mr. Saraiva and Ms. Florestal submitted the following statement:

We thank staff for its helpful report and Mr. Raghani and Mr. Alle for their informative statement.

We commend the Ivorian Authorities for a satisfactory program performance ahead of this fifth review of the ECF and EFF. Côte d'Ivoire continued to boast robust growth in 2018, placing its economy among the most dynamic frontier markets, in spite of some deceleration mostly due to decreased cocoa production. Inflation remained subdued and fiscal consolidation continued to be pursued, although more through expenditure restraints than revenue performance. With unfavorable terms of trade, declining cocoa exports and a spike in imports the current account deficit widened, but is projected to converge to the levels devised in the program. Notwithstanding the incidence of several high likelihood and high impact risks, the baseline medium-term growth outlook is estimated to remain strong.

We approve the completion of the fifth review under the ECF and EFF arrangements and support the modification of the IT on the Government Tax Revenue for end-June 2019, as requested. The program is deemed to be on track with performance satisfactory through December 2018. All end-December 2018 PCs and almost all ITs were met along with five out of six applicable SBs and one SB from end-2017 implemented with delay. With the authorities' unwavering commitment to the reform agenda, the prospect for a successful conclusion of the program is encouraging.

We welcome the detailed information provided on IMF Technical Assistance and its links to program objectives. The report underscores the uneven implementation of TA recommendations. On the positive side, we note, for instance, that the draft fiscal statement elaborated with Fund support is considered "an example of best regional practices". On the other hand, in not so successful cases, it would be helpful if TA assessment notes had an explanation on why certain key recommendations are not implemented. We would also invite staff to report more on results and impact than output. For example, the staff report informs that "authorities also received training on the new DSA framework" but does not confirm whether the new framework is being used. Looking forward, the authorities' commitment to implement the recommendations of the Public Investment Management Assessment (PIMA) will help enhance the transparency and strengthen the prioritization process of project selection.

We welcome Mr. Raghani and Mr. Alle assurance that the authorities are determined to take the necessary steps to hold a peaceful and transparent presidential election in 2020. The approaching 2020 Presidential election was one of the most prominent short-term vulnerabilities identified by the staff at the time of the review of PRGT eligibility. A seamless election process could represent a reassuring step for Côte D'Ivoire on the path to reaching emerging

market status. We concur with staff that, to reach that status, strong policies going forward are imperative particularly those to safeguard macroeconomic stability and bolster private sector growth. Hence, we welcome the fact that Côte d'Ivoire stayed among top reforming countries in 2018. Moreover, we are encouraged by the comprehensive set of reforms to develop the financial sector, promote financial inclusion, further improve the business environment and develop the private sector. Notwithstanding the progress in the financial soundness indicators, reducing the risks posed by public banks, as well as modernizing the supervisory and audit tools of the microfinance sector remain imperative.

We welcome the authorities' renewed commitment to sustainable debt strategies and to a fiscal consolidation of improved quality, with the aim to achieving the 3 percent WAEMU deficit norm by 2019. Such effort will entail the gradual application of the price adjustment mechanism for petroleum products. Even with GDP per capita growing by a healthy yearly average of 4 percent during the past few years, the authorities have put an emphasis on making growth more inclusive and reducing poverty. We particularly welcome the inclusion of "targeted reforms to improve the employability of women and young people and their access to decent stable jobs". However, 28 percent of the 2019 financing of the Government's social program entitled "PSGouv 2019-20", which incorporates these initiatives and is projected to have high social impact have not been identified. We would like to hear staff's assessment of the prospects of fully financing the PsGouv 2019-20 and whether the measures programmed are adequately timed and sufficient to mitigate the impact of the oil price adjustment mechanism tabled for 2019.

We wish the authorities continued success in maintaining macroeconomic and social stability, as well as in fostering inclusive growth. With only one review left under the ECF/EFF arrangements, has staff discussed with the authorities how they envisage the future engagement with the Fund?

Mr. Jin and Mr. Huang submitted the following statement:

We thank staff for the well-written report and Mr. Raghani and Mr. Alle for their helpful buff statement. On the back of solid macroeconomic stability and sustained progress in structural reforms, Côte d'Ivoire has enjoyed strong economic growth led by the private sector since 2012. Looking forward, the authorities are encouraged to keep up the momentum to take Côte d'Ivoire to the emerging market status. Given the satisfactory program performance, we support the completion of the fifth reviews under the

Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangement. We broadly agree with staff's appraisal and would like to limit ourselves to the following comments.

A growth-friendly fiscal consolidation is critical to preserve macroeconomic stability while supporting social and economic development. We commend the authorities' recommitment to a 1 percentage point of GDP fiscal consolidation in 2019, while maintaining the support of priority public infrastructure projects and social programs. A well-developed infrastructure will improve the business environment and invigorate the private sector. Enhancing domestic revenue mobilization is important to achieve this ambitious growth-friendly consolidation. We take positive note of the authorities' objective to raise tax revenue by 0.5 percentage point of GDP in 2019, with a series of planned measures from the digitalization of tax administration to the rationalization of tax exemptions. The authorities are encouraged to implement these measures in a timely manner.

Fiscal consolidation and prudent public debt management will help keep the risk of debt distress at bay. Despite public debt being on an upward trend, Côte d'Ivoire's risk of debt distress remains moderate. We welcome the authorities' recent efforts to enhance public debt management, including close monitoring and containing the risk from state-owned enterprises and guaranteed debts. We note that the authorities recommitted to financing the deficit through a balanced mix of foreign and domestic currency sources. Could staff elaborate more on Côte d'Ivoire's borrowing currency, including current status and suggestions?

The financial sector is broadly sound, but vulnerabilities remain. The banking sector's average capital adequacy is above the regulatory norm, but a few small banks remain undercapitalized. The ratio of NPL is on a downward trend, but provision coverage is below 100 percent. Against this backdrop, we welcome the authorities' ongoing efforts to strengthen the banking sector, including restructuring public banks, recapitalizing microfinance institutions, and instructing banks to increase provisions. Developing fintech and mobile banking in rural areas will help to promote financial inclusion and mobilize domestic savings. We take positive note of the increase in individuals and business registered in the credit bureau, which will help to facilitate financing of small firms and family-owned businesses.

Great progress has been achieved in improving the business climate, reflecting sustained efforts in structural reforms. We welcome the authorities' further commitment in improving the business climate, including more

efficient public service, less regulations, better governance, and more convenient cross-border trade. This will help to further invigorate the private sector and attract foreign investment. Past experience from countries progressing to emerging market status suggests the importance of a well-educated population. We encourage the authorities to increase the investment in human capital, which will help support the strong growth of Côte d'Ivoire for an extended period.

With these remarks, we wish the authorities every success in their future endeavors.

Mr. Di Tata and Mr. Rojas Ulo submitted the following statement:

We would like to thank staff for a clear and concise report and Mr. Raghani and Mr. Alle for their informative buff statement.

Côte d'Ivoire's performance under the program supported by the Extended Credit Facility and Extended Fund Facility arrangements continues to be satisfactory. All end-December 2018 and continuous performance criteria and all but one indicative target were met, while preliminary data suggest that all quantitative indicative targets for end-March 2019 were also met. Moreover, most structural benchmarks for end-2018 and end-March 2019 were observed and the debt restructuring of the national oil refinery, which was delayed, was completed in December. At the same time, the authorities are committed to maintaining the reform momentum to further enhance macroeconomic stability and support the development of the private sector. On this basis, we support the authorities' request for completion of the fifth review and for modification of the indicative targets on government tax revenue for end-June 2019.

Côte d'Ivoire continues to be among the fastest growing frontier market economies. Real GDP grew by 7.4 percent in 2018 owing to strong consumption and nongovernment investment, led by the agri-business, construction, and retail sectors. Inflation remains subdued and the external current account deficit widened in 2018 due to lower cocoa exports. Economic growth is projected to remain strong over the medium term, with low inflation, while the current account deficit is expected to narrow owing to improved terms of trade and a stronger export performance. Main downside risks include the uncertain political landscape ahead of the 2020 presidential elections and weaker-than-expected global growth.

We welcome the authorities' commitment to reducing the fiscal deficit from 4 percent of GDP in 2018 to 3 percent in 2019, which will take the deficit to the WAEMU convergence norm. Further fiscal consolidation is important to ensure economic stability and debt sustainability. We note that the fiscal effort will rely primarily on improvements in revenue administration and spending prioritization, and that the authorities are willing to curtail spending if revenues were to fall below expectations. We agree with staff on the need to monitor revenue closely to be able to take prompt corrective action and avoid further compression of capital expenditures. We also welcome the new social program for 2019-20, as well as other initiatives under way, such as the deployment of Universal Health Coverage. Could staff comment on the adequacy and efficiency of social spending in Côte d'Ivoire? What has been the evolution of the poverty rate and the unemployment rate in recent years? We would emphasize the importance of containing the fiscal deficit below 3 percent of GDP over the medium term, which would allow for a reduction in the public debt from 53.2 percent of GDP in 2018 to 48.2 percent by 2024.

We support the authorities' plans to increase revenues to create fiscal space for public investment and social spending. In this regard, we welcome ongoing efforts to strengthen tax and customs administration, as well as the plan to rationalize tax exemptions over 2020-23. Could staff provide an estimate of total tax expenditures and discuss other possible measures to broaden the tax base? We also note the authorities' commitment to apply the price adjustment mechanism to preserve tax revenue for petroleum products, as well as their concerns about the impact of global price fluctuations on domestic fuel prices. Could staff comment on possible ways to address this issue, including, for instance, by smoothing adjustments using a moving average of international prices? We take positive note of the authorities' intention to continue to implement their wage bill strategy, prioritize and select investment projects according to clearly defined criteria, and further strengthen public finance management, including by reporting all annual accounts for the consolidated government and quarterly accounts for the central government under new standards. Regarding the public debt, we encourage the authorities to continue with their efforts to integrate SOEs debt in the debt sustainability assessment, exercise caution when extending public guarantees, and limit below-the-line operations not accounted as budgetary outlays.

Although the banking system's soundness indicators are positive, further actions are needed to strengthen oversight and enhance resilience. We welcome the implementation of the new regulatory framework aligned with Basel II/III as well as the efforts to reduce nonperforming loans, which are

still relatively high. Average capital adequacy in mid-2018 was on average above the threshold established by the new regulatory norm for end-2018, but a few small banks remain undercapitalized. At the same time, we notice that some public banks have been recapitalized. Could staff elaborate on the measures underway to address the undercapitalization of the small banks and to restructure public banks to avoid a recurrence of problems?

We welcome the authorities' commitment to continue enhancing the business environment and further improve competitiveness. Significant progress has been made in this area, as demonstrated by the World Bank Doing Business ranking and the World Economic Forum Competitiveness Index. At the same time, business creation grew strongly in 2018, while private investment picked up. Going forward, we encourage the authorities to continue with the ongoing reforms to improve governance and provide more efficient public services to enterprises through the creation of a unified online one-stop portal. As noted by staff, further efforts are also necessary to reinforce the legal framework governing investment and expand the scope of the one-stop window for external trade. The implementation of the National Financial Inclusion Strategy for 2019-2024 aimed at increasing financing of SMEs and promoting financial inclusion, especially in rural areas, constitutes a positive development.

We take positive note that capacity development is closely aligned with the program objectives, focusing on revenue administration, tax policy, public financial management, debt management, and statistics.

With these comments, we wish Côte d'Ivoire and its people every success in their future endeavors.

Mr. Meyer and Mr. Fragin submitted the following statement:

We thank staff for the informative and well-written report, and Mr. Raghani and Mr. Alle for their helpful buff statement.

We broadly concur with the thrust of staff's assessment. The Ivorian economy has continued to grow vigorously during the last year, with the growth outlook for 2019 remaining strong at 7.5 percent. The continuously good performance of the economy is mainly driven by domestic consumption, a resurgence of cocoa and cashew exports following a recovery of world market prices, as well as high investment levels. Côte d'Ivoire's business environment remains relatively favourable with indicators for availability of

credit, the ease of starting a new business, and macroeconomic stability ranking high in comparison to neighbouring countries.

In this light, and considering the satisfactory program performance, we agree to the completion of the review. We commend the authorities for the continuous pursuit of structural reforms and encourage them to maintain their reform commitment.

Nevertheless, several downside risks remain. Given that commodity and agricultural exports make up a large part of GDP, the economy remains vulnerable to external shocks such as price fluctuations in the cocoa and cashew markets. Furthermore, political uncertainty in the context of the 2020 presidential election constitutes an important downside risk.

Therefore, we support staff in setting a key priority for 2019 on further strengthening the tax policy and administrative framework to lock in fiscal sustainability and macroeconomic stability for the long run. The authorities' continuous commitment to adjust domestic fuel prices to fluctuations on the global oil market (IT) is important in this vein to reduce fiscal vulnerabilities in the event of price increases. In this context, we also wonder why the adjustment mechanism has not been automated which could uncouple it from changes in the political environment and thus eliminate adjustment uncertainty. Staff comments are welcome.

We welcome the authorities' continuous commitment to the WAEMU convergence ceiling on new debt at 3 percent of GDP to maintain national and regional macroeconomic stability. Moreover, we would highlight the importance of refraining from contracting non-concessional external loans other than those specified in the TMU and support staff in its recommendation to reduce debt profile risks (such as maturity and currency risks) when borrowing from domestic and external sources.

We welcome the report's attention to the G20's Compact with Africa. Ambitious reforms to further strengthen framework conditions for private investments are crucial to foster strong and sustainable growth.

Mr. Villar and Mr. Rojas Ramirez submitted the following statement:

We welcome the discussion of the fifth review under the ECF and EFF arrangements, endorse staff's recommendations and support the authorities' request.

Côte d'Ivoire has been steadily growing supported by sound economic policies under the program, which has placed the country among the most dynamic frontier market economies. In addition, the medium-term growth outlook remains outstanding, averaging 7 percent over 2019-2024. The program is on track and all the performance criteria and all, but one indicative target has been met, along with five out of six applicable structural benchmarks. As mentioned by staff, however, to reach emerging market status, strong policies are needed to lock in macroeconomic stability over the long term.

We are encouraged by the authorities' renewed commitment to meeting the WAEMU fiscal deficit target of 3 percent of GDP in 2019, and by their strategy geared at raising the quality of fiscal consolidation while preserving capital outlays and social spending, as stated in Mr. Raghani's and Mr. Alle's buff statement. The consolidation package includes reforms aiming at revenue mobilization through improving tax collection and broadening the tax base. We note advances in the digitalizing of tax administration, using Taxpayer Identification Number (STIN), adopting the plan to rationalize taxes for 2020–23, and strengthening customs administration. On the expenditure side, authorities are committed to efficiency and fiscal space generation. We see favorably the implementation of the 2014 wage bill strategy, the adoption of management criteria tools and procurement rules to prioritize and select investment projects including Public-Private partnership, strengthening public finance management and the transition to the Treasury Single Account (TSA).

We agree with staff on the importance of adopting a balanced debt strategy, combining domestic and foreign currency, borrowing along with fiscal consolidation to contain fiscal risk and assure stability. We commend the authorities for the steps taken to strengthen debt accountability and on the integration of SOEs debt in the debt sustainability assessment.

The banking sector remains sound overall, although with vulnerabilities. We commend authorities for the introduction of the new standards aligned with Basel II/III principles and for the measures they are taking for restructuring public banks so that they meet prudential norms. Also, authorities are buttressing the microfinance sector by modernizing and strengthening the sector's supervision and by restructuring the largest microfinance network.

Finally, we highlight the progress made by authorities in enhancing the business environment through policies that have allowed Côte d'Ivoire to gain 25 places in its World Bank Doing Business ranking since 2015 and be

positioned among the top ten reformers in 2018, as mentioned in the buff statement.

Ms. Pollard and Ms. Crane submitted the following statement:

We thank staff for the report and Mr. Raghani and Mr. Alle for the helpful buff statement. We welcome Côte d'Ivoire's continued progress on its IMF program, and urge the authorities to keep policies steadily focused on fiscal prudence and improvements in the business environment in the run-up to elections in 2020. Staff's analysis comparing Côte d'Ivoire to countries that have achieved sustained high growth is thought-provoking, and we welcome the emphasis in the staff report on nurturing the private sector. We appreciate the information in Annex II on how IMF capacity development, particularly in the areas of revenue administration and public financial management, have been supporting stronger fiscal and debt management. We broadly concur with the staff appraisal and would emphasize several points.

Fiscal Management. Continued attention to domestic revenue mobilization and spending restraint will help keep government financing needs in check and provide more space for private sector development. We recognize that planned 1 percent of GDP in fiscal consolidation this year will not be easy to achieve, and would emphasize the importance of high quality, growth-friendly fiscal measures rather than cuts to priority investments in human and physical capital. In this regard, the shortfall in revenues in 2018 (made up for largely by under-execution of the investment budget) is disappointing, while the information in the Supplement on the end-March 2019 revenue outcome and adoption of an action plan on rationalizing tax exemptions is more encouraging. Can staff comment on how the authorities are handling risks of increased security spending in the context of the pre-election period and trends in Sahel-region violence? Meeting the 3 percent WAEMU fiscal deficit criterion in 2019 in a growth friendly manner would have domestic benefits and also contribute importantly to regional stability and the credibility of WAEMU's policy framework. We would also see value, once the credibility of WAEMU macro policies are more firmly established, in IMF staff engaging with national and regional finance officials on how to best take into account cyclical factors, the need to boost growth, and capacity constraints in formulating fiscal policy going forward.

Debt Data and Sustainability. We welcome the authorities' efforts to improve the quality and comprehensiveness of fiscal and debt data, and their attention to containing specific SOE fiscal risks including of the national refinery and the energy sector. The stock/flow discrepancies on the order of

4 percent of GDP in recent years are concerning. We encourage the authorities to include state-owned enterprises in government debt data, closely monitor government guarantees and limit below-the-line operations.

Social Spending. We appreciate the authorities' increased emphasis on social spending, including a commitment to maintain pro-poor spending at 10 percent of GDP. Côte d'Ivoire's generally positive scores on the WEF global competitiveness index (Box 1) show a weak point on human capital relative to African frontier market peers.

AML/CFT We encourage the authorities to redouble efforts to pass a terrorism finance law in line with the FATF standard, a key deficiency in Côte d'Ivoire's AML/CFT regime.

Mr. Doornbosch, Mr. Psalidopoulos, Mr. Jost and Mr. Di Lorenzo submitted the following joint statement:

We thank staff for the insightful report and Messrs. Raghani and Alle for their helpful buff statement. We support the completion of the review. Côte d'Ivoire's economic outlook, supported by an overall good program implementation, continues to be strong. We find appropriate the emphasis placed in the report on the policies needed to attain the emerging economy status. A commitment to maintain strong macroeconomic policies will support the reduction of the vulnerabilities that can amplify any external or domestic shocks. Building on the recent progress, further strengthening the business environment and facilitating private sector-led growth is critical as well. We would like to add the following comments.

Given the challenges that lie ahead, attaining the 3 percent deficit target for 2019 remains key. The planned fiscal adjustment is evenly split between revenue increases and budget savings. Authorities are committed to maintaining the pro-poor spending at a significant level and further modernizing the tax administration. Unfortunately, according to staff projections, capital spending is expected to be further compressed by 0.2 percentage points of GDP, reducing domestic-financed capital spending in 2019, to 0.7 points of GDP below the 2017 levels. We underline that improving attractiveness for private investments, the main long-term goal for the country, requires bridging the investment gap. Against that backdrop, we take positive note that the authorities are working keenly to strengthen the investment management framework by implementing the PIMA recommendations. If revenues should fall short of projections, we recommend that the deficit target will be safeguarded primarily through lower current

spending. We would appreciate an update from staff on the status of the benchmark on the application of the fuel-price adjustment scheduled by end March.

We welcome that the debt strategy is based on a balanced borrowing mix for 2019 and the medium-term. At the time of fourth review, the Board supported staff's recommendations on the need for the authorities to carefully assess costs and benefits of a further reliance on externally denominated debt. The new debt strategy, based on the findings of the November TA mission, seems to go in the right direction. We also note that below-the-line operations have played a significant role in debt dynamics and we agree with staff that it will be important for budget transparency if the transfers to SOEs would be reflected in the above-the-line fiscal tables. Completing the process to make the National Council of Statistics fully operational and to adequately fund the National Institute of Statistics would be also instrumental in this aim.

The report provides insightful advice on how to further improve the business climate. Côte d'Ivoire should move forward with the reforms needed to fill the gap in the dimensions where it still lags behind the WAEMU and the African frontier market countries, such as improving the ease of paying taxes and the protection of minority investors. We welcome that the institution of the Credit Bureau has improved credit access, and further progress in financial inclusion should be expected by the implementation of the authorities' quinquennial plan.

Mr. Tan and Ms. Susiandri submitted the following statement:

We thank staff for the insightful report and Mr. Raghani and Mr. Alle for the informative buff statement. We are pleased to note continued robust growth in the Ivoirian economy, underpinned by sustained progress toward macroeconomic stability and structural reforms. While strong domestic demand supports a positive economic outlook, the balance of risks is tilted to the downside due to elevated political and external uncertainties. Given the country's satisfactory program performance and track record for policy implementation, we support the completion of the fifth reviews under the ECF and EFF arrangements, and the other proposed decisions. The following comments are offered for emphasis.

We welcome the authorities' commitment to the 3 percent deficit target to preserve macroeconomic stability. Ambitious fiscal consolidation must be achieved through streamlining of expenditure as well as gains on the revenue side. On the former, we welcome the authorities' continued efforts to

prioritize key infrastructure investments and social spending, as well as to enhance spending efficiency by implementing the 2014 wage bill strategy, enhancing investment selection, and strengthening public finance management. On the latter, we encourage the authorities' efforts in improving tax collection and broadening the tax base. Nonetheless, the tax revenue target, which is one of the five indicative targets, was not met partially due to lower receipts from fuel taxes. We note the domestic fuel prices were not fully adjusted to global oil prices owing to social considerations. However, we recognize the authorities' willingness to improve the functioning of the automatic fuel pricing mechanism. Could staff elaborate how significant has the gap been between domestic fuel prices and global oil prices at present compared to historically? We also welcome staff's comments on the macroeconomic impact (fiscal revenue and subsidy, inflation, growth, and NPL) of applying the fuel price adjustment fully. To mitigate the risk of underperformance, we agree with staff on the importance of close monitoring and prompt remedial measures where necessary.

More prudent management of public debt is warranted to secure debt sustainability. We take positive note of the authorities' plans to finance the budget deficit with a balanced mix of foreign and domestic currency so as to maintain a moderate risk of debt distress. We also support the authorities' ongoing measures to contain fiscal risks, including by limiting below the line operations. We would appreciate further elaboration on the risks coming from contingent liabilities (CL). How significant are the quasi fiscal activities, particularly to SOE? How high is the probability of CL realization and impact to the fiscal costs if the associated risk materializes? We are also pleased with the issuance of the first fiscal risk statement in 2018 and look forward to the updated version as part of the authorities' efforts to monitor fiscal vulnerabilities.

While the banking sector broadly remains sound and credit growth has been robust, some lingering vulnerabilities merit continued attention. We commend the authorities on aligning the implementation of the new regulatory framework with Basel II/III principles in 2018 to enhance resilience in the banking system. While the average capital adequacy ratio is above the new regulatory norm, it is noteworthy that a few small banks remained undercapitalized. In this regard, it is opportune that the authorities take advantage of the current window to progress on measures to support the financial sector including the recapitalization and restructuring of the public banks as well as the largest microfinance network.

Further structural reforms to improve business climate and competitiveness is needed to support sustainable growth in the medium-term. To put the economy on a sustained growth path, the Ivoirian authorities should continue to strengthen their efforts to promote private investments. To this end, we commend the authorities' achievements in advancing the ease of doing business in the country, through developing public service enterprises that reduces processing time of government services, strengthening the legal framework for investment, and facilitating better access to financing through their National Financial Inclusion Strategy 2019-24.

With these remarks, we wish the authorities further success in their endeavors.

Mr. Mahlinza and Mr. Sitima-wina submitted the following statement:

We thank staff for a comprehensive report and Mr. Raghani and Mr. Alle for their informative buff statement.

We commend the Ivorian authorities for the steadfast implementation of their structural reform agenda and prudent macroeconomic management which has led to robust economic growth for the past seven years. While challenges remain, we welcome the authorities' commitment to implement further reforms, sustain fiscal consolidation and preserve debt sustainability. Considering the satisfactory program performance to end-December 2018, we support the completion of the fifth reviews under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements. We broadly agree with the staff appraisal and make the following remarks.

Fiscal consolidation is central to the realization of medium-term growth prospects and entrenching macroeconomic stability. In this context, we commend the authorities for their commitment to further fiscal consolidation in 2019, equivalent to one percent of GDP, to be achieved through revenue gains and expenditure rationalization. Accordingly, stepping up efforts to increase domestic revenue mobilization through broadening of the tax base as well as strengthening customs administration, applying the price adjustment mechanism on petroleum products and rationalization of VAT exemptions, among others, would be important. Further, we encourage the authorities to ensure that pro-poor expenditures and growth enhancing investments in infrastructure are safeguarded.

Managing fiscal risks remains critical in efforts to preserve debt sustainability. Thus, while we note the authorities' commitment to finance

deficits through a mix of domestic and foreign currency borrowing, we would urge caution in contracting external debt given its steady build up since 2012. That said, we welcome the operationalization of a dashboard for monitoring the financial performance and obligations of state-owned enterprises (SOEs) which would help to minimize the risk of contingent liabilities and accumulation of arrears. Further, the emphasis placed on ensuring the effectiveness of investments by putting in place clearly defined criteria, tools and procurement rules to prioritize and select investment projects, including for Public-Private Partnerships (PPP) is reassuring. We look forward to the dissemination of the procedures manual for preparation of the Public Investment Program (PIP) which should enhance transparency in the selection of investment projects. In the same vein, we encourage the authorities to further strengthen links between investment programming and budgeting tools consistent with the Public Investment Management Assessment (PIMA) recommendations.

The financial and regulatory framework should be strengthened to mitigate potential risks. We thus, welcome the implementation of the new regulatory framework aligned with Basel II/III principles, which has strengthened reporting standards and bank recapitalization. At the same time, we urge the authorities to remain vigilant in managing risks, despite the prevailing soundness of the banking sector. Furthermore, we encourage the authorities to align loan loss provisioning with the requirements of the Banking Commission, notwithstanding the recent decline in non-performing loans (NPLs).

Sustaining progress in structural reform remains essential to achieving sustainable inclusive growth and transitioning to emerging market status. In this regard, we continue to support the reform agenda and the remarkable progress achieved thus far in improving the business environment and promoting private sector development. Going forward, we encourage the authorities to further improve access to finance including through the implementation of the National Financial Inclusion Strategy.

Mr. Sigurgeirsson and Mr. Gade submitted the following statement:

We thank staff for their well-written reports and Mr. Raghani and Mr. Alle for their informative BUFF statement. We take note that the growth outlook remains strong under a continuously improving business environment and sustained private consumption. Inflation remains low and program performance has been satisfactory, while the political environment has become more complex. Against this background, we support the completion

of the fifth review under the Extended Credit Facility and the Extended Fund Facility.

We encourage the authorities to continue their successful implementation with a view to complete the programs later this year, to continue building a sound policy framework and preserve economic stability and growth beyond the 2020 elections, continuing the path towards emerging market status. As staff outline in their report, taking Côte d'Ivoire to emerging market status will require strong growth for an extended period, underpinned by reforms geared towards macroeconomic stability and a robust private sector. To this end, we support the staff's appraisal and wish the authorities every success.

Mr. Heo, Mr. Shin and Mr. David submitted the following statement:

We thank staff for the comprehensive report and Mr. Raghani and Mr. Alle for their informative buff statement. We commend the Ivoirian authorities on their economic management under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements where program performance for end-December 2018 has been satisfactory. Strong economic performance over the review period also reflects ongoing macroeconomic stability, improving business conditions and the reform program of the authorities. We broadly agree with the staff assessment and support the completion of the fifth reviews of the ECF and EFF programs.

Fiscal prudence is a key component of the programs that ensures macroeconomic stability and debt sustainability. We note that the one indicative target of the program for end-2018 that was missed relates to lower-than-programmed tax revenue. While welcoming the efforts to enhance fiscal discipline through improved tax collection initiatives and broadening the tax base as well as to improve public spending efficiency, we have some concerns over political uncertainty. The report highlights fiscal pressures in the lead-up to the 2020 presidential elections, impacting on spending as well as revenue raising efforts. The risk assessment matrix indicates relative high likelihood of policy implementation risks stemming from fragile political and social environment. We would hope the authorities resist election-related budget pressures and closely monitor possible revenue slippages.

Structural reforms to improve the business environment are important for sustainable and equitable growth. The authorities' focus on improving business conditions and encouraging competition has ensured Côte d'Ivoire remains a top reforming frontier market. This is reflected in the high growth in

job creation and pick up in private investment. While Côte d'Ivoire is ranked highly in the World Bank Doing Business indicators, we note that for 'trading across borders', it ranks below the averages for both the WAEMU and African Frontier Market Countries. Could staff explain the reasons for this low indicator and whether there is potential for more trade between Côte d'Ivoire and her neighbors?

Mr. Gokarn and Mr. Siriwardana submitted the following statement:

We thank staff for their well-written report and Mr. Raghani and Mr. Alle for their informative buff statement. Côte d'Ivoire's macroeconomic performance has improved remarkably, ranking among the fastest growing countries in the world and helping advance its economic transformation program. Growth has been robust, averaging 8.7 percent over 2012-18, while inflation remains subdued. The budget deficit has declined, and the country remains at moderate risk of debt distress, although risks, particularly related to external debt, are increasing. The current account deficit has increased, mainly reflecting the decline in cocoa exports. The economy is projected to grow by 6.4 percent by 2024 and the outlook remains favorable. However, locking in macroeconomic stability over the long-term and sustaining robust and inclusive private sector-driven growth remain as key policy challenges. Hence, continuing implementation of prudent policies for a significant period of time, while also being cognizant on the socio-political tensions leading into the Presidential election in 2020 and preserving the recent gains, is important to address these challenges and sustain a high and inclusive growth in reducing persistent level of high poverty in Côte d'Ivoire and becoming an emerging market economy. As the leading economy in the West African Economic and Monetary Union (WAEMU), Côte d'Ivoire's economic progress is important in the regional context as well.

The program performance remains satisfactory. All end-December 2018 and continuous performance criteria, and all but one indicative target have been met. Five out of six structural benchmarks were also met with the remaining one being met with delay. Based on this as well as the strong commitment of the authorities, we support the completion of fifth reviews under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements. We commend the TA given by the Fund in meeting program objectives, summarized in Annex II.

Fiscal consolidation is critical in sustaining macroeconomic stability. In this regard, we commend the authorities' commitment to achieving the 3 percent of GDP fiscal deficit target in 2019 towards meeting the regional

convergence norm, thereby contributing to regional macroeconomic stability. The pursuit of policies towards improving domestic revenue mobilization by broadening the tax base and containing public spending, including the wage bill, while prioritizing public investment is important to achieve this target. We commend the authorities' commitment to maintaining pro-poor spending at close to 10 percent of GDP, which needs targeting with the help of the expected World Bank TA mission. We positively note that the "one new hire for two retirees" policy constitutes an important structural reform to support fiscal discipline. Could staff comment on this policy, including its effective implementation, social buy-in and the long-term impact on the public sector employment and efficiency? The authorities' efforts to clear the arrears is reassuring. The ongoing measures to address weaknesses of SOEs is encouraging, which need continuation.

Strengthening debt and public financial management is critical to preserve debt sustainability over the medium to long-term. In this regard, we encourage the authorities to strengthen the legal and institutional framework by finalizing a draft law on the national borrowing and debt management policy. The decision to allow for a balanced mix of domestic and foreign currency borrowing is a positive step. Closely monitoring of the SOE debt and government guarantees also should be an integral part of this process. Related to this, we commend the authorities' plan to integrate SOE debt in the debt sustainability assessment. Continued improvement of the 2018-20 Public Finance Reform Blueprint is also important to improve public financial management, including fiscal risks. Achieving desired results out of these efforts will depend on the adequate availability of capacity within the respective institutions in which the Fund has a critical role to play. Could staff comment?

The banking system remains broadly sound although there are pockets of vulnerability, particularly with respect to small banks. The banking system has been further strengthened with the new regulatory framework and recapitalization of banks. We encourage the national and regional authorities to continue these efforts to further strengthen this process to support private sector economic activities. Authorities are also encouraged to continuously monitor the proper implementation of 2016 AML/CFT law.

The steady improvement of the business environment in Côte d'Ivoire is commendable. In particular, the moving up 45 notches between 2012 and 2019 in the Doing Business Ranking is a testimony to the authorities' commitment in this area. However, more needs to be done in this context, including further reinforcing of legal framework governing investment,

expanding the one-stop shop window for external trade and better leveraging the authorities' participation in the Compact with Africa, to energize private sector, and sustain a higher level of investment and growth over the medium-term as a key economy in the sub-region. We stress the effective implementation of the National Financial Inclusion Strategy for 2019-24 to increase financing of SMEs and promote financial inclusion.

The authorities' intension to improve statistics is welcome. The adoption of the National Strategy for the Development of Statistics is commendable. Like staff, we urge the authorities to make National Council of Statistics fully operational and set up the Fund for the National Development of Statistics. The continued TA of the Fund is well justified for this process.

With these remarks, we wish all the very best to Ivoirian authorities in their future endeavors.

Mr. Daïri and Mr. Osei Yeboah submitted the following statement:

Strong ownership under the ECF/EFF program has helped Côte d'Ivoire sustain a robust pace of economic growth with subdued inflation and contribute to regional macroeconomic stability. The fiscal deficit is narrowing; the external current account deficit, which increased in 2018 as a result of buoyant economy and adverse terms of trade is declining; public debt remains under control; and the issuance of a eurobond has helped consolidate the common reserves pool. The financial sector also remains sound. We commend the authorities for prudent policies that have helped maintain investor confidence. However, downside risks to the outlook warrant continued efforts to safeguard economic stability and advance structural reforms. We concur with the thrust of staff appraisal and, given the authorities' satisfactory track record and renewed commitment to the program, support the proposed decisions.

The authorities' commitment to the 3 percent regional deficit target, to be financed through a balanced mix of foreign and domestic currency sources, bodes well for fiscal and debt sustainability. This requires broadening the tax base and modernizing tax and customs administration, complemented by measures to reduce the wage bill, subsidies, and other nonpriority current spending, while prioritizing key infrastructure and social outlays. The authorities' readiness to safeguard the deficit target by curtailing spending proportionally to any potential revenue underperformance, as reiterated by Messrs. Raghani and Alle in their helpful statement, is praiseworthy. We welcome adjustment of domestic fuel prices in line with international markets

while strengthening the social safety net to protect the vulnerable. Maintaining a moderate risk of debt distress in view of the upward trend in public debt also calls for continued efforts to strengthen public financial and debt management and to contain contingent liabilities and fiscal risks associated with the SOEs, PPPs, local governments, and extra-budgetary funds.

The financial soundness of the banking system has improved, with stable capital buffers, declining NPLs, and increased provisioning following the recent supervisory upgrade to Basel II/III rules. However, pockets of vulnerability persist, especially with small, under-capitalized banks. We welcome efforts to establish a well-functioning financial system, including by restructuring and privatizing public banks as well as consolidating the microfinance sector. Could staff indicate if any interest has been expressed by foreign investors to become strategic shareholders in Ivorian banks? We take positive note of measures to increase SME financing and promote financial inclusion, including by developing fintech and mobile banking services in rural areas.

Continued improvement in the business environment remains key in attracting private investment, sustaining high growth, and transforming the country into an emerging market economy over the medium term. Better protecting minority investors and facilitating cross-border trade, including through participation in the Compact with Africa, should help further enhance the business climate. We welcome measures to upgrade public service delivery, streamline regulations, and improve governance. Work should also continue to increase human and physical capital by better job training and skills development and by upgrading transportation, telecommunication, and energy sectors' infrastructure, including in designated industrial zones.

We wish the authorities continued success in their endeavors.

Mr. Mouminah, Mr. Alkhareif and Mr. Alhomaly submitted the following statement:

We thank staff for the well-written report and Mr. Raghani and Mr. Alle for their insightful buff statement. We are in broad agreement with the thrust of the staff appraisal and would therefore limit ourselves to the following few comments for emphasis.

Overall, we are encouraged to note that the economic outlook remains positive and welcome the authorities' commitments to fiscal discipline and growth-enhancing reforms while implementing prudent policies to strengthen financial sector and preserve debt sustainability.

In the light of the satisfactory program performance, we support the authorities' request for the completion of the fifth reviews under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements. Looking ahead, we encourage the authorities to sustain the ongoing efforts to maintain solid macroeconomic stability and promote strong, sustainable and inclusive growth, with the aim of transforming the country into emerging market status over the long term.

With regard to the financial sector, we are reassured by the overall soundness of the banking sector, with adequate capitalization and declining NPL ratio. Also, we take positive note of the steps taken by the authorities to promote financial inclusion and enhance Credit Information Bureau. Going forward, we encourage the authorities to sustain their efforts on this front and address the remaining financial vulnerabilities of public banks, with the continued implementation of restructuring plans.

On the fiscal side, we welcome the measures taken by the authorities to strengthen tax administration, with the increasing utilization of technology, and their commitment to enhance spending efficiency. In addition, we are encouraged by the adoption of clearly defined criteria and rules to better prioritize and select investment projects. Going forward, priority should be given to strengthening public finance management, with a view to create the needed fiscal space to address the social and infrastructure needs.

Finally, we welcome the establishment of the National Statistics Development Fund (FNDS) this year and the ongoing efforts to strengthen the national statistical system, with a view to ensure the production of high-quality statistics and the publication of economic data in a timely manner.

With these remarks, we support the proposed decision and wish the authorities all the success in their future endeavors.

Ms. Levonian and Mr. Sylvester submitted the following statement:

We thank staff for their useful report and Messrs. Raghani and Alle for their informative buff statement.

The Ivorian authorities continue to demonstrate strong commitment to their reform program by meeting all end-December 2018 performance criteria (PCs) and almost all indicative targets (ITs), along with five out of six

applicable structural benchmarks (SBs) and one SB from end-2017 implemented with delay. Given that program performance has remained relatively strong, we support the proposed decisions. We limit ourselves to the following additional comments.

We share staff's conclusion that to reach emerging market status, strong policies are needed to lock in macroeconomic stability over the long run. We commend the authorities for their prudent policies and ambitious reforms, which have delivered strong private sector-led growth and improved social outcomes and placed Côte d'Ivoire among the fastest growing frontier market economies. Growth is also expected to remain robust over the medium term, despite growing risks. That said, progress on poverty and other social indicators needs to be accelerated. In this regard, sustaining strong policies and reforms will be key to foster more inclusive and sustained growth and expand employment opportunities, including for women and the youth. We take positive note of the authorities' strong commitment, as highlighted in the buff, to maintain the reform momentum to further advance Côte d'Ivoire's economic and social agenda.

We welcome the authorities' commitment to continued fiscal consolidation. Achieving the West African Economic and Monetary Union (WAEMU) budget deficit norm of 3 percent of GDP is key to supporting regional stability and maintaining national and regional policy consistency. We welcome the authorities' commitment to raise the quality of fiscal consolidation, while preserving capital outlays and social spending. We also welcome the supporting reforms to reinforce fiscal discipline and strengthen public financial management.

It is encouraging to note that the financial sector continues to strengthen, and reforms will be sustained. With the application of the Basel II and Basel III rules, the soundness of the banking system improved in 2018. We commend the authorities for their recent efforts to further strengthen the financial sector. However, as staff notes, pockets of vulnerabilities still remain, and further efforts will be needed to build resilience and increase the sector's contribution to growth. In this regard, we urge the authorities to continue to take steps to reinforce the soundness of the banking system, consolidate the microfinance sector, increase financing for small and medium-sized enterprises (SMEs), and promote financial inclusion.

Finally, we urge continued prudent debt management to maintain debt sustainability. We note positively that preserving debt sustainability over the medium to long term is a top priority of the Ivorian authorities. We commend

them for the progress made in finalizing the debt restructuring of the national oil refinery. We encourage further efforts to strengthen overall debt management, including to monitor risks associated with SOEs and the issuance of government guarantees.

Mr. Trabinski and Mr. Djokovic submitted the following statement:

We thank staff for the valuable report and Mr. Raghani and Mr. Alle for their informative buff statement. We broadly concur with staff's assessment and recommendations. The economy of Côte d'Ivoire continues its strong growth path, supported by investor confidence and sustained reform momentum. We commend the authorities for prudent macroeconomic management. Overall program performance is satisfactory, and we support the completion of the fifth review under the ECF and EFF.

We welcome that Côte d'Ivoire has become one of the leading frontier market economies. We echo staff on the need to sustain reform momentum and macroeconomic stability over the long term to enable transitioning to emerging market status. In that context, maintaining prudent fiscal policy and debt management are key.

Continuing with fiscal adjustment and keeping the deficit compliant with the WAEMU target will be critical for debt sustainability and resilience. Fiscal discipline is also relevant in the regional context, in order to help safeguard the regional reserves and preserve monetary stability. We welcome the progress achieved under the program thus far in reducing the deficit, and we commend the success in controlling the public wage bill. However, we note the revenue underperformance in 2018 and the consequent ad-hoc expenditure adjustments. In this context we encourage the authorities to continue their efforts to enhance revenue mobilization. Reducing the tax expenditures would be helpful to that end. Also, a continued strengthening of SOE oversight would help minimize fiscal risks. Taking into consideration the authorities' initiative aimed at establishing the Tax Reform committee, could staff elaborate on the tax policy reform priorities in the nearest future?

The increase in public debt calls for vigilance. We welcome the debt management strategy geared towards balancing the mix of domestic and foreign currency borrowing and extending maturities. Given the economy's vulnerability to adverse shocks, we call on the authorities to maintain a prudent stance and in particular to refrain from contracting non-concessional external loans.

We welcome the advances in PFM reforms, the introduction of a treasury single account being a case in point. We encourage the authorities to continue moving all revenue and expenditure transactions to the TSA and extend the coverage of financial reporting. We also welcome the authorities' approval of the National Strategy for the Development of Statistics aimed at improving data quality and frequency.

The newly introduced regulatory framework is helping to increase the resilience of the banking sector, including through recapitalization and better provisioning. We welcome the declining level of NPLs and the ongoing restructuring of public banks. Capital shortfalls in some public and smaller banks should be promptly remedied.

Mr. Just and Mr. Reininger submitted the following statement:

We thank staff for the report and Messrs. Raghani and Alle for their informative buff statement. Côte d'Ivoire's economic growth has continued to be remarkably strong and program performance has been satisfactory with all performance criteria and most structural benchmarks and indicative targets having been met. However, we note that fiscal revenues underperformed and welcome the authorities' commitment to take the remedial necessary measures. We support the completion of the fifth reviews under the Extended Fund Facility and Extended Credit Facility arrangements as well as the authorities' request for modification of the indicative target on the tax revenue for end-June 2019. We broadly agree with staff's assessment and would like to add the following comments.

Fiscal consolidation efforts should continue. We note that the fiscal deficit target for 2018 of 4 percent of GDP including grants could only be met by offsetting revenue shortfalls with under-executing capital spending. We welcome that the authorities recommitted to a 3 percent deficit target and stress that this target is set against the backdrop of very high GDP growth and should not be met by reducing pro-growth and pro-poor spending. We acknowledge the authorities' commitment to mobilize additional tax revenues but note that these efforts need to be sustained and intensified beyond 2019. At the same time, we welcome the targeted consolidation efforts on the expenditure side. We consider these fiscal consolidation efforts as important also for preserving external stability.

Prudent debt management should contain the build-up of external sovereign debt and SOE-related risks. While we acknowledge that the ceiling on the present value of new external debt contracted by the central

government was met, we note that this was achieved by substantially lower concessional multilateral debt and considerably higher non-concessional debt on commercial terms. In parallel, total external debt of the central government (including on-lent debt to SOEs) increased from 30.5 percent of GDP at end-2017 to 36.5 percent of GDP at end-2018 and interest payment on external debt is projected to be 0.4 percentage points higher in 2019 than in 2017. We welcome the authorities' commitment to a balanced mix of foreign and domestic sources for deficit financing. We encourage the authorities to continue enhancing fiscal risk monitoring and broadening it to items below the line.

Supervisory policy should continue to be abreast with ongoing developments to preserve financial stability. We welcome the introduction of new standards aligned with Basel II/III principles in 2018 and the resulting efforts to improve the soundness of the public banks and of the microfinance sector. We are however skeptical about the social security fund entering as a new shareholder in one of the public banks as a restructuring measure.

Mr. de Villeroché, Mr. Castets, Mr. Ronicle, Mr. Bellocq and Ms. Andreicut submitted the following joint statement:

We thank staff for the well written report and Mr. Raghani and Mr. Alle for their insightful buff statement.

Program performance has remained satisfactory. All end-December and continuous Performance Criteria (PCs) were met, as well as all but one Indicative Target (ITs) and five out of six Structural Benchmarks (SBs). Against this background, we support the completion of the fifth review of the program supported by the Extended Fund Facility (EFF) and the Extended Credit Facility (ECF). The IMF-supported program has helped Côte d'Ivoire in strengthening its macroeconomic framework and growth momentum. Looking forward, we agree with staff that political uncertainty could intensify in the run up to the Presidential election. In the coming months, addressing this uncertainty will be key to preserve a growth momentum currently driven by strong domestic demand.

Côte d'Ivoire has been among the best growth performers across Africa since 2012. We think that the medium-term growth outlook is positive, thanks to diversified growth drivers and a sound macroeconomic policy. It would be helpful to have a stock-take of the diversification of the economy in the upcoming Article IV review. In that regard, the authorities' commitment to maintain a fiscal anchor based on the WAEMU deficit norm of 3 percent of

GDP in 2019 has been key to anchoring expectations and business confidence. As underlined by staff, the continuation of macroeconomic stability and private sector-led growth over the long run would lead Côte d'Ivoire to reach the emerging country status. However, beyond growth performance, we also think that social inclusion is critical and we encourage the authorities to remain committed to make economic growth more inclusive given the persistent high poverty rate.

On the fiscal side, the fiscal deficit target was reached last year in spite of the fiscal revenue underperformance. The revenue shortfall led to a downsizing of the investment budget and non-priority spending. We would be grateful to staff to provide further details about the spending which was under-executed. More broadly, we believe that fiscal consolidation implemented in developing countries has to be mainly driven by further domestic resources mobilization rather than through expenditure cuts. We note positively that revenue administration and tax policy measures have been designed to increase tax revenue by 0.5 percentage points of GDP in 2019. Looking backward, we note however the difficulties encountered by the IMF-supported program to increase significantly the tax-to-GDP ratio which reached 16.5 percent in 2017, 16.2 percent last year and is expected at 16.7 percent in 2019. The overall increase over three years appears thus quite limited and we hope that the technical assistance presented in Annex II will help in this regard. We also think that the expected GDP rebasing could result in downward revisions of these figures. Staff's comment about program performance with respect to the DRM agenda would be welcome.

On the expenditure side, we welcome the authorities' commitment to implement the recommendations made by staff under the Public Investment Management Assessment (PIMA). We also welcome the new social program for 2019-2020, which aims to make growth more inclusive and significantly reduce the poverty rate. Could staff elaborate on how they judge the effectiveness and redistributive impact of the new social program and over what time horizon they think the first results will be seen? In addition, we note that pro-poor spending amounts to 10 percent of GDP according to staff. We wonder whether the objective of the authorities to maintain pro-poor spending at that level of 10 percent of GDP in the coming years will be sufficient to allow Côte d'Ivoire to reach the SDGs – staff's comments are welcome..

When it comes to debt management, we believe that the authorities' strategy, which consists of fine tuning an appropriate balance between domestic and foreign currency borrowing, is appropriate. Given the fact that Côte d'Ivoire is a key player in regional markets, it is important for investors

and other regional borrowers to know what Côte d'Ivoire's borrowing plans are. Regarding public debt perimeter related issues, we welcome the progress made to better monitor the financial performance and obligations of SOEs.

The situation of the banking sector has been improving but some pockets of vulnerabilities remain. The public bank restructuring process will strengthen the banking sector but we would like staff to further elaborate on the engagement of the social security fund to provide fresh capital, as a new shareholder, to one of the public banks. We also encourage the authorities to remain committed to strengthen financial inclusion in a context in which there is significant room to increase financial deepening. The development of mobile banking could help in that regard.

Regarding statistics, we welcome the authorities' commitment to implement the National Strategy for the Development of Statistics. We note that a National Statistics Development Fund will be set up to provide appropriate level of funding to the statistical system and we note positively that a rebasing of the National Accounts is scheduled, as well as a population census that will allow an update of the poverty rate. This update will help in fine tuning economic policy and social targeting. Additionally, there is no mention of the efforts to improve governance in staff's report. This might be usefully considered for future Article IV reviews.

The Acting Chair (Mr. Furusawa) made the following statement:

With robust growth performance and a positive medium-term outlook, Côte d'Ivoire is among the most dynamic frontier market economies, and program performance has been quite satisfactory. Directors' gray statements noted the uncertainty stemming from the upcoming presidential elections and external risks. In this regard, Directors have highlighted the need for further efforts to sustain the fiscal consolidation and lock in debt sustainability while creating fiscal space for social and capital spending. The importance of continued reforms to improve the business environment and promote investment and strengthen the financial sector were also emphasized as important to support strong and inclusive growth and allow Côte d'Ivoire to reach emerging market status.

Mr. Raghani made the following statement:

I thank the Acting Chair for the introductory remarks and Directors for their supportive written statements and I would like to address a question

regarding Côte d'Ivoire's future engagement with the Fund as the current program comes to its end next December.

My authorities have asked me to convey their appreciation to the Fund for its support through successive arrangements since 2012. The current Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements have been instrumental to the authorities' efforts to implement the second National Development Plan 2016-2020, and they intend to make the request for a one-year extension when the program ends in December. The authorities have already discussed such an option with the staff, and they will count on the Board's support in due course.

Mr. Saraiva made the following statement:

We issued a gray statement, and I have a few issues that I wanted to highlight. I will backtrack on something that I said in my gray statement, because when I was reading the papers this morning, I started wondering if satisfactory is a good qualification for the performance in this program. All performance criteria were met in December, all but one indicative targets, five of six structural benchmarks, and the previous structural benchmark was met with delay. Looking at the supplementary information that was given, three of four structural benchmarks, and all indicative targets were met again by end-March. I do not understand how high the term "satisfactory" is in the Fund's grading scale for programs. Maybe we could have something a bit more supportive, more encouraging. I believe this is a strong performance, and I wanted to make this clear, despite the wording that I used in my own gray statement.

The other point is to highlight the importance of ownership, which has been a recurring discussion. Whenever we perceive that there is strong ownership, it ends up leading to very successful program implementation. Côte d'Ivoire has been one of the fastest growing frontier markets. Perhaps we and the authorities should be more attentive to the inclusiveness aspect of the growth model. We are pleased by the initiatives that are being taken on multiple fronts, like the implementation of social programs, financial inclusion. Regarding the question that we asked on the mitigating measures to enable the application of the fuel price mechanism, I noticed that part of the answer was deferred to another set of questions. But the specific point that we wanted to clarify is how the social safety net is prepared to ameliorate the immediate negative impact of fuel price hikes on the most vulnerable. This is an issue that was not answered in the later question, so if the staff could say something about this, I would appreciate it.

Finally, we were wondering why this review is being presented to the Board more than five months after the test date. We wonder if there was any specific motive or if it is just regular practice.

Mr. de Villeroché made the following statement:

I would like to underline three points. The first one is in line with my colleague from Brazil. We believe that the program is working well, and the authorities' commitment to its implementation is very high. Hence, the macroeconomic consolidation is on track. The growth performance of Côte d'Ivoire has remained among the strongest in the world economy. The authorities have to be commended for this outcome.

Definitely the strong commitment to reach the West African Economic and Monetary Union (WAEMU) fiscal target of 3 percent of GDP is the program's cornerstone on the fiscal side, and it is helping to anchor investors' expectations, so this is a point on which we will focus all our attention. On how to achieve that and on the fiscal gain, the additional tax revenue potential remains significant, and it is an issue for which the program has not yet reached its objective, so we encourage the authorities to remain committed to higher domestic resource mobilization, and we see in the staff's written responses that a review of tax exemption could be useful at some point in order to streamline the tax expenditures, which are high. More broadly, we would like to hear a more comprehensive strategy for the domestic resource mobilization agenda. We believe that more could be done and that the authorities need to commit to a holistic strategy.

Moving forward, one challenge in this environment of very high growth is to make the growth model more inclusive and to address the poverty rate, which has remained high so far. We believe that Côte d'Ivoire has an institutional framework that is sufficiently developed and effective to reach such an objective, notably through stronger redistributive policies. In that regard, we welcome the efforts deployed with the statistical system, and we believe that the expected population census will result in insightful information, allowing a better calibration and targeting of social expenditure. I will leave it here.

Ms. Andreicut made the following statement:

As noted in our joint gray statement with Mr. de Villeroché, we support the completion of the fifth review and welcome progress achieved by the authorities thus far.

In particular, we commend the government's sustained efforts to tackle poverty and make growth more inclusive. Like Mr. de Villeroché, we look forward to an update to the poverty rate following the 2019 population census.

Finally, we would like to ask a question about the budget. It appears that the authorities decided not to issue any new Eurobonds to finance this year's budget. We understand that in recent years the government used this tool quite widely. We would be interested to hear from the staff about the rationale for not issuing new Eurobonds and any impact this may have on the financing of the budget.

Mr. Mahlinza made the following statement:

I commend the authorities for the steadfast implementation of their structural reform agenda and the prudent macroeconomic management that they have shown thus far. We are encouraged by the strong commitment to continue these reforms. We want to emphasize the importance of fiscal consolidation in realizing the medium-term growth projections. Accordingly, we encourage stepped-up efforts to increase domestic revenue mobilization by broadening the tax base and strengthening the customs administration. We also commend the authorities for the remarkable progress achieved in improving the business environment and promoting private-sector development.

Finally, we encourage them to further improve access to finance and speed up the implementation of the national financial inclusion strategy and to ensure inclusivity in growth.

Ms. Crane made the following statement:

On fiscal policy, we welcome that revenue is on track through end-March, as noted in the supplement, and look forward to the authorities' strong implementation of their plans to reduce tax exemptions. As Mr. de Villeroché mentioned, this could hold promise for increasing domestic revenue mobilization over time.

We were pleased to see the buff statement highlight the importance of the quality of the fiscal consolidation. Strong revenue efforts can help support needed investments in human and physical capital while also keeping government financing needs in check. The ongoing effort to control the wage bill in a way that protects health care and education is also commendable.

On structural reforms, we are pleased that the debt restructuring for the national oil refinery was finalized, meeting an overdue structural benchmark for the program. Stronger financial management of state-owned enterprises (SOEs) is an important objective, and we welcome the authorities' work with the Fund staff to better incorporate SOEs into debt data and analysis.

We encourage the authorities to maintain their focus on improving the enabling environment for private-sector development. Macro stability is a necessary but not sufficient condition in this regard. Continued efforts to improve access to finance and public services, including by leveraging digital solutions and one-stop shops, will serve Côte d'Ivoire well as it seeks to move up the ranks of middle-income countries over time.

Mr. Just made the following statement:

The authorities of Côte d'Ivoire are putting the funds to good use in support of the economic reform program. As the gains from macroeconomic stabilization should be preserved, we strongly encourage the authorities to adhere to the 3 percent fiscal deficit ceiling, especially during the more volatile times ahead, and not to rely disproportionately on external financing. We consider such a prudent fiscal policy approach to be necessary to contain risks arising from the external sector. In this context, we would also like to add our voice to those Directors who would welcome a continuation of the program relationship with the Fund, and we appreciate that the authorities intend to request such an extension, as stated by Mr. Raghani. This would also give reassurance to the population and investors that Côte d'Ivoire will continue on the reform path.

We appreciate the overview on technical assistance (TA) and program objectives as well as the partial assessment by the staff on why the TA was implemented. Like Mr. Saraiva and Ms. Florestal, we would see value in increasingly focusing on results and impacts. Resource mobilization would be a case in point, and we share Mr. de Villeroché's remarks on this issue. More generally, resources for capacity development are increasingly tight, so the effectiveness of TA and its contribution to sustainable program success becomes increasingly important.

Mr. Trabinski made the following statement:

We issued a gray statement, so I will emphasize a few additional points not included in our written statement.

First, let me commend the authorities for the sound macroeconomic framework and policies, the effectiveness of the reform effort, and not-so-obvious political setup and progress achieved so far in diversifying their economy. All of these achievements, if sustained, especially over a period of the upcoming elections and going forward, could position Côte d'Ivoire as one of the African growth champions. However, with good performance comes great responsibility to deliver on promises, specifically on sustaining the current economic performance while introducing further reforms. We therefore encourage the authorities to tackle the still-high poverty rate, conduct more ambitious fiscal consolidation in 2019, and continue to restructure public banks.

Finally, we take good note of progress achieved in improving the governance framework in Côte d'Ivoire, including the authorities' intention to address the assets declaration regime for public officials and to improve institutional cooperation. We would nevertheless like to encourage the authorities to further improve the governance framework, including by disclosing officials' declarations to the public and implementing global best practices. Could the staff comment on the authorities' plan to improve the comprehensive framework as mentioned in the Memorandum of Economic and Financial Policies (MEFP) update for 2016-2019? Specifically how feasible is the implementation of the authorities' plans in this regard? With this we wish the authorities success in their future endeavors.

The representative from the African Department (Ms. Allard), in response to questions and comments from Executive Directors, made the following statement:¹

I thank Directors for their comprehensive gray statements and Mr. Raghani and Mr. Alle for their useful buff statement. The staff concurs about the very good performance of macro policy in Côte d'Ivoire, and Directors' emphasis on this is useful. I will take the various questions that have been raised chronologically. The first question was about the mitigating

¹ Prior to the Board meeting, SEC circulated the staff's additional responses by email. For information, these are included in an annex to these minutes.

measures on fuel price mechanisms, and I must confess we had not understood the question like this, so let me address it now.

The authorities' mechanism wants to balance the need to preserve revenue by properly reflecting global oil price fluctuation into retail prices, but also smoothing those evolutions so that the population can adjust to changes. That being said, I would flag two additional elements that are designed to mitigate those impacts. The first one is that the adjustment is mostly on gas, but for diesel, there is a cap and the gasoline price has been at the cap and has not moved over the last year; so this implies that with diesel being used more in the rural area, this is by itself already a mitigating factor in that the rural population, which is the poorer population, is less affected by those changes.

The second element is that the authorities have been working for a few years and are extending their social safety net, and in the context of their social program for this year and next, they have accelerated the expansion to a larger population, and this is a project that has been put in place in collaboration with the World Bank. That is also a mitigating factor through the cash transfer program for the population.

The second question was about the fact that the authorities have chosen not to issue a Eurobond this year. To give a broader context for the discussions we had during this review but also the previous review, the authorities have implemented a medium-term debt management strategy which looks beyond what will happen this year and next, and we welcome that as proper debt management. In that context, we discussed with them what would be a sustainable amount of Eurobonds—but more broadly, access to international markets—that would preserve the debt sustainability. For that, one needs to project not only what is happening next year but also what is happening in the next 20 years. In the context of the Debt Sustainability Analysis (DSA), we ran some scenarios along with them as to the maximum amount of tapping into international market they could afford. While they can afford some element of that while preserving their current moderate rating of debt distress, the amount of Eurobond tapping they did in 2018 was above that element. Based on that, they decided not to go for the same amount, to continue tapping international markets but not to that level, and also to diversify the type of investors they would like to tap. Last month, they issued a loan with an international bank that allowed them to tap other investors than the one that would have bought Eurobonds, also at the lower cost. The program allows for that, and we have supported that, and they can use Eurobonds to reprofile their debt, so they might do that in the course of this

year. But the fact that they are not going for Eurobonds for fresh money this year was part of the discussion we had with them in the context of a medium-term strategy.

Finally, on governance, this is an ongoing process that the authorities are putting in place, and this is also an ongoing discussion we have had with them. Last year, they set up a high committee looking at governance, and so in that context they have set up a whole legislative framework which is considered to be one of the best in the region. They are strengthening the implementation of that framework by having strengthened collaboration between the authorities for good governance and law enforcement.

They are also implementing a plan to strengthen procurement and enhance the transparency of public procurement in the context of the public administration. In that context, we insist on digitalization in what the authorities are doing. This has a positive impact in terms of strengthening revenue administration and revenue mobilization. It has a positive impact in terms of delivery of public service, but there is also another dimension, which is that they are putting in place e-procurement, and this also means digitalization will also help in terms of strengthening governance. They could maybe go faster, but we are continuously engaging with them and will continue to engage with them and also report to the Board on their progress on governance.

The staff representative from the Strategy, Policy, and Review Department (Ms. Gonzalez), in response to questions and comments from Executive Directors, made the following statement:

I would like to address the questions on the characterization of performance. In general, the guidelines provide flexibility on what wording to use in characterizing performance. I believe in this case, as previously indicated by Mr. Raghani, we will have an opportunity to revisit an extension of the program during the sixth review. This will also provide an opportunity to do a retrospective and assess progress, as indicated by Directors.

On the question on the test date, the team simply used the flexibility that it has under the allowed horizon, so there are no issues there. This takes into account the fact that the technical memorandum of understanding allows for more than 45 days for provision of information and some additional discussions that the team had with the authorities, including through the Spring Meetings. We are well within the timeframe.

Mr. Raghani made the following concluding statement:

I thank Directors, management, and the staff, for their continued support to Côte d'Ivoire. I welcome Directors' insightful comments and recommendations, which I will convey to my authorities.

The successive Fund-supported programs have played a critical role in Côte d'Ivoire's achievements of the recent decade. The authorities have had a permanent and substantive policy dialogue with the staff, which has contributed to identify and implement key reforms. On their behalf, I would like to thank Ms. Allard, the mission chief, for the good work and the associated results.

I share the answers that they provided to Directors' questions, and I will just stress a few points.

First, I take good note of Directors' acknowledgement of the important inroads made by Côte d'Ivoire in terms of sustained growth and the important reforms that underpinned macroeconomic stability and paved the way for the development of the private sector. On program performance, I strongly support the point made by Mr. Saraiva. Unlike the staff, we qualified the performance as strong in our buff statement, and we take positive note of the intent of the staff to take care of this issue during the next review.

Going forward, I would like to reassure Directors on my authorities' commitment to maintaining the reform momentum with the view to address remaining challenges, including further reducing the fiscal deficit to keep public debt in check, enhancing the financial sector, and pursuing the improvement of the business climate.

On the fiscal stance, we stressed in our buff statement the comprehensive methods being implemented by the government to meet its commitment on the regional deficit target of 3 percent this year. Revenue mobilization efforts such as new tax policy measures, the reduction of exemptions, and the digitalization of tax collection will be paired with the emphasis on priority spending. Furthermore, the authorities are committed to their debt strategy, which balances financing from domestic and foreign currency sources.

Steps taken recently to collect debt data from public enterprises for better monitoring as well as measures to contain fiscal risks should help further keep public debt at bay.

Regarding the financial sector, Directors should be reassured on the progress made by the authorities in restructuring public banks. To date, only two are still under restructuring, and their financial situation should improve with recent operations. One of them has received fresh money from a new shareholder, and the other is in the process of selling some properties to increase its cash flow. As regards the overall financial sector development strategy, banks are being strengthened in compliance with new and higher capital requirements and new standards aligned with the Basel II/III principles. Progress is also being made in furthering financial inclusion, including through developing fintech and strengthening the microfinance sector.

The authorities share Directors' calls for making further progress on the business climate. They intend to build on the achievements of the past years and make additional steps notably on delivering digital services to companies to facilitate doing business. As well, they are committed to improving governance by fighting corruption. The authorities make a priority of building an enabling business environment for a diverse and competitive private sector that will serve as an engine of growth.

Some Directors commented on the inclusiveness of the growth model. We stressed in our buff statement that the authorities are implementing a broad social program for the 2019-20 period aimed at further sharing the growth dividends and strengthening the provision of basic services to the population.

Finally, I would like to reassure Directors on my authorities' determination to preserve the remarkable progress that Côte d'Ivoire has achieved over the past years. In this regard, we are committed to making every effort to hold the 2020 presidential election in a peaceful environment with a view to maintain the growth momentum and lock in further development gains. Thank you, Mr. Chairman.

The following summing up was issued:

Executive Directors welcomed the commendable performance under the Fund-supported program. They noted that while the medium-term growth outlook remains positive, downside risks remain, including from political uncertainty and potential external shocks. Directors emphasized that sound policies are needed to lock in macroeconomic stability, improve the business environment, spur strong investment, and sustain private consumption. These

are important to sustain strong, inclusive growth and allow Côte d'Ivoire to reach emerging market status.

Directors concurred on the need for fiscal consolidation and welcomed the authorities' commitment to adhere to the WAEMU norm of 3 percent of GDP for the 2019 budget deficit. They emphasized the importance of consolidation for both Côte d'Ivoire and the WAEMU's macroeconomic stability, as this would restrain indebtedness while preserving regional external stability and also supporting private sector development. Directors considered strengthened revenue mobilization, including by broadening the tax base, as essential to create room for social and infrastructure spending.

Directors recommended preserving debt sustainability by continuing the prudent management of public debt, including by limiting contingent liabilities. They welcomed the authorities' commitment to a balanced mix of domestic and foreign currency borrowing, while calling for restraint on the build-up of external public debt. Directors encouraged monitoring risks associated with SOEs and a cautious approach to extending public guarantees. In that regard, they noted that accelerating the pace of public financial management reforms will be key to contain net financing needs at the level of the budget deficit.

Directors considered the banking system broadly sound with pockets of vulnerability. They welcomed the transition to the new regulatory framework for the banking system and the recapitalization of public banks. Directors noted that these measures should improve the banking system's resilience to shocks and improve its position to extend credit to the economy. They underscored that the recapitalization of public banks should be complemented by implementation of their restructuring strategies. Addressing remaining deficiencies in the AML/CFT regime was also encouraged.

Directors called on the authorities to build on the recent progress in implementing structural reforms, particularly to further improve the business climate, strengthen governance, and enhance investments in human capital. They welcomed the adoption of the National Strategy for the Development of Statistics and encouraged the authorities to continue reinforcing the statistical system to better inform economic policy. Directors emphasized the importance of making the National Council of Statistics fully operational and fully funding the mandate of the National Institute of Statistics.

The Executive Board took the following decisions:

Côte d'Ivoire—Fifth Review Under the Arrangement Under the Extended Credit Facility

1. Côte d'Ivoire has consulted with the Fund in accordance with paragraph 4D(b) of the arrangement for Côte d'Ivoire under the Extended Credit Facility (EBS/16/122, 12/15/2016) (the “ECF Arrangement”) to review program implementation and to reach understandings regarding the conditions for further disbursements.
2. The letter dated May 22, 2019 from the Minister of Economy and Finance (the “May 2019 Letter”) with its attached Supplementary Memorandum of Economic and Financial Policies (the “May 2019 MEFP”) and Technical Memorandum of Understanding (the “May 2019 TMU”) shall be attached to the ECF Arrangement, and the letter dated November 21, 2016 from the Minister at the Prime Minister’s Office in charge of Economy and Finance, together with its attachments, shall be read as supplemented and modified by the May 2019 Letter and its attachments.
3. Accordingly, the ECF Arrangement for Côte d'Ivoire shall be amended as follows:
 - a. Paragraph 4.E(a) of the ECF Arrangement shall be amended by replacing the phrase “as set out in Table 1 of the November 2018 MEFP and further specified in the November 2018 TMU” with “as set out in Table 1 of the May 2019 MEFP and further specified in the May 2019 TMU.”
 - b. In paragraph 5 of the ECF Arrangement, the reference to “Table 1 of the MEFP and as further specified in the TMU” shall be replaced with “Table 1 of the May 2019 MEFP and as further specified in the May 2019 TMU.”
4. In paragraph 3.a. of Decision No. 16391-(18/55), adopted June 18, 2018, the reference to paragraph “2(e)” shall be amended to paragraph “2(f)”.
5. The Fund decides that the fifth review referred to in paragraph 4D(b) of the ECF Arrangement for Côte d'Ivoire is completed, and that Côte d'Ivoire may request the sixth disbursement specified in paragraph 2(f) of the ECF Arrangement. (EBS/19/38, Supplement 2, 06/11/19)

Decision No. 16532-(19/50), adopted
June 14, 2019

Côte d'Ivoire—Fifth Review Under the Extended Arrangement Under the Extended Fund Facility

1. Côte d'Ivoire has consulted with the Fund in accordance with paragraph 3(b) of the Extended Arrangement for Côte d'Ivoire (EBS/16/122, 12/15/2016) (the "Extended Arrangement") in order to review program implementation.
2. The letter dated May 22, 2019 from the Minister of Economy and Finance (the "May 2019 Letter") with its attached Supplementary Memorandum of Economic and Financial Policies (the "May 2019 MEFP") and Technical Memorandum of Understanding (the "May 2019 TMU") shall be attached to the Extended Arrangement, and the letter dated November 21, 2016 from the Minister at the Prime Minister's Office in charge of Economy and Finance, together with its attachments, shall be read as supplemented and modified by the May 2019 Letter and its attachment.
3. Accordingly, the Extended Arrangement for Côte d'Ivoire shall be amended as follows:
 - a. The performance criteria set forth in paragraph 3(a) of the Extended Arrangement for June 30, 2019 shall be as specified in Table 1 of the May 2019 MEFP and further specified in the May 2019 TMU."
 - b. The references in paragraphs 3(c)(i) and 3(c)(ii) of the Extended Arrangement in "Table 1 of the November 2018 MEFP and further specified in the November 2018 TMU" shall be replaced with "Table 1 of the May 2019 MEFP and further specified in the May 2019 TMU."
4. The Fund decides that the fifth review contemplated in paragraph 3(b) of the Extended Arrangement for Côte d'Ivoire is completed and that Côte

d'Ivoire may make purchases under the arrangement. (EBS/19/38, Supplement 2, 06/11/19).

Decision No. 16533-(19/50), adopted
June 14, 2019

APPROVAL: May 5, 2020

JIANHAI LIN
Secretary

Annex

The staff circulated the following written answers, in response to technical and factual questions from Executive Directors, prior to the Executive Board meeting:

Fiscal policy

1. *We would like to hear staff's assessment of the prospects of fully financing the PsGouv 2019-20 and whether the measures programmed are adequately timed and sufficient to mitigate the impact of the oil price adjustment mechanism tabled for 2019.*
 - the PSGouv 2019-20 is a high priority policy for the Ivoirien authorities and they have indicated to us since the mission that they have secured full financing for this plan for 2019.
 - See answer to questions 5,6, and 7 for the second part of the query.
2. *Could staff comment on the adequacy and efficiency of social spending in Côte d'Ivoire?*
 - Côte d'Ivoire's pro-poor spending represented 9.9 percent of GDP at end-2018 and exceeded program expectations at end-March 2019, while in-kind transfers were distributed to a higher share of the poorest quintile (about 35 percent) than the world average in 2015. However, expenditure on social safety nets remains relatively low and Côte d'Ivoire has pressing human capital needs to achieve outcomes comparable to its peers. To improve the adequacy and efficiency of social spending, the government has launched the pilot phase of providing universal health care coverage, is implementing a system of conditional cash transfers promoting access of poor households' children to schooling and health care services, and is improving training of human resources. These initiatives, implemented with the World Bank and bilateral partners' support, are also featured in PSGouv 2019-20.
3. *We wonder whether the objective of the authorities to maintain pro-poor spending at that level of 10 percent of GDP in the coming years will be sufficient to allow Côte d'Ivoire to reach the SDGs – staff's comments are welcome.*
 - As in other African countries, meeting the SDGs will be challenging and will require unwavering support for reforms supporting strong, sustainable and inclusive growth. The Ivoirien authorities are implementing a set of reforms aimed at helping the country meet the SDGs, including with improving the targeting of its social spending and its programs to improve human capital and its basic infrastructure.

4. *Could staff provide an estimate of total tax expenditures and discuss other possible measures to broaden the tax base?*

- The authorities currently estimate the cost of total domestic and customs tax expenditure at about 1.4 percent of GDP for end-2018, which is likely to be a lower bound estimate. As listed in Annex II of the Staff report, possible measures to broaden the tax base include reducing tax exemptions, mainly in agriculture, transportation, and real estate, but also in financial services, the digital economy, and telecommunication, as well as rationalizing investment tax incentives, including through better targeting and clearer design.

5. *We also note the authorities' commitment to apply the price adjustment mechanism to preserve tax revenue for petroleum products, as well as their concerns about the impact of global price fluctuations on domestic fuel prices. Could staff comment on possible ways to address this issue, including, for instance, by smoothing adjustments using a moving average of international prices?*

6. *We wonder why the adjustment mechanism has not been automated which could uncouple it from changes in the political environment and thus eliminate adjustment uncertainty.*

7. *We would appreciate an update from staff on the status of the benchmark on the application of the fuel-price adjustment scheduled by end March.*

- The authorities' current price mechanism for setting retail fuel price balances the need to reflect international price evolutions with the objective of avoiding large domestic price fluctuations. As such, this rule-based mechanism allows smoothing pump price changes in the short term while preserving fuel tax revenue and helping to ensure full pass-through in the medium term. Under the current adjustment mechanism, domestic prices should be adjusted up to CFAF 40 per liter for gasoline and CFAF 30 per liter for diesel when their world prices change by more than 2.5 percent in absolute terms (month-to-month). The remaining adjustment should be implemented the following months according to the same rule. In case the monthly adjustment mechanism does not get activated, domestic prices should be adjusted quarterly if cumulative changes of world oil prices exceed 2.5 percent over the last three months. To protect the most vulnerable population, the mechanism envisages a cross-substitution between gasoline and kerosene.
- The authorities continue to apply the price adjustment mechanism. As end-March 2019, preliminary estimates show that the program target was met with a comfortable margin of CFAF 8.4 billion (fuel tax revenues are estimated to have

reached CFAF 103.5 billion versus a target of CFAF 95.1 billion). In addition, as oil prices have been on the rise in the first quarter of 2019, the authorities implemented incremental hikes to retail fuel prices in February, March, April and May 2019.

8. ***Could staff elaborate how significant has the gap been between domestic fuel prices and global oil prices at present compared to historically? We also welcome staff's comments on the macroeconomic impact (fiscal revenue and subsidy, inflation, growth, and NPL) of applying the fuel price adjustment fully.***
 - It is important to note that there are no subsidies to fuel prices in Cote d'Ivoire—that is, domestic fuel prices are set above import prices. The gap between domestic fuel prices and import prices (which reflect global oil prices) was 352 CFAF per liter in April 2019, which is almost equal to the last 5 years' average (354 CFAF). There is thus no noticeable macroeconomic impact, with inflation remaining very low.
9. ***Can staff comment on how the authorities are handling risks of increased security spending in the context of the pre-election period and trends in Sahel-region violence?***
 - The authorities have contingency lines in their budget which would permit them to absorb some risk of increased spending. Regarding the broader regional security issues, the Ivorian authorities are aware of the threats, are engaged in regional coordination efforts with their neighbors, and benefit from international cooperation.
10. ***How significant are the quasi fiscal activities, particularly to SOE? How high is the probability of CL realization and impact to the fiscal costs if the associated risk materializes?***
 - Public guarantees of external debt contracted on behalf of SOEs and on-lent debt to SOEs account for 6.2 percent of GDP, out of a total SOE debt of 7.7 percent of GDP at end-2018. Because these guarantees and on-lent debt are included in their entirety in the stock of public external debt, the impact on the fiscal cost if the associated risk materializes is already taken into consideration.
11. ***We commend the authorities' plan to integrate SOE debt in the debt sustainability assessment. Continued improvement of the 2018-20 Public Finance Reform Blueprint is also important to improve public financial management, including fiscal risks. Achieving desired results out of these efforts will depend on the adequate availability of capacity within the respective institutions in which the Fund has a critical role to play. Could staff comment?***

- The authorities are committed to monitoring SOE debt, including through the operationalization of a dash board to monitor SOEs' financial performance and obligations and the Fund continues its support to strengthen capacity of the institutions. The Fund is providing support to the authorities on the methodology for including SOEs in the debt sustainability analysis, as well as on the importance of monitoring implicit and explicit guarantees.
- 12. *Taking into consideration the authorities' initiative aimed at establishing Tax Reform committee, could staff elaborate on the tax policy reform priorities in the nearest future?***
- Within the context of the ongoing work with the Tax Reforms committee, the key initiatives focus on expanding the tax base (e.g. formalizing the informal sector and promoting SMEs) and improving the VAT's performance. Other priorities include progressively reducing tax exemptions pertaining to the Value Added Tax, the Tax on Industrial and Commercial Profits, and the Tax on Income from Receivables, (ii) improving the design of Côte d'Ivoire's personal and corporate income tax system in consultation with the private sector and (iii) optimizing property taxation.
- 13. *The revenue shortfall led to a downsizing of the investment budget and non-priority spending. We would be grateful to staff to provide further details about the spending which was under-executed.***
- Most of the under-executed expenditure was in capital spending, including due to a low rate of implementation of domestic investment. Areas with relatively lower rates of investment execution were the ministries of Animal and Fishing Resources, Environment, Water, Sports, Women and Family, Higher Education and Scientific Research, and the Prime Minister's office. Savings in current spending amounted to 0.1 percent of GDP, from (i) lower wage spending related to voluntary retirement of military personnel and (ii) lower-than-programed spending on utility bills, subsidies to private schools and payments to the social insurance fund.
- 14. *Could staff elaborate on how they judge the effectiveness and redistributive impact of the new social program and over what time horizon they think the first results will be seen?***
- The 2019-20 social plan is a two-year plan designed to accelerate poverty reduction and allow for greater redistribution of the growth dividends. It comprises 12 priority actions on improving health services, education delivery, housing conditions, electricity and water access, road infrastructure, and jobs training, and expanding the coverage of the existing cash transfer program. All measures either target rural areas or poor households. The authorities attach great importance to a rapid implementation

of the plan. The World Bank is collaborating with the authorities on several components of the plan, whose impact is expected to be felt both in the short and medium term.

Debt sustainability and debt management

15. *Could staff elaborate more on Côte d'Ivoire's borrowing currency, including current status and suggestions?*

- As of end-2018, out of the 53 percent of GDP of total debt, 18 percent of GDP was denominated in FCFA, 17 percent in US dollars, 11 percent in Euro, and 7 percent in other foreign currencies. The authorities' strategy balances the objective of minimizing funding costs with that of mitigating exchange rate and rollover risks. Wherever external borrowing terms are relatively comparable, they have also favored Euro-denominated debt to minimize exchange rate risk. Going forward, the authorities have committed to meet their gross financing needs in a manner that broadly balances CFA franc- and foreign currency-denominated sources.

16. *Staff's comment about program performance with respect to the DRM agenda would be welcome.*

- The implementation of measures to improve the revenue administration's performance has accelerated over the last few years while the adoption of tax policy measures is still lagging. The authorities have made notable progress in restructuring and modernizing the revenue administration, improving compliance and taxpayer base reliability and reducing informality. Revenue gains from these reforms are expected to materialize more fully over the medium term. Although tax revenue collection has been impacted by economic and political shocks, it has also been hindered by slower progress in implementing tax policy reforms (including by not reducing numerous tax exemptions). Staff welcomes recent plans by the authorities' plan to rationalize tax exemptions and expand the tax base and stands ready to assist the authorities in their further efforts.

Financial sector

17. *Could staff elaborate on the measures underway to address the undercapitalization of the small banks and to restructure public banks to avoid a recurrence of problems?*

- The authorities are monitoring and enforcing banks' compliance with the minimum capital requirement and other prudential norms, including by revoking the license of one small non-compliant bank in 2018. They are implementing their strategic plans to

restructure public banks. In particular, the public savings bank has been reducing operating costs by downsizing staff and closing branches and has been recovering bad loans. It is also in the process of selling land assets. The management team and governance structure of the public investment bank have been reinforced. To meet prudential norms, the public investment bank and another small public bank have been recapitalized by bringing social security funds as new shareholders. The capital of the national savings bank remains negative, and the management team is considering options for opening up its capital for a strategic partner. Meanwhile, the authorities are strengthening the credit bureau to enhance information on borrowers and promote sound credit practices.

18. *Could staff indicate if any interest has been expressed by foreign investors to become strategic shareholders in Ivorian banks?*

- The authorities are currently seeking strategic shareholders in some Ivoirien banks, including foreign investors in certain cases. The process is ongoing.

19. *The public bank restructuring process will strengthen the banking sector but we would like staff to further elaborate on the engagement of the social security fund to provide fresh capital, as a new shareholder, to one of the public banks.*

- The contribution by the social security fund to the recapitalization of one of the public banks represents 3.8 percent of the social security fund's total assets in 2017 (latest financial statements available) and will likely represent a slightly smaller percentage of assets for 2018 and 2019.

Structural issues

20. *What has been the evolution of the poverty rate and the unemployment rate in recent years?*

- The most recent data on poverty, with a poverty rate of 46.3 percent, dates back to the 2015 survey of households' standards of living. The authorities are currently conducting the Harmonized Survey on Households Standards of Living and expect to complete it by end-2019—this exercise should provide an update to the poverty rate. The unemployment rate was estimated at 5.6 percent in 2017, with underemployment impacting 27 percent of the population.

21. *While Cote d'Ivoire is ranked highly in the World Bank Doing Business indicators, we note that for 'trading across borders', it ranks below the averages for both the WAEMU and African Frontier Market Countries. Could staff explain the reasons for this low indicator and whether there is potential for more trade between Cote*

d'Ivoire and her neighbors?

- The relatively low scores in the Doing Business indicators that pertain to trading across borders are related to bottlenecks for exporters and importers, which delay the time to process commodities and increase the cost of trade. The authorities continue to fine-tune their single window for external trade (GUCE), including with more automated procedures and the planned implementation of electronic payments. They are also working to improve operations at the port. While Côte d'Ivoire has historically been an important trade partner for the other WAEMU countries, the strength of these commercial ties was impacted by the 2000-11 setback in economic activity resulting from the civil strife. Some commercial flows were diverted to the ports of Cotonou and Lomé in Benin and Togo during that time and Côte d'Ivoire has not regained WAEMU market shares up to pre-1999 levels. Improving the competitiveness of its services to importers and exporters would help Côte d'Ivoire regain some of these market shares.

22. *We positively note that the “one new hire for two retirees” policy constitutes an important structural reform to support fiscal discipline. Could staff comment on this policy, including its effective implementation, social buy-in and the long-term impact on the public sector employment and efficiency?*

- The authorities are pursuing their “one new hire for two retirees” strategy through the public sector except for health and education, which was initially designed in 2014. Moreover, the authorities are implementing a training program to enhance teacher polyvalence, to reduce future staff needs. The authorities have also been improving their performance evaluation and promotion systems and have been building skillsets of civil servants to improve their efficiency and flexibility. As the overall wage bill strategy continues to be implemented, the net hiring of total public sector employees is projected to decrease between 2020-24, even with the recent increase in hiring of teaching assistants (who will eventually become full-time teachers). Concerning social buy-in, the agreements reached with the various stakeholders in 2017 are expected to help support social cohesion until 2022. In that context, the authorities are committed to reducing the wage bill in percent of GDP by 2023.

Fund engagement

23. *With only one review left under the ECF/EFF arrangements, has staff discussed with the authorities how they envisage the future engagement with the Fund?*

- This question will be addressed orally.