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**Joint Statement by Mr. Buissé, Mr. Ronicle, Mr. Rozan, Mr. Evangelou, and Mr. Roman
on Côte d'Ivoire
(Preliminary)
Executive Board Meeting
July 21, 2021**

We thank staff for the well written set of reports, and Mr. Andrianarivelo and Mr. Alle for their insightful Buff statement.

Building on a strong economic track record in previous years, Côte d'Ivoire demonstrated resilience in the face of the pandemic's shocks, limiting long-term scarring effects and paving the way for a strong recovery. The authorities responded swiftly to the pandemic, supported by financing from the IMF and other donors. The Fund-supported program helped Côte d'Ivoire strengthen its macroeconomic framework and provided an important anchor for macro-economic stability, and we welcome that the post-financing assessment suggests that Côte d'Ivoire maintains an adequate capacity to repay the Fund. Close engagement with the Fund, in the area of policy advice, lending and technical assistance, has proven very useful, and we look forward to a continued close relationship. To continue its growth spell going forward, it will be important that Cote d'Ivoire increase distribution of vaccine doses, maintain policies aimed at strengthening the macroeconomic environment, invest in human and physical capital, and accelerate structural reforms to increase productivity.

While Côte d'Ivoire's economy is set to return to a stronger growth trend, the country will need to find the right pace to converge to the regional fiscal deficit ceiling over the medium term. Growth remained positive in 2020 and is set to return to its pre-pandemic level in the medium term. We note that the authorities envisage a more gradual path to fiscal consolidation, with a return to the WAEMU fiscal target at the latest by 2024, instead of 2023. At the same time, staff assess that the deficit could be contained at 5¼ percent of GDP (provided the decline in revenues expected by the authorities were not to materialize), and that convergence to a 3 percent deficit by 2023 would remain feasible and appropriate. While agreeing with the importance of regional convergence, we tend to agree with the authorities that the pace of fiscal consolidation should be balanced with the pressing needs for greater

security, investment, and social spending –it may be preferable for any more rapid return to the convergence criterion to be achieved through revenue raising, not least given the broader need for progress on domestic revenue mobilization.

Côte d’Ivoire’s debt remains sustainable and at moderate risk of distress, but with limited space to absorb shocks, which underscores the need to maintain a prudent debt strategy. We concur with staff that the increasing share of commercial debt is a promising sign of increasing market appetite for Ivorian issuances, and we note this was not affected by Côte d’Ivoire’s participation in the DSSI. Still, it is important that Côte d’Ivoire continues to rely on the most cost-efficient sources of financing. We also note that the weight of domestic debt is significant, which warrants vigilance – *what are the authorities’ plan to reduce vulnerabilities on this front?* Enhanced revenue mobilization would reinforce Côte d’Ivoire’s capacity to borrow and its ability to respond to shocks. Even though staff assess that debt service costs are manageable, we note their growing weight: debt service to government revenues are expected to be around 50% of GDP from 2023 onwards. We support staff’s encouragement to increase debt transparency by improving the monitoring of SOEs and accelerating the integration of public sector enterprises in the debt sustainability assessment, the authorities having agreed on the principle of integrating the 20 largest SOEs.

The draft 2021–25 National Development Plan sets very ambitious objectives and needs adequate funding. We share staff views that the country would strongly benefit from mutually reinforcing progress in the areas of domestic revenue mobilization, public services provision, structural transformation, and private sector participation. The pandemic has in particular demonstrated the relevance of reinforcing safety nets. The government’s 2019-20 social program supported significant improvement in social indicators, and efforts to extend the coverage of safety nets and develop a registry of beneficiaries to better target assistance should continue. To support these efforts, progress on domestic resource mobilization should be at the heart of the authorities’ efforts in the years to come, in light of limited progress in recent years. Advancing this agenda is essential to support the ambitious social and physical infrastructure investment needs as well as the fiscal trajectory of the country. Building on the recommendations from the 2018 article IV consultation, most of them being currently partially implemented, the authorities should focus on rationalizing tax expenditures, broadening the tax base, and strengthening tax administration (notably through digitalization). We regret that progress on certain reforms has been lagging, in particular on the centralization of the public accounts, sharing of data with customs, and the unique identification number for companies. On the expenditure side, the report rightly underlines that there is ample room for efficiency gains in public spending.

While the banking system remains strong, risks should continue to be monitored. The limited rise in the non-performing loans ratio is partly due to supportive measures by the regional central bank (BCEAO). *Could staff elaborate on the main risks for the banking sector, stemming from a possible withdrawal of support measures by the BCEAO?* We support the staff recommendation to complete the restructuring of public banks and maintain effective financial supervision of the financial sector, particularly while BCEAO withdraws supportive measures. Transition to Basel II/III standards should help to strengthen the

banking sector, including alignment with managerial best practices, for instance on the composition of boards.

The report rightly emphasizes the importance of continuing to make progress on the governance framework and transparency, notably to improve the business environment and support private sector growth. The selected issues paper highlights the large progress made in recent years and the areas for improvement, among which we particularly note: the potential for increased digitalization, better implementation in practice of the Public Private Partnerships (PPP) procedures, more public dissemination of budgetary information, better alignment of the SOE framework on international best practices, and strengthening governance in key agricultural export sectors. On Covid emergency spending, we positively note that the authorities implemented transparency safeguards, but also that management practices could be further improved for instance by making public the ex-post controls by the internal auditor and annual audits by independent firms.