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EBS/83/96

CONFIDENTIAL

May 13, 1983

To: Members of the Executive Board

From: The Secretary

Subject: Ivory Coast - Staff Report for the 1982 Article IV Consultation and Review of Extended Arrangement

Attached for consideration by the Executive Directors is the staff report for the 1982 Article IV consultation with Ivory Coast and review under the extended arrangement for Ivory Coast. Draft decisions appear on pages 32 and 33.

This subject will be brought to the agenda for discussion on a date to be announced.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Goreux (ext. 73801) or Mr. Franks (ext. 74965).

Att: (1)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

IVORY COAST

Staff Report for the 1982 Article IV Consultation and Review of Extended Arrangement

Prepared by the African and the Exchange and Trade Relations Departments

(In consultation with the Legal and Treasurer's Departments)

Approved by J.B. Zulu and W.A. Beveridge

May 13, 1983

I. Introduction

The 1982 Article IV consultation discussions with Ivory Coast were held in Abidjan during the period November 22 to December 11, 1982 and were concluded between January 31 and February 14, 1983. Discussions on the third year program under the extended Fund arrangement took place at the same time. Both missions were preceded by staff work in Abidjan on the statistics of the external debt and the balance of payments. The representatives of Ivory Coast included Mr. A. Thierry-Lebbé, Minister of State; Mr. A. Koné, Minister of Economy and Finance; Mr. C. Alliali, Minister of Justice; Mr. D. Bra Kanon, Minister of Agriculture; Mr. A. Barry-Battesti, Minister of Technical Education; Mr. P. Yao Akoto, Minister of Education; Mr. M. Seri Gnoleba, Minister of Plan and Industry; Mr. P. Gui Dibo, Minister of Mines; Mr. A. Belkiri, Secretary-General of the Government; Mr. L. Diabaté, National Director of the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO); as well as other senior officials concerned with economic and financial matters, including officials of the BCEAO headquarters in Dakar. The mission also met twice with the President of Ivory Coast, H.E. Félix Houphouët- Boigny. The staff representatives were Mr. L.M. Goreux (head-AFR), Mr. R.A. Franks (AFR), Mr. H. Lorie (AFR) (second mission only), Mr. C. Ross (STAT) (second mission only), Mr. P. Marciniak (STAT), Mr. J. Perejoan (EP-AFR) (first mission only), Mr. Y. Boutros-Ghali (EP-ETR), Mrs. M. Dowsett (secretary-AFR) (first mission), and Mrs. B. Livsey-Coates (secretary-AFR) (second mission).

On February 27, 1981 the Executive Board approved Ivory Coast's request for an extended arrangement covering the three-year period 1981 through 1983, in an amount of SDR 484.5 million (425 per cent of Ivory Coast's quota), of which SDR 159.4 million (140 per cent of quota) from ordinary resources and the remainder from the SFF 1/. Simultaneously, the Executive

1/ EBS/81/34, February 13, 1981.

Board approved a request for a first credit tranche purchase of SDR 28.5 million (25 per cent of quota). On September 16, 1981 the Executive Board approved largely technical modifications to the 1981 program simultaneously with a request for a purchase of SDR 114 million (100 per cent of quota) under the compensatory financing facility 1/. On June 11, 1982 the Executive Board approved the program for 1982 2/. On September 27, 1982 the Board concluded the mid-term review of the 1982 program 3/. Ivory Coast has made all scheduled purchases in 1981 and 1982 (Table 1) and has met all performance criteria through December 31, 1982, with the sole exception explained in Section III.

In view of the proposed phasing of purchases, Ivory Coast can make an initial purchase of SDR 38.475 million (33.75 per cent of quota) upon approval of the 1983 program by the Executive Board. A second purchase of the same amount could be made after June 15, 1983, on satisfaction of the end-March 1983 performance criteria. In accordance with the terms of the extended arrangement, total purchases may amount to SDR 153.9 million (135 per cent of quota) during the third and final year of the arrangement Table 1).

In the attached letter to the Managing Director dated March 1, 1983, the Minister of Economy and Finance reviews the performance under the 1982 program and describes the proposed 1983 program and its accompanying measures (Appendix I). Although substantial progress has been made, the Ivory Coast economy is not expected to attain a fully self-sustainable balance of payments by the end of 1983, and the authorities intend to ask for further Fund assistance in 1984 and 1985.

The Fund staff has continued to work closely with the World Bank staff on all aspects of Ivory Coast's program. Of particular importance has been the World Bank's continuing analysis of the investment program and the structural measures taken in the context of the Structural Adjustment Loan (SAL) of US$150 million approved by the Bank's Executive Board on November 25, 1981. The first SAL has been fully disbursed, and the preparation of a second SAL is now well advanced, together with a public enterprise loan to finance further restructuring of the public enterprise sector.

At the end of March 1983 Fund holdings of Ivorian currency amounted to 515 per cent of quota (415 per cent of quota excluding holdings under the compensatory financing facility). Ivory Coast continues to avail itself of the transitional arrangements of Article XIV. A summary of Ivory Coast's relations with the Fund is provided in Appendix II. Ivory Coast's relations with the World Bank Group are set out in Appendix III. Basic economic data on the Ivorian economy are shown in Appendix Table I.

1/ EBS/81/187 and EBS/81/188, September 2, 1981.
2/ EBS/82/74, April 30, 1982
3/ EBS/82/172, September 3, 1982.

Table 1. Ivory Coast: Purchases 1/ Under the Extended Arrangement, 1981-83

(In millions of SDRs)

	Ordinary resources	Supplementary resources	Total	Cumulative
On March 10, 1981	22.09	22.09	44.175	44.175 2/
On July 7, 1981	22.09	22.09	44.175	88.350
On September 21, 1981	22.09	22.09	44.175	135.525
On December 31, 1981	22.09	22.09	44.175	176.700
On June 16, 1982	19.24	19.24	38.475	215.175
On July 19, 1982	19.24	19.24	38.475	253.650
On October 8, 1982	19.24	19.24	38.475	292.125
On January 14, 1983	13.54	24.94	38.475	330.600
On Board approval	--	38.475	38.475	369.075
After June 15, 1983	--	38.475	38.475	407.550
After September 15, 1983	--	38.475	38.475	446.025
After December 15, 1983	--	38.475	38.475	484.500 3/
Total 1981-83	159.60	324.9	484.5	

Source: IMF Treasurer's Department.

1/ No repurchases are due before June 1984.
2/ In addition, on March 4, 1981, Ivory Coast purchased SDR 28.5 million available under the first credit tranche.
3/ Adding the SDR 28.5 million purchased under the first credit tranche to the SDR 484.5 million available under the EFF gives SDR 513 million, which is equivalent to 450 percent of quota.

The next section of this paper reviews the factors which led to the recent difficulties, the progress achieved so far under the extended arrangement, and the medium-term propsects for the Ivory Coast economy. Section III reviews the economic developments in 1982 and performances under the 1982 financial program. Section IV reports on the Article IV consultation discussions and describes the 1983 financial program. Section V concludes with the staff appraisal and proposed decisions.

II. Extended Arrangement and Medium-Term Prospects

During the first 17 years after Independence, economic development in Ivory Coast was the success story of West Africa. GDP and agricultural production had increased on average by 7 per cent and 5 per cent a year, respectively, in real terms. By the end of the 1970s, Ivory Coast had become the world's leading exporter of cocoa and the third largest exporter of coffee. At the same time, the diversification of production and exports had been pursued vigorously by promoting the cultivation of new crops (oil palm, rubber, pineapple, rice, cotton, and sugar), the development of manufacturing and processing industries, and the exploration of mineral resources, oil in particular. Nevertheless, in spite of these efforts, the Ivorian economy has remained highly dependent on coffee and cocoa, which still account for over half of Ivory Coast's export earnings.

World prices of coffee and cocoa have always been subject to cyclical fluctuations, but the frost which destroyed a large part of the Brazilian coffee trees in 1975 generated fluctuations of an exceptional magnitude. Within two years, prices of coffee and cocoa more than tripled, and the profits of the Agricultural Price Stabilization Fund (CSSPPA) increased tenfold. The authorities reacted to this windfall income in much the same way as oil exporting countries did after the oil price increases of 1974 and 1979. But, in the case of coffee and cocoa, the price boom was short-lived. By the end of 1980 world prices were back at their 1975 level in real terms. In 1981 and 1982 they declined further, falling by one fourth for coffee and one third for cocoa in terms of U.S. dollars. As a result, Ivory Coast's terms of trade fell by 43 per cent from 1977 to 1983 (Chart I).

Following the 1977 coffee and cocoa price boom, the public investment program was increased massively; many projects were initiated without sufficient preparation, which resulted not only in excessive capital costs but also in unduly high recurrent costs. This, together with a general relaxation of budgetary discipline, led to a sharp increase in the budget deficit, which was financed by external borrowing. Because the authorities believed that the price decline was only temporary, they postponed the adjustment until late in 1980, when they decided to enter into a three-year program in the context of an extended arrangement with the Fund. By that time, Ivory Coast's external debt had increased considerably, and large domestic payments arrears had been accumulated.

CHART 1

IVORY COAST

TERMS OF TRADE, 1977-83

(Index base year 1976=100)[1]

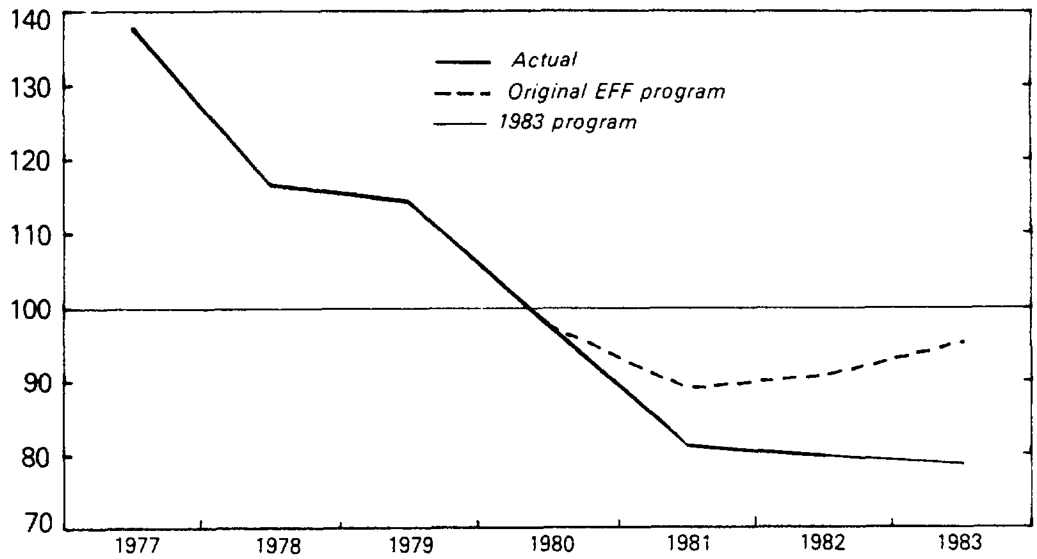
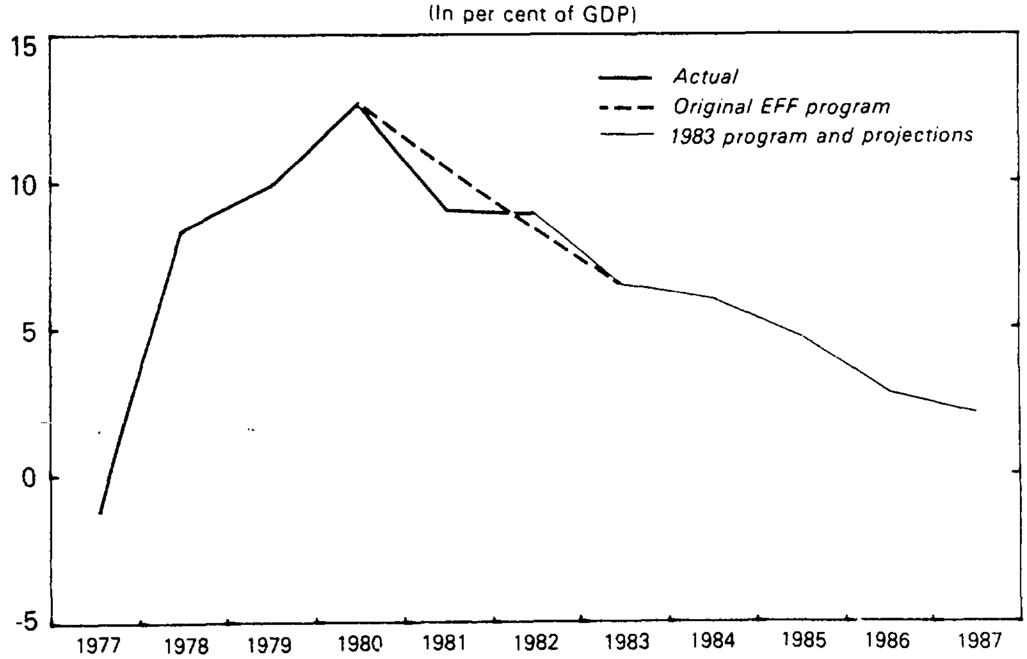


CHART 2

IVORY COAST

OVERALL DEFICIT OF THE PUBLIC SECTOR, 1977-87

(In per cent of GDP)



Source: Appendix Table II.

[1] Terms of trade for 1976 coincide with average for period 1970 to 1982.

The objective of the 1981-83 program was to cut by half both the public finance deficit and the external current account deficit, to eliminate all payments arrears by the end of 1983, and to reach a near equilibrium of the overall balance of payments by 1983. The means to these ends were to restore public finance discipline, to eliminate investment projects with low rates of economic return, to contain recurrent expenditures, and to sharply reduce the deficits of public enterprises. The educational system also needed to be restructured, because educational training had to be better adjusted to economic needs and the increase in educational costs had to be reduced. In addition, inflation and the demand for imports had to be contained by curtailing the expansion of credit to the private sector.

Two and a half years after it was originally formulated, the program remains on track on the fiscal front but not on the external one (Table 2). For the public finance deficit, the target remains at 6.2 per cent of GDP for 1983 (Chart 2). But for the current account deficit, the target of 8.3 per cent of GDP originally set for 1983 is unlikely to be reached before 1985 (Chart 3). For the debt service ratio, the departure from the original program is even greater: instead of declining from 29 per cent in 1981 to 23 per cent in 1983, debt servicing is expected to reach 39 per cent of exports of goods and services in 1983 and to increase to 41 per cent in 1986, before starting to decline in 1987 (Chart 4). These projections assume that Ivory Coast will not request any debt rescheduling but will vigorously pursue its adjustment efforts in both 1984 and in 1985.

In assessing Ivory Coast's performance under the EFF arrangement, account has to be taken of three factors which were beyond government control. First, interest rates in real terms increased much more than had been anticipated. Second, the deterioration in Ivory Coast's terms of trade has been more severe than had been projected. Third, the growth in oil production has been much slower than had been expected at the end of 1980 because of a reversal in the world oil market. During the three-year period 1981 through 1983, Ivory Coast's debt servicing is expected to exceed the original projections by CFAF 234 billion, mainly on account of greater interest payments, while the profits of the Stabilization Fund (CSSPPA) and oil revenues are expected to fall short of the original projections by, respectively, CFAF 96 billion and CFAF 86 billion. These three factors together account for an average loss of CFAF 140 billion a year, equivalent to some 5.5 per cent of GDP.

The Government reacted to these adverse developments by intensifying its adjustment efforts. Current expenditures did not exceed the original targets in spite of the sharp increase in interest payments, and shortfalls in government revenues were more than offset by curtailments in capital expenditures (Table 3). As a result, the deficit of the public sector was slightly below the original projections. Government borrowing from the domestic banking system and from abroad was, however, slightly higher than originally projected because the level of domestic arrears existing at the end of 1980 had been seriously underestimated.

Table 2. Ivory Coast: Comparison with Original Assumptions and Targets, 1980-83

	1980	1981			1982			1983		
	Actual	Original program	Actual	Difference	Original program	Estimates	Difference	Original program	Revised program	Difference
					(Annual change in per cent)					
Real GDP	6.3	1.5	-1.3	-2.8	3.0	-1.8	-4.8	6.0	3.0	-3.0
Terms of trade	-14.5	-9.0	-14.2	-5.2	2.0	-2.1	-4.1	5.0	-2.3	-6.4
					(In per cent of GDP)					
Public finance deficit	12.7	10.8	8.9	-1.9	8.6	8.7	0.1	6.2	6.2	--
Current external account deficit	16.0	15.5	14.5	-1.0	11.8	13.7	1.9	8.3	11.1	2.8
Overall balance of payments deficit	6.1	4.1	6.4	2.3	1.6	1.7	0.1	0.3	5.0	4.7

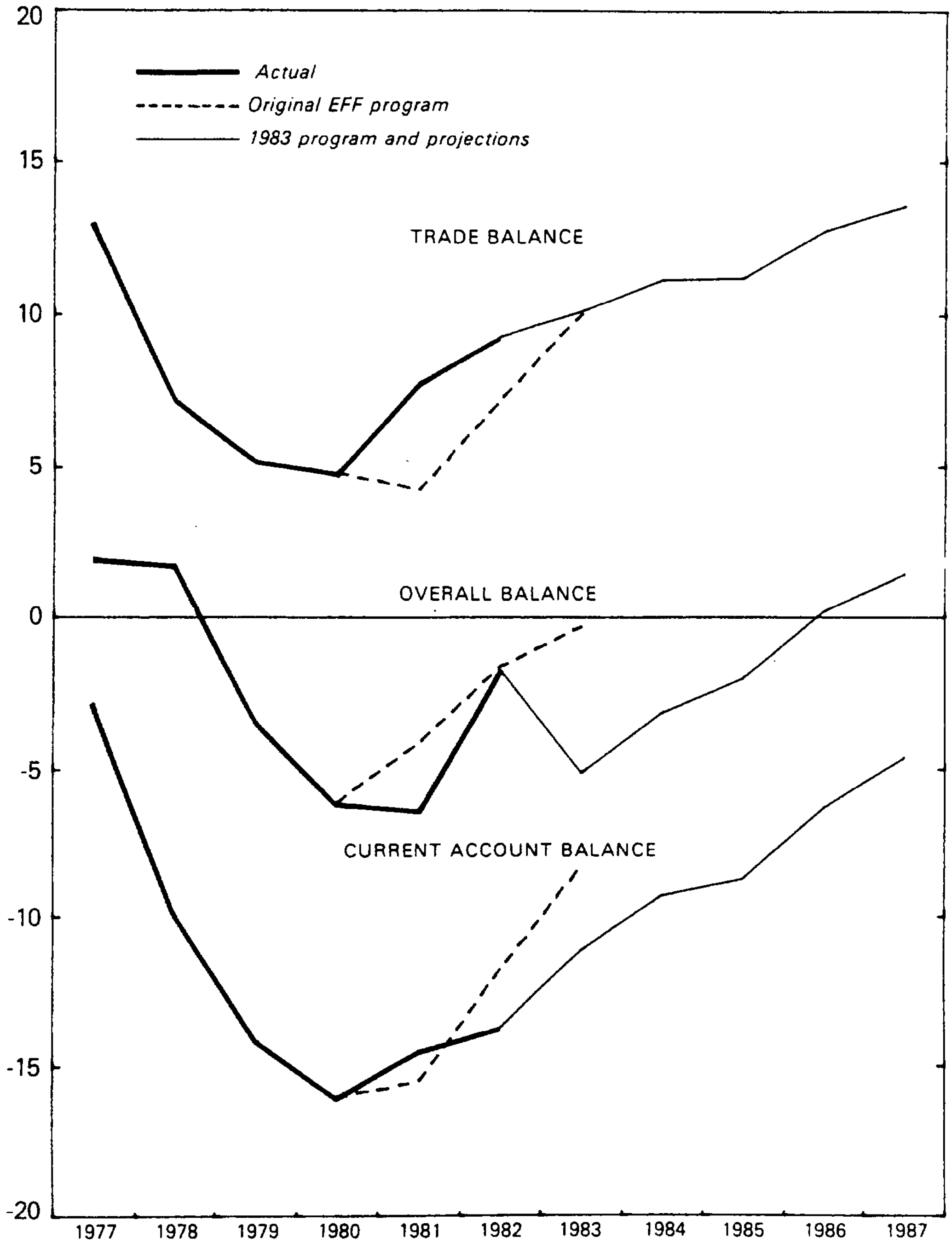
Sources: Ministère de l'Economie et des Finances; BCEAO; and staff estimates

CHART 3

IVORY COAST

BALANCE OF PAYMENTS, 1977-87

(In per cent of GDP)



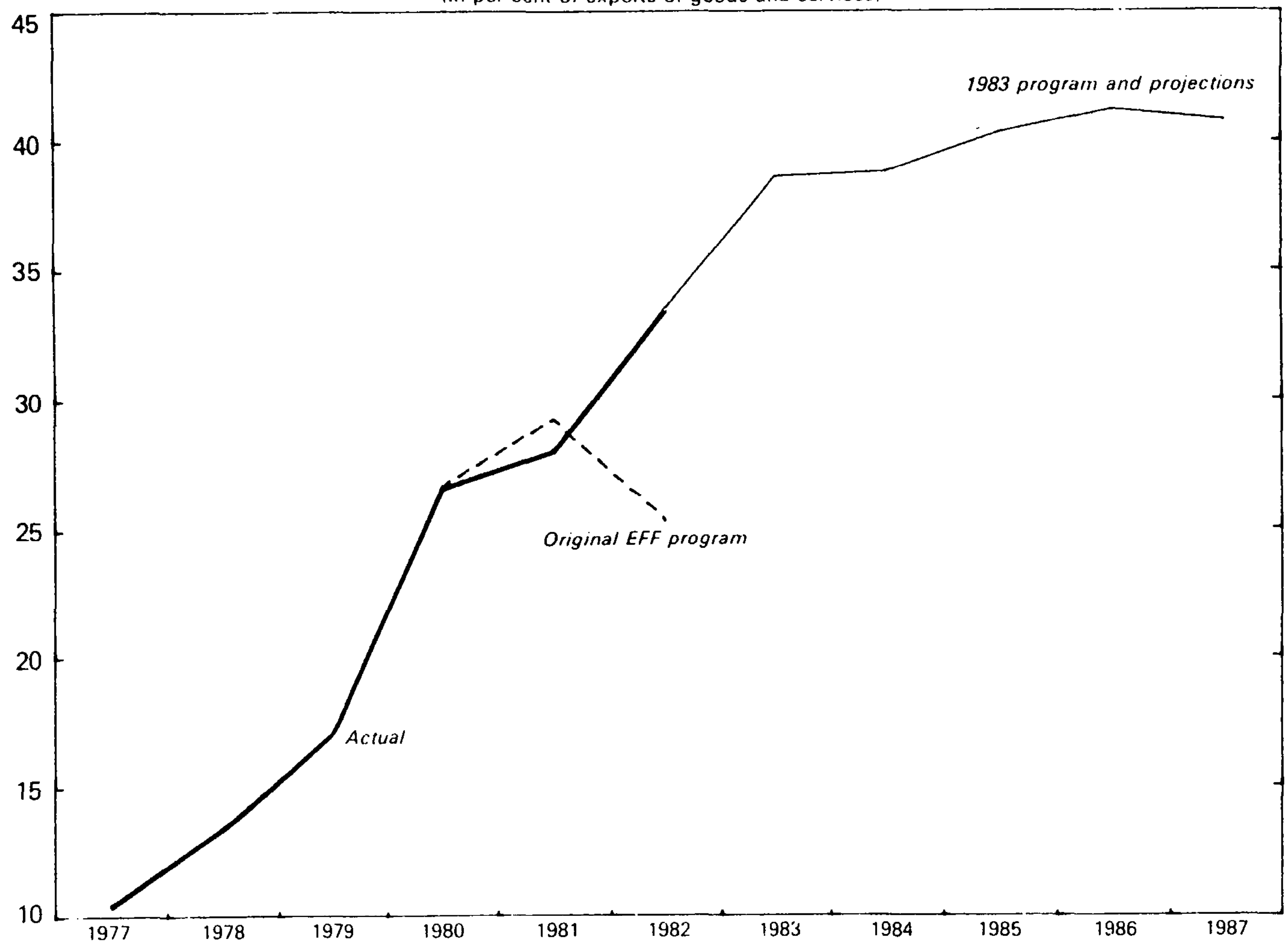
Source: Table 6 and 12.

CHART 4

IVORY COAST

DEBT SERVICE RATIO, 1977-87

(In per cent of exports of goods and services)



Source: Table 7 and Appendix Table II

Table 3. Ivory Coast: Public Finance and Balance of Payments: Comparison with Original Projections, 1981-83

(In billions of CFA francs)

	1981			1982			1983		
	Original program	Actual	Difference	Original program	Estimates	Difference	Original program	Revised program	Difference
Public finance									
A. Revenue (including grants)	664	638	-26	804	688	-116	973	806	-167
Tax revenue	508	507	-1	568	538	-30	656	558	-98
CSSPPA	63	30	-33	90	62	-28	130	92	-38
Oil revenue	7	--	-7	48	4	-44	74	39	-35
Other	86	101	15	98	84	-14	113	117	4
B. Current expenditure	-573	-545	28	-635	-639	-4	-698	-717	-19
Current budget	-386	-365	21	-421	-402	19	-463	-443	20
Interest	-105	-111	-6	-112	-180	-68	-124	-232	-108
Other	-82	-69	13	-57	-57	45	-111	-42	69
C. Capital expenditure and net lending	-354	-297	57	-402	-270	132	-469	-265	204
D. Total expenditure and net lending	-927	-842	85	-1,037	-909	128	-1,167	-982	185
E. Public sector deficit (A-B-C)	-263	-204	59	-233	-221	12	-194	-176	18
Financing of the deficit									
Net foreign borrowing	201	151	-50	212	284	72	182	129	-53
Banking system	98	103	5	21	23	2	12	114	102
Arrears and other	-36	-50	-14	--	-86	-86	--	-67	-67
Memorandum items									
Gross public investment	390	363	-27	440	322	-118	509	332	-177
Gross foreign borrowing	323	279	-44	328	409	81	309	293	-16
Foreign debt amortization	122	128	6	116	125	9	127	164	37
Balance of payments									
Exports	675	745	70	810	816	6	980	881	-99
Imports	-573	-563	10	-614	-581	33	-663	-592	71
Trade Account	102	182	80	196	235	39	317	289	-28
Interest on public debt	-111	-102	9	-115	-171	-56	-127	-209	-82
Current Account	-376	-330	46	-320	-346	-26	-259	-314	-55
Capital Account 1/	276	182	-94	277	297	20	251	172	-79
Overall Deficit	-100	-148	-48	-43	-49	-6	-8	-142	-134
Source of Financing:									
IMF	57	102	45	43	55	12	43	62	19
Other	43	46	3	--	-6	-6	-35	80	115

Sources: Ministère de l'Economie et des Finances; BCEAO; and staff estimates.

1/ Including monetary capital, allocation of SDRs, and errors and omissions.

The curtailment of government expenditures, on roads and public works in particular, had an adverse effect on GDP growth. Instead of increasing by 3 per cent a year on average from 1980 to 1983 as originally projected, real GDP is unlikely to be higher in 1983 than it was in 1980. In turn, the curtailment of economic growth reduced imports. The CFA value of imports in 1983 is expected to fall short of the original projections by more than 10 per cent, which implies an even greater shortfall in volume in view of the depreciation of the CFA franc (Table 3). But this reduction compensated only part of the adverse effects of the increase in interest payments and the export shortfall, and the current account deficit projected for 1983 exceeds the original projection by CFAF 55 billion. The major part of this discrepancy is, however, attributable to the treatment of imports associated with oil exploration 1/.

In the three years which followed the coffee and cocoa price boom, policies were much more expansionist in Ivory Coast than in France; the rate of inflation was high, while the CFA franc which is tied to the French franc remained a strong currency and Ivory Coast's real effective exchange rate increased sharply (Chart 5). The situation was, however, reversed in the past two and a half years, and Ivory Coast's real effective exchange rate has now fallen back to its level of the early 1970s. This fall contributed to reducing imports and stimulating nontraditional exports during the period of the extended arrangement, but the depreciation of the CFA franc did not improve the debt service ratio. The reason is that, at present exchange rates, more than half of Ivory Coast's debt service is denominated in U.S. dollars and more than 10 per cent in Swiss francs, compared with only one third in French francs. In terms of CFA francs, export earnings remain almost in line with the original projections, but the 1983 debt service exceeds the original projections by almost one half (Table 4). In terms of U.S. dollars, the picture is quite different: the 1983 debt service is 12 per cent below the original projections but the 1983 export earnings are 46 per cent below. In terms of U.S. dollars, the outstanding debt has increased only moderately, but in terms of CFA francs it has increased considerably.

Ivory Coast's external debt problem has been analyzed by projecting debt servicing during the next five years on the basis of the amounts disbursed and outstanding at the end of 1982 and of assumptions on future borrowings associated with a medium-term scenario of future developments in the public finance and external sectors (Tables 5, 6, and 7). Including

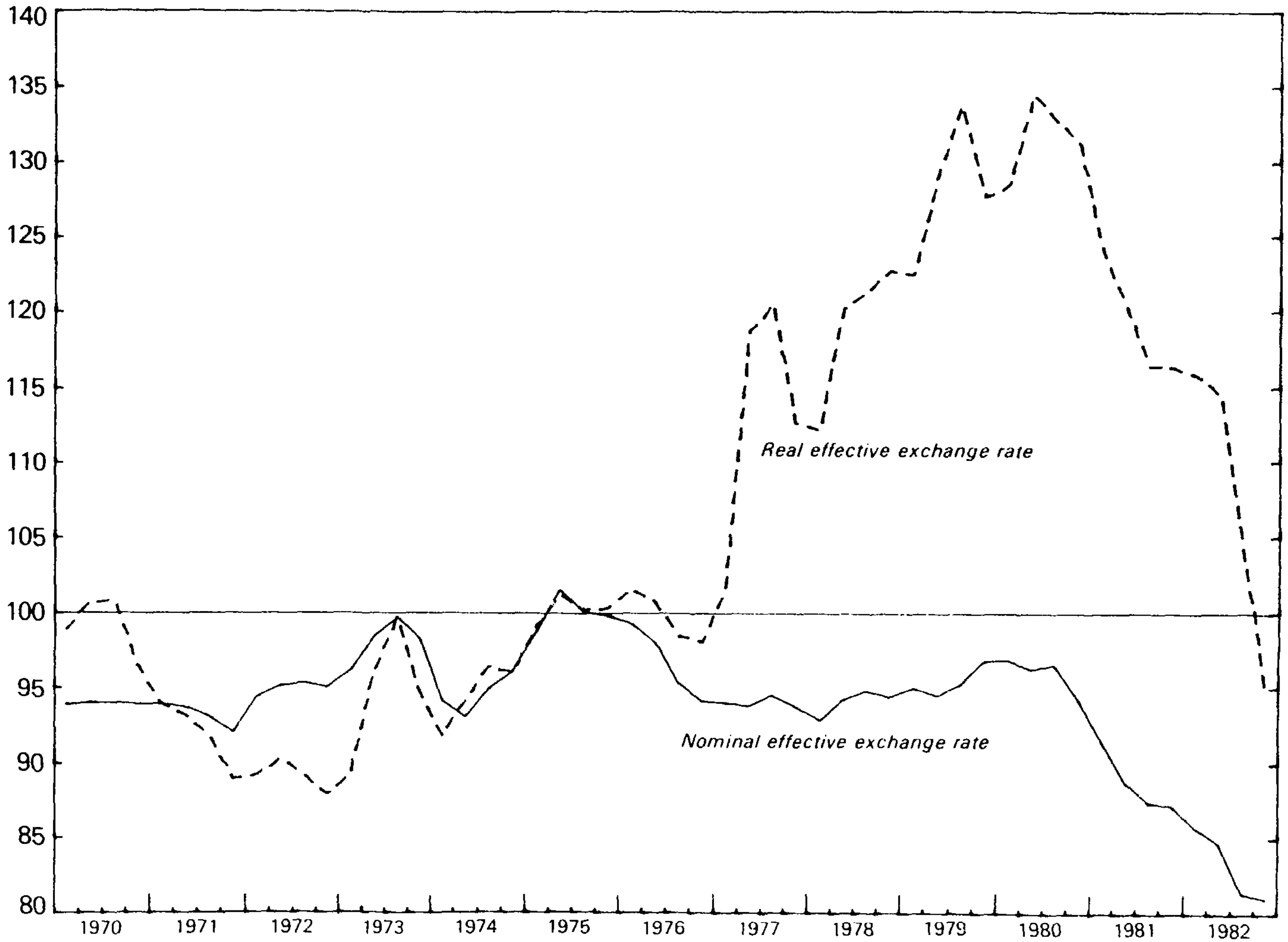
1/ Foreign oil companies are allowed under their contracts to recoup their investment expenditures by retaining a specified share of the oil which will be extracted from the wells. Since this share is treated as imports or exports foregone in Ivory Coast's external account, the imports of goods and services paid by the foreign companies and not generating any Ivorian liability should be excluded from the current account. The value of such imports was estimated at CFAF 40 billion for 1982.

CHART 5

IVORY COAST

NOMINAL AND REAL EFFECTIVE EXCHANGE RATES[1], 1970-83

(1975=100)



Source: IMF Data Fund

[1] Import weighted

Table 4. Ivory Coast: Debt Service Ratios, 1981-83

	1981		1982		1983	
	Orig. prog.	Actual	Orig. prog.	Est.	Orig. prog.	Proj.
	(In billions of CFA francs)					
Interest and amortization 1/	242	248	248	328	278	408
Exports of goods and services 2/	830	878	982	973	1,171	1,057
	(In millions of U.S. dollars)					
Interest and amortization	1,126	912	1,153	997	1,293	1,133
Export of goods and services	3,860	3,228	4,567	2,957	5,447	2,936
	(In millions of SDRs)					
Interest and amortization	864	775	886	904	993	1,065
Exports of goods and services	2,964	2,744	3,507	2,680	4,182	2,759
	(As percentage of export of goods and services)					
Debt service ratio 3/	29.2	28.3	25.3	33.7	23.7	38.6
	(In CFA francs)					
Exchange rate: per U.S. dollar	215	272	215	329	215	360
per SDR	280	320	280	363	280	383

Sources: CAA; and staff estimates.

1/ Including debt service on Fund borrowing but excluding debt servicing of operation account with the French Treasury.
2/ Excluding factor services.
3/ Includes the full amount of nonresident multinational enterprise debt guaranteed by the Ivorian Government, but only a fraction of the export earnings of these enterprises is included in the denominator.

Table 5. Ivory Coast: Assumptions 1984 through 1987

1. External factors

Exchange rate remains at CFAF 360 per U.S. dollar from 1983 through 1977.

French money market rates, LIBOR and prime rates decline by 1 percentage point from 1983 to 1984 to 12 per cent and 10 per cent, respectively and remain constant through 1987.

For coffee, cocoa, and petroleum products, annual increases in export value average 7 per cent. Total export earnings growth averages 9.2 per cent a year in terms of CFAF and SDRs from 1983 to 1987, compared with 10.3 per cent in CFAF and -1.1 per cent in SDRs from 1980 to 1983. Import growth averages 4.0 per cent a year in terms of CFAF and SDRs from 1983 to 1987, compared with 2.5 per cent in CFAF and -8.1 per cent in SDRs from 1980 to 1983.

2. Foreign borrowing

Borrowing from abroad declines from CFAF 409 billion in 1982 to CFAF 293 billion in 1983, but increases progressively afterwards, reaching CFAF 440 billion in 1987. Purchases from the Fund amount to 135 per cent of quota in 1983, and 100 per cent in both 1984 and 1985, but no purchases are made in 1986 and 1987. Yearly disbursements under SAL II, a World Bank public enterprise loan, and CCCE (France) amount to CFAF 100 billion in 1984 and 1985 for nonproject loans.

3. Domestic output

GDP increases by 10 per cent a year in nominal terms and 2 per cent a year in real terms from 1983 to 1987.

Petroleum production remains at 1.3 million tons a year from 1983 through 1985 and rises to 2.3 million tons by the end of 1987, when the Ivorian share of petroleum products covers all import needs for Ivory Coast and exports of petroleum products to neighboring countries.

4. Public finance

Current expenditure grows in nominal terms at annual rates of 7 per cent in 1984 and 1985 and 8 per cent in 1986 and 1987. In particular, the public wage bill increases by 7 per cent in each of these first two years and by 10 per cent in the last two.

Producer price of coffee is raised by 3 per cent in October 1983 and by a further 3 per cent in October 1985. Producer price of cocoa is raised by 3 per cent in October 1985.

Public investments rise by 8 per cent from 1983 to 1985 and 19 per cent from 1985 to 1987, which corresponds to an average growth of 6.7 per cent a year in nominal terms from 1983 to 1987.

5. Domestic credit

Monetary policy remains tight through 1987, with the BCEAO limiting lending to the Government below its statutory limit by amounts growing from CFAF 10 billion in 1984 to close to CFAF 60 billion in 1987. The rate of expansion of domestic credit to the private sector is being contained to an average rate of about 10 per cent per year to support the effort to restore external balance.

Table 6. Ivory Coast: Medium-Term Projections for Public Finance and Balance of Payments, 1982-87

(In billions of CFA francs)

	1982 Est.	1983 Revised program	1984	1985	1986	1987
			Projections			
Public finance						
A. Revenue (including grants)	688	806	871	967	1,110	1,226
Tax revenue	538	558	607	679	767	842
CSSPPA	62	92	110	125	140	164
Oil revenue	4	39	40	42	75	85
Other	84	117	114	121	128	135
B. Current expenditure	639	717	765	830	891	959
Current budget	402	443	472	504	546	592
Interest	180	232	254	282	295	311
Other	57	42	39	44	50	56
C. Capital expenditure and net lending	270	265	283	299	326	362
D. Public sector deficit (A-B-C)	-221	-176	-177	-162	-107	-95
(as % of GDP)	(-8.8)	(-6.2)	(-5.8)	(-4.7)	(-2.8)	(-2.3)
Financing of the deficit						
Net foreign borrowing	284	129	142	172	168	177
Banking system	23	114	35	-10	-61	-82
Arrears and other	-86	-67	--	--	--	--
Memorandum items						
Gross public investment	322	332	342	360	390	430
Gross foreign borrowing	409	293	330	370	400	440
Foreign debt amortization	125	164	188	198	232	263
Balance of payments						
Exports	816	881	978	1,063	1,153	1,253
Imports	-581	-592	-631	-678	-672	-690
Trade account	235	289	347	385	481	563
Interest on public debt	-171	-209	-221	-245	-266	-284
Current account	-346	-314	-289	-296	-235	-188
(as % of GDP)	(-13.6)	(-11.1)	(-9.3)	(-8.7)	(-6.3)	(-4.6)
Capital account 1/	297	172	193	227	228	245
Overall deficit (-)	-49	-142	-96	-69	-7	57
(as % of GDP)	(-1.7)	(-5.1)	(-3.1)	(-2.0)	(0.2)	(1.4)
Source of financing:						
IMF	55	62	37	6	-30	-40
Other	-6	80	59	63	37	-17

Sources: Ministère de l'Economie et des Finances; BCEAO; and staff estimates.

1/ Including monetary capital, allocation of SDRs, and errors and omissions.

Table 7. Ivory Coast: Debt Service Projections, 1983-87

(In billions of CFA francs)

	1983	1984	1985	1986	1987
I. Service on Debt Disbursed and Outstanding as of December 31, 1982					
A. Service on debt managed by the CAA					
Interest	138.9	119.7	103.7	88.2	71.9
Amortization	113.1	146.9	146.7	149.2	149.9
Total	252.1	266.7	250.4	237.4	221.7
B. Service on debt not managed by the CAA					
Interest	48.5	39.7	34.0	27.2	21.7
Amortization	69.8	59.3	62.3	61.2	55.1
Total	118.3	100.0	96.3	88.4	76.8
II. Service on Projected Borrowings					
Projected drawings	314.0 1/	351.0 1/	370.0	400.0	441.0
Interest 2/	19.8	59.3	99.7	140.4	181.0
Amortization	--	--	8.6	40.5	75.0
Total	19.8	59.3	108.3	180.9	256.0
III. Total Debt Service 3/					
Interest	207.2	218.7	237.4	255.8	274.6
Amortization	182.9	206.2	217.6	250.9	280.0
Total	390.1	424.9	455.0	506.7	554.6
Memorandum items:					
Debt service ratio 4/ (excluding Fund borrowings)	36.9	36.2	35.7	36.5	36.7
Debt service ratio 5/ (inclusive of Fund borrowing)	38.6	38.7	40.3	41.1	40.7

Sources: CAA; and staff estimates.

1/ Includes CFAF 21 billion drawing by Air Afrique for 1983 and 1984.
2/ Includes interest payments on borowings by Air Afrique mentioned above.
3/ Excluding debt service on all Fund borrowings.
4/ Proportion of exports of goods and nonfactor services.
5/ Includes charges, interest, and scheduled repurchases on all Fund purchases. Assumes also purchases equal to 100 per cent of quota in both 1984 and 1985.

Fund charges and repurchases, but excluding debt service on the deficit of the operations account with the French Treasury, the projections show that the increase in the external debt service ratio can be limited to 2.5 percentage points between 1983 and 1986, when it would reach a peak of 41 per cent before starting to decline in 1987, provided the public finance deficit and the current external account deficit can be progressively reduced to approximately 2 per cent of GDP and 5 per cent of GDP, respectively, by 1987. This would require the continuation of strong adjustment policies for several years after completion of the EFF program. On the one hand, government revenue would have increased slightly faster than GDP, which requires a full mobilization by the Treasury of the profits of the stabilization fund (CSSPPA) and oil revenues, as well as improvements in the financial position of public enterprises. On the other hand, current expenditures would have to increase more slowly than GDP, which practically rules out any general salary increase before 1986. Moreover, the current value of public investments would have to increase by only 8 per cent a year from 1983 to 1985, including of the large outlays which will be devoted to the construction of the Soubre Dam. This practically rules out any large scale expenditures which could have been associated with the transfer of the administrative capital from Abidjan to Yamoussoukro. This point was made very forcefully by the mission to the President, who agreed to such a constraint and asked his Minister of Finance to write a letter to the Managing Director to this effect (see Attachment to Appendix I).

It has been assumed in these projections that Ivory Coast would purchase the equivalent of 135 per cent of quota in 1983 under the existing EFF arrangement and the equivalent of 100 per cent of quota in both 1984 and 1985, but would not make any further purchase in 1986 and 1987, implying substantial net repurchases in these two years. It was also assumed that Ivory Coast would receive US$100 million in 1983 under the SAL II, which is scheduled for review by the World Bank Board on June 30, and that yearly disbursements of nonproject loans by the World Bank and the CCCE (French Caisse Centrale de Coopération Economique) would average CFAF 100 billion in 1984 and 1985. With these assumptions, gross foreign borrowing, which is expected to fall by 28 per cent in 1983 could increase by approximately 10 per cent a year on average from 1983 to 1987, while net claims of the domestic banking system on the Government would start declining from 1985 onward (Table 6). This decline is required to provide for repurchases to the Fund and to contain the deficit of the operations account, but it implies that the Government would refrain from drawing from the BCEAO up to the statutory limits.

The projections assume that export earnings would increase by 9 per cent a year in nominal terms and that the exchange rate between the CFA franc and the US dollar would remain unchanged during the period 1983 through 1987 1/. Since coffee and cocoa are expected to account for about one half of total export earnings in 1987, the projections will be very sensitive to future developments in the world coffee and cocoa markets.

1/ The rate used was CFAF 360 per U.S. dollar.

The decline in the share of timber will be offset by an increase in the share of other products, notably petroleum products and sugar. Imports are projected to increase by only 4 per cent a year, compared with 10 per cent for current GDP. The implied decline in the average propensity to import largely reflects the virtual disappearance of oil in the import bill and the reduction of food imports, rice imports in particular, associated with the expected increase in domestic production.

Clearly, if export earnings were to increase substantially faster than has been assumed, the difficulties would be greatly eased. The debt service ratio could also be improved by a reduction in interest rates, but a one percentage point drop in the LIBOR and the French rates would probably not reduce the debt service ratio by more than 0.7 percentage point in 1983. In conclusion, with the assumptions made, rescheduling could be avoided, and the authorities very much wish to avoid it, provided Ivory Coast continues to follow strong adjustment policies for several consecutive years.

III. Performances Under the 1982 Financial Program

As a result of restrictive financial policies--the sharp reduction in public investment spending in particular--economic activity was further curtailed in 1982 and real GDP declined for the second year in a row (Table 8). The decline was most pronounced for public works and construction, the construction material industry, and pineapple canning which suffered from the competition of more efficient producers abroad. But production increased in some branches of the modern sector notably tuna fish canning, soap and fertilizers and also increased in many small- and medium-size enterprises. For the industry as a whole, production is likely to have increased since electricity consumption by industry was 6 per cent higher in 1981/82 than in the preceding year. Food production increased at about the same rate as population growth, but the income of cocoa and coffee farmers remained about stable because the effects of a record cocoa crop were offset by a decline in coffee production.

Although prices of coffee and cocoa declined in terms of U.S. dollars, they increased in terms of CFA francs (Appendix Table VIII). The average export unit value of coffee and cocoa increased by 12 per cent in CFA francs and, with unchanged producer prices, the profits of the Stabilization Fund (CSSPPA) doubled. Nevertheless, government revenue fell short of the targets set one year ago because of a shortfall in tax revenue resulting from the economic slowdown. This was, however, more than offset by savings on current expenditures and especially capital expenditures. As a result, the public sector deficit did not exceed the original target of 8.8 per cent of GDP, although GDP was lower than had been projected (Table 9).

The public finance deficit and the repayment of domestic arrears was essentially financed by foreign borrowing. Only one-tenth of the deficit

Table 8. Ivory Coast: Macroeconomic Indicators, 1978-83

	1978	1979	1980 Prov.	1981 Est.	1982 Est.	1983 Proj.
			(In billions of CFA francs)			
Gross domestic product (GDP) (In current prices)	1,783	1,945	2,234	2,295	2,530	2,828
Gross domestic expenditure (In current prices)	1,799	2,004	2,372	2,497	2,691	2,904
			(Percentage change)			
GDP						
Real growth	9.9	2.0	6.3	-1.3	-1.8	3.0
Money growth	15.8	9.1	14.9	2.7	10.2	11.8
Deflator	5.4	7.0	8.1	4.0	12.3	8.5
Terms of trade	-15.3	-1.9	-14.5	-14.2	-2.1	-2.3
Real domestic income 1/	5.1	-2.4	-0.3	-7.7	-3.3	1.9
			(As percentage of GDP)			
Primary sector	25.6	27.2	25.9	28.2	27.7	28.6
Secondary sector	19.9	20.8	23.3	22.7	21.9	21.4
Tertiary sector	54.5	52.0	50.8	49.1	50.4	50.0
Consumption	71.1	75.1	77.8	81.5	82.1	79.7
Investment	29.8	27.1	27.1	25.3	23.5	23.0
Resource balance	-0.9	-3.0	-6.2	-8.8	-6.4	-2.7
Gross domestic savings	28.9	24.9	22.2	18.5	17.9	20.3

Sources: Ministère de l'Economie et des Finances, Direction de la Prévision, Budgets Economiques; and staff estimates.

1/ Real GDP adjusted for terms of trade.

Table 9. Ivory Coast: Public Sector Financing, 1980-83

(In billions of CFA francs)

	1980	1981		1982			1983	
		Original program	Est.	Original program	Revised program	Est.	Original program	Revised program
A. Revenue (including grants)	619	664	638	804	727	688	973	806
Tax revenue	453	508	507	568	578	538	656	558
Social security contributions	30	35	28	...	29	34	...	33
CSSPPA	86	63	30	90	78	62	130	92
Petroleum revenue	--	7	--	48	5	4	74	39
Other	46	51	69	98 1/	37	43	113 1/	74
Grants	4	...	4	...	...	7	...	10
B. Current expenditure	474	573	545	635	647	639	698	717
Current budget	335	386	365	421	418	402	463	443
Wages	(185)	(217)	(206)	(246)	(250)	(238)	(271)	(270)
Other	(150)	(169)	(159)	(175)	(168)	(164)	(192)	(173)
Interest	72	105	111	112	161	180	124	232
Social security payments	14	15	16	...	19	17	...	20
State enterprises (operating surplus/deficit (-) 2/	-15	21	-4	29	-21	-6	31	-19
Other	68	46	57	73 1/	70	46	80 1/	41
C. Capital expenditure and net lending	430	354	297	402	317	270	469	265
D. Total expenditure and net lending	904	927	842	1,037	964	909	1,167	982
E. Public sector deficit	-285	-263	-204	-233	-237	-221	-194	-176
(As percentage of GDP)	(-12.7)	(-10.8)	(-8.9)	(-8.6)	(-8.8)	(-8.8)	(-6.2)	(-6.2)
F. Financing	285	263	204	233	237	221	194	176
G. Net foreign borrowing	176	201	151	212	277	284	182	129
H. Banking system	116	98	103	21	20	23	12	114
I. Other	)	--	-11	--	--	-41	--	--
	) -7							
J. Payments arrears	)	-36	-39	--	-60	-45	--	-67
Memorandum items:								
Public savings (A - B)	145	91	93	169	80	49	275	89
(As percentage of GDP)	(6.5)	(3.8)	(4.9)	(6.2)	(3.0)	(1.9)	(8.8)	(3.1)
Gross public investment 3/	465	390	363	440	382	322	509	332
Less: self-financing 4/	24	12	49	...	44	31	...	33
amortization 5/	11	24	17	...	21	21	...	34
Gross foreign borrowing	285	323	279	328	412	409	309	293
Foreign debt amortization	109	122	128	116	135	125	127	164

Sources: Ministère de l'Economie et des Finances; and staff estimates.

1/ Including Social Security.
2/ Original program not wholly comparable with current estimates due to changes in coverage.
3/ Physical execution and net transfers outside the public sector.
4/ Self-financing by enterprises not included above the line.
5/ Repayment of on-lending from outside the public sector.

was financed by an increase in net claims of the domestic banking system on Government. This increase was limited to CFAF 23 billion in order to comply with the program ceilings and nearly three-quarters of the counterpart of Fund purchases were blocked in the Central Bank. Because of the recession and the increase in interest rates, the demand for ordinary credit by the private sector was weak and ordinary credit increased by only 8 per cent in 1982, well below the amount allowed for by the credit ceilings. The amount of crop credit outstanding declined by 8 per cent in 1982 because coffee exports exceeded current production and the level of carryover stocks was reduced. As a result, net domestic assets of the banking system increased by only 5 per cent in 1982 compared with 10 per cent in 1981 and 15 per cent in 1980 (Table 10).

With the slowdown in credit expansion and the reduction in the public finance deficit, the external current account deficit fell to 13.7 per cent of GDP in 1982 from 14.4 per cent in 1981 and 16 per cent in 1980 (Table 11). The overall balance of payments deficit fell even more steeply to 1.7 per cent of GDP from 6.4 per cent in 1981 because of the large increase in foreign borrowing. The balance of payments position at the end of 1982 appears substantially better than had been anticipated at the time of the mid-term review. The improvement does not result only from the effect of the measures taken but also from basic improvements in the statistical compilation of the balance of payments.

All performance criteria set for March, June and September 1982 have been met and Ivory Coast has made the corresponding purchases. As of end-December, Ivory Coast had met all performance criteria except that dealing with the reduction of domestic arrears (Table 12). Payments arrears at the end of December exceeded the ceiling by CFAF 23 billion partly because of previously unrecorded arrears and partly because of the increase in the float of bills not paid at the end of the year. The latter reflected the tightness of financing in the last quarter, which was aggravated by a US$27 million shortfall in a loan from a syndicate of banks led by Bankers Trust. The authorities noted that this shortfall was due to the deterioration of lending facilities to developing countries at the end of 1982 and that the excess of payments arrears at the end of December represented only 40 per cent of the margin left under the December credit ceiling. For these reasons, the authorities have requested a waiver of the December ceiling on payments arrears.

IV. The 1983 Program and Report on the Discussions

1. Supply policies

Present expectations are for some recovery in GDP growth in 1983, with a full 12 months' production from Espoir and a cyclical recovery in coffee production (Table 13). Dry weather in early 1983 may well reduce the mid-season cocoa crop and possibly the 1983/84 main crops of both coffee and

Table 10. Ivory Coast: Monetary Survey, 1980-83

	1980	1981	1982		1983				1981-82		1982-83
	Dec.	Dec.	Sept.	Dec. Prov.	March	June	Sept.	Dec.	Rev. Prog. 1/	Est.	Prog.
					Program						
	(In billions of CFA francs)								(Annual changes: in per cent of private money supply at beginning of period)		
Net foreign assets	-208.89	-349.46	-348.60	-382.7	-435	-477	-520	-525	-16.9	-5.7	-23.4
Net domestic assets	754.58	940.43	903.78	1,004.7	1,085	1,084	1,093	1,186	28.9	11.1	29.8
Public sector 2/	-6.61	96.68	117.73	119.9	191	216	230	234	3.5	4.0	18.7
Private sector	761.19	843.75	786.05	884.8	894	868	863	952	25.4	7.1	11.0
Ordinary credit	635.07	656.54	670.45	712.3	727	747	770	789	28.9	9.6	12.6
Crop credit	126.12	187.21	115.60	172.5	167	121	93	163	-3.5	-2.5	-1.6
Of which: coffee	(23.00)	(55.26)	(87.32)	(49.9)3/	(87)	(85)	(70)	(56)	(6.1)	(-0.9)	(0.7)
Private money supply 4/	537.51	579.06	542.17	609.0	637	594	560	648	12.0	5.2	6.4
SDR counterpart	8.18	11.91	13.01	13.0	13	13	13	13	--	0.2	--
Memorandum items:											
Coffee stocks (thousands of tons)	65	156	247	141	237	232	192	152	...	...	...
Net domestic assets (excluding adjustment for coffee stocks)	731.58	885.17	816.46	954.8	998	999	1,023	1,130	22.8	12.0	28.8

Sources: BCEAO; and staff estimates.

1/ As modified during mid-term review, EBS/82/172.
2/ Including drawings by nonpublic sector enterprises on credits guaranteed by the Government since January 1, 1982.
3/ Valued at the warehouse value of CFAF 353,800 per metric ton, valued at the new 1982/83 warehouse value of CFAF 365,230 per metric ton, coffee stocks at end-December 1982 amounted to CFAF 51.53 billion.
4/ Broad money supply excluding deposits of the public sector and public sector enterprises.

Table 11. Ivory Coast: Balance of Payments, 1980-83

(In billions of CFA francs)

	1980 Prov.	1981 Original program	1981 Est.	1982 1/ Original program	1982 1/ Revised program	1982 1/ Est.	1983 1/ Orig. prog.	1983 1/ Rev. prog.
Exports, f.o.b.	657	675	745	810	763	816	980	881
Imports, f.o.b.	-550	-573	-563	-614	-600	-581	-663	-592
Of which: petroleum products	(94)	(...)	(114)	(...)	(120)	(130)	(...)	(101)
Trade balance	107	102	182	196	163	235	317	289
Services and unrequited transfers	-465	-478	-512	-516	-581	-581	-576	-603
Interest payments on external public debt	(-68)	(-111)	(-102)	(-115)	(-160)	(-171)	(-127)	(-209)
Salary remittances	(-136)	(-141)	(-153)	(-151)	(-155)	(-157)	(-166)	(-146)
Other services & transfers	(-261)	(-226)	(-257)	(-250)	(-266)	(-253)	(-283)	(-248)
Of which: exports of nonfactor services	(124)	(155)	(143)	(172)	(175)	(167)	(191)	(188)
Current balance	-357	-376	-330	-320	-418	-346	-259	-314
(As percentage of GDP)	(-16.0)	(-15.5)	(-14.4)	(-11.8)	(-15.6)	(-13.7)	(-8.3)	(-11.1)
Capital movements	221	276	182	277	302	297	251	172
Official capital	180	201	143	212	277	272	182	123
Private capital	23	53	30	60	25	44	66	49
Monetary capital 2/	18	22	9	5	--	-19	3	--
Overall balance	-136	-100	-148	-43	-116	-49	-8	-142
Of which: IMF	(--)	(57)	(102)	(43)	(49)	(55)	(43)	(62)
Memorandum items:								
Gross official borrowing abroad	291	323	277	328	412	407	309	293
Debt service (as per cent of exports of goods and services)	24.5	29.2	28.3	25.3	32.9	33.7	24.7	38.6

Sources: BCEAO; and staff estimates.

1/ Including net operations of the Espoir consortium; the net gain to Ivory Coast in 1983, estimated at CFAF 50 billion, is shown as a reduction in imports of petroleum products.
2/ Including errors and omissions.

Table 12. Ivory Coast: Compliance with the 1982 Performance Criteria

	1982			
	End-March	End-June	End-Sept.	End-Dec.
	(In billions of CFA francs)			
Net domestic assets				
Program:				
excluding coffee adjustment	922	887	915 1/	1,022 1/
including coffee adjustment	1,011	973	1,002	1,072
Actual outturn:				
including coffee	941	913	904	1,005
Net claims on the public sector				
Program	128	122	121	121
Actual outturn	111	121	118	120
Net payments arrears outstanding				
Program	89	75	63	44
Actual outturn	87	68	51	67 2/
Contracting of foreign debt (cumulative)	(In millions of SDRs)			
1 - 12 years				
Program	660	660	660	660
Actual outturn	129	307	311	480
1 - 5 years				
Program	0	0	0	0
Actual outturn	0	0	0	0

Sources: EBS/82/74; EBS/82/172; Ministère de l'Economie et des Finances; and BCEAO.

1/ As modified at the mid-term review, EBS/82/172, Table 7, p.16.
2/ Including the previously unrecorded arrears and new payment delays.

Table 13. Ivory Coast: Summary of the 1983 Financial Program

Assumptions

Real GDP growth (in per cent per year)	3.0
Terms of trade loss (in per cent per year)	2.3
Exchange rate (in CFAF per SDR)	382

Objectives

Overall public finance deficit (in per cent of GDP)	6.2
Balance of payments	
Current deficit (in per cent of GDP)	11.1
Overall deficit (in per cent of GDP)	5.1
Debt service ratio (in per cent of exports of goods and services)	38.6

Principal elements of the program

1. Supply-side measures

Structural reforms in the industrial sector, strengthening of public enterprises, improved monitoring of public investment expenditure, and continued efforts to reorient the educational system.

2. Public finance

Price and expenditure-saving measures, including measures in the education sector, and reduction in civil service payroll expenditure, equaling 1.3 per cent of GDP.

Reduction in arrears equivalent to 2.4 per cent of GDP (performance criterion).

3. Monetary policy

Growth of net domestic assets limited to 18 per cent with appropriate quarterly ceilings and subceilings on net credit to the public sector (performance criteria).

4. External borrowing

No new borrowing at 1 to 5 years' term (performance criterion).

Borrowing at 6 to 12 years limited to SDR 140 million (performance criterion).

Separate ceiling of SDR 115 million on borrowing of 1 to 12 years' term by nonresident multinational enterprises under Ivorian Government guarantee (performance criterion).

cocoa. However, Ivory Coast's still substantial stocks of coffee will enable export volumes to be maintained to the limit of its quota and to satisfy the demand, at remunerative prices, in nonquota markets; for cocoa, on the other hand, a strengthening of prices is likely to more than offset any shortfall in export volume. In spite of stronger growth in the primary sector, a further decline in the volume of public investment will again depress the building and construction industry and its suppliers in the secondary sector.

A major component of the second IBRD Structural Adjustment Loan currently under preparation is a series of reforms in the industrial sector, to improve the preparation of industrial projects, to fine tune the system of fiscal incentives (without increasing budgetary cost), and to increase the export orientation of Ivorian industry. Efforts to improve the efficiency of public enterprises commenced under the first SAL are continuing; with operational audits of the railways (RAN), sugar company (SODESUCRE), agricultural development company (SATMACI), agricultural mechanization (MOTORAGRI), livestock (SODEPRA), and forestry enterprises (SODEFOR) already under way or to be commenced shortly. A public enterprise loan from the IBRD is also planned to provide the financial means to continue reform and rehabilitation of this sector.

1983 will also see the first full year of oil production from the Espoir field, which began producing in late August 1982. Average daily production has now stabilized at some 18,000 U.S. barrels. Together with the production from Belier, Ivory Coast should produce some 1.3 million tons of oil in 1983, implying almost self-sufficiency. Initial production from Espoir was all exported, but now Ivory Coast's share is being sold to the Société Ivoirienne de Raffinage (SIR), which is already processing production from Belier. The financial condition of the SIR continues to cause concern, the recent expansion of the refinery doubled capacity to some 3.6 million tons, which is well in excess of Ivory Coast's needs and those of neighboring markets. Substantial cost overruns were experienced on the project, and the service payments on the foreign financing are now a serious burden. Currently the SIR is running a deficit of about CFAF 30 billion per annum, financed from the Fonds de Compensation, which is fed from a levy on domestic petroleum product sales. The difficult financial situation of the SIR is leading to serious delays in paying for oil, which in turn is delaying receipt by the public sector of its expected revenues from oil. The authorities are exploring ways of using the Fonds de Compensation, currently controlled by the Ministry of Commerce, to ensure prompt payments of moneys due as petroleum revenue.

2. Financial policies

No major increase in the fiscal effort is planned for 1983; new measures include an increase in the insurance tax and a new tax on imports to pay for the system of prior inspection of imports (Table 14). These measures

Table 14. Ivory Coast: Discretionary Fiscal, Price, and Expenditure Measures, 1/ 1981-83

	1981	1982	1983	1981	1982	1983
	(In billions of CFA francs)			(In per cent of GDP)		
Tax measures	9.0	17.7	2.7	0.4	0.7	0.1
Gasoline tax	9.0	--	--			
VAT on services	--	9.0	--			
Excise tax	--	6.2	--			
Vehicle tax	--	1.5	--			
Payroll tax	--	1.0	--			
Insurance tax	--	--	1.2			
Import tax	--	--	1.0			
Other taxes	--	--	0.5			
Price measures	17.9	12.3	5.0	0.8	0.5	0.2
Gasoline	5.0	--	--			
Rice	3.9	6.0	--			
Electricity	3.5	--	--			
Bus fares	2.3	4.0	--			
Railways	2.1	--	--			
Water	0.9	--	--			
Air fares	0.2	0.3	--			
Cotton	--	1.8	--			
Official Gazette	--	0.15	--			
Edible oils	--	--	5.0			
Expenditure measures	13.5	10.2	30.8	0.6	0.4	1.1
Postponement of salary increase	7.0	--	--			
Education	4.0	5.3	3.4			
Alignment of public enterprise salaries	2.5	--	--			
Nonwage expenditure freeze	--	2.4	--			
Payroll purge	--	2.0	3.0			
Air transportation costs	--	0.5	--			
Reform of government housing	--	--	15.0			
Retirements	--	--	2.4			
Freeze of grade promotions	--	--	4.5			
Reduction in staff	--	--	2.5			
Grand total	40.4	40.2	38.5	1.7	1.5	1.4

Source: Ministère de l'Economie et des Finances.

1/ Net impact in year of application.

will generate increased revenue of only CFAF 2.7 billion, equivalent to 0.1 per cent of GDP. Tax revenue as a whole is expected to increase by only 4 per cent in 1983 and to fall to 19.7 per cent of GDP from 21.3 per cent in 1982 (Table 10). This lack of buoyancy reflects both the stagnation in taxable imports and a modification in tax coverage. Previously, the petroleum companies paid the value added tax (VAT), and were reimbursed later by the Treasury. Because reimbursements were not made in time, it has been decided to avoid the need for reimbursement by exempting oil companies from paying the value added tax, starting January 1983. At that time, some CFAF 12 billion remained due to oil companies on account of the value added tax paid by them in 1982; this amount has been deducted from the tax revenue projected for 1983.

In spite of the lack of buoyancy of tax revenue, total public sector revenue is expected to increase by 17 per cent in 1983 on two accounts. First, the CSSPPA surplus is projected to increase by 50 per cent in 1983, because export prices for coffee and cocoa are expected to rise, while producer prices have remained unchanged for the 1982/3 crop year (Appendix Table IV). Second, oil revenue will increase substantially in 1983, since it will be the first full year of production of the new oil field, "Espoir."

In the 1983 financial program, the main emphasis will be on those measures reducing current expenditure, which are expected to save a total amount of CFAF 31 billion, or 1.1 per cent of GDP. Half of this represents savings from the reform of the government housing system. The Government will no longer provide free housing for civil servants except for some of the uniformed services and, as contractually obligated, for some expatriates. Instead, the Government will provide housing allowances, amounting to some CFAF 12 billion in total, considerably less than the cost to the Government of renting existing housing provided to civil servants. The implementation of the new measures has raised serious difficulties and led to a strike of teachers and of some other civil servants; but the authorities have maintained a very firm attitude. The change in the government housing system has also contributed to reduce rents.

From the beginning of January 1983, more than 2,000 salary payments have been suspended to civil servants for whom no acceptable evidence of attendance had been submitted to a special commission of enquiry. Arrangements, however, have been made to put back quickly on the payroll those civil servants who could provide satisfactory evidence of their presence in a regular position. Existing legislation requiring retirement at age 55 is to be fully enforced, and previously planned reductions in the number of daily paid workers and technical assistance personnel are to be continued. Finally, grade promotions will not result in higher pay and there will be no general salary increase in 1983.

Government assistance to private schools is to be capped; the cost of services provided to students is to be further reduced; and the number of scholarships is to be severely curtailed. Government assistance to private schools, which was based on the number and salaries of teachers, will now take the form of a flat allowance. The cost of rooms and meals for students has been raised, and the staff of the National University Centre (CNOU) will be reduced. The number of scholarships is to be decreased by more than half, and eligibility standards are to be tightened. Scholarships will only be granted to Ivorian students of modest means, and success in examinations will be required for continuation of the scholarship. As a result, the cost of scholarships is to fall by CFAF 3 billion in a full year and by CFAF 1 billion in calendar year 1983.

The overall deficit of public enterprises is also expected to be reduced by applying of structural reforms, which will follow the audits referred to earlier, and by immediate price measures. The price at which edible oils and cotton seeds are sold to local processors will be raised and appropriate adjustments will be made to consumer prices to provide local processors with a sufficient margin. This should improve the financial position of PALMINDUSTRIE by some CFAF 5 billion and that of the cotton development company (CIDT) by some CFAF 250 million in 1983.

Interest payments on the public debt are expected to increase by 29 per cent in 1983 in spite of some decline in nominal interest rates. This rapid increase results from the adverse impact of the depreciation of the CFA franc on the debt denominated in US dollars and in Swiss francs, as well as from the large foreign borrowing in 1982. But in spite of this unfavorable development, public savings are expected to increase to 3.1 per cent of GDP in 1983, from 1.9 per cent in the preceding year.

Capital expenditure and net lending is expected to decline slightly in 1983, because the marginal increase in gross public investment expenditure will be more than offset by on increase in the flow of reimbursements on public sector net lending (Appendix Table VII). The overall public finance deficit is projected to decline both in absolute terms, to CFAF 176 billion in 1983, and in relative terms, to the equivalent of 6.2 per cent of GDP--the original program target.

The deficit and the reduction of arrears will be financed in 1983 almost equally from foreign and domestic borrowings; this will be a major departure from the previous year when borrowing from the domestic banking system had accounted for only 7.5 per cent of the total financing. Ivory Coast, which had borrowed abroad some CFAF 130 billion in 1982 under commercial terms for general budget support, 1/ does not intend to make any such borrowing in 1983. Instead, the Treasury will increase considerably its borrowing from the domestic banking system by drawing all the counterparts of its Fund purchases in 1983 and most of those which had been blocked in 1982.

1/ Nonproject borrowing under special terms (from the "Caisse Centrale" and World Bank under a second SAL) is expected to amount to CFAF 60 billion in 1983.

3. Monetary credit and policy

Because of the much greater use of domestic credit to finance the budget deficit, net domestic assets will increase much more rapidly in 1983 than in 1982 (18 per cent compared with 7 per cent). But the margin provided under the credit ceilings for the expansion of ordinary credit to the private sector will remain moderate (10.8 per cent compared with 11.8 per cent for current GDP). The monetary authorities believe these targets to be attainable and they will use all the means available to them not to exceed the ceilings on total net domestic assets and the subceilings on net claims on Government, which are treated as performance criteria of the program. These means include the system of pre-authorization of all credit exceeding CFAF 100 million per borrower, and a monthly monitoring of deposit money banks' assets. The system for setting sectoral credit priorities has been streamlined, and, unlike in 1982, guidelines have been issued in time.

The monetary authorities have been following a more flexible interest rate policy. In order to reflect the movements of interest rates abroad, the basic and preferential UMOA discount rates were both raised by two percentage points on April 7, 1982; and both were reduced by the same two percentage points on April 5, 1983. In April 1982, the entire structure of lending and deposit rates was raised by two percentage points. In April 1983, lending rates were lowered by two percentage points, but deposit rates by one percentage point only, because the authorities wanted to maintain appropriate saving incentives and felt that banks would be able to accommodate a reduction in their profit margins.

Since the CFA franc and the French franc are freely transferable at fixed parity within the franc area, interest differentials between France and the UMOA may affect capital movements between the two zones. The French money market rate, which had exceeded the corresponding UMOA rate by more than one percentage point before April 1982, fell slightly below the UMOA rate towards the end of 1982; but the position has been reversed by the latest adjustment. At the end of April 1983, the French rate of 12.5 per cent exceeded the UMOA rate by 1.5 percentage point. Such a difference is probably too wide and the UMOA authorities are considering the possibility of adjusting their rate upward.

Because supply is limited on the UMOA money market, banks are often willing to offer to offer to their customers a deposit rate higher than the one prevailing on the money market. In recent weeks, premiums of up to two percentage points has been recorded in the case of large deposits, which brings the deposit rate to 13 per cent. The authorities also noted that the cost to the borrower is raised in Ivory Coast by a 20 per cent service tax. Thus, even after the recent reduction of the discount rates, the cost to the borrower amounts to 18.6 per cent. 1/

1/ The rate charged by banks for ordinary credit is 15.5 per cent (basic discount rate of 10.5 per cent plus a 5 percentage point margin). The borrower pays in addition a service tax equivalent to 3.1 percentage point, which brings its total cost to 18.6 per cent.

4. External policies

By containing the expansion of domestic credit to the private sector and reducing the public finance deficit, the authorities aim at reducing the size of the current external account deficit by almost 10 per cent in 1983 in spite of the sharp increase in interest payments (Table 1). This improvement is expected to result from a slight reduction in the deficit on transfers and services and other than interest payments, and from a sizeable gain in the trade surplus, which largely reflects a reduction in oil imports. The reduction in the current account deficit (from 13.7 per cent of GDP in 1982 to 11.1 per cent in 1983) will, however, be associated with a sharp deterioration of the overall balance of payments (from 1.7 per cent of GDP to 5.0 per cent), because, as already mentioned, Ivory Coast does not intend in 1983 to finance its budget deficit by nonproject commercial borrowing from abroad. The CFAF 142 billion overall balance of payment deficit projected for 1983 is expected to be financed by purchases from the Fund for about CFAF 62 billion and, for the rest, by the UMOA facilities; which implies a sizeable increase in the deficit of the operations account with the French Treasury.

Ivory Coast is a member of the UMOA, which pegs its currency, the CFA franc, to the French franc at the fixed rate of CFAF 50 = FF 1. Under an agreement between the UMOA and France, the latter has agreed to provide the union with such assistance as it may require to assure the convertibility of the CFA franc into French francs, in particular by providing overdraft facilities on the UMOA's operations account with the French Treasury. The UMOA's operations account has been in overdraft since the first quarter of 1980, reflecting the balance of payments difficulties of members, particularly Ivory Coast and Senegal. The Ivorian and BCEAO representatives reiterated their view that Ivory Coast's and the UMOA's exchange rate arrangements were well adapted to needs, but recognized that these arrangements required fiscal restraint and constraints on credit expansion. For this purpose, net credit to Government was not allowed to exceed 20 per cent of the tax proceeds of the preceding year, and ordinary credit to the private sector was contained within agreed limits.

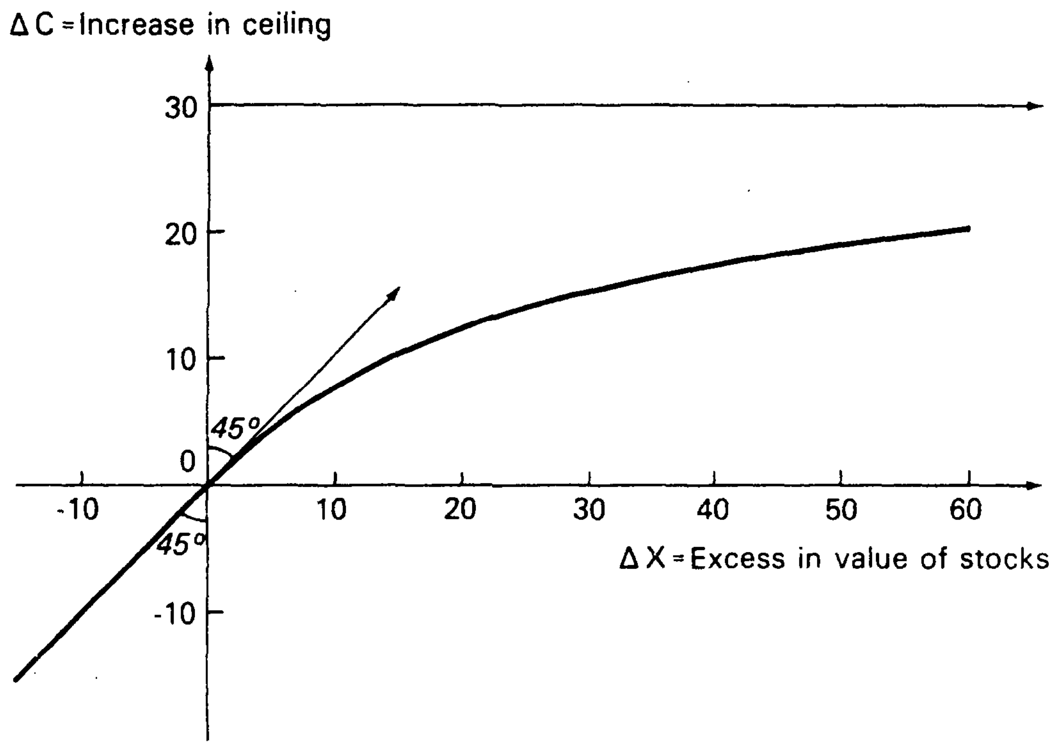
Ivory Coast's exchange system is similar to that of other French franc area countries that maintain an operations account with the French Treasury and is virtually free of restrictions on payments and transfers for current international transactions. The Ivorian representatives noted that a number of import commodities were subject to quota, license, or prohibition for reasons of protection and/or the suppression of fraud, but they emphasized that the implementation of these measures was flexible and nondiscriminatory. In this respect they also stressed that the maintenance of a free exchange and trade system has an important role in assuring that the development of nontraditional exports will take place in sectors in which Ivory Coast has a comparative advantage.

5. Performance criteria

The 1983 program is subject to quantitative performance criteria expressed in the form of quarterly ceilings on net domestic assets of the banking system, with a subceiling on net claims on the public sector and net government payments arrears outstanding (Table 15). There is also a cumulative annual ceiling on the contracting of new public and publicly guaranteed external debt with an original maturity of 1-12 years, with a zero subceiling on maturities of 1-5 years. Due to the practical difficulties at present in monitoring the development of short-term credits (of under 1 year) and in obtaining reliable and regularly updated data, the 1983 program refrains from setting any specific target or ceiling on such short-term external borrowing. Most of the information received seems to indicate that in the case of Ivory Coast such borrowing mainly finances foreign trade and the supply of crude petroleum to the refinery. There is no evidence of it being used to circumvent the ceilings on the external debt of 1 to 5 and 1 to 12 years' maturity. Moreover, the staff will remain in close contact with the authorities on ways of improving the management of the external debt, including short-term debt. Finally, there is a separate ceiling on new borrowing by Air Afrique, CIMAO, and the Conseil de l'Entente, under Ivorian government guarantee, of 1-12 years' maturity. This latter ceiling allows for the purchase of one of two Airbuses by Air Afrique, one to be delivered in 1983, and the other in 1984. The ceiling on net domestic is subject to the same adjustment formula to take account of variations in coffee stocks as was used in 1982 (Chart 6).

In addition, the program is subject to a mid-term review with the Fund, which will be treated as a performance criterion. The staff will review the implementation of the measures intended for 1983, the targets for recruitment in civil service employment and higher education, the results of the public enterprise audits, and the adequacy of the interest rate policy. In close consultation with the World Bank, it will discuss any recommendations for improved efficiency and financial strengthening of the public enterprises concerned. The staff will further discuss the investment program for 1984 in the context of the medium-term outlook for the Ivorian economy.

CHART 6
IVORY COAST
CREDIT CEILING ADJUSTMENT FORMULA, 1983
(In billions of CFA francs)



ΔX = Excess in value of stocks	ΔC = Adjustment in ceiling	Slope
If $\Delta X < 0$	$\Delta C = \Delta X$	$\frac{d\Delta C}{d\Delta X} = 1$
If $\Delta X \geq 0$	$\Delta C = \frac{30\Delta X}{(30 + \Delta X)}$	$\frac{d\Delta C}{d\Delta X} = \frac{900}{(30 + \Delta X)^2}$
-10	-10	1
0	0	1
3	2.73	0.83
6	5	0.69
15	10	0.44
30	15	0.25
60	20	0.11
90	22.5	0.06
150	25	0.03
∞	30	0

Table 15. Ivory Coast: Performance Criteria, 1983

	1982	1983			
	End-Dec. Actual outturn	End-March	End-June	End-Sept.	End-Dec.
		Performance criteria			
		(In billions of CFA francs)			
Net domestic assets (excluding coffee adjustment)	955	998	999	1,023	1,130
Net claims on the public sector 1/	120	191	216	230	234
Net payments arrears outstanding 2/	67	53	41	29	0
		(In millions of SDRs)			
Contracting of foreign public debt 3/ (cumulative)					
1-12 years	480	140	140	140	140
1-5 years	0	0	0	0	0
Non-resident multinational enterprises 4/ under Ivorian Government guarantee		(In millions of US dollars)			
1-12 years	...	68	68	68	68

Source: Appendix I.

1/ Including drawings by nonpublic sector enterprises on credits guaranteed by the Government since January 1, 1982.
2/ Including arrears not previously recorded and new payment delays (Appendix Table III).
3/ Public and publicly guaranteed debt, excluding Air Afrique, CIMAO, and Conseil de l'Entente.
4/ Air Afrique, CIMAO, and the Conseil de l'Entente.

V. Staff Appraisal and Proposed Decisions

When the EFF program was originally formulated two and a half years ago, major emphasis was placed on the restoration of budgetary discipline; since then, there has been considerable progress. The original target for the public finance deficit was met in 1982 and the fiscal program for 1983 remains on target. This is a significant achievement, since interest payments on the external debt in 1983 are expected to be 65 per cent higher than originally anticipated, while receipts of the stabilization fund (CSSPPA) and oil revenues are expected to be, respectively, 30 per cent and 47 per cent lower. In spite of greatly increased interest payments, current expenditures hardly exceeded the original targets, while the sharp reduction in capital expenditures--mainly roads and public works--more than offset the revenue shortfall in 1982. As a result, the public finance deficit in 1981 and 1982 was lower in absolute terms than had been projected two and a half years ago, and the same is expected to occur in 1983. Understandably, the curtailment of government expenditures has reduced economic growth: real GDP is not expected to increase from 1980 to 1983, while a 10 per cent GDP growth had been initially projected.

The slowdown in economic activity has contributed to reductions in imports, and the trade surplus exceeded the original projections in both 1981 and 1982. This did not, however, fully offset the large increase in interest payments, and the deficit on the current external account in 1982 has exceeded the original projection by some 8 per cent. The discrepancy is expected to be greater in 1983, because Ivory Coast's terms of trade, which were originally projected to improve by 5 per cent in 1983, are now expected to fall by 2 per cent. As a result, the current account deficit would reach 11 per cent of GDP in 1983, compared with an original target of 8.3 per cent of GDP. Moreover, the overall balance of payments deficit will be considerably larger than originally projected (5 per cent of GDP compared with 0.3 per cent), because Ivory Coast does not intend to borrow on the world capital market to finance its budget deficit in 1983. The staff considers that this position is wise in view of the present state of the capital market and of the external debt service position which is the subject of great concern. In 1982, the debt service ratio was one-third higher than originally projected. Since, in that year, the CFA value of exports was almost identical to the original projections, the deterioration of the debt service ratio relative to the projected value was essentially due to the increase in the CFA value of the debt service, which reflected the depreciation of the CFA franc against the US dollar and Swiss franc.

Considerable attention has been given to the debt problem, and, at the request of the Minister of Finance, an expert will be sent to Abidjan in September under the new CBD technical assistance program on external debt. The projections presented in this paper for the next five years suggest that Ivory Coast could service its debt without having to reschedule it, provided strong adjustment policies were pursued for several consecutive years. The projections imply a slower increase for the public wage bill than for GDP and very little increase in the real value of public investments during the next five years. It will therefore be essential to limit investments to projects with a sufficiently high rate of economic return, which practically excludes significant additional investments associated with the transfer of the capital city. The President has given assurances to this effect.

Ivory Coast's performance under the 1982 financial program has been satisfactory even though the level of domestic arrears was higher at the end of the year than specified under the program. This excess reflected mainly the convergence of a number of factors that did not affect the validity of the demand restraint in 1982 and will not in the staff's view have any lasting effect on the 1983 program. A large part of the increase in arrears beyond the end-December 1982 ceiling resulted from arrears not recorded at the beginning of the program and thus not reflecting any excess of expenditures over the 1982 targets. The remainder resulted mainly from a shortfall in the nonproject syndicated loan of US$150 million, which had been taken into account in the formulation of the 1982 financial program. The authorities' efforts at meeting the subceilings on net claims on Government also led to an increase in unpaid bills. This increase in arrears was for the most part being eliminated within the first quarter of 1983. Furthermore, the entire excess in arrears remained well below the amount by which total net domestic assets fell short of the target which had been set for the end of 1982. Hence, these arrears could have been accommodated by the banking system without relaxation of the overall effort to restrain demand. In any case, the objective to eliminate all public sector payments arrears by the end of the program remains unchanged. It is therefore the view of the staff that the excess of arrears over the end-December 1982 ceiling is temporary, and that the request of the authorities for a waiver of the ceiling on payments arrears should be granted.

The staff considers that the targets set in the proposed financial program for 1983 are feasible. The authorities have taken a series of courageous measures to contain current expenditures, notably in the field of education (scholarships in particular) and housing allowances. The staff believes that the authorities will be willing to take further adjustment measures, if required, in the context of the mid-term review, which will be treated as performance criteria for the last two purchases to be made under the existing arrangement. At the occasion of this review, the staff will assess the impact on Ivory Coast's balance of payments of the reduction in the discount rates adopted by the Board of Directors of the BCEAO on March 29, 1983 and will press for appropriate action, if needed.

Although the original balance of payments targets set for 1983 will not be met, the staff believes that the authorities will pursue their adjustment efforts in 1984 and 1985 until a viable balance of payments situation is reached. Accordingly, the following draft decisions are proposed for adoption by the Executive Board:

1982 Consultation

1. The Fund takes this decision in concluding the 1982 Article XIV consultation with Ivory Coast, in light of the 1982 Article IV consultation with Ivory Coast conducted under Decision No. 5392-(77/63), adopted April 29, 1977 ("Surveillance over Exchange Rate Policies").

2. The Fund notes with satisfaction that Ivory Coast continues to maintain an exchange system which is free of restrictions on payments and transfers for current international transactions.

Extended Arrangement

1. Ivory Coast has consulted the Fund in accordance with paragraph 3 of the extended arrangement for Ivory Coast (EBS/81/34, Supplement 2, March 5, 1981) and paragraph 3 of the letter of January 19, 1981, annexed thereto, in order to reach understandings with the Fund regarding the policies and measures that the authorities of Ivory Coast will pursue for the third year of the extended arrangement.

2. The letter dated March 1, 1983 (as amended by telex) from the Minister of Economy and Finance of Ivory Coast shall be attached to the extended arrangement for Ivory Coast, and the letter of January 19, 1981, as heretofore amended, shall be read as amended by the letter of March 1, 1983. The The performance clauses referred to in paragraph 3(b) of the extended arrangement for the third year of the arrangement from March 15, 1983 to March 14, 1984 shall be as follows, provided that the purchase of up to SDR 38.475 million pursuant to paragraph 3 below shall not be subject to the performance criteria for December 31, 1982:

(i) the limits on net domestic assets of the banking system in the table in the letter of March 1, 1983;

(ii) the limits on net claims of the banking system on the public sector described in the table in that letter;

(iii) the limits on the public sector's combined payments arrears described in the table in that letter;

(iv) the limits on contracting of government or government-guaranteed foreign borrowing described in the table in that letter.

3. Purchases under the extended arrangement shall not, without the consent of the Fund, exceed the equivalent of SDR 369.075 million until June 15, 1983, the equivalent of SDR 407.550 million until September 15, 1983, and the equivalent of SDR 446.025 million until December 15, 1983.

No. 0116/MEF/CAB.18/No. 15

Mr. Jacques de Larosière
Managing Director
International Monetary Fund
Washington, D.C. 20431

Abidjan, March 1, 1983

Dear Mr. de Larosière:

1. The deterioration of external conditions notwithstanding, Ivory Coast has succeeded in achieving most of the goals set for the first two years of the three-year program described to you in my letter of January 19, 1981. In that letter, I informed you the government deficit should drop to 6.2 per cent of GDP in 1983, and this goal remains unchanged. However, as I advised you in my letter of July 26, 1982, the original objective regarding the external current account deficit will not be met in 1983. Ivory Coast will need to pursue a policy of austerity in 1984 and 1985 and request financial assistance from the International Monetary Fund and the World Bank during those two years.

2. Any comparison of achievements with the goals set for 1982 when the extended facility program was initiated over two years ago must take three factors into account. In the first place, there was a 16 per cent decrease in the terms of trade between 1980 and 1982, rather than the 7 per cent which had been anticipated. Second, interest rates rose much higher than expected, and interest payments on the public debt in 1982 were more than 60 per cent above the level initially projected. Third, petroleum income was considerably lower in 1982 than estimated late in 1980, due to delays in getting the Espoir field production started. The cumulative impact of these three factors on the Government Treasury in 1982 may be estimated at CFAF 140 billion, or 5.5 per cent of GDP.

3. In spite of these three factors, the 1982 Government deficit did not exceed the original target of 8.8 per cent of GDP, because Ivory Coast intensified its adjustment efforts. Taxes, consumer prices, and charges for public sector services were raised several times, while operating expenses were reduced. Public works and roads were mainly affected: a number of projects at an advanced stage of study were abandoned or postponed. However, it did not prove possible to reduce the payments arrears of the Government as rapidly as expected.

4. Reduction of the Government deficit was coupled with a restrictive credit policy. Ordinary and preferential discount rates were both increased by two points in March 1982. Expansion of ordinary credit was reduced, and the CFA franc effective exchange rate fell in the past two years. Taken together, these developments accomplished a substantial reduction in the current account deficit, but the price of this was a marked economic recession: GDP fell by about 3 per cent in real terms from 1980 to 1982.

5. As at September 30, 1982, all of the program's performance criteria had been met, and Ivory Coast had carried out all the purchases scheduled for the first two years under the extended facility. All performance criteria were also met at December 31, 1982, apart from the reduction in domestic government arrears, which was partly due to the shortfall in financial borrowing at the end of 1982. The Government requests a waiver of the performance criterion on payment arrears outstanding at end-December 1982.

6. Despite the austerity policy pursued during the past two years, the economic and financial situation continues to give rise to concern. Foreign public debt servicing, which had risen by 61 per cent from 1980 to 1982, will increase by 31 per cent in 1983 to reach CFAF 380 billion, or 13 per cent of GDP, excluding multinational enterprises. The Government is aware of the need to reduce the recourse to borrowing by stimulating public and private savings.

7. As foreign debt servicing will constitute a major constraint in the next few years, the Government has made every effort to improve debt service forecasting and to analyze the extent to which changes in interest rates and in exchange rates affect the debt. As for the debt administered by the Caisse Autonome d'Amortissement (CAA), information is now available regarding the drawings made as of December 31, 1982. The situation is less satisfactory as regards the debt which is guaranteed but not administered by the CAA, and the Government will promulgate before April 15, 1983 a decree designed to tighten the screening of requests for guarantees and improve the monitoring of drawings and administration of that debt.

8. An essential component of the financial program is mobilization of the profits of the Caisse de Stabilisation (CSSPPA) and government income from petroleum production. In 1983 the CSSPPA will pay CFAF 55 billion to the CAA at a rate of CFAF 5 billion per month beginning in February. This amount is based on conservative projections of coffee and cocoa prices; if these prove to be higher, the CSSPPA will pass on all additional income to the CAA and the Treasury. As taxes are already high in Ivory Coast, the fiscal effort will be mainly devoted to improving collections. New taxes will raise only CFAF 3 billion in 1983.

9. In order to decrease operating expenses and expenditure on transfers, the Government has taken a number of steps which should result in savings of some CFAF 36 billion, or 1.3 per cent of GDP, in 1983. The first of these relates to personnel expenditure. The estimated saving (CFAF 14 billion) will be effected by: striking from the payroll all personnel who are improperly included therein, the retirement of civil servants at the age of 55, freezing all financial gains resulting from promotions, reducing staffing under bilateral technical assistance and at the CNOU, and cutting the number of daily workers. An additional saving of approximately CFAF 15 billion will be made possible by changes in the civil service housing system.

10. Second, the number of scholarships will be sharply reduced in the coming academic year; this will result in an anticipated saving of only CFAF 1 billion in 1983 but of over CFAF 3 billion in 1984. In technical and higher education, the distribution of scholarships by area of study will be dependent on employment possibilities, allowing a better adaptation of the educational system to the needs of the economy, with the assistance of the Human Resources Commission. The results of these measures, and the changes in civil service employment figures, will be examined when the program is reviewed in July 1983.

11. Third, PALMINDUSTRIE's deficit will be eliminated by increasing the sale price for vegetable oils to local processors. For palm oil, the price will rise from some CFAF 120 per kilo at present to CFAF 175 in March 1983 and CFAF 195 in the following few months. The sale price for cotton seed to oil producers will be increased at the same rate. As a result of these increases, transfers should drop by about CFAF 5 billion in 1983.

12. The new refinery of the Société Ivoirienne de Raffinage (SIR) has increased the company's processing capacity to around 3.6 million tons, i.e., twice the needs of Ivory Coast and the area it supplies. If no profitable use can be found for such excess capacity, the old refinery could be shut down in order to reduce expenses. SIR's annual deficit is estimated at CFAF 30 billion, largely due to its medium-term debt service. The deficit is now covered by transfers from a compensatory fund. SIR has been advised that such transfers will be eliminated in 1985, at which time it should have a balanced budget.

13. A program is in progress to restructure six other public sector enterprises (RAN, SODESUCRE, SATMACI, MOTORAGRI, SODEPRA, and SODEFOR) with technical assistance from the World Bank (under structural adjustment lending and public sector enterprise loans) and the Caisse Centrale de Coopération Economique (CCCE). During the July review the authorities will examine, together with Fund staff, the measures they expect to adopt to increase the profitability of these enterprises and the steps they expect to take as regards SIR.

14. The program calls for stabilization of public investment in 1983, following the severe contraction in the preceding two years. In order to keep capital expenditure in balance, the authorities have been compelled to postpone a large number of major projects to which they attached great importance.

15. In order to balance the government deficit, Ivory Coast borrowed CFAF 100 billion in 1981 and CFAF 125 billion in 1982 on the international capital market. In 1983 the authorities do not expect to resort to any nonproject borrowings before consulting the Fund during the July 1983 review; they feel free, however, to make use of the entire equivalent of currency purchased from the International Monetary Fund under the extended

facility. If amounts blocked in respect of purchases made in 1982 are taken into account, this would enable Ivory Coast to make use of about CFAF 100 billion. Consequently, external borrowing, which rose from CFAF 280 billion in 1981 to over CFAF 400 billion in 1982, is expected to fall below CFAF 300 billion in 1983.

16. The gross domestic product (GDP), which remained stable in 1981 and fell by nearly 2 per cent in 1982, might increase by a little more than 3 per cent in 1983, or at a rate slightly lower than the population increase. The inflation rate is expected to fall from 12 per cent in 1982 to 8.5 per cent in 1983; the GDP growth rate in current CFA francs should rise from 10 per cent in 1982 to 12 per cent in 1983.

17. The program is intended to keep ordinary credit expansion to 10.8 per cent in 1983. Given the government deficit and the way it is financed, the overall balance of payments deficit should be around CFAF 142 billion in 1983. This represents some CFAF 98 billion more than in 1982 due to the reduction in foreign borrowing and, particularly, the elimination of nonproject borrowing. On the other hand, substantial improvement is expected on current account, reducing the deficit under that heading from 13.7 per cent of GDP in 1982 to 11.1 per cent of GDP in 1983. This reduction would be even larger if account were taken of the imports of goods and services relating to petroleum exploration by non-Ivorian companies. Since these imports are paid for by foreign companies--and thus not a present or future burden on the Ivorian economy--they should be deducted from the deficit on current account if the latter is to be taken as an indicator of the country's future external debt burden. Net of these imports, the deficit on current account was less than 12 per cent of GDP in 1982 and will be less than 10 per cent of GDP in 1983, approximately the targets originally set in respect of these two years under the extended facility.

18. Export proceeds in 1984 and 1985 will depend largely on the coffee and cocoa price situation. As regards petroleum, recent exploration shows there is a chance commercially exploitable new fields may be found, although output is unlikely to increase substantially before 1986. It would be more prudent, therefore, to project only a moderate increase in export proceeds in 1984 and 1985. Given borrowing possibilities under adjustment loans from the World Bank and the Caisse Centrale de Coopération Economique, and with limited recourse to the international market, the program envisages an increase in foreign borrowing sufficient to maintain public investment in real terms. As the Soubré Dam (a high priority investment) will account for about 15 per cent of overall investment in 1984 and 1985, it will be necessary, therefore, to exercise great caution in committing expenditure for roads and other public works.

19. The performance criteria proposed for 1983 are shown in the attached table. A new performance criterion has been added as compared with the previous two years: it concerns foreign borrowings for terms of 1 to 12 years by multinational corporations (Air Afrique, CIMAO, the Conseil

Ivory Coast: Performance Criteria, 1983

	1982	1983			
	End-December	End-March	End-June	End-Sept.	End-Dec.
	Actual outturn	Ceilings			
		(In billions of CFA francs)			
Net domestic assets (excluding coffee adjustment 1/	955	998	999	1,023	1,130
Net claims on the public sector 2/	120	191	216	230	234
Net payments arrears outstanding 3/	67	53	41	29	0
		(In millions of SDRs)			
Contracting of foreign public debt 4/					
1-12 years	480	140	140	140	140
1-5 years	0	0	0	0	0
		(In millions of US dollars)			
Nonresident multinational companies with Ivorian government guarantee 5/					
1-12 years	...	68	68	68	68

1/ The adjustment formula was described in paragraph 12 of my letter of February 6, 1982.

2/ Including drawings on the banking system by borrowers outside the public sector under government guarantee granted since January 1, 1982.

3/ New definition; on the basis of the old definition, the outturn at the end of December 1982 was CFAF 42 billion.

4/ Administered and nonadministered debt, excluding Air Afrique, CIMAO, and the Conseil de l'Entente.

5/ Air Afrique, CIMAO, and the Conseil de l'Entente.

de l'Entente), when these are guaranteed by the Ivorian Government. There is a US$68 million ceiling in 1983 for the purchase by Air Afrique of the first of two Airbuses, one of which is for delivery in 1983, the other in 1984. Satisfactory understanding with the Fund on any adjustment in performance criteria during the course of the mid-term review will also be treated as a performance criterion. The review will cover the investment program for 1984, the interest rate policy, the targets for recruitment in civil service employment and higher education, and the measures for the restructuring of public enterprises, in particular the "Société Ivoirienne de Raffinage (SIR)".

20. The Government considers that the policies described above will make it possible to meet the goals of the financial program proposed for 1983, and it undertakes to take, if need be, additional steps in the course of the year in order to achieve these goals. The authorities will keep in touch with you in order to ensure implementation of the program and will provide Fund staff with the necessary information for monitoring the program. The authorities will review the program at mid-year and consult the Fund if necessary in accordance with Fund practice in this area.

Sincerely yours,

Abdoulaye Koné
Minister of Economy and Finance

Mr. Jacques de Larosière
Managing Director
International Monetary Fund
Washington, D.C. 20431

Abidjan, May 11, 1983

Dear Mr. de Larosière:

As you know, the Ivorian Parliament has approved a law to transfer the political and addministrative capital from Abidjan to Yamoussoukro. No deterioration of government finances will result from this decision. The performance criteria and the objectives of the 1983 program as described in my letter of March 1, 1983 remain unchanged.

In 1984 and 1985 the Government intends to pursue its efforts to reduce the public finance and the current account deficits. The same priority will be given to productive investments with a view to stabilizing as quickly as possible the ratio between foreign public debt service and the value of export receipts for goods and services.

I would appreciate your informing the Board of the contents of this letter.

Sincerely yours,

Abdoulaye Koné
Ministry of Economy and Finance

Ivory Coast: Relations with the Fund
(As of March 31, 1983)

Date of membership	March 11, 1963
Quota	SDR 114 million (proposed new quota under Eighth General review: SDR 165.5 million)
Fund holdings of local currency	SDR 587.09 million, or 514.99 per cent of quota, of which SDR 114 million (100 per cent of quota) were under the CFF, SDR 159.59 million (139.99 per cent of quota) under the EFF, and SDR 171.00 million (150 per cent of quota) under the SFF.
Holdings of SDRs	SDR 0.00 million, or 0.00 per cent of net cumulative allocation of SDR 37.83 million
Trust Fund loan disbursements (first and second periods)	SDR 50.82 million
Direct distribution of profits from gold sales (July 1, 1976-July 31, 1980)	US$8.26 million
Gold distribution (four distributions)	44,483.056 fine ounces

Staff contacts since beginning of EFF:

1980 Article IV consultation	October 15-November 18, 1980 and January 4-14, 1981. Executive Board discussion February 27, 1981 (EBM/81/29).
1981 Mid-year review	June 16-27, 1981. Executive Board discussion September 16, 1981 (EBM/81/127).
1981 Article IV consultation	November 16-December 5, 1981 and February 1-2 and 5-6, 1982. Executive Board discussion June 11, 1982 (EBM/82/82).
1982 Mid-year review	June 28-July 10, 1982 and July 19-20 1982. Executive Board discussion September 27, 1982 (EBM/82/127).

After the last Article IV consultation the following decision was adopted by the Executive Board:

1. The Fund takes this decision in concluding the 1981 Article XIV consultation with Ivory Coast, in light of the 1981 Article IV consultation with Ivory Coast conducted under Decision No. 5392-(77/63), adopted April 29, 1977 ("Surveillance over Exchange Rate Policies").

2. The Fund notes with satisfaction that Ivory Coast continues to maintain an exchange rate system which is free of restrictions on payments and transfers for current international transactions.

Ivory Coast: Relations with the World Bank Group
(As of January 31, 1983)

Lending operations 1/ (In millions of U.S. dollars)

	IBRD and IDA		IFC loans and equity participations		Grand total
	Total commitments	Of which undisbursed	Total commitments	Of which undisbursed	
Structural adjustment and technical assistance	166.0	(15.8)	--	(--)	166.0
Agriculture and forestry	172.2	(32.9)	--	(--)	172.2
Power, industry, and tourism	187.0	(134.4)	11.0	--	198.0
Transport and telecommunications	247.1	(96.7)	--	(--)	247.1
Urban development and education	238.2	(135.7)	--	(--)	238.2
Total	1,010.5	415.5	11.0	--	1,021.5
Less repaid or sold					51.2
Total outstanding					970.3
Held by IBRD					951.8
IDA					7.5
IFC					11.0

Source: World Bank.

1/ Less cancellations.

Table I. Ivory Coast: Basic Data, 1978-83

Area, population, and GDP per capita

Area	322,463 sq. km
Resident population:	
Total (1982)	8.98 million
Growth rate (1982)	4.3 per cent
GDP per capita (1982)	SDR 766

	1978	1979 Prov.	1980 Est.	1981 Est.	1982 Est.	1983 Prog.
Gross domestic product (in current prices)			(In billions of CFA francs)			
Total	1,783.0	1,944.8	2,234.2	2,294.9	2,529.6	2,827.8
			(In per cent of GDP)			
Primary sector	25.6	27.2	25.9	28.2	27.7	28.6
Secondary sector	19.9	20.8	23.3	22.7	21.9	21.4
Tertiary sector	54.5	52.0	50.8	49.1	50.4	50.0
Consumption	71.1	75.1	77.8	81.5	82.1	79.7
Investment	29.8	27.1	27.1	25.3	23.5	23.0
Resource balance	-0.9	-3.0	-6.2	-8.8	-6.4	-2.7
Gross domestic savings	28.9	24.9	22.2	18.5	17.9	20.3
			(Annual change in per cent)			
Annual growth rate						
Nominal GDP	15.8	9.1	14.9	2.7	10.2	11.8
Real GDP	9.9	2.0	6.3	-1.3	-1.8	3.0
Real domestic income 1/	5.1	-2.4	-0.3	-7.7	-3.3	1.9
Prices						
Implicit GDP deflator	5.4	7.0	8.1	4.0	12.3	8.5
Domestic consumption deflator	10.8	11.9	11.2	10.0	12.0	9.0
Export prices	-12.2	8.9	-2.0	0.5	10.6	6.5
Import prices	3.7	11.0	14.6	17.2	13.0	9.0
Terms of trade	-15.3	-1.9	-14.5	-14.2	-2.1	-2.3
Public sector finance			(In billions of CFA francs)			
Revenue and grants	607	641	619	638	688	806
Expenditure and net lending	756	843	904	842	909	982
Of which: current expenditure	(348)	(423)	(474)	(545)	(639)	(717)
Overall deficit (-)	-149	-202	-285	-204	-221	-176
Foreign financing (net)	157	135	176	151	284	129
Domestic financing (net)	-8	67	109	53	-63	47
Of which: banking system	(5)	(56)	(116)	(103)	(23)	(114)

Table I. Ivory Coast: Basic Data (continued)

	1978	1979 Prov.	1980 Est.	1981 Est.	1982 Est.	1983 Prog.
Public sector finance (continued)			(In per cent of GDP)			
Revenue and grants	34.0	33.0	27.7	27.8	27.2	28.5
Current expenditure	19.5	21.8	21.2	23.8	25.3	25.4
Capital expenditure and net lending	22.9	21.6	19.2	12.9	10.7	9.4
Overall deficit (-)	-8.3	-10.4	-12.8	-8.9	-8.8	-6.2
Money and credit		(In billions of CFA francs; end of period)				
Net foreign assets	44.98	-36.79	-208.89	-349.46	-382.7	-525
Net domestic assets 2/	381.84	535.50	754.58	940.43	1,004.7	1,186
Net claims on public sector 3/	-179.32	-122.92	-6.61	96.68	119.9	234
Net claims on private sector	561.16	658.42	761.19	843.75	884.8	952
Ordinary credit	(477.48)	(567.47)	(635.07)	(656.54)	(712.3)	(789)
Crop credit	(83.68)	(90.95)	(126.12)	(187.21)	(172.5)	(163)
Private money and quasi-money 4/	422.79	492.54	537.51	579.06	609.0	648
In per cent of GDP	(23.7)	(25.3)	(24.1)	(25.2)	(24.1)	(22.9)
			(Annual change in per cent)			
Net domestic assets 2/	26.3	40.2	40.9	24.6	6.8	18.0
Of which: private sector	(15.3)	(17.3)	(15.6)	(10.8)	(4.9)	(7.6)
Of which: ordinary credit	(23.9)	(18.8)	(11.9)	(3.4)	(8.5)	(10.8)
Private money and quasi-money 4/	26.6	16.5	9.1	7.7	5.2	6.4
Balance of payments			(In millions of SDRs)			
Exports, f.o.b.	2,089.6	2,108.9	2,389.0	2,325.2	2,238.7	2,306.2
Of which: coffee	(608.9)	(605.8)	(513.4)	(392.9)	(439.5)	(476.4)
cocoa	(885.0)	(422.8)	(717.8)	(825.2)	(673.8)	(660.2)
timber	(316.0)	(310.0)	(355.2)	(254.0)	(236.2)	(225.1)
Imports, f.o.b.	-1,633.3	-1,730.5	-1,999.9	-1,757.1	-1,593.9	-1,549.7
Trade balance	456.3	378.4	389.1	568.1	644.8	756.5
Services (net)	-750.8	-988.6	-1,210.8	-1,129.8	-1,182.4	-1,196.3
Transfers (net)	-333.5	-415.5	-480.0	-468.1	-411.5	-382.1
Current account	-628.0	-1,025.7	-1,301.1	-1,029.8	-949.1	-821.9
Nonmonetary capital	735.2	597.4	738.1	539.9	866.9	447.6
Public	611.3	539.2	654.5	446.3	746.2	322.0
Private	123.9	58.2	83.6	93.6	120.7	125.6
Monetary capital	36.1	256.5)				
Errors and omissions (net)	-36.8	-85.0)	65.4	28.0	-52.1	--
Allocation of SDRs	--	7.9	7.9	12.5	--	--
Overall surplus/deficit	106.5	-248.9	-489.7	-449.4	-134.3	-371.7

Table I. Ivory Coast: Basic Data (concluded)

	1978	1979 Prov.	1980 Est.	1981 Est.	1982 Est.	1983 Prog.
Balance of payments (continued)			(In per cent of GDP)			
Exports, f.o.b.	33.1	29.8	29.4	32.5	32.2	31.1
Imports, f.o.b.	-25.9	-24.4	-24.6	-24.5	-23.0	-21.0
Current account balance	-9.9	-14.5	-16.0	-14.4	-13.7	-11.1
Gross official foreign reserves			(In millions of SDRs; end of period)			
Central Bank	343.9	111.6	15.5	7.0	0.9	...
Caisse Autonome d'Amortissement	22.5	6.9	4.5	8.3	2.3	...
Total	366.4	118.5	20.0	15.3	3.2	...
Public and publicly guaranteed external debt 5/			(In millions of U.S. dollars)			
Disbursed outstanding (end of period)						
Including Fund	2,918.6	3,792.0	4,390.6	5,004.5	5,097.4	5,289.1
In per cent of GDP	(34.2)	(39.2)	(43.2)	(62.7)	(67.8)	(67.3)
Fund debt 6/	...	...	...	376.3	544.1	711.5
Repayments of principal 7/	244.2	317.8	547.0	515.9	444.1	511.0
Interest payments	171.1	250.0	350.7	398.5	544.1	621.6
Of which: Fund charges	1.1	0.04	--	5.3	29.6	48.7
Debt service ratio	13.5	17.1	24.5	28.3	33.7	38.6
Exchange rates			(In CFA francs per SDR)			
End of period	272.28	264.78	287.99	334.52	370.92	...
Period average	282.50	274.84	275.02	320.41	362.80	382.00
			(In CFA francs per U.S. dollar)			
End of period	209.00	201.00	225.80	287.40	336.25	...
Period average	225.44	212.72	211.30	271.73	328.62	360.00

1/ Real GDP adjusted for terms of trade.
2/ Domestic credit (new series) less medium- and long-term external liabilities of the banks, deposits of EPICs and SODEs, and other items (net).
3/ Including drawings by nonpublic sector enterprises on credits guaranteed by the Government since January 1, 1982.
4/ Money and quasi-money less bank deposits of EPICs and SODEs.
5/ Including servicing of borrowings by nonresident multinational entities under Ivorian government guarantee.
6/ Excluding Trust Fund loan of SDR 50.8 billion.
7/ There are no scheduled repurchases from the Fund before 1984.

Table II. Ivory Coast: Execution of the Financial Program--Selected Economic and Financial Indicators, 1980-83

	1980	1981			1982			1983	
	Prov. outturn	Orig.1/ prog.	Modif.2/ prog.	Est. outturn	Orig.1/ prog.	Rev. 3/ prog.	Est. outturn	Orig.1/ prog.	Rev. prog.
					(Annual per cent changes)				
National income & prices									
GDP at constant prices	6.3	1.5	-1.5	-1.3	3.0	3.0	-1.8	6.0	3.0
GDP deflator	8.1	7.3	10.7	4.0	9.0	10.7	12.2	9.0	8.5
Consumer prices	14.6	...	...	8.9	...	...	4.5	...	...
External sector									
Exports, f.o.b. 4/	3.5	3.3	-10.2	-2.7	20.0	13.4	-3.7	21.0	3.0
Imports, f.o.b. 4/	4.6	4.3	-4.1	-12.1	7.2	6.6	-9.0	8.0	-2.8
Export volume	7.7	4.1	...	12.4	...	10.4	-1.7	...	-0.1
Import volume	-8.2	-4.5	...	-14.6	...	0.5	-9.9	...	-7.1
Terms of trade	-14.5	-9.0	-15.0	-14.2	2.0	-3.2	-2.1	5.0	-2.3
Nominal effective exchange rate	0.6	...	...	-7.7	...	...	-6.2	...	...
Real effective exchange rate	2.8	...	...	-9.6	...	...	-10.3	...	...
Public finance									
Revenue (excl. grants)	-4.0	10.5	6.1	3.0	21.1	20.9	7.5	21.0	16.9
Total expenditure	7.2	-1.2	3.2	-6.8	11.9	8.3	8.0	12.5	8.0
				(Annual change as per cent of private broad money at beginning of period)					
Money and credit									
Net domestic assets	44.5	30.4	42.3	34.6	...	28.9	11.1	...	29.8
Of which: public sector	23.6	17.2	20.2	19.2	...	3.5	4.0	...	18.7
Private money and quasi-money	9.1	9.0	11.9	7.7	...	12.0	5.2	...	6.4
Velocity (ratio)	4.34	4.06	4.27	4.11	...	4.20	4.25	...	4.5
Interest rate 5/	8.5	8.5	8.5	8.5	...	10.5	10.5	...	9.5
					(In per cent of GDP)				
Overall public sector deficit 6/	12.7	10.8	12.5	8.9	8.5	8.8	8.8	6.2	6.2
Public sector savings 6/	6.5	3.8	2.0	4.0	6.2	3.0	1.9	8.8	3.1
Domestic bank financing	5.2	4.0	4.5	4.5	0.8	0.7	0.9	0.4	4.0
Foreign financing	7.9	8.3	9.5	6.6	7.8	9.0	11.2	5.8	4.6
Gross domestic investment 7/	26.2	26.4	...	21.8	26.0	22.0	20.1	25.5	17.9
Gross national savings 8/	11.1	10.1	...	8.3	13.3	9.6	9.3	16.4	8.5
Current account deficit									
incl. grants	16.0	15.5	18.4	14.4	11.8	15.6	13.6	8.3	11.1
excl. grants	15.9	15.7	18.6	14.4	12.0	15.8	13.6	8.5	11.1
External debt outstanding									
(including Fund credit)	43.2	46.6	...	62.7	49.8	50.2	67.8	49.0	67.3
(excluding Fund credit)	43.2	...	...	57.9	...	...	60.5	...	58.3
Debt service ratio (per cent of exported goods and services) 9/	24.5	29.2	35.0	28.3	25.3	32.9	33.7	23.7	38.6
Of which: interest	9.6	13.5	...	12.3	12.5	17.2	18.7	11.4	21.2
					(In millions of SDRs)				
Overall balance of payments	-489.7	-357.1	-440.1	-449.4	-153.6	-345.4	-134.3	-28.6	-371.7
Gross official reserves (months of imports)	0.5	...	..	0.3	...	...	...	...	...

Sources: Data provided by the Ivorian authorities; and staff estimates and projections.

1/ EBS/81/34.
2/ EBS/81/188.
3/ EBS/82/74; monetary objectives as modified at mid-term review, EBS/82/172.
4/ In SDRs.
5/ Minimum rate on over 1 year time deposit of more than CFAF 2 million.
6/ Including small amounts of cash grants, excluding technical assistance and grants in kind, on which data are not available.
7/ Gross fixed investment excluding the crude oil sector.
8/ Excludes stockbuilding and the crude oil sector.
9/ Includes Fund charges. There are no scheduled repurchases until 1984.

Table III. Ivory Coast: Payments Arrears, 1980-82

(In billions of CFA francs)

	Position at end-Dec 1980	Net reduction in 1981	Position at end-Dec. 1981	Net reduction in 1982	Position at end-Dec. 1982
I. BGF	10.9	1.3	9.6	-0.1	9.7
II. BSIE - Treasury	13.6	1.3	12.3	8.1	4.2
III. Government vis-à-vis parapublic entities	65.5	23.5	42.0	30.2	11.8
IV. CSSPPA	51.6	12.8	38.8	22.9	15.9
	141.6	38.9	102.7	61.1	41.6
Previously unrecorded arrears and new payment delays	...	...	9.1	-16.0	25.1
			111.8	45.1	66.7

Source: Ministère de l'Economie et des Finances.

Table IV. Ivory Coast: Financial Operations of the Agricultural Stabilization Fund (CSSPPA), 1980-87

	1980	1981	1982	1983	1984	1985	1986	1987
				Projections				
Volume of exports				(In thousands of tons)				
Coffee	212	238	274	270	275	281	287	293
Cocoa	420	470	415	430	433	452	464	472
Price of exports				(In CFA francs per kg)				
Coffee								
(1) Price c.i.f.	723	580	642	733	789	822	888	962
(2) Insurance and freight	56	55	58	60	62	64	66	68
(3) Price, f.o.b. (1)-(2)	667	525	584	673	727	758	822	894
(4) Cost	416	421	508	500	530	557	584	614
(5) Profit (3)-(4)	251	104	76	173	197	201	238	280
Cocoa	420	470	415	430	433	452	464	472
(1) Price c.i.f.	529	491	574	609	644	688	715	759
(2) Insurance and freight	47	47	51	51	51	52	53	54
(3) Price, f.o.b (1)-(2)	482	444	523	558	593	636	662	705
(4) Cost	394	403	423	428	432	454	477	501
(5) Profit (3)-(4)	88	41	100	130	161	182	185	204
Gross results of stabilization				(In billions of CFA francs)				
Coffee	53	25	21	47	54	57	68	82
Cocoa	37	19	41	56	70	82	86	96
Sugar	--	--	--	-11	-11	-11	-11	-11
Cotton	-2	1	--	2	--	--	--	--
Oil seeds	3	-3	--	1	--	--	--	--
Paddy	--	--	--	-3	-3	-3	-3	-3
Total	91	42	62	92	110	125	140	164
Other costs	-5	-12	--	--	--	--	--	--
Net results of stabilization	86	30	62	92	110	125	140	164

Sources: CSSPPA; and staff projections.

Table V. Ivory Coast: Operations of Selected Public Enterprises, 1982/83 1/

(In millions of CFA francs)

	Air Ivoire	Caisse de Péréquation 2/	OPT 2/	PALM-INDUSTRIE	PETROCI	SODEFEL 2/	SODESUCRE	SOGEFIHA 2/	Total
Needs									
Operating deficit	400	6,600	--	--	--	1,189	--	--	8,100
Interest payments									
External	--	--	2,907	1,407	1,061	189	17,876	2,530	25,970
Domestic	--	--	1,097	1,741	1,954	47	8	2,445	7,292
Amortization payments									
External	--	--	1,034	2,440	482	564	21,131	7,672	33,323
Domestic	--	--	3,574	1,806	903	--	60	1,533	7,876
Investment	--	31	9,513	3,433	16,301	816	5,056	639	35,789
Increase in working capital	--	--	3,000	--	100	132	--	--	3,232
Total needs = Resources	400	6,631	21,125	10,827	20,801	2,937	44,131	14,819	121,671
Resources									
Operating profits	--	--	10,678	5,000	3,651	--	3,929 3/	4,184	27,442
Transfers from:									
BGF	400	--	--	--	--	--	--	--	400
BSIE	--	--	--	--	--	86	--	7,237	7,323
CAA	--	--	3,000	3,283	3,800	2,701	40,202	3,000	55,986
CSSPPA	--	--	--	2,044	--	--	--	--	2,044
Other	--	6,600 4/	--	500 5/	2,300 6/	150 7/	--	--	9,550
Borrowing									
External	--	--	7,447	--	11,050	--	--	--	18,497
Domestic	--	--	--	--	--	--	--	--	--
Reduction in working capital	--	31	--	--	--	--	--	398	429

Source: Ministère de l'Economie et des Finances, Direction des Participations.

1/ October 1 to September 30.
2/ Data for calendar 1983.
3/ After CFAF 10.8 billion of support by the CSSPPA.
4/ Taxe de Péréquation.
5/ Oil palm fund (FER).
6/ Petroleum Fund.
7/ Tax on tomato concentrate.

Table VI. Ivory Coast: Consolidated Operations of Selected Public Enterprises, 1980-83 1/

(In billions of CFA francs)

	1980	1981	1982	1983
(A) Net operating profits (before debt servicing)	15.2	3.6	7.7	17.0
(B) Interest	26.5	26.6	36.8	33.3
External	(26.5)	(26.6)	(29.9)	(26.0)
Domestic	(...)	(...)	(...)	(...)
(C) Debt amortization	30.2	44.1	49.6	41.2
External	(30.2)	(44.1)	(39.2)	(33.3)
Domestic	(...)	(...)	(10.4)	(7.9)
(D) Net operating profits (A)-(B)-(C) (after debt servicing; losses -)	-41.5	-67.1	-78.7	-57.5
(E) Investment	44.0	38.4	57.6	35.9
(F) Gross financing needs (-) (D)-(E)	-85.5	-105.5	-136.3	-93.4
(G) Net financing needs (-) (F)+(C)	-55.3	-61.4	-86.7	-52.2
Financing				
Gross external borrowing	33.8	11.7	25.0	18.5
(Net external borrowing)	(3.6)	(-32.4)	(-14.2)	(-14.8)
Gross domestic borrowing	--	11.8	11.1	--
(Net domestic borrowing)	(...)	(11.8)	(0.7)	(-7.9)
Other receipts	--	--	1.0	0.2
Variation in working capital (increase -)	-3.2	11.4	-6.5	-2.1
Transfers from Central Government	54.9	69.8	105.7	76.8

1/ Years ending September 30.

Table VII. Ivory Coast: Public Investment Reconciliation, 1980-83

(In billions of CFA francs)

	1980	1981	1982 Est.	1983 Proj.
Gross investment				
Loi-Programme:				
Physical execution	395.7	289.5	239.2	260.0
Capital participations	2.3	3.6	5.6	6.8
Less: Selected public enterprises 1/	-0.1	--	--	-4.5
Current transfers	58.4	75.5	66.2	58.3
Less: Selected public enterprises 1/	-42.5	-63.0	-58.4	-48.4
Hors Loi-Programme:				
Air Ivoire	--	0.3	0.2	--
CNPS	--	--	1.7	7.5
PETROCI	5.4	9.2	32.0	16.3
SIR	45.3	48.3	35.9	17.9
Other operations	--	--	--	24.3
Total gross investment	464.5	363.4	322.4	338.2
Excluding deferrals in 1983				332.0
Self-financing				
Loi-Programme:				
Enterprise self-financing	19.1	36.8	26.7	31.3
Less: Selected public enterprises 1/	-6.7	-5.8	-3.5	-2.9
Hors Loi-Programme: SIR	11.6	18.6	7.6	4.7
Total self-financing	24.0	49.6	30.8	33.1
Amortization of on-lending				
CAA on-lending 2/	5.6	16.5	21.8	24.2
Guaranteed debt	37.2	46.9	40.6	45.2
CSSPPA: SITRAM	0.7	1.0	1.3	1.7
Less: Earmarked funds	-2.5	-3.1	-3.1	-4.1
Selected public enterprises 1/	-30.2	-44.1	-39.2	-33.3
Total net amortization	10.8	17.2	21.4	33.7
Total public investment and net lending	429.7	296.6	270.2	271.4
Excluding deferrals in 1983				265.0
Grants	3.3	3.5	6.5	10.4

Sources: Ministère de l'Economie et des Finances; and staff estimates.

1/ Air Ivoire, Caisse de Péréquation, OCPA, OPT, PALMINDUSTRIE, PETROCI, SODEFEL, SODESUCRE, SOGEFIHA.
2/ Dette repercutée et consolidée.

Table VIII. Ivory Coast: Volume, Unit Price, and Value of Principal Exports, 1980-83

	1980	1981		1982		1983	
	Prov.	Orig. prog.	Est.	Orig. prog.	Rev.	Orig. prog.	Proj.
Coffee							
Volume ('000 metric tons)	212.0	255.0	239.0	285.0	273.0	270.0	270.0
Unit price (CFAF/kg)	666.0	608.0	527.0	566.0	587.0	800.0	673.5
Value (CFAF billion)	141.2	155.2	125.9	161.3	160.2	216.0	182.0
Cocoa beans							
Volume ('000 metric tons)	331.0	330.0	470.0	429.0	365.0	261.0	350.0
Unit price (CFAF/kg)	481.25	541.0	470.0	563.0	525.0	650.0	558.0
Value (CFAF billion)	159.3	178.6	220.9	241.7	191.6	169.7	195.3
Cocoa products							
Volume ('000 metric tons)	46.3	70.0	62.2	105.0	63.5	130.0	64.0
Unit price (CFAF/kg)	698.9	857.0	700.0	1,040.0	850.0	1,220.0	889.0
Value (CFAF billion)	32.36	60.0	43.5	109.2	54.0	158.6	56.9
Timber							
Volume ('000 M^3)	3,064.7	3,124.0	2,200.0	2,520.0	2,100.0	2,310.0	2,000.0
Unit price ('000 CFAF/M^3)	32.1	38.3	37.0	44.0	41.0	47.2	43.0
Value (CFAF billion)	98.58	119.8	81.4	110.9	86.1	109.2	86.0
Refined petroleum (CFAF billion)	40.9	60.0	52.0	76.0	55.4	103.0	64.0
Other exports (CFAF billion)	184.8	101.4	221.3	111.0	268.7	223.0	296.8
Total (CFAF billion)	657.0	675.0	745.0	810.0	816.0	980.0	881.0

Sources: BCEAO; CSSPPA; and staff estimates.

Table IX. Ivory Coast: Debt Managed by the CAA, 1/
Debt Service Projections, 1983-87

(In billions of CFA francs)

	1983	1984	1985	1986	1987
A. Fixed interest debt					
Interest	38.56	34.81	31.03	27.76	24.56
Amortization	49.64	50.98	47.77	45.40	42.38
Total	88.20	85.79	78.80	73.16	66.94
B. Variable interest debt					
Interest 2/	100.37	84.92	72.64	60.42	47.33
Amortization	63.49	95.94	98.92	103.80	107.50
Total	163.86	180.86	171.56	164.22	154.83
C. Total debt service for managed debt					
Interest	138.93	119.73	103.67	88.18	71.89
Amortization	113.13	146.92	146.69	149.20	149.88
Total	252.06	266.65	250.36	237.38	221.77

Sources: CAA; and staff estimates.

1/ Debt disbursed and outstanding as of December 31, 1982.
2/ Assumes LIBOR and prime rate at 11 per cent for 1983 and 10 per cent for the period 1984 through 1987. French money market rates have been assumed at 13 per cent in 1983, dropping to 12 per cent in 1984 through 1987. Exchange rates stand at CFAF 360 per U.S. dollar and CFAF 382 per SDR.