FOR AGENDA

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CONFIDENTIAL

August 17, 2001

To: Members of the Executive Board

From: The Secretary

Subject: **Côte d'Ivoire—Staff Report for the 2001 Article IV Consultation and Staff-Monitored Program**

Attached for consideration by the Executive Directors is the staff report for the 2001 Article IV consultation with Côte d'Ivoire and staff-monitored program, which is tentatively scheduled for discussion on Friday, August 31, 2001. At the time of circulation of this paper to the Board, the Secretary's Department has received a communication from the authorities of Côte d'Ivoire indicating that they consent to the Fund's publication of this paper.

Questions may be referred to Mr. van Til (ext. 38386), Mr. Doré (ext. 34021), and Mr. Anne (ext. 35927).

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Monday, August 27, 2001; and to the African Development Bank, the European Commission, and the West African Economic and Monetary Union, following its consideration by the Executive Board.

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INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

Staff Report for the 2001 Article IV Consultation and Staff-Monitored Program

Prepared by the African Department

(In consultation with the Fiscal Affairs, Legal, Monetary and Exchange Affairs, Policy Development and Review, Statistics, and Treasurer's Departments)

Approved by A. Basu and Masood Ahmed

August 16, 2001

- Discussions for the 2001 Article IV consultation and a staff-monitored program were held in Abidjan during the period June 21–July 2, 2001.
- The Ivoirien representatives comprised Mr. N'Guessan, Prime Minister; Mr. Bouabré, Minister of Economy and Finance; Mr. Douaty, Minister of Agriculture; Mr. Monnet, Minister of Energy and Mines; Mr. Bakary, National Director of the Central Bank of West African States (BCEAO); and other senior government officials. The mission was received by President Gbagbo.
- The staff team comprised Mr. van Til (head), Mr. Sarr, Mr. Doré, Mr. Anne, and Ms. Jean-Baptiste (Administrative Assistant) (all AFR), and was assisted by Mr. Ewenczyk, the Fund's Resident Representative in Côte d'Ivoire. World Bank staff participated in some discussions on structural reforms and the PRSP process. Mr. Kpetigo, Assistant to the Executive Director for Côte d'Ivoire, participated in the policy discussions.
- Côte d'Ivoire's outstanding use of Fund resources was equivalent to SDR 415.66 million (127.8 percent of quota) at end-June 2001. Côte d'Ivoire accepted the obligations of Article VIII, Sections 2, 3, and 4, on June 1, 1996, and maintains an exchange system that is free of restrictions on payments and transfers for current international transactions.
- The authorities have agreed to the publication of the staff report, the letter of intent, and the memorandum of economic and financial policies.

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Acronyms

ARCC	Autorité de Régulation du Café et Cacao
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest
BCC	Bourse du Café et Cacao
CAA	Caisse Autonome d'Amortissement
CAISTAB	Caisse de Stabilisation et de Soutien des Prix des Productions Agricoles
CECP	Caisse d'Epargne et de Chèques Postaux
CIE	Compagnie Ivoirienne d'Electricité
CGRAE	Caisse Générale de Retraite des Agents de l'Etat
DENO	Dépenses Engagées et Non Ordonnancées
SIPE	Societé Ivoirienne des Postes et d'Epargne
SIR	Societé Ivoirienne de Raffinage
WAEMU	West African Economic and Monetary Union

Executive Summary

Recent developments

- **The sociopolitical tensions of the past 18 months appear to be easing.** But further progress toward national reconciliation is needed to secure social and political stability. Having found that the political conditions agreed upon with the Ivoirien authorities had only partially been met, the EU announced on June 25, 2001 that it would resume gradually financial assistance to Côte d'Ivoire with an immediate but limited disbursement. Further assistance would depend on a positive review of progress in meeting the remaining political conditions (possibly by September 2001), with the reestablishment of full financial cooperation after a positive final review (possibly by January 2002).

- **The economy continues to be buffeted by adverse external shocks and a fragile sociopolitical climate.** Real GDP contracted by 2½ percent in 2000, reflecting deterioration in the terms of trade, political uncertainty, and a severely weakened fiscal position. Average annual inflation remained subdued at 2½ percent.

- The external current account deficit (including grants) widened to 5½ percent of GDP in 2000 from 4 percent of GDP in 1999. This outcome, together with a deterioration in the capital and financial account, contributed to an overall balance of payment deficit equivalent to 6 percent of GDP, which was financed by the accumulation of external payment arrears.

- The public finance situation deteriorated significantly, with a substantial new accumulation of domestic and external payment arrears. The total stock of arrears and DENOs increased from the equivalent of 7 percent of GDP in 1999 to about 12 percent at end-2000.

- Little progress was made over the past 18 months in the implementation of key structural reforms, and the outstanding governance issues remained unresolved. In the coffee and cocoa sectors, new institutions were created, including a commodity stock exchange, Bourse du Café et du Cacao (BCC) in charge of carrying out technical, financial, and supervisory missions in the marketing of cocoa, and a new regulatory body, Autorité de Régulation du Café et du Cacao (ARCC).

- The medium-term outlook is a cause for concern. Even under the staff's preliminary baseline scenario, which is based on a resumption of external assistance starting in early 2002, real GDP growth would reach only 5 percent by 2004, which is still below Côte d'Ivoire's growth potential and barely adequate to begin addressing the problem of the country's rising poverty.

Issues stressed in the discussions on the staff-monitored program:

- **Attainment of the fiscal program targets hinges critically on the authorities' efforts to improve revenue performance and their putting in place rigorous expenditure controls**, while avoiding off-budget spending.
- **There is a need to address swiftly the deficit of the energy sector and contingent liabilities stemming from weaknesses in the public financial institutions** (CAA and CECP).
- **Steps should be taken to reinvigorate the structural reform program:** the study on the regulatory framework needed to achieve the privatization of the SIR needs to be completed, and the reforms envisaged in the coffee and cocoa sectors should remain consistent with the principles of the liberalized marketing arrangements in these sectors.
- The authorities should make every effort to normalize relations with their bilateral and multilateral external partners, so as to facilitate the resumption of budgetary and development assistance as soon as possible. At a minimum, they need to remain current on their debt-service obligations vis-à-vis the multilateral creditors, as currently envisaged in the budget.
- Implementing the actions agreed on with the authorities in the context of the staff-monitored program (SMP) is critical. The SMP could be developed into a PRGF-supported program after satisfactory performance under the SMP, and once donors have fully resumed their financial relations with Côte d'Ivoire.

Selected Economic and Financial Indicators, 1999–2004

	1999	2000	2001	2002	2003	2004
		Est.	Projections 1/			
	(Annual percentage change)					
Real GDP	1.6	-2.3	-1.0	3.7	4.5	5.0
Consumer price index (annual average)	0.7	2.5	4.0	3.6	3.4	3.1
Broad money	0.8	-0.9	1.8	5.1	5.3	5.7
	In percent of GDP					
Overall budget balance						
Including grants	-3.2	-1.4	-1.2	-1.2	-0.9	-0.6
Excluding grants	-3.8	-2.0	-1.7	-1.6	-1.3	-1.0
External current account balance (including grants)	-4.2	-5.4	-5.6	-4.8	-4.6	-3.8

Sources: Ivoirien authorities; and Fund staff estimates and projections.

1/ Assuming implementation of adjustment measures.

I. INTRODUCTION

1. **In the context of the 2001 Article IV consultation discussions,** the mission reached understandings on a staff-monitored program (SMP) for the period July–December 2001 that would enable the authorities to establish a track record of policy performance,[1] stabilize the macroeconomic situation, and pave the way for a program that could be supported under the Poverty Reduction and Growth Facility (PRGF) once financing assurances are in place. The letter of intent and the attached memorandum of economic and financial policies (MEFP) are contained in Appendix I.

2. Côte d'Ivoire is on the standard 12-month consultation cycle. In concluding the last Article IV consultation with Cote d'Ivoire on July 12, 2000, Executive Directors regretted that discussions on an SMP could not be concluded and urged the authorities to implement with determination and without delay all necessary measures to put the country on a medium-term adjustment path that could be supported by the PRGF and eventual debt relief under the enhanced Heavily Indebted Poor Countries Initiative (HIPC Initiative). In particular, they stressed the importance of securing a durable improvement in revenue collection, controlling spending effectively and avoiding off-budget outlays, speeding up the ongoing financial sector reform, accelerating the implementation of the poverty reduction action plan, and addressing the outstanding governance issues.

3. Côte d'Ivoire regularly provides the core minimum data to the Fund required for surveillance, but weaknesses remain in the quality of national accounts and balance of payments statistics. The authorities are aware of these problems and, with the help of Fund technical assistance, are addressing them within the framework of the GDDS.

4. The World Bank has suspended its lending operations to Côte d'Ivoire since October 2000, owing to external arrears in excess of 60 days. It has kept the country on a nonaccrual status since March 2001. Summaries of Côte d'Ivoire's relations with the Fund and the World Bank Group are presented in Appendices II and III, respectively. Statistical issues are described in Appendix IV, and medium-term projections are discussed in Appendix V.

II. BACKGROUND AND RECENT ECONOMIC DEVELOPMENTS

5. **The political and social tensions that accompanied the return to civilian rule have abated somewhat with the completion of the electoral cycle in March 2001.**[2] The

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[1] The three-year PRGF arrangement, which was approved on March 17, 1998, went off track after the first year.

[2] Presidential and legislative elections were held in October and December 2000, respectively, and municipal elections were held in March 2001.

dialogue among the main political parties has resumed, and a national reconciliation conference is scheduled to take place on September 7, 2001. Nonetheless, concerns remain about the human rights situation and the democratic process. Social peace is still fragile. The European Union (EU), which decided on June 25, 2001 to resume gradually its cooperation with Côte d'Ivoire, has indicated that it will review further progress in restoring social and political stability before full cooperation is resumed.[3]

6. **The economic situation deteriorated considerably in 2000.** After expanding by 5¾ percent in 1998 and 1½ percent in 1999, **real GDP is estimated to have contracted by about 2½ percent in 2000, reflecting a substantial worsening of the terms of trade, the lack of external financial assistance, and low business and consumer confidence** (Table 1 and Figure 1). Gross domestic investment fell from 16 percent of GDP in 1999 to 12½ percent of GDP, owing to the reticence of the private sector and very low public investment. In this setting, the secondary and tertiary sectors remained weak—industrial output dropped by 11 percent—but the primary sector continued to expand, because of abundant cocoa and coffee crops. The annual average consumer price index (CPI) rose by 2½ percent in 2000, up from 0.7 percent in 1999.

7. The external current account deficit (including grants) is estimated to have widened to 5½ percent of GDP in 2000 from 4⅓ percent in 1999, in part reflecting adverse terms of trade developments. The terms of trade worsened by some 13 percent, owing to a 70 percent increase in petroleum import prices, and a 26 percent and 34 percent decline in world prices of coffee and cocoa, respectively. The capital and financial account deficit widened somewhat on account of higher debt service and smaller official disbursements. The overall deficit of the balance of payments reached almost 6 percent of GDP in 2000, which was financed by an accumulation of external arrears. The nominal effective exchange rate depreciated by about 3 percent in 2000, reflecting the strengthening of the U.S. dollar against the euro. Taking into account inflation differentials, the real effective exchange rate also depreciated by 3 percent. The level of the real effective exchange rate is still 31 percent below its pre-1994 devaluation level (Figure 2).

8. **The fiscal situation became increasingly precarious in 2000**. Total revenue fell by 3 percent relative to 1999. With substantially lower-than-budgeted capital spending, however, the overall fiscal deficit (on a payment order basis and including grants) for 2000 was contained at about 1.4 percent of GDP (Table 2). The total stock of arrears and DENOs (spending committed for which payment orders have not been issued) increased from the equivalent of 7 percent of GDP at end-1999 to about 11.2 percent at end-2000. At end-December 2000, total nonreschedulable external arrears amounted to CFAF 222 billion (about 3.3 percent of GDP), including those to the World Bank (CFAF 47 billion), the

[3] A second review is tentatively scheduled for September 2001 and a possible final review for January 2002.

African Development Bank (CFAF 28 billion), and Paris Club creditors (CFAF 103 billion). Also, Côte d'Ivoire did not make its scheduled September payment of CFAF 21 billion on the Brady bonds.

Box 1. Côte d'Ivoire: The Financial Position of the Electricity and Petroleum Sectors

Electricity in Côte d'Ivoire is generated from gas, which is sold to the two electricity producers (CIPREL and AZITO). Under the terms of the gas production agreement, the gas produced has to be paid for by the state to help the investor recoup his initial investment in the sector. The electricity produced is sold to the distribution company, the CIE (*Compagnie Ivoirienne d'Eléctricité*), which exports about 25 percent of its production to the electricity company of Ghana, the VRA (Volta River Authority). The CIE is a state company under private management. Starting in 1999, the electricity sector began to accumulate large deficits, as the authorities did not adjust electricity tariffs in line with the increases in international oil and gas prices. The deficit for the sector as a whole is estimated at about CFAF 57 billion in 2000 (0.9 percent of GDP). The main options under consideration to address the accumulated deficit include a combination of tariff increase, some cost-cutting measures across the industry to reduce operating costs, and a settlement of all cross debts between the budget and the sector. Under the scenario envisaged by the authorities in 2001, an average tariff increase of 10 percent would help reduce the deficit by CFAF 6.6 billion (13 percent of the estimated deficit in 2001). Additional cost-cutting measures will be negotiated with operators in the sector. On a longer-term perspective, an audit of the CIE and an equilibrium tariff will be required to improve the efficiency of the sector and its contribution to the economic recovery in Côte d'Ivoire.

The petroleum sector in Côte d'Ivoire is state owned; it comprises SIR (*Societé Ivoirienne de Raffinage*), GESTOCI (oil storage facilities), and PETROCI (the investment arm of the government in the petroleum sector). Since 1999, the financial situation of SIR has deteriorated because of delays in adjusting domestic retail prices to the increases in international oil prices and the strengthening of the U.S. dollar. This situation continued until January 2001, when the accumulated deficit reached about CFAF 42 billion and threatened to interrupt the crude oil supply to the refinery. The authorities managed to mobilize about CFAF 12 billion, of which CFAF 8.6 billion from the petroleum royalties (*rédevance pétrolière* collected by PETROCI) and the balance from a short-term credit, and thus avoided a disruption in crude oil shipment.

The adjustment in domestic petroleum prices in February 2001 has helped to reverse the initial situation, and retail petroleum prices are now above international prices. The positive differential (an average of CFAF 3 billion a month since February) is now used to gradually reduce the SIR deficit. Under current conditions, the deficit of the SIR could be eliminated over a period of 18 months; this target, however, remains sensitive to the evolution of exchange rate and oil prices. The elimination of the deficit of SIR will facilitate its planned privatization, which is set to take place once a new legal environment (*cadre réglementaire*) for private sector activities in this sector has been enacted.

9. **Broad money declined by 1 percent in 2000, reflecting mainly a sharp decline in government credit** (Table 4). Credit to the private sector grew only moderately: short-term credits picked up toward the end of the year, associated with the trading of the cocoa crop, but medium-and long-term credits remained depressed on account of weak economic activity. To stem mounting inflationary pressures in the zone, the regional central bank (BCEAO)

raised its key intervention rates by 75 basis points in June 2000; the discount rate was raised to 6.5 percent and the repurchase rate to 6 percent.[4]

10. **The overall health of the financial system deteriorated somewhat in 2000.** With the decline in private bank deposits associated with the political turmoil and the continued weakness in economic activity, the overall quality of banks' loan portfolio deteriorated. The stock of nonperforming loans (before provisions) amounted to CFAF 262 billion at end-March 2001, equivalent to 22 percent of total claims and 4 percent of GDP. Out of 16 banks, 6, including one of the major institutions, did not meet the risk-adjusted capital adequacy ratio, which had been set at 8 percent by the West African Monetary Union (WAMU),[5] most banks did not meet the ratio of coverage of medium-and long-term lending, and none of the banks respected the norm on the portfolio structure ratio.[6] The Banking Commission of the WAMU recently put four institutions under close watch, requiring them to prepare quarterly reports on their financial situation.

11. **With respect to structural reforms, limited progress was made over the past year**. In the area of privatization, discussions with Air France on the takeover of Air Ivoire were not concluded, and there was no progress on the privatization of the state-owned refinery.[7] An action plan outlining the various options for restoring the long-term financial position of the pension fund for government employees (CGRAE) was prepared but has not yet been submitted to the government. The audit of the Caisse Autonome d'Amortissement (CAA) has yet to be completed, and the government has yet to make major strategic decisions regarding its future. As regards the situation of the postal savings agency (CECP) and the postal services (SIPE), a decree separating the two entities was signed on June 16, 2001;

[4] Safeguards assessment of external reserves is conducted at the regional level with the BCEAO.

[5] The new prudential arrangements, which were introduced in January 2000, will become binding in January 2002. In addition to the capital adequacy ratio, which was raised to 8 percent, the risk concentration ratio (which is the ratio of loans to a single borrower to the net equity of a given financial institution) was reduced from 100 percent to 75 percent.

[6] In the BCEAO zone, the portfolio structure ratio is defined as the proportion of total loans that could meet the BCEAO's refinancing conditions. The required minimum ratio is 60 percent of the total portfolio. The ratio of coverage of medium-and long-term lending consists of medium-and long-term resources in the numerator and total medium-and long-term loans in the denominator. The required minimum coverage is 75 percent.

[7] A call for bids launched by the Privatization Committee in September 2000 was cancelled by the government; the recommendations of the study on the liberalization of imports of petroleum products have yet to be implemented by the government.

however, a fundamental reform is needed to ensure the financial viability of the postal savings system.[8]

12. In **the cocoa and coffee sectors**, the measures that were supposed to accompany the liberalization process, notably the strengthening of producers' organizations and the rehabilitation of rural infrastructure, were not fully implemented. However, two new institutions were created in August 2000, (i) a privately owned institution in charge of carrying out technical, financial, and supervisory missions in the marketing of cocoa (BCC); and (ii) a public regulatory body (ARCC). On January 31, 2001, the authorities introduced a new parafiscal levy (CFAF 35 per kilogram on cocoa, and CFAF 10 per kilogram on coffee) to finance a development fund which is managed by the operators in the sectors.

13. **Public external debt**, which peaked at 155 percent of GDP in 1996, was estimated at CFAF 6,754 billion at end-2000, equivalent to 101 percent of GDP. The stock of external debt fell significantly after 1997, as Côte d'Ivoire benefited from debt cancellation by a number of bilateral and commercial creditors. The composition of public debt has remained largely unchanged since 1998, with 35 percent owed to multilateral creditors, 43 percent to bilaterals and 22 percent to other creditors, including London Club creditors. On March 7, 1998, the Executive Board decided that Côte d'Ivoire qualified for assistance under the HIPC Initiative, and that the completion point would be March 2001, predicated on an assessment by the Fund of successful implementation of the PRGF-supported program. Because of the interruption of the program, this completion point could not be reached. Staff will seek guidance from the Executive Board regarding the timing of the new decision point under the enhanced HIPC framework at the time of presentation of the request for a PRGF-supported program. Meanwhile, public external debt service is projected to reach CFAF 624 billion in 2001 (9.2 percent of GDP and 21.2 percent of exports of goods and nonfactor services) (Table 8).

14. **The stock of domestic debt was estimated at CFAF 1,158 billion at end-2000, equivalent to 17.4 percent of GDP** and down from 24.6 percent at end-1997 and 21.3 percent in 1998. More than half of the total stock of domestic debt is owed to the banking sector, and the remainder to the private nonbank sector. Domestic debt service due in 2001 is projected at CFAF 116 billion (1.7 percent of GDP).

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[8] The decision to separate the two entities was initially taken in 1998 to restore financial transparency in the sector and avoid a loss of confidence and possible run on postal deposits, as the SIPE had been using these deposits to cover its massive operating losses.

III. Report on the Discussions

15. Against the backdrop of serious slippages in program implementation in the past, the policy discussions focused on ways of halting the deterioration of the economic and financial situation and returning Côte d'Ivoire to a path of sustained growth. In light of this objective and concerns about the short-term financial prospects for the government, the authorities strongly expressed their desire to reach an early agreement on a Fund-supported program. They also acknowledged that a solid track record of policy implementation through an SMP would help encourage external partners to restore financial assistance and would be a prerequisite for negotiations on a PRGF-supported program.

A. Prospects for 2001 and the Staff-Monitored Program

16. **For 2001, the authorities did not expect a substantial upturn in economic activity as the prospective growth in manufacturing and services would not be sufficient to offset the negative growth in agriculture, following the bumper crops in 2000**. On the basis of selected economic indicators[9] for the first quarter, the staff projects a contraction of real GDP of about 1 percent in 2001. Consumer price inflation is projected to rise to 4 percent, reflecting increased transport costs and prices of traditional food staples, whose supply was disrupted earlier in the year because of excessive rainfall. The external current account deficit is expected to remain unchanged at 5½ percent of GDP in 2001, as export earnings are projected to remain weak and imports to recover only marginally. The capital account is expected to narrow moderately, on account of large debt-service payments. The overall balance of payments deficit is projected at CFAF 400 billion (about 6 percent of GDP), which would be financed by an accumulation of arrears and a drawdown on official foreign reserves (Table 6).

17. Compared with the situation at end-2000, an improvement in the financial position of the government is projected in 2001, with the bulk of the improvement taking place in the second half of the year, which would be covered by the SMP (see table below).

[9] Trade data and electricity consumption point to weak demand while industrial production was declining through end-March 2001.

Côte d'Ivoire—Some Key Economic and Financial Indicators, 2000-01
(In billions of CFA francs, unless otherwise indicated)

	2000	2001	
		First half	Second half (SMP)
Fiscal deficit (percent of GDP) 1/	-1.4	-1.1	-1.2
Net credit to government 2/	545.0	569.0	482.0
Of which: central bank	501.0	508.0	442.0
Domestic arrears (-, reduction) 3/ 4/	50.5	-37.9	0
External arrears (-, reduction) 3/	189.8	122.0	40.0
Inflation (annual average, in percent)	2.5	4.8	3.2
Current account deficit (percent of GDP)	-5.4	...	-5.6

1/ Cumulative.
2/ Stock at end of period.
3/ Net changes in the stock from end of year.
4/ The reduction in domestic arrears in the first half of 2001 represents the settlement of payment orders issued in the previous fiscal year.

B. Fiscal Policy

18. The authorities stressed that the government's budget for 2001, which had been approved by the National Assembly on June 13, 2001, was designed to ensure that spending would be in line with available domestic cash resources. The overall fiscal deficit would be limited to CFAF 85 billion (1.2 percent of GDP). The extremely tight fiscal position has compelled the authorities to limit debt-service payments to CFAF 252 billion—out of total debt-service obligations of CFAF 624 billion—which would cover scheduled payments on multilateral debt.[10] The financing gap of CFAF 372 billion would result in a temporary accumulation of arrears on reschedulable bilateral external debt (CFAF 210 billion for the full year); in addition, external arrears on nonreschedulable debt already accumulated between January and June 2001 are estimated at CFAF 122 billion, and another CFAF 40 billion is expected in arrears accumulation on nonreschedulable debt during the second half of 2001. The staff urged the authorities to approach bilateral and private

[10] This figure comprises debt-service payments to the World Bank (CFAF 96.5 billion), the African Development Bank (CFAF 78.5 billion), the IMF (CFAF 42 billion), and other multilateral creditors (CFAF 35 billion).

creditors, including Brady bond holders, with a view to solving the problem of the arrears on nonreschedulable debt.

19. The staff shared the authorities' assessment that, with a firm control over spending during the remainder of the year, it would be feasible to achieve the deficit target. However, this would require strengthened budgetary procedures and strict avoidance of extrabudgetary spending. In this context, the authorities have requested a Fund technical assistance mission to assist in strengthening budget management.

20. **On the revenue side**, the authorities noted that a safety margin had been built into their revenue projections, as the approved budget included neither any possible external program grants nor the potential yield from strengthened revenue administration. The staff observed that available information for the first five months of 2001 showed continued weaknesses in revenue performance, particularly in customs and in nontax revenue. The authorities indicated that an action plan for strengthening customs administration had been drawn up and would be implemented soon. Regarding domestic taxes, a single value-added tax (VAT) rate of 20 percent was introduced on July 1, 2001. Furthermore, specific measures were taken to strengthen audit procedures and reduce exemptions, including the extension of the minimum five percent customs duty to all imports covered by the investment code. With these additional measures, the authorities were confident that they could reach the 2001 revenue target of 18.7 percent of GDP, notwithstanding the impact of the reduced export tax on cocoa.[11] However, they concurred with the staff that the substantial shortfall in nontax revenues observed during the first half of the year was worrisome and required urgent attention in the period ahead.

21. **On the expenditure side**, the government will keep total spending in 2001 within the budgetary ceiling of CFAF 1,384 billion (20½ percent of GDP) and reduce the stock of DENOs to CFAF 75 billion by years' end. Current primary expenditure will be limited to CFAF 870 billion (12.8 percent of GDP), which represents a 3 percent increase over the 2000 outcome. However, the wage bill is programmed to rise by almost 7 percent to CFAF 479 billion (7 percent of GDP and 44 percent of tax revenue), reflecting the salary increases granted to the teachers[12] and the planned new recruitment in the priority sectors of education, health, justice, and security. Investment expenditure, which was substantially

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[11] On July 8, 2001, the export tax on cocoa was reduced from CFAF 200 per kilogram to CFAF 160 per kilogram. It had been raised from CFAF 125 per kilogram to CFAF 200 per kilogram in March 2001.

[12] The salary increase for teachers reflected a commitment made by the previous government in May 2000 to equalize the salaries of teachers recruited after 1990 with those recruited before that year, thereby eliminating the disparity between two categories of teachers and providing an incentive for those teaching in remote areas.

pared back in 2000, is budgeted to rise by 24 percent in 2001 to support a recovery of domestic economic activity.

22. The authorities observed that the pace of expenditure commitment had been much slower during the first five months of the year, in part owing to the delay in adopting the 2001 budget. In order to counter a possible acceleration of spending for the remainder of the year, a tighter monitoring of expenditure commitments for all ministries will be conducted on a monthly basis, and all spending will be effected through the new computerized system (SIGFIP), so as to avoid off-budget outlays. The authorities assured the staff that extrabudgetary spending and the earmarking of revenue would be halted. To enforce this policy, the President will issue a circular letter to remind cabinet members that any agreement with financial implications for the government would require the signature of the Minister of Finance.

23. The staff emphasized the need not only to regain full control over the central government's budget, but also to address vigorously the financial problems of key public enterprises in the energy and financial sectors. The authorities reaffirmed their commitment to tackle these problems and, as a first step, agreed to raise electricity tariffs on average by 10 percent with effect from July 15, 2001. They stressed that cost-cutting measures were necessary and would be taken to ensure the financial viability of the electricity sector. They also expected to settle all cross debts and claims between the government and the electricity sector so as to achieve transparency in financial relations.

24. **In the social security system**, the authorities confirmed that major efforts would be needed to contain the structural deficit of the pension fund for government employees (CGRAE). They noted that, in order to ensure the financial viability of the fund, they had prepared a number of options for the rehabilitation of the CGRAE, taking into account the recommendations of the actuarial audit conducted in 1997.[13] This program was submitted for approval to the Council of Ministers on July 18, 2001 and will be discussed next with the parties involved (see MEFP, para. 20).

C. Monetary Developments and Financial Sector Reform

25. **Monetary policy, which is conducted at the regional level by the Central Bank of West African States (BCEAO), envisages a continued prudent course consistent with the peg of the CFA franc to the euro.** For 2001, broad money is projected to increase in line with nominal GDP growth. Net credit to the government is projected to decline significantly, because the repayment of consolidated bonds and the nonrecourse to the statutory advances of the central bank will help reduce central bank claims on the government. The staff

[13] These include raising premiums, increasing the retirement age, and broadening the contribution base.

inquired about the arrangement being contemplated for the full repayment by years' end of the existing stock of central advances as stipulated by the 1998 decisions of the Council of Ministers of the West African Economic and Monetary Union (WAEMU).[14] The authorities admitted that it would not be possible for Côte d'Ivoire, given its current cash-flow difficulties, to phase out its outstanding stock of central bank debt by end-2001. They mentioned that various options were being envisaged by the central bank, including the conversion of these advances into government bonds, that would subsequently be placed in the regional financial market. The mission expressed some skepticism about the success of such an operation, given the weak public finances.

D. Structural Reforms and Poverty Reduction

26. **The authorities indicated their desire to expedite the implementation of various structural reforms**. In the petroleum sector, the liberalization of the imports of petroleum products will be initiated on the basis of the recommendations stemming from the ongoing study on a new regulatory framework, that is being undertaken with the support of the World Bank. It is envisaged that the privatization of the refinery (SIR) will be part of the strategy to promote competition and eliminate state monopolies. In the meantime, the ex-refinery price of petroleum products will be adjusted as needed to reflect changes in world prices. The mission urged the authorities to establish promptly a timetable for the privatization of SIR through a new, competitive, and transparent bidding process.

27. Regarding the public financial enterprises, the authorities considered that priority should be given to completing the audit of the CAA. On the basis of the recommendations emerging from the audit, they intended to devise a strategic plan for this institution by end-September 2001. The staff emphasized that it was important that the CAA adhere to a lending policy that would not limit the government's choice of required actions in the near future. As for the CECP, the authorities confirmed that preparations are under way to license it as a full-fledged financial institution. In the meantime, they intend to recapitalize the CECP and strengthen its corporate governance and information system with the support of the supervisory authorities of the WAMU banking commission.

28. **In the cocoa and coffee sectors**, the authorities stated that they were engaged in extensive discussions with operators on reforms aimed at strengthening the position of small producers and enhancing competition among exporters. The staff emphasized that these reforms should preserve the core principles of the liberalized sector and the government should abstain from direct or indirect financial interventions. The authorities reiterated that there would be no backtracking on the liberalization policy. They confirmed that the liquidation of the new cocoa and coffee price stabilization fund (CAISTAB) would be

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[14] Pursuant to this decision, Côte d'Ivoire, like other WAMU member countries, is required to phase out its outstanding debt vis-à-vis the central bank by years' end.

completed in September 2001. While the draft legislation establishing the new supervisory institutions (BCC and ARCC) had not yet been finalized, the authorities stressed that the BCC would assume only a limited number of functions currently being carried out by the new CAISTAB.

29. The deterioration of the economic and financial situation over the past two years has in all likelihood worsened social and poverty conditions. Although the 2001 budget provided limited scope for raising spending in the social sectors, the authorities succeeded in increasing the budgetary allocation for education from 4.5 percent of GDP in 2000 to 4.9 percent of GDP in 2001, and for the health sector from 1 percent of GDP to 1.2 percent of GDP over the same period.[15] Social spending in the first five months of 2001, however, remained well below budgetary provisions. Given Côte d'Ivoire's pressing need to improve its social indicators and the continuing constraints on available resources, the staff called for an effective execution of the budgeted social sector outlays.

30. The authorities are preparing an interim PRSP. A methodological workshop on poverty reduction and the participatory process was held in May 2001; it has been followed by regional workshops in July 2001 aimed at formulating an action plan for poverty reduction and the modalities of implementing the poverty strategy through a participatory process. It is expected that the interim PRSP will be completed by end-October 2001. The staff will provide an assessment of the report in close consultation with World Bank staff.

E. Governance

31. **The staff continued to stress the importance of ensuring good public and corporate governance,** and the need to deal with any verified acts of fraud or corruption in a transparent manner and with due process. The authorities informed the staff that a series of measures were being taken to address governance issues. The liquidation of the new CAISTAB will be completed by end-September 2001, and the government will ensure that a new, transparent regulatory environment for the cocoa and coffee sectors is introduced that guarantees fair competition. As for the exporters who violated their export contracts and against whom CAISTAB holds claims, a settlement was reached: the export licenses of those who would not honor their obligations under the settlement would be revoked. The authorities recognized that the settlement, initiated by the previous government, provided for a generous discount on the original claims, but stressed that reopening this matter would involve a long legal procedure with an uncertain outcome.[16]

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[15] These ratios compare with average ratios in sub-Saharan Africa of about 4.5 percent of GDP for education and 2 percent for health.

[16] Claims for the 1994/95 crop year, which amounted to CFAF 13.8 billion, were reduced to CFAF 3.9 billion. With respect to the exporters defaulting in 1998/99, their outstanding debt,

(continued...)

F. Medium-Term Macroeconomic Prospects

32. **Côte d'Ivoire's medium-term economic prospects depend critically upon social and political stability, disciplined financial policies, the return of investors' confidence, and the resumption of external financial assistance.** Under these assumptions, the preliminary medium-term macroeconomic framework prepared by the staff projects the overall fiscal balance to improve in line with the objectives of the regional convergence and stability pact: government revenue would gradually recover to 19 percent of GDP, while current primary expenditure would be reduced to below16 percent of GDP by 2004 (Table 10). Over the medium term, the return of investor confidence would result in a recovery of private investment to 16 percent of GDP, while domestic savings could rise to about 23 percent of GDP. In these circumstances, real GDP growth could rebound to 3.7 percent in 2002 and to 5.0 percent by 2004, based largely on the strength of activity in the manufacturing and services sectors.

33. Economic growth is expected to be accompanied by a gradual improvement of the external current account deficit, which is projected to narrow from 4.8 percent of GDP in 2002 to 3.8 percent in 2004. This outturn will mainly reflect an improvement in the terms of trade, as world cocoa prices are expected to recover over the medium term as reflected in the latest World Economic Outlook (WEO) projections. During the period 2002–04, exports in volume terms are expected to rise by 4 percent on an annual basis, while import volumes, mainly spurred by the economic upturn, are projected to rise by about 5 percent.

34. The political and economic risks surrounding the baseline medium-term scenario are substantial. In that respect, evidence of the authorities' true commitment to key economic reforms will exert a crucial influence on the course of economic activity. An alternative medium-term scenario, based on prolonged private sector pessimism and the absence of external financial assistance, indicates output growth of only 2 percent—well below Côte d'Ivoire's growth potential and less than the rate of population growth (Appendix V). In contrast, higher sustained growth would require a significant strengthening of policy over the medium term. A considerable improvement in public finances would be essential, and structural reforms would need to be accelerated and intensified to create an environment conducive to private sector investment and to mobilize private capital from abroad to supplement domestic savings. Under these assumptions, output growth of 6½ percent could be achieved by 2004, based on the strength of activity in the secondary and tertiary sectors as the ratio of investment to GDP is projected to reach 18.5 percent.

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which amounted to CFAF 30 billion, was reduced to CFAF 13 billion, with 5 percent of the discounted amount due before September 2001 and the remainder to be repaid over a period of five years.

G. Regional Issues

35. The authorities explained that they had been actively involved in regional policy initiatives aimed at accelerating the integration process both within WAEMU and the Economic Community of West African States (ECOWAS). In keeping with that commitment, they have stepped up their efforts to comply with most of the regional directives. The staff took note of the steps taken to implement the regional reforms, including the introduction of a common external tariff and import classification schemes in January 2000, the adoption of the unified VAT rate in July 2001, the harmonization of excise duties, and the removal of tariffs on eligible industrial goods from the other WAEMU countries. Although the staff also concurred that Côte d'Ivoire's overall trade regime was relatively open,[17] it urged the authorities to remove remaining nontariff barriers (e.g., roadblocks that hamper free movements of goods) so as to further facilitate intraregional trade, from which Côte d'Ivoire stood to benefit. Further, the staff expressed concern about the lack of progress in applying the five directives designed to harmonize budget laws and government accounts and statistics.

36. With respect to the regional convergence pact adopted in 2000, Côte d'Ivoire had only observed the criterion on inflation at end-2000, while missing by relatively large margins the other eight convergence criteria (Box 2). The authorities explained that the economic downturn of the past few years had prevented the observance of most of the convergence criteria. They pointed out that, in 1998, when the economic situation had been normal, they had been in compliance with four criteria. In March 2001, the government submitted its three-year convergence program to the WAEMU Commission, in which it described its broad objectives in relation to the regional norms, as well as measures to bring the country back onto the convergence path. The authorities reaffirmed their commitment to comply with the regional reform agenda, including the harmonization of taxation of petroleum products, the harmonization of exemptions, and the adoption of a common investment code.

[17] Based on the Fund's trade restrictiveness index, Côte d'Ivoire has an overall rating of 5 (10 is the most restrictive) based on an unweighted average tariff of 12 percent and significant nontariff barriers.

Box 2. Côte d'Ivoire: Compliance with WAEMU Convergence Criteria, 1999–2001

	Regional Norms	1999	2000 Est.	2001 Proj.
Primary criteria				
Basic fiscal balance (percent of GDP)	>= 0	-1.5	-0.2	0.2
Inflation (annual average in percent)	3	1.6	2.5	2.5
Total public debt (percent of GDP)	70	115.0	113.2	86.6
Domestic arrears	0	132.8	102.6	0.0
External arrears	0	32.4	413.2	372.0
Secondary criteria				
Wage bill (percent of tax revenue)	35	37.0	41.6	44.3
Domestically-financed investment (percent of tax revenue)	20	17.6	9.7	12.0
Current account deficit (excl. grants) (percent of GDP)	5	5.4	6.5	6.3
Tax revenue (percent of GDP)	17	16.8	16.2	16.2

Source: WAEMU Commission.

H. Statistical and Technical Assistance Issues

37. Côte d'Ivoire's economic database is fairly comprehensive but remains weak in a number of areas, in particular national accounts and balance of payments statistics (Appendix IV). The authorities have regularly provided the core minimum data to the Fund and have been submitting monthly monetary data within six weeks from the end of each month. Côte d'Ivoire participates in the Fund's General Data Dissemination System (GDDS) and, in consultation with Fund staff, has set out plans for statistical improvement in the metadata prepared under the system. Furthermore, in March 2001, the authorities participated in the GDDS workshop held in Mali for members of WAEMU, following which they were assisted by Fund staff in further refining the metadata and adjusting the action plans to address statistical shortcomings. The staff pressed the authorities to update the national accounts on the basis of the 1993 system of national accounts (SNA) accounting framework, using 1996 as the base year. It took note of the ongoing efforts to increase the reliability of balance of payments statistics. The authorities have requested Fund technical assistance in the

area of public expenditure management. Immediate assistance could be provided in September 2001; however the staff is of the view that longer-term assistance in this area would be desirable and would need to be coordinated closely with bilateral and the European Union (EU) technical assistance programs.

I. Prior Actions and Program Monitoring

38. In the attached memorandum of economic and financial policies (MEFP), the authorities have indicated their intention to implement for the period July–December 2001 an economic program, that they have requested the Fund staff to monitor (Appendix I). The three **prior actions** that were agreed upon as prerequisites for the programs' effectiveness were: (i) the adoption of a fiscal program for 2001 by the cabinet consistent with the MEFP; (ii) the reduction in the export tax on cocoa from CFAF 200 per kilogram to CFAF 160 per kilogram; and (iii) the increase in the electricity tariffs on average by 10 percent.

39. The SMP will be monitored through monthly quantitative benchmarks on (i) the floor on government revenue; (ii) the floor on the primary fiscal surplus; (iii) the ceiling on net bank credit to the government; (iv) the ceiling on outstanding domestic and external arrears; (v) the ceiling on the DENOs; and (vi) limits on the contracting and guaranteeing of nonconcessional external debt. In addition, the program will be monitored through several structural benchmarks that have macroeconomic and financial implications, namely, (i) the liquidation of the new CAISTAB; (ii) the decision by end-September on strategic guidelines for the CAA, based on audit recommendations; and (iii) the maintenance of a liberalized framework for the coffee and cocoa sectors. Progress under the SMP will be assessed in the context of a review mission scheduled for October 2001.

IV. Staff Appraisal

40. **The past year was marked by a striking deterioration of Côte d'Ivoire's economic and financial situation.** The difficult and tense political and social events that shook the country in recent years had a profound impact on economic activity, and the failure to take appropriate corrective measures in the face of a deteriorating fiscal situation contributed to the disappointing economic performance.

41. While a recovery is expected over the medium term, its amplitude and timing is predicated on the ability of the government to come to grips with the underlying political, fiscal, and structural problems besetting the Ivoirien economy. **To enhance the prospects of an early recovery, it is crucial to improve the economic and financial climate**; such an improvement would require policies that restore investor confidence, and the authorities' strong commitment to address longer-term economic problems.

42. **The SMP covering the period July–December 2001 should enable Côte d'Ivoire to demonstrate its ability to implement successfully an adjustment program and avoid**

the lapses in program implementation that characterized the last PRGF-supported program. This opportunity should also be seized to articulate a medium-term strategy that addresses the widespread and worsening poverty in the country.

43. **Fiscal stabilization must be the overriding priority in the short run.** The challenge now facing the authorities is to establish and maintain a judicious management of fiscal resources, so as to avoid any further deterioration in the public finances. The fiscal program adopted by the government underscores the authorities' resolve to bring the public finances under control. **The staff would stress, however, that attainment of the fiscal program objectives depends critically on progress in keeping current spending in check and intensifying revenue mobilization efforts.** On the revenue side, the emphasis on widening the tax base and reducing exemptions is welcome. To attain the revenue target, the authorities will need to implement forcefully an action plan for the customs department, strengthen control procedures, and limit exemptions. On the expenditure side, it is necessary that critical social outlays be efficiently used; that spending be effectively monitored starting from the commitment stage; that a monthly cash-flow plan, consistent with spending priorities, be adhered to strictly; and that recourse to exceptional payments procedures and off-budget spending be halted.

44. In the area of **governance**, the authorities should move expeditiously to resolve the outstanding CAISTAB claims on defaulting exporters, and they should not hesitate to apply forcefully sanctions against noncompliant exporters.

45. **On the structural front, a renewed impetus should be given to the structural reform process, which has languished over the past year.** The authorities should take the necessary steps to complete the study aimed at defining the regulatory framework needed to achieve the orderly liberalization of the oil sector and the privatization of the state-owned refinery. In the electricity sector, a comprehensive reform is urgently needed to restore its financial viability. The authorities are to be commended for having taken some firm actions to address the problems of this sector.

46. **In the cocoa and coffee sectors, it is essential that the ongoing discussions on the reform of the sector be cast in terms of adhering to the principles of liberalization.** In keeping with the goal of ensuring free and fair competition, there should be no return to a system of export allocations or quotas. The weaknesses in the **financial system** will need to be addressed forcefully. The staff urges the authorities to speed up the reform of the postal savings and checking agency to stem the ongoing losses. The authorities should also act promptly to prepare a strategic plan for the Caisse Autonome d'Amortissement when the results of the audit become available.

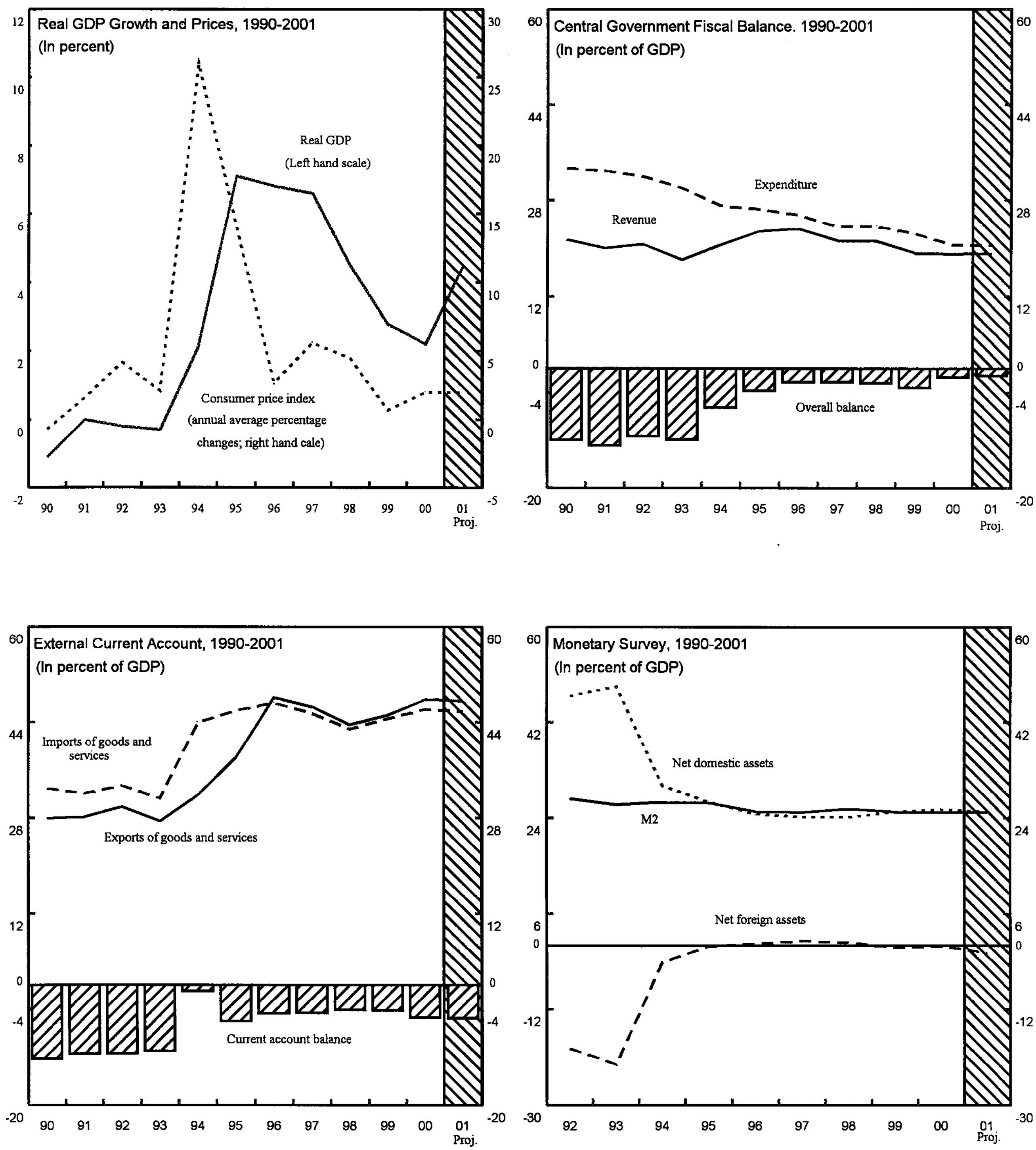
47. The authorities have emphasized, and the staff concurs, that it would be essential to mobilize external assistance and reach agreement soon on a program that could be supported by a new PRGF arrangement. The staff would stress that, in view of the considerable slippages over the past year, **the authorities should establish a firm track record of policy**

performance and reestablish constructive relations with major donors. The authorities should also make every effort to regularize relations with their bilateral and multilateral external partners, so as to facilitate the resumption of budgetary and development assistance as soon as possible. At a minimum, they need to remain current on their debt-service obligations vis-à-vis the multilateral creditors. The authorities will also have to reach understandings on a plan and modalities for arrears clearance with the multilateral creditors before a PRGF arrangement could be considered. The authorities have started the preparation of an interim PRSP, in close consultation with civil society and donors. The staff welcomes these steps and urges the authorities to complete this process as soon as possible.

48. **The authorities are well aware of the challenges that lie ahead, and they have demonstrated already their commitment by addressing some of the critical fiscal and structural issues.** The staff believes that, with a steadfast implementation of the SMP, the prospects for economic recovery and the resumption of external financial assistance are promising.

49. It is proposed that the next Article IV consultation with Côte d'Ivoire be held on the standard 12-month cycle.

Figure 1. Côte d'Ivoire: Main Economic Indicators 1/

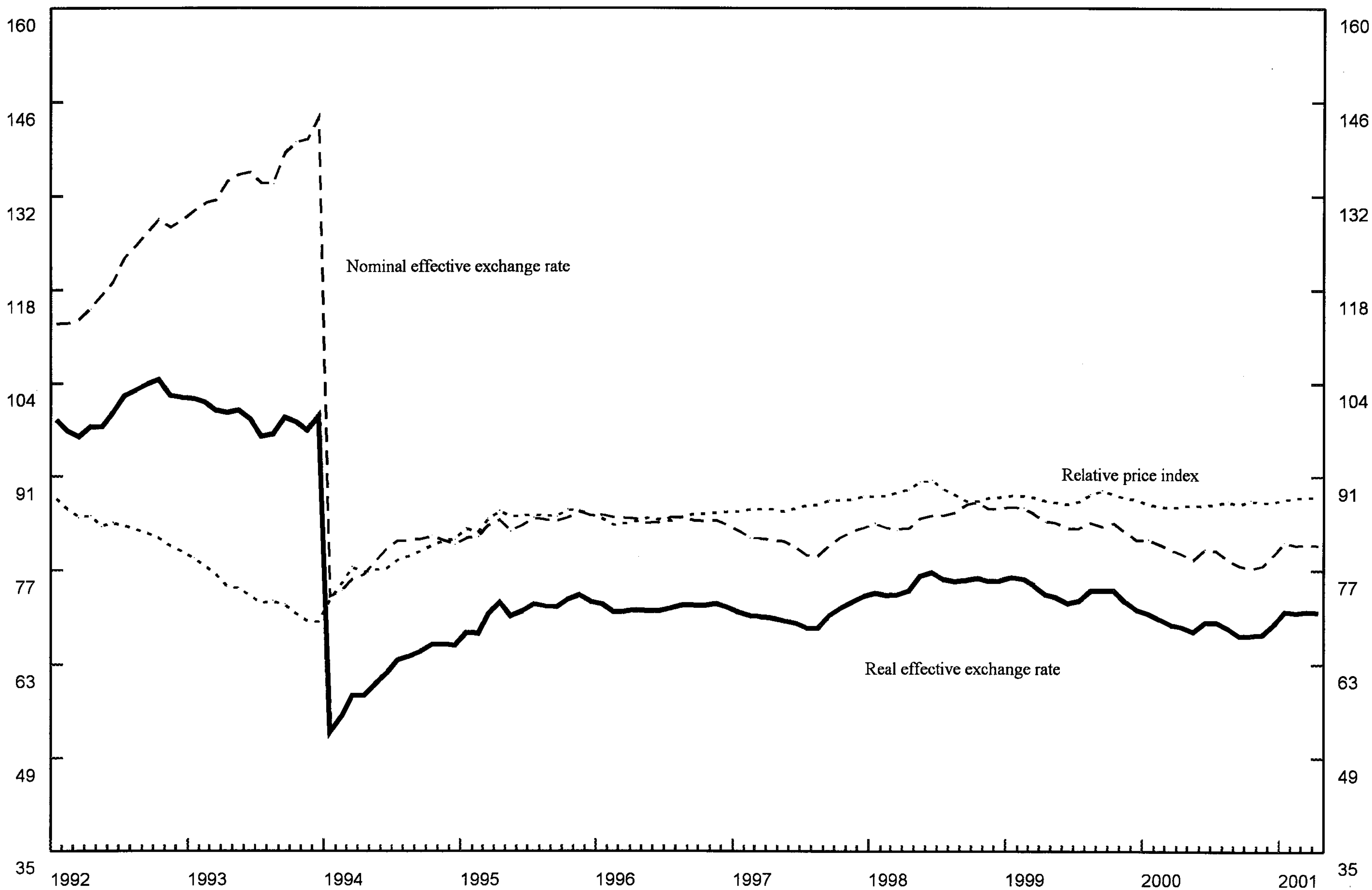


Sources: Ivoirien authorities; and staff estimates and projections.

1/ Shaded area indicates projections.

Figure 2. Côte d'Ivoire: Nominal and Real Effective Exchange Rates, January 1992-April 2001 1/

(1990 = 100)



Source: IMF, Information Notice System (INS).

1/ A rise in the exchange rate variables indicates an appreciation of the domestic currency.

Table 1. Côte d'Ivoire: Selected Economic and Financial Indicators, 1998-2004

	1998	1999	2000	2001	2002	2003	2004
		Est.	Est.		Proj.		
	(Annual percentage changes, unless otherwise indicated)						
National income 1/							
Real GDP per capita	2.6	-1.6	-5.2	-4.1	0.5	1.2	1.7
GDP at constant prices	5.8	1.6	-2.3	-1.0	3.7	4.5	5.0
GDP deflator	2.7	-0.7	-0.1	2.9	2.4	2.0	2.1
Consumer price index (annual average)	4.5	0.7	2.5	4.0	3.6	3.4	3.1
External sector (on the basis of CFA francs)							
Exports, f.o.b., at current prices	2.0	5.4	1.9	0.4	8.1	6.7	7.8
Imports, f.o.b., at current prices	1.7	6.0	3.8	4.4	6.5	5.7	6.6
Export volume	1.8	7.7	0.0	-2.8	4.0	4.1	4.2
Import volume	4.8	3.9	-11.3	-0.3	4.4	5.5	5.6
Terms of trade (deterioration -)	3.3	-4.0	-13.0	-1.3	1.8	2.3	2.6
Nominal effective exchange rate (depreciation -) 2/	3.4	-5.3	-2.6	...	...	...	...
Real effective exchange rate (depreciation -) 2/	3.4	-5.8	-3.2	...	...	...	...
Central government operations							
Total revenue and grants	8.4	-8.9	-3.1	2.7	8.4	6.5	6.7
Total expenditure	8.5	-4.4	-10.6	1.2	8.2	5.0	5.2
Money and credit							
Net domestic assets	9.4	5.1	-2.2	3.4	2.5	3.1	3.8
Of which: government	3.8	22.7	-16.9	-11.5	-13.2	-16.8	-19.0
private sector	3.8	-8.4	3.2	5.2	7.9	8.8	8.8
Money and quasi money (M2)	8.5	0.8	-0.9	1.8	5.1	5.3	5.7
Velocity of circulation	3.9	4.1	4.1	4.1	4.1	4.1	4.2
	(In percent of GDP, unless otherwise indicated)						
Central government operations							
Total revenue and grants	21.2	19.2	19.0	19.2	19.6	19.6	19.5
Total expenditure	23.6	22.4	20.5	20.4	20.8	20.5	20.1
Overall deficit (-), payment order basis	-2.4	-3.2	-1.4	-1.2	-1.2	-0.9	-0.6
Primary balance, excluding foreign-financed investment 3/	4.8	3.2	4.8	4.6	2.5	2.3	2.1
Gross domestic investment	16.4	16.0	12.3	13.5	14.9	15.6	16.0
Central government	6.7	4.8	3.1	3.6	4.3	4.5	4.5
Nongovernment sector	9.7	11.3	9.2	9.9	10.6	11.1	11.5
Gross domestic savings	22.7	22.8	18.7	18.6	20.5	21.4	22.2
Central government	7.3	4.9	5.4	5.4	6.0	6.1	6.0
Nongovernment sector	15.4	17.9	13.4	13.2	14.5	15.4	16.2
Gross national savings	12.4	11.9	7.0	8.0	10.0	11.0	12.1
External sector							
Current account balance (including official transfers) 4/	-4.1	-4.2	-5.4	-5.6	-4.8	-4.6	-3.8
Overall balance of payments (in millions of U.S. dollars)	-143	-479	-551	-532	-348	-328	-58
External public debt (including IMF) 5/	97.2	99.2	101.2	97.5	90.0	82.7	75.6
Net present value of public debt (including IMF) 5/ 6/	168.7	153.7	143.1	133.8	123.7	112.7	99.4
Public external debt-service ratio (including IMF) 7/							
In percent of exports of goods and nonfactor services	26.9	20.4	19.3	18.6	19.5	18.4	16.5
In percent of government revenue	43.6	47.6	45.1	41.7	39.0	36.1	28.7
Central government domestic debt (end of period)	19.4	22.3	20.4	19.7	17.7	15.9	14.1
Nominal GDP at market prices (in billions of CFA francs) 1/	6,773	6,833	6,671	6,791	7,210	7,682	8,236

Sources: Ivoirien authorities; and staff estimates and projections.

1/ Revised national accounts; base 1986.
2/ Based on end-of-period changes in relative consumer prices and the nominal effective exchange rate.
3/ Defined as total revenue minus total expenditure, excluding interest and foreign-financed investment expenditures.
4/ Excluding late interest on payments arrears to commercial banks before the 1998 London Club agreement.
5/ Including short-term liabilities to the Central Bank of West African States (BCEAO) and all arrears to commercial banks, and reflecting the 1998 flow rescheduling with the Paris Club.
6/ In percent of exports of goods and nonfactor services.
7/ Public debt service due.

Table 2. Côte d'Ivoire: Central Government Financial Operations, 1998-2004

	1998	1999	2000	2001		2002	2003	2004
			Est.	Budget	Prog.			
				(In billions of CFA francs)				
Total revenue and grants	1,439.1	1,311.6	1,270.7	1,305.7	1,304.4	1,413.5	1,505.3	1,606.4
Revenue	1,388.6	1,271.6	1,237.1	1,270.4	1,269.1	1,378.5	1,470.3	1,571.4
Tax revenue	1,142.1	1,149.1	1,077.6	1,092.0	1,090.7	1,189.2	1,268.7	1,355.3
Direct taxes	327.7	322.3	334.4	347.3	321.5	363.2	398.3	427.0
Indirect taxes	814.4	826.8	743.2	744.7	769.2	826.0	870.4	928.3
Nontax revenue	246.5	122.5	159.5	178.4	178.4	189.3	201.6	216.1
Stabilization fund surplus (CSSPPA) 1/	131.6	1.0	8.5	7.2	7.2	7.6	7.9	8.5
Social security contributions	79.2	83.7	103.0	110.0	110.0	116.8	124.4	133.4
Other nontax revenue	35.7	37.8	48.0	61.2	61.2	65.0	69.2	74.2
Grants (for projects only)	50.5	40.0	33.6	35.3	35.3	35.0	35.0	35.0
Total expenditure	1,599.7	1,530.0	1,367.2	1,396.0	1,383.6	1,497.4	1,572.2	1,653.9
Primary expenditure	1,267.6	1,216.7	1,059.1	1,143.1	1,122.0	1,230.4	1,330.3	1,430.1
Wages and salaries	415.2	425.3	448.1	483.7	478.7	508.2	541.5	580.5
Social security benefits	76.5	76.0	87.8	112.6	112.6	119.5	127.4	136.5
Subsidies and other current transfers	55.9	59.5	89.5	77.1	64.7	63.8	68.0	72.9
Other current expenditure	264.1	312.2	215.1	198.7	213.0	229.0	248.4	270.2
Investment expenditure	455.9	327.6	209.6	261.0	246.0	309.8	345.0	370.0
Budgetary contribution	304.8	202.8	104.3	130.7	115.7	123.5	152.9	164.0
Financed from abroad	151.1	124.8	105.3	130.3	130.3	186.3	192.1	205.9
Interest due on public debt	286.3	298.6	308.1	252.9	261.6	267.0	241.9	223.8
External debt 2/	251.7	263.0	279.2	236.9	236.9	244.9	224.1	207.0
Domestic debt	34.6	35.6	28.9	16.0	24.7	22.1	17.8	16.8
Extrabudgetary spending	45.8	14.7	0.0	0.0	0.0	0.0	0.0	0.0
Net lending	0.0	16.1	9.0	10.0	7.0	0.0	0.0	0.0
Primary balance, including grants 3/	171.5	94.9	211.6	162.6	182.4	183.1	175.0	176.3
Overall balance, including grants (payment order basis)	-160.6	-218.4	-96.5	-90.3	-79.2	-83.9	-66.9	-47.5
Change in arrears 4/	25.0	135.4	47.9	0.0	-5.9	0.0	0.0	0.0
Overall balance (cash basis)	-135.6	-83.0	-48.6	-90.3	-85.1	-83.9	-66.9	-47.5
Financing	135.6	83.0	48.7	-293.4	-287.2	-227.8	-223.1	-32.4
Domestic financing	76.7	94.5	-118.0	-41.6	-35.8	-41.0	-30.3	0.0
Bank financing	48.9	105.7	-122.1	-63.5	-56.1	-62.6	-63.6	0.0
Net use of Fund resources	100.6	-4.8	-23.5	-40.3	-40.3	0.0	0.0	0.0
Advances from the central bank	-2.1	-6.9	-26.9	-15.8	-15.8	-25.8	-25.8	0.0
Other domestic bank financing	-49.6	117.4	-71.7	-7.4	0.0	-36.8	-37.8	0.0
Nonbank financing	27.8	-11.2	4.1	21.9	20.3	21.6	33.3	0.0
Privatization proceed and sale of assets	30.6	10.1	9.0	8.6	8.6	30.0	20.0	0.0
Transfers from public enterprises	44.2	40.1	9.2	15.0	15.0	24.0	22.0	0.0
Other	-47.0	-61.4	-14.1	-1.7	-3.3	-32.4	-8.7	0.0
External financing	47.4	14.0	164.1	-251.8	-251.4	-186.8	-192.8	-32.4
Project financing	95.7	83.1	67.2	95.0	95.0	151.3	157.1	242.6
Loans	95.7	83.1	67.2	95.0	95.0	151.3	157.1	243
Amortization due	-352.4	-359.3	-375.9	-346.8	-346.8	-338.1	-349.9	-275.0
Program aid	235.0	61.9	59.6	0.0	4.4	0.0	0.0	0.0
Grants	10.1	0.0	0.0	0.0	3.6	0.0	0.0	0.0
Loans	224.9	61.9	59.6	0.0	0.8	0.0	0.0	0.0
Debt rescheduling	334.4	195.9	0.0	0.0	0.0	0.0	0.0	0.0
Changes in external arrears	-120.9	32.4	413.2	0.0	-4.0	0.0	0.0	0.0
Coverage adjustment	6.9	-25.5	7.9	0.0	0.0	0.0	0.0	0.0
Errors and omissions	4.6	0.0	-5.3	0.0	0.0	0.0	0.0	0.0
Financing gap	**0.0**	**0.0**	**-0.1**	**383.7**	**372.3**	**311.7**	**290.0**	**79.9**
Memorandum items:			(In percentage of GDP, unless otherwise indicated)					
Total Revenue and grants	21.2	19.2	19.0	19.2	19.2	19.6	19.6	19.5
Total revenue	20.5	18.6	18.5	18.7	18.7	19.1	19.1	19.1
Tax revenue	16.9	16.8	16.2	16.1	16.1	16.5	16.5	16.5
Total expenditure	23.6	22.4	20.5	20.6	20.4	20.8	20.5	20.1
Primary expenditure	18.7	17.8	15.9	16.8	16.5	17.1	17.3	17.4
wages and salaries	6.1	6.2	6.7	7.1	7.0	7.0	7.0	7.0
public investment	6.7	4.8	3.1	3.8	3.6	4.3	4.5	4.5
Primary balance 5/	4.8	3.2	4.8	4.3	4.6	2.5	2.3	2.1
Overall balance (p.o basis, including grants)	-2.4	-3.2	-1.4	-1.3	-1.2	-1.2	-0.9	-0.6
DENOs	100.0	131.0	120.7	120.7	105.0	--	--	--
Of which: on domestic financing			91.6	91.6	75.0	--	--	--
GDP (in billions of CFA francs)	6,773.0	6,833.3	6,671.1	6,791.4	6,791.4	7210.4	7682.4	8235.5

Sources: Ivoirien authorities; and staff estimates and projections.

1/ The stabilization system was eliminated in 2000; from that point, nontax revenue from the coffee/cocoa sector refers to the registration fee for coffee/cocoa exports.
2/ Excluding late interest due to the commercial banks.
3/ Revenue and grants minus primary expenditure (i.e., excluding all interest).
4/ Including changes in floating debt (payments outstanding less than 90 days).
5/ Defined as total revenue minus total expenditure, excluding interest and foreign-financed investment expenditures.

Table 3. Côte d'Ivoire: Central Government Revenue, 1999-2004

	1999	2000	2001	2002	2003	2004
		Est.		Projections 1/		
	(In billions of CFA francs, unless otherwise indicated)					
Total revenue	1,271.6	1,237.1	1,269.1	1,378.5	1,470.3	1,571.4
Tax revenue	1,149.1	1,077.6	1,090.7	1,189.2	1,268.7	1,355.3
Direct taxes	322.3	334.4	321.5	363.2	398.3	427.0
Taxes on profits	143.6	143.3	123.5	153.7	167.5	179.6
Individual income taxes	115.8	125.7	131.0	138.0	151.8	162.7
Employers' contributions 2/	27.8	23.6	23.1	22.6	24.0	25.8
Real estate taxes	13.0	21.1	25.9	24.9	28.5	30.6
Taxes on dividend income	22.1	20.7	18.0	23.9	26.4	28.3
Indirect taxes (excluding petroleum products)	241.2	249.2	266.3	285.0	304.5	326.4
Value-added tax (VAT) and withholding tax (ASDI)	132.5	134.8	128.7	157.5	169.2	181.4
Prepayment levy for various taxes (ASDI)	21.1	22.4	22.8	23.5	24.7	26.5
Turnover tax on services	17.4	19.2	22.2	20.0	20.9	22.4
Taxes on water	0.0	0.0	0.0	0.0	0.0	0.0
Registration and stamp taxes	47.9	24.7	40.1	26.7	28.4	30.5
Business and professional licenses	13.1	15.4	15.2	16.6	17.7	19.0
Other indirect taxes	9.2	32.7	37.3	40.7	43.4	46.5
Taxes on petroleum products	96.9	104.7	95.9	98.9	100.0	107.2
Excise taxes	62.3	62.3	61.4	63.9	64.7	69.3
VAT	29.3	31.1	31.5	31.9	32.3	34.6
Customs duties	5.3	3.0	3.0	3.1	3.1	3.3
Price differential (ADSP - CAA)	0.0	8.3	0.0	0.0	0.0	0.0
Taxes on imports (excluding petroleum products)	311.8	225.9	237.0	267.6	295.9	317.2
Customs, fiscal, and statistical duties	143.5	107.1	109.4	132.1	146.1	156.6
Other import charges	21.8	15.9	23.5	17.5	19.4	20.8
VAT	146.5	102.9	104.1	117.9	130.4	139.8
Taxes on exports	176.9	163.4	170.0	174.5	170.0	177.5
Coffee and cocoa	169.9	156.4	162.5	167.0	162.5	170.0
Wood and cola	7.0	7.0	7.5	7.5	7.5	7.5
Nontax revenue	122.5	159.5	178.4	189.3	201.6	216.1
Stabilization Fund surplus (CSSPPA) 3/	1.0	0.0	0.0	0.0	0.0	0.0
Coffee/cocoa registration fee	0.0	8.5	7.2	7.6	7.9	8.5
Social security contributions	83.7	103.0	110.0	116.8	124.4	133.4
Other nontax revenue	37.8	48.0	61.2	65.0	69.2	74.2
Memorandum items:						
Domestic taxes on goods and services (including VAT on imp	479.3	445.5	463.3	498.8	531.8	570.1
Import duties (excluding VAT on imports)	170.6	126.0	135.9	152.7	168.6	180.7
Tax revenue excluding export taxes	972.2	914.2	920.7	1,014.7	1,098.7	1,177.8
Cocoa/coffee contribution to total revenue (in percent)	13.4	12.6	12.8	12.1	11.1	10.8
			(In percent of GDP)			
Total revenue, excluding levies on cocoa and coffee	16.1	16.2	16.3	16.8	17.0	17.0
Levies on cocoa and coffee	2.5	2.3	2.4	2.3	2.1	2.1
Total revenue	18.6	18.5	18.7	19.1	19.1	19.1
Tax revenue	16.8	16.2	16.1	16.5	16.5	16.5

Sources: Ivoirien authorities; and staff estimates and projections.

1/ Assuming implementation of adjustment measures.
2/ Including the government's contribution to pensions from 1995 onward.
3/ The stabilization system was eliminated in 2000; from that point, registration taxes from the coffee/cocoa sectors are included in indirect taxes. The separate registration fee for coffee/cocoa exports is included in nontax revenue.

Table 4. Côte d'Ivoire: Monetary Survey, 1998-2001
(In billions of CFA francs)

	1998	1999	2000				2001			
	Dec.	Dec.	March	June	Sep.	Dec.	March Est.	June Est.	Sep. Prog.	Dec. Prog.
	(In billions of CFA francs, unless otherwise indicated)									
Net foreign assets	40	-28	128	55	-105	-6	183	106	37	-33
Central bank	69	-3	104	51	-106	33	158	117	56	-6
Banks	-29	-25	24	3	0	-39	24	-11	-19	-28
Net domestic assets	1,609	1,691	1,560	1,547	1,596	1,653	1,451	1,523	1,482	1,710
Net credit to the government	534	656	618	551	596	545	502	570	617	482
Central bank	536	541	525	492	532	499	466	509	550	442
Banks	14	131	104	67	74	55	47	69	77	50
Customs bills	18	19	14	12	13	13	14	12	13	13
Postal savings (CCP)	3	3	3	4	3	4	4	4	3	4
Credit to the economy	1,219	1,117	1,068	1,067	1,068	1,153	1,033	1,104	1,105	1,213
Crop credits	171	52	63	41	29	39	23	43	30	40
Other credit	1,048	1,066	1,005	1,026	1,040	1,113	1,010	1,062	1,076	1,173
Other items (net) (assets +)	-144	-82	-125	-72	-68	-44	-84	-150	-240	15
Broad money	1,649	1,663	1,688	1,601	1,491	1,647	1,634	1,630	1,519	1,677
Currency in circulation 1/	667	617	630	569	507	624	603	579	516	635
Deposits	977	1,041	1,053	1,027	979	1,017	1,024	1,045	996	1,035
Other deposits	3	3	3	2	3	3	3	2	3	3
Postal savings (CCP)	3	3	3	4	3	4	4	4	4	4
Memorandum items:										
Velocity of circulation	4.1	4.1	4.0	4.2	4.5	4.1	4.2	4.2	4.5	4.1
	(Changes in percent of beginning-of-period broad money)									
Net foreign assets	-0.9	-4.1	9.4	5.0	-4.6	1.3	11.5	6.8	2.6	-1.7
Net domestic assets	9.4	4.9	-7.8	-8.7	-5.7	-2.2	-12.3	-7.9	-10.4	3.5
Of which: net credit to the government	3.8	7.4	-2.3	-6.3	-3.6	-6.7	-2.6	1.5	4.4	-3.8
credit to the rest of the economy	2.8	-6.2	-3.0	-3.0	-2.9	2.1	-7.3	-2.9	-2.9	3.7
Broad money	8.5	0.8	1.5	-3.7	-10.3	-0.9	-0.8	-1.1	-7.8	1.8
Of which: currency in circulation	7.4	-3.1	0.8	-2.9	-6.6	0.4	-1.3	-2.7	-6.6	0.7
deposits in the banking system	1.1	3.9	0.7	-0.8	-3.7	-1.4	0.4	1.7	-1.3	1.1

Sources: Central Bank of West African States (BCEAO); and staff estimates and projections.

1/ Excludes cash holdings of banks and of the central government.

Table 5. Côte d'Ivoire: Summary Accounts of the Central Bank and Commercial Banks, 1998-2002

(In billions of CFA francs)

	1998	1999	2000	2001	2002
				Projections	
Central bank					
Net foreign assets	69	-3	33	-6	23
Net domestic assets	679	681	661	712	720
Net credit to the government	536	541	499	442	378
Deposits and cash	-36	-56	-39	-55	-55
Claims on the government	217	245	211	210	210
Statutory advances	204	232	199	199	199
Securitized claims	13	13	12	11	11
Operations for account of government (IMF)	356	351	328	287	224
Claims on banks	115	100	75	75	75
Claims on financial institutions	15	14	13	13	13
Other items (net) (asset +) 1/	14	26	75	182	254
Base money	748	678	694	707	743
Money in circulation	667	617	624	635	668
Bank deposits and cash holdings	78	58	67	69	72
Other deposits	3	3	3	3	3
Commercial banks					
Net foreign assets	-29	-25	-39	-28	-13
Net domestic assets	1,005	1,065	1,056	1,063	1,112
Net position vis-à-vis the central bank	-49	-39	-15	15	18
Reserves	67	61	64	94	98
Of which: cash holdings	23	42	25	25	25
Credit from the central bank	-116	-100	-79	-79	-79
Net credit to the government	14	131	55	50	50
Deposits of the government	-399	-252	-270	-270	-270
Claims on the government	413	383	325	320	320
Credit to the rest of the economy	1,187	1,085	1,127	1,147	1,218
Crop credit	171	52	39	40	42
Other credit	1,016	1,033	1,087	1,107	1,175
Short term	606	651	733	746	792
Medium and long term	410	382	355	361	383
Other items (net) (asset +) 1/	-146	-111	-112	-148	-174
Private sector deposits	977	1,041	1,017	1,035	1,099

Sources: Central Bank of West African States (BCEAO); and staff estimates and projections.

1/ Includes central bank bills held by banks.

Table 6. Côte d'Ivoire: Balance of Payments, 1998-2004 1/

(In billions of CFA francs, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004
			Est.		Projections		
Trade balance	798	832	814	747	837	911	1,009
Exports, f.o.b.	2,427	2,560	2,607	2,619	2,831	3,019	3,256
Of which: cocoa	903	913	710	741	827	907	989
coffee	222	153	202	125	149	161	176
Imports, f.o.b.	-1,629	-1,727	-1,793	-1,871	-1,994	-2,108	-2,247
Services (net)	-839	-871	-920	-869	-911	-972	-1,008
Receipts	482	488	478	486	512	541	574
Factor income	25	25	25	25	27	29	31
Other services	457	463	453	461	486	513	544
Payments	-1,322	-1,359	-1,397	-1,355	-1,423	-1,513	-1,583
Factor income	-491	-525	-558	-492	-506	-538	-540
Of which: central government interest due 2/	-252	-263	-274	-237	-245	-224	-207
Other services	-830	-835	-840	-863	-917	-975	-1,043
Transfers (net)	-237	-245	-254	-257	-275	-294	-317
Private	-264	-273	-276	-281	-298	-317	-340
Public	28	28	22	23	23	23	23
Current account	-277	-284	-360	-379	-349	-355	-317
Capital account	193	-10	-32	-20	80	103	273
Official medium- and long-term loans (net)	-41	-223	-254	-255	-193	-184	-42
Project loans	96	83	67	95	151	157	243
Other bilateral and multilateral loans 3/	225	62	60	1	0	0	0
Central government amortization due 2/	-352	-359	-375	-347	-338	-332	-270
Public enterprises amortization due	-9	-9	-5	-4	-6	-10	-14
Other capital (including private capital, and errors and omissions) 4/	234	213	222	235	273	288	314
Overall balance	-84	-294	-391	-399	-268	-252	-44
Financing	83	296	391	27	-43	-38	-36
Official net reserves (increase -)	2	72	-36	38	-28	-38	-36
Operations account	-99	77	-12	78	35	32	44
IMF (net)	101	-5	-24	-40	-64	-71	-80
Other	0	0	0	0	0	0	0
Commercial banks (net)	12	-4	14	-11	-15	0	0
Change in arrears	-121	32	413	-4	0	0	0
Rescheduling 5/ 6/	334	196	0	0	0	0	0
Up-front payment under the 1998 London Club debt operation	-144	0	0	0	0	0	0
Residual gross financing requirement	0	0	0	372	312	290	80
Memorandum items:							
Gross official reserves (in months of imports of goods and nonfactor services)	2.3	1.8	1.8	1.4	1.2	1.0	0.8
Total grants	87	81	67	72	70	60	60
Operations account (end of year)	466	389	402	323	288	255	212
Outstanding arrears (end of year)	0	32	446	818	1,130	1,420	1,499
Current account (in percent of GDP)	-4.1	-4.2	-5.4	-5.6	-4.8	-4.6	-3.8
Public external debt service due before the 1998 rescheduling 7/	26.9	20.4	19.3	18.6	19.5	18.4	16.5
Nominal GDP	6,773	6,833	6,671	6,791	7,210	7,682	8,236

Sources: Ivoirien authorities; and staff estimates and projections.

1/ Reflects flow reschedulings from Paris Club creditors on Lyons terms in 1998-2001. Projections assume implementation of adjustment measures.
2/ Debt service due includes obligations to commercial banks, with the exception of interest on arrears (which accumulated prior to March 1998). Reflects 1998 debt-reduction agreement with commercial banks. The debt-service numbers do not include canceled debt-service obligations and direct payments by public sector enterprises.
3/ Includes program loans and European Union grants disbursed in the context of programmed financial assistance and price stabilization (Stabex) funds.
4/ Includes short-term capital and other private capital.
5/ Includes the deferred repayment of arrears on post-cutoff-date debt over a three-year period ended March 2001, and the restructuring of pre-cutoff-date debt service and arrears due to official creditors.
6/ Based on the 1998 debt-rescheduling agreement with the Paris Club. Because the second annual PRGF arrangement was not approved, the second and third tranches of the rescheduling agreement did not become effective.
7/ In percent of exports of goods and nonfactor services.

Table 7. Côte d'Ivoire: Balance of Payments, 1998-2004 1/

(In millions of U.S. dollars, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004
		Est.			Projections		
Trade balance	1,355	1,354	1,147	995	1,085	1,187	1,321
Exports, f.o.b.	4,122	4,163	3,672	3,486	3,669	3,935	4,264
Of which : cocoa	1,534	1,485	1,000	987	1,072	1,182	1,295
coffee	377	248	285	167	194	209	230
Imports, f.o.b.	-2,767	-2,809	-2,525	-2,491	-2,584	-2,747	-2,943
Services (net)	-1,425	-1,417	-1,295	-1,157	-1,181	-1,266	-1,321
Receipts	819	794	673	647	664	706	752
Factor income	43	41	35	34	35	37	40
Other services	776	752	638	613	629	668	712
Payments	-2,244	-2,211	-1,968	-1,804	-1,845	-1,972	-2,073
Factor income	-835	-853	-785	-655	-656	-702	-707
Of which : central government interest due 2/	-427	-428	-386	-315	-317	-292	-271
Other services	-1,410	-1,358	-1,183	-1,149	-1,189	-1,270	-1,366
Transfers (net)	-402	-398	-358	-343	-356	-384	-416
Private	-449	-444	-388	-373	-386	-414	-446
Public	47	45	30	31	30	30	30
Current account	-471	-462	-506	-505	-452	-463	-415
Capital account	328	-17	-45	-27	104	135	357
Official medium- and long-term loans (net)	-70	-363	-357	-340	-250	-240	-54
Project loans	163	135	95	126	196	205	318
Other bilateral and multilateral loans 3/	382	101	84	1	0	0	0
Central government amortization due 2/	-598	-584	-528	-462	-438	-432	-354
Public enterprises amortization due	-16	-14	-8	-6	-8	-13	-18
Other capital (including private capital, and errors and omissions) 4/	398	346	312	313	354	375	412
Overall balance	-143	-479	-551	-532	-348	-328	-58
Financing	141	482	551	36	-56	-50	-47
Official net reserves (increase -)	3	117	-50	51	-37	-50	-47
Operations account	-168	125	-17	104	46	42	57
IMF (net)	171	-8	-33	-54	-82	-92	-104
Other	0	0	0	0	0	0	0
Commercial banks (net)	20	-7	20	-15	-19	0	0
Change in arrears	-205	53	582	-5	0	0	0
Rescheduling 5/ 6/	568	319	0	0	0	0	0
Up-front payment under the 1998 London Club debt operation	-245	0	0	0	0	0	0
Residual gross financing requirement	0	0	0	496	404	378	105
Memorandum items:							
Gross official reserves (in months of imports of goods and nonfactor services)	2.3	1.8	1.8	1.4	1	1.0	0.8
Total grants	148	132	94	96	90	78	79
Operations account (end of year)	792	633	566	430	373	333	277
Outstanding arrears (end of year)	0	53	628	1,089	1,464	1,850	1,964
Current account (in percent of GDP)	-4.1	-4.2	-5.4	-5.6	-5	-4.6	-3.8
Public external debt service before the 1998 rescheduling 7/	26.9	20.4	19.3	18.6	19	18.4	16.5
Nominal GDP	11,502	11,113	9,395	9,041	9,347	10,013	10,787

Sources: Ivoirien authorities; and staff estimates and projections.

1/ Reflects flow reschedulings from Paris Club creditors on Lyons terms in 1998-2001. Projections assume implementation of adjustment measures.
2/ Debt service due includes obligations to commercial banks, with the exception of interest on arrears (which accumulated prior to March 1998). Reflects 1998 debt-reduction agreement with commercial banks. The debt-service numbers do not include canceled debt-service obligations and direct payments by public sector enterprises.
3/ Includes program loans and European Union grants disbursed in the context of programmed financial assistance and price stabilization (Stabex) funds.
4/ Includes short-term capital and other private capital.
5/ Includes the deferred repayment of arrears on post-cutoff-date debt over a three-year period ended March 2001, and the restructuring of pre-cutoff-date debt service and arrears due to official creditors.
6/ Based on the 1998 debt-rescheduling agreement with the Paris Club. Because the second annual PRGF arrangement was not approved, the second and third tranches of the rescheduling agreement did not become effective.
7/ In percent of exports of goods and nonfactor services.

Table 8. Côte d'Ivoire: External Debt and Scheduled Debt Service, 2000-02

(In billions of CFA francs)

	End-2000		2000			2001			2002		
	Debt outstanding 1/	*Of which*: arrears	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
Total external debt	9,158	445	715	426	1,141	607	383	990	664	359	1,023
Public sector debt 2/	6,873	445	405	285	690	389	240	629	446	216	662
Multilateral creditors 3/	2,441	92	154	108	262	157	99	256	171	69	240
Fund	329	0	24	2	25	40	2	42	51	1	52
World Bank	1,402	47	64	38	102	53	43	96	52	34	87
IBRD	635	47	29	31	60	18	39	57	7	32	40
IDA	767	0	35	7	42	35	4	39	45	2	47
African Dev. Bank Group	454	31	35	30	65	51	31	83	55	31	86
Others 3/	257	14	31	39	71	12	23	35	12	3	15
Bilateral creditors	2,927	332	233	143	376	217	111	328	259	114	373
Paris Club	2,873	326	191	126	317	213	109	323	256	113	369
Paris Club pre-cutoff date	1,462	223	116	80	196	146	64	210	157	59	215
Paris Club post-cutoff date	1,411	103	75	46	121	68	45	113	99	54	153
Other bilateral creditors	53	7	42	17	59	4	1	5	3	1	4
Commercial banks	1,386	21	13	29	42	13	27	40	13	28	41
Other private creditors	0	0	0	0	0	0	0	0	0	0	0
Public enterprise nonguaranteed debt	119	0	5	5	10	2	3	5	3	4	7
Private sector debt	2,285	0	310	141	451	218	143	361	218	143	361
Memorandum item:											
Central government external debt	6,754	445	400	280	680	387	237	624	443	212	655

Sources: Ministry of Finance, Debt Unit; Central Bank of West African States (BCEAO); World Bank; and staff estimates and projections.

1/ Including external arrears.
2/ Including debt of public enterprises.
3/ Including interest payments to the BCEAO.

Table 9. Côte d'Ivoire: Selected Demographic and Social Indicators

Indicator	Sub-Saharan Africa		Latest Single Year 1970-75	1980-85	1987-92		Est. 1998		Proj. 2002	
Population				(In units indicated)						
Total (thousands)	627,300		6,755	9,936	13,175		16,382	1/	18,075	
Annual growth rate (in percent)	2.9	2/	4.0	3.8	3.8		3.6		3.2	
Urban population (in percent of total)	33.0		32.1	37.6	51.2		45.0		...	
Poverty (in percent of total)	...		...	10.0	...		34.0		30.0	
Life expectancy (years)	52		...	53	56		54		...	
Total fertility rate (births per woman)	6.1		7.4	7.4	6.6		5.1		5.0	3/
Labor force										
Total, ages 15-64 (thousands)	228,878		3,153	4,053	4,840		7,282	1/	8,066	
Employment in agriculture (in percent of total)	...		71.0	65.0	67.0		...		...	
Shares of public expenditure										
(as percent of GDP)										
Education 4/	4.5		...	6.0	6.8		4.8		5.8	
Health 4/	2.0		...	1.0	1.8		1.4		1.6	
Education				(Percent of school-age population)						
Primary school enrollment ratio (gross)	78		62	75	67		71		73	
Male	85		77	88	...		82		...	
Female	71		47	62	...		61		...	
Secondary school enrollment ratio	18	2/	13	20	24		23	2/	...	
				(In units indicated)						
Primary school pupil-to-teacher ratio	39		44	36	37		41	2/	...	
Adult illiteracy rate (percentage of population ages 15 and above)	40		...	51	...		56		45	
Female	62		...	66	...		70	2/	47	
Health										
Persons per hospital bed	1,329		864	...	1,268	2/	...		...	
Infant mortality rate (per 1,000 live births)	92		129	106	91		88		...	
Access to safe water (percentage of population)	43		44	...	...		72		75	
Urban	...		...	...	...		81		85	
Rural	...		...	...	...		59		65	
Nutrition										
Food production per capita (1987 = 100)	...		99	100	89		116		...	
Child malnutrition (percentage of children under age 5)	33.0	2/	30.6	20.8	33.4		24.0		...	

Sources: Ivoirien authorities; and World Bank.

1/ 1999 estimate.
2/ 1995 estimates.
3/ Implied objective based on long-term target of 4.5 percent in 2015.
4/ Including foreign-financed investments.

Table 10. Côte d'Ivoire: Medium-Term Projections, 1998-2004

	1998	1999	2000 Est.	2001 Projections	2002 Projections	2003 Projections	2004 Projections
Baseline scenario (with Fund-supported program)							
	(Annual percentage change, unless otherwise indicated)						
National income and prices							
Real GDP	5.8	1.6	-2.3	-1.0	3.7	4.5	5.0
Consumer prices (annual average)	4.5	0.7	2.5	4.0	3.6	3.4	3.1
External sector							
Exports, volumes	1.8	7.7	0.0	-2.8	4.0	4.1	4.2
Imports, volumes	4.8	3.9	-11.3	-0.3	4.4	5.5	5.6
	(In percent of GDP, unless otherwise indicated)						
Central government operations							
Total revenue and grants	21.2	19.2	19.0	19.2	19.6	19.6	19.5
of which tax revenue	16.9	16.8	16.2	16.1	16.5	16.5	16.5
Total expenditure and net lending	23.6	22.4	20.5	20.4	20.8	20.5	20.1
Current expenditure	16.9	17.6	17.4	16.8	16.5	16.0	15.6
Capital expenditure	6.7	4.8	3.1	3.6	4.3	4.5	4.5
Overall fiscal balance, including grants (payment order basis)	-2.4	-3.2	-1.4	-1.2	-1.2	-0.9	-0.6
External sector							
Current account balance, including official grants (deficit -)	-4.1	-4.2	-5.4	-5.6	-4.8	-4.6	-3.8
Current account balance, excluding official grants (deficit -)	-4.8	-4.7	-5.9	-6.1	-5.3	-5.1	-4.3
Trade balance (deficit -)	11.8	12.2	12.2	11.0	11.6	11.9	12.2
Investment-saving balance							
Gross domestic investment	16.4	16.0	12.3	13.5	14.9	15.6	16.0
Domestic saving	22.7	22.7	22.7	22.7	22.7	22.7	22.7
Nominal GDP	6,773.0	6,833.3	6,671.1	6,791.4	7,210.4	7,682.4	8,235.5
Alternative scenarios							
1- High-case scenario (with Fund-supported program)							
Real GDP (annual percent change)	5.8	1.6	-2.3	-1.0	4.5	5.5	6.5
Overall fiscal balance (in percent of GDP) 1/	-2.4	-3.2	-1.4	-1.2	-1.0	-0.5	0.0
Current account balance (in percent of GDP) 1/	-4.1	-4.2	-5.4	-5.6	-4.2	-3.7	-3.0
Gross Domestic Investment (in percent of GDP)	16.4	16.0	12.3	13.5	16.0	17.0	18.5
2- Low-case scenario (without Fund-supported program)							
Real GDP (annual percent change)	5.8	1.6	-2.3	-1.0	1.5	2.0	2.0
Overall fiscal balance (in percent of GDP) 1/	-2.4	-3.2	-1.4	-1.2	-1.8	-1.4	-1.2
Current account balance (in percent of GDP) 1/	-4.1	-4.2	-5.4	-5.6	-3.6	-2.1	-0.4
Gross Domestic Investment (in percent of GDP)	16.4	16.0	12.3	13.5	14.4	14.5	14.6

Sources: Ivoirien authorities; and staff estimates and projections.

1/ Including official grants.

Abidjan, August 13, 2001

Mr. Horst Köhler
Managing Director
International Monetary Fund
700-19th Street, N.W.
Washington, D.C. 20431

Dear Mr. Köhler:

In recent years, the considerable fiscal and governance problems experienced by Côte d'Ivoire did not make it possible to achieve the objectives of the three-year program supported under the Poverty Reduction and Growth Facility (PRGF) arrangement that was approved on March 17, 1998. The Ivoirien economy has also been faced with an unsettling political climate and the suspension of financial support from major donors and lenders.

Following discussions with Fund staff earlier this year, the government took a number of measures aimed at improving public finance, accelerating structural reforms, and normalizing relations with foreign partners. The budget for 2001 was adopted by parliament in June 2001, and specific measures have been taken since the beginning of the year to improve the financial situation of the electricity and hydrocarbon sectors, and to begin the process of restructuring financial institutions. Discussions on the reform of the coffee and cocoa sectors were also initiated. On the political level, on June 25, 2001, the European Union decided to gradually resume its financial assistance to Côte d'Ivoire.

The government is determined to undertake in 2001 all the actions necessary to reform the economy. Thus, it intends, within the context of an IMF staff-monitored program, to take the appropriate measures to establish a positive track record of policy implementation that would pave the way for discussions on a program that could be supported under the PRGF.

The first attached memorandum summarizes the economic and financial policies that the government intends to implement with a view to achieving the macroeconomic and structural targets it has set for the period July–December 2001. To this end, the government commits itself to provide Fund staff with all information necessary for the purpose of monitoring the implementation of the measures established under the program. A technical memorandum of understanding is also attached.

The government is confident that all necessary measures will be taken to ensure the resumption of economic activity, and to restore normal relations with external partners so as to benefit from their financial support. A program review will be carried out in October 2001.

On that occasion, the government wishes to begin discussions with the Fund on a program that could be supported under the PRGF.

Sincerely yours,

/s/

Bohoun Bouabré
Minister of Economy and Finance

Attachments: Memorandum of Economic and Financial Policies for the Staff-Monitored Program, for July–December 2001
Technical Memorandum of Understanding

Côte d'Ivoire: Memorandum of Economic and Financial Policies for the Staff-Monitored Program, July–December 2001

August 13, 2001

I. Introduction

1. In early 1998, Côte d'Ivoire adopted an adjustment and reform program supported by a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF). This program aimed at achieving sustainable economic growth and medium-term financial viability. However, considerable fiscal management and governance problems arose in 1999, exacerbated by a profound political crisis.

2. The government is determined to take the necessary corrective actions and to intensify its efforts in order to strengthen the public finance situation, accelerate the implementation of structural reforms, improve its financial relations with creditors, and create the conditions for sustained economic recovery in Côte d'Ivoire.

II. Recent Economic and Financial Situation

3. The economic situation deteriorated markedly in 2000. Real GDP contracted by about 2½ percent, largely owing to the lack of investor confidence, the drop in private consumption, and the lack of external financing in the context of the sociopolitical crisis. The terms of trade continued to deteriorate, thereby exacerbating the decline in real incomes. However, inflation remained moderate, and the consumer price index rose by only 2½ percent on average during the year. The external current account deficit (including official transfers) widened to 5½ percent of GDP, owing to the deterioration in the terms of trade, and the capital account deficit increased because of higher external public debt repayments and a decline in external project financing. As a result, the overall balance of payments deficit rose to CFAF 391 billion (6 percent of GDP), which was financed by the accumulation of external arrears.

4. The public finances have remained a source of concern, with the sharp deterioration in the treasury cash-flow position leading to a substantial accumulation of new domestic and external payments arrears. Outstanding external arrears on non reschedulable debt rose to CFAF 222 billion (3.3 percent of GDP), while domestic arrears, including DENOs (commitments for which no payment orders have been issued) increased to about CFAF 526 billion (7.8 percent of GDP) at end-2000. The deficit position of the broader public sector, including in particular the energy sector and public financial institutions, made the public finances situation even more fragile.

5. There were significant delays in the implementation of structural reforms. In particular, the liberalization of petroleum product imports and the privatization of the refinery company (SIR—*Société ivoirienne de raffinage*) were not carried out as planned. As electricity and petroleum product prices were not adjusted in line with the significant

increases in the international prices of oil and gas, deficits totaling an estimated CFAF 57 billion were incurred for the electricity sector and CFAF 40 billion for the SIR and the distribution companies at end-2000. Also, economic governance problems continued. In particular, the claims payable by defaulting exporters to the coffee and cocoa stabilization fund (CAISTAB—*Caisse de stabilisation et de soutient des prix des productions agricoles*) were not recovered. Moreover, the penalties to be levied on these exporters were not effected.

III. Staff-Monitored Program for the Period July–December 2001

6. The objective of the staff-monitored program (SMP) is to restore confidence in macroeconomic management and to establish a track record of policy implementation that will lay the basis for the resumption of an IMF-supported program under the PRGF. The major elements of the SMP are the stabilization of public finances, the implementation of key structural reforms, and the restoration of normal financial relations with all external partners.

7. Given the uncertainty surrounding the mobilization of external resources and the steep decline in coffee and cocoa production, the SMP does not foresee a resumption of economic growth in 2001. Inflation is forecast at about 4 percent in annual average terms, largely owing to higher prices for food and energy products. The external current account deficit is projected to remain at about 5½ percent of GDP, owing to the weakness of exports.

A. Public Finances

8. The restoration of sound public finances is a key component of the SMP. In this context, the government intends to introduce appropriate measures for improving the mobilization of domestic revenues and containing public expenditure. The fiscal program for 2001 is based on realistic projections for revenue collection and on cautious expenditure estimates that are consistent with the assumed absence of external budgetary support. A supplementary budget may be prepared once the new fiscal measures have yielded additional revenues, or the authorities succeed in mobilizing external assistance. Based on the preliminary outturn for the first five months of 2001 and the major revenue mobilization efforts to be carried out in the second half of the year, the fiscal deficit (on a payment order basis, including grants) is programmed at CFAF 79.2 billion, or about 1.2 percent of GDP. This deficit does not cover the broader public sector. The government will take the steps necessary to ensure that the financing requirements of the public enterprises, including those under private management in the energy and the financial sectors, will not jeopardize the fiscal program. Measures to improve the financial position of key sectors are discussed below.

9. The fiscal projections for 2001 take into account public debt-service obligations amounting to CFAF 624 billion (9.3 percent of GDP, or 49 percent of budgetary revenue).

The budget incorporates provisions for the payment of CFAF 252 billion[1] to cover scheduled payments due on multilateral debt, leaving a financing gap of CFAF 372 billion (5.5 percent of GDP). This financing gap would result in the accumulation of new external arrears on reschedulable debt (CFAF 210 billion for the full year), as well as external arrears of CFAF 122 billion on nonreschedulable debt accumulated between January and June 2001. A residual financing requirement of CFAF 40 billion represents the scheduled service payments on bilateral nonreschedulable external debt and debt service due to external private creditors over the period July–December 2001. The government will approach its partners with a view to reaching a solution to these arrears problems. In any event, the government will limit external financing to grants or loans on highly concessional terms.

10. On the revenue side, the government has begun strengthening tax and customs administration. To this end, the government has appointed new directors for the financial administrations and agreed performance contracts for the current year. The action plan of the Directorate-General of the Internal Revenue Service has been updated, and the action plan for customs was approved in July 2001. The specific measures included in these action plans are (i) the strengthening of control procedures; (ii) the reduction of exemptions and improved monitoring of the duty drawback, bonded warehousing, and transit regimes (*régimes suspensifs*), and the strengthening of inspection teams; (iii) the extension of the minimum 5 percent customs duty to all imports covered by the investment code; and (iv) on-the-job staff training. In addition, in accordance with the fiscal annex to the 2001 budget, a unified 20 percent value-added tax (VAT) rate was introduced on July 2, 2001. The rate of the unified export duty (DUS) was reduced from CFAF 200 per kilogram to CFAF 160 per kilogram effective July 2, 2001. Taken together, these measures should make it possible to improve revenue collection substantially and achieve the tax revenue target of 16.1 percent of GDP in 2001. As regards nontax revenue (mostly oil revenue, privatization proceeds, and telecommunications royalties), where collections were very weak in the first five months of the year, the government will take the necessary steps to ensure that the budgeted amount will be collected.

11. On the expenditure side, the government's policy is aimed at reigning in spending in order to free the resources required to address the needs of the poorest in the areas of health and education, as well as to maintain and improve basic infrastructure. However, in view of the tight budgetary situation, nonwage current primary expenditure will be reduced by 1 percent in 2001, while investment expenditure will be increased by 20 percent to the equivalent of 4 percent of GDP. The capital budget attaches the highest priority to the development of human resources and basic infrastructure. The wage bill is slated to rise by about 7 percent to CFAF 478 billion (equivalent to 7 percent of GDP and nearly 44 percent of tax receipts), taking into account the implementation, effective June 2001, of the government 's decision in May 2000 to equalize the salary of those teachers recruited after 1990 under a different salary scheme with those recruited earlier. In addition, new hiring is

[1] This figure includes debt-service payments to the World Bank (CFAF 96.5 billion) and the African Development Bank (CFAF 78.5 billion).

planned in the priority sectors of education (3,114 persons), health (1,081 persons), justice (15 persons), and security (2,000 persons).

12. The allocation of budgetary resources is in line with the government's major priorities, notably in the social sectors (education and health) and security. These provisions will permit the purchase of textbooks to promote education in poorer areas and strengthen the deployment of neighborhood police. The budget also provides for resources to conduct a feasibility study on the introduction of a universal medical insurance. The government will ensure that the appropriations allocated to the social sectors are used efficiently. Important appropriations have also been made for territorial administration, reflecting the government's desire to strengthen local governments and reinforce the decentralization policy. Expenditure on regular service outlays will be centralized at the Directorate of Government Property in order to enhance efficiency and improve control procedures.

13. The government recognizes the need to improve budget execution and cash-flow management, with the twofold objective of better monitoring public expenditure and preventing the accumulation of domestic and external payments arrears. The rules governing the budget management system (SIGFIP—*Système intégré de gestion des finances publiques*) will be rigorously applied. The government undertakes not to incur any extrabudgetary expenditure. To this end, a circular letter from the President of the Republic to members of the government reminded them of their obligation to submit any agreement with financial implications for signature by the Minister of Economy and Finance. Transparency in the management of public finances will be enhanced by continuing the computerization of the expenditure process, ensuring rigorous management of project-related expenditure, introducing rules on the use of budget appropriations, and taking inventories of government property.

14. Apart from the measures cited above, the government will further strengthen expenditure control and fiscal discipline through the following measures: (i) requiring that all expenditure be effected through SIGFIP; (ii) limiting advances and ensuring the prompt regularization of those that are made; (iii) rationalizing government procurement costs; and (iv) giving the Ministry of Economy and Finance sole authority over the designation and supervision of the directors of administrative and financial affairs (DAAFs—*Directeurs des affaires administratives et financières*). In this connection, the government is requesting technical assistance from the IMF in the area of public expenditure management. Moreover, the government will ensure the strict limitation of any earmarking of revenue outside budget and treasury channels.

B. Cocoa and Coffee

15. In the cocoa and coffee sectors, the government will consolidate the liberalization achieved and continue building an institutional framework supported by all participants in the sector that (i) eliminates any direct government intervention and any direct or implicit financial commitment as regards marketing; (ii) makes it possible to guarantee producers a minimum price for their products; and (iii) introduces a transparent regulatory environment that guarantees free and fair competition at all levels. In particular, no return to a system of

export allocations or quotas will be permitted. Furthermore, the government will take measures to avoid monopolistic practices.

16. The following measures will be taken during the period July–December 2001: (i) completion of the liquidation of the new CAISTAB by **September 30, 2001** at the latest, and establishment of the Coffee and Cocoa Marketing Exchange (BCC), which will assume some of the functions being carried out by the new CAISTAB during its liquidation;[2] (ii) effective establishment of the Coffee and Cocoa Regulatory Authority (ARCC), responsible for devising and implementing the regulatory framework; and (iii) for the remainder of the 2001/02 crop year, the putting in place of a transitional mechanism to ensure a minimum social price for the producers and a farmgate price that would cover their production costs. The implementation of this transitional arrangement will be monitored by the BCC, while the minimum social price will be set by the ARCC. The technical details of this mechanism will be discussed with the World Bank and participants in the sector.

C. Energy

17. The authorities are determined to begin immediately the process of rehabilitating the energy sector so as to eliminate the sizable deficits it has accumulated, reduce the structural costs of operation in the sector, and improve its overall financial transparency. The authorities have prepared, with the assistance of the World Bank, an action plan aimed at achieving these objectives. Three immediate steps are envisaged. First, a 10 percent increase in average electricity tariffs has been introduced with effect from July 15, 2001. These tariffs have been set in a manner that will mitigate its impact on the poor. Second, cost-cutting measures will be identified and negotiated with operators in the sector (estimated at CFAF 12 billion). Finally, on the government side, (i) regular payments for the government's current consumption will be made; (ii) a portion of the VAT collected in the sector (11.1 percent) will be refunded; and (iii) transfers to the budget for payments to cover the guaranteed external debt will be temporarily suspended.

18. In February 2001, the government adjusted retail petroleum product prices on average by 8.4 percent—a step that will make it possible to eliminate the deficit of SIR incurred in 2000 over a period of 18 months. The authorities will continue to monitor the operation of SIR in order to improve its financial situation. To the extent that the price structure changes as a result of changes in world oil prices, the authorities will take measures to adjust domestic petroleum prices. As regards the liberalization of petroleum product imports, the authorities confirm their desire to continue the import liberalization process. In this regard,

[2] The activities in question are forecasting harvests, maintaining internal statistics, monitoring stocks and purchase declarations, auditing and monitoring concessions, monitoring processing plant agreements and ex ante registration of sales, monitoring health quality control certification, overseeing shipments, and monitoring statistics on export receipts.

they will take the steps necessary to complete the study[3] aimed at defining the regulatory framework needed to achieve an orderly liberalization of the oil market and successful privatization of SIR.

19. The authorities expect rapidly to eliminate cross debts and claims between the government and the energy sector, which will make it possible to restore transparent financial relations and regular budgetary procedures.

D. Civil Servants' Pension Fund (CGRAE)

20. Following a comprehensive review of the CGRAE's (Caisse Générale de Retraites des Agents de l'Etat) financial statements and the actuarial evaluation of the pension fund carried out in cooperation with experts from the International Labor Organization, a number of corrective measures have been proposed with a view to restoring the Fund's long-term financial equilibrium. The proposed measures include changes in the retirement age, a broadening of the contribution base, and regular adjustments in the contribution rates for both employers and the employees. The major elements of the reform were discussed and adopted by the Council of Ministers on July 18, 2001. Negotiations will be undertaken with the social partners on the various options, with a view to implementing the reform in 2002. In the meantime, the authorities have already committed the resources required for improving the collection of contributions from state enterprises (*entreprises publiques nationales*—national public enterprises) and updating the data files of pensioners and the legal framework under which the CGRAE operates.

E. Reform of the Financial Institutions

21. The decree stipulating the separation of the CECP (caisse d'épargne et de chèques postaux—postal checking and savings fund) and the postal services was signed on June 16, 2001. The government intends to draw up a reform plan with a view to ensuring the financial viability of the CECP. A preparatory study now under way is aimed at enabling the CECP to be licensed as a financial institution, subject to the supervision of the Banking Commission of the West African Monetary Union (WAMU),. Meanwhile, the CAA (caisse autonome d'amortissement*)* continues to experience cash-flow problems. The government is committed to formulating a strategic plan for this institution by end-September 2001 on the basis of the recommendations of the ongoing CAA audit. In the meantime, the government will ensure that the CAA adheres to a lending policy that is consistent with the fiscal program and will not prejudice the government's decision on the future of the CAA.

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[3] This study was financed by the World Bank. However, owing to the suspension of disbursement, the consultant is awaiting payment of his fees before completing the next phase of the study.

F. Governance

22. The government is committed to addressing governance problems promptly and continuing to fight all criminal or corrupt activity. In the case of exporters who have failed to fulfill their export contracts and against whom CAISTAB holds claims, an agreement has been reached on the settlement of claims for the 1994/95 crop season amounting to almost CFAF 4 billion. As regards the CFAF 13 billion in claims for crop year 1998/99, the authorities intend to finalize the payment terms with defaulting exporters in July 2001. The defaulting exporters are expected to pay some 5 percent of their debt by end-September 2001 and undertake to pay the balance over a five-year period. Those who have failed to sign an agreement with the government on this basis by end-July 2001 or who have not paid the treasury the amounts due by end-September 2001 will not be granted export licenses for crop year 2001/02, and the government will initiate collection procedures as may be required.

G. Poverty Reduction Strategy Paper (PRSP)

23. Côte d'Ivoire is in the process of preparing its interim PRSP. In February 2001, the government drew up a timetable for the preparatory work toward developing an overall poverty reduction strategy, with participation by all stakeholders. A methodological workshop on poverty and the approach to the participatory process was held in May 2001; it has been be followed by regional workshops aimed at identifying an action plan to poverty reduction and the modalities of implementing the poverty strategy through a participatory process. The PRSP Monitoring Committee expects to finish drafting the interim PRSP by end-October 2001 and to complete the final version by end-June 2002.

IV. Prior Actions and Performance Criteria and Benchmarks

24. To ensure the success of the program, the government has taken the following prior actions: (i) the adoption of a fiscal program for 2001 in line with this memorandum; (ii) an increase in average electricity tariffs of 10 percent; and (iii) reduction of the export tax on cocoa to CFAF 160 per kilogram.

25. Program execution will be monitored through the monthly quantitative benchmarks indicated in Table 1, namely on (i) the government's tax revenue; (ii) the basic primary fiscal balance of the government; (iii) net bank credit to the central government; (iv) the government's outstanding verified domestic arrears; (v) outstanding external payments arrears of the central government; (vi) the amount of DENOs; and (vii) the ceiling on new nonconcessional debt contracted or guaranteed by the government.

26. The program also includes a number of structural benchmarks, as indicated in the attached table.

27. A program review is scheduled for October 2001. This review will assess the performance under the program at end-September and reach understandings on the budget for 2002.

Table 1. Côte d'Ivoire: Prior Actions, and Quantitative and Structural Benchmarks for July –December 2001
(In billions of CFA francs, unless otherwise indicated)

	2001	2001					
	June Est.	July Prog.	Aug. Prog.	Sep. Prog.	Oct. Prog.	Nov. Prog.	Dec. Prog.
Prior actions							
1. Adoption of a fiscal program for 2001 that is consistent with this memorandum		x					
2. Increase in electricity tariff of 10 percent		x					
3. Reduction of the export tax on cocoa from CFAF 200 per kilogram to CFAF 160 per kilogram		x					
Quantitative benchmarks							
1. Central government tax revenue (cumulative since start	561	659	735	805	881	989	1,091
2. Basic primary balance (cumulative since start of year)	216	234	218	207	218	249	278
3. Net bank credit to the government 2/	-106	-115	-96	-62	-54	-56	-62
4. Outstanding verified domestic arrears of the government	264	260	265	270	285	267	290
5. Outstanding external arrears of the government 4/	344	334	330	355	403	401	384
Of which: multilateral 5/	126	122	117	117	117	112	92
6. New nonconcessional external debt contracted or guaranteed by the government (cumulative since start (millions of U.S. dollars)	0	0	0	10	10	10	10
At maturities of less than 12 years	0	0	0	0	0	0	0
Of which: less than 1 year 6/ 7/							
At maturities of 12 years or more with a grant element of 10 percent to 35 percent	0	0	0	10	10	10	10
7. Outstanding commitments for which no payment orders have been issued (DENOs) 8/	99	112	111	118	118	119	75
Structural benchmarks							
1. Liquidation of the new CAISTAB				End-Sep.			
2. Decision on strategic guidelines for the CAA based on audit recommendations				End-Sep.			
3. Maintenance of framework for liberalizing the coffee/cocoa sector, with no direct or indirect financial commitment by the government as marketing				Continued			
4. Implementation of a program for recovering CAISTAB's claims on exporters in default				End-Sep.			

1/ Based on a definition of total expenditure minus interest and investments financed by project lending and grants.

2/ Cumulative changes since start of the year, excluding deposits corresponding to disbursements from the European Union.

3/ Includes all amounts payable by the treasury, including the floating debt, audited liabilities, and SIR coverage.

4/ Nonaccumulation of new external payments arrears during the program period (July–December).

5/ The cumulative arrears to multilateral institutions for January–June 2001 should not increase from one month to the next and December 2001.

6/ The term debt has the meaning set forth in point No. 9 of the Guidelines on Performance Criteria with respect to foreign debt (Decision No. 12274-(00/85, August 24, 2000).

7/ Excluding import credits.

8/ Commitments for which no payment orders have been issued against domestic financing.

CÔTE D'IVOIRE

Technical Memorandum of Understanding

August 13, 2001

This memorandum describes the understandings between the Ivoirien authorities and the IMF staff as regards the definition of the quantitative and structural benchmarks under the SMP, as well as the financial and monetary data needed for the monitoring of this program.

I. QUANTITATIVE BENCHMARKS (TABLE 1 OF THE MEMORANDUM OF ECONOMIC AND FINANCIAL POLICIES)

A. Basic Primary Balance

The basic primary balance is defined as the difference between total revenue and primary expenditure, excluding foreign-financed investment. Information on the primary balance will be forwarded to the staff not later than 20 days following the end of the month under review.

B. Net Bank Credit to the Government

Net bank credit from the banking system to the government is defined as the overall position of the central government vis-à-vis the banking system. Table 1 of the MEFP indicates the ceilings on net credit to the government for the period from end-July to end-December 2001. A detailed statement of net credit to the government for each month will be forwarded to the staff not later than six weeks following the end of the month under review.

C. Nonaccumulation of New Domestic Arrears

Under the program, the government will not accumulate new domestic arrears. Domestic arrears are defined as amounts receivable from the treasury (including subsidies to the municipalities and the EPNs), audited liabilities, and coverage of SIR. The arrears situation will be monitored by means of the monthly table on implementation of the cash-flow plan.

D. Outstanding Balance of the Government's External Arrears

This balance consists of the nonreschedulable debt of the public sector (including the central government, state enterprises, and agencies acting on behalf of the government) to multilateral institutions and bilateral creditors. An itemized listing of payments of arrears will be communicated to the staff every month not later than 20 days following the end of the month under review. Table 1 indicates a schedule for eliminating cumulative arrears to multilateral creditors during the last six months of 2001. An itemized listing of payments of said arrears will be communicated monthly to the staff not later than 20 days following the end of the month under review.

E. Nonconcessional External Debt Contracted or Guaranteed by the Central Government (other than borrowing from the IMF)

Nonconcessional debt (including purchases on credit) are defined as loans with a grant element of less than 35 percent, as calculated by using the reference interest rates of the relevant currencies. Debt rescheduling and debt restructuring are excluded from the ceilings on nonconcessional borrowing. An itemized list of all new external loans, including government guarantees, which indicates the terms and conditions of the loans and claims, will be provided to the staff monthly not later than 20 days following the end of the month under review.

II. Other Data Required For Program Monitoring

Other requirements are as follows:

- a monthly table of central government financial operations (TOFE);
- detailed data on the revenue collected by the financial authorities and the revenue covered by the ACCT/BCEAO account;
- detailed monthly data on the nontax revenue of the treasury;
- comprehensive monthly data on other government resources (including transfers from enterprises, privatization proceeds, oil revenues, telecommunications royalties, etc.);
- monthly data on DUS collections;
- detailed tables on expenditure commitments and payment orders issued;
- monthly data on SIGFIP implementation;
- monthly data on investment budget execution, itemizing the amounts and financing sources involved;
- Monthly data on the outstanding balance of commitments for which no payment orders have been issued (DENOs).
- a monthly table monitoring the debt due and paid by creditor;
- a monthly table on outstanding external arrears and debt stock;
- a table on monthly cash-flow plan execution;
- a monthly table on domestic arrears and amounts payable by the treasury;
- monthly data on the net position of the government;
- an integrated monetary survey of the banks, the BCEAO, and the banking system;
- monthly information on clearance of the hydrocarbons deficit; and
- information on the government's implementation of all the structural reform measures (including the reduction of the charges negotiated with energy sector transactors): this information must staff the Fund not later than ten days following the implementation of each measure concerned.

Côte d'Ivoire: Relations with the Fund

(As of May 31, 2001)

I. Membership Status: Joined March 11, 1963; Article VIII

II. General Resources Account:	SDR million	Percent of quota
Quota	325.20	100.0
Fund holdings of currency	324.91	99.9
Reserve position in the Fund	0.29	0.1

III. SDR Department	SDR million	Percent of allocation
Net cumulative allocation	37.83	100.0
Holdings	1.19	3.2

IV. Outstanding Purchases and Loans	SDR million	Percent of quota
Poverty Reduction and Growth Facility (PRGF) arrangements	403.75	124.2

V. Financial Arrangements

Type	Approval Date	Expiration Date	Amount Approved (SDR million)	Amount Drawn (SDR million)
PRGF	03/17/1998	03/16/2001	285.84	123.86
PRGF	03/11/1994	06/13/1997	333.48	333.48
Stand-by arrangement	09/20/1991	09/19/1992	82.75	33.10

VI. Projected Obligations to the Fund: (SDR million; based on existing use of resources and present holdings of SDRs)

	Overdue	Forthcoming				
	05/31/2001	2001	2002	2003	2004	2005
Principal		34.5	66.7	75.0	85.5	61.7
Charges/interest		2.7	3.0	2.7	2.3	1.9
Total		37.2	69.7	77.7	87.8	63.6

VII. Exchange Arrangement

Côte d'Ivoire is a member of the West African Economic and Monetary Union (WAEMU). The exchange system, common to all members of the union, is free of restrictions on payments and transfers for current international transactions. The union's common currency, the CFA franc, is pegged to the euro at the rate of Euro 1 = CFAF 655.97, consistent with the official conversion rate of the French franc to the euro and the previous fixed rate of CFAF 1 = F 0.01.

VIII. Article IV Consultations

Côte d'Ivoire is on the standard 12-month Article IV consultation cycle. The 2000 Article IV consultation was completed by the Executive Board on July 12, 2000.

IX. Technical Assistance

Fiscal Affairs Department	Review of the tax system (May-June 1995)
Statistics Department	Review of national accounts (June 1995)
Fiscal Affairs Department	Review of public finance (February 1996)
Statistics Department	Balance of payments statistics (August 1996)
Fiscal Affairs Department	Budget and government accounting framework reform (1997-99)
Statistics Department	Money and banking statistics (August 1997, BCEAO headquarters)
Statistics Department	General Data Dissemination System (October 1998)
Statistics Department	Reconciliation of fiscal and monetary statistics (November 1998)
Fiscal Affairs Department	Impact of WAEMU fiscal reforms (January 1999)
Fiscal Affairs Department	Tax administration (November 1999)
Fiscal Affairs Department	Tax administration (March 2000)

X. Resident Representative

A Fund resident representative has been posted in Abidjan since October 21, 1984. Mr. Ewenczyk assumed the post on August 1, 1998.

Côte d'Ivoire: Relations with the World Bank Group

(As of June 30, 2001)

1. The **World Bank** Group's Country Assistance Strategy seeks to assist Côte d'Ivoire in reducing poverty through (i) sound macroeconomic management, including prudent debt management; (ii) increased private sector development and investment under an efficient and transparent regulatory framework; (iii) more efficient expenditure targeting in health, education, and basic infrastructure through innovative delivery approaches; (iv) strengthened institutional and human capacity; (v) emphasis on environmental sustainability; and (vi) improved governance, notably in the area of public expenditure management. The Bank Group's operations are summarized in Table 1.

2. In September 1995, the Bank approved an agricultural sector adjustment credit equivalent to US$150 million, which was fully disbursed by March 1998. A private sector development adjustment credit equivalent to US$180 million was approved in April 1996 and fully disbursed by September 1998. This program was supplemented by two credits under the Bank's Fifth Dimension facility, one in December 1996 and the other in December 1997, totaling about US$89.8 million. In July 1997, a grant from the World Bank debt-reduction facility in an amount of US$20 million and an IDA credit equivalent to US$50 million were approved to help finance the up-front costs of the Brady-type debt-restructuring agreement, which was concluded with commercial banks in March 1998.

3. A transport sector adjustment/investment credit (TSAC) equivalent to US$180 million was approved in June 1998. The adjustment component of US$100 million is supporting the government reform program in the transport sector and strengthening the government's ability to (i) ensure availability of routine and periodic road maintenance funding at sufficient levels and at appropriate times; and (ii) facilitate the transition of several sector organizations and parastatals from public to private sector status. The investment component of US$80 million is an integral part of a core five-year public investment and expenditure program designed to fund physical investments, maintenance, capacity building, and transition support. The TSAC was supplemented, under the Bank's Fifth Dimension facility, by credits of US$26.9 million (December 1998) and US$21.2 million (April 2000).

4. Côte d'Ivoire was placed in non accrual status on March 1, 2001. The repayment of remaining arrears to the Bank (US$59 million as of May 21, 2001) is necessary for resumption of disbursements on 16 ongoing projects and some new lending. The repayment of arrears, an agreement on an IMF PRGF-supported program, and strong reform implementation will trigger the full reengagement scenario, including the HIPC Initiative grant and related budget support.

5. The **IFC**'s portfolio is beginning to show strains from the continued economic crisis as clients struggle in the prolonged uncertainty and economic downturn. The committed portfolio totals US$125 million. With the return of stability and an end to the economic crisis, new projects may again be selectively considered.

6. **MIGA**'s portfolio consists of two contracts of guarantee for a project in the agribusiness sector (for a total US$14.4 million gross and net exposure). MIGA's Board approved the Marcory bridge project in Abidjan, but the project was suspended after the coup d'état, and the contract is pending. MIGA is working on two applications in the infrastructure and manufacturing sectors.

Table 1. Côte d'Ivoire: Debt Service and Net Transfers to the World Bank, 1995–2000

(In millions of U.S. dollars, by calendar year)

	1995	1996	1997	1998	1999	2000
Commitments	368.5	274.6	157.6	320.9	5.0	23.2
Project loans	145.5	40.0	51.0	195.3	5.0	2.0
Program loans	223.0	234.6	106.6	125.6	0.0	21.2
Disbursements	245.1	253.0	140.3	210.0	63.9	72.8
Project loans	33.8	53.2	47.6	35.5	37.0	32.1
Program loans	211.3	199.8	92.6	174.5	26.9	40.7
Debt service	344.4	297.7	252.7	217.3	196.9	97.7
Interest	139.9	116.5	94.8	77.6	71.2	40.0
Principal	204.5	181.2	157.8	139.7	125.7	57.7
Net disbursements	40.6	71.8	-17.6	70.3	-61.8	15.1
Net transfers	-99.2	-44.7	-112.4	-7.3	-132.7	-24.9

Sources: World Bank, Debt Reporting System (DRS); and World Bank staff estimates.

Côte d'Ivoire: Statistical Issues

The Ivoirien authorities have generally provided the core statistical indicators to the Fund (see attached table). However, there are weaknesses in the areas of national accounts, balance of payments, monetary statistics, and public finance. Following an STA mission to assess the national accounts in 1995, the authorities have strengthened their efforts to improve the quality and availability of data. In this regard, they have initiated a computerized database to help update information required by AFR and STA on a regular basis. Two STA missions visited Abidjan in October-November 1998: a mission on the General Data Dissemination System (GDDS) and a mission to assist the authorities in the reconciliation of the government finance and monetary statistics. The work of both of these missions has contributed to a strengthening of the conceptual framework and statistical techniques employed by the Ivoirien authorities.

Real sector

The Ivoirien authorities have published comprehensive national accounts data for the period 1987-95, using a 1986 basis, and have published provisional data for 1996-98. They are now current for publication in the *International Financial Statistics* (*IFS*). The May 2001 *IFS* reported national accounts data through 1997. The authorities are updating the national accounts to bring them in line with the 1993 System of National Accounts and change the base year to 1996. A harmonized consumer price index (CPI) (base 1996) was adopted by all members of the West African Economic and Monetary Union (WAEMU),[1] including Côte d'Ivoire. The new CPI, put in place in the beginning of January 1998, replaces the prior index and is based on recent household consumption surveys. Finally, there are no official periodic statistics on wages and employment.

Public finances

Côte d'Ivoire reported data up to 1999 for publication in the Government Finance Statistics (*GFS*) *Yearbook* but does not provide monthly or quarterly fiscal data for publication in *IFS*. However, detailed monthly government finance data, which are compiled by the Forecasting Department at the Ministry of Finance, have been made available to AFR through March 1999. Documentation of the operations of the nonfinancial and public enterprises is lacking. The government has committed itself to addressing this weakness and to making a comprehensive effort to reconcile fiscal and monetary data. Starting with 1999, the budget is being prepared on the basis of a unified budgetary framework.

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[1]Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo.

Monetary accounts

Monetary data for Côte d'Ivoire are prepared by the national agency of the Central Bank of West African States (BCEAO), and the headquarters of the BCEAO releases final data officially. Problems with Côte d'Ivoire's monetary statistics are common to all eight-member countries of the WAEMU. One source of statistical problems arises from the difficulties the BCEAO has encountered in estimating currency in circulation in each WAEMU member country because of the large backlog of unsorted banknotes held by the central bank in its various national agencies. The BCEAO is working on measures to accelerate the sorting operations in order to resolve this problem. A technical assistance mission visited the headquarters of the BCEAO in August 1997 to address issues affecting monetary statistics. The mission investigated the problems encountered and reviewed, with the authorities, the steps to be taken to address them.

The monetary and financial statistics mission at the BCEAO (May 2001) found that reporting delays have been somewhat reduced (from 60 to 50 days) with the implementation of the new chart of accounts for the DMBs in 1997. The mission discussed an action plan for the implementation of the *Monetary and Financial Statistics Manual* and for the introduction of an area-wide page in *IFS* for the WAEMU. New dialogues were initiated on the provision of future technical assistance in monetary statistics for the region and on the direction of new efforts to reduce the stock of unsorted notes.

Balance of payments

The national agency of the BCEAO is responsible for completing and disseminating the balance of payments statement and has significantly improved data consistency over the past few years. The technical assistance of STA (Statistical Advisor from July 1996 through July 1999) contributed to the reporting of balance of payment data in the framework of the *Balance of Payments Manual* (5th edition) for 1996, 1997, and 1998. Following the recommendations of an STA technical assistance mission, the Ivoirien authorities adopted an action plan in September 1996 to improve balance of payments statistics, stressing in particular the need to (i) strengthen the processing of bank settlements reports; and (ii) assess the adequacy of the existing legal framework requiring private enterprises to report statistical information, with a view to promoting greater cooperation among the BCEAO, the customs administration, and other departments of the Ministry of Finance to ensure consistency among the balance of payments, national accounts, and government finance data.

Regarding trade data, the customs computer system (SYDONIA) was upgraded in 1999, and its installation in all main border customs houses is being completed; this should allow a better monitoring of import data and should complete the coverage of informal trade. The further improvement of the coverage services and transfers (especially workers' remittances) is linked to the intensification of the contacts with reporting bodies; this implies that the authorities' commitment to strengthen the human and technical resources should be confirmed.

Concerning the financial accounts, the foreign assets of the private nonbanking sector are still weakly covered, especially assets of WAEMU residents, which are due to be assessed through Bank for International Settlements (BIS) data. The organization of annual exhaustive surveys for the reporting of foreign direct investment transactions in Côte d'Ivoire is still in a very preliminary stage, and these statistics are not complete because of the low response rate to specific private sector surveys. Besides, external debt data reliability has somewhat deteriorated in the recent past, especially data on debt stocks. Also, little information exists on private debt.

The follow-up mission at the BCEAO (April 2000) highlighted drawbacks in the implementation of the statistical advisor's recommendations: Côte d'Ivoire was the only country in WAEMU for which no balance of payments final statement for 1998 had been approved to date, and the data reporting by two major commercial banks, suspended in mid-1999, had not been resumed.

Côte d'Ivoire: Core Statistical Indicators

(As of May 15, 2001)

	Exchange Rates	International Reserves	Central Bank Balance Sheet	Reserve/ Base Money	Broad Money	Interest Rates	Consumer Price Index	Exports/ Imports	Current Account Balance	Overall Government Balance	GDP/ GNP	External Debt
Date of latest observation	Current	5/01	5/01	5/01	5/01	6/01	5/01	3/01	2000 1/	12/00	2000 1/	12/00 1/
Date received	Current	7/01	7/01	7/01	7/01	6/01	6/01	6/01	3/01	4/01	4/01	4/01
Frequency of data	Daily	Monthly	Monthly	Monthly	Monthly	Variable	Monthly	Quarterly	Annually	Monthly	Annually	Monthly
Frequency of reporting	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Quarterly	Annually	Monthly	Annually	Monthly
Source of update 2/	EIS/TRE	BCEAO	BCEAO	BCEAO	BCEAO	BCEAO	Statistics Institute	Ministry of Finance	BCEAO	Ministry of Finance	Statistics Institute	Debt Unit
Mode of reporting	n.a.	Staff	Staff	Staff	Staff	Staff	Staff	Staff	Staff	Staff	Staff	Staff
Confidentiality	No	3/	3/	3/	3/	No	No	3/	3/	3/	3/	3/
Frequency of publication	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	Quarterly	Annually	Monthly	Variable	Monthly

1/ Partial data.
2/ EIS/TRE = Economic Information System/Treasurer's Department of IMF; BCEAO = Central Bank of West African States; Debt Unit is component of Ministry of Finance.
3/ Preliminary data for staff use only; actual data unrestricted.

Côte d'Ivoire: Medium-Term Outlook

1. The staff discussed with the authorities a medium-term outlook (Table 10) based on the following set of assumptions:

- Cocoa and coffee outputs will reach 1,150 million tons and 250,000 tons, respectively, in 2001 and rise moderately thereafter under the assumption of normal weather conditions.

- The sociopolitical situation will continue to improve in 2001, which would pave the way for a normalization of relations with external donors and a return of private sector confidence next year.

- A Fund-supported program will be put in place by early 2002, after the staff-monitored program (SMP) has been successfully implemented and financing assurances secured.

- In the fiscal area, the overall fiscal balance is projected to improve in line with the objectives set in the official convergence program under the regional convergence and stability pact: total government revenue and grants would gradually recover to 19.5 percent of GDP, based on the progress in reducing exemptions and combating fraud, while total expenditure would be reduced to 20.1 percent of GDP by 2004.

2. Under these assumptions, economic growth should recover from minus 1 percent in 2001 to 5 percent in 2004, which would be underpinned by an increase in the investment-to-GDP ratio to 16 percent. Domestic savings should finance a greater share of that investment as the current account is projected to gradually improve over the period.

3. **The outcome of this scenario is conditional upon, among others, the resumption of external assistance.** The return of external assistance, together with enhanced authorities' credibility in terms of macroeconomic management, will be key to restoring a propitious environment that will promote private sector-led growth. In this setting, it is expected that activity in manufacturing and services will rebound, boosted by the recovery in private investment, both domestic and foreign.

4. The medium- and long-term balance of payments projections have been based upon the most recent available information and the latest projections of the World Economic Outlook. For the period covering 2002–04, the projections show a gradual narrowing in the external current account deficit (excluding official transfers) from 4.8 percent of GDP in 2002 to 3.8 percent in 2004. The expected narrowing of the current account deficit will reflect a growing trade surplus, which will increase to 13 percent of GDP by 2004 from 11 percent in 2001, mainly as a result of an improvement in the terms of trade (about 2 percent per year on average). Meanwhile, export volumes are projected to grow by

4 percent on an annual average basis, this rise will be outpaced by the growth of import volumes (5 percent on annual average), spurred by the recovery in public and private investment.

5. Higher sustained growth would require a significant strengthening of policies over the medium term, both on the fiscal and structural fronts. This high-case scenario is predicated on a substantial improvement in tax revenue performance and further restraint in current outlays to achieve a balanced budget by 2004. The authorities would also need to promote strongly private sector confidence, which would be conducive to a sharp increase in investment and private capital inflows. Under this scenario, real GDP growth would rebound to 4.5 percent in 2002 and reach 6.5 percent by 2004, a growth level which would be in line with Côte d'Ivoire's experience during the mid-1990s and help address the deteriorating poverty indicators.

6. The main downside risk to the baseline medium-term scenario is related to continued political problems, which could jeopardize the resumption of external assistance. This would, in turn, entail a further worsening of the financial constraints, a further erosion of confidence, and persisting low private investment. Under this alternative low-case scenario, growth would not exceed 1.5 percent in 2002 or 2.0 percent by 2004. It is likely that a prolonged weakness of the economy over the coming years would precipitate other damaging problems, like disruptions of the financial sector and a substantial deterioration of the poverty indicators. Also, given the preponderance of the cocoa and coffee sectors, any adverse weather conditions would negatively affect the overall economic outlook in the coming years.

Côte d'Ivoire: Background Section of the Public Information Notice (PIN)

IMF Concludes Article IV Consultation with Côte d'Ivoire

On [August 31, 2001], the IMF Executive Board concluded the Article IV consultation with Côte d'Ivoire.[1]

Background

The three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) that was approved by the Executive Board of the IMF in March 1998 in support of Côte d'Ivoire's adjustment efforts went off track after the first year. Subsequent discussions on a new Fund program, including a staff-monitored program after the December 1999 coup d'état, remained inconclusive as no understandings could be reached on corrective measures in the fiscal and governance areas. The difficult social and political circumstances of the past year contributed to a marked deterioration of the economic and financial situation.

After expanding by 5¾ percent in 1998 and 1½ percent in 1999, real GDP contracted by about 2½ percent in 2000, reflecting a substantial worsening of the terms of trade, a lack of external financial assistance, and low business and consumer confidence. Gross domestic investment fell from 16 percent of GDP in 1999 to 12½ percent of GDP, owing to the reticence of the private sector and very low public investment. In this setting, the secondary and tertiary sectors remained weak—industrial output dropped by 11 percent—but the primary sector continued to expand, owing to abundant cocoa and coffee crops. The annual average consumer price index (CPI) rose by 2½ percent in 2000, up from 0.7 percent in 1999. The external current account deficit (including grants) is estimated to have widened to 5½ percent of GDP, in part reflecting adverse terms of trade developments.

Total budget revenue fell by 3 percent in 2000 relative to 1999. With substantially lower-than-budgeted capital spending, the overall fiscal deficit (on a payment order basis and including grants) for 2000 was contained at about 1.4 percent of GDP. The total stock of arrears and DENOs (spending committed for which payment orders have not been issued)

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. In this PIN, the main features of the Board's discussion are described.

increased from the equivalent of 7 percent of GDP at end-1999 to about 11.2 percent at end-2000.

On the structural front, limited progress was made over the past year. In the area of privatization, discussions with Air France on the take over of Air Ivoire were not concluded, and there was no progress on the privatization of the oil refinery (SIR). The action plan outlining the various options for restoring the long-term financial position of the pension fund for government employees (CGRAE) had been prepared, but has not yet been submitted to the government. Regarding the Caisse Autonome d'Amortissement (CAA), once the audit has been completed, the government will have to make major strategic decisions regarding its future. As regards the situation of the savings and postal checking agency (CECP) and the postal services agency (SIPE), a decree splitting the two entities was signed on June 16, 2001, but a fundamental reform is needed to ensure the financial viability of the postal savings agency. In the cocoa and coffee sectors, the measures that were supposed to accompany the liberalization process, such as the strengthening of producer organizations and the rehabilitation of rural infrastructure were not fully implemented.

Prospects for 2001

For 2001, the staff projects a contraction of real GDP of about 1 percent, as the prospective growth in manufacturing and services would not be sufficient to offset the negative growth in agriculture, following the bumper crops in 2000. Consumer price inflation is projected to rise to 4 percent, reflecting increased transport costs and prices of traditional food staples, whose supply was disrupted earlier in the year because of to unfavorable weather conditions. The external current account deficit is expected to remain unchanged at 5½ percent of GDP in 2001, as export earnings are projected to remain weak and imports to recover only slightly. This forecast is based on the successful implementation of the staff-monitored program covering the second half of 2001.