INTERNATIONAL MONETARY FUND EXTERNAL RELATIONS DEPARTMENT

Press Release No. 09/96
FOR IMMEDIATE RELEASE
March 25, 2009

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves US$565.7 Million PRGF Arrangement for Côte d'Ivoire

The Executive Board of the International Monetary Fund (IMF) today approved a three-year, SDR 373.98 million (about US$565.7 million) arrangement under the Poverty Reduction and Growth Facility (PRGF) for Côte d'Ivoire to support the authorities' economic program aimed at achieving sustainable growth, reducing poverty, and advancing the country's economic reform agenda. The decision will enable Côte d'Ivoire to draw the equivalent of SDR 159.348 million (about US$241.1 million) from the IMF immediately.

At the conclusion of the Executive Board's decision, Mr. Lipsky, First Deputy Managing Director and Acting Chair, made the following statement:

"The Ivoirien authorities are to be commended for the progress toward peace and the broadly satisfactory track record of performance under two Emergency Post-Conflict Assistance programs since 2007, in a difficult post-conflict and global economic environment. Côte d'Ivoire has adopted a strong economic program that will be supported by a new three-year arrangement under the IMF's Poverty Reduction and Growth Facility.

"The economic recovery is continuing, although the global economic downturn has slowed Côte d'Ivoire's return to its pre-crisis economic growth levels. Fiscal developments in 2008 were broadly satisfactory, except that spending on large public works was executed outside the budget and at the expense of basic infrastructure rehabilitation and other priority spending. The authorities have taken steps to limit extrabudgetary spending, including a revision of budgetary procedures. The authorities have also initiated reforms in the key cocoa/coffee and energy sectors, and have started to improve, among other things, transparency, pricing, and taxation in these sectors.

"Côte d'Ivoire's economic program aims at consolidating macroeconomic stability, increasing economic growth, and reducing poverty. The planned further fiscal consolidation and improved public resource management will be critical for creating room for higher spending on basic infrastructure, poverty reduction, and other post-conflict needs.

Comprehensive structural reforms in the coffee/cocoa, energy, and financial sectors are set to support private sector development, while safeguarding public resources.

"The achievement of the authorities' medium-term poverty reduction objectives, set out in a new Poverty Reduction Strategy that was recently adopted, hinges on public finance reforms, strict adherence to budget execution procedures, enhanced transparency of spending on public works, and observance of the Public Procurement Code.

"The continued and well-coordinated support of the international community remains critical for the program's success and Côte d'Ivoire's return to a path of sustained peace and economic recovery," Mr. Lipsky stated.

The PRGF is the IMF's concessional facility for low-income countries. PRGF-supported programs are based on country-owned poverty reduction strategies. These strategies are adopted after an inclusive process involving civil society and development partners and articulated in a Poverty Reduction Strategy Paper (PRSP). This is intended to ensure that PRGF-supported programs are consistent with a framework for macroeconomic, structural, and social policies to foster growth and reduce poverty. PRGF loans carry an annual interest rate of 0.5 percent and are repayable over 10 years with a 5 ½-year grace period on principal payments.

ANNEX

Recent Economic Developments

Following several years of civil strife, Côte d'Ivoire continued its economic rebound in 2008. Real GDP growth picked up to 2.3 percent in 2008 from 1.6 percent in 2007, driven by construction, food production, and telecommunications. Meanwhile, higher prices for imported food and adjustments in domestic oil prices pushed up inflation in 2008, which reached 9 percent by year-end. As food and oil prices declined, inflation has slowed since then.

Fiscal performance under the IMF's Emergency Post-Conflict Assistance (EPCA) since mid-2007 was broadly satisfactory, except for important fiscal slippages in the form of extrabudgetary spending of 0.7 percent of GDP for large-scale public works. Thanks to corrective actions in the last quarter, the deviation from the 2008 program objective for the primary fiscal surplus was limited to 0.4 percent of GDP, but rehabilitation investment suffered.

The external current account deficit in 2008 improved driven by favorable terms of trade. Higher prices for crude oil and other commodities boosted export revenues during the first half of the year. Despite the ensuing decline in commodity prices, the current account showed a surplus of 1 percent of GDP, compared with a 1.5 percent of GDP deficit in 2007.

Program Summary

The government's medium-term macroeconomic program supported by the PRGF is designed to help create fiscal space for pro-growth and pro-poor spending, improve the prospect for debt sustainability, and make progress towards the West African Economic and Monetary Union (WAEMU) convergence criteria. The program also advances reforms in public finance management, the civil service, the energy and cocoa/coffee sectors, and promotes private sector development, including strengthening of the financial sector.

The macroeconomic framework for 2009-11 aims to achieve:

- An annual real GDP growth of about 4.2 percent on average.
- A reduction of inflation to 3 percent per year, in line with WAEMU targets.
- An overall budget deficit of about 2 percent of GDP, consistent with debt sustainability after prospective debt relief.

The structural program focuses on meeting the completion point triggers under the Heavily Indebted Poor Countries (HIPC) Initiative.

To achieve these objectives, medium-term policies include:

- Further fiscal consolidation with a view to improving tax revenue, through strong tax administration efforts which would offset reduction in oil and cocoa revenues.

- Improvement of the composition of expenditure by giving priority to pro-poor and crisis-exit spending and restraining the wage bill.

- Reorientation of investment towards rehabilitation of basic infrastructure and post-conflict recovery, while reassessing the scale and phasing of the large public works.

- Structural reforms to improve governance and transparency, including through an ambitious Public Finance Management action plan and a civil service reform plan.

- Reform of the coffee/cocoa sector aimed at enhancing supply and quality through lower taxation and an overhaul of the institutional framework.

- Reform of the energy sector aimed at enhancing governance and efficiency, with special focus on improving the financial viability of the electricity sector.

- Restructuring of public financial institutions and strengthening banking supervision.

Côte d'Ivoire: Selected Economic and Financial Indicators, 2006-09

	2006	2007	2008		2009
			EPCA-2	Prov.	Proj.
	(Annual percentage changes, unless otherwise indicated)				
National income					
GDP at constant prices	0.7	1.6	2.9	2.3	3.7
GDP deflator	4.5	2.7	4.7	8.1	0.6
Consumer price index (annual average)	2.5	1.9	4.3	6.3	5.9
Consumer price index (end of period)	2.0	1.5	6.8	9.0	3.4
External sector (on the basis of CFA francs)					
Exports, f.o.b., at current prices	9.3	-5.7	12.8	8.3	-16.2
Imports, f.o.b., at current prices	1.3	4.7	17.8	3.1	-19.6
Export volume	6.0	-8.4	1.6	-7.8	6.1
Import volume	3.9	5.1	4.0	-4.6	4.5
Terms of trade (deterioration –)	5.8	3.3	-2.1	8.7	2.7
Nominal effective exchange rate	-0.4	2.2	...	-0.3	...
Real effective exchange rate (depreciation –) 1/	-0.4	1.6	...	0.4	...
Central government operations					
Total revenue and grants	10.3	10.7	11.7	15.2	0.3
Total expenditure	10.3	3.1	9.6	14.0	3.7
	(Changes in percent of the beginning-of-periof broad money)				
Money and credit					
Money and quasi-money (M2)	10.3	23.6	7.6	7.4	6.0
Net foreign assets	5.7	9.4	1.4	1.4	-0.3
Net domestic assets	4.6	14.2	6.2	6.0	6.3
Of which: government	-1.6	3.7	3.3	-1.1	3.4
private sector	4.9	10.0	3.9	6.4	2.9
Velocity of money	4.0	3.3	3.5	3.4	3.4
	(Percent of GDP, unless otherwise indicated)				
Central government operations					
Total revenue and grants	19.0	19.7	20.7	20.6	19.8
Total revenue	18.4	19.2	19.4	18.9	19.0
Total expenditure	20.8	20.5	21.1	21.1	21.0
Overall balance, incl. grants, payment order basis	-1.8	-0.8	-0.4	-0.6	-1.3
Primary basic balance 2/	0.3	0.6	0.8	0.3	0.9
Gross investment	9.3	8.7	10.4	10.1	11.3
Central government	3.1	2.6	3.1	3.0	3.0
Nongovernment sector	6.3	6.1	7.4	7.1	8.3
Gross domestic saving	19.6	14.6	16.8	17.9	18.1
Central government	2.4	2.8	2.5	2.1	2.9
Nongovernment sector	17.2	11.8	14.3	15.7	15.2
Gross national saving	12.1	8.0	11.6	12.6	11.8
Central government	0.9	2.2	2.8	2.6	1.9
Nongovernment sector	11.2	5.8	8.8	9.9	9.8
External sector					
Current account balance (including official transfers)	2.8	-0.7	1.2	2.4	0.4
Current account balance (excluding official transfers)	3.0	-1.5	-0.6	1.0	-0.1
Overall balance	-2.7	-0.5	-0.8	0.1	-3.7
External public debt	71.4	64.8	66.8	60.7	53.7
Public external debt-service due before rescheduling (CFAF billions)	396	384	364	426	380
Percent of exports of goods and services	8.3	8.5	7.2	8.7	9.1
Percent of government revenue	23.7	20.7	19.1	21.6	18.2
Memorandum items:					
Public debt in arrears (percent of GDP)	26.6	24.1	21.3	25.3	2.0
Domestic (after securitization)	4.5	2.5	1.6	2.7	2.0
External	22.1	21.6	19.7	22.6	0.0
Nominal GDP (CFAF billions)	9,081	9,487	10,103	10,485	10,925
Nominal exchange rate (CFAF/US$, period average)	522	479	446	446	498
Nominal GDP at market prices (US$ billions)	17.4	19.8	22.7	23.5	21.9
Population (million)	19.6	20.2	19.0	20.8	21.4
Population growth (percent)	3.0	3.0	1.5	3.0	3.0
Nominal GDP per capita (CFAF thousands)	464	471	531	505	511
Nominal GDP per capita (US$)	888	983	1,190	1,132	1,026
Real GDP per capita growth (percent)	-2.3	-1.4	1.4	-0.7	0.7

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

1/ Based on end-of-period changes in relative consumer prices and the nominal effective exchange rate.

2/ Defined as total revenue minus total expenditure, excluding all interest and foreign-financed investment expenditure.