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Statement by the Staff Representative on Côte d'Ivoire
Executive Board Meeting 90/138
September 10, 1990

Further to the assessment of Côte d'Ivoire's cooperation with the Fund contained in EBS/90/142 (8/7/90), the following information has become available on the country's performance under the program since the first review and modification of the supporting stand-by arrangement (EBM/90/99; 6/22/90). Based on final data recently communicated to the Fund by the Ivoirien authorities, all performance criteria for end-June 1990 were observed, except for the limit on domestic payments arrears of the Central Government, which was exceeded by a small margin reflecting an unplanned reduction in net bank credit to the Government. A request for a waiver, explaining the circumstances of the nonobservance of this performance criterion, which is considered relatively minor and temporary, is being presented in a separate paper to the Executive Board.

For the first half of 1990, the central government deficit, on a payment order basis, amounted to CFAF 191 billion, well below the target--and performance criterion--of CFAF 210 billion. Both total revenue and total expenditure performance was better than programmed. Importantly, within the respective totals, tax revenue was above target and personnel expenditure below target. In recent months, the Government has intensified its efforts to improve the customs and tax administrations. An external audit of the customs administration was followed in July by a change in its top management and a strengthening of the team of technical advisors. Similar audits of the tax administration and several autonomous funds are about to be concluded. On the expenditure side, the Government has substantially reduced the number of contractual employees. Furthermore, the authorities have recently reviewed with a FAD technical assistance team the means of improving government budgeting and expenditure control.

The authorities fulfilled in late June the conditions applicable to the release of the second tranche of the World Bank's structural adjustment loan for the agricultural sector. Also in June, the Executive Board of the Bank approved a structural adjustment loan for the water and sanitation sector. In the view of the World Bank staff, sufficient progress has recently been made to warrant the release of the second tranche of the Bank's energy sector adjustment loan; this tranche would be released on September 14, if the Executive Board of the Bank does not object to the waivers being requested for two conditions. As regards the public enterprise reform program, enterprises eligible for privatization are being identified, and a special unit has been entrusted to handle the technical aspects of privatization. Finally, progress has also been made in identifying key reforms aimed at lowering factor costs and easing regulatory impediments to economic activity.

The effective disbursement of multilateral and bilateral exceptional assistance to Côte d'Ivoire during the first half of 1990, at CFAF 63 billion (US\$220 million), fell short of the program projection of CFAF 98 billion, leading to an automatic increase in the ceilings for domestic and external payments arrears for end-June by two-thirds and one-third of the shortfall, respectively, as foreseen in the program. The shortfall in external financing is narrowing, and hence the overall financing plan for 1990 remains valid. Much of the effect on the balance of payments of the recent increase in the price of crude petroleum imports will be offset by increased revenue from the export of petroleum products. The EC Commission recently determined that Côte d'Ivoire is eligible for STABEX transfers in 1990 of CFAF 25 billion (ECU 71 million).

On June 12, 1990, the Ivoirien authorities met with the Coordinating Committee of the commercial banks to outline a proposal for the restructuring of Côte d'Ivoire's commercial bank debt, based upon phased debt and debt service reduction operations, with the first operation to be carried out in 1991. The Government plans to seek the support of multilateral institutions and official bilateral creditors to carry out the envisaged restructuring in the context of a medium-term adjustment program. The authorities further explained that the Government would deposit funds in a set-aside account with the BCEAO to be used for partial payment of interest obligations on restructurable debt in the context of a comprehensive agreement with the banks.

In response, the Coordinating Committee indicated its readiness to discuss a realistic and durable solution for restructuring Côte d'Ivoire's bank debt once the country had made significant progress in implementing its economic program and had obtained appropriate debt relief from official creditors. A few creditor banks, however, raised objections to the setting up of a special reserve account with the BCEAO in lieu of partial payments of interest directly to the banks. It is envisaged that the authorities will resume discussions with the banks prior to the Executive Board meeting for the second review under the stand-by arrangement (which is to be held by end-November 1990), with a view to informing the Committee of the progress achieved in implementing the program.

In the context of the forthcoming mission for the second review of the stand-by arrangement, the question of the appropriateness of a resumption of cash payments directly to banks in the interim period before reaching an agreement on the debt restructuring will be discussed with the authorities taking account of various factors, including the prospective mobilization of external resources in relation to the financing requirements under the program, the need for Côte d'Ivoire to establish a satisfactory track record of debt service payments to bilateral and multilateral creditors, and the aim of rebuilding orderly financial relations with creditor banks. The staff will continue to monitor developments in the negotiations and will bring any important developments promptly to the attention of the Board.