FOR AGENDA

EBS/85/291

CONFIDENTIAL

December 30, 1985

To: Members of the Executive Board

From: The Acting Secretary

Subject: Côte d'Ivoire - Second Review of the Stand-By Arrangement

Attached for consideration by the Executive Directors is the staff report for the second review under the stand-by arrangement for Côte d'Ivoire. A draft decision appears on page 26.

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

Mr. Bornemann (ext. 6962) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

CONFIDENTIAL

INTERNATIONAL MONETARY FUND

COTE D'IVOIRE

Second Review of the Stand-By Arrangement

Prepared by the African Department and the Exchange and Trade Relations Department

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

Approved by A.D. Ouattara and Eduard Brau

December 26, 1985

Contents

Contents

I. Introduction

On June 3, 1985, the Executive Board approved a 12-month stand-by arrangement for Côte d'Ivoire in an amount of SDR 66.2 million, equivalent to 40 percent of quota (EBS/85/113, Supplement 2). Purchases under this arrangement were scheduled to be made in five equal installments of SDR 13.24 million. The first purchase was made on June 15, 1985 after approval of the program by the Executive Board. The second purchase took place in September 1985 upon satisfaction of the end-June performance criteria and completion of the first review of the program (EBS/85/196). The third is scheduled to be made at end-December 1985 upon satisfaction of the end-September performance criteria. The fourth purchase, which may be made after March 15, 1986, is subject to the observance of the end-December performance criteria and the completion of the second review of the program. The last purchase, which may be made after May 15, 1986, is subject to satisfaction of the end-February 1986 performance criteria.

As of November 30, 1985, Côte d'Ivoire's total Fund credit outstanding amounted to SDR 575.7 million, equivalent to 347.9 percent of quota. Of this amount, 319.8 percent of quota represented net purchases under tranche policies, and 35.1 percent of quota corresponded to net purchases under the special facilities. If all the purchases under the current arrangement are made, the Fund's holdings subject to repurchase would amount, by the end of May 1986, to the equivalent of 353.8 percent of quota, of which 336 percent under tranche policies and 17.8 percent under the special facilities (Table 1).

The Fund mission that conducted the second review of the program visited Abidjan during the period November 5-22, 1985. 1/ As envisaged in the program, this review focused on the implementation of the financial program in 1985, an appraisal of financial policies contemplated for 1986, the establishment of performance criteria for end-February 1986, and a reassessment of medium-term prospects. A letter from the Minister of Economy and Finance dated December 13, 1985 summarizing these discussions is presented in Appendix I.

1/ The staff representatives were Mr. Bornemann (head-AFR), Mr. Ledoux (AFR), Mr. Schiller (FAD), Ms. Xafa (ETR), and Ms. Culp (secretary-BLS). The mission was received by the President of Côte d'Ivoire, H.E. Felix Houphouët-Boigny, and met with Mr. Seri Gnoleba, Minister of State; Mr. Koné, Minister of Economy and Finance; Mr. Bechio, Minister of the Civil Service, Mr. Belkiri, Secretary General of the Government; Mr. Diabate, National Director of the BCEAO; and, in Dakar, with Mr. Fadiga, Governor of the BCEAO. The mission was assisted by Mr. Gilman, the Fund's resident representative in Côte d'Ivoire. Mr. Yao, Assistant to the Executive Director for Cote d'Ivoire, participated in the discussions.

Table 1. Côte d'Ivoire: Fund Position During Period of Current Arrangement, 1985-86

	Outstanding on May 31, 1985	1985 June	1985 July-Sept.	1985 Oct.-Dec.	1986 Jan.-March	1986 April-May
		(In millions of SDRs)				
Transactions under tranche policies (net) 1/	--	6.92	-0.44	4.52	-6.53	10.84
Purchases	--	13.24	13.24	13.24	13.24	13.24
Ordinary resources	--	6.62	6.62	6.62	6.62	6.62
Borrowed resources	--	6.62	6.62	6.62	6.62	6.62
Repurchases	--	-6.32	-13.68	-8.72	-19.77	-2.40
Ordinary resources	--	-3.56	-5.40	-3.56	-9.08	--
Borrowed resources	--	-2.76	-8.28	-5.16	-10.69	-2.40
Transactions under special facilities (net) 2/	--	-14.25	-14.25	-14.25	-14.25	--
Purchases	--	--	--	--	--	--
Repurchases	--	-14.25	-14.25	-14.25	-14.25	--
Total Fund credit outstanding (end of period)	597.76	590.43	575.74	566.01	545.23	556.07
Under tranche policies 1/	511.28	518.20	517.76	522.28	515.75	526.59
Special facilities 2/	86.48	72.23	57.98	43.73	29.48	29.48
		(As percent of quota)				
Total Fund credit outstanding (end of period)	361.2	356.7	347.9	342.0	329.4	336.0
Under tranche policies 1/	308.9	313.1	312.9	315.6	311.6	318.2
Special facilities 2/	52.3	43.6	35.0	26.4	17.8	17.8

Source: Treasurer's Department, International Monetary Fund.

1/ Ordinary and borrowed resources.
2/ Compensatory financing facility and buffer stock facility.

The mission collaborated closely with a World Bank mission which visited Abidjan at the same time to hold discussions on a third structural adjustment loan and on medium term prospects. Côte d'Ivoire's relations with the Fund and the World Bank Group are summarized in Appendices II and III, respectively. Basic data on the Ivorian economy are provided in Appendix IV.

The next two sections of this paper review the performance under the 1985 financial program and the economic and financial outlook for 1986. Section IV presents revised medium-term economic and financial prospects of Côte d'Ivoire. Section V concludes with the staff appraisal and the proposed decision.

II. Recent Economic Developments and Program Implementation in 1985

The major objectives of the Government's financial program for 1985 were to limit the external current account deficit to 3.1 percent of GDP, to reduce the deficit of the public sector to 1.5 percent of GDP, to eliminate external arrears, and to reduce by about two thirds domestic arrears of the public sector. These objectives were to be achieved mainly through the continued adherence to cautious fiscal and monetary policies and further debt relief.

Most recent estimates for 1985 confirm the conclusions reached during the first review of the arrangement (EBS/85/196): the program remains on track, and the improvement in the external and public sector accounts is likely to be substantially greater than originally envisaged. This favorable performance has been due to the continuation of tight demand management policies, a record agricultural crop in 1984/85, and favorable export prices. The end-June and end-September performance criteria were observed with a comfortable margin.

1. Overall performance of the economy

Real GDP is forecast to increase, for the first time since 1981, by 5.6 percent in 1985 (Table 2). This growth stems primarily from the agricultural sector, which is expected to expand by about 9 percent in real terms. In particular, cocoa production in the 1984/85 crop year reached a record level of 550,000 tons compared with 415,000 tons in 1983/84, while coffee and cotton production amounted to 280,000 tons and 212,000 tons, respectively, as against 85,000 tons and 142,000 tons in 1983/84. The secondary sector is forecast to expand by 4.6 percent, with the 9.8 percent increase in the agro-processing subsector being partly offset by a more modest 4.3 percent growth in other manufacturing sectors and a further 4 percent decline in the construction industry. Domestic consumption is

Table 2. Côte d'Ivoire: Economic and Financial Indicators, 1983-86

	1983 Actual	1984 Prel. Actual	1985 Program 1/	1985 Est.	1986 Projection
		(Annual percentage change)			
National income and prices					
GDP at constant prices	-4.4	-2.8	4.9	5.6	2.5
GDP deflator	11.3	13.4	3.9	2.0	0.7
Consumer price index	5.9	4.3	5.0	2.0	3.0
External sector					
Exports, f.o.b.	-1.2	45.0	4.1	12.0	-6.1
Imports, f.o.b.	-5.5	-2.3	7.7	7.2	11.3
Export volume	-10.9	20.6	-1.0	4.5	0.7
Import volume	-14.1	-14.4	1.1	4.2	10.3
Terms of trade	0.6	13.2	-0.9	4.3	-7.7
Nominal effective exchange rate 2/	-2.8	-0.8	...	...	...
Real effective exchange rate 2/	-5.7	-4.8	...	...	...
Public finance					
Revenue (excluding grants)	13.5	20.1	14.0	8.9	-6.6
Total expenditure and net lending	2.2	-2.9	5.9	-13.5	8.1
	(Annual change as percent of private broad money at beginning of period)				
Money and credit					
Net domestic assets	40.9	-1.1	8.7	-3.8	5.5
Of which: public sector	(27.7)	(-1.9)	(2.7)	(-6.6)	(--)
Private money supply	7.7	17.5	8.7	9.8	7.3
Velocity (ratio)	4.2	3.9	4.0	3.8	3.6
Interest rate 3/	9.5	9.5	9.5	9.5	9.5
		(In percent of GDP)			
Overall public sector deficit (-) 4/	-10.7	-3.6	-1.5	3.5	-0.9
Change in arrears	4.0	-2.5	-4.5	-4.7	-1.3
Domestic financing	6.1	-0.5	0.6	-1.8	--
Foreign financing	0.3	5.5	5.3	3.0	2.2 5/
Current account deficit (-)					
Including grants	-13.3	-1.0	-3.1	3.2	-1.3
Excluding grants	-13.5	-1.3	-3.4	3.0	-1.5
External debt outstanding					
Including Fund credit	84.9	91.5	86.4	86.8	86.0
Excluding Fund credit	75.3	79.9	77.9	77.6	76.8
Debt service ratio (in percent of exports of goods and services					
Before debt rescheduling	42.1	34.7	38.6	32.9	34.1
After debt rescheduling	40.2	18.8	24.1	19.7	...
Of which: interest	(21.4)	(18.0)	(18.9)	(14.7)	(15.0)
		(In millions of SDRs)			
Overall balance of payments 6/	-547.4	125.5	68.1	324.5	60.8
Operations account (end year)	-542.0	-381.0	-381.0	-118.0	-124.0

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

1/ EBS/85/113. Original forecasts are based on earlier estimates for 1984, which have now been updated.
2/ Total trade weighted.
3/ Minimum rate on over 1-year time deposit of more than CFAF 2 million.
4/ On the basis of payment orders issued.
5/ Including financing gap.
6/ After debt rescheduling and gap financing.

estimated to increase by 4 percent in real term and to represent 75.2 percent of GDP in 1985, compared with 77.6 percent in 1984. Investment expenditure in real terms is projected to decline by about 15 percent, from 12.3 percent to 10.2 percent of GDP.

The increase in the implicit GDP deflator and in the consumer price index should be limited to about 2 percent, largely due to a decline in domestic food prices linked with the excellent 1984/85 crop, the impact of the current wage freeze in the public sector on the prices of manufactured goods, and tight credit policies.

2. Public sector finance

The consolidated public sector accounts, on a payment order basis, are estimated to show a surplus of CFAF 109 billion, compared with a deficit of CFAF 102 billion in 1984 and a deficit of CFAF 47 billion originally programmed for 1985 (Table 3). This substantially better than programmed performance, reflects mainly lower-than-programmed expenditure, and to a lesser extent higher revenue. With public sector payment arrears expected to be reduced by CFAF 145 billion as programmed (they were reduced by CFAF 143 billion during the nine months of the year - Table 4), the public sector's net position with the banking system should improve by about CFAF 50 billion, despite a shortfall in net external financing of about CFAF 80 billion compared with the program projections.

Total revenue is estimated at CFAF 996 billion, or CFAF 17 billion higher than programmed. This corresponds to an increase of 8.7 percent over 1984. The structure of revenue differs significantly from the program. With a growth rate of almost 12 percent, tax revenue is now expected to exceed the program estimate by a considerable margin. This reflects mainly substantial payments of back taxes linked to the reduction of public sector payments arrears during the first half of the year and the improvement in the economic situation, along with the authorities' enhanced efforts to increase revenue collections. In addition, there was an improvement in import duties resulting from the replacement of quantitative restrictions by import surcharges and the increases in tariffs on intermediate goods linked with the implementation of the industrial policy reforms. Receipts of the Stabilization Fund, however, are now estimated to be about 5 percent below the 1985 original forecast, reflecting, on the one hand, the fact that the increase in the 1984/85 cocoa crop, which was an early one, resulted mainly in additional revenue in the last quarter of 1984 and, on the other hand, lower export earnings from coffee due to lower export volumes as well as the poor quality of the coffee crop. It is expected that the objective of total transfers from the Stabilization Fund to the Treasury, the CAA, and the agricultural development agencies set at CFAF 270 billion during calendar year 1985 will be met. Transfers during the first three quarters of the year amounted to CFAF 210 billion, in line with the programmed schedule.

Table 3. Côte d'Ivoire: Nonfinancial Public Sector Consolidated Finances, 1983-86

(In billions of CFA francs)

	1983 Actual	1984 Actual	1985 Program	1985 Revised forecast	1986 Projection
A. Revenue (including grants)	763	916	979	996	930
Tax revenue	512	516	540	576	590
Social security contributions	32	32	31	33	35
CSSPPA	100	256	283	270	197
Petroleum revenue	24	34	37	35	25
Other	88	70	78	76	76
Grants 1/	7	8	10	7	7
B. Current expenditure	710	788	783	727	741
Treasury	444	463	479	457	482
Wages and salaries	(258)	(255)	(260)	(260)	(278)
Material, supplies, and transfers	(186)	(208)	(219)	(197)	(204)
Interest payments	227	284	295	258	244
On domestic debt	(37)	(48)	(41)	(42)	(43)
On external debt	(190)	(236)	(254)	(216)	(202) 2/
Social security payments	21	24	28	28	32
Public enterprises (operating surplus (-)/deficit)	-10	-4	-19	-41	-61
Other	28	21	--	24	44
C. Capital expenditure and net lending	338	230	243	160	218
Capital expenditure 1/	296	227	233	165	223
Central government	(181)	(128)	(123)	(82)	(107)
Public enterprises	(115)	(99)	(110)	(84)	(116)
Net lending	42	3	10	-5	-5
D. Total expenditure and net lending (B + C)	1,048	1,018	1,026	887	959
E. Public sector deficit(-)/ surplus (on basis of payment orders issued)	-285	-102	-47	109	-29
(as percentage of GDP)	(-10.7)	(-3.6)	(-1.5)	(3.5)	(-0.9)
F. Change in arrears 3/ (- decrease)	106	-71	-145	-145	-40
G. Deficit (on cash basis)(E + F)	-179	-173	-192	-36	-69
(in percent of GDP)	(-6.7)	(-6.0)	(-6.0)	(-1.2)	(-2.2)
H. Financing	179	173	-30	36	-104
Net foreign borrowing	-2	-61	-50	-107	-104 4/
Debt relief	18	220	--	200	--
Banking system	163	-12	20	-49	--
Other 5/	--	26	--	-8	--
I. Financing gap	--	--	222	--	173 2/
Memorandum items:					
Gross foreign borrowing	236	166	181	143	142 4/
Foreign debt amortization	-238	-227	-231	-250 6/	-246
Tax revenue (as percent of GDP)	(19.3)	(18.0)	(16.8)	(18.6)	(18.5)
Debt relief (as percent of GDP)	(0.1)	(7.7)	(--)	(6.5)	--
Arrears (stocks, end of period)	286	215	70	70	30
Overall deficit of the public enterprises 7/	-166	-164	-153	-99	-112
Nominal GDP	2,653	2,869	3,217	3,089	3,190

Sources: *Ministry of Economy and Finance; and staff estimates and projections.*

1/ Excluding grants in kind and counterpart expenditure.
2/ Excluding interest on gap financing.
3/ Including arrears on external amortization payments.
4/ Excluding disbursements under the third SAL under discussion with the IBRD.
5/ Including statistical discrepancies.
6/ Including the prepayment of CFAF 17 billion in service payments due to an Abidjan Club creditor during the 1986-92 period.
7/ Excluding transfers from the Central Government.

Table 4. Côte d'Ivoire: Outstanding Public Sector Payments Arrears, 1983-85
(Amounts owed to Ivorian private sector and abroad)

(In billions of CFA francs)

	As of 12/31/83	As of 12/31/84		As of 4/30/85	As of 6/30/85	As of 9/30/85
	Actual	Original program 1/	Revised program			
Treasury	76.1	70.4	70.4	20.2	25.0	24.9
Investment expenditure financed by CAA	8.5	9.2	1.9	1.0	1.2	1.8
Public debt	77.6	65.2	58.4	49.4	29.3	16.7
Of which: external debt	(58.0)	(31.8)	(25.0)	(21.3)	(--)	(--)
internal debt 2/	(19.6)	(33.4)	(33.4)	(28.1)	(29.3)	(16.7)
Municipalities	6.5	4.4	4.4	2.6	2.0	2.1
National public institutions (EP)	20.4	15.0	15.0	10.3	8.6	12.8
Public enterprises	51.3	37.5	37.5	22.7	11.0	8.1
Actual expenditures not yet regularized	45.6	8.3	27.4	19.6	14.4	5.4
Total	286.0	210.0	215.0	125.8	91.5	71.8
Memorandum items:						
Program ceilings						
External arrears				--	--	--
Domestic arrears				96.8	91.8	76.8
Actuals						
External arrears				21.3	--	--
Domestic arrears				104.5	91.5	71.8

Source: Ministry of Economy and Finance.

1/ EBS/85/113.

2/ The outstanding amounts indicated under internal debt take into account only arrears on interest due on domestic guaranteed debt. The exclusion of principal is due to the fact that principal in arrears is automatically included in credit data provided by the banking system to calculate net claims on the public sector, which is a performance criterion.

Total expenditure in 1985 is estimated to be 13.5 percent, or CFAF 139 billion, below the program provision, which aimed at stabilizing total expenditure at about the 1984 level. Both current and capital expenditure contributed to this development.

Current expenditure is expected to be CFAF 56 billion lower than envisaged in the program, reflecting lower current Treasury expenditures, lower interest payments on the external debt, and a better performance by the public enterprises. Current Treasury expenditure is presently estimated to be CFAF 22 billion below the program target. The current budgetary expenditure, including the wage bill, is in line with the program, mainly due to lower expenditure included in special accounts. This reflects the Government's efforts to contain extrabudgetary expenditure, a reclassification of certain outlays, which have been reclassified as payments of arrears related to expenditure committed in previous fiscal years, and delays in the implementation of procurement procedures for the industrial export subsidy scheme introduced under the industrial policy reform. External interest payments are about CFAF 40 billion below the program estimate, due to lower interest rates and the recent decline in the U.S. dollar. On the other hand, other current expenditures of decentralized agencies, for which no provision had been made in the program, are currently estimated at CFAF 24 billion, compared with a level of CFAF 21 billion in 1984.

Progress toward improving the financial situation of the public enterprise sector has been more rapid than expected and has resulted in a CFAF 37 billion increase in their aggregate operating surplus, compared with a CFAF 15 billion objective under the program. This improvement reflects in part the favorable impact of the on-going rehabilitation programs, but also exogenous factors, particularly in the energy sector. EECI, the electricity company, has benefited from higher hydropower production made possible by an excellent rainy season, while the situation of the oil refinery, SIR, improved largely due to the substantial decline in the price of crude oil denominated in CFA francs, while ex-refinery prices remained unchanged.

Capital expenditure, including net lending, is expected to be CFAF 83 billion below the program estimate. This corresponds to a 30 percent decline over 1984. The fact that the new money received from the commercial banks in the context of the rescheduling agreement (CFAF 49.1 billion) has been entirely used to repay arrears accounts for a large part of the shortfall from the program estimate. In addition, a number of new projects which had been expected to start in 1985 have been delayed until 1986. As regards net lending, the private sector is now estimated to repay the public sector CFAF 5 billion rather than borrow CFAF 10 billion as envisaged in the program. This reflects the efforts of the authorities to collect arrears due by the private sector on guaranteed debts.

3. Money and credit

The evolution of the monetary situation in 1985 reflects the aforementioned improvements in the export crops and in public finance as well as the tight credit policy pursued by the monetary authorities.

Most recent estimates indicate that the net foreign liabilities of the banking system will decline by CFAF 147 billion, or 32 percent, in 1985, compared with no change assumed in the program (Table 5). Foreign liabilities declined by CFAF 76 billion during the first three quarters of the year. The further substantial improvement expected during the last quarter of the year is explained mostly by the fact that about one third of the 1985/86 cocoa crop should be exported during this period. The impact of the improvement in the external position on money supply is expected to be largely offset by a CFAF 72 billion, or 5.9 percent, reduction in net domestic assets, as against a 5.3 percent increase assumed in the program. Net domestic assets have declined by CFAF 141 billion during the first nine months of the year, but are estimated to increase substantially during the last quarter of 1985, mainly as a result of the high seasonal increase in crop credit. As a result, private money stock declined by 9 percent between end-December 1984 and end-September 1985, but, with the expected sharp increase in seasonal crop credit during the last quarter, it would increase by 9.8 percent during the year as a whole, roughly in line with the program estimate.

About one half of the decline in net domestic assets during the first three quarters of the year was due to a CFAF 73 billion reduction in net claims on the public sector, reflecting a CFAF 7 billion improvement in the Government's situation vis-à-vis the banking system and a CFAF 67 billion reduction in net credit to public enterprises. This evolution is due to the substantial improvement in the operating surplus of these enterprises mentioned above and larger-than-expected transfers and repayments of arrears to public agencies by the Treasury.

During the same period, credit to the private sector declined by CFAF 68 billion, of which CFAF 65 billion on account of crop credit and CFAF 3 billion on account of ordinary credit. The lower-than-normal seasonal reduction in crop credit reflects higher coffee stocks resulting from the low volume of coffee exports. The unexpected decline in ordinary credit is explained by the tight credit policy of the Central Bank, which sharply reduced access to its rediscounting facilities, and by an unusually low level of demand for credit in the urban sector. This stems largely from the improvement in the financial situation of the private sector resulting from the substantial reimbursement of public sector arrears, the high level of real interest rates, as well as the cautious attitude of the banks in their assessment of potential borrowers' creditworthiness. The banks' cautious attitude reflects their ongoing efforts to redress their balance sheets and to improve the quality of their loan portfolios, which deteriorated substantially between 1980 and 1984.

Table 5. Côte d'Ivoire: Monetary Survey, 1983-86
(Enlarged Definition of Public Sector)

(In billions of CFA francs)

	1983	1984	1985								1986		1983-84	1984-85		1985-86
			April		June		September		December							
	Dec. Actual	December Actual	Indicative prog.	Actual	Prog.	Actual	Prog.	Actual	Prog.	Staff forecast	Febr. Progr.	Dec. Proj.	Actual	Prog.	Project.	Staff project.
													(Annual changes in percent of private money supply at beginning of period)			
Net foreign assets	-577	-457	-407	-322	-456	-330	-466	-381	-457	-311	-310	-296	18.9	--	19.5	-1.7
Net domestic assets	1,226	1,219	1,290	1,101	1,252	1,071	1,250	1,078	1,284	1,147	1,192	1,192	-1.1	8.7	-3.8	5.5
Public sector	382	370	375	248	380	278	390	297	390	321	321	321	-1.9	2.7	-6.6	--
Central Government	211	239	250	177	255	219	257	232	257	...	257	...				
Parastatal enterprises	171	132	125	71	125	59	133	65	133	...	133	...				
Private sector	844	849	915	852	872	793	860	781	894	825	870	870	0.8	6.0	-3.2	5.5
Ordinary credit	680	688	711	656	749	624	789	685	744	655	652	710	1.3	7.5	-4.4	6.7
Crop credit	163	161	204	197	123	169	71	96	150	170	218	160	-0.3	-1.5	1.2	-1.2
Of which: coffee	(63)	(22)	(54)	(78)	(23)	(62)	(11)	(36)	(22)	(36)	(64)	(43)	(-6.5)	(--)	(18.8)	(0.9)
Private money supply	634	745	866	760	779	724	767	679	810	818	864	878	17.5	8.7	9.8	7.3
SDR counterpart	15	17	17	18	17	18	17	18	17	18	18	18	--	--	0.1	--
Memorandum items:																
Performance criteria for net domestic assets (including adjustment for coffee stocks) 1/			1,303		1,270		1,264		...		...					
Performance criteria for public sector			375		380		390		390		321					

Sources: BCEAO; and staff estimates.

1/ The formula used for adjustment of coffee stocks is described in EBS/83/96.

In contrast, the situation of the five specialized banks experiencing difficulties has worsened further, in spite of a number of corrective measures taken by the authorities. This deterioration is reflected in the increase in their "accidental overdraft" with the Central Bank, which rose to CFAF 30 billion by the end of September. Comprehensive audits of these five banks have been recently completed. They confirm that all these banks have incurred very large losses and that strong corrective measures will have to be taken to restructure this sector. A steering committee, which includes representatives from the financial and the monetary authorities, is reviewing the conclusions of these audits with the objective of finalizing a comprehensive action program by the beginning of next year. As a first step, the agricultural credit institution (BNDA), which is expected to play a key role in the strengthening of the agricultural policy contemplated by the authorities, will be rehabilitated.

4. External sector

As mentioned above, external developments in 1985 were better than envisaged under the program. The current account shifted into a surplus position estimated at CFAF 100 billion, equivalent to 3.2 percent of GDP, compared with a deficit of equal magnitude envisaged under the program, and a deficit of CFAF 30 billion in 1984 (Table 6). By contrast, the capital account is expected to show a surplus of only CFAF 53 billion, compared with a surplus of CFAF 132 billion after rescheduling envisaged under the program. As a result, the overall balance of payments is now expected to show a surplus of CFAF 153 billion, compared with CFAF 32 billion after rescheduling under the program and a surplus of CFAF 56 billion in 1984. Making allowance for net repayments to the Fund of CFAF 3 billion and for the repayment of external arrears of CFAF 25 billion, the operations account with the French Treasury is forecast to improve by about CFAF 125 billion. Nevertheless, the net position in the account would remain negative at to the extent of CFAF 54 billion at the end of 1985.

More than one half of the improvement in the current account compared with the program target is attributable to a larger trade surplus, which reflects the impact of the record cocoa crop, an improvement in the terms of trade and in the real effective exchange rate (see Chart). The trade surplus is estimated at 21.5 percent of GDP, or CFAF 665 billion -- CFAF 105 billion higher than originally projected in the program. This results mainly from higher export receipts which are expected to be CFAF 117 billion, or 10 percent, higher than the program estimate. Cocoa and coffee exports are estimated to be CFAF 146 billion higher, and CFAF 32 billion lower, respectively, than envisaged under the program, while other exports are in line with the program estimates. Imports are estimated at CFAF 629 billion, or only CFAF 11 billion higher than projected. The deficit of the services balance is projected to be CFAF 88 billion lower than initially envisaged. This is largely due to the decline in interest payments, reflecting the reduction in interest rates and the depreciation of the U.S. dollar since the beginning of the year.

Table 6. Côte d'Ivoire: Balance of Payments, 1983-86

(In billions of CFA francs)

	1983 Actual	1984 Actual	1985 Program	1985 Revised forecast	1986 Projection
Exports, f.o.b.	797.0	1,156.0	1,178.0	1,294.7	1,215.7
Of which: coffee beans	(160.0)	(182.4)	(303.9)	(272.5)	(263.6)
cocoa beans	(163.0)	(394.4)	(239.9)	(385.9)	(345.8)
Imports, f.o.b.	574.0	587.0	618.0	629.3	700.4
Trade balance	223.0	569.0	560.0	665.4	515.3
Services, net	-444.0	-475.0	-536.0	-448.3	-443.6
Of which: interest due	(207.0)	(-245.0)	(-261.0)	(-222.3)	(-207.6) 6/
Transfers, net	-132.0	-124.0	-124.0	-118.0	-113.0
Current balance	-353.0	-30.0	-100.0	99.1	-41.4
Capital account	130.0	86.2	-90.0	53.4	-107.9
Official capital (medium- and long-term)	55.0	166.0	-68.0	99.9	-97.9
Gross drawings	(243.0)	(170.9)	(181.0)	(145.0)	(141.0) 7/
Amortization due	(-206.0)	(-225.0)	(-249.0)	(-245.0) 5/	(-238.9)
Rescheduling	(18.0)	(220.1)	(--)	(200.0)	(--)
Other capital	75.0	-79.8	-22.0	-46.5	-10.0
Monetary capital	(31.4)	(-100.8)	(...)	(-15.0)	(10.0)
Other capital 1/	(43.6)	(21.0)	(...)	(-31.5)	(-20.0)
Overall balance	-223.0	56.2	-190.0	152.5	-149.1
Financing	223.0	-56.2	190.0	-152.5	149.1
Net external assets (-increase)	165.0	-23.2	--	-127.5	-24.3
Operations account	(87.0)	(-57.8)	--	(-125.0)	(--)
IMF (net) 2/	(64.0)	(15.2)	(-17.0)	(-15.7)	(-35.0)
Adjustment 3/	(22.0)	(12.0)	(17.0)	(12.7)	(10.7)
Others (net) 4/	(-8.0)	(7.4)	(--)	(0.5)	(--)
Payments arrears	58.0	-33.0	-32.0	-25.0	--
Financing gap	--	--	222.0	--	173.4 6/
Memorandum items:					
Operations account (end-year)	-236.8	-179.0	-179.0	-54.0	-54.0
Outstanding external arrears (end-year)	58.0	25.0	--	--	--
GDP	2,653.0	2,869.0	3,217.0	3,089.0	3,190.0
Exports/GDP	30.3	40.3	36.6	41.9	38.1
Imports/GDP	21.6	20.5	19.2	20.4	22.0
Trade balance/GDP	8.4	19.8	17.4	21.5	16.1
Current balance/GDP	-13.3	-1.0	-3.1	3.2	-1.3

Sources: BCEAO; and staff estimates.

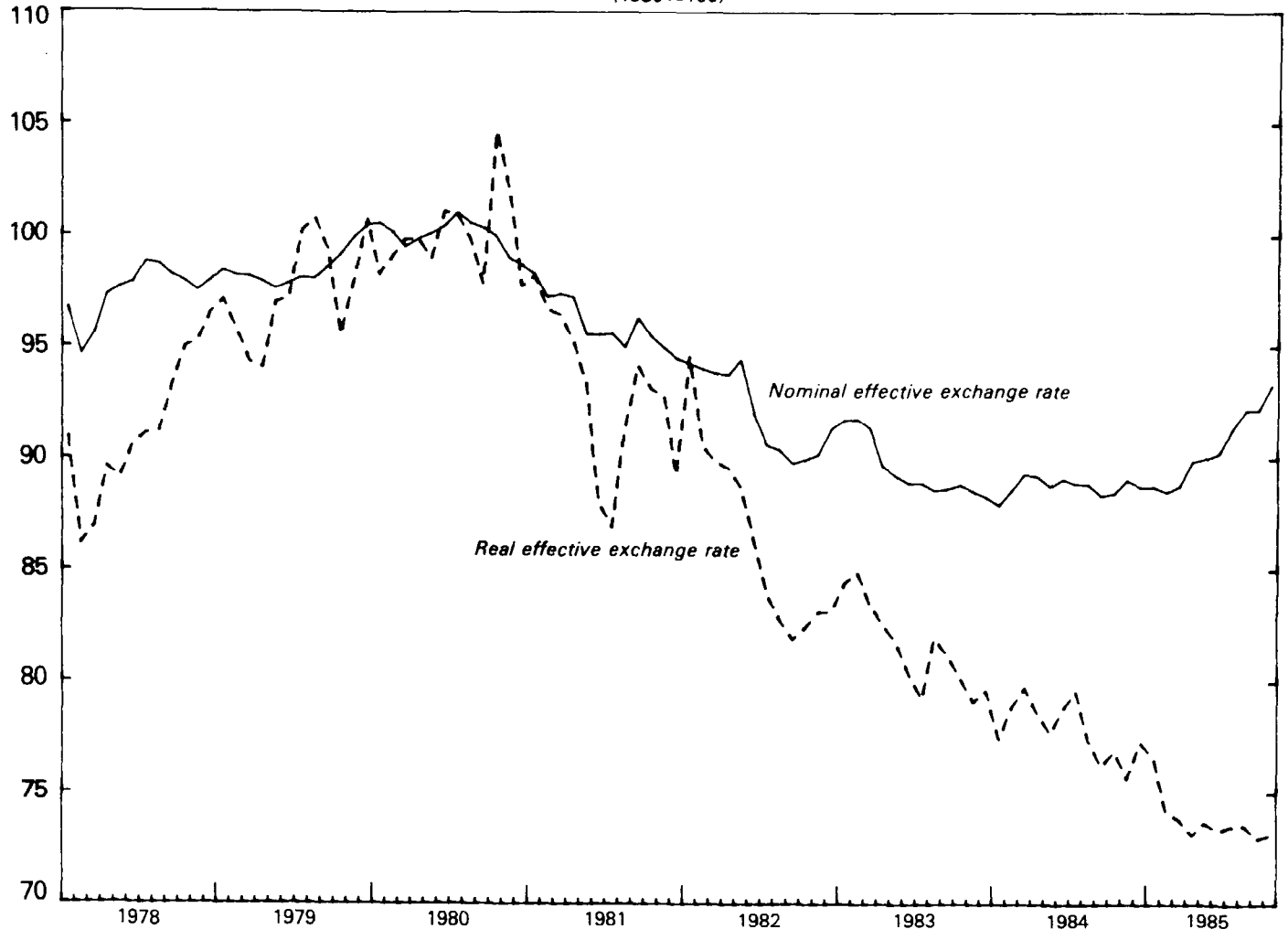
1/ Includes official short-term capital and errors and omissions.
2/ Net flows valued at current exchange rates; excludes operations with the Trust Fund.
3/ Valuation adjustment on IMF repurchases due to exchange rate movements between purchase and repurchase dates, since the exchange risk is borne by the regional central bank.
4/ Including holdings of SDRs and franc zone currencies.
5/ Includes the prepayment of CFAF 17 billion in service payments due to an Abidjan Club creditor during the 1986-92 period.
6/ Excluding interest on gap financing.
7/ Excluding disbursements under the third SAL under discussion with the IBRD.

CHART

CÔTE D'IVOIRE

NOMINAL AND REAL EFFECTIVE EXCHANGE RATES[1], 1978-85

(1980 = 100)



Source: Information Notice System, International Monetary Fund

[1] Total trade weighted

Transfers were also lower than envisaged due to the rapid reduction in foreign technical assistance in the private as well as in the public sector.

The lower surplus in the capital account reflects mainly delays in disbursements of project loans, but also higher-than-expected private capital outflows. This is explained by the substantial reimbursement of short-term lines of credit (drawn upon by commercial banks in 1982-83) as a consequence of the improvement in their liquidity situation, the repayment of foreign loans by the private sector linked to the reduction in public sector domestic arrears, as well as the relatively low level of private investment.

The ratio of external public debt outstanding (including Fund credit) to GDP is expected to decline from 90.5 percent in 1984 to 86.8 percent in 1985. During the same period, the debt service ratio on exports of goods and services is expected to decline from 34.7 percent to 32.9 percent, before rescheduling, and to increase from 18.8 percent to 19.7 percent, after rescheduling.

5. Performance criteria for the period June-December 1985

The present arrangement is subject to the quantitative performance criteria set out in Table 7. These criteria refer to net domestic assets, net claims on the public sector, stock of external debt and of domestic arrears due by the public sector, and new external commitments of 1 to 5 and 1 to 12 years maturity.

According to the most recent official data, all the performance criteria for end-June and end-September 1985 have been observed. Those related to monetary aggregates have been satisfied with a large margin, while those related to public sector's arrears and new external commitments have been observed with a smaller margin.

III. Economic and Financial Outlook for 1986

The authorities intend to continue their adjustment policies in 1986, while at the same time giving more emphasis to efforts to encouraging economic growth. As the exceptionally favorable environment experienced in 1985 is unlikely to recur in 1986, this renewed emphasis on growth will have to be accompanied by cautious fiscal and monetary policies. The preliminary financial targets for 1986 are to limit the public sector deficit to less than 1 percent of GDP and the external current account deficit to 1.3 percent of GDP, and to virtually eliminate the stock of domestic public sector arrears, on the basis of payment orders issued.

Table 7. Côte d'Ivoire: Execution of the 1985 Financial Program, December 1984-September 1985; and Performance Criteria, December 1985-February 1986

	1984		1985							1986
	December		April		June		September		December	February
	Original est.1/	Actual	Indicative program	Actual	Program	Actual	Program	Actual	Program	Program
	(In billions of CFA francs)									
Net domestic assets										
Excluding adjustment for coffee stocks 2/	1,221.2	1,218.9	1,290.1	...	1,252.4	...	1,250.4	...	1,283.9	1,192.0
After adjustment for coffee stocks 2/	1,221.2	1,218.9	1,303.0	1,100.5	1,270.0	1,071.4	1,263.9	1,078.3	...	...
Net position of the public sector	372.5	370.2	375.2	248.1	380.2	278.3	390.2	297.2	390.2	321.0
Stock of domestic arrears of the public sector 3/	178.2	190.0	96.8	104.5	91.8	91.5	76.8	71.8	76.8	61.8
Stock of external debt arrears	31.8	25.0	--	21.3	--	--	--	--	--	-- 4/
New external commitments 5/										
1-5 years	...	--	--	--	--	--	--	--	--	--
1-12 years	...	--	180.0	106.7	180.0	106.7	180.0	175.0	180.0	20.0 6/
Memorandum items:										
Crop credit (billions of CFA francs)	160.7	160.7	204.0	196.6	123.0	140.0	71.0	96.2	150.0	218.0
Of which: coffee stock financing	(21.5)	(21.5)	(53.9)	(77.9)	(22.5)	(62.3)	(11.0)	(35.6)	(22.0)	(64.0)
Coffee stocks (thousands of tons)	47.8	47.8	120.0	167.9	50.0	133.1	26.0	78.8	49.0	135.0

1/ The performance criteria for net domestic assets, net credit to the public sector, and domestic payments arrears have been adjusted, to reflect the difference between the preliminary end-December 1984 basis for the program and the actual outcome. The flows are unchanged.

2/ The formula used for adjustment of coffee stocks is described in EBS/83/96.

3/ This target reflects actual transfers from the Stabilization Fund of CFAF 160 billion during the first half of the year, of CFAF 50 billion during the third quarter, and of CFAF 60 billion during the last quarter.

4/ Excluding principal due on reschedulable obligations between January 1, 1986 and February 28, 1986.

5/ Limited for 1985 to the list of loans included in Table 1 of Appendix II, of EBS/85/113 as modified by Appendix I of EBS/85/196, expressed in millions of SDRs.

6/ Starting January 1, 1986 and based on the CFA franc--SDR exchange rate as of December 1, 1985.

The projected external financing gap for 1986, which is currently estimated at CFAF 173 billion, is expected to be covered by a partial restructuring of external public debt maturities, disbursement from a US$250 million World Bank structural adjustment loan (SAL) under preparation, and possible further use of Fund resources after the expiration of the current arrangement. The authorities have requested that discussions on a possible new stand-by arrangement, in the context of the next Article IV consultation discussions, should take place beginning in late January 1986.

1. Macroeconomic prospects and supply policies

Economic activity is expected to expand by 2.5 percent in real terms in 1986. The primary sector is forecast to decline slightly by about 0.5 percent after the exceptional growth registered in 1985. The favorable weather conditions which prevailed during the second half of 1985 are, however, expected to lead to a good 1985/86 crop year. Cocoa, coffee, and cotton production is presently estimated at 500,000 tons, 270,000 tons, and 220,000 tons, respectively. Most other crops may decline by about 10 percent from the 1984/85 peak. Value added in the energy sector is anticipated to increase by about 6.5 percent, mainly as a result of a further shift toward hydroelectricity, which is expected to cover 69 percent of domestic needs in 1985/86 compared with 56 percent last year. Crude oil production is forecast to decline by about 20 percent. The authorities expect that new investments required for the exploitation of a gas field discovered recently should start during the first half of 1986 in order that production may begin in late 1987. Industrial activity is expected to increase by about 6.5 percent while the construction sector should expand by 16 percent, after a more than 60 percent decline since 1981, largely due to the recovery in public investment.

Domestic inflation, as measured by the consumer price index, is expected to amount to about 3 percent while the increase in the GDP deflator is forecast to be limited to less than 1 percent, largely due to the impact of the decline in the U.S. dollar exchange rate on the prices (in CFA francs) of major agricultural exports.

The authorities plan to intensify in 1986 their on-going efforts aimed at progressively reforming the economic environment of the agricultural and industrial sectors with the objective to foster productivity increase and growth. These efforts, which are expected to be supported by a third SAL from the World Bank, include the following: (i) further improvements in public investment programming and in civil service management; (ii) continuation of the on-going efforts to reinforce the financial situation of public enterprises, in particular in the energy sector; (iii) a series of measures to stimulate growth in the agricultural sector; and (iv) the generalization of the industrial policy reform introduced under SAL II, which aims at reducing effective protection to 40 percent for all sectors and at equalizing incentives for exports and for the domestic market. In this

context, producer prices for coffee and cocoa were increased by about 6 percent at the beginning of the present crop year, while the first phase of an important coffee rehabilitation program will start in 1986. Improvement in the agricultural pricing policy will also include the progressive phasing out of export taxes on rubber, pineapples, bananas, and palm oil, as well as input subsidies. In parallel, the efficiency of extension services agencies should be enhanced by the progressive broadening of a new "training and visit" scheme introduced successfully in 1985. Actions to reform industrial policy will entail the generalization of the tariff cum subsidy scheme introduced in 1984 and the strengthening of export promotion agencies.

2. Public sector finance

Based on current indications, the public sector accounts, on a commitment basis, are projected to show an overall deficit of about 0.9 percent of GDP in 1986. These projections, however, do not take into account several revenue measures currently under consideration nor the cost of financing the gap. The deterioration compared with 1985 would largely stem from a substantial decline in receipts of the Stabilization Fund and a sizable expansion of public investments. Allowing for a further reduction in domestic arrears of CFAF 40 billion and assuming that there will be no change in the net position of the public sector with the banking system, the financing gap would amount to about CFAF 173 billion (Table 3).

Total revenue is currently projected to decline by CFAF 66 billion, or about 6.5 percent. This decline reflects several factors: (i) a decline in revenue of the Stabilization Fund of CFAF 73 billion on account of lower export prices for coffee and cocoa, lower export volumes, the 6 percent increase in producer prices of coffee and cocoa, and CFAF 20 billion losses on the cotton account due to lower cotton prices; this would enable the Stabilization Fund to transfer CFAF 185 billion to the Treasury and the CAA in 1986, of which CFAF 90 billion during the first quarter of the year; (ii) a reduction in petroleum revenue by almost 30 percent which also reflects lower output and prices; and (iii) a growth in tax revenue limited to 2.4 percent in spite of current efforts to increase tax collection. This modest increase is mainly due to the fact that the favorable impact of the repayment of back taxes is not expected to recur in 1986. However, as noted above, this estimate does not take into account several tax measures which are under consideration by the authorities. These include a broadening of the base of the value-added tax, reducing exemptions, a restructuring of the taxation policy in the petroleum sector, and a reduction of the 25 percent tax on interest rates.

Total expenditure is projected to grow by 8.1 percent, mainly as a consequence of a 36 percent increase in the public sector investment program.

Current expenditure is estimated to grow by only about 2 percent, resulting in a decline in its share in total expenditure by 4 percentage points. The wage bill of the Central Government is currently projected to increase by 7 percent. This takes into account the recruitment of 1,327 unemployed university graduates announced in September 1985 and of the new graduates from public administration schools, the impact of the reduction in technical assistance (CFAF 6 billion), and the decision of the Government to limit the total cost of individual wage increases to 5 percent, with no general wage increase. Other current expenditure of the Treasury is estimated to increase by 3.6 percent. This reflects the cautious budgetary policies decided upon by the authorities for 1986 and, in particular, the further reduction in enrollments in public administration schools and in scholarships. This estimate includes a provision for the export subsidy scheme introduced in the context of the industrial policy reform (CFAF 11 billion), while an amount of CFAF 20 billion has been set aside in other current expenditure as a possible government contribution for the restructuring of the five development banks referred to earlier. External interest payments are projected to fall by about 5.5 percent, largely due to the recent decline in the U.S. dollar. The financial performance of the public enterprise sector, as reflected in its aggregate operating surplus, is anticipated to improve further in 1986, largely on account of progress expected in the energy sector.

Following the sharp drop in capital expenditure (including net lending), during the last five years, public sector investment outlays are projected to grow by CFAF 58 billion to about CFAF 220 billion in 1986. These expenditures will be largely financed on concessional terms by multilateral and bilateral development agencies. A large share of the increase is explained by the start of a US$230 million highway sector project agreed with and partly financed by the World Bank. Net lending is expected to remain negative by CFAF 5 billion, reflecting the very cautious stance of the Government in granging loans to private enterprises and its efforts to collect arrears.

In 1986, the stock of public sector arrears is projected to be reduced by CFAF 40 billion to CFAF 30 billion, which is considered to represent normal delays in the expenditure process. As the definition of treasury arrears used in the program is based on an early stage in the expenditure process (at the commitment stage), this corresponds to a virtual elimination of public sector arrears on the basis of payment orders issued.

3. Money and credit

Credit policy will continue to be cautious in 1986. The expansion in net domestic assets is expected to be limited to CFAF 45 billion, or 3.9 percent. Given the assumed stability in net credit to the public sector, which reflects in part the buildup of reserves by the public debt agency (CAA),

and the slight decline in crop credit, ordinary credit to the private sector could expand by CFAF 55 billion, or 8.4 percent, in line with the forecast growth of nominal value added in the secondary sector (Table 5).

With the anticipated slight improvement in net foreign assets of the banking system, which would result from a CFAF 10 billion inflow of monetary capital, private money stock would increase by about 7 percent in 1986.

Following the implementation of the first steps of the action program aimed at restructuring specialized credit institutions, which is expected to start shortly, the "accidental overdraft" provided to those banks by the Central Bank are projected to be eliminated by end-March 1986.

4. External sector

In spite of the prudent fiscal and monetary policies currently envisaged for 1986, the balance of payments outcome is expected to be less favorable than in 1985. The external current account is expected to show a deficit of CFAF 41.3 billion, or 1.3 percent of GDP, before taking into account the interest on the financing of the gap (Table 6). On the other hand, the capital account is expected to improve, before debt relief, by about CFAF 40 billion from its 1985 level.

The deterioration of the external current account would be entirely due to a reduction in the trade surplus, which is expected to decline by about CFAF 150 billion. This reflects mainly a 7.7 percent deterioration in the terms of trade, largely induced by the projected decline in the CFA franc prices of major exports, and an 11 percent increase in imports as a consequence of the expected recovery in public investment. The deficit on services and transfers is projected to improve slightly.

The improvement in the capital account before debt relief is projected to result mainly from a substantial increase in the disbursement of project loans and from a reversal in the net outflow of monetary capital, following the substantial reduction in the net foreign liabilities of the commercial banks during the last two years.

The financing gap is expected to be covered by a combination of debt relief, disbursements under the planned third SAL from the World Bank, and additional Fund resources under a new program. The authorities indicate in their attached letter dated December 13, 1985 that they intend to contact Côte d'Ivoire's external creditors by the end of 1985 with a view to requesting a restructuring of maturities falling due in the next few years.

The ratio of external public debt outstanding, including Fund credit, to GDP is expected to decline marginally to 86 percent, while the debt service ratio before rescheduling would rise from 31.8 percent in 1985 to 34.1 percent mainly as a result of the decline in export receipts.

5. Performance criteria for end-February 1986

The performance criteria for end-February 1986 have been set within the framework of the overall targets for public finance and the balance of payments for 1986 as a whole, taking into account seasonality factors (Table 7). The performance criteria related to monetary aggregates are based on the most recent estimates for end-1985. Given the large reduction in net domestic assets and net claims of the public sector forecast for 1985, ceilings for these aggregates are much lower than the end-December 1985 performance criteria. The increase in net assets allowed for the first two months of the year is equal that envisaged for the year as a whole and is entirely on account of the seasonal increase in crop credit, which usually peaks at the end of February. The criterion on the stock of domestic arrears assumes that more than one third of the targeted reduction for 1986 will take place during the first two months of the year. The level of new external commitments with maturities of 5 to 12 years which are contracted or guaranteed by the Government will be limited during this period to SDR 20 million 1/, while there will be no new commitments in the 1 to 5 year maturity range.

IV. Medium-Term Prospects

Based on currently available information, the staff has updated the medium-term projections for public finance and the balance of payments as well as the debt service projections for public and publicly-guaranteed debt included in Tables 8, 9, and 10 of EBS/85/113 (5/2/1985). The methodology and main assumptions, except as revised in Table 8, are basically unchanged from the previous exercise. The only major difference is that possible drawings under World Bank program loans are no longer shown under new borrowing but under additional gross financing requirements, reflecting the uncertainties, at this moment, regarding the amount and timing of such disbursements.

The revised scenarios (Tables 9 and 10) do not change the conclusions presented in EBS/85/113. In spite of the substantial reduction in internal and external disequilibria, and in particular the progress achieved in 1984-85, the financial situation of Côte d'Ivoire remains fragile. The achievement over the medium term of both a viable external position and sustained economic growth requires that the momentum of the adjustment efforts will have to be continued for a number of years.

1/ Based on the CFAF/SDR exchange rate as of December 1, 1985. This corresponds to CFAF 8.4 billion.

Table 8. Côte d'Ivoire: Medium-Term Assumptions, 1986-92

1. External factors

The exchange rate is estimated at CFAF 450 per U.S. dollar in 1985 and at CFAF 400 per U.S. dollar in 1986. The rate is then projected to appreciate by about 2 percent per year to reach CFAF 370 per U.S. dollar in 1990. The LIBOR is assumed to decline from 8.5 percent in 1985 to 8 percent in 1986-92 with a parallel evolution for other key reference interest rates. Spreads on commercial loans are assumed to remain constant at 2 percent above LIBOR throughout the period. In terms of U.S. dollars, coffee prices are forecast to increase by 2 percent on average during the period 1986-87 and by 5.2 per-percent thereafter. Cocoa prices are projected to remain about stable in 1986-87 and to increase by an average of 3.5 percent thereafter. Prices of manufactured goods are projected to increase, also in U.S. dollar terms, by 10.0 percent in 1986 and by an average of 4.6 percent in subsequent years. Terms of trade are forecast to decline by 7.7 percent in 1986 and to deteriorate marginally over the rest of the period.

Gross external borrowing is assumed to increase by 10 percent per year in nominal terms over the period. Assuming that the additional gross financing requirements are covered, the exposure of external creditors would increase by 2 percent per year in nominal terms over the period, with a progressive shift from financing the requirements of the public sector to financing those of the private sector.

2. Domestic factors

Real GDP growth is projected to increase progressively from 2.5 percent in 1986 to 3.5 percent in 1989-92. Agricultural output rises by 3.0 percent per year on average during the period, with coffee production remaining stable, cocoa production increasing by 3.5 percent per year, and other crops also increasing by 3.5 percent a year on average, while timber production declines by 3 percent per year. Value added in the manufacturing sector increases by 5 percent per year in real terms, with industrial exports growing by 7 percent per year. Crude and gas production is assumed to decline from 1.1 million tons in 1985 to 0.9 million tons in 1986 before increasing to about 1 million tons in 1989. The ratio of nonpetroleum imports to GDP increases from 15.2 percent in 1985 to 15.9 percent in 1986, and their volume increases in line with real GDP thereafter. Private consumption is projected to increase by 3.5 percent per year in real terms and private investment to increase by 5 percent per year over the period.

3. Public finance

The tax-GDP ratio progressively increases from 18.5 percent in 1985 and 1986 to 20 percent, its average 1980-84 value, in 1989-92. Cocoa and coffee producer prices increase by 1 percent in real terms over the period. The other producer prices are kept aligned with the evolution of world prices. Public wages increase by 1 percent in real terms while the growth of civil service declines progressively from 5 percent in 1986 to 1 percent in 1989-90. Other current expenditures increase in line with nominal GDP. Public investment increases by 1 percent in real terms over the period 1987-92.

4. Credit policy

Monetary policy will aim at containing the increase in price levels at about 4 percent per year or in line with the anticipated situation in industrial countries. Credit to the private sector and private money supply are kept in line with the expected private sector growth. Net domestic credit of the public sector remains negative between 1987 and 1990, largely reflecting the net repurchases to the Fund.

Table 9. Côte d'Ivoire: Medium-Term Projections for Public Finance and Balance of Payments, 1985-92

(In billions of CFA francs)

	1985 Estimate	1986	1987	1988	1989	1990	1991	1992
		Projections						
Public finance								
Revenue (including grants)	996	930	977	1,066	1,127	1,209	1,284	1,365
Tax revenue	576	590	647	707	752	813	870	931
CSSPPA	270	197	179	198	204	213	219	224
Oil revenue	35	25	27	29	30	33	35	40
Other	115	118	124	132	141	150	160	170
Current expenditure	727	750	787	833	875	914	957	1,013
Treasury	457	482	520	565	608	651	697	754
Of which: wages	(260)	(278)	(303)	(327)	(350)	(371)	(393)	(425)
Interest payments	258	253	255	253	253	247	242	239
Of which: external 1/	(216)	(210)	(211)	(209)	(203)	(191)	(179)	(167)
domestic	(42)	(43)	(44)	(45)	(50)	(56)	(64)	(72)
Public enterprises' operating surplus	-41	-61	-66	-71	-76	-81	-86	-91
Other	52	76	79	85	90	97	104	111
Public savings	269	181	190	233	252	295	327	352
(As percent of GDP)	(8.7)	(5.6)	(5.7)	(6.5)	(6.6)	(7.3)	(7.5)	(7.6)
Capital expenditure and net lending	160	218	211	223	236	248	258	268
Public sector deficit/surplus (on basis of payment orders issued)	109	-37	-22	9	16	47	69	85
(as percent of GDP)	(3.5)	(-1.2)	(-0.7)	(0.3)	(0.4)	(1.2)	(1.6)	(1.8)
Change in arrears (- decrease)	-145	-40	--	--	--	--	--	--
Financing	36	77	22	-9	-16	-47	-69	-85
Net domestic financing	-58	--	-33	-36	-5	5	21	28
Net foreign financing 1/	94	-105	-136	-167	-197	-183	-161	-153
Additional gross financing requirements 2/	--	182	191	194	187	131	71	40
Balance of payments								
Exports of goods	1,295	1,216	1,261	1,343	1,414	1,496	1,583	1,674
Imports of goods	-629	-700	-735	-767	-798	-850	-907	-966
Trade account	666	516	526	576	616	646	676	708
Net services and transfers	-567	-566	-570	-580	-586	-597	-608	-623
Of which: interest due on external public debt 1/	(-222)	(-216)	(-217)	(-216)	(-209)	(-197)	(-185)	(-173)
Current account	99	-50	-44	-4	30	49	68	85
(as percent of GDP)	(3.2)	(-1.6)	(-1.3)	(-0.1)	(0.8)	(1.2)	(1.6)	(1.8)
Capital account	53	-108	-109	-142	-168	-148	-126	-118
Medium- and long-term official capital	100	-98	-129	-162	-188	-173	-151	-143
Drawings	(145)	(141)	(132)	(144)	(158)	(173)	(189)	(207)
Amortization due 1/	(-245)	(-239)	(-261)	(-346)	(-316)	(-346)	(-340)	(-350)
Rescheduling	(200)	(--)	(--)	(--)	(--)	(--)	(--)	(--)
Private and other capital, net 3/	-47	-10	20	20	20	25	25	25
Overall balance (deficit -)	153	-158	-153	-145	-138	-99	-58	-33
Source of financing	-153	158	153	145	138	99	58	33
IMF, net 4/	-3	-24	-38	-49	-49	-33	-15	-7
Payments arrears	-25	--	--	--	--	--	--	--
Operations account and other, net	-125	--	--	--	--	--	--	--
Additional gross financing requirements 2/	--	182	191	194	187	131	71	40
Memorandum items:								
Nominal GDP	3,089	3,190	3,320	3,569	3,800	4,067	4,352	4,657
Real GDP growth (annual change in percent)	(5.6)	(2.5)	(3.5)	(2.8)	(3.0)	(3.5)	(3.5)	(3.5)

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

Note: In accordance with the practice in previous papers on Côte Ivoire, the flows of the external debt of nonresident multinational enterprises are excluded from the balance of payments with the exception of one third of the debt service due by CIMAO, which is to be repaid by Côte d'Ivoire.

1/ Including charges on the financing gap. Net foreign financing and interest payments in public finance differ from the services and the official capital account of the balance of payments to the extent that the former excludes operations of the financial public sector and publicly guaranteed debt of the private sector.

2/ Expected to be covered by additional capital inflows, including a combination of rescheduling of existing external debt obligations, disbursements under World Bank program loans, and further possible use of Fund resources; spontaneous lending flows are expected to meet the additional financing requirements in the later years of the period 1986-92.

3/ Includes official short-term capital, monetary capital, other private capital, errors and omissions, and SDR allocations.

4/ Net flows valued at exchange rates on date of purchase; excludes operations with the Trust Fund and any further use of Fund resources beyond the current arrangement.

Table 10. Côte d'Ivoire: Debt Service Projections for Public and Publicly-Guaranteed Debt, 1985-92

(In billions of CFA francs)

	1985 Est.	1986	1987	1988	1989	1990	1991	1992
					Projections			
Financial flows								
A. Exports of goods and services	1,514.7	1,440.7	1,498.7	1,596.1	1,680.7	1,778.2	1,881.4	1,990.5
B. New borrowing	145.0	141.0	131.8	144.2	157.8	172.7	189.1	207.0
C. Rescheduling	199.8	--	--	--	--	--	--	--
D. Additional gross financing requirements 2/	--	182.4	190.7	194.7	186.7	130.9	70.9	40.1
E. Fund purchases	27.6	11.5	--	--	--	--	--	--
Service on:								
F. Debt outstanding 3/4/	397.1	362.3	337.1	319.2	273.1	199.2	137.5	112.8
Interest	157.6	130.2	108.1	86.0	64.3	44.8	31.6	24.1
Amortization	239.5	232.1	229.0	233.2	208.8	154.3	105.8	88.7
G. New borrowing and additional gross financing requirements 5/	6.0	24.8	53.8	95.5	167.1	232.1	283.6	324.4
Interest	6.0	24.8	52.0	80.4	105.6	124.8	135.1	139.4
Amortization	--	--	1.8	15.1	61.5	107.3	148.5	185.0
H. 1984-85 Rescheduling	38.9	43.2	62.8	85.3	96.4	97.4	89.6	71.8
Interest and charges	33.2	41.6	40.6	37.6	31.8	24.4	16.8	9.1
Amortization	5.7	1.6	22.1	47.8	64.6	72.9	72.8	62.7
I. Fund	56.0	55.7	53.8	61.0	55.8	34.2	14.7	7.5
Interest and charges	25.3	20.0	16.0	11.6	7.1	3.3	1.4	0.5
Repurchases	30.7	35.7	37.7	49.3	48.8	30.9	13.3	7.0
J. BCEAO (operations account) 6/	--	5.2	8.0	10.0	11.0	11.9	12.8	13.7
K. Total (after rescheduling) (F+G + H + I + J - C)	298.2	491.2	515.5	571.0	603.4	574.8	538.2	530.2
Memorandum items:								
End of period changes in debt outstanding	96.5	60.3	23.9	-16.5	-50.2	-73.7	-93.2	-110.0
Debt outstanding as percentage of GDP	86.8	86.0	83.3	77.0	71.0	64.6	58.2	52.0
Debt service ratio on existing debt ((K-G)/A)	19.3	32.4	30.8	29.8	26.0	19.3	13.5	10.3
Total debt service ratio (K/A)	19.7	34.1	34.4	35.8	35.9	32.3	28.6	26.6
Ratio with interest only	14.7	15.0	14.5	13.5	13.2	11.1	9.8	8.7

Sources: CAA; and staff estimates.

1/ Excluding World Bank program loans.
2/ Expected to be covered by a combination of additional capital inflows, including disbursements under World Bank program loans, further use of Fund resources, and possible restructuring of maturities due during the first part of the period; spontaneous lending flows are expected to meet the additional financing requirements in the later years of the period.
3/ As of December 31, 1984, amounting to CFAF 2,585 billion.
4/ Excludes service on Fund credit, but includes service of Trust Fund. To assure consistency with the balance of payments presentation, in this table the service on the debt of nonresident multinational enterprises--mainly Air Afrique, and the Conseil de l'Entente--is excluded, while one third of the debt service due by CIMAO, which is to be repaid by Côte d'Ivoire is included.
5/ Additional gross financing requirement are assumed to be financed on commercial terms.
6/ Represents payments on consolidated interest liabilities due for the period 1980-83 and beyond on the operations account overdraft.

The difficulties Côte d'Ivoire is facing stem largely from the high level of debt service obligations during the rest of this decade and from the existing constraints and uncertainties on the growth of export earnings, particularly regarding export prices of coffee and cocoa.

The public sector finance scenario reflects the following assumptions regarding future policies:

(i) the implementation of tax measures aimed at broadening the tax base will progressively increase the tax/GDP ratio to 20 percent;

(ii) an annual increase of cocoa and coffee producer prices by 1 percent in real terms, which would reduce the share of Stabilization Fund's receipts in total revenue from 27 percent in 1985 to 17 percent in 1992;

(iii) continued tight controls on the growth of expenditures and, in particular, a policy aimed at reducing the growth rate in public employment from about 5 percent in 1986 to 1 percent in 1989-90 and limiting the increase in real wages to 1 percent. The expected decline in the growth of public employment largely reflects reductions in enrollments in public administration schools already being implemented over the last three years; and

(iv) Further improvements in the financial situation of public enterprises and in the quality of the public investment program, which after the substantial recovery projected for 1986, is projected to increase by only 1 percent a year in real terms.

As a result, the public sector accounts, including the assumed cost of gap financing, are expected to be balanced in 1988 and to show an increasing surplus, reaching 1.8 percent of GDP in 1992.

Supply-side policies assumed in these scenarios reflect the on-going reforms of the agricultural and industrial policies supported by the World Bank. These reforms should, in particular, lead to a diversification of the agricultural base and make the industrial sector more competitive, in order to progressively reduce reliance on imports and encourage manufacturing exports. They are expected to induce a 5 percent annual increase in private investment, which would be one of the main factors behind the 3.5 percent annual increase in real GDP projected over the period.

Under these assumptions, the trade surplus is expected to decline slightly from 15.8 percent in 1987 to 15.2 percent of GDP in 1990. After taking into account interest on the residual gross financing requirements, which is assumed to be covered on commercial terms, the external current account is projected to be balanced in 1988-89, and to show a surplus in the years thereafter. The scenario assumes that gross borrowing by the public sector increases by about 10 percent a year and that private net capital inflows average CFAF 25 billion per year, in line with the assumption on private investments. On this basis, additional gross

financing requirements, to maintain net foreign assets unchanged, average about CFAF 175 billion a year over the period 1986-90, with a declining tendency in the later years. As indicated previously, it is expected that these requirements could be covered by a combination of additional capital inflows, including disbursements under World Bank program loans, further use of Fund resources, and possible restructuring of existing external debt obligations.

Taking into account the expected financing of the additional borrowing requirements and the projected private capital inflows, the overall exposure of external creditors would increase by about 2 percent a year in nominal terms over the period. The ratio of outstanding external public debt to GDP would decline from 86 percent in 1986 to 71 percent in 1989 and 52 percent in 1992. The debt service ratio to exports of goods and services (before any possible rescheduling) would remain stable at around 35 percent between 1986 and 1989, before declining from 32 percent in 1990 to 27 percent in 1992.

The openness of the Ivorian economy, with the sum of exports and imports of goods and nonfactor services representing about 75 percent of GDP, and the high level of debt service obligations, make Cote d'Ivoire extremely vulnerable to adverse developments in its terms of trade or in terms of lending on international financial markets. Sensitivity analysis shows that, ceteris paribus, a 10 percent shortfall in cocoa and coffee prices would increase the public sector and current account deficits by about 3 percent of GDP, and 2 percent of GDP, respectively. A 2 percent increase in international interest rates would increase these deficits by about 1 percent of GDP.

V. Staff Appraisal and Proposed Decision

Côte d'Ivoire has been implementing adjustment policies supported by the use of Fund resources since 1981. Progress was less rapid than initially envisaged until 1983, largely due to a series of adverse factors beyond the authorities' control. However, the intensification of adjustment efforts in 1984, together with the impact of a more favorable environment, enabled Côte d'Ivoire to reduce substantially the public sector deficit from 10.7 percent to 3.6 percent of GDP and the external current account deficit from 13.3 percent to 1 percent of GDP.

The stand-by arrangement approved by the Executive Board on June 3, 1985 is in support of a financial program which aims at further improving the external and internal situation of Côte d'Ivoire. The latest estimates confirm the conclusion reached during the first review that the program is on track and that the outcome will be better than programmed. The public sector and the external current account are now estimated to show a surplus of 3.5 percent and 3.2 percent of GDP, respectively, while public

sector arrears and the overdraft with the operations account are being substantially reduced. This favorable outcome is mainly explained by the continuation of tight demand management policies, the impact of a bumper 1984/85 crop, favorable export prices, and the debt relief obtained from external creditors.

It has to be stressed, however, that this exceptional combination of favorable factors is unlikely to recur. In spite of the good prospects for the 1985/86 agricultural crop, the financial situation of Côte d'Ivoire is expected to be less favorable in 1986. In particular, export receipts and the surplus of the Stabilization Fund may decline substantially. The revised medium-term projections also indicate that Côte Ivoire's financial position will remain difficult and fragile over the rest of the decade, largely due to the heavy debt service obligations falling due during this period. It will therefore be essential that the authorities maintain the momentum of their adjustment efforts in the coming years. In this regard, the staff believes that the authorities' intentions to give more emphasis to supply-side policies, aimed at achieving a 3.5 percent real GDP growth over the medium term, while at the same time continuing their efforts to achieve a viable balance of payments position, are welcome. Within this framework, it is essential that the programming, budgeting, and monitoring of investment be strengthened.

In this context, the staff considers that the economic and financial policies for 1986 outlined in the attached letter from the Minister of Economy and Finance are appropriate in the circumstances. While policies for the whole of 1986 are not yet fully elaborated, the staff believes that the attached letter also constitutes a good basis for the preparation of a new financial program to be supported by Fund resources, as requested by the authorities. In this respect, the implementation of additional fiscal measures under consideration by the authorities to strengthen further the fiscal and external positions would be an important element.

In view of the above, the following draft decision is proposed for adoption by the Executive Board:

Proposed Decision

Second Review of Stand-By Arrangement

1. Côte d'Ivoire has consulted with the Fund in accordance with paragraph 4(c) of the stand-by arrangement for Côte d'Ivoire (EBS/85/113, Supplement 2, June 4, 1985) and paragraph 24 of the letter from the Minister of Economy and Finance dated April 30, 1985.

2. The letter from the Minister of Economy and Finance dated December 13, 1985 shall be attached to the stand-by arrangement for Côte d'Ivoire, and the letters dated April 30, 1985 and August 1, 1985 shall be read as supplemented by the letter dated December 13, 1985.

3. Accordingly, the performance criteria through end-February 1986 for net domestic assets, the net position of the public sector with the banking system, the stock of domestic arrears of the public sector, the stock of external debt arrears, and for new external commitments, shall be as specified in paragraph 12 and Table 1 of the letter dated December 13, 1985.

4. The Fund decides that the second review provided for in paragraph 4 of the stand-by arrangement is completed and that Côte d'Ivoire may proceed to make purchases under the stand-by arrangement.

Ministry of Economy and Finance

No. 1117/MEF/CAB

Abidjan, December 13, 1985

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

Dear Mr. de Larosière:

1. The financial adjustment program for 1985, which I outlined in my letter to you of April 30, 1985, has been implemented successfully. All the measures announced were introduced, and all the performance criteria up to the end of September have been met.

2. The improvement in public finances and the balance of payments position has been substantially greater than initially projected. This reflects the combined impact of prudent financial and monetary policies, an excellent harvest, and favorable export prices. The public sector surplus is currently estimated at 3.4 percent of GDP as compared to a deficit of 3.4 percent in 1984, which according to the program objectives was to be reduced to 1.5 percent of GDP in 1985. This improved performance is the consequence of greater than anticipated growth in revenue, a stabilization of current expenditure in nominal terms, and a marked reduction of capital expenditure. As of September 30, 1985, transfers from the Stabilization Fund (CSSPPA) to the Treasury and the Caisse Autonome d'Amortissement (CAA) were in line with the schedule under the program. The overall target of transferring CFAF 270 billion by December 31, 1985 remains unchanged. This corresponds to a transfer of CFAF 60 billion during the fourth quarter.

3. The progress achieved in rehabilitating the public enterprises should make it possible to increase their operating surplus by CFAF 37 billion in 1985 as compared to the initial target of CFAF 15 billion. The improvement in the situation of SIR, the oil refinery, is particularly noteworthy and reflects the rehabilitation efforts now under way as well as the decline in the cost of inputs in CFA franc terms with ex-refinery prices remaining unchanged.

4. This favorable evolution of public finances will make it possible to reduce public sector arrears by CFAF 138 billion as planned, with the net position of the public sector vis-à-vis the banking sector remaining well below the agreed ceilings. Credit to the private sector has also expanded far less than envisaged at the start of the year. This development in

large measure reflects the impact of the sizable repayments of public sector arrears on the cash balances of enterprises and the low level of credit in the urban sector. Consequently, net domestic assets are considerably below the original targets. The five specialized banks, on the other hand, are continuing to experience serious difficulties, resulting in an increase in their exceptional overdrafts with the Central Bank.

5. The combination of these factors, complemented by the reduction in imports of petroleum products associated with the increased production of hydropower, have made it possible to generate an external current account surplus of about 3.2 percent of GDP, as compared to a deficit of 1 percent in 1984 and an initially projected 1985 deficit of 3.1 percent of GDP. The rescheduling of external maturities and the new money received from commercial banks have also made it possible to maintain a capital account surplus despite the pronounced decline in private and monetary capital accounts. Cote d'Ivoire's position in the operations account has improved markedly, but nevertheless remains negative.

6. This improvement in the financial situation makes it possible to continue with the necessary adjustment effort, while at the same time placing greater stress on measures aimed at permitting a lasting recovery of economic activity. With this objective in mind, the Government will implement an important package of structural reforms that are designed largely to improve the conditions required for the rapid development of the private sector. It is negotiating a third structural adjustment loan with the World Bank to support this effort. However, the Government is aware of the fact that 1985 has been an exceptional year in many respects and that the prospects for 1986 are less favorable. In addition, as you know, the external debt service burden will remain particularly heavy for the next several years.

7. In this context, fiscal and monetary policies will continue to be very cautious in 1986. The principal targets for 1986 are currently to limit the public sector deficit to less than 1 percent of GDP and the external current account deficit to about 1.3 percent of GDP. These objectives should also make it possible to reduce the outstanding stock of public sector arrears to approximately CFAF 40 billion by end-1986, an amount considered difficult to reduce further in view of the definition used. During the first two months of 1986, the scheduled reduction in arrears will amount to CFAF 15 billion. These targets should be achievable despite a reduction in the surplus of the CSSPPA owing to a decline in the value of coffee, cocoa, and cotton exports. Assuming that net receipts of the CSSPPA amount to CFAF 200 billion, there will be a minimum of CFAF 185 billion in transfers from the Stabilization Fund to the Treasury and the CAA in 1986, of which CFAF 90 billion will be in the first quarter of 1986.

8. In order to make it possible, after the sharp decline experienced in 1985, to increase public investments, most of which will be financed by domestic resources and loans from official multilateral or bilateral agencies, current expenditure will continue to be very strictly controlled. In particular, the number of scholarships for secondary schools and higher education and the number of admissions to schools of public administration have been further reduced for the 1985/86 academic year and will not increase in 1986/87. Hiring will be strictly limited to the 1,327 university graduates announced in September 1985 and to the graduates of the administration schools. The total cost of individual wage increases will be limited to 5 percent, with no general wage increase. There will also be no increase in the minimum wage (SMIG). In addition, a number of tax measures aimed at enlarging the base of the value added tax, eliminating some of the current exemptions, and increasing the efficiency of tax collection are now under study.

9. In order to ensure that the Treasury will be able to transfer to the CAA permanent resources corresponding to the interest burden on the Government's domestic and external debt, the Government will make, in 1986, substantial efforts to collect supplementary tax receipts; this objective will be fully met in 1987.

10. The continuation of the efforts to rehabilitate the public enterprise sector should make it possible in 1986 to further increase the operating surpluses of the public enterprises by CFAF 20 billion. In particular, the cost to public finance represented by SIR will decline sharply. Effective January 1, 1986, the ex-refinery prices for the area it serves will be set on the basis of import parity and SIR's medium- and long-term debt service obligations. In addition, a new management contract is scheduled to be concluded shortly in the context of the ongoing rehabilitation plan. On the basis of current exchange rates and prices per barrel, these measures should make it possible to increase tax receipts by about CFAF 15 billion. Furthermore, the rehabilitation efforts at RAN and ONT, where recovery plans have recently been finalized, will be intensified.

11. The conduct of monetary policy will continue to be very prudent in 1986. The expansion of net domestic assets will be limited to CFAF 45 billion, with net claims on the public sector remaining unchanged. To achieve these objectives, the monetary authorities will intervene actively to ensure that the current liquidity situation does not induce an expansion of domestic credit that would be incompatible with these targets. In addition, now that the audits of the specialized banks have been completed, a comprehensive program aimed at resolving this subsector's problems will be decided on by the authorities before January 31, 1986, in order to be implemented by March 31, 1986, at which date the accidental overdrafts with the Central Bank will be eliminated.

12. All the performance criteria for end-February 1986, which relate to net domestic assets, the net public sector position with the banking system, the stock of public sector arrears, and new government or government-guaranteed external commitments at maturities of 1 to 5 years and 1 to 12 years, are shown in the attachment to this letter.

13. Notwithstanding all these efforts Cote d'Ivoire will not be able to meet all the external debt maturities falling due in the next few years. The Government will therefore be contacting its external creditors by end-1985 with a view to restructuring maturities falling due in the next few years. In order to limit the risks owing to unforeseen exogenous developments, over the next few months the CAA will progressively build up reserves that will amount to CFAF 40 billion by end-January 1986. In this connection, the Stabilization Fund will transfer CFAF 45 billion to the CAA in the last quarter of 1985. Payments to be made by public enterprises to the CAA on account of the agreements on repayment of on-lending and of the guaranteed debt are estimated to amount to at least CFAF 30 billion during the last three months of the year.

14. With a view to gradually improving the external debt service profile, the Government intends to increase its efforts to mobilize external resources on concessional terms and to limit new commitments signed by or guaranteed by the Government with a maturity of 1 to 12 years to the amount of the principal payable in 1986 on loans of this type that have not been rescheduled. No commitments will be made at maturities of 1 to 5 years, and commitments at maturities of 1 to 12 years will be limited to SDR 20 million, based on the exchange rate as of December 1, 1985, during the first six months of 1986.

15. The Government believes that the pursuit of the policies described above should make it possible to limit domestic and external imbalances while improving the economic situation. Within this framework, it would like to continue receiving financial assistance of the International Monetary Fund following the expiration of the current arrangement.

Sincerely yours,

/s/

A. Koné

Attachment: Performance Criteria for end-February 1986

Table Côte d'Ivoire: Performance Criteria Through End-February, 1986

	December 1985		February 1986
	Program 1/	Estimates	Program
	(In billions of CFA francs)		
Net domestic assets			
Excluding adjustment for coffee stocks 2/	1,283.9	1,147	1,192 6/
Including adjustment for coffee stocks 2/	...	...	...
Net position of the public sector	390.2	321.0	321.0 6/
Stock of domestic arrears of the public sector	76.8	76.8	61.8 6/
Stock of external debt arrears	--	--	-- 4/6/
	(In millions of SDRs)		
New external commitments			
1-5 years	--	--	--
1-12 years	180.0 3/	...	20.0 5/
Memorandum items:			
Crop credit (in billions of CFA francs)	150.0	170.0	218.0
Of which: coffee stock financing	(22.0)	(36.0)	(64.0)
Coffee stocks (thousands of tons)	49.0	77.0	135.0

1/ As shown in Table 7 of EBS/85/196 (8/20/1985).
2/ The formula used for adjustment of coffee stocks is described in document EBS/83/96.
3/ Limited to the list of loans included in Table 1 attached to the letter of intent of April 30, 1985, as amended by the letter of August 1, 1985.
4/ Excluding principal due on reschedulable obligations between January 1, 1986 and February 28, 1986.
5/ Based on the exchange rate as of December 1, 1985.
6/ End of period only.

Côte d'Ivoire: Relations with the Fund
(As of November 30, 1985)

I. Membership Status

Date of membership	March 11, 1963
Status	Article XIV

A. Financial Relations

II. General Department

(a) Quota	SDR 165.5 million
(b) Fund holdings of local currency	SDR 741.22 million or 447.9 percent of quota

	Millions of SDRs	Percent of quota
(c) Use of Fund credit		
Credit tranches	82.43	49.80
EFF	157.75	95.31
SFF	264.34	159.72
CFF	57.00	34.44
Buffer stock	0.98	0.59
Enlarged access	13.24	8.00
(d) Repurchase obligations	575.74	347.86

III. Previous Extended and Stand-By Arrangements

A three-year extended arrangement was approved on February 27, 1981 in an amount of SDR 484.5 million, 425 percent of quota. Total purchases under the arrangement were SDR 446.0 million.

A one year stand-by arrangement was approved on May 2, 1984 in an amount of SDR 82.75 million, 50 percent of quota. It became effective on August 3, 1984. Purchases under this arrangement amounted to SDR 62.07 million.

IV. SDR Department

(a) Net cumulative allocation	SDR 37.83 million
(b) Holdings	SDR 101,800 million, or 0.27 percent of net cumulative allocation

V. Administered Accounts:

Trust Fund loans	
(i) Disbursed	SDR 50.82 million
(ii) Outstanding	SDR 39.54 million

Côte d'Ivoire: Relations with the Fund (continued)
(As of November 30, 1985)

VI.	Overdue Obligations to the Fund	None
VII.	SFF Subsidy Account Payments	SDR 11.77 million

B. Nonfinancial Relations

VIII. Exchange System

Côte d'Ivoire is a member of the UMOA which pegs its currency, the CFA franc, to the French franc at the fixed rate of CFAF 50 = F 1.

IX. Last Article IV Consultation and Current Stand-By Arrangement

The last Article IV consultation discussions, together with stand-by negotiations, were held during the period January 16-February 1, 1985. The staff report (EBS/85/113) was discussed by the Executive Board on June 3, 1985.

The following decisions were adopted:

(i) 1985 Article IV Consultation

1. The Fund takes this decision in concluding the 1985 Article XIV consultation with Côte d'Ivoire, in light of the 1985 Article IV consultation with Côte d'Ivoire conducted under Decision No. 5392-(77/63), adopted April 29, 1977 (Surveillance over Exchange Rate Policies).

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

(ii) Stand-By Arrangement

1. The Government of Côte d'Ivoire has requested a stand-by arrangement for the period of 12 months from June 3, 1985, through June 2, 1986, in an amount equivalent to SDR 66.2 million.

2. The Fund approves the stand-by arrangement set forth in EBS/85/113.

3. The Fund waives the limitations in Article V, Section 3(b)(iii).

Côte d'Ivoire: Relations with the Fund (concluded)
(As of November 30, 1985)

The Executive Board completed the first review of the current stand-by arrangement (EBS/85/196) on September 18, 1985 and adopted the following decision:

1. Côte d'Ivoire has consulted with the Fund in accordance with paragraph 4c of the stand-by arrangement for Côte d'Ivoire (EBS/85/113, Supplement 2, June 4, 1985) and paragraph 24 of the letter from the Minister of Economy and Finance dated April 30, 1985.

2. The letter from the Minister of Economy and Finance dated August 1, 1985 shall be attached to the stand-by arrangement for Côte d'Ivoire and the letter dated April 30, 1985 shall be read as supplemented by the letter dated August 1, 1985.

3. The Fund decides that the first review provided for in paragraph 4 of the stand-by arrangement is completed, and that Côte d'Ivoire may proceed to make purchases under the stand-by arrangement.

X. Technical Assistance

(a)	CBD	External debt (1983 to date)
(b)	Fiscal	Tax system (1981)
(c)	Fiscal	Public finance (1985)

XI. Resident Representative

Mr. M.G. Gilman, posted in Abidjan since October 21, 1984.

Côte d'Ivoire: Relations with the World Bank Group
(As of September 30, 1985)

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

	IBRD and IDA		IFC loans and equity participations		Grand total
	Total commitments	Of which undisbursed	Total commitments	Of which undisbursed	
30 loans and credit fully disbursed	716.3	(--)	11.0	(--)	727.3
Technical assistance	16.0	(9.4)	--	(--)	16.0
Agriculture and forestry	103.9	(71.4)	2.6	(2.6)	106.5
Power, industry, and tourism	191.3	(123.8)	--	(--)	191.3
Transport and telecommunications	239.0	(137.2)	--	(--)	239.0
Urban development, education, and health	217.2	(91.6)	--	(--)	217.2
Total	1,483.7	(433.4)	13.6	(2.6)	1,497.3
			Less repaid or sold		-145.4
			Total outstanding		1,351.9
			Held by IBRD		1,331.8
			IDA		7.3
			IFC		12.8

Annual IBRD operations	1979	1980	1981	1982	1983	1984
Commitments	68.8	42.4	317.0	157.5	282.9	--
Disbursements	58.0	85.7	48.4	220.7	198.0	217.1
Repayments	5.2	7.4	13.9	21.0	19.7	26.4

Source: World Bank.

1/ Less cancellations.

The World Bank's assistance strategy aims principally at helping Côte d'Ivoire to implement adjustment policies required to improve the country's creditworthiness and public finance situation and to orient the economy toward an acceptable medium-term growth path. Since 1981, two structural adjustment loans and a technical assistance project directly supported reforms in macroeconomic management and in agricultural, industrial, and housing policies. During the same period, nine new projects have been approved. In agriculture, three projects aim at promoting integrated rural development and at extending the on-going successful rubber and reforestation programs. A second highway sector loan, a water supply project, and an urban project aim at improving the most important components of the public investment program, and at meeting some needs of the poorest segments of the population in a sounder sectoral policy framework. A petroleum project supports development of indigenous energy resources. An industrial finance and development project, and a health and demographic project are the most recent operations approved by the Board. The preparation of new projects in the agricultural, telecommunications, transportation and urban sectors is well advanced. A third structural adjustment loan is also under preparation.

Côte d'Ivoire: Basic Data

APPENDIX IV

Area, population, and GDP per capita

Area	322,463 sq km
Resident population:	
Total (1984)	9.7 million
Growth rate (1984)	3.9 percent
GDP per capita (1984)	SDR 660

	1982	1983	1984 Prel. actual	1985 Prov.	1986 Proj.
Gross domestic product (in current prices)		(In billions of CFA francs)			
Total	2,493	2,653	2,869	3,089	3,190
		(In percent of GDP)			
Primary sector 1/	28.0	28.4	30.4	29.9	29.7
Secondary sector	21.3	20.9	15.4	15.7	17.4
Tertiary sector	50.7	50.7	54.2	54.4	52.9
Consumption	80.9	84.2	77.6	75.2	78.7
Investment 2/	24.6	19.8	10.9	10.0	12.0
Resource balance	-5.5	-4.0	11.5	14.8	9.3
Gross domestic savings	19.0	15.8	22.4	24.8	21.3
		(Annual change in percent)			
Annual growth rate					
Nominal GDP	7.3	6.4	8.1	7.7	3.3
Real GDP	-3.9	-4.4	-2.8	5.6	2.5
Exports (volume)	6.5	-10.9	20.6	4.5	0.7
Imports (volume)	-6.6	-14.1	-14.4	4.2	10.3
Prices					
Implicit GDP deflator	11.7	11.3	11.2	2.0	0.7
Domestic consumption deflator	12.2	11.8	7.0	4.0	3.1
Consumer price index	7.4	5.9	4.3	2.0	3.0
Export prices	2.0	10.8	22.9	7.5	-6.8
Import prices	16.0	10.1	8.6	3.0	1.0
Terms of trade	-12.1	0.6	13.2	4.3	-7.7
Public sector finance 2/		(In billions of CFA francs)			
Revenue and grants	672	763	916	996	930
Expenditure and net lending	1,003	1,048	1,018	887	959
Of which: current expenditure	(642)	(710)	(788)	(727)	(741) 5/
Overall surplus/deficit (-)	-331	-285	-102	109	-29
Foreign financing (net)	280	16	159	94	78
Domestic financing (net)	29	163	14	-58	--
Change in arrears	22	106	-71	-145	-40

Côte d'Ivoire: Basic Data (continued)

	1982	1983	1984 Prel. actual	1985 Prov.	1986 Proj.
Public sector finance (continued)		(In percent of GDP)			
Revenue and grants	27.0	28.8	31.9	32.2	29.2
Current expenditure	25.8	26.8	27.5	23.5	23.2 5/
Capital expenditure and net lending	14.5	12.7	8.0	5.2	6.8
Overall deficit (-)	-13.3	-10.7	-3.6	3.5	-0.9 5/
Money and credit		(In billions of CFA francs; end of period)			
Net foreign assets	-382.7	-577.0	-457.0	-311.0	-296.0
Net domestic assets	984.7	1,226.0	1,219.0	1,147.0	1,192.0
Net claims on public sector 2/	219.5	382.0	370.0	321.0	321.0
Net claims on private sector	765.3	844.0	849.0	825.0	870.0
Ordinary credit	(592.7)	(680.0)	(688.0)	(655.0)	(710.0)
Crop credit	(172.5)	(163.0)	(161.0)	(170.0)	(160.0)
Private money and quasi-money	589.1	634.0	748.0	818.0	877.0
Velocity (ratio)	4.2	3.9	4.0	3.8	3.6
		(Annual change in percent)			
Net domestic assets	4.7	24.5	-0.6	-5.1	3.9
Of which: private sector	(-9.3)	(10.2)	(0.6)	(-2.8)	(5.5)
Of which: ordinary credit	(-9.7)	(14.8)	(1.2)	(-4.8)	(8.4)
Private money and quasi-money	1.7	7.7	18.0	9.4	7.2
Balance of payments		(In millions of SDRs)			
Exports, f.o.b.	2,221.6	1,956.5	2,580.8	3,313.0	3,323.4
Of which: coffee	(420.0)	(427.6)	(432.0)	(625.3)	(633.1)
cocoa	(549.0)	(505.9)	(1,048.6)	(1,053.0)	(1,018.5)
Imports, f.o.b.	1,673.1	1,409.1	-1,310.5	-1,376.4	-1,615.7
Trade balance	548.5	547.4	1,270.3	1,455.0	1,188.9
Services (net)	1,071.1	-1,089.7	-1,060.4	-980.8	-1,028.8
Transfers (net)	-405.2	-324.0	-276.8	-258.1	-260.7
Current account	-927.8	-866.3	67.0	217.2	-95.1
Nonmonetary capital	866.6	203.8	370.6	218.5	-225.8
Monetary and other capital					
Errors and omissions (net)	-76.3	102.8	-178.2	-101.7	-23.1
Overall surplus/deficit	-137.5	-559.7	125.5	334.0	-343.9

Côte d'Ivoire: Basic Data (concluded) APPENDIX IV

	1982	1983	1984 Prel.actual	1985 Prov.	1986 Proj.
Balance of payments (continued)			(In percent of GDP)		
Exports, f.o.b.	31.9	30.3	40.3	41.9	38.1
Imports, f.o.b.	-24.0	-21.6	-20.5	-20.4	-22.0
Trade balance	7.9	8.4	19.8	21.5	16.1
Current account balance	-13.3	-13.3	-1.0	3.2	-1.3 6/
Official foreign reserves			(In millions of SDRs; end of period)		
Central Bank	2.0	18.2	5.3	...	...
Caisse Autonome d'Amortissement	2.3	2.5	--	...	...
Total gross reserves	4.3	20.7	5.3	...	...
Operations account	-413.0	-542.0	-381.0	-118.0	-124.0
Public and publicly guaranteed external debt 4/			(In millions of U.S. dollars)		
Disbursed outstanding (end of period)					
Including Fund	5,559.9	5,443.5	5,475.0	6,772.0 7/	7,076.0
In percent of GDP	(74.0)	(84.9)	(91.5)	(86.8)	(86.0)
Fund debt 5/	535.6	670.4	640.9	669.2	566.0
Repayments due on principal 6/	460.0	541.0	514.0	600.4 7/	686.5
Fund repurchases	--	--	28.3	96.4	116.2
Interest payments due 6/	468.0	543.0	560.6	468.9	511.0
Of which: Fund charges	27.4	36.3	55.3	56.2	49.9
Debt service ratio 6/	31.2	42.1	34.7	32.9	34.1
Exchange rates			(In CFA francs per SDR)		
End of period	370.92	436.97	470.11	457.20	433.5
Period average	362.80	407.36	447.88	457.20	433.5
			(In CFA francs per U.S. dollar)		
End of period	336.25	417.38	479.60	400.00	396.00
Period average	328.62	381.07	436.96	450.00	400.00

1/ Including crude petroleum and excluding the Agricultural Stabilization Fund surpluses.
2/ Including changes in stocks.
3/ Enlarged definition of public sector from 1982.
4/ Excluding servicing of borrowings by nonresident multinational entities under Ivorian government guarantee.
5/ Based on exchange rate prevailing on the transaction date. Including Trust Fund loan of SDR 50.8 million in 1984 and SDR 39.5 million in 1985.
6/ Before rescheduling or gap financing.
7/ Excluding prepayment of debt service obligations due to an Abidjan Club creditor during the 1986-92 period.