Board Meeting of September 11, 1997
Statement by Ali Bourhane, Executive Director

Côte d’Ivoire: CAS

At the outset, I wish to state that I share the Staff’s overall analysis on the Côte d’Ivoire’s good performance since the CFA Franc devaluation of January 1994. Following the devaluation, the Government’s strategy has been to restore macroeconomic stability and external competitiveness. As the report indicates, the Government has delivered on these two accounts.

Côte d’Ivoire has maintained macroeconomic stability for the last three years, through prudent fiscal management and restrictive monetary policies. Public spending was brought down from over 30%, in the early 90s, to about 25% in the last two years. This has been made possible largely by the politically difficult policy of restraining wages of the civil service in the aftermath of the devaluation. On the monetary front, the regional central bank, the BCEAO (Central Bank of Western African States), has pursued a very restrictive monetary policy adopted, at the regional ministerial level, by the West African Economic and Monetary Union (WAEMU). The Government has also undertaken an ambitious program of structural reforms including the liberalization of external trade through the elimination of all non-tariff barriers and a reduction of tariffs. In particular, the maritime transport has been substantially restructured and liberalized. To improve efficiency of tax collection, the Government has reduced the value of customs exoneration on imports to about 15%. Price controls have also been substantially reduced. In addition, the Government has privatized 37 public enterprises since 1990. Other barriers to competition have been also eliminated or reduced, including revisions to the labor and investment codes and to the law on private ownership of land. Finally, the legal framework relating to the activity of private enterprises has improved considerably in Côte d’Ivoire.

As a result of these reforms, the competitiveness of the Ivorian economy has greatly improved and the economy has responded well. The growth rate, which was merely 2.1%, in the year of the devaluation (1994), jumped to an average of 7% in the last two years. This high growth rate has made it possible for per capita income to grow at about 6% per year, during the period, an unprecedented record in Sub-Saharan Africa. At the same time, inflation has remained subdued.
Obviously, we all wish the pace of some of these reforms were greater and poverty indicators showed significant improvement. On this, I also agree with Staff’s evaluation. The weak results in the social sectors were more indicative of the lack of specialized institutional capacity to implement reforms rather than the absence of any political will to reform. It is also true that the consensus building process is time consuming and project implementation sometimes requires specialized skills. In this context, I found the analysis of the Operations Evaluation Department (OED) of past Bank Group’s involvement in Côte d’Ivoire, described in the Country Assistance Review, quite interesting. In the report, OED argues that although Bank commitments were much higher in Côte d’Ivoire than in the rest of Sub-Saharan Africa, performance in this country was not impressive for the social sectors, particularly education. The report even suggests that the Bank Group’s commitments to the country exceeded its absorptive capacity and the use of adjustment lending, as a main instrument in the pursuit of social objectives, has contributed to crowding out investment. The report recognizes however that, faced with limited options and instruments, the Bank Group’s assistance to Côte d’Ivoire has produced outstanding results for agricultural and infrastructure projects and has contributed to macroeconomic and political stability. The Staff of the Region share OED’s evaluation and are learning through past experience. They have undertaken to help build the needed consensus through consultations with all segments of the Ivorian society, including the civil society and NGOs for every major adjustment lending. The relocation of the Country Director, Mr. Katsu, to Abidjan has greatly helped in this process. With regard to poverty, the Staff are right in pointing out that the Government itself is learning from past experience. It has certainly used the opportunity of the Poverty Assessment carried out by the Bank with Ivorian involvement, to clearly make poverty reduction one of its strategic objectives, as stated in the PFP. The Government has also adopted a preliminary poverty action plan.

**Government development strategy**

The new Government’s strategy, as stated in the PFP and other Government’s documents, including the “Elephant of Africa”, as well as the “National Poverty Reduction Action Plan,” consists of achieving an inclusive and sustainable growth over the period 1995-2000, i.e., achieve expansion of the economy while reducing poverty and protecting the environment in Côte d’Ivoire. This strategy will be carried out through (i) achievement of a double digit growth over the period; (ii) expansion and diversification of export; (iii) support of private sector development and Government disengagement from productive activities and (iv) promotion of Côte d’Ivoire’s regional role in the West African Economic and Monetary Union (UEMOA). Moreover, the Government also intends to adopt focused pro-poor policies with a view to reducing the incidence of poverty from 37% of total population in 1995 to less than 30% in year 2000. The Government will therefore review, with Bank’s help, its public expenditures to focus on human resources, including basic education, literacy, health and family planning; basic infrastructure; rural development; and improved management of social funds to assist targeted poor groups.
Bank Group Assistance Strategy

The Country Assistance Strategy is aimed at helping Côte d’Ivoire achieve the Government strategy described above. I endorse the proposed strategy as it will rely primarily on policy advice. A country such as Côte d’Ivoire has an established institutional capacity. What is missing is a specialized institutional capacity in certain areas. The Bank Group’s comparative advantage consists in providing knowledge on how to do things rather than what to do. This is the most productive approach which clearly has been producing good results, particularly since the relocation of the Country Director to Abidjan.

I must however point out that I have some disagreement with the assumptions in the base case scenario. While I agree with macroeconomic management and poverty reduction criteria, -- my authorities have already integrated them in the PFP --, I am not convinced that the governance issue, which is not clearly defined yet, should be imposed as a performance trigger. This does not mean that the Government is not concerned by the governance issue. As the Staff report indicates (in paragraph 5), the “Government is fully aware that good governance and transparency are important ingredients in making Côte d’Ivoire a good business address.” What is needed is a precise definition of the performance indicators before imposing them as part of the Bank’s conditionality in this politically charged area.