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REPORT AND RECOMMENDATION

OF THE

PRESIDENT OF THE

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

TO THE

EXECUTIVE DIRECTORS

ON A PROPOSED

SECOND STRUCTURAL ADJUSTMENT LOAN

IN AN AMOUNT EQUIVALENT TO $250.7 MILLION

TO THE

REPUBLIC OF THE IVORY COAST

June 9, 1983

CURRENCY EQUIVALENTS

Currency Unit	=	CFA Franc (CFAF) 1/
US$1.00	=	CFAF 355
CFAF 1 million	=	US$2,817.00

WEIGHTS AND MEASURES

Metric

1 metric ton (MT) = 0.984 long ton

FISCAL YEAR

January 1 - December 31

1/ The CFA Franc is tied to the French Franc at the rate of 1FF to CFAF 50. The French Franc is currently floating.

REPUBLIC OF THE IVORY COAST

SECOND STRUCTURAL ADJUSTMENT LOAN

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REPUBLIC OF THE IVORY COAST

SECOND STRUCTURAL ADJUSTMENT LOAN

LOAN SUMMARY

Borrower:	Republic of the Ivory Coast
Amount:	US$250.7 million equivalent, including capitalized front end fee.
Terms:	17 years including 4 years grace, at the standard variable interest rate.
Loan Description:	The loan would be the second to support the implementation of the Government's comprehensive program of structural adjustment. This more intensive phase of the program is outlined in the Economic Policy Declaration of the Government to the Bank. The principal aim of this program of basic policy changes is to promote sustainable growth and increase public savings in the medium term. To achieve these objectives detailed action programs would be implemented over the next twelve months to (a) further improve public finance management and investment policy, (b) rehabilitate parastatal enterprises and improve their management, (c) make additional improvements to the agricultural incentive system, (d) promote the resumption of industrial growth and improve the structure of Ivorian industry through reducing the excessive levels of protection and removing distortions in industrial incentives, and (e) substantially reform housing policy through reducing public subsidies, improving private savings mobilization, and inducing a structural shift in housing investment from the public to the private sector. The foreign exchange provided by the loan would be used to finance essential imports. Counterpart funds would be used for development-related expenditures and to finance the public enterprises included in the program.
Estimated Disbursements:	The loan would be disbursed in two tranches, $125.7 million would be available on loan effectiveness and the remaining $125 million after a performance review.
Map:	IBRD 15773

Descriptive Glossary of Acronyms

BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest (Central Bank of West African States)
CAA	Caisse Autonome d'Amortissement (Debt Amortization Fund)
CAISSTAB	Caisse de Stabilisation et de Soutien des Prix des Productions Agricoles (Agricultural Exports Stabilization Fund)
CAPEN	Centre d'Assistance et de Promotion à l'Entreprise Nationale (Assistance Agency for Small and Medium-Scale Enterprises)
CCCE	Caisse Centrale de Coopération Economique (Central Fund for Economic Cooperation)
CIDT	Compagnie Ivoirienne pour le Développement des Textiles (Regional Agricultural Development Agency for Savannah Zones; Ivorian Cotton Development Company)
INTELCI	Société des Télécommunications Internationales de Côte d'Ivoire (Ivorian International Telecommunications Company)
MOTORAGRI	Société pour le Développement de la Motorisation de l'Agriculture (Agency for Development of Agricultural Mechanisation)
OPT	Office de Postes et de Télécommunications (Office of Posts and Telecommunications)
PALMINDUSTRIE	Société Palmindustrie (Palm Oil Development Company)
RAN	Régie du Chemin de Fer Abidjan-Niger (Abidjan-Niger Railway Corporation)
SATMACI	Société d'Assistance Technique pour la Modernisation Agricole de la Côte d'Ivoire (Technical Assistance Company for the Agricultural Modernization of the Ivory Coast; Regional Agricultural Development Agency for Forest Zone)
SETU	Société d'Equipements des Terrains Urbains (Public Land Development Agency)
SICOGI	Société Ivoirienne de Construction et de la Gestion Immobilière (Public Housing Development Company)
SIR	Société Ivoirienne de Raffinage (Ivorian Petroleum Refining Company)

SITRAM	Société Ivoirienne de Transport Maritime (Ivorian Maritime Transport Company)
SIVENG	Société Ivoirienne d'Engrais (Public Fertilizer Company)
SODEFEL	Société pour le Développement des Fruits et Légumes (Fruit and Vegetable Development Company)
SODEFOR	Société pour le Développement des Plantations Forestières (Forestry Development Company)
SODEPRA	Société pour le Développement des Productions Animales (Livestock Production Development Company)
SODESUCRE	Société pour le Développement des Plantations de Cannes à Sucre, l'Industrialisation et Commercialisation du Sucre (Sugar Development Company)
SOGEFIHA	Société de Gestion Financière de l'Habitat (Public Housing Development Agency)
SOTRA	Société des Transports Abidjanais (Abidjan Public Bus Transport Company)
UMOA	Union Monétaire Ouest-Africaine (West African Monetary Union)

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATION OF THE PRESIDENT TO THE EXECUTIVE DIRECTORS ON A PROPOSED DEVELOPMENT LOAN TO THE REPUBLIC OF THE IVORY COAST FOR A SECOND STRUCTURAL ADJUSTMENT LOAN

1. I submit the following report and recommendation on a proposed Second Structural Adjustment Loan to the Republic of the Ivory Coast for the equivalent of $250.7 million, including capitalized front end fee. The loan would have a term of 17 years, including 4 years of grace, at the standard variable interest rate.

PART I - THE ECONOMY

A. Background

2. "Ivory Coast: A Basic Economic Report" (No. 1147b-IVC) was distributed to the Executive Directors in May 1977 and published under the title "The Challenge of Success" in 1978. Its assessment of the country's economic prospects has been periodically updated in subsequent President's Reports issued to the Board. The findings of our most recent economic assessment are reflected in the paragraphs below and are presented in greater detail in a paper entitled "A Note on the Economic Situation in the Ivory Coast" which is attached as Annex IV to this report. Basic country data are provided in Annex I.

3. During the first two decades after independence in 1960, the Ivory Coast experienced an average 7% per annum GNP growth rate, one of the fastest development rates for non-oil exporting countries in the world. As a result GNP per capita amounted to US$1,150 in 1980, the second highest in sub-saharan Africa. The Government has pursued growth as a primary objective since independence, in a remarkably stable political environment. Political ideology played a secondary role in a system characterized by a wide scope for private initiative supported by pragmatic public policies. The open economy attracted labor from neighboring countries, and capital, technology and skilled personnel from Europe.

4. Agriculture was the basis for rapid development, particularly in the forest zones of the south where coffee, cocoa and timber became the main source of exports, income generation, and public savings to finance a spreading infrastructure network. Important progress was made in diversifying the structure of agriculture but the three main products still represented 65% of exports of goods in 1980 compared with 85% twenty years earlier. The benefits of growth were also unevenly distributed as the more limited potential of the north led to lagging income growth despite impressive gains in selected crops such as cotton.

5. Through 1975, fluctuations in the external terms of trade were not large. The first major increase in oil prices was temporarily offset by favorable export prices. The effects of moderate external shocks were also in large part countered, internally by a price stabilization mechanism for the main agricultural products and, externally, through membership in the West African Monetary Union which ensures, through a cooperation agreement with France, inter alia, unlimited free convertibility of the currency.

6. As growth was concentrated in forest zone export crops, it was not surprising that returns to investment began to level off as the potential of the region and foreign markets were increasingly exploited, and as the import substitution possibilities in industry diminished after a period of rapid output growth. Further, lower returns resulted from a shift in public investment to relatively high cost social investments with inevitably long pay off periods, in sectors such as education.

7. The likely emergence of structural economic problems following a protracted period of high growth rates was a basic issue for future strategy. Current economic and financial stringencies on the other hand stem largely from the difficulties the country faced in adapting to the rapid changes in the world economy after 1975. The exceptionally high international prices for coffee and cocoa led to an 80% improvement in the terms of trade between 1975 and 1977 and to surpluses in the stabilization fund (CAISSTAB) representing more than 10% of GDP. Government launched an excessively ambitious public investment program which rose to over 25% of GDP, some 40% of which was financed by external borrowings. Because of high unit costs and excessive scale, especially for sugar, transport and education projects, rates of economic return were low and much of the investment did little to sustain growth. Further, rising recurrent costs and higher interest payments caused public expenditures to reach 41% of GDP by 1980 while the terms of trade declined by 30% between 1977 and 1980. This led to a substantial deterioration in public savings and to a severe financial crisis in 1980. The current account balance of payments deficit amounted to 16% of GDP and the public sector financial gap to 12.8% of GDP. The continuing adverse prospects for coffee and cocoa prices after the sharp decline in 1978, the high cost of foreign borrowings and the worldwide depression led the Government to launch, at the end of 1980, a stringent financial recovery plan. Simultaneously steps were taken to prepare a longer term structural adjustment program.

8. The financial program aims at restoring internal and external imbalances. It consists of a set of budgetary and monetary measures to contain credit expansion, to increase government revenue, to reverse the upward trend of current expenditures, and to restrain the investment program while restricting external borrowings and improving the external debt profile. This program is supported by an IMF SDR 484.5 million (U.S.$514 million at 1983 SDR/CFAF exchange rate) Extended Fund Facility covering the period 1981-83.

B. Recent Economic Developments (1981-82) and the implementation of the financial recovery plan

9. Under the financial program the Government has already succeeded in reducing the overall public sector deficit and the balance of payments current

account deficit. This has been achieved despite three unfavorable factors beyond the authorities' control. First, the terms of trade declined by a further 17% in 1981 and 1982 while the world economic situation impeded growth of exports. Second, high interest rates increased the debt service burden of the country as it became more dependent on non-concessional loans to finance the previous surge in public investment. Finally, the pace of oil production, which reached a level of 1.3 million tons a year during the last quarter of 1982, was not as rapid as previously expected.

10. The first objective of the financial recovery plan is to reduce the public sector deficit, which is at the root of present external imbalances. This deficit declined from 12.8% of GDP in 1980 to 8.8% in 1982 while Government arrears have been reduced almost by half over this period. Despite improvements in the efficiency of the tax system and the implementation of a series of fiscal measures, central government revenues declined slightly to 27% of GDP mainly due to a reduction in the net margins levied by CAISSTAB, despite the freeze on producer prices for coffee and cocoa. The trend of current expenditure expansion has been shifted; the implementation of a strict recruitment and wage policy, and the cuts in direct and indirect consumer subsidies enabled the Government to reduce the current budget by about 2% in real terms. However, the main effort to control public spending focussed on capital expenditures which have been curtailed by about 25% in real terms during this period by cancelling or postponing expensive non-priority projects.

11. Improvements in the external accounts have been more modest. The balance of payments current account deficit declined from 16% of GDP in 1980 to 13.7% in 1982. Despite the deterioration in the terms of trade, the trade surplus increased from 4.8% to 9.3% of GDP. This was due to a 7.5% increase of exports in constant prices and a reduction of imports by 17.5% induced by the slowdown of the economy and the development of local oil production. The decline by one-fourth in the effective exchange rate during this period was an important factor in the improvement of the current account of the balance of payments. The rapid rise of interest payments on public debt, which more than doubled in CFAF terms from 1980 to 1982 and now account for 6.7% of GDP, reduced the impact of this improvement on the current account. The overall balance of payments deficit, which reached CFAF 150 billion in 1981, fell to CFAF 50 billion in 1982. Two factors produced opposite tendencies in this respect. On the one hand, the Government had to increase foreign borrowing by CFAF 130 billion in 1982 in order to finance the public sector deficit. On the other hand, an outflow of monetary capital occurred, due to a low domestic demand for credit and the existence of a negative differential between local and French monetary market interest rates before their realignment in April 1982 when the basic discount rate was raised to 12%. This led to lending rates by primary banks of 17.5% excluding taxes and almost 22% including taxes.

12. These budgetary and monetary policies have contributed to a marked slowdown in the economy. For the first time since 1960, the country experienced a decline in national income. GDP in real terms declined by 3.1% between 1980 and 1982 compared with a 6.1% average annual increase during the four previous years. In 1981 record crops led to a 7.6% growth in the primary

sector while the secondary sector was severely hit by the recession: value added declined by 5% on average and by about 30% in the construction and public works sector. In 1982 activity in this sector, which is heavily dependent on public investment, declined by a further 17%. The return to normal coffee and cocoa crop levels induced a decline by 3.7% of value added in the agricultural sector, and the manufacturing and tertiary sectors stagnated. As a consequence employment in the modern sector continued to decline slightly for the fourth consecutive year, the reduction since 1978 amounting to about 13%. Despite productivity gains induced by these developments, the financial situation of the private sector has not improved, mainly as a result of a significant increase in financial charges. This led to a decline in the investment rate from 27.1% to 23.5% of GDP despite the large increase in investments in the oil sector, which amounted to about CFAF 200 billion during these two years. Inflation, measured by the consumption price index, averaged 11%, the same level as during previous years, the impact of activity slowdown being balanced by the effect of import price increases and fiscal or parafiscal measures.

C. The Need for Structural Change

13. Whereas the immediate crisis and its subsequent worsening was met by the adoption of a stringent financial recovery and stabilization program designed to reduce imbalances in public sector finances and external accounts, it was evident that the Ivorian economy was suffering from a series of fundamental weaknesses and economic policy deficiencies.

14. An assessment of these weaknesses made it clear that basic structural changes would be needed to bring the country back to a reasonably high and sustainable growth path in the second half of the 1980s and beyond. First, the rapid rise in public spending clearly revealed deficiencies in the management of public sector resources. In particular, the previously efficient investment review and financial control systems had fallen into disuse, allowing over-designed and low productivity projects to be initiated. Large and ill-conceived programs for public enterprises in a large variety of sectors resulted in major outflows of public resources with small corresponding social or economic benefits. The expansion of the education system while impressive, was accompanied by growing inefficiency, increasing irrelevance to the needs of the economy and escalating recurrent costs which absorbed as much as 46% of the Government's current budget. Second, agriculture, the force behind Ivorian growth, had lost much of its dynamism. Unsound price and subsidy policies produced distorted supply and demand responses. Foodcrop production remained weak while the country's need for food was being met increasingly by imports. Moreover, poor planning, programming and research led to a weak public investment program in agriculture. Several public agricultural agencies were poorly managed, overstaffed and at times inadequately funded due to weak financial control systems. Third, it became clear that excessive and misdirected protection arising from the widespread introduction of quantitative restrictions and distortions in the tariff system was eroding industrial productivity and exports.

15. Recognizing these structural deficiencies, the Government defined and adopted at the end of 1981 a program of basic policy changes designed to

promote growth and increase public savings in the medium term. The worsening economic situation since then has convinced the Government of the need to continue and intensify its program of structural change. The Government's structural adjustment program is described in Part II of this report.

The Present Economic Situation

16. Growth of GDP is expected to resume in 1983 at a 2.2% rate, the result mainly of the increase in oil production, while value added in the other sectors of the economy is likely to decline despite the recent 2% reduction in domestic interest rates following the easing on international financial markets. This forecast takes into account only first estimates of the impact of the drought and the bush and forest fires which characterized the 1983 dry season. The Government is currently assessing the full effects of the drought which will also affect 1983-84 crops. This should not however reduce export earnings as the country's coffee stocks built after the record 1981 crop still represent 7 months of exports, and recent world price increases for both coffee and cocoa are expected to compensate for a decline in volume of cocoa exports. Despite the recent decrease in interest rates and the reduction in CFAF exchange rate, the financial situation of the country will remain tight. The cumulative effects of the financial stabilization plan will, however, lead to further important reductions in external and internal imbalances; the balance of payments current account deficit is expected to decline from 13.7% to 9.9% of GDP and the public sector deficit from 8.8% to 6.2% of GDP. These improvements will mainly stem from a decline in imports, estimated at 5.5% in real terms, and from further reductions in public investment and in current budget expenditures by, respectively, 5% and 2% in real terms.

17. The Government has decided to sharply reduce, by CFAF 110 billion, gross foreign borrowings and has obtained agreement from the UMOA to mobilize its balance on counterpart funds from IMF purchases. The resulting decline in official capital inflows will lead to an increase of about CFAF 90 billion in the overall balance of payments deficit. Despite the strict borrowing policy implemented since 1980, the ratio of debt service to exports of goods and non factor services will still increase from 33% in 1982 to an estimated 39.5% in 1983, much higher than originally projected in the financial recovery program. This reflects, as noted above, the more severe decline in the terms of trade than was projected, and the effects of higher real interest rates and lower than forecast oil output.

D. The Economic Outlook

18. Since SAL I was presented to the Board at the end of 1981, the prospects for the Ivorian economy over the rest of the decade have become less promising. First, the price forecasts for the major primary products exported by the Ivory Coast (especially cocoa and coffee) are now substantially lower than they were in 1981: Bank projections make any significant improvement in the country's terms of trade unlikely in the foreseeable future. Second, although interest rates have recently declined on international financial markets, this has been accompanied by even larger declines in international inflation and consequently, projections of interest rates in real terms are

higher than envisaged in 1981. Third, the pace of development of the Ivory Coast's oil resources is likely to be slower than was previously anticipated. The very limited available information is insufficient for reliable predictions to be made on the level of Ivorian oil production during the second half of the 1980s. In these circumstances, an arbitrary assumption has been made that two new oilfields will enter into production during this decade, the first in 1986 and the second in 1987 and that these new fields will have the same profiles and production levels as the two currently producing fields. This assumption may appear conservative, given the recently reported discovery of a new field and the investment in exploration that is underway by international oil companies in the Ivory Coast. However, in the absence of any hard information it may be better to err on the side of caution.

19. Over the short term (1983-85), the financial constraints on development will remain very tight. Restrictive fiscal, investment and monetary policies will have to remain in force at least until 1985. The efforts to restrain public expenditures will have to continue as it could be unwise to increase tax rates beyond the levels already attained. Government has made it clear that the recent decision to move the political capital to Yamoussoukro, which has a considerable amount of underutilized infrastructure, will not lead to any relaxation of the tight control on the size and structure of the investment program that is necessary, at least until 1985. The decision should help relieve growth pressure in Abidjan, the development of infrastructure in that city presently representing CFAF 31.5 billion or 70% of overall investment in urban infrastructure in 1983.

20. Even with the continuation of the strict financial recovery program already in place, the debt service ratio is projected to rise to an average of 43 percent in the period 1983-1985. The deterioration in the ratio is however not on its own an adequate measure of the external financial situation of the country, as it is accompanied by a further reduction in the balance of payments current account deficit, which is projected to fall to 8.8% of GDP in 1985. This will mainly stem from reductions in imports, as constraints on increase of exports in the short term will remain important. The rising debt service ratio is however an indicator of the very tight external financial situation that the Ivory Coast will face. As a result of the financial stabilization effort, economic growth is expected to be lower than population growth until 1985, real GDP being forecast to increase by about 2 percent per year until 1985.

21. The acceleration of the structural adjustment process in the next few years is an important precondition to moving to a higher growth rate after 1985. It is based mainly on the improvement in the productivity of public investments and the efficiency of public enterprises, and on the expected supply responses in both agriculture and industry to changes in the incentive system to be implemented. This, together with the oil output increases assumed above, should permit growth of GDP per capita to resume at an average rate of 2.3 percent per annum in the second half of this decade while the debt service burden is forecast to decline to about 31% of exports of goods and non factor services by 1990.

PART II - THE STRUCTURAL ADJUSTMENT PROGRAM

22. As indicated in Part I above, the Government at the beginning of the 1980s recognized that GDP growth in the late 1970s had been artificially maintained by exceptionally large public investment programs and realized in retrospect that, even before the halcyon days of the coffee and cocoa boom, the economy was suffering from diminishing returns to productive factors and other fundamental weaknesses masked during a long period of spectacular growth. The Bank collaborated very closely with the Ivorian authorities in analyzing the structural weaknesses in the country's economic system, and assisted the Government in defining and initiating a program of structural change. This program was supported by the Bank's first Structural Adjustment Loan of $150 million to the Ivory Coast in December 1981. The principal goals of the program were: (1) restoring effective central management, policy making and investment programming; (2) rehabilitating the incentive system in agriculture together with supporting planning and executing agencies; (3) reforming the inefficient and costly public enterprise sector; (4) preparing a comprehensive reform of the industrial incentive system and agencies promoting industrialization; and (5) reducing the excessive cost and improving the system of cost recovery of the educational system.

23. SAL I was accompanied by a $16.0 million Technical Assistance Loan which has provided financing for a number of key advisors to strengthen in particular agricultural planning and project preparation capabilities, for a number of studies of public enterprises and for the preparation of further programs of reform. Overall, the Government's performance in undertaking the SAL I program, which is discussed later in this report (see Part II, Sections A, B, C and D and paras. 93-94 below) has been very positive.

24. However, since SAL I was approved, several exogenous factors have combined to worsen the short-term financial outlook as well as medium-term prospects for the country (see paragraphs 9-12 and 16-21 above). In the light of these developments, the Government rapidly recognized that it was imperative for the country to continue with the adjustment process initiated under SAL I and to intensify its program of structural change. A second phase adjustment program was prepared over the past six months with the active participation of the Bank. It defines a bold and forceful program of policy reform and is based on the experience with the first stage reforms, results of studies completed under SAL I, and Government's decision to expand the scope for improving productivity and generating public savings in new areas.

25. The main medium-term objectives of the second phase program are:

(a) Further improvements in public finance management and investment policy, as well as a progressive restructuring of current expenditures.

(b) Further rehabilitation of parastatal enterprises through the implementation of reorganization programs developed under SAL I, preparation of recovery plans for eight additional important agencies and implementation of an efficient follow-up and control system.

(c) Continuing the rationalization of agricultural policy. This component would include further improvements in the agricultural policies, the implementation of the second stage of an improved incentive system and further stages in the reorganization of the most important public enterprises in this sector.

(d) Implementation of the first phases of the structural adjustment reform of the industrial sector which was identified under SAL I, and preparing a series of additional reforms.

(e) Definition and implementation of a program of reforms in urban housing policy, involving a major reduction in public subsidies and improvements in private savings mobilization and in the housing financing system which will help to induce a structural shift in housing investment from the public to the private sector.

Programs to achieve these objectives and action programs to implement these policy changes are described below and in the Government's Letter of Development Policy (see Annex 5).

A. Economic Management and Public Investment Policy

26. The Ivory Coast's rapid development since independence depended crucially on a planning and programming system which enabled public sector surpluses to be reinvested in worthwhile projects, maintained budgetary discipline in order to produce public savings, established public agencies in areas where the private sector was inactive, and finally, which prudently managed the external debt. The deterioration of the economic management system occurred following the appearance of large public finance gains from higher prices of coffee and cocoa in 1976 and 1977. As the Government expected these prices to remain high it undertook a major expansion in investment, recurrent costs, public enterprise operations and the external debt. Much of this spending did not lead to the creation of new resources and left the country ill-prepared for the external shocks of the oil crisis in 1979 and the continued sharp fall in the prices of its major export commodities. Further, the economic outlook for the medium-term indicates a continuous slow growth in the world demand for Ivorian products and domestic stringency in resources available to restructure the economy to face the challenge of the 1980s.

27. The success of the country in reducing excessive public investment spending after 1978 showed that the discipline existed at the policy level to take difficult decisions when required. What was needed in addition was a more sophisticated economic management and investment programming system which would enable Government to (1) operate a medium-term planning system capable of identifying priorities and resources for the sound future development of the economy; (2) react in a timely fashion to adverse circumstances; (3) properly assess the use and availability of public resources as a basis for allocations; (4) relate foreign borrowing to a realistic assessment of the country's capacity to repay; (5) pay increased attention to economic criteria in investment decision making to ensure that new projects produce satisfactory returns and give rise to sustainable recurrent expenditures.

28. A critical issue that the country has been facing is the need to raise the level of public savings. As revenues already amount to about 28% of GDP, increasing attention needs to be focussed on reducing recurrent costs of existing operations and improving cost recovery in public service programs. Performance in these respects is relatively good in some sectors such as electricity, water supply and sewerage, but there is considerable room for improvement, particularly in education and housing. The education sector has been characterized by high operating costs, internal and external inefficiencies and low levels of cost recovery. The rapid expansion of spending in education, which rose from 33.3% of the Government's current budget in 1975 to 46% in 1981, has been halted but further reductions in current spending together with improvements in the productivity of the system are needed. In the housing sector a particularly heavy drain on current expenditures has arisen from the rapid increase in the number of civil servants receiving free housing, which has been increasing by 2,000 p.a. in recent years, and reached about 35,000 or a third of the total number of civil servants by 1981.

Government Response

29. The Government was quick to respond to the further deterioration in its financial situation due to external factors and succeeded in reducing the current budget in real terms in 1982 and 1983. Nevertheless, because current spending is difficult to compress in the short-term, financial stabilization required the bulk of the cuts to take place in the investment budget. Since 1981 the planning and programming system has been substantially improved. The 1982 public investment program was based on the system outlined in the SAL I Letter of Development Policy and accordingly contained all investment projects under central Government and public enterprise control, including those financed by CAISSTAB which, in the past, were often implemented outside the formal programming process. Program implementation was also satisfactory; no departures from the budget occurred. This indicates that the Ministry of Finance's monitoring system, which does not allow a project to begin before funds are available, is working efficiently.

30. The 1983 public investment program was prepared along the same lines and on schedule. Nevertheless, a careful assessment of the availability of public resources indicated the need for further reductions in the program. These were carried out and public investment now amounts to about 12% of GDP compared to over 25% in 1978, which corresponds to a 39% decline in real terms. Despite the fact that new projects represent only 18% of 1983 investment expenditures, the quality of the program has improved. Its sectoral composition indicates a shift to productive sectors (See Table 1).

Table 1: PUBLIC INVESTMENT PROGRAM, 1981-1983

	1981		1982		1983	
	CFAF billion	%	CFAF billion	%	CFAF billion	%
Agriculture	59.9	17.4	61.6	19.1	68.2	20.5
Industry and Energy	24.1	9.9	43.9	13.6	58.2	17.9
Transportation	79.6	23.0	72.9	22.6	72.5	21.8
(of which roads)	(49.3)	(14.3)	(48.5)	(15.0)	44.2	(13.3)
Telecommunications	15.1	4.4	10.5	3.3	10.0	3.0
Urban Infrastructure, Education and Health	116.9	33.9	92.9	28.9	85.4	25.7
Other	39.3	11.4	40.6	12.5	36.9	11.1
	344.8	100%	322.4	100%	331.2	100%

31. Significant progress has also been made in project evaluation. Financial and technical appraisals have greatly improved, as a result of the active role of the "Direction et Contrôle des Grands Travaux", the public agency under the tutelage of the Presidency, in charge of preparing and monitoring public works projects. Economic analysis is now, as a rule, done systematically and most projects have acceptable rates of return. However, greater attention needs to be given to the results of cost benefit analysis in those sectors where such analysis is applicable: in addition, there is a need in the social sectors to rapidly introduce least cost analysis criteria more widely in screening projects. Of course, the sharp cut in investment spending virtually eliminated new large social investments, shifting the emphasis to complementary investments designed to make better use of existing assets.

32. The Government announced, following student unrest in January 1982, that it would proceed with the long delayed decentralization of the University of Abidjan. In view of the difficult financial situation and the need to devote the bulk of the limited investment resources to productive projects, the Government decided to lower design standards substantially so that the cost of the two new branches of the University will not exceed CFAF 36 billion, about one-third of the original estimated cost, with annual expenditures limited to CFAF 10 billion or 3% of the 1983 Investment Program. Even at this reduced level, the pace at which this investment proceeds will require continued scrutiny by the Government in the light of its financial constraints. The relocation of several of the social science faculties to the secondary cities of Bouaké and Korhogo in the interior should be carefully implemented in order to avoid overcrowding and facilitate placing increased emphasis on the scientific disciplines, as these departments will stay in Abidjan. Further, efforts that are being made to reduce costs and improve cost recovery by such steps as reducing fellowships should restrain the indiscriminate growth of the student population in fields that do not match the country's development needs for skilled manpower.

Action Program

33. The second phase of the structural adjustment process starts with most of the basic planning and programming mechanisms in place. The Government recognizes that financial austerity will have to be observed beyond 1985 and that public investment program cannot be permitted to increase in real terms before then. New projects will be subject to overall investment spending constraints and rigorous review of design standards and costs. Despite pressures arising from the very depressed state of the contracting industry, the Government has shown its commitment to assuring that the size and composition of the investment program meets structural adjustment goals. In this connection, there will be a full review with Bank staff of the public investment program in late 1983.

34. The next stage of the program will aim at reinforcing and institutionalizing current progress and place more emphasis on up stream decision processes. This would bring improvements to each stage of the programming system, notably with respect to three major issues: (1) the public investment financing process; (2) investment programming, budgeting and project selection; and (3) measures to increase public savings and control recurrent expenditures.

Improvement in the public investment financing process

35. (a) The rules of eligibility for public enterprises to obtain Government guarantees on their borrowings will be tightened.

(b) Receipts from the oil sector will be fully integrated into the Treasury. This year 80% of oil revenues are allocated to debt service and 20% for investment financing.

(c) The receipts of CAISSTAB, the Stabilization Fund, will be better integrated into the public finance system. In 1982 investments financed by CAISSTAB were integrated into the Government's investment budget, but their selection remained separated from the normal programming process. This year the Government decided to earmark 70% of CAISSTAB's surplus to the CAA and 20% to finance arrears on past investment and complete on-going investments, with 10% going to reduce the deficit of non-budgetary accounts in the Treasury. The Government has decided to continue this earmarking process in the future. Surpluses earmarked for investment will be allocated by priority financing needs of agricultural agencies not covered by project loans, the objective being to have these expenditures fully met out of local resources as of 1985. As a consequence, ongoing projects funded by CAISSTAB surpluses will be integrated into the Government's investment budget.

Investment Programming, Budgeting and Project Selection

36. Under the first phase of the structural adjustment process a Committee for Financial Coordination and Investment Control was set up to produce economic and financial indicators needed to assess performance under the

financial recovery program and to advise the Government on the impact of changing economic parameters. In order to further improve the process of investment screening, without overburdening this Committee, it has been decided to strengthen the programming process as follows:

(a) The Schema Directeur, the three year financial program, which forecasts the likely course of the economy and proposes sectoral investment allocations will be improved by the introduction of detailed public sector accounts, better debt service projections and by the preparation of a series of sectoral schemas directeur. These will serve as guides to the line Ministries and will provide them with sectoral priorities, indicative investment targets and available financing based on core and optional investment programs.

(b) Parallel with the above, the Loi-Programme, the three year rolling public investment program, will be improved by fully integrating all transfers to parastatals and improving its accuracy. It will be used as the monitoring framework for quarterly assessments of project implementation.

(c) Cost benefit analysis will be generalized for the types of investment where it is suitable and systematic least cost analysis will be introduced for the social sectors in most important line ministries under the general guidance of an expanded supervisory unit in the Ministry of Plan, supported by the Bank's Technical Assistance Loan.

Recurrent Expenditures and Public Savings

37. Aside from measures addressed under the financial recovery program and public enterprise reform programs, the second phase of structural adjustment would concentrate on two critical areas in an effort to further reduce recurrent expenditures, namely education and housing:

(a) The 1983 budget includes a further CFAF 15 billion reduction in annual recurrent spending on education. In addition, in fiscal 1984 a new system of program budgeting will be progressively introduced, in parallel with existing budgetary controls, which will establish norms for costs for each type of education and will provide an objective basis for determining efficiency and identifying possible savings in all the elements of the education system.

(b) In housing, the SAL II program makes far reaching reforms, including sharp reductions in civil servants housing programs, maintenance fees to be paid by tenants in Government-owned units, and raising the level of cost recovery in the large and currently heavily subsidized public housing program (see paras. 88-90 below for full details).

B. Parastatal Enterprise Reform

Background

38. Parastatal enterprises have played a key role in the Ivory Coast's development process. The Government has relied heavily on them to diversify and modernize agricultural production, to promote a sound infrastructure network and to develop sectors where private entrepreneurship was insufficiently active. During the first half of the 1970s their number increased very rapidly. In 1977 there were 113 enterprises with total or majority public participation. In the modern sector excluding Government, public enterprises with a total of 86,000 employees, represented about one third of total employment, produced 27% of value added, and were responsible for 68% of capital formation. The country's guaranteed external debt, which amounted to 39% of total public debt, was almost exclusively incurred by public enterprises. The earlier proliferation of such enterprises and the rapid growth in their programs, combined with a deterioration in their financial situation, induced an increasing public finance burden and led the Government to define, in 1977, a program of reform in the management of parastatals. Three main weaknesses had been diagnosed. First, several public enterprises lacked clear definition of their roles. Often created to pursue both ill-defined social and economic objectives, such enterprises were obliged by the Government to follow tariff and investment policies, which were neither consistent with sound financial practice nor counterbalanced by sufficient resource transfers from the Government. Second, supervisory mechanisms were inadequate and ineffective. The Board of Directors played a modest role, as the representatives of the State rarely received clear instructions on policies to be implemented by the enterprises. The Government's efforts to reinforce controls were not successful; for example recommendations formulated by external auditors were often ignored. However, these efforts led, in several cases, to complex and bureaucratic procedures which hindered sound management without improving efficiency. Third, the economic and financial performance of too many enterprises was mediocre. Often overstaffed, their productivity was particularly low. Deficiencies in the accounting system induced very long delays in the production of annual results. Only a few enterprises had been able to develop planning capacities: ill-conceived investment programs with inadequate financing schemes were common leading to structural financial weaknesses in many cases.

Government Response

39. Since 1978 the Government has implemented a series of far-reaching measures to tackle these problems. They include the closing down of 16 public enterprises, the transfer of some activities to the private sector, the definition and adoption of a new and stricter legal classification system of parastatal enterprises (which led to wage cuts in 11 enterprises), the reinforcing of the centralized financial monitoring system, and a progressive revision of tariff policies. These measures have begun to improve, despite a difficult economic environment, the consolidated financial situation of public enterprises to some extent. Between 1978 and 1981 current liabilities declined from 27.8% to 22.1% of the sector's consolidated balance sheet while current assets rose from 21.5% to 23%. Net cash-flow increased by CFAF 27 billion in the same period and became positive in 1981.

40. Within the SAL I framework the Government, while pursuing further the implementation of these measures, decided to launch a large and complementary program of reform at the enterprise level with the overall objective of improving their cost-effectiveness. This program began with thorough management audits of the agencies in charge of agricultural development and of the ailing international railway company (RAN). Meanwhile short-term financial rehabilitation programs were implemented to enable these enterprises to continue their activities, which are essential for the long-term development of the country. These efforts will be continued under SAL II by expanding the program of reform of parastatal enterprises in new sectors of activity and by implementing a series of measures which are still needed to improve the overall management of public enterprises, to rationalize their relationships with the state and to ensure that the positive impact of the reforms are not jeopardized in the medium term by insufficient responsibility being given to the enterprises' managers.

Action Program

41. The Government's action program, detailed in the Letter of Development Policy (see Annex 5) is structured around three main objectives.

Improvement in the overall management of Public Enterprises

42. The Participation Directorate in the Ministry of Economy and Finance, which is in charge of the state's portfolio management, will improve its present follow-up system by introducing a more efficient system of monitoring economic and financial performance of parastatals. It will consist of a series of synoptic tables (tableaux de bord) which will include basic financial data as well as key indicators of management efficiency and enterprise productivity. Performance targets will be agreed between the Government and the enterprises in order to periodically compare actual results with objectives. The financial information will enable more accurate forecasts to be made of the enterprises' financial needs and budgetary allocations. This should avoid inadequate funding, which was partly responsible for the enterprises' financial weaknesses. This system will be introduced in the transport sector agencies before the end of this year so as to be generalized in 1984.

The Rationalization of the Relationships between the Government and Parastatals

43. The relationship between the Government and public enterprises will be improved in three respects. First, the legal framework of public enterprises has been refined with the objective of bringing their legal status closer to their functions. Public enterprises fall into two major and distinct categories. The first group consists of public agencies which are parts of the government administration but which have been given a greater degree of autonomy and responsibility to carry out more efficiently certain public service functions. The bulk of their resources come from the Government's budget and they are consequently obliged to follow the guidelines and procedures of the public administration system. The second category is made up of public commercial companies (either fully or largely owned by the State) responsible for promoting activities supporting the development objectives of

the country in situations of insufficient private venture capital. They are subject to the private law of business corporations, as the intention is to progressively transfer their activities to the private sector. The Government has decided to reconsider the classification of two important enterprises, SATMACI and SODEFOR 1/, and to examine ways of improving the legal status of three others, the Abidjan and San Pedro Port Authorities and the Autonomous Debt Agency (CAA), in order to make them correspond more closely to their current functions.

44. Second, Government has defined four tools which will be utilized to define explicitly the reciprocal rights and obligations of the Government and public entities depending on the activity and financial situation of the enterprise. These devices are: (i) "Annual Action Programs", for entities that are decentralized parts of the public administration system, perform non-commercial activities and for which productivity objectives cannot be adequately quantified; (ii) "Recovery Plans", for public commercial enterprises that require thorough restructuring of their management and improvement in their financial situation. Their phased implementation will usually require three to four years; (iii) "Program Contracts", for public companies which while carrying out commercial activities are also required to provide public services or meet social objectives and, as a result, are entitled to Government financial support. They will define, in particular, rules for tariff changes and investment decisions; (iv) "Management Performance Follow-ups" will be utilized as a precautionary measure for enterprises in the non-competitive sector requiring no budgetary subsidies in order to periodically review their situation and prospects. These new devices will be introduced, on a trial basis, in five enterprises, SATMACI, SODESUCRE, OPT, SOTRA, and INTELCI, by the end of the year and will be developed for eight additional enterprises in 1984, including CIDT, PALMINDUSTRIE, and SITRAM, the three housing sector agencies and the two port authorities.

45. Thirdly, the financial and technical tutelage system will be improved through a series of measures to be implemented before December 31, 1983. These reforms mainly aim at avoiding present duplication of inefficient bureaucratic controls and at reinforcing the operational responsibility of the key controlling entity. It will also assist in ensuring rapid implementation of recommendations of financial audits commissioned regularly by Government. The procurement procedures used by public agencies will also be reviewed with a view to removing built-in inefficiencies in the existing system.

Improvement in financial and technical management at the enterprise level

46. Reorganization plans of major parastatal enterprises in the agricultural sector, formulated under the SAL I program, will be implemented according to a detailed schedule. The most important enterprise to be restructured is the sugar company, SODESUCRE, which is the most costly public entity in the Ivory Coast. In charge of six production complexes, which have

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1/ Acronyms used are explained in the Glossary provided at the beginning of this report.

required investments amounting to about CFAF 260 billion, the company is expected to produce 250,000 tons of sugar in 1985, the bulk of which for exports. Even excluding debt service, the production cost of sugar is substantially above world prices and without a far-reaching recovery program the company would remain a permanent drain on public finances (see para. 61 on proposed reform). Thorough management audits will be conducted for eight additional enterprises: SODEFEL, the entity in charge of fruit and vegetable development programs; OPT, the national post and telecommunication agency; SOTRA, the Abidjan transit company; SITRAM, the national public shipping enterprise; CAA, the Autonomous Debt Agency; and the three public enterprises involved in the housing sector, SETU, SICOGI and SOGEFIHA (see para. 90).

47. Government has already taken the necessary steps to insure the financial equilibrium of SIR, the local refinery, which suffers from the consequence of lagging demand and high cost-overruns on its recent expansion, which was financed with short term credits. Gasoline prices have been increased twice since 1980 and by the end of 1981 had reached US$3.50 a gallon. Government has decided to keep the present price structure and fully recover any future increase in costs from consumers. With the declining debt service of this company this decision should generate by 1985 a CFAF 25 billion increase in annual public savings.

C. Agriculture

Background

48. Agriculture continues to have the main potential for expanding output and employment, and for reducing regional income imbalances in the Ivory Coast. The spectacular growth of the Ivory Coast after independence was largely based on the output of coffee, cocoa and timber from the forest areas of the south, supported by a sound pricing and marketing system and supplemented by successful programs of promoting state-owned palm oil and other industrial plantation crops. In the north, which has a more limited agricultural potential, progress was slower and was mainly based on expanding cotton output and producing foodcrops for the rising urban population.

49. During the period of high coffee and cocoa prices after 1976, Government used part of its increased revenues to promote development and income distribution in the zones which had benefitted least from past growth through investments, subsidies and social programs. It also launched a number of poorly designed investment projects, notably the ill-conceived sugar complexes in the North. Fortunately the proposed expensive program of investments in soy bean production was halted, after a number of seed farms were established, in order to study the economic feasibility of the program. Administrative expenses of such agencies as SATMACI were permitted to grow rapidly. In an effort to promote agricultural output outside the forest zone, the Government started expensive free fertilizer and insecticide programs notably for cotton farmers. Further, price distortions were introduced when the producer price of rice was raised well above world market prices. As the consumer price was not raised correspondingly, a large deficit arose in the agency responsible for the sector. A costly government program to build rice mills was also launched. The same incentives were given to coffee and cocoa producers,

although coffee was more costly to produce and had better prospects. Palm oil prices remained unchanged for five years leading small holders to cut trees and shift to other crops.

50. As long as CAISSTAB was able to finance these expensive spending programs from the surpluses it was making, the inherent unsoundness of these programs was masked. However, in the late 1970s agriculture was no longer generating the surpluses to finance general development as its costs to the public sector began to exceed the revenues it produced. There was, in short, a serious need of structural reforms to correct distortions in pricing policies, reshape ineffective institutions, and overcome serious financing problems which threatened the survival of the main agricultural executing agencies. As world market prospects for cocoa and coffee were no longer favorable, future generation of surpluses from agricultural production would also require further diversification of the pattern of agriculture.

Government Response

51. The first phase of the structural adjustment program aimed at improving the financial situation of the agricultural sector in the short-term, producing supply responses through the implementation of initial pricing policy changes and making agricultural institutions more cost effective. At the same time the foundation was laid for long-term sustained development through an improvement in the incentive system and the strengthening of the institutions responsible for preparing and implementing agricultural policy, particularly the public investment program. The first-phase program also included progressive restructuring of the main public enterprises involved in the sector, the promotion of new agricultural research programs and the development of a food-crop policy.

52. The interim SAL I pricing policy was implemented, with the exception of the increase in copra prices, which, in 1982, was considered not to be economically justified. The whole incentive system has been assessed in the Bank financed Agricultural Price, Assistance, Tax and Subsidy Study. It will provide a sound methodological basis to analyze further and define sound policy changes in time for the 1983-84 agricultural season. Coordination between the various ministries operating in the rural sector has been improved. The reorganization of the planning, programming and project preparation units of the Ministry of Agriculture and the strengthening of the state Secretariat for foodcrops has been assisted by Bank financed technical assistance.

53. Government raised consumer prices of rice by 18%, thereby eliminating the subsidy on imported rice and encouraging consumption of local foodcrops. In 1982 rice imports declined by 17% as consumers turned to domestic foodcrops. In July 1982, contracts were signed with private sector firms, denationalizing the public sector rice milling and marketing operations. Studies were initiated to prepare a comprehensive program for improvement in marketing, storage, and transportation facilities for other foodcrops. In anticipation of the development of a national seed policy the Government, so as to give some token support to food crop production, provided as a one shot operation, free seeds to rice and maize farmers.

54. The financial recovery programs of three of the most important agricultural agencies, PALMINDUSTRIE, SATMACI, and CIDT, have been implemented and management audits completed. The phased implementation of the management studies recommendations should ensure lasting progress. The audit of SIVENG, the fertilizer company, was commissioned by the Government. It indicated that the company is relatively well managed and will provide the basis for rationalizing its relation with Government in the context of the new fertilizer policy to be implemented under the new program (see para 56 b and c below). The SODESUCRE audit was completed in May 1983. It defines options for a detailed rehabilitation program. The remaining three audits of SODEPRA, SODEFOR, and MOTORAGRI will be completed by the end of August 1983. A thorough assessment of agricultural research policy was completed in October 1982 and the main recommendations have been reviewed by the Bank and the Government. Preliminary measures to reorganize two of the most important research centers have already been implemented. Further steps will include improvements in the dissemination of research results and the channels of communication between agricultural research and extension services.

Action Program

55. Under SAL II the Government will continue the process of restructuring agriculture under four major policy headings with accompanying action programs as follows:

Price and Subsidy Policy

56. Government has agreed to take the following actions:

(a) The consumer price of rice will in the future be adjusted regularly so as to ensure that there is no subsidy to domestic consumers of imported rice. The purpose of this is to eliminate any subsidy to domestic consumers resulting from rising prices in CFA francs due to exchange rate adjustments or higher international rice prices and to safeguard the production and consumption of traditional domestic food crops for which rice is becoming an important substitute.

(b) Fertilizer subsidies will be progressively phased out over a three year period starting next season. In the first phase, free distribution of fertilizer for cotton will be stopped, and a price of CFAF 48 per kilo (ex factory) will be charged to cotton producers who will also bear marketing charges and transport costs.

(c) The importation of fertilizers will be liberalized. The national producer, SIVENG, will benefit from an export subsidy to be implemented as part of the industrial policy reforms to be introduced before December 31, 1983.

(d) The producer price of both coffee and cocoa will be raised by October 31, 1983, and Government will finance a pruning program for rehabilitating aging coffee trees, thereby establishing a differential incentive in favor of coffee. These measures are designed to induce farmers to maintain existing plantations without expanding

acreage. Accordingly, the price rise will be less than the rate of inflation since the last rise took place 5 years ago. Government will also analyze the possibility of introducing quality premiums. A new pricing system will be set up this year for small holder rubber planters based on world market prices, adjusted quarterly, with deductions for the cost of collection, transportation and marketing currently borne by Government.

(e) An increase in cotton prices from CFAF 80 to CFAF 100 per kg. will be introduced to compensate farmers for the rise in fertilizer costs. It is expected, as a result, that production will be concentrated in the areas most suitable for growing cotton and that cultivation in marginal areas will shift to food-crop production.

(f) A significant increase in the selling price of palm oil produced by PALMINDUSTRIE to local refineries will be introduced before the end of 1983. This will complete the realignment of palm oil prices to world market levels begun under SAL I when the prices of palm oil bunches were raised after five years of no change.

(g) The price of copra will be raised providing the economic analysis currently being undertaken justifies this action.

(h) The Government has decided to initiate a series of annual reviews with the Bank on agricultural prices and subsidies. The first of these reviews will take place no later than September 30, 1983.

Agricultural Public Enterprise Reform

57. Under the second phase of the structural adjustment program, the basic restructuring of the three main rural development agencies will be completed. Studies will be completed or started for other agricultural agencies leading to specific reforms to make them more cost effective and better able to define and carry out sound sector policies.

58. PALMINDUSTRIE. A major improvement will be the transfer of marketing responsibility from CAISSTAB to PALMINDUSTRIE by October 1, 1983, accompanied by a rise in the oil palm selling price. Early in 1983 the company entered into a management contract with a specialized international firm which will strengthen its management and organization in accordance with an agreed time-table, on the basis of a detailed audit carried out in 1982.

59. CIDT has been the subject of detailed examination in the past years, aimed at improving its financial, administrative and technical organization and reducing its costs. A detailed program of reforms is being finalized (including decentralization of CIDT, and renegotiation of its arrangements with its foreign partners). The elimination of fertilizer subsidies (see para 46(b) above) will reduce the financial risks that CIDT has had to bear on the operations it undertakes on behalf of the Government. The ultimate objective is to transfer the marketing responsibility of cotton to CIDT and to have the company financing its cotton activities from its own resources. Respective rights and obligations of CIDT and the Government would be formalized in a program contract.

60. SATMACI. The final recommendations of the management audit including a revision of its statutes are being reviewed by the Government and the Bank. The audit concluded that extension services should be reorganized in order to provide, instead of a standardized package, services designed to meet the varying client needs in different sub-regions. This implies a decentralization of the company and training of extension agents to deal with multi-crop programs. SATMACI's commercial department has been given greater financial autonomy and now stocks and distributes, on a commercially viable basis, only those inputs which are not generally carried by private sector distributors. It is expected that the private sector distribution system will gradually increase the range of its stocks and that SATMACI will consequently move out of the input distribution business. The Bank and the Government will agree on a reorganization program for this company by December 31, 1983.

61. SODESUCRE faces severe technical, financial and marketing problems. Its recurrent deficits resulting from high production costs, large debt servicing, and social obligations are an important financial drain on the Treasury. In 1982-83, transfers from the Government to SODESUCRE amounted to CFAF 62 billion (of which CFAF 39 billion for debt service). There is an obvious need to improve performance on the six estates and in overall SODESUCRE management. For this reason the Government in 1982 commissioned a detailed examination of technical, economic and managerial performance of the enterprise's activities, covering all aspects ranging from basic cultivation to exporting and overall organization. A rehabilitation program is currently being discussed by the Government and the Bank. The program will address such technical aspects as planting methods, cane varieties, irrigation, harvesting, cane processing, factory management, internal marketing and export arrangements, and utilization of by-products. It will include detailed assessment of staffing, the financial needs of SODESUCRE and timetable for the implementation of the rehabilitation program. SODESUCRE personnel has recently been cut by 7%. The first phase of this program will be implemented before December 31, 1983.

Other Enterprises

62. A management audit will be undertaken for SODEFEL (fruit and vegetables) during 1983. Government will discuss recommendations of the studies completed on SODEFOR, SODEPRA, and MOTORAGRI, with the Bank before the end of August 1983 in order to develop a program of agreed reform implementation.

Foodcrop Policy

63. The primary immediate focus of national policy to promote foodcrops will be the new system of prices and subsidies discussed above. Government is undertaking a study to define a medium-term strategy and to enable it to launch projects to improve seeds, storage, transport and more efficient crop marketing and will encourage the maximum participation of private initiative and capital in this effort.

Other actions

64. Government has become increasingly aware of the need for closer and more systematic coordination between the various ministries involved in agricultural policy. It will consequently take steps to strengthen several inter-ministerial committees involved and is considering regrouping them into a National Committee for Rural Development. Other actions to be taken under phase two in this respect include:

(a) developing an improved nationwide system of agricultural statistics and introducing more advanced analytical tools to assist in the design of further policy reforms.

(b) developing new long-term policies for the supply and distribution, on a national scale. of improved seeds; the mechanisation of small-holder farming and improvements in agricultural credit;

D. Industry

65. Since independence, the industrial sector has been one of the most dynamic elements in the Ivorian economy. Between 1960 and 1979, the industrial sector grew at an average annual rate of 13 percent per year in real terms, and its share in GDP rose from 4 to 12 percent over the same interval. Since 1980, however, the industrial sector has been going through a period of recession and stagnation. Between 1980 and 1981, value added in the private industrial sector decreased by 5 percent in real terms, while industrial exports decreased by 6 percent and investment by 20 percent in real terms. In 1982, industrial output stagnated and private industrial investment decreased further.

Policy Issues

66. Although the world recession and the present unfavorable circumstances of the Ivorian economy may explain to a certain extent the deterioration observed since 1980, the resumption of efficient and lasting growth of industrial activity will depend on solutions to the structural weaknesses affecting Ivorian industry, namely (i) excessive protection and lack of competitivity of manufacturing activities; (ii) discrimination in the system of incentives against exports; (iii) disincentives to the deepening of the industrial structure and (iv) weakness of industrial promotion policies, in particular in favor of small and medium-scale enterprises.

(i) Excessive protection and lack of competitiveness of manufacturing activities

67. Up to the mid 1970s, the Ivory Coast went through an initial phase of industrialization based on continuous expansion of the domestic market and on the development of the West African Economic Community regional markets. This growth took place in the context of a relatively simple system of incentives, based on a moderate tariff schedule that applied fairly uniform protection between the different branches, and without need for quantitative import restrictions

68. In 1973, the Government changed the Customs Code which resulted in an increase in the degree of tariff escalation according to the level of processing, and in substantial distortions in the degree of effective protection given to particular industrial branches. However, despite this increase in effective tariff protection, manufacturing enterprises became increasingly unable to compete with imports, following the acceleration in the rate of domestic inflation after 1975, which increased the cost of labor without corresponding gains in productivity. The competitiveness of Ivorian manufacturing enterprises was further eroded by the sharp appreciation of the CFA franc which followed the coffee and cocoa boom in 1977. The Government responded to that situation by increasing its recourse to quantitative restrictions, both in the form of import licensing and prior import agreements, in particular in the textiles sector. This encouraged the development of uncompetitive import substitution activities, which generated foreign exchange savings at a high cost in terms of domestic resources.

(ii) Discrimination against exports

69. While the production of manufactured goods for sale on the domestic market expanded in the framework of a distorted system of protection, the Government failed to implement an adequate system of export incentives to counterbalance the bias against exports inherent in the system of industrial incentives.

70. Until the second half of the seventies, exports of manufactured products grew rapidly, essentially within the protected CEAO zone, and the need for an adequate export incentive system was therefore not directly perceived. However, with the most obvious opportunities for exports within the CEAO region already exploited, further growth of exports will crucially depend on the ability of the Ivory Coast to break into non-protected regional and international markets. The EEC market could provide interesting opportunities in future years, as Ivory Coast exports to the Community are presently very small, even though they enjoy duty-free entry in the framework of the Lomé agreement. In this perspective, the strong bias against exports inherent in the present system needs to be corrected by an adequate system of export incentives.

(iii) Disincentives to the deepening of the industrial structure

71. The development of a vigorous sector of local producers of intermediate products has been systematically discouraged by the system of industrial incentives in the Ivory Coast. This is due essentially to (a) the high degree of tariff escalation according to the degree of processing, (b) tariff exemptions on intermediate inputs for priority firms under the Investment Code, and (c) duty-free entry, under the temporary admission scheme, of certain intermediate inputs which could be produced locally at a comparative advantage under a revised system of incentives.

(iv) Weakness of promotion policies for small and medium-scale enterprises

72. Past government efforts to promote this sector have been largely inadequate, essentially due to the poor management and the lack of coordination of the public entities in charge of the technical and financial assistance to small and medium-scale enterprises. Furthermore, the poor performance of these public entities has hampered the development of financial intermediation for the sector. The structure of these public entities and their role needs to be thoroughly changed, with a view to developing a framework more conducive to private initiative in the sector.

Government Response

73. SAL I provided a framework for the intensification of the dialogue between the Government and the Bank on the key issues facing the future development of the industrial sector. The Government has defined the fundamental objectives of a major reorientation of industrial policy, changing the system of industrial incentives and the role of the institutions in charge of industrial promotion, in particular for small and medium-scale enterprises.

74. The design of this program is being carried out by several working groups, composed of civil servants and resident technical advisors from the Ministry of Industry and Planning, the Ministry of Finance, and the Ministry of Commerce. These working groups are coordinated by a steering committee, composed of high-level civil servants from the three ministries, under the direction of the Cabinet of the Ministry of Industry and Planning. The steering committee is reinforced by two long-term technical advisors financed under the Bank's technical assistance loan (IVC-2059).

75. The central aim of the reform to be implemented is to restore the conditions for vigorous and sustained growth of the sector over the medium to long term, by providing manufacturing enterprises with a coherent system of incentives that will give equal encouragement to exports and to the integration of local industry. The core of the reform will be an across-the-board tariff-cum-subsidy scheme, that will harmonize effective tariff protection between the different branches of activity, and will compensate exporters for the level of effective tariff protection granted to domestic sales and for any overvaluation of the exchange rate that exists. The tariff-cum-subsidy scheme will be made fully effective by the abolition of the system of quantitative import restrictions, after a transitionary period during which these restrictions will be replaced by temporary import surcharges that will decline over time.

76. The reorientation of the new industrial policy focusses on five main elements: (i) Reform of the system of export incentives; (ii) Reform of the system of tariff and non-tariff protection; (iii) Revision of the Investment Code and of domestic taxation; (iv) Reform of the institutions in charge of industrial promotion; and (v) Identification and implementation of additional measures to improve the competitiveness of industrial enterprises.

Reform of the system of export incentives

77. The essential objective is to eliminate the bias against exports inherent in the present system of industrial incentives. To this end, the Government has decided to implement a comprehensive system of export incentives for all manufactured goods comprising:

- An across-the-board subsidy on value added for manufactured exports to countries outside the West African Economic Community;

- a preferential export financing scheme, and in the medium-term, a system for export insurance.

Reform of the system of tariff and non-tariff protection

78. In order to improve the competitiveness of the industrial sector and to intensify the network of local interindustrial relationships, a comprehensive revision of the tariff system and a progressive elimination of quantitative import restrictions will be undertaken.

79. Effective tariff protection rates applying to different branches of industry and, within each branch, to different levels of processing, will be harmonized through a comprehensive reform of the Customs Code. At the same time, quantitative restrictions (both quotas and prior authorization requirements) will be phased out and replaced by temporary import surcharges. These surcharges will decline over time, and will be eliminated within five years of their implementation.

Revision of the Investment Code and of domestic taxation

80. The Investment Code will be revised to encourage the creation of new industrial enterprises without discriminating against local suppliers of intermediate inputs to these new activities. In particular, the provision allowing priority firms to import intermediate inputs duty-free will be abolished. At the same time, a series of new incentives will be introduced on the basis of criteria related to employment creation, training, and installation outside Abidjan. Moreover, provisions will be introduced to facilitate the access of small and medium-scale enterprises to the new Code, which will also contain specific incentives tailored to their needs.

81. The revision of domestic taxation aims at removing distortions that remain in the present tax system in particular through the progressive generalization of the value added tax system to cover the first processing of agricultural raw materials, as well as the provision of adequate fiscal incentives for new firms which do not apply for priority agreements under the Investment Code.

Reform of the institutions in charge of industrial promotion

82. The objective of the Government is to abandon the reliance on purely public initiatives for industrial promotion, and to develop joint ventures

with the private sector in this field. The Government has decided to dismantle the ineffective public entity in charge of the promotion of small and medium-scale enterprises, and to replace it with two small parapublic agencies with limited and qualified staff. The first agency will be in charge of providing technical assistance to small and medium-scale enterprises. The second will provide essential financial support exclusively to these enterprises. Moreover, the Government will set up, in conjunction with the private sector, an industrial promotion bureau which will serve as a focal point for potential investors in the country.

Identification and implementation of additional measures to improve the competitiveness of industrial enterprises

83. The Government has decided to undertake a series of studies to determine measures that could raise factor productivity and the efficiency of industrial operations. These studies will focus in particular on improvements that can be made in social legislation, in particular with respect to training and pay policy, and on the possibility of increasing the proportion of production-related bonuses in wages.

Action Program

84. In order to achieve these objectives, the Government will implement an action program in two successive stages of an Interim Program, which takes major initial steps and a Medium-Term Program, designed to achieve fully the objectives of the new industrial policy.

85. Interim Program: The Government will, before June 30, 1984, implement three successive packages of policy changes. (For further details, see Annex 5.)

(a) Before September 30, 1983, the Council of Ministers will adopt the draft Revised Investment Code as well as the decrees for the creation of the new parapublic agencies for the promotion of small and medium-scale enterprises. Within the same time frame, decrees will also be enacted to establish a scheme for the acceleration of value added tax reimbursements to exporters, and the necessary steps will be taken with UMOA to make manufactured exports eligible for the Preferential Discount Rate.

(b) Before December 31, 1983, the Government will implement the first phase of the export incentive reform, by the introduction in the 1984 Finance Law of a subsidy on value added on exports to non-CEAO countries for textiles, wood processing, fertilizers and agro-industries (with the exception of coffee and cocoa processing). These sectors cover 52 percent of industrial value added. The first phase of the global tariff reform will be implemented by raising tariffs on intermediate imports in these sectors, and in chemicals, plastics and engineering industries. These tariff reforms will cover an estimated 60 percent of industrial value added. In addition, the extension of the value added tax deductibility to certain goods and the extension of the value added tax system to activities engaged in

the first processing of agricultural raw materials will be implemented. A project appraisal unit will be established within the Ministry of Industry and Planning, and an industrial promotion bureau will be set up in conjunction with the private sector.

(c) Before March 31, 1984, quantitative restrictions on imports will be abolished for a first list of products representing 40% of local value added produced under quantitative restrictions. They will be replaced by temporary import surcharges, declining over time, for a period not exceeding five years.

(d) Before June 30, 1984, the Draft Law establishing an across-the-board subsidy on value added on manufactured exports to non-CEAO countries will be presented to the National Assembly. This Law would lead to the generalization of the system begun under the first phase, discussed in (b) above.

86. Medium-Term Program: Over the medium-term, the Government will implement a series of policy packages leading to the full reform of the system of industrial incentives. Each phase of this program will be prepared on the basis of a detailed analysis of the impact of the reforms on existing and new industries. In addition, the successive phases will be tuned in light of the experience gained during the preceding phases.

87. At this stage, the Government has agreed on an indicative schedule for the completion of the reform. The Government's objective is that the subsidy on value added for manufactured exports and the reform of the customs tariff should be generalized by mid-1985. The phasing out of quantitative restrictions and their replacement with temporary import surcharges is expected to be completed by the end of 1986. The Government will pursue the reform of the system of domestic taxation, in particular through the generalization of the value added tax system to all activities engaged in the first processing of agricultural raw materials by the end of 1986. Furthermore, the Government intends to implement measures geared to improve labor productivity, in particular with respect to training and pay policy.

E. Housing Policy

88. During the nineteen sixties and seventies, the Government played a very major role in housing investment in the Ivory Coast. By 1980 the two principal public sector housing agencies, SICOGI and SOGEFIHA, had between them built some 70,000 high standard permanent housing units, 80% of which were in urban areas, predominantly in Abidjan. Urban growth over this period proceeded at a very rapid pace. Abidjan, which in 1960 had a population of 160,000 is now a booming metropolis of 1.8 million people and is continuing to grow at 10% p.a., as are several secondary cities. This growth has led to urban housing needs which are overwhelmingly beyond the limited contribution that a public housing program could make. The Government's earlier investment in housing not only catered essentially to a segment of middle and upper income households but was highly subsidized, contributing to heavy recurrent public sector deficits, while the bulk of the urban population depended upon the informal sector for their housing needs. These deficits had reached

massive proportions by the late 1970s and early 1980s. By 1982 civil servant housing was costing the State over CFAF 30 billion a year. In addition in this year SOGEFIHA, which is entirely Government owned, was still incurring a debt service charge of nearly CFAF 12 billion, despite the fact that its domestic debt had recently been consolidated. Only half of SOGEFIHA's debt service could be covered by self-generated funds, since the level of cost recovery was extremely low. The structure of public housing rents in the Ivory Coast has been frozen since 1970 when rents were reduced by 20%. Since more than half of SOGEFIHA debt consists of short-term external borrowing, recent exchange rate changes have added to its debt service burden. SICOGI, on the other hand, has in recent years been just able to cover its costs, but only because its housing programs were funded with long-term subsidized financing provided from government sources.

Government Response

89. In the light of the financial and economic constraints facing the country, the Government is, as part of its adjustment process, prepared to make fundamental and radical changes in its housing policies involving a major shift in housing investment from the public to the private sector. It is, as part of its SAL II program, redefining its role in the housing sector with the objectives of reducing public expenditures and subsidies, improving the focus and effectiveness of Government's intervention in the sector, and increasing the mobilization of private savings and the role of the private sector in the formal housing market. Key elements of the Government's program of reform include:

(a) A shift in the bulk of public investment in the housing sector from the provision of limited numbers of completed housing units to providing large quantities of serviced land, the major part of which would consist of plots with minimum initial service standards affordable by low income households, designed to be upgraded in the longer term. This program will also include plots for medium and upper income groups to be sold at market prices, enabling the public sector to capture surpluses arising from locational and other advantages.

(b) Measures to stimulate the mobilization of private savings for housing construction, including new systems and mechanisms for savings collection and the organization of housing finance, as well as the possible development of a secondary mortgage market and other means of attracting long-term funds to the housing finance market.

(c) Increasing Government revenues from its housing stock, by selling part of it, reducing gradually the large gap between market prices and public housing charges, substantially cutting the civil servant housing bill and improving the tax collection system.

(d) Reorientation of the roles and the cost recovery systems of SETU, the public land development agency and of the two public housing agencies SICOGI and SOGEFIHA and implementing programs for putting these enterprises on a sound and self-sustaining financial basis.

(e) A program to develop the private domestic house building, contracting and building material industries.

Action Program

90. To achieve the above program of reform, the Government has developed a program of action which is spelled out in detail in its Letter of Development Policy (see Annex 5). The key steps to be taken include the following:

(i) The Government has begun implementing a program of civil servant housing reform involving a sharp reduction in the number of people entitled to housing, the introduction of small housing allowances for those formerly receiving free housing and discontinuing the furniture replacement program. Occupants of state-owned housing will also be charged maintenance fees. These measures are expected to reduce the Government's civil servant housing bill by over CFAF 15 billion per annum beginning in 1983.

(ii) As a first step toward the provision of large quantities of serviced land, a preliminary land development program will be formulated by July 31, 1983. Pursuing the same objective, a major reorganization of SETU, the Government land development agency, including its system of charges, will be undertaken following an in-depth study of the agency's technical, financial and commercial operations. This study will be completed by September 30, 1983. A key objective of SETU's new role and of the enlarged land development program it will undertake is to encourage private ownership of residential property and the private investment in the construction of housing.

(iii) The program to increase rental revenue from public housing will include the following measures: (a) the operating and maintenance costs of SOGEFIHA's rental property will be charged to tenants; (b) a program to increase rents of public housing will be initiated, and fixed rents will be replaced gradually by a system of automatic escalation, based on the index of wages and salaries in the construction sector; and (c) rents for new tenancies, either for new units or arising from a change of tenants, will be set to cover full unit costs including land and its development costs and financing charges of the public development company. These measures will be initiated before March 31, 1984, and are targeted to cover all public housing rentals by June 30, 1985.

(iv) A financial recovery plan for SOGEFIHA, based on sales of some of its rental property, raising rents and reducing operating costs is nearing completion. It is expected to reduce public subsidies by about CFAF 1 billion in 1984. A detailed study of the future role of SOGEFIHA, which is no longer building but merely managing its existing stock of housing, will be completed by December 31, 1983.

(v) SICOGI's role will be redefined on the basis of a detailed study to be completed by September 30, 1983. Particular attention will be paid to pricing and affordability analysis with a view to enabling

SICOGI to launch new unsubsidized programs targeted on lower income groups. SICOGI's role will essentially be a demonstrative one. First, it will produce, or help the private sector produce, core housing to be progressively completed by private owners with incomes between one and two times the minimum legal wage. Second, for households with incomes between two and four times the minimum wage, it will develop pilot schemes of units for sale or lease-purchase, to substantiate the technical feasibility and financial viability of constructing low-cost fully developed units for this segment of the market, which private developers have so far largely ignored.

(vi) A program to sell between 5,000 and 6,000 public housing units will be initiated, with the first 1,000 units being offered for sale by June 30, 1983.

(vii) The 1984 budgets and appropriations for SETU, SICOGI and SOGEFIHA will reflect the new policies and objectives assigned to them under this program.

(viii) A simplified cadastral survey system will be adopted in four secondary cities by March 31, 1984, to improve land tax receipts.

(ix) The Government will, before the end of September 1983, establish a Special Committee for the development of financial intermediation for social housing. This Committee will include representatives of the main public and private organizations involved in the housing sector and in housing finance. It will be responsible for preparing and directing at the policy level a new system of housing credit, for developing new mechanisms to mobilize private and institutional savings and to encourage home-ownership, and for providing guidance on the use of public resources so as to stimulate private involvement in the field of social housing. Major elements of this new system of housing finance are expected to be operational before the end of December 31, 1983.

(x) A program to develop the private domestic construction, building, civil engineering and building material industries will be introduced, on the basis of a comprehensive study, before December 31, 1983.

TABLE II

Structural Issues and Scope of Proposed SAL II

Contribution to Structural Adjustment	Actions taken under SAL I	SAL II Action Program	Timetable	Related Actions
Macroeconomic Management				
-Strengthening of central decision-making process	-Creation of a Financial Coordination and Investment Control Committee -Integration of oil resources in the budgetary procedure	-Enhance capacity to formulate macroeconomic policy by, inter alia, developing new economic models		IMF/EFF: -Implementation of stringent monetary policy -Ceiling on external borrowing and improvement in debt maturity structure -Partial transfer of Caisstab surplus to CAA
-Reduction of public finances deficit	-Implementation of a financial recovery program	-Continuation of present stringent fiscal and monetary policies	-Adoption of a financial program for 1984 acceptable to the Bank prior to second tranche release	-Reduction of Public finance deficit -Increase in tariff and in prices of subsidized products -Thorough review of the tax system and of current expenditures
-Improve private resources mobilization		-Implementation of a renovated system to mobilize private savings for housing -Implementation of a promotion agency for industrial development and reform of the incentives for SMEs investment	-Establishment of National Social Housing Credit System by Dec., 1983 -First stage arrangements by Dec., 1983	-Monitoring of interest rate policy

TABLE II

Structural Issues and Scope of Proposed SAL II (cont'd)

...ibutions to ...ctural Adjustment	Actions taken under SAL I	SAL II Action Program	Timetable	Related Actions
...c Investment Policy				
Improvement in ...c Investment ...ing, Programming ...financing System	-Improvement in the schéma directeur -Rehabilitation of a three year revolving programming system	-Implementation of sectoral "schémas directeurs" -Complete integration of public enterprises' resources transfers and investment budgets in the Loi-Programme	-May 1983 -July 1983 -Adoption of a 1984 Investment Program acceptable to the Bank by end 1983	IMF/EFF: -Assessment of financial implication of Public Investment level Bank: -Assessment of sectoral investment planning in Education, Health, Energy and Transport under project lending
	-Integration of Investment expenditures funded by Caisstab in the Investment Budget	-Allocation of Caisstab funds earmarked for investments by priority to agricultural agencies	-Review of agencies 1984 budget by Dec 1983	
	-Implementation of a quarterly reporting system for important investments	-Generalization of the quarterly reporting system		
Improvement in ...ture and quality ...ublic Investment ...am	-Improvement in projects technical and financial appraisals and reduction of risks of cost overruns	-Standardization and generalization of economic appraisal process -Reinforcement of Programming and Evaluation Units in technical ministries	-Introduction of a formal economic assessment for all new projects costing more than CFAF 1 billion:: Nov 83	Most of the Bank projects -Implementation of a systematic economic evaluation procedure in the highway sector loan
Control of recurrent ...ditures	-Tariff increases -First steps in raising cost recovery levels in the education sector	-Further improvement in recurrent cost level and recovery schemes in housing and education	-Introduction of a program budget system for the Education Sector: 1984	IMF/EFF: -Fiscal and pricing measures to increase Government savings Bank: -Improvement of cost-recovery systems under urban and power projects

TABLE II

Structural Issues and Scope of Proposed SAL II (cont'd)

Contributions to Structural Adjustment	Actions taken under SAL I	SAL II Action Program	Timetable	Related Actions
Public Enterprises Management				
To reduce financial deficit of the sector:				
-Strengthening and improving financial control of the sector	-Progressive implementation of the 1980 reform -Liquidation of unviable enterprises	-Series of measures to rationalize the control system and to reinforce its efficiency	-by the end of 1983 -Strengthen control over management of guaranteed borrowings: Aug. 83	IMF/EFF: -Strengthening of the conditions for assessing and monitoring the guaranteed debt
-Institutionalization of an efficient monitoring system	-First steps to improve financial controls and monitor local and external borrowings	-Implementation of a comprehensive financial and economic monitoring system of the sector	-Implementation for the transportation sector by the end of 1983 -Generalization by end of 1984	
To improve the efficiency of the sector:				
-Improvement in management and economic and financial profitability at the enterprise level	-Completion of a series of 8 management audits and preparation of rehabilitation plans -Initiation of their implementation -Increase in tariffs for most public services	-Further implementation of completed rehabilitation programs -Carrying out a new series of 8 management audits for SODEFEL, OPT, SOTRA, SETU, SICOGI, SOGEFIHA, SITRAM and CAA	-Agreed detailed timetable for each enterprise -to be completed by June 84	-Increase in tariff and prices when necessary Bank: -TA loan support -Agricultural and Forestry projects -Tariff issues under power, urban, telecommunication, and railways projects
-Rationalization of the economic management of the sector	-Short-term financial rehabilitation programs of three major parastatals in the agricultural sector	-Introduction of a new relationship system between Government and parastatals -Re-examination of the statutes of SATMACI, SODEFOR, the two ports authorities and CAA	-Implementation for a first group of enterprises SATMACI, SODESUCRE, OPT, SOTRA and INTELCI by December 1983 -by the end of 83 for the agricultural agencies, by June 84 for the three others	CCCE: -Implementation of a complementary restructuration program focussing on 5 agricultural agencies, SOTRA and EECI, the national power compny and on training needs

TABLE II

Structural Issues and Scope of Proposed SAL II (cont'd)

Contributions to Structural Adjustment	Actions taken under SAL I	SAL II Action Program	Timetables	Related Actions
Agricultural Policy				
-Rationalization of the incentive system	-Implementation of an interim pricing policy and completion of a comprehensive study on incentives	-Refinement of the methodology used for incentive assessment and provision of a set of annual recommendations for prices and subsidies changes	-Pricing policy consultations with the Bank by 9/83 -Adoption of a new pricing policy for rubber based on world prices by 03/83 -30% increase in producers cotton prices by 09/83 -Increase in producers price of coffee and cocoa and financing of a pruning program for coffee by 10/83	Bank: -All Agricultural projects IMF/EFF: -Strong support of reform
		-Periodical review of consumer rice price in order to eliminate any subsidy on imported rice	-April 1983	
		-Implementation of a first stage of program to phase out fertilizer subsidies	-by November 1983	
		-Increase in prices for palm oil and cotton seeds to local factories	-May 1983	
-Restructuring of agricultural agencies	-Management audits of 7 agricultural sector institutions -First steps of parastatals rehabilitation -Settlement of arrears of the 3 principal sector institutions	-Implementation of reforms of agricultural agencies studied under SAL I (SODESUCRE; PALMINDUSTRIE, SATMACI, CIDT, SODEFOR, SODEPRA, MOTORAGRI) -Management audit of SODEFEL	-Detailed implementation schedule for reforms of each enterprise -7% reduction in SODESUCRE personnel by 6/83 -Bank review of CIDT, SATMACI, SODESUCRE and PALMINDUSTRIE budgets for 1984 -Transfer of marketing responsibilities from Caisstab to PALMINDUSTRIE by 10/83	Bank: -Center West and Third Rural Development project;
-Refinement of agricultural development strategy	-Reinforcement of planning and programming capacities -Denationalization of local rice milling and marketing -Assessment of research policy	-Improvement in coordination for strategy definition -Further progress in food crop development program -Implementation of recommendations following reassessment of research -Preparation of long-term mechanization and seed policies	-Implementation of agreed orientations of public investment program by end 83 -Formulation of first steps by 12/83	Bank: -Development of sound investment projects in Rubber and Oil Palm -Implementation of integrated rural development programs. -Proposed projects to deal with food crop research and marketing issues

TABLE II

Structural Issues and Scope of Proposed SAL II (cont'd)

Contributions to Structural Adjustment	Actions taken under SAL I	SAL II Action Program	Timetable	Related Actions
Industrial Policy				
-To improve competitiveness, reduce effective protection and increase productivity	-Studies of the system of incentive policy	-Rationalization of the fiscal policy -Establishment of project evaluation unit -Revision of Investment Code -Review of the legal wage framework	-First steps by 12/83 -by 12/83 -Adoption by 09/83, submission to national assembly by 12/83 -by 12/83	Bank: Preparation of an industrial sector loan -Agreement on the first phase of the medium term program by 03/84. Initiation of its implementation by 06/84
-To increase exports, counterbalance bias against exports inherent in the incentive system	-Preparation of a phased comprehensive reform of the incentive system	-Implementation of an export subsidy scheme -Scheme for acceleration of value added tax reimbursement -Eligibility of exports to preferential discount rate -Studies for the establishment of export financing and insurance schemes -Study of freight problems	-First list of key branches 12/83; -Submission to national assembly of the law for generalization by 06/84 -by 09/83 -Proposal to UMOA by 09/83 -by 09/83	
-To improve resource allocation and enhance the sector's integration, harmonize effective protection		-Reform the system of incentives for value added on domestic sales based on an increase of fiscal duty on intermediate products -Replacement of QRs by a degressive import surcharge	-First list of key branches 12/83; -First list of products by 03/84;	
-To develop a network of private SMEs, reform promotion policy	-Assessment of performance of the present promotion system. Preparation of its reform	-Reform of agencies in charge of SMEs promotion -Creation of an investment promotion agency -Rationalization of incentive for reinvestment	-by 09/83 -by 09/83 -by 12/83	-IFC projects -DFC projects

TABLE II

Structural Issues and Scope of Proposed SAL II (cont'd)

Contributions to Structural Adjustment	Actions taken under SAL I	SAL II Action Program	Timetable	Related Actions
Housing Policy				
-Reorientation of Public Investment Program toward priced land for low income households.	-Preparatory studies undertaken with Bank assistance	-Preparation of an initial urban land development program.	-by 07/83	-Preparation of proposed Housing Project, FY85
-Restructuring financial mechanisms to increase private housing mobilization and favor private sector investment	-Preparatory studies	-Establishment of the coordination entity to be in charge of orientation, regulation and monitoring of the credit market for housing	-by 09/83	-TA loan supports preparation of studies
-Reorganization of housing sector institutions and reduction in the cost of the sector for public finances	-Detailed study of a new civil servants housing policy	-Initiation of a new civil servant housing reform -Reduction of costs in public sector intervention and progressive sale of public housing assets -Management audits of SETU, SICOGI and SOGEFIHA to prepare reorientation of activities and financial rehabilitation	-by 01/83 -sales to begin by 12/83 -to be completed by 01/84 -Submission of 84 budgets for SETU, SICOGI and SOGEFIHA comprising reforms adopted: Dec 83	-Support of these measures under financial stabilization program -Support of this policy under USAID projects
		-Progressive reform of rental policy of SOGEFIHA and SICOGI and lifting of rent control -Government to clear its accounts with SETU and measures to recover arrears for delinquent beneficiaries -Re-evaluation of tax provisions governing housing and improvement in land tax receipts	-to be initiated before 04/84 and generalized by June 85 -no later than December 31, 83 -Adoption cadastral survey system for 4 secondary cities by 03/84	-Improvement in efficiency of land tax recovery support by ongoing Abidjan Water Supply and Sewerage Projects
-Shift from public to private sector in housing development and building activities	-Preparatory studies undertaken	-Enlarged land development program by SETU for private sector building -Pilot demonstration programs by SICOGI to encourage rpivate housing investment -Promotion of SMEs in the sector and of domestic construction and building material industries	-To be included in SETU's 1984 budget -To be included in SICOGI's 1984 budget -Study completed by 12/83	-Possible component of proposed Bank Housing Project -Possible component of proposed Bank Housing Project

F. Expected Impact of the Structural Adjustment Program

91. The impact of a structural adjustment process is, by its very nature, difficult to assess with great accuracy. The timing and magnitude of the supply response to changes in incentives and the development of the world economy, to which the Ivory Coast is particularly sensitive, are difficult to predict. Consequently results of this analysis are subject to a large degree of uncertainty. However, past dynamism of the private sector, both in agriculture and industry, shows that the capacity of economic agents to react to opportunities is strong and that the overall impact of the structural adjustment program will be unambiguously beneficial financially as well as economically. In order to evaluate this impact, the quantitative effects of the main components of the program on the basic parameters of the economy have been assessed and a comparison made between a reference scenario and a scenario including the intensified SAL II program. A summary of this analysis is presented in Table III on page 36. The reference scenario reflects the presumed evolution of the economy without structural adjustment. It incorporates, however, the impact of the financial recovery program which is under implementation since 1981. The results of the scenario with intensification of the adjustment effort indicate that sizable impact of the program should materialize during the second half of the eighties. Improvements in the structure of the economy mainly stem from a higher overall efficiency in the use of domestic and external resources. Qualitative amelioration in public investment programs which are being more directed to sound and directly productive projects, better efficiency in public enterprises management and the overhaul of the incentive system in agricultural and industrial sectors will help to reduce the ICOR, the coefficient linking investments to increments in GDP. The impact of this evolution on future gross public foreign borrowings is particularly important: during the period 1986-90, yearly GDP growth rate is expected to reach 6.5%, compared to 4.6% in the reference case, while public foreign borrowings requirements are on the average 10% lower than in this case. The second most important consequence of the program is the expected increase in the average annual rate of growth of manufactured exports which should go back close to its historical level of 11 per cent, while import elasticities of consumer and intermediate goods should decline by 5 percent after 1985. In conclusion, the resumption of a sustained growth of per capita income in the Ivory Coast will depend on the intensification of the structural adjustment program now pursued by the Government. The overall effect of the structural adjustment program, together with the forecast increase in oil output, would be to sustain an average GDP per capita growth rate of 2.3 percent during the second half of the eighties with the current account balance of payments deficit declining to 2.7% of GDP and the debt service ratio being reduced from an average of 43.6% in 1983-85 to 30.7% by 1990.

Table 3: MACROECONOMIC PROJECTIONS SUMMARY: THE IMPACT OF THE STRUCTURAL ADJUSTMENT PROGRAM

	Present Situation	Without Structural Adjustment Process			With Structural Adjustment Process		
	1983	1983-85	1985-90	1990	1983-85	1985-90	1990
Growth Rates							
GDP	2.2	2.1	4.6	4.5	2.1	6.5	6.1
of which Agriculture	-1.7	2.2	4.2	4.2	2.2	6.0	6.0
Industry (excluding petroleum)	-1.6	3.3	4.8	4.8	3.3	8.2	8.2
Services	-1.7	2.1	4.1	4.1	2.1	5.9	5.9
Exports of GNFS	1.5	2.5	3.2	1.9	2.5	5.1	4.0
Imports of GNFS	-5.5	1.1	3.0	3.9	1.1	3.9	4.5
Percentage of GDP							
Consumption	81.8	83.0	82.8	83.5	83.0	82.8	83.4
Savings	18.2	17.0	17.2	16.5	17.0	17.2	16.6
Investment	21.6	20.0	18.9	19.1	20.0	18.0	17.4
Resource Balance	-3.9	-4.0	-2.6	-3.0	-4.0	-1.7	-1.5
Current Account Balance	—	-9.5	-5.6	-4.5	-9.5	-4.6	-2.7
Memorandum Items							
ICOR	—	5.9	5.1	4.2	5.9	3.9	2.9
GNP per capita growth rate	-2.0	-2.1	0.4	0.4	-2.1	2.3	1.7
Gross foreign borrowings (US$millions)	819.0	952.8	1,031.3	875.4	952.8	936.0	737.1
Debt Service Ratio to GNFS Exports	39.5	43.6	42.2	35.4	43.6	38.0	30.7
World Bank Exposure							
WBK debt outstanding (as percentage of total debt)	17.8	20.5	27.1	28.8	20.5	28.0	31.1
WBK debt service (as percentage of total debt)	7.1	8.5	13.1	15.3	8.5	13.4	16.0

PART III - THE PROPOSED LOAN

A. Background

92. The proposed loan is the second in a series of loans supporting the Ivory Coast's structural adjustment program. This program, described in Part II above, was developed in part under SAL I with technical assistance provided under the Bank's Technical Assistance Project (Loan IVC-2059). Its development involved at each stage close collaboration and a very frank and constructive dialogue between Government and the Bank. The Government initiated discussions on the possibility of a SAL II program in the course of a major Bank supervision mission of SAL I in June 1982. The program was identified during a preparation mission in November 1982 and further developed during Bank missions in January and February 1983. An appraisal mission visited the Ivory Coast in March/April 1983. Negotiations were held in Abidjan in May 1983; the Ivorian delegation was headed by Mr. Dosso, Director of Investments, Ministry of Economy and Finance.

B. SAL I Program Implementation

93. The Ivory Coast made good progress in carrying out the first phase of the multi-annual structural adjustment process supported by the Bank's first SAL of December 1981 and in meeting the targets of the financial recovery program supported by the IMF's three-year EFF of January 1981. Overall, implementation of the SAL I program proceeded extremely well and substantive progress was achieved in all the areas covered, as has been made clear in Part II, Sections A, B, C, and D above. Achievements on the specific actions taken under SAL I are listed in Table III (pages 29-34) which also specifies separately the actions that will be taken under SAL II in a continuing process of reforms. In the field of public investment control and programming, commendable progress was made both in improving the mechanisms of the systems involved and in the actual results achieved: public investment was reduced between 1981 and 1982 from 15.6 percent to 12.7 percent of GDP and significant shifts to productive sectors occurred over the same period. In agriculture, important improvements in key planning and project preparation units were put in place, a major examination of incentives completed and an effective first phase package of pricing reform implemented; even in the short term the results are impressive, as the 17 percent decline in rice imports in 1982 following the increase in the consumer price of rice clearly demonstrates. The studies of the seven parastatal agricultural agencies have all been done or are nearing completion. There were a number of delays in this area as a result of unrealistic original estimates of the time required to obtain agreement on detailed terms of reference, and to select and recruit high quality consultants. A far-reaching study of agricultural research was completed as programmed. Satisfactory financing plans were implemented for the three major agricultural agencies, CIDT, PALMINDUSTRIE and SATMACI, and management studies of these public companies have been completed with recommendations for their reorganization (see paras. 58-60 above) which should significantly improve their overall performance. Thorough and detailed programs of policy reform were prepared under SAL I for the industrial sector and for the control and management of parastatals, both of which can now begin

to be implemented. The second tranche of SAL I was released on September 30, 1982, when all conditions were met, and that loan was fully disbursed in less than 12 months from the date of effectiveness.

94. The substantial achievement under SAL I in initiating the structural adjustment process is all the more remarkable as the Government was at the same time concentrating its efforts on short-term financial management. The process itself of implementing the SAL I measures has resulted in economic policy decision-makers at all levels focusing on structural issues which affect longer-term growth and has greatly improved coordination between a variety of government departments and agencies, both at the policy formulation and the execution stages. The SAL I process has contributed to the recognition and commitment that now exists throughout the Government on the necessity of taking urgent steps to restore a positive growth of per capita GDP during the second half of this decade. The comprehensiveness, strength and innovativeness of the SAL II program that the Government has so rapidly developed is ample testimony to this effect.

C. Loan Amount

95. The proposed loan of $250.7 million (including capitalized front-end fee) would be made available in two tranches. The first tranche of $125.7 would be made available on loan effectiveness and the second of $125 million about eight months later but only after all conditions of second tranche release (see paragraph 97 below) have been met. The loan would meet about 9% of the Ivory Coast's external capital requirements in the calendar years 1983 and 1984. The amount is considered appropriate in the light of the strength and quality of the proposed program and on the basis of the size of the Bank's lending program in the Ivory Coast.

D. Monitoring of Actions, Proposed Conditions and Supervision

96. A detailed implementation schedule of monitorable actions of the SAL II program is provided in matrix form in Table II on pages 29-34. Government, in the light of its commitment to this program and the urgency of the economic difficulties it faces, has already taken several critical actions prior to Board presentation. These include inter alia:

(a) starting the implementation of the program to reduce civil servant housing subsidies;

(b) reducing SODESUCRE's staff by 7%;

(c) deciding to phase out fertilizer subsidies over a three year period and adopting the first phase of this program;

(d) eliminating subsidies to outgrower rubber planters by adopting a new system of pricing based on export prices net of processing and marketing costs;

(e) initiating the process of identifying a first tranche of 1000 public housing units to be placed on the market for sale.

97. Availability of the second tranche would be contingent upon satisfactory progress in carrying out the Structural Adjustment Program and in particular upon the following measures being taken:

(a) adoption of a satisfactory public investment program for 1984, acceptable to the Bank;

(b) establishment of a financial program for 1984 to further reduce internal and external imbalances, satisfactory to the Bank;

(c) adoption of 1984 budgets, acceptable to the Bank, for SODESUCRE, SETU, SICOGI and SOGEFIHA reflecting agreed programs of reform of these agencies, and of satisfactory 1984 budgets for CIDT, PALMINDUSTRIE and SATMACI;

(d) adoption of the new Investment Code;

(e) abolition of quantitative restrictions on imports for a list of products, acceptable to the Bank, and replacing these quantitative restrictions with a declining system of temporary import surcharges for a period of less than five years;

(f) adoption of the export subsidy scheme and custom tariff revision program in a manner acceptable to the Bank.

98. The comprehensive and detailed nature of the SAL II program calls for a substantial supervision effort by the Bank to maintain a very close dialogue with the Ivorian authorities and to provide advice and technical support at critical stages in the adjustment process. At least two major supervision missions will be required, the first in the fall of 1983 and the second early in 1984, supported by sector specific missions particularly for the industrial and housing components. The Bank's Agriculture Division in Abidjan would play a key role in supervising the agricultural component, and the Bank's Resident Representative to the Ivory Coast would maintain a constant dialogue with Government on the implementation of the program.

E. Disbursements, Procurement and Use of Counterpart Funds

99. The proposed loan is expected to be fully disbursed within one year from loan effectiveness. The satisfactory arrangements that were made for the administration of SAL I would be continued for SAL II. The Government of Ivory Coast would be the borrower. The Caisse Autonome d'Amortissement would be responsible for assembling requested supporting documentation collected from the commercial banks by the Central Bank. This documentation would include copy of the invoices and evidence of payment and of shipment. Reimbursement would be made into a Project Account opened with BCEAO in the name of the Caisse Autonome d'Amortissement which will be in charge of the disbursement of the local currency counterparts.

100. The loan would finance 100% of the CIF cost of eligible imports subject to documentary evidence that they have been paid for on or after loan signature. Imports financed by other sources would not be eligible for Bank

financing. Eligible imports include raw materials, intermediate goods, capital goods and spare parts for both the public and private sectors, but some categories of goods such as items intended for military use and goods for luxury consumption would not be eligible for Bank financing. A list of ineligible imports is given in Schedule I of the draft Loan Agreement. Bank financing of imports of foodstuffs and petroleum products would each be limited to an aggregate amount equivalent to not more than US$50.0 million.

101. Bank financing will be limited to imports procured from Bank member countries, Switzerland and Taiwan. All purchases, both public and private, under contracts amounting to $5 million or more would be procured through ICB in accordance with Bank guidelines to be eligible for Bank financing. Certain commonly traded commodities may be purchased through price quotations available from organized international commodity markets. Imports by the private sector for contracts of less than $5 million equivalent would be in accordance with standard commercial practices. Expenditures for goods procured under contracts of less than $15,000 equivalent would not be eligible for Bank financing. For small contracts between $15,000 and $500,000 equivalent, full documentation including invoices will be retained for periodic examination by Bank staff and withdrawal applications would be consolidated and accepted on the basis of written statements from the CAA which would include the country of origin, a description of goods, date and currency in which payment was effected, the commercial bank involved and the final beneficiary. For all contracts above $500,000, full documentation would accompany withdrawal applications (Loan Agreement: Annex 3, para. 3).

102. The Government has agreed to allocate the counterpart local funds generated by the sale of foreign exchange provided under the loan to support the SAL II program and in particular to finance the public enterprises included in the SAL II program (Loan Agreement: Section 3.01).

F. Benefits and Risks

103. Benefits. The principal benefits of this wide ranging structural adjustment program are the expected improvements in the performance of the Ivorian economy with better prospects for sustained and more widely distributed GDP growth, increased public savings and reductions in the country's balance of payments deficit and debt service burden. The macro-economic management reforms initiated under the program will increase the country's capacity to withstand changes in the international environment to which it is particularly susceptible. More specifically the program should increase productivity in the agricultural sector, lead to resumption of growth in the industrial sector, increase industrial exports, reduce subsidies and increase efficiency in the parastatal sector, shift the use of public funds for housing mainly to the needs of lower income groups and increase the mobilization of private resources to address the housing shortage. Finally, the loan itself will also provide the Ivory Coast, which has pressing and substantial foreign financing requirements in the near future, with a significant amount of foreign exchange, at favorable maturities, over a short period in which the availability of foreign financing is likely to be particularly scarce.

104. Risks. A program as detailed and intensive as this one is clearly not without risks. First, several sound but forceful actions that Government has decided to implement are likely to be met with some opposition from vested interests. The commitment of Government to the process of adjustment has, however, been clearly demonstrated by its performance under SAL I; moreover, Government's determination to pursue the SAL II program is clear from the number of actions it has already taken prior to Board presentation (see paragraph 96 above). The strength of Government's political will is manifestly apparent in the firm response by Government to the strikes by teachers following the initiation of civil servant housing reform. Second, an important part of the program has been designed on the basis of anticipated responses of private entrepreneurs, particularly in agriculture and industry, to changes in the system of incentives. Past experience in the Ivory Coast indicates that farmers and enterprises in the country respond rapidly to changes in prices and other incentives. Nevertheless, there is a risk that the reaction to the present package of incentives may prove to be less significant than behavioral responses to similar changes have been in the past. Third, since Government is rightly convinced that the present economic situation calls for timely action, this program is very concentrated and includes a schedule of about 50 actions to be taken within a twelve month period. As some of these involve decisions to be taken on the basis of studies and analyses yet to be completed, there is a risk that there might be some slippage in parts of the detailed time-schedule that has been agreed. It is consequently recognized that some adjustments in the schedule may be required. In the light of Government's strong commitment to the program, adjustments in some schedules, if necessary, need not jeopardize the program, provided that the key actions, and in particular those that have an impact on the conditions listed in paragraph 97 above, are implemented as programmed. Finally, in an economy as open as that in the Ivory Coast and as dependent upon export trade, it must be recognized that the estimated impact of such an adjustment program does hinge upon a gradual improvement in the international environment. A protracted continuation of the global recession would undoubtedly make the program even more important although its impact on growth would be reduced.

7. Collaboration with the IMF and other Donors

105. The objectives and action program of the proposed SAL are fully consistent with policies and measures undertaken in the framework of the Extended Fund Facility granted by the IMF. Cooperation with the Fund has been very close and all important missions were arranged to overlap in order to coordinate policy. However the emphasis and the time frame of the two programs respect the traditional difference in responsibility between the two institutions. The IMF program focusses more on the short and medium-term and on financial and monetary issues, while the proposed Bank program is more geared to improving economic and institutional bases in a medium to long term perspective.

106. The Bank is relying on the IMF for the objectives and measures which are included in the financial stabilization program. It includes targets for public sector finances, credit distribution and gross external borrowings. The Bank is taking the lead for the preparation and implementation of specific public enterprises reform, the adjustment process in the industrial sector and

the dialogue on public investment. The Bank and Fund programs are both necessary, mutually supportive and aimed at the same objective.

107. 1983 is the last year of the current three year EFF agreement. The present austerity policy will have to be continued at least in 1984 and 1985 to further reduce public finances and current account balance of payment deficits. Government has requested further assistance from the IMF for these two years. The IMF July 1983 mid-term review of the third year of the current program will begin preparation of a possible future IMF program.

108. The Bank is coordinating its approach to Ivorian problems with most important bilateral agencies in order to share its analysis of the present situation and recommended orientations and to coordinate, as far as possible, policy advice and lending priorities. Two key agencies for this purpose are the French Caisse Centrale de Coopération Economique (CCCE) and the American USAID. CCCE is heavily involved in the agricultural sector, partly through co-financed operations with the Bank, and in 1982 provided the Ivory Coast with a non-project sector loan endorsing the SAL I agricultural sector component. It has in April 1983 approved a Public Enterprise Project of $70 million equivalent, the objectives of which will be supportive of the SAL II program. An important element of USAID involvement in the Ivory Coast is presently focussed on the housing sector. The Bank and USAID have collaborated closely in this field and have developed consistent and complementary approaches to dealing with housing issues.

109. The Ivorian Government, which is concerned about the difficulties it is facing in borrowing non-project loans on the international financial market, asked the Bank to help the Ivory Coast to develop stronger relations with the commercial banks. Accordingly, in October 1982 the Bank participated, jointly with the IMF, in meetings attended by representatives of major commercial banks. The Bank is planning to pursue further this dialogue, in order to present the economic and financial policy being implemented by Government, to explain the major role that the commercial banks have to play in the financial recovery process by not curtailing capital flows to the country, and to provide the Bank's assessment of the non-project financial support that will be required.

PART IV - OTHER BANK GROUP OPERATIONS IN THE IVORY COAST AND RELATIONSHIP WITH STRUCTURAL ADJUSTMENT

110. Since 1968, when Bank Group operations began in the Ivory Coast, borrowing from the Bank Group has grown rapidly and now includes 46 lending operations totalling $1,034.4 million, including $14 million from the Third Window and an IDA credit of $7.5 million. As of March 31, 1983, $400.0 million remained undisbursed on approved loans. No IDA credits have been extended to the Ivory Coast since FY73. IFC has supported textile, fertilizer, flour milling and development banking operations in the country. Annex II contains a summary of Bank Group operations in the Ivory Coast as well as notes on the status of projects under implementation.

111. In general, the implementation of Bank projects in the Ivory Coast has been satisfactory and has improved substantially over the past five years. The disbursement ratio (amount disbursed during the fiscal year as a proportion of the undisbursed total at the start of that fiscal year) has risen from 15.2% in 1977 to 26.1% in 1979 and to 35.2% in 1981. The 1982 Ivory Coast disbursement ratio of 36.6% compares very favorably with the Bank-wide average of 21.5% and by comparison with ratios for countries such as Tunisia (17.9%), Cameroon (20.8%) or Kenya (12.0%) for the same year.

112. Although the sectoral composition of Bank lending has been well-balanced, with some involvement in most important sectors, the largest number of loans by far has been in agriculture, which accounted for 16 out of the total of 46 lending operations. Transport, with 7 loans and one IDA credit was next in importance, followed by the water supply and sewerage, industry, and education sectors, in each of which the Bank has made four loans. Since the mid 1970s, the Bank has supported the Government's growing concern with alleviating urban poverty through two urban development projects as well as through two projects with major components of water supply in secondary cities. The Power Project approved in July 1980 and the Petroleum Project approved in June 1982 reflect the recent increasing importance of the energy sector, as does the Soubré Hydropower project which has recently been appraised. The Bank has also supported investments in tourism and in telecommunications in the Ivory Coast.

113. The Bank's first Structural Adjustment loan to the Ivory Coast supported the Government's initiation of a program of firm measures designed to adjust the economy to deteriorating external terms of trade, an adverse international environment and a worsening balance of payments and public finance situation. The Government has intensified and widened the scope of the adjustment measures it will pursue in the second phase of reforms being undertaken under this proposed Structural Adjustment Loan. Although these adjustment policies are wide ranging and broad based, it should be stressed that the Ivory Coast structural adjustment program has been particularly well designed to reinforce, support and enhance project lending opportunities in a large number of areas.

114. The complementarity between SAL I, the proposed loan and project lending is perhaps most conspicuous in the agricultural sector, where the SAL program is addressing a number of policy and institutional reforms which it has not been possible to tackle satisfactorily at the project level, but which, once resolved, can be translated into detailed operational terms through project lending. A case in point is the cocoa and coffee pricing policy changes and broad restructuring of SATMACI initiated under SAL I, being followed by the Center-West Agricultural Project in June 1982. A similar example is the new pricing system for outgrower rubber planters being initiated under this program and the concurrent Bank loan for the Rubber IV project, with its increased program of outgrower plantings. Since the mid 1970s there has been an increasing need for institutional, pricing and subsidy policy reform in the agricultural sector, the lack of which was inhibiting project lending. In the five years preceeding the approval of SAL I, despite the acknowledged prime importance of the agricultural sector, the Bank was only able to make 3 loans for agriculture out of a total of 17 operations. As

an example, the Bank was unable to proceed with a rice project, appraised in 1975, due to inadequate rice pricing policies which could not be resolved at the project level. The rice pricing decisions being undertaken under the structural adjustment program would permit consideration of investments in rice production in future projects. In addition, the institutional reform and financial rehabilitation of CIDT, SATMACI, PALMINDUSTRIE, SODEFOR SODESUCRE, SODEFEL and other agricultural agencies should both increase the capability of these agencies to undertake externally funded projects as well as improve the implementation of their ongoing projects and programs.

115. The policy reforms being undertaken in conjunction with this proposed loan will also provide new opportunities for sound project lending in several other fields, and project identification and preparation is scheduled to start in the near future on sizeable new low income housing, industrial development, and public enterprise projects. Moreover, the improvements being undertaken under the structural adjustment program, partly with Bank financed technical assistance, in investment policy, planning and control and in the public sector financial programming and budgeting system, should have direct beneficial effects in the short-term on project implementation (which has frequently been plagued by delays in making public funds available to implementing agencies) and in the medium-term on project identification and selection.

116. The Bank Group's lending to the Ivory Coast has increased steadily from a yearly average of below $20 million during the early years to an average of just under $140 million annually in the FY78-82 period. The Bank's average annual lending is expected to continue to grow over the next few years. The Bank Group's share of the Ivory Coast's external debt at the end of 1982 stood at 15.3% (including undisbursed). The Bank's share of external debt disbursed is expected to rise from the present 11.1% to about 28% in the late 1980s; its share of total debt service is expected to rise from 7.1% at present to an average of about 13.5% in the second half of 1980s.

PART V - LEGAL INSTRUMENTS AND AUTHORITY

117. The draft Loan Agreement between the Republic of the Ivory Coast and the Bank, and the Report of the Committee provided for in Article III, Section 4(iii) of the Articles of Agreement are being distributed to the Executive Directors separately.

118. Special conditions of the loan are listed in Section III of Annex III. The specific actions that Government proposes to undertake under this loan are specified in the Letter of Development Policy (Annex V).

119. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank.

PART VI - RECOMMENDATION

120. I recommend that the Executive Directors approve the proposed loan.

A.W. Clausen
President
by Moeen Qureshi

Attachments

June 9, 1983
Washington, D.C.

ANNEXES
1. Country Data
2. Bank Group Operations in IVC
3. Supplementary Data Sheet
4. Recent Economic Developments and Prospects of IVC Economy
5. Letter of Development Policy
6. Use of IMF Resources

TABLE 3A
IVORY COAST - SOCIAL INDICATORS DATA SHEET

AREA (THOUSAND SQ. KM.)	IVORY COAST			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE)/a	
TOTAL 322.5				MIDDLE INCOME	MIDDLE INCOME
AGRICULTURAL 68.5	1960 /b	1970 /b	MOST RECENT ESTIMATE /b	AFRICA SOUTH OF SAHARA	NORTH AFRICA & MIDDLE EAST
GNP PER CAPITA (US$)	270.0	540.0	1150.0	1053.2	1253.6
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	71.0	209.5	230.2	610.1	713.5
POPULATION AND VITAL STATISTICS					
POPULATION, MID-YEAR (THOUSANDS)	3460.0	5000.0	8262.0	.	.
URBAN POPULATION (PERCENT OF TOTAL)	19.3	27.6	39.6	28.3	47.3
POPULATION PROJECTIONS					
POPULATION IN YEAR 2000 (MILLIONS)			14.8	.	.
STATIONARY POPULATION (MILLIONS)			47.4	.	.
YEAR STATIONARY POPULATION IS REACHED			2110	.	.
POPULATION DENSITY					
PER SQ. KM.	10.7	15.5	24.6	54.7	35.8
PER SQ. KM. AGRICULTURAL LAND	61.2	86.7	115.9	129.9	420.9
POPULATION AGE STRUCTURE (PERCENT)					
0-14 YRS.	43.8	42.9	44.7	46.0	44.3
15-64 YRS.	53.6	55.0	53.3	51.1	52.4
65 YRS. AND ABOVE	2.6	2.2	2.0	2.8	3.3
POPULATION GROWTH RATE (PERCENT)					
TOTAL	2.1	3.7/e	5.0/e	2.8	2.8
URBAN	6.0	7.3	8.6	5.2	4.6
CRUDE BIRTH RATE (PER THOUSAND)	50.2	49.3	49.6	47.2	41.2
CRUDE DEATH RATE (PER THOUSAND)	26.2	21.0	17.5	15.7	12.2
GROSS REPRODUCTION RATE	3.3	3.3	3.3	3.2	2.9
FAMILY PLANNING					
ACCEPTORS, ANNUAL (THOUSANDS)	..	..	..	.	.
USERS (PERCENT OF MARRIED WOMEN)	..	..	..	..	..
FOOD AND NUTRITION					
INDEX OF FOOD PRODUCTION PER CAPITA (1969-71=100)	99.0	97.0	111.0	90.7	100.4
PER CAPITA SUPPLY OF					
CALORIES (PERCENT OF REQUIREMENTS)	118.3	118.8	106.6/d	93.9	108.5
PROTEINS (GRAMS PER DAY)	56.6	59.4	53.2/d	54.8	71.9
OF WHICH ANIMAL AND PULSE	14.8	16.0	15.8/d	17.0	18.0
CHILD (AGES 1-4) MORTALITY RATE	39.3	32.3	26.1	23.9	15.1
HEALTH					
LIFE EXPECTANCY AT BIRTH (YEARS)	37.2	42.2	47.1	51.0	56.9
INFANT MORTALITY RATE (PER THOUSAND)	173.0	148.5	126.8	118.5	104.3
ACCESS TO SAFE WATER (PERCENT OF POPULATION)					
TOTAL	..	..	19.0/e	..	59.1
URBAN	..	..	50.0/e	..	83.1
RURAL	..	..	5.0/e	..	39.8
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)					
TOTAL	..	5.0	25.0/e	..	..
URBAN	..	23.0	33.0/e	..	..
RURAL	..	..	22.0/e	..	..
POPULATION PER PHYSICIAN	29187.0/i	14084.5	21043.6/g	14185.2	4015.5
POPULATION PER NURSING PERSON	2920.0/h	2880.2/f	1585.3/f,g	2213.2	1802.2
POPULATION PER HOSPITAL BED					
TOTAL	678.8	792.7	..	1036.4	641.7
URBAN	..	492.7	..	430.8	538.3
RURAL	..	1331.4	..	3678.6	2403.3
ADMISSIONS PER HOSPITAL BED	..	..	..	..	25.5
HOUSING					
AVERAGE SIZE OF HOUSEHOLD					
TOTAL	..	..	..	..	..
URBAN	3.4/i	..	..	..	..
RURAL	..	..	..	..	..
AVERAGE NUMBER OF PERSONS PER ROOM					
TOTAL	..	..	..	..	..
URBAN	1.8/i	..	..	..	..
RURAL	..	..	..	..	..
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)					
TOTAL	..	..	..	..	..
URBAN	0.7/k	..	..	..	..
RURAL	..	..	..	..	..

TABLE 3A
IVORY COAST - SOCIAL INDICATORS DATA SHEET

	IVORY COAST			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE)/a	
	1960 /b	1970 /b	MOST RECENT ESTIMATE /b	MIDDLE INCOME AFRICA SOUTH OF SAHARA	MIDDLE INCOME NORTH AFRICA & MIDDLE EAST
EDUCATION					
ADJUSTED ENROLLMENT RATIOS					
PRIMARY: TOTAL	46.0	63.0	74.0	83.3	88.7
MALE	68.0	81.0	91.0	96.1	104.5
FEMALE	24.0	46.0	58.0	80.4	72.0
SECONDARY: TOTAL	2.0	9.0	15.0	15.3	39.7
MALE	4.0	14.0	23.0	19.4	49.3
FEMALE	1.0	4.0	8.0	11.3	29.0
VOCATIONAL ENROL. (% OF SECONDARY)	12.7	7.4	11.0/e	4.7	10.1
PUPIL-TEACHER RATIO					
PRIMARY	40.7	45.0	41.1	38.6	34.1
SECONDARY	..	21.1	..	23.4	23.7
ADULT LITERACY RATE (PERCENT)	5.0/j	20.0	41.2	35.6	43.3
CONSUMPTION					
PASSENGER CARS PER THOUSAND POPULATION	3.3	11.3	12.1/e	31.9	17.8
RADIO RECEIVERS PER THOUSAND POPULATION	15.0	15.0	118.1	71.8	131.3
TV RECEIVERS PER THOUSAND POPULATION	0.4/h	4.6	41.0/d	17.9	44.1
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION	2.3	8.8	6.7	19.1	31.5
CINEMA ANNUAL ATTENDANCE PER CAPITA	..	2.0	0.8	0.6	1.7
LABOR FORCE					
TOTAL LABOR FORCE (THOUSANDS)	1857.9	2658.0	4127.9	.	.
FEMALE (PERCENT)	46.2	42.7	41.5	36.5	10.6
AGRICULTURE (PERCENT)	89.0	84.0	79.0	56.5	42.4
INDUSTRY (PERCENT)	2.0	3.0	4.0	17.7	27.8
PARTICIPATION RATE (PERCENT)					
TOTAL	53.7	53.2	50.0	37.0	26.0
MALE	58.4	59.3	56.5	46.9	46.2
FEMALE	49.1	46.7	42.9	27.2	5.6
ECONOMIC DEPENDENCY RATIO	0.9	0.8	0.9	1.3	1.9
INCOME DISTRIBUTION					
PERCENT OF PRIVATE INCOME RECEIVED BY					
HIGHEST 5 PERCENT OF HOUSEHOLDS	30.9/l	..	..	..	..
HIGHEST 20 PERCENT OF HOUSEHOLDS	51.8/l	..	50.0/l,m	..	..
LOWEST 20 PERCENT OF HOUSEHOLDS	6.6/l	..	9.0/l,m	..	..
LOWEST 40 PERCENT OF HOUSEHOLDS	16.5/l	..	20.0/l,m	..	..
POVERTY TARGET GROUPS					
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US$ PER CAPITA)					
URBAN	..	..	274.0	507.0	279.2
RURAL	..	..	96.0	200.6	178.6
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US$ PER CAPITA)					
URBAN	..	..	487.0	523.9	403.6
RURAL	..	..	244.0	203.6	285.6
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)					
URBAN	..	..	..	..	22.1
RURAL	..	..	..	..	30.9

.. Not available
. Not applicable.

NOTES

/a The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1978 and 1980.

/c Due to immigration population growth rate is higher than rate of natural increase; /d 1977; /e 1976; /f Government personnel only; /g 1975; /h 1963; /i 1957-58, African population in the city of Bouake only; /j 1962; /k 1956-57; /l Population; /m 1973-74.

May, 1982

DEFINITIONS OF SOCIAL INDICATORS

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country (except for "High Income Oil Exporters" group where "Middle Income North Africa and Middle East" is chosen because of stronger socio-cultural affiliation). In the reference group cols the averages are population weighted arithmetic means for each indicator and shown only when majority of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time among the country and reference groups.

AREA (thousand sq.km.)

Total - Total surface area comprising land area and inland waters, 1979 data.

Agricultural - Estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow, 1979 data.

GNP PER CAPITA (US$) - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1978-80 basis); 1960, 1970, and 1980 data.

ENERGY CONSUMPTION PER CAPITA - Annual consumption of commercial energy (coal and lignite, petroleum, nat ral gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita; 1960, 1970, and 1979 data.

POPULATION AND VITAL STATISTICS

Total Population, Mid-Year (thousands) - As of July 1; 1960, 1970, and 1980 data.

Urban Population (percent of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1980 data.

Population Projections

Population in year 2000 - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at bir. increasing with country's per capita income level, and female life expecta. stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.

Stationary population - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.

Year stationary population is reached - The year when stationary population size will be reached.

Population Density:

Per sq. km. - Mid-year population per square kilometer (100 hectares) of total area; 1960, 1970 and 1979 data.

Per sq. km. agricultural land - Computed as above for agricultural land only, 1960, 1970 and 1979 data.

Population Age Structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population, 1960, 1970, and 1980 data.

Population Growth Rate (percent) - total - Annual growth rates of total mid-year population for 1950-60, 1960-70, and 1970-80.

Population Growth Rate (percent) - urban - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-80.

Crude Birth Rate (per thousand) - Annual live births per thousand of mid-year population; 1960, 1970, and 1980 data.

Crude Death Rate (per thousand) - Annual deaths per thousand of mid-year population; 1960, 1970, and 1980 data.

Gross Reproduction Rate - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1980.

Family Planning - Acceptors, Annual (thousands) - Annual number of acceptors of birth-control devices under auspices of national family planning program.

Family Planning - Users (percent of married women) - Percentage of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

FOOD AND NUTRITION

Index of Food Production per Capita (1969-71=100) - Index of per capita annual production of all food commodities. Production excludes seed and feed and is on calendar year basis. Commodities cover primary goods (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights; 1961-65, 1970, and 1980 data.

Per capita supply of calories (percent of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970 and 1977 data.

Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for minimum allowances of 40 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey; 1961-65, 1970 and 1977 data.

Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day, 1961-65, 1970 and 1977 data.

Child (ages 1-4) Death Rate (per thousand) - Annual deaths per thousand in age group 1-4 years, to children in this age group, for most developing countries data derived from life tables; 1960, 1970 and 1980 data.

HEALTH

Life Expectancy at Birth (years) - Average number of years of life remaining at birth; 1960, 1970 and 1980 data.

Infant Mortality Rate (per thousand) - Annual deaths of infants under one year of age per thousand live births; 1960, 1970 and 1980 data.

Access to Safe Water (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.

Access to Excreta Disposal (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of pit privies and similar installations.

Population per Physician - Population divided by number of practising physicians qualified from a medical school at university level.

Population per Nursing Person - Population divided by number of practising male and female graduate nurses, assistant nurses, practical nurses and nursing auxiliaries.

Population per Hospital Bed - total, urban, and rural - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities. For statistical purposes urban hospitals include WHO principal/general hospitals, and rural hospitals, local or rural hospitals and medical and maternity centers. Specialized hospitals are included only under total.

Admissions per Hospital Bed - Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING

Average Size of Household (persons per household) - total, urban, and rural - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.

Average number of persons per room - total, urban, and rural - average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.

Access to Electricity (percent of dwellings) - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

EDUCATION

Adjusted Enrollment Ratios

Primary school - total, male and female - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.

Secondary school - total, male and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.

Vocational enrollment (percent of secondary) - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.

Pupil-teacher ratio - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding levels.

Adult literacy rate (percent) - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

CONSUMPTION

Passenger Cars (per thousand population) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearses and military vehicles.

Radio Receivers (per thousand population) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

TV Receivers (per thousand population) - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.

Newspaper Circulation (per thousand population) - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.

Cinema Annual Attendance per Capita per Year - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

LABOR FORCE

Total Labor Force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc., covering population of all ages. Definitions in various countries are not comparable; 1960, 1970 and 1980 data.

Female (percent) - Female labor force as percentage of total labor force.

Agriculture (percent) - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1980 data.

Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1980 data.

Participation Rate (percent) - total, male, and female - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970, and 1980 data. These are based on ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.

Economic Dependency Ratio - Ratio of population under 15 and 65 and over to the total labor force.

INCOME DISTRIBUTION

Percentage of Private Income (both in cash and kind) - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

POVERTY TARGET GROUPS

The following estimates are very approximate measures of poverty levels, and should be interpreted with considerable caution.

Estimated Absolute Poverty Income Level (US$ per capita) - urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.

Estimated Relative Poverty Income Level (US$ per capita) - urban and rural - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.

Estimated Population Below Absolute Poverty Income Level (percent) - urban and rural - Percent of population (urban and rural) who are "absolute poor".

Economic and Social Data Division
Economic Analysis and Projections Department
May 1982

IVORY COAST - ECONOMIC INDICATORS

Population: 8,240 (mid-1980, thousands)
GNP per capita: US$1,150 (1980)

Indicator	Amount (million US$ at current prices) 1980	Annual growth rates (%) at constant prices f/ Actual 1975	1976	1977	1978	1979	Preliminary 1980	1981	1982	Projected 1983	1984	1985
NATIONAL ACCOUNTS												
Gross Domestic Product a/	10514	7.0	12.0	4.7	9.9	2.0	6.3	-1.6	-1.8	2.2	1.8	2.3
Agriculture	2708	15.5	3.1	-3.0	4.9	1.2	11.0	4.6	-3.7	-1.7	1.9	2.4
Industry (excluding crude oil)	2458	6.9	15.9	16.8	9.1	3.2	3.9	-0.2	-3.6	-1.6	2.8	3.6
Services	5329	1.9	15.5	4.0	12.3	1.8	4.8	-3.7	-1.6	-1.7	1.8	2.3
Crude Oil		-	-	-	-	-	-	410.1	87.6	97.7	-3.6	-2.9
Consumption	9185	10.8	13.0	9.3	12.1	2.9	3.4	2.8	-3.3	1.9	3.3	3.7
Gross Investment	2753	15.4	22.4	42.7	22.3	-9.6	7.7	-11.7	-9.9	-9.4	-6.3	-4.6
Exports of GNFS	3578	-6.7	12.8	-7.8	6.7	2.6	11.5	3.4	0.6	1.5	1.4	2.5
Imports of GNFS	4125	-7.3	21.7	25.7	14.9	-2.7	6.2	-6.3	-5.4	-5.5	0.2	2.0
Gross National Savings	1290	1.6	18.6	36.4	-16.1	-27.6	-4.6	-41.8	-31.2	8.9	2.1	-2.9
PRICES												
GDP Deflator (1980 = 100)		52.3	62.2	82.0	86.5	92.5	100.0	104.0	116.8	128.5	141.3	155.5
Exchange Rate (US$1=)		214.3	239.0	245.7	225.6	212.7	211.3	271.7	328.6	360.0	360.0	360.0

	Share of GDP at Market Prices (%) (at current prices) b/ 1960	1970	1975	1980	1985	1990	Average Annual Increase (%) (at constant prices) 1960-1970	1970-1975	1975-1980	1980-1985	1985-1990
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0	100.0	8.0	5.5	7.4	0.6	6.5
Agriculture	43.5	27.2	28.8	25.8	25.9	25.3	4.2	4.3	3.3	0.7	6.0
Industry (excluding oil)	14.1	21.5	21.5	23.4	22.9	24.8	11.5	6.7	9.6	0.1	8.2
Services	42.4	51.3	49.7	50.7	47.8	45.6	9.7	5.7	7.6	-0.5	5.9
Oil	0.0	0.0	0.0	0.2	3.5	4.3	-	-	-	120.1	11.1
Consumption	82.9	76.8	80.3	77.8	84.2	83.2	8.5	4.6	8.1	1.7	6.2
Gross Investment	14.6	22.1	22.4	27.1	18.5	17.4	12.7	6.6	15.7	-8.5	5.0
Exports of GNFS	37.1	38.9	38.0	33.1	35.8	33.5	5.5	8.4	4.9	1.9	5.1
Imports of GNFS	34.5	37.7	40.7	38.3	38.6	34.1	6.8	9.2	12.7	-3.0	3.9
Gross National Savings	10.6	17.0	11.7	12.3	5.6	11.9	7.2	7.2	-1.2	-15.5	23.5

	As % of GDP 1960	1970	1975	1980
PUBLIC FINANCE				
Current Revenues	20.0	20.1	19.8	27.9
Current Expenditures	14.6	16.1	16.4	21.3
Surplus (+) or Deficit (-)	5.4	4.0	3.4	6.5
Capital Expenditure	4.9	7.5	8.4	19.4
Foreign Financing	0.7	1.4	1.4	7.9

	1960-1970	1970-1975	1975-1980	1980-1985	1985-1990
OTHER INDICATORS					
GNP Growth Rate (%)	7.9	5.6	7.4	0.6	6.5
GNP per Capita Growth Rate (%)	-	-	2.9	-3.4	2.3
ICOR	1.7	3.0	3.7	-	2.9
Marginal Savings Rate	0.3	0.4	-0.9	0.3	0.3
Import Elasticity	0.9	1.7	1.5	-5.2	0.6

a/ At market prices.
b/ Projected years at constant prices.
f/ Constant 1980 prices.

IVORY COAST - EXTERNAL TRADE

Population: 8,240 (mid-1980, thousands)
GNP per capita: US$1,150 (1980)

Indicator	Amount (million US$ at current prices) 1980	Annual growth rates (%) at constant prices: Actual 1975	1976	1977	1978	1979	Preliminary 1980	1981	1982	Projected 1983	1984	1985
EXTERNAL TRADE												
Merchandise Exports	3142.0	10.7	-6.3	-26.3	22.7	-0.8	27.5	5.9	0.0	1.3	2.6	2.4
Agriculture	2048.3	9.4	-4.2	-28.0	24.2	-4.6	22.2	0.0	1.5	0.4	2.4	2.0
Industry (excluding crude oil)	1093.7	34.4	-39.1	15.9	13.3	25.0	38.9	17.1	2.3	2.8	3.5	3.5
Crude Oil	-	-	-	-	-	-	-	-	-	-	-	-
Merchandise Imports	2990.5	0.3	23.1	42.1	27.8	-3.7	4.9	-14.0	-11.3	-8.2	2.1	3.1
Food	398.5	-19.8	18.3	77.3	21.1	0.5	21.0	13.6	-13.4	3.3	4.7	5.2
Petroleum	555.1	-6.9	37.7	11.1	1.9	45.9	33.8	1.9	-57.8	-78.5	61.3	38.1
Machinery and Equipment	834.8	10.9	19.5	67.4	41.1	-16.0	0.9	-34.7	-5.5	-6.1	-6.2	-4.5
Others	1202.1	-17.3	22.4	27.5	25.0	3.0	-6.0	-16.3	14.5	0.9	3.1	3.7
PRICES												
Export Price Index (1980 = 100)		52.5	68.9	106.7	93.7	102.0	100.0	100.5	111.2	118.4	125.0	134.0
Import Price Index (1980 = 100)		61.8	67.3	75.8	78.6	87.3	100.0	117.2	132.4	144.4	157.1	168.6
Terms of Trade Index (1980 = 100)		84.9	102.4	140.9	119.3	117.0	100.0	85.8	84.0	82.0	79.6	79.5

	Composition of Merchandise Trade (%) (at current prices) 1960	1970	1975	1980	1985	1990	Average Annual Increase (%) (at constant 1980 prices) 1960-1970	1970-1975	1975-1980	1980-1985	1985-1990
Exports	100.0	100.0	100.0	100.0	100.0	100.0	6.6	7.9	1.4	2.4	5.3
Agriculture	93.0	92.0	80.7	69.5	68.4	60.4	5.7	6.6	0.7	1.3	2.6
Industry (excluding crude oil)	7.0	8.0	19.3	30.5	31.6	36.8	15.2	16.1	6.8	4.7	10.0
Crude Oil	-	-	-	-	-	2.8	-	-	-	-	-
Imports	100.0	100.0	100.0	100.0	100.0	100.0	9.0	7.2	17.7	-6.0	5.7
Food	10.0	11.0	12.0	13.3	19.1	19.9	7.4	0.5	25.2	2.2	6.6
Petroleum	9.0	9.0	14.0	18.6	4.5	1.3	7.5	10.7	25.0	-27.5	-20.9
Machinery and Equipment	30.0	26.0	28.0	27.9	24.1	23.3	6.5	5.3	16.4	-12.5	4.9
Others	51.0	54.0	46.0	40.2	52.3	55.5	10.8	-0.1	13.5	0.5	7.0

	Share of Trade with Industrial Countries (%) 1965	1970	1975	1979	Share of Trade with Developing Countries (%) 1965	1970	1975	1979	Share of Trade with Capital Surplus Oil Exporters (%) 1965	1970	1975	1979
DIRECTION OF TRADE												
Exports	82.4	86.9	70.0	81.4	13.0	11.1	24.2	11.3	0.6	0.2	0.0	2.7
Agriculture	84.2	89.9	75.9	-	11.0	7.9	18.2	-	0.6	0.2	0.0	-
Industry (excluding crude oil)	50.3	38.2	26.5	-	49.0	60.7	68.1	-	0.0	0.0	0.0	-
Imports	84.7	84.0	71.8	81.3	14.1	14.3	21.4	6.5	0.0	0.1	1.3	11.7

IVORY COAST - BALANCE OF PAYMENTS, EXTERNAL CAPITAL AND DEBT
(millions US$ at current prices)

Population: 8,240 (mid-1980, thousands)
GNP per capita: US$1,150 (1980)

Indicator	Actual					Preliminary				Projected		
	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983	1985	1990
BALANCE OF PAYMENTS												
Exports of Goods and Services	573	1507	1993	2725	2962	3253.7	3577.9	2901.4	2780.8	2717.2	3241.8	5570.0
of which: Merchandise f.o.b.	497	1239	1735	2346	2325	2514.3	3142.0	2537.0	2432.4	2363.8	2810.2	4907.0
Imports of goods and services	646	1933	1795	2429	3131	3438.8	4214.9	3602.5	3273.6	3034.7	3651.0	5899.2
of which: Merchandise f.o.b.	375	1012	1161	1677	2148	2313.1	2781.9	2236.3	2030.3	1958.3	2407.2	4234.8
Net Transfers	34	42	-404	-494	-723	-1152.4	-1057.0	-513.5	-560.2	-477.5	-499.8	-264.1
Current Account Balance	-38	-384	-206	-198	-892	-1355.5	-1694.0	-1214.6	-1053.0	-795.0	-909.0	-593.3
Private Direct Investment	31	81	37	3	59	103.3	108.8	110.4	133.3	147.1	177.0	323.0
MLT Loans (net)	50	249	241	542	780	695.3	851.9	526.3	827.7	248.3	279.8	-415.9
Official	34	75	65	158	153	234.0	202.1	76.4	300.8	383.0	365.0	125.3
Private	15	174	176	384	627	461.3	649.8	449.9	526.9	-134.7	-85.2	-541.2
Other Capital	-4	-39	31	-226	126	305.5	85.1	33.1	0	0	0	500.4
Change in Reserves (increase -)	-39	93	-103	-121	-73	251.4	648.2	544.8	92.0	399.6	452.2	0
International Reserves	-	-	-	-	-	-	-988.6	-1533.4	-1625.4	-2025.0	-2970.7	-2545.7
of which: Gold												
Reserves as months imports	-	-	-	-	-	-	-1.9	-1.7	-1.3	-0.8	0.2	1.5
EXTERNAL CAPITAL AND DEBT												
Gross Disbursements a/												
Official Grants	-	-	-	-	20	25	30	35	39	42	51	83
Concessional Loans	32	34	44	44	64	27	41	71	53	75	91	104
DAC	24	23	37	24	30	15	27	25	32	52	80	91
OPEC	-	-	-	-	-	-	-	-	-	-	-	-
IDA	-	1	2	4	1	-	-	2	-	-	-	-
Other	8	9	6	17	33	12	14	44	21	23	11	13
Non-concessional Loans	45	291	342	865	932	978	888	1401	866	751	993	469
Official Exports Credits - Bilateral	6	20	21	89	28	101	26	186	77	97	135	92
IBRD	3	25	14	37	58	51	40	64	244	301	259	190
Other Multilateral	1	15	7	11	32	28	18	92	13	9	10	9
Private	34	231	299	727	815	798	805	1059	532	344	589	178
External Debt												
Debt Outstanding and Disbursed	256	916	1167	1962	2809	3667	4289	4389	4459	4707	5219	4064
Official	144	378	433	612	799	1054	1183	1134	1372	1755	2421	3222
Private	112	538	734	1351	2010	2613	3106	3255	3087	2952	2798	842
Undisbursed Debt	168	560	974	1666	1680	1507	1430	2804	1603	1584	1584	1967
Debt Service												
Total Service Payments	39	132	175	288	415	568	855	928	931	1073	1514	1711
Interest	12	56	66	104	171	250	329	379	520	454	546	575
Payments as % Exports	7	9	9	10	14	17	23	27	33	39	47	31
Average Interest Rate on New Loans (%)	5.9	8.0	7.5	7.7	8.6	8.1	8.5	8.2	8.2	10.7	10.0	10.0
Official	4.9	7.3	6.9	6.6	-	-	-	-	-	-	-	-
Private	7.5	8.5	7.6	8.1	-	-	-	-	-	-	-	-
Average Maturity of New Loans (years)	18.5	12.6	10.6	11.2	9.8	11.5	8.0	10.7	11.1	15.3	14.1	15.5
Official	22.5	18.0	16.9	18.7	-	-	-	-	-	-	-	-
Private	12.0	8.7	9.0	9.1	-	-	-	-	-	-	-	-

	As % of Debt Outstanding at End of Most Recent Year (1979)
Maturity Structure of Debt Outstanding	
Principal due within 5 years	52.8
Principal due within 19 years	87.6
Interest Structure of Debt Outstanding	
Interest due within five years	26.6

Western Africa Region
May 1983

STATUS OF BANK GROUP OPERATIONS IN THE IVORY COAST

A. Statement of Bank loans and IDA Credits
(As of March 31, 1983)

Loan or Credit No.	Year	Fiscal Borrower	Purpose	US$ Millions (less cancellations) Bank	IDA	Undisbursed
One	Credit	Fully Disbursed			7.5	
Twenty five	Loans	Fully Disbursed		415.2		
981-IVC	1974	Ivory Coast	Telecom-munications	17.4		5.2
1177-IVC	1976	BIDI	DFC	8.0		1.4
1347-IVC	1977	Ivory Coast	Urban Dev.	30.0		5.4
1348-T-IVC	1977	Ivory Coast	Urban Dev.	14.0		2.5
1484-IVC	1978	Ivory Coast	Water Supply	16.0		1.6
1501-IVC	1978	Ivory Coast	Feeder Roads	29.0		6.7
1575-IVC	1978	Ivory Coast	Rubber II	20.0		0.2
1577-IVC	1978	Ivory Coast	Abidjan Sewerage II	33.0		13.6
1633-IVC	1979	Ivory Coast	Rubber III	7.6		1.2
1663-IVC	1979	Ivory Coast	CCI-Artisans	12.6		9.6
1698-IVC	1979	Ivory Coast	Tourism II	14.2		9.1
1735-IVC	1980	Ivory Coast	Forestry	18.0		10.1
1777-IVC	1980	Ivory Coast	Education III	24.0		17.4
1827-IVC	1980	Ivory Coast	Rural Dev.	9.4		7.8
1896-IVC	1981	EECI	Power	33.0		30.6
1914-IVC	1981	Ivory Coast	Highway Sctr	100.0		84.5
2048-IVC	1982	Ivory Coast	Urban Dev II	51.0		50.8
2059-IVC	1982	Ivory Coast	Tech. Asst.	16.0		15.8
2130-IVC 1/	1982	Ivory Coast	2nd Water Sp	43.0		43.0
2167-IVC 1/	1982	Ivory Coast	Center West	13.0		13.0
2189-IVC	1982	Petroci	Petroleum	101.5		70.5
	TOTAL			1,025.9	7.5	400.0
	of which has been repaid			63.8	-	
	TOTAL now outstanding			962.1	7.5	
	Amount sold		5.1			
	of which has been repaid		5.1	0.01	-	
	TOTAL now held by Bank and IDA			962.1	7.5	
	TOTAL UNDISBURSED			400.0	0.0	400.0

1/ not yet effective.

B. Statement of IFC Investments
(As of March 31, 1983)
(US$'000)

Year	Obligator	Type of Business	Loan	Equity	TOTAL
1965	Banque Ivoirienne de Développement Industriel	Industrial Development Bank	-	204.0	204.0
1978	do.	do.	-	219.5	219.5
1977	Ets R. Gonfreville, S.A.	Textiles	-	884.7	884.7
1980	Société Ivoirienne d'Engrais	Fertilizers	5,120.0	1,272.0	6,392.0
1980	MSO	Flour Mill	2,900.0	406.7	3,306.7
	Total Gross Commitments		8,020.0	2,986.9	11,006.9
	Less cancellation, sold or repaid		-	-	-
TOTAL commitments now held by IFC			8,020.0	2,986.9	11,006.9

C. Projects in Execution [1/]

Loan No. 981 — Telecommunications Project: US$25.0 million loan of May 3, 1974; Effectiveness Date: January 31, 1975; Closing Date: June 30, 1983.

The project has experienced a four-year slippage due initially to delays in appointing engineering consultants and subsequently to management and organizational deficiencies. After the Government awarded the contract for switching equipment to other than the lowest evaluated bidder, the amount earmarked under the loan to finance the equipment (US$7.6 million, including contingencies) was cancelled as of March 31, 1977 (R77-128). A reorganization of the Postal and Telecommunications Office took place in the Fall of 1981, together with the appointment of competent managers. This important development is expected to result in completion of the project by mid-1983.

Loan No. 1177 — BIDI DFC Project: US$8.0 million loan of December 12, 1975; Effectiveness Date: September 17, 1976; Closing Date: December 31, 1984.

The availability of less costly funds to BIDI in the past slowed down the commitment of this line of credit. As the situation has changed during the last year, however, this loan has now been fully committed.

Loan No. 1347 — Urban Development Project: US$44.0 million; Loans and 1348-T (US$30.0 and US$14.0 million on Bank and Third Window terms respectively) of December 15, 1976; Effectiveness Date: March 9, 1978; Closing Date: November 30, 1983.

The execution of the project is progressing satisfactorily. The transport, trunk sewer, community facilities, technical assistance, and low-cost housing components are completed. The upgrading component, which suffered delays caused by administrative and legal procedures, is now proceeding well, and is expected to be completed by mid-1983.

Loan No. 1484 — Secondary Centers Water Supply Project; US$16.0 million loan of September 9, 1977; Effectiveness Date: June 9, 1978; Closing Date: September 30, 1983.

Project execution is proceeding satisfactorily. Physical works have been completed on schedule, but delays have been experienced in the training component of the project and in the execution of a study on village well construction and maintenance.

1/ These notes are designed to inform the Executive Directors on the progress of projects in execution, and in particular to report any problems and actions being taken to remedy them. They should be read with the understanding that they do not present a balanced evaluation of strengths and weaknesses in project execution.

Loan No. 1501 Feeder Roads and Highway Maintenance Project; US$29.0 million loan of December 22, 1977; Effectiveness Date: October 17, 1978; Closing Date September 30, 1984.

Overall work progress is slower than anticipated, particularly as it relates to works carried out by the local contractor. Actions taken by RMWA are expected to speed up implementation of the project, which otherwise is proceeding satisfactorily.

Loan No. 1575 Second Grand Bereby Rubber Project: US$20.0 million loan of June 9, 1978; Effectiveness Date: September 15, 1980; Closing Date: June 30, 1985.

Following the establishment of a separate entity to manage the Grand Bereby rubber plantations (SOGB), amended legal documents for the project were submitted for approval by the Executive Directors (R80-213) and signed on August 6, 1980. They became effective on September 15, 1980. Project execution has proceeding satisfactorily, and the Loan is almost fully disbursed.

Loan No. 1577 Second Abidjan Sewerage and Drainage Project US$33.0 million loan of June 9, 1978; Effectiveness Date: September 14, 1979; Closing Date June 30, 1983.

Project execution is proceeding satisfactorily, although house connections to the sewerage system are progressing at a slower rate than anticipated. Remedial action in this respect is being discussed with the Government.

Loan No. 1633 SAPH Rubber Project; US$7.6 million loan of November 30, 1978; Effectiveness Date: October 2, 1979; Closing Date: December 31, 1984.

Project execution is proceeding satisfactorily. Smallholder rubber plantings are ahead of schedule and the project is nearing completion.

Loan No. 1663 Artisans-, Small- and Medium-Scale Enterprise Project: US$12.6 million loan of June 15, 1979; Effectiveness Date: November 28, 1979; Closing Date: March 31, 1984.

Project execution is proceeding satisfactorily, although commitments and disbursements are about six months behind schedule because of a slackening in demand resulting from the overall lower investment activity in the country.

Loan No. 1698 Second Tourism Development Project: US$14.2 million loan of June 15, 1979; Effectiveness Date: May 9, 1980; Closing Date: December 31, 1984.

Project execution is proceeding satisfactorily. Three large hotels are under construction and nine small hotel sub-projects have been approved. Over 60% of the loan amount has been committed.

Loan No. 1735 Forestry Project: US$18.0 million loan of August 2, 1979; Effectiveness Date: January 14, 1980; Closing Date: December 31, 1985.

Project execution is proceeding satisfactorily. The 1980 plantation program covering 4,000 ha was executed and plantations have been well maintained. Subsequent plantations have been on schedule. All project-provided staff have now taken up their appointments.

Loan No. 1777 Third Education Project US$24.0 million loan of December 28, 1979; Effectiveness Date: April 10, 1980; Closing Date: June 30, 1985.

After initial delays of about one year due to the technical weakness of some consultant architects and slowness in awarding civil works contracts, project implementation is improving and most components are expected to be successfully completed. A sharp increase in disbursements is expected now that civil works have begun. The training of local staff and the preparation of equipment procurement are well underway.

Loan No. 1827 North-East Savannah Rural Development Project; US$9.4 million loan of May 27, 1980; Effectiveness Date: December 22, 1980; Closing Date: September 30, 1985.

Project execution began well, but has not been progressing as smoothly during the past year, owing to difficulties involved in coordinating the various actions called for by a number of institutions. The applied research program, however, is proceeding satisfactorily and project progress is being closely monitored.

Loan No. 1896 First Power Project :US$33.0 million loan of September 11, 1980; Effectiveness Date: March 27, 1981; Closing Date: December 31, 1986.

The studies under the project have been carried out on schedule. Physical works, however, are delayed for about one year, due to the much longer than expected time required for selection by CIDA and EECI of engineering consultants for the project (including Bank-financed components) and subsequent negotiations with the consultants.

Loan No. 1914 Highway Sector Project; US$100.0 million loan of March 19, 1981; Effectiveness Date: July 31, 1981; Closing Date: December 31, 1984.

Project execution is proceeding satisfactorily, and the dialogue on sector policies and issues is proving fruitful. Disbursements, however, were initially slower than projected at the time of appraisal, but are now expected to pick up considerably.

Loan No. 2048 Second Urban Development Project; US$51.0 million loan of October 9, 1981; Effectiveness Date: May 28, 1982; Closing Date: December 31, 1984.

Project execution is proceeding satisfactorily. Delays in finalizing the subsidiary loan agreement between the Government of the Ivory Coast and SOTRA initially delayed the effectiveness of this loan. Nonetheless, invitation for tenders and selection of consultants procedures are being carried out on schedule.

Loan No. 2059 Technical Assistance Project; US$16.0 million loan of December 3, 1981; Effectiveness Date: December 3, 1981; Closing Date: December 31, 1985.

The project is being executed satisfactorily. Ten long-term advisers have now assumed their responsibilities under the project, and several short-term advisory missions have taken place, including one to assist the Government in preparing a master plan for agricultural research. Ten ministries have benefited from the project, and $3.0 million of the loan has been committed.

Loan No. 2130 1/ Second Water Supply Project; US$43.0 million loan of June 18, 1982; Closing Date: March 31, 1988.

Loan No. 2167 1/ Center-West Agricultural Development Project; US$13.0 million loan of September 27, 1982; Closing Date: June 30, 1988.

Loan No. 2189 Petroleum Exploration and Development Project; US$101.5 million loan of June 30, 1982; Effectiveness Date: September 28, 1982; Closing Date: June 30, 1986.

Project execution is proceeding satisfactorily.

1/ Loan not yet effective.

IVORY COAST

SECOND STRUCTURAL ADJUSTMENT LOAN

SUPPLEMENTARY DATA SHEET

Section I: Timetable of Key Events

(a)	Request from Minister of Finance for a Second Structural Adjustment Loan	June 1982
(b)	Identification mission.	November 1982
(c)	Preparation mission: Housing Policy	January 1983
(d)	Preparation mission: Industrial Policy	February 1983
(e)	Appraisal and prenegotiation mission	April 1983
(f)	Completion of negotiations	May 31, 1983
(g)	Planned date of effectiveness	July 15, 1983

Section 2: Special Bank Implementation Actions

None

Section 3: Special Conditions

Disbursement of the second tranche of the proposed loan would be contingent on satisfactory progress in carrying out the Structural Adjustment Program and in particular on the following measures being taken:

(i) adoption of a satisfactory public investment program for 1984, acceptable to the Bank;

(ii) establishment of a financial program for 1984 to further reduce internal and external imbalances, satisfactory to the Bank;

(iii) adoption of 1984 budgets, acceptable to the Bank, for SODESUCRE, SETU, SICOGI and SOGEFIHA reflecting agreed programs of reform of these agencies, and of satisfactory 1984 budgets for CIDT, PALMINDUSTRIE and SATMACI;

(iv) adoption of the new Investment Code;

(v) abolition of quantitative restrictions on imports for a list of products, acceptable to the Bank, and replacing these quantitative restrictions with a declining system of temporary import surcharges for a period of less than five years;

(vi) adoption of the export subsidy scheme and custom tariff revision program in a manner acceptable to the Bank.

NOTE ON THE ECONOMIC SITUATION IN THE IVORY COAST

1. This note provides a detailed review of economic developments since 1976. It covers the background to the crisis in the period 1976 to 1980, the course of the economy during the implementation of the financial recovery program in 1981 and 1982, the present economic situation and the outlook for economic adjustment over the short and medium-term.

I. RECENT ECONOMIC DEVELOPMENTS AND POLICY ISSUES: 1976-1982

(a) The Economic Situation from 1976 to 1980

2. Over the past five years, the Ivory Coast economy has been subject to a series of external shocks: the coffee and cocoa boom in 1976 and 1977, a 40 percent decline in the terms of trade following the sharp drop in coffee and cocoa prices in 1978, the subsequent increase in the price of imported oil, and, more recently, sharp increases in real interest rates on international financial markets. These shocks led to a rapid deterioration of the financial situation of the country and to two consecutive years of stagnation in 1981-82, in sharp contrast with the continuous record of economic growth which took place since the early sixties.

3. During the coffee and cocoa boom, the price of these commodities multiplied by 3.6 and 2.2 respectively between 1975 and 1977. Large surpluses were generated for the Stabilization Fund and a substantial improvement took place in the balance of payments situation. Government launched an ambitious investment program, and the share of public investment increased from 15 to over 25 percent of GDP between 1976 and 1978. This program was financed with Stabilization Fund surpluses and external borrowing, which was available in connection with the balance of payment surpluses. The share of investment financed by national savings thus fell from 50 to less than 20 percent between 1976 and 1978 while the gross inflows of public capital increased from CFAF 56 billion to about 200 CFA billions between 1975 and 1977. GDP grew by almost 10 percent in real terms in 1978.

4. However, between 1977 and 1979 coffee and cocoa prices declined by 28 and 13 percent respectively, and remained constant at these lower levels until the first half of 1980. In this period the public investment program was maintained at some 20 percent of GDP. As a result, while the Ivory Coast's terms of trade declined by 15 percent between 1977 and 1978, as a result of the export price decline, and by another 17 percent between 1978 and 1980, due mainly to sharp increases in import prices, Government had to rely increasingly on foreign borrowing to finance its investment program. With sharp rises in current budgetary outlays and public enterprise losses, a public sector deficit of the order of 10 percent of GDP appeared in 1979, rising to 12.8 percent in 1980. The balance of payments turned negative in 1979. This situation was further aggravated by the abrupt decline in coffee and cocoa prices which started in the second half of 1980. In 1980, the current account deficit represented 16 percent of GDP, and the net foreign assets of the Central Bank were exhausted despite continued heavy borrowing abroad. Accordingly, a CFAF 118 billion overdraft was registered in the operations account of the UMOA with the French Treasury in that year.

5. This sharp deterioration in the internal and external financial situation affected the Ivory Coast at a critical phase of its development. After two decades of growth essentially based on the exploitation of the most obvious areas of comparative advantage, particularly in agriculture, and on the development of a dynamic, although still limited, industrial base, the growth potential of the country progressively deteriorated during the second part of the seventies. This can be summarized principally as the result of: the low economic returns on the expanded public investment program launched in 1977; the distortion in the system of macroeconomic and sectoral incentives in the face of rapid changes in the external environment of the country; and inadequate support to agricultural development.

6. The rapid expansion of the public investment program in the second half of the seventies was accompanied by a sharp deterioration in the quality of investment projects. By comparison with the 1971-75 plan, the increase in the public investment program in the 1976-80 plan was mainly allocated to large projects with high unit costs. In agriculture for instance, most of the increased investment was for six sugar complexes, with operating unit costs two to three times above world market prices. In education, the investment program was burdened by several over-designed high education facilities, which led to high recurrent costs. In transportation, the main problem has been the excessive scale of highway investment. It has been estimated 1/ that the incremental national income from the $8 billion spent on the public investment program from 1976-80 was approximately 40 percent less than it would have been if earlier standards had been maintained. This translates into an annual cost, in terms of foregone earnings, imposed on the economy equivalent to about 5 percent of GDP levels in the early 1980's.

7. The distortion of the system of incentives imposed further constraints on growth and on the capacity of the country to adjust in the face of rapidly changing external conditions. The rapid acceleration in the rate of domestic inflation after 1975, and the sharp deterioration in the terms of trade between 1978 and 1982 led to a substantial overvaluation of the CFA franc vis-à-vis the currencies of Ivory Coast's main trading partners. Although major agricultural products withstood the overvaluation, thanks to the margins provided by their considerable comparative advantage, this was not the case in the industrial sector, where these margins are much narrower. In particular, the expansion of the industrial sector was directly compromised by the strong bias against exports inherent in the system of industrial incentives, at a time when the most obvious opportunities for exports within the protected CEAO markets had already been exploited, when the Ivory Coast had to turn to non-regional markets to sustain the growth of its industrial base and to generate the foreign exchange earnings required to balance its external accounts.

8. Finally, the growth potential of the country has suffered from the inadequate support to agricultural development. Although agriculture has been a key to the successful development of the country, agricultural development projects have remained a small part of the public investment program in recent years, apart from the large expenditures incurred for the six sugar complexes.

1/ See President's Report SAL I, pp. 4-5, P-3143-IVC, November 2, 1981.

New efficient projects have not been prepared at an adequate pace by the Ministry of Agriculture. More fundamentally, as discussed in Part II the Government only recently placed increased priority on the definition of a coherent development strategy for the sector, in particular on the design of an adequate system of agricultural incentives to exploit the medium to long-term comparative advantage of the country in particular crops.

(b) The Economic Situation in 1981 and 1982: The implementation of the financial recovery program.

9. The external environment of the Ivorian economy worsened in 1981 and 1982. First, mainly because of a further large decline in coffee and cocoa prices, the terms of trade decreased by 17% during the period and were by the end of 1982 about 40% lower than the 1977 peak, one of the sharpest deteriorations in the world economy. This evolution occurred despite the implementation of export quotas under the international coffee agreement which led the Ivorian government, following a record crop in 1981, to build a stock which peaked at 325,000 tons in June 1982, representing 14 months of exports and 7.5 percent of GDP. Second, high interest rates on the international financial market substantially increased the debt service burden as the Ivory Coast became more dependent on non-concessional loans to finance its public investment policy until 1980. Third, the worldwide depression led to a quasi-stagnation of imports by the Ivory Coast's main trade partners which impeded growth of its exports while a 10 percent inflation rate affected imports from its main suppliers in 1981 and 1982.

10. This period has also been characterized by a rapid change in exchange rates. The 55 percent depreciation of the CFA franc vis-à-vis the US dollar between the beginning of 1981 and the end of 1982 led to a substantial reduction in the degree of overvaluation of the real purchasing-power-parity exchange rate of the Ivory Coast vis-à-vis its main trading partners, partially compensating the negative impact of the deterioration in terms of trade on the equilibrium exchange rate. This evolution led to increased revenues in CFA francs and enabled the Government to maintain internal producers' prices of its main agricultural exports despite the decline in their US$ prices on the world market and had a favorable impact on the trade balance. At the same time, it sharply increased the debt service burden of the country as more CFA francs were required to service the same dollar denominated debt. Finally, this period was marked by the development of local oil production which was, however, not as rapid as anticipated when the Government designed its financial recovery program.

11. Despite these unfavorable factors beyond its control, and which slowed the recovery pace to less than had been expected, the Government succeeded in reducing overall external and internal imbalances. This was achieved through an intensification of the stringent fiscal and monetary policies in place since 1980.

12. The deterioration in the external environment together with implementation of the financial stabilization plan caused a sharp slowdown in the economic activity. For the first time since 1960, the country experienced a decrease in national income. GDP in real terms is estimated to have declined

by 3.4 percent between 1980 and 1982 compared with a 6.1 percent average increase between 1976 and 1980. In 1981 GDP receded by 1.6 percent despite a favorable agricultural campaign, due in particular to a record coffee crop of 367,000 tons, which led to 4.6 percent growth in the agricultural sector. The services sector was particularly hit by the recession (-3.7 percent) while industry stagnated (-0.2 percent). As a result, employment in the modern sector declined by 9.7 percent. In 1982, GDP is estimated to have declined by a further 1.8 percent. Value added in the agricultural sector decreased by 3.7 percent, food crop production increasing by 2.6 percent while cash crops declined by about 10 percent, the impact of an excellent cocoa crop of 456,000 tons being more than counterbalanced by the return of the coffee harvest to its normal level. The recession was particularly marked in industry (-3.6 percent), while services declined further by 1.6 percent, leading to new layoffs. The sources and uses of resources are shown in Table 1.

Table 1: MACROECONOMIC INDICATORS

	1978	1979	1980	1981	1982	1983
GDP at market prices						
Growth rate in constant prices	9.9	2.0	6.3	-1.6	-1.8	2.2
Agriculture	4.9	1.2	11.0	4.6	-3.7	-1.7
Industry (excl. crude oil)	9.1	3.2	3.9	-0.2	-3.6	-1.6
Services	12.3	1.8	4.8	-3.7	-1.6	-1.7
Crude Oil	--	--	--	410.1	87.6	97.7
Use of resources (in percentage of GDP)						
Consumption	71.1	75.1	77.8	81.5	82.1	81.8
of which public	16.4	17.0	18.2	18.0	18.5	18.1
private	54.7	58.1	59.6	63.5	63.6	63.7
Investment	29.8	27.1	27.1	25.3	23.5	21.6
Resource Balance	-0.9	-2.6	-6.1	-6.7	-5.7	-3.9
Gross domestic savings	28.9	24.9	22.2	18.5	17.9	18.2

13. During this period, the situation in the energy sector changed rapidly. First, the country is close to self-sufficiency level for petroleum products. Local oil production which started in 1980 on the Belier offshore field reached an average annual level of about 1.3 million tons by the end of 1982 when a second offshore field, Espoir, began to produce. Investments in this sector amounted to about CFAF 200 billion during these two years. Exploration drilling has also been active in the framework of four other contracts to share development. Second, following the coming on-stream of the two dams, Taboo in 1980 and Buyo in 1981, hydroelectric power reached 90 percent of electricity production compared with 15 percent five years ago, while consumption continued to rise mainly due to an increase in the distribution and transportation network. Third, the local refinery has been expanded with a CFAF 150 billion investment. The 2 million ton hydroskimming unit has been

operational since mid-1982 while a 600,000 tons capacity hydrocracking unit is expected to start production in 1983.

14. Despite the high level of investment in this sector overall capital formation in the country declined from 28.3 percent of GDP in 1980 to 23.5 percent in 1982. This was partly due to the sharp decline in government and public enterprise investments. It was also caused by an important reduction in new investments by the private modern sector. The decline in operating margins combined with a large increase in financial charges led the enterprises to concentrate on improvement in labor productivity and to reduce employment for the fourth consecutive year.

15. The first objective of the stabilization plan is to reduce the overall public sector deficit, which rose because of excessive spending between 1976 and 1980 and is at the root of present external imbalances. Results achieved are impressive. The deficit is estimated to have declined from 12.8 percent of GDP in 1980 to 8.7 percent in 1982 while government arrears outstanding have been reduced by half to about CFAF 70 billion.

16. Government revenues have been increased by improving the efficiency of the tax system, implementing a series of fiscal measures related to excise, value added, and services taxes, and by freezing since 1979 producer prices of major cash crops on which the Caisstab (the stabilization fund) levies margins.

17. Given the already high level of Government revenues which average 28 percent of GDP the bulk of the budgetary policy focussed on expenditures. The trend in the expansion in current budget expenditures has been shifted and a slight decline in real terms took place since 1981. This has been achieved through the implementation of a wide set of restrictive measures. The most important are related to: (i) personnel management, new recruitment being strictly limited while the number of technical assistants has been reduced and wage increases being kept lower than the inflation rate; (ii) direct and indirect consumers subsidies have been reduced through tariff increases of major public services, large price increases of rice and refined petroleum product prices and elimination of subsidies on cotton sales to local enterprises; and (iii) the initiation of important cuts in education expenditures through, inter alia, reduction in students' fringe benefits and restriction in scholarships. However, the main effort to control public spending was focussed on capital expenditures which have been further curtailed by 25 percent in real terms during the period, mostly by shelving or postponing expensive non-priority projects. This policy induced a positive shift in the structure of the public investment program toward productive sectors. Table 2 below sets forth the breakdown of central goverment financed accounts for the period.

Table 2: CENTRAL GOVERNMENT ACCOUNTS
(in percentage of GDP)

	1978	1979	1980	1981	1982	1983
Revenue	32.5	30.7	27.,7	27.8	27.2	28.5
of which taxes	20.4	20.4	20.7	22.1	21.3	19.7
Caisstab	10.1	7.8	3.9	1.3	2.5	3.3
Other	2.0	2.5	3.1	4.4	3.4	5.5
Current expenditures	19.5	21.3	21.6	23.7	25.3	25.4
of which current budget	15.3	15.8	16.0	15.9	15.9	15.7
interest	2.0	2.6	3.2	4.8	7.1	8.2
Other	2.2	2.9	2.4	3.0	2.3	1.5
Public Savings	13.0	9.3	6.1	4.1	1.9	3.1
Public investment (Loi-Programme definition)	25.5	18.8	17.8	13.8	13.7	11.9
Public Sector deficit	-8.3	-10.4	-12.8	-8.9	-8.7	-6.2
(in CFAF billion)	(-149)	(-202)	(-285)	(-204)	(-221)	(-176)

18. Budgetary policy was reinforced by a tight monetary policy. Strict ceilings on domestic credit have been implemented. In particular, the increase in public sector liabilities have been reduced from CFAF 120 billion in 1980 to CFAF 100 billion in 1981 and to only CFAF 20 billion in 1982. The Central Bank reinforced its control on credit distribution through the existing prior authorization scheme, monthly target on commercial bank's assets, and recommendations on the sectoral distribution of domestic credit. The joint effects of this policy and of the slowdown in economic activity induced a sharp reduction in the growth of money supply. Ordinary credit to the private sector increased by only 3.4 percent in 1981 and 8.5 percent in 1982. This low domestic demand for credit enabled the commercial banks to reduce their foreign liabilities which were more expensive than their local resources until April 1982 when the West African Monetary Union decided to increase by 2 percent its discount rates. Normal discount rates were raised to 12.5 percent which corresponded to lending rates by primary banks of 17.5 percent on average, excluding taxes, and about 22 percent including a value added tax of 25 percent. Rates paid on large deposits reached 16 percent which was competitive with international market rates. The main feature of the monetary situation has been however the further important increase in net foreign liabilities of the Central bank which rose from CFAF 127 billion to CFAF 323 billion during the period. These were financed through purchases of resources from the IMF and an increase in the deficit of the UMOA's operations account with the French treasury.

19. Inflation, measured at the private consumption level, averaged 11 percent a year between 1980 and 1982, about the same level as during the three previous years. This high level, given the reduction in the activity and the tight monetary policy, has been caused by two main factors. On the one hand,

import prices continued to rise rapidly due to the depreciation of the currency and the inflation rate in France; on the other hand, the important tariff and price increases which were implemented in 1981 in the framework of the stabilization program. Recent price index movements indicate more favorable prospects for 1983.

The external accounts

20. The deterioration in the situation of net foreign assets of the country reflects the evolution of the balance of payments which is the most important short-term preoccupation. After the sharp deterioration between 1978 and 1980 the balance of payments current account deficit declined from 16 percent of GDP in 1980 to 13.7 percent in 1982, as is shown in Table 3.

Table 3: BALANCE OF PAYMENTS
(in percentage of GDP)

	1978	1979	1980	1981	1982	1983
Export FOB	33.1	29.8	29.4	32.5	32.2	31.1
Import FOB	-25.9	-24.4	-24.6	-24.5	-23.0	-21.0
Trade Balance	7.2	5.4	4.8	8.0	9.2	10.1
Net Service and Transfers	-17.1	-19.9	-20.8	-22.4	-22.9	-20.1
of which interest on public debt	(2.2)	(2.7)	(3.0)	(4.4)	(6.8)	(7.4)
salary remittance	(5.8)	(6.3)	(6.1)	(6.7)	(6.2)	(5.2)
Current account balance	-9.9	-14.5	-16.0	-14.4	-13.7	-10.0
Capital Movement	11.7	8.3	9.9	7.9	11.7	6.1
(of which official capital)	(10.1)	(6.1)	(8.1)	(6.2)	(10.8)	(4.3)
Overall Balance	1.1	-7.0	-6.1	-6.4	-1.9	-5.0
(in CFAF billion)	(90)	(-137)	(-136)	(-148)	(-49)	(-142)
Memorandum Items						
Change in terms of trade	-15.3	-1.9	-14.5	-14.2	-2.1	-2.3
Debt service ratio to GNFS exports	13.5	17.1	24.5	28.3	33.7	39.5

21. The Ivory Coast traditionally has a positive trade balance. After steadily declining from 1977 to 1980 the trend reversed itself in 1981. Despite the deterioration in terms of trade, the surplus rose from 4.8 percent of GDP in 1980 to 8 percent in 1981 and is estimated at 9.2 percent in 1982. Progress has been mainly due to the impact of the economic recession and of the start of oil production on imports which declined by 17.5 percent in constant prices during this period.

22. The counterpart of the extensive use by the country of foreign factors of production is the large deficit in services and transfers. Private transfers abroad, which had increased very rapidly between 1977 and 1980, declined by about 16 percent in real terms between 1980 and 1982. On the other hand, interest on external debt soared from CFAF 68 billion to 171 billion, i.e. about 6.8 percent of GDP, mainly due to changes in exchange rates and interest rates. This increase nearly wiped out improvements in the trade balance. Accordingly the current account balance deficit remained too high to lead to overall balance of payments equilibrium.

23. Two major changes occurred on the capital account balance. First gross public borrowings rose from about CFAF 280 billion in 1980 and 1981 to CFAF 410 billion in 1982. This is the consequence of public sector deficit financing requirements and reduction in arrears combined with strict ceilings on net domestic assets of this sector. The improved profile of new borrowings, with no loans of less than five years maturity, limited the increase in debt amortization from CFAF 100 billion to 125 billion despite the depreciation of the CFAF vis-à-vis the US dollar in which about 38.5 percent of outstanding external public debt had been contracted by the end of 1980. As a result, net public capital inflows increased from 8.1 percent of GDP in 1980 to 10.8 percent in 1982. Second, as noted earlier, 1982 has been characterized by net outflows of monetary capital. As a consequence, the overall balance of payment deficit declined from about CFAF 140 billion in 1980 to CFAF 50 billion in 1982, while the ratio debt service to exports of goods and non factor services increased from 24.5 percent in 1980 to 33.7 percent in 1982.

(c) The Present Economic Situation

24. Growth of GDP is expected to resume in 1983 at a 2.2 percent rate due to a two-fold increase in oil production while value added in the other sectors of the economy should decline by about 1.5 percent despite the recent lowering by 2 percent of lending interest rates following the easing on the international financial market. This forecast takes into account initial estimates of the impact of the exceptional drought and the bush and forest fires which characterized this year's dry season. Government is currently assessing the magnitude of these developments on the 1983-84 crops. Export earnings should not be reduced as the country's coffee stocks built after the record 1981 crop still represent 7 months of exports, and price increases are expected to compensate for a decline in volume of cocoa exports. Despite the recent decline in interest rates and the new CFAF exchange rate situation, the financial situation of the country will remain tight. The cumulative effects of the financial stabilization plan are expected, however, to lead to further important reductions in external and internal imbalances; the balance of payments current account deficit is expected to decline from 13.7 percent to 10.0 percent of GDP and the public sector deficit from 8.8 percent to 6.2 percent of GDP. These improvements will mainly stem from the evolution of imports, which should decline by 5.5 percent in real terms, and from a further 6 percent reduction in real terms in public investment expenditures, and, 2 percent in current budget expenditures. The Government has decided to sharply reduce, by CFAF 110 billion, gross foreign borrowings and has obtained

agreement from the Monetary Union to mobilize the counterpart of IMF purchases. Following the decline in official capital inflows an increse of about CFAF 90 billion in the overall balance of payments deficit is forecast. Despite the strict borrowing policy implemented since 1980 the ratio of debt service to exports of goods and non factor services will still increase from 33.1 percent in 1982 to an estimated 39.5 percent in 1983 reflecting the impact of unfavorable export prices and the lagged effects of high interest rates, past investment policy and the evolution in exchange rates structure.

25. At present, the outlook for the international economy is for no large improvement in the terms of trade, and the financial constraints on economic development are likely to remain tight over the next few years. The Government's objective to resume GDP per capita growth during the second half of the decade requires the continuation of the current restrictive fiscal and monetary policies until at least 1985 combined with an acceleration of the structural adjustment process.

II. ECONOMIC OUTLOOK

26. Since the forecast of Ivorian economy made at the end of 1981 in conjunction with SAL I, the economic outlook has deteriorated significantly.

27. First, the pace of development of oil resources is likely to be slower than originally anticipated. Current projections have been made under the hypothesis that only two new oilfields will enter into production in 1986 and 1987, their levels and profiles being identical to the two existing ones. Accordingly, sizeable surpluses for exports are not likely to materialize before 1987, and they should not surpass 500,000 tons per year by the end of the decade. Second, price projections for the major primary products exported by the Ivory Coast (especially cocoa and coffee) have been substantially revised downward by comparison with the expectations prevailing in 1981. Third, the period of high interest rates on international markets in 1982 has increased the debt burden of the Ivory Coast. More recently, decreases in interest rates of US dollar denominated borrowings have been accompanied by downward revisions in international inflation projected for the rest of the decade, resulting in higher real interest rates than originally anticipated.

28. The current projections have been made under the assumption that a strong financial recovery program will be implemented between 1983 and 1985. This program implies that public investment will be reduced by 6 percent per year in real terms at least until 1985. Over the same period, government consumption is assumed to remain constant in real terms, while present efforts to improve the efficiency of the tax collection system are pursued. Until 1985, the deficit of the balance of payments (net of IMF) is assumed to be compensated by an increase in the net debit position of the Ivory Coast with respect to the French Treasury's operations account. Starting in 1986, the overall deficit of the balance of payments is assumed to be financed through foreign borrowing at commercial terms, and repayments to the French Treasury's operations account are assumed at the rate of US$85 million a year.

29. In order to assess the economic outlook of the country taking into account the impact of the structural adjustment program, two alternative scenarios have been developed. In the reference scenario carried out without intensification of the structural adjustment effort, manufactured exports are assumed to grow at an average annual rate of 3.5 percent until the end of the decade, in line with projected growth in OECD countries. This compares with a growth rate of manufactured exports of 10 percent per year under the scenario with structural adjustment, slightly inferior to the historical rate of growth of 11 percent. The reference scenario further assumes that import elasticities for other consumer goods and intermediate inputs remain at their historical levels throughout the projection period, while reductions of 5 percentage points in the two elasticities is assumed under the scenario with structural adjustment after 1985, as a result of expected growth of import substitution production. Finally, the reference scenario has been carried out under the assumption that the coefficient linking investment to increments in GDP in the investment function remains at its historical level, while an improvement of 1 percentage point is assumed after 1985 under the scenario with structural adjustment, reflecting improvements in the quality of public investments.

30. The results of these projections are subject to a considerable degree of uncertainty. First, the medium-term outlook for the oil market remains difficult to predict. While even a substantial change in the price of oil would have only a marginal impact on the Ivory Coast balance of payments in the short term, given the relative balance between oil exports and imports in 1983, a sharp downward revision of the price projected over the medium term could delay the recovery of the Ivorian economy, both directly through its impact on export growth and indirectly through its impact on public savings and on the public investment program. Second, the projections assume no further deterioration in the external environment of the country, especially concerning terms of trade and interest rates. Finally, the comparison between the two scenarios should be made with caution, given the difficulty in predicting the timing and the magnitude of supply responses to changes in incentives. However, past dynamism of the private sector, both in agriculture and industry, shows that the capacity of economic agents to react to opportunities is strong, and that the overall impact of the structural adjustment program should be beneficial financially as well as economically.

Short-Term Prospects: 1983-1985

31. The financial constraints bearing on the development of the Ivory Coast will remain very tight over the next three or four years. On the revenue side, further increases in non-oil tax revenues will depend critically on Government's ability to improve the efficiency of the tax system, as it could be unwise to increase tax rates beyond the levels already attained, and as Caisstab revenues are not likely to increase in real terms given the prospects for coffee and cocoa prices. Major improvements in the net public finance situation will have to come from the expenditure side: increases in public expenditures will have to be maintained in line with the rate of inflation and the public investment program will have to be sharply curtailed in real terms.

32. Following the implementation of this program, the ratio of the public sector deficit with respect to GDP is expected to fall to about 4.5 percent in 1985. However, further increases of the debt service ratio are projected, from 39.5 percent in 1983 to some 43 percent in the 1983-85 period. The deterioration in this ratio is, however, not an adequate measure with which to assess the external financial situation of the country, as the current account situation is expected to improve as a result of reductions in imports induced by the increase in domestic oil production after 1983. It is however an indicator of the very tight external financial situation faced by the Ivory Coast. With a debt service ratio in the 43 percent range, and continued negative public savings, the Government will have to manage its external situation very tightly in order to maintain macroeconomic equilibria within reasonable bounds. At the same time, sensitivity analyses show that a departure from the present program could result in a rapid worsening of the external financial situation of the country, and that the Government no longer has the margins of manoeuver it enjoyed during the seventies, when the relative debt burden was much lower.

33. As a result of the financial stabilization efforts, economic growth is expected to be lower than population increase until 1985. Real GDP is forecast to rise by 2.2 percent in 1983, largely as a result of the increase in oil production, and to grow at about 2 percent per year until 1985. This slow growth, together with the substitution of local oil for imports, should result in an improvement in the current account deficit, which is expected to decline from 10.0 percent of GDP in 1983 to 8.8 percent in 1985.

Medium to Long-Term Prospects: 1986-1990

34. The evolution of the medium to long-term outlook of the country will be shaped by the expected impact of the structural adjustment program, the external environment and the profile of oil production.

35. Under the impetus of the sharp increase in oil production after 1986, and in the wake of the resumption of real growth of public investment made possible by higher inflows of oil tax revenues, GDP is projected to grow at an average annual rate of 4.6 percent between 1985 and 1990 under the reference scenario. By comparison, a growth rate of GDP of 6.5 percent is projected over the same period under the scenario with structural adjustment, reflecting expected improvements in the quality of the public investment program, a rise in agricultural output as well as the higher rate of growth of manufactured products. This result shows that only a substantial structural change within the Ivorian economy can lead to a resumption of the growth of per capita incomes after 1985.

36. The public finance situation improves considerably under both scenarios after 1985. Under the reference scenario, the public sector deficit does not exceed 1 percent of GDP after 1987, and slight surpluses of the order of 1 percent of GDP are projected in 1989 and 1990. Under the alternative scenario, the public sector deficit vanishes in 1986, and surpluses of the order of 3 percent of GDP are projected toward the end of the decade. This improvement is mainly the result of the sharp increases in oil tax revenues after 1987, reaching CFAF 150 billion in 1990, or about equal to the surpluses

projected for the Stabilization Fund in that year. Under the alternative scenario, further improvements originate from the relatively lower interest payments on external public debt, which decrease to 16.3 percent of current public expenditure in 1990 compared to 18.1 percent in that same year under the reference scenario.

37. The positive evolution of public finances is accompanied by a marked improvement in the external accounts. Under the base scenario, this improvement results essentially from the change in the structure of foreign trade following the emergence of the oil sector. From a level of 700,000 MT in 1982, imports of crude oil for transformation by the local refinery vanish in 1986, while imports of refined products become marginal after 1983 following production start-up of the new cracker unit. Exports of crude of the order of 650,000 MT are projected in 1987, levelling off at 450,000 MT by 1990. In parallel, exports of refined products of the order of 600,000 MT are maintained throughout the rest of the decade. By contrast, the growth of non-oil exports does not improve between 1985 and 1990 by comparison with the 1983-1985 period. This is due to the fact that the acceleration in the rate of growth of manufactured exports (from 2.8 percent in 1983-1985 to 3.5 percent in 1985-90) following the expected modest recovery in OECD countries is offset by the decline in the exports of timber, projected at 3 percent per year after 1985. Overall, the impact of the emergence of the oil sector on import savings and on increased exports results in a substantial amelioration of the current account balance, whose deficit is reduced to 4.5 percent of GDP in 1990. Under the scenario with structural adjustment, the positive impact of oil on the external accounts is reinforced by an acceleration in the rate of growth of non-oil exports (from 2.8 percent in 83-85 to 4.8 percent in 1985-90), essentially as a result of the rapid increase in manufactured exports, and by the reduction in the elasticity of imports of consumer goods and intermediate products with respect to GDP. Accordingly, the deficit of the current balance with respect to GDP is reduced to 2.7 percent in 1990.

38. Higher export growth rates and improvements in the public finance situation after 1985 result in a decline of the debt service ratio to 35.4 percent in 1990. Under the scenario with structural adjustment, improvements in the growth of manufactured exports and further reductions in public financing requirements induce a steady decline in the debt service ratio to 30.7 percent in 1990.

39. The internal and external financial constraints, which will remain very tight during the first part of the decade, should be progressively removed as a function of the successful implementation of the financial recovery program, the slight improvement in the international environment, and the expected increase in oil production. However, the resumption of a sustained growth of per capita incomes in the Ivory Coast will depend on the intensification of the structural adjustment program now pursued by the Government. In this perspective, the reform of the system of incentives, both in agriculture and in industry, improvements in macro management and in the management of public enterprises, and improvements in the composition of the public investment program, should play a key role in shaping a lasting recovery towards the end of the decade and beyond.

(Translation from French Original)

REPUBLIC OF THE IVORY COAST

LETTER OF DEVELOPMENT POLICY

Introduction

1. After a long period of strong and financially balanced growth, Ivory Coast's economy went through three years of overheating from 1976 to 1978, chiefly because of the favorable prices for its two main export products, coffee and cocoa. These factors permitted the Ivory Coast to embark on an large public investment program, with some poor quality components.

2. The Ivory Coast subsequently underwent from 1979-1982 a very sharp deterioration in its external terms of trade, which resulted in a profound disequilibrium in its balance of trade and balance of payments. Furthermore, this also affected public revenues, to which CAISSTAB surpluses previously made important contributions.

3. Changes in cocoa and coffee prices were not the only factors weighing on the internal and external equilibria of the country, even if they appeared to be the most important influence. In 1980 the general economic slowdown brought with it a stagnation of international trade and a decline in prices of principal commodities. The high US dollar exchange rate and interest rates which followed this crisis have worsened the economic and financial situation of those developing countries for which petroleum imports and a growing share of public debt are payable in US dollars.

4. As a result, the Ivory Coast's traditional markets, particularly the CEAO and the CEDEAO countries, which accounted by the end of the 1960s for a substantial share of Ivorian industrial exports, have contracted sharply, further compounding the difficulties encountered in commodity markets.

5. Finally, the financial conditions prevailing in the petroleum markets, and the conditions affecting the Ivory Coast's own petroleum exploration program, have not enabled national petroleum production to reach the expected levels.

6. As a consequence, the Ivory Coast has been experiencing economic and financial difficulties for several years, and this has led the Government to adopt programs of stabilization and adjustment of considerable magnitude.

7. The economic and financial recovery program aims at improving the public finance and balance of payments situation in the short term and at restoring the bases for balanced growth over the medium term. The program has been supported by an extended facility agreement negotiated with the International Monetary Fund in February 1981 and by the World Bank through a First Structural Adjustment Loan granted in November of the same year.

8. Considering the evolution of the international environment, restoration of financial and economic equilibria is progressing slowly, in spite of a restrictive budgetary and monetary policy. Nevertheless, the results already obtained are significant: the public sector deficit was brought down from 12.8% of GDP in 1980 to 8.9% in 1982 and should reach 6.2% in 1983. The sector's payment arrears have been reduced from CFAF 140 billion at the end of 1980 to about CFAF 60 billion by the end of 1983. The balance of payments current account deficit, which represented 16% of GDP in 1980, amounted to 13.7% in 1982 and is estimated at 11.1% in 1983.

9. Notwithstanding these initial positive results, the Government intends to maintain its policy of budgetary and monetary austerity for as long as is necessary to restore completely the country's principal economic and financial balances. In particular, the Government, which has always respected its external public debt payments, will continue to give priority to its financial commitments.

10. Beyond the short-term stabilization policy, the Government is aware that the prospects for the international environment remains more unfavorable than in the past, and that it is necessary to continue and to intensify the adjustment policy launched more than a year ago. It mainly consists of carrying out a medium- and long-term development strategy which can re-establish the basis for resuming per capita income growth during the second half of this decade. To this end, the Government intends to make full use of the economic policy instruments at its disposal, particularly macroeconomic and sectoral incentive systems. The Government is aware of the magnitude of the task to be accomplished and of the efforts that will be required of different economic agents: the Government, enterprises, both public and private, and households.

The Second Phase of the Structural Adjustment Program

11. In its Letter of Development Policy of November 3, 1981, the Government outlined the objectives and measures to be taken in its medium-term economic adjustment program. The first phase of this program was carried out in the context of the First Structural Adjustment Loan, during which substantial progress was made.

12. The second phase will involve continuing the program, particularly in agriculture, and new action programs in industry and housing. This second phase will comprise five principal components:

(a) Further improvement in public finance management. Emphasis will be placed in particular on rationalizing investment policy and on progressively restructuring current expenditures.

(b) Continuation of the rehabilitation of the parastatal sector, including the development of the tools needed for global management of the sector, improvement of the system relating the State and its enterprises, and rehabilitation of enterprises in financial difficulties.

(c) Continuation of the rationalization of agricultural policy. This program is based on a global approach to price, tax and subsidy policy. It envisages a reorganization of the public enterprises in this sector, some of which are in deficit, and implementation of a rural development strategy through modernizing and diversifying agricultural production, particularly the promotion of foodcrops, with the long-term goal of self-sufficiency in food.

(d) Implementation of the adjustment strategy for the industrial sector, comprising reform of the system of industrial incentives and restructuring of the institutional environment, will make it possible to enhance the sector's competitiveness and expand exports.

(e) Implementation of a new urban housing policy. This policy should lead to a reduction in the drain on public finances and create the conditions for a lasting recovery of the construction sector, relying on private enterprise and on a greater mobilization of private savings.

Public Investment Policy

13. The Government has taken steps to cut back the public investment program. The volume of public investment has accordingly fallen from 25% of GDP in 1978 to 12% in 1983, equivalent to a reduction of 40% in constant prices. Public investment will not expand in real terms until warranted by the financial situation of the public sector. The steps taken have also sought to improve the quality of the investment program and to strengthen project programming, preparation. monitoring and control mechanisms. The Government is firmly resolved to maintain a rigorous policy in this field and to strengthen the effectiveness of its control mechanisms.

14. The principal control mechanisms are:

(a) The Financial Coordination and Investment Control Committee, which produces each month the basic tables required for monitoring the economic situation;

(b) The Schéma-Directeur, the three-year financial program prepared in June 1982 underlines the need to continue the financial austerity policy at least until 1985.

(c) The Loi-Programme, the three-year rolling public investment program, now includes virtually all public investments and permits centralized management of the public sector's financing needs.

15. Starting in 1983 the Government integrated the receipts from oil production into the central government accounts. The use to be made of these receipts will be determined each year by the Finance Law. Thus, for 1983, 80% of these receipts were allocated to the CAA and 20% to the Investment Budget (BSIE). CAISSTAB surpluses have been distributed under the same principles as follows: 70% have been allocated to the CAA, 20% to financing investments, and 10% to financing Government current expenditures. In future years the

CAISSTAB surpluses will continue to be allocated along the lines adopted in 1983. Investment projects currently financed by CAISSTAB, primarily the funding of agricultural agencies, will be integrated into the Investment Budget.

16. Significant improvements will be made at each stage of the public investment programming process. In 1983 and 1984 the Government will stress:

- Improvement of the short- and medium-term forecasting methods used for determining the total requirement, the sectoral breakdown, and the financing plan for the public investment program;

- Development of sector master plans. These will be prepared jointly by the Investment and Planning Directorates and will provide the technical ministries and public enterprises with the necessary guidance for preparing their investment programs. This improvement will allow sector allocations to be defined on the basis of a minimum priority program and a maximum optional program;

- Effective coverage of all public enterprises by the Loi-Programme. In particular, it will record all financial transfers to the parastatal sector and quarterly reviews of project execution will be generalized;

- Appraisal and selection of new projects. Current financial constraints give rise to the need to limit investment expenditures and to give priority to maintenance and to optimum utilization of existing infrastructure and facilities. Careful selection of new projects is therefore all the more important. After initially stressing technical and financial evaluation, the Government has decided to strengthen the means and methodologies employed in economic appraisal and to systematize project cost-benefit and cost-efficiency analyses. In particular, all projects requiring an investment of more than CFAF 1 billion will be subject to an economic appraisal before any decision is made. The Government and the World Bank will examine the investment program for 1984 before the end of 1983.

17. Better recovery of capital costs and recurrent expenditures will be sought. The systems in place have been improved and are now considered satisfactory in some sectors. However, they need to be reviewed in other sectors that still weigh heavily on public finances. The Government is paying particular attention in this respect to education, urban transport and housing, since these constitute a heavy burden on the operating budget. Improvement of the systems for recovering recurrent expenditures is one of the principal options included in the preparation of the SOTRA program-contract and in defining the new urban housing policy. The Government has already taken some important steps to limit the growth of budgetary expenditures on education; other measures, concerning in particular the distribution of study fellowships, will be put into effect at the beginning of the next academic year. In order to improve management of this sector, which takes up nearly 45% of the operating budget, the Government has decided to introduce, along with the

present budgetary procedures, a system for programming current expenditures that will include the establishment of standard unit costs by type of education; this will improve the efficiency of this sector that is essential for the country's development. This system should become operational in 1984.

Management of the Parastatal Sector

18. The parastatal sector experienced considerable, though sometimes poorly controlled, growth until 1977. The sector generated deficits which now weigh heavily on the country's public finances. In 1977, the Government undertook an extensive rehabilitation program which began by closing a dozen state enterprises and by transferring certain activities to the private sector. In addition, a new supervisory system was put in place. A systematic management analysis of all enterprises of a certain size is in progress which will form the basis for a durable rehabilitation program and a clearer definition of their respective missions.

19. The Government's policy has three components:

- introduction of the necessary tools for the overall management of the sector;

- rationalization of the system of relations between the State and the enterprises;

- continued efforts to rehabilitate the principal enterprises in financial difficulty.

20. A clearer knowledge of the aggregated situation of the parapublic sector, particularly the financial flows with the State and the banking system, and the arrears of this sector, is indispensable for the Government in defining economic policy and for the success of the ongoing financial stabilization program. To this end, the Ministry of Economy and Finance has decided to supplement the instruments for monitoring public enterprises currently in use by a series of synoptic tables designed to be as useful to the Government as to the enterprises themselves. These management information charts will incorporate financial information that can be aggregated and that can serve as a guide to the country's financial policy, and will include a series of management and productivity indicators. They will be prepared in a standard form so as to make it possible to compare performance of the enterprises with defined objectives. They will also enable the financial needs of parastatal enterprises to be forecast and timely provision to be made in the Loi-Programme and in Government budgets. This system will be introduced on an experimental basis this year for enterprises in the transport sector, so that it can be applied generally in 1984.

21. The system of relations between the State and public enterprises is in need of improvement. Specifically, there is a need to state clearly the reciprocal duties and obligations of the State and of the entities under its supervision.

22. Enterprises in the parastatal sector are classified into two distinct categories. The first group, the "établissements publics" (public agencies) which are either administrative or industrial or commercial, are in effect constituent parts of the administration, which carry out certain public service functions and which obtain most of their resources from the national budget. The creation of a separate juridical status, independent of that of the State, reflects the aim of giving these establishments a greater degree of autonomy and responsibility than that enjoyed by Government departments. Nevertheless, since they are close to the public administration in their goals, it is appropriate to apply to them the same general principles as are applied under public finance procedures, but to ensure that their application retains a degree of flexibility that is essential if these entities are to be managed efficiently.

23. The second group consists of "Sociétés d'Etat" (State companies) and "sociétés d'économie mixte" (semi-public companies). Their organization and management are based on the private law of business corporations, whether or not they are subject to public service requirements. These companies, which are all commercial in form, are responsible for promoting certain industrial and commercial activities designed to support and accelerate the economic and social development of the nation. Their activities involve the production and/or marketing of goods and services; in particular, they substitute for the absence of private initiative, when necessary, but they aim to ensure that in the longer term their activities will be taken over by the private sector.

24. The Government has decided to re-examine, by December 31, 1983, the roles, activities and action programs of certain public enterprises, particularly SATMACI and SODEFOR, and to reconsider their statutes and structures. It will also take the necessary measures to provide both the CAA and the autonomous ports of Abidjan and San Pedro with statutes more appropriate to their missions by June 30, 1984.

25. It is also necessary to define clearly the missions, objectives and responsibilities of the enterprises as well as the reciprocal obligations of the state. The Government plans to employ four different tools determined by the type of activity and the economic and financial position of the enterprises.

(i) "Annual Action Programs", comparable to those already used for certain agencies operating in rural areas, will be drawn up on a standard basis and within a three-year framework for enterprises which, like SODEPALM and SATMACI, have public service functions but for which it is difficult to define quantitative productivity and efficiency goals;

(ii) "Recovery Plans" for entities whose financial situation or internal management situation is in need of improvement; the three most important will be for SODESUCRE, OPT, and SETU;

(iii) "Program Contracts" for companies that have both important commercial activities, and public service requirements which are a drain on public finances, although their management and internal control

systems may be efficient or improving; "Program contracts" should be negotiated with SOTRA and CIDT;

(iv) "Management Performance Follow-ups" for enterprises in the non-competitive sector that make only limited calls on public finances and whose management is considered satisfactory. These will be used for the autonomous ports, for SITRAM and for INTELCI.

26. This new system will be introduced before December 31, 1983 for a first group of enterprises which should include SATMACI, SODESUCRE, OPT, SOTRA and INTELCI.

27. The Government will seek to ensure compatibility between the legal framework within which the necessary controls by the public authorities are to be exercised, the nature of the activities carried out by the enterprises and the requirements of effective management.

28. Since 1980, the State has gradually strengthened its financial supervision of enterprises in the parastatal sector stressing in particular the control of expenditures. In this regard, the Government has decided to implement a series of measures by December 31, 1983. These measures, which are listed in detail in Section A of the Annex, are designed to avoid the risks of excessive administrative rigidity, to strengthen the operational efficiency of control procedures, to speed up the work of the supervisory boards and the appointment of the delegates of these boards as envisaged under the law, as well as to improve the use made of financial audits. These measures will be supplemented by an examination of the whole system of procedures governing the award of public contracts.

29. Recovery programs will be implemented for those enterprises in the agricultural sector for which in-depth studies have already been completed. Particular attention will be paid to the restructuring of SODESUCRE and the rehabilitation of RAN. Diagnostic studies will also be made for SODEFEL, OPT, SOTRA, SETU and SICOGI as well as specific studies of SITRAM and SOGEFIHA. The Government has taken the necessary steps to ensure SIR's financial equilibrium. The Government will take any measures that may become necessary as a result of changes in the basic parameters (dollar exchange rate, price of petroleum) to preserve this financial equilibrium and to do this from 1985 onwards without any transfer from the petroleum compensation funds.

AGRICULTURE

Introduction

30. Development of the agricultural sector has been the foundation of the Ivorian economy's growth and will continue to play an essential role in the country's economic, social and financial future. The Government intends to continue to give the highest priority to agriculture through an action program which concentrates on three principal elements:

(a) definition and application of a coherent and incentive-oriented price, subsidy and marketing policy;

(b) reform of the most important agricultural sector enterprises to make them more effective and more profitable;

(c) definition and application of a rural development strategy aimed at modernizing and diversifying agricultural production, and at promoting food production in particular, with a view to attaining food self-sufficiency, in the longer run.

Price and Subsidy Policy

31. Since the Government regards an incentive-oriented price and subsidy system as the best means of optimizing the agricultural production structure, national policy endeavors to reconcile a range of needs:

- To assure the best balance among producer prices so that producers will be persuaded to grow the crops that reflect the country's long-term comparative advantage;

- To cushion the impact of short-term fluctuations of world market prices on producer prices, while ensuring that the agricultural sector participates in the national savings effort;

- To provide appropriate incentives for the production and marketing of food crops and export crops;

- To ensure that inputs are used rationally by establishing prices for them that are consistent with their actual cost, and by using subsidies less as incentives to production but rather as a means of encouraging producers to adopt more advanced technologies (for example, cotton insecticides, and cocoa fermentation vats and tanks);

32. In 1982, a general study on pricing, subsidies and other types of assistance in the agricultural sector was completed. It gives an overall view of the price structure at the end of 1981, and could yield the elements of a methodology for determining agricultural prices and subsidies.

33. It is apparent from the Government's survey that the structure of agricultural prices in Ivory Coast reflects the relative value of the various products. Recent price decisions, as well as the measures contemplated by the Government for the 1983/84 season, tend to counterbalance certain price distortions, for example the elimination of fertilizer subsidies. Details of these measures will be found in Section B of the Annex.

Promotion of Food Production

34. The Government is aware that the success of the food self-sufficiency program depends as much on efforts to be made in research and production management aiming at better productivity as on a coherent and incentive-oriented price and marketing policy. Both producer and consumer prices for rice are a decisive factor in the policy to stimulate food production, mainly because of

the marked price elasticity of supply and demand for rice. Based on the present consumer price level, marketing of locally produced rice involves a subsidy of about CFAF 3 billion, a sum which should not increase in the future. In addition, the Government will adjust the market price of rice to the price of imported rice in CFA francs so as to eliminate any subsidy on imported rice.

35. As regards paddy collection and rice milling, the Government took a far-reaching decision in 1982 to place rice marketing and processing in private hands and to give rice mills access to the financial resources (in the form of seasonal credits) needed to cover their purchases from producers. The immediate effect was to guarantee farmers regular payment for their crops, to improve milling yields and to increase the volume collected (from 16,000 metric tons in 1982 to 40,000 in 1983 and an expected 60,000 in 1984). In July 1984, the Government will evaluate the success of these new arrangements, and will seek to make the necessary resources available to further improve their effectiveness with a view to reducing the subsidy element in commercial rice processing.

36. As far as the marketing of other food products is concerned, the Government is aware of the need to improve distribution channels and outlet facilities, while keeping a more equitable balance among the interests of producers, consumers and intermediaries.

37. Studies undertaken by the Government in 1982 on the production and marketing of maize and vegetables are now nearing completion, while a study on groundnuts will begin shortly. More recently, the Government decided to conduct a study to identify a strategy and to prepare a development program for product marketing that would focus on:

- assessing the sector's situation, in particular its human and material resources;

- drawing up short-, medium-, and long-term strategies that define the roles and actions of the various ministries and other agencies capable of bringing about improvements in the marketing of food products;

- defining an interim action program that would culminate in a development project.

The results of this study will be available by mid-December 1983.

38. The Government's intention to eliminate progressively the subsidy on SIVENG fertilizers raises a corollary problem of what support and incentives to give to that enterprise and to the agro-industries that use compound fertilizers. Firstly, in the long term SIVENG will have to lose its domestic monopoly and face competition from foreign producers. Secondly, because of the increase in the price of compound fertilizers, it is likely that some users, SODESUCRE for example, will opt for simple fertilizers, which are cheaper and probably equally suited to their needs. SIVENG's domestic sales volume will therefore probably decline, at least over the short term, and it will have to

be induced to orient itself toward the export market. An in-depth study of the conditions under which this entity will be operating in its new economic environment is to begin in August 1983.

Reform of Agricultural Sector Enterprises

39. As part of the First Structural Adjustment Loan, the Government undertook to settle the arrears of three agriculture sector enterprises (PALMINDUSTRIE, CIDT and SATMACI) as well as to conduct management audits of seven sector enterprises (PALMINDUSTRIE, CIDT, SATMACI, SODESUCRE, SODEFOR, SODEPRA and SIVENG), designed to improve their management, to reduce their costs, and to redefine where necessary their objectives and the system governing their relationships with their supervisory authorities.

40. In the course of 1982, the Government succeeded in settling the arrears of PALMINDUSTRIE, CIDT and SATMACI and committed itself to taking whatever measures might be necessary in the future to guarantee regular financing and rational operations for these enterprises. By the end of 1983, the Government will take whatever steps are required to maintain the financial equilibrium of these three enterprises.

41. The various management audits are nearing completion. These audits will give the Government a solid basis for reform of these enterprises, a subject to be discussed with the Bank at the appropriate time.

42. PALMINDUSTRIE has been audited in considerable depth by the UNIPLANT Group, with which a technical assistance contract was signed in early 1983. Based on this audit, the Government has already taken a number of important decisions that should improve this entity's operations and structure. Its Statute as a State company has been confirmed. It is to take over product marketing operations on October 1, 1983, functioning thereafter as a commercial organization while still benefiting from a price stabilization system for village production. In this regard, the Government recognizes that the company will need adequate working capital. The UNIPLANT audit, together with the feasibility study of an oil-palm and coconut-palm replanting project already under way, will serve as the basis for preparation of another oil-palm/coconut-palm project.

43. CIDT, which plays a key role both in development of the North and in promotion of food crops, has been the subject of a number of studies to improve its administrative, technical and financial organization and to reduce its costs. Section B of the Annex gives details of the planned program of reforms and other measures designed to improve its cost-effectiveness, and which could result in greater financial autonomy for CIDT, depending on the situation of the cotton account.

44. SATMACI: The Government is now in the process of redefining SATMACI's objectives. This is expected to include a restructuring of the organization aimed at improving the efficiency of its extension services and transferring SATMACI's commercial activities to the private sector. The Government is now analyzing the management audit of SATMACI that has just been concluded. By December 31, 1983, the Government and the Bank will agree on the principal

components of the internal reform of SATMACI as well as on the timetable of actions to be taken.

45. SODESUCRE: The management audit of this State company is particularly important, given the extent of the technical, financial, and administrative difficulties confronting it and the fact that it places a considerable burden on Ivorian public finances. Both the Government and the Bank are monitoring the progress of this audit, which began in mid-January 1983, and after the final report is expected to become available in June 1983, they will make every effort to agree on a rehabilitation and recovery program. SODESUCRE has already decided upon a series of measures to be implemented immediately, one of them being a 7% cut-back in personnel before June 30, 1983 (See Section B of the Annex).

46. SODEFOR: The management audit of SODEFOR is nearing completion and focuses on:

- identifying the causes, both internal and external, of the administrative, technical and financial problems confronting the company;

- formulating recommendations to improve SODEFOR's performance, specifically by reducing its operating costs and allowing its component units more autonomy, justified in view of their sustained and rapid development;

- improving protection of plantations from natural hazards;

- assessing the system of relationship between SODEFOR and its two supervisory ministries.

The results of the audit will be examined by the Government and the Bank in August 1983.

47. SODEPRA: The audit of SODEPRA, which has begun, focuses on:

- rectification of the financial statements of the enterprise, with an accurate estimate of its assets and arrears;

- definition of the objectives of the various production units (ranches, commercial-scale complexes, commercial silos);

- analysis of the internal organization of SODEPRA and its management, and definition of a new organizational structure taking into account the recommendations concerning the redirection of SODEPRA's objectives.

The results of the audit will be examined by the Government and the Bank in August 1983.

48. MOTORAGRI: The management audit of MOTORAGRI, which is already under way, is designed to provide the Government with a basis for defining programs of mechanized work within the framework of its policy of modernizing and

mechanizing agriculture. Starting with a critical analysis of Ivory Coast's development ventures since 1977, the audit will seek to define valid technical, economic and social criteria for use in identifying appropriate action programs. It will also redefine the role MOTORAGRI is to play in the execution of these programs, as well as its other activities and its system of organization and financial management. The conclusions of the audit report will be discussed with the Bank in August 1983.

49. SODEFEL: The Government also intends to undertake a management audit of SODEFEL in the course of 1983.

Definition of a Rural Development Strategy

50. In the Letter of Development Policy prepared in November 1981, in the context of the First Structural Adjustment Loan, the Government mentioned the importance of an agricultural development policy that would enable the Ivory Coast both to continue to grow within a changing world economic environment and to expand its portfolio of economically justified agricultural projects.

51. A particular effort was therefore made to strengthen the agencies responsible for project planning and preparation. In 1981, the Government created a new entity, the Directorate of Studies and Planning (DEP), within the Ministry of Agriculture, it built up the Directorate of Programming, Budget and Management Control (DPBCG) and the Agriculture Projects Design Office (BETPA), both within the Ministry of Agriculture. In October 1982, BETPA was converted into an EPIC with well-defined objectives. In 1982, through the World Bank Technical Assistance Loan, eight experts were recruited to supplement the staff of these entities.

52. Concurrently, in application of the policy of food self-sufficiency and to strengthen the structure and organization of agronomic research, the Government created the Institut des Savanes (IDESSA), as an EPIC, responsible for improving the production systems of principal foodcrops, and the Ivorian Centre for Technological Research (CIRT), as an EPA, responsible for the application of technologies that are responsive to needs in the areas of storage, conservation and processing of foodcrops. Through the Technical Assistance Project, four experts have been recruited in 1983 and a program to provide equipment and scientific materials has been initiated.

53. An integrated work program put together by the various departments of the Ministry of Agriculture, the Secretariat of State for Agriculture, and the Ministry of Education and Scientific Research, aims essentially at modernizing the rural sector and at diversifying production in accordance with the country's long term economic interests. The main elements in the program, which are listed in Section B of the Annex, will be discussed with the Bank in September 1983 and reviewed regularly thereafter.

54. These broad guiding principles have for the most part already been given concrete form in the 1983 Investment Budget and the 1983-85 Loi-Programme. They indicate that the Government:

- stopped expansion of cocoa and coffee plantations in order to concentrate on coffee regeneration and on improving cocoa productivity and quality;

- is encouraging wider cultivation of rubber and replanting of oil-palms and coconut-palms (both commercially and at the village level);

- is emphasizing integrated development projects;

- would favor eventual expansion of sugar, soybean and irrigated rice production only if feasibility studies showed this to be economically justified;

- envisages the continuation of cotton programs as long as they show satisfactory returns.

55. As a means of accelerating the modernization of agriculture, the Government has conducted a pilot motorization project and is now evaluating the results. MOTORAGRI's land-clearing methods and programs are also presently being reviewed within the context of the management audit. In addition, on instructions from the Government, ISNAR carried out a study designed to: assess the links between farm research and extension work; produce a master plan and prospective programs for agricultural research; and produce an integrated research program on more intensive food production in the savannah and forest zones, on foodstuff storage operations and on the conserving, processing and value-enhancement of food products. The Government and the Bank are now working together to review the results of this study, as the first step toward preparation of an integrated research project.

56. The Government is aware that the definition of a dynamic rural development strategy depends on a close and systematic coordination of the actions taken by the various ministries responsible for the rural sector. It will, therefore, endeavor to strengthen the various ad-hoc inter-ministerial committees presently involved and is considering regrouping them into one body, a National Committee for Rural Development.

INDUSTRIAL POLICY

57. For the last two years the industrial sector has been through a period of stagnation characterized by a very marked slowdown in the growth of exports and a slackening of investment, after having experienced a period of rapid and continuous expansion up to the end of the 1970s, during which its share of GDP rose from 4% to 13%.

58. While it is true that the world recession and the present unfavorable circumstances of the Ivorian economy partly explain the slowdown in industrial growth since 1980, the Government is aware that beyond the vagaries of economic circumstances, resumption of sound and lasting growth of industrial activity will depend on the solutions found to the structural problems affecting Ivorian industry, i.e.:

A. Decline in the competitiveness of manufacturing enterprises

59. Until the mid-1970s, Ivory Coast experienced an initial phase of industrialization based on continued expansion of the domestic market and development of the CEAO regional market. This remarkable growth period demonstrated Ivory Coast's ability to spur development of private enterprise in the framework of a balanced expansion of the national economy. This growth took place in the context of a relatively simple system of industrial incentives, based on moderate tariff protection that was relatively uniform between the different branches, and on the absence of a system of quantitative import restrictions, which ensured the development of a competitive industrial fabric.

60. This situation first began to deteriorate following the revision of the customs tariff in 1973, which brought in considerable distortions between the protection provided to the different branches of industry and, within them, to the different degrees of product processing. Moreover, the acceleration of inflation after 1975, and the sharp jump in domestic prices following the coffee and cocoa boom of 1978 and the oil crisis of 1979, induced a growing distortion between the price level in Ivory Coast and those of its chief international trading partners and contributed to the erosion of the competitiveness of Ivorian products in export markets. The Government responded to this situation by expanding the system of quantitive restrictions on imports, leading to a rapid increase in the number of products subject to import quotas, and to the setting up, in several branches, of prior authorization commissions. However, this further accelerated the decline in the competitiveness of Ivorian industry, because of the establishment of uneconomic import-substituting industries. It also doubtless entailed a sizeable loss of revenue for the Government, in the form of customs duties that would have been collected if quotas were not in effect.

61. A considerable structural adjustment effort will now be needed to restore industry's competitiveness, both at home and in export markets, without quantitative restrictions.

B. Discrimination in the export incentive system

62. The system of industrial incentives introduces a very marked discrimination between production incentives for the domestic market and for exports. During the 1960s and 1970s, the rapid expansion of the domestic market and of openings in the regional markets were sufficient to sustain the growth of the industrial sector. Now, the lack of an adequate value added incentive system is restraining the expansion of the sector at a time when the saturation of the local market and of the traditional regional markets calls for diversification into markets such as the EEC, where Ivory Coast is entitled to preferential treatment, especially since most enterprises have idle production capacity. An in-depth reform of the export incentive system is therefore urgently needed, to permit vigorous expansion of Ivorian exports of manufactured goods.

C. Low level of integration

63. General processing predominates in Ivorian industry. This is because the present incentive system does not encourage inter-sector relations or densification of production processes. In order to develop local production of intermediate goods, a major reform of customs tariffs and domestic taxation is needed, the chief aim of which will be to reduce the difference between the protection for production of intermediate and finished products, and to offset the negative effects of the tax-free imports allowed by the Investment Code and the temporary import procedure in their present form.

D. Weakness of the policy for promotion of local industry

64. The inadequacy of the promotion of local industry arises chiefly from the deficiencies of the institutions responsible for promotion, primarily as regards providing technical and financial assistance to small and medium enterprises. Implementation of an effective industrial promotion policy therefore requires that dynamic institutions be established with clearly defined goals and in which representatives of the Government and of the private sector work closely together.

65. Aware of the need to restore the dynamism and competitiveness of the industrial sector within the framework of balanced national economic development, the Government has decided on a major reorientation of its industrial policy focusing on five principal elements:

(a) REFORM OF THE SYSTEM OF EXPORT INCENTIVES

66. The Ivorian Government intends to set up a system of incentives for exports of manufactured goods that will comprise:

- a system of subsidy on export value added for all manufactured exports to countries outside the CEAO;
- a preferential financing system for exports;
- in the long term, a system of export insurance.

67. The rate of the subsidy on export value added will be computed so as to compensate exporters in full both for the average effective tariff protection given to sales on the domestic market and for the cumulative inflation differential since 1975 between Ivory Coast and its main trading partners. The system that is set up will also make it possible to reduce, and over the long term remove, the incentive to import inputs that exists under the temporary import procedure in its present form.

(b) REFORM OF THE SYSTEM OF TARIFF AND NONTARIFF IMPORT PROTECTION

68. The essential aims of this reform are to promote better densification of the industrial fabric and to improve the sector's competitiveness.

69. The first part of the reform will consist of a revision of the customs tariff, in order to harmonize the effective tariff protection rates applying to the different branches of industry and, within them, to the different levels of product processing.

70. The second part will concern the quantitative restrictions on imports. The ultimate aim of this reform will be the elimination of these restrictions, whether quotas or prior authorization requirements, and their replacement by an import surcharge that will be degressive over time. This aim will be pursued in successive stages, in order to enable Ivorian industry to adapt to the new policy.

(c) REVISION OF THE INVESTMENT CODE AND TAXATION

71. The revision of the Investment Code will be aimed at encouraging the development of new activities. It will include:

- Reformulation of the measures provided for in the 1959 Code in order to adapt them to the country's economic situation. In particular, the automatic exemption from import duties on intermediate products for priority enterprises will be eliminated, so as not to penalize potential local manufacturers of such intermediate products.

- Introduction of new measures designed to consolidate certain fundamental aspects of Ivory Coast's industrial policy:

  - Participation in national development by encouraging the establishment of enterprises in the provinces;

  - Job creation;

  - Training within enterprises;

  - Export promotion.

- Measures in favor of small and medium enterprises, which have not so far benefited from the incentives included in the 1959 Code.

- In addition to the measures taken for large-scale industries, small and medium enterprises will benefit from specific advantages.

72. The tax reforms will be designed to place industrial enterprises, including small and medium enterprises, in a better competitive position.

(d) REFORM OF THE INSTITUTIONS RESPONSIBLE FOR PROMOTING INDUSTRY

73. The Government envisages setting up two agencies that will have the autonomy and freedom of action needed to ensure the success of the industrial promotion policy.

74. The first will deal essentially with promoting and providing technical assistance to small and medium enterprises; it will be based on an in-depth reorganization of CAPEN, especially as regards its statutes and staffing.

75. The second will combine different funds (guarantee, participation, subsidy, studies) and will provide the financial support essential for the promotion of small and medium enterprises.

76. The two agencies will have qualified personnel, strictly limited in number to the needs and programs identified. Moreover, to ensure real coordination of their actions they will have a common Board made up of representatives of the highest levels of Government, the banking sector and the industrial sector.

(e) IDENTIFICATION AND IMPLEMENTATION OF ADDITIONAL MEASURES TO STRENGTHEN ENTERPRISES' EFFICIENCY

77. The Government has decided to undertake a series of studies to define measures that would raise factor productivity and the efficiency of industrial operations. These studies will focus in particular on improvements that can be made in social legislation, for instance regarding training and pay policy, and on the possibility of increasing the proportion of production-related bonuses in wages. An effort will also be made to encourage technological research applicable to the sector, particularly to small and medium enterprises.

78. As a result, the Government has decided to adopt the following action program and schedule: before December 31, 1983, a first set of measures will be put into effect in the framework of an interim program and detailed formulation of a medium-term program will be carried out, with its first phase to be implemented before September 30, 1984. Before the different rates mentioned below are applied, they will be reviewed by mutual agreement between the Government and the Bank.

A. Interim Program

79. The measures envisaged under the interim program are the following:

(a) Before September 30, 1983

1. Adoption of the new Investment Code by the Council of Ministers. This Code will then be submitted to the National Assembly before December 31, 1983.

2. Adoption by the Council of Ministers of the decrees reorganizing CAPEN and establishing an agency for financial assistance to small and medium enterprises.

3. Establishment of a system allowing acceleration of value added tax reimbursements to exporters.

4. Commissioning of a study on freight problems.

5. Submission to UMOA of a dossier to enable Ivorian manufactured exports to be eligible for the Preferential Discount Rate.

(b) Before December 31, 1983

1. The Government will include in the draft 1984 Finance Law the subsidy on export value added for the textiles, wood processing, fertilizer, and agro-industrial (except for products derived from cocoa and coffee) sectors. These sectors represent 52% of industrial value added.

2. The Government will include in the draft 1984 Finance Law the first phase of the global customs tariff reform concerned with raising customs duties on intermediate goods in the textile, chemicals and plastics, metalworking and mechanical engineering, wood and agro-industrial sectors, as well as measures governing application of the Investment Code in connection with eliminating the exemption of these goods from import duty. These sectors represent 60% of industrial value added.

3. Revision of the Ordinary Law taxation system including:

   - extension of the new-plant system from five to seven years in the regions and its application to small and medium industrial enterprises;

   - improvement of the system concerning reinvestment of profits;

   - correction of the distortions brought about by certain VAT exemptions;

   - extension of VAT deductibility to certain goods;

   - introduction of an optional degressive amortization system;

   - reform of profit taxation and of the FNI for small and medium enterprises.

4. Recruitment of personnel, devising of procedures and evaluation of technical and financial assistance needs for the two agencies for promoting small and medium enterprises.

5. Establishment in DGAI of an appraisal unit and of a promotion unit for industrial projects; the terms of reference for these units will be drawn up jointly by the Government and the World Bank.

6. Starting of investment opportunity studies, including at the small and medium enterprise level, and of the work of the

Commission on Factor Productivity, for which the terms of reference will be drawn up jointly by the Government and the World Bank.

(c) Before March 31, 1984

1. Replacement of quantitative restrictions on imports by an import surcharge for an initial list of products, at least those benefiting from an export subsidy, and representing 40% of the local value added produced under quantitative restrictions. The import surcharge will be degressive over time and may not in any event be maintained for longer than five years.

(d) Before June 30, 1984

1. Presentation to the National Assembly of the draft Law concerning establishment of a generalized export value added subsidy system for the entire manufacturing sector.

B. Medium-Term Program

80. In view of the general aims of the reform program and the importance of these reforms for the future of industrialization in Ivory Coast, it is essential that each phase of the medium-term program be prepared on the basis of a detailed analysis of the impact of the reforms on existing and new industries. In addition, the later phases of the program will have to take into account the experience gained during the earlier phases.

81. A series of studies is therefore presently being carried out by the Ministry of Planning and Industry, the Ministry of Commerce, and the Ministry of Economy and Finance, to assess the impact of the medium-term reforms on industrial production, exports, employment and public finances.

82. The first phase of the medium-term program will be drawn up by mutual agreement between the Government and the Bank before March 31, 1984, and will be initiated before September 30, 1984. The following therefore only represents an indicative schedule of the steps to be taken to accomplish the aims of the program.

1. Extension of the value added export subsidy

- extension to a second list so as to cover cumulatively 70% of industrial value added before September 30, 1984;

- to a third list to cover 85% of industrial value added before March 31, 1985;

- generalization of the system to cover the entire manufacturing sector before September 30, 1985.

2. Extension of the replacement of quantitative restrictions by import surcharges

- extension to a second list of products so as to cover at least 60% of the value added produced under quantitative restrictions before December 31, 1984;

- to a third list of products so as to cover 80% of the value added produced under quantitative restrictions before June 30, 1985;

- to a fourth list of products, covering 90% of the value added produced under quantitative restrictions before December 31, 1985;

- total elimination of quantitative restrictions before December 31, 1986.

3. General ration of the customs tariff reform

- extension to a second set of branches, so as to cover 70% of industrial value added before December 31, 1984;

- general application of the tariff reform before June 30, 1985.

HOUSING POLICY

83. Until 1980, the State played a predominant role in the development and financing of the housing sector. The private sector's role was essentially limited to the production of high standard housing in the modern sector for the most affluent segments of the population, while the informal sector met the greater part of the country's housing needs. During this period the urban population grew at a rapid rate of about 8.5% per annum, which currently means an increase of approximately 260,000 people per year. The combined effects of this rapid urbanization and the difficulties of the financial situation make a profound revision of housing policy imperative. The needs of the urban population far exceed in effect the resources that the State can make available to the public sector for housing programs. It is therefore necessary to adapt housing policy to this new set of circumstances and, in particular, to define the role of the State and to redirect its financial involvement, making it both more effective and more selective. Starting in 1984, this will produce the conditions needed for a gradual recovery of the housing sector that is financially sound and therefore lasting, and which will have to rely more on savings and private initiative than in the past, without however further burdening public finances or putting excessive pressure on credit distribution.

84. This policy will be organized along the following lines:

- redirection of the public investment effort toward development of serviced land;

- rehabilitation of the system of housing finance, with a view to improving credit transformation and mobilization of savings;

- reform of sector public enterprises;

- reduction of the sector's public finance burden.

(1) Shift in the role of the public authorities

85. Public investment efforts will be redirected toward the production of large numbers of developed sites with infrastructure levels adapted to the income levels of different social groups, with greater priority than before being given to lower-income households. With this in mind, development of large areas containing plots with minimal infrastructure that can be progressively upgraded will be stressed. Plots intended for middle or higher-income categories will be sold at market prices, and this would permit the introduction of a cross-subsidization mechanism to subsidize plots sold directly to less advantaged categories. A preliminary land development program will be defined along these lines by the end of July 1983.

(2) Restructuring of the financing system

86. Mechanisms for financial intermediation and for mobilizing private and institutional savings for low-income housing will be improved in order to enable the private sector to play a more important part in the development of low-income housing programs.

87. The restructuring of financing mechanisms aims to widen the range of credit offered and, in particular, to develop credit facilities compatible with development of access to ownership and a savings and loan system. This action will be complemented by a review of the tax policy and, if possible, supplemented by the development of lines of credit for the purchase of construction materials and by the subsequent development of a secondary mortgage market. The gradual elimination of the present system of subsidies for serviced lots and housing rentals whilst improving the financial system will enable a very selective interest subsidization scheme to be introduced, if this is necessary.

88. The Government will undertake a study on reorganizing the housing credit system to enable it to fulfill the following roles:

- participating in the collection of private and institutional savings and directing these savings toward low-income housing;

- establishing credit conditions for low-income housing;

- directing the use of local bank resources to the low-income housing sector and adapting the repayment schemes to the particular characteristics of the sector;

- assuring the conformity of planned actions and credit provision with the sector objectives defined by the Government.

The committee responsible for preparing and administering this low-income housing credit system will be made up of representatives of the main public and private organizations working in the sector. It will be constituted by September 30, 1983, in order that the system can become operational by January 1, 1984.

89. The Managing Committee of the FSH will be in place by August 31, 1983. The FSH will have three essential functions: maintaining the financial equilibrium of financing schemes for low-income housing; supplementing the refinancing needs of lending agencies through mobilizing additional resources; and providing public enterprises if necessary with equity so that they can maintain their working capital and their cash position at a level that is compatible with their activities.

(3) Reform of public enterprises in the sector

90. This reform concerns SOGEFIHA, SICOGI, and SETU. It will entail reform of their internal organization and their financial rehabilitation, which will be achieved in particular through rationalizing their pricing policies.

91. The Government will gradually lift the controls on SICOGI's and SOGEFIHA's rents. In order to maintain its housing stock, the Government will gradually pass on the operating and maintenance costs of SOGEFIHA's and SICOGI's rental properties to the tenants, and will take the first steps before March 31, 1984. Application of this policy, which will affect all tenants, will be completed no later than December 31, 1984.

92. Liberalization of SICOGI and SOGEFIHA rents, which will be based on an indexation formula, will be initiated before March 31, 1984, and applied generally by June 30, 1985. With effect from January 1, 1984, rents on new housing units constructed and on units where there is a change of tenant will incorporate the cost of the land and its development together with all the finance charges of the holding company.

93. Parallel with this, in order to reconstitute their cash positions and to promote access to property ownership, public housing agencies will gradually put some of their property on the market, estimated at between 5,000 to 6,000 housing units, the modalities and timetable of which will be worked out by January 1, 1984.

94. SETU is the Government's principal agent for the purchase of land and the development of sites both in Abidjan and in secondary cities. The redirection of its activities along the lines of the new investment policy as defined above will be accompanied by an internal reorganization that will,

among other things, enable SETU to gain greater control over the cost of each of its operations, to base its investment decisions on prior market studies, and to reconsider its sales policy.

95. SETU's short term financial rehabilitation is a precondition for starting any new operations. Measures crucial to the rapid assignment of serviced lots not yet allocated and to the recovery of amounts owed by delinquent site beneficiaries will be swiftly implemented. Finally, the State will clear its accounts with SETU. These measures should substantially improve the company's financial situation before the end of 1983.

96. The company's commercial policy will be redefined along three main lines: (a) expansion of its range of products; (b) sale at market prices of new or repossessed plots intented for middle and higher-income categories, the resulting margins enabling the company to increase its working capital, gradually to build up land reserves, and if necessary to introduce a cross-subsidy scheme; (c) making the company responsible for the allocation of plots, with the allocation committee making the final decisions exclusively from a list previously drawn up by SETU on the basis of the creditworthiness of the candidates. The in-depth study of SETU's technical, financial and commercial management will be completed by the end of September 1983. It will provide the framework for specifying in detail the stages of the rehabilitation program of its activities and its internal reorganization, its possible technical assistance needs, as well as the procedures for transforming it into a semi-public company. In addition, the Government is studying the possible creation of a Caisse des Collectivités Locales (Local Community Fund) that would seek to develop SETU's role in secondary cities. This study will be completed by June 30, 1984.

97. SOGEFIHA's financial disequilibrium, tying up almost CFAF 7 billion in public funds per year to service its debts, is seriously affecting the activities of the construction sector as a whole. Preparation of a recovery program, which will save about CFAF 1 billion in public subsidies from the first year, is nearing completion. It has three principal elements: the gradual disposal of some of its rental property, sale of a first group of 1,000 units to be undertaken by December 31, 1983; the progressive lifting of rent controls through differential increases based on the categories of housing; and reduction of the company's operating costs. A detailed study to determine SOGEFIHA's future role is to be completed by January 1, 1984.

98. SICOGI will essentially play a key role in two critical sectors simultaneously. The first concerns the population with an income level between one and two times the legal minimum wage. Although it is desirable to offer these households, which account for approximately one third of the urban population, something better than simple serviced plots, it is nevertheless financially impossible to offer them fully equipped housing units without introducing a subsidy scheme that would be unsustainable for public finances. SICOGI will produce, or will help the private sector to produce, core housing units to be built on plots developed to a rudimentary level by SETU. These activities will be supplemented by a self-help assistance program that will ensure the gradual upgrading of these units and help speed up site occupation.

99. The second concerns the sale and the leasing of fully developed housing units intended for households with an income between two and four times the legal minimum wage. The aim in effect is to prove to the private sector that building housing units for this segment of the population is financially viable and technically feasible. This will lead SICOGI to test and disseminate architectural and technological innovations designed to cut construction costs. Implementation of this new policy will be based on the results of a detailed study to be completed before the end of 1983. The study will include an examination of SICOGI's tariff policy with a view to bringing it into line with market conditions, so as to enable it to initiate new programs.

100. The budgets and financial requirements of the three companies will reflect the new objectives assigned to them, starting with their next fiscal year.

(4) Reduction of the burden of the housing sector on public finances

101. The policy directions described above will make it possible to reduce the sector's burden on public finances. The basic reform of the housing policy for civil servants, accompanied by a series of complementary measures now being studied, will also lead to further progress in the same direction.

102. The Government has decided to make radical changes in the housing policy for civil servants. The important measures decided on at the end of last year will yield savings of close to CFAF 20 billion from the first year. These measures basically entail a sharp reduction in the number of people entitled to housing, the introduction of small allowances for those formerly entitled to such benefits, the discontinuation of the replacement of furniture, and the renegotiation of private leases. In addition, maintenance costs will be shared by owners and occupants, and those entitled to benefit from State-owned housing will have to pay for their maintenance.

103. For the sake of equity it is necessary to review the situation regarding housing for the staff of public establishments, State companies and semi-public companies, where there is majority public participation, and to draw up detailed rules to be followed. This will be done before December 31, 1983, and the rules will take effect at the start of the following fiscal year for the companies concerned.

104. The same concern for equity has prompted the Government to study the procedures for revaluing the taxable amount of benefits in kind in the form of free housing. The Department of Taxation will prepare the necessary measures to be included in the next Finance Law. It will also ensure that real estate income is more accurately reported by individuals in their annual tax returns.

105. The burden on public finances will also be eased by an improvement in land tax receipts, which have not kept pace with the growth in the country's housing assets. In order to strengthen the financial position of municipalities and within the broad context of preparing, in the longer term, a computerized land registry, a simplified fiscal cadastral survey system will initially be established. It will start with the preparation of simplified cadastral surveys for four secondary cities by March 31, 1984.

106. Finally, with the aim of having greater control over all the factors affecting the cost and effectiveness of a national housing policy, a program to develop companies in the construction, building materials and public works sector will be introduced, on the basis of an in-depth study, by December 31, 1983. This program will include training for site managers and artisans, a review of regulations, and also assistance to small and medium enterprises. This last component will be carried out in conjunction with CAPEN.

Abdoulaye Koné
The Minister of Economy and Finance
Abidjan, May 31, 1983

ANNEX

A. MANAGEMENT OF THE PARASTATAL SECTOR

Detailed listing of measures pertaining to supervision of enterprises in the parastatal sector

Measures	Completion Date
Appointment of deputy budgetary inspectors	July 31, 1983
Determination of provisions pertaining to modalities for the appeal procedure to the Ministry of the Economy and Finance in the event of refusal of authorization by the budgetary inspector	September 30, 1983
Instructions regarding procedures to be followed for the preparation and use of audit reports	October 31, 1983
Appointment of members of all the management and supervisory boards of the State companies (SODEs) and the consultative management commissions of public establishments	October 31, 1983
Preparation of the first phase of a training program for officials responsible for the management and supervision of public enterprises	October 31, 1983
Harmonization of statutes of parastatal enterprises with their new classification	December 31, 1983
Final closing of the accounts of the EPN and SODEs for fiscal 1982	December 31, 1983
Appointment of delegates of the supervisory boards of the SODEs and study of provisions to be implemented for the semi-public companies (SEMs)	December 31, 1983
Determination of provisions pertaining to modalities for the right of petition (requisition) for directors of the EPN	December 31, 1983
Re-examination of procedures for awarding public contracts	March 31, 1984

The Director General of Finances is responsible for coordinating the implementation of these measures.

B. AGRICULTURE

I. Price and Subsidy Policy

1. The Government decided at the beginning of 1983 that farmers will pay for cotton fertilizers on the basis of the price ratified by the Minister of Commerce (CFAF 48 in 1983) for compound phosphate (NPK) and on the basis of the price of urea on world markets (CFAF 86 in 1983), and that producer prices of cotton will be raised at the same time to CFAF 100 for quality A and to CFAF 90 for quality B.

2. The Government will specify before November 30, 1983 the modalities for progressively eliminating over a period of three years the subsidy on fertilizers produced by SIVENG. This provision does not affect the equilibrium subsidy provided for in the SIVENG Agreement.

3. At the beginning of 1983, the Government decided to eliminate the subsidy to small rubber planters, through application of a pricing formula based on the export price of rubber less processing and marketing costs.

4. Other decisions were also made concerning the selling prices of agricultural products:

(a) In 1982, the CFAF 75/kg rebate on cotton fiber sold to domestic manufacturers was eliminated;

(b) In early 1983, prices for palm oil and seed cotton sold to domestic mills and factories were raised.

5. As far as the 1983/84 season is concerned, the Government will increase producer prices for cocoa and coffee.

6. Subject to the availability of necessary external resources, the Government will finance the pruning program already in place to enable farmers to reconstitute their plantations.

7. The Government has also decided to study the technical and financial means appropriate for improving the quality of cocoa. This study will include an analysis of the comparative costs and benefits of on the one hand introducing a quality premium and on the other of continuing with the present subsidies for cocoa fermentation vats and tanks.

8. The Government has confirmed that the subsidy on rice and maize seed part in 1982 should not be considered definitive, but simply an incentive measure designed to launch the food self-sufficiency program.

9. As far as copra is concerned, the Government still expects to increase the small-planter price, based on the results of the analyses now under way.

10. The various measures will give rise to annual consultations between Ivory Coast and the World Bank; the first round is scheduled for September 1983.

II. REFORM OF AGRICULTURE SECTOR ENTERPRISES

1. CIDT: It has been decided:

(a) To carry out in 1983 a detailed analysis of the structure of actual costs by activity (cotton, food crops, mechanization, etc.);

(b) Prior to December 31, 1983, to renegotiate the cooperation agreements with CFDT, in order to update that agency's role, with the Government undertaking that the new mode of participation by CFDT will not imply immediate transfer of funds abroad;

(c) Prior to December 31, 1983, to make a detailed study of possible savings in: overhead costs, extension services, marketing, transport, and cotton ginning.

(d) To draw up a detailed schedule for introduction of the measures recommended; the conclusions will make it possible to adjust the 1983/84 budget accordingly.

(e) By December 31, 1983, at the latest, to reach final agreement on the CIDT decentralization program.

2. In the light of the findings of the above studies and depending on the equilibrium of the cotton account, the Government also expects to review the current pricing system (barème). Under the new system, the relationship between the State and CIDT would be redefined in the context of a program contract calling specifically for:

- allocation of the revenue from sales of cotton fiber and seed cotton firstly to financing cotton activities and secondly to cotton price stabilization;

- a system for establishing producer prices that takes into account world cotton prices.

These reforms will be discussed with the Bank prior to June 30, 1984.

3. SODESUCRE: The Government has already decided to reduce SODESUCRE's personnel by 7%. The Government and the Bank will subsequently agree on an action program for its recovery and for implementation of the initial recommendations made in the management audit, before December 31, 1983.

III. DEFINITION OF A RURAL DEVELOPMENT STRATEGY

1. The strategy will consist of the following elements:

   a. redirection of rural development, involving an integrated approach to actions at the farm level;

   b. promotion of agricultural settlement and modernization by defining a policy for use of inputs, seed multiplication, mechanization and credit;

   c. improvement of communications between agronomic research and extension services;

   d. definition of a coherent and incentive-oriented price and subsidy policy;

   e. improvements in the marketing, storage, transport, and processing of agricultural products, particularly foodstuffs;

   f. diversification of production based on the country's long-term comparative advantage;

   g. greater equilibrium among the various regions of the country;

   h. better rural statistics and better country-wide and regional modeling in the rural sector.

This program will be the subject of regular consultations with the Bank.

USE OF IMF RESOURCES
(in millions of SDRs)

	Gross Credit Drawings								
	Compensatory and Buffer Stock Drawings	Oil Facility	Reg. Stand-bys and EEFs	Trust Fund Borrowing	Total[1/]	Repayments	Charges	Net Credit Drawings	Undrawn Balance of Agreed Stand-by or EEF[3/]
1973									
1974		11.2			11.2		0.07	11.2	
1975							0.8		
1976	26.0	10.4			36.4	24.2	1.8	12.2	
1977						10.0	1.4	-10.0	
1978				21.6	21.6	24.1	0.9	-2.5	
1979							0.03		
1980				29.1	29.1		-	29.1	
1981	114.0		176.7[2/]	0.2	290.9		4.2	290.9	
1982			115.4		115.4		26.8	115.4	
1983			153.9		153.9		46.0	153.9	153.9
1984			124.0[4/]		124.0	27.7	48.4	96.3	
1985			114.0[4/]		114.0	97.7	65.7	16.3	
1986			28.5[4/]		28.5	107.4	60.3	-78.9	
1987						105.5	54.5	-105.5	

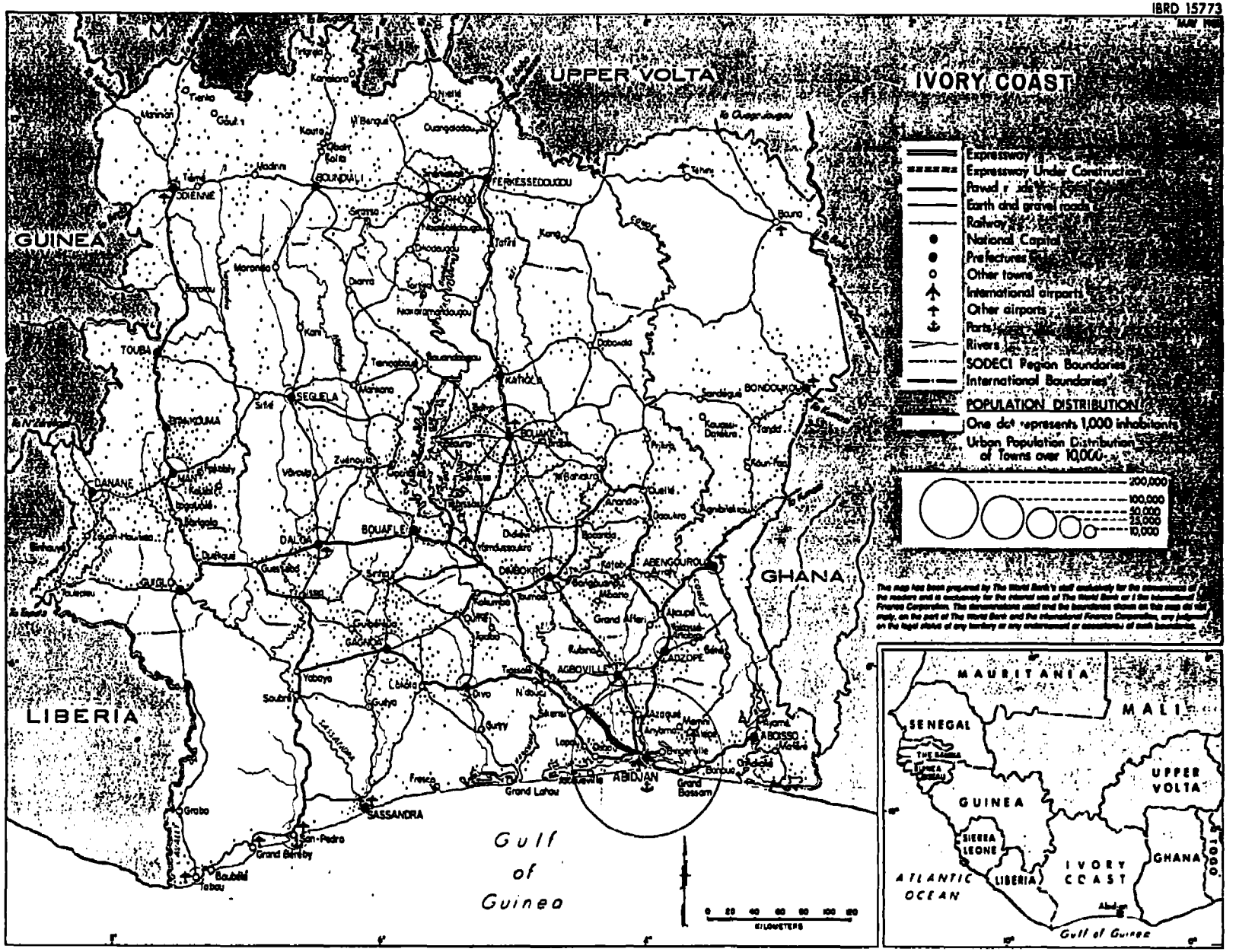
1/ Use of Fund Credit (regular stand-by drawings, EFF drawings, oil facility drawings, compensatory facility drawings, and buffer stock drawings) plus Trust Fund borrowing.

2/ In addition purchase in 1981 of SDR 28.5 million under the first credit tranche.

3/ Undrawn balance of EFF agreement with statement of remaining period of agreement.

4/ Projected, assuming further IMF assistance amounting to 100 percent of quota in both 1984 and 1985.

IBRD 15773


MALI
UPPER VOLTA
IVORY COAST
GUINEA
LIBERIA
GHANA
Gulf of Guinea
Expressway
Expressway Under Construction
Paved roads
Earth and gravel roads
Railway
National Capital
Prefectures
Other towns
International airports
Other airports
Ports
Rivers
SODECI Region Boundaries
International Boundaries
POPULATION DISTRIBUTION
One dot represents 1,000 inhabitants
Urban Population Distribution of Towns over 10,000
200,000
100,000
50,000
25,000
10,000
KILOMETERS
MAURITANIA
SENEGAL
MALI
GUINEA
UPPER VOLTA
SIERRA LEONE
LIBERIA
IVORY COAST
GHANA
TOGO
ATLANTIC OCEAN
Gulf of Guinea