INTERNATIONAL MONETARY FUND
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DOMINIQUE STRAUSS-KAHN
MANAGING DIRECTOR

CABLE ADDRESS
INTERFUND

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To Members of the International Financial Community:

At the request of the Government of Côte d'Ivoire, I would like to inform you of recent economic developments in Côte d'Ivoire, and the country's relations with the International Monetary Fund.

Still emerging from its sociopolitical crisis, Côte d'Ivoire has made significant progress in restoring macroeconomic stability, strengthening economic growth, and normalizing its relations with the international financial community. Since 2007, favorable terms of trade have supported the recovery in economic growth. In 2009, growth is estimated to have accelerated to 3.7 percent, increasing per capita income for the first time since 1998. Economic activity was little affected by the global financial crisis, benefitting from high world cocoa and oil prices, as well as from an abundant harvest and strong oil extraction. After rising in 2008, inflation declined with consumer prices falling by 1.6 percent during 2009 as food, energy and transport prices eased. Fiscal policy has been restrained despite large spending needs to overcome the internal conflict and prepare elections, strengthen government services, especially in health and education, increase investment, as well as to clear large arrears to IFIs and other external creditors. The external current account surplus (before official transfers) is estimated to have doubled to 2.1 percent of GDP in 2009, and imputed reserves at the BCEAO increased.

The International Monetary Fund has supported the economic policy and reform efforts of the Ivorian authorities. Initially the Fund provided support through Emergency Post-Conflict Assistance in 2007-2008. Since March 2009, the Ivorian authorities have embarked on a comprehensive medium-term program of reforms supported by the Fund through a three-year arrangement under the Extended Credit Facility (ECF, formerly Poverty Reduction and Growth Facility, PRGF). The program aims at achieving stronger sustained growth, reducing poverty, and restoring fiscal and external sustainability, including a restructuring of public external debt. Reforms to achieve these goals aim to remove impediments to growth, particularly in the cocoa and energy sectors, and improve the business climate; to create fiscal space for pro-poor expenditures and much-needed infrastructure outlays by boosting tax revenues; to strengthen and enhance public financial management; and to bolster the financial system.

The Executive Boards of the IMF and the World Bank also determined in March/April 2009 that Côte d'Ivoire qualified for debt relief by reaching the decision point under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. The granting of final debt relief is conditional on meeting triggers to reach the completion point under the enhanced HIPC Initiative.

Performance under the program during the first half of 2009 was broadly satisfactory. The government achieved a primary budget surplus and the overall fiscal outcome was substantially in line with fiscal targets, notwithstanding wage and energy sector pressures on the budget. Progress in structural reforms was achieved, though at a pace slower than envisaged; the focus of reforms was on revenue administration and public expenditure management and transparency. In the second half of 2009, understandings were reached on a fiscal program and objectives for 2010 that would further the medium-term goals of the authorities and strengthen the fiscal position. Against this background, the IMF Executive Board concluded the first review under the ECF in November 2009. Since then, preliminary data indicate that the program's fiscal targets for the year as a whole were broadly met, despite unexpected shortfalls in customs revenue and the need for increased support to the electricity sector. Progress in the implementation of structural reforms has continued to be slow in the pre-election environment.

The Fund is currently assisting the authorities in reviewing the design of their economic program for 2010, which aims to sustain macroeconomic stability, make further progress toward a sustainable fiscal and external position, accelerate and deepen the structural reform agenda, and make further inroads in reducing poverty.

Notwithstanding the government's adjustment efforts and reforms, and the financial support provided by multilateral and bilateral lenders, Côte d'Ivoire's public external debt remains unsustainable without relief additional to that granted by Paris Club creditors in May 2009. For this reason, Côte d'Ivoire has sought to engage its external commercial creditors on a debt restructuring consistent with the Paris Club's comparability and the enhanced HIPC Initiative requirements. The debt exchange sought with Brady bond holders aims at providing significant debt and debt service relief. A high degree of participation by commercial creditors is an essential and critical element in achieving fiscal and external sustainability and in supporting strong economic growth. At the same time, the authorities are committed to reaching debt-restructuring agreements with other private commercial creditors and official non-Paris Club bilateral creditors, and discussions are ongoing on achieving agreement on terms consistent with the Paris Club's comparability and HIPC Initiative requirements.

In conclusion, let me assure you that the IMF remains committed to supporting the authorities' reform program and to continuing to assist them in implementing their medium-term program.

Yours sincerely,