

**Côte d’Ivoire: Enhanced Initiative for Heavily Indebted Poor Countries Initiative—Request for Additional Interim Assistance; and Press Release**

In connection with the Executive Board’s consideration of Côte d’Ivoire’s request for additional interim assistance under the Enhanced Heavily Indebted Poor Countries Initiative, the following documents have been released and are included in this package:

- The paper was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time when it was completed on March 24, 2010. The views expressed in this document are those of the staff team and do not necessarily reflect the views of Côte d’Ivoire or the Executive Board of the IMF.
- A Press Release summarizing the decision taken by the Executive Board to approve the request.

The policy of publication of staff reports and other documents allows for the deletion of market-sensitive information.

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**International Monetary Fund  
Washington, D.C.**

INTERNATIONAL MONETARY FUND

CÔTE D'IVOIRE

**Enhanced Initiative for Heavily Indebted Poor Countries Initiative  
Request for Additional Interim Assistance**

Prepared by the African Department  
(In consultation with the Legal, Strategy, Policy and Review, and Finance Departments)

Approved by Seán Nolan and Tom Dorsey

March 24, 2010

- 1. On March 27, 2009 the Executive Board approved Côte D'Ivoire's three-year arrangement under the Extended Credit Facility (ECF), and its decision point under the Enhanced Initiative for Heavily Indebted Poor Countries (HIPC) on April 1, 2009.**<sup>1</sup> At that time, the Fund committed to provide SDR 25.21 million in HIPC assistance in NPV terms, and to provide SDR 5.043 million in interim assistance for the 12 months from April 1, 2009 to March 31, 2010.<sup>2</sup> The first ECF review was completed on November 18, 2009 and the Board granted two waivers of nonobservance.
- 2. In the attached letter (Appendix), the Ivorian government requests additional interim assistance from the Fund in the amount of SDR 5.042 million,** which will be sufficient to cover 43.1 percent of eligible ECF principal repayment obligations falling due during April 2010–March 2011. Côte d'Ivoire's next debt-service payment to the Fund falls due on April 1, 2010, prior to Executive Board consideration of the second review of the ECF arrangement, which is expected to take place in June–July 2010.
- 3. Economic activity held up well in 2009 as Côte d'Ivoire was little affected by the global financial crisis and benefitted from high world cocoa and oil prices.** Growth was about 3.8 percent, in line with the program, reflecting an abundant harvest and higher-than-expected oil extraction. Consumer prices fell as food, energy, and transport prices eased. The external current account surplus (before official transfers) rose sharply to 5.1 percent of GDP, aided by strong cocoa prices. While imputed reserves increased, so did private capital outflows in light of the uncertain political climate and low levels of confidence.

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<sup>1</sup> IMF Country Report No. 09/326 (11/4/2009) and IMF Country Report No. 09/190 (3/16/09), respectively.

<sup>2</sup> Equivalent to 44.0 percent of ECF principal repayment obligations falling due April 1, 2009–March 31, 2010.

4. **Performance under the ECF-supported program has been broadly satisfactory, although the pace of structural reforms has lagged.** The 2009 fiscal targets under the program were broadly met, and all but two quantitative performance criteria for end-December 2009 were observed. The performance criterion on the overall fiscal balance was missed by a small margin. The criterion on the accumulation of new external debt service arrears was breached in late 2009 by a small amount, when a government guarantee was called unexpectedly on obligations falling due in November and December 2009. The government intends to complete payment of these obligations in the near future. In both cases the missed performance criterion did not jeopardize program objectives. Progress in the implementation of structural reforms has been slow in the pre-election environment. Based on preliminary information, of the 13 structural benchmarks for 2009, seven were met, five recorded some progress, and no progress was made on one. The authorities expect to complete the latter six benchmarks in the first half of 2010, albeit one (integration of the two main border posts in the North into the transit monitoring system of the customs administration) depends on progress in the administrative reunification of the country and therefore is subject to political factors.

5. **Côte d'Ivoire is making good progress on debt rescheduling.** Sufficient financing assurances regarding the enhanced HIPC Initiative from other external creditors are in place and represent just over 95 percent of Côte d'Ivoire's external debt stock at end-2007 (in NPV) terms.<sup>3</sup> Bilateral agreements relating to the Paris Club debt restructuring agreement of May 2009 have been signed with all Paris Club creditors except the United Kingdom and Brazil, which are expected to be signed in the near future. In total, the Paris Club agreement covers \$7.0 billion of debt, including \$3.6 billion in arrears. The Brady bond exchange (under terms agreed between the government of Côte d'Ivoire and the Coordination Committee of Brady bond holders in September 2009) was launched in mid-March 2010 and is expected to close in early April; this provides debt relief on about \$2.8 billion of outstanding Brady bonds. The authorities are committed to reaching debt restructuring agreements with other private commercial creditors (covering end-2008 debt of about \$290 million), with whom discussions are ongoing, and with official non-Paris Club bilateral creditors on terms consistent with the Paris Club's comparability and HIPC Initiative requirements.

6. **The political situation has become increasingly tense in recent weeks, which is likely to have a dampening effect on economic activity.** After President Gbagbo dissolved

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<sup>3</sup> Included as part of HIPC relief is the pre-2002 debt relief in excess of traditional debt relief mechanisms provided by the Paris Club and London Club creditors (on Lyon terms—80 percent NPV reduction—and Brady terms, respectively), and the NPV reduction embedded in the concessional arrears clearance operation undertaken by IDA (2008) and the AfDB Group (2009).

the government and electoral commission in mid-February 2010 due to differences over the voters' list, difficult discussions ensued amid wide-spread street protest and electricity outages. Mediated by Burkinabe President Compaoré, a new coalition government and election commission were formed in late February. A date for the elections is expected to be set as soon as the contestations of the voters' list have been processed, but may not fall before the second half of the year. This and the electricity outages since January 2010 as a result of a turbine failure in a major power plant are expected to result in distinctly lower economic growth in 2010 than projected earlier.

7. **Discussions for the second review under the ECF took place in Abidjan during March 4–19, 2010.** The 2010 budget outlook is affected by lower growth and inflation, as well as assistance from the budget to address large deficits (i) at the oil refinery that have accumulated with the sharp compression of international refining margins since early 2009; and (ii) in the electricity sector. Discussions on a revised fiscal program have advanced with the government seeking cost-cutting and efficiency-enhancing measures in the refinery and the electricity sectors. Good progress has been made in addressing the sizeable shortfall of customs revenue recorded in 2009 that was related in large part to strikes, administrative problems, and the introduction of problematic new software. In addition, reforms are being developed that would put the wage bill on a sustainable path. Discussions for the second ECF review will continue in Washington during the Spring Meetings.

8. **The staff supports the authorities' request for additional interim assistance under the Enhanced HIPC Initiative,** based on broadly satisfactory performance so far under the ECF and the progress made in constructive discussions during March 4–19, 2010 in Abidjan toward the second review of the ECF arrangement.

9. **A draft decision to provide additional interim assistance equivalent to SDR 5.042 million is attached for Directors' consideration on a lapse of time basis.**

**Translated from French**

Abidjan, March 17, 2010

Mr. Dominique Strauss-Kahn  
Managing Director  
International Monetary Fund  
Washington DC, 20431

Subject: Request for Additional Interim HIPC Relief

Dear Mr. Strauss Kahn:

I have the honor, on behalf of the Government of Côte d'Ivoire, to request the disbursement of additional interim HIPC assistance in the amount of SDR 5.042 million, which will be sufficient to cover 43.1 percent of eligible Extended Credit Facility (ECF) repayments falling due during April 2010–March 2011.

Our economic program supported under the Extended Credit Facility remained on track in the first half of 2009, as evidenced by the first review under the arrangement that was concluded on November 18, 2009. We are currently in discussions on the second review with Fund staff based on the results for the year 2009.

Preliminary consultations show that annual performance was broadly satisfactory, though the target for the overall fiscal balance was missed by a small margin and a small amount of external debt service arrears were incurred when a government guarantee was called unexpectedly on obligations falling due in November and December 2009. In any case, we have already paid the bulk of these obligations and intend to complete payment of these obligations in the near future. Regarding the thirteen (13) structural benchmarks for 2009, seven (7) were met, five (5) recorded progress, and one (1) was not met. The benchmarks that were not met will be implemented as soon as possible in the first half of 2010.

We anticipate that the second review can be completed by May–June 2009 and remain fully committed to implementing our ECF-supported economic program.

The government is making a concerted effort to implement the PRSP measures and the completion point triggers under the enhanced HIPC Initiative, with the aim of reaching the completion point as soon as possible.

Very truly yours,

/s/

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Charles Koffi Diby  
Minister of Economy and Finance



Press Release No. 10/128  
FOR IMMEDIATE RELEASE  
March 31, 2010

International Monetary Fund  
Washington, D.C. 20431 USA

### **IMF Executive Board Approved Additional Interim Assistance Request Under the Enhanced HIPC Initiative for Côte d'Ivoire**

The Executive Board of the International Monetary Fund (IMF) granted additional interim assistance under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative in an amount equivalent to SDR 5.0 million (about \$7.6 million) for the period April 2010 through March 2011 on a lapse of time basis.<sup>1</sup>

On March 31, 2009, the Executive Board approved Côte d'Ivoire's HIPC Initiative decision point and on March 27, 2009 a three-year arrangement under the Extended Credit Facility (ECF)<sup>2</sup> (see [Press Releases No.09/104](#) and [09/96](#)). The Board also approved interim assistance in the amount of SDR 5.0 million for the period April 2009–March 2010. The first ECF review was completed on November 18, 2009 (see [Press Release No. 09/416](#)) and performance under the ECF-supported program has been broadly satisfactory. Côte d'Ivoire is making good progress on debt rescheduling.

Interim assistance under the enhanced HIPC Initiative is debt relief granted on its debt service falling due between the HIPC decision and completion points. Once it reaches the HIPC completion point, a country is allowed to receive the full debt relief committed at decision point.

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<sup>1</sup> The Executive Board takes decisions under its lapse of time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

<sup>2</sup> The arrangement was initially approved under the Poverty Reduction and Growth Facility (PRGF) but, as of January 7, 2010, all arrangements under the PRGF were renamed arrangements under the Extended Credit Facility.