

**SUBJECT : CÔTE D'IVOIRE: COMPLETION POINT UNDER THE ENHANCED
HIPC INITIATIVE***

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List of Acronyms and Abbreviations

ADB	African Development Bank
ADF	African Development Fund
AEO	African Economic Outlook
BADEA	Arab Bank for Economic Development in Africa
BCEAO	Central Bank of West African States
BOAD	West African Development Bank
CIF	Cost Insurance & Freight
CPI	Consumer Price Index
DSA	Debt Sustainability Analysis
ECF	Extended Credit Facility
ECOWAS	Economic Community of West African States
EITI	Extractive Industry Transparency International
EC	European Commission
EU	European Union
FSF	Fragile States Facility
GDP	Gross Domestic Product
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries Initiative
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IDB	Islamic Development Bank
JSAN	Joint Staff Advisory Note
MDG	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MEFP	Memorandum of Economic and Financial Policies
MTEF	Medium-Term Expenditure Framework
NDP	National Development Plan
NPV	Net Present Value
OFID	Opec Fund for International Development
PFM	Public Financial Management
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PV	Present Value
RMC	Regional Member Country
UA	Unit of Account
UNDP	United Nations Development Program
WAEMU	West African Economic and Monetary Union

This document was drafted following the debt reconciliation and viability analysis mission fielded to Côte d'Ivoire in March 2012 to prepare Côte D'Ivoire completion point. The mission team comprised the AfDB, the World Bank and the IMF. This paper also incorporated inputs, comments and reviews from OSFU, GECL, FFCO, FFMA, ORWA and ORMU.

EXECUTIVE SUMMARY

On 25 and 26 June, 2012, the Boards of IMF and World Bank, respectively, approved the completion point document for the Republic of Côte d'Ivoire, making the country the 27th Regional Member Country (RMC) to reach the completion point and benefit from irrevocable debt relief under Heavily Indebted Poor Countries (HIPC) Initiative. An assessment of the completion point triggers has shown that Côte d'Ivoire has made satisfactory progress in meeting the requirements to reach the completion point, despite delays related to the post-election crisis. With regards to triggers not met, waivers have been granted by the IMF and IDA Boards.

The debt reconciliation exercise conducted in March 2012 shows that the end-2007 present value (PV) of debt for Côte d'Ivoire stood at US\$ 12,878.8 million. HIPC debt relief to Côte d'Ivoire was estimated at US\$ 3,004.9 million in end-2007 NPV terms at the decision point. The figure, which was based on a common reduction factor of 23.6 percent, now stands at US\$ 3,109.3 million (using a revised common reduction factor of 24.1 percent). The Bank Group's share of Debt Relief is estimated at US\$ 204.5 million, which is 6.6 percent of total debt relief from all creditors. As Executive Directors would recall, the ADB Group provided debt relief to Côte d'Ivoire amounting to UA 240.96 million in the form of arrears clearance in 2009.

Upon reaching the HIPC completion point, Côte d'Ivoire will qualify for additional debt relief under the Multilateral Debt Relief Initiative (MDRI) from ADF, IDA and IMF. The ADF would provide MDRI debt relief to Côte d'Ivoire amounting to UA 182.84 million in nominal terms, canceling almost all of Côte d'Ivoire's post-completion-point repayment obligations to the ADF.

It is expected that the full delivery of HIPC Initiative assistance at the completion point would considerably reduce the debt burden of Côte d'Ivoire. As a result, the PV of debt-to-revenue ratio would fall from 298.9 percent in 2011 to 99.6 percent in 2012. Côte d'Ivoire's debt ratios are expected to remain below the policy-dependent threshold throughout the projection period (2011-2031). However, the country remains vulnerable to potential macroeconomic shocks.

The authorities are working toward obtaining participation of all the remaining bilateral and commercial creditors. Almost all multilateral creditors have confirmed their participation, as have the Paris Club creditors. It is recommended that the Boards of the African Development Bank and the African Development Fund take note of Côte d'Ivoire's attainment of completion point under the Enhanced HIPC Initiative and approve the Bank Group's share of HIPC debt relief and the MDRI debt cancellation.

**COTE D'IVOIRE: COMPLETION POINT DOCUMENT
UNDER THE ENHANCED HIPC INITIATIVE**

1. Introduction

- 1.1. On 25 and 26 June, 2012, the Boards of IMF and World Bank, respectively, approved the completion point document for the Republic of Côte d'Ivoire, making the country the 27th RMC to reach HIPC completion point and benefit from irrevocable debt relief. As a result, Côte d'Ivoire will be eligible for a total debt relief of US\$ 3,109.3 million in end 2007 NPV terms, which will bring down the country's debt to a sustainable level (within the threshold of 250 percent debt to revenue ratio)¹.
- 1.2. This document provides justification for Côte d'Ivoire's attainment of the HIPC completion point. It also seeks the approval by the Boards of Directors of the Bank Group to provide to Côte d'Ivoire debt relief under Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI). The debt relief at the completion point will represent a turning point for the country's economic and financial situation, in terms of the viability of growth, job creation policies, and poverty reduction through sound reorientation of the budget and pro-poor spending.
- 1.3. Since the end of the post-election crisis, the new government has achieved major milestones towards stabilizing the political situation and reinvigorating the economy. The national reconciliation process has begun with a view to consolidating peace and security. The Board of Directors would recall that the Country Brief 2011-2012 for Côte d'Ivoire defined the framework for the Bank's rapid re-engagement in Côte d'Ivoire. It concluded with the proposal for Côte d'Ivoire's eligibility for the second cycle of Pillar I FSF resources (supplementary financing) and pillar 3 (targeted support) to strengthen capacity building. The Country Brief consisted of two pillars: (i) restoring infrastructure and basic social services; and (ii) improving governance and capacity building. A full CSP is planned for the period 2013-2017.

2. Recent Political and Economic Developments

Political Developments

- 2.1. Following the post-election crisis that greatly affected the country, Côte d'Ivoire is moving toward normalization of its social, political, economic, and security situation. Legislative elections were held on December 11, 2011, which led to the opening of the first ordinary session of the National Assembly on March 12, 2012. Security conditions have improved steadily since May 2011, albeit the intermittent disturbances observed in some parts of the country. Economic activity has gradually recovered since the reopening of banks and financial institutions at the end of April 2011 and the lifting of the European Union embargo.
- 2.2. In April 2011, The President of Côte d'Ivoire called for national reconciliation and the resumption of normal activities, thereby turning a new page for consolidating and restoring peace, and facilitating the country's socio-economic recovery. The Government has stated its intention to deal with urgent issues, namely: (i) ensuring the security of persons and goods in Abidjan and nationwide; (ii) establishing a Dialogue,

¹ Enhanced Heavily Indebted Poor Countries Initiative Completion Point Document, IDA and IMF, May 29, 2012. This document is attached in Annex 4.

Truth and Reconciliation Commission to rebuild the social cohesion that had been fragmented over the past two decades; (iii) setting up a national commission of inquiry to shed light on crimes committed during the crisis; and (iv) ensuring the resumption of economic activities.

Economic Performance and Structural Reforms

Economic Performance

- 2.3. Economic performance and stability in Côte d'Ivoire have been satisfactory as evidenced by the recent IMF review of the country's ECF in May 2012². By and large, macroeconomic stability has been maintained since the decision point in March 2009, except for the post-election crisis period. Following the end of the crisis in April 2011, the new government took serious measures to reinvigorate the economy and successfully implement the new ECF arrangement. The authorities adopted a prudent fiscal stance, and created space for accelerating social expenditure and investment in 2012. Except for the post-election crisis in 2011 (when inflation was 9 percent), inflation has remained under 2 percent.
- 2.4. According to the 2012 African Economic Outlook (AEO), the growth rate for Côte d'Ivoire for 2011 is estimated at -5.9 percent. For 2012, AEO projections, suggest improved economic growth of about 8.6 percent. This improvement is attributable in part to higher production of the main export products, particularly cocoa, gold, palm oil, and bananas.
- 2.5. The overall fiscal deficit at end-December 2011 stood at -5.7 percent of GDP, compared to a target of -8.1 percent of GDP, mainly on account of the surpluses recorded in the collection of revenue. The external current account surplus of 2010 (4.6 percent of GDP) contracted in 2011 (3 percent of GDP) despite an increase in the trade surplus³. This was the result of worsening deficits in the services, factor revenue and current transfer accounts. The good performance of the trade account is due to the recovery in exports following the lifting of the embargo after the crisis, the solid performance of agricultural exports and a relatively slight increase in imports.

Structural Reforms

- 2.6. Since the end of the crisis in April 2011, Côte d'Ivoire has made progress in implementing critical macroeconomic and structural reforms and the government intends to advance a broad and ambitious reform agenda. In the electricity sector, the government concluded negotiations with its principal gas producer to reduce its price, thereby reducing the cost of generating electricity and contributing to the reduction of the financial deficit of the sector. Progress was also made in improving the business climate and the governance of the cocoa sector, advancing the civil service reform, and reforming both public and private pension systems.
- 2.7. In the area of Public Financial Management (PFM), many of the improvements have been addressed by wide-ranging PFM reforms. Budgets have been approved and executed following a normal budget cycle, budget execution statements regularly published, and use of treasury advances limited. Budget preparation has been enhanced by improved public investment planning and a Medium-Term Expenditure Framework in education and health (which will be extended to eight more ministries).

² IMF: Côte d'Ivoire – First Review Under the Three-Year Arrangement Under the Extended Credit Facility, May, 2012.

³ According to the Statistics Department of the African Development Bank.

- 2.8. Finally, progress on public procurement has been notable. A 2009 decree set up a National Public Procurement Regulatory Authority, in line with WAEMU guidelines, fulfilling one of the completion point triggers.

3. Medium Term Prospects, Implementation of PRSP and Status of the MDGs

Medium Term Prospects

- 3.1. Côte d'Ivoire's medium-term economic prospects are contingent upon the country's ability to meet the challenges generated by its post-conflict country status and structural problems. These challenges mainly concern the consolidation of peace through social and political dialogue and the promotion of good governance, particularly the restoration of the country's credibility and the sustainable re-engagement of development partners.
- 3.2. The country continues to be affected by global economic slowdown and lower commodity prices which can affect the country's external position whose sustainability largely depends on exogenous factors such as cocoa and oil prices, debt relief, and private capital. Also, there are uncertainties as to the speed of the economic recovery and the return of private investor confidence and investment.
- 3.3. The full implementation of the HIPC initiative will have a positive impact on the sustainability of the country's debt and improve the prospects of creditworthiness. With better prospects for the country's foreign debt, the budgetary resources released from (cancelled) debt service payments could be used to finance development operations and poverty reduction programs. Going forward, there is need to ensure continued public debt sustainability after reaching the HIPC completion point by implementing a prudent debt management strategy and well-targeted capacity building in debt management.

Implementation of PRSP

- 3.4. Despite constraints linked to the post-election crisis environment, the government has pursued the objectives of the 2009-2012 PRSP. Progress under the PRSP for 2009–12 was reported on by the government in a Progress Report in March 2012. The Progress Report and the Joint Staff Assessment Note (JSAN) were considered and approved by the Boards of the IMF and IDA jointly with the HIPC completion point document on June 25 and June 26, 2012, respectively. The staff of IDA and IMF have reviewed progress on each of the PRSP pillars and concluded that PRSP implementation and monitoring have been satisfactory.
- 3.5. In line with the Medium-Term Action Plan for 2012–14, more than 90 percent of public primary school students received at least three textbooks free of charge in civic and moral education, mathematics, and French for the 2011–12 school year. There are plans to increase the number of teachers and classes in 2012, to reduce the number of students in each class and expand teaching capacity, with the ultimate objective for each class to have its own classroom by the start of the 2012–13 school year.
- 3.6. In the area of health, the rehabilitation and construction of health centers, the hiring of medical and paramedical personnel and the provision of free health care in the health sector led to an increase in the rate of births assisted by trained personnel to 67.5 percent in 2010 and 69.2 percent in 2011, compared to 56.8 percent in 2006. On the other hand, there was an introduction of across-the-board free health care in 2011 to

improve the humanitarian situation in the wake of the post-election crisis. A 30 percent reduction in the price of all paid care has also been introduced.

- 3.7. The Ivorian Authorities have adopted the National Development Plan (2012-2015), replacing the PRSP. This plan puts strategic planning once more at the center of government policy and builds on the achievements under the 2009-2012 PRSP. The NDP also takes into account the new challenges stemming from the various crises, the bottlenecks to achieving the MDGs, the Presidential Program, the Economic and Financial Program, and the potential sources of growth.

Status of Côte d'Ivoire in meeting the MDGs

- 3.8. In terms of reaching the MDGs, data shows that the country is behind schedule⁴. Achieving the MDG 2 target (primary school enrolment) is unlikely, despite the fact that the government has implemented significant measures in the sector in 2011 including recruitment, and the free distribution of school supplies at the public primary schools. MDGs 4 (reduction of child mortality), 5 (improving maternal health) and 6 (fight against HIV/AIDS, malaria and other infectious diseases) are also unlikely to be met.
- 3.9. Poverty is on the rise and its incidence was estimated at 48.9 percent according to the 2008 household survey. Given the per capita income of US\$ 1,160 (2010) according to the World Bank or US\$ 1,387 (2011) calculated by UNDP, one would expect Côte d'Ivoire to have a good HDI ranking, but the country was only ranked 170 out of 187 countries and territories in 2011⁵. Between 1980 and 2011, Côte d'Ivoire's HDI value increased from 0.347 to 0.400. The government's main objective is to reduce the incidence of poverty from 48.9 percent in 2008 to its level before the crisis of 1999 (33.6 percent) in 2013 and reach 16 percent by 2015.

4. Evaluation of Completion Point Triggers

Overall Assessment of the HIPC Completion Point Triggers

- 4.1. At the time when Côte d'Ivoire reached its decision point, it was agreed (between the country and the Bretton Woods Institutions) that it would have to meet 13 triggers set out under 6 categories to qualify for irrevocable completion point debt relief. These were (i) implementation of PRSP; (ii) maintaining macroeconomic stability; (iii) implementation of public financial management reforms; (iv) improvement in social sectors; (v) sound debt management; and (vi) governance reform implementation. According to the assessment carried out, Côte d'Ivoire fully met 8 of the 13 conditions required to reach the HIPC completion point (Annex 1). The triggers that were met include the implementation and monitoring of the PRSP; maintenance of macroeconomic stability; PFM and procurement, except for those for which a waiver was granted; 2 triggers for health and education; and 2 triggers for governance including the coffee sector reform, except for those for which a waiver was granted. Satisfactory progress is being made for the remaining 5 triggers which were not completed/met due to post-election crisis including quarterly publication on Treasury's website; annual publication of the of the certified financial statements of

⁴ AfDB Country Brief for Côte D'Ivoire 2011-2012 (ADF/BD/WP/2011/48) and IDA: Country Partnership Strategy for Côte d'Ivoire FY10-FY13), April, 2010.

⁵ UNDP: Human Development Report 2011, "Sustainability and Equity: A Better Future for All", Explanatory Note on 2011 HDR composite Indices for Côte d'Ivoire, 2011.

PETROCI⁶; quarterly publication of budget execution reports; certification of conformity by the competent authority of the draft budget review law; and quarterly publication in the procurement bulletin of the list of all contracts concluded and concession contracts granted. For these remaining triggers a waiver was granted by the Boards of the IMF and IDA because notable progress was registered⁷.

- 4.2. Transparency in the extractive industries has also improved. The government has regularly produced and published quarterly reports to the Council of Ministers on production and financial flows in the hydrocarbon sector. Regarding the Extractive Industries Transparency Initiative (EITI), the 2006-07 report on payments made to the government by the extractive industries and revenue received by the government from those same industries have been available since April 2010. The final reports for 2008–2009 and 2010 were published in May 2012. The delay in producing the 2008–09 report is related to the inclusion of the mining sector and the new requirements of EITI, particularly the use of audited data to prepare the report.
- 4.3. Reforms in the cocoa sector had begun prior to the recent election-related conflict and have been pursued vigorously, including the completion point triggers. External audits of the bagging, weighing and quality control programs, of the various organizations governing the sector, and of the Rural Investment Fund were important first steps (from 2009 onward) and helped end the misuse of cocoa levies and promote a new culture of accountability. Further reforms were identified as completion point triggers: reduction in the overall indirect taxation of the cocoa sector to 22 percent of the CIF price, and the adoption and (at least six months’) implementation of a new institutional and regulatory framework for the sector.
- 4.4. A new cocoa strategy has been formulated and it builds on existing strengths, maintains a strong role for producers and the private sector in the governance of the sector, and builds the capacity of farmers to defend their interests. The strategy was adopted by the Council of Ministers on November 2, 2011. Implementation of the strategy has been satisfactory, meeting the second completion point trigger. Key measures since November 2011 have been: the adoption by the government of the new legal and institutional framework for the sector; the creation of the main regulatory body, the Coffee and Cocoa Council; and the approval in December 2011 of operational procedures for the Council, among others.

5. HIPC Debt Relief, MDRI Assistance and Status of Creditor Participation

Analysis of Côte d’Ivoire’s Debt Stock

- 5.1. Côte d’Ivoire reached HIPC decision point in March 2009⁸. Following a revised data reconciliation exercise in March 2012, the stock of HIPC-eligible external debt in present value terms at end-2011 was revised upward slightly from the level established at decision point. The nominal stock of debt has increased from US\$ 14,293.5 million to US\$ 14,318.9 million, and the PV of debt after traditional debt relief⁹ has been

⁶ This is the State oil refinery company in Côte d’Ivoire.

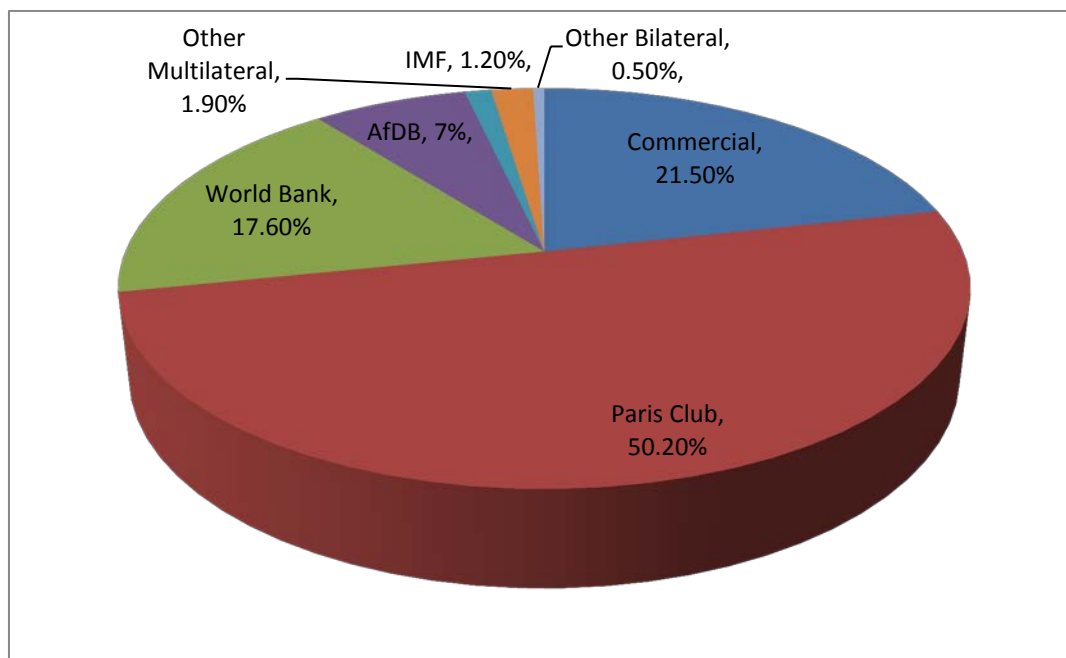
⁷ For further information please refer to the HIPC Initiative completion point document, prepared by the Bretton Woods Institutions, which is attached in Annex 4.

⁸ IDA and IMF: Côte d’Ivoire HIPC Initiative Decision Point Document, March, 2009 and the African Development Bank: Côte d’Ivoire Decision Point under the Enhanced HIPC Initiative, April 2009 (ADF/BD/WP/2009/44).

⁹ Traditional debt relief mechanism involves debt reduction through the restructuring of debt stock on Paris Club Naples terms which involves a 67 percent reduction in NPV terms of eligible debt.

revised upward from US\$ 12,759.3 million to US\$ 12,878.8 million. The upward revision is attributed to increases in debt to other official bilateral and commercial creditors, partly offset by a small decrease in debt of multilateral creditors. Figure 1 below shows the composition of the external debt of Côte d'Ivoire by creditor group at end 2007.

Figure 1: Côte d'Ivoire - Composition of External Debt by Creditor Group, end-2007_Nominal Stock



Source: Ivorian Authorities and IMF and IDA estimates

HIPC Assistance and Status of Creditor Participation

- 5.2. With the revised debt data, the required HIPC assistance to Côte d'Ivoire has risen from US\$ 3,004.9 million to US\$ 3,109.3 million. Consequently, the common reduction factor is increased slightly from 23.6 percent to 24.1.
- 5.3. Table 1 below presents the breakdown of the HIPC debt relief to Côte d'Ivoire by creditor. The total revised completion point HIPC debt relief from bilateral creditors is estimated at US\$ 1,340.4 million in end-December 2007 PV terms (43.6 percent), US\$ 711.4 million (23 percent) from multilateral creditors and US\$ 1,040.5 million (33.5 percent) from commercial creditors. The Bank Group's share of the debt relief has been adjusted slightly upward from US\$ 199.5 million at decision point to US\$ 204.5 million at completion point, equivalent to 28.7 percent of the multilateral debt relief and 6.6 percent of the total debt relief.
- 5.4. Paris Club Creditors share of enhanced HIPC assistance is estimated at US\$ 1,340.1 million in end 2007 PV terms, in accordance with the revised assistance. Interim assistance has been delivered through two flows rescheduling on Cologne terms, agreed in May 2009 and November 2011. On June 29, 2012, Representatives of the Paris Club creditor countries met with representatives of Government of the Republic

of Côte d'Ivoire and agreed on a debt cancellation (of US\$ 4,725 million) for the Republic of Côte d'Ivoire.¹⁰ This agreement and additional bilateral efforts will result in the reduction of Côte d'Ivoire's debt to Paris Club Creditors by 99.5 percent.

Table 1: Creditor Participation in Côte d'Ivoire's HIPC Debt Relief
(US\$ million)

Creditors	Completion Point Debt Relief (end-2007 NPV)	Percentage of Total Debt Relief from Multilateral Creditors (%)	Percentage of Total Debt Relief from all Creditors (%)
Multilateral Creditors	711.4	100.0	23
<i>ADB Group</i>	204.5	28.7	6.6
<i>World Bank (IDA)</i>	412.6	57.9	13.3
<i>IMF</i>	38.7	5.4	1.2
<i>Other Multilaterals</i>	55.9	7.8	1.8
Bilateral Creditors	1357.4		43.6
<i>Paris Club</i>	1340.1		43
<i>Non-Paris Club</i>	17.3		0.6
Commercial Creditors	1040.5		33.5
Total HIPC Debt Relief	3109.3		100

Sources: IDA/IMF: Côte d'Ivoire – Enhanced Heavily Indebted Poor Countries (HIPC) Initiative: Completion Point Document and Multilateral Debt Relief Initiative (MDRI), May 2012.

- 5.5. At the completion point, Côte d'Ivoire has received financing assurances by creditors accounting for 98 percent of the PV of HIPC assistance estimated at the decision point. Almost all multilateral creditors (providing 23 percent of total HIPC assistance) have confirmed their participation. All Paris Club creditors (providing 43 percent of total HIPC assistance) have also confirmed their participation. In 1998 and 2002, the Paris Club already provided debt relief on terms more favorable than traditional debt relief.¹¹ Among the non-Paris Club creditors, China has provided debt cancellation. In 1998, commercial creditors represented in the London Club went beyond traditional debt relief as part of a broader debt reduction package for the country.
- 5.6. The revised amount of enhanced HIPC assistance from multilateral creditors is \$711.4 million in end-2007 PV terms. The World Bank Group's share of HIPC debt relief is estimated at US\$ 412.6 million in PV terms. Of this, US\$ 270.5 million has already been provided through the clearance of IDA and IBRD arrears. Interim relief was provided by the World Bank Group entirely on IBRD debt outstanding. Accordingly, during the interim period, assistance has taken the form of IDA grants (over and above the country IDA envelope) to finance debt service on IBRD loans. Such resources were used to cover 50 percent of the debt service owed to IBRD during the interim period (subject to the ceiling of one-third of total debt relief to be provided on PV terms). At the completion point, given that IBRD loans are fully repaid, the remaining share of HIPC assistance from the World Bank Group would be provided on IDA credits through debt service reduction. IMF assistance is estimated at US\$ 38.7 million in PV terms. Following the approval of the decision point by the Boards of IDA and IMF, the IMF has provided interim assistance in the form of debt-service reduction. The remaining SDR 11.3 million (in PV terms), together with any unused interim

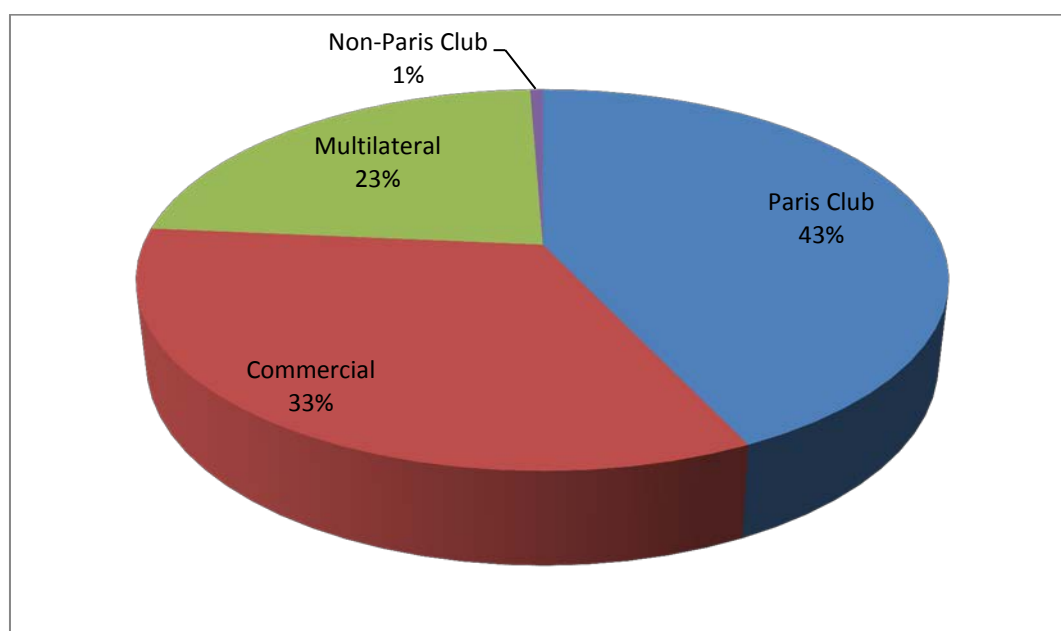
¹⁰ The African Development Bank was represented in this meeting. For further information, please refer to the website: [www.clubdeparis.org/sections/actualites/Côte d'Ivoire](http://www.clubdeparis.org/sections/actualites/Côte%20d'Ivoire)

¹¹ In 1998 and 2002, Côte d'Ivoire benefited from a flow relief agreement under Lyon terms (80 percent).

assistance, would be delivered to Côte d'Ivoire at the completion point through a stock-of-debt operation.

- 5.7. The ADB Group has fully provided its share of HIPC assistance through the clearance of arrears of UA 240.96 million (US\$ 363.91 million) in 2009.¹² At decision point, the ADB Group's share of the HIPC relief was estimated at US\$ 199.5 million, and this amount was slightly revised upwards at completion point to US\$ 204.5 million. Even with this revised figure, the Bank delivered more than its share of HIPC debt relief to the country. Consequently, no further debt relief assistance will be provided at completion point to Côte d'Ivoire.

Figure 2: Breakdown of HIPC Assistance to Côte d'Ivoire by Creditor



Source: Ivorian Authorities and IMF and IDA estimates

Considerations for Exceptional HIPC Debt Relief (Topping-Up)

- 5.8. Based on the debt relief analysis of loan-by-loan debt data, exchange rates and discount rates carried out, the nominal stock of Côte d'Ivoire's external debt amounted to US\$ 12,492.4 million. The PV of debt-to-revenue ratio at end-2011—after full delivery of the HIPC assistance committed at the decision point would decline below the target ceiling of 250 percent after full delivery of additional bilateral debt relief beyond the HIPC Initiative.¹³ Therefore, Côte d'Ivoire does not qualify for topping-up.¹⁴

¹² Côte d'Ivoire Decision Point Document Under the Enhanced HIPC Initiative (ADF/BD/WP/2009/44) and Côte d'Ivoire Arrears Clearance Plan (ADF/BD/WP/2009/28).

¹³ The debt stock after the additional Paris Club creditors' delivery of debt relief under bilateral initiatives beyond the HIPC Initiative is used as a base for topping up consideration.

¹⁴ The Enhanced HIPC Initiative framework allows for the provision, on an exceptional basis, of additional debt relief (or —topping-up) at the completion point. Additional debt relief is provided if a country's actual debt burden indicators have deteriorated compared to the decision point projection, and this deterioration is primarily attributable to a fundamental change in a country's economic circumstances due to exogenous factors.

MDRI Debt Relief

- 5.9. Conditional on reaching the completion point under the HIPC Initiative and the associated debt relief being delivered, Côte d'Ivoire would qualify for additional debt relief from the Multilateral Debt Relief Initiative (MDRI) from IDA and the ADF. MDRI debt relief would save Côte d'Ivoire an additional UA 182.84 million in debt service over a period of more than 30 years on debt owed to ADF. The MDRI debt relief would be provided in accordance with the specific implementation modalities adopted by each institution:
- ADF would provide Côte d'Ivoire with UA 182.84 million in nominal terms, of debt relief under the MDRI, based on debt disbursed as of December 31, 2004 and still outstanding on June 25, 2012. Therefore, the cancellation will affect eligible loan balances on disbursement prior to 2005.
 - IDA would provide debt stock relief under the MDRI amounting to US\$ 1,473.3 million in nominal terms. IDA would provide MDRI debt forgiveness by irrevocably canceling Côte d'Ivoire's debt service obligations for credits disbursed as of December 31, 2003 and still outstanding at end-2011. MDRI debt relief from IDA would imply average debt service savings of US\$ 52 million per year over the next 30 years. The MDRI would result in the cancellation of almost all remaining IDA credits after HIPC relief.
 - There will be no MDRI relief from the IMF, as the last loan that was outstanding at end-2004, has been fully repaid in April 2012. The presently outstanding ECF loans were disbursed after end-2004, and will therefore not be eligible for MDRI relief.

6. Long Term-Debt Sustainability and Sensitivity Analysis

Debt Sustainability Analysis

- 6.1. After full delivery at the completion point of HIPC Initiative assistance, and additional bilateral assistance beyond HIPC and MDRI assistance, Côte d'Ivoire's external public debt would be considerably reduced, and external debt indicators would improve.¹⁵ The PV of debt-to-revenue ratio would fall from 298.9 percent at end-2011 to 71.1 percent at end-2021;¹⁶ thereafter it is projected to stay at around the same level until end 2031, all other things remaining equal. The PV of debt-to-GDP ratio and the PV of debt-to-exports would follow a similar path.

Debt Sensitivity Analysis

- 6.2. The sensitivity analysis highlights the need for strong and continued efforts to diversify the economy to reduce the risk of adverse shocks and maintain a prudent debt management strategy. While HIPC, beyond-HIPC, and MDRI debt relief substantially reduce Côte d'Ivoire's debt burden, the sensitivity analysis clearly shows that Côte d'Ivoire would remain vulnerable to a number of shocks, in particular to (i) lower export growth, (ii) lower GDP growth and (iii) lower concessionality of new borrowing. In order to maintain debt sustainability, it will be crucial to undertake measures to promote sustained growth, solid export and fiscal revenue performance

¹⁵ For the assumptions and other issues in the DSA analysis please refer to the IDA and IMF HIPC Completion Point Document, page 20, Box 1 (included in Annex 4).

¹⁶ According to the DSA conducted by the IMF and World Bank on Côte d'Ivoire, which is attached in the IDA and IMF HIPC Completion Point Document and MDRI (appendix 3, page 28). See Annex 4 for further details.

and prudent debt management. It will be important to broaden the export base beyond cocoa and oil, as these two products dominate the exports and provide very significant fiscal revenue. Export diversification would make the economy more resilient to the shocks described above and would help stabilize the debt service-to-revenue ratio, which is expected to increase in the medium-term. Côte d'Ivoire should also carefully consider the terms and volume of its new borrowing as they have a significant impact on debt dynamics. The country should adopt a debt strategy that would rely as much as possible on concessional sources of external financing.

- 6.3. Therefore, it is important for the Government to continue to strengthen debt management and maintain a prudent borrowing policy to reduce the country's exposure to external shocks. Likewise, Government's determination to maintain budgetary discipline and increase tax mobilization, coupled with structural reforms in the key sectors, would help to preserve long-term debt sustainability.

7. Bank Group's Contribution to the PRSP and Portfolio Analysis

Bank Group's Contribution to PRSP

- 7.1. Despite progress in specific areas of economic governance (notably in public finance management and transparency of public accounts), Côte d'Ivoire continues to face major challenges. The restoration of public administration, provision of basic social services and improvement of economic governance should enable the country to overcome its fragile state and to lay solid foundations for sustainable growth.
- 7.2. To support the country to this end, the Bank adopted a Country Brief 2011-2012 for Côte d'Ivoire¹⁷ defining the framework for the Bank's rapid re-engagement in Côte d'Ivoire. The country brief consisted of two pillars (i) restoring infrastructure and basic social services; and (ii) improving governance and capacity building. In order to contribute to Government's efforts to address major social needs, exacerbated by the post-election crisis, the Bank approved on June 2011 an Emergency Program to Restore Basic Social and Administrative Services (PURSSAB) totaling UA 100.5 million. The program seeks to address the country's urgent needs through the restoration of basic health, educational and social welfare services, water and sanitation networks, public administration services, as well as dialogue, social cohesion and reconciliation mechanisms. The Bank is also supporting infrastructure development in transport and to restore conditions for the production and marketing of agricultural products needed to improve food security. The Bank is preparing a comprehensive intervention strategy covering the period 2013-2017, in particular, define the framework for the Bank to accompany the government in the implementation of the National Development Plan 2012-2015.

Bank Group Portfolio

- 7.3. Since 2007, the Bank Group has financed 9 operations in Côte d'Ivoire with a total commitment of UA 238 million, of which there were 2 public investment projects, 1 budget support, 2 institutional support, 1 study, 1 humanitarian assistance support operation and 2 private sector operations (one infrastructure and one microcredit). Annex 3 shows the current Bank portfolio in Côte d'Ivoire. The overall disbursement rate is about 80.4 percent and is running satisfactorily. To date, the portfolio contains no problematic or potentially problematic projects. Once the project to support multi-

¹⁷ African Development Bank, Côte d'Ivoire Country Brief 2011-2012, May 26, 2011(ADF/BD/WP/2011/48).

sector crisis has been closed, the average age of the portfolio will be around nine months.

8. Debt Relief Delivery Modalities

- 8.1. At completion point the debt relief commitment made by the Bank Group at decision point becomes irrevocable. In the case of Côte d'Ivoire, the Bank Group's debt relief commitment has already been met through the arrears clearance provided prior to the HIPC decision point in March 2009. Consequently, no further HIPC debt relief assistance will be provided at completion point to Côte d'Ivoire. Accordingly, the country will need to meet in full its debt service on the remaining debt due to the Bank Group.
- 8.2. **Modalities for cancellation of eligible debt under the MDRI:** It is also proposed that the Bank Group cancel Côte d'Ivoire's MDRI-eligible debt owed to the ADF, estimated at UA 182.84 million. This assistance corresponds to a debt disbursed as at end 2004 and still outstanding as at 25 June 2012. The outstanding debt will in accordance with the established MDRI modalities be cancelled in one single operation.

9. Recommendations

- 9.1. The Boards of Directors are invited to:
- i) Take note of the justifications for Côte d'Ivoire's reaching its completion point under the Enhanced HIPC Initiative and thus qualifying for irrevocable debt relief in the amount US\$ 204.5 million, in end- 2007 NPV terms;
 - ii) Take note that the Bank Group's HIPC assistance has already been provided in grant form for the clearance of accumulated arrears prior to the decision point; and,
 - iii) Approve the eligibility of Côte d'Ivoire for debt relief under the MDRI, as per the modalities described in paragraph 8.2.

Annex 1: Côte d'Ivoire: Triggers for the HIPC Initiative Completion Point

Measures	Status	Comments
Preparation of a full PRSP through a participatory process and its satisfactory implementation for at least one year, as evidenced by an annual progress report submitted by the government to IDA and the IMF.	Completed	The report was adopted by the Council of Ministers on March 28, 2012.
Maintenance of macroeconomic stability as evidenced by satisfactory performances under a PRGF-supported program.	Completed	IMF Executive Board approved the first review of the ECF program May 11, 2012.
Quarterly publication of budget execution reports (including revenue; expenditure by type, function, and administration/type, and by the different stages of budget execution; and identification of poverty-reducing spending) within six weeks after the end of each quarter, for at least the four quarters immediately preceding the completion point.	Not completed; interrupted due to post-election crisis; satisfactory progress has been made	Reports are regularly published on the Ministry of Economy and Finance website: (http://www.finances.gouv.ci/fr/elements-de-gouvernance/execution-budgetaire.html) Because of the post-election crisis, and the adoption of the 2011 budget only in June 2011, no reports were published between September 2010 and September 2011.
Certification of conformity (certification de conformité) by the competent authority of the draft budget review law (loi de règlement) for a given fiscal year, within the 10 months following the end of that fiscal year, for at least one year immediately preceding the completion point.	Not completed; delayed due to post-election crisis; satisfactory progress has been made	Certifications of conformity were issued for the budget review laws of 2006-10, though the one for 2010 was delayed (to 15 months) by the post-election crisis. The budget review law for 2011 has been submitted to the Audit Chamber for its review.
Establishment of an operational public procurement regulation authority (separate from supervision entities).	Completed	Following the adoption of the new public procurement code, the National Public Procurement Regulation Authority (ANRMP) was established by Decree 2009-260 of August 6, 2009, on the organization and functioning of the ANRMP. The ANRMP is operational since May 2010. (http://www.anrmp.ci/textes/decrets.html)
Quarterly publication in the public procurement bulletin of the list of all contracts concluded and concession contracts granted (including by public establishments) for at least the fiscal year immediately preceding the completion point.	Not completed; interrupted due to post-election crisis; satisfactory progress has been made	Since 2009, the bulletins are regularly published, available online and in paper form, except reports were not published between April and May 2011 due to the post-election crisis.
Increase in the number of childbirths assisted by trained personnel to raise the rate of such deliveries to 65 percent on average nationwide (from 56 percent in 2006) during at least the year immediately preceding the completion point.	Completed	The rate of child births assisted by trained personnel rose from 67.5 percent in 2010 to 69.2 percent in 2011.

Measures	Status	Progress and Comments
Distribution to 90 percent of students enrolled in all public primary schools of three textbooks covering French, mathematics, and civic education, during at least the school year immediately preceding the completion point.	Completed	In 2009–12, French textbooks were distributed to 93.8 percent of students, mathematics textbooks were distributed to 92.3 percent of students, and civic education textbooks were distributed to 90.1 percent of students.
Quarterly publication on the Treasury’s website, within six weeks of the end of each quarter, of data on external and domestic public debt guaranteed by the government (stock, current debt service obligations due and actual debt service payments, loan disbursements) for at least the four quarters immediately preceding the completion point.	Not completed; interrupted due to post-election crisis; satisfactory progress has been made	The data on external and domestic public debt, as well as debt guaranteed by the government, are published on the Treasury’s website (www.tresor.gov.ci) on a quarterly basis, since 2009; except data was not published between September 2010 and September 2011 due to the post-election crisis. These missing data have been published since, and the most recent data published are for end-March 2012.
Regular publication of a report on payments made to the government by the extractive industries and revenue received by the government from those same industries—mining, petroleum, and gas—in accordance with EITI criteria, along with a recent annual report, during at least the year immediately preceding the completion point.	Completed	The 2006–07 report on payments made to the government by the extractive industries and revenue received by the government from those same industries—mining, petroleum, and gas—in accordance with EITI criteria, has been available since April 2010. Reports for 2008–09 and 2010, including the mining sector, were adopted by the Steering Committee on May 10, 2012, and have been published.
Annual publication, within seven months of the end of the calendar year, of the certified financial statements of PETROCI, in accordance with international standards, during at least the year immediately preceding the completion point.	Not completed; delayed due to post-election crisis; satisfactory progress has been made	PETROCI’s certified accounts for fiscal 2008 and 2009 were published, respectively, in July 2009 and July 2010 in the official gazette (<i>Fraternité Matin</i>). Despite the post-election crisis, PETROCI’s accounts for fiscal 2010 were validated by the General Assembly and published on October 10, 2011 in <i>Fraternité-Matin</i> . Moreover, the report incorporating the auditor’s assessment is published on the website of the Ministry of Economy and Finance.
Reduction of the overall taxation of cocoa production to no more than 22 percent of the c.i.f. price, as evidenced by (i) promulgation of the budget law; and (ii) an official communication to exporters, issued no earlier than five months before the start of the crop year.	Completed	The 22 percent ad valorem tax on the c.i.f. price of cocoa has been applied since the 2010/11 crop year and maintained for the 2011/12 crop year.
Adoption by the government of a new institutional and regulatory framework for the coffee-cocoa sector and satisfactory implementation of the functions under government responsibility for at least the six months immediately preceding the completion point, in accordance with its new strategy for development of the sector.	Completed	The coffee-cocoa sector reform was adopted by the Council of Ministers on November 2, 2011. Implementation over the first six months has been in line with benchmarks established in December 2011 by Bank and Fund staffs. Implementation includes the enactment of the new legal and regulatory framework, the establishment of the new regulatory body, and the timely start of forward sales and export permit auctions for the 2012–13 crop year.

Source: Ivorian Authorities and the IMF

Annex 2: Breakdown of HIPC Assistance to Côte d'Ivoire by Creditor

(In US\$ million)

Institution	Debt Relief in NPV terms (US\$ million)	Percentage of total assistance	Modalities to deliver debt relief
World Bank IDA IBRD	412.6 280.3 132.2	13.3 9 4.3	The World Bank's debt relief has been delivered through the clearance of arrears (US\$ 270.5 million) on grants terms in April 2008 and through the debt service reduction (US\$ 43.9 million in PV terms) during the interim period from 2000-2010.. Remaining assistance (US\$ 98.2 million in PV terms) will be provided at the completion point to further reduce debt service payments over the period from 2012 to 2016.
AfDB Group ADB ADF	204.5 172.8 31.7	6.6 5.6 1.0	AfDB Group assistance has been fully delivered through its concessional arrears clearance operation under the fragile states facility (For further details please see Cote d'Ivoire Arrears Clearance Plan, ADF/BD/WP/2009/28).
IMF	38.7	1.2	The fund has provided interim HIPC in the amount of US\$ 22.6 million in the form of debt service payment reduction. The remaining assistance of US\$ 16.04 million will be provided at completion of the HIPC Initiative to further reduce debt service payments.
EIB/EU EIB EU	27.7 9.3 18.4	0.9 0.3 0.6	For EIB, partial debt relief was provided through concessional loan rescheduling. Remaining debt relief will be provided starting from 2013 through debt service payment reduction. EU assistance has been fully provided through a concessional arrears clearance.
BOAD	8.2	0.3	Assistance to be delivered at completion point
OFID	2.6	0.1	Assistance was provided through the grant element imbedded in the concessional loan financing
ECOWAS	4	0.1	Assistance to be delivered at completion point
WAEMU	8.7	0.3	Debt relief was provided through loan restructuring.
BADEA	2	0	Assistance to be delivered at completion point
IDB	0.7	0	Assistance to be delivered at completion point
IFAD	2	0.1	Assistance to be delivered at completion point
Total Multilateral	711.4	23	
Paris Club creditors	1340.1	43	Paris Club Creditors provided debt relief on terms more favourable than traditional through two Lyon flow rescheduling operations in 1998 and 2002. It also provided interim assistance through two Cologne flow treatments in 2009 and 2011.
Non-Paris Club	17.3	0.6	
China	12.6	0.4	China delivered debt relief in excess of its share through loans cancellations
Commercial Creditors London Creditors	1040.5 996.5	33.5 32.1	London Club creditors delivered debt relief in excess of their share as part of a debt reduction package in 1998 and through additional debt reduction in 2010.
Total Bilateral and Commercial	2397.9	77	
Grand Total	3109.3	100	

Sources: Ivorian Authorities and World Bank-IMF Staff Estimates

Annex 3: Status of Bank Group Portfolio as of End June, 2012

(UA Million, unless otherwise stated)

Project	Approval Date	Amount Approved	Funding Sources	Disbursement	Balance to be disbursed	Closing Date
Henri Konan BEDIE Toll Bridge	March 2012	58,000,000 €	ADB private sector		58,000,000 €	No closing date
Project to support agricultural infrastructure in the Indenié-Djuablin	March 2012	21,600,000	ADF-12	0	21,600,000	28 February 2018
Humanitarian assistance for post-election violence	July 2011	651,605	Special Emergency Fund Grants	651,605	0	31 December 2011
Emergency program for the restoration of social and administrative services	3 June 2011	60,000,000	FSF Pillar 1 grant	60,000,000	0	31 December 2011
		5,500,000	FSF Pillar 3 grant	975,550	4,524,450	9 March 2013
		11,900,000	ADF-12 Grant	11,900,000	0	31 December 2011
		23,100,000	ADF Loan	23,100,000	0	31 December 2011
Integrated project management for the Gourou Basin	24 November 2010	23,000,000	ADF-11 grant	287,500	22 712 500	31 December 2014
Micro Credit for Côte- D'Ivoire	April 2010	1,100,000 € (Equity participation) and 750.000 € (technical assistance)	Private sector window of the ADB	0	0	No closing date.
Institutional support and multisectoral crisis project	December 2007	20,000,000	ADF-10 grant	19,124,000	876,000	30 June 2012
Feasibility study for the construction of a manufacturing plant medicines	2009	213,000 €	Italian bilateral grant	166,424€	46,576	No closing date
Capacity building project on Governance	May 2009	2,000,000	FSF-Pillar III	1,173,187	826,813	

Sources: African Development Bank

Annex 4: Côte D'Ivoire: Completion Point Document Prepared by IMF/World Bank