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AFRICAN DEVELOPMENT BANK GROUP

COTE D'IVOIRE: COUNTRY BRIEF 2011-2012

May 2011

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Currency Equivalents
April 2011

Unit of Account (UA) =	CFAF 759.327
EUR =	CFAF 655.957
USD =	CFAF 463.255

Fiscal Year

1 January to 31 December

CFAF 759.327

Weights and Measures

1 tonne	=	2,204 pounds (lbs)
1 kilogramme (kg)	=	2.200 pounds (lbs)
1 metre (m)	=	3.28 feet (ft)
1 millimetre (mm)	=	0.03937 inch (")
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.47 acres

Acronyms and Abbreviations

ADB	African Development Bank
ARCC	Coffee and Cocoa Regulatory Authority
ANRMP	National Public Procurement Regulatory Authority
ADF	African Development Fund
BCC	Coffee and Cocoa Exchange
BWI	Bretton Woods Institutions
CNO	Centre, North, West
CPIA	Country Policy and Institutional Assessment
ECF	Extended Credit Facility
EU	European Union
FAO	Food and Agriculture Organisation
FDPCC	Fund to Develop and Promote the Activities of Coffee and Cocoa Farmers
FRC	(Coffee and Cocoa Sector) Regulation and Control Fund
FSF	Fragile States Facility
GDP	Gross Domestic Product
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
IMF	International Monetary Fund
MDG	Millennium Development Goal
OPA	Ouagadougou Political Agreement
PAIMSC	Post-Crisis Multisector Institutional Support Project
PEFA	Public Expenditure and Financial Accountability
PEMFAR	Public Expenditure Management and Financial Accountability Review
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
RBCSP	Results-Based Country Strategy Paper
SIGFIP	Integrated Public Finance Management System
SIGMAP	Integrated Public Procurement Management System
TFP	Technical and Financial Partners
UA	Unit of Account
UNDP	United Nations Development Programme

UNFPA	United Nations Fund for Population Activities
UNO	United Nations Organisation
UNOCI	United Nations Operation in Cote d'Ivoire
VAT	Value-Added Tax
WAEMU	West African Economic and Monetary Union

Executive Summary

1. The November 2010 Ivorian post-election crisis resulted in the loss of several lives, major human rights violations and massive population displacement. It weighed heavily on the economy. With insecurity in production zones and challenges in distribution and logistics, real GDP is estimated to have dropped by 6% in 2011, compared to an increase of 2.4% (2010) and 3.8% (2009). This implies a reduction of the gains made since the signing of the Ouagadougou Peace Agreement (OPA) in 2007, worsening progress in poverty reduction and aggravating health, education, water, sanitation, civil protection and social welfare indicators.
2. Following the end of the crisis in April 2011, the elected President, Alassane Ouattara, launched an appeal to consolidate the newfound peace, promote reconciliation and facilitate the country's socio-economic restoration. To assist Cote d'Ivoire in addressing its immense needs, the Bank is committed to a rapid operational re-engagement over the period 2011-2012, using resources from the Fragile States Facility and ADF 12. The post-election crisis disrupted the 2009-2013 PRSP priorities and the Bank Group's planned Country Assistance Strategy for 2011-2015. Consistent with the Bank's Fragile States Facility, this ***Country Brief 2011-2012 defines the framework for the Bank's rapid re-engagement in Cote d'Ivoire. It concludes with the proposal for Cote d'Ivoire's eligibility to Pillar 1 of the second cycle FSF resources (supplementary financing) and Pillar 3 (targeted support) to strengthen capacity building.***
3. The Bank's intervention will be based on the following criteria: (a) context of crisis resolution; (b) alignment with the priorities of the new authorities; (c) expeditious implementation of the operations in the current portfolio; and (d) harmonization with donors. Bank support will target rehabilitation/reconstruction of basic infrastructure, governance and capacity building. ***The proposed strategy for 2011-2012, in consultation with the Ivorian authorities, consists of two pillars: (i) restoring infrastructure and basic social services; and (ii) improving governance and capacity building.*** The long years of political instability as well as recent clashes and looting had negative impacts on social infrastructure, installations and facilities. Substantial efforts are necessary to restore the supply of basic social services. A full CSP is planned for the period 2013-2017 to assist the country with its quest for strong and inclusive growth.
4. A coordinated engagement by development partners (the IMF, the World Bank, the European Union, the United Nations system and the African Union) will be vital to assist the new Administration to restore growth and improve opportunities for private sector development.
5. The Boards are requested to approve: (i) the Country Brief for the period 2011-2012; and (ii) Cote d'Ivoire's eligibility for second cycle resources under the Fragile States Facility under Pillar 1 (supplementary financing) and Pillar 3 (targeted support) for capacity building.

1. INTRODUCTION

1.1 In a bid to help the country to move out of its fragile situation, the Bank's Boards of Directors on 6 March 2009 approved a strategy that focused on arrears clearance and rapid operational reengagement. The Country Strategy Paper (2009-2010) served as a tool for programming the resumption of cooperation between the Bank and the country. It was based on the 2007 Ouagadougou Political Agreement that marked the beginning of Cote d'Ivoire's gradual exit from several years of socio-political crisis. The 28 November 2010 presidential elections should have been the culmination of this long peace process. However, faced with a difficult transition, the country was plunged into an even more acute crisis for four months. The failure of various mediation efforts undertaken at sub-regional and continental levels led to the use of force end several years of tension.

1.2 Following the resolution of the socio-political crisis, the Bank and Cote d'Ivoire's other partners unanimously expressed their commitment to support the Government in its efforts to deal with emergencies, and restore security as well as economic and social recovery. This support was reaffirmed at the 2011 Spring Meetings of the International Monetary Fund and the World Bank, and the Bank's Governors' Consultative Committee, in Washington DC in April 2011.

1.3 This country brief (CB) falls within this framework, which reflects the strategy of the Bank's rapid operational re-engagement in Côte d'Ivoire for the 2011-2012 period. The purpose of the strategy is to contribute to improving the socio-political climate for sustainable economic development.

1.4 This Country Brief (CB) seeks to assess Cote d'Ivoire's eligibility for resources of the second cycle of the Fragile States Facility (FSF) under Pillar 1 related to supplementary financing and Pillar 3 related to targeted support for capacity building. An indicative programme of operations planned under the FSF and ADF 12 cycle is also included in the CB (see Table 3).

2. CONTEXT AND PROSPECTS

2.1. Political and Security Context

2.1.1 The post-election crisis which began after the second round of presidential elections resulted in massacres and gross human rights violations. The escalation of violence raised the number of civilian casualties to over 3,000 dead¹, with thousands more injured and a large number of Ivorian refugees in neighbouring countries, especially Liberia and Ghana.

2.1.2 Following the end of the crisis in April 2011, President Ouattara called for national reconciliation and the resumption of normal activities. A new page is opening for consolidating the restored peace, promoting reconciliation and facilitating the country's socio-economic recovery. The Government has stated its willingness to deal with urgent issues, namely: (i) ensuring the security of persons and goods in Abidjan and nationwide; (ii) establishing a Dialogue, 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.

2.1.3 Since mid-April 2011, the situation has gradually normalized. The heads of the main State institutions as well as the hierarchy of Cote d'Ivoire's Defence and Security Forces have pledged their allegiance to President Alassane Ouattara. Joint patrols comprising the FRCI and impartial forces (UNOCI and forces of the French Operation Unicorn) are securing all districts of Abidjan.

2.1.4 The security situation is gradually improving. The supply of water and electricity has been restored in areas that were affected by the crisis. Markets and shops have reopened. The administration, banks and schools are resuming gradually, despite some difficulties.

2.1.5 President Alassane Ouattara was sworn in before the Constitutional Council on 6 May 2011 and his inauguration took place on 21 May 2011. There are plans to set up a

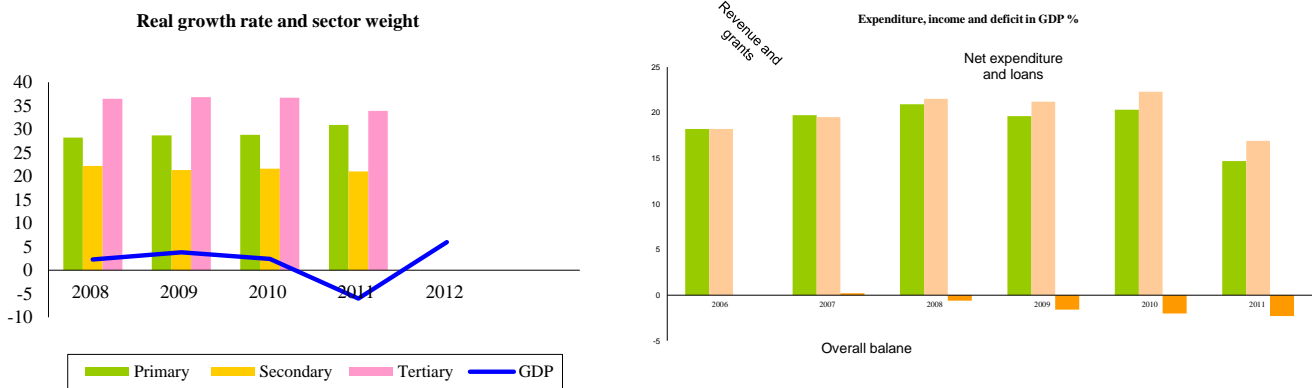
¹ According to the Ivorian authorities

Government of National Union opened to the opposition and civil society. Parliamentary elections scheduled before the end of 2011 will renew the Parliament whose mandate had been extended beyond the normal term by more than 5 years. Proper organization of these elections is one of the major challenges

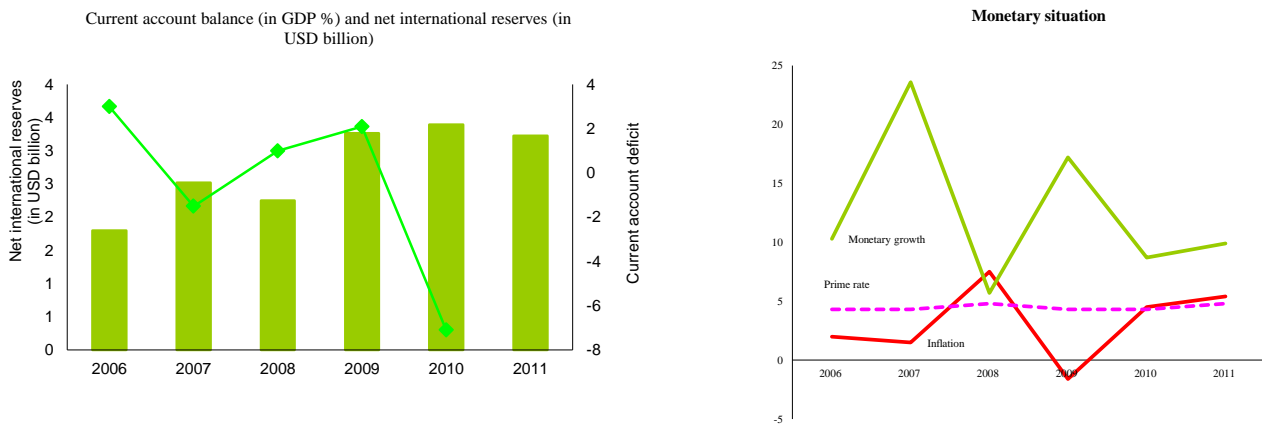
to full political normalization. Furthermore, the formation of a unified army and redeployment of security forces across the country remains key challenges for the Government.

2.2. Economic Context.

Graph 1: Macroeconomic Indicators



Source: Ivorian Authorities, IMF and Economist Intelligence Unit (EIU), May 2011



Source: Ivorian Authorities, IMF and Economist Intelligence Unit (EIU), May 2011

2.2.1 The post-election crisis and international community sanctions took a heavy toll on the Ivorian economy. The country faces cash shortage. Indeed, for several months, virtually all financial institutions and private companies stopped their activities due to insecurity. The bank clearing system was suspended following the closure of the national agency of the Central Bank of West African States (BCEAO). Mr. Ouattara's Government also ordered a ban on cocoa exports, the main product that accounts for 35% of State revenue.

2.2.2 With the paralysis of the economy, insecurity in production areas and dysfunctional distribution and marketing

channels, the **GDP growth rate is estimated to have declined by approximately -6% in 2011** compared to increases of 2.4% and 3.8% in 2010 and 2009, respectively. This would reduce all the gains since the signing of the OPA in 2007. However, a gradual recovery of the economy is expected in 2012 (about 6%), assuming a normalization of the security situation from the second half of 2011, combined with the lifting of sanctions, the resumption of international cooperation and the granting of incentives to the productive sectors.

2.2.3 Shortages in the hydrocarbon sector, the shutdown of ports and airports as well as difficulties in the land and air transport sector

induced by the war situation had a negative impact on the transport of food and export products. The markets are not sufficiently supplied, thus creating inflationary pressures. In late February 2011, year-on-year inflation was 5.1%, against -0.4% in 2010. Prices of major food commodities have increased by more than 25% in some cases (fish by 26.5%, oils and lubricants by 25.3%, etc.).

2.2.4 Concerning *public finance*, the banning of coffee and cocoa exports during the first four months of 2011 as well as the cessation of business activities, exemption from payment of the 2011 vehicle licence and the closure of commercial banks largely contributed to declining State revenues. Preliminary budget revenue and expenditure estimates for 2011 as a percentage of GDP were 11.7% and 16.9%, respectively, with a budget balance of -2.3% of GDP. In 2010, these ratios stood at 20.3%, 22.3% and -2% of GDP, in that order. The financing identified and the need to clear accumulated domestic and foreign arrears, including CFAF 195 billion in treasury bills that had matured in November but not yet honoured, leave a financing gap of CFAF 1 200.5 billion (i.e. nearly 10% of GDP). This gap will grow even wider when the full amount of humanitarian spending is taken into account.

2.2.5 Concerning the *monetary situation*, the closure of the BCEAO national agency and the suspension of commercial bank activity

eventually led to a liquidity dry-up in the country with an impact on monetary aggregates. At the level of *external accounts*, the current account balance is expected to decline due primarily to a lower volume of cocoa and petroleum exports. By late April 2011, an accumulation of arrears equivalent to 3.4% of GDP was recorded.

2.2.6 *In terms of demand*, its various components largely contracted in 2011. Final consumption recorded a fall in real terms of 7% over 2010. This decline is slightly higher for private consumption (-8.2%) due to cash shortage and supply difficulties during more than four months of crisis (i.e. for one-third of 2011). Compared to 2010, the Gross Fixed Capital Formation declined in volume at an average 10.7% (16.1% for the private sector). Overall, the investment rate is still very low compared to WAEMU countries. It stood at 8% of GDP in 2011 but could increase to 10% of GDP in 2012, assuming a successful implementation of the recovery and national reconstruction programme. Concerning external demand, in 2011, a decrease in export volume by 2.3% should be recorded mainly from major cash crops and mining products (crude oil and natural gas). Imports should drop by 8.6% in 2011, against a 3.5% increase recorded in 2010 due to the gradual stock reduction of capital goods already procured and not used during the crisis.

Table 1:- Composition of Demand				
	Variation in Volume (%)			
	2009	2010(e)	2011(p)	2012(p)
Consumption	0.5	-5	-7	6.4
Private	0.7	-5.5	-8.1	6.2
Public	-0.5	2.4	-1.9	7.7
Investments	5.6	4.6	-10.7	16.7
Private	5.5	4.9	-16.1	15.0
Public	5.7	3.7	1.9	20.0
External Sector				
Exports	10.6	-1.4	-2.3	5.2
Imports	5.2	3.5	-8.6	8.1
Real GDP growth (%)	3.8	2.4	-6.3	5.9

Source: Ivorian authorities, except 2012 ADB - African Economic Outlook 2011; estimates and forecasts

2.2.7 Under *debt management*, it is worth noting that Cote d'Ivoire reached HIPCI decision point in March 2009. Prior to applying classic debt relief, the State-guaranteed public foreign debt was estimated

at USD 14.3 billion at end December 2007 nominal terms. This amount was owed to multilateral, Paris Club and commercial creditors to the tune of 27.8%, 50.2 % and 21.5 %, respectively. Cote d'Ivoire's biggest

creditors are France (31.6 %), the World Bank Group (17.7 %) and the ADB Group (7.0%)¹.

2.2.8 Based on a common reduction factor of 23.6%, relief possible under HIPCI is estimated at USD 3 004.9 million at end 2007 NPV terms. Currently, the country has already received almost 55% of its Paris Club and London Club relief, and concessional arrears mop up operations by IDA (in April 2008) and the ADB Group (early March 2009).

2.2.9 As soon as it reaches the HIPCI completion point, Cote d'Ivoire will fulfil the required conditions to obtain assistance under the Multilateral Debt Relief Initiative (MDRI). At the envisaged completion point, assistance would be provided by IDA, the IMF and the ADF to the tune of USD 1 692.6 million, USD 9.3 million and USD 311.6 million, respectively, in nominal terms. It was agreed with the Ivorian authorities - and reiterated on the sidelines of President Ouattara's investiture - that France's debt relief resources will be used for investments within the Debt Reduction-Development (C2D) framework.

2.2.10 In this favourable debt context, the Government concluded restructuring agreements with its internal and external creditors, and honoured current commitments prior to the start of the post-election crisis. A restructuring agreement was signed with the Paris Club in May 2009, under Cologne Terms. Negotiations with the London Club led to the signing of a preliminary agreement on 29 September 2009.

2.2.11 Furthermore, the exchange of Brady bonds under terms concluded between the Government and the Bondholders' Coordination Committee was initiated in mid-March 2009 and closed in April 2010. Discussions with other commercial creditors (for a debt amount in the region of USD 290 million) and official non-bilateral Paris Club creditors under acceptable terms based on comparability with the Paris Club and HIPCI conditionalities, are underway. The authorities

hope to reach the HIPC Initiative Completion Point in 2012², giving enough time to evaluate the implementation of the Government programme supported by the Rapid Credit Facility (RCF)³ currently under discussion.

2.2.12 Debt sustainability analysis shows Cote d'Ivoire as highly distressed. The country is deemed incapable of sustaining new concessional debt during the course of ADF-12 and IDA-16. On this basis and given the country's performance, ADF and IDA concessional financing to Cote d'Ivoire should only be in the form of grants.

2.3. Social Context

2.3.1 The political crisis seriously aggravated an already precarious humanitarian situation. Significant declines were recorded, particularly in the area of poverty reduction and attainment of the Millennium Development Goals (MDGs). The standard of living deteriorated, with the poverty rate rising from 38.4% in 2002 to 48.9% in 2008.

2.3.2 Poverty is more acute in rural than urban areas. In terms of development poles, regional disparities are also striking. A zone ranking places the North in the top position on the poverty scale, with nearly four out of every five people poor. The following areas have rates well above the national average: West (63.2%), Midwest (62.9%), Northwest (57.9%), North Central (57.0%) and Northeast (54.7%).

2.3.3 With the recent clashes during the post-election crisis, the situation has become even more worrying as regards health, education, water, sanitation, civil protection and social welfare. Concerning the *health sector*, the Ivorian health system is facing development challenges related to the combined effects of internal and external factors from the September 2002 crisis and aggravated by the conflict that erupted in the wake of the presidential elections of 28 November 2010.

2.3.4 This situation led to the displacement of health personnel, looting of health facilities and their unauthorized occupation by the displaced people and the resurgence of potentially epidemic diseases such as cholera.

¹ As at 20 May 2011, arrears owed the Bank totalled UA 11.4 million. The authorities undertook to settle them before 31 May 2011.

² The list of HIPC completion point triggers is annexed.

³ The RCF replaces the Extended Credit Facility (ECF) concluded in March 2008.

Maternal and infant mortality rates stand at 470 per 100 000 live births (EIS, 2005) and 116.9 per thousand respectively. The HIV/AIDS prevalence rate was estimated at 3.4% in 2010 (UNAIDS, 2010).

2.3.5 The National Health Development Plan 2009-2013 is on-going and has not been completed owing to the persistent crisis which generated emergencies. Despite this critical situation, the budget allocated to health is still very low. It stands at only 5% of the total budget instead of the 15% required. Achieving the health-related MDGs, particularly Goals 4, 5 and 6 on reducing child and maternal mortality, as well as combating communicable diseases, including HIV/AIDS, malaria and tuberculosis, is hardly feasible within the current context.

2.3.6 In its human development policy, the Government prioritizes *education and training*. Thus, to facilitate school access and retention, progress has been made in terms of textbook loan/lease initiatives for the underprivileged since 1998, as well as definition of a sustained and widespread school canteen programme. However, schooling was seriously disrupted by the post-election crisis. Due to the closure of schools in 10 out of the 27 Regional Education Directorates, nearly 800,000 children have been unable to attend school. This disruption of classes, coupled with the shutdown of school canteens, could have a negative impact on enrolment rates in areas where they were already low and could also lead to higher dropout rates.

2.3.7 According to a report of the UN humanitarian team in Cote d'Ivoire, 28 schools have been closed for reasons of insecurity and over four thousand displaced children have lost their school supplies in the towns of Daloa, Issia, Sinfra, Tiebissou and Lakota. On the whole, the climate of insecurity and social unrest has harmed the hitherto stable educational environment.

2.3.8 The post-election crisis resulted in massive population displacement. The number

of displaced persons in the country is estimated at nearly 1 million. Furthermore, an increase in cases of gender-based violence against women and girls, in a context of limited access to medical and social services, was also noted. At least 528 cases of rape, linked to the post-election violence, were recorded in March 2011, some of which involved girls aged between 6 and 16. In addition, the break-up of families and communities has also destabilized social relations, thus exposing women and children to the risk of escalating violence.

2.3.9 The proportion of the population with sustainable access to improved water sources has increased steadily since 1993. At national level, it rose from 51.2% in 2002 to 61% in 2008 (Source: PRSP). The same holds true for both urban and rural areas. However, there is a disparity between the two areas; the increase was greater in urban areas where it rose from 74% in 2002 to 76% in 2008, against 43.8% to 50% in rural areas.

2.3.10 **The proportion of the population with access to improved sanitation facilities is very small.** In 2008, it was 23% overall, with 36% in urban areas and 11% in rural areas. This is the result of the absence of sanitation master plans for most major cities. The lack of infrastructure for storm water drainage or for collecting and treating waste water in residential areas help to degrade the living environment. The same applies to the infrequent maintenance of existing infrastructure, insufficient number of public latrines, and poor treatment and disposal of household waste.

2.3.11 In all, the path to achieving the MDGs by 2015 is strewn with enormous risks. In the absence of timely efforts, the fear is that a sizeable part of the population will slide into poverty, which was already affecting 48.9% of households in 2008. The table below summarizes the situation in October 2010, which shows that none of the goals is likely to be achieved.

**Table 2: Cote d'Ivoire's Prospects for Achieving the MDGs by 2015
Before and After the Post-election Crisis**

<i>Goal</i>	<i>Before</i>	<i>After</i>
1 - Eradicate extreme poverty and hunger. It is very unlikely that the MDG to bring down the poverty rate to 12% by 2015 would be achieved.		
2 - Achieve primary education. The school attendance rate is estimated at 77% and school completion rate at 51%. Achieving this MDG is unlikely.		
3 - Promote gender equality and empower women. <i>Achieving gender parity in the field of education is possible.</i>		
4 - Reduce under-five mortality rate. Achieving the MDG on bringing the mortality rate down to 50/1 000 is unlikely.		
5 - Improve maternal health. Achieving the MDG on reducing this rate to 300 deaths per 100,000 live births by 2015 is very unlikely.		
6 - Combat HIV/AIDS, malaria and other diseases. The HIV/AIDS infection rate is 4.7% and it is unlikely that the MDG on reducing this rate to 1.8% will be achieved.		
7 - Ensure environmental sustainability. The percentage of protected areas for the preservation of biodiversity is 10% and the MDG seeks to raise it to 20%. It is unlikely that the goal will be achieved. Since 81% of the population has access to an improved water source, it is likely that the MDG, which is set at 83%, will be achieved.		

Source: World Bank CAS 2010-2014 and projections by the authors

2.4 Country Economic Prospects

2.4.1 The economic and social prospects for Cote d'Ivoire depend largely on the pacification of the country and the successful implementation of emergency reconstruction programmes. Thus, assuming that the security situation is normalized in the second half of 2011, in conjunction with the lifting of sanctions and resumption of international cooperation, a strong recovery in GDP growth in real terms (about 6%) is expected as from 2012. On-going efforts to ensure the supply of petroleum products, secure production areas and rehabilitate marketing channels should push inflation down to less than 3% as from 2012, that is to say below the WAEMU convergence criteria.

2.4.2 The return to political stability has fuelled great expectations among the population regarding the delivery of essential public services and rapid improvement in living standards. However, this will mean a major risk in terms of unfulfilled social demands. The redeployment of the tax and customs administration in the CNW areas will help to reduce tax evasion and consequently improve the collection of revenue necessary to

meet increased spending prompted by the pressing needs of the population.

2.4.3 The commitment of development partners to support the Ivorian authorities in their reconciliation and reconstruction efforts will create an atmosphere of confidence conducive to renewed growth and private sector development. Given the constant interaction between the Ivorian economy and that of neighbouring WAEMU countries and particularly the movement of people, any support to Cote d'Ivoire will have direct or indirect spill-over effects at the regional level on the hinterland countries. IMF projections in September 2010 suggested improved economic growth of about 4.8% for the 2012-2014 period, stabilizing at 6% thereafter and reaching the historical post-devaluation growth path (1994-1998).

2.4.4 The Ivorian economy could experience fast recovery because there was no excessive destruction of capital. In the medium and long term, growth will mainly depend on: (i) rehabilitating public infrastructure; (ii) improving governance, particularly in public and semi-public enterprises, as well as in the coffee/cocoa,

energy and financial sectors; and (iii) improving the business environment.

2.5. Status of Bank Active Portfolio in the Country

2.5.1 With the first political/military crisis of 2002, Cote d'Ivoire was placed under Bank sanctions from February 2003 to early March 2009 due to arrears accumulation. Nevertheless, dialogue was maintained with the Ivorian authorities. A Bank reengagement strategy was defined in the Country Strategy Paper approved in March 2009. The clearance of arrears from the support received from the Bank helped the country to reach the HIPCI Decision Point and be granted a second budget support by the World Bank. The Bank had already increased its support to the country in February 2008.

2.5.2 The last review of the Bank's portfolio occurred in 2010, nearly fourteen

years after that of 1996. Considering the long period of inactivity of the portfolio (six years) due to the suspension of disbursements to the country, the Bank: (i) streamlined the portfolio by cancelling the outstanding balance of eight old operations amounting to approximately UA 17 million; and (ii) made proposals for the restructuring of two other operations (PADER-Moyen-Comoé and PVRH) whose respective balances are UA 15 million and UA 18.2 million, for new operations more adapted to the needs of the people in the areas covered. However, given the effects of the post-election crisis, there are now plans to use the balance of these two operations as budget support to provide the Government with more rapid disbursement resources. With the prospects of resumption of activity, particularly the restoration of government services through the proposed budget support, the portfolio will be improved. The table below gives an overview of Bank's portfolio status in Cote d'Ivoire.

Table 3 :- Status of Portfolio as at 20 May 2011 (in UA million)		
Operations	Amount (in UA million)	Purpose/Remarks
<u>On-going projects</u>		
- <i>Post-Crisis Multisector Institutional Support Project (PAIMSC)</i>	20	This grant is allocated to: (i) the rehabilitation of school and health infrastructures, and (ii) institutional capacity building and caring for women who are victims of violence. The disbursement rate of this project is 88%. The undisbursed balance to date stands at UA 1.5 million and the Bank has granted a new extension to 31 December 2011 to allow for continuation of activities already initiated and deemed relevant.
- <i>Targeted Capacity Building Support</i>	2	Approved in December 2009 under the Fragile States Facility, with a disbursement rate of 57%, the objective of this project is to: (i) strengthen the coordination framework for government interventions; (ii) support implementation of the PRSP; (iii) improve the efficiency of public financial management; and (iv) strengthen good governance.
<u>Project approved but not signed</u>		
- <i>Gourou Basin Integrated Management Project (Sanitation of Indenié junction and the Lagoon)</i>	23	The ADF Board of Directors on 24 November 2010 approved a grant of UA 23 million to finance this project, which could not be signed during the elections.
<u>Projects that could be cancelled</u>		
- <i>Moyen Comoé Rural Development Support Project (PADER-MC)</i>	15	In accordance with the new guidelines for cancellation of loans and grants, 70% of the total amount of these two loans (UA 23.1 million) is proposed for reallocation to the country for a new operation.
- <i>Human Resources Sector Adjustment Programme (PVRH)</i>	18.2	
<u>On-going private sector projects:</u>		
- <i>Establishment of a microfinance bank (MicroCred Cote d'Ivoire)</i>	1.85*	This is an equity participation with the AFD for EUR 1 100 000 and EUR 750,000 as technical assistance. The objective is to provide financial services to low-income people who do not have access to the conventional banking system.
<u>Private sector projects under consideration:</u>		
- <i>Marcory-Riviera Third Bridge Construction Project</i>	40**	Discussions are underway for Bank participation in financing the Third Abidjan Bridge (Marcory-Riviera) for EUR 40 million.

*: In EUR million comprising EUR 750,000 in cash and EUR 1.1 million in securities. **: EUR million

2.6. Cooperation with Development Partners

2.6.1 Cote d'Ivoire began to reconnect with the international financial community from 2007 with the implementation of the OPA and the Government's fulfilment of its commitments with the key donors. Cooperation was initially conducted through various emergency plan frameworks before the development of a PRSP 2009-2013 and attainment of the HIPCI decision point in March 2009.

2.6.2 Following the satisfactory implementation of the Post-Conflict Emergency Assistance, *the International Monetary Fund (IMF)* granted the country an Extended Credit Facility to support its economic and financial programme. The resources of this Facility amounted to SDR 345.4 million, approximately equivalent to USD 560 million, with cumulative disbursements at end September 2010 (before the onset of the crisis) amounting to DTS 230.9 million, equivalent to USD 374.3 million. In late March 2009, by decision of the Executive Boards of the IMF and World Bank, Cote d'Ivoire became eligible for debt relief under the Enhanced Heavily Indebted Poor Countries Initiative (HIPCI).

2.6.3 *The IMF is ready to hold discussions on an economic recovery programme for 2011.* Financial assistance could follow, but only when the main elements of the reorganization plan have been finalized. The IMF is also willing to provide technical assistance and financial support to the new Government once the new Ivorian authorities have drawn up an inventory of the economic and financial needs facing the country in this socio-political crisis situation. To that end, an IMF mission with the participation of the World Bank and ADB is being fielded in Abidjan for the period 18 April to 2 June 2011.

2.6.4 The **World Bank (WB)** has drawn up an interim strategy as a transitional framework to serve as the basis for the gradual resumption of its operations in Cote d'Ivoire in 2008 and 2009. In September 2010, it presented its new partnership strategy for the revival of Cote d'Ivoire over the next four years, underpinned by the following pillars: (i)

strengthening governance and institutions; (ii) improving performance in the agricultural sector; (iii) strengthening the private sector and consolidating the investment climate; and (iv) reviving infrastructure and restoring basic services. **The World Bank also intends to restructure its asset portfolio with an undisbursed amount of USD 240 million to address the fresh needs arising from the crisis.**

2.6.5 The **European Union** has supported much of the OPA implementation and defined a cycle of medium-term programming for 2008-2013 (10th EDF), which takes into account the prospects of Economic Partnership Agreements (EPAs). The EU will make available about EUR 216 million for operations relating to socio-economic infrastructure, transport, sanitation, health and education. For the immediate future and to resolve the post-election crisis, the EU has approved funding of EUR 180 million for Cote d'Ivoire (disbursement pending). On 21 April 2011 **France**, Cote d'Ivoire's leading trading and bilateral partner, signed a guarantee for a first tranche of an EUR 350 million loan to Cote d'Ivoire, of which EUR 200 million was earmarked for the payment of arrears and salaries of public servants in late April 2011.

2.6.6 This first tranche will be followed by another disbursement of EUR 150 million to meet urgent Government operating expenditure. France has also pledged to provide Cote d'Ivoire with resources to enable it to clear its arrears with the ADB and World Bank on a *pari-passu* basis.

2.6.7 The strategy of the **United Nations System** has been defined in the United Nations Development Assistance Framework (UNDAF) 2009-2013. The strategy is based on two areas of focus: (i) reducing poverty to achieve the MDGs; and (ii) governance. The United Nations agencies are heavily involved in this specific crisis resolution effort, particularly humanitarian operations in Cote d'Ivoire and neighbouring countries (Liberia, Guinea, Ghana and Togo) for which financing is estimated at USD 160 million, with USD 32 million already collected.

2.6.8 The actors of *Civil Society Organizations (CSOs)* have been involved in reconciliation, basic community support and relay services for the conduct of humanitarian and socio-economic integration programmes since the crisis erupted in September 2002. Although buffeted by the political divisions and conflicting stances, CSOs have remained indispensable in the crisis resolution process. They are very popular with the population, especially the youth.

2.6.9 Initially unstructured, the national or local CSOs whose activities are geared towards helping grassroots communities have seen their capacity strengthened within the framework of community activities financed by development partners. These actors implement various outreach programmes relating to education, health-HIV/AIDS, income-generating activities, etc. One of the most prominent is the Civil Society Convention, an umbrella for over one hundred organizations with strong networks with development partners. Alongside this confederation is a women's leadership network, whose involvement in all political and development processes is supported by Resolution 1325 of the United Nations Security Council, and international non-governmental organizations such as the Red Cross (ICRC) and CARITAS.

2.7. Justification of the Country Brief and Eligibility for the Second Cycle of FSF

2.7.1 Cote d'Ivoire had not yet adopted its final PRSP in early March 2009 when the arrears clearance and operational re-engagement mechanism was put in place. In this regard, the Bank's Boards of Directors, in approving the Country Strategy Paper (CSP 2009-2010) sought to provide the Bank with a transitional instrument for programming its operations in the country. The adoption by the Government of the 2009-2013 PRSP in mid-March 2009 allowed partners to begin delineating their involvement in medium-term strategies, while aligning them with the national strategy.

2.7.2 From October 2010, the Bank proposed to develop a Results-Based Country Strategy Paper (RBCSP) 2011-2015, in line with the PRSP 2009-2013. A concept paper was prepared for this purpose. However, this

process has been interrupted and the impacts of the crisis could alter the order of urgency and prioritization of the PRSP action plan activities. Given the urgency of the situation and pending readjustment of its priorities under the PRSP, the Government has sought IMF assistance for an emergency programme supported by the Rapid Credit Facility. The programme is on the drawing board and requires the support of technical and financial partners, including the Bank.

2.7.3 For better utilization of resources allocated to Cote d'Ivoire by the Bank, especially during these first two years of reconstruction, it is essential to have a clear commitment and programming strategy. Moreover, under the Strategy for Enhanced Engagement in Fragile States (ADF/BD/WP/2008/10, Annex IV), it is stipulated that, in the absence of any other country programming tool, the Country Brief may replace the interim strategy as a basis for funding operations under the second cycle of FSF.

2.7.4 The eligibility criteria for the FSF second cycle are: (i) *a commitment to consolidate peace and security;* (ii) *unmet economic and social needs;* (iii) *efforts to improve the macroeconomic environment and promotion of a prudent debt management policy;* (iv) *sound financial management practices;* and (v) *enhanced transparency of public accounts.*

2.7.5 In this regard, it is worth noting that since the end of the post-election crisis, Cote d'Ivoire has set out on the path to normalcy with the call by the President of the Republic for national reconciliation and improved security of persons and property throughout the territory, as indicated in paragraph 2.1.1 of this Brief.

2.7.6 As a result of the post-election crisis, social needs have increased significantly and warrant substantial donor support. Moreover, the country's performance during the ADF 11 period (2008 -2010) was good. Cote d'Ivoire's CPIA score rose from 2.71 for 2008 to 2.87 for 2010. The country's real per capita GDP turned positive from 2008, by dint of its efforts in macroeconomic management. It attained the HIPC decision point in March 2009 and has implemented certain triggers

towards attainment of the completion point¹. These achievements have been possible despite the different structural and political constraints coming to a height in the wake of the November 2010 presidential elections.

2.7.7 Despite the difficult context, implementation of the public finance reform plan stemming from the PEMFAR review is underway, including the adoption of the new public procurement code in line with the WAEMU directives, as well as the institution of the National Public Procurement Regulatory Agency (ANRMP). In the coffee/cocoa sector, important measures have been introduced, for example concerning the auditing of sector agencies (ARCC, BCC, FDPCC and FRC) and produce bagging/weighing. In the power and gas/oil sector, audits have been conducted in the upstream and downstream sub-sectors and the 2007 and 2008 EITI² reports are available. The 2009 and 2010 EITI reports are under preparation. The matrix of FSF second cycle eligibility is shown in Annex 1 of this document.

2.7.8 Regarding the utilization of ADF and FSF resources in financing the strategy outlined below, it should be noted, as indicated in paragraph 2.6.4, that the Government has committed, with the support of France, to clearing its arrears to ADB by end of May 2011 at the latest.

3. AREAS OF BANK INTERVENTION IN COTE D'IVOIRE OVER 2011-2012

3.1 Consultation with Stakeholders

3.1.1 Over the past three years, the implementation of the Post-Crisis Programme and the Economic and Financial Programme have ushered in positive dynamics for coordinating the technical and financial partners, particularly the IMF, the World Bank, UNDP and the European Union. Bank missions were mostly carried out in conjunction with the BWIs. This has, for example, made it possible to: (i) define the common matrices of economic measures in connection with the financing of budget

support provided by TFPs to the country; (ii) strengthen operation complementarities; and (iii) conduct the PEMFAR joint review, financed mainly by the Bank.

3.1.2 This Country Brief has drawn from discussions with other donors and the Ivorian delegation to the 2011 IMF and WB Spring Meetings held in Washington DC in mid-April 2011. In addition, a team of experts from Cote d'Ivoire visited Tunis from 13 to 23 May 2011 to finalize development of the CB. The various consultations were intended to ensure coordination and complementarity of areas of operation selected by donors, and to avoid duplication. This already exemplary coordination will be pursued through joint review missions and bilateral consultations on respective areas of operation. It will also be strengthened by the Government/Partner Technical Committee for supervision and monitoring of the Post-Crisis Programme.

3.2. Assessment of the Country's Needs

The long years of political instability and the recent armed clashes and looting have had a negative impact on basic social infrastructure, public facilities and equipment. Enormous efforts are needed to upgrade the provision of basic social services and improve them. Despite progress in specific areas of economic governance (notably in public finance management and transparency of public accounts), Cote d'Ivoire continues to face major challenges. The crisis has contributed to undermining State authority and weakening social cohesion. The restoration of public administration, provision of basic social services and improvement of economic governance should enable the country to come out of its fragile state and to lay solid foundations for sustainable growth. Government preliminary financing needs, excluding emergency humanitarian expenditure, amount to CFAF 1, 200.5 billion in 2011.

3.3. Priority Areas of Bank Intervention in Cote d'Ivoire

3.3.1 In light of the principle of selectivity and acuity of needs and challenges identified, Bank operations will be based on the following criteria: (a) context of crisis resolution; (b) alignment with the main priorities of the new authorities; (c) level of

¹ DEMPA: Debt Management Performance Assessment. The authorities submitted the final report in September 2009, as a basis for preparation of the new debt exposure and debt management policy following the attainment of the HIPC decision point.

² Extractive Industries Transparency Initiative

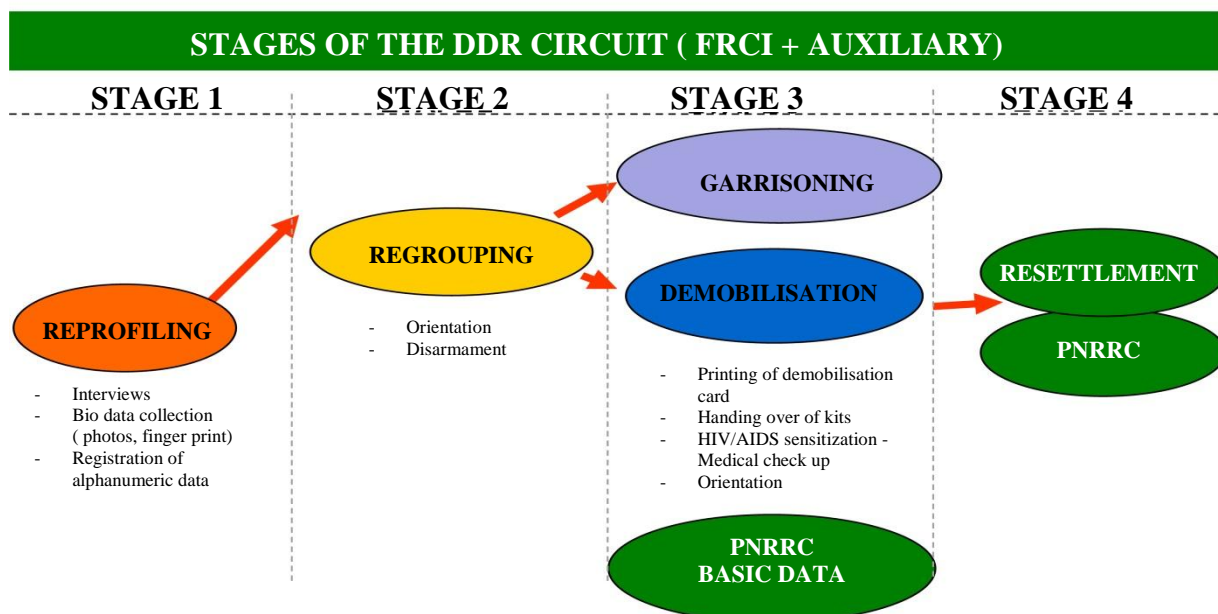
implementation of operations of the current portfolio; and (d) harmonization with donors. Furthermore, as part of the strategy for enhanced commitment in fragile States, it is stipulated that Bank support should target specifically: (i) rehabilitation/reconstruction of basic infrastructure; and (ii) governance and capacity building.

3.3.2 Based on these principles, in determining strategic orientations for Bank operations, the measures chosen must contribute to strengthening the crisis resolution process and not create duplication with other donors' operations. Thus, it was agreed [with the Ivorian authorities] to provisionally select two priority areas, namely: (i) *strengthening infrastructure and restoring basic social services; and (ii) improving governance and capacity building.*

3.3.3 **Priority Area 1: Strengthening and restoring infrastructure and basic social services.** This priority area refers to Strategic Thrust 3 (creating jobs and wealth by supporting the rural world and promoting the private sector) and Strategic Thrust 4 of the PRSP (improving accessibility and quality of basic social services, environmental conservation, promoting gender equality and social security). With the four-month crisis behind it, the Government must urgently revive and strengthen the work begun in 2009 on construction, strengthening and rehabilitation of infrastructure, engineering works and water supply as well as improving transport services.

3.3.4 In addition, the State has committed to: (i) improving the health and well-being of the population; (ii) improving the performance of the education system and facilitating access to universal education; (iii) checking the spread of AIDS; (iv) ensuring a healthy environment; (v) extending coverage of health risks to the entire population; and (vi) promoting equal opportunity, equity and gender.

3.3.5 **Priority Area 2: Improving governance and capacity building.** The Government will, identify priority activities to be implemented from the National Good Governance and Corruption Control Plan for 2010-2014 and the National Capacity Building Programme developed in collaboration with ACBF. Such activities could include: (i) restoring public administration, including capacity building, especially for departments and agencies responsible for basic social services; and (ii) strengthening economic and financial governance. Intervention under this pillar will also contribute to starting up the 'Demobilization-Disarmament-Reinsertion' (DDR) process with Bank support for the profiling of ex-combatants, militia and youth placed at risk by the conflict situation. The profiling is a major activity, without which the intervention of the other DDR process donors indicated in the graph following, cannot be started.



3.4 Resource Allocation and Proposed Instruments

3.4.1 The performance-based allocation envisaged for Cote d'Ivoire under ADF 12 is UA 54.6 million. The resources of Window 1 of the enhanced support (UA 60 million) and Window 3 of the targeted support (UA 5.5 million) will be spent on funding activities identified in the Country Brief. In accordance with the revised guidelines on cancellation of loans, grants and guarantees approved (ADF/BD/WP/2010/62/Rev.3), resources from the two loans funding two projects that could be cancelled (PVRH and PADER-MC) (70% of the undisbursed balance) amounting to UA 23.1 million appear to be available. Thus, total resources likely to be allocated to Cote d'Ivoire stand at UA 134.1 million or about

CFAF 101.98 billion for the 2011-2012 period.

3.4.2 For a fragile State such as Cote d'Ivoire, it is important to have an appropriate mix of different instruments available within the Bank to meet not only medium- and long-term development goals but also urgent post-crisis needs which, if not resolved, could jeopardize all development efforts. Considering the urgent needs, particularly with regard to access to basic social and administrative services, restoring the functioning of the public service and fostering social cohesion and peace, it is proposed that the following operations be prepared in order of priority:

Table 3
Operations Programme 2011-2012

<i>Description</i>	<i>Amount (in UA million)</i>	<i>Year</i>
- Budget support programme to strengthen social services	95*	2011
- Targeted support to strengthen the capacity of the administration	5.5**	2011
- Infrastructure investment projects in both urban and rural areas to support production and marketing channels.	33.6***	2012
Total	134.1	
<i>Economic and Sector Work (to be financed by the administrative budget or the trust fund)</i>		
Study to be conducted in collaboration with the <i>Centre de recherché économique et sociale</i> (Economic and Social Research Centre – CIRES) and coffee/cocoa-related sector institutions		2012
Study on the rehabilitation of former combatants and youths at risk linked with the conflict to prepare the Bank's next Country Strategy Paper		2012

*: This amount includes: (i) UA 60 million as Grant under Pillar 1 of the FSF, (ii) UA 11.9 million and (iii) UA 23.1 million from two loans to finance two cancelled projects.

** Grant on Pillar 3 of the FSF targeted support.

*** This amount in the form of a Grant under ADF 12 is indicative and CPIA 2011 will determine the exact level for 2012.

3.4.3

Budget support is the most appropriate instrument for rapid intervention in Cote d'Ivoire's current context. It is timely for two reasons: (i) firstly, to act as leverage with other donors; and (ii) secondly, because it comes at a time of scarce liquidity or dearth in the regional financial market after several interventions by WAEMU member countries. Furthermore, with the extent of damage suffered by government services, often to the level of losing the institutional memory, targeted support will help to meet the urgent capacity building needs.

3.4.4 Significant progress has been made at the fiduciary level as noted in the appraisal of Public Expenditure Management and Financial Accountability Report (PEMFAR) where an action plan for improvement is being implemented since 2009. The reforms under the Bank's first budget support operation in Cote d'Ivoire (PAREF 2009) were implemented satisfactorily (see ADF/BD/IF/2010/211 Completion Report dated 20 September 2010). The evaluation reported significant improvements in transparency, particularly in certain areas relating to public finance systems and procurement.

3.4.5 The implementation of the new Procurement Code henceforth prioritizes bidding instead of directly negotiated contracts that can be a source of corruption. Audits in the petroleum and coffee/cocoa sectors are part of Government efforts to instil transparency in public resource management. Indeed, public finance reforms (VAT reform, tax reduction on business profit and lower customs duties) as part of the country's reunification process should help to fight tax evasion and fraud.

3.4.6 Significant progress is being recorded. The culture of accountability is taking root with, among others, the publication of budget execution, procurement statements and the physical and financial flows for the cocoa/coffee and hydrocarbons (oil and gas) sectors within the EITI framework. The backlog in preparing the audited budgets is being cleared. The adoption of the organic law setting up the Audit Court is subject to the establishment of a new Parliament. Further efforts are still required to substantially improve the PEFA indicators. Targeted institutional capacity building, coupled with the envisaged budget support, will help to strengthen administration management tools and offer the required safeguards for budget support operations.

4. COUNTRY PERFORMANCE MONITORING

4.1 Country Performance Monitoring Measures and Criteria

4.1.1 The country performance monitoring criteria will be, among others, those for Country Policy and Institutional Assessment (CPIA). Although the country's performance within the CPIA framework in 2010 is still low despite an improvement compared to 2009. The overall score stands at 3 out of 6¹. Areas that deserve special attention relate to governance, strengthening of human resources, transparency and the fight against corruption, fiscal policy and social protection and labour policy.

4.1.2 The Bank will closely monitor these areas over the coming years through continued dialogue with the authorities. The logical framework matrix and the matrix of budget support measures (Programme to Support the Restoration of Peace and Public Services) will also facilitate the country performance assessment. A mid-term review mission will be carried out to that end. With regard to macroeconomic stability, IMF and Government reports will serve as the basis for assessing the progress achieved. The quarterly reports of the strategic committee for monitoring the economic and financial programme will also be used for monitoring country performance.

4.2. Coordination with TFP (IMF, World Bank and European Union)

The Bank is working very closely with both the Bretton Woods Institutions and the European Union to monitor the Government's TPF-funded programme in the area of economic governance. As indicated above, this coordination has to date been characterized by the conduct of joint missions (economic and financial programme evaluation and reviews) and joint studies (PEMFAR). The coordination will henceforth be further strengthened mainly with joint supervision missions and reviews on the ground involving UNDP, UNICEF, UNFPA and FAO.

5. POTENTIAL RISKS AND MITIGATIVE MEASURES

5.1. In light of the developments in Cote d'Ivoire, the country faces three major risks: (i) political risks; (ii) fiduciary risks; and (iii) exogenous risk.

5.2 The first relates to the *persistence of political instability and insecurity*. Although the country has made strides in the area of national reconciliation, the resurgence of political tensions in the run-up to parliamentary elections still remains a possibility. Social tensions may flare up as a result of what may be perceived as delays, on the part of the new leaders, in dealing with the most pressing economic and social issues in areas that were most affected by the conflict.

***Countries are rated on a scale of 1 to 6 on each of the 11 criteria in the following three groups: (i) Economic management; (ii) Structural policies; (iii) Inclusion/social equity policies. A score of 6 is "very satisfactory" and a score of 1 is "very poor". The average criteria score represents the CPIA score.

Mitigation: The risks may be mitigated through the formation of a Union Government and support from the international community in organizing the next election, the consensual implementation of the remaining OPA measures and the Commission's work to foster dialogue, truth and reconciliation. Furthermore, the Security Council resolution extending the arms embargo on Cote d'Ivoire by an additional year will also help to mitigate these risks. The United Nations Operation in Cote d'Ivoire (UNOCI) will support Ivorian authorities in the collecting and storing illegal weapons held by ex-combatants and militias.

5.3 The second risk concerns the *limited resources* given the magnitude of the financing gap. Indeed, following the election crisis, massive cocoa export from the East and North to neighbouring countries (Ghana and Burkina Faso) resurfaced, depriving the country of considerable resources. The resurgence of this phenomenon, which was on the decline, and its amplification on the short term will compound the risk mentioned and reduce resources in this post-crisis context. Moreover, the divergent interests of political pressure groups in key sectors of the economy (coffee, cocoa, oil, etc.) may thwart efforts to strengthen good governance. To address this risk, the support of technical and financial partners, including the Bank, will be necessary to enable the Government to significantly lessen and even eliminate the loss in tax revenue, strengthen the fiduciary framework and the traceability of resources

Mitigation: With the end of the post-election crisis, the redeployment of defence and security forces (especially customs at border posts) should curb fraudulent exports and lead to a single treasury account. Regarding the fiduciary framework, it should be noted that to reduce resistance to reform and strengthen governance, measures have been taken to ensure transparency in the coffee and cocoa sector. In the financial and energy sector, reforms have been initiated to strengthen transparency and accountability. Various audits have been conducted in these sectors. Fiduciary risk may also be mitigated, thanks to the measures implemented under the PEMFAR Action Plan for improving public finance and procurement systems. The Government is committed to improving transparency in public resource management.

5.4 The third risk relates to the possibility of *exogenous shocks, particularly a sharp fall in world cocoa and oil prices.*

Mitigation: The Government would find it hard to balance its budget and honour its commitments in a context of economic recession and declining budget revenue. This kind of exogenous risk may be mitigated primarily with TFP support. Some forms of intervention, including emergency assistance/in disaster situations, regional integration support and access to external markets, as well as the strengthening of budget support, could help to mitigate these risks. Beyond the support of partners, this risk can be reduced only in the long term with the improvement of development prospects and specifically diversification of the economy.

6. CONCLUSION AND RECOMMENDATION

6.1 Conclusion

6.1.1 In view of the recent progress achieved in resolving the post-election crisis, the donor community has resumed full cooperation with Cote d'Ivoire. This resumption of cooperation is timely in terms of helping the Government to cope with the immense and urgent needs related to the rehabilitation of infrastructure, improvement of the delivery of basic social services, capacity building and improvement of governance for peace and unity. This Country Brief will pave the way for an expeditious formulation of an instrument for programming operations under the Fragile States Facility. The Bank will strengthen its cooperation with Cote d'Ivoire by providing, in addition to ADF 12 resources, funding for the mechanism granted to fragile States to enable a final exit from crisis. A comprehensive Country Strategy Paper (CSP) may be considered for 2013-2017. This Bank medium-term strategy will help Cote d'Ivoire to effectively combat poverty through strong and inclusive growth.

6.2 Recommendations

6.2.1 In light of the foregoing, it is proposed that the Boards approve: (i) this Country Brief 2011-2012 and the strategic

thrusts it outlines for future Bank interventions in Cote d'Ivoire; and (ii) Cote d'Ivoire's eligibility for resources from the Fragile States Facility Pillar 1 (supplementary financing) and Pillar 3 (targeted support for capacity building).

Cote d'Ivoire: Assessing Eligibility for Second Cycle of FSF Supplemental Support in ADF 12

Indicator	Assessment of First Stage Eligibility Criteria
Peace building and security commitment	<ul style="list-style-type: none"> • The signing of the Ouagadougou Political Agreement in March 2007 created conditions for socio-political appeasement and helped the country to re-establish relations with international financial institutions. However, the commitments made under this agreement were not fully honoured. After the second round of presidential elections on 28 November 2010, the Independent Electoral Commission (IEC) declared Mr. Alassane Ouattara the winner. The Constitutional Council invalidated these United Nations-certified results and proclaimed Mr. Laurent Gbagbo the winner after suppressing about 600,000 pro-Ouattara votes by cancelling the polls in 7 Divisions in the North on grounds of reported irregularities. The international community (ECOWAS, African Union and United Nations) recognized Mr. Ouattara's victory. The security situation deteriorated considerably in Cote d'Ivoire. The failure of AU and ECOWAS mediation caused the Republican Forces of Cote d'Ivoire (FRCI) to use force and capture Mr. Gbagbo and his family members who, for several days, had been holed up in a bunker in the presidential residence. Therefore, after four months of crisis stemming from the refusal by outgoing President Laurent Gbagbo to concede defeat in the presidential elections, Cote d'Ivoire has now returned to a normal institutional situation, following the restoration of the rule of law throughout the country. A new chapter opens in the country's history as it strives to strengthen the new-found peace, promote and deepen reconciliation and facilitate its socio-economic recovery. President Ouattara has clearly affirmed his resolve and that of his Government to address the emergencies, namely: (i) the security of persons and property in Abidjan and the remaining parts of the territory; (ii) the establishment of a Truth and Reconciliation Commission; (iii) the establishment of a National Investigation Commission to probe into crimes committed during the crisis; and (iv) the resumption of economic activities. • According to the African Union, since mid-April, the situation is gradually returning to normal: the principal heads of the defence and security forces in Cote d'Ivoire, as well as other heads of institutions, have pledged allegiance to President Ouattara; joint patrols (police, gendarmerie, FRCI and impartial forces) are conducted in almost all communes of Abidjan; looting has subsided, water and electricity have been restored, markets and businesses are reopening gradually and the administration, schools and banks have resumed work. The greatest challenge ahead, in terms of unity and democracy in Cote d'Ivoire, will be the resumption of political activities by the two major forces that fought each other at the polls and on the battlefield, with the establishment - as announced and as soon as possible - of a Government of unity and national reconciliation.
Unsatisfied economic and social needs	<ul style="list-style-type: none"> • The growth rate stood at 1.6% in 2007, 2.3% in 2008 and 3.8% in 2009, despite the international financial crisis. For the first time since 1999, growth per capital inched up. However, in 2010, GDP growth rate, in absolute terms, fell to 2.8%, below the initial 4% level, reflecting the failure of resource production to keep pace with the people's needs. • In human terms, significant declines were registered particularly with regard to poverty reduction and achievement of the Millennium Development Goals (MDGs). The standard of living deteriorated, marked by an increase in the poverty rate from 38.4% in 2002 to 48.9% in 2008. Cote d'Ivoire's position in the Human Development Index (HDI) classification declined from 154 (out of 174 countries) in 1999 to 163 (out of 182 countries) in 2009.
Indicator	Pillar I Supplemental Support – Stage 2 Eligibility Criteria
Streamlining of the macroeconomic environment and adoption of a judicious debt policy	<ul style="list-style-type: none"> • At end March 2009, the IMF and World Bank Boards of Governors granted Cote d'Ivoire concessional funding and decided that it had reached the decision point under the Heavily Indebted Poor Countries Initiative (HIPC). • In September 2010, an IMF mission reviewed the implementation of Cote d'Ivoire's economic programme, as well as the Poverty Reduction Strategy supported by the Extended Credit Facility. Overall, budget implementation as of the first half of 2010 was broadly in line with programme objectives. Revenue collection was deemed satisfactory and contributed significantly to fiscal balance (0.5% of GDP), far above estimates. Public expenditure was

	<p>implemented in accordance with appropriations, particularly the proper performance of capital expenditure financed from external sources, though the target for pro-poor spending was slightly missed. In the fourth quarter of 2010, against the backdrop of elections, significant lapses were recorded.</p> <ul style="list-style-type: none"> • Positive results were obtained following the attainment of the HIPC Initiative decision point in March 2009 and the country concluded agreements with the Paris and London Clubs for the rescheduling of its debt. All creditors were informed by means of public announcement of the strategy and the status of negotiations in view of restructuring the external debt. However, the results of the sensitivity analysis showed the need to exercise caution in the area of taxation. It is vital for the authorities to develop a comprehensive debt strategy, taking into account debt sustainability and long-term debt challenges in determining debt-related objectives. It is expected that the HIPC Initiative completion point will be attained in 2011, probably during the 4th quarter.
<p>Sound financial management practices</p>	<p>The country has demonstrated its firm resolve to adopt sound financial management practices by reviewing the public finance management system (PEMFAR), with the support of the World Bank and Bretton Woods Institutions. In general, although Cote d'Ivoire has made remarkable progress in recent years, its public finance management system still has a number of weaknesses. The PEMFAR report concluded that stringency and transparency in budget implementation still need to be consolidated and strengthened. In addition, external control remains inadequate and offers no possibility of ensuring proper transparency in the use of public resources. Integrity and transparency in procurement arrangements remain the Achilles heel of the system.</p> <ul style="list-style-type: none"> • The implementation of the public finance action plan that began in 2009 is based on a number of strategic thrusts. Overall, the beginning was encouraging, especially as concerns the improvement of the legal and institutional framework of the public finance management system, increased transparency in public finance management and procurement procedures.
<p>Transparency of public accounts</p>	<ul style="list-style-type: none"> • Significant progress was made in the area of budget implementation transparency. Based on Council of Ministers reports, quarterly budget implementation reports are henceforth published on the website of the Ministry of the Economy and Finance, including statements on pro-poor expenditure and the implementation of the Rural Areas Investment Fund. • Progress was made in the improvement of the public finance internal and external control system. The number of audits or appraisal missions carried out in major public enterprises rose from 11 in 2008 to more than 14 in 2009. The draft budget review law for fiscal years 2005, 2006 (in September 2008), 2007 (in February 2009) and 2008 (in April 2010) were submitted to the Audit Bench. • The last compliance certification report for the 2007 draft budget review law was submitted on 19 March 2010. A ten-year interim report of the Audit Bench for 1998–2007 was drawn up and validated at the beginning of May 2010. • In a bid to give this institution greater autonomy, the Government intends to adopt the bill relating to the establishment of the Audit Court. This bill was forwarded to the Secretariat-General of Government in 9 November 2009. • In the cocoa-coffee sector, strengthening the powers of the Cocoa-Coffee Committee has improved transparency and management. A judicial inquiry relating to alleged embezzlements in the cocoa sector led to the arrest of almost all the managers of regulatory structures.

Cote d'Ivoire: Performance Matrix for the Period up to December 2010

Criteria	Country Performance
Implementing Bank's program of Assistance in ADF 11	<ul style="list-style-type: none"> • The Bank's country strategy for 2009-2010, as defined in the comprehensive Country Strategy Paper (CSP), revolves around two main thrusts: (1) settlement of arrears; and (2) recommitment. The second pillar of Thrust 2 is aimed at consolidating economic recovery and improving the people's living conditions through the development of infrastructure, particularly regional economic infrastructure. • Actions were carried out in view of clearing Cote d'Ivoire's arrears: (i) ADF grant and the Fragile States Facility Supplemental Support Window for a total of UA 883.87 million (CFAF 64 billion) to finance the Economic and Financial Reforms Support Programme (PAREF 2009); (ii) grant of the Fragile States Support Facility Arrears Clearance Window for a total of UA 240.96 or CFAF 183.4 billion, representing 68% of arrears. • Grant of UA 2 million Targeted Support Window 3 of the Fragile States Facility (FSF) for capacity building, approved in December 2009 for a period of 15 months. Disbursements for this project have reached 57.6%. • In 2010, the Country Policy and Institutional Assessments (CPIA) enabled Cote d'Ivoire to receive additional resources amounting to UA 29 million. These resources were allocated to the financing of: (i) a project to improve sanitary conditions in Abidjan (Agboville and Abobo drainage area and the Indénié Junction), approved on 24 November 2010 to the tune of UA 23 million, as well as agricultural infrastructure projects in the Moyen Comoé region, in replacement of a project that was frozen.
Consolidating economic policy and peace building	<p>Up to the December 2010 elections, the road map of the Ouagadougou Agreement had been implemented satisfactorily. The re-commitment of the international financial community and the signing of economic and financial programmes supported by technical and financial partners such as the IMF, the World Bank and the ADB significantly helped to strengthen the economic policy and create a peaceful environment. However, the post-election crisis undermined the positive results obtained during this period which was supposed to be a period of final exit from protracted crisis in Cote d'Ivoire.</p>
Progress in implementing the poverty reduction strategy	<ul style="list-style-type: none"> • Cote d'Ivoire's Poverty Reduction Strategy Paper (PRSP) covers a seven-year period, from 2009 to 2015, with a mid-term review in 2013. It seeks to put in place an ambitious programme aimed at consolidating peace and transforming Cote d'Ivoire into an emerging country where the poverty ratio would drop from the current 49% to 33% by 2013 and to 16% by 2015, following an annual GDP growth of about 6%. Extensive consultations were held across the country in March and April 2008. Eleven regional advisory committees were set up, each including local administrative officials, religious and traditional rulers, women's and youth associations, civil society members, security forces, farmers, private sector operators and development partners. From June to September 2009, the Minister of Planning and Development organized other sector workshops in view of drafting priority action plans for implementing the PRSP. A matrix of priority actions was released to development partners in February 2010.

Criteria	Country Performance
	<ul style="list-style-type: none"> The election timetable for the second quarter of 2010 had a negative impact on the successful implementation of the PRSP.
Progress in stabilizing the macroeconomic environment	Satisfactory results were obtained in terms of strengthening the macroeconomic framework over the last three years, as marked by the proper implementation of two post-conflict emergency assistance programmes and the programme supported by the IMF Extended Credit Facility. The current post-election crisis has undermined efforts to consolidate the macroeconomic framework.
Progress in implementing structural reforms and creating an enabling environment for private sector activities.	The implementation of structural reforms was equally slow and even stagnated in major areas. It is feared that the current crisis situation in Cote d'Ivoire may lead to a prolonged deterioration of the macroeconomic framework.
Progress in addressing external debt burden through HIPC	In view of attaining the HIPC Initiative completion point, the country adopted a number of measures, subsequent to attending the Paris and London Clubs. The December 2010 post-election crisis, international community sanctions, as well as the non-recognition of Mr. Gbagbo's signature by UEMOA Heads of State in respected of BCEAO operations had a serious impact on the management of Cote d'Ivoire's external debt. In fact, since December 2010, multilateral debt service (World Bank, IMF and ADB) was not always honoured, despite Mr. Gbagbo's instructions to the Minister of Finance. This shows the extent of the growing cash flow problems. As far as the World Bank is concerned, the deadlines of 15 December 2010 and 15 January 2011 for payments amounting to USD 8.9 million and USD 9.1 million respectively were not honoured. Total debts for 2011 amount to USD 68.9 million. As concerns the ADB, 2011 debts stand at USD 22.5 million. Since 1 February 2011, sanctions have been imposed on Cote d'Ivoire due to payment arrears. Regarding the London Club, the Government failed to pay interests totalling USD 30 million due as of 31 December 2010, out of a restructured amount of USD 2.3 million.
Progress in achieving MDGs	The second 2010 national report on MDGs highlighted sharp deterioration of the indicators: delays in reducing the under-five and infant mortality rate, delays in reducing the maternal death rate, achieving Education-for-All, gender parity and women's empowerment. Inequalities also increased initially before declining slightly: the Gini coefficient rose from 0.37 in 1995 to 0.48 in 2002 before dropping to 0.42 in 2008. These trends are the outcome of factors affecting income, productivity and household behaviour.
Challenges and opportunities over the ADF 12 cycle	Major challenges persist, including: (i) settlement of electoral disputes and consolidation of peace nationwide with the restoration of the rule of law; (ii) national reconstruction, notably economic and social infrastructure; and (iii) creation of an enabling environment for private sector development and the return of investor confidence.

Bank Portfolio in Cote d'Ivoire (at 20.05.2011)					
<u>Sector/Project Title</u>	<u>Approval</u>	<u>Amount</u>	<u>Disbursed</u>	<u>% Disbursement</u>	
<u>Agriculture</u>					
<u>Moyen-Comoé Rural Development (PADER - MC)</u>	<u>06.08.02</u>	<u>UA 15,000,000</u>		<u>0.00</u>	<i>To be cancelled and the remaining 70% to be utilized</i>
<u>Water and Sanitation</u>					
<u>Gourou Integrated Watershed Management Project</u>	<u>24.11.2010</u>	<u>UA 23,000,000</u>	<u>0</u>	<u>0</u>	<i>Not yet signed</i>
<u>Social Sector</u>					
<u>PAIMSC (crisis exit)</u>	<u>05.12.07</u>	<u>UA 20,000,000</u>	<u>UA 17,600,108</u>	<u>88</u>	
<u>Human Resource Development Project (PVRH) II</u>	<u>21.01.99</u>	<u>UA 20,000,000</u>	<u>UA 1,760,522</u>	<u>8.80</u>	<i>To be cancelled and the remaining 70% to be utilized</i>
<u>Multisector</u>					
<u>Targeted Support Capacity Building FSF Window 3</u>	<u>15.12.09</u>	<u>UA 2,000,000</u>	<u>UA 1.040.000</u>	<u>57</u>	
<u>Private Sector</u>					
<u>MicroCred Cote d'Ivoire</u>	<u>.03.10</u>	<u>EUR 1,850,000</u>			<i>Microfinance Institution. ADB acquires a EUR 1,100,000 stake and makes a grant of EUR 75,000 for technical assistance</i>
Source: SAP, CDW, 2009					

Cote d'Ivoire — HIPC Initiative Completion Point Triggers

PRSP

- Preparation of a comprehensive PRSP following a participatory process and satisfactory implementation of the PRSP for at least one year, as evidenced by the annual progress report submitted by the Government to IDA and IMF

Macroeconomic stability

- Maintenance of macroeconomic stability, as demonstrated by satisfactory performance within the framework of the PRGF-supported programme

Public finance management

- Publication of quarterly budget execution statements (including revenue; expenditure by nature, function and administration/nature, and on the basis of the different budget implementation stages and identification of expenditure allocated to the fight against poverty) within six weeks following the end of each quarter, for at least four quarters immediately preceding the completion point.
- Certification of compliance by the body responsible for the draft budget review law for a fiscal year within 10 months following the end of the fiscal year in question for at least the year immediately preceding the completion point.
- Establishment of a regulatory body for public procurement operations (separately from control structures) and quarterly publication in the public procurement bulletin of the list of all contracts awarded and concessions granted (including by public institutions) for at least one year immediately preceding the completion point.

Social sectors

- Increase in the number of births attended by skilled personnel, thus raising the rate to 65%, on average nationally (56% in 2006), for at least the year immediately preceding the completion point.
- Distribution of three textbooks on French, mathematics, and "civic and moral education" to 90% of pupils of public primary schools, at least during the school year immediately preceding the completion point.

Debt management

- Publication on a quarterly basis, within six weeks following the end of each quarter on the Treasury website, of data on public external and domestic debt guaranteed by the State (outstanding debts, debt servicing outstanding current liabilities and actual payments, loan disbursements) during at least four quarters immediately preceding the completion point.

Governance

- Publication on a regular basis of a report on payments made to the State by mining companies and the revenue collected by the State from these companies – mining, oil and gas – in accordance with EITI criteria, and a recent annual report during at least the year immediately preceding the completion point.
- Publication on an annual basis, within seven months following the end of the fiscal year, of PETROCI-certified financial statements consistent with international standards during at least the year preceding the completion point.
- Reduction in the overall indirect tax on cocoa production to a level not exceeding 22% of the CIF price, as evidenced by: (i) the enactment of the finance law; and (ii) an official statement to exporters at least five months before the beginning of the next cocoa season; adoption by the Government of the new institutional and regulatory framework for the cocoa/coffee sector and satisfactory fulfilment by the Government of its commitments during at least six months immediately preceding the completion point, in accordance with its new sector development strategy.

Possibilities of Cote d'Ivoire achieving the MDGs

General Goal 1: Eradicate extreme poverty and hunger.

Specific Goal 1: Halve the proportion of people living below the poverty line. The national poverty headcount index rose from 37% in 1993 to 49% in 2008. Achieving the MDG to reduce the poverty rate to 12% by 2015 will be very unlikely.

General Goal 2: Achieve universal primary education.

Specific Goal 2: Halve the proportion of people who suffer from hunger. Child malnutrition rate was estimated at 21% in 2008, whereas the MDG target is 10%. Achieving this MDG is unlikely.

General Goal 3: Promote gender parity and empowerment of women.

Specific Goal 3: Provide all children with the means of completing a full course of primary schooling. The gross enrolment rate was estimated at 77% and completion rate at 51% in 2007. The achievement of this MDG is unlikely.

General Goal 4: Reduce the under-five child mortality rate.

Specific Goal 4: Eliminate gender disparity at all Levels of education by 2015. Gender disparity persists as demonstrated by the fact that gross enrolment rates for girls are lower in primary education (70%) and secondary education (24%) than for boys (84% and 41%, respectively). Achieving gender parity in education is possible.

General Goal 5: Improve maternal health.

Specific Goal 5: Reduce by two-thirds the under-five mortality rate. Infant mortality was estimated at 127 deaths per 1,000 children in 2008, compared to 151/1,000 in 1990. Achieving the MDG of 50/1,000 is unlikely.

General Goal 6: Combat HIV/AIDS, malaria and other diseases.

Reduce by two-thirds the maternal death rate. Maternal death continues to be among the highest in the region, with 543 deaths per 100,000 births in 2008. Achieving the MDG to bring down this rate to 300 deaths per 100,000 is unlikely by 2015.

General Goal 7: Ensure environmental sustainability.

Specific Goals 7 and 8: Halt the spread of HIV/AIDS and begin to reverse the trend; halt and begin to reverse the incidence of malaria and other diseases. The HIV/AIDS infection rate is 4.7% and the achievement of the MDG of reaching the rate of 1.8% is unlikely; the incidence of malaria is 146/1,000 and the goal is to reduce it to 110/1,000. Achieving this MDG is possible.

Specific Goal 9: Integrate the principles of sustainable development into country policies and reverse the loss of environmental resources. The proportion of protected areas for conservation of biodiversity is 10% and the MDG aims to increase this to 20%. There is little likelihood of achieving this goal.

Specific Goal 10: Halve the proportion of the population without access to safe drinking water and basic sanitation. The percentage of the population with access to improved water source is 81% and achieving the MDG of 83% is likely.

Administrative Map of Cote d'Ivoire



	Capitale d'État (plus de 100 000 hab.)		Limite de région		Autoroute
	Capitale administrative (plus de 2 500 000 hab.)		Limite de département		Route principale
	Plus de 300 000 hab.	Daloa	Capitale de région		Autre route
	Plus de 100 000 hab.	Touba	Chef-lieu et nom de département		Piste
	Plus de 50 000 hab.	BAKOUÉ	Groupe ethnique		Voie ferrée
	Plus de 10 000 hab.		Aéroport, aérodrome		Barrage, chute
	Autre ville ou localité				Parc national ou réserve

0 50 100 km