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United States
Agency for International Development

Cote d' Ivoire: Economic Support Program
(CIESP)

PAAD: 681-K-601, [REDACTED], 681-K-601A

September, 1990

Amount: U.S. 7,000,000
Date: September 24, 1990

AGENCY FOR INTERNATIONAL DEVELOPMENT

**PROGRAM ASSISTANCE
APPROVAL DOCUMENT
(PAAD)**

1. PAAD Number (a) 681-K601, (b) 681-K-0003 (b) 681-K-601A	
2. Country Cote d' Ivoire	
3. Category Economic Support Fund	
4. Date September 21, 1990	
5. To Walter Bollinger AA/AFR	
6. OYB Change Number	
7. From Timothy J. Book Director, AFR/PD	
8. OYB Increase To be taken from:	
9. Approval Requested for Commitment of \$ 7,000,000	
10. Appropriation Budget Plan Code (A) GESA-90-31681-JG31 (B) GESX-90-31681-KG31	
11. Type Funding <input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant	12. Local Currency Arrangement <input type="checkbox"/> Informal <input type="checkbox"/> Formal <input type="checkbox"/> None
13. Estimated Delivery Period	
14. Transaction Eligibility Date	
15. Commodities Financed N/A	

16. Permitted Source U.S. only Limited F.W. Free World Cash \$7,000,000	17. Estimated Source U.S. Industrialized Countries Local Other
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18. Summary Description

A cash transfer in the amount of seven million dollars (\$7,000,000) will be made to the Government of the Cote d'Ivoire (GOCI) in support of the GOCI's program of economic stabilization. This cash transfer constitutes the U.S. bilateral contribution to the Cote d'Ivoire's exceptional financing requirements under the IMF Stand-By Arrangement for 1990. It is part of the multi-donor effort to increase the feasibility of the Cote d'Ivoire successfully implementing stabilization measures to restore equilibrium in the balance of payments and domestically, and allow a resumption of sustainable economic growth.

The most appropriate use of assistance resources for economic stabilization at this time, therefore, is to help the GOCI meet its current external obligations. Candidate loans for this purpose, in order of priority, are U.S. Government loans, commercial loans guaranteed by the U.S. Government, and loans of multilateral institutions. Debt service payments will be made only on United States Government loans unless the total payments coming due within the three months following satisfaction of conditions precedent to disbursement are less than seven million dollars. Any funds remaining after servicing U.S. Government loans will be applied to debt servicing for U.S. Government guaranteed loans and loans of multilateral institutions coming due in the same three month period following the satisfaction of conditions precedent to disbursement.

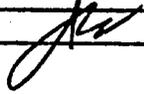
Disbursement of the \$7 million cash transfer will be made in one tranche, no local currency will be deposited.

19. Clearances GC/AFR:RJohnson (Draft) 8/14/90	20. Action <input checked="" type="checkbox"/> APPROVED <input type="checkbox"/> DISAPPROVED Authorized Signature: <i>L. Davidson</i> Date: 9/21/90 Title: Acting Assistant Administrator, AFR
AFR/PD/CCWAP:AGetson (Draft) 8/10/90	
AFR/CCWA:MGolden (Draft) 8/2/90	
AFR/DP:JGovan (Draft) 8/16/90	
PFM/FM/CONT:MUsnick (Draft) 9/21/90	
PPC/PB:RMaushamney (Draft) 8/10/90	

Clearances:

AFR/TR:RCobb(Info)

AFR/DP:JWolgin

A handwritten signature in black ink, appearing to be 'JWolgin', is written over the horizontal line of the second clearance entry.

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

ACTION MEMORANDUM FOR THE ACTING ASSISTANT ADMINISTRATOR FOR
AFRICA

FROM:


Timothy J. Berk, AER/PD

SUBJECT: The Cote d'Ivoire Economic Support Program (CIESP),
681-K-601A and 681-K-601A.

I. Problem

Your approval is requested for a grant of \$7.0 million from the ESF account to the Government of the Cote d'Ivoire (GOCI) to implement an economic support program as described below. The planned obligation for FY 90 is \$7.0 million.

II. Discussion

A. Background

The Government of the Cote d'Ivoire's efforts at economic stabilization involve reforms in a number of areas including taxation, reducing the public sector wage bill, consolidation of the GOCI budget and reform of coffee and cocoa marketing. The expected impact of the stabilization effort is three-fold: (1) the GOCI will increase its revenues; (2) reduce expenditures and; (3) reduce the cost of domestic inputs. Increased revenues and lower expenditures will result in a narrowing of the GOCI budget deficit. Lower input costs will improve the competitiveness of Ivoirian products on world markets and help close the current account deficit. These attempts to restore internal equilibrium with regard to the fiscal deficit, and external equilibrium in the balance of payments are preconditions to the eventual resumption of economic growth.

A.I.D. does not have an operational country strategy for the Cote d'Ivoire. Thus, U.S. economic assistance to the Cote d'Ivoire during the past decade has been very limited. However, this activity, the Cote d'Ivoire Economic Support Program (CIESP) is in line with the recommendations prescribed by the community of donors and the urgent need to close the balance of payments gap.

The most immediate requirement under the I.M.F. Stand-By Arrangement scenario for the Cote d'Ivoire's return to economic

health is the need to address the severity of the external debt situation and reduce the large GOCI budget.

Thus, the most appropriate use of assistance resources for economic stabilization at this time is to help the GOCI meet its balance of payments obligation. To this end, the Cote d'Ivoire has enlisted the aid of a senior and respected member of the West African Central Bank (BCEAO) Board of Directors, Governor A.D. Ouattara. In addition to having established an excellent rapport with I.M.F. representatives on Cote d'Ivoire's behalf, Mr. Ouattara is well known to the U.S. Mission for his professionalism, integrity, and commitment to rejuvenating the Cote d'Ivoire economy. To the extent that GOCI reform efforts are successful, much of the credit will go to Mr. Ouattara who enjoys the confidence of the IFIs, the donor community, and Cote d'Ivoire's President Houphouet Boigny. As part of President Boigny's mandate to Mr. Ouattara, the latter enjoys considerable influence over the Ministry of Finance decision making process, and we believe he will be an important factor in the successful implementation of an economic reform program.

B. Project Description

Essentially, the project provides some modest but important near term cash flow relief for the GOCI as the country fulfills its firm commitment to reduce government budgetary expenditures, broaden its tax base, and realize greater export profitability through a reduction in input costs.

A cash transfer in the amount of \$7 million will be made to the Government of the Cote d'Ivoire in support of the GOCI's program of economic stabilization. This cash transfer constitutes the U.S. bilateral contribution to the Cote d'Ivoire's exceptional financing requirements under the I.M.F. Stand-By Arrangement for 1990. It is part of the multi-donor effort to increase the feasibility of the Cote d'Ivoire successfully implementing stabilization measures to restore equilibrium in the balance of payments and domestically, and allow a resumption of sustainable economic growth.

Under the proposed terms of the CIESP, the transfer of funds will be made in one tranche of \$7.0 million. However, the actual disbursement of funds will be subject to the review and approval by A.I.D. of the GOCI list of proposed debt service payments. In order of priority, approved payments will be for

U.S. Government loans, commercial loans guaranteed by the U.S. Government, and loans to multilateral institutions.

C. Financial Plan

1. Financial Summary

The Life-of-Project funding will be \$7.0 million. The funds will be 100% obligated in FY 90.

2. Funding Mechanism

The program assistance authorization will be for \$7.0 million from the ESF account.

D. Committee Action and Findings

The July 19, 1990 ECPR considered a proposal to establish grant agreement conditionalities, in addition to the standard ones, given the seven million dollar funding level being considered. The Committee, however, deemed it inadvisable to elicit other conditions precedent since the program is already targeted on economic stabilization, a precondition to the eventual resumption of economic growth in Cote d'Ivoire.

The Committee considered the issue of local currency generation through the proposed cash transfer program and the establishment therefrom of a trust fund account to meet REDSO/WCA operating expenses. However, GC/AFR advised that restrictions prohibit the setting up of ESF-funded operating expense trust fund accounts in countries which are members of the West African Monetary Union (WAMU). The Cote d'Ivoire is a WAMU member.

Finally, the Committee considered the issue regarding the rigidity of the cash transfer program insofar as all funds are reserved for debt service payments and are not therefore available for addressing other pressing GOCI budgetary problems. It was, however, pointed out that the decision to consider a quick disbursing cash transfer program was based on the consensus among the community of donors on the need to address the external debt crisis facing the GOCI. In addition, the limited A.I.D. staffing in the Cote d'Ivoire is insufficient for the proper monitoring of additional A.I.D. activities in the Cote d'Ivoire, thereby making it infeasible to consider any activity that is more labor intensive than the

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proposed cash transfer (versus projectized assistance or other types of projects or programs). The present ESF cash transfer option avoids the necessity of devoting a considerable level of personnel resources to either project monitoring or tracking of the local currency funds process. In other program modes, where resources would be more difficult to account for, more complex and costly procedures would be required to avoid waste, mismanagement and similar risks.

1. Technical and Socio-Economic Soundness - Appropriate and adequate analysis has been done to assure the socio-economic acceptability and technical soundness of the proposed program.
2. Human Rights - No human rights clearance is required for this program.
3. Initial Environmental Examination (IEE) - A categorical exclusion based on Sections 22 CFR 216.2(c)(1)(i), 216.2(c)(1)(ii), and/or 216.2(c)(2)(vi) was concurred with by the Bureau Environmental Officer on July 11, 1990 and is included in the PAAD.
4. Payment Verification - Appropriate payment verification measures have been included.
5. Implementation Plan - The implementation plan for this program is realistic and establishes a reasonable timeframe for carrying out the proposed activities.
6. 611 (a) Requirements - The requirements of 611(a) have been met.
7. Conditionality - The PAAD agreement will contain the usual conditions precedent regarding a legal opinion, specimen signatures, separate bank account for the funds, etc., as well as appropriate covenants. A specific condition precedent will require the GOCI to furnish to A.I.D. a list of proposed debt payments.

III. Waivers: No waivers are anticipated at the present time.

IV. Congressional Notification: A Congressional Notification was prepared and sent to the Hill on July 26, 1990 and expired without objection on August 10, 1990.

Recommendation: That you sign the PAAD facesheet, thereby authorizing ESF program financing of up to \$7.0 million for the Cote d'Ivoire Economic Support Program (681-0002; 681-K-601), to be provided as cash transfer assistance.

Attachment: PAAD

Clearances:

AFR/PD/CCWA: AGetson	(draft)	Date:	8/10/90
AFR/CCWA: MGolden	(draft)	Date:	8/1/90
AFR/DP: JGovan	<i>JGovan</i>	Date:	8-15-90
GC/AFR: PJohnson	<i>PJohnson</i>	Date:	17 Oct 90
AFR/CONT: TDerrick	(draft)	Date:	8/2/90
PPC/PB: RMaushammer	<i>RMaushammer</i>	Date:	8/10/90
PFM/FM/CONT: MUsnick	<i>MUsnick</i>	Date:	9/21/90
DAA/AFR: ELSaiers	<i>EL Saiers</i>	Date:	9/15/90

INFO: AFR/TR:RCobb

Drafted by AFR/PD: *L Jackson* / RBoncy: 7/27/90: CC: X69062: 0383K

Cote d'Ivoire Economic Support Program
(681-0002; 681-K-601)

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I. Executive Summary

A. Amount and Purpose

A cash transfer in the amount of 7 million dollars (\$7,000,000) will be made to the Government of the Cote d'Ivoire (GOCI) to finance debt service payments in support of the GOCI's efforts at economic stabilization. This cash transfer constitutes the principal U.S. bilateral contribution to the Cote d'Ivoire's exceptional financing requirements under the IMF Stand-By Arrangement for 1990. It is part of the multi-donor effort to increase the feasibility of the Cote d'Ivoire successfully implementing stabilization measures to restore equilibrium internationally and domestically and allow a resumption of sustainable economic growth.

B. Policy Reforms and Expected Impact

The GOCI has entered into a Stand-By Arrangement with the International Monetary Fund for the purpose of stabilizing its domestic economy. The cash transfer will not include any conditions for policy reform separate from those of complying with the IMF Stand-By Arrangement and is simply intended to facilitate implementation of the Cote d'Ivoire's efforts at economic stabilization. Under the terms of the Stand-By Arrangement, the GOCI will pursue reforms in a number of areas including taxation, reducing the public sector wage bill, consolidation of the GOCI budget and reform of coffee and cocoa marketing.

The expected impact of the efforts at economic stabilization is three-fold: The GOCI will increase its revenues and reduce its expenditures, including the cost of domestic inputs. Increased revenues and lower expenditures will result in the narrowing of the GOCI budget deficit, while lower input costs will improve the competitiveness of Ivoirian products on world markets, thereby helping to close the current account deficit. The restoration of internal and external equilibria is a precondition to the eventual resumption of economic growth.

C. Program Mechanism

The severity of the external debt situation and the need for refinancing (and new money) are the most immediate requirements under the Stand-By Arrangement scenario for the country's return to economic health. Solutions which bring

debt-servicing capacity more in line with debt-servicing obligations are being sought. The most appropriate use of assistance resources for economic stabilization at this time, therefore, is to help the GOCI meet its debt servicing obligations. Candidate loans for this purpose, in order of priority, are the following types of loans:

- United States Government loans
- Commercial loans guaranteed by the U.S. Government
- Loans of multilateral institutions

Debt service payments will be made only on United States Government loans unless the total payments coming due within the three months following satisfaction of conditions precedent to disbursement are less than seven million dollars. Any funds remaining after servicing U.S. Government loans and U.S. Government guaranteed loans will be applied to debt servicing for loans of multilateral institutions coming due in the same three month period following the satisfaction of conditions precedent to disbursement.

D. Dollar Uses

The \$7 million cash transfer is provided to the GOCI to help meet its debt servicing obligations and facilitate implementation of its economic stabilization efforts. Disbursement of the \$7 million cash transfer in one tranche will be subject to the GOCI providing a list of proposed debt service payments for A.I.D. review and approval.

E. Local Currency Uses

No local currency will be deposited.

II. Background

A. Macro-Economic Framework

1. Macro-Economic Conditions and Growth Prospects

Until the level of export earnings stagnated in the eighties and then dropped precipitously in 1987 and 1988, the Cote d'Ivoire had been held up as a model of sustainable growth and development. It achieved an annual growth rate of per capita GNP of 4.5 percent from 1965 to 1973, slowed to a still quite

respectable 1.2 percent from 1973 to 1980, and then entered an extremely difficult period from 1980 to 1987 during which time per capita GNP fell by 3.0 percent per year. Until the 1980's, industrial growth exceeded 12 percent annually. Industry grew from 19% of GDP in 1965 to 25% of GDP by 1987. More than in other middle-income African economies, agriculture expanded rapidly and diversified, accounting for over a third of GDP through the eighties. The agricultural sector provided employment for nearly two-thirds of the labor force. Production of coffee, cocoa, maize, rice, coconuts, seed cotton and sugar all expanded rapidly.

Rigidities in the economic structure, in particular heavy dependence on export earnings from coffee and cocoa, and too large a public enterprise sector, became evident in the eighties when the Cote d'Ivoire failed to adjust to adverse external developments. Faced with a deterioration in its terms of trade in the late seventies and early eighties, the Cote d'Ivoire increased its external borrowing on commercial terms rather than make a serious attempt to reduce its fiscal deficits and address its structural problems. A further significant deterioration of its terms of trade between 1986 and 1989 (the real prices of cocoa and coffee fell to their lowest level in thirty years) combined with the inadequate adjustment measures of the first half of the decade have now made it necessary for the Cote d'Ivoire to adjust rapidly and profoundly.

Gross Domestic Product (GDP) fell by 1.6% in 1987, 2.0% in 1988 and 1.2% in 1989. The Cote d'Ivoire's growth prospects are for further declines of 5.0% in 1990 and 1.0% in 1991. Growth will only recover following significant retrenchment and stabilization. Cocoa and coffee prices are expected to remain low for the next several years and to recover only slowly thereafter. Therefore, in the short term, the Cote d'Ivoire has no alternative but to reduce imports and reduce public expenditures. This has negative but unavoidable short-term consequences for growth given the high debt-service payments which Cote d'Ivoire accrued over the past decade plus the substantial arrears to suppliers which it has built up recently. Under the IMF Stand-By Arrangement, GDP is expected to resume positive growth in 1992, and reach a sustainable 4 percent annual rate in 1995. The Cote d'Ivoire's immediate economic problem is to reduce the fiscal and balance of payments deficits which have grown to unsustainable proportions. Failure to do so will not only result in further deterioration in the economy, it may also compromise long-term growth.

2. Balance of Payments

The current account deficit increased from 3.9 percent of GDP in 1986 to 6.9 percent in 1987 to 13.2 percent in 1988 and declined only slightly to 10.6 percent instead of a projected 9.1 percent in 1989. The current account deficit is expected to worsen in 1990 before it begins to decline in 1991, slowly reducing the deficit to 6.4 percent by 1995. A faster reduction in this deficit would require deeper cuts in imports which would make it impossible to achieve the modest growth targets of the stabilization program.

Reduction of the current account deficit also depends upon robust export growth. The value of exports is projected to increase from 34.5% of GDP in 1990 to 47.7% of GDP in 1995. Export growth rates are supposed to reach 12% in 1991 and 8% or 9% in the following four years. In turn, this robust growth depends upon restoring the competitiveness of the economy in order to diversify exports. Thus, measures to reduce domestic factor costs (in the absence of devaluation as a policy alternative) will be important to achieving this level of export growth.

Financing the balance of payments deficit will require a further buildup of external debt. Total outstanding public and publicly guaranteed debt will increase from 106% of GDP in 1989 to 150% of GDP in 1992 and remain roughly at this level through 1995 (152%). The debt service, after rising to 63.7% of exports of goods and factor services, will decline to about 50% in 1993 and 1994.

3. Fiscal Deficit

The central government deficit ballooned from 1.3 percent of GDP in 1986 to 7.0 percent in 1987 to 13.6 percent in 1988 and continued its ascent to 16.1 percent rather than a targetted 12.4 percent in 1989. Reduction of this massive deficit will require a series of measures to increase tax revenues and to reduce public expenditures. Tax revenues fell to a low of 23.7% of GDP in 1989 and must be brought quickly back up to over 29% of GDP in 1991 and continue to rise to over 32% of GDP by 1993. Expenditures reached a peak of 40.5% of GDP in 1988 and fell only slightly to 39.8% of GDP in 1989. They must be brought down to less than 37% of GDP by 1991 and rise modestly thereafter to slightly greater than 37%. Given the projected declines in GDP, both the revenue enhancing and expenditure reducing measures will require extraordinary effort to achieve.

4. Exceptional Financing Requirements

Based on IMF medium-term forecasts, Cote d'Ivoire will continue to require exceptional financing over the next four to five years and beyond. Table 4 in the statistical annex shows the principal components of the external accounts and the financing gap which is labelled "Residual gross financing requirement."

Exceptional financing requirements total \$1.7 billion in 1990 and average \$1.6 billion per year for 1991 through 1993. Most of the exceptional financing requirements will be met through public and private debt rescheduling, but there will remain a significant financing gap nonetheless. Assuming rescheduling of all principal and interest for debt contracted prior to the contract cut-off date of July 1, 1983, there will remain gaps of nearly \$950 million in 1990, and \$650 million per year for 1991, 1992 and 1993. This scenario assumes new lending as well which will raise the total outstanding public and publicly guaranteed debt from 106% of GDP in 1989 to 150% of GDP in 1992 and remaining at this level through 1995 (152%). Private debt will surpass 45% of GDP in 1990 and remain at this level through 1993 before declining slightly to 41.9% of GDP in 1995.

B. Policy Framework

A.I.D. has not developed a country strategy for the Cote d'Ivoire. Thus, while staff is aware of numerous areas in which policies could be improved, there has been no analysis of which policies are the most constraining for the achievement of sustainable economic growth. Given the Cote d'Ivoire's urgent need for assistance, we have chosen to support the GOCI's own efforts at economic stabilization, which have been designed in coordination with the IMF.

C. A.I.D. Assistance Rationale

The choice of providing assistance via a cash transfer mode, using ESF, reflects the decision of State Department and A.I.D. policy makers on how best to fulfill the U.S. Government commitment to the GOCI in support of the latter's economic revitalization efforts during the period 1989-1991.

The U.S. does not have a bilateral aid strategy for the GOCI. Until recently, our bilateral program in the country was a very small one. As a result, there has not been a need for a separate i.e., bilateral mission or the adoption of a more detailed strategy.

Given the serious economic problems with which the Cote d'Ivoire is trying to grapple, the U.S. Government wants to be supportive of GOCI's efforts to revive its economy. One acceptable approach to helping the GOCI is to reduce its present budgetary gap. The proposed assistance contributes to that end as it offsets up to seven million dollars in foreign exchange expenditures that the GOCI would normally have to spend on debt service payments.

Since the intention of this program is that funds be disbursed quickly, the dollars will be placed into an account established and monitored within the United States.

D. Other Donor Assistance

External financing from multilateral and bilateral donors was provided as projected in 1989. Disbursements of exceptional multilateral and bilateral assistance equalled 70 billion CFA francs in 1989 or about \$230 million. The estimated disbursements through March amount to only 15 billion CFA francs, however, while the program calls for 272 billion CFA francs or about \$900 million through December 1990. The IMF has included U.S. disbursements of \$7 million as a part of this total of exceptional assistance for calendar year 1990 from both bilateral and multilateral sources.

In addition to exceptional financing, Paris Club restructuring of bilateral debt and payments arrears has been arranged through April 30, 1991. Discussions with commercial banks for the restructuring of commercial debt payments are underway.

III. Program Description

A. The Problem

Faced with record low prices for its principal commodity exports, coffee and cocoa, the Cote d'Ivoire faces an increasingly severe financial and economic crisis which has already reduced the standard of living of Ivoirians. The crisis has revealed the inefficiencies of a large parastatal sector and other structural weaknesses which must be corrected in order for economic growth to resume in a sustainable manner. However, the severity of the crisis is such that the Cote d'Ivoire must first stabilize its economy, reducing its large budget and balance of payments deficits. It will do so, in part, under a Stand-By Arrangement with the International Monetary Fund.

The GOCI is currently implementing an economic stabilization program under an IMF Stand-By Arrangement for the period November 20, 1989 to April 20, 1991. The GOCI was not in compliance with this program during the first five months of 1990 since it was unable to meet the financial objectives of the program for end-December 1989 and end-March 1990. This was due to unforeseen further deterioration in the markets for coffee and cocoa which reduced export revenues, slowed domestic economic activity and reduced government revenues. In response, measures were taken to strengthen the stabilization program which permit the GOCI to continue the existing Stand-By Arrangement. The GOCI also intends to request both a purchase under the compensatory financing facility and a three-year arrangement under the extended Fund facility.

B. Purpose and Content

The A.I.D. program will consist of a seven million dollar cash transfer to the GOCI. This constitutes the U.S. contribution to the approximately nine hundred million dollars (\$900 million) in exceptional financing requirements identified by the IMF for the economic stabilization program under their Stand-By Arrangement. This cash transfer will be reserved exclusively for debt service payments.

C. Impact

The cash transfer is, simply, the U.S. contribution to the exceptional financing requirements for 1990 under the IMF Stand-By Arrangement. Its impact, therefore, will not be independent of the effects of the GOCI's efforts at economic stabilization.

The expected impact of the stabilization efforts is three-fold: the GOCI will increase its revenues and reduce its expenditures, including the cost of domestic inputs. Increased revenues and lower expenditures will result in the narrowing of the GOCI budget deficit, while lower input costs will improve the competitiveness of Ivoirian products on world markets, thereby helping close the current account deficit. The restoration of internal and external equilibria is a precondition to the eventual resumption of economic growth.

D. Budget Support and Balance of Payments Implications

The cash transfer provides both budget support and balance of payments support. By providing seven million dollars in debt service payments, the transfer either frees up the equivalent of seven million dollars in budget resources which can be devoted to other uses or reduces the budgetary deficit. It also frees up seven million dollars in foreign exchange which can be used to meet import requirements rather than be devoted to debt service.

If exceptional financing is provided by multilateral institutions and friendly countries in the amounts planned under the Stand-By Arrangement, the provision of \$7 million to reduce debt service will permit the GOCI to devote its resources to financing needed imports. If less than planned exceptional financing were forthcoming, the U.S. contribution of seven million dollars would still help the GOCI avoid increasing further its arrears to domestic and foreign suppliers and creditors.

Most of the exceptional financing requirements of the IMF Stand-By Arrangement will be met through public and private debt rescheduling, but there will remain a significant financing gap nonetheless. Assuming rescheduling of all principal and interest for debt contracted prior to the contract cut-off date of July 1, 1983, there will remain gaps of nearly \$900 million in 1990, and \$220 million for 1991-92 combined. This scenario assumes new lending as well which will raise the total outstanding public and publicly guaranteed debt from 97% of GDP in 1989 to 124% of GDP in 1992 before it begins to decline.

E. Implementation and Management Procedures

Preparation and negotiation of the Program Agreement with the OCI will be managed by the Director, REDSO/WCA. His office will be responsible for verifying that the conditions precedent to disbursement have been met and for approving the debt service payments to be made with the cash transfer resources.

F. Disbursement Mechanism

Congress, since the FY 87 Continuing Resolution, has required that A.I.D. assistance provided through the ESF cash transfer mode be placed by the recipient country into a separate account and not commingled with other funds. The current Appropriations Act, in both the section providing ESF appropriations as well as in Section 592 (b) continues the requirement for separate, non-commingled accounts.

Cote d'Ivoire is a member of the West African Monetary Union (WAMU) and, under the rules of the WAMU "central bank" (known as the BCEAO), is normally enjoined from establishing any foreign currency accounts outside of BCEAO, thereby making it impossible to meet the dollar tracking requirements. The General Counsel issued an opinion on January 27, 1988, in connection with a similar situation in Senegal (another WAMU member country) to the effect that where a separate dollar account could not be held by the recipient country, compliance with the statute could be met by placing the BCEAO currency (the CFAF) into a separate, non-commingled account and by tracking the CFAF to specific uses in accordance with A.I.D. guidelines for accountability for ESF cash transfers.

However, the Caisse Autonome d'Amortissement, an Ivoirian Government agency established since 1959 to manage the country's debt, has been empowered to maintain and operate foreign currency accounts locally and/or abroad as an exception to the BCEAO rules and has been doing so with Citibank and other foreign correspondent banks for the past 15 years. Use of the "Senegal" model disbursement mechanism will, therefore, not be required for this cash transfer. The dollars disbursed under this program will be placed into a separate, non-commingled account and will be tracked pursuant to statutory requirements and A.I.D. cash transfer policy guidance.

G. Dollar Uses

Para 5C of State 325792 of Oct. 24, 1987 entitled ESF Cash Transfer Assistance - Amplified Policy Guidance states "In certain instances where recipient country debt service is a significant barrier to growth and development, or where institutional arrangements may preclude the traceable use of cash transfer dollars otherwise, cash transfer assistance may be used to effect debt service payments." Both these conditions apply to the Cote d'Ivoire as a member of the West African Monetary Union (WAMU).

Candidate loans for the purpose of debt servicing are the following loans incurred after the contract cut-off date of July 1, 1982 (assuming it is not modified by the Paris Club).

- United States Government loans
- Commercial loans guaranteed by the U.S. Government
- Loans of multilateral institutions

Debt service payments will be made on United States Government loans and commercial loans guaranteed by the U.S. Government unless the total payments coming due within the three months following satisfaction of all conditions precedent to disbursement are less than seven million dollars. In that event, the funds remaining after servicing U.S. Government loans and U.S. Government guaranteed loans will be applied to debt servicing for loans of multilateral institutions coming due in the same three month period following the satisfaction of all conditions precedent to disbursement.

H. Local Currency Uses

Because the assistance will be used for external debt servicing, no local currency will be deposited. The option of requesting the GOCI to deposit and budget an equivalent amount of local currency was considered but rejected in order to avoid any inflationary impact which additional budgetary resources could create. In addition, because the limited A.I.D. staffing in the Cote d'Ivoire is insufficient for the proper monitoring of more A.I.D. activities in Cote d'Ivoire, it was considered to be unfeasible to undertake any activities that would be more labor intensive than the proposed cash transfer.

In order to deal with the medium-term problem of restoring its international competitiveness, the Cote d'Ivoire has embarked upon a program to reduce aggregate demand and deflate the economy. It has attempted to radically cut wages and salaries. These cuts were vehemently protested by all those affected by them even though the cuts were accompanied by the promise of price cuts in a broad range of consumer goods and industrial inputs. As a result, the GOCI had to rescind the wage and salary cuts, but its revised approach still includes real cuts in wages and salaries spread over a longer time period. The purpose of these measures is to accomplish the equivalence of a currency devaluation without changing the nominal value of the CFA franc. (The CFA franc has been at a fixed parity with the French franc of 50 to 1 for the past forty years.) By reducing purchasing power and the internal price level, the GOCI will make imports relatively more expensive and export goods relatively cheaper on world markets. In this way, the GOCI hopes to reverse the disadvantage which has been created by the overvaluation of the CFA franc (a contributing factor in the stagnation of Ivorian export earnings during the eighties).

I. Conditionality

In addition to the standard conditions precedent (legal opinion, specimen of signatures, and designation of authorized representatives), the following condition precedent will in substance be included in the cash transfer agreement:

Prior to the disbursement of funds under this cash transfer agreement, the GOCI will provide a list of debt service payments to REDSO/WCA giving the payment due dates and amounts due. REDSO/WCA will review the proposed debt service payments for acceptability and notify the GOCI of its acceptance of the proposed debt service payments.

J. Technical Assistance and Evaluation

There will be no technical assistance associated with this cash transfer. With respect to evaluation, the Agency will monitor IMF documents which report the results of the end-November review under the Stand-By Arrangement to determine whether the GOCI is achieving its objectives in the efforts at economic stabilization.

ANNEX 1

Initial Environmental Examination

Initial Environmental Examination

Country: Cote d'Ivoire
Program Title: Cote d'Ivoire Economic Support Program
Funding: \$10.0 million (FY - 1990)
IEE Prepared by: Robert Boncy, AFR/PD/CCWA
Environmental Action Recommended:

Positive Determination _____
Negative Determination _____
Categorical Exclusion XXX

Program Description:

The Cote d'Ivoire Economic Support Program (CIESP) is designed to support the Government of the Cote d'Ivoire's economic stabilization program. The CIESP, which will consist in a cash transfer to finance debt service, constitutes the principal U.S. bilateral contribution to the G.O.C.I.'s exceptional financing requirements under the International Monetary Fund Stand-By Arrangement for 1989 - 1991.

Summary Findings:

All of the activities to be undertaken under this program are categorically excludable pursuant to the provisions of 22 CFR 216.2(c)(1)(i), 216.2(c)(1)(ii), and/or 216.2(c)(2)(vi). The activities will not have an effect on the natural or physical environment. On the basis of the above, a categorical exclusion is recommended.

Approval:

Africa Bureau
Environmental Officer: John Gaudet

John Gaudet
✓

Approved: _____

Disapproved: _____

Date: 7/11/90

Clearance:

GC/AFR: Pauline G. Johnson

Pauline G. Johnson

Date: 11 July 90

ANNEX 2

Statutory Checklists

5C(1) - COUNTRY CHECKLIST

sted below are statutory criteria applicable : (A) FAA funds generally; (B)(1) Development assistance funds only; or (B)(2) the Economic Support Fund only.

1. FY 1990 Appropriations Act Sec. 569(b). Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country, to United States Government personnel or their dependents or from entering the United States unlawfully? No.

2. FAA Sec. 481(h); FY 1990 Appropriations Act Sec. 569(b). (These provisions apply to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, narcotics education and awareness, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs No.

are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government): (a) Does the country have in place a bilateral narcotics agreement with the United States, or a multilateral narcotics agreement? and (b) Has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without Congressional enactment, within 45 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (1) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to satisfy the goals agreed to in a bilateral narcotics agreement with the United States or in a multilateral agreement, to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, to prevent and punish drug profit laundering in the country, and to prevent and punish bribery and other forms of public corruption which facilitate production or shipment of illicit drugs or discourage prosecution of such acts, or that (2) the vital national interests of the United States require the provision of such assistance?

1986 Drug Act Sec. 2013. (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec. 481(h)), has the President submitted a report to

Congress listing such country as one:
(a) which, as a matter of government policy; encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

4. FAA Sec. 620(c). If assistance is to a government, is the government indebted to any U.S. citizen for goods or services furnished or ordered where:
(a) such citizen has exhausted available legal remedies, (b) the debt is not denied or contested by such government, or (c) the indebtedness arises under an unconditional guaranty of payment given by such government or controlled entity? No.
5. FAA Sec. 620(e)(1). If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? No.

<p><u>FAA Secs. 620(a), 620(f), 620D; FY 1990 Appropriations Act Secs. 512, 548.</u> Is recipient country a Communist country?</p>	<p>No.</p>
<p>If so, has the President: (a) determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism, or (b) removed a country from applicable restrictions on assistance to communist countries upon a determination and report to Congress that such action is important to the national interest of the United States? Will assistance be provided either directly or indirectly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, Iran or Syria?</p>	<p>No.</p>
<p>Will assistance be provided to Afghanistan without a certification, or will assistance be provided inside Afghanistan through the Soviet-controlled government of Afghanistan?</p>	<p>No.</p>
<p><u>FAA Sec. 620(j).</u> Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property?</p>	<p>No.</p>
<p><u>FAA Sec. 620(l).</u> Has the country failed to enter into an investment guaranty agreement with OPIC?</p>	<p>No.</p>
<p><u>FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5.</u> (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters?</p>	<p>No.</p>
<p>(b) If so, has any deduction required by the Fishermen's Protective Act been made?</p>	<p>N/A.</p>

1. FAA Sec. 620(g); FY 1990 Appropriations Act, Sec. 518 (Brooke Amendment). (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1990 Appropriations Act appropriates funds?

No.

FAA Sec. 620(s). If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

N/A.

2. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

No.

3. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the "Taking into Consideration" memo.)

4. FAA Sec. 620A. Has the President determined that the recipient country grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism or otherwise supports international terrorism? No.
5. FY 1990 Appropriations Act Sec. 564. Has the country been determined by the President to: (a) grant sanctuary from prosecution to any individual or group which has committed an act of international terrorism, or (b) otherwise support international terrorism, unless the President has waived this restriction on grounds of national security or for humanitarian reasons? No.
6. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures? No.
7. FAA Sec. 666(b). Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA? No.
8. FAA Secs. 669, 670. Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.) No.

19. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? No.
20. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the "Taking into Consideration" memo.) Cote d'Ivoire was represented at the meeting but reserved orally.
21. FY 1990 Appropriations Act Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance? No.
2. FY 1990 Appropriations Act Sec. 539. Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin? Yes.

FUNDING SOURCE CRITERIA FOR COUNTRY
ELIGIBILITY

Development Assistance Country Criteria

a. FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

b. FY 1990 Appropriations Act Sec. 535. Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performance of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

2. Economic Support Fund Country Criteria

a. FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

b. FY 1990 Appropriations Act Sec. 569(d). Has this country met its drug eradication targets or otherwise taken significant steps to halt illicit drug production or trafficking?

3(A)2 - NONPROJECT ASSISTANCE CHECKLIST

The criteria listed in Part A are applicable generally to FAA funds, and should be used irrespective of the program's funding source. In Part B a distinction is made between the criteria applicable to Economic Support Fund assistance and the criteria applicable to development Assistance. Selection of the criteria will depend on the funding source for the program.

ROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED? Yes.

GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

1. FY 1990 Appropriations Act Sec. 523; FAA Sec. 634A. Describe how authorization and appropriations committees of Senate and House have been or will be notified concerning the project. The Congressional Notification was submitted on 7/26/90 and expired without comment on 8/10/90
2. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance? N/A. No legislative action is required.
3. FAA Sec. 209. Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs. No. The Program focuses on country-specific policies not subject to regional execution. It is, however, supportive of IMF policies and goals supported through the macroeconomic stabilization program and the IMF Stand-By Arrangement.

4. FAA Sec. 601(a). Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

The program supports the public sector, but will increase the flow of international trade by assisting in the stabilization of the Cote d' Ivoire economy and in making Ivoirian products more competitive in world markets.

5. FAA Sec. 601(b). Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

The Program is not expected to have an effect on U.S. private trade and investment.

6. FAA Sec. 121(d). If assistance is being furnished under the Sahel Development Program, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of A.I.D. funds?

N/A.

B. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

1. Nonproject Criteria for Economic Support Fund

N/A.

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?

Yes.

b. FAA Sec. 531(e). Will assistance under this chapter be used for military or paramilitary activities?

No.

- c. FAA Sec. 531(d). Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? No
- d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? N/A.
- e. FY 1990 Appropriations Act, Title II, under heading "Economic Support Fund," and Sec. 592. If assistance is in the form of a cash transfer: (a) Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds? Yes.
(b) Will all local currencies that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account, and has A.I.D. entered into an agreement with that government setting forth the amount of the local currencies to be generated, the terms and conditions under which they are to be used, and the responsibilities of A.I.D. and that government to monitor and account for deposits and disbursements? N/A.
(c) Will all such local currencies also be used in accordance with FAA Section 609, which requires such local currencies to be made available to the U.S. government as the U.S. determines necessary for the requirements of the U.S. Government, and which requires the remainder to be used for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by the FAA would themselves be available? N/A.
(d) Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance?

2. Nonproject Criteria for Development Assistance

a. FAA Secs. 102(a), 111, 113, 281(a).
Extent to which activity will: (1) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (2) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (3) support the self-help efforts of developing countries; (4) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (5) utilize and encourage regional cooperation by developing countries?

(1). N/A.

(2). As the Program Focuses on macro-economic reforms, it will not specifically assist cooperatives.

(3). N/A.

(4). N/A.

(5). The Program will not have a direct effect on regional cooperation except insofar as it improves.

b. FAA Secs. 103, 103A, 104, 105, 106, 120-21. Is assistance being made available (include only applicable paragraph which corresponds to source of funds used; if more than one fund source is used for assistance, include relevant paragraph for each fund source):

(1) [103] for agriculture, rural development or nutrition; if so (a) extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, account shall be taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made; (b) extent to which assistance is used in coordination with efforts carried out

N/A.

under Sec. 104 to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people; and (c) extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

(2) [104] for population planning under Sec. 104(b) or health under Sec. 104(c); if so, extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outreach.

N/A.

(3) [105] for education, public administration, or human resources development; if so, (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education

and training of people or developing countries in such disciplines as are required for planning and implementation of public and private development activities.

(4) [106] for energy, private voluntary organizations, and selected development problems; if so, extent activity is:

N/A.

(i)(a) concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and (b) facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment;

(ii) concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

(iii) research into, and evaluation of, economic development processes and techniques;

(iv) reconstruction after natural or manmade disaster and programs of disaster preparedness;

(v) for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

(vi) for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

(5) [120-21] for the Sahelian region; if so, (a) extent to which there is international coordination in planning and implementation; participation and support by African countries and organizations in determining development priorities; and a long-term, multidonor development plan which calls for equitable burden-sharing with other donors; (b) has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of projects funds (dollars or local currency generated therefrom)?

N/A.

DRAFTER:GC/LP:EHonnold:3/20/90:2169J

ANNEX 3

GOCI Request for Assistance

UNCLASSIFIED
AGENCY FOR INT'L DEV.
TELECOMMUNICATIONS CENTER

INCOMING
TELEGRAM

PAGE 01 ABIDJA 16228 271755Z 7664 086096 AID0744
ACTION AID-00

ACTION OFFICE AFPD-04
INFO AFCW-03 AFDP-06 AFCD-02 AFTR-05 AAAF-03 AFPE-07 PPMF-01
PPPB-02 GC-01 GCAF-02 PPEA-01 ES-01 PRE-06 AMAD-01
045 A0 271803Z

INFO LOG-00 AF-00 CIAE-00 EB-00 DODE-00 TRSE-00 /003 W
-----374535 271757Z /38

P 271755Z JUL 90
FM AMEMBASSY ABIDJAN
TO SECSTATE WASHDC PRIORITY 0164

UNCLAS ABIDJAN 16228

AIDAC

FOR ALAN GETSON, AFR/PD/CCWAP

E. O 12356: N/A
SUBJECT: PROPOSED COTE D'IVOIRE ECONOMIC SUPPORT PROGRAM

REFS.: (A) ABIDJAN 15394; (B) ABIDJAN 15469

1. REDSO WCA HAS RECEIVED FORMAL REQUEST (LETTER) FROM GOCI MINISTER OF FINANCE REGARDING DOLS. 10.000 MILLION ESF CASH TRANSFER FOR ECONOMIC SUPPORT PROGRAM. TRANSLATION OF LETTER IS PROVIDED IN PARA 2.

2. QUOTE ABIDJAN JULY 11, 1990. TO HOWARD R. HANDLER, ACTING DIRECTOR, REDSO WCA, FROM KABLAN D. DUNCAN, MINISTER OF FINANCE, GOCI. THE COTE D'IVOIRE ECONOMIC REFORM PROGRAM, APPROVED BY THE IMF ON JUNE 22, 1990, AIMS PARTICULARLY AT ADDRESSING THE EXTERNAL PAYMENTS PROBLEM. IN THIS REGARD, WE WOULD BE GRATEFUL TO YOUR GOVERNMENT FOR PROVIDING THE GOCI WITH A SUBSIDY OF DOLS. 10.000 MILLION. I THANK YOU IN ADVANCE FOR TAKING ALL THE NECESSARY STEPS TO ALLOCATE THIS SUBSIDY AT YOUR EARLIEST CONVENIENCE. PLEASE ACCEPT OUR HIGHEST REGARDS. SIGNED BY KABLAN D. DUNCAN, MINISTER OF FINANCE. UNQUOTE. BROWN

UNCLASSIFIED

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V. Tables

Table 1
Cote d'Ivoire; Selected Economic and Financial Indicators
(billions of U.S. dollars)

	1989	1990	1991	1992	1993	1994	1995
Gross Domestic Product	9.3	9.3	9.1	9.3	9.6	10.0	10.5
Fiscal Deficit	1.5	0.9	0.7	0.5	0.5	0.5	0.5
Current Account Deficit	1.0	1.2	1.0	0.9	0.8	0.8	0.7
Financing Gap	-	1.7	1.7	1.7	1.5	1.1	1.2
Enternal Debt							
Public	10.8	12.0	13.0	13.9	14.7	15.4	16.0
Private	4.2	4.3	4.3	4.3	4.3	4.3	4.4
Exports	3.3	3.2	3.6	3.9	4.2	4.6	5.0
Imports	3.0	3.0	3.1	3.3	3.4	3.7	3.9

The data in this table are provided in a billions of dollars as an aid to the reader in considering the magnitude of the deficits and financing gap as projected by the IMF. Data in CFA francs and in percent of GDP are presented in the following tables.

0481K

Table 2 Côte d'Ivoire: Selected Economic and Financial Indicators, 1987-90

	1987	1988	1989		1990	
			Orig. Prog.	Est.	Orig. Prog.	Rev. Prog.
<u>(Annual percentage change)</u>						
National income						
GDP at current prices	-3.9	-1.6	-0.8	-3.3	-4.6	-10.4
GDP at constant prices	-1.6	-2.0	-0.8	-1.2	-1.7	-5.0
GDP deflator	-2.3	0.4	—	-2.1	-3.0	-5.7
Consumer price index <u>1/</u>	5.3	7.5	1.4	1.5	1.0	-1.5
External sector (on CFA franc basis)						
Exports, f.o.b.	-15.4	-14.6	13.8	8.9	-8.0	-13.8
Imports, f.o.b.	-3.9	-8.6	-5.2	6.2	-1.7	-11.2
Export volume	0.2	-6.1	20.6	15.4	1.7	4.0
Import volume	-4.7	-11.0	-10.8	1.4	-2.4	-7.4
Terms of trade (deterioration -)	-16.3	-11.4	-11.2	-9.9	-10.2	-13.6
Nominal effective exchange rate (depreciation -) <u>1/</u>	8.9	0.1	...	0.6	...	...
Real effective exchange rate (depreciation -) <u>1/</u>	11.3	1.8	...	-4.1	...	...
Money and credit						
Net domestic credit	3.0	4.7	-6.0	-5.1	0.1	-5.0
Broad money	-1.4	0.2	-2.0	-7.5	0.7	-9.9
<u>(As percentage of GDP)</u>						
Consolidated government operations						
Total revenue	26.7	26.9	26.5	23.7	30.0	27.6
Total expenditure	33.7	40.5	38.9	39.8	37.5	37.4
Deficit (on accrual basis)	-7.0	-13.6	-12.4	-16.1	-7.4	-9.8
Primary balance	-0.5	-6.0	-3.8	-7.3	2.9	0.9
Total gross domestic investment	11.7	15.1	7.4	10.3	10.2	8.0
Government	3.9	4.7	2.3	3.1	3.5	2.9
Rest of the economy	7.8	10.5	5.1	7.2	6.7	5.2
Of which: changes in stocks	(1.0)	(3.2)	(-1.6)	(0.4)	(—)	(-1.8)
Gross domestic savings	16.3	15.9	12.1	13.2	14.3	10.2
Government	3.2	-1.8	-1.7	-4.8	6.2	2.2
Rest of the economy	13.1	17.7	13.8	18.0	8.1	8.0
Trade balance (f.o.b.)	8.0	9.4	12.1	11.1	10.7	10.1
Current account balance (including official transfers)	-8.1	-11.2	-9.1	-10.6	-11.0	-12.7
External public debt (including IMF)	79.5	91.0	97.4	105.6	111.9	129.0
Debt service ratio (public, including IMF)	15.5	18.2	20.3	20.6	21.2	22.0
Interest due on public debt	6.2	7.6	8.6	8.8	10.4	10.7
Domestic arrears (billions of CFAF; end of period)	...	235.7	315.0	423.7	210.0	329.7
In percentage of GDP	...	7.7	10.5	14.3	7.3	12.4
GDP at market prices (billions of CFAF)	3,118	3,068	3,013	2,967	2,873	2,658
Memorandum items:	<u>(In units indicated)</u>					
Export price (in CFAF per kg)						
Coffee	724.8	602.0	558.1	592.0	432.4	297.5
Cocoa	640.7	558.8	458.4	426.1	415.1	324.4
Exchange rate (CFAF per dollar)	300.5	297.9	312.0	319.0	312.0	286.0

Sources: Data provided by the Ivorian authorities; and IMF estimates and projections.

1/ Annual average, excluding Brazil.

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Table 2 Côte d'Ivoire: Central Government Finances, 1989-92

(In billions of CFA francs)

				1990		1991	1992
				Original program	Revised program	Revised projections	
Total revenue	826	798	703	864	734	762	830
Tax revenue	624	604	563	626	570	596	616
Price Equalization Fund surplus (CEPPOC)	25	14	21	20	20	16	17
Agricultural Price Stabilization Fund surplus (CSSPPA)	—	—	—	30	—	12	58
Public enterprise transfers to GAA	37	51	33	66	47	47	47
Social security contributions	41	43	36	49	36	39	40
Other revenue	99	87	50	92	61	51	52
Total expenditure	1,242	1,173	1,181	1,077	994	953	976
Current expenditure	1,100	1,103	1,088	977	918	863	866
Wages and salaries (budget titles I-IV)	306	304	303	304	291	275	261
Wages and salaries (title V, transfers)	50	51	51	51	49	44	42
Social security benefits	30	31	22	28	24	24	24
Other current expenditure and transfers	348	283	261	244	192	175	175
Current budget (BCF)	(127)	(90)	(95)	(...)	(78)	(...)	(...)
Annexed budgets	(8)	(10)	(7)	(...)	(7)	(...)	(...)
Special accounts	(111)	(81)	(71)	(...)	(56)	(...)	(...)
Other Treasury operations	(9)	(29)	(15)	(...)	(15)	(...)	(...)
Autonomous government entities	(93)	(73)	(73)	(...)	(36)	(...)	(...)
Agricultural Price Stabilization Fund deficit (CSSPPA)	104	133	159	—	39	—	—
Interest due on public debt	262	302	292	350	323	345	364
Domestic debt	(30)	(43)	(31)	(52)	(40)	(42)	(43)
External debt	(232)	(259)	(261)	(298)	(263)	(303)	(321)
Investment expenditure	143	70	93	100	76	90	110
Balance (payment order basis)	-416	-375	-478	-214	-260	-191	-147
(Percent of GDP)	(-13.8)	(-12.4)	(-16.1)	(-7.4)	(-9.8)	(-7.3)	(-5.5)
Change in arrears	154	-7	297	-139	-110	-122	-111
Domestic (on expenditure)	94	115	188	-105	-94	-110	-110
Of which: officially recorded	(94)	(115)	(126)	(...)	(...)	(...)	(...)
External (on interest)	60	-121	109	-34	-16	-12	-1
Balance (cash basis)	-262	-381	-181	-352	-370	-313	-258
(Percent of GDP)	(-8.5)	(-12.6)	(-6.1)	(-12.3)	(-13.9)	(-12.0)	(-9.7)
Financing	262	-246	181	-131	-124	-187	-219
External financing	173	-249	195	-108	-119	-156	-174
Drawings on loans	159	75	182	58	35	63	77
Amortization due	-276	-302	-293	-276	-264	-261	-251
Change in external arrears (on principal)	77	-108	117	-24	-22	—	—
Debt rescheduling in place	212	85	190	134	132	42	—
Domestic financing	89	2	-16	-24	-4	-31	-44
IMF counterparts	-18	-39 1/	-39	-36 1/	-36 1/	-30 1/	-25
Banking system	102	26	23	2	3	6	10
Of which: set-aside for London Club	(—)	(—)	(—)	(—)	(-12)	(—)	(—)
Bank restructuring (principal)	—	—	-5	-8	-5	-6	-9
Consolidation of CSSPPA stock losses	—	—	—	—	39	—	-20
Nonbank financing	5	15	7	18	-5	-1	—
Exceptional financing	—	627	—	483	494	500	477
Memorandum items:							
Primary balance (excluding foreign interest)	-184	-115	-217	85	23	112	174
(Percent of GDP)	(-6.0)	(-3.8)	(-7.3)	(2.9)	(0.9)	(4.3)	(6.6)
Stock of arrears (end of period):							
Domestic arrears (narrow definition)	236	315	424	210	330	220	110
Of which: officially recorded	(236)	(315)	(362)	(...)	(...)	(...)	(...)
External arrears 2/	286	57	512	—	13	—	—

Sources: Data provided by the Ivorian authorities; and IMF estimates and projections.

1/ Before use of Fund resources under the current stand-by arrangement.

2/ After 1989, excluding the outstanding stock of arrears to commercial banks and certain private creditors, which will be regularized through restructurings presently envisaged.

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Table 4 Côte d'Ivoire: Balance of Payments, 1988-95

(In billions of CFA francs)

	1988	1989		1990		1991	1992	1993	1994	1995
		Orig. Prog.	Rev. Est.	Orig. Prop.	Rev. Prog.						Projections
Trade balance	288.5	363.7	327.9	306.9	268.5	339.1	389.2	434.6	491.7	556.9
Exports, f.o.b.	793.6	798.2	864.1	734.2	744.5	838.8	918.3	994.8	1093.9	1185.4
Of which: cocon	(221.9)	(347.2)	(313.2)	(275.6)	(219.3)	(251.5)	(292.8)	(305.0)	(321.0)	(340.8)
coffee	(106.7)	(100.2)	(87.2)	(78.8)	(68.2)	(85.0)	(74.6)	(86.1)	(98.6)	(112.8)
Imports, f.o.b.	-505.1	-434.6	-536.2	-427.3	-476.0	-499.8	-529.0	-560.2	-592.2	-628.5
Services, net	-506.8	-515.6	-540.0	-522.6	-528.2	-536.8	-568.1	-576.8	-622.9	-656.6
Receipts	191.1	200.3	195.7	194.5	184.4	198.0	211.3	226.7	241.8	258.7
Of which: factor income	(11.1)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)	(11.2)
Payments	-697.9	-715.9	-735.7	-717.1	-712.6	-734.0	-778.7	-802.9	-864.2	-915.0
Factor income	-254.2	-306.5	-308.2	-343.7	-328.9	-349.9	-368.8	-389.3	-411.2	-437.2
of which: interest due on government debt 1/	(-231.7)	(-259.2)	(-260.9)	(-297.7)	(-282.8)	(-303.9)	(-322.7)	(-343.1)	(-365.0)	(-390.8)
Other services	-443.7	-409.3	-427.5	-373.4	-383.8	-384.1	-410.0	-413.6	-452.9	-477.8
Transfers (net)	-125.9	-122.0	-101.5	-99.9	-77.2	-83.5	-84.1	-86.0	-89.2	-93.1
Private	-142.3	-141.4	-120.9	-132.0	-99.5	-109.1	-110.2	-113.1	-117.4	-122.5
Public	16.4	19.4	19.4	32.1	22.3	25.6	26.1	27.1	28.2	29.4
Current account	-344.1	-273.9	-313.6	-315.6	-336.9	-280.4	-262.3	-227.6	-219.8	-192.5
Capital account	-109.3	-168.5	-107.4	-182.0	-208.6	-184.3	-148.7	-126.1	-125.3	-170.6
Official medium- and long-term loans (net)	-121.7	-231.2	-148.8	-222.6	-238.6	-205.3	-181.6	-155.2	-175.2	-223.1
Disbursements 2/	159.4	75.3	149.5	58.0	35.0	63.0	77.0	91.0	105.0	126.0
Amortization due	-281.1	-306.5	-298.3	-280.6	-273.6	-268.3	-258.6	-246.2	-290.2	-349.1
Of which: on government debt 1/	(-276.1)	(-301.5)	(-293.3)	(-275.6)	(-268.6)	(-263.3)	(-253.6)	(-241.2)	(-275.2)	(-344.1)
Other capital (net)	12.4	62.7	41.5	40.6	30.0	21.0	32.9	29.1	52.1	55.1
Deposit money banks	14.0	23.0	-11.4	—	—	—	—	—	—	—
Other 3/	-1.6	39.7	52.9	40.6	30.0	21.0	32.9	29.1	52.1	55.1
Overall balance	-453.5	-442.4	-421.0	-497.6	-545.6	-464.7	-411.1	-353.7	-345.1	-363.1
Financing	453.4	-184.5	421.0	-14.0	52.0	-35.5	-65.8	-72.4	27.9	10.8
Net external assets (- increase)	104.0	-41.1	5.6	-14.5	-42.0	-65.3	-64.4	-72.4	27.9	10.8
Operations account	101.0	-11.0	39.4	-26.7	-10.2	-36.7	-40.0	-60.0	50.0	30.0
IMF (net) 4/	-16.9	-37.8	-37.7	-37.1	-30.9	-28.0	-23.2	-11.5	-26.3	-22.5
Other	19.8	0.7	3.9	1.3	-0.9	-0.6	-1.2	-0.9	4.3	3.3
Change in arrears (- decline) 5/	137.5	-228.8	225.6	-57.2	-37.8	-11.9	-1.4	—	—	—
Rescheduling in place	211.9	85.3	189.8	133.7	131.7	41.7	—	—	—	—
Residual gross financing require ^{6/}	—	627.0	—	483.6	493.6	500.2	476.9	426.1	317.2	352.3
Memorandum items:										
Net position in operations account (end of year)	-257.5	-246.5	-296.9	-219.8	-286.7	-250.0	-210.0	-150.0	-200.0	-230.0
Outstanding arrears (end of year) 5/	286.0	57.2	511.6	—	13.3	1.4	—	—	—	—
Current account as percent of GDP	-11.2	-9.1	-10.6	-11.0	-12.7	-10.7	-9.9	-8.3	-7.7	-6.4
Debt service ratio 6/	57.4	61.8	57.5	66.4	63.7	58.1	53.7	49.3	50.5	52.8

Sources: Data provided by the Ivorian authorities; and IMF estimates and projections.

1/ Public external debt service due, including debt service on the financing of the residual gap.

2/ From 1990, project loans only.

3/ Includes official short-term capital, other private capital, and errors and omissions.

4/ Net flows valued at exchange rates on date of transactions; excluding operations with the Trust Fund and the purchases from the Fund in 1990-91.

5/ Starting in 1990, excluding outstanding arrears to commercial banks and certain other private creditors, which will be regularized through restructurings presently envisaged.

6/ Scheduled debt service on public and publicly guaranteed debt in percent of exports of goods and factor services.

Table 5 Côte d'Ivoire: Total External Debt Outstanding, 1988-95 1/

	1988	1989 Est.	1990 Rev. Prog.	1991	1992	1993 Projections	1994	1995
(In billions of CFA francs)								
External debt outstanding	<u>4,007</u>	<u>4,344</u>	<u>4,648</u>	<u>4,949</u>	<u>5,212</u>	<u>5,440</u>	<u>5,646</u>	<u>5,825</u>
Public and publicly guaranteed debt	<u>2,790</u>	<u>3,132</u>	<u>3,430</u>	<u>3,729</u>	<u>3,987</u>	<u>4,210</u>	<u>4,403</u>	<u>4,569</u>
Medium- and long-term debt <u>2/</u>	2,533	2,835	3,144	3,479	3,777	4,060	4,203	4,339
Official creditors	1,681	1,836	2,054	2,311	2,520	2,706	2,739	2,737
International institutions	798	814	900	947	980	1,034	1,096	1,176
Of which: IMF	(150)	(106)	(113)	(...)	(...)	(...)	(...)	(...)
Paris Club	883	1,022	1,154	1,365	1,541	1,671	1,644	1,561
Private creditors	852	999	1,090	1,168	1,257	1,354	1,464	1,602
London Club	827	926	1,026	1,111	1,201	1,298	1,409	1,536
Other <u>3/</u>	25	73	64	57	56	56	56	66
Short-term debt <u>4/</u>	258	297	287	250	210	150	200	230
Private debt	<u>1,217</u>	<u>1,212</u>	<u>1,217</u>	<u>1,219</u>	<u>1,225</u>	<u>1,230</u>	<u>1,242</u>	<u>1,256</u>
(In millions of U.S. dollars)								
External debt outstanding	<u>13,227</u>	<u>15,012</u>	<u>16,251</u>	<u>17,303</u>	<u>18,225</u>	<u>19,020</u>	<u>19,741</u>	<u>20,366</u>
Public and publicly guaranteed debt	<u>9,210</u>	<u>10,823</u>	<u>11,994</u>	<u>13,039</u>	<u>13,940</u>	<u>14,720</u>	<u>15,397</u>	<u>15,975</u>
Medium- and long-term debt <u>2/</u>	8,360	9,797	10,992	12,165	13,206	14,195	14,697	15,171
Official creditors	5,548	6,344	7,181	8,081	8,812	9,461	9,577	9,569
International institutions	2,633	2,814	3,147	3,310	3,426	3,617	3,829	4,111
Of which: IMF	(496)	(365)	(397)	(...)	(...)	(...)	(...)	(...)
Paris Club	2,915	3,531	4,034	4,771	5,387	5,844	5,748	5,458
Private creditors	2,812	3,452	3,811	4,084	4,394	4,734	5,120	5,602
London Club	2,730	3,199	3,588	3,884	4,199	4,540	4,925	5,372
Other <u>3/</u>	83	254	223	200	195	194	195	230
Short-term debt <u>4/</u>	850	1,026	1,002	874	734	524	699	804
Private debt	<u>4,017</u>	<u>4,189</u>	<u>4,257</u>	<u>4,264</u>	<u>4,284</u>	<u>4,301</u>	<u>4,344</u>	<u>4,391</u>
(In percent of GDP)								
External debt outstanding	<u>130.6</u>	<u>146.1</u>	<u>174.8</u>	<u>189.6</u>	<u>196.2</u>	<u>198.6</u>	<u>197.3</u>	<u>193.8</u>
Public and publicly guaranteed debt	<u>91.0</u>	<u>105.6</u>	<u>129.0</u>	<u>142.9</u>	<u>150.0</u>	<u>153.7</u>	<u>153.9</u>	<u>152.0</u>
Of which: medium- and long-term	(82.6)	(95.6)	(118.3)	(133.3)	(142.1)	(148.2)	(146.9)	(144.4)
Official creditors	54.8	61.9	77.3	88.5	94.9	98.8	95.7	91.1
International institutions	26.0	27.4	33.9	36.3	36.9	37.8	38.3	39.1
Governments	28.8	34.4	43.4	52.3	58.0	61.0	57.5	51.9
Private creditors	27.8	33.7	41.0	44.7	47.3	49.4	51.2	53.3
Private debt	<u>39.</u>	<u>40.9</u>	<u>45.7</u>	<u>46.8</u>	<u>46.2</u>	<u>45.0</u>	<u>43.5</u>	<u>41.9</u>

Sources: Data provided by the Ivoirien authorities, World Bank, and the BCEAO; and IMF estimates and projections.

1/ Including interest and principal arrears.

2/ Debt managed by the Autonomous Amortization Fund (CAA).

3/ Suppliers' credits, including trade financing.

4/ Operations account of the Central Bank.

Table 6 Côte d'Ivoire: External Public Debt Service Operations, 1988-95 1/

(In billions of CFA francs)

	1988	1989 Est.	1990 Rev. Prog.	1991	1992	1993	1994	1995
				Projections				
Debt service (accrual basis)	<u>558.9</u>	<u>603.3</u>	<u>584.3</u>	<u>595.7</u>	<u>600.7</u>	<u>596.7</u>	<u>664.4</u>	<u>756.7</u>
Interest payments	<u>231.7</u>	<u>260.9</u>	<u>282.8</u>	<u>303.9</u>	<u>322.7</u>	<u>343.1</u>	<u>365.0</u>	<u>390.8</u>
Official creditors	164.8	160.2	175.2	191.3	204.0	215.1	221.2	224.3
International institutions	78.5	78.6	84.8	96.1	101.1	106.2	112.4	118.4
Of which: IMF	(12.4)	(13.3)	(10.4)	(11.8)	(10.1)	(8.1)	(6.6)	(4.4)
Paris Club	86.3	81.6	90.4	95.2	102.9	108.9	108.8	105.9
Private creditors	67.0	100.7	107.6	112.6	118.7	128.0	143.7	166.0
London Club	63.2	98.7	100.4	106.0	112.4	121.9	137.6	159.5
Other	3.8	2.0	7.2	6.6	6.2	6.1	6.0	6.5
Amortization payments	<u>327.2</u>	<u>342.4</u>	<u>301.5</u>	<u>291.9</u>	<u>278.1</u>	<u>253.6</u>	<u>299.5</u>	<u>365.9</u>
Official creditors	175.8	193.3	174.8	181.0	186.9	148.2	148.7	204.1
International institutions	105.3	99.1	87.5	91.9	87.0	74.7	86.9	83.8
Of which: IMF	(51.1)	(49.1)	(32.8)	(28.6)	(24.4)	(12.4)	(22.1)	(19.2)
Paris Club	70.5	94.2	87.3	89.1	99.9	73.5	61.8	120.3
Private creditors	151.4	157.8	126.7	110.9	91.2	105.4	150.8	163.6
London Club	145.9	153.6	121.6	97.9	78.1	91.6	135.3	154.6
Other	5.4	4.2	5.1	12.9	13.0	13.8	15.5	9.0
Debt relief from Paris Club 2/	<u>158.1</u>	<u>145.5</u>	<u>131.7</u>	<u>41.7</u>	...	...	...	...
Interest	80.5	62.3	56.4	21.7	...	...	...	...
Principal	77.6	83.2	75.3	20.0	...	...	...	...
Debt relief from London Club 3/	<u>53.9</u>	<u>44.3</u>	<u>222.0</u>	...	...	...	...	...
Interest	—	—	100.4	...	...	...	...	...
Principal	53.9	44.3	121.6	...	...	...	...	...
Change in arrears 4/	<u>137.5</u>	<u>225.6</u>	<u>-37.8</u>	<u>-11.9</u>	<u>-1.4</u>	...	...	...
Interest	77.3	109.0	-8.7	-11.9	-1.4	...	...	...
Principal	60.2	116.8	-29.1	—	—	...	...	...
Debt service (cash basis)	<u>209.4</u>	<u>187.7</u>	<u>268.4</u>	...	...	...	...	...
Interest	73.9	89.6	134.7	...	...	...	...	...
Principal	135.5	98.1	133.7	...	...	...	...	...
<u>Memorandum items:</u>								
Debt service ratio 5/ (accrual basis)	57.4	57.5	63.7	58.1	53.7	49.3	50.5	52.8
Debt service ratio (cash basis) 5/	<u>20.6</u>	<u>18.7</u>	<u>29.3</u>	...	...	...	...	...

Sources: Data provided by the Ivoirien authorities; and IMF estimates and projections.

1/ Including debt service on the financing of the residual financing gap.

2/ Debt relief already obtained from Paris Club creditors.

3/ For 1990, assuming refinancing of debt service payments by the London Club.

4/ In 1990-93, excluding outstanding arrears to commercial banks and certain other private creditors, which will be regularized through restructurings presently envisaged.

5/ In percent of exports of goods and factor services.

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Table 7 Côte d'Ivoire: Medium-Term Macroeconomic Targets, 1986-95

	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
	Actual				Projections					
(Percentage change)										
Output, prices and expenditure										
GDP at constant prices	3.4	-1.6	-2.0	-1.2	-5.0	-1.0	2.5	3.0	3.5	4.0
GDP deflator	—	-2.3	0.4	-2.1	-5.7	-0.8	-0.7	0.1	0.9	1.0
Consumer price index (annual average)	6.8	5.3	7.5	1.5	-1.5	-1.7	-1.6	-0.6	0.9	1.0
Real private consumption	5.4	0.8	-12.1	3.2	-5.9	-5.1	-4.5	1.0	1.2	1.6
Real fixed investment	0.1	-18.9	9.1	-17.6	-4.6	7.3	17.8	12.7	9.5	5.0
(As percent of GDP)										
Consolidated government operations										
Total revenue	30.6	26.7	26.9	23.7	27.6	29.2	31.2	32.1	32.3	32.7
Total expenditure	31.9	33.7	40.5	39.8	37.4	36.5	36.7	37.2	37.2	37.5
Overall deficit (-), payment order basis	-1.3	-7.0	-13.6	-16.1	-9.8	-7.3	-5.5	-5.5	-4.9	-4.8
Primary balance	5.1	-0.5	-6.0	-7.3	0.9	4.3	6.6	7.4	7.8	8.8
Domestic sectors										
Gross domestic investment	12.2	11.7	15.1	10.3	8.0	9.8	11.5	13.6	14.4	14.5
Government	4.7	3.9	4.7	3.1	2.9	3.4	4.1	4.7	5.2	5.3
Rest of the economy ^{1/}	7.5	7.8	10.5	7.2	5.2	6.3	7.4	8.9	9.1	9.2
Gross domestic savings	19.7	16.3	15.9	13.2	10.2	15.2	18.3	22.2	24.8	25.4
Government	9.4	3.2	-1.8	-4.8	2.2	6.6	9.5	10.9	11.8	12.8
Rest of the economy	10.3	13.1	17.7	18.0	8.0	8.6	8.8	11.3	12.0	12.6
Overall resource balance	7.5	4.6	0.8	2.9	2.2	5.4	6.7	8.6	9.4	10.9
Government	4.7	-0.8	-6.4	-7.9	-0.6	3.1	5.4	6.1	6.6	7.5
Rest of the economy	2.8	5.3	7.2	10.8	2.8	2.3	1.4	2.5	2.8	3.4
External sector										
Exports of goods and nonfactor services	39.3	35.4	31.7	35.3	34.5	39.3	42.1	44.2	45.9	47.7
Imports of goods and nonfactor services	31.8	30.8	30.9	32.5	32.3	33.9	35.4	35.6	36.5	36.8
Overall resource balance	7.5	4.6	0.8	2.9	2.2	5.4	6.7	8.6	9.4	10.9
Net factor income	-7.4	-8.7	-7.9	-10.0	-12.0	-13.0	-13.4	-13.8	-14.0	-14.2
Net unrequited transfers	-3.8	-3.9	-4.1	-3.4	-2.9	-3.2	-3.2	-3.1	-3.1	-3.1
Current account balance	-3.7	-8.1	-11.2	-10.6	-12.7	-10.7	-9.9	-8.3	-7.7	-6.4
Interest due	6.5	6.2	7.6	8.8	10.6	11.6	12.1	12.5	12.8	13.0
External public debt (including IMF)	66.2	79.5	91.0	105.6	129.0	142.9	150.0	153.7	153.9	152.0
Memorandum items:										
GDP at market prices (billions of CFAF)	3,244	3,117	3,067	2,967	2,658	2,610	2,657	2,739	2,860	3,005
Price of coffee (US\$ per kilogram, c.i.f.) ^{2/}	3.17	2.41	2.02	1.86	1.04	1.16	1.33	1.65	1.84	2.04
Price of cocoa (US\$ per kilogram, c.i.f.) ^{2/}	2.25	2.13	1.88	1.34	1.13	1.26	1.36	1.41	1.48	1.56
Exchange rate (CFAF per US\$)	346.3	300.5	297.9	319.0	286.0	286.0	286.0	286.0	286.0	286.0

Source: IMF estimates.

^{1/} Including change in stocks; in 1988, the accumulation of cocoa stocks was equivalent to 3 percent of GDP.^{2/} Includes a gradually negative (positive) premium for coffee (cocoa), above the projected c.i.f. world price.

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INFO AFCW-03 AFDP-06 AFCD-02 AFTR-05 AAF-03 AFPE-07 PPMF-01
OL-01 SAST-01 PPPB-02 GC-01 GCAF-02 PPEA-01 GCCH-01
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SERP-01 TELE-01 PRED-01 AGEE-01 SEPS-03
/076 AB 21/0600Z

INFO LOG-00 AF-00 CIAE-00 EB-00 DODE-00 /003 R

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AID/AFR/PD: TBORK

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AID/GC/AFR: P JOHNSON (DRAFT)

AID/PRE/H: J BOYERS (DRAFT)

AID/DAA/AFR: ELSAIERS

AID/AFR/CCWA: E M C P H I E (DRAFT)

AID/AFR/DP: J S M I T H (INFO)

AID/AFR/PD: A H A R D I N G (INFO)

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E.O. 12356: N/A

SUBJECT: COTE D'IVOIRE MUNICIPAL DEVELOPMENT SUPPORT
PROJECT (681-0004)

REF: (A) STATE 284365 (B) ABIDJAN 17116

(C) CLARK/JACKSON WID MEMO DATED 9/5/90

(D) DEI/BOYER ISSUES PAPER MEMO DATED 8/31/90

A. OVERVIEW: AFRICA BUREAU ISSUES AND ECPR MEETINGS WERE HELD RESPECTIVELY ON AUGUST 29 AND SEPTEMBER 4. ECPR MEETING WAS CHAIRED BY T. BORK, DIRECTOR, AFR/PD AND INCLUDED REPRESENTATIVES FROM AFR/PD/CCWAP, AFR/CCWA, AFR/DP/PAR, PRE/H, PPC/WID, AND GC/AFR. THE ECPR RECOMMENDED TO THE ACTING AA/AFR THAT BY TRANSMITTAL OF THIS CABLE HE APPROVE THE SUBJECT PROJECT WITH ITS THREE YEAR DOLS. FIVE MILLION LOP; DELEGATE TO THE REDSO/WCA DIRECTOR AUTHORITY TO AUTHORIZE AND OBLIGATE THE FUNDS AS REQUESTED IN REFTEL (B); AND APPROVE THE 611 (E) CERTIFICATION AS RECOMMENDED IN ANNEX D. RHUDD AND REDSO/WCA OFFICES ARE TO BE CONGRATULATED ON THEIR TEAM EFFORT WHICH RESULTED IN EXCELLENT PP DRAFT READY FOR A.I.D./W. REVIEW ON A TIMELY BASIS. THE FOLLOWING GUIDANCE IS PROVIDED FOR MISSION ACTION DURING FINAL PROJECT PAPER

PREPARATION. IN ADDITION TO MORE TECHNICAL PROJECT DESIGN ISSUES PRESENTED BELOW, CHAIRMAN BORK AND AFR/CCWA REPRESENTATIVE GOLDEN PROVIDED AFRICA BUREAU POLICY FRAMEWORK AND OVERVIEW OF USG EFFORTS TO ASSIST THE COTE D'IVOIRE'S STRUCTURAL ADJUSTMENT OBJECTIVES.

IT WAS NOTED THAT WHILE THE PROJECT PAPER DOES NOT EXPLICITLY RELATE THE ACTIVITY TO POLICY DIALOGUE CONSIDERATIONS, SUCH A DIALOGUE IS BEING ACTIVELY PURSUED BY INTERNATIONAL AGENCIES SUCH AS THE IMF AND THE WORLD BANK; ACTUALLY, THE WORLD BANK'S DOLS. 66 MILLION URBAN DEVELOPMENT PROJECT ALREADY INCLUDES MAJOR REFORMS WHICH SHOULD CONTRIBUTE TO IMPROVED NATIONAL AND LOCAL GOVERNMENT. AS EXPLAINED TO THE ECPR BY PRE/H REPRESENTATIVES THE WORKING RELATIONSHIP AND FREE

FLOWING DIALOGUE BETWEEN WORLD BANK REPRESENTATIVES AND RHUDD AND REDSO/WCA REGARDING HOUSING AND THE ENTIRE GOCI DECENTRALIZATION EFFORT PROVIDES AMPLE OPPORTUNITY FOR CONSIDERATION OF A.I.D. POLICY DIALOGUE CONCERNS. THE ECPR AGREED THAT GIVEN THE RELATIVELY SMALL SIZE OF THE SUBJECT PROJECT COMPARED WITH THE WORLD BANK DOLS. 66 MILLION EFFORT THE RHUDD AND REDSO/WCA APPROACH OF MAINTAINING THIS LESS FORMAL ACCESS TO GOCI POLICY MAKING DISCUSSIONS IS IN THIS CASE AN ACCEPTABLE ALTERNATIVE TO SPECIFIC PROJECT DRIVEN POLICY OBJECTIVES.

GIVEN THE LINKAGES OF THE PROJECT'S ACTIVITIES TO ENHANCED PUBLIC EFFICIENCY OF LOCAL ACTIVITIES WITHIN THE FRAMEWORK OF COTE D'IVOIRE'S NATIONAL DECENTRALIZATION STRATEGY, THE SENSE OF THE PROJECT FITS WELL WITHIN THE EMERGING BUREAU POLICY CONCERNING AFRICAN GOVERNANCE.

THE ECPR RECOMMENDS THAT THE PP'S PROJECT PURPOSE AND LOGFRAME BE REVISED TO INCORPORATE SOME LANGUAGE THAT THIS IS A GOVERNANCE ACTIVITY AND CONSISTENT WITH THE AFRICA BUREAU'S EMERGING INTEREST AND FOCUS ON GOVERNANCE. ECPR DID NOT RECOMMEND THAT THE BASIC PROJECT CONCEPT BE CHANGED BUT RATHER THAT THE PURPOSE STATEMENT EXPLICITLY ACKNOWLEDGE THAT GOVERNANCE/DEMOCRATIC OBJECTIVES WILL BE ADDRESSED BY THE ACTIVITIES PROPOSED I.E., THAT THE PURPOSE STATEMENT BE REFORMULATED TO SIMPLIFY AND UNIFY THE STATEMENT OF THE PROJECT FOCUS. (ONE EXAMPLE OF SUCH A STATEMENT MIGHT BE BEGIN QUOTE TO IMPROVE GOVERNANCE CAPACITY THROUGH MORE EFFICIENT AND EFFECTIVE LOCAL GOVERNMENT OPERATIONS, PARTICULARLY IN THE AREAS OF MANAGEMENT AND FINANCE END QUOTE).

B. A POINT RAISED SEVERAL TIMES AT THE ECPR WAS THE NEED TO LIMIT CAPITAL CONSTRUCTION ACTIVITIES. THE BUREAU CONSENSUS IS THAT A.I.D. CAN MORE EFFECTIVELY ADVANCE A COUNTRY'S DEVELOPMENT THROUGH SUCH INTERVENTIONS AS POLICY DIALOGUE, PROVISION OF TECHNICAL ASSISTANCE, TRAINING, COMMODITIES, ETC. THIS IS PARTICULARLY TRUE WHEN UTILIZING DFA FUNDS. IN THE CASE OF THE COTE D'IVOIRE THE AFRICA BUREAU HAS AGREED TO FINANCE CONSTRUCTION ACTIVITIES WITH DFA RESOURCES BECAUSE OF RHUDD'S STAFF CAPABILITIES (MANPOWER) AND SUCCESSFUL EXPERIENCE IN MANAGING THESE TYPES OF PROGRAMS. REGARDING TECHNICAL ASSISTANCE, IT WAS NOTED THAT A RECENT WORLD BANK STUDY SUGGESTED THAT THE LONG-TERM TECHNICAL ASSISTANCE MODE MAY NOT BE AS COST-EFFECTIVE AS SHORT-TERM TECHNICAL ASSISTANCE. MORE RESOURCES FOR SHORT- VERSUS LONG-TERM TA SHOULD BE CONSIDERED BY FIELD DURING PROJECT IMPLEMENTATION PHASE.

C. FOLLOWING IS RECAPITULATION OF OTHER POINTS OR ISSUES REVIEWED AT THE ECPR AND ECPR RECOMMENDATIONS ACCEPTED BY THE A/AA/AFR.

(1) FAA SECTION 611 (A) (1): PRIOR TO PROJECT OBLIGATION, THE FIELD MUST INCLUDE AS PART OF THE PROJECT PAPER PRELIMINARY PLANS OR PROTOTYPES, AS WELL AS PRELIMINARY SPECIFICATIONS AND COST ESTIMATES, FOR EACH OF THE PROPOSED CONSTRUCTION ACTIVITIES (I.E., MARKETS, TRANSPORT DEPOTS, COMMERCIAL CENTERS, SLAUGHTERHOUSES). THIS INFORMATION MAY BE PRESENTED AS TECHNICAL ANNEXES, BUT SHOULD ALSO BE REFERENCED IN THE MAIN TEXT.

(2) FAA SECTION 611 (A) (2): THE PROJECT PAPER INDICATES, IN THE DISCUSSION OF THE ESTABLISHMENT OF THE LEGAL FRAMEWORK FOR MUNICIPAL EMPLOYEES, THAT BEGIN QUOTE SHOULD THERE BE NO LEGAL STATUS FOR MUNICIPAL

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EMPLOYEES, THE IMPACT OF TRAINING AT THIS LEVEL WILL BE SIGNIFICANTLY DIMINISHED, SINCE WITHOUT LEGAL STATUS, THERE WILL BE LIMITED MOTIVATION FOR THESE INDIVIDUALS TO UTILIZE THE TRAINING AND NO POSSIBILITY FOR THEM TO MOVE AHEAD IN THEIR CAREERS BASED UPON THEIR IMPROVED SKILLS END QUOTE. THE PROJECT PAPER SHOULD INCLUDE A DISCUSSION OF THE RATIONALE FOR CONCLUDING THAT THIS DECREE OR LEGISLATION WILL BE ISSUED OR ENACTED IN TIME FOR THE SATISFACTORY AND TIMELY ACHIEVEMENT OF PROJECT OBJECTIVES.

PLEASE NOTE THAT THE COVENANT CALLED FOR IN THE IEE WHICH PROHIBITS THE BEGIN QUOTE USE OF ACCOUNTS FOR THE

PURCHASE, IMPORTATION OR USE OF PESTICIDES END QUOTE SHOULD BE ADDED TO THE COVENANT SECTION OF THE PROJECT PAPER.

(3) INITIAL ENVIRONMENTAL EXAMINATION. THE PROPOSAL FOR CATEGORICAL EXCLUSION OF TECHNICAL ASSISTANCE, TRAINING, INSTITUTIONAL CAPACITY BUILDING, AND COMMODITIES (EXCEPT PESTICIDES) IS APPROVED. THE PROPOSAL TO DEFER DECISIONS REGARDING THE CONSTRUCTION ACTIVITIES UNTIL IDENTIFICATION OF THE PARTICULAR ACTIVITY AND THE SITE ARE CONCLUDED IS APPROVED, WITH THE REQUIREMENT THAT AN APPROVED IEE OR OTHER APPROPRIATE ACTION (E.G., ENVIRONMENTAL ASSESSMENT) WILL BE REQUIRED PRIOR TO THE COMMITMENT OF FUNDS TO COMMENCE CONSTRUCTION ACTIVITIES. A COVENANT SHOULD BE INCLUDED TO PROHIBIT PROCUREMENT OR USE OF PESTICIDES WITHOUT COMPLIANCE WITH THE AGENCY'S PESTICIDE PROCEDURES. THE BUREAU ENVIRONMENTAL OFFICER HAS DELEGATED AUTHORITY TO THE REGIONAL ENVIRONMENTAL OFFICER, WITH THE CLEARANCE OF THE REGIONAL LEGAL ADVISER, TO MAKE THE DECISIONS MENTIONED IN THIS PARAGRAPH. THE PROJECT PAPER, PROJECT AUTHORIZATION AND PROJECT AGREEMENT SHOULD BE AMENDED OR SHOULD INCLUDE, AS APPROPRIATE, LANGUAGE TO REFLECT THESE DECISIONS.

(4) GRAY AMENDMENT. IT WAS POINTED OUT THAT IF THE TECHNICAL ASSISTANCE IS REORIENTED TOWARD MORE SHORT-TERM VERSUS LONG-TERM ASSIGNMENTS, MORE OPPORTUNITIES TO INVOLVE GRAY AMENDMENT ENTITIES WOULD BE POSSIBLE. THE ECPR RECOMMENDED THAT THE MISSION RECONSIDER, WITH A VIEW TO REVISING, THE PROCUREMENT PLAN FOR TECHNICAL ASSISTANCE AND TRAINING TO AFFORD VIABLE OPPORTUNITIES FOR SECTION 8 (A) AND OTHER GRAY AMENDMENT FIRMS TO COMPETE, AND IN ADDITION TO PROVIDE FOR IQC BUY-INS AS APPROPRIATE, POSSIBLY WITH WASH, ICMA AND PERHAPS OTHERS. FURTHER, THE BUREAU'S MINORITY AND SMALL BUSINESS ADVISOR PROVIDED A MEMO TO THE ECPR WHICH STATED THAT SEVERAL GRAY AMENDMENT FIRMS POSSESS THE NECESSARY EXPERTISE TO SATISFACTORILY PERFORM THE WORK REQUIRED UNDER THE PROJECT. IN ADDITION, THE ECPR RECOMMENDED REVISING THE QUOTE GRAY AMENDMENT CONSIDERATIONS UNQUOTE DISCUSSION.

REDSO/WCA/RHUDO SHOULD ALSO BE AWARE THAT NEW AGENCY GUIDANCE TO IMPLEMENT THE GRAY AMENDMENT HAS BEEN APPROVED BY THE AGENCY AND FORWARDED TO OMB, AND IS EXPECTED TO BE PUBLISHED SOON. A COPY OF THIS NEW GUIDANCE HAS BEEN FAXED TO THE REDSO/WCA/RLA. SUCH

REVISED LANGUAGE FOR THE QUOTE GRAY AMENDMENT CONSIDERATIONS UNQUOTE MIGHT STATE SUBSTANTIALLY AS FOLLOWS: BEGIN QUOTE MISSION IS INFORMED THAT THERE ARE SEVERAL GRAY AMENDMENT ENTITIES WHICH POSSESS THE NECESSARY EXPERTISE AND EXPERIENCE TO SATISFACTORILY PERFORM THE IMPLEMENTATION REQUIREMENTS OF THIS PROJECT. WE THEREFORE PROPOSE TO SEEK THE WIDEST

POSSIBLE COMPETITION AMONG SUCH FIRMS. IF EFFORTS TO SELECT A CONTRACTOR AMONG COMPETING GRAY AMENDMENT ENTITIES PROVES TO BE IMPRACTICABLE, THE CONTRACTORS WHICH ARE SELECTED WILL, OF COURSE, BE REQUIRED TO APPLY APPLICABLE GRAY AMENDMENT REGULATIONS TO SUBCONTRACTING ACTIVITIES END QUOTE.

THE FIELD SHOULD BE AWARE OF THE AIDAR 715.605-70 INSTRUCTIONS WHEN USING PRIOR A.I.D. OR U.S. GOVERNMENTAL EXPERIENCE OR PRIOR OVERSEAS EXPERIENCE OR EXPERIENCE IN THE REGION OR COUNTRY AS SOURCE SELECTION EVALUATION FACTORS.

(5) PROJECT MONITORING/IMPLEMENTATION: PROVISIONS SHOULD BE MADE FOR PARTIAL FUNDING OF THE RHUDO PSC ENGINEER WHO WILL WORK ON PROJECT IMPLEMENTATION.

(6) WOMEN IN DEVELOPMENT (WID): THE FIELD IS TO BE COMMENDED FOR THE DESCRIPTION OF WOMEN'S ECONOMIC ROLES INCLUDING THOSE OF PRIMARY PROVIDERS IN SECONDARY TOWNS, IN THE SOCIAL SOUNDNESS ANALYSIS, AND IDENTIFICATION OF WOMEN AS SIGNIFICANT BENEFICIARIES OF THE PROJECT. HOWEVER, THE ECPR WAS CONCERNED ABOUT THE LACK OF AN EXPLICIT STRATEGY TO ENSURE THAT WOMEN WILL HAVE ACCESS TO PARTICIPATION IN AND BENEFITS FROM THE PROJECT AND TO COLLECT GENDER DISAGGREGATED DATA TO DOCUMENT THESE ANTICIPATED OUTCOMES, AS REQUIRED BY A.I.D. WID POLICY AND FOR REPORTING TO CONGRESS. STATEMENTS IN THE PP ON TRAINING, THE CADASTRAL SURVEY, PRIVATE SECTOR AND COMMUNITY PARTICIPATION IN THE PROJECT, AND IMPLEMENTATION, AS WELL AS MONITORING AND EVALUATION SHOULD INCLUDE THESE GENDER CONSIDERATIONS. THE BENEFITS OF THE PROJECT TO WOMEN SHOULD BE STATED MORE EXPLICITLY TO ENABLE IMPACT MONITORING. THERE SHOULD ALSO BE A DESCRIPTION OF POTENTIAL CONSTRAINTS ON WOMEN'S PARTICIPATION, INCLUDING THE REGULATORY/INSTITUTIONAL ENVIRONMENT, AND STRATEGIES PROPOSED TO OVERCOME THOSE CONSTRAINTS.

(7) COPY OF PPC/WID COMMENTS FAXED TO REDSO/WCA PDO OFFICE ON 9/6/90. FIELD MAY WANT TO ADD THIS DOCUMENT

TO PP ANNEXES. BEFORE PP DOCUMENT POUCHED TO A.I.D./M FOR REPRODUCTION/DISTRIBUTION PP SHOULD BE CAREFULLY EDITED TO ELIMINATE SPELLING, TYPOGRAPHICAL ERRORS, AND THE LIKE. BAKER

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