AID 1120-1 PAAD	AGENCY FOR INTERNATIONAL DEVELOPMENT PROGRAM ASSISTANCE APPROVAL DOCUMENT Amendment No. 5	1. PAAD No. 681-0002 2. Country Cote d'Ivoire 3. Category Cash Transfer 4. Date: 8/26/92

5. To: Frederick E. Gilbert Director, REDSO/WCA	6. OYB Change No. 3
7. From: John H. Bierke Assistant Director, PMO	8. OYB Increase $2,545,000 To be taken from: N/A
9. Approval requested for commitment of $2,545,000	10. Appropriation BPC - See attached

11. Type funding	12. Local currency arrangement:	13. Estimated delivery period:	14. Trans. Eligib. Date:
/_/ Loan /X/ Grant	None	N/A	N/A

15. Methods of implementation and financing approved by:
Thomas Fallon, Controller

16. Previous	Amendment	Total	17. Estimated Source U.S.
$13,000,000	$2,545,000	$15,545,000	Industrialized Countries:

18. SUMMARY DESCRIPTION

A cash grant of fifteen million five hundred and forty-five thousand ($15,545,000) is authorized in support of the Government of Cote d'Ivoire (GOCI) program of economic stabilization. This cash grant will finance the requirements for meeting some of the GOCI's current external debt obligations. All the proceeds of the cash grant will be used for debt repayment. Moreover, except as A.I.D. may agree in writing, (1) debt service payments will be made on eligible debts for which payments will be due on or before September 30, 1993, and (2) stated order of priority will be applied in a manner consistent with achieving the overall program objective of assisting the GOCI to successfully implement economic stabilization measures. GOCI debts which are eligible for repayment are those owed to U.S. Governmental and Multilateral Financial Institutions. No local currency will be generated.

19. Clearances	Date	20. Action
RLA:MAlexander	8/28/92	/X/ Approved /_/ Disapproved
PDE:DThomas	9/1/92	Authorized Signature
WAAC:TFallon	9/2/92	Date: September 29, 1992
DD:DEMutchler	9/8/92	Title: Director, REDSO/WCA

ACTION MEMORANDUM FOR THE DIRECTOR

FROM: John H. Bierke, Assistant Director, PMO

SUBJECT: Côte d'Ivoire Economic Support Program (CIESP)

Problem: Your signature is required to authorize Amendment No. 5 to the CIESP Program Assistance Approval Document (PAAD) for the subject program and, thereby: (a) add US$2,545,000 to the Life-of-Program funding and thereby increase it from US$13.0 million to US$15.545 million; and (b) extend the period for eligible debt repayments from those due on or before September 30, 1992 until September 30, 1993.

Discussion: The Ivoirian economy continues to suffer from the sharp decline in the terms of trade for cocoa and coffee. Given the resultant negative impact on the country's balance of payments and the absence of a competitive productive sector, The GOCI continues to have difficulty in reaching the macroeconomic targets that were developed in consultation with the International Monetary Fund (IMF) and the World Bank (IBRD). External financing requirements have exceeded $1.5 billion per year since 1988, and will continue at this level until the size of the external debt can be permanently reduced instead of continually rescheduled. In 1990 and 1991, A.I.D. contributions to the multi-donor exceptional financing package were $10 million and $3 million, respectively. In both years, A.I.D. funding was linked specifically to the objectives of the economic stabilization program. For 1992, a level of US$2.545 million is being proposed.

Pursuant to Section 4A (2) of Delegation of Authority No.551, you are authorized to sign program amendment authorizations unless: (a) the amendment will result in total life-of-project funding of more than US$30 million; (b) the amendment presents significant policy issues or deviates from the original project purposes; or (c) the amendment requires issuance of waivers that may be approved by the Assistant Administrator, unless such waivers are approved prior to authorization of the amendment.

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In this instance, none of the exceptions apply. Accordingly, upon receipt of notice of approval by AA/OPS, you may authorize the PAAD Amendment under Delegation of Authority No. 551. It is planned that, upon authorization of PAAD Amendment No. 5, the ESF Grant Agreement obligating the additional US$2,545,000 will be ready for signature. It is also planned that funds thereby obligated and disbursed to the GOCI's separate account with a US bank be used to repay eligible debts due on or before September 30, 1993.

Recommendation: That you sign the attached PAAD facesheet and, thereby, authorize PAAD Amendment No. 5 for the Côte d'Ivoire Economic Support Program.

Draft:PDE:RBoncy:08/27/92

Clearance:
ODD:DEMutchler: Date 8/9/92
RLA:MAlexander: Date 8/28/92
WAAC:TFallon: Date
PDE:DThomas: Date 9/1/92

cc: AID/W AFR/PD

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Côte d'Ivoire Economic Support Program
PAAD
Amendment No.5
(681-0002; 681-K-601E; 681-K-601F and 681-K-601G)

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LIST OF ACRONYMS

AfDB	:	African Development Bank
A.I.D.	:	Agency for International Development
BCEAO	:	Banque Centrale des Etats de l'Afrique de l'Ouest
CAA	:	Caisse Autonome d'Amortissement
CFA	:	Communauté Fiancière de l'Afrique
CIESP	:	Côte d'Ivoire Economic Support Project
CIP	:	Commodity Import Program
EECI	:	Energie Electrique de Côte d'Ivoire
ESF	:	Economic Support Fund
EEC	:	European Economic Community
EFT	:	Electronic Funds Transfer
FM	:	Financial Management
FY	:	Fiscal Year
GDP	:	Gross Domestic Product
GOCI	:	Government of Côte d'Ivoire
IBRD	:	International Bank for Reconstruction and Development
IMF	:	International Monetary Fund
LDC	:	less Developed Country
PAAD	:	Program Assistance Approval Document
PD&S	:	Program Development and Support
REDSO/WCA	:	Regional Economic Development Services Office for West and Central Africa

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I. EXECUTIVE SUMMARY

A. The GOCI Request: The Government of Côte d'Ivoire (GOCI) has requested United States' assistance in implementing its economic stabilization program. In response to this request, REDSO/WCA proposes a US$2.545 million amendment to non-project assistance program financed with Economic Support Funds (ESF).

B. Program Objective: The goal of the Côte d'Ivoire Economic Support Program (CIESP) is to help the government achieve its economic stabilization objectives. The purpose of the CIESP is to finance some of the government's debt service payments. The CIESP Amendment No. 5 will support the government's efforts to reduce its current account balance of payments deficit.

C. Background: The Ivoirian economy continues to suffer from the sharp decline in the terms of trade for cocoa and coffee. Given the resultant negative impact on the country's balance of payments and the absence of a competitive productive sector, The GOCI continues to have difficulty in reaching the macroeconomic targets that were developed in consultation with the International Monetary Fund (IMF) and the World Bank (IBRD). External financing requirements have exceeded $1.5 billion per year since 1988, and will continue at this level until the size of the external debt can be permanently reduced instead of continually rescheduled. In 1990 and 1991, A.I.D. contributions to the multi-donor exceptional financing package were $10 million and $3 million, respectively. In both years, A.I.D. funding was linked specifically to the objectives of the economic stabilization program. For 1992, a level of US$2.545 million is being proposed.

D. Problem: The problem which the CIESP Amendment No. 5 will address is the GOCI's current account balance of payments deficit. As of mid-1992, this deficit is estimated at US$1.5 billion. While Côte d'Ivoire is negotiating new comprehensive international packages, the program will assist the GOCI to continue meeting its non-reschedulable debt commitments.

E. Program Description: The CIESP Amendment No. 5 is designed to assist the GOCI reach its economic stabilization objectives through the provision of cash grants that will finance the requirements for meeting some of its current external debt obligations. All the proceeds of the cash grants will be used for debt repayment. Moreover, except as A.I.D. may agree in writing, (1) debt service payments will be made on eligible debts for which payments will be due on or before September 30, 1993 and (2) the stated order of priority will be applied in a manner consistent with achieving the overall program objective of assisting the GOCI to successfully implement economic

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stabilization measures. GOCI debts which are eligible for repayment are those owed to U.S. Governmental and multilateral financial institutions.

F. Financial Plan: Subject to the availability of funds, A.I.D. will authorize and obligate in fiscal year 1992 US$2.545 million of Economic Support Funds (ESF). A.I.D. will disburse these funds as cash grants to a special bank account established by the GOCI with a US bank. These cash grants, including interest earned, will be used by the GOCI to repay Ivoirian public sector debts that are owed to US Governmental and multilateral institutions for which payments are due on or before September 30, 1993 and, in an order of priority consistent with the government's overall economic stabilization objectives.

The implementing agency is the GOCI's Caisse Autonome d'Amortissement (CAA), a unit within the Ministry of Finance. Disbursement of the cash grants will be made without generations of local of local currency.

G. Waivers: No waivers are required.

H. Conditionalities: In addition to the standard conditions precedent to disbursement, the GOCI will furnish to A.I.D. (1) a list of proposed debt service payments which will be made pursuant to such disbursement, stating the payment due dates and amounts due; and (2) a statement designating the bank and the number of the separate account, established in the name of the GOCI/CAA in a bank in the United States, into which account disbursement of the grant will be made.

I. Findings: It has been concluded from the analysis in the Program Assistance Approval Document (PAAD) that (1) the program approach is technically sound, politically acceptable and administratively feasible; (2) the timing and funding of program activities are appropriately scheduled; (3) adequate planning has been made for monitoring and evaluating the impact of the program; and, (4) all statutory requirements including environmental consideration are satisfied. No human rights clearance is required for this program.

II. BACKGROUND

A. Macroeconomic Framework:

The Ivoirian economy has been in an uninterrupted recession since 1987. The country's international terms of trade have declined steadily over this period led by a 65 percent and a 50 percent drop in world prices of coffee and cocoa, respectively. During the 1987 period, GDP had declined by 25 percent, the government deficit has been averaging 15 percent of GDP, and the national

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debt has grown to a level of $15 billion (150 percent of GDP). The crisis became evident in 1989, at which time the government prepared an economic recovery plan in coordination with the IMF and World Bank. In late 1989, the Friends of the Côte d'Ivoire agreed to a multi-year package of bilateral "exceptional" non-project assistance totalling $450 million to finance the country's growing resource gap. However, terms of trade in 1990 declined for the fourth straight year. GDP at market prices declined eight percent (three percent in real terms), with industry and service sectors both declining an estimated nine percent.

The government's major action to balance the budget was to cut cocoa and coffee prices in half, thereby reducing net subsidies to producers from five percent of GDP in 1989 to one percent in 1990. The government also attempted to reduce government salaries but was obliged to reverse the decision when widespread riots occurred. The government was able to reduce its primary deficit (revenues minus expenditures, excluding interest payments) from eight percent of GDP in 1989 to two percent in 1990. However, the external public debt increased by $3 billion, of which external arrears totalled $1 billion. Despite a requirement to reduce arrears on the government's domestic debt in 1990, the total actually increased. As a result the last tranche of the 1990 IMF agreement was not released.

In 1991, GDP at market prices grew by 1.1 percent, but real GDP dropped 0.6 percent. Overall, economic activity remained virtually unchanged from 1990. Production of export crops declined by seven percent as a result of marketing constraints, but production of non-export crops increased by 3.5 percent. The manufacturing sector remained unchanged and services increased slightly. Household consumption remained unchanged in 1991, after having declined by 13 percent in 1990, due to the large drop in cocoa and coffee producer prices and the continued deep recession in urban areas. Domestic investment declined from an already low 11 percent of GDP in 1990 to 8.1 percent in 1991.

The public finance situation improved slightly in 1991. Both total revenues and tax revenues increased by one percent of GDP, due primarily to increased collection of back taxes in exchange for government payment of arrears on domestic debt. Government salaries declined slightly, but non-wage expenditures declined even more. Preliminary figures indicate that the government was able to reduce domestic arrears, but a final assessment will have to await an IMF review which is already overdue.

Despite the government's general adherence, since 1989, to the conditions of the IMF stand-by agreements, the country continues to experience increasing resource gaps. In 1990, the balance of payments current account deficit was $1.05 billion and net outflows on capital account (loan drawings minus amortization)

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totalled an additional $450 million. The overall balance of payments deficit of $1.5 billion was financed by $ 450 million of debt rescheduling, $900 million of accumulated arrears, and a $150 million reduction in official reserves.

The data for 1991 are not yet available, but preliminary figures indicate that the current account deficit was about $1 billion and net capital outflows totalled $700 million. Thus the overall resource gap to be financed from external sources exceeded $1.5 billion for the fourth straight year. As in past years, the 1991 deficit continued to be financed by a combination of non-project financing from the IMF, World Bank, France, the EEC, and the AfDB, and debt rescheduling by the Paris Club. An IMF stand-by agreement for SDR 83 million was approved in September 1991 and, in November, the Paris Club rescheduled $800 million of official bilateral debt. Once again, however, exceptional foreign assistance fell short of the amount needed and external arrears (mostly on commercial debt), which totalled about $2.8 billion at the end of 1990, continued to increase.

B. Policy Framework:

1. The Political Framework: Although the serious deterioration in the country's financial situation began in late 1986, the government did not start taking decisive action until mid-1989, when it cut cocoa and coffee producer prices in half. In 1990 it became clear that many of the required reforms would have serious adverse effects on large segments of the population, especially in urban areas, and consequently would be very difficult if not impossible to implement without first building a political consensus. It was also clear that changes in the political system were needed before open, broad-based consensus building could occur. The first step was to introduce a multiparty system that would open up the political process to diverging views. In October 1990, the first contested presidential elections were held, resulting in the re-election of President Houphouet-Boigny. The following month, multi-party parliamentary elections were held and a new government was formed under the newly created position of Prime Minister.

The process of building support for necessary but socially disruptive and politically difficult economic reforms has been slow but positive. Under the leadership of the Prime Minister, a former senior IMF official and governor of the BCEAO, economic issues are being discussed and debated, and reforms are being undertaken with the political support of the newly elected government. Most of the reforms so far have been relatively minor and the mobilization of political support for more meaningful reforms has been slow and difficult, but the necessary process of consensus building has begun. The next two years will determine whether the pace of change will be sufficient to

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reverse the declining economic trends of the last five years.

In this context, the government is implementing two interrelated policy reform programs: the short-term economic stabilization program to deal with fiscal imbalances and the growing national debt, and the longer-term economic structural adjustment program to increase economic efficiency and international competitiveness.

2. The Stabilization Program: The stabilization program is aimed at balancing central government budget and servicing the national debt. The present program to balance the budget was initiated in 1989, when the primary deficit (revenue minus expenditure, excluding interest payments) reached a high of 7.5 percent of GDP. The primary deficit dropped to two percent of GDP in 1990 and was eliminated in 1991. The most important revenue increasing measure was to reduce coffee and cocoa producer support prices. As a result, the price stabilization fund (CAISTAB) went from a deficit of five percent of GDP in 1989 ($500 million) to a slight surplus in 1991. On the expenditure side, the government has frozen civil servant salaries, reduced non-wage expenditures, and kept investment expenditures at a very low three percent of GDP. The goal is to achieve a primary surplus of four percent of GDP in 1992.

The government recognizes that non-wage expenditures have dropped below what is needed to maintain the efficiency of government services, and investments are inadequate to replace the existing infrastructure base, and has begun to take corrective action. In 1991, the wage bill declined by two percent, the first drop ever, and investments increased slightly from 2.545 to 2.8 percent of GDP. Non-wage expenditures, however, continued to drop. An effort to reduce government salaries in 1990 failed due to widespread political demonstrations, but it is almost certain that the government will have to cut salaries as well as the number of government employees in order to meet its fiscal objectives.

The debt servicing effort is proceeding on two fronts. The first priority is to reduce the domestic debt, beginning by eliminating arrears. The government has agreed with the IMF that all of the primary surplus will be allocated to servicing and reducing the domestic debt. In addition, as part of the multi-donor funded Financial Sector Adjustment Program, the government will be settling $1.1 billion of domestic arrears over the next three years through a combination of cash and treasury bills. A key element of this program is the BCEAO's agreement to refinance $560 million of the treasury bills. Progress on the external debt has not been as promising. The government has been servicing the debt to multilateral institutions on schedule, and the Paris Club regularly reschedules official bilateral debt in conjunction with IMF stand-by agreements. However, the

government has not been able to reach agreement with the London Club and consequently arrears on commercial debt are accumulating at a rapid rate (an increase of about $815 million in 1990, and perhaps more in 1991). As the debt situation worsens and significant economic reforms begin to be implemented it can be expected that Paris Club debt rescheduling will be accompanied by debt reduction. A notable first step was the CCCE's reducing the interest rate on its loans to the Côte d'Ivoire to a maximum of five percent.

3. **The Structural Adjustment Program:** The objective of the structural adjustment program is to increase economic efficiency and international competitiveness, mainly by eliminating market distorting economic policies that have created inefficiencies and resulted in less than optimal allocation of resources. The major elements of the program are:

- Restructuring the public enterprise sector. In the last three years the government has been taking actions to reduce the size of the public sector and increase the efficiency of public sector enterprises. Several agricultural parastatals were restructured under the World Bank Agricultural Sector Adjustment Program with resulting improvements in financial performance. Recently, management of the electric company, EECI, has been fully privatized and a similar action is underway for the telecommunications company. In addition, 19 public enterprises are being studied for possible privatization, and the first steps in the privatization process are expected to begin in 1992.

- Liberalizing export markets. The government has moved to liberalize producer prices of agricultural export crops so that they will fluctuate more closely with changes in world prices. The role of the stabilization fund in the marketing of these products has also been reduced. As a result of these changes, producers will be more directly exposed to world market forces and make production decision accordingly.

- Providing increased incentives (and reducing disincentives) for exports. The government has introduced subsidies for non-traditional exports to compensate for the overvalued exchange rate, and has reduced export disincentives that had built up during the 1970s and 1980s when the government was promoting import substitution industries. Most export taxes as well as taxes on imports used in the production of exports have been eliminated, as has the practice of taxing agricultural exports by setting producer prices much lower

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than world prices. Finally the government has reduced the high levels of tariff and non-tariff import protection that had shifted the domestic terms of trade away from export agriculture and contributed to the economy's high cost structure.

- Liberalizing the labor market. Changes in the labor laws are being prepared that will allow businesses more flexibility in hiring and setting wages. Labor market liberalization is being accompanied by other measures to reduce labor costs, including: the elimination of the payroll tax, except for the earmarked tax for training and apprenticeship, and a reduction in the substantial non-salary payments to public servants. By setting the standard for other sectors, the total compensation of public servants is an important cause of excessive labor costs throughout the Ivoirian economy.

- Improving the regulatory and legal framework for the private sector. Although he regulatory system is open and relatively non-arbitrary, it is unnecessarily cumbersome and subject to corruption. Measures are being taken to simplify and improve the company law, the commercial code, and the investment code. In addition, improvements are planned in the judicial system to improve the legal framework within which business in conducted. Action in these areas have been under discussion for several years and will be implemented over the next three years as part of a World Bank industrial competitiveness and regulatory reform structural adjustment loan which is expected to be signed in 1992.

C. The Role of Foreign Assistance:

Prior to the early 1980s foreign assistance to the Côte d'Ivoire consisted primarily of technical assistance and capital projects. Since 1983, however, most of the assistance has been in the form of "exceptional" budget support to finance the country's large resource gap. In recent years, the IMF and World Bank have taken the lead. The IMF has negotiated stand-by agreements aimed at restoring fiscal balance and, on the basis of these agreements, the Paris Club has rescheduled the official bilateral debt. Besides the IMF and World Bank, the major sources of concessional financing are France, the African Development Bank, and the European Community.

By far the largest factor in the increasing balance of payments deficit is the commercial external debt. As a consequence of the government's inability to service this debt, increasing arrears to commercial banks have become the country's largest single source of external financing.

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External financing requirements have exceeded $1.5 billion per year since 1988, and the debt keeps growing. This situation will continue until the government and external creditors can agree on a formula for significant reductions in the size of the debt. In 1992, as in past years, most of the concessional external financing will be provided in the context of the stabilization and structural adjustment programs. Specific benchmarks related to the objectives of the two programs have been negotiated, mostly under the lead of the IMF and World Bank, and will become conditions for disbursements. Thus, the major external sources of financing are closely involved in the policy formulation process, and their aid is directly linked to progress in correcting the government's fiscal imbalances as well as increasing the economy's long-term international competitiveness.

The IMF approved a SDR 83 million stand-by agreement in September 1991, and in October 1991 the World Bank approved the Financial Sector Adjustment Loan ($200 million). In 1992, the World Bank approved a Human Resources Sector Loan ($150 million), and an Industrial Competitiveness Structural Adjustment Loan ($150 million). The World Bank loans will be disbursed in three tranches and will include considerable co-financing from the AfDB, CCCE, and the EEC. Once again, the Paris Club is expected to reschedule the debt due in 1992, and the government has indicated its intention to reach a rescheduling agreement with the London Club. The government is actively seeking additional financing from other donors, including the United States.

In 1990 and 1991, A.I.D. contributions to the multi-donor exceptional financing package were $10 million and $3 million respectively. In both years, A.I.D. funding was linked specifically to the objectives of the economic stabilization program. For 1992, a level of $2.545 million is being proposed.

III. PROGRAM DESCRIPTION

A. Objective:

The goal of the Economic Support program is to help the government achieve its economic stabilization objectives. The purpose is to finance some of the government's debt service payments. This Amendment to the CIESP will continue to support the government's efforts to close its current account balance of payments deficit.

B. Rationale:

The cash grants that are possible using Economic Support Funds are the most effective means of providing external assistance to the Côte d'Ivoire at this time. The country's debt service

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obligations are growing rapidly and its ability to meet its most pressing obligations is dependent on receiving quick disbursing financial assistance on highly concessional terms. Although the U.S. is not in a position to provide a large amount of assistance relative to the country's total needs, it is important that as a long-time economic partner of the Côte d'Ivoire, the U.S. be seen as supporting the country's stabilization efforts and continuing commitment to market-based economic development.

As in the original grant in 1990 and the $3 million additional tranche in 1991, a cash grant is the preferred funding mechanism over commodity import programs (CIP) for the following reasons:

1. Both the GOCI and REDSO/WCA staffs have limited capacities to manage commodity import programs;

2. The costs of U.S. commodities, including U.S. shipping, would not be competitive with those from other free world sources;

3. It is necessary to use a quick disbursement mechanism to effectively assist the GOCI implement its economic stabilization program by financing requirements for meeting some current external debt obligations;

4. Prevailing ESF Policy Guidance indicate that where recipient country debt service is a significant barrier to growth and development, cash transfer assistance may be used to effect debt service payments. These circumstances presently exist in Côte d'Ivoire.

Furthermore, given that the cash grants will be used to meet external debt obligations, 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 to avoid any inflationary impact which additional budgetary resources could create. Given that limited REDSO/WCA staffing level is insufficient for the proper monitoring of activities that would be programmed under generated local currency, it was considered unfeasible to undertake any activities that would be more labor intensive than a cash transfer program.

Lastly, Amendment No. 5 is a continuation of the initial Economic Support Program formulated in the context of the 1989 Friends of Côte d'Ivoire Paris Meeting which was linked to the IMF Stand-By Arrangement that terminated in April 1991. With $13 million of cash grants, the program effectively assisted the GOCI to reach its objectives of economic stabilization. The cash grants enabled the GOCI to make debt payments due to the African Development Bank (AfDB) and thereby permitted the immediate release of funds being withheld by the AfDB for development

assistance loans to the GOCI.

C. Expected Impact:

The impact of this program will be in the context of the overall stabilization program. If all of the measures currently being supported by the stabilization program are implemented, the most important long-term impact will be the eventual reversal of the downward trend in economic activity that has prevailed since 1987. The immediate impact will be a balanced government budget. This will be accompanied by gradual improvements in government services, especially education, health and infrastructure maintenance, as well as slight increases in public investment expenditures. A successful stabilization program will also permit the government to reduce its domestic debt, a necessary first step in returning liquidity to the financial system. A balanced budget and a sound domestic financial system are essential preconditions to the sustained economic recovery of the Côte d'Ivoire.

D. Conditionality:

In addition to the standard conditions precedent (i.e., legal opinion, specimen signatures, designation of authorized representatives, and opening of a separate account), the following condition precedent will, in substance, be included in the program grant agreement:

> Prior to the disbursement of program funds under the grant agreement, the GOCI will submit to A.I.D. a list of proposed debt service repayments including their due dates and amounts due.

Following review and approval of the documentation submitted by the GOCI, A.I.D. will determine whether all conditions precedent have been met and, thereafter, notify the GOCI.

IV. PROGRAM IMPLEMENTATION

A. Method of Implementation and Financing:

The CIESP Amendment No. 5 will provide ESF assistance of $2.545 million in the form of a cash grant to help the GOCI meet its current external debt repayment obligations. The grant will be disbursed in a single tranche. All dollar funds disbursed under the Program will be placed into a Separate Account established in the name of the Grantee in a bank in the United States. The Separate Account will be an interest-bearing account, pending actual utilization of dollar funds. All interest earned on such

account will be used only for those purposes permitted under the Program. Furthermore, program funds shall not be commingled and will be tracked pursuant to statutory requirements and A.I.D. Cash Transfer Policy Guidance. The Special Account will be managed on behalf of the GOCI by the Caisse Autonome d'Amortissement, an agency within the GOCI Ministry of Finance whose function, inter alia, is to manage the Ivoirian public debt.

All the proceeds of the cash grant will be used for debt repayment. Moreover, except as A.I.D. may agree in writing, (1) debt service payments will be made on eligible debts for which payments will be due on or before September 1993, and (2) the stated order of priority shall be applied in a manner consistent with achieving the overall program objective of assisting the GOCI to successfully implement economic stabilization measures. GOCI debts which are eligible for repayment are those owed to U.S. Governmental and multilateral financial institutions.

Method of Implementation	Method of Financing	Amount ($000)
Cash Transfer	Direct payment (EFT)	2,545

All dollar payments will be made by the U.S. Treasury following requests for disbursement initiated by REDSO/WCA to A.I.D./FM.

B. Program Management, Monitoring & Evaluation:

The Regional Economic Development Support Office for West and Central Africa (REDSO/WCA) will have primary responsibility for managing the implementation of the Program including the coordination of activities with the GOCI Ministry of Finance.

REDSO/WCA's Program Management Office will be responsible for the day-to-day management and monitoring of the Program. The primary implementation task will consist in the review and approval of the list of proposed debt repayments to be submitted by the GOCI. Monitoring will consist in the tracking of the uses of funds from the Separate Account. The Caisse Autonome d'Amortissement will ensure that the disbursing bank provides debit advices indicating payments made for debts in accordance with this program. Monthly reports on the uses of funds from the Separate Account will be provided to A.I.D. by the GOCI's Caisse Autonome d'Amortissement. The first report will be due two months after the initial disbursement of funds and subsequent reports will be furnished to

A.I.D. at ensuing monthly intervals until the uses of all funds in the Separate Account have been satisfactorily reported. An end-of-program evaluation that will assess the implementation and impact of the program is planned. The evaluation will be funded with Program and Support (PD&S) funds.

C. Financial Plan & Disbursements:

	(U.S. $000) Obligation	Disbursement
Budget Category:	FY 1991	FY 1993
CIESP Amendment No. 5:	2,545	2,545

The disbursement for the CIESP Amendment No. 5 in the amount of 2.545 million will be made upon signature of the program agreement and the review and approval by A.I.D. of the list of proposed debt repayments submitted by the GOCI. The U.S. Treasury will transfer all disbursements by Electronic Funds Transfer into the Separate Account established in a U.S. bank in the name of the GOCI.

D. Implementation Schedule:

The CIESP Amendment No. 5 implementation schedule below assumes that the PAAD Amendment will be authorized no later than August 1992.

Action	Month/Year
Grant agreement negotiated and signed:	9/92
List of proposed debt repayments submitted by GOCI:	9/92
A.I.D. review and approval of list of proposed debt repayments submitted by GOCI:	9/92
A.I.D. notifies the GOCI that conditions precedent to first tranche disbursement are met:	10/92
Dollar funds ($2.545 million) are released into the Separate Account:	11/92
GOCI submits first monthly report on the uses of funds	01/93

E. Waivers:

The implementation of the Program Amendment No. 5 will require no waivers; therefore, none will be requested.

V. PROGRAM SPECIFIC ANALYSES

A. Special U.S. Interests:

Côte d'Ivoire's post-independence record of social peace and economic development is unsurpassed in Africa. Attracted by peace and economic opportunity, as many as five million guest workers from surrounding countries have been welcomed in Côte d'Ivoire, making it a major force for economic well-being and stability in the entire region. Its GDP accounts for about half of the output of all countries of the West African Monetary Union. Côte d'Ivoire's support for its neighbors is clearly demonstrated by its acceptance and generous assistance to the Liberian refugees now living within its borders.

For the past thirty years, Côte d'Ivoire has been a significant force for political moderation in international affairs. The Government has contributed to the resolution of regional conflicts throughout the years, playing a key role in the resolution of the status of Namibia and the Angolan and Liberian conflicts. At the UN, Côte d'Ivoire's vote has often been crucial to the acceptance of USG positions. At home, the government has responded positively to pressures for a multiparty system.

Unlike some other African countries, Côte d'Ivoire has the potential for a resumption of at least a reasonable rate of economic development given its existing infrastructure, its human capital, and its agricultural and mineral resources. It is in the USG's interest to support the continuation of the economic support program in view of Côte d'Ivoire's critical role in regional economic and political stability and its long record of support for the U.S.

B. Environmental Threshold Decision:

The CIESP Amendment No. 5 will not have foreseeable adverse effects on the environment or the natural resource base of Côte d'Ivoire. The program is exclusively a cash grant for debt service payments. Therefore, it will not have an impact on threatened and endangered species or critical habitat. Pesticide procurement or use will not occur under the program.