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REPORT AND RECOMMENDATION

OF THE

PRESIDENT

TO THE

EXECUTIVE DIRECTORS

ON A

PROPOSED LOAN

TO THE

BANQUE IVOIRIENNE DE DEVELOPPEMENT INDUSTRIEL

WITH THE

GUARANTEE OF THE

REPUBLIC OF THE IVORY COAST

November 6, 1975

CURRENCY EQUIVALENTS

Currency unit = CFA Franc (CFAF)

The CFA Franc is tied to the French Franc in a ratio of 1 French Franc to 50 CFA Francs. The French Franc is currently floating.

Present Rates

US$ 1.00	=	CFAF 200
CFAF 1	=	US$ 0.005
CFAF 1,000	=	US$ 5.00
CFAF 1,000,000	=	US$ 5,000

FISCAL YEAR

Guarantor	:	January 1 to December 31
Borrower	:	October 1 to September 30

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1. I submit the following report and recommendation on a proposed loan to the Banque Ivoirienne de Developpement Industriel (BIDI) with the guarantee of the Republic of the Ivory Coast for the equivalent of US$8 million. The loan would bear interest at 8.5 percent per annum. BIDI would relend the proceeds of the loan to Ivorian enterprises for up to 15 years with an interest rate of not less than 11 percent per annum. Amortization of the loan would substantially conform to the aggregate of the amortization schedules applicable to the investment projects financed out of the proceeds of the loan.

PART I - THE ECONOMY

2. The most recent economic report on the Ivory Coast, Report No. 296 - IVC "Current Economic Situation and Prospects of the Ivory Coast", April 11, 1974 which is based on the findings of an economic mission in April of 1973, confirmed the country's favorable growth prospects and its creditworthiness. It concluded also that the Government's development efforts required and deserved continued external support. While recent developments in export and import prices have led to substantial quantitative changes in the balance of payments estimates from those made in the report, our revised calculations still support these conclusions. Annex I contains basic country data.

3. Throughout the 1960's the Ivory Coast's economic growth was rapid. GDP grew at an annual rate of 7.5 percent in real terms and in 1972 per capita income reached US$340. Although this growth rate could not be fully sustained in the early 1970's because of deteriorating terms of trade and adverse weather conditions, growth in 1971-74 still averaged 6 percent a year, in real terms. Factors contributing to rapid growth were the Government's liberal and pragmatic economic policies which have made the country attractive to foreign investors, the availability of ample land and timber resources, the existence of a large pool of labor including immigrants from sahelian countries and, during the late sixties, rising commodity export prices. Recognizing the country's vulnerability in its dependence on three export commodities (cocoa, coffee and wood constitute about 75 percent of total exports while exports are some 32 percent of GDP), the Government began after 1965 to diversify agriculture by introducing or expanding oil palm, coconut, pineapple, rice, rubber, cotton and sugar cultivation and by placing more emphasis on other economic sectors such as industry, mining and tourism. Although the full benefits of these diversification efforts are still some years off, the prospects are that the Ivory Coast will gradually become less dependent on its traditional exports.

4. The Government's development objectives include, in addition to broadening the production base, the extension of economic infrastructure in such fields as transport and power, the improvement of urban facilities, regional diversification, the development of secondary industrial centers, the development of education and the Ivorianization of the economy. These objectives correspond well to the needs and the possibilities of the country. Past and ongoing development has laid a solid foundation for further growth.

5. The Government's awareness of social problems is reflected in the current (1971-1975) Plan's emphasis on the income effects of development, regional balance and education. Thus, to reduce inequalities, recent salary raises have been graded down from 26 percent for the lowest to 5 percent for the higher paid workers. A number of projects, for instance, cocoa, rice, oil palm, rubber, sugar and cotton are designed to narrow the gap between urban and rural incomes and to reduce regional income disparities. In the same vein, over the past five years, the Government has increased producer prices for cocoa by 120 percent, for coffee by 60 percent and for cotton by 35 percent.

6. However, the next Plan (1976-80) will need to focus more sharply still on problems of urbanization, prospects for employment in both rural and urban areas and income distribution. To assist the Government in these directions a special Bank employment mission, which included ILO staff, visited the Ivory Coast. The mission's report "Ivory Coast: Special Report on Employment" (Report No. 279 IVC) was issued in July 1974, after detailed discussions with the Government. The mission identified the employment problem as one of growing imbalances: while projected demand for labor appears to be matched by manpower supply (including immigration) shortages in rural areas and a surplus in urban labor markets will develop in the absence of corrective action. The mission also singled out a number of issues for further study, including the costs and benefits of creating a better economic and social infrastructure in secondary centers combined with a certain degree of industrialization and suggested changes in educational and training systems.

7. To assist the Government in the orientation of its industrial policy, a Bank mission, including a UNIDO staff member, prepared the report, "Current Status and Prospects of the Industrial Sector in the Ivory Coast" (Report No. 553-IVC), which was issued in February 1975 after detailed discussions with the Government. The mission calculated that local raw material processing and import substitution industries contributed equally to the impressive sectoral growth in real terms of 15 percent per year during the 1960-1973 period. As pursuing import substitution much further may be costly to the economy, the mission supported the recent change in Government policy encouraging industrial exports and recommended modification of the Investment Code accordingly. The mission agreed with the Government that Ivorianization in terms of capital and labor of the, at present, largely foreign-owned manufacturing sector should have high priority. Future growth prospects were evaluated favorably by the mission, but with a lasting worldwide economic slowdown a downward adjustment is probably required here.

8. Our forecasts show that after the recent changes in the commodity price structure successful implementation of the Government's development program will more than in the past depend on the availability of foreign funds. Until recently, most Ivorian export products have been in strong demand. Therefore, in 1974, higher export earnings more than compensated for higher import outlays, resulting in a US$88 million balance of payments surplus after three consecutive years of deficit. However, current Bank commodity price forecasts point to a deterioration of the Ivory Coast's terms of trade. In 1974, already, timber exports have dropped markedly as a direct consequence of a slump in the European construction industry. Yet, the import bill will continue to rise rapidly because of high inflation rates in supplier countries, especially for investment goods, fertilizers and oil. The net oil import bill went up from US$15 million in 1972 to US$90 million in 1974 and is expected to be of the same magnitude in 1975, an increase from 3 percent of 1972 commodity imports to 7.5 percent in 1975. The Government has taken vigorous action to limit the impact of higher imports on the country's balance of payments. For instance retail prices of petroleum products, electricity, rice, sugar and other consumer products have been increased sharply, while the producer price for rice has been doubled to encourage local production. The country's first sugar mill started operating in April 1975. Its production will replace 50,000 tons of sugar imports and roughly meet current domestic demand. These and similar efforts in other lines of production will permit a reduction in the share of food imports from its 1973 level of about 20 percent of total commodity imports.

9. Despite all this, the trade surplus is expected to dwindle and it will no longer compensate for the deficit in non-factor services, as it did in the past. Consequently, and in contrast to the 1965-1970 period when the Ivory Coast enjoyed a resource surplus of US$35 million per year on average, a resource gap of US$80-100 million per year in the second half of the 197Q's appears inevitable. This is equivalent to about 2.5 percent of projected GDP or about 5.5 percent of projected exports and non-factor services in 1975. As in the past, with interest payments, transfers of profits and workers' remittances abroad, the factor services account will continue to be in deficit as well. Therefore, to maintain balance of payments equilibrium there will have to be a substantial compensatory inflow of capital from abroad. The Government may have to draw on the Oil Facility again as it did in 1974 for an amount of US$13.3 million. Indications of a possible discovery of offshore oil are interesting in this respect, but too premature to be taken into account at this stage. Central Bank reserves at the end of 1974 stood at about US$65 million, which is equivalent to 3.5 weeks of 1974 commodity imports.

10. Based on past experience and assuming an adequate inflow of capital, Ivory Coast's economy may be expected to adjust to changing world economic conditions. Early in 1974, the Government established a task force to advise on short term adjustments; the need for structural changes is being given particular attention in the preparation of the new Five-Year Plan. Good growth prospects in several sectors should facilitate the adoption of

corrective measures. For example, Ivory Coast has substantial potential to increase electricity generation from hydro-sources. According to the Government's program, an estimated 85 percent of Ivorian demand for electricity would be met from hydro-electric plants by the early eighties against 40 percent at present.

11. Structural changes will take time and imply the continuation of a sizeable investment effort. In recent years gross investment averaged about 21 percent of GDP, and the proportion of the public sector in total investments increased from an average of 50 percent in 1965-70 to 60 percent in 1970-73. Public investments for 1975 are estimated at about US$500 million. This amount would have to double in current prices between 1975 and 1980, in order to maintain the investment rate necessary to achieve a growth of GDP by 6 percent per year in real terms.

12. Domestic public savings in the future are likely to cover a smaller part of capital outlays than they did in the past, even assuming continued good fiscal performance. With budget revenues already exceeding 20 percent of GDP, future Government resources cannot reasonably be expected to increase much faster than the economy as a whole. The Government has been quite successful in generating budgetary savings but with rapidly increasing social expenditures, for instance for housing and education, these savings will be under heavy pressure. To some extent savings from public enterprises will provide some relief to the budgetary constraint. Revenues of the Stabilization Fund for agricultural products fluctuate with world market prices and as it is the Government's policy to pass more of commodity export earnings to farmers, this source of public savings is unlikely to expand. Therefore, it will require considerable effort from the Government to continue to finance out of local public savings after debt service--which in the past financed 40 to 50 percent of public investments--not less than 25 to 30 percent of public investments in the next five years. Thus at least 70 percent of public investments will have to be financed from other sources.

13. The chances that additional domestic private funds could be raised to finance public investments remain low for two main reasons. First, traditionally part of the profits made by foreign investors has been transferred abroad and this will continue in the future. Second, non-Ivorian labor--it is estimated that between 25 and 30 percent of the Ivory Coast population is non-Ivorian--transferred about US$100 million to their home countries as workers' remittances in 1974. Direct controls to limit private transfers are not permitted within the Franc zone of which the Ivory Coast is the most important member in Africa; such controls would probably be counter-productive as they would deter the inflow of foreign private capital, and they would represent a serious blow to the Ivory Coast's much poorer neighbors, especially Upper Volta, which receives about 40 percent of immigrant workers' remittances. But these transfers, of course, mean a substantial drain on domestic savings for the Ivory Coast. Steps by the Government to raise interest rates, establish a local stock market and place more emphasis on Ivorianization of the economy

are not likely to alter these flows substantially in the medium term. Government bonds issued with a tax free return of 7 to 10 percent have had only moderate success so far.

14. Absorptive capacity in terms of projects to be financed in the public sector is substantial. The inflow of foreign loan capital into the public sector in 1974 was about US$215 million: in 1975 it may need to be as high as US$325 million. Assuming that 40 to 50 percent of future foreign capital requirements will continue to be provided by international organizations and foreign governments and the rest by more expensive sources like suppliers credit and private banks, the debt service ratio would rise from its rather low level of 6.6 percent in 1973 to around 15 percent in the early 1980's. We consider this level to be manageable. If the capital required cannot be obtained on appropriate terms, the investment program would have to be cut back and overall growth would drop below 6 percent. The projected average contribution of net public savings to the financing of public investments (paragraph 12), will in many cases be less than the local cost component of projects. Therefore foreign donors should be willing to finance not only the foreign cost component of projects but also some local costs in those projects where the foreign exchange component is low.

15. A basic economic mission, which visited the country in June/July 1975, has evaluated the country's long-term prospects in the context of the draft 1976 to 1980 Development Plan, and is undertaking a thorough reexamination of the Bank's projections, the underlying assumptions and especially the consequences for Ivory Coast's external borrowing and debt service. However, there is little reason to believe that there will be much, if any, reduction in the higher level of capital requirements now foreseen. The terms of borrowing therefore become a more important consideration. If, for instance, all supplementary needs for future capital were to be met on terms offered in the Eurodollar market--to which the Ivory Coast has access--the debt service ratio could substantially exceed the level of 15 percent projected for the 1980's. To keep debt service within manageable limits and to enable the Government to implement its development policy, it is desirable that foreign capital be made available on as concessionary terms as possible, including long repayment and grace periods. In view of the still low debt service ratio, the good future growth potential of the economy and the expected increase in export earnings, the Ivory Coast remains creditworthy for substantial additional borrowing from the Bank.

PART II - BANK GROUP OPERATIONS IN THE IVORY COAST

16. Since 1968 the Bank's lending to the Ivory Coast has expanded rapidly and now includes twenty-one loans totalling US$245.7 million and an IDA credit of US$7.5 million. Eleven of these twenty-two operations have been for agriculture: for the development of cotton, cocoa, rubber, oil palm and coconut

production and the construction of two oil mills; there were five road projects; the remaining six loans were for education, telecommunications, the Abidjan sewerage and drainage system, tourism development and small scale enterprises. IFC's small participation in the Banque Ivoirienne de Developpement Industriel (US$204,000) was increased in 1974 by a 50 percent stock dividend. Annex II contains a summary statement of Bank Group operations and notes on the execution of ongoing projects, with particular reference to those which are encountering problems in execution and giving rise to delays in disbursements.

17. The agricultural sector, including forestry, remains the principal foreign exchange earner and domestic employer. It continues to provide close to 90 percent of exports, to employ a majority of the population, to help stabilize an increasingly mobile population, and to bring development to remote areas of the country. Our principal efforts are, therefore, in this sector. We have appraised early this year, with the Caisse Centrale de Cooperation Economique (CCCE), a rice project in the forest zone of the Ivory Coast. Discussion of certain fiscal and marketing issues with the Government held up processing of this project; a small mission is presently in the field to supplement the findings of the appraisal mission. To assist the Government's policy towards balanced regional growth and income distribution, we are considering further oil palm, coconut and rubber projects in the Southwest of the Ivory Coast and a livestock development project and a followup project to the Cotton Areas Rural Development Project in the North.

18. In order to strengthen the country's major transport axes and link the agricultural areas to the nation's urban centers and ports, we have placed considerable emphasis on transport and have become the principal lender for road construction and maintenance. We have thus far financed five road projects totalling US$94.3 million. The first project was completed in December 1974 with final costs within appraised estimates. After an initial delay caused by alignment modification and subsequent poor work organization, the second project is expected to be completed later this year. The third and fourth highway projects incurred substantial cost overruns which the Government is expected to cover, otherwise execution is proceeding satisfactorily. The Bank was also closely associated, as executing agency, with the 1969 UNDP Transport Survey of the Ivory Coast; we will again act as executing agency for updating of this survey which will serve as a basis for determining future priority among transport investments. The fifth highway project, which was signed on September 5, will substantially complete the primary road network of the country; this will allow a shift in emphasis in the future to secondary and feeder roads. A feeder road project is under preparation. While the Bank is expected to continue to play a major role in the transport sector, we hope that in the future its financing will increasingly be shared with other sources of funds. The Government has requested our assistance in financing the improvement of a section of the Abidjan-Ouagadougou rail line; other sections of the rail line are being financed by FED and EIB.

19. The education system of the Ivory Coast has not been adequate to support its rapid economic development and the shortage of skilled manpower

has required employment of high-cost foreign technical and managerial personnel. The Bank is closely associated with the Government's efforts to modernize its education system, principally at the secondary and vocational levels. The Bank's Second Education Project, which was signed in June 1975, is basically an interim operation, aimed at complementing the First Education Project and preparing a third one.

20. The Bank is cooperating with the Government to cope with rapid urbanization in the Ivory Coast. A study of housing and urban transport needs in Abidjan is being financed with Bank funds; an urban development project based thereon will be appraised in November/December. In January 1975, the Bank extended a loan for sewerage and drainage development which will cover the first phase of a ten-year Government program to improve sanitation in Abidjan. The Bank also plans to appraise later this year a water supply project for secondary centers.

21. In view of the predominance of foreign ownership and management in the private sector of the Ivorian economy, the Government is placing high priority on strengthening local entrepreneurship. In support of this policy we appraised last fall two projects, which carry forward the special effort inaugurated in Western Africa through a 1971 Bank Study of African private enterprise. A loan for the promotion of small scale enterprises was approved in August. The project is designed to support medium scale industrial development. In line with the Government's regional development policies substantial investments are foreseen in later years for industry and power in the southwestern region, and the Government is likely to request the Bank Group's assistance for these.

22. Of the total external public debt outstanding at the end of 1974, 25 percent was provided by governments, 20 percent by international organizations (of which 50 percent by the Bank Group), and 30 percent by private banks and bond issues, while 25 percent came in the form of suppliers' credits. The capital not supplied by international organizations came mainly from four countries, France (32 percent), USA (25 percent), Italy (10 percent), and Germany (7 percent). France and the European Communities remain the principal source of development assistance in grant form, accounting for about 8 percent of the flow of foreign assistance to the public sector.

23. Bank Group lending to the Ivory Coast, which has averaged about US$30 million per year in the past eight years, is expected to increase substantially over the next several years. The Bank Group's share of the Ivory Coast's external debt which, at the end of 1974, stood at approximately 10 percent (including undisbursed), is likely to increase in the next five-year period to about 20 percent. The Bank Group's share of total debt service is at present 2.7 percent and is expected to go up to about 7 percent by 1980.

PART III - INDUSTRY AND BANKING IN THE IVORY COAST

Industry

24. An analysis of industry in the Ivorian economy is provided in the report "Current Status and Prospects of the Industrial Sector in the Ivory Coast" (Report No. 553-IVC) of February 4, 1975. It indicates that manufacturing in the Ivory Coast grew by about 15 percent per annum during 1960-73. As a result, the share of manufacturing in GDP rose from 4 percent in 1960 to 13 percent in 1972. Gross investments in the industrial sector totalled US$329 million at the end of 1972, compared to US$178 million in 1968; new investments in 1971 and 1972 amounted to US$83 million (projected total for 1971-1975 Plan period - US$209 million). Manufacturing employed about 38,000 persons or only about 1.5 percent of the total labor force in 1972. However, employment in the manufacturing sector represents 13 percent of all salaried employment in the modern sector of the economy. The growth rate in industrial employment was 10.6 percent per year during the period 1966-72.

25. Growth in the industrial sector is largely due to the substantial growth of the domestic market. Income generated by a diversified agricultural sector has supported a rapid growth of traditional industries (food products, beverages, tobacco, textiles, and footwear). In the modern manufacturing sector, growth has been largely determined by import substitution industries. The stable political climate, active policies of industrial promotion, an Investment Code affording various incentives, the convertibility of the CFA franc, and the existence of a relatively well-developed infrastructure have contributed, together with an ample supply of foreign capital and management attracted by these conditions, to the rapid growth of the industrial sector.

26. The industrial sector is, for the most part, in the hands of foreigners. At the end of 1971, it was estimated that 90 percent of assets in the modern manufacturing sector belonged to non-Ivorians and only 15 percent of the managerial and professional technical staff were Ivorians. Ivorianization of capital and management has become a major concern in recent years, and the Government has taken various steps in that direction, including the creation, in 1968, of the Office pour la Promotion de l'Entreprise Ivoirienne (OPEI), of a Guarantee Fund and of a Participation Fund, participation in banks and commercial enterprises by the Societe Nationale de Financement (SONAFI), prescription of Ivorianization schedules for enterprises granted investment incentives, and reservation of certain sectors (e.g. bakeries) for Ivorians. Further steps are needed to bring into being a skilled Ivorian labor force at all levels and to foster the emergence of Ivorian entrepreneurs.

27. Generally the industrial policy of the Ivory Coast can be judged as comprehensive, providing incentives to industrial development on sound principles. However, public policy towards investment allocation in industry has not always been clear, and the criteria for public capital participations

have to be more carefully evaluated. The Government is presently reviewing the incentive system, taking into account the basic suggestions made by the Bank's economic mission. A reform is envisaged making the granting of investment incentives more discretionary and responsive to each individual case, including provision for the gradual reduction over time of privileges granted as investment incentives. The Government is also considering abolishing its policy of exemptions or reductions of import duties for capital equipment and intermediate materials and introducing export incentives for all industrial exports.

28. The 1976-1980 Development Plan projects a growth rate for value-added in industry of nearly 13 percent per year. Industry's share in GDP is projected to increase from 13 percent in 1972 to 15 percent in 1975 and to about 19 percent in 1980. Processing of agricultural and forestry raw materials for export is expected to make a larger contribution to industrial growth than before. As a result, it is projected that by 1980 the share of industrial exports in total exports (24 percent in 1972) will increase substantially.

Banking

29. Besides the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO), financial institutions in the Ivory Coast include four commercial banks, three development banks, and two leasing institutions. In addition, the Caisse Autonome d'Amortissement (CAA) manages public debt, holds public deposits and mobilizes local savings through tax-free bonds. Another public institution, SONAFI, participates in projects of national interest. Finally, the Government-established Guarantee Fund provides guarantees for credits to small Ivorian enterprises.

30. The commercial banks provide short- and medium-term financing to all sectors of the economy. The development banks lend at short-, medium- and long-term: The Banque Nationale pour le Developpement Agricole (BNDA) specializes in agricultural lending, whereas the Credit de la Cote d'Ivoire (CCI) has mainly financed housing, vehicles and consumer goods. The Banque Ivoirienne pour le Developpement Industriel (BIDI) has mostly focussed on lending to medium- and large-scale enterprises, including some long-term loans to the tourism sector.

31. Interest rates and credit distribution are controlled by BCEAO through the discount system. BCEAO is currently implementing a fundamental reform aiming at: (a) raising interest rates in order to mobilize local savings and to reduce inexpensive local borrowing by foreign investors, (b) linking credit allocation to sectoral needs, and (c) encouraging access to credit by national enterprises. Interest rates charged by banks are determined by adding to the discount rates spreads which vary according to the nature and term of the credit extended. Until last June, BCEAO had a single discount rate, which had been raised from 3.5 percent to 5.5 percent in early 1973. As of July 1, two discount rates exist. The priority discount rate of 5.5 percent applies to agricultural short-term financing, loans to Ivorian small scale enterprises, and loans to individuals for housing; the "normal" discount

rate of 8 percent applies to all other loans. Taking into account this new structure, it is estimated that interest rates will vary between 6.5 percent and 13 percent. A 19.05 percent Taxe de Prestation de Services (TPS) is charged on interest. Banks collect this tax for the Government. CCI and BNDA loans are exempted from that tax; BIDI's loans were exempted until February 1975. BIDI's lending rate on most of its long-term loans is now 11 percent per annum; adding the 19.05 percent TPS on the interest results in an effective cost of these loans of more than 13 percent. CCI's rates, by comparison, range from 6.75 to 12 percent.

PART IV - THE PROJECT

32. The Banque Ivoirienne de Developpement Industriel (BIDI) was established in 1965 under the joint sponsorship of the Ivorian Government, Chase Manhattan Bank and Lazard Brothers, with the objective of encouraging the development of private industrial enterprises in the Ivory Coast, of promoting the participation of foreign and domestic capital in the industrial development of the country, and of developing a capital market. IFC subscribed 7.1 percent of the share capital. BIDI's volume and importance expanded rapidly. This expansion, coupled with increasing difficulty in raising long-term resources, motivated BIDI to request Bank financing. Therefore, a Bank mission visited the Ivory Coast at the end of 1974 to appraise the proposed project. Negotiations were held in Washington from August 28 to September 2, 1975. The Ivorian delegation was led by Mr. L. Naka, Director General of the Caisse Autonome d'Amortissement and included Mr. A. Diby, Managing Director of BIDI. A loan and project summary is included in Annex III. Appraisal Report No. 669a-IVC of October 21, 1975 is being distributed separately.

Capital Structure and Resources

33. There has been no change in BIDI's initial ownership. Its share capital of CFAF 1,050 million (US$5.25 million) is equally divided between public and private shareholders. The Ivorian Government holds 21.1 percent, BCEAO 5.7 percent, IFC 7.1 percent, and French public institutions hold 16.1 percent. Of the foreign private investors Chase Manhattan Bank holds 8.9 percent, Lazard Brothers 12 percent, and other financial institutions 16.6 percent of the share capital. Ivorian commercial banks (5.4 percent) and other Ivorian shareholders (7.1 percent) account for the rest. A Government loan of CFAF 1.25 billion is subordinated to BIDI's share capital; it carries no interest and will mature between 1980 and 1995.

34. BIDI has been successful in attracting external resources at concessionary terms, in addition to its local resources from BCEAO and CAA. Foreign resources have come from the Kreditanstalt fuer Wiederaufbau (KfW) (four loans totalling DM 30 million), USAID (two loans totalling US$7.5 million), the Canadian International Development Agency (CIDA) (Canadian $6 million),

the Caisse Centrale de Cooperation Economique (CCCE) (FF 1.2 million), and recently the Deutsche Entwicklungsgesellschaft (DEG) (two loans totalling DM 10 million). Many of these loans have restrictions on their use; in particular, the loans from CIDA and USAID are tied to Canadian and U.S. procurement. BIDI also borrowed CFAF 1.25 billion from the Chase Manhattan Bank; the interest rate on this loan is 1.5 percent above Paris InterBank Rate, and averaged 14 percent per annum in 1974.

Objectives and Role

35. The overall objective of BIDI is to encourage the development of private industrial enterprises and to promote the participation of foreign and domestic capital in the industrial development of the Ivory Coast. To this end, BIDI, which has been nearly the only domestic source of long-term financing for industry in the Ivory Coast, has progressively expanded its operations through the granting of long-term loans, investment in equity, and association with commercial banks through extending medium-term rediscountable loans. Its disbursements now represent about 10 percent of industrial investment in the Ivory Coast. Most of BIDI's financing has gone to medium sized enterprises. Given CCI's recognized role as lender to small scale enterprise, BIDI will continue to deal primarily with medium-scale and large-scale industrial enterprises, although its influence on large-scale projects is relatively limited since its normal maximum commitment to any single enterprise is about CFAF 400 million (US$2.0 million).

36. More than half of BIDI's operations have been related to the creation of new enterprises. The share of its operations directed to majority Ivorian-owned enterprises has steadily risen in recent years and now represents 36 percent of the total, compared with only about 10 percent at the end of BIDI's FY70, which demonstrates BIDI's role in assisting Ivorian enterprises, since it is estimated that more than 70 percent of industrial firms are in foreign hands. BIDI's strategy for the future is to assume a more developmental role: (a) It will emphasize its promotional efforts to stimulate new projects, as demonstrated by the creation in 1972 of Société d'Etudes de Développement Industriel (SEDI), and the recent establishment of a Department of Research and Studies. (b) It will further increase its share of operations directed towards Ivorian enterprises, which is projected to grow by 20 percent annually, compared with BIDI's estimated overall growth of 10 percent.

Management and Organization

37. BIDI's Board of Directors normally meets only twice a year to discuss the annual report, financial statements and proposals for distribution of profit and to convene the Annual General Meeting. It has delegated all other powers to BIDI's Executive Committee, which meets regularly and decides on lending and investment proposals on the basis of sound financial principles.

38. With the help of foreign partners, BIDI has become a strong institution. BIDI's appraisal work has progressively improved, but needs further upgrading in particular in respect of economic analysis of projects. BIDI's

management recognizes this need for improvement, and it agreed to strengthen the economic capabilities of its staff (Section 3.07 of the Loan Agreement). A Bank sponsored seminar on project evaluation is scheduled to be held in Abidjan in 1976 for this purpose. Internal procedures regarding accounting, disbursement, and follow-up are satisfactory, but financial planning is still weak and needs much improvement. BIDI undertook to implement appropriate measures to strengthen its financial planning (Section 3.07 of the Loan Agreement).

Operating Policies

39. BIDI's operations are directed by its Statement of Objectives and Management Policy which conforms in most respects to the policies adopted by other development finance companies. It prescribes as the principal function of BIDI the assistance to private industrial enterprises in the Ivory Coast through loans and equity investments for productive purposes; special attention is to be paid to projects proposed by Ivorian promoters. The Statement includes rules that BIDI's maximum single commitment is normally limited to 15 percent of its equity and the Government subordinated loan; that BIDI's equity participation shall normally not exceed 30 percent of the share capital of the enterprise in which it invests; and that the total equity portfolio is limited to BIDI's equity.

Operations and Financial Results

40. Since its creation in 1965, BIDI has made loans totalling CFAF 20.1 billion (US$100.5 million) and equity participations totalling CFAF 0.8 billion (US$4 million). During these 11 years, BIDI has assisted 224 enterprises. Its total portfolio at the end of FY74 was CFAF 9 billion (US$45 million), of which CFAF 6.6 billion (US$33 million) was in long-term loans. Arrears are only about 2.2 percent of the loan portfolio, and are mostly covered by Government guarantees. The geographical and sector distribution of BIDI operations reflects the predominance of Abidjan in the Ivorian economy; however, since the Government is putting emphasis on development in several regional growth centers other than the capital, it can be expected that the proportion of BIDI's operations outside the Abidjan area will increase in the coming years.

41. BIDI's net profits increased from CFAF 134 million (US$0.67 million) in FY71 to CFAF 258 million (US$1.29 million) in FY73, i.e. a return of about 22 percent on average equity. Profits in FY74 decreased to CFAF 164 million (US$0.82 million) as a result of slower disbursements, increased cost of resources, and a decrease in dividends received. Most of the net profits have been allocated to a tax-free general provision for risks, and as a result, taxation averaged 10 percent of net profits in the recent years. The distributable profit has been calculated so as to yield dividends of 5 percent in FY69, which increased to 7 percent in FY73. Despite the decrease in profits in FY74, the 7 percent dividend could be maintained on a share capital increased in 1974 by 50 percent following distribution of a stock dividend. Administrative expenses have averaged 1.8 percent of total assets in the past three years.

42. BIDI's situation at the end of FY74 was sound with equity totalling about CFAF 1.4 billion (US$7 million), a Government subordinated loan of CFAF 1.25 billion (US$6.25 million), and borrowings amounting to CFAF 7 billion (US$35 million). The ratio of BIDI's medium and long-term debt to equity plus the Government loan amounted to 3.2:1 at the end of FY74. Considering repayments on the Government loan before 1993 (expected last maturity of the proposed Bank loan) as debt, and payments after 1993 as assimilated to equity, the ratio was 4.4:1; BIDI agreed not to incur any debt which would result in a ratio, calculated on this basis, of more than 6:1 (Section 4.06 of the Loan Agreement).

Projected Operations and Resources required

43. BIDI's operations have been projected to increase by about 10 percent annually from its FY75 on. New commitments through the end of 1977, are projected to amount to about CFAF 13.1 billion (US$65.5 million). Since CFAF 2.6 billion (US$13 million) thereof is expected to be for medium-term loans to be discounted with BCEAO, commitments for non-discountable operations are projected to amount to CFAF 10.5 billion (US$52.2 million) over this period. These will be partly financed by BIDI's internally generated funds and its use of revolving funds amounting to CFAF 4.8 billion (US$24 million) including CFAF 2 billion of its own resources. With respect to the CFAF 5.7 billion (US$28.5 million) of new resources needed, the CCCE has indicated its willingness to provide about CFAF 0.7 billion per annum (i.e., about CFAF 1.7 billion or US$8.5 million over the said period). The DEG has already made two loans of DM 5 million (US$2 million) each to BIDI and has also expressed its willingness to continue lending to this institution. The African Development Bank is presently considering a loan of about 2 million units of account (about US$2.4 million). The proposed Bank loan of US$8 million equivalent would help to close the remaining resource gap. Additional bilateral financing is expected from German, Canadian and other sources.

Terms

44. The proposed Bank loan would be made directly to BIDI on terms similar to those for other development finance companies. BIDI would relend the proceeds of the loan for terms up to 15 years to its sub-borrowers. Prior Bank approval would be necessary for each sub-project estimated to cost more than US$200,000, and the aggregate free limit would be US$2.0 million (Section 2.02(b) of the Loan Agreement). The terminal date for submission of sub-projects to the Bank under the proposed loan would be December 31, 1977. Amortization of the proposed Bank loan would conform substantially to the aggregate of the amortization schedules applicable to the specific investment projects expected to be financed out of the proceeds of the loan.

45. BIDI's lending rate on most of its long-term loans is now 11 percent per annum (see para. 31). BIDI has agreed to raise its lending-rate for all long-term loans to this level after the date of the agreement.(Section 3.03(c) and 4.08 of the Loan Agreement). In addition, BIDI collects from its borrowers for the Government the TPS of 19.05 percent on the interest; this results in an effective cost of its long-term funds of more than 13 percent per annum.

46. In the past the Government has assumed the exchange risk on all of BIDI's foreign currency borrowings. Similarly, the Government accepted the exchange risk on Bank funds under the Tourism Development Loan, which was channelled through CCI, against a fee of 1 percent. In the meantime, the Government has adopted the general policy that the ultimate beneficiaries of externally borrowed funds should normally carry the exchange risk. This policy was already applied to the Bank's Small-Scale Enterprises Project. In accordance with this policy, the sub-borrowers would bear the exchange risk for the proposed loan (Section 3.03(b) of the Loan Agreement).

Disbursement and Procurement

47. The proceeds of the proposed loan would be disbursed against the c.i.f. cost of imported goods, the foreign cost of services, and 35 percent of cost of civil works (representing their estimated foreign component) of sub-projects supported by BIDI. Sub-borrowers would procure goods and services through normal commercial channels.

Benefits

48. Since its inception in 1965, BIDI has played an important role in the sponsorship of local enterprises serving, principally, an import-substitution function. BIDI has been able to attract foreign private capital in its own right. Consistent with the changing thrust of industrial policy in the Ivory Coast, BIDI's future operations will take more account of the need to consolidate past success by emphasizing the increasing importance of Ivorian ownership and management of enterprises. BIDI will also increase its efforts to sponsor export-oriented development. In these aims Bank participation would play an important part, in addition to helping to fill the gap in BIDI's financing requirements. The Bank's involvement would strengthen BIDI's operational effectiveness in the areas of financial planning and control and in the evaluation of projects. In short the Bank would be assisting a sound and established financial intermediary, handling 10 percent of industrial investment in the Ivory Coast, to adapt to the changing environment.

49. In more quantitative terms, the proposed loan would enable BIDI to participate in investments totalling CFAF 15 billion (US$75.0 million) through 1977, creating over 5,000 new jobs. It is expected that BIDI will earn an average return on its equity of 20 percent from FY77.

PART V - LEGAL INSTRUMENTS AND AUTHORITIES

50. The draft Loan Agreement between the Bank and BIDI, the draft Guarantee Agreement between the Republic of the Ivory Coast and the Bank, the report to the Committee provided for in Article III, Section 4 (iii) of the Articles of Agreement and the text of a draft Resolution approving the proposed loan are being distributed to the Executive Directors separately.

51. The draft Agreements conform generally to the normal pattern for loans to development finance companies. Features of the Loan Agreements of special interest are referred to in paragraphs 38, 42 and 46 and 47 of this report.

52. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank.

PART VI - RECOMMENDATION

53. I recommend that the Executive Directors approve the proposed loan.

Robert S. McNamara
President
By J. Burke Knapp

Attachments
Washington, D. C.
November 6, 1975

COUNTRY DATA - IVORY COAST

AREA	POPULATION	DENSITY
323,750 km²	5.40 million (mid-1972)	20 /e Per km² of arable land

SOCIAL INDICATORS

	Ivory Coast		Reference Countries		
			Tunisia	Malaysia	China, Rep. of*
	1960	1970	1970	1970	1970
GNP PER CAPITA US$ (ATLAS BASIS) /1	150	340 /a	300 /a	430 /a	490 /a
DEMOGRAPHIC					
Crude birth rate (per thousand)	50	40 /b	38	34 /c	2[illegible]
Crude death rate (per thousand)	28	23 /b	14	7 /c,d	[illegible]
Infant mortality rate (per thousand live births)	..	140 /e	125 /f	41 /c	18 /f
Life expectancy at birth (years)	35	42 /b	52	59	68
Gross reproduction rate /2	..	3.1 /b	3.4	2.7	2.2 /b
Population growth rate /3	..	3.4 /g	2.1 /g	2.9 /g	3.0 /g
Population growth rate - urban	..	9 /h,i	3 /j,k	..	4 /l,m
Age structure (percent)					
0-14	43 /n	42 /e	46 /ao	43 /c	40
15-64	54 /n,o	55 /e	51 /ao	53 /c	57
65 and over	3 /n,p	3 /e	3 /ao	4 /c	3
Dependency ratio /4	..	1.0 /q	1.7 /a,q	1.3 /c,q	1.? /q
Urban population as percent of total	22 /i,r	28 /i	44 /k,s	29 /c,t	62 /f,m
Family planning: No. of acceptors cumulative (thous.)	..	..	108	220 /c	579
No. of users (% of married women)	..	..	12	15 /c	44
EMPLOYMENT					
Total labor force (thousands)	..	2,300	1,500 /a	3,200 /c	4,600
Percentage employed in agriculture	..	78	57 /a,u	45 /c	..
Percentage unemployed	..	9	14 /e	8 /c	4
INCOME DISTRIBUTION					
Percent of national income received by highest 5%	29 /v	30 /w	..	22 /f,y,z	..
Percent of national income received by highest 20%	55 /v	57 /w	..	52 /f,y,z	..
Percent of national income received by lowest 20%	7 /v	4 /w	..	4 /f,y,z	..
Percent of national income received by lowest 40%	18 /v	10 /w	..	12 /f,y,z	..
DISTRIBUTION OF LAND OWNERSHIP					
% owned by top 10% of owners	..	..	53 /aa	..	..
% owned by smallest 10% of owners	..	..	0.5 /aa	..	..
HEALTH AND NUTRITION					
Population per physician	22,000 /ab	12,140	5,950	3,860 /c,ac	3,170 /f
Population per nursing person	2,250 /ab	2,480 /ad	730 /ad	1,080 /c,ad	10,230 /f
Population per hospital bed	1,050 /ab	680 /ad	410 /ad	330	2,980 /f,ad
Per capita calorie supply as % of requirements /5	..	101 /af	94 /af	94 /c,af	111 /f
Per capita protein supply, total (grams per day) /6	..	59 /af	63 /af	49 /c,af	68 /f
Of which, animal and pulse	..	18 /af	14 /af	20 /c,af	31 /f
Death rate 1-4 years /7	..	..	1.5 /d,s	6 /ae	3 /f
EDUCATION					
Adjusted /8 primary school enrollment ratio	46	77	107 /ae,ag	89 /c	98
Adjusted /8 secondary school enrollment ratio	2	11	20 /ae	34 /c	50
Years of schooling provided, first and second level	13	13	13	13 /c	12
Vocational enrollment as % of sec. school enrollment	13	7	34 /ae	3 /c	16
Adult literacy rate %	9 /r,ah	20 /f,ah	55 /a,ai,aj	89 /s,ah,ai	73 /[illegible]
HOUSING					
Average No. of persons per room (urban)	2.5 /ak	..	2.0 /e,s	..	1.6 /al
Percent of occupied units without piped water	..	..	35 /j,x,ap	..	51 /s
Access to electricity (as % of total population)	1 /ak,am	..	24 /s,an	..	..
Percent of rural population connected to electricity	..	..	..	..	..
CONSUMPTION					
Radio receivers per 1000 population	17	17 /e	??	57	103 /f
Passenger cars per 1000 population	3	11 /e	13	25 /c,ao	3 /f
Electric power consumption (kwh p.c.)	21	120	155	366 /c	323 /f
Newsprint consumption p.c. kg per year	0.03	0.?	0.?	3.8 /c,ao	1.7 /f

Notes: Figures refer either to the latest periods or to the latest years. Latest periods refer in principle to the years 1956-60 or 1966-70; the latest years in principle to 1960 and 1970.

/1 The Per Capita GNP estimate is at market prices for years other than 1960, calculated by the same conversion technique as the 1972 World Bank Atlas.

/2 Average number of daughters per woman of reproductive age.

/3 Population growth rates are for the decades ending in 1960 and 1970.

/4 Ratio of under 15 and 65 and over age brackets to those in labor force bracket of ages 15 through 64.

/5 FAO reference standards represent physiological requirements for normal activity and health, taking account of environmental temperature, body weights, and distribution by age and sex of national populations.

/6 Protein standards (requirements) for all countries as established by USDA Economic Research Service provide for a minimum allowance of 60 grams of total protein per day, and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are somewhat lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey.

/7 Some studies have suggested that crude death rates of children ages 1 through 4 may be used as a first approximation index of malnutrition.

/8 Percentage enrolled of corresponding population of school age as defined for each country.

/a 1972; /b 1965-70 UN estimate; /c West Malaysia; /d Registered only; /e Estimate; /f 1969; /g 1960-72; /h 1965-70; /i Over 4,000 population; /j 1956-66; /k Over 10,000 population; /l 1960-69; /m Cities & towns; /n African population only; /o 15-59 years; /p 60 years & over; /q Ratio of population under 15 & 65 & over to total labor force; /r 1965; /s 1966; /t Gazetted areas of 10,000 or more inhabitants; /u Males only; /v 1959 population; /w Income recipient; /x Data refer to housing units; /y Households; /z Towns; /aa Covering 4.5 million hectares of private land, excluding 0.8 million hectares in public ownership and 2.1 million hectares of collective land; /ab 1963; /ac Number on the register, not all working in the country; /ad Government only; /ae 1968; /af 1964-66; /ag Includes overage students; /ah Definition unknown; /ai 15 years and over; /aj Read and write; /ak 1956-57; /al Urban and rural; /am Percentage of dwellings with electrical lighting; /an Percentage of housing; /ao 1971; /ap Inside or outside.

* The Republic of China (Taiwan) has been selected as objective country because of its high rate of growth coupled with an improvement of the income distribution, its success in the diversification of production and exports, the dominant role of exports in its economic development, the high level of domestic savings and the low rate of urban unemployment despite a rural exodus.

ECONOMIC DEVELOPMENT DATA
(Amounts in millions of U.S. dollars)

NATIONAL ACCOUNTS	Actual 1965 1/	Actual 1970	Actual 1972	Projected 1973	Projected 1975	Projected 1980	1965-1970	1970-1972	1970-1975	1975-1980	1965	1975	1980
	3-Year Average at 1967-1969 Prices & Exchange Rates						Average Annual Growth Rates				As Percent of GDP		
Gross Domestic Product	1,048	1,493	1,695	1,800	2,029	2,715	7.3	6.5	6.3	6.0	108.3	100.6	103.8
Gains from Terms of Trade (+)	- 80	- 19	- 57	- 39	- 12	- 98	.	.	.	.	- 8.3	-0.6	- 3.8
Gross Domestic Income	968	1,474	1,638	1,761	2,017	2,617	8.8	5.5	6.5	5.3	100.0	100.0	100.0
Import (incl. NFS)	331	572	656	717	846	1,134	11.6	7.1	8.1	6.0	-34.1	-42.0	-43.3
Exports " (import capacity)	350	597	644	701	814	1,088	11.3	3.9	6.4	6.0	36.2	40.4	41.6
Resource Gap	19	25	- 12	- 16	-32	- 46	.	.	.	.	2.1	-1.6	- 1.7
Consumption Expenditures	753	1,138	1,309	1,429	1,664	2,147	8.6	7.2	7.9	5.2	77.7	82.5	82.0
Investment " (incl. stocks)	196	311	341	349	385	515	9.7	4.7	4.3	6.0	20.2	19.1	19.7
Domestic Savings	216	336	329	332	353	470	9.3	-1.0	1.0	5.9	22.3	17.5	18.0
National Savings	169	266	244	248	269	350	9.5	-4.2	0.2	5.4	17.4	13.3	13.4
MERCHANDISE TRADE	Annual Data at Current Prices										As Percent of Total		
Imports													
Fuels and related materials	13	18	29	40	132	230	6.7	27.0	49.0	11.8	5.1	11.4	10.7
Other goods	242	414	470	741	1,021	1,911	11.3	6.6	19.8	13.4	94.9	88.6	89.3
Total Merch. Imports (cif)	255	432	499	781	1,153	2,141	11.1	7.5	21.5	13.2	100.0	100.0	100.0
Exports													
Main agricultural products (excl. fuels)2/	210	333	359	581	745	1,108	9.7	3.8	17.5	8.3	73.7	57.3	46.0
Other agricultural products (excl. fuels)	18	28	48	82	140	225	9.2	31.0	38.0	10.0	6.3	10.8	9.4
Fuels and related materials	-	3	14	19	51	64	-	115.0	78.0	4.6	-	3.9	2.7
Manufactured goods	25	63	77	121	241	628	20.0	10.5	31.0	21.1	8.8	18.5	26.1
Other goods	32	69	88	88	124	381	16.6	12.9	12.4	25.2	11.2	9.5	15.8
Total Merch. Exports (fob)	285	496	586	891	1,301	2,406	11.7	8.7	21.3	13.1	100.0	100.0	100.0
Merchandise Trade Indices	Average 1967-69 = 100												
Export Price Index	78.3	103.7	102.8	155.7	197.6	271.8	5.8	-1.0	13.8	6.6	.	.	.
Import Price Index	100.2	108.7	129.6	155.6	205.6	292.6	1.6	3.6	13.6	7.3	.	.	.
Terms of Trade Index	78.1	95.4	79.3	100.0	96.1	92.9	4.1	-8.8	0.2	-0.7	.	.	.
Exports Volume Index	86.3	113.4	135.2	170.9	196.6	267.0	5.6	9.2	11.6	6.3	.	.	.
VALUE ADDED BY SECTOR	Annual Data at 1967-69 Prices and Exchange Rates						Average Annual Growth Rates				As Percent of Total		
Agriculture	375	410	457	467	519	651	1.8	5.6	4.8	4.6	35.8	25.6	24.0
Industry and Mining	179	323	421	466	542	868	12.5	14.1	10.9	9.8	17.1	26.7	32.0
Service	494	773	816	862	966	1,193	9.4	2.8	4.6	4.3	47.1	47.7	44.0
Total GDP	1,048	1,506	1,694	1,795	2,027	2,712	7.5	6.0	6.1	6.0	100.0	100.0	100.0
PUBLIC FINANCE (Central Government)											As Percent of GDP		
Current Receipts	213	301	363	386	436	624	7.2	9.8	8.2	7.0	20.3	21.5	23.0
Current Expenditures	155	233	269	300	355	488	8.5	7.5	8.5	7.0	14.8	17.5	18.0
Budgetary Savings	58	68	94	86	81	136	3.2	17.6	6.9	7.0	5.5	4.0	5.0
Other Public Sector	24	56	45	48	50	108	18.5	-10.5	- 2.2	16.6	2.3	2.4	4.0
Public Sector Investment	90	171	204	229	263	361	13.7	9.2	9.0	6.6	8.5	13.0	13.3

CURRENT EXPENDITURE DETAILS (As % Total Current Expend.)	Actual 1965	Actual 1972	Prelim. 1973	Est. 1974	Proj. 1980
Education	17.5	25.7	27.2	28.0	25.0
Other Social Services	10.2	10.5	10.3	10.5	10.5
Public works, Urbanization, etc.	12.8	7.0	12.0	12.0	12.0
Other Economic Services	8.5	12.4	11.8	12.0	12.0
Administration and Defense	36.7	24.6	22.9	24.0	25.0
Other	14.3	19.8	15.8	13.5	15.5
Total Current Expenditures	100.0	100.0	100.0	100.0	100.0

SELECTED INDICATORS (Calculated from 3-year averaged data)	1960-1965	1966-1971	1970-1975	1975-1980
Average ICOR	..	2.45	3.17	3.16
Import Elasticity	..	1.33	1.33	1.00
Marginal Domestic Savings Rate	..	0.23	0.03	0.20
Marginal National Savings Rate	..	0.21	0.01	0.14

DETAIL ON PUBLIC SECTOR INVESTMENT PROGRAM		US $ million At end 1968 P and ER Plan 1971-75		% of total
Agricultural development		349		31
Economic infrastructure		561		50
- Power	134		12	
- Industry and Mining	69		6	
- Transport and Telecom.	221		20	
- Urban Development	137		12	
Education and Culture		101		9
Health and Social Develop.		53		5
Administration infrastructure		46		4
Studies and Research		13		1
		1,123		100
FINANCING				
Public Sector Savings		557		49.6
Program aid counterpart		..		..
Foreign Project Aid		566		50.4
Total Financing		1,123		100.0

LABOR FORCE AND OUTPUT PER WORKER	Total Labor Force In Thousands 1965	In Thousands 1972	% of Total 1965	% of Total 1972	1965-72 Growth Rate	Value Added Per Worker (1967-69 Prices & Exc. Rates) In U.S. Dollars 1965	In U.S. Dollars 1972	Percent of Average 1965	Percent of Average 1972	1965-72 Growth Rate
Agriculture	1,623	1,797	85.7	82.4	1.5	231	254	41.7	32.7	1.4
Industry	143	213	7.6	9.8	5.9	1,252	1,977	226.0	254.4	6.8
Service	127	171	6.7	7.8	4.4	3,890	4,772	702.2	614.2	3.0
Total	1,893	2,181	100.0	100.0	2.1	554	777	100.0	100.0	5.0

. not applicable
.. not available
- nil or negligible
-- less than half the smallest unit shown

1/ actual values instead of 3-year averages
2/ cocoa, coffee, wood.

BALANCE OF PAYMENTS, EXTERNAL ASSISTANCE AND DEBT
(amounts in millions of U.S. dollars at current prices)

	Actual					Estimated	Projected						Avg. Annual Growth Rate
	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1975-1980
SUMMARY BALANCE OF PAYMENTS													
Exports (incl. NFS)	612.1	640.0	676.1	781.3	1,127.8	1,491.9	1,591.3	1,925.8	2,176.8	2,437.1	2,740.2	3,215.9	15.1
Imports (incl. NFS)	536.3	625.2	691.5	785.5	1,110.9	1,388.3	1,629.2	1,988.0	2,264.6	2,573.3	2,916.7	3,306.1	15.2
Resource Balance (X-M)	75.8	14.8	-15.4	-4.2	16.9	103.6	-37.9	-62.2	-87.8	-136.2	-176.5	-90.9	-
Interest (net)	-8.4	-6.8	-11.2	-16.9	-22.1	-32.8	-43.0	-62.4	-82.5	-108.2	-140.7	-179.0	33.0
Direct Investment Income	-30.5	-30.3	-42.4	-41.0	-52.7	-60.2	-55.0	-60.0	-65.0	-70.0	-75.0	-80.0	7.8
Workers' Remittance	-36.3	-42.5	-52.5	-68.3	-86.9	-94.0	-90.0	-100.0	-108.0	-115.0	-120.0	-125.0	6.8
Current Transfers (net)	4.7	13.6	15.8	13.3	18.7	19.0	20.0	23.0	25.0	28.0	31.0	34.0	11.2
Balance on Current Accounts	5.3	-51.2	-105.7	-117.1	-126.1	-64.4	-205.9	-261.6	-318.3	-401.4	-481.2	-440.9	16.5
Private Direct Investment	-	26.0	12.0	9.1	15.0	20.0	25.0	28.0	32.0	37.0	45.0	55.0	17.1
Official Capital Grants	16.0	17.1	18.0	19.3	19.8	24.0	26.0	28.0	30.0	32.0	34.0	36.0	6.7
Public M&LT Loans													
Disbursements	48.8	76.5	107.4	82.4	226.0	218.2	326.4	357.4	435.9	545.9	651.3	647.0	14.7
-Repayments	-21.3	-27.0	-29.6	-38.3	-43.4	-77.4	-79.4	-109.1	-133.4	-162.0	-191.8	-232.1	24.0
Net Disbursements	27.5	49.5	77.8	44.1	182.6	140.8	247.0	248.3	302.5	383.9	459.5	414.9	10.9
Other M&LT Loans													
Disbursements	...	...	...	...	...	...	...	...	...	...	...	...	...
-Repayments	...	...	....	...	...	...	...	...	...	...	...	...	...
Net Disbursements	...	...	...	...	...	...	...	...	...	...	...	...	...
Capital Transactions n.e.i.	-11.7	-7.6	-13.9	-29.1	-100.8	-32.4							
Change in Net Reserves (-is surplus)	-37.1	-33.8	11.8	73.7	9.5	-88.0							
Gross Reserves	71.4	104.9	89.4	87.2	88.4	65.7							
GRANT AND LOAN COMMITMENTS													
Official Grants & Grant-like	..	..	..	..	..	..							
Public M&LT Loans													
IBRD	17.1	18.5	27.5	17.5	8.4	27.6							
IDA	-	-	-	-	7.5	-							
Other	-	-	-	-	-	-							
Other Multilateral	13.3	2.8	5.9	16.9	32.9	32.3							
Governments	14.8	21.8	16.6	56.0	24.2	51.0							
Suppliers	8.6	12.8	26.9	45.1	72.9	90.4							
Financial Institutions	12.4	7.7	43.1	62.3	119.0	131.6							
Bonds	-	5.4	-	-	8.6	-							
Public Loans n.e.i.	-	-	-	-	-	-							
Total Public M&LT Loans	66.2	69.0	120.0	197.8	273.5	332.9							

EXTERNAL DEBT	Actual Debt Outstanding on Dec. 31, 1974: Disbursed Only	Percent
World Bank	49.0	6.7
IDA	0.2	-
Other Multilateral	51.8	7.0
Governments	210.9	28.6
Suppliers	216.7	29.4
Financial Institutions	183.7	24.9
Bonds	24.6	3.4
Public Debts n.e.i	-	-
Total Public M&LT Debt	736.9	100.0
Other M&LT Debts	..	..
Short-term Debt (disb. only)	..	..

DEBT AND DEBT SERVICE	ACTUAL 1970	1971	1972	1973	1974
Public Debt Out. & Disbursed	256.1	355.5	399.9	582.5	736.9
Interest on Public Debt	11.5	15.6	19.3	27.4	38.6
Repayments on Public Debt	27.0	29.6	38.3	43.4	77.4
Total Public Debt Service	38.5	45.2	57.6	70.8	116.0
Other Debt Service (net)	..	..	..	..	..
Total Debt Service (net)	..	..	..	..	..
Burden on Export Earnings (%)					
Public Debt Service	6.0	6.7	7.3	6.6	7.8
Total Debt Service	..	..	..	..	..
TDS+Direct Invest. Inc.	..	..	..	...	..
Average Terms of Public Debt					
Int. as % Prior Year DO&D	5.6	6.3	5.4	6.9	6.6
Amort. as % Prior Year DO&D	13.0	11.5	10.8	10.9	13.3
IBRD Debt Out. & Disbursed					
" as % Public Debt O&D	1.7	3.0	4.5	5.1	6.6
" as % Public Debt Service	0.8	1.5	2.6	3.4	2.7
IDA Debt Out. & Disbursed					
" as % Public Debt O&D	-	-	-	-	-
" as % Public Debt Service	-	-	-	-	-

. not applicable
.. not available
... not available separately but included in total

e staff estimate
\- nil or negligible
-- less than half the smallest unit shown

WACPII-A
October 9, 1975

THE STATUS OF BANK GROUP OPERATIONS IN IVORY COAST

A. Statement of Bank Loans and IDA Credits
(as of August 31, 1975)

Loan or Credit No.	Year	Borrower	Purpose		US $ millions- Amount (less cancellations) Bank	IDA	Undisbursed
542-IVC	1968	Ivory Coast	Roads		5.8		0.0
611-IVC	1969	SODEPALM-PALMIVOIRE	Oil Palm		3.3		0.2
612-IVC		PALMINDUSTRIE-PALMIVOIRE	Palm Oil Mill		4.8		0.0
613-IVC	1969	SODEPALM	Oil Palm & Coconut		9.0		0.6
667-IVC	1970	Ivory Coast	Education		11.0		4.1
667-2-IVC	1975	Ivory Coast	Education Sup.		2.2		2.2
686-IVC	1970	Ivory Coast	Cocoa		5.3		1.4
759-IVC	1971	PALMINDUSTRIE-PALMIVOIRE	Palm Oil Mill		1.9		0.0
760-IVC	1971	SODEPALM	Oil Palm Coconut		5.1		2.1
761-IVC	1971	Ivory Coast	Roads		20.5		2.4
837-IVC	1972	Ivory Coast	Roads		17.5		12.3
938-IVC	1973	SOCATCI	Rubber		8.4		6.6
406-IVC	1973	Ivory Coast	Roads			7.5	6.8
981-IVC	1974	Ivory Coast	Telecommunications		25.0		25.0
1036-IVC 1/	1974	Ivory Coast	Oil Palm III		2.6		2.6
1069-IVC 1/	1975	Ivory Coast	Cocoa II		20.0		20.0
1076-IVC 1/	1975	Ivory Coast	Abidjan Sewerage		9.0		9.0
1077-IVC 1/	1975	Ivory Coast	Cotton		31.0		31.0
1124-IVC 1/	1975	Ivory Coast	Tourism		9.7		9.7
1125-IVC 1/	1975	Ivory Coast	Education II		5.0		5.0
	TOTAL				197.1 2/	7.5	141.0
	of which has been repaid				1.3	0.0	
	TOTAL now outstanding				195.8	7.5	
	Amount sold			0.4			
	of which has been repaid			0.2	.2		
	TOTAL now held by Bank & IDA				195.6	7.5	
	TOTAL undisbursed				134.2	6.8	141.0

1/ Not yet effective (Ln.No. 1069-IVC became effective on September 30, 1975).
2/ Two additional loans were signed on September 5, 1975 (Ln.No. 1161-IVC of US$ 43 million and Ln. No.1162-IVC of US$ 5.6 million).

B. Statement of IFC Investments

(as of August 31, 1975)

Year	Obligor	Type of Business	Loan	US Dollars Equity	Total
1965	Banque Ivoirienne de Développement Industriel	Industrial Development Bank	-	204,000	204,000
	Total gross commitments		-	204,000	204,000
	Less cancellation, sold or repaid		-	-	-
	Total commitments now held by IFC		-	204,000	204,000

C. Projects in Execution [1/]

Ln. No. 611, 612, 613, 759 and 760 — First Oil Palm and Coconut Projects; Three loans for a total of US$17.1 million of June 13, 1969; Closing Date: December 31, 1975. Second Oil Palm and Coconut Projects: Two loans for a total of US$7.0 million of June 22, 1971; Closing Dates: June 30, 1975 and November 30, 1977.

These projects are being implemented satisfactorily, and disbursement is proceeding normally. The oil mills financed in these projects processed about 220,000 tons of fruits in 1974. The planting programs are proceeding well.

Ln. No. 667 — First Education Project: US$11.0 million Loan of April 27, 1970; Closing Date: June 30, 1977.

Implementation of this project was slow, especially in the initial years. This resulted from (i) delays in the decision making process, especially for the selection and appointment of consulting architects. (ii) the complexity of consultations between international and bilateral donors on the specifications of the Instructional Television Production Center; and (iii) uncertainties about the project description which culminated in its renegotiation and amendment in 1971. The amendment consisted of (a) the reduction from 11 to 10 of the number of educational institutions to be constructed under the project; (b) the deletion of Bank financing of capitalized interest except for the amount already disbursed; and (c) reallocation of the proceeds of the loan to take account of modified architectural standards. Since then, the project implementation has substantially improved, construction work for all project schools has been completed and the schools will be in operation by October 1975, except the technology institute at Abidjan and the ITV complex at Bouaké, which will be completed respectively in January and June 1976. The Closing Date has been extended to June 30, 1977.

Ln. No. 667-2 — Supplementary Financing for the First Education Project: US$2.2 million Loan of January 17, 1975; Closing Date: June 30, 1977.

At appraisal of the First Education Project, the US dollar was worth 247 CFA francs. When the project cost was recalculated in October 1971, the exchange rate was US$1 = CFAF 277. Since then the dollar dropped sub-

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1/ These notes are designed to inform the Executive Directors regarding the progress of the projects in execution and, in particular, to report any problems which are being encountered and the action being taken to remedy them. They should be read in this sense and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

stantially to about 225 CFA francs in January 1975. In the fall of 1974 the Government requested supplementary financing to offset the increase in the project's dollar cost due to currency realignments.

Ln. No. 686 — Cocoa Project: US$7.5 million Loan of June 5, 1970; Closing Date: September 30, 1977.

The Cocoa Loan has been amended to reduce the number of hectares to be rehabilitated. Difficulties arose in supervising large numbers of farmers who used project inputs to treat non-project cocoa. The Government agreed to substantially reduce the size of the rehabilitation program. (See Memorandum to the Executive Directors R73-74 of April 13, 1973). The project is proceeding satisfactorily except for administrative problems which have delayed the submission of requests for reimbursement. However, administration of this and the second project (Ln. 1069-IVC) have been combined and an estimated 3,200 ha of cocoa plantings will be transferred from the first to the second project. Savings of US$2.2 million resulting from the amendment (R73-74) and the merging of the two projects were cancelled at the date of signature of the second project. The first project is therefore considered to be completed.

Ln. No. 761 — Second Highway Project: US$20.5 million Loan of June 22, 1971; Closing Date: November 30, 1975.

A section of the Yabayo-Man Road will be rerouted due to present uncertainties concerning the construction of a dam in the area of the road. (See Memorandum to the Executive Directors R73-170 of July 6, 1973). Construction of the Man-Duekoue and Bouake-Katiola Roads is making good progress. At the Government's request, Bank financing of the detailed engineering of the Katiola-Ferkessedougou Road was abandoned: the road will be constructed under Government financing. The Government has requested to use the funds thus released to finance a second phase of an urban study in Abidjan.

Ln. No. 837 — Third Highway Project: US$17.5 million Loan of June 23, 1972; Closing Date: September 30, 1977.

The road maintenance and betterment program has started. A second call for bids for the reinforcement works had to be made, however, due to inadequate submissions. The project incurred substantial cost overruns due to currency realignments and abnormal price escalation. The Bank is presently discussing with the Government the need to reduce the percentage of the Bank's financing of this project and to correspondingly increase the Government's financial contribution.

Cr. No. 406 — Fourth Highway Project: US$7.5 million Credit of June 28, 1973; Closing Date: December 31, 1976.

Construction of the N'zi bridge has started. Bids on the Yabayo-Gagnoa Road have been received and contracts awarded. This project is experiencing cost overruns similar to those of the third project. These are also under discussion with the Government.

Ln. No. 938 Rubber Plantation Loan: US$8.4 million Loan of October 23, 1973; Closing Date: December 31, 1980.

Land clearing and planting are proceeding close to appraisal schedule with about 2,300 ha expected to be planted by the end of 1975. Plantation standards are good and construction of roads and houses proceeds satisfactorily. After replacement of several key officers of the management company, projects management has improved and administrative and financial matters appear to be under control. Unexpected price increases have caused substantial cost overruns. By the end of 1975, the co-lenders (Caisse Centrale de Cooperation Economique and European Development Fund) will review with the Bank, as provided by the loan agreement, the economic justification of the second phase of the project, to decide if and how the second phase should be completed.

Ln. No. 981 Telecommunications Project: US$25.0 million Loan of May 3, 1974; Closing Date: June 30, 1979.

Consultants have been selected and bidding documents are being prepared.

Ln. No. 1036 Third Oil Palm Project: US$2.6 million Loan of July 31, 1971; Closing Date: June 30, 1979.

At the end of July, this Loan became effective. The planting program is underway. It is estimated that 1,200 ha of palm oil estate will be established; the outgrowers program is progressing well.

Ln. No. 1069 Second Cocoa Project: US$20.0 million Loan of January 10, 1975; Closing Date: June 30, 1980.

This Loan is not yet effective. 1/

Ln. No. 1076 Abidjan Sewerage and Drainage Project: US$9.0 million Loan of January 17, 1975; Closing Date: June 30, 1979.

This Loan is not yet effective.

Ln. No. 1077 Cotton Areas Rural Development Project: US$31.0 million Loan of January 17, 1975; Closing Date: March 31, 1982.

Implementation of the project has begun satisfactorily. Land clearing has begun and it is expected that 4000 ha will be cleared before the end of the year. The Blacksmith Training Program has started and CIDT, the project executing agency is preparing loan requests to BNDA to finance blacksmith's kits. Bids for the construction of staff housing are being prepared.

1/ This Loan became effective on September 30, 1975.

Ln. No. 1124 Tourism Development Project: US$9.7 million Loan of June 11, 1975; Closing Date: September 30, 1980.

This Loan is not yet effective.

Ln. No. 1125 Second Education Project: US$5.0 million Loan of June 11, 1975; Closing Date: June 30, 1979.

This Loan is not yet effective.

Ln. No. 1161 Fifth Highway Project: US$43 million Loan of September 5, 1975; Closing Date: June 30, 1979.

This Loan is not yet effective.

Ln. No. 1162 Small Scale Enterprises Project: US$5.6 million Loan of September 5, 1975; Closing Date: June 30, 1979.

This Loan is not yet effective.

LOAN TO THE BANQUE IVOIRIENNE DE DEVELOPPMENT INDUSTRIEL

Borrower:	Banque Ivoirienne de Developpement Industriel. (BIDI)
Guarantor:	The Republic of the Ivory Coast.
Amount:	US$8 million.
Terms:	The proposed loan would have a flexible amortization schedule conforming substantially to the aggregate amortization schedules applicable to the investment projects to be financed out of the proposed loan, none of which would exceed 15 years; interest and commitment charge: standard.
Relending Terms:	BIDI would relend for up to 15 years at an interest rate of not less than 11 percent per annum; the foreign exchange risk would be borne by BIDI's sub-borrowers.
Description:	To help meet BIDI's financial requirements for financing the foreign exchange component of approved industrial projects through 1977.
Free Limit:	US$200,000 for individual sub-projects; US$2,000,000 aggregate limit.
Debt Covenant:	Maximum debt/equity ratio of 6:1.
Final Date for Project Submissions:	December 31, 1977.

Estimated Disbursements:

1976	1977	1978	1979
	(in US$ millions)		
0.6	3.4	2.8	1.2

Procurement Arrangements:	Through normal commercial channels.
Appraisal Report:	Report No. 669a-IVC dated October 21, 1975.

	FY74	FY75	FY76	FY77	FY78	FY79
		(FY ending September 30) (CFAF million)				
Projected Operations						
Commitments	3,044	4,368	4,400	4,300	4,700	5,100
Disbursements	3,114	4,413	4,725	4,322	4,600	4,950
Projected Balance Sheet						
Assets						
Net Current Assets	465	123	134	58	22	110
Loans and Equity Investment	9,036	11,849	14,512	16,474	18,060	19,591
Fixed Assets	139	150	150	150	150	150
Total Assets	9,640	12,122	14,796	16,682	18,232	19,851
Liabilities						
Borrowings	7,021	9,404	11,850	13,377	14,510	15,673
Government Loan	1,250	1,250	1,250	1,250	1,250	1,250
Equity	1,369	1,468	1,696	2,055	2,472	2,928
Total Liabilities	9,640	12,122	14,796	16,682	18,232	19,851
Debt/Equity Ratio as per Bank Definition	4.4:1	5.4:1	6.1:1	5.8:1	5.3:1	4.9:1
Projected Income Statements						
Total Revenue	716	952	1211	1471	1681	1870
Total Expenses	498	717	854	989	1111	1245
Earnings before taxes	218	235	357	492	570	625
Tax	54	65	70	80	84	90
Net profits	164	170	287	412	486	535
Net Profit as a % of Average Equity	12.5	12.0	15.7	22.0	21.5	19.8