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STAFF APPRAISAL REPORT

INDUSTRIAL AND ARTISAN SECTOR

EMPLOYMENT CREATION PROJECT

NIGER

April 28, 1978

Western Africa Projects Department
Industrial Development and Finance Division

Currency Equivalents

US$1 = CFAF 245

The CFA (Communaute Financiere d'Afrique) Franc is fixed with respect to the French Franc (1FF = CFAF 50) and floats with respect to the US dollar. In this report the following conversion has been used:

US$1 = CFAF 245
CFAF 1 million = US$4,082

ABBREVIATIONS

ADB	African Development Bank
BCEAO	Banque Centrale des Etats de l'Afrique de l'Ouest
BDRN	Banque de Developpement de la Republique du Niger
BIAO	Banque Internationale de l'Afrique de l'Ouest
BFCE	Banque Francaise du Commerce Exterieur
CCCE	Caisse Centrale de Cooperation Economique
COFIFA	Compagnie Financiere France Afrique
CPCT	Caisse de Prets aux Collectivites Territoriales
CEAO	Communaute Economique de l'Afrique de l'Ouest
DEG	Deutsche Entwicklungs Gesellscaaft
ECOWAS	Economic Community of West African States
ENA	Ecole Nationale d'Administration
KfW	Kreditanstalt fur Wiederaufbau
OPEN	Office de Promotion de l'Entreprise Nigerienne
SONICA	Societe Nigerienne de Credit Automobile
STB	Societe Tunisienne de Banque
UMOA	Union Monetaire Ouest Africaine
UNDP	United Nations Development Program
UNIDO	United Nations International Development Organization
USAID	United States Agency for International Development

Fiscal Year

October 1 - September 30

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Table of Contents

This report was prepared by Barbara Insel and Christian Delvoie on the basis of the appraisal mission conducted by Ms. Insel, Mr. Theodore Nkodo and Mr. Delvoie in November 1977.

List of Annexes

1. BDRN: Summary and Analysis of Development Financing Operations.
2. BDRN: State Credits Portfolio
3. BDRN: Financial Statements, 1973-77
4. BDRN: Forecast Financial Statements and Assumptions for Forecasts
5. BDRN: Financial Ratios, 1973-82
6. BDRN: Pipeline of Projects
7. Estimated Disbursement Schedule
8. Selected Documents and Data Available on Project File

I. THE SETTING

1.01 The discovery of uranium has recently opened enormous opportunities for development to Niger which, with few resources and a stagnating economy, had long been considered one of the most desperately poor countries in the world 1/. Largely as a result of highly profitable uranium mining, which began on a large scale in 1971, Niger has shown a stronger recovery than most of its Sahelian neighbors from the disastrous impact of the 1970-75 drought: Following a 14% decline in GNP from 1971-73, Niger's overall real GNP growth from 1974-76 exceeded 32%. In 1976 alone, the real increase in GNP exceeded 18% 2/. However poor rains in 1977 threatened the recurrence of the drought and continued economic stringency. Prudent fiscal and monetary policies have kept inflation in the five-year period 1972-76 to just 32%, although this figure may be underestimated.

1.02 On a gross value basis, uranium exports totaling over $90 million accounted for 52% of total exports in 1976 and, together with transfer and capital inflows, are responsible for Niger's current balance of payment surplus. Taxes and dividends on uranium development represented at least one quarter of government revenue in 1976-77, permitting the Government to start reducing the tax burden on lower income groups and to allocate rapidly increasing amounts to the investment budget, which more than tripled in two years to CFAF 10 billion in 1976-77. However, Niger remains a very poor country, having a per capita income of only $160 in 1976. The expected increases in uranium revenues and the development potential of other mineral resources, including coal and petroleum, will represent for some time only a fraction of the resources needed to create opportunities for more productive employment of Niger's population of 4.7 million 3/.

1.03 Agricultural and livestock activities which sustain 90% of the population accounted for only 51.4% of the 1976 GNP, somewhat below their 1972 share. During the 1968-74 period, increasingly unfavorable weather, culminating in the disastrous drought, resulted in a 40 % decline in the output of the staple crops (millet and sorghum) while production of groundnuts, the single most important export crop, fell by 70% and the size of cattle herds was almost reduced to half. Production of the main staples, which improved in 1974-75 due to improved rainfall and increases in producer prices, declined again in 1975-76 to about 80% of the pre-drought level because of poor rains in some of the principal cultivation areas. The food situation has significantly improved in 1976-77 with normal rainfall, but substantial reinvestment will be needed in agriculture and extension services to reactivate the rural sector, overcome past neglect, and revive the production of the major export crops, particularly groundnuts. With these continuing problems, the rural sector is slowly yielding economic importance

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1/ The latest economic report on Niger, Report Number 1109a-NIR, was distributed to the Executive Directors on May 13, 1976.

2/ IMF Staff estimates.

3/ Pilot surveys in preparation for the forthcoming population census suggest that this figure may have to be revised upwards to as much as 6.5 million.

to commerce, industry and mining. The non-mining industrial sector, including transport and construction, represented 24.7% 1/ of GDP in 1976 and is expanding rapidly; commercial activities added another 16% to GDP. Development of more productive employment opportunities in the industrial sector is the objective of this IDA project and is considered essential to the balanced and efficient growth of Niger's economy.

The Industrial Sector

1.04 The Government's development objectives within the industrial sector are expansion of small-scale and artisan enterprises, stimulation of private investment, import substitution, the processing of agricultural and livestock products and regional diversification. Twenty-five companies employing a total of 3,000 persons constitute the core of the modern non-construction industrial sub-sector. Only ten of these enterprises have annual sales exceeding CFAF 250 million ($1 million); total sales of these ten represent 83% of total turnover for the modern sub-sector. Of total industrial equity capital in 1976, about 47% was public, 15% private and 38% foreign. Eleven new modern sector enterprises to employ 300 persons, are in preparation. The participation of private Nigerien capital in industrial investment is increasing significantly, reflecting a shift of entrepreneurial interest from commerce and transport to industry: of the 11 new enterprises, only one has public participation and one foreign, that for a minority interest. The burgeoning construction sector employs well in excess of 8,000 persons. Several Nigerien-owned companies, the largest of which employs 800 people, account for 45% of total construction employment, the balance represented by four foreign-owned companies.

1.05 The artisan sub-sector is probably the dominant component of the industrial sector and therefore a high priority for assistance, but there is no accurate data to measure its real contribution; best estimates of artisan employment range up to 25,000 persons. The highest skilled of these artisans have maintained traditional techniques of handwork in leatherwork, silverwork, weaving and pottery. The largest concentration of these workers are in Niamey, Maradi, Zinder and Agadez, with small groups of leatherworkers also located in Tessaoua, Tahoua and Dosso. The Artisan Center of the National Museum of Niger, in Niamey, has become the focal point for these so-called artistic-artisans, providing various services as well as the only organized market mechanism for the work of about 160 affiliated artisans.

The Financial Sector

1.06 As a member of the West African Monetary Union (UMOA), Niger shares a common currency (CFAF), Central Bank (BCEAO) and credit and monetary policies with Senegal, Ivory Coast, Benin, Togo and Upper Volta. BCEAO supervises all of Niger's financial institutions and, under its operating guidelines, establishes credit ceilings, interest rates and controls outstanding credit through its rediscount facility.

1/ Imports typically represent 20% to 24% of Niger's GNP.

1.07 The Banking System. Six institutions comprise the Nigerien banking system. The Caisse de Prets aux Collectivites Territoriales (CPCT) finances regional infrastructure projects. Societe Nigerienne de Credit Automobile (SONICA) finances personal vehicles. Caisse Nationale de Credit Agricole (CNCA) serves the agricultural sector exclusively. Credit du Niger provides housing and consumer loans. Niger has two commercial banks: the Banque Internationale de l'Afrique de l'Ouest (BIAO) and the Banque de Developpement de la Republique du Niger (BDRN), which also provides development banking services. All financial institutions except BIAO are publicly owned or controlled and Nigerien managed. In 1975, BDRN provided more than 63% of all credits in the economy and more than 80% of all term credits to industry. BDRN's assets currently exceed fifteen times the assets held by Niger's other development institutions. French-owned BIAO is about one-third the size of BDRN and has focused primarily on foreign-owned and well-established enterprises in its services to industry. BDRN is thus the key financial intermediary for the development of Niger's industrial sector.

1.08 Interest Rates. BCEAO regulates all interest rates charged by banks in BCEAO member countries. A standard rediscount rate of 8.0% is charged, with an allowable spread of up to 5%, permitting a final maximum of 13%. A preferential rediscount rate of 5.5% is authorized for priority sectors including Government, housing, small-scale enterprises (defined as locally owned enterprises having outstanding credit of CFAF 20 million or less) and agricultural trade. For such loans, banks are allowed a spread of up to 3%, resulting in a final maximum lending rate of 8.5%. The interest rate ceiling applies to all credits by all member banks. Member banks are allowed to rediscount only 35% of their total credits. As a result, the preferential rate structure makes it difficult for the banks to mobilize external resources for lending to the preferential sectors as the cost of non-rediscount resources tends to be too high to permit the banks adequate margins on these loans. Thus, while these preferential rates may stimulate SSE demand for funds, as intended, they at the same time restrain the supply of funds available for this purpose. To resolve this problem BCEAO permits a member state to create an interest subsidy fund, financed by BCEAO profits in that state, to compensate the intermediary for the interest rate preferential. The Government of Niger has agreed to subsidize in this manner BRDN's financing for enterprises falling under BCEAO's interest rate ceiling for small-scale enterprises. This arrangement has been accepted by the Association as acceptable policy for SSE projects in UMOA countries.

Prospects

1.09 The stimulus of an improving domestic economy plus the considerable impact of the growing trade with Nigeria, its southern neighbor, offer attractive prospects for Niger's industrial development.

1.10 To serve domestic requirements, there is reasonable potential for further development in import substitution industries, in the processing of local materials, including agricultural products, in the production and repair of equipment for agriculture and in the construction industries. Specific examples of possible projects which have been tested and found viable include, knitwear, cotton, wool, bandages--all of which could use materials manufactured in the large local textile mill. Other promising products include small agricultural implements, animal feed, plastic products for household use, confectionery, matches, plastic packaging materials, dehydrated onions, some vegetable products, and meat canning. To serve the several new towns being developed for mining and rural development projects, increased breadmaking, confectionery, furniture making, printing facilities, and expanded metal workshops will be required. There are also further possibilities in the by-products arising out of livestock processing such as glue, gelatin, bone meal and organic fertilizer. To realize this potential, additional slaughtering capacity will be required. Expansion of the construction industry would present opportunities for expanded manufacture of bricks, tiles, clay pipes, ceramic ware and enameling.

1.11 The 1,800 km border between Niger and Nigeria represents an increasingly critical factor in Niger's development. Nigeria's continuing and widespread shortages, extensive trade regulations, and the free convertibility of the CFAF have all stimulated the growth of an enormous and expanding parallel market, strongly founded on a common culture, language and social relationship longer standing than the political borders. Although the premium paid for the CFAF in Nigeria would appear to favor exports of Nigerian products, this premium is far outweighed by the growing excess demand in Nigeria for a wide variety of goods and recently the trade balance has heavily favored Niger. Rapid development in Northern Nigeria has opened active markets for metalwork, glass, livestock products, bricks, sugar, soap, cattle and poultry feed, farm implements, blankets and food products from Niger. Free transferability of profits encourages the location in Niger of foreign investments to serve the northern Nigerian market. Legalization of this border trade, which is being discussed, would further stimulate such development, if only by allowing greater access to financing. This trade has had a major indirect impact on Nigerien industrial development: the wealth earned by the southern Nigerien traders in the Nigeria market is now being invested in productive enterprises in Niger and has thus become an important source of industrial capital for Niger.

1.12 In addition, while the domestic and tourist markets for the products of the artistic artisans offer limited possibility for expansion, the potential export market for these goods appear substantial. This market is expected to be stable, and given the ample local supply of good raw materials and basic skills, the prospects penetrating and developing this market appear excellent if the needed financial and technical assistance are provided. Growth of regional groupings and markets such as CEAO and ECOWAS will also contribute to industrial growth. Although it is too early to identify specific projects and benefits which may be realized by these groups, both organizations have agreed that, for their initial five years of operation, first consideration will be given to regional projects implemented by their poorest member states.

1.13 Constraints. The recent growth in Niger's industrial sector is remarkable given the obstacles to efficient development. These obstacles will have to be overcome to permit continued sound expansion of the sector. High transport costs from this landlocked country and poor facilities inhibit trade and complicate the import of materials and equipment. High energy and construction costs and inadequate local production capacity for building materials further hinder development. Niger's scarcity of skilled labor, reflecting inadequate vocational and technical training services, is pervasive and perhaps the most severe in the region. Labor and production costs are significantly higher than in neighboring countries. The needs for technical assistance are substantial and, at present, little such help is available, except on a limited scale from BDRN. Investment capital is scarce and term financing resources are inadequate. Balanced development of the sector is further restricted by a poor incentive system and burdensome regulations.

1.14 Although the Government has intervened to assist the industrial sector by making available public equity capital for industrial investment and by the establishment of two investment codes, the overall impact of government regulations tends to increase the difficulty of new investment, especially for small and artisanal enterprises. For example, under both 1/ investment codes, neither artisans nor modern enterprises with fixed assets less than CFAF 10 million are eligible for any investment incentives. Maximum concessions are provided to projects having investments larger than CFAF 500 million, employment of more than 500 persons or with value added exceeding CFAF 500 million per annum. Concessions authorized by these codes include tax holidays, import privileges and trade protection. All but the largest enterprises are required to pay taxes on the export of indigenous materials such as leather. In addition, all investment projects requesting either public incentives or financing from public institutions must await Government review and approval by the Conseil National de Developpement (CND), a process often involving extended delay and inconvenience. CND, the main governmental organization responsible for implementation of development policies, is composed of the Ministers responsible for the productive sectors: Economy, Public Works, Rural Development, etc., and chaired by the Minister of Plan. CND must approve all applications for investment incentives or for financing from public institutions, following project review by the relevant Ministry--which, for the industrial sector, is the Ministry of Economic Affairs, Industry and Commerce. To qualify for CND approval, enterprises are obligated to: (i) give priority to use of local materials and spare parts, (ii) implement preagreed programs to train Nigeriens, (iii) offer equity participation to local investors, and (iv) obtain government approval of product prices before any sales are made. The Government's approval is required prior to sale for the prices of all products. Authorized prices are calculated according to a cost plus formula which discourages efficient management. Moreover, since the method of price determination requires an enterprise to present cost calculations based on actual operation at reasonable levels of capacity utilization, a company is obliged to build up a considerable stock of finished goods and to incur substantial start-up costs before actually selling its product.

1/ The first code offers general incentives to both Nigerien and foreign investments; the second code is specifically intended to stimulate private Nigerien enterprises (defined as enterprises with at least 80% Nigerien equity ownership).

1.15 A Government commission is presently reviewing the whole structure of policies and incentives with the objective of rationalizing these regulations. The Association will advise the Government on these issues. The importance of simplifying these procedures and eliminating non-economic features will be stressed. Elimination of present discrimination against smaller enterprises and artisans, as the first step in the longer process of policy reform, is an immediate objective of the proposed IDA credit. Toward this end, assurances have been received that all expenditures financed under the IDA line of credit will be exempt from all taxes and duties on goods and services as normally authorized in the investment codes. Small enterprises and artisans assisted by the credit therefore will be accorded benefits equivalent to those offered by the codes. Major constraints to industrial development are expected to be relieved under this project by improving the access of small enterprises and artisans to term financing, encouraging the more efficient use of scarce capital in more labor intensive investment, improving the quality of technical assistance presently available to Nigerien entrepreneurs and improving the quality of the primary financing institution, BDRN. The development of an office for the promotion of Nigerien enterprises will expand the technical assistance services available to local businesses. The artistic artisans sub-sector, whose development potential has been relatively neglected to date, will also be assisted through the improvement of services offered by the Artisan Center of the National Museum.

II. INSTITUTIONS

2.01 Two existing institutions are expected to be primary intermediaries for this project: The Banque de Developpement de la Republique du Niger (BDRN) and the Artisan Center of the National Museum of Niger.

Banque de Developpement de la Republique du Niger (BDRN)

2.02 BDRN was created in 1961 by the Government of Niger with the assistance of Societe Tunisienne de Banque (STB), which is still providing technical assistance through seconded staff. BDRN has, since inception, been both a commercial and a development bank. Six branch offices are presently in operation and three additional branches will be opened through 1979. No other financial institution in Niger has such widespread regional operations.

2.03 Ownership. BDRN's initial share capital of CFAF450 million has increased to CFAF 1.150 billion. The distribution of shares, as described in Table 1 below, has changed little since 1962. As required by statute, Government and parastatal entities control the majority of BDRN's shares. A further increase in BDRN's capital is being discussed.

Table 1: BDRN OWNERSHIP

Shareholder	Amount (CFAF Millions)	%
Government	330.1	28.7
Nigerien Public and Parastatal Organizations	268.8	23.4
Sub-total	598.9	52.1
Nigerien Private Investors	97.0	8.4
BCEAO	100.0	8.7
Foreign Banks 1/	327.9	28.6
Foreign Private Shareholders	25.4	2.0
Total	1,150.0	100.0

1/ CCCE (8.7% of capital), Credit Lyonnais (5.7%), DEG (5.7%), STB (5.7%), BFCE (2.2%) and COFIFA (.6%).

2.04 Board of Directors. BDRN's Board consists of eleven members. The Minister of Finance is the Chairman of the Board on which five more seats are reserved for Government representatives and BCEAO, one is reserved for Nigerien private shareholders and the remainder allocated to foreign interests. Since July 1976, the Board has delegated all powers to authorize credits to a Credit Committee composed of the Board Chairman, two Government representatives, the National Manager of BCEAO and BDRN's General Manager. The General Manager has the authority to approve short-term credits below CFAF50 million and medium-term credits below CFAF15 million. The Credit Committee must approve all loans above these ceilings and all loans with maturities longer than 10 years.

2.05 Management. For several years, BDRN's management was provided by STB, the first Nigerien General Manager being appointed in 1968. In 1974, following the change in Government, new management was appointed, which was dismissed in 1976 on discovery of a series of questionable loans and inadequate credit controls. The present General Manager, appointed in March 1976, was formerly an official in the Ministry of Finance and the Office of the President. Although lacking prior banking experience, he has shown an impressive grasp of BDRN's problems and is acting effectively to resolve them. In July 1976, the organization was restructured into six new Departments: Commitments, responsible for overall exposure control; Development;

Administration; International Relations; Finance and Accounting; and Operations. New management was brought in for the Commitments and Operations Departments. The General Manager, who has strong government support, is competent to lead BDRN in an efficient manner. He has requested technical support for the further strengthening of the institution.

2.06 Staff. BDRN's management personnel are of good caliber but thinly spread. Out of a total staff of 379, 46 persons may be considered professional, of whom eight are managers, and only four have university degrees. BDRN's professional staff, however, is still the strongest of any institution in Niger and BDRN has therefore seconded six members of this staff to manage newly promoted projects. Three Tunisian advisers and a French volunteer constitute BDRN's total expatriate staff. One Tunisian adviser has served effectively as BDRN's Director of Accounts and Finance for nine years but is expected to leave within two years. A counterpart is to be appointed this summer. An economist/project analyst has just been appointed as the third Tunisian adviser. The other adviser provides general assistance to the Director.

2.07 Training. Presently staff training is arranged on a case-by-case basis and provides little assistance in developing staff capabilities in project appraisal or credit management. Development of internal training programs and recruitment of additional qualified staff are priorities for BDRN's management. At present no institution in Niger provides specialized training in finance and banking; a program in management is to be established at the Ecole Nationale d'Administration (ENA), a UNDP-founded institution, in the fall of 1978. The Nigerien Association of Banks, led by BDRN, has requested the development of a banking management specialization within this program.

2.08 Policies and Operating Guidelines. BDRN's most recent policy statement limits equity investments in a company to 25% of the company's share capital and 15% of BDRN's net worth, whichever is smaller. BDRN's total equity portfolio is limited, by statutes, to 100% of BDRN's available equity after allowing for fixed assets. These limits are satisfactory. The policy statement has recently been modified to limit BDRN's financial exposure in favor of a single firm to 25% of net worth and its commitment to an individual project to 75% of total project cost, with an exception allowed for a certain high priority and economically beneficial projects such as SSE.

2.09 Foreign Exchange Risk. To date, BDRN's treatment of exchange risk has been negotiated on a case-by-case basis; BDRN has assumed the risk on only one occasion, a 1967 KfW loan of DM 2 million. The Government has agreed to assume the foreign exchange risk on this proposed IDA credit. We will encourage BDRN to avoid assuming exchange risk in future financings.

2.10 Interest Rates. In accordance with BCEAO guidelines, BDRN interest rates on term loans now range from 8% to 10.5% and from 6.5% to 13.5% on short-term credits. Deposit rates range from 2.5% to 6.75%. Interest rates on term loans in the past were not set according to any fixed policy; rates on the existing portfolio range from 5.5% to 10.5%. BDRN's management is now interested in establishing a policy in which rates will be based on the real cost of resources with assurance of a minimum adequate margin on these operations.

2.11 Internal Control. Procurement procedures are generally adequate. A more effective disbursement control policy is being instituted to insure disbursement only after verification of work performed and goods delivered. BDRN's accounting practices appear acceptable but professional review is needed. Improvements in internal control and information systems are also needed. BDRN's first external audit has recently been completed and implementation of proposed reforms in internal systems has been initiated. BDRN has also agreed to an annual audit of its accounts by an independent firm acceptable to IDA.

2.12 Commercial Banking Operations. Commercial operations represent 80% of BDRN's business and its primary source of profits. BDRN executes all commercial transactions, including agricultural trade credits, documentary credits, overdrafts, and international transactions. After fifteen years in operation, BDRN is an effective commercial banking institution which has facilitated access of Nigerien enterprises to commercial credit, a service formerly dominated by foreign interests. Through its commercial business, BDRN has developed a large commercial clientele which has proved its most important asset in building its development financing and promotion activities. BDRN's commercial operations are expected to continue to support and complement its development activities.

2.13 Development Department. The Development Department is responsible for all medium- and long-term financing activity for public and private sectors, all economic research, project studies and statistical analysis, and for the management of the equity portfolio. To supervise a portfolio of more than CFAF4.8 billion, this Department presently has a staff of 11. Except for the Director who attended an EDI course, none of the staff members have specialized or advanced training. There is no adequately trained Nigerien economist nor engineer. The newly-arrived Tunisian economist is expected to help improve the Department's work but further strengthening will be required.

2.14 Promotion. BDRN's Development Department has been remarkably active in project promotion; the vast majority of projects approved in recent years were promoted and packaged by BDRN for Government and local investors. BDRN provided the major share of financing for these projects through combined credits and equity investments and, in five cases, BDRN even detached members of its staff to organize and manage the company. BDRN, through these promotion activities, has played a crucial role in filling the enterpreneurial gap in the country. BDRN does not, however, have the staff capability to properly prepare many of these projects. Needs for technical assistance are substantial, as most of Niger's entrepreneurs are poorly trained and have little industrial experience. As a result, several of BDRN's promoted projects have not been properly conceived and some are likely to encounter difficulty. BDRN's strong concern for the promotion of development projects, and its own involvement in many such projects, has strained its limited staff resources, and restricted both its capacity to process new financings and its efforts to improve the quality of these activities. The development of an independent but coordinate agency for industrial promotion and technical assistance will relieve these pressures on BDRN and strengthen its development banking role.

2.15 Procedures. Appraisals for term credits and equity investments are carried out by the Development Department. The quality of these studies is acceptable but needs improvement. Project follow-up and supervision is weak, but improvements are being made. A staff member has recently been assigned to full-time supervision of BDRN's equity portfolio.

2.16 Development Resources and Operations. BDRN's major resources for its development banking operations are equity, term deposits, a fixed small percentage of sight deposits, BCEAO rediscount and term borrowings from CCCE and from USAID through the USAID/Conseil de l'Entente African Enterprise Program and KfW. BDRN is now seeking to expand and diversify its resource base and has recently signed an agreement with ADB for a 2 million units of account line of credit to be used primarily for financing larger projects. Undisbursed resources as of September 30, 1977 totaled CFAF 702 million, representing the ADB credit (CFAF 526 million equivalent) and the balance of second USAID/Conseil de l'Entente loan (CFAF 176 million), which is fully committed. Repayment of the outstanding portfolio will also contribute substantial funds each year.

2.17 A summary and analysis of BDRN's outstanding development financing portfolio is included in Annex 1. BDRN provides term financing for all economic activities, except personal automobile purchase and housing. This portfolio includes medium-term credits (2 to 10 years), long-term credits (more than 10 years) and equity investments. BDRN has not found it necessary to approve any long-term loans since 1974; the majority of such loans had been reschedulings of medium-term loans in difficulty or reorganization of existing companies including debt restructuring. The outstanding long-term portfolio at September 30, 1977 totalled CFAF 620 million.

2.18 The medium-term portfolio is composed of 141 loans totaling almost CFAF 3.6 billion. One large loan, the Government guaranteed Cominak project, represents 35% of the amount of the portfolio. Almost 90% by number of BDRN's loans have assisted private concerns. These loans for an average amount of CFAF 8 million represent only 30% of BDRN's total outstanding medium-term portfolio. More than half of the medium-term loans have assisted very small enterprises having a total investment below CFAF 10 million. Agricultural processing, varied light industry, construction and commercial transport are the primary sectors assisted by BDRN's development financing. The volume of small-scale operations declined in 1977 with the exhaustion of the two USAID/Conseil de l'Entente lines of credit for SSE under the African Enterprise Program. On the average, BDRN's participation in the financing of its medium-term portfolio represents 63% of the overall project cost. The weighted average loan maturity of BDRN's medium-term loans is 5.1 years, although the maturities of loans to SSE have tended to be shorter. Table 2 summarizes BDRN's development financing approvals since 1973; the variation in the pace of these activities reflects the changes in management as well in as economic conditions.

Table 2: Development Operations

Medium-Term Credits	1973	1974	1975	1976	1977
Number of Credits	19	54	46	25	9
Amounts	732	531	315	2,392 b/	541.8
Average size of Credit	38.5	9.8	6.8	95.7 c/	60.2
of which:					
Number of Credits smaller than CFAF30 million	na	30 a/	22	21	5 d/
Amounts such loans	na	116.4	43.3	139.3	28.8
Average size of Credit	na	3.9	2.0	6.6	5.8
Long-Term Credit					
Number of Credits	1	1	-	-	-
Amounts	25	62	-	-	-
Average size of Credit	25	62	-	-	-
Total Credits					
Number of Credits	20	55	46	25	9
Amounts	757	593	315	2,392	541.8
Average size of Credit	37.8	10.8	6.8	95.7	60.2
Equity					
Number of Investments	6	3	1	1	2
Amounts	202.5	56.0	83.6	6.57	62.5
Average size Investment	33.7	18.6	83.6	6.57	31.3

a/ Reflects beginning of USAID/Conseil de l'Entente African Enterprise Program, also reflected by reduction in average credit size.
b/ Includes one loan, 2 billion CFA to COMINAK, a new parastatal uranium company, of which CFAF1 million was immediately rediscounted with BCEAO.
c/ Average distorted by the above mentioned loan. If this is excluded, average loan size is 5.2 million.
d/ Conseil de l'Entente line of credit for PME fully disbursed.

2.19 African Enterprise Program. BDRN's active lending to small-scale enterprise began in May 1974 with its first line of credit for the African Enterprise Program, financed by USAID through the Conseil de l'Entente. BDRN disbursed its first $1 million line of credit for the program in 22 months for 48 projects, proving to be the most effective of the four national development banks in Conseil de l'Entente countries participating in the program. With the assistance of the Conseil de l'Entente, a separate SSE unit was established in the Development Department to manage this program; the Conseil also provided technical assistance and some training to the Chief of this unit, who is now Deputy Director of the Development Department. African Enterprise Program funds provided short- and medium-term credits for African enterprises in industry, commerce, service and artisan sectors, under a fairly low free limit. Average maturities of credits under this program tended to be somewhat shorter than other development operations as most of the amounts required were quite small or included working capital; the program authorized maturities of up to five years and financing for a maximum of 60% of total project cost including working capital, the balance to be provided by the promoter. The Conseil refinanced the entire BDRN credit. The 40% self-financing requirement has been a disincentive to small enterpreneurs who have had difficulty raising more than 10-20% of total project costs; many otherwise eligible entrepeneurs were turned away because they lacked the necessary equity contribution. Loans were originally made at an interest rate of 6.33%; this rate was increased in 1976 to 8%. The USAID/Conseil de l'Entente line of credit has a 30-year term; BDRN will, therefore, have substantial opportunity to revolve these funds. A second line of credit for $1 million was signed in April, 1977 and is already fully committed for three commercial transport projects.

2.20 Employment Creation. More than 1,600 jobs have been created through projects in BDRN's outstanding portfolio. Under the African Enterprise Program, the median investment per job was only about $2,000, for commercial and artisanal services. The median cost per job for medium and large scale projects was about $8,500 - including one particularly attractive large project, an edible oil processor employing 400 workers at an investment per job of $4,000. Excluding this project, the median cost per job for BDRN's larger projects exceeded $20,000 and ranged as high as $50,000 - a range maintained in projects expected to be approved in the first six months of 1978. This high job creation cost reflects the high cost of construction and difficulties of equipment imports and frequent overdesign of projects. Lacking any technical capability, BDRN's staff and Niger's entrepreneurs have been completely dependent on suppliers' proposals and available financing in the choice of equipment for new projects. An engineer is therefore being provided under the proposed project, to be shared by OPEN and BDRN, to advise on more efficient and labor intensive project design as well as to encourage the development of more appropriate technologies for Nigerien projects. Achieving a substantial improvement in labor utilization and capital efficiency in BDRN projects is a primary objective of the proposed project.

2.21 Equity Investments. BDRN's equity portfolio totals CFAF 858 million for 35 companies of which 17 are publicly controlled and five are foreign controlled. Four of these companies, representing investments of CFAF 183 million or 21% of portfolio, are in liquidation. Two of these projects were foreign-owned companies purchased as subsidiaries by the previous management. Both of these companies have recently been sold at reasonable prices. Partial recovery of losses on the third company is expected through sale of its assets to a new enterprise. Eight other companies, representing investments of CFAF 160 million, have been unprofitable. Provisions taken on these two groups of investments total CFAF 212 million, reducing net portfolio to CFAF 646 million. Dividends received on equity participations in 1977 amounted to CFAF 27 million, or 4% of net portfolio. The remaining portfolio appears sound; BDRN has improved its investment selection and control procedures to avert further problems in the future.

2.22 BDRN frequently takes small participations in projects it finances, receiving in return a seat on the company's Board. The substantial BDRN and public sector participation in Nigerien enterprises reflects the general scarcity of equity funds in economy. Through its commercial banking contacts, BDRN has played an important role in bringing more local private capital into the industrial sector, obtaining and managing funds provided by successful Nigerien traders for investment in BDRN-promoted and managed projects.

2.23 State Transactions. In addition to its normal development and commercial banking operations, BDRN has assisted in the financing of several projects for the State of Niger; BDRN's outstanding portfolio of such credits amounted to CFAF6.3 billion as of September 30, 1977 (Annex 2). Of this total, CFAF3.1 billion are loans with an average maturity of 4.7 years, authorized by conventions with the Ministry of Finance, the balance representing bridge financing for projects for which other financing is expected or for which financing is not yet arranged. The volume of these transactions has doubled since their introduction in 1975. BDRN performs no evaluation of any of these projects which are fully secured by State guarantees. Concurrent with the growth in these credits, State Treasury deposits for terms of six months renewable, have increased from more than CFAF3 billion in 1975 to more than CFAF8 billion in 1977. Lacking appropriate term resources for its non-rediscountable State credits, BDRN has typically drawn upon these Treasury deposits to finance these credits. We have received formal assurances from the Government that the State will at all times maintain sufficient otherwise uncommitted resources at BDRN to cover all outstanding credits in BDRN's State Credits portfolio so as to maintain BDRN's financial equilibrium.

2.24 Financial Position. As seen in the financial statements in Annex 3, in the 1973-77 period, BDRN's total assets nearly tripled from CFAF11.6 billion ($47 million) in 1973 to CFAF33.4 billion ($136.5 million) in 1977. This growth represents primarily expanded commercial operations, although the development portfolio nearly doubled in the period and state credit transactions were initiated. Total net worth more than doubled in the same period. BDRN's ratio of long-term debt to equity, .56:1 as of September 30, 1977, is low, indicating BDRN retains considerable term borrowing capacity. BDRN conforms with BCEAO regulations limiting total debt to equity to 12:1.

2.25 Arrears. Outstanding credits, including commercial, in BDRN's portfolio totalled CFAF21.2 billion (US$86 million) as of September 30, 1977, with doubtful loans and those in litigation amounting to CFAF4.1 billion, or about 19% of the outstanding portfolio. Short-term loans to three major Nigerien companies represent CFAF2 billion, or almost half of the total value of doubtful and contentious loans. Resolution of the difficulties with these three clients in a manner favorable to BDRN has been negotiated. However, a capital increase is being considered for 1979, in case substantial provisions against these loans become necessary. The majority of the arrears represent short-term credits; only 14 term loans having a total value of CFAF 82.9 million, or 2.3% of the total outstanding term portfolio, are affected by arrears of more than three months. The total amount of arrears for these 14 loans is CFAF56.3 million or 1.5% of the oustanding portfolio. BDRN's total provisions of CFAF3.1 billion as of September 30, 1977 are reasonable, as they represent more than 75% of the total outstanding arrears. General provisions, maintained at 5% of annual outstanding, non-guaranteed portfolio, totalled CFAF1.1 billion as of September 30, 1977. In addition, specific provisions against arrears amounted to CFAF 2.0 billion. Total reserves, including legal and special reserves and retained earnings, amounted to CFAF947 million at end fiscal 1977. BDRN's financial position is sound.

2.26 Performance. BDRN's profits are substantial and have been increasing rapidly. Profits in 1977 amounted to CFAF435 million, or 13.4% of net worth, as compared with CFAF352 million in 1976, equal to 11.5% of net worth (Annex 5). Profits would have been even more substantial had BDRN not taken large provisions in 1976 and 1977.

2.27 Prospects. Financial projections and the assumptions on which they are based are presented in Annex 4. These projections assume the assistance of this credit and a concomitant expansion in BDRN's development activities. It is assumed that, reflecting the relative importance of commercial and development activities, BDRN will allocate 80% of annual cash from operations to finance the growth of its commercial activities. BDRN's pipeline of industrial projects (Annex 6) consists of over thirty projects requiring more than $18.5 million in financing through 1981. The great majority of these projects are in early stages of identification or study, but several would qualify as small and medium-scale investments under the project including textile projects, a tannery, brickmaking factories and various projects to process local agricultural and livestock products. In addition, BDRN typically finances at least twenty very small-scale and artisan projects each year with an average credit of $25,000. BDRN has experienced some tightness in its term resources in recent years and has depended on the revolving funds from its Conseil de l'Entente lines of credit to finance its small-scale enterprise loans. The availability of increased resources will permit an expansion in development operations which would be further facilitated by improvement in BDRN's technical assistance capabilities. In order to finance the proposed lending program, BDRN will have to mobilize about CFAF3.5 billion ($14 million) in term resources in the 1978-81 period in addition to the proposed IDA line of credit and the credit from the ADB. Most of these additional resources will be provided from amortization of BDRN's existing term portfolio and a small percentage of available cash from operations.

2.28 BDRN's financial position is expected to remain sound in the forecast period. The rapid growth in reserves and retained earnings permits its long-term debt/equity ratio to remain comfortably below the limit of 3.5:1 imposed for this credit. Debt service coverage and liquidity remain satisfactory throughout. General provisions will be maintained at 5% of outstanding, non-guaranteed, credits, with additional specific provisions of CFAF300 million per year. Profitability improves impressively, averaging over 20% on average equity, primarily due to the profitability of commercial operations.

The Artisan Center of the National Museum of Niger

2.29 The National Museum of Niger was founded in 1959 by a Spaniard as an exhibition of Nigerien history, costumes and crafts. The Museum, generally considered to be the major cultural institution in Niger and one of the most distinguished in West Africa, is under the supervision of the Ministry of Youth, Sport and Culture which has sought for several years to establish museum branches in Niger's secondary cities. In addition to the several exhibition pavillions and a zoo, the Museum comprises an education center, a secretariat, and an artisan center. Since 1974, the Museum has been directed by a Nigerien, assisted by a staff of more than 57 full-time and 20 part-time Nigeriens, plus several young expatriates from CIDA, the U.S. Peace Corps and France. The management of the Museum includes a deputy curator, with general supervisory responsibilities including the Artisan Center, and an expatriate technical adviser, responsible for education activities. Both report to the Director. The Museum is supported by an annual Government budget allocation.

2.30 The Artisan Center. In 1967, the Artisan Center of the Museum was established as a living exhibition of Nigerien crafts, including leather, jewelry and metalwork, textiles and ceramics. The more than 160 craftsmen affiliated with the Museum have since 1977 been organized as a self-governing cooperative; 100 of these craftsmen work on the Museum grounds, the others in Maradi, Zinder and Agadez. Through the Artisan Center the Museum seeks to promote quality artisanship and artisan employment while preserving traditional techniques and culture. It is generally accepted that the artisans affiliated with the Museum are among the best in Niger. The Artisan Center is therefore the most appropriate instrument through which to channel assistance for this sub-sector. Present Artisan Center management is provided by a small untrained staff, financed by the Artisans cooperative affiliated with the Museum. Although the Center's facilities were contributed by the Government, the Center itself is largely self-financing.

2.31 The Center provides a large but rough workshop on its grounds for its affiliated artisans; the lack of more modern facilities has inhibited craftsmen productivity. The Center also advances funds for bulk purchases of leather from SONITAN, Niger's only operating tannery. The Center's funds have not been adequate to allow the purchase of first quality skins and the poor quality of the materials obtained has diminished the value of the artisans work. Client deposits against special orders are the craftsmen's only other source of working capital. As a result, little inventory is maintained, most sales are by special order and, therefore, goods are produced only in small quantities preventing any economies of scale in use of raw materials or production methods. Craftsmen make their own arrangements for credit, tools, production, design and supply of raw materials other than leather. The quality of these raw materials has deteriorated significantly, especially silver. Tools are rough, traditional and not in adequate supply. There is no organized apprenticeship program and little sharing of skills among the artisans. Finished work tends to be of uneven quality and recently has declined. Prices have increased significantly, reflecting the absence of effective cost controls. The artisans have little awareness of market requirements.

2.32 Sales. The majority of artistic artisan products are sold through the Museum shop. These commercial operations are not well organized and will need improvement. After a rapid increase in sales at the Museum shop until 1972, when exports, including sales at international fairs, accounted for more than a quarter of total turnover, sales have remained fairly stable at about CFAF40 million while exports fell to below 3% of the total. Several factors appear to have had a major influence on this decline. First, product quality did not meet the expectations of many clients who placed special orders. In addition, the craftsmen lack the means, in working capital, equipment or raw materials, to maintain or expand production. Further, the standardization and quality control necessary for sizable export sales cannot be achieved under the existing system.

2.33 Prospects. The Government and the Museum Director have now requested IDA assistance in expanding and improving the operations of the Artisan Center, including the development of an export market, as a parallel activity to the Museum's continuing efforts to preserve Niger's traditional crafts and techniques. Preliminary market tests of typical Artisan Center products in Europe have indicated a sizable potential demand for these goods, especially leather goods, if a large and stable supply of high quality goods can be assured, and if cost controls are instituted to assure product competitiveness in these markets. Leatherwork, which utilizes indigenous materials, offers particularly attractive potential for development, as most hides and skins are now exported unfinished. To meet these requirements, artisan employment must increase and improvements will be required in their materials, facilities, training and production methods. Artisan Center operations would need considerable modification and expansion. Close coordination will be required between marketing and production programs. The proposed project will help build the Artisan Center into a commercially viable operation offering employment to a substantial number of artisans at a relatively low cost.

III. THE PROJECT

Objectives

3.01 The need for an employment creation project for small- and medium-scale enterprises in Niger was first identified by a reconnaissance mission in February, 1977. Concurrently, consultants reported optimistic results to preliminary tests of Artisan Center products in European markets. A preparation mission in June 1977 studied the development prospects and assistance needs of small- and medium-scale industry and the activities of the development bank and the Artisan Center. This report sets out the findings of the appraisal mission which visited Niger in November 1977 and recommends an IDA credit of US$5 million for technical and financial assistance.

3.02 The primary purpose of this project is to promote employment creation in Niger's industrial sector while strengthening the sector's institutional infrastructure through the provision of technical and financial assistance and proposed improvements in industrial policies. Toward these ends, an IDA credit of US$5 million is proposed to finance a project to be implemented over a 3-year period, 1979 through 1981, and consisting of three main components:

(1) a credit of US$3.60 million for BDRN, of which a line of credit of US$3.25 million would finance relatively labor-intensive small- and medium-scale enterprises, the balance of the credit providing technical assistance and training programs to upgrade BDRN's Development Department. In addition, US$100,000 will be passed through the Government for assistance to the Ecole Nationale d'Administration (ENA) of Niger in the development of a Bank Management Training Program;

(2) financial and technical assistance in the amount of US$0.5 million for the establishment of an Office de Promotion de l'Entreprise Nigerienne (OPEN), in cooperation with UNDP.

(3) financial and technical assistance for a total of US$800,000 to the Artisan Center of the National Museum.

3.03 Funds allocated for each of the above components are as follows:

BDRN:	Line of Credit	US$3,250,000
	Technical Assistance and Training	350,000
	Training (through ENA)	100,000
	Sub-Total	US$3,700,000
OPEN:	Technical Assistance and Training	US$ 320,000
	Furniture, Vehicles and Equipment	140,000
	Installation Costs	40,000
	Sub-Total	US$ 500,000
Artisan Center:	Technical Assistance	US$ 260,000
	Facilities, Equipment and Vehicles	440,000
	Revolving Fund for Working Capital	US$ 100,000
	Sub-Total	US$ 800,000
	Total	US$5,000,000

Main Features

Support for BDRN

3.04 Line of Credit. The US$3.25 million line of credit to BDRN will provide medium- and long-term financing for fixed investment and permanent working capital in sound small- and medium-scale labor-intensive projects. At least forty percent of the line of credit will be reserved for projects having an investment cost per job of US$5,000 or less per job. Such projects are expected to assist small-scale enterprises, defined as having total fixed assets below CFAF 30 million (US$125,000); however, as the primary objective of these criteria is employment creation, larger enterprises which satisfy the cost per job requirement will be eligible for assistance under this segment. All projects which exceed the cost per job limit of $5,000 will be considered for financing under the balance of the line of credit to give IDA maximum opportunity to comment upon major BDRN investments. IDA review will emphasize economic justification and capital efficiency of the investment. Such projects are expected to assist medium size enterprises, with a target size below CFAF 300 million in fixed assets and a target ceiling on cost per job created at $15,000. It is expected that the review process and criteria will encourage significant reductions in the capital intensity of typical BDRN projects. Several projects in BDRN's present pipeline would be acceptable for financing under this credit, including textile, brickmaking and agricultural and livestock processing enterprises. BDRN will be authorized to finance through both loan and equity investment up to 90% of the total cost of projects financed under the small-scale segment of the line of credit; IDA will refinance the entire amount of such investments, including local costs which are expected to represent 22% of the financing. For the projects above the $5,000 per job ceiling, BDRN will be authorized to finance up to 75% of total project costs; IDA will refinance total direct and indirect foreign exchange costs of these projects up to 70% of total project cost or the amount of BDRN's investment, if smaller. The terms of BDRN's subloans will be flexible with a maximum of fifteen years and a minimum of three years; terms are expected to average seven years with two years of grace. The on-lending rate for all subloans will be 11%. For small-scale loans subject to the Central Bank's ceiling of 8.5% on interest rates, BDRN will be compensated for the 2.5% difference in interest rates by a Government interest subsidy. A free limit will apply to all projects under $100,000 financed under the small-scale segment of the line of credit, after the first five such projects have been approved, up to an aggregate amount of US$750,000.

3.05 Based on the present pipeline and past lending patterns, the line of credit should assist at least 40 projects, as shown in Table 3 below:

Table 3: SUBPROJECT FINANCING PLAN

	Medium-Scale Investments (CFAF) million)	(US$ thousand)	%	Small-Scale Investments (CFAF million)	(US$ thousand)	%
Average total investment	136.5	557.0	100	10.5	42.5	100
Average BDRN investment	102.0	417.0	75	9.0	37.1	87
of which IDA	(95.5)	(390.0)	(70)	(9.0)	(37.1)	(87)
Contribution of entrepreneurs and other sources	34.5	140.0	25	1.5	5.4	13
Number of Subprojects expected	5			35		
Total cost of Sub-projects	680.0	2,785		365.0	1,485	
Of which: IDA	(478)	(1,950.0)	70	(318.5)	(1,300.0)	(87)

3.06 Technical Assistance. In order to strengthen BDRN's development operations, US$265,000 has been allocated to finance four man-years of technical assistance to BDRN: two man-years for a senior adviser to the Development Director and two man-years for an economist/financial analyst for the Development Department. The senior adviser would be responsible for improving the quality of project appraisal and supervision and management of term resources, through the development of improved operating guidelines and procedures, staff supervision, and the organization and supervision of staff training programs. The economist/financial analyst would advise on the economic and financial aspects of project appraisal and implementation, provide technical assistance to BDRN clients and train a counterpart to assume these functions. Assurances have been received that adequate professional staff will be made available to BDRN to support its operations. Local costs for housing, domestic travel and support services for the experts would be met by BDRN.

3.07 Training. US$85,000 has been allocated in the BDRN credit to finance various programs of advanced and specialized training for BDRN staff. US$70,000 of this amount will be allocated to the costs of tuition, currently CFAF 650,000 (US$2,650) per student per year, for 24 student-years in the ENA bank management program. 1/ BDRN will assume all other costs of these students,

1/ 24 student-years in the three-year Bank management program = 4 students in year 1, 8 students in year 2 (4 old plus 4 new) and 12 students in year 3 (8 old plus 4 new).

including the maintenance of salary for present employees being upgraded or typical subsistence requirements for other students sponsored by BDRN. The remaining US$15,000 will finance a program of part-time courses and seminars in bank management and development finance, and participation in training programs sponsored by regional development organizations and by institutions such as EDI. The senior adviser will be responsible for developing this program in coordination with BDRN's Director.

3.08 ENA Training Program. The Ecole Nationale d'Administration (ENA), a UNDP project, is Niger's only institution providing training in public administration, social sciences and business. Instruction is provided at elementary, intermediate (baccalaureate) and advanced (university) levels. The first advanced program in management is scheduled to begin in fall, 1978 as a three-year program offering specialization in various aspects of administration and finance. It has been agreed that a specialization in bank management will be included in this program, for which Niger's six financial institutions will be allowed to nominate candidates and for which IDA will allocate $100,000 under the project to assist ENA in curriculum design and instruction. Of this total, US$25,000 is allocated for three to four months of short-term consultancy to design this program; an additional US$65,000 is allocated to finance one man-year of a full-time senior faculty member to direct the first year of implementation of the Banking Course in 1980-81, the third and most advanced year of the management program. The Government will assume all local costs for housing, domestic travel and support services for these experts. Finally, an additional $10,000 is allocated for materials and equipment needed for this program.

3.09 Onlending Terms and Conditions. The US$3.60 million to support BDRN's activities would be on-lent to BDRN by the Government at the current Bank lending rate and a term of fifteen years and three years of grace. The amortization of the BDRN line of credit would be in equal, semi-annual payments of principal and interest. BDRN is expected to roll-over the funds once for medium projects, perhaps twice for small projects. A fixed amortization schedule is justified to ease for the Government the burden of amortization schedule readjustment and to provide BDRN with increased term resources. The Bank's standard commitment fee of 3/4 of 1% would apply. The foreign exchange risk on the credit to BDRN would be assumed by the Government for a fee of .5%, to be passed on to BDRN's clients. Signing of a Subsidiary Loan Agreement between BDRN and the Government which specifies these on-lending conditions will be a condition of effectiveness of this Credit. BDRN's debt/equity ratio would be limited to 3.5:1 for long-term debt (over one year). BDRN will on-lend IDA funds to subprojects at an interest rate of 11%, plus the fee for assumption of foreign exchange risk. For those loans subject to BCEAO's interest ceiling for SSE, the Government would provide an interest subsidy to assure BDRN adequate margin on these operations.

3.10 Under the project, BDRN will be required to undergo an annual independent audit of its accounts, by auditors acceptable to IDA, beginning the year ending September 1978. Appointment of technical assistance staff and of Nigerien counterparts is required within 6 months of the date of signature of the credit.

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3.11 Conditions of ENA Financing. Formal agreement to establish the Banking Management Program at ENA by the Ministry of Public Service, ENA's supervising ministry, is a condition of disbursement of this component. It is recommended that a qualified faculty member of ENA be invited to participate in an EDI project evaluation course.

Support for the Office de Promotion de l'Enterprise Nigerienne (OPEN)

3.12 A total of $500,000 is to be allocated from the credit to help establish, in cooperation with UNDP, an Office de Promotion de l'Enterprise Nigerienne (OPEN). This office will (i) promote new enterprises and investments, through project identification, entrepreneur development and project packaging; (ii) provide technical assistance to both new and ongoing enterprises; (iii) study and prepare projects for Bank financing; (iv) provide or sponsor training in management, basic business skills and technical skills in cooperation with BDRN. OPEN will also be responsible for administration of the proposed guarantee and equity participation funds, in cooperation with BDRN. OPEN may also eventually administer a program of common services to small enterprises, such as technical service centers, workshops and raw material bulk purchase schemes. OPEN and BDRN will share engineering and technical staffs. Common evaluation standards and procedures will be developed between OPEN and BDRN's Development Department to ensure coordinated project development. The Director of BDRN will become a member of OPEN's Board and management committee, both to be chaired by the Minister of Economic Affairs, Industry and Commerce. Initial Nigerien staff of the OPEN will include six Nigerien professionals, including the Director, and six support staff. OPEN would receive an annual budget allocation from the Government and an annual personnel allocation of both experienced staff and young graduates.

3.13 Technical Assistance and Training. Five expatriate advisors, equivalent to fifteen man-years of assistance, would be financed under this project: four advisors under a UNDP program, for an estimated cost of US$1.1 million, to be executed to UNIDO, and one, the senior advisor, to be financed from the proposed IDA credit, at an estimated cost of $250,000 for three manyears. The senior advisor would be responsible for advising the Director of OPEN on all aspects of the agency's development and operations, including project preparation and appraisal procedures in cooperation with BDRN, the development of technical assistance and training services and the administration of common services programs. The UNDP-financed advisors would include an engineer (to be shared with BDRN), responsible for technical supervision and appraisal of projects, a project economist and a financial analyst, both to advise on project studies and technical assistance, and a training advisor, to organize and supervise OPEN's training services. All advisors will be required to train Nigerien counterparts. $70,000 is to be allocated from the credit to finance a program of 12 seminars for Nigerien entrepreneurs and managers in management and business skills.

3.14 Furniture, Equipment, Vehicles and Installation Costs. The IDA credit will finance the rehabilitation and furnishing of appropriate office and training facilities, housing furnishings for the five advisors and the purchase and maintenance of four vehicles for the OPEN, up to a total cost of $180,000 including local costs and contingencies, of which $40,000 represents a contribution to recurrent costs for the three year project period.

3.15 Terms and Conditions. The Nigerien Government will provide the balance of the local operating costs of OPEN including remaining local costs of technical assistance and the provision of local staff, for a total cost of $650,000 for three years. The draft statutes establishing OPEN have been reviewed and found acceptable by the Association. Confirmation of a global financing plan, including UNDP participation, for the Office is a condition of disbursement of this component. Appointment of technical advisors and their counterparts, including a qualified Nigerien Director for the OPEN, are required within six months of the signature of the credit.

Support to the Artisan Center

3.16 A total of $800,000 is to be allocated to support the Artisan Center of the National Museum of Niger to improve artisan employment and productivity in the leather work subsector to serve the export market. The Artisan Center will be established as an independent entity in coordination with the Museum but under the supervision of the Ministry of Economic Affairs, Industry and Commerce. Within the Artisan Center, new training, production, raw material purchasing and marketing sections will be established, and commercial services will be reorganized and modernized. Satellite centers will be established in Agadez, Zinder and Maradi, the main regional artisan locations, to supplement the Museum's services in Niamey. The component will be directed by a Nigerien, serving as Director of the Artisan Center. The managers of the satellite centers will report to the Director of the Artisan Center.

3.17 Construction, Equipment and Vehicles: The IDA credit will finance the construction of training, workshop and warehouse centers in the four cities, as well as equipment and vehicles for the centers, up to a total cost of $440,000, including local costs and contingencies.

3.18 Credit-in-kind. $100,000 from the proceeds of the credit will be allocated to finance the establishment by the Artisan Center of a permanent revolving fund of $100,000 to provide credit in-kind loans for raw materials, small equipment and other supplies for artisans affiliated with the Center. Borrowers will be required to contribute 10% of the total financing from their own resources. The average loan size is expected to be $2,500 and loans would range from a few dollars (working capital) to a maximum of $10,000 for artisanal cooperatives and $2,000 for individual artisans to finance small equipment. Credit terms will be flexible depending on the nature of the investment, with grace periods from 6 months to 18 months and terms ranging from two years to 8 years with an interest rate of 8.5%, in conformity with BCEAO guidelines on credit to SSE. The average term is expected to be 3 years with 12 months grace. IDA will review with the Center semi-annually their forecasts of credit operation and records of recent operation.

3.19 Technical Assistance. Under the project, $225,000 has been allocated for seven man-years of technical assistance. Of this, $70,000 represents the cost for two man-years of a senior adviser to the Director of the Artisan Center, $50,000 represents the cost of two man-years for a training adviser and US$105,000 the cost of three man-years for experienced leatherworkers to supervise production at the four centers. The Senior Adviser will be responsible for proposing production, credit, supply and inventory systems, re-organizing commercial operations and establishing an efficient system of accounts and reporting. In addition, US$35,000 is allocated for about 6 man-months of short-term assistance in marketing and design. Since coordination between production and marketing is essential to the success of this venture, these services should all be combined into one contract, to be awarded on terms and conditions acceptable to IDA. The firm selected should be required to commit itself to the purchase of a substantial share of the items produced to its marketing specifications at mutually agreed terms, as a guarantee of its marketing assistance. Signature of this technical services contract is required within six months of the date of signature of this Credit.

3.20 Terms and Conditions. The Nigerien Government has agreed to meet the local costs of technical assistance and consultancy, estimated at $90,000 over the two year period, and to cover the Center's annual operating costs for at least the first two years of this program, for an estimated $110,000 per year. Appointment of a Nigerien Director for the Center qualified to direct this component and of qualified counterparts to the technical advisors is required within six months of the date of signature of this Credit.

3.21 Forecasts of artisan center operation (Annex 7), based on available market data and assuming the improvement of facilities, materials and financing as well as the assistance described above, indicate that within 2.5 years, 370 additional artisans may be supported by the Artisan Center at investment per job created of about $1,500. By 1982, the Center is expected to become a self-sustaining commercial operation.

Project Costs and Financing

3.22 Total project costs are estimated to be US$8.1 million, including US$.15 million in taxes. The foreign component would be US$5.4 million or 68% of net project costs. The Bank Group's share in project financing would be US$5.0 million or 63% of net project costs, covering US$4.3 million of the foreign cost component as well as US$700,000 towards local costs. For the credit components, local entrepreneurs and artisans and BDRN would contribute to local costs. For the technical assistance components, the Government and BDRN would meet the balance of local costs not covered by the IDA credit, and UNDP would finance US$1.1 million in foreign costs. It is estimated that IDA's contribution towards local costs of US$700,000, amounting to 14% of the credit, would include $280,000 for BDRN loans to small-scale subborrowers, $50,000 for credit-in-kind to artisans, $210,000 for construction, equipment and vehicles for the Artisan Center, $85,000 for furniture, equipment, vehicles and installation costs for OPEN and $75,000 to support BDRN participation in ENA's Bank management program and other training programs. The

Government's total contribution to local costs will amount to $870,000, including $650,000 for OPEN and $220,000 for the Artisan Center. This amount represents about $320,000 in recurrent costs for each of the first two years of the project and $230,000 for the third year.

3.23 Project costs and the proposed financing arrangements are summarized in Table 4.

Implementation

3.24 Monitoring. BDRN, OPEN and the Artisan Center would be required to submit to IDA regular operational and financial reports. For BDRN, these requirements cover normal DFC information, including semi-annual financial statements, arrears and resource positions, operations (approvals, commitments and disbursement as well as employment creation and investment data), training activities and annual reports and audits. OPEN would submit semi-annual statements describing its promotion, technical assistance and project preparation activities and the operations of the guarantee and equity funds. The Artisan Center would be required to send quarterly operation statements (employment, production) and financial statements starting January 1979.

3.25 Technical Assistance. The qualifications, terms and conditions of employment of advisors under the project would be subject to IDA approval. Provision has been made to finance a total of 27 man-years of full-time advisors under the project, of which 15 man-years would be financed from the IDA credit and 12 man-years from UNDP funds, and nine man-months of short-term advisors for training and for artisan products marketing. The average cost of advisors and consultants is expected to be equivalent to US$3,000 per man-month for the artisans component and US$6,000 per man-month for BDRN, OPEN and ENA.

3.26 Procurement. The purchase of equipment and goods under the project is not suitable for international competitive bidding, given the small-size and the nature of most of the sub-projects to be financed and goods to be procured. BDRN will follow standard DFC procurement procedures. OPEN and the Artisan Center are expected to follow local competitive bidding procedures, which are acceptable to IDA, to ensure that goods and services are suitable and reasonably priced.

3.27 Disbursement. Disbursement of the entire credit will be managed by BDRN. For disbursement of the line of credit, BDRN would follow regular DFC procedures. To simplify management of the credit-in-kind fund, the Artisan Center would submit through BDRN periodic claims for reimbursement of funds, retaining more detailed documentation on credit allocated for review by IDA during supervision missions.

3.28 The non-credit proceeds of the IDA credit would be disbursed as follows:

(a) 100% of equivalent remuneration for expert services ($875,000);

Table 4

Project Cost Estimates

	CFAF Million				US$ Thousand			
	Taxes	Local	Foreign	Total	Taxes	Local	Foreign	Total
Credit								
Artisan Center	2.00	11.00	14.00	27.00	10.00	50.00	50.00	110.00
Small-Scale (BDRN)	-	110.00	255.00	365.00	-	445.00	1,040.00	1,485.00
Medium-Scale (BDRN)	-	205.00	475.00	680.00	-	835.00	1,950.00	2,785.00
	2.00	326.00	744.00	1,072.00	10.00	1,330.00	3,040.00	4,380.00
Direct Investment								
Artisan Center								
Construction	-	33.00	23.00	56.00	-	135.00	95.00	230.00
Equipment	-	13.00	26.00	39.00	-	55.00	105.00	150.00
Vehicles	-	4.00	9.00	13.00	-	20.00	30.00	50.00
	-	50.00	58.00	108.00	-	210.00	230.00	440.00
OPEN								
Equipment and Furniture	-	-	24.90	24.90	-	30.00	75.00	105.00
Vehicles	-	-	7.70	7.70	-	10.00	20.00	30.00
Building Rehabilitation	-	1.10	1.10	1.10	-	5.00	-	5.00
	-	1.10	32.60	33.70	-	45.00	95.00	140.00
Technical Assistance, Training, Operating Expenses								
ENA								
Expatriate salaries	-	-	22.00	22.00	-	-	90.00	90.00
Equipment and materials	-	-	2.00	2.00	-	-	10.00	10.00
Operating expenses	2.00	3.00	-	5.00	5.00	15.00	-	20.00
	2.00	3.00	24.00	29.00	5.00	15.00	100.00	120.00
BDRN								
Expatriate salaries	-	-	64.90	64.90	-	-	265.00	265.00
Operating expenses	6.00	9.00	-	15.00	20.00	40.00	-	60.00
Training services	-	-	3.70	3.70	-	5.00	10.00	15.00
Tuition	-	17.20	-	17.20	-	70.00	-	70.00
	6.00	26.20	68.60	100.80	20.00	115.00	275.00	410.00
OPEN								
Expatriate Salaries	-	-	330.30	330.30	-	-	1,350.00	1,350.00
Operating Expenses	24.50	117.50	3.20	145.20	100.00	575.00	15.00	690.00
Training Courses	-	-	15.00	15.00	-	-	70.00	70.00
	24.50	117.50	348.50	490.50	100.00	575.00	1,435.00	2,110.00
Artisan Center								
Expatriate salaries	-	-	64.00	64.00	-	-	260.00	260.00
Operating Expenses	5.00	44.00	-	49.00	20.00	180.00	-	200.00
	5.00	44.00	64.00	113.00	20.00	180.00	260.00	460.00
TOTAL	39.50	567.80	1,339.70	1,947.00	[illegible]	2,470.00	5,435.00	8,060.00

Proposed Financing (US$ M.)

	IDA	BDRN	Government: Artisan Center	Government: OPEN	Government: ENA	Other Local Sources and Entrepreneurs	UNDP	Total
Credit								
Artisans	0.100	-	-	-	-	0.010	-	0.110
Small Scale	1.300	-	-	-	-	0.185	-	1.485
Medium Scale	1.950	0.135	-	-	-	0.700	-	2.785
	3.350	0.135	-	-	-	0.895	-	4.780
Construction, Supplies, Equipment								
Artisan Center	0.440		-	-	-	-	-	0.440
OPEN	0.250	-	-	-	-		-	0.250
Technical Assistance, Training, Operating Expenses								
BDRN	0.350	0.060	-	-	-	-	-	0.460
ENA	0.100	-	-	-	0.020	-	-	0.120
OPEN	0.360	-	-	0.650	-	-	1.100	2.110
Artisan Center	0.260	-	0.200	-	-	-	-	0.460
Total	5.000	0.195	0.200	0.650	0.020	0.895	1.100	8.060
%	62.0	2.4	2.4	8.0	0.2	11.1	13.6	100

(b) 100% of foreign or local expenditures for equipment, vehicles and construction for the Artisan Center ($440,000);

(c) 100% of the costs of training programs for BDRN staff ($85,000) and for OPEN ($70,000);

(d) 100% of the costs of furniture, equipment, vehicles and installation for OPEN ($180,000).

A schedule of estimated disbursements is in Annex 7. Disbursements will be fully documented.

Benefits and Justification

3.29 The long-run potential for the development of Niger's industrial sector, while modest, seems reasonably hopeful, given the stimuli of an improving domestic economy, growing investment surpluses from uranium production and the expanding trade with Nigeria. The primary purpose of the proposed project is to assist Government in focusing this development on creation of employment opportunities for the growing numbers of urban unemployed by introducing significant changes in Government's industrial policies, by assisting in the establishment of a promotion and technical assistance agency for small Nigerien enterprises, OPEN, and by strengthening BDRN, the primary intermediary for the promotion of industrial development in Niger. By upgrading BDRN's staff quality and capability, improving internal organization and financial control, project appraisal and other operational policies, the project would contribute to better designed, more efficient and more viable projects with increased labor intensity. Assistance to OPEN will encourage the efficient development of small and artisan enterprises, the most labor intensive employers in the industrial sector. Under the proposed line of credit we expect to create employment for more than 500 persons at an average cost per job of about US$6,000, which represents a major improvement in the capital efficiency of Niger's industrial sector. By encouraging Niger's small entrepreneurs, through improved access to financing and technical assistance, the project will provide a sound basis for future expansion of the sector and thus increase the potential for project replicability.

3.30 By strengthening the Artisan Center, artisan employment and productivity will increase, helping the poorer segments of the urban population. The development of regional centers will extend this assistance to less developed urban areas. The proposed assistance to the Artisan Center will create employment for 370 persons, at an average cost of about US$1,500. The economic rate of return on this component is expected to exceed 30%. Assuming that Artisan Center products maintain expected quality and cost standards, and that external markets expand as suggested in preliminary market tests, still further increases in artisan employment and development of additional regional centers should be possible in successive projects. Such expansion of employment should be possible without further external technical assistance, as Nigeriens will be trained in this project to assume all the functions of the proposed foreign advisors.

Risks

3.31 Given the historic capital intensity of BDRN projects, there is some risk that BDRN would encounter difficulty in identifying a sufficient number of projects meeting the investment per job created criterion for the IDA credit. For this reason, an engineering adviser to be shared by OPEN and BDRN will be provided under the project to improve project design and encourage the use of more labor-intensive technologies in their projects. There would be some risk that the employment creation target in the artisans component might not be achieved if the export market does not develop sufficiently quickly to support the added employment or if the needed improvements in product finishing and quality are not realized rapidly and consistently. Market and product studies suggest that the present targets are realistic. However, to minimize this risk, we are requiring that the firm providing technical and marketing assistance to the artisans also guarantee the purchase of a reasonable quantity of products produced to its specifications.

IV. RECOMMENDATIONS

4.01 An IDA credit of US$5 million is recommended. BDRN would be the recipient of a US$3.60 million credit on-lent by the Government of standard bank terms with a fixed term of fifteen years including three years of grace on principal repayments. Of the remaining US$1.4 million, $100,000 would benefit ENA, $500,000 would benefit the OPEN, and $800,000 would benefit the Artisan Center.

4.02 The only condition of credit effectiveness is the signing of the subsidiary loan agreement between BDRN and the Government.

4.03 A condition of disbursement of the OPEN component is the confirmation of a global financing program including the UNDP contribution. A condition of disbursement for the ENA component is the formal authorization of the Bank management training program.

4.04 Appointment of technical advisors and their counterparts for all project components, including the Director of the Artisan Center, is required within six months of the signature of the credit, with the exception of ENA's faculty member for the Banking Program who need not assume his duties until summer 1981.

4.05 With the above conditions fulfilled, the proposed project would be suitable for a credit of US$5 million.

N I G E R

BDRN
AFRICAN ENTREPRISE PROGRAM PORTFOLIO
AS OF SEPTEMBER 30, 1977
(in CFAF Millions)

NAME 1/	SECTOR	LOCATION	TYPE	DATE OF APPROVAL	TOTAL INVESTMENT	BDRN LOAN	DURATION (GRACE PERIOD)	INTEREST RATE	NUMBER JOBS CREATED 2/	FIXED INVESTMENT PER JOB $
Salou Marouna	Chicken Farming	Niamey	New	1974	0.55	0.5	18	6.33	2	510
Akassa Manzo	Plumbing	Niamey	New	1974	1.0	1	12	6.33	6	696
Abdoulaye Moumouni	Cold Storage	Niamey	New	1974	0.6	0.6	12 (3)	6.33	4	385
Soumaila Nahassa	Food	Dosso	New	1974	3.0	3.0	15 (3)	6.33	1	6,250
Lawali Katiella	Gazoline Retailer	Diffa	New	1974	1.7	1.1	18 (6)	6.33	1	-
Boubacan Ali	Garage	Niamey	New	1974	2.0	2.0	26	6.33	7	771
SOPAC	Paper	Niamey	New	1974	67.0	27.5	48	6.33	14	11,754
Abdou Sidikou	Tourism	Niamey	Extension	1974	9.5	5.0	84 (12)	6.33	8	4,904
Conconiger	Agroindustry	Maradi	New	1974	10.5	5.5	84 (12)	6.33	8	2,904
Amadou Oumarou	Shoes	Niamey	New	1974	21.3	10.0	66 (6)	6.33	36	1,775
Sonitram	Mechanical	Maradi	New	1974	3.2	2.0	30 (6)	6.33	6	1,529
Geuba Seyhou	Ice	Niamey	New	1974	7.3	5.5	46 (6)	6.33	7	4,071
Diermbeidou Bijah	Animal Farming	Niamey	New	1974	2.3	1.0	32 (12)	6.33	1	5,645
Mamardou Djibo	Wood Industry	Niamey	New	1974	16.4	8.0	72 (6)	6.33	17	2,867
Lawali Dens	Tourism	Maradi	New	1974	4.2	2.5	48 (6)	6.33	6	2,912
Le Bihen Louis	Garage	Maradi	New	1974	2.6	2.6	30 (4)	6.33	8	963
Sonibrique	Construction	Maradi	New	1974	86.0	86.0	96 (12)	6.33	54	5,633
Abba Moussa	Garage	Zinder	New	1974	6.6	4.1	30	6.33	8	3,070
Yercoulnu Assarne Assane	Construction	Niamey	New	1974	1.5	1.5	27 (3)	6.33	11	266
Mounkeyha Souna	Agroindustry	Niamey	New	1974	1.0	0.8	30 (6)	6.33	2	2,083
Abouhacou Sanda	Breeze Block Making	Zinder	New	1974	2.0	2.0	28 (4)	6.33	15	446
Amadou N'Diagne	Mechanical	Niamey	New	1974	1.8	1.8	27 (3)	6.33	9	383
SNFE	Mechanical	Niamey	New	1974	8.7	6.0	30 (6)	6.33	6	2,608
Ferriwata Abaza	Transport	Niamey	New	1974	1.6	0.8	26 (2)	6.33	2	3,333
Ibrahim Tri	Mechanical	Niamey	Extension	1974	1.8	1.5	63 (24)	6.33	6	1,167
Issoufou Oumarou	Electrification	Niamey	New	1975	0.2	0.2	15 (3)	6.33	3	279
Mariga Amadou	Cold Storage	Niamey	New	1975	0.7	0.5	26 (4)	6.33	4	723
Sahou Henouna	Chicken Farming	Niamey	New	1975	1.8	1.3	34 (14)	6.33	2	1,906
Herdjia Sabwa	Commerce	Niamey	New	1975	1.0	1.0	12	6.33	1	-
Badie Kimba	Tourism	Tillabery	New	1975	0.4	0.2	5	6.33	5	312
Boukary Soumana	Cereal processing	Trodi	New	1975	0.8	0.5	11 (1)	6.33	2	1,666
Kalilou Seybou	Tourism	Niamey	New	1975	1.1	0.6	12	6.33	8	545
Lawali Katieha	Tourism	Diffa	Extension	1975	0.6	0.5	12 (2)	6.33	5	208
Moussa Ousseini	Metal Working	Niamey	New	1975	0.5	0.4	18 (3)	6.33	3	-
Moussa Halidou	Metal Working	Niamey	New	1975	0.6	0.6	18 (3)	8.0	11	38
Adamou Abdou	Chicken Farming	Niamey	New	1975	0.8	6.0	18	8.0	6	4,260
Lawali Dan Azoumi	Transport	Zinder	New	1975	58.6	14.6	48 (6)	6.33	12	19,336
Sonifrie	Cold Storage	Niamey	New	1975	6.9	3.0	48 (6)	6.33	7	8,212
Sani Genba	Agroindustry	Agadez	New	1975	0.9	0.7	24	6.33	2	1,927
Marazov Dan Koulou	Wood Industry	Maradi	New	1975	2.8	2.0	51 (3)	8.0	4	2,954
Hamidou Abdou	Sport	Niamey	New	1975	3.5	2.9	51 (3)	6.33	4	3,646
Oumarou Ide	Transport	Niamey	New	1975	1.4	1.0	36 (3)	8.0	4	1,458
Inoussa Mahamane	Chemicals	Niamey	New	1975	2.1	1.7	33 (3)	8.0	7	775
Adda Bidi	Agriculture	Niamey	New	1975	1.0	1.0	22 (2)	8.0	1	2,562
Adamou Algina	Textile Confection	Niamey	Extension	1975	0.5	0.5	24	8.0	2	1,041
Baoua Maigvizo	Wood	Tassaoua	New	1975	1.7	1.5	36	8.0	4	1,354
Daouda Bouzeima	Mechanical	Niamey	New	1976	6.5	4.0	40 (4)	8.0	7	-
Rafiou Manafa	Construction	Niamey	New	1976	1.3	1.0	24	8.0	4	770
Ali Diarouneye	Breeze Block Making	Niamey	New	1976	23.1	8.8	48	8.0	17	-
Moustapha Bachar	Agroindustry	Zinder	New	1976	1.0	1.1	30 (3)	8.0	2	-
Alkessoun Diallo	Garage	Zinder	New	1976	3.2	3.2	28 (4)	8.0	16	-
Soumaiha Ahanba	Textile Confection	Zinder	New	1976	1.1	0.7	18 (4)	8.0	4	-
Tini Nouhou	Commerce	Karma	New	1976	1.4	1.0	27 (3)	8.0	2	-
Engenica	Construction	Zinder	New	1976	21.0	9.5	66 (6)	8.0	8	-
Grande Miroiterie	Mirrors	Niamey	New	1976	15.0	8.0	48 (2)	8.0	6	-
Rabiou Dalla	Tourism	Tessaoua	New	1976	13.0	7.8	48 (12)	8.0	6	-
Abba Moussa	Textile Confection	Niamey	New	1976	1.4	0.8	26 (2)	8.0	3	-
Diermbeidouh Bigah	Chicken Farming	Niamey	Extension	1976	3.4	1.1	24 (3)	8.0	3	-
Kelessi Tahirou	Lawyer	Niamey	New	1976	7.8	7.8	84 (12)	8.0	2	-
Zakou Souna	Agroindustry	Niamey	New	1976	0.5	0.5	20 (2)	8.0	2	-
Amarrissa	Construction	Zinder	New	1976	18.0	12.0	48 (12)	9.75	6	-
Hawa Doumbia	Tourism	Niamey	New	1976	5.6	4.0	37 (7)	9.75	11	-
Agoun Djiho Ino	Chemicals	Niamey	New	1976	61.0	4.0	50 (6)	8.0	10	-
Ets. Lako	College	Maradi	Extension	1976	6.0	6.0	48	9.75	11	-
Abba Moussa Moustapha	Garage	Zinder	Extension	1976	NA	13.0	36 (6)	9.75	NA	-
Boubacou Ali	Garage	Niamey	Extension	1977	NA	13.0	NA	9.75	12	-
Ganda Batoure	Garage	Dosso	New	1977	5.2	3.0	32 (4)	9.75	9	-
Dany Souley	Medical Center	Niamey	New	1977	2.7	1.8	34 (8)	9.75	3	-
Gounrouza Souna	Transport	Niamey	New	1977	11.5	8.0	29 (3)	9.75	12	-
Mamane Doutchi	Transport	Maradi	New	1977	14.9	10 0	30 (6)	9.75	NA	-
Hassane Marina	Transport	Zinder	Extension	1977	169.0	142.0	27	10.5	NA	-
Lawali Dan Azouni	Transport	Zinder	Extension	1977	118.0	89.0	27	10.5	NA	-

1/ All AEP enterprises privately owned

2/ In some cases, includes jobs existing before expansion project.

B D R N

Analysis of the African Enterprise Program Loan Portfolio
As of September 30, 1977
(Amounts in CFAF Million)

Credit Size	Number of Projects	%	Amount	%	
Up to 10 M	63	87.5	177.2	30.3	
11 to 30 M	6	8.3	90	15.4	
31 to 100 M	2	2.8	175	30	54.3
101 to 300 M	1	1.4	142	24.3	
	72	100	584.2	100	

Project Size 1/	Number of Projects	%	Amount	%
Up to 10 M	55	78.5	153.3	18.8
11 to 30 M	10	14.3	164.4	20.1
31 to 100 M	3	4.3	211.6	25.9
101 to 300 M	2	2.9	287	35.2
	70	100	816.3	100

Cost per job 2/	Number of Projects	%	Amount of Credit	%
less than 1,200 $	15	37.5	16.8	7.9
1,201 - 2,500 $	8	20	17.8	8.4
2,501 - 5,000 $	11	27.5	42.5	20
5,001 - 10,000 $	4	10	93	43.9
10,001 - 20,000 $	2	5	42	19.8
	40	100	212.1	100

Sector	Number	%	Amount of Credit	%
Agriculture, Agroindustry	13	18	23.2	4
Construction	9	12.5	122	21
Garage and Mechanical	12	16.7	56.2	9.6
Transport	7	9.7	265.3	45.4
Services	7	9.7	21.6	3.7
Tourism	7	9.7	20.7	3.5
Other 3/	17	23.6	75.2	12.8
	72	99.9	584.2	100

Region	Number	%	Amount of Credit	%
Niamey	43	59.7	157.1	26.9
Zinder	11	15.3	291.2	49.8
Maradi	8	11.1	116.6	20
Other	10	13.9	19.3	3.3
	72	100	584.2	100

1/ 2 projects have no data on project size

2/ Only 40 new projects have data allowing this table, representing 60% of total amount loaned; data on extension projects does not reflect marginal cost per job.

3/ Other includes : cold storage, plumbing, food, paper, metalware, shoemaking, tailor and chemical enterprises.

BDRN

SELECTED MEDIUM AND LARGE PROJECTS
AS OF SEPTEMBER 30, 1977
(in CFAF Millions)

NAME	SECTOR	LOCATION	OWNERSHIP	DATE OF APPROVAL	TOTAL INVESTMENT	BDRN LOAN	DURATION (GRACE PERIOD)	INTEREST RATE	NUMBER JOBS CREATED	FIXED INVESTMENT PER JOB $
Sepani	Agroindustry	Zinder	Private	1971	973	240	9 years (2)	7	128	31.667
Navalon	Tourism	Niamey	Private	1971	71	35	6 " (1)	7	NA	-
Sonexci I	Services	Niamey	Private	1972	50	20	5 "	7	13	16.025
Soniprim	Agroindustry	Niamey	Public/Private	1973	90.5	10	5 " (1)	7.25	NA	-
Siconiger	Agroindustry	Maradi	Public/Private	"	891.4	450	6 " (2)	7	380	8.416
Asecna	Transport	Niamey	Public	"	64.8	32	7 " (2)	7.5	NA	-
Sopac	Paper	Niamey	Private	1974	85	15	4 " (1)	8	28	8.929
Mahamane Chaoveye I	Transport	Maradi	Private	"	50	30	3 "	6.33	8	26.041
SCICE I	Housing	Niamey	Public	"	360	360	6 " (1)	9.5	NA	-
Dem Dicko	Housing	Niamey	Private	"	NA	42.2	NA	9	NA	-
Lucien Dejean	Mechanical	Niamey	Private	"	2.5	2	3 " (1)	5.5	5	2.083
Ousmane Canha	Printing	Niamey	Private	"	2.6	2.2	3 " (1)	11	6	1.737
Fermes Pilotes	Agriculture	Niamey	Public	"	NA	41.4	6 " (1)	3	NA	-
Laoualy Dan Azouni	Transport	Zinder	Private	1975	58.6	10	4 " (1)	55	6	40.695
Mamane Djitaou	Tourism	Maradi	Private	"	128	50	6 " (1)	8.55	10	52.500
Soreniger	Tyres	Niamey	Private	"	80.5	20	6 " (1)	11.75	13	24.520
Mme Bolho	Services	Niamey	Private	"	2.7	1.5	3 "	12	3	-
Diallo Omar Kodo	Housing	Niamey	Private	"	NA	6	3 "	11	NA	-
Air Afrique	Transport	Niamey	Public/Private	1976	200	100	5 "	10.5	NA	-
SNTN	Transport	Dosso	Public/Private	"	97.5	70	6 " (1)	10.5	NA	-
SNGTN	Housing	Niamey	Public/Private	"	NA	70	6 " (1)	10.75	NA	-
College Soni Ali Ber	School	Niamey	Private	"	20.7	15	6 " (1)	10.5	18	4.791
College Humanité	School	Niamey	Private	"	21.4	13	4 " (1)	10.5	14	6.375
Atlantide	Tourism	Agadez	Private	"	31	17.7	6 " (1)	10.5	7	28.450
Cominak	Mining	Agadez	Public/Private	"	2000	2000	4 " (2)	10.5	NA	-
Sonitan	Leather	Maradi	Public/Private	"	28	18	6 "	10.5	18	6.475
OFEDES	Agriculture	Niamey	Public	"	NA	22.8	6 " (1)	9	NA	-
SCICE II	Housing	Niamey	Public	1977	70	70	6 " (1)	10.5	NA	-
Sonexci II	Services	Niamey	Private	1977	124	89	10 " (1)	10.5	18	28.708
Mahamane Chaoveye II	Garage	Niamey	Private	1977	149	129	6 " (1)	10.5	20	26.875

B D R N

Analysis of Medium and Large Projects
as of September 30, 1977
(amount in CFAF million)

Project Size 2/ (CFAF million)	Number of Projects	%	Amount	%	% without Cominak 1/
Up to 10	3	12	5.8	0.2	0.4
11 to 30	3	12	46	1.2	2.5
31 to 100	11	44	329.8	8.7	18.3
101 to 300	4	16	368	9.7	20.4
301 to 1,999	3	12	1,050	27.6	58.3
2B	1	4	2,000	52.6	-
	25	100	3,799.6	100	99.9

Credit Size (CFAF million)	Number of Projects	%	Amount	%	% without Cominak
Up to 10	4	13.3	11.7	0.3	0.7
11 to 30	10	33.3	161.5	4	8.1
31 to 100	10	33.3	529.6	13.3	26.7
101 to 300	3	10	469	11.8	23.6
301 to 1,999	2	6.7	810	20.4	40.3
2,000	1	3.3	2,000	50.2	-
	30	99.9	3,981.8	100	100

Cost per job 3/ ($)	Number of Projects	%	Amount of Credit	%
Less than $ 1,20	0	-	-	-
1,201 - 2,500	2	12.5	4.2	0.4
2,501 - 5,000	1	6.2	15	1.3
5,001 - 10,000	4	25	496	44.2
10,001 - 20,000	1	6.2	20	1.8
20,001 - 40,000	6	37.5	525.7	46.9
40,000	2	12.5	60	5.4
	16	99.9	1,120.9	100

Average: $4,293

Region	Number of Projects	%	Amount of Credit	%	% without Cominak
Niamey	21	70	1,096	27	55.3
Maradi	4	13.3	548	14	27.7
Zinder	2	6.7	250	6	12.6
Agadez	2	6.7	2,017.8	51	0.8
Other	1	3.3	70	2	3.5
	30	100	3,981.8	100	99.9

Sector	Number of Projects	%	Amount of Credit	%	% without Cominak
Agroindustry and Agriculture	5	16.6	764.2	19.2	38.5
Construction and Housing	5	16.6	548.2	13.8	27.6
Transport	6	20	371	9.3	18.7
Services including tourism	8	26.6	241.2	6	12.2
Other industries 4/	5	16.6	57.2	1.4	2.9
Mining	1	3.3	2,000	50.2	-
	30	99.7	3,981.8	99.9	99.9

1/ One project, Cominak, represents above 50.2% of the total portfolio;

2/ Only 25 projects, out of 30, have data allowing this table, representing 95% of the total portfolio.

3/ Only 16 projects, out of 30, have data allowing this table. They represent only 56.5% of the total, but they cover the whole range of the projects scale.

4/ Other industries include paper, printing, tire and leather industries.

BDRN
Long-term Loan Portfolio
As of September 30, 1977
(in CFAF million)

Name	Sector	Location	Ownership	Date of Approval	Total Project Investment	BDRN Loan	Duration (grace period)	Interest Rate	Number Of Jobs Created
Nitex	Textile	Niamey	Public/Private	1968	2,183	640	10 years (5)	6%	200
Sonitan	Leather	Maradi	Public/Private	1970	80	20	10	7%	40
Asecna	Transport	Niamey	Public	1970	NA	80	8	6%	NA
Sepani	Agroindustry	Mageria	Private	1971	973	165	10	7%	128
Sorentente	Tourism	Ayorou	Public/Private	1973	90	25	14 (3)	8%	NA
OPT	Telecommunications	Niamey	Public	1974	140	62.5	12	6%	NA

BDRN

Equity Portfolio, as of September 30, 1977

(in CFAF Millions)

Name	Sector	Date of BDRN Investment	Initial Amount of BDRN Investment	Value of BDRN Investment As of 9/30/77	Total Capital As of 9/30/77	Ownership (%) State and SEM	BDRN	Private Nigerien	Foreign	Dividends received	Comments
Sonuci	Housing	1962	33.7	33.7	115	63	29	8	-	-	
Copro Niger	Trade	"	30	60	600	84	10	NA	NA	2.5	
Sonara	Agriculture	"	62.5	62.5	700	78	9	NA	NA	3.5	
Credit du Niger	Banking	1963	40	40	110	46	27	9	18	-	
SNC	Cement	"	87.1	87.1	900	NA	9	NA	NA	-	Provisions : 50 M.
SNGTN	Public Works	"	11	11	200	70	11	2	17	-	Fully Provisioned - New company in constitution
Sonifame	Metal	1965	23.8	23.8	127.5	75	18	6	1	-	Bad Situation
SPCN	Chemical	"	15.2	15.2	175	18	8	36	38	9.5	
SNTU	Transport	"	0.3	0.3	5	96	5	-	-	-	Taken over by SNTN
Soniceram	Mining	1966	3.5	3.5	62	89	6	5	-	-	
Riz Niger	Agriculture	1966	0.5	0.5	30.4	98	2	-	-	-	
Air Niger	Transport	1967	1.4	1.4	28	51	5	-	44	-	
Sotramil	Agroindustry	"	0.3	0.3	59	96	0.5	2.5	1	-	
Braniger	Food industry	"	33	33	495	-	7	-	93	5.3	BDRN's participations : 24 M. in 67, 3 M. in 76.
Nitex	Textiles	1968	48.8	48.8	725	9	6	15	70	-	Very bad situation. Provisions : 48.8 M.
Soniprim	Agriculture	1970	1.9	1.9	20	73	9	1	17	-	Provisions : 1.9 M.
Sucre du Niger	Agriculture	"	4	4	5	20	80	-	-	-	Provisions : 4 M. New project in view
SNEPE	Services	1971	3.5	3.5	12.5	-	28	72	-	-	Provisions : 3.5 M.
Nigelec	Public utilities	"	20	20	2,300	38.5	1	-	0.5	-	
SNCP	Agriculture	"	5.2	5.2	60	84	9	5	2	-	
Niger Tours	Tourism	1972	1	1	5	80	20	-	-	-	Provisions : 1 M. Company liquidated
SNTF	Transport	"	3	4	60	93	6	1	-	-	Bad losses
Sonitam	Agriculture	1973	3	3	52	27	6	6	61	-	
Siconiger	Agroindustry	"	13.3	13.3	450	33	3	-	63	-	BDRN's participation : 10 M. in 73, 3.3 M in 76
INN	Printing	"	21.5	21.5	40	-	50	-	50	-	
SNAE	Services	"	7.5	14.4	150	85	9	NA	NA	-	
Sopac	Paper	"	12.5	12.5	25	-	50	50	-	13	
Sonipha	Commerce	"	140.5	140.5	140.5	-	100	-	-	-	Subsidiary of BDRN - Fully provisioned
Montchain	Textiles	1974	12	12	40	-	50	-	50	-	Provisions : 12 M. FRIDA project in view
Nitra	Transport	"	1	11	100	46	11	8	35	-	
Magasin General	Commerce	"	30	29	100	71	29	-	-	-	New company in view
Sonichar	Public utilities	1975	80	80	760	89	11	-	-	-	Starting up company
SHA	Tourism	1976	1.8	1.8	73	-	2.5	-	97.6	-	
Poly Niger	Chemicals	1977	37.5	37.5	150	26	25	-	49	-	Division of Sonipha
Sonifac	Textiles	"	25	25	100	17	25	-	58	-	
			815.4	862.2						22.4	

BDRN

State Credits Portfolio

As of September 30, 1977

(in CFAF Millions)

Name	Date of Convention	Amount Authorized	Amount Disbursed	Outstanding	Interest Rate	Duration
Prefinancings	(Convention not yet	signed or bridge financing)				
Solar Energy	-	97.0	92.1	7.3	8.5%	-
FH-TV OPT	-	2,280.0	1,026.7	-	9%	-
Airplane Purchase	-	751.9	713.9	713.9	8.5%	-
National Defence	-	480.8	455.9	455.9	8/5%	-
CES Airport Agadez	-	354.4	345.4	345.4	8.5%	-
IBRD Maradi Project	-	72.8	46.9	46.9	0.75%	-
Term Credits						
Agriculture Koutkale	8/75	461.0	442.0	369.0	5.5%	5 years
Road Arlit - Agadez	11/75	34.9	32.0	13.0	6%	3 "
CEG 73	5/74	83.3	75.0	NA	4%	4 "
Laboratory Construction	8/75	94.0	94.0	76.5	6%	6 "
CEG 75	8/75	405.1	392.0	324.4	5.5%	6 "
Road Guidimouni - Guidiquir	8/75	80.0	80.0	65.1	6%	5 "
Nigelec	8/75	286.0	286.0	232.6	6%	6 "
Rice Palantation Tillabery	6/68	83.0	83.0	19.4	5%	7 "
Hotel Sahel	3/72	77.5	77.5	8.6	6%	7 "
S.N.G.T.N.	1/73	260.0	260.0	160.3	4%	7 "
Sonara	7/76	1,671.7	1,671.7	1,464 1/	8.5%	4 "
Grain Silos	7/76	360.0	215.1	403	8.5%	3 "
Sonichar	7/76	1,200.0	1,130.15	1,509.5 2/	9%	4 "
O.C.B.N.	7/75	100.0	100.0	95.4	7.5%	4 "

1/ Includes temporary advance CFAF 188 million

2/ Includes temporary advance of CFAF 379 million

BDRN

Income Statements

1973 - 1977

(in CFAF millions)

	1973	%	1974	%	1975	%	1976	%	1977	%
Income										
Interest from loans	624	72,7	1,060	76.4	1,249	74.6	2,188	78.6	2,759	76.9
Fees and Commissions	216	25,1	309	22.3	374	22.3	453	16.3	678	19
Other Income	18	2,2	18	1.3	52	3.1	142	5	119	3.3
Extraordinary profits	-	-	-	-	-	-	2	0.1	30	0.8
Total Income	858	100	1,387	100	1,675	100	2,785	100	3,586	100
Expenditures										
Personnel Expenses	124	18.2	151	13.5	171	13.6	202	9.2	240	8.5
Other Administrative Expenses	100	14.7	169	15	108	8.6	128	5.8	168	5.8
Total Administrative Expenses	224	(32.9)	320	(28.5)	279	(22.2)	330	(15.0)	408	(14.3)
Financial Charges	194	28.5	354	31.6	321	25.6	942	42.8	1,052	36.7
Depreciation	18	2.6	21	1.9	25	2.	26	1.2	46	1.6
Taxes and duties	7	1	10	0.9	8	0.6	9	0.4	12	0.4
Provisions	237	34.9	416	37.	621	49.5	892	40.6	1,344	47.
Extraordinary losses	-	-	1	0.1	1	0.1	-	-	-	-
Total Expenditures	680	100	1,122	100	1,255	100	2,199	100	2,862	100
Net profit before Taxes	178		265		420		586		724	
Taxes	62		106		147		234		290	
Net profit after Taxes	116		159		273		352		434	

ANNEX 3
Page 2

BDRN
Balance Sheet
1973 - 1977
(in CFAF millions)

	1973	1974	1975	1976	1977
Assets					
Cash, banks and correspondents	3,783	3,143	1,218	4,245	2,695
Discount	627	1,026	2,846	2,090	3,754
Current Accounts	3,059	6,403	9,750	11,368	12,625
Checks and Bills in circulation	395	373	573	956	1,221
Misc. debtors and other	1,141	1,516	4,308	2,987	3,024
(Short-term provisions)	(701)	(525)	(605)	(2,436)	(1,969)
Total Current Assets Net	8,304	11,396	18,080	23,082	21,350
State Credits	684	924	2,980	3,447	6,339
Staff Housing Loans 1/	-	188	-	183	141
Development Portfolio					
Medium Term	2,060	1,041	769	2,055	3,601
(Provisions)		(17)	(17)	(17)	(19)
Long-Term		1,152	830	804	620
Equity	466	496	520	744	858
(Provisions)	-	(84)	(72)	(173)	(212)
Net portfolio	2,526	2,588	2,030	3,413	4,848
Net fixed Assets	117	114	169	399	764
Total Assets	11,631	15,741	23,256	27,652	33,442
Liabilities					
Current Accounts	5,836	6,464	8,498	9,781	12,077
Deposits of Six Months or less	1,472	3,814	3,431	2,718	2,578
Misc. Short-Term Liabilities	1,367	2,251	7,160	4,792	7,154
Treasury Deposits	-	-	-	6,000	6,800
Deposits one year or more	-		279	279	279
Savings Deposits	-	-	24	48	79
Term Borrowings	1,414	1,347	1,337	1,336	1,233
Total Liabilities	10,089	13,891	20,729	24,954	30,200
Equity					
Share Capital	1,000	1,000	1,150	1,150	1,150
Reserves and Returned Earnings	204	265	393	600	947
General Provisions	337	548	984	948	1,145
Total Net Worth	1,541	1,863	2,527	2,698	3,242
Total Liabilities and Equity	11,630	15,738	23,256	27,652	33,442

_/ Staff Housing Loans included in medium term portfolio in 1973 and 1975.

BDRN

Assumptions for Financial Forecasts

1. Forecast of Loan Approvals (CFAF millions)

	1977	1978	1979	1980	1981	1982
SSE	30	110	150	180	215	260
Other	510	668	1,031 1/	1,157 2/	945	1,089
Total	540	778	1,181	1,337	1,160	1,349

2. Forecast of Equity Approvals (in CFAF millions)

1977	1978	1979	1980	1981	1982
62	120	180	210	240	265

3. Commitments and Disbursements. Commitments of development loan are expected as follows:

PME: 80% of approved amount in year of approval and 20% in next.
Other: 75% in year of approval and 25% in next.

Disbursmeents of commitments expected as follows:

PME: 90% disbursed in year committed and 10% in next year.
Other: 75% disbursed in year committed and 25% in next year.

4. Term. PME loans are expected to average four year terms with one year of grace. Other new development loans will average seven years with one year grace.

5. Revenues. Above and beyond present financial income, BDRN will earn i) a margin of 3% on the growth of the term portfolio; ii) a 10% average return on re-invested cash from operations, and iii) a 6% margin on the increase in current accounts. No earnings are expected from the equity portfolio. All other income including rents and fees is expected to grow by 8% per year.

6. Administrative Expenses. Administrative expenses including personnel are expected to grow by 25% in 1978 and 20% thereafter, reflecting increased staff, technical assistance and training expenses.

7. Provisions. General provisions are maintained at 5% of the net portfolio excluding state guaranteed and doubtful credits. CFAF 300 million in specific provisions will be written off against the portfolio each year.

8. Fixed Assets. Building investment is expected to increase by CFAF 100 million in 1978 and CFAF 75 million in 1979, 80 and 81 for new

1/ Includes large Sonichar project (state coal mine)

2/ Includes large Maradi Brewery project.

agencies. Annual replacement investment will be CFAF 20 million. Investment in new equipment and furniture is expected to be CFAF 20 million per annum.

9. Depreciation Expenses. The cost of building construction is depreciated over 20 years, equipment and furniture over five years.

10. Dividends. Dividend payout is increased to 10% of capital in 1978 and thereafter.

11. Taxes. Taxes on earnings are 40% of net profit.

12. Other Reserves and Retained Earnings. 15% of annual net profit must be applied to reserves by law. All after-tax profits, after deduction of annual dividends and the employee welfare contribution of CFAF 30 million, are added to reserves.

13. Capital. In 1978, capital is doubled to CFAF 2.3 billion by incorporation of reserves.

14. Short-term Assets. Approximately 80% of the annual cash flow from operations is to be allocated to finance the growth of net short-term assets.

15. State Credits/Treasury Deposits. State Credits and State Treasury Deposits are both assumed to remain constant at the 1977 level.

16. Current Liabilities. Current accounts are assumed to grow at 5% per annum. Other liabilities remain constant.

17. Other Borrowings. The net increase in other borrowings represents new borrowings minus debt repayment. The IDA credit is assumed to be repaid over fifteen years, with three years grace. Other borrowings are to be repaid as specified on page 3. For new borrowings, it is assumed that the ADB credit will be entirely approved in 1978 and disbursed half in 1978 and half in 1979. The total IDA credit is to be disbursed as follows (in CFAF millions):

	1979	1980	1981
Line of Credit:	240	348	110
Technical Assistance and Training	37	37	1

Unidentified borrowings equal CFAF 250 million in 1981 and CFAF 400 million in 1982; repayment of these borrowings will not begin until after the forecast period.

18. Other Resources. It is assumed that the remaining growth of the term and equity portfolio is financed by amortization of the existing portfolio plus 10% of the annual cash from operations.

19. Signature Risk. Off balance sheets credits, including guarantee and documentary credits, are constant at the 1977 level.

BDRN

Terms of Foreign Borrowing
(CFAF millions)
as of 30 September 1977

Source	Date	Amount Loaned	Interest Rate	Maturity	Amount Outstanding
Foreign					
C.C.C.E. I	8/ 9/65	39	3.75%	14 years with 5 years grace	9
C.C.C.E. II	7/10/68	640	4.5%	10 years with 6 years grace	353
C.C.C.E. III	6/27/70	20	4.5%	9 years with 5 years grace	10
C.C.C.E. IV	11/21/70	80	3.5%	11 years with 7 years grace	72
C.C.C.E. V	10/30/74	63	5%	12 years with 7 years grace	62.5
USAID	5/30/64	89	4%	17 years with 6 years grace	29
KFW	12/ 6/66	Dm 2 million 231.3 CFA	3%	14 years with 2 years grace	49.6
Conseil de l'Entente I	12/17/73	226	3.5%	30 years with 4.5 years grace	226
Conseil de l'Entente II	3/29/76	251	3.5%	30 years with 4 years of grace	75 (total disbursed)
African Development Bank	9/23/77	2 million units of account	8.5% .75% commitment fee	10 years with 3 years grace	uncommitted
Local					
Emprunt National	1/ 1/62	674	4%	18 years with 3 years grace	346

BDRN

Forecast Balance Sheet

1977 - 1982

	%	1977	1978	1979	1980	1981	1982	%	
Assets									
Cash	1,4	462	1,301	1,869	2,550	3,155	3,900	9	
Net Short Term Assets	62,5	20,888	21,384	22,206	23,000	23,838	24,716	57,2	
Net Total Current Assets	(63,9)	21,350	22,685	24,075	25,550	26,993	28,621	(66,2)	
State Credits	18.9	6,339	6,339	6,339	6,339	6,339	6,339	14.7	
Term Portfolio	13	4,343	4,600	4,846	5,165	5,480	5,871	13,6	
Equity	1.9	646	766	946	1,156	1,396	1,661	3,8	
Net Fixed Assets	2,3	764	826	813	795	812	749	1,7	
Total Assets	100	33,442	35,216	37,019	39,005	41,030	43,241	100	
Liabilities									
Current Accounts	43.8	14,655	15,300	16,000	16,800	17,600	18,500	42.8	
Other Borrowings	3,7	1,233	1,413	1,612	1,847	2,071	2,367	5,5	
Treasury Deposits	20.3	6,800	6,800	6,800	6,800	6,800	6,800	15,7	
Other Liabilities	22.5	7,512	7,512	7,512	7,512	7,512	7,512	17.4	
Total Liabilities	(90.3)	30,200	31,025	31,924	32,959	33,983	35,179	(81.4)	
Equity									
Share Capital	3,4	1,150	1,150	2,300	2,300	2,300	2,300	5,3	
Reserves & Returned Earnings	2,3	947	1,850	1,550	2,444	3,374	4,327	10,0	18,6
General Provisions	3,4	1,145	1,189	1,245	1,302	1,361	1,424	3,3	
Total Liabilities & Equity	100	33,442	35,216	37,019	39,005	41,020	43,236	100	

BDRN
Forecast Income Statements
1977 - 1982
(CFAF millions)

	1977	%	1978	1979	1980	1981	1982	%
Income								
Net Financial Income				1,802	1,935	2,066	2,203	61.5
Yield on Invested Cash Flow				193	99	104	109	3
Margin on New Term Investments				4	4	3	5	.1
Margin on Current Accounts				26	28	30	33	.9
Total Financial Income	1,707	67.4	1,935	1,935	2,066	2,203	2,350	(65.5)
Other Income	827	32.6	893	982	1,060	1,145	1,237	34.5
Total Income	2,534	100	2,695	2,917	3,126	3,348	3,587	100
Expenses								
Administrative Expenses	420	23.2	525	630	756	907	1,088	70
Provisions	1,344	74.3	344	356	357	359	363	23.4
Depreciation	46	2.5	78	88	93	98	103	6.6
Total Expenses	1,810	100	947	1,074	1,206	1,364	1,554	100
Net Profit before Tax	724	100	1,758	1,843	1,920	1,987	2,033	100
Tax	290	40	697	737	768	795	813	40
Net Profit after Tax	434	(59.9)	1,049	1,016	1,152	1,192	1,220	(60)
Fonds Social	30	4.1	30	30	30	30	30	1.5
Dividends	57	7.9	114	228	228	228	228	11.2
Reserves & retain earnings	347	48	905	848	894	934	962	47.6

BDRN

Forecast of Development Operations

1978-82
(in CFAF Millions)

	1978	1979	1980	1981	1982
Approvals					
SSE	110	150	180	215	260
Other	668	1031	1157	945	1089
Equity	120	180	210	240	265
Commitments					
SSE	88	142	174	208	251
Other	501	607	868	709	817
Disbursements					
SSE	89	137	171	204	247
Other	376	580	803	749	790
Equity	120	180	210	240	265
Undisb.others	645	266	-	-	-
	1231	1163	1184	1193	1302
Repayments					
SSE	25	69	86	107	134
Old Medium	669	574	488	414	352
Long-Term	100	100	100	100	100
Transport	60	60	32	-	-
New Medium	-	54	129	227	300
Total	854	857	835	848	886
Net Portfolio					
Term Lending	4600	4846	5165	5480	5871
Equity	766	946	1156	1396	1661
	5366	5792	6321	6876	7532
Net Increase in Portfolio	377	306	349	345	416

B D R N

Projected Cash Flow Statement

1978-1982
(in CFAF millions)

Sources	1978	1979	1980	1981	1982
Cash from Operations 1/	1,027	992	1,044	1,091	1,128
New borrowings	180	199	235	224	296
Increase Current liabilities	645	700	800	800	900
Total Sources	1,852	3,041	2,079	2,115	2,324
Uses					
Increase Short-term Assets 2/	496	822	794	838	878
Increase Term Portfolio	257	246	319	315	391
Increase Equity Portfolio	120	180	210	240	265
Gross Fixed Assets	140	75	75	115	40
Total Uses	1,013	1,323	1,398	1,508	1,574
Sources over Uses	839	568	681	603	750
Accumulated Cash	1,301	1,869	2,550	3,157	3,905

1/ Cash from Operations = Net profit after tax + Depreciation + Provisions (CFAF 300 million in provisions written off each year + Fonds Social + Dividends).

2/ It is assumed that 80% of the previous year's cash from operations is used to finance the growth in short-term assets.

B D R N

Actual and Projected Financial Ratios

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Income and Expenses as % of average total assets										
-gross income	7.7	10	8.6	10.9	11.7	7.8	8.1	8.2	8.4	8.5
-less -financial expenses	1.7	2.5	1.6	3.7	3.4					
-administrative expenses	2.2	2.5	1.6	1.4	1.5	1.8	2	2.2	2.5	2.8
-provisions	2.1	3	3.2	3.5	4.4	1	1	1	0.9	0.9
-taxes	0.6	0.8	0.8	0.9	1	2	2	2	2	2
-Profit after taxes	1.1	1.2	1.4	1.4	1.4	3	3.1	3	3	2.8
Profit as % of share capital 1/	11.6	15.9	23.7	30.6	37.7	91.2	48.1	50	51.7	53
Profit as % of average equity 1/	7.7	9.5	12.6	13.5	14.6	28.2	23.8	20.7	18.2	16.2
Debt/Equity ratio										
-term debt/equity 2/	0.9	0.7	0.6	0.6	0.5	0.4	0.4	0.3	0.3	0.3
-total debt/equity 2/	6.5	7.7	8.2	7	7.2	5.8	5	4.3	4	3.5
Debt service coverage	-	-	-	-	-	6.8	6.4	8.5	9.6	11.8

1/ Net profit tax.
2/ Excluding treasury deposits (special convention).

N I G E R

BDRN
Projects Pipeline
As of September 30, 1977
(in CFAF Million)

Project Name	Sector	Promotor	Type	Location	Investment Cost: Total	Investment Cost: Local	Investment Cost: Foreign	Number of jobs created	Financing: Loan: BDRN	Financing: Loan: Other	Financing: Capital (%): BDRN	Financing: Capital (%): Promotor	Financing: Capital (%): Other	Equity Majority Niger-Foreign	Schedule of timing: BDRN Approval	Schedule of timing: Beginning of Construction	Schedule of timing: Beginning of Operation	Comments
Electric Batteries	Assembly industry	Private	New	Niamey	460	120	340	115	110	250	10	56	34	Niger	1/78	3/78	12/78	In construction
Tomato Concentrate	Agroindustry	"	"	Maradi	220	140	180	50	180	-	20	20	60	"	3/78	End 78	1979	-
Heating Bricks	Agroindustry	"	"	Niamey	60	20	40	30	10	20*	-	100	-	"	NA	NA	NA	-
Dehydrated Onions	Agroindustry	"	"	Galmi	150	65	85	80	100	85	20	10	70	"	1978	1979	1980	-
Lime	Mining	Sonichaux	Extension	Konni	20	20	-	20	15	-	NA	NA	NA	"	1978	1978	1978	Under study
Madaoua Textiles	Textiles	Private	New	Madaoua	2,000	800	1,200	2,000	500	700	25	75	-	Foreign(60%)	End 1978	1978	1979	-
Kenaf Ensaching	Agroindustry	"	"	Gaya	800	200	600	500	300	300	25	75	-	Foreign(60%)	"	1979	1960	Need kenaf culture extension
Cycles & motorcycles	Assembly industry	"	"	Niamey	200	150	50	40	125	-	20	50	30	Niger	2/78	1978	1979	Under study
Beef canning	Agroindustry	Mixed (State participation)	"	"	350	100	250	NA	100	150	20	20	60	Niger	1978	1979	1960	-
Cofriniger	Textiles	Private	"	"	590	380	210	363	113	227	20%	20%	60%	Foreign (60%)	1978	1978	1979	Take over Montclair assets
Hosiery	"	"	"	Madaoua	80	20	60	30	30	-	10	60	30	Niger	1978	1979	1980	-
Cotton bandages	"	"	"	Maradi	100	40	60	15	60	-	20	50	30	"	Not fixed	-	-	Cotton quality problems
Fertilizer	Agroindustry	"	"	Niamey	65	20	45	NA	35	-	-	100	-	"	"	-	-	Under study
Sonichar Electricity	Public utility	Mixed (State participation)	"	Agadez	33,000	NA	NA	NA	1,200	8,750	2	38	60	"	"	-	-	Feasibility studies done
Sugar Project	Agriculture	State	"	Tillabery	10,000	4,000	6,000	NA	1,000	5,000	20	60	20	"	"	-	-	-
Insurance Company	Services	BDRN	"	Niamey	150	150	-	NA	-	-	9	-	91	"	1977	1977	1977	Company created
Enamel Industry	Manufacturing	NA	"	NA	50	20	30	NA	25	-	10	50	40	"	Not fixed	-	-	-
Soconiger Matches	"	Private	"	Maradi	180	55	125	55	110	-	-	15	25	Niger (80%)	1978	-	-	-
Tannery	Leather	BDRN	"	Niamey	480	100	380	100	50	30	20	20	60	Niger	1978	1979	1980	Under study
Floor Mill	Agroindustry	"	"	"	100	35	65	NA	50	30	20	20	60	"	1978	1979	1980	-
Mineral Water	Food	NA	"	Agadez	Not estimated				Not estimated					"	Not fixed	-	-	Not studied yet
Agricultural Implements	Agroindustry	NA	"	NA	400	NA	NA	NA	200	-	20	10	70	"	"	-	-	-
Cattle Feed	Agroindustry	State	"	Niamey, Zinder Maradi	450	100	350	NA	200	-	20	10	70	"	1979	-	-	-
Cotton Oil Processing	Agroindustry	Mixed (State participation)	"	NA	110	50	60	NA	50	-	10	50	40	"	1979	-	-	Siconiger project
Maradi Brewery	Food	Private	"	Maradi	1,801	-	1,801	65	Not fixed	1,530	Not fixed			Niger (80%)	1977	End 77	78 - 79	-
Baker's Shop	Agroindustry	"	"	Agadez	20	5	15	NA	10	-	-	100	-	Niger	1977	1978	78 - 79	-
Industrial Glue	Agroindustry	"	"	"	Not estimated				Not estimated					-	Not fixed	-	-	Quality problems
Plaster	Mining	"	"	"	Not estimated				Not estimated						Not fixed	-	-	-
Beans Canning	Agroindustry	Mixed (State participation)	"	Niamey	100	20	80	NA	50	-	10	50	40	Niger	1979	-	-	Take over by CNCA
Cans Fabric	Manufacturing	NA	"	NA	60	15	45	NA	30	-	10	50	40	"	1979	-	-	-
Manioc Transformation	Agroindustry	Private	"	Zinder	Not estimated				Not estimated						Not fixed	-	-	-
Sugar Raffinery	Agroindustry	"	"	"	"	"			"	"					" "	-	-	-
Urban Transport	Transport	"	NA	"	"	"			"	"					" "	-	-	-
Soaps	Agroindustry	"	New	"	"	"			"	"					" "	-	-	-
Metal Workshop	Metalworking	"	"	"	"	"			"	"					" "	-	-	-
Confectionery	Agroindustry	"	"	"	"	"			"	"					" "	-	-	-
Construction Materials	Construction	"	"	"	"	"			"	"					" "	-	-	-

NIGER

Selected Documents and Data Available on Project File

A. Sector Reports and Studies

(i) Industrial Sector

- Nigerien Investment Codes and Statutes
- Nigerien Labor Regulations
- Nigerien Trade Regulations
- Consultant's Report on Artistic Artisan Sector

(ii) Financial Sector

- Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO):
  Policy Statements
  Credit Regulations

B. Project Related Reports and Studies

(1) BDRN

- Annual Reports and Accounts, 1971-1977
- Audit Report on 1977 Accounts
- Statutes and Policy Statement
- Miscellaneous subproject appraisal and other reports and internal documents
- Consultant's Study of BDRN Operations
- Conseil de l'Entente Project Documents

(2) Artisan Center

- History of National Museum
- Consultant's Report on Artisan Sector, Artisan Center Operations and Products
- Various Government studies of artistic artisan activities

(3) OPEN

- Proposed Statutes

(4) ENA

- UNDP Project Document

C. Working Papers

- Data on BDRN's operations, investments, resources and finances
- Data on BDRN's organization, staffing, recruitment and training
- Various preparation reports
- Detailed proposals for OPEN
- Terms of reference for technical assistance and services for all components
- Detailed forecasts; Artisan training, employment and operation.

Annex 8

NIGER

Estimated Disbursement Schedule
(US$000)

Fiscal Year		Cumulative
1979		
1st quarter	-	
2nd quarter	200	
3rd quarter	250	
4th quarter	300	750
1980		
1st quarter	400	
2nd quarter	480	
3rd quarter	510	
4th quarter	600	2,740
1981		
1st quarter	600	
2nd quarter	600	
3rd quarter	400	
4th quarter	310	4,650
1982		
1st quarter	200	
2nd quarter	150	5,000