



1. Project Data :		Date Posted : 07/05/2000	
PROJ ID: P001207 OEDID: C2363		Appraisal	Actual
Project Name : Privatization Support	Project Costs (US\$M)	17.70	16.86
Country : Cote d'Ivoire	Loan/Credit (US\$M)	15.0	14.79
Sector, Major Sect .: Privatization, Public Sector Management	Cofinancing (US\$M)		
L/C Number : C2363			
	Board Approval (FY)		92
Partners involved :	Closing Date	12/31/1995	09/30/1998
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

This was to be a free-standing, short-term technical assistance operation in support of the Government's privatization program. The project's main objectives were to: (i) assist the Government to scale back its public enterprise holdings and reduce the administrative and financial burden of the public enterprise sector; (ii) restore relations with creditors and reduce/restructure the country's foreign commercial debt burden; (iii) strengthen the stock exchange. The project was part of the Government's medium-term economic framework (MTF) which aimed to rehabilitate public finance, transfer some of the debt-service to the private sector and improve the competitiveness of the economy. (Key actions under the MTF were to improve incentives for private investment, create more private national shareholders and establish a capital market within the West Africa Monetary Union).

b. Components

1. *Privatization of public enterprise (90% of the credit)*

- institutional and logistical support to Government entities in charge of the privatization program;
- consultation services (400mm) for preparation/implementation of privatization plans (sales strategy, valuation, financial engineering, legal issues);
- development of additional reforms to facilitate privatization (e.g., employee stock ownership plans, sub-sector studies);
- training and workshops for key officials in the area of privatization.

2. *Foreign debt reduction and restructuring*

In 1990, RCI had a foreign public debt of US\$13b which had not been serviced since 1987. This component was designed to develop national expertise in debt reduction and restructuring techniques, with three specific sub-components

- technical assistance for designing a debt strategy, and specific techniques for debt conversion/reduction in relation to the privatization of PEs;
- improving the registration of external debt liabilities and coordination of debt management; and
- providing institutional support (equipment/training) for the Debt Secretariat.

3. *Strengthening the Abidjan Stock Exchange*

Consulting/training and equipment for

- introducing new quotation system;
- the reorganization/regulation of the stock exchange;
- developing instruments for stock exchange's role in privatization, reorganizing the brokerage function;
- developing legislation and regulation to support the above.

c. Comments on Project Cost, Financing and Dates

Allocations by component included US\$13,500,000 for privatization, US\$1,100,000 debt restructuring, US\$400,000 Abidjan stock exchange. Approximately 75% of project costs were for short-term consultants. The project's original closing date of December 1995 was extended three times, bringing the final closing to September 30, 1999.

3. Achievement of Relevant Objectives :

Implementation up until 1994 was slow because the exchange rate decreased export competitiveness, there was limited political will for reforms and limited experience in privatization. Implementation improved after the 1994 devaluation after which Cote d'Ivoire experienced a major economic turnaround--the economy responded to structural reforms including privatization and grew at an average of 6% between 1995-99).

1. Privatization component

The Government succeeded in relieving the pressure on public finance by eliminating direct subsidies to PEs and generating revenues from privatization (about US\$450m). The private sector's role in the economy increased significantly as the Government withdrew from the commercial and industrial sectors. A total of 59 public enterprises were privatized (with employees involved as shareholders in most of them), and the process should be completed by the end of 2000. There were some delays in the divestiture of important enterprises (e.g., sugar, petroleum, urban transport). An independent impact study--one of the first carried out on a privatization program in Africa--found that

- (a) profitability and labor productivity increased in privatized firms;
- (b) the fiscal impact was substantial with the elimination of subsidies and collection of corporate taxes;
- (c) employment increased by an average of 4% in privatized sectors;
- (d) there was a modest welfare impact on consumers

2. Debt Restructuring

The Government re-established its creditworthiness and capacity to service the external debt. The Debt Secretariat prepared a regulatory framework for debt conversion and a strategy for external debt restructuring. In 1994 the Paris Club agreed to reschedule official debt on concessional terms, and additional reductions followed in 1998. In 1998, the London Club agreed to restructure the country's commercial debt on highly favorable terms. Cote d'Ivoire was included under the HIPC initiative in 1998, with a completion point expected in 2001. The total external debt to GDP ratio declined from 166% in 1992 to 117% in 1999. The Debt Secretariat now has the expertise to manage/negotiate Cote d'Ivoire's external debt and was integrated into the Public Accounting and Treasury General in 1999.

3. Stock Exchange

The Abidjan stock exchange was created in 1974, but at the start of this project it had not floated a new company since 1983. As a result of the privatization reforms and technical support: (a) systems and capacity improved; (b) market capitalization increased, boosted by privatization of PEs through the stock exchange; (c) a number of bonds were issued by banks/private companies. In 1997 a stock exchange regulatory body was set up and the Abidjan Stock Exchange was converted into a regional stock exchange in 1998 (with current capitalization now approximately \$US1.6b).

4. Significant Outcomes /Impacts:

The Government successfully scaled back the overextended public enterprise sector; it reduced its shareholdings and transferred responsibility for enterprise debt servicing to the private sector. The Government has dramatically improved its foreign debt management and restored relations with its creditors. The Abidjan Stock Exchange was converted into a regional stock exchange and operates on a private basis according to international standards. Expertise generated by the project led to deeper support for privatization reforms. These interventions together have contributed to Abidjan's emergence as a center of financial expertise and business growth in the region.

5. Significant Shortcomings (including non-compliance with safeguard policies):

The project experienced early implementation delays and the closing date had to be extended three times (extending from 1995 to 1999). Project design was somewhat unrealistic (esp. regarding timeframes and the demands of capacity building). Given the uncertainty and economic conditions in the country at the time, project design it did

not take sufficient account of the fact that privatization was unlikely to take place in earnest until the CFA Franc was devalued, and the level of political and public support (and pre-requisite legislation) needed for privatization reforms had not yet been secured. The privatization component had a lower than hoped for response from national investors and non-traditional foreign investors.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
Outcome :	Satisfactory	Satisfactory	
Institutional Dev .:	Substantial	High	The institutions strengthened in this project now manage debt/privatization functions on their own, the Stock Exchange functions independently, and Abidjan is seen as a source of financial expertise in the region .
Sustainability :	Likely	Likely	
Bank Performance :	Highly Satisfactory	Satisfactory	Highly Satisfactory indicates exemplary/showcase projects . This project, while very successful, did have some implementation/design problems .
Borrower Perf .:	Satisfactory	Satisfactory	
Quality of ICR :		Satisfactory	

7. Lessons of Broad Applicability :

1. Privatization is a politically and technically complex exercise. It takes time to build the consensus for reform, evaluate specific privatization options, consult with stakeholders. High level commitment is key, and political considerations must be addressed alongside technical dimensions.
2. In cases where broad support for privatization is weak or uncertain, greater investment in public communication activities (which stress the benefits of privatization) may be required to create the consensus needed for reforms to succeed. This should be linked to the government's overall economic development strategy.
3. Design should consider the legal and regulatory framework needed to support implementation of the privatization program (the lack of a privatization law impeded progress in this case). Unless a country takes bold action to minimize non-commercial risks through an effective program of second generation reforms (e.g., regulatory framework, judicial system, corruption), attractiveness to foreign investors will remain limited.

8. Audit Recommended? Yes No

9. Comments on Quality of ICR :

The ICR was well written, informative and thorough. Annex 6 rates the Bank's performance as satisfactory, while the text and the table under section 2 (page one) rate it as highly satisfactory.