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Muramara Paper

Contracts
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Contacts with member countries: Ivory Coast - Correspondence 01

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IVORY COAST



15-080

IVORY COAST

- 4/15/68 Konan Bedie, Minister of Finance
Ambassador Timothee N' Tuetta Ahoua
1. 8/9/68 Mr. Kochman re visit to Ivory Coast
2. 1/21/69 Konan Bedie, Minister of Finance
3. 2/11/69 Franz Lutolf, Director of the Bank's Abidjan Office
(Abidjan)
4. 2/11&13/69 President Houphouet-Boigny
(Abidjan) Konan Bedie, Minister of Finance
Mohamed T. Diawara, Minister of Planning
Mr. Amethier, Director of External Finance, Ministry of Finance
5. 2/11/69 George Morgan, American Ambassador *(Filed in Small office).*
(Abidjan)
- " African Development Bank (separate tab under African Dev. Bank)
6. " P. Kaya, Administrative Secretary of the Mutual Aid and Guarantee Fund
7. 2/11 /69 Hubert Dubois, French Charge d'Affaires
(Abidjan)
8. 2/11/69 Lambert Amon Tanoh, Minister of Education
(Abidjan) Konan Bedie, Minister of Finance
Alcide Kacou, Minister of Public Works
Mohamed T. Diawara, Minister of Planning
Michel Goly Kouassi, Minister of Construction
Mr. Hovine, Director General, Caisse d'Amortissement
- " Gerhard Rohnfelder, Director-General of BIDI
9. 2/12/69 SODEPALM and luncheon lists; Cabinet Member list (some, if not all,
(Abidjan) met by Mr. McNamara)
- 2/12/69 Abdoulaye Sawadogo, Minister of Agriculture, et al
(field Mr. Fraisse, Director of SODEPALM
trip)
- 3/13/69 Ambassador Timothee N' Guetta Ahoua
Moshe Mayer, General Managing Director, Export Bank Ltd.,
Tel Aviv, Israel
- 3/20/69 Cheikh Fal, President, Air Afrique
- 6/13/69 Konan Bedie, Finance Minister
(lunch) Joseph Anoma, President, Council of Administration, SODEPALM
Konan Kouadie, Administrator, PALMINDUSTRIE
Gerald Lancksweert, Director General, SOGESCOL S.A.
Andre Fraisee, Director General, SODEPALM
Andre Hovine, Director General, Caisse Autonome d'Amortissement
Guy Petitpierre, Technical Counsellor, SODEPALM

- 6/19/69 John Fletcher Cooke, per Ivory Coast Ambassador (working at the UN)
10. 9/30/69 Konan Bedie, Minister of Economic and Financial Affairs
Mohamed T. Diawara, Minister of Planning
Andre Hovine, Adviser, Director General, Caisse Autonome d'Amortissement
11. 6/17/70 Cheikh Fal, President, Air Afrique
Alcide Kacou, President, Hotafric (tourism company created under
Air Afrique)
- 1/19/71 (Abidjan) Auguste Denise, Minister of State (Acting President)
Phillip Yace, President of the Assembly
Konan Bedie, Minister of Economic and Financial Affairs
Mohamed Diawara, Minister of Plan
Abdoulaye Sawadogo, Minister of Agriculture
- " Abdel Wahab Labidi, President, African Development Bank
12. 6/22/71 Konan Bedie, Minister of Finance
13. 4/19/72 Konan Bedie, Minister of Finance
Ambassador Timothee N'Guetta Ahoua
14. 5/23/72 Ambassador Timothee N'Guetta Ahoua
15. 4/3/73 Minister of Planning Mohammad Diawara
Ambassador Timothée N'Guetta Ahoua
Joseph N'Tè, Chef de Cabinet, Ministry of Planning
16. 8/2/73 Mr. ben Soumahoro, Deputy Director, TV Branch of Ivory Coast
17. 10/9/73 President Houphouet-Boigny
Henri Konan Bedie, Minister of Finance
Mohammed Diawara, Minister of Planning
Arsene Assouan Usher, Minister of Foreign Affairs
18. 9/18/74 Henri Konan Bedie, Minister of Economic and Financial Affairs (Lunch)
19. 11/25/74 Philippe Yacé, President of the National Assembly
Ambassador Ahoua
- 6/11/75 (Paris) Henri Konan Bedie, Minister of Finance
(Development Committee)
- *20. 7/1/75 Abdoulaye Fadiga, Governor, Banque Centrale des Etats de l'Afrique
de l'Ouest
- 1/6-10/76 (Dev.Cte., Kingston) Henri Konan Bedie, Minister of Economy and Finance
21. 1/16/76 Henri Konan Bedie, Minister of Economy and Finance
Ambassador Timothee N'Guetta Ahoua

- 12/15/76
(New York) Simeon Ake, Ambassador to the UN
(At luncheon hosted by Amb. Akhund of Pakistan)
22. 8/2/77 Ambassador Timothee N'Guetta Ahoua
23. 10/5/77 Finance Minister Abdoulaye Kone
Ambassador Timothee N'Guetta Ahoua
24. 10/10/77 Henri Konan-Bedie, former Finance Minister & Chairman, Development Committee
Ambassador Ahoua
25. 11/6-8/77 RMcN Notes (*Filed in L McN office*)
(Abidjan)
26. 11/7/77 Abdoullaye Kone, Minister of Economy, Finance and Plan
(Abidjan) Denis Bra Kanon, Minister of Agriculture
Dicoh Garba, Minister of Animal Production
Desire Boni, Minister of Public Works, Transport, Construction
and Urbanism
Pascal N'Guessan Dikebie, Minister of Primary Education and
Educational Television
Paul Yao Akoto, Minister of National Education
Anye Francois Barry-Bottesti, Minister of Technical Education
and Vocational Training

Felix Houphouet-Boigny, President of the Ivory Coast
Kwame Fordwor, President, African Development Bank
- 2/6/78 Philippe Yace, President of the National Assembly
(At lunch at Governor Harriman's)
- 9/16/80 Ambassador Timothee N'Guetta Ahoua
27. 4/21/81 Henri Konon-Bedie, President of the National Assembly
Ambassador Timothee N'Guetta Ahoua
(Lunch with RMcN - no MemCon)



August 9, 1968

MEMORANDUM OF CONVERSATION WITH MR. KOCHMAN

Kochman reported to me that the President of the Ivory Coast would very much like to have me visit there and specifically asked Kochman to talk to me about it when he got back.

I replied that I would plan to visit there before the first of April.

RMcN

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara DATE: January 21, 1969

FROM: Roger Chaufournier *h*

SUBJECT: IVORY COAST - Biographical Sketch on His Excellency Konan Bédié,
Minister of Finance

Mr. Konan Bédié, first Ambassador of the Ivory Coast Republic to the United States of America and to Canada, was born on May 5, 1934 in Dadiekro (central part of the Ivory Coast).

After elementary schooling in the public schools of Baoukro (1942) and Bocanda, he entered the "College Moderne" of Guiglo. In 1951, after passing the entrance examination, he was admitted to the Teacher's College of Dabou.

Upon completion of his formal education at Dabou (Ivory Coast), he received his "Baccalauréats", then went to France for his higher education, at the University of Poitiers. He pursued studies in law and economics obtaining: a Bachelor of Law Degree; a Licence to practice law and two diplomas of higher Studies in Political and Economic Sciences.

Having obtained his diplomas, Mr. Konan Bédié returned to Abidjan where he was appointed Deputy Director of the Fund for Family Aid; he held this position for seven months.

In January 1960, he entered the diplomatic field and began training at the French Ministry of Foreign Affairs and at the National School of Administration in Paris.

His diplomatic training completed, Mr. Konan Bédié was appointed Counselor at the French Embassy to the United States of America and arrived in Washington on May 9, 1960.

Upon the proclamation of the Independence of the Ivory Coast, on August 7, 1960, he was appointed Chargé d'Affaires for the new Republic in the United States. In the following months he opened, in New York, the permanent delegation of the Ivory Coast to the United Nations and served at four sessions of the General Assembly.

On January 17, 1961, Mr. Konan Bédié was the last Ambassador to present his credentials to President Dwight D. Eisenhower, who was then at the end of his term.

His Excellency, Ambassador Konan Bédié is married and he has a daughter and two sons.

January 21, 1969

In recognition of services rendered to his country, Mr. Konan Bédié was awarded the rank of "Commandeur" in the National Order of the Ivory Coast.

On January 21st, 1966 he became Minister of Economical and Financial Affaires of the Government of the Ivory Coast Republic.

He is equally a Member of the Political Bureau of the Democratic Party of the Ivory Coast.

Mr. Bédié has studied English but requires an interpreter for substantive conversations.

Lutolf: \$200 million in transportation projects (25 projects) in 17 of 19 countries in 3 years. Ghana trunk 80M per km; Senegal 40 M per km -- perhaps 6000 km.

Agriculture -- 36 projects in 14 countries now appear sure: \$80M IBRD and IDA in 2 years -- includes 8 livestock, 7 rice, 6 cotton, 5 cocoa, 5 palm oil, 1 tea, 1 irrigation, 1 agricultural credit -- world fats and oil production: 38 million tons including 1.8M tons.

Livestock requires 20⁺% protection now but ultimately should be competitive with Argentine beef.

West Africa needs a rice research station: would yield a 2 or 3 times increase.

We don't know relative priority of fishing vs groundnut, etc. We should ask FAO to do a West African fishing system analysis.

We to identify what we don't know (e.g., hydrological data on 3 rivers in Sierra Leone, Senegal, and) and then work with UNDP to finance.

President Houphouet-Boigny -- February 11 and 13

During the evening of 2/11 and the 1-1/2 hour conversation (Roger will prepare a note) on the morning of 2/13, the President repeatedly evidenced his obsession with the danger of communism (both Soviet and Chinese) to Africa.

He said:

1. "The basic problem in Africa is whether it will be with the communists or without the communists."
2. "The Arabs are pushing Black Africa to war" -- e.g., Rhodesia, Angola.
3. "De Gaulle said, "If Arabs advance on Israel, France will fight alongside US and UK in defending Israel."
4. "I stand with Biafra to keep the ChiComs and Arabs out. Biafra will reenter the African community."

OFFICE MEMORANDUM

Abidjan Office

TO: Mr. Robert S. McNamara

DATE: February 11, 1969

FROM: André R. Gué *AR*SUBJECT: IVORY COAST - Public Investment Program

At a meeting held in the Ministry of Finance on February 11, 1969, Mr. Diawara, Minister of Planning, outlined the Public Investment Program of the Ivory Coast as follows:

<u>Sectors</u>	1960 to 1966	<u>\$ Million</u>		
		1969 to 1970	1971 to 1975	1969 to 1975
a) Agriculture	44	79	170	249
b) Economic infra- structure (transport, power, communications, etc including Kossou & San Pedro)	172	124 ^{1/}	370 ^{2/}	494
c) Education	33	27	70	97
d) Social, health & administrative buildings	76	120	230	350
e) Government participations in public enterprises	26	-	-	-
f) Studies	20	-	-	-
Total	371	350	840	1,190

1/ Of which \$62 million for Kossou and San Pedro

2/ Including \$80 million for relocation of population affected by Kossou

cc: Mr. Chaufournier
Mr. Clark
Mr. Lutolf

ARGué:/jp

COMMUNICATIONS
FEB 11 1969
RECEIVED

Mr. McNamara - to see, please.
RBS 3/4

OFFICE MEMORANDUM

TO: Files

DATE: February 27, 1969

FROM: Franz Lutolf

SUBJECT: Mr. McNamara's meetings with the President of the Ivory Coast

President Houphouet-Boigny of the Ivory Coast received Mr. McNamara on February 11. Also present were the Minister of Finance, Mr. Konan Bedié, the Minister of Planning, Mr. M. Diawara, and Mr. Améthier, Director of External Finance in the Ministry of Finance. Mr. Chauffournier and I accompanied Mr. McNamara.

President Houphouet-Boigny, in a lengthy and very interesting presentation, made the following main points on his country's economic position:

1. The Ivory Coast is primarily an agricultural country; minerals are few, the population is small in numbers, but the soil is rich and the agricultural potential is therefore substantial. Considerable progress has been made since independence but more is needed to provide jobs for the growing population. The highest priority must be given to agriculture, followed by industry, commerce and administration. In agriculture, the first requirement is to increase productivity. This calls for improved water conservation methods. With 1.5-3.0 m of unevenly distributed rainfall p.a., farmers can only work the land during six months every year. Extending this period to, say, 10 months would help increase production and productivity. To this end, the Government has started construction of small dams in many areas of the country. The program has yielded positive results by enabling the farmers to harvest two instead of one crops per year. Experience so far has indicated that the construction of small dams is relatively cheap. With an investment of one tenth of the cost of the Assouan dam, the President said, an area fifty times larger can be made cultivable. The Government therefore intends to continue the construction of small dams in appropriate areas and expects external sources of finance to cover part of the cost.

2. Another requirement for the promotion of agricultural development is the extension of existing scientific research centers. Experiments carried out by Chinese (Taiwan) teams have shown that the output of one crop of irrigated rice can be increased to 3.5 tons per hectare. This is already a significant achievement, but the Government is aware that yields of up to 10 tons per hectare, by introducing a two-crop system, have been obtained in the Philippines. Therefore, there seems to be room for substantial further progress in the Ivory Coast. Similarly, productivity in the oil palm sector has doubled in the Ivory Coast in the course of a ten-year period of research and experimentation. These efforts must be continued and stepped up. The Government has approached the Ford and Rockefeller Foundations, among others, to assist in its agricultural research program.

3. Contrary to the belief of the Europeans during the colonial period, the African land can be machine-worked. In fact, the use of tractors and other mechanical equipment in Ivorian agriculture clearly contributes to an increase of productivity and will therefore be pushed to the fullest extent.

President has seen

In general, American farm machinery (Caterpillars) is better suited for African soil conditions than European equipment. For the time being, the requirements are met by imports. At a later date, the Government hopes to establish assembly lines in the country.

4. Finally, the President mentioned the need for effective weed and pest control through the application of herbicides, insecticides and fungicides which modern science have made available.

5. To sum up, the Government will continue its determined efforts in the fields of water control, scientific research and experimentation, mechanization and weed and pest control to raise agricultural productivity. The Government and the Ivorian people are confident that they will succeed but assistance from abroad in various forms will remain necessary for quite some time.

6. The President then talked about the human problem. It is the Government's policy to do everything to keep the younger generation on the land. A good and agriculture-oriented education is required. The drift away of large parts of the rural population to the cities can be stopped effectively through urbanization of the rural areas. Provision of adequate housing, electricity and running water is a prerequisite. These basic amenities will keep the people on the land. Eventually, Africa may even be able to help alleviate the world's food shortage. As to the Ivorian farmers, they work hard, know what is at stake, and expect no gifts. The country hopes for and expects the Bank's financial and moral support for its very important agricultural program.

7. The President then briefly mentioned the terms of trade and said he had noted with great satisfaction that the Bank, under Mr. McNamara, was considering what it could do to bring about a solution. The President recalled the days when 2 1/2 tons of coffee produced on his farm bought a truck; today the price was over 15 tons of coffee.

In his reply, Mr. McNamara welcomed the President's emphasis on agriculture and said he fully shared the view that this sector deserved the highest priority. Many Latin American countries had made the mistake of neglecting agriculture, much to their regret. On the other hand, Taiwan had recognized agricultural priorities from the beginning and was carrying out a successful development program. Mr. McNamara went on to say that in the past the Bank had not done very much for the Ivory Coast and for Western Africa. But it was his intention to step up Bank/IDA assistance to the maximum extent possible. One of the purposes of his trip was precisely to find out how this could be done within the limits set by the Bank Group's modest means. The Bank/IDA would find ways to tailor its assistance, which he expected to increase substantially, to the requirements of the Ivory Coast without overburdening the country's own resources.

cc: Messrs. McNamara, Knapp, Aldewereld, Friedman, Chaufournier, Clark

OFFICE MEMORANDUM

TO: Memorandum for Record

DATE: March 7, 1969

FROM: Roger Chaufournier *RC*SECRET **DECLASSIFIED**SUBJECT: Meeting of Mr. McNamara with President Houphouet-Boigny**MAR 22 2013****WBG ARCHIVES**

On the morning of his departure from Abidjan, Mr. McNamara met with President Houphouet to continue a conversation which had been initiated the day before. The meeting lasted over one hour. It was attended by Minister Konan Bedié and the writer. President Houphouet said he wanted to explain to Mr. McNamara some of his policy objectives in Africa, particularly in relation to the Nigerian situation. The decision of the Ivorian Government to recognize Biafra was not only intended to draw world attention to the plight of the Biafran people (the Biafran people had endured in a short time greater suffering than in centuries of conquest and colonial rule) but also to dramatize the dangers which Africa would be running if an inadequate solution to the Biafran problem was obtained. The Ivory Coast had taken the lead in the struggle for economic development. The Ivory Coast is preoccupied with the Biafran situation because it is preoccupied with economic development, realizing that no durable economic development is possible without durable peace. A military victory in the Nigerian-Biafra conflict would only be a short-term solution but not a durable solution. The rift is too deep and the wounds too severe for Biafra to live again in the same house with the rest of Nigeria. In referring to the criticism that the Ivory Coast was a puppet of France, President Houphouet explained that the policy of the Ivorian Government was dictated by the interest of the Ivory Coast. It was true that there were very close ties, sentimental and economic, between France and the Ivory Coast and a very close personal relationship between President de Gaulle and President Houphouet, but the record would show that on many critical foreign issues the Ivory Coast had followed an independent policy when it considered such a course to be in its own interest. He had never been pressed by President de Gaulle, who is the first to know that no responsible leader would act against what he considers to be the long-term interest of his own country. The Ivory Coast had taken an independent line in the Korean crisis, on the Vietnam situation and in the Middle East crisis. It had worked with Latin American delegations in the United Nations to find a compromise between the French position and that of Israel. President Houphouet disagreed with President de Gaulle on the Middle East situation. (When asked by President Houphouet what he would do if the Arabs invaded Israel, President de Gaulle had replied, without hesitation, that he would be the first to intervene to chase them out.) Although it was still heavily dependent on outside assistance, the Ivory Coast was acquiring a weight of its own. In order to ensure a minimum of independence, President Houphouet himself had introduced the constitutional provision that no appropriation can be introduced in Congress without proposing the corresponding revenue measure, thus ensuring that the country would not have to depend on budget assistance from abroad. Many African countries are still

dependent on France for budget assistance, and one would normally expect that they would be more susceptible to pressure to align their policies to that of France than would be the case for the Ivory Coast. In fact, the other countries had maintained an independent foreign policy. Nasser himself expressed his surprise to de Gaulle that the latter was not able to bring with him the votes of the French-speaking African countries on the U.N.-Middle East resolution.

President Houphouet went on to point out that he had taken a position on the Biafra situation long before France had taken a stand. As soon as Nigeria had become independent, President Houphouet had been concerned that the country would copy the British system of one majority party and one opposition party. In a country of extreme poverty and illiteracy, divided in some 250 different tribes, this could not provide a stable political solution. President Houphouet then recalled how the conflict developed through the assassination of some of the Northern notables and the mass assassination of Ibos in the North in 1966 which led the Ibos to withdraw in the eastern province. Then the succession of decisions by General Gowon to arbitrarily divide the country into 12 states with one tribe, the Ibos, constituting one state and the 249 other tribes divided between the other eleven states. Biafra felt this action excluded them from the community continuing to make them responsible as a whole people for the deeds of a few of them. They promptly asked for independence. President Houphouet, as soon as he saw trouble deepening had asked President Tubman of Liberia, in his capacity as a respected and senior leader of an independent country, to intervene with General Gowon to seek a peaceful solution to the constitutional problem of Nigeria. General Gowon had accepted to meet and had appeared conciliatory on the occasion of the last meeting. He had agreed to consider various solutions, either to maintain the federation as is, to have a more flexible federation, to have a confederation or even to explore other formulas. But instead of coming back with proposals he arbitrarily decreed the division of the country into twelve states. This had led Biafra to secede. President Houphouet's decision to recognize Biafra was greatly influenced by fear that the Nigerian battle field would provide an opportunity for the trouble-making Arab powers and for Russia to find a favorable terrain to spread their influence into Africa. In turn, the British became worried that if they failed to supply the Federal Government with arms the Russians would gain influence. All this was having a snowball effect and President Houphouet feared that if the war continues, Russian influence would penetrate deeper into the masses who are poor and uneducated, divided tribally, and pushed by the Arabs who "throughout their history have waged war against their neighbors. Arab influence on the coast of Western Africa would be fatal and would spread the seeds of instability throughout Africa." In this respect, President Houphouet very much regretted the decision of the United States Government to yield before the Russian threat and to stop the French-British operation against Egypt in 1956. Prime Minister Eden had unfortunately failed to adequately explain the action to the United States. President Houphouet was then a member of the French Cabinet when the decision to invade Egypt was made. He, as a black African, could not be in favor of a colonial war; it was because he

was fearful of the menace that Nasser represented to the peace of Africa and to the peace of the world that he supported an action which was primarily intended to remove Nasser and his close associates from power in order to replace them by a moderate government with whom a more lasting political solution to the Middle East problem could have been worked out. Future events had proved him right. He was convinced that Kruschew's threats were a bluff. He would not have carried them out in the face of U.S. military superiority. This was later demonstrated in the Cuban crisis when President Kennedy decided to call Russia's bluff. Since then, Nasser has continued to push the Arabs into seeding dissention while Egypt has known no economic development for the past five years.

President Houphouet felt that the Arabs were now caught in their own trap. He could not see how the Arabs could ever accept a communist regime, but they were caught in the trend of events and facing the dilemma of being overtaken by those whom they have tried to use. He knew that Nasser was aware of this dilemma because he had sent him an emissary a few weeks ago to have President's Houphouet's views on the political situation in Africa. Gowon had also assured President Houphouet that he would be able to contain Russian influence, but President Houphouet did not believe that Gowon would represent an effective barrier to communism because Gowon had no party support and no broad political base in Nigeria. At the same time, in order to avoid a confrontation between Russian and Chinese influence in Nigeria, both President Houphouet and President Nyerere of Tanzania had made it a condition of Biafra's recognition that Ojukwu would reject the Red Chinese offer of assistance. President Houphouet said that this condition was still in effect and that recognition would be withdrawn if Chinese help were to be accepted by Biafra.

In Nigeria there was growing uneasiness about Russian and Chinese influence and many of the notables of the north began to realize that the pursuit of the war has no more any sense. President Houphouet remarked in passing that no assassinations had ever taken place in the area under the command of Ojukwu, and that there was no personal resentment on the part of the northern notables towards him. The other African leaders, President Houphouet said, could not openly take a position on the Biafra issue because of their own internal problems of tribal division, but none have been critical of President Houphouet for the position he had taken. They recognized that his interventions have in the past always been directed towards peaceful solutions. He mentioned his intervention that persuaded President Mobutu not to press for extradition in the dispute over mercenaries. He had been able to convince President Mobutu that the extradition of the mercenaries would, in the long run, be a political mistake. After the breakup of the federation, when Senegal and Mali were at odds, he had extended a hand to Senegal which was then politically isolated, while at the same time providing economic assistance to Mali by opening to their goods the facilities of the Port of Abidjan, while conceding reduced fares. This intervention had paved the way for a future reconciliation between the two countries. He was sure that if Biafra gained independence he and other leaders would be on the side of all its allies in the Western world, including Britain,

in order to resist communist influence. He would act as other African leaders who have been imprisoned during the fight for independence, but who now are friends of the former colonial powers because they know that is where their interests lie.

Taking a more distant vision of the future, President Houphouet believed that the Africans had to realize that the greatest danger came from the communist world, and that in the long run the "black African will be closer to a non-communist white South African than he will be to his black communist brother, who will be the brother of the White Russian and of the yellow Asian communist". The current attitude of many black African nations on the South African problem was mistaken. He deplored the condition of the black African in South Africa and wished for a change, but he knew that such changes did not come overnight, that there were liberal voices in South Africa which the intransigent attitude of many black African countries had discouraged rather than fostered. The change would be more quickly brought about through a rapprochement between South Africa and black Africa. The position of the O.A.U. had retarded progress and it was time that a change be encouraged. He himself had encouraged Madagascar and Botswana to renew economic relations with South Africa. President Houphouet was himself working within the Ivory Coast, within his party, to convince his people that a change of policy was necessary towards South Africa and that a more understanding attitude should also be shown towards Rhodesia and Portugal.

RChaufournier:sm

6

Mr. McNamara - to see please *i.c.*

IBS 3/4

OFFICE MEMORANDUM

TO: Files

DATE: February 27, 1969

FROM: Franz Lutolf

SUBJECT: Mr. McNamara's Meeting with Mr. Kaya, Mutual Aid and Guarantee Fund of the Western Africa Entente

Mr. McNamara briefly visited Mr. P. Kaya, Administrative Secretary of the Mutual Aid and Guarantee Fund, on February 11, 1969. Messrs. Chaufournier and Lutolf were also present.

Mr. Kaya explained how the Fund operated and said that its resources were made available annually in the form of "à fonds perdus" contributions by the five Entente countries - Ivory Coast, Upper Volta, Niger, Togo and Dahomey. The largest contribution came from the Ivory Coast. The Fund had accumulated the equivalent of about \$8 million which enabled it to guarantee some \$80 million of external loans to its members. As of to date, six loans have been guaranteed amounting to a total of \$6.6 million equivalent. These loans were contracted by the Governments of Upper Volta, Togo, Dahomey and Niger. The Ivory Coast had agreed from the start not to request the Fund's guarantee for its external borrowings so as to enable the poorer members of the group to take full advantage of the available guarantee facilities. Over the next few years, annual contributions to the Fund's resources by its members are expected to add some \$2.5 million equivalent every year.

The Fund has also sponsored certain studies of interest to more than one member country. The cost of these studies are usually met partly by the Fund, partly by special contributions from outside sources, mainly FAC. Among these studies are analyses of the livestock potential in the Entente countries and of the possibilities to promote trade and commerce between the Entente members on the one hand and Ghana on the other. Mr. Kaya underlined that he was taking special care to ensure that all Fund studies were project-oriented and led to projects suitable for multilateral and bilateral financial assistance from abroad.

Mr. Kaya added that the Fund was still very young (established in 1966), its staff were no more than a handful and the guarantees extended were still very limited. He was, however, convinced that the Fund could perform a useful function not only through an increased volume of financial operations as time went on but also by serving as a promoter of closer economic and financial cooperation between its members. For this reason, Mr. Kaya said, his main aim was to foster regional projects which would benefit as many countries as possible. At a later stage, he envisaged multinational projects which might be of interest to non-member countries as well.

✓ President has seen

cc: Messrs. McNamara, Knapp, Aldewereld, Friedman, Chaufournier, Clark

FLutolf:mh

7

OFFICE MEMORANDUM

TO: Memorandum for Record

DATE: March 10, 1969

FROM: Roger Chaufournier *R*SUBJECT: Meeting of Mr. McNamara with Mr. Hubert Dubois

Mr. McNamara and I visited Mr. Hubert Dubois, the French Chargé d'Affaires in Abidjan, on February 11, 1969. Mr. Salmon of FAC also attended. The conversation ranged over a number of topics, but focused on economic development and prospects in the Ivory Coast and on a proposed education project. Mr. Dubois recognized that recent decisions by the Ivorian Government to proceed with some very large projects had caused preoccupation in some quarters. His own judgment, however, was that the rapid pace of economic development which had taken place in the Ivory Coast in the last few years would continue, although at a somewhat reduced rate. He felt that the Ivory Coast's economy was probably strong enough for the Government to afford some of the large projects now just about to start. Africanization was still very slow, although it was making progress in some agencies. Business confidence remained strong and the President's political position was very strong.

With respect to the education project, Mr. Dubois said that the experiments with educational television were not yet conclusive. An education television project was underway in Niger, and FAC was just about to send an evaluation mission. In reply to Mr. McNamara's question, Mr. Dubois didn't think that the introduction of television would reduce the cost of education, but that it would increase the efficiency of the program by reducing the number of drop-outs.

Mr. Dubois said he hoped the Bank's mission, which was to arrive in the Ivory Coast shortly to appraise the proposed education project, would keep in touch with the French Government education experts who were coming to Abidjan at the same time. I said that arrangements had already been made to do so.

Mr. Dubois also expressed his satisfaction for the cooperation which was developing between the Bank and the French technical assistance.

cc: Mr. Steckhan

RChaufournier:sm

President has seen

8

OFFICE MEMORANDUM

TO: Memorandum for Record

DATE: March 12, 1969

FROM: André R. Gué

SUBJECT: IVORY COAST - Meeting of Mr. McNamara with various Ministers

1. On February 11, Mr. McNamara met the Ministers of Finance, Planning, Education, Public Works and Construction at the Ministry of Finance. Also present were Messrs. Kochman, Chauffournier, Clark, Lutolf, Steckhan and the writer.

2. The Minister of Planning gave a brief outline of the Ivory Coast public investment program (see my memorandum of February 11, 1969, to Mr. McNamara).

3. In response to a question from Mr. McNamara, the Minister of Planning explained that the Ivory Coast would finance the greater part of its investment program out of public savings. Net public savings (net of debt servicing) were forecast as follows:

	<u>1969</u>	<u>1970</u>	<u>1971 to 1975</u>
\$ million	80	84	680

This meant that the Ivory Coast would be able to finance about 70% of its public investment program during the period 1969 to 1975.

4. The Minister of Finance explained that the Government's forecast of net public savings was realistic. Although it corresponded to a fiscal burden of about 20% of GDP, one of the highest in Africa, the same level of taxation had been achieved in the past and the Government was determined to maintain it for the foreseeable future.

5. Mr. McNamara asked for details on the financing of the Kossou project. The Minister of Planning stated that the total estimated cost (excluding resettlement of population) was about \$105 million of which \$36.5 million would be financed by the Export-Import Bank, another \$36.5 by an Italian Consortium and the balance by the Government. Work would start this year and the dam and powerhouse should be completed in 1973. No detailed estimates of the cost of resettling up to 90,000 people had as yet been made but his preliminary estimate was that the cost would be of the order of \$65 to \$80 million, to be spread over a 5 year period. The cost of resettlement would be financed by the Ivory Coast. Most of the people would be resettled in the San Pedro area.

6. Regarding the debt servicing capacity of the Ivory Coast, Mr. Hovine, Director General of the Caisse d'Amortissement, stated that the total outstanding external public debt (amounts disbursed only)

stood at about 13% of GDP at the present time. Annual debt service payments absorbed about 6% of total export receipts. He explained that a predetermined share of tax receipts was earmarked by law for debt servicing purposes; corresponding amounts were automatically allocated to the Caisse.

To cover additional debt arising from the Kossou and San Pedro projects, the Caisse's resources would be substantially increased by allocating to it an additional percentage share of value added tax receipts, starting in 1969 and in 1970. In 1969, the increase would amount to about 25% of the total resources of the Caisse for 1968 and in 1970 to about 20% of those for 1969. According to Mr. Hovine, these additional resources would suffice to meet expected Kossou and San Pedro debt service payments plus service payments on considerable amounts of new debt which the Government hoped to contract. Mr. Hovine did not elaborate on the basic assumptions underlining his claim. He concluded by saying that the balance of payments was expected to remain in surplus, but if worse came to worse, temporary deficits in the balance of payments would not seriously affect the country's debt service capacity since the Ivory Coast was a member of the Franc Zone and could, within limits, draw on the reserve pool of that Zone.

7. The Minister of Education briefly outlined the principles of his program of educational reform based on the systematic use of TV.

He stated that the main purpose of this program was twofold:

- a) to adapt the educational system to the needs of the country and,
- b) to assure a continuous education of the entire population, particularly vocational education of teenagers in rural areas, which could only be done by TV.

The Ivory Coast had decided to use TV because in the Government's opinion, any other technique would not be able to achieve the Government's ambitious objectives which had been defined in their ten year action program, in a reasonable period of time. Moreover, a TV network covering most of the country already existed.

8. The Minister of Transport and Public Works expressed the hope that the Bank would finance several of the transport projects which he expected to emerge from the transport survey which had just begun and mentioned the urgent problem of highway maintenance in the Ivory Coast.

9. The Minister of Construction emphasized the importance of improving living conditions in the rural areas, particularly housing and public utilities, and the vital necessity to integrate the rural

populations into the process of development.

cc: Mr. McNamara
Mr. Knapp
Mr. Aldewereld
Mr. Friedman
Mr. Chaufournier
Mr. W. Clark
PMWA

9

VISITE DE M. Mc NAMARA,
PRESIDENT DE LA BANQUE MONDIALE.

LISTE SODEPALM

✓ Joseph
M. ANOMA..... Président;
M. FRAISSE..... Directeur Général;
M. OKA AMANI..... Directeur du Département Palmier;
M. AMAGOU..... Directeur du Département Cocotier.

M. ADAMA COULIBALY, Ingénieur responsable des Plantations
Villageoises;
M. BEDAS..... Directeur Adjoint des Services Techniques;
M. BLACHETTE..... Conseiller Agronome;
M. BOGNINI Moïse..... Directeur Adjoint des Services Comptables;
M. CHOQUARD..... Directeur des Services Techniques;
M. DEROY..... Directeur Adjoint du Département Palmier;
M. JAFFREZIC..... Conseiller Financier;
M. LAMBEIN..... Directeur des Services Comptables;
M. MATHIEU..... Architecte;
M. de MAZIERES..... Chef du Service Administratif;
M. N'DRI..... Adjoint au Chef du Service Administratif;
M. PÉTITPIERRE..... Conseiller Technique à la Direction Générale;
M. RABET..... Ingénieur à la Direction des Services Techniques;
M. VANIE..... Attaché à la Direction du Département Palmier;
M. YEDESS..... Chef du Service de l'Animation et des Relations
avec les Planteurs villageois.

REPUBLIQUE DE COTE D'IVOIRE

MINISTERE de l'AGRICULTURE

S O D E P A L M

VISITE DE M. Mc NAMARA,
PRESIDENT DE LA BANQUE MONDIALE

LISTE DES INVITES AU DEJEUNER DU 12 FEVRIER 1969
A LA TOUMANGUIE

I - Représentants des Ministères

- M. AKA ANGHUI..... Directeur Général du Développement Agricole
au Ministère de l'Agriculture;
M. ALLAU..... Direction des Produits;
M. DAUBREY..... Direction des Programmes Pluriannuels au
Ministère du Plan;
M. DUMAS de RAULY..... Directeur du Service Central des Marchés
au Ministère des Affaires Economiques et
Financières;
M. HOVINE..... Directeur de la Caisse Autonome d'Amortis-
sement;
M. SERI GNOLEBA..... Directeur de la Comptabilité Publique et du
Trésor.

II - Représentants des organismes financiers extérieurs

- M. CALAIS..... Contrôleur Délégué du Fonds Européen de
Développement en Côte d'Ivoire;
M. TERRACOL..... Directeur de la Caisse Centrale de Coopé-
ration Economique à Abidjan.

III - Représentants du Secteur Privé

- M. KONAN Camille..... Directeur Général de la Société Nationale
de Financement;
M. de QUATREBARBES..... Administrateur de la Société pour le Déve-
loppement de la Culture Bananière;
M. ROCHET..... Directeur Général Adjoint de la Société
"Huileries et Savonneries des Lagunes
Blohorn et Cie".

.....

IV - Représentants des Banques commerciales

- M. ^{ANDRÉ} CHARDON..... Banque Internationale pour l'Afrique Occidentale.
- M. BUTTAY..... Société Générale de Banques en Côte d'Ivoire.
- M. MOLINIE..... Société Ivoirienne de Banque en Côte d'Ivoire.
- M. VITTORI..... Banque Internationale pour le Commerce et l'Industrie de la Côte d'Ivoire;
- M. HECKERS,
M. FINOT, du Siège de la Banque Nationale de Paris.

J. J. Cass

*Ambassade de Côte d'Ivoire
aux Etats-Unis*

No. 79/Amb-W
DA/mf

Washington, le 20 juin 1967

Président de la République - M. Félix HOUPHOUET-BOIGNY
Ministre de l'Agriculture
Ministre des Finances et des Affaires Economiques
Ministre de la Défense

- 2/ Ministre d'Etat - M. Auguste DENISE
- 3/ Garde des Sceaux, Ministre de la Justice - M. Camille ALLIALI
- 4/ Ministre de l'Intérieur - M. Nanlo BAMBA
- 5/ Ministre des Affaires Etrangères - M. Assouan Arsene USHER
- 6/ Ministre des Travaux Publics et Transports - M. Alcide KACOU
- 7/ Ministre des Forces Armées et du Service Civique -
- M. Kouadio M'Bahia BLE
- 8/ Ministre de l'Education Nationale - M. Lambert Amon TANOH
- 9/ Ministre de l'Information - M. Mathieu EKRA
- 10/ Ministre des Affaires Economiques et Financières -
- M. Konan BEDIE
- 11/ Ministre du Plan - M. Mohamed T. DIAWARA
- 12/ Ministre de la Santé Publique et de la Population -
- M. Blaise N'Dia KOFFI
- 13/ Ministre de la Fonction Publique - M. Loua DIOMANDE
- 14/ Ministre du Travail et des Affaires Sociales - M. Lancina KONE
- 15/ Ministre de la Production Animale - M. Alexis Thierry LEBBE
- 16/ Ministre des Postes et Télécommunications - M. Cissoko SOULEYMANE
- 17/ Ministre de la Construction et à l'Urbanisme -
- M. Michel Goly KOUASSI
- 18/ Ministre de la Jeunesse et à l'Education Populaire et
aux Sports - M. Bissouma TAPE
- 19/ Ministre de l'Agriculture - M. Abdoulaye SAWADOGO

10

*wc-genn eps**Mr McNamara:**to see
please**lee 10/23*

OFFICE MEMORANDUM

TO: Files

FROM: Luis de Azcarate *LA*

SUBJECT: Annual Meeting - Ivory Coast Delegation
Meeting with Mr. McNamara

DATE: October 9, 1969

1. The Ivory Coast delegation - Ministers Bédié and Diawara and Mr. Hovine - met with Mr. McNamara on Tuesday, September 30, from 5:45 to 6:15 p.m. Also present were Messrs. Chauffournier, Gué and myself. Mr. Kochman, Executive Director, also attended.
2. This was essentially a courtesy visit by the Ivorians to thank the President for his visit to the Ivory Coast last February and for what the Bank Group had done and was doing for the Ivory Coast. The following points of interest were mentioned in the course of the conversation:
 - a) Minister Bédié again raised the question of the Ivory Coast's eligibility to IDA. He mentioned that our economic reports in the past had classified the Ivory Coast as a blend country and he said that there had been some expectations in his Government that the Education project being currently negotiated might have been eligible for IDA but that he understood and accepted that it would be a Bank loan. The Minister, however, expressed the hope that in the future his country could receive some IDA money. Mr. McNamara replied that the Bank's position of making the Ivory Coast a de facto Bank country was to be explained in terms of the extreme shortage of IDA money and of the Ivory Coast's own economic success and capacity to repay debt. With the prevalent conditions IDA money had to be reserved for extremely poor and non-creditworthy countries.
 - b) Commenting upon the current economic situation in the Ivory Coast, Minister Bédié indicated that the recent devaluation of the French Franc and the CFA Franc had produced at least an immediate benefit to the Ivory Coast in the form of a windfall profit on dollar assets that some public institutions (notably CAA) had abroad before the devaluation. Also, Minister Bédié said, tax proceeds on export crops, notably coffee and cocoa would be significantly increased (by about CFAF 5 billion a year);
 - c) In reply to Mr. McNamara's concern about the possible short-term over-commitment of the Ivory Coast on account of the large projects underway, Ministers Bédié and Diawara said that the most recent estimates of the cost of displacing and resettling the populations affected by the Kossou dam were much lower than some figures which had previously been publicized. The Ministers said that the Government and Consultants were actively engaged in preparing a plan for the

President has seen

resettlement of populations from Kossou and that its cost would be within the country's capacity.

d) The Ministers said that they were confident that the San Pedro project represented great possibilities for agricultural development and that they certainly would have projects suitable for Bank Group financing in this area.



*For you 4.20
mtj*

OFFICE MEMORANDUM

TO: Mr. Robert McNamara

FROM: Roger Chaufourmier *R*

SUBJECT: Mr. Cheikh Fal's visit

DATE: June 17, 1970

1. I understand that Mr. Cheikh Fal will call on you this afternoon.
2. The purpose of the visit is to introduce Mr. Alcide Kacou, the President of Hotafric - the company for tourism development recently created under the aegis of Air Afrique.
3. Mr. Alcide Kacou is the former Minister of Transport and Public Works of Ivory Coast; he resigned from the Government last January for personal reasons. You probably met him at the state dinner during your visit in Abidjan.

President has seen

12

OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: Roger Chaufournier *R*

SUBJECT: IVORY COAST: Meeting with the Minister of Finance

DATE: July 1, 1971

Mr. Konan Bédié, Minister of Finance of the Ivory Coast, met with Mr. McNamara on Tuesday, June 22, shortly after signing the Guarantee Agreements for two loans to Sodepalm and Palmindustrie for two agricultural projects.

Mr. Bédié expressed the satisfaction of his Government for the excellent relations which prevailed between the Ivory Coast and the Bank Group. He said President Houphouët Boigny had asked him to express the appreciation of the Ivorian Government. The Minister said President Houphouët had been very active in the international political scene recently. He had tried to convince other African Governments that the most effective way to deal with the problem of apartheid in South Africa was through peaceful means and persuasion rather than force which in the end would be contrary to the interest of Africa as a whole. Apparently, the President had not been successful in convincing a sufficient number of African countries.

Minister Bédié mentioned financial difficulties confronting the Government in relation to the education project. The Minister explained that a cost overrun was due, in part, to inadequate planning, price increases, and need to change some standards of construction. The Minister said the Government was preparing the necessary information and would send someone to Washington to discuss it with us.

President has seen

RChaufournier:sm

OFFICE MEMORANDUM

CONFIDENTIAL

TO: Files

FROM: André R. Gué *AR*

SUBJECT: Visit of Minister Konan Bédié to Mr. McNamara

DATE: April 20, 1972

DECLASSIFIED

MAR 22 2013

WBG ARCHIVES

1. On Wednesday, April 19, Mr. Konan Bédié, Minister of Finance and Economy of Ivory Coast, met with Mr. McNamara for about 15 minutes. The Minister was accompanied by Mr. Timothée N'Guetta Ahoua, the Ivory Coast Ambassador to the United States, and Mr. Boukar, Alternate Executive Director for Ivory Coast. I attended the meeting.

2. Minister Bédié raised three topics:

- a) Consultative Group;
- b) Article in "Le Monde Diplomatique"; and
- c) Stabilization of Primary Products.

Consultative Group

3. Minister Bédié confirmed his Government's interest in setting up a consultative group to coordinate external aid to the Ivory Coast, and asked whether the Bank would agree to participate. He added that he would make specific proposals about how such a group might be organized, and transmit them to the Bank for comments through Mr. de la Renaudière. Mr. McNamara asked about France's and FED's position. Mr. Bédié replied that he had approached them both and felt that they would agree, adding that even if they wished to say no they could not really do so, particularly if the Bank supported the idea. On the other hand, the Ivory Coast would not try to impose a consultative group on anyone and would consult all important participants before making final proposals. Mr. McNamara said he agreed with the Minister's approach; the Bank would gladly discuss the Minister's proposals; the Bank would support the idea of a consultative group for Ivory Coast, but would wish to avoid misunderstandings, particularly on France's and FED's position in this regard.

Article in "Le Monde Diplomatique", of March 14, 1972

4. Minister Bédié gave Mr. McNamara a letter with an attached copy of the article in question. He explained that he knew where it came from: people who had worked in his Ministry on public relations and whom he had fired because of corrupt practices. They were now living in Paris, and seeking revenge. He was not overly worried about this but found it annoying.

President has seen

Stabilization of Primary Products

5. Minister Bédié explained the serious character of this problem, and asked for the Bank's help in finding solutions. Mr. McNamara agreed that this was a serious problem and reminded that he had raised it in his address to the recent UNCTAD meeting. Although this question went well beyond the Bank's responsibilities and field of action, the Bank would nevertheless do everything possible to help find solutions. Mr. McNamara asked about the Minister's discussions in the US Department of Commerce about the "Cocoa Agreement". Minister Bédié replied that he had not found an encouraging response and had been told that Congress was not in favor of such agreement. He felt that congressional objections were used as an excuse and that the US Government was not very keen on pressing the issue. He remarked that the US Government had acted without Congress on many other occasions, and that if the US Government so wished, informal arrangements could be worked out, which would not necessarily require approval by Congress; and if such approval were needed, congressional objections could probably be overcome if Congress, and, particularly, the Senate were provided with better information.

IDA Eligibility of Ivory Coast

6. Mr. McNamara said that he knew the question of IDA eligibility had been on the minds of Ivorian authorities and he wished to tell the Minister that the Bank was reviewing this question in the light of recent economic developments in Ivory Coast. Without wanting to make any promises, which would be academic anyway, until the US Congress had approved the Third Replenishment, he would be favorably inclined towards including the Ivory Coast among IDA eligible countries. However, even if the conclusions of our review were to be positive, which he hoped they would be, this would not mean that Ivory Coast would get all its aid on IDA terms. The Minister nodded approvingly and remarked that he had recently sent Mr. McNamara a letter on this very subject, letter which was still in the mail.

Current Operations

7. Minister Bédié said that there were no particular problems concerning Bank operations in Ivory Coast. He wanted nevertheless to emphasize that he attached a very high priority to the Roads III project soon to be negotiated, because this type of project (with its maintenance component) corresponded to the new priorities in Ivory Coast, i.e. consolidation of operations already under way and maintenance of existing assets.

cc: Mr. Chaufournier
Mr. Cheek

ARGué:sjb

BRIEFING MEMORANDUM FOR MR. McNAMARA

VISIT OF MINISTER OF ECONOMY AND FINANCE OF THE IVORY COAST,

THE HONORABLE KONAN BÉDIÉ

We expect that Mr. Bédié may raise one or more of the following topics. We do not have any issues that we wish to raise ourselves at this time.

Main Topics

Request for IDA Funds. In a letter to you dated the 11th of this month (and of which we have today received a confidential copy) Mr. Bédié has requested that we consider favorably providing some IDA funds to the Ivory Coast (translation of the letter is attached - Annex I.) The case presented in the letter rests on two main arguments: (1) the Bank has provided IDA funds to several countries with a per capita GDP equal to or higher than that of the Ivory Coast - Ecuador, Guyana, El Salvador, Honduras, Jordan, Paraguay, Dominican Republic, Syria and Turkey; (2) that they need funds on concessional terms in order to maintain a reasonable level of development investment in view of a foreseeable deterioration in their debt service ratio and the decline in government revenues due to the fall in cocoa prices.

The countries singled out in Mr. Bédié's letter have all received substantial amounts of IDA funds (most of them are apparently hard-blend countries - see Table in Annex II.) Furthermore, they tend to be characterized by two traits: They have deteriorating debt service ratios and are limited in their export possibilities. Nevertheless, from a superficial examination of this group of countries, it is difficult to say that the Ivory Coast does not or will not face similar problems.

The recent Bank Economic Mission to the Ivory Coast (January - February), which is presently preparing its report (an economic note is attached - Annex III), found that the Ivory Coast's growth has slowed to a surprising degree.

	<u>1965-70</u>	<u>1970</u>	<u>1971</u>	(forecast) <u>1972</u>
GDP growth, current prices	12.4%	12.5%	7.4%	5.3%
GDP growth, constant prices	7.4%	5.5%	3.0%	2.0%

President has seen

This sudden drop in the rate of growth is due largely to the precipitous fall in cocoa prices, the limitations on coffee exports under ICO, and the levelling off of timber exports. These three commodities account for 75% of the Ivory Coast's exports. We also projected last year a deterioration in the Ivory Coast's debt service ratio which is presently about 8%. The Government has, however, taken measures to curtail current expenditures and its economic performance is considered good.

In the past we have stated to the Government that the Ivory Coast is on the borderline of IDA eligibility in terms of per capita GDP, but that due to the scarcity of IDA resources, we could not immediately reconsider their case. In the light of recent developments, we have, however, been moving toward the conclusion that the Ivory Coast would qualify as a hard-blend country and expect to recommend to you that some IDA funds be made available to the Ivory Coast in the future. We have also recommended that we finance a higher percentage of project cost including, as necessary, local currency costs.

Confidentiality of the Bank's Economic Reports. Mr. Bédié has recently expressed his concern about an article which appeared in "Le Monde Diplomatique" (March 14, 1972) concerning financial difficulties in the Ivory Coast. A translation of the article is attached (Annex IV). The article reproduces out of context short excerpts from the Bank's 1971 Economic Report but wrongly attributes the material to the IMF. A similar article had appeared about six months ago in a publication called "Lettre d'Afrique", which did in fact refer to the IMF's last report on the Ivory Coast and which also painted the financial situation in the Ivory Coast in excessively black terms.

We have made an oral protest through our Paris office to officials of "Le Monde Diplomatique" and we have so informed the Government through PMWA. Mr. Bédié is, however, concerned about the distribution of our economic reports. All we can say is that, aside from normal distribution of the Ivory Coast Economic Report, we have always sought the approval of the Ivory Coast before making our economic reports available to any person or organization. We do not know how "Le Monde Diplomatique" obtained the information it used in its article.

Commodities. In the past year both Mr. Bédié and the President of the Ivory Coast have spoken out on the question of the stabilization of commodity prices. This question has become more acute recently because of the precipitous fall in cocoa prices and the continuing inability to negotiate a cocoa agreement. Almost exactly one year ago, President Houphouët-Boigny wrote you on this general subject. We understand that Mr. Bédié played an active role in the Committee on Commodities at the Santiago Meeting of UNCTAD (copies of President Houphouët-Boigny's letter and your letter of reply are attached - Annex V.)

Aid Coordination. In the last few years the question of a consultative group for the Ivory Coast has been occasionally raised. At the end of 1969, President Houphouet-Boigny stated: "Similarly, the need has made itself more and more clearly felt for a better coordination of bilateral and international assistance." During the recent Economic Mission, Mr. Bédié raised the question of a consultative group but insisted that it should be a group chaired by the Ivory Coast with the Bank acting as coordinator and secretariat for the group. We have tentatively expressed our willingness to consider this proposal. However, after the mission's return, PMWA informed us that the Government is hesitating.

In accordance with our general policy on aid coordination, we are prepared to consider the type of arrangement suggested by Mr. Bédié and are prepared to participate in and give staff support to such a group. We would expect to play our usual role, i.e. the organization of meetings and the provision of factual and analytical material, including economic reports and special reports which would enable the aid coordination exercise to be meaningful. The formation of such a group will, however, depend on the readiness of important bilateral donors to participate in it, in particular France, Germany and Italy. Some hesitation on the part of France has been noticed in the past. Moreover, FED, which is an important aid contributor to the Ivory Coast, is known to be generally reserved on the usefulness of consultative groups.

Other Topics - Operations FY 72 and FY 73 (Ivory Coast CPP at Annex VI)

Roads III. The appraisal of a third road project has been completed and the project is scheduled for negotiations May 8th. It includes the strengthening and realignment of the Ivory Coast's two major roads and a maintenance and betterment works program. The total project cost is \$28.8 million, including taxes of about \$5.2 million. We are proposing a loan of \$17.5 million (representing 74% of total cost net of taxes) including \$1.5 million of local currency financing.

Rubber Project. The appraisal of this project is completed and we have tentatively scheduled negotiations for the second half of May. The project is for a 13,500 ha. rubber plantation with a total cost of \$26 million, including taxes of about \$1.8 million. It will be financed in equal shares of \$6.5 million by the FED, Caisse Centrale, the Government and the Bank.

Telecommunications. This project is scheduled for FY 73 and comprises the second part of the country's five-year program for the sector. It includes a number of urban centrals and interregional links. The loan for the project should be about \$10 million. We had planned an appraisal for June-July, but due to the Government's failure to send us the documentation needed for the appraisal, it may have to be delayed until early fall 1972.

ARGué/SCS⁴³schott:hlm
Western Africa Department
April 18, 1972

TRANSLATION

Abidjan, April 11, 1972

No. 0769/MEF/CAA

Mr. McNamara
President of the World Bank

Dear Mr. President:

During a recent review of certain World Bank Group operations throughout the world, I noted that several countries which seem to have reached a degree of development comparable to that of Ivory Coast, if not higher, have been granted IDA credits. I found out in particular that during the last two or three years, the Association had granted credits amounting to more than \$100 million to countries such as Ecuador, Guyana, Honduras, Jordan, Paraguay, the Dominican Republic, El Salvador, Syria and Turkey. Yet, according to the Atlas published by the World Bank, two of these countries have a per capita GNP equal to that of Ivory Coast while all others have a higher one.

This has led me to hope that the World Bank Group might consider revising its position on the financing terms applicable to Ivory Coast. I would appreciate your giving favorable consideration to this matter.

I know that the GDP per capita is not the only criterion for allocating IDA resources, but I have mentioned it because it is the only one for which factors of comparison are readily available to us. However, I believe that, even taking into account other criteria, recent developments in Ivory Coast now justify assistance from IDA.

Almost every year now, a World Bank economic mission surveys with a great deal of care our economic conditions and prospects. At

this very moment, one of them is preparing a report which we are awaiting with great interest, since these missions give us the opportunity of a highly fruitful dialogue which helps us to recognize our problems and develop solutions. In fact, this is one of the subjects which I brought up personally last January when, during the public presentation of our financial reform program, I referred to the World Bank who "amicably drew our attention" to the dangers presented by our economic and financial situation and to the necessity of taking prompt measures.

The previous economic report of the Bank dated December 3, 1971, already stressed that "increased need for external financing and the slow relative decline in grant aid has led to a fast increase in external debt"; the service of this debt which "absorbs an increasing share of public savings" would expose the government to "financial difficulties which could become insurmountable in time" if the continuing development of Ivory Coast were to be extrapolated along current lines.

More generally, your economists state that Ivory Coast is entering a difficult transition phase. The traditional productions (coffee, cocoa and wood) which strongly contributed to the past expansion of our country's economy will become less dynamic growth factors, essentially because of the unfavorable evolution of the commodity market. Our country has pursued an economic diversification policy and we expect great results from the new development potential in the fields of agriculture (palm oil, copra, rice, cotton, rubber), export industries (textiles, tires, wood pulp), mining (iron and possibly petroleum), and tourism. But the full impact of most of these new activities will only be felt in five to ten years. Meanwhile,

the real growth of the country's Gross Domestic Product will presumably slow down on the one hand and the budgetary resources of the government and the position of its balance of payments will follow a far less favorable trend than in the previous years, on the other.

Whatever the differences of opinion which we may have with your economists on certain aspects of our development problems, we have studied their comments with the greatest care. As you know, our government has decided to tackle these problems courageously and has launched an austerity program at the beginning of this year with a view to curbing the rise of current budgetary expenditures and to maintaining a high level of public savings. Yet the experience of neighboring countries has shown that economic foresight does not always pay and that in young countries such as ours, where economic and financial problems are often ill-understood by public opinion, it is not an easy task for the government to obtain approval for overly rigorous programs, nor to implement them. However, the policy we have initiated in January is only a beginning and we intend to pursue it with your assistance and advice over the coming years.

Nevertheless, if we wish to maintain growth - be it at a much lower rate than during the past five years - we must not cut too heavily our investment programs. Even if we were to achieve only the "guaranteed core" of the Development Plan, it would seem, according to the analysis of your experts, that the debt service would more than double from 1971 to 1975 - if the government borrowed under terms and conditions comparable to those of the World Bank loans - and would increase from 6 per cent to more than 10 per cent of exports of goods and services in 1975.

Although such a percentage still remains tolerable, it appears indispensable that measures be taken promptly to slow down the growth of the debt service rather than intervene too late when the commitments which we will have made to maintain a reasonable expansion rate will confront our country with problems more difficult to overcome.

In these circumstances, I have thought it timely to request that the World Bank Group finance a substantial part of its future operations in Ivory Coast by means of IDA credits. Thanks to the combined efforts of our government and the World Bank, your operations have recently progressed at a satisfactory pace and we are very much counting on you for the financing of important projects now in preparation. It seems to me that it would be essential that such financing be provided under softer terms.

I would be pleased to discuss these matters with yourself and Mr. Chaufournier at the first possible opportunity. I would like to state once again that since achieving its independence our country has deliberately chosen the path of economic liberalism and financial soundness and has adopted policies designed to attract public and private funds and to accelerate our country's growth. Ivory Coast depends heavily on the World Bank Group's assistance and wishes to draw on its advice. I feel that under the circumstances, our request should be considered in a particularly favorable light by the Bank.

Sincerely yours,

S/ Konan Bédié
Minister of Economy and Finance

ANNEX II

COUNTRIES MENTIONED IN Mr. BEDIE'S LETTER

		IDB		\$ million		Debt Service Ratio (1969)	GNP per capita US\$ (1969)	
		IDA	IBR	IDA	Bank			
P. 2	2	Paraguay	6	5	21	22	8.8	240
	3	El Salvador	0	4	13	58	3.2	290
	17	Guyana	4	5	5	13	3.5	340
	32	Turkey	40	130	130	241	16.7	350
	r. 4	Honduras	4	8	24	58	2.3	260
	3.8	Dominican Republic	(10)	0	9	25	8.7	280
	5.3	Ecuador	7	0	31	73	10.4	240
	4.0	Jordan	6	0	23	-	2.8	280
	5.5	Syria	10	15	8	-	8.8	260

	4.0	Ivory Coast				69	8.0 (1971)	240

IVORY COAST

Current economic situation and prospects

The following are the main conclusions of the recent updating mission as discussed with the Government before the mission left the Ivory Coast on March 15^{1/}. The report of the mission will be available shortly.

1. Slowdown of economic growth

Following extremely fast growth during the 1960's, economic growth has slowed down considerably during the 1970's.

	<u>1965-70</u>	<u>1970</u>	<u>1971</u>	(forecast) <u>1972</u>
GDP growth, current prices	12.4%	12.5%	7.4%	5.3%
GDP growth, constant prices	7.4%	5.5%	3.0%	2.0%

The main cause of the slowdown is stagnation in main export products. Cocoa prices dropped sharply as a result of global over-supply; coffee exports are limited by the quota under the International Coffee Agreement, and timber exports, one of the most vigorous growth factors in the 1960's, have reached a plateau. At the same time, import prices rose markedly. The fact that the economy continued to grow in spite of these adverse developments in external trade is the result of growing diversification of production as well as of a sharp rise in public investment (13 percent of GDP in 1971 compared to 9 in 1965-70). Prospects for 1972 are not very favorable; the forecast 2 percent real growth is less than the 3.5 percent annual increase in population, so that per capita incomes would decline.

2. A less favorable financial outlook

In spite of the slowdown in economic growth, the Government has managed to maintain budgetary savings at a satisfactory level. However, savings of the public enterprises and the agricultural stabilization funds declined, owing to the drop in cocoa prices. And since debt service payments continued to rise, the amount of public savings available for investment dropped sharply. The following figures summarize these developments.

^{1/} The mission consisted of Messrs. Jansen (chief), de Wit, Glaeser and Schmitthusen.

(in CFAF billion)

	<u>1965-70</u>	<u>1970</u>	<u>1971</u>	(forecast) <u>1972</u>	<u>1972-74</u>
Budgetary savings	14.6	19.4	20.2	23	24
Other public savings	10.1	20.4	15.6	9	12
Total public savings	24.7	39.8	35.8	32	36
Public debt service	5.6	7.6	10.0	11	13
Savings available for Investment	19.1	32.2	25.8	21	23
In % of public investment	63%	64%	44%	43%	39%

The most telling indication of the situation of public finance is the decline in the proportion of public investment financed from public savings. From over 60 percent in the 1960's and in 1970, it has come down to 44 percent in 1971, and a forecast 43 percent in 1972 and 39 percent in 1972-74. The low percentage during 1972-74 is reached on the assumptions (i) that the Government will be able to maintain budgetary savings at a relatively high level and (ii) that the Government will curtail its investment program. The 1972-74 investment program (Loi-Programme) consists of a "hard core" and a "tranche optionnelle". We have only taken the hard core into account.

The drop of savings as a proportion of public investment means a corresponding increase in the dependence on foreign borrowing and a consequent increase in debt service. As shown in the last economic report, debt service could on present trends rise to absorb about all of public savings by the end of the decade. The forecast 1972-74 developments are clearly a step in that direction.

3. Causes of financial stringency

(i) The most important cause of the tighter financial situation is the recent deterioration in the Ivory Coast's terms of trade and more particularly the drop in cocoa prices. In comparison with 1969 when cocoa prices reached a peak, the Ivory Coast lost in 1971 export earnings of CFAF 14 billion, the equivalent of 24 percent of public finance investment. For 1972 we forecast the foreign exchange loss at the equivalent of 36 percent of public investment.

	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
Cocoa export prices, FOB Abidjan (CFAF/kg.)	221	187	157	130
Loss in export earnings (CFAF billion) (compared with 1969 prices)		6.1	14.0	17.7
" " % of GDP		1.5%	3.2%	3.8%
" " % of public investment		12%	24%	36%

This confrontation of receipts from cocoa exports and public investment is fully justified, since the Government has as yet maintained the cocoa producer price and is not intending to change it in the foreseeable future. Any change in world market prices thus directly impinges on the levies by the agricultural stabilization fund and hence on public savings available for development financing. The decision to maintain producer prices is probably justified on social and economic grounds.

(ii) A further cause for decline in public savings is the recent devaluation of the dollar which was not followed by the franc zone countries. Since the dollar price of the Ivory Coast's export products has not changed under the impact of the devaluation, export receipts in terms of CFA francs declined by 7.9 percent. Since the producer prices for coffee and cocoa have not changed, the brunt of the decline is borne by the agricultural stabilization fund. The annual loss in revenue for the stabilization fund (and therefore for investible resources) arising from the devaluation amounts to CFAF 6 billion a year, the equivalent of 10-12 percent of public investment.

(iii) Rapidly rising debt service is another factor leading to a reduction in available resources for investment. Public debt outstanding has increased annually by 30 percent a year since 1965 and this rate of increase has continued in 1971.

4. Austerity policies

All elements of the recent slowdown in economic growth and of emerging financial difficulties had been forecast by the Bank in the 1970 and 1971 economic reports. The September 1970 letter of Mr. Knapp to President Houphouet-Boigny was the first warning signal given by an outside observer regarding the decline in public savings and the ambitious nature of the investment program. In the ensuing dialogue we have continued to draw the Government's attention to the excessive growth of current (personnel) expenditures; the poor justification and extravagant size of certain public investments (Riviera, Kossou, to a lesser extent San Pedro); and the dangers of supplier credit financing. The drop in the reserves of the stabilization fund (drop in cocoa prices) have made the Government acutely aware of the need to change its policies. At the beginning of the year, the Government announced a number

of austerity measures, aimed at curbing excessive fringe benefits of top civil servants and restraining the growth in the number of government employees. The result will be to limit the increase in current expenditures in 1972 to only 5 percent as compared to 12 percent in the late 1960's. Perhaps even more important is that the "systematic optimism" in regard to the future has been abandoned to make place for greater realism in the determination of economic policies. The Bank is widely credited, by outside observers and the Government itself, with having brought about this change in attitude.

If implemented, the austerity policies will allow budgetary savings in 1972 of about CFAF 23 billion, somewhat above the 1971 level. Our analysis of revenue and expenditure measures indicates that the Government should be able to achieve this. However, the stabilization fund will almost certainly not be able in 1972 to make any contribution to investment financing. Taking into account the amount of aid disbursements in prospect, the Government will then not be able to finance all its investment program. As earlier mentioned, the Government would have to cut public investment during 1972-74 from the programmed amount of CFAF 72 billion to CFAF 58 billion, but more likely to CFAF 53 billion (cut by 19-26 percent).

5. Remaining concerns

In spite of the announced austerity measures, the mission remains concerned about certain government policies.

(i) Current expenditures. Education expenditures continue to increase much faster than other current expenditures. Unless education targets are reduced in line with their economic priority, education expenditures will soon take over an excessive proportion of the current budget.

On the other hand, a very useful step now under consideration by the Government is the inclusion of current expenditures arising from development projects in the rolling three-year investment budget (Loi-Programme). This measure should help improve the quality of investment planning.

(ii) Capital expenditures. The link between development and the annual investment budget remains weak. The Government continues to give way, to some extent, to politically justified development schemes not foreseen in the development plan. The Government also remains determined to implement the Riviera project; about CFAF 3-4 billion is being devoted to this project during 1972.

(iii) Supplier credit financing. The Government has agreed with the recommendation in the last Bank report that commercial credits (supplier's credits, contractor financing, Eurodollar loans) should be kept under a ceiling of \$20 million a year. However, the Government feels that this ceiling should not cover credits obtained by autonomous government agencies which would service debt from their own funds.

The mission has pointed out to the Government that, in case of default, the Government would be responsible for these debts as well, and that the Bank therefore views debts of autonomous public agencies as part of the public debt.

The mission was particularly concerned about supplier credits extended in the last twelve months to SOGEFIHA, the Government's agency for low-cost housing. These credits total CFAF 5.4 billion (\$22 million). The mission felt that low-cost housing should be financed by long-term credits. The Government then asked whether the Bank was willing to lend to it for its public housing projects.

A further transaction which the mission considered financially risky is the sugar project (\$64 million) which is financed with US private and public (Export-Import Bank) funds. The project appears technically sound, but will have a negative financial rate of return. The US loans cover capital cost as well as losses during the first years of operation.

(iv) Domestic resource mobilization. In view of the large outflow of private savings, the last economic report raised the question whether it would be possible to mobilize more domestic resources for development financing. One aspect of this matter is the low level of interest rates in the Ivory Coast (and other CFA countries). Other aspects are the adequacy of domestic financial institutions and the scope for creating attractive investment paper in the Ivory Coast. The Government, taking note of the Bank's concerns about this matter, has engaged a French consulting firm (SEDES) to study the subject. The Government has not yet provided the draft report of the study.

6. Conclusion

Owing to a shortfall in finance, the Government is forced to curtail its investment program. Despite our criticism of certain individual investment projects, the program is generally well justified from the economic point of view. Curtailment therefore means loss of growth. For this reason, Bank and other donors should be prepared to consider additional projects for their lending programs and to finance a high proportion of project cost. However, in view of the rapid increase in debt service, the Ivory Coast has only limited ability to assume further conventional debt. Prospects for economic growth during the 1970's will for various reasons remain less favorable than during the past decade, even if the cocoa market were to recover gradually in the next four years. Under these circumstances, investments commensurate with absorptive capacity would lead to a large resource gap in the public sector. This would be so even if the Ivory Coast were to make full use of all possibilities to increase public savings. If the resource gap were filled with financing on conventional or supplier credit terms, debt service by the end of the decade would absorb most if not all public savings and would constitute a quite high proportion of export earnings. Since this situation is clearly undesirable, it would seem that the Ivory Coast could be considered a claimant for IDA resources. In view of its good economic and financial performance, a hard blend of Bank and IDA resources might be justified.

Translation

Article from "Le Monde Diplomatique"
March 14, 1972: Section on Africa
by Gilbert Comte

An IMF report* casts doubt on the "Ivory Coast miracle".

For the first time since the ministerial "conspiracies" of 1963 and the wave of arrests that followed, even in circles closest to President Houphouët-Boigny, the Ivory Coast will be confronted this year with a particularly grave crisis. In his traditional New Year's message to his countrymen, the President this year upset a good many of them by the somewhat unusual tone of his speech. Admittedly, he assured them that: "The image we present to the rest of Africa and to the world is still that of a flourishing nation, with well-founded confidence in the future." However, immediately after this optimistic declaration, he went on to criticize violently "the low level of productivity in too many sectors of our economy, the lack of organization in some areas of the distributive system, the poor rate of return of business enterprises which are too dependent on preferential treatment by the government, a certain drift towards corruption which appears to be gaining ground in various sectors, a liking for display and a thirst for gain" which are seriously undermining public morality.

Even a few months ago, no one could have made such statements without being considered, by the authorities in Abidjan, as a dangerous

*T.N.: The report in question is apparently an IBRD report.

enemy bent on sabotaging national prosperity. In response to all expression of doubts or fears, they pointed scornfully to the undeniable fact of the rapid development of their capital city; its inhabitants were well-off, better than in any of the neighboring countries; there was a constant inflow of foreign capital; the trade balance regularly showed a surplus, and the economy was sufficiently dynamic to be able to undertake at the same time the construction of a huge hydro-electric dam at Kossou, in the Baoulé region, on the home territory of the founder of the Republic, and of a modern port at San-Pedro in the western part of the country. Diplomats and businessmen from Western Europe and the United States were convinced, and spoke admiringly of the "Ivory Coast miracle," achieved by the methods of free enterprise and with the resources available to it.

Until recently, when a confidential report by the International Monetary Fund (IMF) was submitted to the Ivory Coast Government, this state of euphoria, fostered as it was by powerful political and financial interests, was impervious to all warnings. Even now, Mr. Houphouët-Boigny still hesitates to accept the full implications of the information available to him, for fear of being obliged to throw doubt on the basic principles and the major economic trends which he had imposed on his Minister of Finance, Mr. Konan Bédié, ever since 1967. Apart from rather vague appeals for austerity, the President's New Year's speech thus did not contain any directives likely to reassure the IMF.

It is true that he asked for austerity, for more stringency in the choice of investments, for "limits on certain subsidy expenditures." A few days later, the President of the National Assembly, Mr. Philippe Yacé, speaking to the political committee of the Democratic Party of the Ivory Coast (PDCI), announced reforms the main significance of which is the implication they carry of excessively luxurious standards of living among the ruling class. In effect, these reforms do away with the scholarships generously provided for children of ministers, members of parliament, high-level civil servants and managers of government undertakings. They restrict the right to travel first class by air to top government officials only, and reduce the numbers of delegates taking part in international conferences.

Austerity Measures

If strictly applied, these measures will certainly set limits on the opulent way of life of a whole range of public servants. However, the CFAF 500 or 1,000 million thus saved can only be of very minor importance compared with the enormous deficit in public finances caused by excessively costly undertakings, such as those at Kossou and San-Pedro, estimated at \$92 million and \$146 million respectively. As the IMF report notes with some alarm, "Expenditures on these two projects are reaching a peak in 1971-73. In its efforts to secure funds for these and some other projects the Government has accepted funds from abroad on harder terms than are warranted from the point of view of the country's creditworthiness.

Meanwhile, problems are posed by the proliferation of autonomous public agencies and enterprises. Numbering about 25, these were created by the Government to fulfill specific development tasks. They obtain funds from the central government without sufficient central scrutiny of their financial condition and investment programs. As a result, public investment does not always conform to rational investment criteria."

From 1960 to 1966, the Ivory Coast financed the very creditable proportion of 75 percent of its investments out of its own resources. The large-scale works demanded by the Head of State forced the government to contract foreign loans of about CFAF 110 million, i.e. an amount nearly equal to its total annual budget. This risky operation reduced the level of national participation in development to its present level of 60 percent. The effect of this, at first slow in being felt but rapidly becoming more pronounced, has meant an estimated 30 percent annual increase since 1965 in the external public debt.

As the IMF experts conclude: "Under these conditions...the debt service ratio could rise from 8.5 percent in 1971 to 12 percent in 1975 and about 20 percent in 1980. As a proportion of public savings, debt service could rise from 45 percent in 1971 to 96 percent in 1980. Any such situation would obviously lead to considerable difficulties both in public finance and external debt management. The Government would by the end of the decade have ceased contributing from its own resources to the financing of public investment and would be in acute difficulty for those projects for which usually no foreign financing is available. The situation is hardly more favorable for balance of payments management since export earnings are projected to grow at a declining rate and will probably remain subject to wide year-to-year fluctuations

in view of world market and crop uncertainties."

A Precarious State of Equilibrium

In spite of efforts to diversify agricultural production, cocoa, wood and coffee still represent 75 percent of the country's exports. This imbalance makes the economic and financial position particularly precarious. Between 1968 and 1970, an exceptional rise in sales prices made it possible for the Gross Domestic Product (GDP) to increase regularly by about 12 percent, compared with 6-7 percent during the preceding period. These favorable circumstances encouraged the Ivory Coast government to contract foreign loans at rates between 7 percent and 8 percent. Unfortunately, the decline in the price of tropical products on the international market will coincide in the near future with the maturity date of the first loans. In December 1971, the government had to ask France for an exceptional subsidy of CFAF 600 million, in order to pay the salaries of some civil servants and meet its most serious payments problems. Although this sum itself is not very large, nevertheless it is an indication that there are difficult times ahead, implying a temporary increase in dependence on the former parent country.

These prospects are causing a growing feeling of anxiety among foreign investors. The fact is that even a slight temporary recession would be likely to cause social unrest very quickly. The rapid development of the coast and the Baoulé region has led to 30 percent of the total population of about 4 million being concentrated in the towns. As a result of the influx of workers from rural areas Abidjan is experiencing an annual increase in population of 9 percent. In eight years' time, there will be a million people living in the capital. Already, the high level of chronic unemployment has meant that large numbers of the very poor are concentrated in the working class districts on the outskirts of the town. In 1969, the devaluation of the CFA franc resulted in an annual increase in food prices estimated at between 7 percent and 10

percent, as compared with 3-4 percent from 1960 to 1969. Moreover, between 1968 and 1970, the supply of money in circulation increased by 16 percent yearly compared with a growth in production of about 7 percent at constant prices.

Until now, the difference between an average annual real income per capita of \$30 in the north of the country and the rural areas and an income of \$100 in the towns and the coastal region around Abidjan meant that the people living in the towns were sufficiently privileged for them to be willing to accept a good many sacrifices. A reduction in the number of jobs available, combined with inflationary trends and a further rise in prices might well turn their resentment against the employers, a majority of whom are French.

A latent xenophobia is already causing the Europeans to be blamed for the unhappy situation.

"Obviously, the Ivory Coast Government, which is strongly committed to sound financial policies, would certainly have taken remedial steps before a situation as outlined above would have occurred." Such is the opinion expressed in the IMF report, at the end of a very pessimistic paragraph on the projected effects of the external debt in 1980. In fact, since independence was achieved, Mr. Houphouët-Boigny has taken great care to inspire confidence in investors through his liberalism. The obvious lack of proportion between the very grave prospect of a failure of his whole policy and the superficial measures put forward in his January speech show that he is finding it very difficult to develop new tactics.

The wisest course would seem to be to go back and re-examine, very thoroughly and very quickly, the whole economic policy followed since 1967, with a view to reducing or eliminating entirely investment in projects which are excessively costly and on which a reasonable return seems very unlikely, such as the proposed African "Riviera" on the outskirts of Abidjan, for an estimated cost of some \$108 million, together with the tourist development program projected up to 1980. Next, a rigorous examination of the debts contracted and of the circumstances in which the State was subjected to an excessively heavy burden of costs should make it possible to deal with the corruption denounced by the President, more effectively than by economizing on the cost of first class trips by air. Finally, an overall increase in taxation, strict control of administrative expenses, the raising of some rates charged by the public services, such as that for electricity, would have the useful effect of making prices more realistic. True, none of these measures would reduce the burden of major works, like those at San-Pedro and Kossou, which were undertaken in reckless haste. At least, however, the ordeal would be made somewhat easier to endure.

The President of the Ivory Coast has about five months in which to decide on the means of saving the situation, and then until the fall to put them into operation. After that, he will have to wait two years for the full effects to be felt, provided that in the meantime another drop in the price of cocoa does not make things still more difficult for him.

UNOFFICIAL TRANSLATION TO THE LETTER DATED APRIL 21, 1971 FROM
THE PRESIDENT OF THE IVORY COAST TO MR. MCNAMARA

Dear Mr. President:

The presence in Abidjan of Mr. Kochman has given me the opportunity to discuss with him and the Minister of Economy and Finance, Mr. Konan Bédié, the state of relations between the World Bank Group and the Republic of the Ivory Coast.

First of all, I would like to inform you that I have asked our Executive Director and friend, Mr. Kochman, whose services we appreciate, to explore with you a certain number of matters which I do not believe it is appropriate to raise in the present letter.

I would also like to bring to your attention the good relations which exist between the Bank's representatives in Abidjan and the various Government departments.

However, I would particularly like to express my personal appreciation to you, Mr. McNamara, for the role which you have played in the financing of projects which were included in our review, i.e.:

- the paving of the Abengourou-Agnibilekro road;
- the loan for the continuation of the palm oil and coconut program;
- the cocoa loan;
- the national education project;
- the participation of IFC in the Ivorian Bank for Industrial Development.

These various instances of your assistance are encouraging to us and also constitute a good point of departure for a more intensive and close cooperation with the World Bank. I do not doubt that under your dynamic administration our relations will progress each day in the future and I thank you in advance for the upcoming negotiations for loans which will extend the spectrum of Bank assistance to the Ivorian economy.

I would also like to underline how much the Bank's work under your aegis opens up new hope for our group of French language countries, which often have not been understood.

You see, Mr. President, the economic and social development of the countries to which I am alluding is very much dependent on the assistance of the Bank which is presently the most powerful and the most important institution dedicated to assisting the developing countries.

The economy of these countries depends essentially on agriculture and you will understand our anguish before the spectacle of fluctuating markets for tropical commodities.

President has seen

Those whom heaven has blessed and who have on their territory fuels - such as petroleum in particular - are able to negotiate the prices of their products and make their demands heard. But countries such as mine are prostrate before world markets where prices for agricultural products are formed in an unstable climate so that at times prices do not even cover the costs of production.

In these circumstances, Mr. President, it appears to me that it is the obligation of the Bank, as well as of the producer countries of primary commodities, not only to be active in promoting as a means of development agricultural diversification but also the stabilization of primary agricultural commodities.

Thus, you will understand, Mr. President, the nature of the action carried on incessantly by the French speaking African States at the major conferences of the Bretton Woods institutions at which the representatives of my Government in particular have not ceased to speak in favor of the acceptance of a policy of regulating the prices of certain products in international commerce.

To be sure, the interests involved are varied and are strongly defended against the efforts made by countries which produce primary products. But I do not doubt that all those of good will in the world, desirous of safeguarding the chances for the continuation of a free enterprise economy, will join together one day to eliminate the growing disequilibrium which menaces the life of countries which have agricultural economies.

The importance of the peasant masses is such in these countries that I ask myself if the continuation of the instability which affects their incomes or in other words, which continues in a state of misery so many human lives, does not give totalitarian ideologies, which appear at the present time to establish themselves most easily among the working masses, a chance to succeed. Thus, the anger of the peasant masses could deal a fatal blow to the chances of democracy and of freedom loving Governments of countries whose economies are based on agriculture.

Wishing to renew once again my thanks for all you have done and all you expect to undertake for the well being of our peoples, I am,

Sincerely,

Félix Houphouët-Boigny

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UNOFFICIAL TRANSLATION

His Excellency
Mr. Félix Houphouët-Boigny
President of the Republic,
Abidjan, Ivory Coast

Dear Mr. President:

I very much appreciated the kind remarks which you made in your letter of April 21 and the interest which you indicated in the activities of the Bank in the Ivory Coast.

Furthermore, I want to thank you for your kindness in asking Mr. Kochman to discuss with me a certain number of matters which I found of great interest.

With regard to the stabilization of prices of primary commodities, we share your concern. As you know, the central problem in this area is still a matter for agreement among the consuming and producing countries. As for myself, I can assure you that the Bank will continue to offer its good offices in this matter and will not spare any effort in seeking a solution which will be satisfactory to all the interested parties. On the other hand, within the framework of our development efforts, and considering our special area of competence, we will continue our work with a view to assuring to the fullest extent possible the long-term harmonious development of those of our member countries which are the most directly affected by this problem. We will do this in particular by supporting the diversification of production and the reinforcement of export opportunities of these countries. Moreover, should a developing country member of the Bank, for reasons outside its control, experience an unexpected shortfall in its export earnings which threatens to disrupt the implementation of its development program, the Bank Group would examine the case on its merits with a view to determining whether and how, taking into account the interests both of the particular member and of the members of the Bank Group as a whole, it could shape or modify its lending and other operations for that country in such a way as to help the country to overcome the difficulties.

Sincerely yours,

Robert S. McNamara

cc: Mr. Knapp
Mr. Hoffman (DSD)

ARGué/SCSchott:sjb

14

OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: Roger Chaufournier *RC*

SUBJECT: Ivory Coast: Visit of the Ambassador

DATE: May 26, 1972

Ambassador Timothée N'Guetta Ahoua, of the Ivory Coast paid a call on Mr. McNamara on Tuesday, May 23, 1972.

The purpose of the visit was to transmit a letter from President Houphouet Boigny, expressing support for the proposed Railway project in Gabon.

5/30
The Ambassador asked whether he could receive a formal reply before he leaves for the Ivory Coast on June 6. Mr. McNamara said we were currently working on the project and that he did not know at this time when the Bank Group could give a substantive reply, but promised the Ambassador an acknowledgment to President Houphouet's letter before the Ambassador departs.

RChaufournier:sm

President has seen

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

CONFIDENTIAL

Mr. McNamara:

May 23, 1972

Since writing the attached briefing note, I have learned of the purpose of the Ivorian Ambassador's visit.

He has instructions to deliver to you personally a letter from President Houphouet Boigny expressing his support of the Gabonese Railway Project. Apparently President Bongo of Gabon saw President Houphouet at the OCAMM Meeting in Lomé recently and asked President Houphouet to intervene on behalf of Gabon. I hear that similar supporting moves were made with the French authorities at the highest level.

You obviously need not discuss the matter with the Ambassador. We shall prepare a written reply to President Houphouet for your signature.

DECLASSIFIED

MAR 22 2013

WBG ARCHIVES



Roger Chaufourrier

att.

President has seen

BRIEFING MEMORANDUM FOR MR. MCNAMARA

Visit of Ambassador Timothée N'Guetta Ahoua, of the Ivory Coast
at 6:45 pm, May 23, 1972

1. We do not know the purpose of the Ambassador's visit. There is very little new to report at the present time on the Ivory Coast, except as noted below. We attach to this memorandum, without annexes, the memorandum which we prepared for the visit of Minister Bédié last April 19. We are also attaching a copy of the letter signed today concerning the Ivory Coast's request for eligibility to receive IDA funds.

Third Highway Project

2. Negotiation of this project, for US\$17.5 million, was completed on May 20. We expect to present it to the Board on June 20. The principal problem which arose during its negotiation was the redefinition of the study for an urban project, which we agreed to finance under the loan, but for which terms of reference drawn up some 18 months ago are now inadequate. Agreement was reached that we would go ahead with the urban transport part of the study and, in September, attempt to redefine the part of the study relating to residential infrastructure.

Aid Coordination

3. During a recent visit to the Bank, May 16, Minister Bédié indicated that he wanted to move cautiously in arranging for the establishment of a consultative group. He thought he would need time in order to obtain the approval of other important participants, such as the European Development Fund and the French Government.

Economic Report

4. The Economic Report, prepared by a mission which visited the Ivory Coast in June-March of this year, is now in draft and will be sent to the Government within the next ten days. The head of the mission, Mr. Jansen, will visit the Ivory Coast around June 12 to discuss it with the Government.

Visit of the Minister of Public Works

5. Mr. Grah Kadji, Minister of Public Works of the Ivory Coast, is presently in the United States at the invitation of the US. Government to visit the Transpo Expo 72, being held at Dulles.

Attachments

SCSchott:sjb

President has seen