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# Appraisal of the Banque Nationale de Developpement Economique (BNDE)

Burundi

June 10, 1977

Industrial Development and Finance Division  
Eastern Africa Regional Office

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Currency Equivalent (1976)

1 US\$ = BuF 89.55

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ABBREVIATIONS

ADB	African Development Bank
BNDE	Banque Nationale de Developpement Economique
CCCE	Caisse Centrale de Cooperation Economique
DEG	Deutsche Entwicklungsgesellschaft
EIB	European Investment Bank
KfW	Kreditanstalt fur Wiederaufbau
UNIDO	United Nations Industrial Development Organization
UNDP	United Nations Development Program

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FISCAL YEAR

January 1 - December 31

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APPRAISAL OF THE

BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)

Table of Contents

	<u>Page No.</u>
ABBREVIATIONS	i-iv
BASIC DATA	
SUMMARY .....	v-vi
I. <u>INTRODUCTION</u> .....	1
II. <u>THE ENVIRONMENT</u> .....	1
The Economy .....	1
The Manufacturing Sector .....	2
Government Industrial Policies .....	3
Tourism .....	4
The Financial Environment .....	5
The Central Bank (Banque de la Republique du Burundi) .	5
Commercial Banks .....	5
Term-lending Institutions .....	6
The Interest Rate Structure .....	6
III. <u>THE COMPANY</u> .....	8
Background .....	8
Ownership .....	8
Board of Directors .....	9
Management .....	9
Organization and Staff .....	9
Policy Statement .....	10
Interest Rates .....	10
Procedures .....	11
Legal .....	12
Auditors .....	12
IV. <u>OPERATIONS AND FINANCE</u> .....	12
Operations .....	12
Resources .....	14
Loan Portfolio .....	14
Equity Portfolio .....	15
Financial Situation .....	15
Financial Results .....	15

This report was prepared by Messrs. Philippe Beuzelin and Louis Currat following their visit to Burundi in November 1976.

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Table of Contents (Cont'd)

Page No.

V.	<u>PROSPECTS</u> .....	16
	Business Outlook .....	16
	The Company's Strategy .....	16
	Forecast Operations .....	16
	Resource Requirements .....	17
	Financial Projections .....	18
	Term Debt/Equity .....	18
VI.	<u>CONCLUSIONS AND RECOMMENDATIONS</u> .....	18

## LIST OF ANNEXES

1. BURUNDI - Interest Rate Structure
2. BNDE - List of Shareholders
3. BNDE - Board of Directors
4. BNDE - Organization Chart
5. BNDE - Industrial Development Unit
6. BNDE - Cost Estimate for Employment of one Expatriate in the Industrial Development Unit
7. BNDE - Statement of Policy
8. BNDE - Total Approvals, Commitments and Disbursements, 1971-1976
9. BNDE - Loans Approved by Sector, by Year and by Term, 1971-1976
10. BNDE - List of Term Loans Approved in the Industrial and Tourism Sectors, 1971-1976
11. BNDE - Analysis of Loans to Industry, Handicraft and Tourism, 1971-1976
12. BNDE - Resource Position as of December 31, 1976
13. BNDE - Borrowings by BNDE as of December 31, 1976
14. BNDE - Equity Investments as of December 31, 1976
15. BNDE - Summarized Balance Sheets, 1970-1976
16. BNDE - Summarized Income Statements, 1970-76
17. BNDE - Project Pipeline as of December 31, 1976
18. BNDE - Assumptions for Financial Projections
19. BNDE - Forecast of Operations, 1977-1981
20. BNDE - Projected Income Statements, 1977-1981
21. BNDE - Projected Balance Sheets, 1977-1981
22. BNDE - Projected Sources and Uses of Funds, 1977-1981
23. BNDE - Past and Projected Financial Ratios
24. BNDE - Estimated Disbursement Schedule for the Proposed Credit



BASIC DATA

on

BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)

YEAR OF ESTABLISHMENT: 1967

OWNERSHIP (As of December 1976)

	<u>Number of Shares</u>	<u>% of total Capital</u>
<u>Shareholders</u>		
République du Burundi	4,244	26.4
Banque de la République du Burundi	2,000	12.4
Institut National de Sécurité Sociale	500	3.1
Office des Cultures Industrielles du Burundi	<u>500</u>	<u>3.1</u>
<u>Sub-total Government and Public Institutions</u>	7,244	45.0
Banque Belgo-Africaine du Burundi	500	3.1
Banque Commerciale du Burundi	500	3.1
Banque de Crédit de Bujumbura	<u>500</u>	<u>3.1</u>
<u>Sub-total Domestic Commercial Banks</u>	1,500	9.3
Banque Belgo-Zairoise <sup>1/</sup>	1,000	6.3
Caisse Centrale de Coopération Economique	2,663	16.5
Deutsche Entwicklungsgesellschaft	<u>2,663</u>	<u>16.5</u>
<u>Sub-Total Foreign Institutions</u>	6,326	39.3
Brasseries du Burundi	<u>1,000</u>	<u>6.4</u>
<u>TOTAL</u>	<u>16,070</u> =====	<u>100.0</u> =====

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<sup>1/</sup> A commercial bank not operating in Burundi.

BASIC DATA

on

BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)

HISTORICAL OPERATIONAL DATA (BuF million as of December 31)

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
<u>Loan Approvals</u>						
Long-Term	16.6	12.9	18.4	41.9	530.3 <sup>1/</sup>	275.2
Medium-Term	6.8	34.7	28.3	1.7	20.6	152.5
Short-Term	<u>266.8</u>	<u>232.9</u>	<u>231.4</u>	<u>108.6</u>	<u>40.0</u>	<u>117.3</u>
<u>TOTAL</u>	290.2 =====	280.5 =====	278.1 =====	152.2 =====	590.9 =====	545.0 =====
<u>Loan Disbursements</u>						
Long-Term	15.4	5.6	13.6	28.3	136.9	166.4
Medium-Term	6.4	10.7	27.1	19.0	9.4	57.3
Short-Term	<u>264.8</u>	<u>230.7</u>	<u>231.9</u>	<u>102.7</u>	<u>42.8</u>	<u>43.4</u>
<u>TOTAL</u>	286.6 =====	247.0 =====	272.6 =====	150.0 =====	189.1 =====	267.1 =====

OPERATING RESULTS (BuF million as of December 31)

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Gross Income	17.4	16.1	17.6	20.1	22.4	37.3
Administrative Expenses	10.3	11.6	11.7	12.8	14.8	15.8
Financial Expenses	2.8	1.6	1.3	0.4	3.0	13.0
Net Profit	2.7	1.1	2.5	5.3	3.0	6.2
Net Profit/Average Net Worth (%)	2.1	0.8	1.9	3.9	1.9	3.4
Net Profit/Share Capital at Year-end (%)	2.3	0.9	2.1	4.4	1.9	3.8

<sup>1/</sup> Includes loan of BuF 336 million to Société Hôtelière et Touristique du Burundi (SHTB) for construction of a 150 room hotel in Bujumbura.



BASIC DATA

on

BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)

FINANCIAL POSITION (BuF million as of December 31)

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Total Assets	190.2	161.8	192.4	225.4	330.2	556.1
Net Worth	130.7	131.1	133.5	140.2	179.9	186.0
Term Debt/Equity	-	-	0.1:1	0.2:1	0.5:1	1.5:1

INTEREST RATES

Medium-Term Loans (up to 5 years) rediscountable: 6% to 8%

Long-Term Loans: 8-9%

RESOURCE POSITION (BuF million as of December 31, 1976)

<u>As of Balance Sheet</u>	<u>Local Resources</u>	<u>Foreign Resources</u>	<u>Total</u>
Equity Funds	<u>186.0</u>		<u>186.0</u>
Share Capital	160.7		160.7
Reserves	19.2		19.2
Retained Earnings	6.1		6.1
Borrowings	<u>40.0</u>	<u>235.6</u>	<u>275.6</u>
LT Government Deposit	40.0		40.0
CCCE		1.4	1.4
ADB		230.8	230.8
KfW		3.4	3.4
Total Resources According to Balance Sheet	<u>226.0</u>	<u>235.6</u>	<u>461.6</u>
<u>Undrawn Lines of Credit</u>	<u>295.0</u>	<u>470.0</u>	<u>765.0</u>
Central Bank Rediscount Possibilities	265.0		265.0
Possibility of Borrowings from Local Banks	30.0		30.0
CCCE		7.7	7.7
ADB		182.5	182.5
KfW		24.8	24.8
IDA-Abou Dhabi (Fisheries Dev.)		255.0	255.0
<u>Total Resources</u>	<u>521.0</u>	<u>705.6</u>	<u>1,226.6</u>

BASIC DATA

on

BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)

	<u>Local</u> <u>Resources</u>	<u>Foreign</u> <u>Resources</u>	<u>Total</u>
<u>USES</u>			
Net Fixed Assets	18.7		18.7
Equity Investments	25.7		25.7
Term Loans	<u>175.5</u>	<u>302.8</u>	<u>478.3</u>
<u>Total</u>	219.9	302.8	522.7
	=====	=====	=====
<u>RESOURCES AVAILABLE FOR DISBURSEMENTS</u>			
	301.1	402.8	703.9
	=====	=====	=====
Undisbursed Commitments	<u>35.9</u>	<u>321.2</u>	<u>357.1</u>
Term Loans	35.2	321.2	356.4
Equity Investments	0.7		0.7
<u>RESOURCES AVAILABLE FOR COMMITMENTS</u>			
	265.2	81.6	346.8
	=====	=====	=====
Uncommitted Approvals	<u>246.6</u>	<u>12.6</u>	<u>259.2</u>
Term Loans	246.6	12.6	259.2
Equity Investments	-	-	-
<u>RESOURCES AVAILABLE FOR APPROVALS</u>			
	18.6	69.0	87.6
	=====	=====	=====

## SUMMARY AND CONCLUSIONS

i. The Banque Nationale de Developpement Economique (BNDE) was established in 1967 to assist in the economic development of Burundi, to provide loan and equity funds to agricultural, industrial and tourism enterprises and to finance housing. The Government of Burundi and public institutions own 45% of BNDE's share capital; the remaining 55% are distributed between local private companies and foreign institutions.

ii. The manufacturing sector which accounts for about 8% of GDP in Burundi is still at an infant stage. There are about 70 manufacturing enterprises above the handicraft level in the country, most of which are located in Bujumbura. Obstacles to the development of the manufacturing sector in Burundi include the low purchasing power of the population, limited export possibilities, the shortage of competent and experienced personnel at the managerial and technical levels, the non-monetization of a large segment of the economy, the high cost of internal transport because of the poor condition of the national road network. Despite these difficulties, the Government is determined to promote the development of industry and agro-industry in order to optimize the use of local resources, create employment and develop, as much as economically feasible, import-substitution activities. Its main objectives for the industrial sector are to develop the processing of agricultural and mining products and manufacture tools and equipment to be used in agriculture. The strategy is to integrate industry and agriculture through the development of forward and backward linkages between the two sectors.

iii. Tourism is almost totally undeveloped in Burundi, despite a few natural attractions. It is hoped that with an adequate infrastructure the country could attract some of the visitors to Kenya, Tanzania and the Kivu area in Zaire. Hotel capacity suitable for international tourism is still very low; it is, however, in the process of expanding with the construction of a 150 room hotel in Bujumbura. The Government is presently formulating its tourism development strategy; current plans for the development of the sector include the improvement and expansion of existing facilities in various parts of the country.

iv. BNDE which wants to play an active role in the development of the manufacturing and tourism sectors is managed by a competent Burundi as President assisted by a Director General seconded by the French Caisse Centrale de Cooperation Economique (CCCE). BNDE which has been financing mainly agricultural and housing development is not, at present, equipped to undertake comprehensive technical, economic and financial evaluations of industrial projects. Management has agreed to create within the institution a unit in charge of industrial investments. This was confirmed at negotiations.

v. Between 1971 and 1976, BNDE approved 322 long- and medium-term loans and 4 equity investments for a total of BuF 1,168 million (US\$13 million), divided between tourism (1 loan and 1 equity investment in a hotel company

accounting for 31% of approvals), industry (29%), housing (22%), fisheries development (16%), agriculture and other projects (2%). During the same period, BNDE approved short-term loans totaling BuF 985 million (US\$11 million), mostly for crop financing. As of December 1976, BNDE's total term loan portfolio amounted to BuF 455 million. BNDE financial situation is sound although its profitability has been modest. Its term debt/equity ratio which has been less than 1:1 in recent years, is expected to increase significantly because of the large term borrowings that the expected expansion of BNDE's activities will necessitate. Given BNDE's good record and sound portfolio, a debt/equity ratio of 4:1 is acceptable.

vi. BNDE has a pipeline of industrial projects of which the total cost is estimated at BuF 3.2 billion (including a large sugar project the total cost of which is BuF 1.6 billion); BNDE's forecast investments in these projects would amount to BuF 840 million (US\$9.4 million). BNDE's total approvals from early 1977 through the end of 1978 (including non-industrial projects) are expected to amount to BuF 931 million (US\$10 million), the foreign exchange cost of which is estimated at BuF 699 million (US\$8.0 million). BNDE which, as of January 1, 1977 had BuF 69 million (US\$0.8 million) available in foreign exchange, expects to obtain lines of credit totaling BuF 355 million (US\$4 million) from Caisse Centrale de Cooperation Economique (CCCE), Kreditanstalt fur Wiederaufbau (KfW), European Investment Bank (EIB) and the UN Capital Development Fund. This would leave a foreign exchange gap of about US\$3 million equivalent to be filled by the proposed IDA credit. In addition, US\$0.4 million IDA funds would be provided to help BNDE develop its industrial project processing capabilities through recruitment of 2 expatriates for a three-year period.

vii. Of the US\$3.4 million proposed IDA Credit, US\$3.0 million would be on-lent by the Government to BNDE at 5% p.a. and US\$0.4 million would be passed as a grant to BNDE. BNDE would be charging at least 9% p.a. on its sub-loans, which should not exceed a maximum period of 15 years. The foreign exchange risk would be borne by the Government, against payment of a 1% p.a. commission by BNDE's clients. The free limit for individual sub-projects would be US\$100,000 and the aggregate free limit US\$1,000,000.

APPRAISAL OF THE BANQUE  
NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)

I. INTRODUCTION

1.01 The Banque Nationale de Developpement Economique was established in 1967 to assist in the economic development of Burundi, to provide loan and equity funds to agricultural, industrial and tourism enterprises and to finance housing. An exploratory mission visited BNDE in October 1975 and concluded that financial assistance to this institution for industrial development might be warranted if the preparation of industrial projects for BNDE financing evolved satisfactorily during the following months. As such was the case, the appraisal of BNDE took place during the fall of 1976. The present report appraises BNDE for an IDA Credit of US\$3.4 million.

1.02 The main objectives of the proposed credit are:

- (i) to provide financing on appropriate terms to industrial investment projects in Burundi which are well conceived in economic, financial and technical terms;
- (ii) to strengthen the project appraisal capabilities and internal organization of BNDE which is the only institution for the promotion and financing of industrial investments in Burundi.

II. THE ENVIRONMENT

The Economy

2.01 Burundi remains one of the poorest of the least developed countries, with a per capita income estimated at US\$100 in 1975. Over the past five years GDP grew by no more than 2% annually in real terms. Of a population of 3.7 million only 115,000 are in wage employment; the remainder depend mainly on subsistence agriculture. The agricultural labor force is largely untrained, and the level of enrollment in formal education is one of the lowest in Africa.

2.02 The economy is dominated by the agricultural sector, which contributes about 60% of GDP. Burundi has become increasingly dependent on coffee for foreign exchange earnings; its share in total exports rose from 79% in 1965 to 84% in 1974.

2.03 The level of investment has remained consistently low, averaging only 8% of GDP over the last five years. Domestic savings have amounted to only 5% of GDP over the same period. Close to half of total gross capital formation was financed by external aid.

2.04 Burundi faces serious obstacles in its development effort, including excessive dependence on a single export (coffee) for foreign exchange, long and inefficient transport links for external trade, rudimentary infrastructure, and a largely untrained labor force. In the past, civil strife has disrupted development and diverted resources. Further, the terms of trade have deteriorated 40% since 1970. There are, however, some encouraging indications. A new planning ministry has been created, improvements are being made in the financial administration, and a number of promising industrial and agricultural projects are under preparation (para. 5.03). Substantial nickel deposits have also been found and may be brought into production over the next ten years.

2.05 At present the Government lacks a coherent overall development strategy. This is in part due to the low priority accorded planning in the past. As a first step in addressing this problem, the Government has transferred responsibility for national planning to a new Planning Ministry to which IDA is providing technical assistance.

2.06 The short-term prospects for the economy are favorable, as coffee prices are expected to remain at substantially higher levels than before 1976 owing mainly to frost damage to Brazil's coffee trees. In the longer term, if the Government focuses on development and strengthens its administration it may achieve steady, albeit slow improvement in per capita incomes. If nickel mining proves feasible, the prospects over the next ten years would be much better. However, although such a development appears technically possible, the commercial viability of nickel mining has yet to be proved.

2.07 Inflation, as measured by the Bujumbura Consumer Price Index increased from 4% in 1971 to 16% in 1974.

#### The Manufacturing Sector

2.08 The manufacturing sector in Burundi which is still at an infant stage, suffered some setbacks since independence as industrial enterprises which had been created in the country to produce goods not only for the local market but also to serve Rwanda and the eastern part of Zaire lost these markets. Some of these enterprises still have problems of excess capacity. Burundi has tried unsuccessfully, in the past, to remedy this situation by making commercial agreements with Rwanda and Zaire. Finally it participated, in September 1976, in the creation of the "Economic Community of the Countries of the Great Lakes" which comprises Burundi, Rwanda and Zaire, and could open new opportunities for the development of industrial enterprises in the area.

2.09 There are approximately 70 manufacturing enterprises above the handicraft level in the country. Most of them are located in Bujumbura where the infrastructure is more developed than in other parts of the country. They employ a total of about 4,000 persons. The small size of the manufacturing sector is indicated by the fact that only 60 enterprises in the sector employ more than 50 persons. The principal existing manufacturing activities include: coffee processing, beer and soft drinks, building materials, textiles, shoes and furniture.

2.10 Data available on value added in manufacturing are as follows:

<u>Sub-Sector</u>	<u>Value Added by Manufacturing Sub-Sector /1</u> (BuF million)	
	<u>1970</u>	<u>1975</u> (Estimate)
Food and Agro-Industries	1,166.6	1,621.6
Metalworking and Repairs	133.0	184.8
Textile and Leather	79.4	110.4
Pulp and Paper	30.1	41.8
Chemical Products	27.3	37.9
Construction Materials	21.7	30.2
Miscellaneous	52.5	72.9
	<u>1,510.6</u>	<u>2,099.6</u>
Value Added by Manufacturing as % of GDP at market prices	7.9%	7.9%

/1 Source: 1970 data: National Accounts; 1975 data: mission estimate.

2.11 Annual investment in manufacturing in Burundi amounted to BuF 43.5 million in 1972, 172 million in 1973, and 207 million in 1974. This low volume of investment was mainly due to the lack of emphasis put on industrial development, and the lack of project preparation capabilities in both the Government and BNDE. As the result of improvements in these areas, industrial investments in coming years are expected to sharply increase with the planned undertaking of several large- and medium-scale projects.

2.12 The obstacles to the development of the manufacturing sector in Burundi include the low purchasing power of the population, the shortage of competent and experienced personnel at the managerial and technical levels, the non-monetization of a large segment of the economy, the high cost of internal transport because of the poor condition of the national road network.

#### Government Industrial Policies

2.13 The main objectives of the Government for industry as spelled out in planning documents prepared for the period 1973-1977 are to develop the processing of agricultural and mining products and to create enterprises for the production of equipment and products to be used in agriculture. Projects in the first category include a textile factory, a rice processing factory, a tannery, a flour mill, tea processing factories. The second category of projects include the production of insecticides and the manufacturing of hoes and machetes which are the cultivation equipment mostly used in Burundi at present. Other projects concern the production of pharmaceutical products, bricks and ceramic tiles. Financing of industrial projects is expected to be provided mainly by the private sector. Given the scarcity of Burundi

entrepreneurs, the Government has an open attitude regarding foreign investment and management, which are expected to contribute to the achievement of industrial development goals.

2.14 An Investment Code was promulgated in 1967. Investments by existing enterprises that exceed BuF 3 million (US\$34,000) and investments by new enterprises that are above BuF 5 million (US\$56,000) must be submitted to the National Investment Commission for approval. The promoter may also apply for the advantages that can be granted under the Investment Code by the Investment Commission. These advantages which vary according to the degree of significance of the project for the economy include special tax treatment for periods of five to fifteen years. The Investment Commission headed by a representative of the Planning Ministry includes representatives of the following ministries and institutions: Economy and Finance, Labor, Internal Revenue and Customs, the Central Bank and the Development Bank.

2.15 Imports are subject to authorization by the Central Bank. Two types of duties are levied on imports: a customs duty (0 to 10%) and a fiscal duty (5 to 55%), both calculated on the c.i.f. value of the goods imported. Equipment imported by new industrial enterprises is free from customs duties. Exports are also subject to customs duties which are calculated either on the f.o.b. value of the goods or on an estimated value determined by the Ministry of Finance called, "mercurial value". Corporate taxes on net profit are progressive as follows: 30% up to BuF 1 million of taxable profit and 40% for such profit in excess of BuF 1 million.

2.16 Overall, the industrial policies followed by the Government appear to be adequate. They have tended to favor the development not only of medium but also of small-scale enterprises.

### Tourism

2.17 Tourism is almost totally undeveloped in Burundi, although there is some potential in that respect due to a few natural attractions and the country's proximity to Kenya, Tanzania and Zaire. The strategy for tourism development is to include Burundi in tours through East Africa and to ask the international tour companies to participate in the financing of new facilities. At present, all tourist facilities are concentrated in Bujumbura and there is no hotel of international class in the interior.

2.18 The main objective for tourism development is to expand hotel capacity for international tourism in a few attractive locations. In particular, a 150 room hotel, of high standard is being constructed in Bujumbura; also it is planned to transform, modernize and equip one guest-house in Gitega about 100 kms from the capital in the interior and one guest-house at Regha, about 60 kms from Bujumbura on Lake Tanganyika. Improvements of recreational facilities for tourists (nautical club, tennis courts, golf course) are also planned. Total investments for tourist facilities improvements during the 1973-1977 period are expected to be of BuF 606.0 million (US\$6.8 million).



## The Financial Environment

2.19 The financial network in Burundi consists of the Central Bank (Banque de la Republique du Burundi), three commercial banks (Banque de Credit de Bujumbura, Banque Commerciale du Burundi and Banque Belgo-Africaine), all largely foreign-owned, the development bank (BNDE), the Government-owned Savings Association, the Postal Checking System and the Social Security Fund.

### The Central Bank (Banque de la Republique du Burundi)

2.20 The Central Bank formulates credit and monetary policies and manages the country's international reserves. The major monetary instruments at its disposal include individual ceilings to lending by commercial banks, discount ceilings and agreements with the Government on public borrowing. Preservation of balance of payments equilibrium and of domestic price stability is the primary objective of monetary policy in Burundi. Monetary authorities have been relatively successful in meeting these objectives: foreign reserves have increased and prices in the past few years have risen at a slower rate than in most countries. While these two objectives will continue to be pursued, emphasis will be put in the future on stimulating economic growth.

2.21 The one departure from generally conservative monetary policies took place in 1974 with a sharp acceleration of credit expansion coupled with a major fall in net foreign assets which, during the period 1968 - 1973 had instead increased in each year. Credit expansion in 1974 was largely motivated by the need to reconstitute stocks of imported goods. In 1975 credit to the private sector contracted sharply to offset a rapid increase in liquidity in the economy, following a sharp rise in coffee revenues.

### Commercial Banks

2.22 The Banque de Credit de Bujumbura was created in 1922 and was in charge of issuing currency until 1952. It has one branch office in Ngozy, the third largest city in Burundi. Its share capital which is majority Belgian-owned amounts to BuF 75 million. Total outstanding loans as of September 1976, amounted to BuF 1.2 billion, about 85% of which for short-term financing of imports and exports, short-term loans to other commercial banks and working capital financing. The rest consisted of one-year treasury bonds mainly, and medium-term financing of housing and industrial activities.

2.23 The Banque Commerciale du Burundi, created in the early fifties, has a branch office in Gitega, the second largest town in the country. Its share capital of BuF 75 million is 51% held by the Financial Corporation for Overseas Countries (FCOC) <sup>1/</sup>, a Geneva based company. The rest is held by the Burundi Government (22%) and local investors (27%). As of September 30, 1975, outstanding loans amounted to BuF 2.2 billion, two-thirds of which for

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<sup>1/</sup> The major shareholders of FCOC are Banca d'America e d'Italia, Bank of America, Banque Lambert, Banque Nationale de Paris, and Dresdner Bank.

export loans (mainly coffee) which were largely rediscounted at the Central Bank. The rest was divided among import loans (20% of the total), working capital financing (12%) and medium-term housing loans (1%).

2.24 The Banque Belgo-Africaine, created in 1949, has a share capital of BuF 36 million, held by Standard Bank (30%), Banque de Bruxelles (30%), the Zaire Government (30%) and foreign private investors (10%). It has no branch office in the country. As of September 30, 1976 total assets amounted to about BuF 0.4 billion, almost totally invested in short-term financing.

#### Term-Lending Institutions

2.25 Except for the very limited medium-term lending undertaken by the commercial banks mainly in the housing sector, all term-lending operations are undertaken by the Banque Nationale de Developpement Economique and the Savings Association. The latter was created in 1964. It operates through two main branch offices and nineteen post offices. Deposits as of September 30, 1976 amounted to BuF 300 million, about two-thirds of which in savings and term deposits by civil servants and military personnel (for whom there is a compulsory savings scheme) and private individuals. The resources of the Savings Association have been used to finance housing and personal loans, loans to banking institutions and the purchase of treasury bonds.

#### The Interest Rate Structure

2.26 The interest rate structure in Burundi shown in Annex I is characterized by (a) the low level of interest rates in general; (b) the limited differentiation between the remuneration of savings instruments with different maturities; and (c) the somewhat lower rates charged on medium- and long-term credits than on short-term loans when they are not rediscounted.

2.27 The interest rate on savings deposits in commercial banks and the Savings Association is 3%. One-month and one-year treasury bonds have yields of 2% and 4% respectively. Although the latter rates are tax free, they leave only a small margin to the commercial banks which may explain the limited role played so far by these institutions in the mobilization of resources. On the debit side, short-term loans by commercial banks carry an interest rate of 9% plus commissions, except for rediscountable loans at the Central Bank for the financing of exports which carry a maximum rate of 5.75% and other rediscountable loans which are made at a maximum rate of 7.5%. Medium- and long-term loans which represent about 10% of total bank credit, are mostly extended by BNDE and the Savings Association. Interest rates for this type of loan vary between 5% and 9% with, in the case of BNDE, a weighted average of 8.3% for medium-term loans and 8% for long-term loans.

2.28 In defense of this generally low interest rate structure, the Burundi financial authorities argue that:

- (a) Project opportunities in Burundi are limited and the rates of return on most investments are low due to the small

size of the market, the limited endowment of the country in natural resources, high transportation costs for raw materials resulting from the country's landlocked position, the very limited availability of skilled manpower and the low purchasing power of most of the population.

- (b) Not only is the number of feasible projects limited, but the risks attached to each project are high. These include the uncertainty of regular raw materials and equipment supplies over long sea and land routes; wide fluctuations in the purchasing power of the population which depends largely on the coffee crop and world market prices for coffee; the dependence on a few skilled laborers in each factory whose absence could lead to a temporary close down. Given this high risk element, potential investors require a return on their investment that compare favorably with lower risk countries. Higher rates of interest are likely to bring the financial rate of return on equity below an acceptable minimum and therefore discourage potential investors.
- (c) There has been no need for more savings until now because of limited project opportunities and the limited number of people to realize them.

2.29 These arguments are not wholly convincing:

- (a) In spite of the obstacles to the fast development of the industrial sector, a number of industrial projects totaling an estimated US\$20 million investment are likely to be submitted to financing sources in the next two years. The financial rate of return on equity which has been calculated for some of these projects is estimated to be at least 20%. However, interviews with local industrialists confirmed that the risk factor mentioned by the financial authorities does play an important role in investment decisions and that only projects with relatively high rates of return are likely to be undertaken.
- (b) Credit operations in the economy have been largely financed out of deposits with the banking system. Moreover the Central Bank has applied generally conservative monetary policies, and its role has been limited to the financing of the peak of the marketing of the coffee crop and some Government expenditures. Nevertheless, inflation as measured by the Bujumbura Consumer Price Index and the GDP deflator increased from 4% and 2% in 1971 to 16% and 12% in 1974, respectively. These inflationary tendencies were fed in part by high revenues from coffee exports and in part by the increase in the prices of imported goods. An increase in interest rates would have helped the financial authorities in their fight against inflation.

Also, it could have led to a larger mobilization of savings 1/ which, in turn, would have permitted a more aggressive development policy on the part of the monetary authorities.

2.30 From the foregoing and in view of the fact that inflation in coming years is unlikely to fall below 6% - 8% p.a., there appears to be a good case for an upward adjustment of interest rates in Burundi, to make the lending rate positive in real terms, without cutting unduly into the prospective returns to investors.

2.31 During negotiations it was agreed that the part of the proposed IDA Credit to be used to finance investments would be relented by BNDE to sub-borrowers at a rate of at least 9% p.a. This represents only a marginal increase over the average rate of 8.3% p.a. and 8% p.a. presently charged by BNDE on medium- and long-term loans respectively, but it can be considered as a first step in the right direction. A more rapid move would have been energetically opposed by the Government.

### III. THE COMPANY

#### Background

3.01 The Banque Nationale de Developpement Economique (BNDE) was created in 1967, for the purpose of assisting in the economic development of Burundi, to provide short, medium- and long-term financing to agricultural, industrial and tourism enterprises and to finance housing.

#### Ownership

3.02 BNDE was established as a limited liability company with a share capital of BuF 60 million subscribed by the Government and public institutions (75%), and the three local commercial banks (25%).

3.03 In 1969, the share capital was raised to BuF 120 million with four new shareholders subscribing as follows: Deutsche Entwicklungsgesellschaft (DEG) and Caisse Centrale de Cooperation Economique (CCCE), BuF 20 million each, Banque Belgo-Zairoise 2/ and the Breweries of Burundi, BuF 10 million each.

3.04 In May 1975, a new share capital increase of BuF 40 million was subscribed by the Government and the Central Bank, DEG and CCCE. The present distribution of BNDE's capital is presented in Annex 2 and summarized below:

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1/ Although they did not consider the interest rate as the most important factor in determining the level of savings.

2/ A commercial bank which does not operate in Burundi.

Government	26.4%
Public Institutions	<u>18.6%</u>
Sub-Total	45.0%
3 local commercial banks	9.3%
Banque Belgo-Zairoise	6.3%
DEG	16.5%
CCCE	16.5%
Brasseries du Burundi	<u>6.4%</u>
Sub-Total	55.0%
Total	<u>100.0%</u>

#### Board of Directors

3.05 BNDE's Chairman and President is elected by the General Assembly of shareholders from the Board members representing the State of Burundi. BNDE's Board consists of twelve members (Annex 3), six of whom represent the Government and the public sector; CCCE and the three local commercial banks have a representative each; the last two seats are allocated to the Breweries of Burundi and the Banque Belgo-Zairoise. DEG is represented on the Board by the Managing Director of the Banque Commerciale du Burundi. The Board which meets five or six times each year and approves all loans made by BNDE has been quite effective in guiding BNDE's operations.

#### Management

3.06 Mr. Bonus Kamwenubusa, an economics graduate from Fribourg University, has been President of BNDE since March 1970. Before assuming this position he was General Manager at the Ministry of Finance (1965-1970). He is assisted since February 1973, by Mr. Langlet, Director General, who is seconded to BNDE by CCCE. Mr. Langlet has been working for fifteen years with CCCE, most of which time he has spent with development banks in which CCCE had equity participations. In addition to the President and the Director General there are three assistant managers. The management of BNDE is competent.

#### Organization and Staff

3.07 BNDE's organization chart is attached as Annex 4. It comprises three different units:

- (1) personnel and administration; small equipment loans;
- (2) accounting and loan recovery;
- (3) loans to industry, handicraft and housing.

In addition, three assistants for project implementation and day-to-day operations report directly to the President and to the Director General.

3.08 BNDE's staff total thirty-eight, of which ten professionals (3 expatriates), including three economists/financial analysts, two accountants, one construction engineer, one agronomist, one rural development specialist, and one management analyst seconded by the UN.

3.09 The unit that deals with appraisal of loans to industry, handi-craft and housing comprises only one professional. BNDE is not, at present, equipped to make comprehensive technical, economic and financial evaluations of industrial projects. As a result, it had until now to rely for appraisal of projects on the Industry Division in the Ministry of Economy and Finance; such appraisals were reviewed by BNDE's management directly. To remedy this situation and permit BNDE to play a leadership role in industrial development and promotion in Burundi, BNDE's management agreed to create within the institution a unit in charge of industrial project promotion, appraisal and follow-up. This unit, which should be in place by next fall, will be staffed with two expatriates, an engineer and an industrial economist/financial analyst, plus counterparts. IDA is assisting BNDE's management in the recruitment of the expatriates. The unit will cooperate with the Industry Division in the Ministry of Economy and Finance to prepare feasibility studies and pre-appraise projects; this unit will also assist promoters, both foreign and local, in the preparation and implementation of projects. More information on the proposed functions of the unit are presented in Annex 5. An estimate of the costs of the two expatriates who should stay with BNDE for three years is presented in Annex 6. To finance these costs, a technical assistance component of \$0.4 million has been included in the IDA Credit. During negotiations it was agreed that BNDE will create the new unit and recruit the two expatriates before the Credit becomes effective.

#### Policy Statement

3.10 BNDE's objectives and detailed operational policies are spelled out in its Statutes and in its Rules of Procedures, adopted in 1967, the year of its creation. These policies conform generally to those applied by most DFC's. However, specific clauses dealing with the following matters need to be adopted by BNDE: exchange risk on foreign borrowings not to be taken by BNDE, BNDE's maximum intervention in any individual project to be normally limited to 20% of its paid-up share capital and reserves, BNDE's term debt not to exceed four times the amount of BNDE's unimpaired subscribed share capital plus surplus and reserves, provisions for losses on investments to be set up. During negotiations it was agreed that BNDE will consolidate all its policies, including the new clauses, in a Statement of Policy (presented in Annex 7), to be approved by BNDE's Board before the IDA Credit becomes effective.

#### Interest Rates

3.11 Interest rates charged by BNDE on industrial loans vary, depending on: (i) the cost of the resources used to finance each specific operation;

(ii) the guarantees provided by the individual borrower and (iii) the soundness of the project financed. Minimum rates in each category are as follows:

- (1) medium-term loans (up to five years) rediscountable = 6% to 8%; a commitment fee of 0.50% p.a. can be, but is usually not charged;
- (2) medium-term loans non-rediscountable = 8% p.a.;
- (3) long-term loans = 8% p.a.

On the average medium-term loans to industry carry a 8.3% p.a. charge and long-term loans carry a 8% p.a. charge. The rediscount rate charged by the Central Bank on medium-term loans is 5% p.a. Long-term loans are not rediscountable at the Central Bank. So far, BNDE has made a very limited use of rediscounting by the Central Bank.

### Procedures

3.12 (a) Appraisal. So far, BNDE has not appraised itself industrial and tourism projects but has relied on the appraisal reports prepared by the Industry Division in the Ministry of Economy and Finance. This is largely due to the fact that, as was said above, the company is not yet adequately staffed to appraise these projects (see para. 3.09). On the basis of external appraisal reports, short notes on each project are prepared by management for the Board. At present, BNDE does not have detailed procedures for project evaluation. During negotiations BNDE's management agreed to adopt such procedures, satisfactory to IDA before disbursements on the IDA Credit start (except on the technical assistance component of the credit). It was also agreed that all projects submitted by BNDE to IDA for approval will include the calculation of an Internal Financial Rate of Return (IFRR) and that those projects that are import-substituting will include the calculation of an Economic Rate of Return (EROR).

3.13 (b) Follow-up. Until now BNDE has not experienced any serious problems with loan collections. As a result follow-up of projects had not been systematized and has been done mainly through Board membership in some of the companies to which it has provided financial assistance. In view of the expected expansion of BNDE's activities, management recognized the need for a comprehensive and systematic approach to project supervision and agreed to prepare detailed procedures for follow-up of projects. During negotiations it was agreed that these procedures, satisfactory to IDA, will be adopted before disbursements on the IDA Credit start (except on the technical assistance component).

3.14 (c) Procurement and disbursement. BNDE's procurement and disbursement procedures are adequate. BNDE does not usually require competitive bidding but it makes sure that the promoter solicit offers from several suppliers from which the promoter selects the most favorable. BNDE pays directly the suppliers of goods or services, or refunds the promoter against presentation of bills.

### Legal

3.15 BNDE does not have a standard loan agreement for manufacturing and tourism projects. During negotiations management agreed to prepare such an agreement to be submitted to IDA's approval before disbursements on the IDA Credit start.

### Auditors

3.16 BNDE's accounts are reviewed by two accountants "Commissaires aux Comptes". One of them is nominated by the Government and public institutions and the other is selected by the other shareholders. One of the Commissaires aux Comptes, a commercial banker, would probably be acceptable for the audit of BNDE's accounts. However, he was reluctant to commit himself and asked that other possibilities be explored.

3.17 During conversations with the staff at the Central Bank, the mission learned that this institution has started training a core of auditors, which is badly lacking in the country, and that the Central Bank might accept to make the audit of BNDE as required by IDA. Such an arrangement appeared worth trying as it would be expensive to bring auditors from outside Burundi, and the quality of the audits would be kept under review by IDA. This idea was tentatively explored with the Governor of the Central Bank, who agreed with the proposal that the Central Bank perform BNDE's audits. During negotiations it was agreed that the first audit of BNDE's accounts for the period ended December 31, 1976 will be made by the staff of the World Bank during a supervision mission of BNDE, and by the auditors of the Central Bank thereafter.

## IV. OPERATIONS AND FINANCE

### Operations

4.01 Between January 1, 1971 and December 31, 1976, BNDE approved 322 long- and medium-term loans and four equity investments (Annexes 8 to 11 and Annex 14) totalling BuF 1,168 million (US\$13.0 million) in the following sectors:



Table 1: Medium- and Long-Term Loans and Equity Investments,  
January 1971 - September 1976  
 (BuF million)

<u>Sector</u>	<u>Loans</u>			<u>Equity</u>	<u>Total</u>	
	<u>No.</u>	<u>Amount</u>	<u>%</u>	<u>Investments</u> <u>Amount</u>	<u>Amount</u>	<u>%</u>
Industry	32	330.8	29.0	4.4	335.2	28.7
Handicraft	3	1.8	0.2	-	1.8	0.1
Tourism	1	336.0	29.4	23.0	359.0	30.7
Agriculture	92	17.9	1.6	-	17.9	1.6
Fisheries	8	187.0	16.4	-	187.0	16.0
Housing	159	259.8	22.8	-	259.8	22.3
Others	<u>27</u>	<u>6.9</u>	<u>0.6</u>	<u>-</u>	<u>6.9</u>	<u>0.6</u>
Total	322	1,140.2	100.0	27.4	1,167.6	100.0
Cancellations	<u>42</u>	<u>20.6</u>	<u>1.8</u>	<u>-</u>	<u>20.6</u>	<u>1.8</u>
Total	<u>280</u>	<u>1,119.6</u>	<u>98.2</u>	<u>27.4</u>	<u>1,147.0</u>	<u>98.2</u>

Forty seven percent of total long- and medium-term loan approvals relate to two projects. The first project (a loan of BuF 336 million) which was carried out by BNDE at the request of the Government is the construction of a four-star hotel in Bujumbura, in which BNDE has also made a BuF 23 million equity investment representing about 9% of the hotel company share capital. Other shareholders of the company include the Burundi Government (43%), private local investors (32%), foreign investors (16%). The resources required to finance the project were provided by the African Development Bank (ADB) with a spread of 2% for BNDE. As the loan to the hotel company amounts to about twice BNDE's share capital and reserves, which exceed considerably the limit of 20% of paid-up share capital and reserves for commitment in a single enterprise that BNDE will be required to apply under its revised Policy Statement (para. 3.10), the Government has agreed to provide BNDE with specific guarantees against payment default by the hotel company.

4.02 The second project (BuF 225 million) <sup>1/</sup> concerns an IDA financed Fisheries Development Project; BNDE in this case relends IDA funds, which it receives at 4%, to the Regional Development Society (RDS) at 8.5% for the construction of project facilities and at 6% for credit to fishermen for the purchase of equipment. The rest of BNDE's approvals was divided between the financing of industrial projects (29% of total approvals), housing (22%) and agricultural and other projects (2%). During the same period short-term loan approvals amounted to BuF 992 million (US\$11 million) mostly for crop financing. The average loan to the industrial sector amounted to about BuF 10 million (US\$112,000) which reflects both the size-structure of industrial

<sup>1/</sup> Of which BuF 68 million for short-term loans are not included in the table above.

enterprises in Burundi and the emphasis put by BNDE on supporting small-scale enterprises. These loans had maturities ranging mostly from 3 to 8 years.

4.03 More than 80% of the loans for industrial development were approved in 1975 and 1976. The major industry subsectors financed by BNDE have been chemicals (soap, insecticides, plastics, paints, drugs) which accounted for 38% of total industrial loan approvals since 1971; agro-industries such as coffee processing, preserves and tannery (27%); metallurgical and mechanical enterprises (14%); construction materials (12%) and mining (5%). The remaining 4% concern mainly loans for the financing of transport, printing and photographic equipment. Almost half of these loans (by amount) however were for the financing of permanent working capital, a reflection of the landlocked position of the country and the difficulties in obtaining regular shipments of raw materials and intermediate products. The internal financial rates of return on BNDE-financed projects are estimated to average 20%.

#### Resources

4.04 BNDE's resource position and borrowings as of December 31, 1976 are presented in Annexes 12 and 13. BNDE's local resources come mainly from a long-term BuF 40 million Government deposit. BNDE also has access to rediscounting by the Central Bank but has made only a very limited use of this facility so far. BNDE has already been successful in mobilizing foreign exchange resources. It obtained in 1974 from Kreditanstalt fur Wiederaufbau (KfW) a loan amounting to BuF 26 million, US\$290,000 equivalent (15 years, 0.75% interest) for the financing of small-scale industrial projects. Also, in 1975, BNDE obtained a loan from the African Development Bank (ADB) of 4 million units of accounts (US\$4.8 million) for the financing of a four-star hotel in Bujumbura (US\$4 million) and industrial projects. This loan (6%, 18 years including 4 years of grace) is almost entirely committed. In 1973 and 1976 BNDE received small loans from CCCE for a total amount of about US\$0.1 million to finance housing. Finally, BNDE is the intermediary selected by IDA to channel a loan of BuF 255 million (4%, 15 years including 5 years of grace) for financing project facilities and equipment for fishermen in the context of a fisheries development project. As of March 31, 1977 no disbursements had been made under this project. Except in the case of the small CCCE loans mentioned above, the Government has taken the foreign exchange risk on all BNDE's foreign borrowings at no cost to sub-borrowers.

#### Loan Portfolio

4.05 As of December 31, 1976 BNDE's total term loan portfolio amounted to BuF 455 million, of which BuF 231 million or 51% were accounted for by the Bujumbura hotel project. The rest included BuF 105 million (23%) for housing loans, BuF 112 million (25%) for industrial loans and BuF 7 million (1%) for loans in the agriculture and handicraft sectors.

4.06 Overall, the quality of BNDE's portfolio is satisfactory. At the end of 1976 arrears of more than three months amounted to BuF 11.1 million

which affected loans amounting to BuF 95.6 million, i.e. 24% of the total outstanding portfolio, a relatively high figure. However, about three-quarters of the affected portfolio concern loans for houses where the risks are minimal. For the rest, no specific provisions have been created so far except for small equipment loans where provisions amount to 16% of loans outstanding in this sector, which is considered adequate by BNDE's management on the basis of past experience. Therefore, excluding housing loans, small equipment loans (for which an adequate provision has been created), and the Bujumbura Hotel loan, BNDE's portfolio affected by arrears over three months was estimated at 13% of the total portfolio at the end of 1976. BNDE's management has agreed to include provisions in operating expenses to cover potential losses. The auditors will report on the adequacy of these provisions. In addition, a clause on provisions will be added to BNDE's policy statement (see para. 3.10).

4.07 Only three loans have been rescheduled in the past three years. In one case, payments are now up-to-date, while in the other two cases, arrears are of less than three months and of principal only.

#### Equity Portfolio

4.08 As of December 31, 1976 BNDE held equity participations in four companies for a total of BuF 26.7 million (Annex 14). These companies have just started operations or are still under construction. The most important (BuF 23 million) is in the four-star hotel presently being built in Bujumbura. The three other participations, all small, are in an insecticide company, a brick factory and a tannery.

#### Financial Situation

4.09 BNDE's summarized balance sheets for 1971-1976 are presented in Annex 15. BNDE's financial situation as of December 31, 1976 is sound, with equity totalling about BuF 186 million and term borrowing amounting to BuF 276 million against a total term portfolio of BuF 455 million. The debt-equity ratio is low at 1.5:1.

#### Financial results

4.10 BNDE's income statements for 1971-1976 are presented in Annex 16. Between 1971 and 1976, net profits ranged between 1% and 4% of average equity. This record of low profitability is mainly explained by the fact that first, profitability has not been a primary consideration in setting up BNDE and second, BNDE's asset base has remained small during this period in relation to high fixed administrative costs. Also, BNDE's leverage has been very low until 1976. Gross revenues averaged 9% of average total assets, while average financial charges amounted to only about 1% of average total assets. About 70% of the difference was absorbed by administrative costs, while the rest was accounted for by specific provisions, depreciation charges and a small profit. Financial results measured by profit on equity will progressively increase in the coming years as a result of: (i) the high increase in BNDE's portfolio, while its administrative expenses will rise only moderately, (ii) BNDE's increasing leverage, and (iii) BNDE's slightly higher average interest rate.

## V. PROSPECTS

### Business Outlook

5.01 The obstacles to the development of the industrial sector in Burundi are numerous. They include the narrowness of the domestic market, high transportation costs due to an inadequate road network, the lack of entrepreneurs and trained personnel, the low level of individual incomes and the fact that a large proportion of the population is in the subsistence sector. However, the Government is determined to promote the development of industry and agro-industry in order to optimize the use of local resources, create employment and develop, as much as economically feasible, import-substitution activities. BNDE wants to play a significant role in such development.

### The Company's Strategy

5.02 The major external constraints that BNDE faces in its role as development bank have been mentioned earlier in this report (para. 2.12). Given the peculiarities of the Burundi economy, BNDE faces a major challenge to play an active and efficient development role. BNDE's management is committed to changing BNDE's activities and role from a traditional financial intermediary mainly dealing with housing and consumer loans to a truly development-oriented institution. In this respect, the establishment within BNDE of an industrial investment unit is a necessary prerequisite.

### Forecast Operations

5.03 BNDE's project pipeline as of December 31, 1976 is presented in Annex 17. It includes about 20 projects of medium to large size, plus an additional 10 small projects to be financed each year. Projects in the pipeline are in the following subsectors: flour and sugar manufacturing, vegetable and meat processing, peat, glass, metal processing; in addition, there are projects in tourism. Total investment costs of these projects amount to BuF 3.2 billion of which BNDE would provide BuF 840 million. These projects are expected to start operations within a year or two after loan approval. Their foreign cost component is expected to vary between 25% and 70%. The sugar project for which BNDE is expected to provide financing of BuF 170 million, of which BuF 150 million in loans and BuF 20 million in equity investment will require special guarantees as BNDE's exposure in this project will exceed by a wide margin its normal limit of involvement in a single project. BNDE will continue to finance specific housing development programs with resources to be provided by the Government for that purpose. The IDA funds will not be used to finance housing. Although most projects in BNDE's pipelines are at a fairly advanced stage of preparation, there is always the danger of delays in implementation due to the numerous constraints that affect Burundi's economy (para. 5.01).

5.04 BNDE's projected operations during the next five years are presented in Annex 19. Approvals in the industrial sector are forecast to increase from BuF 120 million in 1976 to more than BuF 300 million in 1980, on the basis of BNDE's project pipeline. Other operations in BNDE's traditional field of activities have been assumed to progress moderately at about 10% per year.

Resource Requirements

5.05 The resource position of the company from early 1977 through 1978 is summarized in the table below:

	(BuF million)		
<u>Sources</u>	<u>Local Resources</u>	<u>Foreign Resources</u>	<u>Total</u>
Resources available for approvals as of January 1, 1977	19	69	88
Resources to be obtained:			
. Caisse Centrale de Cooperation Economique (expected)	-	90	90
. Kreditanstalt fur Wiederaufbau (expected)	-	90	90
. European Investment Bank (expected)	-	150	150
. UN Capital Development Fund	-	25	25
. Government	19	-	19
Cash flow from operations January '77 through December '78	<u>194</u>	<u>-</u>	<u>194</u>
Total resources available for approvals from January '77 through December '78	<u>232</u>	<u>424</u>	<u>656</u>
<u>Uses</u>			
Projected total approvals from January '77 through December '78			
. Loans	223	672	895
. Equity Investments	<u>9</u>	<u>27</u>	<u>36</u>
	<u>232</u>	<u>699</u>	<u>931</u>
Resource Gap (US\$3 million equivalent)	-	275	275

5.06 BNDE's requirements during this period are expected to amount to BuF 931 million (US\$ 10.4 million), the foreign exchange cost of which is estimated at BuF 699 million (US\$7.8 million). BNDE which, as of January 1, 1977 had BuF 69 million (about US\$0.8 million) available in foreign exchange, expects to obtain lines of credit from CCCE, KfW, EIB and the UN Capital Development Fund, amounting to about BuF 355 million (US\$4 million), leaving a foreign exchange gap of about US\$3 million equivalent. An IDA Credit of US\$3 million to cover this gap would represent about 30% of BNDE's total requirements during this period and about 40% of its foreign exchange requirements. The Central Bank has agreed to provide BNDE with the resources needed to finance the local cost component of its investment projects at the normal rediscount rate for industrial loans, presently 5%. This was confirmed by the Government at negotiations.

### Financial Projections

5.07 BNDE's projected income statements, balance sheets, cash flow statements and their underlying assumptions are provided in Annexes 18 to 22. BNDE's past and projected financial ratios are presented in Annex 23. The company's net profits are expected to progressively increase from BuF 6 million in 1976 to BuF 25 million in 1981 or from a low 3.4% to an acceptable 9.9% of average equity. This improvement in profitability is due mainly to the expected higher return on portfolio resulting from the projected increase in operations and the increase in average interest rates. In view of BNDE's expected increase in operations and large technical assistance for the next three years, administrative expenses are projected to decline from a high 3.4% of average total assets in 1976 to 1.8% in 1980, while financial charges will increase from 2.9% of average total assets in 1976 to 4.6% in 1980, as a result of BNDE's increased leverage. BNDE's total assets are expected to increase from BuF 556 million in 1976 to BuF 2.0 billion in 1981, reflecting the envisaged growth of BNDE's operations.

### Term Debt/Equity

5.08 In recent years, BNDE's term debt/equity ratio was less than 1:1 and at the end of December 1976 it was only 1.5:1. With the forecast significant development of BNDE's activities in the industrial sector and the necessarily larger term borrowings that it entails, the total debt/equity ratio is expected to increase to 4.7:1 in 1978. However, when borrowings of BuF 390 million from the African Development Bank and BuF 255 million from IDA and Abou Dhabi (Fisheries Development) are excluded, the ratio reaches 3.9:1 at the end of 1980. Repayment to BNDE of loans made from these resources is guaranteed by the Government. During negotiations it was agreed that as soon as the debt/equity ratio reaches 3.5:1, BNDE will take appropriate measures to increase its share capital so as to maintain the ratio within the agreed limit of 4:1.

## VI. CONCLUSIONS AND RECOMMENDATIONS

6.01 The objectives of the proposed US\$3.4 million IDA Credit are: (i) to help fill a gap in the import financing requirements of this long-term financing institution; (ii) to help BNDE establish a new department in charge of industrial projects promotion and processing; and (iii) more generally to strengthen the institution so as to help it play a major development role in the Burundi economy.

6.02 The US\$3 million included in the Credit for industrial investment would be relent by the Burundi Government to BNDE, with a flexible amortization schedule conforming to the aggregate amortization schedule of BNDE subloans, none of which should exceed a maximum period of 15 years. The Government would assume the exchange risk on the funds passed on to BNDE against payment of a 1% p.a. commission by BNDE's clients. The free limit for individual subprojects would be of US\$100,000 with an aggregate limit of US\$1,000,000.

6.03 The US\$3 million proposed for industrial investment would finance the c.i.f. cost of imported goods, the foreign component of goods purchased locally and previously imported or of goods produced locally from imported materials, and the foreign component of civil works.

6.04 This project does not present any special risk as compared to other DFC operations. However, the environment and the peculiarities of the Burundi economy make the task of BNDE a difficult and challenging one, probably more than in many other countries.

6.05 To cover its administrative expenses, the risk incurred in its operations and make a profit, BNDE needs a spread of about 4% on its borrowed funds. As BNDE would relend the proceeds of the Credit at a rate of 9% p.a., it is recommended that US\$3 million of the Credit be relented by the Government to BNDE at 5%. As regards the technical assistance component of US\$0.4 million (see para. 3.09) to cover the foreign cost of two expatriates for three years, the funds would be passed on by the Government to BNDE as a grant.

6.06 During negotiations, agreement was reached and assurances were obtained on the following main points:

- (i) the creation within BNDE's organization of a unit responsible for appraising industrial projects and for promoting industrial investment in Burundi; the hiring of two expatriates, an engineer and an industrial economist/financial analyst to staff the new unit (para. 3.09);
- (ii) the adoption by BNDE's Board of a Policy Statement consolidating in one document existing policies and including four new operational policies dealing with the foreign exchange risk, BNDE's maximum intervention in any single enterprise as a percentage of its share capital, BNDE's debt equity ratio and provisions for losses (para. 3.10);
- (iii) adoption by BNDE of procedures satisfactory to IDA, for industrial project evaluation and follow-up; (paras. 3.12 and 3.13);
- (iv) preparation by BNDE of a Standard Loan Agreement satisfactory to IDA (para. 3.15);
- (v) calculation of an internal financial rate of return (IFRR) for each project submitted by BNDE to IDA for financing and calculation of an economic rate of return (EROR) for those projects submitted that are import-substituting (para. 3.12);
- (vi) foreign exchange risk on borrowings to be borne by the Government against payment of a commission by BNDE's clients (para. 6.02).





## BURUNDI

Interest Rate Structure1. Lending Rates to the Private Sector by commercial banks.

	<u>Lending Rates</u>	<u>Rediscount Rates</u>
<u>Imports credits</u>	6.00 - 7.50	6
<u>Exports</u>		
Crop Pre-financing without Government guarantee	7.50	-
Crop processing	5.00 - 5.75	5
Coffee storage and shipment	3.00	3
Other product storage	3.00 - 5.75	5
Other product shipment	3.00 - 4.50	3
<u>Trade</u> (marketing of industrial products manufactured locally)	5.75 - 7.50	<u>1/</u> 5
<u>Manufacturing</u>	5.75 - 7.50	<u>1/</u> 5
<u>Consumer loans</u>	5.75 - 10.00	5
<u>Housing</u>	9.00	5

2. Lending Rates by Development Bank

<u>Agriculture</u>		
Medium-term	6.00	-
Long-term	6.00 - 8.00	-
<u>Cooperatives</u>		
Short-term rediscountable	5.00	-
Short-term non-rediscountable	8.00	-
<u>Industry</u>		
Medium-term rediscountable	6.00 - 8.00	5
Medium-term non-rediscountable	8.00	-
Long-term	8.00 - 9.00	-

3. Lending Rates to the Government

One-month Treasury Bonds	2.00 <u>2/</u>	2.50
One-year Treasury Bonds	4.00 - 4.50 <u>3/</u>	5.25

4. Deposits with commercial banks

Passbook Savings Account	3.00	-
Fixed term-deposits	1.00 - 5.10	-
Other term-deposits	0.75 - 5.10	-

1/ When the loans are not rediscounted at the Central Bank, the rate can be up to 9%, plus commissions.

2/ Tax free, which corresponds to 3.75% on a non tax-free basis.

3/ Tax free, which corresponds to 7.50% on a non tax-free basis.

EAPID

June 1977

BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)List of Shareholders  
(As of December 31, 1976)

<u>Shareholders</u>	<u>Number of Shares</u>	<u>Type of <u>1/</u> Shares</u>	<u>% of total Capital</u>
République du Burundi	4,244	A	26.4
Banque de la République du Burundi	2,000	A	12.4
Institut National de Sécurité Sociale	500	A	3.1
Office des Cultures Industrielles du Burundi	<u>500</u>	A	<u>3.1</u>
<u>Sub-total Government and Public Institutions</u>	7,244		45.0
Banque Belgo-Africaine du Burundi	500	B	3.1
Banque Commerciale du Burundi	500	B	3.1
Banque de Crédit de Bujumbura	<u>500</u>	B	<u>3.1</u>
<u>Sub-total domestic commercial banks</u>	1,500		9.3
Banque Belgo-Zaïroise <u>2/</u>	1,000	C	6.3
Caisse Centrale de Coopération Economique	2,663	C	16.5
DEG	<u>2,663</u>	C	<u>16.5</u>
<u>Sub-total foreign institutions</u>	6,326		39.3
Brasseries du Burundi	1,000	D	6.4
<u>TOTAL</u>	<u>16,070</u> =====		<u>100.0</u> =====

1/ There are the following four types of shares:

"A" Shares can only be subscribed and held only by the Government and public institutions; "B" Shares can only be subscribed and held by institutions that are members of the Association of Banks in Burundi or accepted by the Association; "C" Shares are for public or private institutions, or banks that operate mainly abroad; "D" Shares can be subscribed by companies public or private other than those listed in other share categories and that are interested in promoting development in Burundi.

2/ A commercial bank not operating in Burundi.

BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)

Board of Directors  
(As of December 31, 1976)

Chairman of the Board and  
President of BNDE:

Mr. Kamwenubusa

Directors: Representing the Public Sector

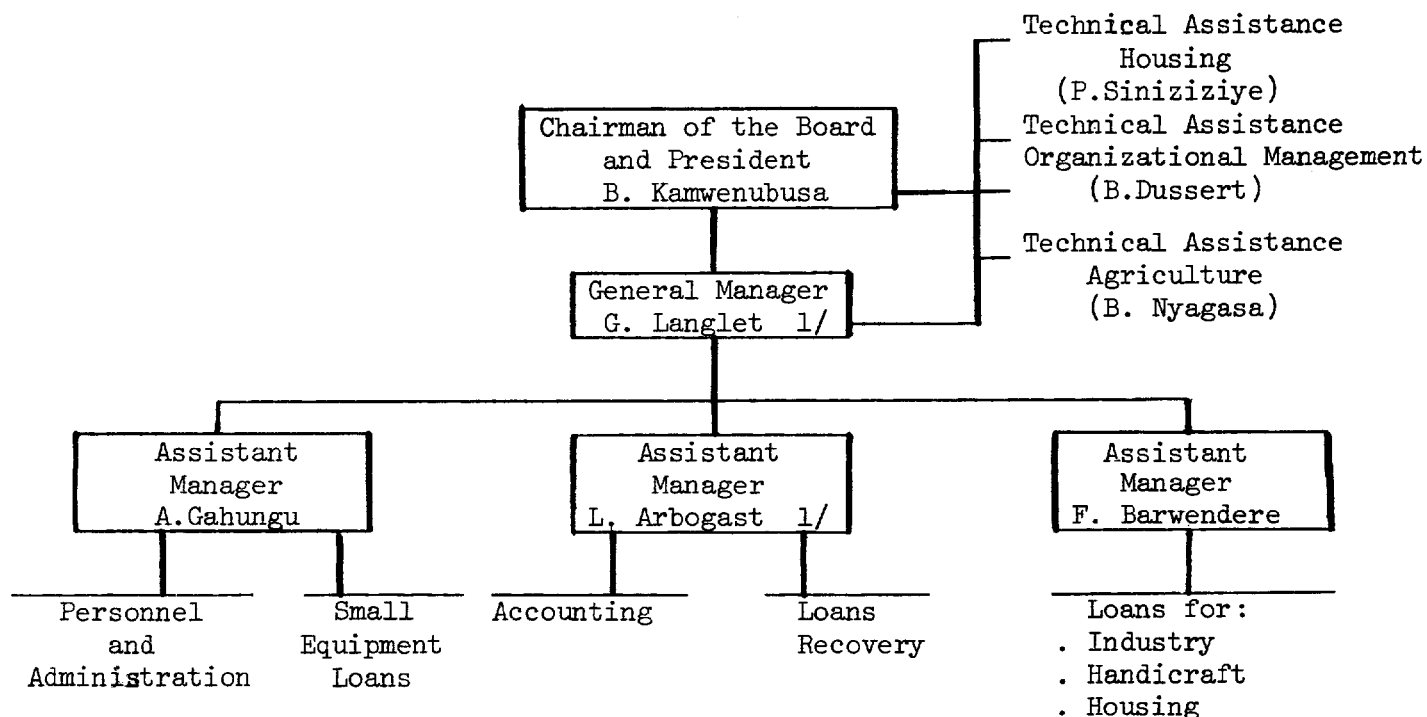
Messrs. Ntahorubuze,	Senior Civil Servant
Ntimanza ,	Adviser, Ministry of Economy and Finance
Caillat ,	General Adviser, Banque de la République du Burundi
Masenge ,	Director General, Institut National de Sécurité Sociale
Kabura ,	Director General, Office des Cultures Industrielles du Burundi

Representing the Private Sector

Messrs. Dumont ,	Managing Director, Banque Belgo-Africaine du Burundi
Kashirahamwe,	Managing Director, Banque Commerciale du Burundi. Also representative of DEG on BNDE's Board
Lambin ,	Administrator, Banque de Crédit de Bujumbura
Bauchau ,	Administrator, Banque Belgo-Zairoise
Rouster ,	Administrator, Brasseries du Burundi
Fortuit ,	Caisse Centrale de Coopération Economique

## BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)

Organization Chart  
(As of December 1976)



<u>Staff</u>	
. Managerial and Professional	: 10
. General Services:	8
. Secretarial:	: 4
. Other	: <u>16</u>
<u>Total</u>	<u>38</u> =====

Note:

1/ Seconded by CCCE

BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)

Industrial Development Unit

FUNCTIONS

1. Appraise from technical, economic and financial viewpoints, industrial projects submitted to BNDE for financing; for each project, prepare an appraisal report and a note for Board presentation.
2. Assist promoters in screening project ideas and in preparing feasibility studies of projects to be submitted to BNDE for financing.
3. Prepare feasibility studies of project for which BNDE has primary responsibility and assist the Industry Division in the Ministry of Economy and Finance in the preparation of feasibility studies for which this Division has primary responsibility.
4. Gather information on actual and potential local entrepreneurs for the purpose of identifying those who, with adequate training and assistance, could be most successful in the creation or development of industrial enterprises.
5. Search for, screen and analyse industrial project ideas that could develop into bankable propositions. For those ideas that appear the most attractive prepare pre-feasibility studies.
6. Provide assistance (technical and managerial) to local entrepreneurs.
7. Ensure systematic follow-up of projects financed by BNDE.

BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)Cost Estimate for Employment of one Expatriate in theIndustrial Development Unit (US Dollars)

<u>Married, 2 children</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Total</u>
- Salary (net of income taxes)	\$30,000	\$30,000	\$30,000	\$ 90,000
- Social charges	9,000	9,000	9,000	27,000
- Transportation at settlement	2,440			2,440
- Transportation at resettlement			3,000	3,000
- Air Freight	1,600		1,600	3,200
- Storage	1,300	1,300	1,300	3,900
- Education	700	700	700	2,100
- Home leave Transportation		5,200		5,200
- Housing	5,400	5,400	5,400	16,200
- Utilities	600	600	600	1,800
- Watchman	350	350	350	1,050
- Car (purchase and maintenance)	5,500	2,500	2,500	10,500
- Miscellaneous	2,000	2,000	2,000	6,000
- Training of counterparts	5,000	5,000	5,000	15,000
	<hr/>	<hr/>	<hr/>	<hr/>
	\$63,890	\$62,050	\$61,450	\$187,390
	=====	=====	=====	=====

Note: It is assumed that the experts will be recruited from Western Europe. Paris has been selected as the base for computing costs associated with the home countries of the experts. It is also assumed that they will be married and have two children.

BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)

Statement of Policy 1/

I. OBJECTIVES AND GENERAL POLICY (Article 3 of BNDE's Statutes)

1. The main purpose of the Bank is to assist in the economic development of Burundi. To that effect, it can:

- (a) Make short-term loans to cooperatives or companies in the agricultural, handicraft or industrial sectors, within the limits authorized by its general lending conditions;
- (b) make loans with maturities of at least two years to any individual or enterprises, public or private, provided they are to be used to finance agricultural handicraft or agricultural equipment;
- (c) discount or accept commercial papers issued for the purpose of medium-term credits;
- (d) give guarantees;
- (e) participate directly or on behalf of the State in the creation or expansion of any enterprise;
- (f) manage public funds;
- (g) assist the Government and/or public institutions in the preparation and implementation of plans and programs aiming at the economic development of Burundi.

2. The Bank is authorized to take all measures it will deem appropriate to realize the above stated objectives. In particular:

- (i) It can issue bonds, borrow funds, receive credits, loans or subsidies from the Government and from institutions, public or private, national or international;
- (ii) it will not accept deposits from private individuals or institutions;
- (iii) it can be active in the real estate and stock exchange markets, and conduct all operations, civil or commercial, that are considered appropriate to further, directly or indirectly, the achievement of the Bank's stated objectives.

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1/ At present BNDE's policies are spelled out in its Statutes and its Rules of Procedure. These policies and those to be added (paras. 3,8,10,11,12) are gathered in this document which will be approved by BNDE's Board as BNDE's Statement of Policy.

II. INVESTMENT POLICIES

3. The company shall extend its assistance on the basis of economic and financial criteria only. Enterprises that submit projects to the company shall be required to have efficient management, be technically sound, have satisfactory market prospects for their production, be able to generate an adequate financial return on the investment and generally to contribute to the economic growth of the country in accordance with the objectives of the Government's Development Plan.

4. The loans granted by the Bank shall finance only part of specific programs that have economic and social merits (Article 21 of the Rules of Procedure).

5. The maximum maturities of loans granted by the Bank are as follows:

Short-Term	- 12 months;
Medium-Term	- 5 years ;
Long-Term	- 15 years ;

In practice the maturities on these various types of loans cannot exceed the maturities of the resources obtained by BNDE to provide these loans (Article 25 of the Rules of Procedure).

6. Loans to industrial enterprises can finance only part of the investment programs for which they are intended. The specific proportion on individual projects is determined on a case by case basis. However, it cannot exceed twice the amount invested by the borrower from its own resources or from resources that are either non-refundable or refundable after the loan from the Bank. The contribution from the borrower must take place and be verified before the Bank disburse funds. Moreover, all loans to industrial enterprises must be adequately protected by "real" or personal guarantees. Mortgage on equipment, delegation on fire or life insurance policies are considered only as "secondary" guaranteed (Article 33 of the Rules of Procedure).

7. At any moment, the cumulative amount of equity investments by the Bank shall not exceed 15% of its share capital and reserves that are not earmarked for any specific purposes. Each equity participation shall not exceed 10% of the share capital of the enterprise in which the investment is made (Article 52 of the Rules of Procedure).

8. The total amount of loans granted by the Bank together with its participations and any other commitments of a financial nature in favor of a single enterprise will not normally exceed 20% of the Bank's paid-up share capital and reserves. This limit will be exceeded only in cases when and to the extent that the Government will have guaranteed repayment to BNDE in case of default of the borrower. (To be added).



III. FINANCIAL POLICY

9. The interest rate charged by the Bank shall include a margin of at least 2% above the cost of the resources used by the Bank to finance its loans. However, for loans to public institutions the margin shall not exceed 1% above the cost of the resources (Article 53 of the Rules of Procedure).
10. The Bank shall not incur the foreign exchange risks on its borrowings. Such risk will be assumed by the Government or by the borrower. (To be added).
11. The Bank's total debts of more than one year, including guarantees, shall not at any time, exceed four times the amount of its unimpaired subscribed share capital plus surplus and reserves. Debts, for the purpose of this ratio, will not include BNDE's borrowings that are guaranteed by the Government and which have been on-lent to enterprises for which the Government guarantees repayment to BNDE if they are in default. (To be added).
12. The Bank shall set up adequate provisions against losses, the level of which will be based on the quality of the loans outstanding. (To be added).

## BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE

Total Approvals, Commitments and Disbursements, 1971 - 1976  
(in Thousands of Bu. Fr)

	<u>Long-Term</u>		<u>Medium-Term</u>		<u>Short-Term</u>		<u>TOTAL</u>	
	<u>Number of Projects</u>	<u>Amount</u>	<u>Number of Projects</u>	<u>Amount</u>	<u>Number of Projects</u>	<u>Amount</u>	<u>Number of Projects</u>	<u>Amount</u>
<u>1971</u>								
Approvals	26	16,649	13	6,846	1,373	266,837	1,412	290,332
Commitments								286,569
Disbursements		15,419		6,350		264,800		3,440
Cancellations	4	1,441	5	1,999			9	
<u>1972</u>								
Approvals	27	12,969	12	34,675	891	232,972	930	280,616
Commitments								246,950
Disbursements		5,603		10,675		230,672		10,429
Cancellations	1	425	5	4,569	2	5,435	8	
<u>1973</u>								
Approvals	25	18,433	11	28,286	738	231,381	774	278,100
Commitments								272,559
Disbursements		13,575		27,100		231,884		1,006
Cancellations			4	1,006			4	
<u>1974</u>								
Approvals	65	41,941	6	1,711	950	108,606	1,021	152,258
Commitments								150,022
Disbursements		28,312		18,989		102,721		6,592
Cancellations	11	6,121	2	471			13	
<u>1975</u>								
Approvals	87	530,312	9	20,575	323	40,008	419	590,895
Commitments								189,015 <sup>1/</sup>
Disbursements		136,900		9,355		42,760		4,564
Cancellations	10	4,564					10	
<u>1976</u>								
Approvals	29	275,234	12	152,546	617	117,262	658	545,042
Commitments								267,108 <sup>2/</sup>
Disbursements		166,430		57,262		43,416		
Cancellations								
<u>TOTAL</u>								
Approvals	233 (net)	895,538	47 (net)	244,639	4,700 (net)	997,066	5,170 (net)	2,137,243
Commitments								1,412,223
Disbursements		366,239		129,731		916,253		26,031
Cancellations		12,551		8,045		5,435		

<sup>1/</sup> Large difference between approvals and disbursements is due to the approval of the AER hotel project for Bu. Fr. 336 million which will mainly be disbursed after 1975.

<sup>2/</sup> Large difference between approvals and disbursements is due to the approval of the fisheries project for Bu. Fr. 255 million which will be disbursed during 1977 - 1981.

## BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE

Loans Approved by Sector, by Year and by Term, 1971 - 1976  
(in Thousands of Su Fr.)

Industry	1971		1972		1973		1974		1975		1976		TOTAL	
	Number of Loans	Amount	Number of Loans	Amount	Number of Loans	Amount	Number of Loans	Amount	Number of Loans	Amount	Number of Loans	Amount	Number of Loans	Amount
<u>Industry</u>														
Long-Term	-	-	-	-	-	-	-	-	9	157,405	5	57,165	14	214,570
Medium-Term	4	3,443	4	29,400	4	9,040	-	-	3	10,150	3	64,200	18	116,233
Short-Term	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<u>Handicraft</u>														
Long-Term	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medium-Term	-	-	2	1,515	-	-	1	270	-	-	-	-	3	1,785
Short-Term	-	-	1	500	-	-	-	-	1	4,000	-	-	2	4,500
<u>Tourism</u>														
Long-Term	-	-	-	-	-	-	-	-	1	336,000	-	-	1	336,000
Medium-Term	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-Term	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<u>Agriculture and Fisheries</u>														
Long-Term	4	2,552	-	-	1	56	24	1,722	46	2,572	5	100,564	80	107,466
Medium-Term	4	2,010	2	2,935	4	2,190	2	796	2	1,687	6	87,800	20	97,418
Short-Term	7	247,768	12	218,739	16	219,050	30	85,545	27	20,894	57	98,445	149	890,441
<u>Housing</u>														
Long-Term	21	14,007	27	12,969	24	18,377	40	40,127	23	30,835	14	116,129	149	232,444
Medium-Term	3	1,275	1	570	2	17,000	1	150	2	8,400	1	142	10	27,337
Short-Term	-	-	1	1,000	-	-	-	-	-	-	-	-	1	1,000
<u>Small Equipment</u>														
Long-Term	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Medium-Term	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-Term	1,362	18,743	877	12,733	719	12,003	920	23,061	295	15,114	560	18,817	4,733	100,471
<u>Others</u>														
Long-Term	1	90	-	-	-	-	1	92	8	3,500	5	1,376	15	5,058
Medium-Term	2	118	3	455	1	56	2	495	2	338	2	404	12	1,866
Short-Term	4	326	-	-	3	328	-	-	-	-	-	-	7	654
<u>Total Before Cancellations</u>														
Long-Term	26	16,649	27	12,969	25	18,433	65	41,941	87	530,312	29	275,234	259	895,538
Medium-Term	13	6,846	12	34,675	11	28,286	6	1,711	9	20,575	12	152,546	63	244,639
Short-Term	1,373	266,837	891	232,972	738	231,381	950	108,606	323	40,008	617	117,262	4,892	997,066
<u>TOTAL</u>	<u>1,412</u>	<u>290,332</u>	<u>930</u>	<u>280,616</u>	<u>774</u>	<u>278,100</u>	<u>1,021</u>	<u>152,258</u>	<u>419</u>	<u>590,895</u>	<u>658</u>	<u>545,042</u>	<u>5,214</u>	<u>2,137,243</u>
<u>Cancellations</u>														
Long-Term	4	1,441	1	425	-	-	11	6,121	10	4,564	-	-	26	12,551
Medium-Term	5	1,999	5	4,569	4	1,006	2	471	-	-	-	-	16	8,045
Short-Term	-	-	2	5,435	-	-	-	-	-	-	-	-	2	5,435
<u>TOTAL</u>	<u>9</u>	<u>3,440</u>	<u>8</u>	<u>10,429</u>	<u>4</u>	<u>1,006</u>	<u>13</u>	<u>6,592</u>	<u>10</u>	<u>4,564</u>	<u>-</u>	<u>-</u>	<u>44</u>	<u>26,031</u>
<u>Total After Cancellations</u>														
Long-Term	22	15,208	26	12,544	25	18,433	54	35,820	77	525,748	29	275,234	233	882,987
Medium-Term	8	4,847	7	30,106	7	27,280	4	1,240	9	20,575	12	152,546	47	236,594
Short-Term	1,373	266,837	889	227,537	738	231,381	950	108,606	323	40,008	617	117,262	4,890	991,631
<u>TOTAL</u>	<u>1,403</u>	<u>286,892</u>	<u>922</u>	<u>270,187</u>	<u>770</u>	<u>277,094</u>	<u>1,008</u>	<u>145,666</u>	<u>409</u>	<u>586,331</u>	<u>658</u>	<u>545,042</u>	<u>5,170</u>	<u>2,111,212</u>

## BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE

List of Term Loans Approved in the Industrial and Tourism Sectors - 1971 - 1976

Borrower	Date of Approval	Sector	Purpose of Loan	Total Project Cost (FBu millions)	BNDE Loan (FBu millions)	Maturity (Years)	Grace Period (Years)	Interest Rate	Commission	Amount Disbursed as of 9/30/76 (FBu millions)	Amount Outstanding as of 9/30/76 (FBu millions)	Cancellations (FBu millions)	Share Capital			Foreign %	
													Burundi (%)				
													Govt.	BNDE	Private		
Someca Burundi	03/11/71	Printing	Equipment	2.2	1.7	5	-	7 %	-	1.7	paid	-	3.0	-	-	-	100.0
Petrellis	03/11/71	Fishing	Fishing Boat	1.7	0.8	2	-	7 %	-	0.8	paid	-	-	-	-	-	-
Ndabihawenimana, Pierre	10/20/71	Photography	Equipment	0.3	0.3	5	-	7 %	-	0.1	paid	0.2	-	-	-	-	-
Imperudi	12/14/71	Printing	Equipment	1.3	0.7	1 1/2	-	8 %	-	0.7	paid	-	6.7	-	-	-	100.0
Mantramona Stanislas	01/18/72	Transport	Bus	1.7	1.4	2	-	8 %	-	1.4	paid	-	-	-	-	-	-
Cordonnerie de Giheta	03/30/72	Shoe Repair	Working Capital	2.5	0.5	2	1	6 %	-	0.5	0.2	-	3.0	-	-	-	-
Sobumines (ex Somika)	03/30/72	Mines	Equipment	7.1	16.0	5	-	8 %	-	15.0	4.8	1.0	20.0	1.91	-	-	98.09
Mudenge Gaetan	03/30/72	Milling	Equipment	0.2	0.1	2	-	8 %	-	0.1	paid	-	-	-	-	-	-
Buyoya Venant	05/25/72	Transport	Bus	2.2	1.4	2	-	8 %	-	1.4	paid	-	-	-	-	-	-
Savonor	11/15/72	Soap Factory	Equipment	6.6	6.0	5	-	8 %	-	4.0	2.5	2.0	7.0	-	-	25.71	74.29
Sophabu	11/15/72	Pharmacy	Equipment	11.6	6.0	5	1-3/4	8 %	-	4.7	1.7	1.3	4.0	-	-	50.0	50.0
Sobumines (ex Societe Financiere pour l'Etranger)	02/15/73	Coffee	Processing	4.5	5.2	4	-	7 %	-	5.2	3.3	0.02	25.0	1.91	-	-	98.09
Martin, Pierre	08/14/73	Peat	Equipment Mining	1.0	0.5	2 1/2	1/2	7 %	-	0.5	0.1	-	-	-	-	-	-
Vallikae, E.	10/19/73	Fishing	Fishing Boat	4.2	2.9	5	-	8 %	-	2.9	1.9	-	-	-	-	-	-
Zicot Pol	10/19/73	Printing	Equipment	0.8	0.5	3	-	8 %	-	0.5	0.0	-	-	-	-	-	-
Mudenge Gaetan	11/08/74	Milling	Equipment	-	0.3	2	-	6 %	-	Cancelled	-	Cancelled	-	-	-	-	-
Societe Hoteliere et Touristique du Burundi (SHITB)	04/25/75	Hotel	Construction and equipment	525.6	336.0	18	4	9 %	75%	235.2	223.9	-	244.0	43.03	9.43	31.97	15.57
Societe pour la Fabrication d'Insecticides et de Produits Chimiques (FADI)	04/25/75	Insecticides	Equipment	28.7	14.7	8	1	8 %	-	8.1	8.1	-	14.0	35.0	10.0	55.0	-
Societe pour la Fabrication d'Insecticides et de Produits Chimiques (FADI)	04/25/75	Insecticides	Working Capital	60.0	60.0	7	1	8 %	-	15.8	3.8	-	-	-	-	-	-
Briqueterie de Bujumbura (SEBI)	08/05/75	Bricks	Construction brick factory	21.8	16.3	6	1	8 %	-	-	-	-	5.5	-	9.1	91.9	-
Briqueterie de Bujumbura (SEBI)	04/25/75	Bricks	Working Capital	5.2	5.2	3	-	8 %	-	-	-	-	-	-	-	-	-
Utema Travhydro	04/25/75	Metalworks	Expansion	28.8	16.2	8	2	8 1/2 %	-	-	-	-	-	-	-	-	100.0
Utema Travhydro	04/25/75	Metalworks	Working Capital	28.8	28.8	7	-	8 1/2 %	-	-	-	-	3.5	-	-	-	-
Nzohabonyo Didace	08/05/75	Transport	Boat	-	4.0	2	3/4	8 %	-	3.3	2.6	-	-	-	-	-	-
FABRIPLASTIC	12/19/75	Plastics	Construction	12.0	4.2	7	1	5 %	-	3.3	3.3	-	2.0	-	-	100.0	-
FABRIPLASTIC	12/19/75	Plastics	Working Capital	1.7	1.7	8	-	8 %	-	-	-	-	-	-	-	-	-
SOGECO	12/19/75	Clothes Making	Construction	3.1	0.9	5	-	8 %	-	-	-	-	1.0	-	-	100.0	-
Haydry Industries	12/19/75	Matches	Construction	23.5	15.5	7	1	8 %	-	-	-	-	7.5	-	-	100.0	-
Ntawishimiro and Zicot	12/19/75	Hotel	Construction	-	4.0	5	1	8 %	-	-	-	-	-	-	-	-	-
Robbislac Peints Burundi	06/18/76	Paints	Extension	13.0	8.0	3	-	8 %	-	-	-	-	6.0	-	-	100.0	-
Tannerie du Burundi	08/20/76	Tannery	Construction	55.0	30.0	6	1	9 %	-	-	-	-	25.0	30.0	10.0	5.0	55.0
			Working Capital	50.0	50.0	2 1/2	-	9 %	-	-	-	-	-	-	-	-	-
AGROPRO	08/20/76	Jams and Preserves	Construction	12.2	6.2	5	-	9 %	-	-	-	-	6.0	-	-	50.0	50.0
FABRIPLASTIC	08/20/76	Plastics	Extension	12.0	4.2	7	1	5 %	-	3.3	3.3	-	3.6	-	-	100.0	-
			Working Capital	6.3	6.3	6	-	8 %	-	-	-	-	-	-	-	100.0	-
IMPEXCHAUX	08/20/76	Limestone	Construction	17.5	7.7	8	-	5 %	-	-	-	-	9.8	-	-	100.0	-
IMPEXCHAUX	08/20/76	Limestone	Working Capital	9.0	9.0	10	-	8 %	-	-	-	-	-	-	-	100.0	-

EAPID  
June 1977

## BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE

Analysis of Loans to Industry, Handicraft and Tourism, 1971 - 1976  
(in Thousands of Bu Fr.)

	1971		1972		1973		1974		1975		1976	
	Number of Loans	Amount	Number of Loans	Amount	Number of Loans	Amount	Number of Loans	Amount	Number of Loans	Amount	Number of Loans	Amount
<b>I. By Size</b>												
Less than Bu Fr. 1,000	3	1,708	2	2,770	2	960	1	270	1	950	-	-
From Bu Fr. 1,000 to 4,999	1	1,735	2	645	1	2,880	-	-	4	13,905	1	4,200
From Bu Fr. 4,999 to 9,999	-	-	2	12,000	1	5,200	-	-	1	5,200	5	37,165
From Bu Fr. 10,000	-	-	1	16,000	-	-	-	-	7	487,500	2	80,000
<b>TOTAL</b>	4	3,443	7	31,415	4	9,040	1	270	13	507,555	8	121,365
<b>II. By Duration</b>												
Up to 2 years	1	668	-	-	-	-	-	-	-	-	-	-
From 2 to 5 years	1	765	4	3,415	3	6,160	1	270	2	9,200	3	64,200
More than 5 years	2	2,010	3	28,000	1	2,880	-	-	11	498,355	5	57,165
<b>TOTAL</b>	4	3,443	7	31,415	4	9,040	1	270	13	507,555	8	121,365
<b>III. Project Type</b>												
Creation	-	-	-	-	-	-	-	-	9	443,055	6	109,165
Extension	4	3,443	7	31,415	4	9,040	1	270	4	64,500	2	12,200
<b>TOTAL</b>	4	3,443	7	31,415	4	9,040	1	270	13	507,555	8	121,365
<b>IV. Use of the Loan</b>												
Building and Equipment	4	3,443	6	30,915	4	9,040	1	270	9	411,850	5	56,070
Working Capital	-	-	1	500	-	-	-	-	4	95,705	3	65,295
<b>TOTAL</b>	4	3,443	7	31,415	4	9,040	1	270	13	507,555	8	121,365
<b>V. Sources of Funds</b>												
Own Resources	4	3,443	7)	13,815	4	9,040	1	270	13)	22,231	-)	n.a.
Other	-	-	-)	17,600	-	-	-	-	-)	485,324	8)	n.a.
<b>TOTAL</b>	4	3,443	7	31,415	4	9,040	1	270	13	507,555	8	121,365

## BANQUE NATIONALE DE DEVELOPEMENT ECONOMIQUE

## Resource Position as of December 31, 1976

(BuF million)

<u>RESOURCES</u>	<u>Local Resources</u>	<u>Foreign Resources</u>	<u>Total</u>
<u>As of Balance Sheet</u>			
Equity Funds	<u>186.0</u>		<u>186.0</u>
Share Capital	160.7		160.7
Reserves	19.2		19.2
Retained Earnings	6.1		6.1
Borrowings	<u>40.0</u>	<u>235.6</u>	<u>275.6</u>
LT Government Deposit	40.0		40.0
CCCE		1.4	1.4
ADB		230.8	230.8
KfW		3.4	3.4
<u>Total Resources According to Balance Sheet</u>	<u>226.0</u>	<u>235.6</u>	<u>461.6</u>
<u>Undrawn Lines of Credit</u>			
Central Bank Rediscount Possibilities	265.0		265.0
Possibility of Borrowings from Local Banks	30.0		30.0
CCCE		7.7	7.7
ADB		182.5	182.5
KfW		24.8	24.8
IDA-Abou Dhabi (Fisheries Dev.)		255.0	255.0
<u>Total Resources</u>	<u>521.0</u>	<u>705.6</u>	<u>1,226.6</u>
	=====	=====	=====
<u>USES</u>			
Net Fixed Assets	18.7		18.7
Equity Investments	25.7		25.7
Term Loans	<u>175.5</u>	<u>302.8</u>	<u>478.3</u>
<u>Total</u>	<u>219.9</u>	<u>302.8</u>	<u>522.7</u>
	=====	=====	=====
<u>RESOURCES AVAILABLE FOR DISBURSEMENTS</u>			
Undisbursed Commitments	<u>35.9</u>	<u>321.2</u>	<u>357.1</u>
Term Loans	35.2	321.2	356.4
Equity Investments	0.7		0.7
<u>RESOURCES AVAILABLE FOR COMMITMENTS</u>			
Uncommitted Approvals	<u>246.6</u>	<u>12.6</u>	<u>259.2</u>
Term Loans	246.6	12.6	259.2
Equity Investments	-	-	-
<u>RESOURCES AVAILABLE FOR APPROVALS</u>			
	<u>18.6</u>	<u>69.0</u>	<u>87.6</u>
	=====	=====	=====
EAPID			
June 1977			

## BANQUE NATIONAL DE DEVELOPPEMENT ECONOMIQUE (BNDE)

Borrowings by BNDE as of December 31, 1976  
(in FBu millions)

<u>Lender</u>	<u>Date of Commitment</u>	<u>Amount</u>	<u>Maturity</u>	<u>Grace Period</u>	<u>Interest Rate</u> %	<u>Commission</u> %	<u>Amount Disbursed</u> (9/30/76)	<u>Amount Outstanding</u> (9/30/76)	<u>Authorized Relending Rate</u>	<u>Comments</u>
<b>A. DOMESTIC RESOURCES</b>										
Central Bank Rediscount	12/12/75	12.0	1	-	4	-	8.7	8.7	-	-
<b>B. FOREIGN RESOURCES</b>										
CCCE I	02/09/73	2.3 <sup>1/</sup>	10	-	3	0.50 <sup>2/</sup>	2.3	1.5	-	Exchange risk for BNDE
KFW	10/16/74	26.0	15	-	0.75	0.25	1.0	1.0	-	-
ADB	01/13/75	336.0	18	4	6	0.75	150.8	150.8	-	-
		54.3	18	4	6	0.75	-	-	-	-
CCCE II	07/02/76	FF425,000	12	-	5	0.50 <sup>2/</sup>	-	-	6	Exchange risk for BNDE
IDA Fisheries	06/11/76	255.0	15	5	4	-	-	-	LT 8.5 MT 6.0 ST 8.5	

<sup>1/</sup> Corresponding to FF127,000 (Exchange rate FF1 = FBu 18.63)

<sup>2/</sup> Commitment fee and commission on outstanding amount.

## BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE

Equity Investments as of December 31, 1976  
(in Thousands of Bu Fr.)

Company	Date of Creation	Sector of Activity	Share Capital	Ownership (%)				Participation of BNDE			Dividends					Comments
				Govt.	Local		Foreign	Date of Approval	Amount Subscribed	Amount Paid 9/30/76	72	73	74	75	76	
					BNDE	Private										
1. Societe Hoteliere et Touristique du Burundi (SHTB)	3/20/75	Hotel	244,000	43.03	9.43	31.97	15.57	2/04/75	23,000	23,000	-	-	-	-	-	Loan of BNDE of 336 million
2. Societe pour la Fabrication des Insecticides et de Produits Chimiques (FADI)	5/16/75	Insecticides	14,000	35.0	10.0	55.0	-	4/25/75	1,400	1,120	-	-	-	-	-	Started operations 4/1/76
3. Societe pour l'exploitation de briqueterie industrielle (SEBI)	9/27/75	Bricks	5,500	-	9.1	91.9	-	4/25/75	0,500	0,100	-	-	-	-	-	Start in late 1976
4. Tannerie du Burundi	6/76	Tannery	25,000	30.0	10.0	5.0	55.0	8/20/76	2,500	2,500	-	-	-	-	-	Start in 1978
<u>TOTAL</u>									27,400	26,720	-	-	-	-	-	
									=====	=====	=====	=====	=====	=====	=====	



## BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)

Summarized Balance Sheets as of December 31  
(FBu millions)

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
<u>ASSETS</u>							
Current Assets	5.7	39.5	6.8	29.8	42.2	18.4	35.4
Portfolio:							
Long-term loans <sup>1/</sup>	40.0(-)	65.0(-)	65.7(-)	69.0(-)	89.1(-)	210.8(115.7)	415.6
Medium-term loans <sup>1/</sup>	19.5(5.2)	19.1(6.7)	18.7(9.6)	38.8(27.4)	44.3(27.8)	47.2( 22.7)	39.5
Short-term loans	67.6	45.5	45.8	34.3	30.6	21.6	21.2
	<u>127.1</u>	<u>129.6</u>	<u>130.2</u>	<u>142.1</u>	<u>164.0</u>	<u>279.6</u>	<u>476.3</u>
Equity Participations	-	-	-	-	-	12.4	25.7
Fixed Assets (net)	<u>16.9</u>	<u>21.1</u>	<u>24.8</u>	<u>20.5</u>	<u>19.7</u>	<u>19.8</u>	<u>18.7</u>
TOTAL ASSETS	<u>149.7</u>	<u>190.2</u>	<u>161.8</u>	<u>192.4</u>	<u>225.9</u>	<u>330.2</u>	<u>556.1</u>
<u>LIABILITIES</u>							
Current Liabilities	22.6	59.5	30.7	48.0	53.6	54.7	87.7
Borrowings (Lt):							
CCCE	-	-	-	2.1	1.9	1.7	1.4
ADB	-	-	-	-	-	49.2	230.8
KfW	-	-	-	-	-	-	3.4
Government long-term deposit	-	-	-	8.8	30.2	40.0	40.0
Provisions for housing repairs	-	-	-	-	-	2.3	3.5
Provisions for small equipment loans	-	-	-	-	-	2.4	3.3
Share Capital	120.0	120.0	120.7	120.7	120.7	160.7	160.7
Reserves	4.5	8.0	9.3	10.3	14.2	16.2	19.2
Profit of the year	<u>2.6</u>	<u>2.7</u>	<u>1.1</u>	<u>2.5</u>	<u>5.3</u>	<u>3.0</u>	<u>6.1</u>
Equity	127.1	130.7	131.1	133.5	140.2	179.9	186.0
TOTAL LIABILITIES AND EQUITY	<u>149.7</u>	<u>190.2</u>	<u>161.8</u>	<u>192.4</u>	<u>225.9</u>	<u>330.2</u>	<u>556.1</u>

<sup>1/</sup> Figures between brackets concern industry and tourism

EAPID

June 1977

## BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)

Summarized Income Statements as of December 31  
(FBu millions)

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
<u>INCOME</u>							
Interest on:							
Long-term loans	2.2	4.0	5.5	5.7	6.2	11.4	28.7
Medium-term loans	1.2	1.7	1.5	2.3	3.8	4.0	2.5
Short-term loans	<u>5.8</u>	<u>5.7</u>	<u>3.8</u>	<u>3.5</u>	<u>1.7</u>	<u>0.6</u>	<u>1.2</u>
<u>Total</u>	9.2	11.4	10.8	11.5	11.7	16.0	32.4
Commissions <u>1/</u>	1.6	2.4	1.4	1.4	3.2	2.4	2.8
Other Income <u>2/</u>	<u>2.2</u>	<u>3.6</u>	<u>3.9</u>	<u>4.7</u>	<u>5.2</u>	<u>4.0</u>	<u>2.1</u>
<u>TOTAL INCOME</u>	13.0	17.4	16.1	17.6	20.1	22.4	37.3
	=====	=====	=====	=====	=====	=====	=====
<u>CHARGES</u>							
Administrative Expenses	7.2	10.3	11.6	11.7	12.8	14.8	15.8
Financial Charges	1.9	2.8	1.6	1.3	0.4	3.0	13.0
Depreciation	1.3	1.6	1.8	1.8	1.5	1.5	1.7
Provisions	-	-	-	0.3	0.1	-	0.1
Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.1</u>	<u>0.5</u>
<u>TOTAL CHARGES</u>	10.4	14.7	15.0	15.1	14.8	19.4	31.1
	=====	=====	=====	=====	=====	=====	=====
<u>PROFIT</u>	2.6	2.7	1.1	2.5	5.3	3.0	6.2
	=====	=====	=====	=====	=====	=====	=====
Net Profit as Percentage of average equity	-	2.1	0.8	1.9	3.9	1.9	3.4

1/ Commissions on loans for small family equipment

2/ Includes management commissions, interests on short-term investments and other revenues.

EAPID

June 1977

## BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)

Industrial and Tourism Project Pipeline as of December 31, 1976 <sup>1/</sup>

Project	Activity	Purpose	Promoter	Estimated Investment Cost		Feasibility Study Expected Completion Date	Projected Implementation		Expected BNDE's Financing		Participation % of Capital			
				Total (BuF million)	Local Foreign Currency Exchange (% of Total Inv. Cost)		Expected Starting Date of Investment	Expected Starting Date of Operations	Loan Amount (BuF million)	Maturity (Year)				
Flour Milling	Food	Creation	Government	119	70 30	1976	1977	1979	4	1977	70	8	5	-
Ceramics Mfg.	Ceramics	Creation	Government	57	55 45	1976	1977	1979	4	1977	35	8	2	-
Peat Processing	Fuel	Creation	Government	150	- -	1977	1977	1978	4	1977	90	12	6	-
Ferrous Metal Recycling Metal		Creation	Government	80	- -	1977	1977	1978	3	1977	40	8	4	-
Particle Boards	Construction Material	Creation	Government	80	- -	1977	1978	1979	3	1977	40	8	4	-
Cement	Construction Material	Extension	Private local and foreign	132	64 36	1976	1977	1977	4	1977	78	8	-	-
Vegetable and Meat Processing	Food	Creation	Government and Private Foreign	100	30 70	1976	1977	1977-78	4	1977	60	8	-	-
Peat Fertilizer	Fertilizer	Creation	Government	75	- -	1977	1978	1979	3	1977	45	10	-	-
Sugar Mfg.	Food	Creation	Government	1,600	- -	1977	1978	1979	4	1978	150	15	20	-
Non-Ferrous Metal Recycling	Metal	Creation	Private local	4.3	37 63	1976	1978	1978	2	1978	2	8	-	-
Tourism Development <sup>3/</sup>	Tourism	Creation and Extension	Government	617	- -	1977	1977-78	1977-78	3	1977-78	150	12	-	-
Glass Mfg.	Glass	New	Government	150	30 70	1977	1979	1981	2	1978	80	8	-	-
<b>TOTAL</b>				<b>3,164.3</b>							<b>840</b>			

<sup>1/</sup> In addition BNDE expects to approve about 10 projects each year for a total of BuF 27 million (i.e. BuF 2.7 million or US\$30,000 per project). These projects with an average total cost of BuF 4.5 million (US\$50,000) are to be financed under the UNDP Capital Development Fund advance to BNDE and the Guarantee Fund (also set up by UNDP).

<sup>2/</sup> 5 = High; 3 = medium; 1 = low.

<sup>3/</sup> Includes 7 individual projects.

EAPTD  
June 1977

BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)

Assumptions for Financial Projections  
(BuF million)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
1. <u>Approvals</u>					
<u>Long-Term Loans</u> 1/					
Industry	241	227	250	275	300
Fisheries Development	-	-	-	-	-
Tourism	23	47	70	80	90
Agriculture	5	5	6	6	6
Housing	<u>15</u>	<u>115</u>	<u>25</u>	<u>115</u>	<u>25</u>
Sub-Total	284	394	351	476	421
<u>Medium-Term Loans</u> 2/					
Industry	45	64	70	77	85
Fisheries Development	-	-	-	-	-
Agriculture	2	2	2	2	2
Housing	<u>2</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>
Sub-Total	49	68	75	82	90
<u>Short-Term Loans</u>					
Crop Financing	30	30	33	33	33
Small Equipment	20	20	20	20	20
Fisheries Equipment	-	-	-	-	-
Sub-Total	50	50	53	53	53
<u>Equity Investments</u>					
Industry	<u>16</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>
<u>Total Approvals</u>	<u>399</u>	<u>532</u>	<u>499</u>	<u>631</u>	<u>584</u>

2. Commitments

Three months after approvals.

3. Disbursements

Long-Term Loans:

(a) Industry and Tourism: 20% in the year of commitment, 50% the second year and 30% the third year.

(b) Agriculture: 50% in the year of commitment, 50% the second year.

(c) Fisheries Development (BuF million):

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
	12	21	34	12	4

(d) Housing: 50% disbursed in the year of commitment, 50% in the second year.

1/ More than 5 years

2/ Up to and including 5 years

Medium-Terms Loans:

- (a) Industry and Tourism: 50% in the year of commitment, 50% the second year.
- (b) Agriculture: 100% in the year of commitment.
- (c) Fisheries Development (BuF million):

<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
24	20	29	10	4

- (d) Housing: 50% in the year of commitment 50% in the second year.

Short-Term Loans:

- (a) Crop Financing and Small Equipment: 100% disbursed in the year of commitment.
- (b) Fisheries Development (BuF million)

<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
10	10	13	14	21

Equity Investments

100% disbursed in the year of commitment.

4. Loans Collections

Loans outstanding as of December 31, 1975 are to be collected as follows:

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
Long-Term Loans	14.7	15.0	15.2	39.3	39.3
Medium-Term Loans	13.3	13.4	-	-	-
Short-Term Loans	-	-	-	-	-
<u>Total</u>	<u>28.0</u>	<u>28.4</u>	<u>15.2</u>	<u>39.3</u>	<u>39.3</u>
	=====	=====	=====	=====	=====

New Loans

Long-Term Loans (more than 5 years) :

- (a) Industry: they have an average term of 8 years including one year of grace.
- (b) Tourism: (i) SHTB loan (hotel in Bujumbura) of BuF336 million. Collection of BuF 24 million p.a. Starting in 1979; (ii) other tourism project: they have an average term of 12 years including a two-year grace period.
- (c) Agriculture: they have an average term of 10 years including 2 years of grace.
- (d) Fisheries Development: see note 1/ at end of Annex.
- (e) Housing: they have an average term of 10 years without any grace period.

Medium-Term Loans (up to and including 5 years):

- (a) Industry and Tourism: on average, they are repayable in four equal yearly installments after one year grace period.
- (b) Agriculture: on average, they are repayable in four years after one year grace period.
- (c) Fisheries Development: see note 1/ at end of Annex.
- (d) Housing: on average, they are repayable in 5 years without any grace period.

Short-Term Loans:

In any year, the amount collected is equal to the amount disbursed for short-term loans.

5. Debt Repayments

- (a) African Development Bank: BuF380.0
  - . January 1975 - December 1992
  - . Grace period: 4 years
  - . Repayment: BuF13.6 million per semester, starting June 1979
- (b) KfW: BuF26.0 million
  - . October 1974 - September 1983
  - . Repayment: BuF1.083 million per semester (6/78-12/89)
- (c) Caisse Centrale I: BuF2.4 million
  - . February 1973 - December 1982
  - . Repayment: BuF118,300 per semester (6/30/73 - 12/31/82)
- (d) Caisse Centrale II: BuF7.7 million
  - . July 1976 - June 1992
  - . Repayment: BuF257,000 per semester (6/77-12/91)
- (e) IDA-Fisheries: BuF255 million
  - . June 1976 - December 1991
  - . Repayment: BuF12.755 million per semester from 6/30/82 to 12/31/91
- (f) IDA-BNDE: Is repaid to the Government as the loans financed out of the IDA Credit are collected by BNDE.

6. Interest Income

Long-Term Loans

- (a) Industry: an average annual yield of 8.5%
- (b) Tourism: an average annual yield of 9%
- (c) Fisheries Development: annual yield of 8.5%
- (d) Agriculture: an annual yield of 6%
- (e) Housing: an annual yield of 8%

Medium-Term Loans

- (a) Industry: an average annual yield of 8%
- (b) Tourism: an average annual yield of 9%
- (c) Fisheries Development: an annual yield of 6%
- (d) Agriculture: an average annual yield of 6%
- (e) Housing: an average annual yield of 8%

Short-Term Loans

- (a) Crop Financing: an average yield of 7%
- (b) Fisheries Development: annual yield of 8.5%
- (c) Small Equipment: an average yield of 10%

7. Dividend Income

Equity participations yield 5% in the sixth year following the investment.

8. Income on Short-Term Investments

An average yield of 2% on short-term investments.

9. Interest Cost

- (a) African Development Bank: BuF380.0 million at 7% p.a. plus 0.75% on undisbursed amounts:
  - . Undisbursed amounts at year end are expected to be as follows:
    - 1975: BuF331 million
    - 1976: BuF 25 million
    - 1977: Loan fully disbursed
- (b) KfW: BuF26.0 million at 0.75% p.a.
- (c) Caisse Centrale I: BuF2.4 million at 3.5% p.a.
- (d) Caisse Centrale II: BuF7.7 million at 5.5% p.a.
- (e) IDA Fisheries: BuF255 million at 4%. No commitment fee.
- (f) Discount at the Central Bank = 5% p.a.

10. Taxes

BNDE does not pay income taxes.

11. Administrative Expenses

Are assumed to increase by about 15% per annum.

12. Provisions for Losses

About 1% of average long-and medium-term portfolio.

13. Share Capital

BuF160.7 million. No increase is assumed before 1981.

14. Net Fixed Assets

Remain constant during projection period.

15. Depreciation

Amount to BuF1 million a year

Note

1/ Fisheries Development loan of BuF268.4 million. Collection of the loan by BNDE (BuF million)

	<u>77</u>	<u>78</u>	<u>79</u>	<u>80</u>	<u>81</u>	<u>82</u>	<u>83</u>	<u>84</u>	<u>85</u>	<u>86</u>	<u>87</u>	<u>88</u>	<u>89</u>	<u>90</u>
L.T. (14 years)	2	3.6	6.4	7.9	8.9	9.6	10.5	11.3	12.3	13.4	10.0	7.6	2.7	0.7
M.T. ( 5 years)	-	4.0	7.8	13.7	16.6	18.4	14.1	10.2	3.6	1.0				
S.T. ( 1 year)	4.9	9.8	11.8	14.6	19.2	11.6								



BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)Forecast of Operations 1977-1981  
(BuF millions)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
<u>APPROVALS</u>					
Long-Term Loans	284	394	351	476	421
Medium-Term Loans	49	68	75	82	90
Short-Term Loans	<u>50</u>	<u>50</u>	<u>53</u>	<u>53</u>	<u>53</u>
Sub-Total	383	512	479	611	564
Equity Investments	<u>16</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>
<u>TOTAL APPROVALS</u>	<u>399</u>	<u>532</u>	<u>499</u>	<u>631</u>	<u>584</u>
	=====	=====	=====	=====	=====
<u>COMMITMENTS</u>					
Long-Term Loans	367	358	364	438	436
Medium-Term Loans	86	61	73	79	86
Short-Term Loans	<u>64</u>	<u>50</u>	<u>52</u>	<u>53</u>	<u>53</u>
Sub-Total	517	469	489	570	575
Equity Investments	<u>16</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>
<u>TOTAL COMMITMENTS</u>	<u>533</u>	<u>489</u>	<u>509</u>	<u>590</u>	<u>595</u>
	=====	=====	=====	=====	=====
<u>DISBURSEMENTS</u>					
Long-Term Loans	328	374	393	388	418
Medium-Term Loans	81	81	97	87	88
Short-Term Loans	<u>50</u>	<u>50</u>	<u>53</u>	<u>53</u>	<u>53</u>
Sub-Total	459	505	543	528	559
Equity Investments	<u>16</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>
<u>TOTAL DISBURSEMENTS</u>	<u>475</u>	<u>525</u>	<u>563</u>	<u>548</u>	<u>579</u>
	=====	=====	=====	=====	=====

EAPID  
June 1977

## BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)

Projected Income Statements (1977-1981)  
(BuF million)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
<u>INCOME</u>					
Interest on:					
Long-and Medium-Term Loans	50	75	106	29	147
Short-Term Loans	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Sub-Total	53	78	109	132	150
Dividends	-	-	-	1	2
Other Income <u>1/</u>	<u>5</u>	<u>6</u>	<u>8</u>	<u>8</u>	<u>8</u>
<u>TOTAL INCOME</u>	<u>58</u>	<u>84</u>	<u>117</u>	<u>147</u>	<u>160</u>
	=====	=====	=====	=====	=====
<u>EXPENSES</u>					
Administrative Expenses	20	23	26	30	34
Financial Charges	26	43	63	78	86
Depreciation	1	1	1	1	1
Provisions for Losses	5	7	10	13	14
Taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>TOTAL EXPENSES</u>	<u>52</u>	<u>74</u>	<u>100</u>	<u>122</u>	<u>135</u>
	=====	=====	=====	=====	=====
<u>PROFIT</u>	<u>6</u>	<u>10</u>	<u>17</u>	<u>19</u>	<u>25</u>
	=====	=====	=====	=====	=====

1/ Income on short-term investments plus commission on loans for small family equipment, management commission.

## BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)

Projected Balance Sheets (1977-1981)  
(BuF million)

Year ended December 31	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
<u>ASSETS</u>					
Current Assets	79	91	100	97	105
<u>Portfolio</u>					
Medium-and Long-Term Loans	708	1,055	1,363	1,588	1,779
Short-Term Loans	35	35	35	35	35
Equity Investments	42	62	82	102	122
(Less Provisions)	<u>(5)</u>	<u>(12)</u>	<u>(22)</u>	<u>(35)</u>	<u>(49)</u>
Total Portfolio	780	1,140	1,458	1,690	1,887
Fixed Assets (net)	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>	<u>20</u>
<u>TOTAL ASSETS</u>	<u>879</u>	<u>1,251</u>	<u>1,578</u>	<u>1,807</u>	<u>2,012</u>
<u>LIABILITIES</u>					
Current Liabilities	60	60	60	60	60
Long-Term borrowings	584	946	1,256	1,466	1,646
Government Long-Term Deposit	40	40	40	40	40
Provisions <u>1/</u>	3	3	3	3	3
<u>Equity</u>					
Share Capital	161	161	161	161	161
Reserves Retained Earnings	25	31	41	58	77
Profit of the Year	<u>6</u>	10	17	19	25
Total Equity	192	202	219	238	263
<u>TOTAL LIABILITIES</u>	<u>879</u>	<u>1,251</u>	<u>1,578</u>	<u>1,807</u>	<u>2,012</u>

1/ For housing repairs and small equipment repairs

## BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)

Projected Sources and Uses of Funds (1977-1981)  
(BuF million)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
<u>SOURCES</u>					
Net Profit	6	10	17	19	25
Non-cash Charges	6	8	11	14	15
Loan Collections	56	108	188	250	315
Increase in Share Capital	-	-	-	-	-
Increase in Borrowings	<u>350</u>	<u>379</u>	<u>373</u>	<u>297</u>	<u>268</u>
<u>TOTAL SOURCES</u>	<u>418</u>	<u>505</u>	<u>589</u>	<u>580</u>	<u>623</u>
	=====	=====	=====	=====	=====
Loan Repayments	6	17	69	87	88
Disbursements on:					
Loans	323	455	490	475	506
Equity Investments	16	20	20	20	20
Increase in Fixed Assets	2	1	1	1	1
Increase (Decrease) in					
Current Assets	71	12	9	(3)	8
Dividends	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>TOTAL USES</u>	<u>418</u>	<u>505</u>	<u>589</u>	<u>580</u>	<u>623</u>
	=====	=====	=====	=====	=====

## BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)

Past and Projected Financial Ratios  
(BuF million)

Income Statement Elements as % of Average Total Asset	Actual					Projected				
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981
1. Total Income	9.1	9.9	9.6	8.1	8.4	8.1	7.9	8.2	8.3	8.4
Of which: Interest on Loans	(6.1)	(6.5)	(5.6)	(5.8)	(7.3)	(7.4)	(7.3)	(7.7)	(7.8)	(7.9)
Others (Short-term interests commission)	(3.0)	(3.4)	(4.0)	(2.3)	(1.1)	(0.7)	(0.6)	(0.5)	(0.5)	(0.5)
2. Financial Charges	0.1	0.7	0.2	1.1	2.9	3.6	4.0	4.4	4.6	4.5
3. Administrative Expenses	6.6	6.6	6.1	5.3	3.6	2.8	2.2	1.8	1.8	1.8
4. Depreciation	1.0	1.0	0.7	0.5	0.4	0.1	0.1	0.1	0.1	0.1
5. Provisions	-	0.2	0.1	-	-	0.7	0.7	0.7	0.8	0.7
6. Net Profit	0.6	1.4	2.5	1.1	1.4	0.8	0.9	1.2	1.1	1.3
<u>Profitability Indicators</u>										
7. Net Profit as % of Average Net Worth	0.8	1.9	3.9	1.9	3.4	3.2	5.1	8.1	8.3	9.9
8. Dividends as % of Average Equity Portfolio	-	-	-	-	-	-	-	-	1.1	1.8
9. Income from Loans as % of Average Loan Portfolio	9.4	9.5	9.7	8.3	8.6	8.7	8.5	8.7	8.7	8.7
10. Cost of Debt as % of Average Debt	-	-	1.9	4.9	7.1	5.6	5.3	5.5	5.6	5.6
<u>Financial Structure Indicators</u>										
11. Total Long-term Debt/Year-End Net Worth	-	0.1	0.2	0.5	1.5	3.2	4.7	5.7	6.2	6.3
12. Partial Long-term Debt <sup>1/</sup> /Year-End Net Worth	-	0.1	0.2	0.5	0.2	1.0	2.5	3.3	3.9	4.1
13. Interest Coverage Ratio	2.6	4.5	18.3	2.5	1.6	1.5	1.4	1.4	1.4	1.5
14. Debt Service Coverage Ratio	n.a.	n.a.	n.a.	11.7	3.2	2.9	2.8	2.1	2.2	2.5

<sup>1/</sup> Does not include borrowings of BuF390.3 millions from the African Development Bank nor BuF255.0 from IDA-Abou Dhabi. Repayment of these funds to BNDE is guaranteed by the Government in case of default of BNDE's clients.

BANQUE NATIONALE DE DEVELOPPEMENT ECONOMIQUE (BNDE)Estimated Disbursement Schedule for the Proposed Credit(Calendar Years)

	<u>Amount (\$'000)</u>
<u>1977</u>	
Fourth Quarter	100
<u>1978</u>	
First Quarter	175
Second Quarter	175
Third Quarter	200
Fourth Quarter	300
<u>1979</u>	
First Quarter	350
Second Quarter	300
Third Quarter	300
Fourth Quarter	250
<u>1980</u>	
First Quarter	250
Second Quarter	200
Third Quarter	200
Fourth Quarter	200
<u>1981</u>	
First Quarter	200
Second Quarter	100
Third Quarter	100
	<u>3,400</u>
	=====