

# **SUMMARY**

**Title** How can NEPAD help Ivorian firms to increase their export?

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**Purpose** 1. To identify factors that can make Ivorian exports more successful.  
2. Come up with proposals to NEPAD on actions to make the Ivorian firms more competitive internationally.

**Method** A qualitative research method has been used to find out problems that Ivorian firms are confronted with. Primary data consists of several interviews with managers, economists, small and medium-sized enterprises (SME) owners, and market advisers through the Internet. All the respondents are based in Abidjan, Ivory Coast. Secondary data consists of books and information from websites of companies and institutions. The theories that I have applied have been used to diagnose problems of Ivorian firms and to give suggestions that could make them more profitable internationally.

**Results** This study shows that Ivorian firms, most of them state owned companies, suffer more from human and structural problems than from the general economic problems of the country. The Ivorian industrial environment is sick of habits such as corruption, nepotism and embezzlement. According to me, one of the best ways to make the firms competitive and efficient internationally would be to privatise them and negotiate international agreements to support the export.

## Foreword

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### **Supervising professor**

Hans Landström

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**Abstract:**

How come a continent with thousands of companies only export one percent of its goods on the international market?<sup>1</sup> Why are African companies not even competitive on local African markets?

In July 2001, African leaders came up with an ambitious programme called The New Partnership for Africa's Development (NEPAD). The programme has the objective of being a kind of Marshall Plan<sup>2</sup> for Africa. It deals with many topics in development areas, such as development of industries. NEPAD intends to help African industries to increase their efficiency on the international level. But Africa is a vast continent with more than 50 countries. In order to be more specific and precise, I have chosen to focus on the case of the Ivory Coast, one of the few countries that actually export relatively big quantities of goods. As all African industries, the Ivorian firms are confronted with many problems that limit their efficiency on the international market.

This project identifies the major constraints and all other attitudes that hinder Ivorian firms to be more competitive internationally. The project proposes suggestions on how NEPAD can help them to increase their exports.

**Abbreviations**

*ACP*, Afrique Caraïbes Pacifique

*ADROA*, African Institute for Development of Rice.

*AGOA*, African Growth Opportunity Act.

*AIDS*, Acquired Immune Deficiency Syndrome.

*APEX-CI*, Association pour la Promotion des Exportations en Côte d'Ivoire.

*AOF*, Afrique Occidentale et Française.

*NEPAD*, The New Partnership for Africa's Development.

*BCEAO*, Banque Centrale des États de l'Afrique de l'Ouest.

*BCEAC*, Banque Centrale des États de l'Afrique Centrale.

*BRVM*, Bourse Régionale des Valeurs Mobilières.

*BNEDT*, Bureau National d'Études pour le Développement Technique.

*BIAO*, Banque Internationale de l'Afrique de l'Ouest.

*BIRD*, Banque Internationale pour la Reconstruction et le Développement.

*BIC*, Bénéfice Industriel Commercial.

*CFAO*, Compagnie Française d'Afrique de l'Ouest.

*CFA*, Communauté Financière d'Afrique.

*COOPEC*, Coopérative pour l'Épargne et le Crédit.

*COFENCI*, Coopérative des Femmes Entrepreneurs de Côte d'Ivoire.

*CIE*, Compagnie Ivoirienne d'Électricité.

*COM-INVEST*, Commission Nationale pour l'Investissement.

*CI-TELCOM*, Côte d'Ivoire Télécommunication.

*CAP*, Common Agricultural Policy.

*CEPECI*, Centre pour la Promotion des Entreprises des Entreprises en Côte d'Ivoire.

*DDI*, Direction pour le Développement Industriel.

*EECI*, Énergie Électrique de Côte d'Ivoire.

*EAC*, East African Community.

*EC*, European Community.

*ENS*, École Normale Supérieure.

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<sup>1</sup><http://www.nepad.com>

<sup>2</sup> The Marshall Plan was initiated in 1947 by the USA and it became a successful recovery plan for Europe after the Second World War.

**ECOWAS**, West African Economic Organization.  
**FRF**, Franc français.  
**FNEE**, Fonds Nationaux de l'Énergie Electrique  
**FESCI**, Fédération Estudiantine et Scolaire de Cote d'Ivoire.  
**FDI**, Foreign Direct Investments.  
**FPI**, Front Populaire Ivoirien.  
**HIV**, Human Immunity Deficiency Virus  
**ICO**, Institut pour la recherche sur le caoutchouc.  
**IMF**, International Monetary Funds.  
**IGR**, Impôt Général sur le Révenu.  
**IRVM**, Impôt sur le Révenu des Valeurs Mobilières.  
**OHADA**, Organisation pour l'harmonisation des droits d'affaires.  
**MAP**, Millennium Partnership for the African Recovery Programme.  
**NERIKA**, New Rice for Africa.  
**NATO**, North American Treaty Organization.  
**NIE**, New Institutional Economic.  
**PDCI**, Parti Démocratique de Cote d'Ivoire.  
**RDR**, Rassemblement Des Républicains  
**SABS**, South African Bureau of Standards.  
**SME**, Small and Medium-sized Enterprises  
**SODECI**, Société pour le développement des eaux en Cote d'Ivoire.  
**SITAB**, Société ivoirienne des tabacs.  
**SADEC**, Southern African Development Community.  
**SOE**, State owned Enterprises.  
**UEMOA**, Union économique et monétaire ouest africaine.  
**UMOA**, Union monétaire ouest africaine.  
**USA**, United States of America.  
**USD**, United States Dollars.  
**UDCI**, Union Démocratique de Cote d'Ivoire.  
**UDPCI**, Union pour la Démocratie et pour la Paix en Cote d'Ivoire.  
**VAT**, Value Added Taxes.

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**“Most of the people of the world are poor, so if we knew the economics of being poor we would know much of the economic that really matters”**  
*Theodore Schultz*<sup>3</sup>

## 1. Introduction

Monday October the 15th, 08am. The weather was cold outside and I did not want to go out. I switched on my TV and the first pictures that captured me were about Africa. A TV journalist was talking about the war in Central Africa, diseases, and economic problems. I could not help thinking about the reasons why Africa is still nailed on the ground. The continent has almost everything that could help it recover from all its problems. The continent is one of the richest in the world when it comes to raw materials such as gold, diamond, oil, cocoa, coffee etcetera. Why does not Africa succeed in improving its economic, social and political situation? I asked myself.

The same day, I saw another TV programme on British Broadcasting Corporation (BBC) where President Wade<sup>4</sup> of Senegal was talking about the New Partnership for Africa's Development (NEPAD).<sup>5</sup> According to him, NEPAD, the “Marshall Plan “ for Africa can help his continent to recover from all its problems. NEPAD was, what we call in French “la panacée”, the miracle cure that could solve Africa's problems. Is it not too optimistic to believe so, I wonder? NEPAD is not exactly the first broad-based effort to improve the economical conditions of Africa. So much has been written on the topic and so many solutions of the problems have been suggested. Still Africa is a continent in misery.

Being myself interested in economic and political matters, I decided to identify some of the conditions that need to be fulfilled in order for NEPAD to reach its ambitions. Writing about Africa is also a fulfilment of an old wish of an African student from Ivory Coast to give his support to the development of his continent. What is in fact new about NEPAD and what explains the enthusiasm of African leaders around NEPAD?

On the industrial level for instance most African firms lack in competitive experiences, most of them are still in the informal economy and often with poor quality products. How can President Wade claim that Africa can recover from most of its problems because of the “miraculous” organization, NEPAD? Africa's problems are not only of economic issue, but also of social and political ones. All these three interdependent concepts play a huge role in the development of Africa.

I decided to analyse the problems firms are confronted with and come up with suggestions to NEPAD so that the organisation can fulfil its wish to promote them internationally. I decided to focus on Ivory Coast because it is the country I know best. The present project will analyse the Ivorian business environment for better suggestions on how NEPAD can help Ivorian firms to stand against international competition.

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<sup>3</sup> Theodore Schultz was the winner of the Nobel Prize in economics in 1979.

<sup>4</sup> Abdoulaye Wade is President of the Republic of Senegal in West Africa. He was elected in 2000.

<sup>5</sup> NEPAD is regarded as a Marshall Plan for Africa. It is a synthesis of the Omega plan initiated by President Wade of Senegal and the Millennium Partnership for the African Recovery Programme (MAP) initiated by President Mbeki of South Africa. The merger was finalised on July 3<sup>rd</sup> 2001.

### 1-1. Problem Formulation

African firms in general or Ivorian firms in particular are facing huge and several difficulties that hinder them to become efficient on the international level. The verdict is clear enough and the World Bank in its report wrote that “Africa is richer in natural resources, but poorer in human capital, than any other region (...) Africa will find it hard to acquire a strong comparative advantage in processed primary exports and harder still to develop manufactured exports”.<sup>6</sup> Transposed into the Ivorian context, the view is the same.

In 1998, profits from Ivorian exports reached the level of 4,1 billions Euro. Two years later, the exports were equal to 4.4 billions Euros; an increase of just 300 millions. This result is far from being brilliant and “better results could have been achieved”.<sup>7</sup> Every year Ivorian products loose their international market share due to lack of efficiency of the firms and “if nothing is done now to curb down the lost, we (*Ivoriens*, my note) can be sure of not being able to export after 2050”.<sup>8</sup>

At the Cape Town conference held in 2001, NEPAD decided to integrate the development of African firms in its global development view. Thus it has been set a goal to increase African exports that represent right now 1 percent of the international trade to a more “acceptable” level.<sup>9</sup> Questions that come out of my mind are to find out different strategies and to see how NEPAD can help the Ivorian firms grow and export big quantities of goods? Which method should NEPAD use? Is it useful to pump in billions of dollars in the Ivorian economy or should the efforts rather be focused on creating better conditions for boosting the exports? If yes, what are those conditions?

### 1-2 Purpose

This paper has three major purposes:

- Identify key challenges that can make the Ivorian exports more successful.
- Come up with suggestions to NEPAD on actions to take in order to boost the exports.

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<sup>6</sup> The World Bank 2000 Report p. 213.

<sup>7</sup> [www.ifz.net/cotedivoire](http://www.ifz.net/cotedivoire).

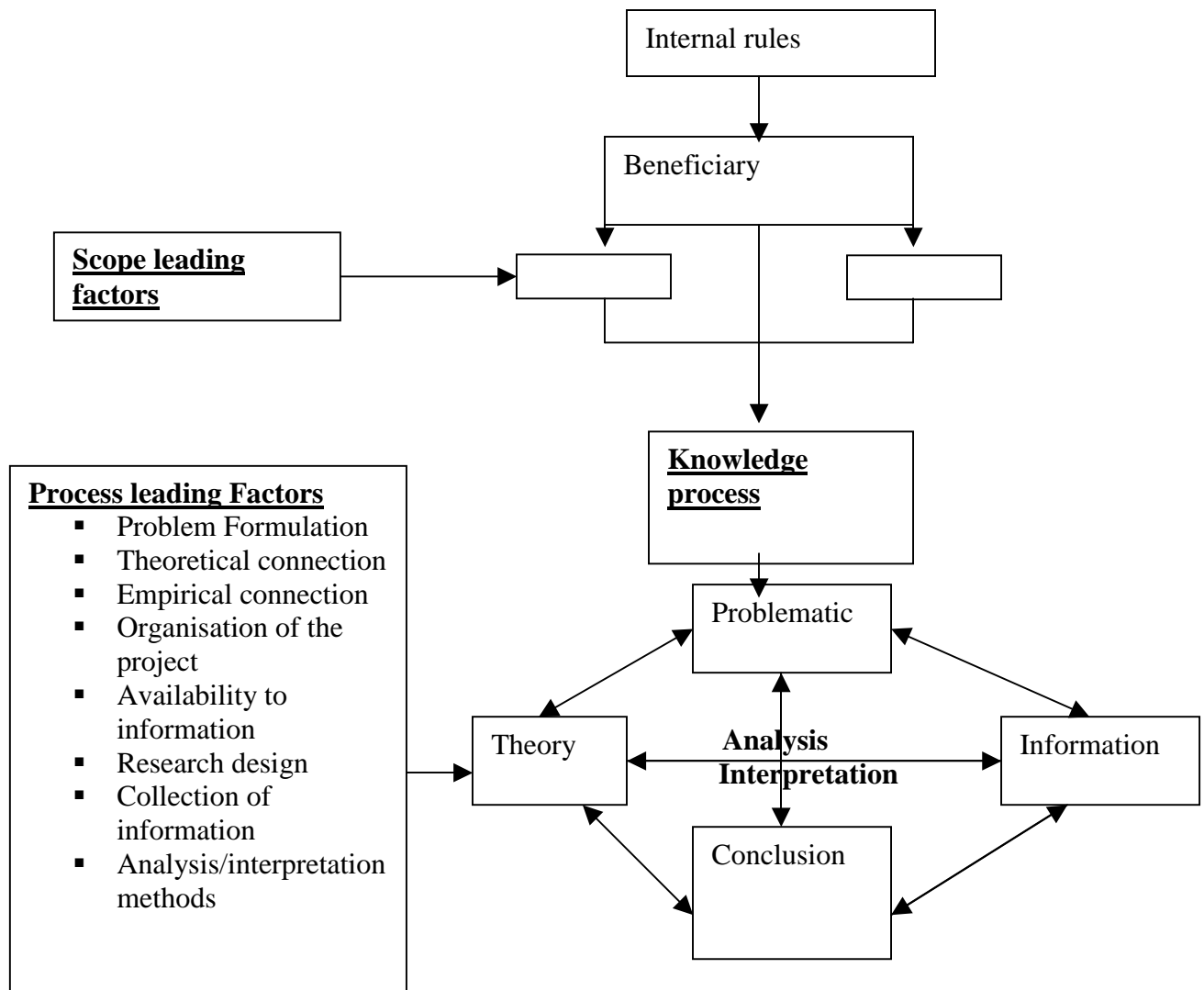
<sup>8</sup> *Fraternité Matin*, December the 11<sup>th</sup> 1982.

<sup>9</sup> [www.nepad.org/industries](http://www.nepad.org/industries).



## 2-Method

In this chapter I will resume the way I took to reach my goal and get answers to fundamental questions. I chose the model of Andersen because it shows clearly how the working process has been elaborated. The model is divided into two parts: The scope leading part and the process leading factors, each part containing many sections.



Adapted from Modell: Methodvalets styrningsfaktorer och huvuddelar-en översiktsmodell Andersen, Den uppenbara verkligheten (1998:39).

### 2-1 Scope Leading Factors

Scope leading factors concerns all factors that “guide” me in the project writing. They are:

#### 2-1:1 Internal rules

This project has been chosen because I was interested in the topic. No one has told me to write about this topic, since I am not bound to any contract. I am grateful to my respondents and those who have helped me in getting information.

### 2-1:2 Beneficiaries

Some public and private agencies in Ivory Coast have shown their interest in the project. The state-owned agencies APEX-CI and the CEPICI were engaged into the project and replied. The NEPAD committee in South Africa has not expressed its interest, it did not even reply to my questions. However the project could be interesting to NEPAD and to many other people who do not know much or have unclear information about Africa especially about Ivory Coast. Other beneficiaries could be organisations working for development issues in Africa, students or people who are just interested in conditions of African commerce.

### 2-1:3 Knowledge Process

Through dialogues and interviews I improved my understanding both about NEPAD and about the socio-economic and political situation in Ivory Coast. Initially I had a general understanding about different theories I could use to deal with the subject. After several weeks studying articles about NEPAD and about Ivory Coast a new understanding was born. Subsequently, I reorganised the project, especially the problematic and my questionnaire according to that new understanding. Other interviews were then conducted; Drawing upon the new perspectives additional literature was consulted. A new understanding was formed. The process was repeated several times until the final understanding and problem formulation were conceived.

### 2-1:4 Resources

I was born in Ivory Coast and left the country at age of twenty-six. The last four years in the country I was studying French literature and grammar at Ecole Normale Supérieure (ENS). I was also one of the leaders of the student syndicate called Fédération Estudiantine et Scolaire de Cote d'Ivoire (FESCI). We, as students used to have many brutal strikes that were repressed by tire gas and bombs from the police. But the purpose of those activities was to point out situations that spin down the country. I regard this knowledge on mismanagement as fundamental resources for this project.

Literature by economists who have written either on Africa or on economic theories in general was relevant for my study. For the project I did more than ten interviews via mail, telephone calls or fax. It was impossible to be present in the country because of the unrest situation the country was in.<sup>10</sup> My financial resources for travelling there were also limited. Other resources or information have been taken from the Internet and former studies done by researchers on Africa. Finally I took advantage of my previous studies in International Economics from Denmark, England and Sweden.

## 2-2 Process leading Factors

The process leading factors are factors that influence the practical development of the project. These factors are:

### 2-2:1 Problem Formulation

A part from some interviews that came to me few weeks before handing in the project, I gathered some information (mostly secondary data) long time before starting the project. I had already a prepared problem formulation, even if it has been modified several times during the preparation of the project.

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<sup>10</sup> On the 19<sup>th</sup> of September in the morning a group of hundreds rebels attacked the country and still they occupied the north part of the country.

## 2-2:2 Theories

The theories have been chosen on a selective basis. After interviews with my respondents and especially after advices from my supervisor Mr. Hans Landström, I have chosen:

### **The institutional and privatisation theories.**

The environmental context is very important because it represents the “fertilizer” that allows firms to grow rapidly, to become competitive and make the country attractive to foreign direct investments. I believe myself that exports not only increase money capitalisation in the country but they also increase the competitiveness of companies. One of major aims of NEPAD is to stimulate competitiveness in Africa and increase the exports. I think, the best way will not only be to allow the Ivorian companies (In my case) to “invade” the international markets, but also to create better tools that can give them the necessary experiences in order to tackle in a better way the international competition. Chinese suggest that:” it is better to learn someone to fish than to feed him”. However, the industrial climate should not be regarded only as an external support from NEPAD but also as all internal resources that contribute to a better business development. I have therefore chosen to use the Institutional theory as the main theory of analysis.

Many of the Ivorian companies are aware of the importance of becoming international. Nevertheless, mismanagement and corruption represent huge burdens that hinder them to get international experiences and become competitive. In a document written in 1989 about the state-owned firms in Ivory Coast, the IMF stated: ”Economic competitiveness of those firms are really bad. While the government invested 1300 billions Fcfa<sup>11</sup> in the sector, the value added was extremely weak (2 per cent in six years.1982-1988)”.

I think that there is a lack of sense of responsibility because most of the firms are state-owned and controls over these firms are inexistent. Managers are appointed not on the basis of their quality but on the basis of their belonging to the ruling party.

In order to reduce the effects of those mismanagements on national economies and improve the competitiveness of companies, the IMF came around the world with an ambitious privatisation programme in the 80s. Privatisation was regarded in the third world as a solution against corruption and mismanagement within SOEs. The privatisation theory explains how companies and managers can adapt to uncertainty and strike for good management policies.

The arguments in favour of privatisation are to a large extent the same as the arguments against nationalisation. The first argument is that privatisation will expose these markets forces, from which will flow the benefits of greater efficiency, faster growth and greater responsiveness to the wishes of the consumers and the shareholders. Arguments against privatisation can be resumed in the refusal of natural monopolies that privatisation create and in purely ideological objections.<sup>12</sup>

## 2-2:3 Limitations

The part of the African continent I am interested in is Africa southern of Sahara. The reader should bear in his mind that Africa in this project is that part of the continent. My aim is not concerned with how privatisation should be executed. My idea is to present the facts that can

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<sup>11</sup> Franc CFA is the currency used in Ivory Coast and seven other West African countries. It had fix convertibility with the French Francs. One Swedish Crown is approximately equal to 69 F cfa. The currency is also used in other French speaking countries of Central Africa.

<sup>12</sup> Sloman John (1997) Economics, p 385.

lead to a better managerial method. I will avoid falling into details and calculations; neither will I talk in details about prices, the marginal social costs or the marginal social utility when writing about privatisation. I will analyse the socio-cultural impact of privatisation on workers and on the staff. Another important subject is that my project is concerned with products finished or semi-finished that come out from the Ivorian industries. I am not concerned with raw materials.

Being myself from Africa I was more or less prepared to the idea on how Africans discuss and apprehend “time reality”. I knew how one-week could mean two weeks for some Africans. I knew that I was going to write this topic long time in advance before starting the course. So I prepared myself in advance, but it did represent a hindrance. Another huge hindrance was the access to the Internet. In Africa, not so many people have access to the Internet. But poor or not, Africa should know that it is in a world where Internet is playing a greater role.

The Ivorian society is a very hierarchical one. None of my respondents has a high position in the firms, the reason was that mentality in the country does not “allow” managers to be interviewed by someone from the lower social class, I am just a mere student. I was always thrown down to someone of “my level” most of the time, a trainee or marketing assistants, people who were not so prolix when giving interviews. Another hindrance was the view of the Africans managers on themselves. I would say that they perceive themselves as being from another world. Most of the people I wanted to interview were more than 50 aged. They still live in a world where the youngest should not interview the eldest or at least, I should come with a formal letter in my hands. Most of the formal letters are written in a style that makes a huge distance between people. In Ivory Coast, official letters without these terms: “ J’ai l’honneur de solliciter de votre haute bienveillance l’obtention d’une interview avec vous”<sup>13</sup> are just thrown away. This report must be looked upon as an initiator; it can provide hypotheses and serve as foundations for future students.

#### 2-2:4 Information

In traditional Africa, information is holy and kept secret from common people. I really thought that things had changed. I was negatively surprised that big firms with billions Fcfa of capital did not even have a web site! To get annual reports from them was just impossible because they either did not exist or if they existed, they were kept secret from common people. The only way to get information was through interviewing people working in those firms or people working for the governmental commercial centres such as Apex-ci and Cepici. Further contacts with Cepi-ci and Apexci have revealed that open-minded people who actually helped me with information were professionals graduated from local, European and American universities and used to international contacts. The recalcitrants were from another age, the colonial one.

#### 2-2:5 Organisation of the project

As previously mentioned in Limitations I was more or less aware of difficulties I was going to be confronted with. I was mentally and technically prepared to that. Problem I was most confronted to was relative to the perception of time. Living in Europe I have adopted a rational approach to time contrary to some of my respondents who had another perception about time. Most of the respondents replied two weeks before handing in this project. Nevertheless, organisations like Cepici and Apex-ci were of great help giving me either useful information or leading me to people who could give me information I needed.

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<sup>13</sup> “ I have the honour to come to you and ask you kindly if we could have an interview” (*My translation*) official letters are often written like that.

## 2-2:6 Collection of information

I was near to give up the project since it was “impossible” in the beginning to get either the right person to do the interview with or just the right information about a fact since there was no written proof. No one seemed to talk to me and the first responses I received came five or six weeks after they have been sent and received by my respondents. In total I succeeded in doing twelve interviews. Three interviews were totally irrelevant as the respondents avoided to answer my questions and went into other subjects. I never succeeded in getting into touch with them again since they “disappeared”!

Three weeks after I have sent a mail, one of the respondents replied in these words: “Cher Monsieur, sachez que je n’ai ni le temps ni la volonté de répondre à vos questions.”<sup>14</sup> I regarded the war the country was in as the real reason of people’s irritation and rude remarks. Four days later, I was right. The company this person was General Manager of, had lost more than 8 billions francs CFA.<sup>15</sup> The project aims at knowing their problems and what they expect from NEPAD. Among these companies, four are in farm-produce industry, and the last one is working with services.

Five interviews were made with relatively big companies, exporting to neighbouring countries. Three in farm-produce industry with Gogoua Jeanne from Choco plus, Inza Fofana from Nutri SA and Gustave Kaboré from Jus de Cote d’Ivoire. One interview with Koffi Jules from the textile industry SIT. The last interview has been conducted with Blé Simon from the engineering sector. Three other interviews were conducted with the Ivorian Board of International trade and the Centre pour la Promotion des investissements en Cote d’Ivoire (CEPICI), the Ivorian office for foreign investments through Gustave N’klo; The last interview has been conducted with Kouassi Jean-jacques from the Banque Internationale pour l’Afrique de l’Ouest (BIAO-BANK). A part from interviews, I collected information from books. It was relatively easier as so many books on Ivory Coast, its economy and its industries have already been published. Relevant information was taken from these books and from the Internet.

An analysis of the Ivorian economy has been conducted. I have been through the Interim poverty strategy paper<sup>16</sup> of the Ivorian Ministry of Planning and Development and also statistics from the Institut National de la Statistique (INS) in Abidjan, Ivory Coast. All interviews have been done through the Internet (E-mail) and telephone calls. I had also gathered information through articles from newspapers and books.

## 2-2:7 Analyses

The problems of the Ivorian firms and suggestions to NEPAD came out after a diagnostical research.

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<sup>14</sup> The translation is as follows: “ Sir, be aware that I do not have neither the required time nor the will to reply to your questions”.

<sup>15</sup> *Fraternité Matin* of December the 13<sup>th</sup> 2002.

<sup>16</sup> For Ivory Coast, the government has committed to be engaged in the Poverty Reduction Strategy Paper (PRSP) as early as at the time of the Libreville summit in January 2000. The government started the work following a participatory approach with the consultation of all the segments of the population at the central and regional levels. Ivory Coast has had an anti-poverty program since June 1997.

The main reason for choosing such a method can be found in my purpose to identify critical constraints that limit export and competitiveness of the Ivorian firms.

Literal Greek "dia" meaning "through" and "gnosis", "knowledge". The concept of diagnosis derives from medical terminology. Thus, the psychiatrists, Redlich and Freedman, define diagnosis as the "systematic observation, recording and classifying of pertinent information. In medicine, these procedures are called diagnosis. By means of the diagnostic process, physicians attempt to determine the nature of the disease with which they are confronted and also to distinguish one disease from another".<sup>17</sup>

The objective of the project was to know "the disease" the Ivorian firms were suffering from in order to come up with a better "cure". I will then conclude my project with a prescriptive method by giving suggestions to NEPAD on how it could help in a better way the Ivorian firms. I am aware that diagnostic and prescriptive research methods can only be achieved in the case where a thorough description of the research object has been done. My method can be explained as shown in this figure.

	Step 1	Step 2	
	Descriptive phase	Diagnostic phase	Prescriptive phase
Environment	Appropriateness of existing elements such as: -Infrastructure, -Business legislation - Information of source of finance, Markets, raw materials, etc	Appropriate policy and support	
Agent	Activities and relationship of Structures providing assistance	Suitable institutions to provide assistance in matters: Financial Technological, Managerial, Developmental.	
Host	Training needs of managers and workers	Programmes to provide the - Skill, knowledge attitudes	

Figure 1: Adapted from *The two steps diagnostic model for Enterprise-Development*.<sup>18</sup>

<sup>17</sup> Riedlich, F.C & Freedman, D (1966) *The theory and practice of psychiatry*. Basic books, New York.

<sup>18</sup> Neck, Phillip A (1977) *Small Enterprise Development: Policies and programmes in management development service*, Geneva.

The above-mentioned model is used to provide a diagnostic framework for analysing the main reasons that limit the development and expansion of industrial enterprises. According to me, Neck's Model provides a very good framework for the industrial development in Ivory Coast. No industry can be developed if there is not a good industrial environment, suitable institutions to provide assistance and if managerial skills (Host) are not well trained.

#### 2-2:8 Critique of the chosen methodology

Africa's problems are multiple. I decided to focus on only the economic aspect using economic theories and it could be possible that information could have been collected just to fit in these theories. This risk is real and should be taken into account when analysing the project. Even if I have to do my best to be as objective as possible, Africa's situation will still be tackled according to my personal points of view, which are themselves a mix of personal experiences and subjectivity. In other words, I do not believe in objectivity.

Unlike international organisations that financially support Ivory Coast without proper analyses of the local situation, my method has the interest of discovering problems the Ivorian firms suffer from before coming up with suggestions that could really help them in their international battle.

#### 2-2:9 Primary data

Primary data consists of interviews through e-mail, telephone and faxes. This way of interviewing people has the advantage of being relatively quick to be done at relatively low costs. The disadvantages remain in the fact that some of the questions can be easily misunderstood if they are not clearly expressed. Choosing that kind of interview has the disadvantage of not knowing the quality of my respondent. I have noticed that some of my respondents were not the ones my questionnaire was addressed to. Sometimes I had the feeling that some of the respondents were not frank in their answers. At least, they did not tell the situation as it is. Either they wanted to give a bright image of their company or they were just afraid of telling the truth for fear of reprisals from their staff. Other pieces of information may be questioned since they have been given by Apex-ci a governmental organisation specialised in attracting foreign investments. It was likely that they only showed brilliant information in order to attract FDI. I could not lead my questions or ask my respondents to clarify their answers since all interviews were conducted through mails. This is actually one of the negative points of conducting interviews via mails.

#### 2-2:10 Secondary data

Secondary data filled mainly two functions:

- 1- Secondary data is the starting-point of the research process. It provides and secures the framework necessary for the project.
- 2- Its role is to complete and finalise all information that the primary could not deal with.

Secondary data was used in this case to describe Ivory Coast. They were useful information that provide the project with figures and complement the primary data.

As far as books were concerned, almost all related to industries in Ivory Coast were in French. Translation of some of the quotations from French into English was quite difficult in the sense that they may lose their real meaning through the translation process.

### 2-3 Report disposition

This report is organised principally into five parts namely: cornerstone, method, presentations of the Ivorian industrial environment, findings and the problems of the firms and the final part that I called “So what”.

The first part contains three main points: The introduction encloses the problem formulation and the purpose of the project.

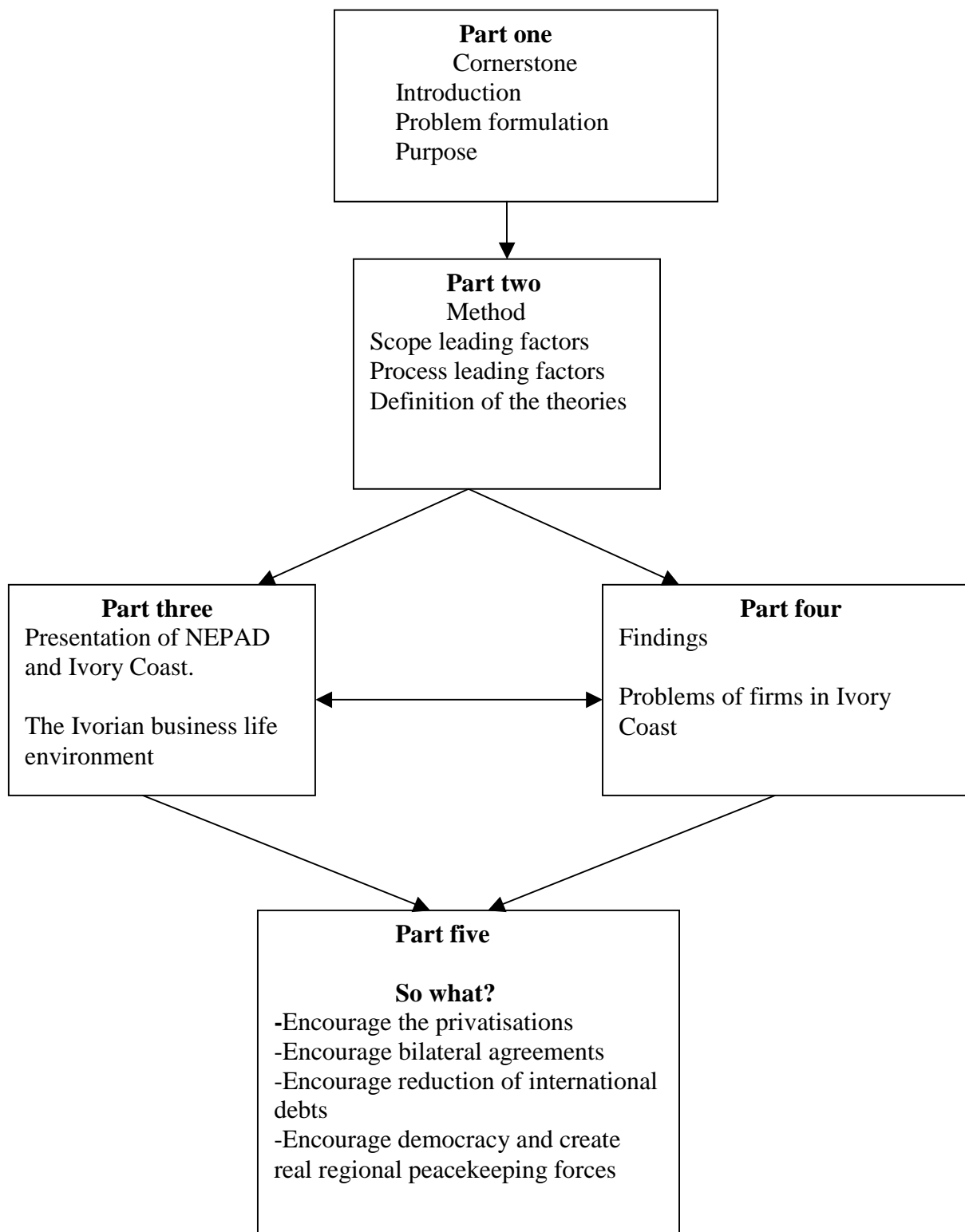
Part two encloses the methodology. It gives a very precise idea on how the project has been finalized. It ends with definitions of the theories that have been used in the project.

Part three is the presentation part. It describes the Ivorian business environment after having presented Ivory Coast and NEPAD. It is very important to describe the contexts as they are before getting into the problems.

Part four is what I can consider the core of the project as it helps to detect the disease the Ivorian industries are suffering from. Before detecting those problems, I thought important to summarise in the beginning of this chapter of all the interviews that have been done.

Part five is about my suggestions to NEPAD. It includes one chapter, chapter that sums up my suggestions and makes the concluding observations. Furthermore, in this final chapter, you will find some guidelines for further research.





The outline of the Report

### 3- Definitions

The chapter will deal with definitions of the institutional theory, the privatisation theory.

#### 3-1 The Institutional Theory

Institutionalism is not easy to define as the word carries a lot of sub-definitions. According to *DiMaggio and Powell* (1991:1), institutional theory is “a distinctive approach to the study of social, economic and political phenomena”. Studies around the importance of institutions are relatively new as the New Institutional Economics (NIE) is. The NIE discusses how institutions can influence economic growth, and reflects particularly on the relevance of the inductive pattern methodology in bringing out the importance of institutional change.<sup>19</sup> The different lines of investigation have been listed as follows (*Nabli and Nugent*: 1989)

- Integration of people with different tastes and preferences into voting coalition.
- Interest group formation.
- Prerequisites for successful collective action.
- Organisation theory.
- The emergence of rules of thumb for firms’ decision-making.
- Rent-seeking behaviour.
- Coordination problems.
- Limitation on the rationality of human behaviour.

Many lines of inquiry in NIE are interdisciplinary, involving historians, sociologists, political scientists and lawyers as well as economists. All agree on the importance of institution, which can influence growth and development.

1. Institutions can promote coordination possibilities in the exchange of goods and services. They reduce transaction costs and promote economic growth.
2. Institutions affect resource mobility and the incentives for innovation and accumulation. These are essential to the development process.
3. Institutions affect people expectations and preferences. For example, religion or ethics may discourage money lending, individualism, and entrepreneurial activities.
4. Appropriate political institutions determine the “rules of the game” under which efficient specialisation and exchange take place (*Nabli and Nugent*, 1989).

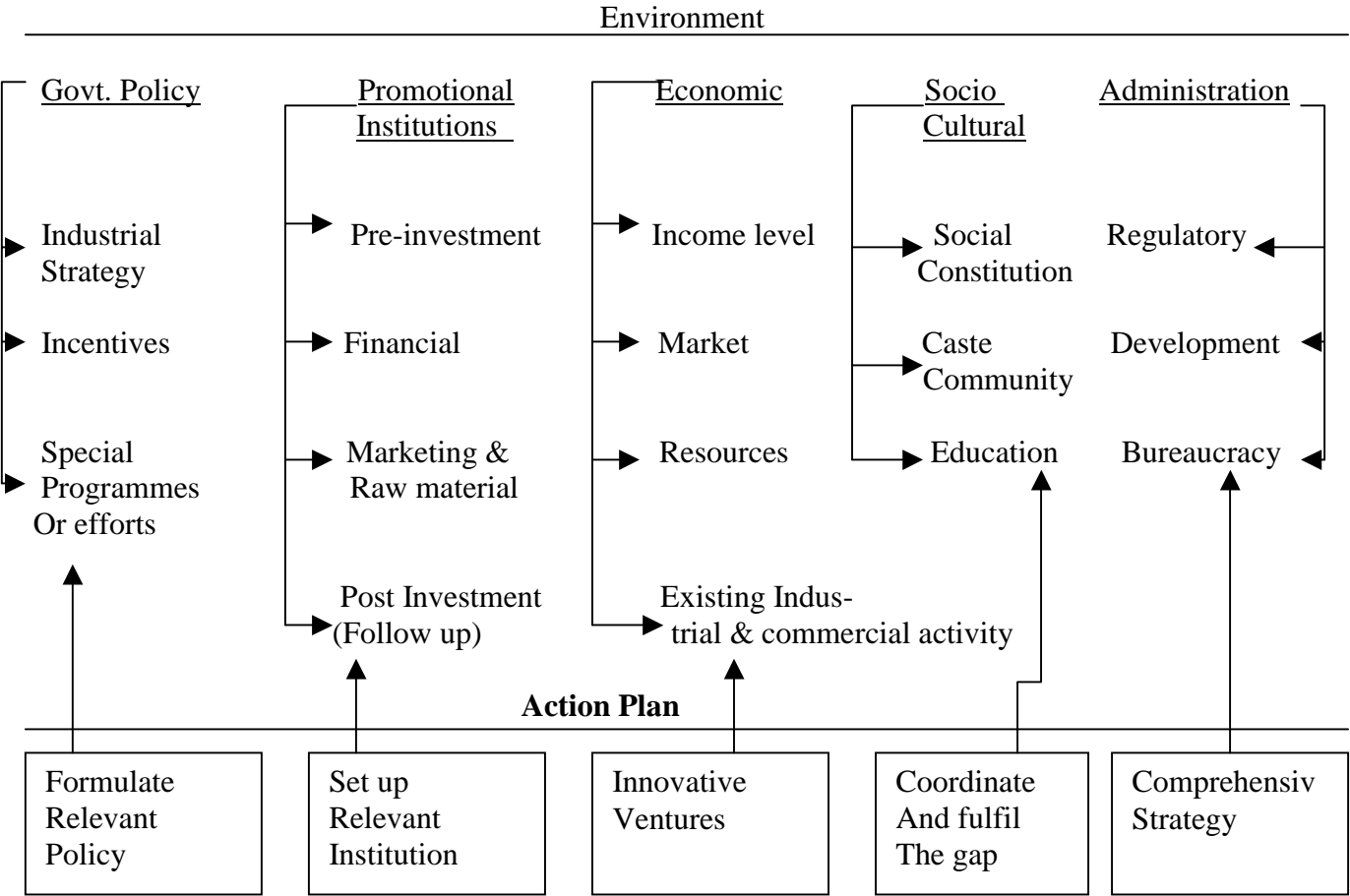
In the book *Entrepreneurship: A Contextual Perspective* (1996) Samuel Kwasi Buame described two scholars who have been rather casual when it comes to define institutionalism. Some like DiMaggio and Powell regard institutionalism as a word that “has a disparate meaning in different disciplines: in economics, politics, sociology and even within organization theory” (1991:1). Institutions according to them is a physical or abstract element that regulates order in any society whereas those in the other school like Williamson (1975) based their analysis on the assumption of transaction costs and the different forms of governance structure under which transactions take place. Williamson identified two main alternatives of governance markets: Externalisation and internalisation “hierarchies”.

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<sup>19</sup> Ingham Barbara (1995) in *Economics and development* p 89.

Transaction costs are costly to perform due to behavioural external factors and they increase when they are characterized by the assets specificity (Transaction require investments which are specific to the requirements of a particular party-often a buyer, the uncertainty (i.e. internal and external uncertainty) and the high frequency of transaction (especially when combine with assets specificity). Under these competitive conditions, organisations will seek the internationalisation of activities, which economize on transaction costs.

NEPAD has not the aim only to improve the cash flow of firms by lending them money, but to improve the environmental conditions for their expansion, this is the reason why I find relevant to use the DiMaggio and Powell points of view. Nevertheless, I shall mention that I did use some of the components of the below map that I found relevant for my study, that is to say: the socio-cultural aspect, the institutional and the economic aspects.



Entrepreneurial Linkages: *Adapted from Entrepreneurial and Industrial policy in Developing countries* (1989)

3-2 The Privatisation theory:

The term privatisation, according the *Oxford English Dictionary* is of rather recent vintage. In the economic context, it was used in the 60's and 70's to describe the selling of state-owned assets, or state owned enterprises (SOEs), to private interests. In the United States and

Canada, it is used to describe the act of allowing private enterprises to perform public sector services. (*Oxford English Dictionary*: 1975).

In his book *Privatisation and Restructuring of electricity provision*, Daniel Czamanski used the definition of SOEs as the International Bank For Reconstruction and Development (BIRD) defined it. According to BIRD, SOEs are government-controlled commercial entities whose revenues are generated from selling goods and services. Daniel Czamanski writes:

Privatisation began in the 80's during the Thatcher government in Great Britain. Since then, governments everywhere have begun to sell off SOEs. No exact data exist to characterize the extent and nature of privatisation efforts, yet, according to the BIRD's study, from 1988 to 1993, there were six times as many divestiture transactions as in the years 1980 to 1987. Through much of this activity followed the restructuring in the former Soviet block countries, 86 percent of the privatisation that took place was accounted for by developing countries.<sup>20</sup>

Privatisation is regarded as the solution to corruption, stagnation and mismanagement in most Ivorian firms. Nevertheless, no "scientific" researches have proven the exact efficiency of privatisation and often, data, empirical methods, and results are subject to "questioning" motivation and are structured by a specific political philosophy.

According to Sloman, there are different sorts of privatisation types. These forms can be:

- The introduction of private contractors to supply goods and services to parts of the public sector: e.g. private agencies supplying cleaners to hospitals or schools.
- The introduction into the public sector of firms selling directly to the public: e.g. private caterers on trains or in public-sector canteens.
- Selling various public-sector assets: e.g. the sale of council houses.
- Selling part or all the public sector's shareholdings in otherwise private companies: e.g. the sale of British Petroleum shares.

Selling a state-owned corporation by the sale of shares to the public (e.g. British Gas) or by selling it to another firm (e.g. the Rover Group to British Aerospace) or by selling it to managers or workers in the firm (e.g. the National Freight Corporation)<sup>21</sup>.

The idea for privatisation within the context of ownership is based upon two fundamental theories: the economic theory of property rights and the principal-agent theory.

The principal argument of the first named theory is that ownership matters on the basis that transfer of property rights from the public to the private sector will increase the efficiency of the enterprise, particularly that of X-efficiency.<sup>22</sup>

The main discussion when studying efficiency leads to the study of three factors: The ownership specialisation, the transferability of ownership and risk bearing.

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<sup>20</sup> Czamanski, Daniel (1999) *Privatisation and restructuring of electricity provision* p 9.

<sup>21</sup> Sloman John (1997) *Economics*. p 385

<sup>22</sup> X-efficiency can be defined as a Waste of resources inside the production possibility curve.

### *Ownership specialisation*

Under private ownership, people will choose to be owners of an organisation if they possess a sufficient knowledge of its activities.<sup>23</sup> Such specialisation will lead to a better decision-making structure. It is preferable for decision related to the operation of the enterprise to be taken by specialised people who are interested in the development of firms or the industry. This will increase efficiency in the firm, as very "conscious" people would be acting for the best of the company.

### *Risk bearing*

The possession of private property is a voluntary risk-bearing decision based solely on individual choice. By contrast, public ownership is not voluntary, thus individual members of the public have no risk-bearing function in the context of individuality. Hence, the most significant difference is that the incentive for the owners as risk-bearers will be most apparent in the case of private ownership; consequently, the motivation for taking correct decisions, introducing an efficient system of incentives, and monitoring the performance of the enterprise will be greater.<sup>24</sup>

### *Transferability of ownership*

The most significant difference between SOEs and the private ones lies in what is called the transferability of property rights. In public ownership the rights of the individual as shareholder do not include the right of saleability or exchange of rights because the right is purely "nominal" (Alchan, 1965) or personal. In contrast to SOEs' managers, managers from private enterprises have more rights and possess control over their enterprises. Of course, this freedom can lead to mismanagement but it is often regarded as a positive energy, a synergy that create good conditions for the development of companies.

As said earlier the principal-agent theory is one the fundamental arguments in favour of privatisation. It focuses on the informational and incentive difference between private and public enterprise. In the economic sense, this theory is applicable in that both parties (agent and principal) are interested in the efficient organisation of information and reduction in risk-bearing costs. In a simple relationship between one principal and one agent, the principal can reduce the agency costs by observing the change in the level of output. In this case, the optimal contract would be to compensate the agent in relation to the output level (*Diamond and Verrecchia*, 1982, pp 275-6). Under public ownership, public enterprises are run by ministers or bureaucrats who are maximizers of their utility functions, a weighted average of social welfare and their personal objectives. These objectives satisfy the goals of "public management", such as large budgets, high wages and employment levels in particular enterprises or sectors, patronage, and the redistribution of income and wealth to favoured interest groups (*Shapiro and Willing*, 1990).<sup>25</sup>

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<sup>23</sup> Alchain, Armen (1967) Some economics of property rights, *Politico*, 30, p 821.

<sup>24</sup> Dennis J. and Goodrich, J (1990) *Privatisation and deregulation in global perspective*, London, p 97.

<sup>25</sup> Osama, J and Abu Shair (1997) *Privatization and development*, p 58.

#### 4 NEPAD: Historic and creation

In the 1950's, a group of African writers gathered in a literary movement, The Négritude, found the end of the apocalyptic time of their continent in the departure of the colonial power. Charles Nokan, a young African writer at that time even predicted, "The golden days will come tomorrow when all these idiots will leave." In this case he was talking about white settlers. Nevertheless, still 50 years later most of the African countries have been "left free" the long-awaited golden days have never come and the adventure in which some African leaders had led their countries is now a real Ambiguous Adventure.<sup>26</sup>

#### 4-1 Africa in today's world: between poverty and prosperity

Africa's plight is not as bad as the world thought; I think it is worse. Today more than 25 millions are facing famine. According to the British newspaper *Guardian* "cameras will, no doubt, bear witness to this terror, filling screens with the fly-specked sacks of bones, skin and bulging eyes. Most will be dead by the time the pictures arrive in the west's living rooms." At the moment, Africa's future engenders little hope and much despair. The continent is backing in the meander of poverty and exclusion. "Unplugged from the global economy, the second world largest continent's share of exports is about half of Belgium's".<sup>27</sup> Several organisations are rising to help Africa. Nevertheless, efforts to raise literacy for instance could be achieved only by 5 countries of sub-Saharan Africa's 47 countries by 2015.<sup>28</sup> The reasons are not only to be found in difficulties that African countries have to export their products in the industrialised world, but also by a fact that income Africa gained from these exports has dropped dramatically. It is very important that Africa plays a role in the global community.

These resources can be divided into the following components: The environmental resource and a rich complex of mineral, oil and gas deposits are a global public good that all humankind can benefit; the richness of Africa's culture can contribute to what we, nowadays call a cultural melting pot and the variety of flora and fauna is a huge advantage to human knowledge.

In 2001, when talking about Sweden with my uncle Kouko Richard, farmer in Ivory Coast, he asked me about the price of a 50g of chocolate. I gave him the price of my favourite chocolate, Bounty, 10 Swedish crowns (SEK) at Pressbyrån. "That represents  $10 \times 68 = 680$  cfa he said, before letting me know that a tonne of cocoa at the London Exchange Stock rarely reached 1800£.<sup>29</sup> "We farmers are becoming poorer and poorer while the industrialised world is becoming richer and richer" he concluded.

Another example is the production of cotton, which supports the livelihoods of 10 millions people in central and West Africa. The prices of cotton are lower than at any time since the depression of the 30's. Africa's cotton belt, lost \$301m in 2001, about a quarter of what it received in US aid.<sup>30</sup>

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<sup>26</sup> *Aventure ambiguë* (1967) is a book where Cheik Amidou Kane the author gives a dark image of some African countries. According to the author, corruption, nepotism and mismanagement from the African leaders have led the continent to misery.

<sup>27</sup> The *Guardian*, November the 18<sup>th</sup> 2002.

<sup>28</sup> Op citat

<sup>29</sup> London Exchange change rate of October 22<sup>nd</sup> 2002, see [www.ifz.net](http://www.ifz.net)

<sup>30</sup> [www.nepad.com](http://www.nepad.com)

To stop the slide into poverty and anarchy an ambitious deal was struck between rich nations and poor ones in Africa. The wealthy world would back economics and political reforms on the continent. The New Partnership for Africa's Development (NEPAD) hopes to contribute to the realisation of these objectives.

4-2 From the Omega and the Millennium Partnership for the African Recovery Programmes to NEPAD.

Unlike the Marshall plan, the Omega plan takes its name from the fact that it should be a plan for all Africa instead. "The plan as a whole will be everybody's plan".<sup>31</sup>

Its objective is to know the needs of the African continent and to look for financial aid from the developed world. The Plan is divided into four areas: Infrastructures, education health and agriculture.

The African continent can play its role in the global economy only if all these gaps between Africa and the developed world are either bridged or significantly reduced. Aid given will not be for free but considered as long period debts. Infrastructures such as the Dakar-Mombassa or the Abidjan-Niger railways will be created to open the enclosed-zones to the rest of the world.

The President of the Republic of Senegal at the France-Africa summit in Yaoundé- Cameroon (17-19 January 2000) presented the Omega Plan. All the needs will go through three steps, the first one being the assessment of national sector needs such as construction of infrastructures such as roads, motorways, sea and fluvial ports, regional and national airports etc, the second, the assessment of sub-regional sector needs using the West-African Economic Organisation (ECOWAS) as a central pillar for West African countries for instance and the last one would be the assessment of continental sector.

In the sub-regional needs, specialization of big poles will be necessary to reach the expected development. Thus, Sciences and technologies pole in Accra (Ghana); advanced medicine in Abidjan (Ivory Coast), humanities in Abuja (Nigeria); exact sciences in Dakar (Senegal) and land sciences in Bamako (Mali)

The Millennium Partnership for the African Recovery Programme (MAP) has the same objective as the Omega plan with the only difference that it has been prepared by President Thabo Mbeki of South Africa. If the MAP seems to be a "real" African Plan since it covers all African countries, even if some Africans still regarded the Omega plan as a Plan mostly for West African countries. The NEPAD was proposed to conciliate these two plans.

NEPAD is also regarded as an African recovery plan and it has the objective of taking local and international actions to help Africa recovery from its poverty. To do so, NEPAD will be involved into several areas such as: industry, medicine, agriculture and technology. To finish, I will add that at the moment NEPAD is not working fully. It is still in the theoretical phase, as it did not start any of its activities. This is why my terms "suggestions on actions to improve the industrial activities internationally" are welcome.

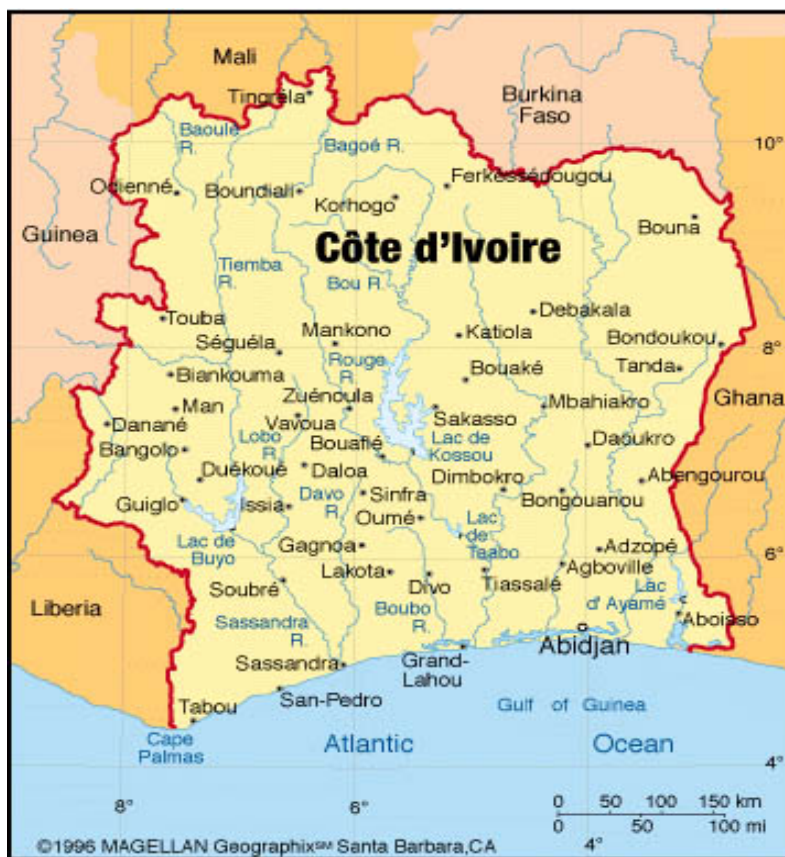
Having presented the problematic and defined the NEPAD, let's us turn to the object of my study, that is to say Ivory Coast.

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<sup>31</sup> [www.nepad.com](http://www.nepad.com)



#### 4-3 IVORY COAST, Presentation and historical background



Map of Ivory Coast

Ivory Coast is one of the countries along the West coast of Africa. It is bordered by Ghana in the East, Liberia and Guinea in the West, Burkina-Faso and Mali in the north and outline by the Atlantic Ocean. The country has an area of 322,462km<sup>2</sup> and a population of 15,446,231 people.<sup>32</sup>

On March the 10<sup>th</sup> 1893, the region that is now called Ivory Coast was occupied by the French colons and fell under the French sovereignty.

<sup>32</sup> Institut national de la statistique, 1998



The first Governor Binger established himself in Grand-Bassam, the first capital city of the country. In 1899 because of the deadly yellow fever epidemic, the French decided to move from Grand-Bassam to Bingerville who became the capital city. 35 years later, for economic development reasons Abidjan replaced Bingerville.

In 1902, Ivory Coast entered the community of French colonies, Afrique Occidentale Française<sup>33</sup> (AOF) with Dakar (Senegal) as headquarter.

Unhappy with the agricultural policy in Ivory Coast Felix Houphouët-Boigny a young scientist graduated from the medicine school of Dakar took the party of thousands of Ivorians farmers who, according to him, were exploited. The fight began in 1932. On August the 7<sup>th</sup> 1960, Ivory Coast became independent from the French colons.

#### 4-4 Political background

In the 1950's, Sekou Touré, deputy of the West African French colony Guinea decided to cut off all ties with the colonial power." We prefer freedom in poverty rather than being rich in slavery"(my translation) he stated. Unlike Sékou Touré, Félix Houphouët-Boigny, Deputy of Ivory Coast kept solid ties with France and the market economy system. The country became independent from France the 7<sup>th</sup> August 1960. The first President was Félix Houphouët-Boigny.

Also after the independence, Houphouët launched a very ambiguous self-sufficient program in food and tried to diversify agricultural productions in order no to be dependent only on coffee and cocoa. He launched also another program to be self-sufficient in electricity, gas and oil. Having reached these entire goals in the 70's Houphouët Boigny launched an important industrialization program after many years of economic boom due to high international prices for coffee and cocoa. Most of the state-owned industries were created at that time. Roads were developed to carry out from farms thousands tones of cocoa and coffee production.

Behind this prosperous "façade", there were many structural problems. Many of the managers in the newly created enterprises were appointed not on the basis of their quality but on the basis of their belonging to the ruling party. For Tapé Gérome, one of my respondents" It was often a small group of about 50 to 100 persons very specialized in the collapse of firms". Controls over firms were quite inexistent and those who dared to be strict in the controls were punished and dismissed from their job.

Between 1982 and 1984 the country faced its first real economic crisis due to mismanagement and the fall of prices for coffee and cocoa on international markets. In July 1987, Houphouët Boigny decided to stop the export of the Ivoirian farm productions. His aim was to help the prices go up by reducing the offer. The price of a kilogram of cocoa passed from 400 Francs Cfa to 200 Fcfa.<sup>34</sup> The expected result never came and the prices reached their lowest level in the history of the country. In May 1987, the country declared not being able to pay back its debts to the IMF. Despite immense economic problems, Houphouët decided to build in 1989 the second biggest basilica in the world. The cost has never been officially published but critiques say that the basilica has cost not less than 100 millions USD. However Houphouët claimed to have covered all the expenses from his own pocket! Despite all his mismanagements, he is still regarded as the land father. He died in 1993 after 33 years in power.

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<sup>33</sup> AOF or Afrique Occidentale Francaise was all West African territories under the French domination. Its capital city was Dakar.

<sup>34</sup> Ivorian Ministry of agriculture, 2002.

In 1994, Bedié who became president after the death of Houphouët, launched a vast program of industrialization named “ L’éléphant d’Afrique” (Elephant of Africa) in comparison with the Asian dragons. The main point of the plan was based on a long-lasting 10 percent of economic growth every year. He never completed his project since he was “dismissed” by a military coup in December 1999 by General Guéi.

General Guéi who promised free and general elections, real democracy and transparency after his coup never fulfilled his wish. Instead he was interested in staying president and disqualified his main opponents.

Gbagbo defeated General Guéi in a controversial election of the October 2000 that saw candidates from Ivorian two main parties, the Parti démocratique de Cote d’Ivoire (PDCI) and Rally of the Republicans (RDR) excluded from the race.

Gbagbo brought little hope in a chaotic country. He decided to decentralize all the political, administrative and social system through a program called “La Refondation”. The idea was to let indigenous to decide and build local infrastructures according to their needs. Each political region, 18 in total will receive billions of Cfa francs every year, to finance their own local projects and needs. This policy has the objective of avoiding bureaucracy and embezzlement.

Ivory Coast is now a democratic Republic with 175 Members of Parliament divided between the Front Populaire Ivoirien (FPI- the ruling party), the Parti Démocratique de Cote d’Ivoire (PDCI), the Union pour la Démocratie et le Peuple de Cote d’Ivoire (UDPCI), the Union pour la Démocratie en Cote d’Ivoire (UDCI). Since September the 19<sup>th</sup> 2002, Gbagbo is confronted with a military rebellion that wants his departure from the power. In brief, within a short time period of 6 months of civil war, the damage to the economy is immense and Ivory Coast shall experience negative growth rate for at least two to three years running. Conservative forecast for Year 2003 is -3,5%. In 2002 the growth rate was -2.5%.<sup>35</sup>

#### 4-5 Populations and Education

Ivory Coast first national census in 1975 counted 6.7 million inhabitants, allowing 1987 estimates of 10.6 million. The 1987 annual growth rate was 4.1 percent. Regional variations were marked, with annual growth of only 1 percent in the far north, but throughout the country, population growth rates, which included high net immigration rates, were increasing. In the late 1980s, population projections for the year 2000 exceeded 20 million people.

Countrywide, life expectancy rose from thirty-nine to fifty one years between 1960 and 1988, and during the same period, the average annual birth rate also increased steadily to 45.9 per 1,000 populations. Fertility rates were about average for West Africa at 6.6 births per adult female. Fertility rates were the lowest in Abidjan and highest in rural areas, where infant mortality also remained relatively high. One third of all infants died before the age of five. Infant mortality in the first year of life declined to 110 deaths per 1,000 births in the late 1980s. The crude death rate was just over 14 per 1,000 populations.<sup>36</sup>

Urbanization was rapid after 1950, as the urban population grew by an average of 11.5 percent per year until 1965 and about 8 percent per year from 1966 to 1988. As a result, Côte

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<sup>35</sup> [BUSINESSAFRICA.NET](http://BUSINESSAFRICA.NET) NEWSLETTER ISSN 1563-4108

<sup>36</sup> Institut National de la Statistique, 1998.

d'Ivoire had the highest urban-rural population ratio compared with the rest of sub-Saharan Africa. Roughly one-half of the 1987 population lived in urban areas, defined as localities of more than 10,000 inhabitants and those of more than 4,000 inhabitants where more than half of all households depended on nonagricultural incomes. In 1988, about 20 percent of the total population lived in the capital city of Abidjan. Foreigners, mostly West Africans made up 27 percent to 50 percent of the population and were more highly urbanized than indigenous groups. Foreign migrants have sought jobs in Ivoirian industry, commerce, and plantation agriculture since the beginning of the twentieth century, especially after World War II.

Most have found work in urban areas, but in 1980 the number of Ivoirians who migrated from rural to urban areas was almost equaled by the 75,000 migrant farm workers from neighboring states. Because of moderately high fertility, falling mortality rates, and labor immigration, the Ivoirian population was fairly young by world standards. About 45 percent of the 1987 population was under the age of fifteen, and the dependency ratio—the number of elderly and young dependents in relation to 100 working-age adults was 92 nationwide. There were 110 males per 100 females, reflecting the largely male immigrant work force.<sup>37</sup>

<b>Population</b>	<b>1975</b>	<b>1985</b>	<b>1990</b>	<b>1996</b>
Total (in millions)	6.76	9.93	11.97	14.73
Urban (in %)	32.1	37.6	40.4	...
Female (in %)	48.9	48.93	49.08	49.34
<b>Labor force in percentage</b>				
In agriculture	70.85	59.6	54.14	48.95
In industry	6.94	9.97	11.85	14.37
In services	22.21	30.43	34.01	37.47

Statistics reveal that:

Baoule 23%, Bete 18%, Senoufou 15%, Malinke 11%, Agni, foreign Africans (mostly Burkinabe and Malians, about 5 million), non-Africans 130,000 to 330,000 (French 30,000 and Lebanese 100,000 to 300,000).<sup>38</sup>

#### 4-6 The industrialization strategy

Generally, agriculture is regarded as the best pillars to real and sustainable industrial development in developing countries. While Algeria for instance has opted for an internally driven industrialization strategy, Ivory Coast has opted for a “light industrialization” strategy. The Congolese economist Jean Louis Lacroix explains the reason of that chosen strategy:

In fact, it is generally thought that for most underdeveloped countries: light industries require less capital than heavy industries; by producing for domestic demand goods that can replace common imported goods, light industries enable our countries to save on foreign exchange while helping to mop up under-employment in the urban areas; by establishing

<sup>37</sup> <http://www.odci.gov/cia/public>

<sup>38</sup> INS, 1999.

links with agriculture, these light industries can accelerate agricultural development since they provide the peasants with consumer goods and some production goods such as pipes, irrigation pumps and sprayers.<sup>39</sup>

But what does this strategy concretely mean for the Ivory Coast, a country with an obvious agricultural vocation? The strategy was possible for two reasons: an abundant labor force with both nationals and immigrants from neighboring African countries. Development of such strategy has favored the import of foreign staff and investments.

Agricultural production mainly cocoa and coffee is not processed in high quantities due to the narrowness of the local market. For instance, local consumption of chocolate (processed from cocoa which is the country first production) is only 100g per annum and per person against 10kg in Switzerland.<sup>40</sup>

In 1983 an analysis of the Ivorian trade done by the Ministry of industry showed that over 50% of the total value of 796,8 billions Francs CFA came from exports to developed countries of agricultural or farm-derived goods.

As far as distribution of industrial capital is concerned, the country has a majority of shares from 66,31% in 1983 due to high economic performance in the 1970's. The 1980's economic crisis has led to disengagement by the state in some public and semi-private companies. Share percentage in the private and public sectors have changed between 1980 and 1983: private sector shares were, 7,9% in 1980: 13,4 in 1981:12,4% in 1982: and 16,7 in 1983; public sector shares for the same years were, 92,1%; 86,6%; 87,6% and 83,3% respectively.<sup>41</sup>

Year	Ivory Coast	France	Other capitalist countries	African countries
1974	35.80	39.17	23.36	1.67
1975	39.97	36.49	18.16	5.38
1981	61.81	21.29	14.31	2.63
1982	64.42	20.51	12.75	2.32
1983	66.31	19.43	12.05	2.21

Distribution of capital in industry by country of origin (%) (Ivory Coast) *Source*. Special issue of *Marchés Tropicaux et Méditerranéens*, p. 117.

The main commercial partners of the Ivory Coast are France (26,7% of total exports), others European countries (22,44%) and Nigeria (15,65%). The country exports mostly agricultural and food processed products whereas it imports manufactured products, oil and other high-technique products. In 1997, the exports reached the level of 2550 billions Francs Cfa against 2050 billions Francs Cfa and expectations are 12% and 16% respectively for exports and imports.<sup>42</sup>

<sup>39</sup>Lacroix Jean Louis (1967), *Industrialisation au Congo-Zaire*. Paris, mouton and Cie,

<sup>40</sup> *Marchés tropicaux et méditerranéens*

<sup>41</sup>BNEDT, 2000

<sup>42</sup> <http://www.odci.gov/cia/public>

## 5 The Ivorian business environment

The term business life cycle has been used over time by many social scientists to describe the development of Businesses. “Obviously, if there is a life cycle theory of a firm, it has never been verified experimentally, although researchers have provided numerous case studies suggesting that products or firms pass through a regular sequence of stages analogous to the biological life cycles”.<sup>43</sup> The present chapter has the objective of giving all data and other information about the Ivorian industrial business life. Later on in the same chapter, I will analyse in which way the policy mix can be a constraint to the development of industries.

Factors that affect business life cycle can be resumed as many as: the investment code, the regulations governing the exports, the organisation in the decision making staff, the fiscal system and the banking system and its orientation towards enterprises in Ivory Coast.

### 5-1 The investment code.

Since 1995 Ivory Coast has promulgated a new investment code to attract Foreign Direct Investments. Two types of rules are proposed:

#### 5-1:1 Rules for declaration

This rule is applicable for Small and Medium-sized Enterprises (Except Banks). The main ideas are exemptions that are allowed for example the exemption from taxes on profit for a period between 5 or 8 years and the exemption from taxes on trading licences.

#### 5-1:2 Rules for approval

The rules concern investments reaching the amount of 500 millions Francs Cfa. Investments that reach the amount are exempted from the Value Added Taxes (VAT) on equipment and spare parts and also exempted from tax of investments (5 per cent). When the amount is from 500 millions up to 2 billions Francs Cfa an exemption from land tax is added to the above named taxes.

In 1995, FDI reached the level of 520 billions Francs Cfa of which 25 percent from France, 5 percent from other European countries; 2,5 per cent from the USA and Canada and 0,30 per cent from Japan. The same year, profits on private investments were 92,3 per cent against only 4,9 per cent for public investments.<sup>44</sup>

### 5-2 The fiscal system

Ivory Coast fiscal system consists of several taxes on firms from the first day of entry on the Ivorian soil. Different sorts of taxes on firms such as business Profit taxes (BIC), the General income tax (IGR), the Impot sur le Revenu des Valeurs mobilières (IRVM) are practiced and they are the most important taxes according to me.

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<sup>43</sup>Wagué Cheick (1989)Entrepreneurship and industrial policy in developing countries, University of Stockholm. Department of Business Administration. p 114

<sup>44</sup> Bnedt, 2000.

The general income tax or IGR is levied on wage and salary income and other family income; It varies between 6 per cent and 15 percent according to the wage and number of persons in the family. The rate is levied monthly from the source for employees in the private and public sectors, or annually for other peasants and individual businessmen. The impot sur les bénéfices industriels et commerciaux (BIC) is levied annually on all major businesses and varies from 25 percent to 35 per cent according to the level of businesses.<sup>45</sup> The Impot sur le revenu des valeurs mobilières (IRVM) is levied on dividend payment, interest payments and interest-bearing deposits. Several kinds of deductions are proposed:

-Single rate of 12 percent

-Rate of 10 per cent if the enterprises are quoted on the regional Stock exchange office based in Abidjan. (BRVM)

-Special rate of 6 percent on 5 year-lasting obligations.

The impot sur les revenus financiers (IRF) is a tax on fixed real estate and 15 percent of the value of the property. The Business Licence Tax is a fixed tax from 2000 Francs cfa to 90,000 Francs cfa and is levied on all individuals or entities in commerce, industry, or in liberal professions.

### 5-3 The banking and financial sector

The CFA Franc zone was established in 1948 to enable the trade between France and its colonial territories to function within the framework of an operational account referred to as “compte d’Opérations” with the French treasury.

French speaking African countries use to joke about the system claiming that they got a single currency before Europe. The system worked perfectly. Since 1960, date of the independences of most of the African countries, two central banks, the Banque Centrale des Etats de l’Afrique de l’Ouest (BCEAO)<sup>46</sup> for West Africa and the Banque Centrale des Etats de l’Afrique Centrale (BCEAC)<sup>47</sup> for central Africa set up policies to reinforce the zone.

Cote d’Ivoire, as a member of the 8 BCEAO/UEMOA countries, is the leading economy of the region, accounting for more than 40% of the economy and a corresponding share of the estimated CFA 6,000 billions liquidity circulating within the union’s 90 financial institutions. The most profitable activity is the banking system with an average ratio of net profit/net banking activity of 20%.<sup>48</sup> But overall performance indicators remain fragile.

“Innovation is slow and the efforts to introduce dynamism into the Bourse Régionale des Valeurs Mobilières (BRVM)-Regional Stock Exchange as a solution to the weak long term segment of the market have not convinced both the local and international investments communities”.<sup>49</sup>

#### 5-3:1 Operational Framework

In May 1996, The Union Economique et Monétaire Ouest Africaine (UEMOA)<sup>50</sup> was launched to replace The Union Monétaire Ouest Africaine (UMOA).<sup>51</sup>

<sup>45</sup> [www.dgi-ci.com](http://www.dgi-ci.com), the web site of the Ivorian taxes office

<sup>46</sup> The central Bank for countries members of Uemoa.

<sup>47</sup> The central Bank for Central African countries members of Bceac.

<sup>48</sup> Bnedt, 2000.

<sup>49</sup> Association Ivoirio-britannique des hommes d’affaires, 1999.

<sup>50</sup> Uemoa, a West African Economic union comprises 8 West Africa countries: Ivory Coast, Mali, Burkina Faso, Benin, Togo, Sénégal, Niger, Cap-Verde.

<sup>51</sup> The monetary union of countries members of the Uemoa.

The purpose was to strengthen the monetary union by complying with the converged macroeconomic criteria on inflation, budget deficit, investments/savings, as well as harmonizing regulatory framework on legal and financial institutions. Several other institutions have been created to help UEMOA to reach its objectives. The UEMOA wants to conduct development activities on regional issues when the OHADA<sup>52</sup> works with legal issues.

BCEAO has the role to conduct monetary policy as the Commission Bancaire oversees the activities of the banking sector. The complementary bodies such as Consular Chamber and the Court of Arbitrage were also created with individual specific mandate to contribute to a smoother regional integration.

### 5-3:2 The Banking Regulation

The banking regulation in Ivory Coast is quite developed and very much short-term consumer oriented. This pattern is typified by the cocoa, coffee and cotton harvests, which make heavy demands on liquidity at specific times of years, generally in October.

The banking system is like the one in practice within the UEMOA. The Monetary agreements between France and West Africa States signed in December 1973 are the main document governing what became UEMOA in 1994. That means:

- Free convertibility of CFA against at that time the FRF (franc Français).
- Free mobility of funds within the zone.
- 65% reserves of the union held in a pooling in one single account.
- Credits to governments by central bank not to exceed 20% of the budget revenues of previous year.

The central bank is accountable to the council of Ministers of economy and finance of the respective states, which in turn is responsible before the Conference of Heads of States and governments.

### 5-3:3 The orientation of the banking system towards Enterprises

The Banking sector is the most profitable activity with an average ratio of net profit/net banking activity of 29 percent.<sup>53</sup> The branch is dominated by big international groups or by their branches. Those banks rarely lend money to SMEs or people willing to start on their own. They extend preferential treatments to SOEs or other “more secured” firms.

The government is aware of this fact and has created own financial institutions such as the Fond Ivoirien pour le Développement de l'Entreprise Nationale (FIDEN). This organization lends money to individual or private groups for creation of SMEs.

### 5-3:4 The Micro finance Environment

The most visible feature of the micro finance environment in Côte d'Ivoire is the predominance of credit unions and small, neighborhood savings and credit associations incited by the government-the Coopérative pour l'Épargne et de Crédit (Coopec) or on just private initiative such as the Coopératives des Femmes Entrepreneurs de Cote d'Ivoire (the Cofenci).<sup>54</sup>

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<sup>52</sup> Organisation pour l'harmonisation des droits des affaires en Afrique- Organisation for the harmonization of Commercial law in Africa (My translation)

<sup>53</sup> Bnedt, 2002.

<sup>54</sup> The Cooperative des Femmes Entrepreneurs de Cote d'Ivoire was created in May 1998 and is a loan association for women working in the construction industry. The size of the loans varies from \$ 200 to \$2,600.

Many of these institutions were established in response to the increasing risks of utilizing "mobile saving bankers" who collect clients' savings on a pre-determined schedule and keep them for an agreed period of time and give them back when the agreement ends.

Often these agents collect money only to disappear with the savings. The resulting community-owned and operated savings associations added credit services as members demanded loans secured by their savings. However, many of these institutions serve a population from the upper end of the lower economic strata and on up. The sizes of the loans are usually above the \$300, amount that is widely recognized as an indicator that an organization can provide to a poorer clientele. Interest rates range from 15 to 20%.<sup>55</sup>

#### 5-4 Over centralized Decision-Making

Ivory Coast decision-making map is at the image of the Ivorian traditional society where all power is concentrated into the hands of the eldest. No decision can be taken if it does not have the approval either of the concerned Ministry or the approval of the highest political person. Abidjan, the commercial capital city of the country, is the place where all decisions are practically taken. To accelerate activities and reduce transaction costs, the Ivorian government has initiated strategies by creating national institutions such as the Centre pour la Promotion des Investissements en Cote d'Ivoire (CEPICI), the Direction pour le Développement Industriel (DDI) and the Commission nationale pour l'Investissement (COM-INVEST). It has led to a real cut of the decision taking time to 48 hours for declaration of investments and 45 days for agreements of creation of enterprises.

Since 2001, the socialist government led by President Laurent Gbagbo has initiated a decentralization policy in order to get politician closer to the populations. Ivory Coast is now divided into many regions, each lead by a regional council.

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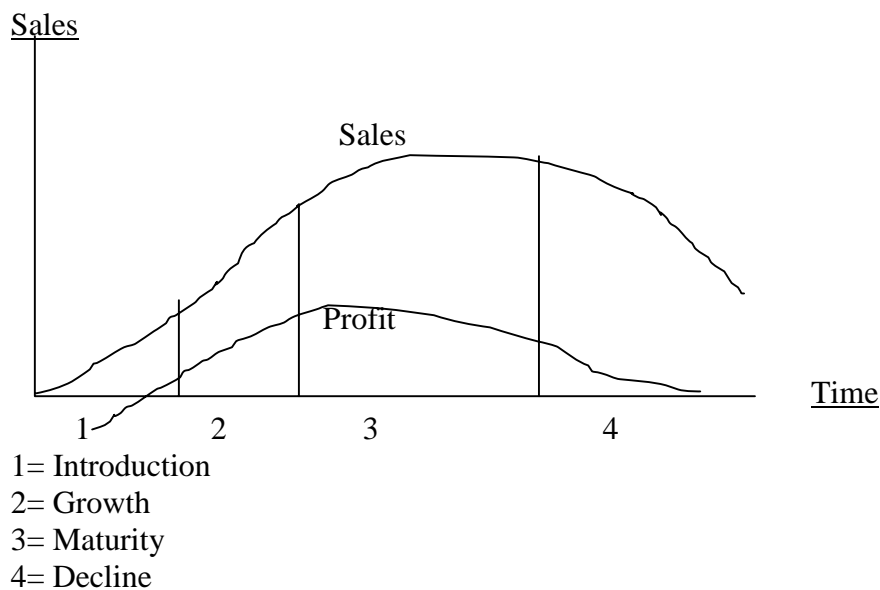
<sup>55</sup> Micro Start Midterm Evaluation (1999)- Cote d'Ivoire case study-prepared for UNDP special unit for micro finance-Jill Donahue-.



## 6-Findings and observations

One of the major objectives of this project was to identify and analyze principal constraints that limit the development and expansion of industrial enterprises in Ivory Coast. Given the multifarious origins of the forces that impinge on the industrial sector, it has seemed important to summarize the interviews. When I asked, "what are the main obstacles to the development of industries and exports in Ivory Coast?" the majority of my respondents indicate financing as the major obstacle to exports.

It seemed strange to get such an answer, as financing to me has a little to do with export. The respondents went further in their explanation and stated that no enterprise can export if it has taken a wrong start, if it has a weak fundament.



Sales and Profit Life Cycles

The main obstacle is within the first step that is to say in the introduction. One of the respondents took the image of a tree. According to him, it is impossible to get a healthy and solid tree if it did not get good cares in the beginning. After a bad start, it is often difficult to curb down the negative effect and tackle the future with serenity. In the second stage, the multiplicity and complexity of tax structure particularly the corporate tax seems to be the major constraint.

Ivory Coast is a poor country with limited export of manufactured products. The Ivorian government is aware of difficulties that many companies are facing already in their introduction period. So why not make it easier for them by relieving them from paying complicated and high taxes in that period?

The response was that it was impossible for the country to exempt the companies from paying taxes although the government understands their difficulties. It is really a kind of bad circle the Ivorian state is in. The government is aware that high taxes represent the major constraint to most of the enterprises. But taxes also do represent 25 percent of the national budget that finances all development programs in the country.

On the other hand, the majority of bank managers regarded the lack of concrete and serious market plans and strategies as an important hindrance to financing. Most of these managers complained about this lack and expressed their inability to finance very disjointed projects. A particular lack cited by all financial institutions is the inadequacy of preparation of business plans and the absence of critical analyses, or in many cases even catching some basic economic worlds such as marketing, pricing, market or organization.

My survey revealed that there is a great belief in privatization. All confirmed the idea according to which privatized firms are in better conditions than most of the SOEs and the main reason relies in the control system that is quite inexistent in the governmental system. According to them, lack of control is the critical point that hinders most of the enterprises to succeed. Before 1995 most of the enterprises were SOEs. The Ivorian government launched privatization operations in the 90's because of a heavy burden for the national finances. So why did not the state control its firms? The question was not easy to answer, but the respondents explained the failure by nepotism, corruption, and embezzlement that still characterize the whole Ivorian society. Those who were supposed to do their job in controlling if everything was done according to the needs and the schedule were themselves involved in corruption. The best way would be to encourage private investments in the country and create proper and solid national institutions that can really do their job. Nevertheless, all the respondents knew that privatization itself couldn't be regarded as the miracle cure that could solve all the problems. It has its limitations off course.

Concerning the export, the major problems seem to be the quality of the products, the costs related to transportation and trade barriers. Most of the produced goods are of poor quality compared with other products, especially products from Europe. Many firms do not even have research and development department because they cannot either afford it or it does not represent the first priority and "the customer who is not crazy will buy better and good quality products even they are more expensive than the local ones" one of the respondents said. Most of the exported products from Ivory Coast to Europe are raw materials. As soon as firms want to export finished chocolate to Europe for instance, the product is no longer regarded as being included as "conventional" products. The products are then highly taxed and become more expensive than European products when they arrive in front of the customers.

To overcome all these difficulties, my respondents suggested strengthening regional and economic, commercial and social cooperation within African. Having given a general observation that came out my research I find important to deal with problems the Ivorian firms are faced to.

#### 6-1 Problems of the Ivorian enterprises.

The Greek philosopher Plato, quoting his master Socrates, wrote that the real ignorant is he who does not know anything about his ignorance.<sup>56</sup> For Socrates, the first steps anyone has to take when searching for being delivered from ignorance is to deny everything. "I know that I do not know", he said. I think that the idea is still valid and applicable on the situation in Ivorian business sector. If Ivorians really want to solve their difficulties and create sustainable conditions for the industrial development they have to be aware of their lacks and problems. In this section I will describe problems firms are confronted to in Ivory Coast. The aim is to identify factors that represent a burden.

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<sup>56</sup> Apology of Socrates by Xenophon 394 BC, traduced by Bernard Suzanne (2001).

## 6-2 The colonial inheritance

The Western world has not only divided the African continent into many small parts whose economic development is already compromised by the narrowness of the African markets. It has also left indelible paths as far as management of the African firms is concerned.

The style of administration used in colonial companies is still used by African managers. The main idea was to produce goods that were useful for the colonial power.

In Africa for instance one or two agricultural products were introduced regardless of the needs of local people. This is the case of groundnuts in Senegal, cacao and coffee in Ivory Coast and cotton in Chad. The African economy was like a sub-economy under the domination of the Western countries whose methods and practices were of “pure and primary capitalism”.<sup>57</sup>

Development of this kind of economy has led to a great fall of the African populations agricultural products. The purpose behind this kind of primary capitalism model was to provide the European countries with raw materials. Beneficiaries of this strategy were exports industries, farmers, and mines workers etcetera.

In the beginning of the 20<sup>th</sup> century, African countries colonized by France were the third biggest commercial partners of the colonial power. The French colonies exported from Africa towards Europe raw materials that represented 20 per cent of the imported raw materials of France. Jules Ferry, at that time Member of the French Parliament said

The industrial policy is mother to the colonial policy. If the European countries had agreed on who would produce this, or who would produce that, we would never go beyond our continent to look for outlets for our industrial productions. The European consumption is mature, and we must create from other places, new types of consumers and producers if we do not want to destroy our industry.<sup>58</sup>

The economical logic that prevailed at that time was quite simple. The African territories should not be a financial burden to the colonial power. In contrary they should only create profits. Everything was done to minimize the costs and the cheap labor force in colonies and this led to high profits. According to a study done in the 1950's, the French company the Compagnie Française de l'Afrique de l'Ouest (CFAO) had a profit rate of about 40 per cent in comparison with other companies working in mine industries that had the same profit rate.<sup>59</sup>

During the colonial era, Africans were excluded from top positions in companies and after the independence it became obvious that there was a lack of skills among Africans to run the companies that were previously led by the Europeans. The new leaders lacked both motivation and awareness on how to run companies. Finally running firms became something new for Ivorians who did not have the chance to learn together with Europeans.<sup>60</sup> It is obvious that such companies could not keep their market shares and would meet difficulties on international markets.

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<sup>57</sup>Gbagbo Laurent (1983) *Les entreprises cotonnières en Afrique équatoriale*, tome 1, p 376.

<sup>58</sup>Ferry Jules quoted by J. Marcel (1983) in *l'Investissement privé dans l'empire colonial: mythes et réalité*, pp 50-52.

<sup>59</sup>Marseille Jean, *op.cit* pp 57 -59

<sup>60</sup> Press article by Guy Desauyney . N.64 septembre-octobre 1987 “ Les relations humaines dans les entreprises Ivoiriennes”-*Revue française de Gestion*. p 95.

Today Ivory Coast does not process more than 9 per cent per cent of its total production into finished products. For cocoa of which Ivory Coast is the world leader, it does not process more than 18 per cent into semi-finished products.<sup>61</sup> The rest is exported as raw material to Europe and America.

### 6-3 Organizational problems

After the independence in 1960, Ivory Coast went through an expansive economic development in the 1970's. The state played an important role as an economical agent in the creation of firms. At that time many firms mostly state owned were established. By the ends of 1970's, the Ivorian state had invested into half of the 2500 existing companies. Only 200 companies were private where even 46,5% of the mobilized capital was state owned. Half of the total investment capital was invested into industries, 13,75 percent into agriculture and the rest into services.<sup>62</sup>

But expectations were far from brilliant since these enterprises were not profitable. In the contrary they led to big debts that the state was obliged to pay back. In conclusion, the state owned enterprises did not bring the expected results. This is strange when we know that the concerned companies were those who received the most subsidies from the state. The main reason was the lack of control from adequate organizations. The country was in a very good economic shape and it was believed that control was not needed. Many of those enterprises were created just to fill in "a gap" and not after serious market researches. Intervention from the government was just to appoint another management staff, often member of the ruling party.

Ivorian managers kept the same form of management used by French colonial firms. Power was concentrated into the hands of a few people and the power distance between the staff and employees was very high. Most of those leaders were newly educated students who were keen on putting distance between themselves and other indigenou. They wanted to follow the paths of Europeans and power delegation process did not work properly.

At the same time, there was a special attraction around public services. Everybody, especially students graduated from local universities wanted to work in the public sector because of the guarantee it gave in terms of advantages such as free car, free telephone and free house; the state being the money provider. This explains partly why the state owned industries lack in people with enthusiasm to succeed. In the 1980's the Ivorian public service became one of what René Dumont called "the biggest industry in Sub-Sahara Africa"<sup>63</sup> with more than 100,000 workers.

### 6-4 Power of holy things

The importance of religion must be taken into account. According to Max Weber<sup>64</sup> the protestant religion could have been the major element that played a predominant role in the industrial development of Great Britain in the beginning of the 19<sup>th</sup> century. Sociologists and people interested in development matters stated the same for Confucianism to the industrial development of China and Japan. I believe that the idea is the same in Ivory Coast at least concerning the importance of religion. In Ivory Coast people believe that curse or blessing can be decisive keys to success. I asked my respondent Fofana Inza, if he had made a proper market analysis before investing in his business.

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<sup>61</sup> Bnedt 2000.

<sup>62</sup>Contamin Bernard and Yves A. Faure (1992) La bataille des entreprises publiques en Cote d'Ivoire.

<sup>63</sup> René Dumont (1962) L'Afrique noire est mal partie Edition du Seuil, Paris

<sup>64</sup> Max Weber (1985) L'éthique protestante et l'esprit du capitalisme, press-Pocket, Paris

No, I did not. But I knew that I was going to succeed. What was important when starting with my company was the help I got from my family in terms of blessing and money support. He asked me:” For how many years have you (me the author, in this case) been living in Europe?

Nine years I told him before he came with a common saying:

“A piece of wood in a river shall never become a crocodile”

What he meant was that I (the author) would never become a white man despite several years in Europe. I will be still an African with the African way of living and African religion. This kind of belief can lead to stagnation as people would think no matter what they do, the result would be the same because they got a curse from someone else.

Another example is the case of the Senegalese team during the latest soccer world cup.

According to such belief they did not have a brilliant success just because the team had a very good organization and well trained players. This assertion according to which Senegal had good players was not enough to explain a success. For millions of Africans, their success was the product of a powerful “jujuman” or “black magi”. I asked Fofana if he believes that Juju<sup>65</sup> was the cause of the success of the Senegalese team. “Yes!” he replied without doubt.

Marcel Zadi Kessy the general manager of the Ivorian energy company gave a funny history and common in Ivory Coast.

An employee after 15 years in a company decided to resign from his job. A year later, in another letter sent to the staff, he wrote that he was not “himself” when writing the first letter (letter of resignation). To prove this assertion, he named his uncle, who before dying, acknowledged that he was the one who “pushed” mystically his nephew (him as the author of the letter) to resign because he did not want him to succeed.<sup>66</sup>

Such explanations, according to Zadi Kessé are very common and can be a problem in firms, as people do not take responsibility of their full actions. They do not regard themselves as a hindrance; problems are often caused by a mystic power and it is not possible to fight and win against that mystic power.

#### 6-5 Effects of the social pressure

Social pressure can be defined as any weight or constraint from a given community on an individual. In Ivory Coast, the term family does not correspond to the Western view. The Ivorian family is very extended and can reach up to 100 persons. Everyone should respect the family and play his role as a member of that social entity. Refusal to play one's role and to belong to the family is still, in modern days, not tolerated by other members.

The social pressure is so strong that people can take risky economical activities such as huge debts just to play their role. Statistics reveal that 2 to 3 per cent of a family budget is devoted to expenses such as funerals.<sup>67</sup>

In Hofstede's analysis of cultures, those cultures with high power distance<sup>68</sup> exhibit high levels of collectivism. Those with low power distance (mostly the Western countries) are characterized normally by individualism.

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<sup>65</sup> Juju is a fetish

<sup>66</sup> Marcel Zadi Kessi (1998) *Culture Africaine et gestion de l'entreprise moderne*, édition CEDA, p.118

<sup>67</sup> Mahieu F.R (1990), *Fundaments of the economic crisis in Africa* l'harmattan Paris

<sup>68</sup> It is defined as the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally.

In a traditional collective society like the Ivorian one, workers do not hesitate to transfer their family concerns into the enterprise where they work.<sup>69</sup> Contractual relationships between the staff and his workers are then based on moral and affective considerations. The individual is embedded in somewhat an inextricable social relation. The circumstances, and the ritual surrounding the economic transactions, are often more important than the “organizing” principles governing these transaction.<sup>70</sup>

Ivory Coast	Western
Collectivism	Individual self-sufficient (Robinson Crusoe Imagery)
Conformity (Non-eccentric)	Non-conformity (Utilitarian Deviancy)
Unquestioning Acquiescence	Assertiveness
Dependency	Independence
The means justify the end	The end justifies the means
Communalism	Survival of the fittest
Holistic co-existence	Atomistic (divide and control)

Welsch and Young; 1984:13

I shall say I used those components of the map I found useful for my study. I though interesting to talk mostly about the Unquestioning acquiescence, the theory of dependency. Others subjects, although not specially mentioned in this part, are mentioned in the project.

Relationships are not just employees-staff relationship but also relationships of dependency where the staff is “obliged” to secure his workers. In return the workers has to be loyal to the boss and the firm. Koffi Jules, marketing assistant at Société des Textiles Ivoiriens (STI) sees things in this term:

It is very difficult for us to sack people from our enterprise. Often the dismissed worker returns to the staff with all his family members to ask for forgiveness. Most of the time they see things as personals, not technically or financially. It is very difficult to be rational when working with such people.

<sup>69</sup> Daniel Bollinger and Geert Hofstede (1987) Les differences culturelles dans le management, comment chaque pays gère t-il ses hommes? Les editions d’Organisation, Paris

<sup>70</sup>Samuel Kwasi Buame(1996) Entrepreneurship: A contextual Perspective by, Lund University Press.p 152

I think that feelings for this kind of collective belonging can lead to consequences such as mismanagement or corruption because people regard companies as “a place for individual enrichment, a place that he must either be destroyed or be transformed into social and charitable organizations”.<sup>71</sup> There are several examples of frauds as for instance frauds in the Ivorian water distribution firm where some employees “omit” to print out bills of their relatives and such habits make that the Ivorian type of management “can be associated to a type of management that redistributes the welfare instead of developing it”.<sup>72</sup> The Ivorian sociologist Barthelemy Kotchy claims that the term profit does not exist in the old Ivorian society.<sup>73</sup> The aim of the production was not to gain a certain profit in the sense used by capitalism, but to consume it. Surpluses were only kept aside for redistribution on fairs or festivals.

Another hindrance to expansion of firms is the perception that some Ivorians have about state-owned companies or just about what a state could mean. To my question of knowing what the state means, Fofana Inza replied

These things do not concern me. The state for me is the government and its institutions. (...) You know people do not consider themselves as being members of the state. Is this a consequence of a very bad information strategy of our leaders or just the fault of the populations? I cannot answer you.

This explanation may be cruel but it is common among many other Ivorians. They consider state owned enterprises as something external to them, something that can be destroyed or mismanaged without feeling remorse or any personal responsibility.

#### 6-6 Unquestioning Acquiescence

The tradition African way of education is based on devoted respect to old people. Respect is one of the key-points in the education of children. The “droit d’ainesse”<sup>74</sup> and relationships that come out of it are often in favour of old people. The eldest shall not be disrespected nor shall he (or she) be humiliated or contradicted by any younger. Sentimental relationships built from this “social right” can be perceived in some enterprises under as assistance or “domination”. It is possible that the “droit d’ainesse” transferred into the industrial context can be positive since professional experiences have connection with seniority. When I wanted to know more about the relationships between younger and older, Gustave N’klo, marketing assistant at the Ivorian commercial centre said.

Oh, It was very difficult in the beginning. The nightmare was that elder did not want to listen to us. We were like nothing in their minds. I can understand people who do not dare to do it for fear of loosing their jobs.

Contradiction is not accepted in a society where one of the partners is older than the “challenger”. This attitude can lead to stagnation since new ideas are not accepted.

#### 6-7 The syndrome of dependency

The term dependence is defined as a state of being supported by others or the state of being affected by something.<sup>75</sup> The dependency paradigm appeared in Latin America the 70’s, and one of the members of the school, Dos Santos, describes it as “a conditioning situation in

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<sup>71</sup> Philippe Hugon in *Les petites entreprises africaines au regard de l’analyse institutionaliste*, colloques sur les petites entreprises agroalimentaires, Montpellier, 19 and 20<sup>th</sup> October 1995.

<sup>72</sup> Marcel Kessi (1998) *culture Africaine et gestion de l’entreprise moderne*. p.106

<sup>73</sup> Kotchy B, (1983) *Seminaire de Grand Bassam*.

<sup>74</sup> In traditional Africa, the “droit d’ainesse” is the right that every eldest has in the family.

<sup>75</sup> Oxford advanced learner’s dictionary, 1999.

which the economies of one group of countries are conditioned by the development and expansion of others".<sup>76</sup>

The effort to make the undeveloped countries more like the developed ones would even make them more dependent on goods that they would have been able to produce themselves if they were let free. On the contrary, Africans especially Ivorians, would always be waiting for external aid. There has been a debate around the importance of aid to undeveloped countries. François Lugan thinks that it's better for Africans themselves to be cut off from different aid programs they receive from the developed world. "In the years to come, a very important choice needs to be done: either we help Africa or we leave it to its own destiny"(My translation). By doing that, Africans will learn themselves and become efficient in terms of development".<sup>77</sup>

Gustave N'klo agrees partly with Lugan.

I think the best things would be to manage our own resources and international aid in a better way. The main problem is the lack of skilled implementers. No matter how important would the international aid be, it is useless if we cannot use it properly.

#### 6-8 Lack of skilled implementers

When I asked Koffi Jules, marketing manager at société des textiles ivoiriens (STI) about a lack of skilled implementers, he replied: "There is a real problem because the Ivorian labor force is not well introduced in modern managerial practices". People appointed to high level of responsibilities are, in many cases, graduated from the American, European or African Universities. Most of those I made interviews with were well introduced in modern managerial practices. Many emerging nations have first-line management that is well trained, commands several languages, and has highly sophisticated managerial skills, usually acquired abroad. However, there is a serious shortage of secondary and tertiary staff capable of organization, decision-making and implementation.<sup>78</sup> I would say that the lack of these types of workers is a serious hindrance to the harmonious development of the Ivorian industries. They are often obliged to "import" work force of this kind from Europe, situation that increases their fixed costs since the Europeans are paid on the European salary basis. Hence, the dependence on western world continues.

Another problem that Ivorian firms are faced with is the lack of qualified labor force due to the HIV virus. Dr. Sanogo the head of Ivorian aids program says the army of Ivory Coast has lost the equivalent of one battalion to the AIDS virus in the past five years - more than 400 men, or ten soldiers a month. More than 420,000 have already perished in the country since the disease was declared in 1985.<sup>79</sup>

Last year (2001 my note) we lost more than five employees in our enterprise. We do not know really what they died from, but I am sure they died from aids, the way they looked like. Anyway we spent a lot of money on social costs, money we could use to other activities such as the construction of a new warehouse. It affects all working institutions. Said Mr. Konan

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<sup>76</sup> Serveas Jan, (1999) Communication for development New Jersey: Hampton press

<sup>77</sup> Lugan François, Afrique: (1991) Bilan de la décolonisation, Editions Perrin, Paris

<sup>78</sup> Wagué Cheick (1989) Entrepreneurship and industrial policy in developing countries, University of Stockholm.

<sup>79</sup> Source, Voice of America-26 January 2000 1234 UTC.



Kouakou Gilbert chief at department of human resources at Société Ivoirienne de Coton (SIC).

#### 6-9 Narrowness of the local market

The Berlin conference held in 1884-1885 accomplished to divide the continent into several small pieces. The conference has left visible paths in the social and cultural sphere of Africa today but also in the economic arena. The continent is divided into 53 small countries and markets with very weak market powers.

Compared with others, the Ivorian industrial market is one of the “luckiest” if we consider the number of the population and its market power. Nevertheless, the weak demand does not encourage a proper industrial development. Mrs. Gougoua Jeanne, marketing assistant in a farm-produce industry firm said

The local demand of chocolate and related products is so weak that to rely only on the Ivorian market would be suicidal to our enterprise. We export 85 percent of our production to Europe and the United States.

Only 18 percent of the 1,2 millions tons of cocoa is transformed in the country; statistics reveal that an Ivorian consumes yearly 100gram of chocolate against 10 kilogram in the Switzerland.

Regional and pan African organizations intend to compensate this lack. The Treaty of Lagos, establishing ECOWAS, was signed in May 1975 by 15 states, with the object of promoting trade, co-operation and self-reliance in West Africa. A revised ECOWAS treaty, designed to accelerate economic integration and to increase political co-operation, was drafted in 1991-92, and was signed in July 1993.<sup>80</sup> The new treaty designates the achievement of a common market and a single currency as economic objectives. Nevertheless, the very weak infrastructure is a huge problem to region real integration. Some hundreds of kilometres only separate Lagos (Nigeria) of Accra (Ghana). For thousands of merchants that criss-cross this road, the trip through Togo and Benin can last an entire day, punctuated by painful border checks, unofficial harcèlements. Mrs. Lucia Quachey, general secretary of West Africa businesswomen<sup>81</sup> said.

This activity (Unofficial harcèlements) is illegal and it is against the treaty of Abuja promulgating free movement of goods, people and capital in West Africa. African countries, instead of increasing intra community trade focus rather on trade with the former colonial power. Thus Senegal biggest commercial partner is France whereas Gambia biggest commercial partner is Great Britain. Commercial activities between Senegal and Gambia are very limited and this is very difficult to understand if one knows that Gambia is little enclave in Senegal.

The exchanges between African countries represent only 10 percent of the total African export, number that is the lowest in the world.<sup>82</sup> African roads and railways instead of linking up countries often lead to harbours. To fly from an African country to another, it is often

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<sup>80</sup> [www.ecowas.org](http://www.ecowas.org)

<sup>81</sup> West Africa Businesswomen organisation has 4 millions members with business activities in textiles, medicine, and spare parts for cars.

<sup>82</sup> The economical Commission of the United Nations for Africa (CEA), in Addis-Ababa, in its annual report 2002

easier to pass by Europe and it is more lucrative to export to industrialised countries than to other African countries because of the comparatively low customs tariffs on African products entering the industrial countries. The Tunisian exports for instance pass by French warehouses before reaching Cameroon and vice versa.<sup>83</sup>



Export between African countries (In percentage compared with total export)  
 Source; UN, Afrique relance, 2002

6-10 A political instability

At the moment the biggest problem of Ivory Coast is its nowadays-critical politic instability. In December 1999, the country entered a politic crisis. At the time I am writing this project, the country is near a civil war since more than 40 per cent of its territory is occupied by a rebelled group. Many international organizations are planning to leave the country for a more peaceful one; among the organizations the African Development Bank. Gs Marine operating in oil industry took the decision to sack people because of the economic crisis occasioned by the current political instability. Another company working in the tobacco industry, the Soci t  Ivoirienne des Tabacs (Sitab) has published losses of about 200 millions Francs cfa per day consecutive to the political situation.<sup>84</sup>

The critical political situation has certainly negative impacts on foreign investments. Since the rebellion began in September the 19<sup>th</sup> 2002, many foreigners have left the country among them French and Lebanese, the biggest investors.

<sup>83</sup> Afrique relance, 2002  
<sup>84</sup> Fraternit  Matin of December the 10<sup>th</sup> 2002 p 12

#### 6-11 Very weak financing Institutions

Finances are very useful resources in the development of firms. No matter how genius a business opportunity could be, it does not represent anything if one does not have the necessary capital to finance it. Money is the beginning and the end of every business activity. But banks in Ivory Coast rarely lend money to SME's. They extend preference to SOE'S or other "secure activities" guaranteed by the State. This situation led to the fact that many SME's are confronted with financial problems in the years after they started.

Loans and other credit facilities from the banks if they are accepted to SMEs were just rigid or beyond the fulfillment of many of those small businesses managers. One of my respondents, Coulibaly Seydou owner of a small food industry said. "Banks do not finance SMEs in our country. In the few cases where it has been possible, the lucky ones could have been relatives of well established people." To make it possible for everyone to borrow money and finance activities, the Ivorian government has created public organizations or cooperatives capable of giving credit to SME's with very flexible payback conditions to help people who do not have these connections.<sup>85</sup>

#### 6-12 A heavy fiscal policy

I think that the Ivorian fiscal policy is discriminative and supportive. It gives many and extended possibilities to relatively big companies and it is not as flexible to SMEs. A supportive policy environment is the one that does not create barriers to the formation of new enterprises. Those fiscal charges are so heavy that many of the SMEs owners prefer to be illegal and outside governmental sphere. Many of those SMEs do not pay taxes or live in the informal economy just to escape from the heavy national fiscal rules.

The industrial capability of a country does not rely only on big and international firms but also on small and medium-sized enterprises. So the government should, "rethink" its policy towards small enterprises. It is true that most of these small business units live in the informal sector outside activities of tax offices but I think a very good tax policy could "call them back in the republic". It should also apply flexible and law taxes policy. For instance the 35 percent rate on corporate income tax can make foreign investors be reluctant to big investments in the country.

#### 6-13 Trade barriers from the industrialized countries.

The owners of Ivorian industries that I interviewed identified the tariff barriers as one of the main obstacle to export." We cannot compete with them (*Europeans*, my translation) because they have money, and they can just give subsidies to their productions that are endangered," said Mr. Gustave Nklo. I really do not share Mr. Nklos point of view. Even if all tariff barriers were removed overnight, European farmers would still remain at an enormous advantage. African farmers and industries in the food-industry for instance find it difficult to compete. The EU boosts its agricultural competitiveness through a complex web of policies called the Common Agricultural Policy (CAP). Through the CAP, Europe's farmers are given various support programs and large subsidies including producer subsidies, subsidies to processors, and export subsidies. This enables farmers to earn a high price for their products while consumers still pay reasonable prices in the shops. African governments simply cannot afford to give their farmers and food-industries the same benefits. Off course

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<sup>85</sup>See part on orientation of the banking system towards enterprises and the micro-finance environment.(Chap. 5)

ACP<sup>86</sup> countries benefit from tariff free access to EU markets but crucially they are also forced to abolish their tariffs on imports from the EU. As a result, their markets will then be opened to products from the EU without them being able to use subsidies to protect their own producers; and “The low prices and the good quality of those products make that consumers often buy the European products even in our country.” Continues Mr. Nklo.

## 7 So What?

After having found problems the Ivorian firms are faced to, my aim in this chapter will be to come up with suggestions to NEPAD when implementing strategies to help the firms increase their exports.

Most of the African countries have research institutes specialised in strategic issues. In Ivory Coast, for instance there are the Institut de Recherche sur le Caoutchouc (ICO) specialised in rubber and many other specialised institutes. Similar institutes exist in all countries and are characterised by very poor research results since there is no money to finance them.

### 7-1 Increase regional or continental research integration

One of the major problems is quality, and Ivorian or African research and development institutes through their founding can play a major role in the improvement of the quality. Figures related for research institutes for Ivory Coast do not exist, but it is obvious that they will show a very dramatic situation, as we know that the continent’s R&D investments in Africa represent only 1% of the global investment.<sup>87</sup>

As mentioned previously, the World Trade Organisation is against barriers that limit international trade but the organisation is favourable to these barriers if they have the aim to limit import of poor quality goods. A forthcoming recent study estimates that if the industrialised countries removed all tariff and non-tariff barriers to trade, exports from Africa would rise by about \$2.5 billion or 14 percent.<sup>88</sup> So they do represent a major hindrance. “We cannot compete with them, neither can we even try to protest against their decision (*the developed world*, my translation) because it is often true that we have poor quality products,” said one of my respondents. Instead of having national and disparate research institutes, I think that West African countries for instance should have a single or regional research institute for malaria, rice, and Aids etcetera in order to increase the financial capacities of those institutes.

The idea of gathering similar research institutes into a single one worked perfectly with the case of the Bouaké<sup>89</sup> based West African institute for the development of rice (ADROA) when it introduced the new variety of rice called Nerika (New Rice for Africa). The institute gathered most of West African engineers in agriculture. The new rice has the advantage of growing even on “arable” soil and was adopted by most of the West African countries. According to the institute rice production is expected to triple in the next five years.<sup>90</sup> This is important as it increases all productions and makes the continent not dependant on few products. An example from the Southern African perspective on exploiting regional

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<sup>86</sup> Countries from African, Caribbean, and Pacific that have commercial agreement with the European community.

<sup>87</sup> [www.nepad.org/archives](http://www.nepad.org/archives)

<sup>88</sup> [www.nepad.org/archives/manufactures](http://www.nepad.org/archives/manufactures)

<sup>89</sup> Bouaké is the Ivoirian second largest city.

<sup>90</sup> *Fraternité Matin*, August 19<sup>th</sup> 2002.

infrastructure and expertise is co-operative frameworks<sup>91</sup> modelled in the Protocols of the Southern African Development Community (SADC) relating to agriculture, fisheries and forestry activities.

A strong focus of some of the institutional frameworks that have been put in place, or co-operation between universities such as the tropical Veterinary Medicine at University of Pretoria, and the Eduardo Mondlane University of Mozambique and University of Zimbabwe. Major projects include the Plant Genetic Resources Centre, the sorghum and millet improvement project or just the root crops research network and the maize and wheat improvement network.

In the marine harmonisation: promotion of uniformity and acceptability of Southern African Fish Export Industry involving South African Bureau of Standards (SABS), Peninsula Technikon and Sea Fisheries of Mozambique. I think that such initiatives should be encouraged and practiced to reduce the useless transaction costs that increase prices of the products. It will also lead to a good quality products and reduce the degree of dependency of Africa vis à vis Europe or America and save money on high productions and costly research activities.<sup>92</sup>

#### 7-2 Encourage the privatizations

I think privatization is the best way to avoid mismanagement, or at least it can help to diminish the effects of the Ivorian cultures on both employees and managers. By 1995, 80 of the 140 state-owned companies had been sold off with the aim of improving the competitiveness of the economy. Government revenue from sales grew up from CFA Fr 6.5 billions to CFA Fr 53.6 billions between 1995 and 1996.<sup>93</sup>

In the following lines, I will explain concretely by examples why privatisation should be executed.

##### 7-2:1 Improvement of public finances

Privatizations improve government budget with more money. To leave the public sector to private investors would relieve the government from others charges and allow it to focus on special development programs.

An example of how privatization improves quality is the case of the Ivorian telecommunication enterprise, the Cote d'Ivoire Télécommunications (CI-telecom) that was privatized in January 1997. With its privatization, the Ivorian government withdrew its shares from a heavy and non-profitable company with billions Francs Cfa of debts. Some measures have been taken for the modernization of the Ivorian telecommunication network. Enormous improvements have been realized since its privatization. After it has been privatized, the customer service has improved in quality. "In the past, as clients, we could live five or six weeks without the telephone when the systems was disturbed." said my respondents. Ivory Coast sold for 105 billions Francs Cfa, 51 per cent of its shares.

Moreover, the Buyer France Telecom has taken decisions to invest 260 billions Francs Cfa to modernize the system within five years.<sup>94</sup>

Privatization would stabilize the country's budget with a lot of money in.

##### 7-2:2 Increase in competitiveness

A lot of researches have been done on the impact on competitiveness.

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<sup>91</sup> [www.nepad.org/archives](http://www.nepad.org/archives)

<sup>92</sup> [www.nepad.org/archives](http://www.nepad.org/archives)

<sup>93</sup> [www.itd.org/issues/ivoire5](http://www.itd.org/issues/ivoire5).

<sup>94</sup> [www.abidjan.net/finance/telecommunication](http://www.abidjan.net/finance/telecommunication).

Gordon Tullock<sup>95</sup> and Xavier Greve<sup>96</sup> think rather than working to the interest of all, public enterprises managers work on their own interests.

The best way would then be to privatize because I claim that only privatization can offer better conditions when it comes to profitability and competitiveness, this because of a rigorous control from companies shares holders. This control “pushes” managers to better managerial practices.

Top positions in the companies would not be appointed according to ones belonging to the ruling but according to quality and merits.

I will present the case of the Compagnie Ivoirienne d'Electricité (CIE), the Ivorian electricity company whose case is the most visible example of succeeded privatisation.

#### 7-2:3 Reinforcement of the private sector in the economical activity

One of the main objectives of privatization is to “remove the fat” of the public sector and allow the private sector to play its role as “motor” of economic growth. Experiences have shown that countries that have relied on private sector to develop were the ones that succeeded the most.<sup>97</sup> Neglected in the past, privatizations are right occasions for the Ivorian private sector to take its “revenge”. As I said earlier, the goal of most of the Ivorian students after they graduate was to work in the public administration. By “helping” the private sector, the government can change things in their minds and teach them an entrepreneurship culture.

#### 7-2:4 The case of CIE

The Energie électrique de Cote d'Ivoire (EECI), a public company was created in 1952. It was mainly a state-owned company with 92,2 percent of total shares against 4,7 percent for the French company, the Caisse Française de développement, 1,7 percent for natives Ivorians and 1,3 percent for Electricité de France (EDF). In 1990 the company had a capital of 8 billions Francs Cfa. The objective of the company was first to produce, to transport and distribute energy on all the Ivorian territory.

Secondly the objective was to plan, to realize and to renew every network related to energy. The third aim was to protect the Ivorian national sovereignty and keep such a sensible sector in the hands of natives and finally to rationalize the development of energy on all the Ivorian territory.

The Ivorian government and the international community perceived this type of management as the most proper way to support the “newborn” and fragile Ivorian economy. The sector had very remarkable growths between the 1960 and 1990 due to subsidies, very important growth capacities due to economy of scale. But in the 1990's the situation changed because of an international unfavorable economic conjuncture and mismanagement. Subsidies from the government were so rare that the EECI was near a state of bankruptcy.

The technical results were mediocre. Power cuts reached the level of 50 hours/year per client. Equipments were old and unpredictable. The financial results were negative. Cumulative losses since 1983 reached 120 billions Francs Cfa by 1990 and prices were unsuitable for the evolution of costs.<sup>98</sup> The main objective was of political reason. The government did not want

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<sup>95</sup> Tullock G (1978) le marché politique, analyse économique des processus politiques, Economica, Paris.

<sup>96</sup> Greffe Xavier, (1981) analyse économique de la bureaucratie, economica, Paris, ,p 103; Gordon Tullock, le marché politique, analyse économique des processus politiques, Economica, 1978; Henri Lepage, demain le capitalisme, Pluriel P.32

<sup>97</sup> Tanzi Vito and Shuknecht Ludger (septembre 1996) ,La reforme de l'Etat dans les pays industrialisés, revue finances et développement, , vol 33 n.3 P3

<sup>98</sup> Marcel K. Zadi (1998) culture africaine et gestion de l'entreprise moderne, CEDA.

to come with an unpleasant decision. It kept the prices very low. Finally workers were completely demoralized.

#### 7-2:5 Restructuring and the new organizational climate

To hold back the dramatic economic situation of the company, following decisions were taken. The government should:

- Encourage its disengagement and its role will only be to orientate the national energy strategy.
- Improve financial, technical and economical performances of the energy sector.
- Incite natives to involve themselves in private initiatives by teaching them to save or buy shares.
- To decrease energy prices due to economies of scales.

Since November the 1<sup>st</sup> 2000, the role of the CIE is as follows: Future plans and national electrification campaigns are decided by the CIE that has the right to decide on prices.

The Ivorian state is involved through four main structures. The Ministry of energy is in charge with all rules. The EECI makes sure that the newly created company the CIE implements all decisions. The role of the BNEDT is to supervise all activities. Finally the Fond National de l'Energie Electrique (FNEE) has the role to defend the integrity of the country.

#### 7-2:6 The results

Only after three years of activities, the following results were achieved:

- Improvement and energy savings due to new and good quality equipments. The country that used to import energy could for the time export it to neighboring countries. Rural electrification stopped in the 1990's has started again.<sup>99</sup>
- Better quality and Power cuts that were about 50 hours/year per client have decreased to 14 hours. In 1998, the CIE had 600,000 clients.<sup>100</sup>
- The net profit the first year was 750 millions Francs Cfa. The second year, profits were 1,2 billions Francs Cfa to reach 4,1 billions in 1997.<sup>101</sup>
- The State received from 1990 to 1997 nearly 258 billions in taxes paid by the CIE.<sup>102</sup>
- The Ivorian energy sector is often taken as examples of a successful sector.

#### 7-3 Encourage bilateral and preferential agreements, such as the African Growth Opportunity Act (Agoa)

I think NEPAD shall negotiate international preferential agreements for the exports. The Ivorian exports will gain in quantity if some barriers to import in Europe were levied or removed. The Ivorian industries are faced with rigid rules often at their disadvantage. For instance, agreements between the ACP countries and the EC concern only primary agricultural goods, not manufactured or services. During his trip in Africa in 1999 Bill Clinton, the American president came up with the idea to open the American market to African exports. Africa will then export to America duty free.

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<sup>99</sup> Ivory Coast exports energy for about 11 Billions Francs Cfa a year to Mali, Burkina Faso, Togo, and Ghana.

<sup>100</sup> Marcel Kessy (1998) culture africaine et gestion de l'entrepris moderne, CEDA.

<sup>101</sup> Marcel Kessy op.cit.

<sup>102</sup> Ibid.

Nevertheless conditions were put, only textile and cotton<sup>103</sup> products were concerned and decisions to the eligibility of a country<sup>104</sup> was taken unilaterally by the US.

With the recent implementation of Africa Growth Opportunity Act (AGOA), prospects for African exporters to market in the US have become more and more attractive. Exports from the West African countries have increased to reach the level of 21 per cent in 2001.<sup>105</sup>

AGOA will also help fostering stronger commercial ties between Africa and the United States. Firms in USA may find new opportunities in privatisations of African state-owned enterprises, or in partnership with African companies in infrastructure projects and new business ventures.<sup>106</sup>

#### 7-4 Encourage reduction of governmental debt.

Most of the African countries bear a huge burden of debts. This fact can have negative impacts on enterprises when we know that governments are one of the best clients of some companies. The Ivorian total debt in 2001 was about 10520 millions USD.<sup>107</sup> It is true that France and other developed countries are Ivory Coast best clients, but countries like Nigeria, Senegal, Burkina Faso and Niger represent non-negligible clients with big orders from the Ivorian Firms. (See Chapter on Ivory Coast commercial partners, chap 5).

Since five years, Nigeria is going through a very hard economic crisis due to international low prices of oil and very huge debts. “Thus, commercial activities with Ivory Coast have decreased dramatically to a level of 8 percent in 2001”, says Mr. Koffi Kra of the National export office. Exports to others African countries are limited and socio-economic difficulties affect intra-community trade and development negatively.

I think reduction of the debts can be a real “oxygen flush” for Ivory Coast and other African countries and can enable them to tackle with other problems such as education in a better way. Some of the firms in Ivory Coast went bankrupt because of the incapacity of the State to pay back huge credits. Ivory Coast is stuck in dangerous circle where the country is “obliged” to tax the enterprises for all expenses and to finance the budget.<sup>108</sup> A debt reduction could have a positive effect especially on Small and Medium Enterprises, which can be financed.

#### 7-5 Encourage democracy and create “real” regional peacekeeping forces.

When the Marshall Plan was initiated in 1947, America and Europe knew that the plan could not work if it was not accompanied by a military and peacekeeping organisation. The North Atlantic Treaty Organisation (NATO) was created and the main objective of the organisation was to secure America and the Western world against war with each other and especially with the Eastern block.

This is also valid for Africa with all its civil wars. Wars are one of the critical problems of the continent. As we know, Ivory Coast is near a civil war. Banks, enterprises remain closed in

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<sup>103</sup> Textiles and cotton productions represent only 2 percent of the Ivorian Exports.

<sup>104</sup> Those 38 countries are: South Africa, Benin, Botswana, Cameroon, Cap Verde, Centrafrique, Congo, Democratic Republic of Congo, Ivory Coast, Djibouti, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Uganda, Rwanda, Sao-Tome, Senegal, Seychelles, Sierra Leone, Swaziland, Tanzania, Chad and Zambia in Newspaper Inter-January 6<sup>th</sup> 2003. P 5

<sup>105</sup> *Fraternite Matin*, January 18<sup>th</sup> 2003.

<sup>106</sup> [www.agoa.org](http://www.agoa.org)

<sup>107</sup> [www.imf.org/Ivory](http://www.imf.org/Ivory) Cost

<sup>108</sup> Taxes on enterprises represent 25 per cent of the country budget in 2002. *Fraternité Matin* –January the 17<sup>th</sup> 2003



the North of the country occupied by the rebels; and formal commercial activities do not exist there. Half of the Ivorian territory is under the control of the rebels and the Ecowas, through its peace keeping force has tried without success to restore peace. The reasons for the failure lays in the inefficiency of the organisation, a very heavy bureaucratic organisation of which the member states do not respect the principles.

Since the continent is not secure, investments may never be possible or profitable. The Ivorian firms that used to have countries like Niger, Burkina Faso, and Mali, as “natural markets” seemed to be pulled out from those markets by other regional and international firms. Since the beginning of the rebellion, Ivorian firms are estimated to have lost the equivalent of 300 billions Cfa Francs.<sup>109</sup> A peace keeping organisation with full and precise power is needed to secure all countries from several and starving rebel leaders whose objectives are only to get rich by despoiling civilian and countries. This is something the NEPAD should encourage. Democracy should be encouraged in all African countries in order to hinder misunderstandings that lead to rebellion. The Ivorian rebellion is the result of non-democratic elections where main oppositions leaders have been hindered to candidate. Democracy has also the advantage of creating fair business and political environment, a necessity for healthy and solid enterprises.

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<sup>109</sup> Fraternité Matin , January the 16<sup>th</sup> 2003

## Conclusion

The dashboard of the Ivorian industrial environment is not as dark as René Dumont pointed out in his book *Africa has gone from the wrong way* (My translation). Huge possibilities exist as for instance:

- A very cheap and young labour force.
- The country is rich in raw material.
- Relative good communication and telecommunication networks.
- The market is relatively virgin and not fully exploited by multinational enterprises.

Nevertheless, human and social factors hinder the Ivorian firms to “take off” and export big quantities of goods. The firms suffer mostly from the inability of their managers to transform those possibilities into real power that can boost industries and exports. The tariffs imposed on exports by the developed countries cannot only explain the misfortune of the Ivorian firms. Constraints are more endogenous than exogenous and exports cannot increase if these burdens are not removed.

Another obstacle is the lack of institutional organisation in the whole Ivorian society. Ivory Coast is in a very critical position. All aspects of its development are connected with each other. The country cannot pursue a very healthy industrial policy if it does not have enough money and capacity to implement its industrial policy. It is a kind of “poverty spiral” the country is in.

Possibility of exporting high quantities of goods does exist. Trade barriers from the developed world cannot be taken as major hindrances to exports. I really think that some basic actions on local plans as for instance better managerial methods need to be fulfilled. A firm cannot compete internationally if its leaders do not have the capacity of coping with the “bonne gouvernance”.<sup>110</sup> This is mainly why I focused in the project on local solutions for those firms to cope better with international competition.

NEPAD has a huge but not impossible task. The organisation can play an interesting role in the development of firms in Ivory Coast by helping developing these institutions. NEPAD can be a success in the condition that it talks on the behalf of the Ivory Coast and not as “a thing of five or six countries” as it seems to be right now. NEPAD should really be a pan-African organisation. The organisation can be helpful to Ivorian firms if it:

- Encourages privatisations and promote foreign investments in the country.
- Encourages African countries for a better regional or continental integration.
- Militate in favour of preferential and bilateral trade agreements.
- Militate in favour of democracy and create a real African peace keeping organisation.
- Try to convince the developed world to renegotiate or eliminate the debts of some countries.

For strategic reasons Ivory Coast does not want to privatise all its enterprises. My suggestions for further studies would be to study these companies and try to find out other possible ways for their efficiency even if they remained SOEs.

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<sup>110</sup> The Bonne gouvernance (Good managerial method) was used by President Chirac at one of the “France Afrique” summit as the key to international competition.

### **Annex: Schema d'interview.**

1- S'il vous plait, présentez votre entreprise.

- La date de création.
- La branche dans laquelle vous exercez.
- Le nombre d'emplois.
- Le chiffre d'affaires.
- La part du marché international dans ce chiffre d'affaires.
- Quels sont les pays d'exportation ?
- Les perspectives ou projets d'avenir.

2- Questions relatives à la création l'entreprise et à la croissance dans l'entreprise.

- Comment avez-vous pris la décision de créer votre entreprise ?
- Quelles sont les difficultés majeures que vous avez rencontrées ?
- Que pensez-vous des institutions d'état existantes ?
- Que suggeriez-vous pour une amélioration de ces institutions ?
- Quels sont les problèmes généraux des industries ivoiriennes ?
- Comment concevez-vous les rapports « Jeunes-vieux » ?
- Pouvez-vous vous opposer à un collègue agé que vous ?
- La culture ivoirienne n'est-elle pas un frein à l'épanouissement des industries ?
- Les entreprises ivoiriennes sont-elles compétitives ?
- Comment les rendre compétitives ?
- Quels sont les problèmes liés à l'inaction de ces entreprises sur les marchés internationaux ?
- Comment lutter efficacement contre la corruption et le manque d'initiative dans les entreprises ?
- Comment avez-vous financé votre entreprise ?
- Comment décidez-vous du financement de certaines entreprises ?
- Comment gérer au mieux les aides que nous recevons de l'extérieur ?
- Que pensez-vous du NEPAD , Peut-il réussir ?
- Qu'attendez-vous du NEPAD ?

## Appendix 2

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[www.agoa.gov](http://www.agoa.gov)

[www.idree.org](http://www.idree.org)

[www.ccici.org](http://www.ccici.org)

[www.ins.com](http://www.ins.com)

[www.odci.gov/cia/public](http://www.odci.gov/cia/public)

[www.dgi-ci.com](http://www.dgi-ci.com)

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## **Appendix 3**

### **Respondents**

Kouko Richard, Farmer from Gokra.

Inza Fofana, Entrepreneur.

Koffi Jules, Marketing assistant at Société Ivoirienne des Textiles.

N'klo Gustave, Marketing assistant at Centre de commerce international d'Abidjan.

Konan Kouakou Gilbert, Department of human resources at Société Ivoirienne de Coton.

Gougoua Jeanne, Marketing assistant, Choco plus.

Sedou Coulibaly, Entrepreneur.

Kouassi Jean-Jacques, Financial analyst, BIAO.

Blé Simon Olivier, Financial analyst, Fraternité Matin.

Kaboré Gustave, Entrepreneur.

Koffi Kra, Economist at BRVM