

THE INVESTMENT CLIMATE
IN
I V O R Y C O A S T

Prepared for
USAID
by
Business International

December 1982

1.00 INTRODUCTION

1.01 Political forecast. The Ivorian government is headed by Felix Houphouët-Boigny, who led the country to independence in 1960 and has remained president since then. Ivory Coast is, nominally, a "Western style democracy", in which the government's functions are divided between the executive, the judiciary, and the parliament. Power in Ivory Coast is, however, heavily skewed in favor of the presidency, which enacts laws and executes policy, either through direct decree, or more often, through its various ministries. The parliament acts as a ratifying body for decisions already made by the president.

No opposition parties exist in Ivory Coast although there are several factions in the official party, the Parti Democratique de Côte d'Ivoire. These factions follow diverse tendencies behind a façade of unanimity. Given the advanced age of the president (77), a political change can be expected within the foreseeable future. Mr. Houphouët-Boigny has refused to name a vice-president who would serve as constitutional successor. This has led to unease in both business and political circles. Recent events, including coups led by junior military officers in three neighboring countries (Ghana, Liberia, and Upper Volta), and the voluntary resignation of President Ahidjo of Cameroun, have pointed out the necessity of making provisions for an orderly succession while this is still possible. Should Mr. Houphouët-Boigny die while in office, it is likely that Ivory Coast will undergo a period of political uncertainty, as political and ethnic rivalries come to the surface.

Mr. Houphouët-Boigny has been largely successful in minimizing outward animosity between ethnic groups in Ivory Coast. The potential for ethnic strife remains real, however, and could be provoked by the slightest insensitivity on the part of the country's leaders, present or future. The greatest potential for rivalry is between the Baoulé, the largest of the Akan family of peoples that inhabit the southeastern Ivory Coast, and the Bété, the third largest ethnic group after the Baoulé and Djoula. The Bété, who inhabit the southwestern Ivory Coast, have been and remain resentful of Baoulé penetration of the civil service (the President belongs to the Baoulé tribe) and the reaping of the rewards that come with political power. The Bété make up an inordinately large part of the country's armed forces although they are not so well represented among the top officer corps. The President has recently dampened speculation that he was planning to name Henri

Konan Bedié as vice-president, because Bedié is a Baoulé, and is said by many to have been raised by the President.

The man who preceded Konan Bedié as President of the National Assembly (parliament), Phillipe Yacé, was long considered the heir apparent to Mr. Houphouet-Boigny. In 1979, however, the two had a falling out, and the president publicly dressed Yacé down for taking on too much authority during his absence from the country. Of the leading politicians in the country, Mr. Yacé has the greatest stature and experience, and is widely respected, if not feared, for his competence and sense of discipline. His chances of making a political comeback should not be minimized, especially should the President fail to designate a successor before vacating his office.

The security of contractual arrangements in Ivory Coast is excellent. In business matters, the country's judicial system is relatively honest and impartial. The civil service in Ivory Coast is efficient by regional standards. Bureaucratic procedures and regulations are regularly adhered to and corruption is relatively mild, but the civil service can be painstakingly slow in reaching decisions.

Ivory Coast is an exceptionally open country by Third World standards. The historic ties with France have been continued, and even strengthened, and the tenacity of the French hold on Ivorian commerce can be somewhat disconcerting for someone unfamiliar with the country. Since the economic downturn of 1980, however, the government has made efforts to increase competition among foreign bidders for major contracts. The French share of Ivorian markets and investment has been declining, as the US, Japan and other western countries have shown new interest in Ivory Coast.

Ivory Coast belongs to two major regional trading groups, the West African Economic Community (Communaute Economique de l'Afrique de l'Ouest -- CEA0) and the Economic Community of West African States (ECOWAS). The CEA0 members, which include Mali, Mauritania, Niger, Senegal and Upper Volta, accord each other's products preferential duties. ECOWAS is comprised of these countries plus Benin, Cape Verde, Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Nigeria, Sierra

Leone and Togo. ECOWAS' goal is an eventual free-trade area and a unified currency. For the time being, the only operating monetary union is the West African Monetary Union (WAMU), composed of Benin, Ivory Coast, Niger, Senegal and Upper Volta, which unites these countries in the franc-zone currency group pegged to the French franc (1.04).

1.02 Attitude toward free enterprise. The Ivorian government follows a policy of planned liberalism, with a strong emphasis on free enterprise. During the last two years, the state has been reducing its participation in the economy, and the current five-year plan calls for even less government intervention and greater openness to foreign capital. Any foreseeable future government is likely to be more or less free-market oriented. While high-ranking politicians have been known to use their influence to protect their own business interests, this is the exception to the rule, rather than the norm in Ivory Coast.

1.03 Market Forecast. The Ivorian GNP grew at an average annual rate of approximately 6.5% in 1976-1980 but stagnated after that. GDP declined an estimated 1% per year in 1981 and 1982 and will probably show no growth again in 1983.

Ivory Coast, the world's leading producer of cacao and fourth ranking in coffee, is suffering from the world slump in commodity prices. However, sizable petroleum reserves have been found and a second promising field began production in August 1982. So oil could boost the economy in both the import-substitute and export spheres soon. Over the medium-term, however, Ivorian growth should pick up again, thus pushing up the annual average rate for the next five years to approximately 4.5%.

Ivory Coast's inflation rate over the past five years has been running at about 12% yearly. Over the next three years inflation could ease to about 10% as the government cuts down on spending and wage increases.

The Ivorian Development Plan for 1981-1985 is basically aimed at retrenchment. (Ivory Coast is the recipient of help from the International Monetary Fund and is thus tied to an austerity program until its economy has recovered from the current downturn in

world commodity prices.) Since the country began encountering debt-servicing problems in late 1980, budget emphasis has been on reduced state expenditure, austerity and concentration on development projects already in progress. During the 1981-85 period, the government will abstain from undertaking major new projects, with the exception of the huge dam which is scheduled to be built at Soubré. Financing for the dam is currently being solicited (the cost is estimated at approximately \$500 million). Construction should be completed in 1987, when the country will sorely need the added electrical power. The development plan also emphasizes crop diversification and self-sufficiency in food production. The government's five-year plan seems realistic although experts feel that the growth rates projected for the period may be slightly exaggerated.

1.04 Currency outlook. Ivory Coast is a member of the West African Monetary Union (WAMU) along with five other West African states. The countries share a common currency, the CFA franc, which is issued by a common central bank, the Banque Centrale des Etats de l'Ouest (BCEAO). The convertibility of the CFA into the French franc is guaranteed through a monetary cooperation agreement with France. The exchange rate is officially maintained at CFA50 per French franc. Currently, one US dollar equals about CFA350.

The Ivory Coast usually runs a surplus on its trade account, recently amounting to \$500-600 million a year. But there is a major deficit on the services side, recently running at \$1.0-1.3 billion per annum. Since the country ran up its foreign debt (now estimated at \$500 million) to continue financing its development program, and foreign investors remitted sizable dividends, the current-account deficit increased to CFA1,456 billion by end-1981. With the debt-service ratio at 35% of export earnings, the red warning light went on.

Help came from an IMF loan of \$123 million in compensatory financing for the falls in cacao and coffee revenues. One of the conditions of the IMF loan reportedly was that medium-term commercial borrowing should be kept to under \$660 million a year. And the World Bank made two loans, \$150 million to restructure and revitalize the economy and \$16 million for a complementary program of technical assistance. The World Bank program aims at improving economic management, public investment programming, agricultural sector planning and pricing policies. Both these projects should therefore help reduce the debt-service ratio

over the next two years.

Ivory Coast received development loans from a number of sources in 1982. France's Caisse Centrale de Cooperation Economique (CCCE) lent the equivalent of \$66.7 million for the restructuring of rural companies, development of the savannah areas and implementation of the national water program. Loan beneficiaries include Cie Ivoirienne pour le Développement des Textiles (CIDT), Palminindustrie (see 2.02), Satmaci, Sodrepa and Fonds National de l'Hydraulique. And the Japanese announced a \$19 million untied loan for improving the road network. This will run for 25 years (seven-year grace period) at 4.25% annual interest.

1.05 Attitude toward foreign investment. The country remains firmly attached to a policy of attracting as much foreign investment as possible, and has stated this explicitly in its development plans. No change in this policy is expected.

1.06 Amount of foreign investment. Total foreign investment in Ivory Coast is estimated at \$1.5 billion, much of it in the services sector. The paid-up capital of foreign industrial companies reached about \$200 million in 1981, according to the Chambre des Industries. Some 60% of the capital was French, another 11% Swiss while the US, Benelux and the UK each accounted for about 5%. The French portion of the total used to account for about 67% but has fallen off by about 10% as other countries increased their share. The main industries attracting foreign investors are textiles, petroleum, construction and food processing.

1.07 Examples of foreign investment. Foreign companies investing in Ivory Coast report that government officials are helpful and that the incentive program (see 10.01) compares favorably with the rest of the region. They are also impressed with Ivorian infrastructure and the fact that the currency is convertible.

Two major investments occurred within the past 12 months:

- The Netherland's DAF set up a joint venture with its distrib-

utor to produce heavyweight trucks, Société Ivoirienne de Construction des Camions DAF (SIDAF). The Dutch partner will contribute 60% of the \$290,000 capital and the local distributor, Farhat Frères, 40%. SIDAF assembled 100 trucks in 1982 and expects to reach full annual capacity of 200 trucks in 1983. Full servicing facilities have been set up in Abidjan's Vridi area.

- Unilever (UK/Netherlands) acquired 40% of Blohorn, a major soap and palm oil products manufacturer. Blohorn's annual turnover was running at a \$100 million annual level in 1981. Some 20% of Blohorn's shares are held by private Ivorian interests and the government's approval depended on these shares remaining in local hands.

1.08 Profitability of foreign investment. No figures are available on profitability of foreign investors but one firm reported that its operation moved into the black after five years of operations. Since priority companies are allowed a tax holiday for five years from the date set in the agreement with the government (10.04), they should keep a possible long incubation period in mind when drawing up the investment accord.

1.09 Official sources of information. The most important source of information for foreign investors is the Center for Assistance and Promotion of National Enterprises (CAPEN), Immeuble La Pyramide, Boîte Postale 271, Abidjan, telephone 32-01-45. Other helpful organizations, all in Abidjan, include the Chamber of Industry, 11 Avenue Lamblin, Boîte Postale 1758, telephone 22-55-04; Chamber of Commerce, 6 Avenue Joseph Anoma, Boîte Postale 1399, telephone 32-46-79; and the Chamber of Agriculture, 11 Avenue Lamblin, Boîte Postale 1291, telephone 32-16-11.

2.00 STATE ROLE IN INDUSTRY

2.01 General. The Ivory Coast is strongly committed to a system of free private enterprise and economic liberalism, but has nevertheless found it necessary to intervene in certain industrial sectors, primarily to maintain industries in the least developed areas of the country. This serves to fill the gaps left by private investors in less profitable areas, and helps sponsor projects that would be too large for any one company to undertake.

A case to emphasize the point that state-owned industry has to support rather than dominate private industry is the project for a paper pulp plant. Imports of paper products are a major drain on the Ivory Coast's foreign exchange reserves, yet the Ivory Coast exports wood, the basic raw material for paper. Hence the government's involvement in the project whose total value is conservatively estimated at about \$450 million. The government has been looking for a willing international company to provide the capital as well as the technology to implement this project, but so far there has been no taker. Aside from the technical difficulties, the problem still remains that an investment of \$450 million is too big in relation to the size of the local market. While the search for an investor is still on, the government is coming to realize that this should be a state investment, perhaps with some participation by the international company to provide part of the equity as well as the technology and management knowhow. If this solution is adopted, the new state investment will not encroach on the private sector, but will highlight, once again, the occasional need for state intervention in industry.

In January 1980, President Houphouet-Boigny reversed his previous policy of state ownership after the state sector suffered enormous setbacks due to corruption and inefficiency in state-owned and managed enterprises. Overnight, the government policy became one of minimal state participation in the economy. Out of the country's 36 parastatal firms, 15 were dissolved, 11 were completely reformed, others were merged and a few examples of profitable firms (or those of great political or strategic importance) left untouched. Despite the new political will, the government was unable to back away from certain losers such as Sodesucre, and Palmindustrie, which provided so many jobs in otherwise underdeveloped regions that their dissolution would be unwise politically.

The state has since restricted its role in industry to infrastructure and public works projects. The best example of this

is the huge Soubre dam project (1.03) for which federal and state governments are supplying a part of the capital. The rest will be borrowed abroad by the government or by the state-controlled electric company with a state guarantee.

Minister of Planning, Seri Gnoleba, in a recent presentation on economic perspectives of Ivory Coast, said that the 1981-1985 government development plan is based on an annual expected 5.7% growth rate for that period. Growth for the preceding period of 1976-1980 was 7.5% and growth this year and last have been practically non-existent. Mr. Gnoleba's predictions of renewed growth are presumably based on expectations of oil revenue, plus better prices for the country's primary products, which are both problematical. At any rate, the majority of the country's growth is expected to be in the agricultural sector, where revenues will be reinvested to increase self-sufficiency in food and exports. The government's priorities during this period will include reducing state involvement in the economy (as discussed above), and reducing the country's external debt.

No figures have been given on prospective budget outlays during 1983-85, but the government's rate of capital expenditures during the last two years has remained nearly constant (after adjustment for inflation). Total capital expenditures for 1982 were CFA292.0 billion.

GOVERNMENT CAPITAL EXPENDITURES BY SECTOR

		(Billion CFA)			
		1981	%	1982	%
10-11	Agricultural development	70.7	26.1	91.3	31.3
12	Industry and mining	1.2	0.4	3.3	1.1
13	Development of the services sector	8.9	3.3	2.1	0.7
21	Transportation	67.5	24.9	67.2	23.0
23	Energy	4.0	1.5	5.1	1.7
31	Housing and urban development	35.8	13.2	44.3	15.2
32	Social development	-	-	0.6	0.2
33	Sanitation and health	2.7	1.0	0.8	0.3
34	Rural development	0.8	0.3	1.5	0.5
41	Cultural development	0.7	0.2	6.4	2.2
42	Education	42.1	15.5	37.2	12.7
51	Studies and research	0.6	0.2	1.0	0.3
52	General administration	25.6	9.5	19.6	6.7
53	Defense	10.0	3.7	11.7	4.0
TOTAL		271.3	100.0	292.0	100.0

2.02 State-owned industry. As stated above, the Ivorian policy since 1980 has been to liquidate most state-owned firms, and reorganize the remaining state-owned entities. Of the 36 "parastatal" firms that existed before 1980, only seven have survived without major change. The seven survivors are: Air Ivoire, Caisse de Stabilisation, Palminindustrie (which had lost at least CFA15 billion up to 1980), Petroci, Sitram, Sodemi, and Sodesucre (also lost at least CFA15 billion as of 1980).

2.03 Nationalization policy. There is at present no nationalization policy in Ivory Coast, and none is foreseen.

3.00 ORGANIZING

3.01 General. All direct foreign investments in Ivory Coast, whether for the establishment of a company or the purchase of a local firm, must be approved by the Ministry of Economy and Finance (MEF). Approval is obtained at the same time for investment incentives (10.00). Expatriate employees need work permits (12.07).

3.02 Basic approval procedure for new investments and expansions. Foreign companies apply to the MEF for permission to invest, giving in the application complete information on the investing company; full financial, legal and descriptive data on the type of investment; and information on the investment's scope and intended results (location, size, number and type of expected impact on foreign trade and local business, etc.)

While final approval rests with MEF, its officials consult with other ministries (Industry, Agriculture, Commerce) depending on the sector involved. Investors suggest that the Center for Assistance and Promotion of Enterprises (CAPEN - see 1.09) should be approached for information and help early in the negotiations.

When the application for investment approval is made, companies should also negotiate for priority status with the Ministry of the Plan and Industry (see 10.03). A number of industries processing local materials, manufacturing goods for mass consumption or mining or producing petroleum qualify for benefits (10.02).

3.03 Industries not open to foreign capital. There are no actual prohibitions on foreign investment in certain industries but foreigners are not allowed to invest in utilities or the local media.

3.04 Limitations on foreign equity. As in any free enterprise system, there are no constraints as to type of establishment or equity ownership applying specifically to foreign investments. However, the process of indigenization, (Ivorianization) is proceeding slowly, even though less drastically than in most other African countries. The day may come when the government will frown upon 100% foreign-owned companies, especially in key industrial sectors. Generally, foreign companies are advised against 100% ownership, even though this is legally possible. Also, taking aboard an Ivorian partner from the beginning can spare the foreign

company a considerable amount of minor but nagging difficulties.

3.05 Building and related permits. Industries locating in urban areas need construction permits from the Ministry of Construction. As long as the factories are set up in industrial zones, this is not hard to obtain.

3.06 Acquisitions of real estate. There are no problems in acquiring urban real estate; in fact, the government encourages residential construction (see 10.03.) Real estate in the industrial zones may only be leased for terms of up to 30 years.

3.07 Acquisitions and takeovers. Approvals for acquisitions must be obtained from the Ministries of Economy, Industry or Commerce, depending on the type of firm. In acquiring a company with shares listed on the stock exchange, the purchaser should try to maintain the same amount of Ivorian investor ownership (see Blohorn example in 1.07).

3.08 Local content requirements. There are no important local-content rules although companies manufacturing or processing coffee, sugar or other locally available commodities would be required to use Ivorian materials. Priority-status companies usually agree to use Ivorian equipment as long as price, quality and delivery dates are comparable.

3.09 Mandatory membership. None.

3.10 Establishing a local company. The most important and most frequently used company form is the corporation (société anonyme, or SA). Smaller companies, particularly sales subsidiaries, often use the limited liability company form (société à responsabilité limitée, or SARL). A SARL may not issue securities to the public, and the transfer of shares is restricted. (Detailed descriptions of the requirements of the SA and SARL are given in the accompanying box). Companies also use the branch form (see below).

The procedure for setting up a local company, assuming its shares are not to be publicly listed, is as follows. The founders temporarily deposit with a notary or bank the initial capital (which is blocked only during the period of registration), and

the articles of incorporation are signed by the founders. The company must enter its name in the Commercial Register, enrol with the tax authorities, and register with the labor authorities.

Complying with the procedures is not particularly difficult. Once registration in the Commercial Register is completed, an announcement of the firm's or branch's establishment must be made in the local newspapers along with an extract of the bylaws.

3.11 Establishing a branch. Any foreign company can establish a branch in the Ivory Coast with the same rights as an Ivorian entity. In addition to the authorizations previously mentioned, the investor must file with the courts attested copies of the articles of incorporation, bylaws, statutes or other documents creating the company and copies of an extract of the board minutes deciding the creation of the branch. He must also publish an announcement of the establishment of the branch, including the name of the company, address of the parent firm, nature of activities of the branch, names and titles of managers or office authorized to act for the company in the Ivory Coast.

The accounting records of the branch must be in the official language (French) and stated in the local currency. The company must cite on billings and letters the registration number it receives from the Commercial Registry.

REQUIREMENTS OF AN SA AND AN SARL IN IVORY COAST

SA

SARL

Capital

Minimum of CFA1 million. Capital contributions in kind must be evaluated by an official court-appointed appraiser and approved by founders' assembly. 5% of annual distributable profits must be set aside in legal reserve until the reserve equals 10% of capital.

Minimum CFA500,000 divided into equal parts, each with a stated or par value that cannot be less than CFA1,000. Reserve requirements same as for SA.

Founders, shareholders

Minimum seven, no restrictions on nationality or residence.

Minimum two, maximum 50; no nationality or residence requirements.

Board of directors, management

A board composed of 3 to 12 elected shareholders (conseil d'administration) whose chairman (president-directeur general) is chosen by the board and has complete management responsibility. No nationality or residence requirements.

One or several managers (gerants), who must be persons, not entities. They need not be shareholders. They are elected by majority of capital, or as provided for in articles of association. No nationality or residence requirements.

Disclosure

All SAs appoint statutory auditors at annual meeting, and must publish annual balance sheet, P&L statement and quarterly sales figures for each branch of activity.

No annual audit requirement. The manager is obliged to call annual meeting when there are more than 20 shareholders and reveal all relevant business.

Taxes and fees on incorporation

1% on value of capital contributions in kind and capital in cash up to CFA2.5 million, lower on higher amounts. There is a 12% transfer tax if the contribution consists of real estate or goodwill. Fees are nominal.

Same.

Types of shares

Registered and bearer permissible. Nonvoting shares are prohibited, but registered shares with double voting rights are permitted if they are entirely paid up and held more than two years. Minimum nominal value is CFA1,000.

A shareholder who wants to sell out is limited by law and the firm's bylaws. Generally, he must give other shareholders three months' notice, in which time the latter must indicate if they want to purchase (which must be done in another three months).

Control

At the compulsory annual meeting, shareholders that represent more than 50% of the owners present exercise control for most matters. However, to change bylaws, a majority of stockholders must be present and must account for at least 75% of capital.

No compulsory meeting unless there are 20 shareholders but otherwise rules are the same.

4.00 RULES OF COMPETITION

4.01 General. Ivory Coast's "free competition" or antitrust laws date from July 1978. Though far from being fully enforced, the laws are quite complete and contain both antitrust and market dominance provisions. Application of the free competition laws is not restricted to one legal agency. The laws may be applied by the judiciary, the Ministry of Commerce, the Ministry of State, etc. The laws most directly concern larger businesses and industries; small businesses and artisans frequently escape the scrutiny of the relevant authorities.

In an economy of this size and diversity, concerted action among companies to limit competition is an infrequent problem. Much more frequent is the lack of competition for a company producing goods in a given sector. In other cases, one company with overwhelming market strength is a market leader and determines the nature of competition.

4.02 Monopolies and market dominance. There is no law against monopolies in Ivory Coast. There are, however, laws which seek to prevent monopolies from arising where competition already exists. For example, it is illegal for a company to sell at a loss, in order to push other firms out of a given market.

4.03 Mergers. Approvals for company mergers must be obtained from the Ministry of the Economy, the Ministry of Industry, or the Ministry of Commerce, depending on the nature of the firms in question. Horizontal mergers are frowned upon, but approval of such mergers is possible, especially if the firm being acquired is in financial difficulty. Mergers of companies having raised capital on the Abidjan Stock Exchange must not bring about a reduction in the proportion of Ivorian equity.

4.04 Freedom to sell. A manufacturer must sell to whomever seeks to buy the goods in question and is willing to pay cash. Discounts for bulk orders are allowed. There are provisions in the commercial laws protecting established authorized dealerships of imported goods from unauthorized trade in those goods.

4.05 Resale price maintenance (RPM). A manufacturer cannot enforce a minimum resale price, though selling at a loss is prohibited. Recommended resale prices are commonly used and adhered to.

5.00 PRICE CONTROLS

The political arm of the Parti Democratique de Côte d'Ivoire (PDCI) decided in 1981 against extending price controls beyond a very restricted list of goods, such as rice, beverages, gasoline, etc. Though prices of luxury commodities such as top-grade rice are not controlled, mass-consumption staples are controlled. Thus a practical import barrier is imposed due to the limited size of the local market for such luxury commodities. Controls are not applied directly to imports, but are imposed at the wholesale and retail levels for most goods.

6.00 LICENSING

6.01 General. Ivory Coast is a member of the African and Madagascan Bureau of Industrial Property Rights (Office Africane et Malgache de la propriété industrielle - OAMPI). This organization has established a common system for obtaining and maintaining protection for patents, trademarks and industrial designs among its member states (Benin, Central African Republic, Gabon, Ivory Coast, Mauritania, Niger, Rwanda, Senegal, Togo and Upper Volta among others). The OAMPI bureau is located in Yaounde, Cameroun at Boîte Postale 887.

6.02 Patent and trademark protection. The OAMPI agreement includes a preliminary examination consisting of a novelty search but patents can still be challenged in the courts; they become fully validated only if successfully defended. On the whole, courts in OAMPI member states tend to be conservative in disposing of industrial property rights.

Ivory Coast adheres to the Paris Convention, and a patent applicant may benefit from priority for up to one year if application has been made in another country (six months for trademarks). Also, there is protection against arbitrary cancellation of patents and trademarks for nonuse.

6.03 Legal and administrative limitations on licensing. Ivorian companies may enter into any sort of licensing agreement with foreigners. Licensing agreements usually run four to five years: the maximum is 10 years. Automatic renewals are frequently built into agreements. A licensing agreement may not outlast the patent right for which it was granted. Know-how is licensable.

The Ivorian party to a licensing or technical-assistance agreement or to the renewal of an existing agreement must notify OAMPI within one month after execution of the agreement but licenses and technical-assistance agreements are not made public. The licensee then receives a registration number, which is required by the central bank for royalty transfers. Without such a number, the licensee is not permitted to sue for patent infringement. If royalties are too high (particularly if payment is made from an Ivorian subsidiary to a foreign parent), the Ministry of Economy may forbid the excess amount to be deducted for tax purposes or for payment of royalties.

There are no legal restrictions on limiting the export territory of licenses. Tie-in clauses (forcing licensees to purchase certain supplies) are legal if technological necessity can be proved. When tie-in clauses are used, it is advisable to set royalties at rates lower than normal.

6.04 Royalty and free patterns. Royalty rates vary according to normal commercial considerations. Ivorian licensees may be denied tax deductions for payments exceeding 5-6%, although significantly higher rates would be deductible if technologically justified.

PATENTS AND TRADEMARKS IN IVORY COAST

Conventions. Paris Convention 1883-1958, Arrangement of Madrid (Madrid Union) 1891-1957.

Basic laws. Agreement of the African and Madagascan States on Industrial Property Rights (OAMPI).

PATENTS

Type and duration. Patents: 20 years from date of application; patents of addition: unexpired term of main patent; certificates of utility (no novelty requirement): six years from date of application.

Novelty. Generally, if the invention does not belong to the state of the art (e.g. anything made accessible to the public anywhere by written or oral description, public use or other means).

Unpatentable. Not having an industrial character; not being inventive; methods of finance, abstract systems, computer programs; contrary to public order or morals. Drugs and medicines are patentable.

Application procedure. Inventor or assignee applies (nonresident applicants must appoint a local agent) to OAMPI, Boite Postale 887, Yaounde, Cameroun. Applicant must not only describe his invention but also formulate specific claims (patent does not go beyond these claims).

Examination procedure. Examination is made as to formal correctness and novelty.

Fees. Consult local lawyers.

Compulsory licensing. Working must take place in Ivory Coast within three years of granting or four years of filing, whichever is later. Working may not be interrupted for more than three consecutive years. Compulsory licenses may be granted in cases of nonworking; also for dependent patents, and in the interest of public health or national defense. A license of right may be granted for a product not manufactured by the owner and offered to a third party in sufficient quantity.

TRADEMARKS

Duration. Ten years from filing date, renewable for like periods.

Legal effect. Registration confers proprietary rights. Owner of a well-known mark may claim annulment of the registration within five years, if it causes confusion with his own mark.

Not registrable. Marks contrary to public order and morality, deceptive marks, generic designation, marks composed exclusively of terms indicating the essential quality of the product or service. Service marks are registrable. The registration of a family name will not prevent another person of the same name from making use of it, but the party that first registered the name as a trademark may take legal action to control its use when confusion is likely to result.

Procedure. Application on prescribed form with five copies. No examination as to conflicting prior registration. No procedure for opposition.

Fees. Consult local lawyers.

INDUSTRIAL DESIGNS AND MODELS

Maximum 50 years' protection (first five to 25 years may be sealed). Fees vary according to the way designs are registered.

7.00 REMITTABILITY OF FUNDS

7.01 Exchange controls are governed by Laws 67-285 of June 30, 1967, Decree 68-951 of Dec. 16, 1968 and Ruling 8816 of Dec. 22, 1968. In essence, they provide that the CFA franc cannot be exported from the Ivory Coast nor be exchanged for nonfranc currencies without the approval of the economic affairs department of the Ministry of Economy and Finance (MEF). An order dated Dec. 23, 1968 sets forth a number of operating rules and includes general authorization for payments in certain transactions for transfer outside the zone. The list is extensive and includes among others purchases and related expenses; commissions; advertising; insurance; travel expenses; royalties on patents, trademarks, licenses, etc; interest, rent, dividends; income of branches and other income from foreign capital invested in the country; and repatriation of capital. All payments must be made through approved institutions (intermediaires agréés).

Foreign exchange for imports from countries other than those in the franc zone (France and its overseas departments and territories, Monaco and the countries of the West African Monetary Union - WAMU) may be purchased either on the settlement date specified in the contract or at the time when the required downpayment is made. Forward cover is available for one month for List A goods and three months for List B ("essential") goods. Imports from and payments to France, French territories and WAMU are not subject to exchange controls.

Export payments must not be delayed more than 180 days after goods arrive at their destination. Export proceeds must be surrendered within 15 days of the due date.

Foreign investors report that Ivorian exchange controls are not burdensome.

7.02 Transfer of profits and dividends is permitted if a foreign investment has been approved by MEF. (See 3.01 for approval rules.)

7.03 Transfer of interest is allowed if a foreign loan has been approved by MEF.

7.04 Transfer of royalties and fees is permitted only when the related technical service agreement has been approved by the authorities (6.03).

7.05 Repatriation of capital. (See 7.02).

7.06 Repayment of principal. (See 7.03).

7.07 Guarantees against inconvertibility are offered if the investment is approved when it was originally registered. The exchange rate is that available on the day of transfer. US investments in Ivory Coast approved by that government are eligible for the guarantees offered by the US Overseas Private Investment Corp (OPIC).

8.00 CORPORATE TAXES

8.01 General. The Ivory Coast tax system is composed of a series of taxes (impôts cédulaires) based on the nature of the income. Most companies are taxed under the schedule for industrial and commercial income, which is the equivalent of the corporate income tax. Other types of income taxed under the various schedules are salaries and wages, dividends and interest, income from real estate, professional income and profits from agricultural activities.

All businesses generally have to close their books on September 30. Companies in their first year of operation may terminate the taxable year on the first September 30 following establishment or may extend the tax year to a maximum of 15 months.

Numerous tax exemptions and incentives are granted to newly established companies in priority sectors (see 10.04).

8.02 Corporate income tax rates. For companies operating in the Ivory Coast, the effective corporate income tax burden is 50%. This includes the basic corporation tax of 40% and a 10% surcharge (contribution aux Fonds National d'Investissement - FNI).

The 10% FNI contribution can be recovered by investing. There are two categories of qualifying investments. Category 1 investments comprise the issuing of share capital in companies engaged in industrial, commercial or agricultural business, or an increase in capital of such companies, or investment in real estate development. Prior approval is required for the investment. The maximum refund is one-third of the amount invested (one-quarter for real estate investment) and the minimum investment required is CFA10 million (CFA15 million in the Abidjan area). Category 2 investments comprise FNI bonds. The maximum refund is two-thirds of the amount invested and there is no minimum investment required. Currently the FNI bonds have a 12-year maturity and carry a 7% interest rate.

In addition to corporate income tax, foreign-owned companies also face a 12% withholding tax on dividends paid to a foreign parent. (The effective rate is 6% on the net income after corporate tax of 50%.)

There is a lump-sum minimum tax payable of CFA400,000 for all companies except those in their first year of operation not exceeding 12 months. The minimum is composed of the 40% corporate tax on the first CFA1 million of net income and can be offset against corporate income tax payable if a company has taxable income greater than this. Companies granted tax exemption for new foreign investment (see 10.07) are exempt also from the flat rate tax.

Branches of foreign companies are liable for corporate income tax as described above. In addition, their profit remittances are subject to the 12% withholding tax on dividends (effectively 6%).

8.03 Taxable income includes the net profits arising from activities carried out by an enterprise in Ivory Coast. To arrive at net profits, companies may deduct general business expenses, actual depreciation taken (see 8.04), taxes paid other than the corporate income tax or the flat-rate minimum tax, reserves for possible losses and losses incurred over the past three years.

Interest paid to a related company is deductible as long as the rate does not exceed the normal central bank discount rate plus three points interest; royalties or service fees paid to nonresidents must be documented and should not exceed "reasonable levels."

With prior approval from the Ministry of Finance, companies may deduct an investment allowance of 50% for investment in manufacturing, assembly or the construction of new buildings. The maximum allowance is 50% of taxable income for any year, but any unused allowance may be carried forward three years, subject to the same ceiling. This allowance does not reduce the depreciable base and it is not allowed as a deduction for the FNI compulsory investment.

Losses may be carried forward three years and back three years. In a loss year, depreciation may be deferred for tax purposes and may be carried forward indefinitely.

8.04 Depreciation. Straight-line depreciation is the only

method generally recognized. Depreciation rates are based on actual useful life and not set by law or regulation. The following rates are usually acceptable:

	<u>Life</u>	<u>Rate</u>
Buildings	20 years	5% per year
Office furniture	10 years	10% per year
Automobiles	3 years	33-1/3% per year
Office machines and equipment	5 years	20% per year
Organization expenses (frais d'établissement, not more than	5 years	20% per year

Accelerated depreciation is available for certain assets. New equipment and machinery used exclusively for industrial operations, transportation or agriculture may be depreciated at double the normal rate in the first year. Also, 40% of the cost of buildings constructed to house personnel may be claimed in the first year. Such buildings must meet certain housing and health standards. This rapid acceleration is treated as a reduction of cost, thereby reducing annual depreciation over the normal life of the assets.

Land and goodwill are not depreciable. Other intangibles with a fixed life may be amortized and treated as an amortization item.

In a loss year, depreciation can be deferred for tax purposes and carried forward indefinitely.

8.05 Schedule for paying taxes. Companies are required to file their tax returns by December 31 or within three months of the close of the fiscal year, September 30. Failure to file incurs a 50% penalty and late filing a 25% penalty.

The examination of income tax returns is performed by the Administration des Impôts. When adjustments are proposed, the taxpayer must be notified; he then has 20 days within which either to accept the adjustment or file a protest. The Administration cannot institute action to change taxable income after December 31 of the third year following the year within which the taxable year

ended. Claim for reduction of assessments or refunds of tax paid must be filed no later than 12 months from the date the tax was due.

Tax payments are due as follows: one third on filing the return; one third within three months of filing; and one third within six months of filing. Late payments incur a 5% penalty plus 1% per month of delay.

8.06 Excess profits tax. None

8.07 Capital taxes. None

8.08 Capital gains are considered normal income and taxed at the full rate. However, if the company undertakes to reinvest an amount equal to the gain resulting from a sale of capital assets (including real estate, plant and equipment) within the three years following the end of the taxable year, the capital gain is tax-exempt.

Gains on sales of portfolio investments held for at least five years can also qualify for tax exemption. However, only purchases of participations with the effect of increasing ownership (to at least 30%) in an unaffiliated enterprise will qualify as reinvestments. The basis for depreciation and computation of gain or loss is reduced by the tax-exempt gain.

In the event reinvestment is not made within the three-year period, or the company is liquidated, the gain is added to income at that time.

8.09 Taxes on dividends. There is a withholding tax on distributed dividends (Impôt sur le revenu des capitaux mobilières - RCM) that is levied at a 12% rate. Priority companies enjoying exemption from corporate income tax must pay 18%. For the Ivorian branch of a foreign company, the tax is withheld on 50% of the branch's taxable income so the effective rate is 6%. Distribution

of capital before the dissolving of a company and fees paid to directors and shareholders are also subject to this tax.

Double tax treaties can reduce the tax on branch profits (see 8.12).

8.10 Taxes on interest. Interest, except on advances from Ivorian banks, is subject to Impôt sur le revenu des créances (IRC). The withholding tax is levied at an 18% rate on the gross i.e. tax-inclusive amount for an effective rate of 21.95%. Currently, a 9% rate applies to short-term commercial loans or credits. Interest payments to nonresidents are also subject to sales tax (TPS - see 8.14) on the gross amount. However, double tax treaties can reduce the withholding tax - see 8.12.

8.11 Taxes on royalties and fees. Royalties and management fees paid to nonresidents are subject to Impôt sur les bénéfices non commercial (BCN). The withholding tax is imposed at a 20% rate on the gross i.e. tax-inclusive amount for an effective 25% rate. Royalties and fees are also subject to sales tax (TPS - see 8.14) on the gross amount. Double tax treaties can reduce the withholding tax - see 8.12.

8.12 Tax treaties. Ivory Coast has entered into double tax treaties based on the OECD model with France, Belgium, Norway, West Germany and the member states of the Organization of African, Madagascan and Mauritian States (OCAM - comprised of Benin, Cameroun, Central African Republic, Chad, Congo, Gabon, Ivory Coast, Madagascar, Mauritius, Niger, Rwanda, Senegal, Togo, Upper Volta and Zaire). The West German treaty has not yet been ratified by the West German government. Treaties with Italy and Canada have been signed but not yet ratified, and a treaty with the U.K. is currently under negotiation.

None of the treaties with the four European countries reduce the withholding tax on dividends but the withholding taxes on interest, royalties and branch profits are sometimes lowered.

HOW TAX TREATIES REDUCE WITHHOLDING TAXES

	<u>Interest*</u>	<u>Royalties*</u>	<u>Branch Profits**</u>
Normal rate	18%	20%	12%
France	18%	nil	12%
Belgium	16%	10%	nil
Norway	16%	10%	12%
West Germany***	15%	10%	nil

* on gross (tax-inclusive) amount

** on after-tax profits

*** The West German treaty has not yet been ratified by the West German government but these are the reduced rates.

8.13 Taxation of headquarters companies. Non-profit headquarters companies are usually subject to the flat-rate minimum tax of CFA400,000 but may be exempted from this by special authorization of the Ministry of Finance. Headquarters companies showing a profit are taxed at the same corporate tax rate as ordinary companies (8.02).

8.14 Turnover, sales and excise taxes. Ivory Coast uses a value-added tax (VAT) system. VAT is paid on the increment in the sales value of a product each time it changes hands. In practice, a manufacturer or dealer deducts the tax already paid by him to his suppliers on products (or components) incorporated in his manufacturing process from the tax paid by his own customers on his sales to them. VAT is refunded to exporters and is applied at the border to imports on customs value plus duties. (Imports of goods to be resold without any further processing are taxed differently - 13.03). VAT applies to all manufacturers, wholesalers and retailers.

The normal VAT rate is an effective 25% on the net amount payable, i.e. 20% on the gross tax-inclusive amount. There is a reduced effective rate of 11.1% and a higher effective rate of 35.13%.

A similar sales tax is applied to services (Taxe sur les

prestations de services - TPS). TPS is not normally creditable against VAT; the exception is the TPS on interest on nonresident bank loans to Ivorian businesses, other bank charges and freight forwarding costs. TPS is an effective 25% on the net amount payable, i.e. 20% on the gross tax-inclusive amount. There is a reduced effective rate of 10% on short-term commercial loans.

8.15 Other taxes. A business license tax (patente) is levied annually. It is based on two elements: a fixed assessed value, based on the nature of the business, and a proportional levy based on the rental value of premises. The amount of tax varies but might typically be in the region of CFA1 million.

Payroll taxes (Contribution à la charge de l'employeur) are paid by the employer on the taxable income of employees, who must themselves also pay personal income tax (see 9.00). Payroll taxes are paid monthly in the same way as employee withholding taxes at effective rates of 10% for local labor and 16% for expatriates.

There are also property taxes, stamp taxes and registration duties on capital contributions to companies.

9.00 PERSONAL TAXES

9.01 General. Individuals are subject to taxes on several different types of income: the income tax (cédulaire) for small merchants and farmers with local businesses. This is principally the same as for corporations for industrial and commercial taxes, but it includes a small tax on salaries and the dividend and interest tax; the personal income tax (Impôt général sur les revenus -IGR) which is levied on all income (including that subject to the corporate income tax) at progressive rates up to 60%; and the tax on salaries and wages, which is levied on 80% of total compensation at a 1.5% rate.

A foreign executive resident in Ivory Coast and employed by a company operating there would be subject primarily to personal income tax and the tax on salaries and wages.

9.02 Persons liable to tax. People considered resident in Ivory Coast, generally those present for more than six months, are liable to tax on all income from whatever source received in the country. The definition of residence is far-reaching and could create difficulties for someone with transient status who maintains an apartment there permanently.

Returns for personal income tax must be filed before March 1 of the year following the taxable year. Individuals with no other income than salary from one employer subject to withholding tax do not have to file a return unless tax withheld is greater than that applicable on an annual basis and they wish to obtain a refund. Wage tax is collected monthly by the employer.

9.03 Determination of taxable income. Taxable income for personal income tax is the gross income of the family (taxpayer, spouse and dependent children) less expenses necessary to earn that income. Tax-exempt income includes interest on certain government debt issues, prizes in national lotteries and certain capital gains.

There is a flat 20% deduction from gross wages for personal income tax. Taxpayers may also deduct interest on loans, periodic support payments for family members, contributions to pension plans and premiums on life insurance up to certain limits and all direct

taxes and taxes of a similar nature including personal income tax and wage tax.

Income imposable for the wage tax includes the gross income from salaries but excludes allowances for travel expenses and family. There is a flat 20% deduction for the wage tax.

9.04 Personal income tax rates. Personal income tax is subject to income tax at the following progressive rates:

<u>Bracket</u>	<u>Per cent</u>
Under CFA300,000	0%
300,000-547,000	10
548,000-979,000	15
980,000-1,519,000	20
1,520-000-2,644,000	25
2,645,000-4,669,000	35
4,670,000-10,106,000	45
Over 10,106,000	60

Personal income tax payable is reduced according to the number of dependents. A married couple without children calculates the tax as equal to that due on two incomes, each equal to half the total income. A couple with two children pays tax equal to that due on three incomes (parts), each equal to one third of the total income. These provisions place a taxpayer with many dependents in a lower bracket: the maximum is limited to five parts.

Because personal income tax is deductible on an accrual basis, an algebraic calculation is made in applying the rates.

<u>Taxable income for each part after 20% deduction</u>	<u>Multiplier</u>	<u>Amount to subtract</u>
300,000-547,000	10/110	27,273
548,000-979,000	15/115	48,913
980,000-1,519,000	20/120	84,375
1,520,000-2,644,000	25/125	135,000
2,645,000-4,669,000	35/135	291,667
4,670,000-10,106,000	45/145	530,172
Over 10,106,000	60/160	1,183,594

The wage tax is collected monthly by the employer. A flat 20% is deductible, and the remainder is taxed at 1.5%. Surcharges of 8% for national contribution and 1% for the national solidarity tax are added to the wage tax.

For a married man with two children and an annual income of \$35,000 or \$50,000, personal income tax plus wage tax would amount to approximately 20.3% or 23.4% of gross income (see accompanying box).

9.05 Capital taxes. There are no annual taxes on capital.

PERSONAL TAXATION IN IVORY COAST

The tax burden for an executive with a dependent spouse and two children and earning the equivalent of \$35,000 or \$50,000 would be approximately as follows: (see page 31A)

PERSONAL INCOME TAX

1. <u>Gross Income</u> at CFA360:§1	<u>\$35,000</u> CFA12.5 million	<u>\$50,000</u> CFA18 million
2. Standard deduction (20% of 1)	2,520,000	3,600,000
3. Taxable income	10,080,000	14,400,000
4. Wage tax (1.5% of 3)	151,200	216,000
5. National contribution (Levied on 3)		
First 600,000	nil	
Next 960,000 X 1.5%	14,400	
Next 840,000 X 5%	42,000	
Balance at 10%	768,000 or 1,200,000	
Total National Contribution	824,000	1,256,400
6. Solidarity Contribution (1% of 1)	126,000	180,000
7. General Tax on income (IGR levied on 3)	10,080,000	14,400,000
Deductions:		
Wage Tax	(151,200)	(216,000)
National Contribution	(824,400)	(1,256,400)
	9,104,400	12,297,600
Less 15% standard deduction	(1,365,660)	(1,939,140)
Taxable income for IGR (rounded down)	7,738,000	10,988,000
Taxation (7,738,000 X 25/125)	1,547,600	--
(10,988,000 X 35/135)	--	2,848,740
Less lower rate relief	(405,000)	(875,000)
IGR tax due	1,142,600	1,973,740
Total income taxes (4+5+6+7)	2,244,200	3,626,140
Tax burden as % of gross income	17.8%	20.1%

10.00 INCENTIVES

10.01 General. The Ivory Coast has an array of tax incentives and import and export duty exemptions to attract certain priority activities (see below and 3.02 for criteria). The incentives are spelled out in Law 59-134 of Sept. 3, 1959. To enjoy such benefits, companies must enter into an agreement with the government.

The present incentive scheme has been criticized as favoring the processing or assembling of imported materials and components. A revised incentive scheme has been drafted but the only change reportedly envisaged is the encouragement of smaller projects.

10.02 Qualifying for incentives. Activities considered priority sectors include housing construction and rental; processing of local agricultural products such as vegetable oils, cotton, wood and sugar cane; production of goods for mass consumption such as textiles, construction equipment, metal products, automobiles, fertilizers, chemicals, pharmaceuticals, tools and hardware, plastic products and wood pulp and paper; mining and processing of minerals and related handling and transportation of ores; and exploration for petroleum.

Companies have to negotiate an accord with the government, agree to abide by the country's development plan and make investments which enhance the nation's economy.

10.03 Applying for incentives. To obtain priority status, companies must submit a proposal to the Ministry of the Plan and Industry (MPI), rue Lecoœur, Boîte postale V65, Abidjan, telephone 22-39-30.

Formal government approval for priority status is decreed by the Council of Ministers and is published in the official gazette (Journal Officiel).

10.04 Corporate tax incentives. Priority sectors can obtain 25-year exemption from income tax and the 10% income tax surcharge.

for housing projects constructed and offered for rental by the builder. And a five-year exemption from income tax (see 8.03) with the starting point set in the priority agreement is offered to priority industries. They are also offered a five-year exemption from the business license tax (see 8.15).

For projects that are of particular importance to the country, the law provides for a long-term agreement offering even better conditions. The government promises that it will maintain the computation of taxable income as reached in the agreement and at the same rates. Also, taxes imposed under a law enacted at a later date will not apply. However, the priority company is allowed to opt for normal tax laws should they become more advantageous.

10.05 Personal tax incentives. None.

10.06 Tariff incentives. Priority industries are exempted from customs duties on the import of machinery, equipment and raw materials for 10 years. Also, exports are allowed a 50% reduction of export duties for ten years.

10.07 Capital incentives are only available for the financing of local agricultural production and consist of preferential discount rates (see 11.01).

10.08 Research and development incentives. None.

11.00 CAPITAL SOURCES

11.01 General. The law regulating banking and finance applies to all institutions doing business in the country regardless of form or nationality. To do business in the banking or finance sector, prior permission must be obtained from the central bank and the Ministry of Economy and Finance.

A principal officer of a bank or financial institution must be either Ivorian, a citizen of a country of the West African Monetary Union (WAMU), or a citizen of a country granting reciprocal rights to Ivorians. A bank must be organized in the form of a joint stock company (société anonyme - SA). Minimum capital requirements are CFA1 billion for banks and CFA200 million for other financial institutions. At all times, foreign banks and institutions must have recorded branch capital equal to the foregoing minimums.

The Ivorian banking system presently consists of two levels, plus foreign banks.

The first level is the central bank, the WAMU bank of issue. It controls credit policies and, by means of rediscounting, participates in the short- and medium-term money market. In addition, some specialized public credit institutions act as banker to the Treasury and most enterprises in the public sector. The most important of these is the Caisse Autonome d'Amortissement (CAA), which also manages the public debt. Commercial banks also obtain funds from CAA if these are to be used for investment financing. Other institutions performing banking functions are the Treasury, the Post Office and the National Savings Bank.

The second level is composed of commercial banks (11.02) and merchant or investment banks (11.03).

The central bank has established two discount rates. Currently the taux d'escompte normal (TEN) is set at 12.5% and can be changed at a moment's notice. The taux d'escompte préférentiel (TEP) is set at 10% and is applicable for certain loans, including those to finance local agricultural production. Commercial banks established a two-tier system at the same time. The rates for business loans were fixed at a maximum of five points above the normal rate and one to three points above the privileged rate.

The central bank controls credit relatively effectively through the discount mechanism and the setting of loan interest rates. Under the current austerity program, credit is tight and only the most viable projects are approved by the Ministry of Plan and Industry. Also, commercial banks are being very prudent in their lending.

Foreign companies with projects approved by the MPI are accorded the same treatment as local firms, and would be allowed to borrow locally.

11.02 Short-term credit. Commercial banks take demand and time deposits up to two years from the public and make short- and medium-term loans. Today, there are four such Ivorian banks:

- Société Générale de Banques en Côte d'Ivoire (SGBCI), owned 42.5% by Société Générale France, 10.8% Bankers Trust, 8.3% Sonafi, 8.3% Banca Nazionale del Lavoro, 4.2% Bayerische Vereinsbank, 4.2% Crédit Suisse, 2.5% Banque de l'Indochine, 2.5% Crédit Industriel & Commercial and 16.7% by private Ivorians.
- Société Ivoirienne de Banque (SIB), owned 31.5% by Crédit Lyonnais, 32.5% Sonafi, 12% Deutsche Bank, 12% Banca Commerciale Italiana and 12% Morgan Guaranty Trust.
- Banque Internationale pour le Commerce et l'Industrie de la Côte d'Ivoire (Bicici), owned 51% by Sonafi, 20% Banque Nationale de Paris and 29% by a consortium of banks called Société Financière d'Outre-Mer. This consortium is composed of Bank of America, Banque Nationale de Paris, Dresdner Bank, Banque Lambert and Banca d'America e d'Italia.
- Banque Internationale pour l'Afrique Occidentale (BIAO-CI) is owned by the state and private Ivorian interests.

Foreign banks conducting operations in Ivory Coast include American Express, Banco do Brasil, Bank of Credit and Commerce, Banque Atlantique, Banque Real CI, Bankafrique, Bankers Trust International, Barclays Bank International, Chase Manhattan, Chemical Bank, Citibank and Hanover Trust-Nordique.

Commercial banks are currently charging one to five points

over TEN/TEP for overdrafts, depending on the category of the account. Bills discounted by banks cost 14.75-17.25% for 30-day or 90-day paper. One-year term loans are currently charged TEN plus 3.75-5 points. Companies can roll over short-term loans with the bank's permission.

11.03 Medium-term and long-term credit. Investment banks invest in equity capital and make short-, medium- and long-term loans to the business and agricultural communities. At present there are five such banks:

- Banque Ivoirienne de Développement Industriel (Bidi), established in 1965 to provide investment credits. It operates as a private bank, even though the government owns 21.1% of the equity. One of Bidi's main functions is to attract foreign private capital to the Ivory Coast. Chase Manhattan Bank owns 8.5% of the equity.
- Banque Nationale pour le Développement Agricole (BNDA). It provides emergency loans to farmers and finances directly, or through financial intermediaries, investments in agriculture, especially for the purchase of equipment and machinery. BNDA administers, in addition to its own funds, foreign aid money for agriculture.
- Crédit de la Côte d'Ivoire (Credicodi), in existence since 1955, but has only recently assumed a relevant position among the important banks of Ivory Coast. It specializes in financing real estate developments. Consequently about 80% of its financing is done in the Abidjan area.
- Société Nationale de Financement (Sonafi). With two basic goals: to aid the economic development of the Ivory Coast and to use as much domestic capital in this development as possible. Sonafi acquires shares in small- and medium-sized companies using its own endowment funds or money allotted by the government for specific projects. Sonafi is totally state-owned.
- Compagnie Financière de la Côte d'Ivoire (Cofinci), a medium- and long-term financing institution. It provides financial assistance for major industrial and development projects.

Medium- and long-term loans are granted only for the most viable projects and need the approval of MPI and the central bank. Medium-term funds are granted for 2-10 years and long-term loans for 10 years and longer. Most banks usually require a property mortgage as collateral. Lending rates are currently TEN plus 3.75-5 points.

11.04 Stock and bond financing. The stock market cannot yet be considered an effective source of capital for companies. It is very small and only open to Ivorian firms. Trading volume is low, with shares of only 20 companies quoted. The market is open only one day a week and for only several hours.

12.00 LABOR

12.01 General. The size of the labor force in Ivory Coast is difficult to estimate. Different sources show the number to vary enormously, and growing much faster than the population growth rate of 3.8%. There are 70,000 to 75,000 permanent wage and salary earners employed in Ivorian industries. The majority of the population, at least two-thirds, depends on the agricultural sector for its living. The percentage of people employed in agriculture is, however, diminishing, as the cities are growing rapidly by draining youth from the countryside. There are currently upwards of 2 million workers from Upper Volta, Mali, Guinea and Ghana who occupy many of the least desirable menial jobs in the Ivorian economy. A number of Beninois, Guineans, and Ghanaians are also employed as teachers and skilled professionals. There are perhaps 50,000 French citizens living in Ivory Coast, mostly providing technical assistance and managerial support to the government and industry.

Unemployment in Ivory Coast, particularly of university graduates, has become more of a problem during the past two years. As a result of the unemployment problem, the government has stated that overtime can only be paid when all of the personnel in a given service have worked full time.

Unemployment was one of the issues that provoked the University of Abidjan strike in early 1982. Though no reliable statistical information is available on unemployment, the problem has been serious enough to cause the government to reorient its priorities in funding university programs towards areas more relevant to the country's development needs. Pressure has also been placed on industry to employ recent university graduates, even in jobs that don't exactly match their qualifications, which has alleviated part of the problem.

In early 1982, the government created a national solidarity fund which supplies unemployment relief to unemployed "professionals." This fund has put strains on the budget, however, and the government is now in the uncomfortable position of needing to reduce its commitment, but being politically unable to do so.

Local manual labor is generally available, but seasonal immigrant workers from the neighboring countries are necessary to provide additional help, especially in the agricultural sector.

Foreign companies operating in the Ivory Coast report that in general they are satisfied with local labor, but that there are several problems with which to contend, particularly the lack of skilled workers and the need for considerable training. Work permits for foreigners are easy to obtain, provided that the required skills and experience are not available locally (12.07).

One textile firm employing several hundred workers reports general satisfaction with their operations, but complains that the quality of work is still below normal standards despite efforts made during the initial period to train the workforce. Many companies have remedied this problem by arranging for skilled foreign personnel to supervise closely the local workforce. In one instance, inefficiencies and faulty operation could be traced to departments or units lacking such foreign supervision.

The most serious complaint heard from many companies was the lack of skilled local technicians and office personnel, including bookkeepers.

The manager of a US subsidiary pointed out that most local employees speak only French, while the company language is English. This makes internal communications difficult, especially when it involves English-language manuals, technical literature or instructions. This particular company now employs a teacher who works four hours a day instructing classes at three proficiency levels.

The main official agency to help recruit employees is the employment office, l'Office de la Main d'Oeuvre (OMO). Employers are obliged to notify OMO of vacancies and personnel needs and apply there to obtain work permits for foreign personnel. Expatriate staff are recruited from the foreign company's own international staff or through foreign newspaper advertising.

Another important government body is the Office for Professional Development, l'Office National de Formation Professionnelle (ONFP), whose role is to coordinate, develop and guide professional training efforts to meet the needs of the country. There are numerous training centers which include secondary technical schools, training in mechanics, electricity, woodworking, precision machin-

ery and diesel truck repair, schools for clerical and other office jobs and a management training course. However most companies train their own lower-level personnel via shop-floor training programs.

There are about 50,000 foreigners (almost all French) in the country, of whom some 12,000 have been in the Ivory Coast since before independence. Furthermore, there are some 5,000 second-generation Frenchmen settled there. About 25% of the French are co-operants: young men who, instead of doing military service, can opt to teach French, give technical assistance etc. Of the 3,400 French schoolteachers, nearly 2,000 are co-operants.

In the Ivory Coast, as in Nigeria and other African countries, the government is making a great effort to enlarge the role of Ivorians in the economic fabric of the country and particularly in moving them up to technical and managerial levels. For these purposes it has organized a series of training centers and extension facilities, and is putting pressure on foreign companies to train Ivorian personnel to replace foreign workers and employees.

The Commission d'Ivorisation (AICI) was created in 1973 with the stated political goals of Ivorianizing civic and military positions in the public service and the promotion of Ivorian enterprise. Ivorianization also is promoted through the OMO in the Ministry of Labor and Ivorianization of Employment. The Office must be informed of any vacancies, which it attempts to fill with Ivorian candidates; if no suitable Ivorian is found, the employer may take any candidate of his choice.

In addition, firms doing business in Ivory Coast are required to file reports with AICI indicating the number of Ivorians, non-Ivorian Africans, and other expatriates employed. Work permits may be canceled for those expatriates whose positions are not reported to the AICI as required.

12.02 Unions and work stoppages. The UGTCI (Union Générale des Travailleurs de la Côte d'Ivoire) is the official labor organization. It represents labor in its dealings with the government. All Ivorians registered with the employment office, l'Office de la

Main d'Oeuvre, are required to be members. The members elect representatives to the Bureau National, which is the governing body.

Despite the disturbances of early 1982 which were caused by students, the general attitude of workers is fairly peaceful. One US observer remarked: "Labor unions are very tame, mostly concerned with increasing wages. They play no political role, There are no visible social tensions in the country." Another executive of a foreign firm remarked: "Students and labor unions are no source of serious tensions." A French executive, however, had doubts and was not sure that labor unrest would not flare up again. Discontent with the economic recession has grown rapidly in the last year, but there have been no political manifestations to protest against the government's economic policies.

12.03 Wages. The minimum wage in industry or commerce is CFA192 since Jan. 1, 1982. The agricultural minimum wage is CFA34 to CFA60, depending on the crop being worked. The government has set a target of 6-10% yearly wage increases during the next few years.

IVORIAN MONTHLY SALARIES AS OF JAN. 1, 1982
(173.3 hrs = 40 hour workweek)

<u>Workers</u>	<u>Industry</u>	<u>Construction</u>
Unskilled	CFA 34,839	CFA 37,266
Highly skilled	41,773	44,372
Artisans	53,732	57,372
Foremen	76,785	82,332
 <u>Employees</u>		
Telephonist	CFA 41,877	CFA 44,624
General clerk	46,625	49,732
Accounts clerk	56,684	60,525
Stenographer, experienced	66,450	71,073
Top-level secretaries	76,011	81,489

Actual wages in many sectors are set by collective agreements negotiated by employees and their employers. These agreements are drawn up for indefinite periods of time and establish wages and salaries for both skilled and nonskilled workers by category. A general agreement is now being negotiated and will be completed by subagreements according to profession.

International staff wages are high. Bilingual expatriate secretaries are paid CFA200,000-300,000 per month; local French-speaking-only women receive CFA100,000-180,000 per month. Telephonists get CFA50,000-80,000. A bookkeeper's wage varies around the CFA70,000-150,000 mark. A chief accountant earns CFA180,000-300,000.

12.04 Working hours. The legal working week in the Ivory Coast is 40 hours for industry and commerce. In agriculture, it is 48 hours or 2,400 hours per year. Overtime requires prior authorization from the labor inspection authorities. Currently, the government allows paid overtime only when all of the workforce is employed full time during regular working hours. Overtime pay is an additional 15% for the first eight hours and 50% for subsequent time. There are further increases for night work or work during holidays.

12.05 Fringe benefits. Numerous fringe benefits must be added to compute the real cost of labor. Social charges supported by employers have risen from 51% of salaries in January 1977 to 72% of salaries in 1982. There are nine public holidays, and vacations are computed on the basis of 2.2 days per month of work.

12.06 Dismissal. Companies try to avoid dismissal problems by taking advantage of the legal trial period before engaging a worker permanently. Companies have found that dismissal is possible if offenses are carefully documented.

12.07 Limitations on foreign nationals. Foreign nationals require a work permit which is granted after the employment contract is registered with the Labor Office (Office de la Main

d'Oeuvre - see 12.01). They also need a residence visa. Both are usually obtained without difficulty for expatriates whose technical skills are required for the project. Currently, companies report few problems in obtaining work permits but say that the process can be long, one to six months.

13.00 FOREIGN TRADE

13.01 General. Foreign trade (exports plus imports) represents about three-quarters of Ivory Coast's domestic product, with a composition typical of a developing country, i.e. exports are mostly unprocessed agricultural products, whereas imports include a high proportion of equipment and machinery as well as consumer goods. This explains the current emphasis on processing agricultural products locally thus increasing value and developing Ivory Coast's ability to produce finished or semi-processed goods.

Ivory Coast's foreign trade is dominated by a few major trading partners. In 1981 imports came primarily from:

1) France	33.9 %
2) US	5.5
3) Brazil	3.3
4) Benelux	2.0
5) Canada	1.9
6) West Germany	1.7
7) UK	1.4

1981 exports were to:

1) France	31.1 %
2) US	2.9
3) West Germany	2.2
4) Benelux	1.9
5) Gabon	1.6

Source: Ivorian Customs Statistics.

Recent trade patterns indicate that France's share in Ivorian commerce, while still important, is diminishing. Noteworthy among the countries with which Ivory Coast has increased its trade are Japan and the US, as well as the majority of the countries of the two African "common markets", CEAO and ECOWAS (see 1.01 also).

The CEAO is composed of Senegal, Mauritania, Mali, Ivory Coast, Upper Volta, and Niger. The main accomplishment of the CEAO, since its creation in 1973, has been the establishment of a preferential duty system, whereby import duties are eliminated or reduced for products exported from one country to another. However, CEAO countries also raise protective barriers as one foreign investor discovered; once production of similar goods started in Niger, quotas were hiked and he could no longer export

there.

ECOWAS is comprised of the members of the above organization plus Togo, Benin, Guinea, Sierra Leone, Gambia, Ghana, Nigeria, Liberia, Guinea-Bissau, and Cape Verde. ECOWAS's goal is the elimination of all trade barriers between member countries, as well as the establishment of a unified currency for the region.

In July 1975, the Ivory Coast abolished the "reverse preferences" for imports from the EEC, thus equalizing the duties on imports from all developed countries.

13.02 Import controls. Regulations bar imports of certain products such as live animals or animal products, obscene publications, etc., from the country to protect public health, morals, etc. Other products are forbidden, or are subject to quotas, in order to protect infant local industries or agricultural production. Exceptions to these rules can be authorized by the Finance Ministry.

Imports from other franc zone countries and the EEC are not subject to licensing or certification requirements. Imports from other developed countries, such as the US or Japan, may be subject to quotas, in which case an import license or inspection by SGS (see below) is required.

All imports into Ivory Coast are subject to qualitative, quantitative and price comparison inspection by Société Générale de Surveillance (SGS), Geneva, Switzerland. SGS has representative offices in most countries. Before shipment is effected, companies must obtain an inspection certificate from SGS and present it to the Ivory Coast authorities with the other shipping documents. The Ivory Coast government pays the SGS inspection cost. For imports worth less than CFA500,000, the full inspection is waived, but a "Declaration of Intent to Import" is required. If individual shipments are part of a contract worth more than CFA500,000, then each shipment is subject to inspection regardless of value.

Ivory Coast does not generally require cumbersome shipping

documentation. Usually a commercial invoice in duplicate, the bill of lading, the certificate of origin and the SGS inspection certificate are sufficient. If a license is required, then a pro forma invoice is also necessary. Invoices should be issued in French or carry a French translation of contents.

13.02 Tariffs and import taxes. Ivory Coast uses the Customs Cooperation Council Nomenclature (CCTN). The prices declared for customs purposes are supposed to be market prices set in conditions of free competition.

Most customs duties in Ivory Coast are applied ad valorem on the c.i.f. value of landed goods; in some cases duties are assessed on net weight. There are five basic duties:

- 1) Droit fiscal d'entrée (DFE) - Fiscal duty, generally between 5% and 20%, but can be as high as 55%;
- 2) Droit de douane (DD) - Customs duty, between 5% and 15%; higher rates, up to 40%, are charged on certain products that are produced locally;
- 3) VAT (Value added tax, see 8.15). Goods that are imported into Ivory Coast and do not undergo any further transformation or processing are subject to special tax treatment: a tax of 5.5% of the gross tax-inclusive amount on the profit margin for spare parts, machinery and vehicles: a 3.33% tax on raw materials and other commodities: and a 10.8% tax on petroleum product.
- 4) A special import duty of 10%; and
- 5) Excise taxes on tobacco and alcohol.

In addition there are minor levies to finance foreign trade institutions such as the Ivorian Center for Foreign Trade and the Foreign Exchange Traders' Council.

In order to encourage new investment, the government may grant duty exemptions on capital equipment and certain raw materials for limited periods of time (see 10.04).

13.04 Nontariff barriers. There are no special nontariff barriers since Ivory Coast uses the usual health and safety standards ap-

plying to French goods. There are special packaging requirements for matches, cigarettes, tobacco and alcoholic beverages, while preserved and semipreserved foodstuffs must be marked with their country of origin and date of manufacture. All labels and other printed matter (instructions, descriptive materials) on imported goods must be in French.

To protect the country against dumped goods, shippers may be required to breakdown prices and document them.

13.05 Free ports, zones. There are none, but various bonded warehouses are in operation in the Ivory Coast. Goods are allowed to remain undeclared for 18 months, with two possible extensions of six months each. Normal stay in the customs area is 30 days maximum. If duty is not paid and the goods are not retrieved in this time, they may be sold at a public auction after a period of four months.

Within the Abidjan port area there are adequate facilities for transshipment of goods to landlocked countries such as Upper Volta, Mali and Niger. Goods for transshipment may move freely or be stored duty-free as long as bond, in the form of a bank guarantee, is provided.

13.06 Export incentives. None

13.07 Export insurance. In addition to the state-owned insurance company, Sitram, exporters may insure shipments with commercial firms such as Nakoufret or Transit Diot. Premiums vary widely according to country of destination and ultimate purchaser.

13.08 Export credit. There is no special export financing so foreign sales are financed at commercial rates (11.00).