PRIVATIZATION IN THE IVORY COAST:

A STATUS REPORT

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INTRODUCTION

Privatization is an idea whose time appears to have come. One can, without exaggeration, describe it as a "worldwide contemporary movement". Privatization, in some form or another, is now underway on every continent, and it is being undertaken by countries espousing a wide array of political and economic philosophies. Staunch capitalist nations, (Canada, The United States) committed socialist states, (Spain, and Senegal) communist regimes (China, Hungary) and military governments (Chile) are all involved in some measure of privatization. The Cote d'Ivoire, a nation whose underlying economic philosophy is known as "state capitalism" has not proven immune to the privatization fever. It too has launched a privatization program that has created significant reverberations throughout the nation's social and economic fabric.

The central objective of this paper is to describe the process of privatization in the Cote d'Ivoire. It will investigate the principal causes underlying the government's decision to privatize its state corporations and sell its holdings in dozens of private companies. Next, it will discuss the manner in which privatization has been carried out in a selected number of firms. Lastly, it will evaluate the effects (both positive and negative) of privatization where possible, and attempt to draw some conclusions on Ivorian privatization to date.

Privatization can be defined in a variety of ways ranging from definitions that are very narrow in scope to those that encompass a large number of processes. For current purposes it will be given a broad definition. The term will be taken to refer to "...any strategy or process that results in the transfer of an asset or enterprise, in whole or in part, which is owned or controlled either directly or indirectly by a Government to a non-Government body." (Ohashi, 1986). Included in this definition therefore are a host of operations and processes such as divestiture or liquidation, allowing private provision of services, contracting out, awarding franchises, imposing user charges, and creating consumer cooperatives. In sum, privatization concerns "...the process whereby public operations are transferred to the private sector" (Hanke, 1984).

Privatization in World Perspective

The Major Causes of Privatization.

There are a number of reasons why governments are promoting privatization. The most important of these have to do with questions of profitability: state corporations have proven to be notoriously unprofitable. Cowan (1983) cites three major reasons for the general unprofitability of state corporations: (1) unfortunate investment choices- due to inadequate planning, inaccurate market analysis, or decisions based on political, as opposed to economic, considerations, (2) inefficient management- attributable in part to appointing civil service bureaucrats to top management positions, requiring minimal accountability for failure to make a profit, and failing to clearly delineate economic objectives, and (3) the dominance of political considerations, surpassing on occasion all others in the decision making and appointing process, thereby rendering the management of these enterprises unappealing to many professionally trained individuals. In sum, overwhelming political interference in the creation, day-to-day management and overall goal delineation of state corporations have crippled these entities and rendered them economically feeble.

The ultimate result of the above situation is that state controlled enterprises now stand accused of monumental inefficiency and inflexibility. Other charges levelled at them include supplying inferior quality goods and services at an unacceptably high cost, and consuming precious government resources in the form of subsidies and supports for their unprofitable activities. This last is a particularly serious charge in the developing world where states have heavy demands on them to supply social and educational services to a rapidly expanding population imbued with rising expectations.

The desire to privatize has also been accelerated by inauspicious economic conditions at the global level. As a result, many states in the developing world have been faced with falling domestic production and dwindling foreign aid combined with mounting debt service and serious foreign exchange shortages. Circumstances such as these have caused many governments to search for ways to cut expenses. Privatization has been one of the more obvious solutions. Nevertheless it is clear that the major impetus to privatize has been furnished not by external circumstances, but by the failings of the state controlled corporations themselves.

The movement towards privatization is founded primarily in the belief that the private sector, through better management, can improve the quality of available goods and services while simultaneously lowering costs and responding to the needs of the average consumer. Other expected important economic advantages associated with privatization include the elimination of costly governmental subsidies needed to support unprofitable public enterprises, and the eventual creation of new jobs and economic opportunities by a reinvigorated private sector.

Finally, one can cite ideological reasons for the rise of privatization. In general, socialism has not proved to be the panacea it was first thought to be. Socialist and communist states have, on the whole, not experienced any dazzling economic breakthroughs. On the contrary, most have suffered a decline in many economic sectors, in comparison to states practicing free enterprise. Thus the ideological opposition to privatization, which reached its zenith in the sixties, has declined over the years leaving the way open to states of all philosophical persuasions to discover what positive benefits can be attained through privatization.

As a rule, privatization on the African continent has not taken place as rapidly as elsewhere because of a combination of factors. First, many Africal states are reluctant to privatize. Second, they have exhibited limited knowledge of how to implement the privatization process once the decision to privatize has been taken. Internal financial constraints (such as a lack of capital markets.) are also a major impediment to African privatization. Finally, political considerations appear to loom large as a check on privatization. The decision of the state to withdraw can trigger massive opposition among both the elite (the well remunerated administrators of these corporations) and the masses (the beneficiaries of subsidized services). Hence, African states have tended to approach privatization with justifiable caution.

Opposition to Privatization

The movement towards privatization has not gone unchallenged. There are still those who fear that privatization- above all of those entities which supply public services- will result in the creation of private monopolies, unemployment and corruption. They hold that there are certain sectors of the economy which constitute "natural state monopolies" owing to the need to protect the public welfare. Public ownership in these areas, they maintain, should not be geared towards making a profit, but should rather be concerned about guaranteeing a minimal level of services for disadvantaged members of society. The point is also argued that there has been no incontrovertible proof to date that the private sector is more efficient than the public sector. Finally there are those who fear that privatization is simply a new "buzzword" and that is is unrealistic to expect it to cure so many socio-economic ills.

Proponents of privatization have one overwhelming response to all of the above. In effect, they argue that the evidence available shows that the present system of public control has been a failure, and thus the private sector should be given an opportunity to show that it can do better since in cannot do much worse.

The Ivorian Experience

Ivorian State Corporations

The Cote d'Ivoire became an independent nation in 1960. In the twenty-five years which have followed, the nation and its leaders have dedicated themselves to the twin goals of "modernization" and "development".

To achieve these goals, the Ivorian government has adopted the economic philosophy known as "state capitalism". State Capitalism can be described as a commitment to the principles of capitalism without ruling out the direct involvement of the state in areas of the economy normally controlled by the private sector in free market economies. Under state capitalism, the state participates actively in all aspects of the economy and the public and private sectors are closely intertwined. One of the principal results of the Cote d'Ivoire's economic philosophy was a proliferation in the type and number of companies in which the state became involved.

1. SEMS

In 1978 there existed about one hundred and seventy-seven private companies which were partially owned by the Ivorian government. By 1980 the number had decreased slightly due to early liquidations. Companies of this nature are referred to as SEMS (societe d'economie mixte). They constitute the ultimate incarnation of "state capitalism" since they unite the public and private sectors as one.

SEMS are defined as joint stock corporations whose capital is held by private individuals or organizations in association with one or a combination of the following: the state, local government, a public corporation. An interesting aspect of Ivorian state participation in private companies is that it is possible for the state to be represented in a private corporation in several guises. One often finds two or more different state corporations in the role of major shareholder in a single "private" enterprise.

Up until 1980 the organizations with primary responsibility for state participation in the private sector were; (1) The Societe Nationale de Financement (SONAFI)- a 100% state owned corporation with holdings of over sixteen billion CFA in seventy-seven companies; (2) The Caisse de Stabilisation et de Soutien des Prix des Produits Agricoles (CSSPPA) with holdings in nineteen companies worth over four billion CFA; (3) eight major producing state corporations which held stock worth almost three billion CFA in about twenty-nine companies. As a rule, this last group has limited its involvement in the private sector to those companies whose activities were complementary to their own.

SEMS existed (and still exist) in all the key economic sectors of the nation. They include such activities as: banking and finance, energy, agro-industry,textiles, metallurgy, agriculture, plastics, chemicals, pharmaceuticals, construction, communication, tourism, distribution and commerce, transport, and real estate.

2.SODES

In addition to the SEMS, the Ivorian state is the sole proprietor of a group of establishments known as Societe d'Etat (SODE). By 1980 thirty-five of them had been created. SODES are designed to promote certain commercial or industrial activities which would ultimately contribute to the nation's economic and social development. They are regarded as commercial enterprises subject to the nation's civil and commercial legislation.

3.EPNS

Apart from the SODES, there exists another type of state corporation- the EPNS (Etablissments Publics Nationals). The EPNS numbered fifty in 1980. There are two kinds of EPN- the EPICS (Etablissements Publics a Caractere Industriel et Commercial) which usually perform productive activities such as manufacturing or commerce and the EPAS (Etablissements Publics Administratifs) which have administrative tasks.

The EPNS are created to perform certain special functions or tasks for the general interest. The EPAS supply the basic needs of the population in such areas as education, training, studies, promotion, coordination etc.). They do not charge for their services and operate on funds received from the state. The EPICS are organized as economically autonomous corporations, however their resources are considered public property. When awarding contracts, they must subscribe to the rules and procedures which govern the award of public contracts, and any projects which they undertake have the status of public works. Finally, they are subject to the rules of public accounting.

All Ivorian state corporations are under the control of a supervising ministry or ministries. This also holds true for SEMS which supply public services. As a rule the Ministry of Economy and Finance studies the financial operations of state corporations while a second ministry examines the technical side. Budget preparation, personnel recruitement and level of remuneration, prices, and the acquisition of loans are but some of the corporate activities that are carefully scrutinized by supervising ministries.

Motives for State Involvement and Withdrawal From the Economy

The Ivorian government's motivation for involvement in all aspects of the nation's economy are multiple. They can however be grouped under three principal headings: the colonial heritage, the public interest and economic considerations.

The colonial experience left the Cote d'Ivoire with a legacy of state domination of the economy. During the colonial period, France- like all colonial powers- directed the local economy for its own ends. After independence the new Ivorian government almost automatically took over the role vacated by the former ruler. Thus although the Ivorian economy was now being directed to promote national interests, the state remained the controlling entity.

The desire to avoid the "neo-colonialist threat" also reinforced the trend towards government control of the economy. There existed in this period a well founded fear of economic domination by powerful developed nations and their surrogates, the multinationals. The state therefore became the protector of the nascent national economy and its role was to reserve a place for the emerging private sector until it was strong enough to protect its own interests and function independently. Thus in the sixties, the Ivorian government (mostly through SONAFI) obtained shares in dozens of private companies in almost every sector of the economy. During the next two decades it steadily increased its holdings in the private sector while creating companies in the public sector.

The wish to protect the public interest was the second major reason for the creation of state corporations and participation in private companies. The Ivorian government believed that in many key areas the private sector was incapable of furnishing the public with the requisite quantity and quality of services at an affordable price. Hence the state felt obligated to step in for the public good. The giant electric company EECI (a SEM in which the state owns 91% of the shares) is one classic example of a company created to serve the public interest. A second is the transport company SOTRA. SOTRA (a 60% state owned SEM) services Abidjan with dazzling efficiency at a price controlled and subsidized by the state.

Finally, there were economic considerations. Following Independence, the Ivorian government promulgated a series of development plans which called for the massive mobilization of resources and the coordination of large-scale, inter-sectorial projects. In such circumstances, only the state appeared capable of undertaking such activities. In addition, the government felt that it should open up (in a pioneering sense) certain sectors of the economy that had potential for development. The idea was to establish these sectors and then later transfer the responsibility for them to the private sector. The creation of SODERIZ (for the development of rice) and SODESUCRE (for the development of sugar) are examples of this sort of thinking.

The movement towards the transfer of public operations to the private sector in the Cote d'Ivoire occurred for much the same reasons as in other countries. In the late 1970s the nation experienced a drastic fall in the price of its two principal export crops: coffee and cocoa. The resulting decrease in revenues was aggravated by a steep rise in the rate of exchange of the dollar vis-a-vis the french franc to which the CFA (the local currency) is tied through the UMOA. The Cote d'Ivoire was therefore required to service its external debt in rising dollars out of rapidly diminishing revenues. At the same time, the nation was politically obligated to maintain its ambitious and expensive programs designed to supply modern services to the average Ivorian. In such a situation, one can comprehend the state's need to find a way to diminish costs.

Between 1977 and 1980 the Minister of State charged with the Reform of State Corporations studied the problems posed by these entities. The study culminated in the Reform of June 1980 which was essentially a decision to reduce the involvement of the state in different corporations through liquidation or privatization.

The Reform of 1980 was not unopposed. There were many individuals and groups who had vested interests in maintaining the pattern of heavy state involvement. The SODEs, for example, were manned by an army of bureaucrats most of whom were being paid on a much higher scale than their counterparts in the civil service. They resisted any change that would result in cuts in pay and possible loss of employment.

But there were also factions desirous of change. One was composed of the vocal young high-school and university graduates who were entering the job market at this time of economic crisis. They were eager for the creation of a more flexible system in both the economic and political sphere. Another faction was the young administrative/managerial class which believed that diminished public sector involvement in the economy would improve their chances of becoming successful private sector entrepreneurs. The final decision however, was made not so much in response to pressure from any particular faction, but because, by 1980, the state could no longer afford the luxury of its deficit state corporations.

The state corporations in the Cote d'Ivoire had not performed much better that state corporations elsewhere. The usual accusations of poor management, inefficiency and the production of low-quality goods and services, were being levelled at them. They were also typical in that their operations were being heavily subsidized by the Ivorian state-presenting yet another drain on the state's meagre resources. Hence, privatization appeared to the Ivorian government to be one way of alleviating the pressures of the "conjoncture"- as the economic crisis was locally called.

The economic crisis which was in full force in 1980 also coincided with, and quite possibly provoked significant political change in the Cote d'Ivoire. To ease some of the socio-political pressures caused by the "conjoncture", the state decided to institute more democratic election procedures. Deputies in the nation's Legislative Assembly, mayors in the nation's cities and secretary-generals in the single political party the Parti Democratique de Cote d'Ivoire (PDCI) were henceforth to be elected by the people instead of appointed by the party leaders.

The move to greater democracy was justified on the grounds that the populace had achieved a certain level of political maturity in the two decades following Independence. Twenty years had sufficed to render Ivorians capable of choosing their own representatives. There was therefore a certain philosophical coherence in the major reform of June 1980 which changed the status of many state corporations by reducing the state's participation. The state had justified its entry into many areas of the economy with the argument that it was acting as a "guardian" of the immature private sector. It held that it was reserving a place for them which they could claim upon achieving economic maturity. It was possible at this time to argue that economic adulthood had been achieved in the form of a pool of trained Ivorian managers and the creation of an Ivorian stock exchange. In sum, political adulthood for the masses now coincided with economic adulthood for private enterprise. The cession of political power was mirrored by the cession of economic power.

The Reform of 1980 and Its Immediate Consequences

The main feature of the Reform of 1980 concerned the dissolution or change of status of the state's 35 SODES. Only eight of the original thirty-five were maintained. Of the remainder, eleven were liquidated either by means of a total suppression of activity or by the transfer of activity to a governmental department or service, ten were transformed into EPN, (bringing the number of EPN to sixty) and six were destinied to be privatized.

Those companies that remained SODES or were transformed into EPN were those considered to bo too important to fall outside the states sphere of control given (1) their strategic character (2) the nature of the public service being performed by them or (3) other special socio-cultural or economic reasons.

The justification given publicly by the state for the Reform was that several of the SODES had accomplished their original mission and were no longer needed. This was the case for example of the AVB and ARSO- two SODES which had been created to develop specific regions of the country. In most other instances however, the state admitted that the SODEs were inefficient and unproductive and a drain on the national economy.

In those instances where the SODEs had been transformed into EPNS, the state effected substantial savings because the salaries of the employees of EPNS were reduced to levels of those of other civil servants. It was not unusual for EPN personnel to undergo cuts in salary of between 60% and 80%- all of which represented savings to the state. In the instances where privatization had occurred the state also profited in the short run on two counts. First, it would no longer be required to subsidize the SODE to keep it operating and, second, it could obtain money from the sale to the private sector.

From the point of view of privatization however, the most significant aspect of the Reform of 1980 was the fact that SONAFI was one of the SODES that was dissolved. SONAFI, it should be recalled, was the corporation which had been created by the state to acquire holdings in private corporations. Its mission was to (a) aid these companies to develop by enlarging their capital base, (b) reserve a place for the Ivorian entrepreneur and eventually (c) turn over its holdings to the Ivorian private sector.

In 1980 SONAFI's portfolio was a rather enviable one. A former administrator estimates that seventy percent of the companies in which it had acquired between thirty and sixty percent of the stock were running fairly profitable operations. Twenty percent were just breaking even and about ten percent had deficits.

In terms of its mandate, SONAFI had performed the first function admirably. It had performed as a very efficient sort of national investment company. It had bought wisely and had indeed encouraged the development of many private-sector corporations. One could also argue that it had also succeeded in its second purpose- that of reserving a place for the Ivorian entrepreneur. However, as far as its third objective was concerned- presiding over the transfer of its holdings to the private sector- no steps had been taken in this direction. Inquiries into why the process of transfer had not begun were met with the following responses: (1) no instructions to inaugurate this process had ever been given and (2) no specific guidelines existed to govern such a process.

The dissolution of SONAFI meant that all its holdings reverted automatically to the Ivorian Treasury which now performed SONAFI's role. The next logical step seemed to be to decide on a set of specific rules or terms under which the state could transfer SONAFI's holdings to companies or individuals in the private sector. To date this step does not appear to have been taken. And the vast majority of SONAFI's holdings exist in a sort of limbo.

Privatization Between 1980 & 1985

What then can be said of the move towards privatization to date? What has actually been achieved in terms of reorganizing the SODES and transferring the state's numerous holdings into the hands of the private sector?

First, official requests for purchase for about twenty-eight companies said to be available for privatization- both SODES and SEMS- have been submitted to the relevant ministries. Numerous semi-official requests and tentative inquiries also have been made concerning other state held properties. Potential purchasers include both Ivorian and foreigners, as well as individuals and companies. In actual fact however, the process of privatization has only been completed in about twenty cases.

Of the SODES, seven have actually been "privatized". This has been done in a variety of ways including: (1) outright sale to other companies (2) liquidation followed by sale of the

SODE's assets to either an individual, a group of individuals or a corporation, (3) transference of management to a private company and (4) transformation into a cooperative. Of the SEMS which were partially owned by SONAFI, about thirteen have had their state-held assets sold to the private sector and a number of others are still being negotiated for.

Quantitatively, this is not a very impressive achievement in a five year period. If we combine the number of SODES and SEMS that were assumed to have been destinied for eventual privatization, we arrive at a grand total of about one hundred and fifty companies. Since the actual number of companies privatized one way or another total twenty, then only about 13% privatization has been achieved.

There is also mounting evidence that the importance of the public sector in the national economy has not been as significantly diminished as it first appeared to be. This is most apparent in the cases where SODES have been transformed into EPNS. The thirty-five EPAS still account for a significant sector of the nation's workforce (10,000 out of 80,000 civil servants in 1982) and are still financed by means of regular transfers of money from the Ivorian Treasury. The EPICS, in combination with the fifteen largest SEMS, also represent a significant force in the Ivorian economy- accounting for 80,000 individuals or 1/3 of the workforce in the productive sector and two-thirds of the investments made by all enterprises in 1982.

Why has there been such limited success to date? What explains the governments apparent inability to achieve a goal to which it has ostensibly been committed since independence? To answer this question one has to return to an examination of the process of privatization itself.

Two major recommendations emerging from the February 1986 AID sponsored International Conference on Privatization concern the importance of defining the objectives sought by privatization and the necessity of clearly elaborating the process whereby privatization is to be achieved. According to Cowan (1986) the decision to privatize is above all a political one, and those who make it must understand the reasons why they are making it or what precisely they hope to achieve. This concise spelling out of objectives aids in the elaboration of a country strategy and in deciding what means will be utilized to implement a privatization program (de la Giroday, 1986; Ohashi, 1986).

Strictures relating to the procedural aspects of privatization also abound. Observations on the cumulative global experience with privatization indicate that there is a series of specific steps that should be taken to (a) prepare for privatization, (b) implement any decisions made and (c) follow up or monitor any privatization initiative (Marston, 1986).

In the case of the Cote d'Ivoire, little seems to have been done aside from taking the decision to retain some of the state corporations and privatize the remaining state holdings either immediately or in the near future. There exists neither a broad well defined national strategy, nor more specific guidelines to assist in the process. There has been only a cursory prioritization of sectors to be privatized, no apparent investigation of the varieties of methods available, and minimal formulation of policies. At the lowest most concrete level there has been no information made available to the general public regarding the availability for sale of government holdings.

The privatization that has occurred in the Cote d'Ivoire since 1980 seems to have taken place on an almost ad hoc basis. According to one observer, acceptance or rejection of a clients proposition is dependent on "la tete" of the person who makes an offer. But while there is something to be said for being flexible when implementing a decision, there is a vast gap between "flexibility" within certain clearly defined limits, and operating within a procedural vacuum.

Some Case Studies

In order to get a better idea of the procedure for privatization in the Cote d'Ivoire, we will briefly examine six companies that have recently been privatized. We will investigate the manner in which the purchase of the state's holdings took place and the subsequent effects of privatization on each company. In most instances it is too early in time to issue any definitive judgement on the "effects" of privatization on a company, however we will attempt to state what the trend appears to be.

1. ICTA Voyage/CATH Voyage

ICTA Voyage (Ivory Coast Travel Agency) was founded in 1963 and capitalized at 9.75 million CFA. Its primary function was to serve as a travel agency and to promote tourism in the Cote d'Ivoire. ICTA was a SEM in which The Ivorian State held 66% of its stock, another State corporation 12% and two private companies split the remaininder evenly. As befitted a corporation with heavy state involvement, the state figured significantly on its Board of Directors.

By 1982 ICTA was an important enterprise employing over fifty individuals and operating ten vehicles (busses and cars). Although it performed creditably in promoting tourism in the Cote d'Ivoire, it was not a totally successful undertaking. A combination of circumstances rendered it incapable of promptly reimbursing the international carriers for the tickets it received from them on credit. This in turn led to the loss of its valued IATA (International Air Travel Association) ticketing license. The reasons for ICTA's problems were many, including excessive overhead, and management problems, but the one most often cited was the failure of the Ivorian State to pay ICTA promptly for its services- eg. air line tickets to government employees.

The possibility of privatizing ICTA first arose in 1980. However, as seems to be often the case in Ivorian privatization, the process was not completed until almost four years later. The first individuals to express an interest in acquiring the company were the General Director and the Director of Operations (both Ivorians). As members of senior management, they were uniquely situated to know (1) that the company was available for privatization (2) what the problems of the company were (3) what the possibilities were of turning it around. According to them, they initially asked other senior employees if they wished to participate in purchasing the company. This plan fell through due to a lack of financial means (on the part of the other employees) and the failure of the government to support this plan.

The company was audited by Arthur Anderson and a value assigned. However the most interesting aspect of the "purchase" was the fact that ICTA was not actually purchased by its present owners. Instead, ICTA was liquidated, and what was bought was simply some of the former company's "assets" eg. furniture, and vehicles. Good will and reputation, important assets in any enterprise supplying a service, were naturally not included since ICTA no longer existed. In the same manner, the company's debts were not transferred to the new company- called CATH Voyages (Compagnie Arficaine de Tourisme d'Hotellerie et de Voyages). The actual price paid for ICTA's assets were not disclosed, but an informed observer described it as the equivalent of "un sou"- meaning it was practically a gift.

Important changes have been made in CATH which was created on October 1st 1984- the day after the dissolution of ICTA. First, attempts were made to diminish overhead. Thus, the number of employees were reduced from fifty to thirty, and efforts were made to spend less on items like utilities. The present owner/director told me that by simply changing the bulbs in the office from spots to neons he was saving 1.5 million CFA per year on electricity. He also explained that he had decided not to move from the rather expensive premises of the old company because it was well known and centrally located, and because the cost of redecorating would be prohibitive.

Secondly, the company was now revamping its field of operation. It was concentrating on tourism and had stopped ticketing. Aggressive efforts were being made to hook up with tour operators and travel agencies in Europe and America, and sales agents were now being paid a base salary plus a proportion of the business they drummed up for the company. Another important area of operation that was being developed was conference organizing. Projected areas of expansion are the purchase or lease of small state-owned hotels now being abandonned by the Ivorian govenment which could be used as vacation clubs.

CATH, which is at present a partnership, is also thinking of bringing in more partners (there are now two) and of increasing its capital base from 5 to 65 million CFA in the near future. At this point it would be transformed into a limited liability company. It also believes that it can obtain new lines of credit from local financial institutions. At the end of its first fiscal year of operation, CATH reported a profit of 7 million CFA- a distinct change from past operations.

It is naturally too early to make any forecasts concerning CATH's future. The company is operating in a lucrative but highly competitive field. There already exist about nine flourishing travel agencies in the Ivory Coast plus numerous smaller ones. However, almost all of these agencies are owned and operated by non-Ivorians. If the enterprise works, it will be a positive example of Ivorian entrepreneurship and a source of encouragement to other ambitious individuals.

2. FOREXI

FOREXI (Societe pour la Realization de Forages d'Exploitation de Cote d'Ivoire), a company which imports water drilling machinery and is mainly involved with the location and/or creation of sources of water, was founded in 1974. It was a SODE, owned solely by the Ivorian State, and capitalized at 850 million CFA. Between 1974 and 1980 the company was responsible for the creation of 5,100 water sources in the villages and towns of the Cote d'Ivoire. At its peak year 1979-1980 it had sales of 3.9 billion CFA and total investments of 4.6 billion CFA.

In 1980 the Ivorian State decided to liquidate FOREXI. The specific reasons for the decision are not readily apparent

but can be assumed to be similar to those cited for other companies. The Director of FOREXI, supported by the senior and middle-level staff, requested that the state not scrap the company but instead sell it to the employees. The reasons cited by them were the following:
(a) The company had a large pool of expensive equipment which would have to be abandoned or sold at auction for a fraction or its value if liquidation occurred.
(b) The existence or FOREXI had resulted in the creation of a group of young well-trained Ivorians who were capable of managing the company as a private firm. It was argued that they should therefore be given the chance to purchase the company since this was what privatazation was all about
(c) The company had not been as badly managed as other SODES- in fact it had over 500 million CFA in the bank in 1980.

The decision to sell to the management as requested was not made quickly. It took two years to come to a final agreement. The accord of three different ministries (Public Works, Economy and Finance, State) were all required, and there was much discussion surrounding the terms of sale. Matters were futher complicated by the offer of a French firm to buy the company at a fairly good price. One unfortunate result of the slowness of the process was that during this two year period the company was practically non-functional and estimated losses (calculated in terms of lost earnings) were over one billion CFA.

FOREXI was officially audited by an international accounting firm and the state fixed a selling price of 3 billion CFA to recover the cost of its original investment and repay existing debts. Included in this figure was the cost of indemnifying the employees who were to be discharged. The purchasers counter offer, which was eventually accepted, proposed that:
(a) they pay 500 million CFA- consisting of 250 million in cash over a five year period, and 250 million CFA in kind over the same period of time.
(b) they pay the indemnity for the employees to be discharged
(3) they pay any outstanding debt to suppliers.

The new company, capitalized at 50 million CFA, was created in 1982. It then took the following steps to reestablish itself. First, to reduce its overhead, it discharged all of its 500 employees and rehired the 200 it judged to be most capable. Next, it lowered salaries and withdrew certain previously available employee perks such as cars, housing, and free utilities. The company also moved to more modest quarters to save on rent.

FOREXI also took steps to increase its markets by seeking additional contracts both inside and outside of the Cote d'Ivoire. As a SODE it had been forbidden to accept contracts outside of the Cote d'Ivoire. As a private company it competed for and on occasion won contracts financed by the World Bank and the French CCCE in Guinea, Mali, Benin and Burkina Fasso. Today its contracts are divided evenly between the Cote d'Ivoire and other foreign countries.

FOREXI has also restructured its organization redesigning management positions and reducing the number of its Board of Directors from twelve to three. It has also tried to change the mentality of its employees- impressing upon them that they are no longer civil servants, guaranteed a job and a salary, but young managers who must earn what they are paid. The company has also upgraded its pool of equipment by buying two of the most modern types of drills on the grounds that important contracts are only awarded to companies with up-to-date machinery. Today FOREXI has over eighteen drills and a fleet of over one hundred trucks, cars, and other vehicles located in nine different service centers. Finally, the company had sought additional financing. To date it has obtained lines of credit from two of the major banks.

In spite of these changes, the company is not yet comfortably in the black for a number of reasons. The most obvious is that the price paid for drilling a well has fallen from a high of 3 million in 1980 to 2 million today. The major cause of this drop in price is the keen competition for contracts in this particular sector accompanied by a shrinking local market. As a state corporation, FOREXI had been guaranteed a minimum of 500 wells per year- or about half of the total number of wells ordered and paid for by the state annually; as a private company, FOREXI no longer has this cushion and must compete with at least ten other established companies for contracts.

On the positive side, the company, like ICTA, is Ivorian run and managed, and it has managed to stay afloat despite the serious competition it faces. In 1985 it projects that it will construct over 800 wells and hopes to do about 1.8 billion CFA in business. If it survives and expands it will be a source of encouragement to the Ivorian private sector.

SOTROPAL

SOTROPAL (La Societe Tropicale des Allumettes), capitalized at 240 million francs, was founded in 1959 by a French multinational SIFA. SOTROPAL's principal purpose is the manufacture and sale of wood products, particularly matches. In

1974, SONAFI purchased 40% of SOTROPAL'S capital on behalf of the Ivorian State. At the time, SIFA retained the majority of the shares- as well as the management of the company.

SOTROPAL was a fairly successful company with sales of almost 2 billion CFA and net earnings of 55.6 million CFA in 1985 (the year prior to privatization). The Ivorian Government's decision to sell its holdings were certainly not based upon the company's lack of financial success (as was so often the case with the SODES) but could be considered as a logical follow-up on its decision to privatize.

After the dissolution of SONAFI, two groups requested the right to purchase its holdings in SOTROPAL. One was an Ivorian import-export company owned by the then Mayor of Abidjan (COGEXIM), and the other was a group of private persons headed by a well-known local entrepreneur who already had holdings of varying sizes in at least a dozen other firms. The successful suplicants were the latter group which purchased the government's shares for 345 million CFA.

The decision to sell to this entrepreneur and his group is popularly believed to be based upon both (a) the terms of their offer and (2) the feeling that the entrepreneur in question was entitled to receive something to compensate for his failure to acquire holdings in another state-held corporation that had been available for sale earlier on. The other corporation, a palm oil refining company called Trituraf, had been sold to an English multinational at a bargain price. This turn of events had been viewed with displeasure by many Ivorians who felt that privatization should result in the promotion of the Ivorian entrepreneurial class and not in good deals for multinationals.

In addition to purchasing SONAFI'a holdings, SOTROPAL's purchaser was obliged to work out an agreement with SIFA-which still held a majority of the company's stock and still controlled its management. SIFA, which has subsidiaries in Cameroon, Burkina Fasso, Senegal, Ghana, Zaire and Liberia, was determined to avoid any situation which would compromise its interests- as had occurred in two other countries when privatization had taken place. Accordingly, the terms of the final agreement required that SOTROPAL's new owners purchase a percentage of SIFA's holdings at the current market price, and agree to pay SIFA 120 million CFA a year for two years for the use of its patent.

According to the purchaser, he became interested in the company because (1) he was interested in acquiring shares in a succesful enterprise and (2) he was already the owner of a printing company. As he saw it, a printing company would be a logical complement to a company which needs to print match box covers. He therefore made the initial overtures to the government and to SIFA. As always the purchasing process was both long and complicated and involved extensive bargaining. The process was also more complex because an agreement had to be reached with SIFA- who had no ideological committment to the Ivorian desire to privatize but was solely interested in being adequately reimbursed for its investment. The agreement was finally consumated in late 1984 after over a year of discussion.

The changes that have been made in the company since its purchase have been mostly concerned with diminishing the French presence in management and replacing it with Ivorians. Under SIFA's management, there were three French "technical assistants" who cost SOTROPAL over 50 million CFA per year in salaries and maintenance. The new owner is presently grooming some young Ivorians to fill their vacant slots. Apart from this however, there have been no changes in the company's organization since it was fairly effective as it stood. The company's 258 African employees have all been kept on. As an incentive to improve performance, the owner has sold 5% of the company's stock to some of them . In addition, all of SOTROPAL's existing operations have been maintained.

Since the company was in good shape financially, its debts were minimal, and it envisions no problems obtaining financing from the banks if the need arrives. At present production and sales are on the upsweep, however this is not fully reflected in the company's balance sheet because it is still paying off SIFA's patent rights. Future plans call for an increase of its capital to 450 million CFA and a search for additional markets in the neighboring states.

As with the other companies, it is inappropriate to comment upon the effects of privatization at this time because the period that has elapsed since the purchase of the company is very short. However, one should observe that this is not so much a case of replacing public control with private control (as in ICTA and FOREXI) as it is one of Ivorianization- replacing French management with Ivorian management. The company's future success or failure will therefore reflect upon the capabilities of the new managers rather than upon the relative merits of public vs. private sector control.

4. SOGIEXCI

SOGIEXCI, created in 1966 and capitalized at 1,150 million CFA, is composed of a group of companies. The parent company SOGIEXCI has four departments and two subsidiary corporations and is the majority share-holder in a third firm. SOGIEXCI, which employs almost 400 individuals, is one of the most important Ivoirian owned and managed companies in the Cote d'Ivoire. It is primarily involved in the importation and exportation of a wide variety of manufactured products, as well as in distribution and sales.

SOGIAGRI, which was created in 1974, is the department of SOGIEXI which is involved in the sale of agricultural machinery. It specializes in the sale of tractors and machinery for the processing of rice. In 1980 it had sales of 1.5 billion CFA.

FIT, created in 1971, is the department which imports large- scale electrical appliances eg. central air-conditioners, commercial laundry equipment, hotel and restaurant kitchens. In 1980 it was the number four importer of central air conditioners and the number one importer of commercial kitchen and laundry equipment in the country.

The third department, BELAFON was created in 1969. It consists of a chain of four stores which sell small and medium-sized electrical appliances- radios, stereos, televisions, etc. It also has a network of 40 distributors covering the entire country. In 1980 BELAFON had sales of 1.5 billion CFA.

The last department, GALERIE, created in 1969, is a large store which sells medium and high-priced furniture. Its sales in 1980 were 680 million CFA.

In addition to its four departments, SOGIEXI has two subsidiaries- PREMOTO and SOCIVEX. Of the two, PREMOTO, is the more important. Created in 1969 and capitalized at 500 million CFA, PREMOTO is the Toyota distributor for the Cote d'Ivoire with over 11 representatives located in the major cities. In 1980 it had sales of 10.3 billion CFA and had a market share of 20.85%.

SOCIVEX, the second SOGIEXCI subsidiary, is a coffee and cocoa exporting firm. SOGEXI owns 60% of the company's capital and LONRHO, considered the technical partner, owns the remaining 40%. Created in 1972, and capitalized at 200 million CFA, it has annual sales of between 8 and 10 billion CFA- depending on the world market price of its products.

Finally, SOGIEXI holds 33% of the shares of SOGIATRAC, a distributor of FIAT-ALLIS heavy-duty equipment. Capitalized at 300 million CFA, this company is managed by the French firm SCOA, which is also the owner of the remainder of its holdings.

In sum, the group of companies which form SOGIEXI had total sales of 22 billion CFA in 1980- making it one of the most important companies in its particular sector.

The Ivorian state became the owner of SOGIEXI in the late nineteen-seventies when SONAFI purchased 99% of the company's shares. At the time, the company had begun to experience economic difficulties, and the government's intervention was designed to save it from possible ruin. The importance of SOGIEXI's role in the distribution sector and the fact that its staff (including upper-level management) was heavily Ivorianized motivated the government to intervene.

According to one observer however, the government had made it quite clear at the time of the purchase that this was to be a temporary action and that it eventually intended to resell SOGIEXI to the private sector. A small economic recovery in 1981 prompted the government to place a small number of the company's shares on the Ivorian Stock Exchange. The plan was to sell off portions of shares over a number of years until the company was eventually privatized.

In the next two years SOGIEXI again began to suffer substantial losses especially in its distributorships. In 1982 there was a 14% decline in sales and 70 employees were let go. The following year saw a further 3% drop. The principal reasons cited for this decline by the company's Board of Directors were: (1) The top-heavy administrative structure of the company- resulting in excessive overhead costs, (2) Serious losses by FIT- linked to a recession in the construction industry, (3) Heavy financial charges caused by a shortage of capital, poor stock rotation and late payments from clients and (4) Poor management at all departments. Only SOCIVEX, the coffee and cocoa exporting company, had significant profits during this period and this was attributed to the high quality of its management.

According to one informed observer, the situation at the Toyota distributorship PREMOTO (which was suffering heavy losses during this period) was fairly typical of the kind of management decisions being taken. The company was holding more inventory than it could sell, was offering a greater choice of models than was justified by the size of the market and was extending credit to individuals and companies who were not credit-worthy. Finally, at a time of general economic crises, (and in spite of advice to the contrary) it opened a number of agencies in the interior of the country which had to be closed down six months later owing to lack of business.

In mid-1983 the Ivorian government decided to sell SOGIEXI. According to some sources, the original plan was to cede the state's holdings to the management over a period of years. However, this plan never materialized. When word got out that the company was to be sold, a number of potential buyers presented themselves for consideration. The two most important were (a) COGEXIM, which it should be recalled had also expressed an interest in SOTROPAL, and (b) Lombard Ressources- a company registered in Switzerland but in fact owned by a well-connected Ivorian businessman. Two separate offers were also made for the subsidiary SOCIVEX- estimated at the time to be worth about 500 million CFA although its book value was stated to be 200 million. LONRHO, (which already held 40% of SOCIVEX's shares) proposed to buy the remaining 60% for 300 million CFA. A group of Ivorians also made a comparable offer.

To arrive at a selling price, the government had the company audited. However some observers felt that, given the size and complexity of the company, the audit was done too rapidly and was based upon insufficient information to allow it to make an accurate assessment of the company's worth. These same observers concluded that because of the level of the company's debts, the final asking price was rather high.

In August 1984 the Ivorian government sold SOGIEXI to Lombard for 600 million CFA to be paid immediately in cash.

Lombard bought both the company's assets and its debts- the latter estimated to be over 5 billion CFA in back taxes, unpaid customs duties and bank loans. Included in the sale agreement was a request that the banks continue to accord short-term credit to the company while it was being restructured. Shortly after the consumation of the undertaking, the banks, which were its major creditors, agreed to accept an immediate payment of 2 billion CFA and to allow SOGIEXI to repay the rest in installments.

The new owner of SOGIEXI was a man whose varying business interests included timber stands, hotels, service stations and cocoa and coffee trading interests in Europe. Although a successful entrepreneur, he was not experienced in managing a complex enterprise like SOGIEXI. The kinds of changes that have occurred in the company since his take-over reflect his background.

First, he has made at efforts to diminish costs by letting go more than one hundred employees. He has also closed down on a temporary basis th three departments that were operating at a loss- BALAFON, GALERIE and FIT, and contracted PREMOTO's activities. As a result, one can already observe the positive effects of these decisions on the company's balance sheet. However, these fairly rational decisions are partially counteracted by his placing his four sons (esteemed by some observers to have limited managerial experience) in important executive positions with the requisite high salaries and accompanying financial benefits.

Secondly, the decisions taken so far are all stop-gap measures. If the company is to be turned around, some serious planning and restructuring has got to take place: an in depth assessment of the present situation; elaboration of a comprehensive plan of action and an accompanying budget; the delegation of responsibility to designated staff members; periodic assessments and readjustments in accordance with ones objectives etc. To date there is no indication that this sort of planning and decision making has been done.

For SOGIEXI, as in the cases studied so far, privatization has meant transfer into Ivorian hands. As in previous instances, it demonstrates the manner in which decisions about who can buy what have taken place. Lastly, observers will again have to wait to see if, in the long run, privatization will have a positive effect on the firm.

5. BNEC

BNEC (Banque Nationale de l'Epargne et Credit) was founded in 1975 as a Savings and Loan Bank owned entirely by the state. It was capitalized at 1.1 billion CFA. Although the bank's license permits it to do full-service banking, it has always concentrated on the collection of savings and the financing of low and moderate income housing.

BNEC's predecessor in financing low-income housing was OSHE (Office Pour le Soutien de l'Habitat Economique) which had been created in 1968. OSHE dealt exclusively with the two major Ivorian Housing Corporations and concerned itself with programs for building low income houses for rent. It had been assigned a fairly wide scope of tasks including acquiring land, land development, and the provision of subsidies and loans for low income housing projects. OSHE was funded by the state which reserved a small percentage of the taxes obtained from the sale of certain goods and services for OSHE. By 1974 OSHE had helped to finance over 10,365 houses at a cost of 184 billion CFA.

When BNEC was created in 1974, OSHE was integrated into it. The bank's initial resources came from public funds intended to finance low cost rental units. Like OSHE, it continued to work in conjunction with the Housing Corporations to help them construct an average of 3,000 units per year.

Although BNEC's funds were primarily obtained from the public sector, specifically from a special fund known as the Fond de Solidarite de l'Habitat (FSH), by 1980 approximately 20% of the bank's assets were funded by deposits from savings. BNEC had succeeded in building up a clientelle composed primarily of working class individuals and farmers- thus acquiring a reputation of being a "bank of the people". It was these funds that would prove to be the bank's mainstay in the hard years which lay ahead..

In 1980 the government decided to privatize BNEC. As in other cases, the decision was based upon a combination of economic and political reasons. The ambitious program to construct over 10,000 low income housing units per year between 1975 and 1980 had been frustrated by the harsh economic situation. Funds that had been earmarked for construction had been diverted to other uses deemed to be more urgent. Under these conditions, the state decided to sell its holdings to the private sector.

The decision to privatize had negative reprecussions for the bank initially. First, the state withdrew from BNEC the FSH funds totalling over 20 billion CFA, leaving behind only the funds of private depositors. Secondly, the implementation of the decision to privatize took over three years. During this period the BNEC did not have properly functioning organs; the Board of Directors ceased to function and the prospective shareholders lacked access to the bank to follow its operations. At the same time, uncertainty about the bank's future caused clients to become worried about the security of their savings and many withdrew their money. Other potential depositors were hesitant about placing their money in the bank. The bank managed to survive this period but it suffered serious damage as a result.

The actual purchase of shares by the new shareholders and the formalities related to turning the bank into private hands took place in April 1983. The shares of the Bank, presented as worth 1.1 billion CFA on the book, were sold to four groups of shareholders in the following proportions:

Banque Iviorienne de Construction
Et De Travaux Publics (BICT)..................51%
TAW International Leasing Cote d'Ivoire.......30%
Union Des Assurances de Paris (UAP-VIE)....... 5%
A group of 300 of the Bank's customers........14%

The two principal purchasers became aware of the availability of BNEC through the Central Bank. In both cases, they were interested in BNEC because of the complementarity between their activities and that of the bank. BICT, a small commercial bank which specializes in construction, would of course find it advantageous to link itself to the nation's principal housing bank. TAW, a leasing company which specializes in the leasing of heavy construction equipment and vehicles, was interested in the bank as a source of financing its lease contracts.

The value of BNEC's shares was calculated based upon the nominal value of its shares. The purchasers were not permitted to audit the bank. Officially, the bank's balance sheet stated that the bank was 400 million CFA in the black. A true audit however, involving a detailed analysis of the bank's loan portfolio was not done, and some observers feel that such an audit would have presented a very different (and probably worse) picture of BNEC's financial situation. Such an audit would have revealed for instance that many of the bank's loans had been to small rural development organs (GVCs) and EPICS-rendering them practically uncollectable. On the positive side however, the purchasers were only asked to pay down 10% and given three years to pay the balance of the purchase price. It was also thought that the equity base would be enlarged to include reputable financial institutions. Thus, the purchase seemed to be "a good deal".

The price paid per share was 100,000 CFA. BICT purchased 5,610 shares, TAW bought 3,300 shares, UAP 550 and the remaining 1,540 were purchased by diverse private individuals. Relevant conditions of sale included a requirement that the purchasers agree to reduce their participation if other partners decided to come in, and an agreement that the bank would continue to finance housing construction. Although it was not written into the sale agreement, it was understood that the staff would be maintained.

In the three years since privatization the new owners, through the Board of Directors, have attempted to revitalize the bank. First, there has been a reaffirmation of the belief that BNEC's principal role is financing the housing sector. Next, there has been an attempt to deal with two of the bank's most pressing problems: a reduction of the level of the costly overdraft facility at the Central Bank and, a reduction in the overhead expenses of the bank. Thirdly, after some trial and error, the Board put into effect a new system of checks and balances and instituted a more effective decision making process.

To ensure that its decisions are carried out the Board has created an Executive Committee composed of five non-employee members of the Board. It has been given the power over credit decisions. At the management level, a number of new positions and organs have been created.

On a whole, these new mechanisms are designed to make sure that internal procedures of the bank and banking regulations of the Cote d'Ivoire are rigorously followed. They are also supposed to ensure better exchange of information within the bank and to permit smooth coordination of the work of the various departments.

The above changes have resulted in a slight improvement in the bank. However, they have been unable to bring about the major turn around that had been hoped for. Reorganization has not been able to solve the problem of bad debts not has it been able to obtain much needed additional capital for the bank. In addition, the newly instituted decision making processess have not always been adhered to. The result has been continuing stagnation and a feeling of frustration for all those concerned.

CONCLUSION

There are a limited number of conclusions which can be drawn from the foregoing discussion of privatization in the Cote d'Ivorire. Some of these conclusions are of a rather tentative nature because they have been extrapolated from a combination of observations of what has taken place, and discussions with concerned individuals. They are not derived from a close reading of relevant documents or from a study of legislation since very little of this exists.

The first and most concrete conclusion is that at this point in time the Ivorian Government is officially in favor of privatization. The decision to transfer public sector holdings to the private sector, through a variety of means, was publicly taken almost six years ago and it is still in effect.

The decision was a politically difficult one. It was opposed by a number of factions many of which are still not convinced that privatization is a positive thing. On the other hand, the decision was a natural outgrowth of the Ivorian State's political-economic philosophy, "state capitalism", which accepts the primacy of the market economy and the importance of the private sector. From the outset, the state had made clear its intention to eventually transfer some of its holdings to the private sector. In many instances, it had entered the private sector (through SONAFI) as a means of reserving a place for the underdeveloped Ivorian entrepreneurial class. Thus there was an underlying coherence in its decision to later privatize some of its holdings.

The state's decision to contract the public sector was also an economically logical one. Given the state of the nation's economy in the late 1970s, the state could not have continued to support a host of unprofitable parastatals that had been in effect transformed into parasites, existing on huge state subsidies. In 1980 privatization was a method of partially alleviating the economic crisis the nation was undergoing.

A second and equally firm conclusion that can be drawn is that the decision to privatize has not signalled a dissapearance or even a major diminution in the importance of the public sector. We have seen that many of the SODES were simply transformed into EPN which maintained thair status as state corporations but limited their field of action and reduced costs. Changes of this sort have meant the persistence of state control of large key areas of the economy. It has also meant that the public sector is still of significally greater importance than the private sector in the Ivorian economy.

On the other hand, changes designed to diminish the importance of the public sector have occurred. Some state corporations have been totally eliminated and others have been sold to the private sector. More importantly, the state's holdings in scores of private corporations are supposed to be transferred to the private sector in the short or long run. Hence, one can conclude that some measure of privatization is taking place in the Cote d'Ivoire today.

The privatization that has occurred, however, has been of a very cautious nature- giving the impression that privatization in the Cote d'Ivoire is in a "holding pattern". At the moment, the state is not expanding its involvement in the private sector in the aggressive manner of the early nineteen-seventies. With the exception of a few instances where corporations located in "strategic" sectors are concerned, the state has ceased to purchase new holdings in private firms, and has not participated in any increases of capital in firms where it still holds shares.

The actual process of transference from the public to the private sector is taking place at a snail's pace. A general "privatization strategy" appears yet undefined. Guidelines are minimal and many individuals (including those who can be described as well informed) seem unaware that the process is still taking place. Lastly, decisions about who can purchase what and when and how are being made on a personalized case by case basis. It is symptomatic of the entire situation that the Minister of State who had been given the responsibility of studying the issue of reforming the state corporations has since been assigned another task- leaving the question of privatization now "unsupervised" by a single minister.

It is difficult for an external observer to state the reasons for the government's reticence towards changing the rate and manner of Ivorian privatization. Yet, there are several factors that could account for the present situation. First, there seems to be a desire to make sure that the state's property reverts to Ivorian nationals and does not fall into the hands of foreign firms. In a majority of the cases where privatization has taken place, the purchaser has been an Ivorian individual or firm. This does not mean that multinationals have not profited from the state's decision to sell. At least five of the twenty firms that have been privatized have been sold to large foreign firms. However, it is possible to argue that if the state's holdings had simply been sold to the highest bidder on the open market, the number of Ivorians who would have succeeded in obtaining them would have been far fewer- given the relative financial assets of the competing candidates. For, it is a fact that very few Ivorians have the financial means to undertake the purchase of the state's holdings. Thus, by carefully screening each applicant and making the decision at the highest level, the state can assure that the purchaser is the one which it personally selects.

A second factor that could account for the way in which Ivorian privatization is taking place is patronage. The opportunity to purchase state holdings is an important and lucrative one. By being able to withold or grant access to its property the state has at its disposal a significant pool of "favors" which it can dispense to those whom it desires to reward. Moreover, the state can use these assets to pacify the representatives of various socio-economic, ethnic and geographic groupings who could be potential sources of support or opposition. There is therefore no rush to squander what can be termed a major political resource.

Some observers also call attention to the period when privatization was instituted. The conjoncture, which was then in full force, discouraged potential local and foreign investors from investing in many sectors of the then depressed Ivorian economy. The fact that the government was primarily interested in unloading the more unprofitable SODES, as opposed to the lucrative SONAFI holdings, also daunted potential buyers and helps to account for the slow privatization rate.

Finally, it is possible that a lack of experience and technical knowledge about precisely how one goes about privatizing the public sector has contributed to the present situation. Because it is uncertain about exactly what it should do, the state has done little or nothing; since there are almost no penalties attached to doing nothing, the situation has been able to persist for over six years. In a region where decisions have traditionally been made in a slow measured manner, the delays surrounding privatization have caused neither alarm nor outrage. Instead, there is a "wait and see" attitude based upon the knowledge that something or other eventually will happen.

Perhaps the ever mounting global interest in privatization, and the inevitable institutionalization of the process, will eventually result in a more aggressive Ivorian privatization program. For the moment, however, privatization is in an undynamic phase in the Cote d'Ivoire.

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