DIMPEX
ASSOCIATES, INC.

PRELIMINARY INVESTMENT CLIMATE ASSESSMENT

AND

PRIVATE SECTOR PROJECT PROPOSALS

PEOPLE'S REPUBLIC OF BENIN

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SUBMITTED TO
AFRICA BUREAU/OFFICE OF PRIVATE ENTERPRISE
AGENCY FOR INTERNATIONAL DEVELOPMENT

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PREFACE

This report was prepared in connection with a visit of a Beninese delegation to the United States during the period February 22 to March 7, 1986. The visit had both cultural and private sector business objectives. The report was intended to facilitate exploratory contacts of the private sector representatives on the Benin Delegation with the U.S. business community. The work in Benin and the preparation of this report were completed under terms of a contract between USAID AFR/PRE and DIMPEX ASSOCIATES INC. on behalf of the U.S. Embassy, Contonou and USAID Mission, Benin, and Togo.

The work was carried out in Washington and Benin over the period January 25 to February 20, 1986 under the direction of the DIMPEX ASSOCIATES' Project Officer, Mr. Arnold Lessard. Mr. Lessard over a two week period worked closely with U.S. Embassy and USAID officials and private sector businessmen in Benin.

The primary objectives of the project were to identify private sector projects and develop summary Investment Project outlines for use in scheduling and facilitating meetings in the U.S. between Beninese private sector businessmen participating as members of the Benin delegation and their U.S. counterparts.

The summary assessment of Benin's investment climate which follows is based on a review of recent U.S. Government publications and reports, discussions with senior Embassy and USAID personnel in Washington and Benin, interviews with Benin Government officials, private sector business leaders, and local Chamber of Commerce officers, and a series of factory visits and plant inspections carried out over a two week period.

Briefings of the Benin U.S. Embassy and USAID staff on the results of the work were carried out during the week of February 10. Washington briefings were conducted during the week of February 24, 1986.

DIMPEX ASSOCIATES sincerely thanks Ambassador George E. Moose for his very strong support and assistance both in Washington and in Benin in seeing the project through to completion. Mr. Modupe Broderick, USAID Program Assistant, rendered invaluable assistance and personally participated in all aspects of the field work in Benin. Mr. Myron Golden, USAID Mission Director, Benin, and Togo, supported the team's efforts at all stages of the work.

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EXECUTIVE SUMMARY

Benin is a poor developing country in political and economic transition. Its state controlled financial institutions and major state enterprises are essentially bankrupt. There appears to be general consensus in Benin that the past has not worked and that the future must be based on a markedly different political view of the mutual and supporting roles of the public and private sectors in economic development.

The U.S. through its existing USAID private sector programs can play an important role in hastening the transition by supporting Benin's vital, capable and aggressive private sector. Beninese businessmen have taken the measure of the heavy-handed political and regulatory environment in which they operate and have demonstrated - to themselves, at any rate - that they can not only survive but prosper in this environment. They have soundly-based new investment projects, many of which respond to very real market needs and utilize internal sources of raw material supply. They lack financing, technical assistance and encouragement.

1. <u>Benin's Political and Regulatory Environment Is Perceived As Hostile To The Private Sector By The Foreign Investment And Banking Communities</u>

   The government's past actions - and its continuing socialist rhetoric - have succeeded in convincing the international private sector investment community that Benin is no place to take investment risks. With almost all of the country's large industrial enterprises and all of the commercial and development banks under direct government ownership and management there is very little room left for even medium sized foreign business ventures. Large foreign private investors will be very slow in considering Benin as a location for investment, even if the economic and market signs became highly positive.

2. <u>Benin's Local Private Sector Has Survived And Grown Under A Difficult Political And Regulatory Environment</u>

   Benin's past and its future is as a conduit country, channelling goods through the Cotonou port and moving them to nearby Nigeria and the land-locked countries to the north. This import reexport business plays to the strength of an active and aggressive private sector commercial trading group - many of whose members have close business connections and investments in nearby countries and solid ties with foreign suppliers and banks. One estimate places 60% of Benin's commercial trade in their hands. It is from this group that have come the small industrialists who have created import substitution manufacturing and assembly enterprises.

The Benin private sector knows it can operate within the political climate, and believes that the government is making major changes in its economic orientation which will give small and medium sized private sector companies a much greater and freer role to play. A number of business leaders have new investment projects "waiting in the wings."

3. Benin's Economy Is Suffering From A Regional Depression

Benin's economy is a business barometer measuring the level of business activity in neighboring countries. The Nigerian and Niger booms brought great demands for products moving through the Port of Cotonou and the natural overland routes from the sea to enormous nearby consumer markets. The collapse of the Nigerian economy and the closing of the trade frontier turned off the tap of the flood of goods moving into western Nigeria from Benin.

But business is still being done and niche markets for imported and locally produced products exist. Benin businessmen are prepared to risk and commit assets. Part B provides examples of such investment projects.

Benin's membership in the West African CFA franc zone - with its common currency pegged to the French franc and its convertibility guaranteed by the French treasury - remains a formidable asset for private sector development.

4. Even a Modest USAID Program in Benin Will Provide a Much Needed Signal of Support to the Private Sector.

Part C of this report argues that the current private sector reconaissance mission to the U.S. should be followed by at least limited actions to provide assistance in furthering private sector development in Benin.

(1) Think "Private Sector" In Designing Future USAID Projects in Benin

(2) Strengthen Direct Contacts with the Private Sector

(3) Work Closely with the Benin Chamber of Commerce in Co-Sponsoring Private Sector Training, Development and Advisory Services

(4) <u>Focus Private Sector Dialogue on Improvements in the Investment Code</u>

(5) <u>Move Cautiously on Assistance in the Parastatal Privatization Area</u>

(6) <u>Scale Private Sector Work Scope and Programs to Available Resources and Tangible Washington-based Support</u>

PART A - PRELIMINARY INVESTMENT CLIMATE ASSESSMENT

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I. SUMMARY OF GOVERNMENT POLICIES, REGULATIONS AND PRACTICES IMPACTING PRIVATE SECTOR DEVELOPMENT.

1. Political Stability and Risk

The state of Dahomey was created on August 1, 1960, after a period of 70 years of French colonial rule. There followed 12 years of political instability due to tri-partite political competition based primarily on local ethnic and geographic power bases - each with a contending high visibility political leader. The inability of these three groups and their leaderships to cooperate led to six military interventions to restore order. The final coup in October 1972 was led by Major Mathieu KEREKOU who has continued to lead the country as its President. The country's name was changed to People's Republic of Benin in 1975.

The thirteen years of the Kerkekou regime effectively ended the problem of instability experienced from 1960 to 1972. There has been relatively little use of excessive force by the Government in maintaining order. The population appeared ready to accept firm rule to avoid the possibility of further serious internal conflict.

Benin's political orientation began to shift in 1974 towards Marxist ideological views. Efforts were made to secure East Bloc assistance and the government began to adopt Marxist economic organization structures and systems. Nationalization became a major policy and resulted in state control of the banking system, the press and major industrial and commercial activities.

By 1981 it had become clear to most that Eastern Bloc institutions and orientations did not work in the environment of Benin and held little popular appeal. Although the "rhetoric" continues, the government is taking measures to liberalize the economy, denationalize inefficient state enterprises and encourage foreign and local private sector investment.

The current opinion among business and government sources is that the current regime is stable, is evolving towards a more liberal economic orientation, is not threatened at home or abroad, and is developing closer ties with its major western donors - France, West Germany, Canada and the United States. While this may well encourage investment in private business, the impact to date has been minor.

2. National Development Policy and Plans

countries. The state since its' beginnings has of necessity taken a major role in the economy and from 1972 onwards has been predominate in all phases of national economic planning and development. By the early 1980's almost all major economic activities were in the hands of state owned and controlled enterprises.

Real economic growth over the past thirteen years has been erratic:

1971-1976	.9%
1976-1981	3.6%
1983	.4%
1984	1.6%

By 1983, Benin was experiencing its worst economic crisis. Business leaders and economic observers place responsibility for the crisis on a combination of poor government performance and important external factors outside the government's control.

- Drought
- The closure of the Nigerian border to trade
- General and severe regional economic downturns impacting Benin's important import/reexport/transport activities
- Stagnation of agricultural production
- Poor performance of public sector companies
- Failure of major and costly government investment projects to earn their way
- Growing arrearages on payments of domestic and external debt
- High government subsidies on food, energy and transport services
- Policy of providing public sector jobs for all college graduates

All indications point to a major reassessment and reorientation of the government's national economic development policies and plans. Interviews with private sector businessmen and government officials confirm that significant changes are taking place.

- The World Bank has proposed a substantial technical assistance program to rehabilitate, privatize and/or close state corporations. Many have already been eliminated.
- The IMF is currently negotiating a standby agreement which would place restraints on government spending and investments and encourage economic liberalization.
- Benin's economic development strategies are shifting away from capital intensive government financed projects and expansion of the public sector towards self sufficiency, agricultural development, rehabilitation, privatization,

and shutdown of public sector corporations, and encouragement of local and foreign investment.

- A reevaluation of the Investment Code is underway to liberalize its provisions and encourage private sector initiatives.
- The government has abandoned its policy of guaranteeing public sector employment to college graduates.
- There has been action to increase the role of private sector truckers in distributing imports from government operated ports. Business leaders are encouraged by these changes, but continue to remain cautious with respect to new investment.

3. Business Formation and Investment Incentives

The Investment Code of May 20 1982 represents a "half way" move to encourage private sector investment. Local businessmen do not believe that the Code goes far enough in providing the incentives needed, particularly in the face of a government monopoly position in most of the major economic sectors. The investment project approval process is long, and there does not exist any effective investment promotion organization to provide assistance with the many government approvals required. Some businessmen believe that proposals which are viewed in any way competitive with state monopolies face lengthy review processes.

The Investment Code has four "regimes" depending on the type and size of the investment being proposed. Priorities have been established in the following segments:

- Agriculture and agro-industry. (Cotton, oil palm, nuts, maize)
- Fisheries and animal husbandry
- Chemical and mechanical industries
- Extractive and metallurgical industries

Private sector companies can benefit from a number of privileges under terms of the Investment Code. These include the following over a five year period:

- Relief from import duties on plant, equipment and certain materials
- Reduction of 50% of import duties on parts and components and certain raw materials
- Exemption from domestic turnover tax
- Reduction in export duties up to 75%
- No income taxes for first two years if placed in reserve, followed by reduction of 2/3 of income tax for following three years

Special privileges can be negotiated for large, long term startup projects.

Potential investors should consult the English language publication, "Guide to the Foreign Trade of Benin," available from the Ministry of Commerce, which contains an excellent description of Benin's economy and the structure of its foreign trade and includes an official translation of the Investment Code.

There do not appear to be any major problems in the creation of private shareholding companies. The organization and legal framework for establishing such companies follows standard French forms and practices. Local public accounting and law firms are available for the creation and registration of such entities.

Business officials do not believe that the new Investment Code has had any significant impact on private investment to date and generally encourage the government to review this Code to make it more competitive with incentives offered in neighbouring West African countries.

6. INTERNATIONAL REMMITTANCES

The Investment Code guarantees the freedom to transfer capital funds and profits and to export proceeds from winding-down or expropriation actions.

Benin is a member of the West African Monetary Union and has limited flexibility in its monetary policy. All members share a common currency - the CFA franc - and a common central bank, the Banque Centrale des Etats de l'Afrique de l'Ouest (BCEAO).

The CFA franc is pegged to the French franc at the rate of 50 CFA to 1 French franc. Convertibility of the CFA franc is guaranteed by the French treasury.

There are no private commercial banks in Benin. All commercial banks were nationalized and merged into the Banque Commercials du Benin (BCB).

A number of private sector importers and exporters report that they avoid dealing with the nationalized commercial banking system which is considered inefficient. Some importers have long standing credit arrangements with off-shore Middle East and European banks which permit them to finance imports by a combination of cash payments and open account credit arrangements. Others import via the nearby port of Lome, Togo and handle their letter of credit or documentary credits with private commercial banks operating from Lome. Goods are then transhipped overland the short distance between Lome and Cotonou. By means of such arrangements - and the convertibility of the CFA franc - most private businessmen have few problems in remitting profits abroad. This ability to remit profits is an important factor in doing business in Benin, although its impact is only moderate because of the other factors impacting business decisions.

5. INTERNATIONAL TRADE RESTRICTIONS

Benin may appropriatly be called a "Transit Economy" since it has traditionally served as a trade and transportation link to the land-locked countries of Mali, Niger and Burkina Faso as well as a port of entry and supply for nearby Nigeria - in itself a market of 90 million people.

The modern port of Cotonou was built in 1965 and was designed specifically to play a regional trade and transport role. Cotonou has the advantage of being located at the entrance of a natural transport route leading north to the land-locked nations of the sub region.

Much of the trade moving over these routes is not measured and not controllable. What is known is that prior to the regional economic depression and the closing of the Nigerian border to trade both import and export movements through the Port of Cotonou increased rapidly - including a growing percentage of container traffic volume.

It is estimated that state owned enterprises control about 40% of the country's trade volume. Even though most state trading corporations have lost their monopoly - with the exception of cement, petroleum, meat and banking - they still enjoy a privileged position. Such state corporations exist in the following business, industry and commercial segments: ship supply, insurance, computers, beer and beverages, cloth printing, vegetable oils, mining and petroleum, sale and leasing of machinery, equipment and vehicles, publishing, pharmaceuticals, sugar, office and school supplies, radio and TV.

The private sector, however, is vigorous and expansionist and controls 60% of Benin's import and reexport trade.

The state marketing companies have maintained a close control on the exports of agricultural production, although private sector exports of cocoa and coffee were noted.

Import and export licenses can be obtained for most products, subject to a visa in cases where a national company has been granted a monopoly.

The local markets are extremely well stocked and there is no evidence of shortages of any category of imported products.

Letters of credit are issued by the government controlled commercial bank. Businessmen report that some form of non interest bearing deposit based on a percentage value of the import must be placed with the bank. It appears that the percentage is negotiable in the range of 30% - 50% of import valuation.

From the above, it can be seen that the regulation of trade in Benin is in a transitional period as new polices relating to the growth and monopolistic position of state corporations continue to change. One thing, however, is clear: there is a very active, well financed and profitable private sector in Benin which appears to be gradually winning a larger share of the import and export markets encouraged by liberal trade policies.

The publication, " Guide To The Foreign Trade of Benin, " should be consulted for further details on import/export licensing and Port of Cotonou charges and dues.

6. INTERNATIONAL AGREEMENTS

Benin is a member of the U.N. and its specialized agencies, the Organization of African Unity, Entente Council, Economic Community of West African States and the Organization of the Islamic Conference. Its membership in the West African Monetary Union is particularly important in its convertibility linking of Benin's local CFA franc to the French franc.

The World Bank is supporting Benin's development and is currently making major funds available for rationalization, privatizaton and close-down of the poorly managed state corporations. Discussions continue with the IMF to fund a solution to the country's pressing financial situation.

The U.S., France and West Germany maintain resident embassies in Contonou.

The role of the convertible CFA franc with its links to the French franc is considered by all businessmen to be a highly important factor in their business and investment plans.

7. TAXES

Benin has traditionally relied on import taxes and duties to supply up to 50% of total government revenues. Direct and indirect taxes yielded an additional 30%. There are no indications that the government is planning to increase import-export taxes and duties nor income taxes in an effort to solve the current budget crisis. Efforts are being made to reduce government operation expenses, close down inefficient parastatals and severely limit any new capital projects.

Income taxes on corporate profits are 45%.

While businessmen report the usual problems of negotiating income tax assessments and the lack of qualified government tax specialists, there were no complaints that the tax structure imposes undue burden on corporate profits.

8. LABOR LAWS

The labor union movement is an integral part of Benin's one party system and is under strong central government control. A leading industrialist reports that he has no problem in hiring workers, or in obtaining permission for work permits for foreign technicians. There were no reports of labor militancy or strikes. Low cost, day rate casual workers are readily available with no apparent intervention by government agencies. Employers over a certain size must provide medical and health services. The Labor Laws provide guidelines for payments due long tenure employees who are discharged.

In general, business leaders believe that labor laws and costs are moderately favorable to doing business in Benin.

9. GOVERNMENT CONTROLS AND INTERFERENCES

The rapid build up of state public enterprises in all

such as commercial banking and transport brought with it an inevitable heavy burden of government regulation and control.

The "trade" character of Benin's economy, however, and the boom conditions in nearby countries permitted the traditional and enterprising private sector traders to survive even under such conditions.

The financial problems of the public sector state companies and several large government investment projects combined with a major regional depression have forced the government to review its economic and development strategies. As indicated in previous sections in Part I, a major retrenchment in the public sector is underway.

A revision of the 1982 Investment Code which has a definite public sector bias is planned. Key government officials state that encouragement of foreign and local private sector investments will figure strongly in the revisions.

Private sector businessmen are not reporting direct government interference in the management and operations of their companies. There are, however, reported instances of attempts by low paid and unqualified tax and customs officials to "harrass" private companies or bargain for payment for favors rendered. This plus the competition from parastatal companies is a discouraging factor to private business development.

10. AVAILABILITY OF BUSINESS ADVISORY SERVICES

The public sector appears to have little capability for producing business advisory, investment promotion and training services, although a start has been made by U.N. funded technical training institutes. The private sector relies on its own resources for such services.

Private public accounting and legal services are available. Most of the important private sector businessmen have strong business and banking connections in nearby countries and in Europe and rely on these contacts for business advice and services. A number of highly professioal new business feasibility studies were reviewed during meetings with private companies, reflecting the availability of expert business counsel.

Although the lack of business advisory services in Benin is a negative factor in the investment climate, its impact is considered to be relatively minor by business leaders.

11. SUMMARY

Most foreign investors will consider Benin's political and regulatory environment hostile to private sector investment. Multinational companies seeking either initial entry or expansion of their activities in West Africa will rank Benin very low in any evaluation of alternative investment locations. Several countries in the region offer most of the advantages of Benin and relatively little of the degree of direct government intrusion into so many areas of the productive economy. Regardless of the perceived shallowness of the governments's Marxist-Socialist dogma, the rhetoric persists and must be taken into account.

The changing orientation of the government, moreover, will be seen by many outside Benin as a necessary but reluctant response of the government to World Bank and IMF pressures - the only two real hopes for a solution to the essentially bankrupt condition of the state's financial agencies.

Private sector observers closer to the Benin scene, on the other hand, have recognized a number of fundamental and promising changes in the government's economic orientation. They believe that there will be increasing opportunities for private sector initiatives, and that the government is ready to permit much greater private sector participation in national economic development.

Foreign international venture capitalists and entrepreneurs in association with experienced private sector businessmen will find potentially profitable market niches for projects which will obtain full government support and will be permitted to operate essentially free of government interference. Some of these projects are summarized in Part B.

Table 1 summarizes the views of local business leaders with respect to the ten factors relating to government policies, regulations and procedures discussed above. In general, the situtation is encouraging but changes have been so recent and - as discussed in the next section - the economy has been so weak - new private business development has been slow.

TABLE 1

RELATIVE IMPORTANCE GIVEN BY BUSINESS EXECUTIVES TO GOVERNMENT POLICIES, REGULATIONS AND PROCEDURES IN ENCOURAGING PRIVATE SECTOR DEVELOPMENT IN BENIN

	CONSIDERED AS FAVORABLE			CONSIDERED AS UNFAVORABLE		
	DEGREE OF IMPORTANCE			DEGREE OF IMPORTANCE		
	MAJOR	MODERATE	MINOR	MAJOR	MODERATE	MINOR
Political Stability and Risk			X			
National Development Policies and Plans					X	
Business Formation and Investment Incentives			X			
International Remittances		X				
International Trade Restrictions		X				
International Agreements	X					
Taxes			X			
Labor Laws		X				
Government Contracts and Interference				X		
Availability of Business Advisory Services						X

II. SUMMARY OF BASIC ECONOMIC AND RESOURCE IMPACTS ON PRIVATE SECTOR DEVELOPMENT

1. Economic and Market Stability and Growth Prospects

Benin is currently experiencing the worst economic downturn in its history. Real GDP growth since 1982 has been essentially stagnant. The "Commerce" sector which after agriculture is the key component in the GDP - and a main contributor to government revenues via duties, taxes and fees - has fallen from $231 million in 1982 to $144 million in 1984, a drop of 38%. Local businessmen do not believe that the overall economic situation improved in 1985.

Exports were down 20% 1984 over 1983, and imports were down 28% in the same year-to-year period. Major efforts to control imports since 1982, however, have brought the current account deficit from SDR -261 in 1982 to SDR -30 - a decline in the ratio of this deficit to GDP from 25% to 3.2%. Refer to Appendix I for details.

Benin's external debt, however, increased dramatically - tripling in the period between 1979 and the end of 1985 - from $167 million to $581 million. Much of this debt is due to government borrowing for three major government projects, two of which appear to have little chance over the medium term of paying their way:

- o Save sugar refinery
- o Onigbolo cement plant
- o Seme oil field

Major debt burdens and continuing operating losses of many of the parastatal corporations add to the growing financial problems of the government.

Businessmen interviewed during the survey are not optimistic about near term turnaround in the economy or the market. While they seriously fault the government for what they consider to be shortsighted policies of nationalization and a dismal record of managing the nationalized segment and major project investments, they are in essential agreement that the economy of Benin is highly dependent on healthy economic conditions in neighbouring countries - in particular, the enormous Nigerian market - for which Benin serves as an import, transport and commercial conduit. The dramatic slowdown in Nigeria's economy - which can only continue to be adversely impacted by the fall in oil prices and a weakening dollar - has had a major negative impact on Benin's highly important commercial sector. Nigeria has in effect passed its depression on to Benin.

Nigeria's internal financial problems, in particular the difficulty of obtaining foreign exchange, touch Benin in yet another way. Nigerian businessmen and traders find in the essentially "hard" Benin CFA franc a way of obtaining foreign exchange. The flow of products into Benin from Nigeria at comparatively low prices is hurting local Beninese importers and both public and private sector manufacturers.

The extent of the Benin government's involvement in and dominance over the industrial sector - some 62 state corporations still operate - makes it difficult to draw a clear distinction between government policies and plans and economic and market forces when assessing their impacts on the private sector investment climate.

The current situation in Benin makes for market "destabilization" rather than stability. It is obvious that a fundamental government reappraisal is underway - and that the IMF and World Bank are attempting to influence and hasten the process hoping for fundamental liberalization of the economy and a much greater private sector role.

Depressed internal and external markets, the drying up of private sector credit, uncertainty concerning public policy, and the overhang of an inflated and inefficient public sector - directly involved and having a vested interest in almost all the productive sectors of the economy - have made the private sector businessman apprehensive and unwilling - often unable - to take medium term risk. Thus the economic conditions are one major factor discouraging private investment in the country.

2. Population

Benin's population of just under four million is only a small part of the potential market which has been - and could again be - served by goods and services imported into, processed or made in Benin. The country is a natural land transport corridor to landlocked Burkina and Niger and has excellent access to all western Nigeria - one of Africa's largest potential consumer markets. All businessmen interviewed view the economic growth of Benin as irrevocably linked to supplying these markets which taken together provide one of Africa's largest accessible population bases and a major consumer market. The general business opinion is that so long as the region of which Benin is a part remains depressed and consumer demand from its neighbours remains stagnant there is little chance for any major successful new private sector investment initiatives apart from limited import-export trading. Thus, this factor is a major negative in the investment climate of the country. See The Benin Fact Sheet in Part B for further information.

3. Business Base

Benin's economy is based primarily on agriculture and trade/commerce. These two sectors accounted for almost 50% of GDP in 1984. The transport and manufacturing sectors follow, adding 9% and 5% respectively.

Agriculture employs 75% of the active population - and has in the past contributed up to 40% of total GDP. Small independent farmers account for up to 90% of total agricultural production producing essentially subsistance crops: corn, sorghum, yams, cassava, beans and rice. Cash crops which include palm oil, cotton and groundnuts provide 35% of foreign exchange earnings. Agricultural production has declined since the mid 1970s due to multiple problems of lack of fertilizer, insecticides and seeds; drought; availabilty of credit; technical and management deficiencies; and low producer prices.

Cotton has been the only bright spot in agricultural production, quadrupling since 1981-82 - reaching 44,470 MT in 1984. This dramatic increase was due to farmer response to the government's increase in producer prices. Major French loans have been put in place for construction of additional cot n storage and ginning facilities.

Meat production falls far short of needs. In 1984 Benin imported 20,000 MT of meat and poultry. The livestock population has been on the increase, however, since 1978. Cattle, sheep and poultry production have all shown year-to-year increases.

The country's production of wood products does not meet national needs. West Germany is providing expertise and financing to develop forest resources and increase wood production.

The existing private sector business base is predominately pure import and distribution. Of 249 companies in a semi-official company registry there were:

- 188 private sector importers/distributors
- 29 state corporations
- 16 private sector importers with limited processing, conversion, installation and service capabilities
- 16 private manufacturers, assemblers, constructors

The 29 state companies control production and distribution of almost all of the agribusiness-based and mass consumer products: sugar, petroleum, fisheries, brewing, forest products, vegetable oils, and cement. There are, in addition, several major state importers and distributors of books, stationery, electrical equipment, fruit juices, public works equipment, etc...

The 16 private sector industrial companies are almost all in low technology, low-value added, import substitution businesses such as wire nails, sheet metal forming, drawn and cast metal cooking untensils, welded tubular steel products, wood and steel furniture, mattresses, footwear, plastics, pasta products, etc...

Bata shoe was the only private international manufacturing company identified in the listing. There are no private sector banks or financial institutions. A number of small private over-the-road trucking companies were separately identified. No U.S. companies are operating in Benin, apart from Sheraton Hotels.

Notwithstanding the predominance of private sector traders over value-added processing and manufacturing businesses, the private sector is extremely active and important. As in many other developing countries, most of existing small Beninese manufacturers have their roots in the import trading sector. Most of them are still active importers and exporters.

Many, moreover, have new business ventures under consideration such as:

- Plastic and metal tubing
- Cement bags
- Electrodes
- Day cell batteries
- Agricultural plantation development and food processing
- Soap and washing powders
- Galvanizing and shaping sheet steel profiles

A number of these projects are summarized in Part B, Private Sector Project Proposals.

Any perceptible change for the better in the economy - in particular serious government actions to encourage private sector development accompanied by availability of medium term credit - could result in many private sector businessmen moving ahead strongly with a number of import substitution and agribusiness projects.

4. Market Potential

Growth in internal market demand over the short-medium term is not considered likely by the private sector business community. The essentially subsistance farming sector has been stagnant - showing a meager .5% growth over the past decade. Employment in the public sector can be expected to stabilize and most probably decrease. Private sector employment is very small and there is no evidence of new hiring. Wage and salary levels are among the lowest in West Africa.

Gross domestic product has declined since 1982 and per capita income has fallen. The once bouyant commercial import-reexport sector importing into Benin for reexport to markets in Niger and Nigeria experienced growth rates of 15% per year during the 1970s. The transport sector grew rapidly to accommodate the increased tonnages moving overland from the Port of Cotonou. This business - now lost - will not return soon.

The government has recognized the need for policy changes which will create a domestic market large enough to sustain industrial enterprises, initially in processed food and simple consumer products - later in tools and spare parts. These policies will seek to:

- Generate surpluses for reinvestment
- Create demand for agricultural and industrial products
- Create surplus domestic savings large enough to permit investment capital formation

To be successful, these policies must achieve overall economic growth and increases in rural incomes through a program of economic liberalization including freer markets, support to small and medium sized industries, development of agriculture, improvements in infrastructure, and a less important role for state corporations.

The final nature of these reforms and their impact on creation of internal demand remains to be seen. The process, in any case, will be a long one. The Benin private sector business community remains to be convinced. In the interim, the depressed markets in Benin and neighbouring countries is a major factor discouraging private investment.

5. Basic Materials and Parts

The markets and warehouses of Benin are well stocked. There is no evidence of a lack of imported materials, parts or equipment. None of the manufacturing businessmen interviewed had problems in maintaining their plants or in importing raw materials.

The Beninese trading community and small manufacturers have over many years developed close ties with foreign banks and suppliers. Many maintain important balances with European banks. Some are able to import on open account because of longstanding relationships with suppliers. The hard currency nature of the CFA and its convertibility have facilitated remittances. Many importers avoid dealing with local banks by utilizing foreign based bank guarantees, using open account transactions, and importing via the Port of Lome and transshipping.

Bank officials in Benin state that there is open availability of trade finance for financially viable importers. This view is supported by private businessmen who recognize this as a potentially important factor in encouraging development of the private sector.

6. Infrastructure

The transportation sector - road, rail, transport and port operations - accounts for 12% of GDP and 20% of formal sector employment. Modernization of the sector has been hampered by the unwillingness of the government to provide incentives to increase use of port facilities, domination of the trucking industry by the public sector, old and obsolete equipment and handling procedures, cumbersome bureaucratic practices and inefficiencies, and lack of investment in both roads and railways.

The recent entry of the private sector into over-the-road tra operations - forced by the French as a pre-condition to railway loans - has improved the situation.

While large investments will be required to improve the country's transport system, private sector businessmen engaged in large scale movements of goods into and out of the Port of Contonou - to and from all parts of Benin - did not identify transport as a major business problem.

Benin's energy resource base is diversified and is capable over the long term of meeting the country's energy needs. Wood and other biomass sources provide 86% of the country's energy needs. Internationally financed reforestation projects are underway to ensure continuing sources of supply. Imported petroleum products supply the balance of the country's requirements. Benin's petroleum production of about 7500 bbls per day of crude from the Seme offshore field is exported. Recoverable reserves are estimated at 17.7 million bbls. Investments continue to be made to further delineate the field and reestimate recovery rates and reserves.

Ninety percent of Benin's electricity was imported from Ghana up until 1982 when severe drought conditions forced cutbacks in Ghana's hydroelectric output. Since 1982

48% of internal requirements. A joint Benin-Togo Nangbeto Hydroelectric Power Project is scheduled for completion in late 1986 and should fill growing demand for electricity. Most large private sector companies have installed stand-by generating facilities.

Local and international telecommunications services appear adequate. All businesses visited rely on the local PTT for both domestic and international communications and do not experience significant problems.

Cotonou is served by a number of international airlines. It offers acceptable services and is a port of call for many shipping lines. Container services are available.

In summary, Benin's infrastructure relative to other African countries is above average and provides some advantage to private businesses in the country.

7. Local Credit and Capital

All Benin commercial and development banks are government owned and controlled. No foreign private banks have branch operations in the country.

Benin's banking sector has been described as being in a "disastrous situation." Informed observers state that if normal banking criteria were applied, the banking sector would have to be considered bankrupt. The major problems may be summarized as follows:

- Provisions for bad debts - particularly for the large state enterprises - are large and increasing.
- Account management has been poor
- Boards of directors and senior management have not been responsive to a dramatically worsening situation.
- Control over internal banking operations has been absent or ineffective, and normal banking rules and regulations have not been respected.
- Credit policies and debt recovery procedures have been lax.

The government is currently working closely with the World Bank and the IMF on a major restructuring of the banking system. New boards of directors have been appointed. Internal reorganization is underway. Accounting and credit system are under review. Debt recovery measures are being tightened and enforced.

A key problem remains: how to handle the large and growing debt of public sector enterprises. There is no quick or easy solution to this problem which strikes to the heart of the whole question of the government's economic policy regarding state control over major industrial and commercial segments. While international lending agencies are advising major privatization and closedown of many state corporations, real progress towards these ends will be long and difficult to achieve.

While some Benin private sector businessmen use the state commercial banks for opening letters of credit and making international remittances, most appear to be using any number of alternatives to handle transactions via private commercial banks in nearby countries and in Europe. Most private sector businessmen maintain their current account and reserves in foreign private banks.

The major relationships of the private sector with the government-controlled banking system is with the Benin Bank of Development which has been the primary source for medium term investment finance. Even this source appears to have dried up as a result of the current financial crisis.

Private businessmen consider the current credit crisis as the most significant negative element in Benin's investment climate.

8. Business Services, Entrepreneurial and Management Resources

There are no international accounting firms or consulting organizations with permanent offices in Benin. No joint venture relationships between local firms and international counterparts were identified.

Highly acceptable feasibility studies are in evidence. Some have been prepared by experts from regional and international development banks. A number have been prepared by local audit, law and economic-management consulting firm. Most of these companies are small. The following local firms providing a range of such services were identified.

- CABINET MERCURE ASSISTANCE
- CENTRE D'ORGANISATION DE GESTION ET DE MARKETING
- CABINET BENIN EXPERTISE
- SOCIETE PROMAFRIQUE
- SOCIETE D'ETUDES D'EXPERTISES ET ASSISTANCE FINANCIERE JURIDIQUE
- CABINET D'AFFAIRE LE "SILEX"
- CONSEIL EN ORGANISATION ET EN GESTION DES ENTREPRISES
- CABINET BENIN ASSISTANCE
- FIDUCIAIRE D'AFRIQUE
- FIDUCIAIRE DU BENIN
- CABINET D'EXPERTISE CYRANO FERLY
- SOCIETE D'ETUDES ET DE PROMOTION INDUSTRIELLE

A number of aggressive and successful enterpreneurs were interviewed during the survey. Some have launched and are managing sizeable businesses by local African standards, which are operated at international levels of efficiency and productivity.

Banking executives interviewed state that the major problem with this admittedly dynamic sector is that industrial enterpreneurs are often unwilling to move beyond a tight one-man or one-family controlled business. This unwillingness to bring outside expertise into the management and control of the business has stunted the growth of many companies and has prevented them from adopting modern organization structures and management planning and control systems.

All businessmen state that management and technical talent must be developed within the enterprise. There is no local availability of business trained personnel.

9. Skilled Labor

While international agencies are assisting Benin in the development of technical training programs, the output is still very limited. Without exception, businessmen state that internal on-the-job training is essential. Some local companies send promising workers for on-the-job training with suppliers, or rely on short term visits of supplier representatives to train workers locally.

Senior technical management positions in one of the largest private sector companies visited were all foreign trained expatriates. There does not appear to be a problem in obtaining residence permits for specialist expatriates.

The local shortage of skilled labor is considered to be an unfavorable factor in the country's investment climate: its seriousness is partially overcome by the ability to bring in expatriates.

10. Other Factors

Acceptable private housing is available in Cotonou. A private elementary school operates in Cotonou. The language of instruction is French.

Medical services are limited. Most expatriates and many local businessmen seek medical assistance in Europe for serious illnesses.

Malaria is endemic in Benin and appropriate medication and protection is essential.

11. Principal Growth Sectors

Private sector investments may be said to be "on hold" at the present time. Potential investors are very coutious. They sense that the economy is at a transition point and that the government's economic orientation and policies may be undergoing significant change.

Investment projects are undoubtedly "waiting in the wings." Samples of such projects are summarized in Part B of this report. A number of the feasibility studies reviewed were based on several growing reexport markets in Niger, Nigeria and other neighbouring countries- markets which are currently depressed. The Beninese private sector appears to be still trying to assess the implications of these fundamental market and demand changes in planning for future expansion. The tightening of bank credit, has deepened their caution.

The Beninese private sector will continue to be dominated by import-reexport/distribution businesses based on low risk, close-in response to clear market demand, low inventories, and short buy-sell turnaround times. CFA convertibility will permit these traders to take profits off-shore.

The industrial sector will remain small and will seek out niche markets for high consumption consumer products involving low technology assembly, manufacturing and processing operations.

Many of the private sector industrialists are starting to look at agro-industry projects which utilize local or regional raw material inputs. The market demand for fresh and processed food products is expected to remain strong, while there is large potential for increasing agricultural production utilizing inexpensive labor.

The fate of the large public companies remains to be seen. Most business observers believe that this segment will diminish in importance and that further government expansion into traditional private sector business segments will not take place.

12. Summary

Benin's past economic expansion was - and its future growth will be - fueled primarily by external demand originating in neighboring countries rather than growth of the internal market. The assessment of market potential, therefore, is more an evaluation of the prospects of total regional markets - Nigeria, Niger, Burkina, Togo, and Benin - rather than forecasts of growth in purely local Beninese demand.

The vast potential represented by a healthy Nigerian economy, for example, cannot be overestimated. The current state of that economy, however - and the negative still-to-come impacts of declining oil prices and a weakening dollar - cannot lead to much optimism.

There is little on the economic and market horizon which argues for any even medium term uptick in Benin's consumer purchasing power. Subsistence farming is the rule. New employment opportunities are rare. The economy can be expected to remain for some time at current depressed levels.

Table 2 summarizes business views on the impact of economic and market factors in stimulating private investment. The results are as the whole negative.

There are, however, interesting market niches in the area of basic consumer products. The lack of virtually any locally available medium term finance, however, limits expansion by the Beninese private sector.

Many manufacturing enterprises are operating at low levels relative to installed capacity. Demand will have to increase markedly merely to take up the slack.

The combination of a poor political and regulatory climate combined with a stagnant and limited base economy will not appeal to the foreign investor. Again, however, profitable market niches exist for the risk-taking foreign entrepreneuer willing to work with successful local businessmen in launching carefully researched and planned projects which involve high demand consumer products, local agricultural inputs, low cost labor, and Investment Code benefits.

TABLE 2

RELATIVE IMPORTANCE GIVEN BY BUSINESS EXECUTIVES TO ECONOMIC AND MARKET FACTORS IN ENCOURAGING PRIVATE SECTOR DEVELOPMENT IN BENIN

FACTOR	CONSIDERED AS FAVORABLE DEGREE OF IMPORTANCE			CONSIDERED AS UNFAVORABLE DEGREE OF IMPORTANCE		
	MAJOR	MODERATE	MINOR	MAJOR	MODERATE	MINOR
Economic and Market Stability Growth Prospects				X		
Population *				X		
Business Base						X
Market potential				X		
Basic Materials and Parts		X				
Infrastructure						X
Local Credit and Capital				X		
Business Services, Entrepreneurial and Management Resources						X
Skilled Labor					X	
Other factors						X

* See text re regional population served

PART B-BENIN PRIVATE SECTOR INVESTMENT PROJECT OUTLINES

BENIN PRIVATE SECTOR INVESTMENT PROJECT OUTLINES

INTRODUCTION

Project outlines have been prepared for projects which private sector businessmen have developed and which have or will be submitted for approval under the terms of the Benin Investment Code.

These projects should be reviewed bearing in mind the following:

- The projects have no formal approval nor are they specifically recommended by the governments of Benin or the United States.

- All data contained in the project profiles are as submitted by the project proposer. No independent evaluations or research were undertaken in preparing the project profiles.

- The listing of the projects in no way reflects preferential ordering or priorities.

- No test was made of the financial status of any of the project sponsors.

- The projects are at various stages of development. Some are supported by well prepared feasibility studies. Others are essentially conceptual proposals.

US businessmen seriously interested in developing business relationships or investments should refer to a number of agencies able to provide advice on economic developments, business practices, loans and loan guarantees, risk insurance and a broad range of other important business issues. Highly recommended are the Trade and Development office and the Africa Bureau of USAID, OPIC, EXIM, FCIA, the IBRD and the Department of Commerce.

THE PEOPLE'S REPUBLIC OF BENIN

FACT SHEET

AREA	112,622 sq Kilometers. Slightly smaller than Pennsylvania. Major port on the Atlantic. Bordered by TOGO, BURKINA FASO, NIGER and NIGERIA
POPULATION	3.8 million in 1983. Growth rate 2.7%. Four major ethnic groups among twenty. 80% of population rural. 49% 15 years-old or younger. 6% over 60 years. 65% follow traditional religions, 17% Christian, 12% Muslims.
EDUCATION	Six years compulsory education. 43% of eligible children in school. Adult literacy 11%.
HEALTH	Life expectancy 46.9 years. Infant mortality 45/1000. Lack of potable water. Malaria endemic.
WORK FORCE	Total estimated 1.7 million. Agriculture 1.2. Industry 100,000. Services and commerce 338,000.
CLIMATE	Tropical. Rainfall of 30-50 in per year in South. Sahelian climate in Niger River areas in North.
POLITICAL	Independence in 1960. Socialist orientation since 1972. One party system (People's Revolutionary Party).
GDP	$1,061 million estimated in 1982. Growth rate 2%. Per capita income $310. Inflation 12-13% in 1983-84.
CURRENCY	Member of West African Franc Zone. Currency is CFA tied to French franc at 50 CFA to 1 FRENCH FRANC. Convertible with authorization. 1986 range: 360-400 CFA = $1.00.
ECONOMY	Small offshore oil deposits with no other minerals exploited except limestone. Agriculture provides 45% GDP. Oil palm, cotton, groundnuts, subsistence crops. Commerce and services provide 45% GDP:

Industry, 10%: food processing, textiles, beverages, cement.

TRADE

Exports (1982) $304 million. Imports $590 million. Major trade link with EEC and Nigeria.

LANGUAGE

Fon is the dominant local language spoken in central and Southern regions. French is the official language.

MAJOR CITIES

Porto Novo, nominal capital, 130,000. COTONOU is actual political and economic capital, 400,000.

INTERNATIONAL

U.N., Organization of African Unity, Entente Council, ORGANIZATIONS West African Monetary Union, Economic Community of West African States, Non Aligned Movement, Organization of the Islamic Conference.

BENIN INVESTMENT OUTLINE NUMBER ONE

PROJECT TITLE: JOINT VENTURE FOR FINANCING AND TECHNICAL ASSISTANCE FOR A DRY CELL BATTERY PLANT

PROJECT OUTLINE:

Create a dry cell battery production facility to meet internal and export needs for 1.5 v. R20 type dry cell batteries. This project is an import substitution venture to replace large scale imports. There is no currrent local production and import protection would be sought.

PROJECT PROMOTORS:

The project promotors are a group of experienced Beninoise private sector businessmen who are well-known leaders in the local business, professional and trading communities. They have first-hand and continuing experience in consumer products marketing in Benin and neighbouring countries.

Augustin de CAMPOS
Certified Public Accountant. Accounting and managerial experience in France, Togo and Benin. Managing Director of leading public accounting firm. Vice President of the Benin Chamber of Commerce.

Thomas de CAMPOS
Former Director of UNILEVER-NIGER. Managing Director of several commercial enterprises.

Emile GANGBO
Director, important Beninoise company.

Jose MANSILIA
Commercial bank accounting manager.

Aliou MAMADOU BAH
Commercial trader.

GROUP OF BENINOISE WHOLESALERS AND RETAILERS

GOVERNMENT SUPPORT:

Approval has been sought for Investment Code benefits and government financial support. The project has received preliminary Government approval since the project will reduce imports, provide employment and impact auxiliary local industries such as labels, packaging materials and adhesives.

PRODUCTS AND MARKETS:

The proposed plant will produce round batteries, specification EY 10, R 20 (U.S. norm EverReady 950) 1.5 v. The batteries will be plastic wrapped in sets of two and packed 24 dozen in each container. These locally produced dry cells would substitute for substantial imports from China (50%), Malaysia, France and the U.K. (7-9% each).

While most West African countries have local battery production - usually protected by various import barriers - Congo, Chad and Nigeria represent export market possibilities. The nearby Togo market could be particularly interesting both from internal consumption and important reexport markets points of view. The project proposers are of the opinion that the Benin authorities would provide protection to the new company in the form of import duties and certain import restrictions.

CAPITAL AND OPERATING COSTS AND PROFITABILITY:

The proposed project has been the subject of a detailed feasibility survey which is available in French. Detailed equipment specifications have been developed and plant construction costs estimated.

The proposed plant would initially operate on a one shift basis and produce 17 million cells per year. The plant would reach its full production level in year four, starting from a first year production base of 10.2 million cells. The project proposers have had initial discussions with Taiwan based equipment suppliers, and are seeking a turn-key contract which includes equipment supply and installation, training and start-up assistance, and initial raw material supply.

The table which follows lists capital and start-up estimates.

ITEM	CFA (000)
PRODUCTION EQUIPMENT	
GROUP A	33,321
B	34,235
C	27,903
D	8,775
E	7,294
F	2,392
H	9,350
TRANSPORT OF EQUIPMENT	20,846
ELECTRICAL INSTALLATION	11,052
WATER	4,620
ERECTION	20,226
OFFICE/HOUSING	16,857
VEHICLES	16,200
START-UP COSTS	18,550
CONSTRUCTION	90,773

The following table summarizes operating costs and profitability forecasts.

CATEGORY	YEAR 1	2	3	4
CAPACITY	60%	80%	90%	100%
PRODUCTION (000 UNITS)	10,200	13,600	15,300	17,000
REVENUE (000 CFA)	591,600	798,800	881,400	986,000
COSTS (000)	569,739	683,406	752,598	793,902
NPBT (000)	21,861	105,334	134,802	192,098
TAX (000)	-	-	43,136	61,471
NET PROFIT (000)	21,861	105,334	91,666	130,627
NET CASH FLOW (000)	63,009	146,482	132,814	164,973

Internal rate of return has been estimated at 28%.

The start up period - from organization and financing to first production - is estimated at 18 months.

FINANCIAL STRUCTURE:

A total of 364 million CFA in capital investments will be required. Public sector investments of 30% and private sector investments of 70% were originally planned. Working capital needs are estimated at 83 million CFA.

PURPOSE OF DISCUSSIONS WITH INVESTORS/SUPPLIERS:

The promotors seek joint venture partners who can provide a combination of equity, loans, technical assistance, interim management expertise, and raw material supply.

BENIN INVESTMENT PROJECT OUTLINE NUMBER TWO

PROJECT TITLE: DEVELOPMENT OF A FARMING COMPLEX

PROJECT OUTLINE:

The Company Yelola-Benin SARL, an existing import-export, transport and services Company, proposes to establish a modern farming complex located close to major population centers and ocean port facilities to produce corn, tomatoes, pimento, pineapple, oranges and mangoe for both internal consumption and export markets. A cattle fattening operation would provide fresh meat for the local market.

PROJECT PROMOTORS:

The project promotor is El-Hadj Assane SALAMI who is the Director General of the YELOLA-BENIN Company, which provides a range of import-export, transport and related services. Mr Salami followed University level studies in business administration and economics at the University of Tours, France. He is broadly experienced in the management of commercial, trading, marketing and transport enterprises. He has conversational English.

GOVERNMENT SUPPORT:

This project would benefit from taxation and importation benefits of the Investment Code since Benin's new plan places great stress on agricultural development, self sufficiency in food, and export promotion.

PRODUCTS AND MARKETS:

The following table summarizes the key products of the proposed farming complex which would initially be created on a farm of 150 hectares in the Abomey-Calavi area located 15 kilometers north of Cotonou and close to major consumer population centers and the two Atlantic port cities of Cotonou and Porto Novo.

PRODUCT	COMMENTS
CORN	Major basic food cereal used for human and animal consumption, brewing and baking
TOMATOES	Strong local market
PIMENTO	Pili-Pili type pimento produced primarily for export to Europe.
FRESH PINEAPPLE	Local and export uses
ORANGES	Local consumption
MANGO	Local and export

The cattle fattening operation involves a 90-120 days cycle with the end product sold to local slaughterhouses.

The Ministry of Plan estimates that there is a local shortfall of 40% in basic food products consumed locally. There are large scale importations of cereals, vegetables, meat and fish. The proposed production of the farming complex will satisfy only a very small percentage of this shortfall. The following table shows second year production estimates.

PRODUCT	HECTARES	YIELD (TONS PER HECTARE)	PRODUCTION (TONS/YEAR)
CORN	15	3	45
TOMATO	5	20	100
PIMENTO	5	8	40
PINEAPPLE	10	50	500
ORANGES	5	30	150
MANGO	5	10	50
CATTLE			200 units

CAPITAL AND OPERATING COSTS:

The table below summarizes the investments and working capital required over a three year period to bring the proposed farming complex into full production.

ITEM	EXPENDITURE (CFA 000)
START UP	2,000
LAND	5,000
EQUIPMENT	3,972
INFRASTRUCTURE	15,900
EQUIPMENT	39,700
WORKING CAPITAL	113,927
MISC	1,048
	181,547

The estimated revenue in the venture's first full year of operation (year 5) is estimated at 111,650,000 CFA which builds from a first year revenue base of 27,875,000 CFA.

A full feasibility study exists in French which shows growing value added, profitability in year 3, positive cash flow in year 2, and an internal rate of return of 13.9%. The forecasts are based on the following loans: year 1 - 37,000,000 CFA; year 2 - 40,000,000 CFA.

PURPOSE OF DISCUSSION WITH INVESTORS/SUPPLIERS:

The project proposer seeks financing and is willing to entertain joint venture discussions.

BENIN INVESTMENT PROJECT NUMBER THREE

PROJECT TITLE: EXPORT COFFEE PLANTATION

HOTELS AND TOURISM

AFRICAN ARTS AND CULTURAL PRESENTATIONS

PROJECT PROMOTOR:

Mrs. Grace LAWANI and Mr. Abdul Khader LAWANI are the project sponsors. Mrs. LAWANI is director of the Chez Lotte Company and the Managing Director of the GL Hotel in Cotonou. The LAWANI family have a number of business interests.

GOVERNMENT APPROVAL:

Any projects which are taken to feasibility stage would be submitted to the government for approval under terms of the Benin Investment Code. For the type of projects under general consideration there should be little question of approval.

GENERAL AREAS OF INTERESTS:

Mrs. LAWANI is interested in exploring business possibilities and investor interest in three major areas.

1. EXPORT COFFEE PLANTATION
   The LAWANI family has previous experience in agricultural exports. Mrs. LAWANI is interested in exploring the feasibility of developing an export coffee plantation, starting with a 500 hectare operation.

2. HOTELS AND TOURISM
   As the Manager of the modern GL Hotel in Cotonou, Mrs. LAWANI wishes to explore possibilities for encouraging Benin tourism projects including development of a travel agency.

3. AFRICAN ARTS AND CULTURAL PRESENTATIONS
   The sponsor wishes to contact individuals interested in sponsoring sale and exhibitions of African art objects and fashions. She is also interested in exploring possibilities of organizing USA tours of a cultural nature including dance troup presentations.

PURPOSE OF DISCUSSION IN USA:

Mrs. LAWANI wishes to meet individuals interested in exploring the three areas of interest outlined above with a view to cooperative undertakings, feasibility assistance and investments.

BENIN PROJECT OUTLINE NUMBER FOUR

PROJECT TITLE: INSTALLATION OF A SOAP PLANT AT PARAKOU, BENIN

PROJECT OUTLINE:

The promoters plan to erect a soap making plant for the production of palm oil based soaps - ordinary, perfumed toilet, medical and other - utilizing local raw materials. The plant will operate in the northern section of Benin where local demand outruns supply. Export markets also exist in neighbouring countries. The plant may also be utilized to package imported washing powders.

PRCJECT PROMOTERS:

The project sponsor is Mr. Michel Lolo CHIDIAC, who is Managing Director and major stockholder in Grand Moulins du Benin, the country's leading private sector wheat importer, flour miller and flour distributor, a company of 300 employees with revenues in excess of $US 7 million. Mr. CHIDIAC is a well known business leader with interests in a number of local businesses. He is Vice President of the Benin Chamber of Commerce. He has business interests and distribution networks in Nigeria and nearby country markets.

GOVERNMENT SUPPORT:

The sponsor has submitted his application and detailed feasibility study to the Government of Benin for approval under terms of the country's Investment Code. Since the project is based on the use and development of local sources of palm oil, approval is expected.

PRODUCTS AND MARKETS:

The proposed plant would produce a variety of consumer brand soap products of approximately 160 grams each packed in cartons of 36 and 72 bars.

The table which follows summarizes current production, imports and potential demand estimated on an average per capita consumption of one kilogram per day per 50 inhabitants.

TONS

CATEGORY	1979	1980	1981	1982
SONICOG PRODUCTION	3,835	4,635	4,709	8,117
IMPORTS	246.6	130.5	-	191.7
CURRENT CONSUMPTION	4,081.6	4,765.5	4,709	8,308.7
ESTIMATED DEMAND	21,636	22,219	22,810	23,420
AVAILABLE DEMAND	17,554.4	17,453.5	18,101	15,120

Potential demand estimated at 26,770 tons by 1987 will provide an ample market for the proposed plant which will have an estimated production of 3,420 tons by year five.

Locally produced palm oil products will provide the basic raw materials. Imports will be limited to chemicals, perfumes and packaging materials.

CAPITAL, OPERATING COSTS AND PROFITABILITY:

The following table summarizes the investment estimates.

ITEM	AMOUNT (000 CFA)
ORGANIZATION ESTABLISHMENT	15,000
CONSTRUCTION	122,000
PLANT AND EQUIPMENT	267,000
MATERIAL AND PARTS	57,000
INSTALLATION	15,000
OFFICE EQUIPMENT	5,000
	481,000
UNFORESEEN AT 5%	24,000
WORKING CAPITAL	47,000
TOTAL	552,000

The above estimates do not take into account Investment Code benefits.

The venture would be financed as follows.

TYPE OF FINANCE	AMOUNT
REGISTERED CAPITAL	78,000,000
CURRENT ACCOUNT OF ASSOCIATES	100,000,000
MEDIUM TERM LOAN	329,000,000
TOTAL	507,000,000

The venture will enter into profitability and a positive cash flow in year 5 on the worst-case assumption that the Investment Code benefits are not available. With these benefits, cash flow and profits are positive from year one. Internal rate of return is estimated at 18.1%. Cumulative cash flow over ten years will permit retirement of all loans and replacement of equipment.

The following table summarizes the financial operations over ten years on the basis of not receiving Investment Code benefits.

ITEM	YEAR (CFA 000) 1	4	7	10
SALES	503,424	1,195,632	1,710,000	1,710,000
COST OF SALES	356,781	971,688	1,276,918	1,276,918
GROSS MARGIN	146,643	223,944	433,082	433,082
COST OF PERSONNEL, DUTIES , FINANCIAL CHARGES AND DEPRECIATION	223,367	330,420	403,067	387,353
NPBT	(76,724)	(106,476)	30,015	45,729
TAXES AT 48%	--	--	14,407	21,950
NET PROFIT	(76,724)	(106,476)	15,608	23,779
CASH FLOW	(26,838)	(61,840)	60,244	68,415

A full feasibility study exists in French. Note that under provisions of the Investment Code profitability and cash flow are positive in year one as shown below.

ITEM	YEAR 1	4	7	10
NET PROFITS	27,312	103,261	16,785	24,956
CASH FLOW	77,198	147,897	61,421	69,592

PURPOSE OF DISCUSSION WITH INVESTORS/SUPPLIERS:

The proposer seeks financing, technical and management assistance and equipment and materials sources of supply. Joint venture possibilites are open for discussion. Note that Benin is a member of the CFA franc zone and its currency is convertible.

BENIN INVESTMENT PROJECT OUTLINE NUMBER FIVE

PROJECT TITLE: CREATION OF A PLASTIC TUBE EXTRUSION PLANT

CREATION OF A STEEL PIPE FABRICATION PLANT

CREATION OF A GALVANIZED SHEET METAL MANUFACTURING PLANT

PROJECT OUTLINE:

The proposer seeks to extend his current sheet metal processing, fabrication and import-distribution company to include local manufacturing and distribution of plastic and metal tubing and metal galvanizing and forming on the basis of imported granular plastics and steel rolls and sheets.

PROJECT PROMOTER:

The sponsor is Mr. Ehenezer HOUNSINOU who is the owner-manager of the Societe de Transformation d'Articles a Manufacturer, a manufacturer and importer of sheet metal products. He is also owner-operator of a Cotonou hotel. He is Deputy Treasurer of the Benin Chamber of Commerce and President of the Hotel Association (Private Sector). He is a well known national businessman highly experienced in importing, processing and distributing sheet metal and aluminum extruded products, primarily products entering the building construction and metal furniture and household utensils market. His project proposals are for local value-added processing of imported plastic and sheet metal into galvanized and aluminum sheeting, plastic tube and pipes, and metal pipes and sections - all for wholesaling through commercial channels with which he has long experience.

GOVERNMENT SUPPORT:

The sponsor has in the past received government approval for benefits under the Investment Code. The feasibility study for the extruded plastic tube plant was submitted for Investment Code approval in December, 1985. Mr. HOUNSINOU is of the opinion that he will receive government approval for all three projects and benefits from the financial incentives of the Investment Code.

PLASTIC TUBE EXTRUSION PLANT:

This project would be the first of its kind in Benin for the extrusion of rigid PVC tubes for uses in electrical, pressure, evacuation and sanitation applications, and soft tubes for agricultural watering applications. A later phase will include manufacturing of plastic objects: beer cases and household utensils.

Rigid tubes would be utilized primarily for sanitary piping and water in sizes from 32 cm. to 100 cm. and for insulated wire. Flexible PVC tubes are intended for hosing. Polyethylene tubes, for electrical insulation. All of these products are currently imported. The plant would be erected on the site of the owner's existing manufacturing facility located 13 Km. from the major port of Cotonou.

Import statistics for 1984 show imports of plastic and rubber products of 1,670,300 tons for a value of 801,857,115 CFA. PVC tubes are estimated to be 40% of this figure representing an annual import of 670 tons per year. Estimates place the growth of this market at 1% - 2% per year. The proposed plant would produce 300 tons per year on a one shift operation.

The feasibility study summarizes the capital and operating fund requirement as follows:

ITEM	CFA (000)
CONSTRUCTION AND ORGANIZATION	19,500
MACHINERY AND EQUIPMENT	69,500
MATERIALS	16,000
FURNISHINGS	1,500
OPERATING FUNDS	50,000
TOTAL	156,500

The following table summarizes the profitability analysis in thousands of CFA:

ITEM	YEAR 1	2	3	4	5
PRODUCTION - T.	300	360	432	432	432
SALES	270,000	324,000	388,800	388,000	388,800
COST OF SALES	224,322	266,653	317,090	319,984	319,384
GROSS PROFIT	45,378	57,346	71,709	69,416	69,416
DEPRECIATION AND FINANCE CHARGES'	33,488	33,488	25,134	19,175	19,175
NPBT	11,889	23,858	46,575	50,241	50,241

The promoters will finance 30% of the capital requirements. They seek bank credit and supplier credits. Joint venture is a possibility.

STEEL PIPE FABRICATION PLANT:

This project seeks to create a steel pipe and square section pipe mill utilizing imported steel sheet and an automatic welding mill. Sizes would range in the 20 - 40 cm. size range. Applications include metal framing and construction.

GALVANIZED SHEET METAL PLANT:

The promoter already imports and fabricates aluminum and coated metal products used primarily in roofing and building applications. A large market exists for galvanized sheeting in different profiles due to its lower price and wide market acceptance. The proposer believes local value added and Investment Code benefits would permit a highly competitive range of products to be manufactured from imported roll sheet stock which would be galvanized locally. He estimated the market at 12,000 T. per year. The proposed plant would have a capacity of 6,000 - 7,000 tons per year. Production would be sold to wholesalers on a national and regional basis. A feasibility study exists.

PURPOSE OF DISCUSSION WITH INVESTORS/SUPPLIERS:

The promoter seeks financing, equipment supply and sources of raw material. He is interested in used equipment. Joint venture possibilities exist.

BENIN INVESTMENT PROJECT OUTLINE NUMBER SIX

PROJECT TITLE: DETERMINE INVESTMENT OPPORTUNITIES IN AGRO-INDUSTRIAL SECTOR

PROJECT OUTLINE:

The promoter is interested in preliminary exploration of investment opportunities based on Benin agricultural imputs and local-regional markets, with a view to conduct of techno-economic feasibility studies and financing proposals for projects considered viable.

PROJECT PROMOTER:

The promoter Mr. Raphiou TOUKOUROU, President Director General of the company La Mercuriale which manufactures and distributes nationally and regionally a varity of wheeled products: bicycles, motorbicycles, self propelled vehicles for the disabled, and two wheeled work wagons. The plant has full facilities for manufacturing welded and brazed frames, acid treatment, painting, heat treatment, and assembly. Mr. TOUKOUROU is the President of the Benin National Association of Industrialists and President of the Permanent Commission of Industry of the Benin Chamber of Commerce and Industry.

Mr. TOUKOUROU plans to expand the model line of his motorbicycle production and is seriously interested in exploring opportunities for expansion into the agro-industry segment.

GOVERNMENT SUPPORT:

Any agro-industry project considered viable would be submitted for Investment Code benefits. The government's emphasis on agricultural self sufficiency and encouragement of small and medium private sector businesses in this segment should ensure full project approval under Investment Code provisions.

PRODUCTS, MARKETS AND INVESTMENTS:

The promoter has not carried his ideas to the pre-feasibility stage. He is interested in exploring such possibilites as tomato concentrates, corn and manioc, and diary products based on local agricultural inputs. He will require technical assistance in development of pre-investment studies and financing proposals, in continuing technical assistance and in venture financing. The possibility of a joint venture exists.

The promoter believes that U.S. expertise in the agricultural and food processing sectors would be extremely useful in developing local Beninese production.

BENIN INVESTMENT PROJECT OUTLINE NUMBER SEVEN

PROJECT TITLE: DEVELOPMENT OF SEA SALT PRODUCTION

PROJECT OUTLINE:

The proposing group seeks to create a small scale but intensive pilot for extracting salt by solar evaporation. The project involves sea water pumping to prepared basins, solar evaporation of brine, salt crystallization, harvest, processing, packaging and distribution of salt.

PROJECT PROMOTERS:

The project is sponsored by the Association of Interests Group for The Economic and Social Promotion of Ouidah (AGIPESO), a group of private sector businessman and community leaders of Ouidah, a coastal community forty miles west of Cotonou. The Association was created as part of the twin-city agreements between the city of Prichard, Alabama and the city of Ouidah. This project is one of four being promoted by the Association as part of a private sector development campaign. The Association is formally organized and has an elected seven member managing committee. Individual members of the Association will participate in the projects as both investors and directors.

GOVERNMENT SUPPORT:

All four projects proposed by AGIPESO respond directly to government policies of self development, promotion of small and medium sized private sector businesses, and agro-industry focus. Benefits of the Investment Code would be sought. The sponsors have completed a full scale feasibility study prepared by UNIDO specialists, which will be submitted for official approval under Investment Code provisions. No problems are anticipated in obtaining such approval.

PRODUCTS AND MARKETS:

A 600 acre salt marsh has been selected as a pilot operation, with the objective of extension to 10,000 and 20,000 acres. The plan is to conduct joint operations with SOBESEL, an existing private sector salt company. Major concerns are seeking appropriate pumping techniques since tide heights prevent using tide alternation as a method of brine supply. SOBESEL has used such a pumping system successfully conducting operations during a six to seven month dry season. The proposed pilot will seek to confirm average actual yields of 50 T/ha against technical estimates of 63 T/ha. A 50 T/ha yield would permit an annual production of 5,000 T per 100 ha.

The pilot operation would produce 2,000 T/year against salt imports of 15,000 T per year. Salt imports also move to Niger and Nigeria.

The production process involves the following steps: washing, purification and refining, grinding and sifting, drying, packaging and delivery.

CAPITAL AND OPERATING COSTS AND PROFITABILITY:

The financial analysis of project feasibility is based on investment costs of 386,500,000 CFA ($966,250 @ 400 CFA = $1.00), a realistic and competitive sales price of 45,000 CFA per ton in bulk ex saltworks. The table below summarizes the revenue and profitability estimates in millions of CFA.

ITEM	YEAR 1	3	5	7	9
REVENUE	225	248	273	302	332
COST OF SALES	65	76	87	99	111
GROSS MARGIN	160	172	186	203	221
FINANCE COST	55	55	55	55	55
CASH FLOW	105	117	131	148	166
DEPRECIATION	37	37	37	37	37
NPBT	68	80	94	111	129

FINANCIAL STRUCTURE:

The sponsors are seeking financing on the basis of a combination of development bank loans, various credits and shareholder equity financing.

PURPOSE OF DISCUSSION WITH INVESTORS/SUPPLIERS:

The sponsors are desirous of obtaining financial assistance, technical assistance and operating know-how. Equity participation is possible.

BENIN INVESTMENT PROJECT OUTLINE NUMBER EIGHT

PROJECT TITLE: DEVELOPMENT OF CASSAVA PROCESSING PLANT

PROJECT OUTLINE:

The promoters wish to develop a semi-industrial cassava processing unit to produce gari, a staple food item consumed on a national basis. The plant would produce valuable by-products: cassava starch for textile applications, tapioca, and cattle feed.

PROJECT PROMOTERS:

The project is sponsored by the Association of Interests Group for The Economic and Social Promotion of Ouidah (AGIPESO), a group of private sector businessmen and community leaders of Ouidah, a coastal community forty miles west of Cotonou. The Association was created as part of the twin-city agreements between the city of Prichard, Alabama and the city of Ouidah. This project is one of four being promoted by the Association as part of a private sector development campaign. The Association is formally organized and has an elected seven member managing committee. Individual members of the Association will participate in the projects as both investors and directors.

GOVERNMENT SUPPORT:

All four projects proposed by AGIPESO respond directly to government policies of self development, promotion of small and medium sized private sector businesses, and agro-industry focus. Benefits of the Investment Code would be sought. The sponsors have completed a full scale feasibility study prepared by UNIDO specialists which will be submitted for official approval under Investment Code provisions. No problems are anticipated in obtaining such approval.

PRODUCTS AND MARKETS:

The objective is to utilize simple but robust machinery on a semi-industrial, low technology basis drawing on indigenous sources of raw material supply and employing unskilled and semi-skilled local workers. Cassava cultivation is a traditional activity, but in recent years demand has outrun supply in the Ouidah region.

The project has several objectives:

o Achieve local self sufficiency in gari by the progres-

sive installation of several production units
- Create an exportable surplus
- Utilize the abundant source of underemployed female labor

The sponsors have provided 100 hectares for the experimental phase, are ready to release funds for the purchase of equipment, and will assist in developing the corporate entities necessary to carry out the work.

The production phases involved in the process involve manual peeling, washing, grinding, sieving, screw pressing, cooking, machine sieving and machine mixing. Starch production is estimated as 200 kg for 10 tons of cassava, or tapioca at the same output rate.

Local and national market demand is strong and the sponsors do not believe that marketing will pose a problem.

CAPITAL AND OPERATING COSTS AND PROFITABILITY:

The table which follows summarizes company formation and capital costs:

ITEM	CFA - 000	
COMPANY FORMATION	500.	
TRAINING/TECH.ASSIST.	1,500.	
		2,000
LAND	8,000.	
BUILDINGS	26,000.	
PRODUCTION EQUIPMENT	52,000.	
STOCK	11,000.	
MISC. START UP EXPRESS	2,000.	
		99,000
WORKING CAPITAL (ONE MONTH)		111,000

The operating forecast for the first seven years is summarized below:

ITEM	YLAR (CFA 000) 1	3	5	7
REVENUE	139,000	156,000	164,000	164,000
RAW MATERIALS	51,000	51,000	51,000	51,000
GROSS MARGIN	88,000	105,000	113,000	113,000
OPERATING COST	66,582	65,591	59,058	55,791
NPBT	21,418	39,209	53,942	57,209
TAXES	-	9,148	12,580	20,023
NPAT	21,418	30,061	40,912	37,186
CASHFLOW	31,918	40,561	47,812	37,186

FINANCIAL STRUCTURE

The proposers are seeking seven year loan financing from the Benin Development Bank for CFA 72,000,000 with one year deferred @ 16.7%. Equity investments would total CFA 38,000,000 from individual investors.

PURPOSE OF DISCUSSIONS WITH INVESTORS/SUPPLIERS

Project proposers seek loan, equity and technical assistance.

BENIN INVESTMENT PROJECT OUTLINE NUMBER NINE

PROJECT TITLE: DEVELOPMENT OF A GLASS CONTAINER PRODUCTION FACILITY

PROJECT OUTLINE:

The project proposers seek to create an 8,000 ton per year glass plant to produce hollow glass containers, primarily a range of bottles and glasses. This production would replace imports of about 8,000 tons per year which are estimated to increase at the rate of 20% per year.

PROJECT PROMOTERS:

The project is sponsored by The Association of Interests Group for The Economic and Social Promotion of Ouidah (AGIPESO), a group of private sector businessmen and community leaders of Ouidah, a coastal community forty miles west of Cotonou. The Association was created as part of the twin-city agreements between the city of Prichard, Alabama and the city of Ouidah. This project is one of four being promoted by the Association as part of a private sector development campaign. The Association is formally organized and has an elected seven member managing committee. Individual members of the Association will participate in the projects as both investors and directors.

GOVERNMENT SUPPORT:

All four projects proposed by AGIPESO respond directly to government policies of self development, promotion of small and medium sized private sector businesses, and agro-industry focus. Benefits of the Investment Code would be sought. The sponsors have completed a full scale feasibility study prepared by UNIDO specialists, which will be submitted for official approval under Investment Code provisions. No problems are anticipated in obtaining such approval.

PRODUCTS AND MARKETS:

Research and laboratory analyses have proved the existence in the Ouidah region of high quality silicious sand in large quantities suitable for glass manufacturing. SiO_2 content is 99.276%. The presence of other elements (FeO_3 and Al_2O_3) are of such a content that chemical processing will not be required.

The variable granulometry, however, will require a sifting operation. Local limestone can be utilized directly after grinding. Local dolomite and feldspar are also available. Carbonate, iron chromite and soda sulphate would be imported.

The plant's production would approximate the figures shown below.

TYPE	TONS	%	NUMBER (MILLIONS)
.66 LITRE BOTTLES	5,600	70%	9.655
.33 LITRE BOTTLES	1,600	20%	5.0
SMALL BOTTLES AND GLASSES	800	10%	1.
TOTAL	8,000	100%	16.155

Output has been estimated at 85% of normal rated plant capacity. The variable capacity of the fusion furnace is 300 tons/day. The detailed market research and feasibility survey shows the market can absorb the plant's production.

Capital investments detailed in the feasibility study include a 30 ton per day furnace plus all related processing, stacking, annealing, decorating and conveyance equipment; electrical, compressed air, and water systems; laboratory and maintenace facilities; and buildings. Staffing is estimated at 134. The table below summarizes the investment schedule.

ITEM	CFA 000.
CIVIL ENGINEERING	552,850.
PRODUCTION FACILITIES INSTALLED	1,000,000.
FITTING	800,000.
CONSULTING ENGINEERING	300,000.
COMPANY ORGANIZATION	5,000.
PRE START-UP TRAINING	60,000.
CONTINGENCY	282,150.
TOTAL	3,000,000.

Three month's working capital requirements are estimated at CFA 177,000,000.

A five year operating forecast is summarized below based on 60% of plant capacity in year one; 80% in year two; and 100% in year three.

ITEM	YEAR - CFA MILLION 1	2	3	4	5
REVENUE	1,043	1,390	1,738	1,738	1,738
SALARIES	75	75	75	75	75
WORKING EXPENSES	401	639	795	795	795
DEPRECIATION	260	260	260	260	260
GROSS MARGIN	306	415	607	607	607
FINANCIAL COSTS	311	311	311	272	233
NPBT	5	103	295	334	373

FINANCIAL STRUCTURE:

A capital structure of CFA 3,177,000,000 has been established. A ten year credit of CFA 2,400,000,000 @ 10% interest with two years' deferred payment has been sought. The balance would be in equity and short term working capital loans.

PURPOSE OF DISCUSSIONS WITH INVESTOR/SUPPLIERS:

The promoters seek parties interested in providing financing, equipment, technical and management expertise, and/or equity participation.

BENIN INVESTMENT PROJECT OUTLINE NUMBER TEN

PROJECT TITLE: DEVELOPMENT OF A FISH BREEDING PROJECT

PROJECT OUTLINE:

The proposers seek to create a fish breeding project in the Ouidah area to supply local consumers who are now dependent on Cotonou for fish. The fish breeding project will be associated with hog breeding and poultry raising and with fruit and vegetable farming.

PROJECT PROMOTERS:

The project is sponsored by The Association of Interests Group for The Economic and Social Promotion of Ouidah (AGIPESO), a group of private sector businessmen and community leaders of Ouidah, a coastal community forty miles west of Cotonou. The Association was created as part of the twin-city agreements between the city of Prichard, Alabama and the city of Ouidah. This project is one of four being promoted by the Association as part of a private sector development campaign. The Association is formally organized and has an elected seven member managing committee. Individual members of the Association will participate in the projects as both investors and directors.

GOVERNMENT SUPPORT:

All four projects proposed by AGIPESO respond directly to government policies of self development, promotion of small and medium sized private sector businesses, and agro-industry focus. Benefits of the Investment Code would be sought. No problems are anticipated in obtaining such approval.

PRODUCTS AND MARKETS:

The project will be closely associated with the Godomey Center, a nearby pilot fish project able to supply stock and provide technical assistance. Species initially selected will depend on experiences of the Godomey Center and characteristics of the water. Mullet and carp will be considered at a second stage.

The first phase of the project envisages 220 acres of ponds. Twenty acres will be used for fingerling production; 200 acres divided into four 50 acre plots will be used for breeding and growth. The project is expected to collect 30 tons of fish every 6 weeks for a yearly collection of 224 tons.

Hog breeding and fattening based on ten sows and two boars is included on the first phase, as well as a poultry project of 1,000 layers and 1,000 free-range chickens. A vegetable farm for production of vegetables, cassava, bread-fruit and pawpaw will complete the initial phase program.

The second phase which would not start before assessing the experience of two years of operation of the initial pilot would consist of extension of the fish ponds and breeding activities and improvement and extension of access ways.

All production would be sold through the local markets.

CAPITAL AND OPERATING COST AND PROFITABILITY:

Detailed feasibility studies have not been completed; however, preliminary estimates are shown below in millions of CFA:

ITEM	PHASE I	PHASE II	TOTAL
LAND COST	20	-	20
EXCAVATION AND SANITATION	80	100	180
CIVIL WORKS WATER/ELECTRICITY	160	80	240
EQUIPMENT	80	60	140
WORKING CAPITAL	60	-	60
TOTAL	400	240	640

The promoters would provide the land, and assist in providing working capital if necessary - a total of up to CFA 80 million of the total requirements.

A full time work force of about 20 is envisaged for Phase I, increasing to 27 in Phase II. Part time casual labor would be used as required.

No profitability figures have as yet been developed, but initial estimates indicate the project can pay its way.

FINANCIAL STRUCTURE:

The sponsors are seeking low cost, long term sources of financing to provide a total capital need of 640 million CFA ($1.829 million @ 350CFA = $1.00).

BENIN INVESTMENT PROJECT OUTLINE NUMBER ELEVEN

PROJECT TITLE: PLANT FOR PRODUCTION OF HEAVY DUTY PAPER CEMENT SACKS

PROJECT OUTLINE:

The promoter seeks to create Benin's first plant for the production of heavy duty kraft paper bags to replace imports required by large Beninese cement producers. Products produced by the proposed plant would be sold under contract to a limited number of large Beninese cement producers.

PROJECT SPONSOR:

The project sponsor is Daniel AGBO-PANZO, owner and manager of DAFRI ENTERPRISES. Mr. AGBO-PANZO is a private sector enterpriser of long standing. His curre business activities involve nail and paint production facilities in Cotonou. He is an engineer by training and has been long associated with the building and construction industry. He is active in the activities of the Benin Chamber of Commerce.

GOVERNMENT SUPPORT:

An updated feasibility study will be presented to the government for securing approval under provisions of the Investment Code. Since all cement bags currently used by the large public sector cement plants are imported this project will receive active consideration.

PRODUCTS AND MARKETS:

The proposed plant would have a production capacity of 30 million heavy duty, multiple ply bags per year on the basis of a two shift, six day operation. The bags are produced automatically from imported rolls of Kraft paper.

The project is based on a standard industry process known as GARTEMANN/HOLLMANN. The company would provide the plant and equipment. This process is capable of producing tubular glued and pre-printed multi-ply bags ready for filling at the cement plant production site. Deliveries are made to the buyer in pallet loads.

Seventy-five percent of the proposed plant's production would be consumed by two major state companies: SONACI AND S.C.B. The balance of production would be for reserve stocks and exports to neighbouring countries.

Kraft paper raw material would be supplied by the Groupe

Charfa, who would take a small equity position in the company.

The manufacturing process permits production of a variety of bag sizes and composition. Possibilities exist for fertilizers, chemical and animal feeds.

CAPITAL AND OPERATING COSTS AND PROFITABILITY:

Investment costs require updating. The figures below are current estimates.

ITEM	COST (CFA MILLION)
LAND	60.
CONSTRUCTION	330.
PLANT AND SPARES	789.
SPARE PARTS	90.
ROLLING EQUIPMENT	45.
OFFICE EQUIPMENT	4.5
ORGANIZATION AND WORKING CAPITAL	108
TOTAL	1,426.5

Revenue, expense and profitability forecasts require updating. The original feasibility study showed profitability and positive cash flow in year one with production in year one estimated at 10 million bags and reaching full production levels of 30 million in year three.

FINANCIAL STRUCTURE:

The project promoter seeks loan and equity financing and technical and management assistance. Second hand equipment could be utilized. Paper supply could be tied to participation. The promoter has an industrial location where his current operations are sited. He is prepared to provide this space and certain equity. He would take an active managerial role in the operation.

BENIN INVESTMENT PROJECT NUMBER TWELVE

PROJECT TITLE: PRODUCTION OF BAKERS YEAST

PROJECT OUTLINE:

The project proposer seeks to create a facility for the production of 350 tons per year of bakers yeast for use by the Benin baking industry. The basic raw materials of molasses would be procured locally as a by-product from major sugar plants in Benin and in neighbouring countries.

PROJECT PROMOTER:

The project sponsor is Daniel AGBO-PANZO, owner and manager of DAFRI ENTERPRISES. Mr. AGBO-PANZO is a private sector enterpriser of long standing. His current business activities involve nail and paint production facilities in Cotonou. He is an engineer by training and has been long associated with the building and construction industry. He is active in the activities of the Benin Chamber of Commerce.

GOVERNMENT SUPPORT:

The project feasibility when completed would be submitted to the government for approval under provisions of the Investment Code. The use of local agricultural inputs, reduction of imports, and local employment would argue that approval will be obtained.

PRODUCTS AND MARKETS:

The promoter proposes to create Benin's first processing plant for the production of 350 tons per year of bakers yeast. The raw materials for developing the yeast culture will be locally and regionally produced molasses. The major local source will be the Save sugar complex; alternative sources exist in nearby Nigeria and the Ivory Coast.

Production is destined for sale to major bakeries. Technical and management assistance in project development, installation and management would come from the foreign partner.

CAPITAL AND OPERATING COST AND PROFITABILITY:

The feasibility study for this project remains to be done. The preliminary estimate of capital costs is in the range of 800 million CFA ($2.2 million @ 350 CFA = $1.00). Building costs for a 1,200 m2 plant are estimated at 80,000,000 CFA not including land.

PURPOSE OF DISCUSSIONS WITH FOREIGN INVESTORS/SUPPLIERS:

The promoter seek loans and equity capital and technical and management assistance. Joint venture partners are sought.

BENIN INVESTMENT PROJECT OUTLINE NUMBER THIRTEEN

PROJECT TITLE: INDUSTRIAL TRANSFORMATION OF CASSAVA (MANIOC)

PROJECT OUTLINE:

The sponsors organized as the Beninese Company for the Industrial Transformation of Manioc (SOBETIM) plan to create an industrial processing company which will include cultivation, treatment, processing, transformation and distribution of cassava based food products.

PROJECT PROMOTERS:

The three project sponsors are leading personalities in the business community of Benin with long experience in private sector trade, finance and manufacturing.

- Mr. Raffet LOKO, President of the Benin Chamber of Commerce and Industry
- Mr. Michel Lolo CHIDIAC, General Managing Director of the Flour Milling Company of Benin, and First Vice President of the Benin Chamber of Commerce and Industry
- Mr. Polycarpe AGOSSA, Secretary General of Benin Chamber of Commerce and Industry

GOVERNMENT SUPPORT:

This project was previously designed as a public sector project by the government. It has now been turned over to the private sector for implementation. Government approval under terms of the Investment Code is assured.

PRODUCTS AND MARKETS:

The sponsors propose to establish an agricultural zone of 2000 hectares for the production 10,000 tons of cassava-manioc tubers which will supply a mill for the processing into gari and related by-products. Gari is a staple item in the Beninese diet. The processing plant will have a capacity of 2,600 tons of manioc flour, and 1880 tons of cattle feed and will process 13,000 tons of raw material per year.

CAPITAL COSTS AND FINANCING:

The following table summarizes the estimated investment costs in millions of CFA francs:

ITEM	CFA MILLION
CORPORATE ORGANIZATION AND ESTABLISHMENT	345.5
LAND PREPARATION	150.0
BUILDINGS	185.0
EQUIPMENT	523.0
ROLLING STOCK	64.0
OFFICE EQUIPMENT	22.5
PROVISION FOR PRICE INCREASES	170.0
TOTAL	1,460.0

The financial structure provides for investor financing of 15% and medium term loans of 85%.

Work is underway to update the technical and economic feasibility study and review the profitability forecasts.

PURPOSE OF DISCUSSIONS WITH INVESTORS/SUPPLIERS:

The promoters seek loan or equity financing, supplier credits, technical and management assistance. The promoters who are experienced businessman plan to play an active role in the management of the enterprise. Joint venture possibilities exist.

PART C - PRELIMINARY VIEWS ON USAID PRIVATE SECTOR STRATEGY FOR BENIN

PART C - PRELIMINARY VIEWS ON USAID PRIVATE SECTOR STRATEGY FOR BENIN

There is evidence that a fundamental reorientation may be taking place in the Benin government's economic policies including:

- Deemphasis, privatization and close down of public sector corporations and selected abolition of public sector monopolies.
- Reorientation of public sector investment away from large scale capital project industrial undertakings towards agriculture, transport and infrastructure.
- Restructuring and liberalization of the nationalized banking sector including possible reentry of private commercial banking.
- Major changes in the Investment Code to provide greater incentives for local and foreign private sector investments which are currently negligible.
- Easing of government pricing controls and a move towards market-based pricing.
- Greater emphasis on development of agricultural production, agro-industry and transport via more balanced government-private sector participation.
- Efforts to reorganize, rehabilatate and increase efficiency in the remaining state controlled industrial sectors.
- Private sector leadership in the marketing of traditional crops.
- Development emphasis and assisting small and medium sized private entrepreneurs.
- Gradual phase-out of subsidies on fertilizer and insecticides.
- Rescinding of the policy of providing automatic public sector employment for university graduates.

USAID private sector policy should be to accelerate and support this movement towards the liberalzation of the economy by assisting the private sector develop a record of "success stories." Private sector assistance is required in almost all areas: financing, technical and management assistance, marketing and feasiblility studies, and business and technical education and development. The key to USAID's success, however, will be to focus on a <u>limited</u> number of solidly designed private sector projects and provide the maximum support possible to achieve individual project success rather than to attempt to provide a range of general assistance programs to the private sector. Many individual project success rather than to attempt to provide a range of general assistance programs to the private sector. Many of the program elements for such project-oriented assistance are already in place within USAID in terms of technical assistance and training and development programs, Project SUSTAIN type programs, marketing and feasibility assistance, etc. The key is to focus all these program aids on a limited and carefully selected number of viable projects which are sponsored by seasoned private sector entrepreneurs; have full government blessing and support; and stimulate or utilize local agricultural outputs.

The following provides a summary list of the USAID private sector policies and program elements which could be utilized in carrying out the program described above.

1. <u>Think "Private Sector" In Designing Future USAID Projects In Benin.</u>

All private sector alternatives should be explored before turning over implementation of USAID projects either to government or international agencies for implementation. A case in point: the current three year Benin water well drilling and public health program which will be carried out via a contract with UNICEF could have provided a substantial budget for one of several Beninese private sector companies both able and willing to carry out the work. Such an approach would have channeled funds through the local private sector; permitted the organization, staffing and equipping of a water resources company; focused on the development of Beninese planning, technical and management skills; and left behind upon project completion a "going- enterprise" capable of continuing and expanding its operations in a business sector where demand will continue to be strong.

2. <u>Strengthen Direct Contacts With The Benin Private Sector</u>

The work carried out in support of the private sector delegation's visit to the U.S. has brought the Embassy and USAID in close and direct contact with a number of leading businessmen and Chamber of Commerce executives. Several excellent projects have been identified. The major problems and needs of Benin businessmen are now known. Two to three projects should be selected - preferably based on local agricultural resources. Specific programs of assistance and development supporting these priority projects can then be planned.

- o Provide short term advisory expertise via PROTECT SUSTAIN or IESC programs.

- o Draw upon USAID's considerable resources and know-how in agriculture.

- o Provide expertise for conduct or updating of market surveys and technical and economic feasibility studies.

- o Maintain close contact with OPIC to identify potential U.S. joint venture partners or source of investment funds.

- o Work closely with the Department of Commerce in finding potential U.S. origin supplier credits for new and used equipment, spare parts and raw materials.

Definite plans should be made to follow-up by continuing formal and informal contacts with members of the private sector delegation representing the Ouidah and Chamber of Commerce groups

3. <u>Work Closely With The Benin Chamber of Commerce In Promoting Private Sector Training And Development</u>

The Chamber offers a suitable national platform for cooperation in offering special private sector training and development programs. The current series of interviews with Benin private sector businessmen, government officials and banking executives have highlighted some very specific areas of weakness within Benin private sector companies. These include modern organization structuring; management planning, information and control systems; internal accounting and auditing; production and inventory control; planned and routine maintenance; and manufacturing systems. These are, in a effect, the "training needs" which a joint Chamber of Commerce-USAID workshop training program could address. There are several approaches which could be used utilizing existing USAID program sources.

- Courses tailored to and offered in Benin by U.S. institutions such as the University of Pittsburgh Francophone African Development Services.

- Selected sponsorship of private sector businessmen to attend management courses in the U.S.

- Development and presentation of specialized workshops and seminars on key problem areas utilizing outside contract specialists.

A second stage program could provide very specific project consulting services utilizing various technical assistance programs. Such a program could involve "shared cost" arrangements would which defray a part of the costs for the consulting services. Local consulting firms could be associated with this program which would provide them with a practical on-the-job training experience working alongside U.S. senior consulting specialists.

4. <u>Focus Private Sector Policy Dialogue On Improvements In The Investment Code</u>

The Minister of Commerce has indicated that there will be a revision in Benin's Investment Code. A valuable - and focused - contribution to the government's efforts to liberalize the economy could be an USAID program of technical assistance proposing Investment Code changes which would attract local and foreign private sector investments.

A component of this work could address investment promotion program development. USAID has carried out excellent comparative research on government investment promotion programs which includes a practical listing of program "do's and don'ts." Assistance in presenting views and recommedations for a Benin investment promotion program could be useful in connection with Investment Code reform.

5. <u>Move Cautiously On Assistance In the Parastatal Privatization Area</u>

USAID has existing programs and funding for state enterprise privatization. This area is, of course, difficult and sensitive and requires a long term commitment and specialized staff to be succesful. The World Bank has already launched major program efforts to support Benin public sector privatization and can be expected to provide strong leadership. It is suggested that low priority be given to USAID assistance in privatization at this time.

6. Scale Private Sector Work Scope And Programs To Available Resources And Tangible Washington-Based Support

The current USAID programs in Benin are the responsibility of one full time resident contract employee. He has limited part time assistance from Togo-based staff of USAID which has overall responsibility for Benin's USAID programs. Considering the current workloads of non private sector USAID projects in Benin, the resident officer there could at best devote less than half time to private sector activities. USAID staffers - both in Togo and Benin - have little previous private sector experience. They will require support and assistance in program design, management and evaluation.

There appears to be little if any budget allocation for Benin private sector projects, and some apparent reluctance at Washington levels to support Benin private sector initiatives.

The implications are clear: private sector programming in Benin must be designed taking into account limited full time staff capabilities, tight budget restrictions, and limited Washington support.

APPENDICES

APPENDIX I GROSS DOMESTIC PRODUCT AND BALANCE OF PAYMENTS

GROSS DOMESTIC PRODUCT-PRODUCTIVE SECTORS
($US MILLION @ AVERAGE YEARLY EXCHANGE RATE - CFA)

CATEGORY	1982	1983	1984	% 1984	% change 83/84
AGRICULTURE	281.6	292.6	305.3	33%	+4.3
MANUFACTURING	50.5	42.0	43.7	5%	+4
PETROLEUM	-	25.5	32.0	3.4%	+25.5
COMMERCE	231.	183.2	143.9	15%	-21.5
TRANSPORT	102.	88.2	80.1	8.6%	-9.2
TOTAL GDP	1,061.	996.7	932.	-	-6.5

BALANCE OF PAYMENTS
($US MILLION @ AVERAGE YEARLY EXCHANGE RATE - SDR)

CATEGORY	1982	1983	1984	% CHANGE 83/84
EXPORTS (FOB)	319.5	215.2	171.6	-20.3
IMPORTS (FOB)	-590.3	-309.7	-255.3	-27.6
TRADE BALANCE	-270.8	-94.5	-52.7	+44.2
CURRENT ACCOUNT - AFTER SERVICES/TRANSFERS	-261.1	-80	-30	+62.4
SURPLUS/DEFICIT - AFTER CAPITAL AND ERROR - OMISSION ADJUSTMENTS	-56.8	-76.3	-54.7	+28.3
EXCHANGE RATES				
CFA = $US 1	329	381	437	-
SDR = $US 1	.906	.936	.976	-

SOURCES : GOV'T OF BENIN, IBRD, IMF, US EMBASSY BENIN