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INDUSTRIAL DEVELOPMENT STRATEGY AND POLICIES: THE EXPERIENCE OF DAHOMEY, 1960-1972 1/

by

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1/ The views and opinions expressed in this paper are those of the author and do not necessarily reflect the views of the secretariat of UNIDO.

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INTRODUCTION

The term "industrialization strategy" denotes the selection of a number of dynamic principles which will serve as a framework for a planning effort. In other words, it is the identification of a system of plants to be established, taking into account available data on resources and objectives.

A strategy is a long-term scheme for investment which may yield results in terms of:

Increased production;

Generation of employment;

Social reform, etc.

In order to achieve results, effective policies must be implemented:

Identification of areas of action in the public and private sectors;

Organization of financial institutions to support selected investments;

Provision of technical assistance;

Granting of tax concessions, credit facilities, etc.

The identification of an industrialization strategy and the formulation of industrial policies require first and foremost an analysis of the pre-conditions for industrialization, which is the subject of the first chapter.

I. PRE-CONDITIONS FOR INDUSTRIALIZATION

Development in Dahomey, as is the case in small developing countries, is thwarted by a number of obstacles, among which may be cited the limited size of the domestic market, and capital and foreign exchange constraints.

The profitability of an industrial enterprise depends on the output which can be marketed, energy costs, available manpower, etc.

An industrial strategy can be defined only after a study of the main factors involved in industrialization.

A. The market

Dahomey is a small country whose population in 1970 totalled 2,718,000 inhabitants. The growth rate is given as 2.8 per cent a year. During the period 1963-1970, the per capita gross domestic product increased from 18,702 CFA francs to 22,413 CFA francs (see Table I at the end of this chapter).

During the period 1960-1967, the growth rate of the gross domestic product was 4.5 per cent per year at current prices; during the period 1967-1970, it was 7.7 per cent.

These figures show that the limited purchasing power of the population is due to low income. Dahomey has a small domestic market with a limited absorption capacity.

Imports

Table 2 at the end of this chapter gives a comparison between imports in 1959 and 1971. The import figures, which cover only 13 manufactured products, give only an approximate idea of national consumption; there are in fact a large number of unrecorded re-exports to adjacent countries. Dahomey's borders are easily penetrable and thus facilitate fraud.

Nevertheless, the table shows that in general the volume of imports alone has not justified the establishment of industrial enterprises manufacturing the goods in question. In other words, the minimum production which would enable a plant to break even is beyond the capacity of the domestic market.

Three products head the list of imports:

1. Printed fabrics and plain woven fabrics, imports of which totalled a value of 1,290,435,000 CFA francs in 1963;

2. Cigarettes (imports in 1971: 2,353.2 tonnes valued at 664 million CFA francs);

3. Alcoholic beverages (whisky, gin and other spirits to a total of 948 tonnes): Imports totalled 317 million CFA francs in 1971 and a large proportion was re-exported to neighbouring countries, particularly Nigeria. In other words, industries established in these sectors would have to market their products in adjoining countries (Nigeria, the Niger, Togo).

In conclusion, it should be pointed out that the limitations of the domestic market were a major impediment to the establishment of new plants during the period 1960-1972. The inadequacy of the domestic market is at present the major stumbling block to the formulation of an industrialization strategy; plants established, in the course of being set up or planned, must rely mainly on adjacent markets (Nigeria, Togo, the Niger) or on European markets. A few examples will suffice to illustrate this point:

(a) The cotton industry of Dahomey: A textile printing concern which exports 40 per cent of its total output (9 - 10 million metres) to Nigeria illicitly;

(b) The Dahomean textile industry (IDATEX): A textile complex with a capital investment of more than 4,000 million CFA francs. Most of the output (covers, underwear, etc.) will be exported to Common Market countries;

(c) Cement factory: The consumption of cement in Dahomey in 1972 was approximately 100,000 tonnes. Consideration is now being given to the feasibility of establishing a cement factory with a capacity of at least 300,000 tonnes, based on the exploitation of local limestone deposits. This too will require thinking in export terms.

In conclusion, it can be said that Dahomey's market problem can be solved only in a regional context. I am thinking mainly of the Nigerian market (65 million inhabitants who could represent a vast market for industrial goods). Production units would then have to be capable of producing goods which were competitive from both the quality and the price point of view.

B. Transport

1. The road network

Most transport within the country is by road. In 1950, the road network totalled 1,658 km, mainly major federal roads.

In 1960 (independence year), the road network totalled 1,887 km of major roads of economic importance, including 631 km of asphalt road way. This network consisted basically of:

The Hilla-condji-Igolo coastal route which carries much of the international traffic in transit between Togo, Dahomey and Nigeria;

The south-north Godomey-Malanville route;

The Dassa-Zoume-Porga route, running from the centre to the north;

The Nigeria-Nikki-Parakou-Djougou border route;

The Togo border route.

The network of roads serves practically the entire southern part of the country which is where most industry is concentrated, as well as the main towns in the centre and the north.

In addition, it is planned to construct two asphalt roads: Bohicon-Dassa-Zoumé-Savalou; Dogbo-Parahou-Abomey, and possibly the Pobe-Onigbolo section to serve the future cement factory at Onigbolo.

The state of the road system did not inhibit industrialization during the sixties: in fact it provides access to all major centres of consumption. The network covers the entire territory fairly adequately, the density being approximately 60 kilometres per 1,000 km^2 or 2.5 km per 1,000 inhabitants.

Road transport is privately controlled. The fact that there is a large number of vehicles on the roads (11 thousand vehicles in 1967, 8 per cent of them lorries) has meant that goods could be shipped to all parts of the country.

The average cost of operating vehicles varies between 7.2 and 9 CFA francs per tonne per kilometre.

As the number of small wholesalers, small shopowners and retailers is large, industries are able to distribute their products by road to the entire country.

2. <u>The railway system</u>

In 1960, Dahomey had approximately 576 km of major railways: the south-north axis from Cotonou to Parakou (438 km) which is the major route; the east coast route: Cotonou - Porto-Novo-Pobe (107 km); the west coastal route: Cotonou-Segbrohoue (34 km).

The railway system is operated by the OCDN (Joint Dahomey-Niger Organization).

The heaviest traffic is between Cotonou (port) and Parakou (town in the north). Freight accounts for a high percentage (90 per cent of the total), mainly of goods shipped to or from the Niger (65 per cent of the total tonnage of goods).

There are two projects for extending the railway system: the extension of the northern line to the Niger and the extension of the eastern coastal route from Pobe to Onigbolo (22 kilometres) to serve the future Onigbolo cement factory, as well as the extension from Pobe to the border with Nigeria (7 kilometres) to permit the export of 200,000 tonnes of cement per year to Nigeria.

Rail traffic in 1970 was approximately 95 million tonne kilometres, and is increasing at around 10 per cent a year. Capacity presents no problem. The general rate is between 5.5 and 6.6 CFA francs per tonne kilometre. The railways, in conjunction with the steamboat service from Parakou, serve the northern part of the country particularly and link up effectively with the road network.

Generally speaking, transport problems have not impeded either the marketing or the exploitation of local raw materials; the main obstacles to industrialization are to be found elsewhere.

3. Harbour facilities and air transport

The Cotonou deep-water port, which was built in 1965, has a capacity of 1 million tonnes per year. This port facilitates the unloading of imported equipment, machinery and raw materials and the shipping of exports. It plays an important role in the industrialization process. The air transport infrastructure consists of:

One class A airport at Cotonou;
One class B airport at Parakou;
Three class C airports at Cana, Natitingou and Kandi;
Several class D airports.

C. Power and water

1. Power

The ECDEE (Central Board for the Distribution of Electric Power and Water), located at Cotonou was responsible for supplying electric power and water during the sixties. New industries thus had an adequate supply of electric power. Electric power is distributed in high (15,000) and low (220/380) voltages to the main towns: Cotonou, Porto-Novo, Parakou, Abomey, Bohicon.

Electric power production totalled 40 mWh in 1971, and is increasing at an annual rate of approximately 10 per cent. Since the beginning of 1973, electric power has been imported from Ghana. The 160 kV link-up line with the Akosombo dam is already in operation. During the period 1973-1983 there will be no problem in keeping Cotonou supplied with electric power. The cost of high-voltage power to manufacturers is approximately 13.75 CFA francs/kWh. Branch-circuit costs are charged to the manufacturer. During the period 1960-1972, enterprises which installed their own generating plants were usually those isolated from the major towns, of which there are few.

2. Water for industry

Cotonou is supplied by five wells located 15 kilometres from the city.

Capacity of the water table: 20,000 m^3/day

Capacity of wells currently in use: 10,600 m^3/day

Capacity of the main conduit: 6,500 m^3/day

During the sixties, the industrial area was supplied by a 200 mm conduit which is now overloaded. It is planned to double the pipe system to supply an additional 1,500 - 2,000 m^3/day. In the near future, supplying water to the industrial zone will present no problem.

D. Industrial sites

In general, oil mills and cotton ginneries tend to be located in the areas where the raw materials processed are to be found. There is at present one industrial zone at Cotonou (the economic capital of Dahomey) which was established during the sixties. This industrial zone is situated on the south coast by the sea. It is not an industrial estate since there is no pooling of advisory, technical or other services. The advantage of this industrial zone is its proximity to the port which facilitates import (of machinery, raw materials, etc.) and export (of finished products) operations. Plots of land in the zone may be leased or purchased. The fact that this is the one and only industrial zone in Dahomey is not conducive to the decentralization of industrial development.

E. Local raw materials

In addition to the main cash crops (palm nuts, palm kernels, cotton) Dahomey has exploitable deposits or resources of limestone and clay, marble, petroleum and mineral water.

From independence (1960) until 1973, the main industries established were concerned only with the processing of agricultural commodities (palm nuts, palm kernels, cotton, kenaf, wood, etc.). An adequate supply of raw material for these industries was available locally. Other industries established were able to import raw materials not available locally free of restriction. Supplies of raw materials have in general been regular.

F. Human skills

Personnel for enterprises are recruited from the Technical Training College or the Coulibaly College of Technology. Where necessary, staff are sent for training abroad; so far as unskilled or skilled labour is concerned, Dahomey, as has always been the case in the past, has a sufficient number of workers and middle-level and senior personnel capable of performing various functions in an industrial enterprise.

The availability of manpower is not a constraint to the industrialization of Dahomey.

G. Available financing

One of the main factors in industrialization is capital. Industrialization can take place only to the extent that entrepreneurs are able to secure medium or long-term loans on satisfactory terms. There are five banks in Dahomey which provide financial backing. These are: the Central Bank for the States of West Africa (BCEAO); a development bank (The Development Bank of Dahomey - BDD), and three commercial banks - the Banque internationale pour l'Afrique Occidentale (BIAO); the Banque nationale de Paris (BNP), and the Société Dahoméene de Banque (SDB), which is the equivalent of Credit Lyonnais in France.

1. Medium-term credit

Credit operations carried out by the Central Bank involve the medium-term rediscounting of securities representing investment credits.

The conditions for granting enterprises authorization for medium-term rediscounting include:

(a) Qualitative conditions concerning the profitability of the investment and the financial situation of the enterprise. In addition, the investment should be included in the Development Plan or have been approved by the Office of the High Commissioner for the Plan.

(b) Quantitative conditions, including:

Intervention by the Central Bank may not exceed 65 per cent of investments in industrial production.

Generally speaking, this percentage is only around 50 per cent. It may be increased to 80 per cent for equipment credits granted to small-scale and medium-sized enterprises which have the backing of a national guarantee fund.

At least 20 per cent of the investments should be provided by the enterprise itself (self-financing).

Priority in the use of rediscountable medium-term credit should be given to the financing of local investment costs. Additional financing may then be sought through supplier credits, long-term loans from the Development Bank of Dahomey or loans from international agencies.

The three commercial banks also grant medium-term investment credit for periods of 2 to 5 years, the rate varying from 5.25 to 6 per cent.

2. Long-term credit

The Development Bank of Dahomey (BDD) is the only institution which grants long-term credit. The interest rate varies according to the purpose for which the funds are used. In 1971, the BDD granted 121 million CFA francs of credit for industrial and artisan equipment (of a total of 1,076 million CFA francs of credit granted), as against 708 million CFA francs of farming credit.

The total value of long-term credit declared to the registry was 626 million CFA francs (excluding credit granted by the Caisse Centrale de Coopération Economique) on 31 March 1972, 296 million of which went to private enterprises. A break-down of the credit granted to various sectors of activity is given below:

Fisheries	162	million	CFA francs
Agricultural production	11	"	"
Woodworking and allied industries	16	"	"
Construction materials industries	85	"	"
Textile, crin and clothing industries	150	"	"
Transport	108	"	"
Services	94	"	"

These figures show that the total credit allocated for industrial development has remained low, despite the low interest rate offered.

It should be added that machinery and equipment may be imported freely only as and when foreign currency is available. In general, there is no problem with importing equipment from France.

H. Enterpreneurial initiative

The major industrial enterprises established in Dahomey generally have the legal status of joint ownership companies in which the capital is shared between two associates: the State and foreign investors.

Investments in small and medium-sized enterprises are made by both foreign and national businessmen.

Foreign investors are generally overseas industrial or commercial companies which have already built up a large financial capacity through their operations in other sectors or other places. Patent rights are not concentrated in the hands of a few groups; in fact, there is gradually emerging a category of entrepreneurs who are mainly local businessmen. Nevertheless, Dahomean capital participation in industrialization is small.

Table 1

Year	1963	1964	1965	1966	1967	1970
Per capita gross domestic product in CFA francs	18,702	18,557	19,552	19,718	19,409	22,413
Per capita gross domestic product in dollars 1/	93.51	92.785	97.76	98.59	97.04	112.06

1/ Calculated on the basis of $1 = 200 CFA francs.

Table 2

Comparative table of imports (1959 and 1971)

Imports	1959 Quantity (tonnes)	1959 CIF value in mill. of CFA francs)	1971 Quantity (tonnes)	1971 Value (in mill. CFA francs)	1971 Basic quantity index 1959=100	Observations in 1973
1. Sugar	5,865	311	8,332	424,131	142	A project is under study
2. Salt (1960)	9,978	55.61	8,394.6	96.611	84	Some local production
3. Wheat flour	1,716	49.0	11,558.8	307,898	673	Local production of 7,000 tonnes/year
4. Rice	2,583	96.818	7,455.9	306,232	289	Some local production
5. Beer	12,157	67,631				Local production in 1971 was 104,000 hl.
6. Sardines	45.335	6.443	414.8	62.219	913	
7. Tomato concentrate	404.8	21.143	2,476.1	274.340	611	
8. Cigarettes	158.524	68.096	2,353.2	664.794	1,489	
9. Printed fabrics	79	48.870				Local production is 9 - 10 million metres/year
10. Leather and plastic footwear	324	147.639				Local production of approximately 500,000 pairs/year
11. Sheet metal	3,254	211.309	4,058.7	242.791	124	
12. Cement	47,763	226				The SCD produces 100,000 tonnes/year for the domestic market
13. Petroleum	10,989	107.565	10,600.3	157.651	96.4	A refinery producing 822,000 tonnes/year for the domestic market and for export is planned.

II. INDUSTRIALIZATION PROGRESS AND ACHIEVEMENTS, 1960-1973

A. A brief review

When it achieved independence in 1960, Dahomey had a total of four oil mills, a coconut shredding plant, a brewery, several kapok ginning plants, and one subsidiary (Liquid Air). This was indeed a modest start to industrialization.

In 1973, thirteen years after independence, it can be said that Dahomey is still not really industrialized. Indeed, the table listing the 25 major industrial establishments (see annex) does not include a single "industrializing industry", i.e. an industry "whose basic economic function is to bring about in its specific environment a systematic strengthening or a structural modification of the inter-industrial matrix and of manufacturing processes, by making available to the national economy new types of machines which will increase overall productivity and improve man's mastery of production and products" (Gérard Destanne de Bernis).

The enterprises mentioned are concerned exclusively with the manufacture of consumer goods (finished or semi-finished products), such as crude oil, ginned cotton, cement, wheat flour, footwear, paints, printed fabrics, etc.

With regard to the size of enterprises, apart from SODAK[1/], SNAHDA and ICODA which required investments exceeding 500 million, other industrial establishments may be classified as small and medium-scale enterprises.

1. Role of agriculture-based industries in industrialization

Of the twenty-five industrial enterprises listed, the largest units are agriculture-based or food industries and at least half are involved in the processing of:

(a) Local agricultural commodities (oil mill, cotton ginnery, saw mills, etc.);

(b) Imported agricultural commodities (flour mill, manufacture of alimentary pastes);

(c) Semi-finished imported products (unbleached fabrics).

1/ SODAK is a company which went bankrupt and is gradually recovering.

In other words, most of the enterprises are concerned with the valorization of agricultural products. Moreover, the rate of valorization is low because the processing involves only the first or the last link in the industrial chain.

Examples: Processing of palm kernels to crude oil
Printing of fabrics using imported unbleached materials.

The net local added value of these enterprises is low because there is no backward or forward linkage.

2. Role of mineral-based industries

Raw materials to supply mineral-based industries are available in Dahomey. Exploitable deposits of limestone, clay, marble, petroleum and iron were located a number of years ago. However, Dahomey has not one industry based on the processing of local mineral resources. The SONAC plant (Société nationale de Céramique) is still at the artisan stage. The SCD (Société des Ciments du Dahomey) is a plant for the crushing of imported clinker, which produces approximately 100,000 tonnes of cement annually. Nevertheless, projects do exist and perhaps the decade of 1973-1983 will see the development of industrializing industries such as cement works, refineries, marble works, industrial ceramic factories (dishes and tiles), etc.

Export-oriented industries

Since the Dahomean domestic market is limited, existing industries generally market their products both in the country and abroad.

It is difficult to estimate the extent to which local demand for manufactured goods has been satisfied by local industries. If, however, a comparison is made between the industrial structure as given in Table 1 of the annex and the range of consumer and durable goods required by the country as a whole, it is evident that the proportion is low.

Oil mills and cotton ginneries export all their output (to EEC markets).

The printed fabric factory (ICODA) exports approximately 40 per cent of its output to Nigeria (illicitly).

Note: The construction of a textile complex (IDATEX) at Parakou in the near future will mean that approximately 3,675 tonnes of ginned cotton will be used locally.

Exports of industrial goods

Industrial goods	1967 Production Quantity (in tonnes)	1967 Exports Quantity (in tonnes)	1967 Exports Value (in millions of CFA francs)	1969 Value (in millions of CFA francs)	1969 % (1)
1. Palm kernel oil	18,300	16,400	874	1,569	21.2
2. Ginned cotton	3,607	2,600	331	787	11.1
3. Palm oil	7,300	8,500	264	431	6
4. Palm kernel cakes	19,200	21,100	251	369	5.2
5. Palm kernels	5,700	4,000	140	289	4

(1) As a percentage of the total value of the exports.

Source: Annuaire Statistique du Dahomey - 1969

Exports are mainly palm products (36.4 per cent of exports in 1969) and cotton fibre (11.1 per cent).

None of the plants supply sub-regional markets. However, a number of (not yet operative) projects provide for the possibility of supplying the Nigerian market (65 million inhabitants).

That being the case, it would be better instead of contemplating a trade treaty or agreement, to see to it that plants operate efficiently enough to produce goods which are competitive from the point of view of both quality and price.

B. Statistical indicators of industrial development progress

1. Contribution of the secondary sector to national output

		1959		1967		1970 (2)	
		Value (1)	%	Value	%	Value	%
	Primary sector	13,900	40%	17,173	35.5%	20,690	34.1%
1.	Agriculture			12,764		15,760	
2.	Stock-rearing			2,105		2,300	
3.	Forestry			1,446		1,550	
4.	Fisheries			858		1,080	
	Secondary sector	2,800	8%	5,207	10.7%	7,480	12.3%
1.	Modern industries			1,429		3,100	
2.	Artisan and cottage industries			1,769		2,050	
3.	Construction			2,009		2,330	
	Tertiary sector	17,900	52%	26,298	54%	32,750	53.6%
1.	Commerce			9,305		12,100	
2.	Transport			1,835		2,227	
3.	Other services			4,408		5,223	
4.	Administration			6,550		8,000	
5.	Import duties and charges			4,200		5,200	
	TOTAL GDP	34,600	100%	48,678	100%	60,920	100%

(1) Value in millions of CFA francs.

(2) 1970 values are tentative estimates.

The following conclusions can be drawn from this table:

(a) A slight structural modification of the GDP occurred between 1959 and 1970; in 1959, the secondary sector accounted for only 8 per cent of the GDP, whereas by 1970 it had reached 12.3 per cent. On the other hand, the primary sector, which in 1959 represented 40 per cent of the GDP, had fallen to 34 per cent in 1970. Thus, a slight increase in the secondary sector took place at the expense of the primary sector;

(b) The added value of the secondary sector rose from 2,800 million CFA francs in 1959 to 7,480 million in 1970 - an average growth rate of approximately 9.3 per cent. Taking 1959 as the base year (index 100) gives the following equation:

$$267 = 100 \quad (1 + x)^{11}$$

$$x = 9.3 \text{ per cent (market prices)}$$

(The estimate is based on data taken from the *Annuaire statistique du Dahomey*.)

Increase in GDP over the same period:

1960-1967: 4.5 per cent/year at market prices

1967-1970: 7.7 per cent/year at market prices

(c) The structure of value added in the secondary sector in 1970:

Modern industries	3,100 or 41.4 per cent
Artisan and cottage industries	2,050 or 27.4 per cent
Construction	2,330 or 31.2 per cent
Secondary sector	7,480 or 100 per cent

(d) It is difficult to give a breakdown of manufacturing output in enterprises in the public, private and mixed sectors. It should, however, be noted that the private sector produces few manufactured goods. Industrial goods are for the most part palm products (palm oil, palm kernel oil and cakes), and all the oil mills are either public or mixed ownership enterprises.

Enterprises of the public sector together with enterprises of mixed ownership provide more than 75 per cent of the output of manufactured goods.

A final comment on the current state of industrial development in Dahomey: the industrial sector provided 26 per cent of total employment in the economy in 1967, as shown in the following table:

Total number of persons employed (paid and unpaid) in 1967, classified according to sector of activity

Sector of activity	Number of persons employed	Percentage
Primary	505	8.8%
Secondary	1,500	26.0%
Tertiary	3,756	65.2%
Total	5,761	100.0%

In 1973, this percentage is definitely still less than 30%. It is thus the tertiary sector which plays a crucial role in both employment and gross domestic output.

Although during the period 1960-1970 the average rate of increase of industrial output exceeded that of the GDP, the manufacturing sector makes only a small contribution (12.3 per cent) to national production, and thus occupies the third place after the tertiary and primary sectors.

III. THE STRATEGY OF INDUSTRIALIZATION, 1960-1972

A. Selection of priority industries

1. The quantitative targets of the Plan

(a) Manufacturing output

The first four-year plan (1962-1965) included a long-term objective: between 1961 (base year) and 1981 (cut-off point) the per capita gross domestic product should double to reach:

2 x 1.69 x 36 = 122 thousand million CFA francs

1.69 = population growth rate

36 thousand million CFA francs = GDP in 1961

In 1959, the secondary sector accounted for 8 per cent of the GDP; by 1981, it should have increased to 18 per cent, giving an average rate of growth (over 20 years) of 10.5 per cent.

The quantative objectives of the first four-year plan may be summarized as follows:

Formation of gross domestic product	1959 calculations	% of total	1961 estimates in millions of CFA francs	Projection up to 1981: Value in millions of CFA francs	% of total	Average annual rate of increase, projected over a 20 year period
Value added by enterprises in the						
- primary sectors	17,927.6	52.2	18,700	50,500	41	5.0%
- secondary sectors	2,838.5	8.3	3,000	22,000	18	10.5%
- tertiary sectors	9,949.9	29.0	10,500	36,500	30	6.5%
Gross domestic production	30,716.0	89.5	32,200	109,000	89	6.25%
Services rendered by domestic and administrative staff	3,606.7	10.5	3,800	13,000	11	6.25%
Gross domestic product	34,322.7	100.0	36,000	122,000	100.0	6.25%

According to this table, the secondary sector should in 1965 have had an added value of

$$Y = 3\ (1 + 0.105)^4 \text{ thousand million CFA francs}$$
$$= 4{,}472 \text{ million CFA francs}$$

<u>In 1965 the added value of the secondary sector was 6,000 million CFA francs.</u> The 1966-1970 plan, which describes the situation in 1965 and sets new objectives for 1970, gives the following table (in thousands of millions of CFA francs):

Aggregates	1965 Value	1965 %	1970 Value	1970 %	Difference in value	Difference in %	Average annual growth rate (as %)
1. Gross domestic output including:	42.4	90.20	53.0	92.65	10.60	25%	4.5%
- Primary sector	23.0	48.93	28.0	48.95	5.0	22%	4.0%
- Secondary sector	6.0	12.76	9.5	16.60	3.5	58%	9.6%
- Tertiary sector	13.4	28.51	15.5	27.09	2.1	16%	3.0%
2. Salaries of administrative staff	4.5	9.57	4.1	7.16	0.4	9%	1.4%
Domestics wages	0.1	0.2	0.1	0.17	0	0	0
3. Gross domestic product (1 + 2)	47.0	100%	57.2	100%	10.2	22%	4.0%

From this it can be seen that the quantitative targets set for the industrial sector in 1965 were exceeded so far as the output of manufactured goods was concerned.

The five-year plan for the period 1966-1970 provided for an added value of 9.5 thousand million CFA francs in the secondary sector by the cut-off year (1970), representing 16.6 per cent of the GDP.

The provisional estimates available give a value of only 7,480 million CFA francs, or 12.3 per cent of the GDP, for production in the secondary sector in 1970.

Thus, the industrial production targets of the second plan (1966-1970) have not been achieved.

The interim plan for 1971-1972 sets no quantitative targets: it merely lists a number of projects to be carried out.

(b) Investments

The first five-year plan (1962-1965) provided for an investment of 2,400 million CFA francs in the industrial sector.

The second plan (1966-1970) set a target for investment in industrial and commercial development of 9,434 million CFA francs.

The interim plan (1971-1972), which is only a stop-gap plan, provides for an investment of 17,295 million CFA francs in the secondary sector. In general, these objectives have not been achieved.

2. The industrial strategy

The basic industrial strategy which emerges from the plans drawn up during the period 1960-1972 is aimed at the utilization of local agricultural products and mineral resources, not only for export purposes but also to stimulate the establishment of import-substitution industries. As a rule, the plans have listed the general criteria which new industries should meet and given a list of specific projects to be carried out.

In the agricultural sector, the industries established during the period 1960-1972 correspond broadly to the priorities laid down by the Government. The projects for mineral-based industries, however, have never been carried through. For example, provision was made for the construction of a cement factory even in the first four-year plan (1962-1965) and this project was also included in the five-year plan (1966-1970). We have now reached 1973 and the cement factory project is still at the planning stage.

3. Evaluation of industrial projects

(a) Large projects (i.e. projects requiring a large investment)

The national costs and benefits of an industrial project may be assessed at various levels:

The effect of the project on the finances of the State;

The effect of the project on the trade balance;

Employment generated and salaries distributed;

The integration of the project in the national economy: direct primary effects and indirect primary effects in previous or subsequent stages of the industrial process;

Net local added value;

Internal rate of profitability, etc.

At the moment, these studies are carried out by foreign study centres: SEMA, SORGEM, SEDES, The World Bank, the EDF, UNIDO, etc. Large-scale industrial projects qualify for preferential treatment under the Investment Code.

(b) Small projects

The investor should submit a study file on the project in question to the Planning Office. The study, which is carried out either by the investor himself or by another party, should contain the following elements:

Firstly, a survey of the existing domestic and foreign market with a specification of the output which can be marketed. This is followed by a tentative assessment of the turnover.

Estimated investment accompanied by a production cost analysis (raw materials, power, labour, etc.), linked to an estimated operating statement which makes it possible to determine the financial and economic profitability of the project. The financing structure is presented in terms of an estimated financing and capital plan.

The file submitted is analysed by the technical investment commission which is made up of technical personnel and economists from the main departments concerned.

Having analysed the project and taken certain factors into account (size, profitability, importance for the national economy, etc.), the commission decides to grant the entrepreneur certain facilities which will enable him to reduce his running costs and start up his plant under auspicious circumstances. These advantages generally include:

1. Tax exemptions (industrial and commercial profit and turnover tax);
2. The elimination of customs duty on imported raw materials and industrial equipment. Generally speaking, all industrial projects, whether large or small, are centrally co-ordinated by the Planning Office.

B. Implementation of industrial projects

1. Small and medium-sized enterprises

In general, this category of projects is left to the local private sector (national or foreign investors). The investments involved rarely exceed 100 million CFA francs.

2. Large units

These cases, financing is usually mixed, with the State holding a certain percentage of the company capital.

All the plans drawn up during the period 1960-1962 contained an overall statement of targets (both qualitative and quantitative) as well as an enumeration of the various projects to be executed; taken as a whole, these projects form the industrial programme. The industrial policy is rarely revised. In fact, the fundamental problem has always been one of putting this industrial policy into effect.

3. The main thrust of industrialization

The current financial capacity of the State is not sufficient to enable it to play a major role in the industrial development of the country; in fact, its operating budget has been run for a number of years at a deficit and resources have never been fed into the investment budget.

Accordingly, during the period 1960-1962, the main thrust of industrialization came from multilateral and bilateral donors of aid and from foreign investors.

C. Promoting exports of manufactured goods

Dahomey's exports are agricultural products - basically palm products (34 per cent of exports in 1969) and cotton fibre (11.1 per cent). The country exports practically no manufactured goods.

D. Promoting employment

In comparison with European countries, labour in Dahomey, as in the African countries in general, is not expensive. The minimum hourly wages, graded according to different categories of workers, are fixed for each branch by collective wage agreements. Thus, the wages of workers in the chemical industries vary from 39.60 CFA francs/hour (first category) to 186 CFA francs/hour (seventh category).

Rates of interest on industrial credit granted by local banks vary between 4.5 and 6 per cent.

Priority industries are eligible in general for the advantages of the Investment Code and are thus able to import industrial machinery and equipment free of customs duty. It can thus be seen that all these conditions are designed to encourage the use of labour-intensive techniques in the appropriate sectors. The Investment Code (State ordinance) also contains provisions designed to promote employment in the industrial sector.

Priority enterprises are considered to be those which can contribute to Dahomey's economic development by providing employment. The use of foreign labour in an enterprise receiving advantages must be approved in advance by the Ministry of Labour.

Such authorization may be given only when the enterprise in question is unable to obtain on the local market manpower and personnel of the skill levels and in the quantities required.

E. Location of industries in new centres and rural areas

Enterprises which by reason of their location contribute to the regional development policy through the rational placement of investments are considered to be of particular economic value. Such enterprises may be eligible for an additional period of exemption up to a maximum of 5 years.

During the sixties, an industrial zone was established at Cotonou which is the main industrial centre. The only industries established in rural areas are those based on the processing of agricultural commodities produced in the area concerned (oil mills, cotton ginneries, etc.).

F. Development of manufacturing technology

The manufacturing processes currently used in Dahomey are of foreign origin; there is no apparent effort to adapt imported technology. It should, however, be noted that the University of Dahomey has a major role to play in this regard. Dahomean research workers should develop local manufacturing processes or adapt foreign technology, taking into account the raw materials, manpower, etc available locally.

G. Training of local labour and management

The decision to grant privileged treatment to a given enterprise stipulates the obligations of the latter, particularly with regard to its employment and vocational training programme. As a rule, the enterprises themselves provide on-the-job training. Where highly specialized training is required for certain jobs, some enterprises send personnel for training abroad.

IV. INDUSTRIAL POLICIES AND MEASURES, 1960-1972

1. Procedures for the finalization of industrial projects in the public sector

An industrial project to be undertaken in the public sector undergoes a series of preliminary studies before it is executed.

The project is analysed from the technical point of view by the department concerned; thus, a refinery or a cement factory is the technical responsibility of the Mine Service. Once the technical stage has been completed, an inter-ministerial commission composed of specialists from the various departments concerned (technical and economic departments, the Planning Office, customs, taxes) meets to discuss all aspects of the project - technical aspect, economic aspect, place of the project in the development plan. The interplay of the various members' views is a means of refining the various aspects of the project.

In this way, the Government can be sure that the project undertaken is sound in every respect.

2. Amendments to the tariff structure: tariff protection

Many changes were made in the customs tariff structure during the period 1960-1972, the most recent of which was the lowering of tariff barriers in 1969, 1971 and 1973, mainly in respect of:

Fabrics
Construction materials
Vehicles
Dairy produce
Sports goods
Photographic equipment, etc.

The purpose of these tariff reductions should be sought in a regional context. Compared with Togo (neighbouring country), goods imported into Dahomey are expensive.

The aim of the tariff reductions was thus to increase the volume of imports and the purchasing power of the consumer by reducing the cost price of imported goods.

3. Protection of industries

With regard to tariff protection for new industries, it should be pointed out that industrial development in Dahomey operates within the context of a system of free competition. There is no tariff protection so far as customs duty is concerned. During the start-up period, new industries may take advantage of the benefits afforded by the Investment Code (exemption from taxes and customs duty). It was to reduce the adverse effects of customs duties and taxation on industries, and to attract foreign capital that the State promulgated Law No. 61-33 of 31 December 1961 (abrogated by statute No. 72-1 of 8 January 1972 incorporating the Investment Code).

This Code applies to both national and foreign investors.

It contains four systems of privileges (A, B, C, D) offering enterprises advantages on a progressive scale according to their value and importance from the national development point of view.

The incentives granted include mainly:

A. Exemptions from customs duty

(1) Exemption from charges and taxes levied on imported equipment, machinery and tools which are directly required for the manufacturing and processing of goods;

(2) Exemption from or reduction of charges and taxes on the import of:

(a) Raw materials and semi-finished products used in finished products;

(b) Raw materials and products intended for non-returnable packaging of processed products.

(3) Reduction of export duty on processed products or manufactured goods exported by the enterprise.

B. Tax relief

(1) Exemption from industrial and commercial profits tax;

(2) Exemption from turnover tax.

4. Impact of the provisions of the Code

Since the secondary sector in Dahomey includes no industries which manufacture durable goods, the effect of the Investment Code has been to encourage the import of machines and raw materials required for production.

At the plant level, in spite of operating problems which arise once the period of preferential treatment has expired, it can be noted that a significant number of small and medium-sized enterprises are now being established. So far as large enterprises requiring substantial investments are concerned, the overall impact of the Code has not been sufficient to stimulate the level of private investment foreseen in the Government's development plans; consequently, the progress made towards industrialization is still modest in 1973.

It should be added that in the case of certain enterprises, tax losses and the opportunities lost by the State have not been offset by the local net added value they have created.

The inadequacy of the results obtained should be attributed to several causes, mainly:

(1) The large number of investment codes in Africa;

(2) The limited size of the Dahomean market;

(3) The fact that there is very often competition between several projects of the same type being undertaken simultaneously in different African States. Example: project for the establishment of a cement factory in both Togo and Dahomey;

(4) Political instability, which does not reassure investors;

(5) The lack of a central office for the formulation of negotiable projects, etc.

V. INSTITUTIONS AND INDUSTRIALIZATION, 1960-1972

A. The Study and Planning Office

The Study and Planning Office, established in 1961, shortly after independence, is the only planning agency in the country and as such its responsibilities include industrial development planning. Its tasks in this area are:

1. To prepare guidelines for economic and social development;
2. To co-ordinate all industrial development projects and evaluate them: (The Planning Office is responsible for all projects while they are being studied, while the Ministry of Economic Affairs is responsible for all projects carried out and for checking the progress of projects during execution);

3. To propose an industrial development strategy;
4. To supervise the formulation of the development plan in general, with particular reference to the industrial branch;
5. To co-operate with the Ministry of Economics with a view to identifying a policy designed to promote rapid industrialization.

In practice, the Planning Office co-ordinates the application of measures designed to encourage private foreign investment; the measures are actually implemented by the different departments concerned (customs, revenue, etc.). On the proposal of the Planning Office, the Government grants enterprises preferential treatment in accordance with the Investment Code.

All incentives (customs duty and tax exemptions, re-discounting of investment credit, etc.) must be approved in advance by the Planning Office which is the only body authorized to deal with investors.

In fact, during the period under review, the Planning Office has never fully played its role, as shown by the fact that the two major plans covering this period were formulated abroad.

Successive governments have attached only secondary importance to this planning agency which should be re-structured.

B. <u>The Development Bank of Dahomey</u> (BDD)

The Benin Bank, established in 1954, was nationalized in 1960 and in 1962 became the Development Bank of Dahomey in response to the legitimate concern of the public authorities to promote economic development. The State in fact required an appropriate credit instrument. The BDD now has a capital of 180 million CFA francs in which the State is a majority shareholder.

The resources of the Bank fall into three categories:

Funds loaned by the <u>Caisse Centrale de Cooperation Economique</u> in the form of all-purpose or special advances;

Monetary resources mobilized at the Central Bank for the States of West Africa under re-discounting ceilings fixed by the Bank;

The liquid assets of the Bank drawn from its own available funds.

The functions of the Bank

The Bank at present acts in the following areas:

Processing of national operations;

Short, medium and long-term loans in the agricultural, property and artisan sectors and the provision of industrial equipment to enterprises.

In addition to making credits available to the economy directly, the Bank takes holdings in companies, the amount of which may not exceed 20 per cent of capital of the companies concerned.

The Bank is involved mainly in farming credit operations. In 1971, of a total of 1,076 million CFA francs' worth of credit granted, agricultural credit accounted for 708 million CFA francs (or two-thirds), credit for landed property for 154 million CFA francs, and credits for industrial and artisan equipment for 121 million CFA francs.

The Bank should develop its policy of participation and identify industrial projects instead of waiting for them.

The BDD is not yet playing its role to the full, i.e. being an effective instrument of the Dahomean Government's economic policy.

C. In addition to the two institutions just mentioned, there are three local commercial banks which grant medium-term investment credit (2-5 years). No institution has been established:

To improve the supply and quality of skilled labour for industry;

To supplement management training provided by industrial enterprises;

To promote export sales of manufactured goods;

To provide technical information on the selection of manufacturing processes, product design, equipment and machinery suitable for local conditions;

To give advice on the adaptation of product design and manufacturing processes to local conditions, on product standardization and on quality control.

In conclusion, it can be said:

1. That measures to promote industrialization are mainly embodied in the Investment Code;

2. That the plan for the industrial sector defines the industrialization strategy and co-ordinates industrial development by centralizing all industrial projects.

Nevertheless, the Planning Office is not yet able to control the industrialization process effectively, since its power and influence do not correspond to the growing importance of industrialization for the country's development.

GENERAL CONCLUSIONS

Despite the fact that pre-conditions conducive to industrialization exist in Dahomey (agricultural and mineral potential; plentiful manpower; sizeable transport network; availability of electric power), industrialization achievements during the period 1960-1973 have been very modest. The contribution of the industrial sector to the gross domestic product is still low (12.3 per cent in 1970).

Industry and more specifically the chemical industry (petroleum-based) should play a fundamental role in the development of Dahomey by providing farmers with:

(a) Intermediate consumer goods: fertilizers, insecticides, chemical products, plastics, etc;

(b) Finished consumer goods on which farmers can spend their income.

Thus, by supplying the agricultural sector and then providing a market for it, industry will play a key role in economic development.

There is no doubt that the exploitation of petroleum, limestone, clay and marble deposits will increase the share of industrial production in gross domestic production.

Before meaningful results are obtained, however, much remains to be done. The policies and measures designed to promote industrialization, taken as a whole, are still inadequate.

The Government of Dahomey should concentrate its attention on the following areas:

The organization of financial institutions which can mobilize both domestic and foreign capital and channel it into the industrial sector;

The identification of areas of action in the public and private sectors.

ANNEX

Table 1

The 25 major industrial enterprises established since 1960

Industrial enterprise	Year of Establishment	Goods produced	Capital invested (millions of CFA francs)	Annual sales (millions of CFA francs)	Imported raw materials (millions of CFA francs)	Advantages under the Investment Code
SODAK	1968	Woven kenaf bags	2,500	169 (1969)	Local raw materials	Regime C (plant production is slow)
SNAHDA	1963	Palm kernel oil and cakes	1,500	1,200	Local raw materials	Regime C
ICODA	1970	Printed fabrics	560	1,560 (1972)	800 (approximately)	Regime C
S.C.D.	1970	Cement	350	980 (1972)	553	Regime C
HOUIN AGAME	1970	Palm oil	300		Local raw materials	None
Cotton Ginning: GLAZOUE	1973	Ginned cotton	250		"	"
Cotton ginning: BANIKOARA	1967	"	250		"	"
Cotton ginning: PARAKOU	1967	"	210	2,100 (approximately)	"	"
Cotton ginning: KANDI	1971	"	200		"	"
Cotton ginning: HAGOUME	1970	"	180		"	"
SODAMI	1972	Wheat flour	140	250	193	Regime B
EFIA	1971	Wooden boards	140	70	Local raw materials	Regime A
BATA	1969	Footwear	118	198 (1972)	75	Regime B

Cont'd....

Table 1 (continued)

Industrial enterprise	Year of Establishment	Goods produced	Capital invested (millions of CFA francs)	Annual sales (millions of CFA francs)	Imported raw materials (millions of CFA francs)	Advantages under the Investment Code
INDACY	1969	Assembly of motorcycles	110	240	210	Regime B
SOGEBE	1972	Foam rubber mattresses	69	169	103	Regime B
A.B.M.	1971	Stationery	60	128	64	Regime B
SO DA SEL	1972	Kitchen salt	45	47	Local raw materials	Regime B
SO DA PEC	1973	Paints	43	56	28	Regime B
GAMEC	1968	Paints	40	60	46	Regime B
SIED	1970	Tyre retreading	35	33		Regime A
DAFRI	1963	Steel pins	31	23		Regime B
QUINCAFRIC	1971	Steel pins	31	33	14	Regime A
SO DA CO	1971	Confectionery (sweets)	30	6	4	Regime A
Steel and concrete	1963	Construction materials	25			Regime A
Food industry	1968	Alimentary paste	20	60	31	Regime A

Table 2

Composition of gross domestic product (in millions of CFA francs)

	Local currency: market prices						Growth rates	
	1959		1967		1970		1959-1967	1967-1970
	V	%	V	%	V	%		
Primary sector	13,900	40	17,173	35.5	20,690	34.1		
Secondary sector	2,800	8	5,207	10.7	7,480	12.3	2.6%	6.9%
Made up of:							8.1%	12.75%
Modern industries			1,429		3,100			2.6%
Artisan and cottage industries			1,769		2,050			8.1%
Construction			2,009		2,330			5.1%
Tertiary sector	17,900	52	26,298	54	32,750	53.6	5.1%	7.6%
TOTAL GDP	34,600	100	48,678	100	60,920	100	4.5%	7.7%
GDP (US$) 1$ = 200 CFA francs	173 million		243,390,000		304,600,000			
Population	2 million		2,508,000		2,718,000			
Per capita GDP (US$)	$86.5		$97.04		$112.06			

Exchange rate: 1$ = 200 F CFA

Table 3

Balance of international trade

	Local currency (millions of CFA francs)		
	1961	1970	1971
Exports	3,579	9,062	11,648
Imports	6,275	17,660	21,201
Deficit	2,696	8,598	9,553
Reserve ratio	57.0%	51.3%	54.9%

Imports classified by groups of products during the period 1966 - 1971

	1966	1970	1971
Imports	8,269	17,660	21,201
Made up of:			
Consumer goods	4,877	9,501	12,250
Durables	1,465	3,680	4,230
Intermediate products	1,769	3,395	3,870
Other products (not broken down)	158	1,084	851

Table 4

Number of persons employed in 1967, by sector of activity

Sector of activity	Number of persons employed	Percentage
Primary	505	8.8%
Secondary	1,500	26%
Tertiary	3,756	65.2%
TOTAL	5,761	100%

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