Factsheet

Country Analysis

Côte d'Ivoire

Netherlands-African Business Council

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Summary

Already before independence from France in 1960, the West African country Côte d'Ivoire was the bouncing heart of the region, going through a cocoa and rubber boom, especially in the 1960s and 1970s. Its economic growth of almost 10% per year for twenty years in a row was outstanding for a non-oil exporting country. In the 1990s, though, political unrest got the upper hand, coming to a climax with a military coup which put General Robert Guéï in place in 1999. In the fifteen years following, all that had been built up in terms of infrastructure during the thriving decades, was destroyed by the civil wars of 2002-2004 and 2010-2011, and by the continuous unrest in between those years.

However, since President Alassane Ouattara has taken office in 2011, things have turned around. With his National Development Plan (NDP) he has taken the first steps towards rebuilding the flourishing country Côte d'Ivoire once was. His government focuses on rebuilding and expanding the potential Ivorian top sectors of energy, mining, agriculture and infrastructure. In order to succeed, he has put into place several reforms to attract foreign investors. The country currently still struggles in several areas, but it has also shown already huge improvements when it comes to the business climate, by boosting for example the gold mine sector. With this pragmatic, business friendly and forward looking government in power, a stable, social outlook and genuine investment prospects, the country is highly likely to continue its prosperous path.

Figure 1: Map of Côte d'Ivoire

1. Macroeconomics

Côte d'Ivoire at a glance	
Geographical context	Côte d'Ivoire is a West African country which borders on the east with Ghana, Liberia and Guinea on the west, and Mali and Burkina Faso in the north. The gulf of Guinea is in the south.
Capital	Yamoussoukro. The port city Abidjan is, however, the largest and most important city in terms of international business.
Population	22,8 million (July 2014 estimate)
Working population	7,9 million (2013 estimate)
Official language	French. In addition there are several local languages, of which Dioula is the most common, and also used in business.
Current President	Alassane Ouattara (Since 2011).
Government type	Republic, multi-party system
Currency	CFA – West African Franc (US$ 1 = 482,60)
GDP	US$28,8 billion (2013 estimate)
GDP per capita (PPP)	US$1.800 (2013 estimate)
Literacy rate	56,9% of the population
Religion	Muslim 38,6%, Christian 32,8%, indigenous 11,9%, none 16,7%.
Main sectors	Agriculture (cocoa, palm oil, rubber, coffee), mining (gold), energy (oil).

Figure 2: Sources: CIA World Factbook and McKinsey Urban World

Political analysis

The last elections were held in 2010, with the new government assuming office in 2011. These elections marked the Ivorian lost decade, as since 1999 there had been severe civil and political conflict. Over the years the conflict damaged the infrastructure and social cohesion severely, and made the country an unattractive place for foreign investments. It is current President Alassane Ouattara's main focus to rebuild the economy and make it once again one of the fastest-growing ones in Africa.

Before Ouattara became president, he was an economist working at the International Monetary Fund (IMF). Within this organization he worked himself up to Director of the African Department, and later as Counselor to the IMF's Managing Director. After this, he was offered the position of Governor of the Central Bank of African States (BCEAO). Internationally, he is seen as a strong advocate of transparency and good governance, and an expert on contemporary African economics.

Since the aftermath of the 2011 elections, relative stability has been brought to the country. After the settlement of the transition of power from Gbago to Ouattara, international support for Côte d'Ivoire has returned. The short-term success has been tremendous, as is also acknowledged by the IMF and the World Bank.

Since 2011, the government of President Ouattara has been focusing on a reform program called the National Development Plan (NDP), which is constructed around four economic pillars that need investment and innovation. These are energy and industry development (1), infrastructure and transport (2), agriculture (3), and health and education (4).

The NDP has as two main targets: Côte d'Ivoire is to reach emerging country status by 2020, and the poverty rate has to be reduced by 50% by then. The latter is to be accomplished by inclusive and sustainable growth built on societal reconciliation. In order to reach the targets set, an investment of US$21 billion is needed, of which international donors have already agreed to provide support of US$ 8,6 billion.

The government plans to finance the health and education sector mostly by public sector funds, whereas the infrastructure, energy and industry sectors will be relying on public-private partnerships (PPPs) and the private sector.

Who is who in the Ivorian government

Position	Name
President	Alassane Ouattara
Prime Minister + Minister of Economy, Finance and Budget	Daniel Kablan Duncan
Minister of Foreign Affairs	Charles Koffi Diby
Minister of Agriculture	Mamadou Sangafoa Coulibaly
Minister of Interior and Security	Hamed Bakayoko
Minister of Commerce	Jean-Louis Billon
Minister of Industry and Mining	Jean-Claude Brou
Minister of Petroleum and Energy	Adama Toungara
Minister of Transport	Gaoussou Toure
Minister of Planning and Development	Albert Mabri Toikeusse

Figure 3: Source: CIA – World Leaders

Economic analysis and forecasts

The African Development Bank (ADB) will return this year returned to its headquarters at its original location in Abidjan. During the civil war the ADB went into exile in Tunis for over a decade. Its return to Abidjan has sent the message across that Côte d'Ivoire is stable again and getting back into business. In addition, the World Bank and other organizations are proactively helping Côte d'Ivoire to improve their business and regulatory environments through both investing in infrastructure and capacity building, as well as extending finance and debt relief. The regional cooperation and integration have a positive impact on the entire ECOWAS region.

Sustainable, almost double-digit, growth is forecasted for Côte d'Ivoire for the next couple of years, making it a shining star within West Africa. Very few countries sustained growth during the global financial crisis, but Côte d'Ivoire is still going strong. Whereas GDP growth in 2011 was -4,7% due to political crisis after the elections, the country came back strongly with 9,8% growth in 2012, and 8% in 2013. For the coming five years at least 7% yearly growth is projected.

Since the stabilization of the country, foreign interest in the country has returned, although investors remain careful as political risk remains relatively high for now. However, the improvements in economic policies and the political stability will encourage private investors over the medium long term to invest. In addition, increasing public investments, especially in infrastructure, provide better opportunities for businesses. Nevertheless, Europe has not yet recovered from the financial crisis and this may slow down foreign direct investment (FDI). Still, it is forecasted that FDI will go up slowly: from 2,7% of GDP in 2012, to 3,1% of GDP for the years 2013 and 2014 as a construction boom and growth in the agricultural sector are expected.

At the moment Côte d'Ivoire is the 4th largest exporter of goods in sub-Saharan Africa, behind South Africa, Nigeria and Angola. Its main export crops (coffee, cocoa, cashew, palm oil, cotton and rubber) are pivotal to the country's aimed growth. They stimulate the manufacturing and transport sectors, and play a key role in poverty alleviation and job creation. However, much of the country's agricultural produce is exported unprocessed. In this context, there is a need for private investment for the development of agribusiness activity and to help build the country's local agro-processing capacity.

Côte d'Ivoire's main export partners are the Netherlands (8,8%), United States (8,1%), Nigeria (8%), Germany (7,5%), France (4,5%), and Canada (4,2%), and its main import partners are Nigeria (25%), France (11%), and China (7,2%). In 2013 Côte d'Ivoire's exports totaled US$12,96 billion; its imports for the same year where worth US$9,8 billion.

Monetary policy

Côte d'Ivoire is a member of the West African Economic and Monetary Union (WAEMU), which provides monetary stability in accordance with the region. In this context, monetary policy decisions are made by the Banque Centrale des États de l'Afrique de l'Ouest (BCEAO). The BCEAO holds a strict approach to monetary policies, and this has ensured that inflation has been maintained at acceptable levels. Côte d'Ivoire's inflation rate for 2012 was 1,3%, but went up to 2,9% in 2013. However, for 2014 the inflation rate is expected to slow down again around 1,2%.

As a result of heavy public spending, mostly on infrastructure, since the new government took office, the budget deficit increased to 5,7% of GDP in 2011. Since then, the government has succeeded in taming the numbers somewhat. In 2012 the budget deficit was 4,3% of GDP, and diminished to 3,1% in 2013. However, for 2014 the budget deficit is forecasted at 3,5%.

The economic and political turmoil has resulted in an increasing account deficit from 2012 on, after four years of surpluses. The increased account deficit is largely due to necessary investment-related imports. The rise in FDI helps to slow down the increase in the account deficit, but it is expected that the current account deficit trend remains until the Ivorian economy really takes off in a couple of years. The account deficit in 2012 was 1,3% of GDP, in 2013 it was 2,9% of GDP, and it is expected to slow down to 2,5% of GDP once the economy expands.

2. Market opportunities

In Côte d'Ivoire FDI and equity financing are starting to flow into the economy. This happens most notably in agriculture, mining, infrastructure and energy sectors. As mentioned earlier on, as part of the National Development Plan, the government has four pillars that are most important for the country's development. In this section we will have a closer look at each of the pillars. Healthcare and education, the fourth pillar, are mainly funded by the public budget, and will therefore not be discussed into detail here.

Energy

The energy sector belongs to the first pillar, and provides ample opportunities for investment. To be more precise, the Ivorian government has estimated that there is US$27 billion worth of investment opportunities in 170 projects in energy and mining. New investment will enable Côte d'Ivoire to consolidate its position as an exporter of electricity to the entire region, as well as to meet growing domestic demand.

The country has significant hydroelectric potential, which will benefit from substantial investment. China, for example, is financing the construction of a new hydroelectric dam, set to be Côte d'Ivoire's largest, which is expected to generate 270 MW at an initial investment cost of US$600 million. Located in the southwest of Côte d'Ivoire, the Soubre dam is being built by the Chinese company Sinohydro and is expected to be operational by the start of 2018.

The development of the oil and gas sector also looks very promising. Baobab Oil Field - Block CI-40 about 25 km off the coast, was discovered in 2001 by the Baobab 1X well. The field, the largest in Côte d'Ivoire, is part of the Côte d'Ivoire sedimentary basin of the Lower Cretaceous period. The Société Générale estimates that production has the potential to rise from less than 50.000 barrels per day today to up to 120.000 per day. The government, with a more ambitious view, is even aiming at 200.000 barrels per day within the next couple of years. In this context the Ivorian oil and gas sector is seen as one of the key sectors to drive economic progress. It has been boosted by new finds in recent years, and by foreign investment: France's Total, Russia's Lukoil, the American Anadarko and Ireland's Tullow Oil have all declared positive results from exploration over the last twelve months.

Mining

The Ivorian mining sector also belongs to the first pillar, as the country has enormous mineral wealth. A third of West Africa's Birmian Greenstone Belt, a mineral-rich geological formation that stretches from Ghana to Senegal, is located within Côte d'Ivoire. The latest African Economic Outlook has estimated that the country's soil contains 3 billion tonnes of iron ore, 390 million tonnes of nickel, 1,2 billion tonnes of bauxite, 3 million tonnes of manganese, 90 million tonnes of gold and 100.000 carats of diamonds.

Up until now, however, the reserves remain largely underexploited, although this is beginning to change. For instance, Randgold Resources recently invested US$350 million in a new gold mine at Tongon. This in addition to other, similar investments, resulted in that Ivorian gold production grew by 20% in 2012.

The Minister of Mining's aim is to triple production within the next 6 years. To reach this goal, the government issued 13 new mining licenses in June 2013. As a result, some of the major international players in this sector are now present in Côte d'Ivoire. For example, Glencore Xstrata has taken advantage of the government's openness to foreign investment: the Anglo-Swiss mining giant recently announced that they will invest US$35 million Côte d'Ivoire to explore the nickel opportunities in the west of the country. Despite the fact that investors are still a little skittish in the aftermath of the civil war of 2010-2011, the increasing production is on schedule will come close to the government's targets.

Infrastructure

A couple of decades ago, Côte d'Ivoire was one of the first African countries to encourage private sector participation in infrastructure. Furthermore, the country has always been export orientated. This led to significant progress in the development of road, rail, power and ICT networks during the 1990s. After 1999 this progress slowed down because of a lack of investments, and the political turmoil. Currently, the government promotes private sector involvement to regain what was lost in the past fifteen years. It is considered the second pillar of economic development.

President Ouattara's Emergency Infrastructure Projects are aimed at making a difference quickly in the energy sector, road and bridge building and maintenance, sanitation and water supply.

The Port of Abidjan is West Africa's most important port, and arguably Africa's second busiest after Durban, South Africa. The port handles the majority of Côte d'Ivoire's cocoa exports, and 60% of goods enter and exit this port from and to landlocked Mali, Burkina Faso and Niger. The government intends to boost container capacity with a new 1,5 million TEUs terminal planned, with operations expected in 2016. The shipping company Maersk and its partners are currently spending US$591 million on a second container terminal at Abidjan, which is scheduled to start activities in 2016. The partners foresee the activity of a greater number of shipping companies to the port, with the 35 hectare site offering docking services for ships capable of transporting 8.000 plus containers per vessel.

Compared to other West African countries, Côte d'Ivoire's roadway network is quite developed with 82,000 km of roads. Although of a low density, the road network includes primary and secondary roads that sufficiently connect cities, secondary towns and international borders. President Ouattarra has underlined his commitment to build 1.000 km of tarmacked road each year as well as resurface 500 km of existing dirt roads at a total annual cost of nearly US$250 million. Moreover, plans for a trans-West African highway are taking shape, with the 1.000 km Lagos-Abidjan section central to the project.

Côte d'Ivoire's only rail link for transporting goods currently connects Abidjan with Ouagadougou, the capital of Burkina Faso.

Abidjan has a modern international airport that connects Côte d'Ivoire with other countries throughout Africa, as well as with Europe and the Middle East.

Agriculture

Agriculture is considered the third pillar in the government's NDP. Since its independence, the country has relied heavily on this sector. The 1960s and 1970s were the years of the "Ivorian miracle" as the economy was strongly pushed forward by cocoa production and export. Still today, more than two-thirds of the population is involved in agriculture-related activities, contributing to 25% of GDP and accounting for almost 70% of export earnings. The downside, however, is that it makes the country vulnerable to changes on the world market and bad weather conditions.

However, within this sector there is still a lot of unused potential, it is estimated that currently only 40% of the arable land is cultivated. In addition, the attraction of investment is still necessary to ensure economic competitiveness and growth.

The National Agricultural Investment Plan, as part of the NDP, has urged the need to the government to allocate at least 10% of the national budget to the sector. By 2015, the government's investment is aimed at US$4 billion for the cocoa sector alone.

Investment and expertise are mostly needed in the area of local processing. Often it is still raw material that is exported, while local processing would lift the sector to the next level. The NDP's aim is to process 50% of Ivorian cocoa within the country by 2015.

Besides cocoa, for which the country is the world's top producer, Côte d'Ivoire is Africa's largest exporter of palm oil, and the world's 8th largest exporter of rubber. Other important Ivorian crops are coffee, cotton, and cashew nuts.

3. Doing business

Since taking office, President Ouattara has implemented several reforms in order to improve the Ivorian business climate. In 2012, he introduced a new business code which aims at increasing foreign investment. The new code, for instance, offers tax cuts and sometimes even tax exemptions from value added taxes (VAT) on equipment. Moreover, a three tiered zoning system provides investors with zones where investors are exempt from corporate tax law for five to fifteen years, depending on the location of the investment. The three zones are divided as follows: the capital Abidjan, cities with more than 60,000 inhabitants and cities with less than 60,000 inhabitants. In this context, the smaller the city, the bigger the benefits.

The code also provides incentives to promote sectors that are key to the country's economic development, such as low-cost housing construction, the creation of factories and infrastructure development. Asked in return is that investors provide jobs, training, commit to technology transfer and comply with the environmental regulations.

In addition, to promote foreign investment and to provide information to those who consider investing, the Centre for the Promotion of Investments in Côte d'Ivoire (CEPICI) was established. This one-stop-shop also promotes Côte d'Ivoire actively abroad, and aims to assist new investors in establishing their business within 48 hours. This is a strong contrast with the 32 days that stood for starting a business previously, as was estimated by the World Bank in 2011. The costs of registering a new business have also been reduced to US$395, which was previously US$1,000.

Looking at the annual World Bank Doing Business Report 2014, Côte d'Ivoire is slowly doing better compared to previous years. For 2014, the country ranks 167, coming from place 173 in 2013, and 177 in 2012. Although, no prize winner yet, it highlights that the trend is positive. The new regulations and measures taken by the government under the new code are already paying off: at the moment there are 5 procedures needed to start a business, which compares positively against 8 as a sub-Saharan average and 5 in OECD countries. Moreover, whereas it takes 29 days in sub-Saharan Africa and 11 in OECD countries on average to start a business, in Côte d'Ivoire it takes only 8 days.

Moreover, the government has established a new commercial court which solely handles business cases. Set up in 2012, this new court has already adjudicated on over 2,000 cases. And there is more to come, as the government is also set to simplify customs procedures and reduce fees at the Port of Abidjan.

Operational risk

Despite positive trends, it is important to keep in mind that risks remain at the moment. Transparency International's Annual Corruption Index places Côte d'Ivoire on place 136, a little bit worse than in 2012 when the country was ranked 130. As is explained, corruption in Côte d'Ivoire is endemic and permeates all levels of society, which is reflected in the country's relatively poor performance in most areas assessed by governance indicators. This is a result of the decade-long civil unrest and war, which roots in profound political divisions among the population. Basic governance infrastructures are slowly improving, but are at this point still weak, making the governance system rather ineffective. Moreover, patronage and clan networks, though diminishing, continue to play a role in Ivorian society.

In the context of corruption, Ivorian public enterprises are inefficient, putting a strain on effective development. Another issue is that electricity prices are much too low when looking at the price it costs to generate it, which puts severe pressure on the fiscal budget. However, one of the main issues remains the access to finance. The cost of financial services is high and the availability of it lacking. To tackle the issues, the government aims to restructure inefficient public banks through mergers, liquidation, and privatizations. It is projected that these measures will improve the sector's efficiency in the medium to long term.

Positive, though, is that the commercial bank prime lending rate is relatively low: 3,8% for 2013, coming from 4% in 2012 and 4,3% in 2011.

Conclusion

President Ouattara is on the right track with its ambitious National Development Plan. After only three years in office, impressive changes can already be noted, as is acknowledged also by the IMF, World Bank and other international institutions.

In this context, unprecedented levels of public investment, strong international support and significant private sector involvement are all in process or on their way. Today, half-way 2014, foreign investors and donors have started to support Côte d'Ivoire's redevelopment and benefit from the significant opportunities that the country offers.

However, there is no doubt that there still is much to be done. Domestic political tensions still occasionally arise and the current path that the reform program indicates needs to be continued for a longer period of time to reach the goals set. However, as all indicators show, there is no reason not to believe in Côte d'Ivoire's progress as the country is right on schedule, and succeeding in improving its business climate and facilities significantly.

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